

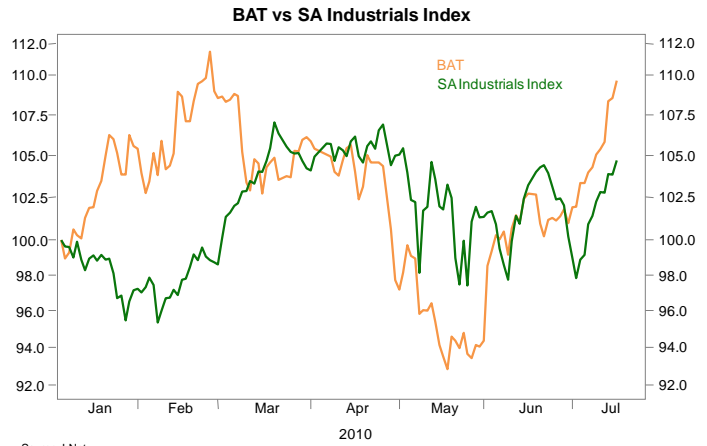
OMIGSA Comment – Cavan Osborne, Portfolio Manager: Old Mutual Industrial Fund

BAT – a top performerbut FIFA World Cup steals the show



The 4.5% drop in the FTSE/JSE Industrial Index during the second quarter of 2010 meant that all the gains of the first quarter were wiped out. So for the year-to-date, the index is flat. Having said this, it

outperformed the FTSE/JSE All Share Index (ALSI) which, after dropping 8.2% in the second quarter, is down 4% year-to-date.



The top performing large industrial company during June was British American Tobacco (BAT). This was on the back of its May announcement that the government had granted a two-year extension (until October 2012) to the realignment period for South African (SA) shareholders who had received BAT shares when Remgro and Richemont unbundled their stakes in late 2008. This is significant because BAT is currently classified as an inward listed stock (foreign) and therefore it forms part of an investor's or funds' offshore allocation allowance.

Despite reporting results in line with expectations and guidance, Naspers fell 14% in June – making it the worst performer of the larger industrial companies. This came after its key investment, a 37% stake in Chinese internet company Tencent, fell along with the Shanghai Stock Exchange. Coupled with this, Top TV was launched in South Africa, to compete with Naspers Group's cash cow, DSTV. MTN, after recovering a little in May after withdrawing from its bid for the Algerian mobile operator, came off again after rumours emerged that it was seeking an acquisition in India.

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09 - 15 July 2010 in a nutshell

Global: Buoyant corporate earnings from the US pushed global equities into the black this week, as weak macro-economic data failed to dampen investor sentiment. The S&P 500 in the US rallied 2.43% while the European market shares jumped 1.39% and emerging market bourses were 1.70% higher.

South Africa: The local market cheered the positive corporate news from Wall Street this week, with the FTSE/JSE All Share Index climbing 1.53%. The biggest winners were industrials, rising 1.78%,

Markets and Economics - Highlights

Global

- The US trade deficit widened in May to the highest level in 18 months as a rebounding economy pushed up demand for imports of foreign-made cars, computers and clothing. The trade deficit increased 4.8% to \$42.3bn, the largest imbalance since November 2008, the Commerce Department reported.
- Britain's consumer price inflation slowed to 3.2% last month from 3.4% in May due to lower prices for car fuel, clothing and shoes. Despite the further improvement from a 17-month peak of 3.7% in April, the rate remained stubbornly above the Bank of England's 2% target, raising doubt about how long it can avoid a rate hike, revealed official data.
- China's economy slowed in the second quarter as the government steered monetary and fiscal policy back to normal after a record credit surge in 2009 to counter the global crisis. Annual

gross domestic product (GDP) growth moderated to 10.3% from 11.9% in the first quarter, the National Bureau of Statistics said.

South Africa

- Retail sales accelerated at the fastest pace in more than two years in May, above expectations and boosting hopes of a stronger recovery in consumer spending, the economy's main engine. Retail sales grew 4.6% in May compared with the same month last year, well above consensus forecasts for an increase of 3.6%, Stats SA said.
- Indicators continue to point to a positive outlook for the local residential property market. The oobarometer price index revealed that the average house price rose 6.8% year on year last month to R837 599, from R787 427 a year earlier.
- Motor trade sales for May increased 19.9% compared with May last year from the revised 20.9% increase in April, further entrenching the double-digit growth seen since January.
- The richest South Africans were cutting their savings this year to reduce debt levels as interest rates declined. The top earners in Africa's largest economy are saving less because of too much mid- to long-term debt, said Crispin Sonn, Corporate Affairs Director at Old Mutual SA. Household debt eased to 78.4% of disposable income in the first quarter, down from 79.9% in the previous three months, the Reserve Bank said.

Key Indicators:

Market	Index	Movement for the period		Year to Date
		%	Index Value @ 15.07.2010	% Performance Return
United States	S & P 500 (US\$)	2.43%	1,096	-1.71%
Europe	Euro Stoxx 50 (Euro)	1.39%	2,703	-8.87%
Emerging Mkts	MSCI Emerg Mkts (US\$)	1.70%	957	-3.28%
South Africa	FTSE/JSE All Share (ZAR)	1.53%	27,475	-0.69%
Global	MSCI (US\$)	2.58%	1,113	-4.71%
ZAR/Dollar	Rand/US \$ (ZAR)	-0.27%	7.52	1.76%
ZAR/Pound	Rand/£ (ZAR)	1.48%	11.62	-2.02%
ZAR/Euro	Rand/Euro (ZAR)	1.46%	9.73	-7.24%
JSE	Industrials	1.78%	25,224	-0.08%
JSE	Financials	1.03%	20,515	6.15%
JSE	Resources 20	0.81%	46,636	-8.71%
JSE	Small Companies	0.56%	28,257	1.33%
JSE	Listed Property	0.85%	357	10.53%
JSE	RAFI@ ALSI	1.16%	5,743	-0.16%
JSE	RAFI@ 40	1.28%	5,520	-1.29%
JSE	SWIX	1.68%	5,817	1.43%

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