

***Trends in the European Investment Fund Industry
in the Third Quarter of 2011***

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

EFAMA
The European Fund and Asset Management Association

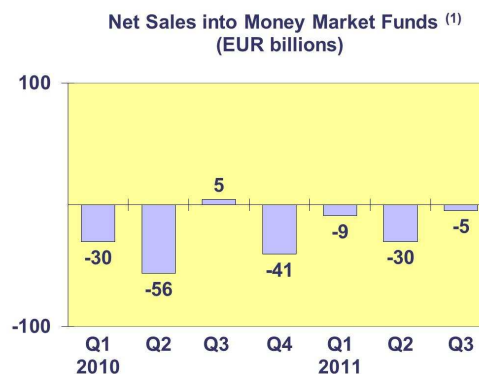
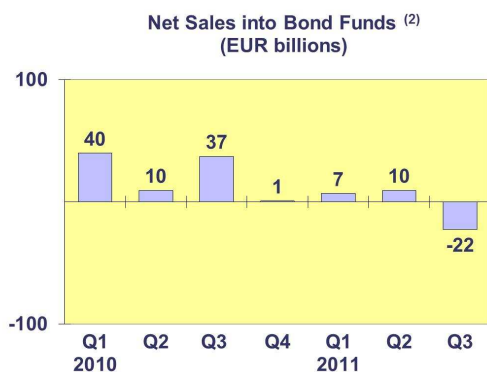
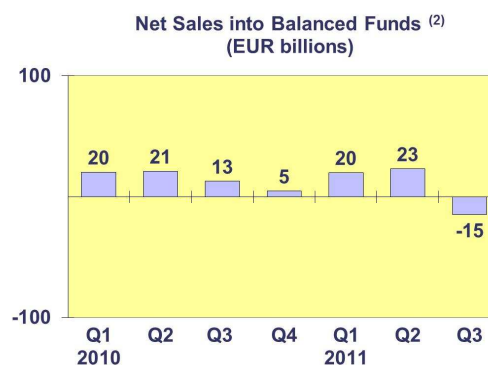
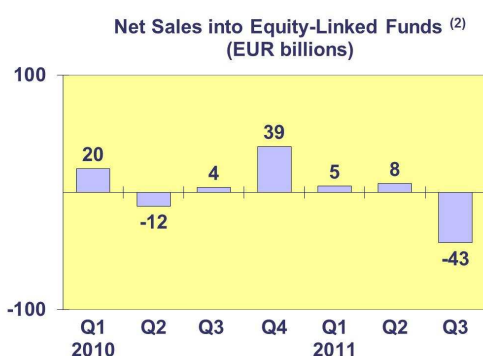
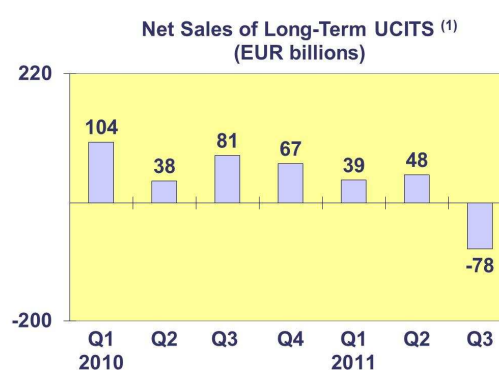
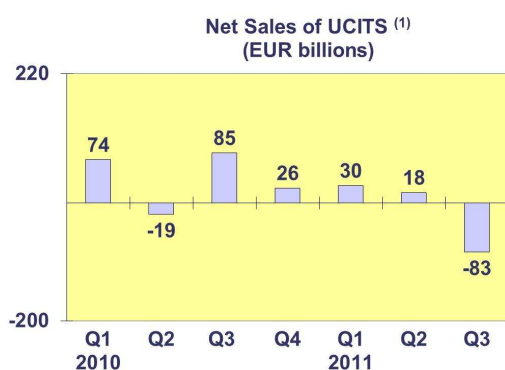
Rue Montoyer 47 - B-1000 BRUXELLES - Tel. 32-2-513.39.69 Fax: 32-2-513.26.43 - e-mail: info@efama.org

Trends in the UCITS Market

Net Sales by Investment Type

The third quarter marked a severe turnaround in fortunes as UCITS witnessed quarterly net outflows for the first time since the onset of the sovereign debt crisis in the second quarter of 2010. UCITS net outflows amounted to EUR 83 billion during the third quarter, compared to net inflows of EUR 18 billion in the second quarter of 2011. This turnaround came during a turbulent Summer on financial markets and increasing investor concerns regarding the sovereign debt crises in the USA and Europe and slowing global economic growth. Year-to-date UCITS recorded net outflows of EUR 35 billion.

Long-term funds experienced net outflows of EUR 78 billion during the quarter, the first quarterly outflow since the first quarter of 2009. Equity funds saw net flows plunge during the quarter to record net outflows of EUR 43 billion, compared to net inflows of EUR 8 billion in the previous quarter. Bond funds also suffered during the quarter registering net outflows of EUR 22 billion, compared to net inflows of EUR 10 billion in the previous quarter. Balanced funds witnessed net outflows of EUR 15 billion, compared to net inflows of EUR 23 billion in the second quarter. On the other hand, money market funds experienced reduced net outflows during the quarter, registering EUR 5 billion of net outflows compared to EUR 30 billion in the previous quarter.



(1) Including Ireland for all quarters.

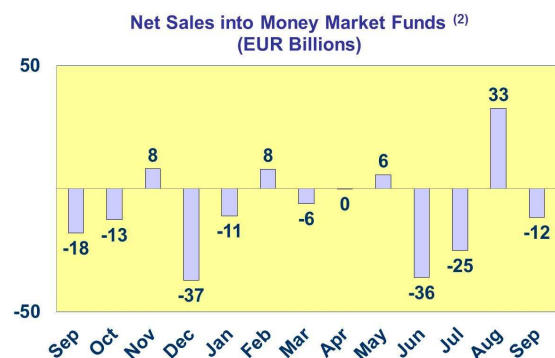
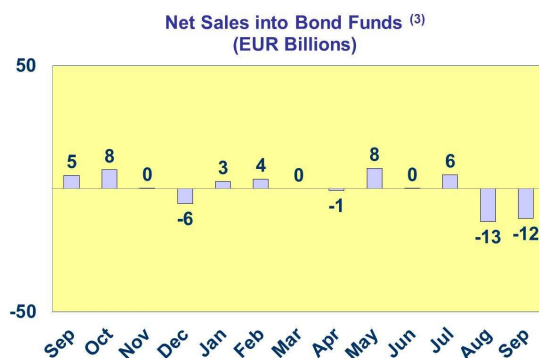
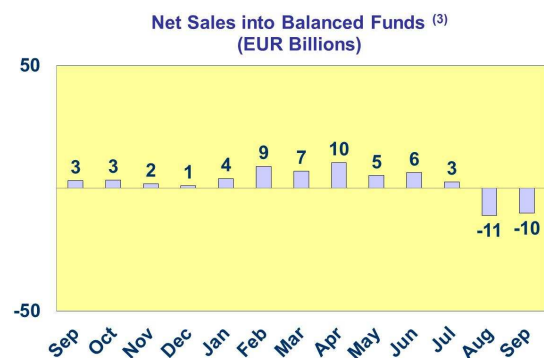
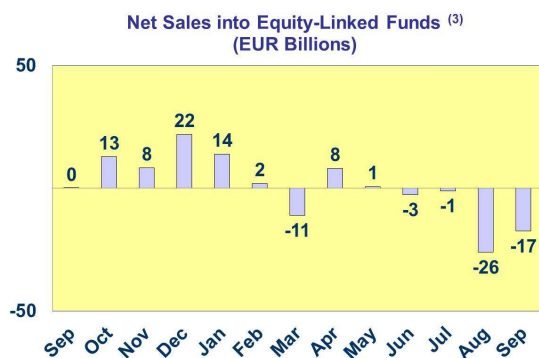
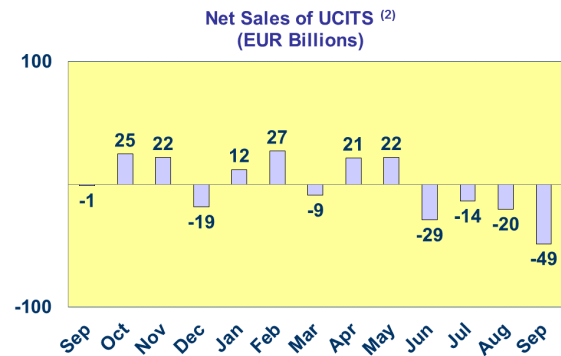
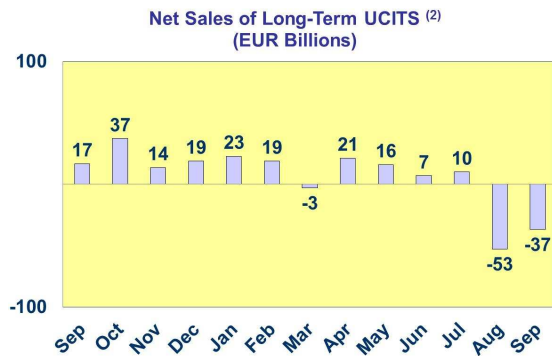
(2) Including Ireland from Q1 2011.

Trends in the UCITS Market

Net Sales by Investment Type

A shift in investor sentiment amidst increasing uncertainty on the global economic outlook and an escalation of the European sovereign debt crisis made for a tough third quarter on financial markets.

This can be seen from the trends in monthly net sales¹ for UCITS. This drop was attributable to large net outflows from long-term funds from August. Net outflows remained at an elevated level in September, however did retreat somewhat from the levels seen in August. Nevertheless, uncertainty lingered throughout the quarter causing investors to remain anxious.



¹ Differences in totals between quarterly and monthly net sales reflect differences in the universe of reporting countries.

² Including Ireland for all months.

³ Including Ireland from December 2010.

Trends in the UCITS Market

Net Sales by Country of Domiciliation

Three countries recorded net inflows into UCITS in the third quarter of 2011, with the United Kingdom recording net inflows of EUR 3 billion, followed by Romania and Bulgaria.

Twenty-one countries registered net outflows during the quarter, with Luxembourg and France recording outflows of EUR 41 billion and EUR 22 billion respectively, mainly on account of large net outflows from equity and bond funds. Elsewhere in Europe, net outflows in excess of EUR 3 billion were recorded by UCITS domiciled in Italy (EUR 6 billion), Switzerland (EUR 3 billion) and Ireland (EUR 3 billion).

Year-to-date eight countries have recorded net inflows led by Ireland with net inflows of EUR 36 billion since end 2010, followed by the United Kingdom EUR 12 billion, Switzerland EUR 8 billion, Norway EUR 5 billion, Sweden EUR 1 billion, Denmark EUR 1 billion, the Netherlands EUR 1 billion and Romania EUR 0.3 billion. All other countries recorded net outflows in January – September 2011, with four countries experiencing outflows in excess of EUR 5 billion (France EUR 60 billion, Italy EUR 19 billion, Luxembourg EUR 9 billion and Spain EUR 6 billion).

Table 1. Net Sales of UCITS ⁽¹⁾												
Members	Equity Funds		Bond Funds		Balanced Funds		Money Market Funds		Other Funds ⁽²⁾		Total	
	Q3 2011	YTD	Q3 2011	YTD	Q3 2011	YTD	Q3 2011	YTD	Q3 2011	YTD	Q3 2011	YTD
Austria	-646	-710	-625	-2,344	-100	-80	70	-117	-479	-886	-1,781	-4,137
Bulgaria	0	1	-1	-4	-1	-2	5	6	0	0	4	0
Czech Republic	8	20	14	20	-43	-61	-93	-270	20	89	-94	-201
Denmark	-1,684	-646	304	739	409	1,125	-1	-1	0	-79	-972	1,139
Finland	-1,143	-2,014	-463	-492	-85	354	1,085	1,474	9	18	-598	-660
France	-6,700	-14,900	-7,400	-9,500	-5,900	-5,000	-5,600	-33,600	3,600	3,400	-22,000	-59,600
Germany	391	1,728	893	-1,169	-593	577	373	-211	-1,238	-1,672	-173	-748
Greece	-30	-68	-84	-251	-18	-60	-62	-317	-60	-125	-255	-819
Hungary	-36	-360	-53	-46	1	9	-24	-221	-90	-78	-202	-696
Ireland	-3,705	6,151	-276	11,125	1,225	4,206	-4,754	-457	4,114	14,732	-3,396	35,757
Italy	-500	-1,460	-2,442	-8,460	-1,517	-4,246	-1,659	-4,730	0	0	-6,118	-18,896
Liechtenstein ⁽³⁾	NA	76	NA	313	NA	171	NA	-105	NA	-113	NA	NA
Luxembourg ⁽⁴⁾	-24,222	-17,500	-11,791	-1,556	-4,367	25,602	3,929	-7,881	-4,268	-7,754	-40,719	-9,089
Netherlands	-225	-399	-472	703	-171	1,031	0	0	85	-241	-783	1,094
Norway	-285	1,009	-132	2,821	-80	201	340	683	21	90	-136	4,803
Poland	-547	-575	706	394	-208	-462	280	415	-425	-435	-193	-663
Portugal	-117	-175	-172	-88	-40	-72	-152	-895	-197	-353	-679	-1,584
Romania	4	3	29	91	-3	-3	15	110	12	112	56	313
Slovakia	-16	-14	-27	-58	-48	-3	-172	-294	-64	-88	-327	-457
Slovenia	-26	-21	1	13	-25	-44	5	11	-2	-2	-47	-42
Spain	-1,622	-2,580	-254	-780	-368	-1,616	-96	-626	0	0	-2,339	-5,602
Sweden	-4,050	-4,721	1,081	1,283	-171	1,118	2,123	3,589	-198	90	-1,215	1,359
Switzerland	540	3,443	-602	1,573	-3,558	2,330	191	394	0	0	-3,429	7,741
Turkey	-6	68	-97	-412	-133	-257	-544	-1,035	512	1,522	-267	-114
United Kingdom	1,436	3,562	-493	-1,089	811	3,153	144	119	865	4,674	2,763	11,926
Total	-43,182	-30,084	-22,357	-7,174	-14,983	27,971	-4,594	-43,959	2,216	12,901	-82,899	-39,176
(1) In EUR millions for EFAMA members for which data are available; (2) including funds of funds, except for France, Germany and Italy for which the funds of funds data are included in the other fund categories; (3) net sales not available for the third quarter of 2011; (4) net sales of non-UCITS are included in "other" funds, except net sales of special funds, which are shown in Table 6.												

Trends in the UCITS Market

Net Assets by Investment Type

Total net assets of UCITS decreased by 7.1 percent during the third quarter to stand at EUR 5,472 billion at end September 2011, against EUR 5,892 billion at end June 2011 and EUR 6,008 billion at end December 2010. This fall in net assets reflected decreased net assets of all long-term assets. Equity funds experienced a steep fall in net assets (16.1% or EUR 336 billion) during the quarter, whilst balanced funds experienced a drop in net assets of 7.2 percent (EUR 69 billion). Bond funds registered a slight decrease in net assets during the quarter (1.1% or EUR 16 billion). Funds of funds experienced a decrease in net assets of 10.9 percent during the quarter (EUR 7 billion). In contrast to long-term funds, money market fund assets recorded modest growth during the quarter (1.5% or EUR 17 billion).

The number of UCITS at end September 2011 stood at 36,225, compared to 36,398 at end June 2011 and 36,559 at end December 2010.

Table 2. Breakdown of UCITS Assets by Category						
UCITS types	30-Sep-11		Change from 30/06/2011		Change from 31/12/2010	
	EUR bn	Share	in % ⁽¹⁾	in EUR bn	in % ⁽²⁾	in EUR bn
Equity	1,753	32%	-16.1%	-336	-18.4%	-396
Balanced	888	16%	-7.2%	-69	-3.5%	-32
Total Equity & Balanced	2,640	48%	-13.3%	-406	-14.0%	-429
Bond	1,389	25%	-1.1%	-16	-0.3%	-5
Money Market (MM)	1,124	21%	1.5%	17	-4.0%	-47
Funds of funds ⁽³⁾	59	1%	-10.9%	-7	-41.2%	-41
Other	260	5%	-2.8%	-8	-5.3%	-15
Total	5,472	100%	-7.1%	-420	-8.9%	-536
of which guaranteed funds	187	3%	-0.5%	-1	-1.3%	-2
(1) End September 2011 compared to end June 2011 assets; (2) end September 2011 compared to end December 2010 assets; (3) except funds of funds domiciled in France, Luxembourg, Italy and Germany which are included in other types of funds.						

Table 3. Breakdown of UCITS Number by Category ⁽¹⁾						
UCITS types	30-Sep-11		Change from 30/06/2011		Change from 31/12/2010	
	No.	Share	in % ⁽²⁾	in No.	in % ⁽³⁾	in No.
Equity	12,928	40%	-0.9%	-116	-1.0%	-128
Balanced	8,316	25%	-0.1%	-11	3.5%	284
Total Equity & Balanced	21,244	65%	-0.6%	-127	-0.5%	-117
Bond	6,391	20%	0.5%	32	3.0%	185
Money Market (MM)	1,437	4%	-3.8%	-56	-9.6%	-152
Funds of funds ⁽⁴⁾	908	3%	-6.1%	-59	-30.8%	-405
Other	2,695	8%	-0.1%	-4	-4.7%	-134
Total (excl. Ireland & Netherlands)	32,675	100%	-0.7%	-214	-1.1%	-350
of which guaranteed funds	3,604	11%	1.7%	61	-1.0%	-35
Total (incl. Ireland & Netherlands)	36,225		-0.5%	-173	-0.9%	-334
(1) No full data breakdown is available for Ireland and the Netherlands; (2) end September 2011 compared to end June 2011; (3) end September 2011 compared to end December 2010; (4) except funds of funds domiciled in France, Luxembourg, Italy and Germany which are included in other types of funds.						

Trends in the UCITS Market

Net Assets by Country of Domiciliation

Total UCITS net assets decreased by 7.1 percent in the quarter to stand at EUR 5,472 billion at end September 2011. Among the largest domiciles of UCITS, Luxembourg, France and Germany witnessed decreases in net assets during the quarter of 8.2 percent, 7.9 percent and 10.3 percent, respectively. Ireland and the United Kingdom also experienced falls in net assets, albeit lower than the European average, of 2.0 percent and 6.3 percent, reflecting low net outflows in Ireland and net inflows in the United Kingdom.

Amongst the Nordic countries, Sweden and Norway witnessed net asset declines over the quarter of 14.4 percent and 12.3 percent, respectively, reflecting these countries' higher than average portfolio holdings of equities. In the Mediterranean region, Spain suffered a below average decrease in net assets during the quarter of 5.7 percent. Italy saw its assets decrease by 7.8 percent, whilst Portugal and Greece experienced a reduction in net assets of approx. 16 percent. In Eastern Europe, Poland recorded a decrease in net assets of 20.1 percent, partly reflecting a 10 percent depreciation of the Polish zloty vis-à-vis the euro during the quarter.

Since end December 2010 total UCITS net assets have decreased by 8.9 percent.

Table 4. Net Assets of the European UCITS Industry						
Members	30/09/2011		30/06/2011		31/12/2010	
	EUR m	Share	EUR m	% chg ⁽¹⁾	EUR m	% chg ⁽²⁾
Austria	75,788	1.4%	80,359	-5.7%	84,725	-10.5%
Belgium	79,131	1.4%	87,478	-9.5%	91,086	-13.1%
Bulgaria	226	0.0%	231	-2.2%	227	-0.6%
Czech Republic	4,375	0.1%	4,828	-9.4%	4,806	-9.0%
Denmark	62,373	1.1%	66,966	-6.9%	67,556	-7.7%
Finland	46,969	0.9%	52,441	-10.4%	53,293	-11.9%
France	1,080,382	19.7%	1,172,954	-7.9%	1,210,280	-10.7%
Germany	221,914	4.1%	247,337	-10.3%	249,500	-11.1%
Greece	5,140	0.1%	6,188	-16.9%	7,046	-27.0%
Hungary ⁽³⁾	7,856	0.1%	9,659	-18.7%	9,327	-15.8%
Ireland	754,903	13.8%	769,965	-2.0%	758,946	-0.5%
Italy	149,371	2.7%	161,933	-7.8%	175,358	-14.8%
Liechtenstein	25,769	0.5%	26,713	-3.5%	26,784	-3.8%
Luxembourg	1,704,978	31.2%	1,857,679	-8.2%	1,880,612	-9.3%
Netherlands	58,591	1.1%	63,645	-7.9%	64,305	-8.9%
Norway	59,614	1.1%	67,997	-12.3%	63,847	-6.6%
Poland	15,197	0.3%	19,028	-20.1%	19,322	-21.3%
Portugal	6,565	0.1%	7,829	-16.1%	8,760	-25.1%
Romania ⁽⁴⁾	1,871	0.0%	1,583	18.2%	1,280	46.2%
Slovakia	3,011	0.1%	3,428	-12.1%	3,542	-15.0%
Slovenia	1,752	0.0%	1,985	-11.7%	2,050	-14.5%
Spain	152,792	2.8%	162,020	-5.7%	164,500	-7.1%
Sweden	134,790	2.5%	157,478	-14.4%	162,446	-17.0%
Switzerland ⁽⁵⁾	205,222	3.8%	207,371	-1.0%	207,009	-0.9%
Turkey	11,569	0.2%	12,594	-8.1%	15,900	-27.2%
United Kingdom	602,269	11.0%	642,613	-6.3%	675,401	-10.8%
All Funds	5,472,420	100%	5,892,302	-7.1%	6,007,907	-8.9%

(1) End September 2011compared to end June 2011; (2) end September 2011compared to end December 2010; (3) change in assets reflects a reclassification during the quarter, which moved funds from UCITS to non-UCITS; (4) the asset growth during the quarter reflects two new funds captured by Romanian data; (5) the asset growth reflects a growing number of funds captured by Swiss data.

Trends in the Non-UCITS Market

Net Sales and Assets by Investment Type

Total non-UCITS assets decreased by 0.9 percent during the third quarter to stand at EUR 2,195 billion. Since end December 2010 non-UCITS assets have increased by 2.8 percent.

Net assets of special funds bucked the trend to continue to record growth, albeit modest, of 0.2 percent during the quarter. Real estate funds recorded net asset growth of 1.7 percent since end 2010, despite a 1.2 percent decline during the third quarter.

The total number of non-UCITS funds stood at 17,707 at end September 2011, up from 16,987 at end 2010.

Special funds continued to record net inflows in the third quarter of EUR 21 billion, compared to EUR 16 billion in the previous quarter. Year-to-date special funds have enjoyed net inflows of EUR 65 billion, albeit down from net inflows of EUR 92 billion over the same period in 2010.

Table 5. Breakdown of Non-UCITS Assets and Number by Category

Fund types	30/9/2011		30/6/2011		31/12/2010		Number of Funds	
	EUR bn	Share	EUR bn	% chg ⁽¹⁾	EUR bn	% chg ⁽²⁾	30/9/2011	31/12/2010
Special / Institutional	1,428	65%	1,425	0.2%	1,337	6.8%	8,439	7,827
German "Spezialfonds"	798	36%	808	-1.3%	790	1.0%	3,781	3,815
British investment trusts	55	3%	63	-14.5%	66	-16.4%	312	313
French employees savings	89	4%	89	0.0%	89	0.0%	2,392	2,397
Luxembourg "other" funds	84	4%	89	-6.0%	89	-6.0%	967	993
Real-estate funds	241	11%	244	-1.2%	237	1.7%	892	840
Other	298	14%	304	-2.1%	316	-5.7%	4,705	4,617
Total	2,195	100%	2,214	-0.9%	2,134	2.8%	17,707	16,987

(1) End September 2011 compared to end June 2011; (2) end September 2011 compared to end December 2010.

Table 6. Net Sales of Special Funds ⁽¹⁾

Members	2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	YTD
Austria	814	315	777	2,068	900	775	-389	1,286
Denmark	669	948	76	6,609	-221	536	1,790	2,105
Finland	3	-591	328	-308	20	-1	-97	-78
Germany	14,194	9,053	18,373	22,861	13,894	2,112	4,830	20,836
Hungary	147	32	298	242	142	-97	-529	-484
Ireland	1,494	5,160	-593	14,397	2,826	4,158	3,180	10,164
Italy	-50	5	-199	-197	4	-58	68	14
Liechtenstein	n.a	95	5	4	161	135	NA	NA
Luxembourg	13,034	11,783	7,908	14,771	8,519	5,895	10,943	25,357
Romania	2	-3	0	5	9	3	2	14
Sweden	32	-24	111	-90	-95	-5	21	-79
United Kingdom	991	4,283	2,161	-2,678	2,157	2,199	1,136	5,492
Total	31,330	31,055	29,247	57,684	28,316	15,652	20,955	64,627

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

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 of 2011 to stand at EUR 7,667 billion. Year-to-date total net assets have decreased by 5.8 percent.

With EUR 5,472 billion invested in UCITS, this segment of the business accounted for just over 71 percent of the fund market at end September 2011, with the remaining 29 percent composed of non-UCITS.

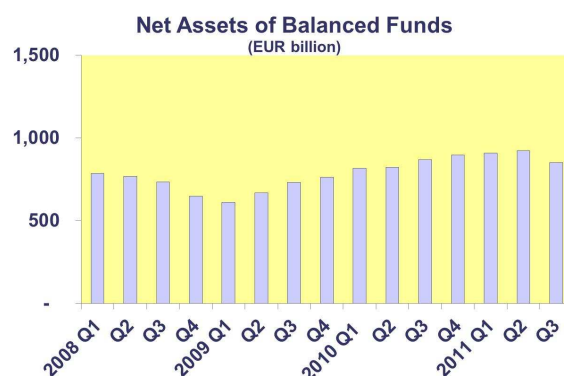
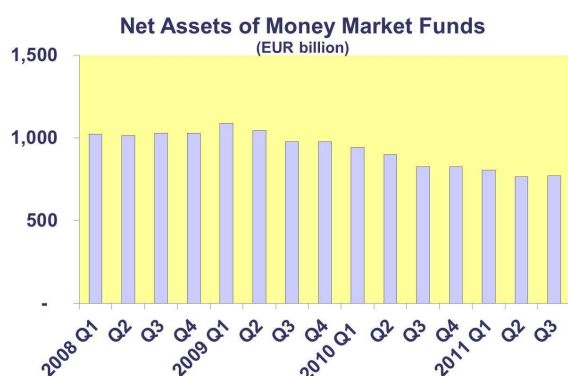
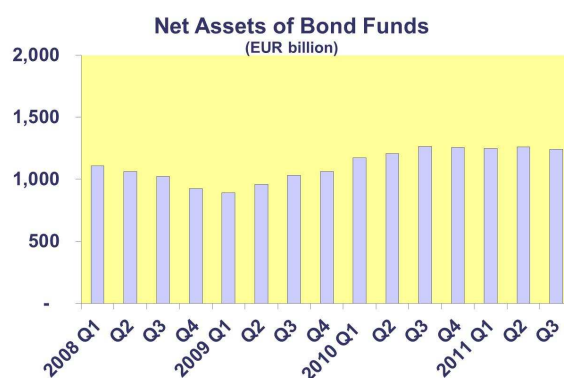
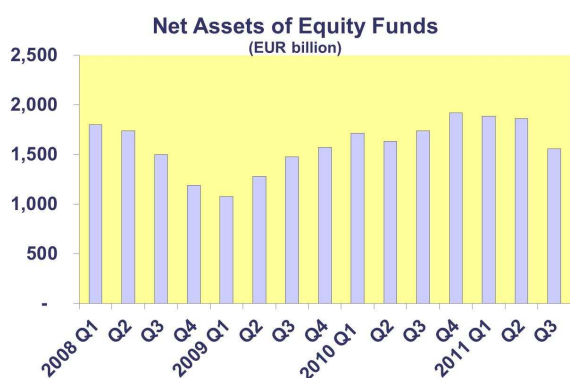
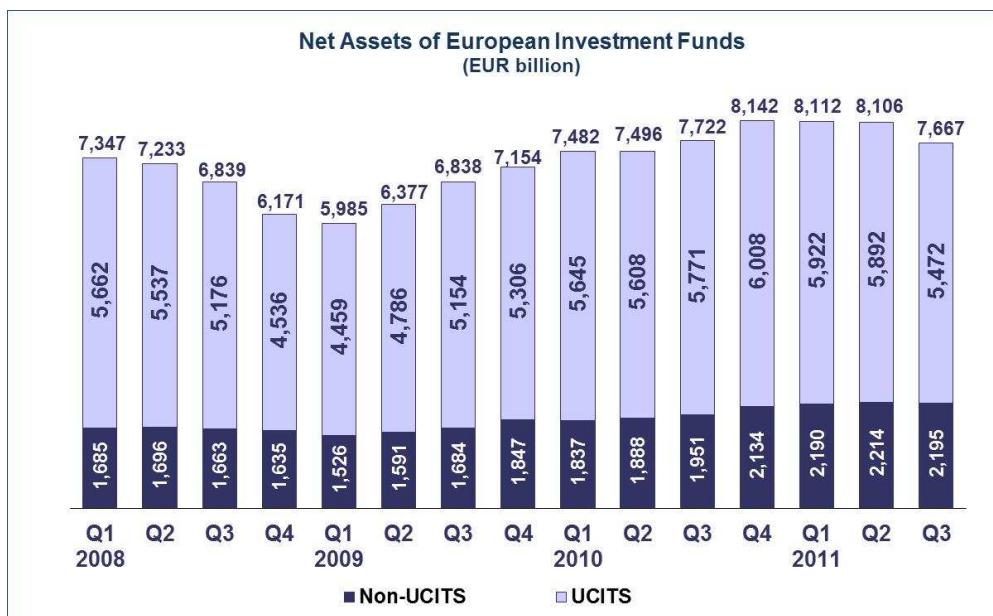
Table 7. Net Assets of the European Investment Fund Industry						
Members	30/09/2011		30/06/2011		31/12/2010	
	EUR m	Share	EUR m	% chg ⁽¹⁾	EUR m	% chg ⁽²⁾
Austria	139,182	1.8%	145,027	-4.0%	147,245	-5.5%
Belgium	85,043	1.1%	93,854	-9.4%	97,229	-12.5%
Bulgaria	228	0.0%	233	-2.2%	229	-0.6%
Czech Republic	4,456	0.1%	4,912	-9.3%	4,883	-8.7%
Denmark	131,695	1.7%	135,986	-3.2%	135,442	-2.8%
Finland	54,107	0.7%	60,536	-10.6%	61,506	-12.0%
France	1,383,895	18.1%	1,476,467	-6.3%	1,502,680	-7.9%
Germany	1,104,292	14.4%	1,140,540	-3.2%	1,125,277	-1.9%
Greece	7,075	0.1%	8,170	-13.4%	9,128	-22.5%
Hungary	11,887	0.2%	14,261	-16.6%	13,002	-8.6%
Ireland	970,574	12.7%	974,335	-0.4%	962,503	0.8%
Italy	204,589	2.7%	218,522	-6.4%	239,210	-14.5%
Liechtenstein	30,188	0.4%	31,288	-3.5%	29,478	2.4%
Luxembourg	2,032,077	26.5%	2,184,999	-7.0%	2,198,988	-7.6%
Netherlands	70,352	0.9%	76,550	-8.1%	78,066	-9.9%
Norway	59,614	0.8%	67,997	-12.3%	63,847	-6.6%
Poland	24,181	0.3%	29,443	-17.9%	28,414	-14.9%
Portugal	22,309	0.3%	24,135	-7.6%	25,730	-13.3%
Romania	3,417	0.0%	3,324	2.8%	2,961	15.4%
Slovakia	3,358	0.0%	3,712	-9.5%	3,763	-10.8%
Slovenia	1,752	0.0%	2,116	-17.2%	2,272	-22.9%
Spain	159,704	2.1%	169,024	-5.5%	170,624	-6.4%
Sweden	137,927	1.8%	160,822	-14.2%	166,089	-17.0%
Switzerland ⁽³⁾	262,072	3.4%	268,010	-2.2%	260,979	0.4%
Turkey	18,216	0.2%	19,698	-7.5%	18,750	-2.8%
United Kingdom	744,740	9.7%	791,857	-6.0%	793,957	-6.2%
All Funds	7,666,931	100.0%	8,105,818	-5.4%	8,142,251	-5.8%
UCITS	5,472,420	71.4%	5,892,302	-7.1%	6,007,907	-8.9%
Non-UCITS	2,194,511	28.6%	2,213,516	-0.9%	2,134,343	2.8%

(1) End September 2011 compared to end June 2011; (2) end September 2011 compared to end December 2010; (3) the asset growth during the quarter reflects two new funds captured by Romanian data; (4) the asset growth reflects a growing number of funds captured by Swiss data.

Trends in the European Investment Fund Industry

Evolution of Net Assets ⁽¹⁾

The combined assets of the investment fund market in Europe reached EUR 7,667 billion at end September 2011, compared to EUR 6,171 billion at end 2008, EUR 7,154 at end 2009 and EUR 8,142 at end 2010. Equity funds are responsible for approx. 82 percent of the fall in total net fund assets over the first nine months of 2011. The quarterly evolution of net assets of equity, bond, balanced and money market funds from 2008 is shown below.



(1) Breakdown of categories excludes Ireland due to non-availability of data.