Media Release
Association for Savings and Investment South Africa (ASISA)
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Investors continue to favour interest bearing portfolios over equities

South African investors committed R48 billion in net inflows to local Collective Investment Schemes (CIS) in the third quarter of this year, bringing to R137 billion the total net inflows for the 12 months to the end of September 2019.

Statistics for the quarter and year ended September 2019, released today by the Association for Savings and Investment South Africa (ASISA), show that the local CIS industry held assets under management of R2.4 trillion, spread across 1 592 portfolios.

Just under half of these assets were held in South African (SA) Multi Asset portfolios (49%), with the rest in SA Interest Bearing portfolios (30%), SA Equity portfolios (18%) and SA Real Estate portfolios (3%).

Sunette Mulder, senior policy adviser at ASISA, says for the past three years investors have firmly favoured interest bearing portfolios over equities and this trend continued into the third quarter of this year.

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 2019. Over the 10 and 20 year periods, however, SA General Equity and SA Multi Asset – High Equity outperformed interest bearing portfolios.

SA Interest Bearing portfolios (Short Term and Variable Term) attracted the bulk of the net annual inflows (R55.2 billion), followed by SA Multi Asset – Income portfolios (R51.6 billion) and Money Market portfolios (R32.4 billion).

Mulder says it is interesting that SA Multi Asset - High Equity portfolios attracted net annual inflows of R8.2 billion, while SA Equity – General portfolios recorded net annual outflows of R3.8 billion. "This could point to investors seeking additional diversification from volatile conditions experienced in the equity markets," explains Mulder.

Where did the inflows come from?

Mulder says 27% of the inflows into the CIS industry in the 12 months to the end of September 2019 came directly from investors. However, this does not mean that these investors acted without advice. "We believe that a number of direct investors pay for advice and then directly implement the choice of portfolio," comments Mulder.

Intermediaries contributed 34% of new inflows. Linked investment services providers (Lisps) generated 21% of sales and institutional investors like pension and provident funds contributed 18%.

Offshore focus

Locally registered foreign portfolios that submit information to ASISA held assets under management of R493 billion at the end of September 2019, up from the R473 billion of the previous quarter. These foreign portfolios recorded net outflows of R9.8 billion over the quarter to the end of September 2019.

Foreign currency 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 489 foreign currency denominated portfolios on sale in South Africa.

Ends

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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.