



15/07/2006

		Other currency equivalent				
		USD	EUR	GBP	BWP	ZAR
6 months	Net to investors	3.2%	-5.0%	-3.7%	12.5%	15.7%
	Index*	5.6%				
9.2 years-compounded	Investment officer	15.0%	14.1%	13.7%	21.0%	20.3%
	Index*	5.6%				
	NAV	\$163.81				

*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.

"If there is a serious question of the lack of a strong management sense of trusteeship for shareholders, the investor should never seriously consider participating in such an enterprise." - Philip Fisher

Letter to investors:

As always, we only comment on results at the end of a year.

Businessweek June 17, 2006 ran the following,

"THE SEC ISN'T FINISHED WITH HEDGE FUNDS - It's closing in on shady practices despite a setback from a federal court. This is what they are looking for:

- *SIDE LETTERS Secret letters to a few investors granting special privileges.*
- *SIDE POCKETS Accounts where poorly performing investments are concealed*
- *VALUATION GAMES The lack of a consistent and reasonable system to price portfolios*
- *INTERNAL CONTROLS A failure to separate business functions*
- *ADEQUATE CAPITAL Cash on hand to fund sudden, substantial redemptions"*

Also, the July 14, 2006 London Financial Times' Lex Column ran the following piece,

"SEC/soft dollars. The practice of soft dollars - where money managers pay commissions that include the cost of executing trades and other services [including research] - had got so out of hand that the Securities and Exchange Commission felt the need to clarify that fixtures and fittings can't think. In its words: ". . . products that do not reflect the expression of reasoning or knowledge, including products with physical attributes [such as telephone lines or office furniture] are not eligible as research . . ."

So what do we think about the above?

It is disgusting.

Why is it so difficult to keep things straightforward and simple? Why is it so difficult to give your partners in enterprise a fair deal? First of all, it makes things so much easier to manage and second of all it is the right thing to do. Things get complicated very quickly and ultimately you

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loose control of your primary objectives and relationships to the point where it gets comical. Consider the following story from Steve Forbes in Forbes Magazine (Fact & Comment, July 2006),

"Recently at a get-together at our offices brother Tim asked the CEO of a successful major company why corporate America was exhibiting such seemingly inexplicable caution.

His answer: Wall Street. For all its talk of celebrating entrepreneurial capitalism and risk-taking, Wall Street currently has all the animal spirit of a savings bonds buyer. A major capital investment will, in the short term, cut earnings from what they would otherwise have been--new depreciation charges guarantee that. But worse, in the eyes of today's shortsighted Wall Street money managers and analysts these expenditures will hurt profit margins. Say a company spends \$1 billion on a new facility or product that will hearteningly enhance its prospects for future profits and productivity. Our visiting CEO made the point that such an outlay would be costly: The resulting hit on margins would probably clip the company's market value several times the actual outlay, say to the tune of \$2 billion to \$4 billion."

So what do we think about the above?

It is pathetic.

How does a CEO get to the point where he/she does not want to spend on capital expenditures, because Wall Street thinks it is a bad idea? How does a hedge fund end up with 'shady practices' as highlighted above or a money manager taking 'soft dollars'? Somewhere along the line the custodians of the business forgot who they ultimately work for; somewhere the interests of the owners and custodians of the business got misaligned. It probably started with something small and a principal was compromised. Never compromise on your principles, no matter how small [the amount]. If you compromise on your principles then you are set on a path that leads to disaster. How often does someone turn around that set out on that path? I would say almost never.

Lest you think we are self-righteous, the bottom line for us is; never underestimate how much you can learn from the mistakes of others.

God Speed,

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

Martin van Blerk