

***Trends in the European Investment Fund Industry
in the First Quarter of 2008***

This report was prepared by Bernard Delbecq, Director of Economics and Research

EFAMA
The European Fund and Asset Management Association

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

Trends in the UCITS Market

Net Sales by Investment Type

For the third consecutive quarter, UCITS suffered net redemptions in the first quarter of 2008 (EUR 31 billion), compared to EUR 60 billion and EUR 40 billion, in the third and fourth quarters of 2007.

Equity funds were the most severely hit with net outflows totaling EUR 77 billion, reflecting investor concerns about large stock market price declines (see also page 3). Bank savings products offering attractive deposit rates or some forms of guaranteed return kept on triggering outflows from bond funds. And for the first time in recent years, net flows into balanced funds turned negative in the first quarter, largely reflecting outflows from absolute return and dynamic money market funds in France (EUR 9 billion and EUR 5 billion, respectively).

The inflows to money market funds, which totaled EUR 82 billion, marked a reversal from net redemptions experienced in the previous two quarters. Even if money market funds always tend to fare well in the first quarter, the size of the inflows suggests that investors have regained confidence in “regular” money market funds, following a very difficult second half of 2007 due to the contagion effect of the liquidity/credit crisis.

Chart 1a. Net Sales into UCITS
(EUR billions)

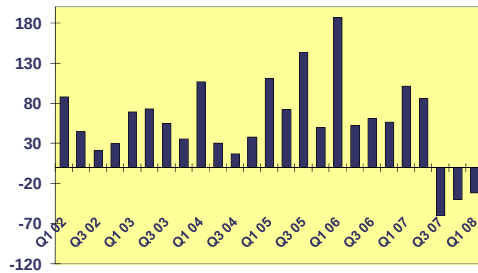


Chart 1b. Net Sales into Equity-Linked Funds
(EUR billions)

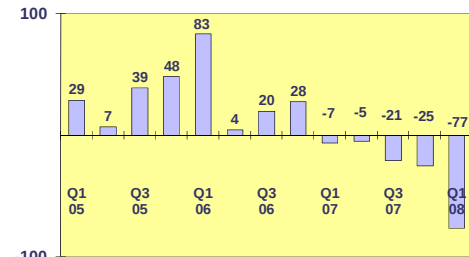


Chart 1c. Net Sales into Balanced Funds
(EUR billions)

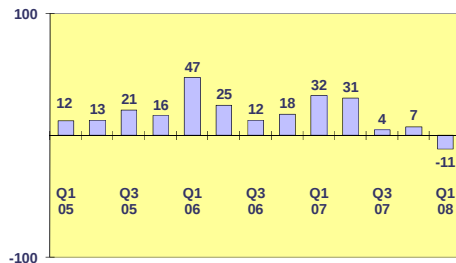


Chart 1d. Net Sales into Bond Funds
(EUR billions)

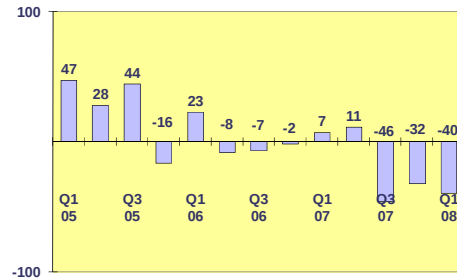


Chart 1e. Net Sales into Money Market Funds
(EUR billions)

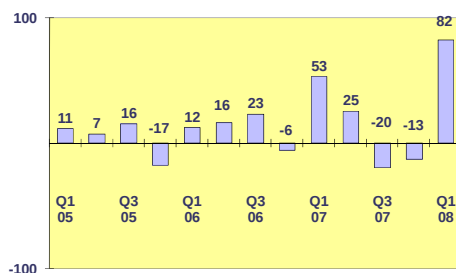
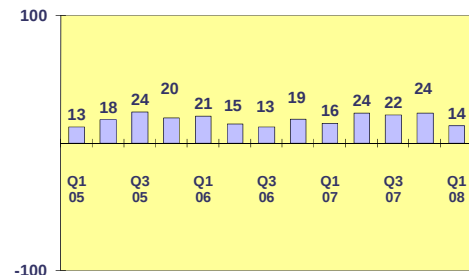
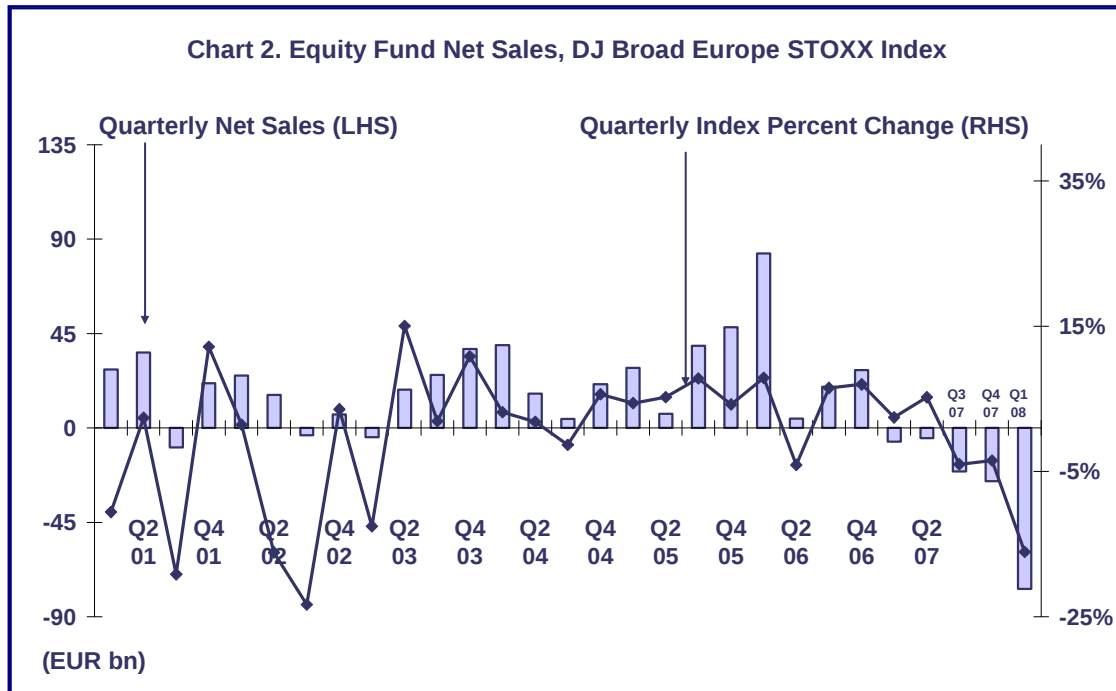


Chart 1f. Net Sales into Other UCITS
(EUR billions)



The chart below emphasizes the relationship between stock market performance and investor demand for equity funds, by comparing the evolution of net sales of equity funds compared to the DJ broad Europe STOXX index. It can be remarked that the increase in stock market volatility starting in early 2007 initiated a reassessment of equity risk among investors, which culminated in the first quarter of 2008 with the sharp losses recorded by worldwide stock markets.



Trends in the UCITS Market

Net Sales by Country of Domiciliation

Whilst the European UCITS industry withstood net redemptions from UCITS in the first quarter of 2008, a number of countries managed to benefit from positive net sales. Following two consecutive quarters of net redemptions, net inflows reversed to positive level in France, thanks to renewed appetite for regular money market funds. Investors continued to add new money into Luxembourg-domiciled funds, albeit significantly less than in recent quarters because of record net outflows from equity and bond funds. Elsewhere in Europe, Hungary, Norway, Slovakia, Switzerland and the United Kingdom also experienced positive net sales.

All other countries reported net outflows in the first quarter. In Germany, the EUR 5.3 billion outflows from local funds were offset by net inflows into "round-trip" funds domiciled in Luxembourg, which totaled EUR 14.7 billion in the first quarter (EUR 4.9 billion benefiting money market funds and 5.9 billion bond funds). In contrast, in Italy, net sales of round-trip funds remained negative (EUR 10.9 billion) and funds promoted by foreign companies also experienced net outflows (EUR 9.7 billion).

Table 1. Net Sales of UCITS ⁽¹⁾

Members	Equity Funds		Bond Funds		Balanced Funds		Money Market Funds		Other Funds ⁽²⁾		Total	
	Q4 2007	Q1 2008	Q4 2007	Q1 2008	Q4 2007	Q1 2008	Q4 2007	Q1 2008	Q4 2007	Q1 2008	Q4 2007	Q1 2008
Austria	-527	-1,425	-1,242	-1,827	469	-284	-1,594	-476	5	-344	-2,890	-4,356
Czech Republic	41	1	-74	-103	27	-2	-48	-138	150	2	95	-239
Denmark	-332.2	-841	145.3	115	-42.1	85	0.0	0	0.0	0	-229.1	-641
Finland	-196	-133	267	-30	-32	-78	-952	-1,249	-91	-40	-1,005	-1,530
France	-8,200	-6,700	-11,600	-7,200	-8,800	-14,500	-20,900	36,500	-1,100	-400	-50,600	7,700
Germany	563	-3,379	-1,298	-3,170	1,976	1,444	-1,298	-876	603	718	546	-5,262
Greece	-595	-134	-766	-657	-30	-111	18	-179	-333	-322	-1,706	-1,404
Hungary	144	95	-45	-141	7	-14	133	248	34	-85	272	104
Italy	-4,245	-7,230	-4,743	-4,922	-4,422	-10,025	1,018	1,224	0	0	-12,392	-20,953
Liechtenstein	1,134	-13	999	74	55	24	-141	-185	430	79	2,477	-21
Luxembourg ⁽³⁾	-3,593	-39,658	-7,423	-23,435	17,321	13,491	5,376	42,031	22,858	13,812	34,539	6,241
Netherlands	-886	-175	-646	-455	-130	-240	-24	-241	-47	29	-1,732	-1,083
Norway	-2	-383	288	230	-102	-147	894	833	-5	59	1,074	593
Portugal	-88	-355	-1,124	-1,121	42	-114	-955	-588	-226	-312	-2,350	-2,490
Romania	4	-3	1	4	8	0	4	-2	1	0	18	-1
Slovakia	-23	0	-20	-38	20	-8	145	168	17	20	139	141
Slovenia	0	-67	0	-1	0	-24	0	10	0	-4	89	-86
Spain	-7,329	-12,923	-3,798	785	-630	-1,955	0	735	0	0	-11,757	-13,359
Sweden	1,426	-2,087	135	697	426	-174	745	998	-143	-433	2,590	-998
Switzerland	-12	648	-232	-136	205	975	3,909	3,269	0	0	3,871	4,756
United Kingdom	-2,686	-1,989	-838	1,737	851	520	782	355	1,421	888	-470	1,512
Total	-25,402	-76,752	-32,014	-39,593	7,222	-11,136	-12,889	82,438	23,574	13,666	-39,420	-31,376

(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 fell by 8.0 percent in the first quarter to reach EUR 5,704 billion at end March 2008. All fund categories except money market, experienced a fall in assets.

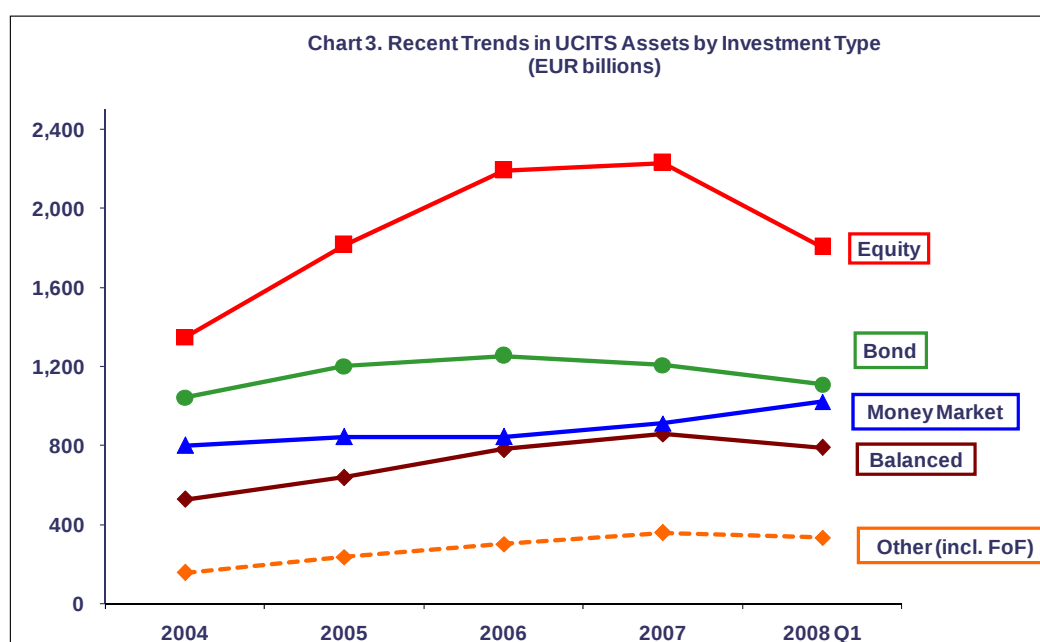
Since end March 2007, total assets in UCITS decreased by 7.8 percent. This evolution reflected sharp fall in stock prices – by way of illustration, the DJ broad Europe STOXX index fell by 18 percent between March 2007 and March 2008 – as well as cumulated net outflows from equity and bond funds.

Reflecting this evolution, the share of equity fund assets in total UCITS assets fell from 40 percent at end 2007 to 36 percent at end March 2008. Money market funds made up for the difference with a share of assets totalling 20 percent at end March, compared to 16 percent at end 2007.

Table 2. Breakdown of UCITS Assets by Category ⁽¹⁾						
UCITS types	31/03/2008		Change wrt to 31/12/2007		Change wrt to 31/03/2007	
	EUR bn	Share	in % ⁽²⁾	in EUR bn	% chg ⁽³⁾	in EUR bn
Equity	1,803	36%	-19.0%	-423	-19.8%	-446
Balanced	788	16%	-8.0%	-68	-3.5%	-29
Total Equity & Balanced	2,591	51%	-15.9%	-491	-15.5%	-475
Bond	1,108	22%	-8.2%	-98	-14.1%	-182
Money Market	1,020	20%	12.0%	109	13.4%	120
Funds of funds ⁽⁴⁾	91	2%	-12.0%	-12	-10.0%	-10
Other	242	5%	-3.8%	-10	13.4%	29
All Funds	5,053	100%	-9.0%	-502	-9.3%	-518
including Ireland	5,704		-8.0%	-497	-7.8%	-484

(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 of March 2008 compared to end Dec. 2007. (2) End of March 2008 compared to end March 2007.



Trends in the UCITS Market

Net Assets by Country of Domiciliation

Looking at the development in the major fund markets, the United Kingdom, Germany and Italy suffered the sharpest decline in assets in the first quarter. For the United Kingdom, the asset decline reflected in part the appreciation of the euro vis-à-vis the British Pound; measured in local currency, net assets of UCITS domiciled in the United Kingdom fell by 7.5 percent. UCITS assets also fell in Luxembourg, Spain and France. Up to end February, Ireland had avoided a drain on its UCITS assets.

Contrary to recent developments, the Nordic countries were also severely hit by the difficult environment, especially in the stock markets given the relatively high market share of equity funds in these countries. Central European countries, with the exception of Slovakia and Czech Republic, also suffered an unusual decline in their UCITS asset basis, with Poland being the most severely hit.

Table 3. Net Assets of the European UCITS Industry

Members	31/03/2008		31/12/2007		31/03/2007	
	EUR m	Share	EUR m	% chg ⁽¹⁾	EUR m	% chg ⁽²⁾
Austria	101,183	1.8%	111,386	-9.2%	115,907	-12.7%
Belgium ⁽³⁾	120,398	2.1%	120,398	--	121,469	--
Czech Republic	6,237	0.1%	6,056	3.0%	5,414	15.2%
Denmark	64,549	1.1%	70,703	-8.7%	70,925	-9.0%
Finland	48,907	0.9%	55,116	-11.3%	54,264	-9.9%
France	1,295,900	22.7%	1,351,600	-4.1%	1,413,200	-8.3%
Germany	235,558	4.1%	266,062	-11.5%	272,640	-13.6%
Greece	18,960	0.3%	21,685	-12.6%	22,658	-16.3%
Hungary	9,401	0.2%	9,811	-4.2%	7,935	18.5%
Ireland ⁽⁴⁾	651,442	11.4%	646,268	0.8%	616,952	5.6%
Italy	254,874	4.5%	285,094	-10.6%	327,659	-22.2%
Liechtenstein	16,925	0.3%	18,682	-9.4%	16,341	3.6%
Luxembourg	1,661,625	29.1%	1,823,969	-8.9%	1,732,321	-4.1%
Netherlands	69,259	1.2%	77,277	-10.4%	82,427	-16.0%
Norway	41,733	0.7%	50,749	-17.8%	44,540	-6.3%
Poland	24,564	0.4%	30,975	-20.7%	25,953	-5.4%
Portugal	18,369	0.3%	21,703	-15.4%	25,734	-28.6%
Romania	220	0.0%	266	-17.1%	198	11.3%
Slovakia	4,003	0.1%	3,788	5.7%	3,361	19.1%
Slovenia	2,332	0.0%	2,905	-19.7%	2,247	3.8%
Spain	250,446	4.4%	269,366	-7.0%	283,422	-11.6%
Sweden	120,143	2.1%	136,429	-11.9%	139,133	-13.6%
Switzerland	119,570	2.1%	119,748	-0.1%	121,845	-1.9%
Turkey	12,886	0.2%	15,365	-16.1%	13,728	-6.1%
United Kingdom	554,829	9.7%	685,016	-19.0%	667,959	-16.9%
All Funds	5,704,313	100%	6,200,417	-8.0%	6,188,232	-7.8%

(1) End March 2008 compared to end 2007; (2) end March 2008 compared to end March 2007; (3) data as of end 2007; (4) data as of end February 2008.

Trends in the Non-UCITS Market

Net Sales and Assets by Investment Type

Total assets in the non-UCITS market decreased 3.7 percent in the first quarter of 2008 to EUR 1,676 billion.

During the first quarter 2008, net flows to special funds reserved for institutional investors collected EUR 16 billion in new money, down from EUR 30 billion in the previous quarter. These inflows could not prevent, however, a fall in total assets. Real estate and "other" fund assets increased slightly in the first quarter. On the other hand, British investment trusts, French employees savings and Luxembourg "other" funds suffered from market turbulence and ensuing reduced investor appetite.

Reflecting this evolution, total assets of non-UCITS remained almost unchanged between end March 2007 and end March 2008.

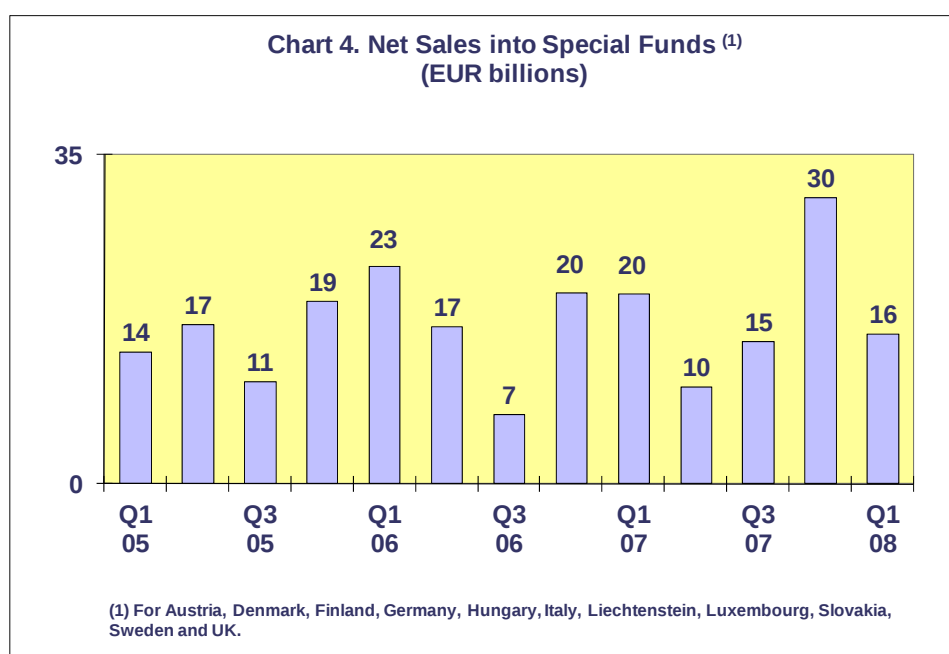


Table 4. Breakdown of Non-UCITS Assets by Category ⁽¹⁾						
Fund types	31/03/2008		31/12/2007		31/03/2007	
	EUR bn	Share	EUR bn	% chg ⁽²⁾	EUR bn	% chg ⁽³⁾
Special / Institutional	910	60%	937	-2.9%	902	0.9%
German "Spezialfonds"	667	44%	691	-3.4%	691	-3.4%
British investment trusts	67	4%	83	-19.6%	106	-37.2%
French employees savings	78	5%	85	-8.2%	84	-7.1%
Luxembourg "other" funds	92	6%	102	-10.3%	100	-8.4%
Real-estate funds	212	14%	212	0.3%	205	3.4%
Other	163	11%	162	0.6%	129	26.3%
Total	1,521	100%	1,580	-3.7%	1,526	-0.3%
including Ireland	1,676		1,741	-3.7%	1,679	-0.2%

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

(2) End of March 2008 compared to end Dec. 2007.

(2) End of March 2008 compared to end March 2007.

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, fell by 7.1 percent in the first quarter to reach EUR 7,380 billion at end March 2008. Only three countries avoided a reduction in total fund assets: Czech Republic, Slovakia and Switzerland.

Since end March 2007, the European investment fund industry has seen its assets fall by 6.2 percent.

With EUR 5,704 billion invested in UCITS, this segment of the business accounted for 77.3 percent of the fund market at end March 2008.

Table 5. Net Assets of the European Investment Fund Industry

Members	31/03/2008		31/12/2007		31/03/2007	
	EUR m	Share	EUR m	% chg ⁽¹⁾	EUR m	% chg ⁽²⁾
Austria	153,180	2.1%	165,584	-7.5%	169,969	-9.9%
Belgium ⁽³⁾	126,494	1.7%	126,494	--	129,217	--
Czech Republic	6,292	0.1%	6,101	3.1%	5,414	16.2%
Denmark	123,487	1.7%	132,215	-6.6%	125,970	-2.0%
Finland	58,588	0.8%	66,000	-11.2%	64,708	-9.5%
France	1,443,900	19.6%	1,508,300	-4.3%	1,565,500	-7.8%
Germany	989,515	13.4%	1,040,937	-4.9%	1,042,838	-5.1%
Greece	20,117	0.3%	22,912	-12.2%	23,514	-14.4%
Hungary	12,123	0.2%	12,571	-3.6%	10,571	14.7%
Ireland ⁽⁴⁾	806,333	10.9%	806,768	-0.1%	769,145	4.8%
Italy	323,333	4.4%	353,712	-8.6%	383,855	-15.8%
Liechtenstein	18,616	0.3%	20,452	-9.0%	17,359	7.2%
Luxembourg	1,895,445	25.7%	2,059,395	-8.0%	1,927,360	-1.7%
Netherlands	82,360	1.1%	90,958	-9.5%	102,877	-19.9%
Norway	41,733	0.6%	50,749	-17.8%	44,540	-6.3%
Poland	30,475	0.4%	36,926	-17.5%	29,899	1.9%
Portugal	33,028	0.4%	36,212	-8.8%	39,282	-15.9%
Romania	2,963	0.0%	3,517	-15.8%	2,854	3.8%
Slovakia	4,160	0.1%	3,936	5.7%	3,412	21.9%
Slovenia	3,358	0.0%	4,134	-18.8%	3,244	3.5%
Spain	260,206	3.5%	278,796	-6.7%	292,283	-11.0%
Sweden	123,135	1.7%	139,380	-11.7%	142,214	-13.4%
Switzerland	161,153	2.2%	159,853	0.8%	152,272	5.8%
Turkey	15,089	0.2%	18,104	-16.7%	15,539	-2.9%
United Kingdom	645,358	8.7%	796,954	-19.0%	805,094	-19.8%
All Funds	7,380,441	100.0%	7,940,960	-7.1%	7,868,934	-6.2%
UCITS Assets	5,704,313	77.3%	6,200,417	-8.0%	6,188,232	-7.8%

(1) End March 2008 compared to end 2007; (2) end March 2008 compared to end March 2007; (3) data as of end 2007; (4) data as of end February 2008.