

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

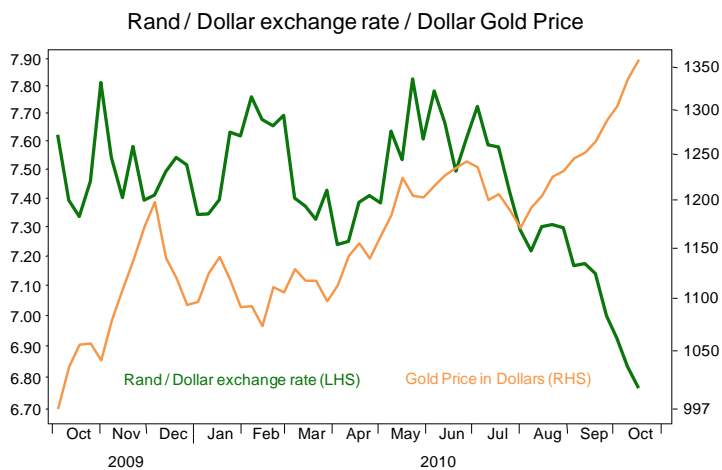
Gold breaking recordsbut strong rand steals the shine



The yellow metal, which broke records in the month of September by breaching \$1,300/oz, only increased 5% during the three months to September. However, the strength of the rand took

all that shine away.

Meanwhile, the quarter to September 2010 turned out to be a stellar period for the platinum group metals, particularly palladium which rose by almost 30%. Platinum increased by about 10%, while rhodium had a negative 8% return. When the precious metals prices are looked at in local currency terms, platinum is down 2%, palladium is up 18%, rhodium is down 16% and gold is down 4%. The rand appreciated by 10% against the dollar during the quarter to September.



Source: I-Net

The weaker rand metal prices were reflected in the performance of the shares. The FTSE/JSE Gold Index declined by 1%, with both AngloGold Ashanti (ANG) and Harmony (HAR) falling 3% and 4%, respectively. Goldfields (GFI) enjoyed positive performance of 2%. The Platinum Index was down 3%, although Lonmin put in a sterling 15% performance. The quarter featured news of ANG raising money, through an equity issue and convertible bond, to close out its hedge book. Once the hedge book is completely eradicated, the company stands to benefit from better margins and better cash flows to the tune of about \$500m, depending on the performance of the gold price and should it remain at these high levels.

08 - 14 Oct 2010 in a nutshell

Global: Upbeat economic data from China propped-up the global economy this week, sending most global bourses into positive territory, albeit with some concern over the weak US economy. The S&P 500 in the US rose 1.38%, while its European counterpart collected 1.76% and emerging market stocks rallied 2.18%.

South Africa: The local economy cheered the positive sentiment, with the weaker dollar and strong metals prices driving the FTSE/JSE All Share Index well above the 30.000 mark this week, and gaining 2.46% in the process. The resources stocks led the rally, ending the week 2.81% higher.

Markets and Economics - Highlights

Global

- The likelihood that the US will soon launch a fresh burst of “quantitative easing” has increased, as minutes from the Federal Reserve’s latest meeting revealed that officials were nearing agreement on the need for additional stimulus, claimed a Financial Times article.
- The European Central Bank can afford to keep interest rates at a record low for now because economic growth in the 16-nation Euro region is set to slow and inflation remains under control. Domestic price pressures remain contained and inflationary expectations well anchored, said bank council member Guy Quaden.
- China’s foreign exchange reserves rose to a record amount in the third quarter, thanks to capital inflows and a persistently large trade surplus that adds weight to complaints that Beijing is intentionally undervaluing its currency. The reserves, already by far the largest in the world,

increased by \$194bn in the past three months to \$2.650bn, eclipsing the previous record rise of \$178bn in the second quarter of 2009.

South Africa

- Factory output slowed much more sharply than expected in August, rising 5.3% compared to the corresponding month last year – its lowest pace since February. During the month itself, production fell 3.6%, mainly reflecting the effects of a strike in the motor industry, which makes up about 11% of factory output, said Stats SA. This poor performance of the economy's second biggest sector could help bolster the case for a further interest rate cut in the months ahead.
- Current trade conditions moved into positive territory last month, according to the trade activity index, released by the South African Chamber of Commerce and Industry (SACCI). The index had been in negative territory since May.
- Local retail sales growth slowed sharply in August, surprising industry analysts and making another interest rate cut to stimulate the economy more likely. While economists surveyed by Bloomberg had predicted an annual increase of 8%, data from Statistics SA revealed that retail sales grew just 4.6% year-on-year in August. This was down from a revised 8% in July, as a stronger rand cut import costs and pushed inflation to a four-year low.

Key Indicators:

Market	Index	Movement for the period		Year to Date
		%	Index Value @ 14.10.2010	% Performance Return
United States	S & P 500 (US\$)	1.38%	1,174	5.85%
Europe	Euro Stoxx 50 (Euro)	1.76%	2,836	-4.39%
Emerging Mkts	MSCI Emerg Mkts (US\$)	2.18%	1,127	13.90%
South Africa	FTSE/JSE All Share (ZAR)	2.46%	30,251	9.34%
Global	MSCI (US\$)	1.57%	1,226	4.97%
ZAR/Dollar	Rand/US \$ (ZAR)	-1.31%	6.77	-8.39%
ZAR/Pound	Rand/£ (ZAR)	-0.55%	10.84	-8.60%
ZAR/Euro	Rand/Euro (ZAR)	-0.31%	9.54	-9.06%
JSE	Industrials	1.95%	28,323	12.19%
JSE	Financials	1.42%	21,890	13.26%
JSE	Resources 20	2.81%	49,971	0.57%
JSE	Small Companies	1.17%	31,247	12.05%
JSE	Listed Property	1.06%	383	18.58%
JSE	RAFI® ALSI	2.24%	6,341	10.24%
JSE	RAFI® 40	2.32%	6,099	9.07%
JSE	SWIX	2.16%	6,388	11.39%

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