

# New markets for UCITS

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Global distribution is creating new opportunities for UCITS, as are new products.



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As worldwide UCITS sales have grown over the past five years, an unexpectedly large volume of sales has been to markets outside Europe. For sure, the leading domiciles in terms of assets have been within Europe. Yet UCITS funds are also being distributed across Africa, Asia, the Middle East and South America.

According to the European Fund and Asset Management Association (EFAMA), the top five investment fund domiciles in terms of assets are Luxembourg, France, Germany, Ireland and the UK. Other key European markets are Austria, Italy and Spain.

But the rapidly growing emerging markets provide great potential for sales. In Asia, the main countries targeted are Singapore, Hong Kong, Taiwan and Macau. In South America, Chile and Peru are two emerging markets for the distribution of UCITS funds. South Africa is the main country targeted in Africa. As expected, the Middle East is emerging as a significant growth area.

Furthermore, China is also emerging as a key market, especially due to the new Memorandums of Understandings (MOUs) it has signed with Luxembourg and Ireland. These approvals will allow Chinese investors to invest in foreign-domiciled UCITS - funds as well as non-UCITS investment products. This welcome development opens up one of the world's fastest-growing pools of private capital.

## Fast-growing product opportunities

Islamic funds are especially appealing in some of these markets. Consequently, there has been significant growth in Shariah-compliant UCITS funds. Luxembourg and Ireland lead the way in this area, with significant regulatory and administration support in both jurisdictions. In Ireland, the Financial Regulator has established a dedicated regulatory team for the authorisation of Shariah products.

Looking to the future, we expect to see more Islamic UCITS funds in years ahead as global asset management firms enter this growing market. Additionally, given the present financial crisis, the Islamic finance industry's resilience highlights it as a major player in the global investment arena.

Following substantial falls in asset values, distressed asset funds are also likely to be in demand – both in Europe and across the globe. There are opportunities to purchase assets at deep discounts from troubled organisations – i.e. portfolios of loans from failing financial institutions, discounted bonds from cash-strapped corporates and prime properties from struggling mortgage holders.

Another area of interest is Socially Responsible Investment (SRI). Total sales for the SRI sector for November 2008 were €784.2m (\$1bn) to take the overall value of the sector to €35.3bn. Sales of mainstream equity funds totalled €588.7m over the same period. This suggests that SRI funds are becoming a mainstream asset class.

For UCITS funds, there are clearly both new growth markets and products. The UCITS brand is well-established and trusted. Even at a time when the European investment industry's assets under management have contracted, there are new areas of opportunity.

# Investment Management and Real Estate contacts

IMRE News is produced by experts in their particular field at PricewaterhouseCoopers, to address important issues affecting the investment management industry. If you would like to discuss any aspect of this document, please speak to your usual contact at PricewaterhouseCoopers or one of those listed on these pages.

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