



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:	R102,5m
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:	R1,028.83

Top holdings

Cash	50.5%
Bridging Loan	10.1%
Hedge Funds	7.5%
York	6.7%
Sasol	4.5%
Vox Telecom	4.1%
Billiton	3.9%
Standard Bank	3.8%
Listed Prefs	3.4%
MTN Group	2.6%
PPC	1.3%

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	1,190	11.1%
2008/9	1,219	1,156	1,029	-	-13.5%
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.

1. Excl VAT
2. Rounded to nearest Rand

Conexus Capital Trust

Trust Information

Investment:	Vesting Trust
Trust NAV:	R55.5m
Initial charges:	Nil
Management Fee¹:	1.20% pa
Administration Fee¹:	0.24% pa
Performance Fee¹:	12% of realised gains using the high water mark principle

Investments

Description	Cost	Estimated Mkt Value	IRR ¹
Unrealised			
Quoted	R7.8m	R5.0m	-75.3%
Unquoted	R47.4m	R65.9m	30.1%
Total	R55.2m	R70.9m	24.4%
Realised			
Hillson Drilling			34.5%
Total			24.8%

1. Excl VAT

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

Investment Manager Commentary

The last report for the quarter ended August 2008 stated that real fundamental value opportunities were available in the market that had cracked due to fear and illiquidity. We also highlighted that Conexus has had the benefit of R41 million in cash, being a significant war chest available to invest in a distressed market. In the subsequent quarter just ended November, market and world events have proven to be even more dramatic, and we are pleased to report that no further cash was invested in this quarter.

The JSE All Share Index has declined by a further 19% in the quarter ended November to end 36% off the 22 May high. Intra month during October and November troughs that were virtually 50% off the same high occurred. This decline and the speed at which it has occurred, leads to comparisons with other bear markets. Some believe current market circumstances equate to the patterns displayed in the 1930's (see attached Financial Times article – Monday 10 November 2008). These comparisons are an effort to forecast the extent and duration of the decline as well as predict where in the cycle we are!

Our sense is that having reached a low in October, and subsequently in November, and that we have started "bumping along the bottom". This may be an expression of hope as such dramatic market movements are impossible to predict. If we have reached or are near the bottom, the question remains as to whether we will experience a V or U shape recovery (ie how long can we expect to bump along the bottom). Unfortunately, neither scenario is predictable but we have seen significant changes to the world with unprecedented co-ordinated government and central bank interventions which in themselves (good or bad) invalidate the comparisons to history.

Whatever the scenario may be, there is significantly more value than has been seen in markets and particularly in equities for at least 3 years. Fortunately in Conexus we maintained our entire cash balance for the last quarter and while we have had the benefit of the cash buffer, we have not been immune and the quoted portfolio of Conexus Investment Fund has shown declines. These are less than the market, but we are virtually back to the original Conexus issue price of R1,000 per share. The main culprit of the quoted shares has been VOX. The drama is partly extraneous to the business or markets, and is mainly due to the insolvency of Deal Stream (a broker of VOX shares). The situation was exaggerated by management's own exposure through CFD's (contracts for difference) resulting in their own holdings being virtually wiped out. However, the business continues to perform in line with expectations but the uncertainty and decline in the share price might well lead to a take out or take private opportunity.

We have been deliberately static on the balance of the equity portfolio mainly to avoid a “knee-jerk” reaction of selling out a position at or near the bottom of the market. We have also been mindful that we have sufficient cash to pursue opportunities that present themselves, many of which we have explored and rejected. There is also a risk of us being inert when there is clearly significant value which requires us to remain active for Conexus where “real” opportunities exist.

Two such opportunities in the private equity arena have been pursued:

1. A “follow on” investment of R15.2 million into South Point, marginally increasing Conexus’ effective holding to 11.7%. Due to our knowledge and the success of the business to date, this was a relatively easy investment to make. We believe this provides South Point with a bigger equity base to leverage off in a time when most businesses are starved of capital. South Point has grown its portfolio to 20 buildings which have an estimated market value (value at risk) of more than R550 million. There are a further 4 buildings which cost R70 million that are currently under transfer.
2. A new investment in RedSun Dried Fruit & Nuts, which is an R18 million investment backing the expertise of the promoter, Peter Kuilman, to establish a significant competitor in the export business of raisins. A separate note has been issued to Investors explaining the investment in “RedSun Raisins”.

In spite of a very changed and challenging world and with financial markets under extreme stress, we believe that the Conexus portfolio is capable of “riding out” these difficult times. We believe the hybrid of quoted investments and private equity has supported the combined value of the Conexus portfolios and will provide Investors decent returns over time. We have been gratified by the performance of the private equity investments as all businesses are meeting expectations, but naturally we remain cautious due to the unfavourable environment.

Investment Manager:

Clive Douglas Investments (Pty) Ltd

Advisor (corporate & legal):

Metier Investment & Advisory Services (Pty)
Ltd

Structured & Administered by:

Realtime Financial Solutions (Pty) Ltd

Disclaimer

The information and opinions contained in this document are recorded and expressed in good faith and in reliance on sources believed to be credible. However no representation, warranty, undertaking or guarantee of whatever nature is made or given concerning the accuracy and/or completeness of such information and/or correctness of such opinions. Neither the Investment Manager, the Advisor nor the Administrator will accept any responsibility for any investment decisions based on the information and opinions contained in this document. Past performance is no guarantee of future performance.