

HOW does a unit trust work?

What is a unit trust?



A unit trust is an investment structure that gives investors access to a selection of professionally managed investments.

How does a unit trust work?



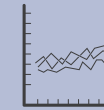
Client gives money to fund manager to invest on their behalf



The fund is made up of a combination of assets which include shares, bonds, property and cash



The fund is then divided into units



Market conditions impact the prices of the underlying investments - reflected in the daily fund price



Investors are allocated units according to the amount they've invested



Each unit contains the same proportion of assets in the fund

There are many different types of funds to suit different investor needs.

Advantages



- Transparency of underlying investments
- Readily available price and performance data
- High level of regulation
- Investors can select their monthly contribution amount (flexibility)
- Easy to sell your units
- Professionally managed
- Gives smaller investors access to the JSE and other exchanges

Things to consider



- Returns are not guaranteed
- Investors need to invest for at least three to five years to realise the benefit
- Investors need to understand the fees they're paying
- There is a vast choice of funds on offer - investors need to be sure the fund meets their needs

Is my money safe?



Investor



FINANCIAL SERVICES BOARD

- Independent institution overseeing the financial services industry in the public interest
- Unit trust funds to be registered with FSB
- Funds have a deed controlled by the Registrar at the FSB
- Registrar monitors the management of all funds



ASSOCIATION OF SAVINGS AND INVESTMENT SOUTH AFRICA

- Promotes a culture of saving & investment by playing a major role in the development of the social, economic and regulatory framework



TRUSTEES & CUSTODIANS

- Independent caretaker holding cash on behalf of investors
- Separates the fund's money from that of the manco.
- Ensure funds are run in accordance with the requirements of CISCA (Collective Investment Scheme Controls Act) & trust deed

Further regulation:

FAIS - The Financial Advisory and Intermediary Services legislation licenses and regulates intermediaries to ensure the highest level of advice and service.

FICA - The Financial Intelligence Centre Act combats money laundering and complements the Prevention of Organised Crime Act.

TCF - Treating Customers Fairly regulation guides companies in creating a sustainable culture of good service, structured communication and products that meet the needs of customers.