Media Release
Association for Savings and Investment South Africa (ASISA)
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Majority of local investors miss out on strong stock market recovery

The local Collective Investment Schemes (CIS) industry reported net inflows of R13.69 billion in the first three months of this year, taking to R203.83 billion the total net inflows for the 12 months to the end of March 2021.

The CIS industry statistics for the quarter and year ended March 2021, released today by the Association for Savings and Investment South Africa (ASISA), show that while net inflows in the first quarter of this year tapered off from last year's high levels, the total annual net inflows of R203.83 billion are the highest ever achieved by the local CIS industry over a rolling 12 month period.

Sunette Mulder, senior policy advisor at ASISA, comments that CIS assets under management also reached new highs in the first quarter of this year with assets at R2.87 trillion on 31 March 2021. She says the growth in assets follows a strong recovery in the local stock market for the 12 months to the end of March 2021, which also proved positive for investors with equity exposure.

The Covid-19 induced market turmoil in the first quarter of last year resulted in the FTSE/JSE All Share Index (ALSI) dropping to 37 963.01 on 19 March 2020, its lowest level for 2020. By the end of March 2020 the index had recovered to 44 490.31 points. A year later, on 31 March 2021, the ALSI closed at 66 485.29 points – a change of 49%.

Investor trends

Mulder comments that the majority of CIS investments made in the 12 months to the end of March 2021 would have missed out on the strong stock market recovery, given that the bulk of the net inflows went into interest bearing portfolios.

SA Interest Bearing Variable and Short-term portfolios attracted R98.6 billion in net inflows for the 12 months, while SA Interest Bearing Money Market portfolios attracted R53.1 billion. SA Multi Asset Income portfolios attracted R28.5 billion. This means that R180.2 billion of the total net inflows of R203.83 billion was placed in interest bearing portfolios. By comparison, only R1.5 billion in net inflows went into SA Equity portfolios.

Mulder points out that as at the end of March 2021, only 18% of assets under management were held in South African Equity portfolios, while SA Interest Bearing portfolios held 33% of assets. Just under half of all assets (47%) were held in SA Multi Asset portfolios, with the rest in SA Real Estate portfolios (2%).

Mulder notes that over the past five years there has been a strong shift in assets from SA Equity and SA Multi Asset portfolios (other than SA Multi Asset Income) to SA Interest Bearing portfolios.

Type of Portfolio	Portfolio Allocation	
	31 March 2016	31 March 2021
Interest Bearing	24%	33%
Equity	21%	18%
Real Estate	4%	2%
SA Multi Asset	51%	47%

Time in the market

According to Mulder, history has shown that financial markets tend to not only recover from their lows after a crash, but usually they also reach new highs. Unfortunately, adds Mulder, investors tend to repeat the mistake of buying when markets are doing well and selling in a panic when volatility arrives.

She says the patterns observed 10 years ago during the global financial crisis are very similar to what happened in the markets over the past year following the arrival of the Covid-19 pandemic. From dropping to all-time lows early in 2009 following the global financial crisis, the JSE ALSI proceeded to gain 44% in the 12 months that followed to the end of March 2010.

Unfortunately, says Mulder, individual investors had banked their losses when they switched out of equities and into interest bearing portfolios at the end of 2008 and early in 2009 when they realised that they were part of one of the most horrific market meltdowns in history.

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.

"The only way to maximize investment returns is by constructing a solid, well diversified portfolio across the asset classes with the help of a trusted financial adviser. Volatility is part and parcel of investing in unit trust portfolios that hold shares, but you can combat the highs and the lows of the market by holding a well-diversified portfolio for the long-term."

She says sector performance tables show that SA Equity General portfolios and SA Multi Asset High Equity and Low Equity portfolios on average outperformed (net of fees) interest bearing portfolios over the one year, 10 year and 20 year periods to the end of March 2021.

SA Interest Bearing Short-term and Money Market portfolios on average outperformed (net of fees) portfolios with a high equity exposure only over the five year period to the end of March 2021.

Where the inflows came from

Mulder says 26% of the inflows into the CIS industry in the 12 months to the end of March 2021 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 R592 billion at the end of March 2021. These foreign portfolios recorded net inflows of R6.98 billion for the quarter ended March 2021.

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 563 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.