April 2010

Asset Management in Europe

Facts and Figures

EFAMA'S THIRD ANNUAL REVIEW

European Fund and Asset Management Association

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Key Findings

- **Asset management is a vital source of economic growth.** It provides a link between investors seeking appropriate savings vehicles and the financing needs of the real economy. The asset management industry also provides important employment opportunities across Europe, both in core asset management and related services.

- **The global asset management industry was severely hit by the worldwide financial crisis in 2008, with all regions suffering a severe contraction in assets.** In Europe, the value of assets professionally managed in Europe suffered a fall of 21%, from EUR 13.6 trillion at end 2007 to EUR 10.8 trillion at end 2008. Thanks to the stock market rally and the recovery of net inflows into UCITS, the value of AuM bounced back in 2009 to an estimated EUR 12.8 trillion at end 2009. In relation to GDP, total AuM in Europe is estimated to have reached 100% at end 2009 from 80% at end 2008.

- **Investment funds represented EUR 5,328 billion or 49.5% of AuM at end 2008, whereas discretionary mandates accounted for the remaining EUR 5,388 billion.** Typically, asset managers receive mandates from institutional investors and high-net-worth individuals, whereas investment funds serve the retail and institutional markets.

- **Asset management is concentrated in a limited number of countries.** Reflecting the size of the domestic savings market, the degree of development of the local financial services sector and the role played by institutional investors, the UK, France and Germany together accounted for 66% of total assets under management in Europe at the end of 2008. Italy and Belgium followed in this ranking.

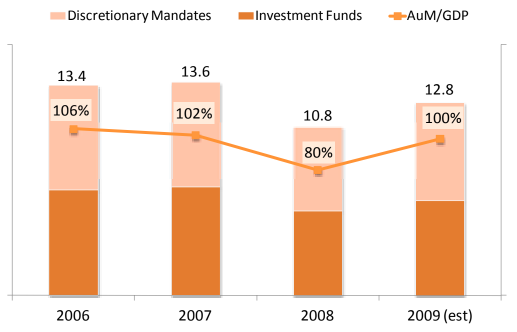
- **More than 2,500 asset management companies are registered in Europe.** France, Luxembourg and Ireland are home for the highest number of companies. The high figure for France reflects the importance of the asset management industry and the large number of independent and specialized asset managers. The high number of companies operating in Luxembourg and Ireland reflects the role played by these countries as leading centers for administration and global distribution of UCITS as well as the legal obligation for fund houses to have a management company in each country where they have fund domiciles.

- **Institutional investors represent the largest client category of the European asset management industry, accounting for 66% of total AuM in Europe.** They dominate the asset management landscape in the UK, France, Germany, Portugal, Hungary and the Netherlands, reflecting the ability of these countries to attract institutional mandates from insurance companies and pension funds. These two types of institutional investors accounted for 45% and 27% of total AuM for institutional clients at end 2008, respectively.

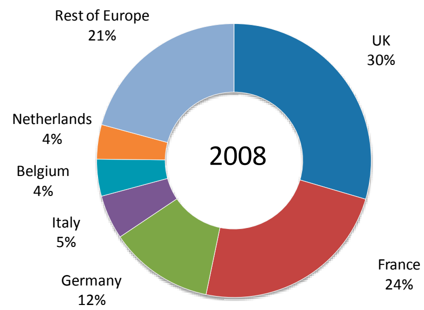
- **The dominant asset classes managed in Europe were bond and equity, with 46% and 27% of total AuM at end 2008, respectively.** Whereas mandates and investment funds had similar equity exposure (27% and 29%, respectively), mandates had a significantly higher exposure to bond than investment funds (54% compared to 34%), reflecting insurance companies and pension funds' asset allocation strategies.

Key Figures

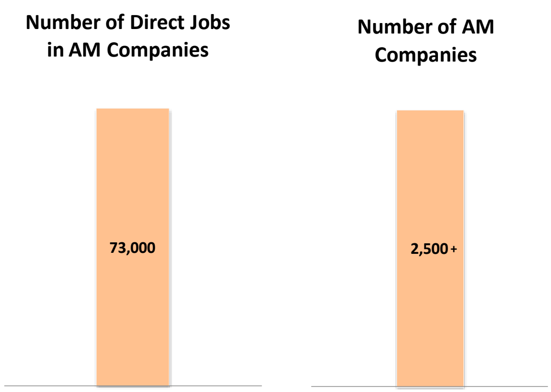
Total AuM (EUR billion)



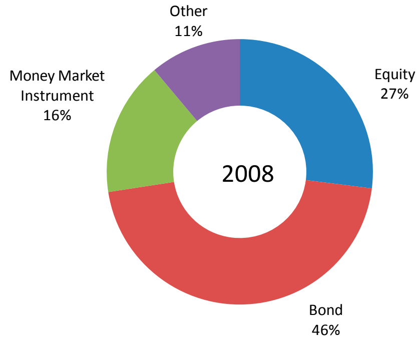
Market Share in Total AuM



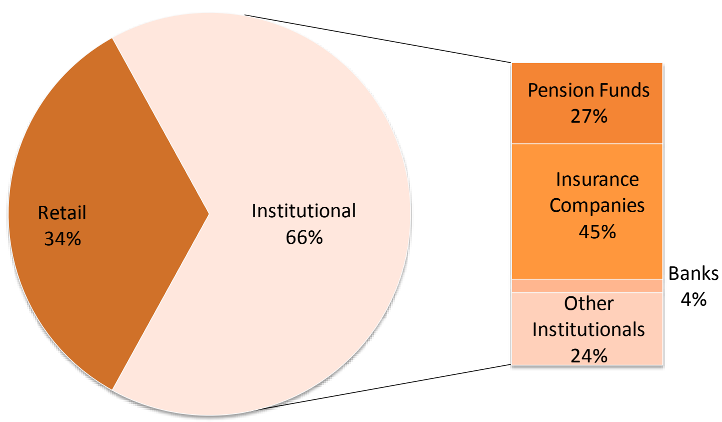
Industry Size (end 2008)



Asset Allocation in Total AuM



Client Type in Total AuM (end 2008)



1 EFAMA's Annual Asset Management Report

This is the third annual report undertaken by EFAMA with the collaboration of its members. The Report represents an effort to provide a snapshot of the European asset management industry across both the retail and institutional landscape. Its focus is on the value of assets professionally managed in Europe and the distinction between investment funds and discretionary mandates assets. Although reports are frequently being written on asset management, they only provide partial coverage, focusing either on a subset of large asset managers or on investment fund assets.

The report is primarily based on responses to a questionnaire sent to EFAMA member associations covering data at end 2008. The questionnaire methodology has focused around the coverage of data on assets under management (AuM) split by products, clients and assets types. Ten associations provided us with data on the value of the assets managed in their countries: Austria, Belgium, France, Germany, Greece, Hungary, Italy, Netherlands, Portugal and the UK.[1] According to our estimations, these countries account for 81% of the AuM in Europe. To compensate for those associations unable to answer the questionnaire, additional internal and external data were used to estimate the value of total AuM in Europe presented in the next section.[2]

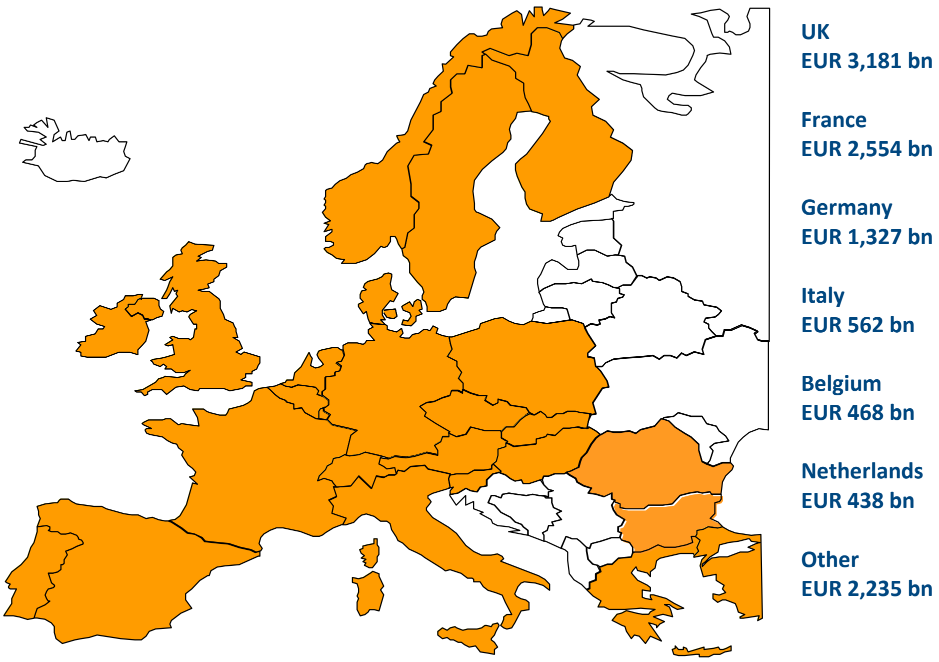
The purpose of Section 2 is to provide an overview of the European asset management industry in terms of its size and importance in the European economy, its key functions and industrial organization. Thereafter, Section 3 discusses European asset management in terms of products offered and delegation of asset management. In Section 4, the report continues by providing an overview of the industry's clients, while Section 5 focuses on the asset allocation of European asset managers. Finally, Section 6 presents a first estimation of the AuM recovery after the financial crisis of 2007-09.

2 The European Asset Management Industry: Key Figures and Facts

2.1 AuM and Employment

The assets managed by the European asset management industry at end 2008 amounted to EUR 10,766 billion, compared to EUR 13,605 billion at end 2007. This makes Europe the second largest market for asset management in the world – managing about one third of the EUR 33 trillion global AuM at end 2008. In relation to aggregate European GDP, total AuM in Europe amounted to 80%. Exhibit 1 highlights the importance of the major centers of asset management in Europe at end 2008. The combined AuM in the UK, France, Germany and Italy amount to EUR 7,624 billion. Exhibit 1 also shows that Belgium and the Netherlands also host important asset management activities.

Exhibit 1 European assets under management – AuM per country (end 2008)



The global asset management industry was severely hit by the worldwide financial crisis in 2008, with all regions suffering a severe contraction in assets. The massive losses recorded in stock markets across the globe and the fall in the value of structured fixed-income securities were the primary drivers of this decline. Overall, we estimate that the value of AuM in Europe fell by 22%. The magnitude of the decline can be explained in part by the depreciation of the British Pound against the Euro and the size of the UK asset management market in Europe. Using the end 2007 Pound exchange rate, the decline of the value of AuM in Europe in 2008 would have been limited to 16%. Elsewhere in the world, the United States saw the value of AuM falling by 21% to EUR 15.8 trillion, and Japan suffered a drop of AuM of 18% to EUR 2.8 trillion. Brazil was one of the few countries witnessing only a slight decrease in AuM – roughly 1% (see Exhibit 2).[3]

Exhibit 2 **Global AuM and equity indices evolution in 2008**

	Asset Growth	*Equity Index Change* [(1)]	*AuM end 2008 (EUR trillion)*
Europe	- 21%	- 44%	10.8
United States	-21%	- 38%	15.8
Asia, ex-Japan and Australia	-19%	- 43%	1.4
Japan	-15%	- 42%	2.4
Australia	-20%	- 40%	0.7
Middle East and South Africa	-14%	- 57%	0.4
Brazil	-1%	- 42%	0.5

Source: McKinsey (2009), Boston Consulting Group (2009) and EFAMA
(1) DJ Euro Stoxx 50 (Europe); S&P 500 (United States); Asia DS Price Index US$ (Asia); Topix Price Index Yen (Japan); MSCI Australia Price Index (Australia); MSCI GCC Price Index US$ (Middle East); and Bovespa Index (Brazil).

The impact of the crisis was not the same all over Europe. Among the major centers of asset management, the impact was the strongest in the UK and Italy, which suffered a 31% and 28% decline in AuM, respectively (see Exhibit 3). As noted above, the severity of the AuM decline in the UK reflected the depreciation of the British Pound; in sterling terms, UK AuM only fell by about 11% in 2008. In Italy AuM were hit by record outflows from investment funds which were penalized by the taxation system and raising competition from substitute products and bank deposits. On the other side of the spectrum, France and Germany weathered the storm better with an AuM decline of 11 and 12%, respectively. The impact of the crisis on the French asset management industry was cushioned by the relative importance of money market funds and the resilience of assets managed for insurance companies. In Germany, asset managers were protected by a rather conservative asset mix and the sustained attractiveness of special funds dedicated to institutional investors, which collected EUR 50 billion in new money in 2008.

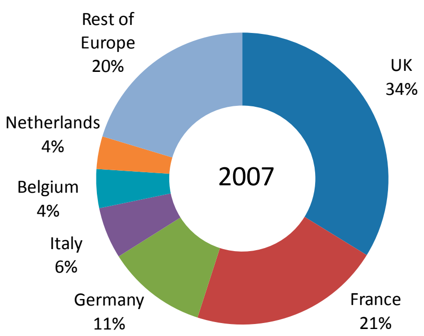
Exhibit 3 **AuM evolution in Europe in 2008**

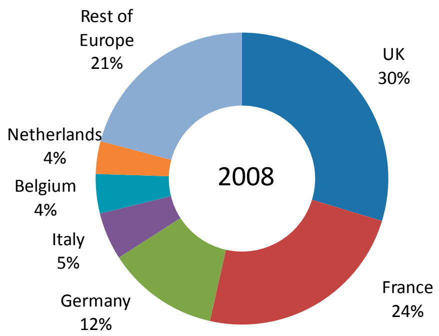
	Asset Growth	*Equity Index Change*
France	-11%	- 43%
Germany	-12%	- 40%
Portugal	-12%	- 50%
Hungary	-13%	- 53%
Belgium	-20%	- 54%
Nederlands	-21%	- 52%
Europe	-21%	- 44%
Austria	-23%	- 61%
Italy	-27%	- 50%
UK	-31%	- 47%
Greece	-48%	- 66%

As the decline in the value of AuM differed widely across Europe, the market shares of individual countries in the global pool of professionally managed assets changed in 2008 (see Exhibit 4). The UK remained the largest asset-management market, but its market share dropped from 34% at end 2007 to 30% at end 2008. Mirroring this evolution, France, the second-largest asset management center in Europe, saw its market share rise from 21% to 24%; Germany followed in this ranking with a market share of 12%, compared to 11% at end 2007.

The importance taken by these three countries in the European asset management industry, mirror their population and GDP, their status as international financial centers, the level of outsourcing of asset management by institutional investors, as well as for the UK more specifically the importance of funded pensions in the country's pension system.

Exhibit 4 European AuM – Country market shares





In order to gain better understanding of the relative importance of the industry across Europe, AuM in relation to GDP can serve as a useful estimate.

Exhibit 5 European AuM at end 2008 (EUR billion and percent)

Countries	AuM	AuM/GDP	Change (1)
UK	3,181	209%	-32
France	2,554	131%	-21
Germany	1,327	53%	-9
Italy	562	36%	-16
Belgium	468	136%	-39
Netherlands	438	73%	-14

Countries	AuM	AuM/GDP	Change (1)
Austria (2)	79	28%	-10
Portugal	74	44%	-8
Greece	14	6%	-6
Hungary	23	22%	-4
Rest of Europe	2,047	59%	-18
TOTAL	10,766	80%	-22

(1) AuM/GDP variation in percentage points from end 2007 to end 2008.
(2) Investment fund assets only.

The ratio of total AuM in Europe to GDP represented 80% at end 2008. This percentage is an average hiding a wide dispersion of situations across Europe (see Exhibit 5). The AuM/GDP ratio was well above the European average in three countries: UK (209%), Belgium (136%) and France (131%). These high ratios give an indication of the relative of importance taken by asset management activities in these countries. Elsewhere in Europe, the AuM/GDP ratios are considerably lower, including in Germany. The impact of the financial crisis on the asset management industry can also be measured by the size of the decline in the ratio of total AuM in Europe to GDP, from 102% at end 2007 to 80% at end 2008. The countries that suffered the sharpest decline in the ratio of total AuM to GDP were Belgium, the UK and France.

Another indicator of the importance of the asset management industry to the overall economy is the employment numbers in asset management companies. The number of people directly employed in asset management companies in the UK, France and Germany alone is estimated to reach some 48,100. Given these countries account for 66% of total AuM in Europe, we estimate that the asset management companies directly employ around 73,000 individuals in Europe. Taking related services into account, such as accounting, auditing, custodianship, marketing, research, order processing, as well as distribution, the overall level of direct and indirect employment linked to asset management companies would increase to a significantly higher figure. By way of illustration, a study by AFG has estimated that one direct job in an asset management industry in France generates four jobs in related activities. [4]

In estimating total employment generated by the asset management industry in Europe, one also needs to include the jobs in Luxembourg and Ireland, the two leading cross-border centers for fund administration and distribution inside and outside Europe. According to available information, 10,500 people were directly employed in the investment fund industry in Luxembourg in 2008, whereas employment in fund accounting and administration, transfer agents, custodians, trustees, client relationship management and related fund services was approximately 7,800.[5]

2.2 Key Functions

The European asset management industry fulfills three essential functions for the European economy. Firstly, it channels capital from where it is in surplus to where it is in short supply. By providing equity capital in both primary (IPOs and private placements) and secondary markets, as well as credit capital – directly via corporate bonds or indirectly via money markets – asset managers are fueling the real economy. Moreover, asset managers stimulate overall economic development by continuously monitoring developments in industries, countries and regions; by identifying companies with the best prospects of successfully implementing novel innovations, processes and strategies; and by allocating financial resources to those most promising. Secondly, the industry provides the liquidity needed to ensure soundly functionary capital markets. Thirdly, it gives its clients access to a range of instruments and markets to achieve their investment goals. As institutions directing the investment decisions for investors who have chosen to have their assets professionally managed, asset management companies are the most important type of buy side institutions[6].

In playing this important role, asset managers act as the "stewards" of their clients' interest. Their value proposition is to enable their clients to reach their investment objectives and to increase their financial prosperity. As such, they act in an "agency" capacity to manage assets at the request of the "principal", i.e. the client, in accordance with the terms of the agency agreement. The property of the assets remains with the client, i.e. they are not on the balance sheet of the asset managers. The asset managers are, however, in charge of the assets managed and accountable to the clients for those assets.

Finally, it should also be noted that the asset management industry provides a variety of services beyond managing investments in securities. The value chain ranges from ongoing management of assets (production/manufacturing), mediating between manufacturers and clients (promotion and distribution), to managing client accounts and ensuring compliance with laws, regulations and information requirements (administration). Naturally, other market participants also play a key role in the value chain, such as depositories and custodians for the safekeeping of the assets of the asset managers' clients.

2.3 Industrial Organization

There were more than 2,500 asset management companies in Europe at the end of 2009 (see Exhibit 6). This is an underestimation as the figure reported for some countries refers to the number of companies that are member of the local trade association and not the number of companies that are registered in those countries. Also, in most countries, hedge funds and private equity asset managers are only included in the reported figures if they are members of the local trade association.[7]

Exhibit 6 Number of asset management companies (end 2009) (1)

Countries	Number	Countries	Number
Austria *	30	Luxembourg	360
Belgium *	10	Netherlands	120
Bulgaria	39	Norway	26
Czech Republic	23	Poland	44
Denmark	14	Portugal	90
Finland	32	Romania	26
France	590	Slovakia	18
Germany	91	Slovenia	14
Greece	42	Spain	120
Hungary	34	Sweden	81
Ireland	252	Switzerland	117
Italy	214	Turkey	23
Liechtenstein	31	United Kingdom *	179

(1) The figures give the number of management companies registered in the countries concerned, except for the countries marked with an asterisk (*) where the figures refer to the members of the local trade associations.

(2) Figure as of end 2008.

It can be observed that France, Luxembourg and Ireland are home for the highest number of asset management companies. The high figure for France reflects the large number of independent and specialized asset managers, including management companies of private equity funds. The high number of asset management companies operating in Ireland and Luxembourg reflects the fact that these two countries have become the leading locations for the cross-border distribution of UCITS[8], the flagship investment product of the European asset management industry. At the moment, fund houses are still required to have a management company in each country where they have funds domiciled. As most cross-border funds have elected Luxembourg or Ireland as domicile in recent years, the number of management companies rose to high levels in these countries. This does not mean that Luxembourg and Dublin have become asset management centers similar to London, Paris and Frankfort. As explained below, fund management companies may outsource key functions along the investment fund value chain, including to investment managers, fund administrators, custodians, transfer agents, as well as distribution and marketing functions. In general, management companies will decide a high level of outsourcing of specific functions if their operating model is a "delegation model" instead of an "integration model". In practice, most global asset management groups operating a fund range from Luxembourg or Dublin have chosen the former, with the pure investment management functions being delegated to their asset management centers.

With UCITS IV to come into force in July 2011[9], management companies will be permitted to manage funds cross-border, and will not be required to appoint service providers in the domicile of the fund, except the custodian bank. Hence, asset management groups might reconsider their current service provider set-up with a view to determining the optimal structure. Potentially, they could reduce their number of management companies of cross-border UCITS and centralize their asset management, administration and risk management operation. This centralization could take place in the headquarters of the asset manager, or in Luxembourg or Dublin. At this stage, it is not possible to speculate which strategy fund groups will follow, and therefore the potential impact of UCITS IV on the number of asset management companies in Europe.

These considerations about UCITS IV confirm that new regulations can have a structural impact on the asset management landscape. When this comes on top of a financial crisis of an unseen dimension, asset managers have no choice but to adjust their operating models, including through partnerships or mergers. The battle for adjustment is likely to lead to an increased level of mergers and acquisitions, which will be driven by the implications of the crisis and new regulations on the asset mangers' profitability as well as by the fact that many large financial groups still need capital.[10]

Using the figures shown in Exhibit 6, we can estimate that a European fund manager manages on average EUR 4.4 billion at end 2008 (see Exhibit 7). This figure has to be interpreted with prudence because it is an arithmetic mean which says nothing about the number of firms managing this specific level of assets.

Exhibit 7 Average AuM per asset manager at end 2008 (EUR billion)

Countries	Average AuM
Belgium	46.8
UK	17.3
Germany	14.6
France	4.6
Netherlands	3.2
Austria	2.7

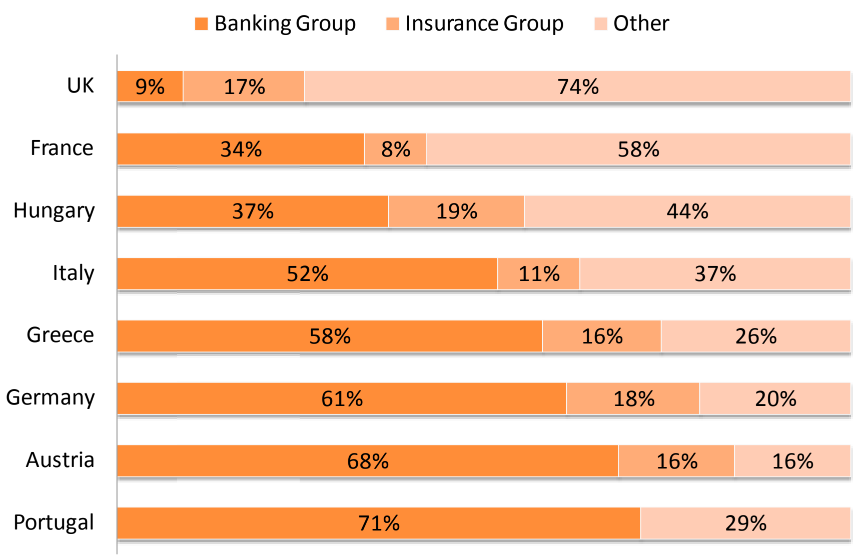
Countries	Average AuM
Italy	2.7
Hungary	0.9
Portugal	0.8
Greece	0.4
Rest of Europe	1.9
Europe	4.4

In other words, it is possible that a large number of large or small asset managers skew the average in one direction or the other. In this respect, it would be more interesting to know the median, i.e. the value of the assets under management separating the higher half of the asset managers from the lower half. As a complementary information, it can be added that in 2008, 8 IMA member firms each were managing in excess of £100 billion in the UK (with 30 managing less than £1 billion),[11] 6 AFG member firms were managing more than EUR 100 billion in France (with 250 firms managing less than EUR 1 billion, excluding private equity firms), and 3 BVI member firms were managing more than EUR 100 billion in Germany (with 11 firms managing less than EUR 1 billion).

Another dimension of the industrial organization of the European asset management industry is the extent to which asset management firms operate as stand-alone companies, or form part of financial services groups. Such groups may be dominated by a certain type of financial services, or may consist of a mix of asset management firms, banks, and insurance companies etc. These financial services groups often operate in more than one single country, and may even be pan-European or global. Industrial organization together with a range of different institutional and economic factors influences the nature of the asset management industry across countries.

As an indication of the dominant industrial organization across countries and an overview of the nature and importance of financial services groups, Exhibit 8 shows the relative importance of asset management companies belonging to a banking group or an insurance group. The companies that are independent or controlled by other types of financial firms are regrouped in the other category. It is important to note that Exhibit 8 relates to the number of firms, and not their AuM.[12]

Exhibit 8 **Number of asset management companies by parent group categories (end 2008)**



Banking groups represent the dominant parent category of the asset management scope in most European countries, controlling half or more of all asset management companies in Greece, Germany, Italy, Austria and Portugal. The main exceptions to the bank dominated model are France and the UK. In France, banks control only a third of asset managers as the majority of firms consist primarily of independent asset managers. In the UK, a mere 8% of asset managers are owned by banking groups, and insurance groups control more than twice as many asset managers as banks. However, the vast majority of firms represent independent asset managers and asset managers controlled by investment banks and pension funds.

The presence of different types of business groups influences the dominant client categories the asset managers serve and thereby their product offerings. In general, in countries where the share of asset management companies controlled by banking groups is high, retail clients tend to represent the largest client category. This relationship is further explained in Section 4.

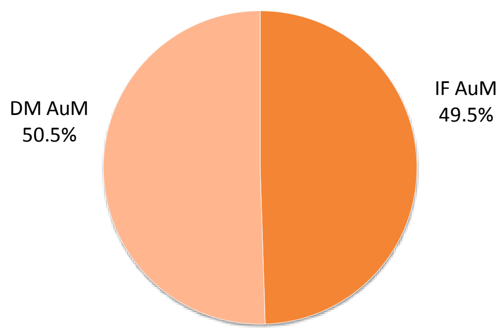
The remainder of this report seeks to outline general patterns of European asset management and explain differences between the asset management industries across countries in terms of products offered and their management (Section 3), clients served (Section 4) and differences in asset allocation (Section 5).

3 AuM in Investment Funds and Discretionary Mandates

This section of the report provides a general overview of the evolution of assets managed through the most popular investment vehicles used in the asset management industry: investment funds and discretionary mandates. Investment funds are pools of assets with specified risk levels and asset allocations in which one may purchase or redeem shares. By pooling savings from a large group of investors, investment funds offer a number of advantages, particularly in terms of risk diversification and lowered costs by economizing on scale.

By contrast, discretionary mandates give asset managers the authority to manage assets on behalf of one client in compliance with a pre-defined set of rules and principles, on a segregated basis separate from other client assets. To the extent that the investment management of discretionary mandates is not collective, mandates are typically associated with minimum assets under management thresholds. For this reason asset managers typically receive mandates from institutional investors, e.g. pension funds and insurance companies and high-net-worth individuals, whereas retail investors are offered to buy investment funds.

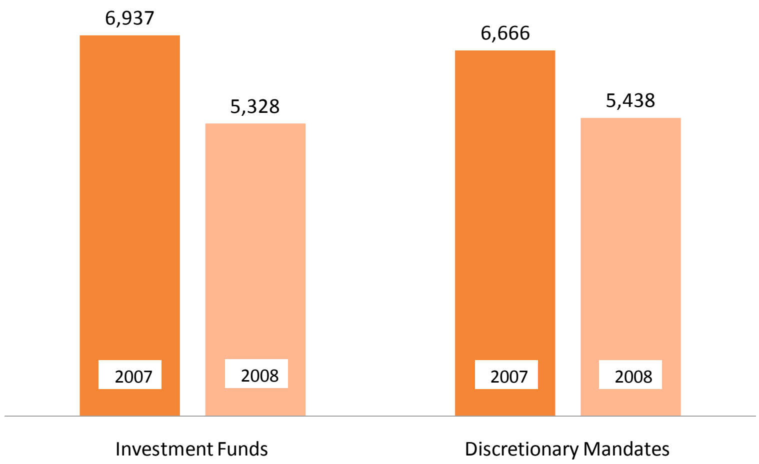
Exhibit 9 **Investment funds vs discretionary mandates (end 2008)**



In Europe, investment funds represented EUR 5,328 billion or 49.5% of AuM at end 2008, whereas discretionary mandates accounted for the remaining EUR 5,388 billion (see Exhibit 9).

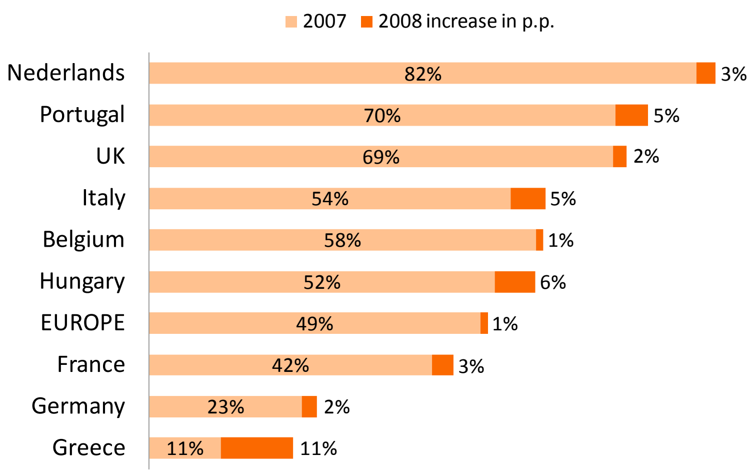
The share of investment fund assets in total AuM moved from being slightly higher at end 2007 (51%) to slightly lower (49.5%), as investment funds suffered more from the financial crisis than mandates: whereas mandate assets declined by 18% in 2008, investment funds saw their asset fall by 23%, because of their higher average exposure to equity at end 2007 (40% versus 35%). Overall, mandates also performed better than investment funds during the crisis because they benefitted from more stable flows from pension funds and insurance companies. This trend was observed across Europe (see exhibit 10).

Exhibit 10 **Investment funds vs discretionary mandates (EUR billion)**



Regarding the split between investment funds and mandates observed at national level, quite a number of countries cluster around the European average. However, one may contrast between the two extremes of the spectrum; whereas in the Netherlands, UK and Portugal, discretionary mandates represented more than 70% of total AuM at end 2008, the corresponding figures for Greece and Germany were 25% and 22%, respectively (see Exhibit 11).

Exhibit 11 **Discretionary mandates share in total AuM**



This shows that there are important differences in terms of the dominant product solutions offered in different European countries. For instance, the vast dominance of discretionary mandates over investment funds in the Netherlands reflects the important role played by defined-benefit pension scheme in the Dutch occupational pension system. According to the Social Protection Committee (2005)[13], nearly 90% of the workforce in Netherlands is covered by supplementary occupational pension's schemes. In Portugal the reason behind the high share taken by mandates is the fact that the insurance sector is particularly important and that the retail segment is particularly prone to invest in discretionary mandates.

While considering these figures, it is important to bear in mind that the border between different product types is blurred. Apart from the frequent allocation of discretionary mandates to investment funds, certain investment funds display similar characteristics as discretionary mandates. Vice versa, discretionary mandates may also be retail oriented and mimic the investment strategies and structures of investment funds. Thus, product types with similar properties may be categorized differently, although differing primarily in terms of the wrapper used for their distribution. For example, German investment fund assets include special funds reserved for institutional investors. If the investment fund assets managed for institutional investors are treated as discretionary mandates, the share of discretionary mandates in total AuM would increase to 62% for Germany.[14] Conversely, it should be noticed that the discretionary mandate figure for the UK includes a share of pooled vehicles that in many respects correspond closely to investment funds.

3.1 Investment Funds

The market for European investment funds is highly internationalized. In essence, it is organized around domestic markets, served predominantly by domestic players, and cross-border activities, where funds can be domiciled in one country, managed in a second and sold in a third, either within Europe or overseas. The statistics reported in this report on investment funds refer to UCITS and non-UCITS.

UCITS are products offered in accordance with the UCITS Directive, and thereby regulated in terms of supervision, asset allocation and separation of management and safekeeping of assets to ensure the highest level of investor protection. The UCITS label has become a globally recognized brand and the ideal vehicle for promoters wishing to distribute their funds throughout the European Union and elsewhere in the world. The coming into force of the major enhancements that UCITS IV will bring to the UCITS regime will further strengthen the UCITS competitiveness and its attractiveness in the worldwide long-term savings market.

Non-UCITS, on the other hand, represent collective investment vehicles regulated in accordance with specific national laws, such as real estate funds and special funds dedicated to institutional investors; only regulated hedge funds are reported in our statistics. Non-UCITS have no European "passport" for sale in other EU Member States (even when they are submitted to similar rules as UCITS), and thus are rarely distributed to retail investors across borders.

The top three investment fund domiciles in terms of assets are: Luxembourg, France and Germany, followed by Ireland, the UK, Italy and Spain. The ranking was not affected by the financial crisis (see Exhibit 12).

Exhibit 12 Investment fund assets by country of domicile at end 2008 (EUR billion and percent)

Countries	Assets	Mkt Share	AuM/GDP
Luxembourg	1,560	25.6%	3963.9%
France	1,295	21.3%	66.4%
Germany	905	14.9%	36.3%
Ireland	647	10.6%	355.9%
UK	442	7.3%	24.3%
Italy	253	4.1%	16.1%
Spain	203	3.3%	18.7%
Switzerland	135	2.2%	39.5%
Austria	128	2.1%	45.3%
Denmark	98	1.6%	42.0%
Belgium	92	1.5%	26.7%
Sweden	87	1.4%	26.4%
Netherlands	68	1.1%	11.3%
Finland	41	0.7%	22.4%
Norway	30	0.5%	9.5%
Portugal	25	0.4%	15.1%
Liechtenstein	18	0.3%	416.5%
Poland	18	0.3%	4.9%
Turkey	14	0.2%	2.7%
Greece	10	0.2%	4.4%
Hungary	10	0.2%	9.0%
Cz. Republic	4	0.1%	3.0%
Slovakia	3	0.1%	5.1%
Slovenia	2	0.0%	5.1%
Romania	2	0.0%	1.2%
Bulgaria	0.2	0.0%	0.5%
TOTAL	6,088	100.0%	45.0%

Compared to the situation at end 2007, France, Germany and Ireland saw their market share increase in 2008, thanks to the lower equity exposure of their fund industry, compared to Luxembourg and the UK.

The strong market shares of France, Germany, the UK, Italy and Spain reflect the size of the domestic savings market in these countries. By contrast, the position held by Luxembourg and Ireland is attributable to the importance of these countries in the distribution and administration of cross-border UCITS in Europe and other parts of the world.

According to the information gathered from our members, the value of investment fund assets managed in Europe amounted to EUR 5,328 billion at end 2008 (see Exhibit 13). The difference with the fund assets domiciled in Europe mostly reflects two factors: first, the fact that the investment fund assets shown in Exhibit 12 include funds of funds, and second, the outsourcing of some investment funds asset management outside Europe. The outsourcing can be related to the success of UCITS as a global brand, which has led non-European asset managers to domicile their cross-border funds in Europe, with the asset management taking place, in whole or in part, in other parts of the world. The decision to locate asset management overseas may be triggered by the location of the firm's headquarter, the client domicile or the region of the asset: for example, a firm might manage its European equities out of Europe but run its US equities out of North America or its Asian equities out of Tokyo, Singapore or Hong-Kong.

When comparing the European countries' market shares in terms of investment fund domiciliation with their market shares in terms of investment fund asset management, significant differences are observable. Whereas investment funds domiciled in the UK, France and Germany account for 43% of the European investment fund market, asset managers in these countries manage 62% of investment fund assets in Europe. The difference between market shares in domiciliation and management of fund assets demonstrates further the degree of specialization of certain European countries which have become important exporters of investment management. Additional light on this can be shed by relating AuM of particular countries to their GDP. It is striking that in France, Belgium and the UK, AuM in relation to GDP surpasses the European average considerably. Taken together, these figures indicate the importance of the asset management industry in general in these countries as well as the ability of their asset managers in attracting assets domiciled abroad. The relatively high ratio of AuM to GDP for the rest of Europe is largely attributable to other countries with large fund management industries in relation to their population, such as Switzerland and the Nordic countries.

Exhibit 13 Investment fund assets by country of AuM at end 2008 (EUR billion)

Countries	AuM	AuM % change (1)	Mkt Share	AuM/ GDP	Countries	AuM	AuM % change (1)	Mkt Share	AuM/ GDP
France	1,394	-16.2%	26.2%	71%	Netherlands	68	-25.8%	1.3%	11%
Germany	995	-29.7%	18.7%	40%	Portugal	19	-26.6%	0.4%	11%
UK	912	-21.7%	17.1%	63%	Greece	11	-53.2%	0.2%	5%
Italy	229	-35.7%	4.3%	15%	Hungary	10	-24.1%	0.2%	9%
Belgium	193	-22.3%	3.6%	56%	Rest of Europe	1,418	-22.7%	26.6%	41%
Austria	79	-23.0%	1.5%	28%	TOTAL	5,328	-23.2%	100.0%	39%

(1) End 2008 AuM compared to end 2007 AuM.

In order to portray a more comprehensive picture of the extent to which countries manage investment fund assets domiciled abroad, Exhibit 14 illustrates the relative degree to which AuM in a particular European country is originating from funds domiciled abroad.

Exhibit 14 Share of foreign domiciled investment funds in total investment fund AuM (end 2008)

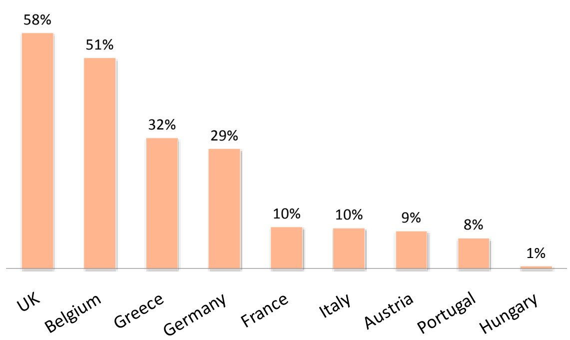
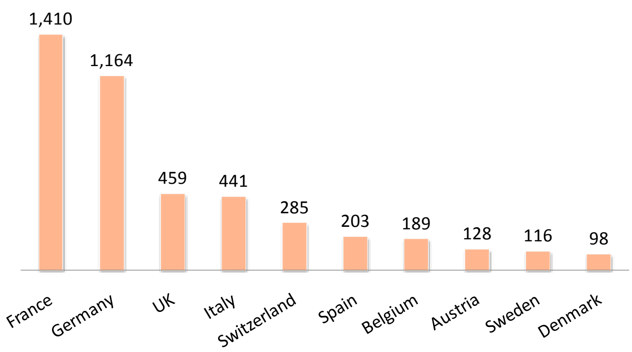


Exhibit 14 shows that a significant share of the investment fund assets managed in the UK, Belgium, Greece and Germany relates to foreign domiciled funds. By contrast, roughly 90% or more of investment fund assets in the remaining countries are both domiciled and managed in these countries. Thus, Exhibit 14 confirms the notion that there is a spectrum across Europe in terms of whether investment funds are primarily domiciled in the country where they are managed, or whether domiciliation abroad is common. Exhibit 14 also illustrates the high degree of internationalization that characterizes the European investment fund industry.

Finally, it is worth keeping in mind that the data on investment fund domiciliation (Exhibit 11) and asset management (Exhibit 13) cannot be used as such to measure the size of the investment fund market in each country. To get an estimate of the demand for investment funds at national level, it is necessary to take into account the funds domiciled abroad and promoted by national providers in their own country ("round-trip" funds), the foreign domiciled funds promoted by foreign providers in each country and the home-domiciled funds sold abroad by national promoters. Adding up estimates for round-trip and home-domiciled fund assets allows getting a good idea of the relative size of national fund markets (see Exhibit 15). It can be seen that France, Germany, the UK, Italy and Switzerland were the top five domestic markets for investment funds at end 2008.

Exhibit 15 Investment fund assets by country of sales at end 2008 (EUR billion)



3.2 Discretionary Mandates

The two largest countries in terms of discretionary mandate assets (the UK and France) managed 63% of total European discretionary mandates (see Exhibit 16). Four countries follow each with a market share in the range of 5 to 7%: Italy, Germany, the Netherlands and Belgium. The significant market share of the UK (42%) can be related to the status of London as an international financial center, the very large base of pension fund assets managed there for both UK and overseas pension funds and the treatment of some pooled vehicles as discretionary mandates rather than investment funds. In France, the market share of 21% reflects the size of the French insurance industry and the delegation of asset management by institutional investors to asset managers.

Exhibit 16 Discretionary mandates AuM at end 2008 (EUR billion and percent)

Countries	AuM	Mkt Share	AuM/GDP
UK	2,269	41.7%	125%
France	1,160	21.3%	59%
Netherlands	370	6.8%	62%
Italy	332	6.1%	21%
Germany	332	6.1%	13%

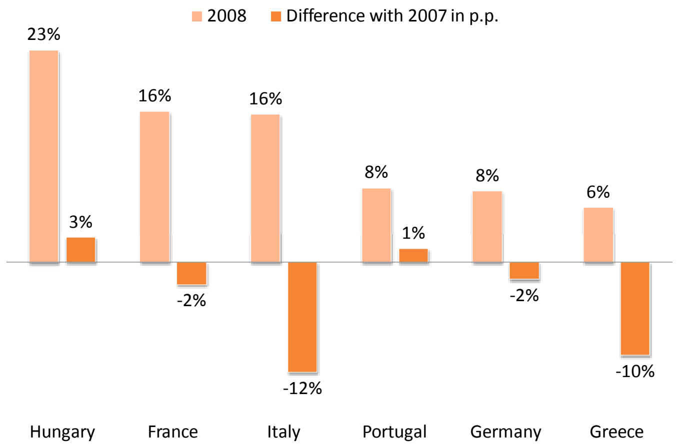
Countries	AuM	Mkt Share	AuM/GDP
Belgium	275	5.1%	80%
Portugal	55	1.0%	33%
Hungary	13	0.2%	12%
Greece	3	0.1%	1%
Rest of Europe	629	11.6%	18%

(1) End 2008 AuM compared to end 2007 AuM.

It is important to note that the degree of geographical concentration is higher than in the investment fund industry. Whereas the mandates segment of the asset management market essentially depends on business-to-business relationships between professionals – asset managers on one side, and institutional investors on the other, investment funds are different in nature as they are primarily targeted at retail investors and their distribution requires stricter administration and notification procedures. For this reason, at least until recently, investment fund assets have tended to be managed closer to their country of distribution.

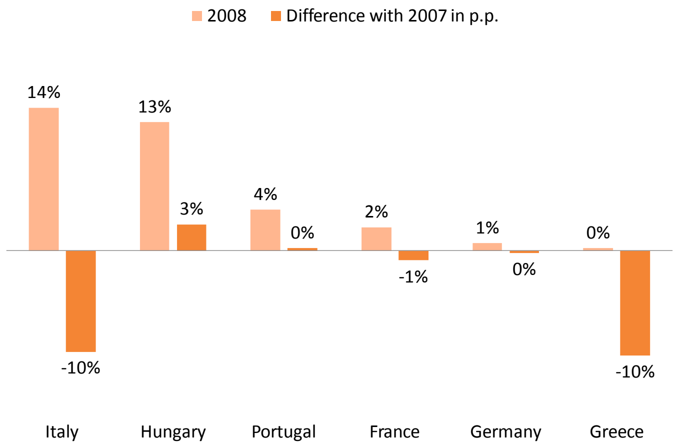
Finally, it should be remembered that discretionary mandates are often investing in investment funds, thereby taking advantage of the benefits they offer in terms of diversification and cost efficiency (see Exhibit 17).[15] In both France and Italy, the share of investment funds of total discretionary assets managed amounted to 16%, whereas in Germany investment funds accounted for 8% only. Looking at the evolution in 2008, it is striking to observe the sharp fall in the investment fund shares in Italy and Greece. This information highlights the fact that the large outflows experienced by investment funds domiciled in these countries in 2008 were not just driven by retail investors but also by institutional investors.

Exhibit 17 Share of discretionary mandate assets invested in investment funds



By comparing Exhibit 17 with Exhibit 18 below, one gains insight into the extent to which discretionary mandates are invested in investment funds managed by the asset managers themselves or by other asset managers.

Exhibit 18 Share of discretionary mandate assets invested in investment funds managed by other companies

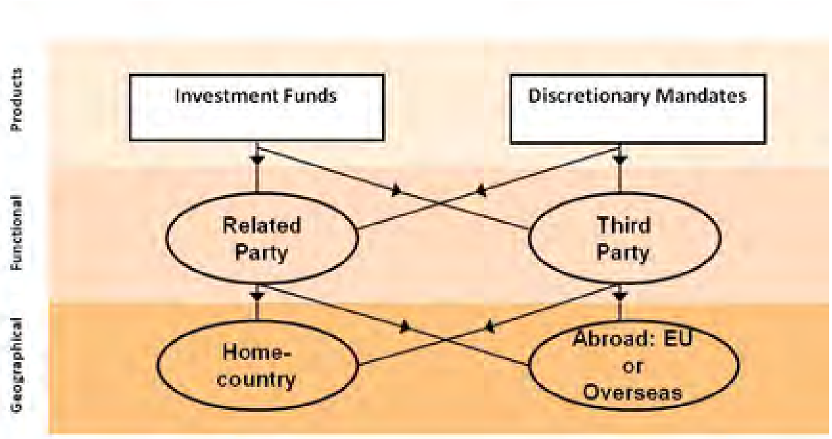


It can be observed that particularly in Italy and Hungary, discretionary mandates invest in investment funds managed by other asset managers. However, in Italy and in Greece as well, such allocation all investment fund assets, dropped sharply in 2008.

3.3 Outsourcing and Asset Management by Delegation

Asset managers may outsource various functions to other asset managers to various degrees, including the day-to-day management of assets. Apart from allocation of discretionary mandates in investment funds discussed in the previous section, discretionary mandates may also be delegated to other asset managers. Given the high level of European integration in the asset management industry, such outsourcing often occurs on a cross-border basis, either to other European countries or overseas. Moreover, in certain countries, asset managers frequently outsource management to other entities belonging to the same financial services groups as themselves, while in others, outsourcing to third-party service providers is more common (see Exhibit 19). For instance, in France, outsourcing largely occur within financial service groups, whereas outsourcing in Germany is used as a way to delegate the management of investment fund assets to third-party asset managers.

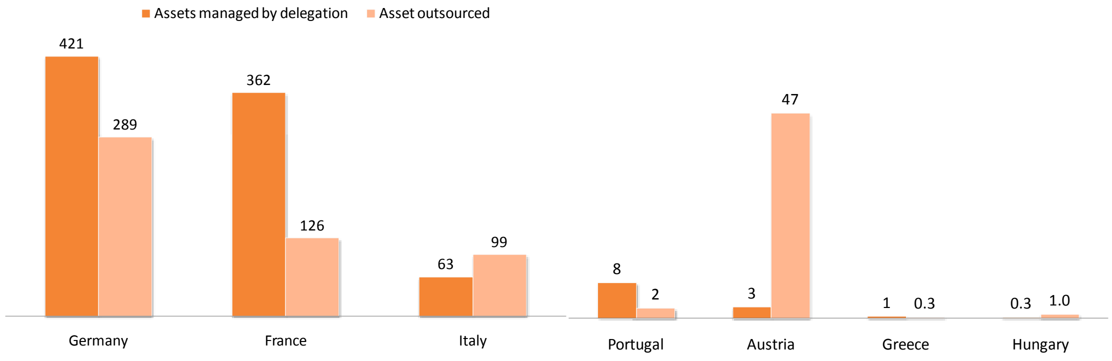
Exhibit 19 Dimensions of outsourcing in the asset management industry



It is important to remark that the outsourced assets shown in this section are excluded from the total AuM reported on the country level (see Exhibit 5). Insofar the assets are outsourced to other European asset managers, they will be reflected in the total AuM for these countries. In case non-European asset managers receive such mandates, the outsourced assets are excluded from both AuM by country and the European aggregate.

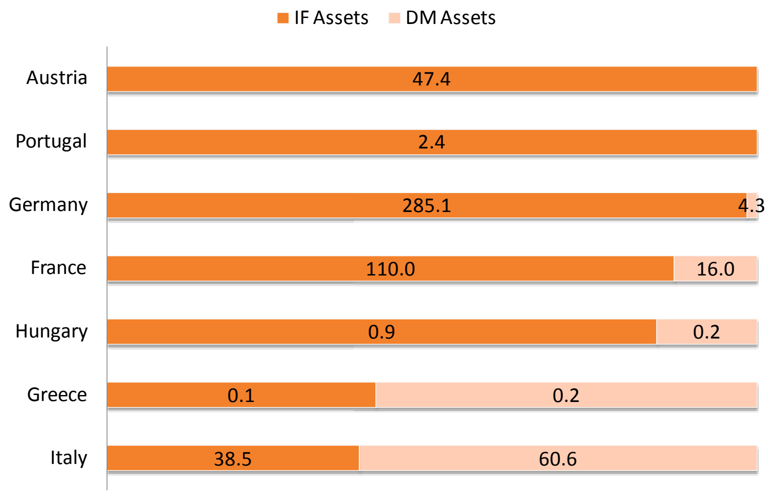
In the seven countries for which data on outsourcing is available, the total amount of outsourced assets amounted to EUR 564 billion at end 2008 (see Exhibit 20). It is noteworthy that Germany, France and Italy together accounted for more than 90% of outsourced assets covered by the data. Exhibit 20 also shows that in all countries but Italy and Austria, the amount of assets managed by delegation surpasses the amount of assets outsourced.[16] This implies that asset managers in these countries receive mandates from investment funds and discretionary mandates domiciled abroad, once again pointing to the high degree of European integration in the asset management industry. It should also the noted that no comparable data on delegation and outsourcing are available for the UK.

Exhibit 20 **Assets outsourced in 2008 (EUR billion)**



As shown in Exhibit 21 below, outsourcing is primarily confined to the investment fund segment in France and Germany. By contrast, in Italy, Greece and Hungary, discretionary mandates account for the bulk of outsourced assets.[17]

Exhibit 21 **Assets outsourced in 2008: breakdown by product (EUR billion)**



Focusing on Germany, France and Italy, Exhibits 22 and 23 below show that outsourcing to third party providers is more important in the investment funds segment than in the discretionary mandate segment.

Exhibit 22 Share of investment fund assets outsourced to third/related party at end 2008

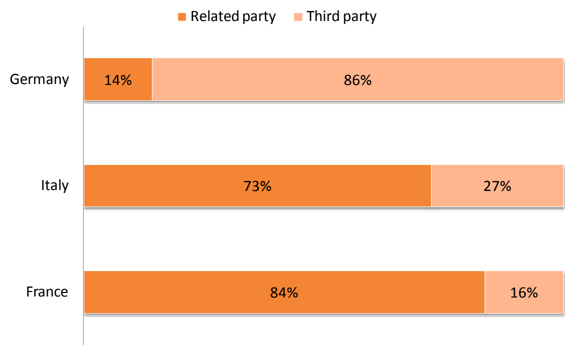
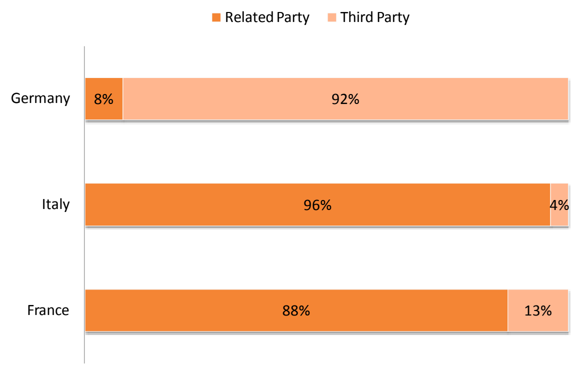


Exhibit 23 Share of discretionary mandate assets outsourced to third/related party at end 2008



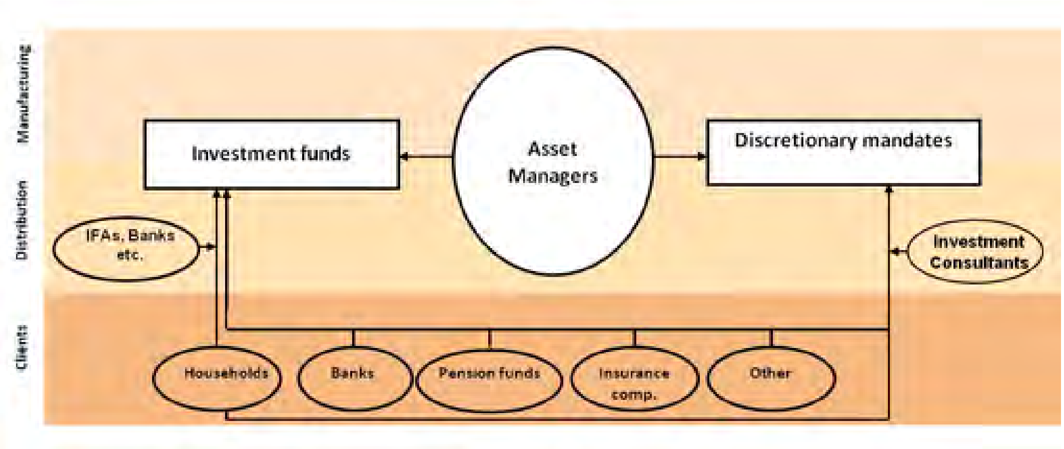
Turning to the degree to which assets are outsourced to asset managers in the same country or abroad, in France, more than one third of all outsourced investment fund assets are managed abroad, whereas the corresponding figure for Germany is notably higher at around 80%. In the discretionary mandates segment, the degree of outsourcing to abroad-based asset managers surpasses 70% in both countries. This high degree of cross-border outsourcing is probably stemming from a particular aptitude for European integration in the industry and the existence of financial services groups operating on a cross-country basis.

4 Clients of the European Asset Management Industry

The European asset management industry serves retail and institutional clients alike. Institutional clients represent the dominant segment of the European asset management industry. Two key institutional client categories include insurance companies and pension funds. Although these investors continue to manage assets in-house, increasingly many of them rely on the expertise of third-party asset managers. In addition, asset managers serve other institutional clients by managing financial reserves held by non-financial companies, banks, government, local authorities, endowments and others. Many of these clients invest through a combination of investment funds and discretionary mandates. In providing these solutions, asset managers have become a key part of financial services clusters (together with international capital markets and the investment bank industry).

Exhibit 24 below illustrates the principal clients and product solutions of the asset management industry as well as the important role played by distribution channels. In this regard, fund managers are often dependent on the quality and independence of advice given to the end investor at the point of sales by distributors. It is also important to note that many of the institutional clients of the industry provide intermediary services for households. For example, apart from direct investment by households in asset management products, households also account for a significant share of the institutional client segments through their ownership of unit-linked products offered by insurance companies, or defined contribution schemes offered by pension funds and others. Moreover, retail investors increasingly access investment funds through platforms, funds of funds and similar approaches that are considered as institutional business. This is an important reason why institutional investors represent the largest client category of the European asset management industry.

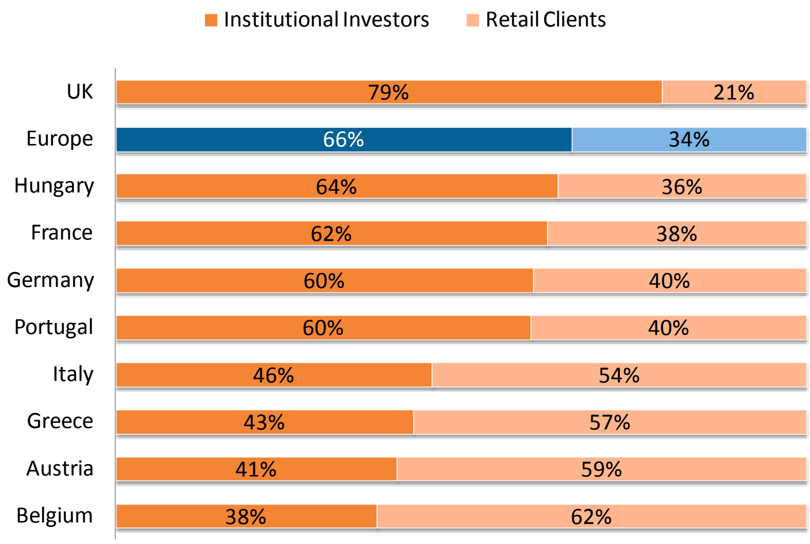
Exhibit 24 **Main clients and distribution of asset manager services**



4.1 Institutional and Retail Clients

As noted above, institutional investors often act as financial intermediaries and channel the investments of retail clients to asset managers. On aggregate, institutional investors account for 66% of the total European AuM compared to 34% for retail clients. There is however significant variation in the importance of institutional investors across countries. They dominate the asset management landscape in the UK, France, Germany, Portugal and Hungary, reflecting the ability of these countries to attract large institutional mandates from both domestic and foreign investors (see Exhibit 25).

Exhibit 25 AuM by client type at end 2008



As noted in Section 2.3, and highlighted in Exhibits 26 and 27 below, the dominant nature of parent groups in a country affects the client structure of asset managers. Indeed, we can observe that the share of retail clients in total AuM is the highest in Belgium, Austria, Greece and Italy, that is in countries where asset managers tend to form part of financial services groups controlled by banking groups.[18] Conversely, in France, Hungary and the UK, where the number of asset management companies belonging to a banking group is far smaller, the share of retail clients is relatively low. These observations point to the importance of distribution channels and how integration in financial services groups affects the dominant client structure of the asset management industry in individual countries.

It should also be noted that the asset management landscape in the UK is dominated by wholesale services to pension funds and insurance companies. In France, the large degree of institutional clients is partly due to the popularity of unit-linked and other wrapper products containing asset management solutions offered to retail clients via intermediaries, as well as the important role played by money market funds in cash management of many French corporations.

Exhibit 26 Share of retail clients in total AuM at end 2008

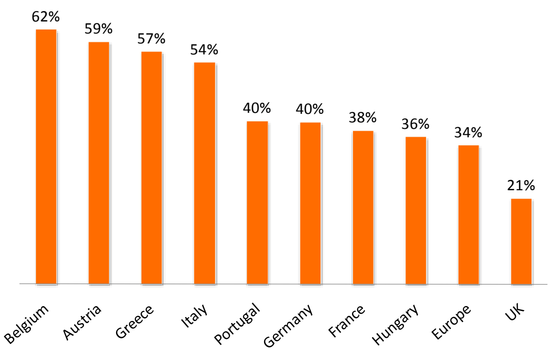
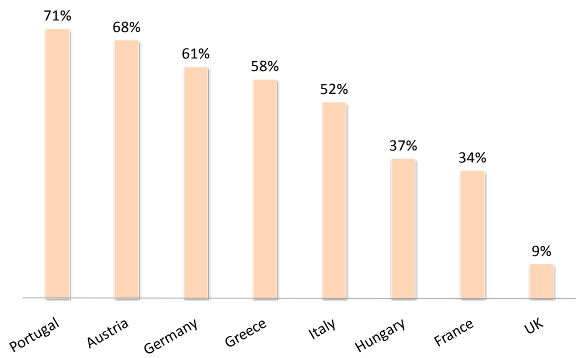


Exhibit 27 Share of asset management firms owned by banking groups at end 2008

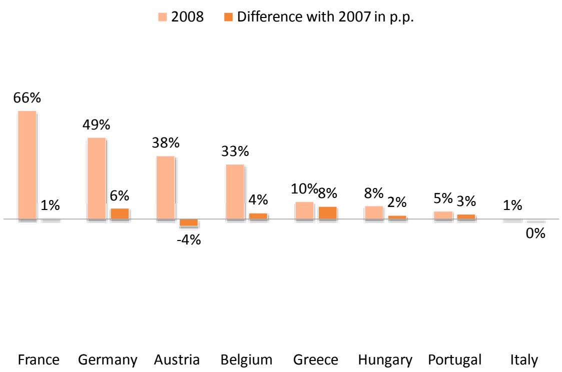


Turning to the importance of different client types across investment funds and discretionary mandates, Exhibit 28 demonstrates that institutional investors dominate the discretionary mandate segment of the market in all European countries. In Hungary, France, and Germany, they account for more than 90% of discretionary mandate assets. In all other countries, except for Greece, institutional investors make up for more than 70% of the asset managed in discretionary accounts. Such specialization is attributable to the intrinsic characteristics of mandates that offer clients specific investment solutions to their particular needs, such as asset-liability management, liability driven investments and separation of alpha and beta. In general, asset managers can only deliver such customized solutions and services to clients with a relatively high level of investable assets, i.e. institutional investors and high-net-worth individuals.

The distribution between institutional and retail clients' shares of AuM in investment funds displays a more heterogeneous picture across the European landscape (see Exhibit 29). Particularly in France, but also to a lesser extent in Germany, Austria and Belgium, institutional investors account for a significant share of ownership of investment funds. This indicates that a large share of these funds is offered primarily to large investors, such as insurance companies and pension funds for their provisioning of investment-linked savings products. The situation is markedly different in Greece, Hungary, Portugal and Italy, where funds appear predominantly targeted at retail clients.

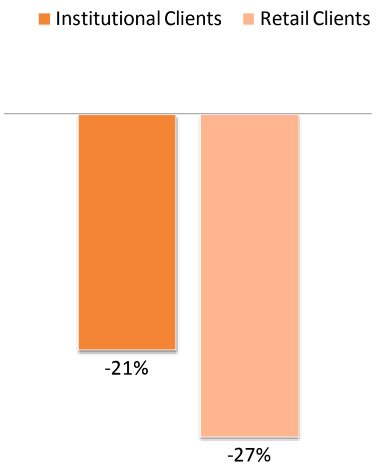
Exhibit 28 Discretionary mandate assets managed for institutional investors

Exhibit 29 Investment fund assets managed for institutional investors



Exhibits 28 and 29 also show that the share of institutional clients' assets increased in most countries in 2008, reflecting a smaller decline in AuM for institutional investors than for retail investors (see Exhibit 30). Two factors can explain this outcome: firstly, the asset allocation of institutional investors tends to be more conservative. By way of illustration, in the Euro area, insurance companies and pension funds – the two largest categories of institutional investors – held 49% of their portfolios in debt securities at end 2008, and another 18% in currency and deposits.[19] It should also be flagged that money market funds assets, which amounted to EUR 1,350 billion at end 2008, are typically held by corporations. Secondly, pension funds and insurance companies continued to record positive net inflows in 2008 as retirement saving tends to be more resilient to financial crises and economic downturns, especially when it is supported by tax incentives and employer contributions. Again, by way of illustration, Euro area insurance companies and pension funds invested EUR 284 billion of new money in financial assets in 2008, of which EUR 30 billion in investment funds. This contrasted with the investment pattern of Euro area households who withdrew EUR 152 billion of net savings from investment funds.[20]

Exhibit 30 AuM decline by client type in 2008 (1)



(1) Based on the assets managed by firms that reported the breakdown by client type in 2007 and 2008.

4.2 Assets Managed for Institutional Investors

Turning the focus to the different kinds of institutional clients represented in Section 4.1, insurance companies and pension funds accounted for 72% of total AuM for institutional clients in Europe at end 2008. Insurance companies held the top position with 45% of the AuM, followed by pension funds with 27% (see Exhibit 31).

Other institutional investors represent a diverse range of clients. The aggregate share of this type of investors amounted to 24%, whereas banks accounted for the remaining 4%. Compared to 2007 insurance companies gained 3 percentage points at the expense of pension funds. This outcome reflected the higher equity exposure of pension funds which suffered much from the stock market decline of 2008.

Exhibit 31 Breakdown of AuM for institutional investors

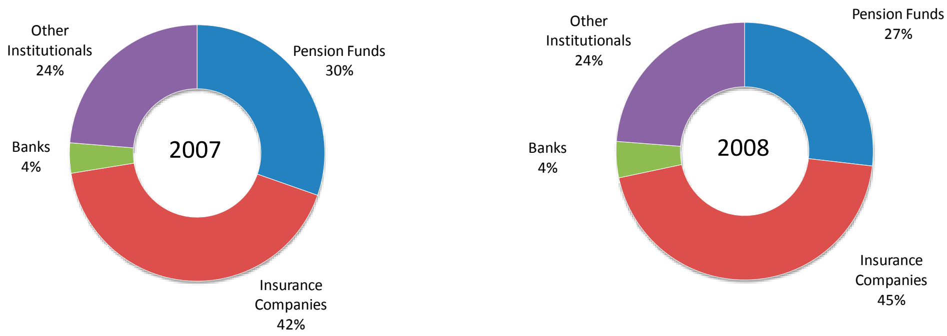
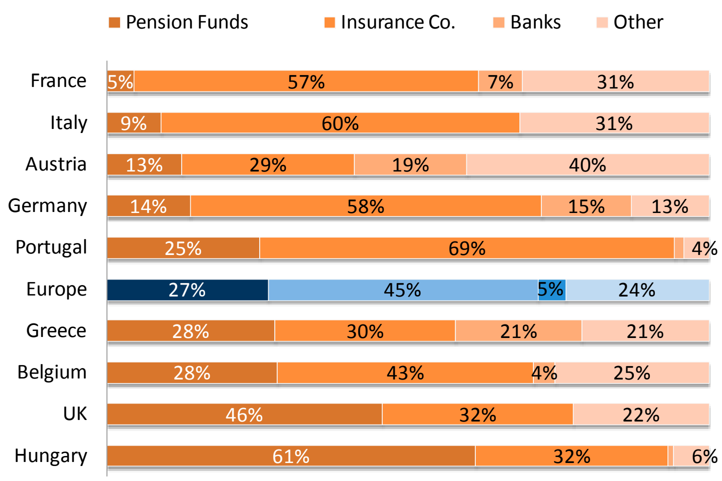


Exhibit 32 below illustrates the breakdown of the institutional client category into insurance companies, pension funds, banks and others on a country basis. It can be seen that the relative importance of each type of institutional clients varies much across countries, reflecting differences in the importance of insurance products in long-term savings, the structure of national pension systems and the role of banks in the distribution retail investment products. Another influential factor is the degree to which asset managers in a particular country attracts capital from certain categories of foreign investors.

Exhibit 32 Breakdown of AuM for institutional investors at end 2008



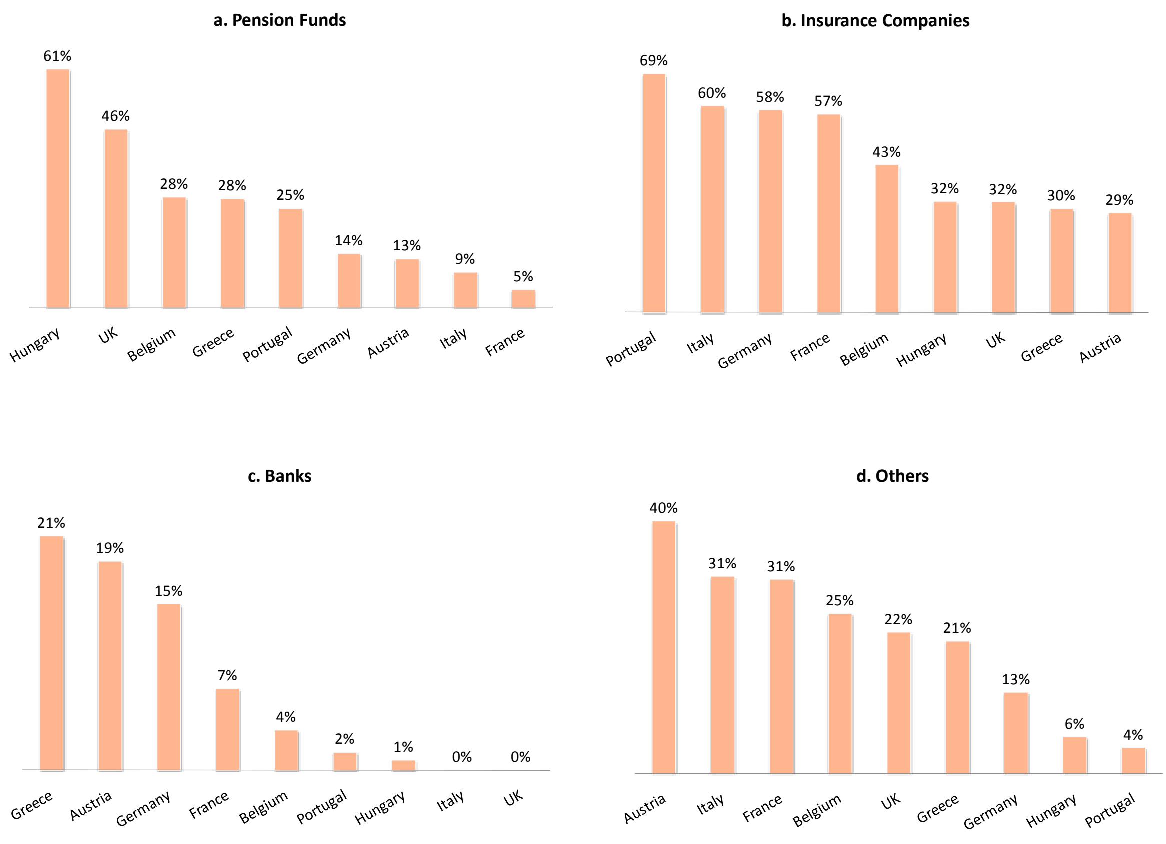
The importance of pension fund assets varies across countries (see Exhibit 33a). Whereas they account for less than 10% of total institutional AuM in France and Italy, they represent the largest type of institutional mandates in the UK and Hungary. These differences are largely determined by the nature of the pension system. In countries with tradition of relying on funded pensions, pension funds assets have accumulated over time to form a substantial source of institutional money. By way of illustration, pension fund assets as a share of GDP totaled 79% in the UK in 2007, compared to 1% in France, 3% in Italy and 5% in Germany.[21]

Contrary to the situation for pension funds, insurance companies represent a large source of institutional AuM in all countries. Insurance companies accounted for around 30% of institutional clients in Hungary, the UK, Greece and Austria and amounted to more than half of institutional clients in Portugal, Italy, Germany and France (see Exhibit 33). This reflects the sheer volume of assets controlled by insurance companies and managed by asset managers.

In most countries, banks represent a relatively modest part of the total institutional AuM, except in Greece, Austria and Germany where the share of banks represented more than 15% at end 2008 (see Exhibit 33c).

Finally, it can be seen that the share of other institutional clients is rather significant in a number of countries (see Exhibit 33c). This is attributable to a number of different factors. In Austria, other clients account for over 40% all institutional clients, consisting primarily of large corporations or foundations. And in France, the relatively high share of other institutional investors reflects partly the role played by money market funds in the cash management of French corporate treasurers, as well as the importance taken by multi asset management.

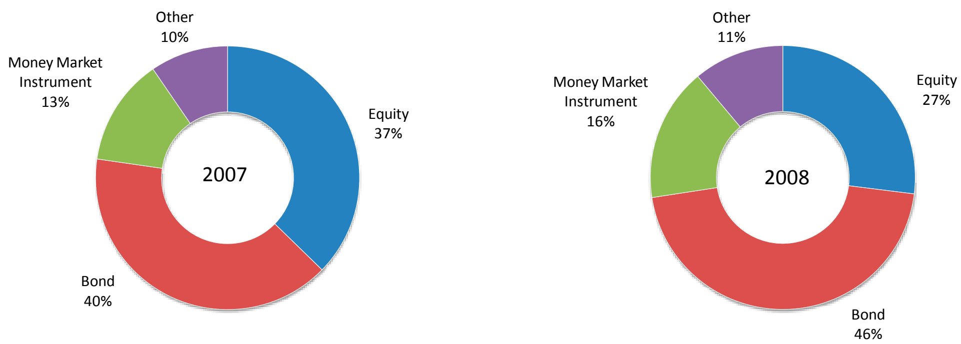
Exhibit 33a-d AuM for institutional investors
Breakdown by investor type and country



5 Asset Allocation

Depending on the type of clients, and their respective preferences in terms of risk level, time horizon and outcome target, the asset management industry provides a vast spectrum of solutions to meet the expectations of its diverse range of clients. As different client preferences necessitate different investment strategies, and since dominant client types varies across Europe, there are certain patterns in the way asset managers choose to allocate their AuM across asset classes. On aggregate, the dominant asset classes were bond and equity at end 2008, with 46% and 27% of total AuM, respectively (see Exhibit 34).[22] Comparing the asset allocation in 2007 and 2008, it can be observed that the financial crisis and the sharp decline in stock prices led to a sharp reduction in the share of equity in the global portfolio managed by European asset managers.

Exhibit 34 Asset allocation



5.1 Asset Allocation by Country

Exhibit 35 displays the differences between countries in terms of how asset managers allocate investments on behalf of their clients across different asset classes. It is important to bear in mind that given the large degree of cross-border delegation of asset management, the national differences in asset allocation is not completely attributable to differences in terms of the preferences of home-domiciled clients. It also reflects the preferences of overseas investors. With respect to the UK, the 41% share of equity also reflects the strong equity bias within the UK market, which stands in contrast to the traditional Continental Europe approach (see Exhibit 36). By way of illustration, UK pension funds held 40% of their assets in equity at end 2008, and equity accounted for 62% of total investment funds under management in the UK. Excluding the UK, the European average share of equity would merely amount to 18%, whereas the share of bonds would rise to 50%.[23]

Exhibit 35 **Asset allocation by country at end 2008**

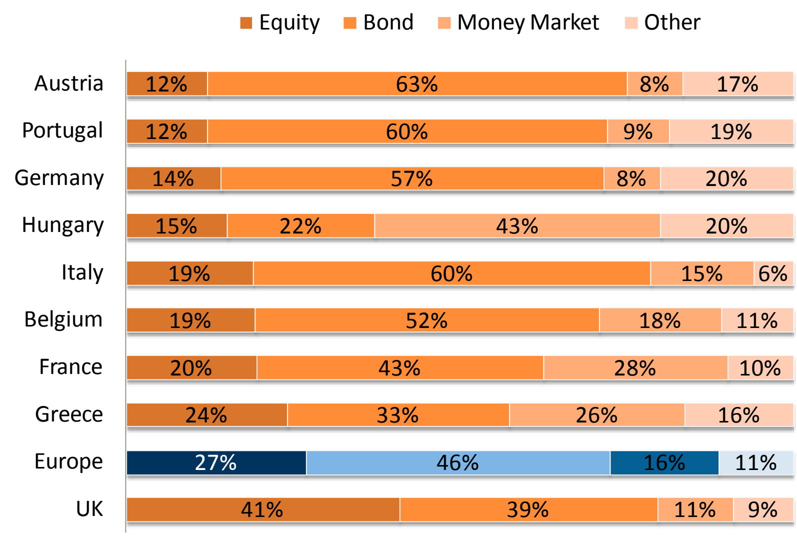
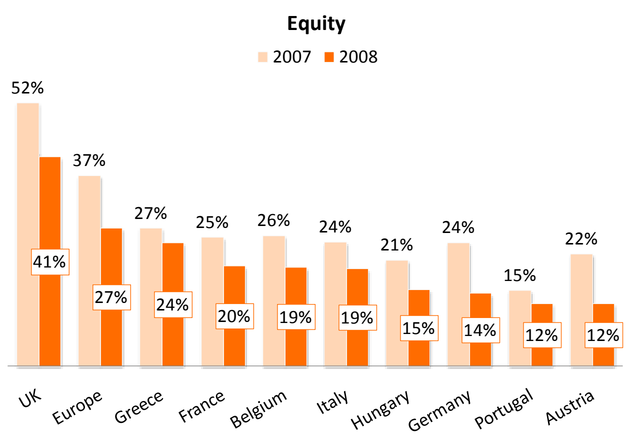
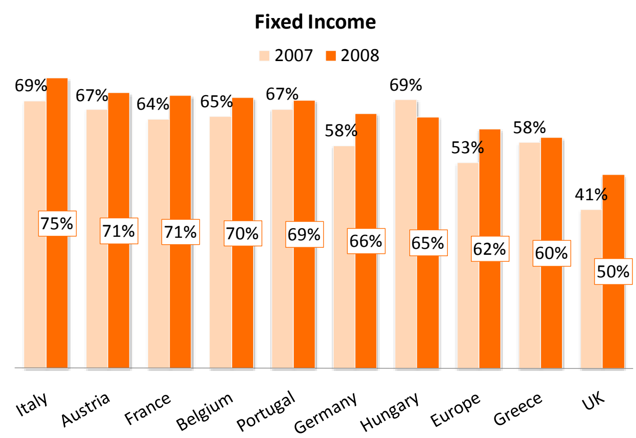


Exhibit 36a and 36b **Asset allocation by country**



In all countries, the share of equity experienced a sharp reduction in 2008, ranging from 3 percentage points in Portugal and Greece to 11 percentage points in the UK. This reduction was mirrored by an increase of the share of fixed income securities in the asset allocation in each country.



It should also be flagged that the share of other assets is not negligible in a number of countries. This reflects portfolio diversification towards a vast array of different assets, such as hedge funds, structured products and property.

5.2 Asset Allocation in Investment Funds and Discretionary Mandates

There are also differences between how the assets in investment funds and discretionary mandates are allocated. Investment funds held on average 29% of their AuM in equity at end 2008, and 56% in fixed income securities. Discretionary mandates were generally more conservatively managed, with an average of 27% invested in equity and 65% in fixed income securities (see Exhibits 37 and 38). It should also be noted that the equity exposure for both discretionary mandates and investment funds declined by 11 and 8 percentage points, respectively.

Exhibit 37 Asset allocation in investment funds at end 2008

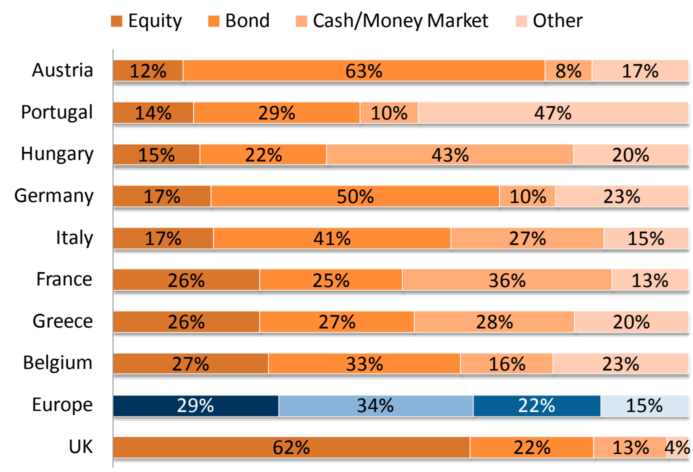
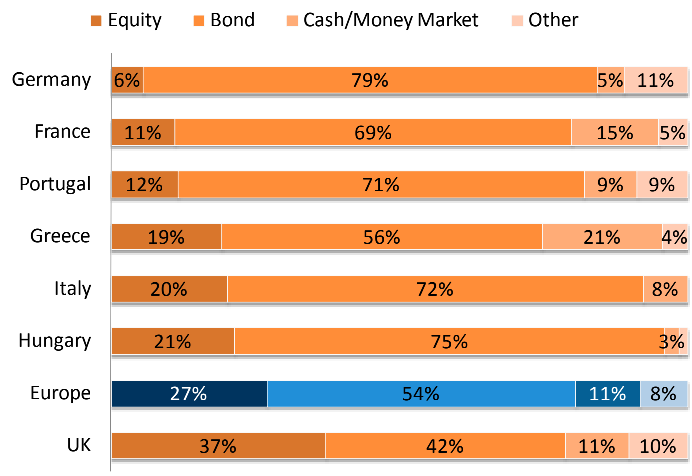


Exhibit 38 Asset allocation in discretionary mandates at end 2008



Unsurprisingly, Exhibits 37 and 38 show that there are large differences across countries in terms of how investment funds and discretionary mandates are allocated. Although the figures give some indication on the dominant risk preferences in various countries, it should be recalled that the European asset management industry is highly internationalized, with mandates and investment funds being often managed for foreign clients. For instance, investors in a country with dominant low equity exposure product solutions may choose to appoint asset managers to manage their equity investments.

Despite the impact from cross-border selection of asset managers, certain patterns can be distilled from the data on asset allocation. In particular, asset allocation is affected by the type of clients that dominate the investment fund or discretionary mandate segments in the surveyed countries.

The share of equity in the asset allocation is the largest in the UK in both segments of the market. This strongly influences the European average. The fact that pension funds represent the largest institutional client category of mandates in the UK can explain the relative high equity share in discretionary mandates. Along the same line, the high share of equity in UK investment fund assets can be attributed to a long established culture of equity investing and the expertise the UK fund management industry has built on equity investment in parallel with the growth of defined-benefit occupational schemes and more recently with the growth of the defined-contribution market.

An historic reason also explains why France became Europe's largest centre of money market funds: a regulation forbidding remuneration of banking accounts. Despite the abolition of this rule in 2005, money market funds remained an important segment of the French fund industry because their clients – mostly corporations, institutional investors and to a lesser extent households – continued to value their advantages in terms of services for cash management and net return compared to direct investment in money market instruments. The existence of large and deep market money markets also allowed a dynamic management of money market funds.

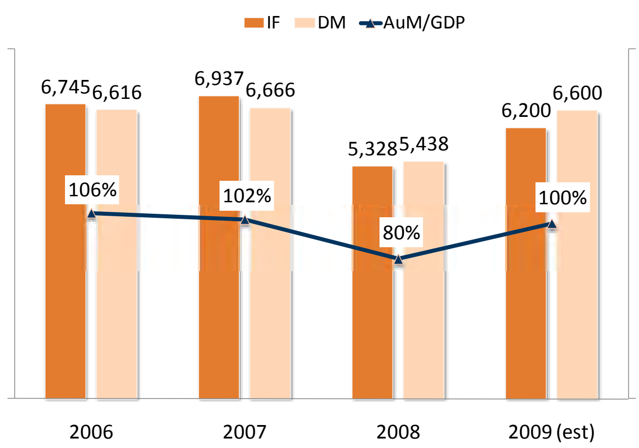
Another important observation is the large share of other assets held by investment funds in certain countries. In Germany, a large share of these assets is represented by investment in property, whereas in France, regulated hedge funds account for a significant share of other assets.

6 Estimation of Total AuM at end 2009

2009 has been a year of recovery for European investors and investment managers. Stock markets reached a low point in March 2009 and began to recover thereafter, as business survey indicators started to improve and investors and investors rediscovered their risk appetite. These favorable developments resulted in sharp increase in worldwide stock prices. European stock prices, as measured by the Dow Jones STOXX 600 index increased by 29% in 2009, and by 60% from its low of early March 2009. The stock market rally and less stressed financial market conditions also set the stage for the resumption of net inflows in UCITS. Although the standing of the European asset management industry at end of 2009 will be analyzed in full details in next year's EFAMA Asset Management Report, it is possible to give some indication of the evolution of the AuM in 2009, starting with the investment fund sector.

According to EFAMA's statistics, the assets of investment funds domiciled in Europe increased by 15.6% in 2009.[24] This increase was driven by the developments in the UCITS market, which represents about 75% of the investment fund market in Europe. Market appreciation was responsible for 82% of the increase in UCITS assets, whereas inflows added the remaining 18%. Three main set of factors can explain the inflows. Firstly, the low level of stock prices reached in March 2009 and the resulting low price-to-earnings ratios increased the attractiveness of equity investment. Secondly, the historically high concentration of investor financial assets in bank deposits in an environment of extremely low interest rates convinced investors to seek alternative investments to secure higher returns. And thirdly, the wide-ranging actions by governments and central banks gradually strengthened investor confidence in the recovery of economic growth and the potential return of specific asset classes. Reflecting these developments, equity funds experienced the strongest asset increase in 2009 (36%), followed by balanced funds (20%), bond funds (17%) and money market funds (-5%). Applying these growth rates to the asset mix observed in the investment fund assets managed in Europe, those assets can be estimated to have increased to EUR 6,200 billion in 2009.

Exhibit 39 European AuM (EUR billion and percent)



To estimate the evolution of the AuM in discretionary mandates in 2009, we took into account the following factors. First, we extrapolated the observed market developments on to the asset class portfolio composition of discretionary mandates. Second, we assumed that discretionary mandates continued to attract new money in 2009, in the order of 4% of AuM. This assumption is conservative in regard of the following information. More than 70% of discretionary mandate assets are managed for insurance companies and pension funds, which continued to draw net contributions from occupational pension plans and life-insurance contracts in 2009.[25] At the same time, the so-called special funds, which are reserved to institutional investors, managed to attract EUR 50 billion in new money in 2009, or 5.7% of AuM at end 2008. Finally, in view of the market share of the UK in the asset management of discretionary mandates (42%), we took into consideration the appreciation of the Pound vis-à-vis the euro in 2009 (7%). Taken all together, discretionary mandate assets may have increased by around 21% in 2009.

Consequently, according to our calculations, European AuM rose by some 19% in 2009 to EUR 12.8 trillion. Exhibit 32 shows the estimated evolution of AuM in discretionary mandates and investment funds between end 2006 and end 2009.

[1] We are grateful to our member associations for providing the data that allow us to produce this report. We would also like to thank Ron Batten, Effie Bourboulas, Sergio Brito, Miklós Farkas, Teresa Lapolla, Marc Leroux, Jonathan Lipkin, Carsten Lüders, Armin Kammel, Carlos Pardo and Thomas Valli for helpful discussions and comments on this report.

[2] Two main sources of information were used: the EFAMA 2009 Fact Book and the McKinsey&Company report: "Will the goose keep laying golden eggs – Rebuilding the read to profitable growth" (October 2009).

[3] See Boston Consulting Group report : « Global Asset Management 2009 : Conquering the Crisis » (July 2009).

[4] According to this study, the asset management industry provided employment for around 70,000 persons in France in 2007. This figure includes 13,000 jobs in asset management companies, 13,000 jobs outsourced by those firms or provided by related services providers, and 44,000 jobs in distribution of investment products, most importantly investment funds. See "La gestion pour compte de tiers génère 70000 emplois », published by AFG (Association française de la gestion financière), September 2008. The study can be downloaded from: www.afg.asso.fr/upload/3/Fichier933.pdf.

[5] See "Etude d'impact de l'industrie financière sur l'économie luxembourgeoise", cersion chiffres de 2008, Deloitte, October 2008. This study is available at the following address: http://www.cssf.lu/uploads/media/Etude_impact_2008.pdf

[6] The split between buy and sell side institutions should be viewed from the perspective of securities exchange services. Asset managers are the buyers of the services which they use to trade securities; sell side institutions, typically prime brokers and investment banks, are the sellers of those services.

[7] By way of illustration, taking into account non-IMA member hedge funds and private equity funds, the total number of asset management companies in the UK would probably add to more than 400.

[8] UCITS ("Undertaking for a Collective Investment in Transferable Securities") refers to the EU Directive that established a "single license" regime for collective investment schemes exclusively dedicated to the investment of assets raised from investors. UCITS benefit from a "passport" allowing them, subject to notification, to be offered to retail investors in any jurisdiction of the European Economic Area once registered in one Member State. Generally speaking, UCITS are publicly offered open-ended funds investing in transferable securities and money market instruments.

[9] UCITS IV refers to the recast UCITS Directive 85/611/EEC (entered into force in 1988 as amended by UCITS III in 2002) which will bring a number of key enhancements to the UCITS regime, including the management company passport.

[10] By way of illustration, 217 M&A deals were negociated in 2008, compared to 248 deals in 2007 (source: Bloomberg).

[11] See Asset Management in the UK 2008, The IMA's Seventh Annual Survey, which can be downloaded from: http://www.investmentuk.org/statistics/fum_survey/default.asp.

[12] It is also important to note that for most countries, the breakdown by parent group categories relates to the firms that were included in the asset management data collected by EFAMA's member associations at national level.

[13] See the Oxera Report "Defined contribution pension schemes: *Risk and advantages for occupational retirement provision"*, published by EFAMA in 2008 *http://www.efama.org/index.php?option=com_docman&task=doc_details&gid=201&Itemid=-99* .

[14] More information about asset management data in Germany, and recent updates can be downloaded from the BVI website at: www.bvi.de/de/statistikwelt/Investmentstatistik/index.html.

[15] The allocation of discretionary mandates to investment funds results in a certain degree of double counting. However, such double counting is negligible in relation to total assets, amounting to around 3%.

[16] For Austria, data on outsourcing covers investment funds only.

[17] Data on assets outsourced from Austria and Portugal covers only investment funds.

[18] Even though data is not available, it is widely recognized that the majority of Belgian asset management companies belong to a banking group.

[19] See part 1.2 (Ownership of investment funds in Europe) in EFAMA FactBook 2009.
[20] See Part 1.2 in EFAMA FactBook 2009.
[21] See Global Pension Statistics on www.oecd.org.
[22] The asset allocation is based on a sample of firms representing slightly less than EUR 10 trillion.
[23] The asset allocation for the UK is based on an estimate for the retail part of the UK managed funds.
[24] See "Trends in the European Investment Fund Industry in the Fourth Quarter of 2009 and Results for the Full Year 2009", EFAMA's Quarterly Statistical Release N°40, March 2010, available on www.efama.org.
[25] By way of illustration, AFG has estimated that the discretionary mandates assets in France rose by 10.9% in 2009, with 5.9 percentage points coming from net new money and 5 percentage points from the market appreciation.

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