

Media release

Swiss Fund Data – market commentary

Fund market overshadowed by financial crisis – strong inflows into money market funds

Zurich, 26 January 2009 – The price losses on the securities markets and withdrawals by investors saw the volume of assets placed in Switzerland in the investment funds covered by the statistics fall by CHF 102.3 billion or 18.5% in 2008 to CHF 452.0 billion. Equity funds were hardest hit by the turbulence on the financial markets, while money market funds profited from the prevailing flight into investment instruments offering price stability.

The volume of assets in *equity funds* fell by CHF 64.5 billion or 39% in 2008. This was above all attributable to the massive price slumps on the equity markets, which resulted in a decline of CHF 59.0 billion. Meanwhile, withdrawals of assets remained relatively limited at CHF 5.5 billion. In Q3 2008 alone, investors even increased their equity fund exposure by around CHF 0.7 billion. Funds focusing on Swiss stocks were able to attract some CHF 3 billion in new assets in 2008. This was also a significant factor in these funds posting a decline that was well below the average at -26%. Funds focusing on European stocks (ex Switzerland) performed in line with the general trend in this fund category, with products investing in Eastern Europe, Asia, the US and certain emerging markets ranking among the heaviest losers.

Depreciation in the value of investments was also the main reason for the drop in the volumes of *asset allocation funds*. Unlike in previous years, investors withdrew assets from these funds almost continuously throughout 2008, with funds with higher equity weightings being particularly affected.

As in 2007, investors continued to give *bond funds* a wide berth in 2008. High asset withdrawals coupled with much lower losses on investments held saw their volumes decline by CHF 23.1 billion or 21%. Funds investing in longer-term CHF bonds were best able to distance themselves from the prevailing trend in this category. Funds focusing on investments in USD bonds suffered the heaviest losses. It is hard to discern any investment policy reasons for the poor showing of this fund category, given that the interest-rate cycles and the resulting earnings expectations have thus far had scarcely any noticeable influence on investor behavior with regard to these funds. A weightier factor may have been shifts into money market funds, or investors in the bond segment making more direct investments in individual securities.

The biggest winners on the fund market in 2008 were *money market funds*. Fresh assets have been flowing into this category steadily since mid-2007. These funds have also shown no correlation with the fluctuations in yields on the money markets. The bulk of the CHF 26.2 billion in new assets invested in money market funds in 2008 is likely to have stemmed from sales in other fund categories, as experience shows that money market funds are popular instruments for the temporary parking of investment capital during phases of heightened uncertainty on the financial markets.

Funds for *alternative investments* also steadily attracted fresh assets through to Q3 2008. Although there were increasing withdrawals in recent months, there remained a considerable increase in new money for the year as a whole. However, depreciation on investments saw the volume of assets in this fund category fall by CHF 1.7 billion or 10.3% year-on-year. These statistics cover only the assets of the funds authorized for sale in Switzerland, and therefore reflect only a part of the collective investment schemes held by investment clients, which are likely to also include considerable amounts of products that are not offered publicly.

Real estate funds have enjoyed steady inflows of new assets from capital increases since the end of January 2008 (given the strong expansion in the range of funds covered comparisons cannot be made with the end of 2007). Coupled with the appreciation in holdings, this resulted in a pleasing increase in assets of CHF 1.7 billion or around 10%. 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 successfully selling these products outside Switzerland. All in all, the assets invested abroad in real estate funds of Swiss providers amount to around CHF 10 billion, bringing the total volume of their real estate funds to around CHF 28 billion.

The drop in the volume of assets invested in the funds comprising the *other funds* category (down CHF 13.1 billion or 28%) was attributable to the negative performance of funds for convertible and warrant bonds, as well as tax-privileged retirement savings products that also invest their assets in equities. Withdrawals of assets by investors also contributed to a lesser extent to the negative showing of this fund category.

Total fund volumes fell by CHF 0.8 billion in *December* 2008 alone. The only categories to show a stronger decline were asset allocation funds and funds for alternative investments. The temporary recovery in prices on the securities markets and inflows of assets helped the funds covered by the other categories to post slightly higher volumes across the board.

Development of the Swiss fund market in 2008 (amounts in CHF billions)

Fund category	Volumes Dec. 2007	Volumes Dec. 2008	Inflows/ outflows	Market performance-related changes
Money market funds	66.9	98.8	+ 26.2	+ 5.7
Bond funds	112.4	89.3	- 17.9	- 5.2
Equity funds	165.6	101.1	- 5.5	- 59.0
Asset allocation funds	130.7	97.2	- 6.1	- 27.4
Real estate funds	16.6 ¹⁾	18.3	+ 1.2	+ 0.5
Funds for alternative investments	15.4	13.7	+ 1.3	- 3.0
Other funds	46.7	33.6	- 4.7	- 8.4
Total Swiss market	554.3	452.0	-5.5	-96.8

¹⁾ as at end-January 2008

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

UBS (Lux) Money Market F. - EUR	7.7
Pictet (CH) Money Market F. – USD	7.6
Pictet (CH) Money Market F. – CHF	6.2
Pictet (CH) Money Market F. – EUR	6.1
UBS (Lux) Money Market F. – USD	6.1
UBS (Lux) Money Market F. – EUR	4.9
CS (Lux) Money Market F.- EUR	4.5
Pictet (CH) Sovereign MMF - CHF	3.9
Reichmuth Matterhorn	3.9
Pictet (CH) Sovereign MMF - USD	3.8

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

UBS AG	105.8
Credit Suisse Asset Mgmt. Funds	63.0
Pictet Funds S.A.	48.5
Swisscanto	43.5
Swiss Life	25.1
Zürcher Kantonalbank	14.4
Clariden Leu Ltd.	10.6
Raiffeisen banks	6.9
Sarasin Bank & Co. Ltd	6.1
Reichmuth & Co., Investment Funds	5.3

1) excluding funds restricted to institutional investors

The above commentary is based on the information of the fund providers participating in the Swiss Fund Data AG system. All data refer to the assets placed in authorized Swiss and foreign funds via Swiss distribution channels.

The statistics and commentaries on the Swiss fund market published by Swiss Fund Data AG can be found on the following website: www.swissfunddata.ch

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