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GENERAL NEWS & INFORMATION

MARKETS & CURRENCY: Volatility is here to stay

We can confirm that we are unclear about the direction of the stock market over the next few months. We welcomed the correction during the first quarter of this year as we felt the market was expensive on a P:E valuation but all of the losses were recovered in a few short days of market strength. It is our view that the market remains expensive yet other investors seem to feel that there is still value in the market. What is certain is that there is significantly more volatility in the market compared to last year and it seems that the volatility is here to stay. One of the contributors of the market volatility is the increased volatility of the rand. After a few years of stability it seems as though the rand is once again one of the most volatile currencies in the world. This contributes to investor uncertainty and will make investing decisions more difficult. It is important to note that our President has started to comment more on our currency and has indicated that he feels it is overvalued and is harming our economy as it makes our exports too expensive. We would still recommend that you exercise caution when investing in the equity market over the next few months - longer term investors should consider phasing new capital into the market over the next 3 to 6 months. For traders – you should be aware that there are new price bands forming and so should try to trade within these new bands.

WHO IS FORMULATING GOVERNMENT'S ECONOMIC POLICY?

It is interesting to note the recent changes in Government's economic policies. Whilst there is no change in priorities, there is a change in the way that Govt. will try to achieve it's main objectives. The primary economic policy is called AsgiSA (Accelerated & Shared Growth Initiative) which aims to accelerate economic growth to 6% by 2010 and halve unemployment (currently 25.7%) by 2014. Govt. is concerned that our current rate of economic growth (5%) is not resulting in the dramatic decreases in unemployment that were expected, which has caused a major policy rethink. As a result, Govt. is consulting widely on how economic policy should be changed and has even appointed Harvard University's Centre for International Development (CID) to help. CID is a unit of international economists who analyse the reasons for entrenched poverty and try to find solutions. This unit has seemingly guided Govt. to focus more strongly on increasing our exports and ways of reducing the value of the rand to make our exports more price competitive.

This is a significant change in policy when you contrast this with the Reserve Bank's single-minded focus on inflation management over the past few years often to the detriment of economic growth. The jury is still out on whether we will any real employment benefits from the change in policy but it may be worth increasing your foreign currency positions if Govt. decides to consciously weaken the rand. In this regard you can invest in the Itrix instruments on the JSE to obtain indirect offshore exposure.

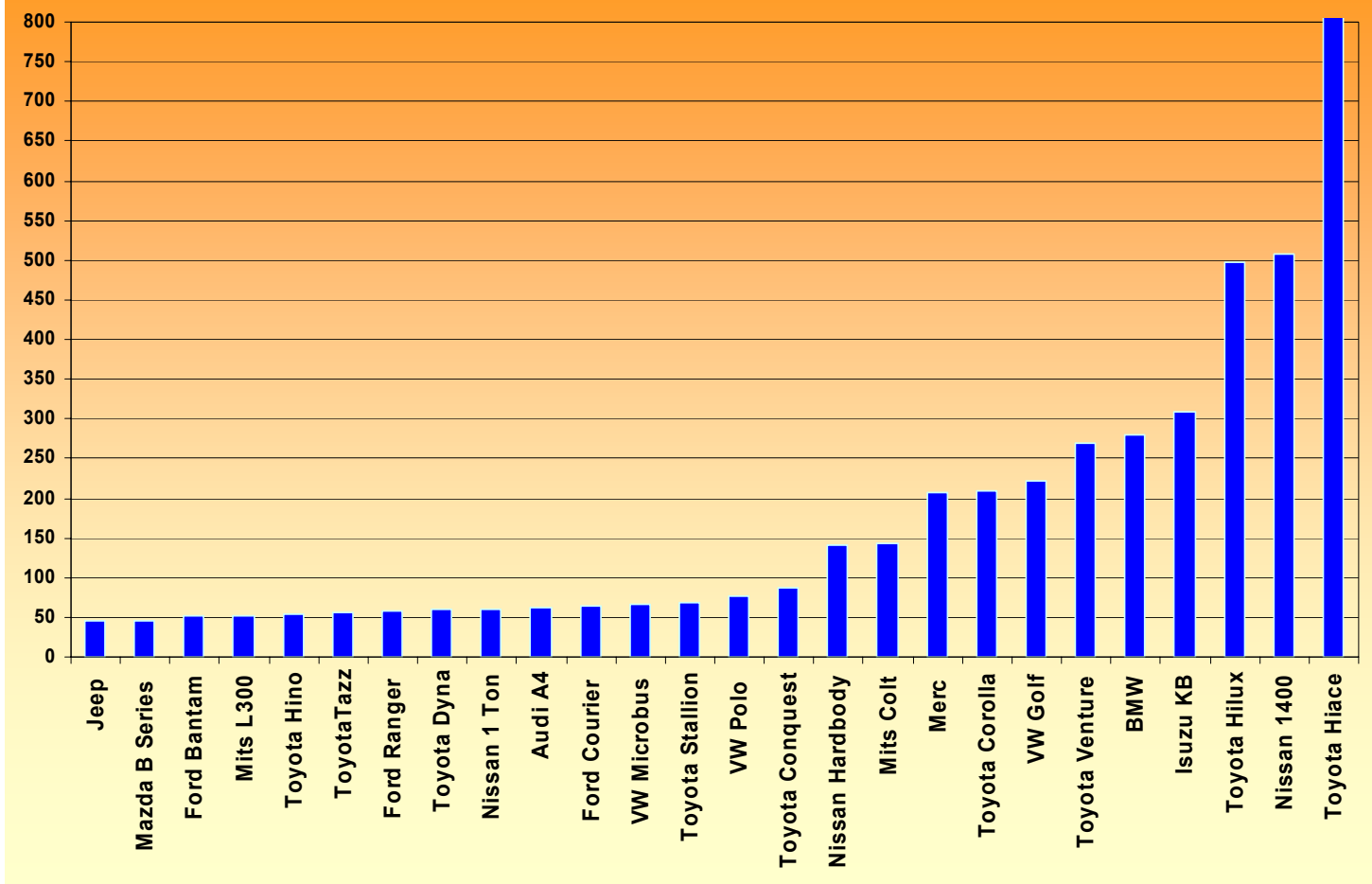
HAVE THE INTEREST RATE HIKES REDUCED CONSUMER SPENDING?

In the light of the interest rate hikes in the second half of 2006, we would have expected to see a slow down in consumer spending towards the end of 2006. The worrying fact is that consumer spending actually accelerated in the last three months of 2006. Even more concerning is that consumer spending was greatest in the durable and semi-durable goods sectors which are primarily driven by credit extension. This means that consumers have reacted to the interest rate hikes by obtaining more credit and spending it on washing machines and furniture etc. This poses a problem for the Reserve Bank who are worried about inflation and would normally use increased interest rates to reduce inflation. If consumers are spending more after rate hikes, then the Reserve Bank may need to increase rates further or consider alternative methods of controlling inflation.

VEHICLE HIJACKINGS – some interesting statistics

This is a rather sombre topic but we thought it would be interesting for you to know what are the most hijacked vehicles and where the most hijackings take place. The information below is courtesy of Netstar. The table below indicates the most hijacked vehicles in Netstar's subscriber base. Although the table is slightly outdated, it is highly unlikely that the trends have changed significantly over the last 8 months. It is interesting to note that Toyota, VW and Nissan are the targeted brands. The detailed statistics show that hijackers seem to have the greatest demand for commercial vehicles and bakkies (pick-ups). It is also worth noting that the least hijacked brands seem to be: Subaru, Porsche, Jaguar and Alfa. It is clear that there is a strong correlation with the volume of cars sold and hijackings i.e. the most popular vehicles are also the most hijacked vehicles.

Most Wanted Vehicles - Netstar Subscriber Base September 2005 - July 2006



It is also interesting to know where we are most vulnerable to hijackings. According to Inspector Riaan Steenkamp of Elsburg SAPS the most hijackings take place in front of private residences. We have highlighted the places where most hijackings take place in the table below.

In front of private residences	51%
Victims sitting in parked cars	10%
At traffic lights	7%
At a stop street or yield sign	6%
At business premises	5%
Victims forced off road by decoys	4%
While taxis are loading/offloading passengers	4%
At shops, post offices, telephone booths, etc	3%

If you would like to see the full table of hijacked vehicles, please contact Hayden on 083 775 4195 or email him hayden@galileocapital.co.za

WAYS TO REDUCE YOUR INSURANCE COSTS

If you have a **home mortgage** you should take note of the new National Credit Act. It has many far reaching implications for consumers of credit but for home owners with a mortgage, it means that you could save money on the cost of insuring your building. In the past you would have been coerced into using your bank's insurer for the insurance of your building. The new Act prevents this practice and allows you to choose your insurer and to change insurers when you choose. For clients that have requested comparative quotes, we have found that the insurance offered by the banks has always been more expensive than the quotes we have obtained - usually from Mutual & Federal. It may be worth getting a quote to see if you can save on your insurance.

There is a relatively new **vehicle tracking** company called Tracetec (www.tracetec.co.za) that has been approved by all the major insurers that seems to offer very low cost tracking services. The costs are approximately R750 for installation and R56 per month per subscription. This makes tracking a lot more affordable than it has been in the past and may be worth investigating, especially for lower value cars.

Reduce your **vehicle insurance costs** by checking that your insurer has amended the value of your car if it is more than a year old. Insurers will depreciate the value of your payout for every year that your car ages. Therefore you should reduce the insured value of your car and so pay a lower premium every year.

If you would like to know the current value of your vehicle or if you would like an insurance quote, you can contact us at hayden@galileocapital.co.za

2. GALILEO CAPITAL NEWS

ANOTHER MILLIONAIRE COURTESY OF GALILEO CAPITAL

The second Make a Million Online (MAM) competition concluded in March this year with Willie Koen, who is a Doctor of History based in Gauteng, winning R1 million for being the top performer this year. MAM is a competition run by ourselves, PSG and Moneyweb where private investors try to achieve the maximum return on a R10 000 stock broking account over a three month period. The person who generates the highest growth wins the R1 million prize. The beauty of the competition is that it is aimed at ordinary (i.e. not professional) investors and works with real not fictitious money. The interest in this competition was excellent with more than 1 300 entrants, 620 of whom were first-time stock market participants. More than 50% of the field ended with a positive return and the average return across all players was 5%. You can read more about the competition on www.makeamillion.co.za

WE ARE EXPANDING

Our company is growing strongly and with the integration of our short-term insurance division, we need more office space. As a result we will be moving to larger offices in May/June. We are very excited about the move as we will consolidate our two Johannesburg offices into one building. We will be moving to Hyde Park (corner William

Nicol and 2nd Avenue) and will provide you with our new telephone and fax numbers as soon as we get them from Telkom.

INTEGRATION OF OUR SHORT-TERM INSURANCE BROKERAGE

We have concluded the acquisition of a 50% share in the short-term insurance brokerage from Hayden Simpson and changed the name of the business to Galileo Capital Financial Services. We have already seen tremendous interest from our existing clients who have switched from their insurers to Galileo as they found the rates and service to be significantly better than their old providers. We provide insurance for companies and private individuals and cover buildings, vehicles and business risks. To find out more about this service please feel free to contact your relationship manager or Hayden directly on 083 775 4195 or via email: hayden@galileocapital.co.za

LAUNCH OF GALILEO CAPITAL CONSULTING

We have started a new consulting division where we assist companies and individuals with the development of feasibility studies, business plans and the raising of project and property finance. The formation of this business is the result of increased demand for these services over the past 12 months and we decided it was appropriate to allocate some dedicated resources to the business and formalise our service offering. If you would like to know more about this service you can contact Deon Schoeman on 011 442 2340 or via email: deon@galileocapital.co.za

GALILEO CAPITAL WEALTH MANAGEMENT

As expected, our clients experienced very little uncertainty during the recent market volatility. Our portfolios were well diversified across all the various asset classes with approximately 15% of the assets invested offshore. This diversification provided solid capital appreciation in strong markets and downside protection when the markets fell. As an indication, our most conservative portfolio has generated returns in excess of 15% for the past 12 months with only 3% volatility. The volatility of the portfolio is a measurement of risk – generally higher volatility implies higher risk. Volatility of 3% is minimal when you consider the returns generated by the portfolio. We expect the market volatility to continue for the rest of the year and therefore expect our portfolios to provide consistent (but not spectacular) returns over this time. We have welcomed a significant number of new clients to our company over the past three months. Whilst this has been very good news for us; we have been really pleased that most of our new clients were referred to us by our existing clients. We appreciate this show of confidence from our clients.

STAFF NEWS

Yolande Botha

Yolande (B.Pharm) recently joined us as a representative and will work with Hayden in the Short-Term Insurance division and with Warren in the Wealth Management division. Yolande will be managing clients in these divisions and will provide back up to Hayden and Warren. Yolande is married to Louis and they live in Midrand. They are both avid scuba divers and try to get to Mozambique as often as possible. We are confident that Yolande will add great value to our company.