

Media Release

Association for Savings and Investment South Africa (ASISA)

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Local CIS industry statistics reflect a tough second quarter for investors

The local Collective Investment Schemes (CIS) industry reported assets under management of R3.36 trillion at the end of the second quarter 2023. This represents an increase of 3% from the end of the first quarter of 2023, when assets stood at R3.27 trillion. Over the 12 months to 30 June 2023, assets grew by 13%, primarily due to strong stock market performance.

The CIS industry statistics for the quarter and year ended June 2023, released by the Association for Savings and Investment South Africa (ASISA), show that participating CIS management companies attracted new investments worth R567.3 billion in the second quarter this year. At the same time, existing investors sold investments worth R577.7 billion, resulting in net outflows of R10.4 billion.

According to Sunette Mulder, senior policy advisor at ASISA, existing investors also chose to reinvest income declarations (dividends and interest) worth R26.4 billion. "While income declarations that are reinvested are not considered new money, investors who receive them are given the choice to buy additional units in their existing portfolios instead of withdrawing this money," explains Mulder.

The R26.4 billion reinvestments in the second quarter exceeded the net outflows of R10.4 billion, leaving the industry with an effective net inflow of R16 billion.

Mulder explains that unit trust portfolios are designed to give investors easy access to their money. She says as a result, when consumers are under pressure, and their emergency savings have been depleted, they are likely to turn to their unit trust investments for financial relief.

"During the second quarter, the repo rate increased by 0.5% to a 14-year high of 8.25%, which placed an additional burden on consumers servicing debt like home loans and car repayments. And in May this year, another petrol price increase meant that South Africans were paying on average R1.50 a litre more than in the previous year. Given the overall increase in living costs in South Africa, we were not surprised to see investors tapping into their investments."

At the end of June 2023, 19% of assets under management were held in SA Equity portfolios, while SA Interest Bearing portfolios held 30% of assets. Half of all assets (50%) remain in SA Multi Asset portfolios, with the rest in SA Real Estate portfolios (1%).

South African investors had a choice of 1 805 local CIS portfolios at the end of June 2023, an increase of 16 portfolios from the first quarter of this year.

Investor trends

Mulder notes that South African Multi Asset portfolios continued regaining popularity with investors in the second quarter, holding half of all CIS industry assets under management by the end of June 2023. SA Multi Asset portfolios had been the preferred investment vehicles for local unit trust investors and their financial advisers until 2016, when SA Interest Bearing portfolios started attracting the bulk of the net inflows.

She reports that SA Multi Asset portfolios attracted net inflows (including reinvestments) of R67 billion over the 12 months to the end of June 2023, the highest year-on-year since June 2016. The most popular categories were SA Multi Asset Income portfolios, which recorded net inflows of R39.6 billion in the 12 months to the end of June 2023, and SA Multi Asset High Equity portfolios, which recorded net inflows of R18.5 billion.

“Given the current market volatility and an uncertain economic outlook, it is unsurprising that investors are opting for multi asset portfolios designed to deliver a more stable performance than pure equity portfolios by smoothing out market volatility through diversification.”

Mulder points out that SA Interest Bearing portfolios (Short Term and Variable Term) attracted significant net inflows of R34 billion for the 12 months to the end of June 2023. Money Market portfolios received R26.4 billion.

While Global Equity General portfolios, on average, outperformed most other categories over one, five and 10 years, these portfolios recorded net outflows in three out of four quarters to the end of June 2023. For the 12 months that ended June 2023, Global Equity General portfolios reported net outflows of R6.7 billion.

Mulder says investors who have taken a long-term view of 20 years or more on local equities will be pleased to know that the average performance delivered by the SA Equity General category over 20 years was 13.7%, followed by SA Multi Asset High Equity with 12.3%, and then Global Equity General with 11.3%.

She says this highlights the importance of thinking long-term when investing in CIS portfolios and constructing a well-diversified investment portfolio with the help of a qualified financial adviser.

Offshore focus

Locally registered foreign portfolios held assets under management of R810 billion at the end of June 2023, compared to R737 billion at the end of March 2023. These portfolios recorded net outflows of R16.5 billion for the quarter ended June 2023, bringing total net inflows for the year to R17 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 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 643 foreign currency-denominated portfolios on sale in South Africa.

Hedge Fund Statistics

The South African hedge fund industry ended the second quarter of 2023 with assets under management of R120 billion. This represents an increase in assets of R7 billion over the six months from the end of December 2022, when assets stood at R113.01 billion.

The number of hedge funds increased from 216 at the end of 2022 to 219 at the end of June 2023.

Mulder reports that the hedge fund industry attracted net inflows of R4.27 billion in the first six months of 2023.

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.