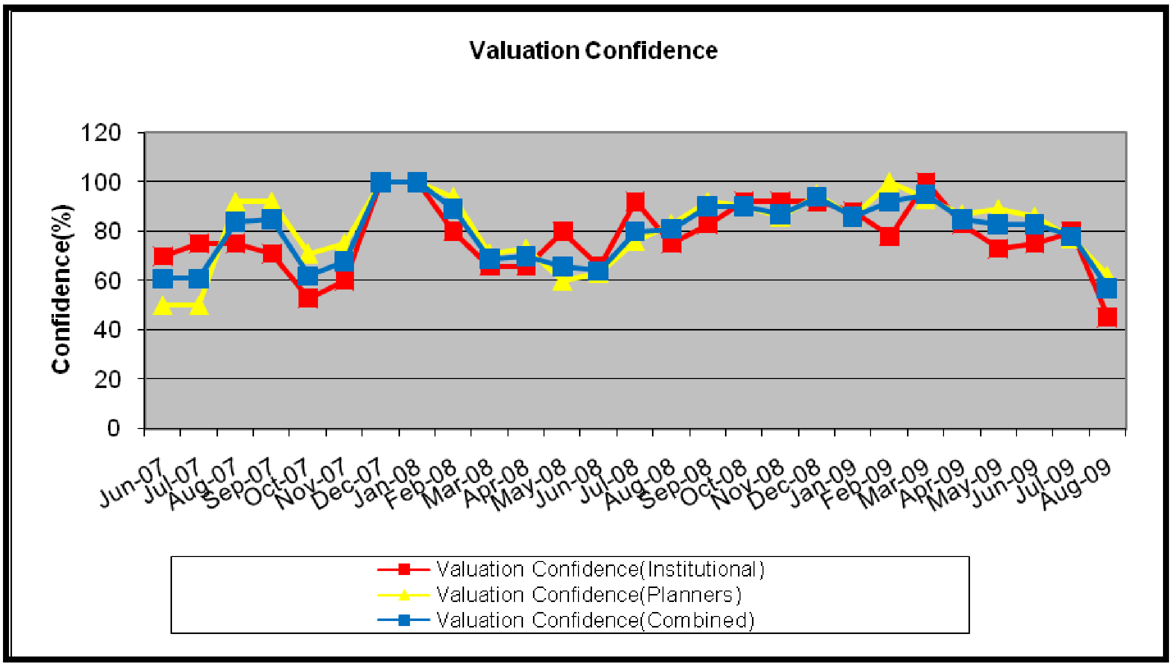
INVESTOR SENTIMENT REFLECTS DECLINE IN PERCEIVED MARKET VALUE

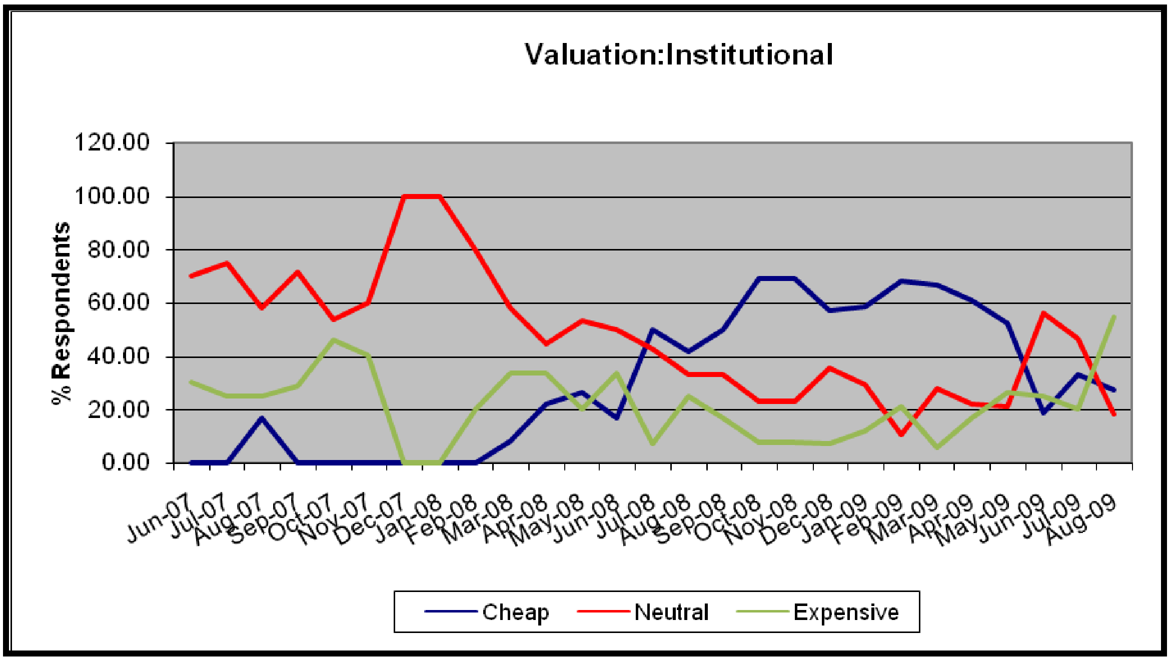
August results: Sanlam Investment Management (SIM) Investor Confidence Index, a monthly survey conducted by the Institute of Behavioral Finance, indicates a decline in perceived market value

Cape Town, 25 August 2009: The August results of the Sanlam Investment Management (SIM) Investor Confidence Index, reflected a material decline in the valuation confidence index, dropping from 78 in July to 57 in August – its lowest reading since inception in mid-2007. Taken from research conducted between 18 and 20 August, following another positive month in the equity markets, this reading implies that 57 percent of respondents think the market is cheap or fairly valued.

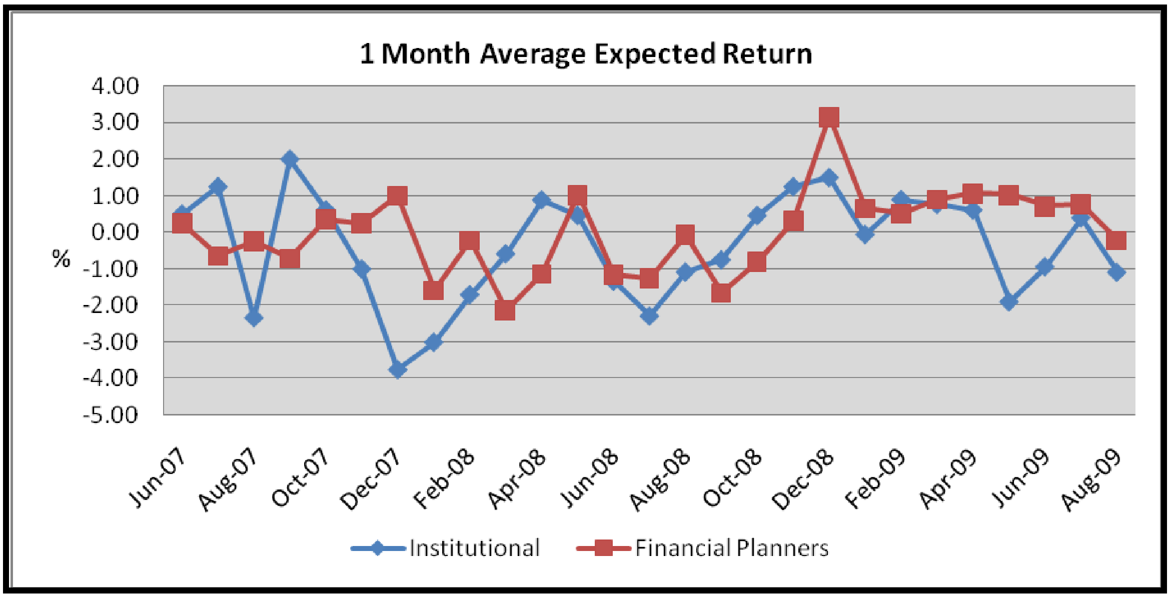


Frederick White, head of SIM asset allocation and research says, "This reduction in perceived value is consistent with the recent strong rise in equity markets. From the start of the July survey to the start of the August survey, the JSE All Share Index rose by approximately eight percent, and 34 percent since its low in March."

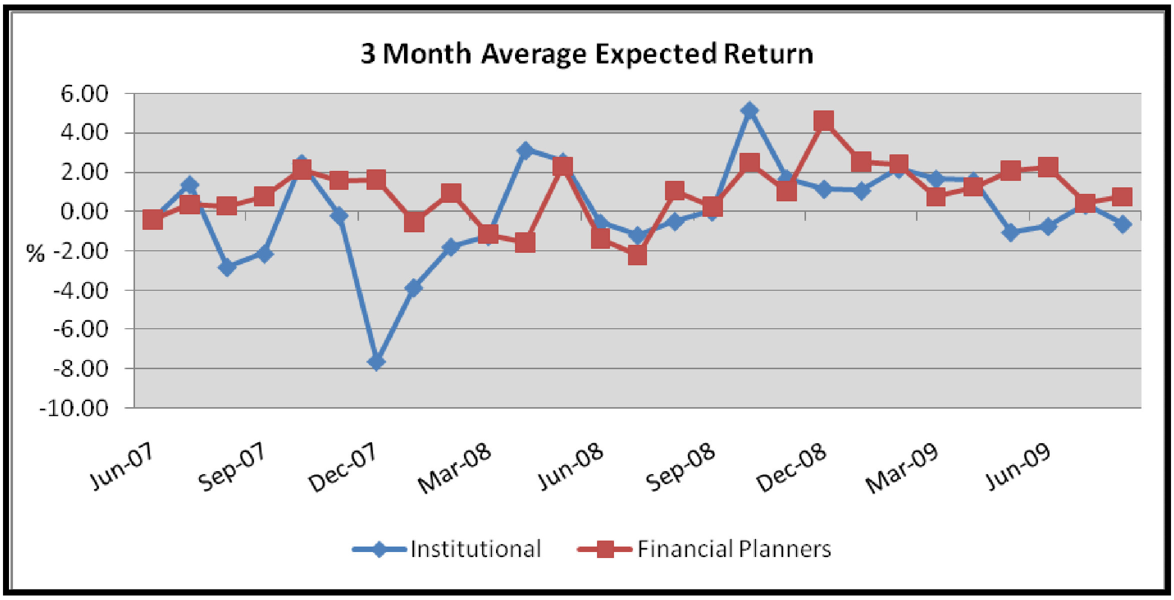
According to White, the valuation concern is more pronounced among the institutional respondents. While a mere 20 percent thought the market was too expensive in the previous survey, this figure increased to 55 percent in August. On the other hand, only 27 percent of institutional investors still think the market is too cheap – down from near 70 percent early this year.



"Given the strong recent rally, many market commentators, both locally and abroad, would not be surprised by some market weakness in the near future. The survey results, with respect to expected market movements, seem to be consistent with such a view. The expected one-month movement in equity prices dropped below zero to -0.5 percent, with 56 percent of all respondents expecting the market to decline over the next month. The three-month expected movement also seems to hint at negative returns, with the average among the institutional respondents already below zero, at -0.6 percent.



"Institutional investors also reduced their expectations for market movements over six months and one year, but these were offset by positive movements in the expectations of advisors. Hence, the overall average expectations over both periods increased slightly."


3 Month Average Expected Return
6.00
4.00
2.00
0.00
%
-2.00
-4.00
-6.00
-8.00
-10.00
Jun-07
Sep-07
Dec-07
Mar-08
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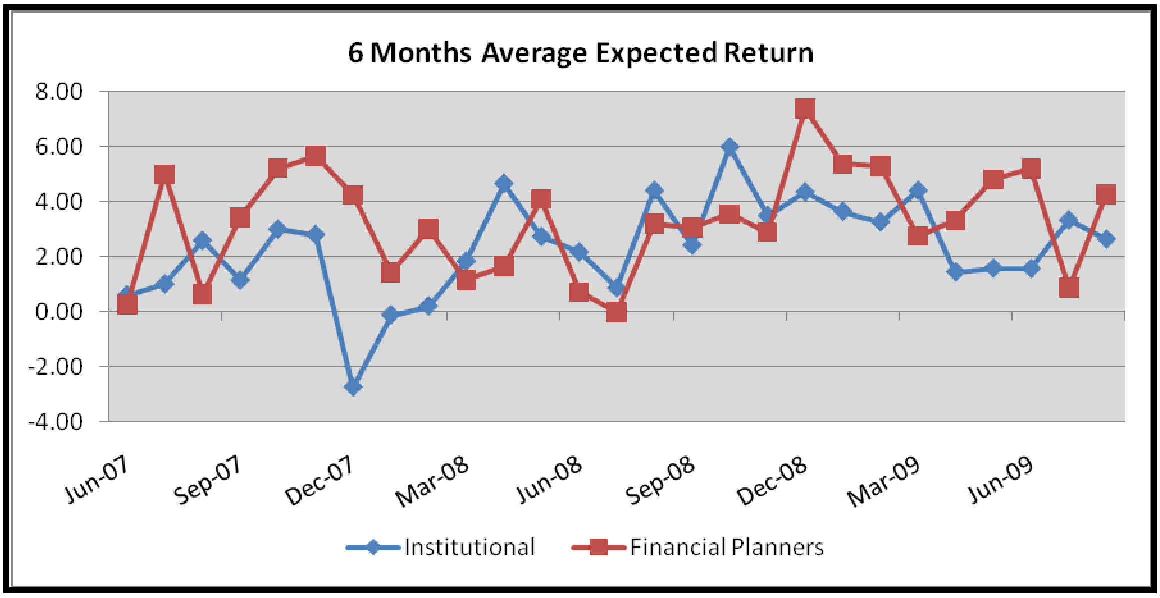
6 Months Average Expected Return
8.00
6.00
4.00
2.00
0.00
-2.00
-4.00
Jun-07
Sep-07
Dec-07
Mar-08
Jun-08
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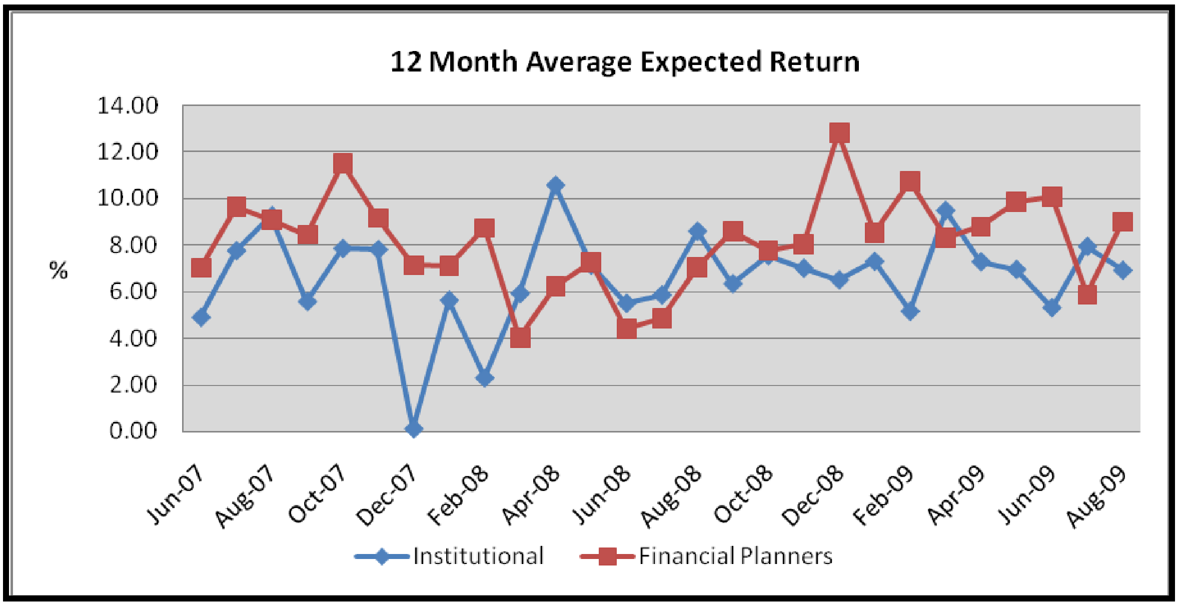
12 Month Average Expected Return
14.00
12.00
10.00
8.00
%
6.00
4.00
2.00
0.00
Jun-07
Aug-07
Oct-07
Dec-07
Feb-08
Apr-08
Jun-08
Aug-08
Oct-08
Dec-08
Feb-09
Apr-09
Jun-09
Aug-09
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White said, “Globally, investors have been encouraged by some positive earnings surprises in the recent quarterly reporting period, as well as by economic news flow that increasingly confirmed that the bottom turning point had been reached. Consequently, the concerns about valuation and potential short-term declines do not seem to translate into concerns about the longer term outlook for markets. This is confirmed by an increase in the number of respondents that expect the market to rise over 12 months (to 84 percent; or 90 percent among institutional investors) as well as a decrease in the probability placed on the occurrence of a severe market crash,” said white.

Gerda van der Linde, executive director at the Institute for Behavioral Finance (IBF), an independent research organisation that conducts the survey, explains these results, “Market players are inclined to act on current sentiment to make predictions and decisions about future movements of equity markets. This is clearly illustrated by the SIM ICI data over the past 24 months.

“For example, in August 2008, financial advisors felt that three months into the future, the All Share Index would close on 27 536 points. At the time of the survey during August the All Share Index closedon 27 246 points, but it actually closed at 19 413 points three months later. The institutional investors’ predictions illustrated a similar pattern.

“This month, a large percentage of the respondents indicated that they expect the market to increase over the next six and 12 months. The predictions show a slight increase of 3.79 percent over six months and 8.39 percent over 12 months in the All Share Index. This prediction is against a market that has already gained steadily over the last six months and a large amount of negative information. Perhaps investors should be cautious that their sentiment won’t yet again cause them to buy high by waiting too long for what they regard as “good investment news”. Reacting on sentiment as reflected in the financial press may cost investors dearly,” concludes van der Linde.

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