VI. CAPITAL MARKET

Thanks to quick action by the various operators and vigilance on the part of monetary and financial authorities, Tunisia's capital market managed to post positive performance and resist appropriately to financial turmoil worldwide that shook confidence and dried up liquidity on international capital markets.

Issues on primary market helped businesses raise 644 MTD via public call for savings, 252 MTD of which were for capital increases. This brought the market's share in financing of private gross fixed capital formation (GFCF) to 8.3%, up from 7.5% in 2007. Furthermore, with reserved capital increases amounting to 171 MTD, equity by businesses making public call for savings went up by 423 MTD.

Mutual savings increased with the start up of activity at 20 mutual funds investing in securities (OPCVM) and an increase in net assets of almost 20% to 3,640 MTD as of 31 December 2008. Such institutional savings helped boost the share of direct financing of the economy since 67% of assets held by OPCVM were listed stocks, long term State securities, and bonds issued through public call for savings.

2008 activity on the stock market was marked by three successive phases :

- A first phase covered the first eight months of the year, during which an upward trend continued for the fifth straight year, helped by the listing of two new groups (ARTES and POULINA GROUP HOLDING), stocks with high capitalisation that work in various sectors and that contributed to a deeper seated market ;

- The second phase, which began in September, saw stock indexes drop after the departure of certain foreign funds that were looking to flee to liquidity ; and

- A third phase was marked by relative stability in indexes starting in November, thanks to information campaigns launched by officials (to address the virtual inexistence of direct channels of transmission of the crisis to Tunisia's financial sector) as well as by listed businesses (to reassure investors about the quality of their assets and performance). Aside from these communication campaigns, strengthening of institutional savings through creation of two mutual investment funds by banks and insurance companies in a perspective of long term investment helped mitigate market volatility.

Timely reaction by officials and operators helped calm fears and re-establish confidence in the capital market with the capitalisation index TUNINDEX closing for the year at +10.7%. This increase, facilitated by introduction of new equity securities on the stock market, helped stock market capitalisation increase to 16.5% of GDP at the end of 2008, compared to 14.3% in 2007. Similarly, the annual rotation rate went up from 12.8% in 2007 to 23.1% in 2008.

MAIN STOCK MARKET INDICATORS (In MTD unless otherwise indicated)

Description	2004	2005	2006	2007	2008
State issues*	**2,596**	**1,631**	**1,495**	**1,480**	**735**
- BTA and BTZc**	1,916	1,137	1,009	945	612
- BTCT**	680	494	486	535	123
Outstanding balance of Treasury bonds (end of period)	**5,159**	**5,267**	**6,074**	**6,412**	**5,973**
- BTA and BTZc	4,448	4,776	5,577	5,868	5,850
- BTNB**	51	27	10	0	0
- BTCT	660	464	487	544	123
Outstanding balance of Treasury bonds/GDP (in %)	**14.7**	**13.9**	**14.6**	**14.3**	**12.0**
Corporate issues through public call for savings					
Approved amounts	**181**	**167**	**426**	**348**	**640**
- Capital increase	70	67	198	94	266
- Debenture loans	111	100	228	254	374
Raised Funds	**174**	**195**	**365**	**489**	**644**
- Capital increase	70	64	164	126	252
- Debenture loans	104	131	151	313	392
- Joint claim funds (FCC)	-	-	50	50	-
Capital market share in financing private sector GFCF (in %)	**3.8**	**4.0**	**6.7**	**7.5**	**8.3**
Amount of transactions on the official quotation	**317**	**701**	**746**	**915**	**2,109**
- Equity securities (a)	283	621	707	836	1,914
- Claim securities	34	80	39	79	195
Number of listed companies (in units)	44	45	48	51	50
Stock market capitalisation (b)	3,085	3,840	5,491	6,527	8,301
Stock market capitalisation/GDP (in %)	8.8	10.2	13.3	14.5	16.5
TUNINDEX in points (base 1,000 on 31 December 1997)	1,331.82	1,615.12	2,331.05	2,614.07	2,892.40
Annual rotation rate (a/b) (in %)	9.2	16.2	12.9	12.8	23.1
Liquidity rate (in %)	38	55	52	49	63
Amount of transactions on the off list	**20**	**25**	**39**	**41**	**48**
Amount of registry and declarations	**352**	**934**	**3,822*** **	**788**	**1,973**
Mutual funds investing in securities OPCVM (exclusive of FCPR)******					
- Operating units	34	35	44	57	76
- Managed assets	1,998	2,357	2,639	3,042	3,640

Sources : Tunis Stock Market (BVMT) and the Capital Market Council (CMF)

* Calculated on the basis of auction dates for public securities.
** BTA : Bonds equivalent to Treasury bonds.
BTCT : Short-term Treasury bonds.
BTZc : Zero coupon Treasury bonds.
BTNB : Treasury bonds negotiable on the stock market.
*** Exclusive of Tunisie Telecom, this volume amounts to 1,555 MTD.
**** FCPR : Venture capital mutual investment funds.

Higher institutional savings, a deeper-seated market, and efforts by operators and officials in the financial sphere were all factors contributing to greater resilience by the financial market and preservation of financial stability as per the BCT statutes starting in 2006. This placed maintaining of stability and security throughout the financial system in the core responsibilities of the Bank, providing it with a legal framework to define its cooperation with other national and foreign authorities responsible for supervision of the financial sector.

A. CAPITAL MARKET ACTIVITY

1. THE PRIMARY MARKET

The primary market was characterised in 2008 by a lower level of State issues and a higher level of corporate issues through public call for savings.

a. State issues

2008 was marked by an uneven pattern in issues, with no activity in Treasury drawings between February and September aside from a single issue of bonds equivalent to Treasury bonds (*BTA*) in June. This caused a 50.3% drop in State issues, down from 1,480 MTD in 2007 to 735 MTD in 2008.

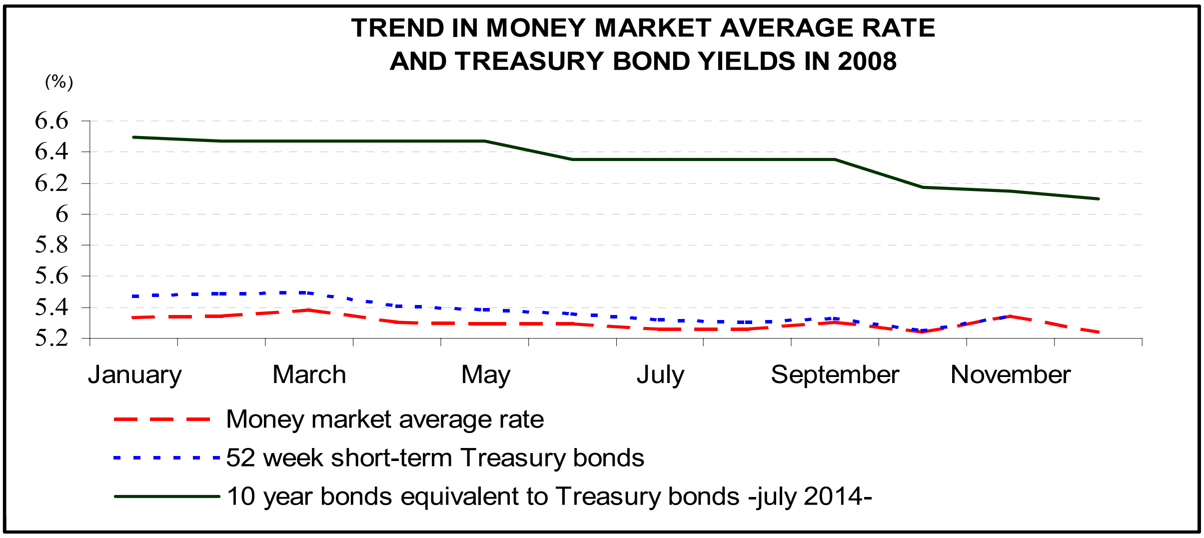
The final quarter of the year saw the return of issues by the Treasury, when almost 77% of capital was raised. Similarly, to meet the needs for structuring long term savings options at OPCVM, insurance companies and other institutional investors, the State once again issued zero coupon Treasury bonds (*BTZc*) in the amount of 146 MTD.

As for the structure of State issues, the share of medium and long term issues went up significantly, to 83.3% of overall funds taken in, vs. 63.9% a year earlier. Concerning breakdown by maturity, the State continued to issue solely 52 week short term Treasury bonds (*BTCT*) and to diversify issues of bonds equivalent to Treasury bonds (*BTA*) and zero coupon Treasury bonds, which involved five old lines with maturities of 6, 10 and 15 years worth 511.6 MTD and the creation of a new line -*BTZc* December 2018- on which State drawings came to 100.4 MTD. Actual drawings show a marked preference for ten year lines, which took up 68.8% of the overall volume of bonds equivalent to Treasury bonds and zero coupon Treasury bonds.

Taking into account these issues and repayments made throughout the year, the outstanding balance of domestic public debt in the form of stocks came to 5,973 MTD at the end of 2008, compared to 6,412 MTD at the end of 2007. The average duration of domestic public debt at the end of 2008 was four years six months and 19 days[1], very near the previous year's figure.

Weighted average rates at issue, by line, of bonds equivalent to Treasury bonds grew at rates ranging from 5.62% for six year bonds equivalent to Treasury bonds to 7.1% for 15 year bonds equivalent to Treasury bonds, while weighted average rates at issue for zero coupon Treasury bonds came to 6.38% for the -BTZc October 2016- line and to 6.43% for the -BTZc December 2018- line. As for yield on issued bonds, actuarial or interpolated rates showed a downward trend that accelerated at the end of the year.

[1] This is an average duration as of 31 December 2008 of 4 years, 7 months and 18 days (compared to 4 years, 10 months and 29 days in 2007) for bonds equivalent to Treasury bonds and 9 months and 20 days (vs. 6 months in 2007) for short term Treasury bonds.



Source : Yield curve published by the CMF

There was also a downward trend for bonds equivalent to Treasury bonds and zero coupon Treasury bonds as well as short term Treasury bonds. In effect, yield on short term Treasury bonds went down to about the same level as the money market average rate at the end of the year, despite the fact that these rates are for different time periods. The difference between the yield of bonds equivalent to Treasury bonds and the money market average rate narrowed by more than 30 base points.

b. Issues by businesses making public call for savings

Corporate issues through public call for savings went up in 2008 because of the higher volume of bond issues and consolidation of core capital amassed through capital increases in cash.

ISSUES BY BUSINESSES MAKING PUBLIC CALL FOR SAVINGS

(In MDT unless otherwise indicated)

Description	2006	2007	2008	Variation	
				2007/2006	2008/2007
Equity securities issues					
- Capital raised through public call for savings	**164**	**126**	**252**	**-38**	**126**
of which : banks	138	93	119	-45	26
- Number of operations	**12**	**18**	**22**	**6**	**4**
of which : banks	3	2	2	-1	0
- Capital raised without recourse to public call for savings	**8**	**8**	**171**	**0**	**163**
of which : banks	0	0	20	0	20
- Capital increase through incorporation of reserves	**37**	**46**	**45**	**9**	**-1**
of which : banks	25	10	6	-15	-4
Claim securities issues					
- Raised capital	**151**	**313**	**392**	**162**	**79**
of which : banks	83	197	210	114	13
leasing and factoring	60	102	163	42	61
- Number of operations	**8**	**10**	**16**	**2**	**6**
of which : banks	3	2	4	-1	2
leasing and factoring	4	7	10	3	3

Source : CMF

For the bond market, dynamic activity over the past few years continued in 2008, when 392 MTD were raised compared to 313 MTD in 2007, thanks to 16 new issues approved and totally subscribed to throughout the year worth 374 MTD, the rest (18 MTD), being raised as borrowings approved in 2007.

An analysis by category of issuer shows that lending institutions remained the main source of offerings of securities on bond markets. Of 16 borrowings issued in 2008, 4 were from banks, 9 from leasing companies, and 1 from a factoring company, for a combined total of 355 MTD, with the rest issued by an industrial company for 5 MTD and a hotel for 14 MTD. These two borrowings were issued for a duration of seven years with a grace period of two years, with bank guarantees, at fixed rates of 6.4% and 6.5%. A portion of issues from lending institutions helped boost complementary core funds through the launching of three subordinated debenture loans in the amount of 65 MTD[1].

As for the duration of borrowings issued by lending institutions, those handled by leasing and factoring companies had a duration of five years, except for subordinated borrowings issued for 10 years, while those handled by banks involved much longer durations of up to 25 years.

At the time of these issues, lending institutions offered subscribers the option of choosing between fixed interest rates and those indexed on the money market average rate for nine issues. The option of choosing between various rates indexed on the money market average rate and varying by maturity was offered for just one issue, while for the other four borrowings the proposed rates were fixed ; these borrowings being particularly initiated by banks for durations of 15 years and more. This move by banks was motivated by the need to align the features of their resources to those of their uses, notably for housing loans with an initial duration of more than 15 years, which must have a fixed rate[2]. For issuers that offered a choice to investors between a fixed rate and a variable rate, actual subscriptions showed a preference for a fixed rate, with 135 MTD issued at this rate and 73% subscribed to at fixed rates. Subscribers did not seem to be very sensitive to risk as measured by rating of issues for debenture loans with the same average duration.

As for the nature of subscribers to debenture loans, the share of institutional investors rose from 94.9% in 2007 to 96.2% in 2008. In effect, OPCVMs and investment/insurance companies continued to be the most active because they took on 83.5% of issues in 2008 vs. 76.3% in 2007. On the other hand, banks were less active on the bond market, subscribing just 12.7% of the amount of issues in 2008 vs. 18.6% in 2007. Subscriptions taken out by private individuals and other corporate entities involved 3.8% in 2008 vs. 5.1% in 2007.

[1] These are subordinated debenture loans issued by Amen Bank (40 MTD), ATL (15 MTD) and CIL (10 MTD).
[2] Cf. BCT circular to banks n°2007-25 of 19 November 2007 concerning modalities for granting, monitoring and refinancing loans.

FEATURES OF DEBENTURE LOANS ISSUED BY LENDING INSTITUTIONS

Borrowing	Visa date	Duration (years)	Raised amount (MTD)	Issue rate (In %)	Rating	Average duration (years)
Debenture loans issued by leasing institutions in 2008						
Unifactor 2008	08/02/2008	5	1.35 8.65	TMM+1 6.5	BB+	3
TL 2008-1	04/04/2008	5	1 14	TMM+1 6.5	BBB+	3
HL 2008-1	14/04/2008	5	2 8	TMM+1.65 6.9	BB	3
ATL 2008-1	18/04/2008	5	4 26	TMM+0.75 6.5	BBB	3
AIL 2008	15/07/2008	5	10	6.5	BBB+	3
CIL 2008-1	17/07/2008	5	2.5 12.5	TMM+1.125 6.5	BBB	3
ATL 2008 (subordinated)	24/07/2008	10 of which 5 grace years	14 1	TMM+1.5 7	BB+	
TL 2008-2	15/08/2008	5	4 11	TMM+1 6.5	BBB+	3
TL 2008-3	05/11/2008	5	4.5 10.5	TMM+1 6.5	BBB+	3
CIL 2008 (subordinated)	01/12/2008	10 of which 5 grace years	10	TMM+1.5 7.25	BB+	
Debenture loans issued by banks						
AB (subordinated)	04/04/2008	15 (Catg. A) 20 (Catg. B)	20 20	6.5 7		8 10.5
STB 2008-1	18/04/2008	10 (Catg. A) 16 (Catg. B) 20 (Catg. C) 25 (Catg. D)	0 9 6 35	TMM+1 TMM+1.5 TMM+1.75 TMM+2		5.5 8.5 10.5 13
BH 2008	18/04/2008	15 (2 grace years)	70	7		8.994
Attijari 2008	10/12/2008	15 (Catg. A) 20 (Catg. B)	40 10	6.85 7		11.1 15.89

TMM = money market average rate.

Concerning issue of equity securities through public call for savings, capital increases in cash approved in 2008 went up sharply, involving funds of 266 MTD vs. 94 MTD the year before. They helped increase core funds at POULINA GROUP HOLDING (PGH) by 99 MTD in the framework of posting on the stock market and at UIB and ATB for respective amounts of 70 MTD and 49 MTD. Introduction of PGH took place in August by opening 10% of capital to the public at the time of capital increase.

Given the amount raised in 2008 for a transaction approved in 2007 involving 5 MTD along with partial paying in of capital increases by investment companies[1], the input of new money as corporate capital increases through public call for savings came to 252 MTD in 2008. The overall amount of funds raised by public call for savings thus came to 644 MTD (252 MTD for equity securities and 392 MTD for claim securities) for 2008, accounting for 8.3% of financing of gross fixed capital formation (GFCF) by the private sector, up from 7.5% in 2007. Although this share has continued to rise steadily since 2003, it remains below the targeted objective.

Aside from issues via public call for savings and taking into account reserved capital increases[2], equity at companies making public call for savings went up by 423 MTD in 2008. These

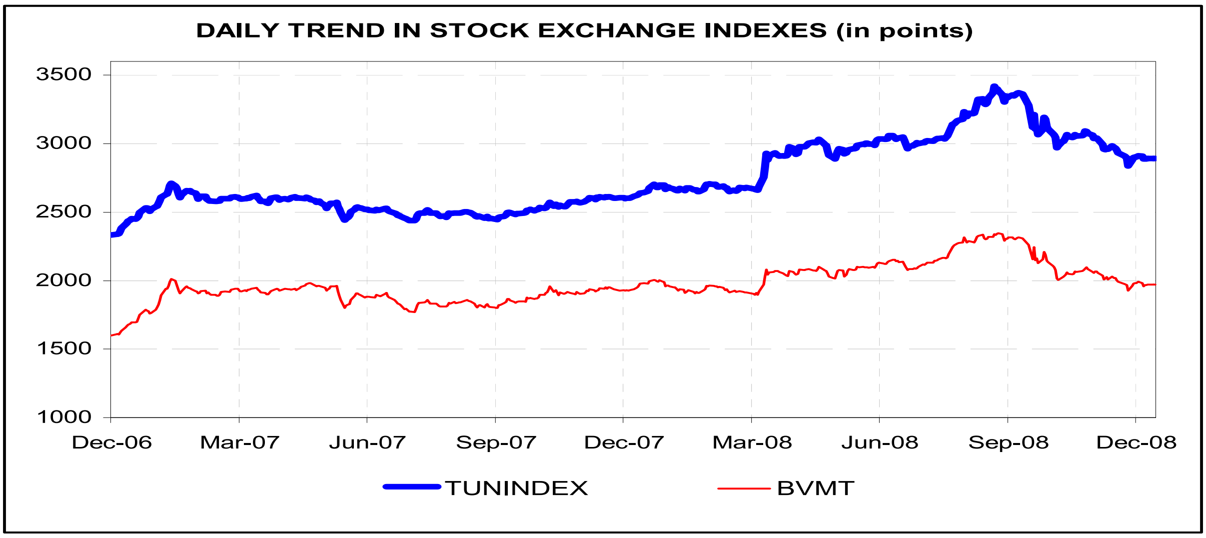
[1] This was paying in of half the subscription to cash increase in capital at SODINO SICAR (12 MTD) and cash increase in capital at SODIS SICAR (13 MTD), to be paid up for a quarter at subscription that was extended to March 2009.

[2] There were cash increases in capital without recourse to public call for savings in 2008 at STAR (132 MTD), UIB (20 MTD), Hannibal Lease (11 MTD), GAT (5 MTD) and the insurance company Lloyd (2.5 MTD).

increases involved essentially the insurance company STAR (which reserved capital increase for its new strategic partner GROUPAMA) and UIB (which reserved issue of certificates of investment to its shareholder of reference SOCIETE GENERALE). There were 13 capital increase transactions by incorporating reserves for an overall total of 45 MTD in 2008, practically the same volume as a year earlier (46 MTD).

2. THE SECONDARY MARKET

The main market of the official quotation added two companies in 2008, bringing stock market capitalisation to 1,240 MTD, representing almost 15% of overall market capitalisation as of 31 December 2008. Aside from posting of PGH stock when it increased its capital, equity securities for ARTES were introduced in April 2008 by means of a firm price offer involving 16.18% of capital, guaranteed investment of 14% and private investment of 9.42% of these securities. Three companies were written off the official quotation following public withdrawal bid initiated by stockholders controlling more than 95% of capital in the insurance company CARTE, EL MAZRAA and KARTHAGO AIRLINES.



There were 50 companies listed on the stock market at the end of 2008, compared to 51 at the end of 2007.

The Tunis Stock Market performed well in 2008, despite the growing international financial crisis. Stock market indicators began 2008 on a rise and the upward trend held for the first eight months of the year, in line with strong performance by listed companies and new listings on the stock market that were popular with investors. The capitalisation index TUNINDEX reached a record high on 9 September, hitting 3,418.13 points, a gain of 30.8% since the beginning of the year. But then by mid September, with the world financial crisis worsening, the market took off on a downward trend, accompanied by high volatility, and between 9 September and 23 October the TUNINDEX lost 13.1%.

Starting the end of October, the TUNINDEX more or less stabilised thanks to efforts to strengthen institutional savings, information campaigns initiated by the authorities, and greater financial communication by companies to reassure investors in the stock market.

This helped TUNINDEX to close for the year on a gain of 10.7% to 2,892.4 points, compared to 12.1% for 2007.

TREND IN THE MAIN INDICATORS ON THE SECONDARY MARKET

Description	Value		Variation in %			
	2007	2008	Up to 9 Sep.	From 9 Sept. to 23 Oct.	From 23 Oct. to 31 Dec.	2008
-TUNINDEX (in points)	2,614.07	2,892.40	30.8	-13.1	-2.6	10.7
-Indice BVMT (in points)	1,936.78	1,971.34	20.8	-13.8	-2.2	1.8
-Stock market capitalisation (in MTD)	6,527	8,301	48.9	-12.0	-3.0	27.2

Source : BVMT

BVMT, the Tunis Stock Market index reached its highest point of the year (2,346.11 points) on 12 September, a gain of 21.1% since the beginning of the year, before falling to 1,971.34 points at the end of December 2008 for an annual yield of 1.8% vs. 21.1% in 2007. Sector performance saw indexes for financial companies, banks, financial services, services to consumer and automotive/car parts companies posting positive yields of between 13.8% and 57.2%, with the best yield going to "Financial services" index. Other indexes, notably those concerning consumer goods, industry, basic materials and construction/building materials went down from 7.4% to 15.4%, with a negative yield of 10.6% for the new "basic materials" index issued on 1st July 2008[1].

As for transactions posted on official quotation, trade in terms of value more than doubled, up from 915 MTD in 2007 to 2,109 MTD in 2008. As was the case in past years, this trading was largely dominated by equity securities, coming to 1,914 MTD in 2008, a daily average of 7.8 MTD vs. 836 MTD and 3.4 MTD respectively in 2007. The annual rotation rate thus rose to 23.1% in 2008 vs. 12.8% a year earlier. At the same time, the number of equity securities traded on the stock market went up considerably to 159 million shares in 2008 (vs. 69 million in 2007) and that of contracts went up to 313,000 (vs. 224,000 in 2007).

TRANSACTIONS ON THE SECONDARY MARKET (In MTD unless otherwise indicated)

Description	2006	2007	2008	Variation in %	
				2007/2006	2008/2007
Trading on securities posted on the official quotation					
- Equity securities *					
• Traded amounts	707	836	1,914	129	1,078
of which : Block transactions	100	278	679	178	401
• Number of traded securities (in thousands)	55,839	69,308	159,188	13,469	89,880
• Number of contracts (in thousands)	212	224	313	12	89
- Claim securities					
• Equity securities	39	79	195	40	116
• Number of traded securities (in thousands)	194	346	13,651	152	13,305
Trading on the off list					
- Equity securities					
• Traded amounts	39	41	48	2	7
• Number of traded securities (in thousands)	1,954	2,440	2,953	486	513
- Claim Securities	-	-	-	-	-
Registry and declarations					
• Transactions amounts	3,822**	788	1,973	-3,034	1,185

Source : BVMT

** Main market and alternative market.*
*** This amount totals 1,555 MTD, exclusive of Tunisie Telecom.*

[1] This index is made up of *Air Liquide de Tunisie*, Alkimia, ICF and TPR stocks.

The most important trading involved banking shares in the Bank of Tunisia *BT* (373 MTD) and Attijari Bank (253 MTD) as well as stock in ARTES (168 MTD) and PGH (122 MTD), which accounted for 48% of global volume of trade in equity securities. Block transactions totalled 679 MTD for 124 transactions in 2008 vs. 278 MTD and 53 transactions in 2007. The final quarter of the year continued to post a sustained volume of transactions, accounting for 39% of equity securities trading in 2008 vs. 41.8% in the last quarter of 2007.

New listings on the stock market, the issue of new stocks at the time of capital increases, and higher prices for most listed stocks all contributed to stock market capitalisation increase of 27.2% over the 2007 yearend figure. This came to 8,301 MTD or 16.5% of GDP at the end of 2008, compared to 6,527 MTD or 14.3% of GDP a year earlier.

Stock market capitalisation continued to be dominated by financial companies whose share came to 72% at the end of 2008, influenced in particular by entry on the stock market of the financial holding company PGH with capitalisation of 1,007 MTD at the end of 2008, 12.1% of overall market capitalisation. The banking sector's share in market capitalisation dropped from 55% in 2007 to 49% at the end of 2008.

As for price trends for listed stocks, the market trend was upward on the whole, with 30 values posting positive annual yields of between 0.6% and 166.1%. On the other hand, prices for the other 20 listings went down, ranging from 0.5% to 57.8%. The best performance was achieved by STAR stock for the second straight year, in line with the participation of a strategic foreign partner in its capital and good performance in 2007 and the first half of 2008.

The volume of transactions on the bond market remained low compared to the outstanding balance of claims negotiable on the stock market, coming to just 195 MTD in 2008 of which 117 MTD were bonds equivalent to Treasury bonds (compared to 79 MTD and 72 MTD respectively a year earlier), despite additional listings on the bond market where 18 new issues were introduced.

There were 48 MTD in 2008 transactions on the offlist, up from 41 MTD in 2007, while registry transactions and declarations went up considerably, from 788 MTD in 2007 to 1,973 MTD in 2008.

Foreign investment in portfolio over 2008 was marked by the withdrawal of certain foreign investment funds, short on liquidity, which liquidated their positions as the world financial crisis worsened. The share of foreigners in stock market capitalisation thus fell from 28% in 2007 to 24.7% at the end of 2008. But with new listings on the stock market, writing off of listed stocks, and capital increases in certain listed companies, the corrected share of foreigners in stock market capitalisation remained at about the same level as at yearend 2007. Intervention for these investors on the secondary market yielded a negative net flow of 48 MTD for 2008 vs. a positive balance of 14 MTD in 2007. However, an analysis of overall transactions carried out for foreigners involving equity securities in listed companies indicates a positive net flow of 221 MTD, given the intervention of these investors on the issue market, which helped boost corporate equity by 269 MTD[1].

[1] Capital increase at POULINA when it was posted on the stock market, UIB, STAR and ATB.

Registry transactions carried out for foreigners yielded a positive net balance of 274 MTD. Thus net capital flows for intervention of these investors on equity securities for limited companies came to a positive 495 MTD.

B. ACTIVITIES AT MUTUAL FUNDS INVESTING IN SECURITIES (OPCVM)

2008 was marked by approval of three open-end investment companies (SICAV) and six mutual investment funds (FCP), two with guaranteed capital and two devoted to holders of stock savings accounts. The financial market council *CMF* also authorised a new venture capital mutual investment fund (FCPR) with capital of 10 MTD, bringing to 10 the number of such funds authorised as of end 2008. The start up of activity at 13 mixed OPCVM (six investing in bonds and one in venture capital) in 2008 brought the total number of active OPCVM to 86, ten of which deal in venture capital.

19 new units were added to the number of savings options investing in securities issued through public call for savings, with a 5.2% increase in the number of stockholders and shareholders to 42,534 investors holding net assets of 3,640 MTD, 19.7% above the figure at the end of 2007. This level is considerably higher than the one recorded for national savings over the same period and this reflects investors interest in this institutional savings option which is a major factor for keeping volatility in stock indexes down and it was in this framework that banks and insurance companies launched two mixed mutual funds in October 2008 worth 50 MTD each.

An analysis of mutual savings in securities using data from 61 companies covering more than 95% of the overall assets of active OPCVM shows the predominance of bond units, which made up 92.8% of these assets as of yearend 2008.

TREND IN REVIEWED[1] OPCVM ACTIVITY

Description	2007			2008		
	Bond OPCVM	Mixed OPCVM	Total	Bond OPCVM	Mixed OPCVM	Total
Number of reviewed OPCVM	24	29	53	28	33	61
Net assets in MTD	2,773	224	2,997	3,227	251	3,478
Number of sharehol-ders and stockholders (in units)	36,119	3,931	40,050	38,063	4,007	42,070
Net assets per share-holder or stockholder (in thousand dinars)	77	57	75	85	63	83

As for concentration of the net holdings of OPCVM, among the 28 bond companies are six with net assets exceeding 180 MTD and they hold 70% of overall assets. Similarly, of the 33 mixed OPCVM, the five units with net assets exceeding 10 MTD held almost 75% of overall assets.

[1] Statistics and analysis involve 61 OPCVM with data for 2008 available during elaboration of this report.

BREAKDOWN OF OPCVM BY SIZE

Description	2007				2008			
	OPCVM number	Net asset in MTD	Average net asset in MTD	Share-holders number	OPCVM number	Net asset in MTD	Average net asset in MTD	Share-holders number
1- Bond OPCVM								
< 20 MTD	7	51	7.3	118	11	102	9.3	128
[20 to 60 MTD[	6	207	34.5	313	6	223	37.2	370
[60 to 180 MTD[	5	573	114.6	1,273	5	638	127.6	1,348
> 180 MTD	6	1,942	323.7	4,509	6	2,264	377.3	4,617
Sub-total	**24**	**2,773**	**115.5**	**1,505**	**28**	**3,227**	**115.3**	**1,359**
2- Mixed OPCVM								
< 1 MTD	7	3	0.4	17	9	4	0.4	12
[1 to 3 MTD[	12	27	2.3	137	13	25	1.9	122
[3 to 10 MTD[	5	32	6.4	173	6	33	5.5	203
> 10 MTD	5	162	32.4	259	5	189	37.8	219
Sub-total	**29**	**224**	**7.7**	**136**	**33**	**251**	**7.6**	**121**
General total	**53**	**2,997**	**56.5**	**756**	**61**	**3,478**	**57.0**	**690**

The average size of OPCVM at the end of 2008 remained at 115.3 MTD and 7.6 MTD respectively for bond and mixed units. And yet the average number of shareholders by unit went down between 2007 and 2008 because of the increase in units reviewed, several of which target investors according to their risk profile.

As for the explanatory impact of the increase in net assets at the 61 studied OPCVM, 70% of the 481 MTD increase in assets is due to net flows generated by transactions made by investors, (net subscriptions to buy-backs, and distribution of dividends).

EXPLANATORY IMPACT OF TREND IN NET ASSETS OF OPCVM (In MTD)

Description	2007			2008		
	Bond OPCVM	Mixed OPCVM	Total	Bond OPCVM	Mixed OPCVM	Total
Net assets (end of period)	**2,773**	**224**	**2,997**	**3,227**	**251**	**3,478**
Net assets (beginning of period)	**2,466**	**193**	**2,659**	**2,773**	**224**	**2,997**
Total effect	**307**	**31**	**338**	**454**	**27**	**481**
Investor effect	**198**	**22**	**220**	**326**	**10**	**336**
Collection effect	**+293**	**+24**	**+317**	**+432**	**+12**	**+444**
Subscriptions	2,828	289	3,117	4,784	292	5,076
Buy-backs	-2,535	-265	-2,800	-4,352	-280	-4,632
Distribution effect	**-95**	**-2**	**-97**	**-106**	**-2**	**-108**
Price effect	**109**	**9**	**118**	**128**	**17**	**145**

This «investor» effect, which went up by 53% in 2008 vs. 34% in 2007, reflects the success of mutual investment funds in collecting funds from companies and individuals and it also helped mutual savings institutions to be very active on the primary market, taking in 68% of new bond issues. The increase in capital flows is due essentially to bond OPCVM, estimated at 326 MTD in 2008 vs. 198 MTD in 2007. This was the result of a higher collection effect for these institutions (432 MTD vs. 293 MTD), partially offset by the higher coupon effect (106 MTD vs. 95 MTD). And an analysis of the behaviour of investors in OPCVM shows great mobility because the average level of subscriptions and buybacks exceeds that of the average of net assets for the period.

The price effect, which expresses the operational performance[1] of mutual funds investing in securities, went up by 23% in 2008 to 145 MTD thanks in particular to better financial results at mixed OPCVM, linked to the 10.7% increase in the TUNINDEX. Performance at bond units improved by 17.4%, in line mainly with the higher key interest rate introduced in September 2006, which helped these institutions subscribe to issues made in 2007 and early 2008 at higher rates.

AVERAGE YIELD RATE OF OPCVM[2] (In %)

Description	2004	2005	2006	2007	2008
Bond OPCVM	4.36	4.15	4.09	4.07	4.08
Mixed OPCVM	6.48	5.46	10.26	4.02	5.18

Source : CMF

Thus average yield for bond OPCVM assets went up slightly to 4.08% in 2008 vs. 4.07% in 2007. The average yield for assets of mixed OPCVM went up from 4.02% in 2007 to 5.18% in 2008.

The structure of investment by OPCVM shows that share remained practically unchanged between 2007 and 2008 for long term securities in the form of long term State bonds, equity bonds and corporate bonds as well as mutual investment fund securities, whereas the share of bank investments rose from 20.4% in 2007 to 25.5% in 2008 to the detriment of other short term securities.

Description	2007						2008					
	Bond OPCVM		Mixed OPCVM		Total		Bond OPCVM		Mixed OPCVM		Total	
	MTD	Share in %	MTD	Share in %	MTD	Share in %	MTD	Share in %	MTD	Share in %	MTD	Share in %
Long term securities	1,921	69.4	168	75.0	2,089	69.8	2,227	69.0	181	71.5	2,408	69.2
Other short term securities	278	10.0	14	6.2	292	9.8	176	5.4	11	4.4	187	5.3
Investment in banking products	570	20.6	42	18.8	612	20.4	825	25.6	61	24.1	886	25.5
Total managed assets	**2,769**	**100.0**	**224**	**100.0**	**2,993**	**100.0**	**3,228**	**100.0**	**253**	**100.0**	**3,481**	**100.0**

As for long term securities, the share of bonds issued by companies rose from 23.1% in 2007 to 26.7% at the end of 2008, helping to offset the drop in the share of State securities, which fell from 69.2% to 66.2% of long term investment.

BREAKDOWN OF LONG TERM INVESTMENT OF OPCVM[3] (In MTD)

Description	2007			2008		
	Bond OPCVM	Mixed OPCVM	Total	Bond OPCVM	Mixed OPCVM	Total
Shares	-	62	62	-	56	56
Corporate bonds	446	37	483	593	50	643
Bonds equivalent to Treasury bonds	1,348	58	1,406	1,466	62	1,528
Zero coupon Treasury bonds	36	3	39	60	5	65
OPC securities	91	8	99	108	8	116
Total	**1,921**	**168**	**2,089**	**2,227**	**181**	**2,408**

1 Exclusive of dividends for OPCVM distribution.
2 This involves yield rates at 76 active OPCVM at end 2008.
3 Exclusive of two mixed funds created in October 2008 for 50 MTD each and one guarantee fund "FCP capitalisation and guarantee" for 40 MTD into operation as of 2007.

As for breakdown of the portfolio of mixed OPCVM, the share of stocks fell from 37% at the end of 2007 to 31% at the end of 2008, while that of rate proceeds rose from 58.3% in 2007 to 64.6% in 2008. This development could be due to the need to assign a portion of assets in rate proceeds to structure certain mutual savings options that have a mechanism to guarantee capital and by a drop of almost 10% in the value of the portfolio invested in equity, despite the positive effect of TUNINDEX performance.

As for the structure of short term investment by OPCVM, investment in banking products in the form of certificates of deposit, forward accounts, sight deposits and liquidity went up by 274 MTD to represent 82.6% of short term investment by OPCVM vs. 67.7% a year earlier.

BREAKDOWN OF SHORT TERM INVESTMENT OF OPCVM (In MTD)

Description	2007			2008		
	Bond OPCVM	Mixed OPCVM	Total	Bond OPCVM	Mixed OPCVM	Total
Other short term securities	**278**	**14**	**292**	**176**	**11**	**187**
Treasury bills	148	10	158	131	9	140
Short term Treasury bonds	130	4	134	45	2	47
Banking products	**570**	**42**	**612**	**825**	**61**	**886**
Certificates of deposit	268	5	273	404	21	425
Forward accounts	210	27	237	217	31	248
Sight deposits	33	4	37	51	2	53
Liquidity	59	6	65	153	7	160
Total	**848**	**56**	**904**	**1,001**	**72**	**1,073**

Other short term securities went down in 2008, both for bond units and mixed units. This trend was due to both a drop in the outstanding volume of short term Treasury bonds and the aversion of OPCVM managers to risk for short term securities issued by companies that are not rated at “investor grade”.