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Key figures for asset management in 2018 - Investment management company assets under management

After a steady increase in assets under management since 2013, the French asset management sector came up against unfavourable stock markets, an increase in the volatility index and lower key rates in 2018. Nevertheless, the impact of this context varied according to the type of instrument, product or assets managed. This report presents an overview of the volume and nature of assets managed by portfolio asset management companies in 2018.

At the end of 2018, total assets⁽¹⁾ managed by portfolio asset management companies in France stood at €3,674 billion⁽²⁾, representing a net drop of 4.3% compared with 2017. Similarly, the assets under management of French products managed by portfolio asset management companies in France and the European Union fell by more than 10% to €1,471 billion⁽³⁾ at the end of 2018.

1. Change in assets managed by French portfolio asset management companies

With the unfavourable global market environment in 2018, total assets under management dropped by €164 billion compared with 2017. This decline interrupted the trend observed in recent years (a 35% increase in assets under management between 2013 and 2017) and represented a 4.3% drop in assets under management from their 2017 level.

The decline in the volume of assets under management in 2018 was the result of a drop in collective management as well as discretionary management.

We observe, on one hand, a drop in the proportion of assets under collective management of nearly €131 billion, or 5.9% in one year. Assets under management of Undertakings for Collective Investment in Transferable Securities (UCITS) managed by French portfolio asset management companies have dropped by nearly 2.5% since 2017 to €1,110 billion at the end of 2018. Assets managed by Alternative Investment Funds (AIF) amounted to €990 billion at 31 December 2018.

Likewise, assets managed under discretionary management also posted a €33 billion fall on 2017 and amounted to €1,573 billion at the end of 2018. The percentage of collective management remains in the majority, however, and represents 57.2% of total assets under management.

Conversely, assets of European Undertakings for Collective Investment (UCI) managed by French investment management companies rose from €372 billion in 2017 to €445 billion in 2018. These figures reflect an increase in the use of European passports that allow management companies that have obtained an authorisation from their domestic authority to conduct their business in the entire European Union or in certain signatory States of the European Economic Area agreement (EEA).

Table 1: Change in assets under management of French portfolio asset management companies between 2010 and 2018

**AIF as defined in III of Article L214-24 of the French Monetary and Financial Code (example: investment forest groupings (IFG), civil societies (SCI), etc.).*

***AIF not established in an EU Member State.*

2. Change in assets under management of French products managed by portfolio asset management companies in France and the European Union.

49% of assets managed by portfolio asset management companies operating in France and the European Union are AIF-type vehicles compared with 51% for UCITS, down two percentage points compared with 2017. This trend illustrates the prevalence in France of private equity and real estate projects. Of AIF-type UCIs, 51% of funds are open to retail investors and 49% are reserved for professional investors. The latter category includes

professional private equity investment funds (FPCI) and professional specialized investment funds (FPS). All UCIs are also distributed according to product ranges, for which we propose to analyse the trend of assets under management in greater detail in this report.

2.1. French collective investment undertakings

At €1,471 billion⁽⁴⁾ at 31 December 2018, total net assets managed by French collective investment undertakings, excluding securitisation, dropped 10.4% compared with 2017, whereas between 2011 and 2017, assets managed by French UCIs rose by an average of 5.7% per year.

At the end of 2018, nearly €191 billion were invested in open-ended investment companies (SICAV)⁽⁵⁾, compared with €985 billion in unit trusts (FCP)⁽⁶⁾, of which more than one third (nearly €393 billion) managed through AIFs. The balance of €295 billion is in other forms (for example, SLP and open-ended real-estate management companies (SPPICAV)).

This decline in the volume of assets under management concerns the majority of asset classes. The market context, with the return of volatility coupled with a slight pick-up of interest rates as well as transfers of French fund domiciliation abroad, are the main factors behind the downturn in assets under management of French UCIs.

2.1.1. Assets under management by equity UCIs

In 2018, the weak performance of equity markets had a very negative impact on the development and valuation of UCI assets under management. After rising by 9.8% in 2017, they dropped sharply (13.2%) in 2018. Assets under management by equity UCIs fell to €297 billion in 2018 against €342 billion in 2017, representing a loss of €45 billion during this period.

2.1.2. Assets under management by bond UCIs

After an economic acceleration at the beginning of 2018, fears of a breakdown of the bond market led to a dip in bond allocations. Assets under management by bond UCIs dropped by 12% to €261 billion at the end of 2018. This is because the ECB continued to apply an accommodative monetary policy of debt repurchases launched since 2015. Bond market performance also suffered from geopolitical risks related to a “hard Brexit” as well as trade tensions between China and the United States.

2.1.3. Assets under management by money-market UCIs

Assets under management by money-market UCIs also dropped (15.5%), reaching €352 billion at the end of 2018. This asset class continued to be affected by the environment of low interest rates and also by the entry into force of Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds (MMF Regulation)⁽²⁾. This regulation has led players to adjust their product ranges, in particular as a result of the prohibition of money market structures in the form of funds of funds and master/feeder funds, except in the case of employee savings schemes.

We also note that inflows are moving increasingly away from short-term money-market funds towards standard money-market funds with longer maturities, and play an essential role in financing the economy.

2.1.4. Assets under management by mixed UCIs

Assets under management by mixed UCIs recorded a drop of €40 billion, or 12.2% compared with 2017. They stood at €287 billion at 31 December 2018, which was the same level as in 2013.

2.1.5. Asset under management by formula and alternative funds

At 31 December 2018, assets managed by formula-based funds, which had been declining steadily since 2009, stood at €23 billion, a slight drop of 4.2% on 2017. We also note that since 2013, assets under management have practically dropped by half given that these funds have been directly affected by the continued low interest rates. The level of assets under management by alternative funds also dropped to €5 billion.

Table 2: Assets under management of French products managed by portfolio asset management companies in France and the European Union at the end of 2018

Funds that cannot be placed in any of the previous categories.The "Other AIF" category includes the following funds: retail private equity investment funds (FCPR), retail venture capital funds (FCPI), real estate undertakings for collective investment (OPCI), professional real estate collective investment undertakings (OPPCI), retail local investment fund (FIP), real estate investment company (SCPI) and funds invested in the company's listed and non-listed securities.*

2.2. Review of assets under management by fund typology

The review at the end of 2018 of net assets of UCIs per fund family shows substantial disparities, both in volume and number of funds. We observe that although the drop in assets under management affected all UCI typologies in 2018, it dropped more significantly for UCITS. Thus, by dropping from €874,349 million in 2017 to €757,614 million in 2018, this asset class recorded a loss of more than €170 million in assets under management. Assets under management by alternative investment funds also dropped, albeit to a smaller extent, although their volumes continued to increase, driven by the dynamism of capital investment, real estate or infrastructure and debt businesses.

Table 3: Change in French products managed by investment management companies in France and the European Union by fund typology between 2016 and 2018

3. Focus on the breakdown of assets under management: a concentration of assets under management

In 2018, the 20 leading portfolio asset management companies, representing 3.4% of the total population, concentrated 66.2% of total assets under management. We note that the market share of the top 5 and top 10 entities are 40.1% (a total of nearly €843 billion assets managed) and 52.1% (a total of nearly €1,094 billion assets managed).

Most of the first 20 entities consist of subsidiaries of credit institutions (75%), followed, in a smaller proportion, by subsidiaries of insurance and mutual companies (15 %).

We also note that nearly 10% of management companies manage more than €5 billion of assets under collective management.

The 200 smallest entities, representing 34% of all players, managed only 0.3% of assets in 2018. They are represented mostly by boutique firms (80%).

We observe that the concentration of the discretionary management market is much more pronounced than for the collective management market. The first 20 entities for discretionary management concentrate 91.9% of market share (nearly €1,487 billion of assets managed).

The ownership structure for discretionary management is not the same as for collective management. The top 20 entities are subsidiaries of insurance and mutual companies, which

account for 50% while credit institutions account for credit institutions.

We must also point out that less than one out of two asset management companies offer discretionary management to their clients.

4. Focus on discretionary management

The volume of total assets under discretionary management reached €1,573 billion in 2018, thus showing a €458 billion increase in 10 years.

When we analyse the breakdown of assets under individual management by type of ownership structure, we identify several types of investments:

- investments made in “in-house” UCIs, i.e. managed by the same management company or by a company of the same group;
- investments made in “third-party” UCIs, i.e. managed by third party management companies;
- investments made directly in securities.

In 2018, the percentage of assets under discretionary management, invested directly in securities, dropped slightly to 83%, i.e. €1,305 billion (compared with €1,313 billion in 2017). The percentage invested in “in-house” UCIs represented 10.7% of total assets under discretionary management, i.e. €168 billion. Lastly the percentage invested in “third-party” UCIs continued to represent the lowest proportion of assets (6.3%) and amounted to €99 billion, which is however an increase of €8 billion compared with 2017.

The chart above highlights two trends:

- subsidiaries of insurance companies or credit institutions manage significant volumes whether from general assets, in the case of insurance companies, or from major institutional mandates, which mainly comprise bond assets;
- the other structures, which mainly have a private management approach, have more diversified portfolios.

Furthermore, if we put into perspective ownership structure and client type, we can analyse the structure of the discretionary management market with regard to client categories (professional or retail).

5. Focus on the management of unit-linked discretionary management mandates

The number of companies that reported assets related to unit-linked discretionary management mandates rose slightly by 2.7% at 31 December 2018. In the same vein, assets managed by these companies rose significantly compared with 2017 (18%) at €18,841 million at the end of 2018, whereas the proportion of management companies reporting assets under discretionary management remained unchanged. The PACTE law⁽⁸⁾ has paved the way for a more flexible and attractive framework by introducing provisions that are intended to shift savings in France towards unit-linked products. To this end, for example, private individuals will now be able to invest their savings in unit-linked products such as professional real estate collective investment undertakings (OPPCI)⁽⁹⁾, which were initially intended solely for professional investors.

Boutique management firms are the largest group of this activity. 74.1% of investment management companies that reported assets linked to unit-linked discretionary management mandates were boutique firms. However, they manage only 28.5% of assets linked to this activity, i.e. €5.3 billion. Nevertheless, there has been a marked increase since 2015.

Investment management companies that are subsidiaries of credit institutions continue to post the largest volume of sales by concentrating 69.8% of market share, i.e. €10 billion of assets. However, this concentration of assets under management in this category of player remains on the decline.

6. Focus on the loan granting market

Following the introduction on 24 November 2016⁽¹⁰⁾ of the possibility for a certain category of players⁽¹¹⁾ to grant loans, we can analyse the first figures of this new market of the French asset management industry.

The total amount of loans granted in France by management companies stood at €707.6 million at the end of September 2018. Most of the loans are for the financing of private companies mostly composed of SMEs (62%), followed by infrastructure projects (29%) and lastly public sector projects (9%).

These loans are primarily granted through professional specialised investment funds. Of the 17 funds that granted loans, 15 were specialised professional funds and the remaining two were securitisation undertakings. Securitisation undertakings represent €118 million and are managed by a single investment management company while 6 management companies share the management of the 15 professional specialised investment funds for a total amount of €589 million.

The loan-granting market of investment management companies is therefore very concentrated and limited to a few specialised players, although the number of authorisations granted for this activity is on the increase.

[1] Total assets under management include net assets as well as funds invested under discretionary management and in-house UCIs.

[2] Total level of assets declared in the annual disclosure sheets and annual audit reports by the 591 portfolio asset management companies included in the observation scope at the end of 2018.

[3] Overall level of assets under management identified in the GECO database (database of French savings products and management companies)

[4] Overall level of assets under managed listed in the GECO database (database of French savings products and management companies).

[5] Open-end fund

[6] Mutual fund

[7] OJ L 169 of 30.6.2017, p. 8–45.


[8] Law No. 2019-486 of 22 May 2019 for business growth and transformation

[9] Professional real estate collective investment undertakings

[10] Decree No. 2016-1587 of 24 November 2016.

[11] Instruction DOC-2016-02 sets out the conditions that a French asset management company has to fulfil to obtain an authorisation or an extension of an authorisation to enable the funds that it manages to grant loans.

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