



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**

<b>Launch Date:</b>	October 2006
<b>Company NAV:</b>	R81.0m
<b>Dealing:</b>	Quarterly
<b>Investment:</b>	Ordinary unlisted shares
<b>Management Fee<sup>1</sup>:</b>	1.20% pa
<b>Administration Fee<sup>1</sup>:</b>	0.24% pa
<b>Performance Fee<sup>1</sup>:</b>	12% of realised & unrealised gains using the high water mark principle
<b>Share price:</b>	R1,218.74

1. Excl VAT

2. Rounded to nearest Rand

**Top holdings**

Vox Telecom	15.6%
Bridging Loan	15.5%
Cash	15.0%
Hedge funds	9.5%
York	8.7%
Sasol	8.4%
Billiton	6.9%
MTN	4.5%
Standard Bank	4.4%
Listed Prefs	4.2%
Datatec	3.6%
Grindrod	2.4%
Metmar	2.1%

**Share Price history<sup>2</sup>**

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	-	-	-	2.4%
2009/10	-	-	-	-	-

**Share Price Performance Calculation**

The share price represents the net asset value calculated at the end of February, May, August and November 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**

<b>Investment:</b>	Vesting Trust
<b>Trust NAV:</b>	R51.9m
<b>Initial charges:</b>	Nil
<b>Management Fee<sup>1</sup>:</b>	1.20% pa
<b>Administration Fee<sup>1</sup>:</b>	0.24% pa
<b>Performance Fee<sup>1</sup>:</b>	12% of realised & unrealised gains using the high water mark principle

1. Excl VAT

**Investments**

Series	Investment	Date	Cost	Trustee's Valuation	IRR <sup>1</sup>
1	South Point Property	Feb 2007	R4.2m	R7.5m	60%
2	South Point Property	Jun 2007	R8.5m	R11.1m	40%
3	Hillson Drilling	Aug 2007	R2.1m	R2.8m	38%
4	Magix Integration	Sept 2007	R11.4m	R11.4m	n/a
5	Lereko Metier CG Fund	Nov 2007	R10.9m	R11.1m	4%
6	LMCGF Committed Funds	Nov 2007	R10.0m	R10.0m	3%
7	Rowbow Investments	Feb 2008	R4.7m	R4.7m	n/a

1. IRR represent annualised IRR per investment.

**Investment Manager Commentary**

Another quarter has passed and in spite of statements by some prominent commentators, the credit crisis (what was the sub-prime crisis) continues to cloud equity markets. Last quarter we released this report on the back of the Bear Stearns emergency funding and this quarter we release the same as Lehman Brothers disclose a \$2,8 billion loss causing them to have to raise capital. It appears that developed markets to a large extent, has dealt with the credit issues but are now suffering from a deterioration in asset prices and the concomitant liquidity constraints. It would appear that the US is in recession and the UK and European economies are heading for a recession. The question remains the extent thereof. This combined with the lack of consumerism will probably prevent equity markets showing any significant gains until markets are catalysed by companies showing the prospect of reasonable earnings growth.

How does this translate into the domestic economy? Consumer spending is contracting and should continue this way for the next 12 to 18 months; Consumer sensitive stocks should remain under pressure. Demand for commodities looks like it will continue but prices could come under pressure as the global economy digests slowing demand and if the US Dollar rallies. SA economic growth should be supported by the sustained demand for commodities, continual spending by the Government (low cost housing, infrastructure development in the lead up to 2010 and the current Eskom power problems) and a gradually weakening Rand.

To an extent, the decoupling theory where emerging economies dislocate themselves from developed economies, did occur, but not as expected. In the first half of this year commodity markets dislocated from all other markets. Commodity prices have been assisted by the weak US Dollar falling to a record low against the Euro. A fear factor caused by fuel and food commodity prices resulting in inflation against a backdrop of slowing economies is developing. The commodity boom has its own set of problems as the supply chain stock piles have built up as commodity users try to pre-empt rising input costs. These pipeline stocks might temper further gains in resource based companies. However, we have maintained the focus on resource stocks in the portfolio as they will continue to benefit from the higher prices and act as a natural Rand hedge.

The performance of the Conexus quoted portfolio was attributable to the exposure to resource stocks. These gains were augmented by the corporate activity in the telecoms sector. Most other stocks performed poorly in the last quarter with financial stocks continuing to show a woeful performance. We believe that this storm needs to be weathered with the Standard Bank holding as international banks now trade on single figure P/E ratios or price-to-book ratios that are at decade lows.

In spite of the tough conditions, the private equity investments held on Conexus Capital Trust have all performed well. They continue to outperform their budgets and are showing good earnings growth. Douglas Investments believe in the fundamental of a business growing its earnings, and that this will translate into favourable equity valuations. Furthermore, if this can be achieved in a tough environment, it is testament to that business being sound.

# CONEXUS FACT SHEET

## Investment Manager Commentary (continued)

MAY 2008

At the end of the last quarter we managed to conclude an exit of the relatively small investment in Hillson Drilling, at a price of R2,75 million. This returned a performance of 32%, nett of all fees and costs, to shareholders over the 8 month period that the investment was held. The reason for exiting was a difference in strategy with management as to how the business should be grown in the future and much to our surprise management secured a purchaser of Conexus' shares based on our asking price. Notwithstanding the fact that we have completed the transaction, we wish Hillson well in the future but believe it is positive that Conexus has completed its first full cycle on a private equity deal.

In the last quarter you would have received your Annual Report for the first completed year of Conexus to February 2008 which provides considerable detail. We are following this in the current quarter with an annual investors meeting which will be held on Monday, 14 July at Summer Place and you should have received an invitation in this regard.

### 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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