



15/07/2004

Unaudited results for period ending 30 June 2004		
6 months (2 February 2004 - 30 June 2004)	Baobab	-1.2%
	Net to investors	-1.3%
	Index*	-1.0%
7.2 years-compounded (22 April 1997 - 30 June 2004)	Investment officer	18.3%
	Index*	1.9%
	Current NAV	\$152.04

*Weighted according to the percentage of our assets invested in those markets. Currently the index is made up of the S&P500, FTSE100, TSE300, Hang Seng and Dow Jones Commodities Index.

"Dumbo could fly because he was a baby elephant. Adult elephants are aerodynamically unsound" - Ralph Wanger (The Dean of Small Cap Stocks)

Letter to investors:

Three months ago, when I wrote to you we were up by 5.4% and the market was down by 0.7%. At the time I said, *"Please note that we regard quarterly results as meaningless, since we focus on the long term (five years and longer)."* Need I repeat myself?

So seeing that we are not going to talk about short-term investment results, whether they are up or as they are at the moment, down. We also don't like to talk about the specifics of our current investments, because good ideas are hard to come by and we like to keep our cards close to the chest. In broader terms we can say that we are making good progress on building our cash position thanks to taking on not only new investors, but also from existing investors that have been sending us their hard earned cash. It brings us great pleasure to see existing investors increase their stakes, because in our business, people vote with their dollars.

The only reason an existing investor will send us money is because a) we have done good work for him or her in the past and b) they trust us to continue doing so in future. With a new investor you are always guilty until proven innocent. Let me explain.

85% of fund managers don't outperform the market average over the long run and of the ones that do, only 0.5% outperform the market by more than 3%. The *European institutional asset management survey 2004* by Invesco found that over the last year 40% of investors in Europe broke off the relationships with their existing fund managers. The main reason cited for ending a contract was *'poor performance'*. Those fund managers have been found guilty of not doing their jobs. To put it in the words of the report, "If absolute returns are negative, the decision of pension funds is taken quickly and is very clear."

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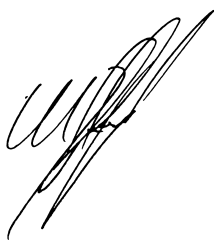
LEGAL Management Company: Cherubim Ventures (Pty) Ltd Reg CO.2003/5941
IFSC Registered
Directors: R Carle, N Louw, MP van Blerk
Company Secretary: Corporate Services (Pty) Ltd
Baobab Global Fund is a hedge fund and may not do business with the public. It can only do business with institutions and wealthy individuals.

'If absolute returns are negative', now there is something else to ponder. This industry has great success in raping the English language. I'm a simpleton when it comes to words like 'return'. I tend to think of a 'negative return' as a loss. I also tend to struggle a wee bit with the difference between 'absolute return' and 'return'. Of course lets not forget the other favourite of the industry 'relative return'. I have found that my investors are quite straightforward when it comes to judging whether they are happy with the relationship they have with Baobab. They just look at their 'returns', which is the part that is more than that what they gave us. If what sits on the Baobab table is less than that which they gave us then the word 'return' does not feature in the sentences that follow. As one of our investors likes to ask, 'what is the cheque I gave you and what is the cheque you are going to give me'? As far as he is concerned the rest is detail.

Now, when one considers the above then it comes as no surprise that most investors are sceptical when they arrive at our doorstep. Although it is an easy enough sales pitch from our side, considering our historical results, we are still up against the damage caused by the investment industry. Therefore an investor will not be fully comfortable in the house of Baobab until such time that the money they gave us shows a return. Not an 'absolute return', not a 'relative return', not a 'if you shake this three times, stand on your head and suck in your stomach return'. No they are simply looking for a return. Kind of like a 'puts food on my table-return' or 'can send my kids to college-return' and of course lets not forget Rob's favourite; the 'its fast as hell, parked in the garage and impresses my friends-return'.

I wish to conclude with a word of warning. I believe the next couple of quarters are going to be bumpy, so you better hold on. However, I am very positive that we are in a good position and have the right strategies to make the most of what lies ahead of us.

God Speed,

A handwritten signature in black ink, appearing to read 'M. van Blerk', with a stylized, cursive flourish.

Martin van Blerk