

*Trends in the European Investment Fund Industry  
in the Second Quarter of 2005  
and  
Results for First Half of 2005*

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EFAMA

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## EFAMA, the European Fund and Asset Management Association

is pleased to announce the publication of the third edition of the **EFAMA Fact Book in September 2005**

Covering 23 countries with assets totalling € 5,604 billion at end March 2005, the Fact Book provides the full perspective on the current state and latest trends of the European investment fund industry.

Building on the combined information sources and findings of EFAMA and its member associations, it also offers wide-ranging insights into the future development of the European fund market.

The EFAMA Fact Book 2005 will be available direct from EFAMA at the price of €75.

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### EFAMA's Fact Book includes:

- Comprehensive information on recent trends in the European investment fund industry, based on end March 2005 data;
- A pan-European perspective on a number of key themes for the industry, e.g. the Commission's Green Paper on UCITS, the Occupational Pensions Directive, the debate on "eligible" assets, the Lamfalussy process on asset management;
- Reports on the investment fund market in each of the 23 European EFAMA member countries;
- A statistical section presenting historical data and assets under management of the largest European managers.

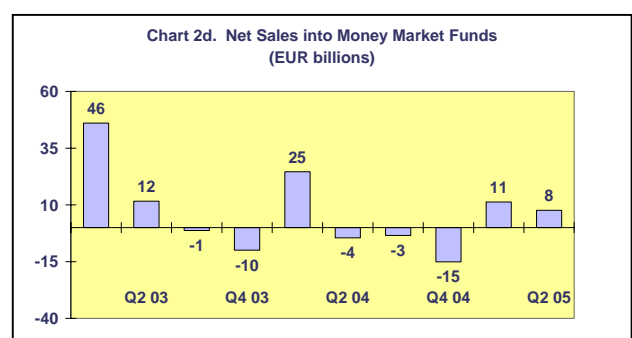
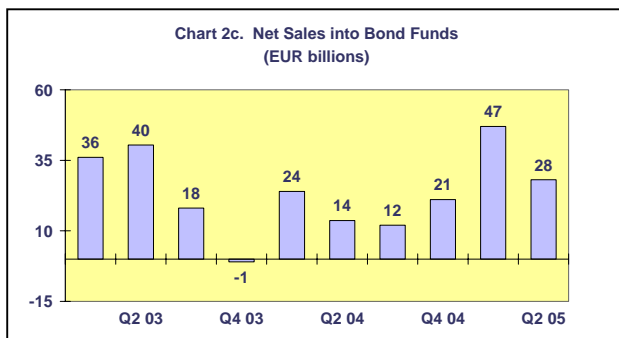
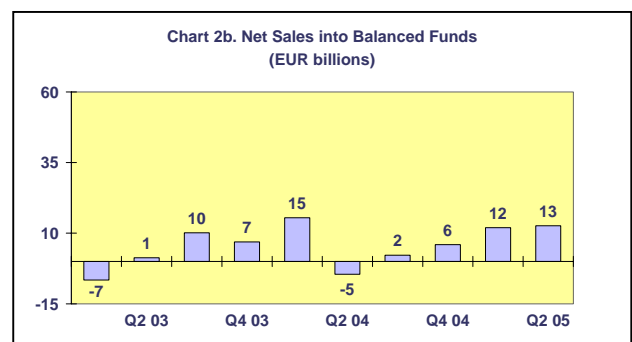
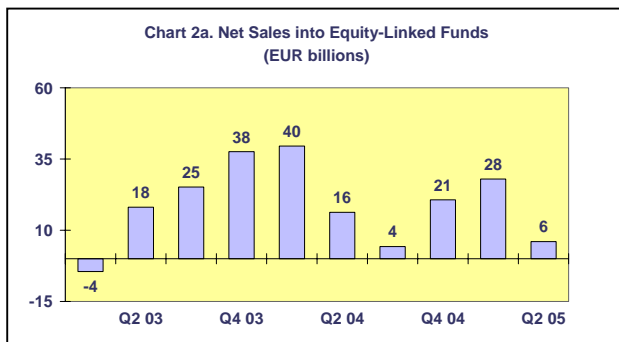
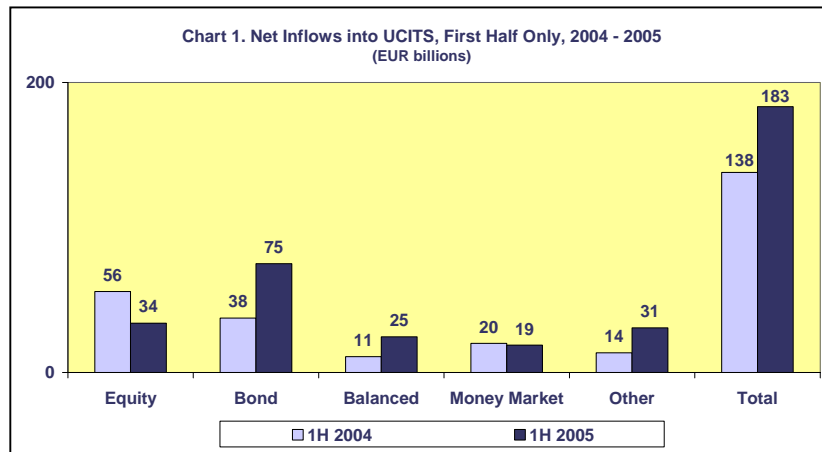
**OUT IN SEPTEMBER 2005!**  
**Stay In the Picture!**

## Trends in the UCITS Market <sup>1</sup>

### *Net Sales by Investment Type*

Net flows to UCITS fell to EUR 73 billion in the second quarter, from EUR 111 billion in the first quarter. For the most part, this reflected a fall in net inflows to equity funds (from EUR 28 billion to EUR 6 billion) and to bond funds (from EUR 47 billion to EUR 28 billion). The amounts to equity funds were lower than expected in view of the continued strengthening of the stock markets since September 2004. This indicates that European investors remain cautious in their asset allocation. This may also suggest that the longer the increase in stock prices last, the more prudent investors become.

For the first half of 2005, total net sales reached EUR 183 billion. This was 33 percent higher than in the first six months of 2004. This outcome was driven by net inflows into bond funds, which reached EUR 75 billion year-to-date, compared with EUR 38 billion in the first half of 2004. Due to the slowdown in net flows in the second quarter, equity funds gathered EUR 34 billion, EUR 22 billion less than in the first half of 2004. Rising flows to “other” UCITS also explained the strong performance of investor demand through June.



## Trends in the UCITS Market

### Net Sales by Country of Domiciliation

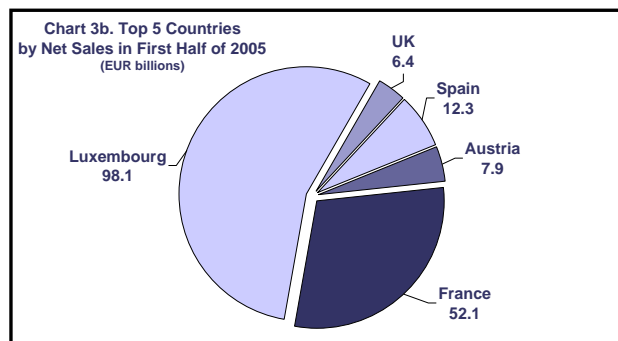
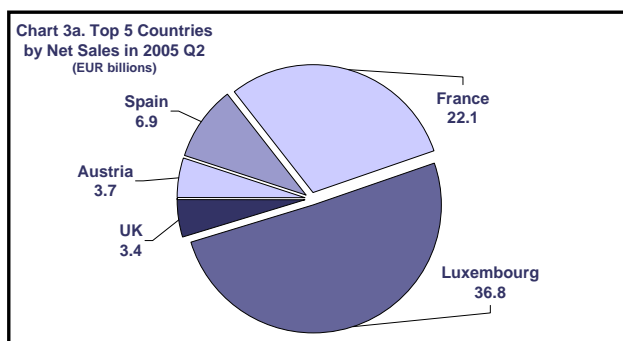
Luxembourg-domiciled funds continued to account for the majority of net inflows to UCITS. However, like most other fund domiciles, Luxembourg experienced a fall in investor demand in the second quarter. Only six countries reported an increase in net flows: Denmark, Germany, Liechtenstein, Netherlands, Spain and the United Kingdom. Equity funds experienced net withdrawals in many countries, with the largest outflows experienced by Germany (albeit at a slower pace than in the first quarter) and Italy. Flows also turned negative in the United Kingdom mainly due to net withdrawals from global equity funds. On the other hand, bond and balanced funds gathered new money in almost all countries, with a notable positive contribution to bond funds in Italy. The amounts going to money market funds also slowed down in many countries, with Greece, Italy and Switzerland experiencing fairly strong outflows.

For the first half of 2005, Luxembourg and France accounted together for 82 percent of the total net sales in Europe, with Luxembourg holding the number 1 position in all segments of the UCITS market except in money market funds.

Table 1. Net Sales of UCITS in First Half of 2005 <sup>(1)</sup>

Members	Equity Funds		Bond Funds		Balanced Funds		Money Market Funds		Other Funds <sup>(2)</sup>		Total	
	Q2	Q1 - Q2	Q2	Q1 - Q2	Q2	Q1 - Q2	Q2	Q1 - Q2	Q2	Q1 - Q2	Q2	Q1 - Q2
Austria	144	557	1,623	3,743	330	299	1,067	2,468	514	830	3,678	7,897
Czech Republic	1	13	41	69	-41	-107	111	270	13	15	125	260
Denmark	498	1,259	2,068	3,465	-4	0	0	0	0	0	2,562	4,724
Finland	-87	106	797	1,253	102	198	722	2,744	77	74	1,611	4,375
France	6,800	12,900	1,600	10,300	1,400	3,800	12,300	25,100	0	0	22,100	52,100
Germany	-1,136	-3,450	1,968	4,059	878	2,040	654	2,066	299	478	2,663	5,193
Greece	-136	-307	501	2,838	293	-1,431	-3,402	-4,509	84	85	-2,660	-3,324
Hungary	4	32	-13	391	5	16	161	592	36	69	193	1,100
Italy	-3,896	-6,514	899	252	1,429	3,833	-3,626	-7,349	0	0	-5,194	-9,778
Liechtenstein	-271	-237	337	451	-8	24	159	77	55	85	272	400
Luxembourg	5,273	25,376	10,947	36,055	4,954	9,533	-245	-124	15,843	27,252	36,772	98,092
Netherlands	-290	-708	-341	-909	65	84	-46	-250	-36	-322	-648	-2,105
Norway	-331	269	30	348	18	83	-105	301	0	0	-388	1,001
Portugal	-4	14	189	537	10	100	67	-27	44	236	306	860
Slovakia	3	4	95	262	6	19	86	338	0	0	190	623
Spain	358	4,369	3,839	6,586	1,999	3,856	664	-2,537	0	0	6,860	12,274
Sweden	352	1,941	229	469	361	845	81	295	242	473	1,265	4,023
Switzerland	-651	-916	912	1,102	191	-109	-1,107	-1,077	113	209	-542	-791
United Kingdom	-650	-693	2,402	3,820	651	1,501	78	508	927	1,230	3,408	6,366
<b>Total</b>	<b>5,981</b>	<b>34,015</b>	<b>28,123</b>	<b>75,091</b>	<b>12,639</b>	<b>24,584</b>	<b>7,619</b>	<b>18,886</b>	<b>18,211</b>	<b>30,714</b>	<b>72,573</b>	<b>183,290</b>

(1) In EUR millions for EFAMA members for which data are available; (2) including funds of funds, except for France and Italy for which the funds of funds data are included in the other fund categories.



<sup>1</sup> "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 Assets by Investment Type*

Total net assets of UCITS increased by 5.9 percent in the second quarter to reach EUR 4,659 billion at end June 2005. The high level of growth was evenly distributed across all fund categories, with equity and balanced funds performing better than fixed-income funds.

About 30 percent of the asset growth in the second quarter was attributable to net inflows and the remainder to market appreciation.

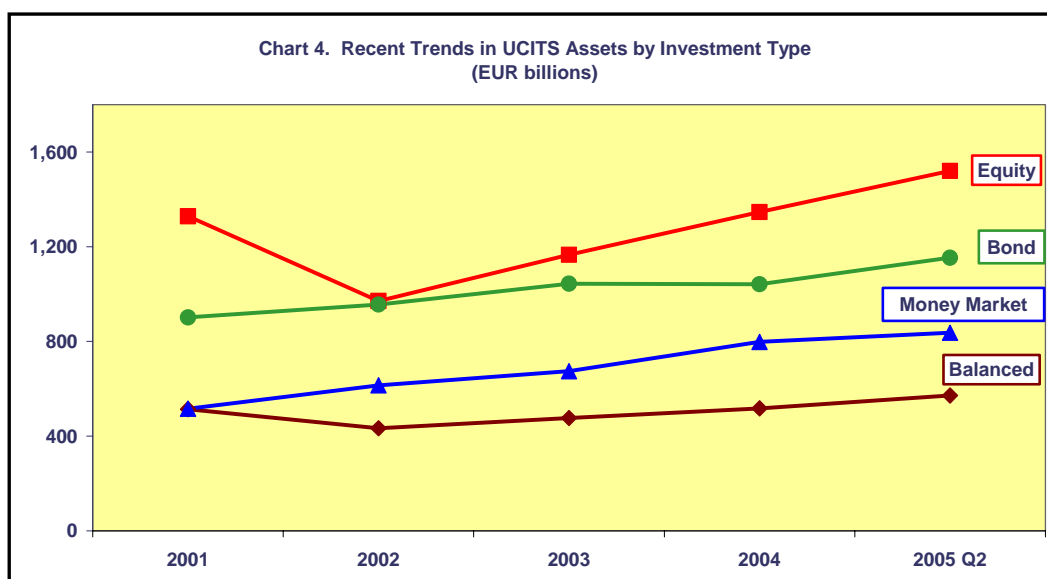
Since end 2004, total assets in UCITS rose by 11.3 percent, comparing with a 11.2 percent increase in total UCITS assets over the whole of 2004. Equity and balanced funds represented almost 50 percent of total UCITS assets at end June 2005.

Table 2. Breakdown of UCITS Assets by Category <sup>(1)</sup>						
UCITS types	30/6/2005		Change wrt to 31/03/2005		Change wrt to 31/12/2004	
	EUR bn	Share	in % <sup>(2)</sup>	in EUR bn	% chg <sup>(3)</sup>	in EUR bn
Equity	1,520	36%	6.3%	90	12.9%	174
Balanced	572	13%	6.0%	32	10.2%	53
Total Equity & Balanced	2,092	49%	6.2%	122	12.2%	227
Bond	1,153	27%	5.3%	58	10.7%	112
Money Market	837	20%	2.5%	21	4.9%	39
Funds of funds <sup>(4)</sup>	61	1%	9.5%	5	19.4%	10
Other	107	3%	10.8%	10	23.0%	20
<b>All Funds</b>	<b>4,250</b>	<b>100%</b>	<b>5.4%</b>	<b>216</b>	<b>10.6%</b>	<b>407</b>
including Ireland	4,659		5.9%	260	11.3%	473

(1) Excluding Ireland for which no data breakdown is available. (4) Except funds of funds domiciled in France, Luxembourg and Italy which are included in the other types of funds.

(2) End June 2005 compared to end March 2005.

(3) End June 2005 compared to end 2004.



## Trends in the UCITS Market

### *Net Assets by Country of Domiciliation*

Looking at the development in the major markets, Ireland recorded the highest asset growth in the second quarter (11.6%), followed by the United Kingdom (7.8%), Luxembourg (7.3%), Germany (5.1%), France (4.3%), Spain (4.5%) and Italy (0.6%). Thanks to a strong asset growth performance through June (19.1%), Ireland moved in fourth position in the UCITS market with a share of 8.8%, following Luxembourg (25.5%), France (23.6%) and the United Kingdom (9.2%). Italy and Spain followed this ranking with a market share of 8.1% and 5.4%, respectively. It is worth noting that the fairly strong performance of the United Kingdom reflected the market appreciation of equity fund assets as well as the rising investor demand for bond funds.

Among the other countries, most countries recorded above European average growth in the second quarter; Greece was the only country to experience negative asset growth, reflecting the acceleration of outflows from money market funds.

The top five countries in terms of asset growth during the first half of 2005 were: Slovakia, Hungary, Turkey, Finland and Poland – a development showing that the process of catching up in countries with a low investment fund basis is continuing.

**Table 3. Net Assets of the European UCITS Industry**

Members	30/6/2005		31/03/2005		31/12/2004	
	EUR m	Share	EUR m	% chg <sup>(1)</sup>	EUR m	% chg <sup>(2)</sup>
Austria	98,768	2.1%	92,887	6.3%	89,046	10.9%
Belgium	102,974	2.2%	97,769	5.3%	93,431	10.2%
Czech Republic	4,068	0.1%	3,826	6.3%	3,583	13.5%
Denmark	53,939	1.2%	50,432	7.0%	47,573	13.4%
Finland	35,027	0.8%	31,915	9.8%	27,647	26.7%
France	1,098,800	23.6%	1,053,700	4.3%	1,006,500	9.2%
Germany	242,514	5.2%	230,665	5.1%	224,691	7.9%
Greece	29,174	0.6%	31,155	-6.4%	31,647	-7.8%
Hungary	4,951	0.1%	4,627	7.0%	3,766	31.5%
Ireland	408,758	8.8%	366,237	11.6%	343,308	19.1%
Italy	376,992	8.1%	374,840	0.6%	375,694	0.3%
Liechtenstein	11,105	0.2%	10,400	6.8%	9,980	11.3%
Luxembourg	1,185,947	25.5%	1,104,998	7.3%	1,024,984	15.7%
Netherlands	77,223	1.7%	74,788	3.3%	74,620	3.5%
Norway	25,372	0.5%	23,977	5.8%	21,956	15.6%
Poland	10,675	0.23%	9,551	11.8%	8,820	21.0%
Portugal	24,592	0.5%	24,122	1.9%	23,420	5.0%
Slovakia	2,291	0.05%	2,057	11.4%	1,592	44.0%
Spain	251,441	5.4%	240,553	4.5%	233,124	7.9%
Sweden	90,221	1.9%	84,552	6.7%	79,938	12.9%
Switzerland	77,674	1.7%	72,852	6.6%	70,587	10.0%
Turkey	17,041	0.4%	14,997	13.6%	13,392	27.2%
United Kingdom	429,573	9.2%	398,662	7.8%	376,477	14.1%
<b>All Funds</b>	<b>4,659,119</b>	<b>100%</b>	<b>4,399,562</b>	<b>5.9%</b>	<b>4,185,777</b>	<b>11.3%</b>

(1) End June 2005 compared to end March 2005; (2) end June 2005 compared to end 2004.

## Trends in the Non-UCITS Market <sup>2</sup>

### Net Sales and Assets by Investment Type

Total assets in the non-UCITS market rose by 5.4% in the second quarter to EUR 1,270 billion. Compared to the situation at end 2004, total net assets increased by 9.8%, or EUR 114 billion.

For three quarters in a row, special funds reserved for institutional investors benefited from strong investor demand. Most of the sales were recorded in Germany (EUR 8.4 billion) and Denmark (EUR 7.1 billion). While the performance of Germany reflects the strong position of “Spezialfonds” in the fund business in Germany, the level of inflow to institutional funds was exceptionally high in Denmark, as a large second-pillar pension fund decided to switch its assets into an investment fund. The main motivation for this decision was competitive fund management solutions.

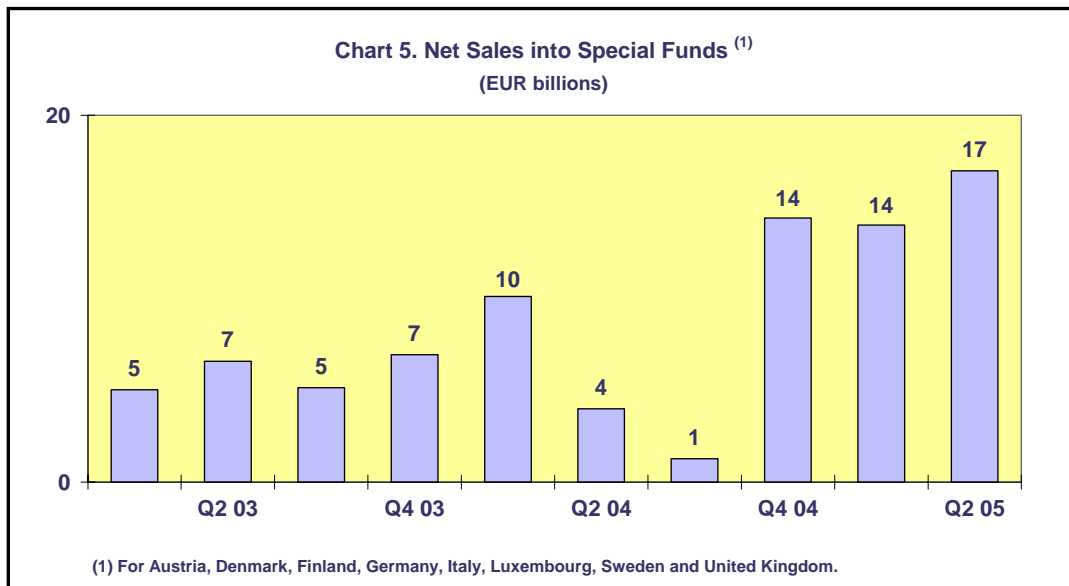


Table 4. Breakdown of Non-UCITS Assets by Category <sup>(1)</sup>						
Fund types	30/6/2005		30/03/2005		31/12/2004	
	EUR bn	Share	EUR bn	% chg <sup>(2)</sup>	EUR bn	% chg <sup>(3)</sup>
Special / Institutional	731	63%	690	6.0%	665	10%
German "Spezialfonds"	585	50%	559	4.5%	543	8%
Closed-ended	131	11%	125	5.0%	116	12%
British investment trusts	86	7%	90	-4.3%	86	0%
Open-ended	69	6%	66	4.0%	64	7%
French employees savings	60	5%	59	3.1%	57	6%
Property funds	157	14%	153	2.7%	150	5%
Other	76	7%	74	2.7%	70	9%
<b>Total</b>	<b>1,164</b>	<b>100%</b>	<b>1,107</b>	<b>5.1%</b>	<b>1,065</b>	<b>9%</b>
including Ireland	1,269		1,204	5.4%	1,156	10%

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

(2) End June 2005 compared to end March 2005.

(3) End June 2005 compared to end 2004.

<sup>2</sup> “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 5.8% in the second quarter to total EUR 5,928 billion at end June 2005. Compared to the situation at end 2004, total net assets increased by EUR 586 billion.

Three countries (Luxembourg, France and Germany) had a market share of 57.5% at end June 2005, with Luxembourg strengthening its number 1 position. The United Kingdom, Ireland and Italy followed in this ranking.

With EUR 4,659 billion invested in UCITS, this segment of the business accounted for 78.6% of the fund market at end June 2005.

Table 5. Net Assets of the European Investment Fund Industry						
Members	30/6/2005		31/03/2005		31/12/2004	
	EUR m	Share	EUR m	% chg <sup>(1)</sup>	EUR m	% chg <sup>(2)</sup>
Austria	142,546	2.4%	132,032	8.0%	125,289	13.8%
Belgium	108,618	1.8%	103,171	5.3%	98,785	10.0%
Czech Republic	4,068	0.1%	3,827	6.3%	3,590	13.3%
Denmark	93,393	1.6%	81,394	14.7%	77,179	21.0%
Finland	40,045	0.7%	36,197	10.6%	30,805	30.0%
France	1,204,800	20.3%	1,159,900	3.9%	1,110,290	8.5%
Germany	915,289	15.4%	878,958	4.1%	855,031	7.0%
Greece	30,595	0.5%	32,441	-5.7%	32,985	-7.2%
Hungary	5,980	0.1%	5,308	12.7%	4,441	34.7%
Ireland	513,900	8.7%	463,106	11.0%	434,589	18.2%
Italy	402,179	6.8%	398,167	1.0%	396,886	1.3%
Liechtenstein	11,323	0.2%	10,601	6.8%	10,138	11.7%
Luxembourg	1,289,787	21.8%	1,194,010	8.0%	1,106,222	16.6%
Netherlands	91,387	1.5%	89,234	2.4%	89,102	2.6%
Norway	25,372	0.4%	23,977	5.8%	21,956	15.6%
Poland	11,173	0.2%	9,993	11.8%	9,237	21.0%
Portugal	33,505	0.6%	32,504	3.1%	31,465	6.5%
Slovakia	2,328	0.04%	2,108	10.4%	1,641	41.9%
Spain	256,941	4.3%	245,677	4.6%	237,502	8.2%
Sweden	91,942	1.6%	86,178	6.7%	81,438	12.9%
Switzerland	91,514	1.5%	86,062	6.3%	83,325	9.8%
Turkey	18,501	0.3%	15,084	22.7%	13,392	38.1%
United Kingdom	542,789	9.2%	513,923	5.6%	486,571	11.6%
<b>All Funds</b>	<b>5,927,975</b>	<b>100.0%</b>	<b>5,603,851</b>	<b>5.8%</b>	<b>5,341,859</b>	<b>11.0%</b>
UCITS Assets	4,659,118	78.6%	4,399,562	5.9%	4,185,777	11.3%
Non-UCITS Assets	1,268,856	21.4%	1,204,289	5.4%	1,156,082	9.8%

(1) End June 2005 compared to end March 2005; (2) End June 2005 compared to end 2004.