

***Trends in the European Investment Fund Industry  
in the First Quarter of 2007***

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EFAMA  
The European Fund and Asset Management Association

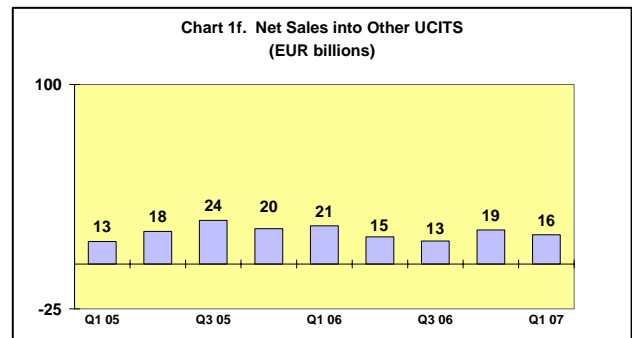
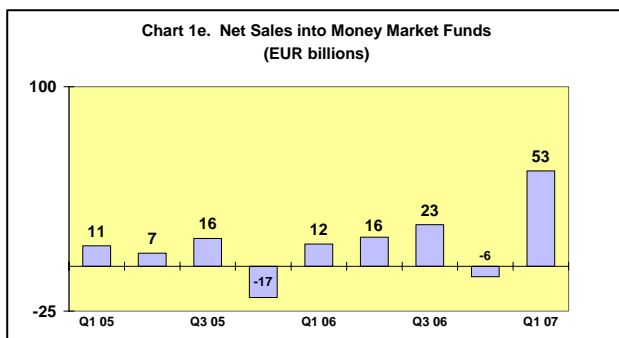
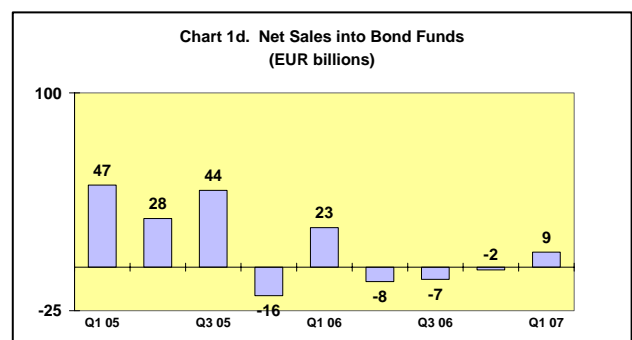
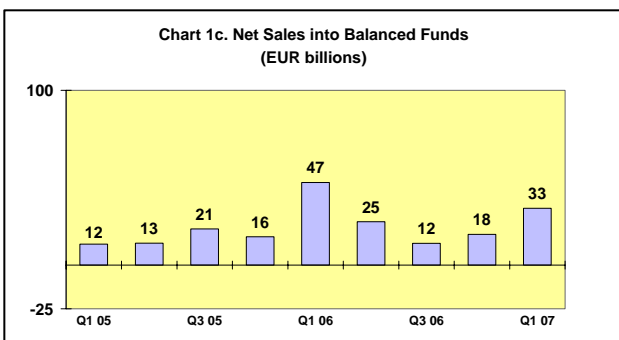
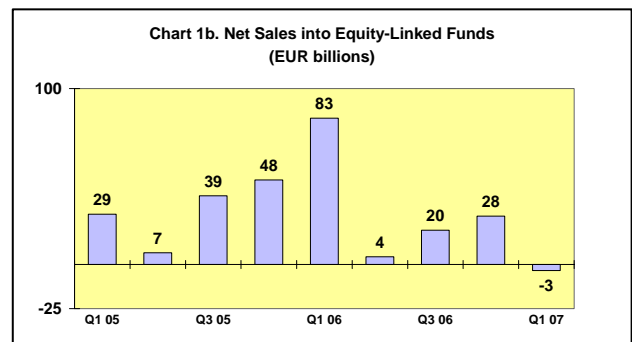
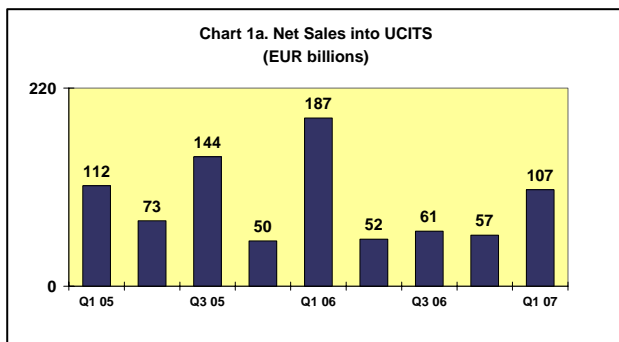
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## Trends in the UCITS Market

### *Net Sales by Investment Type*

Net flows to UCITS rebounded to EUR 107 billion in the first quarter of 2007, from EUR 57 billion in the previous quarter. Higher inflows to money market funds accounted for much of the increase. This evolution had a cyclical component, as inflows recorded in January tend to make up for the outflows usually recorded at the end of each year. **This said, with net sales of EUR 53 billion, money market funds recorded an unprecedented level of demand, higher than in the first quarter of 2003 when inflows had hit a record level of EUR 46 billion.** The upward evolution of short-term interest rates observed in Europe since December 2005 and the turbulence in global stock markets in March 2007 contributed to the increased attractiveness of money market funds, especially in France and Germany (see next section). At the same time, the demand of bond funds remained subdued, reflecting increasing optimism regarding economic growth in Europe and ensuing uncertainty about long-term bond yields.

Another striking development in the first quarter of 2007 has been the EUR 3 billion net outflows from equity funds. The last time this happened was in the first quarter of 2003. Undoubtedly, the sharp decline in global stock prices around end-February and in early March tested investors' nerves and triggered some portfolio shifts. It is also likely that the return of stock valuation to the level of 2000 contributed to increase risk aversion among European investors.



## Trends in the UCITS Market

### Net Sales by Country of Domiciliation

With net sales totalling EUR 66 billion and EUR 55 billion respectively, Luxembourg and France stood as the two winning fund domiciles in Europe in the first quarter of 2007. Judging from the reported EUR 34 billion increase in UCITS assets domiciled in Ireland, Ireland stood third in this ranking. Elsewhere in Europe, no other countries recorded net sales higher than EUR 2.5 billion. This confirms the continuing success of cross-border fund business out of Luxembourg and Dublin, and the strong positioning of UCITS in France. Unsurprisingly, given their long-term experience in the money market sector, French-domiciled money market funds captured more than half the overall inflows in money market funds.

On the other side of the market, UCITS domiciled in Italy, Germany, Greece and Portugal suffered net outflows for at least the fourth running quarter in the first three months of 2007, highlighting a structural shift in investor demand away from local funds towards funds domiciled abroad and alternative savings products such as bank deposits and structured products offered by investment banks. In Germany, the EUR 3 billion outflows from local funds were offset by net inflows into “round-trip” funds domiciled in Luxembourg, which totalled EUR 19.3 billion in the first quarter, with EUR 13.9 billion flowing into money market funds and EUR 4.7 billion in alternative funds. The situation was different in Italy, where “round-trip” funds promoted by national providers appeared less capable than in the past to compete with foreign funds and alternative savings products (round-trip funds recorded net outflows of EUR 67 million and foreign funds net inflows of EUR 5.4 billion).

UCITS domiciled in the UK and Sweden also experienced net outflows, mostly reflecting money moving out of equity funds. In the case of the UK, the outcome reflected a EUR 7 billion net outflow from a particular equity fund investing mainly in North American stocks.

It is also striking to observe the sharp increase in investor demand for balanced funds in almost all countries, with Luxembourg and France leading the market. Also, after two quarters of negative net sales, Spain-domiciled funds captured again new money in the first quarter of 2007, thanks to net inflows in bond funds.

Table 1. Net Sales of UCITS <sup>(1)</sup>												
Members	Equity Funds		Bond Funds		Balanced Funds		Money Market Funds		Other Funds <sup>(2)</sup>		Total	
	2006 Q4	2007 Q1	2006 Q4	2007 Q1	2006 Q4	2007 Q1	2006 Q4	2007 Q1	2006 Q4	2007 Q1	2006 Q4	2007 Q1
Austria	508	-351	-6	-860	142	188	284	940	529	89	1,458	7
Czech Republic	11	9	-21	-16	13	36	20	58	53	18	76	105
Denmark	595	1,183	278	-300	2	147	0	0	0	0	875	1,030
Finland	605	-151	1,277	346	434	224	761	1,514	155	59	3,232	1,993
France	12,300	8,000	-3,900	3,100	3,100	9,800	-5,900	30,200	0	4,200	5,600	55,300
Germany	-2,143	-2,896	-1,207	-610	-367	-170	476	493	-5	141	-3,245	-3,041
Greece	-430	-738	-657	-637	57	13	273	659	-100	-961	-855	-1,663
Hungary	-17	64	-96	-10	1	5	-42	113	-26	46	-180	219
Italy	-3,408	-5,161	-5,137	-7,889	-2,941	-2,863	98	-689	0	0	-11,388	-16,601
Liechtenstein	46	221	-64	150	55	41	-190	28	-10	-22	-162	418
Luxembourg <sup>(3)</sup>	18,413	3,123	7,341	12,410	13,147	21,639	-987	18,424	16,993	10,614	54,907	66,210
Netherlands	-144	-111	198	-339	-163	114	-240	-212	-262	-48	-611	-596
Norway	2,283	412	55	565	138	61	-8	1,356	-21	5	2,446	2,398
Portugal	-35	157	-363	-144	67	7	51	-226	-125	-79	-405	-285
Slovakia	-2	28	-53	-51	-16	-22	169	76	20	127	117	158
Spain	-3,493	-1,457	-1,632	2,312	-532	-221	-97	0	0	0	-5,754	634
Sweden	1,788	-480	53	-22	394	145	149	-219	251	500	2,635	-76
Switzerland	-447	-1,796	584	864	2,960	2,130	-323	1,039	6	63	2,775	2,236
United Kingdom	1,084	-3,518	1,721	-266	1,056	1,268	-272	-436	1,534	1,569	5,122	-1,383
<b>Total</b>	<b>27,514</b>	<b>-3,462</b>	<b>-1,626</b>	<b>8,603</b>	<b>17,547</b>	<b>32,541</b>	<b>-5,779</b>	<b>53,119</b>	<b>18,993</b>	<b>16,322</b>	<b>56,643</b>	<b>107,061</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; (3) net sales of non-UCITS are included in "Other" funds.

## Trends in the UCITS Market

### *Net Assets by Investment Type*

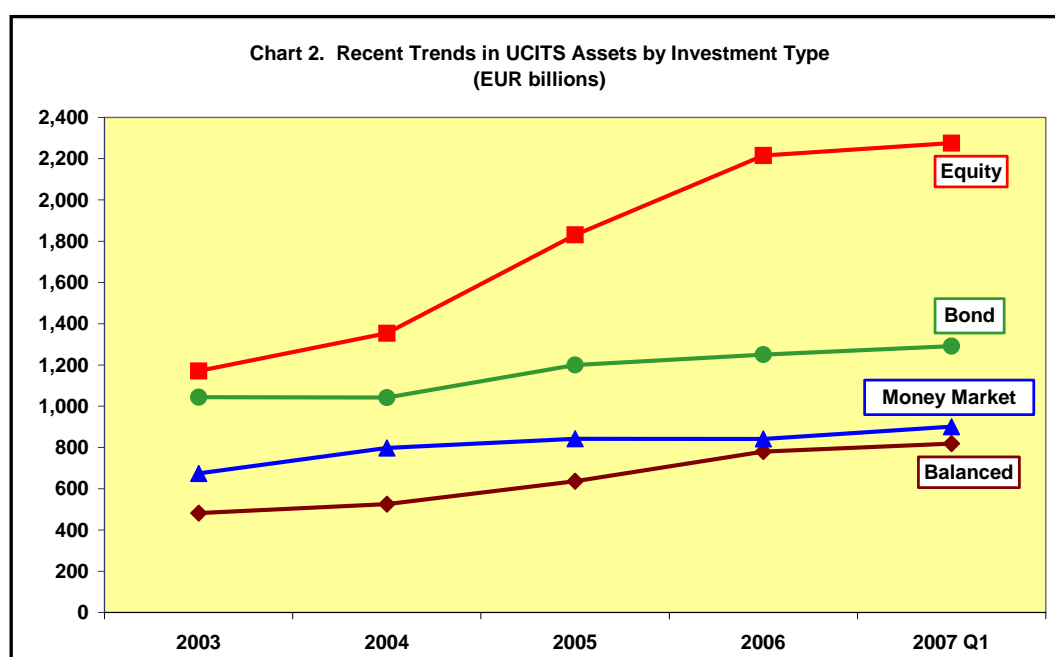
Total net assets of UCITS grew by 4.5% in the first quarter to reach EUR 6,213 billion at end March 2007. **Thanks to EUR 268 billion increase of assets under management, UCITS assets passed the EUR 6 trillion threshold for the first time ever.**

Money market funds and other funds recorded the strongest increase, 7.8% and 19.6%, respectively. The sharp rise in other UCITS assets resulted from the reclassification of France-based funds of hedge funds from the equity category. These funds, which are called “OPCVM de fonds alternatifs” in France, managed assets totalling EUR 31 billion at end March 2007. In the first quarter of 2007, these funds collected EUR 4.2 billion in new money (see Table 1).

At the end of March 2007, assets of equity funds represented 41% of all UCITS. Bond funds and money market funds followed with a market share of 23% and 16% respectively, whereas balanced funds represented 15% of the total.

Table 2. Breakdown of UCITS Assets by Category <sup>(1)</sup>						
UCITS types	31/3/2007		31/12/2006		Change 2007 Q1 <sup>(2)</sup>	
	EUR bn	Share	EUR bn	Share	% chg	in EUR bn
Equity	2,275	41%	2,215	41%	2.7%	60
Balanced	819	15%	780	15%	5.0%	39
Total Equity & Balanced	3,094	55%	2,995	56%	3.3%	98
						0
Bond	1,291	23%	1,250	23%	3.2%	41
Money Market	901	16%	841	16%	7.1%	60
Funds of funds	97	2%	97	2%	0.0%	0
Other	214	4%	179	3%	19.8%	35
						0
<b>All Funds</b>	<b>5,596</b>	<b>100%</b>	<b>5,362</b>	<b>100%</b>	<b>4.4%</b>	<b>234</b>
including Ireland	6,213		5,945		4.5%	268

(1) Excluding Ireland for which no data breakdown is available.  
(2) End March 2007 compared to end 2006.



## Trends in the UCITS Market

### *Net Assets by Country of Domiciliation*

Looking at the development in the major markets, the United Kingdom recorded the highest asset growth, with a substantial part of the growth reflecting the inclusion of additional institutional funds in the fund statistics reported by the Investment Management Association. Ireland, France and Luxembourg followed in this ranking with an asset growth of 5.9%, 5.2% and 4.3%, respectively. Reflecting low demand for UCITS, UCITS assets barely rose in Germany and Spain, and declined in Italy.

Elsewhere in Europe, the UCITS industry fared well in Central Europe (except in the Czech Republic), as well as in Turkey, Liechtenstein, Norway and Finland.

Table 3. Net Assets of the European UCITS Industry						
Members	31/3/2007		31/12/2006		31/3/2006	
	EUR m	Share	EUR m	% chg <sup>(1)</sup>	EUR m	% chg <sup>(2)</sup>
Austria	115,907	1.9%	114,886	0.9%	113,101	2.5%
Belgium <sup>(3)</sup>	120,545	1.9%	120,545	—	115,426	4.4%
Czech Republic	5,414	0.1%	5,425	-0.2%	5,054	7.1%
Denmark	71,384	1.1%	72,605	-1.7%	66,792	6.9%
Finland	54,264	0.9%	51,484	5.4%	43,507	24.7%
France	1,413,200	22.7%	1,343,400	5.2%	1,244,400	13.6%
Germany	272,640	4.4%	271,552	0.4%	272,985	-0.1%
Greece	22,658	0.4%	23,910	-5.2%	27,175	-16.6%
Hungary	6,760	0.1%	6,371	6.1%	5,627	20.1%
Ireland	616,952	9.9%	582,779	5.9%	492,081	25.4%
Italy	327,659	5.3%	343,810	-4.7%	372,940	-12.1%
Liechtenstein	16,341	0.3%	14,075	16.1%	13,392	22.0%
Luxembourg	1,732,321	27.9%	1,661,563	4.3%	1,526,074	13.5%
Netherlands	82,427	1.3%	82,430	0.0%	82,244	0.2%
Norway	44,540	0.7%	41,052	8.5%	35,857	24.2%
Poland	25,953	0.42%	22,155	17.1%	17,266	50.3%
Portugal	25,734	0.4%	25,762	-0.1%	26,589	-3.2%
Slovakia	3,361	0.05%	2,974	13.0%	2,825	19.0%
Spain	283,422	4.6%	279,361	1.5%	278,369	1.8%
Sweden	139,133	2.2%	137,783	1.0%	123,083	13.0%
Switzerland	121,845	2.0%	121,120	0.6%	118,883	2.5%
Turkey	13,662	0.2%	11,741	16.4%	17,826	-23.4%
United Kingdom	697,198	11.2%	608,365	14.6%	557,708	25.0%
All Funds	6,213,320	100%	5,945,149	4.5%	5,559,202	11.8%

(1) End March 2007 compared to end 2006; (2) End March 2007 compared to end March 2006; (3) Data for Q1 2007 are as of end 2006.

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## ***Trends in the Non-UCITS Market Net Sales and Assets by Investment Type***

Total assets in the non-UCITS market rose by 4.0% in the first quarter of 2007 to EUR 1,666 billion, compared with EUR 1,602 billion at end 2006.

**During the first quarter, net flows to special funds reserved for institutional investors collected EUR 18 billion in new investment.** This performance consolidated the excellent result recorded in the fourth quarter of 2006. The main driver explaining this evolution was the continuing increase in flows into German “Spezialfonds” from EUR 7 billion in the third quarter of 2006 to EUR 12 billion in the following quarter and EUR 15 billion in the first quarter of 2007. At the same time, inflows into Luxembourg-based special funds dropped to EUR 3.1 billion, from EUR 8.6 billion in the fourth quarter of 2006.

**Two other interesting developments in the second quarter are worth noting. Firstly, the resumption of positive flows into real estate funds in Germany,** which totalled EUR 3 billion. Even if this result reflected in part annual reinvested dividends, it contrasted with the EUR 7.5 billion outflows recorded in the first quarter of 2006. The storm that struck this segment of the German market in late 2005 appeared to have retreated. **Secondly, the continuing solid asset growth of non-UCITS assets,** thanks to a EUR 7.5 billion asset increase of funds domiciled in Luxembourg and a EUR 3 billion asset increase of a new type of funds introduced in Italy in 2006, which are allowed to invest 20% of their assets in hedge funds.

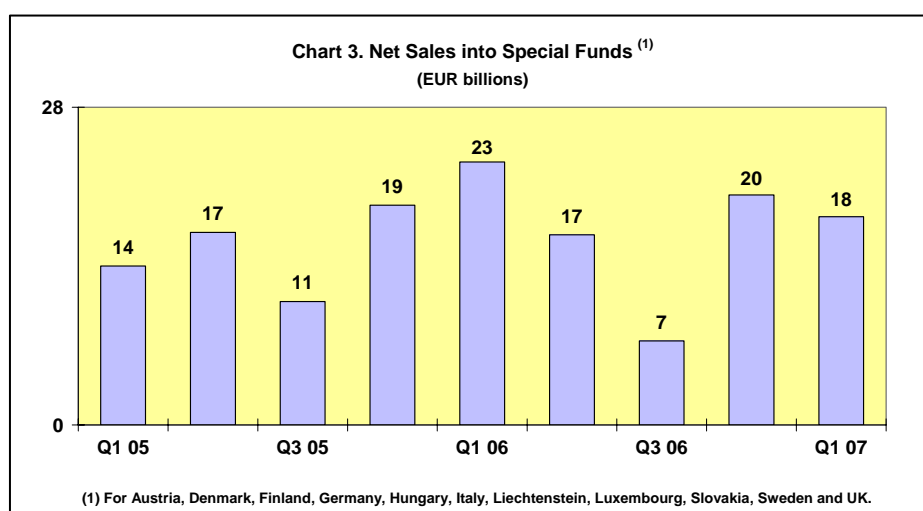


Table 4. Breakdown of Non-UCITS Assets by Category <sup>(1)</sup>						
Fund types	31/3/2007		31/12/2006		Change 2007 Q1 <sup>(2)</sup>	
	EUR bn	Share	EUR bn	Share	% chg	in EUR bn
Special / Institutional	900	59%	878	60%	2.4%	21
German "Spezialfonds"	691	46%	670	46%	3.2%	21
British investment trusts	106	7%	105	7%	1.5%	2
French employees savings	84	6%	85	6%	-1.2%	-1
Luxembourg "other" funds	100	7%	93	6%	8.2%	8
Real-estate funds	198	13%	190	13%	4.2%	8
Other	126	8%	116	8%	8.3%	10
<b>Total</b>	<b>1,514</b>	<b>100%</b>	<b>1,467</b>	<b>100.0%</b>	<b>3.2%</b>	<b>47</b>
including Ireland	1,666		1,602		4.0%	64

(1) Excluding Ireland for which no data breakdown is available.  
(2) End March 2007 compared to end 2006.

## 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 4.4% in the first quarter of 2007 to reach EUR 7,880 billion at end March 2007. **Total net assets at end March 2007 were EUR 332 billion higher than at end 2006, and EUR 865 billion higher than 12 months earlier.**

Three countries (Luxembourg, France and Germany) had a market share of 57.6% at end March 2007. The United Kingdom, Ireland and Italy followed in this ranking.

With EUR 6,213 billion invested in UCITS, this segment of the business accounted for 78.9% of the fund market at end March 2007.

Table 5. Net Assets of the European Investment Fund Industry						
Members	31/3/2007		31/12/2006		31/3/2006	
	EUR m	Share	EUR m	% chg <sup>(1)</sup>	EUR m	% chg <sup>(2)</sup>
Austria	169,969	2.2%	168,876	0.6%	164,610	3.26%
Belgium <sup>(3)</sup>	127,920	1.6%	127,920	—	122,163	4.71%
Czech Republic	5,414	0.1%	5,425	-0.2%	5,054	7.13%
Denmark	125,072	1.6%	122,565	2.0%	113,704	10.00%
Finland	64,708	0.8%	60,932	6.2%	51,252	26.25%
France	1,565,500	19.9%	1,494,400	4.8%	1,368,500	14.40%
Germany	1,042,838	13.2%	1,017,699	2.5%	981,547	6.24%
Greece	23,514	0.3%	24,822	-5.3%	27,563	-14.69%
Hungary	9,394	0.1%	9,040	3.9%	7,344	27.92%
Ireland	769,145	9.8%	717,718	7.2%	621,261	23.80%
Italy	374,151	4.7%	385,868	-3.0%	405,654	-7.77%
Liechtenstein	17,359	0.2%	14,920	16.3%	13,950	24.44%
Luxembourg	1,927,360	24.5%	1,844,850	4.5%	1,675,260	15.05%
Netherlands	102,877	1.3%	101,793	1.1%	98,907	4.01%
Norway	44,540	0.6%	41,052	8.5%	35,857	24.22%
Poland	29,899	0.4%	25,800	15.9%	18,454	62.02%
Portugal	39,282	0.5%	38,895	1.0%	37,456	4.88%
Slovakia	3,412	0.04%	3,073	11.0%	2,856	19.48%
Spain	292,283	3.7%	287,793	1.6%	285,409	2.41%
Sweden	142,214	1.8%	140,835	1.0%	125,817	13.03%
Switzerland	152,272	1.9%	149,810	1.6%	143,738	5.94%
Turkey	15,473	0.2%	13,430	15.2%	19,533	-20.79%
United Kingdom	835,035	10.6%	749,798	11.4%	688,288	21.32%
<b>All Funds</b>	<b>7,879,635</b>	<b>100.0%</b>	<b>7,547,314</b>	<b>4.4%</b>	<b>7,014,178</b>	<b>12.3%</b>
UCITS Assets	6,213,320	78.9%	5,945,149	4.5%	5,559,202	11.8%
Non-UCITS Assets	1,666,314	21.1%	1,602,165	4.0%	1,454,976	14.5%

(1) End March 2007 compared to end 2006; (2) End March 2007 compared to end March 2006; (3) Data for Q1 2007 are as of end 2006.