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Asset Management in Europe

9th Edition

Facts and figures

*An overview of the Asset
Management Industry with
a Special Section on the
Capital Markets Union.*

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Key Facts and Figures

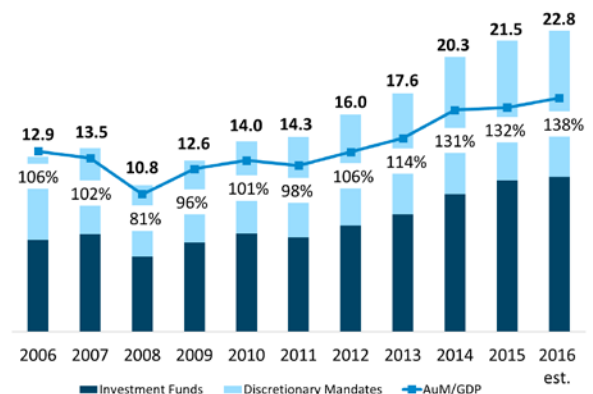
Asset managers play a key role in channeling savings toward investment.

Asset managers help people provide for their future by managing their savings to achieve a specific investment goal for the benefit of their clients. They achieve this by investing in companies that need additional funding to undertake new investments, thereby contributing to economic growth. They also fund governments and give investors access to capital markets, thereby offering the potential to increase the return of their savings.



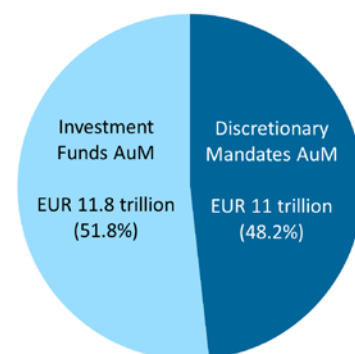
Assets managed in Europe reached a record high of EUR 22.8 trillion in 2016.

Total assets under management (AuM) have not ceased growing since 2008. The good performance of both equity and bond markets following the sharp fall in markets in 2008 paved the way for the asset growth. The flows of savings into investment funds and discretionary mandates also contributed to that evolution as investors regained confidence in financial markets. This brought the ratio of AuM to European GDP to 138% at the end of 2016.



Asset managers specialize in managing discretionary mandates and investment funds.

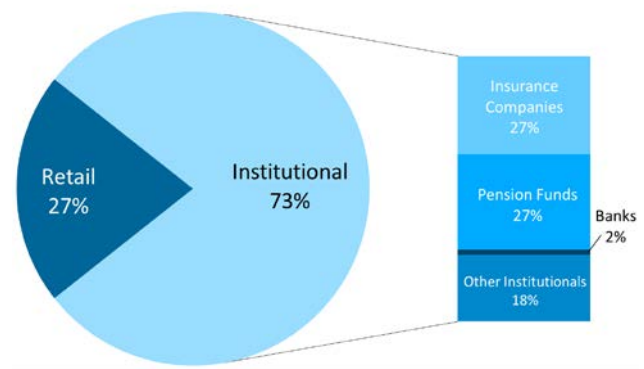
Investment fund assets reached EUR 11.8 trillion or 51.8% of total AuM at the end of 2016, with discretionary mandates accounting for the remaining EUR 11 trillion or 48.2%. Asset managers receive mandates mainly from institutional clients, whereas investment funds serve both retail and institutional clients' investment needs.



Key Facts and Figures

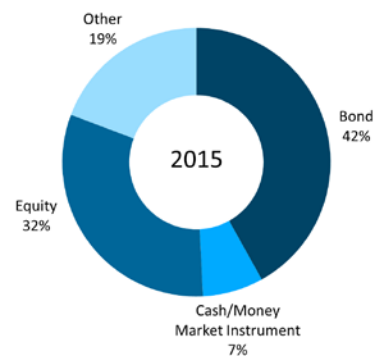
Institutional clients represent the largest client category of the European asset management industry, accounting for 73% of total AuM in Europe.

Insurance companies and pension funds are the most important clients of the asset management industry, each accounting for 27% of total AuM in Europe. Asset managers also serve other institutional clients, such as sovereign wealth funds, family offices, governments and endowments.



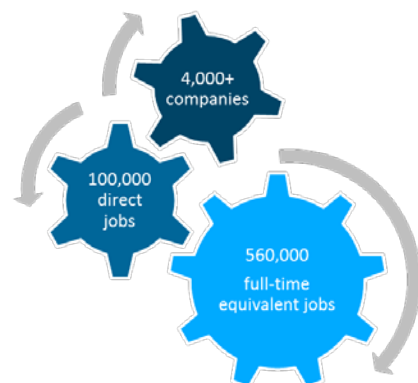
Asset managers play a key role in the financing of companies and governments.

Holdings of bond and equity assets remain asset managers' preferred asset classes, with 42% and 32% of total AuM, respectively, at end 2015. Using ECB data, it can also be estimated that European asset managers held 27% of the debt securities issued in the euro area at end 2015, and 54% of the value of the free float market capitalization of euro area listed firms. By funding companies and governments to that extent, asset managers make a significant contribution to the overall development of the European economy.



More than 4,000 asset management companies in Europe directly employ 100,000 people at end 2015.

Taking into account related services along the asset management value chain, it is estimated that another 460,000 people are indirectly employed engaging in functions servicing the asset management industry, thus bringing total employment closer to 560,000.



1 Introduction

This report aims at informing the general public, industry professionals and officials from European institutions and Member States about the role of asset management in the economy and the recent evolution of the industry in Europe.¹

The focus of this report is to highlight and analyze facts and figures on the asset management industry from the perspective of where the assets are managed. There is therefore a clear distinction between the data presented in this report and the data on investment funds analyzed in other research reports from EFAMA, such as the EFAMA Fact Book, Fact Sheets and Quarterly Statistical Releases. In general, these other reports compare the European countries' market shares in terms of investment fund domiciliation.

The report is primarily based on responses to a questionnaire sent to EFAMA member associations. Seventeen associations provided us with data on the value of the assets managed in their countries at the end of 2015: Austria, Belgium, Bulgaria, the Czech Republic, Denmark, France, Germany, Greece, Hungary, Italy, Netherlands, Portugal, Romania, Slovenia, Switzerland, Turkey and the UK. According to our estimations, these countries account for 86% of the assets under management (AuM) in Europe. To compensate for those associations unable to answer the questionnaire, additional internal and external data were used to estimate the value of total AuM in Europe presented in Section 4.²

The report is broken down into sections from 2 to 7. The purpose of section 2 is to provide an overview of the role of the asset management industry in the economy, the services it provides to investors, its specificities compared to other financial service institutions, and its contribution to the financing of the economy. Section 3 provides a high level description of the Capital Markets Union initiative and its goal to rebalance the European financial system towards a more "market-based system" in which asset managers will play a more active role than is the case today.

Section 4 provides detailed data on total AuM in Europe with a breakdown by country at end 2015, as well as an estimate of the assets managed at end 2016. It also gives an indication of the importance of the European asset management industry in the world. The recent trends in the assets managed through investment funds and discretionary mandates are also discussed in this section. In Section 5, the report continues by providing an overview of the industry's clients, while Section 6 focuses on the asset allocation of European asset managers. Finally, Section 7 looks at the industrial organization of the asset management industry and its contribution to the European economy in terms of employment.

2 Role of Third-Party Asset Managers

2.1 Introduction

Asset management is the professional management of securities and other types of financial assets. If it is done on an own account, investors have to manage their own portfolios. Alternatively, retail and institutional investors may outsource the management of their portfolios to third-party regulated asset managers (hereafter "asset managers" for the sake of simplicity), which manage assets to achieve a specific investment goal as set out by their clients. McKinsey & Company estimates that asset managers managed 23% of total financial assets worldwide in 2015.

As institutions making investment decisions for investors who have chosen to have their assets professionally managed, asset management companies are the most important type of buy-side institutions. The buy-side is the opposite of sell-side entities, such as investment banks which are specialized in helping firms issue securities and acquiring other companies through mergers and acquisitions, and brokerage firms, which conduct transactions on financial markets for clients or for their own account.

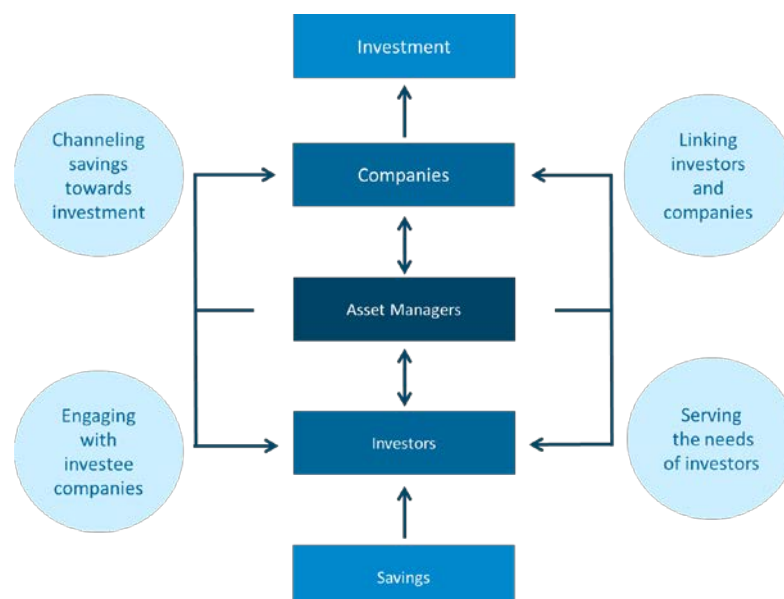
2.2 Asset Management in the Economy

This section presents an overview of the role of asset managers in financing companies.

Channeling savings towards investment

The most important function of asset managers is to channel savings toward investment. Asset managers help investors manage their savings to achieve a specific investment goal. Asset managers do this by creating products that match investors' needs with companies in need of capital to finance their investment.

Exhibit 1: Stylized view of the asset management's key role in financing companies



Linking investors and companies

By providing this connection between the pools of savings and the investment opportunities, the asset management industry links investors and companies. Typically, those companies would issue capital market securities, such as corporate bonds and stocks, to fund their operations and investments.

In response to the financing demand, asset managers provide an important source of funds to companies, acting on behalf of their clients. In this way, they play an important intermediary role in the financial system to fund new investment projects and generate returns to millions of savers and investors.

Engaging with investee companies

In general, asset managers are relatively long-term holders of assets. By way of illustration, a recent study shows that asset managers hold UK equities for around six years, which is longer than the investment horizons of their own clients and the average holding periods of other investors.³ Very often, asset managers are among the largest shareholders of listed companies.

As a result of the duration and size of their investments, asset managers also play an important role as stewards of companies with a view to maintaining and enhancing the long-term value of companies for investors. This responsibility is often described as active ownership or engagement, also called shareholder engagement or shareholder advocacy. Concerns are communicated through engagement, either by way of voting at shareholder meetings or direct contact with management or boards.⁴ Divestment is often a last resort only when engagement fails. The role of shareholder engagement and dialogue between asset managers and companies is highlighted in numerous academic studies that show that better corporate governance is positively correlated with contemporaneous and subsequent operating performance.⁵

Many asset managers also integrate environmental, social and governance (ESG) concerns in their investment processes. This “responsible investment” can also be done through engagement with investee companies, which enables investors, and asset managers on their behalf, to hold companies to account on ESG risks the company faces. In engaging in this way, asset managers take a long-term view when working with companies to address issues. This engagement can be regarded as a fiduciary responsibility towards their clients, which involves monitoring the performance of the companies’ management team in order to prevent conflicts between the interests of corporate managers and shareholders.

Serving the needs of investors

Asset managers offer retail and institutional investors professional savings management expertise. Investment vehicles run by asset managers provide access to asset diversification, economies of scale and therefore lower investment risk. In general, these vehicles allow investors, within certain limitations, to obtain liquidity by selling their assets in whole or in part. The economies of scale that can be achieved through asset management also lead to lower transaction costs. The key benefits for investors are detailed in the next section.

2.3 Benefits for Investors

Access to professional management of savings

Asset management offers retail and institutional investors the expertise of professionals in savings management, who can offer different products and solutions to maximize returns taking into account the different risk appetites of their clients.

Exhibit 2 highlights the transmission mechanism by which funds flow from investors to asset managers. Savings is the amount of money left over after spending, which can be entrusted to banks, asset managers or institutional investors such as insurers and pensions funds. These savings contribute to increase household wealth. The savings entrusted to asset managers are then invested on their clients' behalf in order to maximize risk-adjusted returns. The returns are then fed back to savings and the cycle begins once again.

Lower investment risk

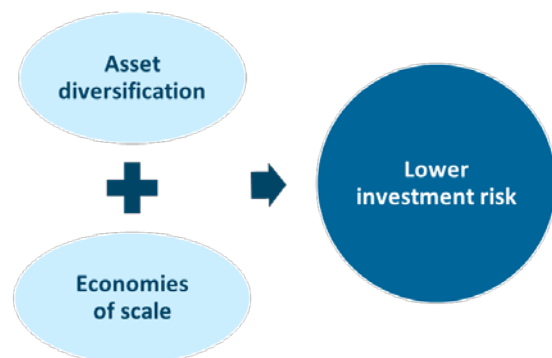
Asset managers can reduce risk for their clients through different avenues. Firstly, they can reduce risk by helping investors diversify their financial wealth across asset classes, products and geographies. Diversification leads to a reduction in portfolio volatility because asset returns do not always move in the same way at the same time. Therefore, investing in a diversified pool of assets is less risky than investing in individual assets. Studies show that the average portfolio of shares held by individuals in the USA exhibits volatility some 32% higher than a well-diversified portfolio.⁶ Asset managers can help reach the right level of diversification by providing access to a broad range of asset classes.

Secondly, by operating on a large scale, asset managers can reduce risk by monitoring developments in industries, countries and regions in which they invest, with a view to screening out bad investment opportunities from good ones. Given that monitoring activities has a cost, asset managers benefit from economies of scale which households and many other investors would find very difficult to match.

Exhibit 2: Savings Management



Exhibit 3: Risk reduction



Liquidity provision

Asset managers are able to provide a high level of liquidity to their clients. This is because asset managers keep a proportion of the funds they receive in liquid assets taking into account the risk of facing large net outflows. In this context, asset managers closely monitor the liquidity situation in the markets and the profile of their clients to anticipate the effect of concurrent redemptions by several investors and the evolution of inflows and outflows. In general, the risk of rapid and large net outflows tends to fall with an increasing level of assets under management for two reasons: firstly, the larger the number of investors, the smaller the relative size of any withdrawal from an individual will be. Secondly, in the case of bond and mixed funds, the larger the size of the portfolio, the greater the scope is for holding securities with a low residual maturity.

At the same time, asset managers must have in place risk management policies and portfolio management procedures to ensure that they can meet their liquidity provision obligation when there are difficulties in financial markets.

Lower transaction costs

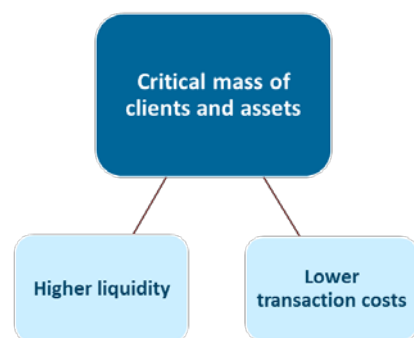
Asset managers' ability to trade in large blocks of securities allows them to reduce transaction costs and increase net returns. One way to estimate the reduction in the costs of trading is to look at the bid-ask spreads, which measure the difference in price between the highest price that a buyer is willing to pay for an asset and the lowest price at which a seller is willing to sell it. The size of the spread reflects mainly the liquidity of the asset.

Hagendorff (2014) showed that bid-ask spreads of European stocks have fallen by 0.712 cents between 2002 and 2013. On this basis, Hagendorff calculated that trading activity by European asset managers has generated cost savings of EUR 12 billion.⁷

Exhibit 4: Liquidity provision



Exhibit 5: Lower transaction costs



2.4 A Standalone Industry

Asset managers exhibit a number of distinguishing features which sets them apart from banks, investment banks, insurance companies and pension funds. The following four points highlight the main features that distinguish asset managers from other financial services players.

Agency business model

Asset managers act as “stewards” of their clients’ interest. Their value proposition is to enable their clients to achieve specific investment objectives. As such, they act as agent for the asset owner. They have a fiduciary responsibility to their clients in the sense that they act their clients’ best interests. The property of the assets remains with the client, i.e. asset managers are not the asset owners.

Limited balance sheet risk

Asset managers do not act as providers of credit to individuals or corporations, nor do they provide custody or related functions. Asset managers act on behalf of their clients and are not counterparties in derivatives, financing or securities transactions. They tend not to operate with borrowed money, or leverage. As a result there is no asset-liability mismatch on asset managers’ balance sheets, which remain very small compared to the balance sheets of banks.

Protection of asset owners

Asset managers are subject to comprehensive regulation, which requires among other things, to maintain comprehensive risk management and compliance policies and procedures. Investment fund assets must generally be entrusted to depositories, which have some oversight responsibilities in addition to the safe keeping of fund assets. In mandated asset management, there is a requirement that client assets be held separately from the firm’s assets. These regulatory regimes protect asset managers’ clients from a liquidation or failure of an asset manager, in particular because the clients’ assets remain outside the reach of the creditors of the asset manager at all times.

Fee based compensation

Asset managers generate revenue principally from an agreed-upon fee based on client AuM. This contrasts with commission-based compensation, in which a firm makes money based on the amount of trades made or the amount of assets sold to the client. Fee-based compensation implies that reduced AuM due to market movements or client withdrawals results in reduced revenue. This can pave the way for cost cutting measures to maintain positive income.

2.5 Financing of the Economy

The asset management industry contributes to channeling savings to companies, banks and government agencies to meet their short-term financing needs and long-term capital requirements. It is possible to estimate the market share of European asset managers in the financing of the euro area using data published by the European Central Bank (ECB).

Funding contribution of investment funds

According to the ECB, investment funds domiciled in the euro area held 14.8% of the outstanding stock of debt securities issued by euro area residents at end September 2016, or EUR 2,437 billion. The market share of euro area investment funds in the debt issued by euro area governments, monetary financing institutions (MFIs) and non-financial corporations (NFCs) reached 12.5%, 14.9% and 33.0%, respectively.

The share of debt securities held by euro area investment funds increased from 12.9% at end 2008 to 14.8% at end September 2016. This increase largely mirrors the rise in the share of debt securities issued by NFCs during the same period, from 22.2% (EUR 153 billion) to 33.0% (EUR 385 billion).

Next to debt markets, equity markets are also important providers of finance to the European economy. According to the ECB, the total market value of quoted shares issued by euro area residents amounted to EUR 6,593 billion at end September 2016. Out of this total, euro area investment funds held EUR 1,119 billion, or 17.0%. Shares issued by NFCs represented 81% of this total stock. Euro area investment funds held 17.2% of these shares at end September 2016, compared to 15.9% at end 2008 (Exhibit 7).

Exhibit 6: Debt financing by euro area investment funds

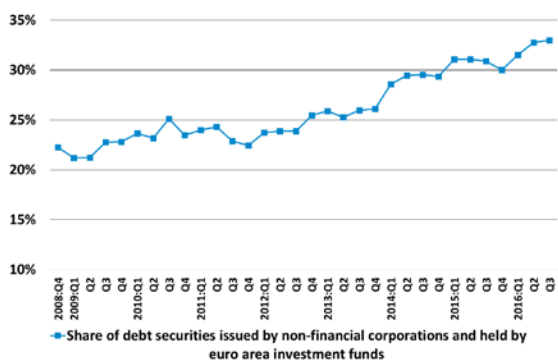
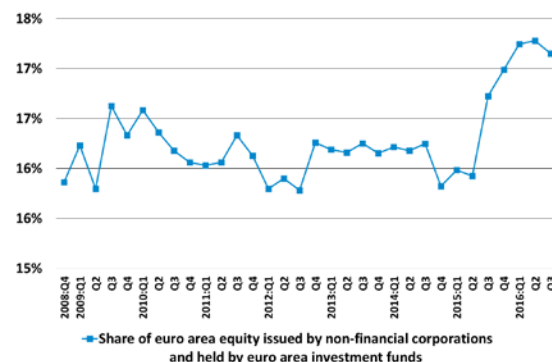


Exhibit 7: Equity financing by euro area investment funds



Source: ECB

Overall funding contribution of asset managers

Estimating the overall contribution of European asset managers to the financing of the euro area is more difficult due to the lack of consistent data on the portfolio holdings of mandates. Notwithstanding this limitation, we have developed a methodology to estimate the stock of debt securities and equity shares held by asset managers in Europe. This is explained in Appendix 2 at the end of this report.

According to our calculations, European asset managers held debt securities issued by euro area residents for a total amount of EUR 4,443 billion at end 2015. This amounted to 27% of all debt securities outstanding at the time (see Exhibit 8).

Exhibit 9 shows that European asset managers held shares issued by euro-area residents valued at EUR 2,108 billion at end 2015. This corresponds to 31% of the market value of euro area listed firms and 54% of the value of the shares issued by euro-area companies that were readily available for trading in the market, i.e. the free float market capitalization of euro-area listed firms.

Exhibit 8: Debt financing by European asset managers at end 2015

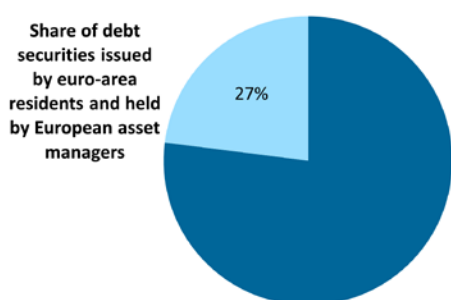
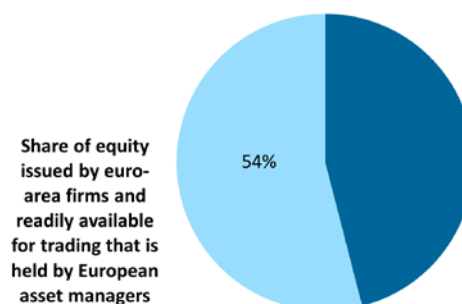


Exhibit 9: Equity financing by European asset managers at end 2015



3 The Capital Markets Union and Asset Management

3.1 Introduction

The Capital Markets Union (CMU) is a key building block of the European Commission's Investment Plan for Europe to boost jobs and growth. To put it simply, the main goal of the CMU is to strengthen the link between savings, investment and growth in order to provide more choice and better returns for investors and to offer companies broader opportunities to obtain funding at different stages of their development.

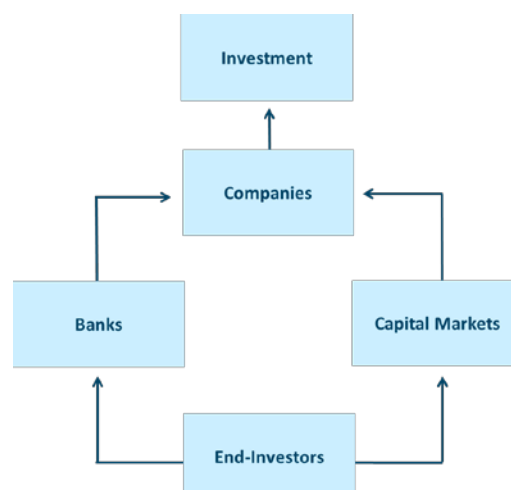
To achieve these objectives, the Commission published in September 2015 an Action Plan on Building a Capital Markets Union.⁸ This Plan, which set out a comprehensive programme of actions to put in place the building blocks for the CMU by 2019, was strongly supported by the European Parliament, Council and stakeholders. On 14 September 2016, the Commission took stock of the progress made since the adoption of the CMU Action Plan and published a Communication to step up implementation and accelerate reform.⁹

The goal of this section is to provide a high-level description of the structure of financial markets in Europe and to identify weaknesses and structural problems. This will help to understand the context in which the CMU initiative was launched and the rationale for greater capital market integration in Europe.

3.2 Current State of Europe's Capital Markets

Exhibit 10 illustrates a simple view of the structure of the financing of the economy and the main actors in this process. Banks and capital markets are the two pillars of this structure. Typically banks collect deposits from savers and lend funds to borrowers, whereas capital markets raise long-term funds and provide a platform for the trading of securities. In primary markets, new stock or bond issues are sold to investors. The main entities seeking to raise funds on the primary capital markets are government and companies. In the secondary markets, existing securities are sold and bought among investors or traders. The primary debt and equity markets provide an alternative way to banks to allocate capital within an economy.

Exhibit 10: Structure of the financing of companies



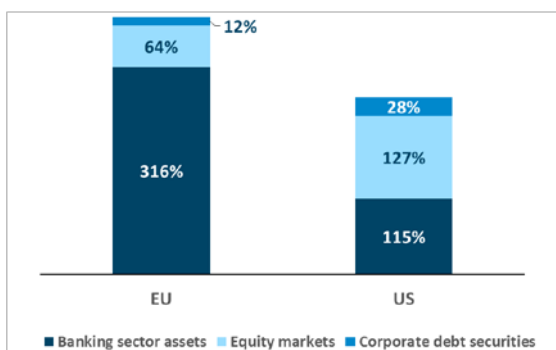
Every economy has a mixture of indirect financing via banks and direct financing via capital markets. Even if there are differences between countries, it is well documented that the European economy, unlike that of the United States, relies heavily on traditional bank intermediation. The exhibits below illustrate this point.

Bank-based vs. market-based financing

As a result of the transatlantic difference in structure, the European financial system is often referred as a “bank-based system”, as opposed to the “market-based system” characterizing the United States. Indeed, total assets of the banking sector averaged 316% of the GDP in the European Union in 2010-2014, compared to 115% in the United States. During this period, total EU stock market capitalization amounted to 64% of GDP, compared to 127% in the United States. The value of outstanding corporate bonds totaled 12% in Europe, compared to 28% in the United States (see Exhibit 11).

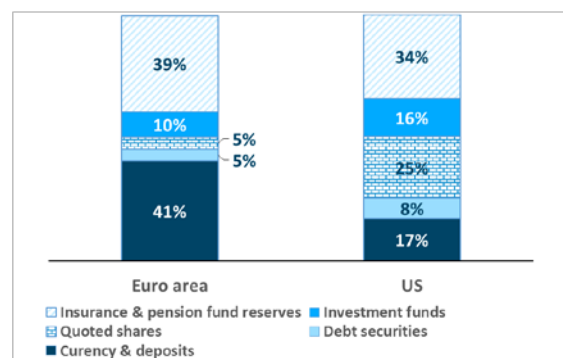
To a large extent, the high level of the total assets of the EU banking sector reflects the structure of households’ financial assets. At end 2015, euro area households held on average 41% of their financial assets in bank accounts. The mirror image of this situation is a relatively low level of wealth held in quoted shares, bonds and investment funds. In the USA, households hold a much lower share of their wealth in bank deposits and a higher share in capital market instruments, as shown in Exhibit 12.

Exhibit 11: Financial Sector Simplified Structure
(% GDP, average 2010-2014)



Source: Valiente¹⁰, ECB, EFAMA

Exhibit 12: Households’ Financial Assets
(share in total, end 2015)

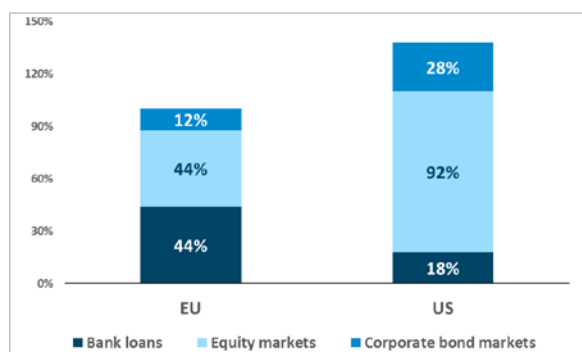


Source: ECB, EFAMA

The size of the banking system in Europe is also reflected in the importance taken by banks in the funding of non-financial companies (NFC) in Europe. Overall, the funding of NFC in the form of bank loans averaged 44% of GDP in Europe in 2010-2014, compared to roughly 18% in the USA (see Exhibit 13). Conversely, the NFC stock market funding totaled 92% in the US, compared to 44% in Europe. And the contribution of corporate bonds is also larger in the US: 28% compared to 12% in Europe.

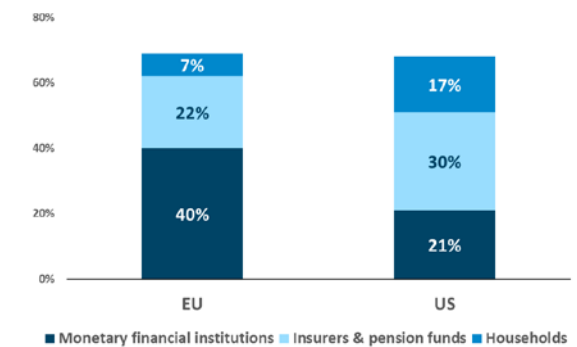
Another difference between Europe and the United States concerns the structure of the debt securities markets. Whereas 40% of EU debt securities were in the hands of banks in Europe at end 2014, banks only held 21% of outstanding US debt securities (see Exhibit 14). Two key factors explain why EU banks are by far the biggest holder of debt securities: their reliance on significant issuance of interbank lending and their high holdings of government bonds, which is related to the favorable regulatory treatment received by government debt.

Exhibit 13: Funding structure of non-financial corporations (% GDP, average 2010-2014)



Source: Valiente, ECB, EFAMA

Exhibit 14: Debt securities holdings by type of entity (% of outstanding securities, end 2014)



Optimal financial structure

Many studies have analyzed the advantages of both bank-based and market-based financial systems. Although it remains difficult to draw definite conclusions about the optimal financial structure, available research suggests that very high bank credit relative to GDP may lower economic growth. Similar conclusions have not drawn for market financing, especially equity financing.¹¹

Empirical studies also show that as economies develop, the marginal gain in economic activity associated with the development of capital markets increases. This explains why capital markets become comparatively more important for high-income countries because demand for capital markets instruments increases as the technical and legal infrastructures become stronger.

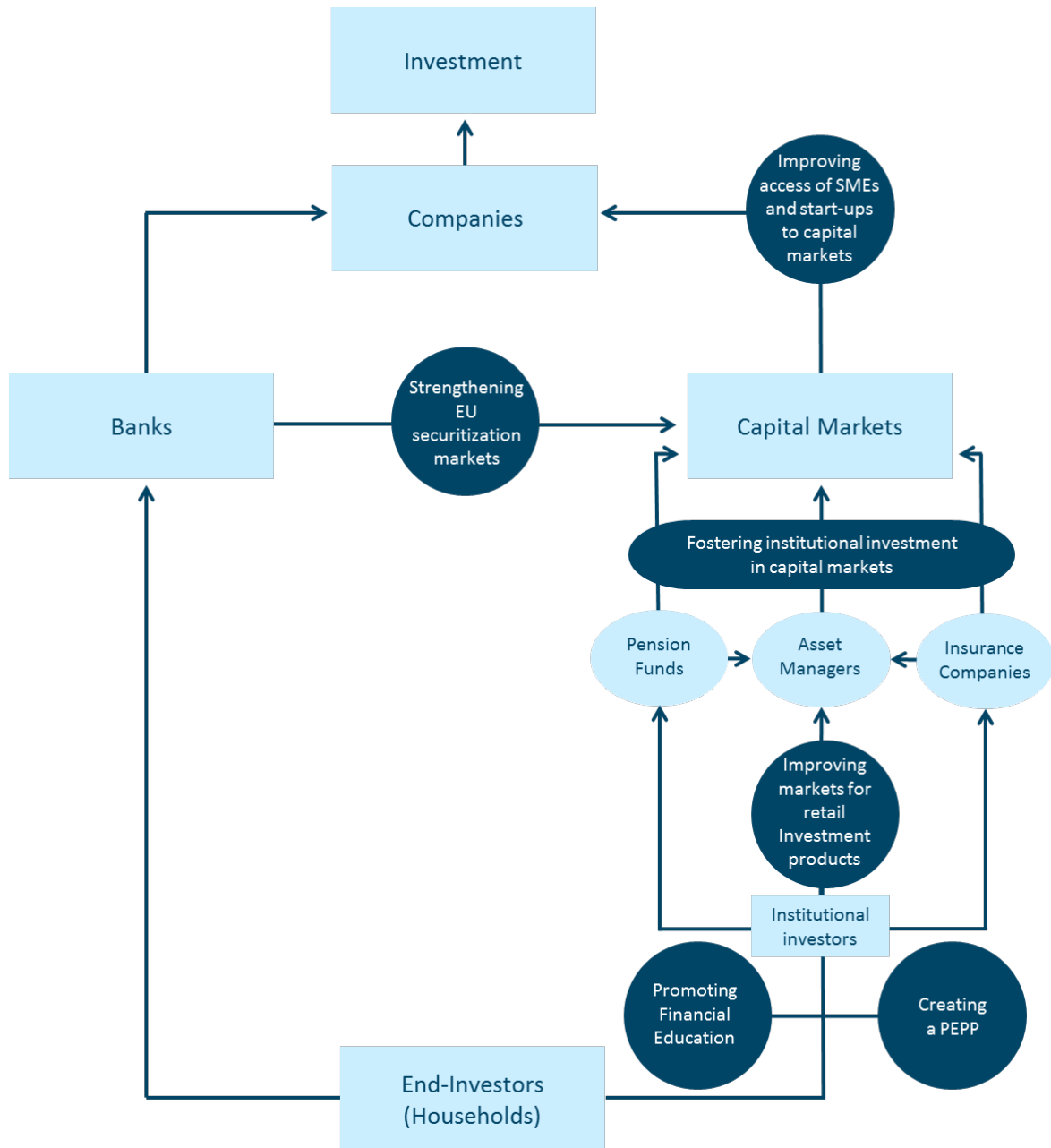
Europe has not followed the same trend. While most non-EU countries have become more market-based since 1995, most EU countries' financial systems have become even more bank-based. According to the Advisory Scientific Committee (ASC) of the European Systemic Risk Board (ESRB), this is a matter of concern because financial structures heavily skewed towards banking tend to perform much worse during downturns which occur at the same time as a financial crisis.¹² This is because banks drive the credit cycle which is one of the key drivers of the business cycle. And it so happens that banks' supply of credit is highly volatile: a surge in economic activity tends to strengthen bank credit growth, whereas a small change in financial asset prices may produce large swings in credit and real economic activity.¹³ To illustrate this relationship between financial structure and growth, the ESRB ASC's report shows that if Germany's financial structure had followed that of the US over the past 20 years, the level of Germany's GDP would now be approximately 2% higher.

These findings have convinced the European Commission that European businesses remain too heavily reliant on banks for funding and not enough on capital markets. By opening up a wider range of funding sources, the CMU "will mean that EU citizens and companies are less vulnerable to banking contractions".¹⁴ By promoting more diversified funding channels to the real economy, the CMU should help reduce the reliance on bank lending and intermediation in the financial system and thereby enhance financial stability in the EU.

3.3 Building a Capital Markets Union

There is no single action that will deliver a Capital Markets Union. Instead a series of measures are needed to increase the share of European savings channeled through the capital markets and remove the barriers which prevent companies from obtaining non-bank funding. Exhibit 15 illustrates the scope and the ambition of the project by highlighting some of the key measures that will help rebalance the European financial system towards a more “market-based system”.

Exhibit 15: Highlight of the CMU Action Plan



Fostering retail investment in capital markets

The CMU Action Plan stressed that *“the CMU aims to put European savings to better use, improving the efficiency through which savers and borrowers are matched.”*¹⁵ As households are the ultimate supplier of savings in the economy, the success of the CMU will depend on the measures that will be taken to convince households to invest more in capital markets.

EU households’ limited interest in market-based instruments reflect a range of factors, including a relatively high degree of risk aversion, the lack of an “equity culture”, a low level of financial expertise, and a lack of trust in financial markets. The following actions will help address households’ concerns and better mobilize savings through capital markets.

- **Promoting financial education**

The importance of financial education has been recognized by G20 Leaders as a complement to financial consumer protection and inclusion. While understanding risk and risk diversification is important to make the right financial decisions, only a minority of individuals has a good grasp of these concepts.

In a world of increased financial responsibility, policy measures aiming at improving financial education are critical to strengthen the willingness of households to save for retirement and invest to improve their future financial wellbeing. It is essential that individuals understand that a reduction in risk usually means a reduction in average returns. People should also understand that uncertainty about, or volatility of, annualized real returns is reduced as the holding period increases. This is particularly relevant for pension asset accumulation, as the investment period is long-term in nature.

In general, we believe that the CMU project should give more importance to this policy objective.

- **Improving markets for retail investment products**

A lot of progress has been made in recent years to improve the rules governing product disclosure and investment advice, in particular thanks to the legislation in MiFID II and Packaged Retail and Insurance-based Investment Products (PRIIPs).

Further improvement is expected as a follow-up to the European Commission’s Consultation on CMU action on cross-border distributions of funds. Measures to facilitate the cross-border distribution of funds in the European Union would indeed widen the opportunities for European citizens to save and invest and facilitate better outcomes both for savers and the wider European economy. This would encourage households’ investment in capital market instruments.

Finally, in view of the growing importance that online based services and fintech solutions will take in the future, there is no doubt that greater attention needs to be given to technological developments that could improve the access of retail investors to investment products and further advisory services.

- **Creating a Pan-European Personal Pension Product**

One of the most important measures that could be taken to promote saving and investment by households through capital markets would be a legislative proposal to create a pan-European Personal Pension Product (PEPP). European households' strong preference for safety can explain their limited interest in capital markets instruments, which are viewed by many as too risky. An effective way of correcting this perception is to encourage individuals to save for retirement starting at a young age, because the risk-return performance of equity and bonds depends on the investment horizon. The ambition of creating a simple, safe, transparent, trustworthy and cost-effective personal pension product would also contribute to strengthen households' confidence in the potential of market instruments.

The creation of a PEPP would also improve the functioning of the EU single market in personal pensions. The PEPP could achieve this by encouraging competition between all market players, enabling efficiency gains through economies of scale and lower costs, and offering a wider choice of products to households. In doing so, the PEPP would benefit EU consumers and therefore increase their willingness to re-allocate their savings towards more market-based instruments. Gabriel Bernardino, chairman of EIOPA, gave an excellent explanation of the importance of the PEPP, noting that *"from the development of a Capital Markets Union the PEPP can be one of the most tangible outcomes and benefits for European Union citizens. Together, we have to do everything to regain the trust of Europe's citizens in the European Union and its financial services industry. Europeans request concrete solutions to their very pertinent problems such as the lack of adequate retirement savings."*¹⁶

Fostering Institutional investment in capital markets

Boosting household savings into the financial markets will increase the resources available for fund long-term investment. The impact will be all the greater if the institutional investors, which usually serve as intermediaries for households who want to invest in capital markets, have the right incentives to invest predominantly in long-term assets such as equity, long-term infrastructure projects and SME lending. Therefore, the calibration of regulatory capital charges and the quantitative and qualitative limits constraining the investment of institutional investors, particularly insurers and pension funds, should be revisited to eliminate unjustified restrictions and allow these investors to scale up their investments in less-liquid assets.

In this context, the European Long Term Investment Fund (ELTIF) Regulation, which entered into force in December 2015, creates a new fund vehicle for asset managers to invest in a wide range of assets, such as SMEs capital (listed or unlisted) as well as infrastructure and real asset projects. In addition, ELTIFs benefit from an EU passport for cross-border distribution. Hence, ELTIFs provide an additional tool to meet the growing interest of institutional and retail investors in longer-term investment opportunities offering a steady income and a broad diversification of risks. This new type of fund falls well within the framework of the CMU initiative. However, it is hard to assess whether the ELTIF will be a success. While there is clearly a huge demand for financing infrastructure projects, it is possible that the regulatory requirements constraining the investment possibilities and the overall operations of the ELTIF will inhibit the appetite from the industry to offer ELTIFs to the widest possible audience. For sure, it is crucial that the right incentives are in place, in particular the tax treatment of ELTIFs at national level.

Finally, unjustified national barriers to cross-border investment, such as insolvency, tax and securities law, should also be dismantled to deepen financial integration and enhance the flow of capital from institutional investors to European investment projects, improving allocation of risk and capital across the EU and, ultimately, making households' savings more resilient to future shocks. To achieve these objectives, an important part of the European Commission's work should focus on the elimination of discriminatory tax obstacles to cross-border investment and the adoption of more efficient withholding tax procedures.

Improving access of SMEs and start-ups to capital markets

Increasing the flow of savings from retail investors through capital markets will only be effective if obtaining finance through capital markets is increasingly straightforward. Many European companies, in particular SMEs, start-ups and non-listed companies, have faced funding constraints during the global financial and euro area sovereign debt crises, notably because of the increased risk aversion and liquidity problems in the banking sector. From this perspective, a key goal of the CMU is to broaden the sources of funding of these companies and avoid an excessive reliance on bank credit.

Unfortunately, unlike large corporations, small companies have limited access to capital markets in Europe. This is the result of a long-lasting situation in which banks have specialized in SME financing, relying on their proximity to SMEs, which provides them with relevant information to assess the risk of the SME businesses. There is also ample evidence that business angels in the EU remain small, and venture capital constitutes a small part of total SME external financing. By way of illustration, venture capital firms invested only EUR 5 billion in Europe in 2013, an amount significantly lower than the EUR 26 billion invested in the US.¹⁷

To improve access of SMEs and start-ups to capital markets, the European Commission has taken a number of initiatives, including

- the modernization of the Prospectus Directive to help SMEs access capital markets without the burden of doing a full prospectus;
- the review of the European Venture Capital (EuVECA) Fund Regulation, which aims to open up EuVECA to a broader range of managers and to expand the range of SMEs that can be financed by them;
- the launch of a strategy to overcome information barriers that prevent SMEs and prospective investors from identifying funding or investment opportunities; and
- the review of the regulatory barriers to small firms for their admission to trading on public markets.

Strengthening EU securitization markets

Bank lending will continue to play the main source of funding of many businesses in the CMU. The strong relationships and networks banks have developed with local companies will allow to retain this role. To reduce the risk that bank loans unduly limit the ability of the banking sector to extend credit to the economy, the Commission has proposed an EU framework for simple, transparent and standardized (STS) securitization with a view of freeing up capacity on banks' balance sheets and provide access to broader investment opportunities for long term investors.

This initiative has the potential to increase the funding to the economy. However, to be successful, this initiative should also ensure that there are enough incentives for institutional investors to invest in securitizations. This requires calibrating the regulatory capital requirements, in particular the Solvency II risk weightings, appropriately.

3.4 Asset Managers in the CMU

The differences between the United States and Europe illustrate how much potential a truly integrated Capital Markets Union in Europe has in providing new sources of funding for companies, stimulating long-term investment and strengthening Europe's economy.

Asset managers are in a prime position to complement bank financing by offering retail investors efficient access to capital markets. In this context, asset managers stand ready to play a key role in the PEPP market in two important ways: firstly, by providing the investment expertise required to manage retirement savings, and secondly, by leveraging their experience in the UCITS cross-border market to support the creation of a true single market for personal pensions for the benefit of EU citizens.

Asset managers are also well placed to improve the allocation of capital in Europe by finding the best investment opportunities in a cross-border context and broadening the availability of finance to companies that have the potential to improve the growth and employment prospects in Europe.

Finally, as the CMU will take shape, it is likely that asset managers will develop their activities in areas beyond traditional corporate debt markets to alternative forms of debt finance to broaden their role in the financing of companies and investment projects. One may highlight two areas in which some asset managers have started to become active: direct lending to companies and direct investment in large public and private infrastructure projects.

4 Assets under Management in Europe

4.1 Size and Recent Evolution of the Asset Management Industry

Assets under management in Europe reached EUR 22.8 trillion by the end of 2016, bringing the size of the industry to 138% of GDP. Investment fund assets accounted for 51.8% of all AuM, totaling EUR 11,800 billion, whereas discretionary mandates represented 48.2% of total AuM, or EUR 11,000 billion.^{18,19}

Exhibit 16 shows the evolution of AuM in discretionary mandates and investment funds between end 2006 and end 2016. Total assets of the European asset management industry have grown 77% during this period. In relation to GDP, the value of AuM increased from 106% in 2006 to 138% in 2016.²⁰ This strong rise can be explained by four key factors: the quest for investment returns in a context of falling interest rates, the attractiveness of investment funds in terms of investor protection, the great variety of investment strategies and risk-return profiles offered by asset managers, and the central bank actions taken to prevent deflation and foster economic growth.

Assets under management continued to grow in 2015, albeit at a slower pace in 2014. Whereas the ECB's quantitative easing program announced in January 2015 and lower interest rates boosted the demand for investment funds, the sudden reversal in bond yields in April 2015 and the slowdown in major emerging market economies caused the growth in assets to stop during the spring and summer of 2015.

In 2016, the stock market sell-off in January, uncertainties about economic growth and the UK's vote to leave the European Union continued to hold back the asset growth. In this context, equity funds suffered from the fall in share prices and the ensuing drop in net sales. This development was partly offset by the fall in long-term interest rates, which pushed bond prices upwards as well as net sales of bond funds. The anticipation of faster growth and higher inflation following the election of Donald Trump as American President produced the opposite effect: net sales of equity funds picked up in November, whereas net sales of bond funds turned negative for the first time since February 2016.

Exhibit 16: European AuM (EUR trillion)

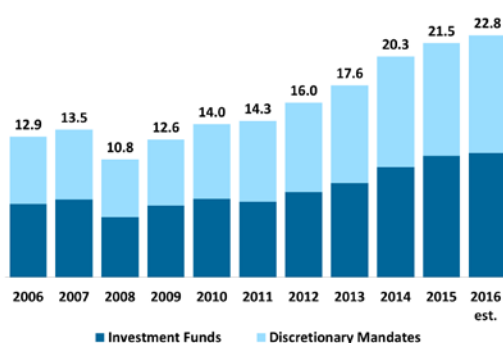
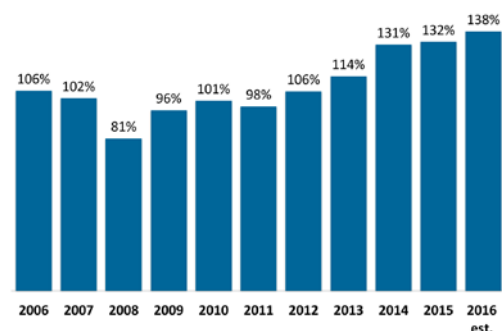


Exhibit 17: European AuM as percentage of GDP



4.2 AuM across Europe

Exhibit 18 shows the AuM in Europe with a country breakdown at end 2015, including the change in AuM in 2015, the market share and the AuM/GDP ratio for each country.

Exhibit 18: European AuM at end 2015 (EUR billion) and AuM/GDP (percent)

Countries	AuM	% Δ in 2015 ¹	Market Share	AuM / GDP
UK	7,791	6%	36.3%	320%
France	3,787	5%	17.6%	174%
Germany	2,026	9%	9.4%	67%
Switzerland	1,466	2%	6.8%	242%
Netherlands	1,244	1%	5.8%	184%
Italy	1,156	10%	5.4%	70%
Denmark	367	3%	1.7%	135%
Belgium	279	8%	1.3%	68%
Austria ²	104	3%	0.5%	31%
Portugal	81	7%	0.4%	45%
Turkey	48	4%	0.2%	7%
Czech Republic	35	n.a.	0.2%	21%
Hungary	28	5%	0.1%	25%
Greece	11	20%	0.05%	6%
Rest of Europe ³	3,047	6%	14.2%	102%
Total	21,469	6%	100%	132%

¹ End 2015 AuM compared to end 2014 AuM

² Investment fund assets only.

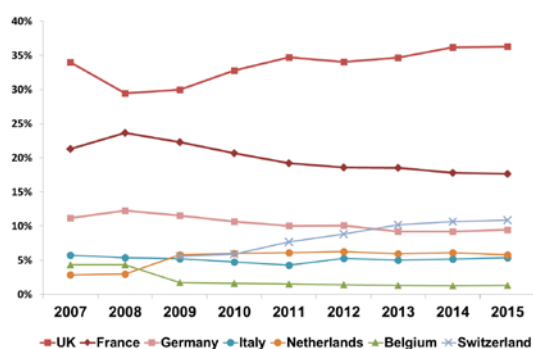
³ Including Bulgaria (EUR 410 million), Romania (EUR 4.7 billion) and Slovenia (EUR 2.2 billion).

It can be seen that the pool of assets managed in Europe remains centered on a small number of European countries. The UK is the largest asset management market in Europe, followed by France and Germany. Together, these three countries represented 63% of the total AuM in Europe at end 2015. This high concentration reflects the size of these countries' economies, the experience of these countries in financial services and the pool of savings accumulated over the years in these countries.

The large AuM/GDP ratios in the UK (320%), Switzerland (242%), the Netherlands (184%), France (174%) and Denmark (135%) give an indication of the relative importance taken by asset managers in these countries, and the responsibility they have taken in managing investors' assets. Elsewhere in Europe, AuM/GDP ratios are considerably lower, hovering around the 70% mark in Belgium, Germany and Italy.

Exhibit 19 shows that the market share of the UK, the Netherlands and Switzerland has increased in recent years.

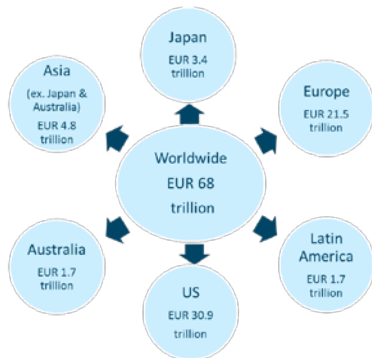
Exhibit 19: Evolution of Country Shares



4.3 A Global Comparison

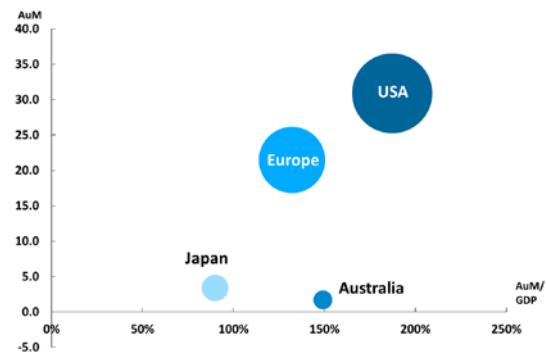
The global asset management industry managed EUR 68 trillion in net assets at end 2015.²¹ Europe ranked as the second largest market in the global industry managing 31% of all assets. The world's largest market is the United States, which represents EUR 30.9 trillion in AuM and makes up approximately 45% of global AuM.

Exhibit 20: Global AuM at end 2015



Source: BCG, EFAMA

Exhibit 21: AuM (EUR billion) and AuM/GDP (%) at end 2015

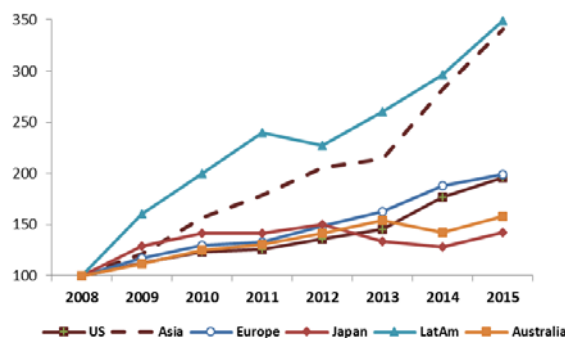


Source: BCG, EFAMA

Exhibit 21 illustrates the relationship between AuM and GDP for the largest markets around the world at end 2015. Europe had an AuM/GDP ratio of 132%, smaller than the US (187%) and Australia (149%) but larger than that of Japan (90%).

A comparison of the AuM growth across worldwide regions can be seen in Exhibit 22. Since 2008, Asia and Latin America have seen their AuM more than triple, albeit starting from a very low level. In the developed countries, European AuM has increased 99% since 2008, followed by the US (96%), Australia (58%) and Japan (42%). It is interesting to note that Europe and the US have registered almost identical growth in AuM since 2008, despite the large differences in the economic performances across these two regions during this period.

Exhibit 22: Global AuM Growth Index (Base year: 2008 = 100)



Source: BCG, EFAMA

4.4 AuM in Investment Funds and Discretionary Mandates

Asset management portfolios can be made up of investment funds and/or discretionary mandates. Asset managers typically receive mandates from institutional clients, whereas retail investors are generally offered investment funds. This section provides a general overview of the evolution of assets managed through investment funds and discretionary mandates, and the key distinctive features of these two asset management product solutions are highlighted in the next two sections.

In Europe, discretionary mandates represented EUR 10,326 billion or 48% of total AuM at end 2015, whereas the share of investment fund assets in total AuM stood at 52% and amounted to EUR 11,143 billion. The evolution of the share of total assets held by discretionary mandates and investment funds can be seen in Exhibit 24.

Exhibit 23: Discretionary Mandates Vs Investment Funds (end 2015)

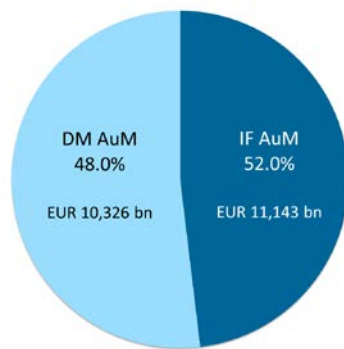
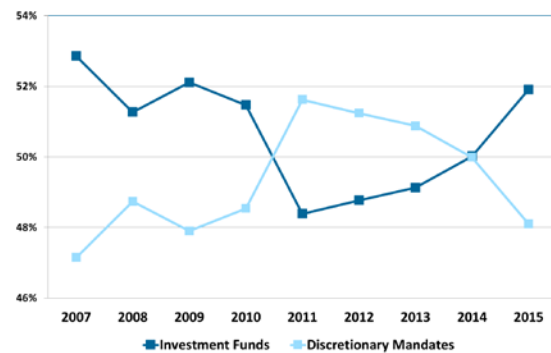


Exhibit 24: Share of Discretionary Mandates and Investment Fund Assets in Total AuM

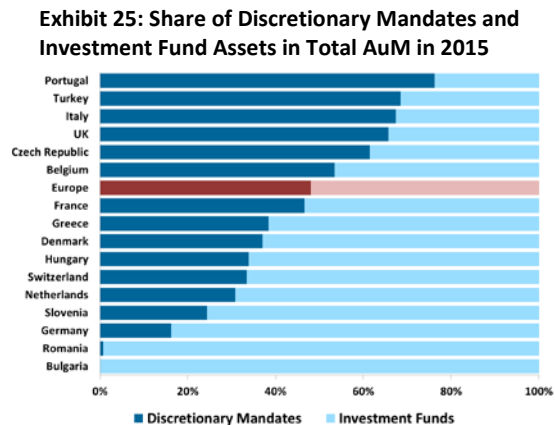


The share of discretionary mandates fell for the fourth consecutive year in 2015 due to stronger growth of investment fund assets during the year. Exhibit 24 also shows that the share of investment funds once again surpassed discretionary mandates for the first time since 2010. The erosion of discretionary mandates' share mirrors the rise in stock markets from which investment funds benefited more fully thanks to their relatively high exposure to equity in their portfolio (37% against 26% for discretionary mandates).

The split between investment funds and discretionary mandates observed at the national level is shown in Exhibit 25. Significant differences can be observed between countries. Whereas the share of discretionary mandates in total AuM stood at 48% on average in Europe, discretionary mandates represented more than 60% of total AuM in Portugal, Turkey, Italy and the UK at end 2015, while practically all AuM in Romania and Bulgaria were invested in investment funds. Another observation is the difference between the three largest markets for asset management. In Germany discretionary mandates accounted for 16%, whereas in France they represented 47% of total assets and 66% in the UK.

These observations show that there are important differences in terms of the dominant asset management product solutions offered in different European countries. For instance, the vast dominance of discretionary mandates reflects the important role played by occupational pension schemes in asset management in the UK. By contrast, in the Netherlands, which is also known for its large occupational pension funds, investment funds is the reference product because many pension funds use investment funds to manage their assets, mainly for tax reasons. In Portugal, the key factor behind the large proportion of discretionary mandates is that most financial services

groups operate an asset management company, which manages the group's assets generally in the way of discretionary mandates.



While looking at Exhibit 25, it is important to bear in mind that the border between different product types is blurred. Apart from the frequent allocation of discretionary mandates to investment funds, certain investment funds display similar characteristics as discretionary mandates. Vice versa, discretionary mandates may also be retail oriented and mimic the investment strategies and structures of investment funds. Thus, product types with similar properties may be categorized differently, although differing primarily in terms of the wrapper used for their distribution. For example, it should be noticed that the discretionary mandate figure for the UK includes a share of pooled vehicles that in many respects correspond closely to investment funds.

4.5 AuM in Investment Funds

Investment funds are pools of assets with specified risk levels and asset allocations, into which one can buy and redeem shares. By pooling savings from various sources, they offer investors a number of advantages, particularly in terms of risk diversification and lowered costs by economizing on scale. The market for European investment funds is organized around domestic markets served predominantly by domestic players, and cross-border distribution centers which have developed an infrastructure to administer and distribute funds across Europe and the rest of the world.

Investment fund assets managed in Europe totaled EUR 11.1 trillion at end 2015 (compared to EUR 10.1 trillion at end 2014). The largest financial centers with more than EUR 1 trillion of fund assets under management (UK, France and Germany) managed 57% of European investment fund assets at end 2015. The relatively high market share of the rest of Europe (18%) is largely attributable to other countries with large fund management, such as Spain, the Nordic countries (other than Denmark listed in Exhibit 26), as well as Luxembourg and Ireland, where some investment fund assets are also managed.

Exhibit 26: Investment Fund Assets by Geographical Breakdown of AuM at end 2015 (EUR billion)

Countries	AuM	% Δ in 2015 ¹	Market Share	AuM / GDP
UK	2,673	14%	24%	104%
France	2,020	8%	18%	93%
Germany	1,697	9%	15%	56%
Switzerland	975	14%	9%	161%
Netherlands	861	2%	8%	127%
Italy	377	16%	3%	23%
Denmark	231	7%	2%	85%
Belgium	130	10%	1%	32%
Austria	104	3%	1%	31%
Portugal	19	2%	0.2%	11%
Hungary	18	5%	0.2%	17%
Turkey	15	-1%	0.1%	2%
Czech Republic	14	n.a.	0.1%	8%
Greece	7	12%	0.1%	4%
Rest of Europe ²	2,003	9%	18%	68%
Total	11,143	10%	100%	69%

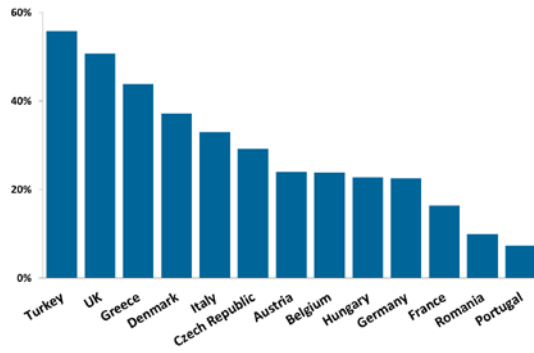
¹ End 2015 AuM compared to end 2014 AuM.

² Including Bulgaria (EUR 410 million), Romania (EUR 4.7 billion) and Slovenia (EUR 1.6 billion).

When comparing AuM to GDP, it can be seen that investment fund assets managed in Switzerland represented 161% of GDP, compared to 128% in the Netherlands, 104% in the UK, 93% in France and 85% in Denmark. These high ratios reflect the importance of these countries, the ability of their asset managers in attracting assets domiciled abroad, and the importance of pension funds located in these countries.²²

In order to portray a more comprehensive picture of the extent to which countries manage investment fund assets domiciled abroad, Exhibit 27 illustrates the relative degree to which AuM in a particular European country originate from funds domiciled abroad. It can be observed that a significant share of investment fund assets managed in Turkey, the UK and Greece relate to foreign-domiciled funds. Thus, Exhibit 27 confirms the notion that there is a spectrum across Europe in terms of whether investment funds are primarily domiciled in the country where they are managed, or whether domiciliation abroad is common.

Exhibit 27: Share of Foreign-Domiciled Investment Funds in Total Investment Fund AuM (end 2015)



As explained earlier, the focus of this report is to highlight figures on the asset management industry from the perspective of where the assets are managed. There is therefore a clear distinction between the data presented in this report and the data on investment funds analyzed in other research reports from EFAMA, such as the EFAMA Fact Book and the EFAMA monthly Fact Sheet. In general, these reports compare the European countries' market shares in terms of investment fund domiciliation. The top 10 fund domiciles at end 2015 are reported in Exhibit 28.

The EFAMA Fact Book also provides estimates of the size of the total demand for investment funds. It can be seen that Germany and France were the largest markets for investment funds in 2015, followed by the UK, Italy and Switzerland. Comparing the assets figures in Exhibits 26 and 29, it can be seen that the UK occupies a unique position as exporter of asset management, as over 50% of the investment fund assets managed in the UK are held by investors outside the UK.

Exhibit 28: Investment Fund Assets by Country of Domicile at end 2015 (EUR billion)

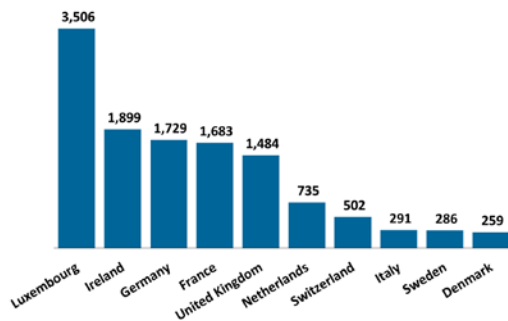
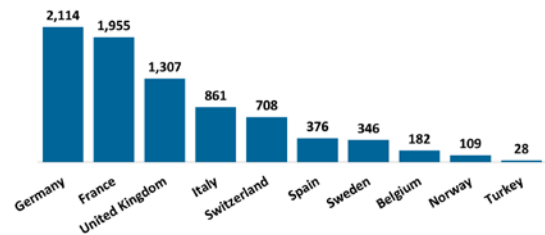


Exhibit 29: Investment Fund Assets by Country of Fund Ownership at end 2015 (EUR billion)



Source: EFAMA Fact Book 2016

4.6 AuM in Discretionary Mandates

A discretionary mandate is a mandate given by a client to an asset manager to manage a portfolio of assets and execute orders in compliance with a predefined set of rules and principles on a segregated basis and separate from other clients' assets. Discretionary mandates give the asset management company the sole authority to buy and sell assets on behalf of the client.

Discretionary mandate AuM are dominated by two markets: the UK and France, which together managed approximately 67% of total European discretionary mandates at end 2015 (see Exhibit 30). The significant market share of the UK (50%) can be related to the very large base of pension fund assets managed for UK and overseas pension funds, the treatment of some pooled vehicles as discretionary mandates rather than investment funds, and the role of London as an international financial center. In France, the market share of 17% reflects the size of the French insurance industry and the high level of asset management delegation by French and foreign institutional investors to asset managers.

Exhibit 30: Discretionary Mandates AuM at end 2015 (EUR billion and percent)

Countries	AuM	% Δ in 2015 ¹	Market Share	AuM / GDP
UK	5,118	3%	50%	199%
France	1,767	2%	17%	81%
Italy	780	8%	8%	47%
Switzerland	491	-16%	5%	81%
Netherlands	383	-3%	4%	57%
Germany	329	6%	3%	11%
Belgium ²	149	7%	1%	36%
Denmark	136	-3%	1%	50%
Portugal	62	8%	1%	34%
Turkey	33	6%	0.3%	5%
Czech Republic	22	n.a.	0.2%	13%
Hungary	9	4%	0.1%	9%
Greece	4	34%	0.04%	2%
Rest of Europe ³	1,043	3%	10%	35%
Total	10,326	2%	100%	64%

¹ End 2015 AuM compared to end 2014 AuM.

² Figure for Belgium includes unit-linked insurance products and pension funds.

³ Includes Romania (EUR 37 million) and Slovenia (EUR 527 million).

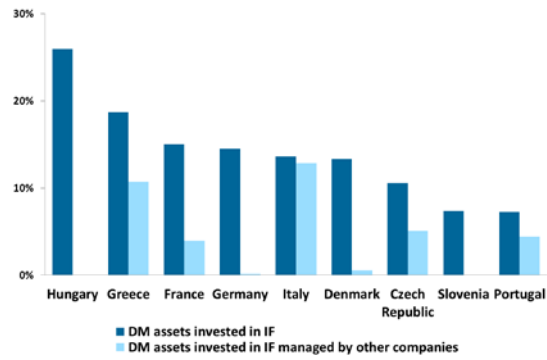
The degree of geographical concentration is higher than in the investment fund industry for the following reason: whereas the mandates segment of the asset management market essentially depends on business-to-business relationships between professionals (asset managers and institutional clients), investment funds are primarily targeted at retail investors and their distribution requires stricter administration and notification procedures. For this reason, investment fund assets tend to be managed closer to their country of distribution, thereby reducing the possibility of asset management concentration.

In relation to AuM/GDP, the UK stands out with AuM amounting to 199% of GDP. France and Switzerland tie for second place with AuM/GDP amounting to 81% in both countries, followed by the Netherlands with 57%.

Discretionary mandates often invest in investment funds to take advantage of the benefits offered in terms of diversification and cost efficiency.²³ The share of discretionary mandate assets invested in investment funds was highest in Hungary, followed by Greece, France and Germany. Exhibit 31 identifies the extent to which discretionary mandates are invested in investment funds managed by the asset managers themselves or by other asset managers. By way of illustration, in Italy 13%

of discretionary mandates were invested in investment funds managed by other asset managers, compared to only 4% in France and Portugal and 1% in Denmark.

Exhibit 31: Share of DM Assets Invested in IF at end 2015



5 Clients of the European Asset Management Industry

5.1 Institutional and Retail Clients

The European asset management industry serves both retail clients – usually composed of households and high net worth individuals (HNWI) – and institutional clients, who are the most important clients of the industry. Their share in the total AuM in Europe reached 73% in 2015.²⁴ Exhibit 33 shows that insurance companies and pension funds are the most important clients of the asset management industry, each accounting for 27% of the total assets managed in Europe. These high shares can be explained by the fact that insurance companies and pension funds control large amounts of financial assets and outsource the management of all or part of their assets to external asset managers.

Exhibit 32: Asset Managers' Client Base

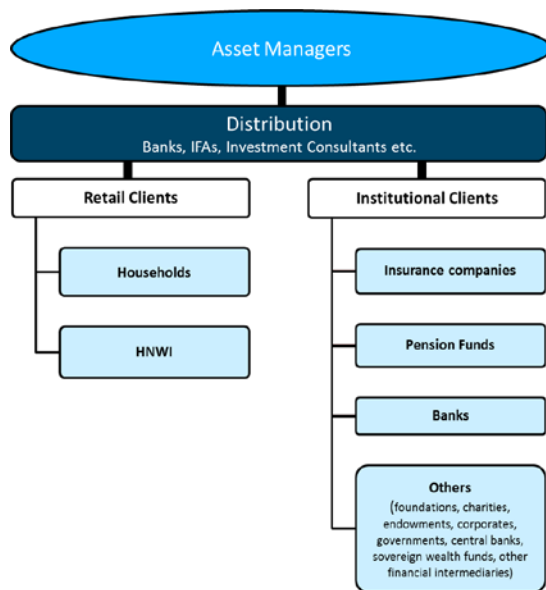
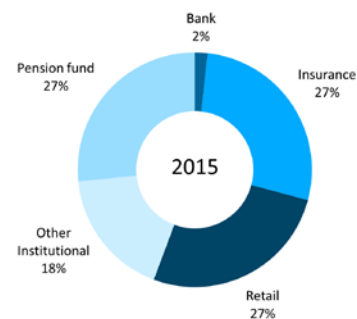


Exhibit 33: Breakdown of Clients by AuM



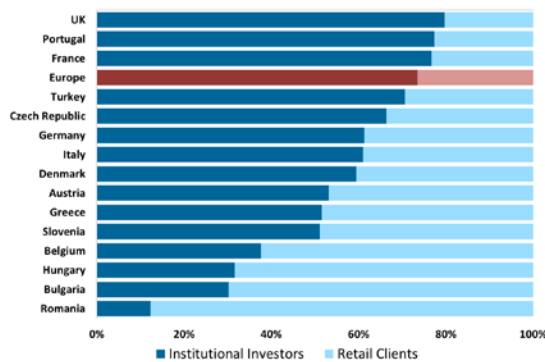
Asset managers also serve other institutional clients such as non-financial companies, banks, sovereign wealth funds, family offices, governments, local authorities, and endowments. Many of these clients invest through a combination of investment funds and discretionary mandates. In providing these solutions, asset managers have become a key part of financial services industry.

The current low share of assets managed directly on behalf of retail clients, i.e. 27% at end 2015, reflects the fact that many asset managers rely on third-party distributors, mainly banks and insurance companies. In this capacity, banks and insurance companies offer products that they manage such as bank deposits and life insurance products, and to some extent, products manufactured by other institutions, typically investment funds. In deciding which kind of products to offer, banks and insurers take into consideration the needs of their clients and their preference for liquidity and security. These preferences go a long way in explaining why the financial asset allocation of households in Europe is characterized by a high share of bank, as highlighted in Exhibit 12. As explained above, one of the main goals of the CMU initiative is to encourage a shift of households' savings towards capital market products. Over the course of time, this shift is expected to increase the share of assets that asset managers will manage directly for retail clients.²⁵

We also believe that the use of new technology and digital communication will offer new opportunities for asset managers to offer their products and services directly to retail clients. For example, robo-advice services are likely to give asset managers access to millennials, who will start building assets and planning for the future. In an environment of low interest rates on savings accounts, robo-advice gives asset managers an attractive and low-cost way to interact with this generation and attract assets that are not currently in-house at asset management firms.

Exhibit 34 compares the asset managers' client base across Europe. We can see that there are significant variations in the importance of the client base across countries. Overall, the European average is heavily skewed by the overwhelmingly large institutional client base in the UK and France, the two largest countries in terms of AuM. Excluding these countries, the share of retail clients would reach 58%. Two remarks can be drawn from this observation. First, asset managers in the UK and France stand apart by their ability to attract large institutional mandates from pension funds (UK) and insurance companies (France), which also holds true for Portugal. Second, in most other countries, asset managers tend to have a more balanced distribution of clients. It may also be concluded that a significant part of the activity of asset managers in these countries is concentrated on investment funds which are distributed to retail clients.

Exhibit 34: Asset Managers' Client Base across Europe (end 2015)



Over the past decade, institutional clients' share in total AuM has risen from 68% in 2007 to 73% in 2015, although the share of institutional clients has been falling since its high point of 76% in 2012 (see Exhibit 35).

Exhibit 35: Evolution of Asset Managers' Client Base

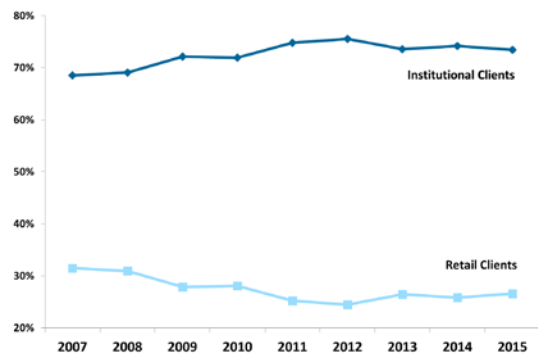
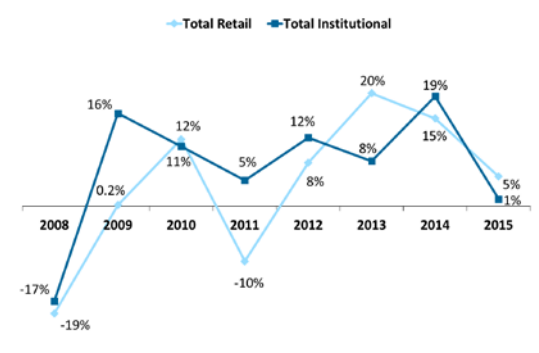


Exhibit 36: AuM Annual Growth Rates by Client Type



During the crisis, insurance companies and pension funds continued to use the expertise of the asset management industry to invest and manage the recurrent contributions collected from their members. During this time, retail clients cut back on the purchase of investment funds due to rising unemployment, gloomy economic outlook and high risk aversion. When the economic situation started to improve in 2013, households started to regain confidence in the future and increased their purchases of UCITS to invest in the capital market. The very low interest rate level also increased households' willingness to take more investment risk. This trend continued in 2015.

5.2 Investment Funds and Discretionary Mandates per Client Type

Institutional investors strongly dominate the discretionary mandate segment of the market, as shown in Exhibit 37. Such specialization can be attributable to two factors. Firstly, mandates are typically associated with minimum investment amount, making them less attractive investment vehicles for retail investors. Second, mandates can offer specific investment solutions according to the investors' sophisticated needs, such as asset-liability management, liability driven investments and separation of alpha and beta investment strategies. In general, asset managers deliver such customized solutions and services to clients with a high level of investable assets.

Exhibit 37: Discretionary Mandates by Client Type (end 2015)

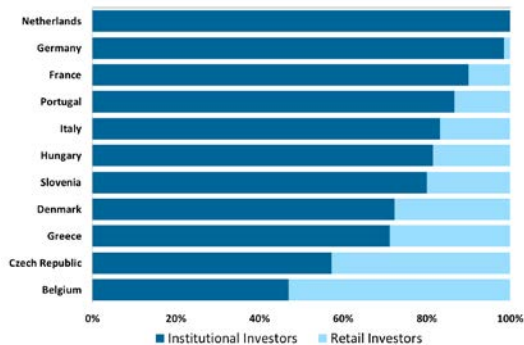
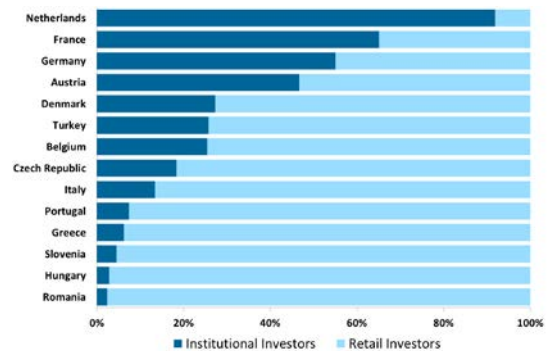


Exhibit 38: Investment Funds by Client Type (end 2015)



The situation is different in the investment fund market where retail clients tend to be the dominant client. This being said, pension funds and insurers tend to hold a growing share of their assets in investment funds (see Exhibits 39 and 40).

Exhibit 39: Financial Asset Ownership by Pension Funds (share in percent)

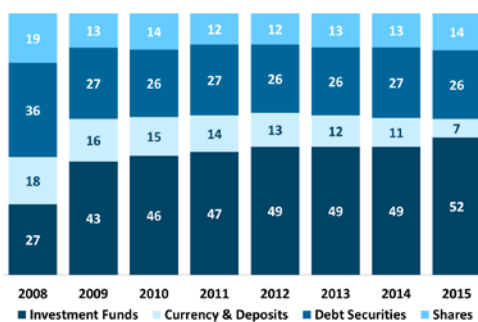
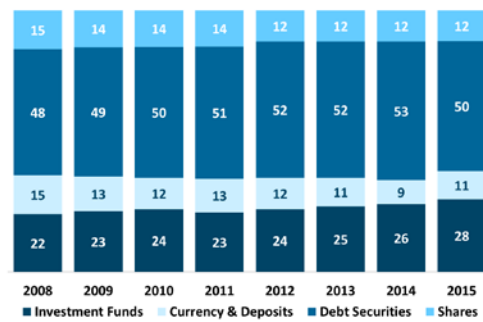


Exhibit 40: Financial Asset Ownership by Insurers (share in percent)



Source: EFAMA Fact Book 2016, ECB

Two other remarks can be made. In France, the relatively high share of investment funds is due to the use of investment funds in workplace pension schemes as well as the important role played by money market funds in cash management of many French corporations. In Germany, special investment funds (Spezialfonds) are very popular investment vehicles dedicated exclusively to institutional investors, i.e. insurance companies, pension funds and municipal agencies. This is the case in Austria which explains why institutional clients make up almost half of the Austrian market.

5.3 Assets Managed for Institutional Clients

As shown above, institutional clients are dominated by two players: insurance companies and pension funds. Combined, these two clients accounted for 73% of total AuM for institutional clients at end 2015. Insurance companies accounted for 37% of AuM, followed by pension funds with 36%. The share of other institutional clients stood at 24% at end 2015.

Exhibit 41: Breakdown of Institutional Investors by AuM

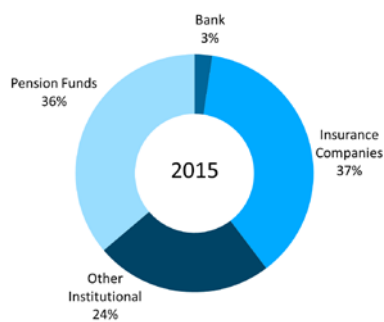
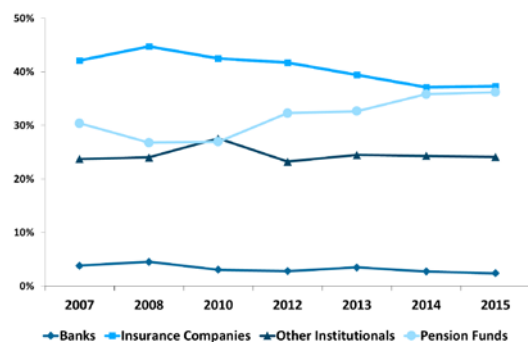


Exhibit 42: Evolution of the Share of the breakdown between Institutional Clients¹



¹ Excluding data for the Czech Republic, Denmark and the Netherlands due to unavailability of historical data.

Exhibit 42 depicts the evolution of the share of each category of institutional client. Since 2008, insurers have been losing ground to pension funds in terms of their share of total institutional AuM. This is primarily due to a simultaneous increase in the share of pension funds and decrease in the share of insurers in the UK, German and Belgian markets. We can predict, however, that the European-wide share of pension funds in total institutional AuM would be higher than the share of insurers if data for Denmark and the Netherlands were included, as these two countries are pension-heavy markets. It should also be noted that in France, the share in total institutional AuM of both pension funds and insurers has been increasing. Insurers have also been gaining ground in the Italian institutional market.

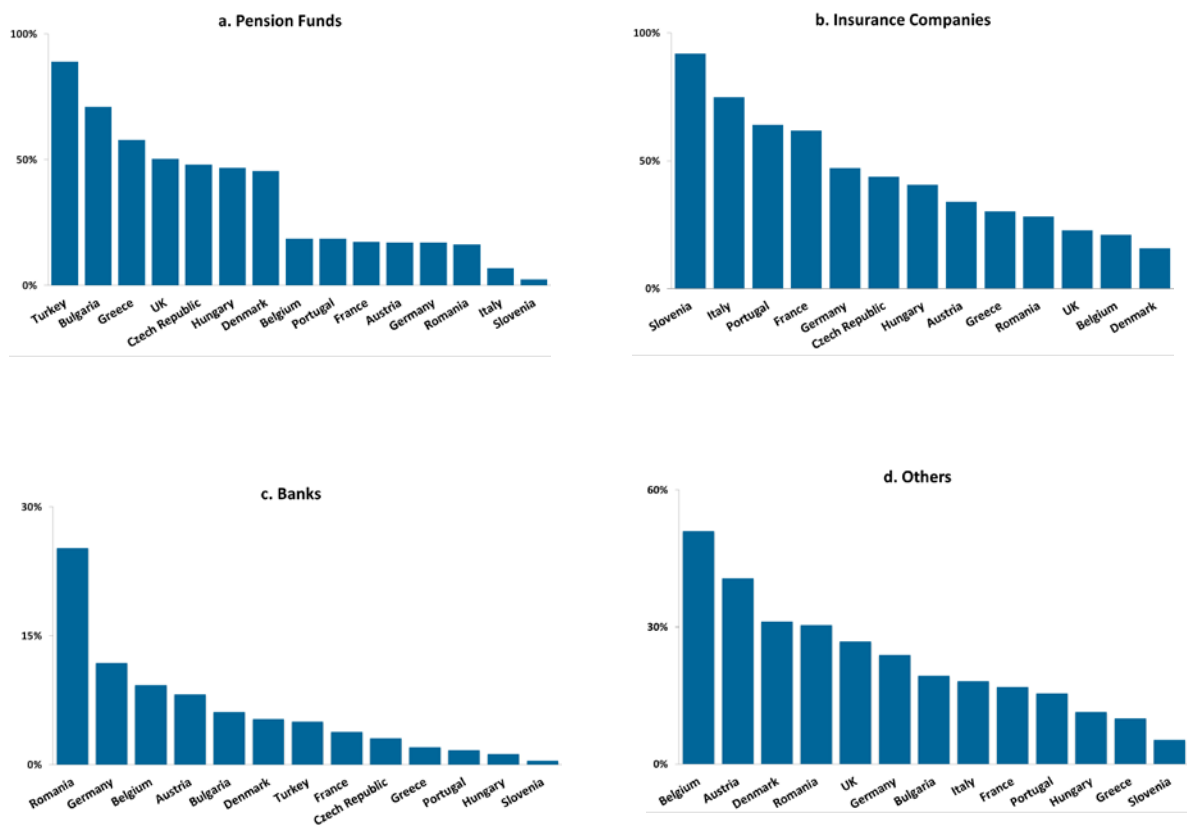
There is significant variation between countries in the relative importance of each type of institutional client. This reflects differences in the role of insurance products in retirement savings, the structure of national pension systems and the role of banks in the distribution of retail investment products. The difference between countries can also reflect the cross-border activities of asset managers and their capacity to attract capital from foreign investors.

Exhibits 43a-d illustrates how important certain institutional clients are in a number of countries. Pension funds, for instance, represent the largest type of institutional mandates in Turkey, Bulgaria, Greece, UK, the Czech Republic, Hungary and Denmark, whereas they are a far less important client category elsewhere. Insurance companies represented over half of all institutional clients in Slovenia, Italy, Portugal, and France. Insurance companies also accounted for a large

proportion of institutional clients in Germany, the Czech Republic and Hungary. Banks represent a small part of the total institutional AuM, except in Romania. The share of banks in Germany, Belgium and Austria follow in this ranking.

Finally, the share of other institutional clients can be also quite significant in a number of countries. The big share of other institutional clients in some countries can be partly attributable to the pension system. Belgium is the only country where the share of other institutional clients is greater than 50%. This is due to the large business of fund-of-funds managers and also corporate companies in Belgium. In Austria, other clients account for 41% of all institutional clients, consisting primarily of large corporations or foundations. Denmark follows in this ranking with 31%.

Exhibits 43a-d: AuM by Institutional Client and Country (end 2015)



6 Asset Allocation

6.1 Asset Owners and Asset Allocation

As explained earlier, the clients of asset managers are the asset owners: they have legal ownership of their assets and make asset allocation decisions. For example, a typical insurance company will opt for an allocation heavily weighted towards high-quality, fixed-income securities to generate sufficient income to meet its liabilities. On the other hand, foundations and endowments often seek a more balanced asset allocation to maximize long-term returns and preserve principal.

It is also well known that institutional clients are subject to various regulatory and accounting rules, and credit rating constraints. These rules can change over time and lead to shifts in asset allocation. As an illustration, Solvency II, the new insurance regulation which came into force in Europe in January 2016, introduced a “risk-based approach” to calculate the regulatory capital requirements. As a result, insurers have moved away from “risky” assets that carry high capital charges under the new rules. And the asset managers they use to manage their assets have adapted their investment strategy to the insurers’ revised investment objectives and regulatory constraints.

In general, asset owners hire a particular asset manager based on the expertise and performance record of that asset manager in a particular asset class, sector or investment style. As stated above, when asset managers receive a mandate they have a duty to act in the best interests of their clients. Specifically, this means following the clients’ desired investment strategy including the allowable asset classes. Within the framework of the clients’ investment guidelines, the asset manager makes tactical asset allocation decisions. Often, intermediaries are involved in the selection of asset managers, the determination of the allocation and the re-allocation of assets and the monitoring of the asset managers’ performance. These intermediaries can be institutional investment consultants, registered investment advisors or financial advisors.²⁶

The bottom line of the above considerations is that the asset allocation shown in this section reflects a wide range of investors pursuing a diverse range of investment objectives and investment styles.

6.2 Asset Allocation in Europe

Exhibit 44 provides an overview of asset managers’ asset allocation. Bond assets accounted for the lion’s share (42%) of investment portfolios managed by asset managers in Europe at end 2015. Equity assets accounted for 32% of assets, while money market and cash equivalents represented 7% of assets. The remainder of the portfolio was made up of other assets, such as real estate, hedge funds, structured products and private equity. Other alternatives such as infrastructure assets are also included in this segment (see Exhibit 45).

Exhibit 44: Asset Allocation

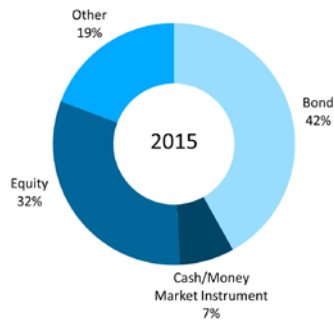
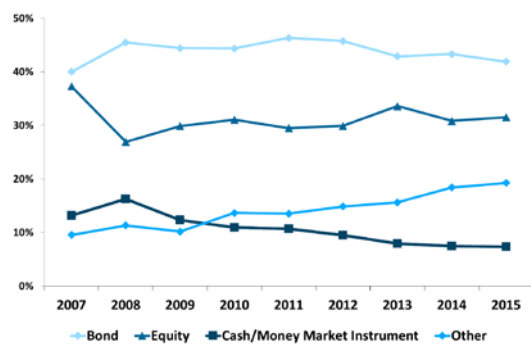


Exhibit 45: Other Assets



The impact of the global financial crisis in 2008 is visible in Exhibit 46. The share of bonds and liquid assets increased significantly, whereas that of equity fell steeply. These movements reflected the combined effect of changes in market prices, and the flight towards less risky assets. Since 2008, the share of equity within the portfolio recovered to some extent, albeit without returning to its pre-crisis level (32% in 2007). Although it has been declining since 2011, the share of bonds remained higher in 2015 than in 2007.

Exhibit 46: Evolution of Asset Managers' Asset Allocation



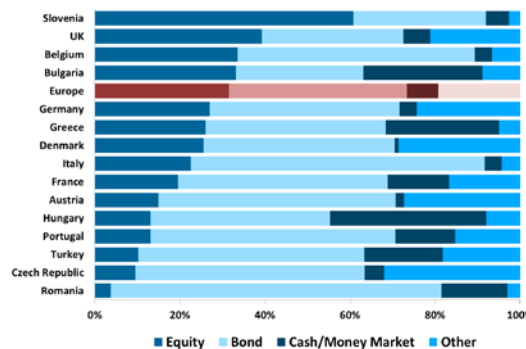
The high level of bond allocation reflects an increasing role of bonds in the financing of non-financial companies, which have made greater use of bonds as a result of the decline in bank lending.²⁷ In an environment of falling interest rates, asset managers have also increased their demand for corporate bonds to seek higher returns. Solvency II has also led insurance companies to favor fixed-income investments at the expense of equity markets.

A marked tendency towards a “new normal” can be observed in the evolution of the share of liquid instruments in asset managers’ portfolio, which declined every year since 2008 from 16% to 7% in 2015. The measures taken to restore stability and confidence in the global financial markets and the very low interest rate environment have made cash and other money market instruments less attractive. On the other hand, there has been a sustained rise in the share of other assets. This shift reflects asset owners’ increasing demand for risk-adjusted returns that are uncorrelated to the market in order to reduce the volatility in their portfolios.

6.3 Asset Allocation by Country

Exhibit 47 shows asset managers’ asset allocation per country. Given the degree of cross-border delegation of asset management, the differences in asset allocation reflect differences in the asset preferences of both home-domiciled clients and overseas investors.

Exhibit 47: Asset Allocation by Country at end 2015



The share of equity is greater than the European average in four countries: Slovenia, the UK, Belgium and Bulgaria. In the UK, the high share of equity reflects the long established culture of equity investing in parallel with significant, though declining, and defined-benefit (DB) pension schemes and more recently with the growth of defined-contribution pension schemes. The equity exposure in the other large markets is significantly lower than in the UK. When excluding the UK, the European average share of equity would merely amount to 23%, with the share of bond assets rising to 51%.

Exhibit 48 shows that the share of equity fell sharply in the UK between 2007 and 2015. This shift out of equity can be explained by the fact that DB pension schemes mature. This shift continued in recent years, explaining why the equity exposure has not picked up since 2011, in contrast to what was seen in most other countries. It is interesting to observe that bond holdings have also fallen sharply in the UK since 2011, in favor of “other” assets.

The same trend has been observed in Austria, France, Germany and Hungary, confirming that many institutional investors across Europe are looking outside of traditional fixed-income securities towards other asset classes that can provide them with a reliable source of income or provide other types of investment solutions designed to meet a specific client outcome. On the other hand, in Greece, Italy and Portugal, the share of bonds in the asset allocation continued to increase between 2011 and 2015.

Exhibit 48: Equity Asset Allocation by Country

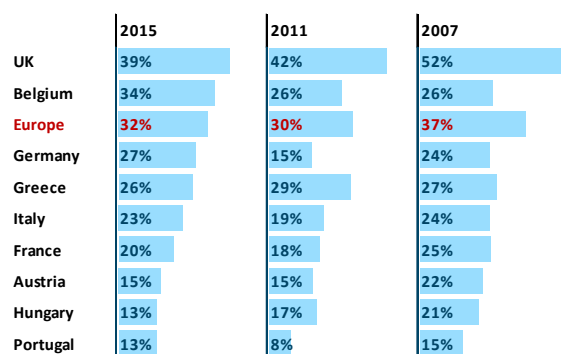


Exhibit 49: Bond Asset Allocation by Country

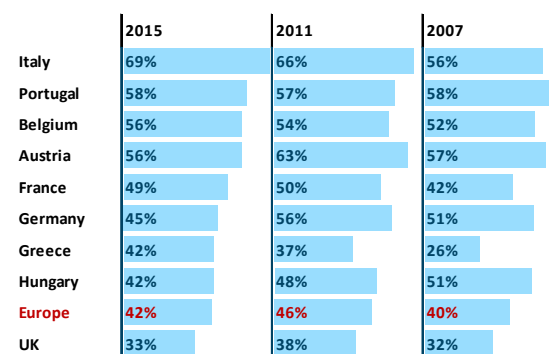


Exhibit 50: Cash / Money Market Asset Allocation by Country

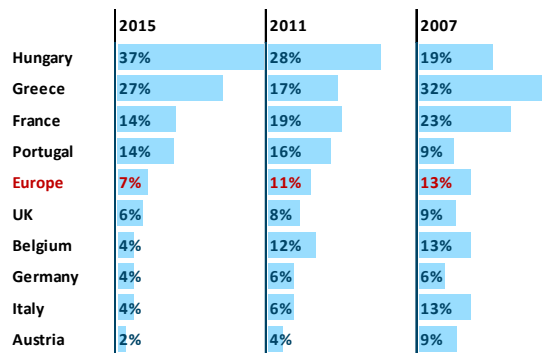
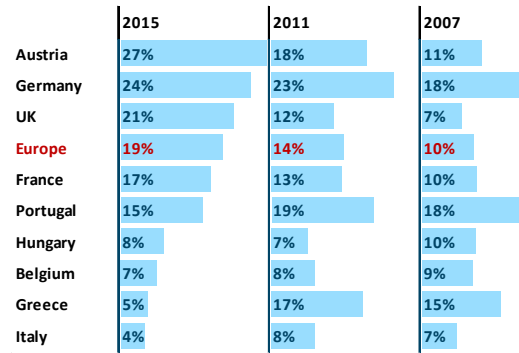


Exhibit 51: Other Assets Allocation by Country



6.4 Asset Allocation in Investment Funds and Discretionary Mandates

This section highlights the difference in the portfolio mix held in investment funds and discretionary mandates.

Over two-fifths (41%) of investment fund assets were invested in equity at end 2015. Bonds accounted for almost 30% of portfolio assets, compared to 22% for other assets and 8% for cash/money market investments.

Exhibit 53 shows that the global financial crisis prompted an important reshuffle of the asset allocation of investment funds in 2008. This was followed by a gradual evolution towards a situation in 2015 that was quite similar to that of 2007. There is, however, one key difference: the share of cash/money market instruments reached a much lower level in 2015 than in 2007. This has benefited bonds and other assets.

Exhibit 52: Asset Allocation in Investment Funds at end 2015

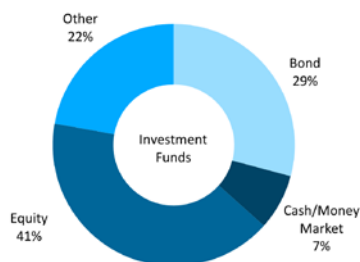
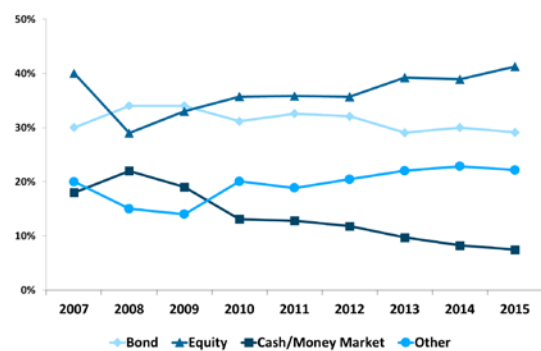


Exhibit 53: Evolution of Asset Allocation in Investment Funds



The asset mix held by discretionary mandates differs from that held by investment funds. Traditionally, mandates are more conservatively managed than that of investment funds as their main asset owners – pension funds and insurance companies – typically strive to generate sufficient income to meet their projected liabilities. At end 2015, bonds made up over half the entire portfolio, compared to 24% for equity, 7% for cash/money market instruments, and 17% for other assets.

The mandate asset mix has also been marked by a fall in the share of equity in 2008. Exhibit 55 shows that this share since continued to decline to 24% in 2015, compared to 35% in 2007. This process is sometimes referred to as the “de-equitisation” of portfolios. Although the dynamics

reversed in 2012 and 2013, it does not seem that the portfolio allocation of mandates will soon return to the pre-crisis level. Different causes can explain de-equitisation, including the growing maturity of pension liabilities due to population ageing and changes in regulatory and accounting rules encouraging institutional investors to avoid volatile assets. Exhibit 55 also shows that the holdings of cash/money market instruments decreased from 10% in 2007 to 7% in 2015 whereas the holdings of other assets rose from 7% in 2007 to 17% in 2015.

Exhibit 54: Asset Allocation in Discretionary Mandates at end 2015

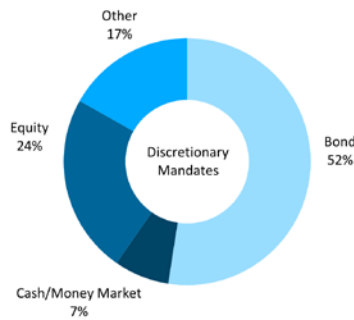
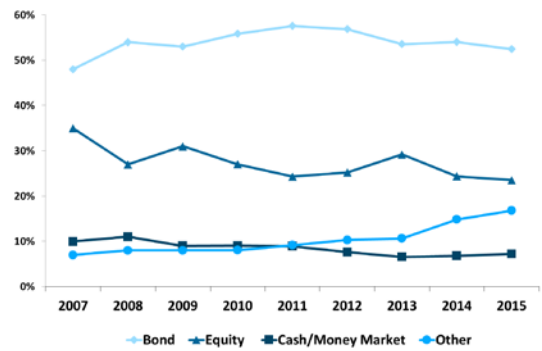


Exhibit 55: Evolution of Asset Allocation in Discretionary Mandates in 2007-2013



Exhibits 56 and 57 compare the asset allocation of investment funds and discretionary mandates²⁸ across countries. These charts provide some indication of the dominant risk preferences across countries and the level of specialization of the asset management industry throughout Europe.

Exhibit 56: Asset Allocation in Investment Funds at end 2015

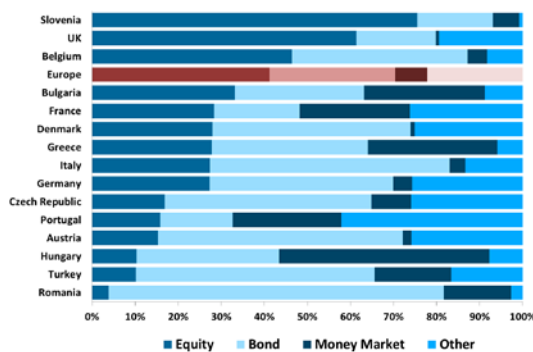
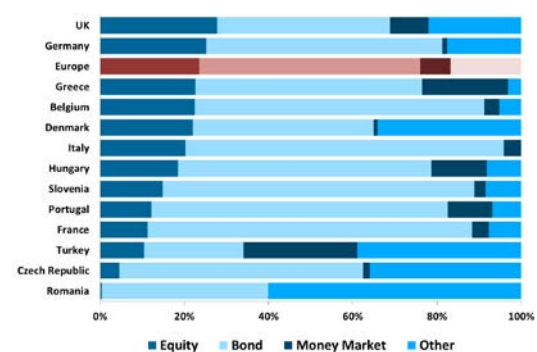


Exhibit 57: Asset Allocation in Discretionary Mandates at end 2015



The asset allocation in investment funds varies between countries. More than three quarters of Slovenia's investment fund assets are invested in equity. In Belgium and the UK, equities represent approximately half of the asset allocation in investment funds. The other large markets hover around the European average (41%), whereas the remaining countries have significantly less assets allocated to equity funds. Four countries have over half of all assets invested in bonds: Romania (78%), Austria (57%), Italy (56%) and Turkey (55%).

Exhibit 57 shows that discretionary mandates have an asset allocation much more biased towards bonds than investment funds, confirming the conservative nature of discretionary mandates. Four countries have over 70% of all mandate assets in bonds: France (77%), Italy (76%), Slovenia (74%), Portugal (70%) and closely followed by Belgium (69%).

7 Industrial Organization

7.1 Asset Management Companies

There were more than 4,000 asset management companies operating in Europe in 2015. Exhibit 58 shows the number of firms in each country.²⁹

France, Luxembourg, Germany, Italy, the Netherlands and Ireland are home to the highest number of asset management companies. The high figure reported for France reflects the large number of independent and specialized asset managers, including management companies of private equity funds. The high number of asset management companies operating in Ireland and Luxembourg mirrors the role played by these two countries in the cross-border distribution of UCITS. Indeed, until the introduction of UCITS IV³⁰, fund houses were required to have a management company in each country where they had funds domiciled. This does not mean, however, that Luxembourg and Ireland are asset management centers similar to London, Paris and Frankfurt. Indeed, most global asset management groups with a fund range in Luxembourg or Ireland operate under a “delegation model”, whereby the investment management functions are carried out in their asset management centers.

Exhibit 58: Number of Asset Management Companies¹

Country	2015	Country	2015
Austria	29	Liechtenstein	16
Belgium	64	Luxembourg	324
Bulgaria	30	Malta	114
Croatia	20	Netherlands	254
Cyprus	93	Norway	31
Czech Republic	29	Portugal	72
Denmark	49	Romania	21
Finland	28	Slovakia	8
France	627	Slovenia	9
Germany	309	Spain	96
Greece	51	Sweden	101
Hungary	36	Switzerland	180
Ireland	233	Turkey	47
Italy	278	United Kingdom	1,000
		Europe	4,149

¹ The figures give the number of management companies registered in the countries concerned, except for Austria and Norway, where the figures refer to the members of the national trade association. The figure for the UK is an estimate.³¹

The average amount managed by asset management companies can be estimated using the figures from Exhibits 18 and 58. On average, an asset management company managed EUR 6.5 billion of assets at end 2015. Exhibit 59 shows the average assets under management in each respective country.

Exhibit 59: Average AuM per Asset Manager at end 2015 (EUR billion)

Country	Average AuM	Country	Average AuM
UK ¹	9.4	Austria	3.6
Switzerland	8.1	Czech Republic	1.2
Denmark	7.5	Portugal	1.1
Germany	6.6	Turkey	1.0
Europe	6.5	Hungary	0.8
France	6.0	Slovenia	0.2
Netherlands	4.9	Romania	0.2
Belgium	4.4	Greece	0.2
Italy	4.2	Bulgaria	0.01

¹ Average calculated on the basis of the estimated total assets managed in the UK including by non-IA members (EUR 9.4 trillion).

As a large number of large or small asset managers skew the average in one direction or the other, it is more beneficial to know the median, i.e. the value of the assets under management separating the higher half of the asset managers from the lower half. In the UK, The Investment Association calculated the median assets under management at £10.0 billion (EUR 13.6 billion), with 13 member firms each managing in excess of £100 billion at end 2015.³² In Germany, according to the German Association of Investment and Asset Management Companies (BVI), 6 firms were managing more than EUR 100 billion, with the BVI estimating the median at EUR 7.6 billion.³³ AFG estimates the median AuM of the 100 largest firms in France to be EUR 6.5 billion, with 8 firms managing more than EUR 100 billion in France at end 2015. According to Assogestioni, two companies in Italy managed assets over EUR 100 billion, with the median assets being calculated at EUR 2.1 billion.

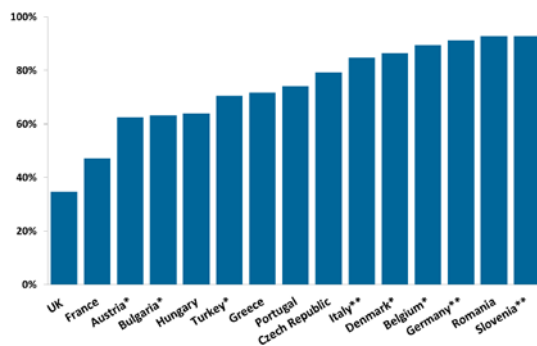
The European investment fund industry is dominated by large players across countries. Exhibit 60 shows the degree of concentration of the AuM managed by the top 5 asset managers in each country.

Another dimension of the industrial organization of the European asset management industry is the extent to which asset management firms operate as stand-alone companies, or form part of financial services groups. Such groups may be dominated by certain types of financial services, or may consist of a mix of asset management firms, banks, and insurance companies.

Exhibit 61 shows the relative importance of asset management companies belonging to a banking group or an insurance group. The companies that are independent or controlled by other types of financial firms are regrouped in the other category. It is important to note that Exhibit 61 relates to the number of firms, and not their AuM.

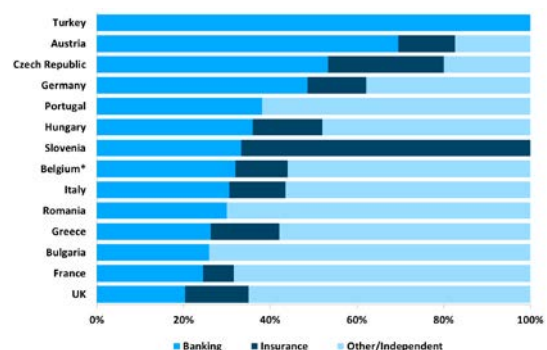
In most European countries banking groups represent the dominant parent company of the asset management industry, controlling half or more of all asset management companies in Turkey, Austria and the Czech Republic, with almost half in Germany (49%). Nevertheless, there are two big exceptions to this bank dominated model: the UK and France. In the UK, only 20% of asset managers are owned by banking groups, with insurance groups controlling 15%. In France, the majority of firms represent independent boutique asset managers (68%). Banks retain ownership of 25% of asset managers and insurance companies consist of 7% of asset managers in France.

Exhibit 60: Concentration of the Top 5 Asset Managers at end 2015



(*) = Top 5 asset managers of investment funds only
 (**) = Refers to managers of discretionary mandates only
 Source: EFAMA Fact Book 2016

Exhibit 61: Number of Asset Management Companies by Parent Group Categories (end 2015)



(*) 32% for banking parent refers to banking/insurance parent company

7.2 Employment

An important indicator of the contribution of the asset management industry to the overall economy is the level of direct employment in asset management companies. The number of people directly employed in asset management companies in the UK, France and Germany is estimated to total 64,750 at end 2015. Given that these countries account for 63.3% of total AuM in Europe, we estimate that around 100,000 individuals are employed by the industry across Europe.

Exhibit 62: Direct Employment in Asset Management Companies



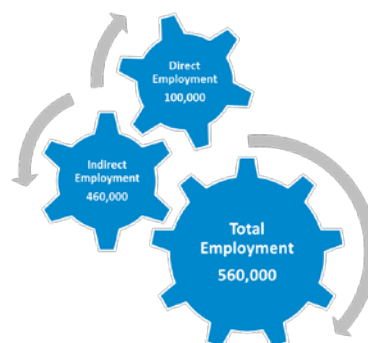
Exhibit 63: Asset Management and Related Services



When looking at the number of people employed by the industry, it is necessary to take into account the indirect employment associated with related services and support functions of asset management such as accounting, auditing, custodianship, marketing, research, order processing, as well as distribution, all of which are directly linked to the smooth running of the industry.

Taking into account this wider scope of the industry, the French asset management association (AFG) has estimated that every direct position in asset management, in France, gives rise to 4.6 full time equivalent jobs in related services, of which 1.36 job in activities outside of distribution and marketing.^{34,35} This gives rise to approximately 85,000 jobs in the asset management industry and its related services in France alone. One way to get an estimate of the level of indirect employment in the European asset management industry is to apply this 4.6 ratio to the 100,000 people directly employed by asset managers across Europe. This would take total employment of the asset management industry in Europe to approximately 560,000 jobs.

Exhibit 64: Total Employment in the European Asset Management Industry in 2015¹



¹ Full-time equivalent jobs.

Appendix 1: Estimation of Total AuM at End 2016

The purpose of this appendix is to explain the approach taken to estimate the total AuM in Europe at the end of 2016.

Overall, investment funds domiciled in Europe rose 6.0% in 2016.³⁶ Equity funds, bond funds and multi-asset funds saw their assets rise by 3.4%, 7.0% and 4.9%, respectively.³⁷ Applying these growth rates to the asset mix observed in investment fund assets managed in Europe, those assets can be estimated to have increased to EUR 11.8 trillion in 2016.

To estimate the evolution of the AuM in discretionary mandates in 2016, we took into account the following factors. First, we extrapolated the observed market developments to the asset class portfolio composition of discretionary mandates. Second, we assumed that discretionary mandates would attract new money during the year at the same rate as UCITS and AIF. Under these assumptions, we estimated that discretionary mandate assets increase by 6.3% in 2016 to reach EUR 11,000 billion. Following this approach it can be estimated that total AuM in Europe increased by approximately 6.2% in 2016 to reach EUR 22.8 trillion.

Appendix 2: Financing of the Euro Area by European Asset Managers

The purpose of this Appendix is to explain the approach used in section 2.5 to estimate the market share of the European asset management industry in the financing of the euro area. The first step consisted of collecting ECB data directly relevant to the debt and equity issued and held by euro area investment funds.

Exhibit 65 below shows that the outstanding stock of debt securities issued by euro area residents amounted to EUR 16,522 billion at end 2015. Investment funds domiciled in the euro area held 14.4% of this total, or EUR 2,372 billion. The market share of euro area investment funds in the debt issued by euro area governments, MFIs and non-financial corporations reached 13.0%, 14.5% and 30.0%, respectively.

Exhibit 66 shows that the total market value of quoted shares issued by euro area residents amounted to EUR 6,744 billion at end 2015. Out of this total, euro area investment funds held EUR 1,128 billion at end 2015, or 16.7%.

Exhibit 65: Holdings of Securities Other than Shares Issued by Euro Area Residents and Held by Euro Area Investment Funds (end 2015)

Euro area issuer	Securities held by euro area IF (EUR billion)	Total securities issued (EUR billion)	Share of euro area IF
General Government	996	7,661	13.0%
MFIs	625	4,301	14.5%
Non-financial Corporations	336	1,119	30.0%
Other	416	3,440	12.1%
Total	2,372	16,522	14.4%

Exhibit 66: Holdings of Shares and Other Equity Issued by Euro Area Residents and Held by Euro Area Investment Funds (end 2015)

Euro area issuer	Shares held by euro area IF (*) (EUR billion)	Total quoted shares issued (EUR billion)	Share of euro area IF
General Government	--	--	--
MFIs	92	586	15.7%
Non-financial corporations	891	5,247	17.0%
Other	145	911	15.9%
Total	1,128	6,744	16.7%

Source: ECB

Estimating the overall contribution of European asset managers to the financing of the euro area is difficult due to lack of consistent data. We have nevertheless made an estimation by taking the following approach.

The challenge is to estimate the holdings of debt and equity issued by euro area residents and held by investment funds domiciled in Europe outside the euro area and by discretionary mandates. Those are the investment vehicles that are professionally managed in Europe and not included in the ECB data. We have estimated that these vehicles managed EUR 10,005 billion at end 2015, i.e. total AuM managed in Europe (EUR 21,469 billion) minus total assets held in euro area investment funds (EUR 11,464 billion).

We have assumed that these vehicles had the same exposure to debt and equity issued by euro area residents as euro area investment funds, i.e. 20.7% and 9.8%, respectively. To support this assumption it may be argued that the population of euro area investment funds is extremely large and diversified both in terms of end investors and investment strategies and can therefore provide a proxy for estimating the asset allocation of the pool of financial assets held in investment funds and discretionary mandates across Europe.

Following this approach, the debt and equity issued by euro area residents and held by European asset managers in investment vehicles other than euro area investment funds, would total EUR 2,071 billion and EUR 980 billion, respectively.

On this basis, the amount of debt and equity issued by euro area residents and held by European asset managers stood at EUR 4,443 billion (EUR 2,372 billion and EUR 2,071 billion) and EUR 2,108 billion (EUR 1,128 billion and EUR 980 billion), respectively.

Using these figures, it may be argued that European asset managers held 27% of the debt securities issued by euro area residents at the end of 2015, and 31% of the equity issued by euro area residents. Using the free-float market capitalization, it can be estimated that European asset managers held 54% of the value of the shares issued by euro area companies that were readily available for trading in the market at end 2015. Those figures confirm the essential economic function played by asset managers in Europe in providing an essential link between investors and borrowers.

It would be possible to strengthen the methodology described in this Appendix by using the portfolio holdings of the European investment funds domiciled outside the euro area and discretionary mandate assets, and measuring their exposure to euro area issuers. It would also be possible to extend our analysis to the financing of the European economy at large using data on debt and equity issued across Europe and managed by European asset managers. This is however easier said than done because of the difficulties to collect the data required to extend the analysis in this way.

Exhibit 67: Holdings of Debt and Equity Issued by Euro Area Residents and Held by European Asset Managers (end 2015)

	Securities other than shares (EUR billion)	Shares and other equity (EUR billion)
Euro area assets held by European asset managers ⁽¹⁾	4,443	2,108
Securities/Shares issued by euro area residents ⁽²⁾	16,522	6,744
Total share of European asset managers (in % of Free-float market capitalization)	27%	31%
		54%

(1) EFAMA estimations; (2) Data from ECB; (3) Estimation using data provided by STOXX.

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- ¹ The report has been prepared by Bernard Delbecque and Alex Carroll. We are grateful to our member associations for providing the data that allow us to produce this report. We would like to thank Effie Bourboulas, Sérgio Brito, Jana Brodani, Hans Janssen Daalen, Cüneyt Demirkaya, Markus Fuchs, Gabriela Gublin-Guerrero, Henrik Hansen, Ivo Ivanov, Armin Kammel, Teresa Lapolla, Carsten Lüders, Merčun Karmen, Ruth Meade, Fijtsia van Pelt, Michael Pirl, Peter Skjoldager Plantener, Jan Pricop, Sándor Szendi, Selin Kayar, Andras Temmel, Žaneta Tesařová, Thomas Valli, Jari Virta, Andy Vangenck and Lan Yu for their contributions to the preparation of this report.
- ² Three main sources of information were used: the EFAMA 2016 Fact Book, data from McKinsey & Company, and the Boston Consulting Group report: "Global Asset Management 2016: Doubling Down on Data" (July 2016).
- ³ See Oxera, "The contribution of asset management to the UK economy" (July 2016), pages 16-17.
- ⁴ AFG has recently published a study on voting by French asset managers. See "Exercice des droits de vote par les sociétés de gestion en 2016 », G. Gublin-Guerrero and T. Valli, April 2016, AFG at: <http://www.afg.asso.fr/>.
- ⁵ See for instance S. Bhagot and B.J. Boltan (2008), "Corporate governance and firm performance", Journal of Corporate Finance 14.
- ⁶ See Oxera, "The contribution of asset management to the UK economy" (July 2016), page 4.
- ⁷ Hagedorff, J. "Societal and economic impact of the European Asset Management Industry", EY, December 2014.
- ⁸ Action Plan on Building a Capital Markets Union, COM(2015)468 final, 30.9.2015.
- ⁹ Capital Markets Union – Accelerating Reform, COM(2016) 601 final, 14.9.2016.
- ¹⁰ Valiente, Diego. "Europe's untapped capital market", CEPS and ECMI, (2016).
- ¹¹ See Chapter 2 and in particular Table 1 in Commission Staff Working Document accompanying the CMU Action Plan, SWD(2015) 183 final, 30.9.2015.
- ¹² See "Is Europe Overbanked?", European Systemic Risk Board, AQSC Report No. 4, June 2014.
- ¹³ One explanation for the high volatility of bank credit is the "financial accelerator" which is the idea that changes in financial and credit conditions are important in the propagation of the business cycle.
- ¹⁴ See CMU Action Plan, page 3.
- ¹⁵ See CMU Action Plan, page 18.
- ¹⁶ See Keynote address "Sustainable long-term investments and the Pan-European Personal Pension Product", Gabriel Bernardino, Rome Investment Forum 2016.
- ¹⁷ See page 40 in Commission Staff Working Document accompanying the CMU Action Plan, SWD(2015) 183 final, 30.9.2015.
- ¹⁸ The focus of the report is on traditional long-only asset management with limited coverage of hedge funds, venture capitalists and private equity funds because these institutions often fall outside the membership of Efama member associations.
- ¹⁹ As explained in the introduction, the report is primarily based on end 2015 data received from EFAMA member associations. The total AuM at end 2016 have been estimated on the basis of the methodology outlined in Appendix 1.
- ²⁰ European GDP relates to the GDP of the 28 EFAMA member countries.
- ²¹ See Boston Consulting Group report: "Global Asset Management 2016: Doubling Down on Data" (July 2016).
- ²² Pension fund assets are included in so far as the assets are managed by third-party asset managers.
- ²³ The allocation of discretionary mandates to investment funds results in a certain degree of double counting. However, such double counting is small in relation to total assets.
- ²⁴ Data presented in Exhibits 33-36 and Exhibits 41-43 exclude data on institutional assets managed in the Netherlands due to unavailability of historical data or unavailability of data for individual asset classes.
- ²⁵ It must not be forgotten that households also contribute to the significant share of the institutional client segment through their ownership of unit-linked products offered by insurance companies, and pension schemes offered by both insurers and pension funds.
- ²⁶ For more background information on asset owners, see "Who Owns the Assets? Developing a Better Understanding of the Flows of Assets and the Implications for Financial Regulation", Black Rock, Viewpoint, May 2014.
- ²⁷ See "Financement de l'économie par les gestions françaises", C. Pardo and T. Valli, Cahiers de la Gestion N°4, Décembre 2014, AFG at: <http://www.afg.asso.fr/>

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- ²⁸ Percentages for the UK are estimations based on data received from the IA.
- ²⁹ Hedge funds and private equity asset managers are only included in the reported figures if they are members of the local trade association.
- ³⁰ UCITS IV refers to the recast UCITS Directive 85/611/EEC (entered into force in 1988 as amended by UCITS III in 2002) which brought a number of key enhancements to the UCITS regime, including the management company passport.
- ³¹ In the UK, there were 136 asset management companies that were members of the Investment Association in 2015. These members managed 83% of the AuM in the UK. The remaining assets were managed by a significant number of firms outside the IA membership.
- ³² Figures for median assets in the UK are taken from surveys undertaken by the IA covering a sample of firms and not the entire dataset as presented in Exhibit 59. See Asset Management in the UK 2015-2016, The IA Annual Survey, which can be downloaded from: <http://www.theinvestmentassociation.org/investment-industry-information/research-and-publications/asset-management-survey/>
- ³³ Figures for median assets in Germany are taken from surveys undertaken by the BVI (Germany), covering a sample of firms and not the entire dataset as presented in Exhibit 59.
- ³⁴ See study “Les emplois dans la gestion pour compte de tiers” published by AFG in September 2011 at: <http://www.afg.asso.fr/>
- ³⁵ The IA estimated that 92,000 people are employed in the UK in activities related either directly or indirectly to asset management, excluding employment by independent financial advisers (see IA Asset Management in the UK 2015-2016).
- ³⁶ See “Trends in the European Investment Fund Industry in the Fourth Quarter of 2016 and Results for the Full Year 2016”, EFAMA’s Quarterly Statistical Release N°68, March 2017, available at www.efama.org.
- ³⁷ These figures are calculated after having put together the UCITS and AIF funds for each type of funds.

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