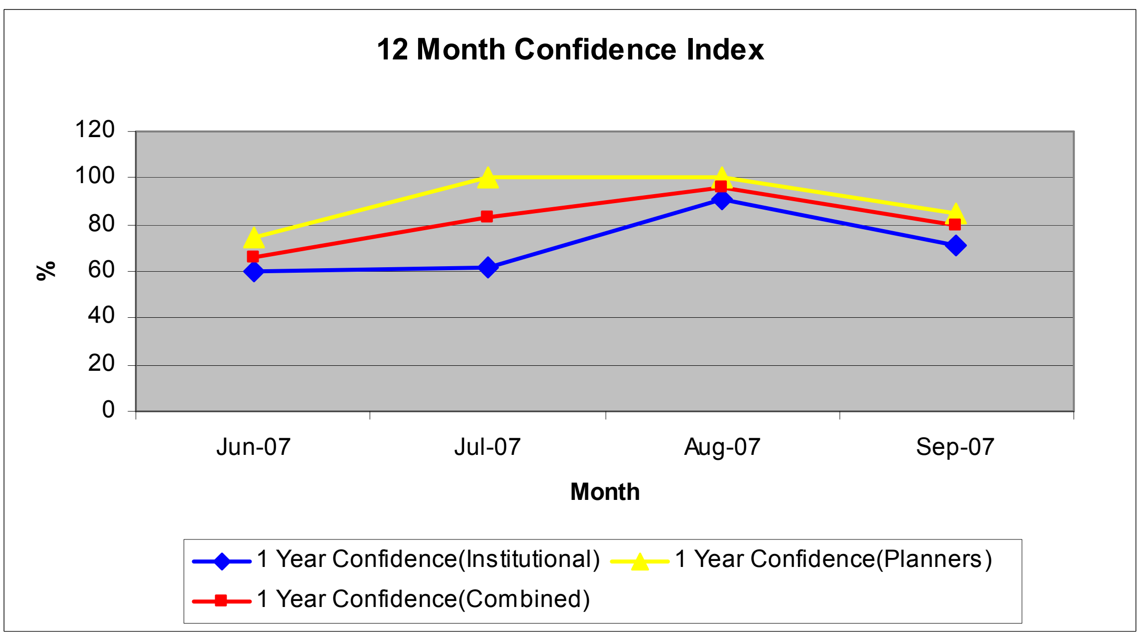
Sanlam Investor Confidence Index

September 2007

1. Confidence Index

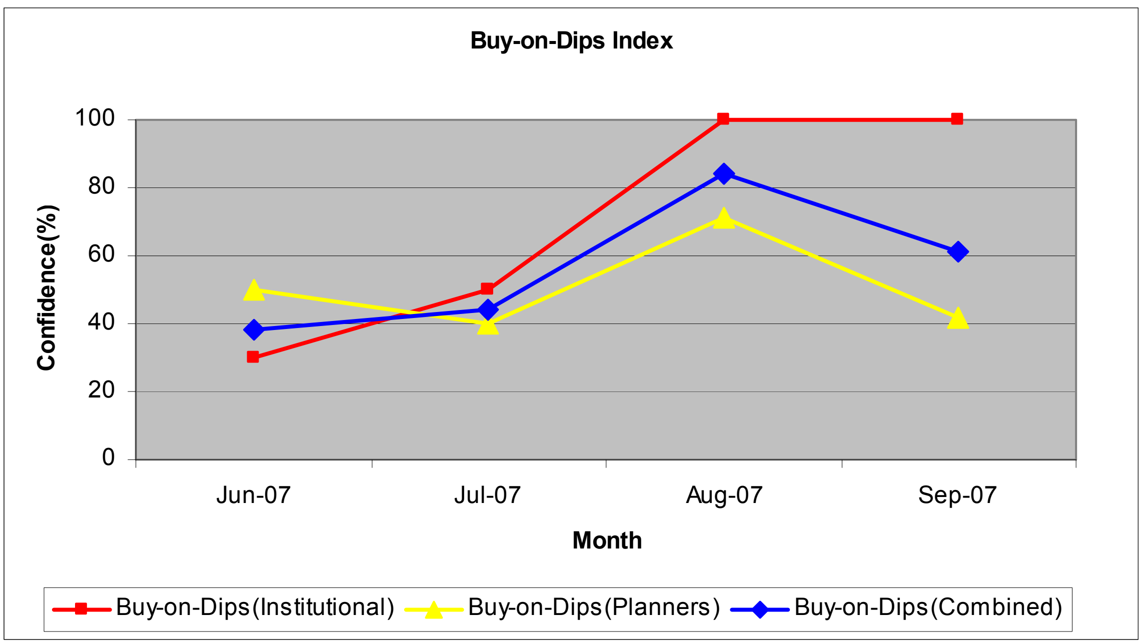


The overall confidence of respondents that the market will end in positive territory 12 months from now has declined over the past month, though most respondents still believe that the market will render positive returns. Overall confidence reached a high during August when the share market was at it's recent low.

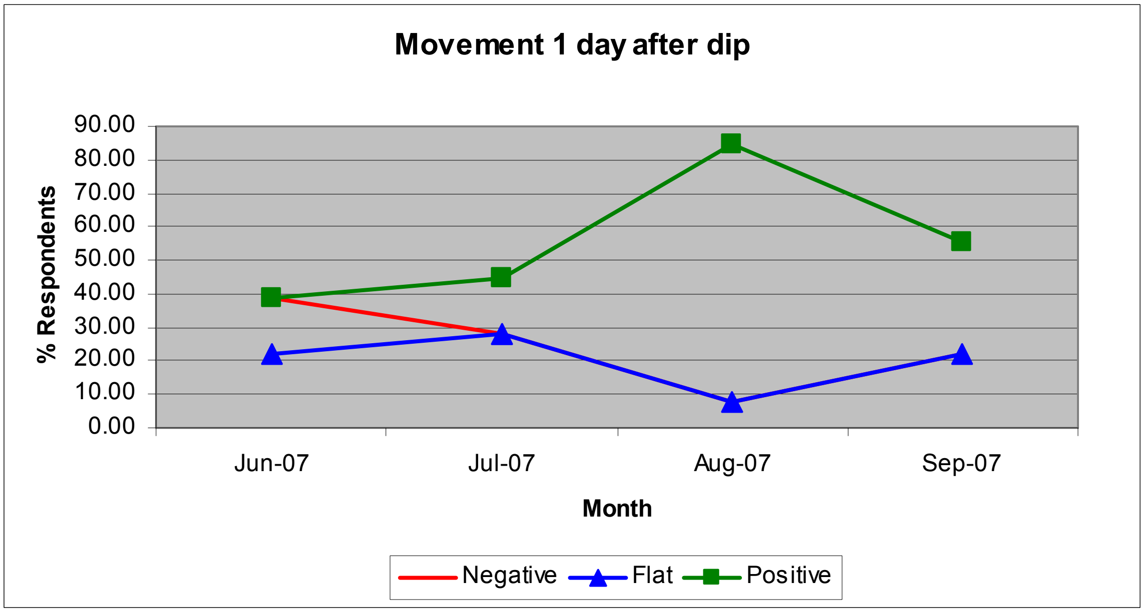
However, as the market started to move back to previous highs during middle September, the confidence for positive returns declined. The lower confidence can be attributed to recent higher volatility and lower expected company earnings expected for the next 12 months.

The average 12 month return predicted in the September survey is 7.5%. This is 22% lower than the average 12 month return predicted in the August survey.

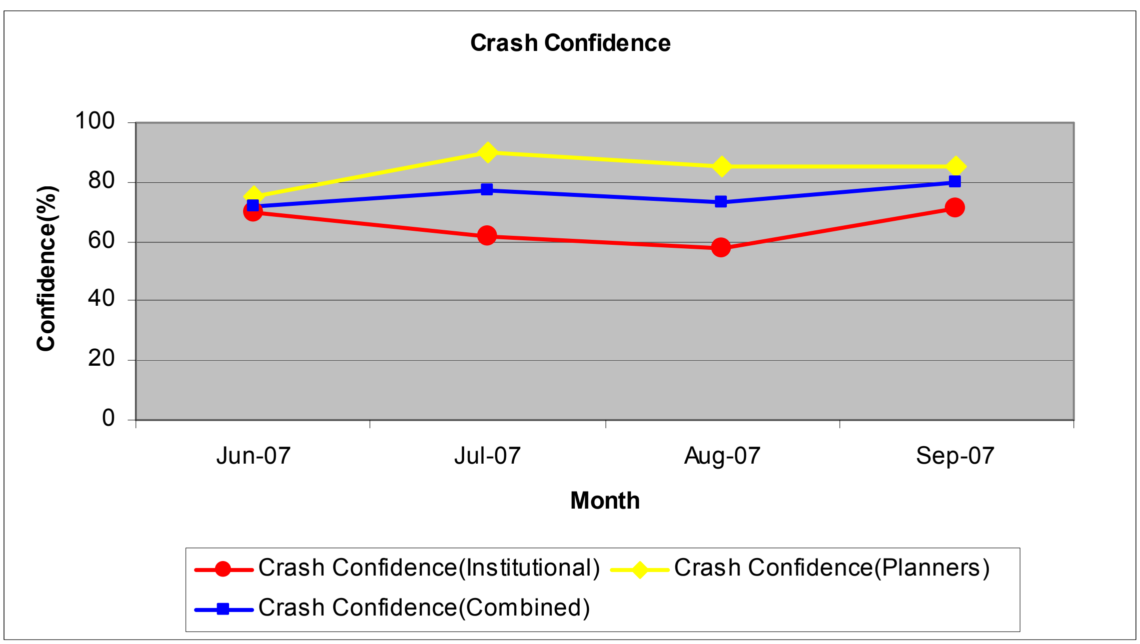
2. *Buy-on-Dips Confidence Index*



Respondents from institutions are continuously upbeat about the fact that the market will recover the day following a 3% decline. Current expectations are that the market should recover by approximately the same % as the previous day's decline. Below the respondents feelings on which direction the market will take 1 day after a dip.

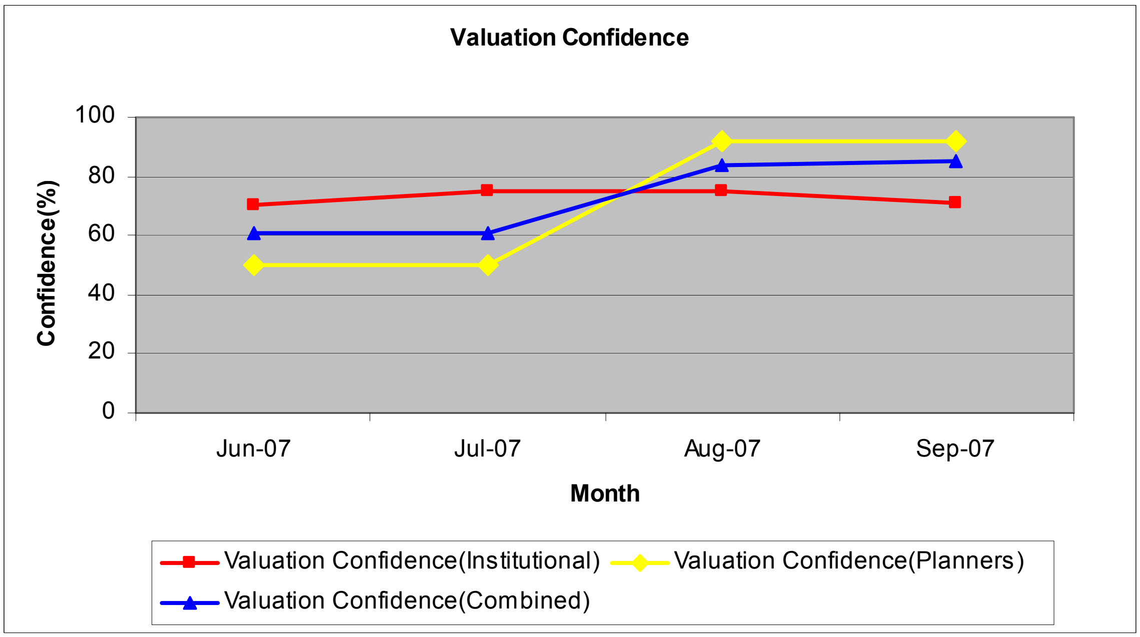


3. ***Crash Confidence Index***



80% of respondents currently feel that there is a less than 10% chance of a serious crash in the share market.

4. Valuation Confidence Index



85% of respondents felt during September that share market prices were priced too low or just right. Although the overall index remained roughly the same from August to September, a large percentage of the respondents changed their view from too low to just right.

Survey method

Confidence in the share market is much harder to pin down than consumer confidence, since the judgments people make about the share market are among the most involved of any that they must make. People interested in the stock market often tend to view themselves as playing a game against other share market investors, trying to guess when shares will do well before others do, so that they can profit from this knowledge. Many people who follow the share market watch the numbers every day, together with many popular magazines, television, and radio shows that also follow the share market closely. Thus, there is likely to be more complexity to peoples views about the share market than there is about their decisions whether to save more now or whether to buy a new sofa, which consumer confidence indexes emphasize.

It should also be recognized that investor confidence is only one of many forces on the market. Share prices are of course determined by supply and demand, and there are numerous factors that affect these: fundamental factors, legal, tax-related, demographic, technological, international, as well as other psychological factors related to attention, regret, anchoring, and availability. Indices of share market confidence can therefore only play a supportive role in trying to understand market events.

The indices of investor confidence that we have derived do not all move in the same direction through time, or even approximately so. Forming a simple average of the different indices to produce one overall share market confidence index would thus be arbitrary. Instead, we report here different investor confidence indices. Each is measured as a percentage, a percentage of respondents who report holding a certain view.

Data

A questionnaire is send the second Monday of every month to a sample of investment professionals. These include economists and portfolio managers form institutions as well as financial planners whose main focus is investments. Respondents need to answer 4 questions only by indicating in what direction and by what percentage they think the market will change. The questions are shown below as well as an indication of how the index is calculated.

1. **One-Year Confidence Index**

Question: How much of a change in percentage terms do you expect in the JSE All-share Index during the following periods: one month, the next three months, the next six months and the next year?

The index is calculated as the number of respondents giving a number **strictly greater than zero for the "In 1 Year"**. The index therefore reflects the percentage of the sample that expects the JSE All-Share Index to end positive over the next X months.

2. **Buy-on-Dips Confidence Index**

Question: If the All-Share were to drop by 3% tomorrow, what would you think the All-Share would do the day after tomorrow?

Three options are available namely Increase (%), Decrease (%) or stay the same. The Buy-on Dips Index is the number of respondents that **choose an Increase** as a percentage of the total number of respondents. The index therefore shows the percentage of the respondents expecting a rebound the next day should the market drop by 3% in one day.

3. **Crash Confidence Index**

Question: What do you think is the possibility of a catastrophic market crash (like 28 October 1928) occurring during the next six months?

An answer of between 0% and 100% may be given, with 0% meaning it will not happen and 100% it is sure to happen. The index is the percentage of respondents who think that the **probability is less than 10%.** Therefore shows the percentage of respondents who attach little probability to a stock market crash in the next 6 months

4. Valuation Confidence Index

Question: Stock prices in South Africa, when compared with measures of true fundamental value, are too low, too high, or just right?

The valuation index is the number of respondents who **choose too low or just right** as a percentage of the total number of respondents. It therefore reflects the number of respondents who think that the market is not too high.