

## **Media Release**

### **Association for Savings and Investment South Africa (ASISA)**

**14 May 2019**

#### **A solid first quarter for local collective investment schemes**

The local Collective Investment Schemes (CIS) industry reported strong net inflows of R52.8 billion in the first quarter of this year; the third highest quarterly net inflows recorded in five years.

According to the CIS industry statistics for the quarter and year ended March 2019, released today by the Association for Savings and Investment South Africa (ASISA), this brings to R143.3 billion the total net inflows for the 12 months.

Sunette Mulder, senior policy adviser at ASISA, says year-on-year the local CIS industry also delivered a steady growth in assets under management. At the end of March 2019 total assets stood at R2.38 trillion, compared to R2.18 trillion at the end of March last year and R2.24 trillion at the end of 2018.

Half of these assets are held in SA Multi Asset portfolios (50%), followed by SA Interest Bearing portfolios (28%), SA Equity portfolios (19%) and SA Real Estate portfolios (3%).

At the end of March 2019, South African investors had a choice of 1 599 portfolios.

#### **Investor trends**

South African (SA) Interest Bearing Short Term portfolios attracted the bulk of net inflows (R39.7 billion) in the 12 months to the end of March 2019, while SA Interest Bearing Money Market portfolios received R32.8 billion and SA Multi Asset Income portfolios R26.6 billion.

While the majority of investors continued to favour the perceived safety of interest bearing portfolios, Mulder notes that a number of investors were prepared to brave market volatility for the potential of higher returns offered by equity portfolios over the long term. SA Multi Asset High Equity portfolios attracted net inflows of R24.3 billion and SA Equity General portfolios R13 billion.

Also interesting, says Mulder, were the net outflows recorded by the SA Multi Asset Low and Medium Equity portfolios. "The deduction can be made that investors were taking an either-or approach by opting for fixed interest or high equity exposure, with no room for medium or low equity exposure."

Mulder points out that local portfolios with high equity exposure have on average outperformed (net of fees) interest bearing portfolios over the long term. Over the one and five year periods to the end of March 2019, however, interest bearing portfolios outperformed equities.

### **Where did the inflows come from?**

Mulder says 28% of the inflows into the CIS industry in the 12 months to the end of March 2019 came directly from investors. However, this does not mean that these investors acted without advice. "We believe that a number of direct investors pay for advice and then directly implement the choice of portfolio," comments Mulder.

Intermediaries contributed 33% of new inflows. Linked investment services providers (Lisps) generated 21% of sales and institutional investors like pension and provident funds contributed 18%.

### **Offshore focus**

Locally registered foreign portfolios held assets under management of R477 billion at the end of March 2019. These foreign portfolios recorded net inflows of R0.98 billion over the quarter to the end of March 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 455 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.*