

Media Release

Association for Savings and Investment South Africa (ASISA)

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Record net inflows for the local CIS industry despite Covid-19 woes

South African investors committed R57 billion in net inflows to local Collective Investment Schemes (CIS) in the third quarter of this year, bringing to R165 billion the total net inflows for the 12 months to the end of September 2020.

Statistics for the quarter and year ended September 2020, released today by the Association for Savings and Investment South Africa (ASISA), show that the local CIS industry held assets under management of R2.58 trillion, spread across 1 650 portfolios.

Just under half of these assets were held in South African (SA) Multi Asset portfolios (47%), with the rest in SA Interest Bearing portfolios (36%), SA Equity portfolios (16%) and SA Real Estate portfolios (1%).

Sunette Mulder, senior policy advisor at ASISA, says despite the volatility and uncertainty caused by the Covid-19 pandemic this year, the local CIS industry managed to record some of the highest net inflows ever achieved. The industry attracted R23 billion of net inflows in the first quarter of this year, followed by a record breaking R88 billion in the second quarter and then R57 billion in the third quarter, which was the third highest achieved over the past five years.

Investor trends

Mulder points out that this is the fourth year in which investors continued to firmly favour interest bearing portfolios over equities. According to Mulder this is not surprising given that SA Interest Bearing – Short Term and SA Interest Bearing – Money Market portfolios have been topping the performance charts for both the one-year and five-year performance periods to the end of September 2020. Over the 10 and 20 year periods, however, portfolios with equity exposure outperformed interest bearing portfolios.

SA Interest Bearing Short Term portfolios attracted the bulk of the net inflows in the third quarter to the end of September 2020 (R25.2 billion), followed by SA Multi Asset – Income portfolios (R13.1 billion). Global Equity General portfolios ranked third in popularity, attracting net inflows of R7.4 billion.

SA Equity – General portfolios recorded net outflows of R2 billion in the third quarter, followed by SA Multi Asset - High Equity portfolios, which recorded rare net outflows of R1.1 billion.

Mulder cautions investors to remember that investment performance is influenced by many factors and that past performance is not a reliable indicator of long-term future performance. "For this reason investors are encouraged by their financial advisers to structure well diversified portfolios that include exposure to a range of assets classes,

including equities and fixed interest. In addition, geographic diversification is also an important consideration when constructing a well-diversified portfolio."

Where did the inflows come from?

Mulder says 26% of the inflows into the CIS industry in the 12 months to the end of September 2020 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 36% of new inflows. Linked investment services providers (Lisps) generated 21% of sales and institutional investors like pension and provident funds contributed 17%.

Offshore focus

Locally registered foreign portfolios held assets under management of R543 billion at the end of September 2020, up from the R533 billion of the previous quarter. These foreign portfolios recorded a third consecutive quarter of net outflows. Third quarter net outflows totaled R7.1 billion, while second quarter net outflows amounted to R13.9 billion following net outflows of R29.6 billion in the first quarter of this year.

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 531 foreign currency denominated portfolios on sale in South Africa.

Ends

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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.