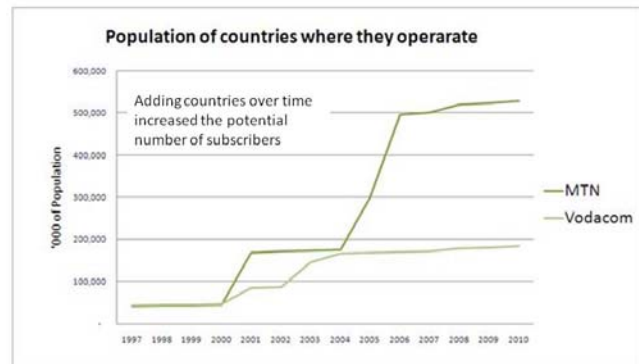


OMIGSA Comment – Steve Minnaar, Head: Investment Research

Why MTN is a better bet than Vodacom

With Vodacom's listing on the JSE this week, investors will for the first time have a straight up choice on which of South Africa's two cellular giants to include in their portfolios.

I pick MTN – it has so much more growth in front of it. There is still significant headroom for MTN in many of the African countries in which it operates, which I don't believe is fully priced into the share price at the moment. Based on our analysis, there is still an upside of 25-30% on the current MTN share price. On the other hand, Vodacom would probably have to add 50% to its subscriber base quite quickly to match its rival. Given that the South African market already has a very high penetration level and is extremely competitive, it's hard to see that type of growth coming through.



My preference for MTN has nothing to do with the quality of the current management teams at either company. They are both good businesses and are well run. However, because of strategic decisions taken several years ago, they are in very different places right now. Today however, MTN's market capitalization is R230 billion, while Vodacom's is just R84 billion. They started in SA with the same prospects in 1994, but when MTN ventured into Africa, Vodacom's shareholder squabbles constrained them. That proved to be the watershed that led to the odd R150bn difference in shareholder value created.

Overall, telecommunications is still one of the better industries to invest in during the current economic climate. It is a defensive industry and quite resilient to economic downturns.

15 - 21 May 2009 in a nutshell

Global: Major global bourses were mixed this week. The S&P 500 in the US was down 0.56% while the European market stocks climbed 2.97% and emerging market shares soared 6.01%.

South Africa: The local market was in the black on positive investor sentiment that the global financial sector is recovering. The FTSE/JSE All Share Index gained 2.90% and industrials led the rally, ending the week 4.50% higher. The losers were small caps, which slipped 0.34%.

Markets and Economics - Highlights

Global

- The US Federal Reserve cut its growth forecast for the US economy. Former Fed chairman Alan Greenspan said banks were still in peril. US jobless data turned out worse than expected.
- Standard and Poor's (S&P) cut its UK ratings outlook from stable to negative for the first time but rival agencies Fitch and Moody's disagreed.
- Brazil would spend 264 million real (\$129.4m) to extend jobless benefits to an additional 216 500 people in an effort to ease the effect of a worldwide economic slump, said the labour minister.

South Africa

- Reserve Bank governor Tito Mboweni warned that the economy was likely to have shrunk again in the first quarter of this year, which could mean SA had joined the global recession.
- SA's recession was likely to be brief, with the economy returning to growth in the third quarter as increased fiscal expenditure and lower interest rates spurred spending, said Moody's Investors Service.
- The value of recorded building plans passed by larger districts at current prices in the first quarter fell by 35% compared with a year earlier. The top decrease was for residential buildings, at 46%, said Statistics SA.
- SA has risen five places in the international competitiveness rankings in the latest report by the Swiss-based International Institute for Management Development. It is now 48th of the 57^t countries on the list.

Key Indicators:

Market	Index	Movement for the period		Year to Date
		%	Index Value @ 21.05.2009	% Performance Return
United States	S & P 500 (US\$)	-0.56%	888	-1.66%
Europe	Euro Stoxx 50 (Euro)	2.97%	2,424	-1.10%
Emerging Mkts	MSCI Emerg Mkts (US\$)	6.01%	741	30.69%
South Africa	FTSE/JSE All Share (ZAR)	2.90%	22,016	2.36%
Global	MSCI (US\$)	1.85%	938	1.96%
ZAR/Dollar	Rand/US \$ (ZAR)	-2.24%	8.31	-12.80%
ZAR/Pound	Rand/£ (ZAR)	1.70%	13.19	-3.86%
ZAR/Euro	Rand/Euro (ZAR)	-0.86%	11.53	-12.39%
JSE	Industrials	4.50%	20,298	-5.57%
JSE	Financials	3.18%	15,646	-2.00%
JSE	Resources 20	2.79%	40,670	5.61%
JSE	Small Companies	-0.07%	22,529	-0.80%
JSE	Listed Property	-0.34%	294	-5.16%
JSE	RAFI® ALSI	3.57%	4,439	3.28%
JSE	RAFI® 40	3.42%	4,288	0.61%
JSE	SWIX	2.71%	4,627	1.69%

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