



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: R74.7m
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: 1,070.54

1. Excl VAT

Top holdings

Cash 49.3%
 Datapro 13.8%
 Listed Prefs 9.0%
 Sasol 5.0%
 Wesco 4.2%
 BHP Billiton 4.2%
 Datatec 3.4%
 MTN 2.5%

Share Price history²

| Year | Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 | YTD % |
|--------|-------|-------|-------|-------|-------|
| 2006/7 | - | - | 1,015 | 1,071 | 7.1% |
| 2007/8 | - | - | - | - | - |
| 2008/9 | - | - | - | - | - |
| 209/10 | - | - | - | - | - |

Fee Calculations

Management, administration and performance fees are calculated after providing for income and/or capital gains tax. This practice of calculating fees on after tax values aligns the interests of the manager with those of the shareholders.

2. Rounded to nearest Rand

Conexus Capital Trust

Trust Information

Investment: Vesting Trust
Trust NAV: R4.2m
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 | R4m | n/a | n/a |

Investment Manager Commentary

The JSE continued its powerful bull run through the end of 2006 into 2007. As at the end of February the "All Share" had returned 247% (38% annual compound) since the low of 27th April 2003. There appears to be no reason for it to stop! The Budget was sound and well structured predicting a balanced budget for some years into the future with growth forecasts that are ahead of expectations, underpinned by a strong fixed investment cycle. This can be combined with signs of credit expansion slowing allowing the Reserve Bank to avoid increasing interest rates. With consumer demand moderating and the business cycle remaining strong as evidenced by strong corporate cash flows, things seem to be perfect. This could justify the P/E multiple peak of 17.6X reached in early February 2007. Forecasters are very positive about the year ahead and allowing valuations to be stretched.

Just as the financial year was coming to a close investor complacency took a knock. The Chinese stock market declined by 8% on 27th February raising the question; "how bullet proof is China?". This was easily shrugged off in the context of 2006 gains exceeding 120% and regarded as healthy as well as a market event unrelated to the underlying economy! Furthermore a marginal unwinding of the "Yen carry trades" also stirred investors. Carry trades are well known and much has been written about them, but the "Yen carry trade" cannot be quantified and therefore the consequences of a significant reversal are unpredictable. A third factor affecting foreign investors are the rumblings of the imposition of windfall taxes on resource companies, which makes SA look like a true emerging market. Finally comments from the likes of Greenspan and Buffett on the health of the US economy did little to calm investor jitters.

The question remains is this just an interruption to the bull trend or could this turn into a significant correction? If China's economy is slowing and the negative signal of windfall taxes is sent, then resource stocks will fall out of favour. If this is combined with "carry trades" unwinding to the extent that the huge US trade deficit with the reciprocal surpluses of China and Japan being brought into focus, then we could see some global currency chaos. Such a scenario would undoubtedly cause markets to correct and the JSE, which is in high value territory and an emerging market, will not be spared. This would not be very different to the 98 emerging market crises, but we know of the good health of the SA economy highlighted in the first paragraph, and based on a lot of courage we could be presented with a buying opportunity.

Conexus has a large proportion of cash and is well positioned to take advantage of any market setbacks. The cash is also partially earmarked for private equity investments, a number of which are being worked on. The first tranche of the first private equity investment in South Point (separately announced) is complete. There is likely to be a further investment in South Point of R7m to R8m as we follow our rights together with the Lereko Metier Capital Growth Fund

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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