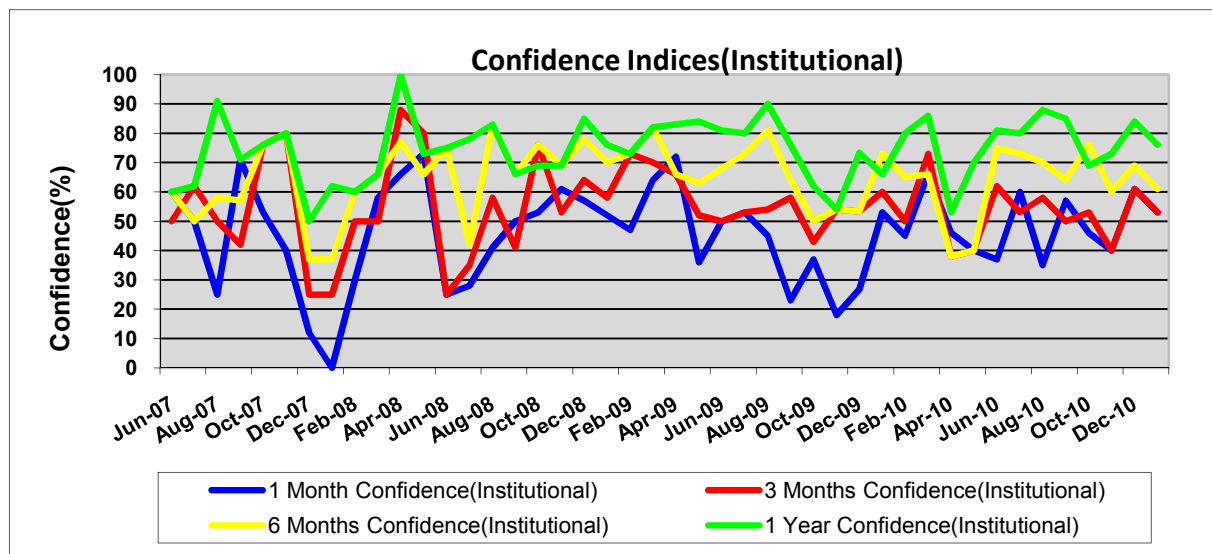


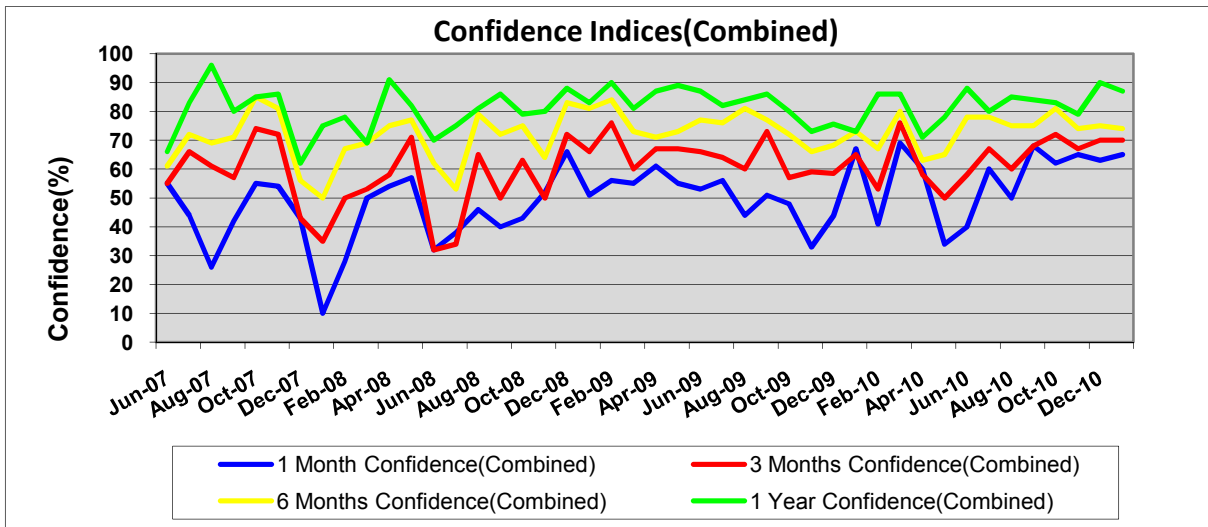
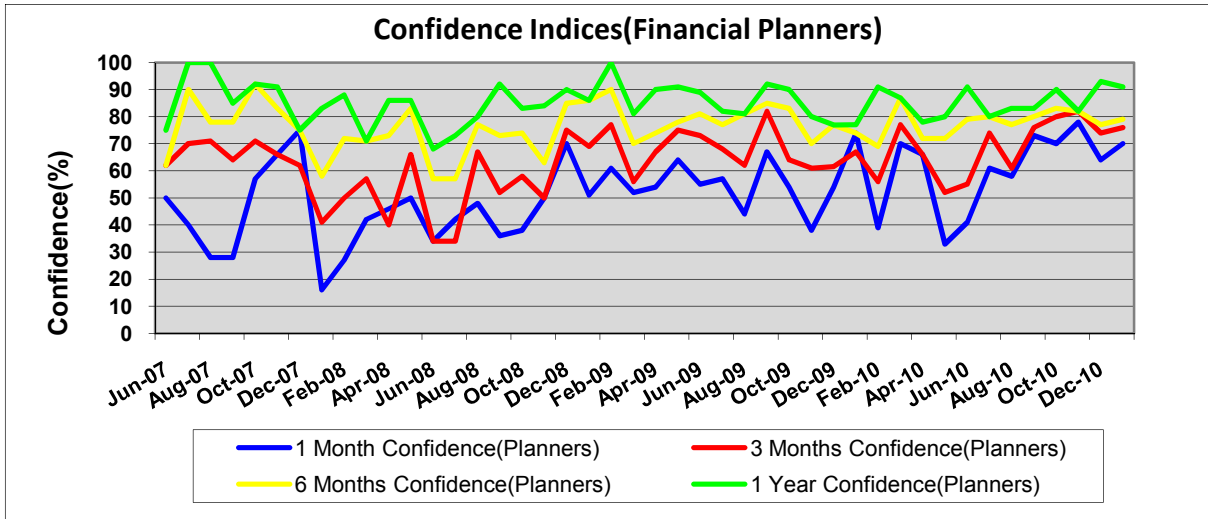
Investor confidence in recovery still fragile despite success of 2010

2010 was a difficult, but positive year for global equities, with the majority of returns being delivered in the last quarter on growing confidence that corporate earnings and global growth were looking up. South Africa came in way ahead of emerging markets as a grouping, while emerging economies as a whole recovered far more quickly than their developed counterparts and were the recipients of strong demand for emerging market assets against the stronger macro backdrop. Despite this, investor confidence in the sustainability of a recovery was still shaky, according to respondents in the Sanlam Investment Management Investor Confidence Index (ICI) results for January 2011.

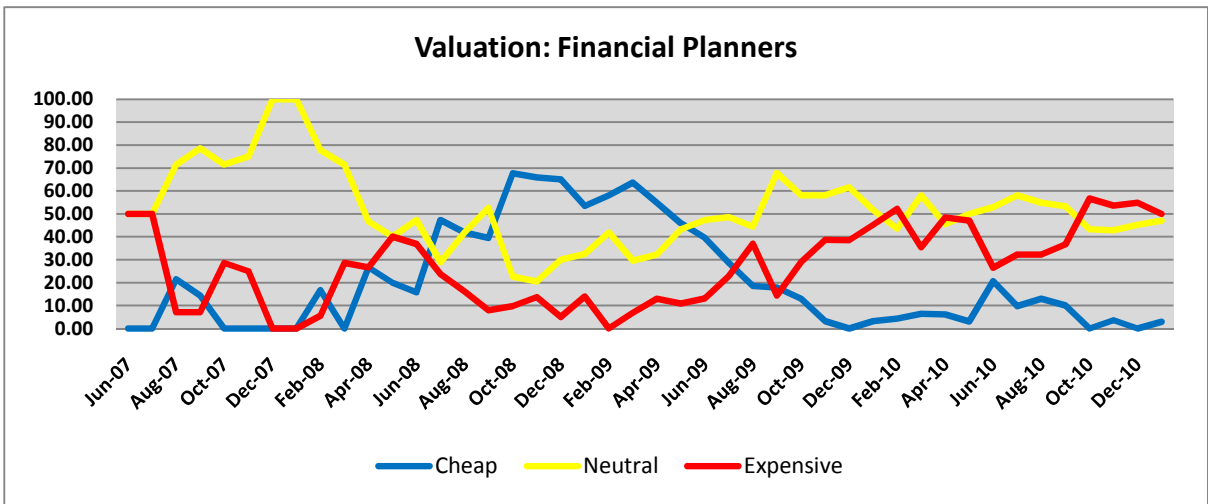
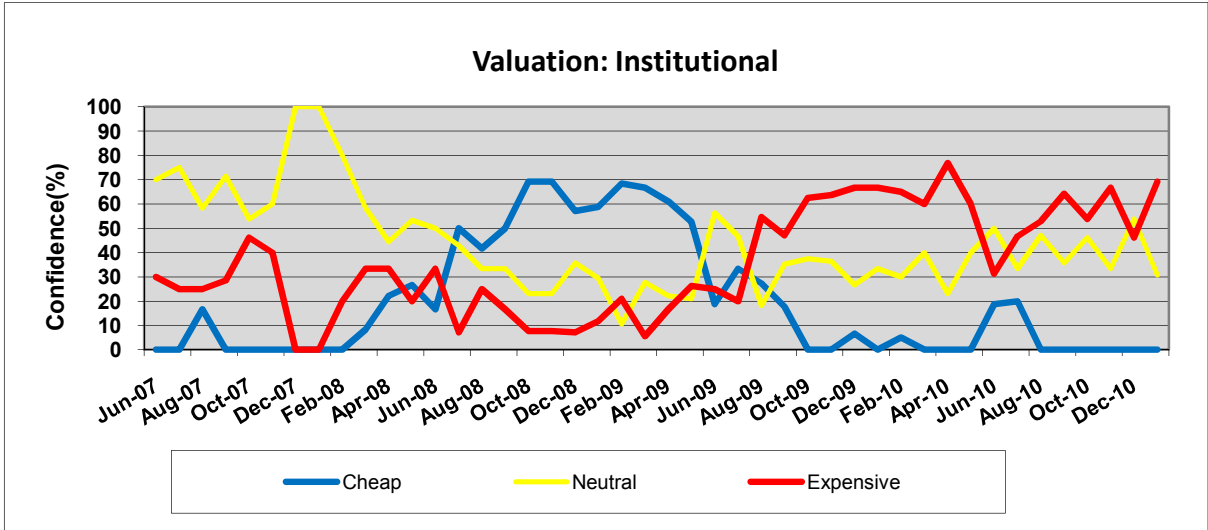
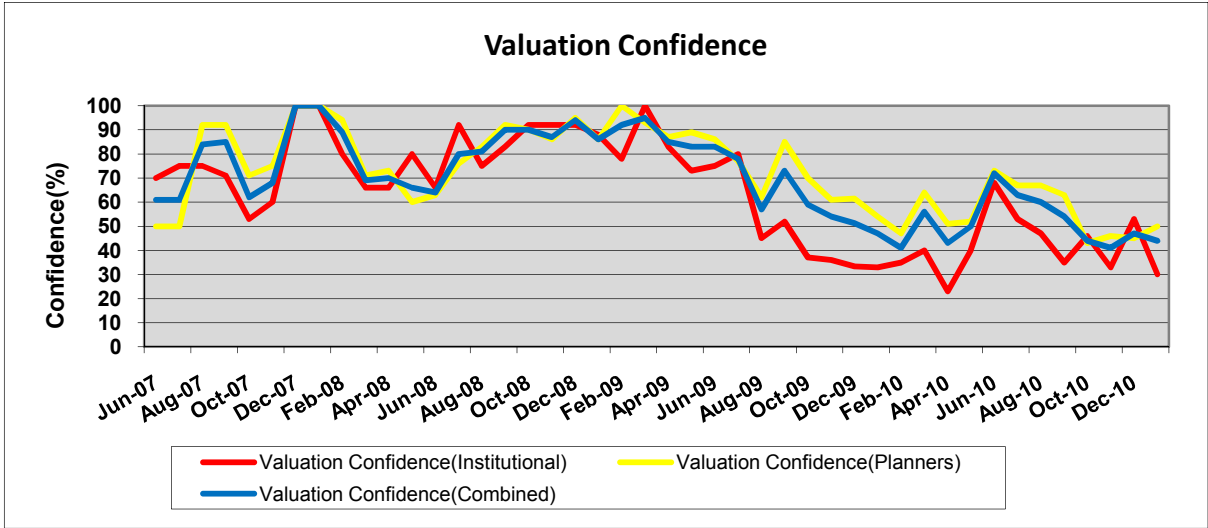
Candice Paine, head of SIM Retail says that the continuing sovereign debt crisis in the peripheral European economies weighed on European equity markets with the MSCI Europe Index returning a mere 1 percent over the year. The JSE All Share Index, on the other hand, delivered 30.7 percent in US dollars versus 16.4 percent for global emerging markets over the year, with emerging market equity funds experiencing a record inflow of \$83 billion, according to Merrill Lynch. With such a large portion of returns notched up in the final quarter of last year, there was little performance persistence during the year, according to Paine.

In addition, she says that investor confidence in a recovery remained tentative. Respondents to the ICI survey were asked to comment on the percentage change they expect to see in the JSE All Share Index returns over various periods. Over shorter time periods, respondents expecting a positive outcome have ranged from as little as 34 percent in May 2010 to 69 percent in March 2010. Currently 65 percent of respondents are expecting a positive outcome in the next month. "This is in stark contrast to the 12-month view throughout 2010, with between 70 percent and 90 percent of respondents expecting a positive outcome," explains Paine.



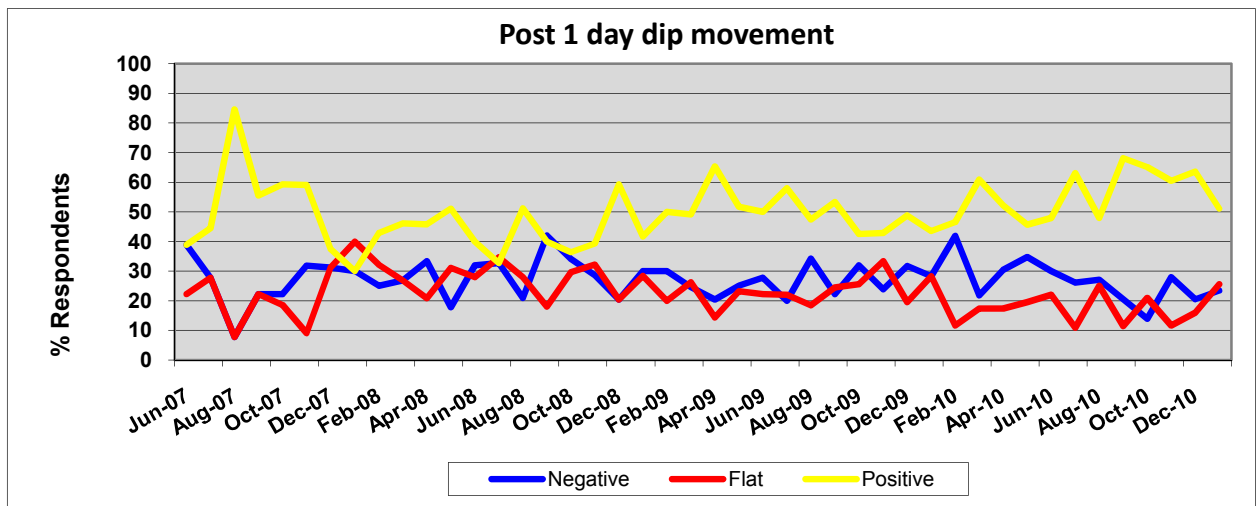
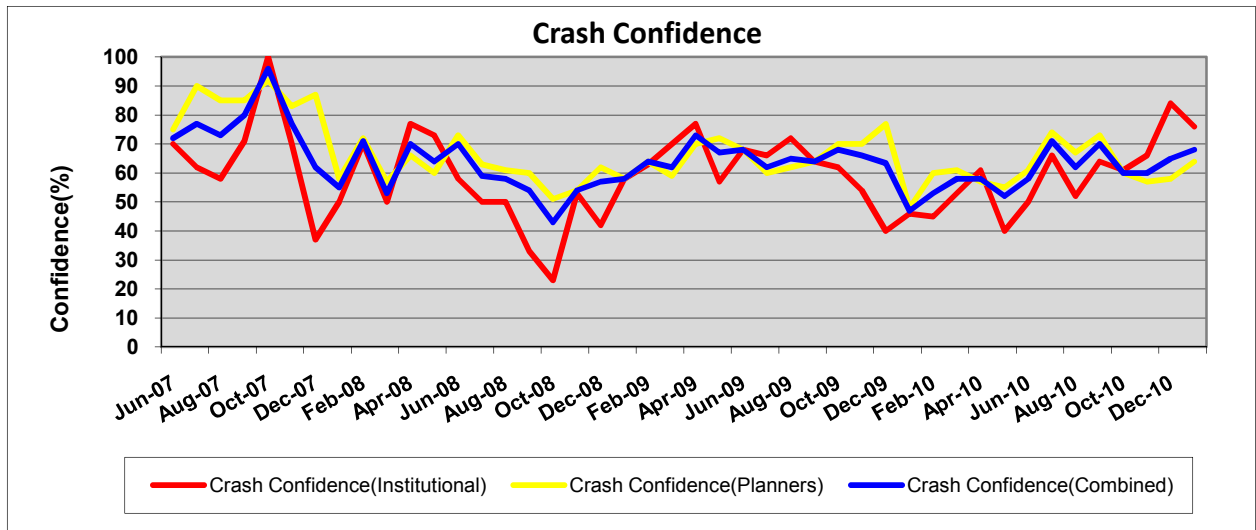


According to Gerda van der Linde, executive director at the Institute for Behavioural Finance (IBF), it is anticipated that investors will opt for well diversified investment portfolios going forward, given the ongoing fear of losing money coupled with a desire for capital preservation, “Investors’ reactions as a response to market movements, driven mostly by their emotions, remain the biggest threat for solid growth in investment portfolios,” she explains. Paine points out that the survey’s respondents have been well united in their views on market valuations. “Few respondents in both the institutional and financial planners’ groupings considered the market cheap during 2010 and this notion persists, she says.” Currently 44 percent of all respondents view the market as “not too high”. This percentage steadily declined during 2010, after hitting a high of 72 percent in June. Institutional investors are even more cautious, with only 30 percent of them saying the market is not too high, while 50 percent of financial planners view the market as not too high.



However, the fear of a 1928-style crash is not large, says Paine. “68 percent of all survey respondents believe there is less than a 10 percent chance of such an event occurring,” she explains. “This is still

lower than the point reached in October 2007 when 96 percent thought that this probability was less than 10 percent; surely a point of maximum optimism.”



“We continue to urge investors not to ignore market fundamentals in a desire for instant gratification,” says van der Linde. “The message from participants in the SIM ICI is that stock prices in South Africa when compared with measures of true fundamental value are mostly expensive. The survey results capture this sentiment accurately and therefore investors should have moderate expectations in terms of their investment decisions during 2011. “Wise investors know the value of a licensed certified financial planner to guide them in their investment decisions,” continues van der Linde. “Financial planners follow a scientific financial planning process to establish the risk capacity; risk required and risk tolerance of each individual investor, resulting in a unique investment policy statement. This becomes the detailed financial roadmap directed by a professional bringing financial peace of mind for the investor.”

“Overall, it would appear that investors are settling into the ‘new normal,” continues Paine, “A phrase coined by Mohamed El-Erian, CEO of Pimco, in which he describes a post-financial crisis world of lower returns, lower economic growth and the looming chance of another financial shock of sorts. To reiterate the words of the Federal Reserve Chairman Ben Bernanke, the outlook for the economy is ‘unusually uncertain’. This is very much reflected in our respondents’ responses to the way they feel about investment markets over the next 12 months.”

