BANKING

Absa money market fund closure confusing

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Investment experts are questioning Absa's decision to close down its money market fund as the decision will lock in customers who follow the bank's advice to move their money to an Absa fixed deposit account, while paying higher fees.

Absa said in a letter to customers that the unit trust fund, established in 1997, was to be wound up in terms of Section 102 of the Collective Investment Schemes Control Act and would close on 6 July.

The reason for this is not clear, but Absa hinted that some of its investors might have been using it as a bank account, which it was not meant to be.

However, investment strategist Magnus Heystek, director of Brenthurst Wealth Management, is not impressed with Absa and said the market is not impressed either.

"It is all very confusing. What they say and what reality is, is not the same thing."

He said money market funds are the safest investment because it spreads the risk over a group of investments, which is very low risk for investors.

"It is the first time this has happened.

"It is absolute rubbish that Absa is closing the fund because people are using it as a bank account.

"Absa now wants customers to convert their investments to a fixed deposit.

"The risk will then depend on Absa only and not a group of investments anymore as it would be with a money market fund.

"A money market fund cannot go bankrupt, but Absa can, not that I think it could happen."

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He expected many investors to move their money elsewhere.

Heystek also pointed out that Daniel Mminele, CEO of Absa since January last year, had worked at the South African Reserve Bank as deputy governor.

"They know how it works and yet they are not telling the truth."

Economist Mike Schüssler said as the country's biggest money market fund, it was seen as safe, especially among older people investing for safety over growth.

"I have nothing bad to say about the fund, only that the communication caught a lot of people off guard.

"Many people ended up confused and that was certainly the case at least on some parts of social media."

Sylvester Kgatla, head of Absa Fund Managers Limited, said in a statement that Absa recently conducted a review of the Absa money market fund, which had roughly R80 billion in assets under management.

"The outcome of the review highlighted that most of our retail clients mainly require a bank account that is guaranteed by Absa, at an attractive interest rate.

"More than 90% of the investors in the fund are retail investors.

"The findings of the review are not inconsistent with our previous notifications to our clients, which reiterated that the fund was a unit trust and that capital and returns were not guaranteed."