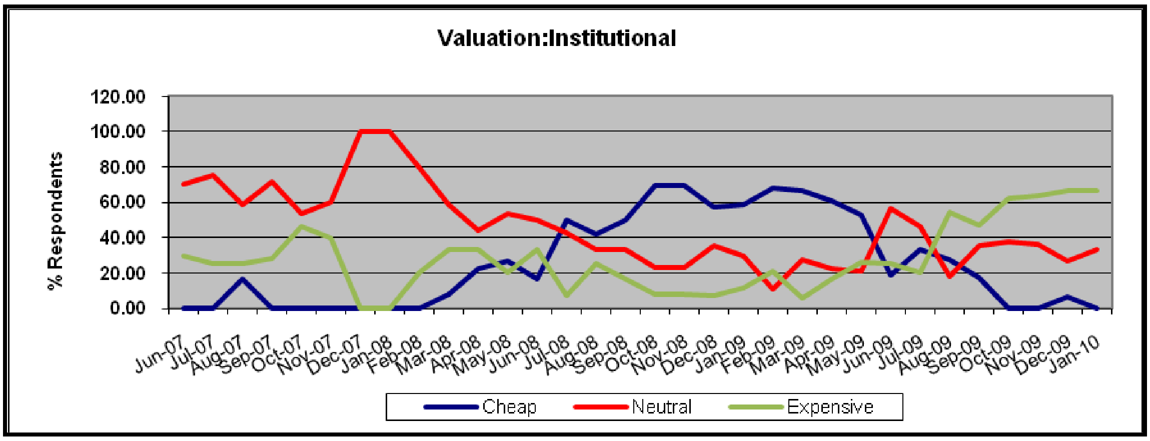
ALL INDICES DECLINE IN INVESTOR CONFIDENCE INDEX

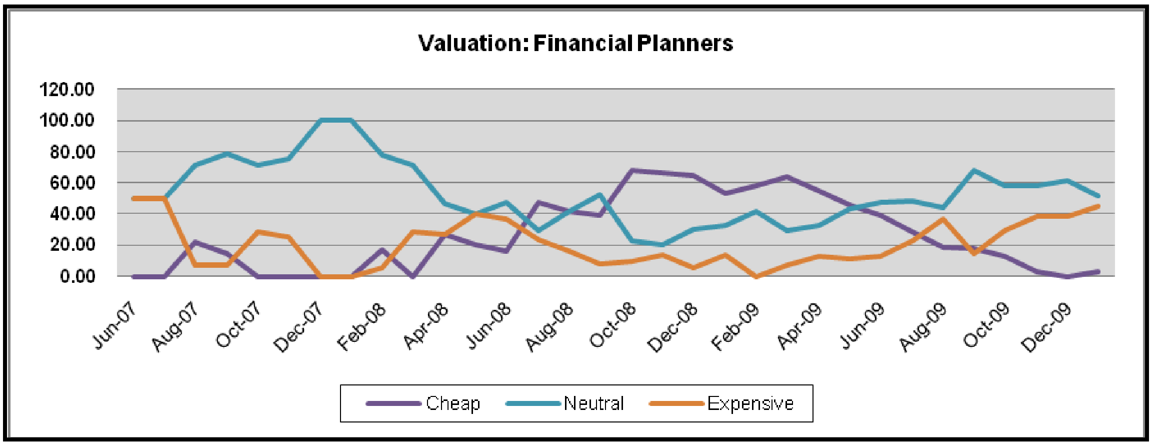
Results SIM ICI January 2010

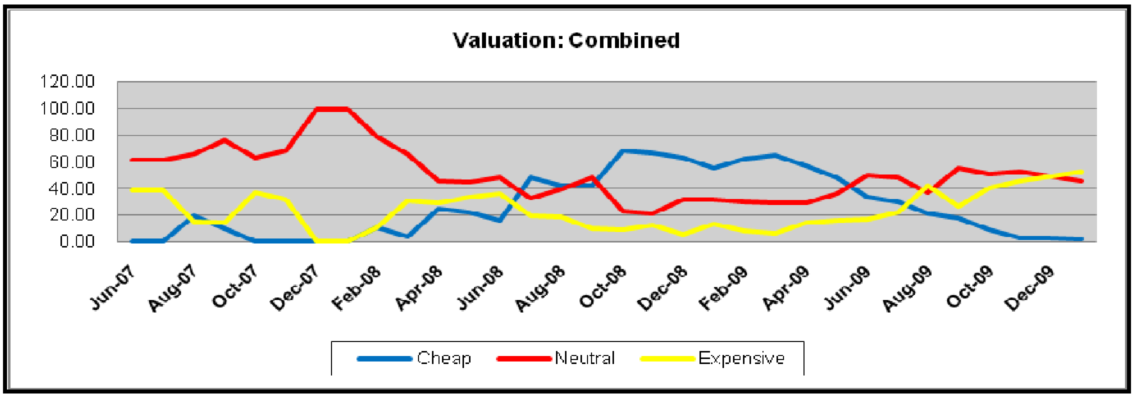
Results from Sanlam Investment Management (SIM) Investor Confidence Index
- a monthly survey conducted by the Institute of Behavioral Finance (IBF) among institutional investors
and financial advisors

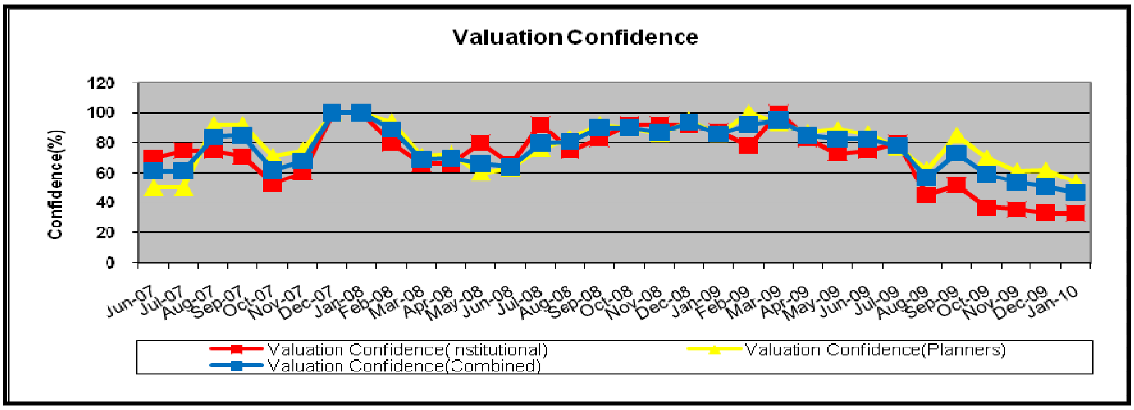
Research Report -Frederick White, Head of Asset Allocation and Macro Research:

The January survey of the Sanlam Investment Management (SIM) Investor Confidence Indices revealed an overall continued deterioration in confidence among local equity investors. Confidence deteriorated in each of the attributes measured – something that happens very rarely. The valuation confidence has moved down the most over the last year and continues to make new all time lows. This is consistent with the continued strong rise in equity markets experienced since March last year, as a growing concern about valuation would be a very rational response to an equity market that continues to rise at a rate in excess of the trend return expected from equities. At this stage 52% of respondents consider the market to be too expensive, while only 2% think it is too cheap.

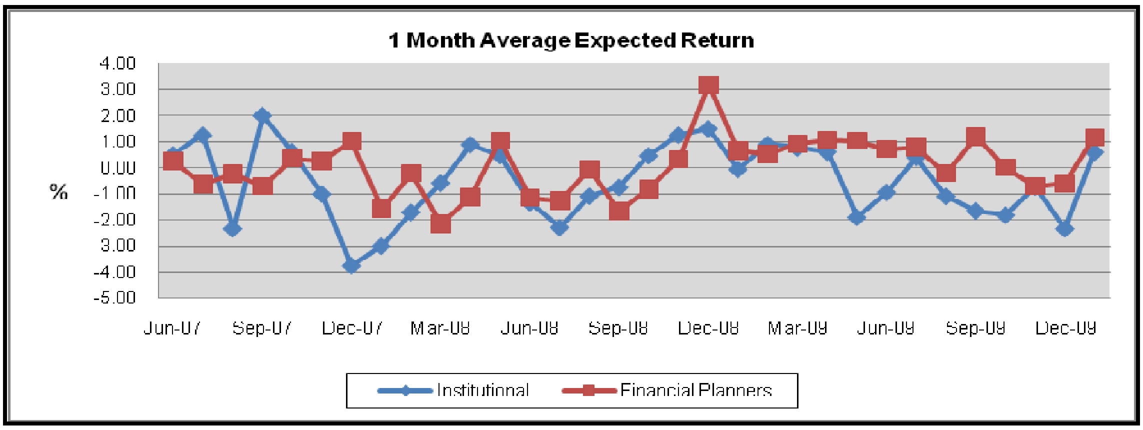


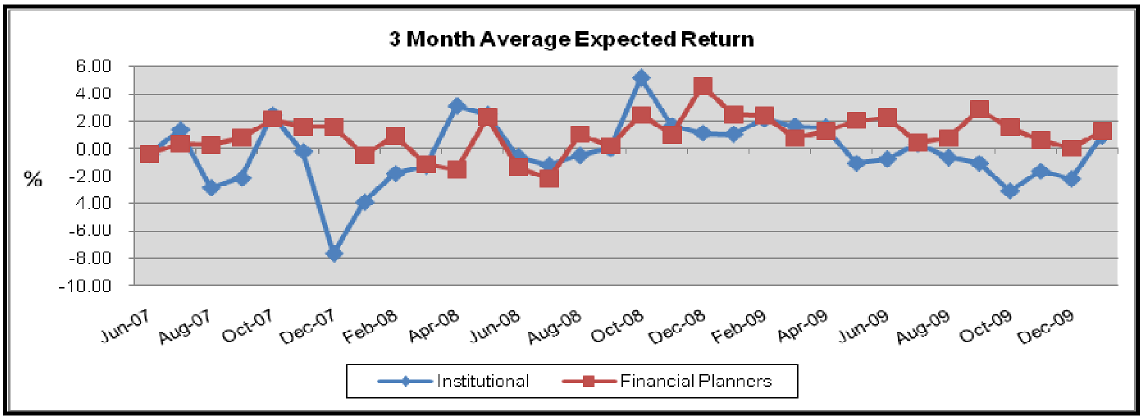


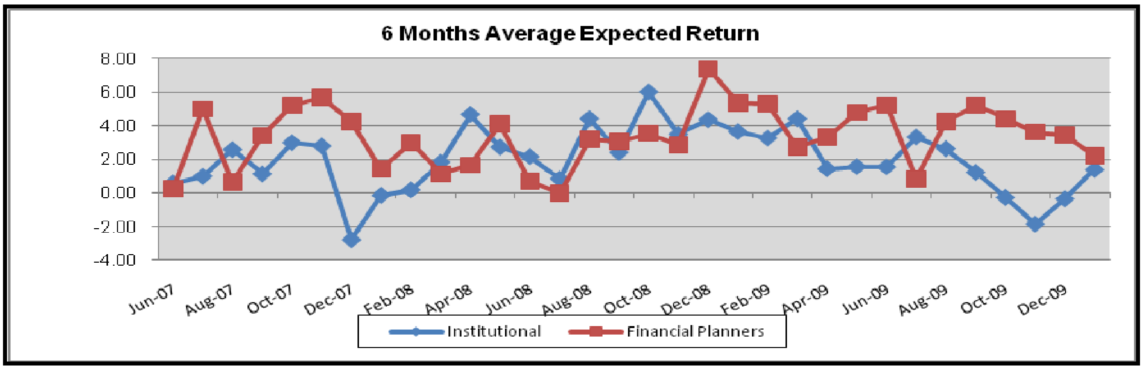


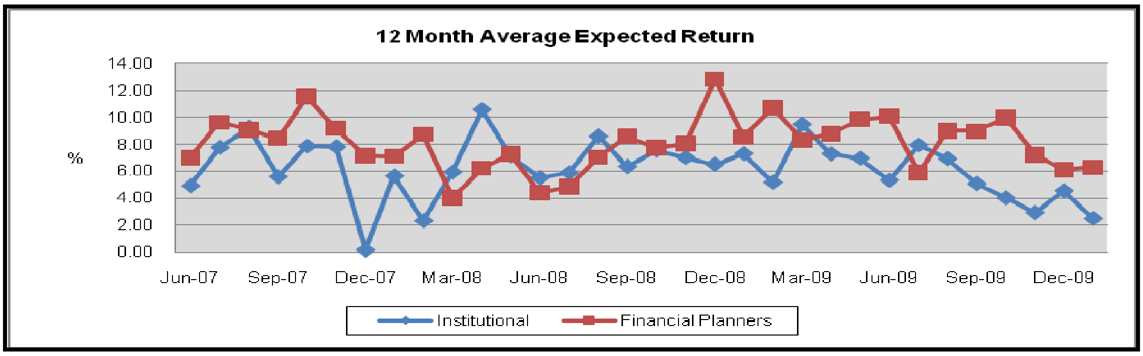


In line with the increased valuation concern, the 12 month return expectation continues to decline. Investors now expect the market to close one year out at a level just 5% above where it was last week. Even after adding the dividends one would receive, it would provide a very low real total return (near zero in the case of the institutional investors). Contrary to this decline in the 12 month outlook, expected returns in the shorter term, 1 month to 6 months, actually increased. These movements represent a strong improvement in the short term concerns investors previously had and the short term expectations are now more consistant with the 12 month view. So despite the fact that investors are concerned about valuation, they do not foresee a short term catalyst to start a market correction, but rather see the market giving slow, below trend returns for a while.

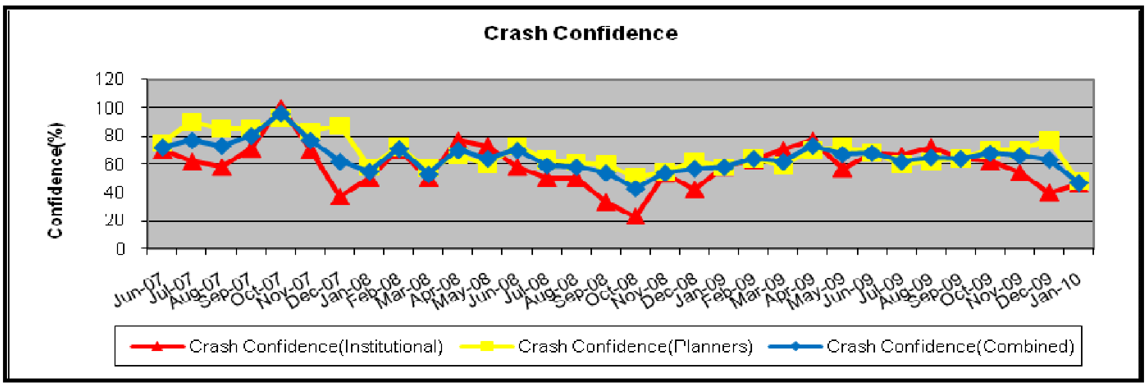




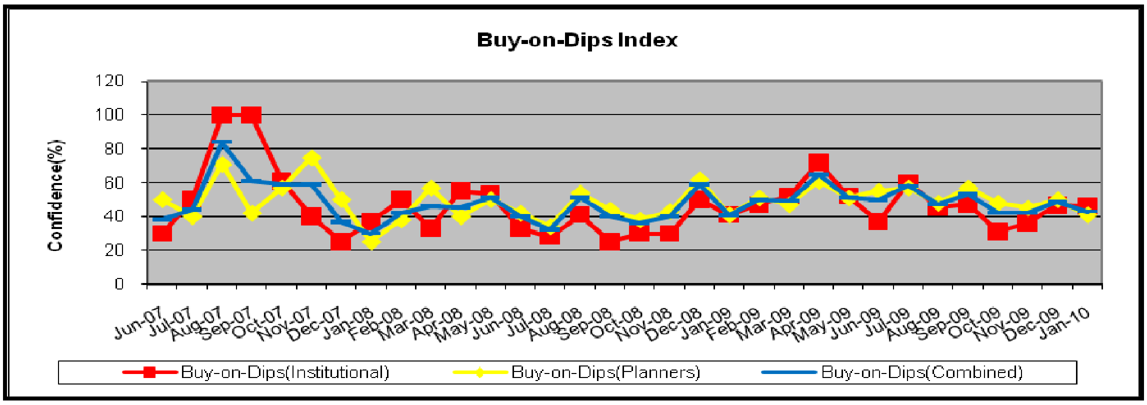




However, the slow returns foreseen do not preclude the risk of a correction and the survey actually showed an increase in the perceived risk of a market crash. The percentage of respondents deeming the probability of a market crash to be higher than 10%, jumped from 37% to 53%, with the average probability of a crash rising from 15.6% to 19.9%.



In summary, the movements in the investor confidence indices have been largely consistent with increased investor concerns about whether the market is still offering value, given the extent of the market rally since its March nadir last year.



Comments by Gerda van der Linde, Executive Director Institute of Behavioural Finance, an independent research organisation that conducts the survey.

The Sanlam Investment Management Investor Confidence Index proof to be a reliable source for the man in the street as a tool in understanding the strength of faith that professional investors have in the ultimate growth potential of the overall South African economy. Institutional Investors have access to more reliable public and private information and highly analysts able to interpret the information. Recent studies showed that analysts are able to forecast the direction of markets accurately most of the time, but not the size of the movement in the specific direction as accurately. Proof of this is seen in the valuation index where more than two thirds of institutional investors indicated the South African stock market as being cheap, in other words showing major buying opportunities, in October/November 2008 and February/March 2009. Major gains were recorded just after these sentiments were shown, showing bigger expected return than predicted.

As said, the same percentage of Institutional Investors now indicates the South African stock market to be expensive. The question remains if they'll again be accurate. It is important to notice that indicated expected returns over short and longer periods by the participants are not negative but only indicate slower growth.

It is important for investors not to climb out of the market in temporary slower and short term down periods. During these periods investors easily experience fear resulting in myopic loss aversion. The reasons for underperformance shown by investment portfolios are that the investor's emotion lead him astray, causing him to react to short-term movements. Investors' investment portfolios gain by being in the market as much of stock market gains come on a limited number of days and no one knows exactly when these days will occur. The only sure thing we know is that investors always gain over longer periods being invested in a balanced equity portfolio.