Media release

Strong growth for the Swiss fund market in 2006

Basel, 29 January 2007 – In 2006, the investment funds covered by the statistics on the Swiss fund market posted asset growth of CHF 57.5 billion or 10.5% to a new record high of CHF 607.3 billion. This came above all on the back of considerable inflows into asset allocation funds and funds for alternative investments, as well as the performance gains achieved by equity funds. Growth in the fourth quarter alone came to CHF 33.1 billion or 6.7%.

The strong upswing on the key stock markets in the second half of the year led to pleasing performance gains for *equity funds*. The appreciation stemming from market performance saw the assets in this fund category rise by 12.2% from the end of June 2006. The increase compared with the end of December 2005 came to 14.7%. Over the course of the year, investors invested CHF 75.6 billion in equity funds, but also tended to take profits when prices had risen. Funds investing in Swiss stocks were among those affected by this. The net withdrawal of assets totaling CHF 0.5 billion over the year as a whole is therefore more of a coincidental result, and conceals the considerable amount of activity by investors in the equity fund segment.

Asset allocation funds fared particularly well in 2006, this being in part attributable to new products launched by institutional investors. These funds – which implement a diversified investment approach – also attracted considerable volumes of assets from private investors. In addition to this, funds with higher equity weightings in particular enjoyed pleasing gains. All in all, the volume of assets invested in these funds grew exceptionally strongly in 2006, increasing by 21.9% year-on-year.

The withdrawals of assets in the case of *bond funds* in 2006 were in part attributable to shifts of institutional assets into other fund categories. This fund category suffered widespread withdrawals in the fourth quarter in particular.

Although the higher capital market interest rates weighed on bond prices, bond funds were able to post modest gains overall. The appreciation also reflects in part the increase in the EUR exchange rate, given that this accounts for around a third of investments in this fund category and more than offset the losses from the translation of the assets of funds focusing on USD investments.

Due to the increase in short-term interest rates, *money market funds* once again posted a somewhat higher investment return, but their appeal versus other investment options nonetheless remained low. As in recent years, these funds therefore recorded further withdrawals on balance. However, the net amount of withdrawals once again conceals a considerable amount of activity on the part of investors, which indicates that money market funds are continuing to play an important role in the short-term parking of investment assets.

In the *other funds* category, hedge funds above all continued to enjoy strong inflows of assets. In addition to this, the range of alternative investment options was increased with the launch of new products for investments in the commodities sector and products with special investment

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strategies, and these met with considerable interest among investors. As the investments of these funds are mostly in USD, the drop in the exchange rate had an impact on the appreciation in CHF terms, which nonetheless still came to more than 6%. Since the end of 2005, investors have increased their investments in this category by some 65%. In addition to investment policy considerations, the preference for authorized funds rather than products from 'offshore' locations is also likely to have contributed to this development.

The volume of assets placed in Switzerland in *real estate funds* has been in a narrow bandwidth since the beginning of the year, as asset inflows from capital increases, distributions and changes in NAVs have thus far largely balanced each other out. As an addition to domestic funds, Switzerland's big banks have set up real estate funds abroad with investment policies with an international focus, and are also selling these products mostly outside Switzerland. All in all, the assets invested abroad in real estate funds of Swiss providers amount to around CHF 9 billion, thus bringing the total volume of their real estate funds above the CHF 21 billion mark.

The volume of assets placed in Switzerland in authorized funds rose by CHF 9.3 billion or 1.6% in December alone. With the exception of bond funds and money market funds, all categories showed an increase in assets, with equity funds posting the highest growth (CHF 6.3 billion) thanks to the appreciation of investments held by the funds.

Switzerland's position as a fund location strengthened further

Looking back at 2006, the strong asset growth of funds set up under Swiss law is once again striking, rising by a further 32% to CHF 231.8 billion to follow on from the 44% increase in 2005. There was thus a clear and pleasing rise in their share of the overall market volume to 38%. This development was attributable to the increasing number of funds set up for institutional investors. The use of investment funds can greatly simplify their asset management, which is likely to lend further support to the market for such products. There was also a rise in the number of funds for alternative investments launched in Switzerland, which are playing an increasingly important role in portfolio diversification, and this also contributed to the stronger position of Switzerland as a fund location.

Development of the fund categories in 2006 (amounts in CHF billions)

Fund category	**Volume at end-2005**	**Volume at end-2006**	**Inflows/ outflows**	**Market performance-related changes**
Money market funds	73.7	69.3	– 5.0	+ 0.6
Bond funds	152.4	147.6	– 6.5	+ 1.7
Equity funds	173.9	199.5	– 0.5	+ 26.1
Asset allocation funds	107.8	131.4	+ 17.0	+ 6.6
Real estate funds	12.3	12.3	+/– 0	+/– 0
Other funds	29.7	47.2	+ 15.1	+ 2.4
Total Swiss market	**549.8**	**607.3**	+ **20.1**	+ **37.4**

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Most widely held funds on the Swiss market (volumes in CHF bn)[1)]

UBS (Lux) Money Market F. - USD	6.8
UBS (Lux) Money Market F. - EUR	6.4
UBS (Lux) Key Selection – Gl. Al. (USD)	6.1
UBS (Lux) Strategy F. – Yield (CHF)	4.2
UBS (Lux) Equity F. - Euro Countries	4.2
UBS (Lux) Equity F. - USA	4.2
Activest Total Return	4.1
UBS (Lux) Key Selection – Gl. Al. (EUR)	4.0
UBS (Lux) Bond F. - EUR	4.0
Pictet Money Market F. – CHF	3.9

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

UBS AG	178.7
Credit Suisse Asset Mgmt. Funds	84.5
Swisscanto	48.5
Pictet Funds S.A.	30.0
Julius Baer Funds (incl. GAM)	28.7
Swiss Life	22.1
Lombard Odier Darier Hentsch	16.6
Clariden Bank	15.5
Wegelin Fondsleitung AG	15.1
Zürcher Kantonalbank	8.8

1) excluding funds restricted to institutional investors

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).

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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The Swiss Funds Association (SFA), which was established in Basel in 1992, is the representative association of the Swiss fund and asset management industry. Its members (as of December 2006: 117) include all the major Swiss fund management companies and many representatives of foreign funds in Switzerland as well as institutional asset managers. The SFA's members cover more than 90% of the some CHF 600 billion in fund assets placed in Switzerland. www.sfa.ch