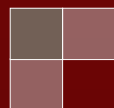


# MFSA

MALTA FINANCIAL SERVICES AUTHORITY

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

# **2016**



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## Fact Statistics

- *Total new funds (including sub-funds) licenced (2004 – 2016):* **1,331**
- *Total funds (including sub-funds) surrendered (2004 – 2016):* **713**
- *Net Asset Value of Malta domiciled Funds: €9.8 billion as at end December 2016*
- *Funds (including sub-funds) administered in Malta:*
  - *Malta domiciled funds administered in Malta: 539 as at end December 2016*
  - *Non-Malta domiciled funds administered in Malta: 188 as at end December 2016*
- *Net Asset Value of funds (domiciled and non-domiciled in Malta) administered in Malta: €9.9 billion as at end December 2016*

## 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 registered funds in 2016. Namely, funds registered in Germany and Luxembourg expanded by 1.3 percent and 0.7 percent respectively while Ireland reported an increase of 4.3 percent in 2016 when compared to 2015. In contrast, the UK and France registered falls of 1.9 percent and 1.5 percent respectively over the same period.

### 1.2 Fund registrations in Malta

The total number of funds (including sub-funds)<sup>1</sup> licenced in Malta reached 646 at the end of 2016, an increase of 6.6 percent (or 40 net licences) when compared with the previous end year.

There were 460 Professional Investor Funds at the end of 2016, an increase of two licences when compared with end 2015. Over the same period, Alternative Investment Funds increased by 32 licences to stand at 86. The number of UCITS funds increased by nine licences to stand at 91 while Retail Non-UCITS funds declined by three licences with nine funds (including sub-funds) remain licensed at the end of 2016. Moreover, there were eight Recognised Private Collective Investment Schemes and 12 registered Foreign-based funds.

**Table 1: Funds (including sub-funds) domiciled in Malta (2014 – 2016)**

	2014	2015	2016
AIFs	11	54	86
PIFs	507	458	460
UCITS	64	82	91
Retail Non-UCITS	12	12	9
<b>Total locally based CISs</b>	<b>594</b>	<b>606</b>	<b>646</b>
Foreign Based	16	12	12
Recognised Private CIS	5	8	8
<b>Total CIS</b>	<b>615</b>	<b>626</b>	<b>666</b>

*Source: Malta Financial Services Authority.*

In 2016, the Authority announced the launch of a new framework applicable for the notification of Alternative Investment Funds (NAIFs), with two funds being included in the list of notified AIFs during the year.

<sup>1</sup> PIFs, AIFs, UCITS and Retail Non-UCITS

**Table 2: Notified Alternative Investment Funds (2016)**

	2016
<b>NAIFs</b>	2

*Source: Malta Financial Services Authority.*

### 1.3 Authorisation of new Collective Investment Schemes

During 2016, the Authority authorised 113 new Collective Investment Scheme licences (including sub-funds), of which 71 were Professional Investor Funds, 23 UCITS funds and 19 Alternative Investment Funds. The next table provides the number of new licences authorised during the period 2014 – 2016.

**Table 3: Authorisation of new Collective Investment Schemes (2014 – 2016)**

		2014	2015	2016
<b>AIFs</b>	<b>Schemes</b>	<b>3</b>	<b>8</b>	<b>6</b>
	<b>Sub-funds</b>	<b>6</b>	<b>11</b>	<b>19</b>
	<i>of which Qualifying Investor</i>	1	3	6
	<i>of which Extraordinary Investor</i>	3	0	0
	<i>of which Experienced Investor</i>	0	0	1
	<i>of which Professional Investor</i>	2	8	9
	<i>of which Retail Investor</i>	0	0	3
<b>PIFs</b>	<b>Schemes</b>	<b>34</b>	<b>28</b>	<b>23</b>
	<b>Sub-funds</b>	<b>100</b>	<b>78</b>	<b>71</b>
	<i>of which Qualifying Investor</i>	96	65	63
	<i>of which Extraordinary Investor</i>	2	7	7
	<i>of which Experienced Investor</i>	2	6	1
<b>UCITS</b>	<b>Schemes</b>	<b>1</b>	<b>9</b>	<b>13</b>
	<b>Sub-funds</b>	11	20	23
<b>Retail Non-UCITS</b>	<b>Schemes</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Sub-funds</b>	0	0	0
<b>Foreign Based</b>	<b>Schemes</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Sub-funds</b>	0	0	0
<b>Recognised Private CIS</b>	<b>Schemes</b>	<b>1</b>	<b>3</b>	<b>0</b>
	<b>Sub-funds</b>	0	0	0

*Source: Malta Financial Services Authority.*

### 1.4 Surrenders of Collective Investment Schemes

In 2016 the Authority accepted the voluntary surrender of 73 Collective Investment Scheme licences (including sub-funds), including 51 Professional Investor Funds, 14 UCITS funds

and eight Alternative Investment Funds. The next table presents the number of funds which surrendered their licence during the period 2014 – 2016.

**Table 4: Surrender of licences of Collective Investment Schemes (2014 – 2016)**

		2014	2015	2016
<b>AIFs</b>	<b>Schemes</b>	<b>0</b>	<b>1</b>	<b>2</b>
	<b>Sub-funds</b>	<b>0</b>	<b>3</b>	<b>8</b>
	<i>of which Qualifying Investor</i>	0	1	5
	<i>of which Extraordinary Investor</i>	0	2	0
	<i>of which Experienced Investor</i>	0	0	0
	<i>of which Professional Investor</i>	0	0	3
	<i>of which Retail Investor</i>	0	0	0
<b>PIFs</b>	<b>Schemes</b>	<b>18</b>	<b>15</b>	<b>18</b>
	<b>Sub-funds</b>	<b>97</b>	<b>92</b>	<b>51</b>
	<i>of which Qualifying Investor</i>	86	88	47
	<i>of which Extraordinary Investor</i>	11	0	1
	<i>of which Experienced Investor</i>	0	4	3
<b>UCITS</b>	<b>Schemes</b>	<b>2</b>	<b>0</b>	<b>4</b>
	<b>Sub-funds</b>	17	2	14
<b>Retail Non-UCITS</b>	<b>Schemes</b>	<b>3</b>	<b>0</b>	<b>0</b>
	<b>Sub-funds</b>	9	0	0
<b>Foreign Based</b>	<b>Schemes</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Sub-funds</b>	0	4	0
<b>Recognised Private CIS</b>	<b>Schemes</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Sub-funds</b>	0	0	0

*Source: Malta Financial Services Authority.*

## 1.5 Summary of Collective Investment Scheme licences (2015 – 2016)

The following table provides a detailed breakdown of the number of new licences issued, surrendered and active for years 2015 and 2016.

**Table 5: Collective Investment Scheme licences (2015 – 2016)**

		2015			2016		
		New licences	Licences surrendered	Total licences as at end 2015	New licences	Licences surrendered	Total licences as at end 2016 *
AIFs	<b>Schemes</b>	8	1	28	6	2	41 <sup>2, 3</sup>
	<b>Sub-funds</b>	11	3	54	19	8	86
	<i>of which Qualifying Investor</i>	3	1	24	6	5	29 <sup>4, 5</sup>
	<i>of which Extraordinary Investor</i>	0	2	8	0	0	8
	<i>of which Experienced Investor</i>	0	0	0	1	0	7 <sup>6</sup>
	<i>of which Professional Investor</i>	8	0	22	9	3	36 <sup>5, 7, 8</sup>
	<i>of which Retail Investor</i>	0	0	0	3	0	6 <sup>9</sup>
PIFs	<b>Schemes</b>	28	15	209	23	18	206 <sup>2</sup>
	<b>Sub-funds</b>	78	92	458	71	51	460
	<i>of which Qualifying Investor</i>	65	88	378	63	47	391 <sup>4, 8, 10</sup>
	<i>of which Extraordinary Investor</i>	7	0	33	7	1	38 <sup>10</sup>
	<i>of which Experienced Investor</i>	6	4	47	1	3	31 <sup>6, 7</sup>
UCITS	<b>Schemes</b>	9	0	30	13	4	39
	<b>Sub-funds</b>	20	2	82	23	14	91
Retail Non-UCITS	<b>Schemes</b>	0	0	6	0	0	5 <sup>3</sup>
	<b>Sub-funds</b>	0	0	12	0	0	9 <sup>9</sup>
Foreign	<b>Schemes</b>	0	0	4	0	0	4
	<b>Sub-funds</b>	0	4	12	0	0	12
Recognised Private CIS	<b>Schemes</b>	3	0	8	0	0	8
	<b>Sub-funds</b>	0	0	0	0	0	0

\* Figures may not sum up due to conversion of licences.

Source: Malta Financial Services Authority.

<sup>2</sup> Eight PIF schemes had their licence revised to AIF schemes.

<sup>3</sup> One Retail Non-UCITS scheme had its licence revised to AIF scheme.

<sup>4</sup> Three PIF sub-funds targeting Qualifying Investors had their licences revised to AIF targeting Qualifying Investors.

<sup>5</sup> One AIF sub-fund targeting Professional Investors had its licence revised to AIF targeting Qualifying Investors.

<sup>6</sup> Six PIF sub-funds targeting Experienced Investors had their licences revised to AIF targeting Experienced Investors.

<sup>7</sup> Eight PIF sub-funds targeting Experienced Investors had their licences revised to AIF targeting Professional Investors.

<sup>8</sup> One PIF sub-fund targeting Qualifying Investors had its licence revised to AIF targeting Professional Investors.

<sup>9</sup> Three Retail Non-UCITS sub-funds had their licences revised to AIF targeting Retail Investors.

<sup>10</sup> One PIF sub-fund targeting Extraordinary Investors had its licence revised to PIF targeting Qualifying Investors.



## 1.6 Non-Malta domiciled funds administered in Malta

There were 188 non-Malta domiciled funds (including sub-funds) which were administered in Malta in 2016, representing a net increase of 54 funds/ sub-funds (or 40 percent) from the previous end year.

**Table 6: Non-Malta domiciled funds (including sub-funds) administered in Malta (2014 – 2016)**

	Non-Malta domiciled funds administered in Malta
December 2014	134
December 2015	134
December 2016	188

*Source: Malta Financial Services Authority.*

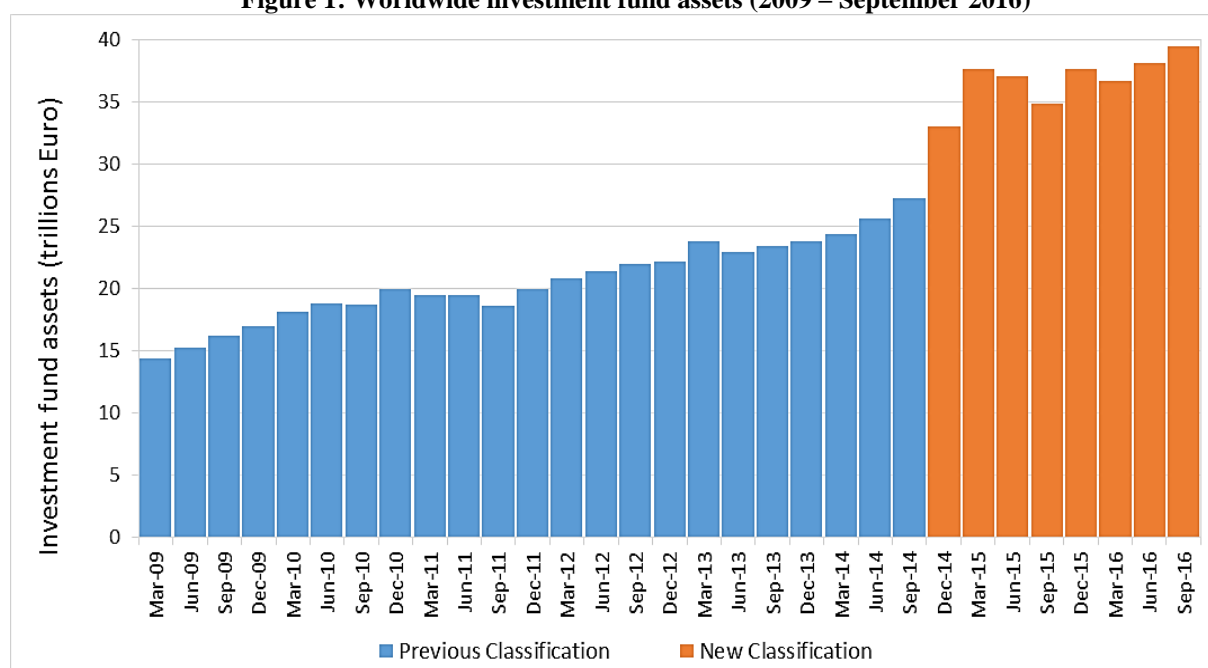
## PART 2 – Performance Analysis of Collective Investment Schemes

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

Net assets of worldwide regulated open-ended funds<sup>11</sup> amounted to €39.41 trillion at the end of September 2016, an increase of almost 4.8 percent when compared with end 2015. Net sales contracted by €592 billion (or 42.6 percent) in the first three quarters of 2016 when compared with the corresponding period in 2015, to stand at €798 billion at the end of September 2016.

Equity funds remained the most popular among investors with almost 39 percent of net assets as at end September 2016. Bond funds had a share of 22 percent while mixed funds and money market funds followed at 18 percent and 11.5 percent respectively. During the first three quarters of 2016, bond funds reported net sales amounting to €456 billion, followed by mixed funds with €154 billion. During the same period equity funds reported net sales amounting to €75 billion while money market funds registered net outflows amounting to five billion euros. Furthermore, unclassified/other funds registered net sales amounting to €100 billion.

Figure 1: Worldwide investment fund assets (2009 – September 2016)



Source: EFAMA.

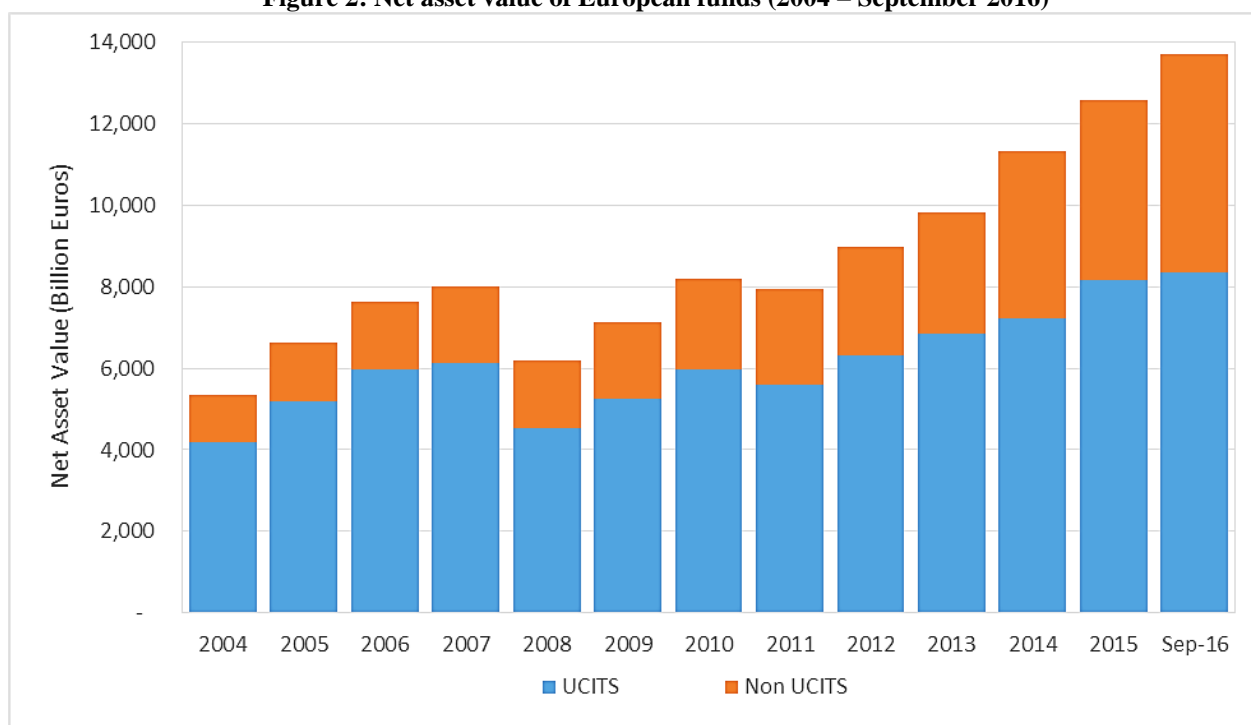
There were 120,420 investment funds (including fund of funds) registered worldwide at the end of September 2016, up by 2.7 percent from end 2015. Over 30 percent were registered as equity funds, followed by mixed funds and bond funds at 27.2 percent and 16.6 percent

<sup>11</sup> As from December 2014, EFAMA has introduced a new classification which incorporates additional types of open-ended funds; including ETFs, institutional funds and guaranteed/protected funds.

respectively. Real estate funds and money market funds had a share of 2.3 percent and 2.2 percent respectively. About 14.8 percent of the funds were unclassified/other funds.

Investment fund assets in Europe accounted for €13.7 trillion at the end of September 2016, an increase of €1.1 trillion (or almost nine percent) when compared with the previous end year. Net assets of UCITS funds totalled €8.3 trillion in September 2016, an increase of 2.2 percent from end 2015 while Non-UCITS funds reported an increase of 21 percent with net assets reaching €5.4 trillion in September 2016.

**Figure 2: Net asset value of European funds (2004 – September 2016)**



*Source: EFAMA.*

Net assets of funds registered in Germany and Luxembourg expanded by 6.3 percent and 3.3 percent respectively in September 2016 when compared with the previous end year. France and Ireland also reported growth, with net assets increasing by 2.8 percent and 2.4 percent respectively. In contrast, net assets of funds registered in the UK declined by 4.3 over the same period. Table 7 provides a trend analysis of net assets of investment funds registered in a number of European countries for the period 2014 – 2016.

**Table 7: Net assets of investment funds in major European countries (2014 – September 2016)**

Country	Dec 2014 NAV	Dec 2015 NAV	Sep 2016 NAV	Percentage change Dec 2015 – Sep 2016
	Million EUR	Million EUR	Million EUR	
Luxembourg	3,094,987	3,506,201	<b>3,621,929</b>	<b>3.3</b>
Ireland	1,661,211	1,898,825	<b>1,944,220</b>	<b>2.4</b>
Germany	1,584,940	1,729,234	<b>1,839,003</b>	<b>6.3</b>
France	1,598,295	1,682,808	<b>1,729,240</b>	<b>2.8</b>
UK	1,202,866	1,479,696	<b>1,416,335</b>	<b>-4.3</b>
Switzerland	420,487	501,528	<b>533,373</b>	<b>6.3</b>
Sweden	252,800	285,561	<b>286,515</b>	<b>0.3</b>
Italy	248,397	281,564	<b>285,189</b>	<b>1.3</b>
Spain	229,162	254,368	<b>260,426</b>	<b>2.4</b>
Malta	9,727	10,252	<b>9,801</b>	<b>-3.4</b>

Source: EFAMA.

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

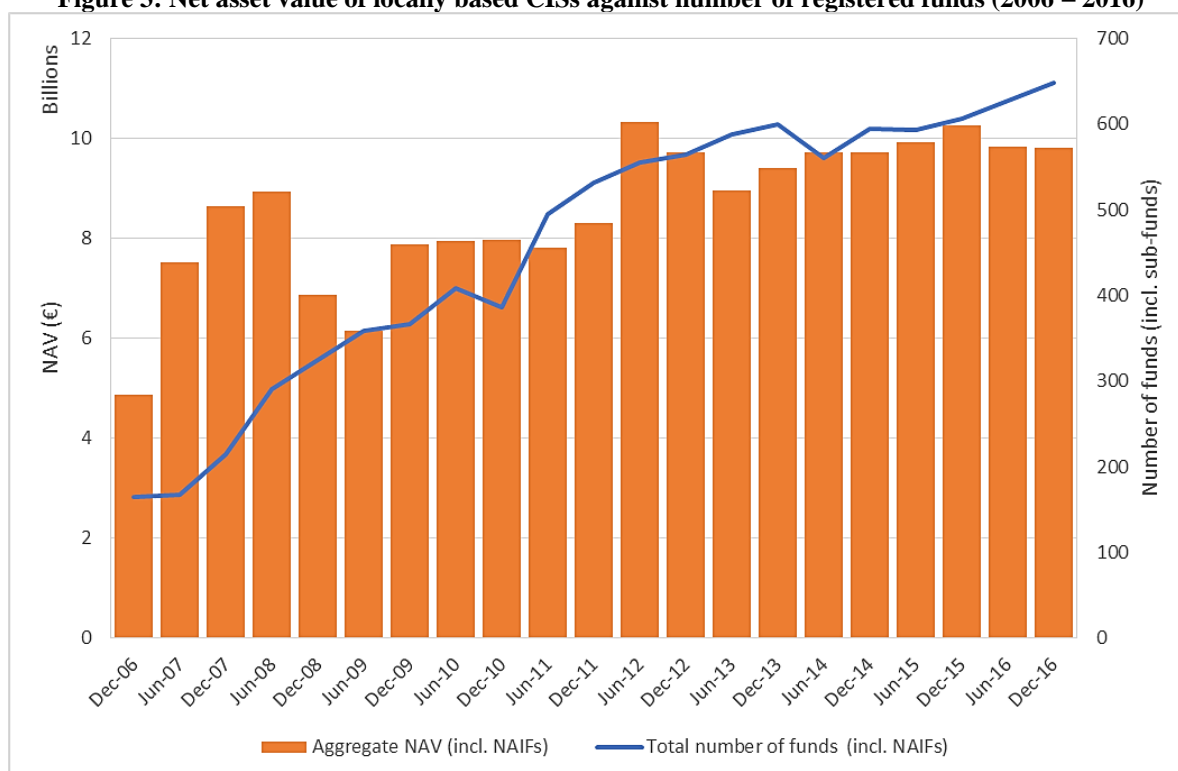
### 2.2.1 Analysis of aggregate net asset value of locally based CISs

The net asset value of Malta-domiciled funds<sup>12</sup> stood at €9.8 billion at the end of 2016, a decline of €0.44 billion (or over 4.3 percent) when compared to the previous end year. Over the period December 2015 – December 2016, net assets of equity funds expanded by almost €0.38 billion. In contrast, diversified funds experienced a decline of €0.44 billion while hedge funds and bond funds saw their net asset value declining by €0.16 billion and almost €0.11 billion respectively.

At the end of 2016, diversified funds held the largest share with almost 37 percent of the total December 2016 NAV, indicating that diversified funds remained the most popular type of funds with investors. Equity funds and bond funds followed with almost 31 percent and 16 percent respectively.

<sup>12</sup> PIFs, AIFs, NAIFFs, UCITS, and Retail Non-UCITS.

**Figure 3: Net asset value of locally based CISs against number of registered funds (2006 – 2016)**



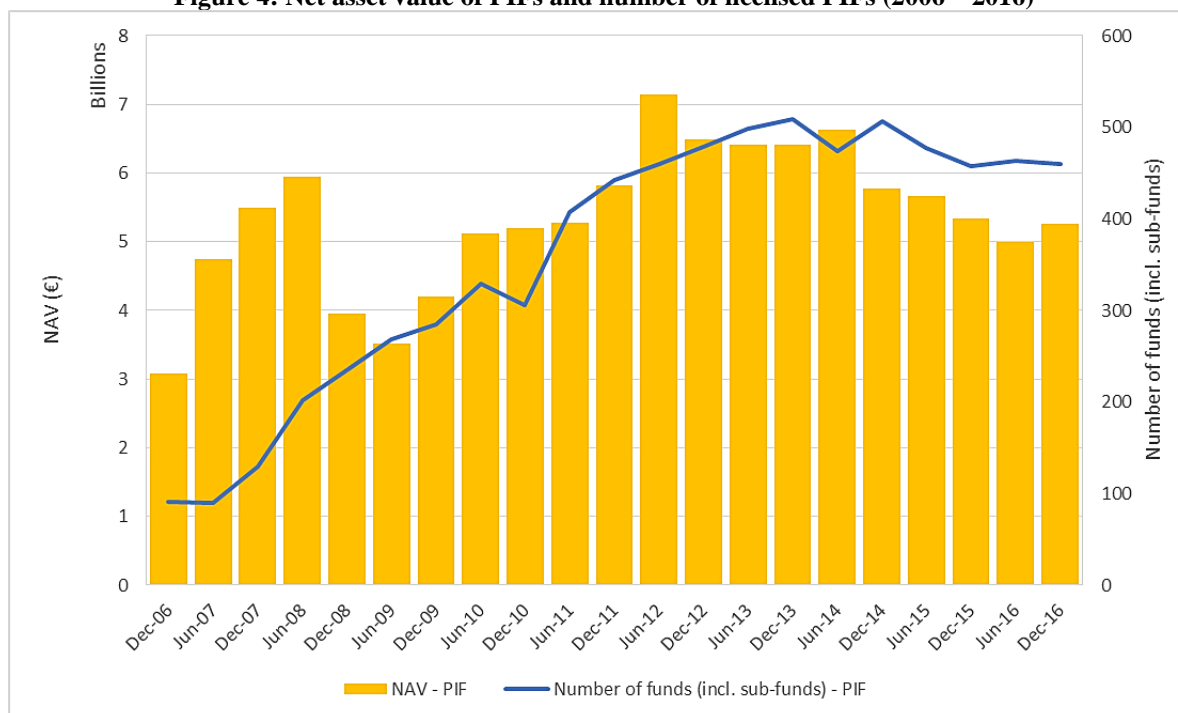
*Source: Malta Financial Services Authority.*

Funds domiciled in Malta reported €3.11 billion in sales in 2016 while redemptions totalled €3.66 billion. Furthermore, funds were positively revalued by €0.1 billion during the same year.

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

The net asset value of Professional Investor Funds stood at €5.25 billion at the end of 2016, down by almost €0.09 billion when compared to the previous end year. The following illustration depicts the net asset value of Professional Investor Funds against the number of licensed PIFs for the period 2006 – 2016.

**Figure 4: Net asset value of PIFs and number of licensed PIFs (2006 – 2016)**



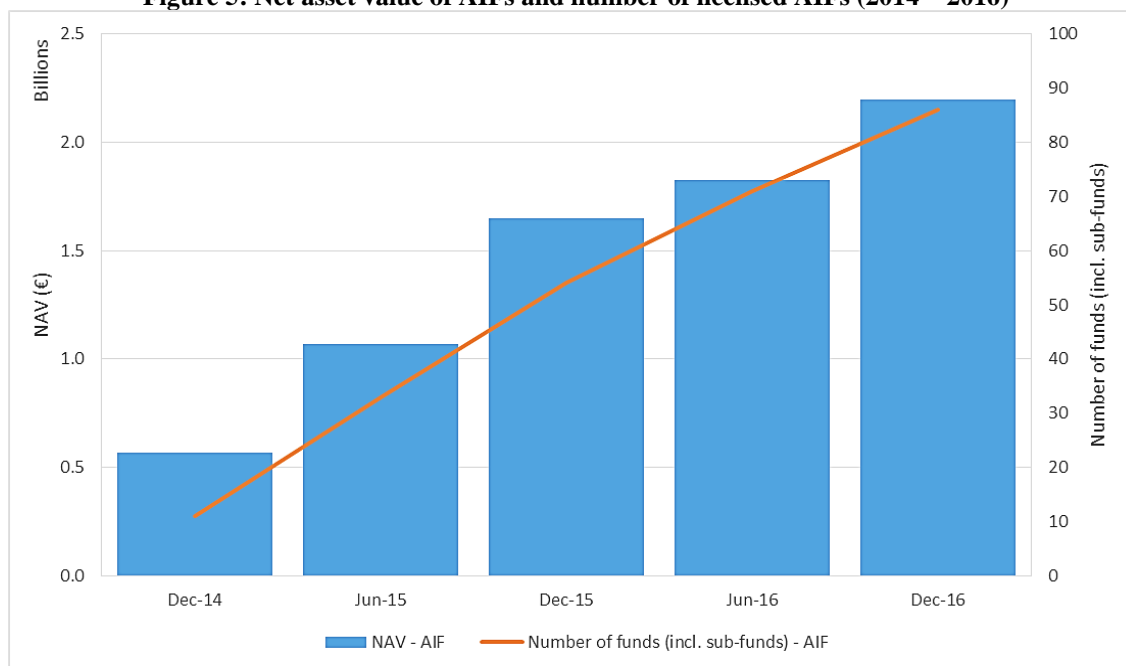
*Source: Malta Financial Services Authority.*

### 2.2.3 Analysis of net asset value of Alternative Investment funds

During 2016, Alternative Investment Funds continued to grow both in terms of number of licences and net assets. Alternative Investment Funds reported a net asset value of €2.2 billion at the end of 2016, a surge of €0.55 billion when compared to the previous end year.

Figure 5 represents the net asset value of Alternative Investment Funds against the number of licensed AIFs for the period 2014 – 2016.

**Figure 5: Net asset value of AIFs and number of licensed AIFs (2014 – 2016)**

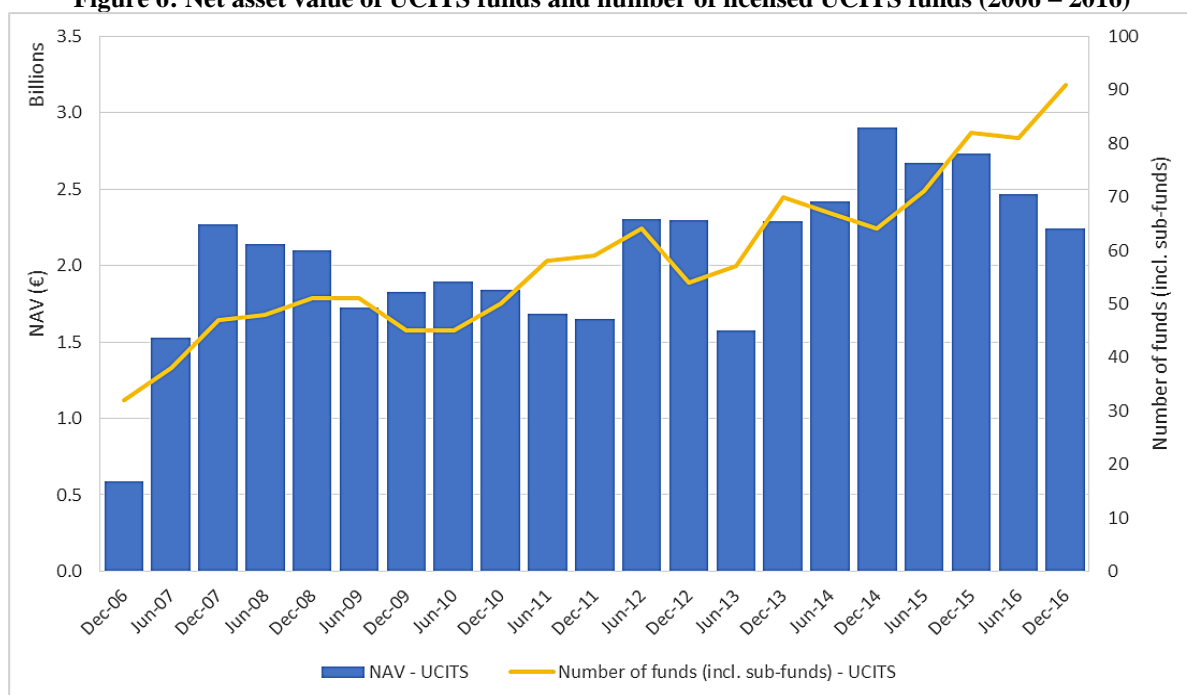


*Source: Malta Financial Services Authority.*

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

Despite the increase in the number of licences, net assets of UCITS funds declined by €0.49 billion when compared to the previous year to stand at €2.24 billion at the end of 2016. The following figure presents the net asset value and the number of licensed UCITS funds for the period 2006 – 2016.

**Figure 6: Net asset value of UCITS funds and number of licensed UCITS funds (2006 – 2016)**



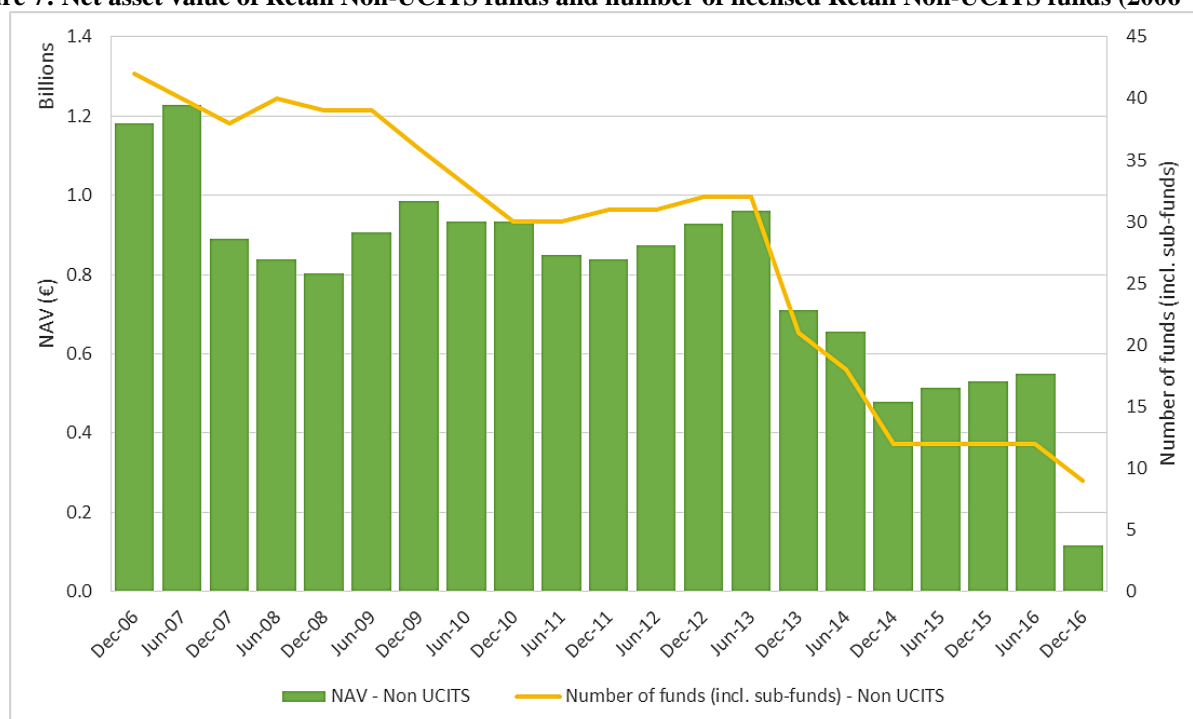
*Source: Malta Financial Services Authority.*

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

There were nine licenced Retail Non-UCITS funds at the end of 2016 with an aggregate net asset value of €0.12 billion, down by €0.41 billion when compared to the previous end year.

Figure 7 presents the net asset value and number of licensed Retail Non-UCITS funds for the period 2006 – 2016.

**Figure 7: Net asset value of Retail Non-UCITS funds and number of licensed Retail Non-UCITS funds (2006 – 2016)**



Source: Malta Financial Services Authority.

### 2.3 Asset class allocation of investment funds<sup>13</sup>

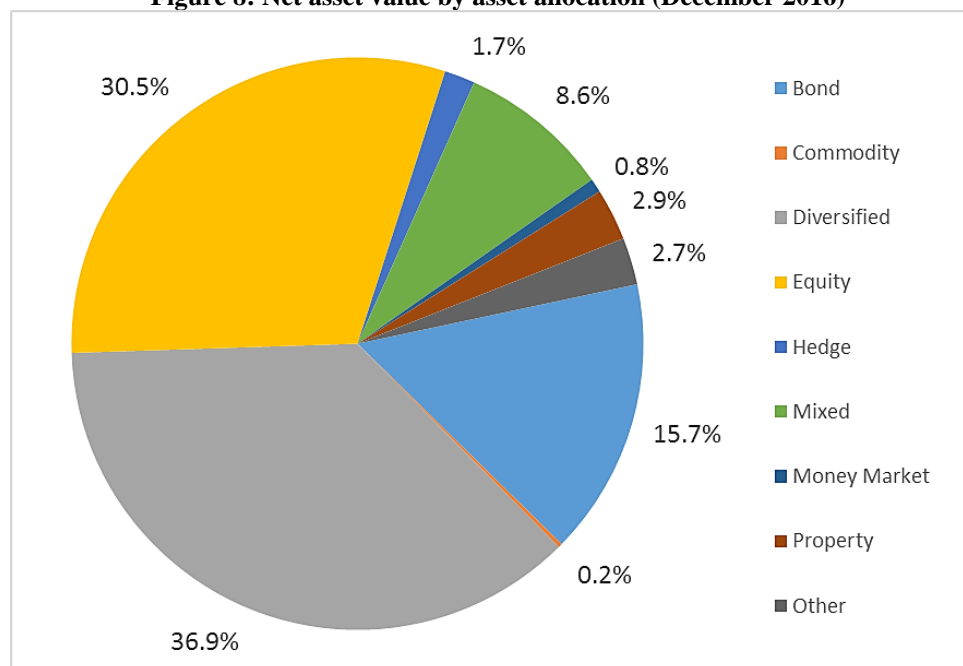
In terms of net assets, diversified funds had the largest share with almost 37 percent (or €3.6 billion) of the total December 2016 NAV. Equity funds and bond funds followed with a share of 30.5 percent (or almost three billion euros) and 15.7 percent (or €1.5 billion) respectively while mixed funds made up 8.6 percent (or €0.8 billion) of the total December 2016 NAV.

The next figure presents the net asset value of Malta domiciled funds by asset category as at the end of 2016.

<sup>13</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.



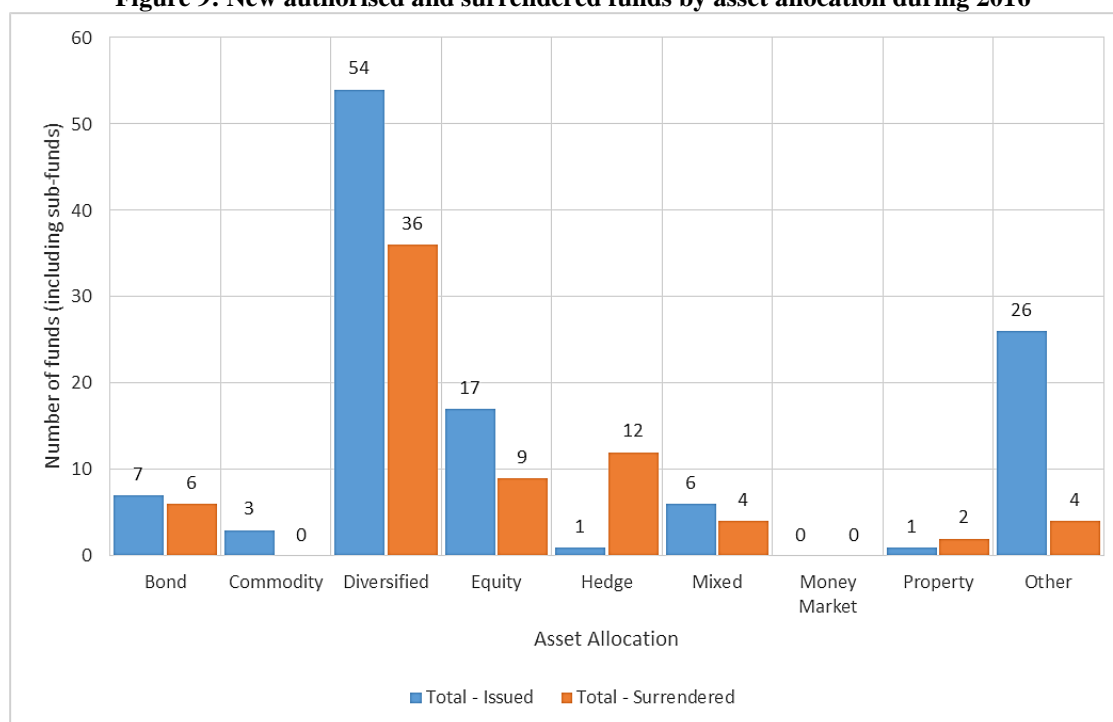
**Figure 8: Net asset value by asset allocation (December 2016)**



*Source: Malta Financial Services Authority.*

Diversified funds were the most licensed type of funds in 2016 with a share of 47 percent of the total new funds licenced during the year. Furthermore, almost 15 percent of the new funds licenced by the Authority were equity while six percent were bond funds. Funds adopting other different investment strategies had a share of almost 23 percent of the total new funds licenced in 2016. The next illustration shows the number of issued and surrendered funds in 2016 by asset allocation.

**Figure 9: New authorised and surrendered funds by asset allocation during 2016**

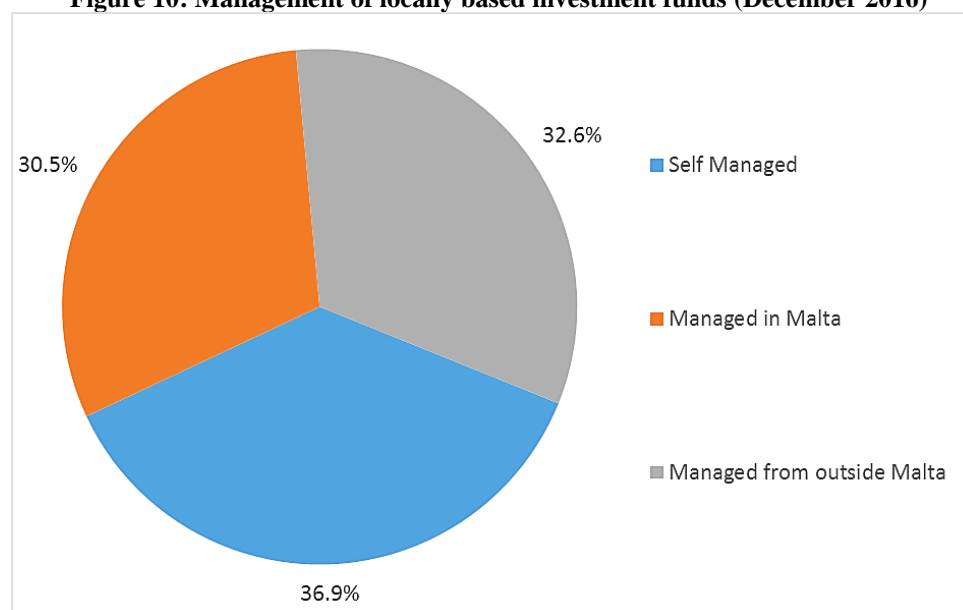


*Source: Malta Financial Services Authority.*

## 2.4 Management of funds

About 30.5 percent of the total licenced funds as at end December 2016 were managed in Malta while 32.6 percent were managed from outside Malta. Self-managed funds continued to expand during 2016, with a share of 36.9 percent of the number of funds (including sub-funds) licenced in Malta as at end 2016. This represents an increase of 4.2 percentage points when compared to the previous end year.

**Figure 10: Management of locally based investment funds (December 2016)**

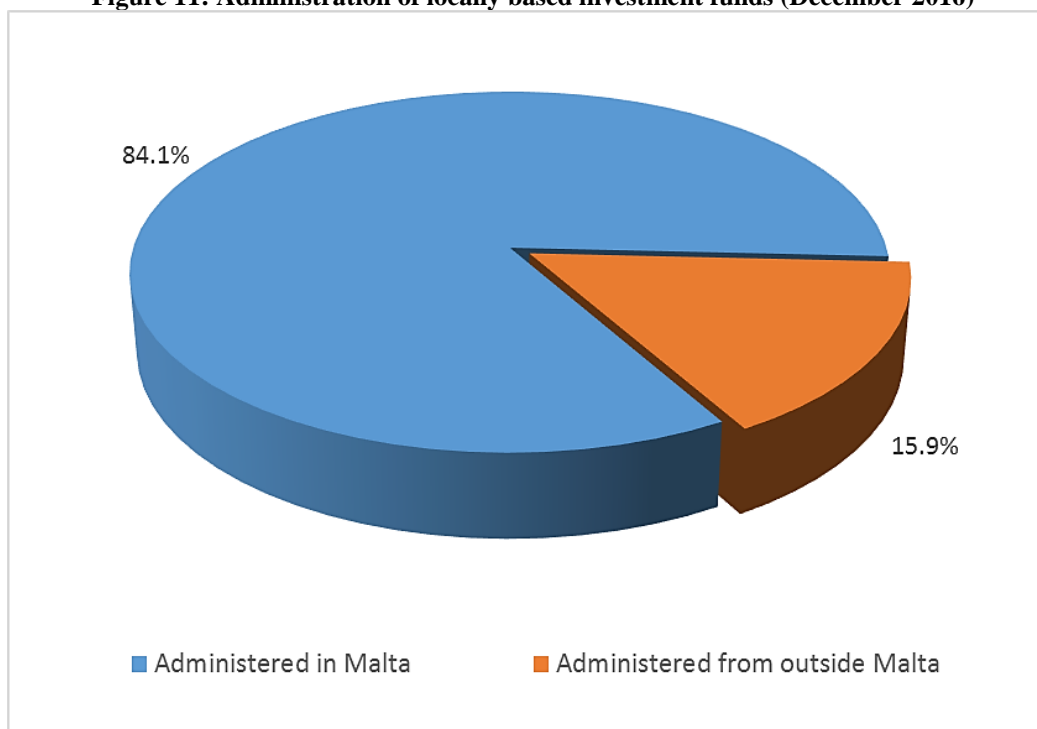


*Source: Malta Financial Services Authority.*

## 2.5 Administration of funds

Funds administered in Malta accounted to 84.1 percent of the total licenced funds as at end 2016, up by 3.1 percentage points when compared to the previous end year. The remaining 15.9 percent of the funds were administered from outside Malta.

**Figure 11: Administration of locally based investment funds (December 2016)**



*Source: Malta Financial Services Authority.*

## 2.6 Structure of funds

As at end 2016, almost 80 percent of the Collective Investment Schemes were established as a multi-fund, followed by stand-alone and master/feeder structures with 15.7 percent and 4.4 percent respectively.

The table below represents the operating structures of Collective Investment Schemes domiciled in Malta as at December 2016.

**Table 8: Schemes by operating structure as at end December 2016**

	Number of schemes as at December 2016	% number of schemes against total schemes
Master/Feeder (Master)	7	2.4
Master/Feeder (Feeder)	6	2.0
Stand Alone	46	15.7
Multi fund	234	79.9
<b>Total</b>	<b>293</b>	<b>100</b>

*Source: Malta Financial Services Authority.*

## 2.7 Funds listed on Malta Stock Exchange

There were 37 Malta domiciled funds listed on the Malta Stock Exchange, of which 15 are licensed as Professional Investor Funds, eight Alternative Investment Funds, eight Retail Non-UCITS funds and six UCITS funds.

**Table 9: Funds listed on Malta Stock Exchange as at end December 2016**

Type of CIS	Funds listed on MSE
PIF	15
AIF	8
UCITS	6
Retail Non-UCITS	8
<b>Total</b>	<b>37</b>

*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 almost €2.75 billion at the end of 2016, an increase of €0.86 billion (or almost 46 percent) from the previous end year.

**Table 10: NAV of Non-Malta domiciled funds (including sub-funds) administered in Malta (2014 – 2016)**

	NAV of non-Malta domiciled funds administered in Malta (Billion Euro)
December 2014	1.76
December 2015	1.89
December 2016	2.75

*Source: Malta Financial Services Authority.*

**Malta Financial Services Authority**