



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:	R58.9m
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:	R1,014.52

Top holdings

Cash	45.4%
Hedge Funds	11.4%
Billiton	8.7%
Sasol	8.0%
Standard Bank	7.5%
Vox Telecom	4.4%
Metmar	4.1%
Listed Prefs	3.7%
Grindrod	3.0%
PPC	2.1%
MTN Group	2.0%

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	986	-17.1%
2009/10	1,016	1,038	1,015	-	2.9%

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.

1. Excl VAT
2. Rounded to nearest Rand

Conexus Capital Trust

Trust Information

Investment:	Vesting Trust
Trust NAV:	R99.5m
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	R94.7m	R112.8m	14.3%
Realised			
Hillson Drilling			34.5%
Total			14.7%

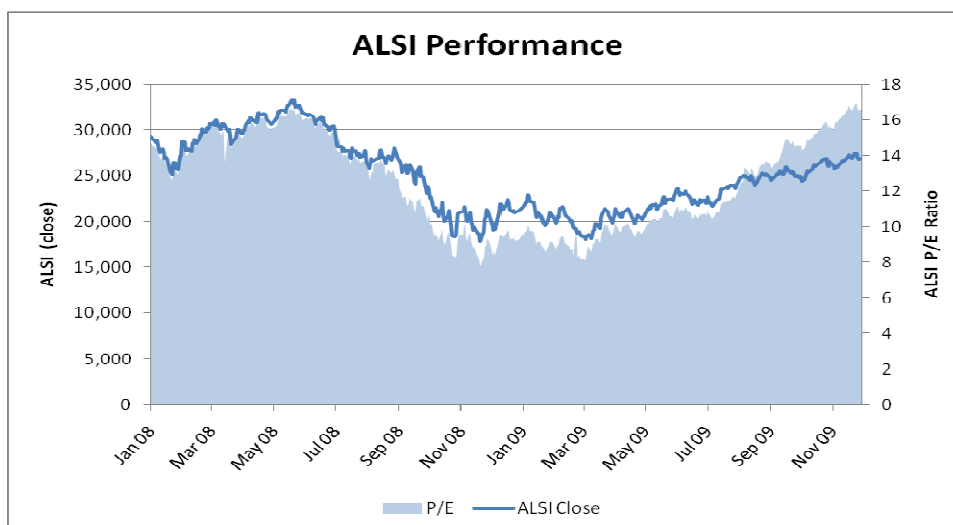
1. Excl VAT

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

Investment Manager Commentary

We are now 9 months after bumping along the bottom when there was no visibility as to where markets would go, let alone the direction of economies or currencies which are an important underpin to company results. The current situation can be compared to a three legged stool, requiring the asset price recovery to be supported by economic improvements which will allow company results to justify their share price recovery. Each leg has to hold up to maintain the recovery.

In line with our previous Investment Environment articles of both May and August, we have seen a significant recovery in equity share prices (the first leg). It is easy with hindsight, but as expected equity markets have led the recovery and we now have to wait and see if this will be endorsed by improving economic indicators (the second leg). The graph below shows the recovery of the All Share Index (ALSI) which is mapped against the PE ratio (a broad valuation indicator) of the same index. What is evident from the graph is not only the share price recovery, but also the need for the E (earnings) of the PE to endorse this recovery (the third leg).



Investment Manager Commentary (continued)

It would appear that the actions referred to in the August Investment Environment regarding business (cut costs and inventories), consumers (improved savings) and governments (aggressive economic stimulation) have paid off. We are starting to see economic indicators around the world confirming the lead taken by asset prices. This has been more prominent in emerging economies that have demonstrated a greater potential of growth and in particular the South African economy which has been a beneficiary of the improvement in commodity prices as off-takes have normalised. Cynics would argue that this is simply a re-stocking of the pipelines but at least re-stocking is in anticipation of increasing production. Purchasing Manager Indices from Chicago to Europe are providing comfort to investors. Copper and zinc prices add to this belief of recovery as they potentially test 12 month highs.

It would be remiss not to refer to the Dubai World debt standstill. It remains to be seen as to whether this is simply a stress test of the risk investors are prepared to absorb or whether it will have a contagion effect causing further debt concerns to surface. Such a scenario would be a significant setback in any recovery from a credit crisis! However, we choose to believe that while investors continue to have had their risk appetite tested the momentum into 2010 appears to remain intact. We expect the Rand to remain stronger for longer as forecasts for the JSE remain bullish.

Conexus is about drawing down funds that are currently held in the market orientated portfolio to take advantage of private equity opportunities. In the same way that markets have recovered, so have private companies and we have seen evidence of this across all the investments held in Conexus. The highlights of the year are undoubtedly the significant growth achieved by South Point and the exciting start by Redsun Raisins. Going into 2010 there might be opportunities for corporate activity causing a step change in value around some of the investments. We have recently circulated correspondence to all Investors indicating their position relative to the prudential guidelines of private equity commitments. Most Investors have elected to continue beyond the 70% limit with private equity investments which we regard as positive. The current deal flow is limited but there is a significant opportunity in the electronic engineering space which we hope to close in the first quarter of 2010. We have also repositioned York in Conexus Capital Trust, thereby regarding this as a private equity investment.

We hope for a calm ending to a tumultuous 2009 as we go into a more stable and improving 2010.

Please note that our offices will be closed from Monday 21 December, and we will re-open on Monday 4 January. We wish our Investors a safe and happy holiday season and all the best for a successful 2010.

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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