AUTORITÉ DES MARCHÉS FINANCIERS

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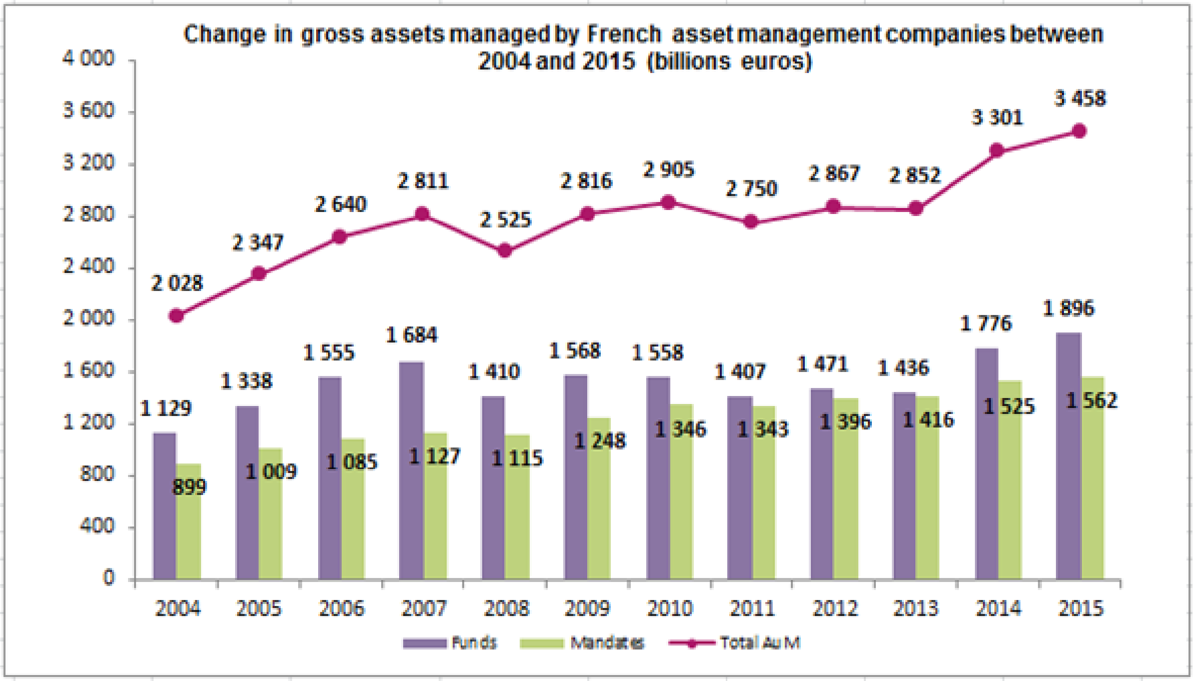
Key figures for asset management in 2015 - Management company assets

Gross assets managed by French asset management companies continued to rise in 2015 and ended the year at EUR 3.458 trillion. At a time of flat economic growth, high volatility and the sustained low-interest-rate monetary policy in Europe, the French asset management industry saw further growth in assets under investment management and under discretionary management. This report presents an overview of the nature of management company assets in 2015.

A further increase in assets under management

Data gathered for 2015 show that total gross assets under management by management companies rose by another 4.8% relative to 2014. The main reason for this increase was the rise in gross assets under investment management (up 6.8% from 2014) and, to a lesser extent, the rise in gross assets under discretionary management (up 2.4% from 2014).



Source: AMF

At 54%, investment management continued to represent the majority of total assets under management in 2015.

This proportion was stable and in line with previous years. Assets of undertakings for collective investment in transferable securities (UCITS) rose by 9.7% in 2015 to stand at EUR 964 billion.

Alternative investment funds (AIFs), including securitisation funds, saw 4% year-on-year growth in assets to EUR 932 billion. Assets of European collective investment undertakings (CIS) managed by French management companies grew by 20% to EUR 272 billion versus EUR 227 billion in 2014. In 2015, European UCITS and AIFs represented EUR 229 billion and EUR 43 billion, respectively (up 18.1% and 30.4% from 2014).

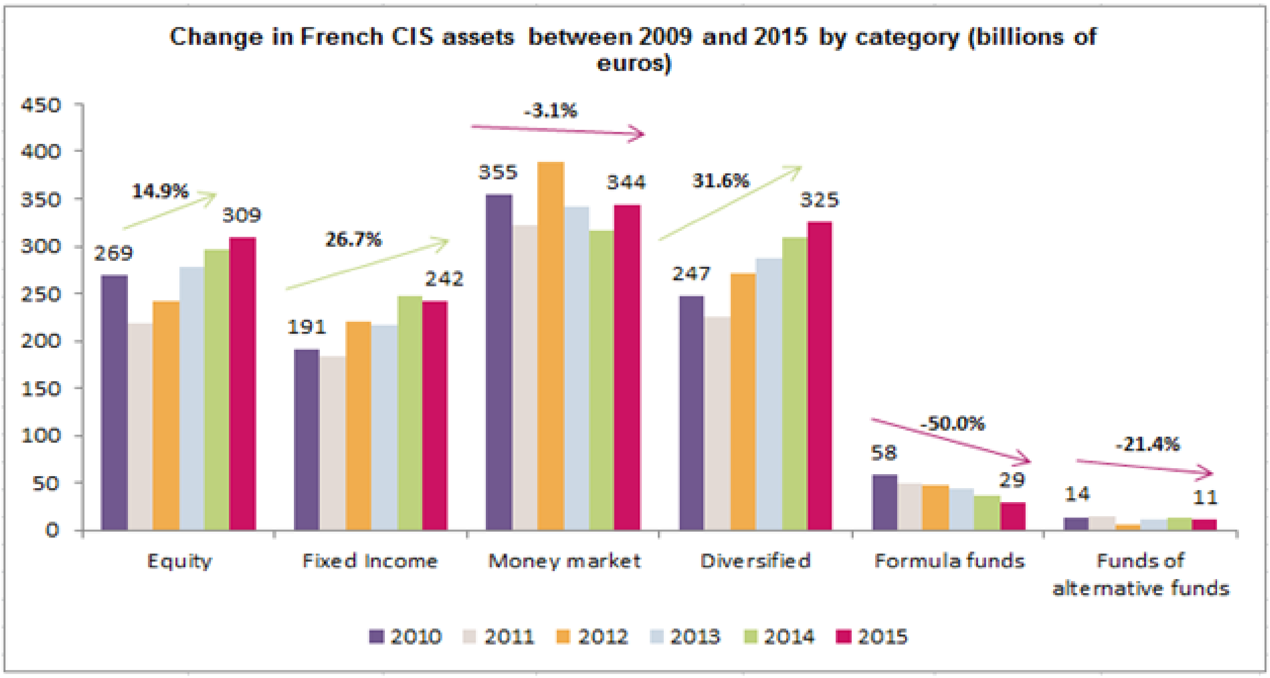
This growth is consistent with the increase in the number of management companies that manage European CIS, which rose from 116 to 127 between 2014 and 2015 (up 9.5%).

Discretionary management accounted for a significant share of the asset management business in France, at 45.2% of total assets managed by asset management companies in 2015.

Focus on French collective investment undertakings

While overall the assets of French CIS rose by 3.6% between 2014 and 2015, it is worth noting the disparities among asset classes. In 2015, among French CIS, money-market CIS were the asset class whose assets increased the most (up 8.7%), as opposed to bond CIS, whose assets declined (down 1.9%).

However, these performances do not alter the long-term trends, presented in the chart below.



Source: AMF

Gross assets of equity collective investment undertakings

The equity markets showed contrasting trends in 2015, with bouts of high volatility in the second half of the year. The equity markets retreated during that time due to a lacklustre economic climate characterised by fears of a slowdown in China, weak oil and commodity prices and the slowdown in emerging economies.

Despite these mixed trends, equity CIS assets continued to move in a positive direction in 2015. Assets of equity CIS increased for the fifth year in a row, rising 3.4% year-on-year to EUR 309 billion at end-2015.

This growth stemmed mainly from the positive trend in 2015 in assets of ETFs focused on the European, Japanese and US equity markets. Equity ETF assets rose by 19.81% year-on-year and in 2015 represented 77.8% of all French ETFs.

Over the last five years, equity CIS assets increased by nearly EUR 40 billion, up 14.9% since 2010.

Gross assets of fixed income collective investment undertakings

After a sharp 24.7% rise in assets in 2014 due to a positive inflow effect, bond CIS fell by a slight 1.9% in 2015. This decline was due mainly to the episodes of volatility that affected the corporate and government bond markets in 2015. The ECB's expansionary monetary policy sent real short- and medium-term government bond yields spiralling into negative territory. In 2015, long-term yields experienced considerable instability.

The year can be divided into three distinct periods:

- an initial period from January to April, during which yields fell on deflation fears and the ECB's implementation of a bond-buying programme;
- a second period from end-April to end-June, during which yields rose on a recovery in inflation expectations; and
- a third period, during which yields were stable. This period corresponds to second-half 2015, characterised by concerns about a global economic slowdown.

Against this backdrop, sovereign bond indices rose slightly in 2015. The economic environment was positive for sovereign bonds which, as they also benefit from lower inflation expectations, are considered less risky investments.

Unlike sovereign bonds, corporate bonds lost ground on concerns about the global economic slowdown.

In the 2010-2015 period, assets of fixed income investment undertakings rose by EUR 51 billion (26.7%), driven mainly by rate cuts and higher subscriptions.

Gross assets of money-market collective investment undertakings

After two years of outflows (-EUR 73 billion between 2012 and 2014), assets of money-market and short-term money-market collective investment undertakings rose by 8.7% in 2015 to EUR 344 billion.This asset class has been affected in recent years by the extremely low rate environment, which has sharply reduced the return on cash products.

Although monetary policies remain accommodative, money-market CIS continue to attract investors — institutional investors in particular — because they are a safe investment in an uncertain market. Due to the lack of opportunities in the asset classes and liquidity-related regulatory constraints, institutional investors continue to move their capital into this asset class.

They view it as safer than short-term bond funds, whose risk/reward ratio they do not currently find satisfactory owing to their increased volatility.

Money-market CIS continue to attract investors at the expense of short-term money-market CIS which have shorter maturities and potentially negative returns.

In the 2010-2015 period, money-market CIS assets fell by nearly 3.1%, from EUR 355 billion in 2010 to EUR 344 billion in 2015.

Assets of balanced collective investment undertakings

Assets of balanced CIS rose 5.3% year on year to EUR 325 billion in 2015. This asset class had the highest growth in assets in the 2010-2015 period, at 31.6%, a trend resulting mainly from the increase in inflows into unit-linked life-insurance policies.

The ongoing weakness in the returns offered by traditional passbook savings accounts has prompted some investors, those looking for higher returns and willing to tolerate moderate risk, to invest in balanced funds that invest in several asset classes and geographic regions depending on the market environment.

Assets of formula funds and funds of alternative funds

Formula funds and funds of alternative funds have fallen steadily since 2010 and, year-on-year, lost 19.3% and 11.9% of their assets, respectively.

In the 2010-2015 period, assets of formula funds and funds of alternative funds declined by 50% and 21.4%, respectively, to EUR 29 billion and EUR 11 billion at end-2015. This negative trend can be attributed primarily to the large number of formula funds that have matured and the current low interest rate environment, which is not favourable to the structure of these funds.

Large funds: net outflows from short-term money-market funds into other money-market funds

In 2015, the number of CIS with more than EUR 1 billion in assets edged down to 177. At the same time, these funds' total assets rose from EUR 497 billion to EUR 516 billion at end-

2015.

In line with previous years, money-market funds accounted for the majority of funds in this category (31% of the total number of large CIS for total assets of EUR 272 billion). Low interest rates in Europe drove investors to shun short-term money-market funds, which in some cases now have negative returns, and to invest in longer-dated money-market funds.

NB: the "Other" category includes venture capital fund and fund of hedge fund products, and those relating to employee savings funds invested in companies' listed and unlisted Securities

Focus on market share breakdown based on ownership structure

The chart below presents the breakdown of assets based on ownership structure for discretionary management and investment management.

Source: AMF

Companies that are subsidiaries of credit institutions or insurance and mutual companies accounted for 90% of assets under discretionary management (54.3% for subsidiaries of credit institutions, 35.7% for subsidiaries of insurance and mutual companies). They also have the largest market shares in investment management (71.7% and 13.9%, respectively, at end-2015).

Boutique companies had a 10.2% market share in investment management but only a 1.5% share in discretionary management, given the prominent role played in this business by subsidiaries of insurance companies.

Focus on discretionary management

In 2015, gross assets under discretionary management were EUR 1.562 trillion, up 2.4% year-on-year.

To better understand the breakdown of assets under individual management, a distinction should be drawn between investments made in "in-house" CIS (i.e. managed by the same management company or within the same group), "third-party" investments in UCITS managed by other companies, and direct investments in Securities.

- The percentage of total assets under discretionary management invested in direct securities is 83%, or EUR 1.3 trillion, versus 17% in units of CIS.
- Boutique management companies are the category that invests the largest share of assets under discretionary management in units of CIS: 45.8% of their total assets under individual management with 67.3% in in-house CIS and 32.7% in third-party CIS. This breakdown illustrates the open architecture often used by this type of company.
- Unlike boutique entities, companies that are subsidiaries of credit institutions and of insurance and mutual companies, which have a broad and varied range of CIS, invest more than 80% in in-house CIS.

An analysis by ownership structure highlights the make-up of the individual management market by client category.

For companies that are subsidiaries of credit institutions, it may be noted, for example, that the share of retail clients represented 98% of client accounts under management while this category represented only 6.6% of assets under discretionary management. For these companies, the majority of assets under discretionary management come from professional clients that belong to the same group and entrust their assets to the group's management company.

In contrast, boutique companies focus on clients — whether retail or professional — who would like to benefit from customized management and a niche strategy.

Lastly, the individual management market is highly concentrated as the top 10 players in terms of assets represent 82.5% of assets under individual management and the top 20 represent 91.4%.

Focus on unit-linked discretionary management mandates

The number of companies reporting assets relating to unit-linked discretionary management mandates fell by a slight 1.8% in 2015; at the same time, these assets rose by 3.1%.

Source: AMF

This positive trend in assets can be attributed to the rise in life-insurance inflows. In 2015, life insurance improved at the expense of traditional passbook savings accounts and savings contracts, where rates of return are at an all-time low. Over the last five years, assets associated with this activity rose by 114.9%, from EUR 6.673 trillion in 2011 to EUR 14.342 trillion in 2015.

In 2015, only 18.1% of the asset management companies analysed reported engaging in the unit-linked discretionary management mandate business.

An analysis by ownership structure shows that 66.4% of management companies involved in this activity are owned by boutique management companies for total assets of EUR 2.8 billion.

However, the largest share of the market is held by management companies that are subsidiaries of credit institutions, as their total assets stand at EUR 11 billion, or 76.9% of total assets relating to unit-linked discretionary management mandates.

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 2015

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.

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