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### **Global conditions hit the value of Guernsey funds in Q1**

#### **But the signs are positive for the second quarter of the year**

Continuing volatility in the global markets has resulted in the value of Guernsey funds falling by £24.5bn (12.2%) during the first quarter of the year.

The contraction took the total value of funds under management and administration in the Island to £175.9bn at the end of March 2009. This represents a decrease of £27.9bn (13.7%) year on year.

[The Guernsey Financial Services Commission \(GFSC\)](#) has reported that the ongoing adverse performance of the global hedge fund sector has been a major contributor to the fall in asset values during the first three months but an improvement in global equity markets since the end of March is expected to result in the value of assets growing during the second quarter.

Peter Niven, Chief Executive of Guernsey Finance – the promotional agency for the Island’s finance industry, said: “When the figures for the quarter to the end of 2008 were published we highlighted that Guernsey’s funds industry was continuing to perform resiliently in the face of extremely difficult market conditions. However, it was also noted that we were likely to see further reductions in asset values in the immediate term because of a continuing lack of investor confidence. That has proven to be the case during the first quarter of this year.

“During the first three months of the year a certain amount of new business was still coming through but clearly this was at lower levels than in the last two or three years when we had record flows. We saw good ideas being proposed across a range of different asset classes but many investors were waiting for further falls in global asset values before coming back into the market.

“The positive news is that while some investors might still not believe that we have reached the bottom there is undoubtedly greater confidence around at the moment, which is reflected in the improvement in global equity markets. As a result we expect to see the value of funds in Guernsey holding up better and growing during the second quarter.”

The figures from the Guernsey Financial Services Commission (GFSC) show that the value of Guernsey domiciled open-ended funds fell by £11.1bn (17.4%) over the quarter and were down £19bn (26.6%) year on year to reach £52.5bn at the end of March.

The closed-ended fund sector also fell in value during the quarter, with a reduction of £9bn (9.8%) but was up £3.5bn (4.4%) during the past 12 months to reach £82.5bn at the end of March.

Non-Guernsey schemes, for which some aspect of management or administration is carried out in the Bailiwick, decreased by £4.4bn (9.8%) over the quarter and were down £12.4bn (23.3%) over the year to reach £40.9bn at the end of March.

Mr Niven added: “Guernsey has been somewhat sheltered from the worst effects of the global economic downturn but we have always said that the Island would not be completely immune. One such example is the impact of the continuing volatility in the global markets on the value of Guernsey funds during the first quarter of the year. However, it is very encouraging to hear that the improvement in the global markets in recent months means that the regulator is expecting to be announcing positive figures for the second quarter.”

## **Release Ends**