

*Trends in the European Investment Fund Industry  
in the Third Quarter of 2005*

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EFAMA  
The European Fund and Asset Management Association

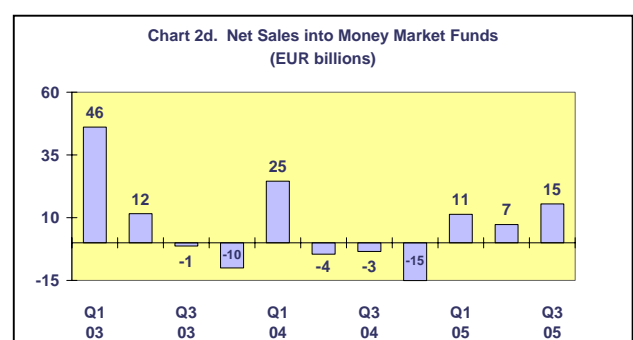
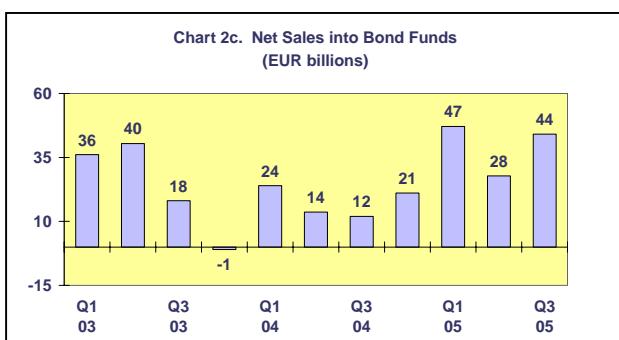
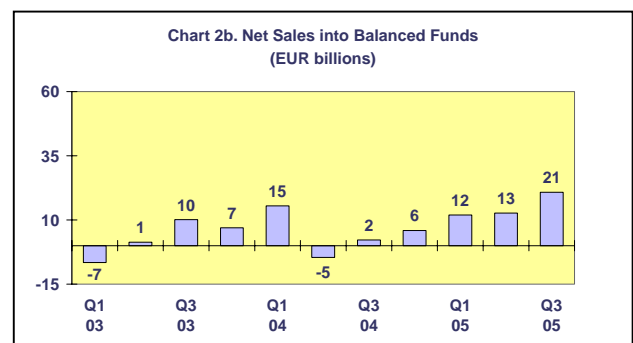
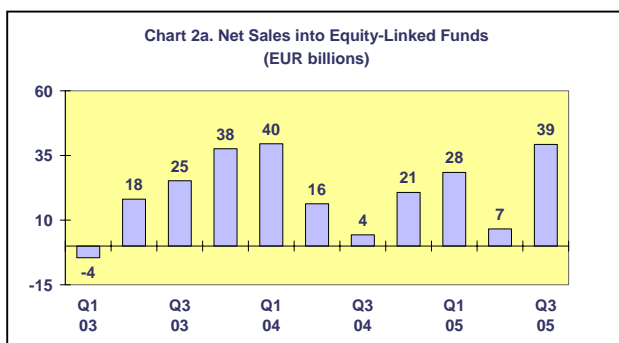
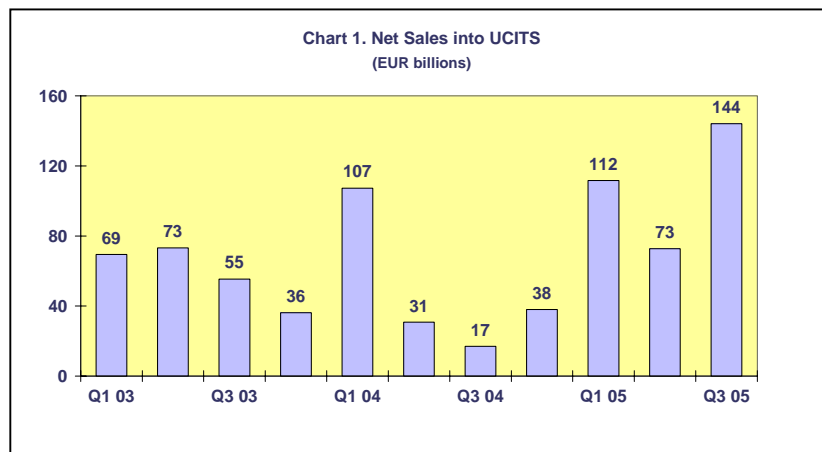
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## Trends in the UCITS Market <sup>1</sup>

### *Net Sales by Investment Type*

**Net flows to UCITS increased sharply to EUR 144 billion in the third quarter, from EUR 73 billion in the second.** This reflected an increase of inflows in all UCITS categories, with equity and bond funds collecting EUR 39 billion and EUR 44 billion, respectively, compared with EUR 6 billion and EUR 28 billion in the second quarter. This indicates a turnaround in investor confidence in equity investing, comforted by the good stock market performance over the last 12 months. The spread of flows to all fund categories confirmed the attractiveness of investment funds as a savings vehicle supporting a wide range of investment strategies.

**Net flows to UCITS reached EUR 328 billion during 2005 through September, compared with EUR 197 billion for the full-year results of 2004** (excluding sales data for Belgium, Ireland, Poland and Turkey) which are not available). This outcome was driven by strong inflows into bond funds (EUR 119 billion) and equity funds (EUR 74 billion). In addition, EUR 56 billion was put into “other” UCITS, largely reflecting net contributions in Luxembourg domiciled funds subject to Part II of the law on investment funds.



## Trends in the UCITS Market

### Net Sales by Country of Domiciliation

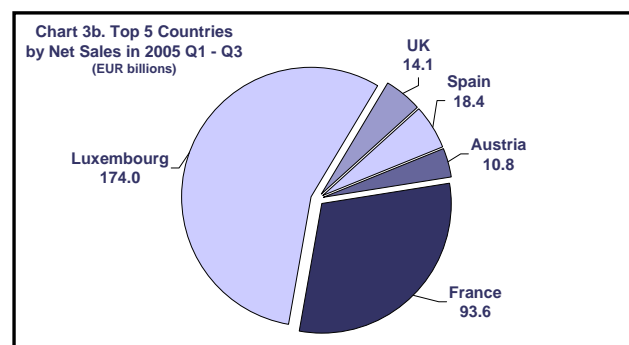
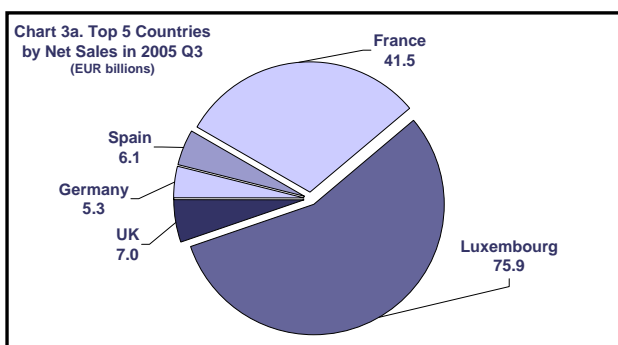
**Net sales of UCITS in the third quarter stood EUR 72 billion higher than in the second quarter**, reflecting strong cash flow increases in Luxembourg (+EUR 39.1 billion), France (+EUR 19.4 billion) and Italy (+EUR 6.2 billion). Thanks to this good performance, net sales turned positive in Italy for the first time in the last two years. A number of other countries also experienced a significant increase in net sales compared to the second quarter, in particular: the United Kingdom (+3.6 billion), Germany (+2.6 billion), Greece (+EUR 2.2 billion), Switzerland (+EUR 2.1 billion) and Norway (+EUR 1.5 billion).

Looking at the country share in net sales, Luxembourg and France accounted together for 81 percent of the total net sales of UCITS in the third quarter, with net sales of EUR 76 billion and EUR 42 billion, respectively. The United Kingdom, Spain and Germany followed in this ranking. Germany had not appeared in this ranking since the first quarter of 2003.

Table 1. Net Sales of UCITS in 2005 Q1 - Q3 <sup>(1)</sup>

Members	Equity Funds		Bond Funds		Balanced Funds		Money Market Funds		Other Funds <sup>(2)</sup>		Total	
	Q3	Q1 - Q3	Q3	Q1 - Q3	Q3	Q1 - Q3	Q3	Q1 - Q3	Q3	Q1 - Q3	Q3	Q1 - Q3
Austria	262	818	1,735	5,478	222	521	455	2,922	219	1,049	2,893	10,788
Czech Republic	18	31	50	118	51	-57	66	337	21	35	206	464
Denmark	1,328	2,598	1,358	4,823	-2	-3	0	0	18	0	2,702	7,418
Finland	485	590	423	1,676	185	382	-178	2,566	18	92	933	5,306
France	11,600	24,500	12,400	22,700	4,900	8,700	12,600	37,700	0	0	41,500	93,600
Germany	749	-2,715	2,249	6,308	830	2,870	963	3,028	483	962	5,274	10,453
Greece	-118	-425	2,834	5,672	119	-1,312	-3,537	-8,047	212	297	-490	-3,815
Hungary	38	70	541	930	25	40	206	812	88	156	898	2,008
Italy	-792	-7,306	295	547	3,945	7,778	-2,462	-9,810	0	0	986	-8,791
Liechtenstein	79	-157	326	777	57	81	24	101	-22	63	464	865
Luxembourg	21,966	47,342	18,288	54,343	7,466	16,999	5,962	5,838	22,220	49,472	75,902	173,994
Netherlands	-2,505	-3,213	-2,182	-3,091	-36	56	117	-133	-432	-745	-5,038	-7,126
Norway	893	1,146	-73	280	73	155	200	500	0	0	1,093	2,081
Portugal	18	32	202	739	92	192	20	-7	307	542	639	1,498
Slovakia	14	19	115	377	13	32	19	358	60	60	221	846
Spain	2,220	6,589	1,761	8,346	1,820	5,675	305	-2,231	0	0	6,106	18,379
Sweden	277	2,207	319	789	132	973	117	412	416	892	1,261	5,273
Switzerland	11	-504	1,133	2,059	-131	-220	490	-782	51	259	1,554	812
United Kingdom	2,691	2,486	2,349	6,168	1,012	2,513	98	606	864	2,373	7,014	14,146
<b>Total</b>	<b>39,234</b>	<b>74,108</b>	<b>44,123</b>	<b>119,039</b>	<b>20,773</b>	<b>45,375</b>	<b>15,465</b>	<b>34,170</b>	<b>24,523</b>	<b>55,507</b>	<b>144,118</b>	<b>328,199</b>

(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.



<sup>1</sup> "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

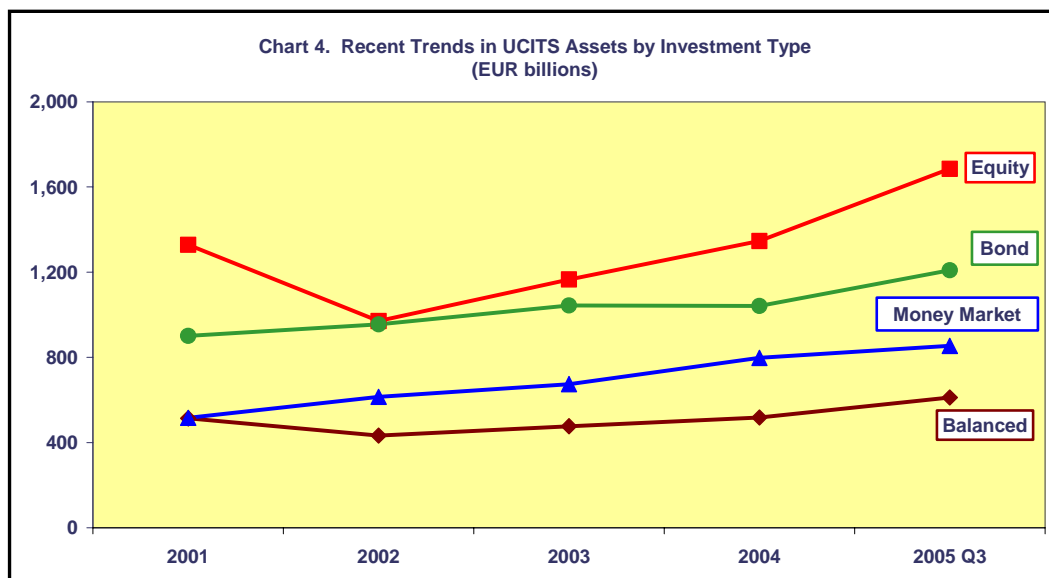
### *Net Assets by Investment Type*

Total net assets of UCITS increased by 6.9 percent in the third quarter to reach EUR 4,982 billion at end September 2005. **This means that almost certainly UCITS assets under management will be over the EUR 5 trillion threshold by end 2005.** The UCITS asset growth in the third quarter was fuelled by the vigorous increase in equity funds assets (10.8 percent or EUR 165 billion), reflecting the good performance of stock market prices (7.8 percent according to the Dow Jones STOXX Broad Europe index) and the net contributions to equity funds. About 35 percent of the equity fund asset growth in the third quarter was attributable to net inflows and the remainder to market appreciation.

**Since end 2004, total assets in UCITS rose by 19 percent, comparing with a 11 percent increase in total UCITS assets over the whole of 2004.**

UCITS types	30/9/2005		Change wrt to 30/06/2005		Change wrt to 31/12/2004	
	EUR bn	Share	in % <sup>(2)</sup>	in EUR bn	% chg <sup>(3)</sup>	in EUR bn
Equity	1,685	37%	10.8%	165	25.1%	339
Balanced	612	13%	7.0%	40	17.9%	93
Total Equity & Balanced	2,297	50%	9.8%	205	23.1%	431
Bond	1,209	27%	4.9%	56	16.1%	168
Money Market	855	19%	2.1%	18	7.1%	57
Funds of funds <sup>(4)</sup>	71	2%	15.3%	9	37.7%	19
Other	120	3%	12.2%	13	38.0%	33
<b>All Funds</b>	<b>4,551</b>	<b>100%</b>	<b>7.1%</b>	<b>301</b>	<b>18.4%</b>	<b>708</b>
including Ireland	4,982		6.9%	323	19.0%	797

(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 Sept. 2005 compared to end June 2005.  
(3) End Sept. 2005 compared to end 2004.



## Trends in the UCITS Market

### *Net Assets by Country of Domiciliation*

Looking at the development in the major markets, the United Kingdom recorded the highest asset growth in the third quarter (9.8%), followed by Luxembourg (9.6%), Germany (6.4%), France (6.3%), Ireland (5.5%), Spain (4.4%) and Italy (2.1%).

The top five countries in terms of asset growth during the third quarter of 2005 were Poland, Hungary, Switzerland, Norway and the Czech Republic. The continuing presence of central European countries in this ranking mirrors the process of catching up in countries with a low investment fund basis. The high proportion of equity fund assets against the backdrop of rising stock prices explains the top position of Norway and the United Kingdom in terms of asset growth in the third quarter.

Most other countries recorded close to average asset growth, except Greece and the Netherlands which experienced negative growth due to net outflows.

Members	30/9/2005		30/06/2005		31/12/2004	
	EUR m	Share	EUR m	% chg <sup>(1)</sup>	EUR m	% chg <sup>(2)</sup>
Austria	104,270	2.1%	98,768	5.6%	89,046	17.1%
Belgium	102,974 <sup>(2)</sup>	2.1%	102,974	--	93,431	--
Czech Republic	4,490	0.1%	4,068	10.4%	3,583	25.3%
Denmark	59,054	1.2%	53,939	9.5%	47,573	24.1%
Finland	37,787	0.8%	35,027	7.9%	27,647	36.7%
France	1,167,600	23.4%	1,098,800	6.3%	1,006,500	16.0%
Germany	258,003	5.2%	242,514	6.4%	224,691	14.8%
Greece	29,101	0.6%	29,174	-0.2%	31,647	-8.0%
Hungary	5,959	0.1%	4,951	20.4%	3,766	58.2%
Ireland	431,418	8.7%	408,758	5.5%	343,308	25.7%
Italy	384,914	7.7%	376,992	2.1%	375,694	2.5%
Liechtenstein	12,092	0.2%	11,105	8.9%	9,980	21.2%
Luxembourg	1,299,574	26.1%	1,185,947	9.6%	1,024,984	26.8%
Netherlands	75,824	1.5%	77,223	-1.8%	74,620	1.6%
Norway	28,751	0.6%	25,372	13.3%	21,956	30.9%
Poland	12,916	0.26%	10,675	21.0%	8,820	46.4%
Portugal	25,512	0.5%	24,592	3.7%	23,420	8.9%
Slovakia	2,510	0.05%	2,291	9.5%	1,592	57.7%
Spain	262,535	5.3%	251,441	4.4%	233,124	12.6%
Sweden	98,826	2.0%	90,221	9.5%	79,938	23.6%
Switzerland	89,602	1.8%	77,674	15.4%	70,587	26.9%
Turkey	17,267	0.3%	17,041	1.3%	13,392	28.9%
United Kingdom	471,493	9.5%	429,573	9.8%	376,477	25.2%
<b>All Funds</b>	<b>4,982,470</b>	<b>100%</b>	<b>4,659,119</b>	<b>6.9%</b>	<b>4,185,777</b>	<b>19.0%</b>

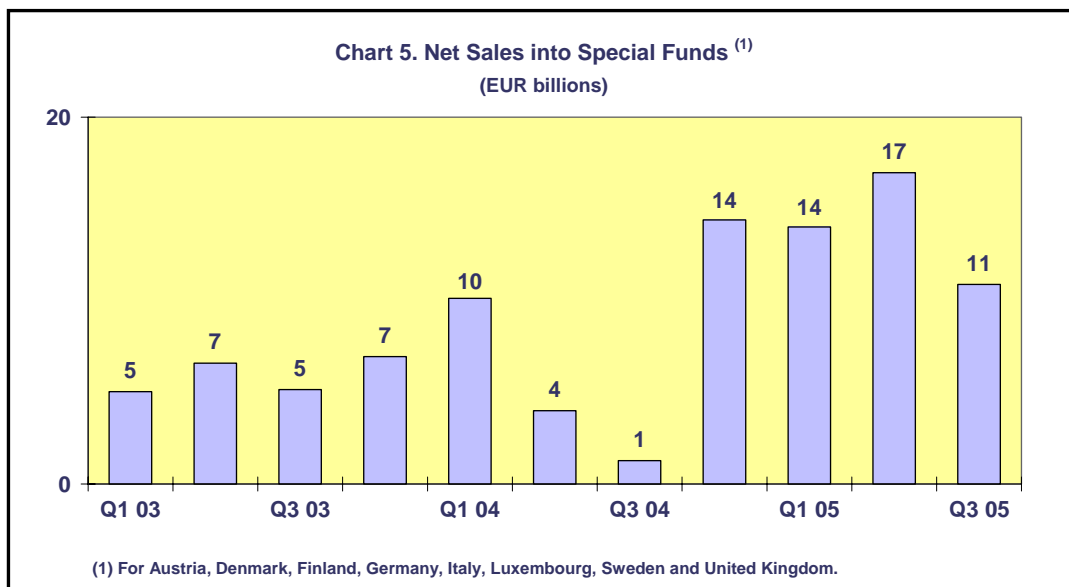
(1) End Sept. 2005 compared to end June 2005; (2) end Sept. 2005 compared to end 2004; (2) As of end June 2005.

## Trends in the Non-UCITS Market <sup>2</sup>

### Net Sales and Assets by Investment Type

Total assets in the non-UCITS market rose by 7.1% in the third quarter to EUR 1,359 billion. Compared to the situation at end 2004, total net assets increased by 18% or EUR 203 billion.

Special funds reserved for institutional investors continued to gather strong net inflows in the third quarter, albeit at a lower pace than the second quarter which had been marked by a one-off operation, i.e. the switch of the assets operation of a large Danish pension fund into an investment fund. On the other hand, net contributions remained robust in Germany in the third quarter, adding another EUR 8.6 billion to “Spezialfonds” assets under management. Whilst the pace of new investment averaged EUR 3.1 billion during the first three quarters of 2003, it increased to EUR 8.7 billion during 2005 through September. Finally, the good performance of employees saving funds in France should also be flagged.



**Table 4. Breakdown of Non-UCITS Assets by Category <sup>(1)</sup>**

Fund types	30/9/2005		30/06/2005		31/12/2004	
	EUR bn	Share	EUR bn	% chg <sup>(2)</sup>	EUR bn	% chg <sup>(3)</sup>
Special / Institutional	777	62%	731	6.2%	665	17%
German "Spezialfonds"	609	49%	585	4.2%	543	12%
Closed-ended	151	12%	131	15.8%	116	30%
British investment trusts	90	7%	86	5.0%	86	5%
Open-ended	76	6%	69	10.4%	64	19%
French employees savings	66	5%	60	9.5%	57	16%
Property funds	163	13%	157	3.5%	150	9%
Other	81	7%	76	6.7%	70	16%
<b>Total</b>	<b>1,247</b>	<b>100%</b>	<b>1,164</b>	<b>7.2%</b>	<b>1,065</b>	<b>17%</b>
including Ireland	1,359		1,269	7.1%	1,156	18%

(1) Excluding Ireland for which no data breakdown is available.

(3) End Sept. 2005 compared to end 2004.

(2) End Sept. 2005 compared to end June 2005.

<sup>2</sup> The “Non-UCITS” part of the investment fund market groups funds that are regulated in accordance with specific national requirements. 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 7.0% in the third quarter. **Total net assets at end September 2005 were EUR 1,000 billion, or 18.7 percent, higher than end 2004.**

Three countries (Luxembourg, France and Germany) had a market share of 57.7% at end September 2005. The United Kingdom, Ireland and Italy followed in this ranking.

With EUR 4,659 billion invested in UCITS, this segment of the business accounted for 78.6% of the fund market at end June 2005.

Members	30/9/2005		30/06/2005		31/12/2004	
	EUR m	Share	EUR m	% chg <sup>(1)</sup>	EUR m	% chg <sup>(2)</sup>
Austria	162,271	2.6%	142,546	13.8%	125,289	29.5%
Belgium	108,618 <sup>(2)</sup>	1.7%	108,618	--	98,785	--
Czech Republic	4,490	0.1%	4,068	10.4%	3,590	25.1%
Denmark	100,990	1.6%	93,393	8.1%	77,179	30.9%
Finland	43,555	0.7%	40,045	8.8%	30,805	41.4%
France	1,282,000	20.2%	1,204,800	6.4%	1,110,290	15.5%
Germany	955,888	15.1%	915,289	4.4%	855,031	11.8%
Greece	30,730	0.5%	30,595	0.4%	32,985	-6.8%
Hungary	7,207	0.1%	5,980	20.5%	4,441	62.3%
Ireland	543,403	8.6%	513,900	5.7%	434,589	25.0%
Italy	411,606	6.5%	402,179	2.3%	396,886	3.7%
Liechtenstein	12,467	0.2%	11,323	10.1%	10,138	23.0%
Luxembourg	1,423,551	22.4%	1,289,787	10.4%	1,106,222	28.7%
Netherlands	90,912	1.4%	91,387	-0.5%	89,102	2.0%
Norway	28,751	0.5%	25,372	13.3%	21,956	30.9%
Poland	13,614	0.2%	11,173	21.8%	9,237	47.4%
Portugal	35,145	0.6%	33,505	4.9%	31,465	11.7%
Slovakia	2,546	0.04%	2,328	9.3%	1,641	55.1%
Spain	268,559	4.2%	256,941	4.5%	237,502	13.1%
Sweden	100,710	1.6%	91,942	9.5%	81,438	23.7%
Switzerland	104,589	1.6%	91,514	14.3%	83,325	25.5%
Turkey	18,837	0.3%	18,501	1.8%	13,392	40.7%
United Kingdom	591,444	9.3%	542,789	9.0%	486,571	21.6%
<b>All Funds</b>	<b>6,341,883</b>	<b>100.0%</b>	<b>5,927,975</b>	<b>7.0%</b>	<b>5,341,859</b>	<b>18.7%</b>
UCITS Assets	4,982,470	78.6%	4,659,118	6.9%	4,185,777	19.0%
Non-UCITS Assets	1,359,413	21.4%	1,268,856	7.1%	1,156,082	17.6%

(1) End Sept. 2005 compared to end June 2005; (2) End Sept. 2005 compared to end 2004; (2) as of end June 2005.