Media Release
Association for Savings and Investment South Africa (ASISA)
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SA investors shy away from equities in 2019 unlike their international peers

The local Collective Investment Schemes (CIS) industry reported strong net inflows of R123.2 billion for 2019, despite recording a rare quarterly net outflow in the fourth quarter.

Statistics for the quarter and year ended December 2019, released today by the Association for Savings and Investment South Africa (ASISA), show that the local CIS industry held assets under management of R2.5 trillion spread across 1 610 portfolios.

Just under half of these assets were held in South African (SA) Multi Asset portfolios (49%), with the rest in SA Interest Bearing portfolios (30%), SA Equity portfolios (18%) and SA Real Estate portfolios (3%).

Commenting on the statistics, Sunette Mulder, senior policy advisor at ASISA says that the local portfolio split highlights just how much more risk averse South African investors are when compared to their international counterparts.

"While around 44% of all international CIS assets are invested in equity portfolios, South African investors prefer multi asset portfolios, which are designed to offer diversification across asset classes within a single portfolio with the aim of absorbing the highs and the lows of the markets. Only 12% of international CIS assets are invested in multi asset portfolios."

The 2019 flow pattern

Mulder describes the 2019 net quarterly flow pattern as a rollercoaster. "In the first quarter exceptionally high net inflows of R53 billion were recorded. The second quarter delivered only R25 billion in net inflows. In the third quarter net inflows increased to R48 billion. For the fourth quarter the industry reported a surprise net outflow of R3 billion."

Mulder says a deeper look into the industry flow statistics reveals that the South African Interest Bearing Money Market portfolios suffered the biggest net outflows, losing a total of R15.8 billion in the fourth quarter of last year.

"Money market portfolios are often used by institutional investors to park large sums of money until investment opportunities present themselves. We are therefore making the assumption that the outflows were due to institutional investors pursuing buying opportunities that presented themselves in the fourth quarter, especially since the rate cut in July 2019."

Investor preferences in 2019

According to Mulder, SA Multi Asset Income portfolios attracted the highest net inflows in 2019. Investors committed R70.5 billion to these portfolios, which invest across asset classes with the aim of maximising income. SA Multi Asset Income portfolios are not allowed effective equity exposure of more than 10% of the market value of the portfolio and effective property exposure may not exceed 25%.

Also popular with local investors were portfolios in the three SA Interest Bearing categories: Variable (net annual inflows of R11.5 billion), Short Term (R51 billion) and Money Market (R18 billion). Interest Bearing Portfolios invest exclusively in bond, money market investments and other interest earning securities.

Mulder comments that investors had no appetite for equities last year, causing the SA Equity General sector to suffer net outflows of R13.5 billion in 2019. Portfolios in the SA Multi Asset Low Equity and Medium Equity categories also suffered net outflows of R14.8 billion and R3.6 billion respectively, while SA Multi Asset High Equity managed a small net inflow of only R2.1 billion.

Mulder says while investors were nervous of equities, preferring the perceived safety of Income and Interest Bearing portfolios, portfolios with high equity exposure on average delivered the best performances (net of fees) over the one year, 10 year and 20 year periods to the end of December 2019. Interest Bearing portfolios on average only outperformed equities over the five years ended December 2019.

Sector performance comparison

	1 year to 31 Dec 2019	**5 yrs to 31 Dec 2019**	**10 yrs to 31 Dec 2019**	**20 yrs to 31 Dec 2019**
SA Equity General	8.6%	3.6%	8.8%	13.0%
SA Multi Asset High Equity	9.3%	5.0%	8.9%	12.2%
SA Multi Asset Low Equity	8.3%	5.9%	8.0%	8.4%
SA Multi Asset Income	8.1%	7.6%	7.3%	9.5%
SA Interest Bearing Short Term	8.3%	8.1%	7.2%	8.8%
SA Money Market	7.3%	7.3%	6.3%	8.0%
Inflation	3.6%	4.9%	5.1%	5.5%

Source: Profile Media

Where did the inflows come from

Mulder says 27% of the inflows into the CIS industry in the 12 months to the end of December 2019 came directly from investors – down by 2% from 2018. "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 35% of new inflows, compared to 32% in 2018. Linked investment services providers (Lisps) generated 21% of sales (21% in 2018) and institutional investors like pension and provident funds contributed 17% (18% in 2018).

Offshore focus

Locally registered foreign portfolios held assets under management of R495 billion at the end of December 2019. These foreign portfolios recorded net outflows of R6.6 billion over the 12 months to the end of 2019.

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 498 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.