

FUND FLASH

LIPPER FMI'S QUARTERLY SNAPSHOT OF ASIAN TRENDS

FEBRUARY 2010 - DATA AS AT DECEMBER 2009

BRAZIL, BONDS AND BRAVADO

Lower debt levels and strong economic prospects have helped Asian stock markets to steam ahead of their Western counterparts this year. The MSCI Europe looked pale and anaemic compared to the MSCI Asia Pacific and the MSCI Emerging Market's expansion of 35% and 59% respectively. But while European investors have been taking advantage of the unfolding opportunities, Asian investors have been less consistent in their investment approach. Overall sales flows for the year totalled US\$95bn, which was the smallest volume since 2004 and just 19% of the sales in Asia's peak year of 2007.

MIXED RESULTS

Individual market contributions varied considerably. Four markets (Singapore, China, South Korea and Australia) posted net redemptions for the year, dragging down the overall sales total. But two markets offset the negativity and delivered this year's sales flows, keeping Asia as a whole in the black.

The more established market of Japan trebled its annual sales to US\$46bn, a figure on a par with its 2005 sales, though some way short of its 2006 peak. India, meanwhile, was more emphatic in its support with flows of US\$62bn that were the best on Lipper FMI records and three times higher than its previous high of US\$20bn in 2007.

BONDS REIGNED SUPREME

Sales in India and Japan were heavily tilted towards the conservative end of the investment spectrum with bonds attracting significant support in both markets. As a result, bonds were the clear winners of the year with two

thirds of all Asian sales (US\$63bn). The best bond sectors were Indian bonds (US\$39bn) followed by Emerging market bonds with annual flows of US\$13bn.

TAKING STOCK

Equity funds took second place overall but were a long way behind bonds with flows of US\$18bn and only marginally ahead of the money market sector. Given the surge in stock markets, sales were disappointing. China was the biggest player with an equity contribution of US\$24bn, but other asset classes were cannibalised to do so and China closed the year with its first ever negative total (US\$18bn).

CLAMPDOWN BY AUTHORITIES?

Change could be in the pipeline. Indian support for equity funds has been knocked by a ban on commission. China is to introduce sliding back-end charges to encourage long-term savings and less short-term trading, meanwhile South Korea's capital gains tax rule, which favoured onshore funds, has expired.

MARKETS IN BRIEF

- **INDIA** recorded the strongest sales of the year, though sales slowed in the last quarter. Support for equity had been inconsistent all year, but industry insiders believe the banning of sales commission spurred Q4 outflows in the equity category where front-end loads are highest.
- **Thailand** was the year's surprise; the industry recorded its second best year (US\$18bn) and was a billion short of its 2007 best. After a visible slowdown in Q3, flows picked up in Q4. Importantly, equity funds returned to positive territory.
- **CHINA** is tackling short-term trading head on with the introduction of a back-end load from March 2010. The back-end load will be mandatory for investors who hold their funds for less than three years, but will reduce progressively to zero. Investors will be charged 1.5% of the redemption amount if they hold the funds for less than seven days.
- **Unsurprisingly, the best equity sector was Chinese equity with an annual sales total of US\$30bn. But Brazilian equity was second thanks principally to Japan and its historical ties with that country.**

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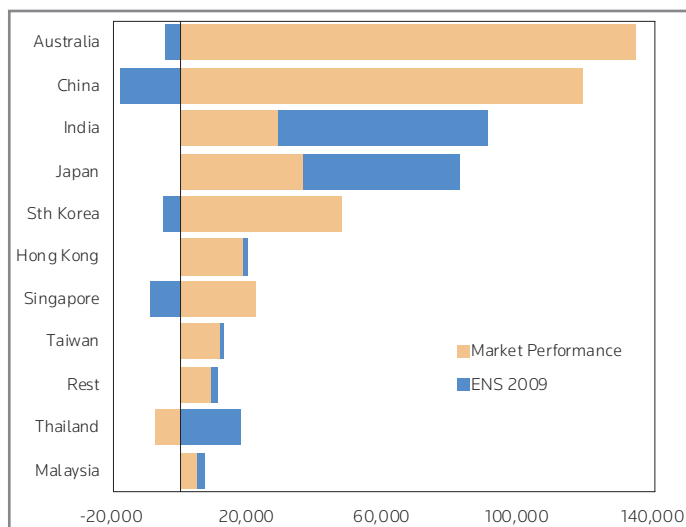
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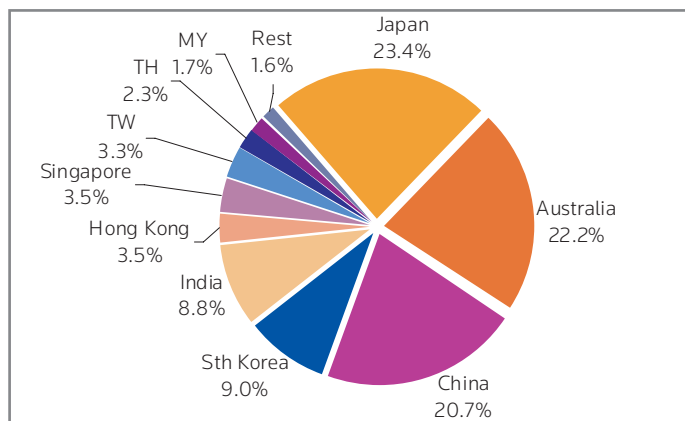
MARKET RANKING BY ASSETS IN 2009 (US\$M)

Market	ENS 2009	Assets	Qtrly Grth	As %
Japan	46,199.7	422,116.2	82,234.7	24.2
Australia	-5,032.3	399,171.2	129,542.6	48.0
China	-18,309.6	371,821.2	100,611.6	37.1
South Korea	-5,328.3	162,510.1	42,164.6	35.0
India	62,030.6	158,553.9	90,713.7	133.7
Hong Kong	1,808.3	62,875.1	19,909.0	46.3
Singapore	-9,207.2	62,781.8	12,781.8	25.6
Taiwan	854.8	60,202.0	12,716.1	26.8
Thailand	17,788.9	41,681.9	9,961.0	31.4
Malaysia	2,457.1	29,935.8	7,098.9	31.1
Rest	2,119.9	28,726.5	10,835.6	60.6
Total	95,381.8	1,800,375.7	518,569.6	40.5

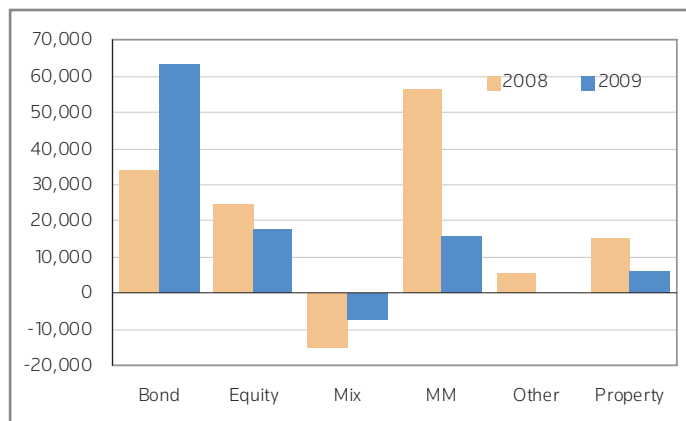
ASSET GROWTH SPLIT BY SALES AND PERFORMANCE (US\$M)



MARKET SHARE OF ASIAN ASSETS IN DECEMBER 09 (US\$M)



YEAR-ON-YEAR COMPARISON EST NET SALES BY TYPE (US\$M)



NEW FUND LAUNCHES BY MARKET (US\$M)

Market	# funds	ENS 2009
Japan	541	50,421.1
China	120	40,712.2
Thailand	602	17,144.8
South Korea	275	8,773.7
Taiwan	39	4,190.6
India	57	2,615.3
Australia	211	1,421.9
Hong Kong	17	910.9
Malaysia	37	561.6
Singapore	20	400.9
Indonesia	26	382.7
Total	1,945	127,535.8

TOP SECTORS IN EACH MARKET IN 2009 (US\$M)

Market	Sector	ENS 2009
Australia	Equities Global	1,641.4
China	Equities Greater China	23,356.2
Hong Kong	Bonds Asian Currencies	545.1
India	Bonds INR	38,611.6
Indonesia	Money Market IDR	264.1
Japan	Real Estate	15,111.1
Malaysia	Money Market MYR	1,173.3
New Zealand	Mixed Assets Conservative	803.2
Singapore	Equities Pacific ex Japan	526.4
South Korea	Money Market KRW	2,582.1
Taiwan	Equities Greater China	1,408.7
Thailand	Money Market KRW	6,591.7

Notes to data: ENS = Estimated net sales. Market totals exclude funds of funds to avoid double-counting. For market definitions, visit www.lipperfmi.com.

Notes to data: Data for Australia includes superannuation funds