



## Hong Kong Investment Funds Association

1505 Tak Shing House, 20 Des Voeux Road Central, Hong Kong

Tel: (852) 2537 9912 Fax: (852) 2877 8827, 2877 2368

Website: <http://www.hkifa.org.hk> E-mail: [hkifa@hkifa.org.hk](mailto:hkifa@hkifa.org.hk)

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### Fund industry registers robust sales in the first half of 2011

In the first six months of 2011, the fund industry registered gross and net sales of US\$21,056 million and US\$5,103 million respectively, according to the Hong Kong Investment Funds Association (“HKIFA”). They represented an increase of 30.6% and 188.2 % over the respective levels registered in the second half of last year. Compared with the corresponding period in 2010, gross and net sales went up by 66.3% and 14.2% respectively.

The fund industry registered robust sales in the first six months of this year as investors are eager to put their money to work under the extreme low interest rate environment and the threat of inflation. On a half yearly basis, gross sales in the period were the second highest on record and net sales even reached record high.

In the first half of 2011, monthly gross inflows were between US\$2.5 billion and US\$3.9 billion, and each month was able to register net inflows. However, net sales dropped gradually after a strong start in January and only started to pick up in May. Gross and net sales of the 2<sup>nd</sup> quarter of 2011 were at US\$11,221 million and US\$3,075 million respectively, up by 14.1% and 51.7% over the 1<sup>st</sup> quarter.

As to which categories were more popular: flows into equity funds outpaced bond funds in the 1<sup>st</sup> quarter, but the tie turned in the 2<sup>nd</sup> quarter.

For the first six months of 2011 as a whole, equity funds accounted for 49.5% and bond funds represented 39.9% of the industry gross total. But in terms of net sales, bond funds fared better. Unlike last year when most of the net inflows went into bond funds (their net sales accounted for around 80% of the industry total in 2010), both bond funds and equity funds managed to attract sizable net inflows in the first half of 2011, at US\$2,781 million and US\$2,055 million respectively.

Compared with the same period in 2010, gross sales of bond funds increased by 62.9%, and reached US\$8,391 million. Net inflows dropped slightly, by 5% but still maintained at a robust level (US\$2,781 million). However, not all bond sectors were able to attract inflows – European bond funds witnessed marginal net outflows of US\$7.3 million.

In the first six months of 2011, Global bond funds came first in terms of gross sales, by registering inflows of US\$2,881 million. But on a net basis, it was the emerging markets bond sector that attracted the highest inflows, at US\$1,424 million. This was followed by Asian bond funds which pulled in US\$1,016 million. These two categories accounted for 87% of the total net inflows into bond funds and far exceeded those that went into global and U.S bond funds.

Equity funds witnessed net outflows of US\$253 million in the second half of last year. However, they staged a comeback by attracting net inflows of US\$2,055

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million in the first six months of 2011. Compared with the first half of last year, net sales went up by 22.2%. On a gross basis, equity funds saw an increase of 64.3%, reaching US\$10,419 million.

Out of the 13 equity categories, nine registered net inflows; and Sector equity funds were the one which attracted the largest net inflows, at US\$663 million. This was followed by European single market funds and Asia Regional (exclude Japan) funds, with each registering about US\$400 million net inflows. Out of the four equity categories that saw net outflows, Greater China equity funds, which used to be the most popular category, saw the highest net outflows, at US\$113 million.

As for the sales outlook, Mr. Desmond Ng, Chairman of HKIFA said, “the markets have been plagued by a lot of uncertainties: the Eurozone sovereign crisis, the worsening US fiscal position, the anemic global economic growth; as well as the inflationary pressure in the emerging markets all have dampened investment sentiment. The downgrade in the US credit rating has further exacerbated the situation and global markets have experienced extreme volatilities of late.”

Mr. Terry Pan, Vice Chairman of HKIFA added that “Given the continued uncertain market outlook, it is likely that investors will incline to remain on the sidelines. Fund sales will probably remain muted in this quarter and may start to improve towards the final quarter.”

HKIFA has 62 fund management companies as full/overseas and affiliate members. It has 49 associate members which include lawyers, accountants, trustees and other professionals that are involved in the creation and administration of funds.

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