

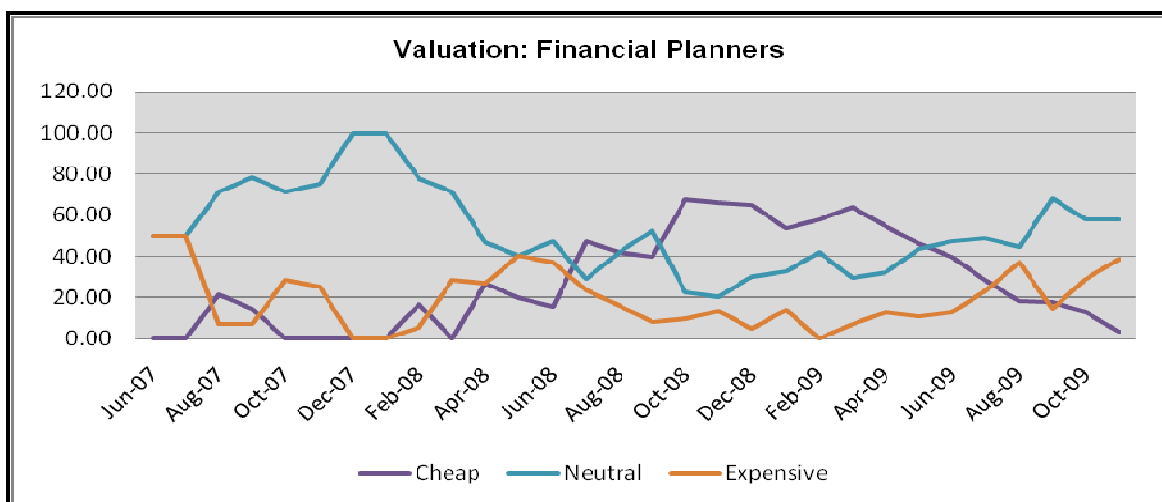
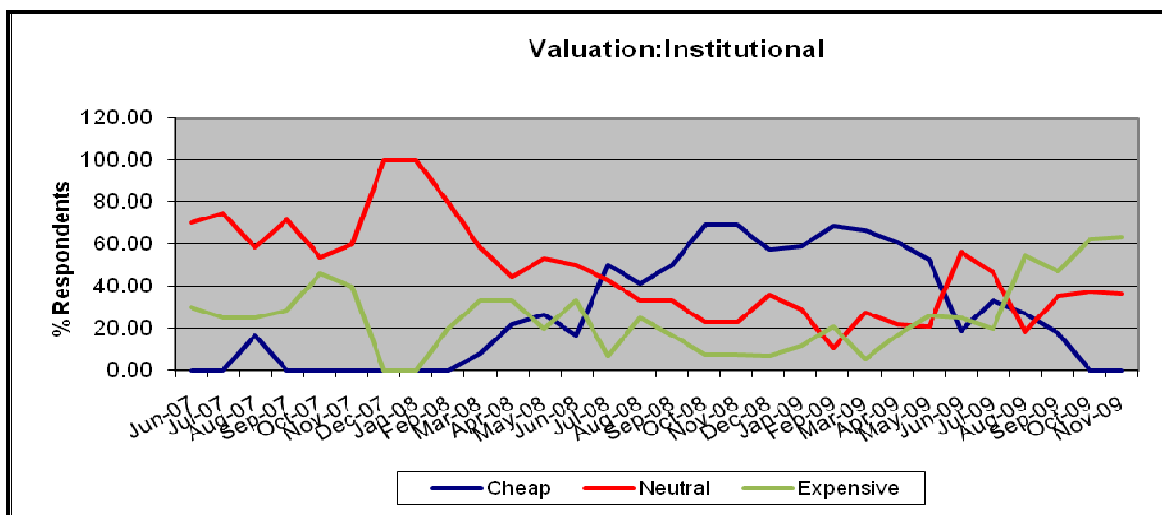
INVESTORS SCEPTICAL ABOUT GROWTH OF EQUITY INVESTMENTS OVER THE NEXT YEAR

Results from Sanlam Investment Management (SIM) Investor Confidence Index

- a monthly survey conducted by the Institute of Behavioral Finance (IBF) among institutional investors and financial advisors

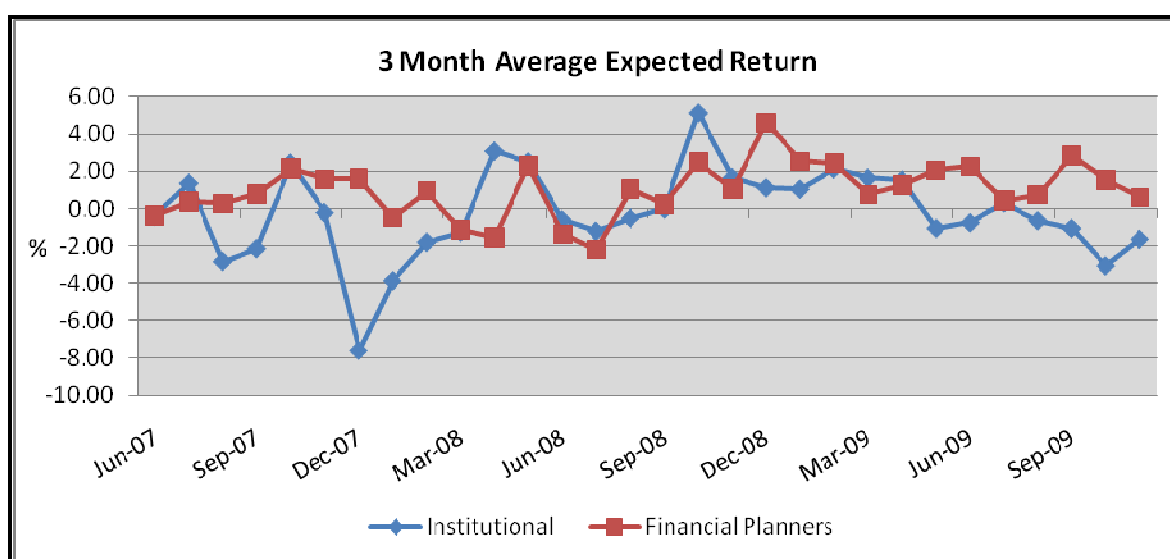
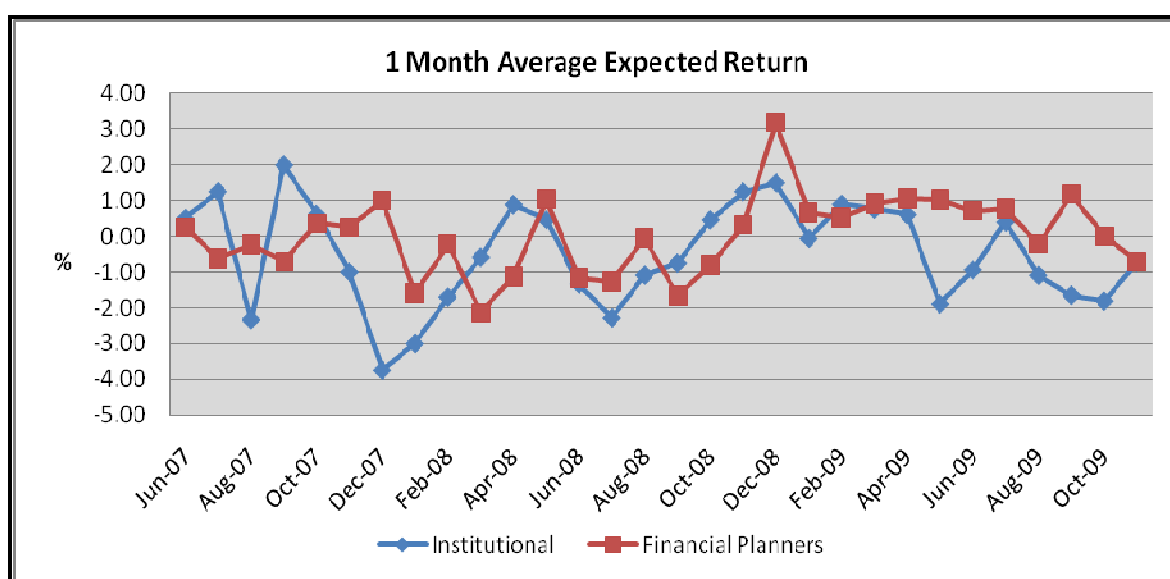
: The November results of the Sanlam Investment Management (SIM) Investor Confidence Indices survey reflected that respondents increasingly consider the equity market to be expensive. Together with a view of an expensive market, expected returns from equities continue to decline.

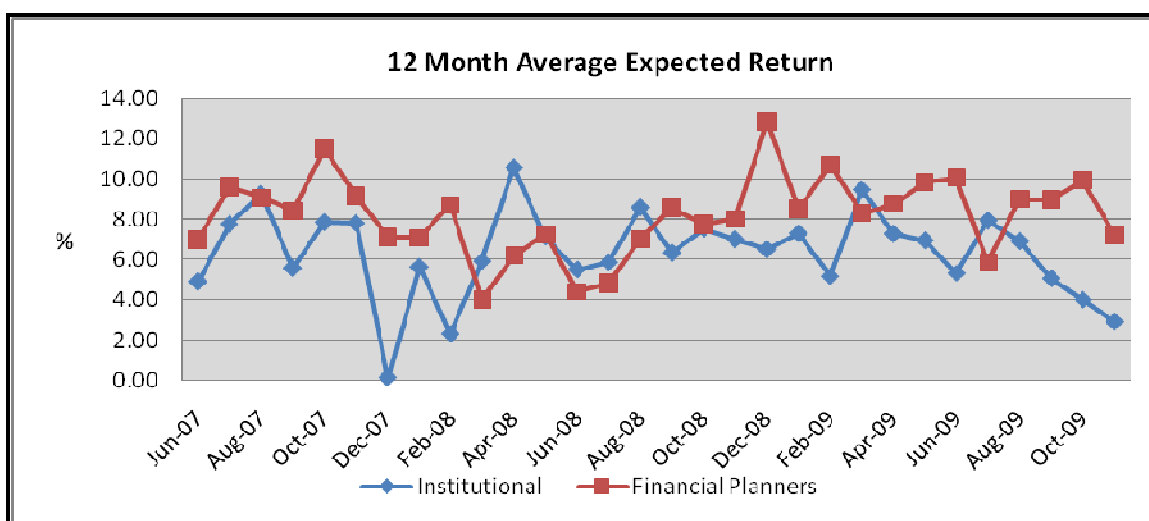
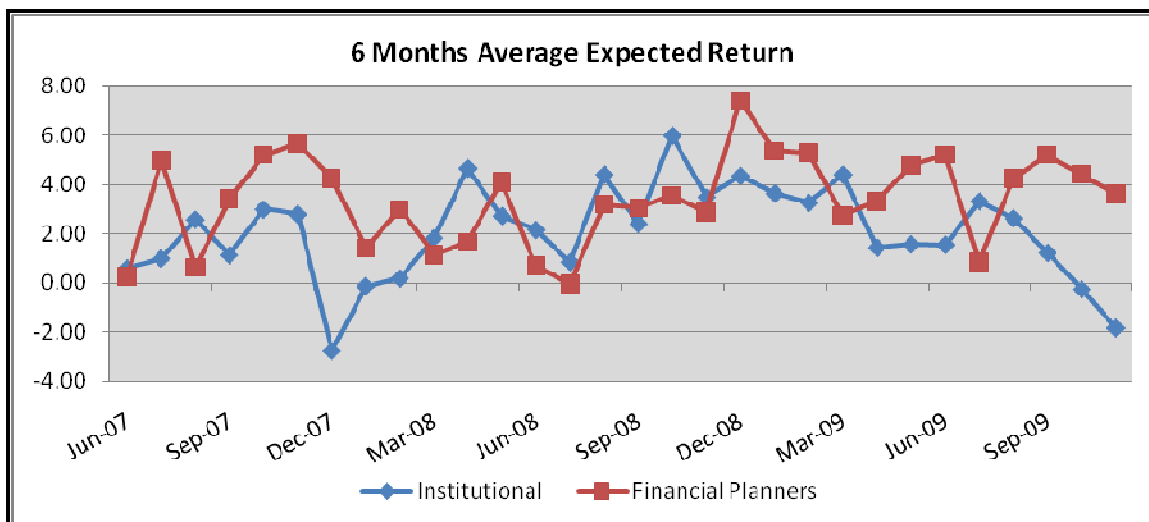
Frederick White, head of SIM asset allocation research said, “The Valuation Confidence Index dropped to its worst level since inception, based on the result that 45% of respondents consider the market as being too expensive, while only 2% think that it is too cheap. Among the institutional investors the valuation concern remains more pronounced, as 64% believe the market is too expensive while not a single one thinks that it is too cheap.



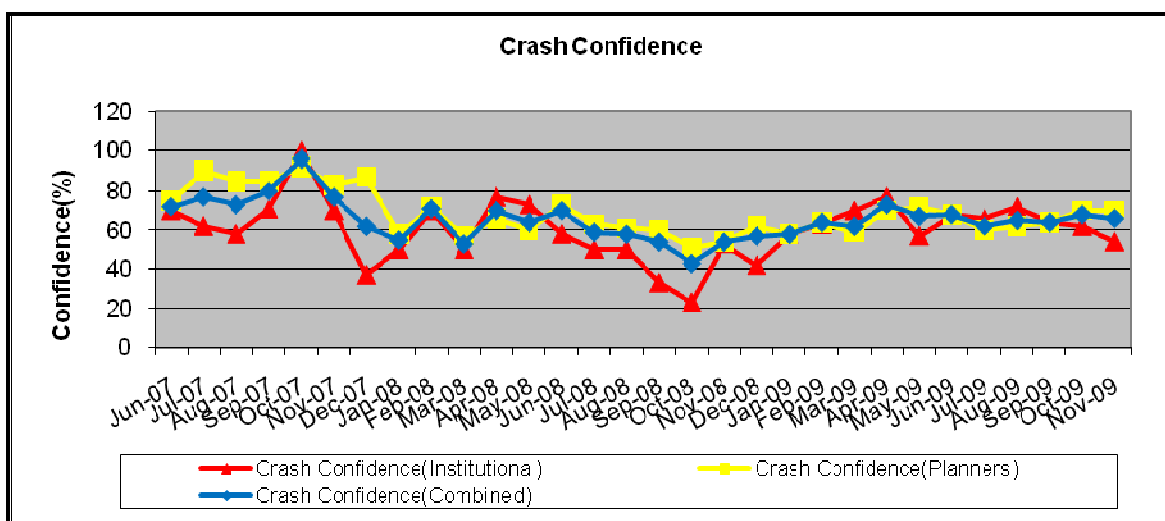
“Consistent with the valuation concern, both groups of respondents have reduced their outlook for the changes in the prices of equities. On average the respondents expect the equity market to be up by only 6.1% over the next 12 months, with institutional investors being less optimistic with an average expected rise of only 2.9%. The institutional investors’ average view implies that even once dividends are included, the total return on equities over the next year would just about equal inflation and hence one would get no real growth from equity investments.

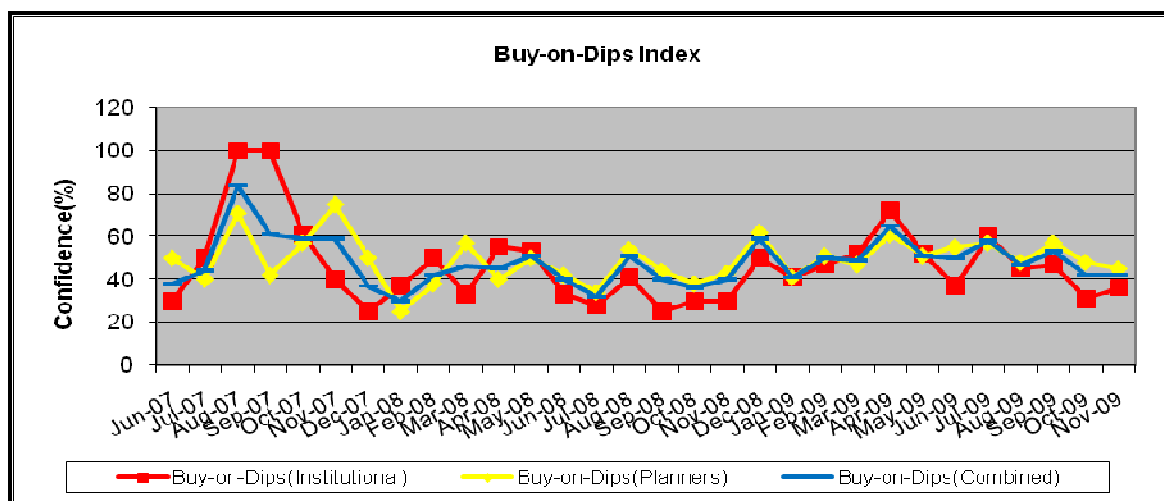
“Over the very near term, respondents are even more pessimistic on the returns expected from equities, with the expected increases in equity prices being only -0.7%, 0% and 2.2% over one month, three months and six months respectively. The institutional investors hold a more negative outlook over all these investment horizons, with market declines expected over all three periods, namely -0.7%, -1.6% and -1.8% respectively.





“The two remaining indices, Crash Confidence and Post Dip Recovery, also did not indicate any sign of confidence among equity investors. The Crash Confidence Index declined from 68% to 66%, implying a small increase in the percentage of respondents who deem the probability of a crash to be more than 10%, while the Buy-On-Dips Index remained stationary at a level of only 42%,” 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. She does this by asking if the results of the Sanlam Investor Confidence Index for November 2009 proof investors to be rational, uncertain or negative?

When considering the rational scenario we see the JSE ALL Share moved from a low off 18 386 points on March 3rd this year to the current level of just above 27 000 points. This is a just more than 47% increase in eight months. Investors may rightfully feel that the market gained too fast, that equities are now expensive and that a slight correction may be on the horizon.

In the analysis of survey results the Institute of Behavioral Finance has become convinced that a condition known as chronic uncertainty has since May this year dominated the investment scene. The negative sentiment of uncertainty is reflected in the investment flow into domestic unit trusts in the second and third quarter. And investors only left the relative safety of money market funds once the market has gained more than 30% at the beginning of the third quarter. Investments then flowed from money market funds to mostly save asset allocation funds. The trend can be seen as an indication that financial planners and their clients are still uncertain about the markets and are inclined to leave the decision regarding the optimal mix of asset classes to the asset managers.

Valuation sentiment as measured by the Investor Confidence Index is at an all time low. It appears if the chronic uncertainty factor has now evolved into a condition that can best be described as a resilient negative sentiment. Investors now find themselves in a double-bind: on the one hand they feel the huge risks after suffering substantial losses last year; on the other hand they feel that they cannot afford not to be in the market right now, for fear of again achieving subpar return compared with their competition.

From a behavioral finance point-of-view it is evident that an irrational factor known as confirmation bias is driving both sentiments by institutional investors and financial planners to new lows. Confirmation bias is a condition where investors are caught in the trap where it is easier to focus attention on one-sided news that confirms a belief, especially if it is a negative belief. Once caught in

this trap, contrary points of view are ignored. Research has shown that a mind in the grips of confirmation bias is hard to change. The more negative the news is - whether it is political, economic or social - the more it draws our attention, and the more our minds are inclined to find more news that resembles and confirms it. The obvious danger of confirmation bias is that it "programs" the minds of investors to ignore opposing views. Confirmation bias gives a false sense of confidence, but it does not necessarily make predictions more accurate.

In the end, the question is how to break out of the spiral of a resilient negative sentiment? Investors are advised to evaluate gains and losses in equity markets over longer periods, looking at performance over periods of five years and more. Refrain from looking at the performance of a specific stock in isolation, or returns over a short period in isolation. Evaluate the performance and returns of your total portfolio over the long term.