

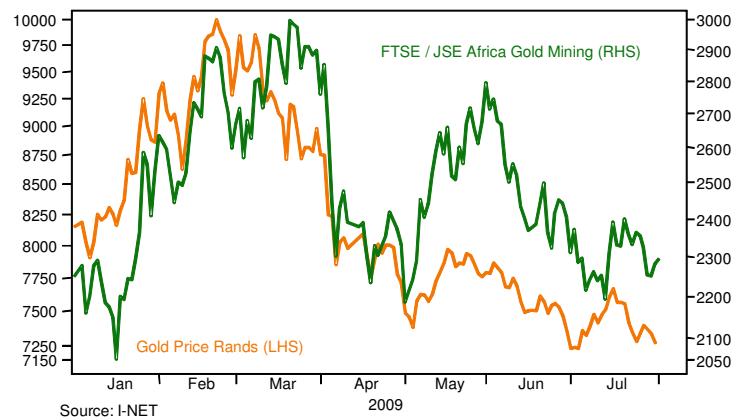
OMIGSA Comment – Mandla Mapondera, Portfolio Manager: Old Mutual Gold Fund

Stronger rand dims gold's shine



Although the dollar gold price is up 7% since the beginning of the year, the strength in the rand has diluted all of that. In fact, in local currency terms, gold is down almost 11%. The rand has appreciated by 18% since 31 December 2008. Most of the impact of the strong rand was felt during the quarter to June 2009, when the rand gold price dropped 17% to R233,000/kg, despite the dollar gold price rising by 2% to \$938/oz.

Gold Index & Gold Rand Price



The fall of the rand gold price resulted in a 20% drop in our local Gold Index during the quarter ending 30 June 2009. Given such conditions, any further rand strength will be sure to put pressure on South African gold mines' margins. Harmony has warned that if the rand gold price was to fall below R225,000/kg it would have to alter its operations significantly (i.e. turn to high grading) and possibly consider retrenchments. Gold shares are rather unattractive investment options in the short-term, but companies with the least exposure to SA such as AngloGold Ashanti are more favourable.

In the long-term, the global inflation outlook and the confidence investors place in the US dollar will be the strongest influences on the gold price. Concern has been raised about how the central banks, especially the US Fed, will reverse the impact of the quantitative easing (i.e. printing of money) that governments have undertaken. If this is left too late, inflation may be a problem, making gold (and other hard assets) an attractive investment. Our view is that inflation will not be allowed to get out of hand.

24 - 30 July 2009 in a nutshell

Global: Profit-taking and a mixed bag of corporate earnings were major features of most major global bourses this week. Notwithstanding this, the S&P 500 in the US was slightly higher at 1.13% while the European market stocks rose 2.67% and emerging market shares climbed 1.46%.

South Africa: In tandem with Wall Street, there was some 'pull-back' in the local market after a strong two-week run. The FTSE/JSE All Share was a touch higher at 0.64% and the winner was listed property, ending the week 1.32% stronger.

Markets and Economics - Highlights

Global

- Confidence among US consumers fell more than forecast this month, reflecting a surge in unemployment that may undermine spending. The Conference Board's index dropped to 46.6, a second successive decline, following a reading of 49.3 last month, a report from the New York-based group showed.
- Euro-zone banks tightened credit standards again in the second quarter and expect to do so further in the coming months, but at a slower pace. In its latest survey the ECB said the economic slowdown was the main reason for a clampdown on credit to firms and households.

- India's central bank left its short-term rates and banks' cash reserve requirements unchanged as expected and stressed that its priority was to nurture growth. Brazilian outstanding bank lending expanded 1.3% last month from May, the biggest increase this year, in the latest sign of economic recovery, the central bank said.

South Africa

- SA had 4.13 million people registered as unemployed in the second quarter, 50 000 less than in the first quarter. But the number of people who have given up looking for work as the recession tightened its grip surged by 302 000 to 1.52 million, said Stats SA.
- Inflation is falling close to acceptable levels. Figures released by Stats SA showed the consumer price index (CPI) rose 6.9% last month, y/y. This is the closest to the Reserve Bank's 3% - 6% target range since August 2007, when it came in at 6.7%.
- Annual food inflation finally fell into single digits last month – at 9.8%, from 12.8% in May. On a monthly basis food prices fell 0.4%.
- Consumer credit growth is at levels last recorded in the late 1960s. This includes mortgage advances, instalment sales, leasing finance and other loans – is growing at 2.2% per year. Growth in overall credit to the private sector slowed to 3.98% over 12 months, from 5.7% in May and 11.8% in January, said a local economist.

Key Indicators:

Market	Index	Movement for the period		Year to Date
		%	Index Value @ 30.07.2009	% Performance Return
United States	S & P 500 (US\$)	1.13%	987	9.30%
Europe	Euro Stoxx 50 (Euro)	2.67%	2,655	8.32%
Emerging Mkts	MSCI Emerg Mkts (US\$)	1.46%	834	47.09%
South Africa	FTSE/JSE All Share (ZAR)	0.64%	24,067	11.89%
Global	MSCI (US\$)	1.56%	1,039	12.93%
ZAR/Dollar	Rand/US \$ (ZAR)	0.91%	7.79	-18.26%
ZAR/Pound	Rand/£ (ZAR)	0.86%	12.83	-6.49%
ZAR/Euro	Rand/Euro (ZAR)	0.27%	10.95	-16.79%
JSE	Industrials	-0.31%	21,998	2.34%
JSE	Financials	0.25%	17,640	11.79%
JSE	Resources 20	0.62%	43,285	12.40%
JSE	Small Companies	1.01%	24,309	7.04%
JSE	Listed Property	1.32%	306	-1.29%
JSE	RAFI® ALSI	1.42%	5,008	16.52%
JSE	RAFI® 40	1.58%	4,832	13.37%
JSE	SWIX	0.02%	5,048	10.95%

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