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Authorised Financial Services Provider (766)

TRINITY PREFERRED FUND



Investing in value. Targeting growth.

31 December 2009

This fund is designed for long-term capital growth and is suited to investors with a higher than average short-term risk tolerance.

The portfolio's current focus is on selected gold shares and will remain equity centric.

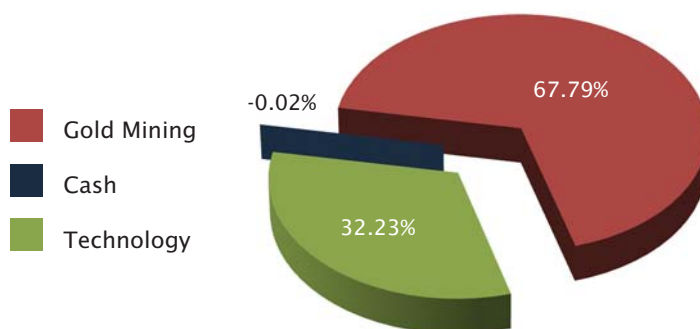
Objective

As Trinity's flagship investment strategy The Trinity Preferred Fund aims to achieve long term capital growth with active management. It does this by investing in under-valued JSE-listed resources and with a heavy gold bias. It is best-suited to investors seeking a Rand-hedge with a higher than average short-term volatility tolerance. We achieve market outperformance by focusing on equities in the precious metals, minerals and energy sub sectors.



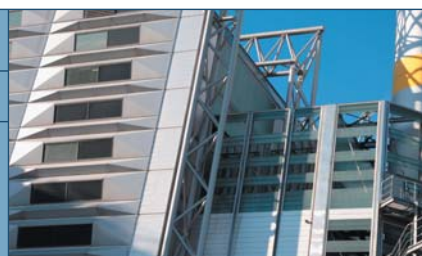
| | |
|--------------------------|---------|
| Best Quarterly Return | 58.35% |
| Worst Quarterly Return | -23.58% |
| Number of Up Quarters | 12 |
| Number of Down Quarters | 12 |
| Average Quarterly Return | 3.16% |
| Year to Date Return | -5.49% |
| Return since Inception | 50.19% |

Current Asset Allocation



FUND PERFORMANCE

| | 31-Dec-04 | 30-Dec-05 | 29-Dec-06 | 31-Dec-07 | 31-Dec-08 | 31-Dec-09 |
|----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Return on Investment P.A.% | 1 Year | 2 years | 3 years | 4 years | 5 years | 6 years |
| Preferred | -31.02% | 18.07% | 85.72% | 32.63% | 58.92% | 50.19% |
| JSE-RESI | -7.20% | 55.23% | 118.64% | 175.05% | 91.23% | 153.67% |
| JSE-GOLD | -38.70% | -1.41% | 15.08% | -9.56% | -11.87% | -5.60% |





Market Review (4th Quarter 2009)

The JSE All Share Index rose by 10.8% during the final quarter of 2009. It is now at its highest level since September 2008. The rise from the low on 3rd March now stands at 54% and the overall PE is at 17.2.

Global equity markets have continued to rally with the MSCI World index rising by an impressive 71% since the March low. This rally continues to forecast a V shaped recovery for world economies, but the economic strength of the eastern versus the western economies is becoming more apparent. The impact of the debt crisis on China and India was minimal compared to the US and most European economies. Rating agencies are reviewing the status of Greece and Spain and huge debt building in the west contrasts with capital reserves and positive trade balances in the east. Also, how will the US consumption economy, the engine of the west, recover if its consumers are unemployed? Consequently we stick to our view that share markets are too optimistic at present and require an extended period of consolidation or a setback in order to reach fair value.

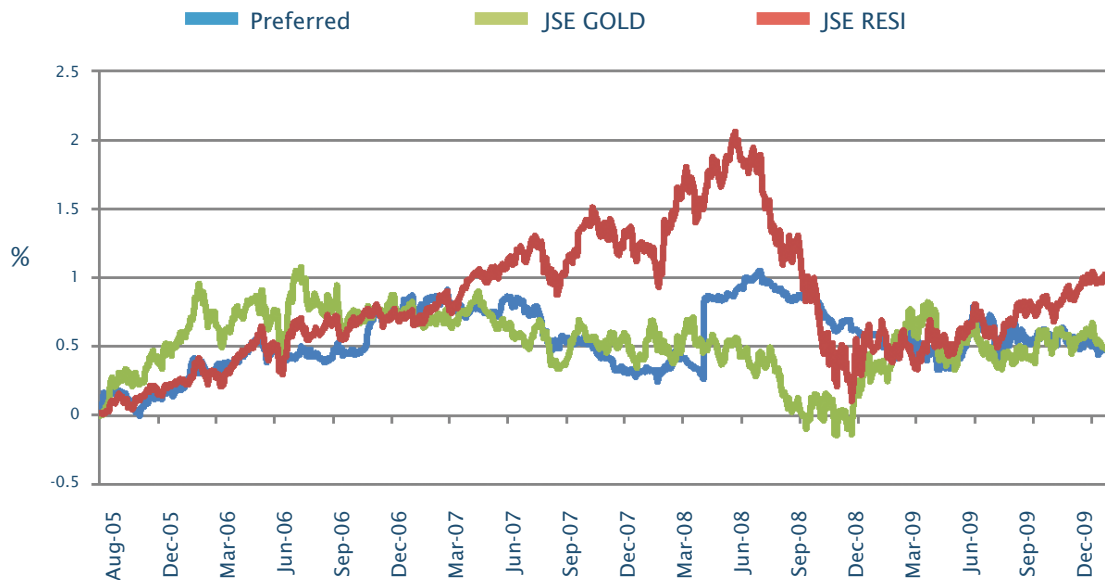
As mentioned above the historical overall PE of the JSE is 17.2 at present. This compares with a level of 20 achieved in 1994 at the time of the first peaceful democratic election in SA and high expectation for the New South Africa at the time. The all-time high for the PE was in 1969 after an extended period of above average growth, when the PE touched 26. The records show that an investment in the JSE at its peak in May 1969 on a buy and hold basis would have taken over 30 years to get back to the purchase levels. An investment at the peak in 1994 would have required at least 10 years before any meaningful return was achieved. Following the poor economic conditions prevailing during 2009 and the strengthening rand since March, it is likely that company profits for the Q4 2009 declined. Consequently, once these profits have been announced in coming months, the overall PE on the JSE is likely to be above 18. This high rating is implying growth in the economy well above the average for several years. Judging from the historical facts it would seem that an investment now in the JSE at the current high rating would take many years before a positive return is achieved. When it comes to equity investment timing is one of the most difficult things to achieve. It is possible that we are

not at the "top" of the market and that prices continue to improve in coming months, but investment risks are now very high by historical standards.

On the economic front we have seen CPI fall over the past few months to 5.8% which is within the SARB target range. This does give scope for another rate cut in due course, but most economists expect rates to remain unchanged for several months. Another positive for an interest rate cut is that private sector credit demand has fallen by 1.6% for the year to November 2009. This contraction in credit demand is the strongest since 1965 and indicates the weak state of the consumer at present. Continuing job losses, declining retail sales and early indications of a below average Christmas all do not augur well for Q4 2009 earnings.

Normally a new year would be ushered in with optimistic fanfare of prospects for the coming year. We await the predictions for 2010 with interest as we believe that the market has discounted most of the positives, while giving a low rating to the significant risk that exists including geopolitical uncertainties.

Cumulative Performance



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The value of the share portfolio may go down as well as up and past performance is not necessarily a guide to the future. A schedule of fees and charges and maximum commissions is available on request from Trinity Asset Management.

