Media Release
Association for Savings and Investment South Africa (ASISA)
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Local CIS industry records historic net quarterly inflows of R88 billion

Undeterred by the Covid-19 induced market volatility, investors committed R88 billion in net inflows to local Collective Investment Scheme (CIS) portfolios during the second quarter of this year. This represents the highest net quarterly inflows on record.

According to the local CIS industry statistics for the quarter and year ended June 2020, released today by the Association for Savings and Investment South Africa (ASISA), this brings to R156 billion the total net inflows for the 12 months to 30 June 2020, the bulk of which was recorded in the first six months of 2020. The industry attracted net inflows of R23 billion in the first quarter of this year and R88 billion in the second, which brings the total net inflows for the first half of 2020 to R111 billion. By the end of June 2020 assets under management had recovered to R2.54 trillion from R2.26 trillion at the end of March 2020.

Sunette Mulder, senior policy advisor at ASISA, says the record net quarterly inflows came as a surprise considering the volatile investment environment and the unprecedented worldwide uncertainty created by the Covid-19 pandemic. "The R88 billion in net inflows includes reinvested distributions of R20 billion, which means R68 billion was brand new money that had not been invested in CIS portfolios before. Also, the split between institutional and retail investments is about 50/50, which means that around R44 billion was invested by individual investors."

Investor trends

Mulder says while investors where not shy to entrust their money to the local CIS industry, by far the majority preferred South African (SA) Interest Bearing Money Market portfolios, which attracted net inflows of R48 billion in the second quarter of this year. SA Interest Bearing Short-term portfolios attracted net inflows of R22.7 billion and SA Interest Bearing Variable portfolios R15.1 billion. SA Multi Asset Income portfolios attracted net inflows of R11.8 billion.

Mulder says sector performance tables show that SA Interest Bearing Short-term and Money Market portfolios on average outperformed inflation as well as equity portfolios (net of fees) over the one year and five year periods to the end of June 2020. "The low volatility of these portfolios combined with their inflation beating performance makes them an obvious choice for risk averse investors."

According to Mulder it is interesting that investors ditched the SA Multi Asset High Equity, Medium Equity and Low Equity portfolios resulting in net outflows for these sectors, and instead invested directly into SA Equity General portfolios. As a result the SA Equity General sector recorded net quarterly inflows of R3.6 billion. "Despite delivering negative returns over one and five years to the end of June, general equity portfolios may have presented an attractive buying opportunity for investors willing to stomach the volatility that comes with investing in general equities. Given the quarterly return of 23.18% delivered by the FTSE/JSE ALSI, there may have been merit in that decision."

According to Mulder, 35% of assets under management were held in SA Interest Bearing portfolios at the end of June 2020, with SA Multi Asset portfolios holding 47% SA Equity portfolios 16% and SA Real Estate portfolios 2%.

Where did the inflows come from

Mulder says 26% of the inflows into the CIS industry in the 12 months to the end of June 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 R533 billion at the end of June 2020. These foreign portfolios recorded a second consecutive quarter of net outflows. Second quarter net outflows totalled 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 509 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.