



Hong Kong Investment Funds Association

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YTD fund sales soar by 97%

In the first ten months of 2010, the fund industry registered gross and net sales of US\$23,085 million and US\$5,201 million respectively, according to the Hong Kong Investment Funds Association (“HKIFA”). Gross sales saw an increase of about 97% while net sales saw an even more impressive growth, by 166%.

Bond funds had been the key contributor to the increase, both in terms of gross and net sales. On a year-to-date (“YTD”) basis, gross inflows into bond funds amounted to US\$10,332 million, 2.2 times over that of the 2009 inflows. Net sales also rose by more than two times, from US\$1,672 million to US\$5,094 million.

Sales of equity funds, while continued to be strong, paled in comparison when compared with bond funds. Equity funds managed to register gross sales of US\$10,752 million so far this year, up by 54% over the same period of last year. However, net sales had shrunk by 60%, from last year’s US\$1,539 million to US\$609 million.

In fact, six out of the 13 equity sectors registered net outflows. On the other hand, all bond categories enjoyed net inflows, in particular, global bond funds (US\$3,049 million) and Asian bond funds (US\$1,407 million).

The equity sectors that were still able to attract sizeable net inflows were Greater China funds and emerging markets funds. Net inflows were at US\$430 million and US\$336 million respectively. Net sales of emerging markets funds this year had improved by about 11%, but net inflows into Greater China funds had dropped by about 50% as compared with the corresponding period in 2009. In the first half of this year, Greater China funds had consistently registered robust monthly net inflows, except for the month of April. However, since the middle of this year, net inflows had started to taper off; and from August onwards, it continued to see monthly net outflows, though the level of outflows in October was more subdued than the previous two months.

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Most of the other equity fund categories also suffered net outflows in October, with Hong Kong equity funds and European Single market funds being the exception. As virtually all equity sectors registered net outflows, equity funds as a whole saw aggregate net outflows of US\$206 million – though this was already much more subdued as compared with the US\$642 million registered in September.

In October, bond funds continued to attract more investor interest and register net inflows. However, the level of inflows was lower than the August and September levels – at US\$352 million (October) vs. about US\$600 million per month back then.

As to the sales outlook for the first quarter of 2011, Ms Sally Wong, CEO of HKIFA said, “as interest rates remain extremely low, the general public are not satisfied with keeping their money in deposits, and are keen to put their money to work.

“To reduce concentration risks, it is likely that people wish to look beyond the HK stock and property markets to other markets and asset classes. However, the investment market is plagued by a lot of uncertainties, ranging from the sovereign debt crisis in eurozone to the implications of QE2, from the volatilities in the currency market to the inflationary pressures in the emerging markets.

“Against this backdrop, we have seen that more and more investors are increasingly turning to mutual funds to seek professional support to help them navigate the choppy water and to capitalize on the global investment opportunities.”

HKIFA has 57 fund management companies as full/overseas and affiliate members. It has 50 associate members, which include trustees and other professionals that are involved in the creation and administration of funds.

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