

*Trends in the European Investment Fund Industry
in the Fourth Quarter of 2004
and
Results for Full-Year 2004*

This report was prepared by Bernard Delbecque, Senior Economic Adviser

EFAMA
The European Fund and Asset Management Association

Square de Meeûs, 18 - B-1050 BRUXELLES - Tel. 32-2-513.39.69 Fax: 32-2-513.26.43 - e-mail: info@efama.org

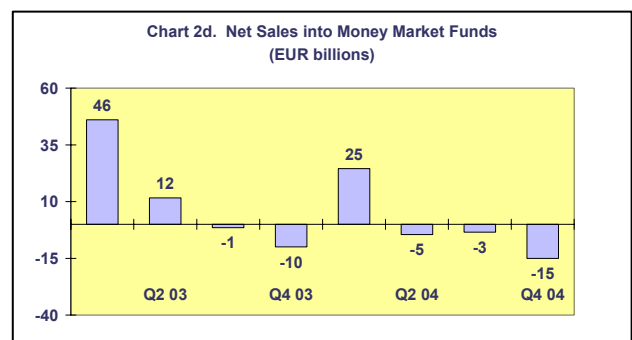
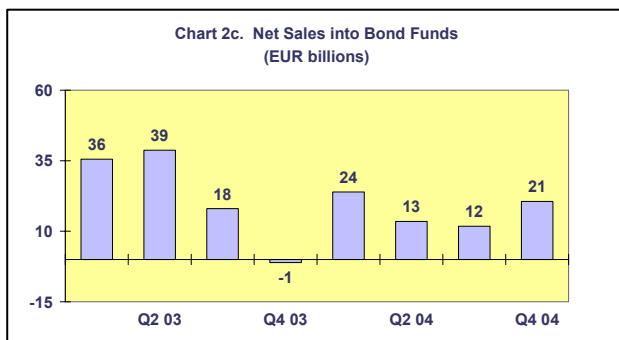
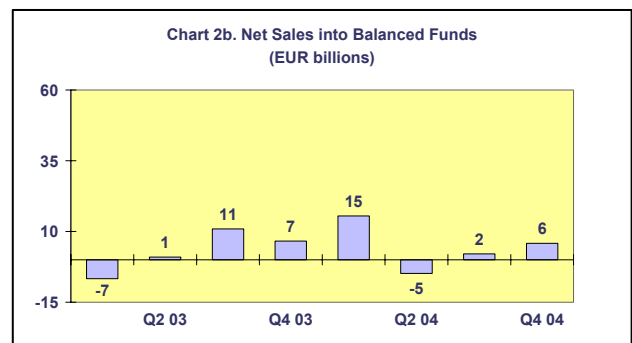
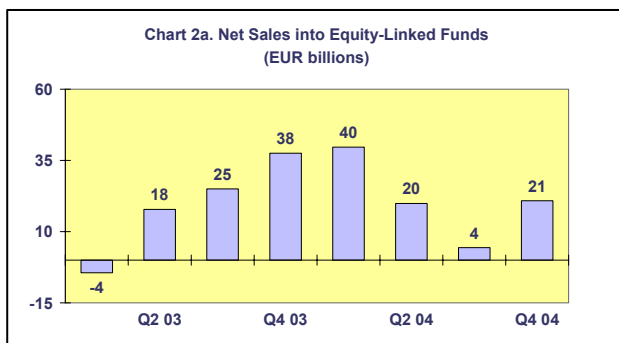
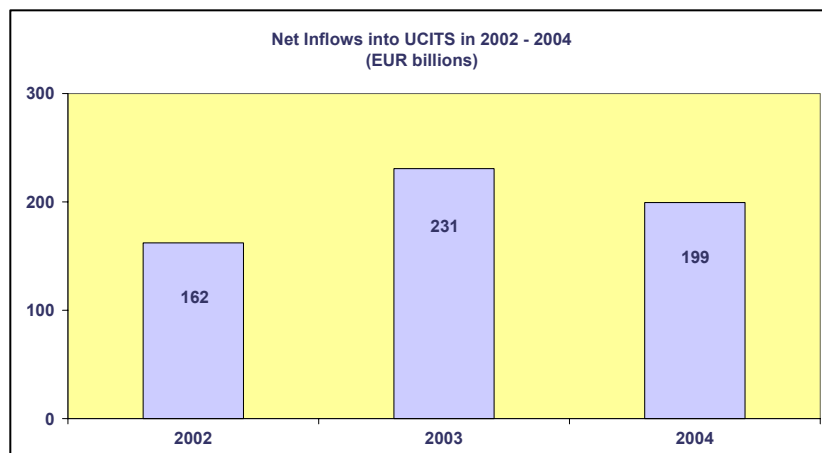
Trends in the UCITS Market

Net Sales by Investment Type

Net sales of UCITS¹ picked up in the fourth quarter of 2004 reaching EUR 38 billion, from EUR 15 billion in the third quarter. As shown in the charts below, the recovery was due to a clear increase in the demand for equity and bond funds, against the background of weakening demand for money market funds, which suffered net redemptions of EUR 15 billion during the fourth quarter.

For the year as a whole, UCITS recorded net sales of EUR 199 billion, compared to EUR 231 billion in 2003. Declining flows into money market funds (from EUR 46 billion in 2003 to EUR 2 billion) explained the observed decline in net sales. Including estimates for Ireland and Belgium, total net inflows reached EUR 234 billion in 2004.

Excluding money market funds, long-term UCITS – equity, balanced and bond funds – collected EUR 198 billion of net flows, compared to EUR 185 billion in 2003 and EUR 71 billion in 2002.



¹ "UCITS" is used in this note in the sense of publicly offered open-end funds investing in transferable securities and money market funds.

Trends in the UCITS Market

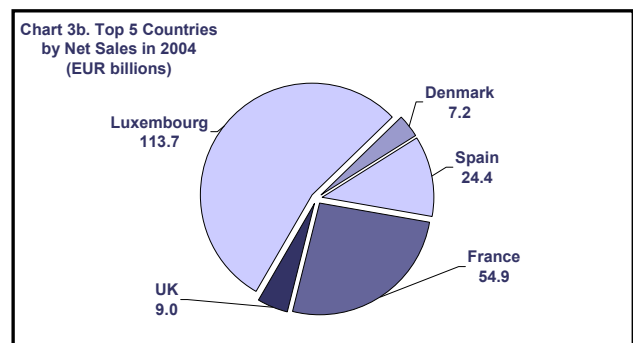
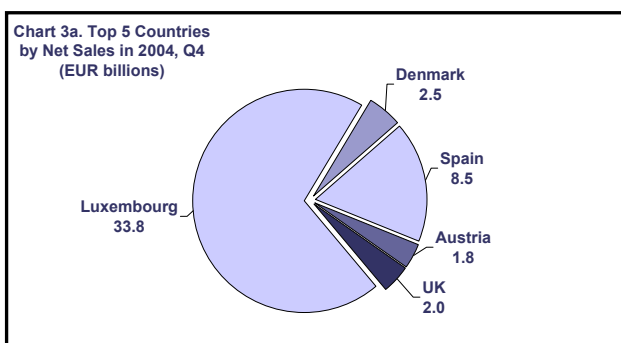
Net Sales by Country of Domiciliation

With net sales rising to EUR 38 billion in the fourth quarter from EUR 14 billion in the previous quarter, Luxembourg-domiciled funds were the primary beneficiaries of the strengthening in demand for UCITS in the fourth quarter. Spain also recorded a sharp increase in net flows in the fourth quarter. Among the other largest countries, Italy continued to record outflows in all segments of the markets, whereas Germany suffered from significant net withdrawals from money market funds in December.

For the year as a whole, flows to Luxembourg-domiciled funds represented 57% of total flows to UCITS. Taking into account net flows into Dublin-based funds, cross-border fund sales represented more than 60% of the total industry net inflows. In the other European markets, France and Spain attracted the highest net flows, EUR 55 billion and EUR 24 billion, respectively.

Members	Equity Funds		Bond Funds		Balanced Funds		Money Market Funds		Other Funds ⁽²⁾		Total	
	Q4	2004	Q4	2004	Q4	2004	Q4	2004	Q4	2004	Q4	2004
Austria	175	497	621	2,978	84	-70	299	2,118	591	893	1,770	6,416
Czech Republic	5	35	-27	-206	-43	-241	84	348	0	2	19	-62
Denmark	1,262	2,047	1,101	5,024	94	94	0	0	0	0	2,457	7,165
Finland	616	1,994	504	1,301	57	65	-447	1,972	-13	-70	717	5,262
France	4,850	20,800	2,720	17,260	-2,300	120	-5,300	16,740	0	0	-30	54,920
Germany	892	-2,238	-176	2,371	173	-129	-6,673	-6,674	-34	706	-5,818	-5,964
Greece	-149	-247	460	856	29	32	-109	-587	0	0	231	54
Italy	-1,871	-5,799	-967	-13,057	-45	2,828	-4,476	-9,220	0	0	-7,359	-25,248
Liechtenstein	299	836	104	761	15	26	16	348	51	194	485	2,165
Luxembourg	10,451	47,769	13,152	40,061	2,303	6,667	2,850	-1,169	5,041	20,403	33,797	113,731
Norway	499	918	290	825	59	131	-32	496	0	0	816	2,370
Portugal	-38	-10	86	782	56	129	-158	-481	79	196	25	616
Slovakia	1	9	39	92	2	14	130	499	0	0	172	614
Spain	1,429	11,359	2,681	7,317	4,303	6,807	66	-1,090	0	0	8,479	24,393
Sweden	158	2,640	154	462	153	1,164	-247	295	-61	491	157	5,052
Switzerland	690	798	-171	-549	324	-546	-678	-1,049	142	158	307	-1,188
United Kingdom	1,563	3,091	-4	3,202	522	1,461	-385	-727	314	1,988	2,010	9,015
Total	20,832	84,499	20,567	69,480	5,786	18,552	-15,060	1,819	6,110	24,961	38,235	199,311

(1) In EUR millions for FEFSI members for which data are available; including funds of funds, except for France and Italy for which the funds of funds data are included in the other fund categories.



Trends in the UCITS Market

Net Assets by Investment Type

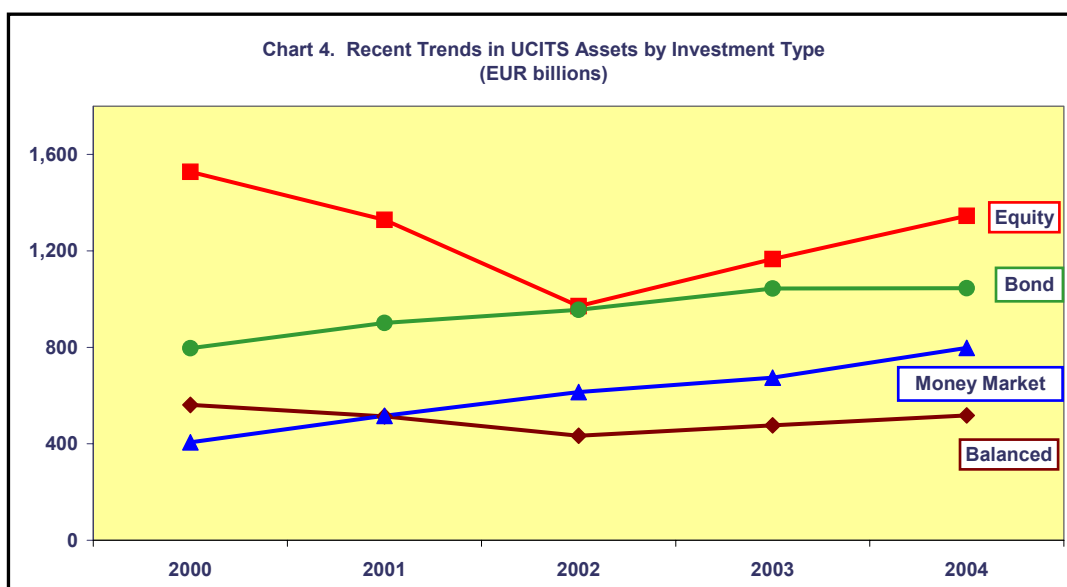
Total net assets of UCITS increased by 3.3% in the fourth quarter. The main driver of growth was the good performance of equity funds which was driven by net inflows of new money and improved stock market conditions.

Year-to-date growth in the UCITS market reached 11.3%. About 50% of this growth can be attributed to net inflows of new money and 50% to a positive performance effect.

One of the most prominent features of the developments in 2004 was the pace of growth of equity fund assets, confirming a trend that accelerated during the second half of 2003. Another important aspect of the developments in 2004 was the continued investor interest in guaranteed funds in Belgium, France and Spain, which saw their assets increase from EUR 160 billion at end 2003 to EUR 180 billion at end 2004.

Table 2. Breakdown of UCITS Assets by Category ⁽¹⁾						
UCITS types	31/12/2004		Quarter 4		YTD	
	EUR bn	Share	% chg ⁽²⁾	Net sales ⁽⁴⁾	% chg ⁽³⁾	Net sales ⁽⁵⁾
Equity	1,345	35%	6.1%	1.8%	15.4%	7.8%
Balanced	517	13%	4.2%	1.3%	8.6%	4.2%
Total Equity & Balanced	1,863	48%	5.6%		13.4%	
Bond	1,045	27%	3.3%	1.5%	0.1%	
Money Market	798	21%	-2.2%	-1.9%	18.3%	
Funds of funds ⁽⁶⁾	51	1%	4.3%		12.4%	
Other	88	2%	5.3%		23.4%	
All Funds	3,845	100%	3.2%	0.9%	10.6%	5.3%
including Ireland	4,189		3.3%		11.3%	

(1) Excluding Ireland for which no data breakdown is available. (6) Except funds of funds domiciled in France, Luxembourg and Italy which are included in the other types of funds.
(2) End 2004 compared to end September 2004.
(3) End 2004 compared to end 2003.
(4) Net sales in Q4 in % of end-September 2004 assets.
(5) YTD net sales in % of end 2003 assets .



Trends in the UCITS Market

Net Assets by Country of Domiciliation

Nordic and Central European countries continued to show superior growth performance in the fourth quarter. The pace of growth was also one step above the European average in Liechtenstein, Luxembourg, Spain and the United Kingdom. In contrast, growth was negative for the third quarter in a row in Germany and Italy, causing a decline in total assets of UCITS assets domiciled in these countries in 2004.

Almost all European countries experienced double-digit growth rates. Only three countries experienced a decline in assets: Germany, Italy and Switzerland. Greater use of Luxembourg as domiciliation centre as well as competition from insurance products and structured notes played a key role in the development in Germany. In Italy, in contrast to 2003, bond and money market funds experienced sharp outflows. In Switzerland, fund managers launched an increasing portion of their funds either in Luxembourg or as non-UCITS to work within more flexible regulatory rules.

Looking at the country share in UCITS asset domiciliation, Luxembourg ended the year with the number 1 position with a market share of 24.5%.

Table 3. Net Assets of the European UCITS Industry						
Members	31/12/2004		30/09/2004		31/12/2003	
	EUR m	Share	EUR m	% chg ⁽¹⁾	EUR m	% chg ⁽²⁾
Austria	89,046	2.1%	86,407	3.1%	81,714	9.0%
Belgium	93,431	2.2%	90,702	3.0%	84,200	11.0%
Czech Republic	3,583	0.1%	3,351	6.9%	3,245	10.4%
Denmark	47,573	1.1%	43,373	9.7%	39,219	21.3%
Finland	27,647	0.7%	26,397	4.7%	20,270	36.4%
France	1,006,500	24.0%	981,600	2.5%	909,300	10.7%
Germany	224,691	5.4%	226,579	-0.8%	225,248	-0.2%
Greece	31,647	0.8%	30,615	3.4%	30,399	4.1%
Hungary	3,766	0.1%	3,036	24.0%	3,164	19.0%
Ireland	343,308	8.2%	330,907	3.7%	285,372	20.3%
Italy	375,694	9.0%	377,872	-0.6%	390,443	-3.8%
Liechtenstein	9,980	0.2%	9,484	5.2%	7,639	30.6%
Luxembourg	1,024,984	24.5%	980,373	4.6%	874,198	17.2%
Netherlands	72,326 ⁽³⁾	1.7%	72,326	--	73,358	--
Norway	22,659	0.5%	20,964	8.1%	18,102	25.2%
Poland	8,820	0.21%	7,626	15.7%	6,799	29.7%
Portugal	23,420	0.6%	23,186	1.0%	22,311	5.0%
Slovakia	1,592	0.04%	1,339	18.9%	840	89.4%
Spain	233,124	5.6%	220,695	5.6%	204,649	13.9%
Sweden	79,938	1.9%	77,045	3.8%	69,975	14.2%
Switzerland	70,587	1.7%	69,621	1.4%	71,870	-1.8%
Turkey	13,297	0.3%	12,817	3.7%	11,209	18.6%
United Kingdom	380,875	9.1%	359,621	5.9%	329,694	15.5%
All Funds	4,188,489	100%	4,055,935	3.3%	3,763,217	11.3%

(1) End 2004 compared to end September 2004; (2) end 2004 compared to end 2003; (3) End September 2004 data.

Trends in the Non-UCITS Market Net Sales and Assets by Investment Type

Special funds reserved for institutional investors, which held 63% of the non-UCITS² assets at end of 2004, benefited from EUR 14 billion of net flows in the fourth quarter, EUR 13 billion more than the preceding quarter. Rising flows to Germany-domiciled funds (from EUR 1.1 billion to EUR 8.4 billion) and Denmark-domiciled funds (from EUR 0.5 billion to EUR 3.8 billion) propelled growth in net sales and assets.

Overall, non-UCITS assets grew by 9.4% in 2004 to reach EUR 1,153 billion.

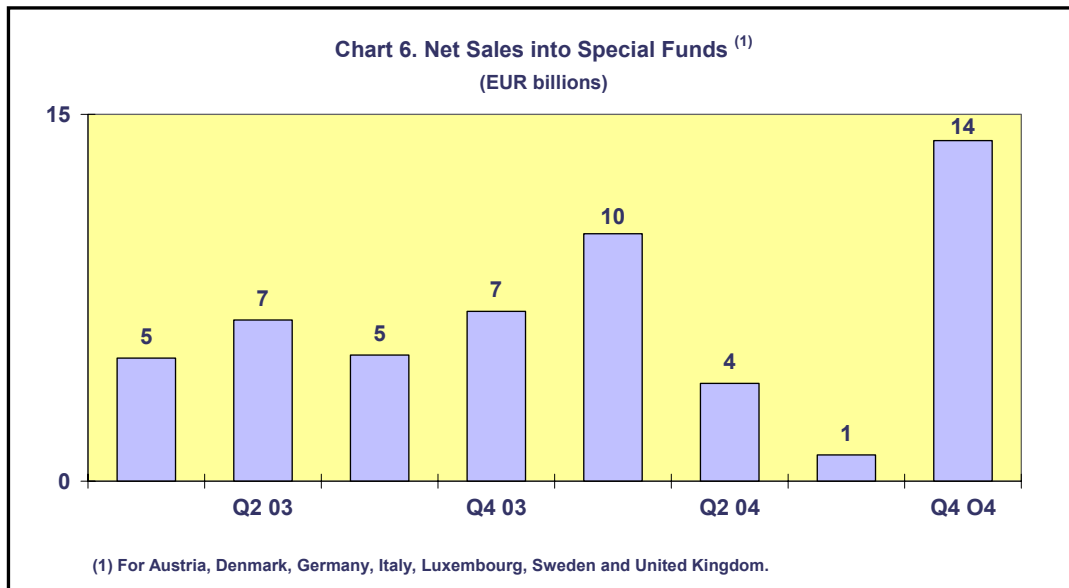


Table 4. Breakdown of Non-UCITS Assets by Category ⁽¹⁾

Fund types	31/12/2004		30/09/2004		31/12/2003	
	EUR bn	Share	EUR bn	% chg ⁽²⁾	EUR bn	% chg ⁽³⁾
Special / Institutional	665	63%	646	2.9%	619	7.5%
German "Spezialfonds"	543	51%	532	2.1%	518	4.8%
Closed-ended	116	11%	114	2.4%	115	0.9%
British investment trusts	86	8%	84	1.7%	82	4.2%
Open-ended	64	6%	66	-2.6%	58	10.6%
French employees savings	57	5%	60	-4.0%	57	0.5%
Property funds	147	14%	146	0.8%	136	8.0%
Other	70	7%	65	8.2%	49	41.9%
Total	1,062	100%	1,036	2.5%	977	8.7%
including Ireland	1,153		1,126	2.5%	1,054	9.4%

(1) Excluding Ireland for which no data breakdown is available. (3) End 2004 compared to end 2003.
(2) End 2004 compared to end-September 2004.

² "Non-UCITS" is used in this note in the sense of nationally regulated funds that are not publicly offered and/or are closed-end funds. The non-UCITS market is dominated by four types of products: the German "Spezialfonds" reserved for institutional investors, the British closed-ended investment trusts, the property funds and the French open-ended employees saving funds.

Trends in the European Investment Fund Industry

Net Assets by Country of Domiciliation

The combined assets of the investment fund market in Europe, i.e. the market for UCITS and non-UCITS, increased by 3.1% in the fourth quarter to total EUR 5,341 at end 2004. Compared to the situation at end 2003, total net assets increased by 10.9%, or EUR 525 billion.

Three countries (France, Luxembourg and Germany) had a market share of 57.5% at end 2004, with funds domiciled in France and Luxembourg managing more than one trillion in assets. The United Kingdom, Ireland and Italy followed in this ranking.

With EUR 4,188 billion invested in UCITS, this segment of the business accounted for 78.4% of the fund market at end 2004.

Table 5. Net Assets of the European Investment Fund Industry						
Members	31/12/2004		30/09/2004		31/12/2003	
	EUR m	Share	EUR m	% chg ⁽¹⁾	EUR m	% chg ⁽²⁾
Austria	125,289	2.3%	121,676	3.0%	110,996	12.9%
Belgium	98,785	1.8%	96,026	2.9%	89,537	10.3%
Czech Republic	3,590	0.1%	3,393	5.8%	3,350	7.1%
Denmark	77,179	1.4%	66,520	16.0%	48,934	57.7%
Finland	30,805	0.6%	29,127	5.8%	22,082	39.5%
France	1,110,290	20.8%	1,085,850	2.3%	1,008,000	10.1%
Germany	855,031	16.0%	846,895	1.0%	828,568	3.2%
Greece	32,985	0.6%	31,898	3.4%	31,813	3.7%
Hungary	4,441	0.1%	3,576	24.2%	3,515	26.3%
Ireland	434,589	8.1%	420,903	3.3%	361,760	20.1%
Italy	394,394	7.4%	394,802	-0.1%	401,586	-1.8%
Liechtenstein	10,138	0.2%	9,664	4.9%	7,701	31.6%
Luxembourg	1,106,222	20.7%	1,058,915	4.5%	953,302	16.0%
Netherlands	86,622 ⁽³⁾	1.6%	86,622	--	87,182	--
Norway	22,659	0.4%	20,964	8.1%	18,102	25.2%
Poland	9,237	0.2%	7,987	15.6%	7,076	30.5%
Portugal	31,465	0.6%	30,491	3.2%	28,708	9.6%
Slovakia	1,641	0.03%	1,386	18.4%	887	85.1%
Spain	237,502	4.4%	224,614	5.7%	207,465	14.5%
Sweden	81,438	1.5%	78,460	3.8%	71,213	14.4%
Switzerland	83,325	1.6%	82,184	1.4%	79,637	4.6%
Turkey	13,297	0.2%	12,817	3.7%	11,209	18.6%
United Kingdom	490,969	9.2%	466,745	5.2%	434,601	13.0%
All Funds	5,341,892	100.0%	5,181,515	3.1%	4,817,224	10.9%
UCITS Assets	4,188,489	78.4%	4,055,935	3.3%	3,763,217	11.3%
Non-UCITS Assets	1,153,404	21.6%	1,125,580	2.5%	1,054,007	9.4%

(1) End 2004 compared to end-September 2004.
(2) End 2004 compared to end 2003.
(3) Figure at end September 2004.