

**OMIGSA Comment – Paul Kahumuza, Analyst: Financial Services**

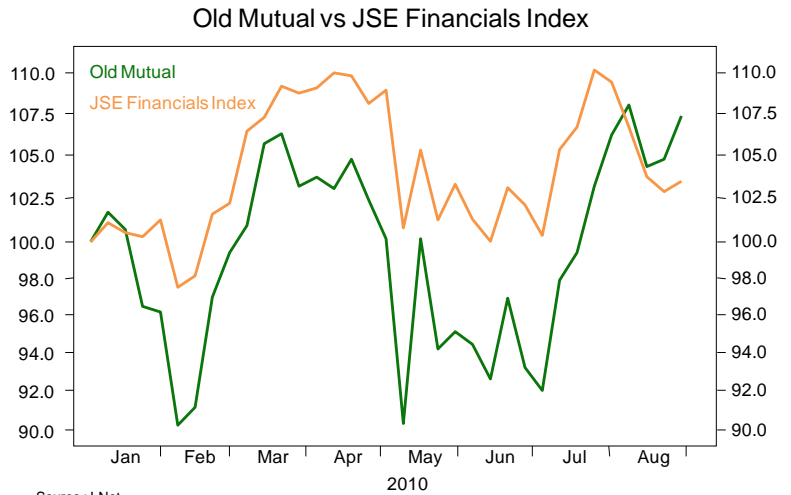
**Sale of Nedbank – Welcome news for Old Mutual shareholders**



On Monday this week, Old Mutual (OML) announced it had received a proposal from HSBC, a UK-based bank, to acquire OML's 53% stake in Nedbank

(NED) through a 70% partial offer to NED shareholders. The deal will be presented to OML shareholders for approval after a due diligence process by HSBC. However, a key condition for the transaction is for the South African Reserve Bank to allow OML to externalize the equivalent of UK£1.5bn

(understood to be for paying down debt). Under current exchange control regulations, OML is only allowed to externalize funds for the purpose of paying dividends.



Source: I-Net

This sale is a welcome move for OML, which has been struggling to perform with an array of businesses spanning wide geographies and product lines (insurance, banking, asset management). As such, investors have usually placed a heavy conglomerate discount on the group's value because of its lack of focus. In its strategic review earlier this year, management set out to simplify and downsize the group in order to unlock value. To this end, OML announced the sale of its US Life business for UK£220m, which it will use to pay down debt. The sale of NED is therefore a logical step toward further simplifying and refocusing the group – a move investors have been pushing for. The sale also reduces the risk of the group's rand exposure, while paying down debt further reduces OML balance sheet risk, as well as providing flexibility for further restructuring.

The two disposals would see OML drastically reduce its business risk, strengthen its capital base, become leaner, more focused and easier for investors to understand. This will undoubtedly provide renewed interest from investors, who will begin to see it as a less risky investment. OML's share price has outperformed the market since the beginning of the month, rising 1% in a market that has lost more than 5% over the same period. We believe this is an indication of investor approval of the restructuring moves, and that at current levels, the share still presents further upside for investors.

**20 - 26 August 2010 in a nutshell**

**Global:** The consensus is: there will be no double-dip recession, but the pace of recovery of the global economy is very weak, as underscored by softer-than-expected economic data from the US this week. The S&P 500 in the US gave up 2.24%, while its European counterpart slid 2.54% and emerging market stocks fell 2.82%.

**South Africa:** Better-than-expected macro-economic data failed to lift the local bourse this week, with the FTSE/JSE All Share Index shedding 1.02%.

**Markets and Economics - Highlights**

**Global**

- New US home sales slumped to the slowest pace on record in July and orders for costly durable goods were weak, heightening fears the economy is at risk of another downturn. Single-family home sales plummeted 12.4% last month to a 276 000-unit annual rate, the

lowest since the series started in 1963. June's sales pace was revised down to 315 000 units, the Commerce Department said.

- British retail sales volumes rose this month to their highest level in more than three years, boosted by seasonal discounting and warm weather, a survey by the Confederation of British Industry indicated.
- In June, unemployment in Brazil fell to 7% - just more than half the level of a 2004 high – and among the lowest rates since the government began using its current methodology in 2002. Brazil's economy created 1.6 million new payroll jobs in the first seven months of this year, according to official figures.

### South Africa

- Price rises at factories, mines and farms slowed sharply last month, adding to a raft of data this week that could open the door to an interest rate cut next month. The Producer Price Index rose 7.7% compared with July last year, easing from 9.4% in June.
- The case for a rate cut strengthened with news from Stats SA that July Consumer Price Inflation (CPI) was 3.7% - the lowest level since April 2006, when it was 3.3%. The figure was way below forecasts – economist polled by Reuters had predicted 4%. And it put inflation close to the bottom of the Reserve Bank's 3% to 6% target range.
- Economic growth slowed in the second quarter as expected, but the decline was sharper than forecast. Gross domestic product fell to 3.2% from 4.6% in the first quarter. This was below the 3.8% estimate of economists polled by Bloomberg and the 3.6% estimate of economists polled by Reuters.

#### Key Indicators:

Market	Index	Movement for the period		Year to Date
		%	Index Value @ 26.08.2010	% Performance Return
United States	S & P 500 (US\$)	-2.24%	1,047	-6.11%
Europe	Euro Stoxx 50 (Euro)	-2.54%	2,607	-12.11%
Emerging Mkts	MSCI Emerg Mkts (US\$)	-2.82%	966	-2.37%
South Africa	FTSE/JSE All Share (ZAR)	-1.02%	26,873	2.87%
Global	MSCI (US\$)	-2.71%	1,077	-7.79%
ZAR/Dollar	Rand/US \$ (ZAR)	0.14%	7.31	-1.08%
ZAR/Pound	Rand/£ (ZAR)	-0.35%	11.33	-4.47%
ZAR/Euro	Rand/Euro (ZAR)	-0.86%	9.27	-11.63%
JSE	Industrials	-0.59%	25,342	0.38%
JSE	Financials	-0.01%	19,999	3.48%
JSE	Resources 20	-1.82%	44,972	-11.96%
JSE	Small Companies	-0.55%	28,534	2.32%
JSE	Listed Property	-0.54%	367	13.62%
JSE	RAFI@ ALSI	-1.02%	5,626	-2.19%
JSE	RAFI@ 40	-0.95%	5,407	-3.31%
JSE	SWIX	-0.89%	5,704	-0.54%

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