

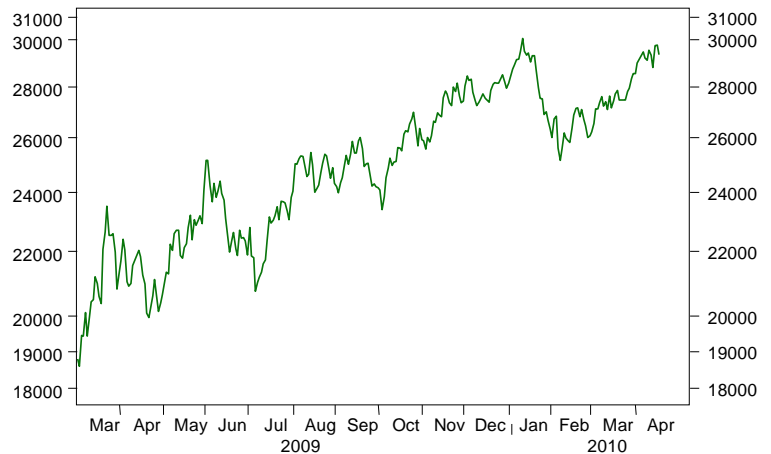
OMIGSA Comment – Anwaar Wagner, Head: Resources

Commodities roaring ahead.....but investors should be wary of associated risks



During the first quarter of 2010, the basic metals sector (up 9.8%) outperformed the FTSE/JSE All Share Index (ALSI) (up 7.9%) due to strong commodity prices as BRIC (Brazil, Russia, India and China) economies continued to produce solid economic data aiding a cyclical recovery in the G7.

FTSE / JSE Resources Index



Source : INET

A special mention needs to be made of the sharp fall of the ArcelorMittal SA share price, due to the failure to convert the mineral rights on their stake in the Sishen mine. This will be a complicated legal case that may last a very long time; hopefully it can be resolved within a reasonable time period. Given the drop in the share price our view remains unchanged on the company’s longer-term prospects.

On a more positive note, the Old Mutual Mining & Resources Fund won both the Raging Bull and Morningstar performance awards in the sector again this year. This illustrates the benefits of the fund’s focus on buying undervalued shares, and not chasing “hot stocks”, but opting to take a longer-term perspective on both risk and return instead.

Looking ahead, we find similarities between H1 2010 and H1 2008. Investors should take into account relatively more challenging conditions, especially the increased risk associated with high commodity and share prices.

09 - 15 April 2010 in a nutshell

Global: Expectations of solid corporate earnings and positive retail sales in the US pushed most global bourses upward this week. The S&P 500 in the US rose 2.19%, while its European counterpart climbed 2.41% and emerging market stocks ended the week 1.16% higher.

South Africa: The local market tracked its global peers higher this week, with the FTSE/JSE All Share Index collecting 1.84%. The biggest winners were resources, gaining 2.19% for the week.

Markets and Economics - Highlights

Global

- Federal Reserve Bank Chairman Ben Bernanke predicted that a “moderate economic recovery” would unfold in the US over the next several quarters on the back of stronger spending by business and consumers.
- Industrial production in the eurozone rose faster than expected in February, boosting hopes that economic recovery is gaining momentum. Greece, which is struggling with a spiralling deficit and the threat of a deep recession, saw output fall 2.9% in January and more than 10% compared with a year earlier.
- China chalked up unexpectedly strong annual growth of 11.9% in the first quarter, prompting new calls for tighter policies to prevent the economy from overheating and stoking speculation of when Beijing will loosen its grip on the yuan, said a newspaper report.

South Africa

- The unexpected 1.5% drop in retail sales for February adds weight to the call for a further rate cut as strained households' purses continue to lag behind the rest of the economic recovery. Stats SA said that retail sales at constant prices fell 1.5% year on year in February.
- The slow recovery in employment after heavy job losses last year was confirmed by the Adcorp employment index that showed a marginal 0.2% rise in employment between February and March this year.
- South African companies are forecasting a return to a "business as usual" attitude only during next year, when they can expect an end to the effects of the economic downturn that has resulted in the loss of more than one million jobs, a study by PricewaterhouseCoopers revealed.

Key Indicators:

Market	Index	Movement for the period		Year to Date
		%	Index Value @ 15.04.2010	% Performance Return
United States	S & P 500 (US\$)	2.19%	1,212	8.69%
Europe	Euro Stoxx 50 (Euro)	2.41%	3,013	1.58%
Emerging Mkts	MSCI Emerg Mkts (US\$)	1.16%	1,048	5.92%
South Africa	FTSE/JSE All Share (ZAR)	1.84%	29,565	6.86%
Global	MSCI (US\$)	2.48%	1,241	6.25%
ZAR/Dollar	Rand/US \$ (ZAR)	0.55%	7.29	-1.35%
ZAR/Pound	Rand/£ (ZAR)	1.90%	11.27	-4.97%
ZAR/Euro	Rand/Euro (ZAR)	2.27%	9.90	-5.62%
JSE	Industrials	-0.54%	26,699	5.76%
JSE	Financials	1.94%	21,447	10.97%
JSE	Resources 20	2.19%	52,869	5.76%
JSE	Small Companies	1.36%	29,881	8.61%
JSE	Listed Property	-0.56%	354	9.60%
JSE	RAFI@ ALSI	1.98%	6,218	8.10%
JSE	RAFI@ 40	2.13%	6,052	8.23%
JSE	SWIX	1.53%	6,154	7.31%

 Editor: kbuthlezi@omigsa.com

OMIGSA: Tel. 021 509 7622

www.omigsa.com

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