



15/04/2009

Unaudited results for 3 month period ending 31 Mar 2009

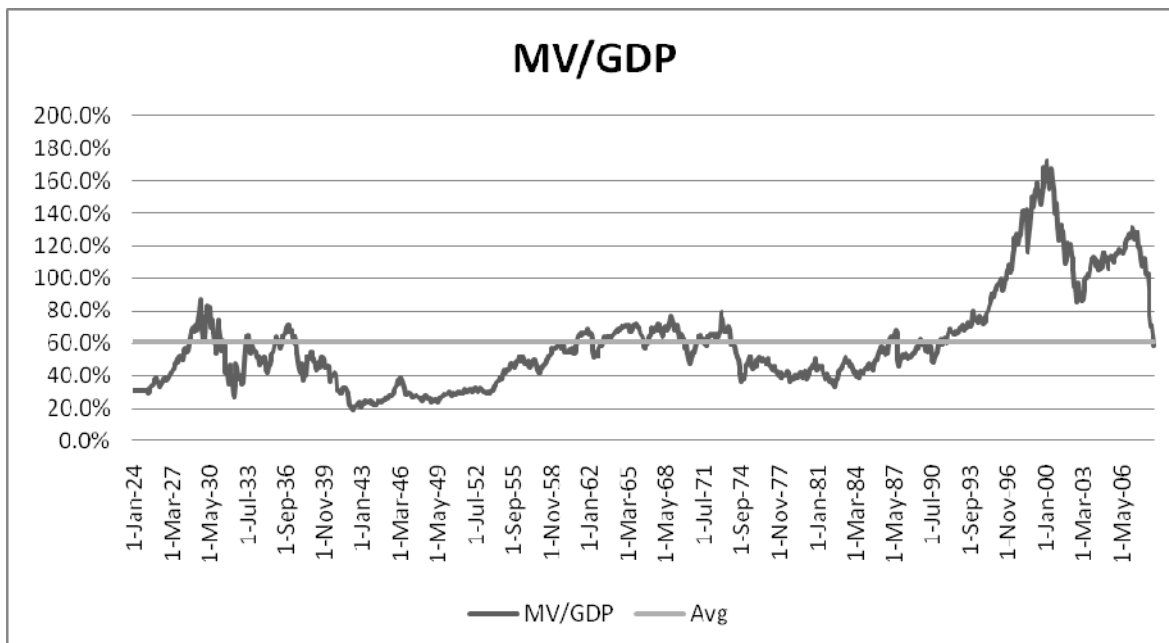
		Other currency equivalent				
		USD	EUR	GBP	BWP	ZAR
3 months	Net to investors	-4.4%	-0.3%	-1.5%	-2.1%	-3.8%
	Index*	-8.3%				
11.94 years-compounded (22 Apr 1997 - 31 Mar 2009)	Investment officer (full service track record - net to investors)	6.2%	5.2%	7.4%	13.0%	11.9%
	Index*	-0.9%				
	NAV	\$92.74				

*Weighted index, according to the percentage of assets invested in specific markets. Currently the index comprises the S&P500, FTSE100, TSE300, Nikkei 225, Hang Seng and Dow Jones Commodity Indices.

"From the top down, from the macro view, things could not suck more than they do suck. From a bottom-up point of view, there have never been, in my lifetime, as attractive securities as are available today at the price as you can get them." - Marty Whitman (April 2009)

Letter to investors:

Lately, I have come across various references to Warren Buffett's comments on the US *Market value/Gross Domestic Product* ratio and broadly speaking it is used in support of buying stocks.



"If the percentage relationship falls to the 70% to 80% area, buying stocks is likely to work very well for you..." -Warren Buffett (2008)

I wish to caution you on the following: Pundits usually suggest that Buffett says you should buy and that the upside is significant. What Buffett actually says, in the above statement, is that buying stocks at the level of 70% to 80% will likely work very well. Considering his statements in

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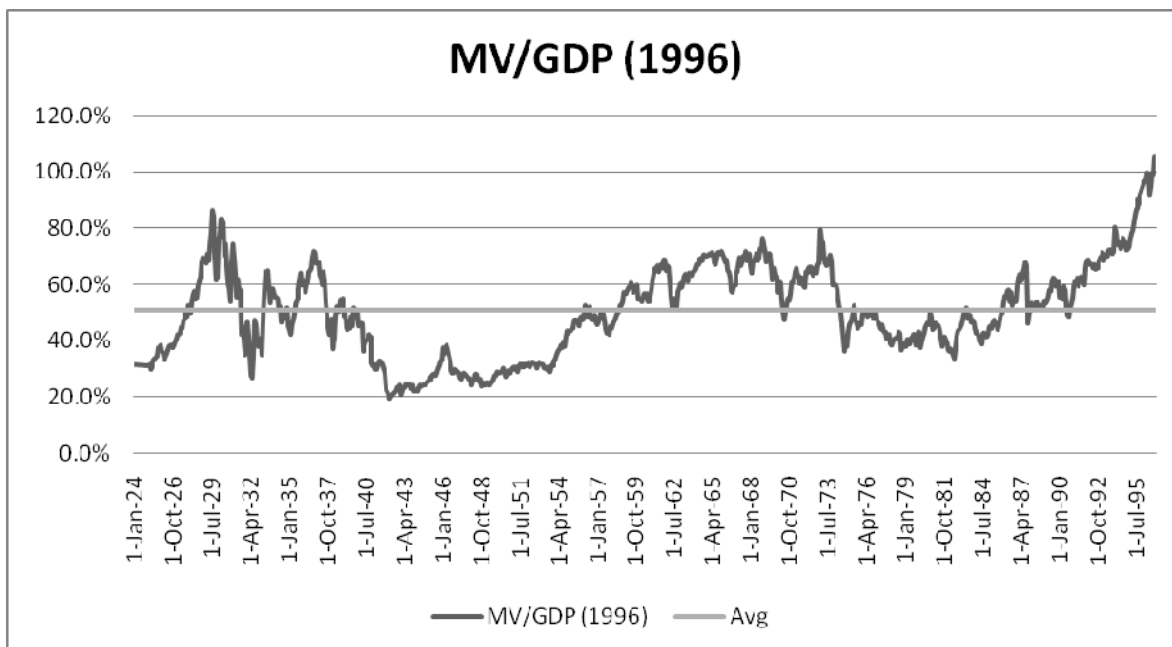
LEGAL Management Company: Cherubim Ventures (Pty) Ltd Reg CO.2003/5941
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general over the last couple of years, he is probably suggesting an annual return of 6%-8%, in my opinion. This differs both from what pundits are suggesting and from what people's expectations are; both being about double the above range.

Anyway, let's just look at the numbers and interpret it for ourselves.

The dates on the chart does not make it clear, but the *MV/GDP* line and the *Average* (for the ratio) line on the chart actually runs through to Feb 2009 and at the time of this letter the market is more or less at the same level it was at the end of Feb. The average in the above chart is 60.6% and the ratio at the end of 2009 was 58%, so history does seem to suggest that it is a good time to get back in.

I think this is too optimistic for the following reason: We know that the last 15 years have been an exceptional time in the US, and that most of the "prosperity" was fueled by debt. So, if I go back to what my Dad taught me about debt then we are better off treating the last decade and a half as a mirage. You will also note that the ratio never went above 100% before 1996, and 1996 happened to be the time when the credit bubble really got going. So, if we treat the post-1996 period as an exceptional period, and strip it out, then the picture changes significantly, as you can glean from the following.



In the above chart the average is 50.6%. The current ratio of 58% and the possibility that the ratio can overshoot on the downside suggests that current expectations are too optimistic. This will, in all likelihood, be interrupted by the tsunami of money that is being pushed into the global economy, but the long term trend is firmly down in my view.

This does not mean that we are going to sit on the sidelines and try and time the market. It is simply more reason to ensure that I apply strict pricing discipline when allocating our capital.

God Speed,

Martin van Blerk