

**MFSA**

**MALTA FINANCIAL SERVICES AUTHORITY**

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

**September 2010**

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## **PART 1 – Analysis of Collective Investment Scheme Licences**

### **1.1 The International Fund Industry**

Economies around the world have been seriously affected by the recent global financial crisis. Domiciles experiencing substantial drops in the number of fund registrations in 2009 included Ireland, Jersey, Guernsey and the Cayman Islands.

A few jurisdictions, including Malta, were less affected by the crisis insofar the number of fund registrations is concerned. During the same year, the number of funds based in Malta increased by 13% - from 325 in 2008 to 366 in 2009. Luxembourg also reported an increase in the number of authorised funds of almost 3%.

### **1.2 Funds domiciled in Malta**

During the first two quarters of 2010, the number of funds domiciled in Malta continued to grow at a steady pace. As at June 2010, the total number of licensed Collective Investment Schemes (including sub-funds<sup>1</sup>) totalled 436. This represents a net increase of 41 licences (or 11%) over December 2009.

The number of PIFs registrations continued to increase, from 285 licences in December 2009 to 329 licences in June 2010, a net increase of 44 licences, or 15%, over December 2009. During the first six months of 2010, there was no change in the number of UCITS registrations whilst there was a drop of three Non UCITS licences. No increase was recorded in the number of foreign based Collective Investment Schemes while the number of Recognised Private Collective Investment Schemes remained unchanged at three. (Table 1)

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<sup>1</sup> Stand-alone CISs are counted as one fund while multi-fund CISs are counted for the number of subfunds only.

**Table 1: CIS licences during the period December 2004 – June 2010.**

	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Jun-10
PIFs	10	62	91	129	235	285	329
UCITS	-	-	22	47	51	45	45
Non UCITS	50	51	52	38	39	36	33
<b>Total CISs, locally based</b>	<b>60</b>	<b>113</b>	<b>165</b>	<b>214</b>	<b>325</b>	<b>366</b>	<b>407</b>
Foreign Based	66	36	35	81	72	26	26
Recognised Private CIS	3	3	3	4	4	3	3
<b>Total CIS</b>	<b>129</b>	<b>152</b>	<b>203</b>	<b>299</b>	<b>401</b>	<b>395</b>	<b>436</b>

Source: MFSA.

### 1.3 Authorisation of new CISs

During the period January 2010 - June 2010, the Authority licensed a total of 49 Collective Investment Scheme licences (including sub-funds). The licences issued were all for Professional Investor Funds - of which 48 targeted qualifying investors and one experienced investors. (Table 2)

**Table 2: CISs issued during the period 2008 – June 2010.**

			2008	2009	1st and 2nd Quarter 2010
			New licences (Jan - Dec)	New licences (Jan - Dec)	New licences (Jan - Jun)
PIFs	Schemes		20	19	14
	Schemes (incl. sub-funds)	Qualifying Investor	78	93	48
		Extraordinary Investor	14	4	-
		Experienced Investor	19	5	1
		Total	111	102	49
UCITS	Schemes		-	1	-
	Schemes (incl. sub-funds)		4	3	-
Non UCITS	Schemes		1	-	-
	Schemes (incl. sub-funds)		3	-	-
Foreign	Schemes		-	-	-
	Schemes (incl. sub-funds)		-	-	-

Source: MFSA.

The number of individual Schemes licensed in the first six months was 14. These were all Professional Investor Funds. It compares to 19 individual Schemes licensed in 2009 (full year) and 20 individual Schemes in 2008.

#### 1.4 Surrender of Licences

Nine Collective Investment Schemes (including sub-funds) were surrendered during the first two quarters of 2010, of which five were PIFs (four licences targeting qualifying investors and one licence targeting extraordinary investors), three Non UCITS, and one foreign based CIS. (Table 3)

**Table 3: CISs surrendered during the period 2008 – June 2010.**

			2008	2009	1st and 2nd Quarter 2010
			Licences surrendered (Jan - Dec)	Licences surrendered (Jan - Dec)	Licences surrendered (Jan - Jun)
PIFs	Schemes		3	3	5
	Schemes (incl. sub-funds)	Qualifying Investor	5	48	4
		Extraordinary Investor	0	1	1
		Experienced Investor	1	3	-
		Total	6	52	5
UCITS	Schemes		0	0	-
	Schemes (incl. sub-funds)		0	9	-
Non UCITS	Schemes		0	0	1
	Schemes (incl. sub-funds)		2	3	3
Foreign	Schemes		1	1	1
	Schemes (incl. sub-funds)		9	46	1

Source: MFSA.

#### 1.5 Summary of CIS licences: 2008 – June 2010

The next table summarises the new licences issued by the Authority, the licences surrendered, and the number of active licences at the end of years 2008, 2009 and the first two quarters of 2010. (Table 4)

**Table4: CIS licences over the period 2008 – June 2010.**

			2008			2009			1st and 2nd Quarter 2010		
			New licences (Jan - Dec)	Licences surrendered (Jan - Dec)	Total licences as at end December 2008	New licences (Jan-Dec)	Licences surrendered (Jan - Dec)	Total licences as at end December 2009	New licences (Jan - Jun)	Licences surrendered (Jan - Jun)	Total licences as at end June 2010
PIFs	Schemes		20	3	60	19	3	76	14	5	85
	Schemes (incl. sub-funds)	Qualifying Investor	78	5	184	93	48	229	48	4	273
		Extraordinary Investor	14	0	14	4	1	17	-	1	16
		Experienced Investor	19	1	37	5	3	39	1	-	40
		Total	111	6	235	102	52	285	49	5	329
UCITS	Schemes		0	0	3	1	0	4	-	-	4
	Schemes (incl. sub-funds)		4	0	51	3	9	45	-	-	45
Non UCITS	Schemes		1	0	12	0	0	12	-	1	11
	Schemes (incl. sub-funds)		3	2	39	0	3	36	-	3	33
Foreign	Schemes		0	1	7	0	1	6	-	1	5
	Schemes (incl. sub-funds)		0	9	72	0	46	26	-	1	25
Recognised Private CIS	Schemes		0	0	4	0	1	3	-	-	3
	Schemes (incl. sub-funds)		0	0	4	0	1	3	-	-	3

Source: MFSA.

## PART 2 – Performance Analysis of Collective Investment Schemes

### 2.1 Investment fund assets in the International Fund Industry

After experiencing significant gains for more than five years, worldwide investment fund assets declined by 23.5% in 2008 as a result of the turbulence in the financial markets; from 17.76 trillion euros reached in the last quarter of 2007 to 13.59 trillion euros in the last quarter of 2008. Equity funds were the most seriously affected; the total net assets falling by 48% in 2008. The total net assets of bond funds suffered a drop of 21% whilst the total net assets of money market funds increased by 17% in 2008.<sup>2</sup>

Net assets in the European fund industry had more than doubled during the period 1998 - 2007; from 3.04 trillion euros registered in 1998 to 7.9 trillion euros in 2007. However, assets dropped by almost 23% in 2008 as a result of the global financial crises which started in the USA in mid-2007. UCITS assets were seriously affected during the crises declining by 25% in 2008. Assets of Non UCITS fell by 11% during the same year.

**Table 5: Changes in net assets of investment funds in major European countries.**

Country	Dec 2007 NAV	Dec 2008 NAV	Dec 2009 NAV	Percentage Change Dec 07 - Dec 08	Percentage Change Dec 08 - Dec 09
	Million Euros	Million Euros	Million Euros		
<b>Belgium</b>	126,536	103,633	92,523	<b>-18.1</b>	<b>-10.7</b>
<b>France</b>	1,508,300	1,293,265	1,426,395	<b>-14.3</b>	<b>10.3</b>
<b>Germany</b>	1,041,869	911,330	1,017,356	<b>-12.5</b>	<b>11.6</b>
<b>Ireland</b>	805,989	647,054	748,629	<b>-19.7</b>	<b>15.7</b>
<b>Italy</b>	357,947	246,981	249,952	<b>-31.0</b>	<b>1.2</b>
<b>Luxembourg</b>	2,059,395	1,559,653	1,840,993	<b>-24.3</b>	<b>18.0</b>
<b>Netherlands</b>	90,951	71,689	79,000	<b>-21.2</b>	<b>10.2</b>
<b>UK</b>	751,346	458,116	631,000	<b>-39.0</b>	<b>37.7</b>

Source: EFAMA.

In 2008, Luxembourg suffered a drop of almost 24%, Ireland 20% and France 14%. Investment fund assets started recovering again during the last two quarters of 2009 - albeit at slower pace. In 2009, net assets of investment funds in Luxembourg increased by 18%, net assets in France improved by 10%, while in Ireland net assets increased by almost 16%.

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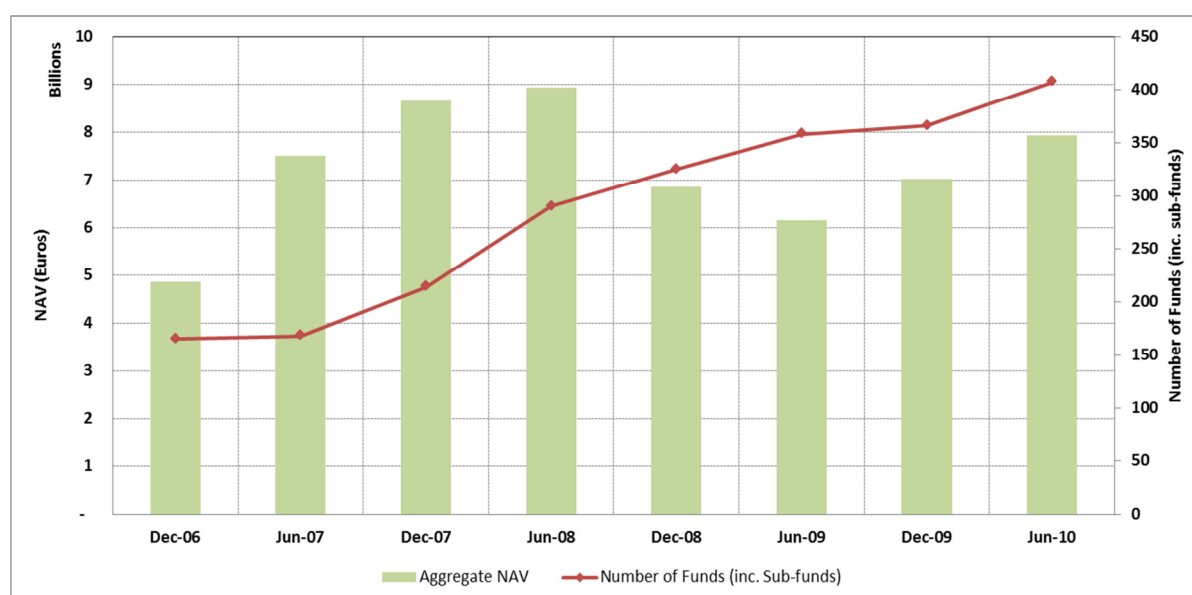
<sup>2</sup> Source: EFAMA.

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

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

This positive trends seen towards the end of last year have persisted during the first two quarters of 2010. As at end June 2010, the aggregate net asset value (NAV) of Malta domiciled funds (PIFs, UCITS, and Non-UCITS) reached €7.93 billion. This represents an increase of almost 0.9 billion or 13% over December 2009. The increase in the net asset value was contributed by a range of funds which are slowly recovering from the financial crises together with a number of new funds which started operating during 2010.

Figure 1: Aggregate net asset value of locally based CISs (December 2006 – June 2010).



Source: MFSA.

Growth in the net asset value of Malta domiciled funds was uninterrupted during the period December 2006 - June 2008. However, as a result of the global financial crises, growth did not persist over the period June 2008 – June 2009. NAV declined by €2.8 billion or 31% - from €9 billion reached in June 2008 to €6.2 billion in June 2009. Despite this, during the same period the number of fund registrations continued rising reaching 358 funds (including sub-funds) in June 2009, from 290 funds registered in June 2008.

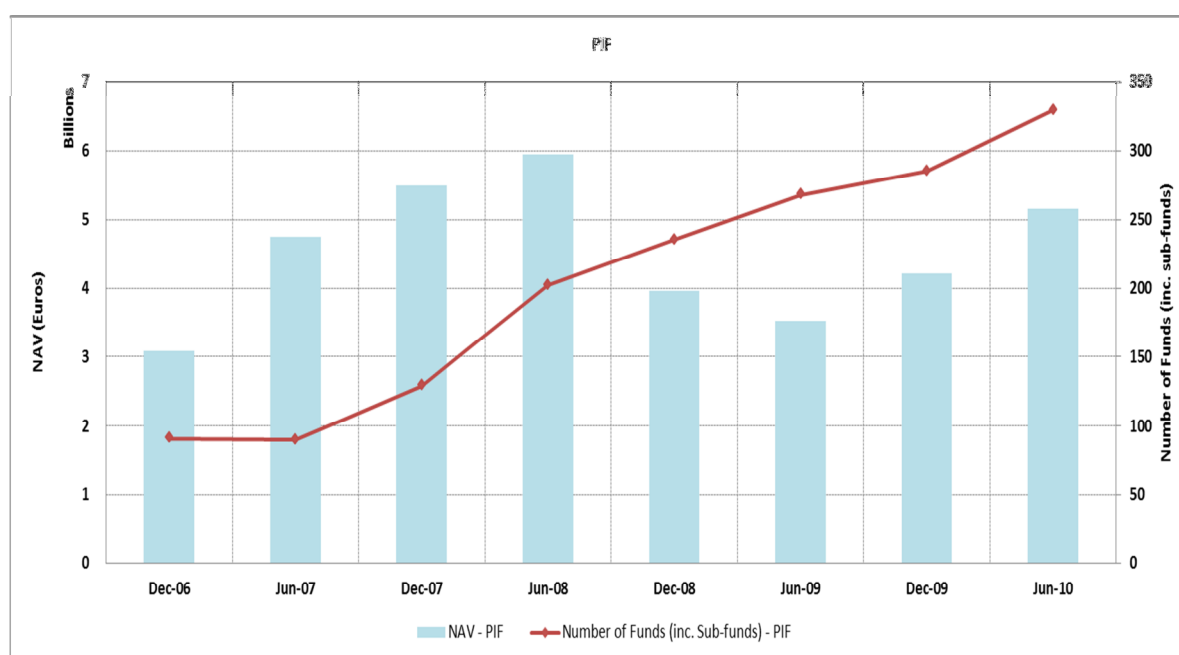
The same rate of growth in the net asset value had been registered in the last two quarters of 2009 when NAVs had increased by 13% to €7 billion in December 2009.



## 2.2.2 Analysis of net asset value by type of CIS

The net asset value of Professional Investor Funds reached €5.2 billion on June 2010, an increase of almost €1 billion in the first six months of 2010 but €0.8 billion less than the highest level reached in June 2008. About €0.78 billion or 80% of the €1 billion increase in NAV over the six months of 2010 was contributed from new PIFs registered in 2010.

**Figure 2: Net asset value of Professional Investor Funds.**

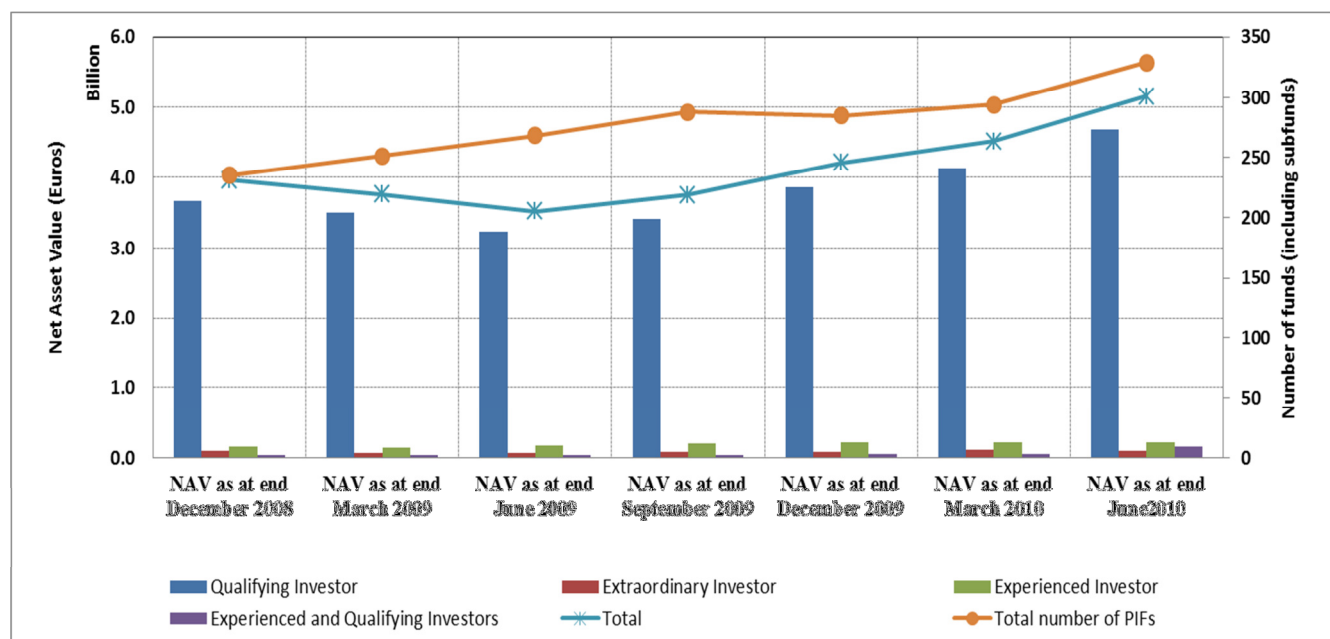


Source: MFSA.

By comparison, the net asset value of Professional Investor Funds had reached €6 billion in June 2008 which then declined to €3.5 billion in June 2009 because of the global financial crises, a drop of almost €2.5 billion or 42%. The NAV started recovering again in the last two quarters of 2009 and the trend persisted in the first six months of 2010 as indicated in the above chart.

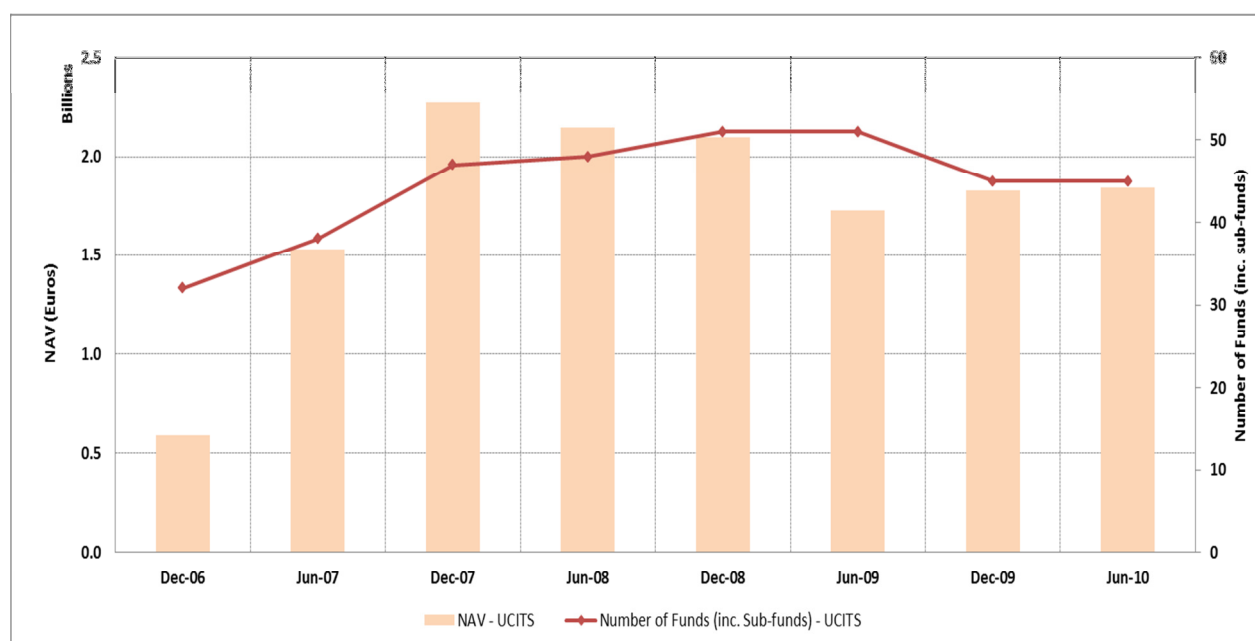
The next figure illustrates a breakdown of the net asset value by type of PIF, namely PIFs targeting qualifying investors, extraordinary investors and experienced investors. PIFs targeting qualifying investors experienced the highest increase in net asset value followed by PIFs targeting experienced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

**Figure 3: Breakdown of net asset value by type of Professional Investor Funds.**



Source: MFSA.

**Figure 4: Net asset value of UCITS.**



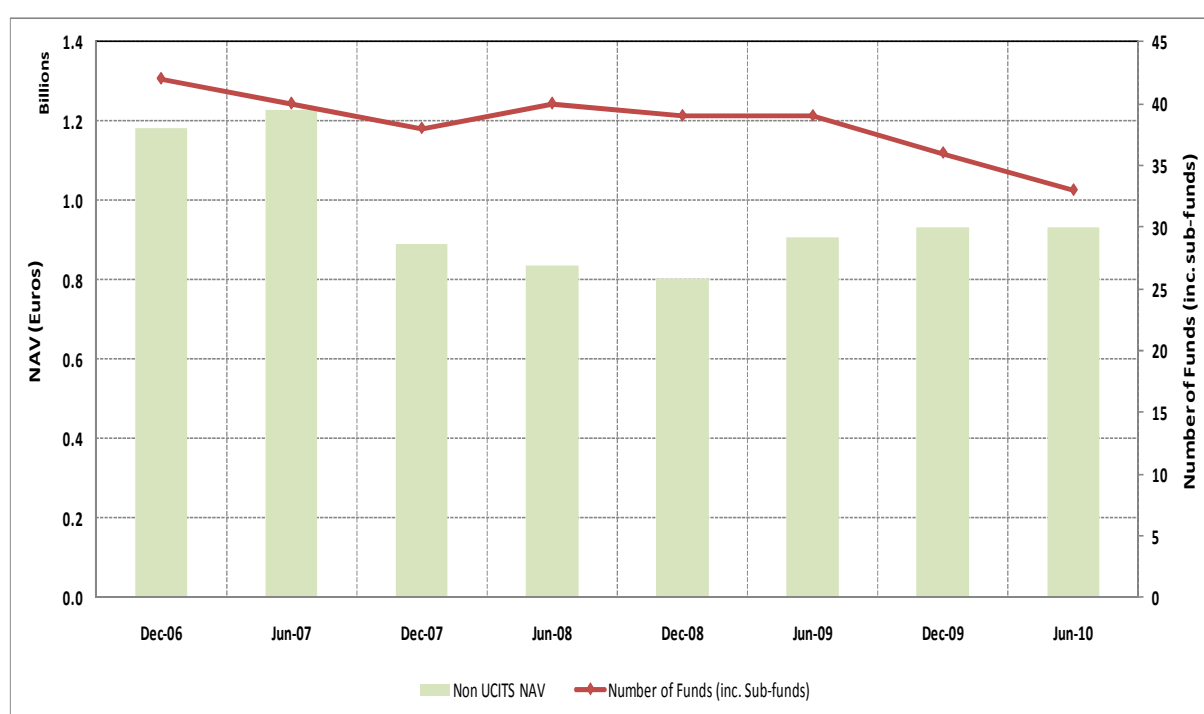
Source: MFSA.

The net asset value of UCITS increased slightly in the first two quarters of 2010; from €1.83 billion in December 2009 to €1.84 billion in June 2010. This represents 19% less than the highest level reached in December 2007, where the net asset value stood at €2.3 billion. The

number of UCITS licences during the first two quarters of 2010 remained unchanged at 45, after registering a drop of 12% in 2009.

The net asset value of Non-UCITS funds declined marginally in June 2010, from €0.99 billion in December 2009 to €0.93 billion in June 2010 whilst the number of registered funds continued the downward trend also in 2010. The net asset value of Non-UCITS funds decreased because the volumes of redemptions were higher than sales in the first two quarters of 2010.

**Figure 5: Net asset value of Non-UCITS.**



Source: MFSA.

## 2.3 Volumes of sales, redemptions, and revaluations – all funds<sup>3</sup>

In the first six months of 2010, sales totalled €2.6 billion, redemptions €2.2 billion, while net revaluations amounted to €0.6 billion. In June 2010, 152 funds (including sub-funds) reported sales greater than zero while 141 funds (including sub-funds) reported no sales. During the same month, 153 funds (including sub-funds) reported redemptions greater than zero while 140 funds (including sub-funds) reported no redemptions.

<sup>3</sup> All figures in this section are approximate.

Tables 6 – 8: Volumes of sales, redemptions, and revaluations of CISs.<sup>4</sup>

2010	Sales			
	Euros	Number of funds (incl. sub-funds) which reported sales greater than zero	Number of funds (incl. sub-funds) which reported zero sales	Number of funds (incl. sub-funds) which did not report (including those who submit on a quarterly basis)
Jan	304,273,000	104	79	186
Feb	325,697,000	91	104	176
Mar	610,113,000	136	143	94
Apr	312,144,000	94	111	181
May	545,906,000	116	90	198
Jun	499,083,559	152	141	114

2010	Redemptions			
	Euros	Number of funds (incl. sub-funds) which reported redemptions greater than 0	Number of funds (incl. sub-funds) which reported zero redemptions	Number of funds (incl. sub-funds) which did not report (including those who submit on a quarterly basis)
Jan	514,662,000	98	85	186
Feb	114,779,000	105	90	176
Mar	476,330,000	158	121	94
Apr	255,531,000	106	98	182
May	482,853,000	115	91	198
Jun	315,471,000	153	140	114

2010	Revaluation Adjustments (Net)			
	Euros	Number of funds (incl. sub-funds) which reported revaluation adjustments greater or smaller than 0	Number of funds (incl. sub-funds) which reported zero revaluation adjustments	Number of funds (incl. sub-funds) which did not report (including those who submit on a quarterly basis)
Jan	64,925,913	178	5	186
Feb	67,804,000	178	17	176
Mar	202,149,000	262	17	94
Apr	74,607,000	184	21	181
May	159,112,000	194	12	198
Jun	43,890,000	260	34	113

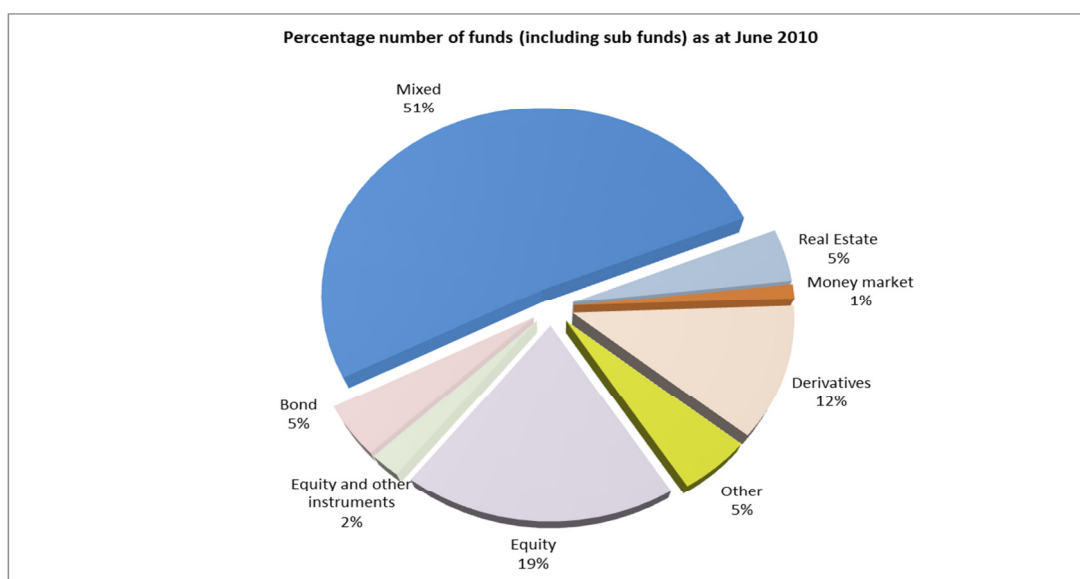
Source: MFSA.

<sup>4</sup> Funds submit the CBM NAV return either on a monthly or quarterly basis. Thus, volumes of sales, redemptions, and revaluations of funds reporting on a quarterly basis are only included at the end of that quarter.

## 2.4 Asset allocation<sup>5</sup>

As at June 2010, diversified funds were the largest asset category, accounting for almost 51% of all the locally based Malta domiciled funds. Equity funds were the second most common category with a share of 19% of the total number of funds. Derivative funds accounted for 12% of the total number funds.

**Figure 6: Percentage number of funds (including sub-funds) by asset allocation as at June 2010.**



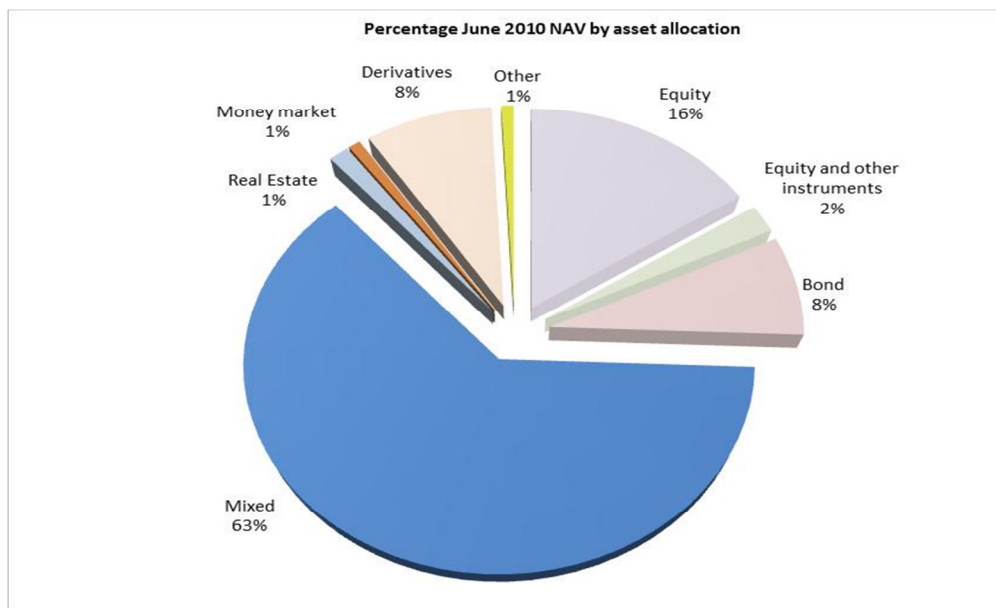
Source: MFSA.

Mixed funds recorded a total net asset value of €5 billion or 63% of the total NAV in June 2010, a rise of 9% over December 2009. Equity funds continued to attract new money during the first six months of 2010, recording a net asset value of €1.2 billion (16%) in June 2010, an increase of 42% over December 2009. Bond funds also reported an increase in net asset value in June 2010 though at a slower pace than the previous two types of funds. (Figure 7)

Money market funds, real estate funds, and derivatives funds slowed down in the first six months of 2010, recording a drop in the net asset value of 28%, 14% and 41% respectively over December 2009. This downward trend in all the three classes is reflected by the large volumes of redemptions and small amounts of sales registered during the first two quarters of 2010.

<sup>5</sup> This asset allocation of funds was extracted from the prospectuses of the funds. Consequently, it does not necessary mean that the allocated assets of the funds were invested accordingly.

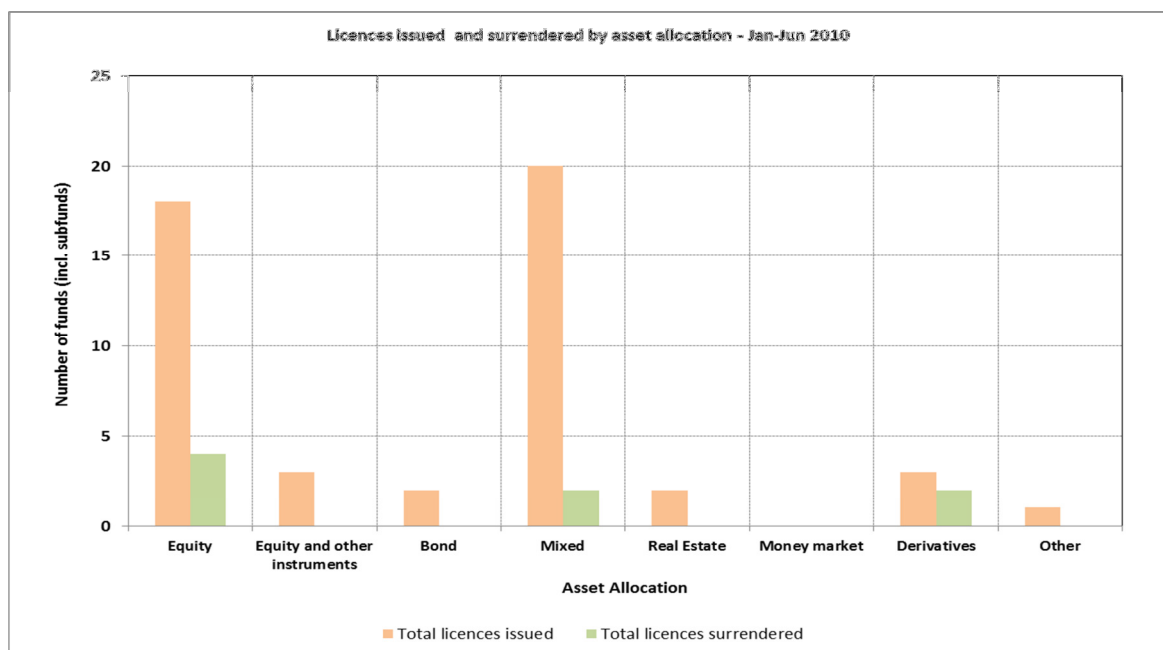
**Figure 7: Percentage June 2010 net asset value by asset allocation.**



Source: MFSA.

The largest number of funds registered was in the mixed and equity sectors. There were no new authorisations for money market funds during the first six months, while there were only one bond fund and one derivative fund licensed during the period. (Figure 8)

**Figure 8: Asset allocation of CIS authorised and surrendered in 2010.**



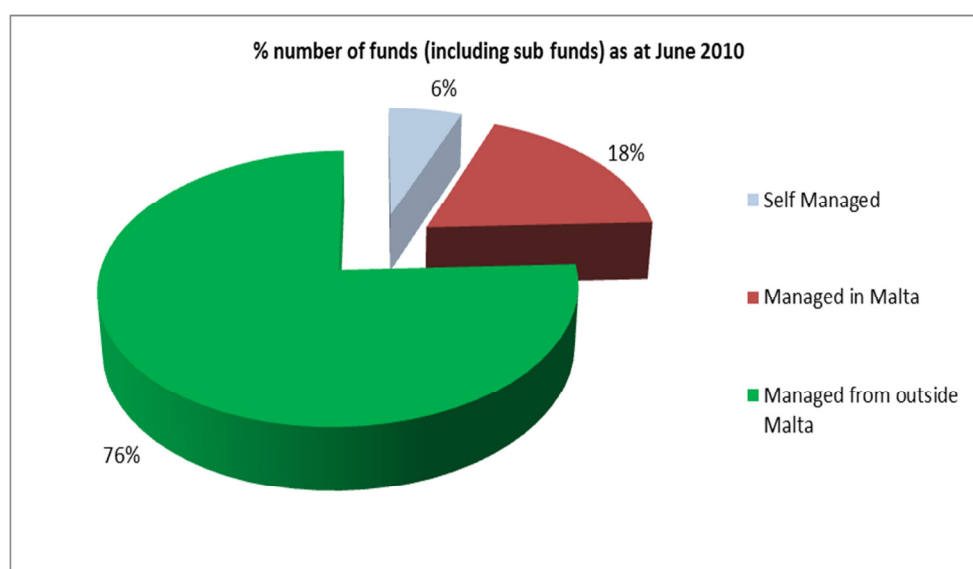
Source: MFSA.

## PART 3 – Other Analysis

### 3.1 Management of CISs

As of 30 June 2010, 76 per cent of the Malta domiciled funds (including sub-funds) were managed by investment managers based outside Malta. Another 18 per cent of the funds were managed by investment managers based in Malta while the remaining 6 per cent were self-managed funds.

**Figure 9: Management of locally based CISs as at June 2010.**

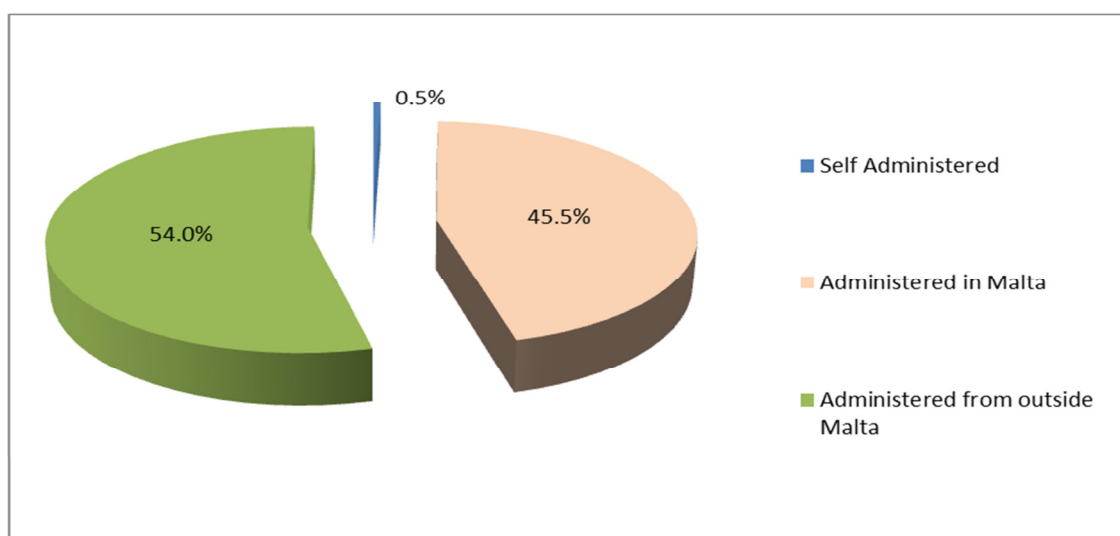


*Source: MFSA.*

### 3.2 Administration of CISs

As of 30 June 2010, about 46 per cent of the total funds (including sub-funds) domiciled in Malta were administered by fund administrators situated in Malta while 54 per cent of the funds (including sub-funds) were administered from outside Malta. Only 0.5 per cent of the funds (including sub-funds) were self-administered.

**Figure 10: Administration of locally based CISs as at June 2010.**



Source: MFSA.

### 3.3 Structure of CISs

As at June 2010, 70% of the Collective Investment Schemes operated as a multi fund structure, 20% had stand-alone structures while the remaining operated as master-feeder structures.

**Table 9: Schemes by operating structure as at June 2010.**

	Number of schemes as at June 2010	% number of schemes against total schemes
Master/Feeder (Master)	6	5.8
Master/Feeder (Feeder)	6	5.8
Stand Alone	20	19.2
Multi fund	72	69.2
<b>Total</b>	<b>104</b>	<b>100</b>

Source: MFSA.

### 3.4 CISs listed on Malta Stock Exchange

As at June 2010, 28 funds were listed on the Malta Stock Exchange, of which seven were PIFs, eight UCITS, and 13 Non-UCITS.



**Table 10: Funds/sub-funds domiciled in Malta listed on the MSE as at June 2010.**

Type of CIS	Funds/sub-funds listed on MSE
PIF	7
UCITS	8
Non UCITS	13
<b>Total</b>	<b>28</b>

*Source: MFSA, MSE.*