

FTfm Quarterly industry review

European recovery continues in Q4

Overview

Outlook for 2010 uncertain with volatile equity and debt markets, writes **Steve Johnson**

The European fund industry continued its revival in the final three months of 2009, chalking up its third straight quarter of solid net inflows as demand remained strong.

Stripping out low-margin money market funds, European investors put a further €88bn (£76.5bn, \$121bn) to work in the fourth quarter, building on net inflows of €63bn and €99bn respectively in the second and third quarters, according to data from Lipper FMI.

This pushed net inflows for 2009 as a whole to €235bn, a sharp reversal of the net outflows of €389bn recorded in 2008 (although with money market funds included flows were -€298bn in 2008 and +€190bn in 2009). Some €112bn rolled into equity funds last year and €85bn into bond vehicles.

But with 2010 being ushered in against a backdrop of wobbling equity markets and jittery sovereign debt markets, the feel-good factor could soon start to ebb away.

"We are in a state of flux," says Bella Caridade-Ferreira, head of market research at Lipper FMI. "If you look at the broader economy things are looking pretty fragile. These concerns may start to affect how people invest."

Indeed the leading edge of the current southern European sovereign debt crisis permeated the Q4 figures. The Greek fund management industry saw its assets tumble €481m to €7.03bn in the last three months of 2009, in spite of modest net inflows of €17m, as the Athens stock market fell 17.5 per cent and Greek government bond yields rose 129 basis points.

Portugal, another honorary member of the olive belt order, witnessed strong net inflows of €650bn but virtually no benefit from rising markets. In contrast, most major European countries enjoyed the nirvana of strong inflows and a healthy pick-up in the value of existing assets due to rising markets.

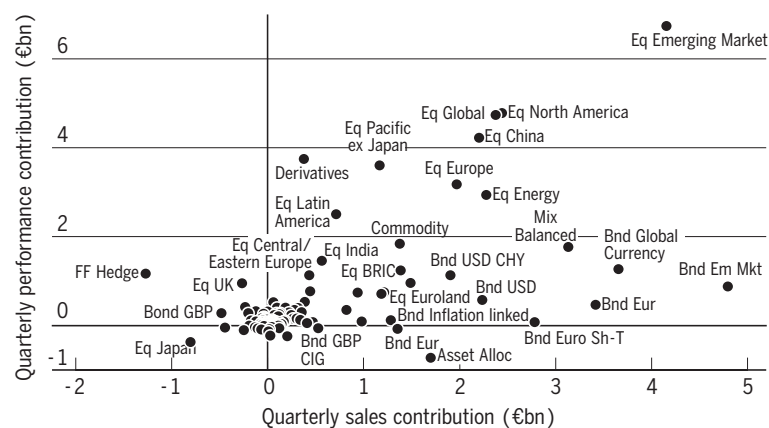
Even eternal laggard Spain, the only major market to remain in redemption in the third quarter of 2009, managed to attract a net €716m in the final quarter. Romania, however, was the star performer in relative terms; its net inflows of €147m represented 43 per cent of its assets as of the end of September.

Ms Caridade-Ferreira attributed Spain's improved showing, and a second quarter of solid inflows into Italian funds, to changing behaviour by banks, which dominate distribution in the Latin markets, and increasing

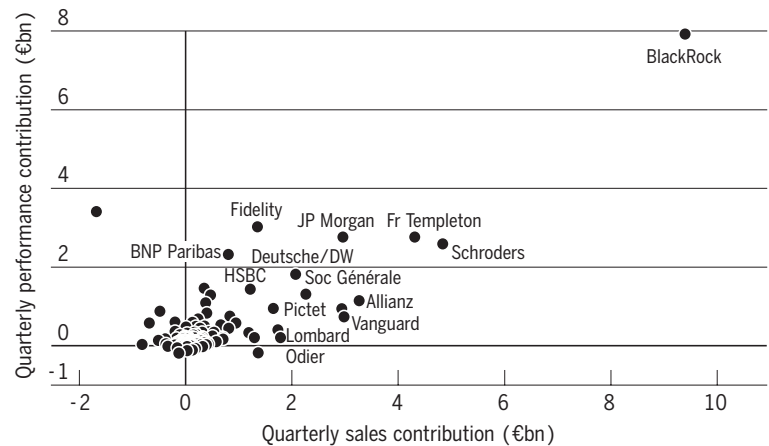


Bill Butcher

Sector positioning for the international groups Q4 2009



Market positioning of international leaders Q4 2009*



Source: Lipper FMI

* Excluding money market funds

dissatisfaction with desultory deposit rates.

"Spanish and Italian investors have been slow to come back into funds but there has been a turnaround," she says. "It's simply because interest rates are so low; you have to take increasing risk to make your money work harder."

"There was also a bit of a push by banks to build up their deposit base. That is no longer a pressing issue" – a factor that is doubtless encouraging banks to sell higher-margin mutual funds instead.

Europeans do not believe the best investment opportunities reside in their own continent, however. The two best-selling sectors in Q4 were emerging market bonds and equities, with the latter category enjoying net inflows of €2.7bn in December alone, its strongest month since the heady days of October 2007, when it attracted €3.6bn.

But while most sectors saw new money, Japanese equity funds were out of favour, as were funds of hedge funds, which have continued to haemorrhage cash ever since the financial crisis struck and lost another €1bn-plus last quarter.

French upstart Carmignac was usurped from its position at the top of the all-important "international" segment (for funds that do not derive four-fifths of their sales from a single country) by exchange traded fund powerhouse

BlackRock, which attracted a net €9.4bn in the fourth quarter.

Vanguard, the low-cost US house that is making a push in Europe, moved ominously into fifth place, while Lombard Odier proved not all is doom and gloom for Swiss private banks by out-muscling larger rivals for a place on the leaderboard.

It was also a good quarter for Mediolanum, which brushed aside larger rivals to garner the largest net inflows in Italy, thanks to a number of strong performing equity funds, and Universal Invest, which continued to punch above its weight in Germany due to the popularity of its mixed asset offerings.

The 15 Asia-Pacific markets monitored by Lipper FMI also enjoyed a solid quarter, with net inflows of \$42.9bn helping push up assets under management by \$116.9bn to \$1,800bn, just over a third of the assets held in Europe.

The Asian tally does include money market funds, however, and Chinese renminbi-denominated cash funds proved most popular in the fourth quarter, absorbing \$21bn.

Demand for Chinese money market funds is being driven by tax regulations, which make cash funds more attractive than bank deposits, according to Kathleen Hughes, head of global liquidity for the Emea region at JPMorgan, although demand can be volatile.

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Lipper FMI's market progress barometer

Business development in Europe's mutual fund markets

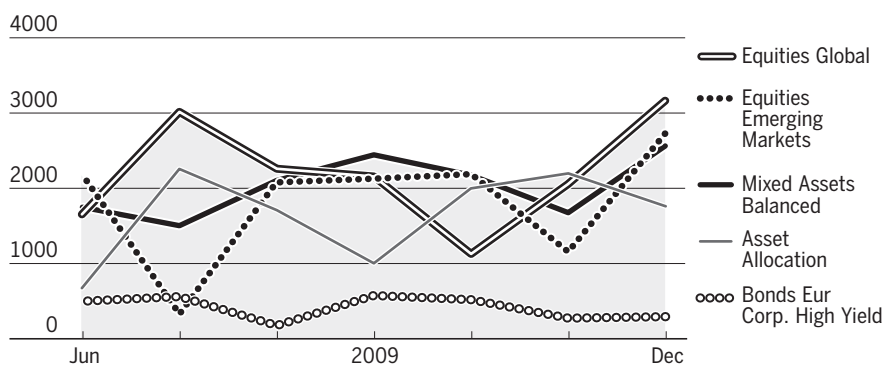
Market	Net sales (latest Q) €m	Net sales (Q3 2009) €m	Net sales (Q2 2009) €m	Net sales (Q1 2009) €m	Fund assets (Dec 09) €m	Asset growth (latest Q) €m
International	59,283.2	63,233.5	37,636.8	-435.5	1,290,225.4	119,844.7
UK	8,455.3	10,130.9	11,577.9	8,383.1	523,388.6	36,168.7
Italy	4,478.6	4,704.1	1,623.5	-8,599.0	275,968.3	8,625.4
Germany	4,277.3	3,811.1	5,198.1	-2,133.5	404,090.3	12,095.2
Sweden	3,524.1	2,248.0	1,559.2	439.9	123,561.8	9,628.5
Norway	2,225.1	1,370.7	1,280.6	106.4	31,958.2	4,737.3
France	1,301.5	5,670.7	5,729.6	-4,422.1	346,148.5	6,144.1
Switzerland	1,149.7	2,856.7	959.9	1,719.4	169,480.1	7,315.6
Denmark	860.6	511.7	133.0	-1,671.9	55,153.2	2,891.7
Finland	773.2	1,784.3	1,441.4	470.8	38,997.9	2,264.9
Spain	716.0	-455.1	-4,304.2	-5,548.8	151,845.1	1,131.8
Portugal	649.9	912.3	-26.4	-772.1	14,094.2	681.1
Netherlands	480.4	408.6	-258.9	-64.9	57,540.7	2,596.6
Poland	216.8	314.3	57.8	-267.4	14,938.9	950.7
Hungary	172.4	275.6	-203.3	-191.0	3,033.1	208.5
Austria	164.2	81.1	123.5	-567.2	53,541.9	700.1
Romania	146.9	92.2	7.1	20.0	493.3	153.4
Slovakia	86.6	54.7	-6.4	-21.3	1,551.5	85.2
Czech Rep	38.3	63.4	-6.3	-29.2	4,601.9	-143.5
Belgium	17.8	127.8	563.3	-2,897.9	106,377.1	983.7
Luxembourg	17.2	128.2	-23.5	44.6	6,418.1	186.6
Greece	17.2	214.7	-14.2	-230.2	7,027.6	-480.8
Slovenia	16.1	18.1	2.8	-22.7	1,839.3	44.8
Estonia	15.3	-36.5	10.1	-21.4	315.8	9.4
Croatia	8.5	3.8	-12.1	-73.4	787.0	-10.0
Liechtenstein	0.0	-9.5	21.2	57.4	540.7	19.1
Ukraine	-0.2	-2.3	-2.1	-5.4	30.5	2.1
Bulgaria	-1.1	0.3	-2.2	-2.1	137.6	-6.7
Latvia	-1.3	-0.9	-3.9	-5.7	62.8	2.0
Malta	-5.0	-5.2	-9.5	-7.7	328.0	-0.7
Lithuania	-20.1	-1.9	6.2	-5.7	59.4	-31.2
Russia	-60.4	-56.2	-46.3	-119.5	2,189.8	181.1
Turkey	-532.0	860.5	93.5	658.5	3,021.3	-472.5
Total	88,472.0	99,309.6	63,106.2	-16,216.0	3,689,748.1	216,506.8

Analysis is based on 'long-only' funds and therefore excludes money market funds. Data excludes funds of funds to avoid double-counting. A fund is allocated to a market if more than 80% of its assets are sourced from that country. International includes all European funds that derive less than 80% of their assets from any one country

Source: Lipper FMI

Rising/falling sectors in Europe

Top 5 performing sectors in last six months (€m)



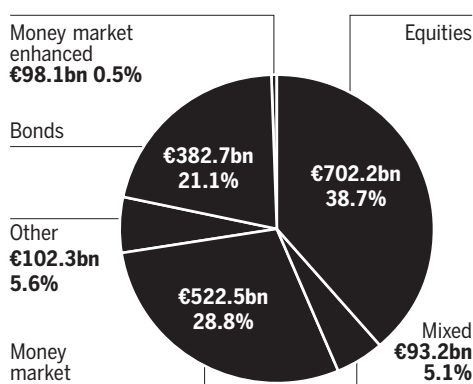
Rising sectors were the top 5 sectors in the last 6 months in terms of estimated net sales in Europe. Data excludes money market funds but includes funds of funds so that these can be illustrated if they are in the ascendancy

Source: Lipper FMI

International

Assets (at end Dec 2009)

Total €1,812.7bn



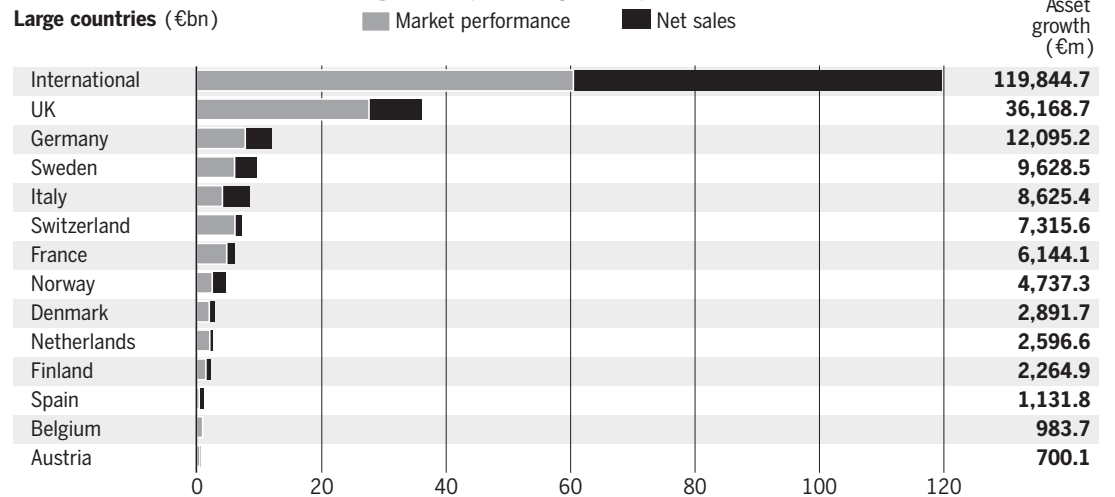
Market leaders (top 10 Groups)*

Rank	Group	Assets Dec 2009 (€m)	Est net sales Q4 09 (€m)
1	BlackRock	145,832.2	9,395.5
2	Schroders	43,828.7	4,838.5
3	Franklin Templeton	47,881.5	4,312.4
4	Allianz	31,981.0	3,266.8
5	Vanguard	18,565.1	2,976.3
6	JPMorgan	46,074.2	2,956.9
7	Carmignac	30,407.6	2,936.5
8	Société Générale	39,741.6	2,257.4
9	Deutsche/DWS	51,581.1	2,066.2
10	Lombard Odier	8,187.7	1,785.6
Total top 10		464,080.6	36,792.2
Total international		1,290,225.4	59,283.2
Top 10 as % of all master groups		36.0%	62.1%

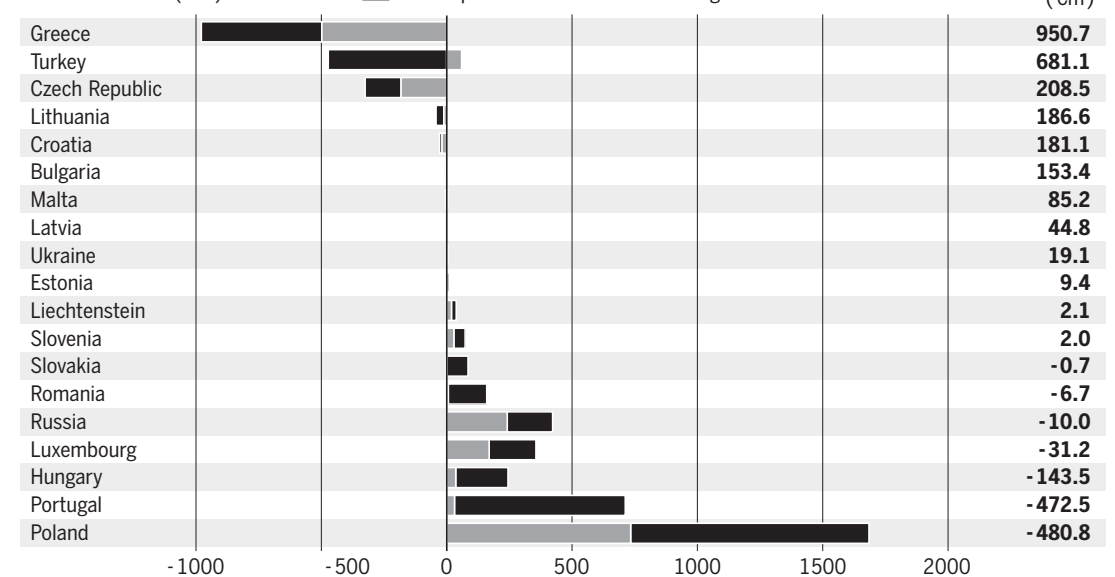
Notes: funds of funds are excluded to avoid double-counting. Sectors are based on Lipper FMI pan-European classification system

Investor preference (excluding liquidity products) Top selling sector for latest quarter: Bonds Emerging Markets €4,792.57m Bottom selling sector for latest quarter: Equities Japan -€806.54m

Net sales contribution to asset growth (latest quarter)



Small countries (€m)



Source: Lipper FMI

Top selling new fund launches in Europe

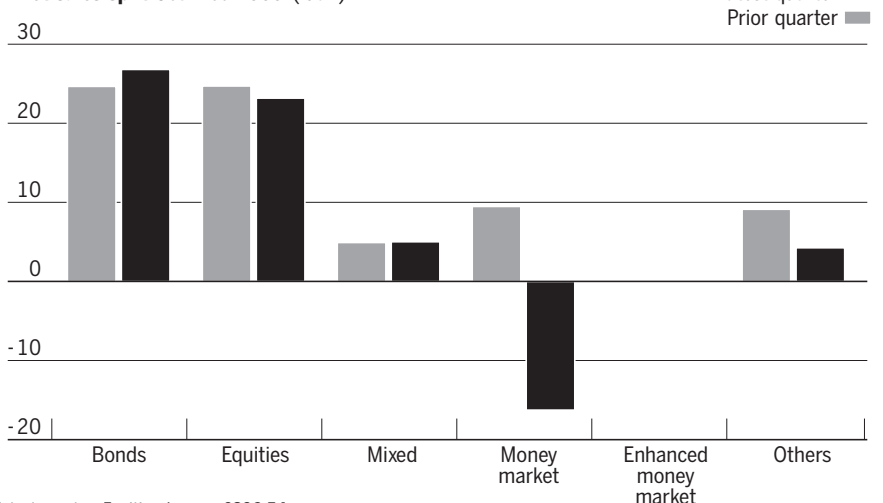
Latest quarter (Oct-Dec 2009)

Rank	Master group	Fund Name	Sector	Fund launch date (2009)	Estimated net sales, latest Q (€m)
1	Credit Suisse	Xmitch II (CH) on Gold	Commodity	Oct 5	863.8
2	La Caixa	Foncaixa Iter, FI	Mixed Assets Cons.	Nov 27	673.4
3	BNP Paribas	Fortis Flexi III Equity Greater China Envrnt	Equities Greater China	Dec 21	641.6
4	Union	UniGarant: Commodities (2016)	Guaranteed Fund	Dec 16	572.2
5	Barclays	Barclays Capital Equity Lux SARL SICAV - SIF	Not Sectorised	Oct 7	558.7
6	Crédit Agricole	Oriance Epargne 3	Fund of Funds G'teed	Dec 18	465.9
7	Jupiter Inv	Jupiter Absolute Return	Equities Global	Dec 14	328.6
8	BNP Paribas	ABN AMRO MMF Fund of Mandates Euro Gvt Bonds	Fund of Funds Bonds	Nov 30	319.7
9	Lombard Odier	LODH Selection - The Balanced (EUR)	Mixed Assets Balanced	Dec 14	286.8
10	Commerzbank	Comstage ETF - IBoxx Euro Liquid Sovereigns	Bonds EUR	Oct 5	281.1
Total					4,991.8

Source: Lipper FMI

Data includes retail investment funds only. Data excludes money market funds because of distortions from institutional liquidity funds

Net sales split Oct-Dec 2009 (€bn)

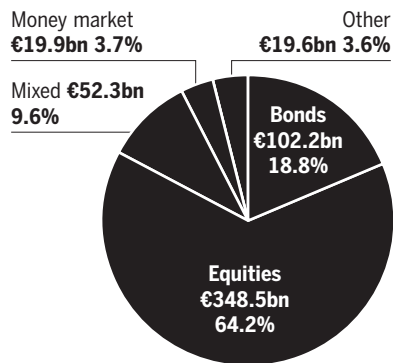


Leading fund groups (by country)

UK

Assets (at end Dec 2009)

Total €543.3bn



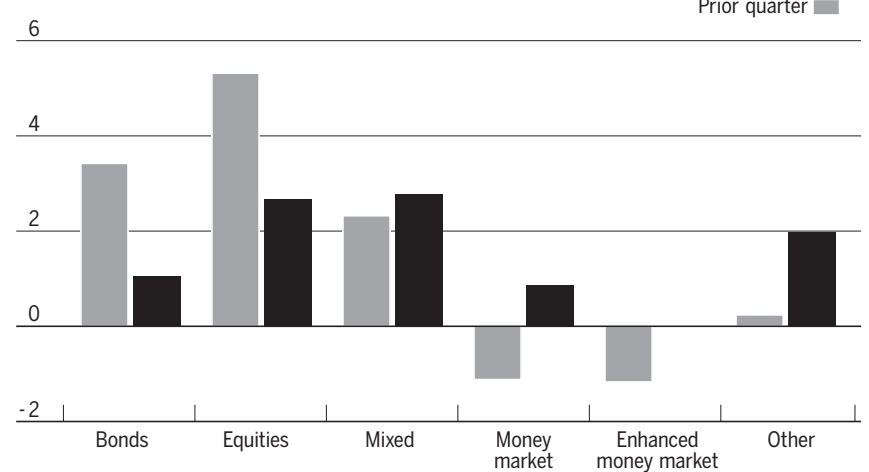
Market leaders (top 10 Groups)*

Rank	Group	Actual net retail sales Q4 2009 (€m)
1	M&G	1,199.2
2	BlackRock	692.8
3	Jupiter	659.2
4	Invesco Perpetual	589.3
5	Scottish Widows	578.6
6	Threadneedle	577.7
7	Investec	535.9
8	First State	425.4
9	Schroder	402.7
10	BNY Mellon	362.1
Total top 10		6,022.8
Total UK		8,455.3
Top 10 as % of all Master Groups		71.2%

* Data is based on net retail sales only, asset data not available in same form

Investor preference (excluding liquidity products) Top selling sector for latest quarter: Equities Global €1,287.91m
Bottom selling sector for latest quarter: Bonds GBP Corporate Investment Grade - €389.50m

Net sales split, Oct - Dec 2009 (€bn)

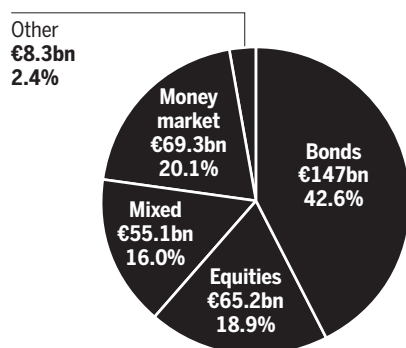


Source for UK sector data: Lipper FMI, based on estimated net sales of regulated investment funds

Italy

Assets (at end Dec 2009)

Total €345.3bn

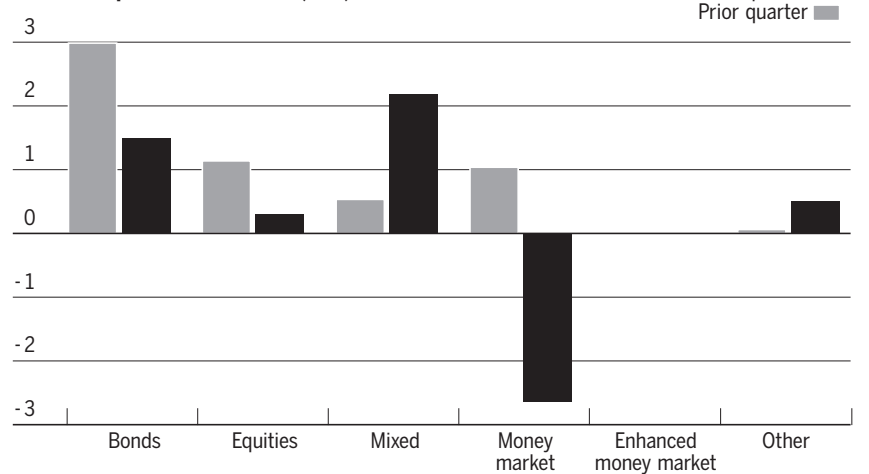


Master groups (top 10 Groups)

Rank	Group	Assets Dec 09 (€m)	Estimated net sales Q4 09 (€m)
1	Mediolanum	12,994.2	877.1
2	Intesa SP	73,761.3	868.2
3	BNP Paribas	7,769.2	426.2
4	Credito Emiliano	7,738.2	425.1
5	UBI	13,073.9	270.3
6	Azimut	12,861.5	226.2
7	Pioneer	55,608.3	205.8
8	Banca Esperia	1,257.5	173.9
9	Leonardo	824.0	155.2
10	Prima	9,195.7	131.7
Total top 10		195,083.8	3,759.7
Total Italy		275,968.3	4,478.6
Top 10 as % of all master groups		70.7%	83.9%

Investor preference (excluding liquidity products) Top selling sector for latest quarter: Asset Allocation €1,607.01m Bottom selling sector for latest quarter: Bonds EUR Short-term - €1,150.01m

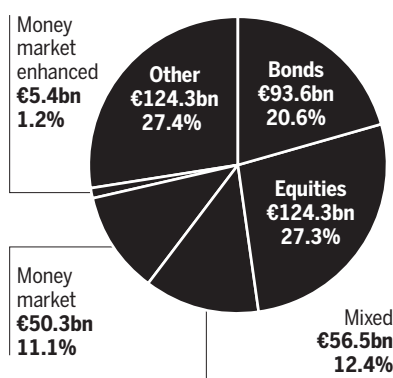
Net sales split, Oct - Dec 2009 (€bn)



Germany

Assets (at end Dec 2009)

Total €454.4bn

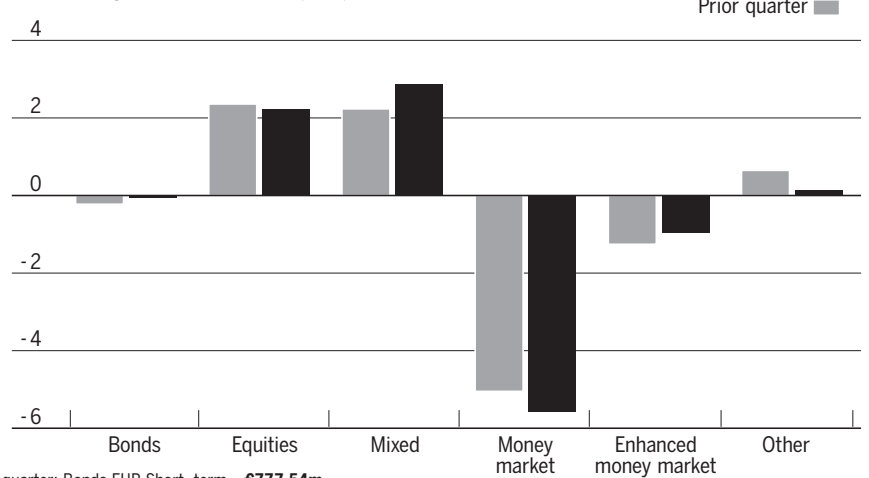


Master groups (top 10 Groups)

Rank	Group	Assets Dec 09 (€m)	Estimated net sales Q4 09 (€m)
1	Deka	76,318.8	1,846.7
2	Commerzbank	16,117.8	1,709.1
3	Universal Invest	7,252.8	831.0
4	Union	73,131.7	798.9
5	Deutsche/DWS	76,507.0	597.7
6	HSBC	4,238.2	363.7
7	SEB	9,741.4	261.7
8	Rheinland - Pfalz	3,690.8	261.2
9	Münchner Rück	1,839.0	213.3
10	Sal Oppenheim	11,905.7	190.0
Total top 10		280,743.1	7,073.3
Total Germany		404,090.3	4,277.3
Top 10 as % of all master groups		69.5%	165.4%

Investor preference (excluding liquidity products) Top selling sector for latest quarter: Equities Euroland €1,476.22m Bottom selling sector for latest quarter: Bonds EUR Short-term - €777.54m

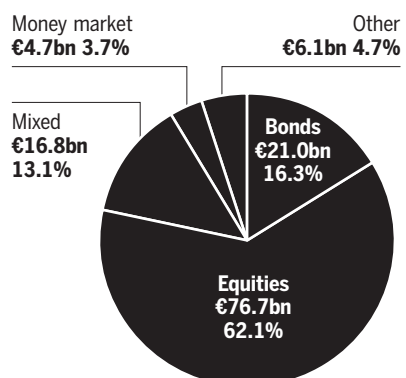
Net sales split, Oct - Dec 2009 (€bn)



Sweden

Assets (at end Dec 2009)

Total €128.3bn

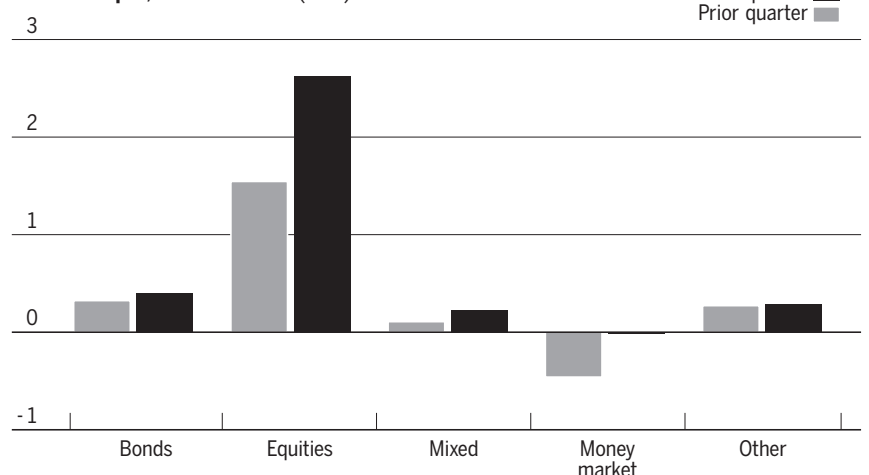


Master groups (top 10 Groups)

Rank	Group	Assets Dec 09 (€m)	Estimated net sales Q4 09 (€m)
1	Swedbank	42,730.1	1,046.6
2	Sjunde AP-fondens	9,000.5	805.8
3	Sv Handelsbanken	11,905.3	408.4
4	Brummer & Partners	3,733.4	267.8
5	Länsförsäkrings	6,379.3	207.2
6	Nordea	7,669.0	157.6
7	Capinordic	412.7	121.3
8	Hagströmer & Qv	2,376.3	110.2
9	Den Norske	1,395.2	104.5
10	Storebrand	4,556.2	101.1
Total top 10		90,158.0	3,330.5
Total Sweden		123,561.8	3,524.1
Top 10 as % of all master groups		73.0%	94.5%

Investor preference (excluding liquidity products) Top selling sector for latest quarter: Equities Global €1,092.98m Bottom selling sector for latest quarter: Equities Real Estate - €51.20m

Net sales split, Oct - Dec 2009 (€bn)



* Ranking tables exclude money market funds, which can be a distorting element. Funds of funds are also excluded to avoid double-counting. Rankings are based on Lipper FMI estimated net-sales flows for the latest quarter (Oct - Dec 2009) and are based in €m. However, UK rankings are based on data collected for the UK Fund Sales Report, which includes real data from groups representing 86% of UK assets. The data included in these tables relates to European mutual funds and may include both retail and institutional investment

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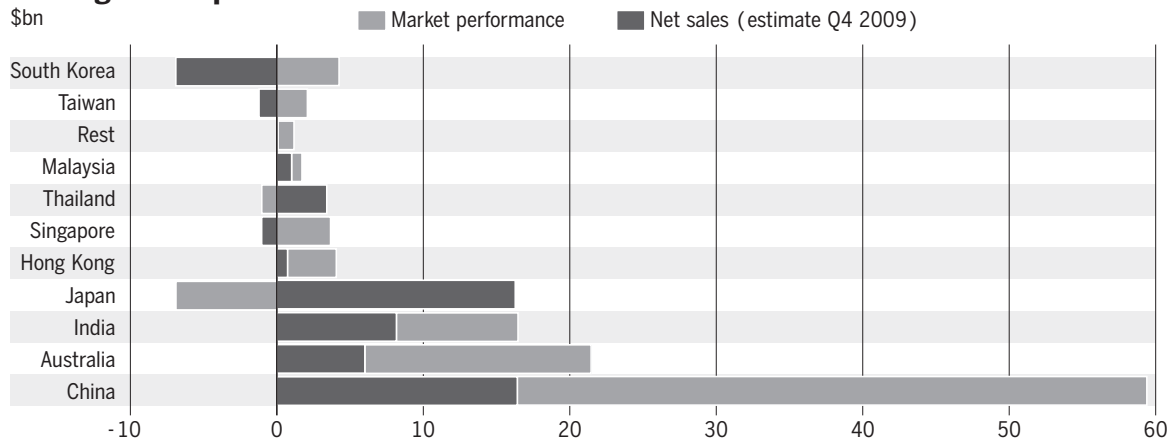
Ranking of Asian markets by estimated net sales

Market	Net sales (latest quarter) \$m	Net sales (Q3 2009) \$m	Net sales (Q2 2009) \$m	Net sales (Q1 2009) \$m	Fund assets (Dec 2009) \$m	Asset growth (latest quarter) %
China	16,416.3	4,172.4	-7,271.0	-31,627.4	371,821.2	59,395.6
Japan	16,276.1	17,672.6	7,485.7	4,765.4	422,116.2	9,387.9
India	8,163.3	25,786.1	15,239.6	12,841.6	158,553.9	16,465.8
Australia	6,006.7	-9,279.4	286.1	-2,045.8	399,171.2	21,448.6
Thailand	3,409.1	2,009.1	5,233.2	7,137.5	41,681.9	2,378.9
Malaysia	1,009.5	218.3	969.0	260.3	29,935.8	1,714.2
Hong Kong	732.9	1,584.8	-552.3	42.8	62,875.1	4,073.2
New Zealand	429.1	197.3	246.1	1,037.2	13,419.0	902.3
Kazakhstan	-2.8	0.0	-1.1	-3.6	14.5	-1.6
Philippines	-41.8	120.3	25.0	119.9	3,535.2	119.0
Indonesia	-45.1	-103.4	338.3	2.9	9,954.1	408.7
Pakistan	-263.1	169.9	167.5	-272.6	1,803.6	-255.8
Singapore	-1,035.4	-3,622.3	-4,363.3	-186.2	62,781.8	2,632.3
Taiwan	-1,215.7	-2,720.2	-2,269.5	7,060.3	60,202.0	869.7
South Korea	-6,897.7	-16,077.8	-10,610.8	28,257.9	162,510.1	-2,649.2
Total	42,941.3	20,127.6	4,922.7	27,390.2	1,800,375.7	116,889.6

Data excludes funds of funds to avoid double-counting. A fund is allocated to a market if more than 80% of its assets are sourced from that country

Source: Lipper FMI

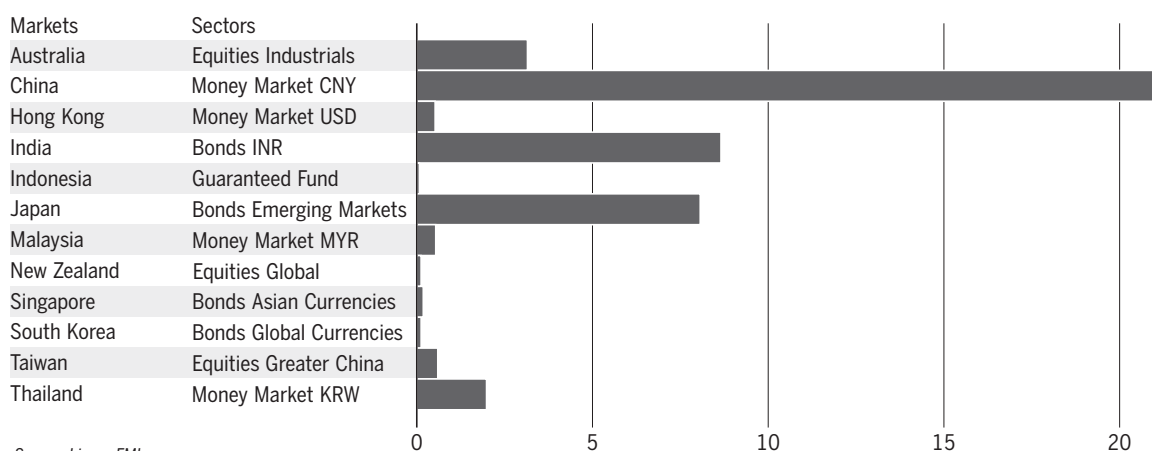
Asset growth split



Source: Lipper FMI

Top sector in each market

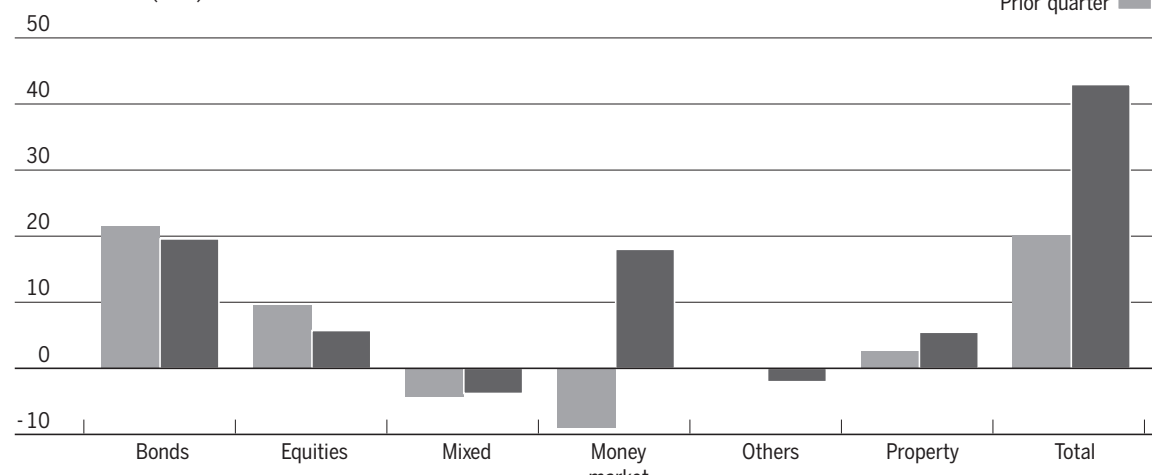
By estimated net sales in Q4 2009 (\$bn)



Source: Lipper FMI

Asia net sales split

Oct - Dec 2009 (\$bn)



Market leaders (top 10 groups)

India

Rank	Group	Assets Dec 2009 (\$m)	Est net sales Q4 09 (\$m)
1	LIC Mutual Fund	10,482.4	1,902.1
2	Kotak Group	8,369.8	1,264.5
3	Aditya Birla & Sun Life	13,884.9	1,101.5
4	Tata	4,532.4	664.7
5	State Bank of India	6,877.2	590.3
6	UTI Group	15,111.6	578.9
7	Axis Bank	552.1	552.1
8	Housing Development Finance Corp	19,919.7	544.1
9	BlackRock	4,185.5	383.0
10	Franklin Templeton	6,274.5	328.3
Total top 10		90,190.0	7,909.4
Total India		158,553.9	8,163.3
Top 10 as % of all groups		56.9%	96.9%

Japan

Rank	Group	Assets Dec 2009 (\$m)	Est net sales Q4 09 (\$m)
1	Daiwa Securities	58,982.5	7,283.6
2	Sumitomo Life	12,461.7	4,742.9
3	T&D	3,735.4	3,318.8
4	HSBC	7,393.5	2,230.3
5	Mizuho Financial Group	19,232.4	1,566.5
6	Fidelity	10,546.9	930.1
7	BNP Paribas	4,364.7	895.0
8	Legg Mason	2,713.2	643.7
9	UBS	7,686.3	559.1
10	Crédit Agricole	4,638.7	290.7
Total top 10		131,755.3	22,460.7
Total Japan		422,116.2	16,276.1
Top 10 as % of all groups		31.2%	138.0%

China

Rank	Group	Assets Dec 2009 (\$m)	Est net sales Q4 09 (\$m)
1	Bank of Communications / Schroders (JV)	13,533.4	2,547.2
2	ICBC / Credit Suisse (JV)	9,180.6	2,283.1
3	Harvest / Deutsche AM (JV)	22,127.9	1,777.4
4	China Jianyin Investment	7,751.5	1,749.6
5	GF Securities / Guangdong Finance	22,706.8	1,631.1
6	Zhongtai Trust / Everbright Securities	13,679.7	1,530.8
7	Shenyin & Wanguo / BNP Paribas (JV)	3,465.9	1,388.8
8	CCB / Principal (JV)	5,769.5	1,122.8
9	Shanghai Baosteel / Société Générale (JV)	9,074.9	1,061.2
10	Hua An	12,282.0	1,058.0
Total top 10		119,572.3	16,150.0
Total China		371,821.2	16,416.3
Top 10 as % of all groups		32.2%	98.4%

Thailand

Rank	Group	Assets Dec 2009 (\$m)	Est net sales Q4 09 (\$m)
1	Siam Commercial Bank	11,734.7	1,082.6
2	Kasikorn Bank	10,827.2	952.1
3	Bangkok Bank	4,221.1	366.8
4	Krung Thai Bank	1,618.0	233.9
5	TMB Bank	3,762.0	225.5
6	MFC Asset Management	858.3	158.0
7	Bankthai	294.7	113.6
8	ING	982.7	106.2
9	Siam City Bank (SCIB)	633.9	104.6
10	Bank of Ayudhya	1,256.3	61.0
Total top 10		36,188.8	3,404.3
Total Thailand		41,681.9	3,409.1
Top 10 as % of all groups		86.8%	99.9%

Hong Kong

Rank	Group	Assets Dec 2009 (\$m)	Est net sales Q4 09 (\$m)
1	Fidelity	10,691.0	669.1
2	HSBC	9,689.6	397.0
3	BOCI-Prudential	3,979.6	75.8
4	Value Partners	1,523.8	75.4
5	The Bank of East Asia/Union Asset Management (JV)	575.2	47.2
6	Bank of China	1,235.5	44.7
7	Invesco	2,599.9	30.1
8	EMEAP	305.7	22.9
9	Allianz	1,746.4	20.1
10	Schroders	1,457.5	8.5
Total top 10		33,804.1	1,390.6
Total Hong Kong		62,875.1	732.9
Top 10 as % of all groups		53.8%	189.7%

Rankings are based on Lipper FMI estimated net sales flows for the latest quarter (Jul - Sept 09) and are