AUTORITÉ DES MARCHÉS FINANCIERS

Print from the website of the AMF

26 October 2018

# Key figures for asset management in 2017 - Management company assets

**Assets managed by management companies in France amounted to €3,838 billion euros as at the end of 2017, representing a further increase (4.5%) compared with 2016. The French asset management industry, boosted by favourable stock markets and a volatility index and key rates experiencing record lows, posted an increase in assets under management driven by the growth in assets under collective management. This report presents an overview of the volume and nature of the assets managed by asset management companies in 2017.**

## 2014-2017: A period of sustained growth in assets under management similar to that seen before the crisis

With an annual average growth rate of 7.7% since 2013, the volume of assets managed by French asset management companies has increased 34.6% over the last four years. It stood at €3,838 billion at the end of December 2017. After six difficult years between 2007 and 2013, marked by a drop in 2008 followed by a period of stagnation in the volume of assets under management (total growth rate over six years of 1.5% and annual average of 0.24%), the current phase of growth in the asset management market is close to the steep rise seen between 2004 and 2007 (total growth of 38.6% over the last three years and an annual average of 11.5%).

This increase in the volume of assets under management is due in particular to the increase in assets under collective management (+8.6% compared with 2016).

The proportion of assets under collective management has continued to increase over the last four years with an annual average growth rate of 3.7%. At the end of 2017, collective management accounted for 58.2% of total assets under management. Assets managed by undertakings for collective investment in transferable securities (UCITS) increased by 9.1% since 2016 to reach €1,138 billion in 2017. Assets managed by alternative investment funds (AIFs) also increased, rising 8.1% to reach €1,094 billion. Note that assets managed by European law undertakings for collective investment (UCIs) managed by French management companies rose from €316 billion in 2016 to €368 billion in 2017, representing an increase of 16.9% in 2017. This reflects an increase in the use of European passports.

Discretionary management accounted for 41.8% of total assets under management. This percentage has dropped back since 2013 (-4.2% on average per year). For the first time since 2011, assets under discretionary management have also dropped back slightly.

## Focus on french undertakings for collective investment (UCIs)

Standing at €1,412 billion in December 2017, the total assets managed by French-law undertakings for collective investment, excluding private equity, real estate and securitisation schemes, increased 6.4% compared with 2016. Since 2011, we have seen sustained growth in assets under management by French-law UCIs (see table 1) with an average increase of 5.7% per year over the period. However, growth rates are still very different among the different asset classes. The market environment, with practically no volatility in 2017 and low interest rates, has led investors to revise their asset allocation strategies to pick up on performance, in particular via equity funds or high yield bonds.

Furthermore, it is worth highlighting that in recent years, although the assets themselves have increased, the number of funds has tended to diminish. This is partly the result of the asset management companies rationalising the product ranges they offer, in order to improve visibility to investors.

### Assets under management by equity UCIs

In 2017, the good state of the markets, particularly the equity markets, combined with an economic environment of unprecedentedly low interest rates and a return of confidence due to the good results posted by companies, had a positive effect on the change in assets under management by equity UCIs. After posting growth of 1% in 2016, assets under management saw a steep rise (9.8%) in 2017, reaching €343 billion. Thus, we can see that this asset class saw sustained growth in assets under management over the last five years (7.2% on average per year), or an increase of more than €100 billion over this period.

### Assets under management by bond UCIs

Despite the risk linked to the increase in key rates by the central banks, in 2017 assets under management by bond UCIs posted the biggest growth rate out of all the asset classes (15.6%), reaching €297 billion. Even though the ECB has begun to reduce its exceptional monetary policy involving debt purchases, which has been ongoing since 2015, it is remaining prudent so as to avoid triggering a slump in the bond market. The debt purchase programme, which should have lasted only until the end of 2017, was extended until the end of 2018 and the ECB also confirmed that it would maintain its key rates at their current levels until the summer of 2019. These statements, combined with the good performances posted by high yield bonds, helped to sustain the debt market throughout 2017. Note also that since 2012, assets under management by bond UCIs rose €77 billion, representing an average increase of 6.2% per year.

### Assets under management by money market UCIs

Assets under management by money market UCIs also increased (+7.6%), reaching €417 billion at the end of 2017. This asset class, which was negatively affected by the environment of low interest rates, nevertheless continued to advance over the last three years (9.6% per year on average). The increasing regulatory constraints on liquidity drove institutional investors to continue to allocate a large percentage of their capital to this asset class. Note, however, that the inflows are oriented less and less towards short-term money market funds, and more towards money market funds with longer maturities. The latter are more attractive, in fact, as they can hold securities with a longer maturity date, and these are more profitable in the current environment of low interest rates.

### Assets under management by mixed UCIs[1]

Assets under management by mixed UCIs posted a drop of €12 billion, or 3.6% compared with the 2016 financial year, reaching €327 billion as at 31 December 2017. With a more balanced risk profile and greater flexibility in terms of asset allocation, these funds still arouse great interest among professional investors. Thus, despite the drop in 2017, the asset class has gained 3.8% per year since 2012 on average.

### Assets under management by formula and alternative funds

As at 31 December 2017, assets managed by formula-based funds, which had been declining steadily since 2009, posted a further drop of 5.6% compared with 2016. Since 2012, the volume of assets under management has practically halved, with this decline in appeal due in part to the low levels of interest rates, as the financial performance of this asset class is strongly dependent on interest rates. Likewise, assets under management by alternative funds also fell, losing 29.4% compared with 2016. This is in keeping with the trend over the last four years, with assets dropping 52.9% for the asset class.

## Concentration of assets under management: collective management vs discretionary management

The concentration of assets under management: is more pronounced for discretionary management than for collective management (see graph below). In fact, the five leading asset management companies, which represent around 1% of operators, concentrate 69.5% of the market share for discretionary management (nearly €1,116 billion assets managed), while in collective management, 1% of the operators manage 41.1% of the market share, or €915 billion. We can also see that the market shares of the leading 20 entities are in the region of 92.2% (nearly €1,481 billion in assets under management) for discretionary management and 69.2% (nearly €1,543 billion in assets under management) for collective management.

Analysis of the ownership structure shows, both for discretionary management and for collective management, a high concentration of market share for credit institutions (71% in collective management and 59% in discretionary management).

The leading 20 operators in terms of market share for discretionary management are subsidiaries of credit institutions (50%) and subsidiaries of insurance companies (50%). In collective management, the majority of the top 20 firms are subsidiaries of credit institutions (75%), followed by subsidiaries of insurance companies (20%). The 200 entities at the back of the pack, representing 34.1% of all operators, managed only 0.3% of assets under collective management in 2017 and are mostly boutique firms

## Focus on discretionary management

### Composition of portfolio

At the end of 2017, the volume of assets under discretionary management was €1,606 billion, showing a decline of €12 billion compared with 2016. In order to gain a better view of the breakdown of assets under individual management, it is interesting to distinguish the different types of investment, i.e. those made in so-called “in-house” UCIs (managed by the same management company or by one within the same group), those made in UCIs known as “third-party” (managed by third party asset management companies) and those made directly in securities.

*Note: The size of the pies is based on the volume of assets under management.*

- The share invested in “in-house” UCIs remained relatively stable (12.5% of total assets under discretionary management or €201 billion), showing a rise of only 10 basis points between 2016 and 2017.
- Assets invested in “third party” UCIs, which still represent the lowest share of the assets under discretionary management (5.7%), increased 20.3% compared with 2016. This reflects the gradual opening-up of the French asset management industry.
- At the end of 2017, assets invested in securities (principally bonds held in insurance portfolios) saw a slight drop (-2.1%) compared with the previous period. The same goes for the share of this type of investment in assets under discretionary management, which dropped 1.3%. This figure now stands at 81.8%, or €1,313 billion.

With regard to the market share per type of ownership structure, individual management in UCIs (in-house and third party) is favoured to a greater extent by investment services providers (74.3%) and to a lesser extent by boutique firms (41%). However, in terms of distribution channels for UCIs, we note that French asset management companies from all categories of ownership structure seem to prefer the closed architecture. In fact, regardless of the type of ownership structure, investments in “third party” UCIs systematically represent less than 50% of the total investments in UCIs, with an average of 31.3% of UCI mandates invested in “third party” UCIs. It is also worth noting that this imbalance is still most obvious for asset management subsidiaries of insurance companies and mutuals, and investment services providers. “In-house” UCIs represent 76% of the total of UCIs for the first, and 80.3% for the second, vs. 24% and 19.7% respectively for “third party” UCIs.

### By type of client

The number of non-professional client accounts represents 98.8% of the total number of clients, and the number of professional client accounts only represents 1.2%. In terms of volumes of assets under management, we can see the inverse effect. 95.9% of total assets under management are generated by professional clients and only 4.1% by non-professional clients.

*Note: The size of the first set of pies is based on the number of client accounts and that of the second on the volume of assets under management.*

In terms of the structure of the assets, we can distinguish three sets of operators (see table 4):

- Asset management subsidiaries of credit institutions that have a very high percentage of the number of non-professional client accounts (99.3%) with, however, assets under individual management held essentially by institutional mandates (93.3%).
- Asset management subsidiaries of insurance companies and mutuals[(2)] and public-law companies represent the majority of professional clients in terms both of volume of client accounts and of volume of assets under discretionary management.
- Boutique management companies and investment services providers, with a high percentage of non-professional clients (98.2% for the first and 98% for the second) show a slightly more consistent breakdown between professional and non-professional clients in terms of assets under management.
  Note also that the share of non-professional clients in relation to assets managed is slightly up compared with 2016 (9.2%) for boutique firms, whereas this share is down for investment services providers (-13.7 percentage points).

## Focus on unit-linked discretionary management mandates

The number of companies reporting assets linked to unit-linked discretionary management mandates was down slightly, by 2.7% as at 31 December 2017, whereas the volume of assets under management increased 12.7%. Apart from a slight fall in 2016, the volume of assets under management linked to this activity has risen steadily, with an annual average increase of 15.7% per year since 2011.

An analysis by ownership structure shows that 69.1% of management companies that have reported assets associated with unit-linked discretionary management mandates are boutique firms. However, these manage only 27.7% of the assets linked to this activity, representing €4.4 billion. However, we can see a clear increase over recent years (25.0% compared with 2016).

Furthermore, even though we have witnessed a drop in their market share in the last few years, asset management subsidiaries of credit institutions remain in the lead, with 68.6% of market share, representing €11 billion in assets under management.

## Notes

1 • ECB classification (the "Diversified" classification was definitively removed on 31 December 2017, under article 30-9 of AMF instruction DOC-2011-19).

2 • A significant variation in the breakdown of the number of client accounts is due to the merger of an asset management subsidiary of an insurance company and mutual representing on its own 96.7% of the non-professional client accounts for this category of market participant at the end of 2016.

## ON THE SAME TOPIC


Subscribe to our alerts and RSS feeds

NEWS

FINANCIAL DISCLOSURES & CORPORATE FINANCING

11 February 2022

Closing of the 2021 financial statements: the AMF publishes its recommendations and the results of its recent work examining financial statements

AMF NEWS RELEASE

FINANCIAL DISCLOSURES & CORPORATE FINANCING

03 February 2022

The AMF proposes targeted measures to make financial markets more attractive for companies

PUBLIC STATEMENTS

FINANCIAL PRODUCTS

21 December 2021

Speech by Benoît de Juvigny, AMF Secretary General - IOSCO SPAC Network Stakeholder Meeting - 16 December 2021

Legal information:
Head of publications: The Executive Director of AMF Communication Directorate. Contact:
Communication Directorate – Autorité des marches financiers 17 place de la Bourse – 75082 Paris cedex 02