



15/10/2004

Unaudited results for period ending 30 September 2004		
Year to date	Baobab	-5.7%
	Net to investors	-5.7%
	Index*	2.8%
7.5 years-compounded (22 April 1997 - 30 Sept 2004)	Investment officer	16.9%
	Index*	1.2%
	Current NAV	\$145.19

*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.

"Munger has said that accumulating the first \$100,000.00 from a standing start, with no seed money, is the most difficult part of building wealth. Making the first million was the next big hurdle. To do that a person must consistently underspend his income." - p. 242 Damn Right (Book on Vice Chairman of Berkshire Hathaway, Charlie Munger and billionaire)

Letter to investors:

Little has changed on the investment front. We have had some opportunities in this quarter, but those opportunities are still few and far between. We continue to raise cash because we know the opportunities will arise, although we don't know when. As we have mentioned before there are tough times ahead, and they will bring bargains. In order to take advantage of these well-priced companies we need the cash.

In light of the quote above I wish to share some thoughts on the cost of running our business, Baobab Global Fund. The following is important:

- We have a partnership approach to our business.
- In our business you provide the capital and we manage it.
- Ultimately I make the investment decisions and therefore I am contracted to have at least 80% of my net worth in our business. Nobody has more at stake in Baobab than the person who influences the final outcome the most, and that is the way it should be.
- The directors and the management company, Cherubim Ventures (Pty) Ltd, are expected to reinvest a substantial amount of their earnings back into Baobab.
- At Cherubim we earn our money from the money that we make for Baobab.

In light of the above it should be clear that there are no 'us' and 'them' in our business. At Baobab we will all go hungry or feast together. However, we will never feast at your expense, that goes firmly against our 'partnership approach'.

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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.

Now, getting to the main point; we stand and fall by our net returns and are therefore dead set against spending \$1 if it does not hold the promise of producing more than \$1 down the line. Glossy brochures, grandiose offices and \$2,000.00 suits do not excite us.

- Crashing markets that allow us to buy great companies at a steep discount, excite us.
- Setting up a hedge fund for \$10,000.00 while the average fund costs \$150,000.00 to set up, excites us.
- Working from modest premises, while beating the pants off the competition with our net returns to investors...really excites us.

Something totally different, which also excites us, is when people like what we have to say. We are certainly being published more, and we hope it is not because we are simply a cheap way to fill newspapers and magazines. We mostly get published on the Internet and in South Africa's *Mail & Guardian*, Botswana's *Mmegi* and for the first time in *Fortune Magazine*. The fact that it was merely a letter has done very little to dampen our enthusiasm. The added bonus of having our letter following that of Charlie Munger also did not hurt.

We have been avid readers of *Fortune* for many, many years and we would never have thought that this journalistic icon would want to print something we have to say. So the fact that we got published in *Fortune* can mean only one thing.... that publication is going downhill!!!

On a more serious note, Mr Munger and myself were commenting on the September 6 article 'Tort Lawyers: There they go again' by Roger Parloff. The article deals with the issue of 'prepacks' and Mr Parloff's introduction gives a good idea of what it is about.

"For a quarter-century, companies have struggled with asbestos liability. Now, thanks to the very lawyers who are suing them, they've found a new tool—one that sticks it to their insurance companies and the genuinely sick."

The article goes on to discuss how the plaintiff lawyers will help the companies being sued to get rid of their asbestos liability as quickly as possible. However, the lawyers will basically take over the company in the process, and ultimately enrich themselves at the expense of the sick and the not-so-sick, which they are supposed to represent.

It is in response to this article that Mr Munger (himself a lawyer) wrote,

'Congratulations for Roger Parloff's piece on asbestos-related bankruptcies, "Tort Lawyers: There They Go Again!" (Sept 6). This may be both the best and the most disgusting article on legal practice in the history of journalism.

The story rightly criticizes legislators and other whose self-interested behaviour is not likely to change. Such ill-motivated, hard-to-improve people will always be present, like gravity and maggots. But it might be better to criticize more objective people in more protected positions who want to do the right thing and who could easily have prevented the monstrous outcome, yet failed. These are our federal judges, particularly those on appellate courts.

The terrible results described the article was caused not by inevitable presence of the worst of us but by the timidity and wilful ignorance of our best, judges, carefully taught

by some of our best law professors. This was tragedy in the very largest sense, where the outcome was worse than any stemming from deliberate treachery of the mighty, which would have been more likely to draw a quick fix.'

Charles T. Munger

Vice Chairman, Berkshire Hathaway

Los Angeles.

The above was followed by my rather toned down version.

'I have long had serious concerns about America and especially regarding what I deem to be a shift from a 'truth' based society to a 'what we can get away with' society or in more philosophical terms a post-modern society.

There are few things more telling of America's state of mind than the tobacco, asbestos and fat issues. I fail to find words to express my thoughts and that is why I enjoyed your article so much, because it did the job for me. Hopefully people will take notice, because make no mistake, America is at the crossroads.'

Martin van Blerk

Gaborone, Botswana

Unfortunately Baobab Global Fund did not get mentioned, because of a technical hiccup. Next time we will make sure we get our business' name in there.

God Speed,

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

Martin van Blerk