

Media Release

Association for Savings and Investment South Africa (ASISA)

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Local CIS industry assets grow to R3.27 trillion

The local Collective Investment Schemes (CIS) industry increased assets under management to R3.27 trillion in the first quarter of 2023 from R3.16 trillion at the end of December 2022.

The CIS industry statistics for the quarter and year ended March 2023, released by the Association for Savings and Investment South Africa (ASISA), show that participating CIS management companies (Mancos) achieved total net inflows* of R114.8 billion over the 12 months to the end of March 2023.

According to Sunette Mulder, senior policy advisor at ASISA, the industry reported net inflows of R34.8 billion for the first three months of this year, with South African Multi Asset portfolios and SA Interest Bearing portfolios attracting the bulk of the net inflows.

Mulder says the strong growth in assets under management and the healthy net inflows were achieved despite significant local and global market turmoil during the first quarter. In South Africa, climbing inflation triggered a higher-than-expected interest rate hike of 50 basis points in March 2023, which, combined with ongoing power outages, placed significant downward pressure on the economy. Resulting in negative investor sentiment from global investors driven by heightened risk aversion, the rand started the descent in the first quarter to its now-historic lows.

Investor trends

Mulder says SA Multi Asset portfolios remained firm favourites with investors for the second year, attracting net inflows of R59.2 billion to the end of March 2023. The most popular categories were SA Multi Asset High Equity portfolios, which recorded net inflows of R17.6 billion in the 12 months to the end of March 2023, and SA Multi Asset Income portfolios, which attracted net inflows of R29 billion.

“For many years, SA Multi Asset portfolios were the preferred investment vehicles for local unit trust investors and their financial advisers, but this started changing in 2016. By the end of March 2021, the SA Multi Asset category attracted net inflows of only R5 billion over the 12 months. SA Interest Bearing portfolios were taking the bulk of the net inflows.”

Mulder says that given the current market volatility and an uncertain outlook for the economy, the weak rand and other macroeconomic factors, the return to SA Multi Asset portfolios is not surprising. She adds that multi asset portfolios are designed to deliver a more stable performance than pure equity portfolios by smoothing out market volatility through diversification.

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.

Mulder points out that SA Interest Bearing funds (Short Term and Variable Term) also attracted significant net inflows of R31.5 billion for the 12 months to the end of March 2023.

She notes with interest that while Global Equity General portfolios on average outperformed most other categories over one, five and 10 years, these portfolios recorded net outflows in the first quarter of this year and the third quarter of 2022. For the 12 months that ended March 2023, Global Equity General portfolios attracted net inflows of only R1.5 billion.

She reminds investors of the importance of thinking long-term when investing in CIS portfolios. "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."

Equally important, says Mulder, is a well-diversified investment portfolio constructed with the help of a qualified financial adviser.

Offshore focus

Locally registered foreign portfolios held assets under management of R737 billion at the end of March 2023, compared to R694 billion at the end of December 2022 and R633 billion at the end of March 2022. These portfolios recorded net outflows of R4.7 billion for the quarter ended March 2022, bringing total net inflows for the year to R15 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 631 foreign currency-denominated portfolios on sale in South Africa.

Ends

* Net inflows/outflows are calculated by deducting the Rand value of repurchases (units sold by investors) from the total value of units bought by investors. The net inflow figure reflected in this media release consists of new money invested and dividends reinvested.

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Association for Savings and Investment South Africa (ASISA)

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.