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Increased interest in secured investments amid global unease

January 2017 saw a 55% increase in sales of FedGroup's secured investment product, participation bonds. As there was no additional marketing spend leading up to the period, we have engaged with our broader broker community and conducted some research seeking insight into the spike in interest.

Investors have been growing increasingly uneasy over the past six to eight months. With the Brexit announcement in June 2016, followed by the impact of Trump's election to POTUS late last year, combined with events on home soil (insipid growth, the threat of rating downgrades, and a troubling political environment), investors have responded by becoming both risk-averse, and more broadly diversifying their portfolios.

Additionally, with media increasingly shining a spotlight on the negative impact fees have on capital growth, and more attention being placed on fintech and how it can slash administration costs, investors have lost patience with institutions delivering returns that are starkly impacted by the fees and charges imposed.

This largely explains the increased attention secured investments have received.

The benefits speak directly to current investor concerns. Among these is certainty. Investors are seeking security for their money, and particularly when it's a significant lump sum, they want to make sure that it's safe.

Participation bonds are backed by a physical property asset, giving in this case a literal foundation to the preservation of the capital investment.

Secondly, a secured investment offers predictability. While other investments can provide insight into an investment's historic performance, they can in no way guarantee future growth. A secured investment offers a fixed interest rate for the term of the investment – allowing for accurate calculations on growth.

Lastly, is the case of fees. Disillusioned by investment vehicles that, on paper, appear to offer good returns – but in actuality, provide returns well below inflation – investors are wising up, and quickly. Fees, often hidden in the fine print and disguised in complexity, make it extremely difficult to determine the returns after fees have been imposed.

Offering investors transparency builds trust, allows you to deliver on predictions made, and maintains relationships for the long haul.

Additionally, there is heavyweight legislation in place governing participation bonds. This includes the Collective Investment Schemes Control Act No 45 of 2002 (which includes unit trust schemes, collective investment schemes in property, open-ended investment companies and participation mortgage bonds). The Financial Services Board is the regulator in charge of the Collective Investment Schemes Control Act.

Secured investments offer the increased drawcard of the flexibility of choosing to reinvest the interest on capital earned (in our case, an effective rate of 12.1% per annum over the five-year term), or drawing the interest as a monthly income, while preserving the capital (offering 9.5% on the capital amount per annum).

These options mean secured investments have become an increasingly attractive option to a wide base of people with a lump sum to invest. We are seeing interest, increasingly, from young families saving towards education, as well as maintaining interest from our pensioner base who have invested pension pay-outs. There is also an increase in 'opportunistic' investments – such as annual bonuses and profits made off home sales.