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Trends in the European Investment Fund Industry in the First Quarter of 2004

This report was prepared by Bernard Delbecq, Senior Economic Adviser

Fédération Européenne des Fonds et Sociétés d'Investissement

European Federation of Investment Funds and Companies - Europäische Investmentvereinigung

Square de Meeûs, 18 - B-1050 BRUXELLES - Tel. 32-2-513.39.69 Fax: 32-2-513.26.43 - e-mail: info@feysi.be

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, rose by 6% during the first quarter of 2004 to cross for the first time the five trillion-threshold of assets under management (Table 1). Compared to the situation at end March 2003, total net assets increased by 20.3%, or EUR 850 billion.

Three countries (France, Luxembourg and Germany) had a market share of 58.5% at end March, with funds domiciled in France and Luxembourg managing more than one trillion of assets. The United Kingdom and Ireland follow in this ranking, with Ireland joining the top-5 group thanks to an asset growth of 11.2 percent.

With EUR 3,939 billion invested in UCITS, this segment of the business accounted for 78.3% of the fund market at end March 2004.

Table 1. Net Assets of the European Investment Fund Industry						
	31/03/2004		31/12/2003		31/03/2003	
Members	EUR m	Share	EUR m	% chg ⁽¹⁾	EUR m	% chg ⁽²⁾
Austria	96,157	1.9%	92,115	4.4%	86,595	11.0%
Belgium	87,558	1.7%	83,503	4.9%	74,552	17.4%
Czech Republic	3,394	0.1%	3,338	1.7%	3,565	-4.8%
Denmark	59,368	1.2%	48,934	21.3%	39,115	51.8%
Finland	25,876	0.5%	23,727	9.1%	17,596	47.1%
France	1,073,400	21.3%	1,008,000	6.5%	916,850	17.1%
Germany	842,612	16.7%	822,099	2.5%	746,450	12.9%
Greece	32,220	0.6%	31,813	1.3%	27,942	15.3%
Hungary	3,250	0.1%	3,467	-6.3%	4,474	-27.4%
Ireland	402,248	8.0%	361,760	11.2%	300,334	33.9%
Italy	395,462	7.9%	393,428	0.5%	371,254	6.5%
Liechtenstein	7,831	0.2%	7,137	9.7%	3,447	127.2%
Luxembourg	1,032,772	20.5%	953,302	8.3%	823,936	25.3%
Netherlands	87,912 ⁽³⁾	1.7%	87,912	--	77,408	--
Norway	18,803	0.4%	17,414	8.0%	13,409	40.2%
Poland	7,470	0.1%	7,068	5.7%	6,038	23.7%
Portugal	28,202	0.6%	27,763	1.6%	24,845	13.5%
Spain	217,079	4.3%	204,989	5.9%	177,980	22.0%
Sweden	75,916	1.5%	70,713	7.4%	54,508	39.3%
Switzerland	83,467	1.7%	79,637	4.8%	75,889	10.0%
United Kingdom	450,541	9.0%	418,861	7.6%	336,354	33.9%
All Funds	5,031,538	100.0%	4,746,979	6.0%	4,182,540	20.3%
UCITS Assets	3,939,198	78.3%	3,698,418	6.5%	3,240,159	21.6%
Non-UCITS Assets	1,092,340	21.7%	1,048,562	4.2%	942,381	15.9%

(1) End March 2004 compared to end-December 2003.

(2) End March 2004 compared to end March 2003.

(3) Figure at end 2003.

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

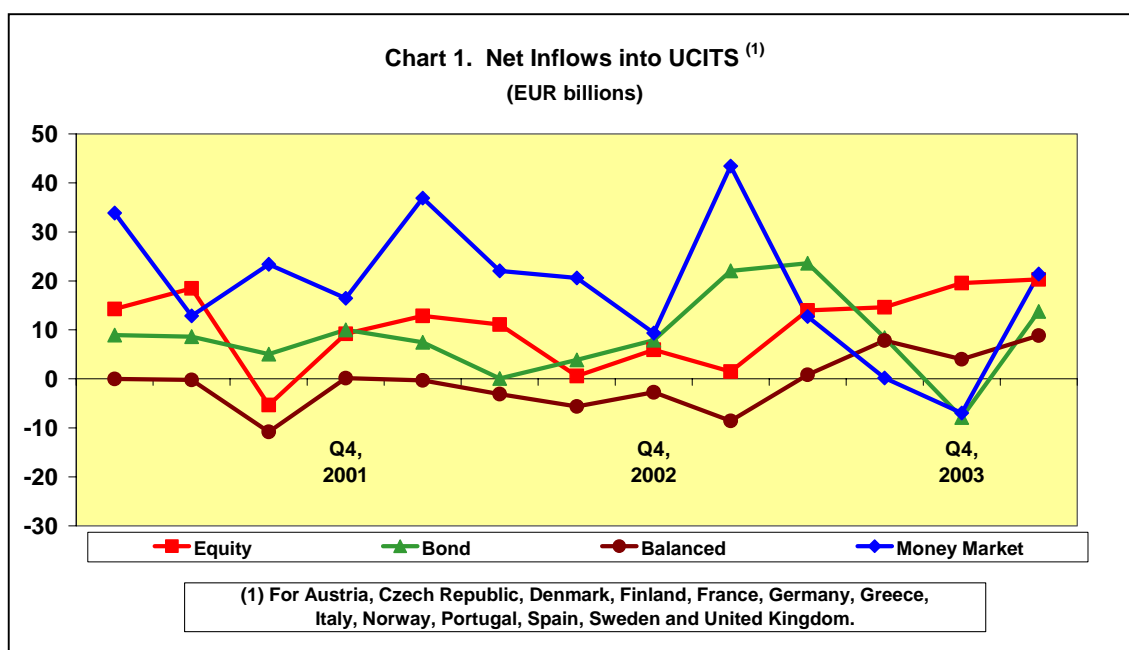
Trends in the UCITS industry

Total assets in the UCITS market increased by 6.5% during the first quarter of 2004 (Table 2). **Growth was driven by equity fund assets, which increased by 8.6%. This represented 47% of the total net asset increase. Investor demand for equity funds, which started to pick up in the second quarter of 2003, continued to support asset growth at a steady pace (Chart 1).**

Net inflows into bond funds bounced back from negative to positive level in most countries, with the noticeable exception of Italy (Table 3). Flows to money market funds also reached a relatively high level as a consequence of a surge of inflows in France, which had a strong cyclical component.

Table 2. Breakdown of UCITS Assets by Category ⁽¹⁾						
Fund types	31/03/2004		31/12/2003		31/03/2003	
	EUR bn	Share	EUR bn	% chg ⁽²⁾	EUR bn	% chg ⁽⁴⁾
Equity	1,266	35%	1,167	8.6%	880	43.9%
Balanced	489	13%	470	4.0%	413	18.4%
Total Equity & Balanced	1,755	48%	1,637	7.2%	1,293	35.8%
Bond	976	27%	1,038	-6.0% ⁽³⁾	985	-0.9% ⁽³⁾
Money Market	816	23%	669	22.0% ⁽³⁾	667	22.2% ⁽³⁾
Other	76	2%	70	9.0%	60	27.0%
All Funds	3,623	100%	3,413	6.1%	3,005	20.6%
including Ireland	3,939		3,698	6.5%	3,240	21.6%
(1) Excluding Ireland for which no data breakdown is available. (4) End March 2004 compared to end March 2003. (2) End March 2004 compared to end-December 2003. (3) Changes influenced by reclassification of funds from bond to money market funds in Luxembourg.						

Table 3. Net Sales of UCITS in the First Quarter of 2004 ⁽¹⁾					
Members	Equity Funds	Bond Funds	Balanced Funds	Money Market Funds	Grand Total
Austria	363	1,242	3	366	1,974
Czech Republic	21	-69	-2	109	59
Denmark	519	1,975	-1	0	2,493
Finland	732	387	201	900	2,220
France	9,100	5,200	7,300	26,800	48,400
Germany	375	3,593	-22	-2,331	1,615
Greece	205	-47	-18	-3	137
Italy	-777	-3,298	120	-2,547	-6,502
Liechtenstein	107	100	-4	233	436
Luxembourg ⁽²⁾	na	na	na	na	39,491
Norway	145	297	64	331	837
Portugal	44	271	57	-362	10
Spain	8,228	1,509	229	-1,858	8,108
Sweden	1,958	-12	521	-19	2,448
Switzerland	-391	-96	-53	71	-469
United Kingdom	-583	561	382	25	385
Total ⁽³⁾	20,046	11,613	8,777	21,715	101,642
(1) In EUR millions for FEFSI members for which data are available; these controlled 88 of total UCITS assets at end 2003. (2) Including net sales of non-UCITS. (3) Excluding Luxembourg except from grand total.					



For the group of countries reported in Table 3 and with the exception of Luxembourg for which the breakdown of net sales by UCITS type was not available at the time of publication of this report, **35% of the equity fund asset growth was attributable to net sales, with market appreciation accounting for the remainder** (Chart 2). The other types of UCITS realized more growth from net sales than market appreciation. Overall for UCITS, net sales represented 51% of asset growth.

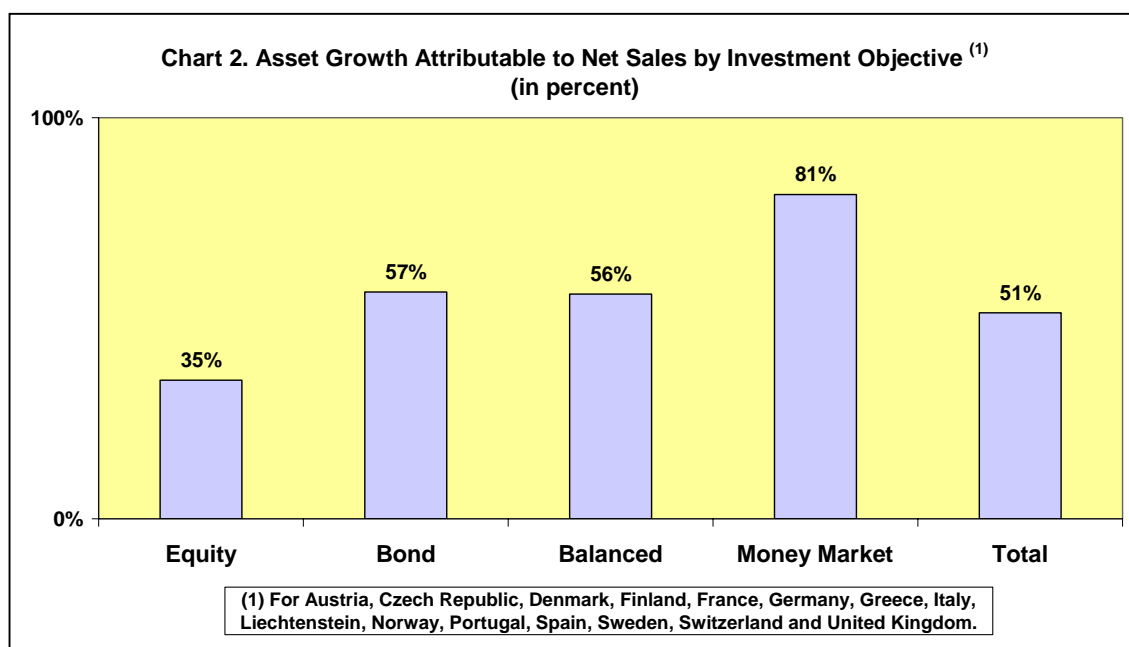


Table 4. Net Assets of the European UCITS Industry

Members	31/03/2004		31/12/2003		31/03/2003	
	EUR m	Share	EUR m	% chg ⁽¹⁾	EUR m	% chg ⁽²⁾
Austria	72,681	1.8%	69,661	4.3%	64,980	11.9%
Belgium	82,113	2.1%	78,166	5.0%	68,894	19.2%
Czech Republic	3,290	0.1%	3,233	1.8%	3,406	-3.4%
Denmark	42,537	1.1%	39,219	8.5%	32,526	30.8%
Finland	25,876	0.7%	23,727	9.1%	17,596	47.1%
France	970,900	24.6%	909,300	6.8%	831,800	16.7%
Germany	223,577	5.7%	218,780	2.2%	192,965	15.9%
Greece	30,904	0.8%	30,399	1.7%	26,432	16.9%
Hungary	2,828	0.1%	3,116	-9.2%	4,266	-33.7%
Ireland	316,345	8.0%	285,372	10.9%	235,505	34.3%
Italy	378,410	9.6%	379,044	-0.2%	360,426	5.0%
Liechtenstein	7,749	0.2%	7,075	9.5%	3,435	125.6%
Luxembourg	958,840	24.3%	874,198	9.7%	749,377	28.0%
Netherlands	74,088 ⁽³⁾	1.9%	74,088	--	63,900	--
Norway	18,803	0.5%	17,414	8.0%	13,409	40.2%
Poland	7,246	0.18%	6,790	6.7%	5,562	30.3%
Portugal	21,597	0.5%	21,366	1.1%	19,068	13.3%
Spain	213,896	5.4%	202,173	5.8%	175,582	21.8%
Sweden	74,368	1.9%	69,474	7.0%	53,735	38.4%
Switzerland	72,650	1.8%	71,870	1.1%	67,901	7.0%
United Kingdom	340,502	8.6%	313,953	8.5%	249,394	36.5%
All Funds	3,939,198	100%	3,698,418	6.5%	3,240,159	21.6%

(1) End March 2004 compared to end-December 2003; (2) End March 2004 compared to end March 2003; (3) Figure at end 2003.

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

- Ireland enjoyed the highest growth in the first quarter and saw its market share in the UCITS market jumping from 7.7 % to 8%. With an asset growth of 9.7%, Luxembourg also did very well during the first quarter. These developments confirm the driving role played by cross-border sales of funds in UCITS asset growth in Europe.
- Spain also recorded a major boost in its market thanks to strong inflows into equity funds. This performance was fueled by the revival of investor preference for global equity funds away from guaranteed equity funds. Net sales also played a key role in pushing growth in France, whereas the strength of asset growth in the United Kingdom was fueled by a 6% appreciation of the pound vis-à-vis the euro.
- The first quarter was good for bond funds in Germany, but the lack of demand for equity funds held back growth. In Italy, UCITS assets remained nearly constant, as the positive impact of market appreciation was offset by negative outflows.
- Nordic countries continued to enjoy above-average growth, with Finland and Denmark leading the group thanks to relatively strong sales performance. In Eastern Europe, investors continued to shift assets out of bond funds and into bank deposits in Hungary in response to the depreciation of the Forint. On the other hand, growth in Poland was supported by the strong performance of equity and balanced funds.

Trends in the non-UCITS industry

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

Non-UCITS assets grew by 4.2% during the first quarter to reach EUR 1,092 billion (Table 5). Growth was particularly strong in investment trusts and French employees saving funds. Property fund assets also recorded an asset increase, albeit modest compared to the growth realized in 2003.

Finally, it is also worth noting that institutional funds in Denmark saw their assets increase from EUR 9.7 billion at end 2003 to EUR 16.8 billion at end March, as a large proportion of the assets held in the second pillar of the pension system were invested in investment funds in January 2004. This happened as the large Special Savings Pensions Scheme (SP-fund) was converted into a unit-link investment vehicle – a similar investment vehicle to the Premium Pension System (PPM) in Sweden. This development anticipated the possibility that will be offered, as from 1 January 2005, to all account holders in the SP funds to choose themselves among the investments funds registered with the SP-system.

Table 5. Breakdown of Non-UCITS Assets by Category ⁽¹⁾						
Fund types	31/03/2004		31/12/2003		31/03/2003	
	EUR bn	Share	EUR bn	% chg ⁽²⁾	EUR bn	% chg ⁽³⁾
Special / Institutional	644	64%	621	3.8%	567	13.5%
German "Spezialfonds"	532	53%	518	2.7%	476	11.8%
Closed-ended	113	11%	115	-1.6%	101	12.3%
British investment trusts	87	9%	82	6.3%	68	28.4%
Open-ended	65	6%	58	13.1%	47	39.0%
French employees savings	60	6%	57	6.0%	47	29.5%
Property funds	139	14%	136	2.0%	130	7.3%
Other	45	4%	42	6.0%	33	37.8%
Total	1,006	100%	972	3.5%	877	14.7%
including Ireland	1,092		1,049	4.2%	942	15.9%
<div style="display: flex; justify-content: space-between;"> (1) Excluding Ireland for which no data breakdown is available. (3) End March 2004 compared to end March 2003. </div> <div style="display: flex; justify-content: space-between;"> (2) End March 2004 compared to end-December 2003. </div>						

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