

Media release

Strong growth for the Swiss fund market in 2005

Basel, 30 January 2006 – In 2005, the investment funds covered by the statistics on the Swiss fund market posted an extraordinary increase in assets of CHF 85.6 billion or 19.2% to a record high of CHF 530.7 billion, this coming largely on the back of the generally favorable conditions on the financial markets and the growing significance of funds in asset management for institutional investors. In the fourth quarter alone, the volume of assets invested in funds increased by CHF 33.1 billion or 6.7%.

The volume of assets in *equity funds* authorized in Switzerland rose by 25.1% compared with the end of 2004, this growth being primarily attributable to considerable gains on the assets held by the funds and a correspondingly pleasing performance. Over the course of the year, investors tended at times to withdraw modest amounts of assets from equity funds, but such moves were almost entirely offset by new investments and unit trading therefore had practically no impact on the volume of assets.

With an estimated increase of around CHF 9 billion, funds established for institutional investors made a significant contribution to the considerable growth enjoyed by the *bond funds* category. However, Swiss and foreign bond funds open to the broader investing public also enjoyed steady inflows of assets. These funds were on average also able to post pleasing gains on the investments held in their portfolios, one of the driving factors in this regard being the rising USD and EUR exchange rates. The increase in assets in this category thus came to 24.6%.

Asset allocation funds, which strategically diversify their investments across all asset classes, also fared well. Thanks to gains on the investments held and inflows, the volume of assets held by these funds rose by 9.8%. The low interest rates on money market and capital market investments continued to bolster demand for *real estate funds*, and several funds were thus able to successfully issue new units against subscription rights.

The strong growth in the 'other funds' category – which mainly comprises hedge funds – resulted from both the appreciation of investments held and inflows of assets. In Q4 2005, various providers launched new products with specialized investment policies for institutional investors, and these are now also included in the statistics, adding some CHF 8 billion. Despite the above-average growth in assets, this fund category still accounts for only a rather modest percentage (5.1%) of the overall market. That said, this figure does not give a meaningful reflection of the actual significance of these funds in terms of assets under management in Switzerland given that there are likely to be further considerable holdings in funds that are not offered publicly and are therefore not covered by this statistic.

As in previous years, *money market funds* were the only category to show outflows of assets. In the first six months of 2005 alone, investors withdrew CHF 9 billion from this category. Thereafter the withdrawals slowed clearly. The increases recorded were in some cases also attributable to higher USD and EUR exchange rates, given that money market funds are largely focused on investments in these currencies. Due to the increase in short-term interest rates, these funds generated somewhat higher investment returns once again, but they still had little appeal compared with other investment opportunities. It is therefore still

uncertain to what extent the waning outflows of assets indicates a turnaround in the downtrend for the money market fund category.

In December alone, the volume of assets placed in authorized funds in Switzerland rose by CHF 7.1 billion. With the exception of money market funds, all categories posted an increase in volumes; equity funds enjoyed the highest growth at CHF 4.9 billion thanks to the appreciation of investments held.

Switzerland's position as a fund location strengthened

Looking back at 2005, the strong growth in the volume of assets invested in funds established under Swiss law is particularly striking. Having virtually stagnated for several years, the past 12 months saw an increase of around 44% to CHF 175.9 billion. Their share of the overall market volume thus increased clearly to 33%. This development was above all attributable to the increasing number of funds established for institutional investors. This is likely to lend further impetus to the market for such products, and reinforce Switzerland's position as a fund location.

Development of the fund categories in 2005 (amounts in CHF billions)

Fund category	Volumes end-2004	Volumes end-2005	Inflows/ outflows	Market performance-related changes
Money market funds	76.0	72.9	-10.8	7.7
Bond funds	116.9	145.6	16.2	12.5
Equity funds	131.8	164.9	0.3	32.8
Asset allocation funds	97.0	106.5	3.5	6.0
Real estate funds	11.8	13.5	0.8	0.9
Other funds*	11.6	27.3	n.a.	n.a.
Total Swiss market	445.1	530.7	n.a.	n.a.

* In recent months, there has been a further pleasing increase in the number of funds covered by the TIF statistics, thus adding to the completeness of the TIF data. The newly featured funds may result in a minor distortion in the data on the development of assets, albeit without detracting from the meaningfulness of these data with regard to the prevailing trends.

Most widely held funds on the Swiss market
(volumes in CHF billions)

UBS (Lux) Money Market F.- USD	8.7
UBS (Lux) Money Market F.- EUR	8.3
UBS (Lux) Bond F.- EUR	6.3
UBS (Lux) Strategy F. – Yield (CHF)	4.5
UBS (Lux) Key Selection – Gl. Al. (USD)	4.3
UBS (Lux) Equity F. Euro Countries	4.3
UBS (CH) Property F. - SIMA	4.1
Activest Total Return D	4.1
UBS (Lux) Med.Term Bond F.- EUR	4.1
UBS (CH) Strategy F.- Yield (CHF)	4.0

Largest providers on the Swiss market
(volumes in CHF billions)

UBS AG	183.8
Credit Suisse Asset Mgmt. Funds	75.2
Swisscanto	35.9
Pictet Funds S.A.	26.9
Julius Baer Investment Funds Serv.	20.0
Lombard Odier Darier Hentsch	15.8
Clariden Bank	13.6
Swiss Life	11.2
Wegelin Fondsleitung AG	8.7
Coutts Bank von Ernst AG	8.6

The data used for these statistics are provided by “TIF-Transparency in the Fund Market”, a comprehensive fund database jointly launched by the Swiss Funds Association (SFA) and Swiss Exchange (SWX). The statistical evaluations are based on the data provided by TIF participants. TIF does not publish estimates. TIF is the first database that tracks the volumes of funds distributed in Switzerland, including all Swiss and foreign investment funds authorized in Switzerland placed in Switzerland via a Swiss distribution channel (= Swiss fund market).

Disclaimer: The SFA and SWX give no guarantee with regard to the correctness or completeness of the data published, nor do they give any guarantee with regard to the said data being up-to-date. The TIF statistics are based on the data recorded by TIF participants, and the said data are subjected to a plausibility check.

The TIF statistics and the monthly SFA market commentary can be found on the following websites: www.sfa.ch and www.swx.com/tif.

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