

WHY INVEST IN UNIT-TRUSTS/ MSM PROPERTY FUND UNIT-TRUSTS?

To answer this, it is first important to explain inflation, thereby demonstrating its effects on currency and the advantage of investing in these collective investment schemes against savings or bank deposits.

1. INFLATION

Inflation is the rate at which the general level of prices for goods and services is rising and consequently, the buying power of the rand in your pocket is shrinking/the rand in your pocket is losing value.



2. SAVINGS

Savings occur mainly where you keep your money deposited in the bank to benefit from interest of which there is little or non, considering bank charges. Take into account inflation, (the general increase in the cost of goods and services every year) which weakens what the money you have saved can buy. Meaning in inflation adjusted terms you are "out-of-the-money" – and this is where Unit-Trusts come into play and save the day.



WHAT IS A UNIT-TRUST?

A Unit-Trust is a "Collective Investment Scheme" or an investment in which funds from many investors are pooled together to invest in assets such as shares, bonds, property etc.

Just as in a Stokvel club, Burial Society, Grocery Club and Mogodisano/Umgalelo groups, where contributions from individual members are pooled together to achieve a common goal – Unit-Trusts also function in a similar manner except they are regulated by the Financial Services Board (FSB) to ensure the safety of investors' funds.



LIQUIDITY



If you need your money, you don't need to give a long notice period – as you would with money placed in a bank account. You can have your money within days and this is an advantage when you have an emergency.

LOWER FEES

- MSM charges no upfront fee for investing.
- We charge 1.5% (ExclVAT), on Private Client Investments per annum quarterly in arrears and 1.14% on Unit-Trust investments (ExclVAT) per annum quarterly in arrears.



CHANGE NOW,
TO CHANGE TOMORROW

ADVANTAGES OF INVESTING IN UNIT-TRUSTS WITH MSM



HIGHER RETURNS

- Investment returns are higher than interest on saving.
- Returns on investment have historically proven to beat the inflation rate.



AFFORDABILITY

- Investors' funds are pooled together giving them access to shares, bonds, property – which would otherwise be expensive to purchase individually.



REGULATION

- Although the assets to invest in are selected on your behalf by fund/ investment managers, they cannot access your cash. The Financial Services Board regulates Unit-Trusts and professionals who make investment decisions for you. Your money is regulated by law under strict conditions



DIVERSIFICATION

- By investing your money in different assets such as shares, bonds, property means a unit-trust spreads your investment. Meaning if one investment doesn't work out other well performing investments make up for the loss.
- The same applies to diversification in local and off-shore investing. If the local investments are on a downtrend, the off-shore investments may make up for the loss.

MSM PROPERTY APPLIES A “TOP-DOWN” AND “BOTTOMS-UP” INVESTMENT STRATEGY IN INVESTING CLIENTS’ FUNDS. WHAT DOES THIS MEAN?

TOP-DOWN INVESTING

Top down is an investment approach that looks at the overall picture of the economy, break down various components into finer details, then further analyse stock of various companies to choose potentially successful ones as investments.

BOTTOM-UP INVESTING

Bottom-up is an investment approach that focuses on analysis of individual stocks and deemphasizes the significance of the economic and market cycles. In Bottom-up investing, focus is placed on a specific company rather than the industry in which that company operates or the economy as a whole because individual companies may be on an uptrend/performing well even in an industry that is not performing well.



THE IMPACT OF POLITICAL AND ECONOMIC FACTORS ON MARKET PERFORMANCE



ECONOMIC IMPACT

Inflation

The price of goods and services goes up > manufacturing, production and transporting costs go up > consumer demand decreases because the Rand in their pockets loses buying power > company profits dwindle/shrink > company share price on the Stock-Market goes down.



POLITICAL IMPACT

Actions of government

- President Zuma expels Finance Minister Nhlanhla Nene/Pravin Gordhan > action creates uncertainty and domestic and overseas investors withdraw and/or withhold their investments > Rand loses value and the Stock-Market go down.

Industrial Action

- Trade Unions go on strike demanding wage increase > production halts > company profits take a dive and the company share price on the Stock Market subsequently follows suit.

NOTE: The demonstration of political and economic impact on the markets is not in any way meant to scare investors and potential investors from investing on the Stock-Markets. Instead the opposite is true as this aims to remind our investors how MSM PROPERTY FUND'S “Top-down” and “Bottom-up” investment approach as indicated above works to maximise and sustain capital growth for our investors. As explained in the Investment Strategy, even in bad economies and markets there are always well performing shares.