

Media Release

Association for Savings and Investment South Africa (ASISA)

7 September 2022

CIS industry reports solid net inflows despite stock market turbulence

The local Collective Investment Schemes (CIS) industry reported net inflows of R21 billion for the second quarter of this year, bringing total net inflows for the 12 months to the end of June 2022 to R110 billion.

Despite the healthy net inflows during the second quarter of 2022, CIS assets under management dropped to just below the R3 trillion threshold first achieved in the fourth quarter of last year. Assets under management stood at R2.98 trillion at the end of June 2022, compared to R3.09 trillion at the end of March 2022.

Commenting on the CIS industry statistics for the quarter and year ended June 2022, Sunette Mulder, Senior Policy Advisor at the Association for Savings and Investment South Africa (ASISA), attributed the 3.4% decline in assets under management during the second quarter of this year to extreme stock market volatility.

"The FTSE/JSE All Share Index (ALSI) took a hammering in June, which resulted in an 8% drop for the month. Looking at the quarter, the JSE ALSI was down by 11.69%, while in Rand terms the FTSE 100 was down 0.46% and the S&P 500 dropped by 5.94%. All in all not a good quarter for equities."

Investor trends

Mulder says despite stock markets having been plagued by turbulence since the beginning of the year, South African Equity General portfolios, on average, kept pace with inflation over the one year to the end of June 2022 delivering a return (net of fees) of 6.6% (inflation came in at 6.5%). Over the five, 10 and 20 year periods, SA Equity General portfolios, on average, outperformed inflation convincingly.

While SA Multi Asset High Equity and Low Equity portfolios, on average, lagged inflation over the one year to the end of June 2022, these portfolios kept pace with the inflation beating performance of SA Equity General portfolios over the longer performance periods of five, 10 and 20 years.

Mulder says despite the strong equity performance over the long-term, investors started exiting SA Equity General portfolios in the second quarter, shifting into SA Multi Asset portfolios and SA Interest Bearing portfolios, with a preference for SA Interest Bearing Variable Term portfolios.

"In recent years investor appetite for SA Multi Asset portfolios had waned, but we started noticing over the past 12 months that South African Multi Asset portfolios were regaining popularity with investors and this trend continued into the second quarter of this year," comments Mulder.

According to Mulder, the SA Multi Asset category attracted R66 billion in net inflows for the 12 months to the end of June 2022, the highest in six years. The SA Interest Bearing category (Variable Term and Short Term) recorded net inflows of R24 billion and the SA Equity General category R7 billion. SA Money Market funds recorded net outflows of R20 billion for the 12 months to the end of June 2022.

Mulder points out that as at the end of June 2022, 19% of assets under management were held in SA Equity portfolios, while SA Interest Bearing portfolios held 31% of assets. Just under half of all assets (48%) remain in SA Multi Asset portfolios, with the rest in SA Real Estate portfolios (2%).

Where the inflows came from

Mulder says 23% of the inflows into the CIS industry in the 12 months to the end of June 2022 came directly from investors. "This does not mean that these investors acted without advice. A number of direct investors pay for advice and then implement the investment decisions themselves."

Intermediaries contributed 26% of new inflows. Linked investment services providers (Lisps) generated 34% of sales and institutional investors like pension and provident funds contributed 17%.

Offshore focus

Locally registered foreign portfolios held assets under management of R638 billion. These foreign portfolios recorded net inflows of R15.6 billion for the quarter ended June 2022, bringing total net inflows for the year to R23.5 billion.

Foreign currency unit trust portfolios are denominated in currencies such as the dollar, pound, euro and yen and are offered by foreign unit trust companies. These portfolios can only be actively marketed to South African investors if they are registered with the Financial Sector Conduct Authority (FSCA). Local investors wanting to invest in these portfolios must comply with Reserve Bank regulations and will be using their foreign capital allowance.

There are currently 621 foreign currency denominated portfolios on sale in South Africa.

Hedge Fund Statistics

The South African hedge fund industry ended the second quarter of 2022 with assets under management of R104.54 billion. This represents an increase in assets of R17.61 billion over the six-month period from the end of December 2021 when assets stood at R86.93 billion.

The half-yearly hedge fund statistics compiled by ASISA show that the growth in assets was achieved even though further fund consolidation and closures took place, reducing the number of hedge funds from 216 at the end of 2021 to 212 at the end of June 2022.

Mulder reports that the hedge fund industry attracted net inflows of R1.95 billion in the first six months of 2022, compared to only R0.59 billion for the 12 months ended December 2021.

Ends

To set up interviews please contact:

Lucienne Fild
Independent Communications Consultant
082 567 1533
lucienne@fild.co

Issued on behalf of:

Sunette Mulder
Senior Policy Advisor
Association for Savings and Investment South Africa (ASISA)

ASISA represents the majority of South Africa's asset managers, collective investment scheme management companies, linked investment service providers, multi-managers, and life insurance companies.