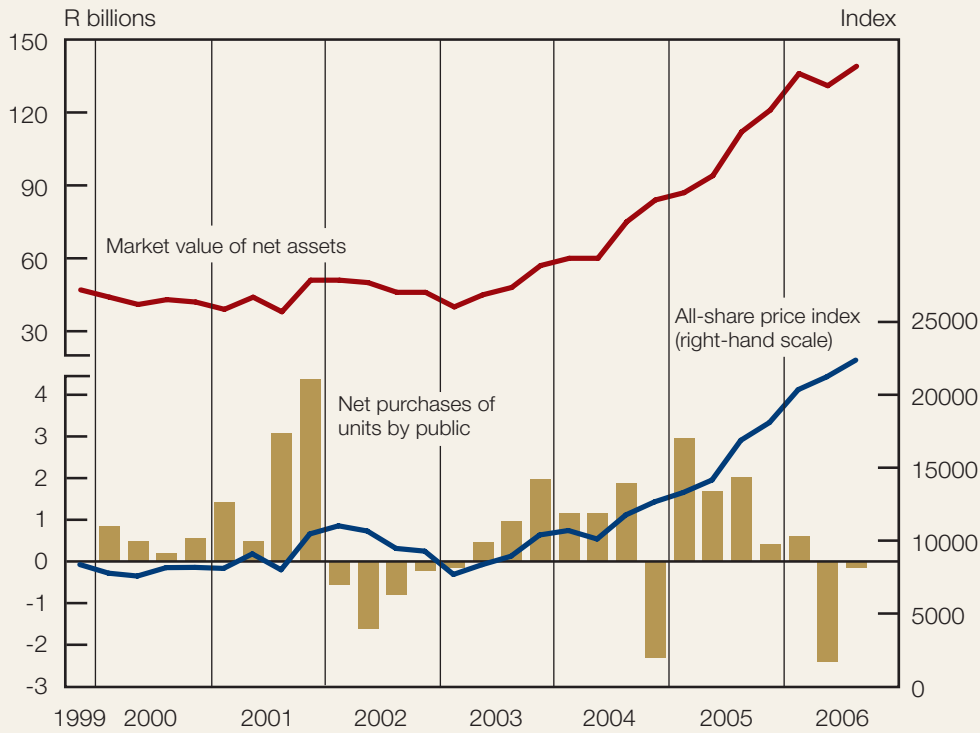

Box: Growth in the unit trust industry

This box contrasts the growth over the past seven years of the three main types of unit trusts – equity, fixed-interest and money-market funds.

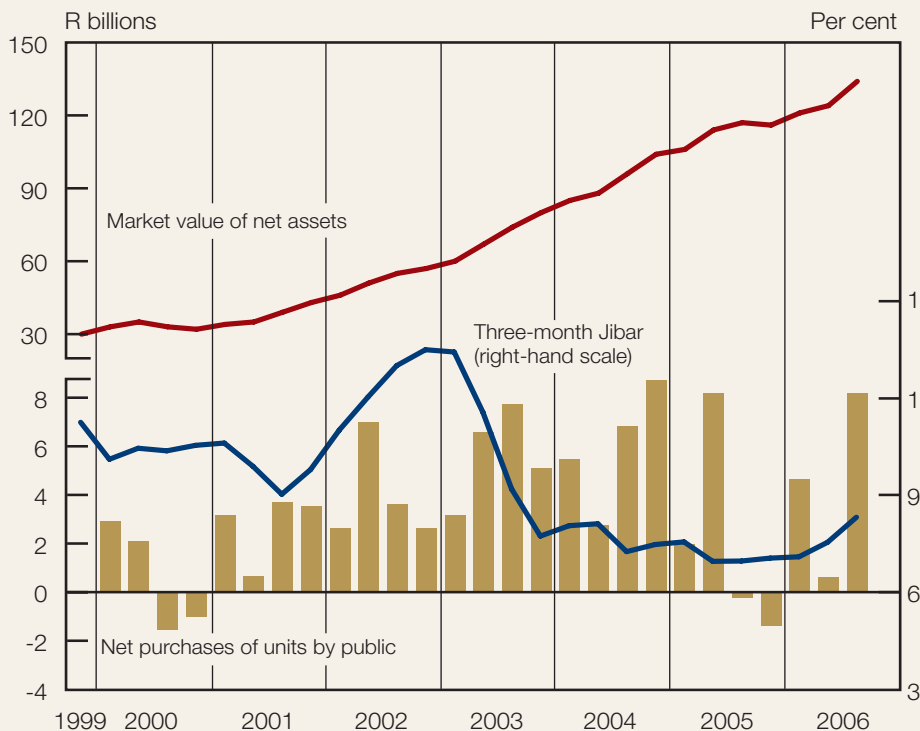
Equity unit trusts have traditionally been the cornerstone of the unit trust industry. As may be expected, the market value of these trusts' assets largely reflects the performance of share prices on the JSE Limited, as illustrated in the accompanying graph on the facing page.

Equity unit trusts



For instance, during the period from the second quarter of 2004 to the first quarter of 2006, the all-share price index increased by 101 per cent. The 129-per-cent increase in the market value of the net assets of equity funds over the same period could predominantly be ascribed to the simultaneous significant increase in share prices. The difference is largely accounted for by the continued inflow of investment through net purchases of units in equity funds by the public. As may be expected, a weak price performance of equities usually discourages the public from investing in equity unit trusts, as happened in 2002 and early 2003. Conversely, rising share prices tend to attract more investment into equity unit trusts, as happened from around mid-2003. However,

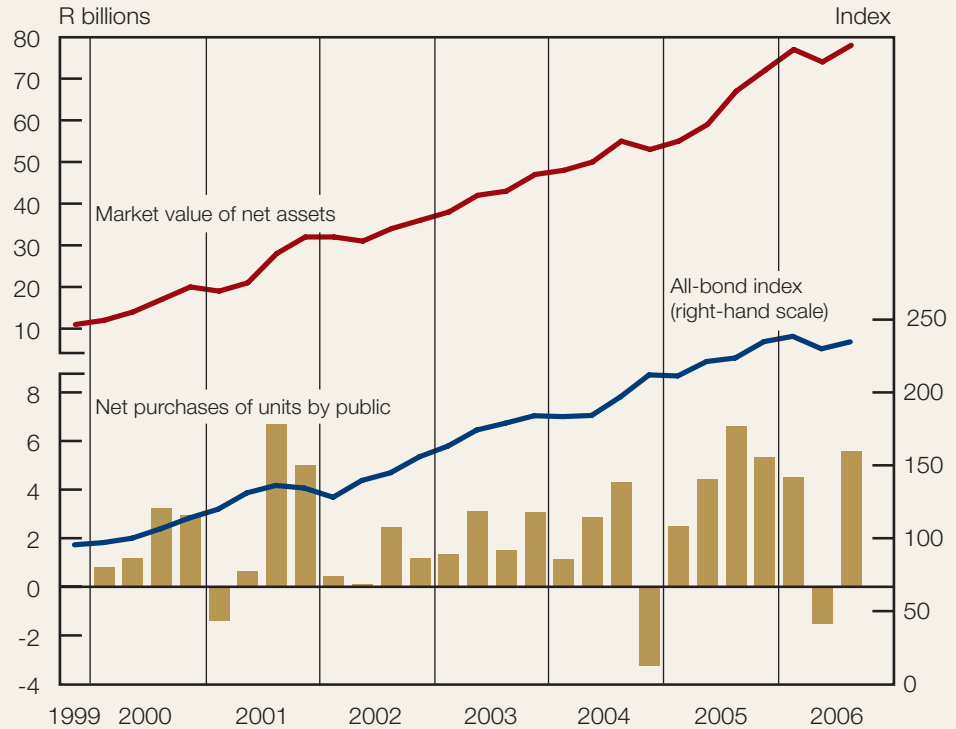
Money-market unit trusts



profit-taking when share prices seem to be on the high side can lead to disinvestment from these trusts despite an upward trend in equity prices, as in late 2004 and the second quarter of 2006.

As far as money-market unit trusts are concerned, net purchases of units by the public were brisk from 2001 to mid-2005. The lion's share of the increase in the market value of these funds' assets over that period came from such net purchases. These net purchases hesitated in some of the recent quarters, possibly partly as a reflection of the lower level of interest rates.

Fixed-interest unit trusts



Investment in fixed-interest unit trusts came off a low base in 1999, but inflows have generally been brisk in subsequent years. An upward trend in bond prices has bolstered the market value of these funds' assets.

Unit trusts: Market value and related flows

R billions

	Market value of net assets, end Dec 1999	Net purchases of units by public 1 Jan 2000 – 30 Sep 2006	Accruals and revaluations 1 Jan 2000 – 30 Sep 2006	Market value of net assets end Sep 2006
Equity funds.....	47	19	73	139
Money-market funds.....	30	98	5	133
Fixed-interest funds	10	65	3	78

Throughout the period covered by the analysis, the increase in the market value of the net assets of money-market and fixed-interest funds, notwithstanding substantial changes in interest rates and bond yields, was closely linked to sustained cumulative net sales of units. However, in the case of equity funds, a similar outcome was only evident until the second quarter of 2004, whereafter the significant increase in share prices boosted the market value of the net assets of these funds, explaining the marked gap that developed between the change in market value of net assets and cumulative net sales of units.