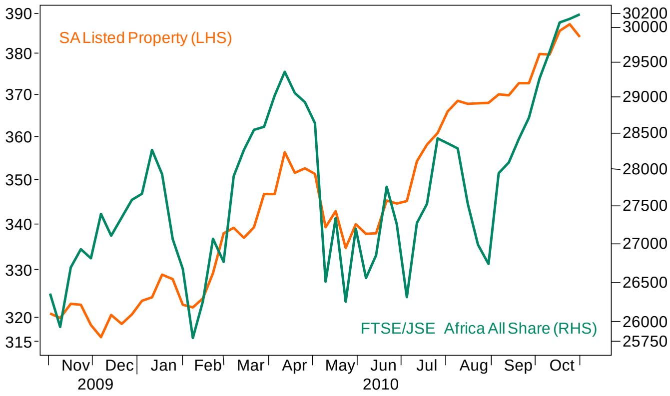
OMIGSA Comment – Evan Robins, Sector Head: Listed Property

Listed property powers ahead in the third quarter

Listed property returned 13.7% in the third quarter of 2010, taking the year-to-date total return to 25.7%. The quarter's return was above the +8% returned by the All Bond Index (ALBI) and the +13.3% delivered by FTSE/JSE All Share Index (ALSI), but below General Retailers which returned +24.7%. The capital gain is solely attributable to the continuation of the bond rally. Property could have done better, as listed property yields fell by less than bond yields over the quarter despite in-line third quarter financial results. Lower yields result in higher prices.

SA Listed Property vs ALSI



Source: I-Net

Listed property has scope to appreciate in its own right. The de-rating relative to bonds is despite low cash rates and benign inflation which make property particularly attractive. Operating conditions are stabilising, even if they remain difficult. Capital values are vulnerable to a bond selloff. Property offers improved value relative to bonds. The forward yield is 2% above cash (at around five-year highs) and just above bond yields. It should outperform domestic equities in a down market, but will not be immune to a bear market.

22 - 28 Oct 2010 in a nutshell

Global: Global equities were a mixed bag this week. The S&P 500 in the US edged up 0.34%, while the European market shares shed 1.25% and emerging market stocks fell a tad (0.27%).

South Africa: The local bourse tracked emerging market equities lower this week, with the FTSE/JSE All Share Index sliding 0.83%. The winners were resources, collecting a marginal 0.32%, on the weaker dollar. In addition, small caps were 0.18% in the black.

Markets and Economics - Highlights

Global

- Prospects seemed positive for G20 cooperation on exchange rate policy in months ahead, after some conciliatory words from Beijing (around the possibility of a stronger yuan) and the US were interpreted to help relieve fears of a "currency war".
- American shoppers are set to become the US's economy's new source of strength. Economists lifted estimates for consumer purchases in the third quarter after retail sales climbed more than predicted last month. Predictions of 3% or more growth by RBS Securities and 2.6% by Morgan Stanley would mean the most robust household spending of the recovery to date.
- Tough rules for the Eurozone, aimed at averting another financial crisis, have been agreed at an EU leaders' summit. The leaders agreed to a permanent fund to help the Euro in times of crisis, and to laws giving the EU the power to check national budgets. EU officials said the Eurozone had almost collapsed earlier this year because it lacked such a mechanism.
- India's exports increased 23.2% year on year in September to a two-year high of $18bn on the back of robust sales of gems, jewellery and garments. Exports had reached a total of $103.3bn since the beginning of the financial year in April, a 27.6% increase over the same period in 2009, said Commerce Secretary Rahul Khullar.

South Africa

- Finance Minister Pravin Gordhan announced bold steps to stem the appreciation of the rand, and forecasts a series of smaller than expected budget deficits, despite political pressure for higher spending. The Treasury said they will use some of this year's R30bn budget revenue overrun to fund the purchase of foreign exchange reserves.
- The Treasury revised its economic growth forecasts for the next three years upwards more than expected – but they still fall well short of the 6%-7% pace cited by the government as vital for rapid job creation. It said gross domestic product would quicken to 3% this year from 2.3% in February, which was in line with market consensus.
- Consumer Price Inflation slowed to its lowest level in more than five years last month, dramatically raising the odds that the South African Reserve Bank will cut interest rates again next month. The fall in CPI – to 3.2% from 3.5% in August – was driven by the strong ran and a lack of demand in the economy, data from Statistics SA showed.

Key Indicators:

Market	Index	Movement for the period		Year to Date
		%	Index Value @ 28.10.2010	% Performance Return
United States	S & P 500 (US$)	0.34%	1,184	6.18%
Europe	Euro Stoxx 50 (Euro)	-1.25%	2,846	-4.05%
Emerging Mkts	MSCI Emerg Mkts (US$)	-0.27%	1,103	11.47%
South Africa	FTSE/JSE All Share (ZAR)	-0.83%	30,187	9.11%
Global	MSCI (US$)	-0.33%	1,221	4.54%
ZAR/Dollar	Rand/US $ (ZAR)	0.29%	6.99	-5.41%
ZAR/Pound	Rand/£ (ZAR)	-10.87%	9.76	-17.71%
ZAR/Euro	Rand/Euro (ZAR)	0.52%	9.75	-7.05%
JSE	Industrials	-0.75%	28,550	13.09%
JSE	Financials	-2.04%	21,174	9.56%
JSE	Resources 20	0.32%	52,062	1.91%
JSE	Small Companies	0.18%	31,524	13.05%
JSE	Listed Property	-1.29%	384	18.89%
JSE	RAFI® ALSI	-1.10%	6,272	9.04%
JSE	RAFI® 40	-0.60%	6,089	8.89%
JSE	SWIX	-1.26%	6,341	10.57%

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