



27/01/2005

Preliminary unaudited results for 11 month period ending 31 December 2004		
Year (11 months)	Baobab	8.5%
	Net to investors	7.0%
	Index*	9.0%
7.7 years-compounded (22 April 1997 - 31 December 2004)	Investment officer	18.3%
	Index*	2.3%
	NAV - 2/2/2004	\$154.03
	NAV - Current	\$164.83

*Weighted index, according to the percentage of assets invested in specific markets. Currently the index comprises the S&P500, FTSE100, TSE300, Hang Seng and Dow Jones Commodities Indexes.

“An investment operation is one which, upon thorough analysis, promises safety of principle and a satisfactory return. Operations not meeting these requirements are speculative.”
- p. 49 Security Analysis (1962), Graham, Dodd & Cottle.

Letter to investors:

2004 turned out to be a mediocre year for us. However, not every investor had the same experience. New investors ended the year with a much better performance than the ‘old timers’. New investors’ performance ranged from 10.3% - 14.3%.

As I have often stated, this type of performance is not acceptable to me, simply because I did not outperform our index. It is, however, important to examine the reasons for this underperformance.

Firstly, I had an extremely hard time finding suitable investments or workouts at acceptable prices. In fact, 2004 was the most difficult year I have experienced in roughly eight years of full-time investing. The good news is that I simply sat on the cash when I was unable to find a rational investment opportunity. To sit on cash when opportunities are scarce is a simple solution. However, it’s never easy.

Secondly, our goal at Baobab is to deliver a satisfactory return only **after** we have ensured **safety of principal**. I battened down the hatches even more tightly than in previous years to ensure safety of principal. I am acutely aware that I have not experienced a 1987-style market crash (down by about 30% in two weeks) or lived through a 1930’s depression. Howsoever far removed I may think we are from the possibility of something similar happening again, it is my responsibility to ensure that we survive when it does happen. Considering my well-documented concerns about imbalances in the global (and particularly the American) financial system, a correction is unfortunately more likely now than at any time over the last eight years.

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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.

The way to deal with the above is to ensure that you have plenty of firepower (i.e. cash) to take advantage of any opportunities that may arise, and that your investment decisions are sound when you invest.

I was considerably more successful in finding suitable investment opportunities over the last three months of 2004, and we have seen a continuation of this trend.

We expect to release our audited results in March, together with our yearend report, which will contain a full update on the fund. As always, this update will focus on both the positive and the negative.

God Speed,

A handwritten signature in black ink, appearing to be 'M. van Blerk', written in a cursive style.

Martin van Blerk