

OMIGSA Comment – Cavan Osborne, Portfolio Manager: Old Mutual Industrial Fund

Industrial companies power aheadelectricity hikes are a major concern, though

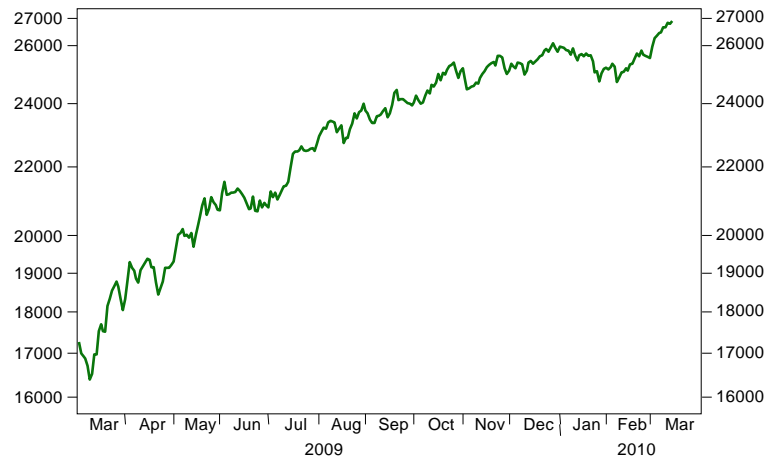


December company results came through thick and fast during February 2010. Growth in the food retailers was slower than that which they have recently experienced. Shoprite reported earnings growth of just 12% compared with the 20% to 30% levels of the last five years.

Trading conditions for those companies exposed to mining, manufacturing and industries remained tough. The strength of the rand compounded the situation.

AECI's earnings, for instance, declined 16%, Eqstra reported a loss, and Murray & Roberts reported a 34% fall in earnings for the six months to December. While many of the consumer companies are reporting signs of recovery, the concern about electricity cost hikes is increasing across the industrial companies.

FTSE/JSE SA Industrial Index



Source: INET

For February, the Industrial Index rose 1.4%, beating the 0.4% from the FTSE/JSE All Share Index (ALSI). The big gainers during the month were Kumba (+12%) after saying it was terminating its supply agreement to ArcelorMittal, Naspers (+6%) and MTN (+2%). SAB (down 5%) and Richemont (down 1.5%) lagged.

05 - 11 March 2010 in a nutshell

Global: The upbeat investor sentiment about the state of the global economy pushed most global bourses upward, for two weeks in a row this week. The S&P 500 in the US was 2.40% in the back, while its European counterpart climbed 2.84% and emerging market stocks were 3.02% higher.

South Africa: The local market tracked the positive global sentiment, with the FTSE/JSE All Share Index edging up 0.49%. The winners were industrials, climbing 1.35%.

Markets and Economics - Highlights

Global

- Americans reduced their household debt for the first year on record last year as they aggressively cut back on spending to cope with the recession. US household debt contracted by 1.75% in 2009, according to the closely watched “flow of funds” data, Federal Reserve figures showed.
- British manufacturing output slumped in January 2010 at its sharpest monthly rate since last August, confounding expectations of growth and reversing December’s strong rise after icy weather dented production. Manufacturing output fell 0.9% in January – well below analysts’ expectations for a rise of 0.3% and in contrast to December’s 0.9% rise, said the Office of National Statistics.
- Chinese consumer inflation spurted to a 16-month high last month and a raft of economic data displayed broad-based strength, providing fresh arguments for policy tightening sooner rather than later, a newspaper report said.

South Africa

- Factory output was disappointing in January, casting doubt over the sustainability of SA's economic recovery, which has so far been driven by manufacturing. Production rose 3.7% compared with a year earlier – well below forecasts for a 5.5% hike, official data showed.
- Building confidence nudged up in the first quarter of this year, supported by an upswing in SA's residential property sector. A building confidence index produced by the Bureau of Economic Research and a local bank edged up to 30, from 28 in the fourthquarter of last year.
- SA's gold and foreign exchange reserves have fallen for the third month in a row, as gains in the dollar eroded the value of other currencies held by the Reserve Bank, reducing the overall value of its holdings, official figures showed.

Key Indicators:				
Market	Index	Movement for the period		Year to Date
		%	Index Value @ 11.03.2010	% Performance Return
United States	S & P 500 (US\$)	2.40%	1,150	3.13%
Europe	Euro Stoxx 50 (Euro)	2.84%	2,896	-2.37%
Emerging Mkts	MSCI Emerg Mkts (US\$)	3.02%	990	0.05%
South Africa	FTSE/JSE All Share (ZAR)	0.49%	27,911	0.88%
Global	MSCI (US\$)	2.34%	1,183	1.28%
ZAR/Dollar	Rand/US \$ (ZAR)	-0.80%	7.41	0.27%
ZAR/Pound	Rand/£ (ZAR)	0.45%	11.17	-5.82%
ZAR/Euro	Rand/Euro (ZAR)	0.10%	10.15	-3.24%
JSE	Industrials	1.35%	26,057	3.22%
JSE	Financials	0.11%	20,543	6.29%
JSE	Resources 20	-0.08%	49,207	-3.67%
JSE	Small Companies	-0.85%	28,436	1.97%
JSE	Listed Property	-1.74%	338	4.64%
JSE	RAFI@ ALSI	0.67%	5,861	1.89%
JSE	RAFI@ 40	0.69%	5,686	1.68%
JSE	SWIX	0.45%	5,849	1.99%

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