CHARACTERISTICS OF INVESTMENT FUNDS MARKET IN POLAND FROM THE EURO ZONE INVESTMENT FUND MARKET PERSPECTIVE

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Abstract
The article presents the issue of investment funds market in Poland from the Euro zone investment fund market perspective. The market of investment funds in Poland first appeared in 1992. Thus, it is relatively young segment of financial market and lately has been characterized by a dynamic growth in terms of the number of funds, as well as net asset value. The first part of the article is devoted to the profile of investment fund market in the Euro zone. Next, there is an idea of investment funds and legal aspect of their operating in Poland elaborated. The following part encompasses typology of investment funds on the ground of selected criteria. Finally, there is an analysis of investment funds market in Poland provided, according to the criterion of investment object.

Key words: investment funds, investment funds market

JEL codes: G23

1. Introduction

Investment funds originate from the United States where they first appeared at the turn of 19th and 20th century. However, in order to talk about their real development one needs to go back to the period after 1971, when the first monetary market funds emerged.

More recently, most dynamic development of investment funds can be observed, surprisingly, not in the US but in the European countries. During the fifteen-year period the asset value in the EU countries’ funds increased from €500m in 1990 to €6.3bn in 2005\(^1\).

\(^1\) www.efama.org
Political and economic changes that occurred in the nineties in Poland became the trigger for the development of numerous new financial institutions. Here one can mention investment funds which appeared on Polish financial market together with the opening of Warsaw Stock Exchange. The first investment fund on Polish market came into view in July 1992 and for the first three years it did not face any competition. That was due to the weak interest paid by clients to such form of free sources’ allocation. Vast majority of the society, still used to traditional banking products, preferred investing in banking deposits.

Significant growth in investment funds could be observed shortly after Polish accession to the EU. In 2004-2006 on Polish financial market there appeared equally same number of investment funds as in the period of the first ten years of Polish financial market’s functioning. Such distinctive phenomenon was undoubtedly influenced by a number of factors. One of fundamental ones was that traditional banking deposits were not profitable enough for potential customers, due to very low interest. Seeking alternative opportunities for funds’ allocation, part of customers turned to investment funds.

2. Investment fund market of the Euro zone

Investment fund market’s functioning in the European Union was regulated according to directives called UCITS (undertakings for collective investment in transferable securities). The first directive UCITS no 85/6111/EEC is concerned with the coordination of law on collective investment in securities, and was passed on 20th December 1985. However, dynamically growing EU market of investment funds contributed to the need for changes in current legal establishments. In December 2001 two new directives were passed, namely one regarding functioning of managing ventures as well as simplifying prospectuses, and the other included collection of products for investment funds’ allocation together with investment limits.

On the basis of directive UCITS III solely open funds operate in the EU and can be established in the legal form of either common funds, unit trusts or investment companies. Thus, commonwealth market of investment funds is traditionally divided into two segments, namely UCITS fund market and non-UCITS fund market. It shall be, however, noted that UCITS fund market dominates the market, and in 2006 its net asset value was 3.6 times as high as the one of non-UCITS fund market.
Taking into consideration the value of investment fund assets in both Europe and in the Euro zone one shall note that it has been constantly growing for the last 15 years. Only in 2002 there was a slight drop in the net asset value. In the whole considered period the net asset value in Europe has increased over 7 times (7.26), in countries of the Euro zone almost 7 times (6.99) and in Poland 49418.5 times. The detailed net asset values of investment funds in Europe and in the Euro zone in 1992-2006 are presented in Table 1.

### Table 1. Net asset value of investment funds in Europe and in the Euro zone in 1992-2006 (€bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Europe</th>
<th>Euro zone</th>
<th>Year</th>
<th>Europe</th>
<th>Euro zone</th>
<th>Year</th>
<th>Europe</th>
<th>Euro zone</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>1297</td>
<td>1095</td>
<td>1998</td>
<td>2961</td>
<td>2548</td>
<td>2003</td>
<td>4701</td>
<td>4131</td>
</tr>
<tr>
<td>1994</td>
<td>1331</td>
<td>1136</td>
<td>1999</td>
<td>4033</td>
<td>3384</td>
<td>2004</td>
<td>5212</td>
<td>4544</td>
</tr>
<tr>
<td>1995</td>
<td>1443</td>
<td>1220</td>
<td>2000</td>
<td>4394</td>
<td>3727</td>
<td>2005</td>
<td>6587</td>
<td>5515</td>
</tr>
<tr>
<td>1996</td>
<td>1784</td>
<td>1497</td>
<td>2001</td>
<td>4439</td>
<td>3822</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: own elaboration on basis of data by EFAMA*

### 2.1. UCITS investment fund market in the Euro zone

UCITS investment fund market in the Euro zone involves five basic segments: share funds, bond funds, balanced funds, monetary market funds and other funds. The largest market share belongs to share funds which varied from 38.5% in 1999 to 41.8% in 2005. The second and third biggest share is taken by either bond funds (from 28.2% in 1999 to 23% in 2005) or balanced funds (from 23.4% in 1999 to 23.7% in 2005).

It is also worth mentioning that the segment of monetary market fluctuated in terms of its structure in 1999-2005, whereas other fund market was characterized by constant growth in the same period. Detailed number and structure of UCITS investment funds are shown in Table 2.

Analyzing net asset value of UCITS funds in the Euro zone one shall note that it varied from €2507bn to €3804bn. Prior position in the market is occupied by share and bond funds. They take interchangeably the first and second position in overall structure. The third place belongs to monetary market funds and the fourth – to balanced funds. The least share in the structure is taken by other funds. Detailed net asset value and the structure of UCITS investment funds is presented in Table 3.
Table 2. Number and structure of UCITS investment funds in the Euro zone in 1999-2005

<table>
<thead>
<tr>
<th>year</th>
<th>share funds</th>
<th>bond funds</th>
<th>balanced funds</th>
<th>monetary fund market</th>
<th>other</th>
<th>in total</th>
</tr>
</thead>
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<tr>
<td></td>
<td>number</td>
<td>number</td>
<td>number</td>
<td>number</td>
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<td>number</td>
</tr>
<tr>
<td></td>
<td>share</td>
<td>share</td>
<td>share</td>
<td>share</td>
<td>share</td>
<td>number</td>
</tr>
<tr>
<td>1999</td>
<td>6850</td>
<td>5012</td>
<td>4153</td>
<td>1372</td>
<td>397</td>
<td>17784</td>
</tr>
<tr>
<td></td>
<td>38,5%</td>
<td>28,2%</td>
<td>23,4%</td>
<td>7,7%</td>
<td>2,2%</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>8417</td>
<td>5134</td>
<td>4892</td>
<td>1361</td>
<td>660</td>
<td>20464</td>
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<tr>
<td></td>
<td>41,1%</td>
<td>25,1%</td>
<td>23,9%</td>
<td>6,7%</td>
<td>3,2%</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>9388</td>
<td>5130</td>
<td>5239</td>
<td>1318</td>
<td>900</td>
<td>21975</td>
</tr>
<tr>
<td></td>
<td>42,7%</td>
<td>23,4%</td>
<td>23,8%</td>
<td>6%</td>
<td>4,1%</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>9659</td>
<td>5176</td>
<td>5341</td>
<td>1302</td>
<td>1078</td>
<td>22556</td>
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<tr>
<td></td>
<td>42,8%</td>
<td>22,9%</td>
<td>23,7%</td>
<td>5,8%</td>
<td>4,8%</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>9554</td>
<td>5176</td>
<td>5288</td>
<td>1294</td>
<td>1125</td>
<td>22437</td>
</tr>
<tr>
<td></td>
<td>42,6%</td>
<td>23%</td>
<td>23,6%</td>
<td>5,8%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>9566</td>
<td>5189</td>
<td>5271</td>
<td>1578</td>
<td>1269</td>
<td>22873</td>
</tr>
<tr>
<td></td>
<td>41,8%</td>
<td>22,7%</td>
<td>23,1%</td>
<td>6,9%</td>
<td>5,5%</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>9853</td>
<td>5295</td>
<td>5184</td>
<td>1530</td>
<td>1414</td>
<td>23276</td>
</tr>
<tr>
<td></td>
<td>42,3%</td>
<td>22,7%</td>
<td>22,3%</td>
<td>6,6%</td>
<td>6,1%</td>
<td></td>
</tr>
</tbody>
</table>

Source: own elaboration on basis of data by EFAMA

Table 3. Net asset value of UCITS investment funds in the Euro zone in 1999-2005 (€bn)

<table>
<thead>
<tr>
<th>year</th>
<th>share funds</th>
<th>bond funds</th>
<th>balanced funds</th>
<th>monetary market funds</th>
<th>other</th>
<th>in total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>value</td>
<td>value</td>
<td>value</td>
<td>value</td>
<td>value</td>
<td>value</td>
</tr>
<tr>
<td></td>
<td>share</td>
<td>share</td>
<td>share</td>
<td>share</td>
<td>share</td>
<td>number</td>
</tr>
<tr>
<td>1999</td>
<td>910</td>
<td>764</td>
<td>429</td>
<td>370</td>
<td>34</td>
<td>2507</td>
</tr>
<tr>
<td></td>
<td>36,3%</td>
<td>30,5%</td>
<td>17,1%</td>
<td>14,8%</td>
<td>1,3%</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>1071</td>
<td>734</td>
<td>491</td>
<td>395</td>
<td>55</td>
<td>2746</td>
</tr>
<tr>
<td></td>
<td>39%</td>
<td>26,7%</td>
<td>17,9%</td>
<td>14,4%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>930</td>
<td>827</td>
<td>445</td>
<td>498</td>
<td>62</td>
<td>2762</td>
</tr>
<tr>
<td></td>
<td>33,7%</td>
<td>30%</td>
<td>16,1%</td>
<td>18%</td>
<td>2,2%</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>697</td>
<td>864</td>
<td>378</td>
<td>591</td>
<td>60</td>
<td>2590</td>
</tr>
<tr>
<td></td>
<td>26,9%</td>
<td>33,4%</td>
<td>14,6%</td>
<td>22,8%</td>
<td>2,3%</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>835</td>
<td>930</td>
<td>416</td>
<td>639</td>
<td>68</td>
<td>2888</td>
</tr>
<tr>
<td></td>
<td>28,9%</td>
<td>32,2%</td>
<td>14,4%</td>
<td>22,1%</td>
<td>2,4%</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>965</td>
<td>919</td>
<td>450</td>
<td>757</td>
<td>86</td>
<td>3177</td>
</tr>
<tr>
<td></td>
<td>30,4%</td>
<td>28,9%</td>
<td>14,2%</td>
<td>23,8%</td>
<td>2,7%</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>1304</td>
<td>1033</td>
<td>549</td>
<td>789</td>
<td>129</td>
<td>3804</td>
</tr>
<tr>
<td></td>
<td>34,3%</td>
<td>27,2%</td>
<td>14,4%</td>
<td>20,7%</td>
<td>3,4%</td>
<td></td>
</tr>
</tbody>
</table>

Source: own elaboration on basis of data by EFAMA

2.2. Non-UCITS investment fund market in the Euro zone

Non-UCITS fund market encompasses three basic segments: real estate funds, expert funds and other funds. Vast share in the market is taken by expert funds whose share runs at 70%. The second position is occupied by the other funds whose share in 2005 was over 18%. Real estate funds take the third position with almost 14% share. Detailed net asset values of UCITS investment funds in the Euro zone are shown in Table 4.
Table 4. Net asset values of UCITS investment funds in the Euro zone in 1999-2005 (€bn)

<table>
<thead>
<tr>
<th>year</th>
<th>real estate funds</th>
<th>expert funds</th>
<th>other</th>
<th>in total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>value</td>
<td>share</td>
<td>value</td>
<td>share</td>
</tr>
<tr>
<td>1999</td>
<td>84</td>
<td>11.5%</td>
<td>525</td>
<td>71.5%</td>
</tr>
<tr>
<td>2000</td>
<td>87</td>
<td>11.2%</td>
<td>567</td>
<td>72.8%</td>
</tr>
<tr>
<td>2001</td>
<td>96</td>
<td>12.3%</td>
<td>563</td>
<td>72.3%</td>
</tr>
<tr>
<td>2002</td>
<td>113</td>
<td>14.6%</td>
<td>548</td>
<td>70.5%</td>
</tr>
<tr>
<td>2003</td>
<td>128</td>
<td>15%</td>
<td>596</td>
<td>70%</td>
</tr>
<tr>
<td>2004</td>
<td>140</td>
<td>15.4%</td>
<td>629</td>
<td>69.1%</td>
</tr>
<tr>
<td>2005</td>
<td>151</td>
<td>13.9%</td>
<td>736</td>
<td>67.8%</td>
</tr>
</tbody>
</table>

Source: own elaboration on basis of data by EFAMA

3. Investment funds in Poland

Investment fund is a legal entity whose exclusive operating subject is to allocate financial sources in publicly collected, according to the act, securities and property rights. Thus, it is regarded an institutional form of investment trust allowing individual investors gathering sources in order to gain multiplied benefits from investments on capital market. The key feature of this form of collective allocation of free financial sources is that passing the right to manage money to a professional external entity saves the individual from necessity to become personally engaged in complex operations on capital market.

Legal basis for investment funds market’s operating in Poland comprise four acts passed over the period of thirteen years. The first Law on Public Turnover of Securities and Trust Funds was passed on 22nd March 1991 and came into force since 25th April 1991. The following act - Law on Investment Funds was passed on 28th September 1997 and came into force on 21st February 1998. Next, Act of 16th November 2000 on Changes in Law on Investment Funds valid since 21st March 2001. More recently, Polish market of investment funds has been operating on basis of the Act of 27th May 2004 on Investment Funds, which is effective since 1st July 2004. Such often changes in legislation are due to, on one hand, the development of Polish financial market and, on the other hand, the necessity to adapt the law to European after Poland’s accession.

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The Law on Public Turnover of Securities and Trust Funds became the basis for the development of investment funds in Poland. On the ground of the law’s principles, in July 1992 the first Polish investment fund “Pionier” (“Pioneer”) was created. Thus, Polish investment funds market holds fairly short history which, according to W. Bień⁴, can be divided into several stages:

Stage 1 (July 1992 – February 1998) – period of validation of the first Law. There were 12 investment fund associations and 38 investment funds at that time. However, one shall note that the development of the market started only after 1997. Till 1996 there were operating only 3 investment fund associations and 5 investment funds. At the end of the period net asset value of investment funds was equal to mere PLN1.784bn. The detailed number of investment fund associations in Poland is shown in Figure 1, number of investment funds in Poland – Figure 2, and overall net asset value of investment funds in Poland - Figure 3.

Figure 1. Number of investment fund associations in Poland in 1992-2006

Source: Own elaboration on basis of data by Chamber of Fund and Asset Management (IZFiA).

Stage 2 (March 1998 – October 2001) – period of the second Act’s validation. There was the transformation of trust funds into open investment funds held. In this period the number of investment fund associations over-doubled, from 7 to 16, and the number of

⁴ W. Bień, Rynki kapitałowe, Oficyna Wydawnicza SGH, Warszawa 2005, p. 140-141
investment funds grew four times, from 20 to 81. The net asset value of investment funds increased seven times from PLN1.784bn to PLN12.121bn.

Figure 2. Number of investment funds in Poland in 1992-2006

Source: Own elaboration on basis of data by Chamber of Fund and Asset Management (IZFiA).

Stage 3 (November 2001 – July 2003) – period of investment funds market’s development determined mainly by changes in individual income taxation. The changes dealt with 20% tax on benefits from banking deposits and capital income. They contributed to the clients’ increased interest in investment funds as a form of long-term avoidance from taxation and, as a result, capital inflow to the investment funds from individual investors. In this period, the net asset value of investment funds soared from PLN12.121bn to PLN33.231bn. The number of investment fund associations decreased from 19 to 17 and the number of investment funds grew from 81 to 114.

Stage 4 (August 2003 – June 2004) – thanks to the boom on share securities market, decrease in interest rates and fall on promissory securities market, a reallocation of funds resources from low-risk funds to the ones with assets located in shares took place. In this period 2 new investment associations emerged and 22 investment funds. The net asset value increased by PLN4.203bn.

Stage 5 (July 2004–...) – Polish financial market’s accession within the structures of competitive financial markets of the European Union and Act of 27th May 2004 on Investment Funds’ coming into force. Up to 2006 it was a period of dynamic development of Polish segment of investment funds. In 2005, 2 new investment associations appeared, as well as 49
investment funds and the net asset value of investment funds increased by PLN23.853bn. The amount is higher than the one collected by all funds during the first 11 years of these institutions’ functioning. Even better results were gained in 2006: 3 new investment associations emerged and 63 investment funds and the net asset value rose from PLN37.55bn to PLN98.837bn. The increase in the net asset value in 2006 equaled to the net asset value of investment funds collected in the period of 1992-2004, which means the time of investment funds’ operating before Poland’s accession to the EU.

![Figure 3. Net asset value of investment funds in Poland [PLN millions] in 1992-2006](image)

**Source:** Own elaboration on basis of data by Chamber of Fund and Asset Management (IZFiA).

### 4. Typology of investment funds

Investment funds can be classified according to numerous criteria, e.g. investment objectives, risk degree or expected return rate. However, most often the classification is held according to two criteria: legal and the investment’s object.

Considering legal criterion there are five types of investment funds that can be distinguished:

- open funds (FIO),
- expert open funds (SFIO),
- close funds (FIZ),
- expert close funds(SFIZ),
• combined funds.

Figure 4. Percentage share of particular investment funds within funds in total in 2005-2006

![Percentage share of particular investment funds within funds in total in 2005-2006](image)

**Source:** Own elaboration on basis of Annual Report 2006, Investment Funds Market in Poland. Financial Supervision Committee, Warsaw 2007

Considering the share of particular investment funds in Polish investment funds market in 2005-2006 one shall note that the first place was occupied by open investment funds with 55% share. This kind of funds, however, lessens its share for the sake of other fund kinds (during last year it lost 12.38%). The following position was taken by close funds: their share increased by 8.25% and in 2006 equaled 26.34%. The third place belonged to expert open funds with 10% share in the market. Their share increased by 0.64% in the market structure, in 2005-2006. The least market share was attributed to expert close funds which, in 2006 ran at 8.02%. It, however, increased by 77.43% compared with the previous year. The segment can be described as the most significant percentage share increase in overall structure of investment funds market. The detailed percentage shares of particular kinds of investment funds in overall structure in 2005-2006 is presented in Figure 4.

Taking into account the criterion of investment object, the following kinds of funds can be distinguished:

- share funds,
- hybrid funds,
- promissory securities funds,
- monetary market funds.

The above kinds of funds, as well as their share in the structure of Polish investment funds market are described in detail in the following part of the paper.
5. Analysis of Polish investment funds market according to investment object

5.1. Share funds

Share fund is a fund which invests solely in shares of a chosen country or a few countries. The investment is performed usually according to three criteria: increase in potential price, potential current income and safety of deposits\(^5\). There are active funds, passive funds (also: index funds) and sector funds within the confines of share funds.

Share funds emerged in 1995 on Polish financial market. During the first two years there was only one fund of this kind. Since 1999 there were in total over 20 funds that operated on the market. However, a dynamic development of the segment was observed after Poland’s accession to the EU. The number of share funds in Poland in 2005 grew by 21.4%, and equaled 34 funds. The year 2006 was even better for this kind of funds because their number grew by 55.9% (53 funds). Thus, the segment of investment funds is signified by increasing trend, which directly results from the situation on stock exchange. The detailed data concerning the change in number of share investment funds is shown in Figure 5.

Figure 5. Number of share investment funds in Poland in 1995-2006

Source: Own elaboration on basis of data by Chamber of Fund and Asset Management (IZFiA).

The net asset value of share funds started to increase soon after Poland’s accession to the EU (Figure 6). In 2004 the value doubled compared to the previous year and equaled PLN5.071bn. In 2005 the value of assets increased by PLN2.222bn, up to PLN7.293bn. However, to talk about real boom in the segment one shall refer to 2006 when the value of assets grew by 213% and ran at the level of PLN22.87bn.

The significance of share funds is to great extent dependent on the situation on the stock exchange. In 2006, taking advantage of the stock’s situation, the funds occupied second position on the market of investment funds according to the net asset value (with 23.14% share in the market structure) and the third place regarding number of funds (with 20.22% share).

5.2 Hybrid funds

Hybrid funds invest in both shares and bonds (the ratio of the securities within the portfolio depends on the level of accepted risk as well as the investment policy). Shares are the part that has influence on the value of managed portfolio. On the other hand, promissory
securities are passive element with stabilizing character\(^6\). Hybrid funds can be divided into the funds:

- of stable growth – the ratio of shares in assets does not exceed 40%,
- balanced – the ratio of shares in assets ranges from 40% to 60%,
- of flexible investing– the ratio of shares and securities with constant income in assets can be very wide-ranged, usually between 20%-80%.

**Figure 7. Number of hybrid funds in Poland in 1992-2006**

![Bar chart showing the number of hybrid funds from 1992 to 2006](chart.png)

*Source: Own elaboration on basis of data by Chamber of Fund and Asset Management (IZFiA).*

Hybrid funds were the first investment funds on Polish market; they emerged in 1992. In the period 1992-1994 they were the sole kind of investment funds in Poland.

Clients pay close attention to this kind of funds. It results from the fact that they can choose from a highly varied offer (according to the level of return rate as well as the risk level). The funds are characterized by a growing trend, which is even more noticeable after Poland’s accession to the EU.

In 2004, there emerged 4 new hybrid funds, in 2005 - 27 new funds and in 2006 – next 13 ones (Figure 7). Hybrid funds had 28.2% share, which gave them the first place in the market structure according to the number of funds.

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Considering the net asset value of hybrid funds one shall note fluctuation in 1992-2002 which can be observed in Figure 8. Since 2003 this segment of investment funds market has been growing considerably, as far as it comes to the value of assets. It equaled respectively in 2003 - 390% (compared to previous year), 2004 – 68.47%, 2005 – 109.2% and in 2006 – 90.44%. Hybrid funds took the most significant percentage share within the structure of Polish investment funds market, which in 2006 ran at 52.67%.

5.3 Promissory securities funds

Promissory securities funds are funds which mainly invest in promissory securities with constant income. Their share in fund assets should normally exceed 66%. As an exception serve unique conditions such as: obtaining shares in the course of debt conversion. They can invest capital in derivatives, only to secure the realization of their investment objective. Within the confines of promissory securities one can distinguish the following investment funds: treasury securities, securities of enterprise and local governments.

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Promissory securities funds appeared first on Polish investment funds market in 1995. Since then, their number has been considerably increasing (Figure 9). In 2006, within this segment there were 55 funds operating, which allowed the second place in the market with 21% share.

Figure 9. Number of promissory securities funds in Poland in 1995-2006

Source: Own elaboration on basis of data by Chamber of Fund and Asset Management (IZFiA).

Figure 10. Net asset value of promissory securities funds in Poland (PLN millions) in 1995-2006

Source: Own elaboration on basis of data by Chamber of Fund and Asset Management (IZFiA).
It is worth noting that the net asset value (in promissory securities funds) had been raising until 2003 when it reached peak with maximum value of PLN16.245bn (Figure 10). At the time, the funds of promissory securities occupied the first place in the fund market structure with the share of 48.88%. In the following years this segment was characterized by fluctuations. In 2004, there was a decrease in the value of net assets noted by 23.18% comparing with previous year, in contrast in 2005 there was an increase by 26.6% and in 2006 again drop by 30.37%. The fluctuations contributed to the fact that in 2006 promissory securities funds took the third place in the fund market structure with 11.13% share.

5.4 Monetary market funds

Monetary market funds invest their assets solely in monetary market instruments and short-term deposits of national bank or credit institutions. Redemption date of these instruments cannot exceed one-year period and average buyout date of all deposits is up to 90 days. In Poland monetary market funds operate in the form of open investment funds only.

Figure 11. Number of monetary market funds in Poland in 1997-2006

Source: Own elaboration on basis of data by Chamber of Fund and Asset Management (IZFiA).

Regarded the youngest segment of Polish investment funds market, monetary market funds occurred in 1997. Since the emergence, their number has been growing systematically, which can be seen in Figure 11. Currently, there are 29 monetary market funds which allows the last place in the market with 11% share.
Taking into account the net asset value of monetary market funds in the period under consideration one shall note that it has been fluctuating with simultaneous growing tendency (Figure 12). The value peaked in 2005 and equaled PLN8,348bn, whereas in 2006 the net asset value decreased by 6.1%. The funds’ share ran at 7.92% in overall structure of the investment funds market.

6. Conclusion

Recently, in Poland there has been an increased interest noted, as far as alternative forms of investing are concerned. Among the other forms of investing spare financial sources there are investment funds. One can cite several advantages of theirs, such as simplicity, variety of the offer, allocated capital’s security, professional management or relatively higher profitability together with lower investment costs.

The funds’ offer is most often targeted to the clients who, on one hand do not possess enough knowledge allowing unlimited movements on financial markets and, on the other hand, who cannot learn the art or seek most lucrative investments due to the lack of time. To contrast, investing in funds requires only the determination of the risk level’s acceptance by
a potential client. Once having done that, the customers are guaranteed the professional management for their money by experts, irrespectively of which fund has been chosen.

Polish market of investment funds has been operating since 1992 and is considered as relatively new and developing systematically segment of Polish financial market. Nowadays, the segment comprises 262 investment funds with net asset value of PLN98.837bn. The first place according to both number of funds and net asset value is occupied by hybrid funds segment. The following positions are taken by share and promissory securities funds. The least share belongs to the segment of monetary market funds’ segment.

References