

Slovakia Country Report

1. Economic and Financial Background

Table 1: Key Economic and Financial Indicators

	2011	2012	End IIQ 2013
Population (million)	5.40	5.41	5.41
GDP (EUR billion)*	69.06	71.46	35.07
Real GDP growth (%)**	3.3	2.0	0.8
Inflation rate (%)	4.6	3.4	1.7
Unemployment rate (%)	14.0	14.4	14.0
Stock market capitalisation (EUR billion)	3.65	3.50	3.58
Stock market capitalisation (% of GDP)	5.29	4.90	n.a.
Bond market capitalisation (EUR billion)	28.40	34.09	37.75
Bond market capitalisation (% of GDP)	41.12	47.71	n.a.
Household gross savings ratio (%)	10.71	11.36	6.15
Household financial wealth (EUR billion)	n.a.	n.a.	n.a.
Average per capital financial wealth (EUR)	n.a.	n.a.	n.a.

* at current prices**at chain-linked volumes with reference year 2005

2. Data on Funds under Management and Portfolios

Table 2: Number of Funds

	2009	2010	2011	2012	End II.Q 2013
Home-domiciled UCITS					
➤ Funds	70	73	73	65	66
Home-domiciled non-UCITS	5	5	8	15	19
Foreign funds registered for sales					
➤ By national promoters	424**	420**	417**	373**	384**
Average fund size (median) *					
➤ Equity	11.2	20.4	17.7	14.0	14.6
➤ Bond	14.3	7.7	13.8	6.7	6.8
➤ Balanced	8.3	9.1	6.6	7.6	7.8
➤ Money market	106.5	70.3	8.1	75.6	60.5
➤ Real estate	31.1	41.6	30.1	41.3	42.3
➤ Special	23.8	24.6	24.4	3.8	3.7

* million EUR home-domiciled UCITS

** Only investment funds reported by SASS

The number of UCITS funds has changed slightly up at the end of the first half-year 2013. There are 85 domestic and nearly 384 foreign-domiciled open-ended investment funds registered by foreign promoters and reported by Slovak Association of Asset Management Companies.

At the end of the first half-year 2013 exist on the market of home-domiciled UCITS funds 9 equity funds, 19 bond funds, 20 balanced funds, 2 money market funds, 9 funds of funds, 7 others (guaranteed) funds and 19 special (non UCITS) funds. The most considerable increase was in number of special (non UCITS) funds during the first half-year, by credit of continuing dynamic growth in this part market of mutual funds after the Amendment of Collective Investment Act in 2011.

3. Key Trends in Flows and Assets under Management

3.1. Key Trends in the Global Market

Table 3: Net Assets by the Fund Industry in Slovakia (EUR billion)					
	2009	2010	2011	2012	End II.Q 2013
Home-domiciled UCITS	3.255	3.542	2.656	2.392	2.399
Home-domiciled non-UCITS	0.163	0.221	0.545	1.358	1.640
Funds domiciled abroad and promoted by national providers	0.700	0,772	0.629	0.627	0.666
Total AuM	4.118	4.535	3.830	4.377	4.705

Table 4: Net Sales of Investment Funds in Slovakia (EUR million)					
	2009	2010	2011	2012	I.-II.Q 2013
Home-domiciled UCITS	-24.5	218.0	-827.6	-387.4	1.5
Home-domiciled non-UCITS	21.4	51.5	313.7	791.3	277.3
Foreign domiciled funds promoted by national providers	115.5	107.8	-74.2	-42.1	48.4
Total net sales	112.4	377.3	-588.1	361.8	327.2

The first half-year 2013 was in indication of similar trend progress of net assets by the fund industry, like during the year 2012, defined by continual growth of net assets with the total half-year increase about 7.5%.

Total increase of net assets was influenced especially by significant growth home-domiciled non-UCITS investment funds (20.8%), while in foreign-domiciled funds and promoted by national providers increased about 6.2% and net assets in home-domiciled UCITS investment funds only about 0.3%.

At the end of the first half-year 2013 Slovak Association of Asset Management Companies reported data on 85 open-ended domestic funds and 384 foreign-domiciled funds. The domestic funds, however, were still managing more than 86% of the assets invested in open-ended investment funds. Individual investors preferred domestic companies, which are owned by the traditional banks operating in Slovakia. The top 3 domestic fund management companies share more than 71% of NAV of the entire investment funds market.

In the first-half year 2013 net sales in the open-ended investment funds market in Slovakia amounted to 327.2 millions EUR, which forms 8.3% of the net assets at the end of 2012. The highest relative increase of net sales in compare with total net assets noticed home-domiciled non-UCITS investment funds (20.4%). Opposite this, home-domiciled UCITS investment funds noticed total relative growth of net assets just at a height 0.06%.

The initiate development was affected with the increase at individual capital markets and markedly above-average revaluations in various types of mutual funds in 2012 as well, which could pull into the Collective Investment Sector much more financial resources than in last time periods. In the first half-year 2013, the dynamics increase of net assets by the fund industry was approximately consisted of nearly 40% by total positive balance of net sales, but the rest was consisted by increase of asset value in portfolios of existing mutual funds.

3.2. Key Trends in the UCITS Market

Table 5: UCITS Assets by Fund Type (EUR billion)					
	2009	2010	2011	2012	End II.Q 2013
Equity	0.127	0.229	0.187	0.211	0.230
Bond	0.410	0.527	1.234	1.260	1.261
Balanced	0.387	0.485	0.444	0.459	0.489
Money market	1.765	1.749	0.382	0.151	0.121
Fund-of-funds	0.324	0.287	0.189	0.155	0.191
Other	0.242	0.265	0.220	0.156	0.107
Total	3.255	3.542	2.656	2.392	2.399
of which					
➤ Guaranteed	0.242	0.265	0.220	0.156	0.107

Table 6: Net Sales of UCITS by Fund Type (EUR million)					
	2009	2010	2011	2012	I.-II.Q 2013
Equity	21.4	31.3	-18.8	-2.6	3.1
Bond	7.2	107.6	-97.3	-110.8	6.4
Balanced	28.0	107.0	-30.1	-26.2	46.2
Money market	85.7	-40.4	-571.5	-150.8	-31.0
Fund-of-funds	-59.9	-9.1	-67.9	-41.7	26.2
Other	-106.9	21.6	-42.0	-55.3	-49.4
Total	-24.5	218.0	-827.6	-387.4	1.5
of which					
Guaranteed	-106.9	21.6	-42.0	-55.3	-49.4

In the first half-year 2013 we registered increase of net assets in all fund categories, except of money market funds and others funds, where we noticed the drop of net assets.

The biggest percentage increase of net assets was in funds of funds (23.2%) and the biggest decrease was in the category others funds (-31.4%). The increase of net assets in funds of funds was caused by the change in classification one of bigger funds, which appeared in this category and by his more important positive net sales.

The ratio between equity funds and funds of funds on the one hand and bond funds and money market funds on the other, changed only slightly in benefit of the more risky investments. This actually confirms the persisting conservative profile of the Slovak investor when compared to the European average.

In last half-year we noticed positive net sales in home-domiciled UCITS investment funds in all fund categories except of money market funds and others funds, where we noticed negative net sales. The greatest absolute outflow of financial resources was in others funds, caused by merger one of the biggest funds in this category with another one, but many shareholders did not accept this offer.

3.3. Key Trends in Other Nationally Regulated Funds

Table 7: Assets of Other Nationally Regulated Funds					
(EUR billion)					
	2009	2010	2011	2012	End II.Q 2013
Real estate	0.139	0.197	0.357	0.504	0.567
➤ Open-ended	0.139	0.197	0.357	0.504	0.568
Alternative management	-	-	-	0.021	0.199
Special funds	0.024	0.024	0.024	0.035	0.034
Other	-	-	0.164	0.798	0.840
Total	0.163	0.221	0.545	1.358	1.640

Table 8: Net Sales of other nationally regulated funds					
(EUR million)					
	2009	2010	2011	2012	I.-II.Q 2013
Real estate	21.4	51.5	148.2	137.0	62.6
➤ Open-ended funds	21.4	51.5	148.2	137.0	62.6
Alternative management	-	-	-	22.1	2.9
Special funds	0	0	0	7.1	0.0
Other	-	-	165.5	625.1	211.8
Total	21.4	51.5	313.7	791.3	277.3

At the end of the first-half year Slovak market of non-UCITS investment funds consisted of five special real estate funds and seven alternative management funds, four special funds for institutional investors and three others special funds. In non-UCITS investment funds was noticed above-average half-year dynamics increase of net assets at a height 20.8%. From these reasons the market share of non-UCITS investment funds increased by 40.6% of the total home domiciled assets under management.

The other special funds make more than 51% of total net assets of non-UCITS investment funds. These funds invest in vast measure into conservative money market investments and replace in this way significant dropout in money market UCITS investment funds.

Another significant part on net assets is in real estate funds (more than 34%) for long time. The increase of net assets in these funds categories was caused principally by the inflow of new investments.

4. Regulatory and taxation issues

During 2012 and the first half-year 2013 no new tax rules or tax rates were registered, that would have a direct or indirect impact on investors in investment funds or on fund management.

5. Corporate governance – regulatory developments

During 2012 and the first half-year 2013 the following legal measures with a direct impact on fund management were adopted:

- Decree of National bank of Slovakia (NBS) for the way of proving compliance with permit conditions license for Asset Management Company operation
- Decree of NBS about details relating to the content of mutual fund statute and umbrella mutual fund statute
- Decree of NBS about reports submission by Asset Management Companies and depositaries of mutual funds for purpose of financial market supervision
- Decree of Ministry of Finance of the Slovak Republic (MF SR) about billing advances of mutual funds

The Slovak Association of Asset Management Companies effectively cooperated on the creation of methodological instructions by a NBS unit of financial market

- Of creation KIID document
- Of practical administration of some provisions Collective Investment Act
- Of the rules of remuneration policy in asset management companies

At the same time, the Slovak Association of Asset Management Companies effectively cooperated with MF SR on the preparation of government opinions to FATCA, and to introduction of financial transaction tax (FTT) as well.

The main legislative task was intensive cooperation on the preparation of the Amendment of Collective Investment Act in the second half-year 2012 to which was incorporated AIFMD and the another remarks from existing practice asset management companies. This task was completed by the interdepartmental commenting at the end 2012. The Amendment of Collective Investment Act itself, after confirmation in Parliament came into force 22nd of July, 2013.

KID was fully implemented into recasting Collective Investment Act (§153), which was effective from the 1st of July, 2011. The deadline for the using duty of KID was fixed on 30th of June, 2012.

For European Social Entrepreneurship Funds and European Venture Capital Funds has not been action to transpose. This will not lead to the creation of new types of fund vehicles so far.

Rules on short selling and certain aspects of credit default swaps have not been directly implemented, but these rules have not been blockaged as well. NBS as a regulator issued methodological instruction to the mentioned regulations, which regulates the exceptions for market creation activities and for the operations on primary market.

The European Markets Infrastructure Regulation - EMIR has not been directly implemented.

NBS as a regulator organized workshop to the mentioned regulations and issued methodological instruction, which regulates the report about the number of unconfirmed trades with derivatives closed out of regulated market by financial contra sides.

5.2 Tax rules VAT and double tax treaties:

During 2012 and the first half-year 2013 no new tax rules or tax rates were registered, that would have a direct or indirect impact on investors in investment funds or on fund management.

6. Fund Governance

In 2012 some asset management companies implemented into their statutes the principles of remuneration policy, which following from the European directive CRD III and which was implemented into amending Act on Securities and Investment Services.

The governance of Management Company in fund management companies is carried out by the local authority – National bank of Slovakia, according to the Collective Investment Act. Members of Slovak Association of Asset Management Companies are providing very comprehensive information on daily, weekly basis. All information is open for everybody via newspapers and web pages.

Some of the association's members have adhered to a Corporate Governance Codex issued by the Central European Corporate Governance Association.

6.1. Standards (fund classification, fund processing, risk disclosure, etc.)

In order to respect the investment tools valuation rules (self-regulation) there was a process of comparing debt securities pricing, as well as the structured products of bond type in portfolios of home domiciled funds carried out on a regular basis during 2012 and the first half-year 2013. This activity was affected by the application of new decree of NBS about the way to determine property value in mutual fund in practice.

Keeping advertising and promotion rules by members of the Association were continuously controlled by the Ethic Committee of the Association.

6.2 Distribution (distribution of foreign funds, financial advice, disclosure of fees, etc.)

During 2012 and the first half-year 2013 no new regulations or voluntary initiatives were registered in areas relating to the distribution of funds.

7. Product developments.

During the first half-year 2013 was launch one balanced fund, one fund of funds and four special alternative management funds. One other fund merged with another one existing in the same category and one fund was reclassified from balanced fund into funds of funds.

8. Other major issues and developments

The Slovak investment funds association's lobbying activities in 2012 and in the first half-year 2013 focused mainly on participation in the amendment of acts and decrees mentioned in paragraph 5.1.

The association also issues daily, weekly and monthly reports on national investment funds industry.

The association organized in cooperation with Czech Association AKAT, big open conference Next Steps in Asset management 2012 and 2013 for professionals from asset management and brokerage companies and several press conferences covering latest trends in the market of collective investment. In autumn 2012 Slovak Association of Asset Management Companies organized regular national conference for professionals from asset management and for wider public as well.

In January 2013 Slovak Association of Asset Management Companies in cooperation with the editor of the biggest economical journal organized selecting and awarding esteems for domestic and foreign mutual funds - Top Fond Slovakia 2012 in some categories. Slovak Association of Asset Management Companies undertook skilled guarantee for creation propositions and for information database with data about mutual funds.