

Why unit trusts still make sense for SA investors

South Africa's unit trust industry is experiencing notable shifts driven by regulatory updates, changing investor preferences, and a dynamic economic landscape. MoneyMarketing asked Jade Houreld, Global Business Development Manager, and Mandi Ngqoza, Head of Client Strategy and Investor Relations at All Weather, to give their input as to what to expect from unit trusts in the near future.

When it comes to investing, what sets unit trusts apart from other investment vehicles, and why might they be a good fit for the average South African investor now?

A unit trust fund is a pooled resource, which means that it allows a group of investors to combine their cash and invest it. While individuals invest in a unit trust fund, the fund itself is run by a fund manager, whose aim is to grow the overall value of a unit trust fund, making adjustments based on market conditions. One of the benefits of unit trusts is that by investing a small amount, you can be exposed to a wide range of assets. This offers diversification and lower levels of risk. Unit trusts are well regulated and flexible with the ease with which they can be liquidated.

All Weather has positioned itself as a resilient investment partner. How do your unit trust offerings reflect this philosophy in terms of strategy and asset allocation?

We believe intrinsic value is a pragmatic philosophy that allows us to adapt to prevailing market conditions. This philosophy, along with being style agnostic, provides the flexibility to invest in both, depending on what's working at a specific point in time. Risk management is a key part of our process for each of our eight unit trusts. Although we have an active bottom-up investment process, we also apply a macro geopolitical overlay to assist us in avoiding unnecessary risk.



With market volatility on the rise, how should financial advisers assess the risk profile of unit trusts, and what role can they play in a diversified portfolio?

There is quite a large plethora of unit trusts in South Africa. They are diverse in their offerings – from the most liquid and low-risk unit trusts that provide cash and cash equivalents, to the most high-risk, high-reward categories of unit trusts such as global equities and the likes. Each unit trust serves a purpose, and it is up to the financial advisers to determine each client's unique risk appetite, provide a holistic financial plan that provides for the client's needs, stay within the clients' risk budget, and provide a solution that meets all the client's needs. If the assessment is done properly, the client can weather any market volatility through a well-structured, well-diversified portfolio that can withstand market risk and volatility.

There are hundreds of unit trusts on the market. What practical steps can advisers take when evaluating and selecting funds for their clients?

As mentioned above, it's important to first understand clients' needs and risk appetite preferences. There are various steps and metrics involved in evaluating managers and products, aside for traditional due diligence methodologies. Using technology like online filtering and comparison tools is also helpful.

"It is up to the financial advisers to determine each and every client's unique risk appetite"

What trends are you currently seeing in the unit trust space, both in terms of investor behaviour and fund innovation?

Aside from recent reports from ASISA that show a significant increase in flows towards unit trusts, there has also been a shift in the 'knowledge gap' in relation to hedge funds. Volatile times call for alternative sources of returns and risk protection, which has led to innovation in terms of industry regulation and adoption for hedge funds to be more easily accessible to the average South African via a unit trust structure.

How does All Weather ensure transparency and value for investors in its unit trusts, especially when it comes to fees, performance and reporting?

We value authentic relationships and promote transparency by communicating with clients according to best practises. Sharing information that is clear, concise and relevant, but avoiding overly complex reporting.