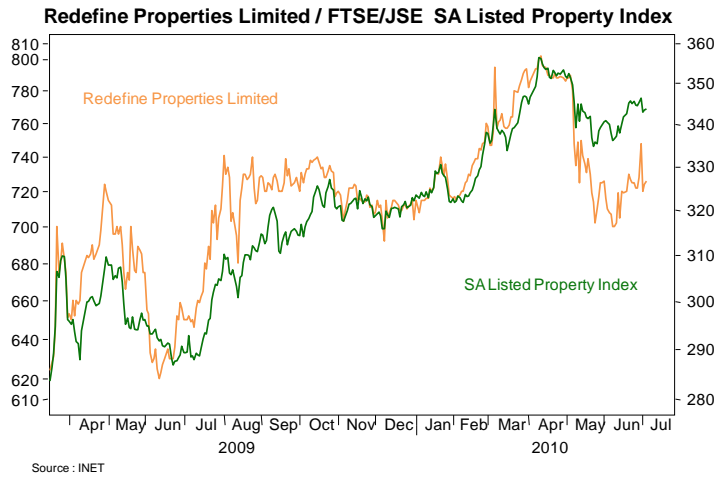


OMIGSA Comment – Evan Robins, Sector Head: Quoted Property

Redefine – punished by the market for reductions in distributions



Redefine, the listed property sector's second largest fund, has been punished by the market – it has been the worst non-specialist performer over the last quarter. This followed an almost 5% price fall, following its results announcement in May, when management disappointingly reduced distribution guidance for the full year for reasons that were not clear. This will be the company's first complete financial year, following the merger of Apex and Madison into Redefine, and its distribution projections – the basis on which unit holders in Apex initially agreed to the merger – had already been scaled back substantially last year from those published in the merger circular. The fund has lost credibility as a result of these repeated reductions in the promised distribution.



This is not the only woe to affect the company. The co-CEO resigned for unrelated personal reasons days after the results. The offshore investments have suffered in line with market turbulence and rand strength. In addition, an agreement with Redefine's existing service provider to take over the property management of the enlarged group at a reduced rate was not achieved. As a result, Redefine will now have to run the property management function itself – a massive undertaking given the funds 3 500 000 m² of Gross Lettable Area – and for which it has little experience. Redefine by law has to take over the significant staff complement of this service provider.

Redefine is in the process of trying to dispose of non-core properties. The fund is also involved in a controversial offer to minority shareholders to take over top-quality listed property fund Hyprop, at an above-market price. In addition, Redefine is actively exploring offshore opportunities through Redefine International. The jury is still out if management will be able to execute all these activities in a value adding manner and restore market confidence?

25 June - 01 July 2010 in a nutshell

Global: Concerns over the slow pace of global economic recovery, as evidenced by the easing of economic activity in China and the US, weighed heavily on global equities this week. The S&P 500 in the US plunged 4.29% while the European market shares slid 4.76% and emerging market shares plummeted 4.52%.

South Africa: The local market was left heavily battered this week, with the FTSE/JSE All Share Index losing 5.12%, owing to faltering global equities. The biggest losers were resources, falling 6.85% on weak metals prices.

Markets and Economics - Highlights

Global

- Consumer confidence in the US plunged this month in response to sluggish job creation and depressed stock markets. The Conference Board's confidence index tumbled nearly 10 points, from a revised 62.7 points in May to 52.9 points in June. The decline was far steeper than Wall Street analysts had projected and broke a three-month stretch of rising optimism.

- The European Central Bank (ECB) has slowly but surely been replacing the private markets as the main source of cross-country funding in the Eurozone. The ECB is currently lending close to €900bn to Eurozone commercial banks, jumping to near-record levels since the creation of the central bank 11 years ago. Hence the worries around the expiration of an ECB lending facility to Spanish banks this week, which have been unable to get private short-term funding due to concerns over their creditworthiness.
- Beyond China and India, Africa presents the economic opportunity of the future – and not just because of its resource wealth. By 2040, the continent would have 1.1 billion people of working age, more than either India or China. In addition, the number of households with discretionary income is projected to rise by 50% over the next 10 years to 128 million, said a report by McKinsey Global Institute (MGI).

South Africa

- South Africa posted a trade deficit of R302m in May, compared with a deficit of R1.9bn in April. The smaller deficit for May was due to an increase in exports of 6.8% and an increase in imports of 3.1%, said SA Revenue Services in a statement.
- Credit to the private sector, which shrank for seven months in a row, has finally turned positive. The Reserve Bank reported that total loans and advances rose 1.4% y/y in May.
- The pace of company failures surged last month, showing the private sector was still under strain. However, personal bankruptcies fell for the third month in a row during April, indicating that rising income, lower inflation and interest rate cuts were helping to nurse household finances back to health, official data showed.

Key Indicators:

Market	Index	Movement for the period		Year to Date
		%	Index Value @ 01.07.2010	% Performance Return
United States	S & P 500 (US\$)	-4.29%	1,027	-7.90%
Europe	Euro Stoxx 50 (Euro)	-4.76%	2,519	-15.08%
Emerging Mkts	MSCI Emerg Mkts (US\$)	4.52%	909	-8.13%
South Africa	FTSE/JSE All Share (ZAR)	-5.12%	26,010	-5.99%
Global	MSCI (US\$)	-4.25%	1,036	-11.30%
ZAR/Dollar	Rand/US \$ (ZAR)	2.11%	7.73	4.60%
ZAR/Pound	Rand/£ (ZAR)	3.54%	11.71	-1.26%
ZAR/Euro	Rand/Euro (ZAR)	3.42%	9.67	-7.82%
JSE	Industrials	-3.80%	24,344	-3.57%
JSE	Financials	-3.02%	19,192	-0.70%
JSE	Resources 20	-6.85%	45,048	-11.82%
JSE	Small Companies	-1.54%	27,751	-0.48%
JSE	Listed Property	-0.58%	343	6.19%
JSE	RAFI® ALSI	-1.93%	5,423	-5.72%
JSE	RAFI® 40	-5.42%	5,230	-6.47%
JSE	SWIX	-5.69%	5,423	-5.44%

Editor: kbuthlezi@omigsa.com

OMIGSA: Tel. 021 509 7622

www.omigsa.com

The information in this document is obtained from OMIGSA, Morningstar and Reuters as at 01 July 2010. While every effort has been made to ensure the accuracy of information contained on this document, the Old Mutual, the Old Mutual Investment Group, its associated companies, its Directors or employees provide no representation or warranty, express or implied, regarding the accuracy, completeness or correctness of information contained in this website.

Any opinion expressed is intended for general information, and is subject to change at any time without notice. Old Mutual Investment Group (South Africa) (Pty) Limited is a licensed financial services provider, FSP 604, approved by the Registrar of Financial Services Providers (www.fsb.co.za) to provide intermediary services and advice in terms of the Financial Advisory and Intermediary Services Act 37 of 2002. Old Mutual Investment Group is a wholly owned subsidiary of Old Mutual South Africa Limited. Reg No 1993/003023/07.