

Trends in the European Investment Fund Industry
in the Second Quarter of 2008
and
Results for First Half of 2008

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EFAMA
The European Fund and Asset Management Association

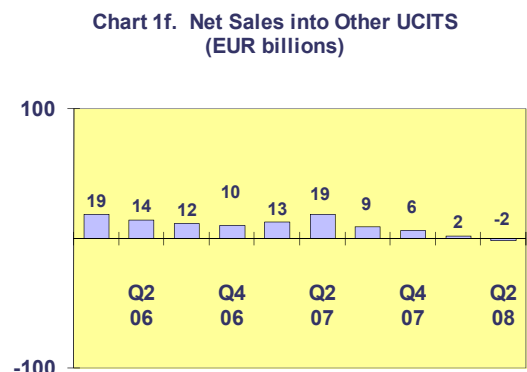
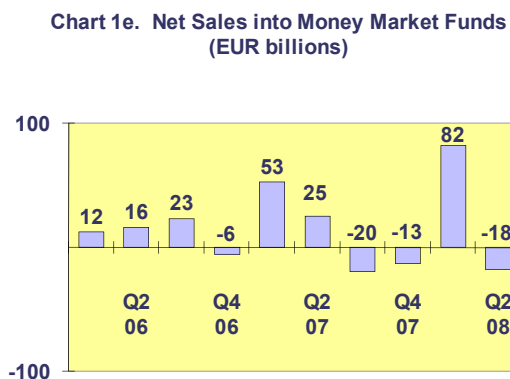
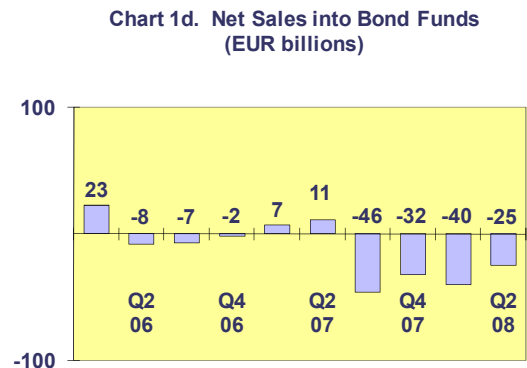
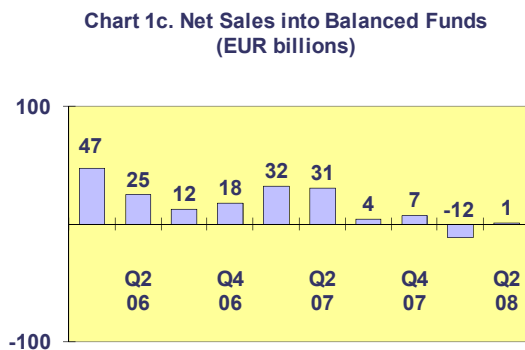
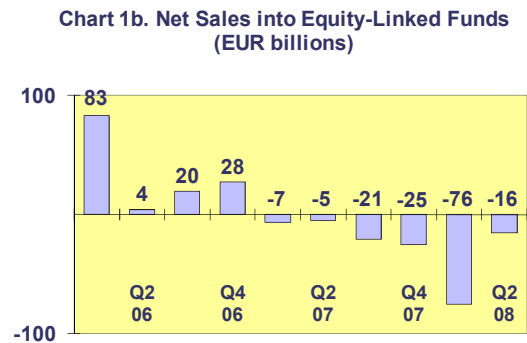
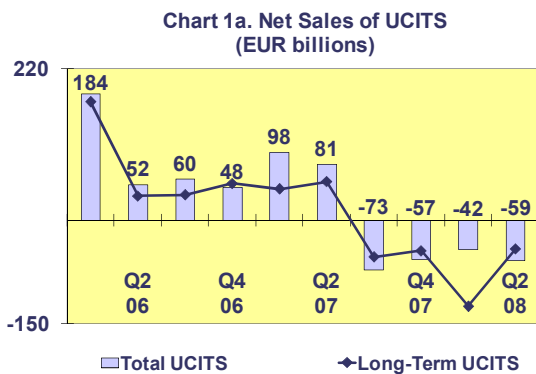
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Trends in the UCITS Market

Net Sales by Investment Type

The recent trend of outflows from UCITS continued in the second quarter of 2008, with UCITS suffering EUR 59 billion of net outflows, compared to EUR 42 billion in the first quarter. This development was triggered by a sharp reversal of flows into money market funds, from net inflows of EUR 82 billion in the first quarter to net outflows of EUR 18 billion in the second quarter. In contrast, outflows from equity funds slowed down considerably from EUR 76 billion in the first quarter to EUR 16 billion in the second quarter. In view of the continued losses and uncertainty that surrounded stock markets in the spring, this development is encouraging. The outflows from bond funds also slowed down, whereas net flows into balanced funds turned back positive, albeit to a modest level (EUR 1 billion). Reflecting these developments, total outflows from long-term UCITS, i.e. equity, bond, balanced and “other” UCITS, fell from EUR 125 billion in the first quarter to EUR 41 billion in the second quarter.

For the first half of 2008, total net outflows from UCITS reached EUR 101 billion, compared to EUR 129 billion in the second half of 2007. With a total of EUR 91 billion of net outflows, equity funds suffered the most during the first half of 2008, followed by bond and balanced funds (EUR 64 billion and EUR 11 billion, respectively). On the other hand, money market funds gained EUR 64 billion net.



Trends in the UCITS Market

Net Sales by Country of Domiciliation

Looking at the major fund markets, Luxembourg-domiciled UCITS, which had recorded EUR 5.2 billion of net outflows in the first quarter, recovered in the second quarter and raised EUR 11.4 billion. The shift reflected a sharp slowdown in outflows from equity and bond funds, as well as stronger demand for balanced funds. On the other hand, net flows to money market funds decelerated much in the second quarter. Despite outflows from equity funds, UK-domiciled UCITS also raised new money in the second quarter. The asset increase reported in Table 3 also points to positive inflows into Ireland-domiciled UCITS.

In the other major markets, UCITS remained in net redemptions, with France-domiciled UCITS witnessing the strongest outflows because of net outflows from bond and balanced funds (reflecting continued investor prudence vis-à-vis absolute return and dynamic short-term funds) as well as from money market funds (partly for cyclical reasons). In Germany, the net outflows from local funds were offset by net inflows into “round-trip” funds domiciled in Luxembourg, which totaled EUR 3.4 billion in the second quarter (EUR 2.2 billion benefiting funds of funds and 1.6 billion going in guaranteed and capital protected funds). UCITS continued to suffer from strong redemptions in Italy and Spain, in all segments of the market. Concerning Italy, net outflows from local funds (UCITS and non-UCITS), round-trip funds and funds promoted by foreign companies amounted to EUR 21.1 billion, EUR 4.4 billion and EUR 5.0 billion, respectively, in the second quarter. Elsewhere in Europe, net flows remained positive in Denmark, Liechtenstein, Romania, Slovakia and Slovenia, though at small levels.

The developments during the first half of 2008 mirrored what happened in the second quarter. The highest amount of new money was invested in Luxembourg. The United Kingdom held the second position in this ranking, followed by Liechtenstein, Norway, Romania and Slovenia. All other countries recorded net outflows in January-June 2008.

Members	Equity Funds		Bond Funds		Balanced Funds		Money Market Funds		Other Funds ⁽²⁾		Total	
	Q2	Q1-Q2	Q2	Q1-Q2	Q2	Q1-Q2	Q2	Q1-Q2	Q2	Q1-Q2	Q2	Q1-Q2
Austria	-152	-1,577	-1,956	-3,783	49	-235	-356	-832	-162	-506	-2,577	-6,933
Bulgaria	-10	-41	0	-2	-6	-14	1	6	0	0	-15	-51
Czech Republic	8	10	-50	-152	-8	-10	-64	-202	18	20	-95	-334
Denmark	401	-444	303	413	-268	-247	0	0	0	0	436	-278
Finland	-414	-546	-540	-569	-141	-219	-721	-1,970	6	-35	-1,810	-3,340
France	1,300	-5,400	-3,700	-10,900	-10,800	-25,300	-11,500	25,000	-2,600	-3,000	-27,300	-19,600
Germany	-818	-4,197	-2,385	-5,555	2,191	3,635	-3,215	-4,090	2,208	2,926	-2,018	-7,280
Greece	-94	-228	-265	-923	16	-95	-588	-767	-168	-490	-1,099	-2,503
Hungary	67	163	-177	-318	-10	-24	-232	16	-161	-247	-514	-410
Italy	-2,914	-10,144	-7,319	-12,247	-4,893	-14,917	-3,877	-2,652	0	0	-19,002	-39,959
Liechtenstein	-26	-39	-1	72	18	42	1,239	1,054	1	80	1,231	1,210
Luxembourg ⁽³⁾	-4,341	-43,999	-4,173	-27,608	16,285	29,776	6,729	48,760	-3,126	-722	11,374	6,207
Netherlands	-36	1,129	-1,514	-1,969	-56	-295	-59	-198	29	58	-1,635	-1,275
Norway	115	-267	73	303	-16	-163	-458	376	-11	48	-296	297
Poland	-302	-436	-21	-73	-482	-786	-5	-15	0	-1	-810	-1,311
Portugal	-188	-543	-865	-1,986	-51	-165	-760	-1,348	440	128	-1,424	-3,914
Romania	5	2	15	20	4	3	6	5	0	0	30	29
Slovakia	11	11	-21	-60	7	-1	120	288	-14	6	102	244
Slovenia	-23	-90	0	-1	-1	-25	-5	5	2	-3	61	-114
Spain	-7,279	-20,203	-3,938	-3,153	-1,946	-3,901	-3,188	-2,453	0	0	-16,351	-29,710
Sweden	544	-1,542	-238	460	364	190	-727	271	-109	-542	-165	-1,163
Switzerland ⁽⁴⁾	n.a.	648	n.a.	-136	n.a.	975	n.a.	3,269	n.a.	0	n.a.	4,756
United Kingdom	-1,373	-3,328	2,145	3,786	667	1,180	-226	-161	1,882	2,541	3,096	4,017
Total	-15,516	-91,062	-24,628	-64,380	924	-10,597	-17,885	64,360	-1,766	262	-58,783	-101,417

(1) In EUR millions for EFAMA members for which data are available; (2) including funds of funds, except for France and Italy for which the funds of funds data are included in the other fund categories; (3) net sales of non-UCITS are included in "other" funds, except net sales of special funds, which are shown in Table 5; (4) No net sales data available for Q2

Trends in the UCITS Market *Net Assets by Investment Type*

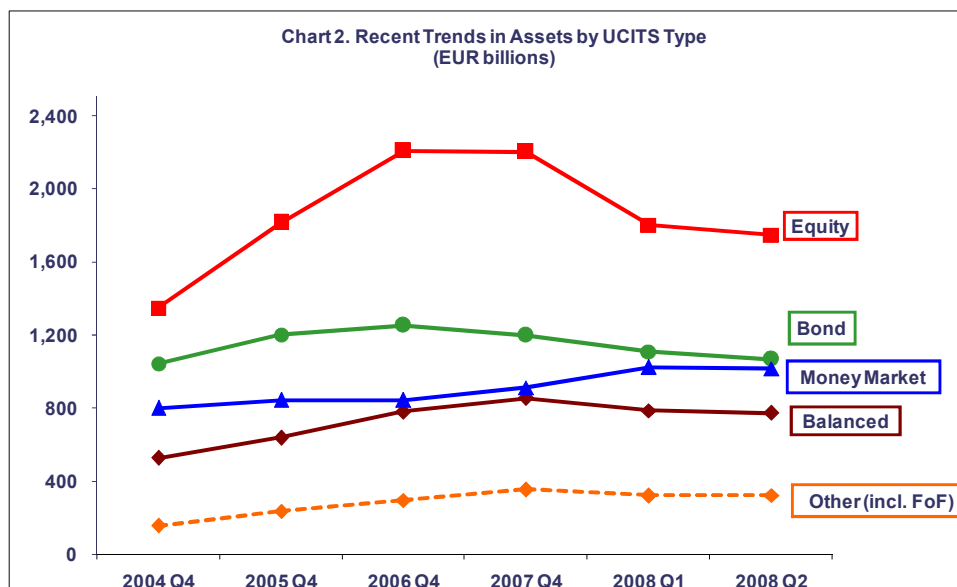
Total net assets of UCITS fell by 1.3 percent in the second quarter to reach EUR 5,584 billion at end June 2008. All fund categories except funds of funds, experienced a fall in assets.

Since end 2007, total assets in UCITS decreased by 9.4 percent. The chart below confirms that most of the decline in assets observed in the first half of 2008 occurred in the first quarter. The heavy losses endured by stock markets were the driving force behind this evolution. By way of illustration, the Dow Jones STOXX index lost 16.1 percent between end 2007 and end March 2008. Around 15 percent of the decline reflected net outflows, whereas market depreciation represented the remaining 85 percent.

Reflecting this evolution, the share of equity fund assets in total UCITS assets fell from 40 percent at end 2007 to 35 percent at end June 2008. Money market funds made up for the difference with a share of assets totalling 21 percent at end June, compared to 16.5 percent at end 2007.

Table 2. Breakdown of UCITS Assets by Category ⁽¹⁾						
UCITS types	30/06/2008		Change wrt to 31/03/2008		Change wrt to 31/12/2007	
	EUR bn	Share	in % ⁽²⁾	in EUR bn	% chg ⁽³⁾	in EUR bn
Equity	1,745	35%	-3.0%	-55	-20.7%	-455
Balanced	771	16%	-1.9%	-15	-9.7%	-83
Total Equity & Balanced	2,516	51%	-2.7%	-70	-17.6%	-537
Bond	1,066	22%	-3.8%	-42	-11.0%	-132
Money Market	1,015	21%	-0.7%	-7	11.5%	105
Funds of funds ⁽⁴⁾	81	2%	4.6%	4	-19.0%	-19
Other	240	5%	-0.8%	-2	-4.8%	-12
All Funds	4,918	100%	-2.3%	-117	-10.8%	-596
including Ireland	5,584		-1.3%	-75	-9.4%	-576

(1) Excluding Ireland for which no data breakdown is available. (4) Except funds of funds domiciled in France, Luxembourg and Italy which are included in the other types of funds.
(2) End of June 2008 compared to end March 2008.
(3) End of June 2008 compared to end 2007.



Trends in the UCITS Market

Net Assets by Country of Domiciliation

Looking at the development in the major markets, Italy and Spain suffered the sharpest declines in assets in the second quarter, reflecting the sheer volume of net outflows from UCITS domiciled in these countries. UCITS assets also fell in France, Germany and the United Kingdom, albeit modestly. On the other hand, Luxembourg avoided a decline in UCITS assets, whereas Ireland posted a 6.7 percent asset growth, albeit in a period (April-May 2008) that was protected from the heavy stock market losses observed in June.

With the exception of Norway, the Nordic countries witnessed a decline in their UCITS assets, mainly reflecting the impact of poor stock market performance. The developments in Central Europe were mixed, with Poland suffering a fall in assets close to 10 percent, whereas the Czech Republic, Hungary, Romania and Slovakia enjoyed positive growth. In local currency, though, UCITS assets declined by 1.5 percent and 5.6 percent in the Czech Republic and Hungary, respectively.

With the exception of the Czech Republic, Ireland and Slovakia, all countries suffered a decline in UCITS assets in the first half of 2008, with double-digit negative growth in 15 countries and single-digit negative growth in 6 countries (France, Hungary, Liechtenstein, Luxembourg, Norway and Romania).

Table 3. Net Assets of the European UCITS Industry						
Members	30/06/2008		31/03/2008		31/12/2007	
	EUR m	Share	EUR m	% chg ⁽¹⁾	EUR m	% chg ⁽²⁾
Austria	98,039	1.8%	101,183	-3.1%	111,386	-12.0%
Belgium ⁽³⁾	110,040	2.0%	110,040	--	120,196	--
Bulgaria	300	0.0%	328	-8.5%	436	-31.1%
Czech Republic	6,515	0.1%	6,237	4.5%	6,426	1.4%
Denmark	61,653	1.1%	64,570	-4.5%	70,680	-12.8%
Finland	46,625	0.8%	48,907	-4.7%	55,116	-15.4%
France	1,256,200	22.5%	1,295,900	-3.1%	1,351,600	-7.1%
Germany	230,574	4.1%	235,558	-2.1%	266,062	-13.3%
Greece	17,463	0.3%	18,960	-7.9%	21,685	-19.5%
Hungary	9,778	0.2%	9,401	4.0%	9,826	-0.5%
Ireland ⁽⁴⁾	665,832	11.9%	623,861	6.7%	646,392	3.0%
Italy	231,158	4.1%	254,910	-9.3%	285,094	-18.9%
Liechtenstein	18,334	0.3%	16,925	8.3%	18,633	-1.6%
Luxembourg	1,663,097	29.8%	1,661,625	0.1%	1,823,969	-8.8%
Netherlands	65,636	1.2%	70,458	-6.8%	77,271	-15.1%
Norway	46,380	0.8%	45,829	1.2%	50,599	-8.3%
Poland	22,215	0.4%	24,564	-9.6%	30,975	-28.3%
Portugal	16,863	0.3%	18,369	-8.2%	21,703	-22.3%
Romania	246	0.0%	220	11.8%	266	-7.3%
Slovakia	4,404	0.1%	4,003	10.0%	3,819	15.3%
Slovenia	2,251	0.0%	2,332	-3.5%	2,918	-22.8%
Spain	230,250	4.1%	250,446	-8.1%	269,366	-14.5%
Sweden	114,765	2.1%	120,143	-4.5%	136,429	-15.9%
Switzerland ⁽³⁾	117,202	2.1%	119,570	--	119,132	--
Turkey	12,573	0.2%	12,868	-2.3%	15,365	-18.2%
United Kingdom	535,295	9.6%	541,479	-1.1%	644,985	-17.0%
All Funds	5,583,687	100%	5,658,687	-1.3%	6,160,328	-9.4%

(1) End June 2008 compared to end March 2008; (2) end June 2008 compared to end 2007; (3) data as of end March 2008; (4) data as of end May 2008.

Trends in the Non-UCITS Market

Net Sales and Assets by Investment Type

Total assets in the non-UCITS market increased by 0.7 percent to EUR 1,696 billion, up from EUR 1,685 billion at end March 2008.

During the second quarter 2008, net flows to special funds reserved for institutional investors collected EUR 14 billion in new money, slightly less than in the first quarter. These inflows prevented a fall in total assets in the second quarter. Real estate funds assets remained unchanged.

Since end 2007, total assets of non-UCITS fell by 3 percent, or EUR 53 billion.

Fund types	30/06/2008		31/03/2008		31/12/2007	
	EUR bn	Share	EUR bn	% chg ⁽²⁾	EUR bn	% chg ⁽³⁾
Special / Institutional	916	60%	912	0.4%	945	-3.1%
German "Spezialfonds"	665	43%	667	-0.3%	692	-3.9%
British investment trusts	64	4%	67	-4.5%	79	-19.2%
French employees savings	80	5%	78	2.1%	85	-6.4%
Luxembourg "other" funds	90	6%	92	-1.9%	102	-12.0%
Real-estate funds	212	14%	212	-0.4%	208	1.9%
Other	175	11%	174	0.6%	170	2.7%
Total	1,536	100%	1,535	0.1%	1,589	-3.3%
including Ireland	1,696		1,685	0.7%	1,749	-3.0%

(1) Excluding Ireland for which no data breakdown is available. (3) End of June 2008 compared to end 2007.
(2) End of June 2008 compared to end March 2008.

Members	2006				2007				2008	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Austria	2,519	946	171	345	-88	963	-518	-152	-196	-445
Denmark	3,264	921	-158	127	1,014	1,750	2,738	512	995	2,600
Finland	798	383	424	569	725	831	-612	-255	-126	-287
Germany	15,623	13,838	6,891	12,024	15,019	-270	21	12,698	3,705	4,861
Hungary	10	3	59	13	-4	19	61	35	8	92
Italy	-552	103	-412	-627	-327	243	-63	-368	-133	-156
Liechtenstein									100	195
Luxembourg	2,260	697	953	8,577	3,133	4,598	12,870	17,359	11,408	6,982
Netherlands										5
Sweden	22	216	51	-39	11	-21	-2	-13	26	-30
United Kingdom	-758	-347	-523	-712	674	2,191	649	695	292	207
Total	23,185	16,760	7,456	20,277	20,156	10,302	15,144	30,511	16,079	14,024

(1) In EUR millions for EFAMA members for which data are available.

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, fell by 0.9 percent in the second quarter to reach EUR 7,280 billion.

Since end 2007, the European investment fund industry has seen its assets fall by 8.0 percent.

With EUR 5,584 billion invested in UCITS, this segment of the business accounted for 76.7 percent of the fund market at end June 2008.

Table 6. Net Assets of the European Investment Fund Industry

Members	30/06/2008		31/03/2008		31/12/2007	
	EUR m	Share	EUR m	% chg ⁽¹⁾	EUR m	% chg ⁽²⁾
Austria	148,864	2.0%	153,180	-2.8%	165,584	-10.1%
Belgium ⁽³⁾	116,389	1.6%	116,389	--	126,536	--
Bulgaria	300	0.0%	328	-8.5%	436	-31.1%
Czech Republic	6,579	0.1%	6,292	4.6%	6,471	1.7%
Denmark	122,291	1.7%	124,304	-1.6%	131,424	-6.9%
Finland	55,877	0.8%	58,588	-4.6%	66,000	-15.3%
France	1,405,800	19.3%	1,443,900	-2.6%	1,508,300	-6.8%
Germany	982,947	13.5%	989,515	-0.7%	1,041,869	-5.7%
Greece	18,598	0.3%	20,117	-7.6%	22,912	-18.8%
Hungary	12,788	0.2%	12,123	5.5%	12,590	1.6%
Ireland ⁽⁴⁾	826,135	11.3%	773,982	6.7%	805,989	2.5%
Italy	300,103	4.1%	323,368	-7.2%	357,947	-16.2%
Liechtenstein	20,162	0.3%	18,616	8.3%	20,399	-1.2%
Luxembourg	1,902,092	26.1%	1,895,445	0.4%	2,059,395	-7.6%
Netherlands	78,455	1.1%	83,559	-6.1%	90,951	-13.7%
Norway	46,380	0.6%	45,829	1.2%	50,599	-8.3%
Poland	28,524	0.4%	30,475	-6.4%	37,558	-24.1%
Portugal	31,288	0.4%	33,028	-5.3%	36,212	-13.6%
Romania	2,983	0.0%	2,963	0.7%	3,517	-15.2%
Slovakia	4,575	0.1%	4,160	10.0%	3,969	15.3%
Slovenia	3,134	0.0%	3,358	-6.7%	4,148	-24.5%
Spain	239,973	3.3%	260,206	-7.8%	278,796	-13.9%
Sweden	117,469	1.6%	123,135	-4.6%	139,380	-15.7%
Switzerland ⁽³⁾	157,962	2.2%	161,153	--	168,895	--
Turkey	15,051	0.2%	15,071	-0.1%	18,108	-16.9%
United Kingdom	635,437	8.7%	644,706	-1.4%	751,346	-15.4%
All Funds	7,280,157	100.0%	7,343,792	-0.9%	7,909,330	-8.0%
UCITS	5,583,687	76.7%	5,658,687	-1.3%	6,160,328	-9.4%
Non-UCITS	1,696,469	30.4%	1,685,104	0.7%	1,749,002	-3.0%

(1) End June compared to March 2008; (2) end June 2008 compared to end 2007; (3) data as of end March 2008; (4) data as of end May 2008.