



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

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Fund sales reach record high in 2007

For the full year of 2007, the fund industry registered gross and net sales of US\$45,546.15 million and US\$6,946.07 million respectively. Both were the highest on record, according to the Hong Kong Investment Funds Association (“HKIFA”). Compared with 2006, gross sales went up by 87.1% and net sales rose 82.5%.

In line with the trend of the past few years, equity funds continued to account for the lion’s share of the industry sales in 2007. Compared with 2006, gross sales of equity funds doubled and reached US\$38,344.67 million, accounting for 84.2% of the industry gross total. On a net basis, they attracted US\$9,463.68 million, 84.1% higher than the net inflows registered in 2006.

Amongst all equity categories, Asian equity funds were the most popular. In aggregate, the six Asian equity fund categories attracted gross inflows of US\$25,285.15 million, 1.7 times higher than 2006. They represented 66% of the total inflows into equity funds.

Almost all Asian equity funds saw an increase in sales except for those invested in Japan. Asia Regional (incl. Japan) equity funds and Japanese equity funds witnessed a drop in gross sales, by 9.8% and 79.5% respectively.

On a net basis, the six Asian equity fund categories attracted inflows of US\$7,736.35 million, 2.7 times higher than that registered in 2006. They contributed 81.8% to the total net inflows into equity funds. Almost all Asian equity funds recorded net inflows – the only exception was Japanese equity funds which witnessed a net outflow of US\$575.46 million.

Against a backdrop of rapid economic growth and superb performance of Mainland related equities, Greater China Region equity funds topped the sales league in terms of both gross and net sales in 2007. Compared with 2006, gross sales of Greater China Region equity funds went up 2.2 times to US\$10,755.62 million while net sales increased 1.4 times to US\$3,521.5 million. Asia Regional (excl. Japan) equity funds came second: they attracted US\$8,160.25 million gross sales and US\$3,460.57 million net sales in 2007. Emerging Markets equity funds - the category that attracted the highest volume of gross sales in 2006 - ranked third. They managed to attract gross sales of US\$5,580.71 million in 2007 - up by about 30%. Net sales went up by 17.2% and reached US\$1,533.8 million.

In 2007, the aforesaid top three sectors captured about 54% of total gross sales of the industry. In 2006 the three most popular sectors (Emerging Markets equity funds, Greater China Region equity funds and Sector equity funds) only accounted for 41.7% of the industry gross total, reflecting a greater degree of concentration in sales in 2007.

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In 2007, gross sales of bond funds only edged up by 1.3%, to US\$2,854.08 million. On a net basis, they witnessed an outflow of US\$552.15 million – compared with net inflow of US\$1,161.46 million in 2006. Net outflows were almost witnessed across the board: all bond funds categories registered net outflows except for Emerging Markets bond funds which managed to attract marginal net inflows of US\$9.25 million. On a gross basis, this sector pulled in US\$1,290.46 million, representing 45.2% of total gross inflows into bond funds.

Despite the record high sales in 2007, it is noted that sales had slowed down towards the end of 2007. Compared with November, December gross sales dropped 54.5% to US\$2,368.78 million; whilst net sales plunged 75.6% to US\$505.46 million.

It is expected that as the subprime crisis continues to plague the market, and there are more signs portending to a slowdown in the US economy, the global markets will brace for greater volatility.

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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