

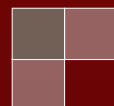
# MFSA

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MALTA FINANCIAL SERVICES AUTHORITY

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

# **2014**



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## Fact Statistics

- *Total new funds (including sub-funds) licenced (2004 – 2014):* **1,104**
- *Total funds (including sub-funds) surrendered (2004 – 2014):* **543**
- *Net Asset Value of Malta domiciled Funds: €9.7 billion as at end December 2014*
- *Non-Malta domiciled funds (including sub-funds) administered in Malta: 134 as at end December 2014*
- *Net Asset Value of funds (domiciled and non-domiciled in Malta) administered in Malta: €6.7 billion as at end December 2014*

## PART 1 – Analysis of Collective Investment Scheme Licences

### 1.1 Fund registrations in the International Fund Industry

The year 2014 was a positive year for the European funds industry with numerous prominent European countries reporting growth in the number of registered funds. Ireland and Luxembourg enjoyed an increase of 4.3 and 1.2 per cent respectively in the number of registered funds over the last year while funds authorised in the UK expanded by 5.5 per cent. Other countries, namely France and Germany saw the number of funds declining by 1.1 and 1.8 per cent respectively over the year.

### 1.2 Fund registrations in Malta

Funds (including sub-funds) domiciled in Malta contracted by almost one per cent, or five licences, in 2014 when compared with the previous year.

In 2014, the Authority started issuing collective investment scheme licences to carry on the activities of Alternative Investment Fund (AIF) in terms of Article 6 of the Investment Services Act. At the end of 2014, there were 11 AIFs and 507 PIFs. UCITS funds dropped by 8.6 per cent, or six net licences, while Retail Non-UCITS funds went down by over 43 per cent to stand at only 12 licences as at end 2014. Additionally, Recognised Private CISs 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 – 2014)**

	2012	2013	2014
PIFs/AIFs	478	509	518
UCITS	54	70	64
Retail Non-UCITS	32	21	12
Total locally based CISs	564	600	594
Foreign Based	21	16	16
Recognised Private CIS	2	4	5
Total CIS	587	620	615

*Source: Malta Financial Services Authority.*

### 1.3 Authorisation of new Collective Investment Schemes

The Authority authorised 118 new Collective Investment Scheme licences (including sub-funds) in 2014, of which 106 were Professional Investor Funds/Alternative Investment Funds, 11 UCITS and one Recognised Private fund.

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

		2012	2013	2014
PIFs/AIFs	<b>Schemes</b>	<b>34</b>	<b>44</b>	<b>37</b>
	<b>Sub-funds</b>	<b>117</b>	<b>115</b>	<b>106</b>
	<i>of which Qualifying Investor</i>	<i>103</i>	<i>97</i>	<i>97</i>
	<i>of which Extraordinary Investor</i>	<i>9</i>	<i>10</i>	<i>5</i>
	<i>of which Experienced Investor</i>	<i>5</i>	<i>8</i>	<i>2</i>
UCITS	<b>Schemes</b>	<b>6</b>	<b>5</b>	<b>1</b>
	<b>Sub-funds</b>	<b>9</b>	<b>18</b>	<b>11</b>
Retail Non-UCITS	<b>Schemes</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Sub-funds</b>	<b>2</b>	<b>0</b>	<b>0</b>
Foreign Based	<b>Schemes</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Sub-funds</b>	<b>0</b>	<b>0</b>	<b>0</b>
Recognised Private CIS	<b>Schemes</b>	<b>0</b>	<b>2</b>	<b>1</b>

*Source: Malta Financial Services Authority.*

### 1.4 Surrenders of Collective Investment Schemes

In 2014, the Authority accepted the surrender of collective investment scheme licences of 123 funds (including sub-funds), of which 97 were Professional Investor Funds/ Alternative Investment Funds, 17 UCITS and nine Retail Non-UCITS funds. Table 3 provides the number of surrendered licence during the period 2012 – 2014.

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

		2012	2013	2014
PIFs/AIFs	<i>Schemes</i>	12	18	18
	<i>Sub-funds</i>	81	83	97
	<i>of which Qualifying Investor</i>	72	74	86
	<i>of which Extraordinary Investor</i>	2	1	11
	<i>of which Experienced Investor</i>	7	8	0
UCITS	<i>Schemes</i>	0	0	2
	<i>Sub-funds</i>	14	5	17
Retail Non-UCITS	<i>Schemes</i>	1	0	3
	<i>Sub-funds</i>	1	8	9
Foreign Based	<i>Schemes</i>	1	0	0
	<i>Sub-funds</i>	1	5	0
Recognised Private CIS	<i>Schemes</i>	0	0	0

*Source: Malta Financial Services Authority.*

## 1.5 Summary of Collective Investment Scheme licences (2013 – 2014)

The next table summarises the number of new licences issued and licences surrendered by the Authority, and the number of active licences for the period 2013 - 2014.

**Table 4: Collective Investment Scheme licences (2013 – 2014)**

		2013			2014		
		New licences	Licences surrendered	Total licences as at end 2013	New licences	Licences surrendered	Total licences as at end 2014
PIFs/AIFs	<i>Schemes</i>	44	18	197	37	18	217 <sup>1</sup>
	<i>Sub-funds</i>	115	83	509	106	97	518
	<i>of which Qualifying Investor</i>	97	74	421	97	86	432
	<i>of which Extraordinary Investor</i>	10	1	45	5	11	39
	<i>of which Experienced Investor</i>	8	8	43	2	0	45
UCITS	<i>Schemes</i>	5	0	22	1	2	21
	<i>Sub-funds</i>	18	5	70	11	17	64
Retail Non-UCITS	<i>Schemes</i>	0	0	10	0	3	6 <sup>2</sup>
	<i>Sub-funds</i>	0	8	21	0	9	12
Foreign	<i>Schemes</i>	0	0	4	0	0	4
	<i>Sub-funds</i>	0	5	16	0	0	16
Recognised Private CIS	<i>Schemes</i>	2	0	4	1	0	5

*Source: Malta Financial Services Authority.*

## 1.6 Non-Malta Domiciled Funds administered in Malta

As at end 2014, 134 non-Malta domiciled funds (including sub-funds) were administered in Malta by fund administrators recognised in Malta. This represents a fall of 54 funds/ sub-funds, or almost 30 per cent, from the previous end year.

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

	Non-Malta domiciled funds administered in Malta
December 2012	144
December 2013	188
December 2014	134

*Source: Malta Financial Services Authority.*

<sup>1</sup> One scheme seized all its Retail Non-UCITS sub-funds and had its licence revised to PIF scheme.

<sup>2</sup> Ibid.



## PART 2 – Performance Analysis of Collective Investment Schemes

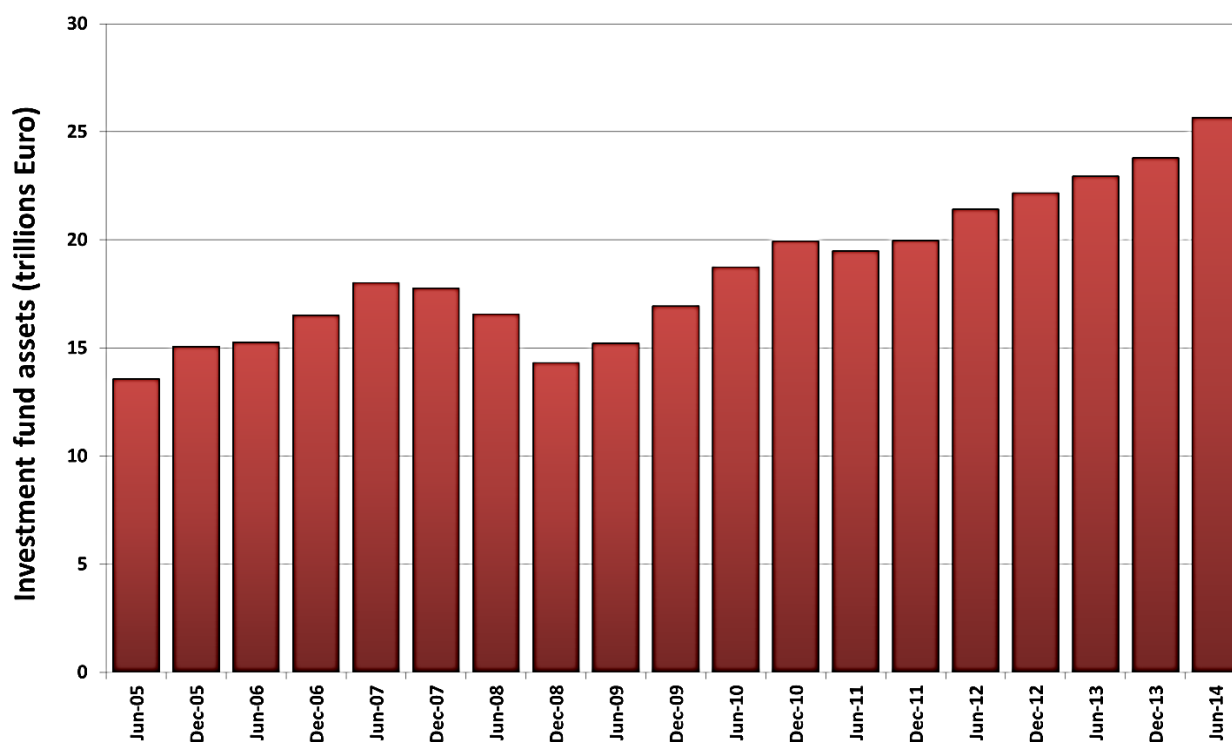
### 2.1 General overview of the investment fund assets in the International Fund Industry

Worldwide investment fund assets reached an all-time high of €28.3 trillion at the end of 2014, representing a surge of 18.9 per cent over the previous end year. Net sales totalled €1.17 trillion in 2014, up from the €839 billion attracted in the previous year.

Bond funds reported net sales totalling €323 billion in 2014, followed by mixed funds and other funds at €276 billion and €209 billion. Net sales of equity funds amounted to €207 billion in 2014 or 17.7 per cent of the total net sales in 2014.

Equity funds remained the largest type of funds with a share of over 40 per cent of the total investment fund assets in 2014, followed by bond funds and money market funds at 22 per cent and 13 per cent respectively.

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



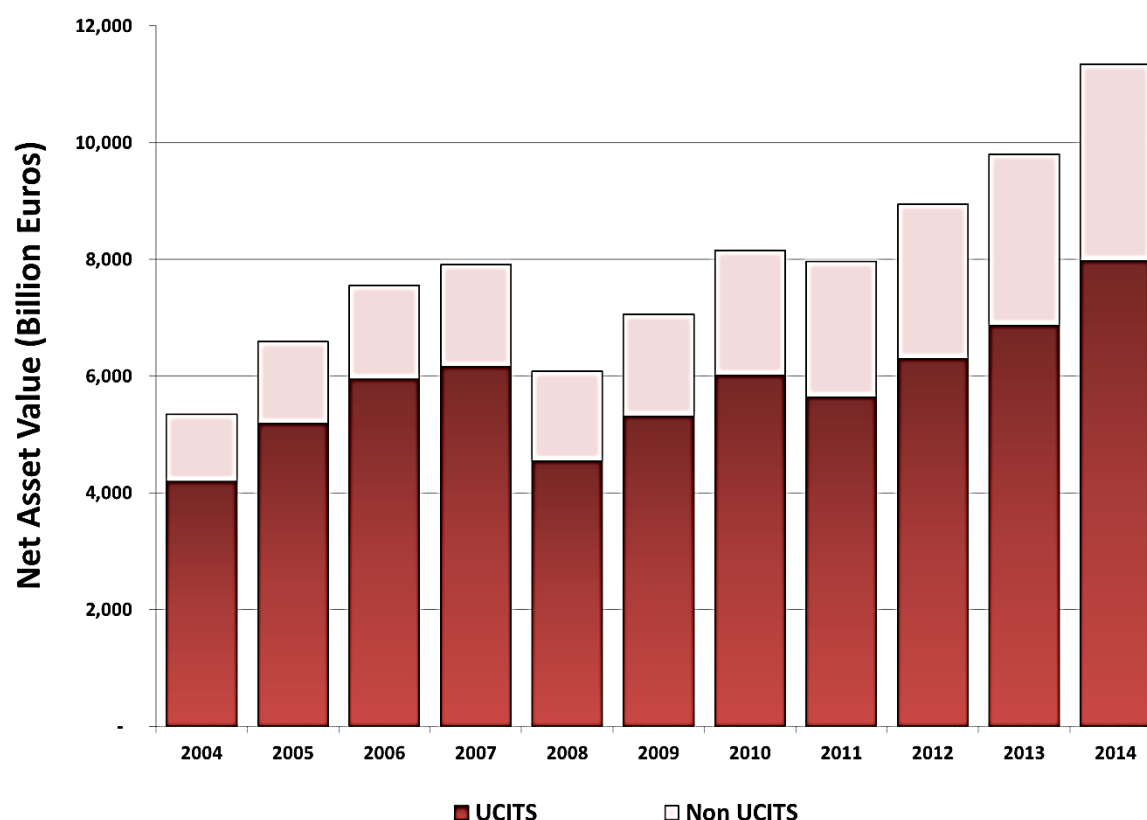
Source: EFAMA.

The number of worldwide investment funds stood at 91,600 at the end of 2014 with equity funds being the most popular at 32 per cent. Other/Unclassified funds and mixed funds followed at 27 per cent and 21 per cent respectively.

Investment fund assets in European countries accounted for around €11.3 trillion at the end of December 2014, an increase of almost 16 per cent from end 2013.

About €8.0 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 2014, UCITS funds experienced a growth of over 16 per cent while Non-UCITS funds gained over 14 per cent.

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



Source: EFAMA.

During 2014, the majority of leading European fund domiciles reported growth in the net asset value. Belgium and Ireland experienced growth of over 20 per cent during the period December 2013 – December 2014 while Italy, Luxembourg and the UK reported a surge of almost 18 per cent. Additionally, funds authorised in Germany experienced growth of almost 13 per cent in the net asset value over the same period while France and the Netherlands saw a slight increase of 3.9 and 3.2 per cent respectively.

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

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

Country	Dec 2012 NAV	Dec 2013 NAV	Dec 2014 NAV
	Million EUR	Million EUR	Million EUR
Belgium	87,298	95,019	<b>114,391</b>
France	1,505,731	1,525,107	<b>1,584,828</b>
Germany	1,285,527	1,404,353	<b>1,581,625</b>
Ireland	1,227,425	1,343,882	<b>1,661,211</b>
Italy	190,492	209,091	<b>248,397</b>
Luxembourg	2,383,826	2,615,363	<b>3,094,987</b>
Netherlands	68,577	72,472	<b>74,786</b>
UK	969,636	1,120,760	<b>1,318,655</b>

Source: EFAMA.

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

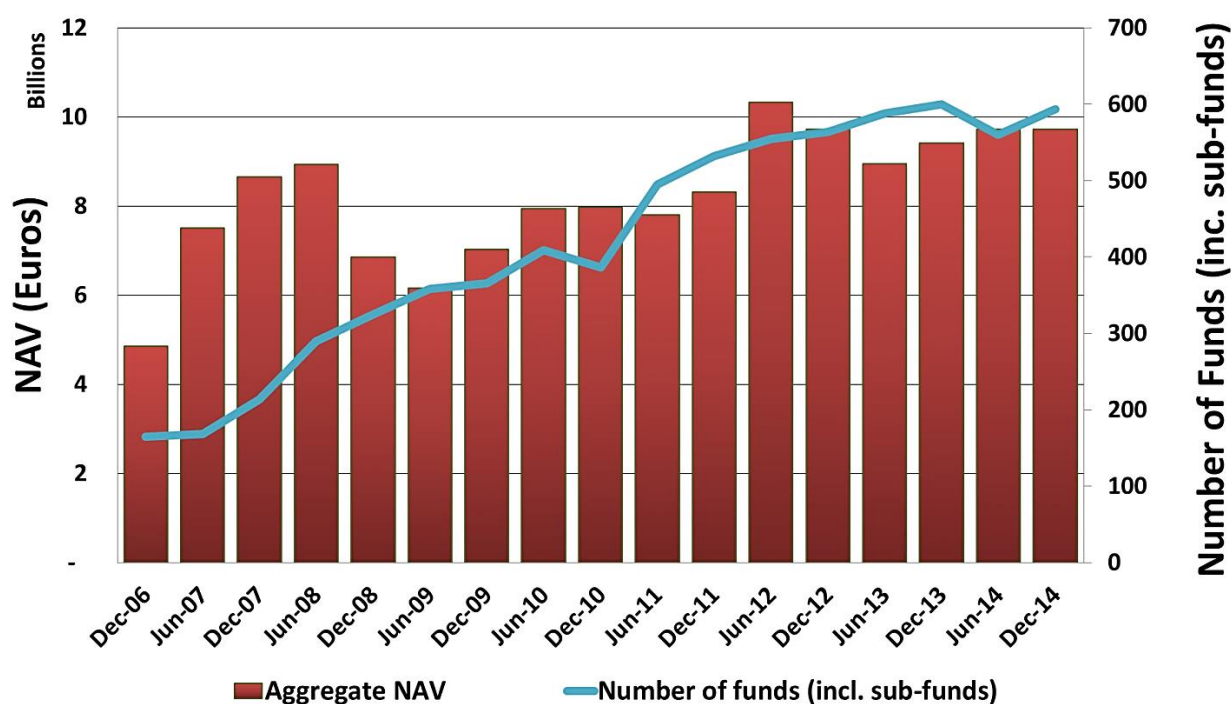
### 2.2.1 Analysis of aggregate net asset value of locally based CISs

The net asset value of Malta domiciled funds<sup>3</sup> touched €9.7 billion at the end of 2014, up by over €0.3 billion or 3.3 per cent from the previous year. This represents almost the same level reached at the end of 2012. Diversified funds remained the most popular with investors, experiencing a share of 46.4 per cent of the total net assets in 2014. Equity funds and bond funds followed at 23.2 per cent and 15.9 per cent respectively.

Diversified funds attracted the largest net increase in net assets with €138 million, followed by mixed funds and bond funds at €122 million and €105 million respectively. Net assets of equity funds went up by 3.5 per cent, or €76 million, when compared to the previous year despite an uncertain economic environment throughout the year. In contrast, hedge funds and money market funds suffered declines in net assets of €118.5 million and €23.8 million respectively in 2014.

<sup>3</sup> PIFs, AIFs, UCITS, and Retail Non-UCITS.

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



*Source: Malta Financial Services Authority.*

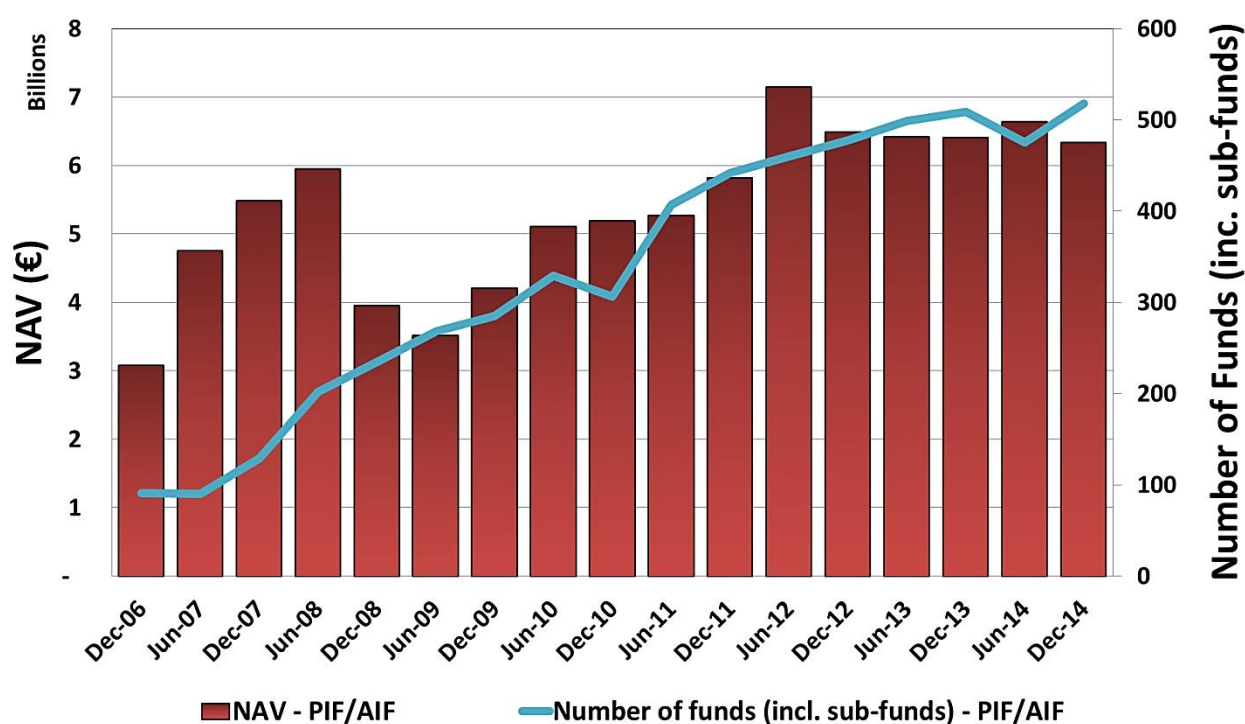
Sales reported by funds (including sub-funds) authorised in Malta totalled €3.99 billion at end 2014 while redemptions amounted to €4.77 billion. Net revaluation adjustments amounted to €1.10 billion on the positive side.

### 2.2.2 Analysis of net asset value of Professional Investor Funds and Alternative Investment Funds

At the end of 2014, 507 Professional Investor Funds and 11 Alternative Investment Funds were licenced by the Authority. In the corresponding previous year, there were 509 Professional Investor Funds. Professional Investor Funds and Alternative Investment Funds reported an aggregate net asset value of €6.3 billion at the end of December 2014, a drop of almost five per cent, or €0.3 billion, from the previous year.

Figure 4 represents the net asset value of Professional Investor Funds and Alternative Investment Funds against the number of licensed PIFs/AIFs for the period 2006 – 2014.

**Figure 4: Net asset value of PIFs/AIFs and number of licensed PIFs/AIFs (2006 – 2014)**



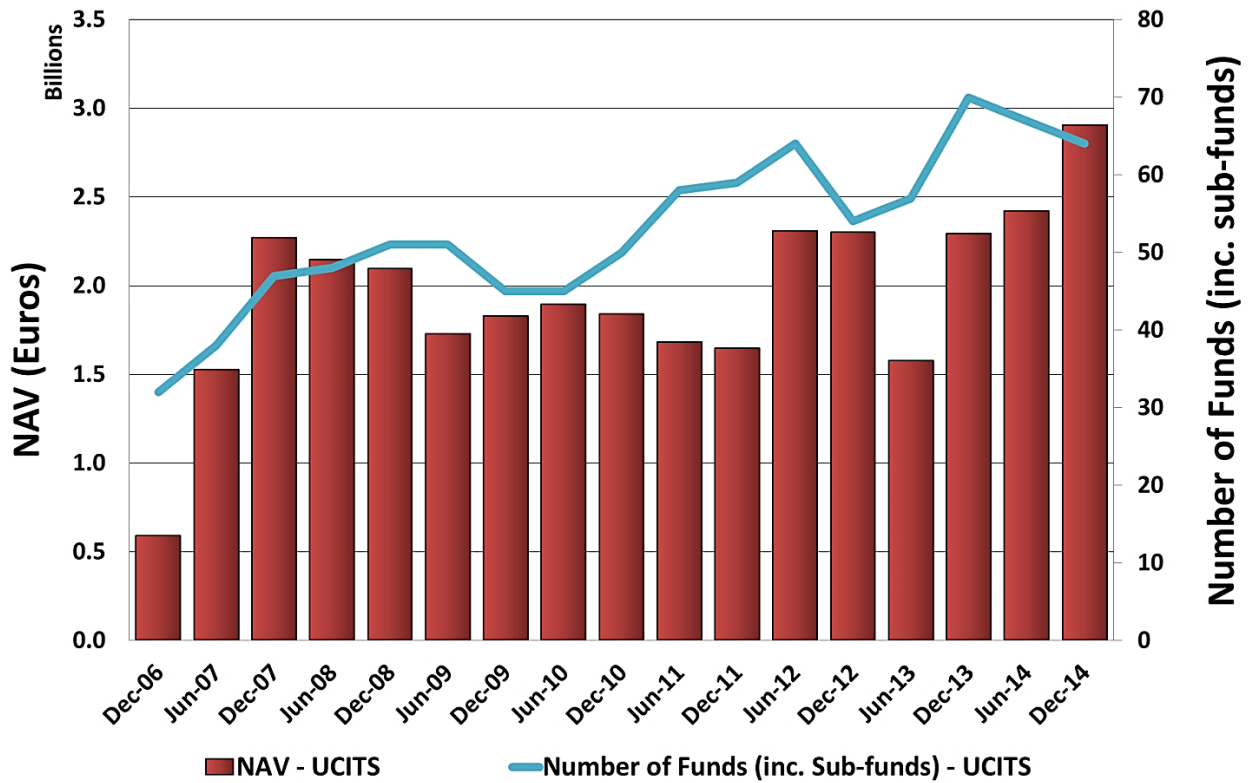
*Source: Malta Financial Services Authority.*

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

Despite there was a slight decline in the number of licensed UCITS funds in 2014, the net asset value expanded from €2.29 billion in December 2013 to €2.90 billion in December 2014. This represents a growth of over 27 per cent or €0.61 billion.

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

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



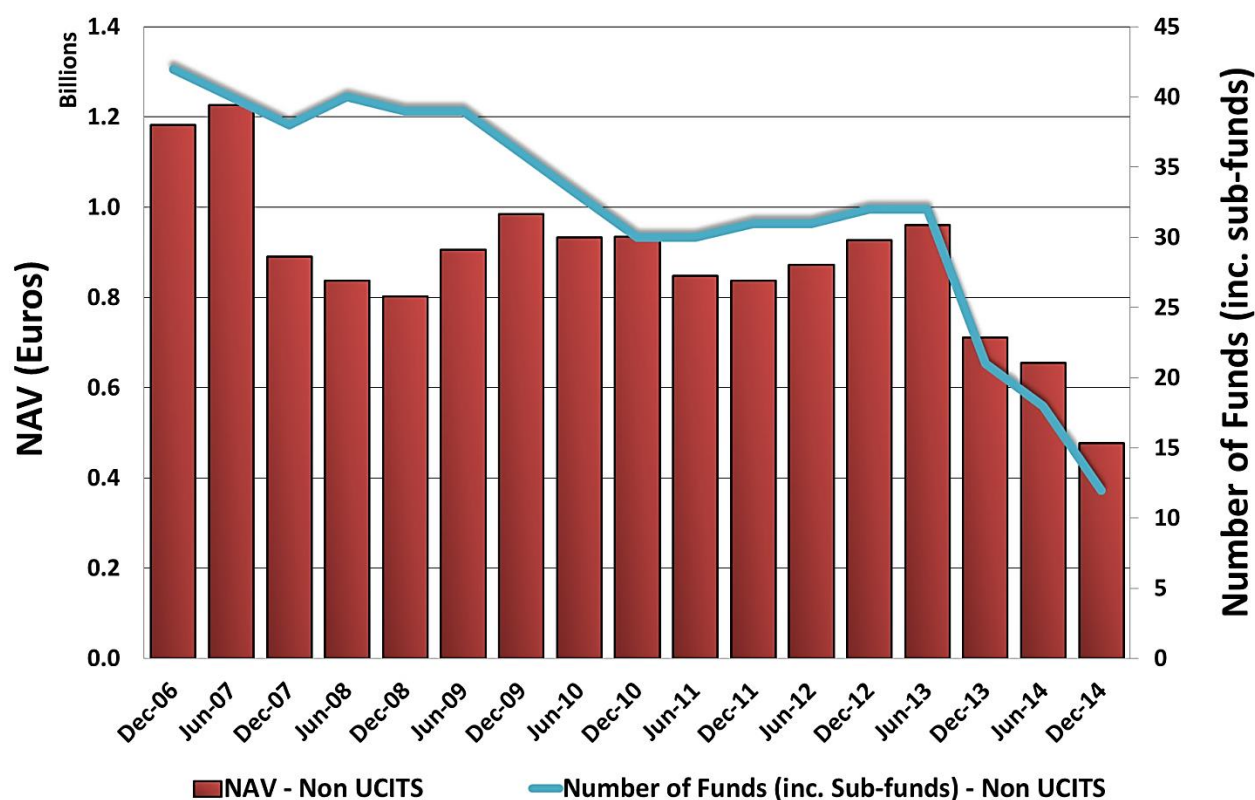
*Source: Malta Financial Services Authority.*

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

The number of licensed Retail Non-UCITS funds continued to fall in 2014 with only 12 funds remain licensed at the end of year. Net assets of Retail Non-UCITS funds also dropped further in 2014, reaching €0.48 billion at the end of December 2014. This represents a fall of 33 per cent or €0.23 billion from end 2013.

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

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



*Source: Malta Financial Services Authority.*

### 2.3 Asset class allocation of investment funds<sup>4</sup>

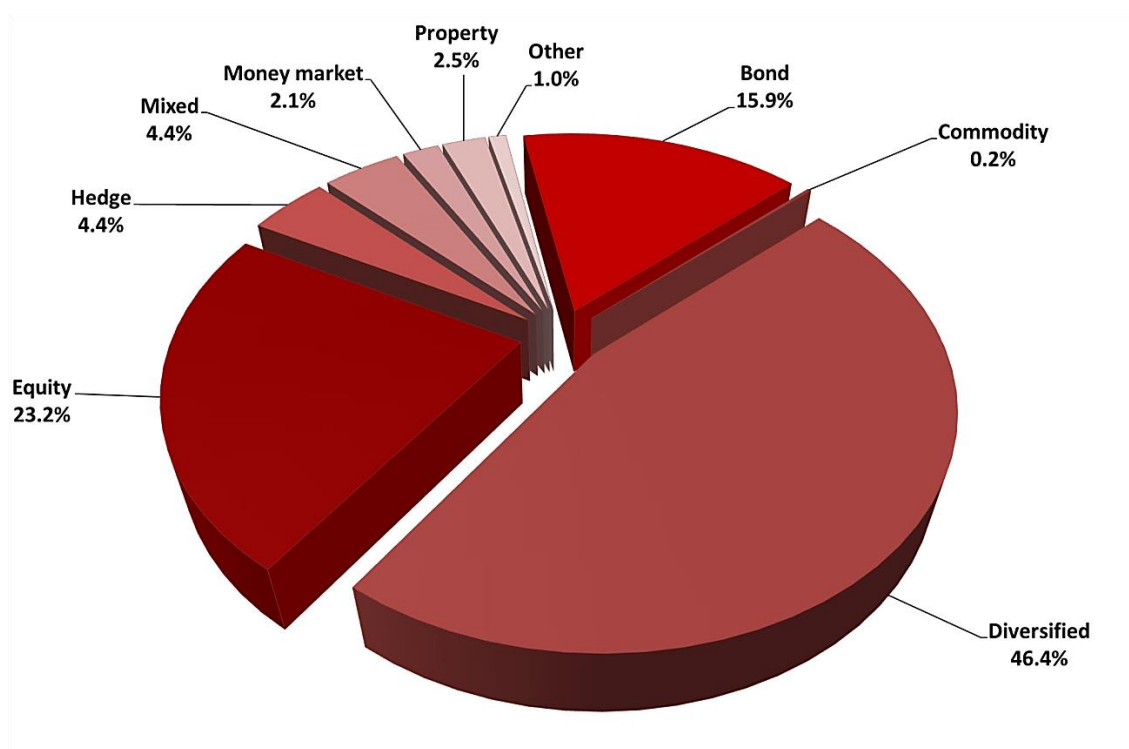
Diversified funds reported a total net asset value of €4.5 billion or 46 per cent of the aggregate December 2014 NAV. About €2.25 billion, or 23.2 per cent of the aggregate net asset value, were invested in equity funds at the end of December 2014 while bond funds had a share of 15.9 per cent (or €1.55 billion).

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

During 2014, diversified funds were the most issued type of funds with a share of almost 38 per cent of the total new funds licensed in 2014. Equity funds had a share of 20.5 per cent of the total new licensed funds in 2014 followed by bond funds at a share of 10.6 per cent. Figure eight represents the number of issued and surrendered funds in 2014 by asset allocation.

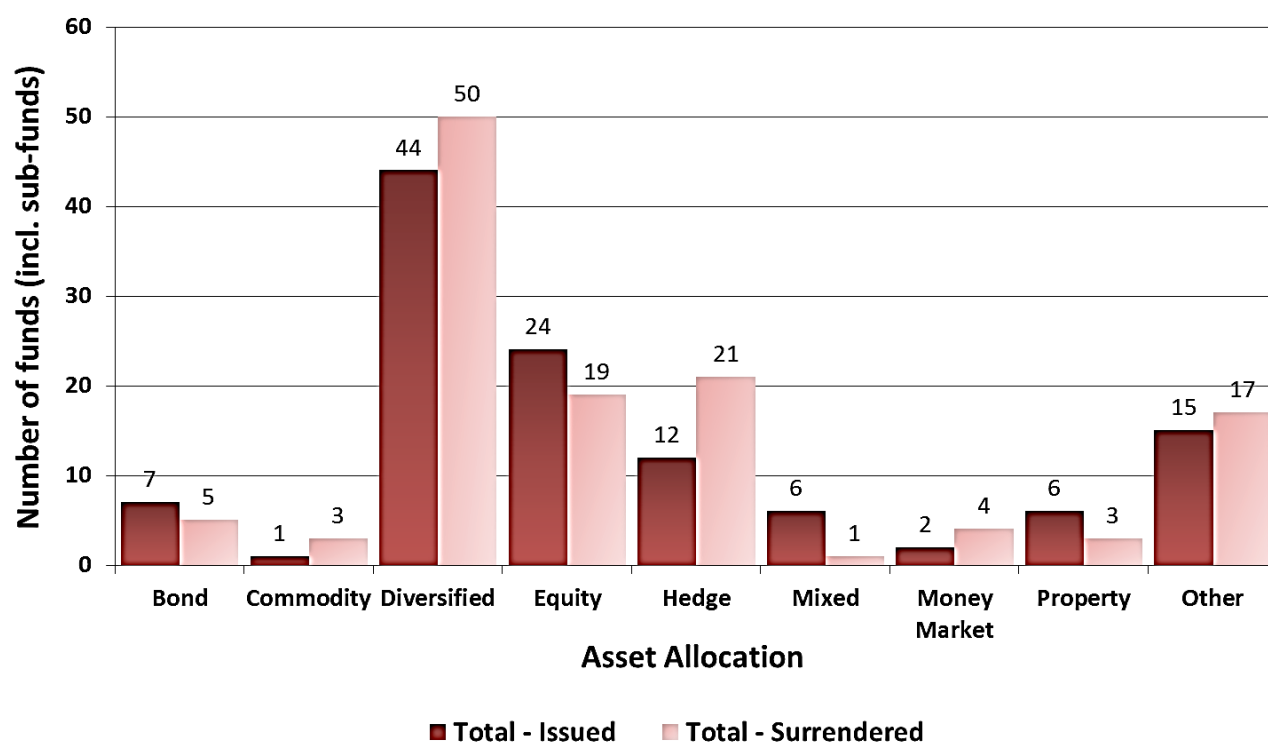
<sup>4</sup> The asset allocation of funds was extracted from the prospectuses of the funds. Consequently, it does not necessarily mean that the allocated assets of the funds were invested accordingly.

**Figure 7: Net asset value by asset allocation (December 2014).**



*Source: Malta Financial Services Authority.*

**Figure 8: New authorised and surrendered funds by asset allocation during 2014.**



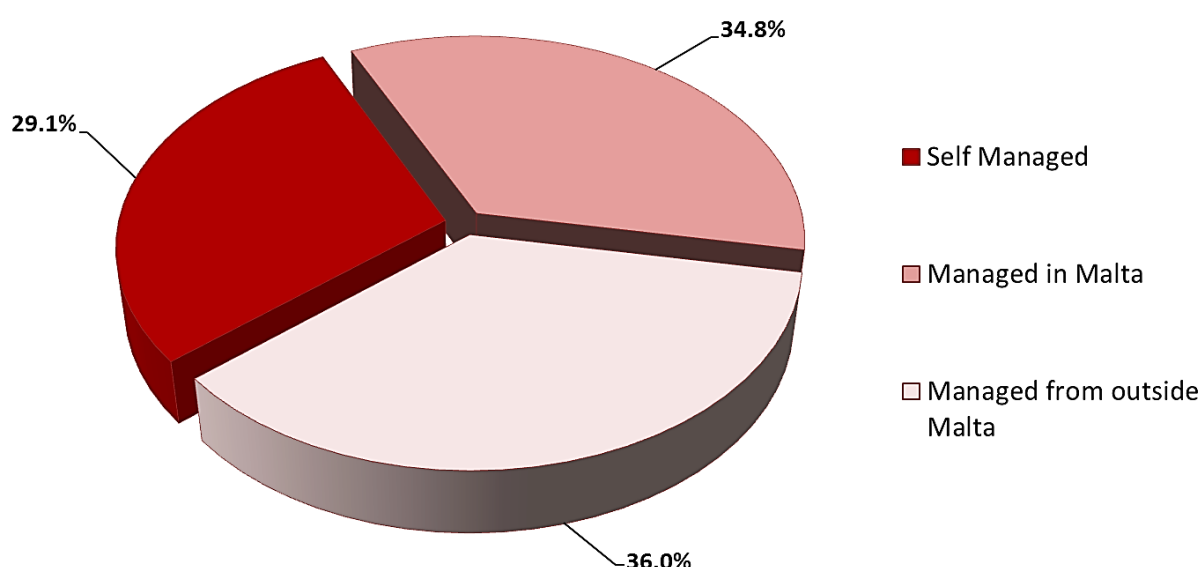
*Source: Malta Financial Services Authority.*



## 2.4 Management of funds

About 35 per cent of the funds (including sub-funds) domiciled in Malta were managed by Malta based fund managers. This implies a slight increase of 0.4 percentage points on the previous year. Over the same period, the share of funds (including sub-funds) managed from outside Malta declined by nearly 12 percentage points reflecting a shift in preferences towards the setting up of self-managed funds in Malta. At the end of 2014, 36 per cent of the funds were managed from outside Malta while 64 per cent of funds were self-managed or third party managed in Malta.

**Figure 9: Management of locally based investment funds (December 2014).**

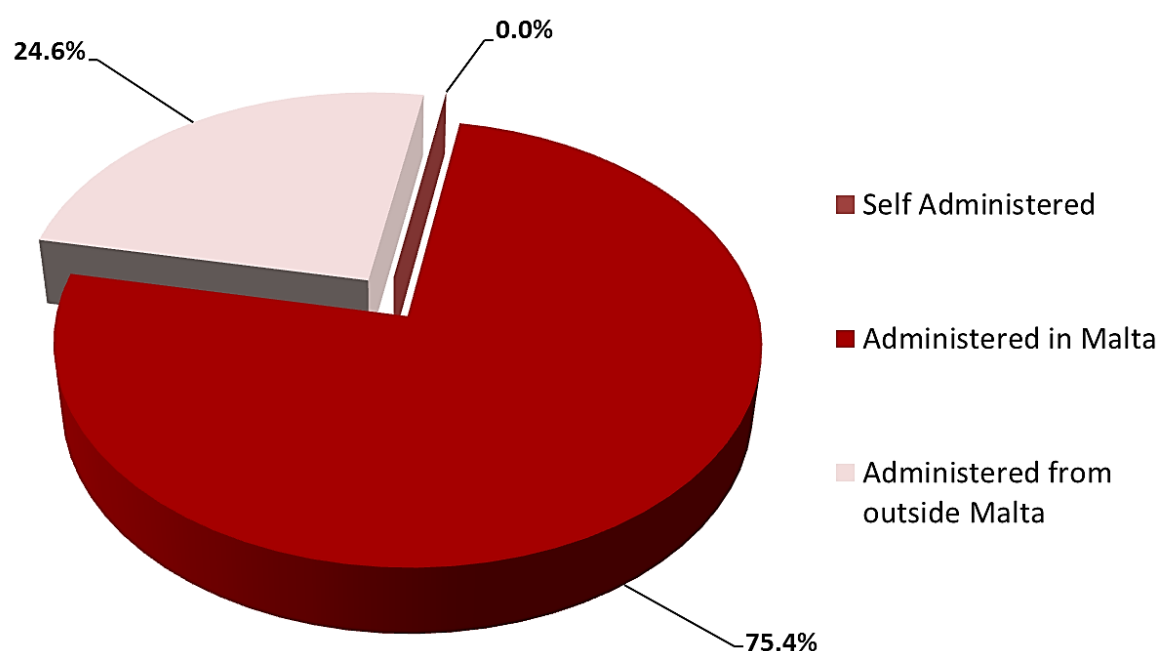


*Source: Malta Financial Services Authority.*

## 2.5 Administration of funds

The number of funds administered in Malta continued to increase in 2014 reaching 75 per cent of all locally established funds – an increase of almost five percentage points over the previous year. The remaining 25 per cent of the funds were administered outside Malta.

**Figure 10: Administration of locally based investment funds (December 2014).**



*Source: Malta Financial Services Authority.*

## 2.6 Structure of funds

As at end December 2014, over 76 per cent of the Collective Investment Schemes operated as a multi fund structure, almost 18 per cent as stand-alone structure while about six per cent licensed as master-feeder structure.

The table below represents the operating structures of collective investment schemes domiciled in Malta and the total NAV as at end December 2014 for each structure.

**Table 7: Schemes by operating structure as at end December 2014**

	Number of schemes as at December 2014	% number of schemes against total schemes
Master/Feeder (Master)	8	3.3
Master/Feeder (Feeder)	7	2.9
Stand Alone	43	17.6
Multi fund	186	76.2
Total	244	100

*Source: Malta Financial Services Authority.*

## 2.7 Funds listed on Malta Stock Exchange

A total of 21 funds/ sub-funds were listed on the Malta Stock Exchange at the end of December 2014, of which six were Professional Investor Funds or Alternative Investment Funds, six UCITS funds, and nine Retail Non-UCITS funds.

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

Type of CIS	Funds listed on MSE
PIF/AIF	6
UCITS	6
Retail Non-UCITS	9
Total	21

*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 €1.76 billion at the end of December 2014, a slight increase of €0.09 billion or about 5.4 per cent from end year 2013.

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

	NAV of non-Malta domiciled funds administered in Malta (Billion Euro)
December 2012	1.65
December 2013	1.67
December 2014	1.76

*Source: Malta Financial Services Authority.*

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