Media Release
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Local CIS industry shoulders tough markets, attracts net inflows of R93.5 bn

The local Collective Investment Schemes (CIS) industry attracted net inflows of R93.5 billion in 2018, ending the year with assets under management of R2.24 trillion.

The annual CIS industry statistics for 2018, released this week by the Association for Savings and Investment South Africa (ASISA), indicate that the local CIS industry showed remarkable resilience last year despite tough market conditions.

Sunette Mulder, senior policy adviser at ASISA, comments that despite lower net inflows and a negative return of 8.5% by the JSE All Share Index (ALSI) for the 12 months to the end of December 2018, the industry's assets under management declined only slightly from R2.25 trillion at the end of 2017 to R2.24 trillion at the end of 2018.

The bulk of these assets are held in SA Multi Asset portfolios (49%), followed by SA Interest Bearing portfolios (29%), SA Equity portfolios (19%) and SA Real Estate portfolios (3%).

Mulder comments that the local portfolio split highlights just how much more risk averse South African investors are when compared to their international counterparts.

International CIS investors opt predominantly for equity portfolios (45% of all international CIS assets). Second most popular are bond portfolios (SA Interest Bearing Variable portfolios), which hold 21% of assets, followed by balanced portfolios (SA Multi Asset portfolios), which hold 13% and then 12% in Money Market portfolios.

Worldwide, there are 117 263 collective investment scheme portfolios with total assets under management of $50.1 trillion as at the end of September 2018. (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 2018, South African investors had a choice of 1 567 portfolios.

Investor trends

Mulder says an analysis of the 2018 flow statistics shows that investor behaviour last year did not deviate much from 2017 when cautious investors started retreating from low and medium equity portfolios to the perceived safety of interest bearing portfolios.

As a result South African (SA) Interest Bearing Short Term portfolios attracted R30.8 billion of net inflows in the 12 months to the end of December 2018.

However, as was the case in 2017, a big contingent of investors still braved the market volatility in return for the potential of higher returns typically offered by equity portfolios over the long term. SA Multi Asset High Equity portfolios last year again attracted the second highest net inflows of R19.5 billion and SA Equity General portfolios R12.1 billion.

Mulder points out that portfolios with high equity exposure have on average outperformed (net of fees) interest bearing portfolios over the long term.

Sector performance comparison

	1 year to 31 Dec 2018	**5 yrs to 31 Dec 2018**	**10 yrs to 31 Dec 2018**	**20 yrs to 31 Dec 2018**
SA Equity General	-8.8%	3.9%	10.5%	14.7%
SA Multi Asset High Equity	-3.6%	5.0%	9.5%	12.5%
SA Interest Bearing Short Term	8.0%	7.5%	7.3%	9.4%
SA Money Market	7.3%	7.0%	6.6%	8.4%
Inflation	5.2%	5.4%	5.4%	5.5%

Source: Profile Media

Where did the inflows come from

Mulder says 29% of the inflows into the CIS industry in the 12 months to the end of December 2018 came directly from investors – up by 1% from 2017. "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 32% of new inflows, compared to 30% in 2017. Linked investment services providers (Lisps) generated 21% of sales (22% in 2017) and institutional investors like pension and provident funds contributed 18% (20% in 2017).

Offshore focus

Locally registered foreign portfolios held assets under management of R442 billion at the end of December 2018. These foreign portfolios recorded net outflows of R6.4 billion over the 12 months to the end of 2018.

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 459 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.