

*Trends in the European Investment Fund Industry
in the Fourth Quarter of 2009
and
Results for the Full Year 2009*

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Highlights

The European investment fund industry bounced back to positive asset growth and net sales in 2009, as equity markets rebounded, capital markets reopened and investor confidence returned. The recovery from the financial crisis started in April 2009 and benefited all categories of long-term funds.

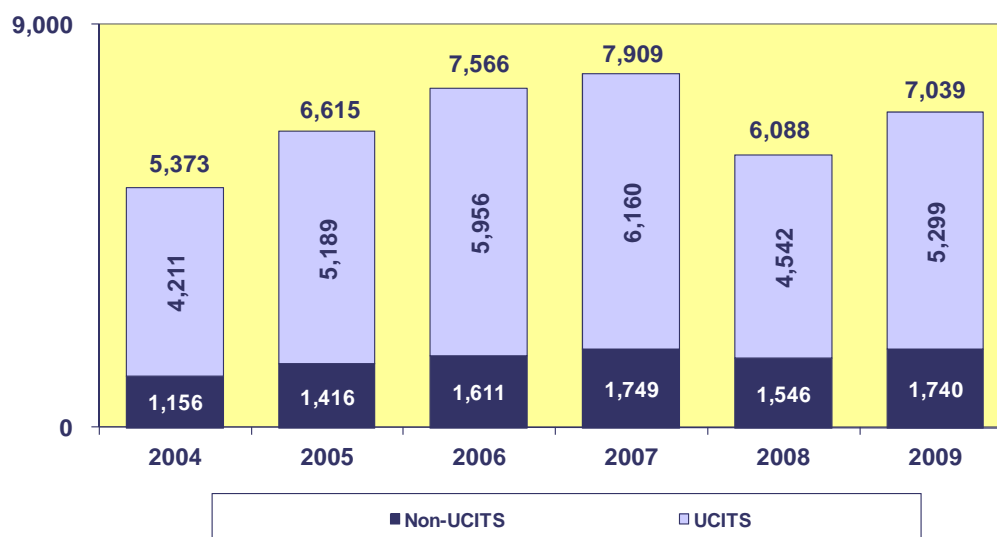
- **Increase in investment fund assets in 2009:** Investment fund assets in Europe increased by 15.6 percent in 2009, from EUR 6,088 billion at end 2008 to EUR 7,039 billion at end 2009. Total investment fund assets represented 55 percent of the European Union's GDP at end 2009. This highlights the important role played by investment fund managers in the European economy: they act as managers of long-term savings, investors in the European financial markets, shareholders in European companies, providers of short-term funding for many European corporations and important sources of employment.
- **Turnaround in net sales of UCITS:** UCITS registered net inflows of EUR 123 billion in 2009, compared to net outflows of EUR 356 billion in 2008.
- **Sustained demand for long-term UCITS:** Long-term UCITS (UCITS excluding money market funds) enjoyed net inflows of EUR 165 billion in 2009, thanks to net inflows into equity funds (EUR 66 billion), bond funds (EUR 72 billion) and balanced funds (EUR 44 billion). The strength of the rebound is shown by the fact that positive inflows into long-term UCITS only started when financial markets recovered from their lows of March 2009. In the period from April to December 2009, long-term UCITS enjoyed net inflows of EUR 196 billion.
- **Outflows from money market funds:** Investors withdrew EUR 43 billion from money market funds in 2009, down substantially from the EUR 64 billion they invested on net in 2008. The retreat accelerated in September as the liquidity and functioning of fixed-income markets continued to improve in an environment of extremely low short-term interest rates.
- **Robust demand for non-UCITS:** Special funds reserved to institutional investors gathered EUR 48 billion in 2009, and real estate funds another EUR 4 billion.

The recovery in investor demand for UCITS and non-UCITS in 2009 is the result of the following factors:

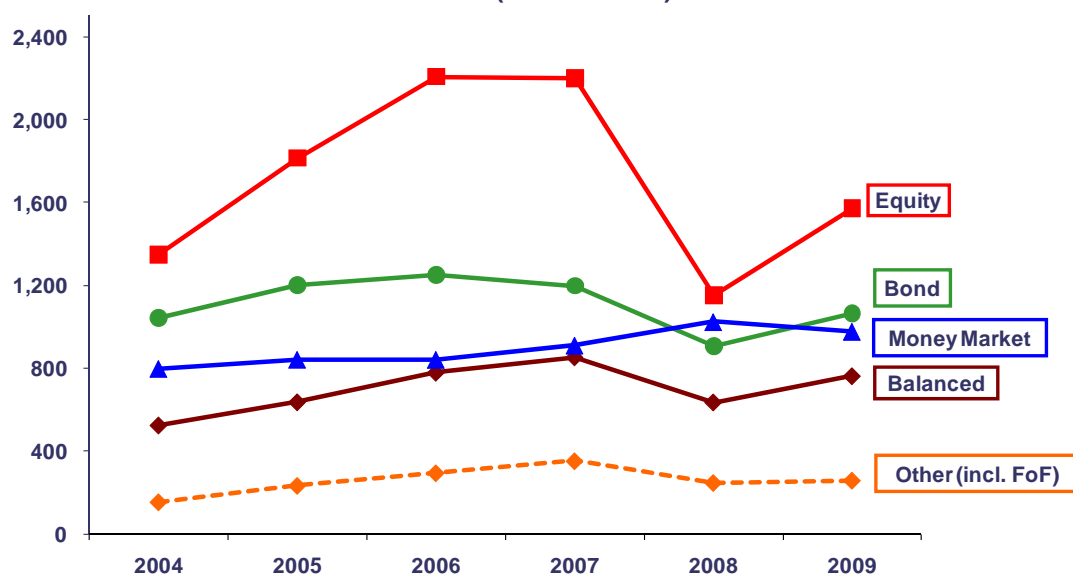
- **Low short-term interest rates** convinced investors to seek alternative investments to bank deposits to secure higher returns.
- **Low stock prices** plus the confidence generated by the wide-ranging policy actions by governments and central banks gradually strengthened investor appetite for equity funds.
- **High concentration of financial wealth in liquid investments** encouraged investors moving further towards more balanced asset allocation.
- **UCITS' status as a global brand** continued to boost net sales of cross-border funds outside Europe, especially in Asia. By way of illustration, fund order givers from the Asia-Pacific region generated 35 percent of incoming order volumes in Luxembourg during 2009. This is a growth of 5 percentage points compared to 2008.¹

¹ See joint EFAMA - SWIFT Annual Report on Progress in Fund Processing Standardization in 2009.

Net Assets of European Investment Funds (EUR billions)



Recent Trends in Assets by UCITS Type (EUR billions)

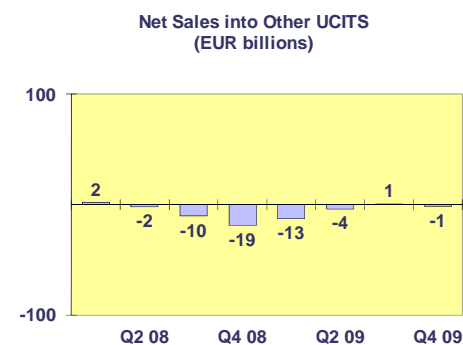
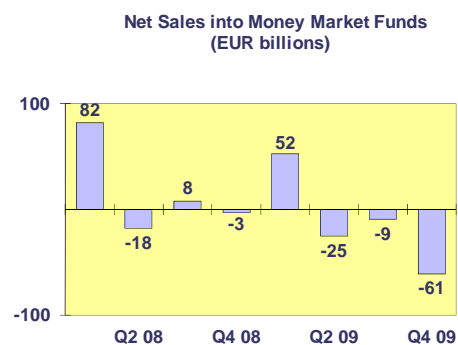
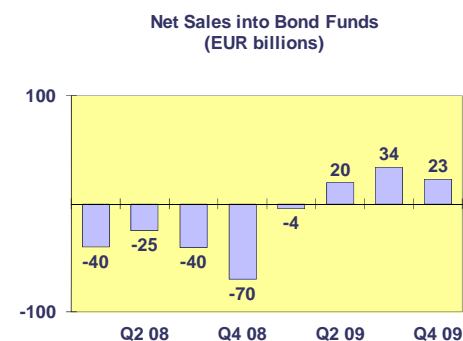
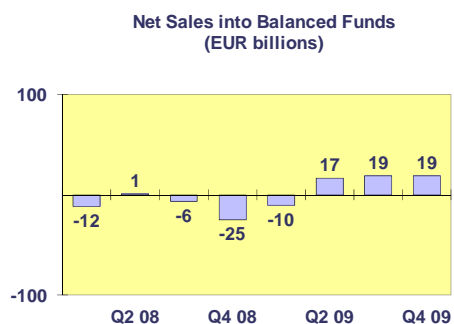
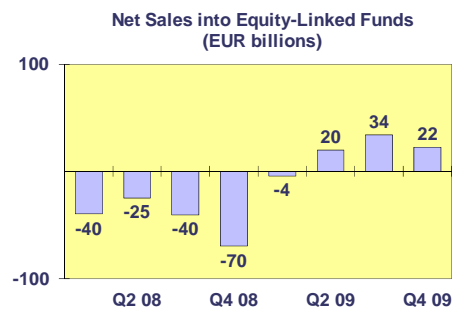
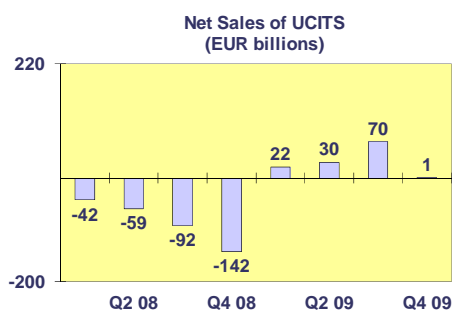


Trends in the UCITS Market

Net Sales by Investment Type

Net inflows into UCITS fell to EUR 1 billion in the fourth quarter of 2009, reflecting net outflows of EUR 61 billion from money market funds. As can be seen from the charts showing monthly net sales on the next page, money market funds suffered net redemptions each month in the fourth quarter as investors sought alternative investments to secure higher returns against the backdrop of very low short-term interest rates. This portfolio shift benefited long-term UCITS, i.e. UCITS excluding money market funds, which recorded net inflows of EUR 63 billion in the fourth quarter, thanks to sustained demand for equity, bond and balanced funds.

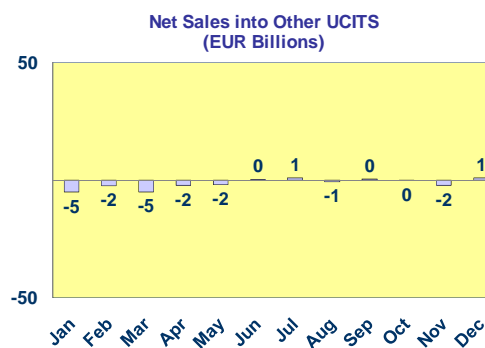
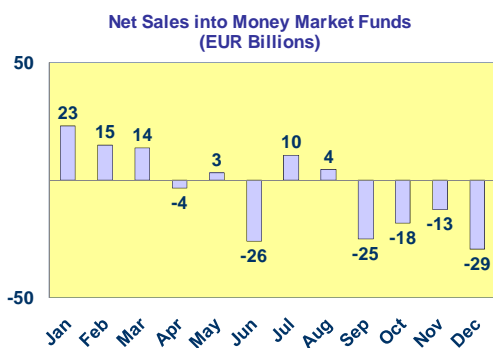
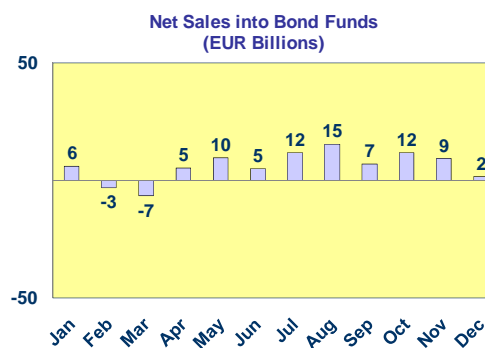
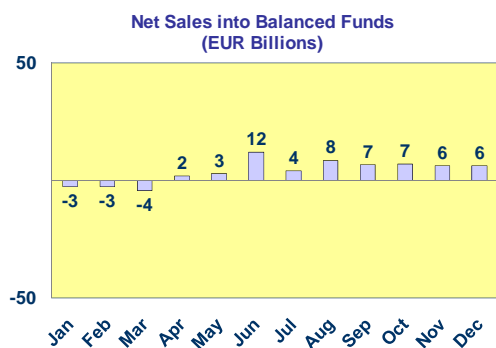
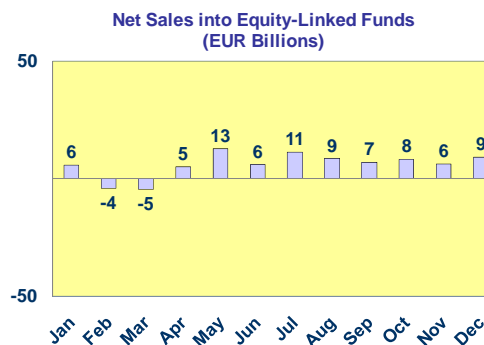
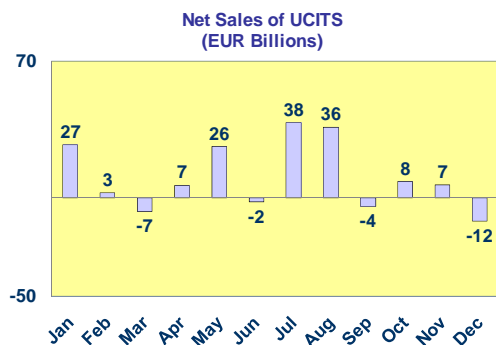
In 2009, total net sales of UCITS reached EUR 123 billion, compared to net outflows of EUR 356 billion in 2008.



Trends in the UCITS Market

Net Sales by Investment Type

Looking at the trend in monthly net sales², **equity, bond and balanced funds continued to attract positive inflows since April 2009**. On the other hand, money market funds have been experiencing net outflows since September 2009, in parallel with the rebound of investor confidence in equity and medium and long-term bond investments. Overall, the monthly figures confirm the return of greater optimism about stock markets, global growth recovery and financial market conditions.



² Differences in totals between quarterly and monthly net sales reflect differences in the universe of reporting countries.

Trends in the UCITS Market

Net Sales by Country of Domiciliation

Sixteen reporting countries recorded positive net sales in the fourth quarter of 2009. Net inflows were particularly strong in Luxembourg (EUR 13.6 billion), the United Kingdom (EUR 7.4 billion), Sweden (EUR 5.2 billion) and Germany (EUR 3.4 billion). Elsewhere in Europe, France suffered net outflows of EUR 27.7 billion in the fourth quarter, driven by net outflows of EUR 34.8 billion from money market funds.

UCITS domiciled in Luxembourg and the United Kingdom accounted for 81 percent of the EUR 123 billion of net inflows to UCITS in Europe in 2009, with a share of 54 percent and 27 percent, respectively. UCITS domiciled in Germany, France and Sweden followed with a share of 7 percent each. In Southern Europe, all countries continued to suffer net outflows in 2009, except Portugal.

Members	Equity Funds		Bond Funds		Balanced Funds		Money Market Funds		Other Funds ⁽²⁾		Total	
	Q4 2009	2009	Q4 2009	2009	Q4 2009	2009	Q4 2009	2009	Q4 2009	2009	Q4 2009	2009
Austria	-91	571	-158	-2,039	56	-591	47	-1,655	-115	-455	-262	-4,169
Bulgaria	0	-2	0	-6	-1	-3	13	15	0	0	12	4
Czech Republic	8	29	9	-38	-12	-44	46	-157	-14	-109	37	-319
Denmark	411	2,068	427	-227	-39	-224	0	-6	13	324	812	1,936
Finland	919	2,760	-28	1,138	37	134	-116	-235	-19	66	793	3,864
France	600	3,600	2,300	9,500	4,200	12,900	-34,800	-10,900	0	-6,900	-27,700	8,200
Germany	1,809	6,156	922	2,552	2,481	3,666	-1,419	-5,854	-357	1,910	3,435	8,430
Greece	-19	14	-60	-249	25	134	-140	-770	-15	-30	-208	-902
Hungary	-74	-301	166	274	0	-9	360	674	-5	-199	446	439
Italy	-200	-451	1,035	1,630	-718	-7,053	-1,716	-2,373	0	0	-1,600	-8,247
Liechtenstein	-116	-276	430	819	6	-50	-88	3,223	26	-21	258	3,695
Luxembourg	11,403	35,226	17,530	48,478	8,923	20,158	-18,036	-15,354	-6,212	-22,512	13,608	65,996
Norway	1,291	3,460	348	558	123	210	-276	485	32	63	1,518	4,776
Poland	165	479	51	-73	14	-31	54	173	32	29	315	578
Portugal	61	104	-19	-681	31	-58	152	969	199	210	423	545
Romania	2	6	55	102	-9	4	60	309	109	112	217	532
Slovakia	8	21	14	7	27	28	77	86	-22	-167	105	-25
Slovenia	16	21	6	5	-3	-7	-1	-4	1	4	18	19
Spain	42	-4,977	-1,211	-2,471	2,355	2,300	-1,992	-6,554	0	0	-806	-11,702
Sweden	3,628	7,525	383	463	494	1,131	6	-1,936	713	1,166	5,224	8,349
Switzerland	-161	678	228	200	-63	8,160	-2,843	-3,365	0	0	-2,838	5,672
Turkey	-3	19	-462	404	-253	415	58	476	155	344	-504	1,658
United Kingdom	1,974	9,743	762	11,977	956	2,789	-332	-452	4,046	9,123	7,406	33,179
Total	21,672	66,474	22,727	72,325	18,630	43,958	-60,886	-43,205	-1,434	-17,043	709	122,509

(1) In EUR millions for EFAMA members for which data are available; (2) including funds of funds, except for France, Germany 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 6.

Trends in the UCITS Market

Net Assets by Investment Type

Total net assets of UCITS increased by 2.8 percent in the fourth quarter to reach EUR 5,299 billion at end of 2009. Equity funds experienced the strongest asset increase (EUR 98 billion or 7 percent). Balanced and bond funds also saw their assets increase by 4 percent and 3 percent, respectively. On the other hand, money market funds saw their assets decline by 5 percent in the fourth quarter. Rising stock prices and net inflows pushed the share of equity funds upwards from 30 percent at end 2008 to 34 percent at end 2009.

Total assets of UCITS rose by 16.7 percent, or EUR 757 billion, in 2009. New money invested in UCITS contributed to explain 19 percent of the UCITS assets increase in 2009. Equity funds enjoyed the strongest asset increase in 2009 (37 percent) followed by balanced funds (20 percent). The fall in the net assets held in funds of funds reflected the reclassification of German-domiciled funds of funds into the other types of funds.

The total number of UCITS declined by 3.1 percent in 2009 to reach 35,946 at end December.

UCITS types	31/12/2009		Change wrt to 30/09/2009		Change wrt to 31/12/2008	
	EUR bn	Share	in % ⁽²⁾	in EUR bn	% chg ⁽³⁾	in EUR bn
Equity	1,573	34%	6.6%	98	36.5%	420
Balanced	762	16%	4.4%	32	19.9%	126
Total Equity & Balanced	2,335	50%	5.9%	130	30.6%	547
Bond	1,064	23%	3.1%	32	17.3%	157
Money Market (MM)	977	21%	-5.5%	-57	-4.5%	-46
Funds of funds ⁽⁴⁾	63	1%	2.9%	2	-2.0%	-1
Other	196	4%	4.1%	8	6.4%	12
Total (excl. Ireland & Netherlands)	4,635	100%	2.5%	115	16.8%	668
of which guaranteed funds	203	4%	-2.2%	-5	-4.8%	-10
Total (incl. Ireland & Netherlands)	5,299		2.8%	145	16.7%	757
of which MM including Irish MM ⁽⁵⁾	1,284	24%	-4.1%	-55	-4.4%	-59

(1) No full data breakdown is available for Ireland and the Netherlands; (2) End of December 2009 compared to end September 2009 assets.
(3) End of December 2009 compared to end 2008 assets; (4) Except funds of funds domiciled in France, Luxembourg, Italy and Germany which are included in other types of funds; (5) The share is calculated in relation to total UCITS assets (including IE and NL)

UCITS types	31/12/2009		Change wrt to 30/09/2009		Change wrt to 31/12/2008	
	EUR bn	Share	in % ⁽²⁾	in EUR bn	% chg ⁽³⁾	in EUR bn
Equity	13,518	41%	-0.7%	-89	-5.4%	-766
Balanced	7,754	24%	-0.7%	-51	1.4%	110
Total Equity & Balanced	21,272	65%	-0.7%	-140	-3.0%	-656
Bond	6,082	19%	-0.4%	-26	-3.1%	-194
Money Market (MM)	1,736	5%	-1.3%	-23	-4.6%	-84
Funds of funds ⁽⁴⁾	1,087	3%	-3.0%	-34	-25.6%	-374
Other	2,590	8%	-0.2%	-4	10.5%	247
Total (excl. Ireland & Netherlands)	32,767	100%	-0.7%	-227	-3.1%	-1,061
of which guaranteed funds	3,691	11%	0.1%	5	3.0%	108
Total (incl. Ireland & Netherlands)	35,946		-1.8%	-659	-3.7%	-1,384

(1) No full data breakdown is available for Ireland and the Netherlands; (2) End of December 2009 compared to end September 2009 number.
(3) End of December 2009 compared to end 2008 number; (4) Except funds of funds domiciled in France, Luxembourg, Italy and Germany which are included in other types of funds.

Trends in the UCITS Market

Net Assets by Country of Domiciliation

Looking at the development in the major fund markets in 2009, all countries experienced asset growth except Spain. The United Kingdom enjoyed the strongest asset growth (40 percent), followed by Germany (19 percent), Luxembourg (19 percent), Ireland (15 percent), France (10 percent) and Italy (2 percent).

2009 was also a very good year in the Nordic countries, which enjoyed an average asset growth of 41 percent. Norway enjoyed the strongest increase (67 percent), driven by net sales representing 16 percent of UCITS assets at end 2008. Asset growth was also significantly higher than the European average in Sweden (46 percent) and Finland (31 percent), also thanks to strong net inflows.

In Central Europe, UCITS asset growth was also above average in Romania (238 percent), Poland (25 percent) and Slovenia (22 percent).

Table 4. Net Assets of the European UCITS Industry						
Members	31/12/2009		30/09/2009		31/12/2008	
	EUR m	Share	EUR m	% chg ⁽¹⁾	EUR m	% chg ⁽²⁾
Austria	82,482	1.6%	81,802	0.8%	79,701	3.5%
Belgium	86,676	1.6%	87,105	-0.5%	87,219	-0.6%
Bulgaria	177	0.0%	170	4.5%	162	9.5%
Czech Republic	4,376	0.1%	4,454	-1.8%	4,422	-1.0%
Denmark	58,032	1.1%	55,161	5.2%	46,891	23.8%
Finland	45,905	0.9%	43,734	5.0%	35,029	31.1%
France	1,253,395	23.7%	1,264,105	-0.8%	1,143,265	9.6%
Germany	220,424	4.2%	213,645	3.2%	184,921	19.2%
Greece	9,191	0.2%	9,869	-6.9%	9,324	-1.4%
Hungary	8,366	0.2%	7,821	7.0%	7,212	16.0%
Ireland	597,331	11.3%	569,697	4.9%	517,702	15.4%
Italy	193,998	3.7%	194,200	-0.1%	189,400	2.4%
Liechtenstein	22,375	0.4%	21,054	6.3%	15,822	41.4%
Luxembourg	1,592,373	30.1%	1,529,019	4.1%	1,337,043	19.1%
Netherlands	66,300	1.3%	64,100	3.4%	57,000	16.3%
Norway	49,403	0.9%	43,865	12.6%	29,517	67.4%
Poland	16,020	0.3%	14,907	7.5%	12,794	25.2%
Portugal	11,572	0.2%	11,058	4.6%	10,455	10.7%
Romania	791	0.0%	593	33.3%	234	238.2%
Slovakia	3,255	0.1%	3,084	5.5%	3,107	4.7%
Slovenia	1,842	0.0%	1,793	2.7%	1,514	21.6%
Spain	187,152	3.5%	188,247	-0.6%	194,714	-3.9%
Sweden	123,533	2.3%	111,196	11.1%	84,642	45.9%
Switzerland	116,798	2.2%	117,994	-1.0%	98,320	18.8%
Turkey	13,493	0.3%	13,685	-1.4%	11,221	20.2%
United Kingdom	533,506	10.1%	501,983	6.3%	380,462	40.2%
All Funds	5,298,768	100%	5,154,340	2.8%	4,542,094	16.7%

(1) End December compared to end September 2009; (2) end December 2009 compared to end 2008.

Trends in the Non-UCITS Market

Net Sales and Assets by Investment Type

Total assets in the non-UCITS market increased by 3.3 percent in the fourth quarter of 2009 to EUR 1,740 billion. The bulk of the increase was driven by the rise in assets of special funds reserved for institutional investors, which in turn reflected asset appreciation and net inflows. British investment trust and French employees savings schemes also enjoyed strong asset growth.

Since end 2008, total asset of non-UCITS grew by 12.6 percent.

Fund types	31/12/2009		30/09/2009		31/12/2008		Number of Funds	
	EUR bn	Share	EUR bn	% chg ⁽²⁾	EUR bn	% chg ⁽³⁾	31/12/2009	31/12/2008
Special / Institutional	1,003	63%	980	2.4%	880	14.0%	7,245	7,005
German "Spezialfonds"	70	45%	694	2.3%	635	11.8%	3,829	3,993
British investment trusts	52	3%	50	4.1%	36	44.6%	320	332
French employees savings	90	6%	86	5.0%	71	26.5%	2,490	2,604
Luxembourg "other" funds	80	5%	81	-0.7%	77	3.9%	1,008	1,062
Real-estate funds	209	13%	204	2.3%	201	3.8%	774	669
Other	154	10%	150	2.9%	151	2.4%	2,375	2,204
Total	1,589	100%	1,551	2.4%	1,416	12.2%	14,212	13,876
including Ireland	1,740		1,684	3.3%	1,546	12.6%	16,118	15,899

(1) Excluding Ireland for which no data breakdown is available; (2) End of December 2009 compared to end September 2009; (3) End of December 2009 compared to end 2008.

Members	2008					2009				
	Q1	Q2	Q3	Q4	2008	Q1	Q2	Q3	Q4	2009
Austria	-196	-445	306	-332	-667	285	2,039	1,417	632	4,373
Denmark	995	2,600	-2,199	-140	1,256	-445	-8,005	193	-615	-8,872
Finland	-126	-287	-251	-641	-1,305	-227	-70	119	70	-108
Germany	3,705	2,760	8,806	1,704	16,975	5,318	-2,436	10,084	18,736	31,702
Hungary	8	92	436	194	730	165	-9	197	-9	344
Italy	-133	-156	-101	-156	-546	263	-69	-19	-541	-367
Liechtenstein	100	195	124		419	70	51	127	191	439
Luxembourg	11,408	6,982	8,022	2,437	28,849	4,277	9,329	1,263	3,504	18,373
Romania						4	-1	0	1	3
Sweden	26	-30	9	20	25	23	112	80	121	337
United Kingdom	292	207	236	151	886	101	811	785	542	2,239
Total	16,079	11,918	15,388	3,237	46,622	9,833	1,752	14,246	22,632	48,463

(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, increased by 2.9 percent in the fourth quarter to reach EUR 7,039 billion at end December 2009.

With EUR 5,299 billion invested in UCITS, this segment of the business accounted for 75 percent of the fund market at end December 2009.

In 2008, the European investment fund industry saw its assets rise by 15.6 percent, or EUR 952 billion.

Table 7. Net Assets of the European Investment Fund Industry						
Members	31/12/2009		30/09/2009		31/12/2008	
	EUR m	Share	EUR m	% chg ⁽¹⁾	EUR m	% chg ⁽²⁾
Austria	138,603	2.0%	137,342	0.9%	127,729	8.5%
Belgium	92,523	1.3%	92,670	-0.2%	91,884	0.7%
Bulgaria	180	0.0%	172	4.4%	164	9.4%
Czech Republic	4,426	0.1%	4,506	-1.8%	4,490	-1.4%
Denmark	109,608	1.6%	105,308	4.1%	97,861	12.0%
Finland	54,251	0.8%	51,729	4.9%	41,338	31.2%
France	1,426,395	20.3%	1,430,238	-0.3%	1,294,865	10.2%
Germany	1,017,356	14.5%	995,217	2.2%	904,899	12.4%
Greece	10,338	0.1%	10,923	-5.4%	10,424	-0.8%
Hungary	11,088	0.2%	10,304	7.6%	9,537	16.3%
Ireland	748,629	10.6%	702,552	6.6%	647,054	15.7%
Italy	249,952	3.6%	249,850	0.0%	252,563	-1.0%
Liechtenstein	22,375	0.3%	23,066	-3.0%	17,800	25.7%
Luxembourg	1,840,993	26.2%	1,773,834	3.8%	1,559,653	18.0%
Netherlands	79,000	1.1%	76,500	3.3%	67,500	17.0%
Norway	49,403	0.7%	43,865	12.6%	29,517	67.4%
Poland	22,349	0.3%	20,552	8.7%	17,864	25.1%
Portugal	28,477	0.4%	27,448	3.7%	25,058	13.6%
Romania	2,586	0.0%	2,248	15.0%	1,701	52.0%
Slovakia	3,418	0.0%	3,263	4.8%	3,328	2.7%
Slovenia	2,195	0.0%	2,186	0.4%	1,881	16.7%
Spain	194,520	2.8%	195,686	-0.6%	203,498	-4.4%
Sweden	126,402	1.8%	113,417	11.4%	86,604	46.0%
Switzerland	157,247	2.2%	156,457	0.5%	134,805	16.6%
Turkey	15,912	0.2%	16,029	-0.7%	13,547	17.5%
United Kingdom	631,000	9.0%	593,209	6.4%	442,157	42.7%
All Funds	7,039,226	100.0%	6,838,572	2.9%	6,087,723	15.6%
UCITS	5,298,768	75.3%	5,154,340	2.8%	4,542,094	16.7%
Non-UCITS	1,740,459	24.7%	1,684,231	3.3%	1,545,629	12.6%

(1) End December compared to end September 2009; (2) end December 2009 compared to end 2008.