

Changes ahead for money market funds

INFLOW PATTERNS OVER the past quarter confirm what's been seen before. Investors still flock into money market funds; those a little more brave, or sensible, are using fixed-interest unit trust funds and investors prepared to commit some money to equities are investing in balanced funds.

Pieter Koekemoer, head of personal investments at Coronation Fund Managers, says while not a new key trend it still shows investors' strong preference for multi-asset or balanced funds. "Over the past quarter around R9bn went into balanced funds – about 60% of inflows. The

second trend (within the balanced funds environment) is the popularity of unit trust funds compliant with Regulation 28 of the Pension Funds Act."

The Coronation Balanced Plus Fund dominates inflows in this sector, Morningstar reports, with R2,86bn invested year-to-date. In the sector Morningstar has ranked the Coronation fund first over five years, third over three years and fourth over one year. Another Coronation fund – the Coronation Top 20 – unseated the long-standing Old Mutual Mining & Resources Fund at top place in the Morning-

star rankings over five years.

Koekemoer agrees very cautious investors in money market funds will find it difficult to obtain real returns with inflation rising, but says he expects regulations for money market funds to tighten over the next six months. "It's very much in line with international trends post the financial crisis. The effect will be returns will reduce but so will risk." He says the regulatory changes are coming from SA's Financial Services Board but are also part of a wider industry investigation into non-equity investments. ■