

## **SPECIAL INFORMATIVE RELEASE**

### **Evolution of the Portuguese Mutual Funds market in July 2014**

The evolution of the Portuguese Mutual Funds market, in July 2014, was unusual, especially considering the trend observed in the recent months. The exceptionality of the circumstances experienced during this period requires the issue of this informative release in which it is analyzed in more detail the causes of the evolution of the Portuguese Mutual Funds market, observed in July 2014.

In fact, in the first six months of this year, the amounts under management increased by 8.8 percent, driven by growing demand from investors, that translated in accumulated net sales of over EUR 900 million.

On the contrary, in July, the assets managed by Portuguese Mutual Funds fell 6.4 percent and there was a net outflow of EUR 788 million.

This evolution, however, is the sole effect of two properly identified and focused factors, that did not affect the entire industry but only a well-defined set of Funds with defined maturity and one Management Company:

- i) On the one hand, during the month, there was normal maturity of three funds that have reached the end of the period for which they were constituted, amounting to EUR 40.4 million;
- ii) On the other hand, the instability observed in Banco Espírito Santo Group has had an impact on the activity of many of the companies of the Group, particularly in its Asset Management Company. Taken together, the Funds managed by ESAF recorded net outflows of more than EUR 748 million, a movement that affected all Funds under management even those that, in accordance with their investment policy, don't have and cannot have any exposure to assets issued by entities belonging to the Grupo Espírito Santo universe, such as, American Equity Funds or Emerging Markets Equity Funds.

The events occurred in the past month, especially in relation to the Funds managed by ESAF, show that many investors are still unaware of the basic characteristics of Investment Funds, namely that these are independent portfolios whose assets are the exclusive property of their unit-holders and unresponsive in any case, for the debts of the Management Company, of the Depositary or of any other entity external to the Fund.

Investment Funds and their performance reflect only the evolution of the price of the assets that make up the portfolio, and are therefore completely unrelated to any difficulties involving one or more companies of the financial group to which their Management Company or their marketing entity belong to.



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Altogether, at the end of June and July, the Funds managed by ESAF had a residual exposure to shares of Espírito Santo Financial Group (0.001% of the portfolio) and did not hold any debt issued by that entity or by Rioforte. In total, their exposure to GES Group (excluding BES) in June amounted to EUR 29 thousands, being null at the end of July.

With regard to exposure to Banco Espírito Santo, most of this was in deposits with this Credit Institution and is therefore preserved to the extent that deposits are guaranteed by the "Novo Banco". Altogether, deposits in BES held by Funds managed by ESAF amounted to EUR 272 million in June and EUR 125 million in July.

The Funds managed by ESAF also held an amount invested in senior debt issued by BES, with maturity in 2015, also guaranteed by the "Novo Banco". In total, the value of bonds issued by BES and held by the Funds managed by ESAF amounted to EUR 122 million in June and EUR 112 million in July, and these were concentrated on three Funds that have a predefined maturity and return (in the case where investors remain with the investment since the inception of the Fund until its maturity).

It should also be reported that the redemptions observed in the Funds managed by ESAF were concentrated on three Funds - one Euro Treasury Fund, one Short Term Special Investment Funds and one Bond Special Investment Fund - and whose only exposure to BES was through deposits in that institution. Altogether a total of EUR 696 million left these three Funds, which reveals that there is still a long way to go in Portuguese financial literacy, because this option is only understandable in a context of lack of knowledge about the autonomy of Investment Funds in which its Participants are protected in the face of events like those that occurred last month.

## Recent trends in the Investment Fund's Industry

### A. European Investment Funds' Market – May 2014

The combined assets of the Investment Fund market in Europe, i.e. the market for UCITS and non-UCITS, increased by 2.2 percent in May 2014 to stand at EUR 10,417.3 billion<sup>1</sup> at month end. This represents a 6.7 percent increase since the beginning of the year.

Total net assets of UCITS Funds stood at EUR 7,442.6 billion at the end of May 2014, representing a 2.5 percent increase since end April 2014 and 7.4 percent more than at the end of 2013. Total net assets of non-UCITS Funds enjoyed an increase of 1.5 percent in May to stand at EUR 2,974.7 billion at month end. Since the beginning of the year, the assets of these Funds increased by 4.9 percent.

In May 2014, European Investment Funds recorded positive net sales of EUR 51.2 billion (EUR 42.6 billion related to UCITS Funds and EUR 8.6 billion to non-UCITS Funds).

In 2014, there has been a net inflow to European Investment Funds amounting to EUR 321.3 billion (EUR 256.0 billion related to UCITS Funds and EUR 65.3 billion to non-UCITS Funds).

	Total Net Assets (May 2014)		Total Net Assets (December 2013)		Growth 2014 (%)	Total Net Sales (EUR billion)	
	EUR billion	% Total	EUR billion	% Total		May-14	Total 2014
Luxembourg	2,815.9	27.0%	2,615.4	26.8%	7.7%	16.3	114.6
France	1,573.7	15.1%	1,515.2	15.5%	3.9%	0.0	17.4
Germany	1,487.4	14.3%	1,404.4	14.4%	5.9%	6.7	33.3
Ireland	1,472.6	14.1%	1,343.9	13.8%	9.6%	16.4	72.6
UK	1,060.2	10.2%	1,018.9	10.4%	4.1%	2.0	18.4
Italy	226.5	2.2%	210.3	2.2%	7.7%	2.5	11.7
Spain	208.7	2.0%	184.9	1.9%	12.9%	3.3	17.2
Portugal	25.5	0.2%	24.7	0.3%	3.2%	0.1	0.8
Greece	7.7	0.1%	7.1	0.1%	8.7%	0.0	0.0
<b>TOTAL</b>	<b>10,417.3</b>	<b>100.0%</b>	<b>9,765.0</b>	<b>100.0%</b>	<b>6.7%</b>	<b>51.2</b>	<b>321.3</b>

Luxembourgish Funds hold the largest share of European Investment Funds' industry, with total net assets standing at EUR 2,815.9 billion, which represents 27.0 percent of the total.

Ireland and Luxembourg recorded the highest net sales, in May 2014, with EUR 16.4 billion and EUR 16.3 billion, respectively.

<sup>1</sup> Source: EFAMA. Includes UCITS and non-UCITS Funds (including Real Estate Funds).

## B. Portuguese Mutual Funds' Market – June 2014<sup>2</sup>

On July 31, 2014, total net assets of Portuguese Mutual Funds stood at EUR 12,578.5 million, which reflects a decrease of 6.4 percent when compared with the previous month. Since end December 2013, total net assets rose by 1.8 percent, while since July 2013, they register a decrease of 5.6 percent.

In July 2014, Portuguese Mutual Funds recorded subscriptions of EUR 1,045.8 million, while redemptions amounted to EUR 1,834.2.8 million, which means a monthly net outflow of EUR 788.4 million. Total net sales registered in 2014 are positive, reaching a total of EUR 120.5 million.

It should be highlighted, however, that the value of redemptions observed in July 2014 resulted primarily from the maturity of three Funds mentioned in the paragraph below, responsible for an outflow of EUR 40.4 million, and from the impact of the current situation involving BES group on the Management Company of that Group, which is analyzed on a specific Informative Release

During the month no new Fund was launched. In the same period “BPI Obrigações Portuguesas – FEI”, “CA Rendimento Mais – FEI”, “CA Rendimento Mais II – FEI” and “Santander Gestão Private Liquidez” were liquidated. In the case of the first three Funds mentioned above, the liquidation occurred because the Funds reached the maturity defined in its incorporation documents. Also in July, one Fund was merge into another one (see table below). Therefore, the number of active Mutual Funds at the end of July 2014 stood at 234, five less than the previous month.

	July 2014	June 2014	December 2013	July 2013
Total Net Assets (EUR million)	12,578.5	13,443.7	12,355.6	13,326.9
Change (%)*	-	-6.4%	1.8%	-5.6%
Number of Funds	234	239	237	246

\* - Change between July 2014 and the month in question.

	July 2014	Since December 2013	Since July 2013
Subscriptions (EUR million)	1,045.8	7,383.9	12,300.8
Redemptions (EUR million)	1,834.2	7,263.4	13,388.7
Net Sales (EUR million)	-788.4	120.5	-1,087.9

\* - In July 2014 the values of subscriptions and redemptions of the Funds managed by MNF Gestão de Activos were not included since they are not available yet.

### Table: Mergers occurred in July 2014

Management Company	“Receiving” Fund	“Merging” Fund	New Fund’s name	Date of merger
MillenniumBCP Gestão de Activos	Millennium Prestige Conservador	Millennium Multi Assets Selection	Millennium Prestige Conservador	28-07-2014

<sup>2</sup> Figures do not include information about two Management Companies. The management companies considered represented 99.59% of the total Portuguese Mutual Funds’ assets at end June 2014 (Source: CMVM).

## Management Companies

In July 2014, Caixagest was the Management Company with the largest market share, with total net assets standing at EUR 3,762.6 million, which represents 29.9 percent of the total. BPI Gestão de Activos ranks second, with total net assets of EUR 1,901.8 million and a market share of 15.1 percent and ESAF – F.I.M. ranks third, with EUR 1,642.9 million of assets under management and a market share of 13.1 percent.

Caixagest was the Management Company that registered the highest growth from the previous month, both in percentage (4.1 percent) and in total net assets (EUR 147.5 million).

Since end December 2013, Crédito Agrícola Gest is the Management Company registering the highest percentage growth with 67.9 percent (EUR 149.9 million), while Caixagest is the Management Company with the largest increase in total net assets, with EUR 513.2 million (15.8 percent).

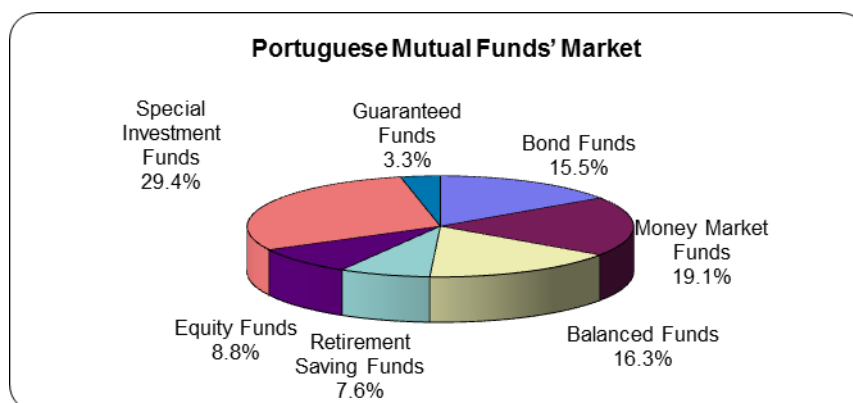
Management Company	July 2014		June 2014		December 2013		Monthly Change (%)	Change Year-to-date (%)
	Million €	Share	Million €	Share	Million €	Share		
Caixagest	3,762.6	29.9%	3,615.1	26.9%	3,249.4	26.3%	4.1%	15.8%
BPI Gestão de Activos	1,901.8	15.1%	1,915.7	14.3%	1,894.7	15.3%	-0.7%	0.4%
ESAF - F.I.M.	1,642.9	13.1%	2,396.5	17.8%	2,053.6	16.6%	-31.4%	-20.0%
Santander Asset Management	1,615.6	12.8%	1,704.3	12.7%	1,421.3	11.5%	-5.2%	13.7%
Millennium BCP Gestão de Activos	1,511.6	12.0%	1,553.2	11.6%	1,531.1	12.4%	-2.7%	-1.3%
Banif Gestão de Activos	497.2	4.0%	535.1	4.0%	632.4	5.1%	-7.1%	-21.4%
Barclays Wealth Managers Portugal	372.6	3.0%	387.9	2.9%	396.0	3.2%	-4.0%	-5.9%
Crédito Agrícola Gest	370.5	2.9%	375.6	2.8%	220.6	1.8%	-1.4%	67.9%
Montepio Gestão de Activos	365.0	2.9%	392.1	2.9%	337.2	2.7%	-6.9%	8.2%
BBVA Gest	148.0	1.2%	143.9	1.1%	132.1	1.1%	2.8%	12.0%
Popular Gestão de Activos	140.3	1.1%	139.7	1.0%	96.8	0.8%	0.4%	44.9%
Dunas Capital - Gestão de Activos	135.7	1.1%	165.3	1.2%	91.4	0.7%	-17.9%	48.5%
MNF Gestão de Activos	40.9	0.3%	44.3	0.3%	53.2	0.4%	-7.5%	-23.0%
MCO2	40.6	0.3%	40.3	0.3%	45.9	0.4%	0.7%	-11.5%
Patris Gestão de Activos	20.4	0.2%	21.1	0.2%	189.7	1.5%	-3.3%	-89.2%
Invest Gestão de Activos	12.8	0.1%	13.6	0.1%	10.3	0.1%	-5.6%	24.5%
Total	12,578.5	-	13,443.7	-	12,355.6	-	-6.4%	1.8%

Caixagest was the Management Company that recorded the highest net sales in July 2014, with EUR 150.8 million, followed by BBVA Gest, with EUR 5.1 million, and by Popular Gestão de Activos, with EUR 2.3 million.

Since end December 2013, Caixagest is the Management Company with the largest inflows, with total net sales amounting to EUR 470.1 million, followed by Santander Asset Management, with EUR 172.4 million, and by Crédito Agrícola Gest, with EUR 148.8 million.

Management Company	Net Sales in July 2014 (EUR Million)	Net Sales since the beginning of the year (EUR Million)
Caixagest	150.8	470.1
BBVA Gest	5.1	14.5
Popular Gestão de Activos	2.3	42.2
Invest Gestão de Activos	0.1	2.2
MNF Gestão de Activos	n.d.	-10.7
Patris Gestão de Activos	-0.2	-147.5
Banif Gestão de Activos	-0.8	-64.7
Crédito Agrícola Gest	-3.4	148.8
BPI Gestão de Activos	-9.1	-39.8
Barclays Wealth Managers Portugal	-14.3	-22.7
Montepio Gestão de Activos	-25.0	22.6
Dunas Capital - Gestão de Activos	-28.8	42.7
Millennium BCP Gestão de Activos	-49.7	-54.3
Santander Asset Management	-66.6	172.4
ESAF - F.I.M.	-748.7	-455.3
Total	-788.4	120.5

## Categories of Funds



Euro Floating Rate Bond Funds is the largest category of Funds with the EUR 1,535.2 million of assets under management. Euro Treasury Funds ranks second, with EUR 1,219.0 million, followed by Euro Money Market Funds with 1,183.1 million.



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Euro Money Market Funds registered the highest growth from the previous month both in percentage (9.4 percent) and in total net assets (EUR 101.4 million).

Since end December 2013, Funds of Funds with Bond Dominant is the category that registered the highest percentage growth with a 132.5 percent increase and, also, the largest growth in total net assets with EUR 364.2 million.

Category of Funds	July 2014		June 2014		December 2013		Monthly Change (%)	Change Year-to-date (%)
	Million €	Share	Million €	Share	Million €	Share		
Euro Floating Rate Bond Funds	1,535.2	12.2%	1,592.0	11.8%	1,422.5	11.5%	-3.6%	7.9%
Euro Treasury Funds	1,219.0	9.7%	1,496.1	11.1%	1,261.2	10.2%	-18.5%	-3.4%
Euro Money Market Funds	1,183.1	9.4%	1,081.7	8.0%	868.3	7.0%	9.4%	36.3%
Other SIF	1,089.3	8.7%	1,161.0	8.6%	1,217.6	9.9%	-6.2%	-10.5%
PPR Funds	956.9	7.6%	960.1	7.1%	937.3	7.6%	-0.3%	2.1%
Flexible Funds	829.6	6.6%	839.6	6.2%	816.7	6.6%	-1.2%	1.6%
Money Market SIF	774.0	6.2%	726.7	5.4%	721.1	5.8%	6.5%	7.3%
Bond SIF	710.2	5.6%	793.4	5.9%	843.8	6.8%	-10.5%	-15.8%
Funds of Funds with Bond Dominant	639.0	5.1%	585.8	4.4%	274.9	2.2%	9.1%	132.5%
Short Term SIF	552.1	4.4%	1,047.7	7.8%	869.7	7.0%	-47.3%	-36.5%
Short Term Money Market SIF	469.0	3.7%	486.5	3.6%	553.2	4.5%	-3.6%	-15.2%
Guaranteed Funds	416.7	3.3%	437.8	3.3%	520.8	4.2%	-4.8%	-20.0%
E.U., Switzerland and Norway Equity Funds	332.8	2.6%	344.5	2.6%	321.2	2.6%	-3.4%	3.6%
Euro Fixed Rate Bond Funds	302.9	2.4%	305.4	2.3%	234.7	1.9%	-0.8%	29.1%
Domestic Equity Funds	301.3	2.4%	319.1	2.4%	244.3	2.0%	-5.6%	23.3%
Other International Equity Funds	235.6	1.9%	237.4	1.8%	253.9	2.1%	-0.8%	-7.2%
Other Funds	190.7	1.5%	180.8	1.3%	160.7	1.3%	5.5%	18.7%
Balanced Funds of Funds	168.4	1.3%	159.2	1.2%	87.6	0.7%	5.8%	92.3%
Balanced Funds with Bond Dominant	160.1	1.3%	162.6	1.2%	123.4	1.0%	-1.5%	29.7%
North America Equity Funds	138.2	1.1%	144.9	1.1%	134.4	1.1%	-4.6%	2.8%
Funds of Funds with Equity Dominant	72.1	0.6%	72.1	0.5%	56.1	0.5%	0.0%	28.5%
Sector Equity Funds	70.7	0.6%	71.7	0.5%	65.6	0.5%	-1.3%	7.8%
Euro Bond Funds	60.8	0.5%	63.2	0.5%	41.0	0.3%	-3.8%	48.3%
Flexible SIF	50.0	0.4%	50.2	0.4%	47.6	0.4%	-0.5%	4.9%
Absolute Return SIF	34.5	0.3%	35.2	0.3%	44.2	0.4%	-2.1%	-21.9%
PPA Funds	25.6	0.2%	28.7	0.2%	25.6	0.2%	-10.8%	0.0%
Balanced Funds with Equity Dominant	20.7	0.2%	20.5	0.2%	21.2	0.2%	1.2%	-2.0%
International Bond Funds	17.6	0.1%	17.0	0.1%	11.6	0.1%	3.3%	51.2%
Balanced SIF	10.9	0.1%	10.7	0.1%	10.6	0.1%	2.1%	3.4%
Equity SIF	9.3	0.1%	9.5	0.1%	11.1	0.1%	-1.7%	-16.2%
Index Funds	2.3	0.0%	2.6	0.0%	2.3	0.0%	-12.3%	-1.1%
Real Estate SIF	-	-	-	-	151.7	1.2%	-	-100.0%
Total	12,578.5	-	13,443.7	-	12,355.6	-	-6.4%	1.8%

Notes: Series adjusted due to the change of some funds' classification.

PPR Funds – Retirement Saving Funds; PPA Funds – Equity Saving Funds; SIF – Special Investment Funds.

Euro Money Market Funds was the category of Funds that attracted most new money in July, registering EUR 100.7 million in net sales. Money Market Special Investment Funds recorded a monthly inflow of EUR 46.9 million and net sales of Funds of Funds with Bond Dominant totaled EUR 40.9 million.

Since December 2013, Funds of Funds with Bond Dominant were the most demanded by investors, with total net sales of EUR 342.1 million, followed by Euro Money Market Funds, with EUR 310.0 million, and by Euro Floating Rate Bond Funds, with EUR 88.0 million.

Category of Funds	Net Sales in July 2014 (EUR Million)	Net Sales since the beginning of the year (EUR Million)
Euro Money Market Funds	100.7	310.0
Money Market SIF	46.9	49.2
Funds of Funds with Bond Dominant	40.9	342.1
Other Funds	10.3	26.9
Balanced Funds of Funds	9.6	78.3
Flexible SIF	2.5	4.3
International Bond Funds	0.6	5.5
Domestic Equity Funds	0.4	48.8
Balanced Funds with Equity Dominant	0.4	-0.9
Funds of Funds with Equity Dominant	0.0	14.2
Real Estate SIF	-	-129.8
Index Funds	0.0	0.2
Balanced SIF	0.0	-0.6
Absolute Return SIF	0.0	-8.8
Equity SIF	-0.3	-2.3
Sector Equity Funds	-0.4	1.8
PPA Funds	-0.7	-0.9
PPR Funds	-1.1	-13.5
Euro Bond Funds	-1.3	19.5
Balanced Funds with Bond Dominant	-2.0	34.7
Euro Fixed Rate Bond Funds	-2.8	57.6
E.U., Switzerland and Norway Equity Funds	-2.9	13.2
Other International Equity Funds	-4.4	-31.8
Flexible Funds	-5.9	-14.8
North America Equity Funds	-7.5	-2.9
Short Term Money Market SIF	-17.6	-85.4
Guaranteed Funds	-18.3	-107.9
Bond SIF	-45.0	-62.3
Euro Floating Rate Bond Funds	-51.6	95.3
Other SIF	-69.2	-133.4
Euro Treasury Funds	-273.2	-48.4
Short Term SIF	-496.7	-328.5
Total	-788.4	129.3

Note: Series adjusted due to the change of some funds' classification.

\* - In July 2014 were not included the values of subscriptions and redemptions of the Funds managed by MNF Gestão de Activos since they are not available yet.



## Fund's performance during the 12 month period ending on July 31, 2014<sup>3</sup>

Categories with the largest assets under management on July 31, 2014:

Category of Funds	Assets under management <sup>4</sup>	Average Return <sup>5</sup>	Funds <sup>6</sup>	Management Company	Assets under management <sup>7</sup>	Annual Return <sup>8</sup>	Risk Class <sup>9</sup>
Euro Floating Rate Bond Funds	1,535.23	3.40%	Esp. Santo Renda Mensal	ESAF - F.I.M.	32.37	5.87%	2
			Esp. Santo Capitalização	ESAF - F.I.M.	47.36	5.71%	2
Euro Treasury Funds	1,218.95	1.19%	Banif Euro Tesouraria	Banif Gestão de Activos	46.06	2.76%	2
			Banco BIC Tesouraria - Classe A EUR	Dunas Capital Gestão de Activos	107.73	2.31%	2
Euro Money Market Funds	1,183.10	0.93%	CA Monetário	Crédito Agrícola Gest	65.84	1.45%	1
			Caixagest Liquidez	Caixagest	1,090.48	0.91%	1

Categories with the highest average return<sup>5</sup>:

Category of Funds	Assets under management <sup>4</sup>	Average Return <sup>5</sup>	Funds <sup>6</sup>	Management Company	Assets under management <sup>7</sup>	Annual Return <sup>8</sup>	Risk Class <sup>9</sup>
PPA Funds	25.56	26.03%	Santander PPA	Santander Asset Management	5.69	35.61%	6
			BPI PPA	BPI Gestão de Activos	2.61	30.23%	6
Domestic Equity Funds	301.26	22.67%	Santander Accções Portugal	Santander Asset Management	124.91	27.63%	6
			BPI Portugal	BPI Gestão de Activos	41.84	22.47%	6
Sector Equity Funds	70.73	15.98%	Montepio Euro Utilities	Montepio Gestão de Activos	13.57	22.48%	4
			Montepio Euro Telcos	Montepio Gestão de Activos	6.22	21.29%	5

Funds with the highest return<sup>8</sup>:

Funds	Category of Funds	Management Company	Assets under management <sup>7</sup>	Annual Return <sup>8</sup>	Risk Class <sup>9</sup>
Santander PPA	PPA Funds	Santander Asset Management	5.69	35.61%	6
BPI PPA	PPA Funds	BPI Gestão de Activos	2.61	30.23%	6

The yields published represent past data, and do not constitute a guarantee of future returns, since the value of the units may increase or decrease in accordance with the level of risk, which varies between 1 (minimum risk) and 7 (maximum risk).

<sup>3</sup> - Closed-ended Mutual Funds are not considered in this analysis.

<sup>4</sup> - Assets under management by all the Funds of the Category, in EUR million.

<sup>5</sup> - Average return weighted by the total net assets of each Fund in the previous month.

<sup>6</sup> - Funds with the highest return within each category.

<sup>7</sup> - Assets under management by the Fund, in EUR million.

<sup>8</sup> - Annualized Return of the last 12 months.

<sup>9</sup> - Class Risk in the last 12 months (Based on the registered volatilities and in accordance with the following classes: 1 – 0% a 0,5%; 2 – 0,5% a 2%; 3 – 2% a 5%; 4 – 5% a 10%; 5 – 10% a 15%; 6 – 15% a 25% e 7 – Greater than 25%).