

## Media Release

Association for Savings and Investment South Africa (ASISA)

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### CIS assets remain above R3 trillion despite a turbulent start to the year

The local Collective Investment Schemes (CIS) industry reported net inflows of R28.1 billion for the first three months of this year. This brings the total net inflows for the 12 months to the end of March 2022 to R70.7 billion, according to the CIS industry statistics for the quarter and year ended March 2022 released today by the Association for Savings and Investment South Africa (ASISA).

Sunette Mulder, Senior Policy Advisor at ASISA, explains that the closure of South Africa's biggest money market fund in June last year distorted CIS flow statistics not only for the second quarter of last year, but also for the 12 month period to the end of March 2022. She adds that without the outflows from the Absa Money Market Fund, the industry's net inflows for the year would have exceeded R100 billion.

According to Mulder, CIS assets under management remained above the R3 trillion threshold achieved in the fourth quarter of last year despite the turbulent start to the year for stock markets. Assets under management stood at R3.09 trillion at the end of March 2022, compared to R3.14 trillion at the end of December 2021.

### Investor trends

Mulder says a noteworthy trend was the strong return by investors to South African Multi Asset portfolios over the 12 months to the end of the first quarter.

"For several years, local unit trust investors and their financial advisers were investing almost exclusively in South African Multi Asset portfolios. However, in recent years the appetite for this sector waned and SA Interest Bearing portfolios attracted the bulk of the net inflows."

The ASISA statistics show that SA Multi Asset Portfolios attracted R55.4 billion of the R70.7 billion in total net inflows for the local CIS industry for the year ended March 2022. According to Mulder, this is the highest achieved by these portfolios since 2016/17.

The SA Multi Asset High Equity portfolios were most popular with investors over this period, attracting almost R24 billion in net inflows. In the 12 months to the end of March last year, these portfolios collectively had net outflows of R10.5 billion.

Multi Asset portfolios allow investors to achieve diversification across asset classes within one fund. Professional portfolio managers determine the appropriate exposure to the different asset classes in line with their investment mandates.

"Multi asset portfolios are designed to deliver a more stable performance than pure equity portfolios by smoothing out market volatility through diversification."

Mulder points out that SA Equity portfolios were also back in favour with investors, attracting net inflows of R11.7 billion.

Mulder says it is obvious from the statistics that many investors moved their money into portfolios with a high equity exposure expecting to participate in last year's strong market growth. She adds that many of these investors invested back into equities just as market sentiment was turning.

The table below illustrates the sudden interest in equity exposure after the exceptional returns achieved by the SA Equity and SA Multi Asset High Equity portfolios over the one year to the end of March last year.

	<b>Net inflows:</b> (12 months to end March <b>2021</b> )	<b>Sector performance:</b> (1 year to the end of March <b>2021</b> )	<b>Net inflows:</b> (12 months to end March <b>2022</b> )	<b>Sector performance:</b> (1 year to the end of March <b>2022</b> )
<b>SA Multi Asset High Equity</b>	-R10.5 billion	30.9%	R24 billion	11.5%
<b>SA Equity</b>	R1.5 billion	49.8%	R11.7 billion	18.2%

### Time in the market

Mulder says a successful investment strategy requires a long-term commitment together with an understanding that it is time in the market, as opposed to timing the market, that makes all the difference.

"Therefore, if investors moved into equities over the past year as part of a long-term plan structured with the help of a trusted financial adviser, the current volatility should not cause panic."

She says on average SA Equity General portfolios and SA Multi Asset High Equity portfolios tend to outperform interest bearing portfolios over the longer term of 10 years and more. In addition, most of the CIS portfolio categories delivered average returns that outpaced inflation over the five, 10 and 20 year periods to March 2022.

### Where the inflows came from

Mulder says 24% of the inflows into the CIS industry in the 12 months to the end of March 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 33% of new inflows. Linked investment services providers (Lisps) generated 27% of sales and institutional investors like pension and provident funds contributed 16%.

## **Offshore focus**

Locally registered foreign portfolios held assets under management of R633 billion at the end of March 2022. These foreign portfolios recorded net inflows of R13.4 billion for the quarter ended March 2022, bringing total net inflows for the year R17.9 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 609 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.*