



Hong Kong Investment Funds Association

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Fund sales stages a major comeback in Q1

The fund industry registered robust gross inflows of US\$6,425 million and net inflows of US\$2,413.31 million in the first quarter of 2010. They represented an increase of 24% and 105.6% over the respective levels registered in Q4 of 2009, according to the Hong Kong Investment Funds Association (“HKIFA”).

Compared with the corresponding period in 2009, fund sales had staged a major comeback – an increase of 252% in terms of gross sales; and a change from net outflows (US\$130.9 million) in Q1 last year to strong net inflows of close to US\$2.5 billion this year.

In the first quarter, equity funds accounted for the lion’s share - about 52% - of the industry gross sales. Aggregate gross sales increased from Q4’s US\$3,025.82 million to US\$3,347.42 million. Their popularity was even more apparent on a net basis - inflows soared by 66.9% to US\$1,089.05 million from Q4.

However, not all equity sectors enjoyed the pick-up in sales. In fact, inflows were primarily registered by only three categories, namely Greater China Region equity funds, emerging markets and sector funds. Altogether, they pulled in US\$2,409.72 million, accounting for about 72% of the total inflows into equity funds.

Their share in net sales was even bigger: they registered aggregate net inflows of US\$970.59 million, amounting to close to 90% of the equity sectors’ net total.

The pattern bore some resemblance to that registered in Q1 of 2009, when these three sectors took up 72% of the aggregate gross sales of equity funds. But the level of inflows in Q1 last year was much more subdued, at only about one third of this year’s inflows. And amongst the three sectors, only Greater China region funds and sector funds were able to register net inflows last year.

Whilst equity funds accounted for the bulk of fund sales, it were the bond sectors that saw the biggest increase in sales in both dollar and percentage terms in the last quarter. In fact, on a net basis, bond funds pulled in aggregate inflows of US\$1,412.66 million, surpassing that of equity funds, which were at US\$1,089.05 million.

Gross sales of bond funds soared by 60%, from Q4’s US\$1,533.49 million to Q1’s US\$2,459.52 million. On a net basis, the increase was even more substantial – at over 83% to US\$1,412.66 million. In the same period last year, bond funds’ sales were lackluster, with gross and net inflows at a meager US\$381.87 million and US\$36.83 million respectively.

Global, Asia and emerging markets bond funds all attracted robust inflows and they

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accounted for 93.7% of the bond sectors' gross total; and 97.3% of the net total.

As for the outlook of fund sales, Mr. Desmond Ng, Chairman of HKIFA said, "as the global economy continues to recover, risk appetite has increased. We expect that more investors who have remained on the sidelines will be putting money to work.

"The global economy is probably at an inflexion point – the key determinant in the coming months is whether the central banks can appropriately time the exits and whether the private sectors can take over to sustain the growth momentum. It is a fine balancing act between spurring growth and yet preventing the economy from overheating. It is inevitable there will be uncertainties in the process.

"However, by and large, the global economy is on a recovery trajectory and in the current low interest rate environment, investors are keen to look for alternative avenues to deploy their savings more effectively. And we believe that mutual funds, with its robust framework and diverse offerings, will provide an effective means for diversification and for helping them to navigate the complex financial landscapes."

"It is expected that fund sales will continue to improve, though the rate of growth may be more moderate after a strong rebound."

HKIFA has 53 fund management companies as full/overseas and affiliate members. It has 47 associate members, which include trustees and other professionals that are involved in the creation and administration of funds.

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