

## **Media Release**

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

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### **Interest bearing CIS portfolios attract record breaking net inflows in 2020**

The local Collective Investment Schemes (CIS) industry attracted net annual inflows of R213 billion last year – the highest ever in the industry's 55 year history. As a result assets under management by the local CIS industry increased to R2.73 trillion over the 12 months to the end of December 2020. This means that the local CIS industry almost tripled its asset under management since December 2010 when assets were less than R1 trillion (R927 billion).

Statistics for the quarter and year ended December 2020, released by the Association for Savings and Investment South Africa (ASISA), show that the local CIS industry attracted R23 billion of net inflows in the first quarter of 2020, followed by a record breaking R88 billion in the second quarter, R57 billion in the third quarter, and finally a solid R44 billion in the fourth quarter of 2020.

Commenting on the statistics, Sunette Mulder, senior policy advisor at ASISA, says last year's record breaking net inflows came as a surprise given the volatility and uncertainty caused by the Covid-19 pandemic. She adds that while investors, both retail and institutional, were not shy to commit their money to local CIS portfolios in 2020, very few ventured outside of the perceived safety offered by interest bearing portfolios.

Mulder points out that South African investors are far more risk averse than their international counterparts. While 43% of all international CIS assets are invested in equity portfolios, in South Africa just under half of assets (46%) are held in South African (SA) Multi Asset portfolios, with the rest in SA Interest Bearing portfolios (35%), SA Equity portfolios (17%) and SA Real Estate portfolios (2%).

Worldwide, there were 125 434 CIS portfolios with total assets under management of \$56.9 trillion as at the end of September 2020. (Figures provided by the International Investment Funds Association (IIFA), of which ASISA is a member, lag by one quarter due to the magnitude of statistics that have to be collated.)

At the end of December 2020, South African investors had a choice of 1 686 portfolios.

### **Investor trends in 2020**

Mulder says while the industry had noticed a steady shift away from SA Multi Asset portfolios and SA Equity portfolios in recent years towards SA Interest Bearing portfolios, investors seemed to have lost almost completely their appetite for volatility last year making SA Interest Bearing portfolios their number one choice.

The bulk of last year's net inflows went into South African Interest Bearing portfolios: SA Interest Bearing - Money Market portfolios attracted R90.2 billion, SA Interest Bearing – Short Term portfolios gained R65.3 billion in net inflows and SA Interest Bearing – Variable Term portfolios took R28.1 billion.

The SA Multi Asset category, which was the most popular category with investors until 2016, managed to secure only R3 billion in net inflows last year. SA Equity portfolios suffered a second year of net outflows, recording R4 billion in net outflows for 2020.

The average performance (net of fees) of SA Interest Bearing – Short Term portfolios topped the one-year and five-year performance charts to the end of December 2020. SA Interest Bearing – Money Market portfolios on average delivered the second highest returns over the 12 months to the end of December 2020 and placed third over five years. SA Multi Asset – Income portfolios on average delivered the second highest performance over five years to the end of December 2020.

Mulder points out, however, that investors who took a long-term view and braved the volatility in portfolios with high equity exposure would have been rewarded with performances (net of fees) that beat fixed interest over the 10 year and 20 year periods to the end of December 2020.

### Sector performance comparison

	1 year to 31 Dec 2020	5 yrs to 31 Dec 2020	10 yrs to 31 Dec 2020	20 yrs to 31 Dec 2020
<b>SA Interest Bearing -Short Term</b>	6.2%	8.0%	7.0%	8.4%
<b>SA Interest Bearing - Money Market</b>	5.9%	7.0%	6.3%	7.8%
<b>SA Multi Asset -Income</b>	5.7%	7.5%	7.0%	9.1%
<b>SA Multi Asset - High Equity</b>	5.1%	4.4%	8.1%	12.4%
<b>SA Multi Asset - Low Equity</b>	4.8%	5.2%	7.5%	10.4%
<b>SA Equity - General</b>	1.0%	3.4%	7.2%	13.3%
<b>Inflation</b>	3.1%	4.6%	5.1%	5.4%

Source: Profile Media

Mulder cautions that investment performance is influenced by many factors and that past performance is not a reliable indicator of long-term future performance. "For this reason investors are encouraged to work with their financial advisers to structure well diversified portfolios that include exposure to a range of asset classes

appropriate for their investment needs. In addition, geographic diversification is also an important consideration when constructing a well-diversified portfolio."

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

Mulder says 26% of the inflows into the CIS industry in the 12 months to the end of December 2020 came directly from investors – down by 1% from 2019. She points out that 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 in 2020, compared to 35% in 2019. Linked investment services providers (Lisps) generated 21% of sales, the same as in 2019. Institutional investors like pension and provident funds contributed 17%, as in 2019.

### **Offshore focus**

Locally registered foreign portfolios held assets under management of R562 billion at the end of December 2020 compared to R495 billion at the end of December 2019. These foreign portfolios recorded net outflows of R48.9 billion over the 12 months to the end of 2020.

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 566 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.*