



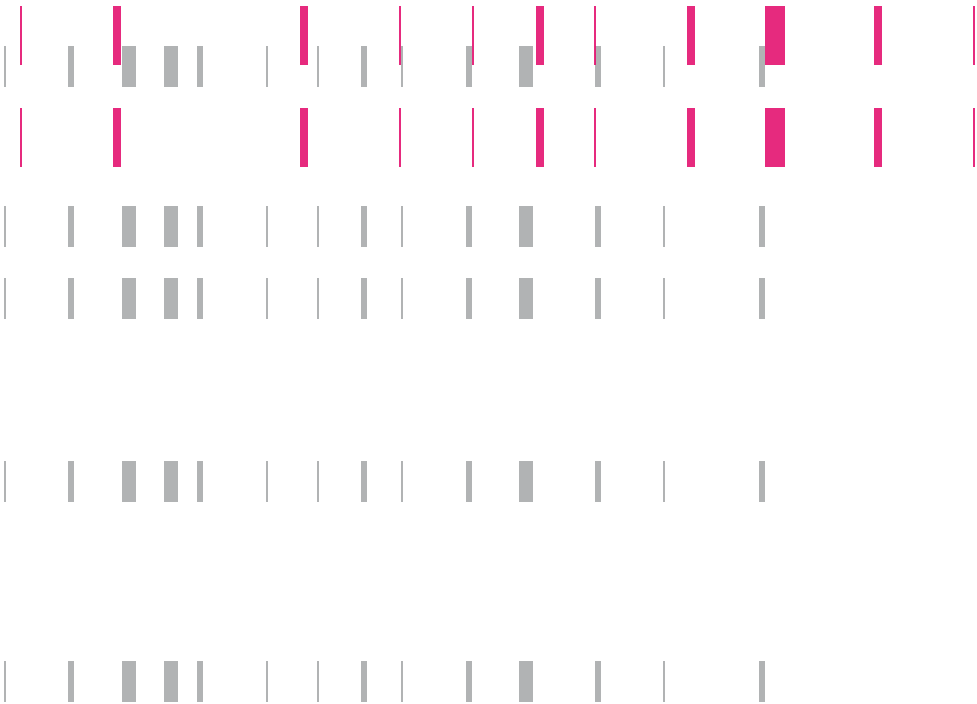
PARIS FUND INDUSTRY: THE SMART CHOICE

Smart, Innovative and Secure



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FOREWORD

This brochure aims at presenting you key facts and figures on the Paris Fund Industry. The Paris Fund Industry covers the whole France-based Asset Management value chain, i.e. asset managers, valuers, depositaries, auditors, lawyers, as well as academics and regulators.

The outstanding and ongoing performance of the Paris Fund Industry for over 50 years has been built on the abilities of this vibrant and thriving value chain, always customer-oriented and searching for the best solutions for investors, ranging from laymen to highly skilled institutional investors. The high portion of institutional investors both in Paris-managed funds (67%) and discretionary mandates (94%) shows that the most demanding investors are confident in our skills. At the same time, it is a permanent stimulus to keep our industry ahead of the curve. It is not without reason that the Paris Fund Industry is ranked the number two fund manager center in the world: it is *the smart choice* for investors looking for performing mandates, UCITS or alternative funds.

The Paris Fund Industry gives professionals access to a unique and innovative fund industry hot spot. By making use of France-based asset managers or providers, you will always benefit from state-of-the-art funds for all types of asset classes and management, finely balancing the best return, financial innovation and investor protection. The dynamism of the Paris Fund Industry is exceptional: among the 600 Paris-based management companies, the number of 'entrepreneurial' management companies has kept growing over more than ten years, nearly increasing twofold! This explains why the terminology 'French boutiques' is now so commonly used in the asset management sector, and why Paris attracts such a high number of international talents.

Last but not least, the Paris Fund Industry relies on an internationally recognised "better regulation" approach and a smart regulator, the AMF. Paris-domiciled funds can be launched in just a few days and are exported on all continents. In addition, the whole range of funds has been positively tested for several decades, not only thanks to smart regulation but also as Paris-based management companies and fund depositaries have progressively built comprehensive skills in managing risks - long before the UCITS IV and AIFM Directives, which largely took on board the successful approach of the Paris Fund Industry.

I hope that the facts and figures contained in this brochure will help you in your future investment decisions.

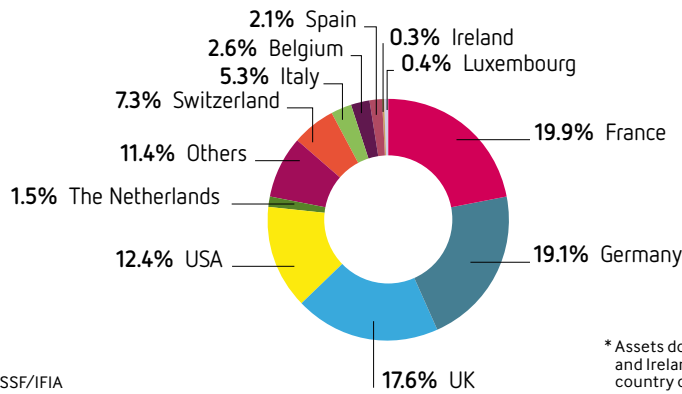
Paul-Henri de La Porte du Theil
Chairman of the French Asset Management Association
(AFG, Association Française de la Gestion financière)

THE PARIS FUND INDUSTRY HAS AN OUTSTANDING PERFORMANCE: WHAT BETTER CHOICE?

> **Number one fund management center in Europe,**
with 20% of market share

FUND FINANCIAL MANAGEMENT* INDUSTRY IN EUROPE

EUR 8,025 bn at end - december 2010



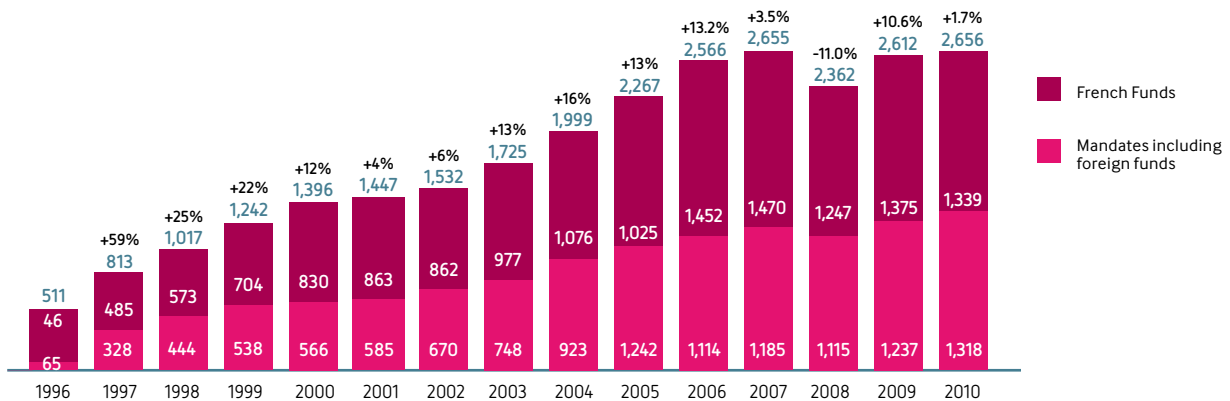
Source: AFG/EFAMA/CSSF/IFIA

* Assets domiciled in Luxembourg and Ireland reallocated to promoter's country of origin - AFG estimates

> **Number two fund domiciliation center in Europe,**
with 20% of market share

> **An excellent track-record of growth for over 50 years for mandates, UCITS and alternative funds**

AUM MANAGED IN FRANCE (EUR bn)



Source: AFG/AMF

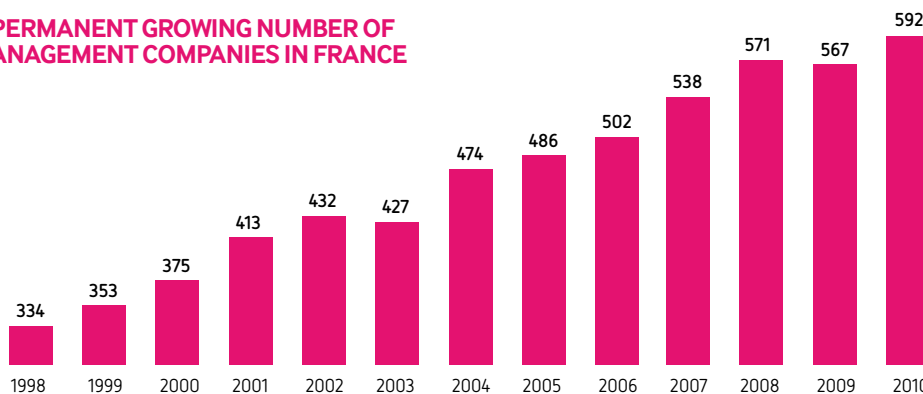
> **4 Asset Managers in the Top 20 Global Ranking** (by alphabetical order):
Amundi, Axa Investment Managers, BNP Paribas Investment Partners and Natixis AM

> **3 Global Custodians (Fund Administration and Custody) in the Top 10 Global Ranking:** BNP Paribas Securities Services, CACEIS Investor Services and Société Générale Securities Services

> **No tax on funds, no registration tax, no stamp duty**

> A dynamic fund industry, composed of **600 Asset Management Companies** complemented by analysts, consultants and lawyers, i.e. 25% of the whole European workforce fund management value chain.

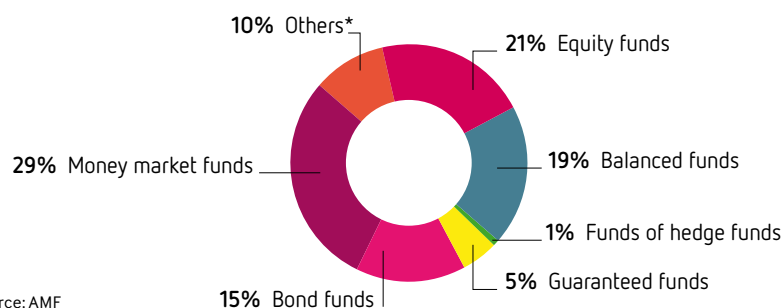
A PERMANENT GROWING NUMBER OF MANAGEMENT COMPANIES IN FRANCE



Source: AMF

> **A comprehensive and competitive range of Paris-domiciled funds**

BREAKDOWN OF INVESTMENT FUNDS CATEGORIES (EUR 1,339 bn AT THE END OF 2010)



Source: AMF

* Employee saving funds, private equity funds, hedge funds invested in derivatives





BEST PERFORMANCES FOR INVESTORS' MONEY

TESTIMONY OF A SENIOR RESEARCH ANALYST, EUROPEAN EQUITIES, WORKING FOR RUSSELL INVESTMENTS UK

“ Having audited many French and pan-European asset management companies, I can stress that in France, there is a strong culture of risk management and capital preservation among fund managers. Furthermore, the French asset management industry is an impressive pool of entrepreneurial talent. In addition to the major banking and insurance asset management subsidiaries, there is a high number of small-scale or medium-scale management companies, some created more recently than others, which are often quite specialised. There are some outstanding asset managers of great renown working for these “boutiques”. These “French boutiques” can be an excellent option for our portfolios as their track records are consistently strong and their asset management model is flexible. Lastly, the French marketplace boasts expertise in asset classes that are not as developed in other countries. French skills in managing convertible bonds are a great example of this feature. ”

TESTIMONY OF A BRITISH EQUITY PRODUCT SPECIALIST WORKING FOR NATIXIS ASSET MANAGEMENT

“ Having worked within French asset management organisations over the past 6 years I have come to recognise a number of cultural and educational traits that put French asset managers at the forefront of the investment industry today. This has fostered a framework for independent thinking and thought leadership through innovation.

A number of French investment boutiques have surfaced over the recent years gaining a solid reputation as specialists and obtaining global recognition. Having worked out of two very different financial centres, namely Paris and London, and having lived in France for the past 15 years I have come to recognise the merits of the French educational system that is geared towards nurturing the great minds of tomorrow.

An interesting example is the integration of academic research centres within business school structures which also demonstrates the innovative willingness to implement practical solutions to an ever-changing world. ”

THE EXCELLENT PERFORMANCE RECORD OF THE PARIS FUND INDUSTRY AS A FUND MANAGEMENT CENTER

- 31 French funds among the top 47 high-performing Eurozone equity funds¹
- French funds ranked the best in class for long-term bonds as well as for International Opportunist equity funds²
- 5 managers among European distributors' top 20 preferred brands³ (by alphabetical order): Amundi, BNP Paribas Investment Partners, Carmignac, Comgest, LCF Rothschild

THE PARIS FUND INDUSTRY IS A HIGHLY COMPETITIVE FUND DOMICILIATION CENTER

- The European Directives on UCITS and AIFs have been largely built on the success of French funds: e.g. 'OPCVM' is at the origin of the UCITS acronym
- Some French Tailored Investor Funds-TIFs (“Fonds Contractuels”) are very competitive today thanks to their high level of flexibility
- France-domiciled funds are sold in various regions around the world. In Europe, France-domiciled funds are distributed in 14 countries (e.g. France ranks as the third exporter of funds to the UK)⁴. In Asia, France-domiciled UCITS are sold in Hong Kong, Singapore and Taiwan⁵, and in Americas they are sold in Chile and Peru⁶ for instance
- Among the top 5 European custodians, 3 of them are France-based (by alphabetical order)⁷: BNP Paribas Securities Services (subsidiary of BNP Paribas), CACEIS (subsidiary of Crédit Agricole and Natixis), Société Générale Securities Services

FRANCE IS COST-EFFECTIVE

- No tax on funds, no registration tax and no stamp duty
- Management fees among the lowest in Europe⁸

¹ Source: Lipper Eurozone Equity Fund Ranking, 2011

² Source: FundClass Ranking, 2011

³ Source: FT 02.05.2011, quoting Fund Buyer Focus study

⁴ Source: PWC, « Global Fund Distribution Poster », 2011

⁵ Source: PWC/Australian Financial Services Council study “Asia Region Funds Passport”, 2010

⁶ Source: PWC, « Global Fund Distribution Poster », 2011

⁷ Source: GlobalCustody.net, ranking by alphabetical order

⁸ Source: Lipper, Distribution Fees Analysis



ACCESS TO A UNIQUE AND INNOVATIVE FUND INDUSTRY HOT SPOT

THE FRAMEWORK OF PARIS START-UPS' CLUSTERS, SOURCE OF HIGH INNOVATION,

relies on top education and research of the Paris Marketplace in University Mathematics Departments¹ and Business Schools²

LONG-STANDING SKILLS – PERMANENTLY UPGRADED – FOR ALL TYPES OF ASSET CLASSES AND MANAGERMENTS

- e.g. Fixed-Income and Equity, but also including non-traditional managements (e.g. Convertible Bonds' management, Balanced Funds' management, SRI, and Solidarity Funds)

STRONG EXPERTISE IN STRUCTURED FUNDS AND GUARANTEED FUNDS

- At the end of 2010, Non-UCITS France-domiciled Structured Funds represented EUR 62 bn of AuMs
- The Paris Center of Excellence for structured funds (in particular, formula-based funds and guaranteed funds) is internationally recognised. The skills of French managers explain why the use of derivatives developed very early

A HIGHLY PERFORMING REAL ESTATE FUND INDUSTRY

France benefits from a very liquid and secure Real Estate market, which has been long characterized by its transparency, its maturity and the acknowledgment of the local players. Investment vehicles have been intensively developed in the last decade:

- EU top leader for the listed REIT segment (SIIC): EUR 50bn of AuMs
- EU second leader for the retail investors' open-ended fund segment (SCPI): EUR 20bn of AuMs
- The OPCV, a transparent and flexible vehicle, rapidly adopted by all major institutional investors: EUR 10bn of AuMs

THE LEADING PRIVATE EQUITY FUND INDUSTRY IN CONTINENTAL EUROPE

- France has created investment vehicles, for institutional as well as for retail investors, representing EUR 36bn of AuMs
- The FCPR (Fonds Commun de Placement à Risques) is the most commonly seen legal form in France. FCPR managers are certified and regulated by the AMF. FCPRs dedicated to professional investors typically raise funds from qualified investors (banks, insurance companies, pension funds, funds of funds)
- The FCPI (Fonds Commun de Placement dans l'Innovation) and FIP (Fonds d'Investissement de Proximité) are FCPRs for retail investors

A LONGSTANDING AND POSITIVE TRACK-RECORD FOR HEDGE FUNDS AND FUNDS OF HEDGE FUNDS

- France passed the first legislation on hedge funds as early as 2003. The development of multi-management in the 80s also contributed to the expansion of the Paris Fund Industry on the global market
- France-domiciled funds of hedge funds represent EUR 17 bn of AuMs
- 4 asset manager groups rank in the top 30 FoHF Managers at the global level³ (by alphabetical order): Amundi Asset Management, BNP PARIBAS Investment Partners, LCF Edmond de Rothschild Asset Management, Lyxor Asset Management.

FRANCE-DOMICILED AIFS (COVERED BY THE AIFM DIRECTIVE)⁴ REPRESENT EUR 700 BN (END OF 2010)

TESTIMONY OF A CIO AND PARTNER WORKING FOR IMQ INVESTMENT MANAGEMENT B.V.



Over the past two years IMQubator has analysed over 350 emerging managers' applications for seed financing. Applications are coming from all over the world. We have noticed that managers coming through the French system of Grand Ecoles and French banks have had a very high level of professional expertise, especially in the quantitative area.

This has led us to invest in one team of pure French pedigree. Other French teams are currently being interviewed as potential investments. ”

¹ At the global level, France-based mathematicians won 12 out of 52 Fields Medals (the equivalent of the Nobel Prize for Mathematics) between 1936 and 2010 – i.e. nearly 25% of the Fields Medals were won by France-based mathematicians (latest in 2010).

² France-based business schools appear in the top global rankings. For instance, in the FT Masters in Management Global Ranking, 16 France-based schools appear in the top 50, i.e. 32% of the 50 best management schools in the world are based in France. The proportion is even higher for the top 10: 5 out of the top 10 management schools in the world are based in France.

³ Source: « Fund of Funds 50 Global Survey », Institutional Investor, April 2011

⁴ Single hedge funds, funds of hedge funds, managed futures funds, private equity funds, real estate funds, nationally regulated retail funds

COMMITMENT AND SAFETY

HIGH LEVEL OF COMMITMENT

■ A series of Managers' professional codes regarding their obligations in monitoring corporate governance of issuers, published beginning in 1998, were followed by French legislation and the AMF General Regulation. **Today, 85% of Paris-based managers vote in issuers' general meetings¹.** Furthermore, Environmental, Social and Governance (ESG)/ Socially Responsible Investment (SRI) criteria have long been an integral part of the work of Paris-based managers. The France-based industry offers the examples of the AFG Professional Code on SRI and the 2001 launch of Novethic, a specialised **ESG/SRI** rating agency. The Paris Fund Industry plays an active role in the International Corporate Governance Network (ICGN). **52 Paris-based Asset Management Companies have signed the United Nations-backed Principles for Responsible Investment²**

TESTIMONY OF AN AMERICAN MANAGER WORKING FOR INVESTMENT MANAGEMENT SERVICES, DELOITTE PARIS

“Being trilingual (English and Spanish my native tongues, and now French) and multicultural, Deloitte France has allowed me to work in a fulfilling work environment with international assignments. We advise and assist our clients in fulfilling their compliance obligations with national and international laws.

The French asset management industry is unique by the multiplicity of actors which make it dynamic and a place that fosters talent and expertise.”

TESTIMONY OF A PARTNER WORKING FOR PRICEWATERHOUSECOOPERS AUDIT

“PwC audits more than 3,000 funds in France, both domestic and offshore funds administered in Paris. France-domiciled funds can be easily distributed around the globe: in European countries, via the UCITS passport, and also outside Europe, for example in Asia where France-domiciled UCITS funds are distributed in Hong Kong, Singapore and Taiwan.

Asset Managers and their clients enjoy the great “value for money” of the Paris Fund Industry as they benefit, on the one hand, from a very cost-effective environment (management fees and audit fees are among the most competitive in Europe) and, on another hand, from very safe custodians which have a clearer obligation to return fund assets than in other European jurisdictions.”

■ **Since 1990 several series of Managers' professional codes regarding Ethics** have been published and regularly upgraded by AFG (the France-based Asset Management Association)

FRENCH SRI MARKET: MORE THAN EUR 50 BN OF AUMS FOR SRI-BASED FUNDS AND SRI-BASED MANDATES³

PARIS-BASED MANAGEMENT COMPANIES AND FUND CUSTODIANS HAVE BEEN COMMITTED TO MANAGING RISKS FOR DECADES - LONG BEFORE UCITS IV AND AIFM

■ France has given emphasis on mathematical skills for long all along the value chain. France is unique in Europe in this regard. Thus, French fund managers and fund custodians are able to understand even the most complex risks and follow them on an ongoing basis

■ The AMF created operation programmes ('Programmes d'Activité'), illustrating the efficient regulation of risk management

PARIS-DOMICILED FUNDS COMPLY WITH THE SAME EUROPEAN RULES AS OTHER EUROPEAN FUNDS BUT ARE SIGNIFICANTLY SAFER FOR INVESTORS

■ France-domiciled UCITS funds comply fully with the UCITS Directive. Additionally, Paris-based management companies are not allowed to hold assets in custody themselves and have to comply with a strictly regulated internal audit. Management companies' external auditors are strictly regulated as well. French fund custodians are extremely safe: they are responsible for a significant amount of monitoring in addition to being responsible for providing custody. Lastly, they have a clearer obligation to return fund assets as compared to other European jurisdictions

■ French External Valuers are Highly Skilled: French experts are used to the expertise of complex products and are educated in financial mathematics. French valuers may value both UCITS and funds of hedge funds for instance

■ **The Paris Fund Industry relies on a rightly balanced approach of regulation developed by the AMF which conciliates innovation and investor's protection.** This regulatory function is reinforced by the **Banking and Insurance Supervisor (ACP) and the French Central Bank (Banque de France)**

¹ Corporate Governance Report, AFG, 2011

² Source: www.unpri.org, 2011

³ Source: Novethic, 2009 French SRI Market

DYNAMISM AND COMPETITION: A VIBRANT INDUSTRY

More than 13,000 Funds are Domiciled in France (3,000 UCITS Funds and 10,000 AIF Funds)¹

Paris is the number two Fund Center Worldwide for the Portfolio Management of Exported UCITS Funds²

THE OUTSTANDING PERFORMANCE OF THE PARIS FUND INDUSTRY CAN BE ATTRIBUTED TO FRANCE'S HIGHLY COMPETITIVE FUND MANAGEMENT CENTER AND EXPLAINS ITS INTERNATIONAL PRESENCE

■ **600 management companies have located their headquarters in France and dozens of new management companies are created each year:** e.g. 44 new boutiques were set up in 2010. What's more, 4 Paris-based asset managers are ranked among the top 20 global managers and among the top 10 European managers³. Dozens of dynamic 'boutiques' are constantly challenging the top players internationally and export more and more of their funds and services

■ **71% of Paris-based management companies already have a foreign customer base⁴**

THE PARIS FUND INDUSTRY OWES ITS DYNAMISM LARGELY TO THE PRESENCE OF A FAVOURABLE EVEN UPGRADED REGULATORY FRAMEWORK, AS WELL AS A REGULATION APPROACH WHICH RIGHTLY BALANCES FINANCIAL INNOVATION AND INVESTOR SAFETY

■ **Launch of a France-domiciled fund in just a few days, as compared to other fund centers:**

- agreements by "analogy": guaranteed maximum of 8 days for launching a fund, both for UCITS and AIFs
- same pace of fast-track procedure guaranteed for all non-retail funds
- professionals take benefit from the use of electronic filing offered by the AMF

TESTIMONY OF A BRITISH HEAD OF EMERGING MARKETS WORKING FOR UFG-LFP

Some years ago I found myself in the fortunate situation of being able to take up a position in the Paris-based asset management sector, a decision I have not had cause to regret. The sector is characterized by its size and diversity, attracts considerable intellectual capital and has a long history of innovation in fund management methods and products.

Moreover, once based in Paris, one quickly realizes that the beauty of the place and its lifestyle qualities add to the centre's already formidable attractions. ”

■ **Prompt launch of a France-based management company**

AMF's staff is responsive to requests and is easily accessible and technically skilled

As a general principle, AMF regulations are always tailor-made and benefit from:

- Focus on the needs of investors
- Focus on players' needs: proportionality for small and new management companies

■ **Through AMF website, easy public access for international investors to the exhaustive characteristics of all France-domiciled funds open to the public** (e.g. prospectuses, KID, NAV, performance track-record)

PARIS ATTRACTS THE BEST TALENTS FROM THE REST OF THE WORLD THROUGHOUT THE WHOLE VALUE CHAIN

■ This highly dynamic environment explains a **high – and growing – number of management companies and skilled jobs** in the France-based fund industry: more than 600 management companies and one fourth of jobs of the whole EU fund industry⁵

TESTIMONY OF A CHINESE HEAD OF ASIA PROJECTS WORKING FOR OFI AM

“ I wished studying in France for benefiting from the French excellence of training in the fund management industry.

Afterwards, my desire of living and working in France was motivated by the French quality of life and by the attractiveness of the French funds investment market as well, especially for Chinese experts. Indeed, a lot of French asset management companies plan to expand their business on the Chinese market - some of them have already either set up an office or got the very selective “QFII licence” enabling them the management of domestic Chinese equities.

When I arrived in France, I was particularly amazed by the strong French know-how in the fund management industry. ”

¹ Source: EFAMA, AFG, 2011

² Source: PWC, « Global Fund Distribution Poster », 2011

³ Source: Global Annual Survey 2009 Watson Wyatt; Global Annual Survey 2010 IPE

⁴ Source: Euroland Consulting survey, 2010

⁵ Source: PWC, « Global Fund Distribution Poster », 2011



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