



Hong Kong Investment Funds Association

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Fund industry is back to net sales in 2009

In the first ten months of 2009, the fund industry registered gross and net sales of US\$11,738.02 million and US\$1,954.45 million respectively, according to the Hong Kong Investment Funds Association (“HKIFA”). Compared with the same period of 2008, gross sales were down by 31%, but the industry managed to be back to net inflows.

Discussing this year’s fund sales, Mr Desmond Ng, Chairman of HKIFA said, “In line with the trend in the fourth quarter of 2008, fund sales were anemic in the beginning of this year as investors were still battered by the global financial turmoil.

“However, with the loose monetary policies and supportive fiscal policies unleashed by the Governments since the end of 2008, the global economy has gradually shown signs of recovery.

“An important corollary of the intervention is that the markets are flushed with liquidity. Since March, we have seen a renewed increase in the search for yields and there has been a steady increase in risk appetite.”

Against this backdrop, fund sales have started to pick up since Q2: May is probably the inflexion point - from May onwards, the industry’s monthly gross sales have consistently remained above the US\$1 billion mark. Also, the industry has registered net inflows for each and every month since then.

As to which sectors had been more popular, it seemed that equity and bond funds had their own followings. On a year-to-date (YTD) basis, while equity funds continued to account for the lion’s share of the industry’s gross sales, they were surpassed by bond funds on a net basis.

In the first ten months of this year, aggregate gross sales of equity funds totaled at US\$6,976.51 million, accounting for 59.4% of the industry total. However, this was down by 36.2% as compared with the same period in 2008. Gross sales of bond funds increased by about 14%, to US\$3,191.40 million, and this took up 27.2% of the industry total.

On a net basis, equity funds attracted inflows of US\$1,538.62 million, against outflows of US\$2,567.83 million in the same period of 2008. This, however, was lower than that registered by bond funds, at US\$1,671.58 million. Bond funds’ net inflows were 2.3 times higher than that of 2008.

Amongst equity funds, the appetite was very skewed: out of the 13 equity categories, only seven registered net inflows. Amongst these seven, Greater China Region funds, sector funds and emerging markets equity funds, accounted for almost all (98.8%) of the total net inflows into the equity categories.

Out of the top three, Greater China Region equity funds dominated – its net inflows far exceeded the next two: it attracted US\$843.57 million, vs. the US\$375.36 million and

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US\$301.72 million registered by the sector funds and the emerging markets sector.

With respect to bond funds, investor interest has started to pick up since the middle of this year. Amongst the five categories, three had accounted for the bulk of the inflows. They were Global, Asia and Emerging Markets bond funds. They attracted net inflows of US\$575.65 million, US\$574.09 million and US\$506.42 million respectively. In aggregate terms, they accounted for 88.9% and 99% of the aggregate gross and net sales of bond funds.

Mr Ng said, "Whilst the Asian and emerging markets are not unscathed in the financial crisis, they have probably suffered less; and by and large, the economies have withstood the crisis with much resilience.

"Furthermore, the four trillion Rmb stimulus package undertaken by the Mainland Government has enabled it to become one of the first to emerge from the crisis. This has buoyed the Greater China markets, leaving them as the best performing markets YTD. In addition, the beneficial spilt-over effects, the rebound in commodity prices and the supportive measures undertaken by the respective governments have helped other emerging markets to chart strong gains in the past few months. These have underpinned the strong inflows into the few selected sectors."

With respect to the sales outlook, Mr Ng said "it seems that with all the interventionist measures, global economic growth is back on the recovery mode. But whereas in the past few months, liquidity has been the key driver, the focus is now more on corporate earnings and the fundamentals in general; as the measures gradually phase out or get scaled down. We are positive about the growth prospect, but investors need to be mindful that the path to recovery may not be one of smooth-sailing and that the timing of the exit strategies will also have impacts on the markets. Against this background, we expect that fund sales will continue to be on an upward trend, but growth probably would be one of modest."

HKIFA has 52 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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