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S&P 500



Interest Rates



Gold



ZAR/USD

International Overview

The worst global recession since the 1930s may be over. Led by China, Asia's emerging economies have revived fastest, with several expanding at annualised rates of more than 10% in Q2 2009. A few big rich economies also returned to growth between April and June. Japan's output rose at an annualised pace of 3.7%, and both Germany and France notched up annualised growth rates of just over 1%. In America the housing market has shown signs of stabilising, the pace of job losses is slowing and the vast majority of forecasters expect output to expand between July and September. Most economies are still a lot smaller than they were a year ago. On a quarterly basis, though, they are turning the corner.

In South Africa the outlook is less rosy. Late to implement monetary easing, and cautious when it started, the SARB has almost certainly prolonged a nasty recession at home. When other Central Banks – in Australia and Norway specifically – are turning hawkish in their announcements and starting to raise rates, there is a very real possibility that the SARB will need to keep lowering rates to counter the ongoing recession and the impact of a strong Rand.

South Africa's slide into a nasty recession does have a silver lining however – it proves that we are inextricably linked to the world economy. This would suggest that in the same way we followed the rest into recession, we will follow it out (even if we remain behind the curve)...

However, despite the shifting policy stance of certain central banks mentioned above, and the positive response with which equity markets have received the news of better-than-expected consumer confidence and home sales data coming out of the US; the strength and quality of the economic recovery is by no means certain.

While economists and other commentators agree that a global recovery has started (i.e. output has stopped shrinking), they remain

divided on what shape the recovery will take. The debate centres around three scenarios: "V", "U" and "W". A V-shaped recovery would be vigorous, as pent-up demand is unleashed. A U-shaped one would be feeble and flatter. And in a W-shape, growth would return for a few quarters, only to peter out once more.

Give me a V...

Optimists argue that the scale of the downturn augurs for a strong rebound. America's deepest post-war recessions, they point out, were followed by vigorous recoveries. In the two years after the slump of 1981-82, for instance, output soared at an average annual rate of almost 6%; and this time round, output has slumped even further, and for longer, than it did in the early 1980s.

...Give me a W...

Pessimists - including the widely respected Nouriel Roubini - think this downturn's origins favour a weak recovery or a double-dip. Roubini argues that governments and central banks are "damned if they do and damned if they don't." If they withdraw stimuli too soon they will be faced with "Stagdeflation" (low growth and deflation) and if they leave them in place they will be faced with "Stagflation" (low growth and inflation)

Another V?

In practice the recovery is likely to lie somewhere in between the "W" and "V" shaped recoveries, i.e. in a "U". This is because of the equally strong forces that started this recession and which were deployed to combat it. Against a massive financial markets and banking crisis and a precipitous fall off in consumer demand (closely linked to another crisis in housing) governments have deployed the full might of their monetary and fiscal arsenals. The delicate job of timing the withdrawal of this

stimulus (in order to prevent future inflation) is going to be what decides the shape that this recession ultimately takes.

Few would bet against "Helicopter" Ben Bernanke, recently nominated for a second four year term, from doing what it takes to prevent a recession and deflation in prices (Goldman Sachs recently predicted that the Fed would double its balance sheet again to \$4 trillion if that was required to keep credit markets functioning smoothly). The risks as Roubini forecasts them are therefore likely to be inflationary. The capital markets will be watching Bernanke closely in coming months, and for bond market investors in particular, it will be imperative that he does not appear to be underestimating these risks.



Contents

International Overview	1
Domestic Overview	2
Company Commentary	3
Trinity News: Growth Equity Fund	4
Contact Details	4



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Domestic Overview

The South African equity market continued to rally after a setback in June. The JSE All Share Index briefly pierced the 26 000 level on 17th September before closing the quarter at 24 967, a gain of 13.2% for the period. From the low on 3rd March to the peak on 17th September the market has rallied by 45%. The market appears to be discounting a V shaped economic recovery.

The S&P500 Index in the US has rallied by 59% from its March low and is also discounting a V shaped recovery. As their property market faces a huge overhang of unsold homes, which could worsen as banks increase foreclosures and unemployment moves toward the 10% mark, any rebound in the economy is likely to be short-lived. Although the Chinese economy is recording a reasonable level of growth, around 8% at present, this is based on infrastructure and other capital spending as well as a degree of restocking. In the medium term the Chinese economy is still dependant on the US to grow exports as the domestic

consumer base is not yet large enough to underpin economic growth. 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. The attached chart of the historical PE for the JSE shows that it has already rebounded to close to 15. As corporate earnings are still declining the forward PE is probably above 16. This valuation would only be justified if the economy rebounds quickly. Most forecasts are anticipating a slow recovery

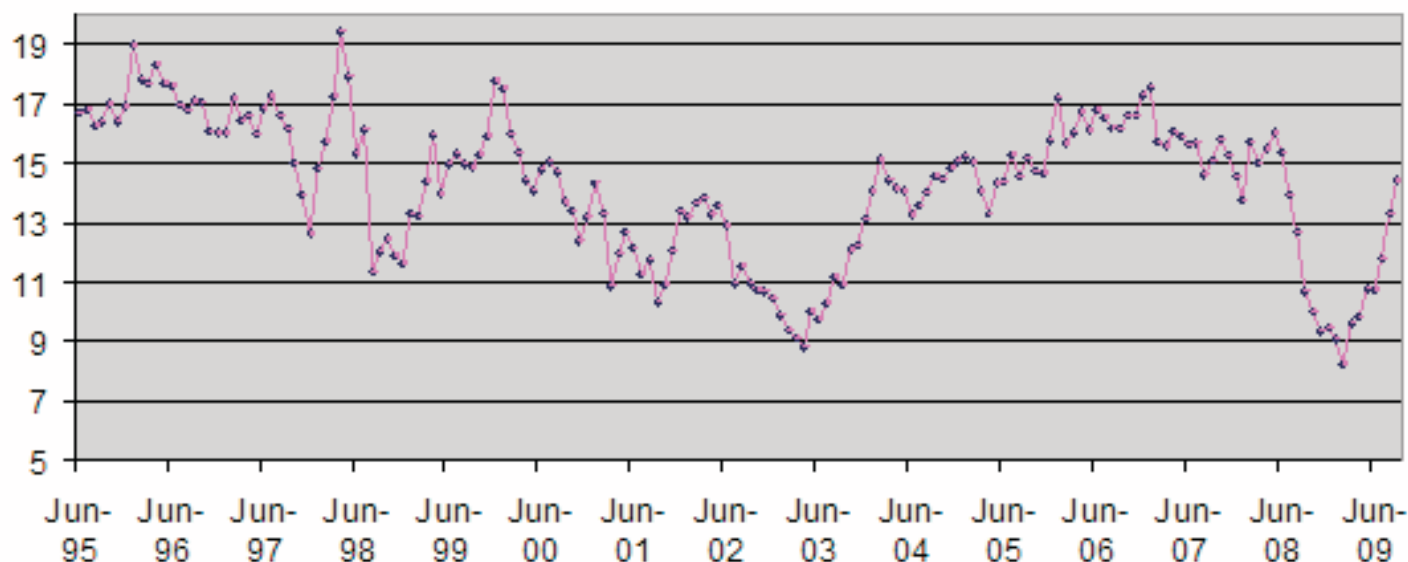
Historically October is a high risk month for equity markets and this is being accentuated by a rise in geopolitical risk, especially regarding Iran's nuclear aspirations. The recent discovery of a second secret enrichment plant and the testing of medium range missiles highlight the risk of a pre-emptive strike by Israel. The US is now putting pressure on Iran to have nuclear sites inspected, but do global powers have the will to prevent Iran from acquiring nuclear weapons.

Most economists were surprised by a .50% rate cut in August as CPI has been reluctant to fall into the SARB target range and in the retirement of Tito Mboweni is imminent. We now have the repo rate at 7.0% and CPI at 6.4%. There is the possibility of one last rate cut this year, but we are now at or very close to the bottom of the interest rate cycle. On the global interest rate front, Australia has been the first country to raise rates since the credit crisis.

Another feature of the quarter has been the strength of the rand. The rand had a brief spell of weakness following the shelving of the MTN/Bharti deal, but has been exceptionally firm since March. The strong rand has helped to keep the petrol price down, but the negative affect on exports and corporate earnings will far outweigh this small reprieve.

We are inclined to sit on the sidelines in the immediate future and wait for opportunities. Shares have largely discounted a strong economic rebound, but have not factored in the increased geopolitical risk.

All Share Historic PE Ratio





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Company Commentary

GOLD ONE INTERNATIONAL LTD

Q3 2009 saw the share price of Gold One decrease by 8.27%. The poor price performance was largely due to a strong rand and a large shareholder wanting to dispose of their shares in Gold One. The quarter however ended on a good note with Uranium One disposing of all their Gold One shares and better than expected results for the quarter. Subsequent to the quarter-end the share price has responded positively (see chart).

The September quarter marks the production of 6,191 ounces, resulting in R44 million in gold revenue. Gold One has an expected production of 20,000 ounces of gold for 2009, which indicates production of about 14,000 ounces in Q4.

After raising additional capital of R250 million last quarter, Gold One is more than adequately funded to full production and can continue progress with exploration projects. The current development and mining is well ahead of schedule and delivery grades are in excess of those previous predicted.

Q4 should see a significant rise in Gold One's revenue due to an expected increase in production, higher delivery grades and a marginal increase in the rand price of gold. Trinity is still expectant that Gold One will reach its initial target of R3.50 to R4 as the company gets closer to its targeted gold production of about 140,000 – 160,000 oz.

Gold One is rapidly moving from the little league to the major league of gold producers.

GOLD ONE
INTERNATIONAL LIMITED



CONVERGENET HOLDINGS LTD

Q3 2009 was a quiet one for Convergenet, with the company making only a few administrative announcements of SENS and the share price consolidating around 50c on thin volumes.

The next quarter will see the announcement of the full year results to August and it is hoped that the impact of the Contract Kitting acquisition and other initiatives referred to by management in the interim numbers will result in a solid set of results.

The company's impressive track record in M&A activity leads us to conclude that there will be more deals on the horizon. The Contract Kitting acquisition, at c.R160m, shows that the company now has the resources and the credibility to target larger deals. Two or three more large deals would push revenue to R3bn or more (we expect revenues of c.R1bn for the year to August), which is where we think the company should be aiming in order to get itself on the radar screens of institutional investors. Provided Convergenet is then able to maintain its focus on efficiency and its resultant best-in-class margins, we think the counter has the potential to become a staple of institutional portfolios.

There has been no further news on the single stock futures defaults and investors can view this as a positive sign. Two of the other businesses in which directors positions were defaulted by ABSA (namely Blue Financial and Pinnacle Point) have seen waves of negative publicity following the defaults and this is primarily the result of the increased investor and media scrutiny that these companies are now subjected to.

We remain upbeat about prospects for Convergenet as the group enjoys a significant market share in several growing market segments, including the public sector. The group also has virtually no interest-bearing debt and at the last balance sheet date had close to R100m in cash resources and so should be able to continue funding its growth.

SALLIES LTD

Trinity welcomed the new appointments of Tom Dale as CEO in October 2007 and Johann Bleresch as Financial Director in March of this year. The appointments of these two key individuals to the Sallies management team led to a successful turnaround in operations beginning with higher production and ending with an increase in profitability. Trinity was very happy with the performance of the management team who have proven themselves as a team who can put their heads together and deliver the goods.

However due to the global recession, the Fluorspar price has been under considerable pressure to the point where Sallies mines were reaching breakeven. After shutting down the Buffalo operations in October last year they announced the mothballing of Witkop mine in June this year. The share price naturally took a plummet in a matter of days after the announcement, falling 36% from 25c to 16c. More recently control of Sallies has passed to the US based Firebird fund following their acquisition of shares and offer to minorities at 18 cents per share. Tom Dale and Johan Bleresch have resigned as directors of Sallies.

While Trinity is still confident about Sallies long term prospects, their performance is linked to a recovery in the general markets and a subsequent recovery in the prices of Fluorspar. We believe that the short term prospects for gold remain more attractive over the next 12 months than a sustained recovery in general markets.

During Q4 of this year, Trinity successfully concluded a switch out of Sallies into Gold One.





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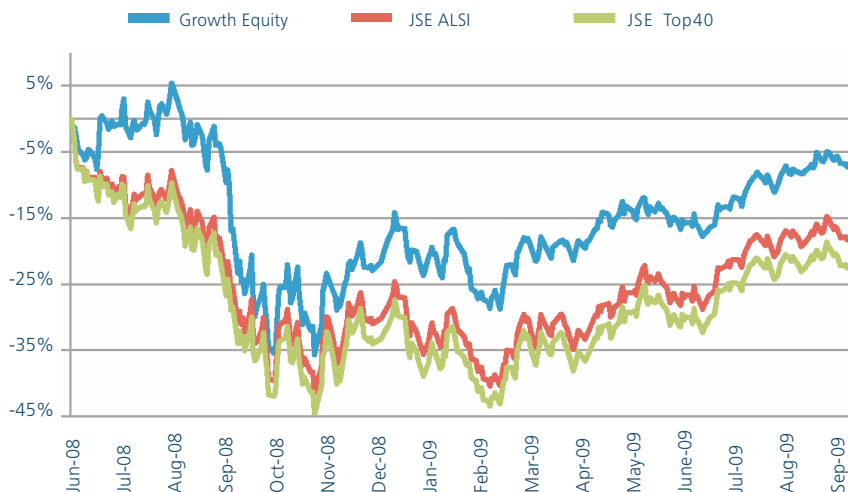
Trinity News: Growth Equity Fund

Compounding growth through equity

The fund aims at long-term growth through good quality equities listed on the JSE. It is intended that the fund remain fairly fully invested in companies largely from the top 40 shares listed on the JSE, but that liquidity can be increased from time to time if the market is judged to be over-valued or "expensive".

We aim at market outperformance by overweighting sectors of the market that are expected to show above average growth, increasing or decreasing liquidity during periods of extreme volatility and taking advantage of special medium or small capitalisation shares that have above average growth prospects.

Cumulative Performance



Contact Details

Physical Address:

Trinity Place
Block D, The Terraces
1 Silverwood Close
Steenberg Office Park
Tokai

Postal Address:

PO Box 30848
Tokai
7966

Telephone Number:

+27 21 700-4880

Fax Number:

+27 21 702-2429

Email Address:

helpdesk@trinityam.co.za

PORTFOLIO MANAGERS

Quinton George

Quinton is the founder and CEO of Trinity Asset Management and is the manager of the flagship Preferred Portfolio.

He began his career in financial services when he joined Peter George Portfolios (Pty) Ltd, members of the South African Bond Market Association. Thereafter, Quinton joined a South African Corporate member of the Johannesburg Stock Exchange. Here he worked as portfolio manager and developed a substantial private client base. Later, he joined DC Palmer Securities and initiated their online stock broking. He played a significant role in building the online business of the company.

Quinton is a registered financial advisor with the Securities Institute of London and the Financial Services Board in South Africa. He has successfully achieved certificates in Investment Advice and Investment General exams of the Institute of Stockbrokers.

Email: quinton@trinityam.co.za

Graham Fisher

Graham is the manager of the Growth Equity Portfolio. He joined Trinity Asset Management in July 2008 after 12 years with BoE Private Clients as a Portfolio Manager. Prior to this he was one of the Senior Investment Managers at First National Trust with investment responsibility over 4 company branches throughout South Africa. He has had 36 years experience in the investment industry, specialising in portfolio management of high net worth individuals.

Email: graham@trinityam.co.za

James Fitzpatrick

James is an investment manager with 6 years practical experience managing listed investments in emerging markets. He joined Trinity Holdings in July 2002 as an analyst and later moved to Trinity Asset Management where he works with Private Clients as a Portfolio Manager. James was appointed as a key individual for the firm and is registered with the financial services board. He has a keen interest in developing investment solutions for high net worth individuals. James currently manages local funds in South Africa and Globally.

Email: james@trinityam.co.za

