

Media Release

Association for Savings and Investment South Africa (ASISA)

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Ongoing market volatility sees CIS investors return to multi asset portfolios

Despite significant local and global market volatility spilling over into the third quarter of 2022, assets under management by local Collective Investment Schemes (CIS) moved back into the R3 trillion territory after dropping to R2.98 trillion in the second quarter of 2022.

The local CIS industry first reached the R3 trillion milestone in the fourth quarter of last year, finishing 2021 with R3.14 trillion in assets under management. By the end of September 2022, assets under management had returned to R3.01 trillion.

Statistics for the quarter and year ended 30 September 2022, released by the Association for Savings and Investment South Africa (ASISA) earlier today, also show that the local CIS industry attracted healthy net inflows of R39 billion in the third quarter of this year, bringing total net inflows for the 12 months to the end of September 2022 to R121 billion.

Sunette Mulder, ASISA Senior Policy Advisor, notes that the third quarter net inflows of R39 billion were the strongest reported by the industry since the fourth quarter of 2020, when the industry attracted R44 billion. Noteworthy, according to Mulder, is that the healthy net inflows (consisting of dividends reinvested and new money) were achieved in a volatile environment.

"After a strong but brief rally in July this year, stock markets in most jurisdictions, including South Africa, declined sharply, mainly due to global inflation fears and slowing global growth," notes Mulder. For the year ended 30 September 2022, in Rand terms, the JSE All Share Index managed a 3.5% return, the S&P 500 a 1% return and the FTSE 100 a negative return of 0.2%.

Investor trends

Mulder says given the ongoing market volatility, it is not surprising that investors continued to favour South African Multi Asset portfolios in the third quarter. Portfolios in the SA Multi Asset category are designed to provide diversification across asset classes within a single portfolio. The SA Multi Asset category comprises 774 portfolios and holds 49% of total industry assets.

According to Mulder, the SA Multi Asset category attracted R66 billion in net inflows for the 12 months to the end of September 2022, the highest in six years. Investors opted predominantly for SA Multi Asset Income portfolios (R26.1 billion in net annual flows), followed by SA Multi Asset High Equity portfolios (R23.6 billion).

The SA Interest Bearing category (Short term and Variable term) recorded net inflows of R26 billion, while SA Money Market funds attracted net inflows of R5 billion. Portfolios in the SA Equity category received net inflows of R2 billion for the 12 months to the end of September 2022.

Offshore focus

Locally registered foreign portfolios that submit information to ASISA held assets under management of R665 billion at the end of September 2022, up from the R638 billion held at the end of the second quarter of 2022.

These foreign portfolios recorded net inflows of R0.5 billion for the quarter ended September 2022. Total net inflows for the year ended 30 September 2022 came to R24.8 billion.

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 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 623 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.