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Research Report

Current trends in the European asset management industry: Lot 1

ZEW-Gutachten

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Current Trends in the European Asset Management Industry Lot 1

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Report

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1. Introduction

The aim of Lot 1 of the project “Current Trends in the European Asset Management Industry” was to collect asset management (AM) related data and to analyse the current developments of the investment funds industry. A database with historical series on different important market indicators was designed to achieve a better understanding of the functioning of the AM market and to identify current trends which could affect the future development of the market for asset management. The data and the reports of Lot 1 are deemed to serve also as a basis for the analysis of Lot 2 of this project. Lot 2 has been conducted by Oxera Consulting Ltd. and focuses on trends that have an impact on the integration and risk features of the European AM market.

There exist several data sources concerning the AM industry which are of major importance for the project and which have been supplied by data vendors, professional associations, and statistical agencies. However, most of them focus only on a particular segment of this industry or on a particular part of the value chain. The data providers also often use different definitions which make data comparisons and consolidation difficult. There are also some studies and surveys that have dealt with the industry’s main trends in recent years. Due to the dynamics of the AM industry and the focus of former research on particular trends, most of the surveys are already outdated or provide only an incomplete picture of the market. Furthermore, little or no data are available regarding the EU-10¹.

The principal added value of the database created by ZEW/OEE is bringing together various data sources covering different parts of the AM value chain, different market segments and countries. The ZEW/OEE database offers a comprehensive set of historical data for the EU-15 as well as for most of the EU-10 countries. In addition, ZEW and OEE conducted a survey amongst national regulatory and supervisory authorities, AM professional associations (members of The European Fund and Asset Management Association (EFAMA)), national insurance, bank and pension fund associations and the national central banks.

This report provides key results from the explorative data analysis on selected indicators based on figures from the ZEW/OEE database. The identified main industry trends and conclusions are derived from an analysis of the data series contained in our database. In addition, we also used statements from market insiders, which were obtained with the aid of our survey. The indicators in the database as well as in this report are clustered into five main groups: market description, competition, distribution, integration, and efficiency indicators. After presenting the main conclusions of data analysis in section 2 we briefly describe the methodology and data sources used for collection of AM related information and design of the database in section 3.

2. Current Trends in the European Asset Management Industry

2.1. Market Development

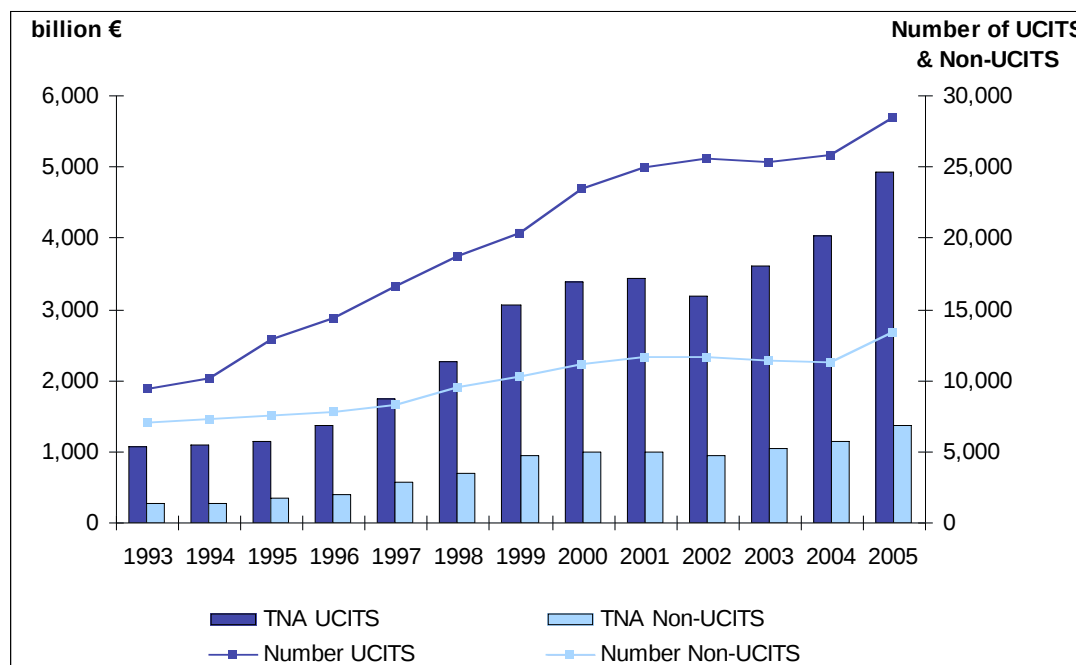
During the second quarter of 2006 the net flows to undertakings for collective investments in transferable securities (UCITS) in Europe fell to EUR 54 billion after the achieved record of EUR 186 billion in the first quarter of 2006. Luxembourg-domiciled funds attracted 87% of UCITS net inflows in Q2. The importance of this market share reflects the continuing rise of Luxembourg for cross-border fund distribution and “round-trip” funds.²

¹ EU-10 is the abbreviation for the new European member states: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovenia, and the Slovak Republic.

² See EFAMA - Trends in the European Investment Funds Industry in the Second Quarter of 2006 and Results for First Half of 2006.

Taking the 2005 year end data the European investment fund industry recognised a third year of consecutive growth after the decline in 2002. Total fund assets under management of UCITS and non-UCITS grew 22% – more than twice the growth seen in 2004 and reached EUR 6,302 billion.³ The compounded annual growth rate amounted to nearly 15% in the time period 1993-2005.

Figure 1: Net Assets and Number of European Investment Funds



Sources: ZEW/OEE database, data from EFAMA on all EU-15 countries and 4 from the EU-10 (Czech Republic, Hungary, Poland, Slovakia)

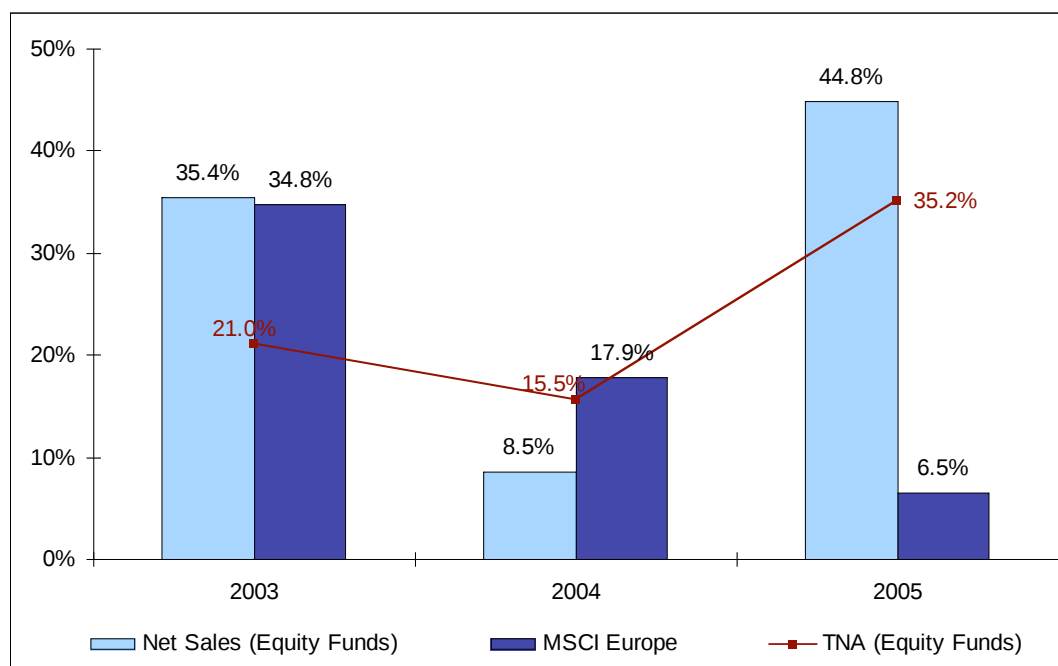
The strong gains recorded by equity markets since 2002 and the resultant higher interest in investing in equity funds caused an increase in the total net assets (TNA) of these funds by 35% in 2005. This was the largest annual increase since 1999. In 2005 equity fund assets reached their highest level ever (EUR 1,760 billion) and accounted for 41% of all UCITS assets (bond funds accounted for 27%) compared with 36% (28% for bond funds) one year ago.

Figure 2 shows the TNA growth rates of European equity funds compared with the growth of net sales of these funds and the MSCI Europe Index. This index serves as a proxy for the change of the stock prices of the funds' underlying assets.

In addition to the growth rates, we considered the number of equity funds which decreased in 2003 and 2004 and increased slowly in 2005, in contrast to the continuous increase of TNA for this period. Consequently, we conclude that the positive development of the stock markets was the main driver of the TNA growth in 2004. In 2005 the significant rise of net inflows in new and old funds caused the high TNA growth.

The ratio of TNA to GDP, aggregated for 19 EU countries, increased from 48% in 1999 to 59% in 2005. This means that the importance of investment funds in Europe not only increased in absolute terms but also relative to GDP.

³ Fund of funds have been excluded in order to avoid double counting of assets.

Figure 2: Equity Funds: Comparison of TNA, Net Sales, and MSCI Europe Index (Year-on-Year Growth Rates in %)

Source: ZEW/OEE database, Feri FMI, EcoWin, ZEW calculations

Looking at the number of UCITS by country of domicile⁴ in 2005, approximately 52% of the funds are domiciled in the two largest markets, i.e. Luxembourg (25%) and France (27%). With respect to total net assets the market shares of Luxembourg and France are 28% and 23% respectively. Table 1 contains the total net assets of UCITS since 2000 by country.

Table 1: Total Net Assets of UCITS

TNA UCITS (m €)	2000	2001	2002	2003	2004	2005
Austria	60,005	61,931	63,771	69,662	76,140	92,400
Belgium	74,611	77,018	71,500	78,166	86,906	97,749
Czech Rep.	2,137	1,980	3,144	3,233	3,568	4,518
Denmark	31,104	32,815	30,700	39,219	47,573	63,744
Finland	13,860	15,026	15,741	20,270	27,647	38,498
France	766,100	800,200	805,900	909,300	1,006,500	1,155,100
Germany	252,580	239,667	199,456	218,779	217,309	251,578
Greece	30,944	26,794	25,386	30,398	31,647	27,943
Hungary	2,068	2,778	3,807	3,116	3,647	5,144
Ireland	145,399	215,188	238,501	285,372	343,308	463,035
Italy	457,791	414,152	370,305	390,430	375,694	381,889
Luxembourg	792,781	851,060	766,539	874,198	1,024,984	1,386,611
Netherlands	91,292	79,800	66,773	73,358	74,620	79,984
Poland	1,660	3,333	5,214	6,790	8,821	15,016
Portugal	17,604	18,642	19,041	21,366	22,403	24,414
Slovakia	103	149	345	823	1,591	2,709
Spain	182,977	177,874	170,815	202,173	233,124	268,598
Sweden	83,176	73,548	55,302	69,474	78,603	100,923
UK	387,414	355,669	275,471	313,953	357,342	463,766

Source: ZEW/OEE database, data from EFAMA

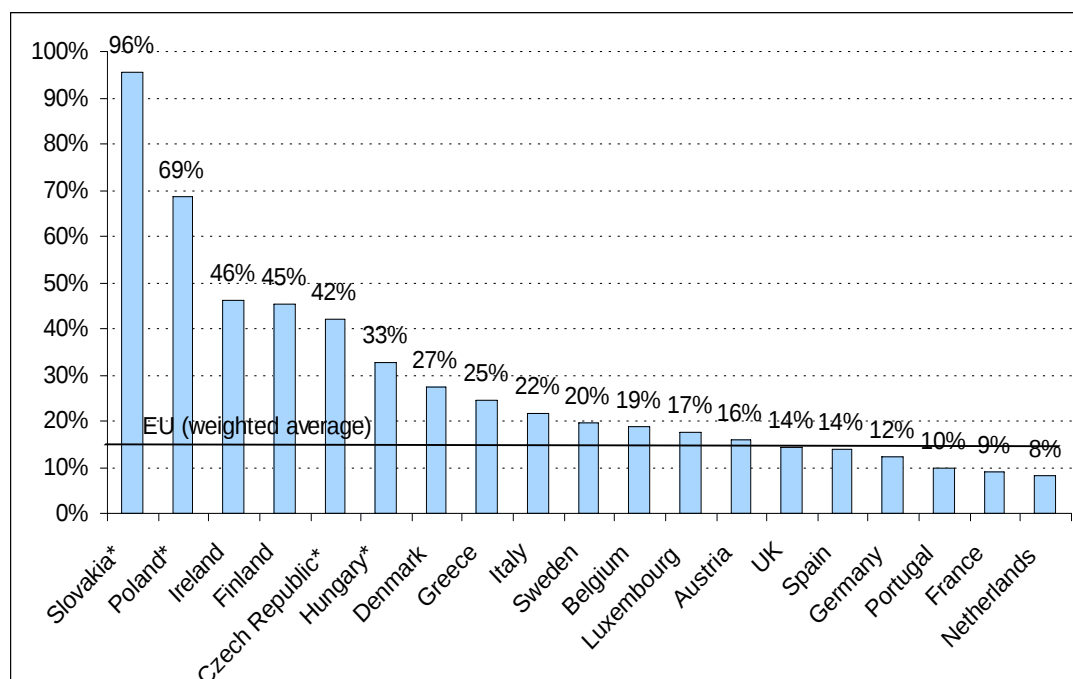
⁴ We consider the country where the investment fund is registered for regulatory purposes as fund domicile.

Although Luxembourg and France are Europe's leading investment fund domiciliation centres, their market characteristics and the reasons for their leadership strongly differ. The registration of funds in Luxembourg is due to regulatory purposes as well as commercial attractiveness. Most of the funds are neither managed nor sold in this country. In contrast, the importance of the French UCITS industry can be explained by the fact that French private investors are investing a major part of their savings in UCITS directly or through life insurance contracts. Life insurance contracts account for one-third of households' financial assets in France and the major part is invested in UCITS. Furthermore most of the funds sold to French investors are domiciled in France (contrary to Germany, Italy and Belgium).

Considering the TNA growth rates of UCITS by country of domiciliation in 2005, Luxembourg and Ireland recorded a high asset growth of 35%, second only to the record growth rates of the EU-10 countries Slovakia and Poland (70%), and Hungary (41%). Among the other countries the UK market also experienced a high growth rate of 30% in 2005, followed by Germany (16%), Spain and France (both 15%). By contrast, Italy had a very low growth rate of 2% and Greece was the only country which experienced a reduction in UCITS assets due to very large outflows from the money market in 2005. The European growth rate for 2005 amounted to 22%.

Analysing the long term development, the average growth rate in Europe for the period 1994 - 2005 was 14% (see Figure 3). While in Ireland and Finland an asset increase of more than 45% was recorded in this period, growth in Germany, Portugal, France and Netherlands was lower than the EU average.

Figure 3: Annual Average Growth Rates of Total Net Assets of UCITS (1994-2005)



Source: ZEW/OEE database, data from EFAMA, ZEW calculations. *Calculations start 1997 for Czech Republic, 1998 for Hungary, 1999 for Poland and 2001 for Slovakia.

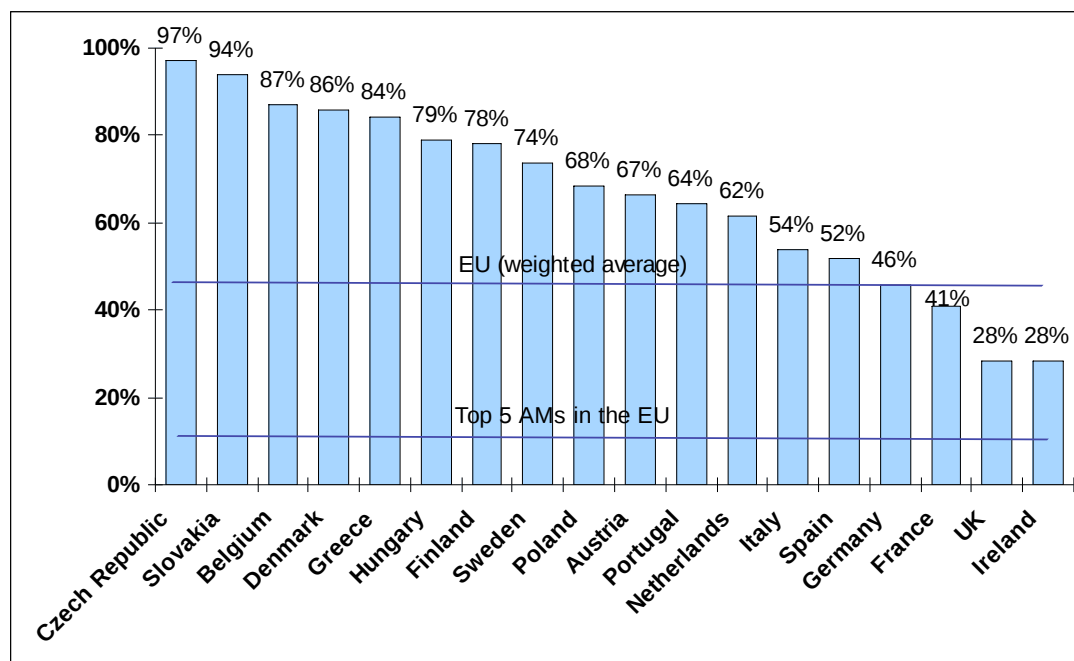
2.2. Market Concentration and Competition

2.2.1. Market Share of Top 5 Asset Managers

The level of market concentration for the top 5 asset managers (AMs) can be used as an approximate indicator of competition for the total AM market. In the following we calculate the market concentration for the largest 5 AMs, which in most countries represent the majority of total net assets and in some countries even approaches almost 100% of TNA. The market concentration for the top 5 AMs can be used as a rough measure of competition for cross-country comparisons. Figure 4 shows a cross-country comparison for the year 2004 using the latest data from EFAMA.

An analysis of the market share of the top 5 asset management companies shows that the least concentrated markets are UK and Ireland with 28% of the TNA allocated to the top 5 AMs. In addition to the relatively low market concentration in France (41%) and Germany (46%) a higher number of firms is active in these countries (323 and 141 respectively).⁵ The most concentrated markets are the Czech Republic (97%) and Slovakia (94%). There is evidence that the competition in the new markets is much lower than in the EU-15. In the Czech Republic the market concentration even increased again significantly in the years 2003 and 2004. In contrast, the strongest decrease of market share of the top 5 AMs by almost 8 percentage points has been realised in Spain, according to EFAMA. The average value for the EU weighted by the volume of each market is 46%. Considering the EU market as a whole, the share of top 5 AMs was 9.5% in 2004 and 2005 and has declined by 2.2%-points since 2001.

Figure 4: Market Concentration – Market Share of Top 5 Asset Management Companies (in terms of TNA, 2004)



Source: ZEW/OEE database, data from EFAMA, Feri FMI, ZEW calculations

Additionally to the EFAMA data, the Feri figures also show that the well established markets and those with a relatively high volume are much less concentrated, with a low market share

⁵ Source: ZEW/OEE database, Feri FMI.

of top 5 AMs and high number of firms⁶, than the new and smaller ones. This regards especially to Luxembourg with a market share of 36% and 235 AMs in 2005. The Feri data illustrate that the competition dynamics are characterised by decreasing market share of the top 5 AMs in 2005 for most of the countries. The strongest decrease was in Hungary with nearly 8 percentage points, in Sweden and Denmark with almost 4 percentage points, and France 1.2 percentage points. We find a continuous reduction of the market concentration in Hungary since 2002 (on average by 4.6 percentage points per year), Germany since 2002 (about minus 1.9 percentage points per year) and in France since 2003 (average decrease by 0.8 percentage points per year).

Analysing the market share of AMs belonging to a financial institution and those that do not belong to a financial group (asset management specialists), we find that the industry is clearly dominated by companies that belong to a bank or insurance company. Since 2001 the average market share of these AMs has amounted to nearly 90% for the EU (i.e. France 85%, Luxembourg 89%, and Germany 95%). Only in Ireland and the UK are relatively more independent asset management specialists active (market share of the AMs belonging to a financial institution was on average “only” 53% and 67% respectively).

2.2.2. Market Share of Top 5 Support Companies

The ZEW/OEE database includes information provided by Feri on TNA of third party administrators (TPA), custodians, investment advisors (IA) and transfer agents (TA). Using these data series we analysed the development of the market concentration by calculating the share of the top 5 companies executing these functions for the AM industry.⁷

As some of these functions can also be conducted in-house, we investigated the trend to outsource these tasks to support companies by comparing the share of third-party with in-house execution. Our findings to the outsourcing trends are described in section 2.5 “Efficiency” (see pp. 12-13).

The calculated market shares are based on TNA of the fund for which the support company provides services, i.e. the TNA relates to the fund companies that are outsourcing certain functions, not to the supporting companies’ assets. Furthermore in some countries less than 5 support companies have been active and therefore the market share for these countries amounts to 100%. For the EU we calculated average concentration ratios⁸ and, in addition, median concentration ratios. The median is generally less sensitive to outliers than the mean and thus a better measure than the mean for highly skewed distributions. In our case the medians are near to 100% due to the high number of countries where the market shares of top 5 is 100%.

Luxembourg has the most competitive market for TPAs in Europe with a market share of the top 5 TPAs of less than 60% in 2005. We observed a clear trend of decreasing market concentration within the Irish TPAs. The market share of the top 5 TPAs has declined by 17 percentage points (from 84% in 2001 to 67% in 2005). The results for Germany, the UK and France do not vary significantly from each other. The average market shares of each of these three countries amounts to about 75% (average 2001 - 2005) and has remained relatively

⁶ The ZEW/OEE database includes information on the number of AMs in each country. Hereby we distinguish between country of AM’s domicile and country of market focus.

⁷ For this analysis we consider each country as a market place where funds are distributed and not as a place of fund domiciliation.

⁸ For the calculation of the weighted average concentration for the EU we used the market concentration of each country for the respective third party support function weighted by the share of the country’s TNA.

stable over this period. While the EU weighted average declined from 73% in 2001 to 68% in 2005, the EU median is approximately 95%.⁹

For most custodian markets we observed a slightly declining concentration. Germany and Italy are the less concentrated custody markets with a market share of the top 5 custodians in 2005 of about 50%. The concentration in these two countries has declined since 2001 by 9 percentage points. In the UK and Luxembourg the market concentration has remained relatively stable at about 70% since 2001. Ireland, Belgium and Denmark have experienced the highest decline in market concentration by approximately 14 percentage points since 2001 and have reached concentration levels of 73%, 76% and 70% in 2005, respectively. Referring to the smaller member states a trend can hardly be analysed because less than 5 companies are active there and the market concentration is therefore (close to) 100%. The EU average has declined continuously since 2001 (by about 1.2 percentage point per annum) and reached 69% in 2005. The median declined from 94% in 2002 to 89% in 2005.¹⁰

The German market for investment advisor (IA) services is characterised by the lowest market share of the top 5 companies (28% in 2005) within the EU. The decrease of 17 percentage points between 2001 and 2004 in Germany and 19 percentage points between 2002 and 2005 in Austria shows a significant increase of competition within these two countries. The high discrepancy between the shares of top 5 IAs in the UK (on average 76% between 2001 and 2005) and in Germany is due to the very different structure of these markets. The German market is less concentrated (120 IAs, according to Feri) than the UK market (35 IAs, according to Feri). Between 2001 and 2005 the aggregated average fund volume supported by IAs increased from EUR 88 to EUR 191 million in Germany and from EUR 510 to EUR 696 million in the UK. Only Luxembourg experienced an increasing market concentration with a share of the top 5 IAs of 68% in 2002 and 77% in 2005. In all other countries the market share has been decreasing in the last years. The EU average declined from 81% in 2001 to 73% in the year 2005.

In most EU countries the market share of the top 5 transfer agents (TAs) has steadily decreased over the last five years. The average market share experienced a decline from 84% in 2001 to 77% at the end of the observation period in 2005.

In Ireland this trend seems to be stronger than in other countries (decline from 94% in 2001 to 79% in 2005). The decrease of market concentration in the UK in this period was only 3 percentage points and the market share of the top 5 TAs amounted to more than 90% in 2005 in terms of TNA. On the other hand, the Italian TA market has the lowest market concentration of about 65% in 2005. Germany was the only country where the market share of the top 5 TAs has increased since 2001 (from 72% in 2001 to 75% in 2005).

2.3. Fund Distribution

2.3.1 Distribution Channels

Mutual fund distribution in Europe is a process that is undergoing fundamental change and a proper understanding of its structure requires some level of historical reference and the identification of the drivers that are forcing change. European mutual funds have existed for many decades and their early phase of development was within a simple structure (usually within a bank), incorporating all elements of the value chain from manufacture, to

⁹ The EU values comprise the EU-15 countries.

¹⁰ The EU values are based on 20 countries, i.e. EU-15 and five from the EU-10 (Czech Republic, Estonia, Hungary, Poland, and Slovakia).

distribution, administration and ongoing client support. Due to the traditional responsibility of banks for fund distribution and in the past unrecognised need to collect information on it, data on distribution activities is not available for most European markets. A few research institutes and data providers launched surveys on this field. Most of them are focused on a few countries and specific topics and do not provide comprehensive pan-European view of the distribution process.

When analysing the distribution channels for mutual funds a distinction should be made between funds from foreign and domestic fund vendors. The distribution structure of domestic asset managers differs from that of foreign groups. Foreign groups are more likely to rely on private banks, IFAs, fund of funds and other forms of open architecture wrappers. However, the expectations are that this differentiation is temporary and that as open architecture gains ground, so will develop access on a more equal footing.

A cross-country comparison of the distribution environments (see Table 2) shows that in contrast to the majority of the EU countries, where funds are sold mainly by banks, the IFAs are the main distributors in the UK (47% of the TNA) followed by insurance companies (14.8%). The institutions and corporations, which could be e.g. charity/endowment organizations and corporate divisions managing pension obligations, distribute 12% of the fund volume in UK. The UK market has developed from quite different historical roots, a tradition that evolved independently of bank influence. The UK fund business essentially emerged from a stock brokerage tradition that was closely aligned to equity investment and a client base that was centred on wealth management and institutional business.¹¹

Table 2: European Fund Assets by Distribution Channel

Markets	Distribution channels 2005								
	Retail bank	Private bank	Insurance	IFA	Super-market	Direct	Fund of Funds	Institution/ Corp	Other
France	28.2%	12.0%	19.5%	4.0%	0.4%	0.5%	9.2%	26.0%	0.2%
Germany	48.3%	12.4%	16.6%	11.4%	1.5%	0.2%	6.0%	3.5%	0.1%
Italy	65.0%	7.0%	12.2%	9.0%	0.5%	0.2%	5.5%	0.5%	0.1%
Spain	67.4%	5.4%	3.0%	4.3%	0.2%	0.0%	8.7%	11.0%	0.0%
UK	8.0%	6.0%	14.8%	47.0%	3.0%	2.0%	6.8%	12.0%	0.4%
Average	43.4%	8.6%	13.2%	15.1%	1.1%	0.6%	7.3%	10.6%	0.2%

Source: ZEW/OEE database, estimates of Feri Fund Market Information Ltd.. Retail assets only, markets include round-trip assets where applicable. Data as at December 2005.

Figure 5 shows the development of the aggregated distribution channels (in terms of fund assets) for funds sold in France, Germany, Italy, Spain, Switzerland, and UK.

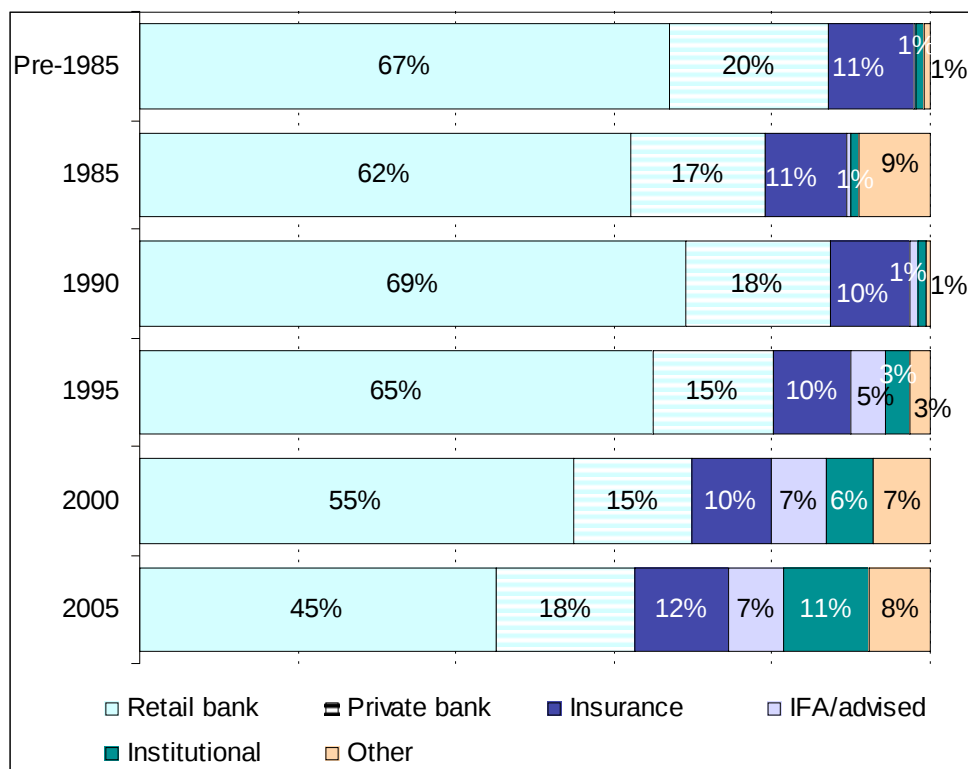
The main conclusions on the EU distribution structure and the estimated future development based on Feri data are confirmed by the Cerulli data. Banks are and will remain the most dominant fund distributor for locally domiciled funds. The institutional distributors and the financial advisors have gained market share in the last years mainly based on their ability to provide higher quality advice and performance differentiation regarding products.

Germany and Italy are the best examples of the dynamics of distribution, which has had a clearly beneficial impact for cross-border groups and the realisation of the single market. Distribution changes in other countries are less obvious but can be seen in the growth of multi-manager products and other structures that include funds within some kind of product wrapper.

¹¹ The figures refer to UCITS and Non-UCITS.

Distribution dynamics are shifting dramatically, as vertical integration diminishes and the industry starts to separate the manufacturing and distribution functions of fund management. The distributors begin to focus more on creating solutions for clients. They have opened their architecture, and increasingly represent the end client for many cross-border fund vendors.

Figure 5: Distribution Channels in Europe



Source: ZEW/OEE database, data based on Feri estimations

2.3.2 Type and Level of Distributors' Remuneration

Due to development of new distributions channels the number of alternative fee structures has increased. Funds might pay services fees/distribution fees to their distributors; revenue sharing arrangements might be applied; multiple-class funds¹² may offer an increasing number of choices to retail and institutional investors (whereby the investor pays different types of distribution fees depending upon the class chosen). Distribution costs may be payable upfront, over time, or when fund shares are redeemed.

Quite often, distributors are directly remunerated by fund manufacturers (typically via a “retrocession” of part of the entry or management fees). Retrocession is a fee-sharing arrangement whereby a portion of the fees charged by the AM are returned either to marketers or other agents in consideration for their efforts in distributing the products.

According to Cerulli, retrocessions have remained stable through much of the bear market and the early stage of recovery after 2002. It can be expected that as professional buyers grow in size, they will attempt to squeeze higher retrocession from fund managers, either directly (i.e. through a trail fee) or indirectly (i.e. shifting to a subadvisory dynamic with institutional mandates and compressing fees through negotiation).

¹² Multiple-class funds issue more than one class of fund shares. Each class of shares may have different kind of sales charge or load fee.

As shown in Table 3 Italian and Spanish distributors are among the most expensive in Europe, mainly due to the concentrated influence of banks over distribution. Although some rates for the UK exceed those in Spain, the distribution fee in Spain is higher because the retrocession is measured as a percentage of the management fee, which is higher in Spain. Traditionally the Spanish funds have been sold without a load fee (initial charge) and that is why they have some of the highest management fees in Europe. The distribution fees in Luxembourg amount to a maximum of 0.5% of TNA, with management fees around 1.5% of TNA for equity funds and 1% for bond funds.¹³

Table 3: European Distribution Remunerations by Fund Type (December 2005)

	Average Retrocession Paid to Distributor (as % of management fee)				
	France	Germany	Italy	UK	Spain
Equity	47.75%	46.10%	59.65%	52.30%	51.20%
Bond Funds	48.40%	47.75%	61.25%	52.30%	51.45%
Balanced	47.90%	47.60%	60.30%	51.90%	52.20%
Money markets	35.60%	38.30%	52.80%	39.40%	36.90%
CPPI	41.10%	38.10%	45.60%	47.50%	51.40%
Fund of funds	45.00%	41.65%	49.60%	48.35%	43.35%
Hedge funds	12.50%	27.10%	20.80%	27.50%	20.00%

Source: ZEW/OEE database, data from Cerulli Associates

2.4. European Market Integration

The main driver of single market integration in the fund industry is the cross-border offer of funds. Fund pooling and mergers are also identified as other routes to greater integration and consolidation of Europe's fund landscape. A straightforward measure of integration is the number of funds and the TNA-based market share of foreign funds present in each national market.

2.4.1 Number of Foreign Funds by Country

Investors in most European markets are targeted with more funds that are based outside their country than with domestic funds. The foreign funds are mostly domiciled in Luxembourg and Dublin. But in France, Spain, some of the EU-10 countries and in Luxembourg and Ireland the share of non-domestic funds is less than 50%.

According to Feri FMI Data Digest 2006 the cross-border registrations in Europe total more than 27,000 and represent more than 51% of the total number of funds distributed in 2005.¹⁴ An outstanding number of foreign funds are available to investors in Germany as well as in Italy, and Austria. This concerns not only funds domiciled in Luxembourg and Ireland but also in other countries. With 4,518 foreign funds Germany remains the most heavily targeted market in terms of number of foreign funds (of which 3,400 are domiciled in Luxembourg, 550 in Ireland, 280 in Austria, approximately 130 in France). Although this number also includes German managed round-trip funds.

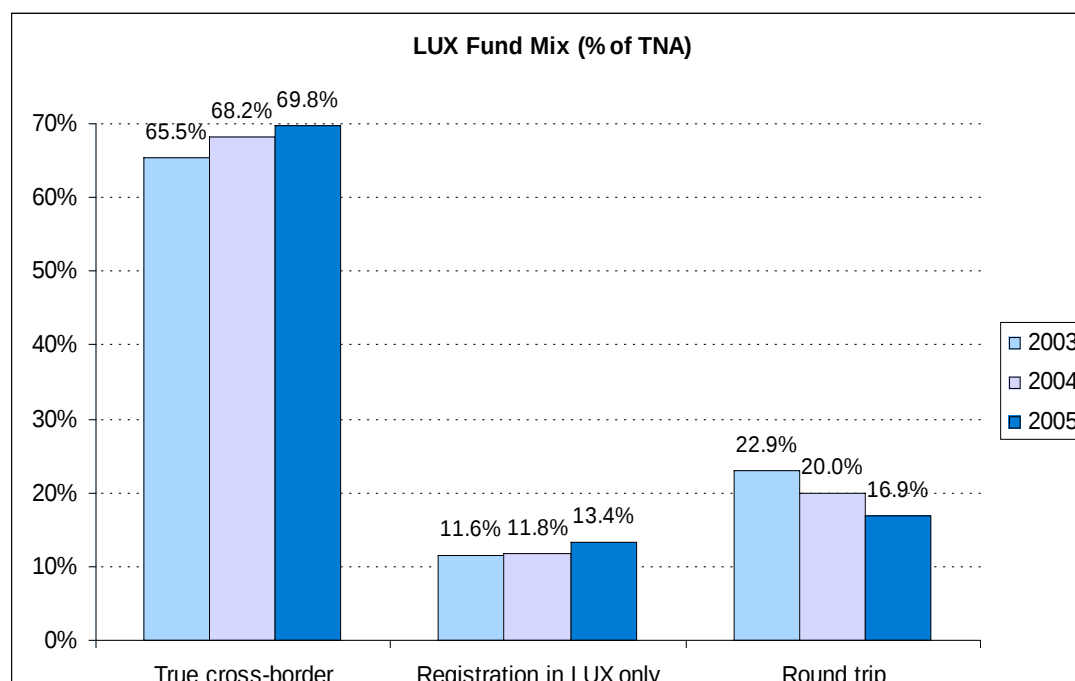
Most of the markets in the EU-10 are dominated by funds from Luxembourg but also from Belgium and Austria. The data show some interesting country-specific features: e.g. a large number of Nordic funds offered in Estonia, many Hungarian funds in the Czech Republic, and Danish funds offered in Poland.

¹³ Data provided by Commission de Surveillance du Secteur Financier (CSSF).

¹⁴ Information refers to UCITS and Non-UCITS.

Although the expansion of real cross-border activities is going arm in arm with an increase in round-trip activities, the higher importance of cross-border fund distribution is obvious. Thereby, Luxembourg is the main centre for cross-border activities. In 2005 over 3,500 funds authorised in Luxembourg are destined for sale in other Member States. To separate the cross-border from the pure round-trip funds, we use the Feri definition for “true” cross-border funds, as funds that are notified for sale in more than two host countries. These funds represent more than 44% of the number of funds and almost 70% of the TNA of all funds in Luxembourg (see Figure 6).

Figure 6: Development of the Fund Mix in Luxembourg¹⁵



Source: ZEW/OEE database, data from Feri FMI Data Digest (2003, 2004, and 2005)

In addition to the increase in the number and TNA of true cross-border funds, we find evidence that the average TNA volume of the true cross-border funds is much higher than the volume of the round trip funds and of funds registered in Luxembourg only.

2.4.2 Market Share of Foreign Funds

To determine the market share of foreign funds, we calculated the aggregate TNA of funds that are distributed but not domiciled in a certain country. We subtracted the TNA of the round-trip funds, because they are often driven by regulatory aspects. Furthermore, we deducted the fund of funds in order to avoid double counting.

Belgium is the country with the highest share of foreign funds and this share has increased continuously in the last five years. As mentioned above, Germany is a heavily targeted market, in terms of number but also in terms of TNA of foreign funds.

¹⁵ The market share of Luxembourg amounts to 28% of the TNA of funds registered in Europe.

2.5. Efficiency

2.5.1 Outsourcing Trends

Outsourcing of selected business processes, parts of the value chain and IT is a growing trend in the AM industry with traditional back-office functions becoming commoditised. The outsourcing options range from custody outsourcing, through administration to transfer agency products. The ZEW/OEE database includes the share of outsourced functions by fund markets. Additional information on whether the asset manager belongs (or does not belong) to a financial group is provided for the outsourced administration functions.

Table 4 presents the share of AMs in terms of number of companies which outsource administration activities as investor communications, documents fulfillment, subscription and redemption processing, maintenance of investor register, prospectus design and printing, marketing assistance.

Table 4: Percentage of AMs Outsourcing Administration Functions

	2001	2002	2003	2004	2005
Austria	46%	46%	48%	49%	46%
Belgium	46%	52%	52%	63%	62%
Czech Rep.	0%	0%	0%	0%	0%
Denmark	17%	25%	24%	26%	25%
Finland	9%	9%	12%	11%	11%
France	55%	62%	63%	68%	75%
Germany	36%	51%	54%	58%	55%
Greece	3%	3%	3%	3%	3%
Hungary	0%	0%	0%	0%	0%
Italy	86%	90%	93%	92%	89%
Ireland	46%	54%	50%	54%	55%
Luxembourg	63%	70%	75%	80%	78%
Netherlands	15%	15%	16%	17%	18%
Poland	0%	0%	0%	0%	0%
Portugal	19%	24%	27%	30%	30%
Spain	14%	16%	15%	16%	14%
Sweden	38%	38%	15%	14%	14%
UK	49%	50%	51%	53%	53%
EU (weighted average)	44%	50%	50%	54%	55%

Source: ZEW/OEE database, data from Feri FMI Fund File, ZEW calculations

In general, back-office outsourcing is forced by the aim to maximise gains by reducing the costs. Outsourcing also enables the conversion of fixed costs into variable costs, the increase of cost predictability, as well as increasing the time to focus on core investment business, including product innovation, performance, distribution channel, sales and marketing, and market expansion.

For the period 2001-2004 we find evidence for the increasing number of AMs outsourcing administration functions, compared to AMs that execute these activities in-house, in almost all considered countries (see Table 4).

Table 5 shows the percentage of administration functions (in terms of TNA) outsourced by AMs. The first panel shows the figures for AMs that belong to a financial institution, the second panel for AMs that do not belong to a financial institution.

AMs not belonging to a bank or insurance company outsource a higher share of administration functions than the AMs which belong to a financial group, as the latter can use the services from their parent or affiliated companies. Further results show that the share of outsourced back office activities in Ireland reached extraordinarily high values, between 71 - 93%, in the last five years. This observation contrasts to the much lower values for Luxembourg (17 - 26%).

Based on TNA an increasing trend towards outsourcing was confirmed for the years 2001 until 2004 for AMs that do not belong to a financial group.

Table 5: Percentage of Administration Functions Outsourced

AMs belonging to a financial institution	2001	2002	2003	2004	2005
Austria	5.3%	5.1%	4.8%	5.5%	5.3%
Belgium	3.7%	3.7%	3.4%	2.9%	2.7%
Denmark	0.9%	1.7%	1.8%	2.5%	2.4%
Finland	2.3%	1.9%	1.9%	1.6%	1.5%
France	16.5%	15.0%	14.6%	14.8%	14.6%
Germany	1.7%	3.8%	4.8%	7.3%	8.3%
Greece	0.1%	0.1%	0.1%	0.1%	0.1%
Italy	7.6%	9.0%	10.1%	11.2%	12.9%
Ireland	85.1%	89.0%	89.7%	92.3%	93.0%
Luxembourg	17.5%	17.5%	19.5%	20.8%	22.9%
Netherlands	36.5%	37.3%	40.4%	41.6%	36.4%
Portugal	9.8%	7.1%	6.8%	7.4%	7.2%
Spain	0.7%	0.6%	0.6%	0.5%	0.5%
Sweden	0.9%	0.2%	0.2%	0.2%	0.1%
UK	41.8%	40.9%	42.3%	42.9%	42.0%
Mean	15.4%	15.5%	16.1%	16.8%	16.7%

AMs <u>not</u> belonging to a financial institution	2001	2002	2003	2004	2005
Austria	22.7%	30.8%	49.7%	59.2%	55.9%
Belgium	69.1%	73.6%	77.2%	73.7%	70.7%
Denmark	0.7%	1.5%	2.0%	3.1%	6.0%
France	17.7%	17.7%	23.2%	27.8%	31.4%
Germany	3.2%	5.2%	9.1%	11.3%	15.5%
Italy	9.1%	9.9%	14.1%	18.8%	20.4%
Ireland	71.0%	80.6%	80.0%	83.9%	84.8%
Luxembourg	23.4%	24.7%	25.2%	25.9%	23.5%
Netherlands	4.1%	5.0%	5.4%	3.8%	1.6%
Spain	7.5%	5.2%	4.9%	5.0%	5.3%
Sweden	n.a.	n.a.	19.0%	18.5%	15.0%
UK	42.4%	43.7%	46.0%	47.2%	44.8%
Mean	24.6%	27.1%	29.7%	31.5%	31.2%

Source: ZEW/OEE database, data from Feri FMI Fund File, ZEW calculations

2.5.2 Multi – Management

Multi-manager funds combine teams of specialist investment managers into a single fund. They give the investors access to a range of expertise and styles that would be difficult (if not impossible) to replicate. The main multi-manager fund categories are “fund of funds” and “manager of managers”. There are quite obvious differences between the two categories, most notably is that the former invests in funds, whereas the latter invests in stocks and shares and the portfolio is managed by appointed investment managers.

- Manager of Managers

“Manager of managers” (MoM) is a new development in the market and fund companies do not always publish information on fund segments managed by external asset managers. Therefore data availability on this indicator is very limited.

Table 6: TNA of Manager of Managers

(m €)	2001	2002	2003	2004	2005
Belgium	18	12	46	64	164
Finland	236	555	576	805	1,009
France	0	0	127	232	377
Germany	778	503	864	1,076	1,039
International	19,078	17,524	24,323	30,948	40,174
Italy	1,289	1,004	952	404	466
Netherlands	20	14	24	34	44
Sweden	1,608	1,533	4,875	6,789	9,156
UK	1,047	3,018	3,045	4,690	7,941
Total	24,074	24,163	34,831	45,043	60,370

Source: ZEW/OEE database, data from Feri FMI Fund File, ZEW calculations

As can be seen in Table 6, the highest TNA of MoM in absolute terms are realised by funds domiciled in Luxembourg or Ireland and promoted abroad (see category “International”). The highest market share of MoM relative to the total market is realized in Sweden. Although, the TNA of MoM in the considered countries have grown by more than 150% between 2001 and 2005, the calculated average market share of 1.57% in 2005 for these markets shows that the MoM still do not play an important role in the AM industry. This conclusion is confirmed by the AM association in the UK (IMA). IMA reported that, until recently, there were very few opportunities for individual investors to invest in MoM in the UK. Today there is only a small number of true “manager of managers” funds available to UK investors, and a larger number of “fund of funds” offerings.

- Fund of Funds

Table 7 gives an overview of the development of fund of funds (FoF) over the recent years for 20 European countries.

The data indicate an upward trend for the total FoF volume, which increased by 118% between 2002 and 2005 and reached a level of about EUR 285 billion in 2005. In addition to the TNA the ZEW/OEE database includes information on the number of FoF. We find an increasing number of FoF in Europe from 2,071 in 2001 to 3,404 in 2005.

The French market is characterised by the highest number and TNA of FoF (1,008 FoF with TNA of over EUR 78 billion in 2005), followed by Germany (476 FoF / EUR 43 billion) and Spain (404 FoF / EUR 28 billion). The average volume of FoF in Spain is lower compared to Italy and Belgium, where 291 and 240 FoF with a total volume of EUR 34 and 33 billion, respectively, were registered in 2005.

Table 7: Development of the TNA of FoF by country

(m €)	2001	2002	2003	2004	2005
Austria	9,089	7,684	8,396	9,527	11,539
Belgium	15,782	14,802	16,097	18,504	32,528
Czech Rep.	51	33	33	84	209
Denmark	6	27	56	124	269
Estonia	0	0	0	4	16
Finland	186	349	580	1,146	2,153
France	55,783	45,760	51,247	60,329	78,047
Germany	21,906	27,398	28,042	32,319	42,783
Greece	0	0	0	1	805
Hungary	10	10	27	58	533
Italy	7,805	8,112	12,283	23,171	33,772
Ireland	1,029	1,096	1,805	1,782	1,967
Luxembourg	2,599	3,687	5,721	8,276	13,157
Netherlands	24	624	742	777	89
Poland	11	9	15	63	141
Portugal	2,139	1,399	1,306	1,529	2,998
Slovakia	0	0	0	0	66
Spain	5,908	4,857	10,791	20,569	27,880
Sweden	21	68	624	1,796	3,707
UK	16,594	14,313	17,527	22,222	31,593
Total	138,943	130,228	155,292	202,281	284,252

Source: ZEW/OEE database, data from Feri FMI Fund File, ZEW calculations

The share of FoF in total fund assets (see Table 8) allows a better assessment of the FoF growth compared to the development of the whole fund market.

Table 8: Share of FoF in TNA of UCITS & Non-UCITS for selected countries

	2001	2002	2003	2004	2005
Austria	12.6%	10.9%	10.9%	10.3%	9.9%
Belgium	11.3%	7.2%	6.7%	6.6%	8.3%
Czech Rep.	1.2%	0.6%	0.4%	0.4%	4.4%
Germany	0.9%	0.8%	0.8%	0.9%	1.1%
Hungary	n.a.	1.3%	1.4%	2.7%	4.7%
Poland	n.a.	0.2%	0.1%	n.a.	0.3%
Portugal	7.3%	4.3%	3.3%	3.2%	4.9%
Spain	0.9%	0.9%	1.2%	n.a.	n.a.
Sweden	0.0%	0.1%	0.7%	1.6%	2.7%
UK	3.3%	3.5%	3.6%	3.9%	6.2%
Weighted Average	2.8%	2.5%	2.5%	2.5%	3.5%

Source: ZEW/OEE database, data from EFAMA, ZEW calculations

2.5.3 Fund Mergers

The Green Paper on the enhancement of the EU framework for investment funds adopted by the Commission in July 2005 identifies cross-border fund mergers and cross-border pooling of assets as potential sources for further efficiency benefits in the AM industry. In contrast to national fund mergers, cross-border mergers of funds are significantly harder to achieve due to various differences in national tax and corporate law. In many member states, the merger of funds across borders is for example considered a taxable event.

Using Feri data we identified a growing number of fund transactions within national borders, from 493 in 2004 to 816 in 2005 (see Table 9). Thereby equity funds were most frequently

involved in mergers, but the numbers have increased in almost all fund types since 2002. We found that only funds domiciled in Luxembourg or Ireland and sold abroad (mostly round-trip funds) were involved as foreign funds in cross-border mergers.

Table 9: Number of Fund Mergers within National Borders

	2002	2003	2004	2005
Austria	12	39	32	50
Belgium	27	96	10	39
Czech Republic	0	1	4	6
Denmark	4	5	7	5
Estonia	0	0	0	1
Finland	10	11	23	12
France	193	169	133	272
Germany	13	8	7	15
Greece	15	12	7	24
Hungary	0	0	0	0
Italy	42	153	148	126
Ireland	n.a.	n.a.	n.a.	n.a.
Latvia	0	0	0	0
Luxembourg	n.a.	n.a.	n.a.	n.a.
Netherlands	5	2	53	29
Poland	0	0	2	1
Portugal	25	8	1	5
Slovakia	2	0	0	0
Spain	116	186	148	172
Sweden	0	4	15	4
UK	29	103	58	55
EU	493	797	648	816

Source: ZEW/OEE database, data from Feri FMI Fund File, ZEW calculations

In the ZEW/OEE survey to regulatory authorities there was no cross-border fund merger reported by any member state. Sweden, Slovakia and Germany commented that cross-border fund mergers were not allowed. In the Netherlands cross-border mergers were not sensible to pursue due to legal and fiscal reasons until now.

In the survey the regulatory authorities were not only asked to provide data on cross-border fund mergers but also data on cross-border AM mergers. The Italian regulatory authorities reported the only cross-border merger of AM companies - a merger of an Italian with a French asset manager in 2005.

2.5.4 Evolution of Costs

- Total Expense Ratio (TER)

We calculated the capital weighted TER by country for the years 2001 - 2005 using data from Lipper and Feri. The TER provided by Lipper cover all annual operating expenses.¹⁶ As can be seen from Table 10, there was a steady increase in the TER for a majority of countries in the last five years. Poland, as the only country from the EU-10 for which information on TER was available, has experienced the highest TER in this time period.

¹⁶ Lipper calculates the TER for each fund or share class based on the latest fund report and accounts. From fund to fund, company to company, and domicile to domicile, the way that expenses are named or laid out in a fund report may vary, but in each case Lipper's TER is consistent and reflects the annual operating expenses borne by the fund/share class over one year. This definition is the same regardless of the EU member state.

Table 10: Aggregated TER by Country

	2001	2002	2003	2004	2005
Austria	0.71%	0.70%	0.72%	0.76%	0.83%
Belgium	0.99%	1.02%	1.12%	1.18%	1.14%
Denmark	1.13%	1.28%	1.31%	1.42%	1.45%
Finland	0.88%	1.02%	1.09%	1.24%	1.27%
France	0.80%	0.72%	0.71%	0.71%	0.74%
Germany	1.05%	1.00%	0.99%	1.03%	1.05%
International	1.46%	1.35%	1.40%	1.46%	1.53%
Italy	1.34%	1.17%	1.18%	1.25%	1.30%
Netherlands	0.63%	0.75%	0.76%	0.80%	0.92%
Poland	1.53%	1.52%	1.67%	1.74%	1.88%
Spain	1.42%	1.31%	1.31%	1.30%	1.30%
Sweden	1.23%	1.26%	1.30%	1.27%	1.32%
UK	1.20%	1.23%	1.27%	1.29%	1.29%

Source: ZEW/OEE database, data from Lipper, Feri FMI Fund File, ZEW calculations

The different TER levels between different European countries reflect many different reasons. Some of these reasons may be: whether a fund is cross-border or domestic only; historic level of fee tolerance among investors; degree of use of initial/exit charges.

- Management Fee

Table 11 shows the management fees for different fund types for the years 2001 to 2005.

Table 11: Management Fee by Fund Type and Country (2005)

% of TNA	Balanced	Bond	Equity	Fund of Funds	Hedge	Money Market	Other	Pension	Property
Austria	0.7%	0.4%	1.1%	2.1%	0.6%	0.2%	0.6%	0.8%	1.2%
Belgium	0.7%	0.4%	0.8%	3.3%	1.2%	0.3%	1.8%	n.a.	n.a.
Czech Rep.	1.8%	1.1%	2.1%	n.a.	n.a.	0.7%	1.4%	n.a.	n.a.
Denmark	1.1%	0.7%	1.2%	n.a.	n.a.	0.6%	0.9%	n.a.	n.a.
Estonia	1.4%	0.9%	1.7%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Finland	1.7%	0.6%	1.5%	2.3%	1.2%	0.4%	1.1%	0.8%	n.a.
France	1.2%	0.9%	1.3%	3.3%	1.0%	0.7%	1.8%	n.a.	1.0%
Germany	0.6%	0.5%	1.0%	3.1%	0.6%	0.4%	0.6%	n.a.	0.6%
Greece	2.4%	1.6%	2.8%	n.a.	n.a.	1.6%	5.0%	n.a.	n.a.
Hungary	1.9%	1.5%	2.0%	n.a.	n.a.	1.5%	4.5%	n.a.	2.0%
Italy	1.5%	0.9%	1.6%	4.1%	2.0%	0.5%	1.0%	n.a.	n.a.
International	1.0%	0.6%	1.0%	1.3%	2.0%	0.3%	0.6%	0.2%	n.a.
Latvia	n.a.	n.a.	n.a.	n.a.	n.a.	0.6%	n.a.	n.a.	n.a.
Netherlands	0.6%	0.6%	0.8%	n.a.	3.9%	1.4%	3.1%	n.a.	n.a.
Poland	2.9%	2.0%	2.9%	n.a.	n.a.	1.7%	n.a.	n.a.	n.a.
Portugal	0.9%	0.8%	1.4%	2.6%	0.2%	0.4%	0.5%	n.a.	n.a.
Slovakia	1.4%	0.9%	1.7%	n.a.	n.a.	0.8%	n.a.	n.a.	n.a.
Spain	1.6%	0.7%	1.7%	4.1%	n.a.	0.8%	1.4%	n.a.	2.7%
Sweden	1.1%	0.7%	1.2%	4.1%	0.9%	0.5%	1.1%	n.a.	n.a.
UK	1.3%	1.0%	1.3%	n.a.	n.a.	0.5%	1.2%	1.0%	1.3%

Source: ZEW/OEE database. Data from Feri FMI Fund File, ZEW calculations; the data refer to the maximal fees included in the prospectus.

According to these figures Poland, Hungary, Estonia as well as Greece are characterised by the highest management fee in the EU. The management fee is also relatively high in the UK with 1.23% in 2005. The lowest values have been found for Belgium and Austria, but also the

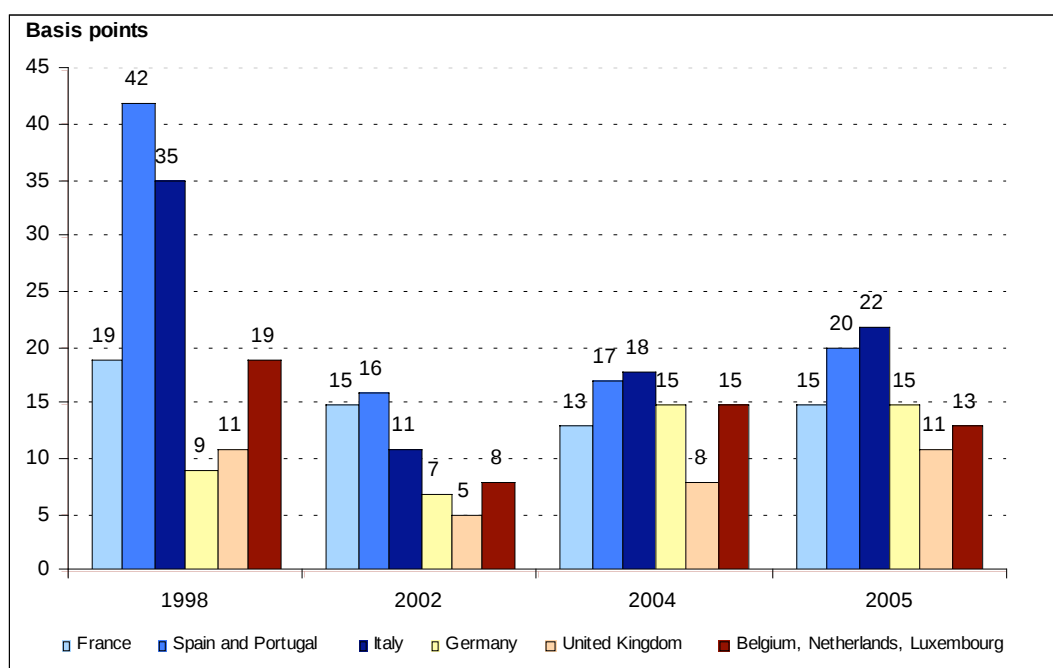
investors in Germany pay a relatively low management fee of 0.71%, which has continuously fallen since 2001.

Spanish funds have been sold traditionally without a load fee, a fact that explains some of the highest management fees in Europe. But fee-slashing between competing banks, the shift away from equities, and the increasing competition from cross-border funds have forced Spanish fund vendors to steadily drop their management fees during the past decade. The table below shows the management fees by fund type and country. The funds of funds have the highest management fees of all fund types. For some countries these management fees are even above 4%.

2.5.5 Profitability

Due to the sensibility of the data and its core function for competition, most AMs do not publish information on their profitability and the AM associations do not collect these data from their members. Therefore, data on profitability indicators are in general not provided by any data vendors. There are few studies on this topic for selected countries and only one pan-European survey, conducted by McKinsey&Company that provides comprehensive data on profitability measures.

Figure 7: Profitability¹⁷ by Year and Country



Source: ZEW/OEE database, data from McKinsey & Company

After some years of continuous increase, 2005 was the second year in which the costs declined relative to the TNA. The cost/TNA ratio dropped from 20 to 18.2 basis points (bp) for 10 EU countries. Revenues declined significantly between 1999 and 2002, when the industry lost 25 % of revenues. They increased in the period 2003 – 2005 by 5 % (up to 34.3 bp) due to the shift into higher margin products together with higher performance and other fees. As a combined effect, the profitability continued to improve for a third year. Better market conditions clearly helped as well and average profitability rose from 14.3 bp to 16.1 bp in 2005. However, the industry is still far away from the 25 bp peak of 1999.

¹⁷ Profitability of asset managers: Net revenues minus operating costs (in basis points of the assets under management).

Germany and the UK have by far the highest absolute costs and revenues. Iberia (Spain and Portugal) and Scandinavia (Sweden, Denmark, Norway and Finland) appear as “low revenues/low costs” countries. This is also true, to a lesser extent, for Italy.

Figure 7 shows the profitability of asset management in different European countries. In terms of profitability Italy and Iberia emerged as winners with low to average revenues balanced out by excellent cost control. The United Kingdom, with its exceptionally high share of institutional business, is the least profitable market due to relatively high costs.

For the period between 1998 and 2005 the profitability of the different countries converged. The difference between the most and the least profitable countries was 33 bp in 1998, 11 bp in 2002, 10 bp in 2004 and again 11 bp in 2005. Germany was ranked last in 1998 in terms of profitability but was able to improve impressively and to outstrip France and the UK in 2004 and 2005. Spain and Portugal, on the other hand, showed the highest figure in 1998, but profitability then declined and was much closer to the EU average in 2004 and 2005.

3. Methodology and Data Sources

In the process of designing a comprehensive and standardised database by using different data sources and for the identification and analysis of the trends in the AM industry for the different EU member states, special attention was paid to the reliability, comparability and consistency of the collected data. Where possible, the different data collection purposes and target groups of the data providers were taken into account for the decision whether the data are suitable or not for the respective indicator of the database.

The key data sources used for the ZEW/OEE database are described in the following sections.

3.1. Databases

3.1.1. Feri Fund Management Information (Feri FMI)

The main data source for the ZEW/OEE database is Feri FMI Ltd. We used the Internet-based research tool Feri FundFile, which tracks over 30,000 funds sold throughout Europe and provides information not only on the funds but also on the asset management companies and the master groups. Feri provides historical data for the time period December 2001 until January 2006, as well as fund events, starting with the fund issue, and allows generation of monthly or yearly reports. The Feri data comprise all EU-15 countries, as well as six of the EU-10 (Czech Republic, Estonia, Hungary, Latvia, Poland, and Slovakia). In addition we used data from the Feri Year Reports “Data Digest” 2004, 2005, and 2006, as well as the Monthly Reports “Market Monitor”.

The report “Mutual fund distribution in Europe“ that was prepared by Feri exclusively for this project was a main source for data on distribution indicators. The report contains an analysis of the development of distribution channels, drivers of change and future trends. The paper is supported by detailed data on the German distribution structure for the year 2004, and estimations for 2007 and 2009 from “Fund Market Profile: Germany 2004”, due to the view that Germany represents a good example of a developing open architecture model. Furthermore, a split of TNA by distribution channels for Germany, France, Italy, Spain, Switzerland, and the UK, in December 2005 was provided as well as an estimated distribution trend for Continental Europe starting in the period pre-1985 and ending in 2005.

3.1.2. Lipper/Fitzrovia

Lipper, a Reuter's company, is - inter alia - a global supplier of mutual fund information and is specialised in fund performance evaluation. Fitzrovia is also an investment fund research company, which is a part of Lipper. Referring to Lipper/Fitzrovia's main focus we used their data primarily for specific efficiency indicators (e.g. TER, management fee, returns by fund type, manager of managers etc.). For the purposes of data collection we did not receive access to the Lipper/Fitzrovia databases but received the relevant data in Excel spreadsheets.

3.1.3. Standard & Poor's

In addition to Feri and Lipper, we made use of a S&P database (formerly Micropal) to close some gaps and to make comparisons with results obtained from the analysis of the other databases. This database provided us with data on total net assets (TNA) and other indicators for the years 2001 until 2005. Time-series data on fund performances start in 1969. The database contains information on funds notified for sale in Austria, Belgium, Finland, France, Germany, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom. In addition the database contains information on "International and Offshore Funds" which are domiciled in Luxembourg, Ireland and other countries (e.g. Guernsey, Liechtenstein and the United Arab Emirates).

3.2. Publications, reports and external studies

3.2.1. EFAMA

In addition to Feri we used the data published by EFAMA in the FEFSI Fact Book 2004 and EFAMA Fact Book 2005 as a primary source for the AM market description. The EFAMA data series comprise the time period of 1993 until 2005 and cover all EU-15 countries and four of the EU-10. The EFAMA data are classified by the country of fund domiciliation. Only for very few countries is there also information on funds domiciled abroad and promoted by national providers. The data included in the ZEW/OEE database comprise figures on the total net assets (TNA) and the number of funds by country and fund type.

3.2.2. Cerulli Associates

The Cerulli Report "European Distribution Dynamics 2005", published by Cerulli Associates (CA), was our second source for data on fund distribution channels and supplemented the report of Feri FMI. It provides data on market shares based on TNA by distribution channel for national mutual funds, as well as distribution of cross-border funds in Europe, including quantitative and qualitative analyses. Unfortunately the CA analysis is restricted to five European countries: France, Germany, Italy, Spain, and the United Kingdom.

3.2.3. McKinsey & Co.

We used the study "Will the goose keep laying golden eggs?, The 7th annual survey on the profitability of European Asset Management" (October 2005). The study is based on a survey among companies in the AM industry. In addition we received updated information by McKinsey & Co. via fax.

3.3. Providers of statistical data

3.3.1. Eurostat

Data from Eurostat's financial accounts in ESA 95 standard classification were integrated into the ZEW/OEE database for the following market description indicators:

- Portfolio composition trends for households, insurance companies and pension funds
- Total investments in mutual fund shares for different categories

However the ESA 95 classification does neither distinguish between UCITS and Non-UCITS nor between various types of funds (equity, bond, money markets, etc.). The Eurostat series begin in 1995 and most of them end in 2004. For some countries 2005 data have already been available.

3.3.2. OECD

The OECD conducted the survey “Additional request on financial and non-financial assets of households” in 2005 in order to obtain more information on households’ financial assets and in particular with regard to a breakdown by different types of funds. We received preliminary data from this for 14 EU member states (Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Hungary, Italy, the Netherlands, Poland, Portugal, Spain and Sweden). However, the data for some countries are still incomplete and had not yet been confirmed by the OECD when this report was finished. The data series from the OECD begin in 1995 and end 2004 (however there are gaps for some countries).

In their project “Global Pension Statistics” the OECD is currently developing a comprehensive system of international pension statistics and collected data from supervisory authorities, central banks, statistical offices, ministries etc. using coherent statistical concepts, definitions and methodologies. The extension to non-OECD countries is currently underway. We integrated the total investments of pension funds (from 2001 to 2003), which are part of the Global Pension Statistics into our ZEW/OEE database.

3.4. The ZEW/OEE survey

With the aim to receive information which is neither publicly available nor provided by the data vendors, we conducted a survey among national regulatory and supervisory authorities and professional AM associations (EFAMA members). Since the relatively broad definition of “Asset Management” in our study includes not only the investment fund industry but also the AM-relevant parts of the insurance, banking and pension fund markets, we conducted additional surveys among national insurance, bank and pension fund associations.

For some indicators, for instance the number of fraud cases and number of bankruptcies, the ZEW/OEE survey was the only source to get access to reliable data.

Regarding other indicators, such as the number of funds registered for sale in a certain country, we used survey responses to cross-check the results from other sources. With the aid of the qualitative replies, we tried to verify some trends identified in the time series.