

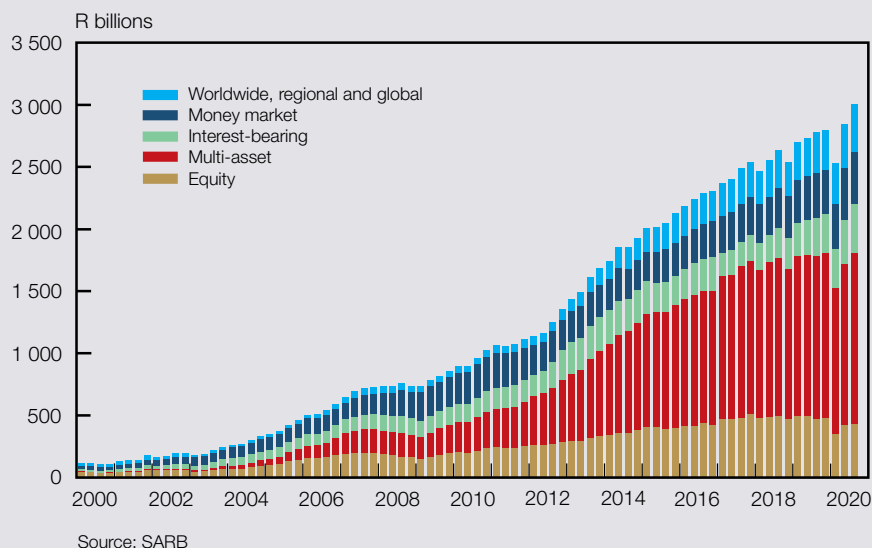


## Box 4 Unpacking unit trust statistics<sup>1</sup>

Unit trusts are collective investment schemes<sup>2</sup> which pool investors'<sup>3</sup> funds. Unit trusts can be classified into different types of funds<sup>4</sup> with diverse asset allocation<sup>5</sup> mandates to provide for investors' needs. This box introduces some of the different dimensions of unit trust statistics and highlights some of the broad trends in these statistics.

An analysis of the total assets of unit trusts by type of fund<sup>6</sup> shows the dominance of multi-asset funds, which render well-diversified portfolios, and accounted for 45.9% of total assets in the third quarter of 2020. By contrast, equity funds only accounted for 14.2% of total assets in the third quarter of 2020. The contribution by money market funds averaged 21.8% from the first quarter of 2000 to date, but declined gradually to 14.1% in the third quarter of 2020, while that of interest-bearing funds averaged 14.8% over the same period.

### Allocation of total assets by type of unit trust

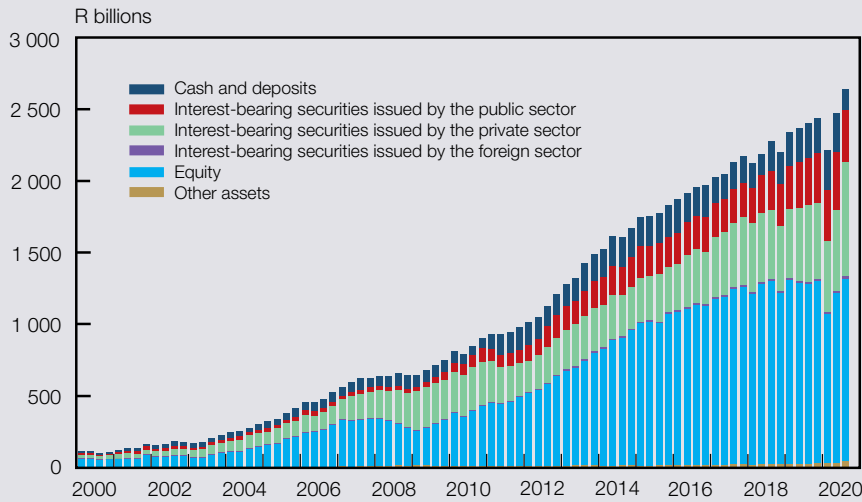


The total assets<sup>7</sup> of unit trusts grew from a quarterly average of only R111 billion in 2000 to R2.6 trillion in the third quarter of 2020. The analysis indicates average exposures to equity of 50.7%, interest-bearing securities<sup>8</sup> of 35.9%, and cash and deposits<sup>9</sup> of 12.2% as from the first quarter of 2000 to the third quarter of 2020. Equity holdings peaked at 58% in the fourth quarter of 2015, with declines during both the global financial crisis and the current coronavirus disease 2019 (COVID-19) pandemic.

Foreign assets<sup>10</sup> accounted for 31.5% of total assets at the end of the third quarter of 2020, and domestic intra-industry assets, which are excluded from the above measure of total assets, increased from about R1.5 billion in the final quarter of 2000 to R368 billion in the third quarter of 2020.

- 1 This box relates to the statistics of unit trusts on page S–36 in this edition of the *Quarterly Bulletin*, as revised from 1996, with the presentation aligned to the South African Reserve Bank's newly introduced unit trust survey, which expands on financial instruments and institutional sector counterparties.
- 2 Collective investment schemes were established in terms of the Collective Investment Schemes Control Act 45 of 2002. In addition to unit trusts, collective investment schemes also include participation bond schemes and hedge funds as well as other forms of funds. See <https://www.gov.za/documents/collective-investment-schemes-control-act>
- 3 Investors in unit trusts include all institutional sectors. Individuals form part of the household sector, while the financial sector is demarcated into banks and non-bank financial institutions, with the latter including pension funds, insurance companies, trust companies and unit trusts (fund of funds). Non-financial corporations, both public and private, also invest in unit trusts.
- 4 Unit trusts can broadly be classified as equity funds, multi-asset funds, interest-bearing funds (excluding money market funds), money market funds, worldwide funds, as well as regional and global funds.
- 5 The broad asset allocation categories are cash and deposits; interest-bearing securities issued by the private, public and foreign sectors; equity; and other assets such as accounts receivable and financial derivatives.
- 6 Domestic intra-industry assets such as fund of funds are included here in total assets.
- 7 Total assets exclude domestic intra-industry assets.
- 8 Interest-bearing securities include bonds and money market instruments issued by the domestic public sector (national and local governments as well as state-owned companies), the domestic private sector and the foreign sector.
- 9 Cash and deposits comprise transferable and other deposits with banks.
- 10 Foreign assets are financial instruments issued by non-residents.

### Asset allocation of total assets\*



\* Total assets, excluding domestic intra-industry assets  
Source: SARB

### Domestic and foreign assets as at the end of September 2020

R billions

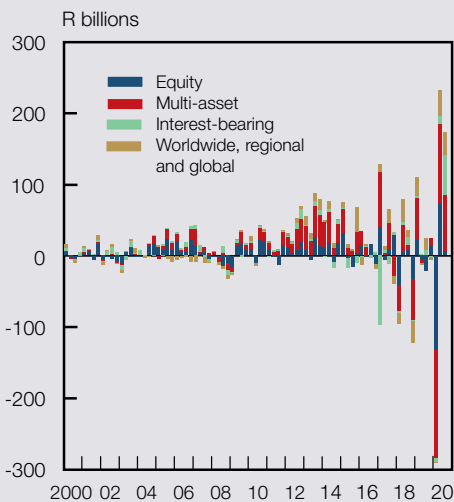
Financial asset	Domestic issuers	Foreign issuers
Cash and deposits	115	34
Interest-bearing securities	1 155	17
Equity	497	777*
Other assets	42	2

\* Foreign equity includes secondary listings on the JSE Limited

Source: SARB

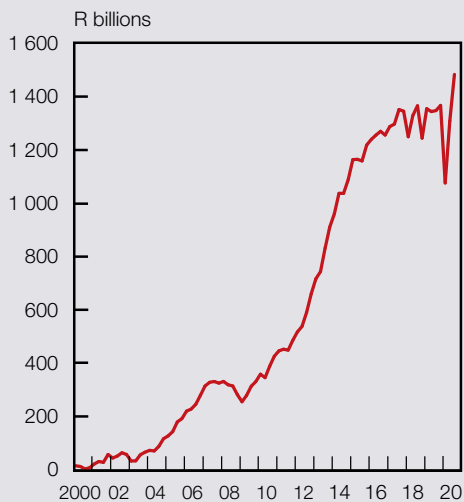
Revaluations<sup>11</sup> indicated that the changes in the prices of underlying financial assets contributed substantially to the growth in the total assets of unit trusts. According to this calculation, revaluations accounted for R1.5 trillion of the current outstanding value of total assets of R3.0 trillion. It is also evident how price movements in the underlying assets affect flows to unit trusts and asset classes with different lags.

### Revaluations\* per type of unit trust



\* Revaluations calculated as the change in total assets minus net flows  
Source: SARB

### Cumulative revaluations\*



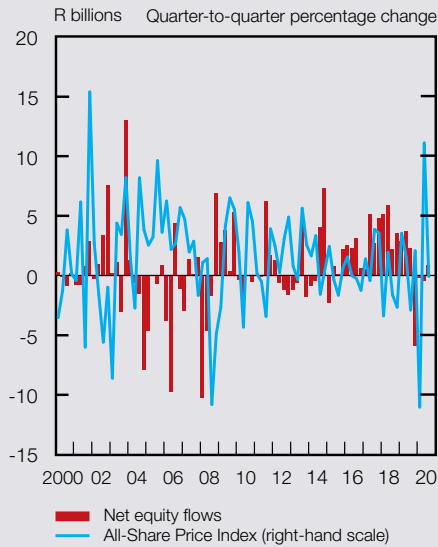
\* Excluding money market funds

11 Revaluations are calculated as the change in total assets minus net flows.

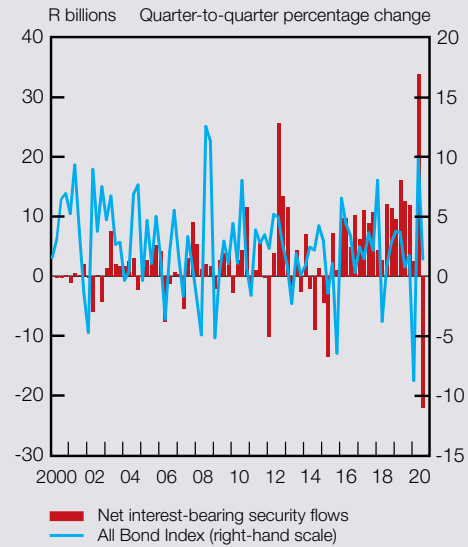




### Net equity flows and movements in equity prices

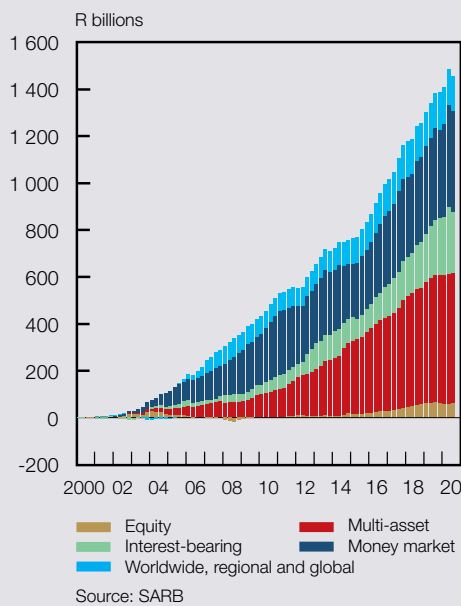


### Net interest-bearing security flows and movements in bond prices

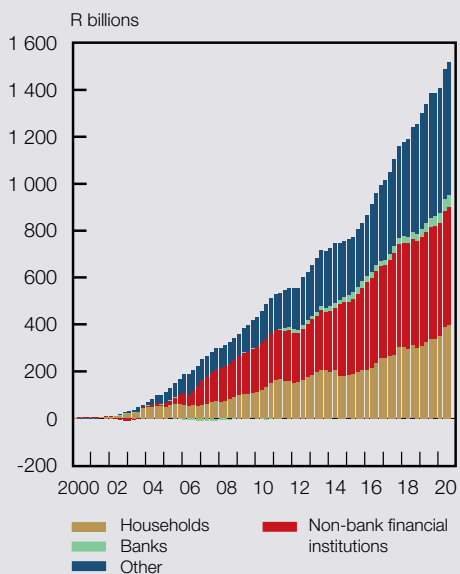


The cumulative net flows per type of unit trust clearly show a preference for multi-asset funds and an increase in flows to funds that invest in interest-bearing securities as well as to money market funds. It is also evident that, in terms of net flows from investors, non-bank financial institutions currently dominate, followed by companies in the 'other' category<sup>12</sup> and households.

### Cumulative net flows by type of unit trust



### Cumulative net flows by investors' institutional sector



These net flows combined with revaluations render the different institutional sector holdings of net assets<sup>13</sup> in unit trusts. The household sector dominated the investor universe in 2000 but the investor landscape has subsequently changed, and in the third quarter of 2020 non-bank financial institutions accounted for 70.2% of net assets followed by households at 22.1%, with the remaining sectors accounting for 7.7%.

<sup>12</sup> The 'other' category includes private and public non-financial corporations, local government and non-residents.

<sup>13</sup> Net assets equal total assets, including domestic intra-industry assets, minus total liabilities, such as financial derivatives and distributable income.