

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

**Analysis of Collective Investment
Schemes licensed by the Malta
Financial Services Authority
(2012)**

June 2013

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Fact Statistics

- *Total new funds (including sub-funds) licenced (2004 - 2012):* **851**
- *Total funds (including sub-funds) surrendered (2004 – 2012):* **324**
- *Net Asset Value of Malta domiciled Funds:* **€9.7 billion as at end 2012**
- *Non-Malta domiciled funds (including sub-funds) administered in Malta:* **144 as at end 2012**
- *Net Asset Value of funds (domiciled and non-domiciled in Malta) administered in Malta:* **€7.0 billion as at end 2012**

PART 1 – Analysis of Collective Investment Scheme Licences

1.1 Fund registrations in the International Fund Industry

A number of European countries experienced growth in the number of licensed funds in 2012, with some of them reporting upturns even above three per cent. Nevertheless, other countries suffered drops, of which some of them for more than two consecutive years, despite improved financial market conditions during the year. Luxembourg and Germany reported an increase of almost one per cent in the number of authorised funds in 2012 while the number of funds in Ireland went up by nearly five per cent. Other large domiciles, such as France and Italy, reported drops of 1.2 and 6.6 per cent respectively over the period 2011 - 2012.

1.2 Fund registrations in Malta

There were 587 funds (including sub-funds) domiciled in Malta at the end of 2012. This represents an increase of over five per cent from the previous year. The number of licensed Professional Investor Funds (PIFs) went up by eight per cent, from 442 in 2011 to 478 in 2012. UCITS funds declined by almost nine per cent (or five net licences) over the period 2011 – 2012 while the number of Retail Non-UCITS funds increased by one licence over the previous year. There was no change in the number of licensed recognised private CIS while the number of foreign based funds declined by one licence.

Table 1: Funds (including sub-funds) domiciled in Malta (2010 – 2012).

	2010	2011	2012
PIFs	306	442	478
UCITS	50	59	54
Retail Non-UCITS	30	31	32
Total locally based CISs	386	532	564
Foreign Based	22	22	21
Recognised Private CIS	2	2	2
Total CIS	410	556	587

Source: Malta Financial Services Authority.

1.3 Authorisation of new Collective Investment Schemes

The Authority authorised 128 new funds (including sub-funds) in 2012, of which 117 were Professional Investor Funds, nine UCITS funds and two Retail Non-UCITS funds. Of the 117

authorised PIFs, 103 targeted Qualifying Investors, nine targeted Extraordinary Investors and five targeted Experienced Investors.

Table 2: Authorisation of new Collective Investment Schemes (2010 – 2012).

		2010	2011	2012	
PIFs	Schemes	39	45	34	
	Sub-funds	Qualifying Investor	95	141	103
		Extraordinary Investor	1	15	9
		Experienced Investor	6	7	5
		Total	102	163	117
UCITS	Schemes	4	4	6	
	Sub-funds	5	14	9	
Retail Non-UCITS	Schemes	0	1	0	
	Sub-funds	0	2	2	
Foreign Based	Schemes	0	0	0	
	Sub-funds	0	0	0	
Recognised Private CIS	Schemes	1	0	0	
	Sub-funds	1	0	0	

Source: Malta Financial Services Authority.

1.4 Surrenders of Collective Investment Schemes

During 2012, 81 Professional Investor Funds surrendered the licence; 72 PIFs targeted Qualifying Investors, two targeted Extraordinary Investors and seven targeted Experienced Investors. Furthermore, fourteen UCITS funds (including sub-funds) and one Retail Non-UCITS fund surrendered the licence in 2012.

Table 3: Collective Investment Schemes surrendered (2010 – 2012).

		2010	2011	2012	
PIFs	Schemes	7	4	12	
	Sub-funds	Qualifying Investor	73	24	72
		Extraordinary Investor	3	0	2
		Experienced Investor	5	2	7
		Total	81	26	81
UCITS	Schemes	0	2	0	
	Sub-funds	0	5	14	
Retail Non-UCITS	Schemes	1	0	1	
	Sub-funds	6	1	1	
Foreign	Schemes	1	0	1	
	Sub-funds	4	0	1	
Recognised Private CIS	Schemes	2	0	0	
	Sub-funds	2	0	0	

Source: Malta Financial Services Authority.

1.5 Summary of Collective Investment Scheme licences (2010 – 2012)

The next table summarises the new licences issued and surrendered by the Authority, and the number of active licences at the end of years 2010, 2011 and 2012.

Table 4: Collective Investment Scheme licences (2010 – 2012).

		2010			2011			2012			
		New licences	Licences surrendered	Total licences as at end 2010	New licences	Licences surrendered	Total licences as at end 2011	New licences	Licences surrendered	Total licences as at end 2012	
PIFs	Schemes	39	7	108	45	4	149	34	12	171	
	Sub-funds	Qualifying Investor	95	73	251	141	24	367	103	72	398
		Extraordinary Investor	1	3	15	15	0	30	9	2	37
		Experienced Investor	6	5	40	7	2	45	5	7	43
		Total	102	81	306	163	26	442	117	81	478
UCITS	Schemes	4	0	8	4	2	10	6	0	16	
	Sub-funds	5	0	50	14	5	59	9	14	54	
Retail Non-UCITS	Schemes	0	1	11	1	0	12	0	1	11	
	Sub-funds	0	6	30	2	1	31	2	1	32	
Foreign Based	Schemes	0	1	5	0	0	5	0	1	4	
	Sub-funds	0	4	22	0	0	22	0	1	21	
Recognised Private CIS	Schemes	1	2	2	0	0	2	0	0	2	
	Sub-funds	1	2	2	0	0	2	0	0	2	

Source: Malta Financial Services Authority.

1.6 Non-Malta Domiciled Funds administered in Malta

At the end of 2012, 144 non-Malta domiciled funds (including sub-funds) were administered in Malta. This represents a decline of 12 per cent from the previous year.

Table 5: Non-Malta domiciled funds (including sub-funds) administered in Malta (2010 – 2012).

	Non-Malta domiciled funds (including sub-funds) administered in Malta
December 2010	78
December 2011	164
December 2012	144

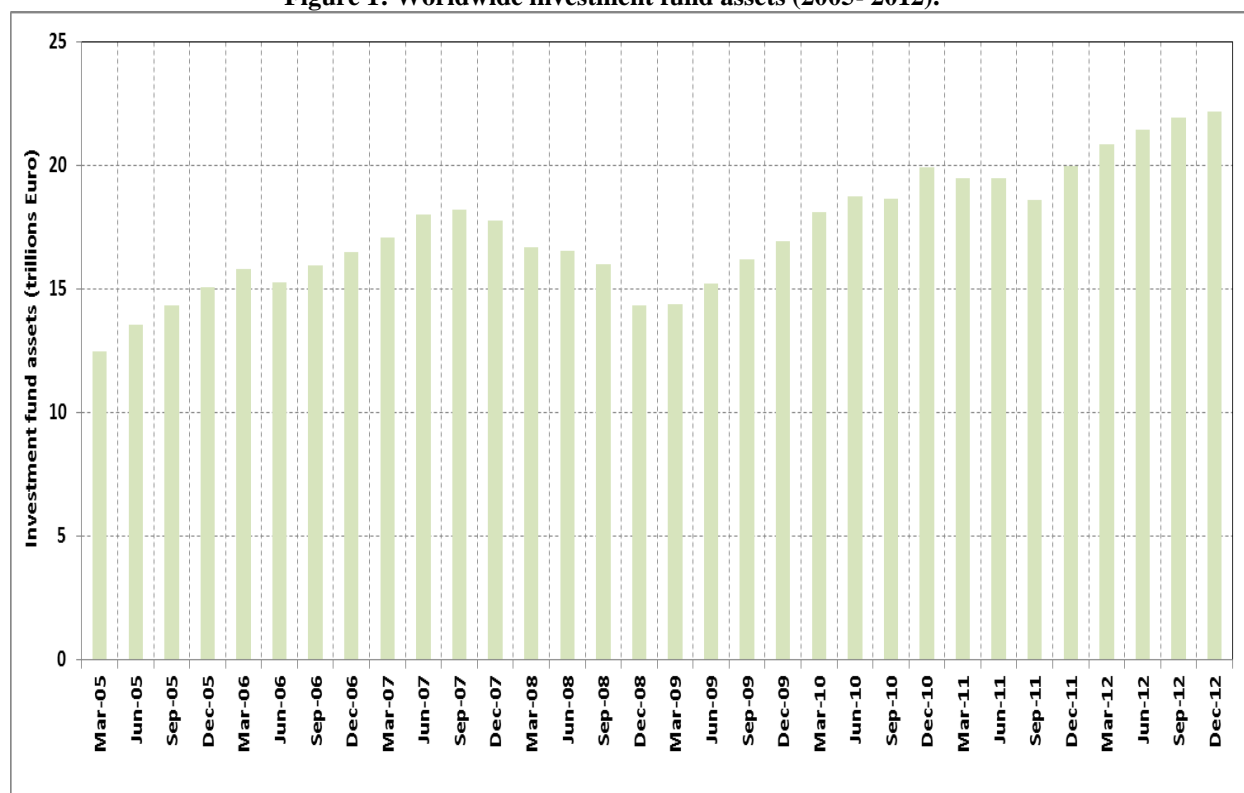
Source: Malta Financial Services Authority.

PART 2 – Performance Analysis of Collective Investment Schemes

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

Worldwide investment fund assets expanded by 11 per cent in 2012 from the previous year, to stand at €22.2 trillion at the end of 2012. Net sales amounted to €828 billion in 2012 with bond funds having the largest share of the total volume (€599 billion or 72.3 per cent).

Figure 1: Worldwide investment fund assets (2005- 2012).



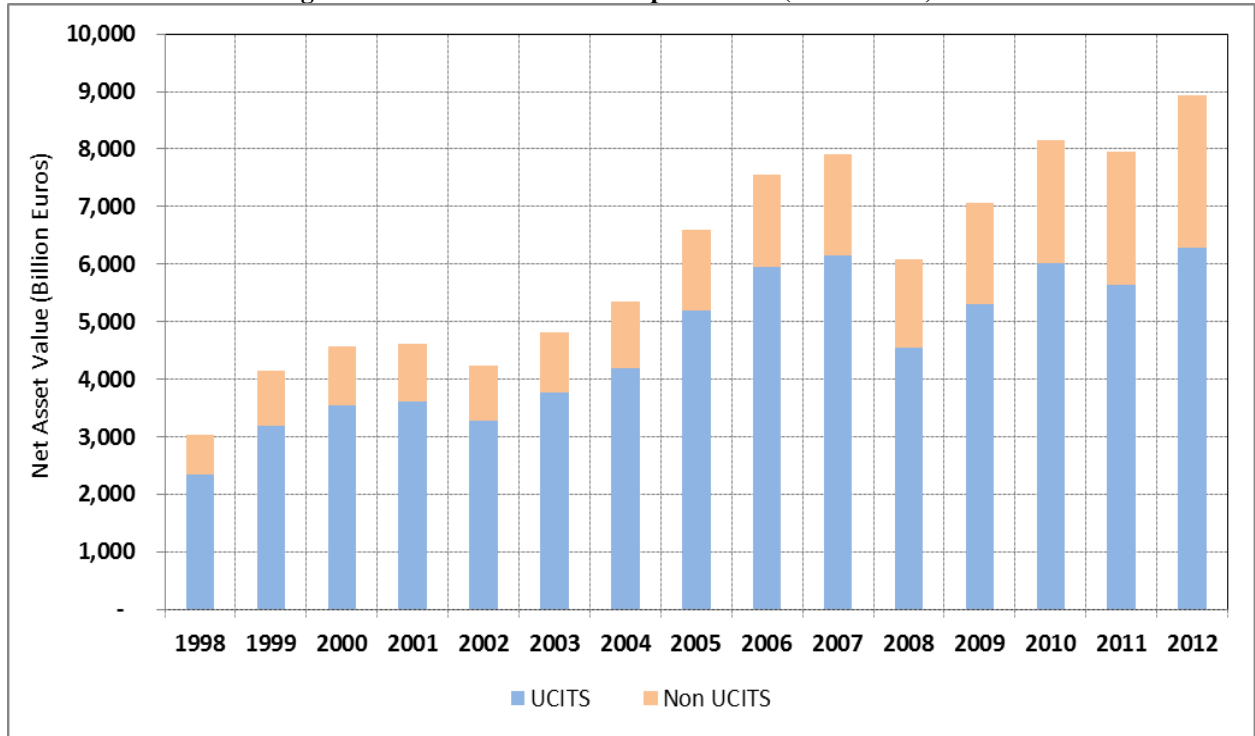
Source: EFAMA.

The composition of worldwide assets of investment funds in 2012 remained virtually unchanged from the previous year. Assets of equity funds had a share of 37 per cent, 24 per cent of assets were invested in bond funds, money market funds had a share of almost 16 per cent while the asset share of balanced/mixed funds was 11 per cent. Other/unclassified funds had an asset share of 12 per cent.

In terms of number of authorised funds in 2012, 33 per cent were equity funds, 21 per cent were balanced funds, 16 per cent were bond funds, and three per cent were money market funds. About 27 per cent of the funds were unclassified/other funds.

Investment fund assets in Europe climbed up by over 12 per cent in 2012 over the previous year to stand at €8.9 trillion. Over the same period, UCITS funds gained almost 12 per cent to stand at €6.3 trillion while Non-UCITS funds expanded by over 14 per cent reaching €2.6 trillion in 2012.

Figure 2: Net asset value of European funds (1998 – 2012).



Source: EFAMA.

The majority of European countries reported significant growths in the net assets of the investment funds in 2012. Namely, Ireland and the UK recorded spreads exceeding 16 per cent while Germany and Luxembourg reported rises beyond 13 per cent. Funds authorised in France and Netherlands saw the net asset value rising by 8.5 and 6.5 per cent respectively.

The next table represents the net assets of investment funds of a selected number of leading countries in the funds industry for the period 2010 – 2012.

Table 6: Net assets of investment funds in major European countries (2010 - 2012).

Country	Dec 2010 NAV	Dec 2011 NAV	Dec 2012 NAV
	Million EUR	Million EUR	Million EUR
Belgium	97,229	84,701	87,298
France	1,502,680	1,387,341	1,505,731
Germany	1,125,277	1,133,874	1,285,527
Ireland	962,503	1,055,267	1,227,425
Italy	239,210	200,445	190,492
Luxembourg	2,198,988	2,096,506	2,383,826
Netherlands	78,066	64,364	68,577
UK	793,957	827,670	969,636

Source: EFAMA.

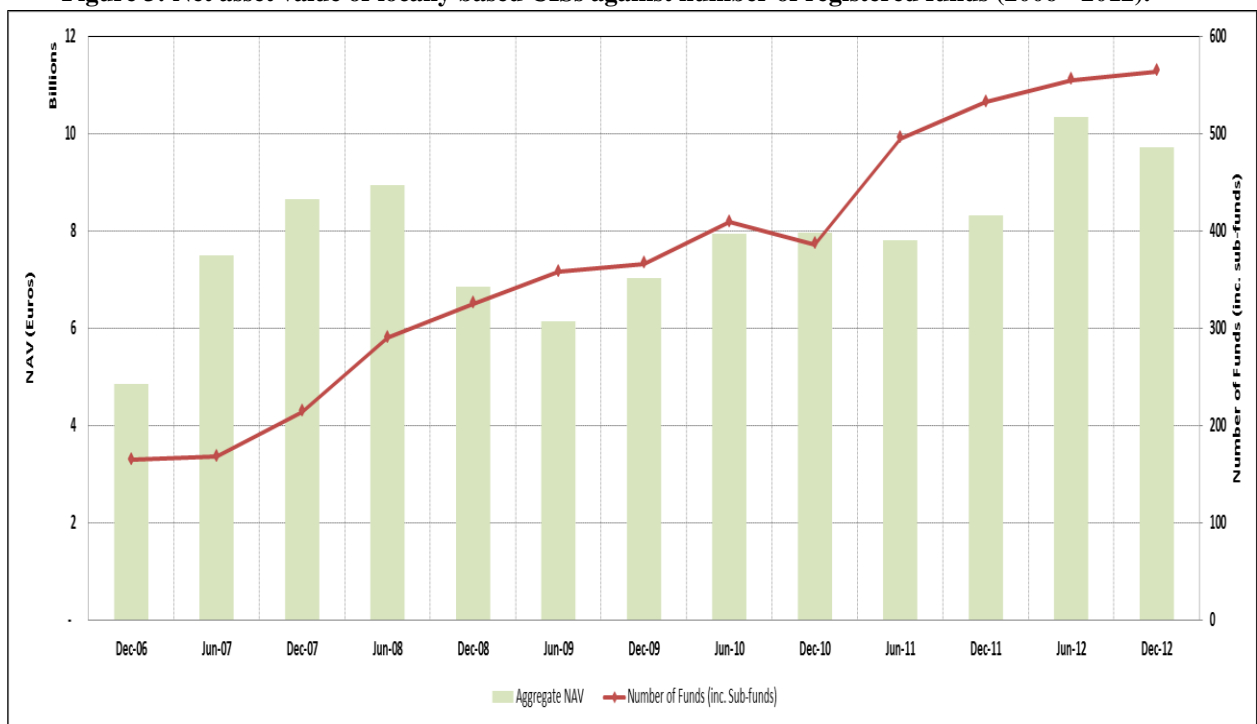
2.2 Analysis of net asset value of Malta domiciled funds

2.2.1 Analysis of aggregate net asset value of locally based CISs

The aggregate net asset value of funds domiciled in Malta (PIFs, UCITS, and Retail Non-UCITS) increased by almost 17 per cent in 2012 from the previous year; from €8.3 billion registered at the end of 2011 to almost €9.7 billion at the end of 2012.

A number of new funds (including sub-funds), the majority being Professional Investor Funds, started delivering a net asset value during 2012 which generally was the drive to the significant growth in the net asset value in 2012.

Figure 3: Net asset value of locally based CISs against number of registered funds (2006 - 2012).



Source: Malta Financial Services Authority.

Investment funds reported sales totalling €5.2 billion in 2012, an increase of €1.33 billion or 35 per cent from the previous year. Although redemptions climbed up by 22 per cent or €0.7 billion over the period 2011 – 2012, this still represents almost 13 per cent short from 2010. The aggregate net asset revaluations returned to positive ground in 2012, from - €0.35 billion in 2011 to €0.27 billion in 2012.

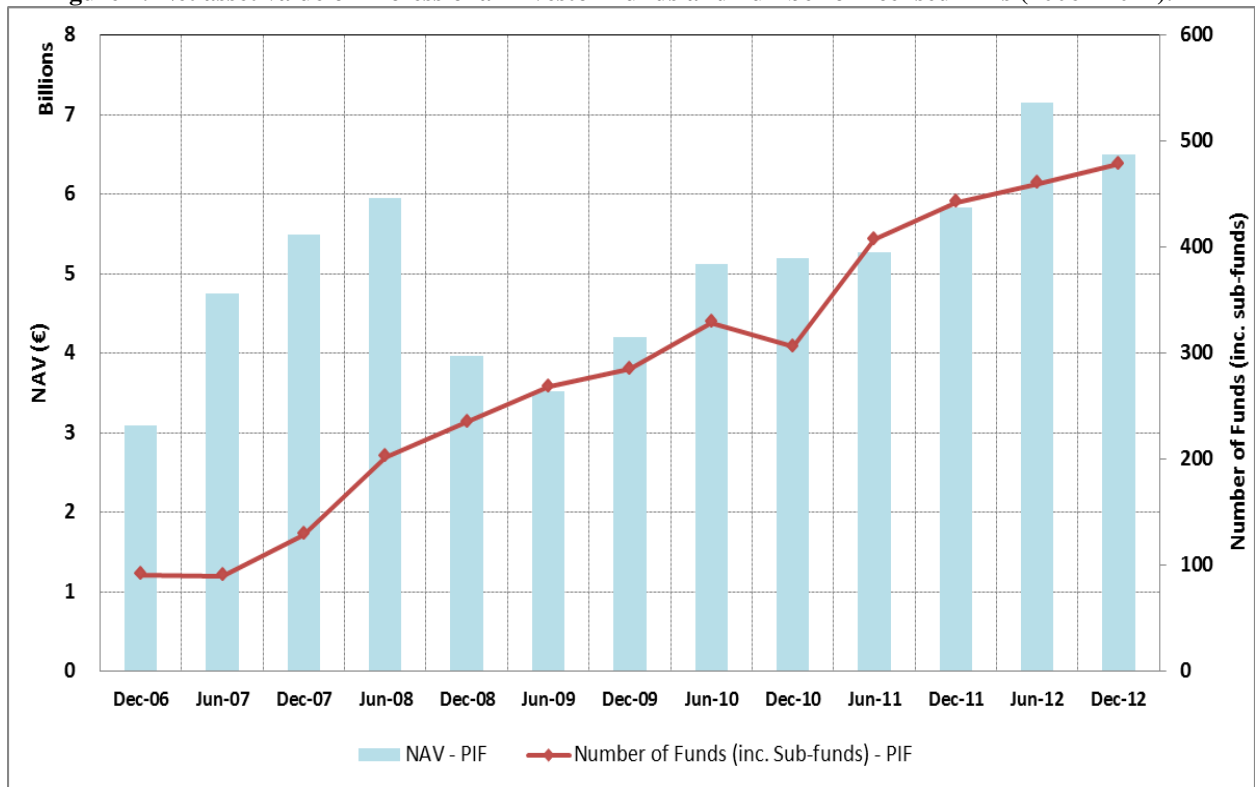
2.2.2 Analysis of net asset value of Professional Investor Funds

The net asset value of Professional Investor Funds reached over €6.5 billion in 2012, up by more than 11 per cent or €0.7 billion from the previous year. The increase in the net asset

value was generally contributed by a number of new PIFs which started operating for the first time during the year.

Figure four represents the net asset value of Professional Investor Funds and number of licensed PIFs for the period 2006 – 2012.

Figure 4: Net asset value of Professional Investor Funds and number of licensed PIFs (2006 - 2012).



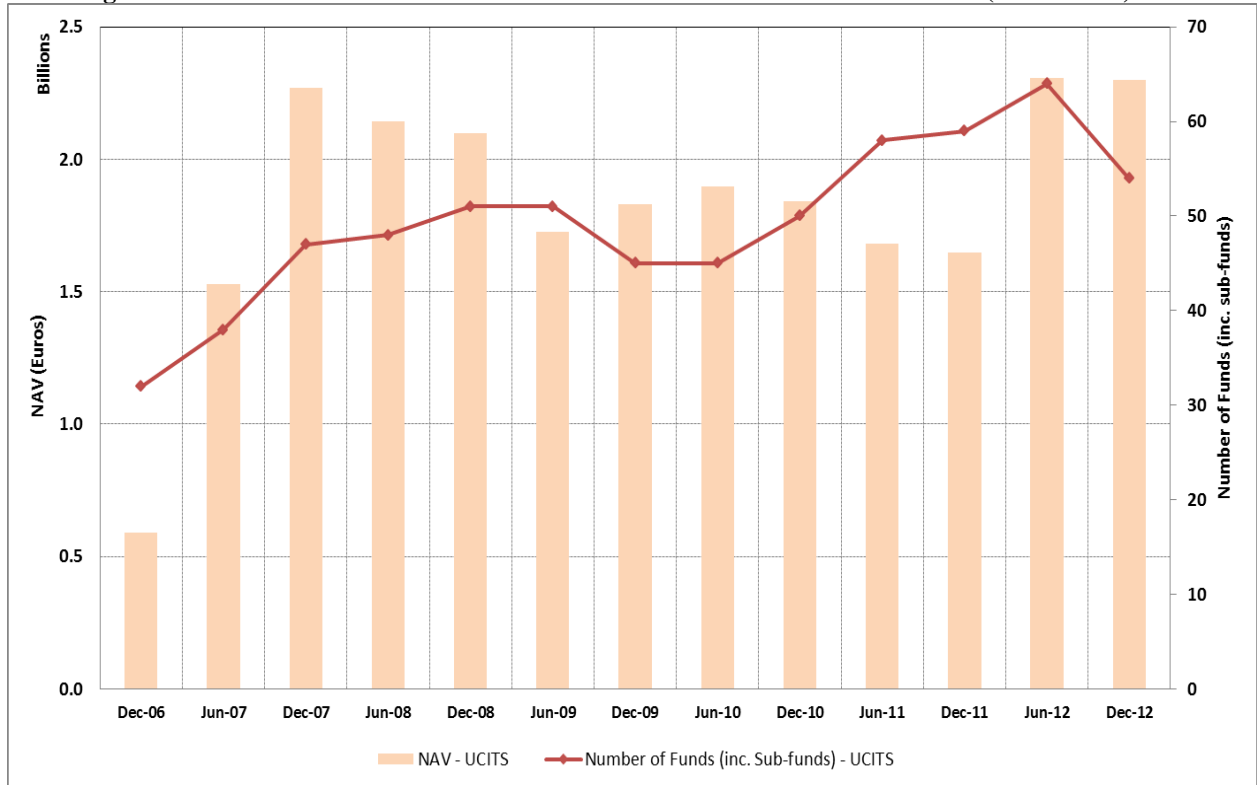
Source: Malta Financial Services Authority.

2.2.3 Analysis of net asset value of UCITS funds

The net asset value of UCITS funds improved by almost 39 per cent (or €0.65 billion) over the period 2011-2012. The surge in the net asset value is attributed to new funds which started delivering a net asset value during the year.

Figure five illustrates the net asset value and the number of licensed UCITS funds for the period 2006 – 2012.

Figure 5: Net asset value of UCITS funds and number of licensed UCITS funds (2006 - 2012).



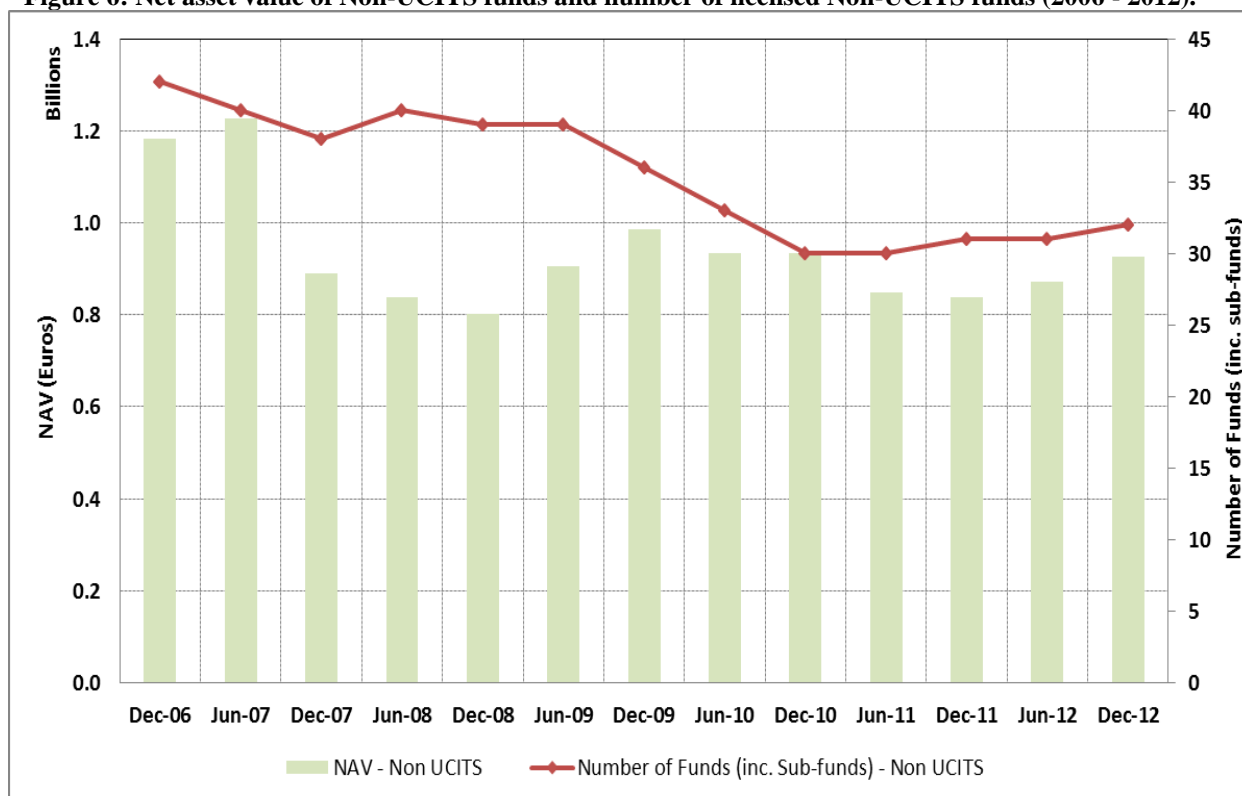
Source: Malta Financial Services Authority.

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

Retail Non-UCITS funds recorded a net asset value of €0.93 billion at the end of 2012, up by €0.1 billion from 2011. The increase in the net asset value is a result of larger sales than the amount redeemed by investors and funds which were positively revalued during the year.

The next figure represents the net asset value and number of licensed Retail Non-UCITS funds for the period 2006 – 2012.

Figure 6: Net asset value of Non-UCITS funds and number of licensed Non-UCITS funds (2006 - 2012).



Source: Malta Financial Services Authority.

2.3 Asset class allocation¹

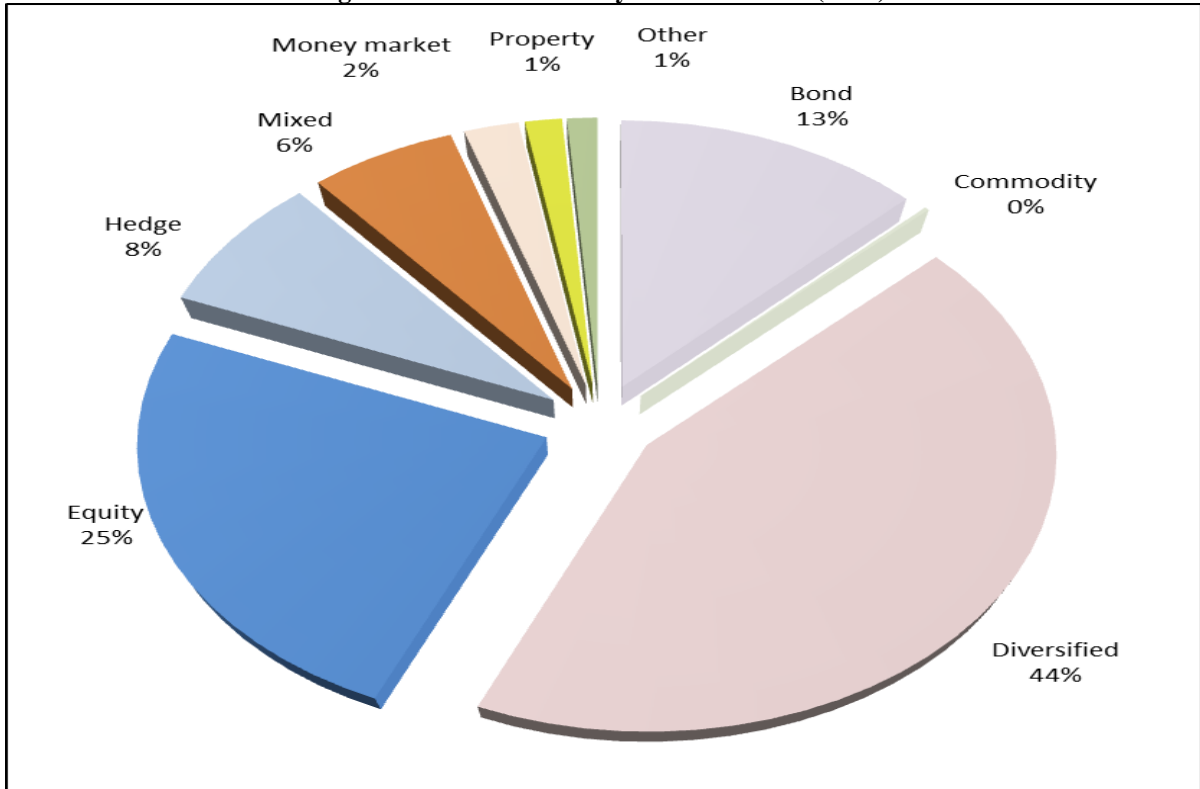
Diversified funds² had the largest share with 44 per cent (or €4.3 billion) of the aggregate December 2012 net asset value. About €2.4 billion, or 24 per cent of the aggregate net asset value, were invested in equity funds while bond funds were the third largest funds in 2012 with a share of 13 per cent of the aggregate net asset value. Figure 7 illustrates the composition of net asset value by asset allocation as at the end of 2012.

During 2012, diversified funds were the most common type of new funds licensed with a share of almost 43 per cent. Equity funds followed at 22 per cent of the total new funds issued in 2012, followed by bond and hedge funds. Figure 8 illustrates the number of new funds issued and surrendered by asset allocation during 2012.

¹ The asset allocation of funds was extracted from the prospectuses of the funds.

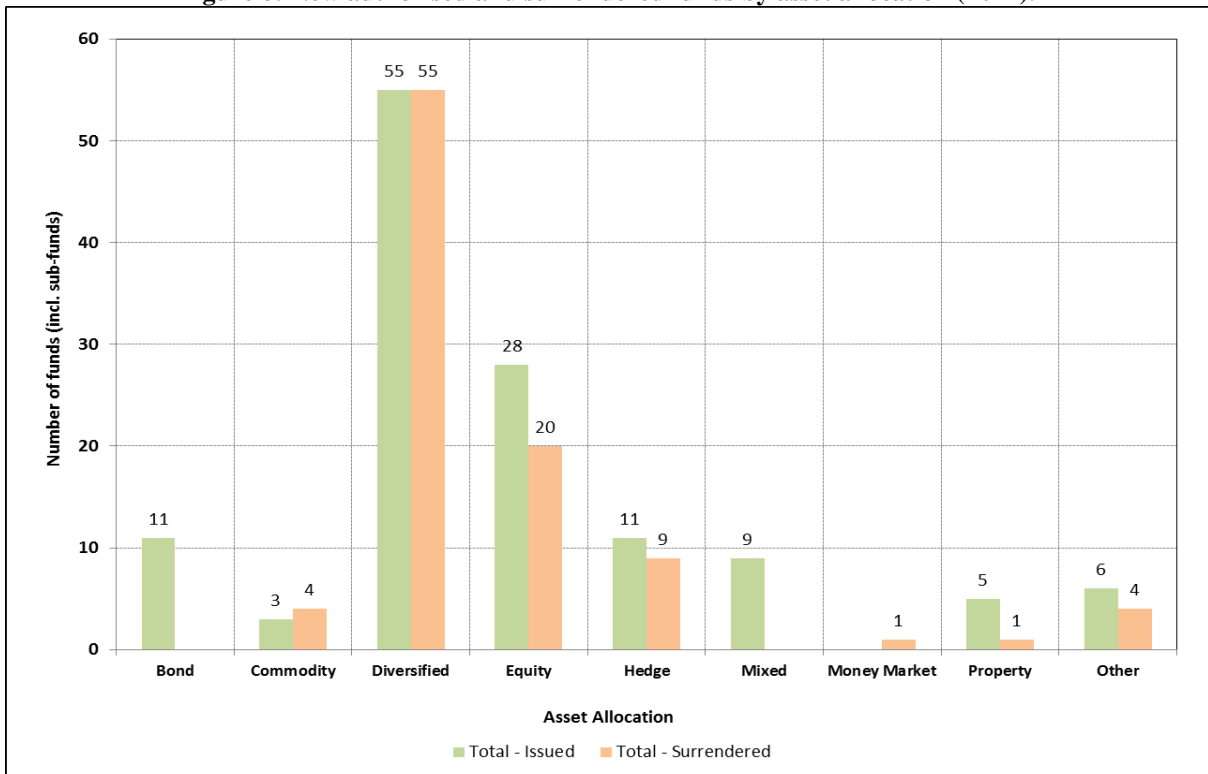
² Diversified funds are funds investing in a variety of asset classes.

Figure 7: Net asset value by asset allocation (2012).



Source: Malta Financial Services Authority.

Figure 8: New authorised and surrendered funds by asset allocation (2012).



Source: Malta Financial Services Authority.

2.4 Management of funds

Almost 39 per cent of Malta-domiciled funds (including sub-funds) were managed by Malta-based fund managers in 2012 compared to 38 per cent in 2011. The percentage number of funds (including sub-funds) managed from outside Malta was around 45 per cent in 2012, six per cent down from than the previous year. About 16 per cent of the funds (including sub-funds) were self-managed.

Table 7: Management of locally based investment funds (2011 – 2012).

	% number of funds (including sub-funds) as at end 2011	% number of funds (including sub-funds) as at end 2012
Self-managed	10.7	16.0
Managed in Malta	38.4	39.2
Managed from outside Malta	50.9	44.9

Source: Malta Financial Services Authority.

2.5 Administration of funds

Over 71 per cent of the funds (including sub-funds) domiciled in Malta were administered in Malta in 2012 while almost 29 per cent of the funds (including sub-funds) were administered from outside Malta. The share of funds (including sub-funds) which were self-administered remained unchanged from the previous year at 0.2 per cent.

Table 8: Administration of locally based investment funds (2011 – 2012).

	% number of funds (including sub-funds) as at end 2011	% number of funds (including sub-funds) as at end 2012
Self-administered	0.2	0.2
Administered in Malta	70.3	71.2
Administered from outside Malta	29.5	28.6

Source: Malta Financial Services Authority.

2.6 Structure of funds

As at end 2012, 81 per cent of the Collective Investment Schemes operated as a multi fund structure, 12 per cent as stand-alone structures, and about seven per cent operated as master-feeder structures.

Table nine represents the operating structures of collective investment schemes domiciled in Malta.

Table 9: Schemes by operating structure (2012).

	Number of schemes as at end 2012	% number of schemes against total schemes
Master/Feeder (Master)	7	3.5
Master/Feeder (Feeder)	7	3.5
Stand Alone	24	12.1
Multi fund	161	80.9
Total	199	100

Source: Malta Financial Services Authority.

2.7 Funds listed on Malta Stock Exchange

There were 28 funds/sub-funds listed on the Malta Stock Exchange at the end of 2012, five of which were Professional Investor Funds, eight UCITS funds, and 15 Retail Non-UCITS funds.

Table 10: Funds listed on Malta Stock Exchange as at end 2012.

Type of CIS	Funds listed on MSE
PIF	5
UCITS	8
Retail Non-UCITS	15
Total	28

Source: Malta Financial Services Authority.

2.8 Non-Malta Domiciled Funds administered in Malta

The net asset value of non-Malta domiciled funds (including sub-funds) administered in Malta totalled almost €1.7 billion as at end December 2012, an increase of almost €0.3 billion or 20 per cent from the previous year.

Table 11: NAV of Non-Malta domiciled funds (including sub-funds) administered in Malta (2010 – 2012).

	NAV of non-Malta domiciled funds administered in Malta
	Billion Euro
December 2010	0.9
December 2011	1.4
December 2012	1.7

Source: Malta Financial Services Authority.