

## **Media Release**

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

**13 November 2018**

### **CIS investors undeterred by volatility, committing R54 billion in third quarter**

Seemingly undeterred by stock market volatility, a troubled economy and the turmoil in emerging markets, local investors committed a healthy R54 billion in net inflows to the local Collective Investment Schemes (CIS) industry in the third quarter of this year.

The CIS industry statistics for the quarter and year ended September 2018, released today by the Association for Savings and Investment South Africa (ASISA), show that the above average net inflows (including reinvestments) in the third quarter pushed total net inflows for the 12 months to the end of September 2018 to R112 billion.

Commenting on the CIS industry statistics, Sunette Mulder, senior policy adviser at ASISA, says year-on-year the local CIS industry also delivered a steady growth in assets. At the end of September last year, assets stood at R2.19 trillion, compared to the R2.32 trillion at the end of the third quarter this year.

### **Where did the money go?**

According to Mulder portfolios in the SA Interest Bearing sector (Short Term and Variable Term) were a firm favourite with investors, attracting the bulk of the net inflows for the 12 months to the end of September 2018. This sector recorded net inflows of R43 billion, with R35 billion going into SA Interest Bearing Short Term portfolios. These portfolios aim to provide relative capital stability and are characterised by a regular and high level of income. The SA Interest Bearing Short Term sector delivered an average return of 8.3% over the 12 months ended September 2018 and 7.4% over the five year period, outperforming all other sectors.

She says SA General Equity portfolios also recorded strong net inflows of R16 billion for the year ended September 2018. SA Multi Asset portfolios on the other hand continued to decline in relative popularity, attracting R32 billion. The exception here were the SA Multi Asset High Equity portfolios, which attracted R24.2 billion. Only a year ago, says Mulder, SA Multi Asset portfolios still dominated in terms of net inflows.

"It is impossible to draw meaningful conclusions on investor sentiment from the current flow patterns, which are very divergent. Investors are favouring interest bearing portfolios, but not at the expense of general equity exposure. Where previously investors appeared to prefer the diversification offered by multi asset portfolios, it seems that investors and their advisers may have gone back to balancing their own portfolios to achieve optimal diversification."

At the end of September 2018, SA Multi Asset portfolios held 49% of assets, SA Interest Bearing portfolios 28%, SA Equity portfolios 20% and SA Real Estate 3%.

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

Mulder says 29% of the inflows into the CIS industry in the 12 months to the end of September 2018 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 32% 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 R514 billion at the end of September 2018. These foreign portfolios recorded net outflows of R20 billion over the 12 months to the end of the third quarter this 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 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.*

