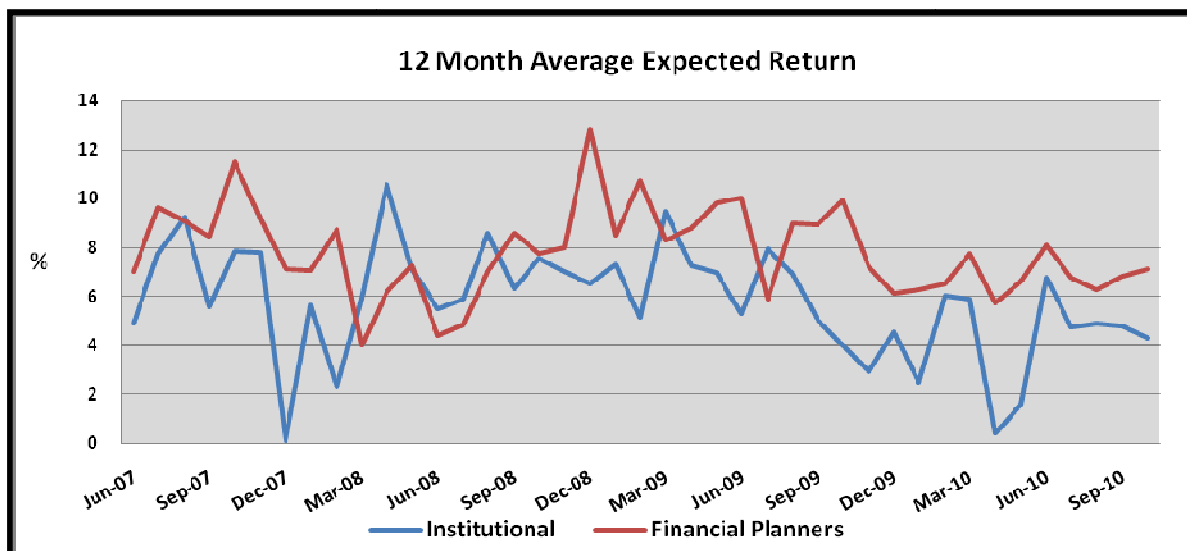


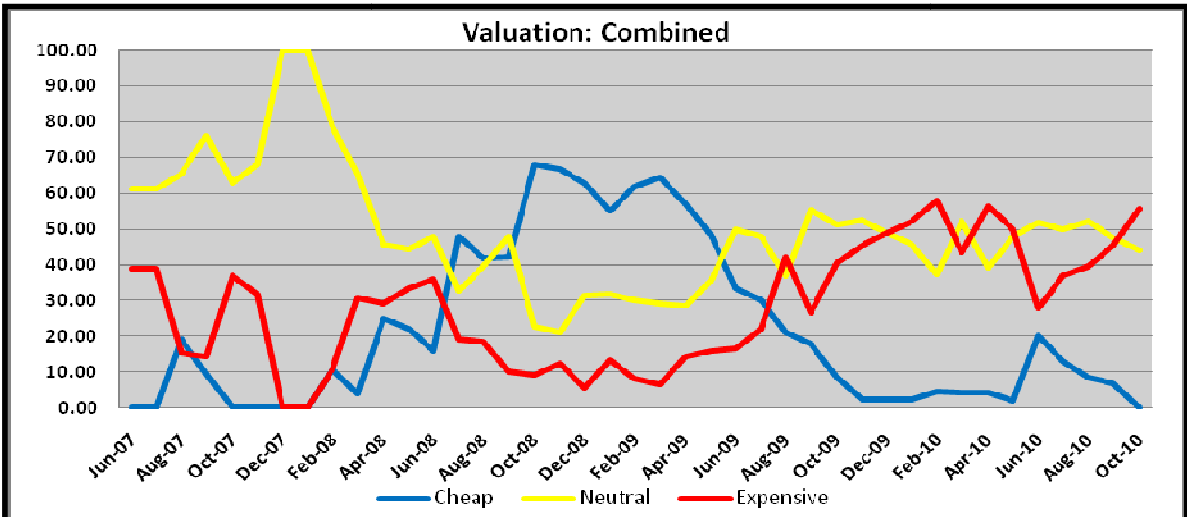
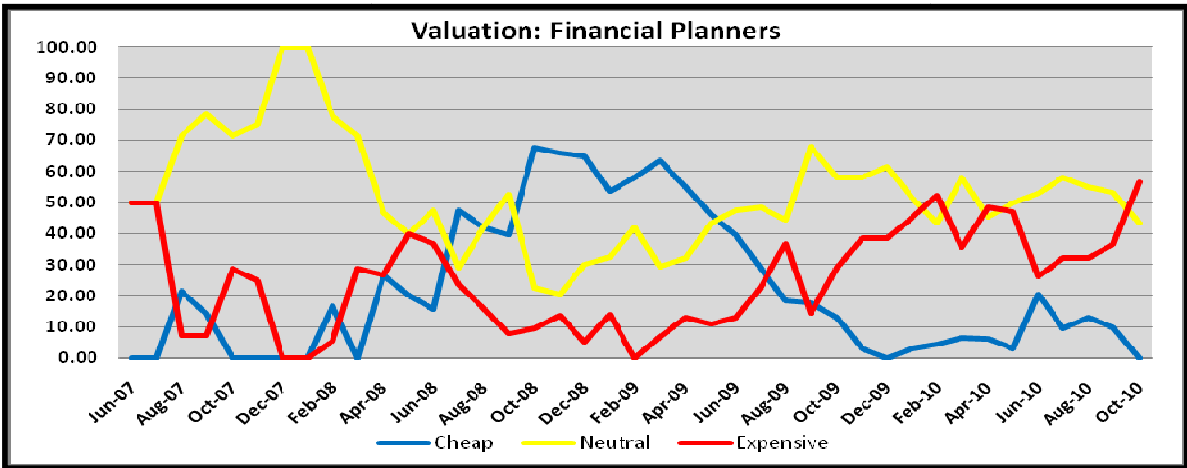
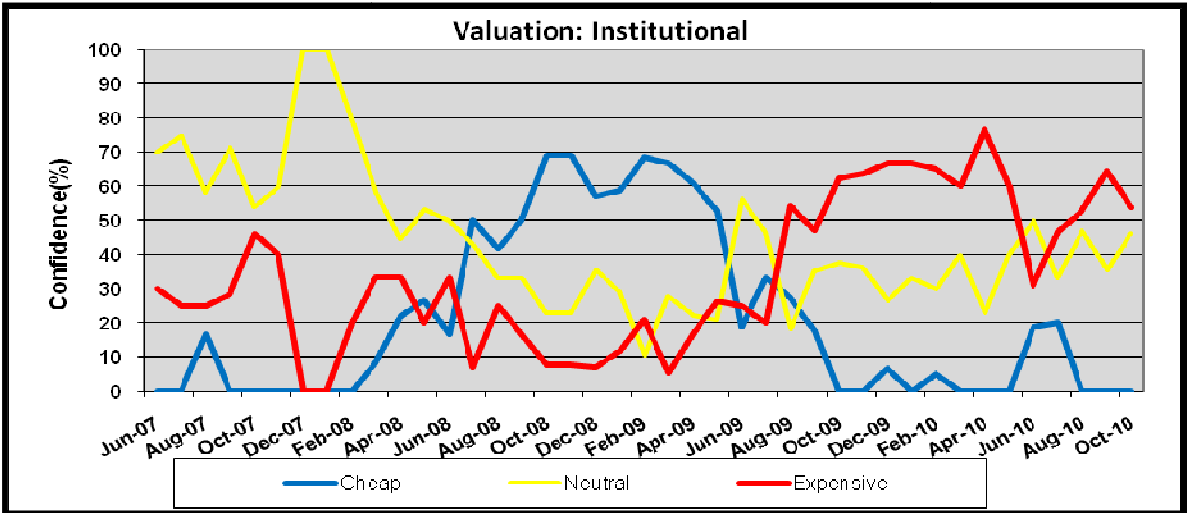
Investors more positive, but still not optimistic about market performance

Cape Town, 20 October 2010: Investor optimism regarding the markets has risen marginally over the year and has now entered positive territory, while expectations from investment returns of the JSE All Share Index have slumped slightly. This is according to the latest results of the Sanlam Investment Management (SIM) Investor Confidence Index. The research showed that despite this, and against a backdrop of negative news from offshore, the JSE All Share Index has delivered 11.6 percent year to date and, calculated in dollar terms, amounts to performance of 19.6 percent year to date.

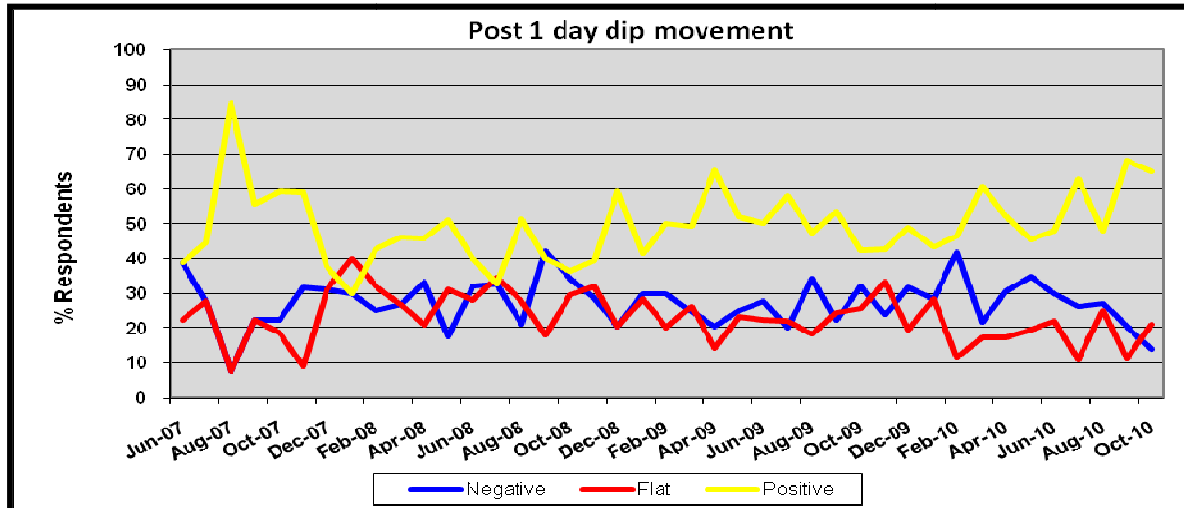
According to Candice Paine, head of retail at SIM, the downturn in the performance outlook is to be expected given the strong returns seen in the South African market recently. For the three months to mid-October, the All Share Index gained 10.7 percent while over the next 12 months the view of both institutional fund managers and financial planners is that a total return of about 6 percent from the JSE is likely.



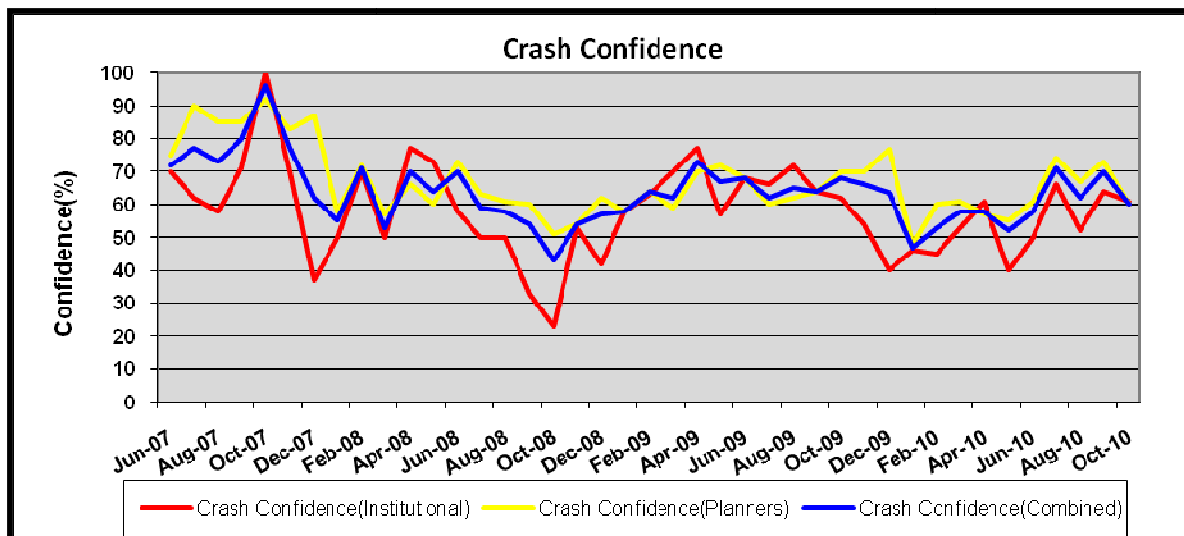
This tempered view of future performance is supported by the Valuation Confidence Index, which compares stock prices with measures of true fundamental value to determine how fairly the market is priced. “Broadly, none of the participants believe that the market is currently cheap and this view has been consistently held since December 2009,” says Paine. “While everyone agrees that the market isn’t cheap, 44 percent of respondents view the market as not too high and 56 percent think it is expensive.” According to the survey the proportion of participants viewing it as too expensive has gradually reduced from 72 percent in June 2010 to the current level. “It would seem that while investors do not fear the worst, concerns over slow earnings growth are still informing sentiment,” she says.



However, the survey indicates that while investors remain positive, they are not overly optimistic about the markets, with 66 percent of respondents saying the market would rebound the day after a 3 percent crash.



The Crash Confidence Index supports this view, with 60 percent of investors thinking that there is less than a 10 percent chance of a catastrophic market crash occurring. This is a significant improvement from a low point in January this year when only 47 percent of investors believed that the markets could rebound, implying the other 53 percent believed that the chances of a market crash were higher.



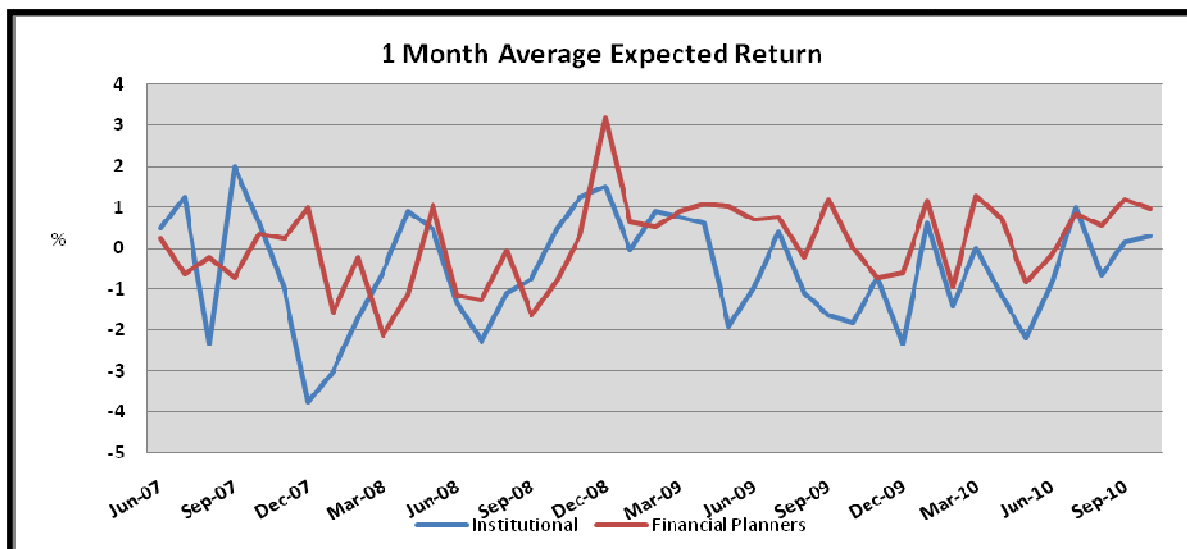
Gerda van der Linde, Executive Director at the Institute of Behavioral Finance believes that it is evident from the October survey results that the mood of participants has finally entered positive territory. “Neither the institutional and financial advisor participants fear negative returns any longer, nor do they expect inflation-beating returns,” explains van der Linde. “By interpreting the results we must keep in mind that the movement into positive territory started from a very low point and a level of optimism is still lacking.”

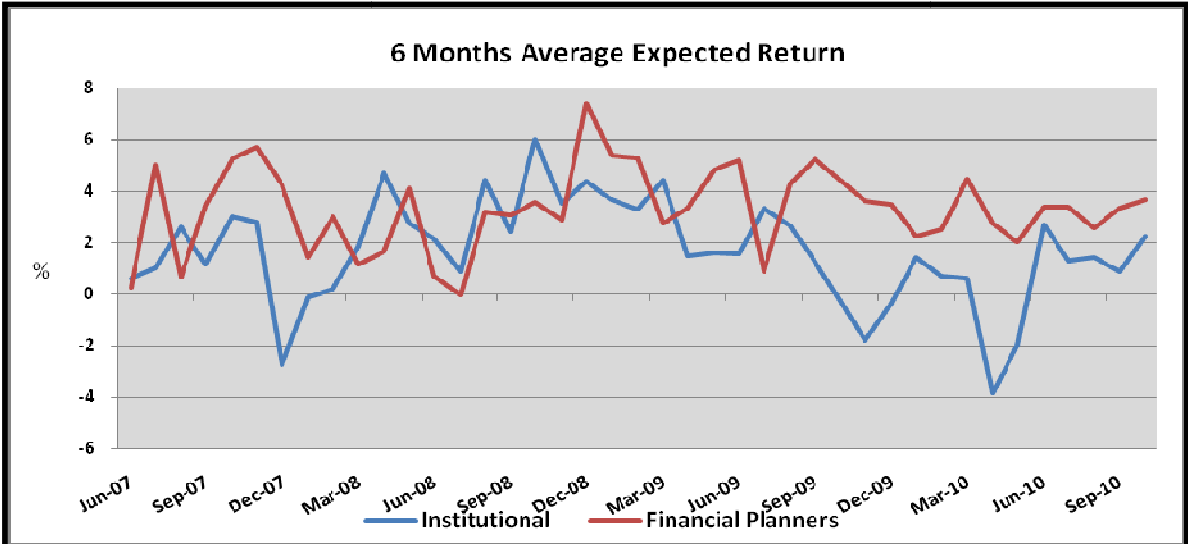
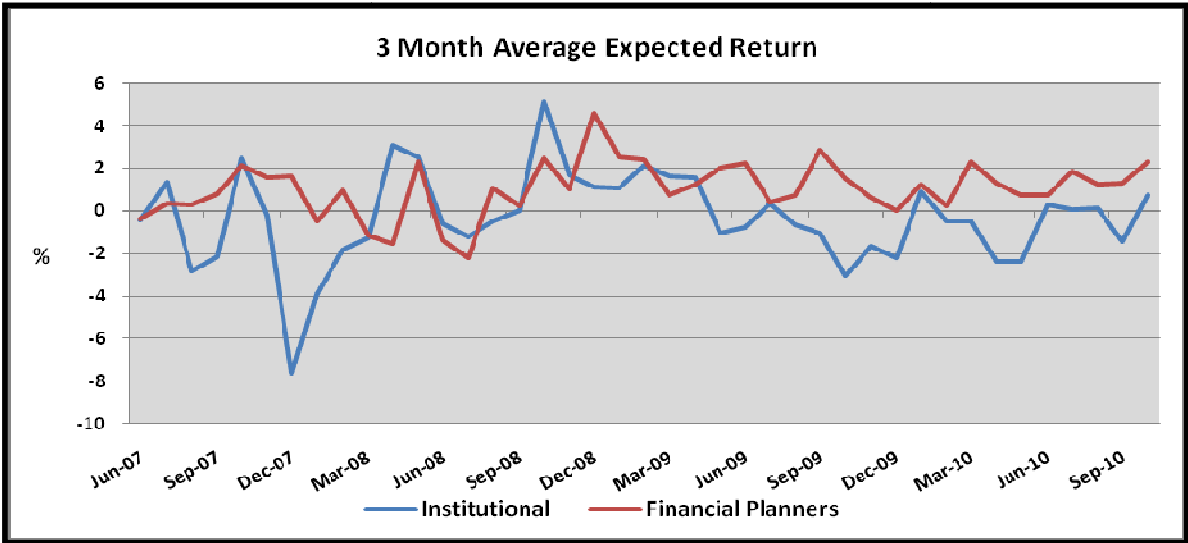
“On face value the above finding may sound contradictory against the fact that the JSE All Share Index reached the 30 000 mark for the first time in more than two years,” says van der Linde. “However, if the bigger picture is taken into consideration, it is evident that the upswing to the 30 000 mark is most probably just a symptom of volatile market conditions.”

“We know from behavioral finance research that it is difficult for investors to take the emotion out of investing when they have experienced volatile market conditions,” van der Linde continues. “Investors often make irrational decisions during a market upswing, ignoring the underlying fundamentals, in search of instant gratification. Investors are drawn towards the potential for financial gain, whether the opportunity they see is real or not,” she says. Van der Linde believes that this emotional response to the noise in the media results in investors buying when the market is expensive. “This is exactly what the participants in the SIM Investor Confidence Index are warning investors against. They regard stock prices in South Africa when compared with measures of true fundamental value as being mostly expensive.”

“It is worthwhile for investors to remember that patience yields the greatest rewards,” points out van der Linde. “Volatility in the financial markets is usually a sign that impatient, momentum traders dominate the markets, but impatient investors are very short term in their outlook and pay a huge price for their actions,” she warns. “A buy-and-hold strategy, based on solid methodology and discipline in investment management based on realistic expectations, still proves to out-perform a bought-and-sold strategy, which is usually driven by an urge for instant gratification,” concludes van der Linde.

More results:





<u>For more information contact:</u>	
<p>Gerda van der Linde Executive director Institute of Behavioural Finance Tel: 011 888 5088 Cell: 082 881 6159 Email: gerdavl@lantic.net</p>	<p>Theo Vorster Chairman Institute of Behavioural Finance Tel: 011 502 8800 Cell: 083 260 2354 Email: theo@galileocapital.co.za</p>