

## EXECUTIVE SUMMARY

## Globalisation and the Global Growth of Long-Term Mutual Funds

Over the past two decades, the global mutual fund industry has boomed. Assets in mutual funds have increased more than seven fold, from US\$4.0 trillion in 1993 to US\$28.9 trillion in 2013:Q3. This growth was shared across broad regions of the world. Assets in US mutual funds rose nearly 600 percent to US\$14.3 trillion. The European mutual fund industry, though smaller, grew faster—by almost 620 percent to almost US\$9.0 trillion. Assets in the Asia-Pacific region expanded 463 percent to US\$3.3 trillion. Finally, assets in the rest of the world, which includes Canada, Brazil, and other countries in Latin America, grew 2,419 percent to US\$2.3 trillion.

‘Globalisation and the Global Growth of Long-Term Mutual Funds,’ ICI Global’s new research paper, provides a broad overview of the growth in the assets, number, and types of long-term mutual funds in regions and countries around the world. The paper’s statistical analysis shows that economic and financial sector development are key drivers of a country’s long-term mutual fund assets. It also shows that countries that have defined contribution (DC) plan systems allowing participant-directed investments—including in mutual funds—tend to have larger long-term mutual fund industries.

Strong, appropriate regulation is fundamental to fund development. And though many influences exist, three factors are especially critical to the development of mutual funds as a savings tool.

- » A country’s economic development, as measured by per capita income
- » Deep and liquid capital markets
- » Investor use of DC plans as part of their retirement savings

## KEY FINDINGS

- » **Around the globe, the mutual fund industry has seen strong growth in assets in the past two decades.** Global assets in mutual funds increased from \$4.0 trillion in 1993 to \$28.9 trillion in September 2013, reflecting increases in each of four broad regions: the United States, Europe, Asia-Pacific, and the rest of the world.

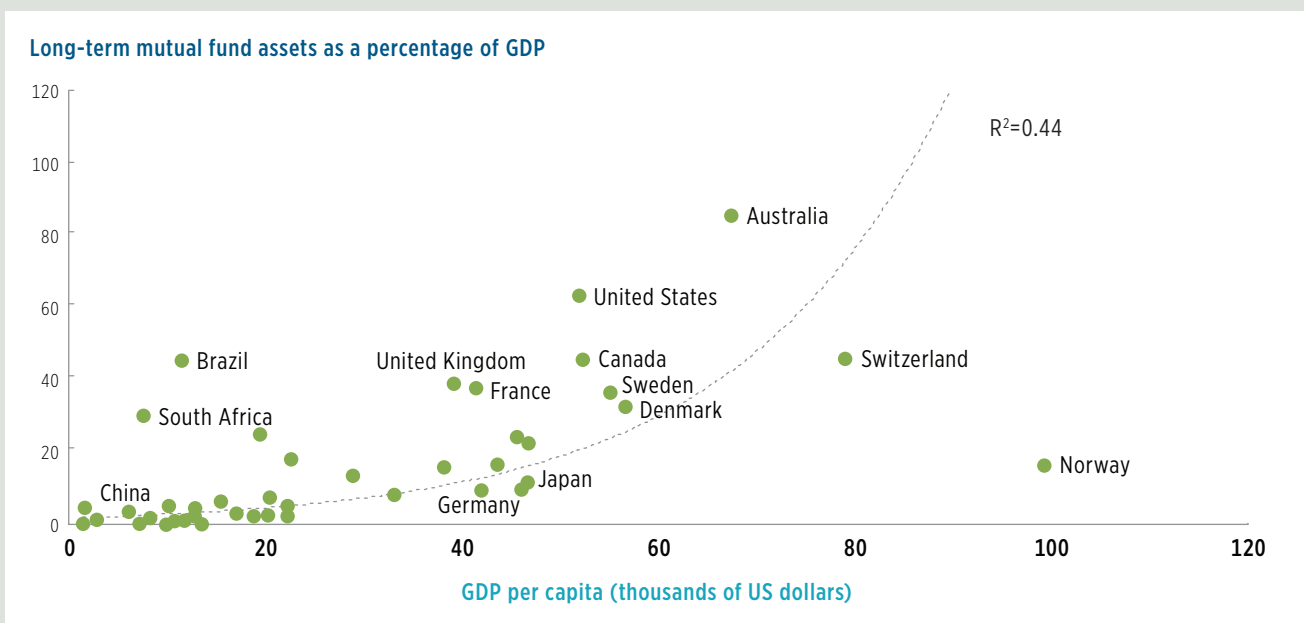
- » **An array of factors helps explain the worldwide growth in long-term mutual fund assets and the varied growth experiences across individual countries.** These factors include strong and appropriate regulation; investors' demand for professionally managed, well-diversified products offering access to capital markets; deep and liquid capital markets within a given country; favourable returns on capital market instruments; a country's economic development, demographics, and fiscal balance; and whether a country has a defined contribution plan system that allows plan participants to invest in mutual funds.
- » **Mutual funds become an increasingly important financial intermediary as a country's economy develops.** A cross-country statistical analysis shows that the ratio of long-term mutual fund assets to gross domestic product tends to grow as a country's per capita income rises.
- » **Mutual fund markets in developing countries have the potential to grow rapidly as their populations mature, their middle classes expand, and investors better understand and desire the benefits of domestic and international diversification that mutual funds can provide.** Wealth and income are expected to rise substantially in developing countries such as China, implying that mutual fund assets have the potential to grow considerably.

The full *ICI Global Research Perspective* is available at [www.iciglobal.org/pdf/icig\\_per01-01.pdf](http://www.iciglobal.org/pdf/icig_per01-01.pdf).

FIGURE 1

### Fund Use Increases with Per Capita Income

2012



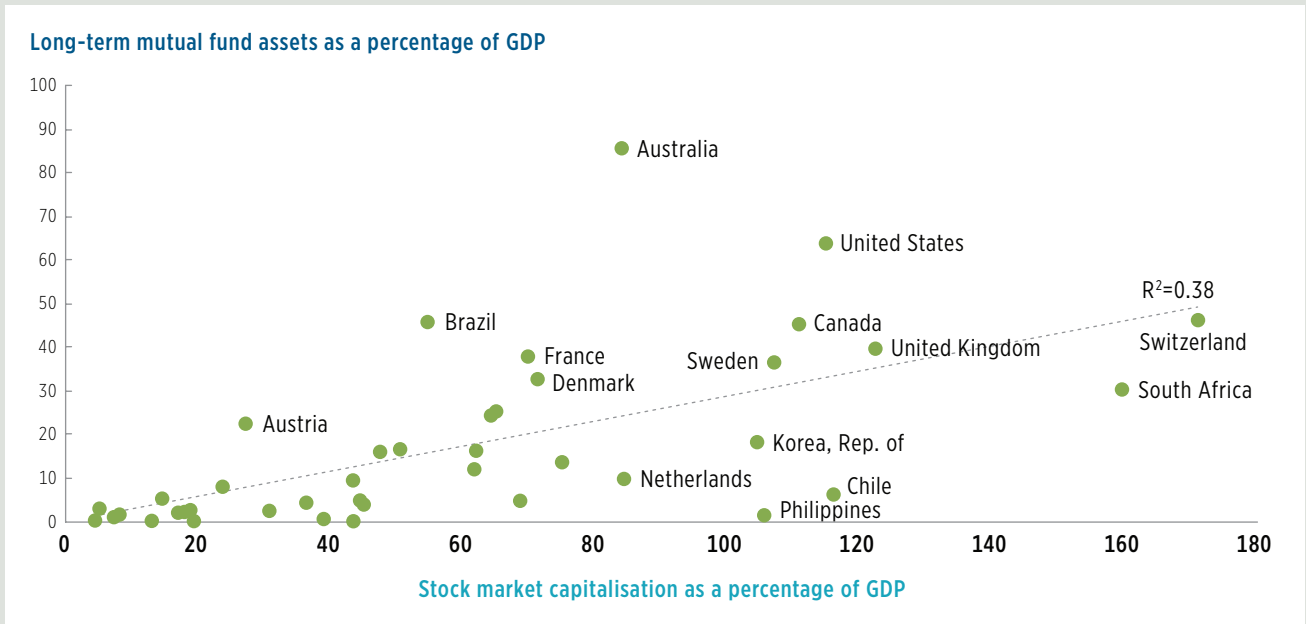
Note: Total net asset data for Russia are as of 2011. Data are included for Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, China, Costa Rica, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, India, Italy, Japan, Korea, Rep. of, Mexico, Netherlands, New Zealand, Norway, Pakistan, Philippines, Poland, Portugal, Romania, Russia, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Taiwan, Trinidad and Tobago, Turkey, United Kingdom, and the United States.

Sources: International Investment Funds Association and International Monetary Fund

FIGURE 2

**Countries with Larger Stock Market Capitalisation to GDP Ratios Have Larger Long-Term Mutual Fund Industry Total Net Assets to GDP Ratios**

Percent, December 2012



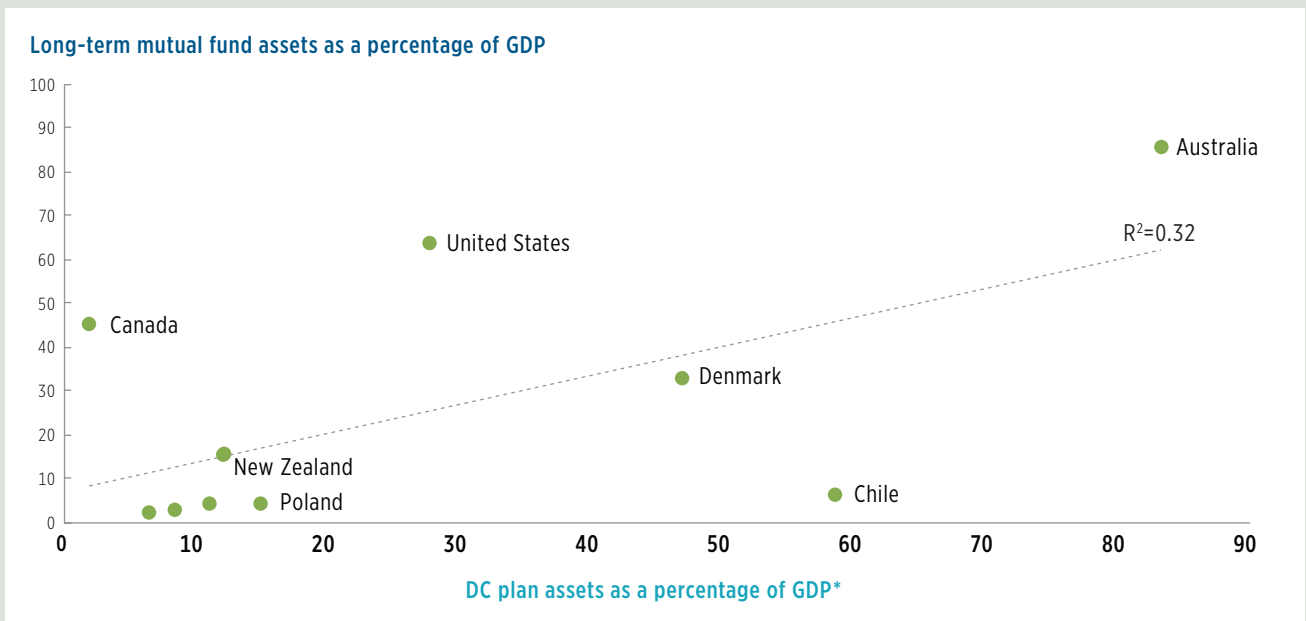
Note: Total net asset data for Russia are as of 2011. Data are included for Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, China, Costa Rica, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, India, Italy, Japan, Republic of Korea, Mexico, Netherlands, New Zealand, Norway, Pakistan, Philippines, Poland, Portugal, Romania, Russia, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Trinidad and Tobago, Turkey, United Kingdom, and the United States.

Sources: International Investment Funds Association and World Bank

FIGURE 3

**Assets in Long-Term Mutual Funds Are Related to Defined Contribution Plan Assets**

Percent, 2012



\* DC plan assets are a 2011 OECD estimate.

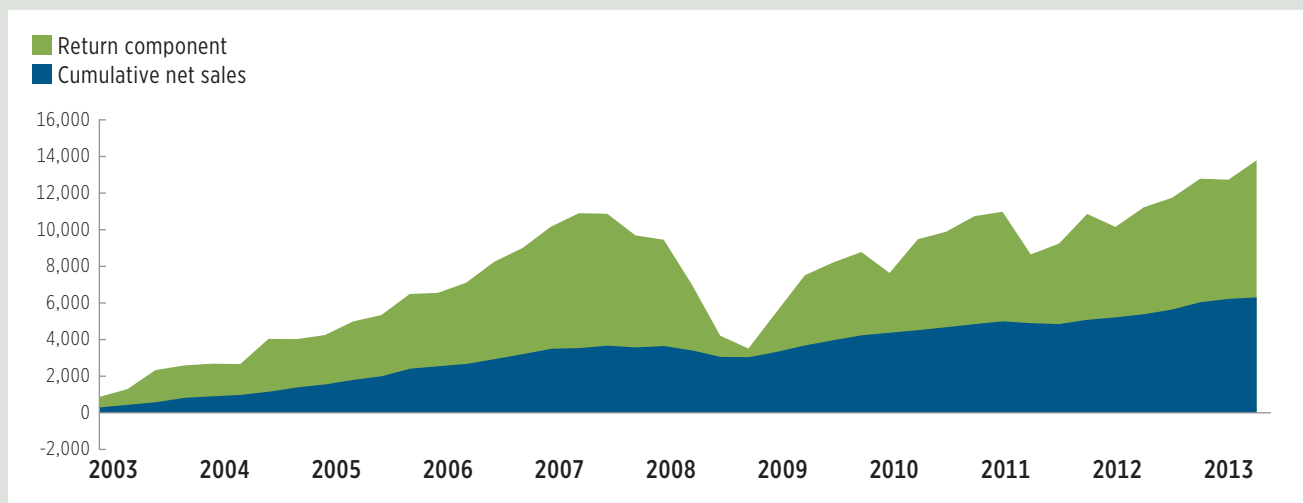
Note: Data are included for Australia, Canada, Chile, Czech Republic, Denmark, Mexico, New Zealand, Poland, Slovakia, and the United States.

Sources: International Investment Funds Association and OECD

FIGURE 4

## Cumulative Change in Worldwide Assets of Long-Term Mutual Funds

Billions of US dollars; quarter-end, 2003:Q1–2013:Q3



Note: Net sales is a calculation of total sales minus total redemptions plus net exchanges. Data include home-domiciled funds, except for the Republic of Korea and New Zealand, which include home- and foreign-domiciled funds. The data exclude Australia, Ireland, and Hong Kong SAR.

Source: International Investment Funds Association



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