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The AMF publishes a study on the characteristics of Alternative Investment Funds (AIFs) managed by French management companies: exposure, liquidity risk and leverage employed

Based on the declarations made pursuant to the Directive on Alternative Investment Fund Managers (AIFM), the AMF provides an insight for the first time into the market of AIFs that are subject to reporting in France. There are 5,168 such AIFs, representing €688 billion in net assets at the end of 2017 and €915 billion in exposure.

The AIFM Directive was adopted in June 2011 and provides a harmonised supervisory framework for all managers throughout the European Union, as well as enhancing their transparency, securing the investments as well as supervising and limiting systemic risks. The reporting requirements in the Directive are central to risk monitoring and supervision of AIFs. The managers must disclose detailed information to the national authorities on their investments and investors, notably their principal exposures, their liquidity risk and the liquidity management tools employed, or their level of leverage.

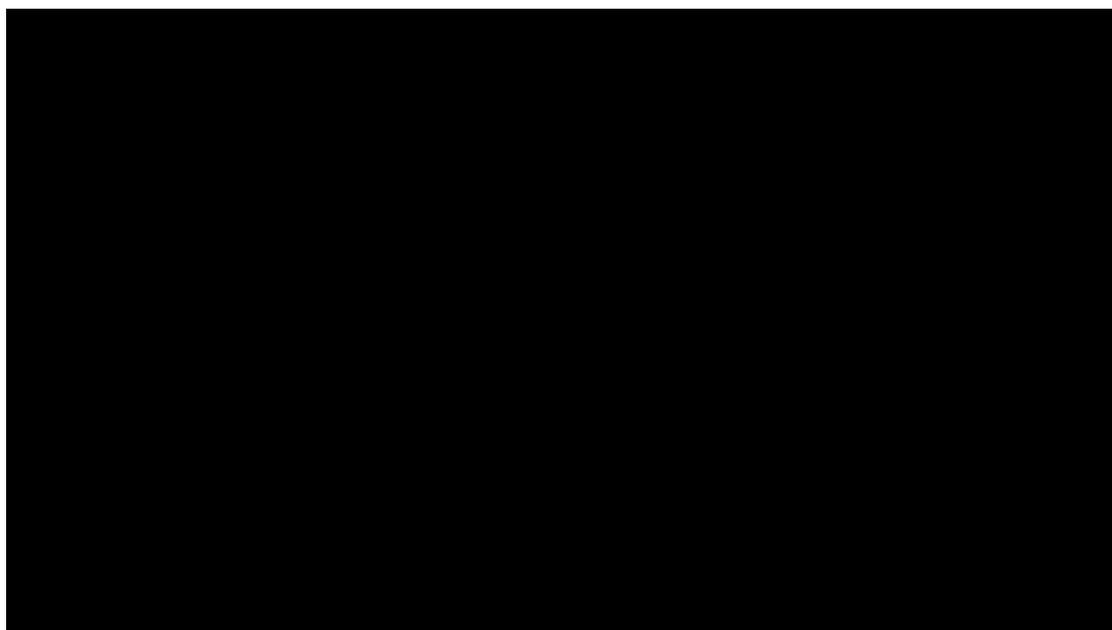
The AMF study was conducted on the basis of AIFM reporting through to the end of 2017 and other data at the disposal of the regulator, and it notes the following trends:

- hedge funds represent a small proportion of the AIFs subject to reporting in France (0.6% of total net assets). Most of the AIFs have similar characteristics to those of more

traditional, lower-risk funds: 59% of total net assets are made up of equity, bond or diversified funds;

- the portfolios are sufficiently liquid to cope with investor redemption frequencies in normal market conditions. With the exception of real estate and private equity funds, whose assets are held on a long-term basis, the AIFs can liquidate the majority of their assets within one day or less;
- leverage levels are in line with the investment strategies employed, on the whole;
- exposures are consistent with the strategies of the AIFs: for real estate funds, 71% of their exposure is to physical assets, for private equity funds 85% to securities, for funds of funds 58% to collective investment undertakings, and "other" strategy funds 60% to Securities.

Aside from these trends, the study shows the limits of the reporting based on the Directive. Concerning the types of AIFs, it would appear that the majority of funds do not recognise themselves among the principal strategies proposed by the reporting, which prevents the funds being classified correctly. AIFM reporting is also based largely on variables that are optional, making their statistical processing difficult. The amount of data collected and work required to enhance its quality highlight the room for improvement that exists in the use of this reporting. Future editions of this panorama may therefore include more risk indicators or supervision tools, better data coverage or possible revisions.



About the AMF

The AMF is an independent public authority responsible for ensuring that savings invested in financial products are protected and that investors are provided with adequate information. The AMF also supervises the orderly operations of markets. Visit our website <https://www.amf-france.org>

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- ✎ First results from AIFM reporting
- ✎ Video – 2min to understand the study on the characteristics of AIFs

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