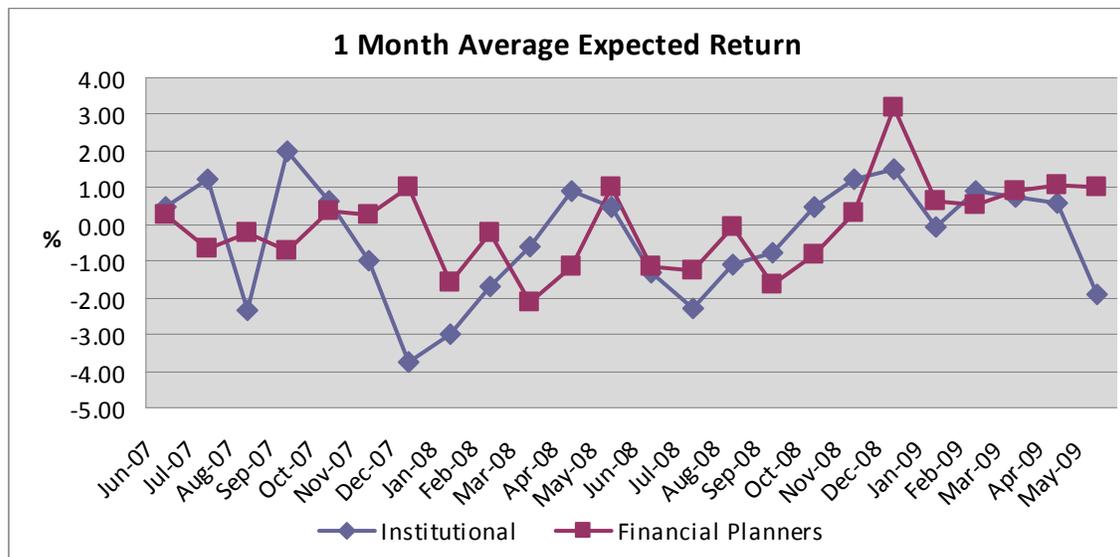


INVESTORS REMAIN SKEPTICAL ABOUT A SWIFT ECONOMIC RECOVERY

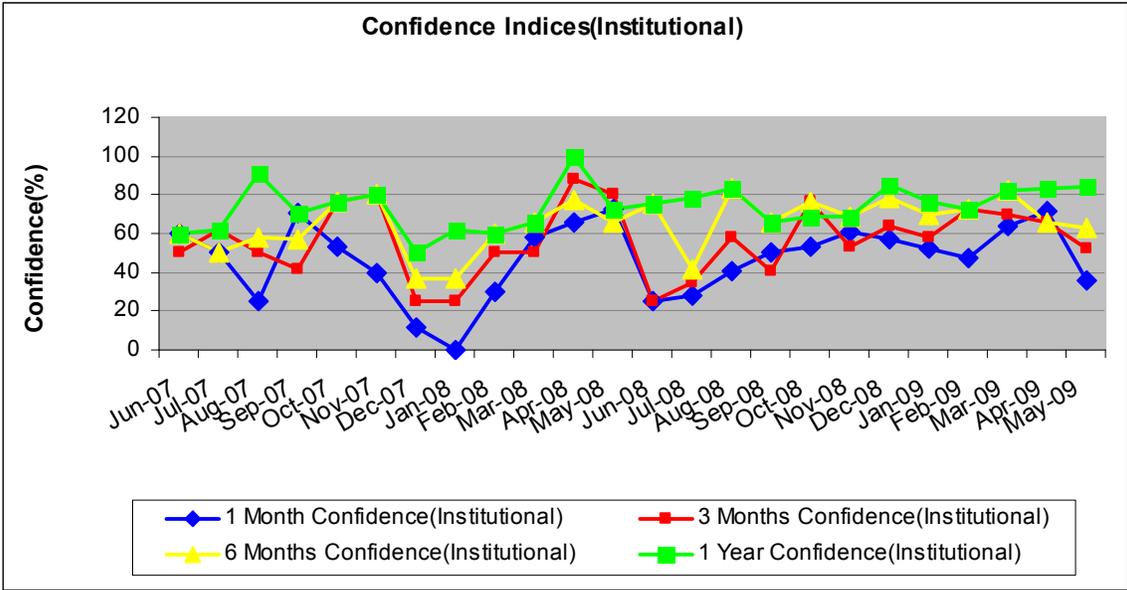
May results: Results mirror global outlook where commentators are divided on outlook for equities

Cape Town, 20 May, 2009: Despite the strong equity market gains recently, investor confidence deteriorated during May, according to the latest Sanlam Investment Management (SIM) Investor Confidence Index. This could be attributed to the fact that some investors see the market as having moved too much too fast.

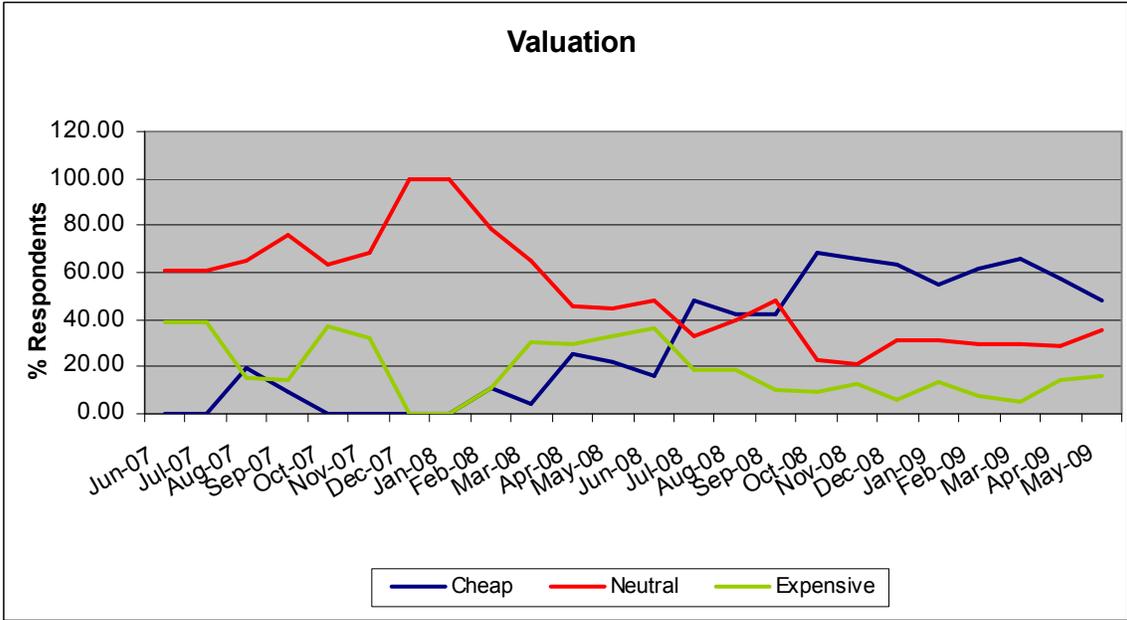
Frederick White, head of SIM asset allocation and macro research said, "Institutional investors were specifically concerned about the short-term, many expected local equities to fall by about two percent over the next month. The percentage of respondents expecting a positive return halved from 72 percent to a mere 36 percent."

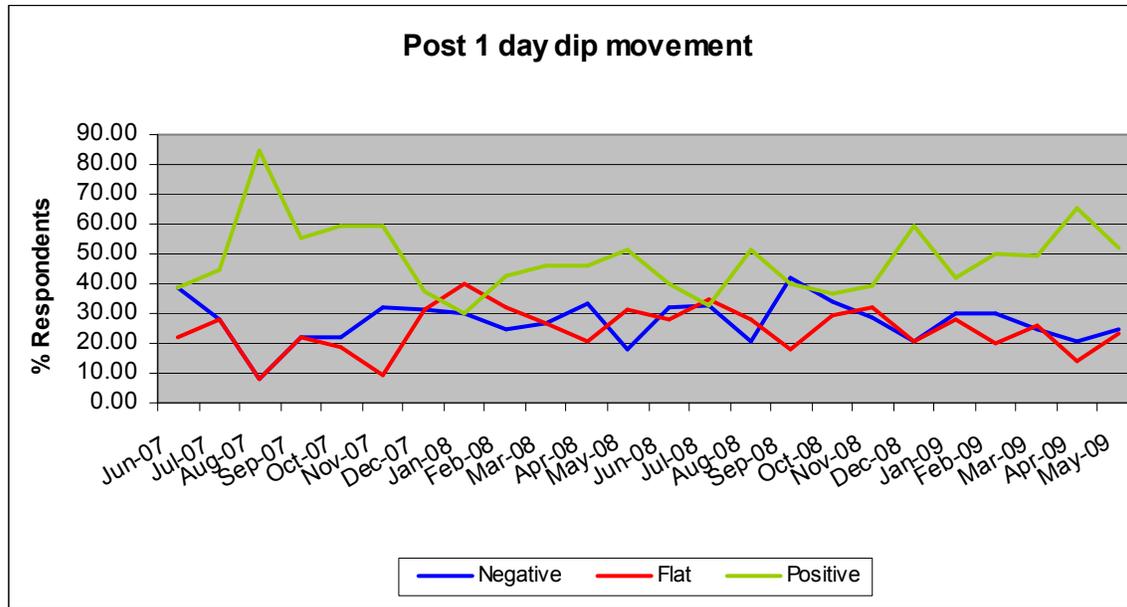


According to White, the most noticeable change revealed by the survey was in expected returns. "Although the outlook for six-month and one-year market movements improved, the short-term outlook deteriorated significantly, with the one-month expected return dropping back to zero.



“The view on the value offered by equities also deteriorated during April. Among institutional investors, the percentage of respondents that viewed the market to be either cheap or fairly priced, dropped to 73 percent from 100 percent two months ago. Less than half of all respondents (48 percent) now think the market is too cheap, compared to 57 percent last month and 66 percent two months ago. Only half the respondents expected the market to bounce back after a weak day, down from 65 percent last month,” White said.





These changes are mirrored in the debate taking place globally, where commentators are divided on the outlook for equities. “Some view the current rally merely as a bear market rally fueled by the illusion of improving economic conditions. A slowdown in the rate at which economic variables are deteriorating may have instigated this illusion. Their view is that after the Lehman collapse confidence was so severely shaken and economies stalled so abruptly, that market observers had to consider the likelihood of a depression – and consequently price in this eventuality,” White said.

“Now that economic data is less negative than previously expected and aggressive policy response has helped to avert a worst case outcome, markets have begun to reflect a less gloomy outlook – hence the recent rally. However, these are relative improvements not absolute improvements. Even though the outlook is not as bad as before, it is still negative. The scope for increased consumer activity, a corporate earnings recovery and further increases in equities is therefore limited,” says White.

Other respondents, however, believe that at their lowest point equity markets had fallen to bargain levels and, even after the recent run, offer investors good value and better relative returns than any other asset class. “Although the pace of the recent rally is unsustainable, they still view it as the turning point and start of a sustainable long-term market recovery,” he says.

The average results of the SIM Investor Confidence Index seem to be more closely aligned to the latter view, since on average the market is still seen as offering value and the 12-month return remains positive and in line with the historic return from equities. “It is also well above the

potential returns seemingly on offer by other asset classes. Despite a slight decline in the crash confidence index compared with April, it also remains high,” said White.

The shorter term outlook expressed in the survey, however, suggests that there are either a few bears among the respondents that are becoming very vocal, or most of the respondents are aware that expectations for the equity market could swing wildly between the two opposing views hence they would not be surprised to see a pull-back in the market in the short term.

Gerda van der Linde, executive director at the Institute for Behavioral Finance believes that the May survey results of the Sanlam Investment Management Investor Confidence Indices indicates that most institutional investors remain skeptical over a swift economic recovery even though there were glimmers of hope as stock markets rallied globally over the past two months. The world's benchmark stock indices -- the DJIA, the British FTSE 100, Germany's DAX and Japan's NIKKEI - are up 30%, 27%, 34% and 34%, respectively. Our own ALSI is up by 22% since the previous low in March this year. But don't forget – this movement only mirrored what happened between November 2008 and mid January 2009 before the ALSI dropped back to the lows of November 2008.

The historic data of the Sanlam Investment Management Investor Confidence Indices make for interesting reading. In May 2008 the average expected return over 1, 3, 6 and 12 months indicated by institutional investors were 0.5%, 2.3%, 2.7% and 7.27%. This was the sentiment when the ALSI was on 31500, close to its all time high. A year later with the ALSI on 21400, the Sanlam Investment Management Investor Confidence Indices show an average expected return over the same periods of -1.89%, -1.05%, 1.58% and 6.95%. after the ALSI lost approximately 55% of its value during the 12 months period.

The question is: Why are institutional investors now more skeptical compared to a year ago? Are they unsure whether the market has reached its bottom? Or do they expect a very slow and painful recovery for the stock market?

The truth is that we believed was bad news 12 months ago, turned out to be much worse. We knew about the sub prime problem, but who would have expected that major banks, giant insurance companies and huge motor manufacturers will virtually hand ownership and control to government in the following 12 months? No wonder there may be amounts of fear regarding more unexpected bad news. Can we confidently believe the data and information institutions release, or are there more cover ups and scandals to be exposed?

Gerda van der Linde believes that the social mood of chronic uncertainty and skepticism prevails which is intensified by continuous negativity in the press about the state of the economy. “The psychology of the moment, fired by continuous press headlines of how bad the economy is, remains negative. The social mood of the crowd is anchored on the emotions of fear, depression and mistrust. It is not unusual for institutional investors to stay with the crowd in periods of chronic uncertainty. We will need a lot more positive news about the economy before the general social mood will adjust and become optimistic.”

“It is during tough times that we understand how the economy really works. It is in hard times that we will learn to set proper limits for ourselves and discard unrealistic money expectations. Perhaps this is what is happening out there. Perhaps market players are starting to rethink their money norms before they move on”, she concludes.

**The Sanlam Investment Management (SIM) Investor Confidence Index is conducted by the Institute of Behavioural Finance*

About the Sanlam Investment Management Investor Confidence Index

The Sanlam Investment Management Investor Confidence Index is run in conjunction with the Institute of Behavioral Finance.

The index is reported in four main categories: One-Year Confidence Index, Buy-On-Dips Confidence Index, Crash Confidence Index, and Valuation Confidence Index. The One-Year Confidence Index relates to the expected percentage change in the JSE All-share Index for the periods of one month, the next three months, the next six months and the next year. The Buy-On-Dips Confidence Index gives participants a chance to estimate how the JSE All-Share Index will do the day after tomorrow if it were to drop by three percent tomorrow.

The results of the survey are published monthly at: www.sim.sanlam.com/simnew/?sid=40

About Sanlam Investment Management (SIM)

Part of the Sanlam Investments cluster, SIM is the second largest asset manager in South Africa with more than R240 billion in assets under management. SIM is a multi-specialist asset manager consisting of six specialised boutiques which share a common research platform. The six boutique teams are Equities, Fixed Interest, Absolute Return, Liability Driven, Active Quants and Balanced. SIM provides traditional and alternative investment management services to third party institutional and retail clients as well as the Sanlam Group. For more information, visit www.sim.sanlam.com

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