



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: R80.8m
Dealing: Quarterly
Investment: Ordinary unlisted shares
Management Fee¹: 1.20% pa
Administration Fee¹: 0.24% pa
Performance Fee¹: 12% of realised & unrealised gains using the high water mark principle
Share price: R1,196.62

1. Excl VAT
 2. Rounded to nearest Rand

Top holdings

Vox Telecom	17.1%
Cash	15.4%
Bridging Loan	14.1%
Hedge funds	9.1%
York	8.4%
Sasol	6.0%
Billiton	5.2%
Listed prefs	4.9%
Standard Bank	4.3%
Datatec	4.2%
MTN	4.0%
Grinrod	2.2%

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	1,197	-	11.8%
2008/9	-	-	-	-	-
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

Investment: Vesting Trust
Trust NAV: R46.2m
Initial charges: Nil
Management Fee¹: 1.20% pa
Administration Fee¹: 0.24% pa
Performance Fee¹: 12% of realised & unrealised gains using the high water mark principle

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
4	Magix Integration	Sept 2007	R11.4m	n/a	n/a
5	Lereko Metier CG Fund	Nov 2007	R6.3m	n/a	n/a
6	LMCGF Committed Funds	Nov 2007	R13.7m	n/a	n/a

Investment Manager Commentary

Having entered the last quarter with nervous markets centred on the "sub prime" crisis, markets have been very volatile. With the effective re-pricing of credit due to this crisis manifesting itself beyond sub prime mortgage loans, the base of the "risk free rate" must cause asset valuations to be adjusted. We also face the potential of recession in Western markets (beyond just the US) combined with an oil shock (still to have a lagged effect on the global economy) and China's "double bubble" (an over-heated economy and a stock market having a green house effect). All of these risks are being masked by the surplus liquidity provided by major central banks and this justifies the current price of equity markets, but by any historic measure valuations appear to be extended. There is an optimistic theory that emerging economies could de-couple from weakening developed economies.

The South African scenario is not that bullish with rising inflation beyond the upper limit of the Reserve Bank, causing interest rates to be hiked, for the 8th time in succession, household debt to disposable income ratio close to all time highs (75%) and an inverse yield curve (post sub prime). Investment risks are also heightened by the political uncertainties surrounding the leadership of the ANC. It seems unlikely that there is significant upside in SA equities generally. Clearly there will be exceptions and we continue to hold and in some cases up-weight some specific stock picks (i.e. Standard Bank) in the portfolio but have continued to conserve the large holding of cash. This "war chest" of cash allows us continue to pursue private equity deals.

During the last quarter we concluded a private equity deal of R11 million into Magix. This investment was made by a further allocation of shares resulting in the business being funded specifically for future non-organic growth. Since the investment has been made Magix has performed outstandingly.

A further commitment of R20 million was made to Conexus Capital Trust to fund the draw down investment in the Lereko Metier Capital Growth Fund (LMCGF). Conexus was afforded the opportunity to invest in this fund at an attractive valuation, knowing many of the underlying investments including South Point which was the initial investment for both funds. The opportunity arose through the association between Douglas Investments and Metier.

South Point has continued to expand its portfolio geographically and now owns 14 buildings in Braamfontein, Pretoria and Port Elizabeth. The company continues to explore opportunities in other areas.

Hillson Drilling has commenced work near Middelburg for NuCoal and was profitable in the first month of operations.

Those investors who attended the meeting held on 26 November will have had a better exposure to the operations and investments of Conexus. However, should any investors wish to have a one on one meeting in the new year, please do not hesitate to contact the Manager. We continue to pursue a number of new and exciting opportunities.

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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