Chamber of Fund and Asset Management Report 2008

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I. Letter from the President

Dear Sirs,

I am pleased to present the report summarizing the previous year on the market for mutual funds in Poland.

The year 2008 was a special year for the home segment of mutual funds, strongly affected by developments in global financial markets, in consequence the value of means entrusted to the mutual funds experienced a dynamic change. At the end of December 2008, the means in the amount of nearly PLN 74 billion were collected in funds, as compared to the previous year, this represented a decrease of about PLN 60 billion (-44.9%). The factors of such a dynamic loss of funding should be primarily seen in the discount of the value of the shares, which are a component of fund portfolios, what directly translates into large-scale of redemption requests of mutual fund units, made by the clients. This supports the assumption that the current market structure, which is dominated by funds with a high commitment to equity instruments, it is crucial for the balance of purchases and redemptions, the economic situation prevailing on the Warsaw Stock Exchange. The outflow of resources was evident particularly in January (the balance was PLN -11 098 billion), in the remaining months of the year, the balance ranged within the limits from PLN-6 365 billion to PLN 1 993 billion. It is noteworthy, that some of the means taken by customers were at the same time invested into the safer mutual funds - especially debt funds, which in the course of 2008, had increased their market position to the greater extend.

Despite the volatile market conditions, the companies have not resigned from introducing new products, trying to best adapt their offer to the Investors' requirements - there were even more "newnesses" than in 2007. The particular dynamic we have seen in the segment of closed-end funds, which number increased by 80, especially the funds issuing the private investment certificates. In times of crisis, the Polish TFI focused primarily on the niche and highly personalized products targeting the affluent customers, and was constructed for their needs.

However 2008 was not only quantitative but also qualitative changes in the market. Successfully ended the works concerning the amendment of the Mutual Funds Law, which introduced significant changes to the functioning of the market in Poland. The most important of them should be streamlining the process for creating and conversion of funds, in particular, including the transformation of mutual funds into the umbrella funds. The last year significant achievements, in terms of education, should surely also include the launching by the Chamber of Fund and Asset Management of the e-learning courses concerning the basic principles and mechanisms of operation of mutual funds in the market.

Hoping, that the presented report will bring you closer to the last year events, which are relevant to the mutual fund market, I wish you enjoy reading.

Ph.D. Marcin Dyl
President of the IZFiA Management Board

II. Market environment. The economic situation of Poland

Gross Domestic Product: In 2008 the Polish economy continued to grow rapidly, although the growth rate of the gross domestic product was diminishing from quarter to quarter. GDP growth declined from 6.0% y/y in the first quarter to 2.9% in the fourth quarter. According to the preliminary estimates of the Central Statistical Office, in the year as a whole the economic growth amounted to approx. 4.8%, which is less than 6.7% of the economic growth of 2007. Deterioration of the Polish economy was the effect of global risk factors, which materialized in the second semester.

Table 1. Value and dynamics of GDP by current prices (in bln PLN)

	2006	2007	2008
GDP (billion PLN)	1060	1175	1266
Gross domestic product	6,2%	6,7%	4,8%
Total consumption, including:	5,2%	4,7%	4,0%
private consumption	5,0%	5,0%	5,4%
Gross fixed asset expenditures	14,9%	17,6%	7,9%
Gross value added, including:	6,0%	6,6%	4,9%
industry	10,0%	9,9%	3,7%
construction	11,6%	12,5%	11,3%
market services	5,0%	6,4%	5,6%

Source: GUS

The gross value added increased by 4.9%, to the greatest extent it increased in the building industry (11.3%) and in the market services industry (by 5.6%). Instead, the increase of the gross value added in the industry was much smaller (3.7%). In 2008, like the previous year, the domestic demand (4.8%) was still the most important factor for growth, although its dynamics significantly decreased (8.6% in 2007). The main drivers of growth were investments (7.9% compared to 17.6% in 2007) and strong individual consumption in the household sector (5.4% slightly higher than the year before). The stabilizer of consumption was also the services industry, as growth in the retail sales was slowing (5.3%).

Like in 2007, the external demand had a negative impact on the GDP growth. During 2008 the deficit in foreign trade amounted to EUR 24.7 billion, compared to the previous year's EUR 18.6 billion. The exports increased by 12.5% per year and reached EUR 114.6 billion, while imports increased by 15.7% and amounted to EUR 139.3 billion.

Job Market: Reducing of the economic growth rate began to negatively affect the labor market in the second half of the year. The dynamics of growth of the number of employees was gradually decreasing, and the employment in the corporate sector, at the end of December, was by 4.8% higher compared to December 2007. In 2008, the unemployment was steadily decreasing from 11.2% at the end of 2007 to 8.8% in October, so that at the end of the year it increased to 9.5%. The remunerations were significantly growing mainly in the first months of the year, in effect the average monthly remuneration in the corporate sector in 2008 was by 10.1% higher than in 2007.

Table 2. Inflation and unemployment in 2003-2008

	2003	2004	2005	2006	2007	2008
inflation	0,8%	3,5%	2,1%	1,0%	2,5%	3,3%
unemployment rate	20,0%	19,0%	17,6%	14,8%	11,2%	9,5%

Source: GUS

Inflation: In the first half of the year, the economic growth and high dynamics of growth of remunerations were accompanied by inflationary pressures, due mainly to accelerating of global increases in food prices, as well as in prices of crude oil and raw materials. The inflation measured by price index of consumer goods and services reached its peak in August, by reaching 4.8% y/y. Since that time it began to steadily decline, under the influence of drop of raw materials prices and low food price dynamics. Thanks to it, in December it reached a level of 3.3% y/y, thus returning to the allowed range limit for deviations in respect to the National Bank of Poland target (2.5% +/- 1%).

Monetary Policy: Started in 2007, policy of monetary tightening was maintained during the first half of 2008. The Monetary Policy Council had raised the interest rates four times (in January, February, March and June) in total by 100 basis points. The prospect of larger-than-expected slowdown in the economic growth in Poland and abroad, as well as, the easing of inflationary remunerations pressure, in November 2008, led the Council to launch the cycle of interest rate cuts. The Monetary Policy Council had cut the rates twice: in November by 25 basis points and in December by another 75 basis points. At the end of 2008 the reference rate returned to a level of 5.0%. The reductions in interest rates led to a decline in rates in the domestic money market, and a significant reduction in the viability of debt instruments.

The increase in interest rates and difficult situation on international financial markets led some Poles to the reallocation of savings toward the debt securities and bank deposits. According to the National Bank of Poland data, the average interest rate on the new PLN-deposits of households at the end of 2008 rose to 6.5% from 4.2% in December 2007, the value of the household savings held in the banks at the end of 2008 increased to PLN 69.6 billion (from PLN 25.4 billion at the end of 2007). At that time, the value of sales of government bonds amounted to PLN 6.12 billion compared with PLN 2.86 billion in 2007.

Government Budget: In 2008, the implementation of the budget revenue was lower than the revenue assumed in the budget implementation schedule, however, the government had strongly limited expenses. As a result of the measures taken, the budget deficit level was PLN 24.6 billion towards PLN 27.1 billion projected in the budget act. This represented an increase by PLN 9.6 billion compared to 2007. The ratio of budget deficit to GDP thus rose from 1.4% in 2007 to 2.0% in 2008.

Capital Market: The year 2008 was one of the worst in the history of the Warsaw Stock Exchange, which was one of the weakest stock exchange-parquet in the world. The greatest impact on market trends had negative information coming mainly from the U.S. (weak macroeconomic data and deteriorating condition of the banking sector). The increased risk aversion had also contributed deepening of decreases, and hence the outflow of funds from the markets of the developing countries.

Table 3 Changes in the financial market in 2008

WIG	-51,07%
WIG20	-48,21%
mWIG40	-62,48%
sWIG80	-56,95%
IROS*	8,95%
IRP_WIBID_1M**	6,06%
USD/PLN	21,63%
EUR/PLN	16,48%

** bond market index calculated by the Analizy Online*

*** **monetary market index***

Source: NBP, GPW, ERSPW, calculations of Analizy Online

At the end of 2008 the Warsaw Stock Exchange main index WIG reached 27 228.64 points, what means a decrease of -51.1% per year. Relatively best behaved index of the largest companies WIG20, which lost -48.2%, ending the year at the level of 1 789.73 points. Less well behaved indices of small and medium-sized enterprises: mWIG40 decreased by -62.5% and sWIG80 by -57.0%. In terms of industries the worst investment proved to be the developer companies, which sub-index lost -73.1%, while index of telecommunications industry lost less, and experienced a decrease of -12.8% during the year. Finally, at the end of the year, the rate of return of only 15 companies listed during the whole year, was higher than zero.

The market value of companies listed on the Warsaw Stock Exchange fell at the end of 2008 to PLN 465.2 billion, over PLN 1 billion a year earlier. The bad economic situation in stock market contributed decline of debuts on the stock exchange. In 2008, 33 companies appeared on the main market of the Warsaw Stock Exchange, (81 in 2007), and 61 companies appeared on the alternative market NewConnect, compared to 24 companies in 2007. The value of the realized offers exceeded PLN 9.4 billion. There were 3 foreign companies among the last year debutantes. The number of companies listed on the

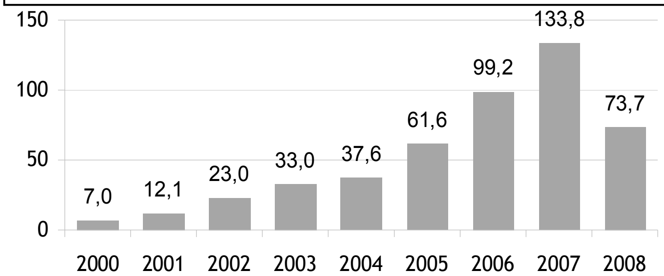
Warsaw Stock Exchange at the end of 2008 was 374 compared to 351 at the end of 2007. Throughout the whole year the value of trade in shares and rights to shares in total amounted to PLN 331 billion, *i.e.* it was by one third lower than in 2007.

The value of the trade in bonds amounted to PLN 5 billion (43% more than the previous year), while the volume of trading in contracts, options and index units amounted to 12.6 million units and was by 27% higher than in 2007.

III. The market of funds in Poland

3.1. Net assets of mutual funds in 2008

Chart. 1. Funds assets in 2001 - 2008 (billion PLN)

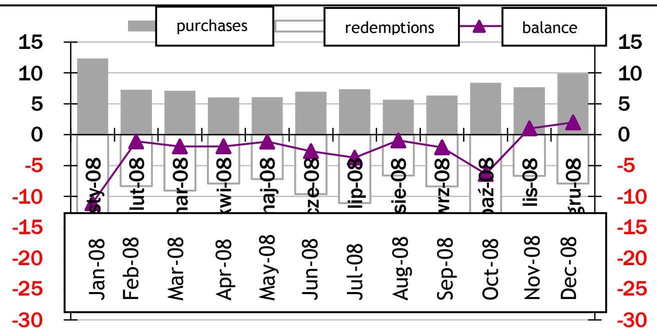


Source: TFI, calculations of Analizy Online

The year 2008 was in several years history of the Polish fund market, the third year, when a decrease in net assets occurred. The value of net assets managed by the national mutual funds decreased during 12 months up to PLN -60.1 billion. At the end of December 2008 it amounted to PLN 73.7 billion, *i.e.*, it was by -45% lower than in December 2007. The previous two cases occurred in 1994 (-51%) and in 1998 (-5%). In terms of foreign currency the funds have accumulated assets worth EUR 17.7 billion. That was the lowest level since January 2006.

The year 2008 was one of the worst in the history of the industry. The evidence of that may even be the deterioration of relations between the assets and the value of GDP. Within 12 months, the index fell from 11.4% to less than 6.0%. Although in 2008 we had to deal with the assets declines, however in the long run, you could expect substantial increases. In the developed countries such as Italy, Germany or Spain, the ratio of fund assets held by the households to GDP is still nearly at twice as high level. The dynamics of a further increase in the funds market will depend on the scale of the influx of new means, which will be derived from the boom in the financial markets. With prosperity, particularly in the stock market, the new means flow to the funds into the broad stream. When the economic situation deteriorates, as it did in 2008, than it is followed by customers, who take decision on massive redemptions.

Chart 3 Purchases and redemptions in 2008 (billion PLN)

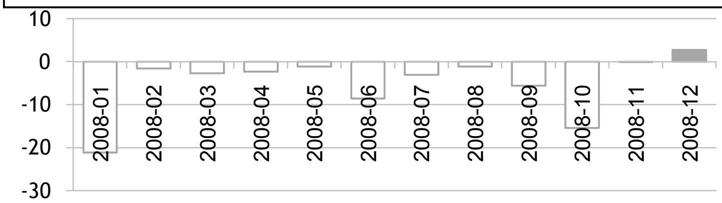


Source: IZFIA

In 2008, the funds' assets were decreasing during the first eleven months. The largest decreases occurred in the months, in which the stock market suffered the deepest discount. In January, the assets decreased by more than PLN -21 billion, in June by PLN -8.5 billion, while in October by PLN -15.4 billion. The last two months of the year were much better, which was mainly a consequence of one-off operations on the assets inside one of the capital groups. In November, the net assets of mutual funds decreased by PLN -0.1 billion, and in December it was recorded an increase of the value of accumulated means by PLN 2.7 billion.

The drop in value of assets, was almost equally affected by both the vast scale of decline in the value of shares held in the portfolios of funds, and the mass redemption of means by the customers. The balance of purchases and redemptions over the whole 2008, amounted to PLN -28.8 billion and was by PLN 59.5 billion lower than the balance in 2007. Last year we have purchased units for a total amount of PLN 91.7 billion, compared to PLN 133.3 billion in 2007. At the same time the redemptions value was the highest in the history, and it amounted to PLN -120.5 billion. One year earlier that value amounted to PLN -98.9 billion.

Chart 2. Monthly change in assets in 2008 (billion PLN)



Source: TFI, calculations of Analizy Online

Definitely the worst balance of purchases and redemptions was recorded in January 2008, when it amounted to PLN -11.1 billion. Determinant of the overall balance was an enormous supply, which was derivative of a sharp discount in shares on the Warsaw Stock Exchange. The value of redemptions in January totaled to PLN -23.5 billion and was nearly 3 times higher than the average in 2007. A negative balance of purchases and redemptions exceeded the value of PLN -2 billion, yet another four times: in June, July, September and October (PLN -6.4 billion).

In November and December the value of the balance of purchases and redemptions of means to be invested in mutual funds was positive (it respectively amounted to PLN 1.0 and PLN 2.0 billion). However, the statistics of these two months, covers about PLN +3 billion of means, acquired in own group, by one of TFI (Mutual Fund Company), which substantially improved the overall balance of payments and amortizations. With no taking account of these operations the balance would be negative.

The share of the balance of purchases and redemptions in the decline of funds assets in 2008 amounted to 48%. The result of the management, *i.e.* the valuation or reduction of funds has last year achieved the value of over PLN -31 billion.

Table 4 The share of balance of purchases and redemptions in the change in assets

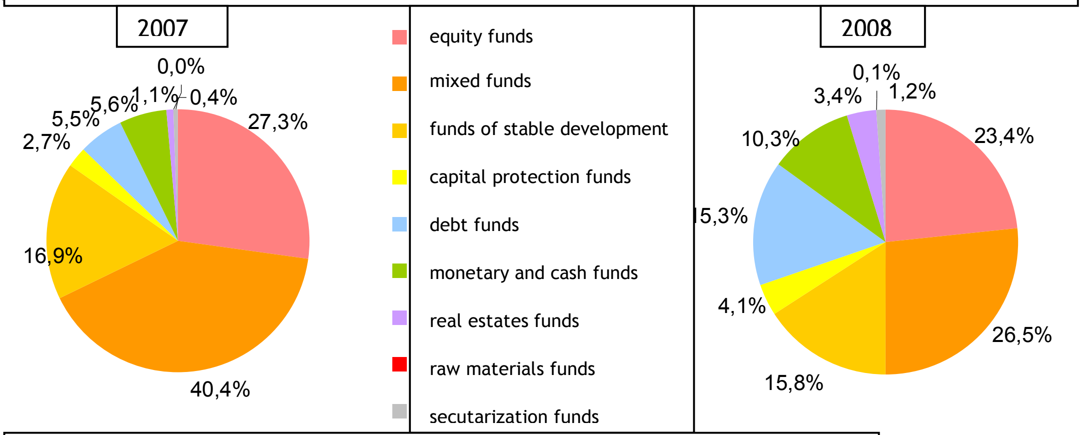
	2001	2002	2003	2004	2005	2006	2007	2008
growth of assets	5 118	10 899	9 938	4 581	24 020	37 608	34 632	-60 144
balance of purchases and redemptions	4 841	9 520	8 398	3 573	18 204	26 052	30 697	-28 849
result of management	277	1 379	1 540	1 007	5 816	11 556	3 935	-31 295
share of the balance in the change of assets	94,59%	87,34%	84,50%	78,01%	75,79%	69,27%	88,64%	47,97%

Source: TFI, estimates of Analizy Online

Market structure by groups of funds

In the past year, each of the nine basic segments experienced double-digit dynamics of net assets, in five cases it proved to be a negative change. Leader in terms of dynamics have were the real estate funds (+55.3%), which market share increased by 3.4%. By +32.6% increased the value of means accumulated in debt funds, so they risen up to fourth place in terms of participation in the Polish market. When the value of the managed means decreased by -12.6%, the money and cash funds had given up their places to them. Also the capital protection funds have negatively ended the past year, their assets during 12 months have decreased by more than ¼.

Chart 4. The structure of net assets by segment

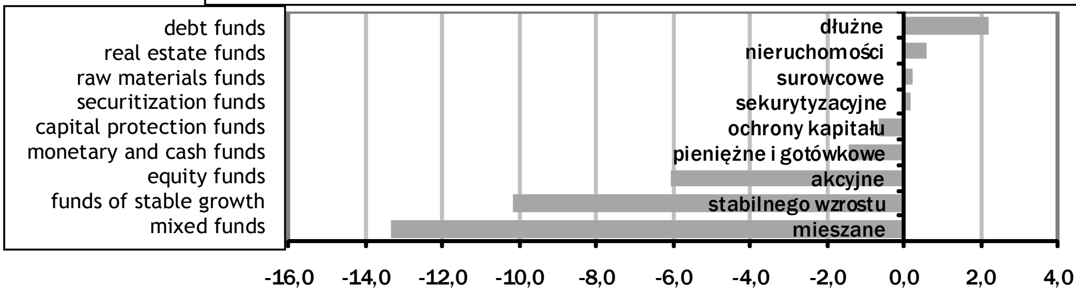


balanced and other mixed funds (of active allocation, of absolute return, etc.)
Source: Analizy Online based on data from TFI and IZFiA

Decreases have mostly affected the most risky funds, in which an important part of the portfolio includes equities. The deepest decline was noted in the case of equity funds, the assets of which declined by -58.8%, which was slightly more than the decrease of the Warsaw Stock Exchange main index WIG (-51.1%). As a result, the equity funds market share declined by 8 percentage points to a level of 23.4%. They succeeded to defend their leadership, mainly due to the closed-end funds, the mixed (balanced, active allocation, absolute return, etc.) products. Their market share was 26.5% and the assets under management finally fell below PLN 20 billion. Slightly higher decline in the value of the managed funds have experienced the steady growth funds, which assets decreased by -55.1%.

In the case of two smallest groups, the market share has slightly increased. The securitization and raw materials funds have managed to enlarge their assets by +32.5%. In the case of first of them, that represented an increase in the market share to 1.2% and the share of funds for raw materials increased only to 0.1%.

Chart 5. The balance of sales and amortizations in the segments in 2008 (billion of PLN)



Source: IZFiA

To nine segments, only four have in 2008 recorded, the positive balance of payments and withdrawals. The debt funds gained most of new means: PLN +2.2 billion. However the positive balance, was primarily a consequence of payments made by an insurance company to one of the funds. In 2008, the favorable balance was also recorded by real estate (PLN +0.6 billion) and the raw materials and securitization funds (about some PLN million each). In the case of other five groups we have noted an advantage of redemptions over purchases. The largest disproportion (PLN -13.3 billion) occurred in the group of mixed and stable growth funds (PLN -10.2 billion) and equity funds (PLN -6.1 billion). The negative balance of inflows over 2008 have also seen the monetary and cash products, which have been impoverished by about PLN -1.4 billion and the capital protection products (PLN -0.7 billion).

Market Structure by Mutual Fund Companies (TFI)

In 2008, almost all of the Mutual Fund Companies have experienced a reduction in the value of assets under management, in nine cases by more than half as much. The most dynamic decreases have experienced Millennium TFI (-67%), SEB TFI (-64%), and one of the largest companies - BZ WBK AIB TFI (-63%).

Table 5. Dynamics of changes in assets of each TFI (mln PLN)

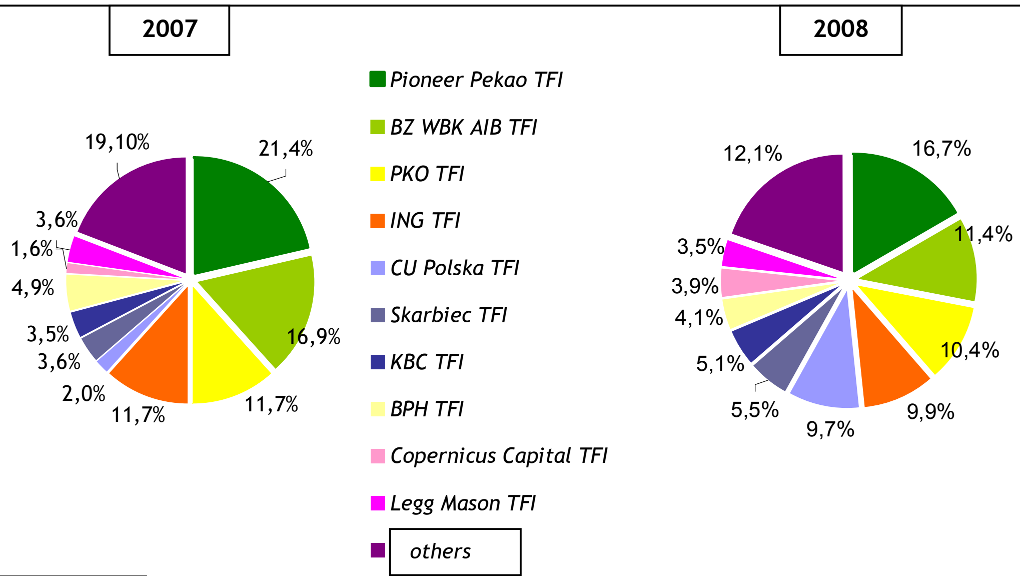
	assets (in mln)		share in the market		change	
	2007	2008	2007	2008	mln PLN	dynamics
AIG TFI	2 791	**1 140**	2,1%	**1,5%**	-1 652	-59%
AKJ TFI	54	**42**	0,0%	**0,1%**	-12	-22%
BPH TFI	6 520	**3 009**	4,9%	**4,1%**	-3 511	-54%
BZ WBK AIB TFI	22 619	**8 381**	16,9%	**11,4%**	-14 239	-63%
Copernicus Capital TFI	2 084	**2 902**	1,6%	**3,9%**	817	39%
CU Polska TFI	2 624	**7 138**	2,0%	**9,7%**	4 514	172%
DWS Polska TFI	2 761	**1 227**	2,1%	**1,7%**	-1 534	-56%
IDEA TFI	306	**280**	0,2%	**0,4%**	-26	-9%
ING TFI	15 694	**7 284**	11,7%	**9,9%**	-8 410	-54%
Intrum Justitia TFI	14	**15**	0,0%	**0,0%**	1	12%
Investors TFI	865	**662**	0,6%	**0,9%**	-203	-24%
IPOPEMA TFI	370	**948**	0,3%	**1,3%**	579	157%
KBC TFI	4 645	**3 737**	3,5%	**5,1%**	-908	-20%
Legg Mason TFI	4 814	**2 585**	3,6%	**3,5%**	-2 229	-46%
Millennium TFI	5 058	**1 664**	3,8%	**2,3%**	-3 394	-67%
Noble Funds TFI	1 125	**776**	0,8%	**1,1%**	-349	-31%
OPERA TFI	1 331	**723**	1,0%	**1,0%**	-608	-46%
Pioneer Pekao TFI	28 702	**12 308**	21,4%	**16,7%**	-16 393	-57%
PKO TFI	15 659	**7 676**	11,7%	**10,4%**	-7 983	-51%
Quercus TFI		**84**	0,0%	**0,1%**	84	n/a
SEB TFI	1 903	**686**	1,4%	**0,9%**	-1 216	-64%
Skarbiec TFI	4 803	**4 016**	3,6%	**5,5%**	-787	-16%
SUPERFUND TFI	97	**110**	0,1%	**0,1%**	13	13%
TFI Allianz Polska	1 469	**957**	1,1%	**1,3%**	-511	-35%
TFI PZU	2 609	**2 268**	1,9%	**3,1%**	-342	-13%
TFI SKOK	633	**600**	0,5%	**0,8%**	-33	-5%
Union Investment TFI	4 263	**2 450**	3,2%	**3,3%**	-1 813	-43%

Source: TFI

Amongst 27 companies, only 6 companies have recorded an increase in the value of assets under management. By most, *i.e.*, almost three times increased the assets of CU Polska TFI, which was caused by the transfer of means within the group. Through this operation, the company's market share increased from 2.0% in December 2007 to 9.7% at the end of 2008. On the subsequent places there were the companies specializing in closed funds, and Superfund TFI.

Although the market still shows a strong level of concentration, it is the share of the three largest mutual funds in the entire market to decrease from year to year. At the end of 2007 it amounted to 50%, and a year later only to 38.5%. The leader in terms of the market share remained Pioneer Pekao TFI, however it gets smaller every year. While at the end of 2007 the company had, in the accounts of their funds, the financial resources equivalent to 21.4% of the market share, a year later those resources were lower by 4.7 percentage points. By the end of 2008, to the greater degree declined the market share of the second in order BZ WBK AIB TFI, by 5.5 percentage points up to 11.4%. Also ING TFI declined its market share (by -1.8 percentage points), which over a year ago, was the second TFI in terms of assets under management. By the end of 2008 it was overtaken by PKO TFI, which saw a smaller decline in the market share (by -1.3 percentage points).

Figure 6. Structure of the market by TFI in 2007-2008

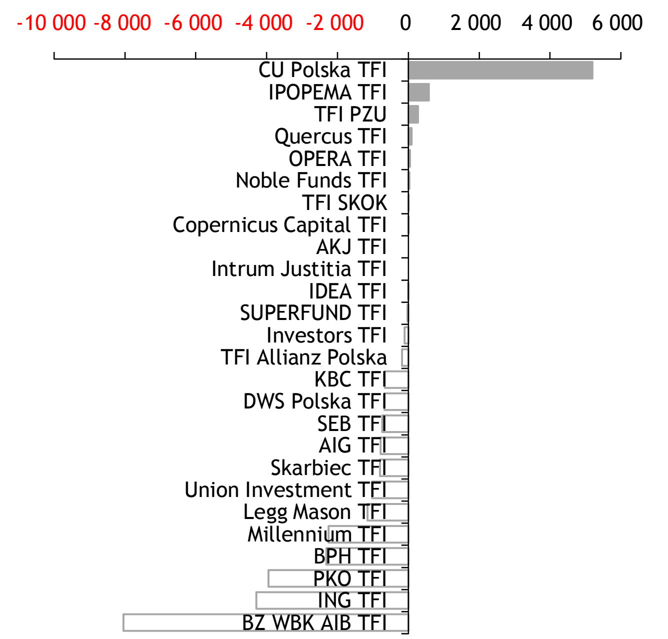


Source: TFI

Throughout the whole 2008 most of these new means were gained by CU Poland TFI, which according to estimates of Analizy Online Sp. z o.o. has collected approx. PLN 5.2 billion in 3 sub-funds operating under the CU SFIO. The balance of purchases and redemptions, high enough for such the adverse conditions, also recorded IPOPEMA TFI (about PLN 0.6 billion) and TFI PZU (approx. PLN 0.3 billion). A positive balance of less than PLN 100 million have reported Quercus TFI, OPERA TFI, Noble Funds TFI, TFI SKOK and Copernicus Capital TFI.

Last year, the best sold were the units of the newly created funds. Among the products that were created before 2008, the highest balance of payments and disbursements recorded ING Akcji 2 SFIO fund (approx. PLN 0.4 billion) and debt funds: PKO/CS Obligacji Długoterminowych – FIO fund, ING Obligacji Plus fund (ING FIO) and the Arka Obligacji FIO fund, all of them approx. PLN 0.2 billion.

Chart 7. Flow of funds to TFI in 2008 (million PLN)



Source: estimates of Analizy Online

Among the companies that experienced the largest outflows of the measures, the leading were those companies which have managed the major assets. Over PLN 8 billion according to estimates of Analizy Online have lost: Pioneer Pekao TFI and BZ WBK AIB TFI. To about PLN 4 billion amounted the negative balance of payments and disbursements for ING TFI and PKO TFI. At the same time 10 funds had recorded an advantage of redemptions over purchases exceeding the value of PLN 1 billion. Among them there were Arka Zrównoważony FIO (about PLN -2.9 billion), Arka Stabilnego Wzrostu FIO (about PLN -2.1 billion) and Pioneer Zrównoważony FIO (about PLN -1.9 billion).

Determinants of development

The main factor that contributed to the decline in value of the mutual funds assets in 2008 was the downturn in the domestic market and foreign stock markets. Difficult situation on the stock market combined with high interest rates, caused the increase of profitability of bank deposits and retail government bonds, and thus a significant retreat from investments in funds. In 2008, significantly increased the interest in structured products, which sale via www.StructuredRetailProducts.com service amounted to nearly PLN 5 billion, by 34% higher than a year before.

An important factor in terms of mutual funds development rate, still remains a big popularity of life insurances and insurance capital funds (UFK), so that the vast majority of policies from UFK is linked with the domestic mutual funds (unit-linked products). In the years, when the Poles massively invested in funds (2005-2007), the share of UFK in the balance of payments and amortizations of the mutual funds, remained at a similar level of several percent. Although this share fell in 2008 to 4%, it can be concluded that the insurers to some extend, have affected the concentration of means in the mutual funds. The evidence of this is dynamics of capital outflows from the unit-links much lower than in the case of mutual funds.

The factors which still have a significant impact on the development of funds market are: growth of the Polish economy (although it has slowed down), relatively low level of unemployment, earning emigration and the growing awareness of the investment.

Among the structural factors, in addition to the aforementioned popularity of life insurance with UFK, it remains still important: the development of the product range and offered by TFI richer range of investment opportunities, as well as still high interest in the “private” funds, which are created on order.

3.2. Development of the market from the subject point of view

In 2008, the Financial Supervision Commission had issued to TFIs six permits for mutual funds management. The consent obtained: BEST TFI, Quercus TFI, TFI AGRO, SPATIUM TFI, GO TFI and Altus TFI. The shareholders of most of these entities are companies or individuals, who for many years have been connected with the market of asset management, private equity market or debt market in Poland, and have decided to start their own activity. At the end of 2008, a total of 39 mutual fund companies were registered. However, as Altus was not able to register any mutual fund until the end of the year, therefore, only 38 TFI have been operating.

Table 6. TFI (mutual funds company) registered in Poland	
registered before 2008	
1	AIG Towarzystwo Funduszy Inwestycyjnych S.A.
2	AKJ Investment Towarzystwo Funduszy Inwestycyjnych S.A.
3	AMATHUS Towarzystwo Funduszy Inwestycyjnych S.A.
4	BPH Towarzystwo Funduszy Inwestycyjnych S.A.
5	BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.
6	Commercial Union Polska Towarzystwo Funduszy Inwestycyjnych S.A.
7	Copernicus Capital Towarzystwo Funduszy Inwestycyjnych S.A.
8	DWS POLSKA Towarzystwo Funduszy Inwestycyjnych S.A.
9	Forum Towarzystwo Funduszy Inwestycyjnych S.A.
10	FINCREA Towarzystwo Funduszy Inwestycyjnych S.A. (d. GE Debt Management)
11	Hexagon Towarzystwo Funduszy Inwestycyjnych S.A.
12	IDEA Towarzystwo Funduszy Inwestycyjnych S.A.
13	ING Towarzystwo Funduszy Inwestycyjnych S.A.
14	Intrum Justitia Towarzystwo Funduszy Inwestycyjnych S.A.
15	Investors Towarzystwo Funduszy Inwestycyjnych S.A.
16	Ipopema Towarzystwo Funduszy Inwestycyjnych S.A.
17	KBC Towarzystwo Funduszy Inwestycyjnych S.A.
18	Legg Mason Towarzystwo Funduszy Inwestycyjnych S.A.
19	MCI Capital Towarzystwo Funduszy Inwestycyjnych S.A.
20	MILLENNIUM Towarzystwo Funduszy Inwestycyjnych S.A.
21	Noble Towarzystwo Funduszy Inwestycyjnych S.A.
22	OPERA Towarzystwo Funduszy Inwestycyjnych S.A.
23	Opoka Towarzystwo Funduszy Inwestycyjnych S.A.
24	PIONEER PEKAO Towarzystwo Funduszy Inwestycyjnych S.A.
25	PKO Towarzystwo Funduszy Inwestycyjnych S.A.
26	Plejada Towarzystwo Funduszy Inwestycyjnych S.A.
27	SEB Towarzystwo Funduszy Inwestycyjnych S.A.
28	SKARBIEC Towarzystwo Funduszy Inwestycyjnych S.A.
29	Superfund Towarzystwo Funduszy Inwestycyjnych S.A.
30	Towarzystwo Funduszy Inwestycyjnych Allianz Polska S.A.
31	Towarzystwo Funduszy Inwestycyjnych PZU S.A.
32	Towarzystwo Funduszy Inwestycyjnych Spółdzielczych Kas Oszczędnościowo - Kredytowych S.A.
33	UNION INVESTMENT Towarzystwo Funduszy Inwestycyjnych S.A.
registered in 2008	
34	Altus Towarzystwo Funduszy Inwestycyjnych S.A.
35	BEST Towarzystwo Funduszy Inwestycyjnych S.A.
36	GO Towarzystwo Funduszy Inwestycyjnych
37	QUERCUS Towarzystwo Funduszy Inwestycyjnych
38	SPATIUM Towarzystwo Funduszy Inwestycyjnych SA
39	Towarzystwo Funduszy Inwestycyjnych AGRO S.A.

Source: KNF

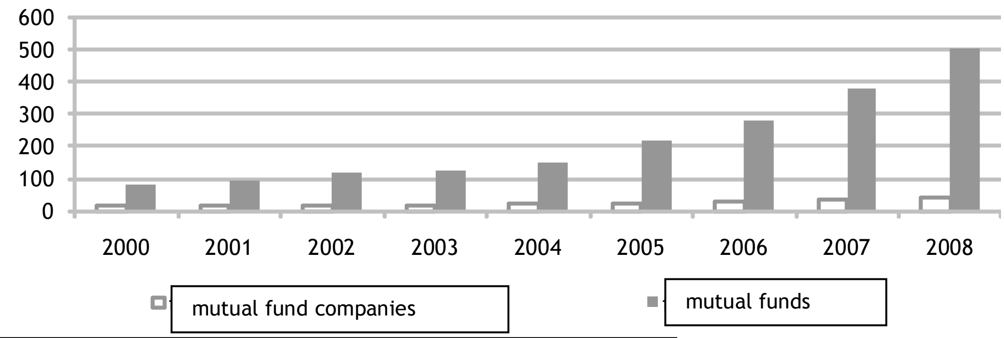
In 2008, three companies have experienced changes in their ownership. Financial Services Ltd company bought 100% of shares of GE Debt Management TFI from General Electric. As a result, the company has changed its name to Fincrea TFI. The brokerage house Copernicus Securities SA bought 100% of shares in Copernicus Capital TFI from Copernicus Partners LLP, thus becoming its owner. By contrast, General Electric Capital Corporation bought 49.86% of shares of BPH TFI from Cabet-Holding-Aktiengesellschaft (the remainder of the shares belong to BPH PBK Zarządzanie Funduszami sp. z o.o.)

3.3. Development of the market with respect to product

In the course of 2008 only 140 of new products (taking into account both the funds and sub-funds) appeared on the market. Most news occurred in Ipopema TFI (29 closed-end funds), DWS TFI (SFIO DWS fund with 15 sub-funds), KBC TFI (11 funds, including 10 closed with the capital protection), and Copernicus Capital TFI (11 closed-end funds).

Table 7 Number of TFI and Funds managed by them*

	2000	2001	2002	2003	2004	2005	2006	2007	2008
mutual fund companies	16	19	18	17	20	23	26	33	39
mutal funds	83	97	120	126	151	215	281	378	503
growth of funds	19	14	23	6	25	64	66	97	125



Source: KNF, TFI, calculations of Analizy Online

At the same time, 15 funds and sub-funds have been closed, liquidated or under liquidation in 2008. 3 funds of KBC TFI offer (closed-end funds and capital protection funds) ceased their operations since the period, for which they were created had expired. In the case of another 3 funds, their assets were taken over by other funds within TFI: Pioneer FIO - Sub-fund Pioneer Dochodu Mix 20 was taken over by Sub-fund Pioneer Wzrostu i Dochodu FIO Mix40, and Sub-fund Pioneer FG SFIO DiW Rynku Japońskiego by Sub-fund Pioneer FG SFIO DIW Regionu Pacyfiku. The other 5 funds have been closed down mainly due to a fall in assets below the specified level.

The total number of products offered by TFI in 2008 increased by net number of 125. As a result, at the end of December 2008, the companies have managed the assets of 503 mutual funds and sub-funds, including 322 open and 181 closed-end funds and sub-funds.

In 2008, for the first time, more closed-end than open funds (including sub-funds) were created. The number of closed-end funds has increased by 80, while the open funds and specialist funds increased only by 45. The same, the share of the closed-end funds in the total number of investment products offered on the market of mutual funds in Poland, has over the year increased from 26.7% to 36% by the end of 2008. The vast majority of new closed-end funds were the funds issuing private investment certificates. The majority of them were private asset funds, targeting holding high assets individual customers and institutional customers. The leaders in the creation of such the entities were Ipopema TFI, Copernicus Capital TFI, Forum TFI and Skarbiec TFI.

The majority of the closed-end funds, which were set-up in 2008, is classified as mixed foreign group.

The number of open funds and sub-funds (including specialist funds) in 2008 increased by 45. The new investment proposals in vast majority were the equity funds, which primarily had invested the assets in the foreign equity markets. Some of these funds directly invest in shares of the companies, while others invest their assets in foreign markets through the foreign funds participation titles. Like the previous year, the popularity still enjoyed the products investing in so-called New Europe. Moreover, some newness were the funds investing in the shares of companies from financial, food and infrastructure sectors. The companies also set up 2 raw materials funds and 2 funds investing in the real estate market, as well as several products focused on a specific country or geographical region, or investing globally. In 2008, the offer of funds was also enriched by more than 20 funds representing mixed strategy, 3 capital protection funds and 4 debt and 3 cash funds.

In 2008, the Financial Supervision Commission has approached the record in number of products for which it gave notifications to foreign institutions, which intended to directly distribute their products in Poland. Up to 9 foreign entities have obtained such the consent for the first time. By issuing all the notifications, including notifications extending the scope of valid notifications, KNF has by more than 340, increased the number of products likely to hit the direct sales. This means that in 2008 the number of notified funds was almost 2.5-fold higher than the year before.

Last year, the notification of KNF received for the first time Dexia Asset Management (Lux) JPMorgan Asset Management (Lux), New Star Asset Management (Irl), ING Investment Management (Lux), Leonardo Asset Management/DNCA (Lux), Societe Generale Asset Management (Lux), Schroder Investment Management (Lux) and Prudential Investments LLC (Lux). Despite such a vast group of companies received approval from the Commission, it was only Schroders to start distribution of its products, in the same year. The number of notifications awarded, had only slightly affected the number of actually distributed products. Just as a year before the broadest portfolio of products distributed had those institutions, which offered their products for the longest time, *i.e,* BlackRock Investment Management (Lux) and Franklin Templeton Investments (Lux).

One of the events of the year was an announcement of ending of the distribution by Robeco. Despite the introduction into our market of the products mitigating the exchange rate risk, the general strategy of the Dutch company should be in our market evaluated as poorly expansive, both in terms of number of products for sale and the number of distributors. In the recent years, this has been the second example of the foreign entity, which verified their plans for the Polish market. In July 2007, the sale of units by Jyske Invest Danish group was suspended, it was directly related to the withdrawal of Jyske Bank from Poland.

In 2008, 28 entities have obtained the Financial Supervision Commission consent to carry out the distribution of participation units of mutual funds, compared to 81 in 2007. In total at the end of 2008 the right to distribute the units had 213 entities. Those are mostly co-operative banks (120), more than 50 subjects of commercial law and over 30 banks.

IV. Polish fund market against the European background

In 2008, the Polish mutual fund market experienced a significant drop in the value of foreign exchange assets. In terms of euro the value of the means deposited in the Polish funds decreased by -52.7% (by about EUR 19.7 billion) to EUR 17.7 billion. In terms of dollar the value of assets decreased by -54.7% (by about USD 30.1 billion) to USD 24.9 billion. The high dynamics of decline in terms of foreign exchange was partly due to a significant strengthening of euro and dollar against the Polish currency (respectively by 16.5% and 21.6%)

Table 8. Poland on the background of the European countries (WAN billion by the fixed exchange rates)

	2008			2007			2006		
	value	share	change	value	share	change	value	share	change
Luxembourg	1 560	25,4%	*-24,3%*	2 059	26,0%	*11,6%*	1 845	24,4%	*21,0%*
France	1 293	21,1%	*-14,3%*	1 508	19,0%	*0,9%*	1 494	19,7%	*17,6%*
Germany	911	14,8%	*-12,5%*	1 042	13,1%	*2,4%*	1 018	13,4%	*5,2%*
Ireland	647	10,5%	*-19,7%*	806	10,2%	*12,3%*	718	9,5%	*22,8%*
United Kingdom	458	7,5%	*-39,0%*	751	10,1%	*-0,2%*	753	10,3%	*20,5%*
Italy	247	4,0%	*-31,0%*	358	4,3%	*-6,6%*	383	5,1%	*-7,3%*
Spain	203	3,3%	*-27,0%*	279	3,5%	*-3,1%*	288	3,8%	*4,6%*
Switzerland	157	2,6%	*-7,0%*	169	2,0%	*12,7%*	150	2,0%	*30,0%*
Austria	128	2,1%	*-22,9%*	166	2,1%	*-1,9%*	169	2,2%	*7,8%*
Belgium	104	1,7%	*-18,1%*	127	1,6%	*-1,1%*	128	1,7%	*10,0%*
Denmark	98	1,6%	*-25,6%*	131	1,7%	*7,2%*	123	1,6%	*15,2%*
Sweden	87	1,4%	*-37,9%*	139	1,8%	*-1,1%*	141	1,9%	*25,1%*
Netherlands	72	1,2%	*-21,2%*	91	1,1%	*-10,7%*	102	1,3%	*6,3%*
Finland	41	0,7%	*-37,4%*	66	0,8%	*8,3%*	61	0,8%	*36,4%*
Norway	30	0,5%	*-41,6%*	51	0,7%	*23,3%*	41	0,5%	*20,7%*
Portugal	25	0,4%	*-30,8%*	36	0,5%	*-6,9%*	39	0,5%	*6,7%*
Liechtenstein	19	0,3%	*-5,4%*	20	0,3%	*36,7%*	15	0,2%	*12,9%*
Poland	**17**	**0,3%**	***-53,5%***	**38**	**0,5%**	***45,6%***	**26**	**0,3%**	***62,5%***
Turkey	13	0,2%	*-26,6%*	18	0,2%	*34,8%*	13	0,2%	*-33,5%*
Greece	10	0,2%	*-54,9%*	23	0,3%	*-7,7%*	25	0,3%	*-12,3%*
Hungary	9	0,2%	*-24,8%*	13	0,2%	*24,8%*	10	0,1%	*16,5%*
Czech Republic	4	0,1%	*-30,5%*	6	0,1%	*19,3%*	5	0,1%	*22,1%*
Slovakia	3	0,1%	*-17,4%*	4	0,0%	*29,2%*	3	0,0%	*-6,7%*
Slovenia	2	0,0%	*-54,9%*	4	0,1%	*46,7%*	3	0,0%	*bd*
Romania	2	0,0%	*-51,6%*	4	0,0%	*1329,7%*	0	0,0%	*bd*
Bulgaria	0	0,0%	*-62,4%*	0	0,0%	*100,0%*	bd	bd	*bd*
Total	**6 142**	**100,0%**	***-22,3%***	**7 909**	**100,0%**	***4,7%***	**7 552**	**100,0%**	***14,9%***
UCITS	**4 593**	**74,8%**	***-25,4%***	**6 160**	**77,9%**	***3,5%***	**5 951**	**78,9%**	***15,1%***
Non-UCITS	**1 549**	**33,7%**	***-11,5%***	**1 749**	**22,1%**	***9,3%***	**1 600**	**21,1%**	***14,6%***

Source: EFAMA Quaterly Statistical Release

The net asset value of mutual funds of the countries affiliated in the *European Fund and Asset Management Association* (EFAMA) during 2008 declined to -22.3% (EUR 1 767 billion), up to EUR 6 142 billion. The dynamics of decline in assets of the mutual funds in Poland in

Table 9 WAN per capita (thousands of EUR)

country	2008
Luxembourg	3 223,76
Liechtenstein	544,97
Ireland	147,01
Switzerland	20,68
France	20,29
Danmark	17,86
Austria	15,33
Germany	11,08
Belgium	9,72
Sweden	9,43
Finland	7,80
Great Britain	7,49
Norway	6,24
Spain	4,49
Netherlands	4,37
Italy	4,14
Portugal	2,36
Hungary	0,94
Slovenia	0,92
Greece	0,92
Slovakia	0,61
Poland	**0,46**
Czech Republic	0,43
Turkey	0,19
Romania	0,08

Source: EFAMA Quarterly Statistical Release, Eurostat

2008 was nearly 2.5 times higher, and amounted to -53.5% (according to EFAMY). Quicker the assets fell only in Bulgaria (-62.4%) Greece and Slovenia (-54.9% each).

Last year, in terms of size of net assets, we have been overtaken by Portugal (EUR 25 million) and Liechtenstein (EUR 19 billion). The lower dynamics of decline in assets of those funds amounting respectively to -30.8% and -5.4%, contributed to this situation.

Together with reduction in the value of means held in Polish funds, our market share in Europe fell from 0.5% at the end of 2007 to 0.3% in December 2008. At the same time the amount of net assets of the funds *per capita* decreased. In December 2008, the statistical Pole had deposited EUR 458 in the mutual funds compared to EUR 988 at the end of 2007. Thus, Poland took last but three position among the countries monitored by EFAMA (a decrease of one position compared to the end of 2007). Currently, we overtake only Turkey, the Czech Republic and Romania, and we are closest to Slovakia, where the assets of the funds *per capita* amount to EUR 607.

V. Participation of mutual funds in the savings of Poles

The record outflow of mutual funds in 2008 (PLN -28.8 billion) and a decline in their assets caused by slum on the Warsaw Stock Exchange, was reflected in the values of indicators describing the position of mutual funds in the domestic financial system, the Polish economy and the structure of savings of Poles.

According to the data, at the end of 2008, the household savings amounted to PLN 671.3 billion, *i.e.* were by -1,4% lower than a year earlier. The value of net assets of mutual funds in portfolios of households dedicated to the individuals, less the value of investments of Insurance Capital Funds, decreased during the year by PLN -66.7 billion. Thus, the dynamics of reduction amounting to -61% was the highest of all forms of saving. The share of funds in the savings of Poles fallen in 12 months from 16.0% to 6.3%.

Assets accumulated in the products offered by foreign institutions declined during the same period by more than -30% to the level of PLN 1.8 billion, which has contributed to a slight decrease in the market share by -0.1 percentage points. In the structure of savings the shares of public companies have also lost their importance (by -2.4 percentage points) and the insurance capital funds (by -1.4 percentage points).

Table 10. Value and structure of savings and households (billion PLN)

	2008	*udział*	2007	*udział*	dynamika
shares of public companies*	26,6	*4,0%*	43,0	*6,3%*	-38,1%
bonds and treasury bills	13,6	*2,0%*	10,7	*1,6%*	27,5%
mutual funds**	42,6	*6,3%*	109,2	*16,0%*	-61,0%
foreign funds	1,8	*0,3%*	2,5	*0,4%*	-30,2%
insurance capital funds	25,8	*3,8%*	35,5	*5,2%*	-27,3%
open pension funds	138,3	*20,6%*	140,0	*20,6%*	-1,2%
PLN and foreign currency deposits	332,0	*49,5%*	262,8	*38,6%*	26,3%
currency in circulation outside banks	90,7	*13,5%*	77,2	*11,3%*	17,5%
sum	671,3	*100,0%*	680,9	*100,0%*	-1,4%

** data regarding dematerialized shares held on the accounts in the brokerage offices*
***available for individuals, adjusted by the value of insurers' the investment*

Source: Analizy Online, based on data of NBP, MF, GUS, TFI, PTE TUNŻ

In 2008 gained the defensive components of our savings. It mostly regarded the direct investments in debt securities issued by the Treasury and the means held outside the banking system as well as those resting on the bank accounts. The real renaissance in 2008 experienced the bonds, which, although were not a major component of our economy (2% at the end of December), in 12 months increased in value by more than +27%. The value of deposits and cash on the accounts at the end of December amounted to PLN 332 billion, which constituted 49.5% of total savings. Such a high share of banks in the total pool of means collected by Poles in various forms took place in mid-2005. The value of cash in circulation in 2008 increased by 17.5%.

The index describing the ratio of the net asset value of Polish mutual funds to the value of the Gross Domestic Product declined in 2008 from 11.4% to 6.0%, *i.e.* to the level of 2005. The share of means in the amount of fund assets and deposits of households decreased during the year from 33.8% to 18.5%. Slightly larger was the ratio of fund assets to the capitalization of the Warsaw Stock Exchange, from 26.3% to 27.6%.

Table 11. Share of net assets of chosen funds by of macroeconomic categories (billion PLN)

	2002	2003	2004	2005	2006	2007	2008
net assets of investment funds	23,0	33,0	37,6	61,6	99,2	134,0	73,7
GDP (billion PLN)	808,6	843,2	924,5	983,3	1 060,2	1 166,8	1 231,6
share of funds (%)	*2,8%*	*3,9%*	*4,1%*	*6,3%*	*9,4%*	*11,5%*	*6,0%*
deposits of households + net assets of funds	240,0	245,6	247,4	282,4	338,5	396,8	397,8
share of funds (%)	*9,6%*	*13,4%*	*15,2%*	*21,8%*	*29,3%*	*33,8%*	*18,5%*
value of household loans	89,8	102,0	115,5	140,9	187,5	258,1	259,1
share of funds (%)	*25,6%*	*32,4%*	*32,6%*	*43,7%*	*52,9%*	*51,9%*	*28,4%*

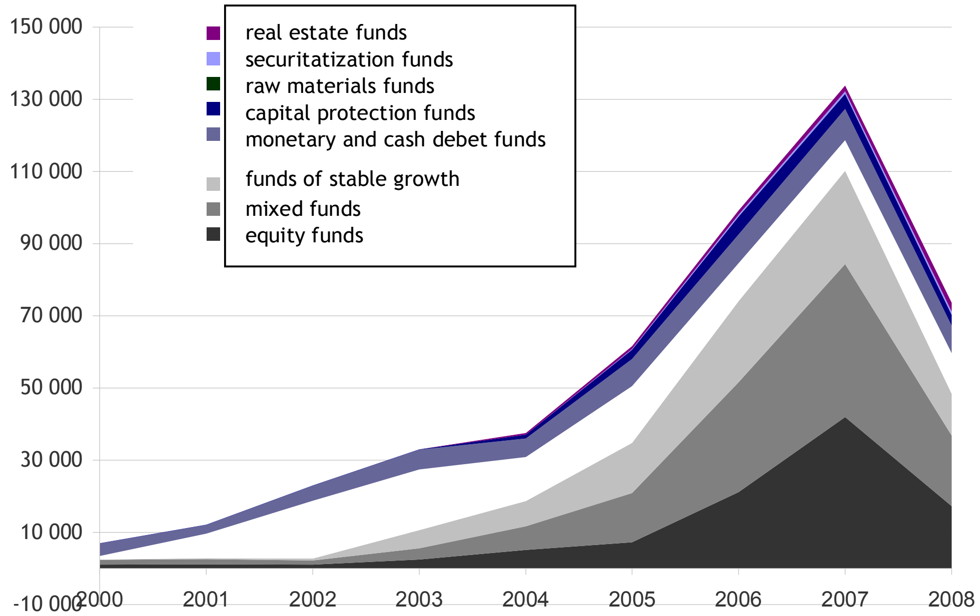
Source: TFI, GUS, NBP, calculations of Analizy Online

The value of assets accumulated by an average Pole in the mutual funds at the year end amounted to PLN 1.9 thousand, what means a decrease by 45% against the end of 2007.

VI. Structure of the mutual funds market in 2008

In 2008, a significant decline in mutual fund assets, touched the various market segments to varying degrees. Moreover, the phenomenon was also observed in the past, when at different times the customer preferences developed differently. In 2000, a half of means were located in the monetary funds, and the assets of the total market amounted to only PLN 7 billion. Over the next two years, the debt funds assets have grown most quickly, so until the end of 2005 those funds had the largest share in the market of mutual funds. The boom launched on the Warsaw Stock Exchange in 2003, contributing to increase of the profitability of more aggressive investments, led some investors to move their means towards the funds, which invested at least some assets in the equity market. In the beginning the main beneficiary, were the stable growth funds, which assets during 2003 had increased to 10-fold, and in the subsequent years: mixed, capital protection, and finally equity funds.

Chart 8. Assets of basic groups of funds in 2000-2008 (million PLN)



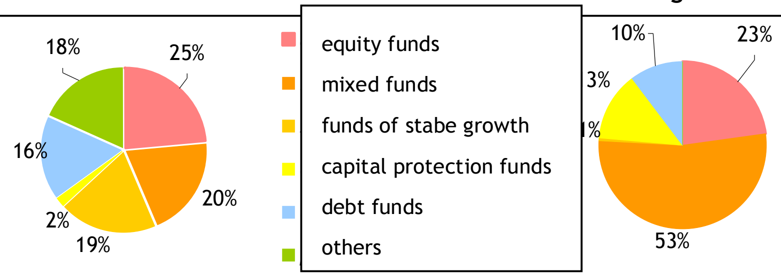
Source: TFI, calculations Analizy Online

In 2008, the trend has changed and the equity funds, to the greatest extent, reduced their market share. In January, the equity funds suffered sharp declines in the equity prices on the stock exchanges and the massive customers' redemption of units. At the same time the market share of more secure funds increased, namely the debt, cash and money market funds.

Despite the rather significant differences in the behavior of individual market segments, their structure slightly changed. The funds linking investments in shares and debt securities had still played a dominant role in late 2008. To the mixed products we in total entrusted PLN 19.5 billion, or 26.5% of all invested means. The second segment, which assets have fallen by nearly 60% up to over PLN 17 billion, remained the equity funds (23.4%). Third force in the Polish market were still the stable growth funds, managing the assets at the level of PLN 11.6 billion (15.8%). The assets accumulated in funds belonging to all the three abovementioned groups at the end of 2008, in total constituted 65.7% of the Polish market, compared to 82.4% of a year earlier. The debt funds with the share of 15.3% risen up to the fourth position, and overtook monetary and cash products (10.3%).

Chart 9. Structure of net assets in 2008

Polish funds **foreign funds**



Source: Analizy Online based on data of TFI and IZFiA

The structure of assets of products dedicated to both domestic and abroad investments is dominated by mixed funds and funds of stable growth (in Polish funds they represent 39% of total assets, compared to 53% at year-end 2007, the foreign funds represent 53%). In the segment of funds investing abroad, they replaced the leadership of equity funds, which at year-end 2007 managed 41% of assets (currently 23% of the market share).

Table 12. Net assets of groups and their market share (million PLN)

	value (million PLN)		dynamics	share	
	Dec 07	**Dec 08**		**Dec 07**	**Dec 08**
equity funds	**41 926**	**17 273**	**-58,8%**	**31,3%**	**23,4%**
Polish equity funds	33 153	14 048	-57,6%	24,8%	19,1%
foreign equity funds	8 773	3 226	-63,2%	6,6%	4,4%
mixed funds	**42 420**	**19 507**	**-54,0%**	**31,7%**	**26,5%**
domestic mixed funds	33 682	11 990	-64,4%	25,2%	16,3%
foreign mixed funds	8 739	7 517	-14,0%	6,5%	10,2%
funds of stable growth	**25 856**	**11 620**	**-55,1%**	**19,3%**	**15,8%**
Polish funds of stable growth	25 562	11 543	-54,8%	19,1%	15,7%
foreign funds of stable growth	294	77	-73,8%	0,2%	0,1%
capital protection funds	**4 148**	**3 004**	**-27,6%**	**3,1%**	**4,1%**
domestic capital protection funds	1 885	1 141	-39,5%	1,4%	1,5%
foreign capital protection funds	2 263	1 863	-17,7%	1,7%	2,5%
debt funds	**8 507**	**11 282**	**32,6%**	**6,4%**	**15,3%**
PLN denominated debt funds	6 454	9 818	52,1%	4,8%	13,3%
foreign debt funds	2 052	1 465	-28,6%	1,5%	2,0%
monetary & cash funds	**8 655**	**7 563**	**-12,6%**	**6,5%**	**10,3%**
real estate funds	**1 625**	**2 523**	**55,3%**	**1,2%**	**3,4%**
raw materials funds	**35**	**46**	**32,5%**	**0,0%**	**0,1%**
securitization funds	**642**	**850**	**32,5%**	**0,5%**	**1,2%**
total	**133 812**	**73 668**	**-44,9%**	**100,0%**	**100,0%**
domestic	111 691	59 521	-46,7%	83,5%	80,8%
foreign	22 121	14 147	-36,0%	16,5%	19,2%

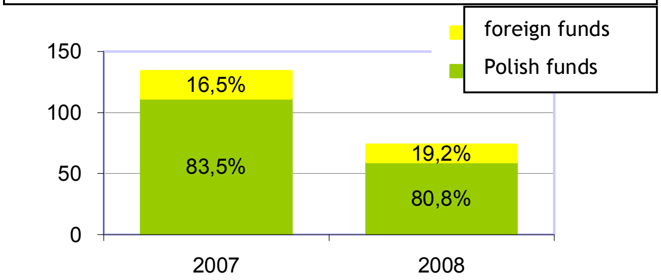
** balanced and other mixed funds (of active allocation, of absolute return, etc.)*

Source: Analizy Online based on reports of TFI and data of IZFiA

The year 2008 was another year in which we dealt with the moving of means towards the foreign investments. One in five zlotys invested by the managers of Polish funds already goes to the products, the policy of which does not limit the range of possible investments for the home market. One year ago the participation of this category of products in the market was by 2.7 percentage points lower and amounted to 16.5%. The actual participation of foreign investment in the assets of funds is slightly higher, due to the fact that part of the managers of products from other groups, does also invest some means in stocks and bonds of foreign issuers.

According to the Analizy Online estimates, the major part of the amount of PLN -28.8 billion, which flown out from the mutual funds in 2008, where the means withdrawn from the products investing their assets in Poland (PLN -25.9 billion). The remaining amount (PLN -3.0 billion) is a negative balance of payments and withdrawals from the funds investing abroad.

Chart 10. Structure of net assets (billion PLN)

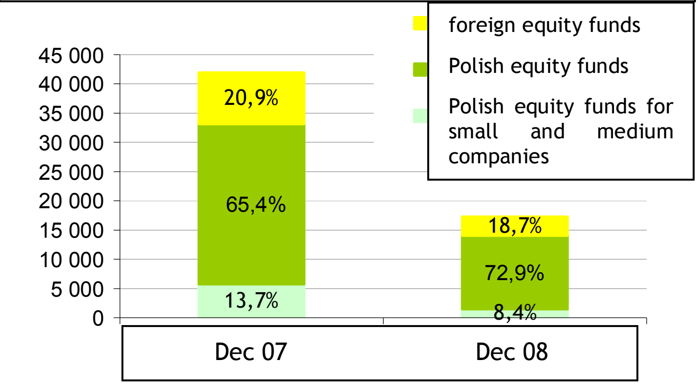


Source: Analizy Online

In 2008, by far the largest net outflows were experienced by mixed funds (PLN -13.3 billion) and stable growth funds (PLN -10.2 billion). The advantage of redemptions over purchases in the case of equity funds amounted to more than PLN -6 billion. The negative balance of payments and withdrawals in 2008, was also due to the cash funds and money market (PLN -1.4 billion) and capital protection (PLN -0.7 billion). The past year was positively ended by debt funds (PLN +2.2 billion), which is largely due to the operation of transfer of debt instruments from insurance capital funds to mutual and real estate funds (PLN +0.6 billion), raw materials and securitization funds, that was carried out in December.

6.1. Equity funds

Chart 11. Structure of net assets of equity funds

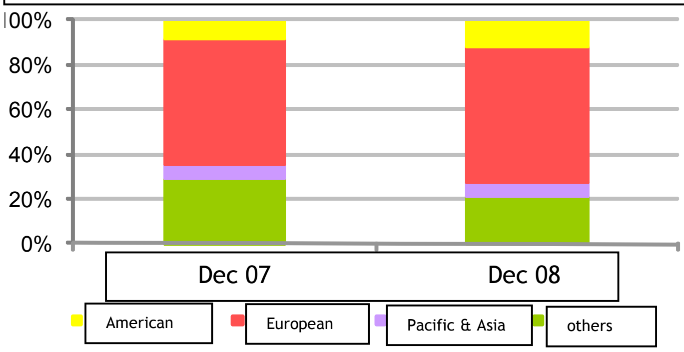


Source: Analizy Online based on data of TFI and IZFiA

In 2008 the equity funds have recorded, the deepest in all nine segments, drop in the assets. Over 12 months, the net assets decreased by -58.8%, that is slightly more than the decline of the Warsaw Stock Exchange main index WIG (-51.1%). Consequently, their market share decreased by -7.9 of percentage points to a level of 23.4%. Despite such the great drop, the equity funds still remained the second largest managed funds, segment with the assets at the level of PLN 17.3 billion.

The measures collected in funds of foreign shares declined to the greatest extent (by -63.2%), as a result their participation in the equity funds segment decreased from 20.9% to 18.7%. The structure of individual groups has also slightly changed. The segment is still dominated by funds investing in the European countries (60%). The second-largest manager of funds remains a group of other foreign shares (21%), although their share in the segment decreased by up to -8 percentage points, the most strongly in all the groups. The subsequent place take the U.S. equity funds (12%) which reported the increase of their share in this segment by +3 percentage points.

Chart 12 Structure of net assets of foreign equity funds



Source: Analizy Online based on data of TFI and IZFiA

The means collected in the Polish equity funds decreased in 2008 by -57.6% to PLN 14.0 billion at the end of 2008. The economic slowdown has most severely affected the national funds for small and medium-sized companies, where the decline in funds under management amounted to -75%. Therefore, the universal Polish equity funds have strengthened their position, and their share in the segment as a whole increased from 65.4% to 72.9% at the end of 2008.

Polish equity funds became popular only in the second half of 2005, as a result of three years of boom on the Warsaw Stock Exchange, so that their rates of return through the second consecutive year were two and even three-digital. A trend that started in 2005 lasted almost continuously until mid-2007 (the most popular were equity funds of small and medium-sized companies, that at that time, have been generating substantial profits). In 2007 there was a very clear interest in moving clients from Polish equity funds towards the foreign equity funds. In 2007, the average monthly value of the balance of payments and amortizations for this group of funds, amounted to more than PLN 600 million.

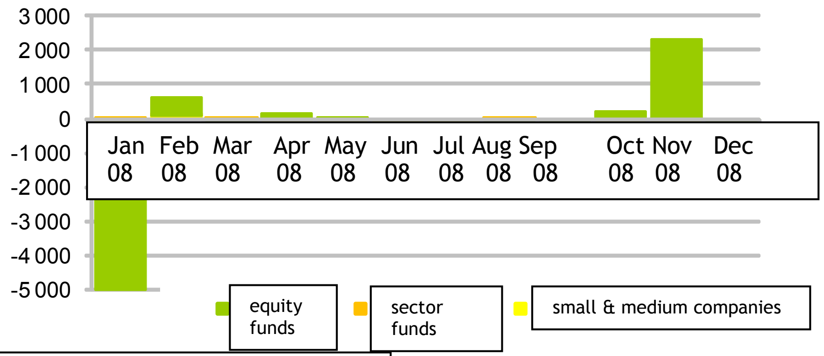
In 2008 the situation was completely different, the balance was positive only for three months. The large inflow of funds in May, was however the result of changes in the investment policy of ING Central European Building and Real Estate Plus (ING FIO) fund, which changed the mixed policy into the equity policy (at that time it managed the assets of PLN 0.7 billion).

In the group of Polish equity funds, the negative balance of payments and redemptions happened 8 times, but definitely the highest happened in January, when it approached to -PLN 5 billion. A month later, the value of payments prevailed over the amounts withdrawn, so that the Poles decided to use the stock exchange discounts in order to increase their involvement in the equity market. The highest positive balance was however reported in November, due to a transfer of funds to one of the funds within a group. In total in 2008 the net outflow from the Polish universal equity funds amounted to PLN -2.9 billion, and the equities of small and medium-sized companies PLN -1.6 billion.

In the case of foreign equity funds, the largest net outflow of net financial resources was recorded by a group managing the largest assets, or the funds investing assets in global emerging markets in Europe (respectively PLN -0.7 billion and PLN - 0.4 billion).

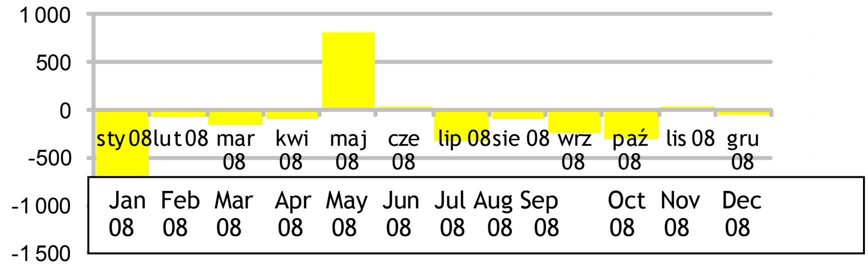
In total, in 2008, the customers have withdrawn from the equity funds more than PLN -6 billion. (Despite the dull situation in the markets, the companies in 2008, had launched 7 Polish equity funds, (2 small and medium-sized companies, 2 sector and 3 universal funds) and 34 new products of foreign shares (including 4 global funds, 9 funds investing in the Central and Eastern Europe, 7 sector funds and 2 raw material and 2 real estates funds).

Chart 13 Polish equity funds - monthly net inflows (million PLN)



Source: estimates of Analizv Online

Chart 14 Foreign equity funds - monthly net inflows (million PLN)



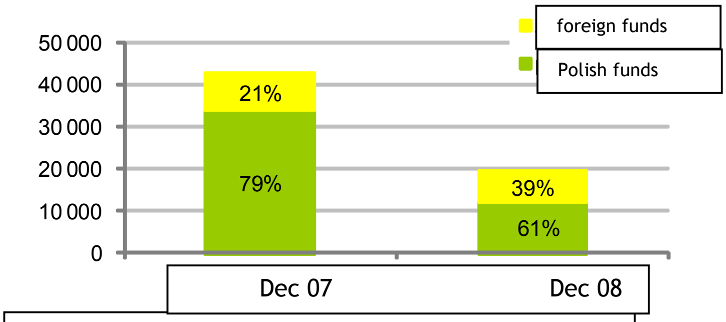
Source: estimates of Analizy Online

At the end of December the largest asset in the group were managed by CU Akcyjny (CU SFIO) fund, assisted by a transfer of funds from the insurance capital funds offered by the life insurance company.

6.2. Mixed funds

The mixed funds (balanced funds and funds of active allocation), are beside the equity funds the second segment of the market, which over 2008 has significantly reduced its assets. Its value during the year fell by a total of -54%. The market share of this segment at the end of December 2008 amounted finally to 26.5%, and the assets under management fell below PLN 20 billion. Despite this, they managed to defend their leading position, which they mostly owe to the closed-end funds.

Chart 15 Structure of net assets of mixed funds

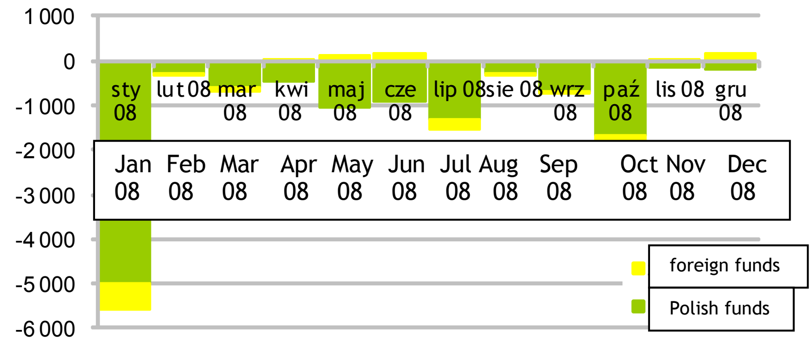


Source: Analizy Online based on data of TFI and IZFiA

In contrast to equity funds, the products investing in Poland recorded a larger dynamics of decline, their assets during the year fell by -64.4%. For this reason, their participation in the segment of mix funds fell from 79% to 61%.

The mixed funds became popular in 2003, when after boom on the bond market, they represented an alternative to a falling bond market and the risky stock market. At that time, more trust of our customers, enjoyed the stable growth funds. Only in the second half of 2005, during the boom on the Warsaw Stock Exchange also a boom for such the products started. The Poles more and more boldly began to invest in them. Next 2 years have seen the continuation of a trend, although it was clear that from month to month the customer interest was diminishing in favor of the equity funds. The outflows of resources were already evident in the second half of 2007.

Chart 16. Mixed funds - monthly net inflows (million PLN)

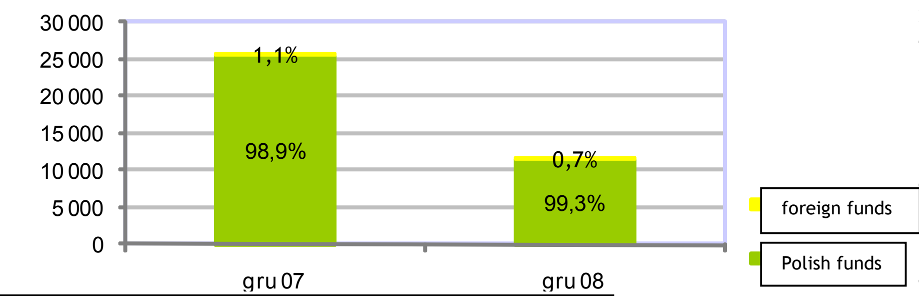


Source: estimates of Analizy Online

In 2008 the total balance of payments and amortizations reached a value of - PLN 13.3 billion. The major part of this amount, has flown from the mixed Polish funds (PLN -12.4 billion). Substantially less funds the customers have withdrawn from the funds investing abroad (PLN -0.9 billion), also by the fact that in 2008, the TFIs have set up as much as 69 new products.

6.2.1. Mixed funds – of stable growth

Chart 17. Structure of net assets of stable growth funds (million PLN)

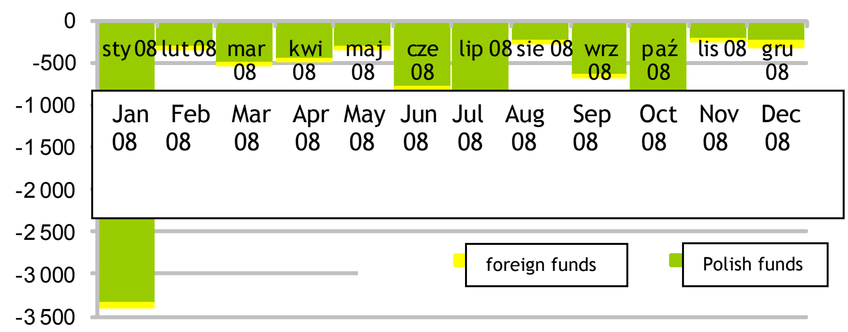


Source: Analizy Online based on data of TFI and IZFiA

In 2008, the means accumulated in the stable growth funds fell in value by as much as -55.1%. At the end of December they reached a level of PLN 11.6 billion. The market share of this segment of the funds fell by -3.5 percentage points to 15.8%, however, on the market for funds it still ranks as third. This segment, in contrast to other funds, is characterized by a high concentration in the Polish market (99.3%).

The largest trust, the funds of solid growth enjoyed in 2003, when they gained half of the new capital (PLN 4.3 billion). During the next two years these funds have taken over about 1/3 of new means, in 2005, their share in the monthly inflows began to decrease. Delight of the customers with this group of funds began to cool in the spring of 2006, when the mixed funds have become more attractive, and most of all the Polish equity funds. The customers began to increasingly eager to invest in more profitable segment of funds, and thus, more risky funds.

Chart 18. Stable growth funds - monthly net inflows (million PLN)



Source: estimates of Analizy Online

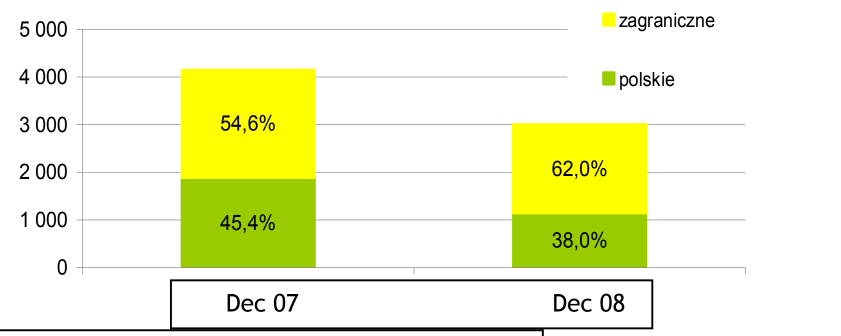
The year 2007 brought a further decline in interest in this group of funds, in 2008 each month it was recorded a negative balance of deposits and withdrawals. Most of net means the customers withdrew in January (PLN -3.3 billion) and October (PLN -1.7 billion), and during the whole year a total of about PLN -10 million.

At the end of the year the greatest assets in the group were managed by PKO/CS Stabilnego Wzrostu - FIO (PLN 1.7 billion), overtaking the prevailing leader Arka BZ WBK Stabilnego Wzrostu FIO (PLN 1.4 billion). From nearly 30 products of steady growth, only a few in 2008 recorded an advantage over the payments. The leader was Fundusz Stabilnego Wzrostu PZU MAZUREK FIO, in which the customers have invested a net amount of approx. PLN 80 million.

6.2.2. Mixed - capital protection funds

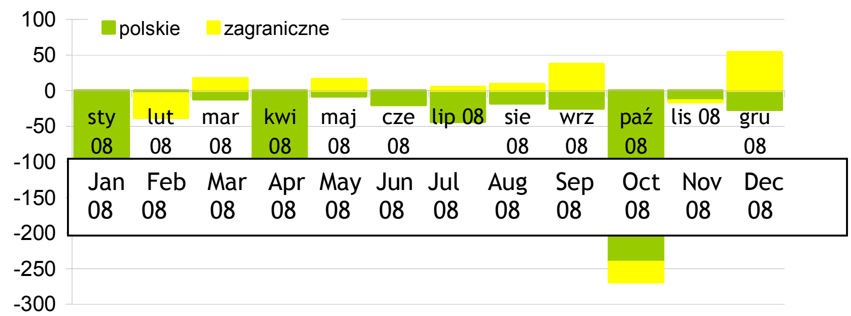
Capital protection funds, despite the built-in mechanisms to protect the invested means have not attracted wide interest of customers. Their assets shrank over the year by -27.6%, which might be due to the fact, that in the segment of domestic funds the predominant role play products based on the CPPI concept, which are not too popular. And in the segment of foreign funds the means acquired to the newly created products were several times lower than the assets of funds ending their activities. Liable for the decline in assets were mainly the national funds, which assets dropped by nearly -40%. The measures collected in a group of foreign funds, based mainly on the structured product model, decreased during the year by -17.7%. In total by the end of 2008, Poles invested PLN 3.0 billion into capital protection funds, 62% of which attracted the foreign funds, compared to 54.6% at the end of 2007.

Chart 19 Structure of net assets of capital protected funds (mln PLN)



Source: Analizy Online based on data of TFI and IZFiA

Chart 20. Funds with capital protection - monthly net inflows (million PLN)



Source: estimates of Analizy Online

The entire segment has recorded an advantage of payments over amortizations only during four months of the last year: March, May, September and December. At that time, the Polish funds have seen no month of positive balance, while the foreign funds had 6 successful months. In 2008 most capital gained 2 new products: KBC Premia Plus FIZ and BPH Korzystnego Kursu FIZ funds.

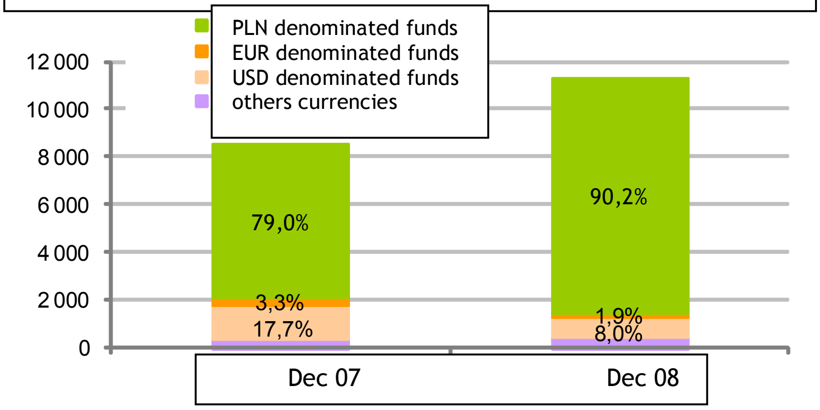
The capital protection funds enjoyed most popularity in 2006, when they gained a total of PLN +1.9 billion, which constituted 7% of the total capital inflows. The biggest share in the annual balance of payments and amortizations, this segment recorded in 2004, when the capital protected funds hit almost every third dollar.

At the end of 2008, in total there were 46 products in this segment, while 13 of them were set up during the year.

6.3. Debt Funds

The debt funds have ended 2008 with greater assets. The means collected in these funds increased during the year by 32.6%. Therefore during the whole 2008, the debt funds have to the greatest extent increased their position in the market of institutions of collective investment (by 9 percentage points) to 15.3%.

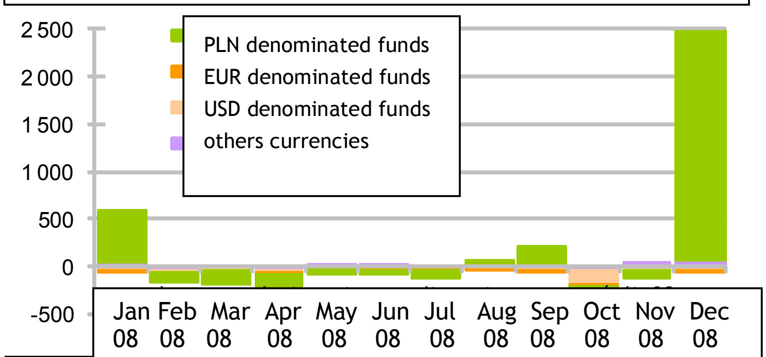
Chart 21 Structure of net assets of debt funds (million PLN)



Source: Analizy Online based on data of TFI and IZFiA

The increase in net assets regarded products investing in securities issued in PLN and other foreign debt securities, which enclose products targeting in the investments in bonds denominated in other currencies or those without a specified base currency. The debt funds investing in Eurobonds or dollar securities have recorded declines in value of assets. At the end of 2008 the share of funds of Polish debt securities in the entire segment increased from 79% to 90%.

Chart 22 Debt funds - monthly net inflows (million PLN)



Source: estimates of Analizy Online

After 2 years of negative balance of payments and disbursements in 2008, the debt funds gained up to PLN +2.2 billion of new capital. They were extremely popular in the years 2001-2002. They began to record the loss of interest in 2003. Only in the first half of 2005, for a short time they returned to favor of investors. 2006 was extremely weak for them, when the balance amounted to PLN -5.4 billion, and a year later, to PLN -2.0 billion. The investors were distracted from the debt funds, especially, because of the rate of return weak in comparison to other segments. In 2008, the major part of new means arrived to funds in January (PLN +0.5 billion) and in December (about PLN +2.5 billion). Such the high balance in the last month was mainly derived from the operation of the transfer of debt instruments from CU insurance capital funds to the mutual fund, that was carried out in December.

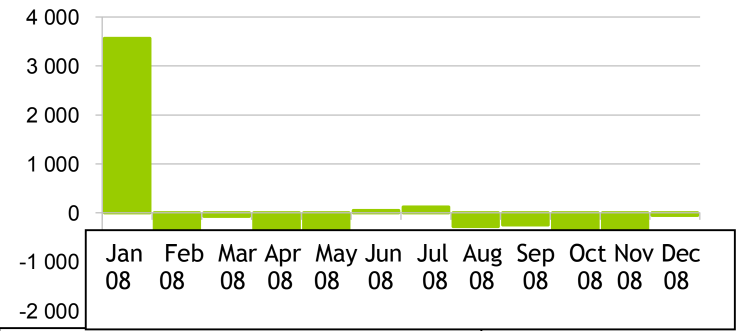
In total the PLN debt funds have recorded a positive balance for four times (also in August and September), while funds of other currencies – for three times (also in November). The funds investing abroad were positively affected by weakening of our currency, so that their profits per zloty were substantial. In the annual frame the funds investing abroad, saw however an advantage of redemptions over purchases, which according to estimates, of Analizy Online amounted to over PLN -0.4 billion for the USD denominated funds and close to PLN +0.1 billion for the EUR denominated funds. Only the products targeted for investments in bonds denominated in other currencies or those, without a specified base currency recorded a positive sales, of approx. PLN 90 million.

At the end of 2008, the biggest asset were managed by CU Dłużny (CU SFIO) - PLN 2,2 billion, which was one of 4 funds investing in the debt market set up in that year.

6.4. Cash and money market funds

The value of assets managed by monetary and cash funds in 2008 decreased by -12.6%. That is quite a specific situation, due to the fact that in the entire world, precisely the money market funds attracted the most capital (in total it was over USD 350 billion). Although the share of monetary and cash funds in the market increased by 3.8 percentage points to 10.3%, it fell to the fifth place behind the debt funds.

Chart 23 Funds of RPP-month net inflows (million PLN)



Source: estimates of Analizy Online

In the case of this group the fall in assets is a direct consequence of the withdrawal of means from them, which in turn results from the competition, which for those funds are the cash deposits. The balance of purchase and redemptions in 2008, reached a total of PLN -1.4 billion. The best month for this segment was January, when the advantage of payments over the withdrawals amounted to PLN 3.5 billion. Such the high balance can be explained mainly by conversions of funds, at least partly involved in the equity markets, which in the same month have seen an impetuous outflow of resources. January was one of the worst months for investors, the stock-indexes declined by more than a dozen, and at one point of the year, by up to 20%. The following months were not as favorable, a positive balance of payments and withdrawals occurred again only in June and July. In the remaining months the redemptions outweighed the purchases, particularly strongly in October, when the balance amounted up to PLN -1.9 billion.

Most of the new assets were acquired by CU Pienieżny (CU SFIO) fund - over PLN +0.7 billion –what occurred through the transfer of funds from the insurance capital funds to dedicated mutual fund. At the end of December, the biggest assets in the group including 30 products, were managed by Pioneer Pieniężny FIO fund (PLN 1.4 billion).

Over the past 8 years, in 2005 most of the net assets, cash funds and money market funds gained PLN +2.4 billion. In turn, the negative balance of payments and withdrawals took place three times (also in 2008): in 2001 the balance amounted to PLN -1.2 billion, in 2004 to PLN -0.3 billion.

6.5. Real estate funds

In 2008 the real estate funds were the leader in terms of growth of the assets (+55.3%). This is mainly due to the registration of three new products, which by way of subscription have gained over PLN 580 million, of which a significant proportion came from institutional investors: PZU Sektora Nieruchomości FIZ, Arka Fundusz Rynku Nieruchomości 2 FIZ and BPH Sektora Nieruchomości 2 FIZ.

Thanks to the huge influx of new resources, the market share in this group of funds increased by 1.2% in 2007 to 3.4% at the end of 2008. At the end of December 13 real estate funds of assets of PLN 2.5 billion have operated in the market. Arka Fundusz Rynku Nieruchomości FIZ managed the biggest assets (PLN 0.6 billion).

6.6. Raw Materials Funds

The raw material funds segment is the smallest of all nine segments. At the end of 2008, the value of assets held in raw materials funds, amounted only to PLN 46 million, by +32.5% more than the year before. Thanks to its high dynamics, the market share has symbolically increased from 0.0% to 0.1%. At the end of 2008, only two raw materials funds worked in the market: Investor Gold FIZ and Superfund Goldfuture (Superfund SFIO).

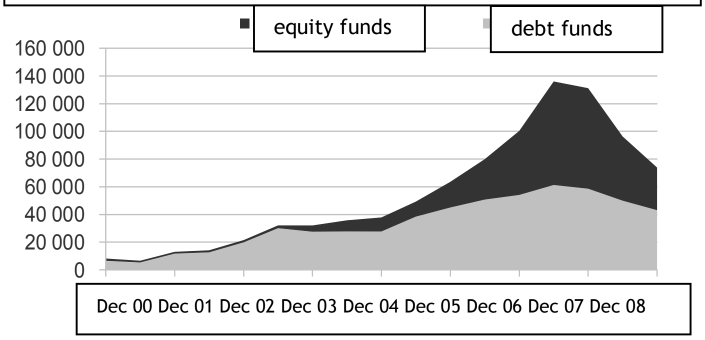
6.7. Securitization Funds

In 2008, the securitization funds have also managed to enlarge their assets by +32.5% to PLN 850 million. Thus, the share of this segment in the market increased from 0.5% in 2007 to 1.2% at the end of 2008.

At the end of last year, 22 securitization funds, mostly managed by Copernicus Capital TFI worked in Poland. The largest assets (PLN 182 million) were managed by BISON NSFIZ fund.

VII. Components of the mutual funds

Chart 24 Debt and equity instruments in assets of funds



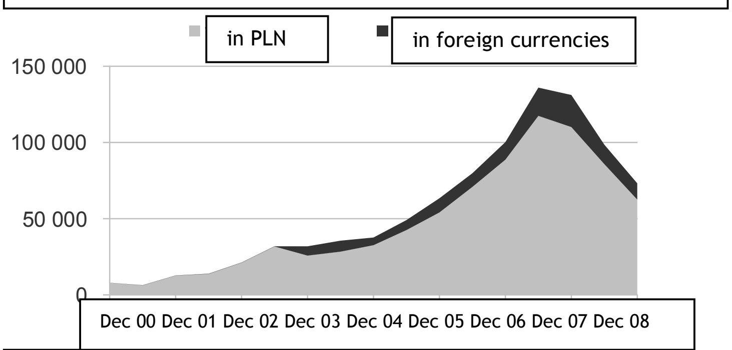
Source: Analizy Online on the basis of reports of funds

According to the reports published, by the funds at the end of 2008, most of the deposits collected by them were debt instruments. At the end of December 2008, the share of debt instruments in the assets of mutual funds amounted to 58%. The summit of boom of Polish bonds market, which occurred in mid-2003, the share of this group of instruments accounted for 94% of the value of assets. The deterioration in the bond market and rapid amortization of customer units in the funds of Polish debt securities, at that time has led to a decline of these instruments in the assets of the funds to a level of 45% at the end of 2007. Only recession on the stock market and good position on the debt market in 2008 contributed to a renewed increase of the importance of debt securities.

In terms of the currency structure, in the assets of the funds continuously prevail the investments in instruments denominated in Polish currency. At the end of December 2008 they accounted for more than 85% of share in the assets. The instruments denominated in foreign currencies had the highest participation rate in June 2004, when it amounted to 20.2%. In the subsequent years, this proportion was falling, and in the mid-2006 it reached the level of 11.2%. Since then, the share of instruments denominated in foreign currencies in the total structure has steadily been growing, and by the end of 2007 it exceeded 15%. In 2008, it fell again below 15%, mainly due to a decline in assets of foreign equity fund.

A few years ago, the debt instruments were prevailing among the instruments denominated in foreign currency. With time, these instruments have been loosing their importance in favor of investments in the equity instruments, which participation in securities denominated in other currencies, in December 2005 increased by more than 40% and to nearly 90% at the end of 2007. In 2008, due to the decrease in the commitment of funds into foreign shares (as a result of bad situation in the equity markets), accompanied by an increase in investments in the treasury foreign securities, the share of equity instruments in foreign investment fell to 80%.

Chart 25. Value of investments of funds by currency



Source: Analizy Online on the basis of reports of funds

VIII. Results of mutual funds

The year 2008 was the worst for the mutual funds customers in more than sixteen-year history of the industry. On the Warsaw Stock Exchange the index of broad market WIG lost -51.1%. Similar was a result of the average of Polish universal equity funds (-49.8%). The gap between the results of the funds in this group amounted to 20.7 percentage points. The highest rate of return, 39.5%, was developed by the managing small assets - SKOK Akcji (SKOK FIO). Even weaker were the shares of small and medium-sized companies, as their indexes dropped respectively by -62.5% (mWIG40) and by -56.9% (sWIG80). This automatically resulted in worse results in this group of funds, where the average amounted to -56.7%. The disparity between the results also amounted to almost 20 percentage points. The smallest loss was experienced by Noble Akcji MiŚ Spółek (Noble Funds FIO), the unit of which fell during the year by -48.9%. Slightly better managed, the so called blue-chips, which index lost in value by -48.2%. The most difficult month for Polish investors turned out to be October, when a serious crump of (WIG -24.01%) occurred.

Table 14 Statistics of results of various groups of funds in 2008

	average	min.	max	spread
USD debt funds	**14,2%**	17,8%	26,7%	8,8%
EUR debt funds	**11,9%**	3,6%	21,3%	17,8%
PLN debt funds	**8,0%**	-2,4%	21,5%	23,8%
cash & monetary funds	**4,2%**	0,3%	6,5%	6,2%
EUR debt funds (EUR)	**-0,3%**	-10,4%	4,9%	15,3%
USD debt funds (USD)	**-5,4%**	-2,3%	5,1%	7,4%
Polish funds of stable growth	**-17,2%**	-25,5%	3,7%	29,2%
American funds of foreign equity	**-26,0%**	-32,4%	-25,1%	7,3%
mixed foreign, Europe emerging markets funds	**-27,9%**	-26,5%	-25,1%	1,3%
foreign equity global developed markets funds	**-28,6%**	-37,1%	-23,3%	13,8%
mixed Polish funds	**-31,5%**	-42,4%	-24,6%	17,8%
funds of foreign equity Europe developed markets	**-35,9%**	-41,3%	-36,2%	5,1%
funds of foreign equity Europe emerging markets	**-48,7%**	-61,0%	-43,3%	17,8%
Polish equity funds	**-49,8%**	-60,1%	-39,4%	20,7%
foreign equity global emerging markets funds	**-50,2%**	-62,4%	-29,2%	33,3%
foreign equity Europe emerging markets small and medium companies funds	**-55,6%**	-67,3%	-40,0%	27,3%
Polish equity small and medium companies funds	**-56,7%**	-66,9%	-48,9%	18,1%
foreign equity of the real estate sector funds	**-62,7%**	-76,4%	-60,6%	15,8%

Source: calculations of Analizy Online

A bad situation on the Warsaw Stock Exchange in the past year was not an isolated case. All major stock indices around the world have lost several dozen percent. However, the weakening zloty has helped to Polish investors, and it was possible to offset some losses. During 2008 the best coping were the funds investing in Japan, which is due to the weakening of zloty against the yen to -51%. The Japanese stock index Nikkei 225 has lost its value by -42% and is in keeping with global trends. Quite well, in the face of poor annual performance of foreign stock exchanges, have overcome the major U.S. indexes, which fell by less than 40%. This has also the affects the Polish funds investing in this market, which average in 2008 amounted to -26% and was the best performance among groups of foreign shares. Least in this segment coped funds investing in the real estates, for which the average fell by -62.7%. Belonging to the group - UniSektor Nieruchomości:

Nowa Europa (UniFundusze FIO) fund lost up to -76.4% - it was the worst result of the mutual funds in the past year.

Index IROS being an indicator of the economic situation in the debt market, despite a weak first half of 2008, or the dramatic situation in October, recorded the best annual results over the last 6 years (+8.95%). The price increases occurred especially in the second half of the year, when with each ending month, grew the convincement of the inevitability of start of the cycle of cutting the interest rates. Among the sub-indices most gained the sub-index of 5-year securities (+9.61%), in second place were 10-year securities (+9.51%). The lowest increase recorded the sub-indicies of 2-year IROS-2 (+8.6%).

Chart 26. Dynamics of changes of index of stocks and bonds in 2008

Source: Analizy Online

Accordingly, the funds which belonged to the group of PLN denominated debt securities, in 2008 developed a decent profit. The average for this group was +8.0% and this was one of the best results in the past year. Several funds managed to generate profits attributable to funds with a more aggressive policy. In 5 cases, the results were double-digit levels, the best fund - PKO/CS Obligacji Długoterminowych FIO made its participants earning up to 21.5%. The group included also funds that were not able to take advantage of very good market conditions. Least coped SEB 5 Obligacji Skarbowych (SEB FIO) fund, which as the only one ended the last year with a negative result (-2.4%). As a result, the difference between the best and the worst fund amounted up to 23.8 percentage points.

The holders of units of the Polish mixed funds have on average lost -31.5%, in the past year, and the results of this group of products balanced in the range from -42.4% to -24.6%. Due to the lower share of stocks in portfolio, a little less lose the funds of stable growth, The average for this group amounted to -17.2%, and extremely - the worst and the best result, was respectively -25.5% and +3.7%.

The rates of return higher then the rates of return of the previously described PLN denominated debt funds have only developed the foreign debt securities funds, valued in our currency. These encouraging results, however, are to the large extent due to the strong weakening of zloty. It has lost -16.48% against EUR and up to -21.63% against USD.

Among all the open (sub)funds the best results developed the hedge sub-funds with Superfund TFI, of which Superfund C (Superfund SFIO), reached its highest rate of return of +62.1%.

Table 15 Average results of individual groups of funds in 2001-2008

	2001	2002	2003	2004	2005	2006	2007	2008
Polish equity small and medium companies funds		-	51,6%	20,0%	5,2%	78,9%	18,7%	-56,7%
Polish equity funds		1,5%	35,4%	24,3%	23,8%	42,4%	12,4%	-49,8%
foreign equity global emerging markets funds		-	-	-	-	-	-	-50,2%
foreign equity Europe emerging markets small and medium companies funds		-	-	-	-	-	0,1%	-55,6%
funds of foreign equity Europe developed markets		-35,1%	24,9%	-9,3%	13,0%	10,0%	-6,2%	-35,9%
foreign equity global developed markets funds		-23,7%	24,6%	-12,3%	18,6%	4,5%	-8,1%	-28,6%
funds of foreign equity Europe emerging markets		-	-	-	-	12,6%	14,0%	-48,7%
foreign equity of the real estate sector funds		-	-	-	-	-	-	-62,7%
American funds of foreign equity		-28,0%	16,0%	-15,0%	8,0%	-1,4%	-13,0%	-26,0%
mixed Polish funds		4,3%	18,1%	13,6%	18,3%	22,8%	8,3%	-31,5%
mixed foreign, Europe emerging markets funds		-	-	-	14,1%	17,7%	4,7%	-27,9%
EUR debt funds		12,4%	20,7%	-9,8%	-3,6%	-1,1%	-4,9%	11,9%
EUR debt funds (EUR)		-	1,4%	3,9%	1,9%	-0,4%	1,6%	-0,3%
PLN debt funds		14,0%	2,9%	6,0%	6,4%	3,9%	2,0%	8,0%
USD debt funds		0,6%	4,2%	-18,9%	10,5%	-7,6%	-11,1%	14,2%
USD debt funds (USD)		7,3%	6,2%	1,9%	1,3%	3,4%	3,7%	-5,4%
cash & monetary funds		9,9%	5,0%	5,0%	4,7%	3,6%	3,6%	4,2%
Polish funds of stable growth		11,0%	11,5%	11,0%	11,2%	14,7%	6,3%	-17,2%

Source: calculations of Analizy Online