MFSA MALTA FINANCIAL SERVICES AUTHORITY

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

December 2019

Malta Financial Services Authority

Disclaimer

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Main Findings

The total number of funds[1] licensed by the Authority amounted to 605 at the end of 2019, a decline of nine percent compared to end 2018. Of these, 358 were Professional Investor Funds (PIFs), 129 Alternative Investment Funds (AIFs), 106 UCITS funds, seven Private CIS and five retail Non-UCITS funds. In addition, 55 AIFs were included in the list of notified AIFs.

The Authority licensed 1,525 new funds over the period 2004 to 2019 while 69 AIFs were included in the list of notified AIFs over the period 2016 to 2019. During 2019, 45 new funds were licensed by the Authority, which included 27 PIFs, 13 AIFs and 5 UCITS funds while 32 new AIFs were included in the list of notified AIFs.

From 2004 up to 2019, the Authority accepted the surrender of 963 funds while 14 AIFs were removed from the list of notified AIFs over the period 2016 to 2019. There were 104 funds which voluntarily surrendered their licence while one scheme had its licence cancelled in 2019. Of these, 65 were licensed as PIFs, 23 as AIFs and 17 as UCITS funds. Six funds were removed from the list of notified AIFs.

The aggregate net asset value (NAV) of Malta domiciled funds[2] increased by 8.5 percent, from €14.2 billion as at December 2018 to €15.4 billion as at December 2019. The asset share of AIFs was 44.8 percent while that of PIFs was 32.5 percent. UCITS fund assets represented 20.1 percent of the total NAV. Diversified funds had the largest share of the December 2019 NAV, at 39.2 percent. Equity funds (28.9 percent) and bond funds (13 percent) followed in this ranking.

During 2019, sales amounted to €3.7 billion while redemptions amounted to €2.7 billion, resulting in net inflows of one billion euro. Funds were positively revalued by €0.3 billion.

Most of the funds were managed in Malta as at December 2019, with a share of 75.3 percent of the total number of funds. Of these, 38.3 percent were self-managed while 37 percent were managed by a Maltese third-party. The remaining 24.7 percent of the funds were managed outside Malta.

Malta domiciled funds were mostly administered by a Maltese administrator, with a share of 87.3 percent of the total number of funds and 85.7 percent of total NAV. The number of non-Malta domiciled funds administered in Malta amounted to 177 at the end of 2019, with a NAV of four billion euro. As a result, the aggregate NAV of Malta domiciled funds and non-Malta domiciled funds administered in Malta amounted to €17.2 billion as at December 2019.

When focusing on the international fund industry, the number of registered worldwide regulated open-ended funds amounted to 136,736, up by 3.6 percent from 131,984 registered at the end of 2018. Worldwide regulated open-ended fund assets increased by 19.8 percent, from €44 trillion as at December 2018 to €52.7 trillion as at December 2019. Worldwide net inflows increased by 110 percent, from one trillion euro in 2018 to €2.1 trillion in 2019.

In terms of market share, America and Europe dominated with an asset share of 54.7 percent and 32.6 percent respectively. The Asian and Pacific region had a share of 12.3 percent of the worldwide investment fund assets. The top ten fund domiciles were the United States (47.7 percent), Luxembourg (8.9 percent), Ireland (5.8 percent), Germany (4.5 percent), Australia (3.7 percent), France (3.7 percent), Brazil (3.5 percent), Japan (3.5 percent), United Kingdom (3.3 percent) and China (3.2 percent).

[1] Unless stated otherwise, the term 'funds' refers to funds including sub-funds.
[2] PIFs, AIFs, NAIFs, UCITS and Retail Non-UCITS.

When focusing on Europe, the total number of registered funds amounted to 63,080, up from 61,994 reported at the end of 2018. Net assets in the European fund industry increased by 16.4 percent, from €15.2 trillion as at December 2018 to €17.7 trillion as at December 2019.

PART 1 – Analysis of Collective Investment Scheme Licences

1.1 Fund Registrations in the European Fund Industry

The European Fund Industry saw an increase in the number of registered funds of 1.8 percent, from 61,994 funds in 2018 to 63,080 funds in 2019. Ireland, Germany and UK saw an increase in the number of registered funds of five percent, four percent and 3.5 percent respectively. Conversely, France and Luxembourg saw a decline of 1.3 percent and 0.6 percent respectively.

1.2 Fund Registrations in Malta

There were 605 funds[3] licensed in Malta at the end of 2019. This represents a decline of nine percent (or 60 net licences) compared to end 2018. The number of licensed PIFs declined by 10.7 percent, from 401 licences in December 2018 to 358 licences in December 2019. UCITS funds declined by 10.2 percent, from 118 in December 2018 to 106 in December 2019. AIFs dropped by 3.7 percent, from 134 licences in December 2018 to 129 in December 2019.

Table 1: Funds Domiciled in Malta (2017 - 2019)

	2017	2018	2019
AIFs	101	134	129
PIFs	450	401	358
UCITS	114	118	106
Retail Non-UCITS	5	5	5
Recognised Private CIS	7	7	7
Total locally based CISs	**677**	**665**	**605**
Foreign Based	9	0	0
Total CIS	**686**	**665**	**605**

Source: Malta Financial Services Authority.

In addition, 55 AIFs were included in the list of notified AIFs by the end of December 2019, an increase of 26 notifications compared to end 2018.

Table 2: Notified Alternative Investment Funds (2017 - 2019)

	2017	2018	2019
NAIFs	18	29	55

Source: Malta Financial Services Authority.

[3] This amount excludes Notified AIFs.

1.3 Authorisation of New Collective Investment Schemes

During 2019 the Authority authorised the licensing of 45 new funds, of which 27 were Professional Investor Funds, 13 Alternative Investment Funds and 5 UCITS funds. Table 3 provides the number of new licences authorised during the period 2017 to 2019.

Table 3: Authorisation of New Collective Investment Schemes (2017 - 2019)

		2017	2018	2019
AIFs	**Schemes**	**4**	**9**	**6**
	Sub-funds	**9**	**19**	**13**
	of which Qualifying Investor	2	11	3
	of which Extraordinary Investor	0	0	0
	of which Experienced Investor	0	0	0
	of which Professional Investor	7	8	10
	of which Retail Investor	0	0	0
PIFs	**Schemes**	**13**	**15**	**13**
	Sub-funds	**58**	**33**	**27**
	of which Qualifying Investor	55	32	27
	of which Extraordinary Investor	0	0	0
	of which Experienced Investor	3	1	0
UCITS	**Schemes**	**2**	**0**	**1**
	Sub-funds	30	11	5
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**	**0**	**0**	**0**
	Sub-funds	0	0	0

Source: Malta Financial Services Authority.

In addition, the Authority included 32 new AIFs in the list of notified AIFs during 2019.

Table 4: Authorisation of Notified Alternative Investment Funds (2017 - 2019)

		2017	2018	2019
NAIFs	**Schemes**	7	7	16
	Sub-funds	17	18	32

Source: Malta Financial Services Authority.

1.4 Surrender of Collective Investment Schemes

In 2019 there were 104 funds which voluntarily surrendered their licence while one scheme had its licence cancelled. Out of these, 65 were licensed as Professional Investor Funds, 23 as Alternative Investment Funds and 17 as UCITS funds. Table 5 presents the number of funds which surrendered their licence during the period 2017 to 2019.

Table 5: Surrender of Licences of Collective Investment Schemes (2017 - 2019)

		2017	2018	2019
AIFs	**Schemes**	**4**	**3**	**12**
	Sub-funds	**12**	**6**	**23**
	of which Qualifying Investor	7	1	10
	of which Extraordinary Investor	3	0	1
	of which Experienced Investor	1	0	1
	of which Professional Investor	1	5	11
	of which Retail Investor	0	0	0
PIFs	**Schemes**	**19**	**17**	**21**
	Sub-funds	**49**	**62**	**65**
	of which Qualifying Investor	38	58	59
	of which Extraordinary Investor	3	2	4
	of which Experienced Investor	8	2	2
UCITS	**Schemes**	**4**	**2**	**5**
	Sub-funds	10	7	17
Retail Non-UCITS	**Schemes**	**1**	**0**	**0**
	Sub-funds	2	0	0
Foreign Based	***Schemes***	**1**	**3**	**0**
	Sub-funds	3	9	0
Recognised Private CIS	**Schemes**	**1**	**0**	**0**
	Sub-funds	1	0	0

Source: Malta Financial Services Authority.

Moreover, six AIFs were removed from the list of notified AIFs.

Table 6: Surrender of Notified Alternative Investment Funds (2017 - 2019)

		2017	2018	2019
NAIFs	**Schemes**	1	2	1
	Sub-funds	1	7	6

Source: Malta Financial Services Authority.

1.5 Summary of Collective Investment Scheme licences (2018 – 2019)

Table 7 and Table 8 summarise Sections 1.2, 1.3 and 1.4 with the number of licences/notifications issued, surrendered and active for 2018 and 2019, which are broken down according to the target investors.

Table 7: Collective Investment Scheme Licences (2018 - 2019)

		2018			2019		
		New licences	Licences surrendered	Total licences as at end 2018	New licences	Licences surrendered	Total licences as at end 2019[4]
AIFs	**Schemes**	**9**	**3**	**70**	**6**	**12**	**67** [5]
	Sub-funds	**19**	**6**	**134**	**13**	**23**	**129** [6]
	of which Qualifying Investor	11	1	**61**	3	10	**58** [7]
	of which Extraordinary Investor	0	0	**6**	0	1	**6** [8]
	of which Experienced Investor	0	0	**6**	0	1	**5**
	of which Professional Investor	8	5	**55**	10	11	**54**
	of which Retail Investor	0	0	**6**	0	0	**6**
PIFs	**Schemes**	**15**	**17**	**174**	**13**	**21**	**163** [4]
	Sub-funds	**33**	**62**	**401**	**27**	**65**	**358** [5]
	of which Qualifying Investor	32	58	**344**	27	59	308 [6]
	of which Extraordinary Investor	0	2	**32**	0	4	27 [7]
	of which Experienced Investor	1	2	**25**	0	2	23
UCITS	**Schemes**	0	2	**37**	**1**	**5**	**33**
	Sub-funds	**11**	**7**	**118**	**5**	**17**	**106**
Retail Non-UCITS	**Schemes**	0	0	**3**	**0**	**0**	**3**
	Sub-funds	**0**	**0**	**5**	**0**	**0**	**5**
Foreign	**Schemes**	0	3	**0**	**0**	**0**	**0**
	Sub-funds	**0**	**9**	**0**	**0**	**0**	**0**
Recognised Private CIS	**Schemes**	0	0	**7**	**0**	**0**	**7**
	Sub-funds	**0**	**0**	**7**	**0**	**0**	**7**

Source: Malta Financial Services Authority.

Table 8: Notified Alternative Investment Funds (2018 - 2019)

		2018			2019		
		New	Surrendered	Total as at end 2018	New	Surrendered	Total as at end 2019
NAIFs	**Schemes**	7	2	14	16	1	29
	Sub-funds	18	7	29	32	6	55

Source: Malta Financial Services Authority.

[4] Figures may not sum up due to conversion of licences.
[5] 3 PIF schemes had their licence revised to AIF schemes
[6] 5 PIF sub-funds had their licence revised to AIF sub-funds.
[7] 4 PIF sub-funds targeting Qualifying Investors had their licence revised to AIF sub-funds targeting Qualifying Investors.
[8] 1 PIF sub-fund targeting Extraordinary Investors had its licence revised to AIF sub-fund targeting Extraordinary Investors.

1.6 Non-Malta Domiciled Funds Administered in Malta

At the end of 2019, the number of non-Malta domiciled funds administered in Malta amounted to 177, a decline of 7.3 percent compared to 2018.

Table 9: Non-Malta Domiciled Funds (including sub-funds) Administered in Malta (2017 - 2019)

	Non-Malta domiciled funds administered in Malta
2017	170
2018	191
2019	177

Source: Malta Financial Services Authority.

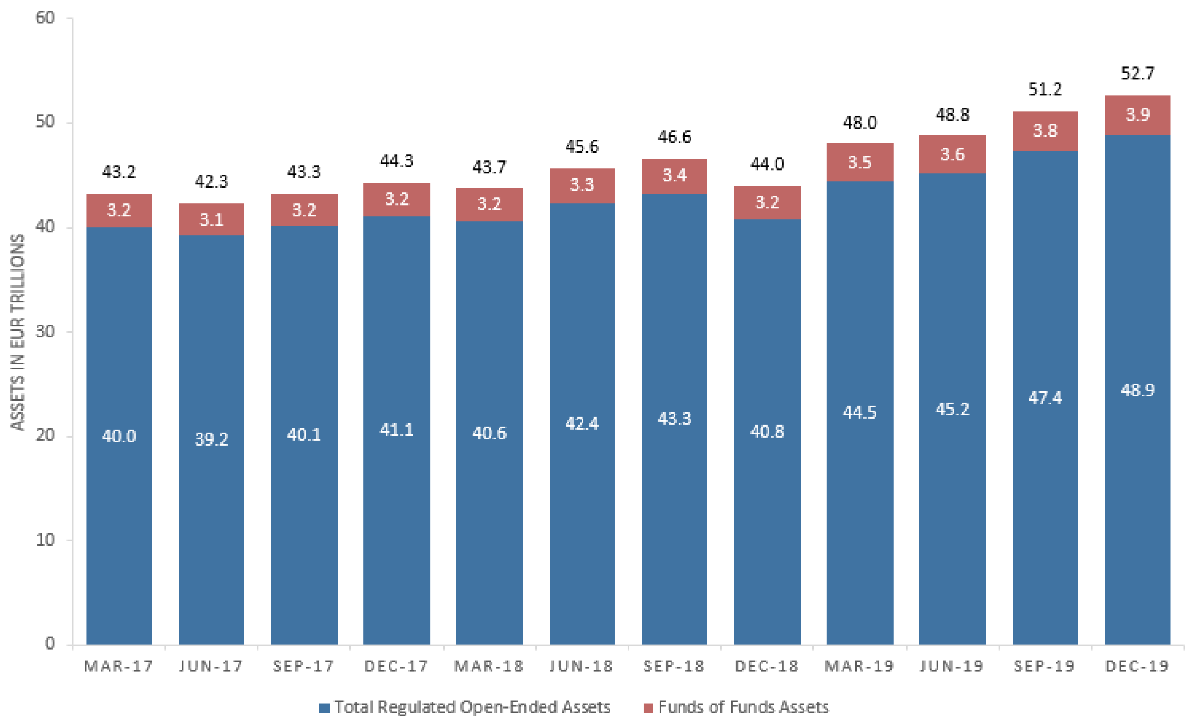
PART 2 – Trend Analysis of Investment Fund Assets

2.1 General Overview in the International Fund Industry

2.1.1 Worldwide Regulated Fund Assets and Flows

Worldwide regulated open-ended fund assets increased by 19.8 percent (or €8.7 trillion) reaching €52.7 trillion at the end of 2019[9]. Net cash flow amounted to €2.1 trillion compared to one trillion euro in 2018, representing an increase of 110 percent.

Figure 1: Worldwide Assets of Regulated Open-ended Funds (2017 - 2019)

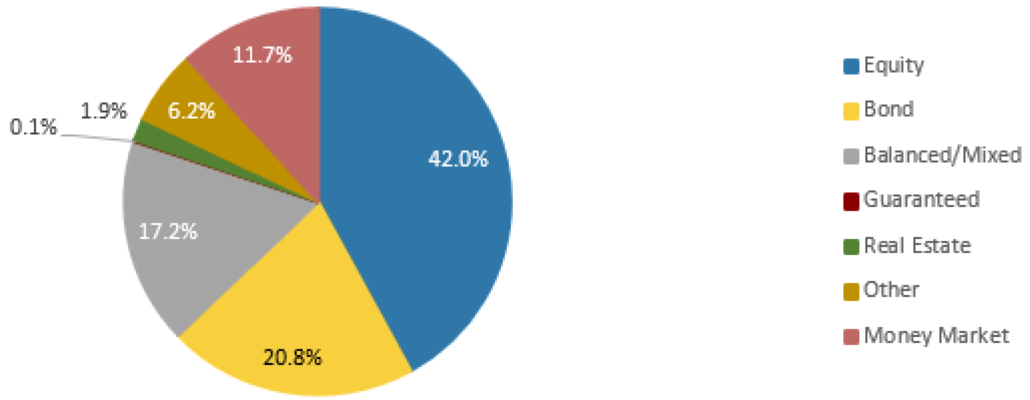


Source: EFAMA.

At the end of 2019, equity funds had a share of 42 percent (or €22.2 trillion) of worldwide regulated open-ended fund net assets. Bond funds had a share of 20.8 percent (or €11 trillion) and balanced/mixed funds represented 17.2 percent (or €9.1 trillion). The asset share of money market funds was 11.7 percent (or €6.2 trillion).

[9] The data includes funds of funds, exchange-traded funds and institutional funds.

Figure 2: Worldwide Assets by Type of Fund (December 2019)

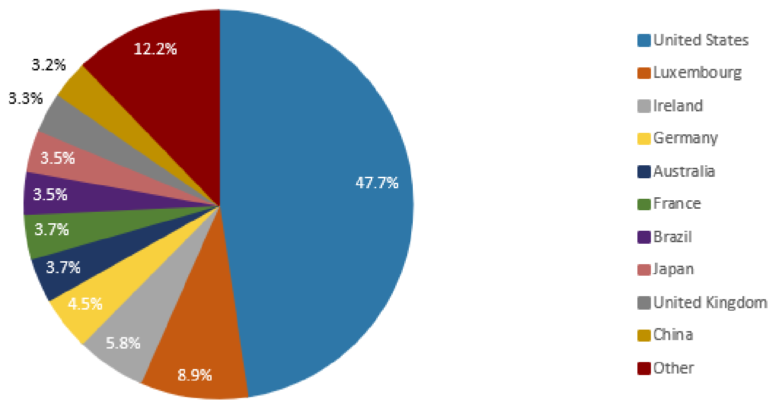


Source: EFAMA.

On a euro-denominated basis, the largest increase in worldwide net assets over the period 2018 to 2019 was registered in real estate funds at 43.2 percent (or €0.3 trillion) to stand at one trillion euro at the end of 2019. Equity fund assets increased by 25.6 percent (or €4.5 trillion) to €22.2 trillion. Balanced/mixed fund assets increased by 20.2 percent (or €1.5 trillion) to €9.1 trillion while bond fund assets increased by 17.9 percent (or €1.7 trillion) to almost €11 trillion.

In terms of net assets, America and Europe dominated with a share of 54.8 percent (or €28.9 trillion) and 32.6 percent (or €17.2 trillion), respectively. The Asian and Pacific region had a share of 12.3 percent (or €6.5 trillion) of the worldwide investment funds assets. The United States was the largest fund domicile with almost half (47.7 percent) of the worldwide investment fund assets. Luxembourg (8.9 percent), Ireland (5.8 percent), Germany (4.5 percent), Australia (3.7 percent), France (3.7 percent), Brazil (3.5 percent), Japan (3.5 percent), United Kingdom (3.3 percent) and China (3.2 percent) followed in this ranking with the rest of the countries marked as 'Other' making up the remaining 12.2 percent.

Figure 3: Market Share of the Top 10 Domiciles of Worldwide Investment Fund Assets (December 2019)



Source: EFAMA.

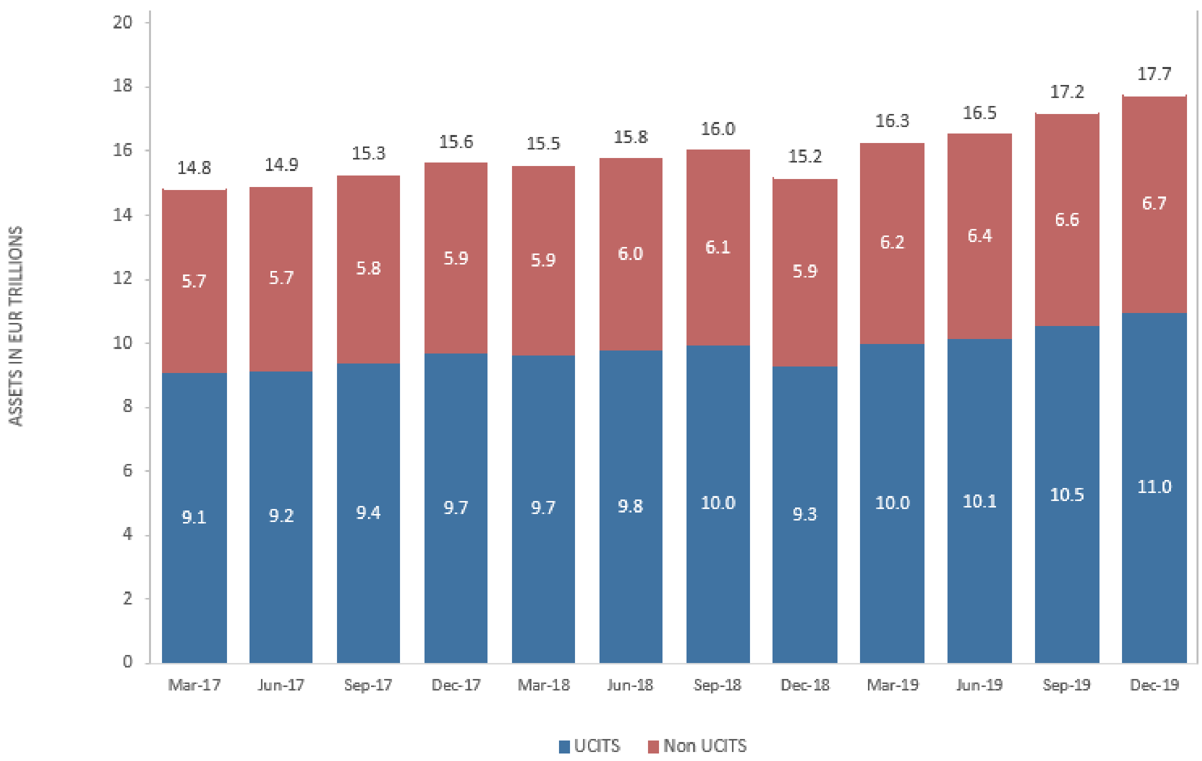
During 2019, worldwide net sales of regulated open-ended funds increased to €2.1 trillion from almost one trillion euro in 2018. Net sales of money market funds recovered strongly, from €68 billion in 2018 to €0.64 trillion in 2019. Net inflows into bond funds amounted to €0.9 trillion in 2019, up from €0.2 trillion in 2018. Globally, equity funds recorded net sales of €76.1 billion, down from €0.4 trillion in 2018.

At the end of 2019, the number of registered worldwide regulated open-ended funds amounted to 136,736, up from 131,984 at the end of 2018. Equity funds had a share of 31.9 percent of the total number of globally registered funds. Balanced/mixed funds (27.9 percent) and bond funds (17.2 percent) followed in this ranking.

2.1.2 Trends in the European Investment Fund Industry

The European fund industry registered net assets of €17.7 trillion at the end of 2019, an increase of 16.4 percent when compared to the total net assets reported a year before. UCITS funds experienced an increase of 18.4 percent (or €1.7 trillion) over the same period to stand at almost €11 trillion while Non-UCITS funds registered an increase of 14.8 percent (or €0.9 trillion) reaching €6.7 trillion at end 2019.

Figure 4: Net Asset Value of European funds (2017– 2019)



Source: EFAMA.

Funds registered in major European investment fund jurisdictions have all experienced a surge in net assets over the period December 2018 to December 2019. The highest increase in net assets was reported by Ireland of 25.9 percent (or €0.6 trillion), followed by the UK at 17.3 percent (or €0.3 trillion) and Luxembourg at 16.1 percent (or €0.7 trillion).

Table 10: Net Assets of Investment Funds in Major European countries (2017 - 2019)

Country	Dec 2017 NAV	Dec 2018 NAV	Dec 2019 NAV	Percentage change Dec 2018 – Dec 2019 (%)
	Million EUR	Million EUR	Million EUR	
Luxembourg	4,159,614	4,064,644	4,718,914	**16.1**
Ireland	2,396,089	2,421,457	3,048,404	**25.9**
Germany	2,038,192	2,037,195	2,357,740	**15.7**
France	1,929,115	1,812,731	1,956,090	**7.9**
UK	1,646,058	1,492,836	1,751,302	**17.3**
Switzerland	550,799	539,710	714,294	**32.3**
Sweden	335,421	333,037	421,209	**26.5**
Italy	320,767	302,489	320,654	**6.0**
Spain	295,265	286,242	306,311	**7.0**
Malta	**10,369**	**14,173**	**15,366**	**8.4**

Source: EFAMA.

2.2 Trends in the Maltese Investment Fund Industry

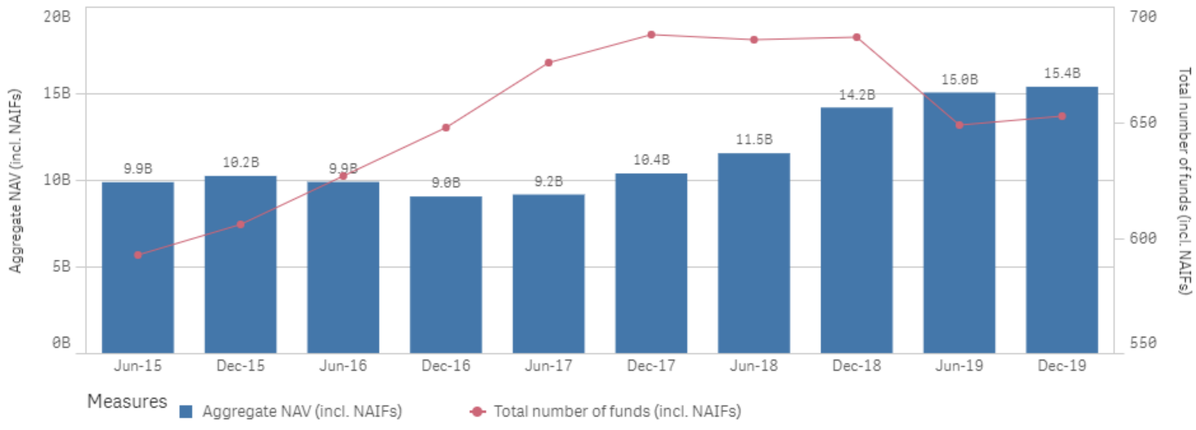
2.2.1 Aggregate Net Asset Value of Locally Based CISs

The net asset value of Malta domiciled funds[10] stood at €15.4 billion as at December 2019 which constitutes an increase of 8.5 percent (or €1.2 billion) compared to December 2018. AIFs represent the largest share of the December 2019 NAV at 44.8 percent (or €6.9 billion), followed by PIFs with a share of 32.5 percent (or five billion euro) and UCITS funds at 20.1 percent (or €3.1 billion).

The largest increase in net assets over the period December 2018 to December 2019 was reported by property funds, with an increase of 38.8 percent (or €0.2 billion). This was followed by funds which classify under the asset allocation 'Other', with an increase in NAV of 25.7 percent (or €0.2 billion). Bond funds also experienced a surge in NAV of 12.3 percent (or €0.2 billion) while equity funds reported a surge of 5.9 percent (or €0.3 billion). By contrast, commodity funds and hedge funds saw a decline in net assets of 47.7 percent (or €10.9 million) and 20.6 percent (or €25.6 million) respectively.

[10] PIFs, AIFs, NAIFs, UCITS and Retail Non-UCITS.

Figure 5: Net Asset Value of Locally Based CISs Against Number of Registered Funds (2015 - 2019)



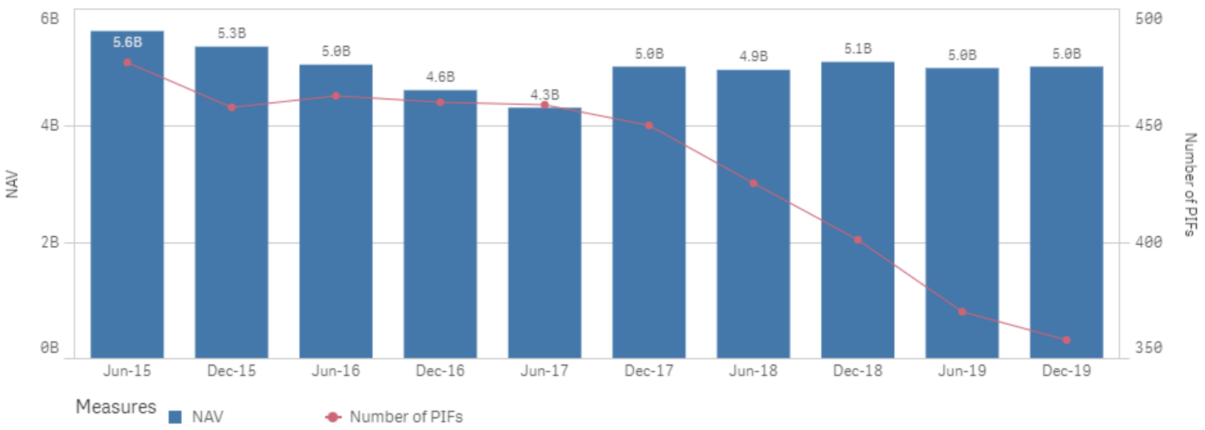
Source: Malta Financial Services Authority.

During 2019 sales amounted to €3.7 billion while redemptions totalled €2.7 billion, resulting in net inflows of one billion euro. Funds were positively revalued by €0.3 billion.

2.2.2 Net Asset Value of Professional Investor funds

Professional Investor Funds saw a drop in net assets of 2 percent (or €0.1 billion) compared with December 2018 to stand at five billion euro as at end December 2019. Figure 6 illustrates the net asset value and the number of licensed Professional Investor Funds over the period 2015 to 2019.

Figure 6: Net Asset Value of PIFs and Number of Licensed PIFs (2015 - 2019)

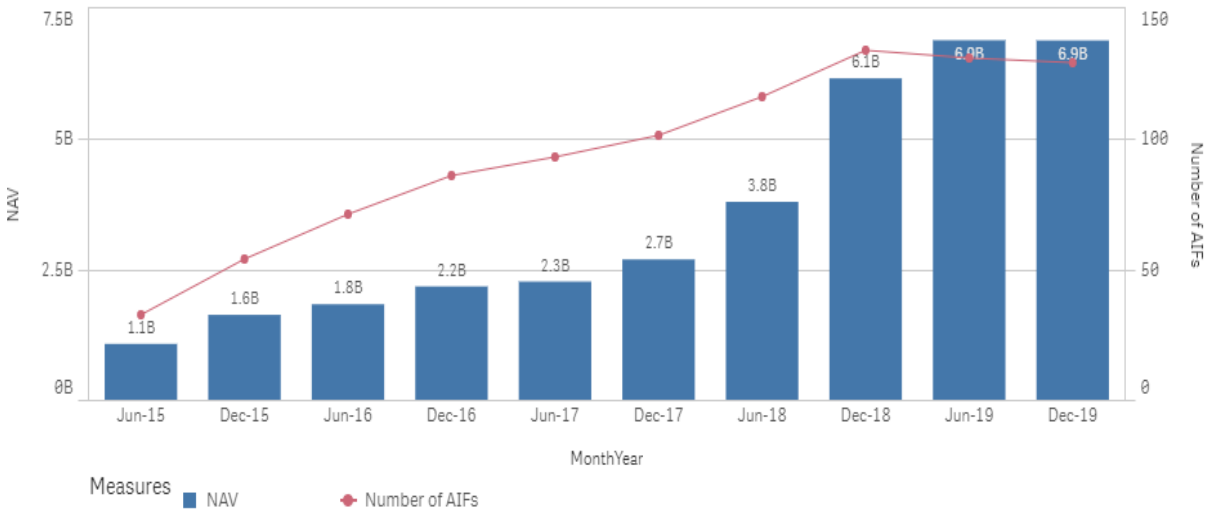


Source: Malta Financial Services Authority.

2.2.3 Net Asset Value of Alternative Investment funds

Net assets of Alternative Investment Funds amounted to €6.9 billion as at December 2019. This represents an increase of 13.1 percent (or €0.8 billion) compared to a year before. Figure 7 illustrates the net asset value and the number of licensed Alternative Investment Funds over the period 2015 to 2019.

Figure 7: Net Asset Value of AIFs and Number of Licensed AIFs (2015 – 2019)

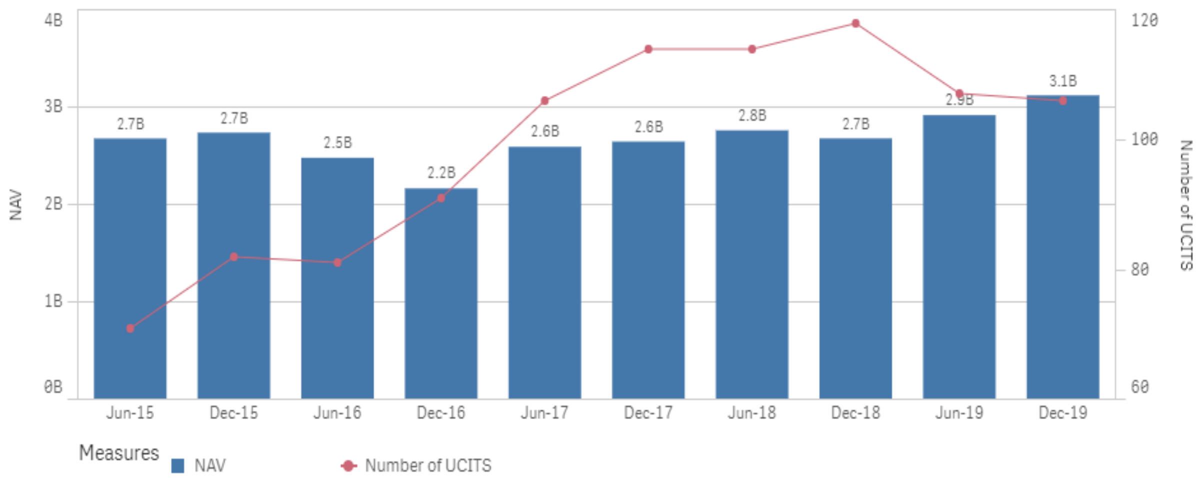


Source: Malta Financial Services Authority.

2.2.4 Net Asset Value of UCITS funds

UCITS funds saw an increase in net assets of 14.8 percent (or €0.4 billion) over the period December 2018 to December 2019 to stand at €3.1 billion. Figure 8 illustrates the net asset value and the number of licensed UCITS funds for the period 2015 to 2019.

Figure 8: Net Asset Value of UCITS Funds and Number of Licensed UCITS Funds (2015 – 2019)

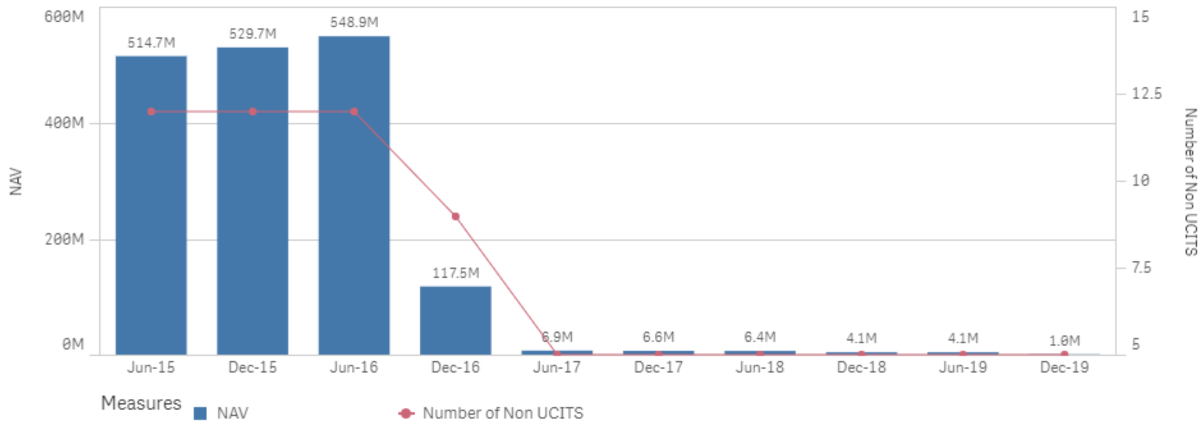


Source: Malta Financial Services Authority.

2.2.5 Net Asset Value of Retail Non-UCITS funds

At the end of 2019, the five Retail Non-UCITS funds had an aggregate NAV of one million euro, a drop of €3.1 million (or 75.6 percent) compared to 2018. Figure 9 illustrates the net asset value and number of licensed Retail Non-UCITS funds for the period 2015 to 2019.

Figure 9: Net Asset Value of Retail Non-UCITS Funds and Number of Licensed Retail Non-UCITS Funds (2015 – 2019)

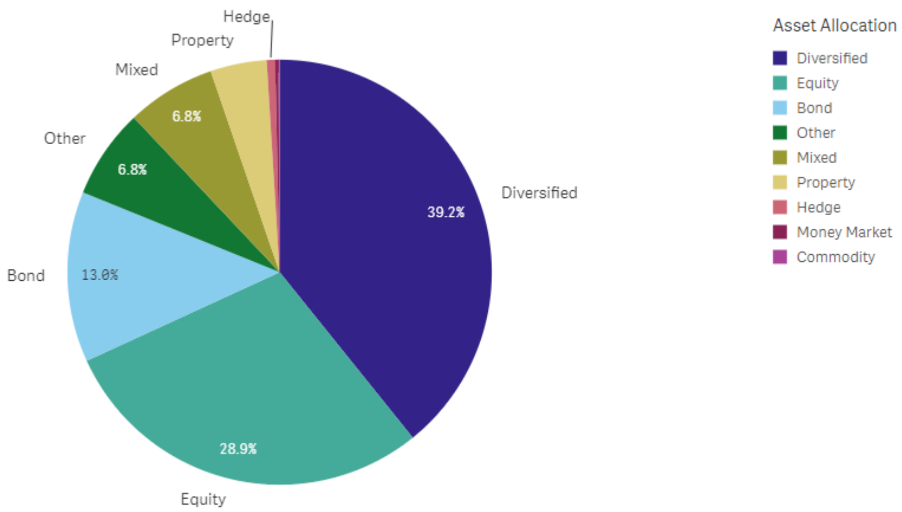


Source: Malta Financial Services Authority.

2.3 Asset Class Allocation of Investment Funds[11]

Diversified funds are the most popular type of funds with an asset share of 39.2 percent (or six billion euro) of the total December 2019 NAV. Equity funds followed with a share of 28.9 percent (or €4.5 billion). Almost two billion euro (or 13 percent) were invested in bond funds with the remaining share being split among the other categories as illustrated in the below pie chart.

Figure 10: Net Asset Value by Asset Allocation (December 2019)



Source: Malta Financial Services Authority.

During 2019 there were 77 newly issued/notified funds, with equity funds and diversified funds each registering a share of 23.4 percent (or 18 licences/notifications). Mixed funds followed with a share of 15.6 percent (or 12 licences/notifications).

[11] The asset allocation of funds was extracted from the offering supplements of the funds. Consequently, it does not necessarily mean that the allocated assets of the funds were invested accordingly.

By the end of 2019, the Authority accepted the surrender of 111 funds, out of which 43.2 percent (or 48 licences/notifications) were diversified funds, 19.8 percent (or 22 licences/notifications) were equity funds and 12.6 percent (or 14 licences/notifications) were hedge funds. Figure 11 illustrates the number of issued and surrendered funds during 2019 split by asset allocation.

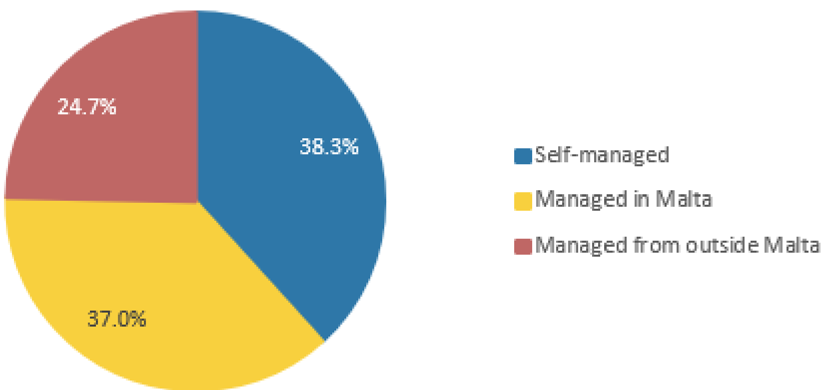
Figure 11: Authorised and Surrendered Funds by Asset Allocation (2019)[12]

Source: Malta Financial Services Authority.

2.4 Management of Funds

Self-managed funds remained the most popular with 38.3 percent of the funds licensed at the end of 2019. Funds managed by locally established fund managers accounted for 37 percent of the funds with the remaining being managed from outside Malta, as can be seen from Figure 12.

Figure 12: Management of Locally Based Investment Funds (December 2019)



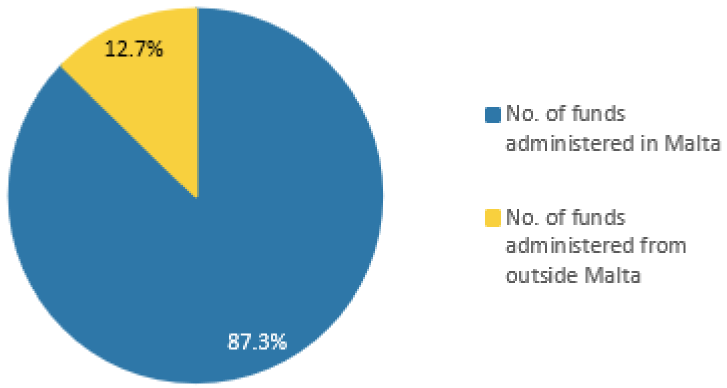
Source: Malta Financial Services Authority.

[12] These include PIFs, AIFs, NAIFs, UCITS and Retail Non-UCITS funds.

2.5 Administration of Funds

Over 87 percent of the Malta domiciled funds as at December 2019 were administered in Malta while the number of funds administered from outside Malta accounted for 12.7 percent.

Figure 13: Administration of Locally Based Investment Funds (December 2019)



Source: Malta Financial Services Authority.

2.6 Operating Structure of Funds

At the end of 2019, 80 percent of the Collective Investment Schemes were established as multi-funds. Stand-alone funds accounted for 16.9 percent of the total number of schemes, whereas master/feeder structures made up the remaining 3.1 percent. Table 11 represents the operating structures of Collective Investment Schemes domiciled in Malta as at December 2019.

Table 11: Schemes by Operating Structure as at December 2019

	Number of schemes as at December 2019	% number of schemes against total schemes
Master/Feeder (Master)	5	**1.7**
Master/Feeder (Feeder)	4	**1.4**
Stand Alone	50	**16.9**
Multi fund	236	**80**
Total	**295**	**100**

Source: Malta Financial Services Authority.

2.7 Funds Listed on the Malta Stock Exchange

The number of Malta domiciled funds listed on the Malta Stock Exchange as at December 2019 amounted to 30, of which 12 were licensed as Professional Investor Funds, 8 as Alternative Investment Funds, 7 as UCITS funds and 3 as Retail Non-UCITS funds.

Table 12: Funds Listed on the Malta Stock Exchange as at December 2019

Type of CIS	Funds listed on MSE
PIF	12
AIF	8
UCITS	7
Retail Non-UCITS	3
Total	**30**

Source: Malta Financial Services Authority.

2.8 Net Asset Value of Non-Malta Domiciled Funds Administered in Malta

Non-Malta domiciled funds administered in Malta registered a net asset value of four billion euro as at December 2019. This constitutes an increase of 33.3 percent (or one billion euro) compared to the NAV registered at the end of 2018.

Table 13: NAV of Non-Malta Domiciled Funds Administered in Malta (2017 - 2019)

	NAV of non-Malta domiciled funds administered in Malta (Billion Euro)
December 2017	2.6
December 2018	3
December 2019	4

Source: Malta Financial Services Authority.

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