

Chamber of Fund and Asset Management  
The 2014 report

February 2015

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## I. Letter of the President

Dear Sirs,

It is my pleasure to invite you to read this Annual Report for 2014 by Chamber of Fund & Assets Management. This report summarizes the entire year of the investment funds market in form of analysis and statistics. At first, subject of examination is market and macroeconomic environment and then, a market growth in 2014 is demonstrated evidenced by increase in assets, purchases and redemptions balance, also in relation to subjects and entities. Consecutive chapters focus on Polish investment funds markets in European structures and share of the funds in structure of households' savings. Then, structure of funds market in 2014 was examined, divided into groups of funds. In the end, the final chapter focuses on investment funds' results.

It was another good year in the investment funds market. Since domestic investment funds have maintained a run of good luck, they managed to exceed the PLN 200 billion value. The growth tendency and newly-established funds as well as new investment fund companies, which emerged last year, prove regular growth of the market. Also positive balance of sale of funds was maintained. Clients appreciated mainly safety and it was main direction on the investment funds market. Hence, when it comes about net sale of funds in 2014, cash funds came first, and debt funds came second. These were the most popular two groups of funds in 2014.

Share of the Polish investment funds market in the European investment funds market has been regular for years; it keeps the 0.5% level which makes Polish market comes 16th among 28 countries, which publish the data. Moreover, growing value of assets per inhabitant is also satisfactory - it equals nearly Euro 1300. Investment funds are still appreciated form of capital allocation. In the structure of savings of households they come fourth, after deposits, cash and open retirement & pension funds.

Summarizing, let me express a satisfaction for direction of the funds market last year, as well as for achievements and generated profits and the trust of the clients. I hope that tendencies will also continue in 2015.

Marcin Dyl

President of The IZFiA (Chamber of Fund and Asset Management) Board

## II. Market situation. Economic situation of Poland

Table no. 1. Real dynamics of gross domestic product

	2011	2012	2013	2014
<b>Gross Domestic Product</b>	<b>4,8%</b>	<b>1,8%</b>	<b>1,7%</b>	<b>3,3%</b>
Total consumption	1,7%	0,7%	1,3%	3,0%
individual	3,0%	1,0%	1,1%	3,0%
Gross accumulation, including	12,2%	-4,3%	-3,7%	11,6%
gross expenses on fixed assets	9,3%	-1,5%	0,9%	9,4%
<b>Domestic demand</b>	<b>3,8%</b>	<b>-0,4%</b>	<b>0,2%</b>	<b>4,6%</b>
<b>Gross added value, including</b>	<b>4,7%</b>	<b>1,8%</b>	<b>1,8%</b>	<b>3,0%</b>
industry	8,9%	2,3%	5,9%	3,6%
building industry	10,8%	-3,2%	1,0%	4,7%

Source: GUS (Central Statistical Office)

### Gross Domestic Product: In 2014 Polish

economy was characterized by higher growth compared to 2012 and 2013. Preliminary estimations of the Main Statistical Office (GUS) show dynamics of real GDP at the + 3.3% y/y level. In 2013 it equaled + 1.7% although the value, which had been originally published, equaled 1.6%. The re-valuation was effect of different domestic product counting (method) arising from European Union's directive, including incomes from prostitution, smuggling and drugs dealing. Nevertheless, the new methodology had an impact on the last year's dynamics to insignificant extent. Factor of the faster growth, to the largest extent, was a domestic demand, which leveled the decrease in the foreign demand with interest. Consumption of households was growing up dynamically (+3.0% y/y), promoted by historically low inflation rate and gross expenses on fixed assets (+9.4% compared to +0.9% the year before). It is important that the Polish economy surprised positively by its power in the third quarter, since expected GDP growth equaled below +3.0% y/y. Finally, it equaled +3.3% y/y. Stability of quarter GDP data compared to previous years also makes us more optimistic. In 2014 the range of the data equaled from +3.1% to +3.5% y/y, while the year before the range was much bigger (from +0.4% to +2.8%).

Table no. 2. inflation and unemployment rate 2008 - 2014

	2008	2009	2010	2011	2012	2013	2014
Inflation rate	4,2%	3,5%	2,6%	4,3%	3,7%	0,9%	-1,0%
unemployment rate	9,5%	12,1%	12,4%	12,5%	13,4%	13,4%	11,5%

Source: GUS (Central Statistical Office)

**Employment market:** Last year we observed a step by step improvement in the employment market. The unemployment (registered) rate went down from 13.4% on December 2013 to 11.5% at the end of the last year. The main factor having an impact on this scenario was observed economic recovery and consequently, growth of the number of vacancies. In 2014 employers announced a need for more than 1.9 million employees, and the year before it was less than 0.9 million. Such a good situation surprised economists and Polish government which, in the budget law for 2014 estimated that as many as 13.8% of Poles would be unemployed. It is also optimistic that on December last year just little growth of the unemployment rate was observed (+0,1 pp. m/m) and the rate in question had been much more dynamic earlier. Better and better situation of employees translated into growth of average remuneration. In the enterprises sector it equaled PLN 4 379 which makes +3.7% y/y growth.

**Inflation rate:** Dynamics of changes of prices last year was one of the most popular macroeconomic indexes in Poland. CPI index published by Official Statistical Office (GUS) in the first half of the year recorded historically low (still positive) values. July was the first month, when the prices of goods and services in the GUS' "basket" fell down y/y. Following months just strengthened this tendency. At the end of the last year it turned out that prices were lower by -1.0% compared to December 2013. At the first part of the year, a main pro-deflation factor was falling down prices of foodstuffs and beverages, which fell down by -3.2% y/y. It was caused, to the large extent, by embargo concerning export of Polish goods into Russia. In the second half of the year, the lower prices were promoted mostly by rapid falls of rock oil in the world. At the end of June a Brent barrel cost more than \$ 110 and at the end of December just \$ 60 or less.

**Monetary policy:** Last year rate of interest of the National Bank of Poland was changed once only. It does not mean, however, that in Polish fiscal policy nothing happened. In October, at the Meeting of the Monetary Policy Board, it made a decision on decrease of the referential rate from 2.5% to 2.0%. Such a move was quite surprising for the market which expected a reduction, but at the -25 pb level. Circumstances, which justified such a decision were regularly inflowing data on low inflation rate, much below the inflation rate goal of the National Bank of Poland (2.5% +/- 1 pp.) and worries about dynamics of the Polish economy. At the same time, the Lombard rate was cut by - 1 pp. which limited maximal interest for credits and loans in Poland up to 12.0%. Deposit rate of the central bank was maintained at the same level equal to 1.0%.

**National budget:** Last year was advantageous for national finances - deficit rate in 2014 estimated in the budget law at PLN 47.5 billion level was not reached. Acc. to preliminary data of the Ministry of Finances it equaled below PLN 30 billion. The situation was effect of higher, by approx. PLN 5 billion, incomes and lower - by PLN 12 billion budget expenses. It is a substantial growth compared to 2013 when a "hole" in the budget reached as much as PLN 42.2 billion. The better situation was also effect of the pension & retirement system reform implemented in February. Stop of transfer of commissions into the Open Pension & Retirement Funds and transfer of treasury bonds by them into the Fund of Social Insurances stimulated growth of incomes and decrease in Polish public debt service costs.

Table no. 3. Changes in the financial market 2014

WIG	0,26%
WIG20	-3,54%
mWIG40	4,13%
sWIG80	-15,55%
IROS*	9,31%
IRP_WIBID_1M**	2,31%
USD/PLN	16,44%
EUR/PLN	2,78%

\* Index of bonds market calculated by Analizy Online

\*\* cash market index

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

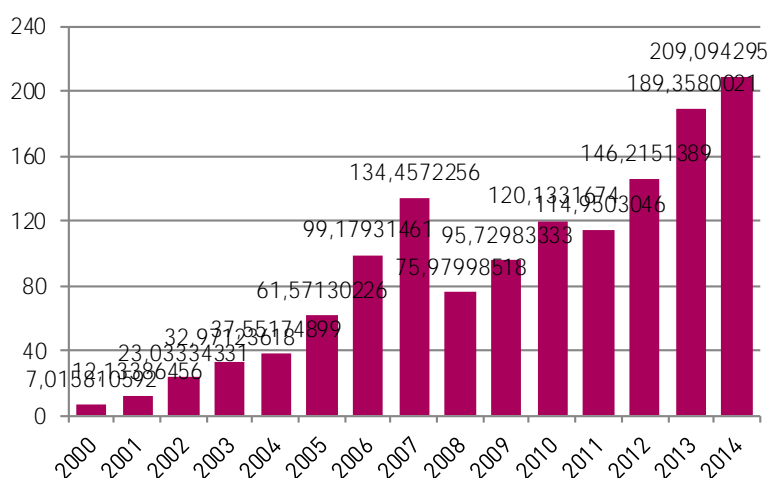
**Capital market:** Situation on the Polish capital market in 2014 was very varied. Indexes of the Warsaw Stock Exchange went up, at best, just by few percent. WIG index went up just by +0.3% during 12 months. Middle capitalization companies managed better - mWIG40 went up by +4.1%. Worse situation concerned Polish blue chips - WIG20 closed the year with a loss equal - 3.5%. However, companies with the smallest capitalization lost really much - sWIG80 went down by -15.6%. Main reason for the unfavorable economic situation was international political issues. Russia-Ukraine conflict effectively discouraged investors to invest in Polish shares. Also changes of the Polish pension & retirement system had negative impact on the general situation. Despite the Open Pension & Retirement Funds were forced to transfer treasury bonds to the Fund of Social Insurances only, investors were afraid that on the market there will take place high supply of shares arising from so called zipper mechanism. The Investment Companies might be forced to sell shares if receivables from new commissions would not cover capital transferred to the Social Insurance Institution (ZUS), collected by members, who are 10 years or less before their retirement age.

In 2014, at the main trading floor of the Warsaw Stock Exchange 28 new entities appeared, including 10 from New Connect. Just at the alternative market 22 new companies were available but their issues were of private character. Two debuts in the sector of Investment Fund Companies are worth of mentioning. In July, public companies group was joined by Altus TFI, and in November, it was followed by Skarbiec Holding – owner of Skarbiec TFI. From the other hand, Inventum TFI (former Idea TFI) after it had lost its license issued by KNF (Polish Financial Supervision Authority) to manage the funds, lost also rights to be listed. Consequently, at the Warsaw Stock Exchange 4 Polish Investment Fund Companies are present (3 directly and 1 indirectly). From among other issuers 34 entities left the stock exchange, including 27 leaving New Connect. Totally, at the end of December 2014, generally 741 companies were listed compared to 450 at the end of 2013. Their total capitalization equaled PLN 1 212 billion, therefore, by + PLN 372 billion more compared to the year before. Such a great increase is a result of increase in foreign companies capitalization. Not too optimistic sentiment was also reflected by turnover at the main market. In 2014 it equaled PLN 232.9 billion, which means a fall by -9.1% y/y.

Stagnation on the shares market at the Warsaw Stock Exchange contrasted with prosperity at the Polish treasury bonds market. After a collapse on May 2013, just few players expected boom at the debt market. However, it came back on March 2014 promoted by historically low inflation rate which, together with signs of economic growth slowing down made cuts of the interest rate probable. Hence, profitability of 10 year Treasury Bonds fell down from approx. 4.4% at the end of 2013 to 2.4% a year later. Such a scenario matched general worldwide positive trend at the markets of treasury debts.

### III. Funds market in Poland

Graph 1. Assets of investment funds 2000 - 2014 (PLN bn.)



Source: Analityz Online on the grounds data acquired from IFI (investment fund companies)

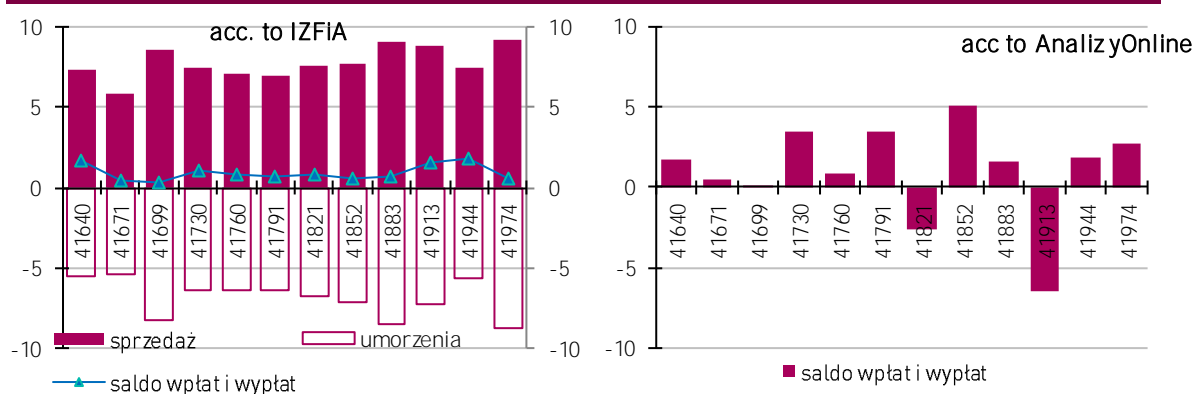
#### 3.1. Net assets of investment funds in 2014.

In 2014 value of assets managed by Polish investment funds went up to record-breaking level equal PLN 209.1 billion. For the first time in history, assets collected by investment fund companies exceeded the PLN 200 billion value. Compared to great 2013, when assets grew up by more than + PLN 40 billion, in 2014 value of resources managed by domestic institutions went up by PLN +19.7 billion. Hence, dynamics of growth went up by +10.4% and it was three times lower compared to the year before. Totally, in the period of recent 3 years value of savings allocated in funds went up by nearly PLN +94 billion.

In the history of Polish market such positive periods took place very rarely. Higher growth was recorded only 2005 - 2007 when investment fund companies acquired nearly PLN +97 billion which was effect of positive economic situation in the Polish shares market. Nevertheless, in context of wider, e.g. 8 year time frame, value of assets increased nearly 3 times that is by amount of PLN +132 billion.

Slowdown of growth dynamics in 2014 was noticeable. Acc. to estimations of Analityz Online, contributions/withdrawals balance equaled PLN +12 billion compares to PLN +30 billion in 2013. Smaller sale balance arises mainly from clear slowdown of non-retail funds segment, which are intended for narrow group of clients. The funds in question acquired approx. PLN +1 billion compared to PLN +14 billion in 2013. Also management results were worse compared to the year before and acc. to estimations by Analityz Online in 2014 they equaled to PLN +6 billion.

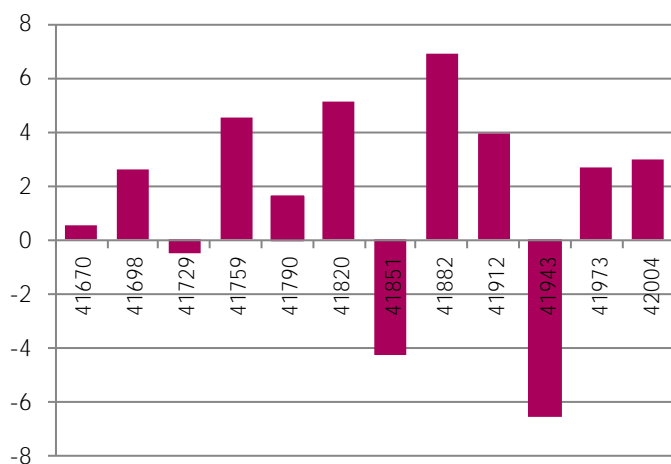
Graph 2. Acquisitions and redemptions 2014 (PLN bn.)



Source: IZFiA (based on data for approx. 450 funds)

Source: Analityz Online (based on data for approx. 850 funds)

Graph 3. Monthly change in assets in 2014 (PLN bn.)



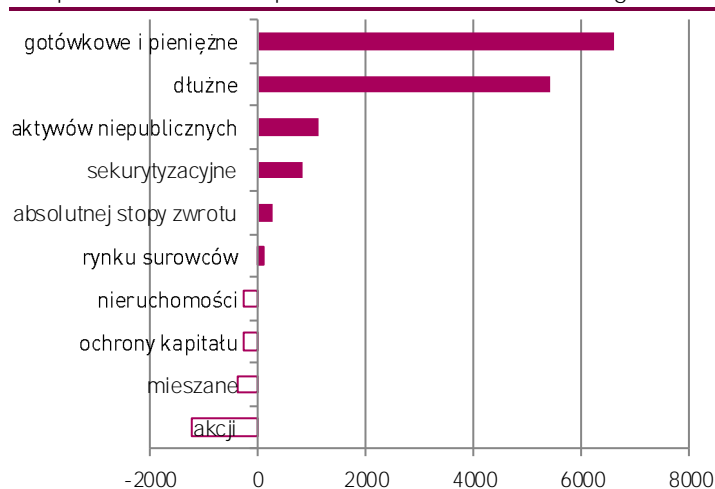
Source: Anality Online on the grounds data acquired from TFI (investment fund companies).

Acc. to data of the Izba Zarządzających Funduszami i Aktywami (Funds & Assets Management Chamber), total sale balance in 2014 equaled PLN +11.5 billion. It comprised purchases of value equal PLN +93.7 billion and redemptions of value PLN -82.2 billion. What is important, for needs of calculations consideration was given only to data gathered from those TFIs (Investment Fund Companies), which provide the data to the Chamber voluntarily. Acc. to the data, each month of 2014 was closed with a positive sale balance and value of surplus of contributions and withdrawals fluctuated within PLN 0.3 - 1.8 billion. The data in question omits a part of a non-retail market, which is taken into accounts by Anality Online. In they are counted it turns out that the range of differences is much higher - from PLN +6.5 in October to PLN +5.1 billion in August.

Scale of purchases and redemptions had the largest impact on the changes of net value of assets. 3 of 12 months recorded fall of the assets (March, July and October). Sale balance was very nominal at each of these months. Acc. to estimations of Anality Online, in July and in October it amounted accordingly PLN -2.6 billion and PLN -6.5 billion.

In remaining months assets collected by the funds were growing up. The largest growth was recorded in August, at the PLN +6.9 billion level. Such a high increase arises mainly from positive sale balance, which, acc. to data of the Anality Online equaled PLN +5.2 billion. In terms of results of management February was the best month, with a result equal PLN +2.2 billion as well as August and September when is equaled nearly PLN +2.0 billion. Negative management result concerned 5 months, in particular, the most noticeable decrease of assets was recorded in January and July, in both cases by more than PLN -1 billion.

Graph 4. Balance of deposits and withdraws in the segments in 2014 (PLN million)



source: Anality Online

Cash funds were subject of a great interest in 2014. Acc. to the Anality Online surplus of contributions and withdraws reached nearly PLN +7.0 billion. A little bit smaller sale balance was reached by debt funds which acquired nearly PLN \_\_\_\_\_

+5.4 billion net. It is a very good result since a year before the balance was negative (PLN -7.8 billion). Next there came funds of non-public assets with sale balance equal PLN +1.1 billion and debt funds (PLN +0.9 billion). Total return funds and raw materials funds also closed the year with a positive balance. However, in case of real estate funds, capital preservation funds, mixed and share funds, sale balance was negative.

## Market structure based on the groups of funds

Similarly like in 2013 also 2014 was great one, most of all for funds characterized by low risk profile. Clients allocated resources there willingly since they were looking for an interesting alternative for low-interest deposits. In terms of value itself, the largest growth characterized assets of debt funds and cash funds.

Assets collected by debt funds grew up by PLN +7.9 billion, up to nearly PLN +42 billion at the end of December. That was +23% more than 12 months earlier. Hence, their share in the market exceeded 20%. Development of this segment was promoted by a boom on the debt market. Profitability of Polish shares with long-term re-purchase term and regular interest went down to the historically lowest level. Treasury bonds index IROS went up by +9.3% and funds of treasury bonds earned averagely +7.2%. Also foreign bonds funds offered attractive return rates to their clients. Hence, just management results of all debt funds increased assets in 2014 by approx. PLN +2.5 billion. Additionally, clients contributed +5.4 billion more than they withheld.

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

	value (PLN million)		change		share	
	gru 13	gru 14	M PLN	%	gru 13	gru 14
non-public assets	56 867	61 972	5 105	9,0%	30,0%	29,6%
debt	34 067	41 990	7 923	23,3%	18,0%	20,1%
mixed	31 329	31 898	569	1,8%	16,5%	15,3%
stocks	30 226	28 740	-1 486	-4,9%	16,0%	13,7%
cash	21 100	28 178	7 077	33,5%	11,1%	13,5%
absolute return rate	8 601	8 647	46	0,5%	4,5%	4,1%
securitisation	2 750	3 922	1 172	42,6%	1,5%	1,9%
real estates	2 622	2 131	-492	-18,8%	1,4%	1,0%
capital preservation	1 546	1 294	-252	-16,3%	0,8%	0,6%
commodities market	250	324	74	29,7%	0,1%	0,2%
<b>Total</b>	<b>189 358</b>	<b>209 094</b>	<b>19 736</b>	<b>29,3%</b>	<b>100%</b>	<b>100%</b>

\* assets if funds in total, mainly non-public funds but also other groups

(among others, mixed, real estates, securitisation, stock funds)

Source: *Analyze Online on the basis of TFI's reports and IZFIA's data*

To a lesser extent, by PLN +7.1 billion, there grew up value of resources gathered by cash funds. At the end of the year they gathered PLN +28 billion that is by +33.5% more compared to the year before. Although their share in the market had gone up by +2.4 pp up to 13.5%, in terms of the market size they came fifth again. In 2014 they were subject of interest of individual clients, who were looking for an attractive alternative for low interest bank deposits. Totally, clients contributed nearly PLN +6.6 billion net.

In billions we can also measure increase of assets of non-public assets funds which maintained their good position on the market. Assets gathered by them reached value equal +9.0% and at the end of the year it equaled PLN +62 billion. Securitization funds, which earn on the debt market, came forth in terms of growth of the assets in 2014. Thanks to great interest of clients value of resources acquired by them went up by PLN +1.2 billion which translates into dynamics nearly at +43% level. However it still was one of the smallest segments on the Polish market, with assets equal PLN +3.9 billion at the end of 2014.

Growth in the assets in 2014 was also reached by fixed (assets) funds but it was not as high as in 2013. Value of assets at the end of 2014 gathered by them equaled PLN +31.9 billion which is nearly PLN +0.6 billion more compared to the year before. It is just by 1.8% more than at the end of 2013. Despite share of them went down slightly from 16.5% in 2013 to 15.3% at the end of 2014, they managed to come third. Slow growth in assets was caused by poor popularity of such type of solutions among clients. In 2014 they withdrew from the mixed funds by PLN -0.4 billion more than they contributed. Nevertheless, positive dynamics was effect of management, value of which reached approx. PLN +0.9 billion.

Just 2 segments of the market closed the year with higher value of assets. Value of resources gathered in the raw materials market funds raised up by PLN +74 million. This, the smallest segment of the market, managed to grow up due to contributions made by clients (generally connected with gold) of value exceeding withdrawals by more than PLN 100



million. Much lower dynamics, just +0.5%, characterized total return funds which closed two previous years with double-digit growth of value. At the end of 2014 assets collected by them equaled PLN 8.6 billion.

From 10 separated segments of the market 3 of them recorded falls. To the largest extent the fall concerned shares funds but they still managed to come forth in terms of value of assets under management. In 2014 it was difficult to make money on the domestic shares market. WIG index closed the year at the level just by +0.3% higher than the year before. Investors had to face local and global perturbations such as changes in the pension & retirement system or Russia - Ukraine military conflict. Totally, just every fourth fund of Polish shares closed the year with a positive result and the general management result made decrease of the assets by PLN -0.8 billion. Situation was a little bit better at the group of foreign shares funds since it was possible to earn at certain markets (India, Turkey or USA). However, it was not enough to get positive management result for the entire segment. Also sale balance was negative. Consequently, assets gathered in share funds went down by nearly PLN -1.5 billion and their share in the market shrunk by -2.2 billion up to 13.7% level at the end of the year.

Also real estate funds suffered from a serious decrease in value in 2014. Despite a certain recovery in this segment, (some companies launched new products), decrease of the assets was caused mainly by products launched several years ago, which reached final date and it meant return of invested resources to clients. Finally, value of assets collected by real estate funds decreased by PLN -0.5 billion, up to nearly PLN 2.1 billion at the end of December. Noticeable decrease of the assets was also recorded by capital preservation funds. In this case, a reason for the situation was liquidation of few solutions as well. Most of funds in this segment in fact are structured products packed in form of FIZ. They are launched for a definite time and a result depends on a particular scenario. In 2014 many such solutions terminated and, at the same time, no new solutions were launched.

## Market structure based on the groups of Investment Fund Companies

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

	value (PLN million)		dynamics	share	
	gru 13	gru 14		gru 13	gru 14
AgioFunds TFI	776,3	1 323,4	70,5%	0,4%	0,6%
Altus TFI	2 765,3	4 155,0	50,3%	1,5%	2,0%
Amundi Polska TFI	-	357,3	-	-	0,2%
Aviva Investors Poland TFI	12 549,0	13 073,5	4,2%	6,6%	6,3%
AXA TFI	1 380,2	1 725,1	25,0%	0,7%	0,8%
BEST TFI	382,1	423,0	10,7%	0,2%	0,2%
BPH TFI	3 216,1	2 874,1	-10,6%	1,7%	1,4%
BPS TFI	364,2	319,1	-12,4%	0,2%	0,2%
BZ WBK TFI	11 159,9	12 826,2	14,9%	5,9%	6,1%
Caspar TFI	87,1	86,8	-0,3%	0,0%	0,0%
Copernicus Capital TFI	9 012,6	9 009,0	0,0%	4,8%	4,3%
Eques Investment TFI	1 089,0	1 094,0	0,5%	0,6%	0,5%
Forum TFI	9 532,2	10 975,4	15,1%	5,0%	5,2%
ING TFI	10 819,5	12 669,2	17,1%	5,7%	6,1%
Intrum Justitia TFI	454,3	373,1	-17,9%	0,2%	0,2%
Inventum TFI (07,10,2014 lost its license to manage investment funds)	1 560,6	839,4	-46,2%	0,8%	0,4%
Investors TFI	2 217,0	3 177,9	43,3%	1,2%	1,5%
Ipopema TFI	18 298,8	19 767,8	8,0%	9,7%	9,5%
KBC TFI	3 857,6	3 309,5	-14,2%	2,0%	1,6%
KGHM TFI	331,7	N/A	-	0,2%	-
Legg Mason TFI	3 921,7	3 247,9	-17,2%	2,1%	1,6%
MCI Capital TFI	965,5	1 851,5	91,8%	0,5%	0,9%
MetLife TFI	1 220,2	1 243,2	1,9%	0,6%	0,6%
Millennium TFI	3 474,8	3 567,5	2,7%	1,8%	1,7%
Noble Funds TFI	2 630,8	2 504,3	-4,8%	1,4%	1,2%
Open Finance TFI	2 514,3	3 542,5	40,9%	1,3%	1,7%
OPERA TFI	1 813,4	2 249,6	24,1%	1,0%	1,1%
OPOKA TFI	69,5	N/A	-	0,0%	-
Pioneer Pekao TFI	16 407,2	17 115,1	4,3%	8,7%	8,2%
PKO TFI	14 390,3	16 954,3	17,8%	7,6%	8,1%
Provide TFI	7,5	5,4	-28,7%	0,0%	0,0%
QUERCUS TFI	4 267,9	2 867,9	-32,8%	2,3%	1,4%
Skarbiec TFI	13 697,2	15 020,4	9,7%	7,2%	7,2%
SUPERFUND TFI	219,1	284,8	30,0%	0,1%	0,1%
TFI Allianz Polska	2 638,0	2 745,7	4,1%	1,4%	1,3%
TFI BDM	50,5	N/A	-	0,0%	-
TFI BNP Paribas Polska	128,7	103,7	-19,4%	0,1%	0,0%
TFI Capital Partners	66,4	93,5	40,8%	0,0%	0,0%
TFI PZU	22 213,6	25 540,9	15,0%	11,7%	12,2%
TFI SKOK	1 205,6	965,4	-19,9%	0,6%	0,5%
Trigon TFI	306,1	784,5	156,3%	0,2%	0,4%
Union Investment TFI	7 296,0	10 019,9	37,3%	3,9%	4,8%

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

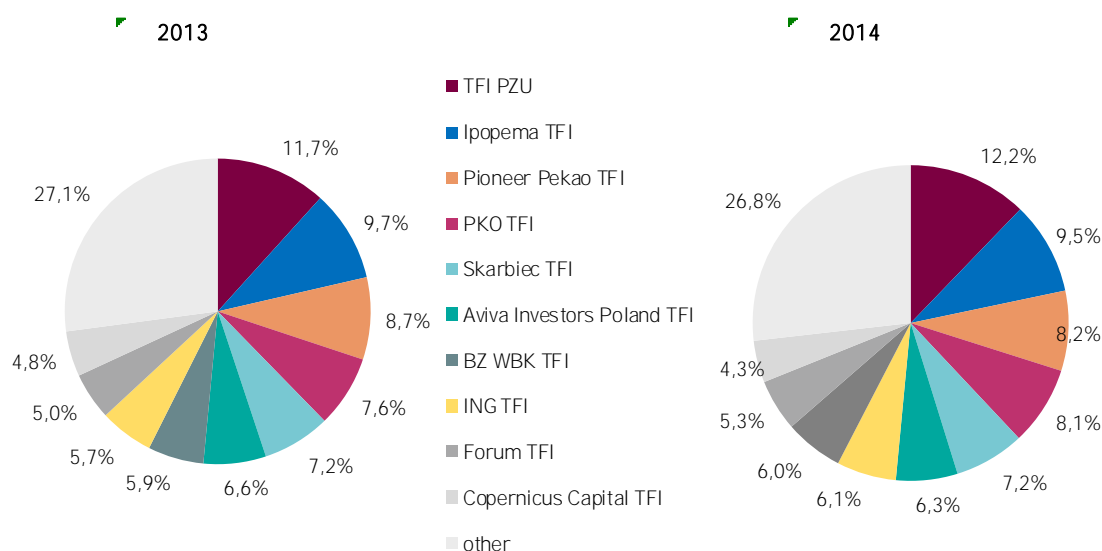
Most of investment fund companies (TFI) can consider the 2014 a successful one. Nearly 60% of them managed to increase in value of resources offered by funds. It concerned an offer intended for selected investors and retail funds. Assets of funds offered to a wide range of clients in 2014 went up from PLN billion 103 to PLN 116 billion which is by +13.3% higher. Consequently, their share in the entire market increased from 61% to 63%. In turn, resources collected

in funds intended for selected investors and legal persons went up from PLN 66 billion to PLN 69 billion. Generally, assets of the entire market went up in 2014 by nearly PLN +20 billion up to more than PLN +209 billion.

In 2014 the largest growth of resources was recorded by TFI PZU - market leader in terms of value of assets. Value of resources gathered by funds of this (investment fund) company went up in 2014 by PLN +3.3 billion and consequently, share of the company in the entire market raised from 11.7% to 12.2%. This is an effect of more than PLN +2 billion inflow of resources into the funds. The most popular, among the TFI PZU clients in 2014 were retail sub-funds being part of an umbrella fund - PZU FIO Parasolowy.

Structure of the market did not change much. First five investment fund companies with the largest assets is the same as at the end of 2013. Apart from the TFI PZU, it comprises Ipopema TFI (9.5% share in the market), Pioneer Pekao TFI (8.2%), PKO TFI (8.1%) and Skarbiec TFI (7.2%). What should be mentioned is a great increase in assets of Union Investment TFI – an institution not related with any of large banks. Resources gathered in funds of this TFI went up by PLN +2.7 billion up to PLN +10 billion in 2014, that is by +37.0%. Hence, Union Investment TFI came 10th instead of 11th in terms of value of the assets.

Graph 5. Structure of the market - TFI, 2013-2014



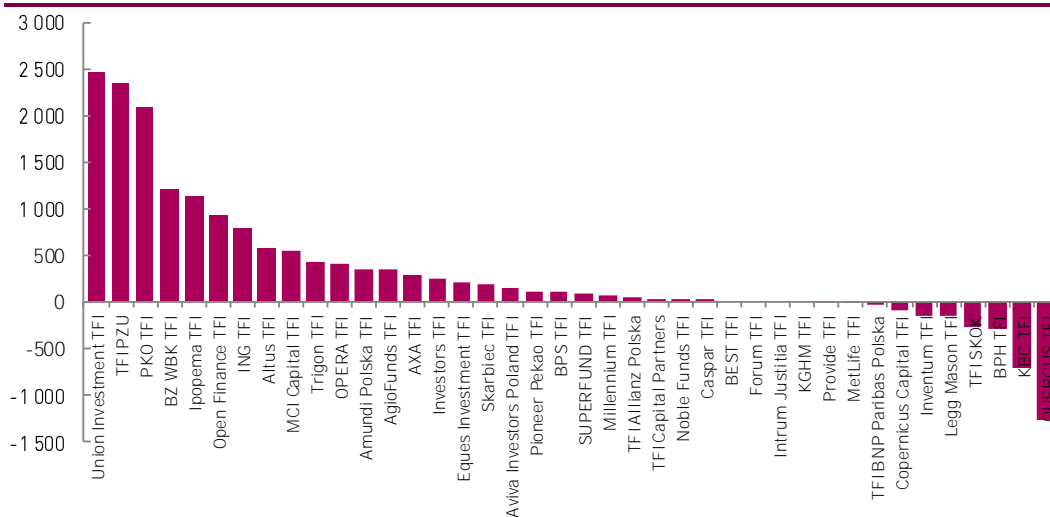
Source: Investment fund

In order to have an accurate market view, one needs to check the distribution of power in terms of retail offer. Despite decrease in share, leader position was maintained by Pioneer Pekao TFI, funds of which held 14.7% of retail clients' resources. However, a distance between the leader and the PKO TFI shrunk. This institution raised its assets by PLN +2.5 billion and the distance is just PLN +0.25 billion. Then, there come BZ WBK TFI (11%), Union Investment TFI (8%) and ING TFI (7%).

Acc. to Anality Online, most of institutions operating in the market recorded positive contributions / withdrawing balance in 2014. Among clients of the TFI, the most popular solutions were offered by TFI, PKO TFI and TFI PZU. In case of every afore-mentioned institutions, high balance was a result of contributions to the retail funds, mainly those characterized by low risk level. A serious outflow of resources from Quercus TFI (PLN -1.3 billion) is worth of mentioning. It was mainly effect of two redemptions made by two open funds of the investment fund company.

Also Inventum TFI recorded huge fall of gathered resources (more than -46%). It was caused by large scale of redemptions ordered by clients. Hence, funds suffered from liquidity problems. In effect, withdrawals from the investment funds in 2014 were suspended and the KNF (Polish Financial Supervision Authority) commenced administration procedures. In October the Inventum TFI lost its license to conduct the business based on a breach of clients' interest. The decision of the supervisor was handed over to banks - depositories which had 3 months to find purchasers of Inventum funds. In December Inventum TFI lodged a motion for bankruptcy.

Graph 6. Balance of deposits and withdraws for particular investment fund companies in 2014 (PLN million)



Source: Analityz Online

### 3.2. The development of the market in the field of subjects

In 2014 just few new TFI (investment fund companies) appeared on the Polish market. Komisja Nadzoru Finansowego (Polish Financial Supervision Authority) granted 4 institutions a permit to open and to manage investment funds: Amundi TFI, IB TFI, Opti TFI and TFI BGK. The first entity, which was granted the permit to operate, was Amundi TFI from French Amundi Group, running its operation in nearly 30 countries all over the world and managing assets equal to EUR 850 billion. The institution in question launched 6 retail funds on the market characterized by varied risk level.

TFI BGK was established by Bank Gospodarstwa Krajowego. In the framework of the investment fund company there operates Fund of Apartments to Let FIZAN, assets of which are managed a company appointed for this purpose - BGK Nieruchomości. Founders of the remaining two institutions, which debuted on the market in 2014, there are persons experienced in the financial market but not related to any capital group.

KNF's permit to extent subject-matter of economic operation by portfolios management including one or higher number of instruments, was granted in 2014 to Aviva Investors Poland TFI. Totally, at the end of last year this type of authorizations were held by 24 TFIs. KNF did not issue any new permits for investment consulting companies in 2014. This type of authorizations is held totally by 8 companies operating on the Polish market.

Table no. 6. Investment Funds Associations registered in Poland

Associations registered before 2014	
1. AgioFunds TFI	29. MetLife TFI
2. Altus TFI	30. Millennium TFI
3. Amathus TFI	31. MM Prime TFI
4. Aviva Investors Poland TFI	32. MS TFI
5. AXA TFI	33. Noble Funds TFI
6. BEST TFI	34. Open Finance TFI
7. BPH TFI	35. OPERA TFI
8. BPS TFI	36. OPOKA TFI
9. BZ WBK TFI	37. Ostoja TFI
10. Caspar TFI	38. Penton TFI
11. Copernicus Capital TFI	39. Pioneer Pekao TFI
12. Eques Investment TFI	40. PKO TFI
13. FINCREA TFI	41. Provide TFI
14. Forum TFI	42. QUERCUS TFI
15. Fundusze Inwestycji Polskich TFI	43. SATURN TFI
16. GO TFI	44. Skarbiec TFI
17. Harenda TFI	45. SUPERFUND TFI
18. ING TFI	46. TFI AGRO
19. Intrum Justitia TFI	47. TFI Allianz Polska
20. Inventum TFI (07.10.2014 lost its license to manage investment funds)	48. TFI BDM
21. Investors TFI	49. TFI BNP Paribas Polska
22. Ipopema TFI	50. TFI Capital Partners
23. KBC TFI	51. TFI PZU
24. KGHM TFI	52. TFI SKOK
25. KRUK TFI	53. Trigon TFI
26. Legg Mason TFI	54. Union Investment TFI
27. MCI Capital TFI	55. Warsaw Equity TFI
28. Mebis TFI	
Associations registered in 2014	
56. Amundi Polska TFI	58. OPTI TFI
57. IB TFI	59. TFI BGK

Source: Financial Supervisory Board

### 3.3. Development of the market in terms of products

In 2014 into the register of investment funds maintained by the District Court in Warsaw 145 investment funds were entered that is by 30 more than the year before. At the same time, 78 of them were deleted from the register.

Among newly-registered entities there dominated closed investment funds (FIZ), 140 of which were registered. Nearly all of them are of non-public character - investment certificates just two of closed funds were put into trade on the regulated market (Warsaw Stock Exchange). Moreover, there were recorded, in form of the umbrella, 2 new specialized open investment funds (SFIO) - both of them with 4 sub-funds and 3 new open funds (FIO). Two of them were established as a result of conversion of previously operating investment funds into sub-funds of new umbrella funds while one of them is a novelty with 6 sub-funds.

During the entire year, real economic operation was started by more than 180 of new funds and sub-funds. The highest number of novelties was launched by Ipopema TFI and Altus TFI (each one more than 20). Several new funds were established by Copernicus Capital TFI, Forum TFI and Saturn TFI. At the same time, nearly 100 varied solutions were

liquidated. At the end of 2014 in the offer of the domestic TFIs there operated totally 1079 funds and sub-funds, by 96 more than at the end of 2013.

### Open funds and Specialized open funds

In 2014 TFI established nearly 40 open and specialized open (sub)funds. Among them a large group comprises solutions established by new entities. Amundi TFI, which started its operation at the first half of the year, launched totally 6 sub-funds. Moreover, 2 investment fund companies, in cooperation with banks established so called white label funds: Altus TFI together with Raiffeisen, and Ipopema TFI with BGŻ – in both cases 4 funds of open character. 4 novelties were established also by Union Investment TFI.

Among new open funds addressed to a wide range of investors there dominated solutions, which had been widely available in the Polish market for years (stock, mixed, debt, cash). Some of them operate on foreign markets, mainly on growing ones. Also range of absolute return funds extended.

At the same time, in 2014, 12 open and specialized open (sub)funds ended their operation. 9 of them were seized by other (larger) funds managed by the same company and 3 of them were liquidated. At the end of December 2014 total number of 465 funds and sub-funds operated.

### Closed funds

In 2014 the TFI (investment fund companies) established more than 140 closed sub-funds. At the same time, more than 70 closed funds were liquidated. Most of novelties are non-public assets funds, among which there dominate entities offered to wealthy clients and individual clients and institutional entities. Moreover, among them there are securitization funds and real estates funds.

Also remaining funds, assets of which are allocated in the capital market, are mostly addressed to wealthy investors. Many of them carries out absolute return strategy. Large group of them are stocks funds, which operate on Polish market, and those investing globally or in particular sectors (e.g. medical fund).

In 2014 certificates of four funds were entered into the market (PKO Strategii Obligacyjnych FIZ, Legg Mason Akcji Skoncentrowany FIZ – series E, Trigon Polskie Perty FIZ and KBC Alokacji Sektorowych FIZ). At the same time, from the market certificates of 10 funds were withheld, including 2 real-estate funds and 8 funds with capital protection from KBC TFI's portfolio. Finally, number of closed funds, investment certificates of which are traded at the Warsaw Stock Exchange, dropped up to 30. The largest portfolio of this type of financial instruments is provided by BPH TFI (11) and Investors TFI (5). Moreover, at the Warsaw Stock Exchange at the end of the last year there were listed investment certificates of 4 closed funds managed by KBC TFI, 3 funds of PKO TFI, 2 of BZ WBK TFI, and single funds from portfolio of: Ipopema TFI, Legg Mason TFI, Opera TFI, Union Investment TFI and Trigon TFI. Total sale of certificates in 2014 on the Warsaw Stock Exchange equaled just PLN 72 million.

Generally, at the end of 2014, on the market of investment funds in Poland there operated total number of 465 open funds and sub-funds (FIO or SFIO) and 614 closed funds (FIZ).

## 3.4. Foreign investment funds

Assets of foreign companies, which distribute their funds in Poland on the grounds of KNF's notification, at the end of December 2014 equaled PLN 4.86 billion. It means an increase in assets by PLN +780 million (+19.1%), compared to PLN +150 million the year before (+3.8%). Nominal increase in assets in 2014 was the highest one for 8 years. Main impact on so positive change of gathered resources had a positive sale balance. In 2014 it equaled PLN +460 million. However, result of management that is increase of assets arising from change of their value, in 2014 amounted approx. PLN +320 million.

Situation in segment of foreign companies, which distribute their funds in Poland, was much better last year compared to the year before, when single-time events affected dynamics of gathered resources. One of them was withdrawal of share units by HSBC Global Asset Management and Eurobank LF. In 2014, active operation in the area of Poland was conducted by 16 foreign companies. In case of two entities, that is HSBC Global Asset Management and Robeco, it was just limited to re-purchase operations. Last year, KNF (Polish Financial Supervision Authority) granted permit to distribute funds in Poland for two investment funds, that is Evolution Value Fund and Fidelity Active Strategy. In both cases no products were offered in the area of Poland.

In recent years foreign companies entered into distribution more than 40 different investment funds with units, which offer protection of the exchange rate risk in relation to a basic fund unit (PLN-hedged). In 2014 in the portfolio of foreign companies 3 new solutions occurred. From the other hand, at the present stage foreign companies offer so high number of PLN-hedged solutions that they enable to satisfy the most important needs of clients. Acc. to data of Anality Online their share in assets of foreign companies equaled approx. 50%.

As it results from data of the Financial Supervision Authority, at the end of 2014 share units in funds available in Poland were held totally by 74.5 thousand of investors. This result means increase by +10.9% in relation to the end of 2013 and consequently, it is an evidence of end of a negative trend in this scope dated 2012-2013. Resources contributed into the funds in 2014 amounted totally PLN +2.49 billion. At the same time, clients withdrew from the funds amount equal to PLN -2.03 billion. Compared to the year before it means a change accordingly by +5.2% in case of contributions and -8.9% when it comes about withdrawals.

It should be mentioned that certain foreign companies, despite they have a permit issued by the KNF to distribute the share units directly, they also use other opportunities in terms of their solutions. Assets of foreign companies grow up mainly due to cooperation with local TFIs (investment fund companies) in the field of master-feeder funds or funds of funds. Acc. to Analityz Online data, assets of foreign companies gathered via domestic TFI equaled nearly PLN 10.5 billion at the end of the year.

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

Acc. to data of the European Fund and Asset Management Association (EFAMA) value of assets collected by Polish investment funds went up in 2014 from EUR 45.0 billion at end of 2013 to EUR 48.9 billion. It means an increase by EUR 3.9 billion or, by +8,6%. Despite it does not mean a disappointment, still the dynamics is much lower than the year before when it equaled +27.1% y/y. At the same time, it nearly smaller by half compared to the growth pace of the funds market we could observe in the entire Europe.

At the Old Continent value of assets subject of management process went up by 15.7% at the same period. At 21 markets dynamics of the growth was higher than in Poland while the year before just 3 countries managed to come before our market in the list. Among leaders there were Czech Republic, Hungary, Romania or Sweden. However, a relatively large market is the last one only, where value of assets gathered by the funds equaled EUR 252.7 billion at the end of 2014.

Coming back to the Polish market, it is necessary to pay attention that its relative position in relation to other European countries did not change. Our advantage over countries, where value assets is lower, is still significant. It will be difficult to catch the Dutch market, which is nearly by +50% bigger, and taking its growth pace into consideration it seems to be impossible.

Tabela 7. Aktywa europejskiego rynku funduszy (w mld EUR)

	2014			2013		
	wartość	udział	zmiana	wartość	udział	zmiana
Luksemburg	3 095,0	27,3%	18,3%	2 615,4	26,7%	9,7%
Irlandia	1 661,2	14,6%	23,6%	1 343,9	13,7%	9,5%
Francja	1 584,8	14,0%	3,6%	1 529,5	15,6%	1,3%
Niemcy	1 581,6	13,9%	12,6%	1 404,4	14,3%	9,2%
Wielka Brytania	1 318,7	11,6%	17,7%	1 120,8	11,5%	15,6%
Szwajcaria	415,8	3,7%	15,4%	360,2	3,6%	20,0%
Szwecja	252,7	2,2%	26,2%	200,2	2,0%	16,1%
<b>Włochy</b>	248,4	2,2%	14,9%	216,3	2,1%	9,8%
Dania	230,3	2,0%	23,9%	185,9	1,9%	12,9%
Hiszpania	229,1	2,0%	23,9%	184,9	1,9%	23,0%
Austria	162,5	1,4%	8,8%	149,4	1,5%	1,1%
Belgia	114,4	1,0%	18,8%	96,3	1,0%	8,8%
Norwegia	92,4	0,8%	16,9%	79,1	0,8%	5,9%
Finlandia	85,1	0,8%	13,2%	75,1	0,8%	13,2%
Holandia	74,8	0,7%	7,8%	69,4	0,7%	5,7%
<b>Polska</b>	<b>48,9</b>	<b>0,4%</b>	<b>8,6%</b>	<b>45,0</b>	<b>0,5%</b>	<b>27,1%</b>
Lichtenstein	38,4	0,3%	26,0%	30,5	0,3%	12,3%
Turcja	27,7	0,2%	16,8%	23,7	0,2%	-5,0%
Portugalia	23,0	0,2%	-6,9%	24,7	0,3%	4,0%
<b>Węgry</b>	17,3	0,2%	28,3%	13,5	0,2%	33,2%
Malta	9,7	0,1%	3,5%	9,4	0,1%	-3,3%
Grecja	7,5	0,1%	4,2%	7,2	0,1%	5,3%
Czechy	6,1	0,1%	30,0%	4,7	0,0%	2,9%
Rumunia	5,7	0,1%	26,5%	4,5	0,0%	31,4%
Słowacja	5,4	0,0%	17,4%	4,6	0,0%	21,8%
Słowenia	2,1	0,0%	14,3%	1,9	0,0%	1,2%
Chorwacja	2,1	0,0%	0,3%	2,1	0,0%	23,0%
Bułgaria	0,4	0,0%	11,9%	0,4	0,0%	48,0%
<b>Łącznie</b>	<b>11 341,18</b>	<b>100,0%</b>	<b>15,7%</b>	<b>9 802,92</b>	<b>100,0%</b>	<b>12,4%</b>
UCITS	7 979,30	70%	16,3%	6 862	70,0%	-5,9%
Non-UCITS	3 361,88	30%	14,3%	2 941	30,0%	12,4%

Źródło: EFAMA Quarterly Statistical Release

Among leaders there took place substantial changes. Luxembourg keeps strengthening its position; it holds the largest share in the market that is 27.3%. The great five (countries, which attracted more than EUR 1 trillion value assets) has



so large advantage over remaining countries that this situation won't change soon even if many countries have managed to gain double digit dynamics. From the other hand the market shrunk in one country only, in Portugal (-6.9%).

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, at the end of 2013 the value reached EUR 1168 and now as much as EUR 1300. Still it is not enough to overcome developed countries, population of which is similar to our country but they have much extensive assets. The population issue is key one since we were outdistanced by Hungary, market of which is 3 times smaller.

Table no. 8. WAN per capita (thousand EUR)

Luxembourg	5 470,02
Lichtenstein	832,23
Ireland	347,46
Switzerland	49,33
Denmark	39,81
Malta	23,27
France	24,03
Sweden	24,79
Austria	18,83
Germany	19,03
Great Britain	19,96
Norway	20,10
Finland	15,31
Belgium	9,89
Holland	4,38
Spain	4,81
Italy	3,99
Portugal	2,29
Hungary	1,76
<b>Poland</b>	<b>1,30</b>
Slovenia	1,02
Slovakia	0,98
Greece	0,69
Czech	0,54
Croatia	0,52
Turkey	0,33
Romania	0,27
Bulgaria	0,06

Source: EFAMA Quarterly Statistical Release, Eurostat

## V. Share of investment funds in savings of Poles

Savings of Poles did not grow up last year for the first time for 5 years. At the end of 2014 they amounted PLN 1.09 trillion and were by more than PLN 70 billion smaller compared to the year before. Decrease in savings by -6.1% y/y was mainly effect of OFE (open pension & retirement funds) reform when approx. PLN 153 billions were transferred into ZUS (Social Insurance Institution) and they are not included in the list. After exemption of the OFE (open pensions & retirement funds), which are usually long-term investment, value of savings amounted to PLN 944.5 billion and it was higher by +9.4% compared to December 2013.

Table no. 9. Structure of households' savings (PLN bn.)

	2013		2014		dynamics year-to- year
	PLN bn.	share	PLN bn.	share	
deposits in PLN and in foreign currencies	553,7	47,6%	605,3	55,4%	9,3%
cash in hand beyond banks	114,4	9,8%	130,0	11,9%	13,7%
open pension funds	300,8	25,8%	149,1	13,6%	-50,5%
stocks of public companies	44,8	3,8%	41,6	3,8%	-7,1%
insurance capital funds	50,1	4,3%	54,4	5,0%	8,5%
foreign funds	5,0	0,4%	6,8	0,6%	37,4%
bonds and vouchers	9,6	0,8%	9,9	0,9%	3,5%
domestic investment funds **	86,0	7,4%	96,5	8,8%	12,2%
Total	1 164,3	100,0%	1 093,5	100,0%	-6,1%

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

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

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

Value of net assets of retail investment funds, which are held by households (intended for natural persons, after exemption of insurers' investment value), increased in 2014 by +12.2% which means additional PLN 10.5 billion. The largest stream of savings supplied cash funds when stocks funds lost nearly PLN -1.2 billion last year. Foreign funds turned out to be exceptionally competitive in this context. Although in 2014 resources allocated there have equaled just 0.6% of savings of the society, their increase in relation to previous period exceeded +37%. From among products offered by foreign investments institutions the greatest interest was attracted by those based on foreign shares. Hence, it was opposite trend to the domestic stocks investment funds.

The largest part of households' savings in 2014 still comprised PLN and foreign currency deposits (55.4%) and their value during the entire year went up by +9.3% up to more than PLN 605 billion. Higher dynamics of growth characterized cash beyond banks (+13.7%). This fact can be interpreted as an increased role of cash as a value kept in a safe at home. This phenomenon is promoted by deflation, which has been observed since half of the last year, which makes that attractiveness of bank deposits is limited.

Despite reduction of assets of OFE by treasury bonds, they still come second in terms of share in savings of Poles. At the end of 2014 they equaled just above PLN 149 billion which means they reached level dated 5 years ago. Significant share of domestic issuers' stocks in OFE's portfolios, which grew up from 38.5% at the end of 2013 up to 76% a year later, did not support results of the funds. They were close to the absolute return rate of WIG index, which reached just +0.3% last year. So called "safety zipper", acc. to which 10 years before statutory retirement age resources collected by an insured person at the OFE's (open pension & retirement fund) account will be gradually transferred to ZUS (Social Insurance Institution), also had a negative impact on OFE's assets. Nevertheless, within structures of the retirement funds 2.5 million persons stayed although just one million had been expected.

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

	2010	2011	2012	2013	2014
net assets of investment funds	120,1	114,9	146,1	189,1	208,9
GDP (PLN bn.)*	1 416,4	1 528,13	1 595,00	1 635,75	1 689,73
share of funds (%)	8,5%	7,5%	9,2%	11,6%	12,4%
deposits of households + net assets of the funds	546,1	597,0	665,6	742,8	814,2
share of funds (%)	22,0%	19,3%	22,0%	25,5%	25,7%

\*value for 2014 - acc. to preliminary estimations of the GUS

Source: TFI, GUS, NBP, calculations by AnalityOnline

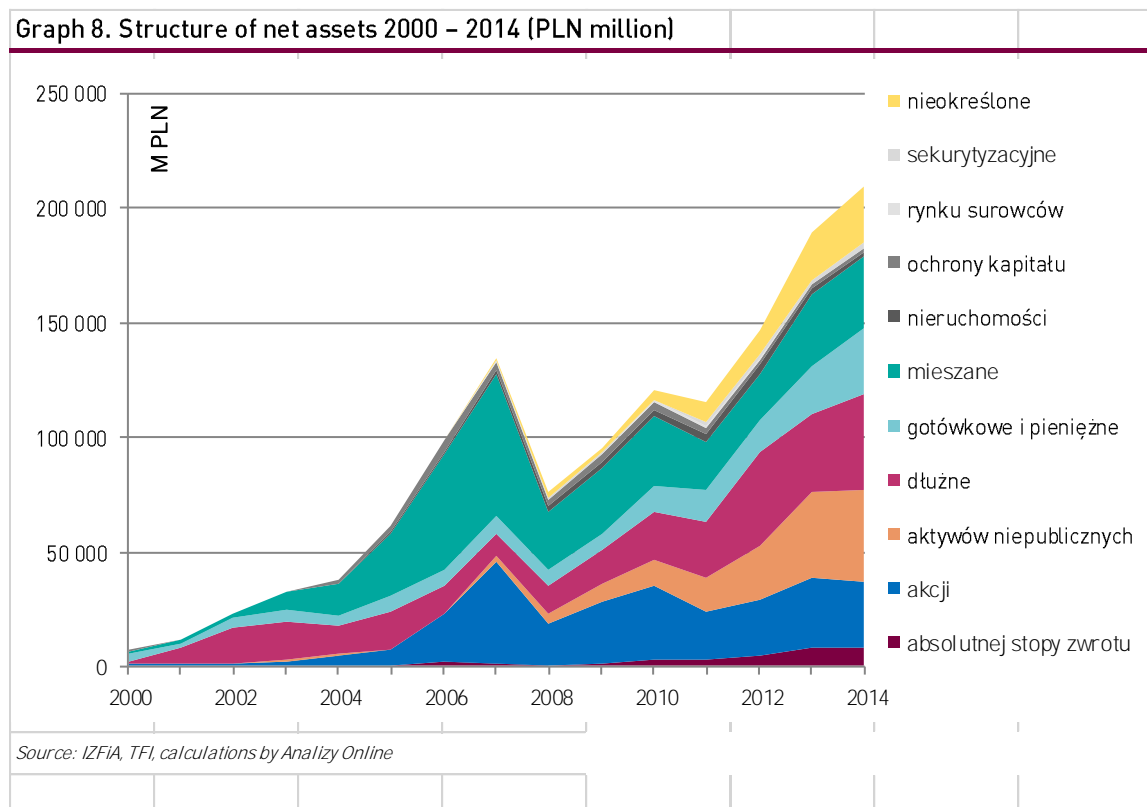
deposits	426,0	482,1	519,5	553,7	605,3
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In relation to the Gross Domestic Product (GDP), value of net assets of investment funds changed slightly in relation to the year before. Total Costs Index / Gross Domestic Product in 2014 equaled 12.4% and still it was far from indexes

reported by European developed economies. Also share of net assets grew up to their sum increased by deposits since value of the deposits was growing at similar pace recently.

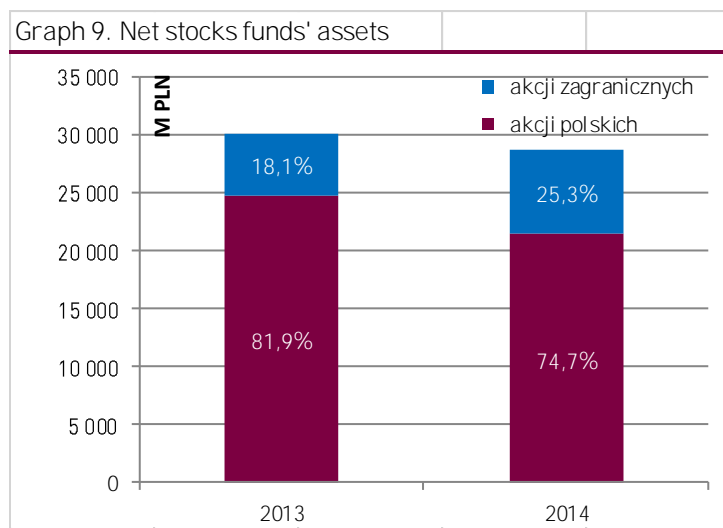
## VI. Structure of investment funds market in 2014.

In 2014 there took place serious changes in structure of investment funds, which was mainly affected by prosperity on the domestic market. Weak condition of the Warsaw Stock Exchange contributed to fall of value of assets of Polish stocks funds, and boom on the treasury bonds promoted an increase in resources invested in debt solutions. Their assets under management amounted to nearly PLN 42 billion. At the same time, this segment comes second at the domestic funds market. In 2014 there was observed a tendency to allocate resources in solutions of low risk profile. Consequently, apart from debt funds high dynamics of growth of invested capital characterized the cash funds. Such a situation has been maintaining since 2010. In the meantime, high inflows of resources supplied also non-public assets funds which have the largest share in the market.



Till 2009 the most popular solutions were those characterized by higher risk level, from 2009 - mixed ones and then, they were joined by stocks funds. Presently, these 2 segments come accordingly, third and fourth. However, their advantage over cash funds has been falling down recently.

## 6.1. Stock funds

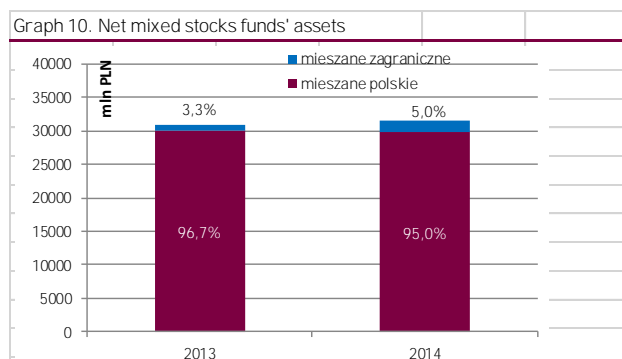


Source: Analityz Online of the basis of TFI's data and IZFA's data

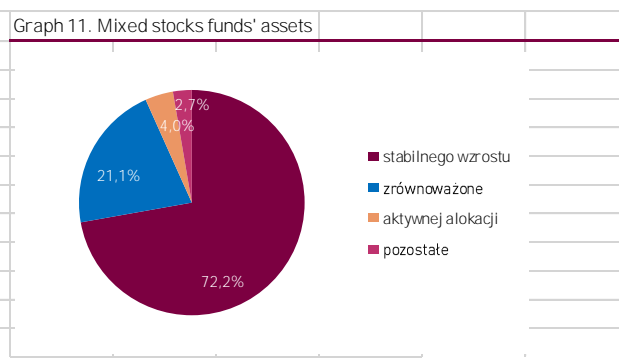
In 2014 assets gathered by the stocks funds went down seriously. From the other hand, products of this type maintained 4th position among all groups of funds. Value of assets, in relation to 2013, went down by -4.9%. In the context of sale balance, in 2014 clients withdrew approx. PLN -1.2 billion net from this segment. Such a weak result is effect of Polish stocks solutions. Worse situation on the Warsaw Stock Exchange affected negatively results of management and caused that clients were withdrawing allocated capital. Totally, in 2014, balance of contributions to and withdrawals from Polish stocks funds was negative and amounted to PLN -2.5 billion. Moreover, results of management decreased value of assets by PLN -0.8 billion. To contrast, foreign stocks funds were more popular in 2014 which was promoted by boom at local stocks markets. Result of the management was positive and equaled PLN +0.5 billion. Value of resources gathered there increased in 2014 totally by PLN +1.8 billion that is by +33% during 12 months. Hence, their share in the entire segment of stocks funds grew up by more than 25%, from 18% a year before.

From among retail solutions, the largest value assets were managed at the end of the year by Legg Mason Akcji (Legg Mason Parasol FIO) PLN 1.3 billion and Arka BZ WBK Akcji Polskich (Arka BZ WBK FIO) PLN 1.2 billion.

## 6.2. Mixed funds



Source: Analityz Online of the basis of TFI's data and IZFA's data



Source: Analityz Online of the basis of TFI's data and IZFA's data

In 2014 value of assets gathered by mixed funds went up by PLN 0.6 billion up to more than PLN 3.5 billion. Increase in assets was possible because of a positive management result which amounted nearly PLN +0.9 billion. Balance of contributions and withdrawals was negative and acc. to Analityz Online it equaled PLN -0.3 billion.

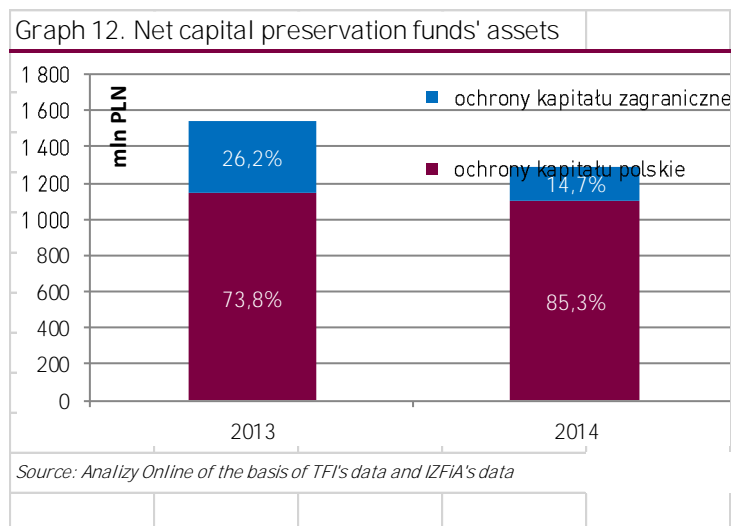
In this segment we also faced a difference between funds investing on the Polish market and funds investing on foreign markets. Weak situation on the domestic stocks market, along with boom on the debt market did not encourage clients to invest in Polish mixed funds, sale balance of which equaled PLN -0.9 billion. It is worth of mentioning that result of the management was positive and reached PLN +0.8 billion. Finally, value of collected resources went down slightly - totally by nominal PLN -0.08 billion and, at the end of the year, it equaled PLN 29.9 billion.

Foreign mixed funds ended the 2014 with a positive sale balance which equaled PLN +0.6 billion; hence, value of resources went up by more than PLN +0.6 billion up to nearly PLN 1.7 billion. Nevertheless, their share in the entire segment of mixed funds stayed at a marginal level and, at the end of the year, it equaled 5.0%.

In 2014 serious changes took place in Polish mixed funds. Stable growth solutions went up (72% in 2014 vs. 54% in 2013), because of popularity of 3 products. High contributions/withdraws balance was reached by Arka Platinum Konserwatywny (Arka BZ WBK FIO), PZU Stabilnego Wzrostu Mazurek (PZU FIO Parasolowy) and PZU SFIO Universum – designed for PZU Group.

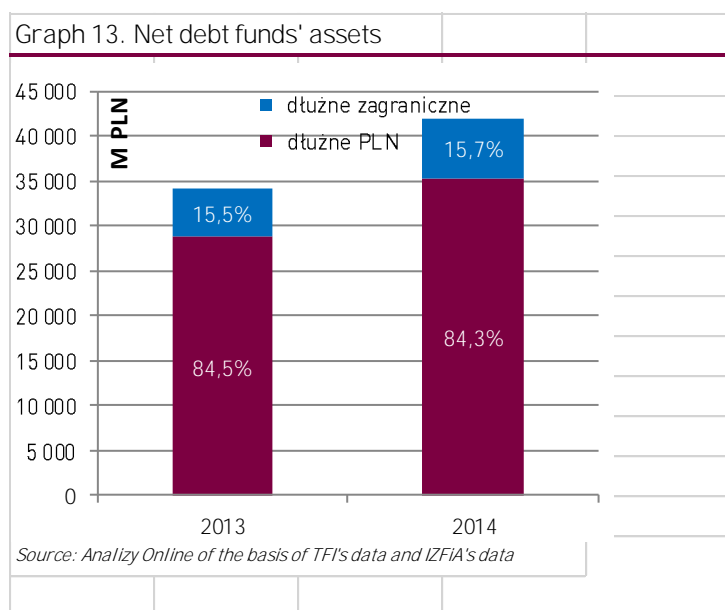
Among solutions available for a wide range of recipients, a leader position in terms of both, value of inflows and amount of collected resources was maintained by PZU Stabilnego Wzrostu Mazurek (PZU FIO Parasolowy), assets of which went up by PLN +0.5 billion, up to PLN +2.5 billion at the end of December. Among the largest funds there are also Pioneer Zrównoważony (Pioneer FIO) and ING Stabilnego Wzrostu (ING FIO).

### 6.3. Funds of capital preservation



Meaning of capital preservation funds has been falling down. Their assets of value equal PLN 1.3 billion at the end of 2014 lost more than 16% compared to year before. It is an effect of end of operation of funds established for definite time, which were structured products. It is a specialty of KBC TFI. In 2014, 7 funds of this type were liquidated. Most of them were designed for foreign markets. Consequently, capital preservation funds' structure changed. Meaning of funds investing abroad fell down and equaled just 15% of the entire segment at the end of the year.

### 6.4. Debt funds



Return of the boom into the treasury debt market contributed to growth of debt funds popularity. Thanks to high contributions / withdrawals balance and good management results, assets gathered by them went up by nearly PLN +8 billion and, at the end of the year, amounted to PLN +42

billion. At the end of 2014 debt products constituted 20% of all funds at the domestic market. It means every fifth PLN was allocated in solutions belonging to this segment.

In 2014 clients preferred Polish solutions, which recoded sale balance at the PLN +4.6 billion level. Additionally, management result increased this value of assets by PLN +2.0 billion. Totally, assets of Polish debt solutions went up by PLN +6.6 billion up to PLN +35.4 billion. In turn, into the foreign treasury bonds funds clients contributed PLN +0.8 billion net and management result increased value of the resources by PLN +0.5 billion. Hence, assets gathered by them amounted to PLN +6.6 billion at the end of the year.

The largest retail fund at the end of the year was Pioneer Obligacji Plus (Pioneer FIO), with assets worth PLN +2.1 billion. Then, there come representatives of BZ WBK TFI: Arka Prestiż Obligacji Korporacyjnych (Arka Prestiż SFIO) (PLN 1.9 billion) and Arka BZ WBK Obligacji Skarbowych (Arka BZ WBK FIO) (PLN 1.6 billion).

### **6.5. Cash funds and similar funds**

Low interest rates and consequently, unattractive interest rate of deposits make clients of the banks to look for more attractive alternative. Some of them transfer resources into the cash funds, which has been growing up for 2 years. In 2003 value of resources gathered by them went up by PLN +7.3 billion and in 2014 by another PLN +7.1 billion. Such a substantial growth in assets was an effect, most of all, of high sale balance, which just in 2014 equaled PLN +6.6 billion. At this time, management result increased value of resources by PLN +0.5 billion.

The largest product of this segment and, at the same time, the largest retail fund on the domestic market of investment funds at the end of 2014 was UniKorona Pieniężny (UniFundusze FIO). Assets held by it equaled PLN +4.0 billion.

### **6.6. Absolute return funds**

After few years of dynamic growth in the absolute return funds segment, in 2014 pace of growth of value of assets slowed down definitely. At the time of 12 months they went up just by PLN +0.05 billion (+0.5%) up to PLN +8.6 billion. Increase in assets was possible due to positive sale balance which amounted nearly PLN +0.3 billion. Result of management decreased value of assets by nearly PLN -0.2 billion. Their share in the market went down slightly, up to 4.1% at the end of the year.

### **6.7. Commodities funds**

Commodities funds have been marginal part of the market for years. Nothing changed in 2014 despite dynamics of assets was high and reached as much as +30%. At the end of 2014 value of resources in the commodities funds equaled PLN 324 million which equaled 0.2% of the market. The positive dynamics is owed to clients, who contributed by PLN +0.1 billion more than they withdrew. However, results of management were negative and shrunk value of assets by PLN -0.03 billion. The largest representative of the sector is Gold Otwarty (Investor SFIO), with assets of value equal PLN 134 million.

## 6.8. Real estate funds

Real estate funds in 2014 reached the highest negative dynamics of assets from all of the market segments. During the 12 month period their value fell by nearly PLN -0.5 billion that is by -18.8%, up to PLN 2.1 billion at the end of the year. Fall of the resources results from both, negative sale balance (PLN -0.3 billion), caused among others by liquidation of few funds and a need for return of invested resources to clients, as well as negative result of management (PLN -0.05 billion). Decrease in assets was caused by, most of all, products launched several years ago, which came to the final stage. Despite launch of new funds, contributions/withdrawals balance was negative and amounted nearly PLN -0.3 billion.

At the end of the year the largest value of resources was managed by PZU FIZ Sektora Nieruchomości 2 (PLN +0.6 billion).

## 6.9. Securitization funds

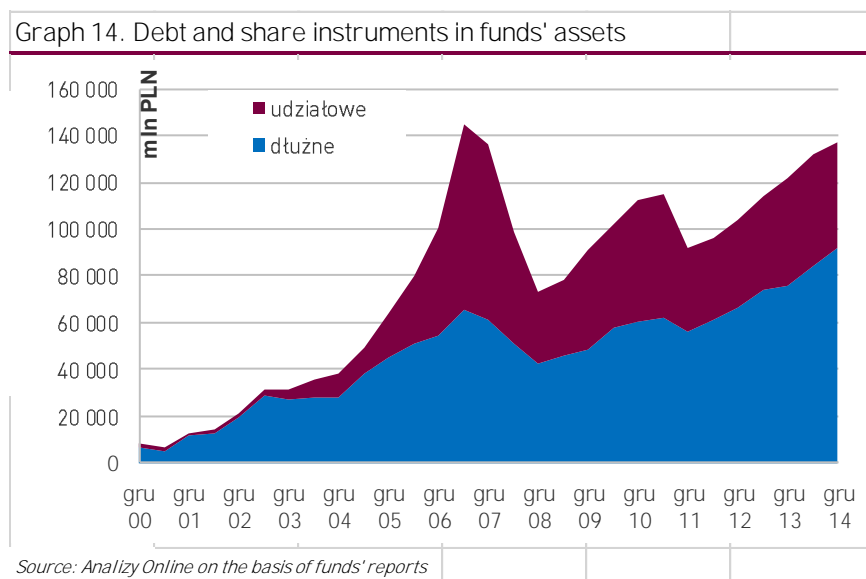
Securitization funds recorded in 2014 the largest dynamics from all of the 10 segments. Resources collected there, compared to 2013, went up by +42.6%. In 2014 debt funds attracted PLN +0.8 billion net, and resources supplied several new solutions. At the end of the year their value amounted to PLN 3.9 billion.

## 6.11 The funds of private (non-public) assets

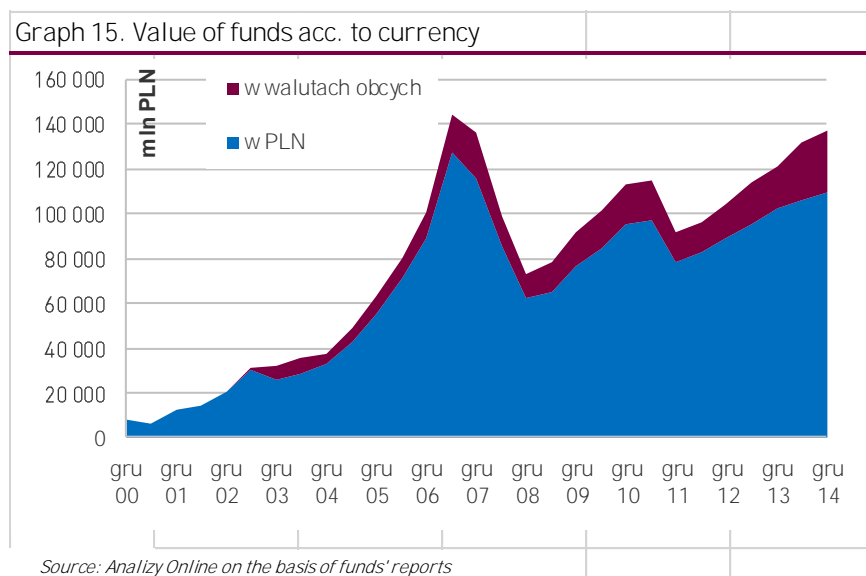
In 2014 value of resources gathered by private funds went up by PLN +5.1 billion up to more than PLN 62 billion. In case of three investment fund companies value of assets allocated in such type of products exceeds PLN +10 billion: Ipopema TFI (PLN +18.5 billion), Skarbiec TFI (PLN +11.5 billion) and Forum TFI (PLN +10.3 billion). In turn, the largest product in the segment is Sezam FIZ, which gathered capital equal to PLN 7.0 billion.

## VII. Components of investment funds' deposits

From published financial reports of the investment funds it results that in 2014 share of debt instruments went up (together with cash) in assets of the funds. At the end of the year it amounted to 67.3%, which is the best result since December 2005. Growing engagement into this group of assets was connected with growing popularity of funds characterized by low risk level.



The group of debt instruments had the largest share in assets at the peak of the boom on the market of Polish bonds (half of 2003), when it equaled 93.5% of value of the assets. Together with the increase in prosperity on the stock markets, this share was regularly dropping and, at the end of December 2007, it reached 44.1% level. In 2008 their 'meaning' had started to grow up while stock markets were decreasing, but the situation did not last long. Since 2009 the trends had reversed and the level of both of the categories of deposits almost equalized. This balanced situation was continued in 2010 and the first half of 2011. In the second half of 2011 commitment into debt instruments exceeded 60% level and with a short break, it was growing up regularly in the second half of 2013.



In terms of currency structure the funds' portfolios comprise mostly instruments in Polish currency. However, their share has been falling down regularly for 10 years. At the end of 2014 they constituted 80.0% of assets that is nearly -5.0 pp. less compared to the year before.

Hence, share of instruments denominated in foreign currencies grew up at the end of 2014, up to 20.0%. Instruments denominated in foreign currencies had the highest share in aggregated portfolio in June 2004, when it exceeded 20%. The following years the share was getting lower and in the middle of 2006 it reached the level equal 11.1%. From that time share of instruments denominated in foreign currencies in total structure, with short brakes (in 2008 and 2012), was growing up and at the end of December 2014 it reached the 20% level.

## VIII. Results of the investment funds

The 2014 was very successful for the investment funds. Although results, in most cases, had not been as good as in 2013, nearly 80% of solutions designed for retail clients reached positive return rates. The highest return rates were reached by funds based on stocks of foreign entities and debt market. The results arise from the boom on most of world stock exchanges and continuation of increase in price of debt instruments. The most important stock indexes from US and Western Europe recorded historical listings. Inflow of the investment capital supplied also Turkey, India, China and so called Asian tigers.

Finally, solutions investing in stocks of Turkish market resulted in the highest profit in 2014. The result equal to +32,8% is definitely higher than results of competitors. 2nd and 4th place was taken by funds specialized in stocks of American market denominated in PLN (+18,8%) and Asian markets with exemption of Japan (+12,7%). The latter was in good situation because of boom on the markets, among others, in Shanghai.

The last place was taken by products based on American debt market. Funds investing in this market, units of which are denominated in PLN, earned nearly +17%. Such a result was mainly derivative of strengthening of the American dollar in relation to PLN; units denominated in USD lost averagely -0,5%. High (12,2%) profit was also reached by foreign debt funds denominated in PLN. Among products connected with Polish market the best result was reached by groups based on treasury bonds, and debt funds based on universal strategy, their average results equaled accordingly +7,2% and +6,6%.

2014 was not so advantageous for Polish stocks market which was subject of a neutral trend and unfavorable geopolitical situation. Indexes - WIG and mWIG40 went up minimally and weak situation of blue chips and the smallest companies caused fall of WIG20 and sWIG80. Finally, solutions allocating resources in Polish stocks dominated bottom part of a list of annual return rates. The largest average loss was recorded, accordingly, by a group of Polish stocks of small and medium enterprises (-7%), Polish mixed active allocation funds (-5,1%) Polish, stocks funds of universal strategy (-3,9%).

The last place was taken by funds, assets of which are allocated on the market of our Eastern neighbor. Military conflict in the Ukraine and global decrease in raw materials prices affected the economy and condition of Russian stocks negatively. Main RTS index went down by more than -45%. Finally, funds of Russian stocks lost averagely - 33,4%.



Table no. 11. Average rate of return (2014)

	O12M	O24M	O36M	O48M	O60M	O120M
Turkish stocks	32,8%	-4,1%	40,4%	-3,9%	18,3%	
American stocks	18,8%	47,4%	47,3%	53,3%	71,6%	49,6%
debt USA, universal	17,1%	12,8%	11,8%	28,8%	41,6%	67,8%
Asian stocks, no Japan	12,7%	14,8%	24,4%	2,3%	15,0%	
debt foreign (PLN)	12,1%	12,2%	12,5%	25,2%	30,9%	50,5%
mixed foreign, sustained	11,9%	10,4%	18,0%	13,4%	23,4%	49,2%
stocks, global developed markets	11,6%	25,9%	39,1%	22,9%	41,9%	49,2%
American stocks (currency)	7,8%	35,2%	44,3%	30,8%	40,1%	29,3%
mixed foreign, stable growth	7,7%	10,5%	12,2%	16,5%	26,9%	54,7%
debt European, universal	7,3%	11,4%	12,6%	25,1%	23,7%	36,5%
debt Polish treasury securities	7,2%	8,8%	20,7%	26,8%	34,5%	71,1%
debt Polish universal	6,6%	8,7%	19,9%	25,6%	33,3%	72,9%
stocks, European developed markets	4,8%	20,0%	37,6%	25,8%	30,7%	15,6%
foreign stocks, real estate sector	4,5%	10,0%	18,3%	-27,1%	-19,9%	
debt European, universal (currency)	3,2%	5,2%	15,3%	14,8%	17,7%	33,8%
cash, universal, PLN	3,2%	6,5%	12,5%	17,3%	22,7%	49,4%
foreign mixed, active allocation	3,1%	16,6%	31,6%	10,8%	24,0%	
mixed Polish, stable growth	2,7%	6,2%	18,6%	9,7%	19,9%	55,4%
debt Polish, corporate	2,4%	6,3%	11,1%	17,5%	23,6%	57,8%
stocks, European developed markets (currency)	1,6%	22,5%	48,3%	29,0%	41,2%	38,7%
stocks, European emerging markets	1,1%	-1,7%	20,6%	-8,2%	7,1%	
stocks, global emerging markets	0,4%	-2,9%	5,8%	-12,1%	0,4%	
debt, USA, universal (currency)	-0,5%	-1,4%	9,3%	9,2%	15,4%	41,1%
mixed Polish, sustained	-0,9%	3,3%	19,6%	0,7%	12,1%	49,0%
Polish stocks, universal	-3,9%	6,8%	25,8%	-3,4%	14,9%	60,1%
Polish mixed, active allocation	-5,1%	-3,1%	5,2%	-10,9%	-0,3%	34,9%
stocks of small and middle companies	-7,0%	22,0%	42,9%	4,2%	23,8%	70,6%
Russian stocks	-33,4%	-34,6%	-32,2%	-42,8%	-27,2%	

Source: FUNDonline FI, Anality Online