

*Trends in the European Investment Fund Industry*  
*in the Third Quarter of 2008*  
*and*  
*Results for Year-To-Date*

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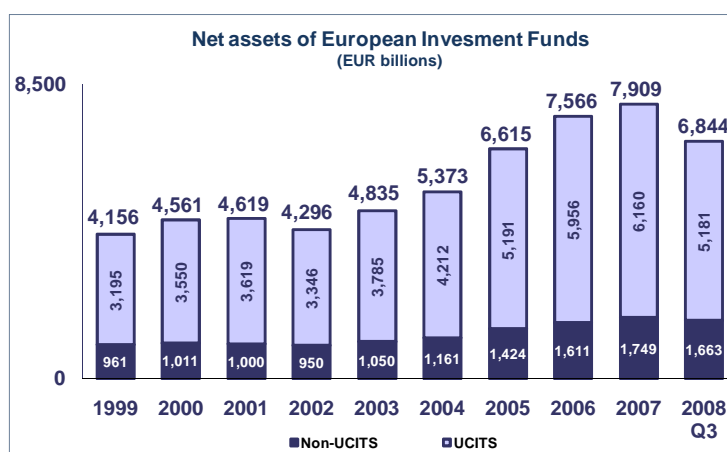
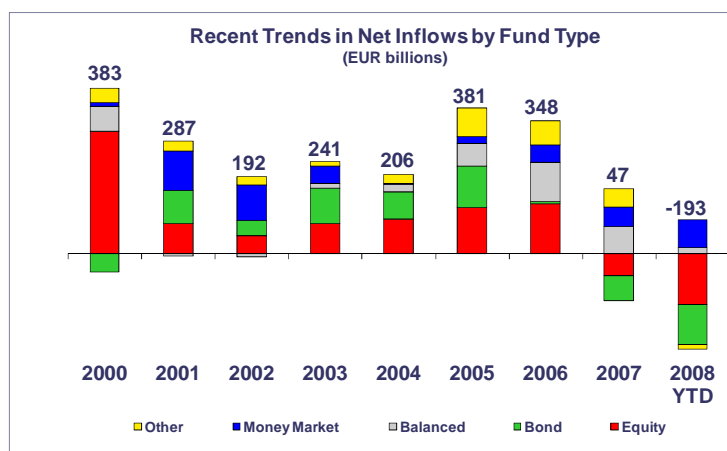
EFAMA

The European Fund and Asset Management Association

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## Highlights, January-September 2008

- For the first nine months of 2008, UCITS<sup>1</sup> recorded total net outflows of EUR 193 billion, compared to net inflows of EUR 47 billion in 2007 and EUR 348 billion in 2006. The stunning magnitude of the recent decline in stock prices and the chaos in credit markets that started in 2007 engendered a deep loss of investor confidence, accelerated in September with the bankruptcy of Lehman Brothers. Strong competition from banks in search of liquidity continued to exert its adverse effect on the industry, spurring a substitution from investment funds to bank deposits.
- With a total of EUR 134 billion of net outflows through September, equity funds suffered the most, followed by bond and balanced funds (EUR 105 billion and EUR 16 billion, respectively). In contrast, money market funds gained EUR 72 billion net.
- As a percentage of UCITS assets, net redemptions in January-September remained limited to 3.5 percent. In a way, this is comforting news showing that investors on average are holding their UCITS on a net basis, despite plummeting asset prices. But nevertheless the combination of market losses and ongoing net outflows has caused a significant decline in European investment fund assets (EUR 1,065 billion or 13.5 percent between end 2007 and end September 2008), which is leading to cost-cutting and rationalization measures.
- Looking forward, the economic contraction in the United States, Europe and other advanced economies, the risk of severe slowdown in emerging markets and the level of uncertainty stemming from financial market developments remain a serious source of concern for many investors. Hopefully, the bailout plans, stimulus packages and other bold actions will succeed in restoring financial stability and supporting economic activity on a sustainable basis.



<sup>1</sup> UCITS is used in this not in the sense of publicly offered open-ended funds investing in transferable securities and money market instruments.

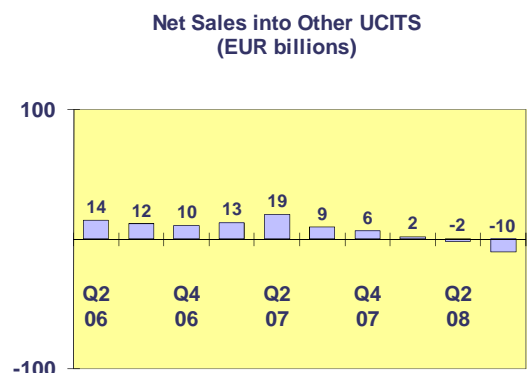
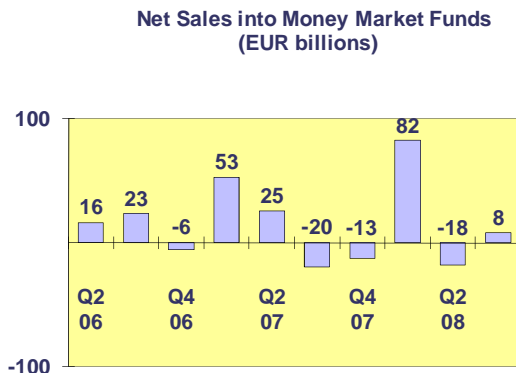
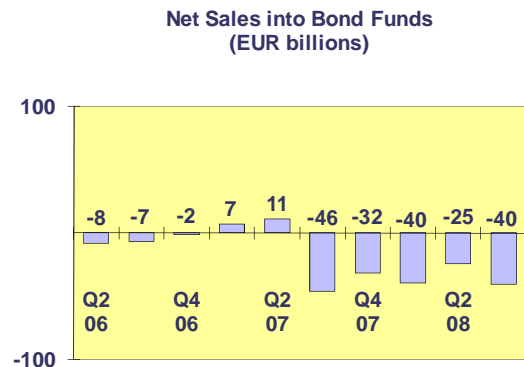
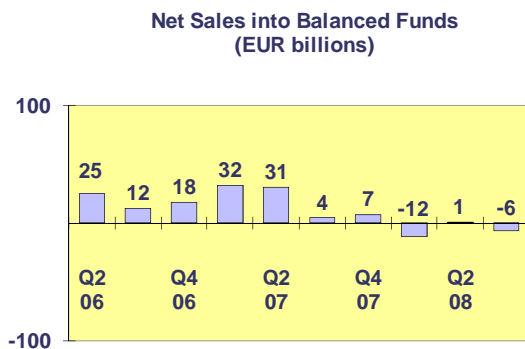
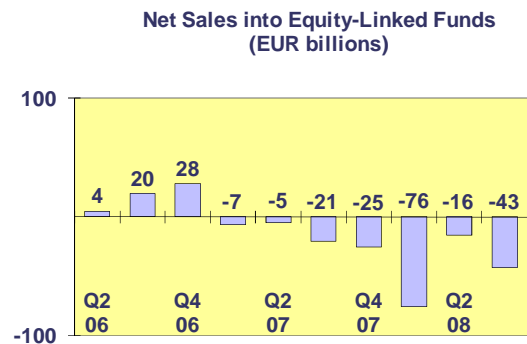
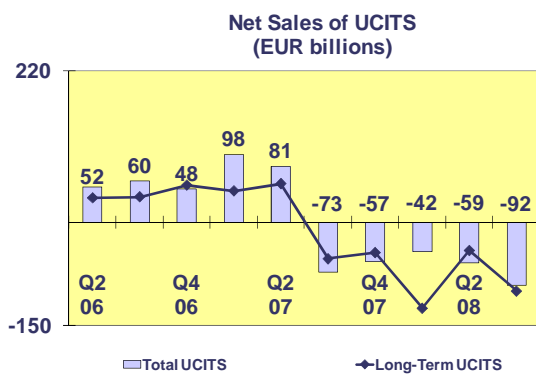
## Trends in the UCITS Market

### *Net Sales by Investment Type*

**Outflows from UCITS increased in the third quarter of 2008 to EUR 92 billion.** It is the first time ever that the UCITS industry has recorded such a high level of outflows in a single quarter. Outflows rose as investors searched for havens in the midst of unprecedented volatility in bond and credit markets and alarming news from the real economy.

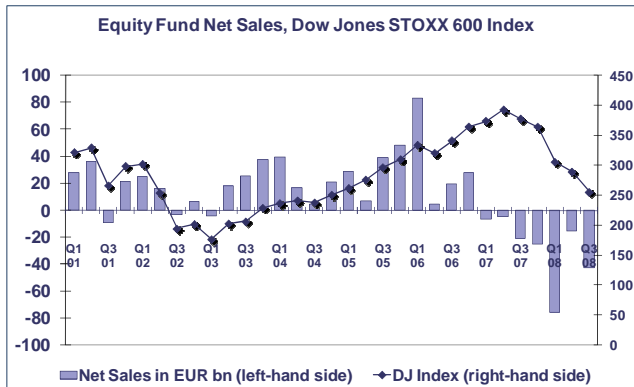
The development reflected a worsening in net redemptions from all categories of long-term UCITS (equity, bond, balanced and other) compared to the second quarter. Money market funds were the only fund category that recorded net inflows. Taking into account net inflows into Irish money market funds, which are not included in our net sales data, money market funds would also have reported net outflows (estimated to EUR 15 billion).

UCITS net redemptions during the third quarter represented 1.9 percent of UCITS assets (2.5 percent for equity funds and 3.8 percent for bond funds).

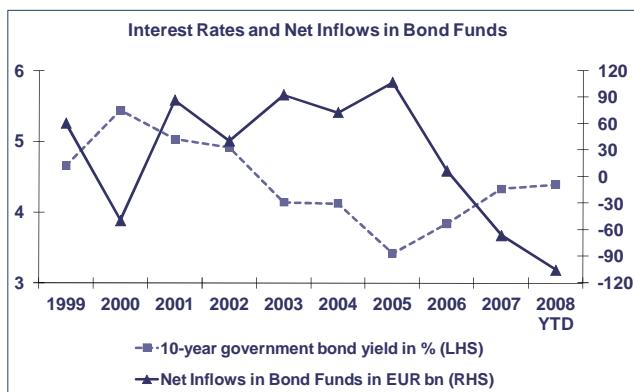


## Trends in the UCITS Market

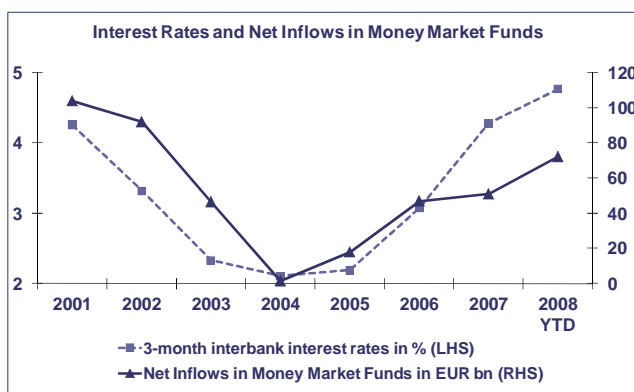
### *Exceptionally Harsh Market Conditions*



The collapse in net sales of equity funds is deeply rooted in the evolution of stock prices. The memory of the stock price losses endured during the bear market in 2001 and 2002, against the background of high valuation reached in early 2007 and increasingly attractive high yields offered by bank deposits, convinced investors to start withdrawing from equity funds during the first half of 2007. Unsurprisingly, investors have been on alert from the start of the financial crisis.



Investor demand for bond funds mirrors movements in long-term interest rates. When interest rates fall, inflows into bond funds tend to rise, and when they are on a rising trend, investors redeem their shares in bond funds. Hence, recent outflows reflected in part unfavourable rising long-term interest rates. The crisis in money markets and credit markets added further pressure on bond funds.



Rising short-term interest rates benefited money market funds in 2006. The trend continued in 2007 and so far this year, albeit at a slower pace because of several factors: enhanced competition from banks issuing debt securities at higher rates than money market fund returns to cope with their liquidity crisis, drying-up of liquidity in money markets and contagion from the difficulties of U.S. money market funds following the Lehman default.

Looking in the future, falling long and short-term interest rates against the backdrop of a global economic downturn and evaporated inflation worries could create the conditions for a rebound in the demand for bond funds, possibly at the expense of money market funds. With stock prices having fallen so fast in recent months, equity funds have also the potential to attract again net inflows. Yet, this change of direction will require that governments and central banks manage to convince investors that their actions will succeed in limiting the severity of the global economic downturn.

## Trends in the UCITS Market

### *Net Sales by Country of Domiciliation*

Looking at the major fund markets, Luxembourg-domiciled UCITS suffered outflows of EUR 17.3 billion in the third quarter, compared to inflows of EUR 11.3 billion in the second quarter. The turnaround reflected an increase in outflows from equity and bond funds. Net inflows in UK-domiciled UCITS also turned negative in the third quarter, following two quarters of positive net sales. In the other major markets, France-domiciled UCITS continued to record outflows, with absolute return and dynamic short-term funds suffering the most. In Germany, local funds and “round-trip” funds domiciled in Luxembourg and Ireland recorded outflows (EUR 4.8 billion and EUR 2.2 billion, respectively). In Italy, net outflows from local funds (UCITS and non-UCITS), round-trip funds and funds promoted by foreign companies amounted in the third quarter to EUR 16.0 billion, EUR 7.9 billion and EUR 5.0 billion, respectively. Elsewhere in Europe, net outflows were also significant in Spain (EUR 12 billion) and Ireland (estimated at around EUR 30 billion).

In absolute terms, three countries suffered the most severe outflows in January-September: Italy (EUR 54 billion), Spain (EUR 42 billion) and France (40 billion). Luxembourg followed in this ranking with outflows of EUR 17 billion. In relation to UCITS assets at end 2007, outflows remained negligible in Luxembourg and the United Kingdom (less than 1 percent), and small in France (3 percent) and Germany (4.5 percent). In Spain and Italy, net outflows reached considerable levels (16 percent and 19 percent, respectively), reflecting strong competition from bank deposits at the distribution level. UCITS continued to face the same difficulties in Greece and Portugal.

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	
	Q3	Q1-Q3	Q3	Q1-Q3	Q3	Q1-Q3	Q3	Q1-Q3	Q3	Q1-Q3	Q3	Q1-Q3
Austria	-688	-2,264	-2,100	-5,883	154	-82	-176	-1,008	-597	-1,103	-3,407	-10,340
Bulgaria	0	-41	0	-2	0	-14	0	6	0	0	0	-51
Czech Republic	-7	2	-47	-199	-30	-40	-36	-239	-18	2	-139	-473
Denmark	-99	-544	-546	-469	-96	-346	0	0	0	0	-741	-1358
Finland	-285	-831	675	105	-159	-378	-1,569	-3,539	-119	-154	-1,457	-4,797
France	-6,800	-12,200	-4,900	-15,800	-5,700	-31,000	-500	24,500	-2,900	-5,900	-20,800	-40,400
Germany	-1,191	-5,388	-3,724	-9,278	820	4,455	-1,503	-5,593	812	3,738	-4,786	-12,066
Greece	-160	-389	322	-600	-308	-404	-1,201	-1,967	-82	-572	-1,429	-3,932
Hungary	55	217	-137	-455	-10	-34	9	25	-90	-337	-173	-584
Italy	-1,786	-11,929	-5,496	-17,742	-4,803	-19,733	-2,116	-4,768	0	0	-14,201	-54,173
Liechtenstein	-220	-259	-172	-99	17	59	741	1,795	-40	40	326	1,536
Luxembourg <sup>(3)</sup>	-19,433	-63,432	-17,575	-45,183	6,131	35,907	15,053	63,813	-7,767	-8,489	-23,591	-17,384
Netherlands	-678	452	-375	-2,343	-233	-529	-68	-267	64	122	-1,290	-2,565
Norway	-92	-359	122	426	-48	-211	-281	94	-4	43	-304	-7
Poland	-136	-572	67	-6	-400	-1,185	-79	-94	-5	-6	-552	-1,863
Portugal	-198	-740	-854	-2,840	-73	-238	-627	-1,975	-254	-126	-2,005	-5,920
Romania	-3	-2	22	42	-7	-4	19	23	0	0	30	59
Slovakia	12	23	-37	-97	-19	-19	-127	160	-31	-25	-202	42
Slovenia	-53	-143	0	-1	-23	-48	2	7	-1	-4	-74	-188
Spain	-6,547	-26,750	-2,440	-5,593	-1,617	-5,518	-2,208	-4,661	0	0	-12,811	-42,522
Sweden	-819	-2,400	416	876	36	227	434	705	-104	-646	-37	-1,239
Switzerland <sup>(4)</sup>	10	999	-586	-767	48	2,087	2,340	5,397	0	0	1,811	7,716
United Kingdom	-3,716	-7,068	-3,083	697	-94	1,047	-29	-190	1,009	3,398	-5,913	-2,117
<b>Total</b>	<b>-42,833</b>	<b>-133,616</b>	<b>-40,446</b>	<b>-105,214</b>	<b>-6,414</b>	<b>-16,001</b>	<b>8,076</b>	<b>72,225</b>	<b>-10,128</b>	<b>-10,018</b>	<b>-91,745</b>	<b>-192,625</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, except net sales of special funds, which are shown in Table 5.

## Trends in the UCITS Market

### *Net Assets by Investment Type*

**Total net assets of UCITS fell by 6.4 percent in the third quarter to reach EUR 5,181 billion at end September 2008.** Over 77 percent of the fall reflected a decline in equity fund assets, with stock price losses causing 82 percent of the decline.

**Since end 2007, total assets in UCITS decreased by 15.9 percent.** This development is attributable to a large extent to a staggering loss of equity fund assets caused by the stock market fallout. By way of illustration, the DJ broad Europe STOXX 600 index fell by 29 percent between end 2007 and September 2008. For the UCITS market as a whole, 21 percent of the asset decline reflected net outflows, whereas market losses represented the remaining 79 percent.

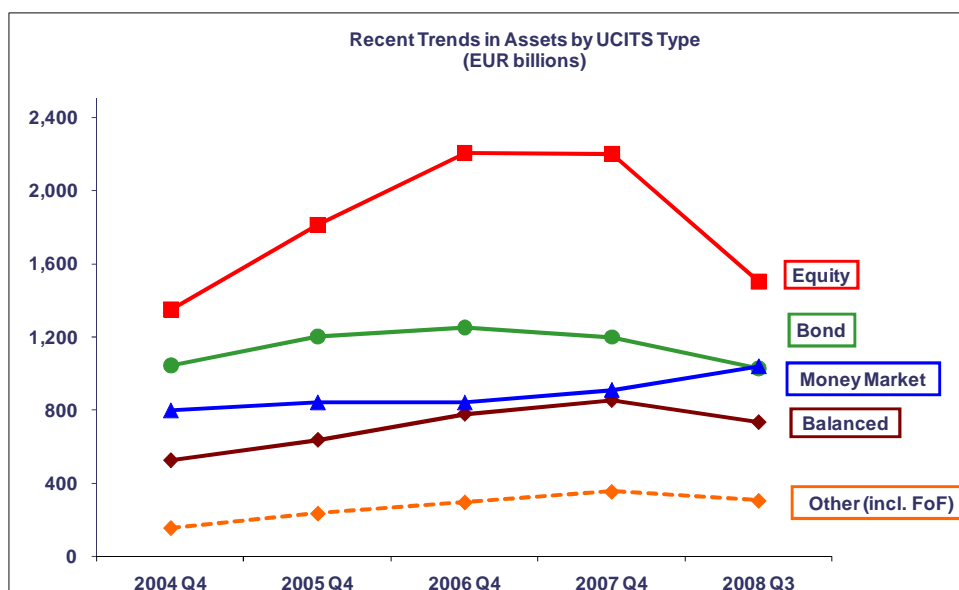
Reflecting this evolution, the share of equity fund assets in total UCITS assets fell from 40 percent at end 2007 to 33 percent at end September 2008. Money market funds made up for the difference with a share of assets totalling 23 percent at end September, compared to 16.5 percent at end 2007.

UCITS types	30/09/2008		Change wrt to 30/06/2008		Change wrt to 31/12/2007	
	EUR bn	Share	in % <sup>(2)</sup>	in EUR bn	% chg <sup>(3)</sup>	in EUR bn
Equity	1,500	33%	-13.7%	-239	-31.8%	-699
Balanced	734	16%	-4.6%	-35	-14.0%	-119
Total Equity & Balanced	2,234	49%	-10.9%	-274	-26.8%	-819
Bond	1,025	22%	-3.6%	-38	-14.4%	-172
Money Market	1,040	23%	2.5%	26	14.2%	129
Funds of funds <sup>(4)</sup>	75	2%	-6.3%	-5	-24.8%	-25
Other	228	5%	-7.0%	-17	-9.8%	-25
<b>All Funds</b>	<b>4,602</b>	<b>100%</b>	<b>-6.3%</b>	<b>-309</b>	<b>-16.5%</b>	<b>-911</b>
including Ireland	5,181		-6.4%	-356	-15.9%	-979

(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 September 2008 compared to end June 2008.

(3) End of September 2008 compared to end 2007.



## Trends in the UCITS Market

### *Net Assets by Country of Domiciliation*

**During the third quarter of 2008, the decline in UCITS assets clustered around the European average (6.4 percent) in most countries.** However, there are a few exceptions. The relatively high proportion of money market funds that characterizes the investment fund market in France provided a cushion against stock market losses. Conversely, the asset decline was steeper in countries with a relatively high proportion of equity fund assets, especially in the United Kingdom, Sweden and Norway.

Between end 2007 and end September 2008, the United Kingdom, Italy, Spain and Germany suffered the sharpest decline in assets – in the range of 20 to 26 percent. The fall of UCITS was limited to 11 percent in France and Ireland, thanks to the importance of money market funds in these countries. Luxembourg lies in between these groups of countries, with a fall of UCITS assets of 15 percent.

Elsewhere, the drain from UCITS to banking products continued to affect badly the fund industry in Portugal and Greece. The Nordic countries are also suffering from the crisis, with an average asset decline of 23 percent in January-September. In Central Europe, the asset decline remained moderate in the Czech Republic, Hungary and Romania in January-September, and UCITS domiciled in Slovakia even managed to rise by 9 percent. On the other hand, Poland and Slovenia suffered from a sharp drop in assets, reflecting the relatively high proportion of balanced and equity funds.

<b>Table 3. Net Assets of the European UCITS Industry</b>						
<b>Members</b>	<b>30/09/2008</b>		<b>30/06/2008</b>		<b>31/12/2007</b>	
	<b>EUR m</b>	<b>Share</b>	<b>EUR m</b>	<b>% chg <sup>(1)</sup></b>	<b>EUR m</b>	<b>% chg <sup>(2)</sup></b>
Austria	90,023	1.7%	98,039	-8.2%	111,386	-19.2%
Belgium <sup>(3)</sup>	103,333	2.0%	103,333	--	120,196	--
Bulgaria	237	0.0%	300	-21.1%	436	-45.6%
Czech Republic	6,047	0.1%	6,515	-7.2%	6,426	-5.9%
Denmark	57,326	1.1%	61,638	-7.0%	70,680	-18.9%
Finland	42,355	0.8%	46,625	-9.2%	55,116	-23.2%
France	1,204,400	23.2%	1,256,200	-4.1%	1,351,600	-10.9%
Germany	213,419	4.1%	230,574	-7.4%	266,062	-19.8%
Greece	15,470	0.3%	17,463	-11.4%	21,685	-28.7%
Hungary	9,325	0.2%	9,778	-4.6%	9,826	-5.1%
Ireland	578,819	11.2%	625,360	-7.4%	646,392	-10.5%
Italy	214,529	4.1%	231,158	-7.2%	285,094	-24.8%
Liechtenstein	16,216	0.3%	18,334	-11.6%	18,633	-13.0%
Luxembourg	1,558,850	30.1%	1,663,097	-6.3%	1,823,969	-14.5%
Netherlands	59,126	1.1%	65,636	-9.9%	77,271	-23.5%
Norway	39,972	0.8%	46,380	-13.8%	50,599	-21.0%
Poland	19,167	0.4%	22,215	-13.7%	30,975	-38.1%
Portugal	14,232	0.3%	16,863	-15.6%	21,703	-34.4%
Romania	245	0.0%	251	-2.7%	266	-7.9%
Slovakia	4,164	0.1%	4,404	-5.5%	3,819	9.0%
Slovenia	2,072	0.0%	2,251	-8.0%	2,918	-29.0%
Spain	215,353	4.2%	230,250	-6.5%	269,366	-20.1%
Sweden	102,701	2.0%	115,845	-11.3%	136,429	-24.7%
Switzerland	119,329	2.3%	114,120	4.6%	119,132	0.2%
Turkey	13,638	0.3%	12,573	8.5%	15,365	-11.2%
United Kingdom	480,812	9.3%	537,721	-10.6%	644,985	-25.5%
<b>All Funds</b>	<b>5,181,159</b>	<b>100%</b>	<b>5,536,922</b>	<b>-6.4%</b>	<b>6,160,328</b>	<b>-15.9%</b>

(1) End September compared to June 2008; (2) end September 2008 compared to end 2007; (3) data as of end June 2008.

## Trends in the Non-UCITS Market

### *Net Sales and Assets by Investment Type*

Total assets in the non-UCITS <sup>2</sup> market decreased by 2 percent to EUR 1,663 billion, down from EUR 1,696 billion at end June 2008.

The strong resilience of special/institutional funds to the financial crisis so far has limited the impact of stock market losses on fund assets. Overall, a net EUR 46 billion flowed into special funds in 2008 through the end of September, with Luxembourg and German funds collecting 96 percent of the new money.

Since end 2007, total assets of non-UCITS fell by 4.9 percent or EUR 86 billion.

Table 4. Breakdown of Non-UCITS Assets by Category <sup>(1)</sup>						
Fund types	30/09/2008		30/06/2008		31/12/2007	
	EUR bn	Share	EUR bn	% chg <sup>(2)</sup>	EUR bn	% chg <sup>(3)</sup>
Special / Institutional	914	61%	916	-0.2%	945	-3.3%
German "Spezialfonds"	662	44%	665	-0.4%	692	-4.3%
British investment trusts	55	4%	64	-14.4%	79	-30.8%
French employees savings	76	5%	80	-4.5%	85	-10.6%
Luxembourg "other" funds	84	6%	90	-6.5%	102	-17.7%
Real-estate funds	213	14%	213	-0.1%	208	2.6%
Other	166	11%	173	-4.2%	170	-2.6%
<b>Total</b>	<b>1,508</b>	<b>100%</b>	<b>1,536</b>	<b>-1.8%</b>	<b>1,589</b>	<b>-5.1%</b>
including Ireland	1,663		1,696	-2.0%	1,749	-4.9%

(1) Excluding Ireland for which no data breakdown is available. (3) End of September 2008 compared to end 2007.  
(2) End of September 2008 compared to end June 2008.

Table 5 . Net Sales of Special Funds <sup>(1)</sup>											
Members	2006				2007				2008		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Austria	2,519	946	171	345	-88	963	-518	-152	-196	-445	306
Denmark	3,264	921	-158	127	1,014	1,750	2,738	512	995	2,600	-2,199
Finland	798	383	424	569	725	831	-612	-255	-126	-287	-251
Germany	15,623	13,838	6,891	12,024	15,019	-270	21	12,698	3,705	4,861	8,983
Hungary	10	3	59	13	-4	19	61	35	8	92	436
Italy	-552	103	-412	-627	-327	243	-63	-368	-133	-156	-101
Liechtenstein									100	195	124
Luxembourg	2,260	697	953	8,577	3,133	4,598	12,870	17,359	11,408	6,982	8,022
Romania										1	2
Sweden	22	216	51	-39	11	-21	-2	-13	26	-30	9
United Kingdom	-758	-347	-523	-712	674	2,191	649	695	292	207	236
<b>Total</b>	<b>23,185</b>	<b>16,760</b>	<b>7,456</b>	<b>20,277</b>	<b>20,156</b>	<b>10,302</b>	<b>15,144</b>	<b>30,511</b>	<b>16,079</b>	<b>14,020</b>	<b>15,567</b>

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

<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-ended 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, fell by 5.4 percent in the third quarter to reach EUR 6,844 billion.

Since end 2007, the European investment fund industry has seen its assets fall by 13.5 percent.

With EUR 5,181 billion invested in UCITS, this segment of the business accounted for 75.7 percent of the fund market at end September 2008.

Table 6. Net Assets of the European Investment Fund Industry						
Members	30/09/2008		30/06/2008		31/12/2007	
	EUR m	Share	EUR m	% chg <sup>(1)</sup>	EUR m	% chg <sup>(2)</sup>
Austria	140,576	2.1%	148,864	-5.6%	165,584	-15.1%
Belgium <sup>(3)</sup>	109,147	1.6%	109,147	--	126,536	--
Bulgaria	237	0.0%	300	-21.1%	436	-45.6%
Czech Republic	6,116	0.1%	6,579	-7.0%	6,471	-5.5%
Denmark	112,324	1.6%	122,289	-8.1%	131,424	-14.5%
Finland	50,559	0.7%	55,877	-9.5%	66,000	-23.4%
France	1,350,800	19.7%	1,405,800	-3.9%	1,508,300	-10.4%
Germany	964,606	14.1%	982,947	-1.9%	1,041,869	-7.4%
Greece	16,579	0.2%	18,598	-10.9%	22,912	-27.6%
Hungary	12,487	0.2%	12,788	-2.4%	12,590	-0.8%
Ireland	733,832	10.7%	785,363	-6.6%	805,989	-9.0%
Italy	282,530	4.1%	301,975	-6.4%	357,947	-21.1%
Liechtenstein	18,162	0.3%	20,162	-9.9%	20,399	-11.0%
Luxembourg	1,796,696	26.3%	1,902,092	-5.5%	2,059,395	-12.8%
Netherlands	71,689	1.0%	78,455	-8.6%	90,951	-21.2%
Norway	39,972	0.6%	46,380	-13.8%	50,599	-21.0%
Poland	25,189	0.4%	28,524	-11.7%	37,558	-32.9%
Portugal	28,387	0.4%	31,288	-9.3%	36,212	-21.6%
Romania	2,744	0.0%	2,820	-2.7%	3,517	-22.0%
Slovakia	4,335	0.1%	4,575	-5.3%	3,969	9.2%
Slovenia	2,616	0.0%	3,134	-16.5%	4,148	-36.9%
Spain	224,887	3.3%	239,973	-6.3%	278,796	-19.3%
Sweden	105,077	1.5%	118,549	-11.4%	139,380	-24.6%
Switzerland	159,021	2.3%	153,549	3.6%	168,895	-5.8%
Turkey	16,286	0.2%	15,051	8.2%	18,108	-10.1%
United Kingdom	569,135	8.3%	637,862	-10.8%	751,346	-24.3%
All Funds	6,843,988	100.0%	7,232,942	-5.4%	7,909,330	-13.5%
UCITS	5,181,159	75.7%	5,536,922	-6.4%	6,160,328	-15.9%
Non-UCITS	1,662,829	32.1%	1,696,020	-2.0%	1,749,002	-4.9%

(1) End September compared to June 2008; (2) end September 2008 compared to end 2007; (3) data as of end June 2008.