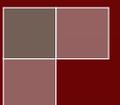


MFSA

MALTA FINANCIAL SERVICES AUTHORITY

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

June 2018



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Fact Statistics

- *Total new funds (including sub-funds) licenced (2004 – Q2 2018): **1,488***

- *Total funds (including sub-funds) surrendered (2004 – Q2 2018): **833***

- *Net Asset Value of Malta domiciled Funds: **€11.5 billion as at end June 2018***

- *Funds (including sub-funds) administered in Malta:*
 - *Malta domiciled funds administered in Malta: **590 as at end June 2018***
 - *Non-Malta domiciled funds administered in Malta: **171 as at end June 2018***

- *Net Asset Value of funds (domiciled and non-domiciled in Malta) administered in Malta: **€12.1 billion as at end June 2018***

PART 1 – Analysis of Collective Investment Scheme Licences

1.1 Fund registrations in the International Fund Industry

In the first quarter of 2018, the number of registered funds in the European Investment Fund industry expanded by one percent when compared with end 2017. Particularly, Germany saw an increase of 1.9 percent, Ireland a growth of 0.7 percent while the UK reported a surge of 0.4 percent. Moreover, Poland, Romania and Italy saw their number of registered funds increasing by more than ten percent. Funds registered in Luxembourg remained almost unchanged from end year 2017, while France experienced a drop of 1.2 percent.

1.2 Fund registrations in Malta

The total number of funds (including sub-funds)¹ licenced in Malta stood at 660 at the end of June 2018. This represent a decrease of ten net licences (or about 1.5 percent) when compared with end 2017.

The number of Professional Investor Funds licenced in Malta stood at 425 at the end of June 2018, a decrease of 25 licences when compared with end 2017. Alternative Investment Funds increased by 15 licences to stand at 116. UCITS funds and Retail Non-UCITS funds remained the same at 114 and five licences respectively. Additionally, Recognised Private Collective Investment Schemes remained unchanged at seven.

Table 1: Funds (including sub-funds) domiciled in Malta (2016 – June 2018)

	2016	2017	June 2018
AIFs	86	101	116
PIFs	460	450	425
UCITS	91	114	114
Retail Non-UCITS	9	5	5
Total locally based CISs	646	670	660
Foreign Based	12	9	0
Recognised Private CIS	8	7	7
Total CIS	666	686	667

Source: Malta Financial Services Authority.

As at the end of June 2018, 26 funds were included in the list of notified AIFs. This represents an increase of eight funds when compared with end 2017.

¹ PIFs, AIFs, UCITS and Retail Non-UCITS.

Table 2: Notified Alternative Investment Funds (2016 – June 2018)

	2016	2017	June 2018
NAIFs	2	18	26

Source: Malta Financial Services Authority.

1.3 Authorisation of new Collective Investment Schemes

During the first half of 2018, 31 new Collective Investment Scheme licences (including sub-funds) were authorised by the Authority. Of these, 15 were licensed as Professional Investor Funds, 13 Alternative Investment Funds and three UCITS funds. The following table presents a breakdown of the number of new licences authorised by the Authority during the period 2016 – June 2018.

Table 3: Authorisation of new Collective Investment Schemes (2016 – June 2018)

		2016	2017	June 2018
AIFs	Schemes	6	4	5
	Sub-funds	19	9	13
	<i>of which Qualifying Investor</i>	6	2	10
	<i>of which Extraordinary Investor</i>	0	0	0
	<i>of which Experienced Investor</i>	1	0	0
	<i>of which Professional Investor</i>	9	7	3
	<i>of which Retail Investor</i>	3	0	0
PIFs	Schemes	23	13	8
	Sub-funds	71	58	15
	<i>of which Qualifying Investor</i>	63	55	14
	<i>of which Extraordinary Investor</i>	7	0	0
	<i>of which Experienced Investor</i>	1	3	1
UCITS	Schemes	13	2	0
	Sub-funds	23	30	3
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.

1.4 Surrenders of Collective Investment Schemes

During the first half of 2018, the Authority accepted the voluntary surrender of 41 Collective Investment Scheme licences (including sub-funds), of which 34 were licenced as Professional

Investor Funds, four as Alternative Investment Funds and three as UCITS funds. Additionally, nine Foreign-based funds have also surrendered their licence during the first half of 2018. The next table presents the number of funds which surrendered their licence during the period 2016 – June 2018.

Table 4: Surrender of licences of Collective Investment Schemes (2016 – June 2018)

		2016	2017	June 2018
AIFs	Schemes	2	4	2
	Sub-funds	8	12	4
	<i>of which Qualifying Investor</i>	5	7	1
	<i>of which Extraordinary Investor</i>	0	3	0
	<i>of which Experienced Investor</i>	0	1	0
	<i>of which Professional Investor</i>	3	1	3
	<i>of which Retail Investor</i>	0	0	0
PIFs	Schemes	18	19	8
	Sub-funds	51	49	34
	<i>of which Qualifying Investor</i>	47	38	32
	<i>of which Extraordinary Investor</i>	1	3	1
	<i>of which Experienced Investor</i>	3	8	1
UCITS	Schemes	4	4	1
	Sub-funds	14	10	3
Retail Non-UCITS	Schemes	0	1	0
	Sub-funds	0	2	0
Foreign Based	Schemes	0	1	3
	Sub-funds	0	3	9
Recognised Private CIS	Schemes	0	1	0
	Sub-funds	0	1	0

Source: Malta Financial Services Authority.

1.5 Summary of Collective Investment Scheme licences (2017 – June 2018)

The next table presents a detailed breakdown of the number of new licences authorised by the Authority, licences surrendered and active for year 2017 and the first half of 2018.

Table 5: Collective Investment Scheme licences (2017 – June 2018)

		2017			June 2018		
		New licences	Licences surrendered	Total licences as at end 2017	New licences	Licences surrendered	Total licences as at end June 2018 *
AIFs	Schemes	4	4	54	5	2	60²
	Sub-funds	9	12	101	13	4	116³
	<i>of which Qualifying Investor</i>	2	7	33	10	1	46 ^{4,5}
	<i>of which Extraordinary Investor</i>	0	3	6	0	0	6
	<i>of which Experienced Investor</i>	0	1	6	0	0	6
	<i>of which Professional Investor</i>	7	1	50	3	3	52 ⁶
	<i>of which Retail Investor</i>	0	0	6	0	0	6
PIFs	Schemes	13	19	186	8	8	183²
	Sub-funds	58	49	450	15	34	425³
	<i>of which Qualifying Investor</i>	55	38	388	14	32	365 ^{4,6}
	<i>of which Extraordinary Investor</i>	0	3	35	0	1	33 ⁵
	<i>of which Experienced Investor</i>	3	8	27	1	1	27
UCITS	Schemes	2	4	39	0	1	38
	Sub-funds	30	10	114	3	3	114
Retail Non- UCITS	Schemes	0	1	3	0	0	3
	Sub-funds	0	2	5	0	0	5
Foreign	Schemes	0	1	3	0	3	0
	Sub-funds	0	3	9	0	9	0
Recognised Private CIS	Schemes	0	1	7	0	0	7
	Sub-funds	0	1	7	0	0	7

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

Source: Malta Financial Services Authority.

1.6 Non-Malta domiciled funds administered in Malta

Non-Malta domiciled funds (including sub-funds) administered in Malta declined by 2.8 percent when compared with 2017 to stand at 171 at the end of June 2018. Table 6 refers.

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

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

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

⁵ One PIF sub-fund targeting Extraordinary Investors had its licence revised to AIF targeting Qualifying Investors.

⁶ Two PIF sub-funds targeting Qualifying Investors had their licences revised to AIF targeting Professional Investors.

Table 6: Non-Malta domiciled funds (including sub-funds) administered in Malta (2016 – June 2018)

	Non-Malta domiciled funds administered in Malta
December 2016	188
December 2017	176
June 2018	171

Source: Malta Financial Services Authority.

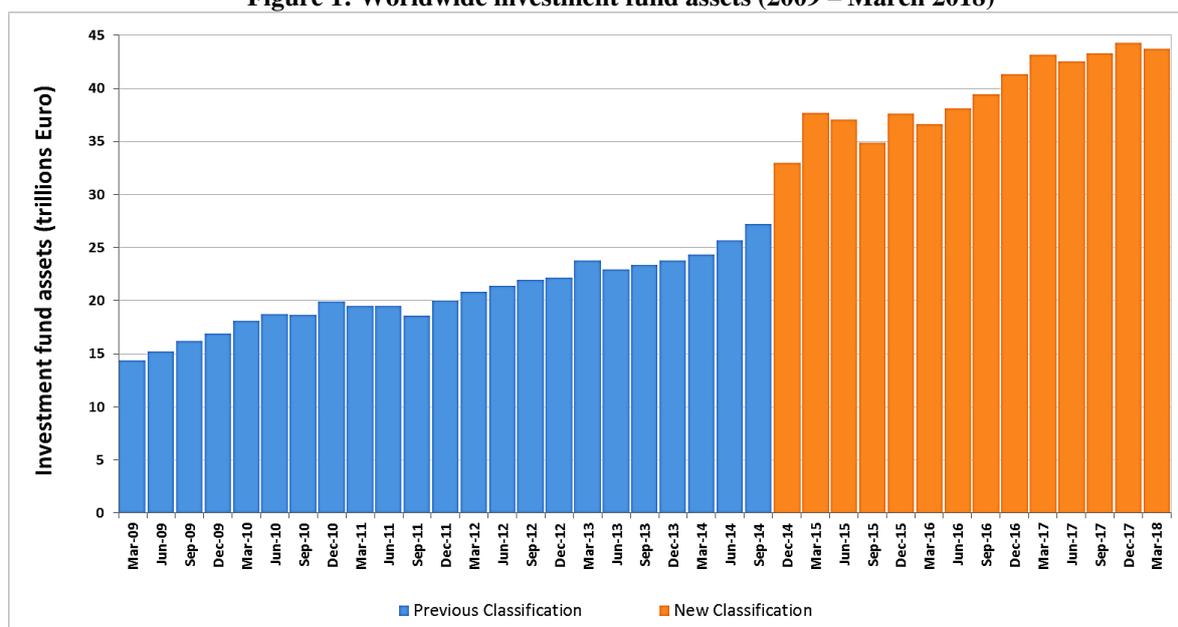
PART 2 – Performance Analysis of Collective Investment Schemes

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

As at end March 2018, worldwide regulated open-ended funds⁷ reported net assets amounting to €43.75 billion. This represents a decrease of 1.2 percent when compared with end 2017. Net sales totalled €502 billion during the first quarter of 2018, down by €109 billion when compared with the first quarter of 2017.

As at March 2018, 41 percent of the total net assets were invested in equity funds, followed by bond funds and mixed funds at almost 21 percent and 18 percent respectively. About 11 percent of net assets were invested in money market funds. During the first quarter of 2018, equity funds reported net sales amounting to €217 billion, followed by bond funds and mixed funds with €119 billion and €92 billion respectively. Furthermore, money market funds registered net inflows amounting to €12 billion.

Figure 1: Worldwide investment fund assets (2009 – March 2018)



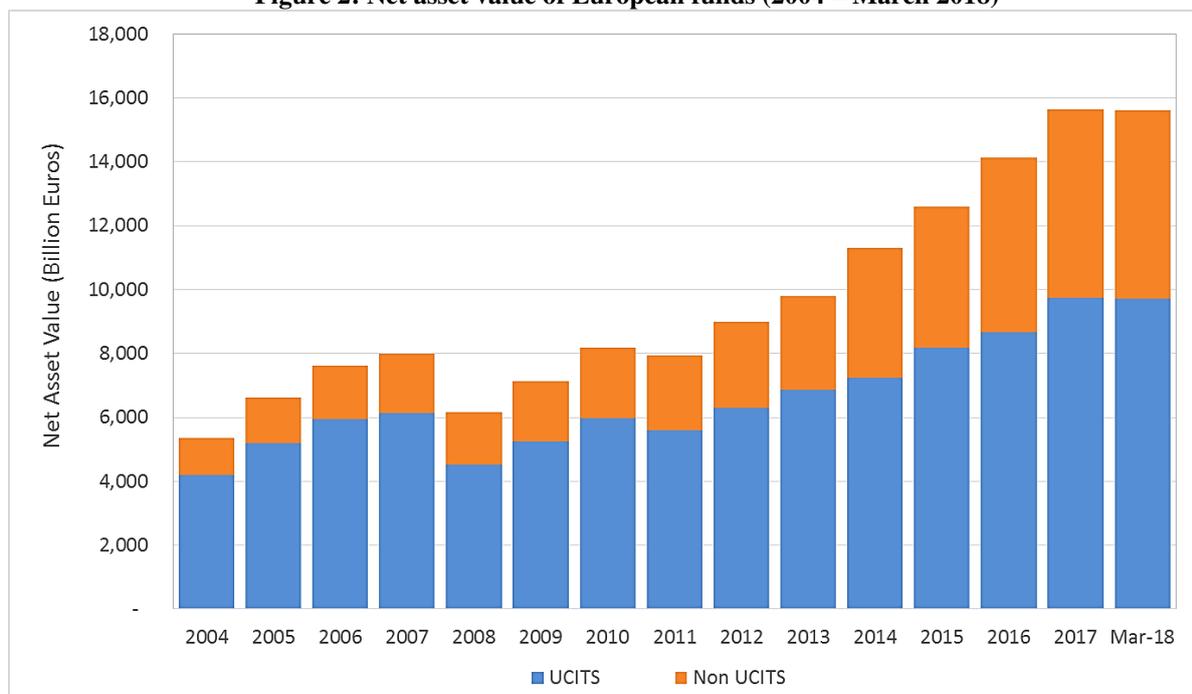
Source: EFAMA.

The total number of funds (including fund of funds) registered worldwide remained almost the same when compared to end 2017 to stand at 127,072 at the end of March 2018. About 32.1 percent were registered as equity funds, followed by mixed funds and bond funds at 27.9 percent and 17.6 percent respectively. Furthermore, real estate funds had a share of 2.8 percent while money market funds had a share of 2.2 percent. About 16.5 percent of the funds were unclassified/other funds.

⁷ 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 €15.6 trillion at the end of March 2018, down by €18 billion (or 0.1 percent) when compared with end 2017. Over the period December 2017 – March 2018, UCITS funds declined by three billion euros to stand at €9.73 trillion while Non-UCITS funds declined by €15 billion to stand at €5.88 trillion at the end of March 2018.

Figure 2: Net asset value of European funds (2004 – March 2018)



Source: EFAMA.

Net assets reported by funds registered in a number of major investment fund jurisdictions, namely the UK, France, Luxembourg and Germany, showed a declining trend in March 2018 when compared with December 2017. Net assets of funds registered in the UK dropped by 2.3 percent while France, Luxembourg and Germany reported a decline in the range of 0.2 – 0.3 percent. In contrast, Ireland saw its net assets increasing by 0.8 percent during the first quarter of 2018. The following table shows the net assets of investment funds registered in a number of European countries for the period 2016 – March 2018.

Table 7: Net assets of investment funds in major European countries (2016 – March 2018)

Country	Dec 2016 NAV	Dec 2017 NAV	Mar 2018 NAV	Percentage change Dec 2017 – Mar 2018 (%)
	Million EUR	Million EUR	Million EUR	
Luxembourg	3,701,076	4,159,614	4,148,898	-0.3
Ireland	2,084,748	2,396,089	2,416,381	0.8
Germany	1,885,937	2,038,192	2,034,234	-0.2
France	1,783,830	1,929,115	1,923,502	-0.3
UK	1,465,651	1,646,058	1,608,486	-2.3
Switzerland	537,771	550,799	549,621	-0.2
Sweden	303,874	335,421	324,084	-3.4
Italy	297,704	320,767	316,497	-1.3
Spain	268,513	295,265	300,810	1.9
Malta	9,801	10,490	10,715	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

The net asset value of Malta-domiciled funds⁸ stood at €11.5 billion at the end of June 2018. This represents an increase of almost €0.7 billion (or 6.3 percent) when compared with end 2017.

Figure 3: Net asset value of locally based CISs against number of registered funds (2006 – June 2018)



Source: Malta Financial Services Authority.

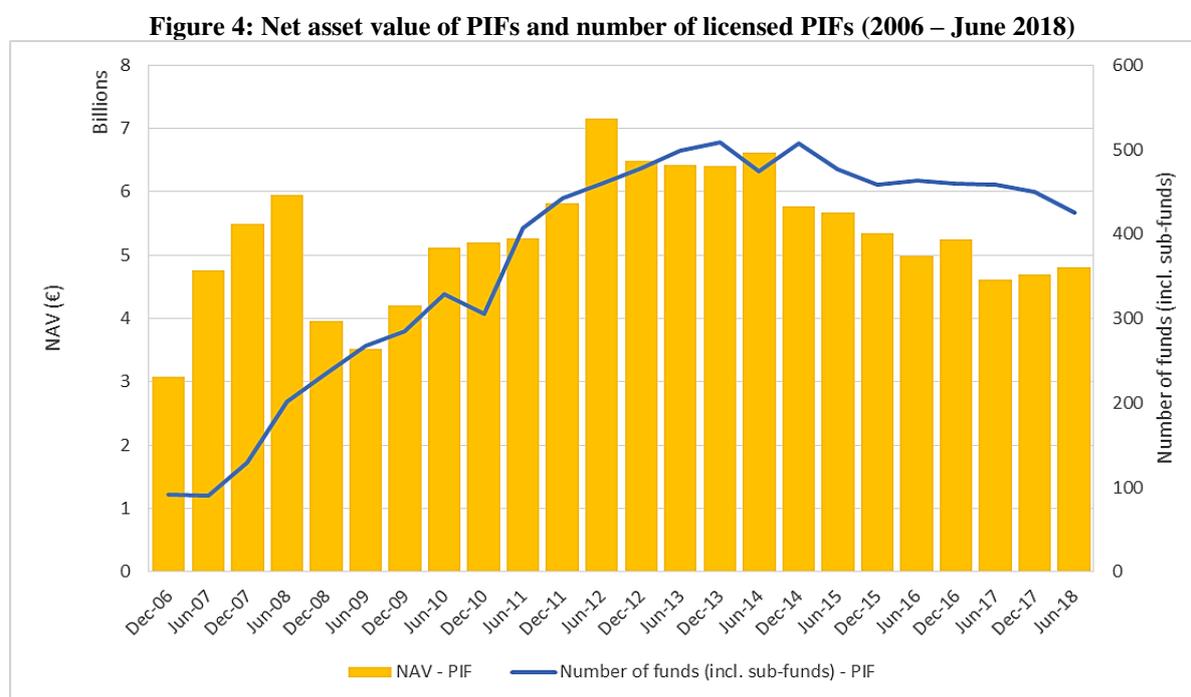
⁸ PIFs, AIFs, NAI Fs, UCITS, and Retail Non-UCITS.

During the first half of 2018, equity funds experienced an increase of €0.34 billion in net assets whereas diversified funds increased by €0.24 billion. Property funds saw their net asset value increasing by €50 million in the same period. In contrast, net assets of mixed funds and hedge funds declined by €21 million €14 million respectively. The performance of money market funds was also on the negative side with net assets declining by €6.4 million. Bond funds experienced a slight decline in net asset of less than €0.1 million. Funds adopting other different investment strategies reported an increase of €0.1 billion in net assets during the same period.

During the first half of 2018, Malta-domiciled funds reported €1.39 billion in sales and €0.9 billion in redemptions. Furthermore, funds were positively revalued by €0.19 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 increasing by €0.11 billion when compared with end 2017 to stand at €4.82 billion at the end of June 2018. The below chart shows the net asset value of Professional Investor Funds against the number of licensed PIFs covering the period December 2006 – June 2018.

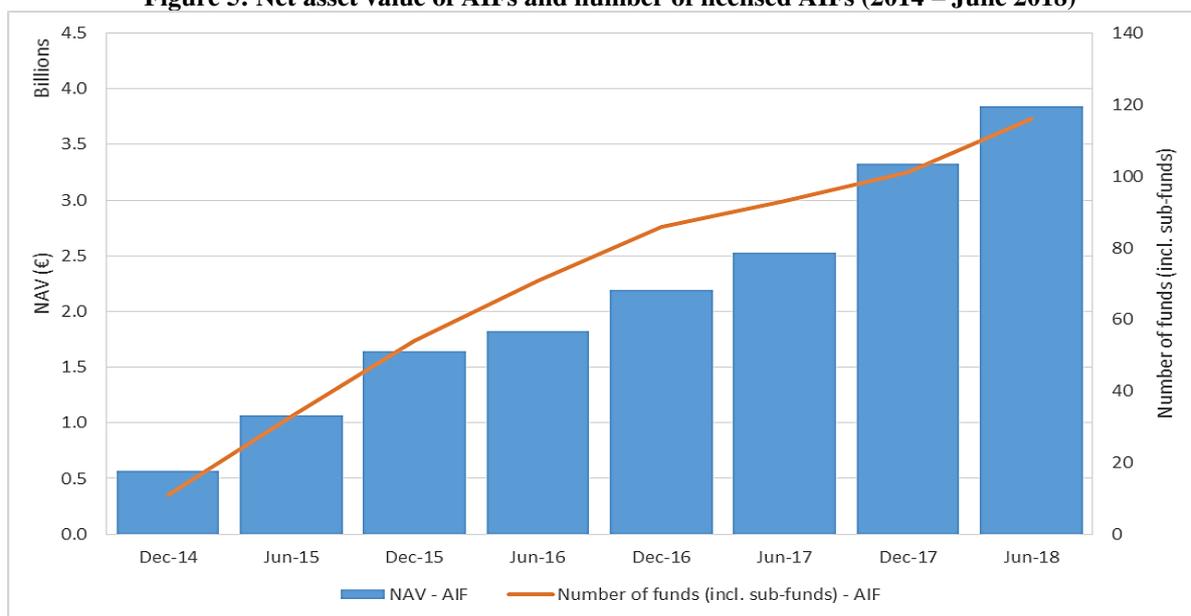


Source: Malta Financial Services Authority.

2.2.3 Analysis of net asset value of Alternative Investment funds

Net assets of Alternative Investment Funds increased by €0.52 billion in 2018 with net assets reaching €3.84 billion at the end of June 2018. The next figure shows the net asset value of Alternative Investment Funds against the number of licensed AIFs for the period December 2014 – June 2018.

Figure 5: Net asset value of AIFs and number of licensed AIFs (2014 – June 2018)

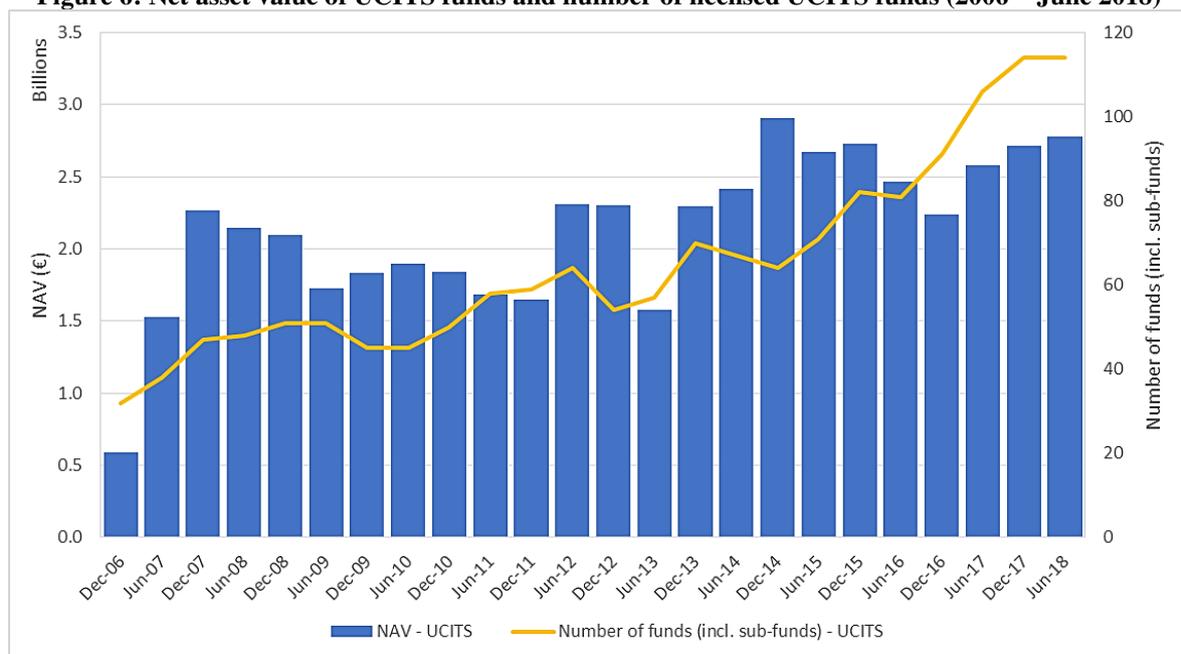


Source: Malta Financial Services Authority.

2.2.4 Analysis of net asset value of UCITS funds

The net asset value of UCITS funds stood at €2.78 billion at the end of June 2018, up by €65 million when compared with end 2017. The next figure presents the net asset value and the number of licensed UCITS funds for the period 2006 – June 2018.

Figure 6: Net asset value of UCITS funds and number of licensed UCITS funds (2006 – June 2018)



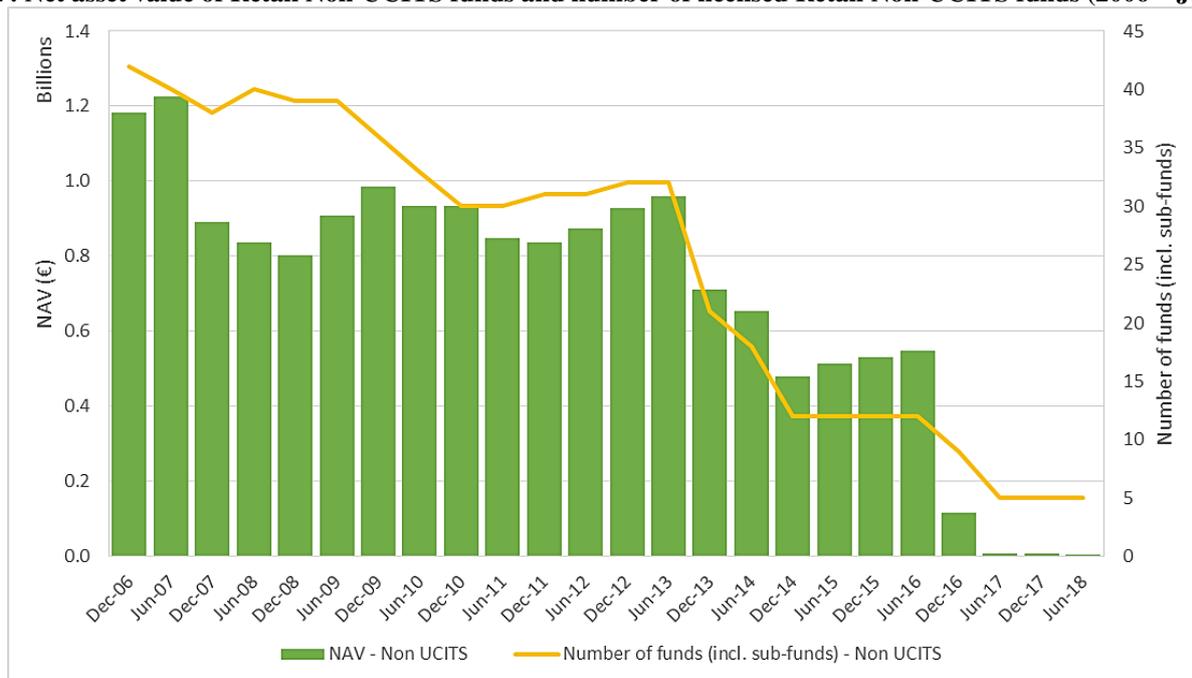
Source: Malta Financial Services Authority.

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

In terms of number of funds (including sub-funds), Retail Non-UCITS funds remained unchanged at five licences at the end of June 2018. Net assets of these funds declined slightly by less than €0.1 million to stand at €6.5 million at the end of June 2018.

The next figure illustrates the net asset value and number of licensed Retail Non-UCITS funds for the period December 2006 – June 2018.

Figure 7: Net asset value of Retail Non-UCITS funds and number of licensed Retail Non-UCITS funds (2006 – June 2018)



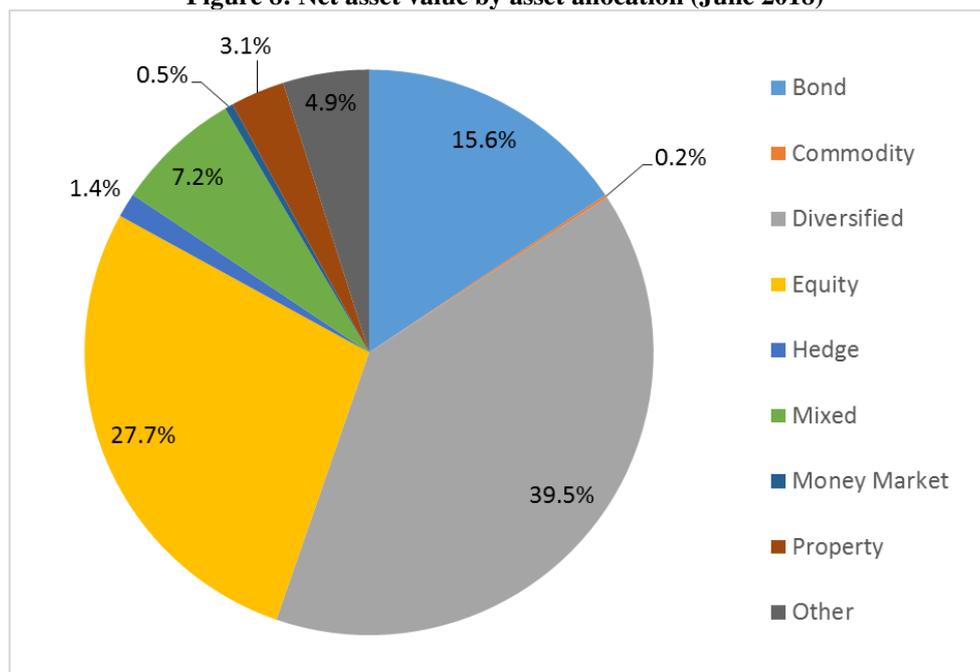
Source: Malta Financial Services Authority.

2.3 Asset class allocation of investment funds⁹

Diversified funds had the largest share with almost 40 percent (or €4.54 billion) of the total June 2018 NAV. Equity funds and bond funds followed with a share of almost 28 percent (or €3.19 billion) and almost 16 percent (or €1.79 billion) respectively. Net assets of mixed funds made up seven percent (or €0.7 billion) at the end of June 2018.

The next figure presents the net asset value of Malta domiciled funds by asset category as at end June 2018.

⁹ 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.

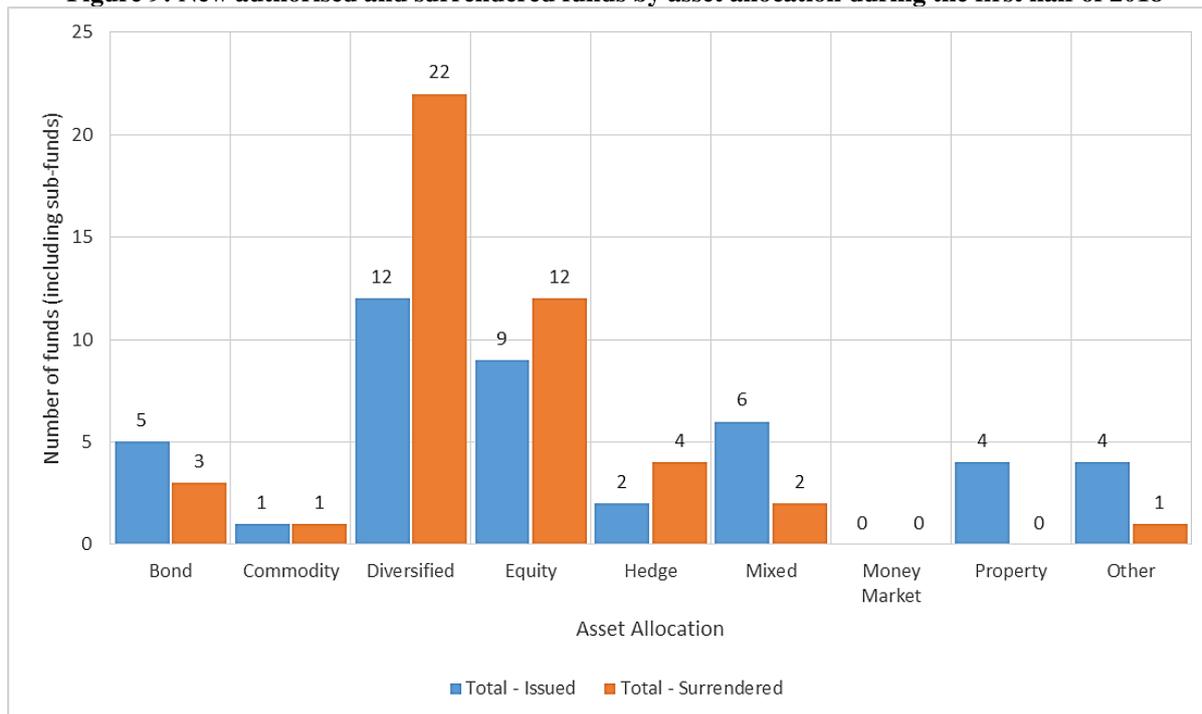
Figure 8: Net asset value by asset allocation (June 2018)

Source: Malta Financial Services Authority.

The majority (28 percent) of the new funds licenced during the first half of 2018 were licenced as diversified funds. About 21 percent were equity funds while 14 percent were mixed funds. Additionally, another 12 percent were licenced as bond funds. Property funds and funds adopting other different strategies had a share of about nine percent each.

Furthermore, diversified funds were the most type of funds which surrendered their licences during the first half of 2018 at almost 49 percent of the number of surrendered funds. Equity funds followed with 27 percent. The following chart shows the number of issued and surrendered funds during the first half of 2018 by asset allocation.

Figure 9: New authorised and surrendered funds by asset allocation during the first half of 2018

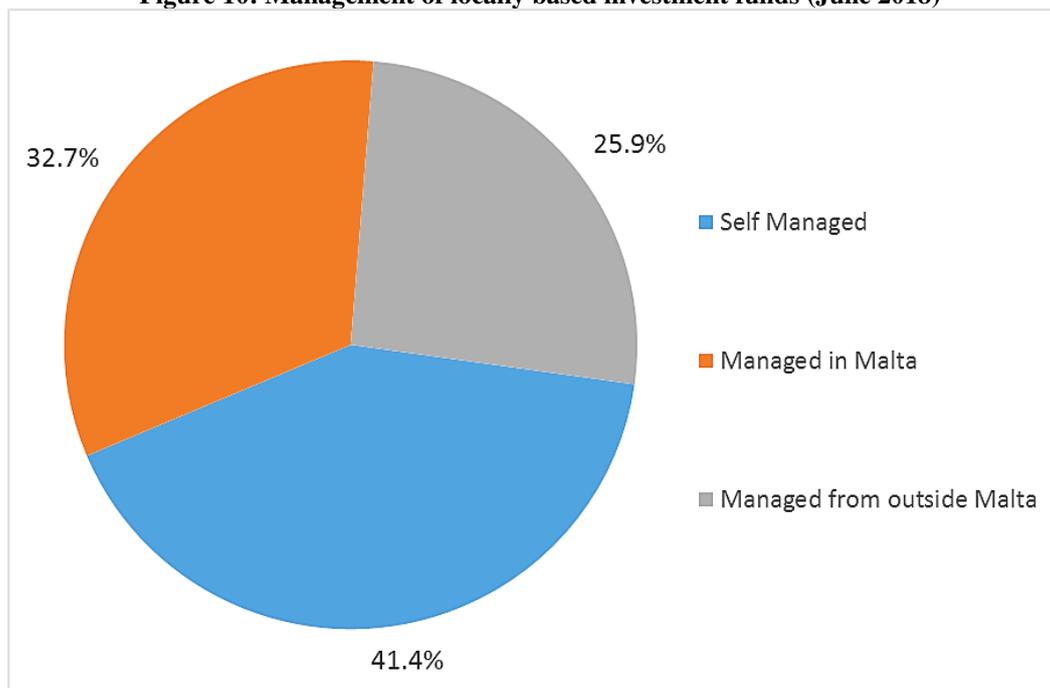


Source: Malta Financial Services Authority.

2.4 Management of funds

As at June 2018, 32.7 percent of the total licenced funds were managed in Malta. Another 25.9 percent were managed from outside Malta while the remaining 41.4 percent were self-managed funds.

Figure 10: Management of locally based investment funds (June 2018)

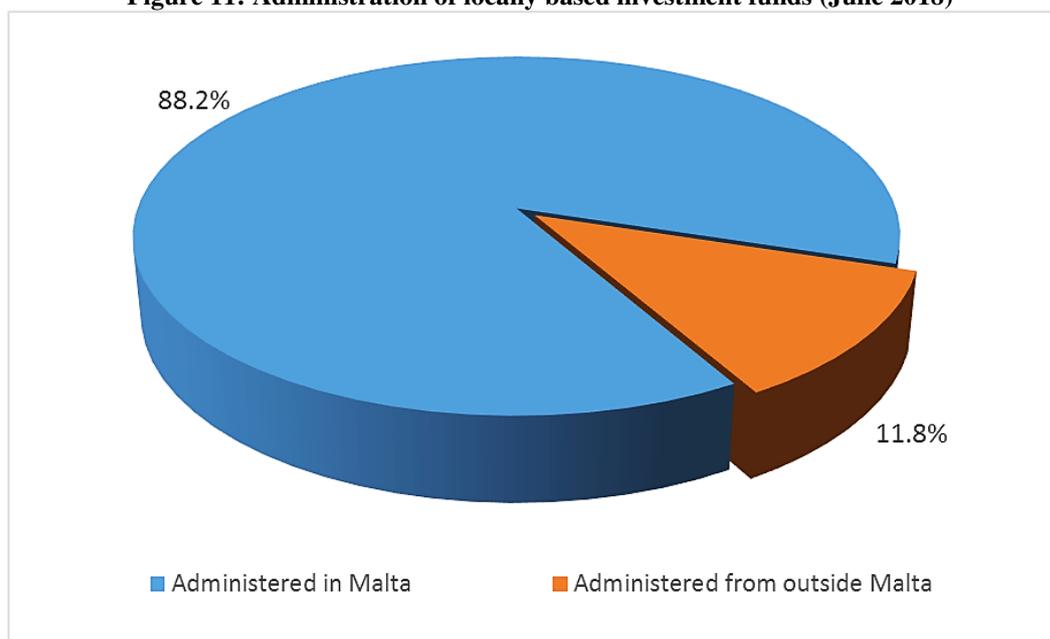


Source: Malta Financial Services Authority.

2.5 Administration of funds

About 88.2 percent of the total licenced funds as at June 2018 were administered in Malta, an increase of 0.4 percentage points when compared with end 2017. The remaining 11.8 percent were administered from outside Malta.

Figure 11: Administration of locally based investment funds (June 2018)



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 2018, almost 80 percent of the Collective Investment Schemes operated as a multi-fund structure, almost 17 percent as stand-alone structure while about three percent were licensed as master-feeder structures.

The next table provides the operating structures of Collective Investment Schemes domiciled in Malta as at end June 2018.

Table 8: Schemes by operating structure as at end June 2018

	Number of schemes as at June 2018	% number of schemes against total schemes
Master/Feeder (Master)	5	1.7
Master/Feeder (Feeder)	5	1.7
Stand Alone	50	16.9
Multi fund	236	79.7
Total	296	100

Source: Malta Financial Services Authority.

2.7 Funds listed on Malta Stock Exchange

There were 29 Malta domiciled funds listed on the Malta Stock Exchange, of which 11 are licensed as Professional Investor Funds, eight UCITS funds, seven Alternative Investment Funds and three Retail Non-UCITS funds.

Table 9: Funds listed on Malta Stock Exchange as at end June 2018

Type of CIS	Funds listed on MSE
PIF	11
AIF	7
UCITS	8
Retail Non-UCITS	3
Total	29

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 €2.67 billion at the end of June 2018, representing a growth of €0.11 billion, or 4.3 percent, when compared with year end 2017. Table 10 refers.

Table 10: NAV of Non-Malta domiciled funds (including sub-funds) administered in Malta (2016 – June 2018)

	NAV of non-Malta domiciled funds administered in Malta (Billion Euro)
December 2016	2.75
December 2017	2.56
June 2018	2.67

Source: Malta Financial Services Authority.

Malta Financial Services Authority