



Malta Funds Industry Association



Annual Report 2017

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MFIA

Malta Funds Industry Association



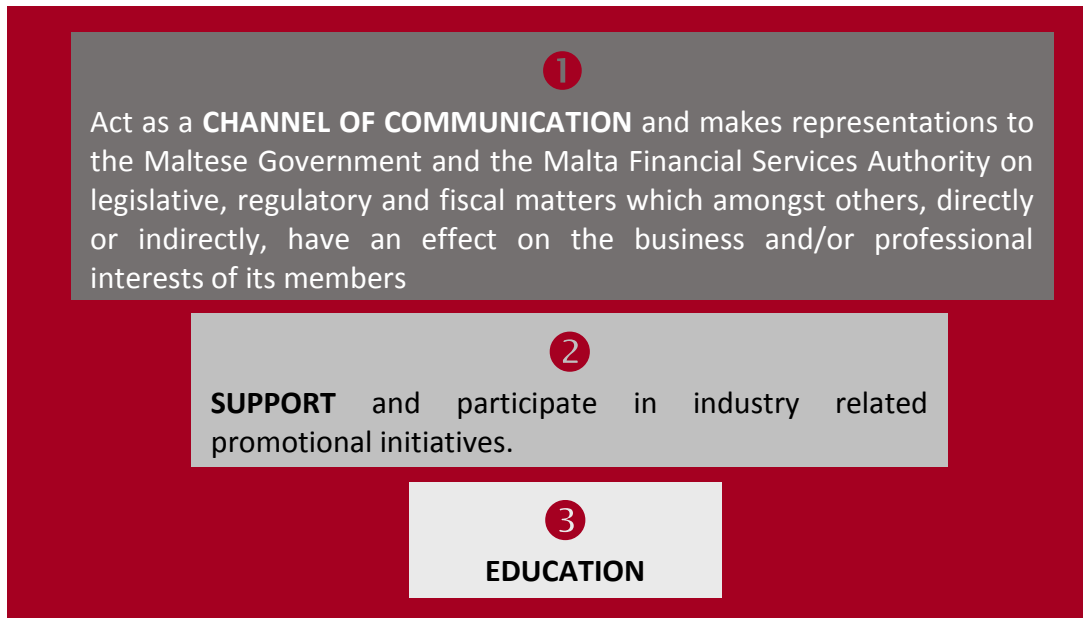
The genesis of the Malta Funds Industry Association, MFIA, dates back to 22 September 2003 where two of its current members, HSBC Global Asset Management (Malta) Limited and Valletta Fund Management Limited took the initiative to set up a representative body for the industry. At that time, the MFIA was known as the Malta Investment Management Association and, initially, it represented the common interests of fund managers.

Following Malta's accession to the European Union on 1 May 2004, the industry witnessed an increased interest by international fund promoters to domicile their funds in Malta. This was without doubt driven by a number of success factors which amongst others, included the presence of a comprehensive legal and regulatory framework, cost competitiveness and a professional business environment. As a result of these developments, the Association broadened its remit to represent the interest of fund administrators, following the initiative taken by the main market players at that time to set up specialist fund administration operations and with a clear distinction from fund management business. The strong growth of the industry in these last few years subsequently necessitated that the Association reviews its statute to encompass a wider spectrum of practitioners actively involved in the funds industry. Over the past years, the Association has also welcomed Custodians and members from legal, audit and advisory professions. In view of the ever increasing obligations of the fund Directors particularly emanating from the new regulations, the Association has last year widened its membership base to include Directors of Collective Investment Schemes.

Fund Managers	Fund Administrators	Depositories
Compliance Officers	Directors	Money Laundering Reporting Officers
	Risk Managers	
Legal Firms	Audit Firms	Advisory Firms

The MFIA's primary objective is to act as a channel of communication and to make representations to the Maltese Government and the Malta Financial Services Authority on legislative, regulatory and fiscal matters which amongst others, directly or indirectly, have an effect on the business and/or professional interests of its members.

The Association's initiatives are led by three key objectives:



MFIA is also represented on the Board of Governors of FinanceMalta, a Foundation which was set up between the Industry and the Government of Malta with the core remit to promote Malta's financial services industry in and outside Malta. The MFIA is a full member of the European Fund and Asset Management Association (EFAMA) and sits on the EFAMA Board.



Committee Members who served in 2017

Kenneth Farrugia (Chairman)

Lawrence Buttigieg (Treasurer) resigned on 28/06/2017

Anatoli Grech (Executive Secretary)

Mark Agius

Chris Casapinta

Andrew Zarb Mizzi

Sarah Camillieri resigned on 25/09/2017

Michael Galea resigned 15/03/2017

Muriel Rutland resigned on 5/02/2017

Anabel Mifsud (Treasurer) appointed 28/06/2017

Neal Rossignaud appointed 15/03/2017

Wayne Spiteri appointed 05/02/2017





Chairman's Statement

A POSITIVE YEAR

During 2017, the European Investment Fund industry continued to expand with a growth of 3 percent in the number of registered funds when compared with the previous end year. There were 670 funds licenced in Malta at the end of 2017. This represents an increase of 6.2 percent (or 40 net licences) when compared with end 2016.

The Malta Financial Services Authority reported that Professional Investor Funds licenced in Malta declined by 10 licences from 2016 to stand at 450 at the end of 2017. Alternative Investment Funds totalled 101, up by 15 licences. UCITS funds experienced an increase of 23 licences to reach an all-time high of 114 licences while Retail Non-UCITS funds experienced a decrease of four licences to stand at five at the end of 2017. Additionally, Recognised Private Collective Investment Schemes declined by one to stand at seven while Foreign-based funds declined by three licences to stand at nine. Of interest to note is that there were 18 funds included in the list of notified AIFs at the end of 2017, up by 16 funds when compared with end 2016.

2017 has seen asset managers across Europe work relentlessly to align to the requirements introduced by the MiFID II and MiFIR on trading, product governance, distribution and reporting requirements amongst others.

Over the course of 2017, the Association participated in educational seminars and conferences was held jointly with FinanceMalta and jointly with the Institute of Financial Services in Malta held an elective on Fund Administration for students reading for the Bachelor of Commerce degree with a specialisation in Banking and Finance

During 2017, the Association, thanks for the support from FinanceMalta, renewed its full membership with EFAMA. This will provide an excellent platform for the Association to exchange views with other Associations on matters of common interest, share best practices and to analyze and monitor the impact of any significant new developments for the interest of the local industry.

The MFIA currently represents firms involved in the fund industry including Fund Managers, Fund Administrators, Depositories, SICAVs and Advisory & Law firms. The Association has received a request from a number of licensed entities to widen the remit to include Brokers and Wealth Managers. The Committee is of the view that this will strengthen the Association by giving it a wider scope, more funding, more resources through its members and a larger profile to make representations to the Regulators and Government.

In this respect, a resolution for a change in name to 'Malta Asset Servicing Association' (MASA) and related changes to the Statute will be presented for the members consideration at the Annual General Meeting.

On a final note, we look forward to welcoming you to the Association's Annual General Meeting.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kenneth Farrugia', is written over a diagonal line that extends from the bottom left towards the top right.

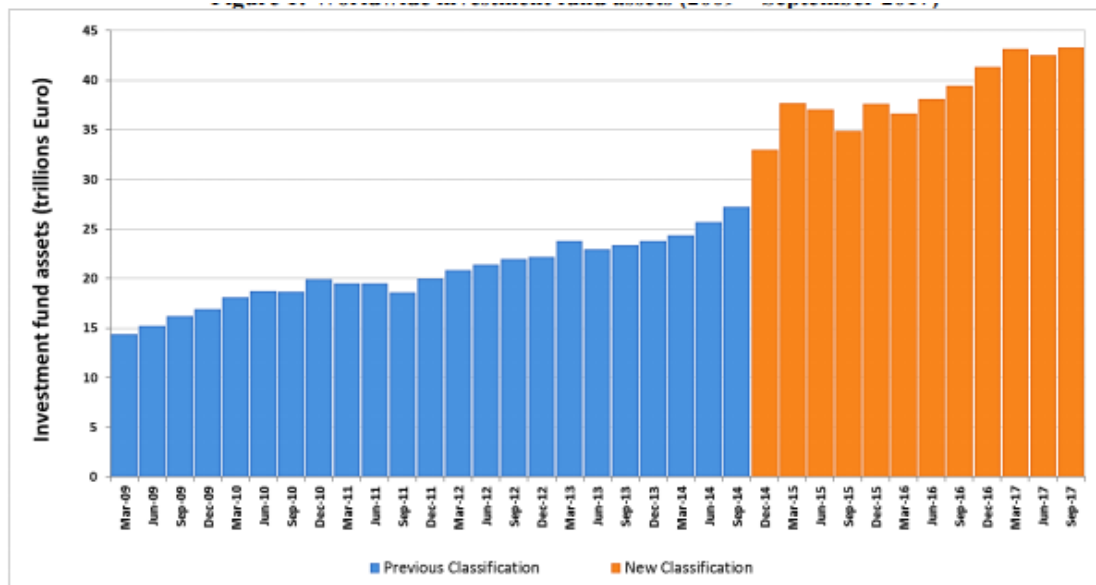
Kenneth Farrugia
Chairman

General overview

Investment fund assets in the International Fund Industry

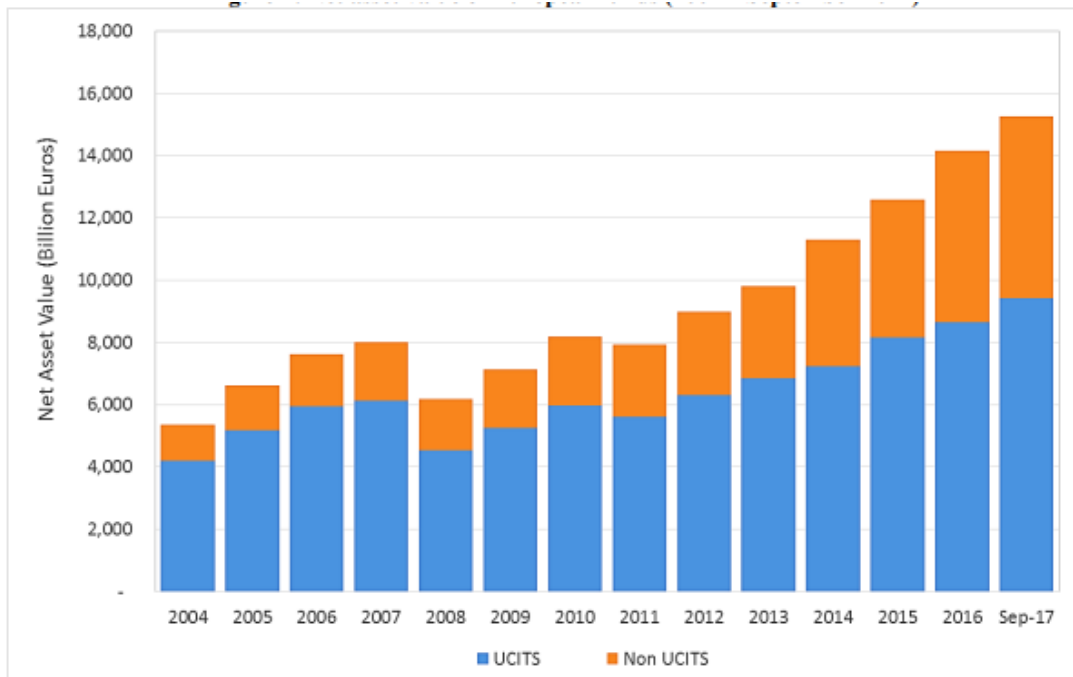
Net assets of worldwide regulated open-ended funds amounted to €43.28 trillion at the end of 2017. This represents an increase of 4.8 percent when compared with 2016. During the first three quarters of 2017 worldwide regulated open-ended funds reported net sales amounting to €1.88 trillion, an increase of €1.09 trillion when compared with the first three quarters of the previous year.

Almost 41 percent of the total net assets reported in September 2017 were held by equity funds. Bond funds and mixed funds followed with a share of 21 percent and almost 18 percent respectively. Additionally, money market funds had a share of 11 percent. During the first three quarters of 2017, bond funds reported net sales amounting to €647 billion, followed by money market funds and equity funds with €406 billion and €398 billion respectively. Furthermore, mixed funds registered net inflows amounting to €249 billion.



As at end September 2017, the total number of funds (including fund of funds) registered worldwide stood at 125,772. This represents an increase of 3.5 percent when compared with the previous end year. Almost 32 percent were registered as equity funds, 28 percent as mixed funds and 18 percent as bond funds. Additionally, 2.7 percent were registered as real estate funds while another 2.2 percent were registered as money market funds. About 16.6 percent of the funds were unclassified/other funds.

The European Investment Fund Industry registered net assets amounting to €15.3 trillion at the end of September 2017, up by €1.12 trillion (or 7.9 percent) when compared with the previous end year. Net assets of UCITS funds increased by €756 billion (or 8.7 percent) over the period December 2016 – September 2017 to stand at €9.4 trillion at the end of September 2017. Non-UCITS funds experienced a growth of €366 billion (or 6.7 percent) to register net assets amounting to €5.8 trillion.

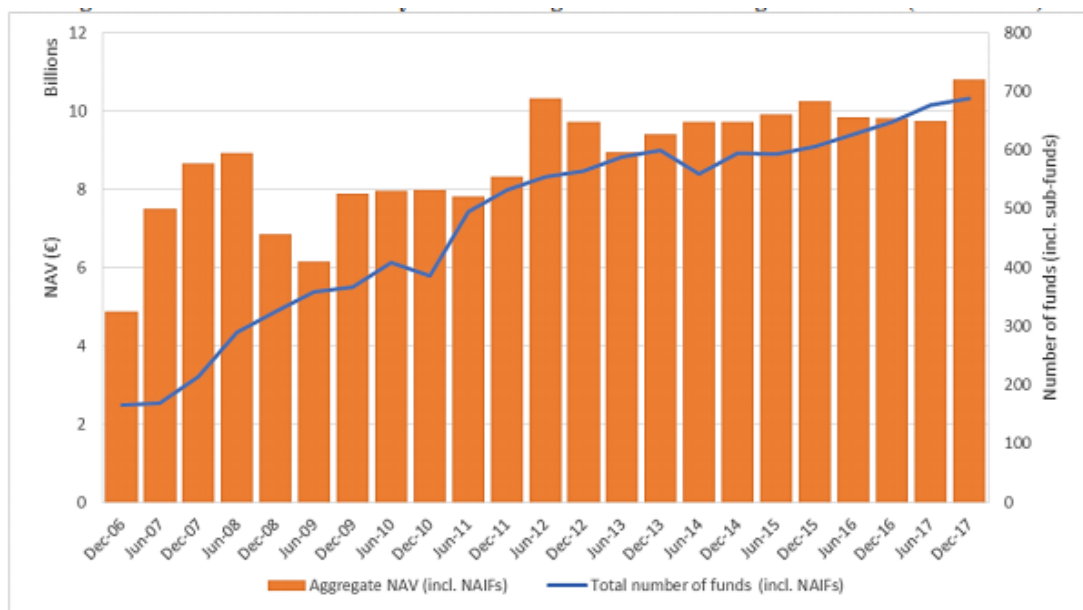


General overview

Local Funds Industry

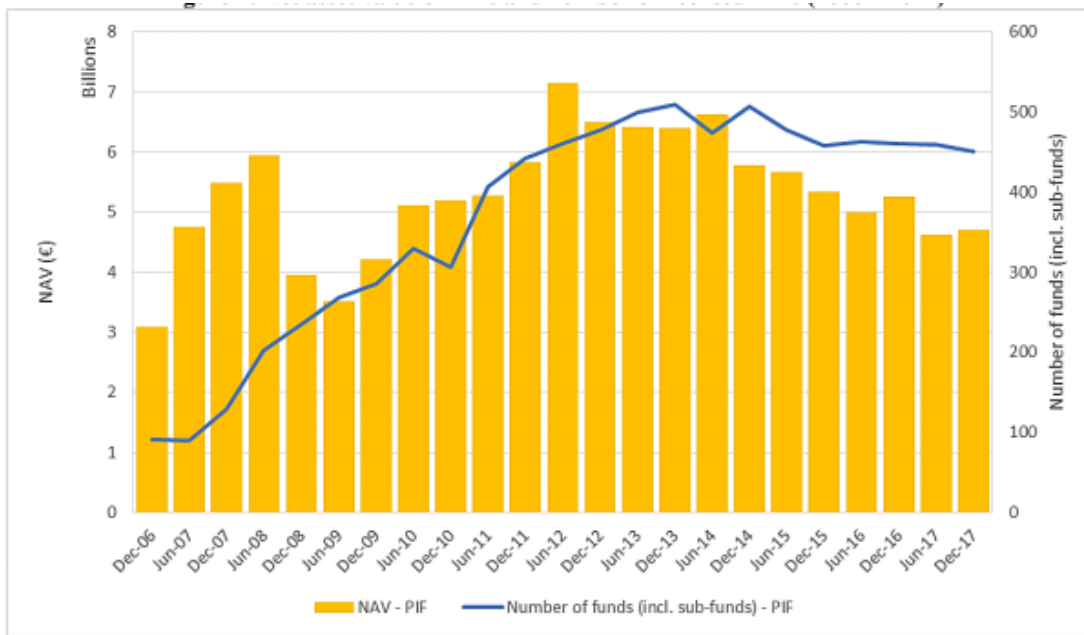
- Total new funds (including sub-funds) licenced (2004 – 2017): 1,445
- Total funds (including sub-funds) surrendered (2004 – 2017): 788
- Net Asset Value of Malta domiciled Funds: €10.8 billion as at end December 2017
- Funds (including sub-funds) administered in Malta:
 - Malta domiciled funds administered in Malta: 590 as at end December 2017
 - Non-Malta domiciled funds administered in Malta: 176 as at end December 2017
- Net Asset Value of funds (domiciled and non-domiciled in Malta) administered in Malta: €11.3 billion as at end December 2017

Malta-domiciled funds (PIFs, AIFs, NAIAs, UCITS, and Retail Non-UCITS) recorded a net asset value of €10.8 billion at the end of 2017. This represents an increase of almost one billion euro (or 10 percent) when compared with the previous end year. In 2017, diversified funds experienced an increase of €0.68 billion in net assets. Bond funds reported growth amounting to €0.26 billion while property funds experienced an increase of almost €0.02 billion. In contrast, the net asset value of equity funds declined by €0.14 billion while money market funds contracted by almost €0.02 billion. Funds adopting other different investment strategies reported an increase of almost €0.2 billion in net assets during the same year. In terms of net assets, diversified funds had the largest share with almost 40 percent of the total December 2017 NAV. This was followed by equity funds and bond funds with a share of 26 percent and almost 17 percent respectively. Mixed funds had a share of almost eight percent at the end of 2017.

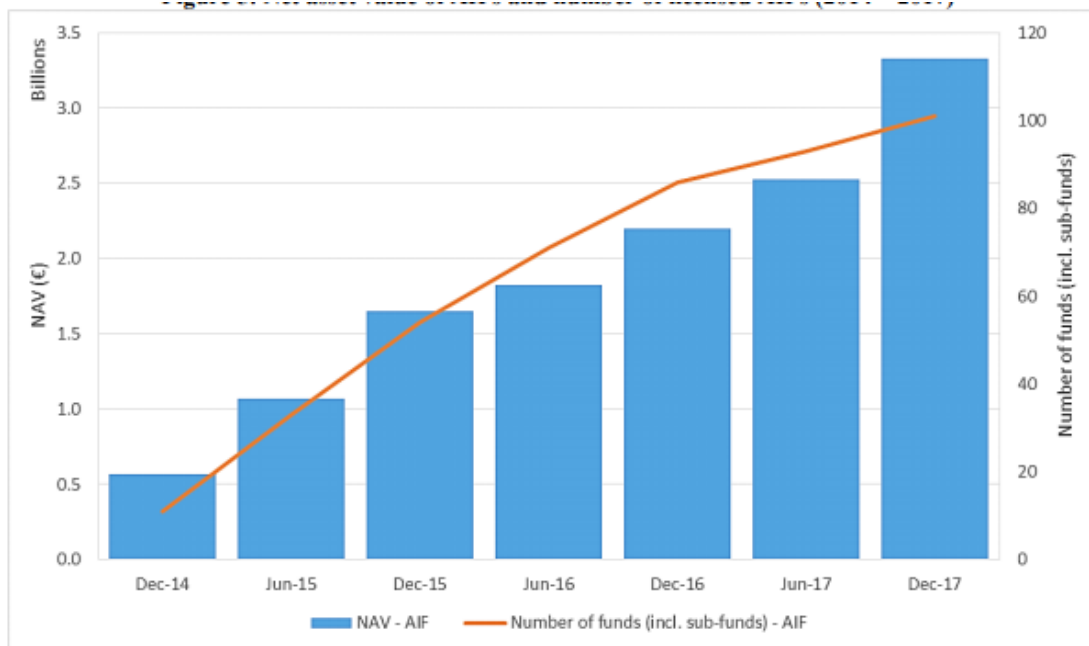


In 2017, Malta-domiciled funds reported sales amounting to €3.82 billion and redemptions to €3.41 billion. During the same year, funds were positively revalued by €0.59 billion.

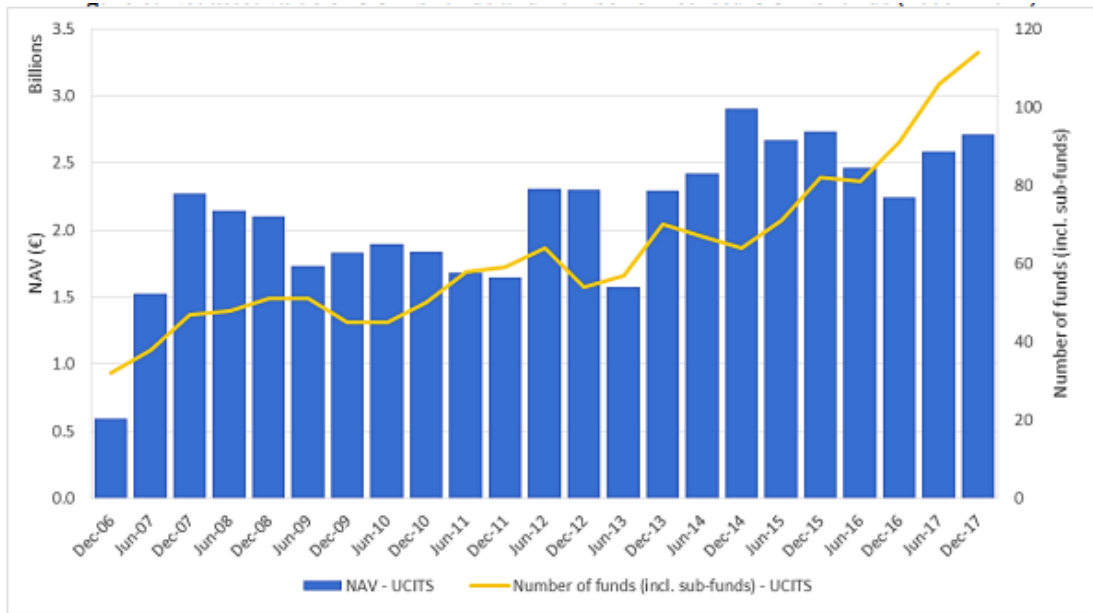
The net asset value of Professional Investor Funds stood at €4.7 billion at the end of 2017, down by €0.55 billion when compared with the previous end year. The following illustration depicts the net asset value of Professional Investor Funds against the number of licensed PIFs for the period 2006 – 2017.



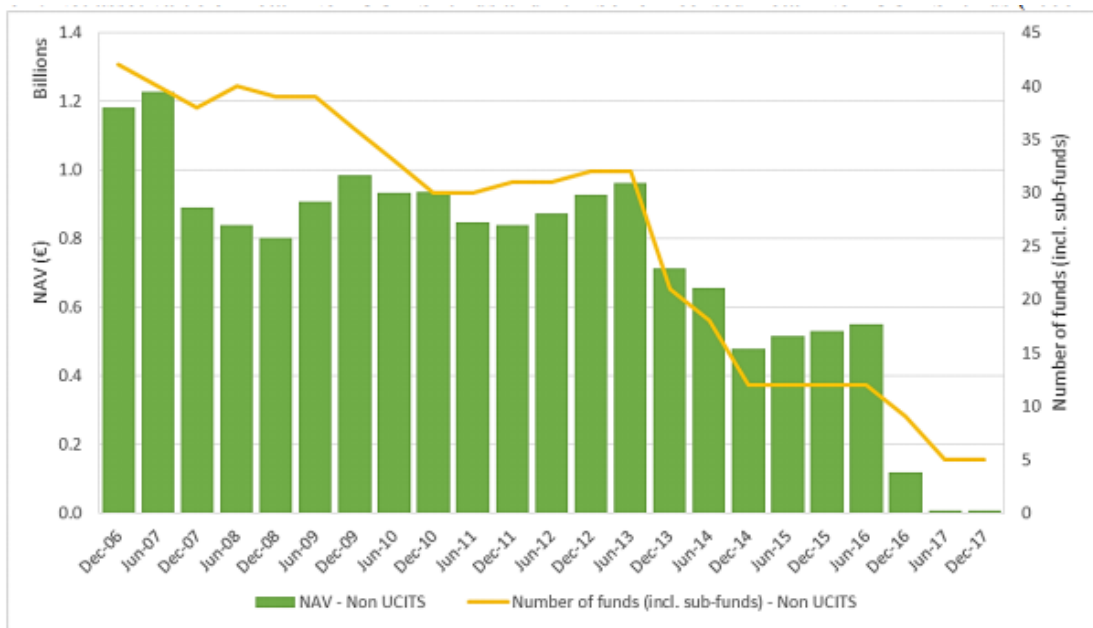
In 2017, Alternative Investment Funds continued to experience gains in net assets to record a net asset value of €3.33 billion at the end of 2017. This represents an increase of €1.13 billion when compared with the previous end year.



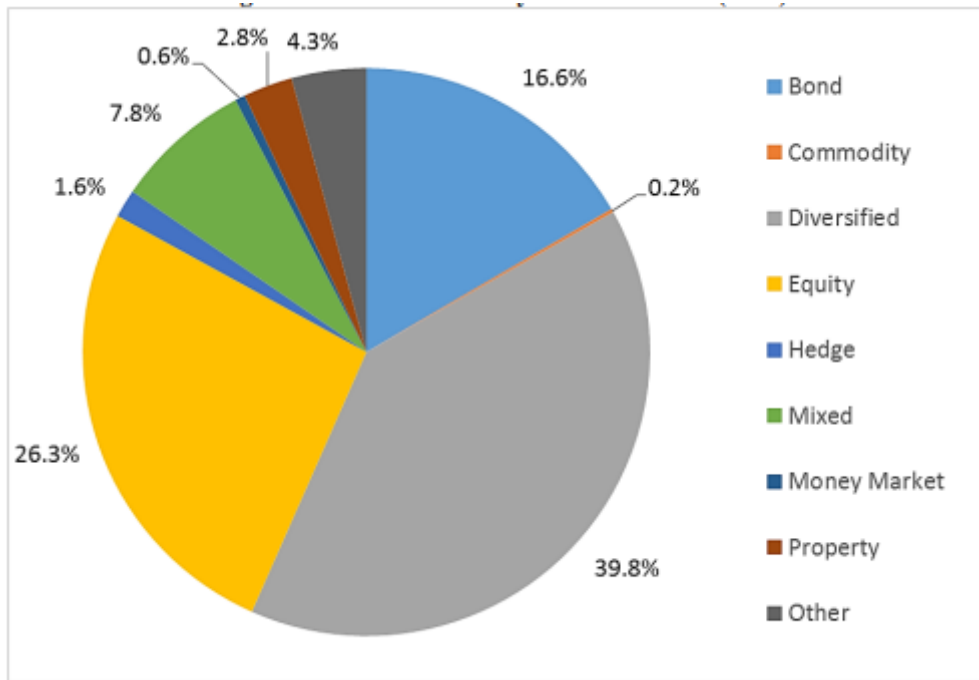
UCITS funds reported a net asset value of €2.71 billion at the end of 2017, an increase of €0.47 billion when compared with end 2016. The next figure presents the net asset value and the number of licensed UCITS funds for the period 2006 – 2017.



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 2017 with an aggregate net asset value of €0.01 billion, down by €0.11 billion when compared to the previous end year.



Diversified funds had the largest share with almost 40 percent (or €4.3 billion) of the total December 2017 NAV. Equity funds and bond funds followed with a share of 26 percent (or €2.85 billion) and almost 17 percent (or €1.79 billion) respectively. Mixed funds had a share of almost eight percent (or €0.84 billion) at the end of 2017. The next figure presents the net asset value of Malta domiciled funds by asset category as at end 2017.



Source: EFAMA & MFS



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