

**MFSA**

**MALTA FINANCIAL SERVICES AUTHORITY**

**Analysis of Collective Investment  
Schemes licensed by the Malta  
Financial Services Authority (2010)**

**June 2011**

## Table of Contents

PART 1 – Analysis of Collective Investment Scheme Licences .....	1
1.1    Fund registrations in the International Fund Industry .....	1
1.2    Fund registrations in Malta .....	1
1.3    Authorisation of new Collective Investment Schemes .....	2
1.4    Surrenders of Collective Investment Schemes .....	3
1.5    Summary of Collective Investment Scheme licences (2008 – 2010) .....	4
PART 2 – Performance Analysis of Collective Investment Schemes .....	5
2.1    General overview of the investment fund assets in the International Fund Industry .....	5
2.2    Analysis of net asset value of Malta domiciled funds .....	7
2.2.1    Analysis of aggregate net asset value of locally based CISs .....	7
2.2.2    Analysis of net asset value of Professional Investor Funds .....	8
2.2.3    Analysis of net asset value of UCITS funds .....	9
2.2.4    Analysis of net asset value of Non UCITS funds .....	10
2.3    Volumes of sales, redemptions, and revaluations .....	11
2.4    Asset class allocation .....	11
2.5    Management of funds .....	13
2.6    Administration of funds .....	14
2.7    Structure of funds .....	14
2.8    Funds listed on Malta Stock Exchange .....	15

## PART 1 – Analysis of Collective Investment Scheme Licences

### 1.1 Fund registrations in the International Fund Industry

A number of countries, namely Luxembourg, France and Ireland, experienced growth in the number of fund registrations in 2010 following falls in 2009 due to conditions brought about by the global financial crisis. Other countries continued to suffer drops in the number of registered funds for the second consecutive year after the crisis although a number of them reported growth in the net asset values in 2010.

### 1.2 Fund registrations in Malta

The number of funds authorised in Malta continued increasing in 2010. A total of 108 new funds (including sub-funds) were licensed during the year reaching 410 funds (including sub-funds). This represents an overall net increase of 15 licences, or about four per cent, over the period 2009 – 2010. The number of Schemes licensed in Malta at the end of 2010 was 134, up from 101 in 2009 (see Table 4).

**Table 1: Funds/sub-funds domiciled in Malta (2004 – 2010).**

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

*Source: Malta Financial Services Authority.*

There were 306 authorised Professional Investor Funds (PIFs) licences as at end 2010, a net increase of 21 licences, or seven per cent, from the previous year. The number of UCITS funds also registered growth in 2010, from 45 licences in 2009 to 50 licences in 2010, a net increase of five licences or 11 per cent.

The increasing trend recorded in the number of registered PIFs and UCITS funds did not persist with the number of authorised Non UCITS and Foreign Based funds. In 2010, the number of Non UCITS funds decreased by six licences. The number of foreign based funds licensed to market themselves in Malta decreased by four licences; from 26 licences in 2009 to 22 licences in 2010.

### 1.3 Authorisation of new Collective Investment Schemes

During 2010, the Authority issued 102 new PIF licences; 95 targeting Qualifying Investors, one Extraordinary Investors, and six Experienced Investors. The Authority had licensed the same number of PIFs in 2009. The number of new UCITS funds/sub-funds licensed in 2010 amounted to five, two up over the previous year.

**Table 2: Collective Investment Schemes issued (2008 – 2010).**

			2008	2009	2010
PIFs	Schemes		20	19	39
	Sub-funds	Qualifying Investor	78	93	95
		Extraordinary Investor	14	4	1
		Experienced Investor	19	5	6
		Total	111	102	102
UCITS	Schemes		-	1	4
	Sub-funds		4	3	5
Non UCITS	Schemes		1	-	0
	Sub-funds		3	-	0
Foreign Based	Schemes		0	0	0
	Sub-funds		0	0	0
Recognised Private CIS	Schemes		0	0	1
	Sub-funds		0	0	1

Source: Malta Financial Services Authority.

The number of individual schemes licensed during 2010 was 44; 24 schemes or 120 per cent more than the previous year. Thirty nine schemes were registered as Professional Investor Funds, four were UCITS schemes, and one Recognised Private CIS.

#### 1.4 Surrenders of Collective Investment Schemes

Eighty one PIFs surrendered the licence in 2010; 73 targeting Qualifying Investors, three targeting Extraordinary Investors, and five targeting Experienced Investors. In 2009, 52 PIFs surrendered the licence; 29 licences less than 2010.

Six non UCITS funds (including sub-funds) and four Foreign Based funds (including sub-funds) also surrendered the licence in 2010.

**Table 3: Collective Investment Schemes surrendered (2008 – 2010).**

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

Source: Malta Financial Services Authority.

Eleven individual schemes surrendered their licence during 2010, six more than the previous year. Seven were Professional Investor Funds, one Non UCITS schemes, another Foreign Based Scheme, and two Recognised Private CIS.

### 1.5 Summary of Collective Investment Scheme licences (2008 – 2010)

Table four summarises the new licences issued and surrendered by the Authority, and the number of active licences at the end of years 2008, 2009 and 2010.

**Table 4: Collective Investment Scheme licences (2008 – 2010).**

			2008			2009			2010		
			New licences	Licences surrendered	Total licences as at end 2008	New licences	Licences surrendered	Total licences as at end 2009	New licences	Licences surrendered	Total licences as at end 2010
PIFs	Schemes		20	3	60	19	3	76	39	7	108
	Sub-funds	Qualifying Investor	78	5	184	93	48	229	95	73	251
		Extraordinary Investor	14	0	14	4	1	17	1	3	15
		Experienced Investor	19	1	37	5	3	39	6	5	40
		Total	111	6	235	102	52	285	102	81	306
UCITS	Schemes		0	0	3	1	0	4	4	0	8
	Sub-funds		4	0	51	3	9	45	5	0	50
Non UCITS	Schemes		1	0	12	0	0	12	0	1	11
	Sub-funds		3	2	39	0	3	36	0	6	30
Foreign	Schemes		0	1	7	0	1	6	0	1	5
	Sub-funds		0	9	72	0	46	26	0	4	22
Recognised Private CIS	Schemes		0	0	4	0	1	3	1	2	2
	Sub-funds		0	0	4	0	1	3	1	2	2

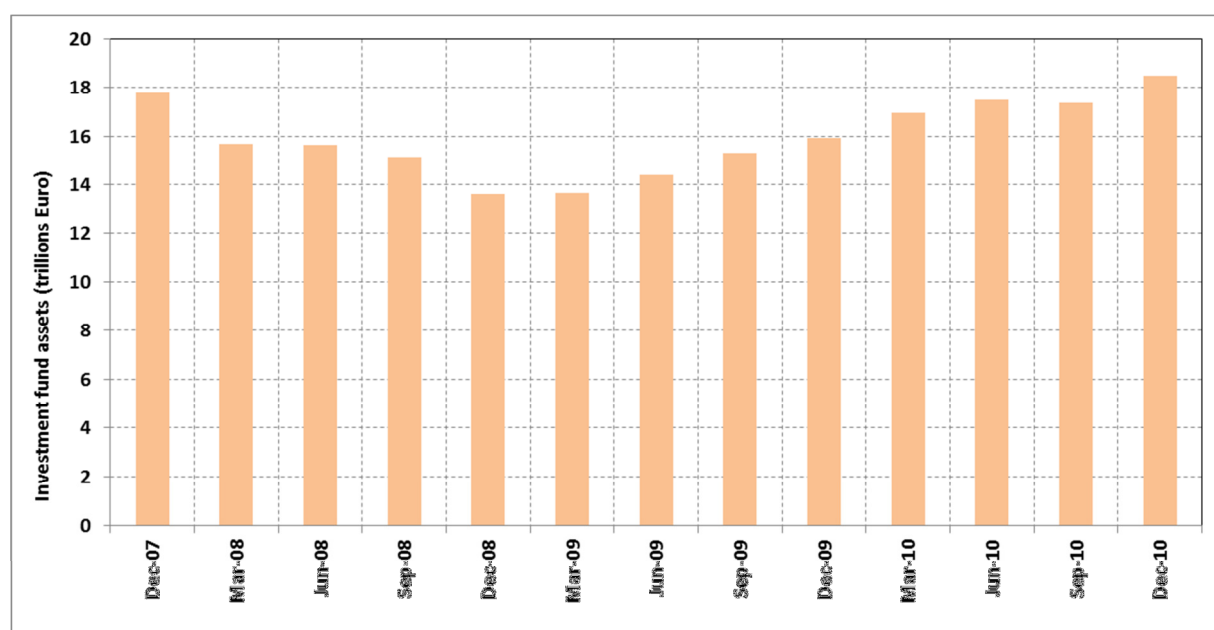
Source: Malta Financial Services Authority.

## PART 2 – Performance Analysis of Collective Investment Schemes

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

The investment fund industry started recovering from the global financial crisis later in 2009 and continued experiencing growth in 2010. Worldwide investment fund assets increased by 16 per cent over the period 2009 – 2010; from €15.93 trillion recorded in 2009 to €18.48 trillion in 2010.

Figure 1: Worldwide investment fund assets (2007-2010).



Source: EFAMA.

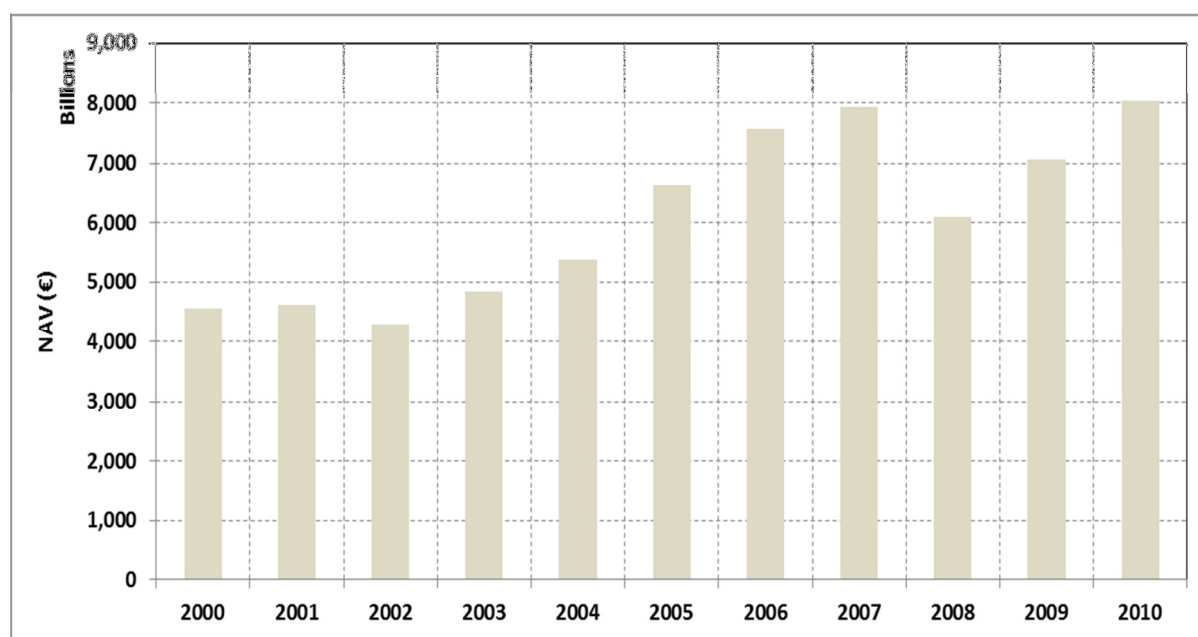
The composition of worldwide assets of investment funds in 2010 was as follows: assets of equity funds represented 40 per cent, 20 per cent of assets were held in bond funds, money market funds had a share of 18 per cent while the asset share of balanced/mixed funds was 10 per cent. Other/unclassified funds had a share of 12 per cent.<sup>1</sup>

In Europe, investment fund assets increased by almost 14 per cent in 2010, from €7,061 billion recorded in 2009 to €8,025 billion in 2010, slightly exceeding the asset levels achieved before the crisis.

---

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

**Figure 2: Net asset value of European funds (2000-2010).**



Source: EFAMA

The majority of European countries reported growth in the total net assets of investment funds in 2010. Namely, Luxembourg recorded an increase of 20 per cent while Ireland and UK registered growth of 29 per cent and 24 per cent respectively in 2010.

**Table 5: Net assets of investment funds in major European countries (2007-2010).**

	2007	2008	2009	2010
	Million Euros	Million Euros	Million Euros	Million Euros
France	1,508,300	1,293,265	1,421,395	1,401,625
Germany	1,041,869	911,330	1,019,672	1,125,853
Ireland	805,989	647,054	748,629	963,326
Luxembourg	2,059,395	1,559,653	1,840,993	2,198,994
Netherlands	90,951	71,689	79,020	78,066
UK	751,346	458,116	638,312	793,957

Source: EFAMA

Money market funds suffered large net cash outflows in 2010 (particularly in Europe) while there were gains in equity funds and bond funds.

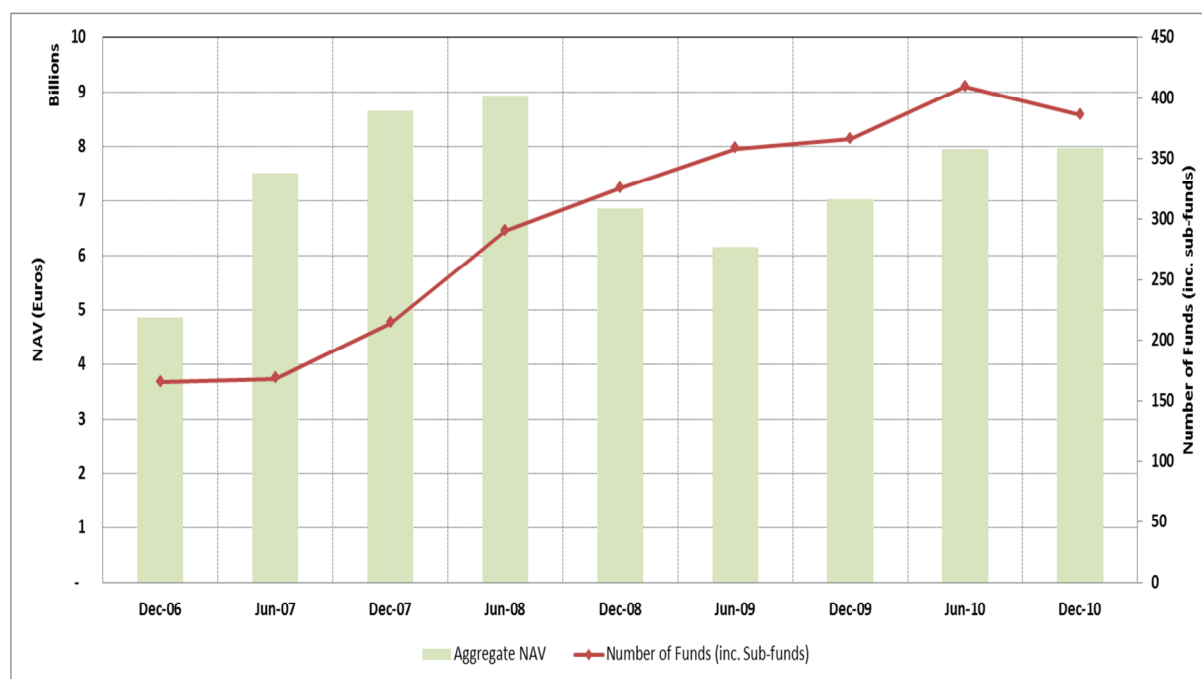


## 2.2 Analysis of net asset value of Malta domiciled funds

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

The total net asset value (NAV) of Malta domiciled funds (PIFs, UCITS, and Non UCITS) at the end of 2010 was almost €8 billion. This represents an increase of almost one billion euros or 14 per cent over 2009. The increase in the net asset value was generally contributed by a range of new funds which started operating during the year and a number of funds which are slowly recovering from the financial turmoil of 2008.

Figure 3: Net asset value of locally based CISs (2006 –2010).



Source: Malta Financial Services Authority.

The net asset value of Malta domiciled funds reached almost €9 billion in mid-2008 and declined to €6.2 billion in mid-2009 as a result of the global financial crisis. Despite, the number of fund registrations continued rising during the same period reaching 358 funds (including sub-funds) in June 2009 from 290 funds registered in June 2008.

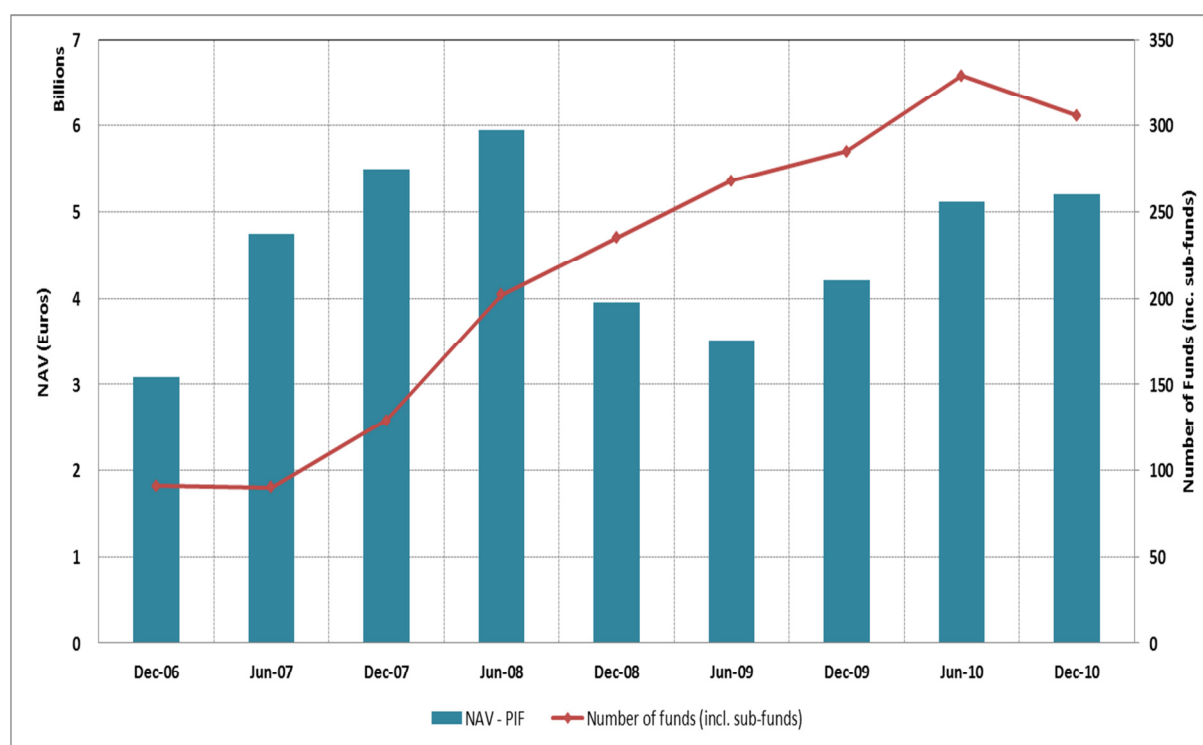
The net asset value started showing signs of recovery later in 2009 and continued growing during the first half of 2010 reaching €7.9 billion in mid-2010. The increasing trend did not persist in the third quarter of the year where a drop of nearly eight per cent over the

previous quarter was recorded. At the end of 2010, the net asset value bounced back to the level achieved in the second quarter of the same year. The number of registered funds (PIFs, UCITS, and Non UCITS) reached 386 at the end of 2010, an increase of almost five per cent over December 2009.

## 2.2.2 Analysis of net asset value of Professional Investor Funds

The net asset value of Professional Investor Funds reached €5.2 billion at end 2010, an increase of almost €1 billion from 2009 but €0.8 billion less than the highest level reached in mid-2008.

Figure 4: Net asset value of Professional Investor Funds (2006-2010).



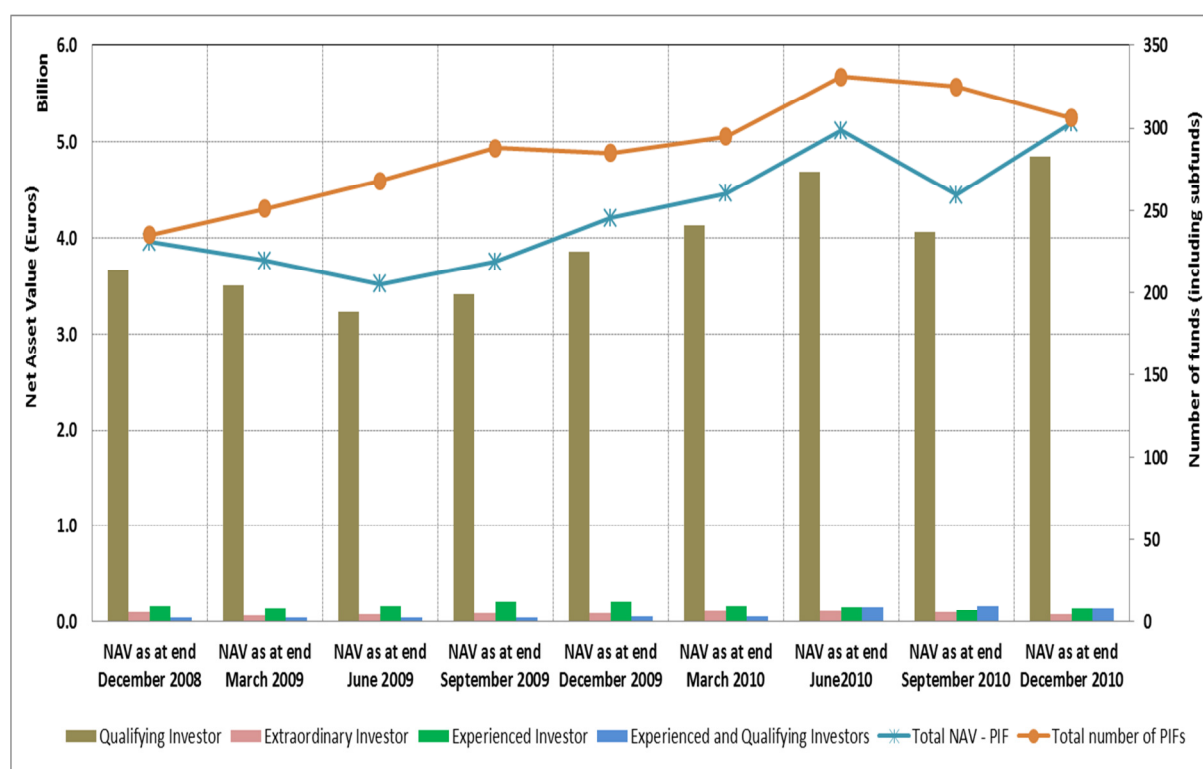
Source: Malta Financial Services Authority.

The increase in the net asset value was generally contributed by a range of new PIFs which started operating during the year and a number of PIFs which are slowly recovering from the financial turmoil of 2008.

In absolute terms, PIFs targeting qualifying investors experienced the highest increase in net asset value in 2010 (25 per cent) followed by PIFs targeting experienced and qualifying investors (188 per cent). PIFs targeting experienced investors suffered a decline of 34 per cent over the period December 2009 – December 2010 while PIFs targeting extraordinary investors lost 15 per cent of the net assets over the same period.

The next figure illustrates a breakdown of the net asset value by type of PIF, namely PIFs targeting qualifying investors, extraordinary investors, experienced investors, and experienced and qualifying investors.

**Figure 5: Breakdown of net asset value by type of Professional Investor Funds (2008-2010).**



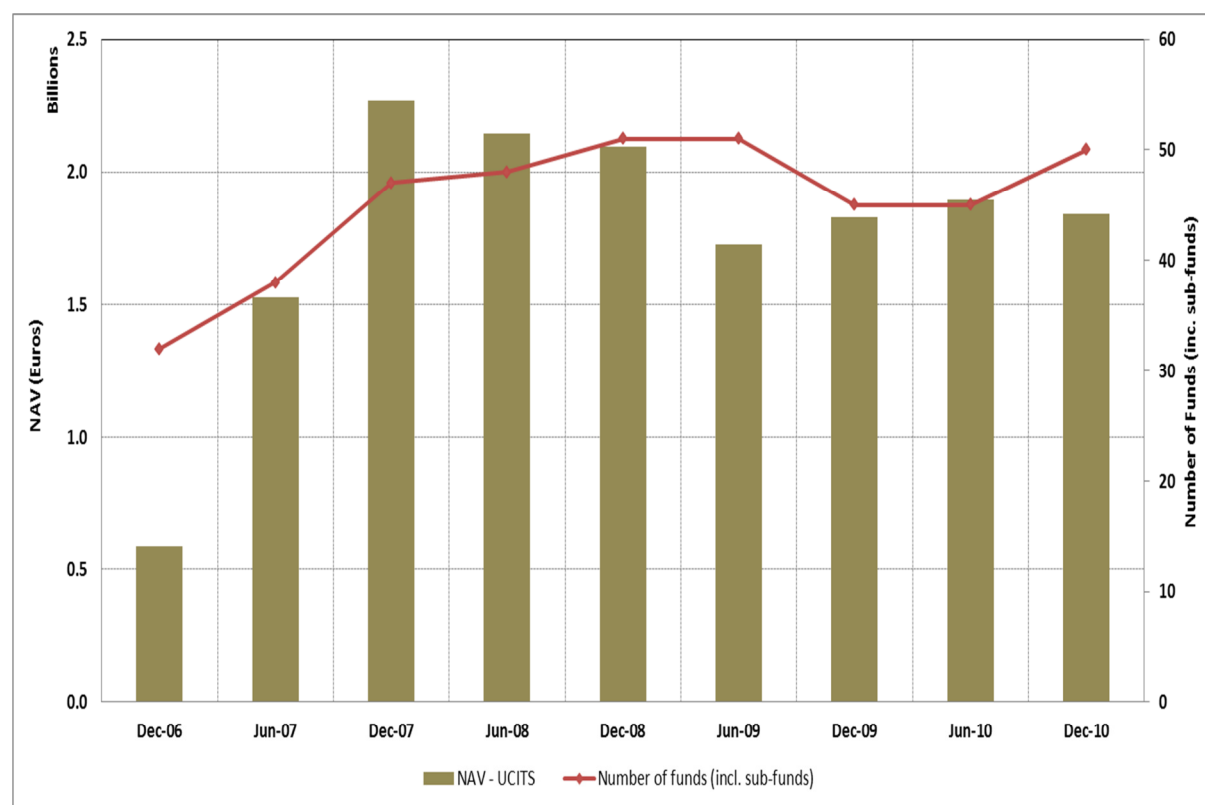
*Source: Malta Financial Services Authority.*

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

The net asset value of UCITS funds remained almost at the same level reached in 2009 despite an increase in the number of licensed UCITS. As at end 2010, the NAV recorded €1.8 billion or €35 million less than 2009. The net asset value reached €1.88 billion in December 2009 and increased to €1.95 billion in March 2010; the highest level reached after the

financial turmoil but still 19 per cent or €400 million less than the highest level ever reached in December 2007. Growth did not persist in the remaining three quarters of the year and the NAV declined to €1.90 billion in June, to €1.89 billion in September and to €1.84 billion in December.

**Figure 6: Net asset value of UCITS funds (2006-2010).**

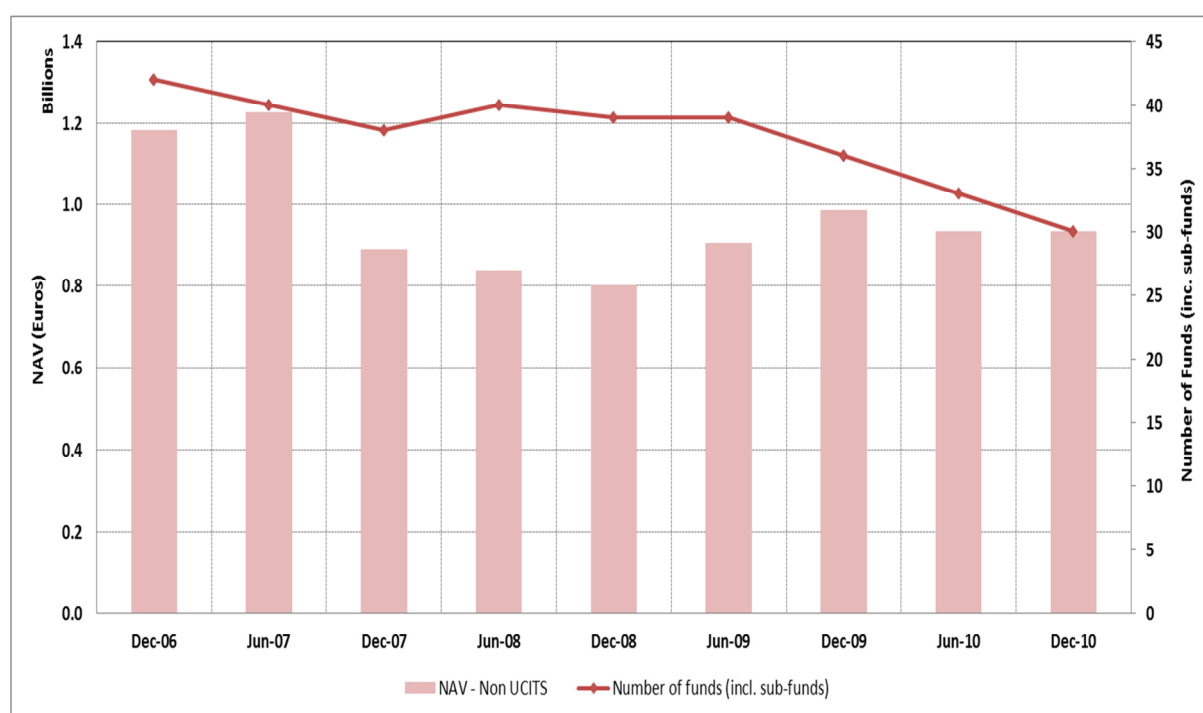


*Source: Malta Financial Services Authority.*

#### **2.2.4 Analysis of net asset value of Non UCITS funds**

The net asset value of Non UCITS funds slowed to €0.93 billion in 2010, a decline of €51 million or five per cent from 2009. The net asset value decreased to €0.96 billion in the first quarter of 2010 and to €0.93 billion in mid-2010. After slight gains in the third quarter of 2010, the net asset value at the end of the year fell back again to the mid-2010 level.

**Figure 7: Net asset value of Non UCITS funds (2006-2010).**



*Source: Malta Financial Services Authority.*

The number of registered Non UCITS funds continued the downward trend also in 2010, decreasing by six licences during the year.

## 2.3 Volumes of sales, redemptions, and revaluations

Investment funds domiciled in Malta recorded sales amounting to almost €4.8 billion in 2010. During the same year, redemptions amounted to €4.4 billion, while net revaluation adjustments totalled €0.62 billion.

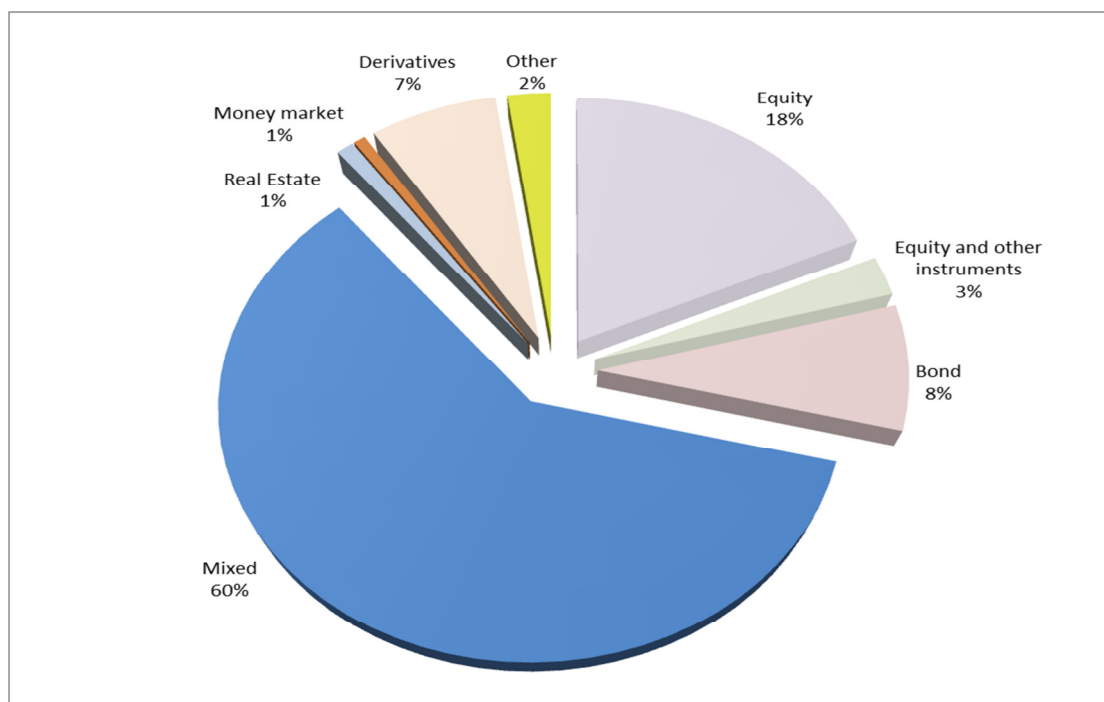
## 2.4 Asset class allocation<sup>2</sup>

Mixed funds recorded a total net asset value of almost €4.8 billion or 60 per cent of the total net assets in 2010. This represents an increase of 20 per cent over 2009. Net assets of equity funds amounted to almost €1.7 billion as at end 2010, an increase of 61 per cent over 2009.

<sup>2</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.

Net assets of bond funds also increased during 2010; from €0.58 billion in 2009 to €0.64 billion in 2010, a growth of 11 per cent.

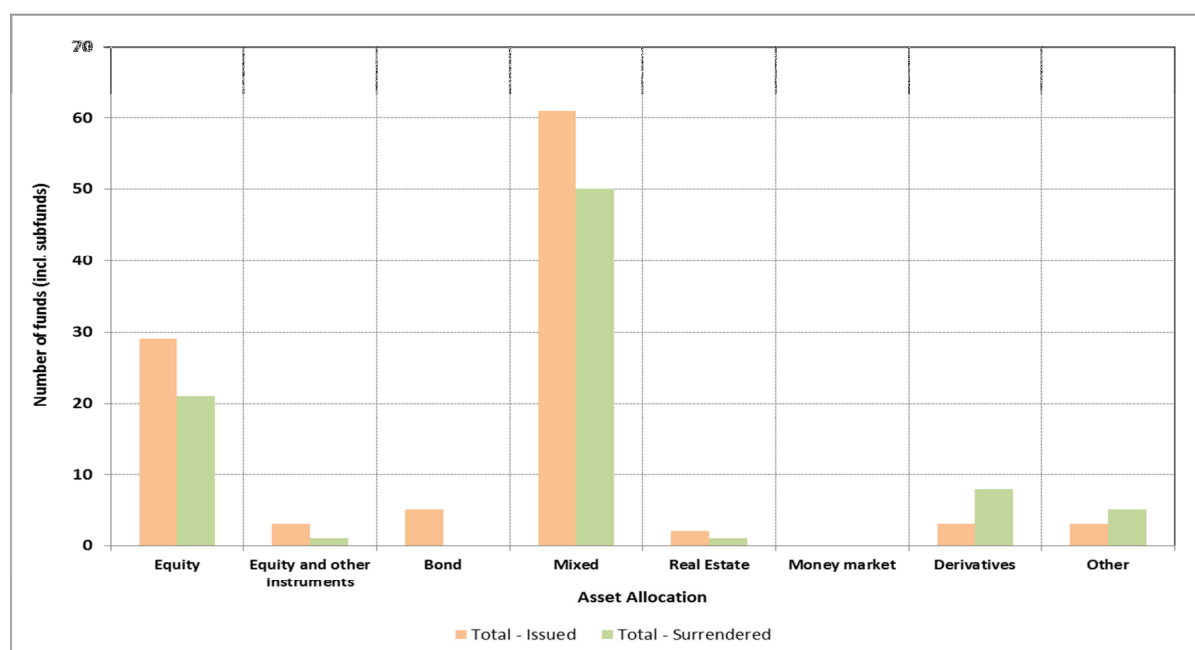
**Figure 8: Percentage December 2010 net asset value by asset allocation.**



*Source: Malta Financial Services Authority.*

Money market funds, real estate funds, and derivatives funds experienced net outflows during 2010, recording a drop in the net asset value of 41 per cent, 39 per cent and 51 per cent respectively over 2009. This downward trend in all the three classes is reflected by the large volumes of redemptions and small quantities of sales registered during 2010. Furthermore, there were no new authorisations for money market funds in 2010, while there were an additional of only two real estate funds and three derivative funds in 2010. The next figure indicates the number of new funds issued and surrendered by asset allocation in 2010. Mixed funds and equity funds were the most common type of funds in 2010.

**Figure 9: Number of new authorised and surrendered funds by asset allocation (2010).**



*Source: Malta Financial Services Authority.*

## 2.5 Management of funds

The number of Malta domiciled funds (including sub-funds) managed in Malta increased from 22 per cent in 2009 to 44 per cent in 2010 while the share of (PIFs and Non UCITS) funds (including sub-funds) managed from outside Malta decreased from 74 per cent to 47 per cent over the same period. About ten per cent of the funds were self-managed funds in 2010.

**Table 6: Management of locally based CISs (2009 against 2010).**

	% number of funds (including sub-funds) as at end 2009	% number of funds (including sub-funds) as at end 2010
Self-managed	4.1	9.6
Managed in Malta	22.1	43.8
Managed from outside Malta	73.8	46.6
<b>Total</b>	<b>100</b>	<b>100</b>

*Source: Malta Financial Services Authority.*

## 2.6 Administration of funds

There was a significant increase in the number of Malta domiciled funds (including sub-funds) administered by Malta-based administrators. Administration of funds in Malta increased from 47 per cent in 2009 to almost 78 per cent in 2010. The number of funds administered from outside Malta decreased from nearly 53 per cent in 2009 to 22 per cent in 2010.

**Table 7: Administration of locally based CISs (2009 against 2010).**

	% number of funds (including sub-funds) as at end 2009	% number of funds (including sub-funds) as at end 2010
<b>Self-administered</b>	0.2	0.5
<b>Administered in Malta</b>	47.3	77.5
<b>Administered from outside Malta</b>	52.5	22.0
<b>Total</b>	<b>100</b>	<b>100</b>

*Source: Malta Financial Services Authority.*

## 2.7 Structure of funds

As at end 2010, 73 per cent of the Collective Investment Schemes (PIFs, UCITS, and Non UCITS) operated as a multi fund structure, 17 per cent had stand-alone structures while the remaining operated as master-feeder structures.

**Table 8: Schemes by operating structure as at end 2010.**

	Number of schemes as at December 2010	% number of schemes against total schemes
<b>Master/Feeder (Master)</b>	6	<b>4.7</b>
<b>Master/Feeder (Feeder)</b>	6	<b>4.7</b>
<b>Stand Alone</b>	22	<b>17.3</b>
<b>Multi fund</b>	93	<b>73.3</b>
<b>Total</b>	<b>127</b>	<b>100</b>

*Source: Malta Financial Services Authority.*



## 2.8 Funds listed on Malta Stock Exchange

As at end 2010, 30 funds/ sub-funds were listed on the Malta Stock Exchange, of which eight were Professional Investor Funds, eight UCITS, and 14 Non UCITS funds.

**Table 9: Size of CISs by net asset value as at end 2010.**

Type of CIS	Funds/sub-funds listed on MSE
PIF	8
UCITS	8
Non UCITS	14
<b>Total</b>	<b>30</b>

*Source: Malta Financial Services Authority.*