



Conexus' investment objective is to provide Investors with the opportunity to achieve long-term capital appreciation together with dividend growth through active management by investing in a portfolio of equities, derivative instruments, other securities listed on the JSE and OTC markets, private equity and private equity related securities and instruments listed on the Bond Exchange of South Africa. The Investment Manager targets a substantial portion of the investments being made in private equity investments that may be regarded as high risk by virtue of these positions being illiquid in nature and where governance and reporting standards may not be as developed as those in public markets. Investors in Conexus will own ordinary shares in Conexus Investment Fund Limited (which will house most listed instruments) as well as a beneficial ownership through a vested interest in the Conexus Capital Trust (which will house private equity investments).

Conexus Investment Fund Limited

Company information

Launch Date:	October 2006
Company NAV:	R100.3m
Dealing:	Quarterly
Investment:	Ordinary unlisted shares
Management Fee¹:	1.20% pa of NAV
Administration Fee¹:	0.24% pa of NAV
Performance Fee¹:	12% of realised & unrealised gains on a high watermark basis of NAV
Share price:	R1,193.74

1. Excl VAT
2. Rounded to nearest Rand

Top holdings

Cash	40.0%
Datapro	16.3%
Hedge funds	8.1%
York	7.0%
Sasol	4.6%
Listed prefs	4.6%
Billiton	4.5%
Datatec	3.6%
Johnnic	2.8%
MTN	2.3%
RMB	1.8%

Share Price history²

Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4	YTD %
2006/7	-	-	1,015	1,071	7.1%
2007/8	1,182	1,194	-	-	11.5%
2008/9	-	-	-	-	-
2009/10	-	-	-	-	-

Fee Calculations

Conexus Investment Fund Limited management and administration fees are calculated after providing for income and/or capital gains tax. Performance fees are calculated on a pre-tax basis. These methodologies of calculating fees align the interests of the manager with those of the shareholders.

Conexus Capital Trust

Trust Information

Investment:	Vesting Trust
Trust NAV:	R14.8m
Initial charges:	Nil
Management Fee¹:	1.20% pa of NAV
Administration Fee¹:	0.24% pa of NAV
Performance Fee¹:	12% of realised gains on a high watermark basis of NAV

1. Excl VAT

Investments

Series	Investment	Date	Cost	Proceeds	IRR
1	South Point Property	Feb 2007	R4.0m	n/a	n/a
2	South Point Property	Jun 2007	R8.2m	n/a	n/a
3	Hillson Drilling	Aug 2007	R2.0m	n/a	n/a

Investment Manager Commentary

Markets have turned nervous and everything now takes on a new complexion. Credit markets are in turmoil due to what is now well known as the US "sub-prime" housing market. This market has existed for some time but has become somewhat extended. However, the real message from credit markets is not the extension in value but the incorrect narrowing of risk premiums for different classes of debt. We therefore sit with credit markets undergoing a pricing correction as premiums normalise to take into account the risks which are now perceived differently. The knock on affect to equity markets has, at this stage, been mainly through hedge funds experiencing negative gearing with the parent institution often having to fund investor redemptions. Investment Banks have been left carrying large amounts of debt that has repriced and we have yet to see the effect of these provisions coming through the income statements. Internationally banks are in some disagreement on how to reflect the credit squeeze. The Yen carry trades are also in the fray as interest rate adjustments are made across currencies, including emerging market debt, where risk premiums have opened up. This could all take some time to settle down but the Central Banks are playing their part in providing the various markets liquidity to make the necessary adjustments.

Conexus has survived the volatile situation virtually unscathed due to the heavy weighting in cash or near cash. This has also allowed us to continue with private equity deals and not be caught on the wrong side of a volatile market situation. The portfolio also benefited from the diversification in Peregrine hedge funds which have shown positive returns in difficult markets. However, the JSE equity market is being watched with some interest as there could be opportunities as markets correct. As stated at the previous quarter end consumer and financial stocks should probably be left in favour of commodity and general industrial stocks that are less interest rate sensitive. The commodity stocks also offer natural rand hedge qualities which are attractive as one market causes uncertainty into another through the market linkages around the world.

The quoted portfolio has remained stable with very few changes over the quarter. The key change was through an opportunity to participate in the restructuring of York by way of a private placement managed by Metier. At the time Conexus committed to the placement this was very attractively priced and looked like a well structured deal with significant returns geared from a renewable forestry resource which is a beneficiary of construction and infrastructure spending. After committing to the placement, York suffered a major fire in Mpumalanga which damaged 7% of the forests. Fortunately there has proved to have been sufficient in the price that the stock still stands in the quoted portfolio at a reasonable gain.

In the private equity arena the full investment of R12.2m has been deployed into South Point. This company is performing outstandingly well and the portfolio of properties has increased substantially. The initial R2m has been placed in Hillson Drilling and the first drilling rig is in Durban Harbour and will shortly be on site earning revenue from the first contract. The first phase is being used to justify further investment and as Hillson was a rejuvenation of a business, Conexus Investors were given the opportunity to stand back from this initial investment, but will be given the opportunity to enter on further investment being made.

There are a number of other private equity opportunities being investigated and if successful these will be reported on. It is also intended to have a Conexus Investors meeting in November which will involve a full report back by Douglas Investments and afford the opportunity for Investors to interact with management of the various businesses held by Conexus. Notification of this meeting will be sent out in due course.

Investment Manager:

Clive Douglas Investments (Pty) Ltd

Advisor (corporate & legal):

Metier Advisory (Pty) Ltd

Structured & Administered by:

Realtime Financial Solutions (Pty) Ltd

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