

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

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

Quarters 1 & 2 – 2014



Disclaimer

The Malta Financial Services Authority (MFSA) has made every effort to ensure that information on this report is reliable and accurate at the time of publishing. However, neither the MFSA nor any of its employees make any express or implied representations or warranties regarding the material contained or referred to in this report, nor do we accept any liability for any loss or damage whatsoever which may arise in any way out of the use of any of the material; for errors in or omissions from the material; or for the accuracy of any information obtained through use of this report. The MFSA shall have no liability for any loss or damage arising out of negligence or otherwise howsoever as a result of use of or reliance on the information on this report.

Table of Contents

Table of Contents.....	2
Fact Statistics.....	3
PART 1 – Analysis of Collective Investment Scheme Licences	4
1.1 Fund registrations in the International Fund Industry	4
1.2 Fund registrations in Malta	4
1.3 Authorisation of new Collective Investment Schemes	4
1.4 Surrenders of Collective Investment Schemes	2
1.5 Summary of Collective Investment Scheme licences (2012 –June 2014).....	3
1.6 Non-Malta Domiciled Funds administered in Malta.....	3
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 Retail Non-UCITS funds.....	10
2.3 Asset class allocation of investment funds	11
2.4 Management of funds.....	13
2.5 Administration of funds	13
2.6 Structure of funds.....	14
2.7 Funds listed on Malta Stock Exchange	14
2.8 Non-Malta Domiciled Funds administered in Malta.....	15

Fact Statistics

- *Total new funds (including sub-funds) licenced (2004 – June 2014): **1,037***
- *Total funds (including sub-funds) surrendered (2004 – June 2014): **510***
- *Net Asset Value of Malta domiciled Funds: **€9.7 billion as at end June 2014***
- *Non-Malta domiciled funds (including sub-funds) administered in Malta: **190 as at end June 2014***
- *Net Asset Value of funds (domiciled and non-domiciled in Malta) administered in Malta: **€6.8 billion as at end June 2014***

PART 1 – Analysis of Collective Investment Scheme Licences

1.1 Fund registrations in the International Fund Industry

During the first half of 2014, the majority of prominent EU countries in the fund industry reported growth in the number of registered funds. Namely, Italy and Luxembourg registered a slight increase of 0.1 and 0.8 per cent respectively, while the number of authorised funds in Ireland and UK went up by 1.4 and five per cent respectively. Other countries, namely France and Germany reported a drop of one and 1.3 per cent respectively over the period December 2013 – June 2014.

1.2 Fund registrations in Malta

During the first half of 2014, the number of Malta domiciled funds (including sub-funds) contracted by over six per cent. Professional Investor Funds (PIFs) declined to 475 at the end of June 2014, a fall of almost seven per cent or 34 net licences from end 2013. Similarly, the number of UCITS funds and retail Non-UCITS funds each dropped by three net licences in the first half of 2014. Additionally, Recognised private CIS increased by one licence to stand at five, while the number of foreign based funds (including sub-funds) remained unchanged at 16.

Table 1: Funds (including sub-funds) domiciled in Malta (2012 – June 2014)

	2012	2013	June 2014
PIFs	478	509	475
UCITS	54	70	67
Retail Non-UCITS	32	21	18
Total locally based CISs	564	600	560
Foreign Based	21	16	16
Recognised Private CIS	2	4	5
Total CIS	587	620	581

Source: Malta Financial Services Authority.

1.3 Authorisation of new Collective Investment Schemes

During the first half of 2014, the Authority authorised 51 new Collective Investment Scheme licences (including sub-funds), of which 42 were Professional Investor Funds (over 97 per cent of the funds targeting Qualifying Investors), eight UCITS funds and one Recognised Private fund. Table 2 outlines the number of licences issued over the period 2012 – June 2014.

Table 2: Authorisation of new Collective Investment Schemes (2012 – June 2014)

		2012	2013	June 2014	
PIFs	<i>Schemes</i>	34	44	15	
	Sub-funds	Qualifying Investor	103	97	42
		Extraordinary Investor	9	10	0
		Experienced Investor	5	8	0
		Total	117	115	42
UCITS	<i>Schemes</i>	6	5	1	
	Sub-funds	9	18	8	
Retail Non-UCITS	<i>Schemes</i>	0	0	0	
	Sub-funds	2	0	0	
Foreign Based	<i>Schemes</i>	0	0	0	
	Sub-funds	0	0	0	
Recognised Private CIS	<i>Schemes</i>	0	2	1	
	Sub-funds	0	2	1	

Source: Malta Financial Services Authority.

1.4 Surrenders of Collective Investment Schemes

In the first half of 2014, 76 Professional Investor Funds (of which 88 per cent targeting qualifying investors), 11 UCITS and three Retail Non-UCITS funds voluntary surrendered their licence. More details are presented in the following table.

Table 3: Surrender of licences of Collective Investment Schemes (2012 – June 2014)

		2012	2013	June 2014	
PIFs	<i>Schemes</i>	12	18	13	
	Sub-funds	Qualifying Investor	72	74	67
		Extraordinary Investor	2	1	9
		Experienced Investor	7	8	0
		Total	81	83	76
UCITS	<i>Schemes</i>	0	0	0	
	Sub-funds	14	5	11	
Retail Non-UCITS	<i>Schemes</i>	1	0	0	
	Sub-funds	1	8	3	
Foreign Based	<i>Schemes</i>	1	0	0	
	Sub-funds	1	5	0	
Recognised Private CIS	<i>Schemes</i>	0	0	0	
	Sub-funds	0	0	0	

Source: Malta Financial Services Authority.

1.5 Summary of Collective Investment Scheme licences (2012 – June 2014)

The next table summarises the number of new licences issued and licences surrendered by the Authority, and the number of active licences at the end of years 2012 - 2013 and June 2014.

Table 4: Collective Investment Scheme licences (2012 – June 2014)

		2012			2013			June 2014			
		New licences	Licences surrendered	Total licences as at end 2012	New licences	Licences surrendered	Total licences as at end 2013	New licences	Licences surrendered	Total licences as at end June 2014	
PIFs	<i>Schemes</i>	34	12	171	44	18	197	15	13	199	
	Sub-funds	Qualifying Investor	103	72	398	97	74	421	42	67	398
		Extraordinary Investor	9	2	37	10	1	45 ¹	0	9	42
		Experienced Investor	5	7	43	8	8	43	0	0	35
		Total	117	81	478	115	83	509 ²	42	76	475
UCITS	<i>Schemes</i>	6	0	16	5	0	22 ³	1	0	23	
	Sub-funds	9	14	54	18	5	70 ⁴	8	11	67	
Retail Non-UCITS	<i>Schemes</i>	0	1	11	0	0	10 ⁵	0	0	10	
	Sub-funds	2	1	32	0	8	21 ⁶	0	3	18	
Foreign	<i>Schemes</i>	0	1	4	0	0	4	0	0	4	
	Sub-funds	0	1	21	0	5	16	0	0	16	
Recognised Private CIS	<i>Schemes</i>	0	0	2	2	0	4	1	0	5	
	Sub-funds	0	0	2	2	0	4	1	0	5	

Source: Malta Financial Services Authority.

1.6 Non-Malta Domiciled Funds administered in Malta

As at end June 2014, 190 non-Malta domiciled funds (including sub-funds) were administered in Malta. This represents a net increase of two funds/sub-funds or almost one per cent from the previous end year.

¹ One scheme was converted from stand-alone to multi-fund, resulting in an additional licence which was already included in the previous year.

² Ibid.

³ One Non-UCITS scheme had its licence revised to carry out the activities of a UCITS scheme.

⁴ Three Non-UCITS sub-funds had their licence revised to UCITS sub-funds.

⁵ Ibid.

⁶ Ibid.

Table 5: Non-Malta domiciled funds (including sub-funds) administered in Malta (2012 – June 2014)

	Non-Malta domiciled funds administered in Malta
December 2012	144
December 2013	188
June 2014	190

Source: Malta Financial Services Authority.

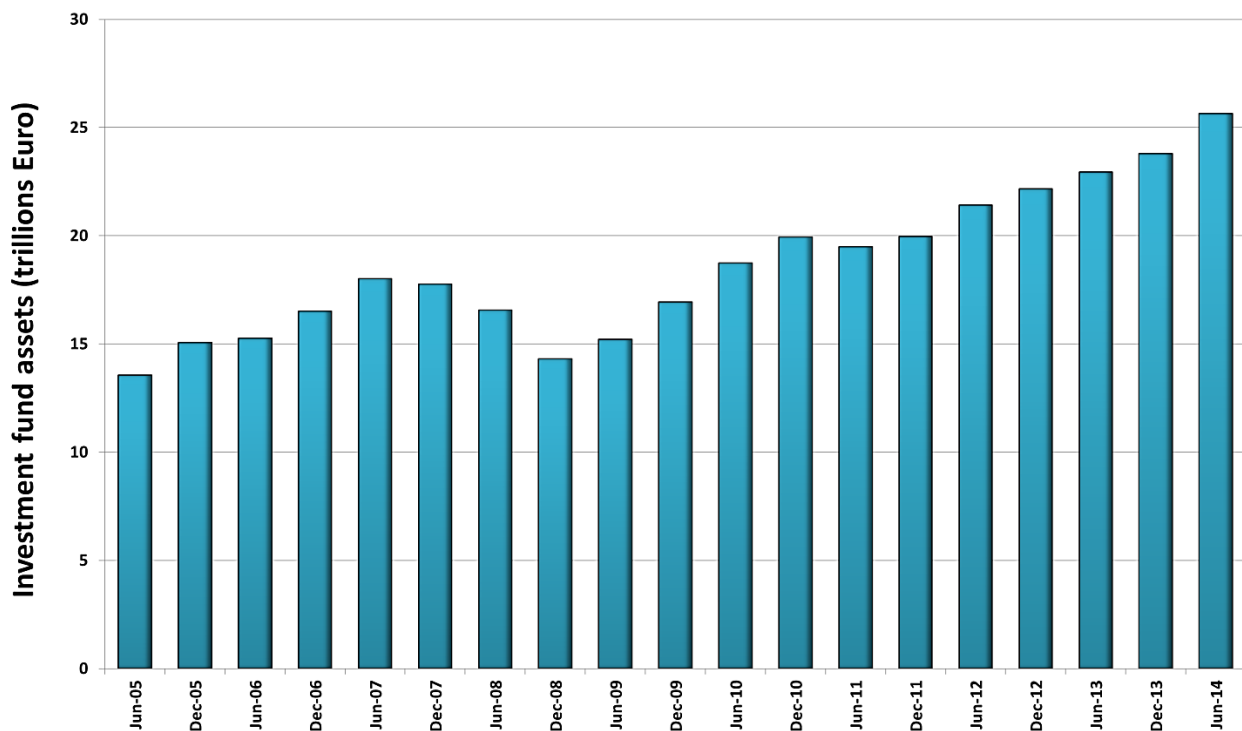
PART 2 – Performance Analysis of Collective Investment Schemes

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

Worldwide investment fund assets expanded by almost eight per cent during the first half of 2014 from the previous end year to stand at an all-time high of €25.65 trillion at the end of June 2014. The composition of assets was as follows: assets of equity funds had a share of 40 per cent, 22 per cent of assets were invested in bond funds, money market funds contributed to 13 per cent, while the assets share of balanced/mixed funds was 12 per cent. Other/unclassified funds had a share of 13 per cent.

Net sales of worldwide investment funds amounted to €544 billion in the first half of 2014, up by €115 billion when compared with the first half of the previous year. Equity funds registered an increase of €3 billion in net sales when compared with the first half of the previous year. Bond funds reported net sales amounting to €181 billion, representing an increase of over four per cent when compared with the first half of the previous year. Money market funds recorded net outflows of €28 billion during the same period.

Figure 1: Worldwide investment fund assets (2005 – June 2014)

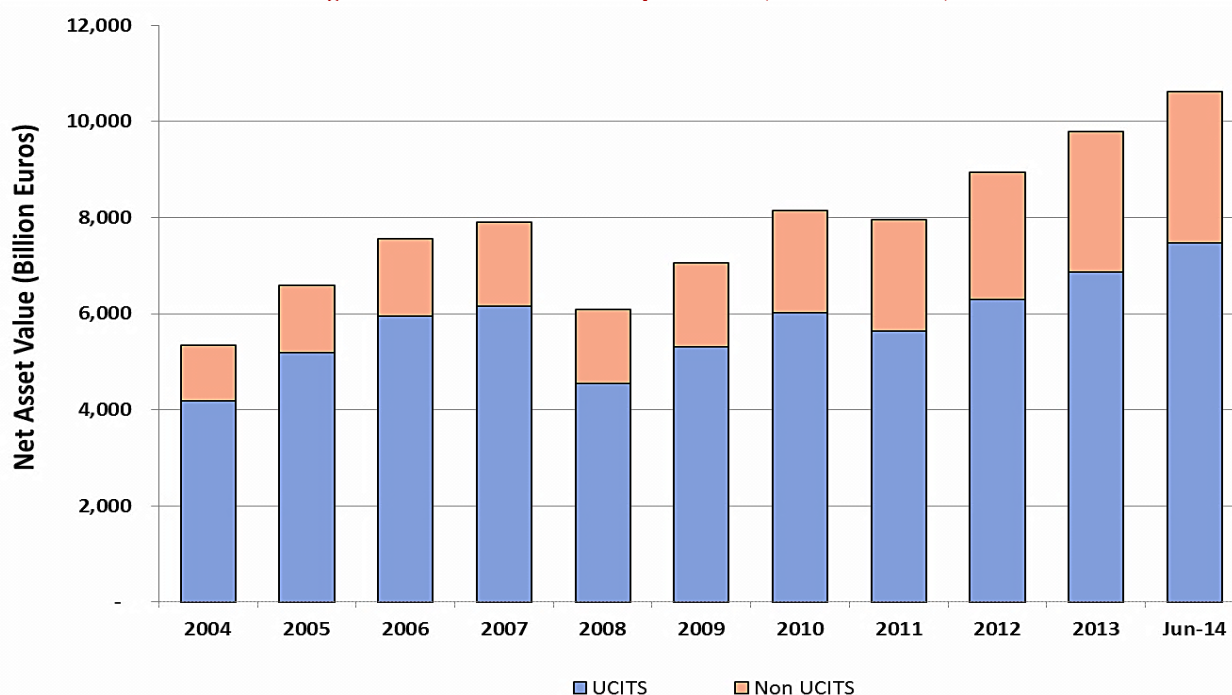


Source: EFAMA.

There were 89,804 authorised investment funds worldwide, of which 32 per cent were equity funds, 20 per cent were balanced funds, 17 per cent were bond funds, and three per cent were money market funds. About 28 per cent of the funds were unclassified/other funds.

Investment fund assets in Europe accounted for around €10.6 trillion at the end of June 2014, an increase of over eight per cent from end 2013. About €7.5 trillion were invested in UCITS funds, representing 70 per cent of the European investment fund market. The remaining 30 per cent share was invested in Non-UCITS funds. During the first half of 2014, UCITS funds experienced a growth of almost nine per cent while Non-UCITS funds gained almost eight per cent.

Figure 2: Net asset value of European funds (2004 – June 2014)



Source: EFAMA.

During the first half of 2014, leading European fund domiciles reported increases in the net asset value. Namely, Luxembourg, UK, Belgium, Ireland and Italy experienced growth of over nine per cent during the period December 2013 – June 2014 while Germany reported a surge of almost seven per cent. Additionally, funds authorised in the Netherlands and France saw a slight increase of 1.7 and 2.3 per cent respectively in the net asset value over the same period.

Table 6 represents the net assets of investment funds of a selected number of leading countries in the funds industry for the period December 2012 – June 2014.

Table 6: Net assets of investment funds in major European countries (December 2012 – June 2014)

Country	Dec 2012 NAV	Dec 2013 NAV	June 2014 NAV
	Million EUR	Million EUR	Million EUR
Belgium	87,298	95,019	105,834
France	1,505,731	1,525,107	1,560,812
Germany	1,285,527	1,404,353	1,497,882
Ireland	1,227,425	1,343,882	1,495,845
Italy	190,492	209,091	228,532
Luxembourg	2,383,826	2,615,363	2,854,640
Netherlands	68,577	72,472	73,719
UK	969,636	1,120,760	1,224,180

Source: EFAMA.

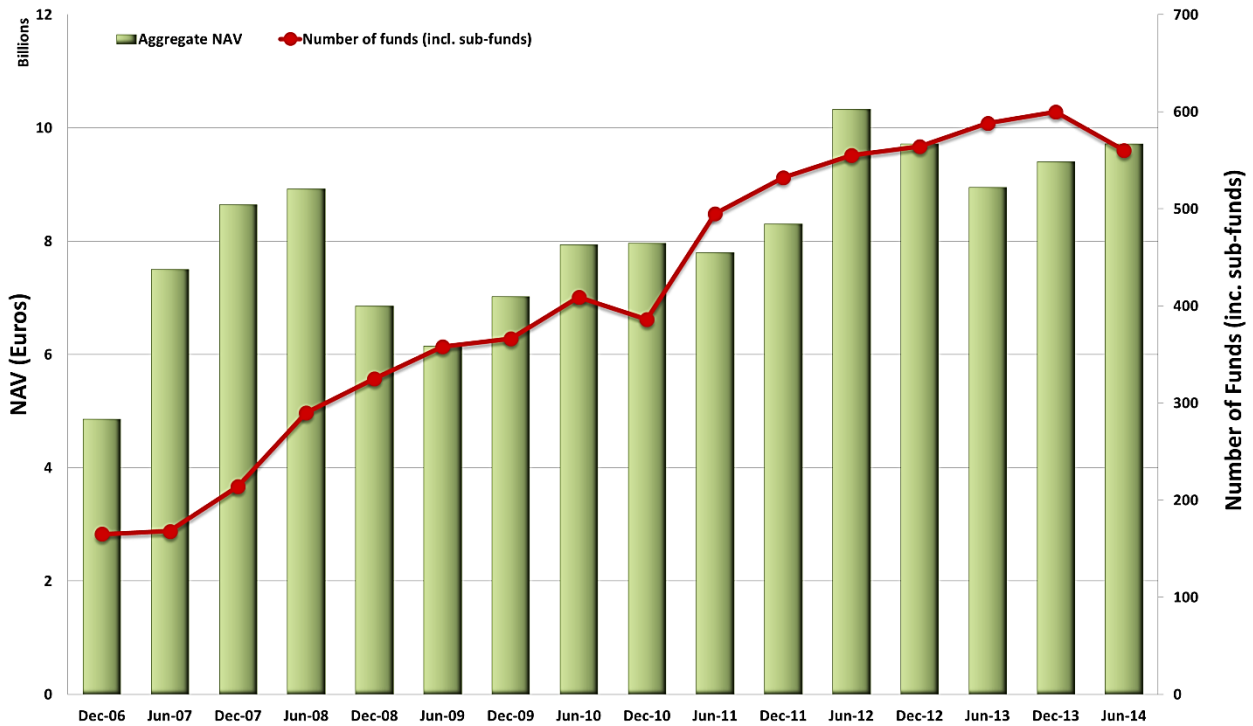
2.2 Analysis of net asset value of Malta domiciled funds

2.2.1 Analysis of aggregate net asset value of locally based CISs

At the end of June 2014, net assets of funds domiciled in Malta totalled €9.7 billion, an increase of over three per cent or €0.3 billion from net assets reported in December 2013. Over the period December 2013 – June 2014, commodity and bond funds experienced a sharp rise in net assets, almost 25.7 per cent and 13.8 per cent respectively. Mixed funds also reported gains in net asset value over the same period (9.4 per cent). It was also a positive start, although on a smaller scale, for equity funds, diversified funds and property funds which experienced marginal gains in net asset value of almost 0.1 per cent, 2.9 per cent, and 2.7 per cent respectively. In contrast, money market and hedge funds suffered declines in net asset value of almost 13 and five per cent respectively.

Figure 3 shows the aggregate net asset value of Malta domiciled funds against the number of licenced funds for the period 2006 – June 2014.

Figure 3: Net asset value of locally based CISs against number of registered funds (2006 – June 2014)



Source: Malta Financial Services Authority.

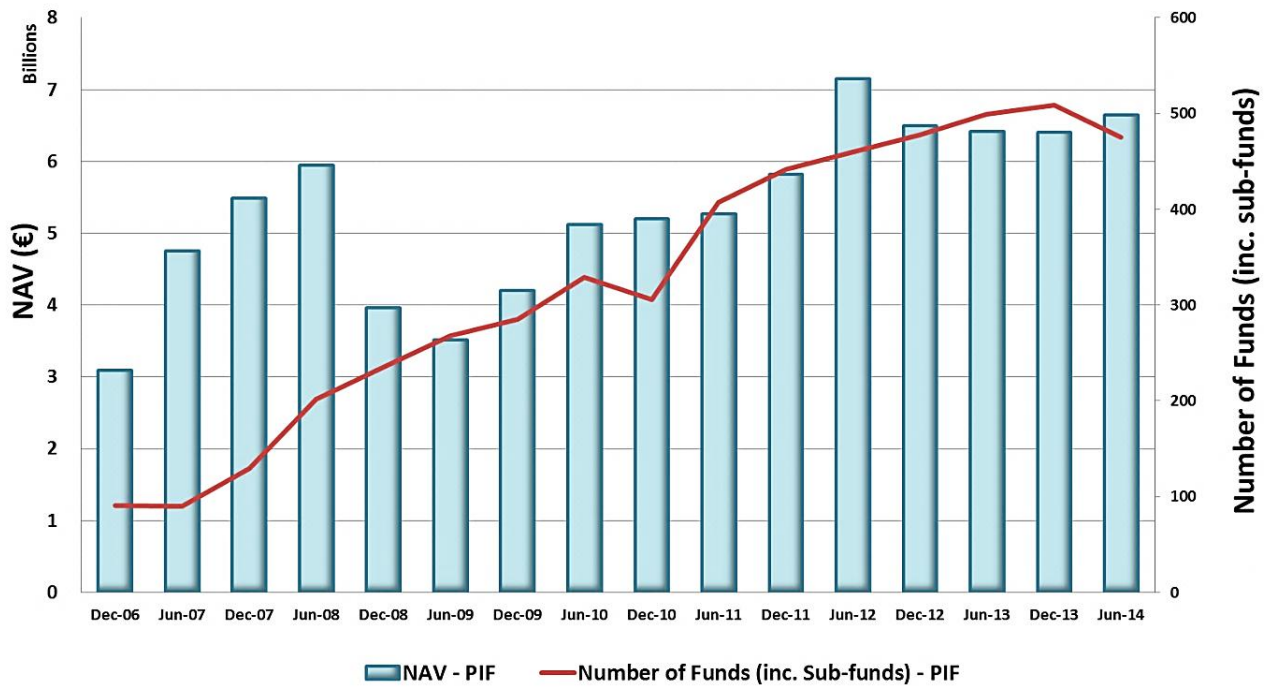
During the first half of 2014, investment funds reported sales amounting to €1.83 billion while redemptions totalled €1.94 billion. Additionally, net revaluation adjustments amounted to €0.43 billion on the positive side.

2.2.2 Analysis of net asset value of Professional Investor Funds

There were 475 Professional Investor Funds licences at the end of June 2014, a net decline of 34 licences, or almost seven per cent, from end 2013. Of the 475 licensed Professional Investor Funds, 11 were licensed as Incorporated Cells. The net asset value of Professional Investor Funds reached €6.6 billion at the end of June 2014, representing a growth of almost four per cent, or €0.24 billion, from end 2013.

Figure 4 represents the net asset value of Professional Investor Funds against the number of licensed PIFs for the period 2006 – June 2014.

Figure 4: Net asset value of Professional Investor Funds and number of licensed PIFs (2006 – June 2014)



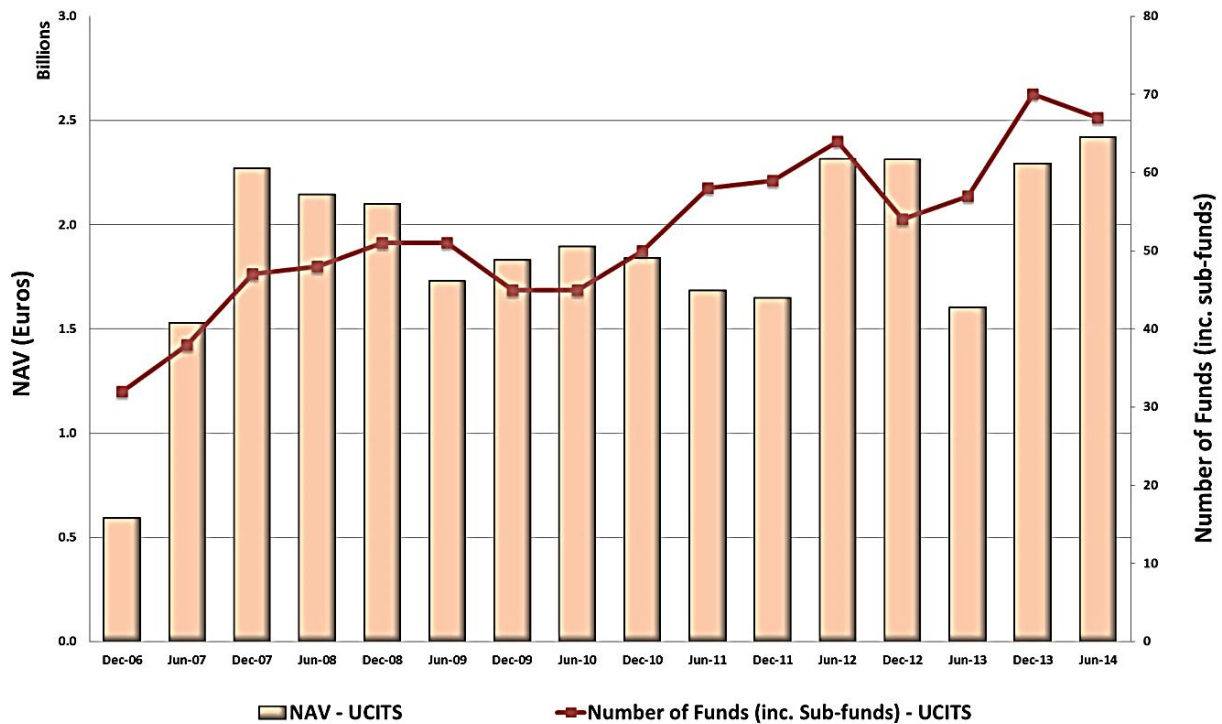
Source: Malta Financial Services Authority.

2.2.3 Analysis of net asset value of UCITS funds

The net asset value of UCITS funds climbed up by over five per cent (or €0.13 billion) over the period December 2013 – June 2014, from €2.29 billion in December 2013 to €2.42 billion in June 2014. The number of UCITS funds declined by three licences during the same period, from 70 UCITS funds licensed at the end of 2013 to 67 at the end of June 2014.

Figure 5 illustrates the net asset value and the number of licensed UCITS funds for the period 2006 – June 2014.

Figure 5: Net asset value of UCITS funds and number of licensed UCITS funds (2006 – June 2014)



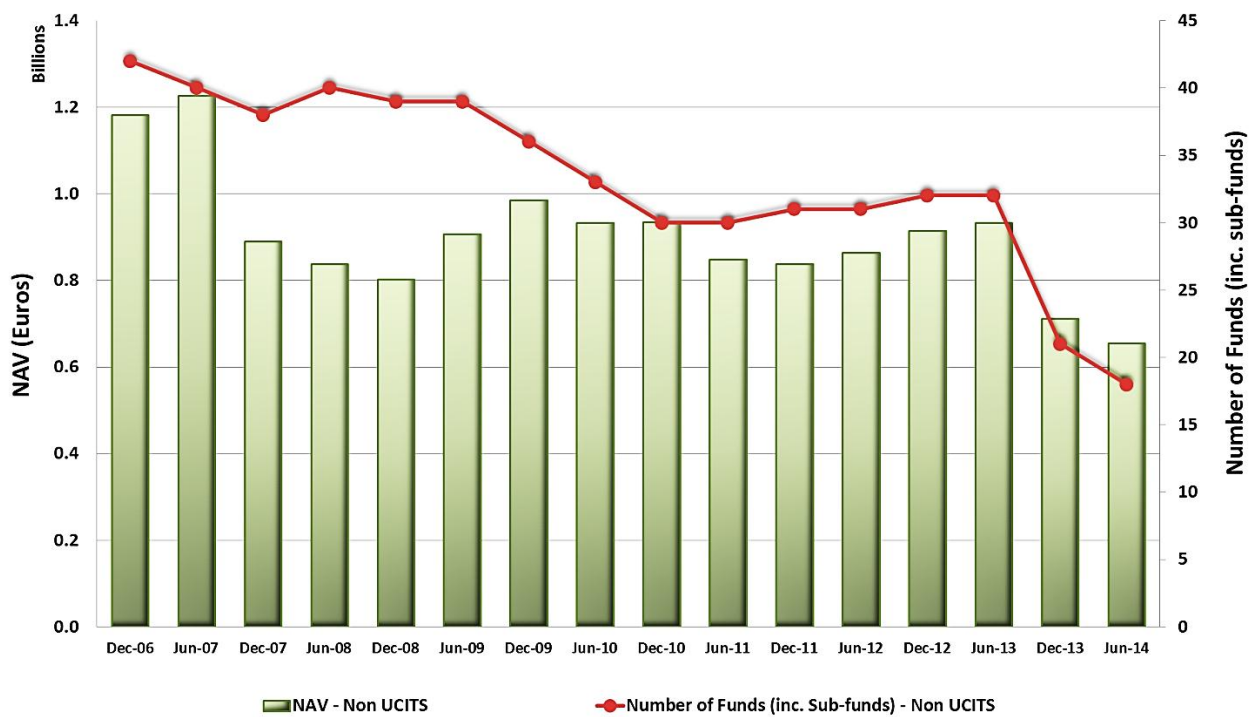
Source: Malta Financial Services Authority.

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

Retail Non-UCITS funds recorded a net asset value of €0.65 billion at the end of June 2014, down by €0.06 billion (or almost eight per cent) from end 2013. The number of Retail Non-UCITS funds declined by three licences (or 14 per cent) when compared with the previous year to stand at 18 at the end of June 2014.

The next figure represents the net asset value and number of licensed Retail Non-UCITS funds for the period 2006 – June 2014.

Figure 6: Net asset value of Retail Non-UCITS funds and number of licensed Retail Non-UCITS funds (2006 – June 2014)



Source: Malta Financial Services Authority.

2.3 Asset class allocation of investment funds⁷

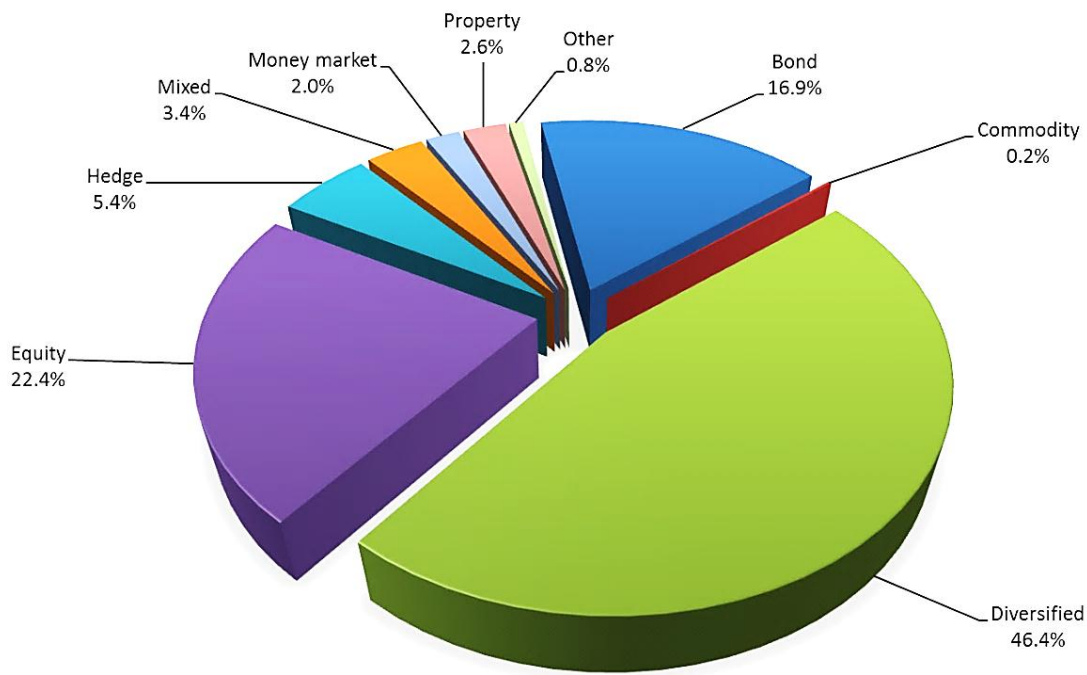
Diversified funds had the largest share in terms of net asset value, with almost 47 per cent of the aggregate June 2014 NAV (or €4.5 billion). About €2.2 billion, or 22.4 per cent of the aggregate net asset value, were invested in equity funds while bond funds had a share of 16.9 per cent (or €1.6 billion) of the aggregate June 2014 NAV.

Figure 7 illustrates the composition of funds (including sub-funds) domiciled in Malta by asset category at the end of the first half of 2014.

During the first half of 2014, diversified funds were the most issued type of funds with a share of almost 45 per cent of the total new funds licensed in the first half of 2014, followed by equity funds at 20 per cent. Figure 8 represents the number of issued and surrendered funds in the first half of 2014 by asset allocation.

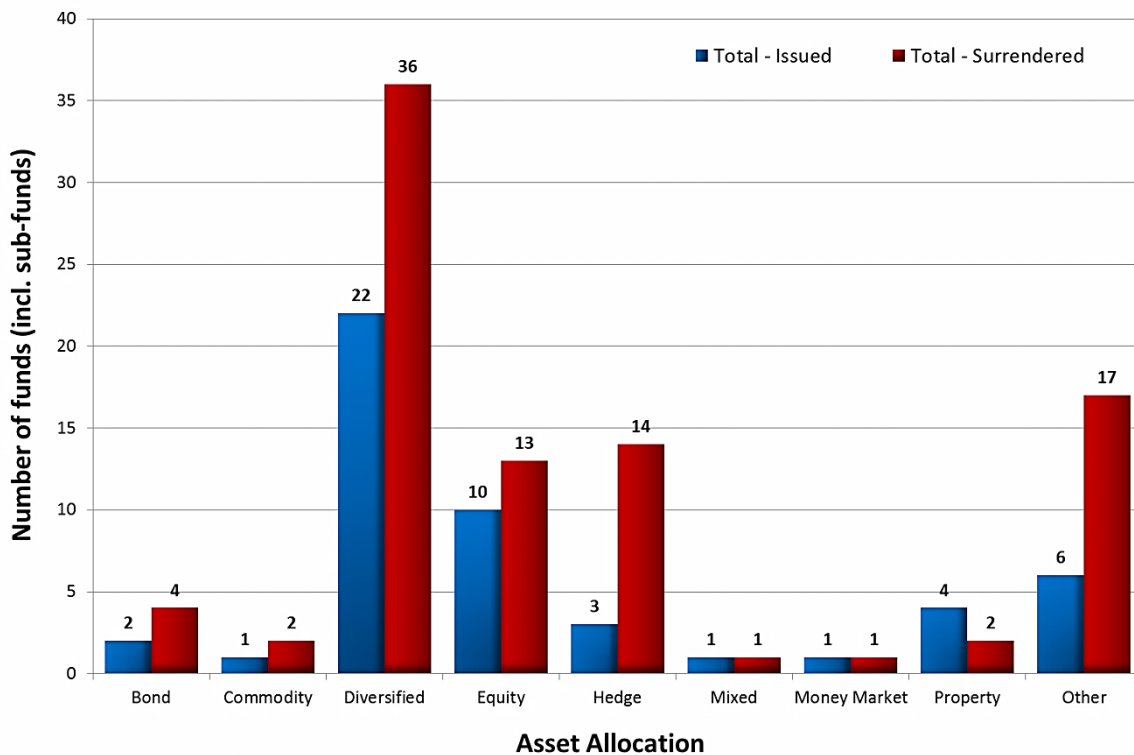
⁷ The asset allocation of funds was extracted from the prospectuses of the funds. Consequently, it does not necessarily mean that the allocated assets of the funds were invested accordingly.

Figure 7: Net asset value by asset allocation (June 2014)



Source: Malta Financial Services Authority.

Figure 8: New authorised and surrendered funds by asset allocation during the first half of 2014

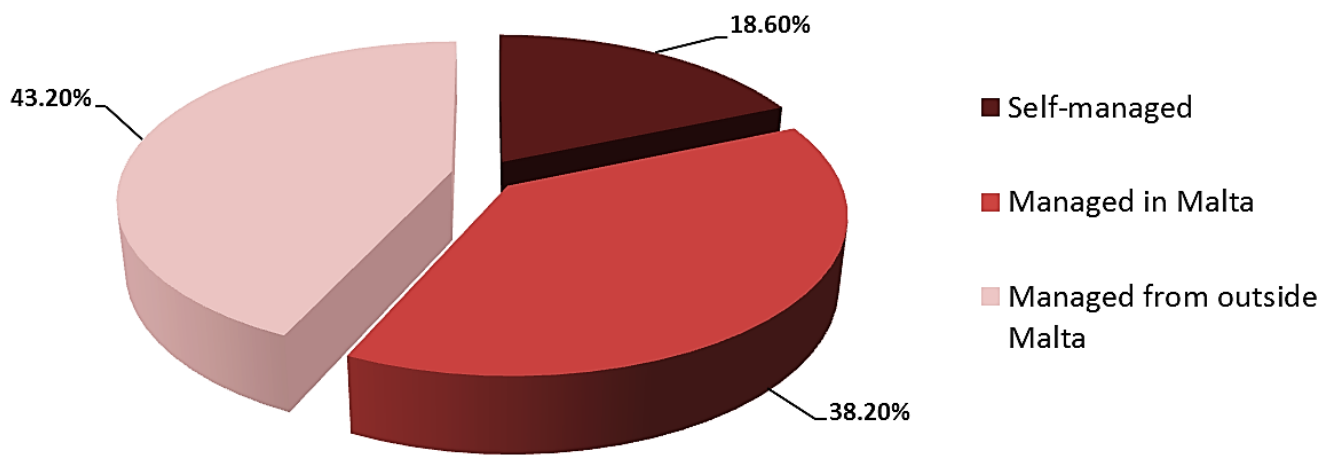


Source: Malta Financial Services Authority.

2.4 Management of funds

Over 38 percent of the funds (including sub-funds) domiciled in Malta were managed by Malta-based fund managers at the end of June 2014. This represents a surge of almost four percentage points when compared with the previous end year. About 43 percent of the funds were managed from outside Malta, down by five percentage points from end 2013. Self-managed funds accounted for 18.6 percent of the funds (including sub-funds), an increase of 0.9 percentage point on the previous end year.

Figure 9: Management of locally based investment funds (June 2014)

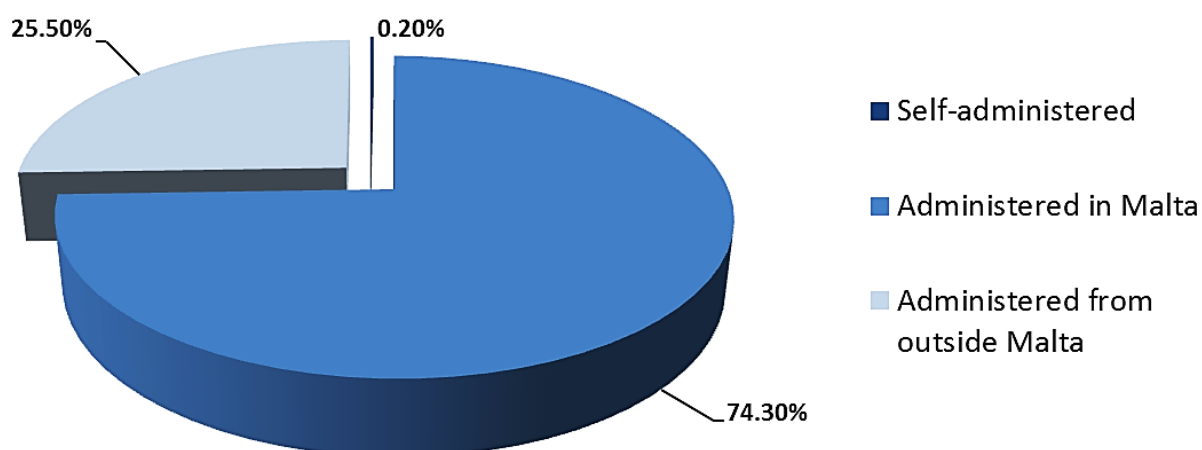


Source: Malta Financial Services Authority.

2.5 Administration of funds

While the share of self-administered funds remained unchanged over the period December 2013 – June 2014, there was a growth of 3.5 percentage points in the number of funds administered in Malta. As at end June 2014, 74.3 percent of the funds were administered in Malta while 25.5 percent of the funds were administered outside Malta.

Figure 10: Administration of locally based investment funds (June 2014)



Source: Malta Financial Services Authority.

2.6 Structure of funds

As at end June 2014, 78 per cent of the Collective Investment Schemes operated as a multi fund structure, over 16 per cent as stand-alone structure while almost six per cent operated as master-feeder structure.

Table 7: Schemes by operating structure as at end June 2014

	Number of schemes as at June 2014	% number of schemes against total schemes
Master/Feeder (Master)	7	3.0
Master/Feeder (Feeder)	6	2.6
Stand Alone	38	16.4
Multi fund	181	78.0
Total	232	100

Source: Malta Financial Services Authority.

2.7 Funds listed on Malta Stock Exchange

A total of 33 funds/ sub-funds were listed on the Malta Stock Exchange at the end of June 2014, nine of which were Professional Investor Funds, 11 UCITS funds, and 13 Retail Non-UCITS funds.

Table 8: Funds listed on Malta Stock Exchange as at end June 2014

Type of CIS	Funds listed on MSE
PIF	9
UCITS	11
Retail Non-UCITS	13
Total	33

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 €1.72 billion at the end of June 2014, a slight increase of €0.05 billion or almost three per cent from end year 2013.

Table 9: NAV of non-Malta domiciled funds (including sub-funds) administered in Malta (2012 – June 2014)

	NAV of non-Malta domiciled funds administered in Malta (Billion Euro)
December 2012	1.65
December 2013	1.67
June 2014	1.72

Source: Malta Financial Services Authority.

Malta Financial Services Authority