



Masithuthuke Holdings

**Module 08-Nature of investment**

**LEARNER GUIDE**

**Electives**

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## SECTION A: PROGRAMME/MODULE INFORMATION

### 1. Introduction

The learning experiences are designed to enable the learners to master the learning content at the appropriate level.

The Learner Pack for this module contains the following documents/prescribed books:

Learner Orientation Guide

Learner Guide

Prescribed Material

Portfolio of Evidence

Logbook

### 2. Module Introduction

The module introduction with the facilitator will cover:

Overview of the module, including tasks and activities - expectations

Timetable

The Learner Guide

The Learner Portfolio of Evidence

Assessment: The importance of completing all tasks in the PoE; the neat and orderly submission of evidence in the PoE; all forms completed and signed

Exit leaning outcomes Component

The Summative Assessment

Programme Assessment timetable schedule

Assessment Policy

Study time

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### 3. Purpose of the Module

SO	FSA Checklist	✓	●	x
1.	Learning Unit 13-Nature of investment			

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## Learning Approach

The programme is divided into 6 learning unit. Each learning unit has its own learning outcomes and learning activities indicating what you will achieve in that learning unit.

**Duration.** The programme consists of **six days of facilitated learning.**

## Assessment

**Formative Assessment (during the learning process)** will be conducted throughout the learning events by completing the activities included in this learner guide.

**Summative Assessment (at the end of the learning process)** will be conducted based on the assessment criteria of the relevant unit standard.

**Three different categories of assessment are required as reflected in the table below:**

<b>Tasks and Activities</b>	<b>Independent Research</b>	<b>Summative Assessment</b>
<p>Mainly formative assessment validated by the training facilitator or the line manager.</p> <ul style="list-style-type: none"> <li>◆ Classroom-generated</li> <li>◆ Workplace (could be used for Recognition of Prior Learning)</li> </ul>	<p>Could be formative or summative assessment validated by the training facilitator and learner, for example:</p> <ul style="list-style-type: none"> <li>◆ Interviews</li> <li>◆ Surveys</li> <li>◆ Research Assignments</li> </ul>	<p>Pen and Paper type test.</p> <ul style="list-style-type: none"> <li>◆ Integrate skills, knowledge, values and attitudes (SKVA).</li> <li>◆ Set by the training provider.</li> <li>◆ The length of the test should be relative to the number of credits allocated to the unit standard, for example 30 to 60 minutes maximum for a 2-credit standard.</li> </ul>

## Notes to the Learn

Dear Learner,

Welcome to this Learning Programme. We trust that this Learning Programme will be of great value to you during your studies and in your future career.

To succeed in anything in life requires a lot of hard work.

It will be expected of you to work through this study guide with a great deal of attention. It provides you with information on how to work through the material, details exactly what will be expected of you and what objectives you need to achieve during the study of this Learning Programme. You will have to:

- ◆ Complete your assignments with dedication and submit them in time.
- ◆ Complete the self study sections for your own benefit. The self study sections



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## SECTION B: LEARNING MAP

### **Purpose**

The purpose of this unit standard is to facilitate learning and to ensure that learners are able to cope with learning in the context of learnerships, skills programmes and other learning programmes. Many adult learners in the FET band have not been in a learning situation for a long time, and need learning and study strategies and skills to enable successful progression. Learners competent at this level will be able to deal with learning materials, to access and use useful resources, to seek clarification and help when necessary, and apply a range of learning strategies. They do this with an understanding of the features and processes of the workplaces and occupations to which their learning programmes refer.



<b>Specific Outcomes</b>	Specific outcomes describe what the learner has to be able to do successfully at the end of this learning experience.
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<b>To qualify</b>	To qualify and receive credits towards your qualification, a registered assessor will conduct an evaluation and assessment of your portfolio of evidence and competency.
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<b>What is a credit?</b>	A credit is the formal recognition that you have the necessary knowledge, skills and understanding in a particular field of study. One (1) credit = 10 notional hours of learning. 'Notional hours' are time spent on homework, assignments, practicing on the job, classroom time, or any other time spent to become competent in the particular standard or qualification.
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<b>Recognition of Prior Learning (RPL)</b>	<p>RPL is a way of recognising what you already know and can do. You can receive recognition of existing competency regardless of where, how and when it was acquired.</p> <p>For RPL assessment, you need to submit evidence of a skill or experience. This can be done by compiling a portfolio, being interviewed, giving a practical demonstration, completing a project, or by writing a formal 'test'.</p>
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<b>Range of Learning</b>	This describes the situation and circumstance in which competence must be demonstrated and the parameters in which the learner operates.
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<b>Learner Support Pack</b>	<p>Every learner will receive at least the following resources during this Learning Programme:</p> <ul style="list-style-type: none"> <li>• Learner Guide.</li> <li>• Learner Workbook.</li> </ul> <p>The learner workbook must be used in conjunction with this learner guide for developmental and formative assessment activities.</p>
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<b>Responsibility</b>	<p>The responsibility of learning rests with you, so . . .</p> <ul style="list-style-type: none"> <li>• Be proactive and ask questions.</li> <li>• Seek assistance and help from your facilitator, if required.</li> </ul>
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<b>Learner Support</b>	<p>Please remember that as the programme is <i>outcomes based</i> – this implies the following:</p> <ul style="list-style-type: none"> <li>a) You are responsible for your own learning. Make sure you manage your study, research and portfolio time responsibly.</li> <li>b) Learning activities are learner driven. Make sure you use the learner guide and workbook in the manner intended, and are familiar with the portfolio guide requirements.</li> <li>c) The facilitator is there to reasonably assist you during contact, practical and workplace time of this programme – make sure that you have his/her contact details.</li> </ul>
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<b>Assessment</b>	<p><b>How will I be prepared for assessment?</b></p> <p>During the programme <i>developmental activities</i> will be conducted to assist you in preparing for final assessment. For your own benefit, make sure that you participate fully in all the developmental and formative assessment activities!</p> <p><b>What will I finally be required to do for assessment?</b></p> <p><i>Final assessment</i> will be conducted on the following submission of evidence:</p> <ul style="list-style-type: none"> <li>• Knowledge questionnaire.</li> <li>• Portfolio of evidence.</li> <li>• Structured interview.</li> </ul> <p><b>What will be assessed in the above?</b></p> <p>All assessments are conducted strictly in accordance with the unit standard requirements. Assessment is a way of measuring what you know and are able to do. When you have learnt something, you should be able to apply what you have learnt. You may be assessed when you are sure that you are ready to be assessed. If you do not achieve the standard the first time, you can be coached or trained further and then be assessed again later. You will be assessed in a number of ways and at regular intervals. You will also sit a formal examination at the end of your studies.</p> <p><b>When do I start preparing for assessment?</b></p> <p><i>Right from the start</i> – make sure you are familiar with the <i>assessment guide/portfolio guide</i>, and start preparing and collecting evidence from the onset of the programme.</p>
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### Formative Assessment

In order to gain credits for this programme you will need to show an assessor that you are competent in the unit standard. The activities in this programme are designed not only to bring about your competence but also to prove that you have mastered competence. You are required to create a file called your portfolio of evidence (POE) to show your assessor that you have mastered the outcomes of the unit standard. Where you see the POE icon, you must remove the worksheet from your learner guide and place it in your POE.








### Summative assessment

Not all the specific outcomes will be formatively assessed during the programme or in the workplace. The objective is to create independent and self-sufficient learners. This means that you will also be required to do independent research and assignments outside the training room. This work will also need to be presented in your POE. Your assessor and you will conduct a pre assessment meeting to discuss the assessment process and how you will collect evidence of your competence. When you are ready, you will advise your assessor that you are ready for the assessment. The summative assessment activities are indicated at the end of the learning guide. If your summative assessment is conducted using observation, role plays or verbal assessment, place a signed copy of the checklists, once completed by the assessor/assessment panel, in your POE.



## ICONS

Icons	Type of assessment	Description
	Formative knowledge assessment:	This comprises of questions to assess your knowledge. You must obtain at least 80% in each assessment criterion.
	Self-reflexive assessment	You will be required to answer a few reflexive questions.
	Teamwork Self-Assessment Form	After you completed this course, you will be required to assess your own behaviour regarding team work.
	Work place experience	After you completed this course, you will be required to assess your own behaviour regarding work experience.
	Project research	After you completed this course, you will be required to assess your own behaviour regarding reseach.

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## Instruction key

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We will use the instruction key icons below. Pay attention to these icons.



**Take note**



**Definition**



**Example**

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## Learning Map

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**LEARNING UNIT: 01-  
Learning Unit 13-Nature of  
investment**



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## Learning Unit 13-Nature of investment

### SURVEYING THE NEED FOR INVESTMENTS

## Pre-Course Assessment

### STEP 1:

Make a note of your own financial situation with regard to investing

Do you have any money invested?

- A. If yes, where is this money invested?
- B. For what purposes have you invested this money (your goals)?
- C. Do you invest directly or through a financial advisor?
- D. What is the motivation for your choice of investment product

If you do not have any money invested

- A. What is the reason for this?
- B. Do you plan to start investing? And if so, when?
- C. What will enable you to start investing?



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**STEP 2:**

Break into groups to discuss where there are similarities / differences in your answers.

Is it possible to draw conclusions from your group?

Reflect on what is the potential use of such information and who would benefit from it?

## **Conducting a Survey**

***“By nature, men are nearly alike; by practice, they get to be wide apart.” Confucius – Analects, 5<sup>th</sup> C BC***

### **Why conduct market research surveys?**

Understanding human needs is half the job of meeting them....

Companies are increasingly using their knowledge of consumers and consumer lifestyles to introduce a continuing stream of new products and services into the marketplace and target new and untapped consumer segments.

Investments are intangible products that cannot be seen, heard, examined, or felt in advance to purchase. Knowledge of consumer needs and interests is therefore essential for companies to succeed in the dynamic and rapidly evolving financial services industry and to ensure they continue to meet the needs of an ever changing and growing market.

Companies need to know everything they can about potential investors - what they want, how they live and the personal and group influences affecting the decisions they make.

The research of Consumer Behaviour rests heavily on the following disciplines:

<b>Psychology</b>	This is the study of the individual and includes the study of motivation, perception, attitudes and personality. These all enable us to understand the consumption needs of individuals and their actions and reactions in response to different products / services and the respective messages they convey, as different personality characteristics and experiences affect their product choices.
<b>Sociology</b>	This is the study of groups, group memberships, family structure and social class, which influence consumer behaviour.
<b>Social Psychology</b>	This is the study of how an individual operates in a group and how he/she is influenced by those they respect, such as their peers, reference groups, families, opinion leaders, etc.
<b>Cultural Anthropology</b>	This is the study of the development of core beliefs, values, customs and subcultures, which influence purchase behaviour. This lends itself to the study of different cultures and customs.

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## The distinction between Primary and Secondary research

There are two ways of obtaining research information:

- A. Primary data is information specifically collected by the researcher for the task at hand,
- B. Secondary data is information that has already been collected and/or published, usually by a research institution such as the HSRC (Human Sciences Research Council), UCT Research department, etc.

It is useful to use both sources of information. Primary data is usually more specific with regard to the information provided. Secondary data in contrast usually provides a broader, more generic viewpoint on the same subject and is often sourced from a greater universe of interviewees. It can either help to confirm the primary data if it shows similar results, or give a different angle on the primary data if it differs greatly.

## The difference between qualitative and quantitative research

- **Qualitative research seeks in depth, open-ended response, not yes or no. It gets people to share their thoughts on a topic without giving them any direction or guidelines about what to say. For e.g. what do you think about when you invest money? Or by giving them a picture and asking them to comment on it.**
- ***Quantitative Research asks identical questions with alternative, structured responses, which can be easily summarised in numbers like percentages or fixed responses, such as Yes or No, which can simplify the analysis of replies. The Multiple-choice approach, where respondents tick an appropriate block, also makes it easier and faster for them to reply. For example do you have any money invested - Yes or No?***

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## How to conduct a survey?

There are various stages involved in conducting a survey for market research purposes.

### 1. Setting Survey Objectives



### 2. Designing the Questionnaire



### 3. Conducting the Survey



### 4. Analysing the Data



### 5. Illustrating results Graphically



### 6. Drawing Conclusions



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# 1. Setting survey objectives

The first step in conducting a survey is to carefully define the objectives of the study.

- A. Is it to segment the market into different groups according to age, gender, etc?
- B. Is it to find out consumer attitudes toward a particular product or service?
- C. Is it to determine what percentage of women use a particular product?

This is an essential first step in the process as it is vitally important for all involved in conducting the survey to agree at the outset on the purposes and objectives of the study and to ensure that the research questionnaire is designed appropriately. A carefully thought-out statement of objectives helps define the type and level of information needed.

For e.g. If the purpose of the study is to come up with new ideas for products or promotional campaigns, then a qualitative study, such as focus groups, might be suitable, where respondents are asked their specific opinion on certain issues. This is obviously more time consuming and can also prove to be more costly, so focus groups are usually used to interview a fairly small sample. These results cannot always be generalised for the entire population in the marketplace.

If, however, the purpose of the study is to find out the percentage of people who use particular products and how frequently they use them, then a quantitative study, which can be easily analysed by computer, is more appropriate.

It is common for questionnaires to include both qualitative and quantitative questions.

An example of a survey objective could be to determine the percentage of the population who invest in unit trusts.

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## 2. Designing a Questionnaire

The design of the research questionnaire is based on the purposes of the study, for e.g. whether to gather descriptive information or provide new ideas.

### Tips on Designing a Questionnaire

- A. To encourage respondents to answer truthfully and completely, questionnaires must be interesting, objective, unambiguous, easy to complete and generally non-burdensome
- B. Only questions relevant to the purposes of the study as well as pertinent demographic questions (i.e. age, gender, income), which enhance the analysis and enable the classification of responses into meaningful categories, should be included in questionnaires.
- C. Questions can be open-ended (requiring answers in the respondent's own words) or closed- ended (where the respondent merely ticks the answer from a list of options). Open-ended questions yield more insightful information, but are more difficult to analyse. Closed- ended questions are limited to the alternative responses provided, but are far easier to tabulate and analyse.
- D. Fixed responses to questions speed up the answering process and simplify the analysis of the replies.
- E. The sequence of questions is also important: the opening questions must be interesting enough to "draw" respondents into participating, they must proceed in a logical order, and classification questions (such as age, gender, income, etc) should be placed at the end, where they are more likely to be answered
- F. Questionnaires should also offer confidentiality or anonymity in order to encourage respondents to be honest in their answers and to dispel fears of self-disclosure.

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There are no hard and fast rules, which have to be obeyed when designing a questionnaire. Nevertheless the following points should be noted:

- A. The questions should be simple and unambiguous. Long questions containing more than one element should be broken down into sub-topics.
- B. Leading questions such as “Don’t you agree that all intelligent people read the XYZ Magazine?” should be avoided because the answer is suggested. To the question posed, the answer “yes” is strongly suggested.
- C. Irrelevant questions should be avoided.
- D. Potentially embarrassing questions should be avoided or left to the end.
- E. The initial questions should be pertinent, easy to answer and not embarrassing.
- F. The questions should be as short as possible and they should be asked in a logical sequence because the quality of the answers will then be improved.
- G. Questions which allow an answer to be ticked are best.

(Source: Designing the Questionnaire – Paul White)

Keep in mind the importance of proper wording and ordering of questions, the length of the survey (shorter surveys = higher response rates), and whether each question falls in the “essential” or “nice to know” category. (Source: Conducting a Survey: Tips & Tools – SANDAG)

### **Deciding what Questions to ask**

For example, Brainstorming questions such as:

- A. What they invest in?
- B. Why they invest in these particular products or services? The types of features they look for? The benefits they seek?
- C. Where they buy them? Through whom (direct or through a financial advisor / agent?)
- D. How often they invest? (whether once off lumps sum or ongoing debit order?)
- E. Language preference for marketing material and client communications?
- F. Impact of adverts, market commentaries, etc?

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**For e.g.**

Question: Do you have money invested in unit trusts?

Yes	30%
No	70%

### **Needs and Goals**

Every individual has needs; some are innate, others are acquired.

- A. **Innate needs** are physiological; they include the needs for food, water, air, clothing, shelter, etc. and are considered primary needs or motives.
- B. **Acquired needs** are needs we learn in response to our culture or environment, and may include needs for esteem, prestige, affection, power. These are generally psychological and are considered secondary needs or motives, as they result from the individual's subjective psychological state and from their relationships with others.

For e.g.: All individuals need shelter from the elements; thus finding a place to live fulfils an important primary need, however the kind of house individuals choose to live in may be the result of secondary needs. They may seek a house in which to entertain large groups of people (and fulfil their social needs), they may also want to buy a house in an exclusive area in order to impress their friends (and fulfil their ego needs). The house an individual ultimately purchases thus may serve to fulfil both innate (primary) and acquired (secondary) needs.

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Motivation is the driving force within individuals that impels them to action. This driving force exists as the result of an unfilled need.

Goals are the sought after results of motivated behaviour. all behaviour is goal orientated. Generic goals are those general categories of goals that consumers select to fulfil their needs, whereas product specific goals are specifically branded products they select to fulfil their needs.

For e.g. Savings vehicles are a potential way for individuals to save for retirement, however a specific product provider will want individuals to view their particular brand of investment product as being *the best way* to save money for retirement

Needs and goals are interdependent and are constantly changing in response to an individual's physical condition, environment, interactions with others, and experiences. Needs are never fully satisfied and new needs emerge as old needs are satisfied. As individuals attain their goals, they develop new ones.

### **Value systems**

Value systems influence why individuals make the choices they do. Values are the accumulated feelings and priorities individuals assign to issues. Values are relatively few in number and serve as a guide for culturally appropriate behaviour; they are difficult to change and are not tied to specific situations. Values are widely accepted by the members of a community. They are therefore mental images, which influence the way an individual is likely to respond to a specific situation. Beliefs are decisions regarding brands, which tend to be influenced by a person's general values and specific beliefs regarding quality, status, etc).

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## Styles of Questions

There are different styles of asking questions. Two such examples are provided below:

1. A series of statements are given and the respondent is asked to indicate the extent to which they agree/disagree with various statements. The scale can be expanded to include “Very important to “Not important at all” or the categories of “Poor, Fair, Good or Excellent”.

Please place the number, which best indicates how strongly you agree or disagree with each of the following statements about your experiences when visited by a financial advisor. .

1. Agree Strongly
2. Agree
3. Neither Agree nor Disagree
4. Disagree
5. Disagree Strongly

	a) Most financial advisors are intimidating
	b) It is difficult to understand a lot of the industry jargon



- Respondents are asked to rank items in order of preference. this provides important comparative information and enables marketers to identify gaps for improvement.

The following are five types of savings vehicles. Indicate your preference for each investment vehicle by rating them 1 to 5.

	Unit Trust
	Life Policy
	Funeral Cover
	Bank deposit
	Stokvel

#### Some standard rating formulations

- Strongly agree, agree (neither agree nor disagree), disagree, strongly disagree.
- Approve, disapprove, favour, oppose.
- Excellent, good, fair, poor.
- All of the time, most of the time, some of the time, hardly ever, never.
- To a very great extent, to a great extent, to some extent, to a very little extent, to no extent at all.
- Very satisfied, satisfied (neither satisfied nor dissatisfied), dissatisfied, very dissatisfied.

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## An example of a final survey questionnaire

Please tick the appropriate block, where applicable:

**1. My current age is:**

Under 25

26 to 35

36 to 50

51 to 65

Over 66


**2. I have money invested in a:**

Bank Deposit

Unit Trusts

Insurance Policy

Group Retirement Fund


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## Self Assessment

Design a basic questionnaire to determine the investment needs of another group:

Your questionnaire should contain both quantitative and qualitative questions and be limited to a maximum of 7 questions:

Once complete, test your questionnaire out on the individuals in another group in the class and

reflect on what worked and didn't work.



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### 3. Conducting a survey

#### When conducting a survey:

- A. Select a representative sample by deciding whom to survey and how many to survey. This will ensure the survey results are representative of the larger market. This is best done by randomly selecting respondents.
- B. Determine the cost and practicality of conducting the survey by mail, e-mail, telephonically or in person. This will depend on the nature of the survey and the suitability of the respondents.
- C. Determine Who will conduct the interviews, whether telephonically or in person
- D. Identify the time frame in which the survey will be completed.
- E. Verify the interviews have in fact taken place and that they are clear, complete and legible. This can be done by phoning, e-mailing or posting random samples to respondents to ensure they did participate in the interview.
- F. The larger the size of the sample the more likely the responses will reflect the total universe under study.

#### Ways to increase response rates

- 1. Develop an effective communication strategy.
- 2. Ensure that participation is voluntary.
- 3. Ensure that the introduction to the questionnaire outlines the purpose of the survey, how the results will be used and how and when the questionnaires should be returned.
- 4. Guarantee the anonymity of individual responses.
- 5. Conduct a follow-up.
- 6. Promise to provide subjects with feedback about the results.



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## 4. Analysing Survey Data

**When sorting through the research questionnaires, ask yourself the following questions:**

- A. What kind of individuals invest in which type of products?
- B. What are the motivators for investing in products? (easy to understand, low costs, liquid, expectations of good performance, following financial advisor's recommendation, minimum investment amount?)
- C. What is the image, brand association of a particular investment product?
- D. What service did they receive from the financial services provider? (investment notifications, etc?)
- E. What was the evaluation of the product or service received? (post purchase dissatisfaction can have significant power).

### Market Segmentation

This is the process of dividing a potential market into distinct subsets of consumers with common needs or characteristics. This is achieved by comparing the wants and needs of different groups of people in terms of age, income, commitments and risk priorities. Market segmentation can be used to identify any potential gaps in the marketplace. This is achieved by discovering the needs and wants of specific groups of consumers and developing specialised products and services to satisfy their needs.

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South African investors have historically been mainly white, higher income earners. This has been rapidly changing since the advent of democracy in 1994 and implementation of affirmative action policies. In addition, the reintegration of South Africa into the global market and gradual relaxation of exchange controls has also resulted in a growing demand for more innovative products and improved service.

The profile of the South African workforce is therefore changing and this has implications for who is earning money and therefore also potentially in the position to save. This creates a new untapped market, with a different culture, background and needs. This new market cannot be treated in the same way or be expected to respond to existing products and marketing strategies in the same way.

The market can be segmented according to various different groupings:

Categories	Variables	Examples
Geographic	Region	Province
	City size	Major metropolitan, small city, town
	Density of area	Urban, rural
Demographic	Age	18 to 35, 35 to 49, 50 to 64, 65 to 74, 75+
	Gender	Male, female
	Marital status	Single, married, divorced, living together
	Income	Under R2000, R2000 to R4999, R5000 to R9 999, R10 000 to R14 999, R15 000 to R25 000, R25 000 +
	Occupation	Corporate professional, self-employed, blue-collar, agricultural, domestic worker
	Education	Some schooling, matric, diploma, degree, postgraduate degree
Psychological	Personality	Extrovert, introvert, aggressive, compliant
	Lifestyle	Within each community, there are lifestyle factors (shared beliefs, attitudes, activities and behaviours). This includes a broad range of factors, such as overseas holidays, attending cultural events, playing golf, etc.
Socio-cultural Segmentation	Religion	Christian, Jewish, Muslim, Hindu
	Population group	African, Coloured, Asian, White
	Family life cycle	Bachelor, young married, empty nesters
Behaviour	Usage rate	Heavy, medium, light, non-user
	User status	Unaware, aware, interested, enthusiastic
	Brand loyalty	None, medium, strong

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## 5. Reporting Data

The final task of conducting a survey is to communicate the findings clearly and accurately so they can be used for making decisions. Your report should include a meaningful title. “Student Survey Results” says little, “Factors Related to Student Attrition” says much more. To orient the reader to your report, include the purpose of the study and how the survey was conducted (the methodology used). Provide a summary of your results, including any tables or charts displaying data. And finally, draw your conclusions and make recommendations based on your findings.

(Source: Austin Community College – Office of Institutional Effectiveness)

In a written report, include a copy of the survey instrument, frequency distributions of responses to questions (whether each one is discussed in the text or not) and a description of the survey and sampling methodology (how and when the survey was conducted, how respondents were selected, the response rate etc.) An executive summary is very helpful for those who don’t want to wade through a lot of text and numbers to get the highlights of the study. Graphics, in the form of charts and maps, help break up the text and help the reader focus in on the most important points.

(Source: Conducting a Survey: Tips & Tools – SANDAG)

Readers should be told what the topic or opinion question was, who conducted the survey and who was included in it, when the survey was conducted, why it was conducted and why the named persons were included, and where the survey took place. It is not necessary to explain how the information was analyzed.

(Source: How to Conduct a Survey – Clemente News Scouts)

### Illustrating Information graphically

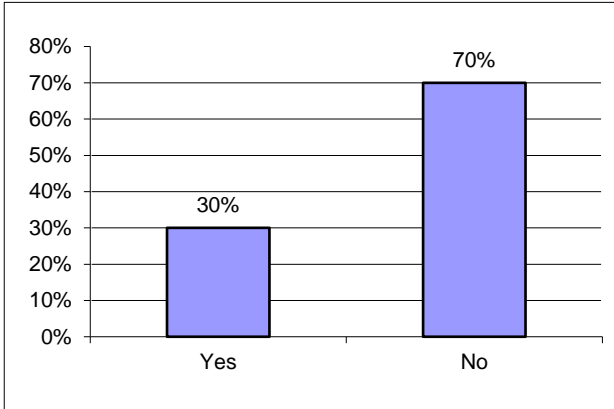
The best way to illustrate survey results is graphically as it makes it easier to turn the data into meaningful information.

This is best done using Microsoft Office Excel, by following the following steps

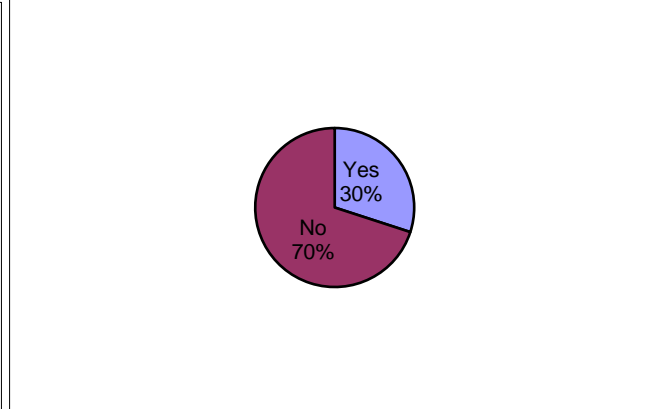
- A. Type in the research data with relevant headings
- B. Highlight data and click “Insert” on the top of the screen
- C. Select “Chart” and select the specific chart required, whether bar, line or pie chart. The suitability of chart will depend on the specific data to be represented.
- D. Continue to click “Next” until you reach the final screen when you click on “Finish”
- E. The chart can be adjusted and improved by right clicking your mouse over the chart

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### Graphical Illustration in a Bar Chart:



### Graphical Illustration in a Pie Chart



## 6. Drawing Conclusions

Once collated in manageable data, the survey results of the sample of respondents can be extended to draw conclusions about a broader market, for example the type of individual who is likely to invest in unit trusts.

### Secondary Data

It is important to bear in mind that had the sample been taken from a different group of respondents the results would have more than likely been different. It is therefore useful to compare the results to any existing published secondary data that is available. This will ensure that the sample is representative of the broader market. Where the data differs substantially, it needs to be determined why there is a difference and whether it is substantial enough to affect the validity (i.e. accuracy) of the survey results.

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## Self Assessment

You are responsible to check your answers against the content in this module.

1. How do you think market research surveys could assist companies marketing investment products?

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2. What is the difference between primary and secondary data?

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3. What is the difference between Qualitative and Quantitative data?

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4. List the 6 stages involved in conducting a research survey

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## 4. EXISTING INVESTMENT PRODUCTS

### 1. Types of Investment Products

The various financial service providers offer different types of investment products. These include, but are not limited to:

Product	Description
Bank Accounts	<p>Banks act as intermediaries between customers wanting to invest money and customers wanting to borrow money. Modern banks provide a wide range of services to the public. The types of accounts listed below are the main ones that most people are likely to use for investment.</p> <ul style="list-style-type: none"><li>• <b>Savings Account</b> – This type of account is mainly used for saving. It is simple and easy to manage. Money can be placed in the account or withdrawn at any time. This is a very low yielding bank account and interest is earned on the balance in the account.</li><li>• <b>Call Deposit</b> - This is readily available money that can be called back on demand. The minimum investment amount is usually R100, 000 and interest rates are subject to daily fluctuations. The interest earned will be lower than other fixed interest investment accounts due to the easy accessibility to funds.</li><li>• <b>Notice Deposit</b> - An agreed period of notice needs to be given to the bank before money in the account can be accessed.. This is usually a 32-day period. The rate available will be higher than the call rate, as funds are tied up for a longer period of time. Suggestion: Notice deposit accounts earn a higher rate of interest but have a number of other restrictions. Besides the agreed notice period, the minimum amount needed to open the account is higher than an ordinary savings account. Interest rates may fluctuate periodically.</li></ul>



	<ul style="list-style-type: none"> <li>• <b>Fixed Deposit</b> - This type of account offers a fixed interest rate over a fixed period of time (e.g. 12 or 24 months.) The money must remain in the account for the specified period of time. This protects the investor from the temptation of drawing the money and is a good form of investing for a long-term goal.</li> </ul>
Unit Trusts	<p>A unit trust is an investment that pools the money of many investors, with the aim of providing smaller investors a means of gaining access to equities, bonds and cash, with less money and on a less risky basis. Unit trusts are suitable for investors who may not have the time, money or expertise to make the investments themselves.</p> <ul style="list-style-type: none"> <li>• <b>Money Market Unit Trusts</b> invest in short-term financial instruments mainly issued by banks and other financial institutions, which facilitate lending and borrowing in the short-term market.</li> <li>• <b>Bond Unit Trusts</b> invest in debt instruments issued by government, semi-government and corporates. Bonds usually pay a fixed interest amount at six-monthly intervals over the life of the bond and the original investment amount on maturity of the bond. There are a range of different types of bonds issued by various institutions, with different terms to maturity and offering different coupon rates</li> <li>• <b>Equity Unit Trusts</b> invest in equities such as shares. A listed company issues shares to the public. These are then traded on the Stock Exchange. If a company does well it may issue a portion of its profits to its shareholders (dividends). However, because companies can do well at times and not so well at others, prices of shares can vary from one day to the next. As a result, as time passes, shares may be worth either more or less than the day you bought them.</li> </ul>
Endowment Policy	<p>An endowment policy is in effect a savings plan rather than simple life cover. A monthly premium is paid for a specified period (usually 10 years), after which the policy matures and the investor is paid a lump sum. A lump sum can also be invested in a single premium endowment policy.</p>

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## Investment Product Characteristics

The main characteristics to consider with an investment are:

- A. **Return:** A return is basically the profit the investor makes on his/her investment. It may take the form of income such as interest or dividends or the form of capital growth where the value of the investment is increased and sold for a higher amount than when it was bought.
- B. **Risk:** The risk associated with an investment is an indication of the likelihood that the investor may lose all or part of his initial investment. The more risk an investor takes, the bigger the reward he/she expects. If there is a high risk that investors will lose part or all of their capital, they will expect a higher return in compensation.
- C. **Liquidity:** how easily the money can be accessed
- D. **Tax Implications:** The product's tax efficiency.

### 1. Potential Return on Investment

Investors generally invest in a product in the hopes of either earning income or achieving capital growth.

<b>a) Income</b>	<p>Income may take the form of:</p> <ul style="list-style-type: none"> <li>• Interest</li> <li>• Dividends</li> </ul> <p><b>Interest</b> is either money we earn when we deposit money in a bank for example, or it is the price we pay for credit.</p> <p><b>Dividends</b> are a portion of a company's profits paid out to shareholders as a return on their investment. These are cash payments whose value depends on the level of profits made. Payment of dividends is not guaranteed, i.e. if there are no profits, there may be no dividends.</p>
<b>b) Capital growth</b>	<p>Capital growth is achieved when an investment is sold for a higher price than when it was initially bought.</p>

## 2. Potential Risk of Investment

Investment risk is the chance that an investor may lose all, or part of, their capital invested. It is measured by the **volatility** of the investment, i.e. how much the price of the investment fluctuates for example the constant increase and decrease in share prices or unit trust prices. Unlike risk, which is the increase and decrease of one's chances of losing money, volatility indicates a share or unit trusts vulnerability to market trends.

The greater the risk, the greater the expected return to compensate for this additional risk. Risk can be regarded as a spectrum with bank deposits at the very safe end and equities at the other extreme

It is important to note that although an individual investment may be high risk, when combined with an array of other investments, the overall risk of the portfolio can often be lowered.

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### 3. Liquidity

A major consideration when investing is how soon the investor needs to access their money (i.e. liquidity). A non-liquid investment takes time to sell and money can be lost if a sale is rushed when there is no demand.

When considering the liquidity of an investment, one must take account any penalties that may be incurred if it is cashed in earlier than agreed. There could be significant charges for doing so. It is suggested that Investors hold a portion of their investments in stable, liquid instruments, such as money market unit trusts, in the event that they unexpectedly require access to cash. This will protect them from having to sell shares at what may be an inopportune time.

### 4. Tax Implications

Different investment products have different tax implications. The taxable portion of the income distribution in the hands of the investor depends entirely on how that income was derived.

- a) Income Tax**
- Income tax is paid on any interest or rental income earned, and where assets are actively traded for a profit in order to generate an income.
  - The first R6000 of interest earned by a natural person under 65yrs and R10, 000 for taxpayers over the age of 65, will be exempt from tax.
  - Local Dividends are currently tax-free (*foreign dividends are taxed*).

**b) Capital Gains** CGT was introduced on 1 October 2001 and is paid on any capital growth

**Tax (CGT)** made on the disposal of an investment. CGT applies to the profit or loss made between the market value of the investment at the date of sale and at base cost. The base cost is defined as the price at which the investment

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could have been sold on October 2001.

Unit trusts will only attract CGT when an investor sells units and not each time the fund manager restructures the portfolio.

The first R10 000 profit is exempt from CGT for each taxpayer, thereafter,

- 25% of the net capital gain is taxable for individuals (at their marginal tax rate. The maximum tax payable by an individual is therefore 10,5% (which would be on par with any share portfolio), but can be as low as 4,5%, depending on the marginal tax rate. The first R50 000 is exempt for deceased persons.
- 50% for trusts and companies.

Insurance policies, such as endowments, are taxed at a rate of 30% within the fund in the case of natural persons

## Comparison of the different types of Investment Products

Compare the different types of investment products in South Africa for:

- A. Short term
- B. Long term and
- C. Medium term investments.

	<b>Bank Deposit</b>	<b>Bond Unit Trust</b>	<b>Equity Unit Trust</b>	<b>Endowment Policy</b>
<b>Term</b>	Short term	Medium term	Medium to long term	Minimum 5 years
<b>Potential Return</b>	Relatively low. Provides income in the form of interest. This can be reinvested and added to the capital value	Should outperform cash and underperform shares over the long term  Provides both interest income and potential for capital growth if the price of the	Should provide the greatest potential for gains over cash and bonds over time.  Provides potential income in the form of dividends, but this is not guaranteed and the investment return is more in the form of capital	The return will depend on the underlying investments

		bond strengthens	growth if the share price increases.	
<b>Risk</b>	Low	Medium	Medium to High	The level of risk will depend on the underlying investments
<b>Tax</b>	All growth is in the form of interest, which will incur income tax	Both the coupons (i.e. interest earned) and any increase in the capital value are considered to be income and will therefore incur income tax.	Dividends do not attract tax in the hands of the investor. Any capital growth made since October 2001 will incur Capital Gains Tax (CGT)	Taxed at a rate of 30% within the fund
<b>Liquidity</b>	Depends on whether call account, notice, or fixed deposit	High - although may incur capital losses	High - although may incur capital losses	Minimum 5 year term, can surrender early, but at a penalty



## Financial Service Providers

There are various different financial service providers offering these various investment products. The following table gives a summary of the kinds of companies who offer



This is a very generalised list and the examples of institutions only provides the names of a few of the better-known providers in the market and is in no way complete.

Type of Product	Financial Service Provider	Examples of institutions
<b>Call Account</b>  Notice deposit  Fixed Deposit	Banks	ABSA, Nedcor, Standard Bank, FNB
Unit Trusts <ul style="list-style-type: none"> <li>• Money Market</li> <li>• Bond</li> <li>• Equity</li> </ul>	Collective Investment Scheme Managers	Allan Gray, Coronation, Investec, RMB, Old Mutual, Sanlam, etc
Endowment Policies	Life Insurance Companies	Old Mutual, Sanlam, Momentum, Metropolitan

## Suitable Investors

The most suitable investment product for a particular investor will depend on their needs, wants, tolerance for risk, time horizons, tax rates, etc. It is therefore essential for investors to have a clear understanding of their risk profile when deciding on where to invest

Investment Product	Investor Profile
Call, Notice, Fixed Deposit and Money Market Unit Trust	<p>Conservative</p> <ul style="list-style-type: none"> <li>• Low tolerance for risk</li> <li>• Older in age</li> <li>• Requiring income</li> <li>• Lower tax rate</li> <li>• Short term time horizon</li> </ul>
Bond Unit Trusts	<p>Moderate</p> <ul style="list-style-type: none"> <li>• Medium tolerance for risk</li> <li>• Requiring capital growth and/or income</li> <li>• Medium time horizon</li> </ul>
Equity Unit Trusts	<p>Aggressive</p> <ul style="list-style-type: none"> <li>• Medium to high tolerance for risk</li> <li>• Younger in age</li> <li>• Wanting Capital growth</li> <li>• Higher tax rate because less tax onerous</li> <li>• Longer time horizon</li> </ul>
Endowment Policy	Depends on underlying investment portfolio, whether smoothed bonus or market related

**Unit Standard: Indicate how different needs lead to the development of different investment products**  
**ACTIVITY 1**

<b>NAME:</b>		<b>ASSESSOR:</b>		
ASSESSMENT CRITERIA	Competent		Date	Comment
	Yes	No		
1. Three different investment products are classified and compared with reference to risk and target market.				
2. The possible tax implications of two different types of investment products are compared in terms of actual return on investment.				
3. The potential for marketing the different investment products is explored in terms of the nature of the risk and return elements suited to the different socio economic communities.				
4. Existing avenues for investment options for consumers in lower income groups are investigated and possibilities for investment are presented in a poster.				
5. Three different investment products and services available in the industry are named and an indication is given of the profile of consumers most likely to invest in the products indicated.				
6. Existing investment products offered by various providers are listed and compared to the community needs identified in the survey.				
7. A gap analysis is conducted to identify where the existing products do not meet the consumer needs for the communities surveyed.				
8. Data from the survey of the two different socio economic communities is used to group people according to their investment needs				

ASSESSMENT CRITERIA	Competent		Date	Comment
	Yes	No		
9. The learner is able to identify entrepreneurial opportunities by exploring the potential for marketing investment products.				
10. The effects of a particular event on a person are compared for a scenario with or without investments or savings.				
<b>OVERALL ASSESSMENT</b>  Competent / Not-Yet-Competent				

**ASSESSOR SIGNATURE:**

**DATE**

**CANDIDATE SIGNATURE:**

**DATE**

## 5. SAVING IN SOUTH AFRICA The Importance of Saving

Out of 100 people retiring, it is generally accepted that:

- 16 will be dependant on state pensions
- 31 will be forced to continue working
- 47 will be financially dependant on their families



Most individuals do not realise the importance of saving until it is too late. With increased longevity because of better health care, most individuals cannot rely on only having their pension fund payouts to live off once they retire. For a great many South Africans, saving from an early age as possible can make the difference between a comfortable old age and poverty.

In addition, it is recommended individuals have a minimum of three months salary saved in a liquid investment to provide for a sudden expense, retrenchment or unexpected illness. This is referred to as an emergency fund.

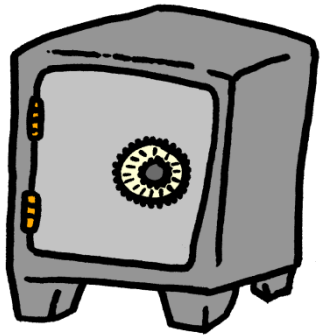
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People also save money for specific purpose such as to buy a car or as a deposit on a house.

The FSB (Financial Service Board) has established a Consumer Education Department to encourage savings in South Africa.

## 2. The difference between saving and investing

Savings involves putting money away for little or no return (for e.g., in the piggy bank or in the bank), whereas investments yield higher returns and are generally more risky than savings. However, the longer the term of the investment, the more chance the investor has to weather the storms of fluctuations in the market. Savings are considered to be short-term and easily accessible in an emergency, whilst investments are considered medium to long-term, and best not to be accessed in times of market volatility



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Learner guide	Date of review: June 2018

**Unit Standard: Indicate how different needs lead to the development of different investment products**  
**ACTIVITY 3**

<b>NAME:</b>		<b>ASSESSOR:</b>		
ASSESSMENT CRITERIA	Competent		Date	Comment
	Yes	No		
1. The effects of a particular event on a person are compared for a scenario with or without investments or savings				
2. A plan is presented for an awareness or advocacy campaign to introduce the idea of investment to potential new investors.				
3. The learner is able to act as a responsible citizen in the South African community by promoting savings and investments as a national priority.				
4. The learner is able to identify entrepreneurial opportunities by planning an awareness campaign to introduce the concept of investments to new investors.				
<b>OVERALL ASSESSMENT</b>				
Competent / Not-Yet-Competent				

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**ASSESSOR SIGNATURE:**

**DATE**

**CANDIDATE SIGNATURE:**

**DATE**

### 3. Trends in Investment in South Africa

The following two pieces of research are sourced from the South African Savings Institute and the Association of Collective Investment Schemes respectively.

They can both be considered as sources of secondary data and can be compared to the findings from primary research.

- The first article was conducted by Reza Daniels at UCT and appeared in the South African Savings Institute October 2001 Savings Review. This secondary data provides useful insight into the savings patterns of South Africans according to income category, population group, gender and preferred choice of investment.
- The second article was submitted by the Association of Collective Investments (ACI) at the 17<sup>th</sup> Annual International Investment Funds Conference held in Malaysia in 2003.



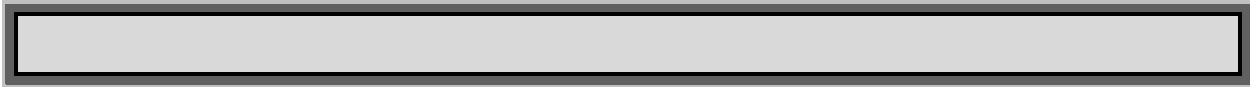


# South African Savings Institute

Savings Review October 2001 - Volume 1

## Introduction

This article discusses the importance of savings, its economic associations, and some of its specific magnitudes in South Africa. Generally, savings may be defined as the proportion of a persons (personal saving), company's (corporate saving) or government's (public saving) income that is not spend on current consumption. Savings are typically placed on deposit with a bank, building society, etc., or used to acquire financial and physical assets such as shares or property. By forgoing immediate spending on consumption, savers seek to augment their future income through dividends, interest and rent receipts and through capital appreciation.



## The decision to save

There are many reasons to save, most of which relate to future consumption needs. One might save to better afford higher education, make a down payment on a house, or plan for retirement. The decision to save (or dissave, as the case may be) is influenced by a host of factors, including one's patience, age, income and other circumstances. These facts give rise to the following economic identities: other things equal, personal saving:

- Rises as patience rises,
- Rises as income rises, and
- Rises as interest rates rise.

Notwithstanding this, there are other social and cultural factors that affect savings behaviour. For example, an important general factor is the size of the deposit required by banks before mortgages or bonds are granted; a more specific cultural factor would be the mandatory savings required for lobola or dowry payments. Consequently, the motives for saving are diverse indeed.



## The importance of savings



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There are at least two important aspects of savings that warrant attention. The first is the time preference of agents in the economy, while the second is the relationship between savings and investment. We shall focus our effort on the former of these aspects particularly.

As far as the first of these points are concerned, economists are acutely aware that each consumer has a personal rate of interest at which he or she will begin to save. That rate of “personal time preference” enters into utility assessments and affects savings behaviour. Technically, the marginal rate of time preference is measured as a ratio of the marginal utility of current consumption to the marginal utility of future consumption. Thus, people who are relatively impatient tend to live for the moment and have relatively high rates of personal time preference, with the converse applying to those with low rates of time preference. A person’s time preference generally depends on income and other circumstances. The higher one’s income, for example, the lower one’s time preference and the easier it is to save. This of course is crucial in a country like South Africa where pervasive levels of poverty as well as its close association with race and gender are marked (see Borhat 1999; Borhat and Leibbrandt, 1999). Consider the following:

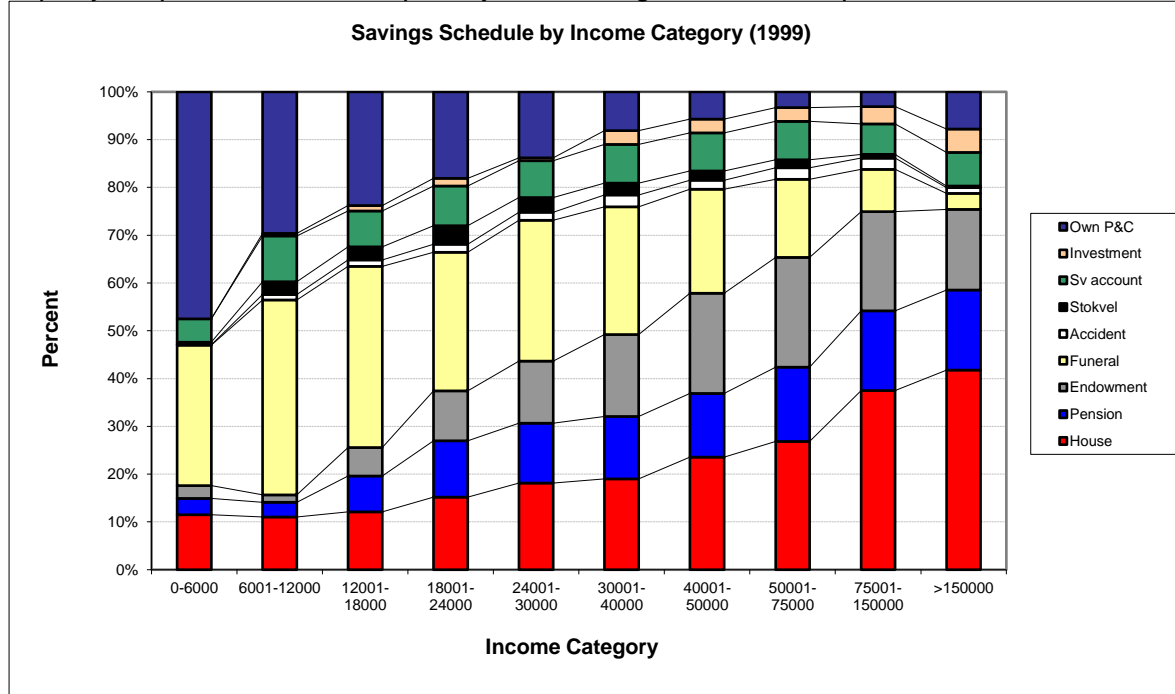
<b>TOTAL SAVINGS TO TOTAL REGULAR DISPOSABLE INCOME (%): 1999</b>			
<b>Income Category (1999 Rands Per Annum)</b>		<b>Population Group</b>	
0-6000	3.10	African	6.87
6001-12000	3.29	Coloured	9.70
12001-18000	4.10	Asian	15.95
18001-24000	5.79	White	23.70
24001-30000	7.46	<b>Gender</b>	
30001-40000	9.30		
40001-50000	11.43		
50001-75000	15.26	Male	12.36
75001-150000	21.85	Female	7.10
>150000	38.79		

SOURCE: WEFA, 1999; Own Calculations

The table shows that savings indeed conforms to our earlier observation that, generally, the higher the level of income, the higher the level of savings. To some extent, this trend is also present in the data on population groups and among the sexes; i.e. because African and Coloured households are also the poorest in SA (see Borhat, 1999; Borhat and Leibbrandt, 1999) we can reasonably expect that, on aggregate, they will exhibit the lowest savings

rates. Similarly, the gender trends reflect the fact that males are more highly paid than women in the workforce.

Equally important as the quantity of savings is its composition, as seen below.



Source: WEFA, 1999; Own Calculations

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The diagram *only shows the composition of savings for those households that positively saved in 1999*. Savings is defined as the sum of own production and consumption (net of input costs), investments, savings accounts, stokvel contributions, accident insurance schemes, funeral policies, endowment policies, pension funds / retirement annuities, and expenditure on housing (given ownership).

From the diagram we can see clear differences in the savings behaviour of households, where poorer households save proportionately less on housing and financial products and proportionately more on funeral policies and household (own) production and consumption. To a large extent, these results are theory conforming. Thus, it is vital that we also consider the effect of savings on the rest of the economy.

In this regard, one of the most important aspects of savings is its relationship to investment. Here, economic theory predicts that, all else being equal, the lower the level of savings the lower the level of investment and visa-versa. Thus, savings is one of the most important economic activities that households, firms and government can engage in.

## Summary

We can sum up the importance of saving with the following points:

1. Saving allows agents to balance consumption today against consumption in the future
2. Generally, savings rises as patience rises; rises as income rises; and rises as interest rates rise
3. Two important factors to consider when evaluating savings are:
  - a) The time preferences of economic agents, and
  - b) Its association with investment
4. It is important to understand both the absolute and the relative magnitude of savings

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## 17<sup>th</sup> INTERNATIONAL INVESTMENT FUNDS CONFERENCE MALAYSIA 2003



### A. STATISTICAL SITUATION AND TRENDS

#### 1. General economic development

##### GDP

South Africa could not escape the effects of the sluggish world economy and ended 2002 with an annualized rate of domestic product growth falling to 2.5%. This moved down further to 1,5% in the first quarter of 2003 with an anticipated 1,0% in the second quarter. The slow down in real economic growth was evident in all major sectors of the economy but, despite this slower growth rate, it was the eighteenth consecutive quarter of positive economic growth.

The high level of unemployment, well in excess of 30%, remains an intractable problem facing policy makers.

##### Exchange rates

The exchange rate has been a major factor in economic growth and market performance locally, particularly as South Africa is still largely a resource based economy. Following the depreciation of the Rand by more than 25% in the fourth quarter of 2001, the currency was relatively stable against the US Dollar until the last quarter of 2002 when it appreciated by 18,4 %. This appreciation continued at a lower rate in the first half of 2003 with a total appreciation against the US Dollar of 27,4% over the year to June.

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The Rand has been classified as one of the top performers against the major currencies, having also strengthened by over 17% against the Euro during the year and is expected to retain its strength against major currencies in the year ahead.

### Inflation

As a result of the depreciation of the Rand in 2001 and resultant high increases in food and fuel prices, consumer price inflation (CPI) accelerated to a high of 13,0% in November 2002. However, the marked improvement in the exchange rate and the efficiency of the South African economy has kept inflation rate pressures under check, resulting in the CPI index declining to 6,7% annualized at the end of June 2003.

The prime lending rate reached a high of 17% during the third quarter of 2002 but reduced by 1,5% end June and a further 1% mid August 2003 to the current level of 14,5% per annum. The reduction in interest rates was supported by the following::

- Inflation is broadly slowing down at both the “goods” and “services” levels
- The slow down in inflation can partly be attributed to low inflation rates in South Africa’s main trading partners.
- The exchange rate’s relative strength will help keep price pressures moderate over coming months.
- The decline in the utilization of production capacity.



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## 2. Savings of private households

Savings continued to be weak. Household gross savings as a percentage of gross domestic product remained at the same level as the past year of approximately 3% annualized. However, the current downward trend in the consumer price inflation as well as the decrease in the prime lending rates could encourage an increase in private household savings.

## 3. Investment statistics.

(Appended: Table of statistics June 1998 – June 2003)

Unit trust assets increased by 7,8% during the year to end June, 2013 to R192,0 billion (US\$25,8 billion).

The weaker dollar and stronger local currency resulted in assets increasing by 49,0% in US Dollar terms.

With the local All Share Index declining by 18,6% and MSCI by 28,5% in rand terms over the year, along with continuing market volatility, net outflows from equity funds of R3,7 billion continued for a second year.

Strong inflows into the safer havens of fixed interest funds continued (R24,3 billion), with the main beneficiary, money market funds (R16,0 billion) attracting 66,2% of total inflows.

These inflows also resulted from strong performance in the money markets and high interest rates. Bond funds returned 23,8% for the year on average and money market funds 12,8%

Industry assets are now (last year in brackets):

30,5% (41,35) equity

9,3% (9,4%) balanced/mixed

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58,6% (48,4%) fixed interest

At 30 June 2003, 29 local management companies were registered in South Africa. This is expected to reduce to 25 by end of 2003 with planned amalgamations.

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**B. NEW PRODUCTS**

The Association is driving an initiative to negotiate a regulatory framework for the operation of alternative investment schemes (hedge funds) under the Collective Investment Schemes Control Act. The process involves the regulator, alternative investment managers and the Association and it is hoped to have conditions for the operation of single strategy and fund of hedge funds published by the middle of 2004.

**C. TRENDS**

Due to extreme volatility in equity markets, investor appetite for funds with an explicit targeted absolute return has grown. As a result a number of absolute return funds have been launched. These funds invest in a combination of equities, fixed interest instruments and derivatives to realise absolute returns irrespective of market direction. South African funds may only utilise listed derivatives and may not gear the portfolio or take uncovered positions.

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There has been a definite move towards unit trust companies becoming controlled by the asset management companies or falling under the asset management divisions of holding companies rather than being run as independent entities

Over the past five years there has been a significant move towards fixed interest funds with volatile and depressed equity markets. These, excluding money market funds, have increased from 8,1% to 23,7% of assets over this period.

Money market fund assets have increased nearly nine-fold over the past five years.

#### **D. INVESTMENT FUNDS AND OLD AGE PROVISION**

Regulations for retirement funds and their level of taxation are currently under review. The Association is hoping to use this opportunity to further lobby proposals on saving scheme products for lower income groups.

#### **E. DISTRIBUTION OF INVESTMENT FUNDS**

##### **Distribution channels and development of distribution.**

The bulk of the business continues to be conducted through intermediaries with no real changes identified during the course of the year.

Excluding money market funds, in excess of 40% of sales are directed, by intermediaries, through linked investment service providers that provide an administrative platform facilitating low fund switching fees between different scheme managers. They also provide and administer retirement annuity products with unit trusts as the underlying assets.

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## Distribution of foreign funds in the country.

Under foreign exchange control regulations 20% of assets under management of a manager continues to be permitted for offshore investment. However, no mechanism for facilitating this was declared by the authorities for the period under review and thus companies were only able to retain investments that were in place at the end of 2001. This was largely due to a suspected high level of double counting of available foreign exchange by the financial industry, which is currently being addressed. About two-thirds of local rand denominated foreign funds remained closed to new investment.

Due to the appreciating local currency, poor world markets and lack of additional forex capacity, assets in these funds declined by 3,5% over the year and fell from 16% to 9,4% of total assets. As a result of the limited availability of these locally denominated foreign funds, registration of offshore-regulated Foreign Collective Investment Schemes (FCIS) with the regulatory authorities increased and 411 such funds have now been approved and registered. Combined with 475 local unit trusts, a total of 886 funds are available.

Assets of these FCIS funds reduced from R66,1 bn to R46,5bn, representing 24,2% of local industry assets and 19,5% of a grand total of R238,5bn unit trust assets

**Regulatory news concerning investment funds.**

The Collective Investment Schemes Control Act, CISCAs the subject of negotiation between the association and regulatory authorities for some years, finally become operational at the beginning of March 2003.

The introduction of CISCAs introduced revised conditions for the inclusion of securities in portfolios, which included:

- Equities may now be included in funds up to 120% of the counter's free float weight in a relevant index. The maximum exposure is limited to 20% for general and 35% for specialist funds, as a percentage of the total assets of the portfolio.
- The inclusion limits for non-equity securities are set according to the credit rating assigned to the instrument and issuer. Only instruments with a credit rating of "investment grade" (BBB long term or A-2 short term) are permitted. The inclusion limits vary between 5% and 30 %.

The Act replaced the Unit Trusts Control Act of 1981, and aligns South Africa legislation with international best practices. It also facilitates the use of structures other than the trust basis which the industry was confined to in the past.

The Financial Advisory & Intermediary Services Act became law in November, 2002 but is not effective yet as the regulations governing its operation continue to be debated. The purpose of the Act is to regulate financial planners and advisors as well as product suppliers, in the giving of advice. Registration of advisors is anticipated to start shortly with the Act coming into full effect early in 2004.

Subordinate legislation of the Financial Intelligence Centre Act, aimed at combating money-laundering activities, came into full effect on 1 July, 2003. It brings South Africa in line with international best practice in this area and conforms to FATF.

New Tax regulations



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Legislation was amended to enable investors in collective investments to defer the realization of capital gains and thus, capital gains tax when portfolios are amalgamated.

#### G. *ACTIVITIES OF THE ASSOCIATION*

##### Conferences

The association continued to host three sets of financial planner forums around the country during the year. These are designed to address issues that impact directly on the intermediary community and are of interest and assistance to them, particularly from a unit trust perspective where appropriate. An annual closed conference for the association's membership is held to debate industry issues and the performance and interest of the association.

The annual unit trust convention was also repeated. This covers broader industry and financial sector issues and is directed towards management company staff and financial planners and others involved in the unit trust industry.

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## Training of members of staff.

The association is actively involved in programmes for skills development within the industry in terms of the National Qualifications Framework (NQF) and the registering of appropriate unit trust and broader wealth management courses. The Association has also recently updated their qualification in collective investments registered on the NQF in 2001, and conducted an international comparison study. Both these qualifications were developed by industry experts and contain minimum levels of competency to be achieved by a student within the collective investment industry. The development of learning programmes leading towards these qualifications has been outsourced to a number of accredited training providers who are working closely with the Association in this development of their material.

## Compliance workshops

Workshops are held with compliance officers and other company staff members when appropriate to ensure a detailed understanding of changes to relevant legislation and the association's codes of conduct and standards for administration and accounting procedures.


## Lobbying activities

An active programme of bringing the collective industry and its issues and opportunities to the attention of policy makers and regulators was introduced during the year, particularly focusing on the retirement market opportunities within the context of the proposed new retirement fund legislation which is being debated currently

Earlier in 2003, with the introduction of the new collective investment legislation potentially facilitating products other than unit trusts, the association changed its name to the Association of Collective Investments.

The life assurance industry operates under less stringent regulatory conditions, which has tended to create an unlevel environment. As an example, they offer wrapped products that include products such as hedge funds that the collective investment industry is precluded from. The regulatory authorities have some discomfort with this and are looking into the issues involved.

## Formative assessment

<p><b>Role play</b></p> <p><b>Activity:01</b></p>	
<p><b>Instructions</b></p>	<p><b>Conduct a Survey</b></p> <p>You are approached by a financial services organisation and asked to conduct a survey of the need for investments in two different socio-economic communities using a sample of 10 people from each community.</p> <p>The company requires this information to assist them in continuing to meet investors' needs and possibly broadening their target market to include lower income groups.</p>

	<p>You are required to interpret the survey data and suggest possible reasons for trends indicated in the data. They have requested that you graphically and visually present the results from the survey to them at their next board meeting. You are also required to submit a written report of your findings to accompany your presentation.</p> <p>STEP 1: Define the objective of the survey</p> <p>STEP 2: Design a questionnaire with which to conduct the survey. Your questionnaire should include questions to ascertain:</p> <ul style="list-style-type: none"> <li>• Their lifestyle, buying power, value systems, wants and needs</li> <li>• Why they would / would not choose to buy a particular investment product</li> <li>• Their appetite for risk and expectations of return</li> <li>• Existing avenues available for them to invest in</li> <li>• Their age, income and commitments</li> </ul> <p>STEP 3: Identify which two socio-economic groups you will be interviewing, i.e. two communities that differ in terms of income, lifestyle and geographic location.</p> <p>STEP 4: Decide how the survey will be conducted (telephonically, in person), and by whom.</p> <p><b><i>It is advisable to liaise with the facilitator at this stage in order to ensure the questionnaire includes the appropriate questions before actually you proceed with conducting the interviews.</i></b></p> <p>STEP 5: Conduct interviews with 20 people in total (10</p>
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	<p>people from each of the two communities).</p> <p>STEP 6: Analyse the results from the various surveys, noting where there are similarities or differences between or within the two communities in terms of lifestyle, needs, buying power, value systems and choice of product.</p>
<b>Method</b>	individual Activity
<b>Media Method</b>	Flipchart
<b>CCFO</b>	DEMONSTRATING
<b>Marks</b>	10




**Notes:**





<p><b>Project</b></p> <p><b>Group Activity:02</b></p>	
<p><b>Instructions</b></p>	<p>Individual or Group Activity</p> <p>Draw conclusions from the information and compile into a report bearing in mind the objective of the survey. Your report should contain the following:</p> <ul style="list-style-type: none"> <li>(a) Graphical illustration of the survey results</li> <li>(b) A comparison of the needs between the two socio-economic groups</li> <li>(c) Reasons for choice of product</li> <li>(d) A grouping of people according to their investment needs.</li> <li>(e) A comparison of the wants and needs for different groups of people in terms of age, income, commitments and risk priorities</li> </ul>
<p><b>CCFO</b></p>	<p>COMMUNICATING</p>
<p><b>Method</b></p>	<p>Group Activity</p>
<p><b>Media Method</b></p>	<p>Flipchart</p>



<p><b>Research PROJECT</b> <b>Activity: 03</b></p>	
<p>Instructions</p>	<p>Individual Activity</p> <p>John Bradley is unexpectedly retrenched from his job and a wife and two young children to provide for. John is not sure when he will be able to find alternative employment as jobs are scarce. Compare the implications of his retrenchment for each of the following scenarios and reflect on the consequences thereof for John, his family and society at large.</p> <ul style="list-style-type: none"> <li>• Scenario 1: John started saving from an early age and has accumulated R20 000 in a bank deposit, which he has set aside in case of emergencies and R 100 000 in equity unit trusts</li> <li>• Scenario 2: John has no savings set aside.</li> </ul>
<p><b>CCFO</b></p>	<p><b>COLLECTING</b></p>
<p><b>Method</b></p>	<p>Individual Activity</p>
<p><b>Media Method</b></p>	<p>Flipchart</p>
<p><b>Mark</b></p>	<p>10</p>



## Summative assessment

<b>Simulation</b> <b>ACTIVITY 04</b>	
Instructions	<p>Individual / Group Activity</p> <p>The FSB (Financial Service Board) Consumer Education Department has assigned you with the task of presenting an awareness campaign to introduce the idea of investment to potential new investors in order to promote savings and investments as a national priority. You may present your awareness campaign in the form of a poster, play or proposal document.</p>
<b>CCFO</b>	ORGANISING
<b>Method</b>	Group Activity
<b>Media Method</b>	Flipchart
<b>Mark</b>	



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## Essay

**Take some time to reflect on what you have learnt in this module and assess your knowledge against the following pointers. Write down your answers. Should you not be able to complete each of these statements, go back to your notes and check on your understanding? You can also discuss the answers with a colleague.**

### Individual Activity

- Compare the data of your own and other's survey results and consider different interpretations in terms of the most valued investment products. Provide possible suggestions for trends indicated in the data.
- Interpret the previous two research documents provided and suggest possible social, political and environmental reasons for trends in the data.
- Select one of these trends and give the implications of this particular trend in different communities for the investment industry.

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## References

### Prescribed Booklist

Learning unit	Prescribed Learning Material /text book	Supplier
<b>Learning Unit 13-Nature of investment</b>	<ul style="list-style-type: none"> <li>• Penny Mackrory's training manual on Introduction to Outcomes Based Education.</li> <li>• Documents from the University of Toledo</li> <li>• InvestmentWise "Introduction to Financial Markets" course material</li> </ul>	<p style="text-align: center;"><b>Yellow Media Publishers</b></p> <p>Senior learning material Developer:  Ms Duduzile Zwane  <a href="http://www.yellowmedia.co.za">www.yellowmedia.co.za</a></p>

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## SECTION C: SELF REFLECTION



I enjoyed/did not enjoy this module because:

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I enjoyed/did not enjoy this module because:

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I found group work \_\_\_\_\_!!!

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The most interesting thing I learnt was:

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I feel I have gained the necessary skills and knowledge to:

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Please add the following to this module:

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Some comments from my classmates about my participation in class:

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## Self-Assessment



### Self-Assessment:

You have come to the end of this module – please take the time to review what you have learnt to date, and conduct a self-assessment against the learning outcomes of this module by following the instructions below:

Rate your understanding of each of the outcomes listed below:

Keys: ✘ - no understanding

● - Some idea

✓ - Completely comfortable

NO	OUTCOME	SELF RATING		
		✘	●	✓
1.				
2.				
3.				
4.				



## Learner Evaluation Form

<b>Learning Programme Name</b>		<b>Facilitator Name</b>	
<b>Learner name (Optional)</b>		<b>Dates of Facilitation</b>	
<b>Employer / Work site</b>		<b>Date of Evaluation</b>	



### Learner Tip:

Please complete the Evaluation Form as thoroughly as you are able to, in order for us to continuously improve our training quality!

The purpose of the Evaluation Form is to evaluate the following:

- logistics and support
- facilitation
- training material
- assessment

Your honest and detailed input is therefore of great value to us, and we appreciate your assistance in completing this evaluation form!

A	Logistics and Support Evaluation					
No	Criteria / Question	Poor	Below Standard	Sufficient	Above Standard	Excellent
1	Was communication regarding attendance of the programme efficient and effective?					
2	Was the Programme Coordinator helpful and efficient?					
3	Was the training equipment and material used effective and prepared?					
4	Was the training venue conducive to learning (set-up for convenience of learners, comfortable in terms of temperature, etc.)?					
<b>Additional Comments on Logistics and Support</b>						

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No	Criteria / Question	Poor	Below Standard	Sufficient	Above Standard	Excellent
<b>B</b>	<b>Facilitator Evaluation</b>					
1	The Facilitator was prepared and knowledgeable on the subject of the programme					
2	The Facilitator encouraged learner participation and input					
3	The Facilitator made use of a variety of methods, exercises, activities and discussions					
4	The Facilitator used the material in a structured and effective manner					
5	The Facilitator was understandable, approachable and respectful of the learners					
6	The Facilitator was punctual and kept to the schedule					
<b>Additional Comments on Facilitation</b>						

No	Criteria / Question	Poor	Below Standard	Sufficient	Above Standard	Excellent
		1	2	3	4	5
<b>C</b>	<b>Learning Programme Evaluation</b>					
1	The learning outcomes of the programme are relevant and suitable.					
2	The content of the programme was relevant and suitable for the target group.					
3	The length of the facilitation was suitable for the programme.					
4	The learning material assisted in learning new knowledge and skills to apply in a practical manner.					
5	The Learning Material was free from spelling and grammar errors					
6	Handouts and Exercises are clear, concise and relevant to the outcomes and content.					



7	Learning material is generally of a high standard, and user friendly					
<b>Additional Comments on Learning Programme</b>						

<b>D Assessment Evaluation</b>						
<b>No</b>	<b>Criteria / Question</b>	<b>Poor</b>	<b>Below Standard</b>	<b>Sufficient</b>	<b>Above Standard</b>	<b>Excellent</b>
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	A clear overview provided of the assessment requirements of the programme was provided					
2	The assessment process and time lines were clearly explained					
3	All assessment activities and activities were discussed					
<b>Additional Comments on Assessment</b>						