

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

**Analysis of Collective Investment
Schemes licensed by the Malta
Financial Services Authority
(Quarters 1 and 2 - 2011)**

September 2011

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FACT STATISTICS

- *Number of total new funds (including sub-funds) licenced (2004-June 2011):* **661**
- *Number of total funds (including sub-funds) surrendered (2004-June 2011):* **204**
- *Net Asset Value of Malta domiciled Funds:* **€7.8 billion as at end June 2011**
- *Number of non-Malta domiciled funds administered in Malta:* **157 as at end June 2011**
- *Net Asset Value of funds (domiciled and non-domiciled in Malta) administered in Malta:* **€6.3 billion as at end June 2011**

PART 1 – Analysis of Collective Investment Scheme Licences

1.1 Fund registrations in the International Fund Industry

The majority of European countries reported growth in the number of fund registrations in the first half of 2011. Namely, the two leading countries in the European Fund Industry, Luxembourg and France, reported growth of 1.7 per cent and 1.8 per cent respectively over end 2010. Ireland and UK both experienced an increase of three per cent in the number of authorised funds in 2011. Other European countries, namely Germany, suffered a drop of 1.6 per cent from end 2010.

1.2 Fund registrations in Malta

The number of funds authorised in Malta increased by 109 licences or 27 per cent in the first half of 2011; from 410 funds (including sub-funds) in 2010 up to 519 funds (including sub-funds) in June 2011.

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

	2004	2005	2006	2007	2008	2009	2010	End June 2011
PIFs	8	62	91	129	235	285	306	407
UCITS	-	-	22	47	51	45	50	58
Non-UCITS	52	51	52	38	39	36	30	30
Total locally based CISs	60	113	165	214	325	366	386	495
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	519

Source: Malta Financial Services Authority.

There were 407 authorised Professional Investor Funds (PIFs) licences as at end June 2011, a net increase of 101 licences, or 33 per cent, from end 2010. The number of UCITS funds also registered growth in the first two quarters of 2011, from 50 licences in 2010 to 58 licences in June 2011, a net increase of eight licences or 16 per cent over end 2010. The number of Non-UCITS funds and foreign based funds remained unchanged at 30 and 22 respectively at end June 2011.

1.3 Authorisation of new Collective Investment Schemes

Over the period January – June 2011, the Authority authorised 117 new funds (including sub-funds), ten more new licences than the total new licences issued in entire 2010. The number of new PIFs issued was 105; 94 targeting Qualifying Investors, seven Extraordinary Investors, and four Experienced Investors. The number of new UCITS funds licensed in the first half of 2011 amounted to 12, seven new licences more than the total licences authorised in the whole previous year.

Table 2: Authorisation of new Collective Investment Schemes (2009 – June 2011).

			2009	2010	End June 2011
PIFs	Schemes		19	39	26
	Sub-funds	Qualifying Investor	93	95	94
		Extraordinary Investor	4	1	7
		Experienced Investor	5	6	4
		Total	102	102	105
UCITS	Schemes		1	4	3
	Sub-funds		3	5	12
Non UCITS	Schemes		0	0	0
	Sub-funds		0	0	0
Foreign Based	Schemes		0	0	0
	Sub-funds		0	0	0
Recognised Private CIS	Schemes		0	1	0
	Sub-funds		0	1	0

Source: Malta Financial Services Authority.

The number of individual schemes licensed in the first half of 2011 was 29; 26 schemes were registered as Professional Investor Funds and three were UCITS schemes.

1.4 Surrenders of Collective Investment Schemes

Four Professional Investor Funds surrendered the licence in 2011; three PIFs targeting Qualifying Investors and one targeting Experienced Investors. Additionally, there were four UCITS funds (including sub-funds) which surrendered the licence.

Table 3: Collective Investment Schemes surrendered (2009 – June 2011).

			2009	2010	End June 2011
PIFs	Schemes		3	7	2
	Sub-funds	Qualifying Investor	48	73	3
		Extraordinary Investor	1	3	0
		Experienced Investor	3	5	1
		Total	52	81	4
UCITS	Schemes		0	0	1
	Sub-funds		9	0	4
Non UCITS	Schemes		0	1	0
	Sub-funds		3	6	0
Foreign	Schemes		1	1	0
	Sub-funds		46	4	0
Recognised Private CIS	Schemes		1	2	0
	Sub-funds		1	2	0

Source: Malta Financial Services Authority.

Three individual schemes surrendered the licence in the first six months of 2011; two Professional Investor Funds and one UCITS scheme.

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

Table four provides a summary of the new licences issued and surrendered by the Authority, and the number of active licences at the end of years 2009 and 2010, and end June 2011.

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

			2009			2010			End June 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 June 2011
PIFs	Schemes		19	3	76	39	7	108	26	2	132
	Sub-funds	Qualifying Investor	93	48	229	95	73	251	94	3	343
		Extraordinary Investor	4	1	17	1	3	15	7	0	22
		Experienced Investor	5	3	39	6	5	40	4	1	42
		Total	102	52	285	102	81	306	105	4	407
UCITS	Schemes		1	0	4	4	0	8	3	1	10
	Sub-funds		3	9	45	5	0	50	12	4	58
Non UCITS	Schemes		0	0	12	0	1	11	0	0	11
	Sub-funds		0	3	36	0	6	30	0	0	30
Foreign	Schemes		0	1	6	0	1	5	0	0	5
	Sub-funds		0	46	26	0	4	22	0	0	22
Recognised Private CIS	Schemes		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

The number of non-Malta domiciled funds (including sub-funds) administered in Malta totalled 157 as at end June 2011.

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

	Non-Malta domiciled funds (including sub-funds) administered in Malta
June 2011	157

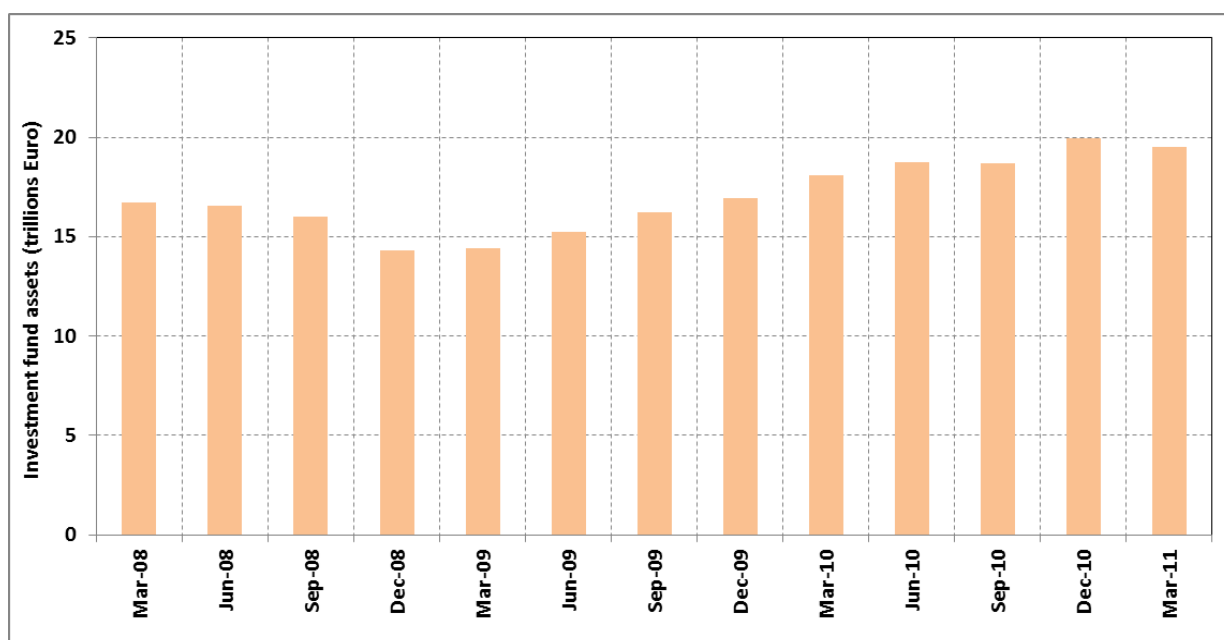
Source: Malta Financial Services Authority.

PART 2 – Performance Analysis of Collective Investment Schemes

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

The first half of 2011 was characterised by a number of events which triggered uncertainty in the financial global markets and dropped further investor confidence in the markets, particularly the sovereign debt crisis and the political unrest in North Africa and Middle East. Worldwide investment fund assets stood at €19.5 trillion at end March 2011, a decline of 2.2 per cent over end 2010.

Figure 1: Worldwide investment fund assets (2008- March 2011).



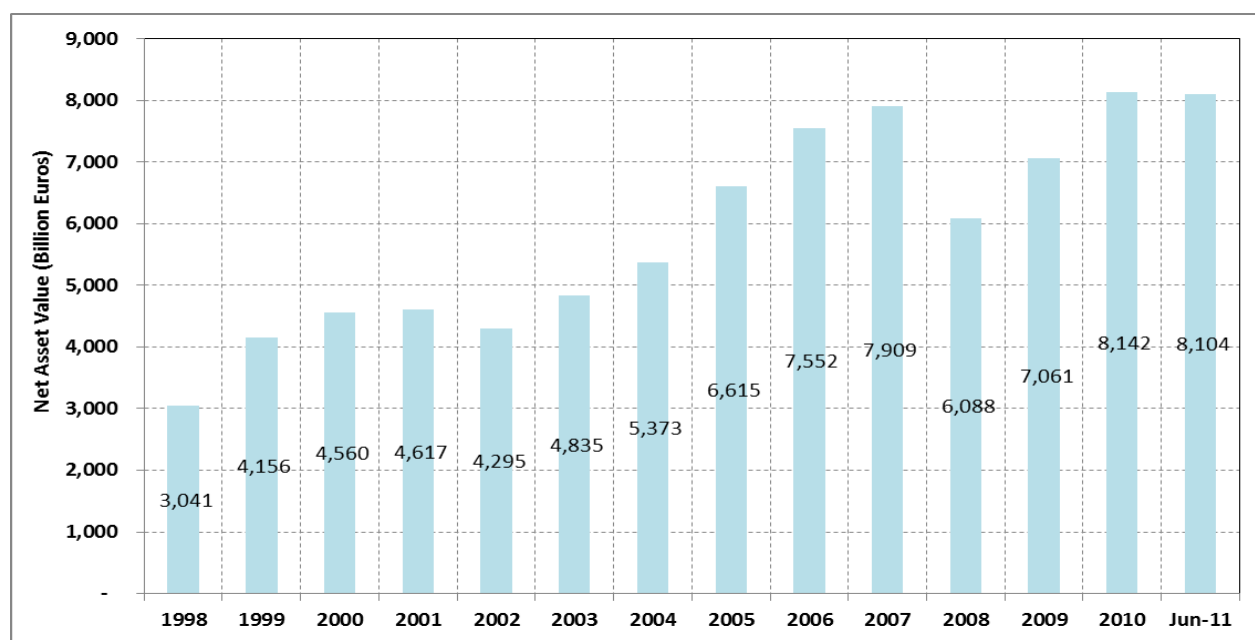
Source: EFAMA.

Equity funds assets stood at €7.8 trillion at end March 2011, a drop of 1.2 per cent over end 2010. Bond funds and mixed funds declined by 2.5 per cent and 0.4 per cent respectively bringing the total assets to stand at €3.9 trillion and €2 trillion respectively at end March 2011. Money markets funds continued to suffer sharp outflows in the first three months of 2011 to record drop of almost 6.4 per cent of the total assets.

The investment fund assets in Europe amounted to €8,104 billion at end June 2011, a drop of 0.5 per cent over end 2010. The fall in net assets was majorly triggered by the decline in

net assets of money market funds which continued to suffer large net outflows even in 2011. Equity funds also suffered a fall in net assets though not at the pace of money market funds.

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



Source: EFAMA.

There were mixed performances by European countries in the net assets of the investment funds in the first half of 2011. Luxembourg and France experienced a drop of 0.6 per cent and 1.7 per cent in the net assets respectively, while Germany and Ireland reported a growth of 1.4 per cent and 1.2 per cent respectively. More details in table 6.

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

	2007	2008	2009	2010	End June 2011
	Million Euros	Million Euros	Million Euros	Million Euros	Million Euros
France	1,508,300	1,293,265	1,421,395	1,502,680	1,476,467
Germany	1,041,869	911,330	1,019,672	1,125,277	1,140,540
Ireland	805,989	647,054	748,629	962,503	974,335
Luxembourg	2,059,395	1,559,653	1,840,993	2,198,988	2,184,999
Netherlands	90,951	71,689	79,020	78,066	75,023
UK	751,346	458,116	638,312	793,957	791,677

Source: EFAMA.

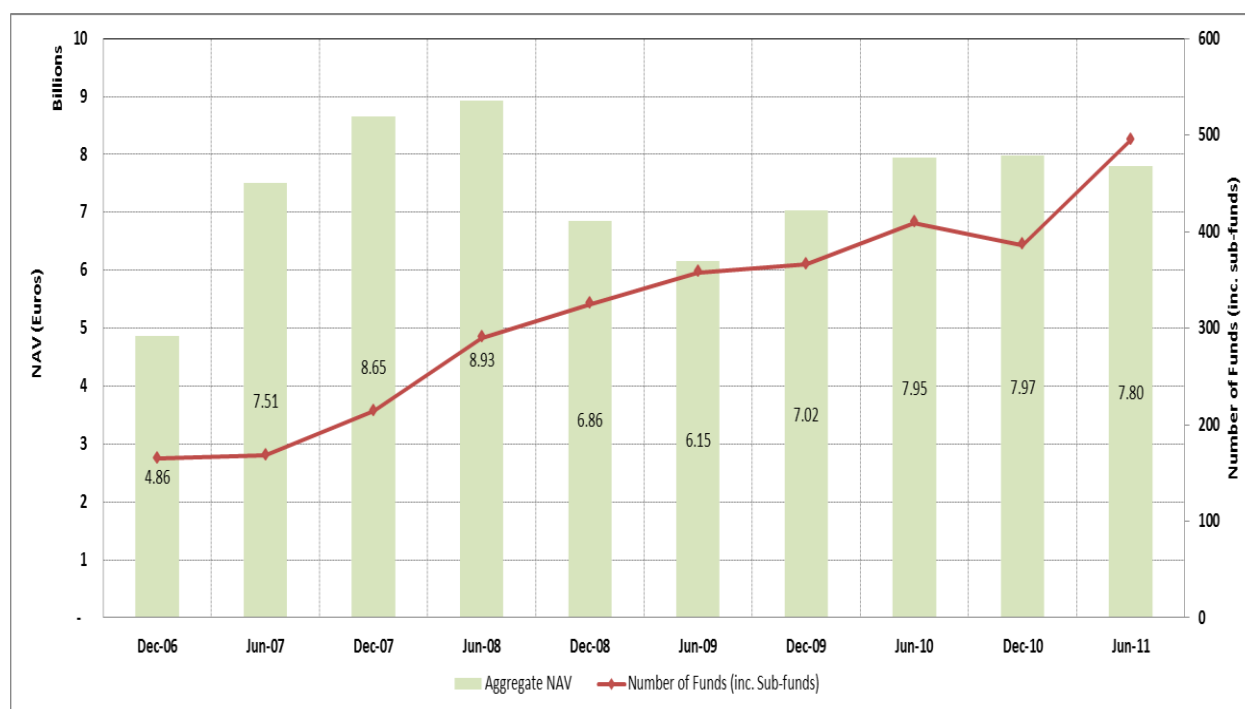
2.2 Analysis of net asset value of Malta domiciled funds

2.2.1 Analysis of aggregate net asset value of locally based CISs

The total net asset value (NAV) of Malta domiciled funds (PIFs, UCITS, and Non-UCITS) registered €7.8 billion as at end June 2011, 2.1 per cent (or €170 million) short from end 2010. While the NAV of PIFs increased by 1.4 per cent over end 2010, UCITS and Non-UCITS funds lost 8.6 per cent and 9.3 per cent respectively during the first half of 2011, mainly driven by a surge in redemptions and downward asset revaluations. The slight increase in the net asset value of PIFs was generally contributed by a number of new PIFs which started operating during the first two quarters of the year.

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 turmoil. The net asset value started showing signs of recovery later in 2009 and continued to grow at a slower pace during 2010. Growth did not persist in the first half of 2011 due to conditions brought about by sovereign debt crisis which has put further pressure on the markets in 2011.

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



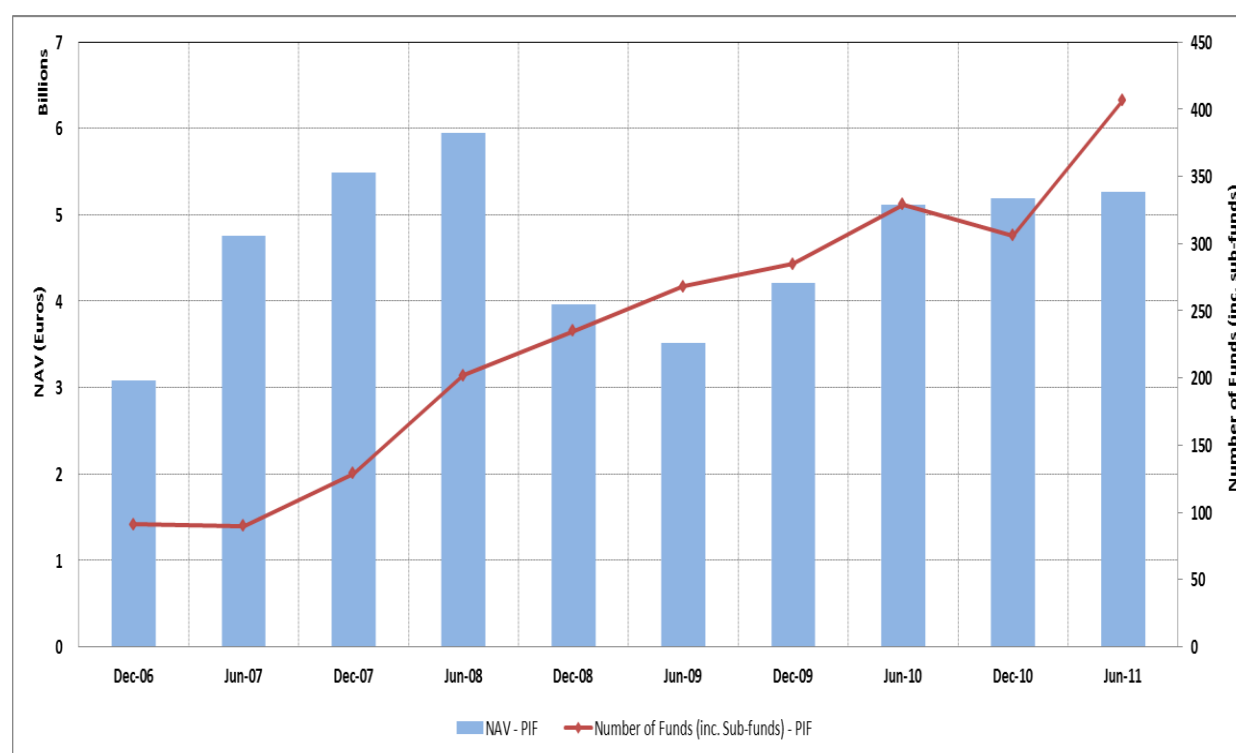
Source: Malta Financial Services Authority.

The number of fund registrations in Malta (PIFs, UCITS, and Non-UCITS) increased significantly during the last three years, namely from 290 funds (including sub-funds) in June 2008 to 495 funds (including sub-funds) in June 2011; a net growth of 71 per cent. During the first half of 2011, there were 117 new licences, 10 more licences than the total amount registered in entire 2010.

2.2.2 Analysis of net asset value of Professional Investor Funds

The net asset value of Professional Investor Funds increased by 1.4 per cent in the first half of 2011, from €5.2 billion in 2010 to €5.3 billion in June 2011. The slight increase in the net asset value of PIFs was generally contributed by a number of new PIFs which started operating during the first two quarters of the year.

Figure 4: Net asset value of Professional Investor Funds (2006 - June 2011).



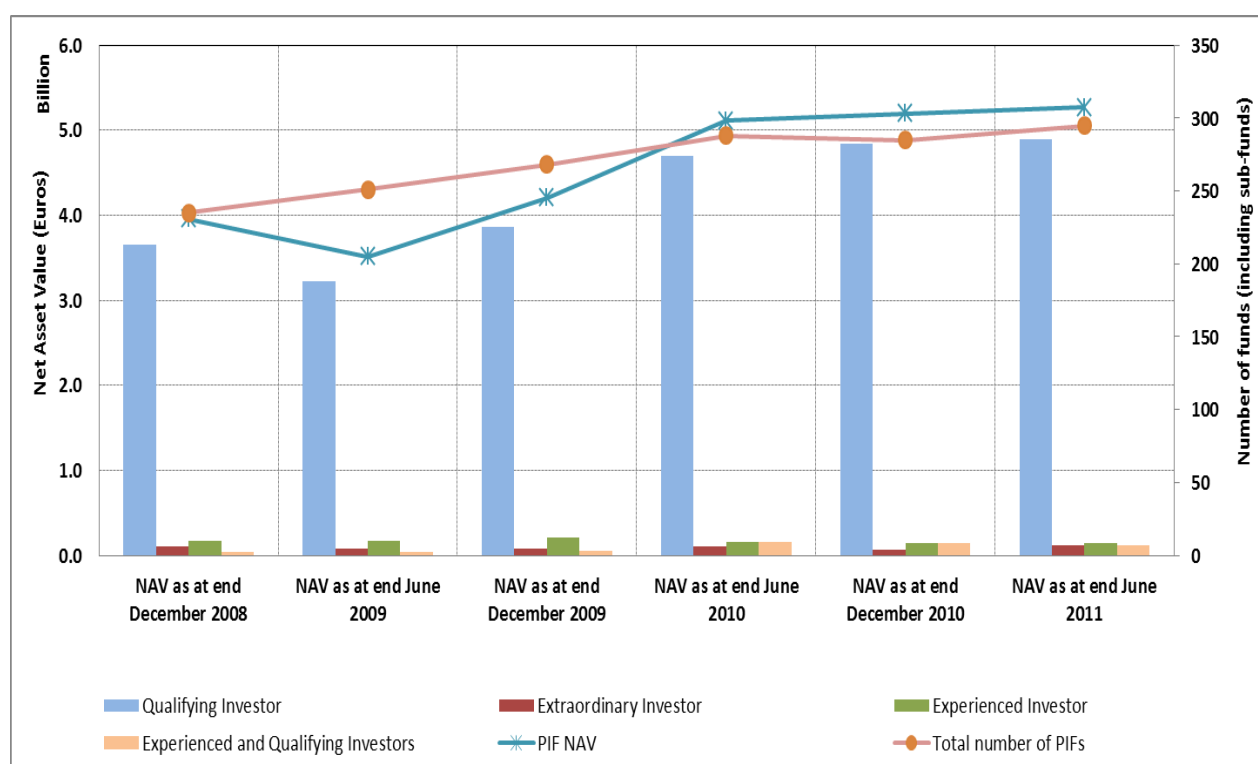
Source: Malta Financial Services Authority.

During the first half of 2011, the net asset value of PIFs targeting qualifying investors increased marginally (one per cent) over end 2010 while the NAV of PIFs targeting extraordinary investors and PIFs targeting experienced investors grew by almost 65 per cent

and three per cent respectively. PIFs targeting both experienced and qualifying investors (in different classes of the fund) suffered a decline in the NAV of around 18 per cent.

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 - June 2011).

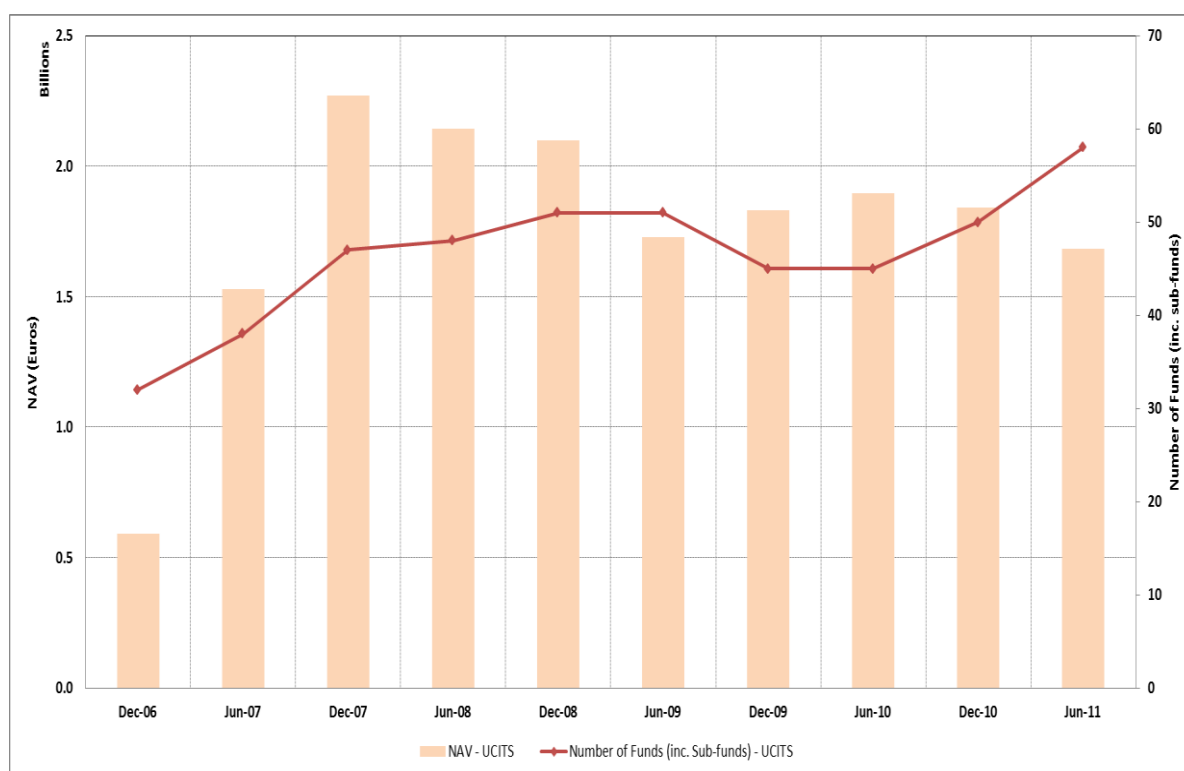


Source: Malta Financial Services Authority.

2.2.3 Analysis of net asset value of UCITS funds

UCITS funds experienced a decline of around 8.6 per cent in the net asset value during the first half of 2011 over end 2010. As at end June 2011, the net asset value recorded €1.68 billion or almost €0.2 billion less than end 2010. UCITS funds recorded the highest NAV in December 2007 where it stood at almost €2.3 billion. Figure 6 refers.

Figure 6: Net asset value of UCITS funds (2006 - June 2011).

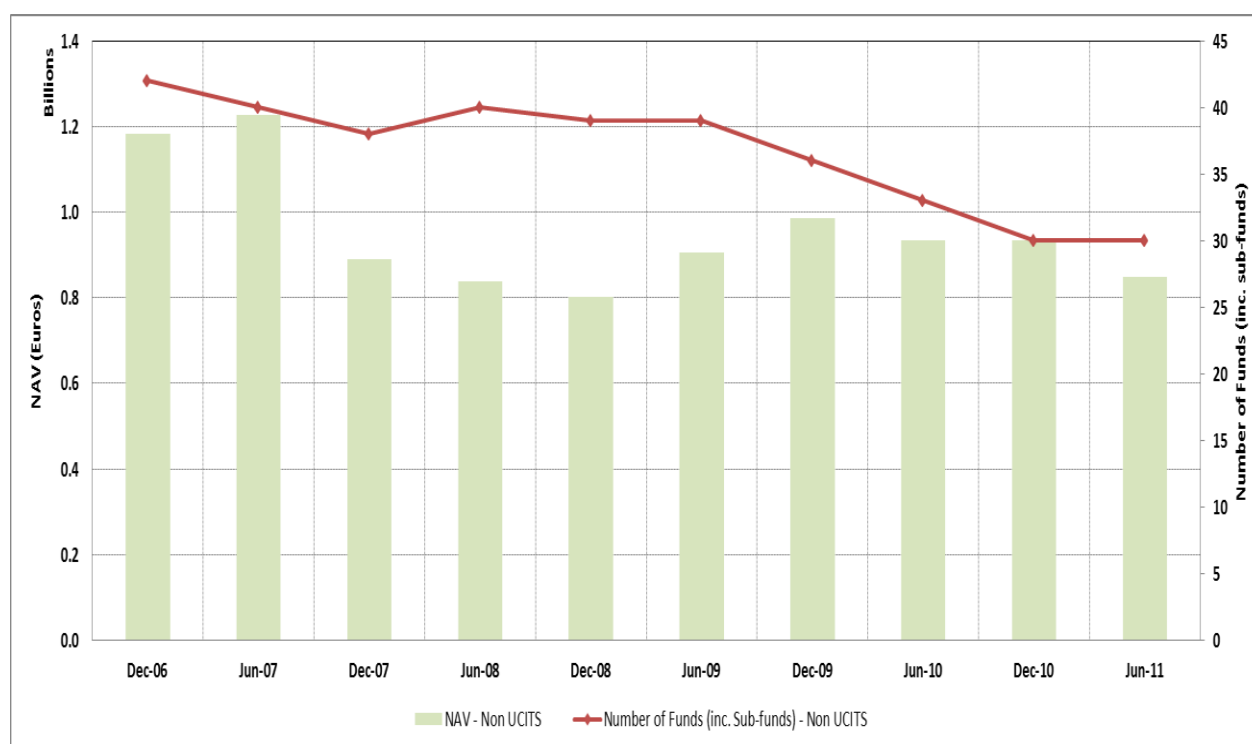


Source: Malta Financial Services Authority.

2.2.4 Analysis of net asset value of Non-UCITS funds

The net asset value of Non-UCITS funds fell by 9.3 per cent in the first half of 2011 to stand at €0.85 billion at end June 2011 while the number of Non-UCITS funds remained at the same level of end 2010. The decline in the net asset value was almost entirely driven by the large volumes of redemptions and negative revaluations.

Figure 7: Net asset value of Non-UCITS funds (2006 - June 2011).



Source: Malta Financial Services Authority.

2.3 Volumes of sales, redemptions, and revaluations

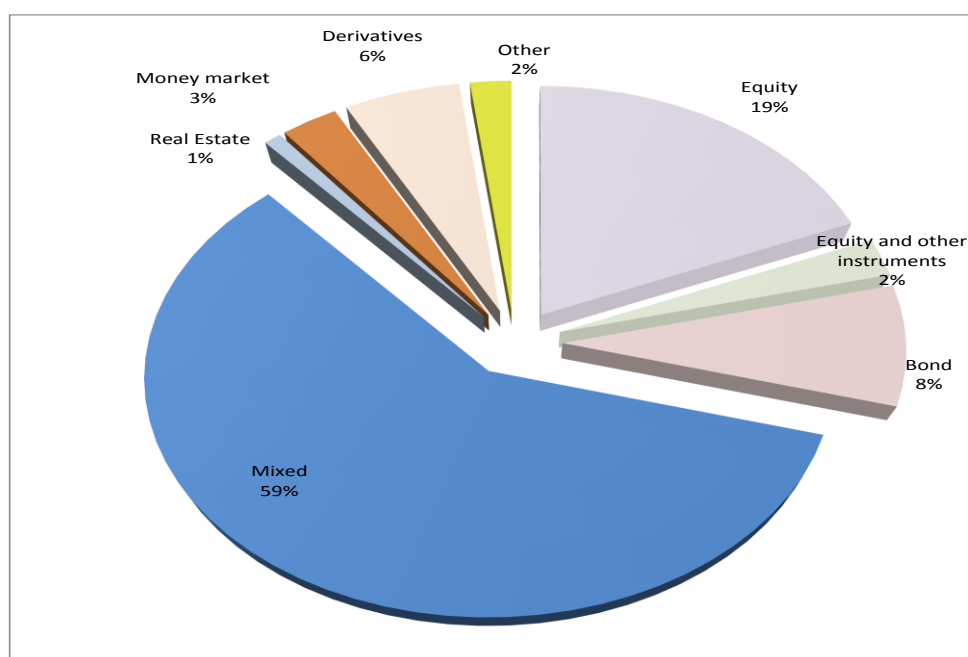
Investment funds domiciled in Malta recorded sales amounting to almost €1.8 billion in the first half of 2011. During the same period, investors withdrew nearly €1.6 billion or 85 per cent of the total inflows registered while net revaluation adjustments were on the negative side amounting to €0.44 billion.

2.4 Asset class allocation¹

The net asset value of mixed funds recorded €4.63 billion at end June 2011, an increase of almost 0.3 per cent over end 2010. Net assets of equity funds decreased slightly in the first half of 2011, from €1.46 billion recorded in 2010 to €1.45 billion in June 2011. Despite equity funds recorded volumes of sales larger than redemptions, negative revaluations tended to offset the net increase registered and so the decline in the net assets.

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.

Figure 8: Net asset value by asset allocation (2010 against June 2011).

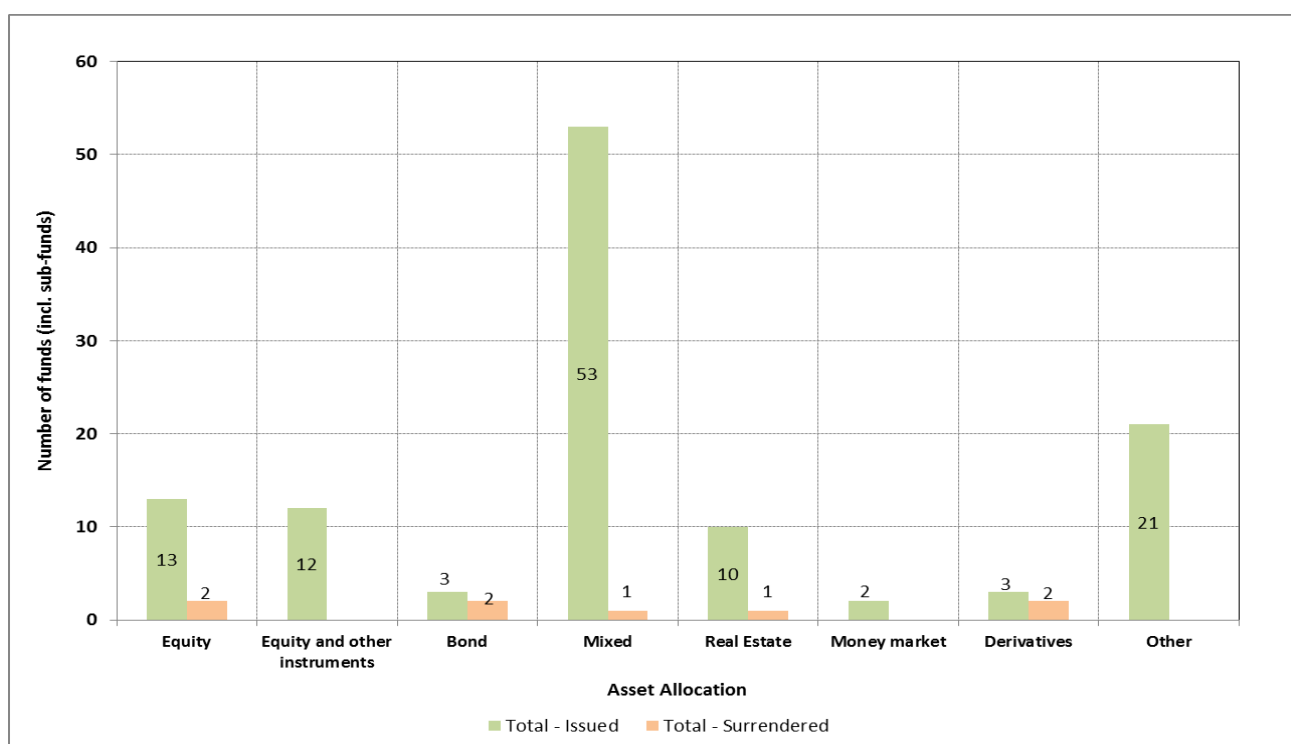


Source: Malta Financial Services Authority.

Net assets of bond funds remained stable at almost €0.64 billion in the first half of 2011. Money market funds, real estate funds and derivatives funds continued to experience net outflows in the first two quarters of 2011, recording drops in the net asset value of almost 14 per cent, 0.9 per cent and 19 per cent respectively.

Similar to 2010, mixed funds and equity funds were the most common type of new funds issued in 2011. There were 10 new real estate funds (against two new funds in 2010) and two money market funds (no such funds were authorised in 2010). The next figure indicates the number of new funds issued and surrendered by asset allocation in the first half of 2011.

Figure 9: New authorised and surrendered funds by asset allocation (January - June 2011).



Source: Malta Financial Services Authority.

2.5 Management of funds

The percentage number of Malta domiciled funds (including sub-funds) managed in Malta was almost 40 per cent in June 2011. The share of funds (including sub-funds) managed from outside Malta was almost 50 per cent while about ten per cent of the funds were self-managed funds in June 2011.

Table 7: Management of locally based CISs (2010 - June 2011).

	% number of funds (including sub-funds) as at end 2010	% number of funds (including sub-funds) as at end June 2011
Self-managed	9.6	10.3
Managed in Malta	43.8	40.2
Managed from outside Malta	46.6	49.5
Total	100	100

Source: Malta Financial Services Authority.

2.6 Administration of funds

About 74 per cent of the funds domiciled in Malta were administered by Malta-based administrators at end June 2011. Moreover, the number of funds administered from outside Malta was 26 per cent in June 2011.

Table 8: Administration of locally based CISs (2010 – June 2011).

	% number of funds (including sub-funds) as at end 2010	% number of funds (including sub-funds) as at end June 2011
Self-administered	0.5	0.2
Administered in Malta	77.5	73.7
Administered from outside Malta	22.0	26.1
Total	100	100

Source: Malta Financial Services Authority.

2.7 Structure of funds

As at June 2011, about 77 per cent of the Collective Investment Schemes operated as a multi fund structure, 15 per cent had stand-alone structures, and about eight per cent operated as master-feeder structures. There was one scheme which operated as a unit trust.

Table 9: Schemes by operating structure as at end June 2011.

	Number schemes as at June 2011	% number of schemes against total schemes
Master/Feeder (Master)	6	3.9
Master/Feeder (Feeder)	6	3.9
Stand Alone	23	15.0
Multi fund	117	76.5
Unit Trust	1	0.7
Total	153	100

Source: Malta Financial Services Authority.

2.8 Funds listed on Malta Stock Exchange

As at end June 2011, 32 funds/ sub-funds were listed on the Malta Stock Exchange, ten of which were Professional Investor Funds, eight UCITS funds, and 14 Non-UCITS funds.

Table 10: Funds listed on Malta Stock Exchange as at end June 2011.

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

Source: Malta Financial Services Authority.

2.9 NAV of Non-Malta domiciled funds administered in Malta

The net asset value of non-Malta domiciled funds administered in Malta totalled almost €1.6 billion as at end June 2011.

Table 11: Net asset value of non-Malta domiciled funds administered in Malta – June 2011.

	NAV of non-Malta domiciled funds administered in Malta
	Billion Euro
June 2011	1.6

Source: Malta Financial Services Authority.