

***Trends in the European Investment Fund Industry
in the Fourth Quarter of 2010
and
Results for the Full Year 2010***

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Highlights

2010 has been a good year for fund and asset managers. The European investment fund industry bounced back to the asset level reached before the global financial crisis. The recovery benefited all categories of long-term funds. The growth is remarkable to the extent that it happened at the same time as the euro area experienced an unprecedented crisis.

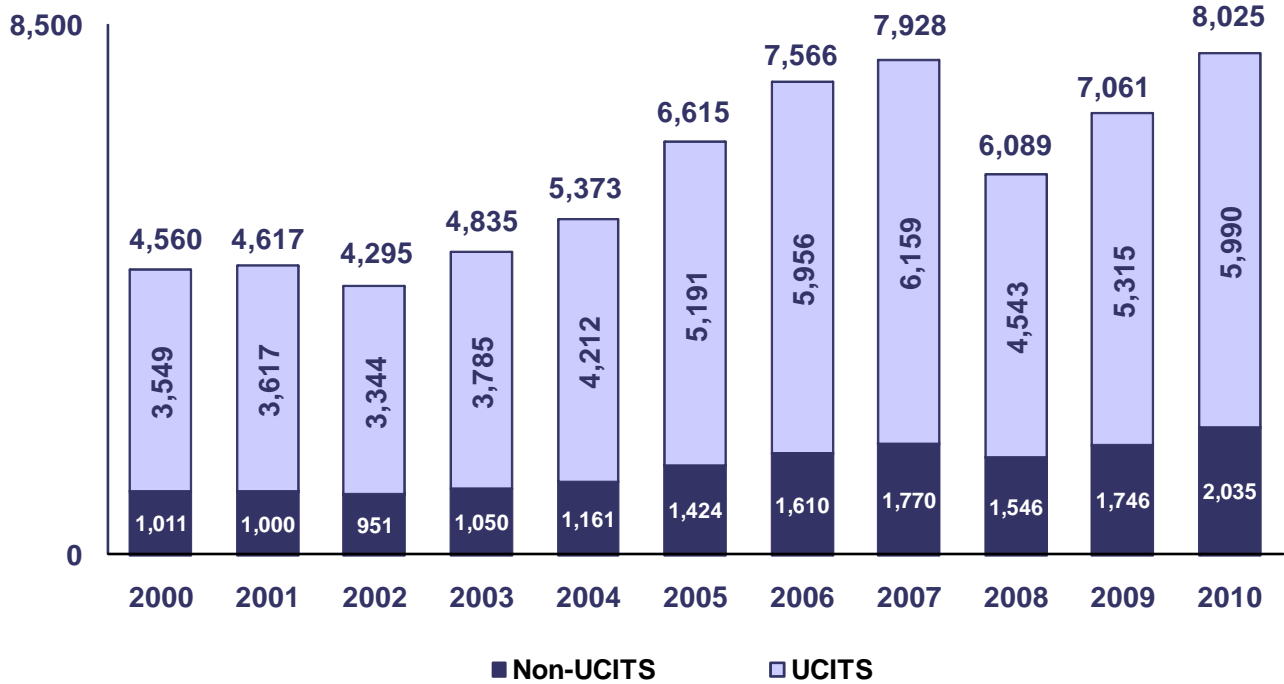
Asset growth and net sales in 2010:

- **Increase in investment fund assets:** investment fund assets in Europe increased by 13.7 percent in 2010, from EUR 7,061 billion at end 2009 to EUR 8,025 billion at end 2010.
- **Sustained demand for both UCITS and non-UCITS:** UCITS registered net inflows of EUR 166 billion in 2010, compared to EUR 150 billion in 2009. This result was achieved despite outflows of EUR 126 billion from money market funds. Special funds reserved to institutional investors gathered a record EUR 149 billion in 2010, and real estate funds another EUR 5 billion. Overall, total net sales of UCITS and non-UCITS reached EUR 335 billion in 2010, compared to EUR 190 billion in 2009.
- **Strong shift towards long-term UCITS:** total net sales of long-term UCITS (UCITS excluding money market funds) reached EUR 292 billion in 2010, compared to about EUR 195 billion in 2009.

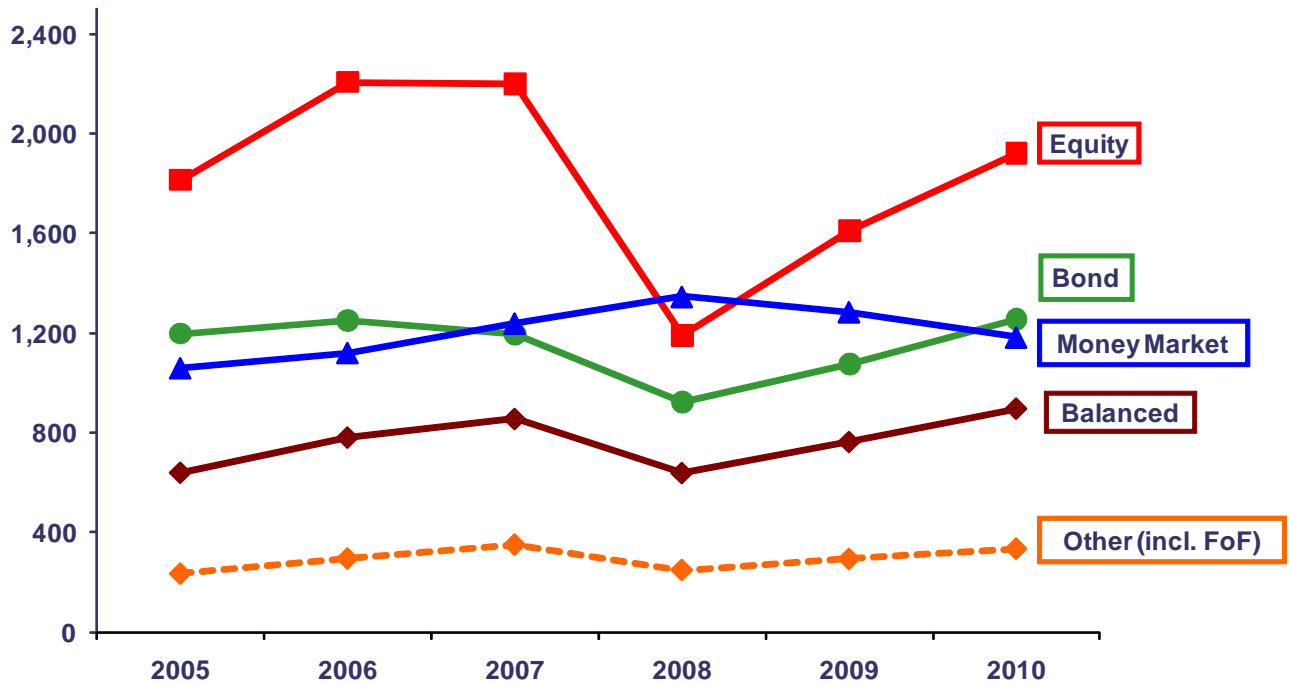
Key developments in 2010:

- **Buoyant cross-border fund business:** UCITS domiciled in Luxembourg and Ireland recorded total net sales of EUR 215 billion in 2010, that is EUR 50 billion more than the total value of net inflows that moved into UCITS in 2010. Consequently, the market share of Luxembourg and Ireland in the UCITS industry increased to 44.1 percent. It is also worth noting that these two countries also captured 46 percent of the total net inflows into special funds (EUR 68 billion).
- **Wide range of fund choice:** the wide range of funds following different types of investment strategies offer investors opportunities to shift their portfolio between fund categories according to changes in the global economic outlook and the perceived investment risks. For example, the sustained sovereign debt crisis in the euro area led to outflows from bond funds in December, whereas equity funds benefited from an encouraging economic outlook for 2011.
- **Difficult time for money market funds:** very low short-term interest rates, competition from banks seeking to strengthen their balance sheets by increasing the share of the deposits and encouraging economic outlook convinced investors to shift assets away from money market funds.
- **Strong growth over the last decade:** UCITS and non-UCITS assets at end 2000 stood at EUR 4,560 billion. Total assets reached EUR 8,200 billion at their peak at end June 2007 before the financial crisis started to unfold. The value of investment fund assets tumbled to almost EUR 6 trillion in early 2009, before recovering to EUR 8,025 billion at end 2010.
- **Crucial contribution to the European economy:** total investment fund assets represented 66 percent of the European Union's GDP at end 2010. This confirms the important contribution of investment funds to the European economy, as financial vehicles raising capital from retail and institutional investors, and providing funding to other sectors (monetary financial institutions, non-financial corporations and government agencies).

**Net assets of European Investment Funds
(EUR billions)**

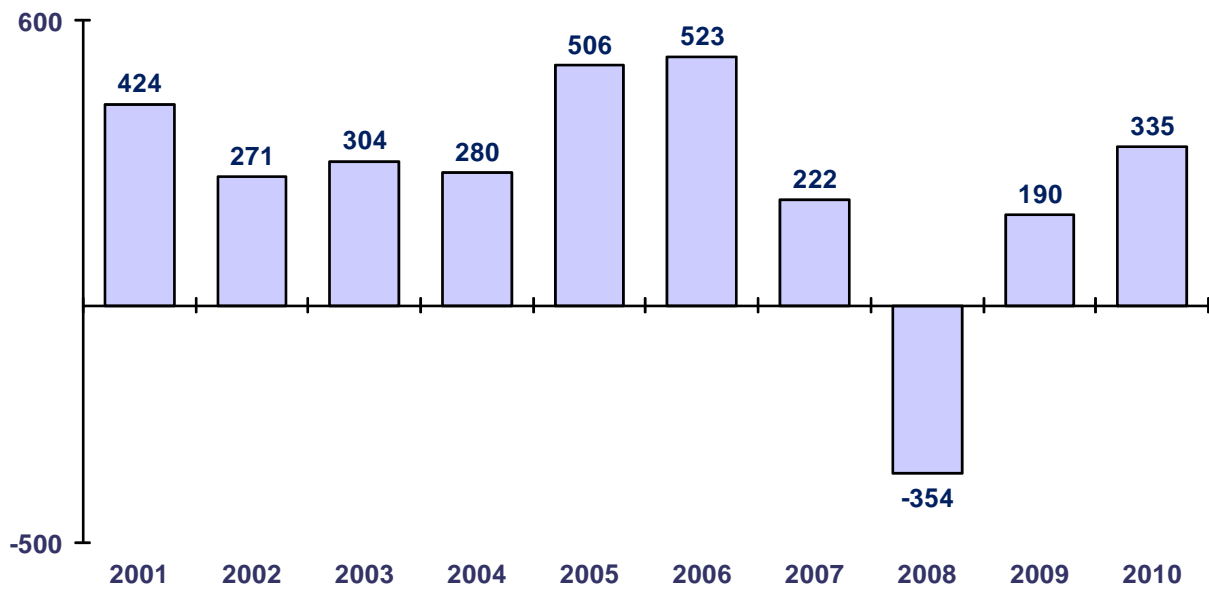


**Recent Trends in Assets by UCITS Type ⁽¹⁾
(EUR billions)**



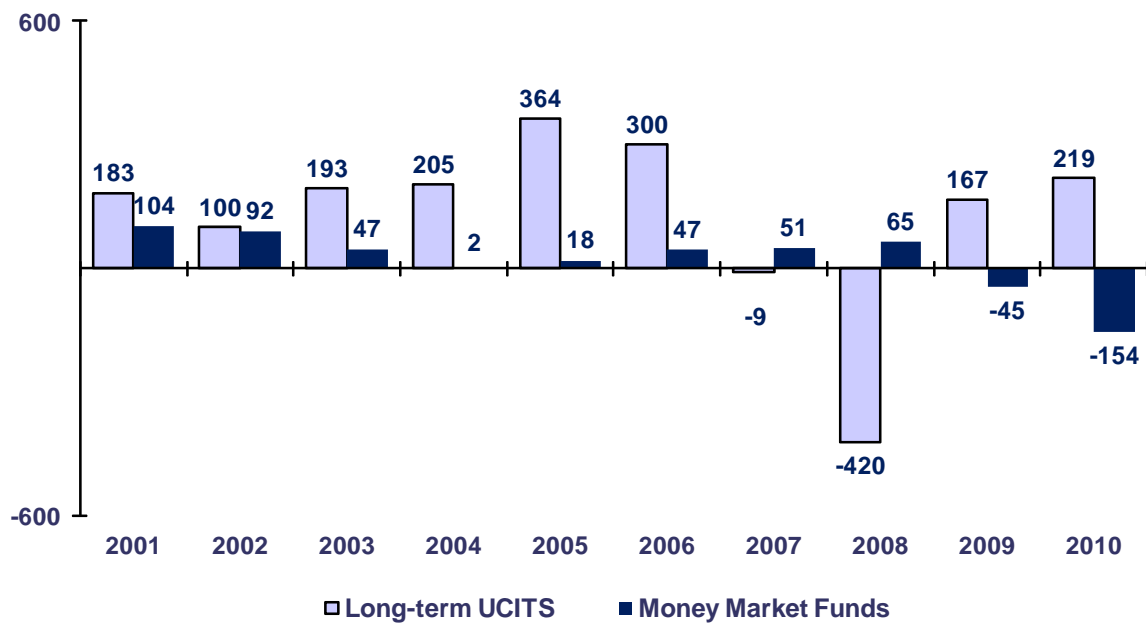
(1) Excluding Ireland, except for money market funds.

Total Net Sales of UCITS and Non-UCITS ⁽¹⁾
(EUR billions)



(1) **Including Ireland** for 2001-2009 (using EFAMA estimates) and actual figures for 2010.

Net Sales of Long-term UCITS and Money Market Funds ⁽²⁾
(EUR billions)



(2) **Excluding Ireland**. Due to lack of information on category breakdown, an estimation cannot be accurately calculated.

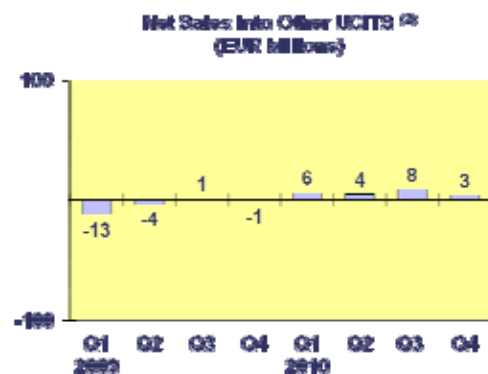
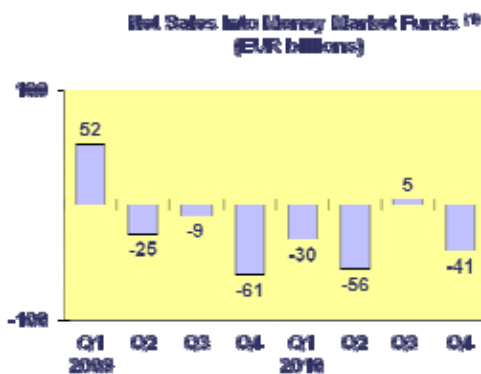
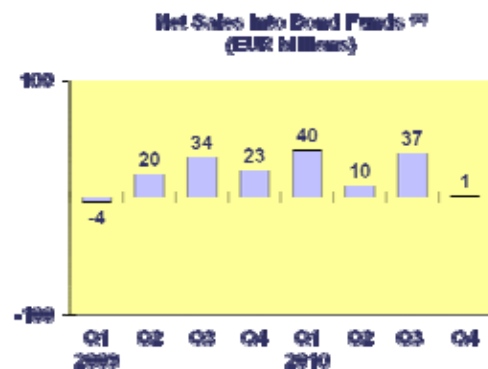
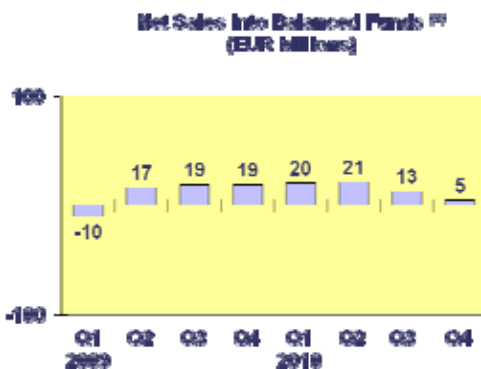
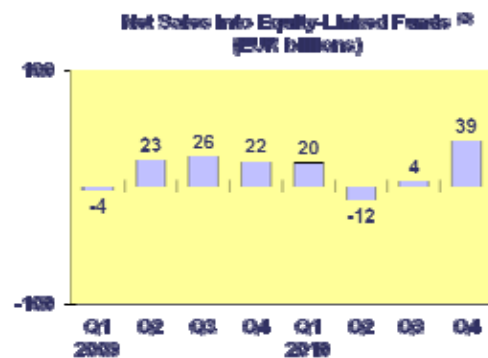
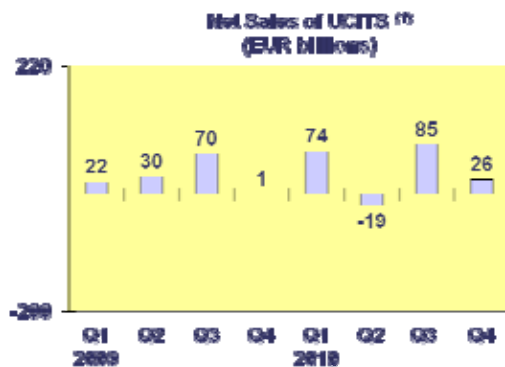
Trends in the UCITS Market

Net Sales by Investment Type

UCITS recorded net inflows in the fourth quarter of EUR 26 billion, compared to net inflows of EUR 85 billion recorded in the third quarter. Strong outflows from money market funds and a sharp fall in net inflows into bond funds were the main driver behind the declining net sales of UCITS in the quarter.

Net inflows into long-term UCITS totalled EUR 66 billion in the fourth quarter, down from inflows of EUR 81 billion in the third quarter.

UCITS enjoyed net inflows of EUR 166 billion in 2011, with long-term UCITS recording net inflows of EUR 292 billion and money market funds witnessing a surge in outflows reaching EUR 126 billion.



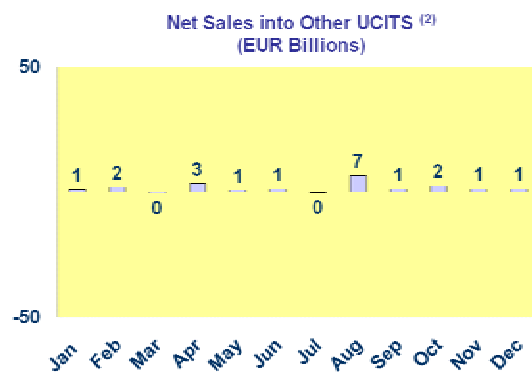
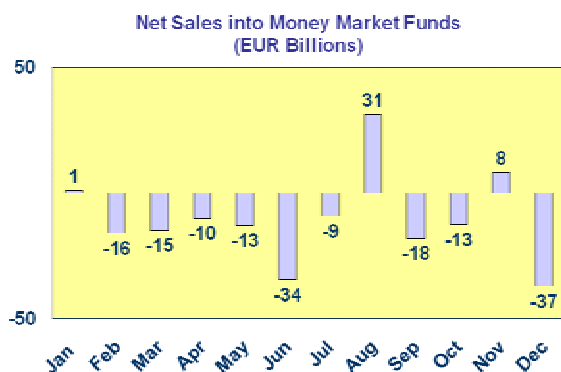
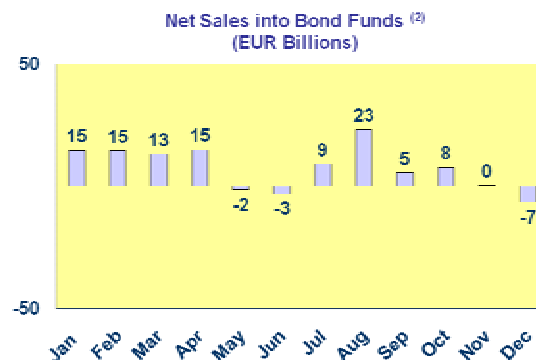
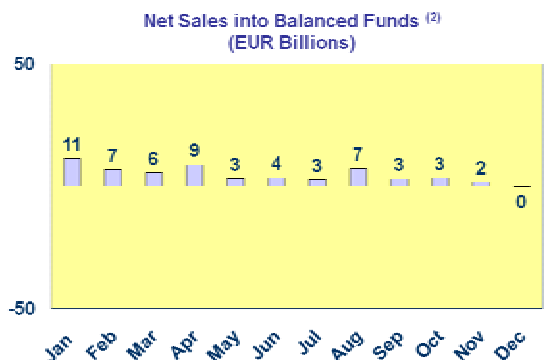
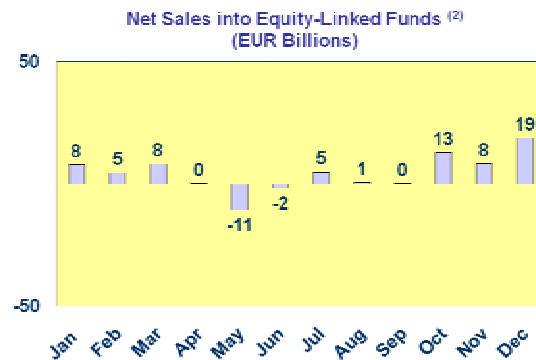
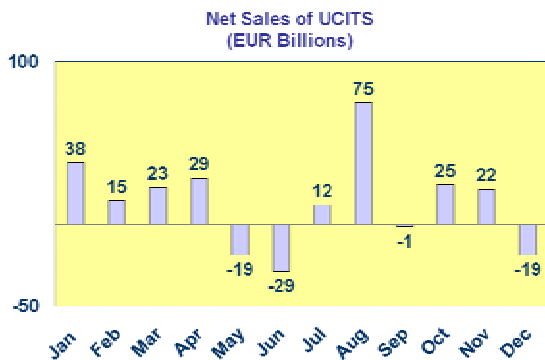
(1) Including Ireland from Q1 2010.

(2) Excluding Ireland.

Trends in the UCITS Market

Net Sales by Investment Type

Net sales of UCITS decreased in December to record outflows of EUR 19 billion, considerably lower than the net inflows recorded in October and November. This can be seen from the trend in monthly net sales¹ for UCITS. The drop in outflows comes on the back of continued outflows from money market funds, coupled with net outflows from bond funds in December. On the other hand, on the backdrop of an encouraging economic outlook for 2011, equity funds recorded a large rise in net sales in December reaching EUR 19 billion.



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

² Excluding Ireland.

Trends in the UCITS Market

Net Sales by Country of Domiciliation

Fourteen countries recorded net inflows into UCITS funds in the fourth quarter, with three countries reporting net sales in excess of EUR 10 billion (Ireland EUR 27 billion, Luxembourg EUR 25 billion and United Kingdom EUR 15 billion). Elsewhere in Europe, UCITS domiciled in France suffered outflows of EUR 33 billion in the fourth quarter, driven by outflows of EUR 25 billion from money market funds. In addition to France, net outflows from UCITS were EUR 5 billion or more in two other countries: Italy (EUR 8 billion) and Spain (EUR 7 billion).

During 2010, both Luxembourg and Ireland attracted inflows in excess of EUR 100 billion to record net sales of EUR 114 billion and EUR 101 billion respectively. The United Kingdom ranks in third place recording net inflows of EUR 55 billion in 2010. Three countries recorded net outflows of EUR 20 billion or more (France EUR 85 billion, Spain EUR 23 billion and Italy EUR 23 billion). Money market funds accounted for much of these outflows; France witnessed net outflows of EUR 78 billion during 2010, whilst Italy experienced outflows of EUR 18 billion from money market funds. Spain recorded net outflows of EUR 18 billion from bond funds, which explains most of the negative flows seen during the year.

Table 1. Net Sales of UCITS ⁽¹⁾

Members	Equity Funds		Bond Funds		Balanced Funds		Money Market Funds		Other Funds ⁽²⁾		Total	
	Q4 2010	2010	Q4 2010	2010	Q4 2010	2010	Q4 2010	2010	Q4 2010	2010	Q4 2010	2010
Austria	236	371	-1,386	-1,266	-192	209	-367	-922	-65	-458	-1,774	-2,067
Bulgaria	-1	-3	2	4	6	4	17	33	0	1	24	39
Czech Republic	9	25	6	128	3	39	-76	-154	20	42	-39	80
Denmark	345	-286	713	3,894	116	239	0	0	-3	-72	1,171	3,774
Finland	884	1,045	-578	883	291	679	-512	-2,008	-7	14	78	612
France	-500	-8,600	-2,200	-500	-4,700	3,900	-25,000	-78,200	-300	-1,300	-32,700	-84,700
Germany	3,780	2,504	-2,401	585	1,452	8,281	-462	-915	168	-53	2,538	10,402
Greece	-19	-77	-67	-276	-23	-88	43	-624	-18	-33	-84	-1,098
Hungary	-84	21	-27	71	-2	-16	-167	613	-111	-47	-392	642
Ireland ⁽³⁾	NA	NA	NA	NA	NA	NA	8,252	28,659	NA	NA	26,630	100,689
Italy	-705	-2,076	-2,275	-2,165	-1,089	166	-4,275	-18,465	0	0	-8,345	-22,540
Liechtenstein ⁽⁴⁾	-12	-383	45	-177	91	684	-53	-160	150	272	221	235
Luxembourg ⁽⁵⁾	22,476	36,477	8,721	90,023	10,720	33,863	-14,805	-43,716	-1,933	-2,575	25,179	114,072
Netherlands ⁽⁶⁾	-190	-568	-286	-46	52	64	NA	NA	188	737	-236	187
Norway	1,720	1,449	1,905	2,352	197	364	-16	-609	-72	-68	3,735	3,489
Poland	3	-134	-88	615	-121	-333	84	741	121	61	0	951
Portugal	-68	-40	-277	-602	-1	-24	-329	-2,137	16	-120	-659	-2,922
Romania	-1	9	-4	37	-4	-6	15	250	39	130	46	421
Slovakia	4	31	22	108	12	107	-57	-40	32	12	13	218
Slovenia	6	31	1	27	-19	-40	-2	-2	1	1	-13	17
Spain	-951	-233	-4,830	-18,096	-729	-1,235	-647	-3,930	0	0	-7,158	-23,494
Sweden	3,453	3,559	-38	526	791	1,853	-747	-28	294	1,397	3,753	7,306
Switzerland	921	2,712	1,641	3,938	-3,394	103	-1,943	-3,516	0	0	-2,774	3,238
Turkey	95	85	71	-86	98	22	413	-289	798	2,203	1,475	1,935
United Kingdom	7,752	15,906	2,093	7,581	1,180	10,252	77	-228	3,923	21,121	15,026	54,632
Total	39,153	51,826	762	87,556	4,735	59,087	-40,557	-125,648	3,242	21,265	25,713	166,117

(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) 'Total' includes total UCITS, however no breakdown other than MMF is available; (4) 2010 does not include Q12010 data; (5) net sales of non-UCITS are included in "other" funds, except net sales of special funds, which are shown in Table 6; (6) 2010 data includes Q3 & Q4 data only.

Trends in the UCITS Market

Net Assets by Investment Type

Total net assets of UCITS rose by 3.8 percent in the fourth quarter to reach EUR 5,990 billion at end December 2010. Net assets of equity funds rose by 10.4 percent (EUR 180 billion) and balanced funds increased by 3.2 percent (EUR 28 billion) during the quarter. However, net assets of bond funds slightly decreased in the fourth quarter falling 0.8 percent (EUR 10 billion). Money market funds experienced a decline in net assets of EUR 45 billion or 5.2 percent.

Overall total net assets of UCITS increased by 12.7 percent (EUR 675 billion) in 2010. Equity funds increased by 19.0 percent (EUR 306 billion) and bond funds by 16.9 percent (EUR 181 billion), whilst money market funds decreased by 15.6 percent (EUR 153 billion) over the same period.

The number of UCITS at end December 2010 reached 36,490 compared to 36,077 at end September 2010 and 36,011 at end 2009.

Table 2. Breakdown of UCITS Assets by Category ⁽¹⁾						
UCITS types	31-Dec-10		Change wrt to 30/09/2010		Change wrt to 31/12/2009	
	EUR bn	Share	in % ⁽²⁾	in EUR bn	% chg ⁽³⁾	in EUR bn
Equity	1,919	37%	10.4%	180	19.0%	306
Balanced	897	17%	3.2%	28	16.1%	124
Total Equity & Balanced	2,816	54%	8.0%	208	18.1%	431
Bond	1,256	24%	-0.8%	-10	16.9%	181
Money Market (MM)	825	16%	-5.2%	-45	-15.6%	-153
Funds of funds ⁽⁴⁾	78	1%	6.6%	5	7.2%	5
Other	256	5%	4.2%	10	23.8%	49
Total (excl. Ireland)	5,231	100%	3.3%	169	10.9%	514
of which guaranteed funds	189	4%	-4.5%	-9	-6.9%	-14
Total (incl. Ireland)	5,990		3.8%	219	12.7%	675
of which MM including Irish MM ⁽⁵⁾	1,182	20%	-2.7%	-33	-8.0%	-102

(1) No full data breakdown is available for Ireland; (2) end of December 2010 compared to end September 2010 assets.
(3) end of December 2010 compared to end 2009 assets; (4) except funds of funds domiciled in France, Luxembourg, Italy and Germany which are included in other types of funds; (5) the share is calculated in relation to total UCITS assets (Including Ireland)

Table 3. Breakdown of UCITS Number by Category ⁽¹⁾						
UCITS types	31-Dec-10		Change wrt to 30/09/2010		Change wrt to 31/12/2009	
	No.	Share	in % ⁽²⁾	in No.	% chg ⁽³⁾	in No.
Equity	13,146	40%	0.5%	66	-1.9%	-256
Balanced	8,215	25%	1.3%	104	8.3%	627
Total Equity & Balanced	21,361	65%	0.8%	170	1.8%	371
Bond	6,219	19%	0.8%	50	2.0%	120
Money Market (MM)	1,588	5%	-1.9%	-30	-8.3%	-144
Funds of funds ⁽⁴⁾	1,025	3%	0.8%	8	-5.3%	-57
Other	2,763	8%	-0.1%	-4	5.6%	147
Total (excl. Ireland & Netherlands)	32,956	100%	0.6%	194	1.3%	437
of which guaranteed funds	3,639	11%	1.0%	36	-1.4%	-52
Total (incl. Ireland & Netherlands)	36,490		1.1%	413	1.3%	479

(1) No full data breakdown is available for Ireland and the Netherlands; (2) end of December 2010 compared to end September 2010 number.
(3) end of December 2010 compared to end 2009 number; (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 increased by 3.8 percent in the quarter to stand at EUR 5,990 billion at end December 2010. An increase in net assets was recorded in seventeen countries during the fourth quarter of the year, with eight countries experiencing a decline in assets. Most of the largest domiciles of UCITS enjoyed growth during the fourth quarter with the United Kingdom enjoying growth of 8.0 percent, followed by Ireland (7.1%), Germany (5.4%) and Luxembourg (5.3%). However, France experienced a slight fall in net assets during the fourth quarter (-1.0 percent). Three countries enjoyed growth of over 10 percent; Norway (16.6%), Bulgaria (14.9%) and Sweden (10.5%). The growth in Norway can partly be attributed to the reallocation of portfolios into investment funds by insurance companies.

UCITS net assets recorded growth of 12.7 percent in 2010 with nineteen countries having experienced growth and seven having decreased. Most of the largest domiciles of UCITS enjoyed significant growth in 2010. Ireland enjoyed growth of 27.0 percent since end 2009, followed by the United Kingdom (24.9%), Luxembourg (18.1%) and Germany (13.1%). Some Eastern European countries experienced exceptional growth in 2010, with Romania increasing by 62.7 percent. The Nordic countries also witnessed strong growth for the year 2010, with Sweden and Norway increasing 31.5 percent and 26.7 percent, respectively. The appreciation of the Swedish Krona by 13 percent and the Norwegian Krone by 6 percent during the year contributed to this increase. In Southern Europe, UCITS net assets suffered a decline in 2010 with Portugal decreasing 24.3 percent, followed by Greece (23.3%), Spain (13.3%) and Italy (9.6%).

Table 4. Net Assets of the European UCITS Industry						
Members	31/12/2010		30/09/2010		31/12/2009	
	EUR m	Share	EUR m	% chg ⁽¹⁾	EUR m	% chg ⁽²⁾
Austria	84,639	1.4%	85,679	-1.2%	82,482	2.6%
Belgium ⁽³⁾	88,190	1.5%	88,190	NA	91,290	-3.4%
Bulgaria	227	0.0%	197	14.9%	177	27.9%
Czech Republic	4,806	0.1%	4,820	-0.3%	4,376	9.8%
Denmark	67,556	1.1%	64,699	4.4%	58,032	16.4%
Finland	53,293	0.9%	51,276	3.9%	47,432	12.4%
France	1,210,280	20.2%	1,223,059	-1.0%	1,253,395	-3.4%
Germany	249,748	4.2%	236,937	5.4%	220,867	13.1%
Greece	7,046	0.1%	7,222	-2.4%	9,191	-23.3%
Hungary	9,353	0.2%	9,680	-3.4%	8,353	12.0%
Ireland	758,531	12.7%	708,472	7.1%	597,331	27.0%
Italy	175,358	2.9%	182,173	-3.7%	193,998	-9.6%
Liechtenstein	26,784	0.4%	24,964	7.3%	22,292	20.2%
Luxembourg	1,880,612	31.4%	1,786,332	5.3%	1,592,373	18.1%
Netherlands	64,305	1.1%	61,912	3.9%	66,320	-3.0%
Norway	63,243	1.1%	54,258	16.6%	49,925	26.7%
Poland	19,223	0.3%	18,766	2.4%	15,872	21.1%
Portugal	8,761	0.1%	9,354	-6.3%	11,572	-24.3%
Romania	1,288	0.0%	1,219	5.6%	792	62.7%
Slovakia	3,542	0.1%	3,484	1.7%	3,255	8.8%
Slovenia	2,029	0.0%	1,927	5.3%	1,859	9.2%
Spain	162,337	2.7%	169,953	-4.5%	187,152	-13.3%
Sweden	162,446	2.7%	147,047	10.5%	123,533	31.5%
Switzerland ⁽⁴⁾	195,998	3.3%	189,226	3.6%	118,138	65.9%
Turkey	14,634	0.2%	14,510	0.9%	13,849	5.7%
United Kingdom	675,401	11.3%	625,633	8.0%	540,818	24.9%
All Funds	5,989,630	100%	5,770,990	3.8%	5,314,674	12.7%

(1) End December compared to end September 2010; (2) end December 2010 compared to end 2009; (3) Belgian data as of end September 2010; (4) the asset growth since end 2009 reflects a growing number of funds captured by Swiss data and an appreciation of the Swiss Franc during the year of 16 percent.

Trends in the Non-UCITS Market

Net Sales and Assets by Investment Type

Total assets in the non-UCITS market increased by 4.3 percent in the fourth quarter of 2010 and by 16.5 percent in 2010 to finish the year at EUR 2,035 billion.

The net inflows into special funds reserved to institutional investors peaked at EUR 58 billion in the fourth quarter, with strong inflows observed in Germany, Ireland and Luxembourg. Net inflows to special funds reached EUR 149 billion in 2010.

The total number of non-UCITS funds increased from 16,150 at end 2009 to 16,845 at end December. The bulk of the increase reflected a rise in the number of special funds reserved to institutional investors.

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

Fund types	31/12/2010		30/09/2010		31/12/2009		Number of Funds	
	EUR bn	Share	EUR bn	% chg ⁽²⁾	EUR bn	% chg ⁽³⁾	31/12/2010	31/12/2009
Special / Institutional	1,319	65%	1,263	4.4%	1,003	31.5%	7,827	7,291
German "Spezialfonds"	790	39%	782	1.1%	711	11.1%	3,815	3,993
British investment trusts	66	3%	60	10.4%	52	26.4%	313	332
French employees savings	92	5%	87	5.7%	85	8.5%	2,420	2,604
Luxembourg "other" funds	89	4%	88	1.3%	81	10.7%	993	1,062
Real-estate funds	232	11%	232	0.4%	212	9.4%	840	741
Other	236	12%	222	6.6%	313	-24.5%	4,481	2,204
Total	2,035		1,951	4.3%	1,746	16.5%	16,874	16,150

(1) End of December 2010 compared to end September 2010; (2) end of December 2010 compared to end 2009.

Table 6. Net Sales of Special Funds ⁽¹⁾

Members	2009					2010				
	Q1	Q2	Q3	Q4	2009	Q1	Q2	Q3	Q4	2010
Austria	285	2,039	1,417	632	4,373	814	315	777	2,068	3,974
Denmark	-445	-8,005	193	-615	-8,872	669	948	76	6,609	8,302
Finland	-227	-70	119	70	-108	3	-591	328	-308	-569
Germany	5,318	-2,436	10,084	18,736	31,702	14,194	9,053	18,373	22,861	64,481
Hungary	165	-9	197	-9	344	147	32	298	242	720
Ireland	NA	NA	NA	NA	NA	1,494	5,160	-593	14,397	20,457
Italy	263	-69	-19	-541	-367	-50	5	-199	-197	-442
Liechtenstein	70	51	127	191	439	n.a	95	5	4	105
Luxembourg	4,277	9,329	1,263	3,504	18,373	13,034	11,783	7,908	14,771	47,496
Romania	4	-1	0	1	3	2	-3	0	5	3
Sweden	23	112	80	121	337	32	-24	111	-90	30
United Kingdom	101	811	785	542	2,239	991	4,283	2,161	-2,678	4,757
Total	9,833	1,752	14,246	22,632	48,463	31,330	31,055	29,247	57,684	149,315

(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, grew by 3.9 percent in the fourth quarter to reach EUR 8,025 billion at end December 2010. Between end 2009 and end 2010, the asset growth reached 13.7 percent.

With EUR 5,990 billion invested in UCITS, this segment of the business accounted for almost 75 percent of the fund market at end December 2010.

Table 7. Net Assets of the European Investment Fund Industry						
Members	31/12/2010		30/09/2010		31/12/2009	
	EUR m	Share	EUR m	% chg ⁽¹⁾	EUR m	% chg ⁽²⁾
Austria	147,591	1.8%	146,660	0.6%	138,603	6.5%
Belgium ⁽³⁾	94,030	1.2%	94,030	NA	96,950	-3.0%
Bulgaria	229	0.0%	200	14.8%	179	27.8%
Czech Republic	4,883	0.1%	4,878	0.1%	4,426	10.3%
Denmark	135,442	1.7%	124,009	9.2%	109,612	23.6%
Finland	61,506	0.8%	59,440	3.5%	54,251	13.4%
France	1,401,625	17.5%	1,406,409	-0.3%	1,421,395	-1.4%
Germany	1,125,853	14.0%	1,106,153	1.8%	1,019,672	10.4%
Greece	9,128	0.1%	8,299	10.0%	10,279	-11.2%
Hungary	13,541	0.2%	13,448	0.7%	11,071	22.3%
Ireland	963,326	12.0%	885,710	8.8%	748,629	28.7%
Italy	232,059	2.9%	239,973	-3.3%	257,804	-10.0%
Liechtenstein	31,078	0.4%	28,786	8.0%	24,592	26.4%
Luxembourg	2,198,994	27.4%	2,083,740	5.5%	1,840,993	19.4%
Netherlands	78,066	1.0%	75,696	3.1%	79,020	-1.2%
Norway	63,243	0.8%	54,258	16.6%	49,925	26.7%
Poland	28,757	0.4%	27,170	5.8%	22,592	27.3%
Portugal	25,793	0.3%	26,955	-4.3%	28,463	-9.4%
Romania	2,968	0.0%	2,864	3.6%	2,587	14.7%
Slovakia	3,763	0.0%	3,669	2.6%	3,418	10.1%
Slovenia	2,251	0.0%	2,179	3.3%	2,239	0.6%
Spain	169,568	2.1%	177,310	-4.4%	194,520	-12.8%
Sweden	166,089	2.1%	150,443	10.4%	126,402	31.4%
Switzerland ⁽⁴⁾	253,216	3.2%	240,451	5.3%	158,450	59.8%
Turkey	17,565	0.2%	17,567	0.0%	16,281	7.9%
United Kingdom	793,957	9.9%	741,982	7.0%	638,312	24.4%
All Funds	8,024,520	100.0%	7,722,278	3.9%	7,060,664	13.7%
UCITS	5,989,630	74.6%	5,770,990	3.8%	5,314,674	12.7%
Non-UCITS	2,034,890	25.4%	1,951,288	4.3%	1,745,990	16.5%

(1) End December compared to end September 2010; (2) end December 2010 compared to end 2009; (3) Belgian data as of end September 2010; (4) the asset growth since end 2009 reflects a growing number of funds captured by Swiss data.