

Media Release**Association for Savings and Investment South Africa (ASISA)****19 August 2021****CIS assets under management fast approaching the R3 trillion threshold**

The local Collective Investment Schemes (CIS) industry reported net outflows of R18 billion for the second quarter of this year following the closure of South Africa's biggest money market fund.

Releasing the CIS industry statistics for the quarter and year ended June 2021, Sunette Mulder, senior policy advisor at the Association for Savings and Investment South Africa (ASISA), explains that the second quarter CIS flow statistics provide a distorted picture due to the closure of the Absa Money Market Fund. Absa announced the closure of its R80 billion money market unit trust fund on 7 April 2021 and clients were given until 1 July 2021 to switch their money into alternative options.

Mulder says without the forced outflows from the Absa Money Market Fund, the industry would have posted healthy net inflows of R33 billion for the second quarter of this year.

"Absa provided its money market investors with the option of seamlessly transferring their investment into an Absa investment bank account that offers an interest rate equivalent or better than was offered by the Absa Money Market Fund. We assume that the majority of clients went with this option, which explains why the withdrawals reflect as net outflows in the CIS statistics."

According to Mulder, the total annual net inflows to the end of June 2021 amounted to R98 billion, taking into account the closure of the Absa Money Market Fund. If the outflows from the Absa fund are disregarded, the annual net inflows would have been R149 billion.

Mulder reports that the CIS assets under management are fast approaching the R3 trillion threshold. As at 31 June 2021, the CIS industry managed assets of R2.9 trillion. This represents a growth in assets of close to R2 trillion in less than 10 years. The industry crossed the R1 trillion mark for the first time during the first quarter of 2012, with R1.02 trillion in assets under management as at 31 March 2012.

Mulder points out that as at the end of June 2021, only 18% of assets under management were held in South African Equity portfolios, while SA Interest Bearing portfolios held 32% of assets. Just under half of all assets (48%) were held in SA Multi Asset portfolios, with the rest in SA Real Estate portfolios (2%).

Shift in SA CIS portfolio allocation over five years

| Type of Portfolio | Portfolio Allocation | |
|-------------------|----------------------|--------------|
| | 30 June 2016 | 30 June 2021 |
| Interest Bearing | 24% | 32% |
| Equity | 21% | 18% |
| Real Estate | 4% | 2% |
| SA Multi Asset | 51% | 48% |

Investor trends

The Covid-19 induced market turmoil in the first quarter of last year resulted in the FTSE/JSE All Share Index (ALSI) dropping to 37 963.01 on 19 March 2020, its lowest level for 2020. By the end of June 2020 the index had recovered to 55 746 points. A year later, on 30 June 2021, the ALSI closed at 66 086 points – a change of 18.5% over the 12 months.

Mulder says SA Equity General portfolios as well as SA Multi Asset High Equity and Low Equity portfolios on average outperformed (net of fees) interest bearing portfolios over the one year, 10 year and 20 year periods to the end of June 2021.

SA Interest Bearing Short-term, Money Market and SA Multi Asset Income portfolios on average outperformed (net of fees) portfolios with an equity exposure over the five year period to the end of June 2021.

According to Mulder, the majority of CIS investments made over the past year would have missed out on the strong stock market recovery, given that the bulk of the net inflows went into interest bearing portfolios.

She adds that a successful investment strategy requires a long-term commitment to a well-diversified portfolio, which includes exposure to equity, together with an understanding that it is time in the market, as opposed to timing the market, that makes all the difference.

- **Annual flows to end June 2021**

Interest bearing portfolios continued to attract the bulk of the net inflows for the 12 months to the end of June 2021, while Global Equity General and Global Multi Asset Flexible portfolios were also popular with investors.

SA Interest Bearing Short Term portfolios attracted R46.1 billion in the 12 months ended June 2021, SA Interest Bearing Variable Term portfolios R18.1 billion and SA Multi Asset Income portfolios R15.4 billion. Global Equity General attracted annual net inflows of R36.9 billion and Global Multi Asset Flexible portfolios R10.2 billion.

By comparison SA Equity portfolios attracted net inflows of only R1.1 billion in the 12 months ended June 2021.

- **Quarterly flows to end June 2021**

Mulder says only in the second quarter of this year did investors start taking note of strong performance of the local equity market over the 12 months ended June 2021.

Investors cautiously ventured back into equities via SA Multi Asset Low Equity portfolios, which attracted net inflows of R2.5 billion in the three months to end June 2021, and SA Equity General portfolios R1.1 billion (the same as for the entire 12 month period). However, SA Interest Bearing Variable Term portfolios remained a firm favourite with investors committing R3.8 billion in the three months to end June 2021.

Mulder also points out that portfolios in the Global Equity General category proved most popular with investors in the second quarter of this year, attracting R10.7 billion in the three month period. Global portfolios are Rand denominated and are managed by local CIS managers. A Global Equity General portfolio invests 80% of funds in shares listed on stock markets outside of South Africa.

On average, Global Equity General portfolios delivered double digit returns for the one, five, and 10 year periods to the end of June 2021.

Where the inflows came from

Mulder says 26% of the inflows into the CIS industry in the 12 months to the end of June 2021 came directly from investors. "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 36% of new inflows. Linked investment services providers (Lisps) generated 21% of sales and institutional investors like pension and provident funds contributed 17%.

Offshore focus

Locally registered foreign portfolios held assets under management of R623 billion at the end of June 2021. These foreign portfolios recorded net inflows of R9.97 billion for the quarter ended June 2021.

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 568 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.