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Trends in the European Investment Fund Industry in the Third Quarter of 2003

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Trends in the European Investment Fund Industry

The combined assets of the investment fund market in Europe, i.e. the market for UCITS¹ and other nationally regulated types of investment funds, increased by 2.7% during the third quarter of 2003 (Table 1). **The increase was driven by the strong performance of equity funds. The overall result for the nine first months of 2003 was an increase of 8.7% (or EUR 367 billion) in total fund assets.**

Three countries (France, Luxembourg and Germany) continue to dominate the industry with a global market share of 59%. Italy and the United Kingdom follow in this ranking.

With EUR 3,581 billion invested in UCITS, this segment of the business accounted for 77.7% of the fund market at end-September 2003.

Table 1. Net Assets of the European Investment Fund Industry						
	30/09/2003		30/06/2003		31/12/2002	
Members	EUR m	Share	EUR m	% chg ⁽¹⁾	EUR m	% chg ⁽²⁾
Austria	91,417	2.0%	89,921	1.7%	85,821	6.5%
Belgium	79,516	1.7%	78,532	1.3%	77,181	3.0%
Czech Republic	3,406	0.1%	3,700	-7.9%	3,304	3.1%
Denmark	45,545	1.0%	43,625	4.4%	38,288	19.0%
Finland	20,968	0.5%	19,912	5.3%	15,749	33.1%
France	981,820	21.3%	960,500	2.2%	891,000	10.2%
Germany	811,635	17.6%	797,501	1.8%	750,964	8.1%
Greece	31,811	0.7%	30,841	3.1%	27,096	17.4%
Hungary	4,224	0.1%	4,224	0.0%	3,974	6.3%
Ireland	337,306	7.3%	328,535	2.7%	303,881	11.0%
Italy	394,736	8.6%	390,290	1.1%	372,316	6.0%
Liechtenstein	6,980	0.2%	6,647	5.0%	3,675	89.9%
Luxembourg	916,417	19.9%	876,552	4.5%	844,508	8.5%
Netherlands	93,200 ⁽³⁾	2.0%	93,200 ⁽³⁾	--	93,200	--
Norway	15,680	0.3%	14,695	6.7%	14,753	6.3%
Poland	7,638	0.2%	7,035	8.6%	5,528	38.2%
Portugal	26,757	0.6%	25,742	3.9%	24,509	9.2%
Spain	199,672	4.3%	188,143	6.1%	172,913	15.5%
Sweden	66,644	1.4%	62,059	7.4%	56,065	18.9%
Switzerland	80,106	1.7%	80,444	-0.4%	86,462	-7.4%
United Kingdom	393,199	8.5%	384,970	2.1%	370,235	6.2%
All Funds	4,608,679	100.0%	4,487,069	2.7%	4,241,421	8.7%
UCITS Assets	3,581,273	77.7%	3,486,056	2.7%	3,288,494	8.9%
Non-UCITS Assets	1,027,407	22.3%	1,001,014	2.6%	952,929	7.8%

(1) End-September 2003 compared to end-June 2003.

(2) End-September 2003 compared to end-December 2002.

(3) Figure at end 2002.

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

Trends in the UCITS industry

Total assets in the UCITS market increased by 2.7% during the third quarter of 2003 (Table 2). **Equity funds captured EUR 25 billion in net new money, the highest quarterly amount since the second quarter of 2001. Momentum in equity fund demand has thus continued to pick up during the third quarter, even though increases in stock market prices slowed down in the past couple of months.** As a result, equity fund assets expanded by 5.7% in the third quarter.

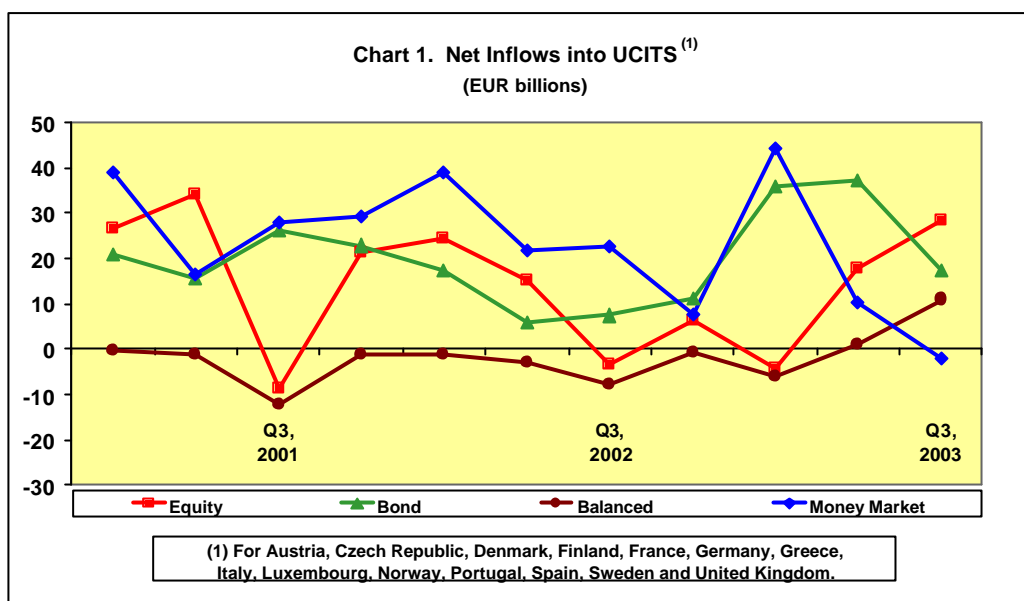
Strong investor activity in bond funds also continued to sustain UCITS asset growth, adding over EUR 18 billion in the third quarter and EUR 92 billion since the beginning of the year. Inflows into money market funds turned negative for the first time since the end of 2000, whereas balanced funds attracted positive inflows.

Table 2. Breakdown of UCITS Assets by Category ⁽¹⁾						
Fund types	30/09/2003		30/06/2003		31/12/2002	
	EUR bn	Share	EUR bn	% chg ⁽²⁾	EUR bn	% chg ⁽³⁾
Equity	1,063	32%	1,006	5.7%	971	9.5%
Balanced	448	14%	437	2.6%	433	3.6%
Total Equity & Balanced	1,511	46%	1,442	4.8%	1,403	7.7%
Bond	1,045	32%	1,032	1.3%	955	9.5%
Money Market	678	20%	674	0.6%	615	10.2%
Other	81	2%	78	3.9%	77	5.7%
All Funds	3,316	100%	3,226	2.8%	3,050	8.7%
including Ireland	3,581		3,486	2.7%	3,289	8.9%

(1) Excluding Ireland for which no data breakdown is available. (3) End-September 2003 compared to end-December 2002.
(2) End-September 2003 compared to end-June 2003.

Table 3. Net Sales of UCITS in 2003 ⁽¹⁾								
Members	Equity Funds		Bond Funds		Balanced Funds		Money Market Funds	
	Q3	Q1-Q3	Q3	Q1-Q3	Q3	Q1-Q3	Q3	Q1-Q3
Austria	41	52	705	1,273	-212	-198	353	1,757
Czech Republic	5	9	32	274	-31	-191	-282	43
Denmark	272	-111	361	4,644	-3	61	0	1
Finland	275	662	-66	254	57	85	236	3,067
France	7,400	16,342	3,800	12,300	4,600	8,863	-3,500	26,029
Germany	220	1,288	1,378	5,196	-152	-936	-1,167	391
Greece	202	131	251	1,463	22	-2,651	243	4,830
Italy	-252	-5,529	-1,401	12,106	138	-6,304	2,706	13,863
Liechtenstein	63	741	-58	1,111	-34	88	138	1,100
Luxembourg	13,602	11,739	9,438	39,267	2,352	5,246	-2,286	-3,747
Norway	110	206	33	320	138	138	-14	541
Portugal	-47	-43	518	1,122	15	-99	250	188
Spain	3,827	10,271	280	4,856	3,452	4,506	916	4,506
Sweden	766	2,653	-83	279	264	830	198	747
Switzerland	-3,090	-3,053	313	369	-8	-542	599	2,760
United Kingdom	1,780	4,023	2,165	7,327	292	636	6	126
Total	25,174	39,381	17,666	92,161	10,890	9,532	-1,604	56,202

(1) In EUR millions for FEFSI members for which data are available; these controlled 88% of total UCITS assets at end September 2003.



The net result of the development in the UCITS industry since the end of 2002 was a 9.5% increase in equity and bond fund assets. Assuming only modest fluctuations in stock prices through the end of 2003, the trend in equity funds is likely to show a turnaround in 2003, with asset growth turning back positive after two consecutive years of asset fall.

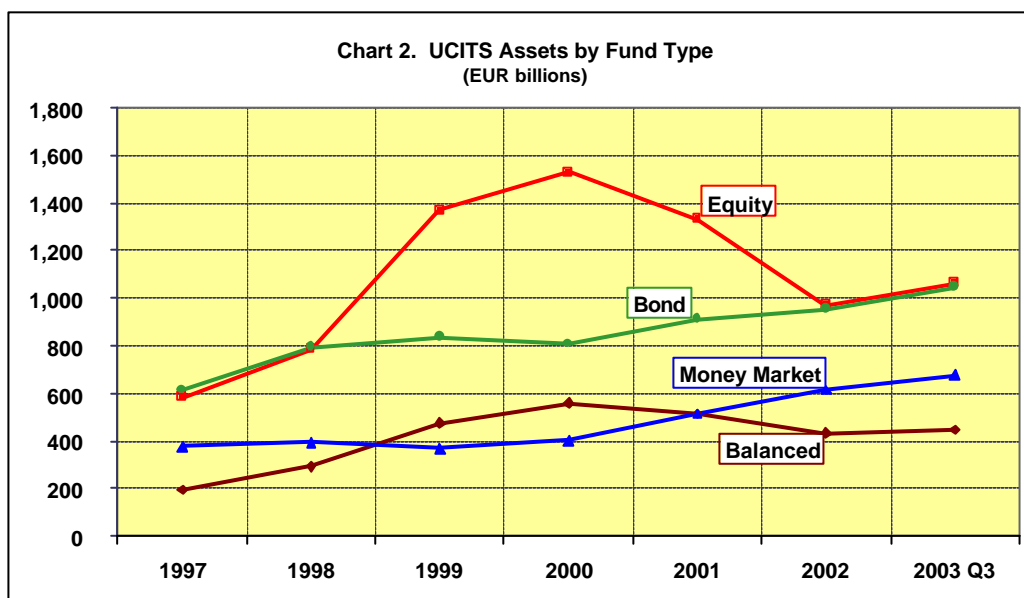


Table 4. Net Assets of the European UCITS Industry						
Members	30/09/2003		30/06/2003		31/12/2002	
	EUR m	Share	EUR m	% chg ⁽¹⁾	EUR m	% chg ⁽²⁾
Austria	69,297	1.9%	68,005	1.9%	63,771	8.7%
Belgium	74,225	2.1%	73,259	1.3%	71,501	3.8%
Czech Republic	3,314	0.1%	3,604	-8.1%	3,144	5.4%
Denmark	36,656	1.0%	34,891	5.1%	30,702	19.4%
Finland	20,968	0.6%	19,912	5.3%	15,749	33.1%
France	886,400	24.8%	869,400	2.0%	805,900	10.0%
Germany	212,538	5.9%	209,796	1.3%	199,455	6.6%
Greece	29,970	0.8%	29,232	2.5%	25,385	18.1%
Hungary	3,886	0.1%	3,983	-2.4%	3,808	2.1%
Ireland	265,601	7.4%	260,218	2.1%	238,501	11.4%
Italy	381,826	10.7%	378,285	0.9%	360,693	5.9%
Liechtenstein	6,932	0.2%	6,632	4.5%	3,668	89.0%
Luxembourg	837,891	23.4%	798,756	4.9%	766,539	9.3%
Netherlands	80,300 ⁽³⁾	2.2%	80,300 ⁽³⁾	--	80,300	--
Norway	15,680	0.4%	14,695	6.7%	14,753	6.3%
Poland	7,175	0.20%	6,563	9.3%	5,214	37.6%
Portugal	20,598	0.6%	19,760	4.2%	19,042	8.2%
Spain	196,925	5.5%	185,579	6.1%	170,814	15.3%
Sweden	65,336	1.8%	61,022	7.1%	55,299	18.2%
Switzerland	72,233	2.0%	72,663	-0.6%	78,785	-8.3%
United Kingdom	293,520	8.2%	289,504	1.4%	275,471	6.6%
All Funds	3,581,273	100%	3,486,056	2.7%	3,288,494	8.9%

(1) End-September 2003 compared to end-June 2003; (2) End-September 2003 compared to end 2002; (3) Figure at end 2002.

Concerning the geographical developments in the UCITS market, the following comments may be made:

- Among the fund industry's leading countries, Luxembourg recorded the highest asset growth thanks to strong inflows into equity, bond and balanced funds, which captured almost 50 percent of the total volume of new money invested in these types of funds in Europe during the third quarter. Spain also recorded particularly strong asset growth, thanks to the continued strong demand for guaranteed equity funds and balanced funds. In Italy, inflows into bond funds turned negative for the first time during the last 12 months, whilst money market funds continued to receive new money.
- Scandinavian countries continued to enjoy above-average growth, thanks to the strong performance of equity funds. Denmark and Norway also benefited from positive inflows into bond funds. In Eastern Europe, UCITS assets continued to grow remarkably in Poland thanks to strong inflows into equity and balanced fund assets. The observed decline in fund assets in the Czech Republic resulted from a change in corporate taxation that penalized investment in money market funds.
- The developments elsewhere in Europe were generally in line with the European average, except in Switzerland where a slight decline in total UCITS assets was observed as one of the major Swiss management companies decided to shift the domicile of some of its equity fund assets to Luxembourg. It should also be noted that Portugal recorded a sharp rise in bond fund assets (+7%), whereas equity and money market funds in Liechtenstein recorded an increase of 9 and 10%, respectively.

Trends in the non-UCITS industry

The non-UCITS² market is dominated by four types of products: the German special funds reserved for institutional investors, the British closed-ended investment trusts, the real estate funds and the French open-ended employees saving funds.

Non-UCITS assets grew by 2.6% during the third quarter to reach EUR 1,027 billion. Inflows into German “Spezialfonds” and real estate funds contributed to this result but slowed compared to their pace in the first half of 2003.

Table 5. Breakdown of Non-UCITS Assets by Category ⁽¹⁾						
Fund types	30/09/2003		30/06/2003		31/12/2002	
	EUR bn	Share	EUR bn	% chg ⁽²⁾	EUR bn	% chg ⁽³⁾
Special / Institutional	614	64%	602	1.9%	579	6.0%
German "Spezialfonds"	513	54%	504	1.8%	480	6.9%
Closed-ended	110	12%	108	2.3%	107	3.3%
British investment trusts	77	8%	74	4.8%	74	5.2%
Open-ended	56	6%	53	6.2%	48	16.7%
French employees savings	55	6%	52	5.8%	48	15.8%
Property funds	136	14%	132	3.0%	118	15.5%
Other	40	4%	38	5.5%	36	10.5%
Total	956	100%	933	2.5%	888	7.7%
including Ireland	1,027		1,001	2.6%	953	7.8%

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

(3) End-September 2003 compared to end-December 2002.

(2) End-September 2003 compared to end-June 2003.

² “Non-UCITS” is used in this note in the sense of nationally regulated funds that are not publicly offered and/or that are closed-end funds.