Chamber of Fund and Asset Management

The 2013 report

June 2014

Content

I. Letter of the President

Dear Sirs,

It is my pleasure to invite you to familiarize with the Annual Report for 2013 by Chamber of Fund & Assets Management. As a head of the Chamber of Fund & Assets Management *(hereinafter IZFiA)* I feel satisfied since the last year ended with great results of the investment funds on the market. Great assets level, close to the magic boundary equal PLN 200 billion, high inflow of new resources from clients, interesting products catalog - these are elements which greatly characterize the market in 2013 and undoubtedly, they prove its great development.

A reflection of good market situation was decisions made by investors in 2013. Investment preferences of TFI's clients formed two ways in 2013. From one hand the safest solutions were really popular that is cash and financial means market funds (the highest annual sale balance among all of the groups of the funds). From the other hand, many investors recognized that last 12 months was a great time for more aggressive investments. This tendency was well-seen in form of positive sale balance of stocks and mixed funds. Enthusiasm of the investors went down in relation to the debt funds which, after exceptional 2012, had to face capital outflow. The 2013 once again proved a certain regularity and periodicity of certain groups of funds which we have already faced in the past. If investors are more prone to invest safely, they chose debt or cash & financial means funds. Usually, the situation takes place in slump periods. However, when a situation on the stock markets becomes better and better investors become more and more prone to invest in stock funds. Nevertheless, they still prefer certain level of investments into cash-based products.

In 2013 there took place other interesting change in our market which makes us unique in the background of Europe. Structure of the market has changed in terms of a division into open funds (UCITS) and those, which are not characterized by the openness attribute (non-UCITS). Giving consideration to large popularity of solutions dedicated to particular investors, share in the market of closed and special funds went up to 55% and for the first time it has been higher than share of open funds.

Summarizing, let me express a satisfaction for direction of the funds market last year, as well as for achievements and generated profits as well as the trust offered by the clients. I hope that tendencies shall also continue in 2014.

Marcin Dyl
President of IZFiA Managing Board

II. Market situation. Economic situation of Poland

Gross Domestic Product: 2013 was characterized by a weakened tempo of Polish economy's growth. Acc. to corrected estimations of the Main Statistical Office (GUS), the real Gross Domestic Product (GDP) went up by as low as +1,6%, that is -0,3 pp. less than a year before. Despite the fact this is the worst result in the time of last 10 years, level of the annual GDP dynamics in particular quarters shows regular improvement of the Polish economy's situation. In the period of first three months the GDP's growth tempo grew up by just +0,7% y/y, but in fourth quarter it accelerated and reached +2,7% y/y (the best result from the first Q. 2012

Table no. 1. Real dynamics of gross domestic product

	2010	2011	2012	2013
Gross domestic product	3,9%	4,5%	2,0%	1,6%
Total consumption, including:	3,4%	1,6%	1,0%	1,2%
individ.	3,2%	2,6%	1,3%	0,8%
Gross accumulation, including:	9,3%	11,2%	-4,0%	-4,7%
gross expenses on fixed assets	-0,4%	8,5%	-1,6%	-0,2%
Domestic demand	4,6%	3,6%	-0,1%	0,0%
Gross added value, including:	3,7%	4,5%	2,0%	1,5%
industry	7,3%	8,2%	2,0%	3,0%
build.industry	6,4%	11,8%	-3,2%	-9,0%

Source: GUS (Central Statistical Office)

From the GUS' message it results that the growth was main effect of net export and growth in domestic consumption rate, and simultaneously, nearly neutral impact of the investment demand. Re-growth in the individual consumption rate was promoted by low inflation rate, which increased purchase power of consumers. Acc. to GUS' estimations sold production of the industry was in 2013 higher by +2,1% compared to the previous year, when it went up by +0,5% y/y, but construction & assembly production dropped as much as -11,0% (the year before -6,3% y/y). An increase in results was observed in case of retail sale, which went up by +1,6% y/y compared to the growth by +0,5% y/y the year before.

Employment market: In 2013, from the employment market there came varied signals which proved - from one hand, difficult situation on the market, but from the other hand - a sign of an improvement. Despite the fact that - for the first time since 2009, the average employment in the sector of enterprises dropped by -1,0%, acc. to preliminary calculations in the entire economy, number of employees at the end of the year went up by +0,6%. Increase in dynamics of the employment has been observed since May 2013 and in December, a slight growth was observed. Number of registered unemployed persons at the end of December of the year in question grew up, compared to time from before 12 months, by just +1,0%, which turned out to be the best result from 5 years. The unemployment rate stayed at the regular 13,4% level. Poor condition of the employment market had a negative impact on average monthly gross nominal remuneration in the enterprises sector, which went up by just +2,9% which is the worst result from 8 years. Dynamics of remunerations in the industry grew up in the second half of 2013. Low tempo of growth in prices of goods and consumption services made that the purchase power increased by +2,0% which was the best result since 2008.

Table no. 2. inflation and unemployment rate 2007 - 2012

	2007	2008	2009	2010	2011	2012	2013
Inflation rate	2,5%	4,2%	3,5%	2,6%	4,3%	3,7%	0,9%
unemployment rate	11,2%	9,5%	12,1%	12,4%	12,5%	13,4%	13,4%

Source: GUS (Central Statistical Office)

Inflation rate: Annual mean of increase in prices of goods & consumption services in 2013 was very low. It turned out to be much weaker than the year before (+0,9% compared to +3,7%), but also lower than the government assumed in its budget law (+2,7%). A similar level of consumer's inflation rate as in the period under examination was faced last time in 2006 (+1,0%). Worth of mentioning is the fact that in June the inflation rate at the +0,2% y/y turned out to be the lowest in the history. In 2013 dynamics of growth in prices of foodstuffs and beverages as well as goods and services connected with residing plus transport prices dropped down. Prices imposed by manufacturers were lower than the year before (-1,3% compare to +3,3% in 2012), and the more serious drops were observed in the mining industry (-10,3%). The drop down trend of production prices in the construction & assembly sector started in 2012 stopped.

Monetary policy: First seven months of 2013 were a sign of serious smoothening of the monetary policy. The Monetary Policy Council, worrying about worsening economic situation of our country cut down interests rates of the National Bank of Poland in this period by -1,5 pp. In the following part of the year they were not subject of any change and equaled accordingly: reference interest rate 2,5%, Lombard rate 4,0%, re-discount rate for bills of exchange 2,75% and deposit rate 1,0%.

National budget: From estimations of the Ministry of Finances it results that in 2013 deficit of the national budget equaled PLN 42,2 billion. It makes 81,8% of permitted deficit assumed in an amended Budget Law for 2013 that is PLN 51,6 billion. Despite the fact the statutory limit had not been achieved one should remember that in the first version of the Budget Law from the beginning of 2013, maximal permitted deficit was determined at the PLN 35 billion level and that was the level, which seemed to had been high.

Budget deficit also turned out to be higher than in the previous year, when it amounted PLN 30,4 billion.

Capital market: In 2013 on the Main Market of the Warsaw Stock Exchange 23 companies debuted while 11 gave up. As an effect, at the end of the year number of traded companies equaled 450 and their capitalization at the last session was at PLN 840,8 level (increase by PLN 106,7 billion, that is by +14,5% y/y). The greatest interest concerned stocks of small companies (MiS80 index went up by +37,3%, while the WIG-Plus index grew up by +35,7%). The poorest interest concerned medium company's stocks (index comprising such type of entities - mWIG40 - went up in 2013 by +31,1%) The biggest market loser were large companies - WIG20 index lost its value - 7,0%, which also negatively affected the wide market return rate WIG, which grew up but by +8,1% only. WIGdiv, which takes both into account, prices of stocks in the market, and revenues from dividends and pre-emptive rights amounted just by +2,5%. We faced great variances in results in particular sectors, 6 of which ended the last year with positive result and value of 5 of them dropped. The best results from among 11 sub-indexes were achieved by WIG-Budownictwo (+33,5%) and WIG-Media (+31,0%), and the worst situation regarded WIG-Surowce (-32,1%). In the year under examination there occurred clear growth in investors' activity at the main Warsaw Stock Exchange in Warsaw compared to 2012 when session and pack turnover of stocks went down by as much as nearly 1/4. Acc. to data from Warsaw stock exchange total turnover of stocks equaled PLN 256,2 billion and grew up by +26,2% in a year. Also transactions involving stocks went up by +10,9%. Share of individual investors in the field of shares trade on the Main Market of the Warsaw Stock Exchange in the first half of the year dropped from 16 to 14% while the no. of active accounts (stocks) dropped by -16% at the same time. At the NewConnect market 42 companies debuted and 26 of them closed their business. At the end of the year number of traded securities equaled to 445. Capitalization of this market at the end of 2013 equaled to -0,5% in relation to the last session in 2012.

Table no. 3. Changes in the financial market 2013

WIG	8,06%
WIG20	-7,05%
mWIG40	31,06%
MiS80	37,28%
IROS*	1,88%
IRP_WIBID_1M**	2,90%
USD/PLN	-2,83%
EUR/PLN	1,44%

* index of bonds market calculated by Analizy Online

** cash market index

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

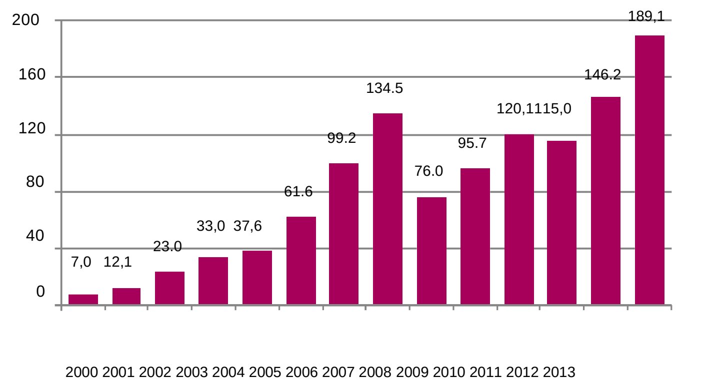
III. Funds market in Poland

3.1. Net assets of investment funds in 2013.

The 2013 was very successful for the domestic market investment funds. In the period under examination, quantity of assets managed by Polish institutions grew up by more than PLN 40 billion for the first time achieving PLN 189,1 billion level. Although records from 2006 - 2007 were beaten, value of resources gathered in products intended for wide range of investors still did not exceed the peak value from before the financial crisis. Nevertheless, worth of attention is the fact that retail funds observed the largest for six years increase in assets, which equaled PLN 19,8 billion. Consequently, value of savings gathered in such type of solutions exceeded the PLN 100 billion level at the second half of the year.

Similarly like in 2012 the largest impact on the growth in resources under examination of the national TFI was made by large inflows generated by the investors. Acc. to calculations made by Analizy Online total balance of deposits and withdrawals in both, funds publishing data and those which do not disclose information (for them the balance of deposits and withdrawals was estimated) amounted nearly PLN +30,3 billion. Presented data give also consideration to amounts attracted by funds dedicated to private investors or institutions which may substantially deform picture of the market. Therefore, one should pay attention most of all to commitment of retail clients who, as it turns out, had the largest share in final sale balance. Consequently, solutions intended for a wide range of receivers recorded surplus of inflows over cancellations in amount of PLN +16,3 billion, while a year before it amounted just PLN +2,1. Successful sale results took place also in 2005-2007.

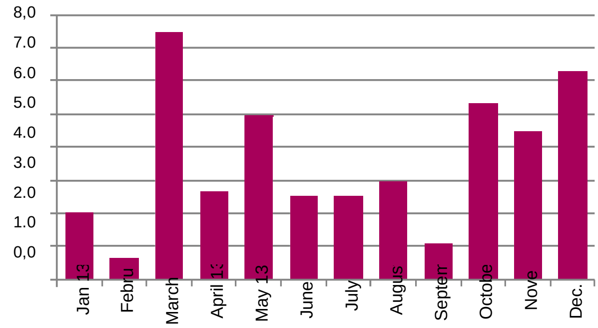
Graph 1. Assets of investment funds 2000 - 2012 (PLN bn.)



Source: Investment funds associations, Calculations by Analizy Online

Worth of mentioning is fact that at the edge of the financial crisis in 2007 the TFIs (Investment Funds Association) attracted as much as + PLN 28,7 billion. And in the subsequent period, as the indexes were dropping, also heavy withdrawal of savings was observed (PLN -35,6 billion net), and loss of trust of the TFI's clients by 2012. Change in attitude of the detail retailers took place, among others, as a result of positive return rates generated by stock funds and debt funds. Additionally, a heavy impact on growth of such type of saving had a decrease in interest rates of bank deposits to the record low level (below 4%). It persuaded clients to look for alternative solutions, which offer better productivity. It had a positive impact on sale results of investment funds, from which a substantial part could praise themselves by two-digit return rates for 2012. Consequently, giving consideration to retail products each month of 2013 ended with surplus of payments over cancellations. Therefore, the entire year should be deemed exceptionally good.

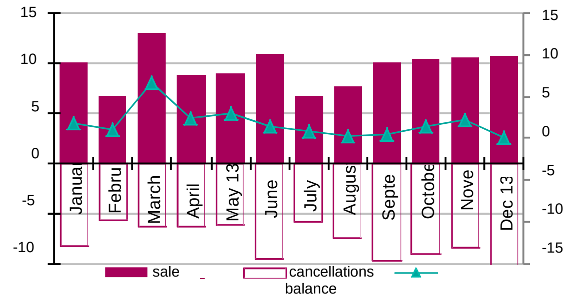
Figure no. 2 Monthly change in assets in 2013 (PLN bn.)



Source: Investment funds associations, Calculations by Analizy Online

Acc. to data of the Chamber, total sale balance in 2013 amounted to PLN 21,5 billion. It comprised purchases and cancellations, in amounts of accordingly PLN +114,6 and PLN -93,1. Worth of mentioning is fact that for needs of calculations there was given consideration only to data gathered from its members and those TFIs (Investment Funds Association), which provide the data to the Chamber voluntary.

Graph 3. Acquisitions and redemptions 2013 (PLN bn.)



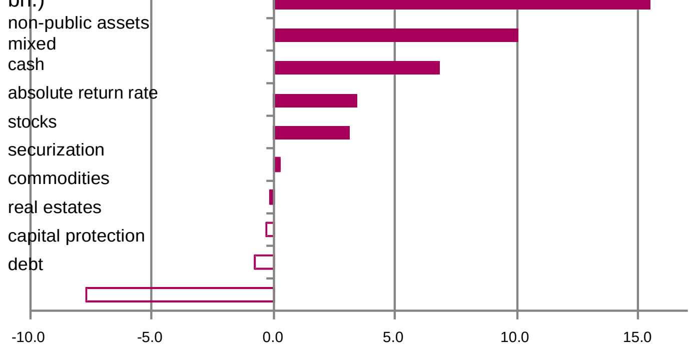
Source: IZFiA

Due to both, good sale results and high return rates, the assets held by investment funds were growing each month in 2013. It regards products intended for a narrow group of investors and retail clients. The largest growth in value of assets was recorded in March in amount of nearly PLN +7,5 billion. However, it should be emphasized that this is a result - most of all - of payments made into non-public funds in amount of PLN +4,5 billion (net) by the PZU Group. Moreover, serious inflows into non-retail portfolios in June and December 2013 helped to neutralize management loses which ,acc. to Analizy Online's estimations amounted accordingly PLN -2,5 and -1,3 billion. One should pay attention to the fact that substantial part of resources was directed to FIZAN (investment funds of closed non-public assets) in amount accordingly PLN +2,3 and nearly PLN +5 billion.

Consequently, the highest sale balance regarded non-public assets funds (PLN +15,5 billion (net)). What is interesting, already in the previous year such type of solutions were quite high. The second position in terms of amount of excess of payments compared to cancellations is occupied by mixed products, which previously were classified at the bottom of the table. In this case it amounted PLN +10,1 billion, while in 2012 it was of negative value (PLN -3,7 billion). Lager popularity characterized cash funds (and similar ones) which, this time, had a positive sale balance in amount of PLN +6,9 billion. Absolute return funds' popularity also went up. Value of inflows into such a type of solutions was three times higher (nearly PLN +3,5 billion) compared to the year before. Other worth of mentioning fact is maintained positive approach of clients to stock products since November 2012. The 2013 turned out to be very beneficial for them since balance of payments and withdrawals amounted to PLN +3,1 billion.

In 2013 capital outflow was recorded in four segments of products. The less advantageous were debt instruments. After a successful 2012, when they attracted PLN +13,7 billion, popularity of such solutions dropped and excess of withdrawals over payments amounted PLN -7,7 billion. Capital protection products have become less and less popular and they've lost PLN -0.8 billion. In this period negative sale balance occurred also in case of funds investing in alternative classes of assets - namely in real estates (PLN -0,3 billion) and raw materials (PLN -0,2 billion).

Figure no. 4 Balance of deposits and withdraws in the segments in 2013 (PLN bn.)



source: Analizy Online

Market structure based on the groups of funds

The largest piece of the market was achieved by funds of non-public assets. Due to large inflows their assets went up by nearly +60%. However, one should mention that part of products of this type offered by TFIs have been classified as "unidentified" since they publish information on their collective assets. Additionally, at the beginning of the year, closed funds managed by Copernicus Capital TFI also have been classified in the "remaining" group. Acc. to situation at the end of 2012, their value amounted nearly PLN 7 billion. Therefore, if one would give consideration to the "unidentified" portfolios, share of non-public funds' assets in the market would be higher. At this moment worth of paying attention is fact that dynamic growth in value of assets in the last of the segments in question was a result of transfer of the afore-mentioned funds.

Table no. 4. Net assets of the segments and their share in the market (PLN million)

	value (PLN million)		dynamics	share	
	12-2012	12-2013		12-2012	12-2013
non-public assets	23,379.2	37,200.2	59,1%	16,0%	19,7%
debt	41,314.0	34,151.3	-17,3%	28,3%	18,1%
mixed	20,163.4	30,975.1	53,6%	13,8%	16,4%
stocks	24,662.4	30,225.9	22,6%	16,9%	16,0%
cash	13,789.5	21,016.0	52,4%	9,4%	11,1%
absolute return rate	4,604.6	8,601.4	86,8%	3,1%	4,5%
real properties	3,504.3	2,461.1	-29,8%	2,4%	1,3%
securitization	2,070.6	1,654.5	-20,1%	1,4%	0,9%
capital preservation	2,309.8	1,545.7	-33,1%	1,6%	0,8%
commodities market	519.0	249.7	-51,9%	0,4%	0,1%
non-defined (*)	9,898.2	21,036.6	112,5%	6,8%	11,1%
Total	146,215.1	189,117.3	29,3%	100,0%	100,0%

Source: Analizy Online on the basis of TFI's reports and IZFiA's data

In terms of share in the market the second position was taken by debt funds. The boom, which have been observed since May 2013 in the market of Polish government bonds encouraged retail investors to invest in debt products, including universal ones and treasury products. However, since results had become worsened following months, clients moved their resources into foreign bonds market and corporate bonds. Also other groups of debt funds did not manage to re-attract clients and most of them faced high outflows in the second half of the year. Final balance of payments and cancellations for segment of domestic and foreign bonds equaled nearly PLN +1 billion. However, after consideration of solutions for selected clients it turns out that they lost more than PLN -7,7 billion. Consequently, dynamics of assets equaled to -17,3%, due to which share in the market of debt segment dropped to the 18,1% level.

In 2013, investors were again interested in products of the lowest risk profile, that is cash products. Just in January they attracted resources from retail clients in amount of nearly PLN 1 billion. From one hand it results from withdrawals of assets from debt funds, and from the other hand, from gradual transfer of savings from bank deposits (low interest rates) into the market of investment funds. Therefore, cash products and similar products ended each month with a positive sale balance which finally amounted more than PLN +7,2 billion. It enabled to increase value of assets managed by them by more than +50%, up to more than PLN 21,0 billion level.

Positive situation on the stocks market had a large impact on increase in savings invested via TFIs. In November the wide market index WIG came to the highest level for six years, making a positive balance equal to +16% from the beginning of the year. The highest growth characterized stocks of companies sensitive to increase in the situation in the real economy that is small and medium companies classified by indexes: mWIG40 and MIS80, and which went up accordingly +31,1% and +37,3% at the end of the year. It was also associated by positive moods on foreign stock exchanges, inducing highly-developed markets. As a consequence of return of good situation, results of stock funds management equaled nearly PLN +2,5 billion. High return rates attracted more and more investors due to which amount of assets went up by +22,6%, which is PLN +5,6 billion. Due to small and medium companies popular in this period, assets of funds focused on Small & Medium enterprises grew up by as much as +164%. Those dedicated to foreign markets managed to extend value of resources by +36,5%. Despite positive results arising from management and inflow of resources, the stock segment's share in the market decreased by nearly one pp., up to 16%.

Other very successful year was recorded by absolute return rate funds, whose assets went up by +86,8%. Even if nominally the amount equaled PLN +4 billion, share in the market went up from 3,1 to 4,5%. One should remember that in the previous year increase in assets was also high and equaled +52,8%.

After rather difficult years 2013 ended with a substantial growth in the mixed solutions segment. Value of assets gathered by them went up by +53,6%, from which serious part of resources originated from products intended for selected investors. Hence, their share in the market went up to 16,4%, which enabled to achieve third position in the group. However, because of growing interest in stock products, whose assets stay at similar level, in the following year there may take place a change in the structure. Giving consideration to particular compounds of the segment, positive dynamics was recorded by portfolios investing their resources in foreign assets (+17,0%), and in domestic ones (+55,3%). What is interesting, both of the groups were interested highly in active allocation products, which increased their resources by more than +50%. One should also emphasize that increase in resources in the stable growth group was a result of (most of all) setting up of a new funds intended for the PZU Group (PLN +9,6 PLN).

Other segments recorded two-digit decrease. These are real estates (-29,8%) and securization (-20,1%) - in both cases, to the some extent it was an effect of technical reasons (certain TFIs stopped publishing data on assets of certain funds). Moreover, assets of capital protection products dropped (by -33,1%) - mainly because of reason of end of activity of several funds set up for definite time and commodities funds (by -51,9%), mainly because of gold prices going down.

Market structure based on the groups of Investment Funds Associations

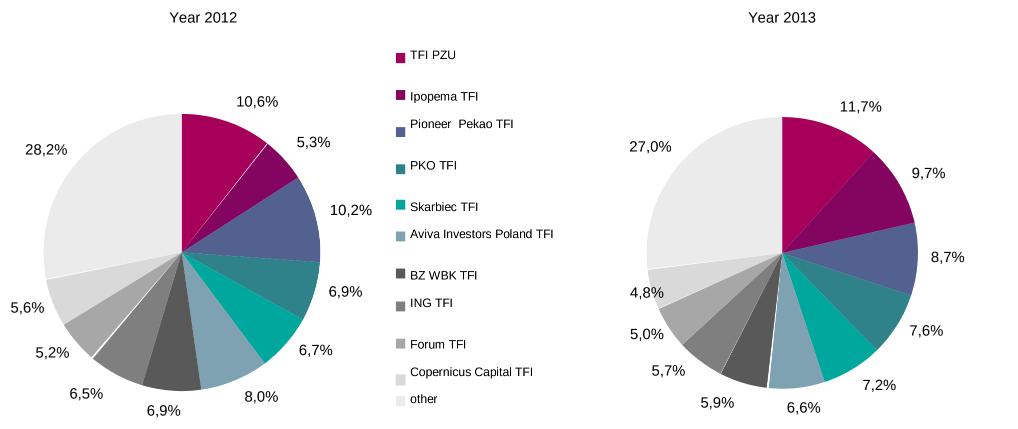
Table no. 5. Dynamics of changes in net assets of particular Investment Funds Associations

	value	million PLN	dynamics	share	
	Dec. 12	Dec. 13		Dec. 12	Dec. 13
AgioFunds TFI	264.8	776.3	193,2%	0,2%	0,4%
Altus TFI	1,861.0	2,765.3	48,6%	1,3%	1,5%
Aviva Investors Poland TFI	11,701.1	12,549.0	7,2%	8,0%	6,6%
AXA TFI	983.4	1,380.2	40,3%	0,7%	0,7%
BEST TFI	259.4	382.1	47,3%	0,2%	0,2%
BPH TFI	3,215.9	3,216.1	0,0%	2,2%	1,7%
BPS TFI	78.8	202.9	157,5%	0,1%	0,1%
BZ WBK TFI	10,050.1	11,159.9	11,0%	6,9%	5,9%
Caspar TFI	15.4	87.1	465,6%	0,0%	0,0%
Copernicus Capital TFI	8,122.8	9,012.6	11,0%	5,6%	4,8%
Eques Investment TFI	864.9	1,089.0	25,9%	0,6%	0,6%
Forum TFI	7,538.6	9,538.6	26,5%	5,2%	5,0%
GO TFI	17.0	-	-	0,0%	-
ING TFI	9,451.1	10,768.8	13,9%	6,5%	5,7%
Intrum Justitia TFI	441.7	454.3	2,9%	0,3%	0,2%
Inventum TFI	2,098.0	1,560.6	-25,6%	1,4%	0,8%
Investors TFI	2,086.1	2,248.3	7,8%	1,4%	1,2%
Ipopema TFI	7,782.1	18,298.8	135,1%	5,3%	9,7%
KBC TFI	4,806.0	3,857.6	-19,7%	3,3%	2,0%
KGHM TFI	338.0	331.7	-1,9%	0,2%	0,2%
Legg Mason TFI	3,208.1	3,921.7	22,2%	2,2%	2,1%
MCI Capital TFI	711.3	965.5	35,7%	0,5%	0,5%
MetLife TFI	1,370.5	1,220.2	-11,0%	0,9%	0,6%
Millennium TFI	2,952.9	3,474.8	17,7%	2,0%	1,8%
Noble Funds TFI	1,785.9	2,630.8	47,3%	1,2%	1,4%
Open Finance TFI	81.7	2,514.3	2977,5%	0,1%	1,3%
OPERA TFI	1,336.1	1,813.4	35,7%	0,9%	1,0%
OPOKA TFI	94.9	69.5	-26,8%	0,1%	0,0%
Pioneer Pekao TFI	14,981.7	16,407.2	9,5%	10,2%	8,7%
PKO TFI	10,083.9	14,390.3	42,7%	6,9%	7,6%
Provide TFI	7.1	7.5	5,6%	0,0%	0,0%
QUERCUS TFI	1,670.0	4,267.9	155,6%	1,1%	2,3%
Skarbiec TFI	9,822.0	13,697.2	39,5%	6,7%	7,2%
SUPERFUND TFI	157.9	219.1	38,8%	0,1%	0,1%
TFI Allianz Polska	2,584.2	2,638.0	2,1%	1,8%	1,4%
TFI BDM	28.7	50.5	76,0%	0,0%	0,0%
TFI BNP Paribas Polska	83.2	128.7	54,7%	0,1%	0,1%
TFI PZU	15,474.9	22,213.6	43,5%	10,6%	11,7%
TFI SKOK	1,127.2	1,205.6	7,0%	0,8%	0,6%
Trigon TFI	-	306.1	-	-	0,2%
Union Investment TFI	6,676.7	7,296.0	9,3%	4,6%	3,9%

Source: Analizy Online on the basis of TFI's reports and IZFiA's data

Last year was successful nearly for all of the investment funds. Significant fact is that value of assets was multiplied by TFIs offering solutions intended for selected groups of investors and retail clients. Despite growth in assets by +23,9% share in the widely accessible funds market went down once again, this time by -2,4 pp., up to the 54,3% level. To the large extent it results from inflow of resources into products set up for needs of capital groups. Consequently, the largest beneficiary of increase in assets was Ipopema TFI, which, acc. to calculations made by Analizy Online attracted PLN +10,5 billion, from which 98,8% supplied custom solutions from non-public assets segment. Giving consideration to data of all investment funds, 34 of 39 TFIs, which published their data at the time of last two years increased value of gathered resources. What is interesting, as much as 24 institutions recorded two-digit positive dynamics, and the largest decrease in value of the property did not exceed -30%.

Graph 5. Structure of the market - TFI, 2012-2013

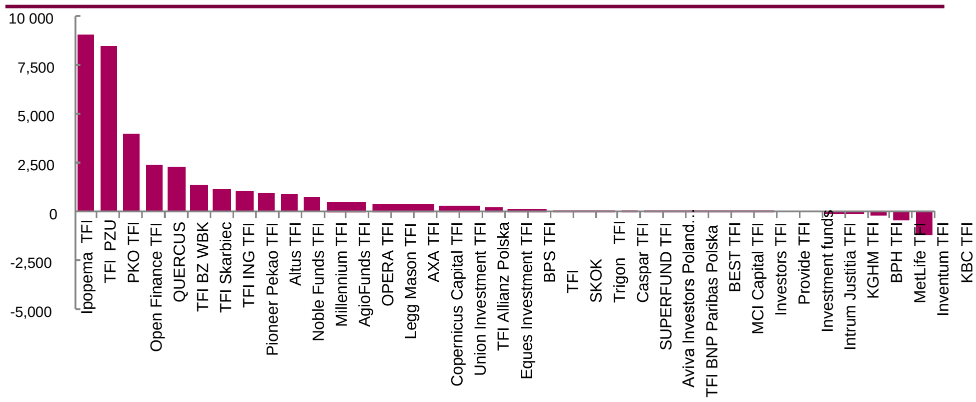


Source: TF

In 2013 in the investment funds market structure great changes took place. The largest of them resulted from previously mentioned inflows into portfolios managed by Ipopema TFI. Thus, share of this institution in the market structure went up by +4,4 pp. which elevated it from the ninth position to the second one. TFI PZU maintained the leader position since 2012, when it won with previous many year leader Pioneer Pekao TFI. In this case the large increase in assets - by +44% also resulted from payments into non-retail solutions established for entities from the PZU SA Capital Group. Consequently, the TFI increased its share up to 11,7%. Share in the market was also increased by PKO TFI and Skarbiec TFI. The property managed by them went up accordingly by +43% and +39%, which resulted in a promotion in the list of the largest TFI.

In order to achieve an accurate market view, worth of checking is how distribution of power among funds offered to retail clients looks like. Despite decrease in share, position of the leader is still held by Pioneer Pekao TFI, which maintains approx. 15,6% of savings. Funds managed by PKO TFI increased their meaning, and with 13,9% share they come second. Next there are BZ WBK TFI (10,9%), Union Investment TFI (6,5%), ING TFI (6,5%) and TFI PZU (5,0%). Worth of attention is also promotion of QUERCUS TFI from the 14th place to the seventh. Due to high increase in assets - by +151,7%, its share in retail funds market went up to 4,1%. It is an effect of inflow of new resources from clients (PLN +2,3 billion), including absolute return rate products.

Graph 6. Inflow of funds into TFI in 2013 (M. PLN)



source: Analizy Online

Last year, sale results achieved by TFI substantially grew up. From among 38 institutions 31 of them recorded positive balance of payments and withdrawals. The largest excess was obtained by Ipopema TFI and TFI PZU accordingly +9,1, PLN +8,5 billion. At the other end, with a negative sale balance there are 5 institutions. The largest outflow of resources took place in KBC TFI funds (PLN -1,1 billion). It resulted mainly from liquidation of capital protection products and withdrawal of resources from debt solutions.

3.2. The development of the market in the field of subject

The 2013 was a period of stabilization on the investment funds market in terms of subject-matter. The Komisja Nadzoru Finansowego *[KNF] (Polish Financial Supervision Authority)* gave its permit to set up and manage investment funds for one institution only, increasing range of investment associations up to 55. Let us remind that in 2012 four TFI were awarded a permit to commence their business activity.

In November, KNF's license was granted to MM Prime TFI, whose founders are persons, who have experience in the financial market but they are not connected with any capital group. The TFI in question had not managed to establish any new founds so, in fact, 54 real entities operated last year.

KNF's permit to extent subject-matter of economic activity by portfolios management, including one or higher number of instruments, was granted to four entities: Amplico TFI, Superfund TFI, Open Finance TFI and ING TFI. Totally, at the end of last year this type of authorizations were held by 24 TFIs. Additionally, the KNF gave its consent to render consulting investment services to Superfund TFI and Open Finance TFI. By now, such a permit has been held by total number of 8 TFIs.

Table no. 6. Investment Funds Associations registered in Poland

Associations registered before 2013			
1.	AgioFunds TFI	28.	Mebis TFI
2.	Altus TFI	29.	MetLife TFI
3.	Amathus TFI	30.	Millennium TFI
4.	Aviva Investors Poland TFI	31.	MS TFI
5.	AXA TFI	32.	Noble Funds TFI
6.	BEST TFI	33.	Open Finance TFI
7.	BPH TFI	34.	OPERA TFI
8.	BPS TFI	35.	OPOKA TFI
9.	BZ WBK TFI	36.	Ostoja TFI
10.	Caspar TFI	37.	Penton TFI
11.	Copernicus Capital TFI	38.	Pioneer Pekao TFI
12.	Eques Investment TFI	39.	PKO TFI
13.	FINCREA TFI	40.	Provide TFI
14.	Forum TFI	41.	Quercus TFI
15.	Fundusze Inwestycji Polskich TFI	42.	SaturnTFI
16.	GO TFI	43.	Skarbiec TFI
17.	Harenda TFI	44.	SUPERFUND TFI
18.	ING TFI	45.	TFI AGRO
19.	Intrum Justitia TFI	46.	TFI Allianz Polska
20.	Inventum TFI	47.	TFI BDM
21.	Investors TFI	48.	TFI BNP Paribas Polska
22.	Ipopema TFI	49.	TFI Capital Partners
23.	KBC TFI	50.	TFI PZU
24.	KGHM TFI	51.	TFI SKOK
25.	KRUK TFI	52.	Trigon TFI
26.	Legg Mason TFI	53.	Union Investment TFI
27.	MCI Capital TFI	54.	Warsaw Equity TFI
Associations registered in 2013			
55.	MM Prime TFI		

Source: Financial Supervisory Board

3.3. Development of the market in terms of products

In 2013 into the Register of Investment Funds maintained by the District Court in Warsaw
115 investment funds were entered, including 2 as the new umbrella funds, which connected previously operating sub-funds. Among newly-registered entities there dominated investment funds (FIZ), 107 of which were registered. Moreover, 6 special investment funds were registered (SFIO) and 2 open funds (FIO) of umbrella nature. One special open fund and one
open fund as a result of conversion of previously operating investment funds into umbrella funds' sub-funds.

At the end of 2013 in the offer of the domestic TFIs there operated totally 981 funds and sub-funds, while 61 of them were in the progress of liquidation. It means 77 entities more than at the end of 2012.

In the period in question more than 90 funds and sub-funds were liquidated or in the progress of liquidation procedure and from this number 62 of them totally ended their operation. Among them there are funds belonging to the KBC TFI's offer, most of them of structured product's nature, which have just expired. Next eight of them were taken over by other funds, mainly because of low value of assets, and seven of them were converted into solutions with new investment policy. Among other liquidated or in progress of liquidation procedure funds there dominated solutions of closed nature, usually dedicated to a particular group of investors.

Simultaneously the associations entered into the offer total number of 139 funds and sub-funds. The largest number of novelties appeared in Forum TFI and Ipopema TFI's offer - 15 funds in each one, of closed nature, and the Copernicus Capital TFI's offer (11). 9 novelties occurred in the offer of Saturn TFI and Open Finance TFI.

In the entire 2013 there appeared totally 35 funds and sub-funds of open nature (FIO or SFIO). 4 novelties have been offered by: Skarbiec TFI, Millennium TFI – offering new strategies on the basis of previously operating funds and Superfund TFI. 3 novelties are offered by Altus TFI, Opera TFI and Union Investment TFI. Relatively large number of new products are exposed to foreign markets - in form of stock nature and debt character.

Closed funds market has been growing up very quickly. In 2013 the TFI established 104 funds and closed sub-funds. Most of them are funds of non-public assets (52) offered mainly to wealthy individual clients and institutional entities as well as non-standard securization funds (18). In the group of closed funds on the capital market the largest number of novelties were of absolute return rate fund character. In the market there occurred also several sectorial stock funds of relatively narrow investment specialization, investing in stocks of advance technologies companies or operating in the clean tech sector. Moreover, TFI offered several alternative funds as well as a few classic solutions, stock, debt or cash solutions.

For the first time, into its offer, closed fund was entered last year by Amplico TFI, while after a certain pause, these kinds of products were launched by Pioneer Pekao TFI and Millennium TFI. In turn SKOK TFI liquidated the sole one closed fund managed by it.

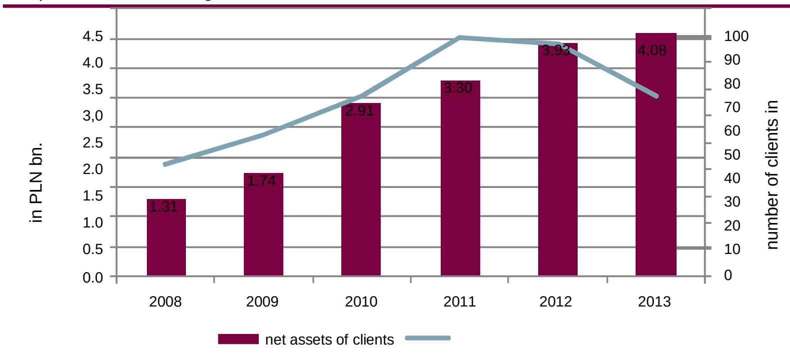
In 2013 number of FIZ traded at the Warsaw Stock Exchange dropped. Certificates of one fund only - PKO TFI were entered into the trade. Simultaneously, 20 closed funds were withdrawn from the trade. Mainly they were capital protection funds from KBC TFI. Finally, number of closed funds, which investment certificates are traded at the Warsaw Stock Exchange, dropped to 36. The largest offer of this type of financial instruments is provided by BPH TFI (11) and KBC TFI (10). Moreover, at the Warsaw Stock Exchange, at the end of the last year, there were traded investment certificates of 5 closed funds managed by Investors TFI, 3 funds of BZ WBK TFI, 2 funds of PKO TFI and 1 fund of Opera TFI, Ipopema TFI, Legg Mason TFI, Skarbiec TFI and Union Investment TFI.

Generally, at the end of 2013, in the market of investment funds in Poland there operated total number of 261 open funds and sub-funds (FIO), 180 funds and special sub-funds (SFIO), and 540 closed funds (FIZ).

3.4. Foreign funds

2013 for sure was not a good one for the entire segment of foreign companies, which distribute their funds on the basis of notification of the Financial Supervision Authority. Such an assessment is a result of a few phenomena, which affected the general situation negatively. Most of all, assets of foreign companies were growing up much slower compared to their domestic equivalents. Assets of retail domestic funds, year to year grew up as much as +23,9%, while those held in foreign funds proved dynamics at the level just +3,8%. At the end of December their value amounted to PLN 4,08 billion.

Graph 7. Assets of foreign funds distributed at the basis of KNF's notifications



Source: Analizy Online on the grounds of KNF's data.

Large impact on this exceptionally low growth in assets had large changes at the side of offered products. At the beginning of the last year, acc. to previous declarations, HSBC Global Asset Management resigned open distribution of their funds in Poland. This decision was directly related to closure of retail business by HSCB Bank, which has a chain HSBC Premier branches in our state. Consequently, funds of this company had been withdrawn from the bank's offer and from other open sale channels. Similar step, in connection with a merge of Raiffeisen Bank with Polbank EFG, was made by other foreign entity offering products from Eurobank LF family. Other important, but also one-time factor, which made a great impact on the amount of gathered resources was end of a few structured products offered as products with defined expiration date.

As it results from data of the Financial Supervision Authority, at the end of 2013 participation units (shares) in funds available in Poland were held totally by 67,2 thousands of investors. The result is worse by -22% compared to the year before. Despite this fact, at the same time payments into funds went up by more than 50%, reaching the value equal PLN 2,4 billion. At the same time, clients withdrew from the funds amount equal to PLN -2,3. One should remember that deciding impact on the decrease in number of clients and value of resources withdrew from funds had previously mentioned phenomena, which must not be connected with a situation in the capital market. Acc. to our estimations the sale balance, after exclusion of the phenomena of one-time nature, would be more than PLN +0,7 billion, while in real it was only PLN +0,1 billion.

Worth of attention is fact that at the end of 2013 the increase in assets in form of PLN-hedged units offering protection of assets in relation of exchange rates' fluctuation, stopped. Even if during a year the level of gathered resources went up to PLN 2,4 billion and it was by +1,0 billion higher than the year before, the record equal to PLN 2,6 billion took place in May. Since then we have been observing slow decrease in assets in this category of solutions.

IV. Polish market funds at the background of the European market

Acc. to EFAMA value of assets gathered in Polish investment funds went up from EUR 35,8 billion to EUR 45,5 billion (that is by EUR +9,7 billion). It means a growth as much as by +27,1% y/y. These are another 12 good months for the industry since a year before we faced a similar growth, + 38% y/y.

2013 turned out to be very successful also for the entire European market in general. Assets gathered in Europe reached EUR 9,8 bn. level, which means an increase equal +9,4% compared to the previous year. Poland, in terms of growth dynamics, came fourth this time (the first last year), after Bulgaria, Hungary and Romania. One needs to notice that these are markets smaller than the domestic one which means that relatively small nominal increase still means good reason to be delighted by good dynamics. From similar markets (EUR 20-100 bn.) none of them went up to a comparable extent. Finally, we managed again to increase in share in the European market, this time up to the level 0,5%. Further promotion shall not be so easy since next on the list - Dutch market is nearly by half larger than ours.

Table no. 7. Assets of the European funds market (EUR bn.)

	2013			2012		
	value	share	change	value	share	change
Luxembourg	2,615.4	26,7%	9,7%	2,383.8	26,7%	13,7%
France	1,525.1	15,6%	1,3%	1,505.7	16,8%	8,5%
Germany	1,404.4	14,3%	9,2%	1,285.5	14,4%	13,4%
Ireland	1,343.9	13,7%	9,5%	1,227.4	13,7%	16,3%
Great Britain	1,120.8	11,5%	15,6%	969.6	10,8%	17,2%
Switzerland	356.8	3,6%	20,0%	297.3	3,3%	7,9%
Italy	209.1	2,1%	9,76%	190.5	2,1%	-5,0%
Sweden	200.3	2,0%	16,1%	172.5	1,9%	14,7%
Denmark	185.7	1,9%	12,9%	164.4	1,8%	18,3%
Spain	184.9	1,9%	22,95%	150.4	1,7%	-3,9%
Austria	149.4	1,5%	1,1%	147.8	1,7%	7,7%
Belgium	95.0	1,0%	8,8%	87.3	1,0%	3,1%
Norway	79.3	0,8%	5,9%	74.8	0,8%	21,0%
Finland	75.1	0,8%	13,2%	66.3	0,7%	19,8%
Holland	72.5	0,7%	5,7%	68.6	0,8%	6,6%
Poland	45.5	0,5%	27,1%	35.8	0,4%	38,0%
Lichtenstein	31.1	0,3%	12,3%	27.7	0,3%	-7,7%
Portugal	24.7	0,3%	4,0%	23.7	0,3%	7,4%
Turkey	21.5	0,2%	-5,0%	22.7	0,3%	12,0%
Hungary	15.6	0,2%	33,2%	11.7	0,1%	30,5%
Malta	9.4	0,1%	-3,3%	9.7	0,1%	16,9%
Greece	7.1	0,1%	5,3%	6.7	0,1%	7,2%
Czech	4.7	0,0%	2,9%	4.6	0,1%	9,4%
Slovakia	4.6	0,0%	21,8%	3.8	0,0%	17,2%
Romania	4.5	0,0%	31,4%	3.4	0,0%	10,5%
Slovenia	1.9	0,0%	1,2%	1.8	0,0%	0,4%
Bulgaria	0.4	0,0%	48,0%	0.3	0,0%	9,7%
Totally	9,788.29	100,0%	9,4%	8,943.90	100,0%	12,4%
UCITS	6,865.86	70%	9,1%	6,295	70,4%	-5,9%
Non-UCITS	2,922.46	30%	10,3%	2,649	29,6%	12,4%

Source: EFAMA Quarterly Statistical Release

From among developing markets (above EUR 1 trillion) just France did not record a substantial growth in assets, while other leaders grew up greatly. Despite this fact, in the forefront there were no changes in practice. After the last year collapse there are no more traces of this in Italy (+9,76%) and Spain (+22,95%), while anti-hero of the year 2013 that is Turkey (-5,0%). disappointed. The situation in the last country had a tight connection with a political crisis which caused a collapse in the stock exchange in Stamboul and escape of foreign capital.

Table 8. WAN per capita (thousand EUR)

Luxembourg	4,869.96
Lichtenstein	844.51
Ireland	292.71
Switzerland	44.39
Denmark	33.14
Malta	22.31
France	23.26
Sweden	20.96
Austria	17.68
Germany	17.44
Great Britain	17.54
Norway	15.69
Finland	13.84
Belgium	8.51
Holland	4.32
Spain	3.96
Italy	3.50
Portugal	2.35
Hungary	1.57
Poland	1.18
Slovenia	0.90
Slovakia	0.84
Greece	0.64
Czech	0.45
Turkey	0.28
Romania	0.23
Bulgaria	0.05

Source: EFAMA Quarterly Statistical Release, Eurostat

In case of Poland, quantity of assets per capita has been growing up regularly. When, at the end of 2011 it was just EUR 679, a year later it was already EUR 929 and now as much as EUR 1180. The whole time it is too less to overcome smaller countries such as Denmark, Malta or Finland, not mentioning the leaders. We have been overcome by Hungary, which is 3 times smaller market. Results of the first three leaders. In those countries, in particular in Luxembourg, because of advantageous tax law many funds are registered and thus, statistics showing a mean per capita could be a little bit shocking at a first glance.

V. Share of investment funds in savings of Poles

Last year savings of Poles went up the fifth consecutive year up to the record level equal PLN 1,16 trillion. Households collected - in form of different types of deposits - by + PLN 104 billion that is by 9,8% more compared to 2012. Nevertheless, dynamics of the last year growth did not enable to keep two-digit tempo from previous year (+10,6% y/y). After exclusion of OFE (open retirement funds) assets must not be used immediately, value of savings amounted to PLN 863,5 and it was higher by +9,5% in relation to December 2012.

Table no. 9. Value and structure of households' savings (PLN bn.)

	2012		2013		dynamics
	PLN bn.	share	PLN bn.	share	y/y
deposits in PLN and in foreign currencies	519.5	49,0%	553.7	47,6%	6,6%
cash in hand beyond banks	102.5	9,7%	114.4	9,8%	11,6%
open pension funds	272.3	25,7%	300.8	25,8%	10,5%
stocks of public companies	37.9	3,6%	44.8	3,8%	18,2%
insurance capital funds	45.1	4,3%	50.1	4,3%	11,1%
foreign funds	4.2	0,4%	5.0	0,4%	17,2%
bonds and vouchers	8.7	0,8%	9.6	0,8%	9,8%
domestic investment funds **	70.6	6,7%	86.0	7,4%	21,8%
total	1,060.8	100,0%	1,164.3	100,0%	9,8%

*data regarding de-materialized stocks stored at the accounts in brokerage offices

**available for natural persons, corrected by value of insurers' investments

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

The largest share in savings of households in 2013 was played, as previously, by deposits in PLN and foreign currencies (47,6%) which went up by +6,6%; in a year scale it means the highest value change (PLN +34,2 bn.) from all forms of saving. Increase in growth was observed in all segments of savings.

In 2013, savings of Poles in domestic investment funds grew up very quickly. Value of the net assets of retail investment funds, which are held by households (designed for natural persons, after exclusion of insurers' investment value), increased during the year by PLN +15,4 billion (+21,8%). In the analyzed year also assets collected by foreign capital funds grew up (+17,2%) as well as assets of insurance capital funds offered by insurance companies (+11,1%).

The second share (in terms of figures) in household savings was supplied in 2013 by the pension funds. Their assets went up by PLN 28,5 billion (+25,8%) last year and exceeded PLN 300 billion at the end of December. Share of OFE (open pension funds) in the structure of savings will gradually decrease. Already in February this year in the framework of changes regarding operation of OFE, 51,5% of their assets were transferred into the ZUS (Social Insurance Office) which caused decrease in our savings. Acc. to our estimations, share of pension funds in the structure of savings dropped nearly by 26% at the end of December, by approx. 15% at the end of first quarter 2014.

In 2013 value of cash in trade beyond banks went up by +11,6%, that is PLN +11,9 billion. In July last year the Monetary Policy Council ended series of decreases of the basic interest rate (started in November 2012). Since then, the National Bank of Poland's costs of money and consequently - interest rates of deposits, stay at record-low level. For this reason some of clients cannot see justification for keeping their resources in form of interest-bearing deposits, holding them in house.

Table no. 10. Share of net assets of funds in certain macro-economic categories (PLN bn.)

	2009	2010	2011	2012	2013
net assets of investment funds	95.7	120.1	114.9	146.1	189.1
GDP (PLN bn.)*	1,344.4	1,416.4	1,528.1	1,595.0	1,635.7
share of funds (%)	7,1%	8,5%	7,5%	9,2%	11,6%
deposits of households + net assets of the funds	483.3	546.1	597.0	665.6	742.8
share of funds (%)	19,8%	22,0%	19,3%	22,0%	25,5%

*value for 2013 - acc. to preliminary estimations of the GUS

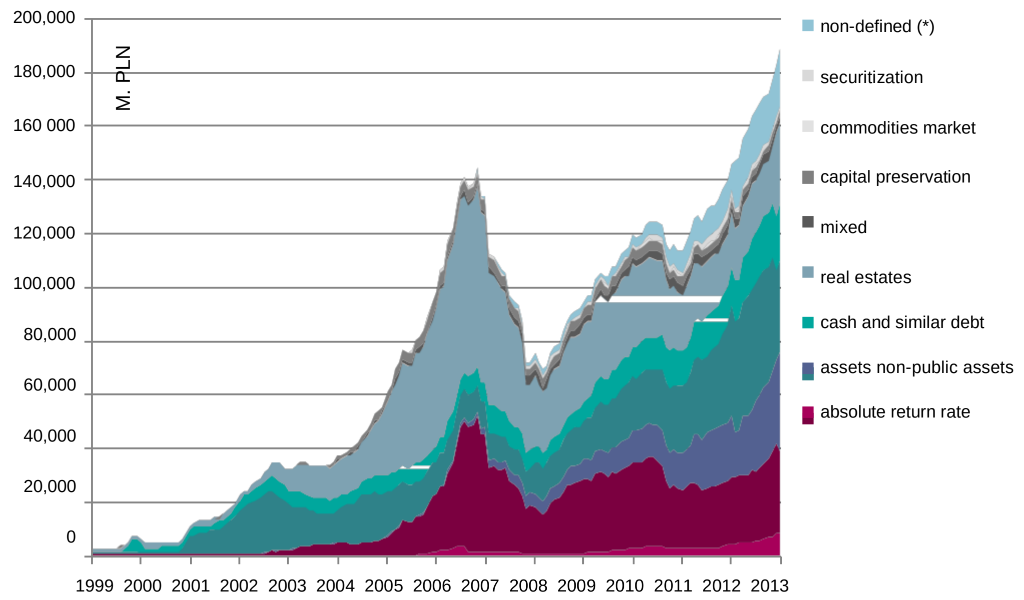
Source: TFI, GUS, NBP, calculations by Analizy Online

In terms of examination of value of net assets of investment funds in relation to total savings of Polish citizens, a significant cognitive value is assigned to their relation to the Gross Domestic Product. A result describing this relation in 2013 grew up from 9,2% to 11,6%, but it is still far away from developed European economies, where it is several times higher. In a year scale also share of funds in total assets of funds and deposits grew up (from 22,0% to 25,5%).

VI. Structure of investment funds market in 2013.

In 2013 we observed substantial changes in structure of genuine TFI's assets. The most important could be deemed decrease in share of debt funds' assets. Main reason was altered classification of one of the most important (in terms of assets) solutions - PZU SFIO Universum. At the end of 2013 its investment policy was changed, from debt nature into a mixed one. As an effect, assets of debt funds segment shrank by nearly PLN -8,5 bn. However, a lot of clients' savings are still kept there. Similar situation was faced by us recent years. Since 2001 to the end of 2003 the most popular solutions were debt solutions. Subsequent year funds characterized by higher risk become more desired - mainly mixed ones, and since 2006 - stock funds. The situation changed after 2011 when investors wanted to find safer forms of collective cash allocation again.

Graph 8. Structure of net assets 2000 – 2013 (PLN million)



Source: IZFiA, TFI, calculations by Analizy Online

In the period in question, funds dedicated to the debt market recorded one of the highest dynamics of managed capital from among 5 groups with the largest assets. In the meantime, exceptionally large increases in resources were recorded by non-public assets funds. An effect of this and mentioned (classification) changes in 2013, this is the group which became a leader of Polish investment funds' assets list, while debt-based solutions and stock solutions came accordingly second and fourth.

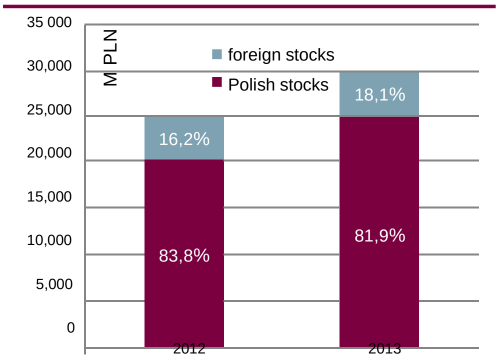
6.1. Stock funds

After 2013 funds of stocks with more than PLN 30,2 billion of gathered resources held fourth position in the list of assets of Polish TFIs. Despite they recorded higher dynamics of growth compared to the year before (+22,6% vs. +15,4% in 2012), they lost last-year second place to the benefit of non-public assets funds. Additionally, first three leaders had to surrender against segment of the mixed funds joined by the PZU Fund.

In the analyzed year clients selected stock funds more often than in 2012. Totally, they withdrew nearly PLN +3,1 bn. of new resources, while in the year before they withdrew totally PLN -0,9 bn. Good sentiment regarded solutions investing in Polish and foreign stocks. Their sale balance last year amounted to accordingly PLN +1,7 and +1,4 billion. Also situation on the market was favorable. Management result added PLN +2,5 bn. due to which total growth in assets' value equaled to PLN +5,6 billion. A little change took place in relation between Polish and foreign stocks solutions. The Polish ones are still much more popular. They are chosen by 4 of 5 clients of common investment institutions.

From among 168 retail solutions (available without limits for natural and legal persons) the largest assets belonged to Legg Mason Akcji (PLN 1,5 billion), Arka BZ WBK Akcji (PLN 1,3 billion) and Quercus Agresywny (1,3 billion).

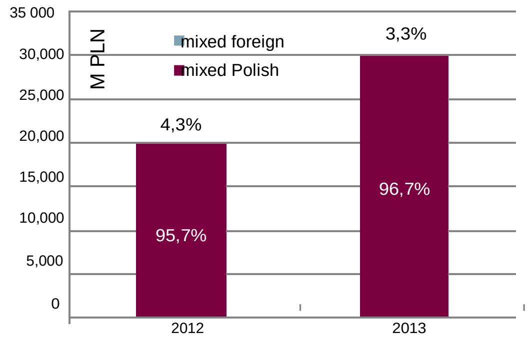
Graph 9. Net stocks funds' assets



Source: Analizy Online of the basis of TFI's data and IZFiA's data

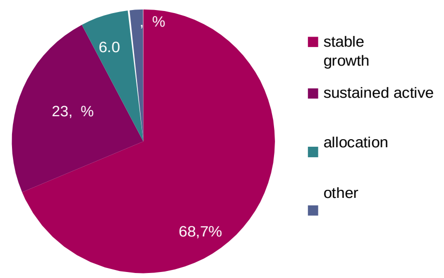
6.2. Mixed funds

Graph 10. Net mixed stocks funds' assets



Source: Analizy Online on the grounds of data of TFIs and IZFiA's data

Graph 11 Mixed stocks funds' assets



Source: Analizy Online of the basis of TFI's data and IZFiA's data

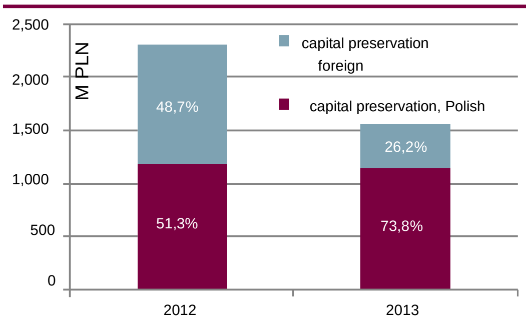
Assets of mixed funds segment grew up mainly as an effect of joining by the PZU SFIO Universum fund. In November 2013 they grew up by as much as PLN +8,6 bn. and one month later by additional PLN +1,0 billion level. As an effect, their annual dynamics grew up by +53,6%. Without this change it would be just +6,2% and role of fixed funds in relation to general capital trusted to Polish investment funds would decrease third consecutive year. Finally, total assets of the segment went up by nearly PLN 31,0 billion and their share in the structure of the entire market already equals 16,4%. However, one should mention that mixed solutions are not popular among clients. It is proved by data on monthly balances of payments and cancellations. In a year, the funds attracted just PLN +0,5 bn. net of new resources (with exclusion of impact of changes in classification of the PZU SFIO Universum). This result in the background of 2012, when total amount of PLN -3,7 billion was withdrawn, can be however satisfactory. Also management did not made all efforts to enhance situation. As a consequence of relatively beneficial prices of stocks on the stock exchange and good debt market situation, at the first months of the last year managers managed to gain totally PLN +0,7 billion of a surplus.

Structure between Polish and foreign funds stays relatively regular. All the time, most of the capital is trusted by clients to products focused in investments in Poland. Substantial changes took place in allocation between particular groups. Share in relatively most risky sustained solutions dropped (- 11 pp. y/y). Nevertheless, the most substantial is much bigger share of stable growth group - presently - 68,7%. A year before it was 15 pp. less. More than 50% dynamics of their assets was a consequence of classification of the PZU SFIO fund Universum to this group.

From solutions available for a wide range of clients, the largest increase of assets was recorded by the largest retail fund of the segment – PZU Stabilnego Wzrostu Mazurek. At the end of 2013 it had more than PLN 2,0 billion. Despite decrease in managed capital, the Pioneer Zrównoważony managed to come second pushing PKO Zrównoważony into the third place.

6.3. Capital protection fund

Graph 12. Net capital preservation funds' assets



Source: Analizy Online of the basis of TFI's data and IZFiA's data

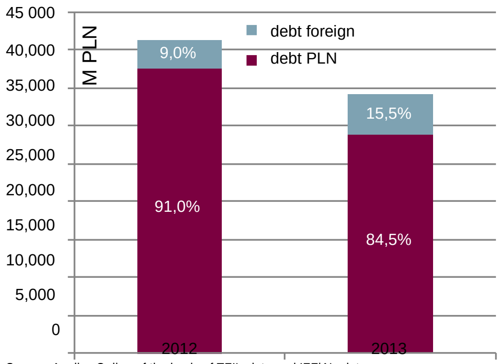
From the beginning of common investment institutions in Poland, funds of capital protection play insignificant role. At the end of the last year their assets equaled just PLN 1,5 billion which made less than 1% of entire capital of Polish TFIs. What is more, another consecutive year clients withdrew their resources, in particular, from foreign solutions. In this group the annual payments and withdrawal balance reached finally PLN -0,7 billion, which posed more than half of collected savings. To the large extent two liquidated funds contributed to this situation. Clients received savings invested there, in amount of approx. PLN 0,1 billion. As an effect, large change took place in case of structure of share into assets of Polish funds and those, which invest abroad. Presently, in the latter there is invested every fourth Polish zloty.

6.4. Debt funds

Without the change in the PZU SFIO Universum classification, resulting in movement into the segment of the mixed solutions, debt solutions would be list leader third consecutive time.

Changes made, however, that at the end of 2013 they came second. Finally, resources collected in them equaled to PLN 34,2 billion which posed more than 18,0% assets of all Polish funds. From the other hand, even without consideration of the moved assets of the PZU Fund, new resources did not supply them as much as in 2012. In 2012 sale result reached PLN +13,8 billion and most of them supplied products investing in Poland. In 2013 the situation has dramatically changed. Total inflow of new resources into solutions of this segment equaled PLN +1,8 billion

Graph 13. Net debt funds' assets



Source: Analizy Online of the basis of TFI's data and IZFiA's data

(without resources of PZU), however, clients preferred foreign debt. Investors are still more prone to invest in funds focused on Polish assets - nearly 84,5% of the capital falls on them.

Contrary to 2012 last year in the scene of Polish debt expired in the light of reversed growth trend and increased variability level. It was reflected seriously by results of funds investing in Poland. A result made by the managers reached nearly PLN +0,5 billion however, a year before it was PLN +2,7 billion level. Still, apart from products dedicated to large insurance groups the largest assets remain available to managers of the Pioneer Obligacji Plus fund – more than PLN 2,3 billion at the end of 2013.

6.5. Cash funds

Segment of funds dedicated to cash market instruments has been more and more significant. During a year their share in assets of investment assets went up to 11,1% and, at the end of 2013 the resources invested via them reached more than PLN 21,0 billion. More than 52,4% dynamics of growth in assets resulted mainly from positive balance of payments and cancellations, which reached PLN +6,8 billion. Less significant role was played by results of efforts made by managers. In case of cash and similar funds it amounted less than PLN +0,4 billion.

The largest value of assets among funds of this segment was gathered by clients of Pioneer Pieniężny – nearly PLN 2,1 billion.

6.6. Absolute return funds

2013 was another year when absolute return rate solutions recorded very high (+86,8%) dynamics in growth of the assets. This time value of resources invested via them went up to PLN +8,6 billion. This result, to the largest extent, was effect of client's contribution, who paid new resources into the funds. Last year their amount reached PLN +3,5 billion. Managers of funds did not made too much efforts to succeed. Result of their work contributed to more than PLN +0,5 billion. Despite this fact, in a perspective of the entire market, assets of representatives of this segment are still equal to approx. 4,6% of general assets.

6.7. Commodities funds

Commodities funds, since their segment was separated (2006) have not been able to attract large number of clients. Their assets, year by year have the lowest share in relation to the entire market and the share fell into 0,1% level. Their meaning has been still going down as an effect of both, negative payment/cancellation balance - nearly PLN -0,2 and loses as a result of assets management, which reached PLN -0,1 billion.

6.8. Real estate market funds - securitization and non-public assets

Segments of funds investing in the real estate market, market of receivables and non-public assets are the most difficult to be analyzed. It is a result of the situation where certain TFI report assets collectively. Those, acc. to Analizy Online's classification, are displayed as non-specified and they have the largest impact on the three afore-mentioned segments. One should mention that in 2013 we had faced large, total increase of value of assets of real estate market's solutions, securitization solutions, non-public assets and non-classified ones. Totally, at the end of December last year they had resources equal PLN 62,4 billion. Compared to 2012 it is a growth by more than +60,5%.

The phenomenon in question was affected by non-public assets funds and those non-specified ones. The ones enumerated first, at the end of the last year had a property equal to PLN 37,2 billion, that is higher by PLN +13,8 billion compared to the year before. Dynamics equaled to +59,1%. As a change of classification of the PZU SFIO Universum fund, and consequently, substantial change in value of assets of the debt solutions segment, resources maintained in funds of non-public assets are the highest from among the entire market.

The highest property was gathered in Sezam FIZ – nearly PLN 6,0 billion. Unquestioned leader in this segment is Ipopema TFI, which already has its funds equal approx. PLN 15,1 billion, so more than 40% of such solutions market.

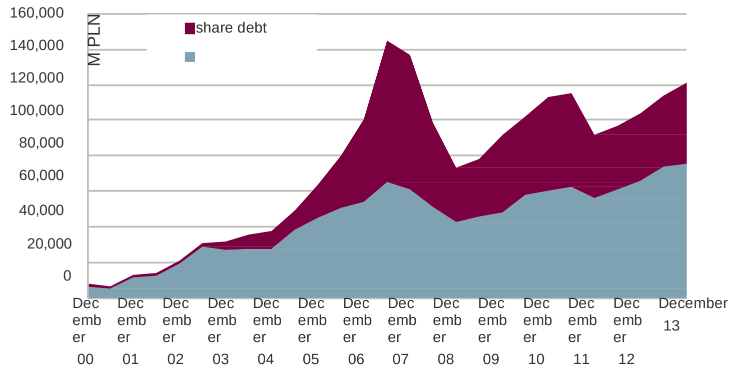
Assets of products, which we are not able to classify accurately, went up by more than +112,5%. At the end of 2013 they amounted as much as PLN 21,0 billion. This phenomenon could be a result of "hiding" of assets of certain funds classified into other segments in 2012.

Funds of the real estate market had insignificant share in general assets. After 2013 it went down to approx. 1,3%. Decrease in resources managed by them amounted as much as PLN 1,0 billion.

VII. Components of investment funds' deposits

Financial reports published by the investment funds show that at the end of 2013 the majority of funds gathered by them were invested in debt instruments (including cash). Their share in assets of general funds equaled 62,2% - by just -1,3 pp. less than the year before. Serious engagement of assets into this group is related to a popularity of corporate bonds funds for several months.

Graph 14. Debt and share instruments in funds' assets



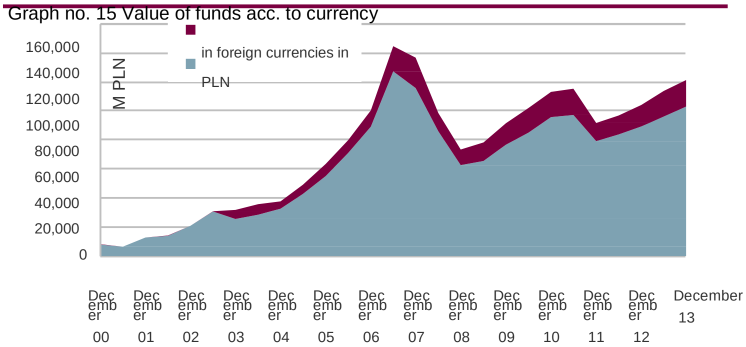
Source: Analizy Online on the basis of funds' reports

The group of debt instruments had the largest share in assets at the peak of the boom in the market of Polish bonds, which is in half of 2003, when it amounted as much as 93,5% of assets' value. Together with the increase in prosperity on the stock market, share of debt instruments was regularly dropping and at the end of December 2007 it attained -45% level. In 2008 their meaning had started to grow up while stock markets were decreasing. Since 2009 the trends had reversed and the level of both of the categories of deposits almost equaled. This balance situation was continued in 2010 and the first half of 2011. At the second half of 2011 commitment into the debt instruments exceeded the level of 60%.

In terms of structure of currencies in portfolios of funds there prevail investments in instruments valuated in Polish currency. At the end of 2013 they equaled 84,9% of assets. Their share fell down slightly compared to the end of 2012 (-1,0 pp.) Share of instruments denominated in foreign currencies equaled 15,1%.

Share of instruments denominated in foreign currencies was the highest in June 2004 when it exceeded 20%. Subsequent years, engagement of was getting lower and in the middle of 2006 it reached the level equal to 11,1%. Since then, share of instruments denominated in foreign currencies in total structure, with short breaks (in 2008 and 2012), was growing and at the end of December 2013 it exceeded 15%.

Graph no. 15 Value of funds acc. to currency



Source: Analizy Online on the basis of funds' reports

VIII. Results of the investment funds

The 2013 turned out to be very successful for the investment funds. More than 70% of the solutions offered by Polish Investment Funds Associations recorded positive rates of return. In particular it was very successful period for those, who bet on small and medium companies or invested in funds investing at developed markets. Indexes of American stock exchange and markets of the Old Continent were growing quickly, with a few adjustments. With annual return rate at the level exceeding +56% Japanese Nikkei 225 came to the top, to the large extent due to determination of the government and central bank to overcome deflation tendencies. The best fund investing at this market reach profit at the +47% level. Funds of American stocks earned during 12 months averagely +25,5% (in USD), and funds of stocks of European developed markets +20,6% (in EUR).

Table no. 11. Average rate of return (2013)

	O12M	O24M	O36M	O48M	O60M	O120M
stocks of small and middle companies	31,1%	53,6%	12,1%	33,1%	89,9%	120,2%
American stocks (USD)	25,5%	33,9%	21,4%	29,9%	76,0%	29,1%
American stocks	24,1%	24,0%	29,0%	44,5%	83,7%	7,1%
stocks, European developed markets (EUR)	20,6%	45,9%	27,0%	38,9%	83,3%	-
stocks, European developed markets	14,5%	31,3%	20,1%	24,8%	47,8%	0,1%
Foreign, mixed, active allocation	13,0%	27,6%	7,4%	20,3%	49,4%	-
stocks, global developed markets	12,9%	24,7%	10,1%	27,2%	64,5%	17,3%
Polish stocks, universal	11,2%	30,9%	0,5%	19,6%	67,5%	107,0%
foreign stocks, real estate sector	5,3%	13,2%	-30,2%	-23,4%	23,3%	-
mixed Polish, sustained	4,2%	20,6%	1,6%	13,1%	39,5%	70,7%
Debt, European, universal	3,8%	5,0%	16,6%	15,3%	25,3%	14,8%
Debt, Polish, corporate	3,8%	8,4%	14,7%	20,7%	27,7%	62,8%
Mixed, Polish, stable growth	3,3%	15,4%	6,8%	16,7%	34,8%	67,8%
cash, universal, PLN	3,2%	9,1%	13,6%	18,9%	24,2%	51,9%
Mixed, foreign, stable growth	2,6%	4,2%	8,2%	17,9%	40,8%	55,0%
Polish, mixed, active allocation	2,1%	10,9%	-6,1%	5,1%	27,6%	52,1%
Debt, Polish universal	2,0%	12,5%	17,9%	25,1%	32,9%	72,1%
Debt, European, universal (EUR)	1,9%	11,7%	11,2%	14,0%	26,0%	34,7%
Asian stocks, no Japan	1,8%	10,4%	-9,3%	2,0%	56,3%	-
Debt, Polish treasury securities	1,5%	12,6%	18,4%	25,6%	31,9%	67,9%
Debt. foreign	0,1%	0,3%	11,6%	16,7%	28,0%	14,1%
debt, USA, universal (USD)	-0,9%	9,9%	9,7%	16,0%	37,9%	44,4%
Mixed, foreign, sustained	-1,3%	5,5%	1,4%	10,3%	33,1%	55,5%
Russian stocks	-1,8%	1,7%	-14,2%	9,3%	97,8%	-
stocks, European emerging markets	-2,8%	19,2%	-9,2%	5,9%	62,9%	-
stocks, global emerging markets	-3,3%	5,4%	-12,5%	-0,1%	67,7%	-
Debt, USA, universal	-3,7%	-4,5%	10,0%	20,9%	38,3%	16,1%
Turkish stocks	-27,8%	5,7%	-27,7%	-10,9%	47,0%	-

Source: FUNDonline FI, Analizy Online

At the Warsaw Stock Exchange, although main WIG index grew up just by +8,1%, and WIG20 lost -7,1%, one could still earn at the wide market. Worth of attention is good result of small and medium companies, whose indexes grew up during a year by +31,1% in case of mWIG40 and +37,3% in case of MIS80. Hence, holders of units in Polish funds of small and medium enterprises earned averagely + 31,1%. Results of all representatives of the group were two-digit ones and in 3 cases they exceeded more than +40%. Return rates of funds of Polish universal stocks were weaker and equaled averagely +11,2%.

Last year was not so advantageous for growing markets, whose indexes generally lost their values. Moods were mostly dependent on decisions of the American Federal Reserves (Authority). In May on the market there came first signals of restrictions on quality easing (QE) program. They did not promote developed markets, resulting in weakened currency and sale of bonds of many of them.

Especially, very stormy previous year was in Turkey, mainly due to political situation (protests in June on Taksim square, corruption). Finally, main stock exchange market lost -13% and Turkish stock funds dominated lower part of list of annual return rates with average result equal to -27,8%. Last year was also disadvantageous for investors focused on gold, which was sold by investors and in December it broke a barrier of 1200 $ per ounce.

In 2013 it was also difficult to make good money on Polish market of the treasury debt. At first months we faced continuation of the boom at bonds, cut interest rates and weaker data from Polish economy. Profitability of bonds dropped to the lowest levels in the history, in case of 2 year papers - below 2% and in case of 10 year - up to 3%. However, at subsequent months the debt market suffered from better macro data, announcement of stop of money printing by FED, revision of the budget and announcement of OFE reform. In the entire 2013 result of debt funds of universal strategy equaled averagely +2,0% and treasury bonds +1,5%. To compare, cash funds enabled their clients to earn averagely +3,2% and corporate debt funds +3,8%.