

BAC Best Asset Class Update: June 2010

Re-opening of the funds

The re-opening of the funds is a top priority, although this process must be carried out with due consideration to the interests of unit holders. The decision to re-open rests with Caceis, the fund administrator, who has been facing two conditions so far:

- 1) The need to create enough liquidity through cash and liquid listed investments.
- 2) The need to find credible independent valuations for the 3 non-listed investments, as their IPOs have been postponed many times for technical (section 11) or difficult market condition reasons.

The first condition was fulfilled last year, supported mainly by the conversion of Ridge Mining into Aquarius Platinum shares following the take-over.

Currently, liquid investments represent about one third of the assets of the BAC Mining fund, with the possibility of the sale of another third within a month without affecting the share prices too drastically.

The second condition was set in motion in the middle of last year with a tender process. Consequently, two weeks ago, KPMG provided the 3 requested valuations.

Considering the difficult market conditions at present, we are still without a clear time frame for the 3 IPOs. As stated by the Financial Times (June 30th), '...equity issuance worldwide fell to the lowest in 5 years during the first half of 2010'. As a result, Caceis, along with the Investment Committee, decided on June 25th to proceed with the sale of between half to two thirds of the private equity positions; Tharisa Minerals being a priority. Once the sale transaction is achieved, Caceis will be in a better position to decide the date of the reopening of the BAC Mining fund. At that time, the private equity portion of the portfolio should remain within the legal 10% limit, with a comfortable margin until the achievement of the IPOs. Today, they represent 20.2% of the portfolio, valued at costs.

With regard to BAC Africa; following a shareholder meeting, the Board of the SICAV decided to proceed with the reopening of the fund once the 10% limit has been reached. We therefore need either 2 out of the 3 private companies to go public, or an increase of the value of the listed equities in the portfolio. Would these conditions not be achieved in a near future, a sale of the part of the private equity allocation could also be taken into consideration.

Latest statements regarding the IPO's

Company	Calendar for IPO	Comments
Tharisa Minerals	March 2011	Might be proceeded by a capital increase
Transafrika	September 2010	Later when not at JSE
Platfields	Q4 2010	Section 11 green light received middle of June

Review of the portfolio of the BAC Mining Fund

The listed part of the portfolio lost 13% in June, bringing the YTD performance to +4%. For the first half of the year, the price of platinum is up 5% and palladium up 13% in USD. The JSE Platinum Index lost 10% in ZAR.

June performance has been particularly affected by the rise of the CHF, resulting in half of the negative performance of the month.

Anooraq Resources, Platinum Group Metals and Wesizwe Platinum were deeply affected, despite the deal announcement with the Chinese for the latest.

The top 5 listed positions, representing 54.1% of the listed assets, are as follows:

		% of listed portfolio	June change	YTD
1	Anooraq Resources	18.2 %	-15.4 %	+23.8 %
2	Platinum Group Metals	13.3 %	-19.0 %	-18.3 %
3	Anglo Platinum	7.7 %	-3.1 %	-5.5 %
4	Anglogold Ashanti	7.6 %	+3.1 %	+7.0 %
5	ASA	7.3 %	+4.0 %	+4.0 %

Macro developments

Following the May debacle (the worst May monthly performance for the Dow Jones industrial since 1940!), confidence in global recovery takes a dip, and discussion of a double-dip recession and deflation takes the lead.

All indicators (consumers confidence, yields on “safe” government bonds, copper 15% price decline Q2, increase in risk aversion and Chinese growth worries resulting in a 22% drop of the Shanghai composite index this quarter) are currently pointing towards the same direction. Technical supports have been broken during the last 24 hours, suggesting the entry into a new bear market phase for the summer. Even the strength of the CHF, including against the USD, suggests trouble ahead as the last time the market experimented such a broad move was at the end of 2007/Q1 2008.

At the moment we are witnessing positive news feedback from the World Soccer Cup in South Africa, where “perfect” organization and the lack of serious crime reports have surprised even the worst traditional detractors of the Rainbow Nation. The hope now is that foreign investors will regain confidence and among them, not only the one President Zuma might bring after his August trip to China!

Prospects

Carlos Ghosn (CEO of Renault Nissan) sees a record year in 2010 for the car industry, with 70 million sales. We expect PGM’s prices to be supported at actual levels. A weaker ZAR against the USD after the World Cup Final could also help, and add support to the growth of production expected for PGM’s producers.

We are expecting more corporate activity in the second half of the year, but also tougher conditions surrounding project financing, due to tightening credit markets and increased financial pressures.

A sharp contraction of volume during the coming summer weeks can create excesses in both directions, along with opportunities for those with medium to long-term views.

Yours faithfully,

Bernard Loriol

CEO of Best Asset Class AG and advisor of the BAC funds