



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:	R56.6m
Dealing:	Quarterly
Investment:	Ordinary unlisted shares
Management Fee ¹ :	1.20% pa
Administration Fee ¹ :	0.24% pa
Performance Fee ¹ :	12% of gains using the high water mark principle
Share price:	R1,016.27

1. Excl VAT
2. Rounded to nearest Rand

Top holdings	
Cash	41.5%
Hedge Funds	12.2%
Billiton	9.1%
Standard Bank	8.8%
Sasol	8.1%
Listed Prefs	4.0%
Vox	3.9%
Metmar	3.8%
Grindrod	2.6%
PPC	2.3%
Naspers	2.0%
MTN	2.0%

Share Price history ²					
Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4	YTD %
2006/7	-	-	1,015	1,071	7.1%
2007/8	1,182	1,194	1,197	1,190	11.1%
2008/9	1,219	1,156	1,029	986	-17.1%
2009/10	1,016	1,038	1,015	1,016	3.0%

Share Price Performance Calculation
The share price represents the net asset value calculated at the end of May, August, November and February each year, in accordance with the Offer document. The YTD performance represents the percentage movement in the share price for the period under review (i.e. latest share price / previous year end price less 1). Past performance is not necessarily a guide to future performance.

Conexus Capital Trust

Trust Information	
Investment:	Vesting Trust
Trust NAV:	R100.3m
Initial charges:	Nil
Management Fee ¹ :	1.20% pa
Administration Fee ¹ :	0.24% pa
Performance Fee ¹ :	12% of gains on a per series basis

1. Excl VAT

Investments			
Description	Cost	Estimated Mkt Value	IRR ¹
Unrealised	R99.3m	R131.9m	20.7%
Realised Hillson Drilling			34.5%
Total			20.9%

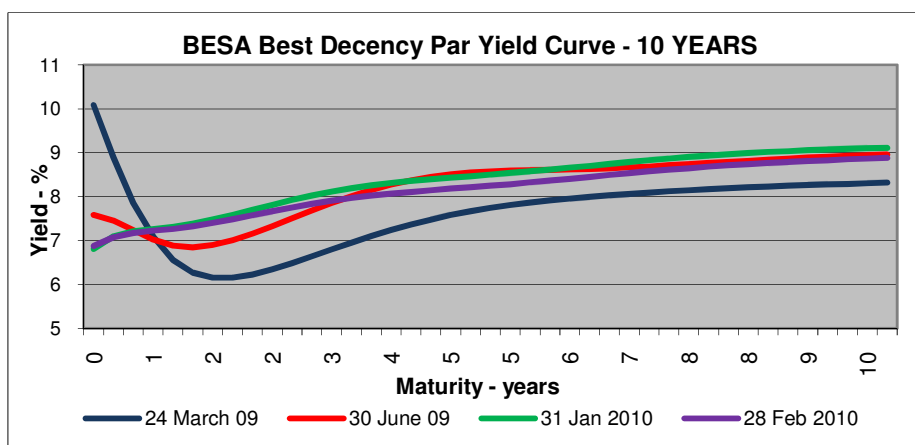
1. IRR represents annualised IRR net of management fees and prior to performance fees.

Investment Manager Commentary

We are one year away from the bottom and have completed another quarter of good performance for risk assets. Although the quarter ended on a softer note, equities worldwide for the past year have shown a stellar performance with the S&P500 rising by 72% which makes the ALSI performance of 46% more pedestrian. By any measure these are extraordinary performances but probably reflective of the risk that existed in March 2009 when there was high volatility and no visibility of the market direction.

The 3 legged stool, referred to in November 2009, of asset price recovery, economic underpin and positive company results, is holding up. Fourth quarter results in the US had 73% of companies beating consensus analyst earnings expectations. South Africa is also seeing good results from companies but not necessarily across the board. It is now expected that 2010 will continue to show share price recovery and we do not subscribe to the theory of a double dip.

As was the case in November 2009 with the Dubai world debt standstill being classified as a stress test for risk investors, it would appear that the crisis in Greece is a warning shot across the bow of heavily indebted nations. Such situations are symptomatic of the debt crisis at a sovereign level. The situation in Greece would undermine the integrity of the Euro and therefore it is likely that some sort of bailout will occur.



To some extent the theory that emerging markets could decouple from first world economies seems to have occurred. Emerging markets have stimulated their economies, encouraging internal growth rather than relying on developed world demand. South African markets present significant opportunities with interest rates at a low point yet they remain real and inflation is close to the required band. As is shown in the yield curve graph, over the last year the curve has normalised which is a strong indication of economic recovery from a recession. The commodity link to the eastern and in particular Chinese economies adds to this economic impetus. The capacity that is built up in both the labour and goods markets is advantageous in that such a recovery in 2010 is likely to have minimal inflationary pressures and therefore interest rates are expected to stay muted. Finally, the capital controls inflicted by exchange control and the stronger Rand driven by attractive investment and interest rate returns, also helps control inflationary pressures. It is therefore likely that the recovery will continue but at a slower pace in more normal conditions.

On the private equity front, smaller businesses are struggling from the recessionary environment of 2009. While Redsun Raisins was a successful start operationally, the headwinds of difficult a raisin market (on both the purchase and sale side) together with a continually strengthening Rand through the year led to a very disappointing result showing a significant loss. We have taken corrective action by converting the mezzanine debt into equity resulting in a greater ownership of the business (80%) and established stringent budgetary controls on a week by week basis, together with a hedging policy of 50% of the gross margin as foreign sales are established. The investment in York was switched into Conexus Capital Trust as a separate series and the rights offer, being heavily discounted, was followed and is now more than 50% up on the rights issue price of R2.00. While log prices are still under pressure due to both international economies and the downturn in home construction, a recovery is expected and the share has value due to a tangible NAV of R7.39 (June '09), and this NAV will be replenished and is therefore sustainable. The remainder of the private equity investments (Magix, Poynting, Dalys and South Point) have all been profitable and in some cases even outperformed. South Point remains a winner and is the largest investment of Conexus. South Point's rapid growth is consuming cash and we expect a rights offer, in which case we will provide Investors detailed information and allow them the opportunity to directly participate by investing further funds into the respective series of units in Conexus Capital Trust.

The Conexus Investor Meeting will be held on Tuesday 1 June at Summer Place. The invitations will be sent out in due course.

Investment Manager:

Clive Douglas Investments (Pty) Ltd

Advisor (corporate & legal):

Metier Investment & Advisory Services (Pty) Ltd

Structured & Administered by:

Realtime Financial Solutions (Pty) Ltd

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