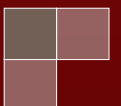


# MFSA

MALTA FINANCIAL SERVICES AUTHORITY

## **Analysis of Collective Investment Schemes licensed by the Malta Financial Services Authority**

**June 2015**



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## Fact Statistics

- *Total new funds (including sub-funds) licenced (2004 – Q2 2015): **1,154***
- *Total funds (including sub-funds) surrendered (2004 – Q2 2015): **591***
- *Net Asset Value of Malta domiciled Funds: **€9.9 billion as at end June 2015***
- *Non-Malta domiciled funds (including sub-funds) administered in Malta: **139 as at end June 2015***
- *Net Asset Value of funds (domiciled and non-domiciled in Malta) administered in Malta: **€7.3 billion as at end June 2015***

## PART 1 – Analysis of Collective Investment Scheme Licences

### 1.1 Fund registrations in the International Fund Industry

The European funds industry experienced growth in the number of registered funds in the first quarter of 2015. Luxembourg and Germany saw the number of funds expanding by 0.4 percent and 0.6 percent respectively, while funds registered in Ireland increased slightly by one percent. In contrast, the number of funds in the UK declined by over five percent in the first half of 2015.<sup>1</sup>

### 1.2 Fund registrations in Malta

The total number of funds (PIFs, AIFs, UCITS and Retail Non-UCITS) domiciled in Malta remained almost unchanged in June 2015 when compared with December 2014.

During the first half of 2015, Alternative Investment Funds/ Professional Investor Funds licensed in Malta declined by eight licences to stand at 510 as at end June 2015. UCITS funds increased by seven licences to stand at 71 at the end of June 2015, while Retail Non-UCITS funds remained unchanged at 12. Recognised Private Collective Investment Schemes increased by three during the first half of 2015.

**Table 1: Funds (including sub-funds) domiciled in Malta (2013 – June 2015)**

	2013	2014	June 2015
AIFs/PIFs	509	518	510
UCITS	70	64	71
Retail Non-UCITS	21	12	12
<b>Total locally based CISs</b>	<b>600</b>	<b>594</b>	<b>593</b>
Foreign Based	16	16	16
Recognised Private CIS	4	5	8
<b>Total CIS</b>	<b>620</b>	<b>615</b>	<b>617</b>

*Source: Malta Financial Services Authority.*

<sup>1</sup> Source: EFAMA.

### 1.3 Authorisation of new Collective Investment Schemes

During the first half of 2015, the Authority licensed 50 Collective Investment Schemes (including sub-funds), of which 39 were Alternative Investment Funds/ Professional Investor Funds and eight UCITS. Additionally, there were three new Recognised Private CIS during the same period.

**Table 2: Authorisation of new Collective Investment Schemes (2013 – June 2015)**

		2013	2014	June 2015
AIFs/PIFs	<i>Schemes</i>	44	37	18
	<i>Sub-funds</i>	115	106	39
	<i>of which Qualifying Investor</i>	97	97	31
	<i>of which Extraordinary Investor</i>	10	5	2
	<i>of which Experienced Investor</i>	8	2	4
	<i>of which Professional Investor</i>	-	2	2
UCITS	<i>Schemes</i>	5	1	5
	<i>Sub-funds</i>	18	11	8
Retail Non-UCITS	<i>Schemes</i>	0	0	0
	<i>Sub-funds</i>	0	0	0
Foreign Based	<i>Schemes</i>	0	0	0
	<i>Sub-funds</i>	0	0	0
Recognised Private CIS	<i>Schemes</i>	2	1	3

*Source: Malta Financial Services Authority.*

### 1.4 Surrenders of Collective Investment Schemes

The Authority accepted the voluntary surrender of 48 collective investment scheme licences during the first half of 2015, of which 47 were Alternative Investment Funds/ Professional Investor Funds and one UCITS. The next table provides the number of surrendered licences during the period 2013 – June 2015.

**Table 3: Surrender of licences of Collective Investment Schemes (2013 – June 2015)**

		2013	2014	June 2015
AIFs/PIFs	<i>Schemes</i>	<b>18</b>	<b>18</b>	<b>7</b>
	<b>Sub-funds</b>	<b>83</b>	<b>97</b>	<b>47</b>
	<i>of which Qualifying Investor</i>	74	86	46
	<i>of which Extraordinary Investor</i>	1	11	0
	<i>of which Experienced Investor</i>	8	0	1
	<i>of which Professional Investor</i>	-	0	0
UCITS	<i>Schemes</i>	<b>0</b>	<b>2</b>	<b>0</b>
	<b>Sub-funds</b>	5	17	1
Retail Non-UCITS	<i>Schemes</i>	<b>0</b>	<b>3</b>	<b>0</b>
	<b>Sub-funds</b>	8	9	0
Foreign Based	<i>Schemes</i>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Sub-funds</b>	5	0	0
Recognised Private CIS	<i>Schemes</i>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Sub-funds</b>	0	0	0

*Source: Malta Financial Services Authority.*

### 1.5 Summary of Collective Investment Scheme licences (2014 – June 2015)

The next table summarises the number of new licences issued and licences surrendered by the Authority, and the number of active licences for the period 2014 – June 2015.

**Table 4: Collective Investment Scheme licences (2014 – June 2015)**

		2014			June 2015		
		New licences	Licences surrendered	Total licences as at end 2014	New licences	Licences surrendered	Total licences as at end June 2015 *
AIFs/PIFs	Schemes	37	18	217	18	7	227 <sup>2</sup>
	Sub-funds	106	97	518	39	47	510
	of which Qualifying Investor	97	86	432	31	46	410 <sup>3</sup>
	of which Extraordinary Investor	5	11	39	2	0	38 <sup>4</sup>
	of which Experienced Investor	2	0	45	4	1	48
	of which Professional Investor	2	0	2	2	0	14 <sup>5</sup>
UCITS	Schemes	1	2	21	5	0	26
	Sub-funds	11	17	64	8	1	71
Retail Non-UCITS	Schemes	0	3	6	0	0	6
	Sub-funds	0	9	12	0	0	12
Foreign	Schemes	0	0	4	0	0	4
	Sub-funds	0	0	16	0	0	16
Recognised Private CIS	Schemes	1	0	5	3	0	8
	Sub-funds	0	0	0	0	0	0

\* Figures may not sum up due to conversion of licences.

Source: Malta Financial Services Authority.

## 1.6 Non-Malta domiciled funds administered in Malta

As at end June 2015, Non-Malta domiciled funds (including sub-funds) administered in Malta totalled 139, a net increase of five funds/ sub-funds (or almost four percent) from end 2014.

**Table 5: Non-Malta domiciled funds (including sub-funds) administered in Malta (2013 – June 2015)**

	Non-Malta domiciled funds administered in Malta
December 2013	188
December 2014	134
June 2015	139

Source: Malta Financial Services Authority.

<sup>2</sup> One scheme seized all its AIFs/ PIFs sub-funds and had its licence revised to Retail Non-UCITS scheme.

<sup>3</sup> Seven AIFs/ PIFs targeting Qualifying Investors were revised to target Professional Investors.

<sup>4</sup> Three AIFs/ PIFs targeting Extraordinary Investors were revised to target Professional Investors.

<sup>5</sup> Ten AIFs/ PIFs were revised to target Professional Investors.



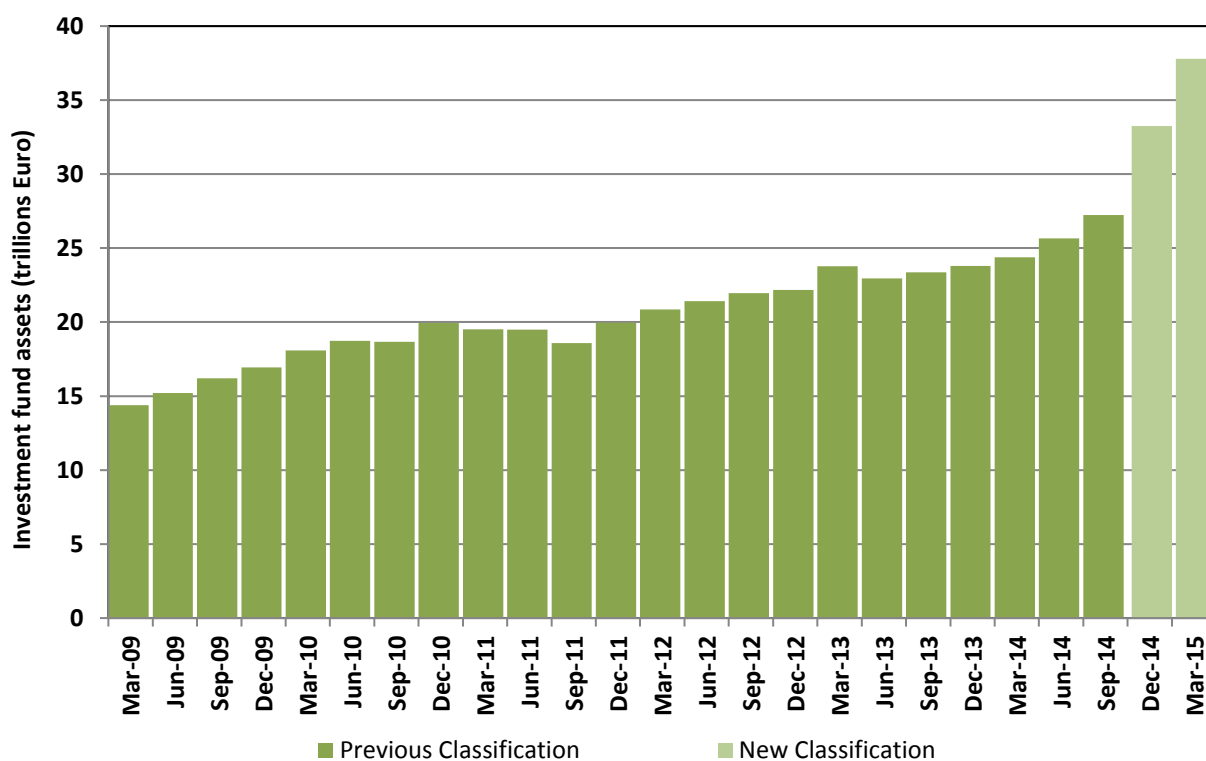
## PART 2 – Performance Analysis of Collective Investment Schemes

### 2.1 General overview of the investment fund assets in the International Fund Industry

Assets of worldwide regulated open-ended funds<sup>6</sup> increased by 13.7 percent during the first quarter of 2015 to stand at an all-time high of €37.8 trillion. During the first quarter of 2015, net sales totalled €574 billion, an increase of €99 billion (or almost 16 percent) when compared with the first quarter of the previous year.

In terms of assets, equity funds remained the largest type with a share of 40 percent of the total investment fund assets in March 2015, followed by bond funds and mixed funds at 21 percent and 17 percent respectively. During the first quarter of 2015, mixed funds experienced net sales amounting to €213 billion, followed by bond funds at €173 billion and equity funds at €157 billion.

Figure 1: Worldwide investment fund assets (2009 – Q1 2015)



Source: EFAMA.

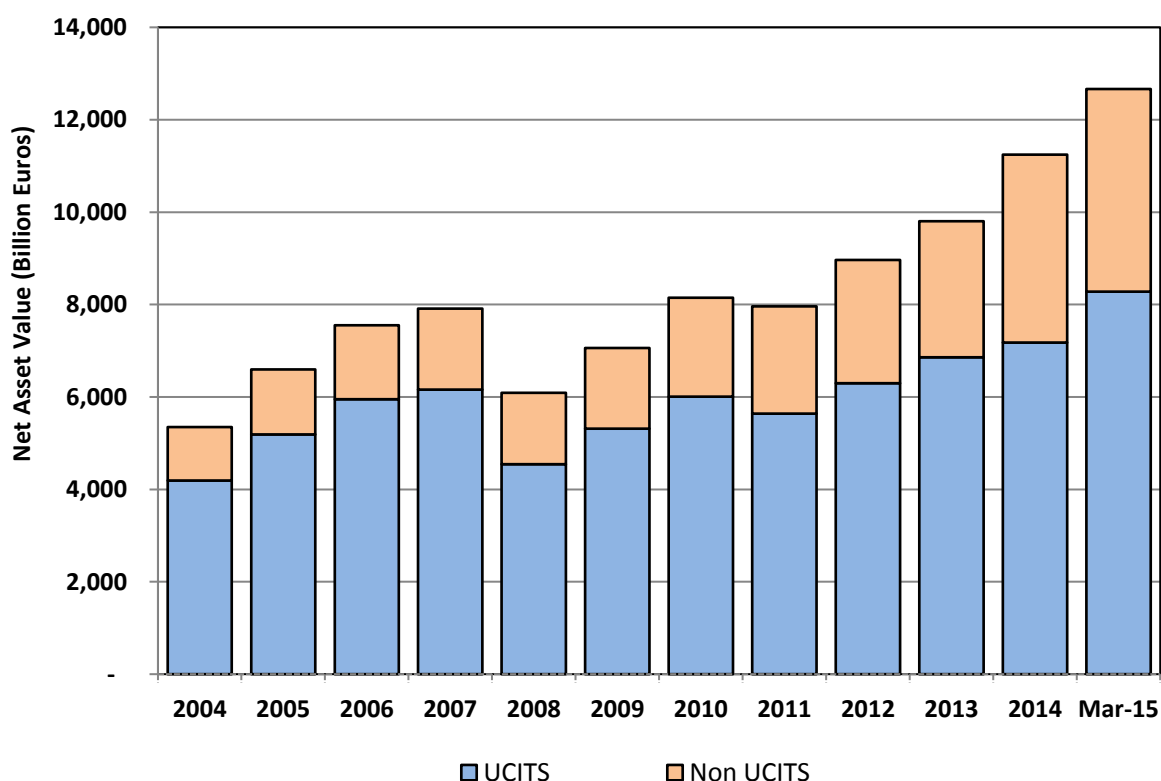
The number of worldwide investment funds (including fund of funds) expanded by almost 26 percent to stand at 115,081 at the end of the first quarter of 2015. Equity funds were the most popular funds, having a share of almost 32 percent. Mixed funds and bond funds followed at almost 26 percent and 17 percent respectively.

<sup>6</sup> As from December 2014, EFAMA introduced a new classification which incorporates additional types of open-ended funds; including ETFs, institutional funds and guaranteed/protected funds.

Investment funds in European countries reported €12.7 trillion in net assets by the end of March 2015. This represents an increase of €1.4 trillion (or almost 13 percent) when compared with December 2014.

In terms of net asset value, UCITS funds had a share of 65 percent of the European investment fund market as at end March 2015. The remaining 35 percent were invested in Non-UCITS funds. Over the period December 2014 – March 2015, net assets of UCITS funds experienced a surge of 15 percent while net assets of Non-UCITS funds grew by almost eight percent.

**Figure 2: Net asset value of European funds (2004 – Q1 2015)**



Source: EFAMA.

During the first quarter of 2015, all European fund domiciles reported growth in net asset value except Greece which reported a drop of 2.3 percent. Luxembourg experienced a growth of almost 13.9 percent while Ireland and Germany saw their net asset value increasing by 14.1 and 9.1 percent respectively. France had a surge of almost 7.3 percent while the net asset value position of the UK grew by 21 percent.

Table six represents the net assets of investment funds of a selected number of leading countries in the funds industry for the period 2013 – March 2015.

**Table 6: Net assets of investment funds in major European countries (2013 – Q1 2015)**

Country	Dec 2013 NAV	Dec 2014 NAV	Mar 2015 NAV	Percentage change Dec 2014 – Mar 2015
	Million EUR	Million EUR	Million EUR	
Luxembourg	2,615,363	3,094,987	<b>3,524,793</b>	<b>13.9</b>
Ireland	1,343,882	1,661,211	<b>1,895,664</b>	<b>14.1</b>
Germany	1,404,353	1,584,940	<b>1,728,996</b>	<b>9.1</b>
France	1,525,107	1,598,295	<b>1,715,112</b>	<b>7.3</b>
UK	1,120,760	1,202,866	<b>1,455,573</b>	<b>21.0</b>
Switzerland	356,831	420,487	<b>491,755</b>	<b>17.0</b>
Sweden	200,252	252,800	<b>288,827</b>	<b>14.3</b>
Italy	209,091	248,397	<b>273,849</b>	<b>10.3</b>
Spain	184,878	229,162	<b>251,129</b>	<b>9.6</b>
Malta	9,411	9,727	<b>10,008</b>	<b>2.9</b>

Source: EFAMA.

## 2.2 Analysis of net asset value of Malta domiciled funds

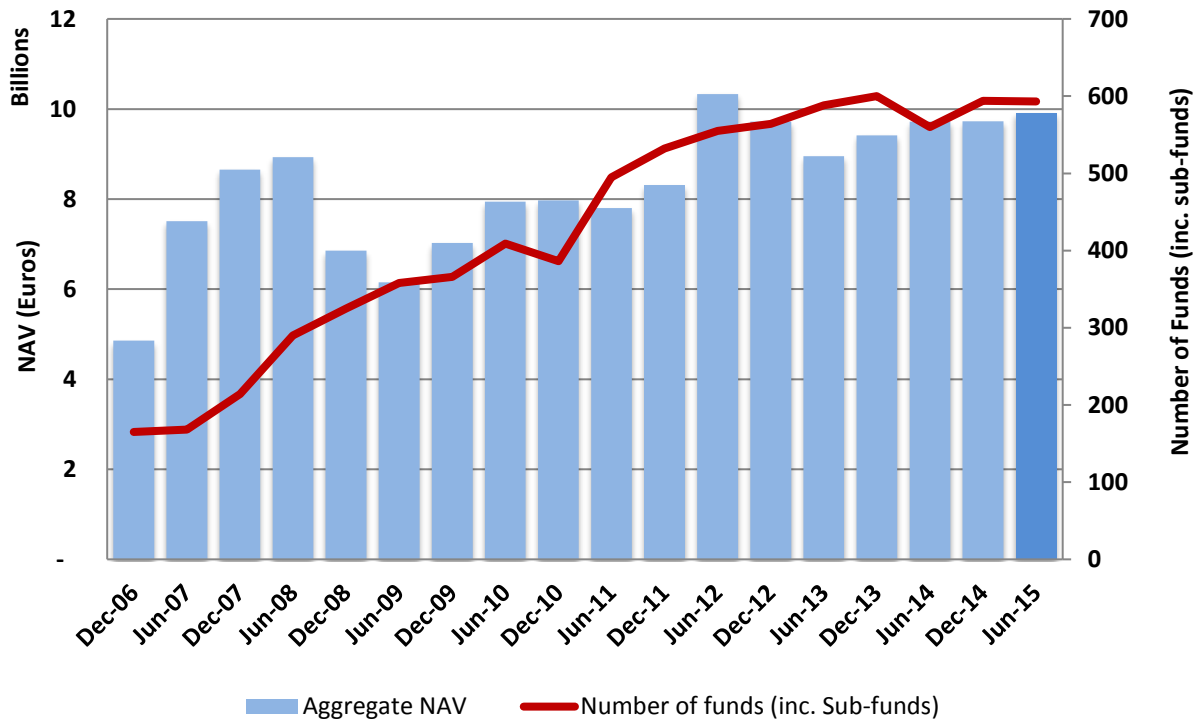
### 2.2.1 Analysis of aggregate net asset value of locally based CISs

Malta-domiciled funds<sup>7</sup> reported an aggregate net asset value of €9.9 billion at the end of the first half of 2015, an increase of €0.2 billion (or 2.1 percent) when compared with the previous end year. Diversified funds continued to be the most popular funds with investors, representing a share of 43.5 percent of the total net assets reported in June 2015. Equity funds and bond funds followed with a share of 23.7 percent and 16.5 percent respectively.

Over the period December 2014 – June 2015, mixed funds experienced the largest surge in net assets with €360 million, followed by equity funds and bond funds at €96 million and €89 million respectively. In contrast, diversified funds experienced the largest drop in net assets with a decline of €195 million, followed by hedge funds and money market funds at €113 million and €39 million respectively.

<sup>7</sup> AIFs, PIFs, UCITS, and Retail Non-UCITS.

**Figure 3: Net asset value of locally based CISs against number of registered funds (2006 – June 2015)**



Source: Malta Financial Services Authority.

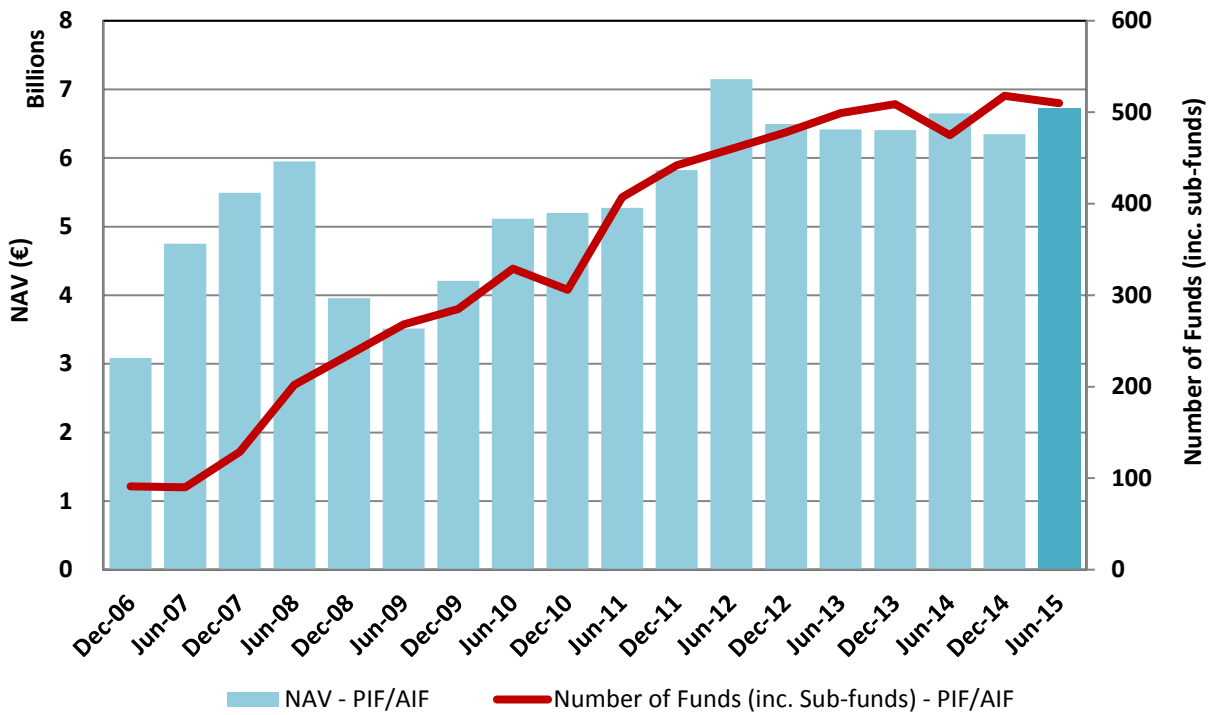
During the first half of 2015, sales reported by funds (including sub-funds) authorised in Malta amounted to €2.25 billion while redemptions reached €2.5 billion. Net revaluation adjustments totalled €0.43 billion on the positive side.

**2.2.2 Analysis of net asset value of Professional Investor Funds and Alternative Investment Funds**

By the end of June 2015, there were 510 Alternative Investment Funds/ Professional Investor Funds licenced with the Authority. Alternative Investment Funds/ Professional Investor Funds reported an aggregate net asset value of €6.7 billion in June 2015. This indicates a surge of almost €0.4 billion (or six percent) when compared to the previous year end.

Figure four below represents the net asset value of Alternative Investment Funds/ Professional Investor Funds against the number of licensed AIFs/PIFs for the period 2006 – June 2015.

Figure 4: Net asset value of AIFs/PIFs and number of licensed PIFs/AIFs (2006 – June 2015)



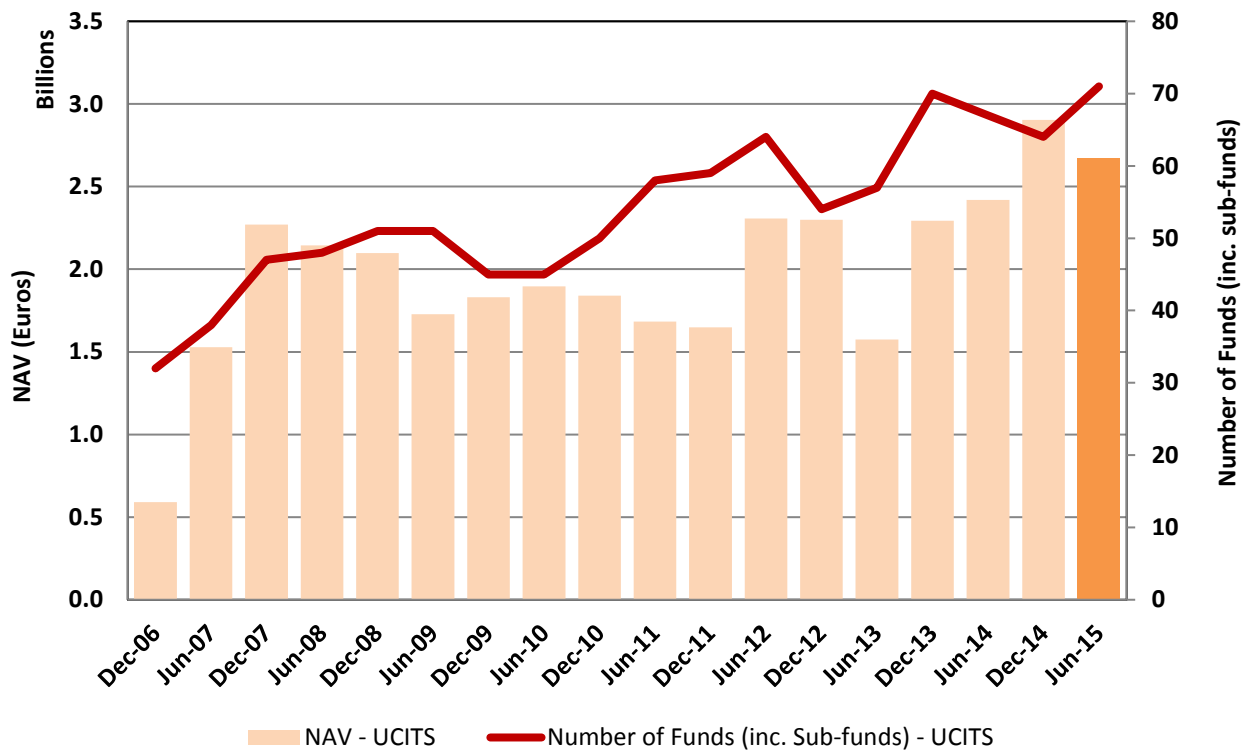
Source: Malta Financial Services Authority.

### 2.2.3 Analysis of net asset value of UCITS funds

Although the number of licenced UCITS funds increased over the period December 2014 – June 2015, the net asset value declined by €0.23 billion (or almost eight percent) to stand at €2.67 billion as at end June 2015.

The next figure illustrates the net asset value and the number of licensed UCITS funds for the period 2006 – June 2015.

Figure 5: Net asset value of UCITS funds and number of licensed UCITS funds (2006 – June 2015)



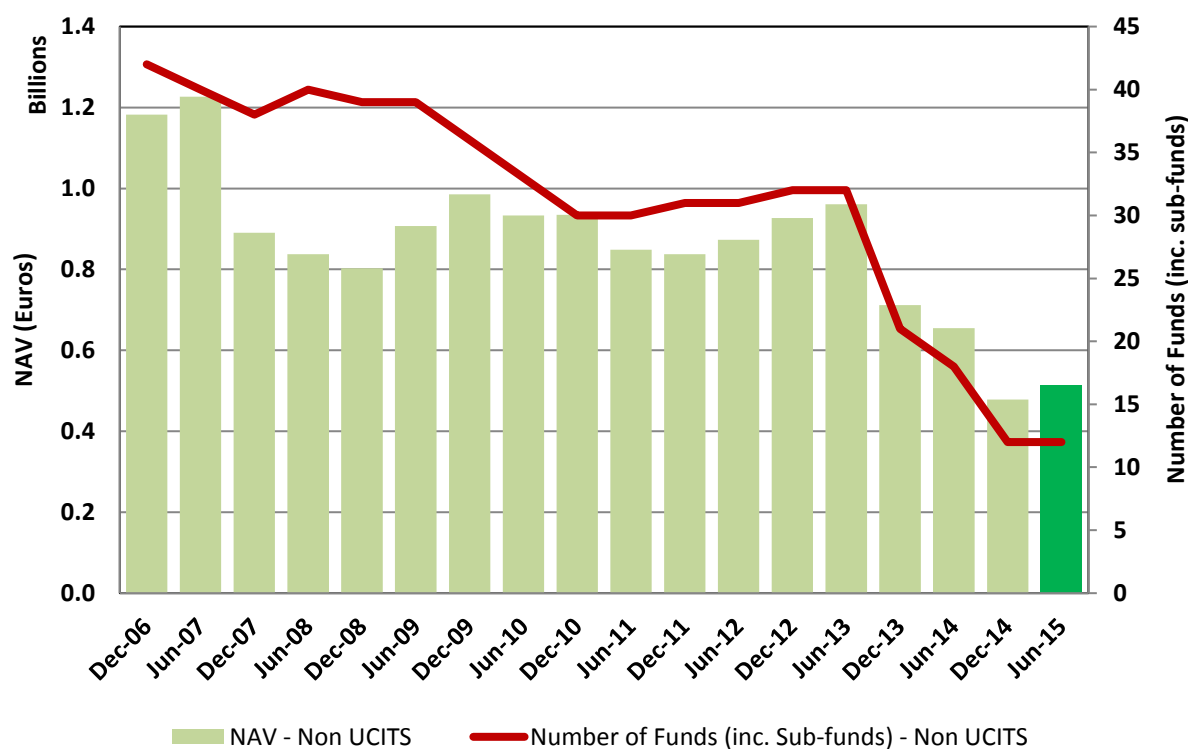
Source: Malta Financial Services Authority.

#### 2.2.4 Analysis of net asset value of Retail Non-UCITS funds

As at end June 2015, Retail Non-UCITS funds remained unchanged at 12. Net assets surged by €0.04 billion (or almost eight percent) in the first half of 2015 to stand at €0.51 billion as at end June 2015.

The next figure represents the net asset value and number of licensed Retail Non-UCITS funds for the period 2006 – June 2015.

**Figure 6: Net asset value of Retail Non-UCITS funds and number of licensed Retail Non-UCITS funds (2006 – June 2015)**



Source: Malta Financial Services Authority.

### 2.3 Asset class allocation of investment funds<sup>8</sup>

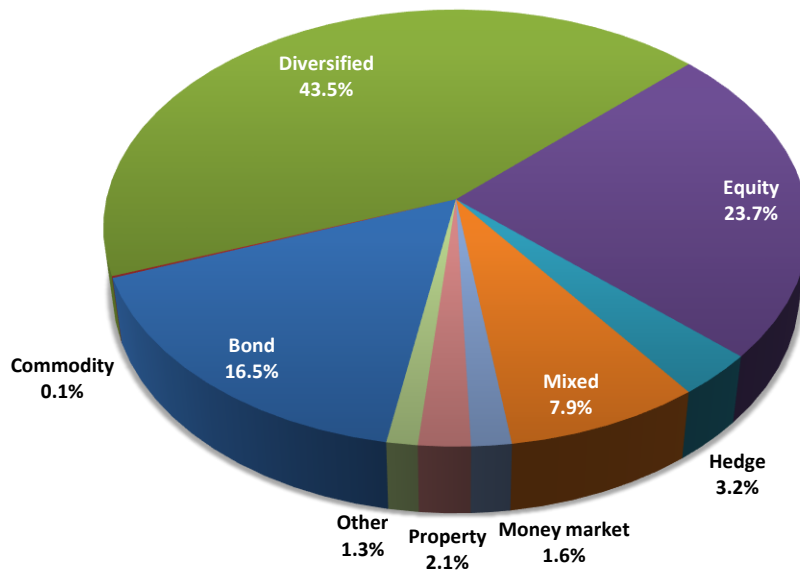
By end June 2015, diversified funds<sup>9</sup> had the largest share in terms of net assets with 43.5 percent (or €4.3 billion) of the aggregate June 2015 NAV. Equity funds enjoyed almost 24 percent (or €2.4 billion) while bond funds had a share of 16.5 percent (or €1.64 billion) of the aggregate June 2015 NAV.

Figure seven illustrates the composition of funds (including sub-funds) domiciled in Malta by asset category as at end June 2015.

<sup>8</sup> The asset allocation of funds was extracted from the prospectuses of the funds. Consequently, it does not necessarily mean that the allocated assets of the funds were invested accordingly.

<sup>9</sup> Diversified funds are funds investing in a variety of asset classes.

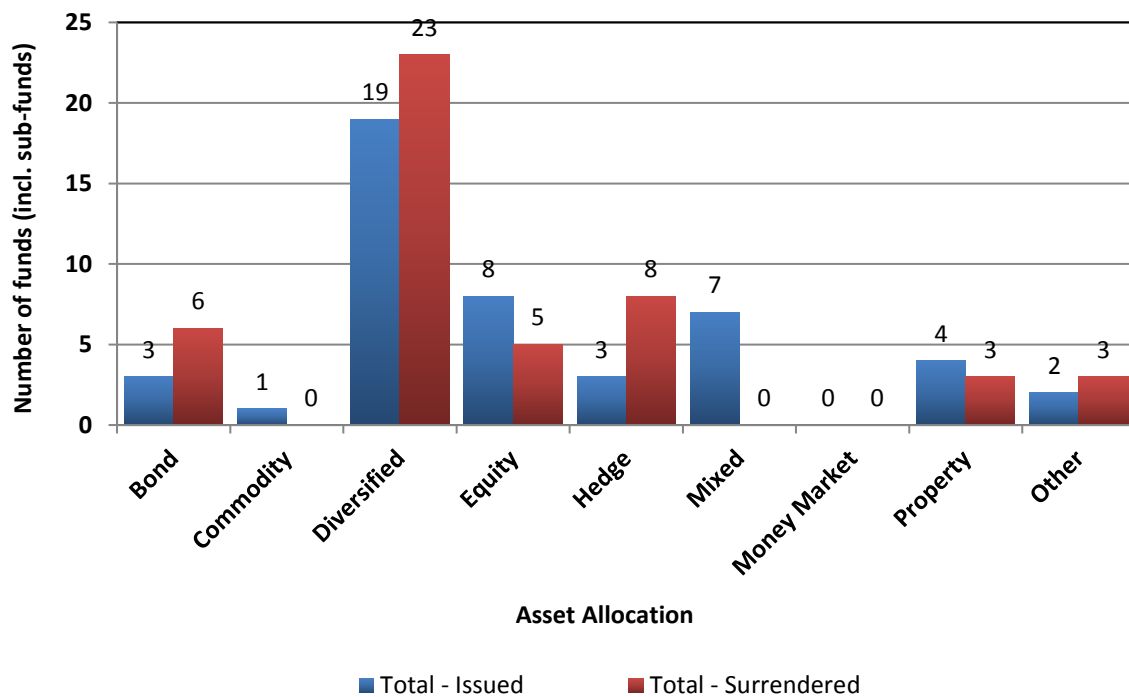
**Figure 7: Net asset value by asset allocation (June 2015)**



Source: Malta Financial Services Authority.

Diversified funds were the most issued type of funds with a share of over 40 percent of the total new funds licenced during the first half of 2015. Equity funds and mixed funds followed at 17 percent and 15 percent respectively. The figure below represents the number of issued and surrendered funds in the first half of 2015 by asset allocation.

**Figure 8: New authorised and surrendered funds by asset allocation during the first half of 2015**



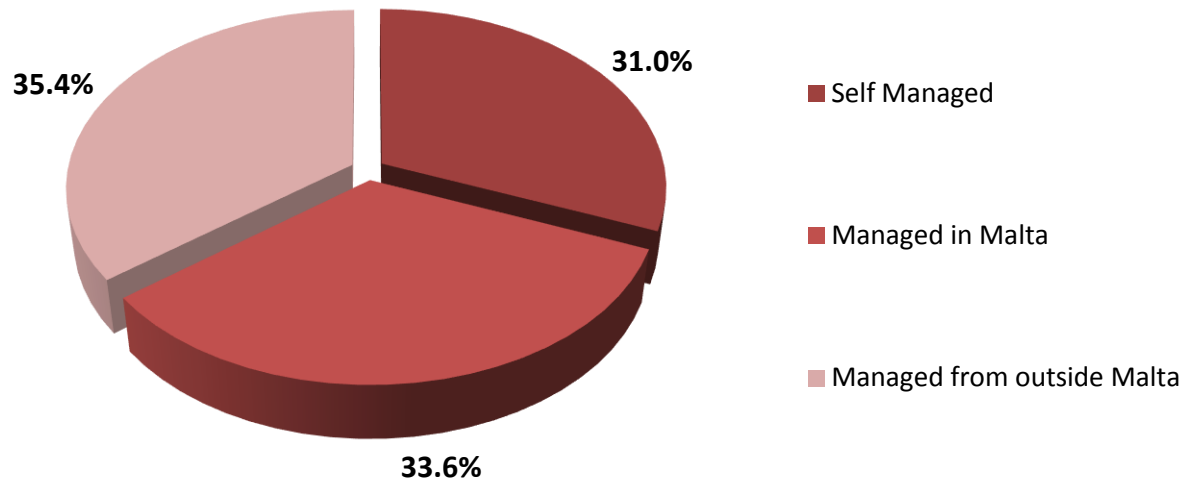
Source: Malta Financial Services Authority.



## 2.4 Management of funds

As at end June 2015, 33.6 percent of the funds were managed in Malta while 35.4 percent were managed from outside Malta. Self-managed funds continued to gain ground with a share of 31 percent of the total number of funds licensed in June 2015. This represents a surge of almost two percentage points when compared to the previous end year.

**Figure 9: Management of locally based investment funds (June 2015)**

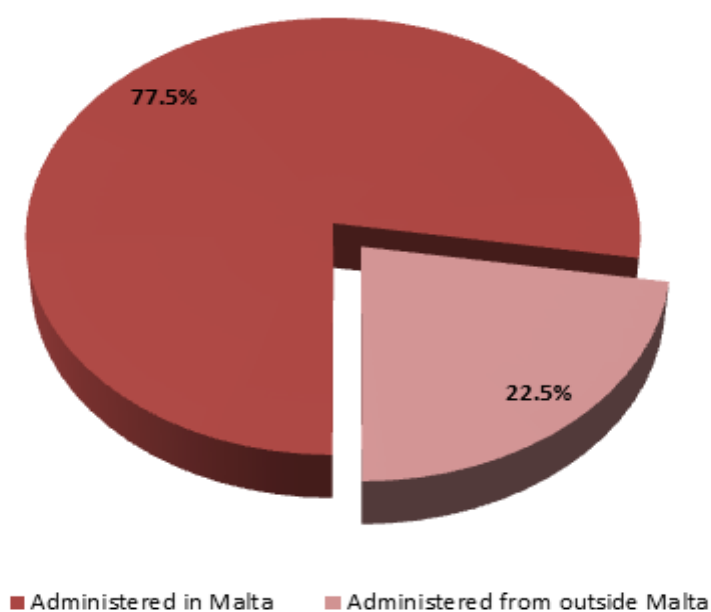


*Source: Malta Financial Services Authority.*

## 2.5 Administration of funds

In the first half of 2015, the number of funds administered in Malta increased by 2.1 percentage points with over 77 percent of the funds being administered in Malta as at end June 2015. Over 22 percent of the funds were administered from outside Malta.

**Figure 10: Administration of locally based investment funds (June 2015)**



*Source: Malta Financial Services Authority.*

## 2.6 Structure of funds

As at end June 2015, over 76 per cent of the Collective Investment Schemes operated as a multi fund structure, almost 18 per cent as stand-alone structure while about five per cent were licensed as master-feeder structures.

The table below represents the operating structures of collective investment schemes domiciled in Malta as at end June 2015.

**Table 7: Schemes by operating structure as at end June 2015**

	Number of schemes as at June 2015	% number of schemes against total schemes
Master/Feeder (Master)	7	2.7
Master/Feeder (Feeder)	7	2.7
Stand Alone	47	18.1
Multi fund	198	76.5
<b>Total</b>	<b>259</b>	<b>100</b>

*Source: Malta Financial Services Authority.*

## 2.7 Funds listed on Malta Stock Exchange

Fund/ sub-funds listed on the Malta Stock Exchange totalled 24 as at end June 2015, of which nine were Alternative Investment Funds/ Professional Investor Funds, nine Retail Non-UCITS funds and six UCITS funds.

**Table 8: Funds listed on Malta Stock Exchange as at end June 2015**

Type of CIS	Funds listed on MSE
AIF/PIF	9
UCITS	6
Retail Non-UCITS	9
<b>Total</b>	<b>24</b>

*Source: Malta Financial Services Authority.*

## 2.8 Non-Malta Domiciled funds administered in Malta

In terms of net assets, non-Malta domiciled funds administered in Malta had a net asset value of slightly over two billion euro as at end June 2015. This indicates a surge of €0.26 billion or almost 15 percent when compared to the previous end year.

**Table 9: NAV of Non-Malta domiciled funds (including sub-funds) administered in Malta (2013 – June 2015)**

	NAV of non-Malta domiciled funds administered in Malta (Billion Euro)
December 2013	1.67
December 2014	1.76
June 2015	2.02

*Source: Malta Financial Services Authority.*

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