



UCITS vs. Non-UCITS funds: time to bridge the gap?

Can Non-UCITS Funds help to re-establish trust in the fund management industry

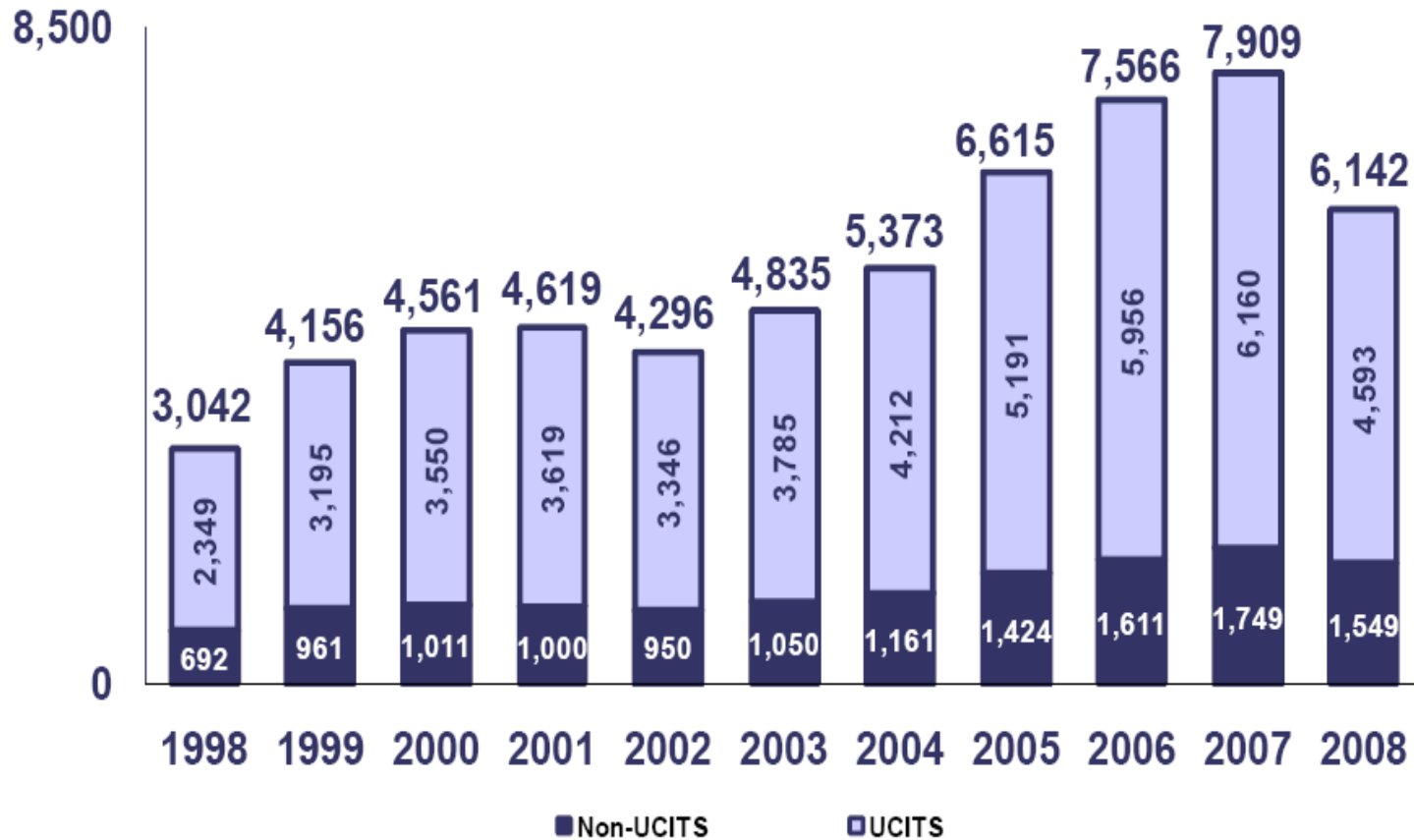
Insights from a practical point of view.

Markus Weigl, Superfund Consulting GmbH
Brussels, 31 March 2009



Assets Under Management in Europe (source EFAMA)

Net assets of European Investment Funds
(EUR billions)





How to re-establish the fund management industry

- Regulatory framework for non-UCITS funds?

Contra: Non-harmonised funds not possible to categorise
Retail investors get access to “dangerous” assets
Best investor protection is to keep sophisticated assets out of the regulated market

Pro: Principles to be met by every fund as guarantee for transparency and investor protection
Retail investor to benefit from risk diversification
Minimise fraud and “operational” risks

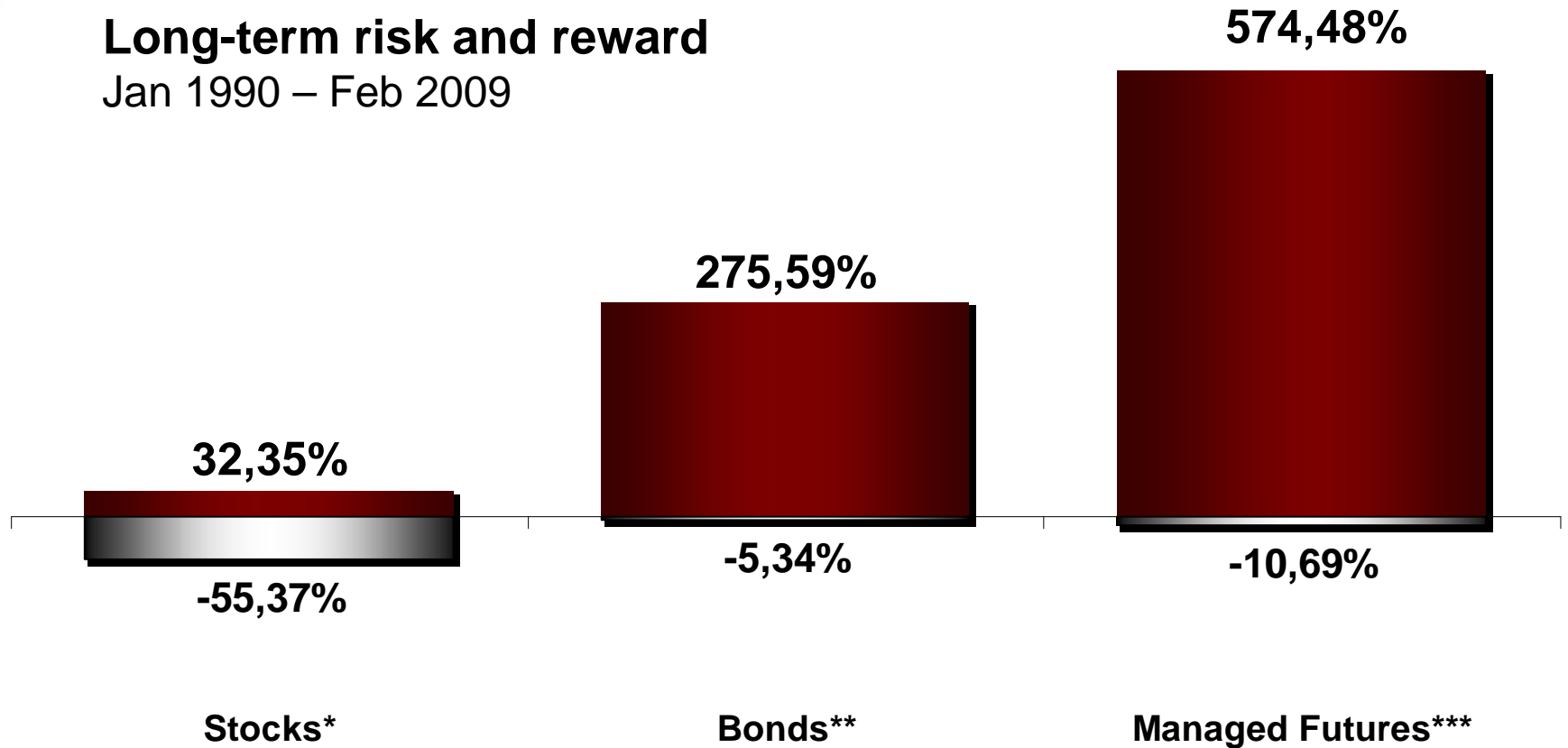
→ Harmonisation of non-UCITS funds to create an “alternative investment brand”



Innovation through Asset Class Managed Futures

Long-term risk and reward

Jan 1990 – Feb 2009



- * MSCI World
- ** JP Morgan Govt. Bond US
- *** CISDM CTA Asset Weighted Index



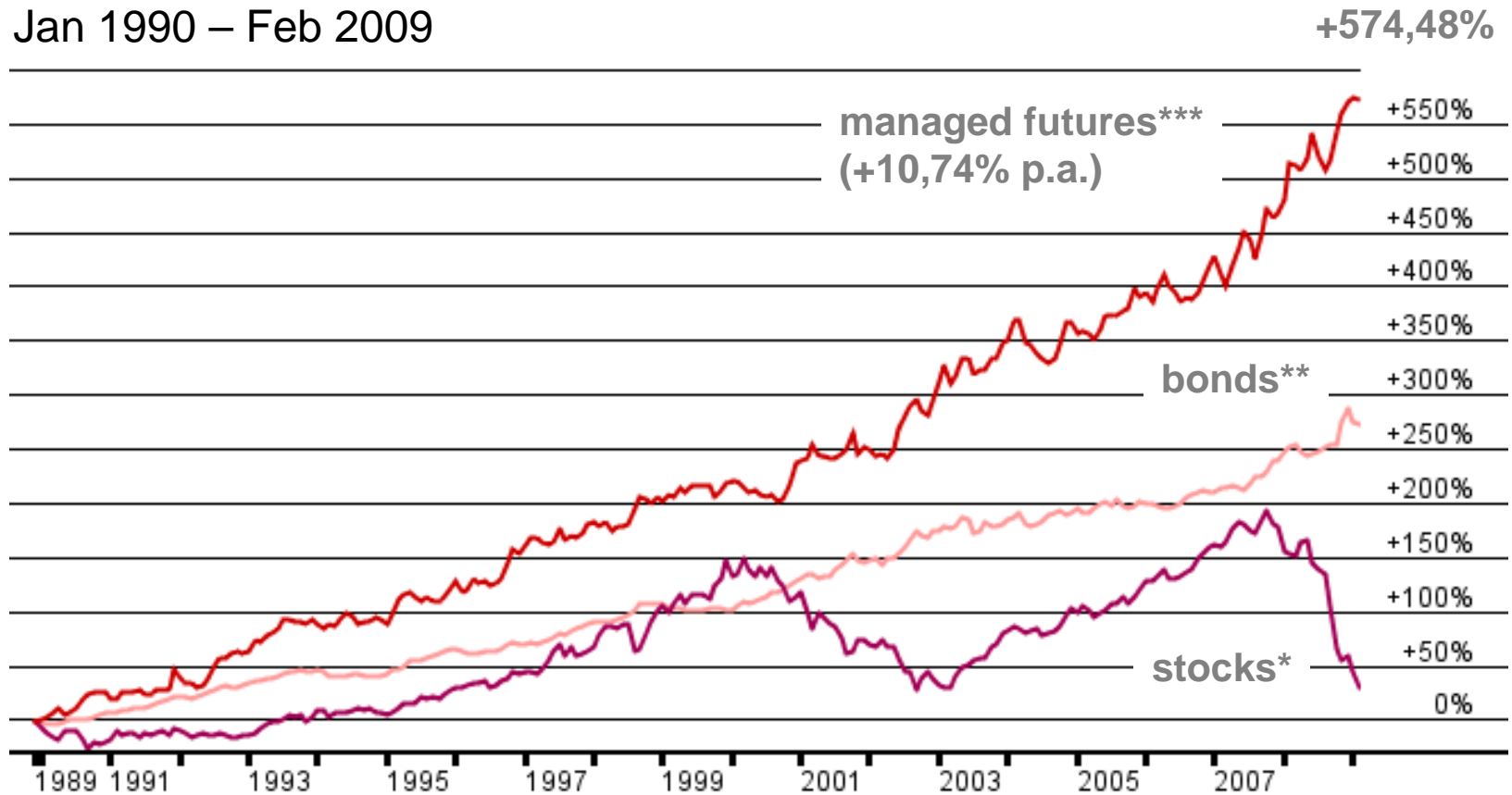
Source: Teletrader



Innovations through Asset Class Managed Futures

managed futures vs. stocks and bonds

Jan 1990 – Feb 2009



- * MSCI World
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Source: Teletrader

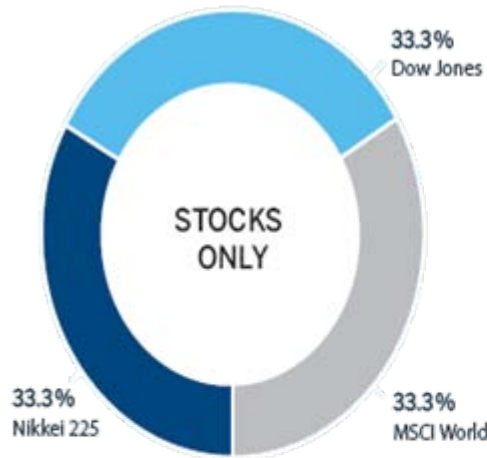




Why do we need Managed Futures?

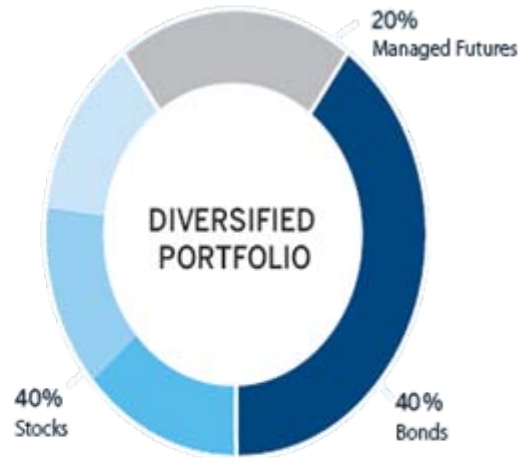
01/1986 - 02/2009

COMPARISON OF A STOCKS ONLY VS. DIVERSIFIED PORTFOLIO



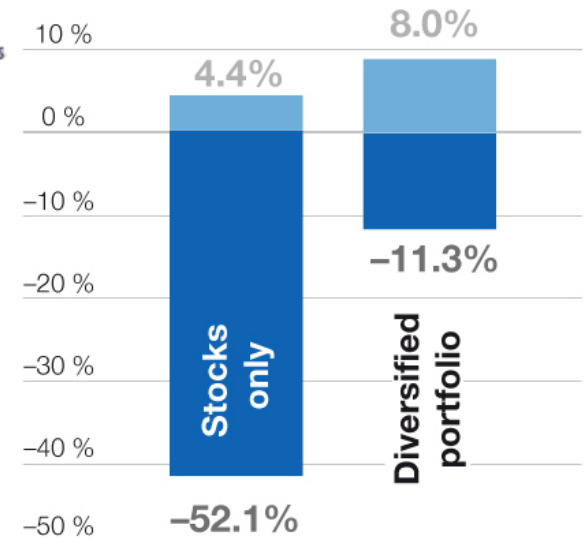
Correlation:

Dow Jones – Nikkei 225:	0,46
Dow Jones – MSCI World:	0,83
MSCI World – Nikkei 225:	0,70



Correlation:

Stocks – Managed Futures:	-0,07
Managed Futures – Bonds:	0,23
Bonds – Stocks:	0,11



Annual Return
 Max. Drawdown

Managed futures: CASAM CISDM CTA Equal Weighted; Bonds: JP Morgan Government Bond Global; Source: Bloomberg

CORRELATION OF SELECTED ASSET CLASSES*

	Managed futures	Bonds	U.S. stocks
Managed futures	1.00	0.30	-0.23
Bonds	0.30	1.00	-0.29
U.S. stocks	-0.23	-0.29	1.00

*Based on a 10-year period ending December 31.

1) Managed futures: Barclay CTA Index;
 2) Bonds: Lehman Brothers Long-Term U.S. Treasury Index;
 3) U.S. stocks: S&P 500 Total Return Index;
 Source: BarclayHedge, Ltd.





How to re-establish the fund management industry

- Broadening of UCITS as appropriate reaction?

Contra: Revision just finished
 “Worldwide brand” jeopardised
 Retail investors not ready for new assets

Pro: New assets could improve UCITS performance
 More risk diversification for investors
 UCITS made more stress resistant

→ Opening of UCITS for asset classes that meet most crucial criteria to secure the future of UCITS through innovative products



How to re-establish the fund management industry

- Strengthen financial education of retail investors?

Contra: Retail investors will never understand how financial products work

It is the job of financial advisors to teach investors

Pro: Financial education as best investor protection

Asking the right questions will force fund manager to take disclosure and transparency serious

Educated investors to trust the markets more than uneducated

→ Introduce a Europe-wide program for financial education



Conclusions

- Regulators must react to regulate the retail financial markets beyond UCITS
- Risk diversification is crucial also for retail investors: legislators should enable access to market proven assets
- Regulatory support for assets providing liquidity desired
- Clear rules on transparency, disclosure, and investor protection to avoid fraud
- Financial education as tool to rebuild trust in the financial markets



- ▶ ***The European Commission has published a European Database for Financial Education (EDFE) on the "Europa" website. It has been designed to reference numerous financial education programmes offered by public or private institutions in the European Union. The EDFE includes standardised information about educational schemes and research projects. It is open to all providers and potential users. By improving access to information about the existing initiatives the Commission wants to contribute to improving financial capability of consumers and users of financial services.***
- ▶ http://ec.europa.eu/internal_market/fesis/index.cfm
- ▶ More detailed information about the Commission's work in this area is available at:
- ▶ http://ec.europa.eu/internal_market/finservices-retail/capability/index_en.htm



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- Background on Superfund

- World leading provider of managed futures funds for private investors
- Approx. 50.000 clients and market presence in 20 countries
- USD 1.65 billion in assets under management



UCITS net sales in Europe (source EFAMA)

Table 1. Net Sales of UCITS ⁽¹⁾

Members	Equity Funds		Bond Funds		Balanced Funds		Money Market Funds		Other Funds ⁽²⁾		Total	
	Q4	2008	Q4	2008	Q4	2008	Q4	2008	Q4	2008	Q4	2008
Total	-27,312	-160,943	-69,209	-174,342	-24,970	-40,980	-2,785	69,449	-18,166	-28,511	-142,442	-335,328

(1) In EUR millions for EFAMA members for which data are available; (2) including funds of funds, except for France and Italy for which the funds of funds data are included in the other fund categories; (3) net sales of non-UCITS are included in "other" funds, except net sales of special funds, which are shown in Table 5; (4) 2008 net sales refer to Q1-Q3.



Non UCITS net sales in Europe (source EFAMA)

Table 5 . Net Sales of Special Funds ⁽¹⁾

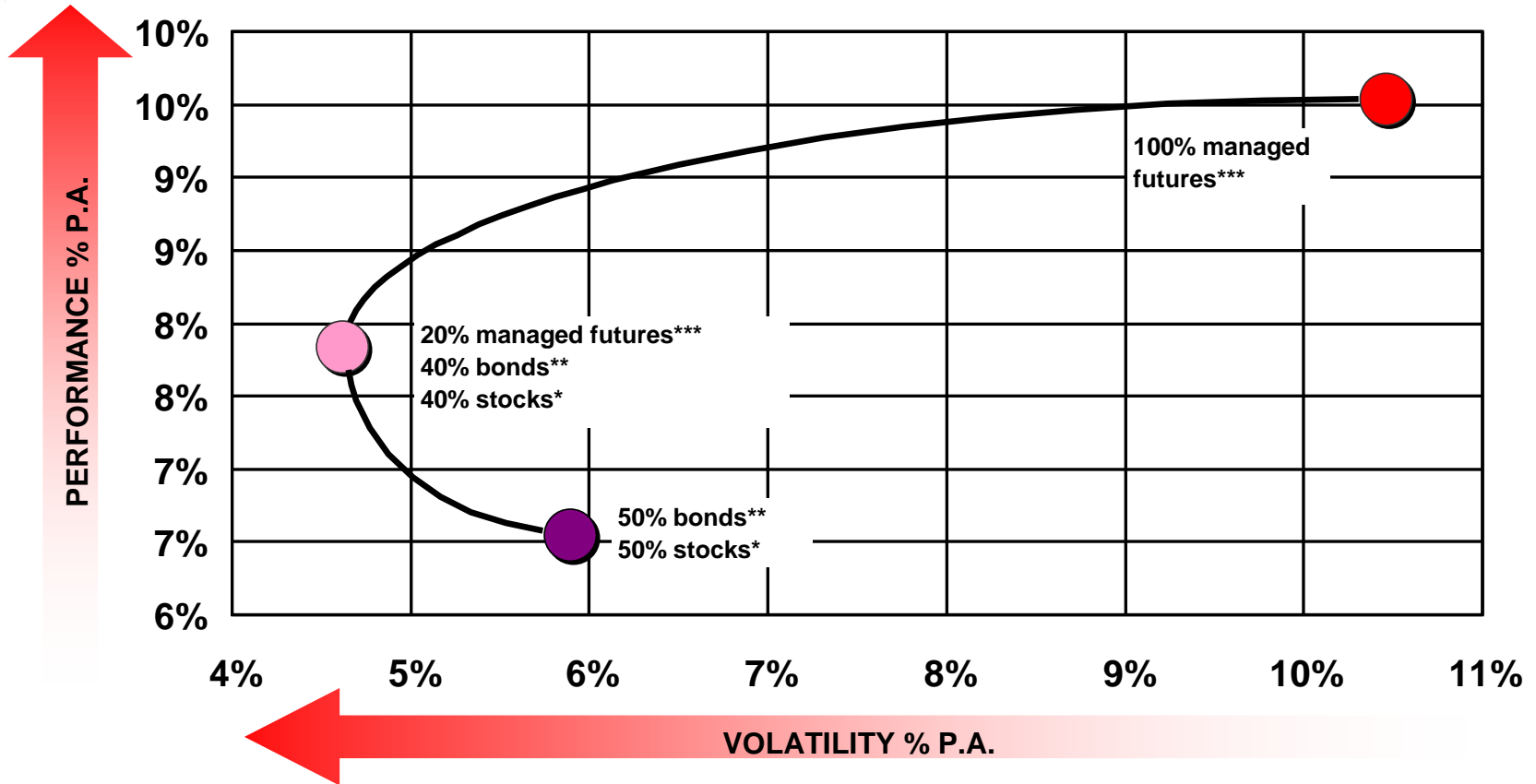
Members	2007				2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Austria	-88	963	-518	-152	-196	-445	306	-332
Denmark	1,014	1,750	2,738	512	995	2,600	-2,199	-140
Finland	725	831	-612	-255	-126	-287	-251	-641
Germany	15,019	-270	21	12,698	3,705	4,861	8,983	3,629
Hungary	-4	19	61	35	8	92	436	194
Italy	-327	243	-63	-368	-133	-156	-101	-156
Liechtenstein					100	195	124	n.a.
Luxembourg	3,133	4,598	12,870	17,359	11,408	6,982	8,022	2,437
Sweden	11	-21	-2	-13	26	-30	9	20
United Kingdom	674	2,191	649	695	292	207	236	151
Total	20,156	10,302	15,144	30,511	16,079	14,019	15,565	5,162

(1) In EUR millions for EFAMA members for which data are available.

Innovations through Asset Class Managed Futures

Optimum portfolio mix

Jan 1990 – Feb 2009



- * MSCI World
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- *** CISDM CTA Asset Weighted Index

Source: Teletrader

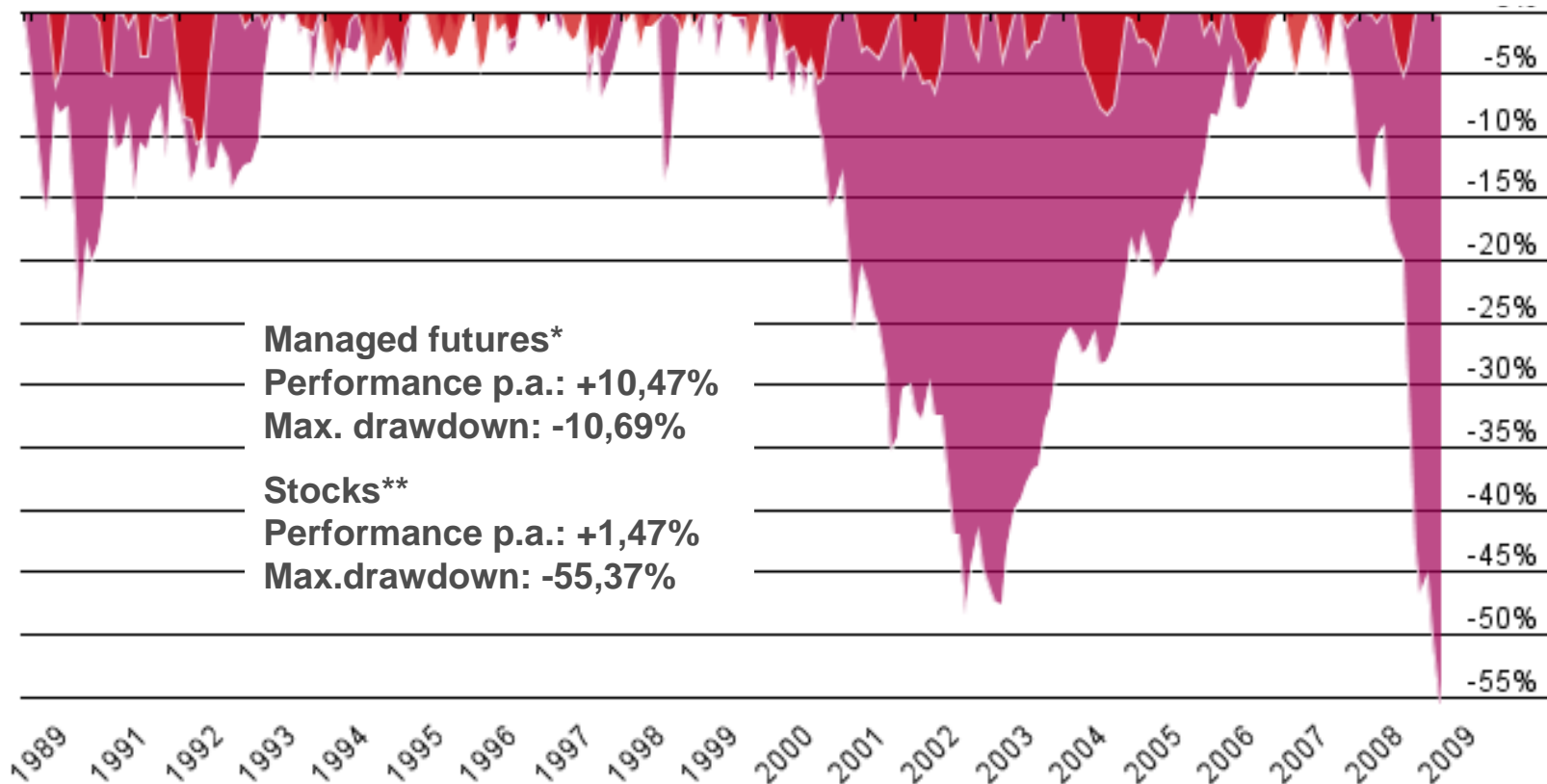






Innovations through Asset Class Managed Futures

Drawdown comparison

Jan 1990 – Feb 2009



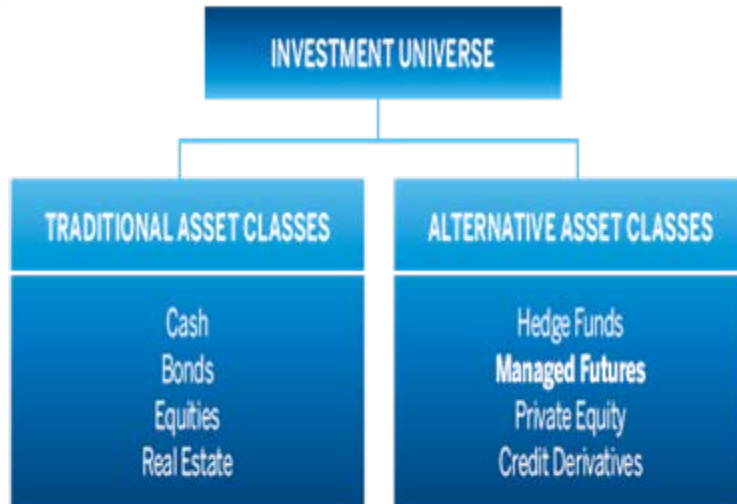
 * CISDM CTA Asset Weighted Index
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Source: Teletrader



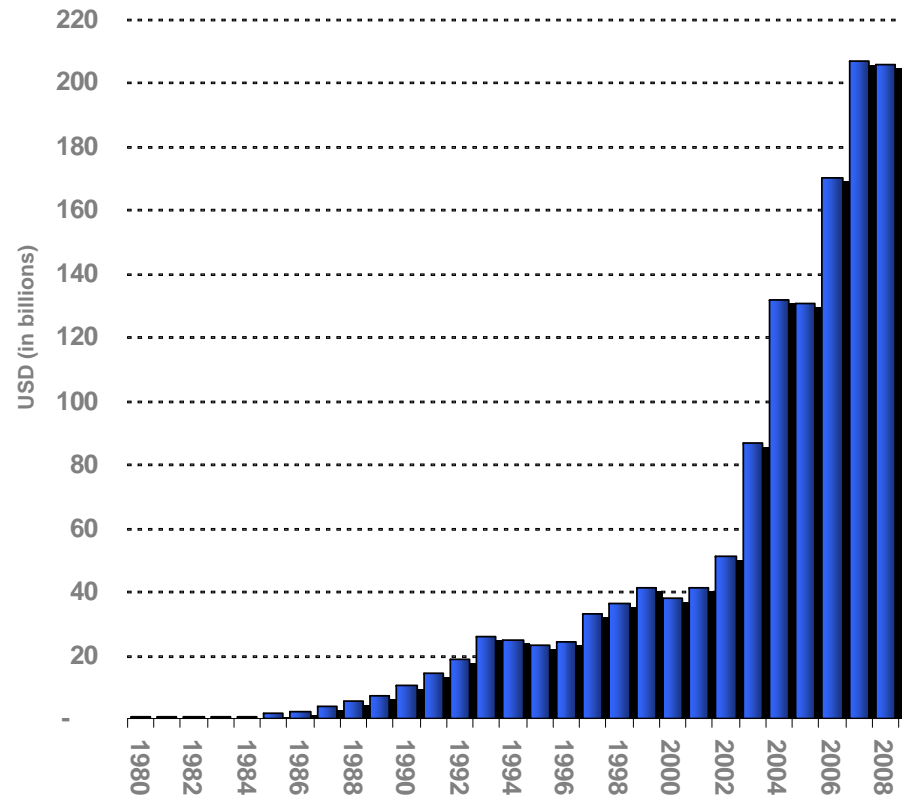


What are Managed Futures?



Managed futures are an asset class in their own right, separate from traditional investments such as stocks and bonds.

THE GROWTH OF THE MANAGED FUTURES INDUSTRY



Source: BarclayHedge, Ltd.

