

## **Media Release**

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

**24 May 2018**

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

The local Collective Investment Schemes (CIS) industry reported a 3.2% drop in assets under management for the first quarter of this year as a result of difficult market conditions and subdued net inflows on the back of bruised investor sentiment.

According to the CIS industry statistics for the quarter and year ended March 2018, released today by the Association for Savings and Investment South Africa (ASISA), asset under management dropped to R2.18 trillion over the first quarter of this year from R2.25 trillion at the end of December 2017.

Sunette Mulder, senior policy adviser at ASISA, says not only did the JSE All Share Index (ALSI) report a drop of 6% in the first quarter of this year contributing to lower assets under management, but the industry also attracted quarterly net inflows of only R3 billion to the end of March 2018.

"The CIS industry last reported net inflows in the single digits in the third quarter of 2014 when net inflows came in at only R2 billion. This was the same quarter that marked the start of the African Bank saga, which unnerved investors. It is probably no coincidence that investors were spooked in the first quarter of this year as the Steinhoff debacle continued to unfold."

Mulder says despite the anemic net inflows for the first quarter of this year, the industry attracted healthy net inflows of R107 billion for the 12 months to the end of March 2018.

She adds that year-on-year the local CIS industry has also delivered a steady growth in assets. At the end of March last year, assets stood at R2.07 trillion, compared to the R2.18 trillion at the end of the first quarter this year.

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

While interest bearing portfolios were firm favourites for three of the four quarters to the end of March, there was a strong change in direction by investors in the first quarter of this year.

South African (SA) Interest Bearing Variable Term portfolios recorded net outflows of R4.4 billion and Money Market portfolios were the quarter's biggest losers with net outflows of R9 billion.

SA Multi Asset High Equity portfolios on the other hand attracted strong net inflows of R9.7 billion. SA General Equity portfolios were also popular with investors, attracting the second highest net inflows for the quarter of R4.4 billion.

Mulder comments that these patterns indicate that resilient investors in all likelihood used the market turmoil as a buying opportunity.

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

Mulder says 29% of the inflows into the CIS industry in the 12 months to the end of March 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 30% of new inflows. Linked investment services providers (Lisps) generated 21% of sales and institutional investors like pension and provident funds contributed 20%.

### **The industry in summary**

At the end of March 2018, SA Multi Asset portfolios held 50% of assets (43% at the end of March 2013), SA Interest Bearing portfolios 26% (31%), SA Equity portfolios 20% (22%) and SA Real Estate 4% (4%).

Mulder points out that January this year marked the five-year anniversary of the introduction of the new Fund Classification Standard for South African Collective Investment Portfolios. This means that for the first time a true five-year comparison of portfolio allocation was possible.

At the end of March 2018, investors had a choice of 1 584 portfolios – an increase of 62 from the previous year.

### **Offshore focus**

Locally registered foreign portfolios held assets under management of R422 billion at the end of March 2018. These foreign portfolios recorded net inflows of R13.4 billion over the 12 months to the end of the first 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. 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 435 foreign currency denominated portfolios on sale in South Africa.

### **Ends**

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Association for Savings and Investment South Africa (ASISA)

*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.*