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

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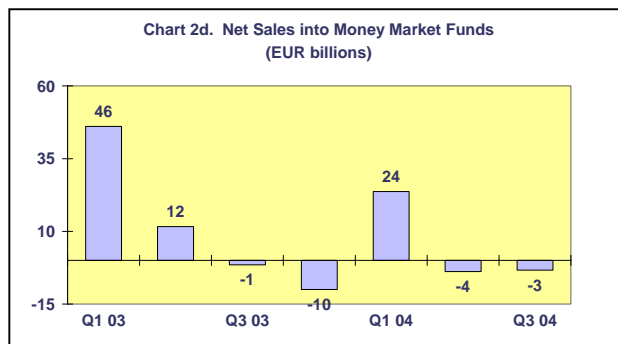
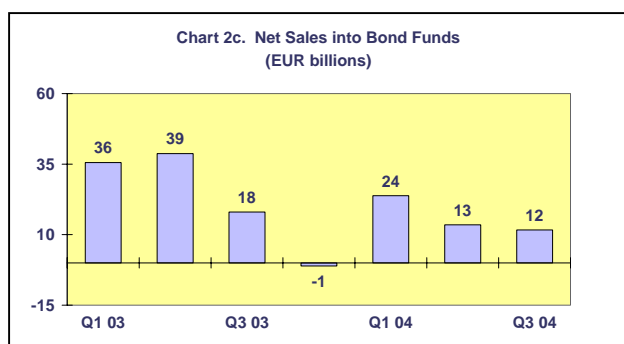
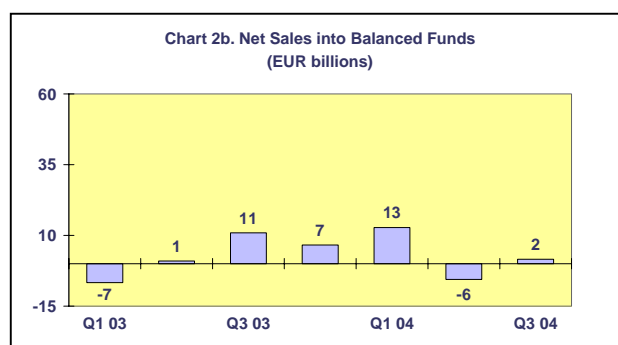
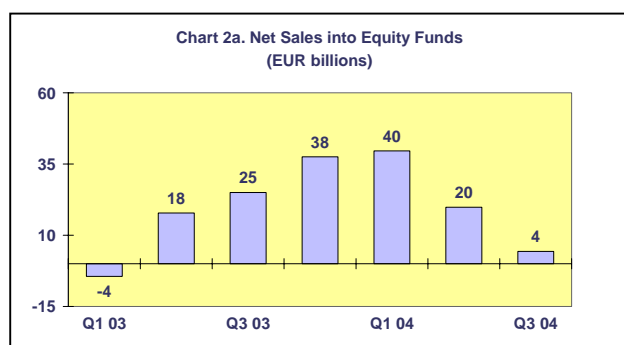
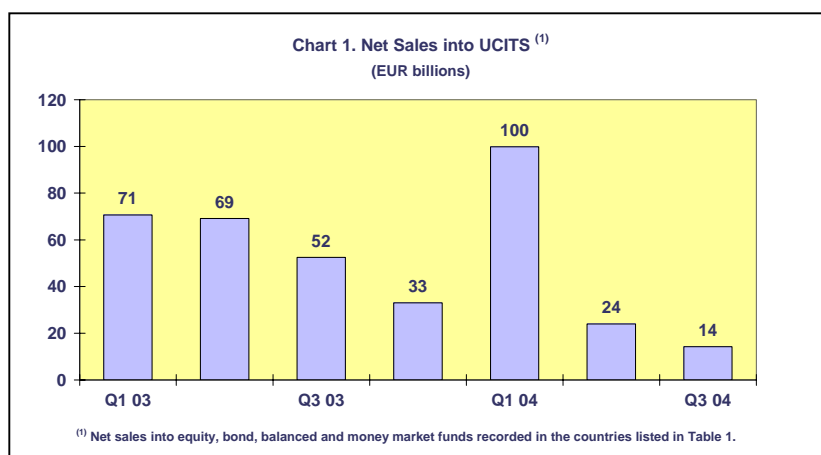
Trends in the UCITS Market

Net Sales by Investment Type

Net sales of UCITS¹ slowed down in the third quarter of 2004 to EUR 14 billion, from EUR 24 billion in the second quarter. As shown in the charts below, the fall was due to a sharp slowdown in flows in equity funds, which mirrored the poor performance in worldwide stock markets. By way of illustration, the Dow Jones Broad Europe STOXX index fell by 1.3% in the third quarter. Bond funds continued to gain cash flows (EUR 12 billion), whereas investors net redeemed EUR 3 billion out of money market funds.

Since the beginning of the year, UCITS recorded net sales of EUR 138 billion, compared to EUR 192 billion for the same period in 2003.

Looking forward, if the current stock market rally persists, past experience suggests that equity fund purchasing should pick up in the fourth quarter. Consequently, net flows to equity funds in 2004 will likely exceed last year's EUR 79 billion. However, total flows into UCITS will probably fall below last year's EUR 225 billion, as bond and money market funds are gaining new money at a slower pace than last year.



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 Market

Net Sales by Country of Domiciliation

Luxembourg attracted a significant share of all net flows into UCITS in the third quarter. The strongest net contributions came from equity funds (EUR 7.2 billion) and bond funds (EUR 8.2 billion). Spain also added EUR 3.9 billion in the third quarter, thanks to strong flows into balanced funds and bond funds. Among the other largest countries, Italy continued to record outflows in all segments of the markets, whereas net flows were flat in France and Germany, and marginally positive in the United Kingdom.

During 2004 through September, Luxembourg and France attracted 87% of total inflows in Europe, or EUR 120 billion. Asset gathering was also strong in Spain (EUR 16 billion). The United Kingdom, Denmark, Finland, Austria and Sweden followed in this ranking with net flows close to EUR 4.5 billion, in each of these countries.

Table 1. Net Sales of UCITS in 2004 ⁽¹⁾

Members	Equity Funds		Bond Funds		Balanced Funds		Money Market Funds		Total	
	Q3	Q1-Q3	Q3	Q1-Q3	Q3	Q1-Q3	Q3	Q1-Q3	Q3	Q1-Q3
Austria	-163	322	913	2,357	-98	-154	708	1,818	1,360	4,343
Czech Republic	4	30	-55	-178	-130	-197	62	264	-119	-81
Denmark	83	893	1,077	3,903	1	3	1	4	1,162	4,803
Finland	409	1,378	140	797	-15	8	648	2,420	1,182	4,603
France	1,530	15,950	2,200	14,540	-1,400	2,450	-1,650	22,040	680	54,980
Germany	-1,987	-3,130	-594	2,548	-69	-302	2,412	-1	-238	-885
Greece	-161	-97	347	396	-6	-3	-551	-478	-371	-182
Italy	-2,786	-4,271	-3,796	-12,216	-908	-1,103	-653	-5,011	-8,143	-22,601
Liechtenstein	268	538	81	657	7	11	94	331	450	1,537
Luxembourg	7,191	37,318	8,217	26,909	1,644	4,364	-4,347	-4,019	12,705	64,572
Norway	64	427	181	538	-16	73	173	523	402	1,561
Portugal	-25	29	307	697	2	73	10	-323	294	476
Slovakia	3	7	21	53	4	12	158	368	186	440
Spain	-524	9,930	1,864	4,636	2,707	2,504	-124	-1,157	3,923	15,913
Sweden	79	2,474	137	308	93	1,009	97	537	406	4,328
Switzerland	242	-48	-184	-478	-449	-855	-443	-215	-834	-1,596
United Kingdom	135	1,619	765	3,256	219	909	83	-336	1,202	5,448
Total	4,362	63,369	11,621	48,723	1,586	8,802	-3,322	16,765	14,247	137,659

(1) In EUR millions for FEFSI members for which data are available.

Chart 3a. Top 5 Countries by Net Sales in 2004, Q3 (EUR billions)

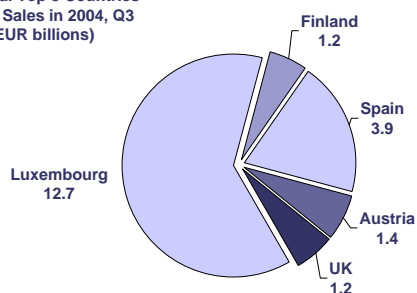
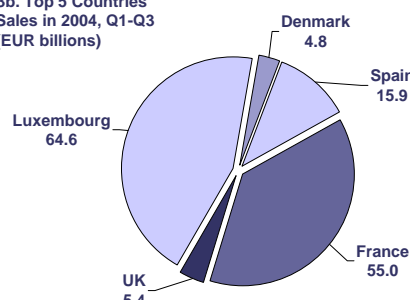


Chart 3b. Top 5 Countries by Net Sales in 2004, Q1-Q3 (EUR billions)



Trends in the UCITS Market

Net Assets by Investment type

Total net assets of UCITS remained nearly flat in the third quarter, gaining just EUR 14 billion or 0.3%. On the whole, the slowdown in net inflows against the background of falling stock price indices explains this outcome.

Year-to-date growth reached 7.8%. This growth can be broken down into a 4.2% asset increase fuelled by net inflows and a 3.0% increase attributable to market appreciation.

Taking a longer view on the recent trends in UCITS assets, the most striking feature is the rebound in equity fund assets following the downturn observed in 2002.

Table 2. Breakdown of UCITS Assets by Category ⁽¹⁾						
UCITS types	30/09/2004		Q3		YTD	
	EUR bn	Share	% chg ⁽²⁾	Net sales ⁽⁴⁾	% chg ⁽³⁾	Net sales ⁽⁵⁾
Equity	1,269	34%	-1.2%	0.4%	9.0%	5.9%
Balanced	485	13%	-0.2%	0.4%	3.4%	2.0%
Total Equity & Balanced	1,755	47%	-0.9%		7.4%	
Bond	1,009	27%	3.3%	1.2%	-3.1%	4.8%
Money Market	816	22%	-1.2%	-0.4%	21.0%	2.5%
Funds of funds ⁽⁶⁾	61	2%	1.7%		14.3%	
Other	83	2%	0.5%		16.8%	
All Funds	3,724	100%	0.2%	0.4%	7.2%	4.2%
including Ireland	4,055		0.3%		7.8%	

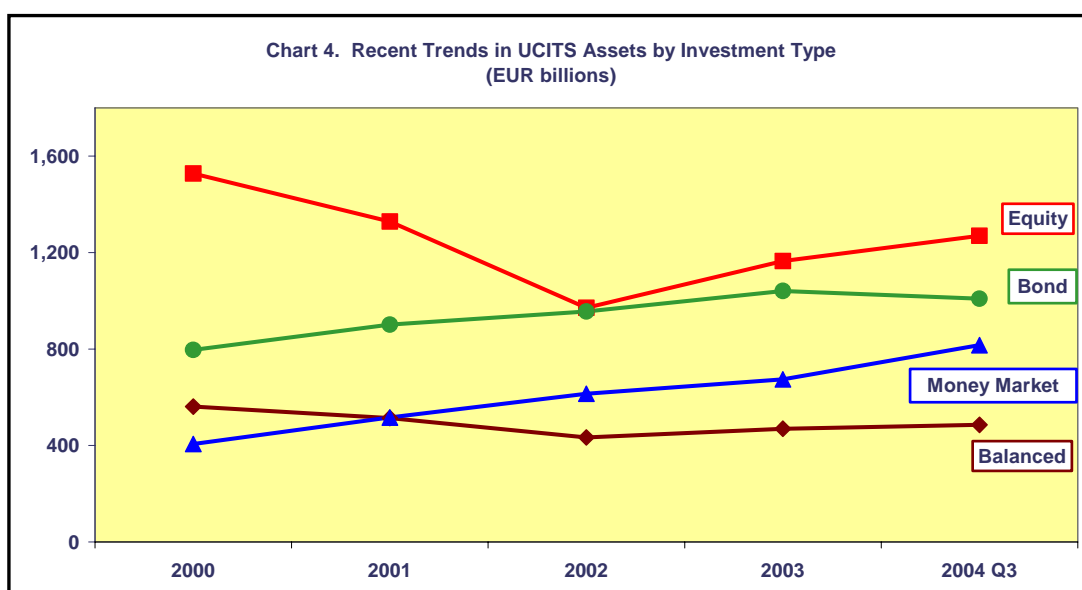
(1) Excluding Ireland for which no data breakdown is available. (6) Except funds of funds domiciled in France and Luxembourg, which are included in the other types of funds.

(2) End-September 2004 compared to end 2003.

(3) End-September 2004 compared to end-June 2004.

(4) Q3 net sales in % of end-June 2004 assets for countries listed in Table 1.

(5) YTD net sales in % of end 2003 assets for countries listed in Table 1.



Trends in the UCITS Market

Net Assets by Country of Domiciliation

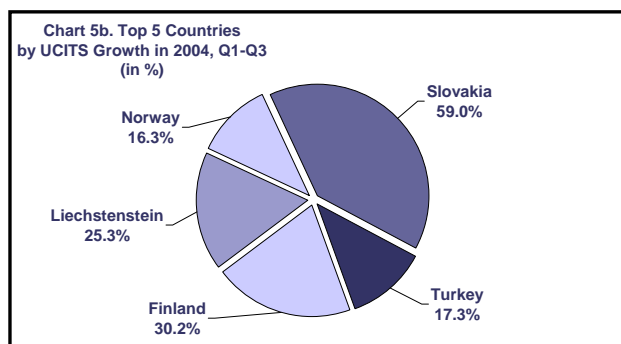
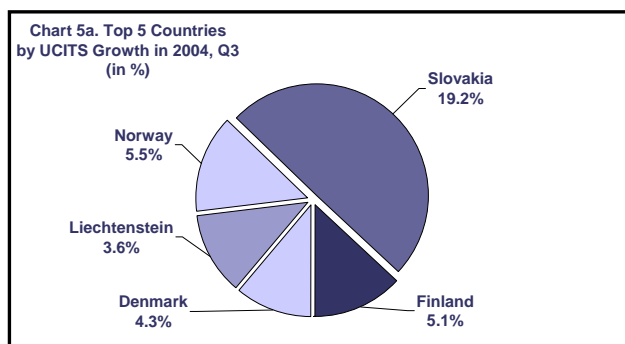
In the third quarter of 2003, the largest asset growth rate was observed in five countries with a market share close to or below 1 percent: Slovakia, Norway, Finland, Liechtenstein and Denmark. Between January and September 2004, these countries recorded double-digit growth rate, together with Poland, Turkey, Luxembourg and Ireland.

Looking at the country share in UCITS asset domiciliation, Luxembourg ended the quarter with virtually the same market share as France in the UCITS market (24.2%), thanks to its strong growth performance during the third quarter.

Table 3. Net Assets of the European UCITS Industry						
Members	30/09/2004		30/06/2004		31/12/2003	
	EUR m	Share	EUR m	% chg ⁽¹⁾	EUR m	% chg ⁽²⁾
Austria	86,407	2.1%	84,971	1.7%	81,714	5.7%
Belgium	90,702	2.2%	89,126	1.8%	84,200	7.7%
Czech Republic	3,347	0.1%	3,427	-2.3%	3,245	3.1%
Denmark	43,407	1.1%	41,597	4.3%	39,219	10.7%
Finland	26,397	0.7%	25,121	5.1%	20,270	30.2%
France	981,600	24.2%	982,600	-0.1%	909,300	8.0%
Germany	226,579	5.6%	228,600	-0.9%	225,248	0.6%
Greece	30,615	0.8%	30,882	-0.9%	30,399	0.7%
Hungary	3,009	0.1%	2,975	1.1%	3,164	-4.9%
Ireland	330,907	8.2%	325,365	1.7%	285,372	16.0%
Italy	373,410	9.2%	381,832	-2.2%	386,759	-3.5%
Liechtenstein	9,570	0.2%	9,237	3.6%	7,639	25.3%
Luxembourg	980,373	24.2%	970,000	1.1%	874,198	12.1%
Netherlands	72,560 ⁽³⁾	1.8%	72,560	--	73,358	--
Norway	21,054	0.5%	19,950	5.5%	18,102	16.3%
Poland	7,611	0.19%	7,500	1.5%	6,799	12.0%
Portugal	23,186	0.6%	22,851	1.5%	22,311	3.9%
Slovakia	1,336	0.03%	1,121	19.2%	840	59.0%
Spain	220,695	5.4%	216,508	1.9%	204,649	7.8%
Sweden	76,552	1.9%	77,170	-0.8%	69,975	9.4%
Switzerland	70,255	1.7%	71,558	-1.8%	71,870	-2.2%
Turkey	13,148	0.3%	13,980	-6.0%	11,209	17.3%
United Kingdom	361,728	8.9%	361,480	0.1%	329,694	9.7%
All Funds	4,054,447	100%	4,040,411	0.3%	3,759,533	7.8%

(1) End-September 2004 compared to end-June 2004; (2) end-September 2004 compared to end 2003; (3) End-June 2004 data.

(1) End-September 2004 compared to end-June 2004; (2) end-September 2004 compared to end 2003; (3) End-June 2004 data.



Trends in the Non-UCITS Market

Net Sales and Assets by Investment Type

Special funds reserved for institutional investors, which held 63% of the non-UCITS² assets at end September, experienced the same slowdown in investor demand as UCITS, net sales falling to EUR 1 billion. Looking at the recent past sales pattern, it should be noted that the above-average sales performance in the first quarter of 2004 was mainly due to the fact that a large proportion of the assets held in the second pillar of the Danish pension system were invested in investment funds in January 2004.

Overall, non-UCITS assets grew by 1.1% in the third quarter to reach EUR 1,130 billion. Since the beginning of the year, total non-UCITS assets have increased by 6.9%.

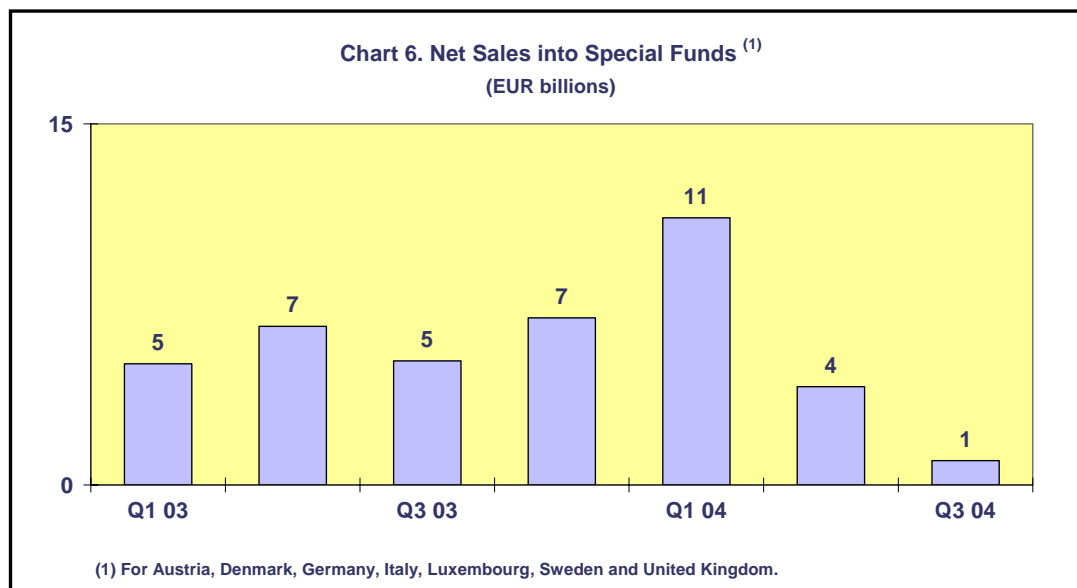


Table 4. Breakdown of Non-UCITS Assets by Category ⁽¹⁾						
Fund types	30/09/2004		30/06/2004		31/12/2003	
	EUR bn	Share	EUR bn	% chg ⁽²⁾	EUR bn	% chg ⁽³⁾
Special / Institutional	651	63%	647	0.6%	622	4.5%
German "Spezialfonds"	532	51%	530	0.4%	518	2.6%
Closed-ended	114	11%	111	3.0%	115	-1.1%
British investment trusts	85	8%	84	1.0%	82	3.1%
Open-ended	66	6%	68	-3.1%	58	13.6%
French employees savings	60	6%	62	-4.0%	57	4.8%
Property funds	146	14%	142	2.8%	136	6.8%
Other	64	6%	63	2.5%	49	30.4%
Total	1,040	100%	1,029	1.0%	981	6.0%
including Ireland	1,130		1,118	1.1%	1,057	6.9%

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

(2) End-September 2004 compared to end-June 2004.

(3) End-September 2004 compared to end 2003.

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

Trends in the European Investment Fund Industry

Net Assets by Country of Domiciliation

The combined assets of the investment fund market in Europe, i.e. the market for UCITS and non-UCITS, increased by 0.5% in the third quarter to total EUR 5,184 at end September. Compared to the situation at end 2003, total net assets increased by 7.6%, or EUR 368 billion.

Three countries (France, Luxembourg and Germany) had a market share of 57.6% at end September 2004, with funds domiciled in France and Luxembourg managing more than one trillion in assets. The United Kingdom, Ireland and Italy follow in this ranking. The relatively high market share of Germany in the overall market reflects the strong position held by Germany in the special fund market and the real estate fund market.

With EUR 4,054 billion invested in UCITS, this segment of the business accounted for 78.2% of the fund market at end September.

Table 5. Net Assets of the European Investment Fund Industry						
Members	30/09/2004		30/06/2004		31/12/2003	
	EUR m	Share	EUR m	% chg ⁽¹⁾	EUR m	% chg ⁽²⁾
Austria	121,547	2.3%	118,502	2.6%	110,996	9.5%
Belgium	96,026	1.9%	94,385	1.7%	89,537	7.2%
Czech Republic	3,388	0.1%	3,535	-4.2%	3,350	1.1%
Denmark	66,571	1.3%	64,241	3.6%	48,934	36.0%
Finland	29,127	0.6%	27,624	5.4%	22,082	31.9%
France	1,085,850	20.9%	1,087,850	-0.2%	1,008,000	7.7%
Germany	846,895	16.3%	845,628	0.1%	828,568	2.2%
Greece	31,898	0.6%	32,196	-0.9%	31,813	0.3%
Hungary	3,545	0.1%	3,463	2.4%	3,515	0.9%
Ireland	420,903	8.1%	413,838	1.7%	361,760	16.3%
Italy	394,555	7.6%	400,867	-1.6%	401,143	-1.6%
Liechtenstein	9,752	0.2%	9,313	4.7%	7,701	26.6%
Luxembourg	1,058,915	20.4%	1,046,820	1.2%	953,302	11.1%
Netherlands	86,371 ⁽³⁾	1.7%	86,371	--	87,182	--
Norway	21,054	0.4%	19,950	5.5%	18,102	16.3%
Poland	7,972	0.2%	7,732	3.1%	7,076	12.7%
Portugal	30,491	0.6%	30,014	1.6%	28,708	6.2%
Slovakia	1,384	0.03%	1,168	18.5%	887	56.1%
Spain	224,614	4.3%	220,128	2.0%	207,465	8.3%
Sweden	77,958	1.5%	78,530	-0.7%	71,213	9.5%
Switzerland	82,932	1.6%	83,743	-1.0%	79,637	4.1%
Turkey	13,148	0.3%	13,980	-6.0%	11,209	17.3%
United Kingdom	469,479	9.1%	468,482	0.2%	434,601	8.0%
All Funds	5,184,374	100.0%	5,158,358	0.5%	4,816,781	7.6%
UCITS Assets	4,054,447	78.2%	4,040,411	0.3%	3,759,533	7.8%
Non-UCITS Assets	1,129,927	21.8%	1,117,948	1.1%	1,057,248	6.9%

(1) End-September 2004 compared to end-June 2004.

(2) End-September 2004 compared to end 2003.

(3) Figure at end June 2004.