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## Key figures for asset management in 2017: profile of management companies

**The French asset management industry has seen sustained growth and continues to offer professional opportunities in a slightly more favourable European environment despite the numerous instances of geopolitical tensions during 2017. The dynamism in the sector stems primarily from the increase in the number of new boutique firms created. This report focuses on the profile of management companies.**

With an annual average growth rate of 3.5% since 2013, the workforce figures reported by asset management companies<sup>(1)</sup> represented to 17,214 people as at 31 December 2017.

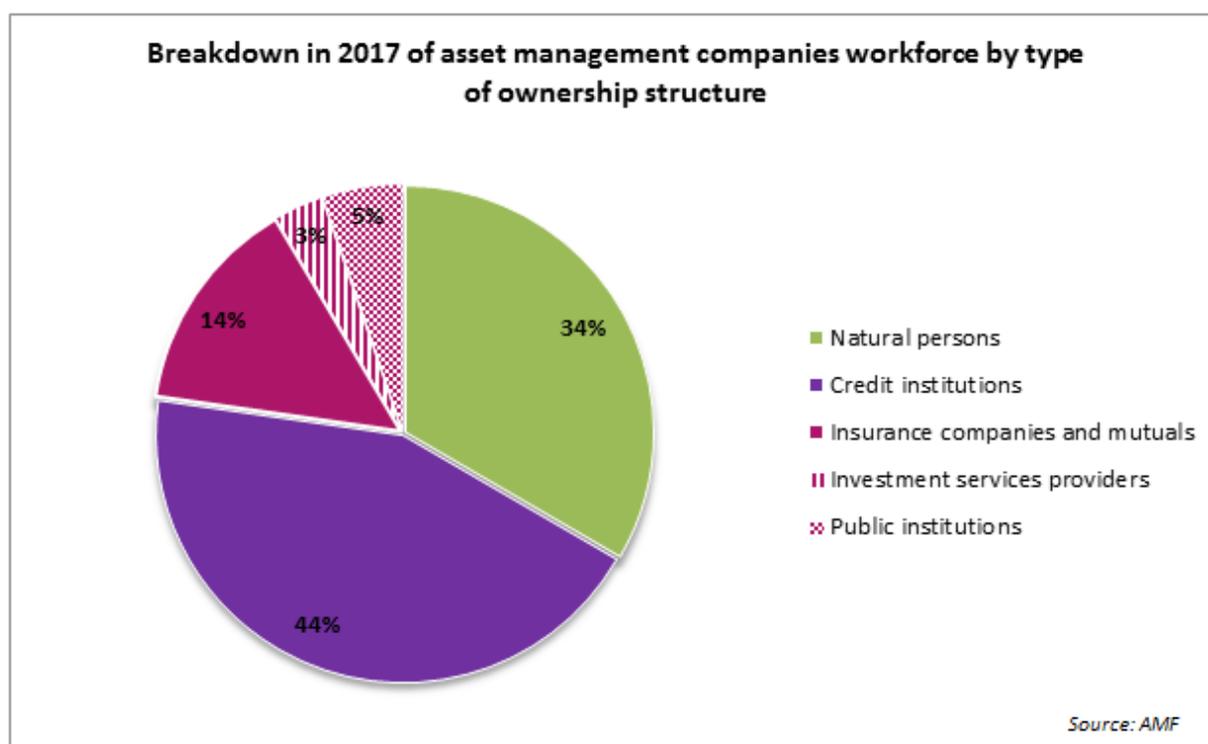
Workforces increasing steadily: 17,214 direct jobs in 2017

As at 31 December 2017, French asset management companies reported 17,214 employees (including those on secondment or assignment), representing an increase of 4.5% compared with 2016. This increase can be explained by the marked rise in staff who are not financial managers (5.3% vs. 2.1% for financial managers). Thus, although the number of financial managers has not decreased, or only decreased a little, the proportion of these managers among the total workforce has continued to drop gradually since 2013 (-6.6% over the last four years) to settle at 26% at the end of 2017. In fact, to meet the increasing regulatory requirements, in recent years we have seen an increase in human resources dedicated to

support roles within the asset management companies, and principally those allocated to internal control and compliance, especially within the larger groups.

Note that half (49.5%) of employees in the sector and 40.3% of managers are concentrated within the 30 largest asset management companies in terms of workforce numbers, while these companies only represent 5% of the total number of AMCs. The trend in the asset management industry is thus moving towards a concentration of its workforce.

However, a large number (71.9%) of asset management companies have a workforce of less than 20 staff. This concerns the majority of boutique firms, most of which outsource a significant share of their support functions and focus primarily on their core business (financial management), which explains the higher proportion of managers in their workforce (36% on average).



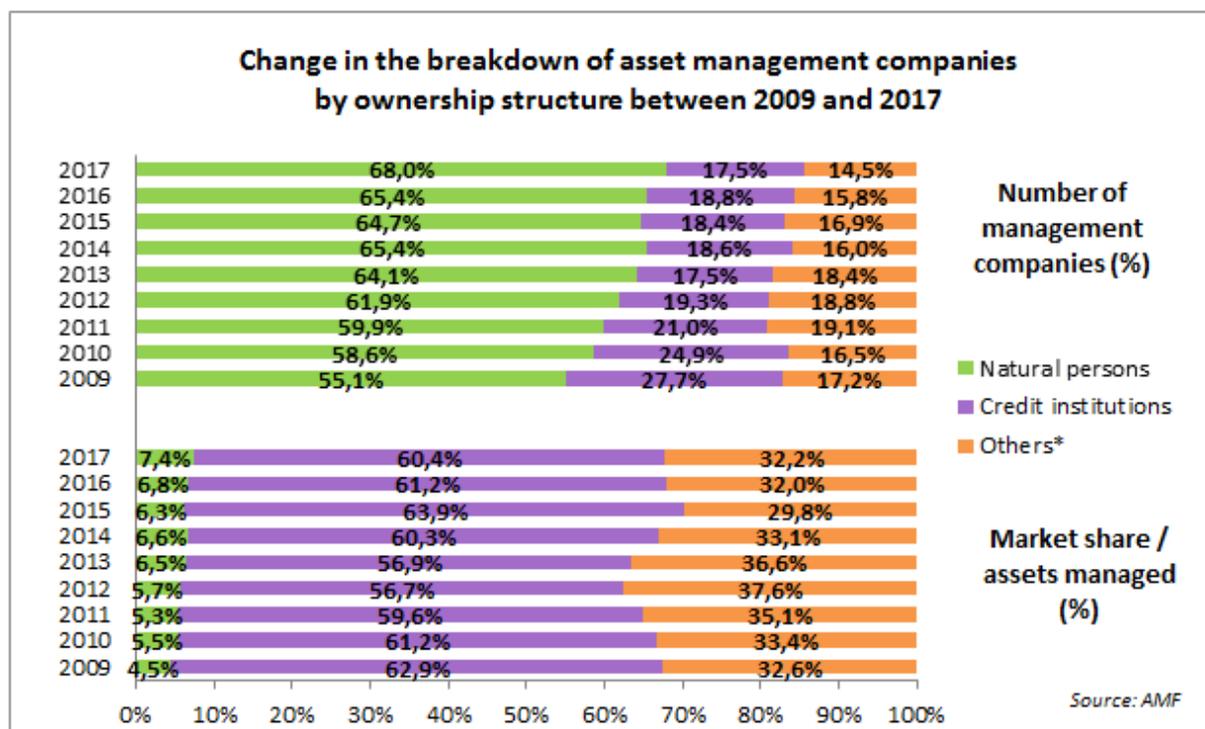
When looking more closely at the breakdown of jobs in the asset management industry, a trend emerges over the last three years. Boutique asset management companies represent an increasing share of the workforce (+3% per year in the total workforce). Subsidiaries of credit institutions, although they are still in the lead in terms of numbers of staff with 7,555 jobs in 2017, their share in the total workforce has dropped by 2.2% on average since 2014. "Others"<sup>(2)</sup>.

The "Others" category includes subsidiaries of insurance companies and mutuals, investment services providers and public-law companies in terms of management companies have relatively stable numbers of staff with an annual average variation of 0.2% over the same period.

## Focus on distribution and market share of asset management companies

A great many different profiles exist within the asset management sector, and multiple trends can be seen: boutique companies developing niche strategies, subsidiaries of large full-service credit institutions, subsidiaries of insurance companies and mutuals that specialise in discretionary management, subsidiaries of investment services providers, and public-law companies. This report focuses on the market share in terms of number, then in terms of assets managed by the different operators in the French asset management industry.

### Breakdown



\*The "Others" category includes insurance and mutual companies, investment services providers and public-law companies.

Boutique companies<sup>(3)</sup> represent more than 2/3 of asset management companies in France. This is also the category that has seen the greatest rate of growth between 2016 and 2017 (3.4%). Apart from a slight drop in 2015, the share of these boutique structures has risen steadily with an annual average increase of 4% since 2009.

The French asset management industry is therefore unique in that there is a strong culture of entrepreneurship, with these types of firm primarily operating in private banking, alternative investment, multi-management, real estate, or private equity. Thanks to

developments in technology, they are also positioned in quantitative management, on niche markets intended for professional investors.

At the end of 2017, the proportion of asset management companies owned by credit institutions had dropped slightly compared with 2016 (-1.3 percentage points) to settle at 17.5%. This figure has been relatively stable, however, over the last four years (around 18%). This balance can be explained by the fact that since the end of the banking and financial crisis, these companies have implemented a strategy of reorganisation and consolidation by merging and combining their asset management activities and/or by merging entities within the same group.

With a drop of 8.6% in numbers compared with 2016, the "Others" category, which includes management companies that are subsidiaries of insurance companies and mutuals (37.7%), subsidiaries of investment services providers (48.2%) and public-law companies (14.1%) only represents 14.5% of the total number of asset management companies. This drop is most noticeable in the number of subsidiaries of investment services providers and subsidiaries of insurance companies and mutuals. Looking more closely at the period between 2016 and 2017, note both the 8.6% drop in the number of subsidiaries of insurance companies and mutuals, and the 10.9% drop in subsidiaries of investment services providers. The first category represents only 5.5% of the total population and the second only 7%. The number of public-law asset management companies remained stable. These companies represent the lowest share of the total population, however (2%).

#### Market share

As at the end of 2017, boutique firms managed €286 billion, with their market share in terms of assets under management gaining 14.8% compared with 2016. Since 2009, we have seen an average increase of 10.7% per year. This level of growth, which is in line with previous years, confirms the entrepreneurial trend in the French asset management

industry with increasing numbers of former employees of large financial groups seeking to turn their networks and their expertise to profit.

The market share of subsidiaries of credit institutions in terms of assets under management also increased, although to a lesser extent in proportion. This proportion has increased since 2013, from 57% to 60.4% of the total market share of assets under management. Note, however, the high level of concentration of assets within this category, with the five largest asset management subsidiaries of credit institutions holding 65% of the assets managed by this category of firm.

In the "Others" category, asset management subsidiaries of insurance companies and mutuals managed €967 billion, or 25.2% of assets under management. Although they have lost some market share since 2013, these market participants remain the second-largest in terms of assets under management, after credit institutions. Note, however, that they principally manage the assets of their parent companies. We have seen a slight increase of 2.6% in assets under management between 2016 and 2017.

Public-law companies have experienced a steady increase in assets under management since 2013. As at the end of 2017, they managed €251 billion, representing a rise of 14.1% in assets under management compared with 2016 and 13.6% on average per year since 2013. Their market share amounted to 6.6% in 2017.

Finally, with an increase of 29.1%, which is due essentially to the change in status of two asset management companies to become investment services providers, these operators have the lowest number of assets under management (0.4% of the market share of assets managed).

Focus on years in operation of asset management companies

Despite the fact that the asset management industry is well-established in France, the asset management companies themselves are relatively young: nearly half of them have been in existence in legal terms for less than ten years and more than a quarter were created only less than five years ago. The average age of asset management companies in 2017 was around 11 years.

*Note: Years in operation for real estate investment companies (SCPI) and securitisation management companies were counted from their date of creation and not their date of authorisation as asset management companies once they fell within the scope of the AIFM directive. Moreover, these data do not systematically integrate the real age of the asset management companies, with this age not being taken into account in legal transformations and restructures, particularly within large groups.*

Logically, it generally follows that the more years an asset management company has been in operation, the greater the volume of its assets under management. However, depending on the type of ownership structure, the change in median asset levels occurs at different rates (see table 3).

Unsurprisingly, the highest median level of assets under management is that of asset management subsidiaries of credit institutions, and especially for those that have been in operation for more than ten years. This type of player is generally backed by a large banking or financial group, and therefore benefits from a wider distribution network.

Two different profiles exist within this category of ownership structure. The first consists of the leaders in terms of market share, which are among the most mature operators in the industry. The second profile is that of subsidiaries of medium-sized credit institutions that have been in operation for more than 15 years, manage almost as many assets as the leaders and are continuing to develop at an international level, while at the same time specialising in different sectors. These medium-sized firms are thus challenging the leaders in terms of market share. However, the standard deviation analysis<sup>(4)</sup> (see table 4) of the market participants in this category with more than ten years in operation shows a strong disparity between the largest firms and those of a more medium size.

This denotes a high level of competition within the business, and a concentration of assets around a few large funds and market participants.

Within the category of boutique asset management companies, we can distinguish between two categories. With an average age of nearly five years, we can identify recently established boutique firms that specialise in niche, and often innovative, strategies. The ability of these companies to collect and maintain sufficient assets under management while they build their reputation is the biggest issue for them in terms of durability. Finally, the second category consists of firms that have been in operation for about ten years on average and that hold a larger volume of assets. The size of these assets under management enables these management companies in the second category to raise more funds, backed by institutional investors who are no longer constrained by the limits that may restrict smaller funds.

## Notes

- 1 • Within the scope of observation, the following have been excluded from the list of 630 asset management companies existing as at 31/12/2017: - companies whose authorisations are being withdrawn or that are undergoing liquidation; - companies closing their books before 30 June 2017 with respect to the 2017 financial year; - newly authorised companies, which will close the books for their first financial year during 2018; - companies absorbed by another asset management company during the 2017 financial year.
- 2 • The “Others” category includes subsidiaries of insurance companies and mutuals, investment services providers and public-law companies
- 3 • A company owned directly or indirectly (via a holding company) by natural persons.
- 4 • It measures the dispersion around the average of these data. The greater the dispersion of data around the average, the greater the average.

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