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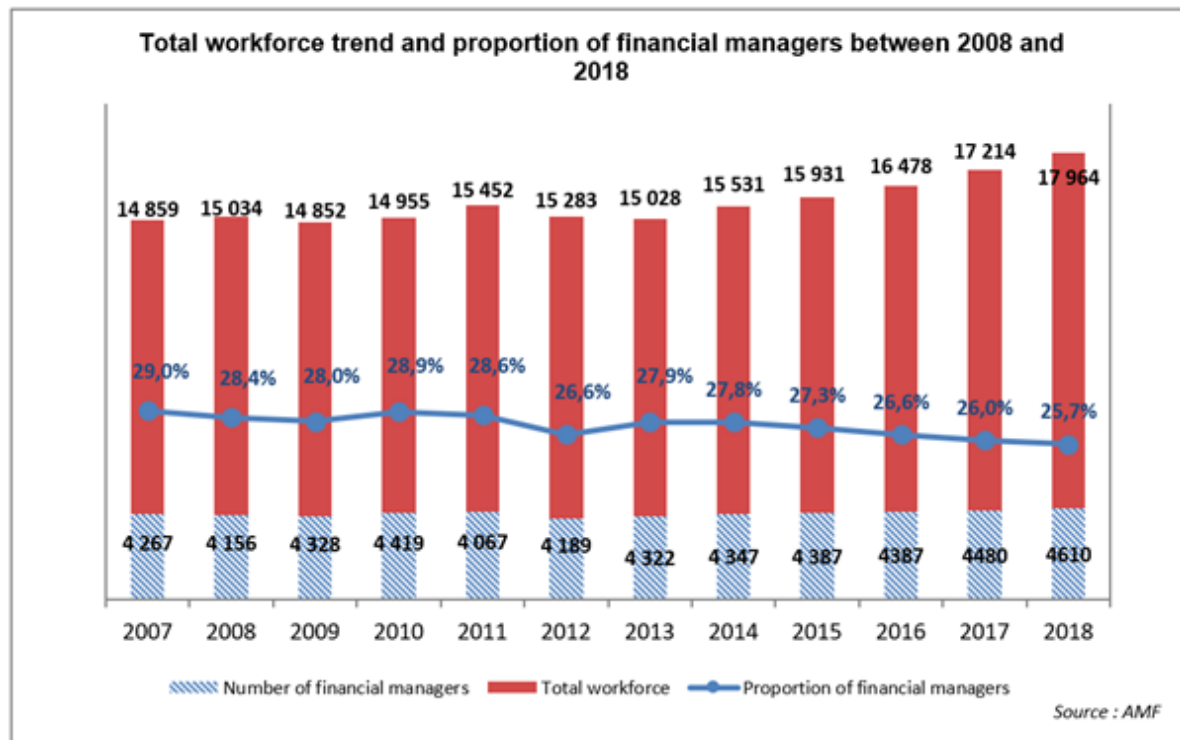
08 November 2019

## Key figures for asset management in 2018 - Profile of investment management companies

Since the improvement in asset inflows on the asset management market from 2013 through to the end of 2017, the workforce has increased by 19%, representing nearly 3,000 jobs created in five years. Despite a sluggish European economic environment, the French asset management industry is enjoying sustained growth, thanks in particular to the buoyancy of entrepreneurial companies, as well as the relocation of the activities of several asset management companies due to Brexit. This report focuses on the profile of investment management companies.

The number of employees reported by portfolio asset management companies<sup>(1)</sup> in the selected scope was 17,964 at 31 December 2018, up 4.4% in 2018.

### Steady growth of the workforce: 17,964 direct jobs in 2018



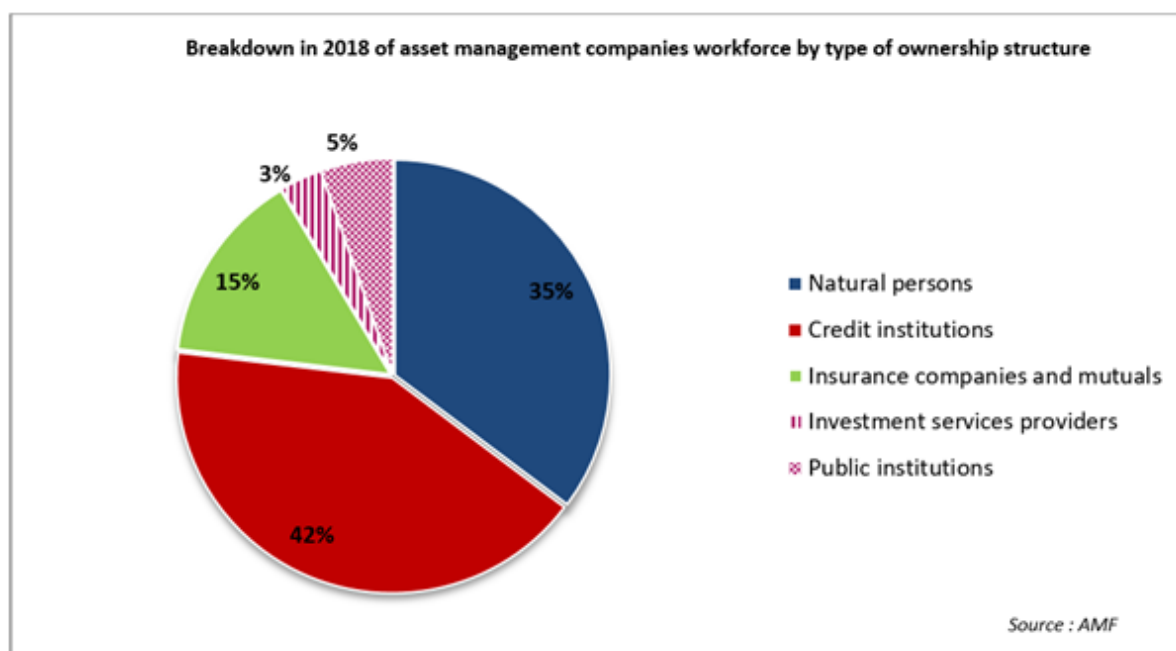
At 31 December 2018, French portfolio asset management companies reported 17,964 direct employees (including employees on secondment or assignment), representing a 4.4% increase compared with 2017. This increase is the result of the significant growth in the number of employees other than financial managers (4.8% compared with 0.9% for financial managers). Consequently, the proportion of financial managers in the total workforce dropped from its 2017 level and stood at 25.7% at the end of 2018, following the downward trend that began in 2013. In parallel to this decline, in recent years, we have observed an increase in the human resources dedicated to support roles, as well as the resources allocated to the internal control and compliance function, especially in the larger groups.

Nearly half (47%) of employees in the sector and one-third (28%) of managers are concentrated in the 30 management companies with the largest workforces, while these companies account for only 5% of the total number of portfolio asset management companies. On the whole, the workforce of the asset management industry therefore continues to be concentrated on a small number of players, but to a lesser extent for the number of financial managers.

Conversely, more than two-thirds (71%) of portfolio asset management companies employ less than 20 people. Most of them are boutique firms that have opted to outsource a significant portion of their support functions in order to focus on their core business, financial management. On average, nearly one out of two persons on the workforce is therefore a financial manager.

Although credit institution subsidiaries are still large in terms of workforce, with 7,487 jobs in 2018, their share in the total workforce continues to decline in favour of boutique firms.

The workforce of companies with natural persons as shareholders increased by more than 10% compared with 2017, with 6,328 direct jobs in 2018. The total workforce of public companies rose 7% on 2017, to 970 employees. Nevertheless, it is the first year since 2014 that the share of the workforce of public companies has dropped, accounting for only 5% of the total workforce in 2018. In summary, the breakdown of the workforce of management companies at the end of 2018 is as follows: 42% of the workforce is employed by credit institutions, 35% by boutique firms and 15% by insurance and mutual institutions. Finally, public companies and investment service providers employ 5% and 3% of the total workforce respectively.



**Table 1: Breakdown of workforce by size and type of ownership structure of management companies between 2017 and 2018**

Type of ownership structure	0-50 employees			50-200 employees			More than 200 employees			Total
	Number of PAMCs 2018 (2017)	Workforce 2018 (2017)	Change in workforce as a %	Number of PAMCs 2018 (2017)	Workforce 2018 (2017)	Change in workforce as a %	Number of PAMCs 2018 (2017)	Workforce 2018 (2017)	Change in workforce as a %	Total workforce 2018 (2017)
Credit institutions	67 (74)	1,312 (1,427)	-8%	21 (22)	2,130 (2,302)	-7%	9 (8)	4,045 (3,826)	6%	7,487 (7,554)
Natural persons	390 (384)	4,393 (4,173)	5%	17 (14)	1,449 (1,327)	9%	2 (1)	485 (245)	98**%	6,328 (5,745)
Investment services providers (excluding credit institutions)	41 (41)	566 (558)	1%	-	-	-	-	-	-	566 (558)
Insurance and mutual institutions	21 (21)	359 (328)	9%	9 (8)	959 (838)	14%	3 (3)	1,296 (1,286)	1%	2,613 (2,452)
Public companies	8 (9)	120 (110)	9%	1 (1)	162 (162)	0%	2 (2)	688 (632)	9%	970 (905)
<b>Total</b>	<b>527 (529)</b>	<b>6,750 (6,596)</b>	<b>2%</b>	<b>48 (45)</b>	<b>4,700 (4,629)</b>	<b>1.5%</b>	<b>16 (14)</b>	<b>6,514 (5,989)</b>	<b>9%</b>	<b>17,964 (17,214)</b>

Source : AMF

*\*The significant increase in boutique firms with more than 200 employees must be put into perspective given the threshold effect created by the move of one player into this category.*

Furthermore, depending on the management company shareholding structure or size, the workforce trends followed different trajectories between 2017 and 2018.

For companies with more than 200 employees, the increase was quite significant (9%) on 2017.

For medium-sized companies, the number of employees did not change significantly from 2017, with growth of 1.5% in 2018. In this category, the workforce of insurance and mutual insurance institutions rose the most, with a 14% increase compared with 2017, while the number of employees of credit institutions fell by 7% over the same period.

For the smallest entities, the growth in the workforce was driven by dynamic hiring among boutique firms (5%), subsidiaries of insurance and mutual companies (9%) and public companies (9%).

## Focus on the breakdown and market share of asset management companies

There are a great many different profiles in the asset management sector in France. Depending on the type of ownership structure and size of the firm, companies adopt different strategies to extend their market share. Nevertheless, there are common characteristics that enable a classification by group of players. This report focuses on market share in terms of number, then in terms of assets managed by the different operators in the French asset management industry.

## 1. Breakdown

*\*The "Other" category includes insurance and mutual companies, investment services providers (excluding credit institutions) and public companies.*

From the chart above, we observe that the population of the French asset management industry has not changed much over time. Boutique firms<sup>(2)</sup> represent more than two-thirds of investment management companies in France, which is practically the same proportion as in 2016. Apart from a slight drop in 2015, the share of these boutique firms has been rising steadily, with an annual average increase of 1.3% since 2009.

The French asset management industry is therefore unique in that there is a strong entrepreneurial culture, with these firms primarily operating in private management, alternative management, multi-management, real estate or private equity.

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

### **Table 2: Breakdown in number of management companies by type of ownership structure between 2014 and 2018**

At the end of 2018, the proportion of management companies owned by credit institutions dropped by nearly 5% compared with 2017 and by more than 10% since 2014. This change is in line with the clearly stated intention of credit institutions to reorganise their structures by combining their asset management activities and/or merging entities of the same group.

The number of management companies also remained stable on the whole for public companies and investment services providers compared with 2017. We do observe, however, that the number of public companies has dropped by 35% over the last five years. Conversely, the number of insurance and mutual companies as well as boutique firms rose 3% year on year.

## 2. Market share

*\*The "Other" category includes insurance and mutual companies, investment services providers (excluding credit institutions) and public companies.*

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The year 2018 ended a six-year spell of positive growth in assets under management, mainly due to unfavourable market developments. This is because the relocation of some leading players of the French asset management industry was not enough to offset the drop in inflows in an unfavourable financial environment. Assets under management therefore dropped 5% compared to 2017, reaching €3,674 billion at the end of 2018.

At the end of 2018, boutique firms were managing €265 billion and their assets under management had dropped by 9% compared with 2017. After an average annual growth of 10.7% since 2016, this is the sharpest drop recorded for this population of players. The same trend was observed for insurance and mutual companies as well as for public companies. We also note that 79% of the 33.7% of assets managed by the “Other” categories are held by insurance and mutual companies. The remainder is managed by public companies and investment services providers.

Subsidiaries of credit institutions did not fare better against market fluctuations and recorded a 6% drop in their assets under management, which amounted to €2,181 billion. Nevertheless, we still observe a high level of concentration of assets within this category, with the five largest asset management subsidiaries of credit institutions accounting for 60% of assets under management at the end of 2018.

Lastly, of all the asset management players in 2018, investment services providers recorded the sharpest growth in the level of assets under management, i.e. 8% compared with 2017. This positive trend is partly due to the relocation of some management activities of international asset management companies, reflecting the first impacts of Brexit.

### **Table 3: Breakdown of assets under management of asset management companies between 2014 and 2018**

## **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: 40% of them have been in legal existence for less than 10 years. In 2018, only 13<sup>(3)</sup> management companies were created, which explains the slight increase in the average number of years in operation of

management companies, which is in the region of 13 years. More precisely, the average age by category of player is broken down as follows:

- Credit institution: 15 years
- Insurance and mutual companies: 15 years
- Investment services providers: 14 years
- Public companies: 13 years
- Natural persons: 12 years

*NB: The years in operation of management were counted from their date of authorisation. Moreover, these data do not systematically take into account the actual years in operation of management companies. The years in operation were not taken into account during legal transformations and reorganisations, in particular within the major groups.*

Although there is no causal relationship between the volume of assets under management and the number of years in operation of a management company, we note that the longer the management company is in operation, the more the assets it manages.

We need to be cautious about the interpretation of the chart above. A significant number of companies have few or even no assets under management because they have no activity. Although new structures make up the majority of this category, it also includes some older companies that manage a small amount of funds for a stable perimeter of loyal clients. It must also be noted that the top management company in the category of players with less than three years of operation was in fact created after the legal reorganisation of a subsidiary of a major French credit institution, which explains the large volume of its assets under management.

**Table 4: Breakdown of asset management companies by ownership structure and years in operation in 2018**

Asset management subsidiaries of credit institutions have the largest volume of assets under management of all the categories of players.

With the 5-10 year bracket, we note a high concentration of assets under management with management companies that are subsidiaries of credit institutions. Although they represent only 11% of the population, they manage nearly 68% of assets under management.

There are two different profiles within this category of ownership structure. The first consists of the leaders in terms of market share, who are among the most mature operators in the industry. The second profile is that of medium-sized companies who have increased their market share because of their strong expansion on the international market.

We also note that newly established management companies are especially boutique firms that represent more than 86% of the population of management companies with less than three years in operation and 74% of companies with less than five years in operation. At the same time, boutique firms also make up 64% of companies with more than 10 years in operation. This is proof of their ability to independently pursue their growth. Their model is based on high margins, differentiating and innovative strategies and significant long-term performance.

In a competitive market where there are new entrants each year, these boutique firms continue to be one of the main and unique strengths of the French financial market.

[1] Within the observation scope, the following were excluded from the list of 633 management companies existing as at 31 December 2018: - companies whose authorisations are being withdrawn and/or that are undergoing liquidation; - companies closing their 2018 financial year before 30 June 2018; - newly authorised companies that will close their first financial year in 2019; - companies taken over by another portfolio asset management company in the 2018 financial year.


[2] A company owned directly or indirectly (via a holding company) by natural persons.

[3] Only 13 out of the 24 management companies created in 2018 were included in the observation scope of this study.

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