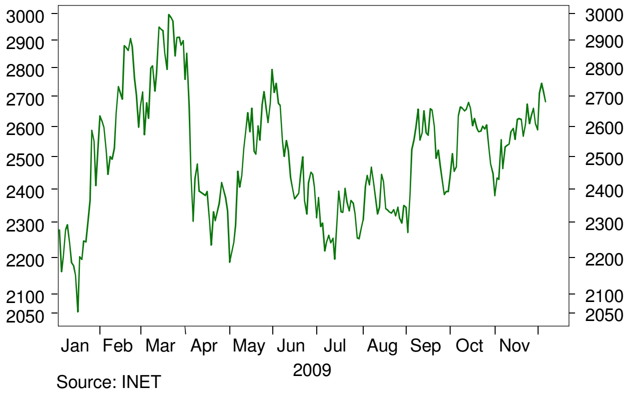
OMIGSA Comment – Mandla Mapondera, Portfolio Manager: Old Mutual Gold Fund

Gold's role as a reserve propels it upward

The role of gold as a reserve asset came to the fore in November 2009. On 2 November, the International Monitory Fund (IMF) informed the markets that the Reserve Bank of India (RBI) bought 200 tons from it, which was almost half of the 403 tons the IMF intended to sell. This was followed by another announcement that the Bank of Mauritius had purchased two tons from the IMF, and subsequently, Sri Lanka bought 10 tons from the multilateral institution.

FTSE / JSE Gold Index



Source: INET

Elsewhere, the World Gold Council published its estimates for demand and supply for the bullion, showing that central banks were net buyers of gold for two quarters in a row to September 2009, although the numbers were small. News of the RBI purchase gave gold a second wind, pushing it above the $1,050/oz mark. From then on, it never looked back as the dollar weakened 1.5% during the month, reaching a low of $1.51/euro. The weak dollar boosted the rand gold price above the R280,000/kg point.

The FTSE/JSE Gold Index moved in tandem with the metal's price, climbing 7%. However, the performance was quite mixed: Anglogold Ashanti [ANG] was up 10%, while Goldfields [GFI] rose 6% and Harmony [HAR] climbed 4%. The sentiment around the shares with a large exposure to SA was poor due to the strong rand and the negative impact of a possible 45% increase in ESKOM tariffs over the next three years. Although ANG offers better prospects over the long-term, we are concerned about the impact the hedge book has on the company's performance at current prices. If gold continues to rise, the mark-to-market hedge book loss will start escalating, neutralising the benefits of earlier close outs. Therefore, GFI is now our preferred play in the SA gold space.

27 Nov - 03 Dec 2009 in a nutshell

Global: Global bourses were a mixed bag this week on unexpected negative economic news from the US. The S&P 500 in the US shed 0.99% while the European market stocks rose 2.75% and emerging market shares climbed 2.95%.

South Africa: The local bourse ended the week in the black, fuelled by stronger metal prices, especially the gold price. The FTSE/JSE All Share Index rose 1.07% and the major winners were resources, rallying 2.27%.

Markets and Economics - Highlights

Global

- Companies in the US cut an estimated 169 000 jobs last month, according to a private report based on payroll data. The drop, the smallest since July last year, compares with a revised 195 000 decline the prior month, data from ADP Employer Services showed.
- UK house prices rose for a fourth month last month and mortgage approvals climbed to the highest level in one-and-a-half years as the economy started to emerge from the recession.

- China may have record gold demand and output this year as jewellery consumption soars and mining firms expand production after prices reached all-time highs, according to the China Gold Association. India's gross domestic product (GDP) grew 7.9% in the three months to September 30 from a year earlier after gaining 6.1% in the previous quarter.

South Africa

- The rand scaled a six-week peak and looked set for more gains, fanning concern over the toll its strength may take on SA's hesitant economic recovery. At some stage on Wednesday, the unit nudged to R7.28/$ - its firmest level since mid October.
- After closing last year at an index level of 43.02, the South African volatility index has seen a gradual improvement to less fearful levels, with the index last at 22.84.
- New vehicle sales declined just over 12% y/y last month, the National Association of Automobile Manufacturers of SA (Naamsa) said. New vehicle sales dropped 12.1% y/y last month to 30 019, compared with 34 132 in that month last year.

Key Indicators:

Market	Index	Movement for the period		Year to Date
		%	Index Value @ 03.12.2009	% Performance Return
United States	S & P 500 (US$)	-0.99%	1,100	21.82%
Europe	Euro Stoxx 50 (Euro)	2.75%	2,876	17.34%
Emerging Mkts	MSCI Emerg Mkts (US$)	2.95%	986	73.90%
South Africa	FTSE/JSE All Share (ZAR)	1.07%	27,314	26.99%
Global	MSCI (US$)	1.39%	1,171	27.28%
ZAR/Dollar	Rand/US $ (ZAR)	-1.07%	7.40	-22.35%
ZAR/Pound	Rand/£ (ZAR)	-1.05%	12.22	-22.35%
ZAR/Euro	Rand/Euro (ZAR)	-0.98%	11.23	-14.67%
JSE	Industrials	0.82%	24,494	13.95%
JSE	Financials	0.48%	18,979	20.28%
JSE	Resources 20	2.27%	51,316	33.25%
JSE	Small Companies	0.62%	26,589	17.80%
JSE	Listed Property	-0.62%	319	2.90%
JSE	RAFI® ALSI	0.97%	5,706	32.76%
JSE	RAFI® 40	1.23%	5,531	29.77%
JSE	SWIX	0.81%	5,588	22.81%

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