



ALSI



S&P 500



Interest Rates



Gold



ZAR/USD

International Overview

So far 2011 has been a year of geo-political events, while economics has taken a backseat. The aftermath of the debt crisis has seen the bailing out of Ireland and down-grading of Spanish debt, but the real action has been in natural disasters and political upheaval.

North African politics has dominated the news for the past few months with the ousting of President Hosni Mubarak in Egypt. At present Libya is under the spotlight where “rebel” forces are battling government forces still loyal to Muammar Gaddafi. Western powers have become involved in enforcing a no-fly zone to try and limit civilian casualties following air raids by government fighter planes. Towns have been taken and re-taken as the battle has raged over recent weeks. The outcome of the conflict does not seem to be imminent and the high oil price (see chart below) reflects the risk of unrest spreading to other oil producers.

of the earthquake and tsunami in Japan are all likely to be a drag on growth in the short term. The aftermath of the debt crisis is still playing out in sovereign debt downgrades and huge government debt that needs to be reduced.

The large earthquake in Japan has unfortunately damaged nuclear reactors, causing significant radiation into water and the atmosphere. The full implications of this are not known, but could hamper the reconstruction of devastated areas.

The immediate impact of the tragedy can be seen on the charts below. The Japanese equity index the Nikkei (in red) fell by 16% in two days, while Uranium One fell by 42% in two days. Power outages will affect production in the short term, but Japan is expected to bounce back in the medium term.

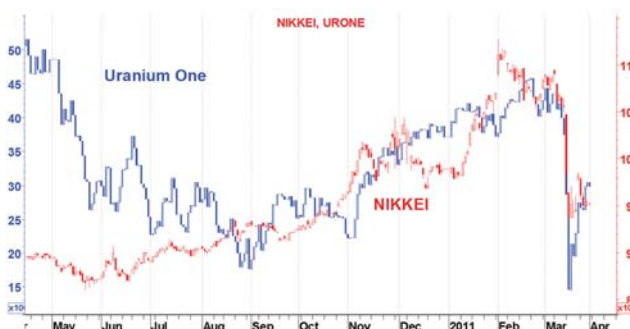
Nuclear expansion could be put on hold while the Japanese accident is assessed, but is expected to continue to rise in the medium and long term as countries with nuclear reactors are likely to see the Japanese event as a once-off accident.

higher food inflation globally. This is especially as 2010 saw poor harvests in Canada and Russia which the 2nd and 5th largest wheat producers in the world. Rising food and oil prices are causing inflation concerns, where late last year deflation was feared. The Bank of England is keeping interest rates on hold as it sees rising inflation due to exogenous forces, while the ECB talking of a series



of rate hikes. The US has not given any indication of raising rates as it does not want to jeopardise the budding recovery.

Oil price shocks in the past have led recessions not only because of the affect on expenditure, but because of the way policymakers react to the oil price rise. So far oil has reached \$120 a barrel. Let's hope that experience can help policymakers manage their way through the current crisis.



Global economies have recovered from the debt crisis recording good growth in 2010 and into early 2011. However the higher oil price, measures taken by China to slow its economy and the disruption

The magnitude and scale of the Japanese disaster has overshadowed other events during Q1 2011. Flooding in Australia and Brazil in January has been forgotten, but the affects have been reflected in

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Domestic Overview

The JSE was flat in the first quarter, with the All Share Index recording a gain of only 0.26%. However, the quarter has seen a significant correction in the market where the Index fell by 10.2% from an all time high of 33 346 on 11th February to a low of 29 942 on 15th March. The market then recovered to end the month and quarter almost unchanged.

International events have impacted local equities and the JSE continues to move in line with global markets. However the local market is showing significant resilience and

bounces back strongly after any pullback. As mentioned above the JSE marginally exceeded its previous all time high achieved on 22nd May 2008 to reach a new peak on 11th February. However the FT100, which the JSE tracks very closely, has still to rise by another 9% in order to reach its previous all time high achieved in October 2008.

Possible explanations for this include the fact that SA was not as adversely affected by the debt crisis as the UK and that the SA economy is more depend on

commodities that have rebounded sharply in the past two quarters. Also the local consumer is spending at a good rate where retail sales for February were up by 10.7% after an increase in January of 6.4% and 8.3% in December. Motor vehicle sales rose by a dramatic 23% in March and the increase for Q1 has been

electricity, water and petrol. Whatever he might save on lower bond repayments, is being used to pay for the other aspects of maintaining a property. Most commentators do not expect interest rates to change for several months, but the first rate increase could be as early as Q3.

Dennis Dykes Economic Forecasts March 2011		2005	2006	2007	2008	2009	2010	2011	2012	2013
Growth - real % change	Gdp	5.3	5.6	5.5	3.7	-1.8	2.8	3.2	3.9	4.2
	Pce	6.1	8.3	5.5	2.2	-2	4.5	4	4.5	4.6
	Gdfl	11	12.1	14.2	14.1	-2.2	-3.7	1	5.2	5.8
Exchange rates - average	\$-R	6.38	6.78	7.06	8.26	8.44	7.33	7.2	7.83	8.25
	Euro-R	7.93	8.51	9.67	12.1	11.75	9.76	9.66	9.97	10.1
	GBP-R	11.6	12.48	14.13	15.16	13.17	11.33	11.7	12.62	13.23
Interest rates - year end	3month JIBAR	7.05	9.18	11.25	11.43	7.23	5.55	5.73	8.28	9.43
	Prime	10.5	12.5	14.5	15	10.5	9	9	11.5	13
	Long bonds	7.43	7.76	8.35	7.33	9.08	7.72	8.43	8.71	8.51
Inflation - average	CPIX-metro and other urban	3.9	4.6	6.5	11.3					
	CPI base 2009					7.1	4.3	4.4	5.9	6

22%. This contrasts with the property market which has slipped back after an initial rebound in 2010 in spite of interest rates that are at their lowest level in 40 years. (See table below for economic forecasts) Another positive factor for the economy and investors is low interest rates. CPI for February is the same as January at 3.7%. These low rates are obviously encouraging consumers to borrow more and buy big ticket items like motor vehicles. Property is lagging probably because buyers are now faced with rapidly increasing prices of

The South African Budget presented on 23rd February did not produce any surprises. The government has followed through on its job creation emphasis and has budgeted R5 billion over 3 years as a wage subsidy for young people in addition to the R9 billion announced by President Zuma when he opened parliament. The fact that the budget was predictable is a positive as it means that consistent policies are in place and will be implemented.

Following the reporting of some of the largest listed companies, the overall PE on the market has declined to 15.5. Although economic forecasts are positive, geopolitical risk, the high oil price and the prospect of rising interest rates in the Europe, suggest that the market is fairly valued at present.



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Company Commentary

CONVERGENET HOLDINGS

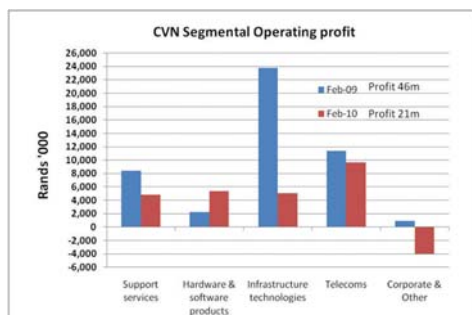
Convergenet's revenue has been under pressure for some months due to delays in securing some of the major government contracts in the infrastructure technologies space. The government restructured the tender process in 2009 and only concluded this in May 2010.

These delays affected the infrastructure technology sector as a whole and companies in this sector could only tender for the government business in June 2010.

The tendering period has now closed and the government is in the process of awarding the contracts. The CVN share price was up by 25% to 25c during the March 2011 quarter in anticipation of the contracts being awarded.

We have again published the operational profit chart below to give an indication of how significant the government contracts are for the profitability of CVN.

The single biggest contributor to profit is normally the Infrastructure technologies sector. This profit is expected to return to the February 2009 levels once the government contracts have been awarded.

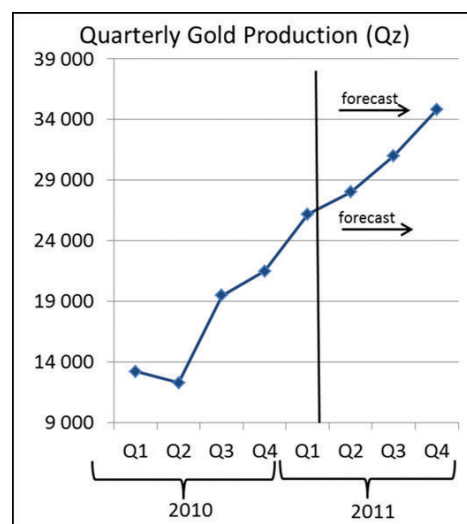


GOLD ONE

The share price was up by 25% to R3 in the 1st quarter 2011 as production rose and the USD gold price increased. Rand price of gold was up 3.83% from December 2010. Production for the 1st quarter was 26,188 ounces, an increase of 21.9% over December's quarter and 100% higher than the 1st quarter of 2010.

We have indicated in previous quarters that a significant discount existed in the share price relative to the company's fundamental value. Investors that have exercised patience are starting to reap the reward. The share price has begun rerating on the back of a significant ramp up in production and the successful conclusion of corporate activity related to the repositioning of Gold One's deeper assets into a separate listed vehicle on the JSE, Goliath Gold.

Gold One has given guidance that production is expected to continue increasing and should reach 120,000 ounces for the year.



Gold One has indicated that the steady state annual production is expected to be somewhere between 140,000 and 180,000 ounces per annum, which is 16%-50% higher than 2011 forecast production of 120,000 ounces. These positive fundamentals will underpin the current share price and the expected future performance.

WHITE WATER RESOURCES

White Water was up 25% for the 1st quarter to 40c as gold in Rands was up 3.82%.

Prior to the September quarter end Gold One announced a proposed reverse takeover of White Water. Gold One has been planning to house its deeper level assets separately from its shallow high margin assets and White Water was identified as the most appropriate target due to the close proximity of their assets on the East Rand. These deeper Gold One resources make up 12.65 million (JORC/SAMERC compliant) ounces.

The transaction was successfully concluded in March with an issue of just over 1 billion WWR shares at a price of R0.25 to Gold One. White Water will be changing its name to Goliath Gold. With the operational Gold One team at the helm of White Water we expect that they will begin to extract the value in the resources and look forward to them repeating the output that has been achieved at Gold One's Modder east operation.

Due to the transaction with Gold One, White Water has moved from an exploration company to a company with producing assets.





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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.

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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 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 a 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.

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