

Media Release

Association for Savings and Investment South Africa (ASISA)

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CIS investors not yet convinced of green shoots, shunning growth assets

The local Collective Investment Schemes (CIS) industry ended 2024 with assets under management of R3.87 trillion. The 10.8% growth in assets from R3.49 trillion at the end of December 2023 was primarily driven by healthy stock market performance. The JSE All Share Index delivered a return of 13.4% over the 12 months to 31 December 2024.

Sunette Mulder, senior policy adviser at the Association for Savings and Investment South Africa (ASISA), says notably assets under management also grew by 42%, or R1.14 trillion, in four years from R2.73 trillion at the end of December 2020.

This means that the size of the local CIS industry is just under half of the country's economy as measured by the Gross Domestic Product (GDP). According to the South African Reserve Bank, South Africa's GDP (annualised and at market prices) was worth R7.35 trillion at the end of the third quarter of 2024.

Mulder says that while 2024 was a positive year for South African investment markets and, therefore, the CIS industry, local investors did not seem convinced and were consequently reluctant to commit their money to CIS portfolios.

The CIS industry statistics for the quarter and year ended December 2024, released by ASISA this week, show that participating CIS management companies recorded net outflows of R35.25 billion in 2024. South Africa (SA) Equity General portfolios suffered the bulk of the net outflows, with investors pulling out R11.95 billion.

Mulder adds, however, that existing investors reinvested income declarations (dividends and interest) worth R121.07 billion in 2024. The industry, therefore, concluded 2024 with net inflows of R85.82 billion. The net inflows were attracted mainly by interest-bearing portfolios with R42.31 billion flowing to SA Interest Bearing Short Term portfolios, SA Interest Bearing Variable Term portfolios and SA Interest Bearing Money Market portfolios.

Mulder notes that while around 48% of all international CIS assets are invested in equity portfolios, South African investors prefer the diversification offered by portfolios in the SA Multi Asset category. At the end of 2024, just under half of local CIS assets (49.9%) were held in SA Multi Asset portfolios, 30.5% in SA Interest Bearing portfolios, and only 18.3% of assets were invested in SA Equity portfolios.

South African investors had a choice of 1 878 local CIS portfolios at the end of December 2024.

Worldwide, there were 143 035 CIS portfolios with total assets under management of \$75.0 trillion as of the end of September 2024*, according to statistics from the International Investment Funds Association (IIFA).

Investor trends

Acknowledging that recent years had been difficult for the South African economy and consumers, Mulder cautions investors against projecting too much of the past into the future, especially with the interest rate cycle changing downwards. The South African Reserve Bank reduced the prime lending rate by 0.25% in September 2024 and again in November 2024.

“Investors have been shunning growth assets for several years now, most likely because high interest rates put the returns delivered by fixed interest portfolios almost on par with the average performance of general equity portfolios. However, equity portfolios tend to outperform other asset classes over the long-term, and it is time in the market, rather than timing the markets, that delivers investment growth.”

	Average sector performance 1 year to the end of Dec 2024	Average sector performance (annualised) 5 years to the end of Dec 2024	Average sector performance (annualised) 10 years to the end of Dec 2024	Average sector performance (annualised) 20 years to the end of Dec 2024
SA Equity General	13.8%	10.3%	7.2%	11.7%
SA Interest Bearing Short Term	9.7%	7.1%	7.5%	7.6%
SA Interest Bearing Variable Term	15.8%	9.0%	8%	8.4%
CPI	3.0%	4.9%	4.9%	5.4%

Source: Profile Media

Mulder believes that in a couple of years, 2024 may stand out as a turning point for South Africa and an important year for growth assets.

“While the global political environment is deeply concerning, we have seen green shoots appearing in the South African environment for the first time in 2024. A stable inflation rate and lower interest rates meant more disposable income for South Africans. In addition, the new two-pot retirement system provided many households with a cash injection. We have also enjoyed a stable electricity supply, a peaceful transition to a Government of National Unity, and a concerted effort to reverse South Africa's greylisting.”

Offshore focus

Locally registered foreign portfolios held assets under management of R975 billion at the end of December 2024, a 14.1% increase from the R855 billion held at the end of December 2023.

These portfolios recorded net outflows of R5.46 billion for the 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 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 were 727 foreign currency-denominated portfolios on sale in South Africa at the end of 2024.

Ends

* Figures provided by the International Investment Funds Association (IIFA), of which ASISA is a member, lag by one quarter due to the magnitude of statistics that must be collated.

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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.