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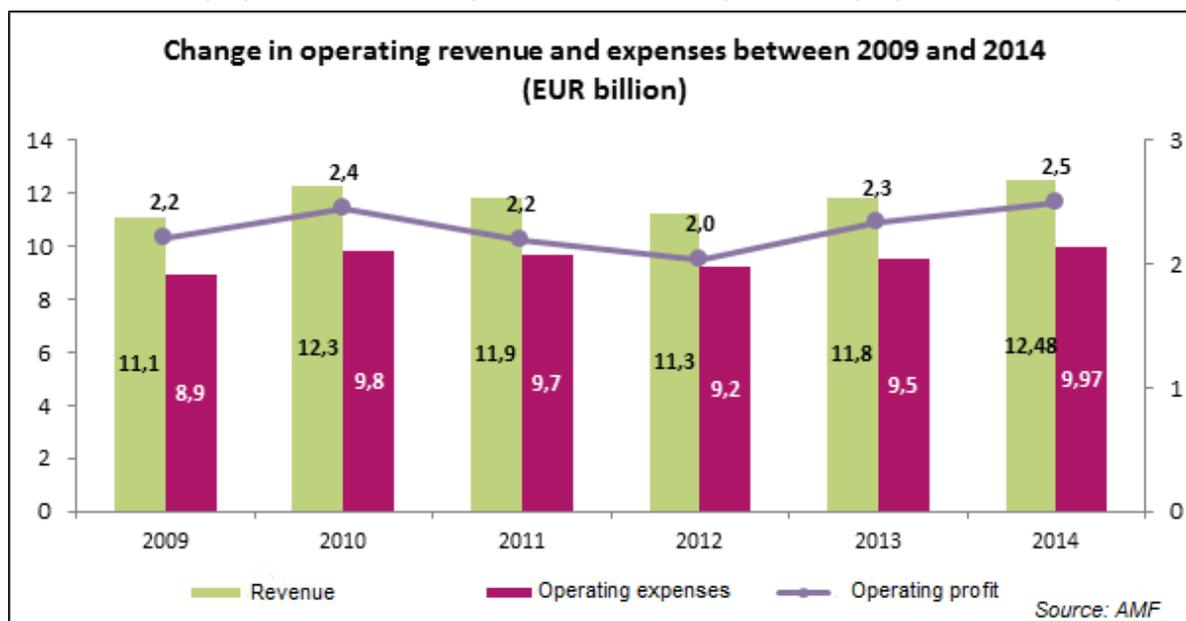
11 January 2016

Key figures for asset management in 2014 - Management company financial data and profitability

French asset management industry turnover rose once again in 2014. Higher operating revenue offset the more moderate increase in operating expenses, resulting in operating profit of EUR 2.5 billion. Overall operating margin in the sector rose to 20.1%. Asset management companies therefore appear to be on sounder financial footing than in the past. This report presents an overview of firms' financial data and profitability in 2014.

Higher operating profit in 2014

Asset management companies' turnover was EUR 12,477 million at end-2014, representing a EUR 639 million increase (up 5.4%) from end-2013. Expenses rose 4.9% to EUR 9,975 million. Operating profit rose 7.4% year on year to EUR 2.5 billion on the back of the combined change in operating revenue and expenses.



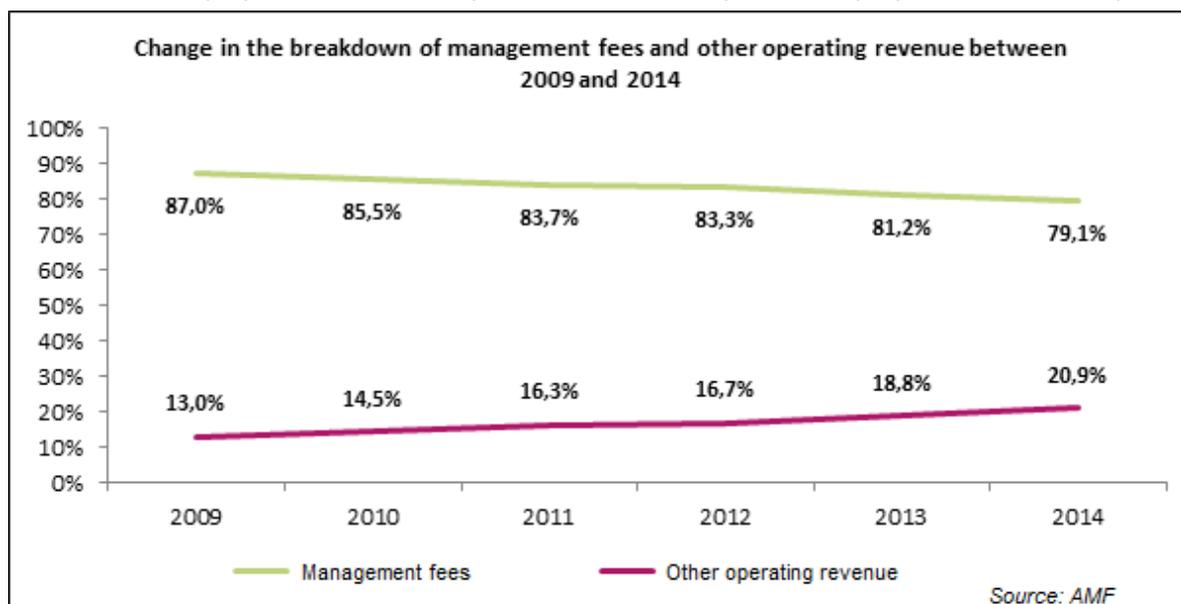
A closer analysis of the change in operating revenue and expenses highlights the various items that contributed to turnover growth in 2014. Given the significant increase in assets under investment management, the fees generated by this business accounted for 43.1% of the rise in operating revenue. However, these fees (up 3.1%) grew at a much slower pace than assets under investment management (up 23.7%, or 10.5% adjusted for the contribution from securitisation).

Ancillary revenue, incidental revenue and other revenue also boosted operating revenue over the same period, rising by 21.3%, 19.6%, and 18.3%, respectively. Conversely, discretionary management fees contributed negatively to growth (down 2.2%⁽¹⁾), having decreased from EUR 792.6 million to EUR 778.7 million between 2013 and 2014 despite the EUR 109 billion increase in assets under discretionary management compared with 2013.

Breakdown of operating revenue

Management fees account for the largest share

In six years, the proportion of management fees within total operating revenue has fallen by 7.9 percentage points. The trend nevertheless remains in place: fees — 92% of which were from investment management and 8% from discretionary management — continued to represent the largest share of asset management companies' operating revenue in 2014 (79.1%).



The change in management fees was a reflection of the client base, product mix, asset volumes and asset classes of the funds under management. But the fee rate (excluding performance fees) also varied by ownership structure.

Investment management fees represented 72.9% of firms' operating revenue. In collective management, firms such as subsidiaries of credit institutions and insurance and mutual companies indicated relatively low fee rates (excluding performance fees) of 0.38% and 0.43%, respectively. Entities with ties to subsidiaries of credit institutions accounted for 60.3% of assets, which generated 51.6% of all investment management fees.

Furthermore, boutique investment firms and investment services providers charged higher fee rates (1.39% and 0.77%, respectively). Management companies owned by natural persons thus held 6.6% of gross assets under management but accounted for 29.9% of investment management fees. This can reasonably be attributed to the nature of the assets managed by these management companies.

In 2014, discretionary management fees accounted for 6.2% of total operating revenue, a 0.3-percentage-point decrease relative to 2013.

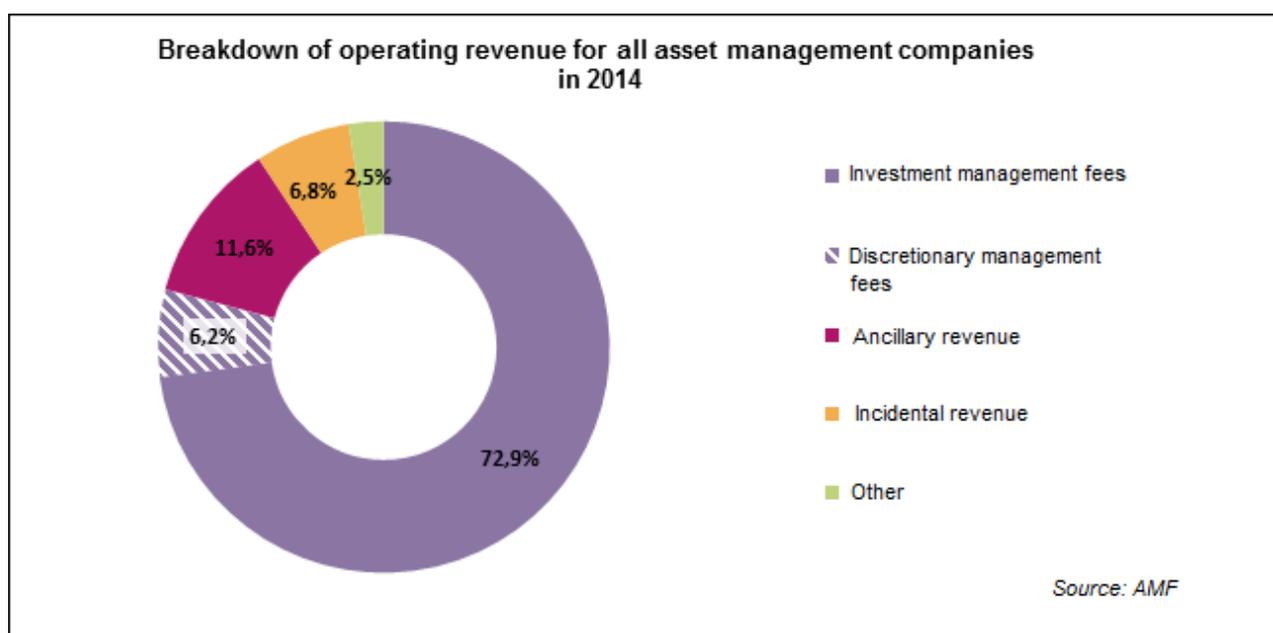
The fee rates (excluding performance fees) for discretionary management charged by insurance and mutual company subsidiaries and credit institutions (0.05% and 0.04%, respectively) have been stable over time and are far below those of boutique management companies (0.21%) and investment services providers (0.4%). The return differential has nonetheless tended to narrow since 2012.

Boutique firms are generally small in size and provide highly personalised private management and a product mix that offers higher returns than that of insurance and mutual companies and subsidiaries of credit institutions. The assets managed by the latter consist primarily of the general assets of their shareholder, and they generally charge lower rates but on very large amounts.

Fee rates for discretionary management by ownership structure between 2011 and 2014

	2011	2012	2013	2014
Natural persons and other	0.54%	0.50%	0.52%	0.40%
Investment services providers	0.39%	0.39%	0.26%	0.21%
Insurance and mutual companies	0.05%	0.06%	0.05%	0.05%
Credit institutions	0.06%	0.05%	0.05%	0.04%
Companies governed by public law	0.02%	0.01%	0.02%	0.01%

Source: AMF



The balance of the operating revenue is split between ancillary revenue⁽²⁾ (11.6%), incidental revenue⁽³⁾ (6.8%) and other revenue⁽⁴⁾.

Other revenue consists of provision reversals, expense transfers and operating subsidies. (2.5%).

Between 2009 and 2014, the amount of incidental revenue more than doubled from EUR 409 million to EUR 852 million. This was the largest increase in growth, all revenues combined (up 108.3% relative to 2009), driven mainly by subsidiaries of credit institutions and boutique management companies.

In 2014, incidental revenue consisted mostly of revenue from activities associated with investment advisory services (38.2%) and the marketing of collective investment schemes (26.3%) and of other revenue not related to the portfolio business (27.3%). A breakdown of incidental revenue items highlights their different contributions to turnover and specialisations by shareholder structure. Boutique asset management companies generated 53.8% of all incidental revenue in 2014. They specialise in investment advisory services as they accounted for 73% of revenue associated with this business (EUR 233 million), which represented 6.2% of their operating revenue. Subsidiaries of credit institutions, which accounted for 34.6% of incidental revenue, are more focused on the marketing of collective investment schemes, which represented 39% of what is considered incidental revenue (EUR 115 million).

A rise in ancillary revenue from the asset management business

The ratio of the main fees charged, excluding management fees (which are turnover fees and trailer fees on collective investment schemes), to asset management companies' turnover has risen in the last two years but these fees remain fairly insignificant relative to asset management companies' revenues. After a post-crisis decrease between 2010 and 2012, this ratio regained 0.9 percentage point between 2012 and 2014 to reach 6.8% of asset management industry turnover. This is true for both turnover fees and trailer fees on collective investment schemes, which grew at a much faster pace than sector turnover (up 10.8% from 2012), at 27% and 33%, respectively, between 2012 and 2014.

Breakdown of fees charged excluding management fees by ownership structure in 2014

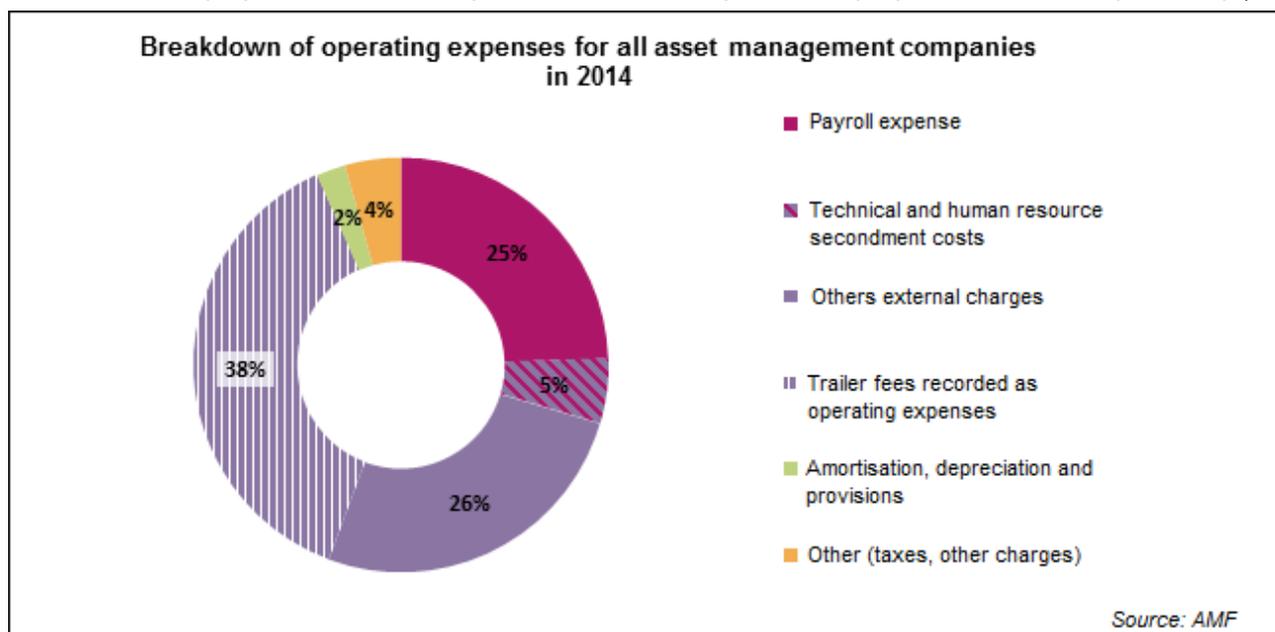
(EUR million)	Natural persons	Credit institutions	Insurance and mutual companies	Other	Total
Share of turnover fees	231.3	273.6	31.5	24.2	560.6
Share of UCITS/AIF subscription and redemption fees	91.9	106.4	14.1	56.4	268.8
Share of UCITS/AIF trailer fees	15.7	251.7	26.3	2.8	296.5
Other ancillary revenue related to the asset management business	80.6	152.4	66.4	16.5	315.9
Total ancillary revenue	419.4	784.1	138.3	99.8	1,441.8

Source: AMF

Change in operating expenses in the asset management sector

The composition of operating expenses has remained stable

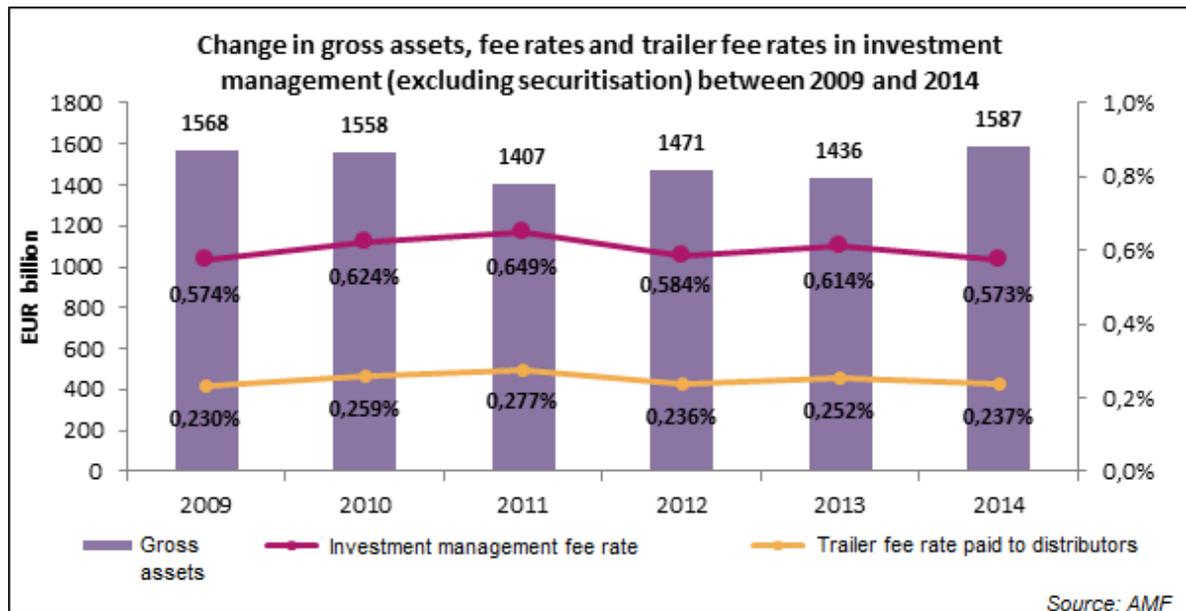
The breakdown of operating expense items in 2014 was similar to the trend in previous years and remained stable.



In 2014, operating expenses rose 4.9% year on year to EUR 9,975 million. This increase reflected an across-the-board rise in expense items. The largest contributors to higher operating expenses were external charges (56.7%), chiefly trailer fees recorded as operating expenses (29.6%), and payroll expense (34.5%). Payroll expense accounted for an additional percentage point in the breakdown of expense items. This can reasonably be attributed to the sector's growing workforce (up 3.2% from 2013) and the overall rise in team compensation (up 4.5%), in particular for companies that managed more than EUR 1 billion in assets in 2014 (up 7%), as well as to the inclusion of real estate investment companies (SCPIs) and securitisation vehicle management companies. Within external charges, technical and human resource secondment costs rose at the fastest pace (up 10.5% year on year). This increase can be attributed to the growth in staff available intragroup (up 3.2% year on year).

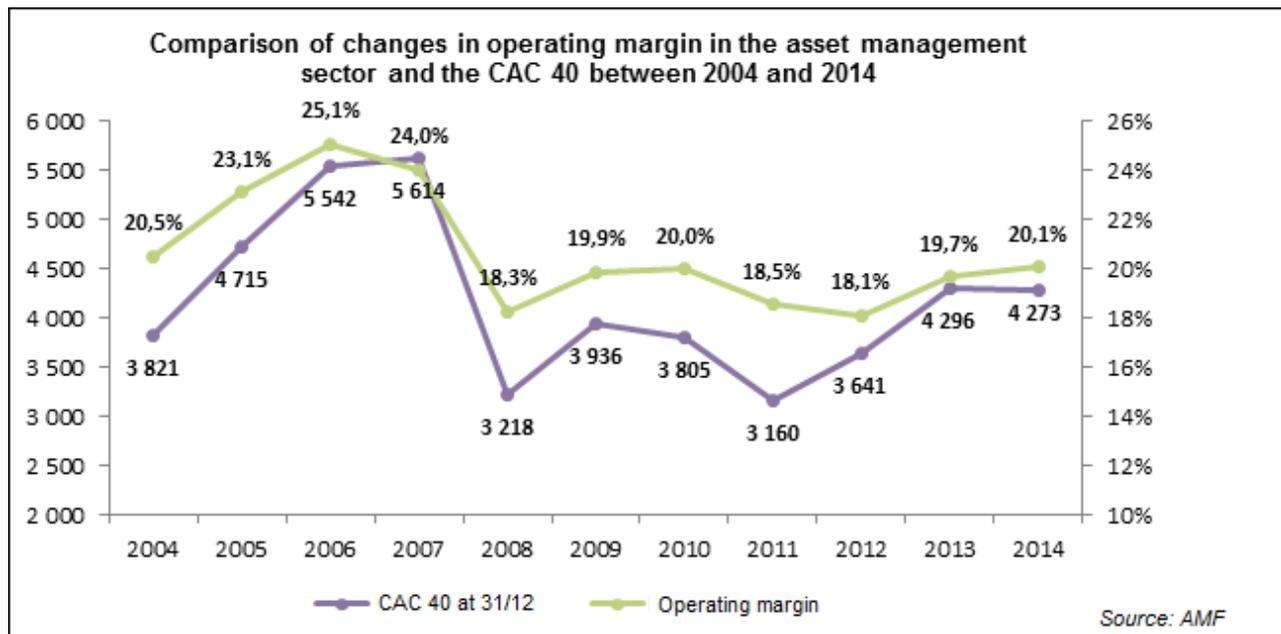
Trailer fees paid to distributors of investment management vehicles

The change in the investment management trailer fee rate should be viewed in the context of the fee rate. This comparison makes it possible to assess a significant proportion of turnover. Since 2011, the amount of trailer fees relative to assets under investment management has trended down. However, the spread between the two rates has narrowed, notably in 2014, and in relative terms is in line with the spread in 2009.



Higher profitability coupled with asset management companies' greater financial strength

The chart below illustrates the change in the overall operating margin⁽⁵⁾ of Paris financial centre firms. In 2014, Paris financial centre operating margin began to rise (up 0.4 percentage point) and ended the year at 20.1%. Growth in turnover (up 5.4%) offset the slower rise in operating expenses (up 4.9%).



Profitability varies based on the fund manager's ownership interest. On average, insurance and mutual companies (18.3%) and management companies that are subsidiaries of credit

institutions (18.1%) outstripped companies owned by natural persons (11.1%), companies governed by public law (8.1%) and investment services providers (3.8%).

However, the average does not, in and of itself, reflect profitability by type of ownership structure. For example, there are wide variations in the sample of the profitability of entities owned by natural persons. While 10% of them have a margin of less than -13.5% — due primarily to difficulties in raising significant assets — 40% have a margin of more than 17.8%.

Profitability of management companies by ownership structure and decile

	Insurance and mutual companies	Credit institutions	Public institutions	Natural persons	Investment services providers	Total
9th decile	37.4%(*)	46.2%	29.0%	45.2%	30.2%	43.7%
8th decile	31.1%	36.1%	22.3%	31.3%	21.3%	31.8%
7th decile	25.9%	30.0%	16.8%	24.1%	11.6%	24.3%
6th decile	17.4%	23.7%	14.0%	17.8%	9.4%	18.4%
5th decile	16.1%	19.0%	11.4%	13.1%	7.9%	13.6%
4th decile	13.5%	15.3%	8.9%	9.1%	4.1%	9.5%
3rd decile	10.0%	9.3%	2.7%	5.3%	3.0%	5.6%
2nd decile	8.3%	3.6%	-3.4%	0.2%	0.0%	1.0%
1st decile	4.0%	-2.7%	-8.1%	-13.5%	-9.9%	-9.5%

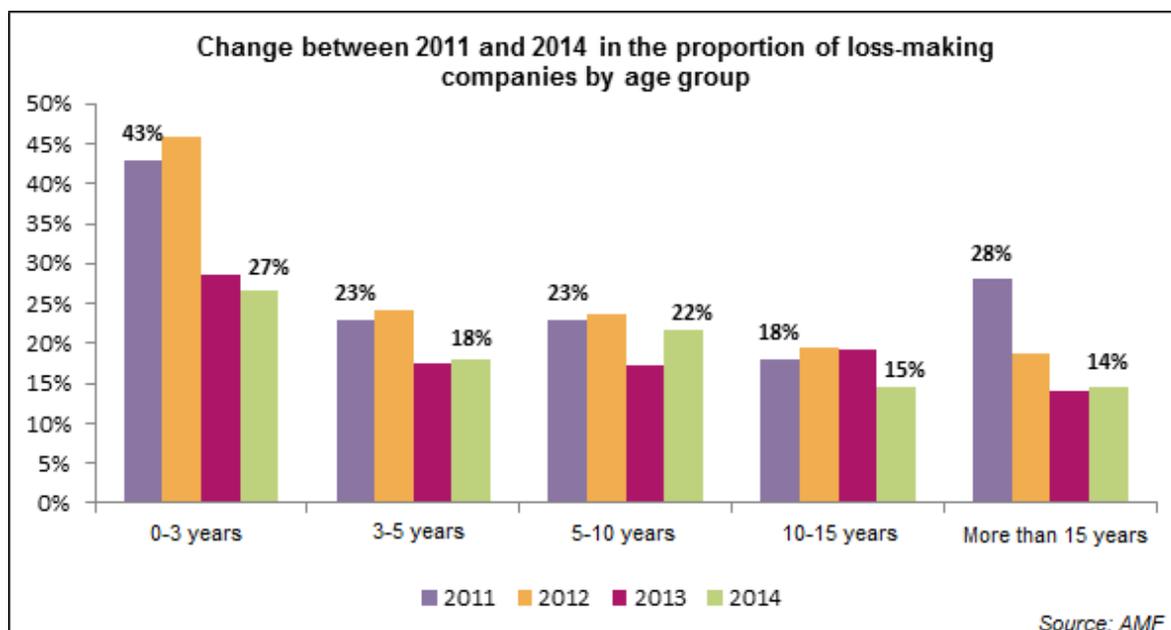
Source: AMF

(*) For example, this data point can be understood as follows: 10% (or 90%) of insurance and mutual companies have an operating margin of more than (or less than) 37.4%.

In general, companies with a negative margin are small entities having difficulty raising assets or starting up their business. A number of medium-sized companies are nevertheless represented, as their heavy operating cost structure shrinks their margins.

The financial strength of asset management companies is also improving. The share of companies reporting an operating loss fell by 6.8 percentage points, from 25.3% to 18.5%, between 2011 and 2014. While one might have expected the most troubled firms in the sector to have fallen victim to the financial crisis — which would have automatically reduced the number of loss-making management companies — the growing number of new firms (a 23.1% rise in authorisations issued relative to 2011) should not be overlooked. The combination of the market recovery and the AMF's heightened attention to the soundness of the business plans of first-time recipients of authorisations has further reduced the rate of newly authorised management companies reporting an operating loss (down 2

percentage points from 2013). This rate was 27% at the end of 2014; boutique management companies continued to be overrepresented within this category (80%).

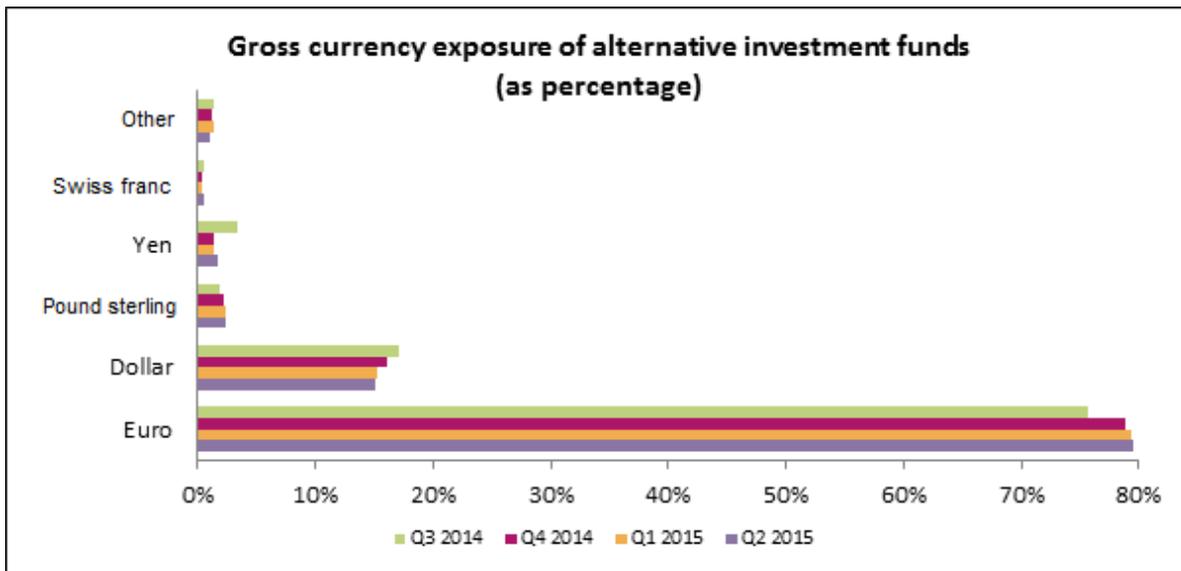


An analysis by asset management company ownership structure points to sharp differences by firm. Almost three out of four (72.5%) loss-making management companies are boutique firms, 11.3% are subsidiaries of credit institutions, and 9.2% are investment services providers.

Additionally, the number of management companies with financial debt decreased from 217 to 207 between 2012 and 2014. At the same time, the total amount of financial debt fell by 33.7% to EUR 216 million relative to 2012.

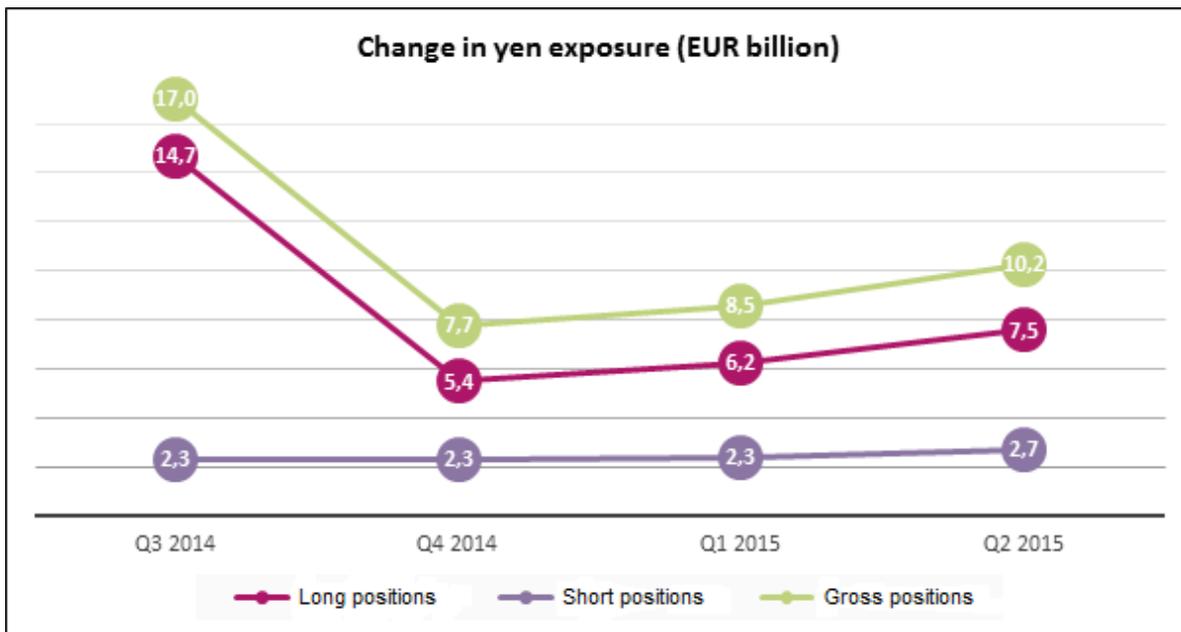
Focus on... AIFM reporting – AIF currency exposure

The data from AIFM reporting highlights the lasting dominance of the European currency in European AIF portfolios.



Source: AIFM reports received by the AMF in October 2014 and in January, April and July 2015

Despite this overall stability, each currency has recently fluctuated to varying degrees. When the data are extracted, they show a significant decline in AIFs' exposure to the Japanese currency in the last quarter of 2014. From about EUR 17 billion in assets in third-quarter 2014, yen exposure shrank to less than EUR 8 billion in the following quarter. The value of long positions fell precipitously, likely reflecting the sharp drop in the yen in the last quarter of 2014. As a reminder, the Japanese currency, which was trading at 135.9Y/€ on 15 October 2014, traded at 149.3Y/€ on 6 December 2014.



Source: AIFM reports received by the AMF in October 2014 and in January, April and July 2015.

Source

As part of its monitoring of the asset management sector, the AMF collects annual

information forms from asset management companies (AMCs). These forms contain quantitative information about the assets managed and about the revenue and expenses associated with asset management in France. This information enables the Authorisation and Monitoring Department of the AMF's Asset Management Directorate to perform analyses. Since the AIFM Directive entered into force in July 2013, European AIF managers have also been subject to a new reporting requirement. The information gathered mainly concerns the portfolios' exposure to different types of risks and is collected on a quarterly, semi-annual and/or annual basis. Although every care is taken when compiling and processing the data, due to the late receipt of some of the forms and possible data entry errors, the analyses may nevertheless contain inaccuracies.

Key figures for asset management in 2014

Each year, the AMF publishes a series of five articles entitled "Key figures for asset management". These publications are available from the Publications > Reports, research & analysis > Savings & services providers page on the AMF's website. The key figures cover the following topics: the landscape for management companies, their profiles, assets under management, financial data and, lastly, the control mechanism. A compilation of these five publications, plus additional data and tables, is published at a later date.

Notes

- 1 • Rate obtained by taking the ratio between the 2013-2014 change in discretionary management fees and the change in operating revenue.
- 2 • This consists of collective investment scheme turnover fees, subscription and redemption fees charged, and trailer fees on collective investment schemes (fees that the management company charges in the course of its business, when its clients' portfolios are invested in collective investment schemes managed by another company).
- 3 • This includes fees charged for activities relating to advisory services, marketing of collective investment schemes, order receipt and transmission, management of unit-linked arbitrage mandates and venture capital funds.
- 4 • Other revenue consists of provision reversals, expense transfers and operating subsidies.
- 5 • The operating margin (or profitability) of asset management companies is calculated as the ratio of operating profit to revenue.

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