

## News Release



23 September 2009

### **Guernsey business flows down but far from out**

Guernsey saw a continuing reduction in both banking and investment funds business during the three months to the end of June.

However, the Island seems to be faring better than some of its competitors and in addition, local practitioners are reporting increased activity in more recent months as the general economic outlook shows signs of brightening.

Peter Niven, Chief Executive of Guernsey Finance, said: "The global economic downturn has been adversely impacting business flows for the past year. With both the banking and funds figures showing attrition in the three months to the end of June we can clearly see that business flows were still very shaky during that quarter.

"What we can take comfort from is the fact that we are faring better than some of our competitors who have seen an even steeper decline in business. On top of this, practitioners are reporting that they have seen increased activity in more recent months as confidence begins to return slowly but surely to the market off the back of the emerging global economic recovery. I would however caution that we are not out of the woods yet and I believe it will be much nearer the end of 2009 before we will be able to see proper evidence of any sustained turnaround."

The value of deposits held by Guernsey licensed banks reached at £125bn by the end of June 2009 – reducing by 12.8% in the second quarter of the year, although only down by 3% on the same time in 2008.

The net asset value of funds under management and administration in Guernsey reached £170bn at the end of quarter two – a reduction of 3.5% in the three months to the end of June 2009 and a decrease of 18% year on year.

The [Guernsey Financial Services Commission \(GFSC\)](#) has also, for the first time, published figures taking account of gearing and they show that the gross asset value of funds in Guernsey stands at £202bn.

Tom Carey, Corporate Partner at [Carey Olsen](#) in Guernsey, said: “We’re seeing an upturn in activity at the moment from clients who have a track record for making money in recessionary times. These clients are marketing a number of fund products investing in a variety of asset classes, so there is clearly an opportunity to make money if the market can be timed correctly.”

Advocate Carey indicated that most activity in new funds was around the £150 - £250 million mark, and that whilst it is taking a little longer to raise money there are people who are launching funds successfully. Property, technology and emerging market debt and equity are once again back as popular asset classes.

Ben Morgan, Partner at Carey Olsen in Guernsey, has also noticed an improvement in the market: “We have been very successful in client wins this year and have picked up a number of big name clients in competitive pitches and following service level reviews.”

He also noted that clients looked to their legal counsel more often for solutions during difficult times: “Funds have definitely been ‘stress tested’ over the last year and it is those that were most effectively established, or reacted quickest to the slump in the market, that are best set to prosper when the market heads back up.”

Mr Niven added: “There are good promoters out there with interesting ideas for investment vehicles and this evidence of growing investor confidence is very encouraging.”

#### **Release Ends**