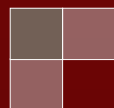


MFSA

MALTA FINANCIAL SERVICES AUTHORITY

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

June 2016



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Fact Statistics

- *Total new funds (including sub-funds) licenced (2004 – Q2 2016):* **1,274**
- *Total funds (including sub-funds) surrendered (2004 – Q2 2016):* **677**
- *Net Asset Value of Malta domiciled Funds:* **€9.8 billion as at end June 2016**
- *Funds (including sub-funds) administered in Malta:*
 - *Malta domiciled funds administered in Malta:* **521 as at end June 2016**
 - *Non-Malta domiciled funds administered in Malta:* **121 as at end June 2016**
- *Net Asset Value of funds (domiciled and non-domiciled in Malta) administered in Malta:* **€8.3 billion as at end June 2016**

PART 1 – Analysis of Collective Investment Scheme Licences

1.1 Fund registrations in the International Fund Industry

In the first half of 2016, the European fund industry experienced growth in the number of registered funds. The number of registered funds in Ireland went up by one percent while Luxembourg and Germany reported an increase of 0.7 percent and 0.3 percent respectively. In contrast, the UK saw its number of funds declining by 2.7 percent while other domiciles, such as France, reported drops of 0.6 percent over the same period.

1.2 Fund registrations in Malta

There were 627 funds including sub-funds¹ licensed in Malta at the end of June 2016, an increase of 3.5 percent (or 21 licences) when compared with the previous end year.

Professional Investor Funds increased by five net licences during the first half of the year, to stand at 463 at the end of June 2016. There were 71 licensed Alternative Investment Funds, an increase of 17 net licences when compared to end 2015. Over the same period, the number of UCITS funds declined by one while there was no change in the number of licensed Retail Non-UCITS funds. Furthermore, the number of Recognised Private Collective Investment Schemes and Foreign-based funds remained the same at eight and 12 respectively.

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

	2014	2015	June 2016
AIFs	11	54	71
PIFs	507	458	463
UCITS	64	82	81
Retail Non-UCITS	12	12	12
Total locally based CISs	594	606	627
Foreign Based	16	12	12
Recognised Private CIS	5	8	8
Total CIS	615	626	647

Source: Malta Financial Services Authority.

1.3 Authorisation of new Collective Investment Schemes

During the first half of 2016, the Authority authorised 58 new Collective Investment Scheme licences (including sub-funds), of which 41 were Professional Investor Funds, nine UCITS

¹ PIFs, AIFs, UCITS and Retail Non-UCITS

funds and eight Alternative Investment Funds. The next table provides the number of new licences authorised during the period 2014 – June 2016.

Table 2: Authorisation of new Collective Investment Schemes (2014 – June 2016)

		2014	2015	June 2016
AIFs	Schemes	3	8	3
	Sub-funds	6	11	8
	<i>of which Qualifying Investor</i>	1	3	1
	<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	5
	<i>of which Retail Investor</i>	0	0	1
PIFs	Schemes	34	28	13
	Sub-funds	100	78	41
	<i>of which Qualifying Investor</i>	96	65	37
	<i>of which Extraordinary Investor</i>	2	7	4
	<i>of which Experienced Investor</i>	2	6	0
UCITS	Schemes	1	9	6
	Sub-funds	11	20	9
Retail 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	1	3	0
	Sub-funds	0	0	0

Source: Malta Financial Services Authority.

1.4 Surrenders of Collective Investment Schemes

The Authority accepted the voluntary surrender of 37 Collective Investment Scheme licences (including sub-funds) during the first half of 2016, of which 23 were Professional Investor Funds, ten UCITS funds and four Alternative Investment Funds. Table 3 provides the number of surrendered licences during the period 2014 – June 2016.

Table 3: Surrender of licences of Collective Investment Schemes (2014 – June 2016)

		2014	2015	June 2016
AIFs	Schemes	0	1	1
	Sub-funds	0	3	4
	<i>of which Qualifying Investor</i>	<i>0</i>	<i>1</i>	<i>2</i>
	<i>of which Extraordinary Investor</i>	<i>0</i>	<i>2</i>	<i>0</i>
	<i>of which Experienced Investor</i>	<i>0</i>	<i>0</i>	<i>0</i>
	<i>of which Professional Investor</i>	<i>0</i>	<i>0</i>	<i>2</i>
	<i>of which Retail Investor</i>	<i>0</i>	<i>0</i>	<i>0</i>
PIFs	Schemes	18	15	7
	Sub-funds	97	92	23
	<i>of which Qualifying Investor</i>	<i>86</i>	<i>88</i>	<i>20</i>
	<i>of which Extraordinary Investor</i>	<i>11</i>	<i>0</i>	<i>1</i>
	<i>of which Experienced Investor</i>	<i>0</i>	<i>4</i>	<i>2</i>
UCITS	Schemes	2	0	2
	Sub-funds	17	2	10
Retail Non-UCITS	Schemes	3	0	0
	Sub-funds	9	0	0
Foreign Based	Schemes	0	0	0
	Sub-funds	0	4	0
Recognised Private CIS	Schemes	0	0	0
	Sub-funds	0	0	0

Source: Malta Financial Services Authority.

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

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 2015 – June 2016.

Table 4: Collective Investment Scheme licences (2015 – June 2016)

		2015			June 2016		
		New licences	Licences surrendered	Total licences as at end 2015	New licences	Licences surrendered	Total licences as at end June 2016 *
AIFs	Schemes	8	1	28	3	1	36 ²
	Sub-funds	11	3	54	8	4	71
	of which Qualifying Investor	3	1	24	1	2	25 ^{3,4}
	of which Extraordinary Investor	0	2	8	0	0	8
	of which Experienced Investor	0	0	0	1	0	4 ⁵
	of which Professional Investor	8	0	22	5	2	33 ^{4, 6, 7}
	of which Retail Investor	0	0	0	1	0	1
PIFs	Schemes	28	15	209	13	7	209 ²
	Sub-funds	78	92	458	41	23	463
	of which Qualifying Investor	65	88	378	37	20	393 ^{3, 6}
	of which Extraordinary Investor	7	0	33	4	1	36
	of which Experienced Investor	6	4	47	0	2	34 ^{5, 7}
UCITS	Schemes	9	0	30	6	2	34
	Sub-funds	20	2	82	9	10	81
Retail Non-UCITS	Schemes	0	0	6	0	0	6
	Sub-funds	0	0	12	0	0	12
Foreign	Schemes	0	0	4	0	0	4
	Sub-funds	0	4	12	0	0	12
Recognised Private CIS	Schemes	3	0	8	0	0	8
	Sub-funds	0	0	0	0	0	0

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

Source: Malta Financial Services Authority.

1.6 Non-Malta domiciled funds administered in Malta

As at end June 2016, Non-Malta domiciled funds (including sub-funds) administered in Malta totalled 121. This represents a net decrease of 13 funds/ sub-funds (or almost ten percent) from end 2015.

² Six PIF schemes had their licence revised to AIF schemes.

³ One PIF sub-fund targeting Qualifying Investors had its licence revised to AIF targeting Qualifying Investors.

⁴ One AIF sub-fund targeting Professional Investors had its licence revised to AIF targeting Qualifying Investors.

⁵ Three PIF sub-funds targeting Experienced Investors had their licences revised to AIF targeting Experienced Investors.

⁶ One PIF sub-fund targeting Qualifying Investors had its licence revised to AIF targeting Professional Investors.

⁷ Eight PIF sub-funds targeting Experienced Investors had their licences revised to AIFs targeting Professional Investors.

Table 5: Non-Malta domiciled funds (including sub-funds) administered in Malta (2014 – June 2016)

	Non-Malta domiciled funds administered in Malta
December 2014	134
December 2015	134
June 2016	121

Source: Malta Financial Services Authority.

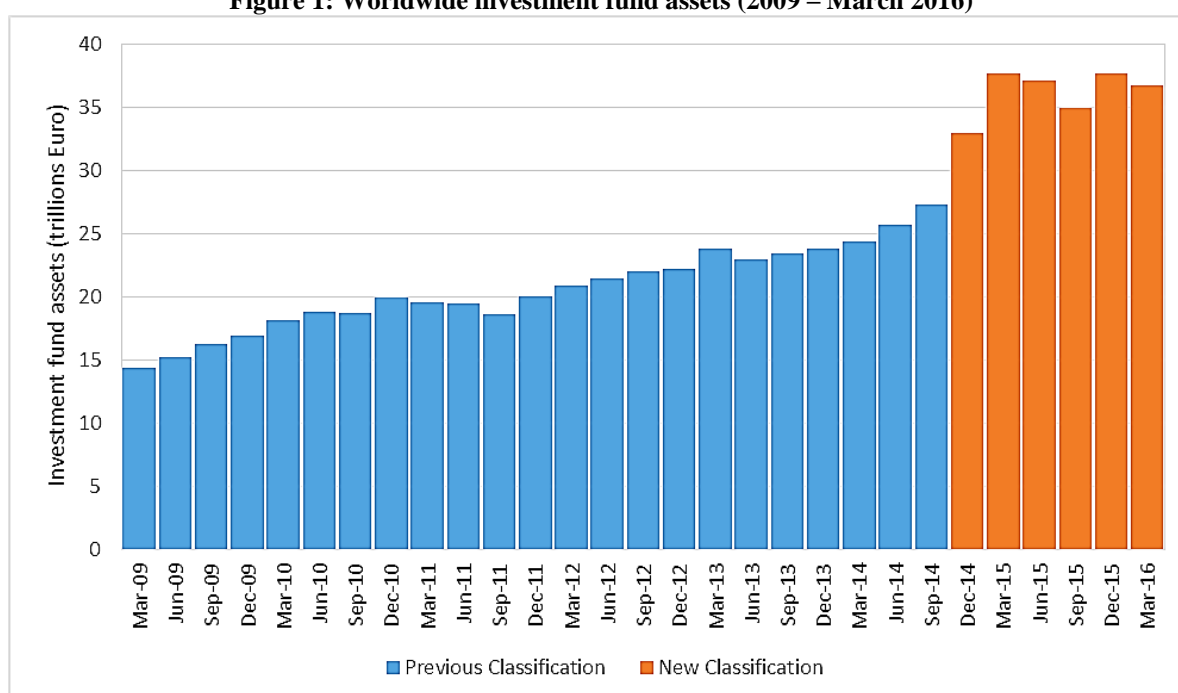
PART 2 – Performance Analysis of Collective Investment Schemes

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

Worldwide regulated open-ended funds⁸ reported a decline of almost 2.5 percent in net assets when compared to the previous end year, to stand at €36.67 trillion at the end of March 2016. During the first quarter of 2016, net sales amounted to €154 billion, down by €410 billion (or almost 73 percent) when compared with the first quarter of 2015.

In terms of net assets, equity funds had the largest share at 39.2 percent as at end March 2016, followed by bond funds at 21.3 percent, mixed funds at 18 percent and money market funds at 12.1 percent. During the first quarter of 2016, bond funds experienced net sales amounting to €71 billion, followed by equity funds and mixed funds with €49 billion and €35 billion respectively. Furthermore, money market funds registered net outflows amounting to €38 billion during the same period.

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



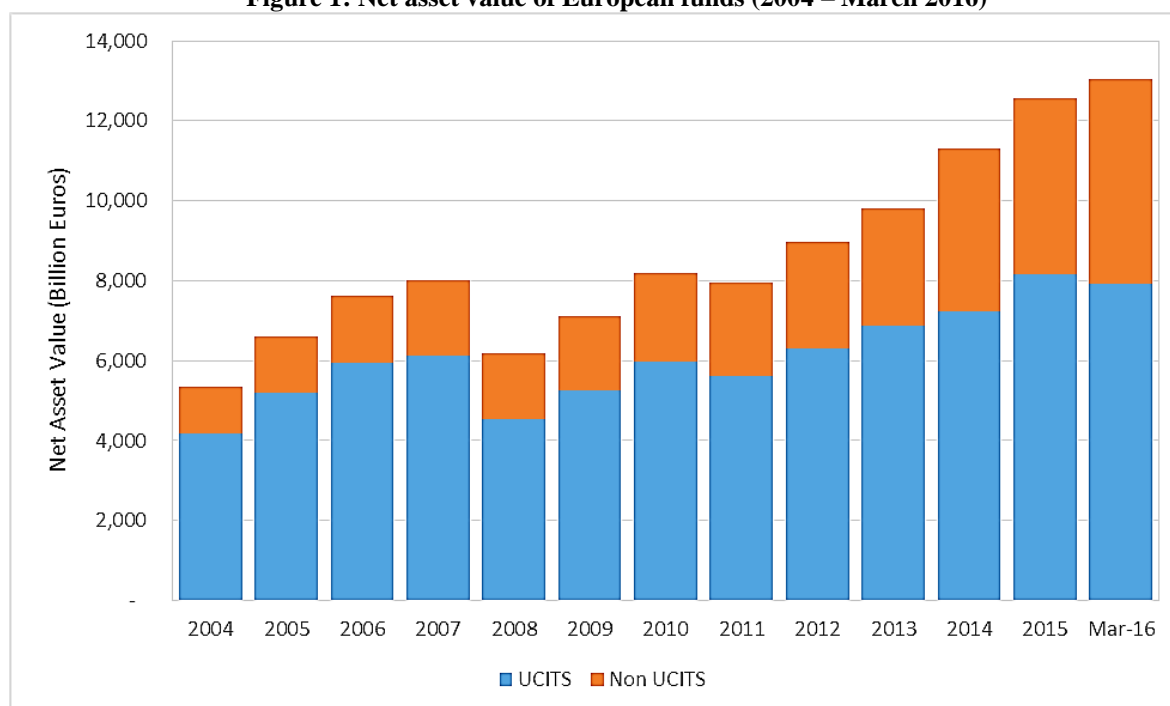
Source: EFAMA.

The number of worldwide investment funds (including fund of funds) stood at 117,770 at the end of March 2016, a slight increase of 0.5 percent when compared to the previous end year. Equity funds accounted for 30.5 percent, 27.1 percent were mixed funds, 16.6 percent were bond funds and 2.3 percent were money market funds. About 14.4 percent of the funds were unclassified/other funds.

⁸ 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.

Investment funds in European countries reported €13.04 trillion in net assets at the end of March 2016. This represents an increase of almost €0.46 trillion (or 3.6 percent) when compared with December 2015. Almost 61 percent of net assets were invested in UCITS funds while the remaining 39 percent were invested in Non-UCITS funds. Net assets of UCITS funds declined by 2.9 percent to stand at €7.9 trillion while net assets of Non-UCITS funds expanded by 15.8 percent reaching €5.1 trillion in March 2016.

Figure 1: Net asset value of European funds (2004 – March 2016)



Source: EFAMA.

During the first quarter of 2016, a number of leading European countries in the funds industry reported falls in net assets. Luxembourg experienced a decline of almost 3.2 percent while Ireland and the UK saw their net asset value dropping by 3.6 and 5.5 percent respectively. Furthermore, funds authorised in France went down slightly by 0.9 percent. In contrast, Germany reported an increase of 1.8 percent in net assets over the same period. Table 6 refers.

Table 6: Net assets of investment funds in major European countries (2014 – March 2016)

Country	Dec 2014 NAV	Dec 2015 NAV	Mar 2016 NAV	Percentage change Dec 2015 – Mar 2016
	Million EUR	Million EUR	Million EUR	
Luxembourg	3,094,987	3,506,201	3,395,404	-3.2
Ireland	1,661,211	1,898,825	1,830,709	-3.6
Germany	1,584,940	1,729,234	1,760,861	1.8
France	1,598,295	1,682,808	1,666,959	-0.9
UK	1,202,866	1,479,696	1,397,708	-5.5
Switzerland	420,487	501,528	495,534	-1.2
Sweden	252,800	285,561	276,156	-3.3
Italy	248,397	281,564	276,194	-1.9
Spain	229,162	254,368	249,574	-1.9
Malta	9,727	10,252	9,666	-4.8

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

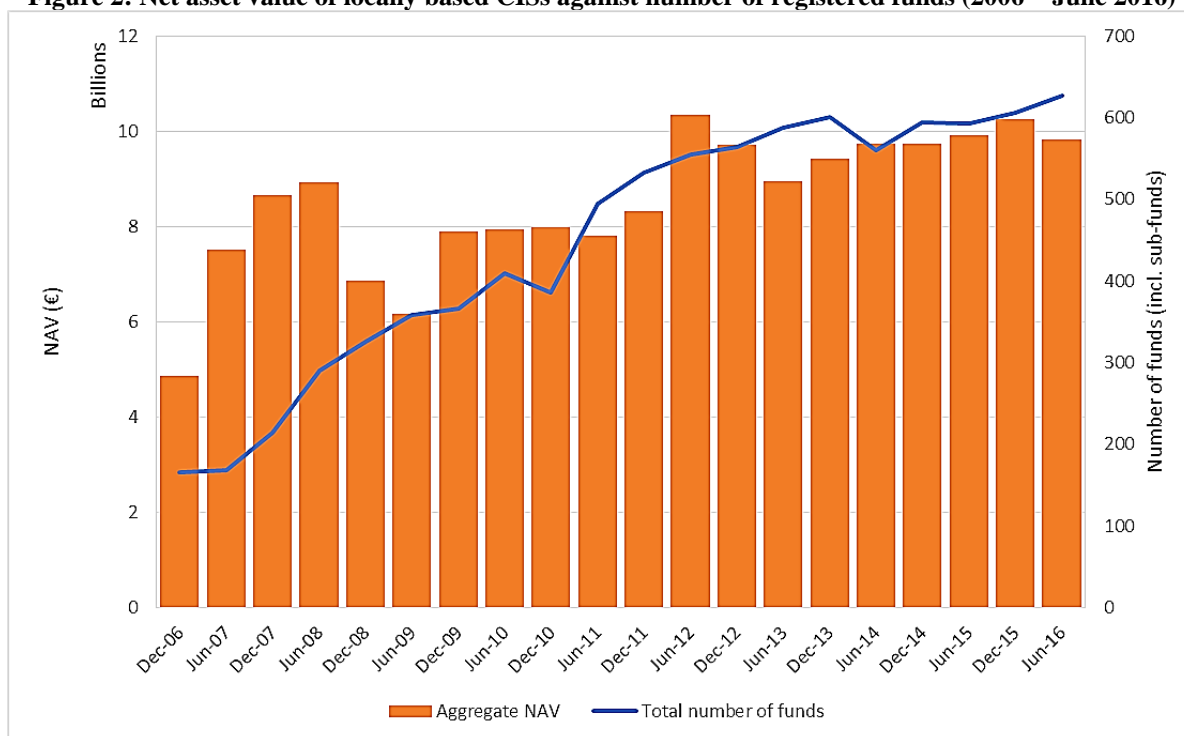
Malta-domiciled funds⁹ experienced a decline in net assets of €0.42 billion (or almost 4.1 percent) over the period December 2015 – June 2016, to stand at €9.83 billion in June 2016.

While equity funds and mixed funds registered growth in net assets of almost €0.19 billion and €0.05 billion respectively in the first half of 2016, net assets of diversified funds, bond funds and hedge funds declined by €0.41 billion, €0.19 billion and €0.13 billion respectively during the same period. Funds adopting other different investment strategies reported an increase of €0.07 billion in net assets during the same period.

As at end June 2016, diversified funds represented 37 percent of total net assets, while equity funds and bond funds had a share of almost 29 percent and 15 percent respectively.

⁹ PIFs, AIFs, UCITS, and Retail Non-UCITS.

Figure 2: Net asset value of locally based CISs against number of registered funds (2006 – June 2016)



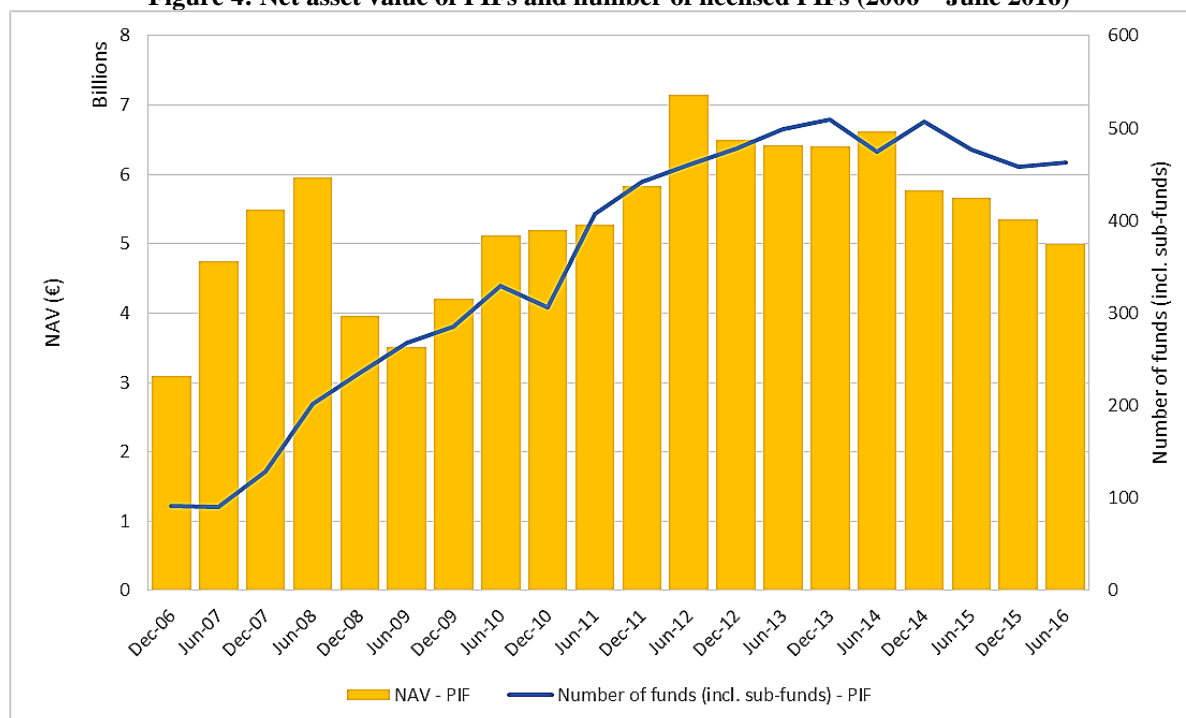
Source: Malta Financial Services Authority.

During the first half of 2016, sales of Malta-domiciled funds accounted to €1.81 billion while redemptions amounted to almost €2.15 billion. Furthermore, funds were negatively revalued by €0.08 billion during the same period.

2.2.2 Analysis of net asset value of Professional Investor funds

The net asset value of Professional Investor Funds declined by €0.35 billion in the first half of 2016, from €5.34 billion at the end of 2015 to €4.99 billion at the end of June 2016. The next figure represents the net asset value of Professional Investor Funds against the number of licensed PIFs for the period 2006 – June 2016.

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



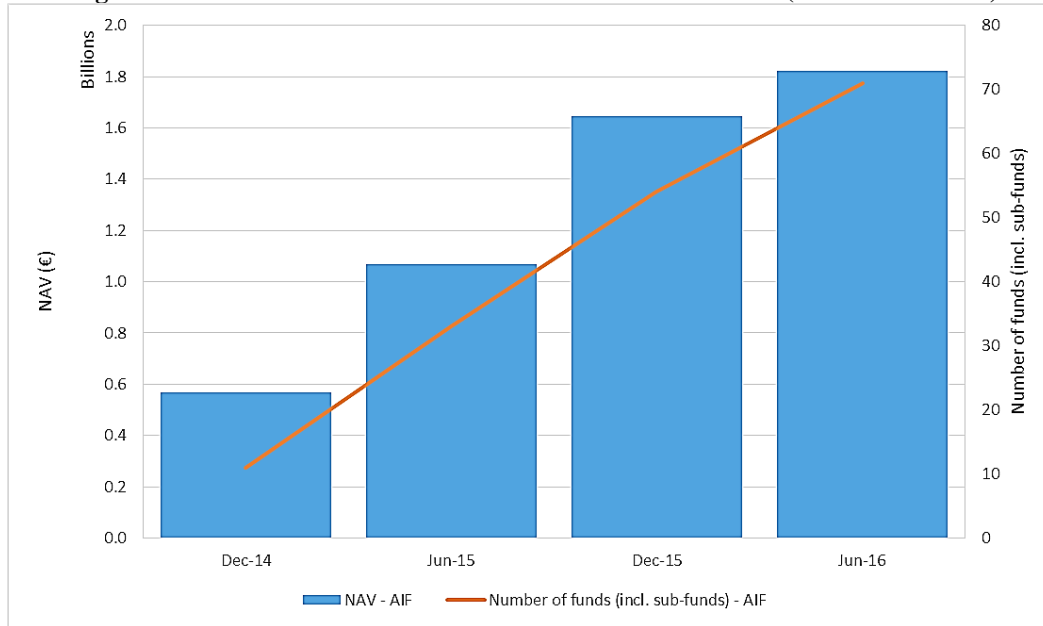
Source: Malta Financial Services Authority.

2.2.3 Analysis of net asset value of Alternative Investment funds

Over the period December 2015 – June 2016, Alternative Investment Funds increased by 17 licences to stand at 71 at the end of June 2016. During the first half of 2016, net assets of Alternative Investment Funds continued to grow, reaching €1.82 billion at the end of June 2016. This represents an increase of almost €0.18 billion when compared to end of 2015.

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

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



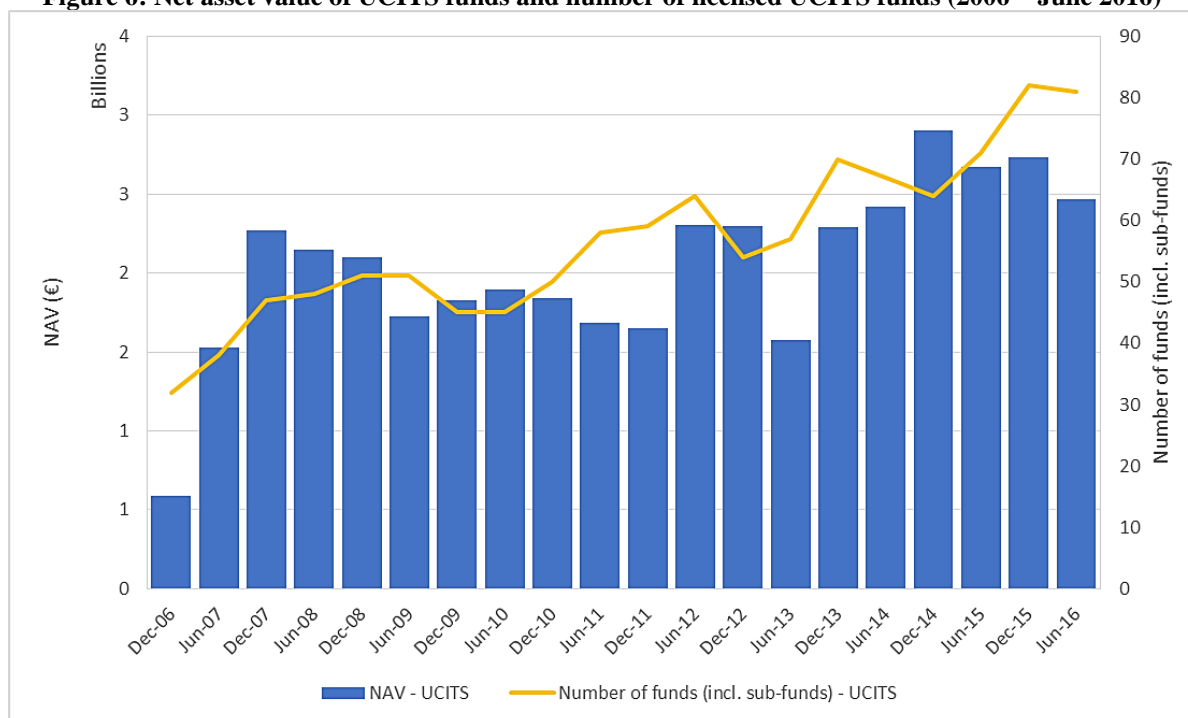
Source: Malta Financial Services Authority.

2.2.4 Analysis of net asset value of UCITS funds

The number of licensed UCITS funds declined by one licence in 2016 to stand at 81 at the end of June 2016. The net asset value declined to €2.47 billion as at the end of June 2016, down by €0.26 billion when compared to end 2015.

The following figure presents the net asset value and the number of licensed UCITS funds for the period 2006 – June 2016.

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



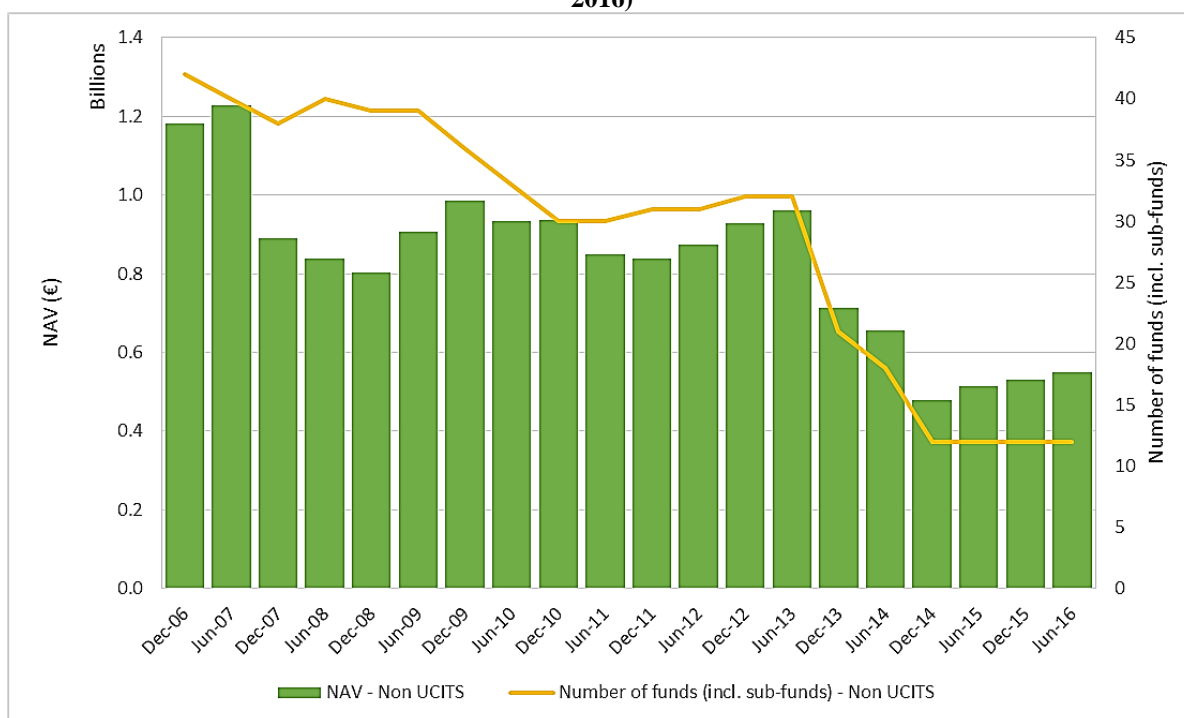
Source: Malta Financial Services Authority.

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

The net asset value of Retail Non-UCITS funds increased slightly by €0.02 billion during the first half of 2016, from €0.53 billion registered at the end of 2015 to €0.55 billion at the end of June 2016. There were 12 licensed Retail Non-UCITS funds at the end of June 2016.

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

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



Source: Malta Financial Services Authority.

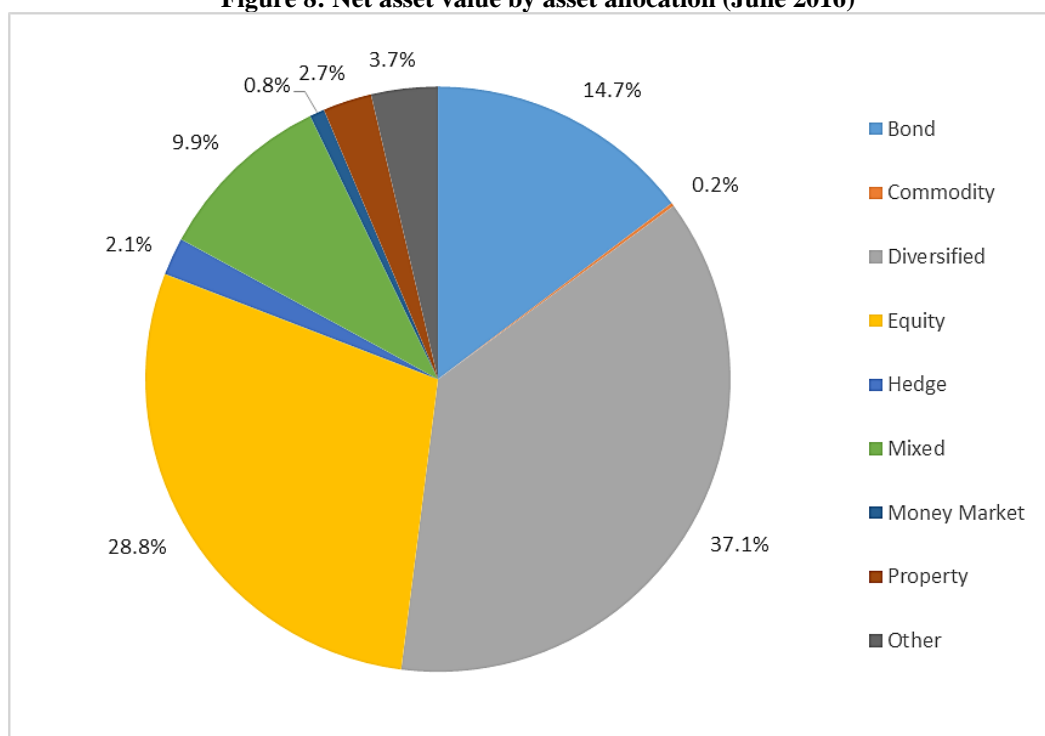
2.3 Asset class allocation of investment funds¹⁰

Net assets of diversified funds totalled €3.65 billion at the end of June 2016, representing almost 37 percent of the aggregate June 2016 NAV. About 29 percent (or €2.8 billion) of June 2016 NAV were invested in equity funds. Bond funds had a share of 15 percent (or €1.46 billion) while mixed funds made up almost ten percent (or €0.98 billion) of the total June 2016 NAV.

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

¹⁰ 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 (June 2016)

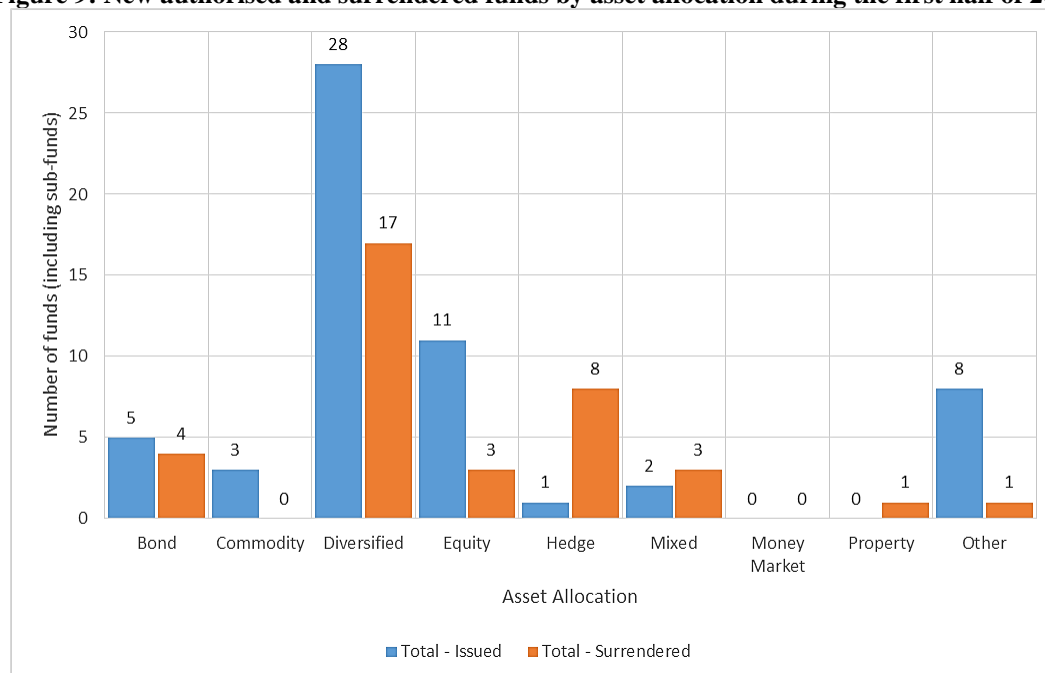


Source: Malta Financial Services Authority.

In the first half of 2016, 48 percent of the new funds licensed by the Authority adopted a diversified strategy, 19 percent were equity funds and nine percent bond funds.

The next illustration shows the number of issued and surrendered funds in the first half of 2016 by asset allocation.

Figure 9: New authorised and surrendered funds by asset allocation during the first half of 2016

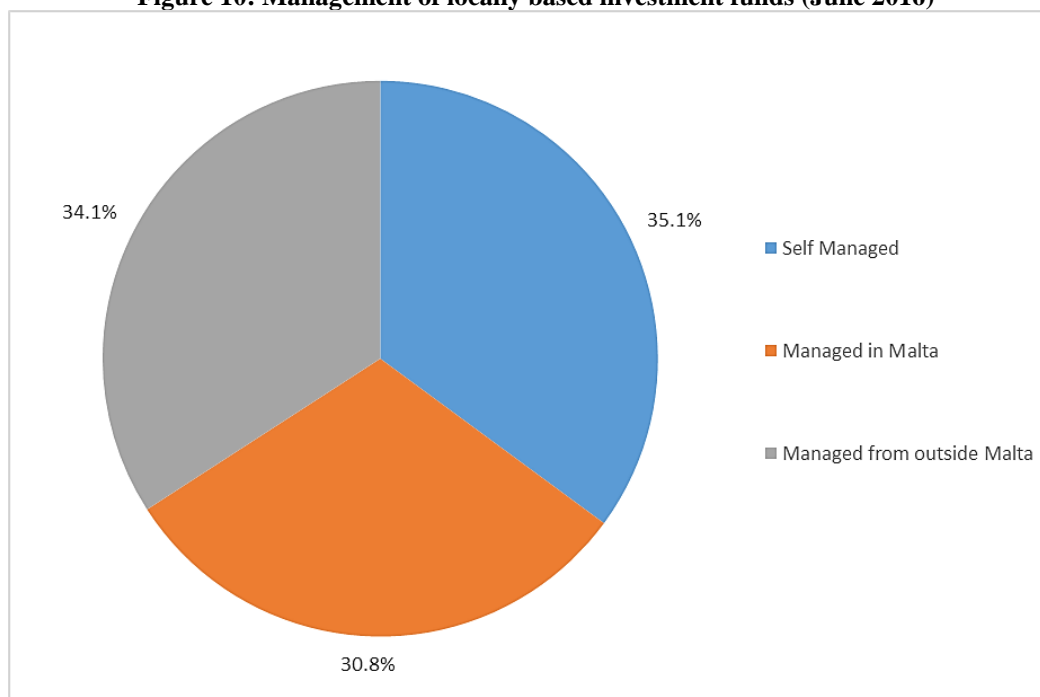


Source: Malta Financial Services Authority.

2.4 Management of funds

Funds managed in Malta accounted to 30.8 percent of the total licenced funds as at end June 2016 while 34.1 percent were managed by a fund manager established outside Malta. Over 35 percent of the funds (including sub-funds) were self-managed at the end of June 2016, representing an increase of 2.4 percentage points when compared to end 2015.

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

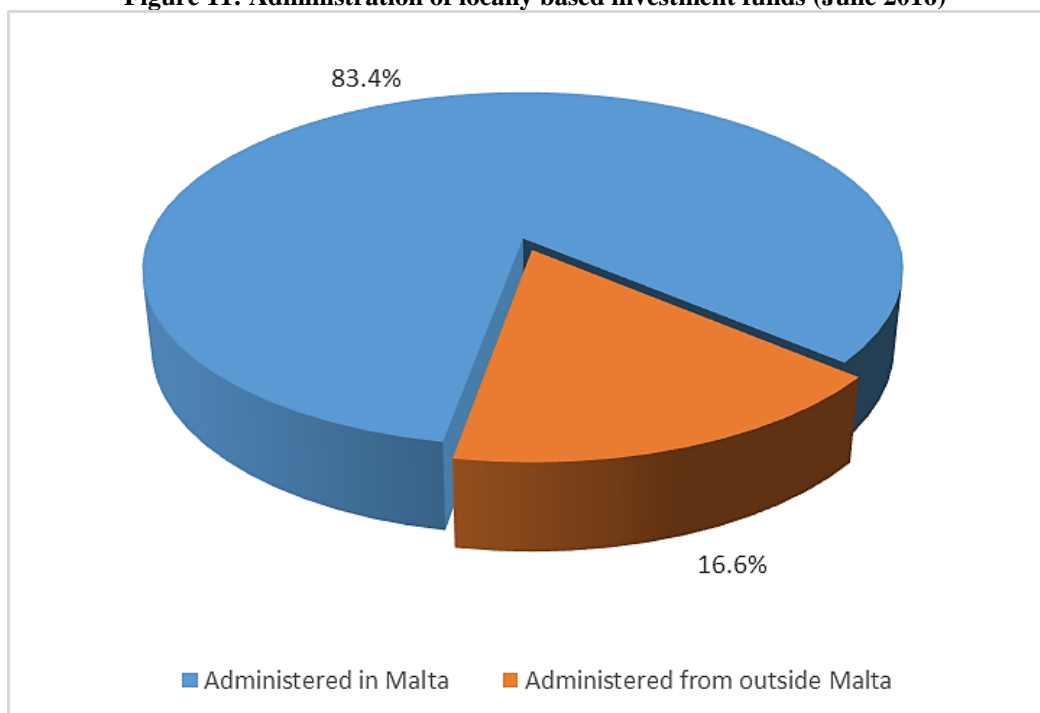


Source: Malta Financial Services Authority.

2.5 Administration of funds

About 83.4 percent of the total number of funds (including sub-funds) licenced in Malta as at end June 2016 were administered by a locally recognised fund administrator. This represents a surge of 2.4 percentage points when compared to the previous end year. The remaining 16.6 percent of the funds were administered from outside Malta.

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



Source: Malta Financial Services Authority.

2.6 Structure of funds

Funds established as a multi-fund remained the most popular type of funds with investors, followed by stand-alone and master/feeder structures. As at June 2016, over 78 percent of the collective investment schemes operated as a multi-fund structure, almost 17 percent as stand-alone structure while over five percent were licensed as master-feeder structures.

The table below represents the operating structures of collective investment schemes domiciled in Malta as at June 2016.

Table 7: Schemes by operating structure as at end June 2016

	Number of schemes as at June 2016	% number of schemes against total schemes
Master/Feeder (Master)	8	2.8
Master/Feeder (Feeder)	7	2.5
Stand Alone	47	16.5
Multi fund	223	78.2
Total	285	100

Source: Malta Financial Services Authority.

2.7 Funds listed on Malta Stock Exchange

There were 25 Malta domiciled funds listed on Malta Stock Exchange, of which nine are licensed as Retail Non-UCITS funds, six UCITS funds, five Professional Investor Funds and five Alternative Investment Funds. Table 8 refers.

Table 8: Funds listed on Malta Stock Exchange as at end June 2016

Type of CIS	Funds listed on MSE
PIF	5
AIF	5
UCITS	6
Retail Non-UCITS	9
Total	25

Source: Malta Financial Services Authority.

2.8 Non-Malta domiciled funds administered in Malta

Net assets of Non-Malta domiciled funds administered in Malta reached over two billion euro at the end of the first half of 2016. This represents a surge of almost eight percent (or €0.15 billion) when compared to the previous end year.

Table 9: NAV of Non-Malta domiciled funds (including sub-funds) administered in Malta (2014 – June 2016)

	NAV of non-Malta domiciled funds administered in Malta (Billion Euro)
December 2014	1.76
December 2015	1.89
June 2016	2.04

Source: Malta Financial Services Authority.

Malta Financial Services Authority