

Media Release

Association for Savings and Investment South Africa (ASISA)

28 October 2024

New categories for unit trusts investing exclusively in South Africa

Unit trust investors will find it easier to compare the performances and risk profiles of South Africa's 1 852 local collective investment scheme (CIS) portfolios following an update by the Association for Savings and Investment South Africa (ASISA) of its Fund Classification Standard. The update came into effect on 1 October 2024.

Sunette Mulder, senior policy advisor at ASISA, says the review of the Standard was necessitated by the 2022 increase in offshore investment limits to 45% by the South African Reserve Bank (SARB). At the time, the Standard limited offshore exposure for South African CIS portfolios to 40% (30% outside of South Africa and an additional 10% of assets in Africa, excluding South Africa).

Mulder says the previous version of the Standard had been in force since January 2013. "Since the Standard had to be amended, we used the opportunity to do a full review of the Standard to ensure that it continues to meet its key objective, which is to provide investors with a classification system that enables meaningful comparison of performance and potential risks when investing in a particular type of CIS portfolio."

The Standard provides for a three-tier classification of CIS portfolios based on the investable universe. The first tier classifies portfolios based on their top-level geographical exposure. The second tier classifies funds according to their underlying asset classes (equities, multi-asset, interest-bearing, and real estate). The third tier classifies funds in line with their primary focus within the investment universe, for example, Equity—General, Multi-Asset—High Equity, Interest Bearing—Variable Term, or Real Estate—General.

What changed

Mulder says the main change under the first-tier geographic classification redefined South African (SA) portfolios as portfolios that invest at least 55% of their assets in SA investment markets in line with the new offshore limit. In addition, the split between offshore and rest-of-Africa exposure was removed, meaning the remaining 45% can be invested anywhere outside of SA.

"We also removed the Regional Portfolio category since very few portfolios used this classification. These portfolios have moved into the Global Portfolio category."

According to Mulder, no changes were made to the second-tier category, and the four asset classes remain as Equity, Multi-Asset, Interest-Bearing, and Real Estate.

Mulder says of most interest to investors are the changes made to the third-tier category, which reflects the investment focus of portfolios.

- **Equity Portfolios:**

Under the Equity Portfolios category, a new category, the SA Equity – SA General category, was introduced for CIS portfolios that invest exclusively in local shares.

Mulder explains that the difference in the return profile of portfolios invested in local and foreign markets, often amplified by currency fluctuations, created an environment where funds grouped together often no longer had a comparable investment universe. This caused a categorisation that did not allow for meaningful comparison.

Mulder says that some 60 portfolios moved from the SA Equity – General category to the SA Equity – SA General category when the revised Standard came into effect on 1 October 2024.

Furthermore, a new Equity – Africa category was created under the first-tier Global Portfolio category.

- **Multi-Asset Portfolios**

Mulder says in line with the changes made to the Equity – General category, a new category was added to the Multi Asset Portfolios category called Multi Asset – SA High Equity category. Portfolios in this category invest in SA equity, bond, money, or property markets and hold 100% of their market value in South Africa.

- **Interest Bearing Portfolios**

In addition to changing the name of the money market classification to Interest Bearing – SA Money Market, this category also introduces two new classifications:

- **Interest Bearing – Variable Term Inflation Linked Bonds:** These portfolios invest at least 80% of their market value in Inflation Linked Bonds (ILB).
- **Interest Bearing – Unclassified (Global Portfolios only):** These portfolios invest in a spectrum of bonds, fixed deposits and other interest-bearing securities. Due to their unique investment objectives, portfolios in this category cannot be compared.

Matching portfolios to categories

The [ASISA Fund Classification Tool](#) on [SmartAboutMoney](#), a consumer education initiative supported by ASISA, enables investors to match their portfolios to the relevant categories.

Mulder says the tool also provides a detailed overview of each category.

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.