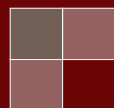


MFSA

MALTA FINANCIAL SERVICES AUTHORITY

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

June 2017



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Fact Statistics

- *Total new funds (including sub-funds) licenced (2004 – Q2 2017): **1,402***
- *Total funds (including sub-funds) surrendered (2004 – Q2 2017): **757***
- *Net Asset Value of Malta domiciled Funds: **€9.7 billion as at end June 2017***
- *Funds (including sub-funds) administered in Malta:*
 - *Malta domiciled funds administered in Malta: **568 as at end June 2017***
 - *Non-Malta domiciled funds administered in Malta: **167 as at end June 2017***
- *Net Asset Value of funds (domiciled and non-domiciled in Malta) administered in Malta: **€10.4 billion as at end June 2017***

PART 1 – Analysis of Collective Investment Scheme Licences

1.1 Fund registrations in the International Fund Industry

In the first quarter of 2017, the European Investment Fund industry saw a growth of 1.3 percent in the number of registered funds when compared with end 2016. Funds in Luxembourg, Germany, the UK and Ireland all experienced an increase in the number of registered funds. Luxembourg reported an increase of 2.6 percent while the number of registered funds in Germany expanded by 1.5 percent. The UK and Ireland saw a growth of 1.4 percent and 1.1 percent respectively. In contrast, funds registered in France decreased by 0.7 percent.

1.2 Fund registrations in Malta

A total of 663 funds (including sub-funds)¹ were licenced in Malta at the end of June 2017, an increase of 2.6 percent (or 17 net licences) when compared with end 2016.

Professional Investor Funds totalled 459 at the end of June 2017, down by one licence when compared with end year 2016. Alternative Investment Funds increased by seven licences to stand at 93. The number of UCITS funds increased by 15 licences to reach an all-time high of 106 licences whereas Retail Non-UCITS funds experienced a decline of four licences to stand at five at the end of June 2017. Furthermore, Recognised Private Collective Investment Schemes declined by one to stand at seven while Foreign-based funds declined by three licences to stand at nine.

Table 1: Funds (including sub-funds) domiciled in Malta (2015 – June 2017)

	2015	2016	June 2017
AIFs	54	86	93
PIFs	458	460	459
UCITS	82	91	106
Retail Non-UCITS	12	9	5
Total locally based CISs	606	646	663
Foreign Based	12	12	9
Recognised Private CIS	8	8	7
Total CIS	626	666	679

Source: Malta Financial Services Authority.

¹ PIFs, AIFs, UCITS and Retail Non-UCITS

Furthermore, there were 13 funds included in the list of notified AIFs at the end June 2017, an increase of 11 funds when compared with the previous end year.

Table 2: Notified Alternative Investment Funds (2016 – June 2017)

	2016	June 2017
NAIFs	2	13

Source: Malta Financial Services Authority.

1.3 Authorisation of new Collective Investment Schemes

During the first half of 2017, 60 new Collective Investment Scheme licences (including sub-funds) were authorised by the Authority, of which 42 were Professional Investor Funds, 17 UCITS funds and one Alternative Investment Fund. The next table provides the number of new licences authorised during the period 2015 – June 2017.

Table 3: Authorisation of new Collective Investment Schemes (2015 – June 2017)

		2015	2016	June 2017
AIFs	Schemes	8	6	1
	Sub-funds	11	19	1
	<i>of which Qualifying Investor</i>	3	6	0
	<i>of which Extraordinary Investor</i>	0	0	0
	<i>of which Experienced Investor</i>	0	1	0
	<i>of which Professional Investor</i>	8	9	1
	<i>of which Retail Investor</i>	0	3	0
PIFs	Schemes	28	23	7
	Sub-funds	78	71	42
	<i>of which Qualifying Investor</i>	65	63	39
	<i>of which Extraordinary Investor</i>	7	7	0
	<i>of which Experienced Investor</i>	6	1	3
UCITS	Schemes	9	13	0
	Sub-funds	20	23	17
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	3	0	0
	Sub-funds	0	0	0

Source: Malta Financial Services Authority.

1.4 Surrenders of Collective Investment Schemes

During the first half of 2017, the Authority accepted the voluntary surrender of 47 Collective Investment Scheme licences (including sub-funds), of which 31 were licenced as Professional Investor Funds, six as Alternative Investment Funds, four as UCITS funds and two Retail Non-UCITS funds. Additionally, three Foreign-based funds and one Recognised Private Collective Investment Scheme have also surrendered their licence during the first half of 2017. The next table presents the number of funds which surrendered their licence during the period 2015 – June 2017.

Table 4: Surrender of licences of Collective Investment Schemes (2015 – June 2017)

		2015	2016	June 2017
AIFs	Schemes	1	2	3
	Sub-funds	3	8	6
	<i>of which Qualifying Investor</i>	1	5	2
	<i>of which Extraordinary Investor</i>	2	0	2
	<i>of which Experienced Investor</i>	0	0	1
	<i>of which Professional Investor</i>	0	3	1
	<i>of which Retail Investor</i>	0	0	0
PIFs	Schemes	15	18	11
	Sub-funds	92	51	31
	<i>of which Qualifying Investor</i>	88	47	26
	<i>of which Extraordinary Investor</i>	0	1	2
	<i>of which Experienced Investor</i>	4	3	3
UCITS	Schemes	0	4	1
	Sub-funds	2	14	4
Retail Non-UCITS	Schemes	0	0	1
	Sub-funds	0	0	2
Foreign Based	Schemes	0	0	1
	Sub-funds	4	0	3
Recognised Private CIS	Schemes	0	0	1
	Sub-funds	0	0	1

Source: Malta Financial Services Authority.

1.5 Summary of Collective Investment Scheme licences (2016 – June 2017)

The following table provides a detailed breakdown of the number of new licences issued, surrendered and active for 2016 and June 2017.

Table 5: Collective Investment Scheme licences (2016 – June 2017)

		2016			June 2017		
		New licences	Licences surrendered	Total licences as at end 2016	New licences	Licences surrendered	Total licences as at end June 2017 *
AIFs	Schemes	6	2	41	1	3	47²
	Sub-funds	19	8	86	1	6	93³
	<i>of which Qualifying Investor</i>	6	5	29	0	2	35 ⁴
	<i>of which Extraordinary Investor</i>	0	0	8	0	2	6
	<i>of which Experienced Investor</i>	1	0	7	0	1	6
	<i>of which Professional Investor</i>	9	3	36	1	1	40 ⁵
	<i>of which Retail Investor</i>	3	0	6	0	0	6
PIFs	Schemes	23	18	206	7	11	194²
	Sub-funds	71	51	460	42	31	459³
	<i>of which Qualifying Investor</i>	63	47	391	39	26	391 ^{4, 5, 6}
	<i>of which Extraordinary Investor</i>	7	1	38	0	2	36
	<i>of which Experienced Investor</i>	1	3	31	3	3	32 ⁶
UCITS	Schemes	13	4	39	0	1	39⁷
	Sub-funds	23	14	91	17	4	106⁸
Retail Non-UCITS	Schemes	0	0	5	0	1	3⁷
	Sub-funds	0	0	9	0	2	5⁸
Foreign	Schemes	0	0	4	0	1	3
	Sub-funds	0	0	12	0	3	9
Recognised Private CIS	Schemes	0	0	8	0	1	7
	Sub-funds	0	0	0	0	1	7

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

Source: Malta Financial Services Authority.

² Eight PIF schemes had their licences revised to AIF schemes.

³ 12 PIF sub-funds had their licences revised to AIF sub-funds.

⁴ Eight PIF sub-funds targeting Qualifying Investors had their licences revised to AIF targeting Qualifying Investors.

⁵ Four PIF sub-funds targeting Qualifying Investors had their licences revised to AIF targeting Professional Investors.

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

⁷ One Retail Non-UCITS scheme had its licence revised to UCITS scheme.

⁸ Two Retail Non-UCITS sub-funds had their licences revised to UCITS sub-funds.

1.6 Non-Malta domiciled funds administered in Malta

As at end June 2017, non-Malta domiciled funds (including sub-funds) administered in Malta totalled 167. This represents a net decrease of 21 funds/ sub-funds (or 11 percent) from the previous end year.

Table 6: Non-Malta domiciled funds (including sub-funds) administered in Malta (2015 – June 2017)

	Non-Malta domiciled funds administered in Malta
December 2015	134
December 2016	188
June 2017	167

Source: Malta Financial Services Authority.

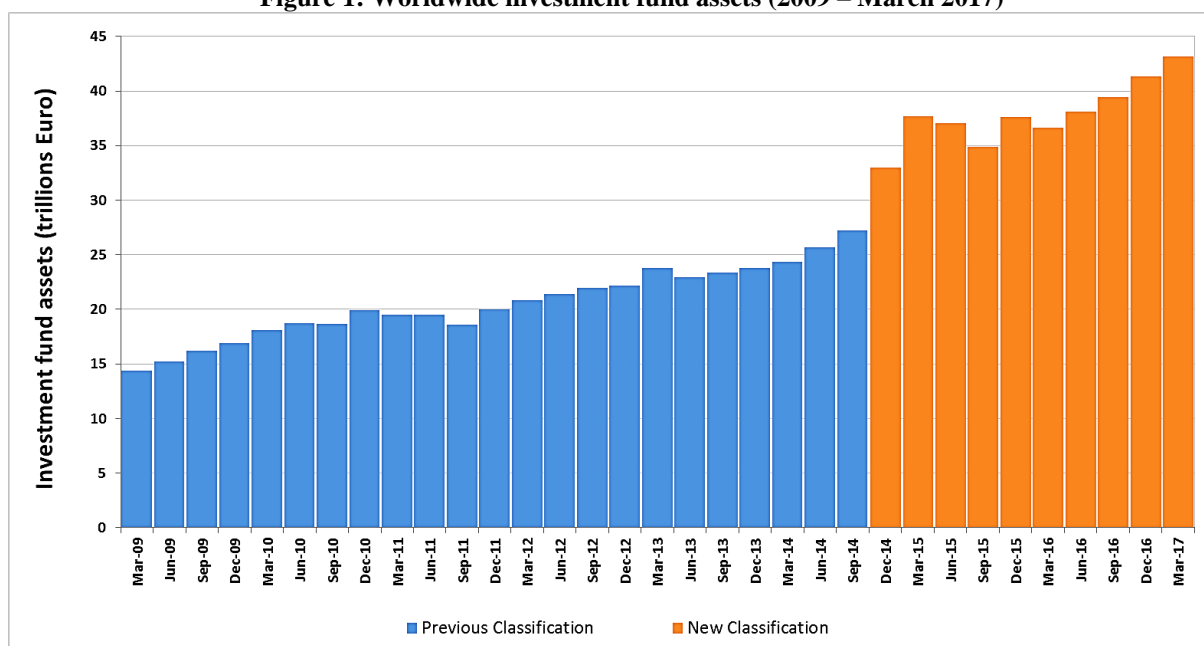
PART 2 – Performance Analysis of Collective Investment Schemes

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

As at end March 2017, worldwide regulated open-ended funds⁹ reported net assets amounting to €43.19 billion. This represents an increase of 4.6 percent when compared with the previous end year. Net sales totalled €605 billion during the first quarter of 2017, up by €451 billion when compared with the first quarter of 2016.

Equity funds had the largest share of the total net assets reported in March 2017 at 40.7 percent, followed by bond funds and mixed funds with a share of 21.4 percent and 17.8 percent respectively. Money market funds had a share of 11.2 percent. During the first quarter of 2017, bond funds reported net sales amounting to €252 billion, followed by equity funds and mixed funds with €161 billion and €101 billion respectively. In contrast, money market funds registered net outflows amounting to €28 billion.

Figure 1: Worldwide investment fund assets (2009 – March 2017)



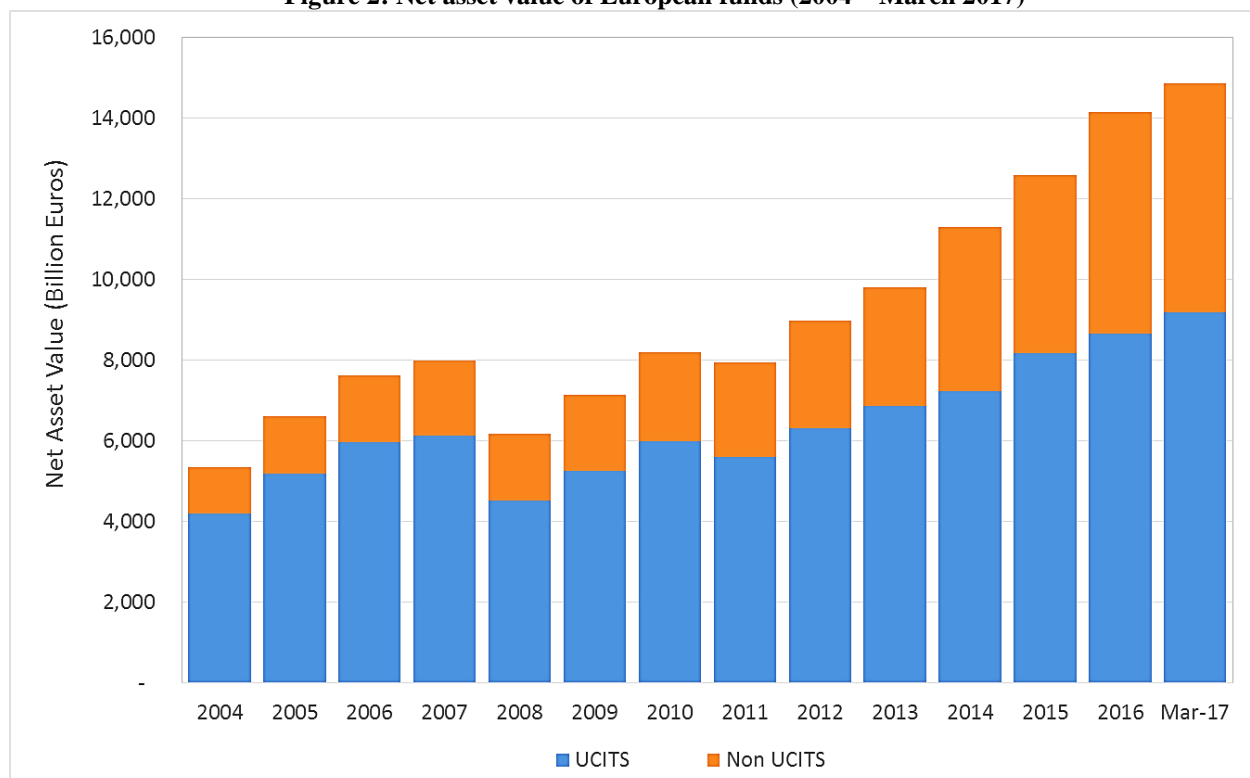
Source: EFAMA.

The total number of funds (including fund of funds) registered worldwide reached 123,484 as at end March 2017, an increase of 1.6 percent when compared with end 2016. About 30.1 percent were registered as equity funds, followed by mixed funds and bond funds at 27.5 percent and 16.9 percent respectively. Moreover, real estate funds had a share of 2.4 percent while money market funds had a share of 2.2 percent. About 14.4 percent of the funds were unclassified/other funds.

⁹ 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.

Net Assets of the European Investment Fund Industry accounted to €14.8 trillion at the end of March 2017. This represents an increase of €0.65 trillion (or 4.6 percent) when compared with end 2016. Over the period December 2016 – March 2017, UCITS funds registered a growth of six percent with net assets amounting to €9.2 trillion. Net assets of Non-UCITS funds stood at €5.6 trillion at the end of March 2017, an increase of 3.6 percent when compared with the previous end year.

Figure 2: Net asset value of European funds (2004 – March 2017)



Source: EFAMA.

In terms of net assets, funds registered in major investment fund jurisdictions, namely Ireland, the UK, Luxembourg, France and Germany, have experienced growth during the first quarter of 2017. Funds registered in Ireland and the UK expanded by 5.8 percent and 5.6 percent respectively while Luxembourg, France and Germany saw their net assets expanding by 5.5 percent, 5.4 percent and 2.7 percent respectively. Table 7 provides a trend analysis of net assets of investment funds registered in a number of European countries for the period 2015 – March 2017.

Table 7: Net assets of investment funds in major European countries (2015 – March 2017)

Country	Dec 2015 NAV	Dec 2016 NAV	Mar 2017 NAV	Percentage change Dec 2016 – Mar 2017 (%)
	Million EUR	Million EUR	Million EUR	
Luxembourg	3,506,201	3,701,076	3,906,027	5.5
Ireland	1,898,825	2,084,748	2,204,913	5.8
Germany	1,729,234	1,885,937	1,937,711	2.7
France	1,682,808	1,783,830	1,880,168	5.4
UK	1,479,696	1,465,651	1,547,182	5.6
Switzerland	501,528	537,771	561,181	4.4
Sweden	285,561	303,874	321,782	5.9
Italy	281,564	297,704	302,610	1.6
Spain	254,368	268,513	278,482	3.7
Malta	10,252	9,801	9,599	-2.1

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

As at end June 2017, Malta-domiciled funds¹⁰ had a net asset value of €9.7 billion. This represents a decline of €0.07 billion (or 0.7 percent) when compared with end 2016.

During the first half of 2017, bond funds experienced an increase of almost €0.18 billion in net assets. Property funds and mixed funds have reported surges of €0.04 billion and €0.03 billion respectively. In contrast, net assets of equity funds contracted by almost €0.34 billion while diversified funds saw their net asset value decreasing by €0.08 billion. Funds adopting other different investment strategies reported an increase of almost €0.11 billion in net assets during the same period.

Diversified funds had the largest share with 36 percent of the total June 2017 NAV, followed by equity funds and bond funds with a share of 27 percent and almost 18 percent respectively at the end of June 2017.

¹⁰ PIFs, AIFs, NAIFFs, UCITS, and Retail Non-UCITS.

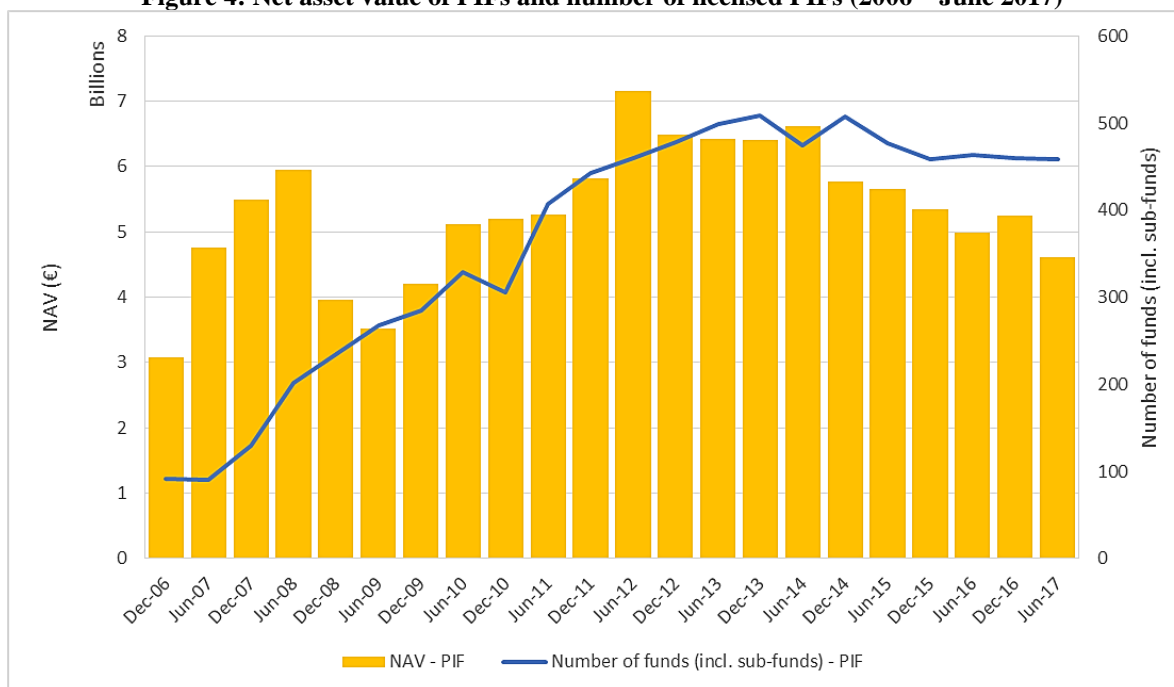
Figure 3: Net asset value of locally based CISs against number of registered funds (2006 – June 2017)

Source: Malta Financial Services Authority.

During the first half of 2017, Malta-domiciled funds reported €1.53 billion in sales and €1.86 billion in redemptions. Furthermore, funds were positively revalued by €0.26 billion during the same period.

2.2.2 Analysis of net asset value of Professional Investor funds

Professional Investor Funds saw their net asset value declining by €0.64 billion when compared to the previous end year to stand at €4.62 billion at the end of June 2017. The following illustration depicts the net asset value of Professional Investor Funds against the number of licensed PIFs for the period 2006 – June 2017.

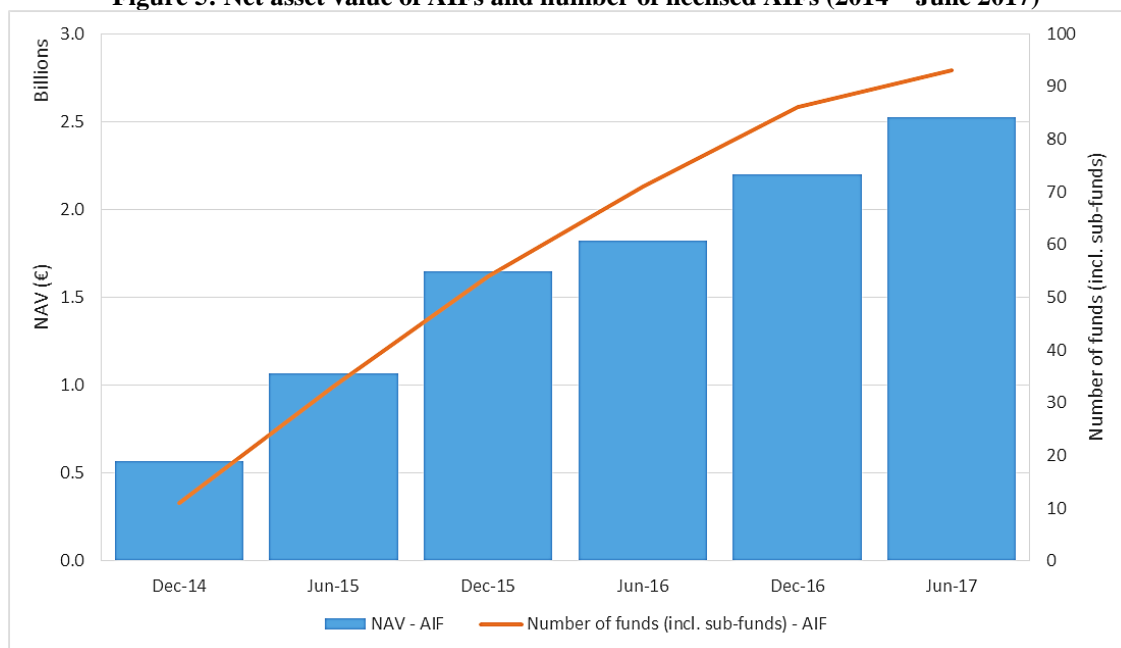
Figure 4: Net asset value of PIFs and number of licensed PIFs (2006 – June 2017)

Source: Malta Financial Services Authority.

2.2.3 Analysis of net asset value of Alternative Investment funds

During the first half of 2017, Alternative Investment Funds continued to expand to record a net asset value of €2.53 billion. This represents an increase of €0.33 billion when compared with end 2016.

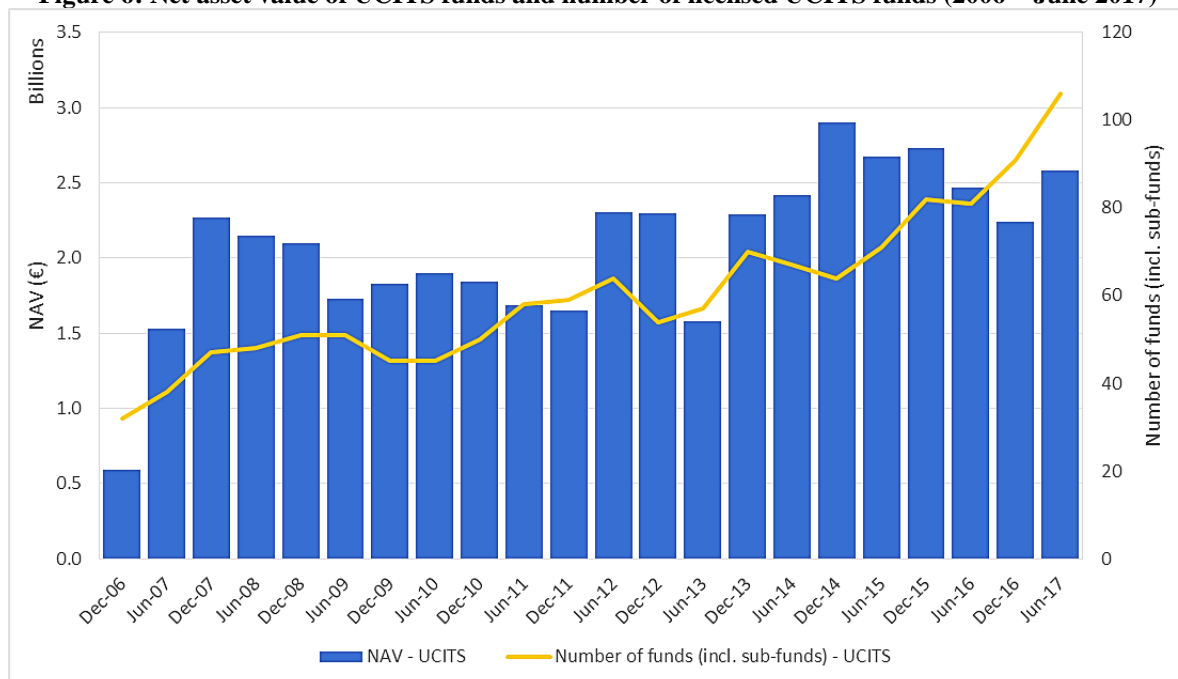
Figure 5 represents the net asset value of Alternative Investment Funds against the number of licensed AIFs for the period 2014 – June 2017.

Figure 5: Net asset value of AIFs and number of licensed AIFs (2014 – June 2017)

Source: Malta Financial Services Authority.

2.2.4 Analysis of net asset value of UCITS funds

The net asset value of UCITS funds stood at €2.58 billion at the end of June 2017, up by €0.34 billion when compared with the previous end year. The next figure presents the net asset value and the number of licensed UCITS funds for the period 2006 – June 2017.

Figure 6: Net asset value of UCITS funds and number of licensed UCITS funds (2006 – June 2017)

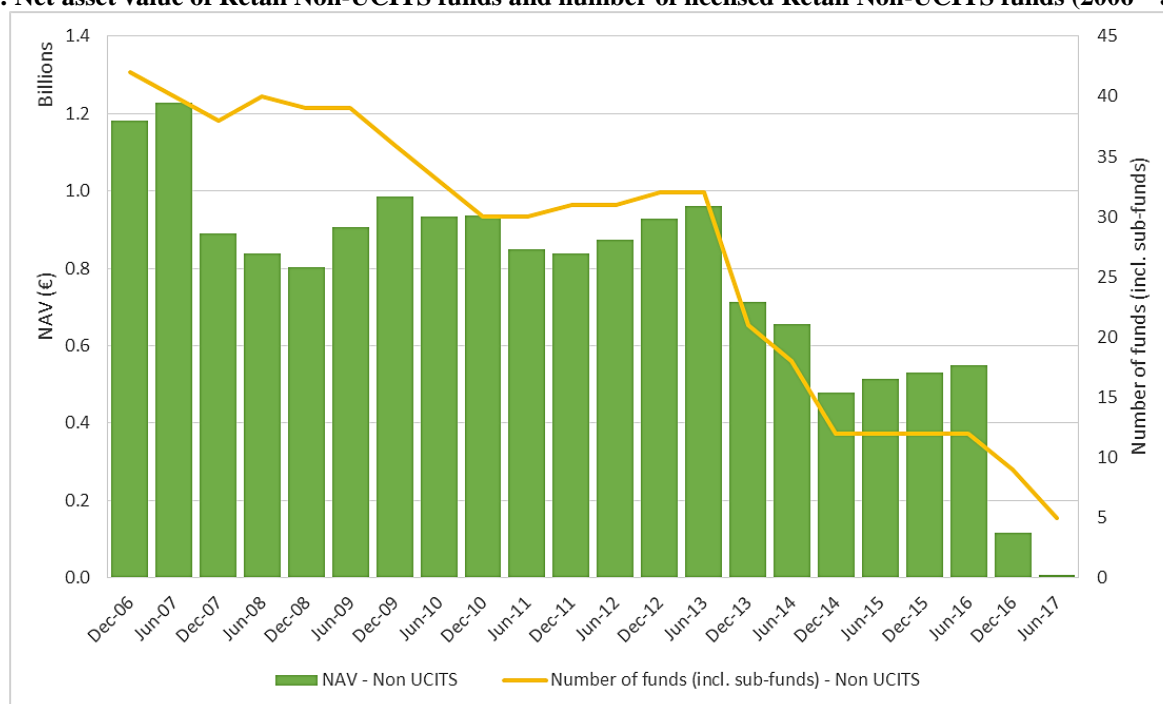
Source: Malta Financial Services Authority.

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

Retail Non-UCITS funds continued to decline both in terms of number of licences and net assets. There were five licenced Retail Non-UCITS funds at the end of June 2017 with an aggregate net asset value of €0.01 billion, down by €0.11 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 – June 2017.

Figure 7: Net asset value of Retail Non-UCITS funds and number of licensed Retail Non-UCITS funds (2006 – June 2017)



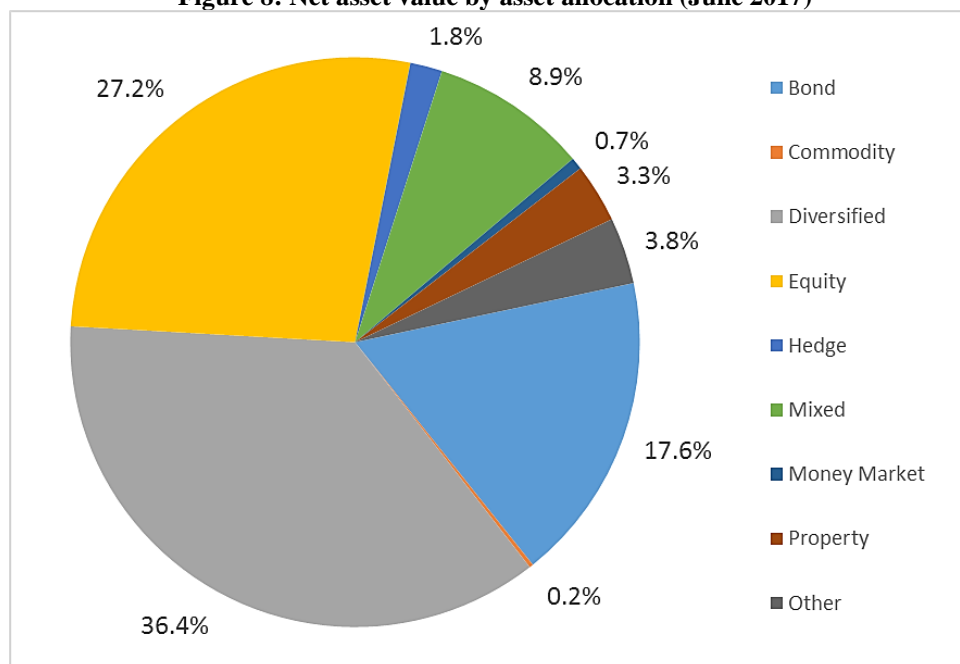
Source: Malta Financial Services Authority.

2.3 Asset class allocation of investment funds¹¹

As at end June 2017, diversified funds had the largest share of the total June 2017 NAV with 36.4 percent (or €3.55 billion). This was followed by equity fund and bond funds with a share of 27.2 percent (or €2.65 billion) and almost 18 percent (or €1.71 billion) respectively. Additionally, mixed funds had a share of almost nine percent (or €0.87 billion) of the total June 2017 NAV.

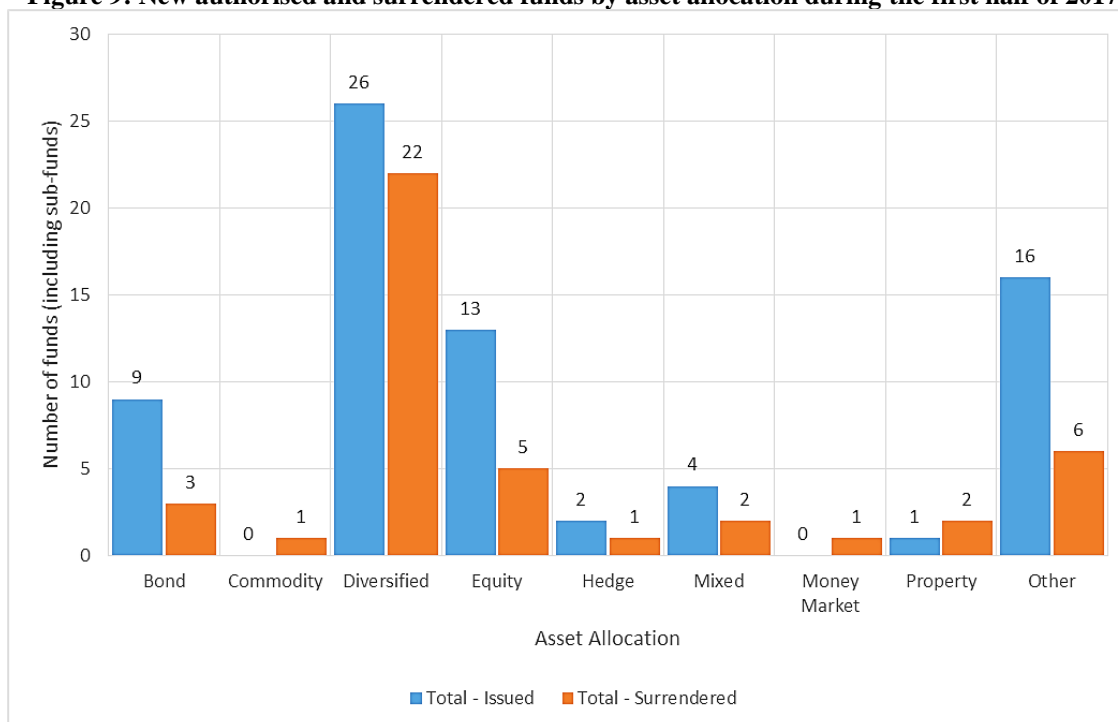
The next figure presents the net asset value of Malta domiciled funds by asset category as at the end of June 2017.

¹¹ 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 2017)

Source: Malta Financial Services Authority.

About 37 percent of the total new funds licenced during the first half of 2017 were diversified funds. Over 18 percent of the new funds were equity funds while another 13 percent were bond funds. Funds adopting other different strategies had a share of almost 23 percent. The next illustration shows the number of issued and surrendered funds in the first half of 2017 by asset allocation.

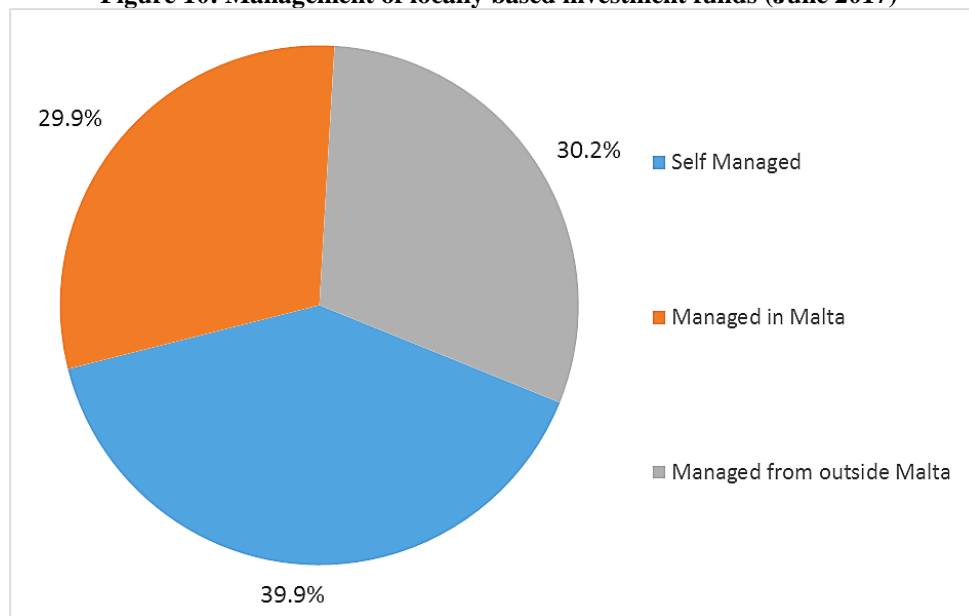
Figure 9: New authorised and surrendered funds by asset allocation during the first half of 2017

Source: Malta Financial Services Authority.

2.4 Management of funds

As at end June 2017, there were 29.9 percent of the total licenced funds managed in Malta and another 30.2 percent managed from outside Malta. During the first half of 2017, self-managed funds continued to expand to have a share of 39.9 percent as at end June 2017. This represents an increase of three percentage points when compared with end 2016.

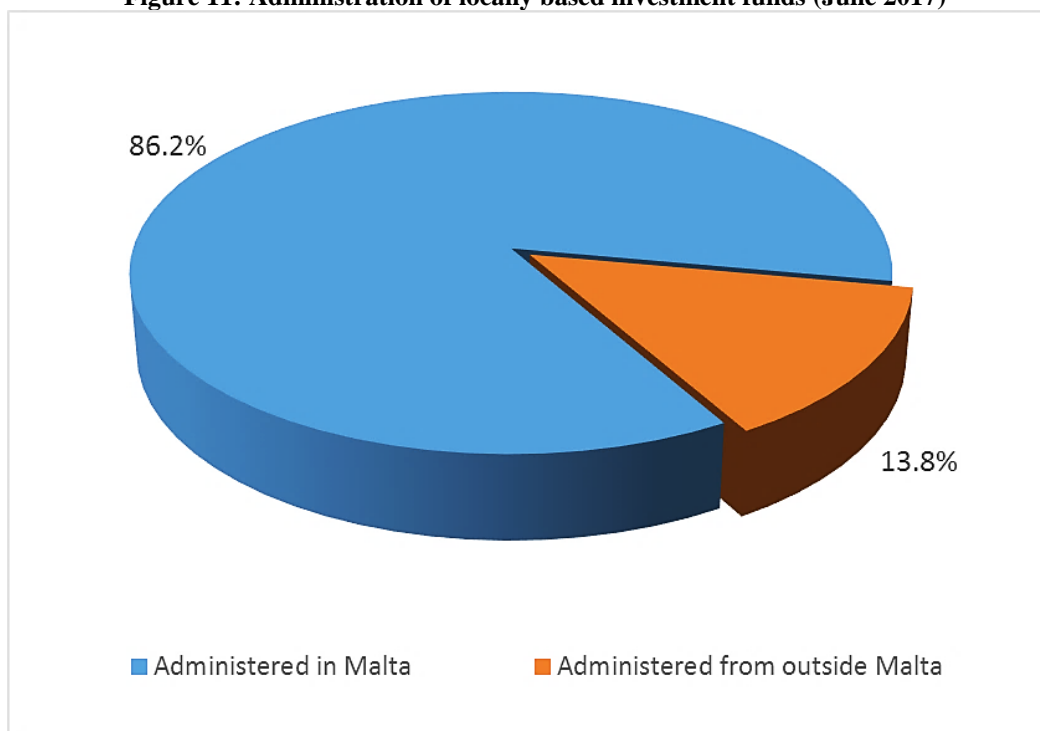
Figure 10: Management of locally based investment funds (June 2017)



Source: Malta Financial Services Authority.

2.5 Administration of funds

With an increase of 2.1 percentage points from the previous end year, funds administered in Malta accounted to 86.2 percent of the total licenced funds as at end June 2017. The remaining 13.8 percent of the funds were administered from outside Malta.

Figure 11: Administration of locally based investment funds (June 2017)

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 2017, over 80 percent of the Collective Investment Schemes operated as a multi-fund structure, almost 16 percent as stand-alone structure while almost four percent were licensed as master-feeder structures.

The table below represents the operating structures of Collective Investment Schemes domiciled in Malta as at June 2017.

Table 8: Schemes by operating structure as at end June 2017

	Number of schemes as at June 2017	% number of schemes against total schemes
Master/Feeder (Master)	6	2.1
Master/Feeder (Feeder)	5	1.7
Stand Alone	46	15.8
Multi fund	234	80.4
Total	291	100

Source: Malta Financial Services Authority.

2.7 Funds listed on Malta Stock Exchange

There were 31 Malta domiciled funds listed on the Malta Stock Exchange, of which 11 are licensed as Professional Investor Funds, nine UCITS funds, eight Alternative Investment Funds and three Retail Non-UCITS funds.

Table 9: Funds listed on Malta Stock Exchange as at end June 2017

Type of CIS	Funds listed on MSE
PIF	11
AIF	8
UCITS	9
Retail Non-UCITS	3
Total	31

Source: Malta Financial Services Authority.

2.8 Non-Malta domiciled funds administered in Malta

Non-Malta domiciled funds (including sub-funds) administered in Malta recorded a net asset value of €2.76 billion at the end of June 2017. This represents an increase of €0.01 billion (or 0.5 percent) when compared with the previous end year.

Table 10: NAV of Non-Malta domiciled funds (including sub-funds) administered in Malta (2015 – June 2017)

	NAV of non-Malta domiciled funds administered in Malta (Billion Euro)
December 2015	1.89
December 2016	2.75
June 2017	2.76

Source: Malta Financial Services Authority.

Malta Financial Services Authority