

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

**Analysis of Collective Investment
Schemes licensed by the Malta
Financial Services Authority
(2011)**

May 2012

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Fact Statistics

- *Total new funds (including sub-funds) licenced (2004-2011): **753***
- *Total funds (including sub-funds) surrendered (2004-2011): **248***
- *Net Asset Value of Malta domiciled Funds: **€8.3 billion as at end 2011***
- *Non-Malta domiciled funds (including sub-funds) administered in Malta: **164 as at end 2011***
- *Net Asset Value of funds (domiciled and non-domiciled in Malta) administered in Malta: **€6.2 billion as at end 2011***

PART 1 – Analysis of Collective Investment Scheme Licences

1.1 Fund registrations in the International Fund Industry

Many of the leading European countries in the funds industry experienced growth in the number of registered funds in 2011 despite the Eurozone crisis and market uncertainty. Luxembourg reported an increase of 2.8 per cent in the number of authorised funds in 2011 while the number of funds in France and Ireland climbed up by one and 6.9 per cent respectively. Other large EU states, such as Germany, UK and Italy, reported drops of 1.7, 2.7, and 0.4 per cent respectively over the period 2010 - 2011.

1.2 Fund registrations in Malta

The number of funds (including sub-funds) domiciled in Malta in 2011 went up by almost 36 per cent over the previous year. There were 442 Professional Investor Funds as at end 2011, up by 44.4 per cent (or 136 net licences) from the previous year. UCITS funds increased by 18 per cent (or nine net licences) over the period 2010 – 2011 while the number of Non-UCITS funds went up slightly over the previous year. There was no change in the number of licensed Foreign based funds and recognised private CIS.

Table 1: Funds (including sub-funds) domiciled in Malta (2004 – 2011).

	2004	2005	2006	2007	2008	2009	2010	2011
PIFs	8	62	91	129	235	285	306	442
UCITS	-	-	22	47	51	45	50	59
Retail Non-UCITS	52	51	52	38	39	36	30	31
Total locally based CISs	60	113	165	214	325	366	386	532
Foreign Based	66	35	35	81	72	26	22	22
Recognised Private CIS	3	3	3	4	4	3	2	2
Total CIS	129	151	203	299	401	395	410	556

Source: Malta Financial Services Authority.

1.3 Authorisation of new Collective Investment Schemes

There was a significant increase in the number of authorised Collective Investment Scheme licences in 2011. The Authority issued a record of 179 new Collective Investment Scheme licences (including sub-funds), of which 163 were Professional Investor Funds, 14 UCITS funds and two Non-UCITS retail funds. 141 Professional Investor Funds targeted Qualifying Investors, 15 targeted Extraordinary Investors and seven targeted Experienced Investors.

Table 2: Authorisation of new Collective Investment Schemes (2008 – 2011).

		2008	2009	2010	2011	
PIFs	<i>Schemes</i>	20	19	39	45	
	Sub-funds	Qualifying Investor	78	93	95	141
		Extraordinary Investor	14	4	1	15
		Experienced Investor	19	5	6	7
		Total	111	102	102	163
UCITS	<i>Schemes</i>	-	1	4	4	
	Sub-funds	4	3	5	14	
Retail Non UCITS	<i>Schemes</i>	1	0	0	1	
	Sub-funds	3	0	0	2	
Foreign Based	<i>Schemes</i>	0	0	0	0	
	Sub-funds	0	0	0	0	
Recognised Private CIS	<i>Schemes</i>	0	0	1	0	
	Sub-funds	0	0	1	0	

Source: Malta Financial Services Authority.

1.4 Surrenders of Collective Investment Schemes

During 2011, 26 Professional Investor Funds surrendered the licence; 24 PIFs targeted Qualifying Investors and two targeted Experienced Investors. Additionally, five UCITS funds (including sub-funds) and one Retail Non-UCITS fund surrendered the licence in 2011.

Table 3: Surrenders of Collective Investment Schemes (2008 – 2011).

		2008	2009	2010	2011	
PIFs	<i>Schemes</i>	3	3	7	4	
	Sub-funds	Qualifying Investor	5	48	73	24
		Extraordinary Investor	0	1	3	0
		Experienced Investor	1	3	5	2
		Total	6	52	81	26
UCITS	<i>Schemes</i>	0	0	0	2	
	Sub-funds	0	9	0	5	
Retail Non UCITS	<i>Schemes</i>	0	0	1	0	
	Sub-funds	2	3	6	1	
Foreign	<i>Schemes</i>	1	1	1	0	
	Sub-funds	9	46	4	0	
Recognised Private CIS	<i>Schemes</i>	0	1	2	0	
	Sub-funds	0	1	2	0	

Source: Malta Financial Services Authority.

1.5 Summary of Collective Investment Scheme licences (2009 – 2011)

Table four summarises the new licences authorised and surrendered by the Authority, and the number of active licences at the end of years 2009, 2010 and 2011.

Table 4: Collective Investment Scheme licences (2009 – 2011).

		2009			2010			2011			
		New licences	Licences surrendered	Total licences as at end 2009	New licences	Licences surrendered	Total licences as at end 2010	New licences	Licences surrendered	Total licences as at end 2011	
PIFs	<i>Schemes</i>	19	3	76	39	7	108	45	4	149	
	Sub-funds	Qualifying Investor	93	48	229	95	73	251	141	24	367
		Extraordinary Investor	4	1	17	1	3	15	15	0	30
		Experienced Investor	5	3	39	6	5	40	7	2	45
		Total	102	52	285	102	81	306	163	26	442
UCITS	<i>Schemes</i>	1	0	4	4	0	8	4	2	10	
	Sub-funds	3	9	45	5	0	50	14	5	59	
Retail Non UCITS	<i>Schemes</i>	0	0	12	0	1	11	1	0	12	
	Sub-funds	0	3	36	0	6	30	2	1	31	
Foreign	<i>Schemes</i>	0	1	6	0	1	5	0	0	5	
	Sub-funds	0	46	26	0	4	22	0	0	22	
Recognised Private CIS	<i>Schemes</i>	0	1	3	1	2	2	0	0	2	
	Sub-funds	0	1	3	1	2	2	0	0	2	

Source: Malta Financial Services Authority.

1.6 Non-Malta Domiciled Funds administered in Malta

There were 164 non-Malta domiciled funds (including sub-funds) administered in Malta in 2011, up by 110 per cent from the previous year.

Table 5: Non-Malta domiciled funds (including sub-funds) administered in Malta (2010 – 2011).

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

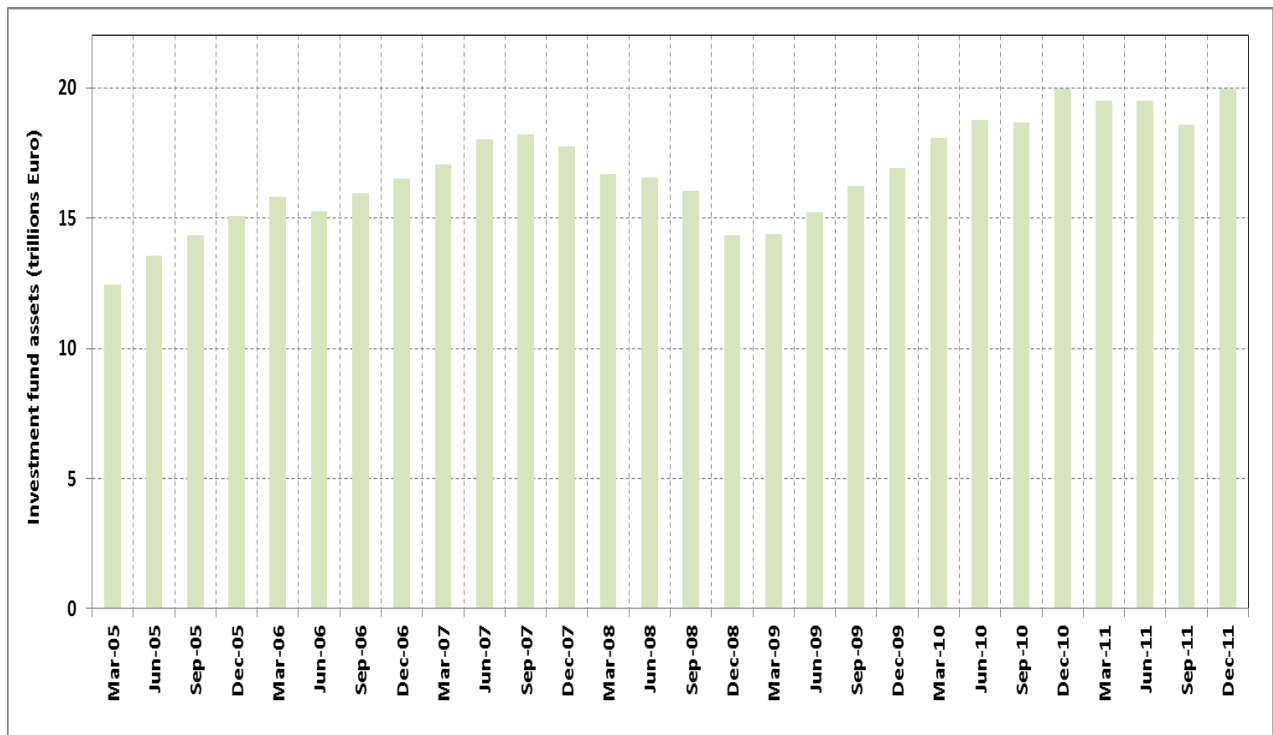
Source: Malta Financial Services Authority.

PART 2 – Performance Analysis of Collective Investment Schemes

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

A series of events triggered uncertainty in the financial global markets and continued to dampen investor confidence in 2011. The main causes leading to this were the sovereign debt crisis in the Euro Area and the political unrest in North Africa and Middle East. Worldwide investment fund assets in 2011 remained at the same level reached in the previous year, at almost €20 trillion, after experiencing a growth of 18 per cent during the period 2009 – 2010.

Figure 1: Worldwide investment fund assets (2005- 2011).

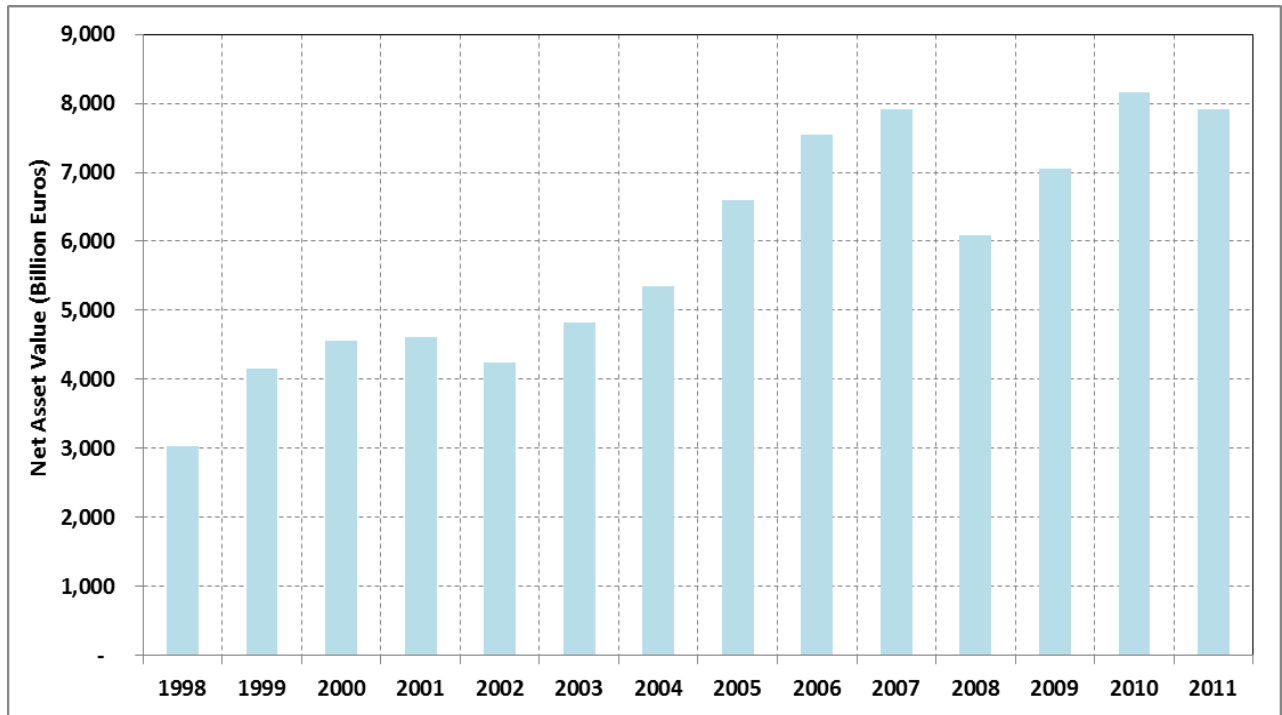


Source: EFAMA.

The composition of worldwide assets of investment funds in 2011 was as follows: assets of equity funds represented 37 per cent, 23 per cent of assets were held in bond funds, money market funds had a share of 18 per cent while the asset share of balanced/mixed funds was 10 per cent. Other/unclassified funds had an asset share of 12 per cent. In terms of number of authorised funds, 35 per cent were equity funds, 21 per cent were balanced funds, 16 per cent were bond funds, and four per cent were money market funds. About 24 per cent of the funds were unclassified/other funds.

Investment fund assets in Europe went down by 2.8 per cent in 2011 over the previous year to stand at €7.9 trillion. UCITS funds lost 6.2 per cent while Non-UCITS funds gained 6.8 per cent. In 2011, net assets of UCITS totalled €5,634 billion while non-UCITS funds stood at €2,286 billion.

Figure 2: Net asset value of European funds (1998 – 2011).



Source: EFAMA.

The majority of European countries experienced drops in the net assets of the investment funds in 2011. Luxembourg and France recorded drops of 4.7 per cent and 8.1 per cent in the net assets respectively over the period 2010 – 2011 after experiencing increases of 19.4 per cent and 5.7 per cent respectively over the period 2009 – 2010.

Other leading countries in the funds industry, namely Germany and Ireland reported growths of 0.8 per cent and 9.6 per cent respectively in 2011 over the previous year. Table six represents the net assets of investment funds of a selected number of leading countries in the funds industry for the period 2007 – 2011.

Table 6: Net assets of investment funds in major European countries (2007 - 2011).

Country	Dec 2007 NAV	Dec 2008 NAV	Dec 2009 NAV	Dec 2010 NAV	Dec 2011 NAV
	Million EUR	Million EUR	Million EUR	Million EUR	Million EUR
Belgium	126,536	91,884	96,950	97,229	85,043
France	1,508,300	1,294,865	1,421,395	1,502,680	1,380,953
Germany	1,041,869	904,899	1,019,672	1,125,277	1,133,874
Ireland	805,989	647,054	748,629	962,503	1,055,268
Italy	357,947	252,563	257,804	239,210	193,296
Luxembourg	2,059,395	1,559,653	1,840,993	2,198,988	2,096,512
Netherlands	90,951	67,500	79,020	78,066	64,515
UK	751,346	442,157	638,312	793,957	805,110

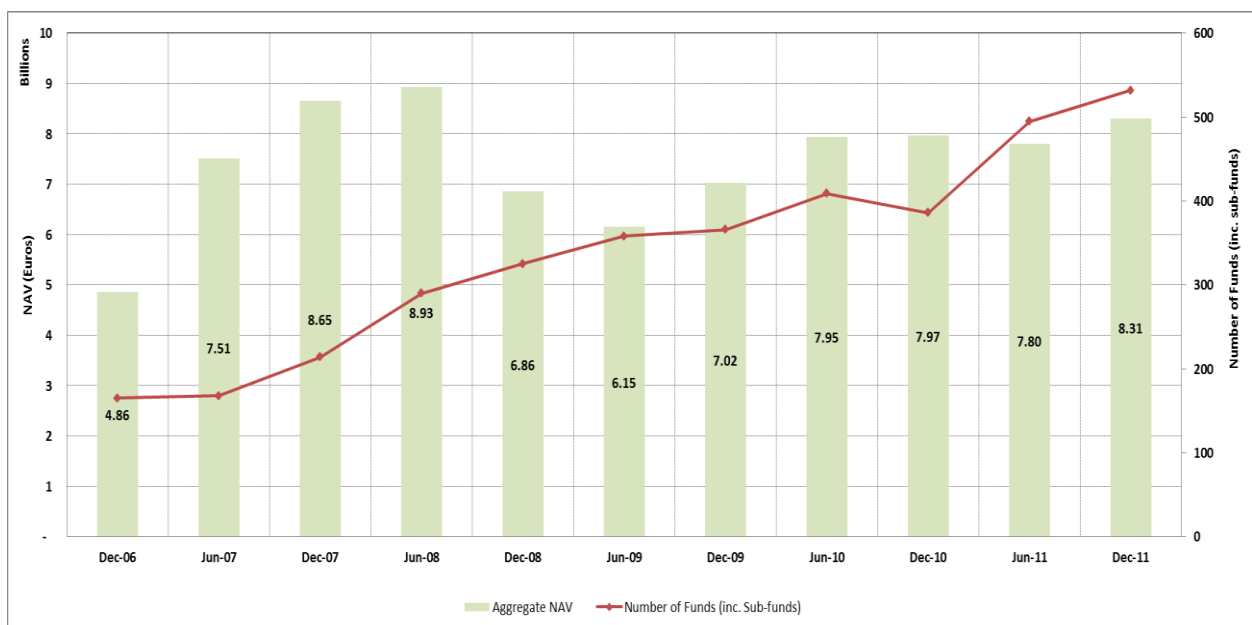
Source: EFAMA.

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 funds sector in Malta registered a growth of around 4.2 per cent in the aggregate net asset value (NAV) over the previous year. Net asset value of Malta domiciled funds (PIFs, UCITS, and Non-UCITS) totalled over €8.3 billion as at the end of 2011. Despite the growth recorded in net asset value over the last three years, the NAV still remains significantly below the peak value reached in June 2008 (€8.93 billion) when the number of licensed funds was around half the number of licensed funds in 2011.

Figure 3: Net asset value of locally based CISs against number of registered funds (2006 - 2011).



Source: Malta Financial Services Authority.

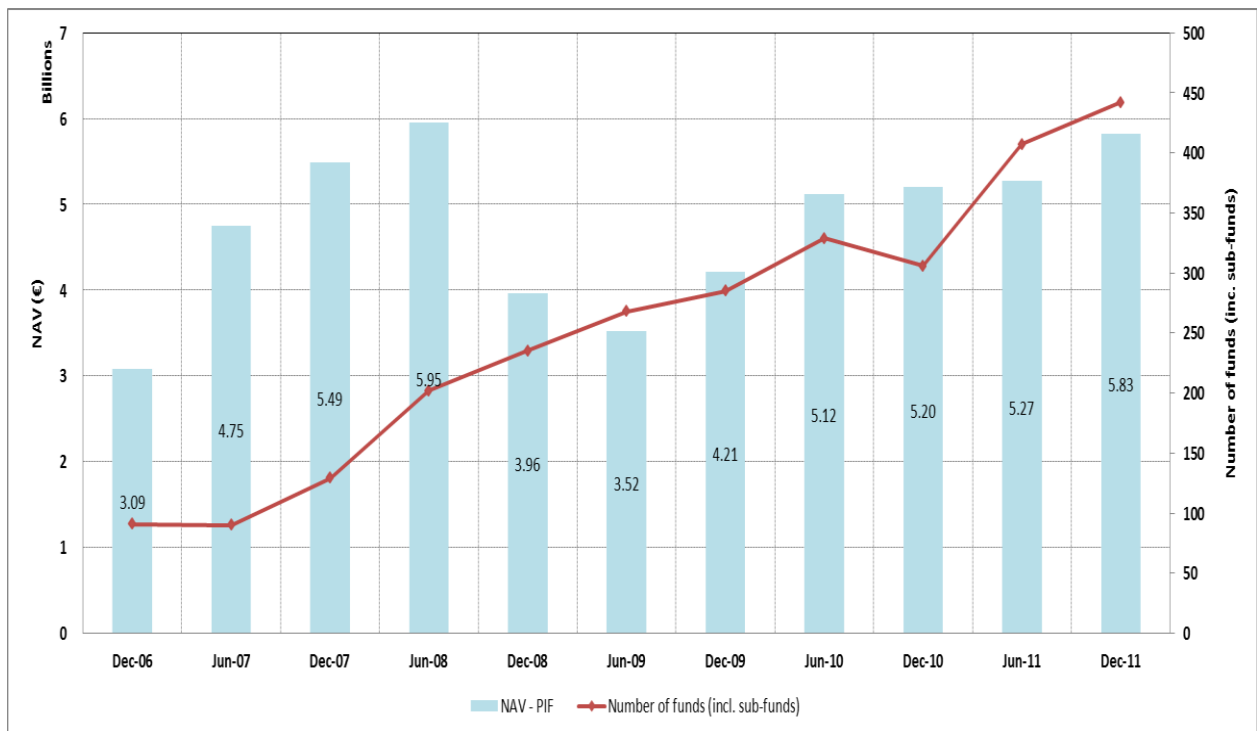
The increase in the aggregate net asset value was generally contributed by a number of new PIFs which started operating during 2011. PIFs reported an increase of 12 per cent in the net asset value while UCITS and Retail Non-UCITS funds suffered a decline of 10.5 per cent and 10.4 per cent respectively over the period 2010 – 2011.

Investment funds reported sales totalling €3.82 billion in 2011, a reduction of almost one billion euro or 21 per cent over the previous year. There was also a fall of around €1.3 billion (or 29 per cent) in the total amount redeemed by investors in 2011 over the previous year to stand at €3.13 billion in 2011. Aggregate net asset revaluation was also on the negative side in 2011, from €0.62 billion in 2010 to – €0.35 billion in 2011.

2.2.2 Analysis of net asset value of Professional Investor Funds

The net asset value of Professional Investor Funds reached over €5.8 billion in 2011, an increase of over 12 per cent over the period 2010 – 2011. The increase in the net asset value was generally contributed by a number of new PIFs which started operating for the first time in 2011. Despite the increase, the net asset value is nevertheless still below the peak value (€5.95 billion) reached before the financial crises of 2008.

Figure 4: Net asset value of Professional Investor Funds and number of licensed PIFs (2006 - 2011).



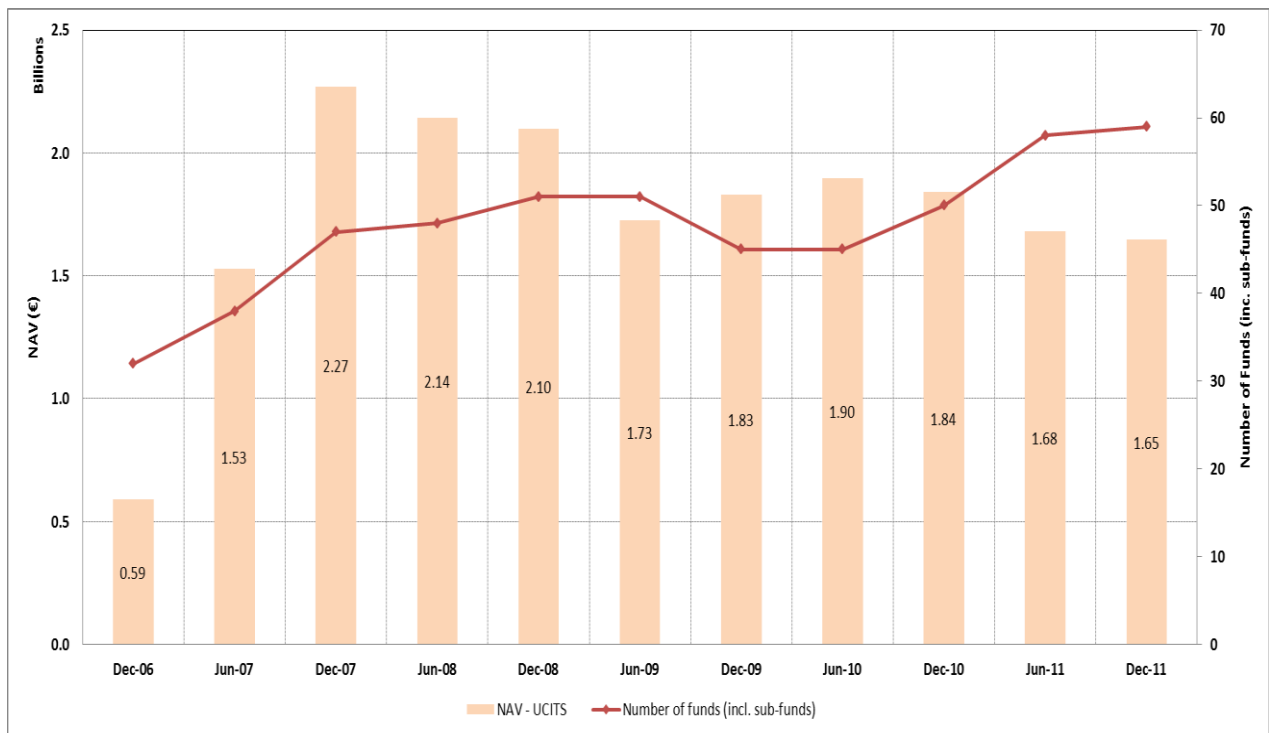
Source: Malta Financial Services Authority.

The number of licensed PIFs climbed up by 44.4 per cent over the period 2010 – 2011, from 306 funds (including sub-funds) in 2010 to 442 funds (including sub-funds) in 2011. The increasing trend follows years of growth which have seen the number of PIFs increasing from 91 licences in 2006 to 442 licences in 2011.

2.2.3 Analysis of net asset value of UCITS funds

UCITS funds reported an aggregate net asset value of €1.6 billion at the end of 2011; €0.2 billion or 10.5 per cent lower from 2010. The decline in the net asset value was generally attributed to drops in the volumes of sales, and downward asset revaluations during 2011.

Figure 5: Net asset value of UCITS Funds and number of licensed UCITS funds (2006 - 2011).

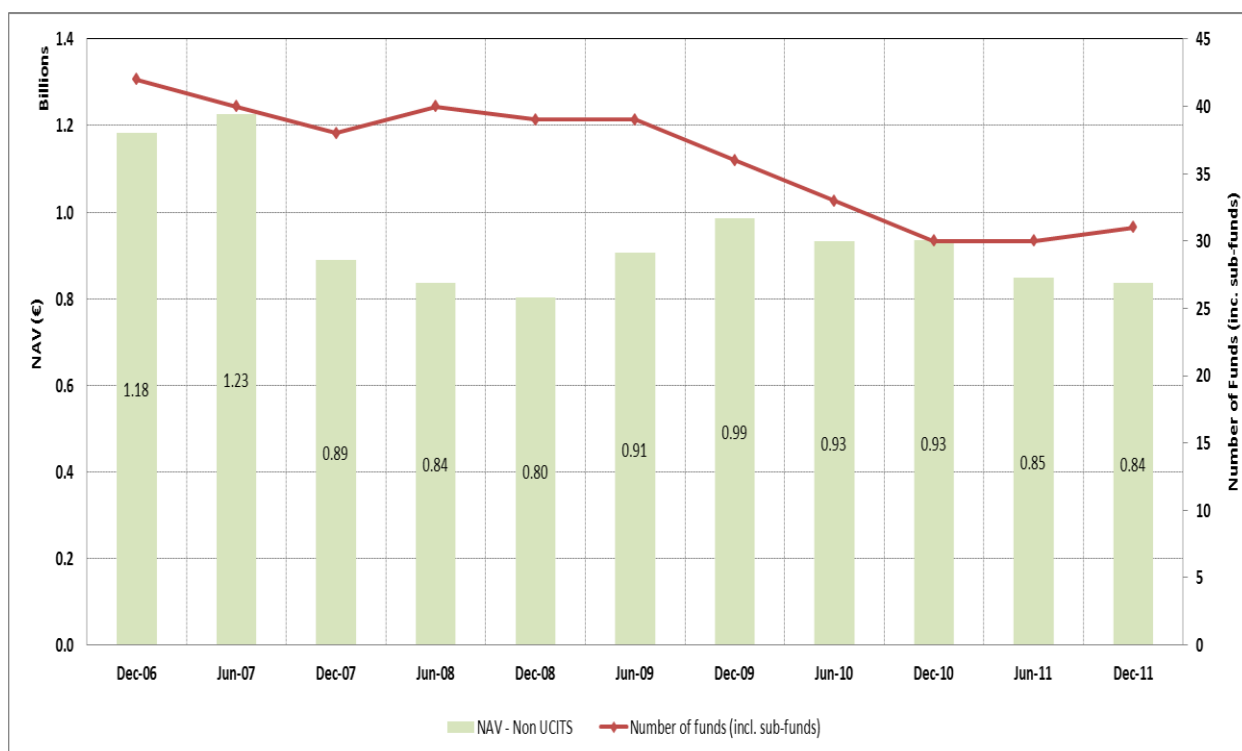


Source: Malta Financial Services Authority.

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

The net asset value of Retail Non-UCITS funds declined to €0.84 billion in 2011, from €0.93 in 2010. This represents a fall of almost €0.1 billion or 9.7 per cent. There were 31 licensed Retail Non-UCITS funds as at the end of 2011.

Figure 6: Net asset value of Retail Non-UCITS funds and number of licensed Retail Non-UCITS funds (2006 - 2011).



Source: Malta Financial Services Authority.

2.3 Asset class allocation¹

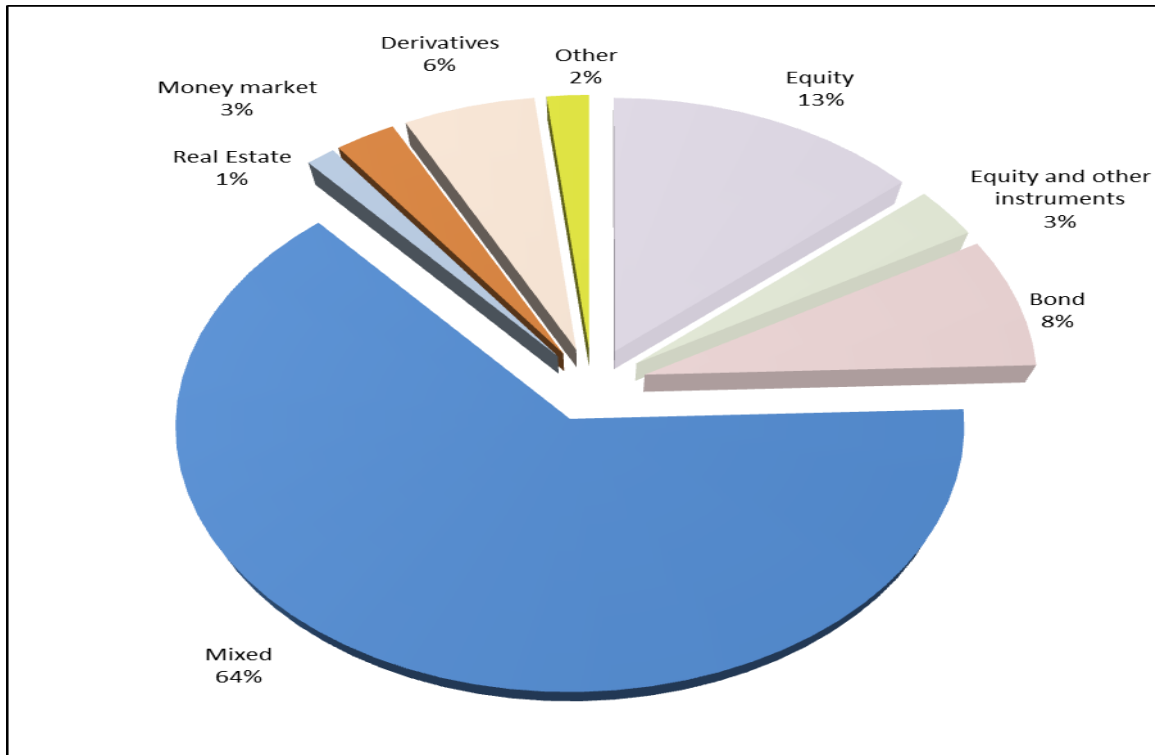
Net assets of mixed funds² reached €5.34 billion in 2011 to stand 16 per cent higher than 2010. Bond funds and real estate funds experienced a marginal rise in the net asset value over the period 2010 - 2011, to stand at €0.7 billion and €0.1 billion respectively at the end of 2011. Equity funds reported a net asset value of €1.12 billion in 2011. This represents a fall of 23.3 per cent over the previous year. Figure 7 represents the composition of net asset value by asset allocation at the end of 2011.

Mixed funds were the most common type of new funds issued in 2011. There were 11 new real estate funds and two money market funds. Figure 8 illustrates the number of new funds issued and surrendered by asset allocation during 2011.

¹ 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.

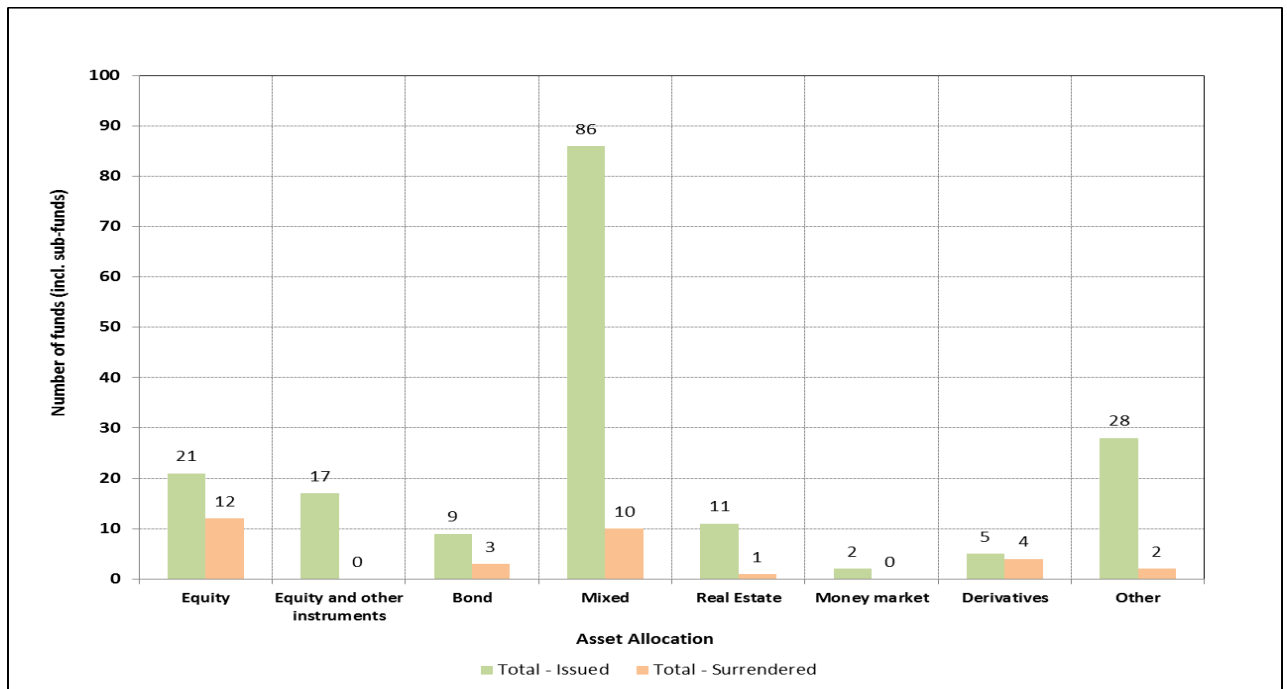
² Mixed funds are funds investing in a variety of asset classes.

Figure 7: Composition of net asset value by asset allocation (2011).



Source: Malta Financial Services Authority.

Figure 8: New authorised and surrendered funds by asset allocation (2011).

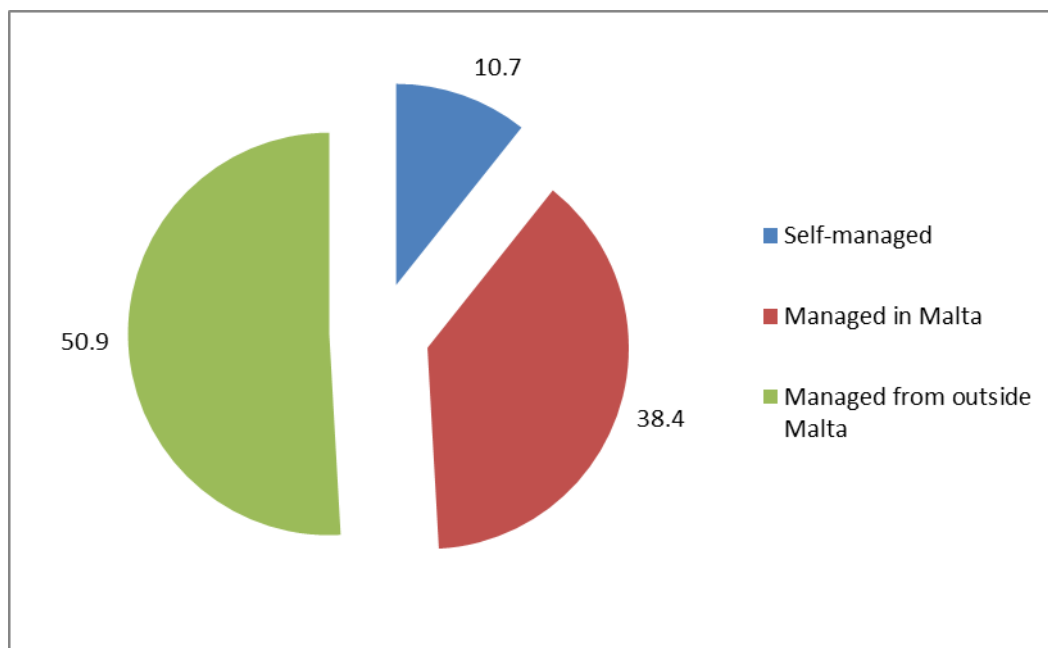


Source: Malta Financial Services Authority.

2.4 Management of funds

Almost 38 per cent of Malta-domiciled funds (including sub-funds) were managed by Malta-based fund managers in 2011. The percentage number of funds (including sub-funds) managed from outside Malta was around 51 per cent in 2011 while about 11 per cent of the funds (including sub-funds) were self-managed.

Figure 9: Management of investment funds – Percentage number of funds (including sub-funds) (2011).

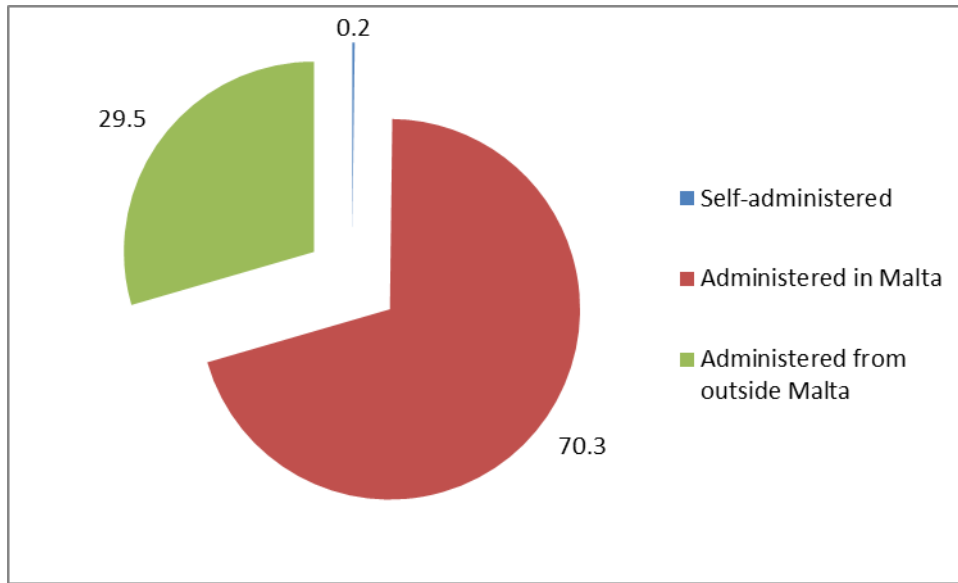


Source: Malta Financial Services Authority.

2.5 Administration of funds

About 70 per cent of the funds (including sub-funds) domiciled in Malta were administered in Malta in 2011 while almost 30 per cent of the funds (including sub-funds) were administered from outside Malta. The share of funds (including sub-funds) which were self-administered was 0.2 per cent.

Figure 10: Administration of investment funds - Percentage number of funds (including sub-funds) (2011).



Source: Malta Financial Services Authority.

2.6 Structure of funds

As at end 2011, 78 per cent of the Collective Investment Schemes operated as a multi fund structure, 15 per cent as stand-alone structures, and about seven per cent operated as master-feeder structures. There was one scheme which operated as a unit trust. Table seven represents the operating structure of collective investment schemes domiciled in Malta as at end 2011.

Table 7: Schemes by operating structure as at end 2011.

	Number of schemes as at December 2011	% number of schemes against total schemes
Master/Feeder (Master)	6	3.5
Master/Feeder (Feeder)	6	3.5
Stand Alone	25	14.5
Multi fund	134	77.9
Unit Trust	1	0.6
Total	172	100

Source: Malta Financial Services Authority.

2.7 Funds listed on Malta Stock Exchange

There were 32 funds/ sub-funds listed on the Malta Stock Exchange in 2011, ten of which were Professional Investor Funds, eight UCITS funds, and 14 Retail Non-UCITS funds.

Table 8: Funds listed on Malta Stock Exchange as at end 2011.

Type of CIS	Funds listed on MSE
PIF	10
UCITS	8
Retail Non-UCITS	14
Total	32

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 €1.4 billion as at end December 2011, an increase of almost €0.5 billion or 55.6 per cent from 2010.

Table 9: NAV of Non-Malta domiciled funds (including sub-funds) administered in Malta (2010 – 2011).

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

Source: Malta Financial Services Authority.