

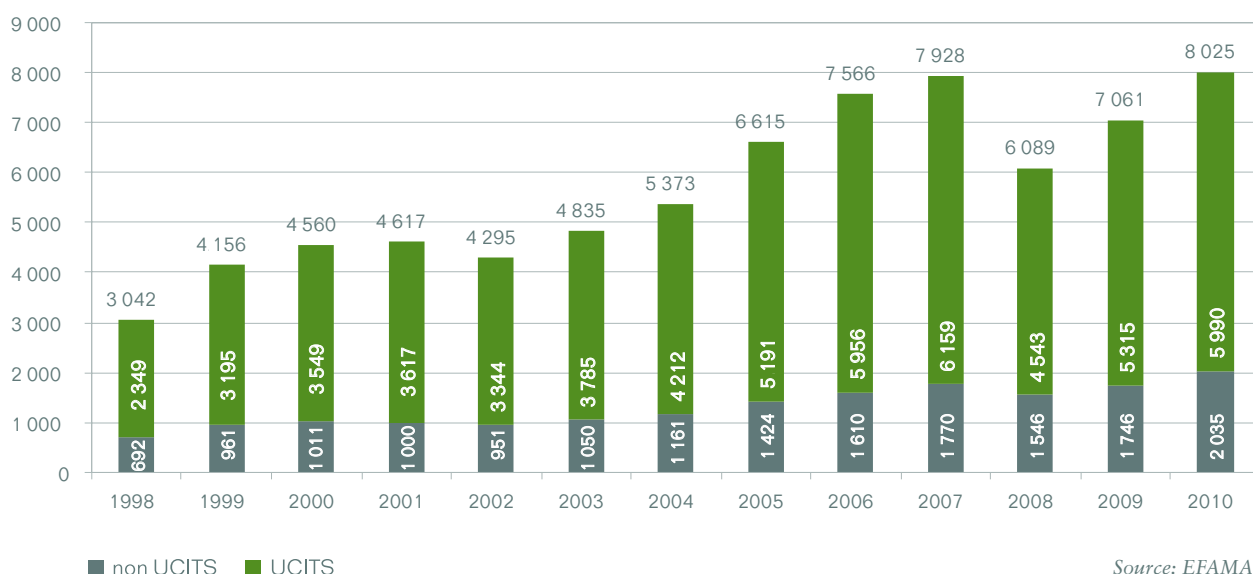
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the luxembourg investment fund industry in figures

Assets under management in the European investment fund industry (in billions of euros)



Notice: The data may not always be consistent with data published in last year's ALFI annual report, due to adjustments made by EFAMA.

Between 2003 and 2007, the European investment fund industry saw uninterrupted growth in net assets under management. In 2008, as a result of the financial crisis which shook the industry, it saw net assets fall 23% over the year. They did nonetheless double over the last decade, increasing from €3,042 billion at the end of 1998 to €6,089 at the end of 2008. From the second quarter of 2009, the industry began to emerge from crisis and returned to two-figure growth, recording growth of 16% at 31 December.

2010 was a very good year which formed part of a consolidation phase confirming the emergence from recession which began in 2009 with a growth rate of 13.7%. Despite a lower growth rate than in 2009 (16%), actual growth in absolute value at €+ 963.5 billion was of the same order of magnitude as growth last year. At 31 December 2010, then, with net assets under management of €8,024.5 billion, growth returned to its pre-crisis level tabling net assets both higher than at the end of December 2007 and close to the historic high reached in June 2007 (€8,236 billion).

The first quarter of 2010 benefited from a buoyant economic climate, punctuated by announcements of economic recovery which stimulated the financial markets and would therefore be the most dynamic part of the year with a growth rate of +5.43% and

net assets under management reaching €7,445 billion. In response to the recovery in investor confidence, net sales by UCITS soared compared with the last quarter of 2009 which tabled only €451 million and rose to €49 billion for the period. However, as a result of continuing low interest rates, short-term rates in particular, money market funds still showed a sharp net outflow of €38 billion. Equity, bond and balanced-profile funds, for their part, achieved a combined net inflow total of nearly €82 billion.

After a very promising first quarter, in the second quarter the European investment fund industry found itself confronting the Greek sovereign debt crisis and still up against a strong net outflow from money market funds. As a result, at only +0.64% (-0.10% for UCITS), growth in net assets under management was stalled as compared with the end of March 2010 bringing the total to €7,492.5 billion (€5,604.6 billion for UCITS). Net disinvestment in money market funds increased to 34% over the first quarter reaching a remarkable €51 billion while the other types of fund with the exception of equity funds enjoyed a net inflow of capital. It was primarily the specialised funds, reserved for institutional investors, which contributed to holding up net assets in the European industry, by dint of net inflow of capital of €31 billion, and boosted non-UCITS growth over the period to 2.90% (taking their net assets to €1,888 billion).

Thanks to the swift reaction by the European Union and the IMF's intervention to contain the sovereign debt crisis, investors responded positively, reflected immediately in an overall rise of 3.1% in net assets under management in the third quarter (3% for UCITS). UCITS, with the exception of money market funds which displayed a systematic net outflow from the start of the year (a further € 16 billion in the third quarter), totalled net capital investment of € 62 billion at the end of September. The recovery was particularly appreciable in relation to bonds with net investment of over € 37 billion. At the same time, since the beginning of the year, the specialised funds recorded sustained activity with investors clearly captivated by these products given that the level of net investment kept up with an average of € 30.5 billion per quarter.

In the fourth quarter, the European fund industry kept on course for growth and saw net assets grow +3.8% (+3.7% for UCITS and +4.3% for non-UCITS respectively), taking advantage of an inflow of fresh money and rising financial markets. At 31 December 2010, net assets under management passed the 8,000 billion threshold, of which UCITS accounted for € 5,990 billion and non-UCITS 2,035 billion. In the absence of any change in monetary policy by the central banks, money market funds were unable to avoid a further net outflow of over € 40 billion in the last quarter. Conversely, specialised funds recorded a spike in net sales with € +58 billion, paving the way for non-UCITS to cross the 2,000 billion mark in the fourth quarter of 2010.

In short, 2010 was a positive year for the European industry. Investors sustained a high level of investment, reacting swiftly to changing circumstances and modifying their investments in line with events. In the UCITS sector, 2010 saw global net sales of € 166 billion as compared with € 150 billion in 2009, despite the headlong net outflow experienced throughout the year by the money market funds (a total of € -126 billion). For UCITS and non-UCITS in combination, net sales were € 335 billion, representing 35% of growth in the European fund industry for 2010, with the other 65% attributable to the financial markets.

The non-UCITS sector, with a market share of 25.3%, saw net assets increase by 16.5% in 2010 thanks to the record inflow of € 149 billion from institutional investors through specialised funds.

With the exception of Spain (-12.8%), Greece (-11.2%), Italy (-10%), the Netherlands (-1.2%) and France which fell back slightly, all European countries kept a rising trend in net assets under management over the year. The leading trio in the European investment fund industry in terms of net assets in UCIs, namely Luxembourg, France and Germany, retained its position in 2010, posting growth rates of +19.4%, -1.4% and +10.4% respectively. Other European countries, for their part, also recorded impressive growth rates such as those of the United Kingdom with +24.4%, Sweden with +31.4%, and Norway with +26.7%.

The 10 largest investment fund domiciles in Europe at 31 December 2010

Total assets / UCIs

Country	Total assets under management (in millions of euros)	Market share in %
Luxembourg	2 198 994	27.4
France	1 401 625	17.5
Germany	1 125 853	14.0
Ireland	963 326	12.0
United Kingdom	793 957	9.9
Switzerland	253 216	3.2
Italy	232 059	2.9
Spain	169 568	2.1
Sweden	166 089	2.1
Austria	147 591	1.8

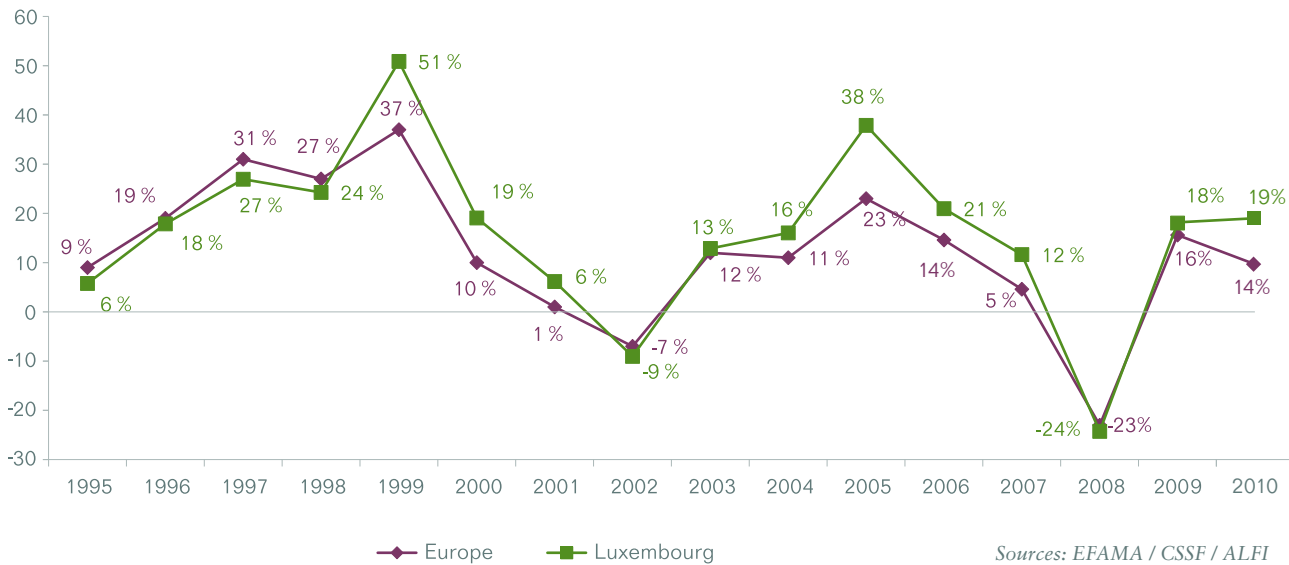
UCITS

Country	Total assets under management (in millions of euros)	Market share in %
Luxembourg	1 880 612	31.4
France	1 210 280	20.2
Ireland	758 531	12.7
United Kingdom	675 401	11.3
Germany	249 748	4.2
Switzerland	195 998	3.3
Italy	175 358	2.9
Sweden	162 446	2.7
Spain	162 337	2.7
Belgium	88 190	1.5

Source: EFAMA

the luxembourg investment fund industry in figures

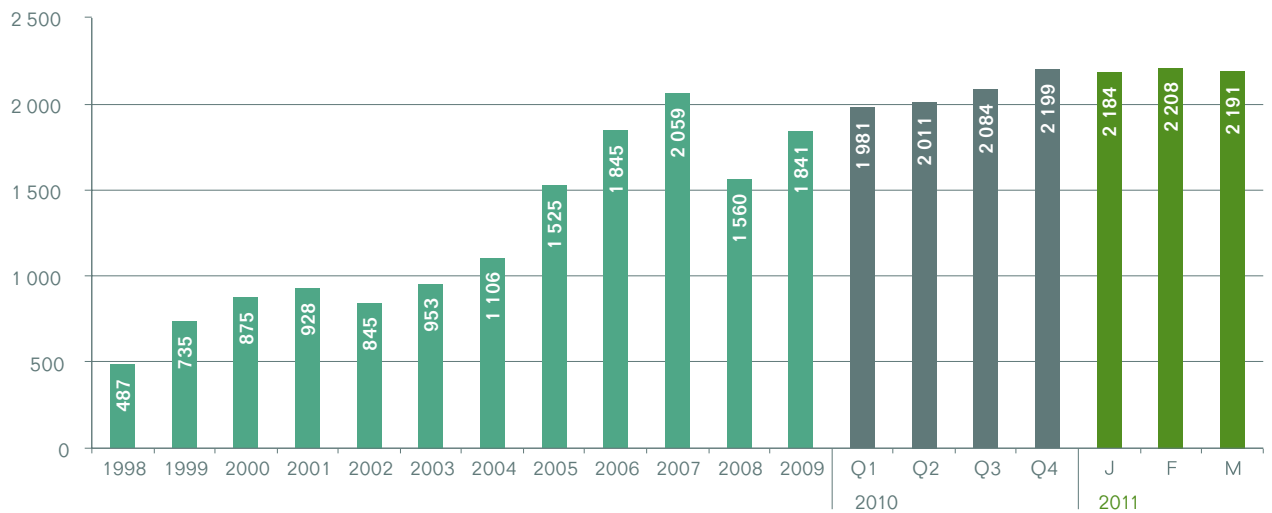
Annual growth in assets under management in the European and Luxembourg investment fund industry (in %)



If one looks at the evolution of annual growth rates for the European investment fund industry, it can be seen that the Luxembourg fund industry has followed more or less the same path since 1995 with markedly higher growth rates since 1999, with the exception of the two crisis years, 2002 and 2008, when growth was negative throughout the industry. In those two years, the largest gap recorded by Luxembourg was two percentage points higher in 2002 and a difference of only one point in 2008 making the decline -24% for Luxembourg compared with -23% for the European industry

as a whole. The 2008 financial crisis led to a fall of three percentage points in average annual growth in Europe over the period (1995 – 2008) which fell from 14% in 2007 to 11% in 2008. Following 13.7% growth in 2010, the average annual growth rate in Europe was up 0.2% at the end of 2010 compared with the end of 2009 and stabilised at 11.5%. In the case of Luxembourg which saw growth of 19.4%, the rate also rose 0.3% in 2010 to stabilise at 14.6% over the period 1995-2010.

Net assets under management in Luxembourg funds (in billions of euros)



Sources: CSSF / ALFI

The financial crises of 2007 (the sub-prime crisis) and 2008 (the stock market crisis) led to an overall fall of 24% in the total net assets of Luxembourg UCIs by the end of 2008. 2009, the year of recovery, saw net assets under management pick up from April 2009 and end +18% higher as a result in particular of the economic recovery given fresh impetus by the various budgetary stimulus plans and monetary policies put in place by the various governments (the G20 summit in April 2009). Whereas 2010 promised to be a year of consolidation and emergence from macroeconomic crisis, it was much more varied than predicted and necessitated the continuance and even extension of the transitional measures put in place by States.

For Luxembourg UCIs, 2010 was not only a year of consolidation but also one of very marked growth with a 19.45% rise in net assets under management. Net assets under management increased by €358 billion over the year, taking the total to €2,198.994 billion at 31 December 2010, making 2010 an excellent year. That description means not so much that net assets returned to two-figure growth but that they recovered and exceeded their pre-crisis level, outperforming by 3.55% the historic €2,123.519 billion recorded in October 2007.

Thanks to positive growth of €281.34 billion in 2009 and €358 billion in 2010, the drop in net assets (€-499.74 billion) recorded in 2008 has been more than

offset in the space of two years, leaving surplus of 28% compared with 2008. If one compares this with 2007 when growth in net assets was €214.54 billion, 2010 growth was more than 67% higher.

The first quarter of 2010, buoyed by a promising economic climate, was the most upbeat quarter of the year with growth of €139.54 billion, representing by itself nearly 39% of the growth in net assets recorded for the year. The rise was primarily attributable, as to 61%, to the stock markets which maintained their upward trend through into the first months of the year.

The Luxembourg UCI sector, despite seeing its net assets grow by 7.58% in the first quarter, did not escape the European sovereign debt crisis which was at its height in May, despite Greece's drastic budget plan aimed at regaining investor confidence. In May, net assets under management fell back under the 2,000 billion mark with €1,992.413 billion, a decline of 1% compared with April. In response to now chaotic markets and downgrading by the rating agencies, investors disinvested to the tune of €14.85 billion. To prevent the situation becoming "irreversibly" worse, the European Union and the IMF went to the aid of Greece to counter investor risk aversion in the Euro zone in particular. The second quarter ultimately ended with a slight rise of 1.52% in net assets under management.

the luxembourg investment fund industry in figures

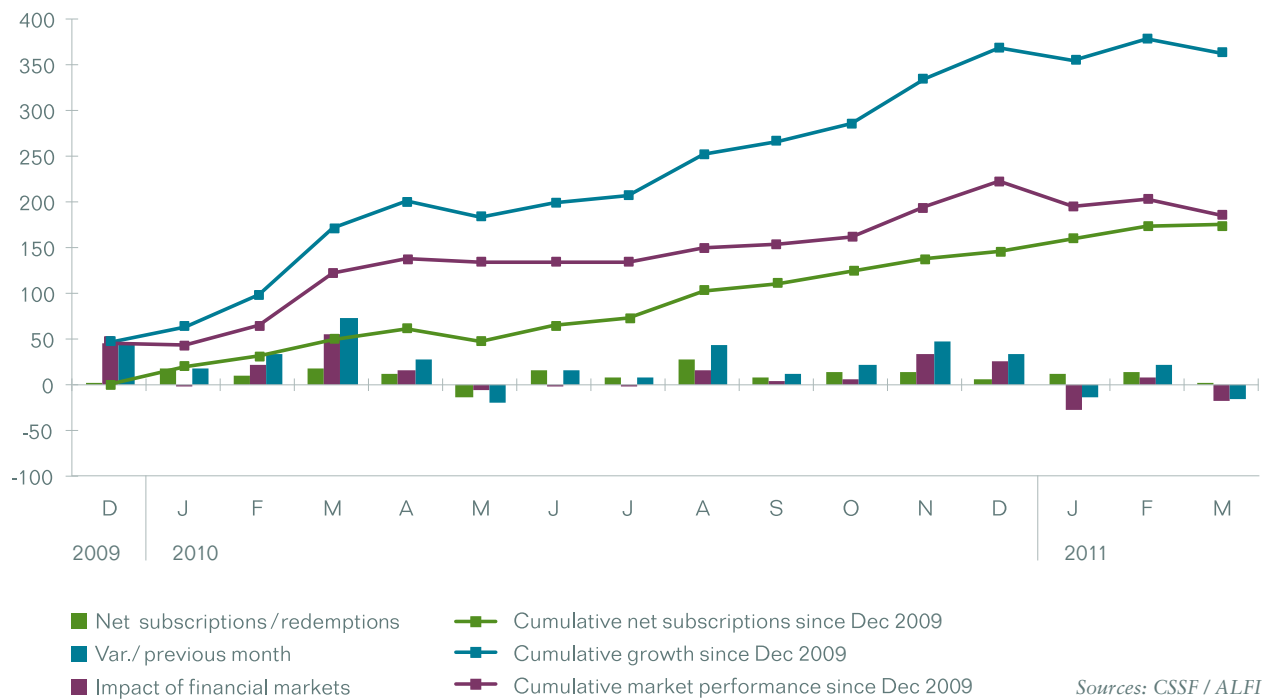
Although the second half of 2010 was characterised by a slowdown in economic growth, the Luxembourg UCI sector continued to grow with an increase in net assets under management of +3.64% (€73.10 billion) in the third quarter and +5.53% (or €+115.25 billion) in the fourth quarter, respectively. During the period, neither the publication of the results of stress tests in July nor the Irish sovereign debt crisis in October, which was offset by the swift response of the central banks, affected the Luxembourg investment fund industry.

Growth forecasts for 2011 are realistic and are likely to be driven upwards by the emerging economies. However, 2011 started off beset by uncertainties (the management of public

borrowing in European countries, the return of inflation, the economic/financial consequences of the 11 March earthquake in Japan, the rocketing rise in the price of raw materials ...) were all factors which would influence the behaviour of private and institutional investors.

In the first quarter of 2011, variations in the level of net assets were a fairly good reflection of all these “question marks”. At the end of March 2011, then, UCI total net assets posted a slight slide of 0.37% (with a total of €2,190.896 billion) compared with 31 December 2010, while at the end of February 2011, in contrast, they recorded a slight rise of 0.42% compared with the same period.

Growth factors in Luxembourg investment funds (in billions of euros)



Stock market behaviour was very unequal from one geographical area to another in 2010. The stock markets of northern Europe rose whilst southern Europe, more affected by the sovereign debt crisis, saw markets plummet, as in Greece, for example, which recorded a fall of -36% over the year. Overall, 2010 ended positively since most markets tabled rises of above 10%. The Luxembourg UCIs benefited from this boon, since 55% of the growth in net assets in 2010 was attributable to the financial markets, namely €196.43 billion of the 358 billion combined total for the year.

The other 45% came from fresh money brought in by private and institutional investors (€161.56 billion), the result in particular of sustained activity by the Luxembourg UCI sector thanks to the launch of 471 new funds in 2010. That 45% confirmed consolidation of the recovery begun in 2009 and the attractiveness of UCIs to investors.

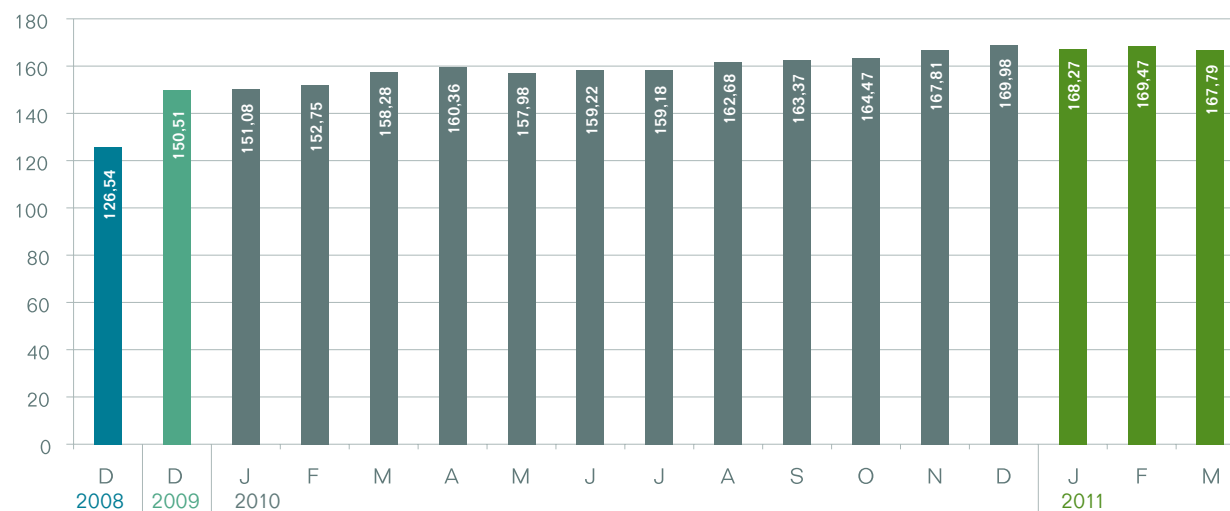
Net subscriptions were positive throughout the year with the exception of May (the key period in the sovereign debt crisis which impacted on European countries) following total net disinvestment of €14.85 billion.

It was in August that net sales were at their highest during the year with a total of €31.38 billion, a particularly impressive level of net investment since one had to go back to March 2006 to find net investment above €36.44 billion. Lastly, in the third quarter, net sales accounted for 68% of quarterly growth.

In the first quarter of 2011, the global net assets of Luxembourg UCIs seemed to have stagnated in comparison with the end of December 2010. Financial markets were sensitive to the various economic pressures (budgetary tightening, inflation, public debt, levels of borrowing, for example), not to mention natural disasters (drought in Russia, earthquake in Japan, tornadoes in the USA) which impacted on and are still liable to affect the financial markets. After a fall of 0.68% in January, net assets climbed back 1.11% in February and finally slipped 0.78% in March 2011, stabilising net assets at a volume of €2,190.896 billion, representing a global fall of 0.37% compared with the end of December 2010. However, investor confidence in the Luxembourg funds was unwavering as net inflows remained positive throughout the period with a total of €32.35 billion.

the luxembourg investment fund industry in figures

Net assets per fund unit* (in millions of euros)



* unit = the number of stand-alone funds plus the number of sub-funds in umbrella structures

Sources: CSSF / ALFI

At the end of 2010 the average size of fund units in terms of net assets per fund unit recorded an increase of +12.93% compared with 2009 when the average size was 150.51 million, ending the year at €169.98 million. As in 2009, average net assets per unit grew steadily throughout 2010 with the exception of May when they fell back by 1.49%. In that month, net investment was in fact negative (€-14.85 billion) and the financial markets unfavourable (€-5.61 billion).

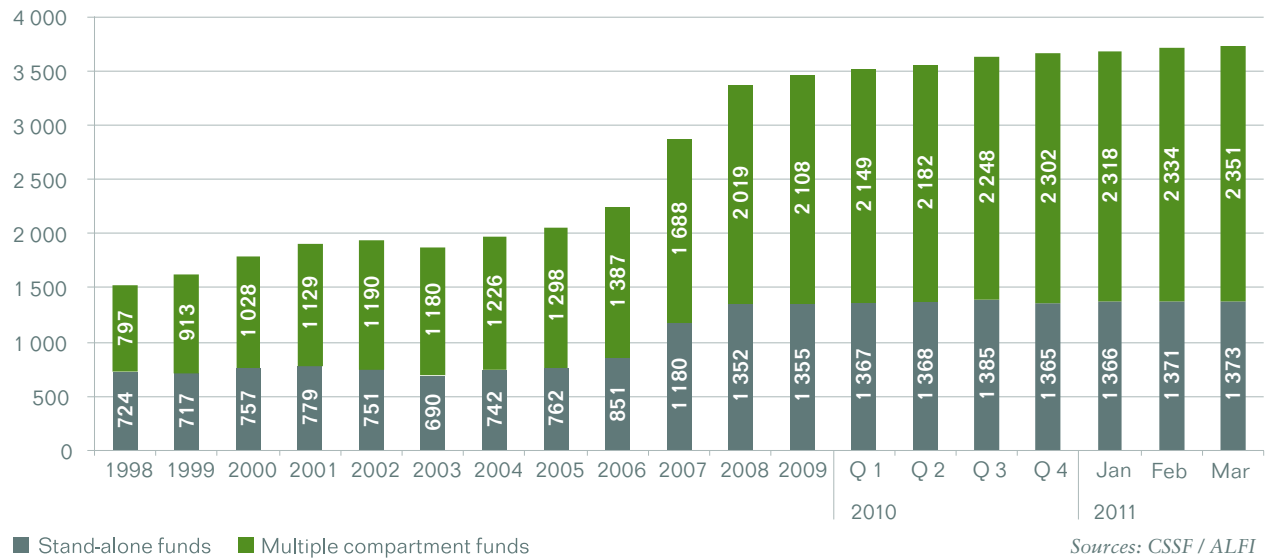
Alongside this, March, August and November turned in increases of +3.6%, +2.2% and +2% respectively in average net assets per unit. These were, indeed, the months given the greatest boost by the stock markets

and/or a large inflow of capital. Those months therefore posted the strongest growth of the year in average net assets per unit.

At the same time, in contrast to 2009 when the Luxembourg markets underwent restructuring in terms of the number of units, the number of fund units rose steadily throughout 2010, although this did not push down average net assets per unit, thanks to a sustained inflow of fresh money.

At the end of March 2011, average net assets per fund unit were €167.79 million (that is to say, a 1% fall compared with the end of December 2010).

Number of Luxembourg investment funds (legal entities)



At the end of 2010, there were 3,667 legal entities domiciled in Luxembourg.

Over the year, 471 new funds were launched and 267 funds were withdrawn from the market. This gave a net variation of +204 funds over 12 months representing total net growth of 5.89% (as compared with +2.73 % in 2009).

Whereas 2009 was characterised as a year of restructuring which saw promoters reposition their fund ranges, 2010 set off at a steady pace with 15.44% of additional funds created and 15.50% fewer closed than in 2009.

Even if 2010 cannot be compared with the two exceptional years 2007 and 2008, coloured by the launch of the specialised investment funds introduced by the Law of 13 February 2007, it was nonetheless a remarkable year. With +471 new funds, 2010 saw 57% of the number of funds created in 2007, a record year in terms of funds created.

Over 2010, the number of fund units (that is to say the number of conventional funds plus the number of sub-funds in umbrella funds) rose steadily, increasing from 12,232 fund units at the end of December 2009 to 12,937 units. The resulting net variation of

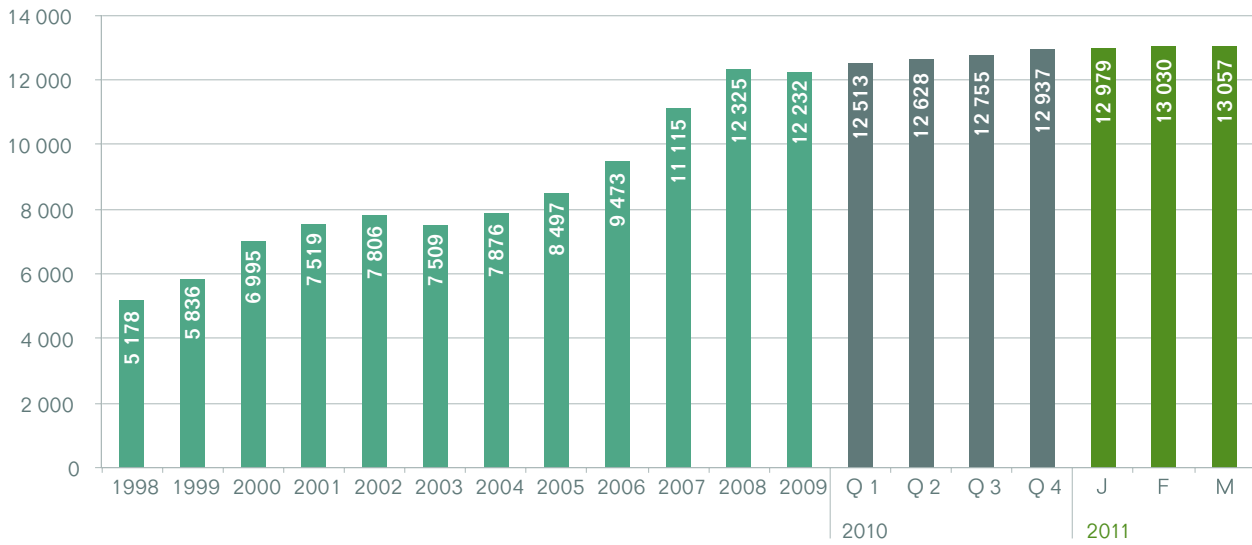
+705 fund units was the difference between the new units launched during the year and those closed during the same period. However, 2,362 new units were in fact approved by the CSSF (the Luxembourg financial supervisor) in 2010, an indication of the dynamism of the Luxembourg fund industry in 2010.

In the first quarter of 2011, dynamism was still the order of the day with an increase of 0.93% in the number of units, bringing the total to a record level of 13,057 at the end of March. Although the net number of fund units rose by only +120 over this period compared with 281 units in 2010, the total number of units (13,057) reached an unprecedented record level. At the same time, 128 new legal entities (new funds) have been launched on the market since January (that is to say a level equivalent to the same period of 2010). With 6.6% fewer funds closed compared with the first quarter of 2010 when 76 funds were withdrawn from the market, the recovery appears to have taken hold.

In conclusion, the Luxembourg fund industry demonstrated its ability to rebound and confront the recession while adapting to its environment and continuing to respond in the best way possible to the needs of investors.

the luxembourg investment fund industry in figures

Number of Luxembourg fund units*



* unit = the number of stand-alone funds plus the number of sub-funds in umbrella structures

Sources: CSSF / ALFI

Number of funds registered on or withdrawn from the CSSF list since 1995



Sources: CSSF / ALFI

Monthly evolution of registrations on / withdrawals from the CSSF list (number of funds)

	Registrations on the CSSF list	Withdrawals from the CSSF list	Net variation
March 2011	41	22	19
February 2011	38	17	21
January 2011	49	32	17
December 2010	35	24	11
November 2010	33	22	11
October 2010	41	29	12
September 2010	40	21	19
August 2010	54	22	32
July 2010	48	16	32
June 2010	26	18	8
May 2010	32	11	21
April 2010	33	28	5
March 2010	46	28	18
February 2010	33	15	18
January 2010	50	33	17

Sources: CSSF / ALFI

As Europe's leading marketplace for the fund industry, Luxembourg remains and is set to remain very attractive in terms of domiciliation. With 471 funds newly registered on the official CSSF list in 2010, last year was an

excellent one. Given impetus by the Law of 13 February 2007 on specialised investment funds, Luxembourg is displaying very clear resilience in a constantly changing financial world.

the luxembourg investment fund industry in figures

Number of specialised investment funds (SIFs) launched since February 2007



The Law of 13 February 2007 on specialised investment funds (the “SIF Law”) replaced the Law of 19 July 1991 on “institutional” UCIs. UCIs formed under the 1991 law were automatically converted into SIFs when the earlier law was repealed.

By means of this new law, Luxembourg sought to create a new legal framework for informed professional, institutional investors, better suited to their environment and needs, whilst observing the elementary rules on investor protection.

The new law has meant that new products similar to the *fonds dédiés* available in France and the *Spezialfonds* available in Germany could be introduced.

With the advent of the SIF Law, a new category known as “informed investors” has been able to purchase these new products, whereas under the 1991 law, only investors classed as institutional could subscribe for shares or units in funds set up under the law.

Promoters wishing to create institutional funds can still do so under Part II of the 2002 law or can take advantage of the new provisions of the 2007 law.

The new legislation has had an undeniable impact on the Luxembourg market, since it has made a far-reaching contribution to attenuating the adverse effects of the 2008 crisis as a result of its attractiveness to investors, which has not diminished since it came into force.

At the end of 2007 and the end of 2008, 355 and 298 new SIFs respectively had been created in the space of two years, representing on average around 42% of the total number of funds launched in the period.

2009 benefited fully from the interest stimulated by this new investment vehicle with 203 SIFs launched, that is to say nearly 50% of the new funds registered for the whole of the year.

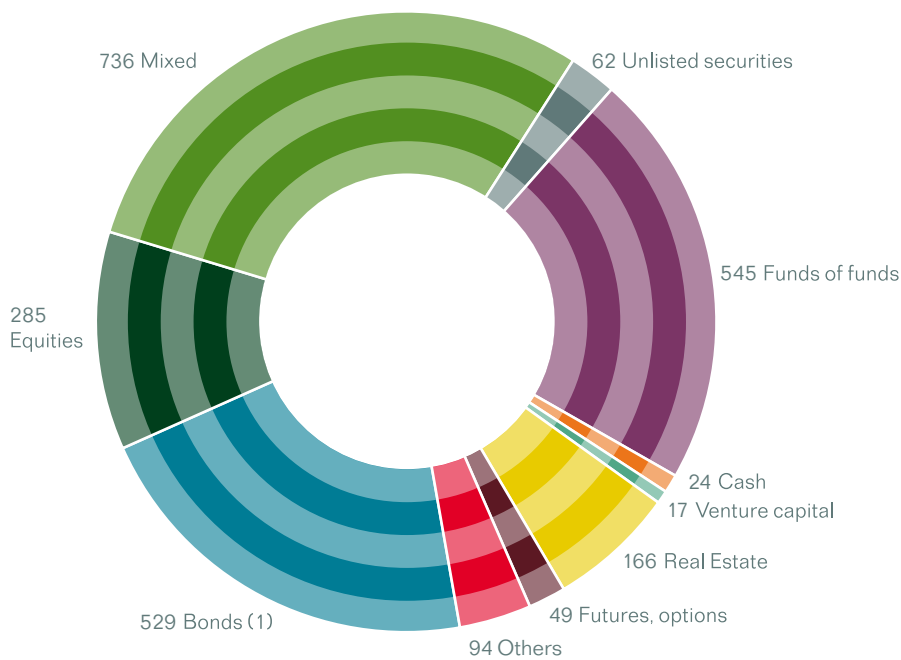
2010, an excellent year in terms of fund creation, confirmed the extent to which SIFs have become a permanent feature of the Luxembourg fund industry. Alone, they represented nearly 64% of the number of funds created in 2010, that is to say 301 SIFs, and it goes with saying that they have contributed hugely to the dynamism of the Luxembourg marketplace. A total of 1,234 SIFs (excluding closures or changes of legal status occurring subsequently to the launch of a fund) have been created since the introduction of the law in February 2007.

While during the first year after the new law, a 57% majority of the new funds created were set up in the form of FCPs (*fonds commun de placement*), the trend completely reversed from the following year and has stayed the

same. In 2010, there were 90 new FCPs for 209 new SICAVs (*société d'investissement à capital variable*), that is to say a proportion equivalent to 30% / 69% for each vehicle respectively.

In contrast to the number of fund units set up under Part II of the 2002 law, which has fallen steadily since 2008, the number of SIF units has increased constantly at a significant level, up 18.31% at the end of 2010 (compared with +16.75% at the end of 2009). With a +22.76% increase in the number of SIFs and a +39% increase in their net assets in 2010, SIFs are indeed one of the star products in the marketplace representing 32.5% of the number of funds, and nearly 10% of overall net assets in the Luxembourg market.

Investment policy of Luxembourg SIFs at 31 December 2010 (number of fund units*)



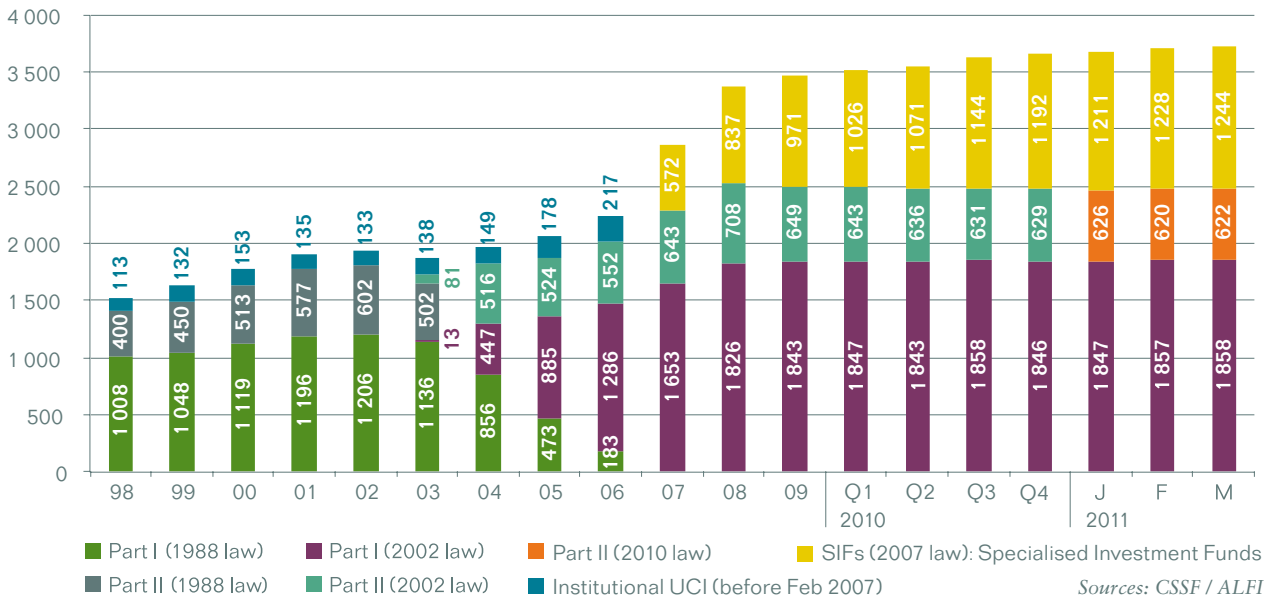
⁽¹⁾ included 15 fund units in money market and other short-term instruments

* unit = the number of stand-alone funds plus the number of sub-funds in umbrella structures

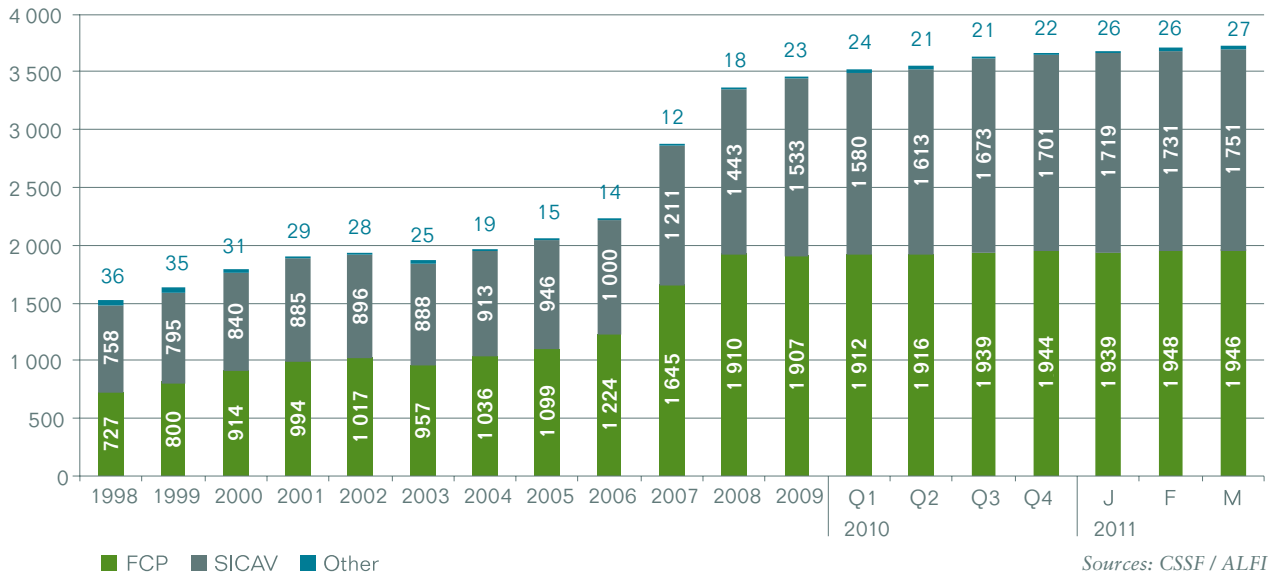
Sources: CSSF / ALFI

the luxembourg investment fund industry in figures

Legal status of Luxembourg domiciled investment funds (number of funds)



Legal form of Luxembourg domiciled investment funds (number of funds)



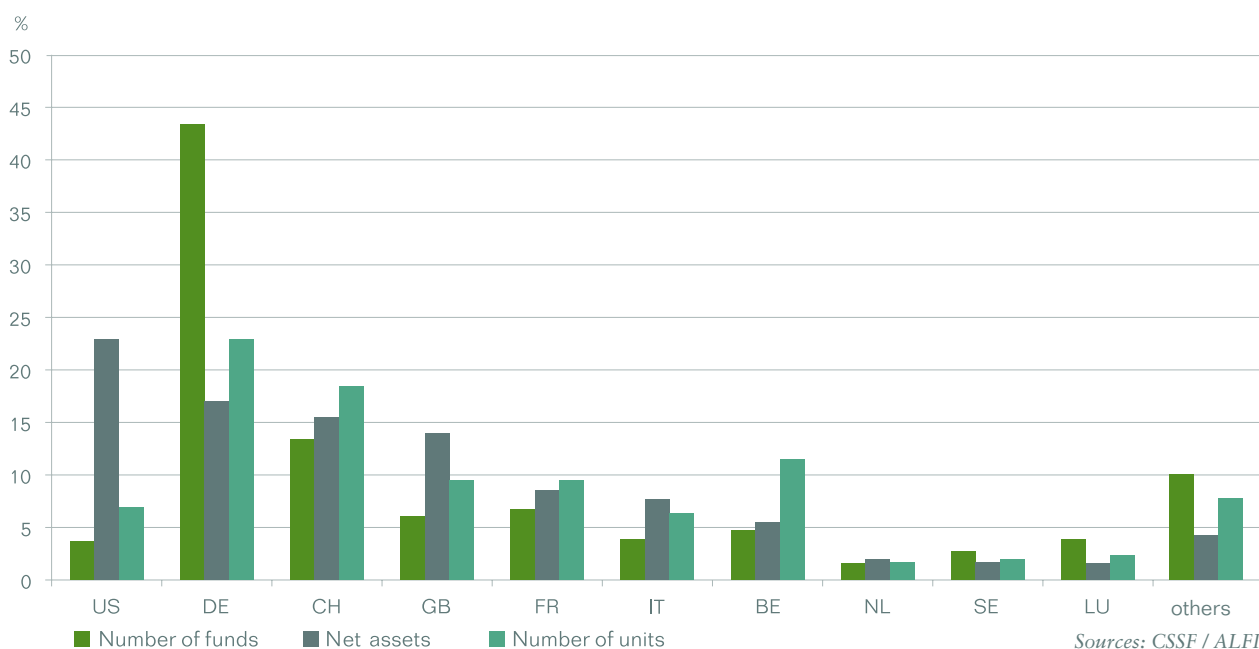
Until 1985, the *fonds commun de placement* (FCP) was legal form of favoured by promoters launching funds under Luxembourg law. Then, between 1986 and 1999, the *sociétés d'investissement à capital variable* (SICAV) came to the fore, overtaking FCPs during that period. Then, at the end of 1999 when the FCP/SICAV ratio was more or less equivalent, each with 49% of

the total number of funds, the trend once more reversed, and the gap between FCPs and SICAVs widened a little more each year. The 2008 crisis saw a return to the trend of the gap between FCPs and SICAVs tending once more to narrow perceptibly. In 2009, restructuring of the range of products offered to investors primarily favoured SICAVs.

Today, at the end of March 2011, FCPs represent 52% of all funds domiciled in Luxembourg compared with 56.6% at the end of 2008 and have therefore seen their market share wane in only slightly over two years.

SICAVs represent 47% compared with 42.8% at the end of 2008, the remaining 1% consisting of other vehicles (e.g. SICAFs (*sociétés d'investissement à capital fixe*)).

Market shares of promoters by country of origin at 31 December 2010



In 2010, in terms of net assets under management, US promoters remained in the first place they had occupied since September 2009.

By 31 December 2010, US promoters had, as in 2009, increased their market share by 1.5% and thereafter represented 22.6% of the Luxembourg fund industry with €496.493 billion. They were followed by German promoters with €380.824 billion (17.3%) who, for their part, saw their market share decrease by 1.7% as compared with the end of 2009. Swiss promoters, for their part, remained in third place with €335.603 billion and a market share of more than 15% as in the preceding year.

In terms of absolute value, it was US promoters who achieved the strongest surge in net assets over 2010 with €+107.302 billion, a 27.57% increase over 2009. That rise, greater than the +19.45% growth in net assets for the industry as a whole, is all the more striking in that it is not reflected at the same time in a significant increase in the

number of units, +3.21% (net variation) as compared with +5.76% for the market overall.

Although the leading trio which has for years comprised US, German and Swiss promoters this year represented 50.5% (or €180.463 billion) of annual growth in 2010 (€358 billion) as against 45.2% in 2009, UK promoters were still in second place in terms of absolute value with €+88.784 billion and represented 24.8% of annual growth. With those figures, they in fact saw their net assets increased by nearly 40.6% over the year making them €307.578 billion at the end of 2010.

Against that background, attention is drawn to the leap forward by French promoters who, since the advent of the euro, had occupied the seventh position in the top 10 in terms of net assets and, in 2010, were propelled to fifth place from the end of June. That progress is reflected in an increase in net assets of more than 45% from

the luxembourg investment fund industry in figures

€124.154 billion at the end of 2009 to €180.308 billion at the end of 2010. Alongside this, the rise was accompanied by a net increase in units of nearly 30% (+284 units) representing 40% of the net total number of units created over the year.

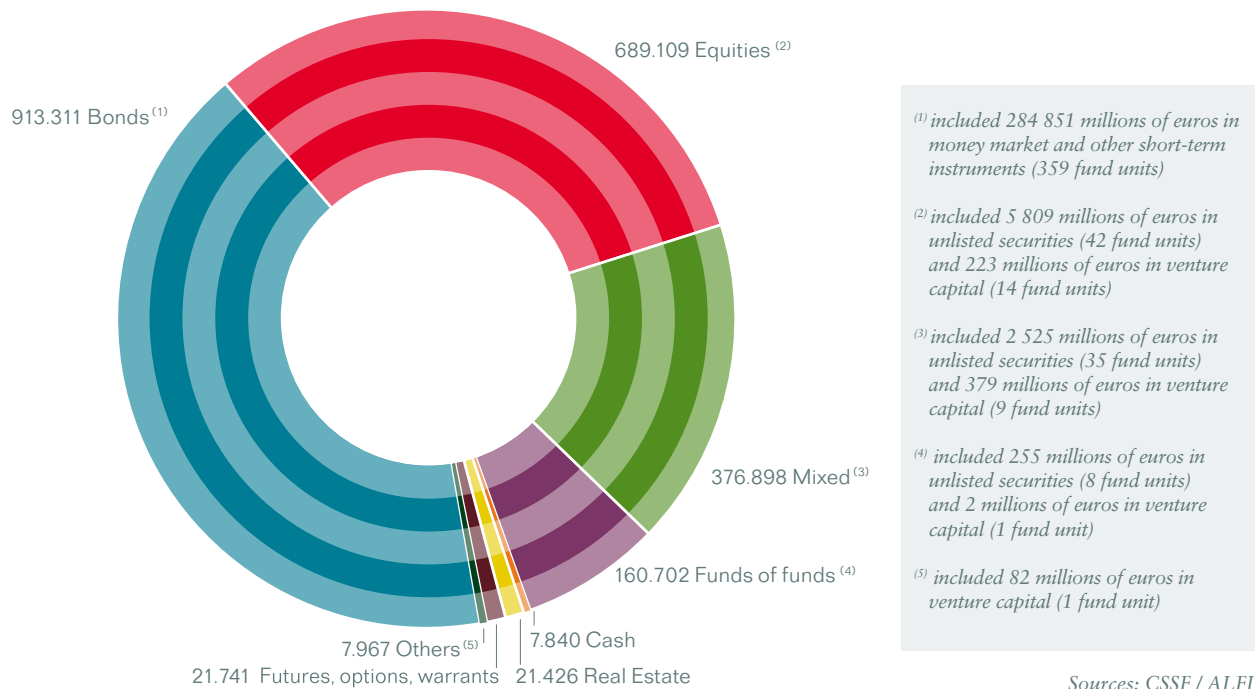
It was only Belgian promoters who saw both their market share decline, by 2.4 percentage points, falling from sixth place in the top 10 in respect of net assets under management (7.7% of the market at the end of 2009) to seventh (5.3% of the market at the end of 2010), and the number of units drop from 1,632 at the end of 2009 to 1,446 at the end of 2010. The sharp fall (-186 units as compared with 2009) suggests that the restructuring undertaken by almost all promoters in 2009 was postponed to 2010 in the case of Belgian promoters since in 2009 the number of units had fallen by scarcely 1.3% compared with other promoters

who saw markedly steeper falls. However, in terms of units, they kept their third place in the market behind German and Swiss promoters.

Since September 2007, German promoters have held the top position in terms of market share both as regards to the number of funds (43.5% or 1,596 funds) and the number of units (23% or 2,971 units). Traditionally favouring non-umbrella funds, they are the biggest in the Luxembourg global market by number of funds.

Overall, 2010 has been a very good year as regards the number of units for almost all promoters who saw their numbers increase, up +15% for UK promoters, +16% for Swedish promoters and +6% for Swiss promoters, with the exception of Belgian (-11%) and Dutch promoters (-18%) for whom the number of units declined.

Investment policy of Luxembourg investment funds at 31 December 2010 (in billions of euros)



While in 2008, with the financial crisis, the landscape of Luxembourg investment funds underwent far-reaching change in terms of investment policy, with redistribution of the weighting which had existed for years between the various categories; in 2009 there was a perceptible shift back towards something closer to the pre-2008 configuration. 2010, regarded as a year of stabilisation following emergence from crisis, would confirm that trend, which is much more striking when one compares the 2010 data with those of 2008.

In 2010, although the stock markets varied greatly from country to country and/or from index to index, the year was very positive overall as reflected in a lowering of investor risk aversion and clearly evident in the annual evolution of investment policy.

Taking into account various factors, whether economic (the recovery in worldwide growth, the soaring economies of emerging countries, continuing support measures by the central banks, healthy business finances and similar) or financial (fundamentally bullish stock markets and continuing low interest rates, for example), investors returned to so-called higher risk products. Although “variable income securities” performed particularly well in 2010 seeing net assets rise +26.65% over one year to reach an end of year figure of €689.109 billion, investors turned rather to more balanced investments, favouring “diversified securities”. Although equity funds represented 40.5% of growth in net assets in 2010 (€+358 billion), that outcome was due primarily to variations in the financial markets since the number of units remained stable from one year to the next with a net increase of only 5 units. At the end of 2010, equity funds represented 31.34% of the Luxembourg fund market.

Mixed/balanced-profile funds, for their part, were up 27.14% (€ +80.454 billion) reaching €376.898 billion at 31 December 2010. Although representing only 22.47%

of overall growth, this category of fund attracted the bulk of (net) new units with +510 units or 72.34% of the (net) total number of units for 2010, clear confirmation that investors are seeking to return to higher risk assets albeit only up to a certain point. At the end of 2010, balanced-profile funds represented 17.14% of the Luxembourg market.

“Fixed income securities” which include money market instruments and other short-term securities, saw net assets rise by +13.90% (€ +111.485 billion), thereby remaining the first category in terms of asset class with €913.311 billion at the end of December. Comprising 31.14% of overall growth, at 31 December 2010 they still represented over 40% of the UCI sector with a market share of 41.53%.

As in 2009, these three categories of asset class alone represented 90% of the entire fund sector.

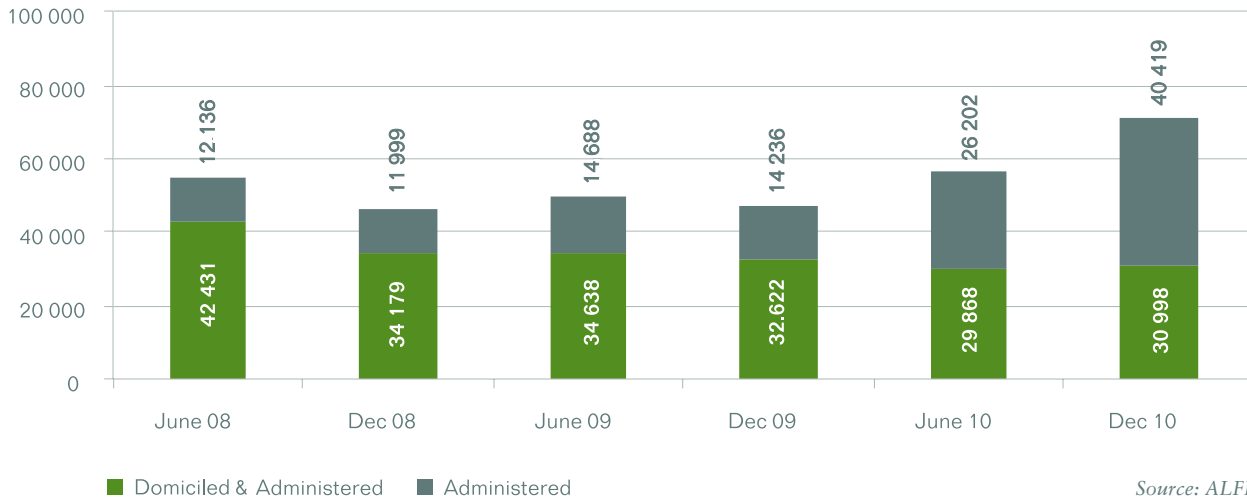
Amongst the other asset classes, the “cash investment” category posted a sharp annual outflow with net assets plummeting by 45.97% (compared with a drop of -34.67% already at the end of 2009). Continuing low interest rates clearly turned investors away from this kind of vehicle towards other products. Net assets in the category were only €7.840 billion at the end of 2010.

After successive falls in 2009 in terms of net assets and units, the funds of funds category rallied in 2010 reaching total net assets of €160.702 billion (+13.77%) and 2,010 units (+3.24%).

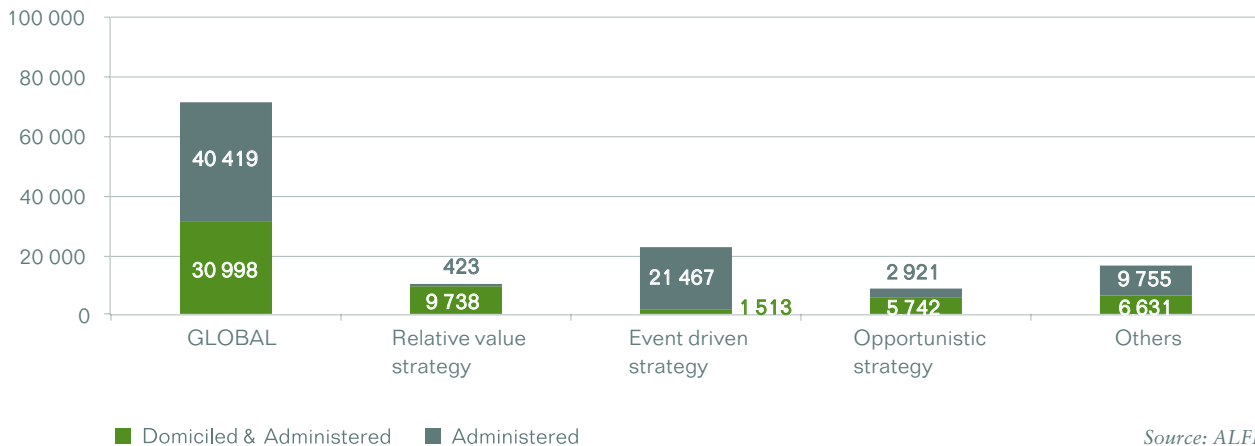
Real-estate funds continued to perform with a constantly increasing number of units (+29 units – net – in 2010). Net assets rose +12.98% over the year, more than offsetting the -9.37% slide in 2009.

the luxembourg investment fund industry in figures

Net assets in hedge funds under administration in Luxembourg (in millions of euros)



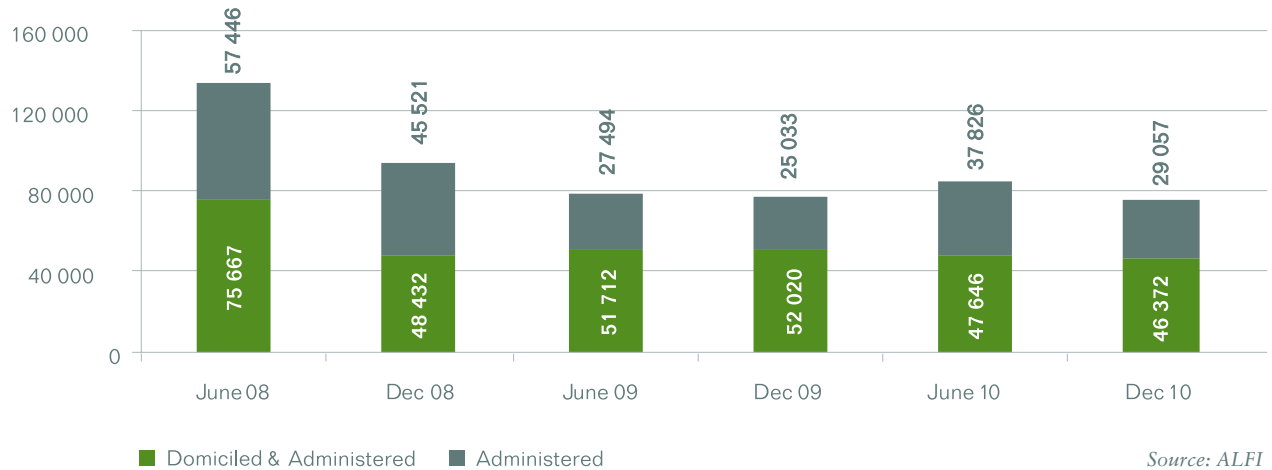
Net assets in hedge funds breakdown by strategy at 31 December 2010 (in millions of euros)



From December 2003, when ALFI launched its first member survey of hedge funds, the sector represented by hedge funds domiciled in Luxembourg grew continuously until June 2007. Net assets multiplied 12.5 times over that period, reaching € 58.566 billion at the end of June 2007. The sub-prime crisis in August 2007 saw a steady decrease in net assets from that time, including in 2009 when the UCI sector returned to growth. In 2010, whereas the Luxembourg fund industry came out of recession and saw its net assets up +19.45%, the

domiciled hedge fund sector, with €30.998 billion at 31 December, again suffered an overall fall of 4.98% in net assets over the year. However, there is one small proviso when describing 2010. During the first half-year, net assets in Luxembourg-domiciled hedge funds slipped 8.44% compared with the end of 2009, with at the same time a steep drop of 15.74% in the number of units (380 units at 30 June 2010). In the second half-year, the hedge fund sector revived somewhat and appeared to be carried along by growth in the UCI sector with net assets up

Net assets in funds of hedge funds under administration in Luxembourg (in millions of euros)



3.79% over the period and new units created (+7.37% compared with the end of June 2010) taking the total number to 408 units at 31 December 2010. At the same time, the number of hedge fund vehicles skyrocketed in the second half-year, up +46.15% in terms of funds. As at 31 December 2010, there were 152 hedge fund legal vehicles (compared with 104 at the end of June).

Whilst the hedge fund sector in Luxembourg had for years been dominated mainly by Luxembourg funds, 2010 saw that situation reversed. Hedge funds administered but not domiciled in Luxembourg saw net asset growth of 183.92% in 2010 with an increase from €14.236 billion at the end of 2009 to €40.419 billion at the end of 2010. Nonetheless, that surge in net assets was not accompanied by a soaring number of units since the number of units was, conversely, in decline at the end of December, to give 131 units (compared with 158 units at the end of 2009). It would seem that non-domiciled hedge funds saw more benefit from the upward trend in the financial markets in the second half of 2010, in line with the good performance of the hedge fund industry in general.

In terms of strategies favoured by hedge funds domiciled in Luxembourg, the new configuration established in

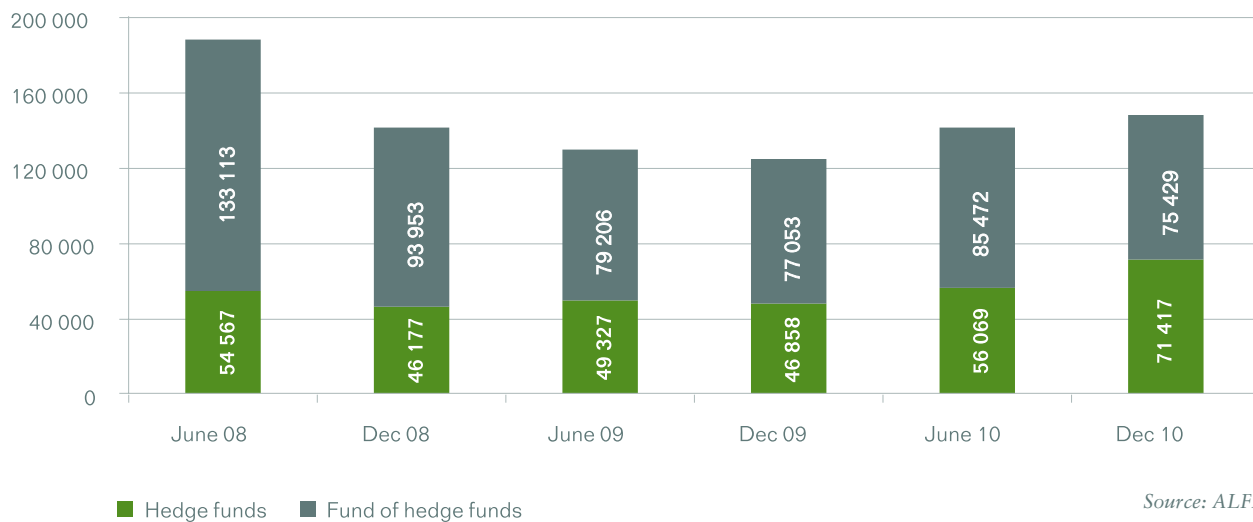
2008 continued in 2010, as it did with the investment policy of UCIs in general. Relative value strategies, although representing 70% of net assets at the end of 2007, represented only 31% at the end of 2010, compared with 43% at the end of 2009. Opportunistic strategies, for their part, increased, with a market share of 18.5% compared with 13.7% at the end of 2009. In the case of hedge funds administered but not domiciled in Luxembourg, in contrast, event-driven strategies became dominant at the end of 2010, with 53% of net assets under management compared with 39% in 2009. Opportunistic strategies slipped back slightly to 7.2% compared with 8.1% at the end of 2009.

At the end of 2010, the evolution of funds of hedge funds, whether domiciled or merely administered, was fluctuating, with net assets increasing or decreasing depending on the half year in question. Overall, the funds of hedge funds sector has been slowing down since June 2008, experiencing a severe drop in net assets, down -39% for domiciled funds of hedge funds and -49% for non-domiciled funds of hedge funds.

In 2010 as compared with 2009, domiciled funds of hedge funds recorded a fall of 10.9% in net assets over the year (with €46.372 billion at 31 December 2010) whilst non-domiciled funds of hedge funds experienced

the luxembourg investment fund industry in figures

Combined net assets in hedge funds and funds of hedge funds under administration in Luxembourg (in millions of euros)

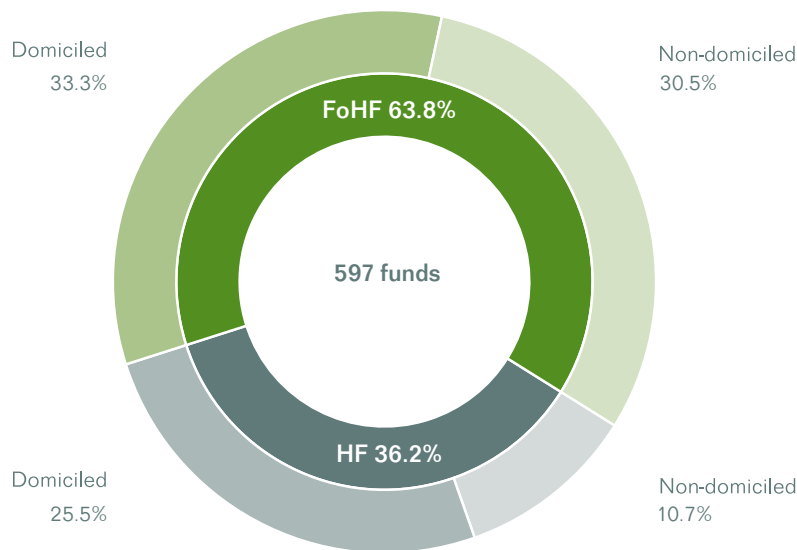


a +16% rise in net assets (with €29.057 billion at 31 December 2010). It is important to note, however, that non-domiciled funds of hedge funds initially recorded runaway +51% growth in the first half-year before falling back by 23% in the second half.

These variations cannot be attributed solely to movements in the markets and are corroborated by a fall in the number of units combined with a fall in the number of funds.

Although overall the hedge funds and funds of hedge funds industry posted an 18.51% rise in net assets under management in comparison with 2009 to record €146.847 billion at the end of 2010, evolution was essentially very different for each of these sectors.

Global overview of hedge funds & funds of hedge funds at 31 December 2010 (number of funds)



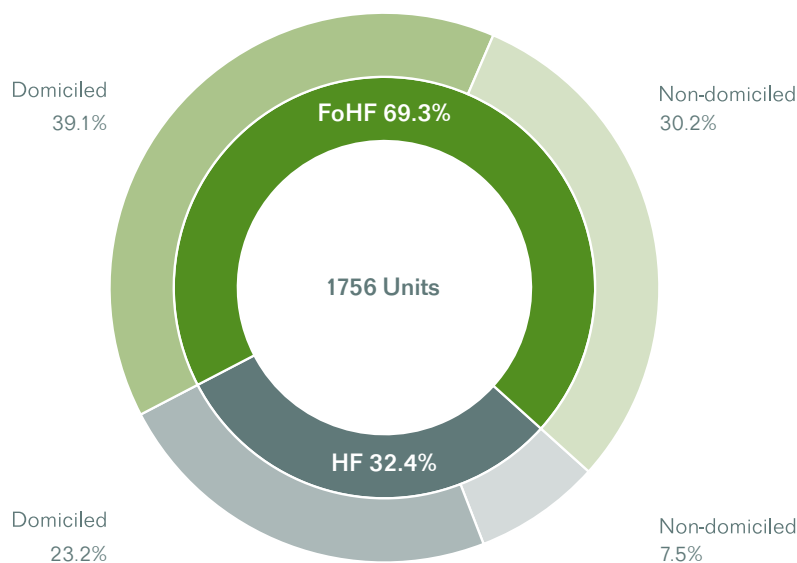
Source: ALFI

There were a total of 216 hedge funds under management in 2010 as compared with 202 at the end of 2009. The number of portfolios or units fell 11.49% over the year making the number of units 539. The drop was due essentially to the slump to 61% in the number of units in the domiciled hedge fund sector.

In terms of the number of legal entities, non-domiciled funds have continued to lose market share to funds domiciled in Luxembourg, falling back by nearly 15% in 2010 and coming to represent only 41% of the total market. This trend is appreciably less marked in terms of units as, although the number of non-domiciled fund units had fallen by 6% at the end of 2010, their market share was stable at 37.6% compared with the end of 2009.

Funds of hedge funds, with 381 entities (-10% in 2010) and 1,217 units (-4% in 2010), although down overall since 2009, still constitute around two thirds of the market.

Global overview of hedge funds & funds of hedge funds at 31 December 2010 (number of units*)



* unit = the number of stand-alone funds plus the number of sub-funds in umbrella structures

Source: ALFI





alfi | association of the
luxembourg fund industry

12, rue Erasme
L-1468 Luxembourg

Tel: +352 22 30 26 - 1
Fax: +352 22 30 93

info@alfi.lu
www.alfi.lu