

Annual overview of the French Asset Management Market

Strong growth in assets under management in 2019

- **Total assets under management in France** (discretionary mandates and investment funds) **rose by 7.2% to €4,185 billion in 2019**, coinciding with a widespread increase in gains on equity and fixed income markets. Over a longer period - since the crisis of 2008 - annualized growth in assets under management is high at 4.8%.
- **Assets managed through French-registered funds climbed by 7.6%** in 2019 to €1,960 billion (after falling by 5.8% in 2018). More specifically, assets invested in UCITS increased to €823 billion (up 5.0% in 2019 compared with a 10.4% decline in 2018) and assets invested in AIFs (Alternative Investment Funds within the meaning of the AIFM Directive) rose to €1,137 billion (up 9.5% in 2019 after falling by 2.0% in 2018).
- **Total net sales for the main fund categories were negative by -€36 billion in 2019**, compared with positive annual average sales of +€26 billion for 2015-2018. The sell-off on the equity markets in the last quarter of 2018 resulted in large net outflows in 2019 from funds in the equities (-€21.8 billion) and multi-asset (-€7.4 billion) categories. Bond funds were the only category to register positive net sales, with most of this +€8.4 billion being recorded in the first half of 2019.
- **The number of asset management companies jumped to 657 at the end of 2019**, as a significant number of companies secured licences during the year (45 compared with 24 in 2018). This was partly due to the large number of asset management companies created in France in preparation for Brexit. Alongside this, as competition intensifies and margins come under pressure, there has been a tendency in the past few years for stand-alone asset management companies or subsidiaries of financial groups to merge or combine their operations.
- **French asset management companies are ranked first in continental Europe** in the management of investments (investment funds and discretionary mandates). French asset managers are estimated to hold a 27% share of the European market (excluding the UK). When it comes to fund domiciliation, France is ranked second in Europe (including the UK) for AIFs (16.8% market share) and fourth for UCITS (7.5%).
- **Total assets under management in Europe exceeded €17,700 billion at the end of 2019, equating to a 16.8% increase year on year** (compared with a 2.7% decline in 2018). Net inflows amounted to +€545 billion in 2019, compared with an annual average of +€598 billion for 2015-2018. Assets invested through foreign funds managed in France by nearly 140 asset management companies continued to grow in 2019 and now stand at close to €580 billion. This marks a fourfold increase since the 2008 crisis.

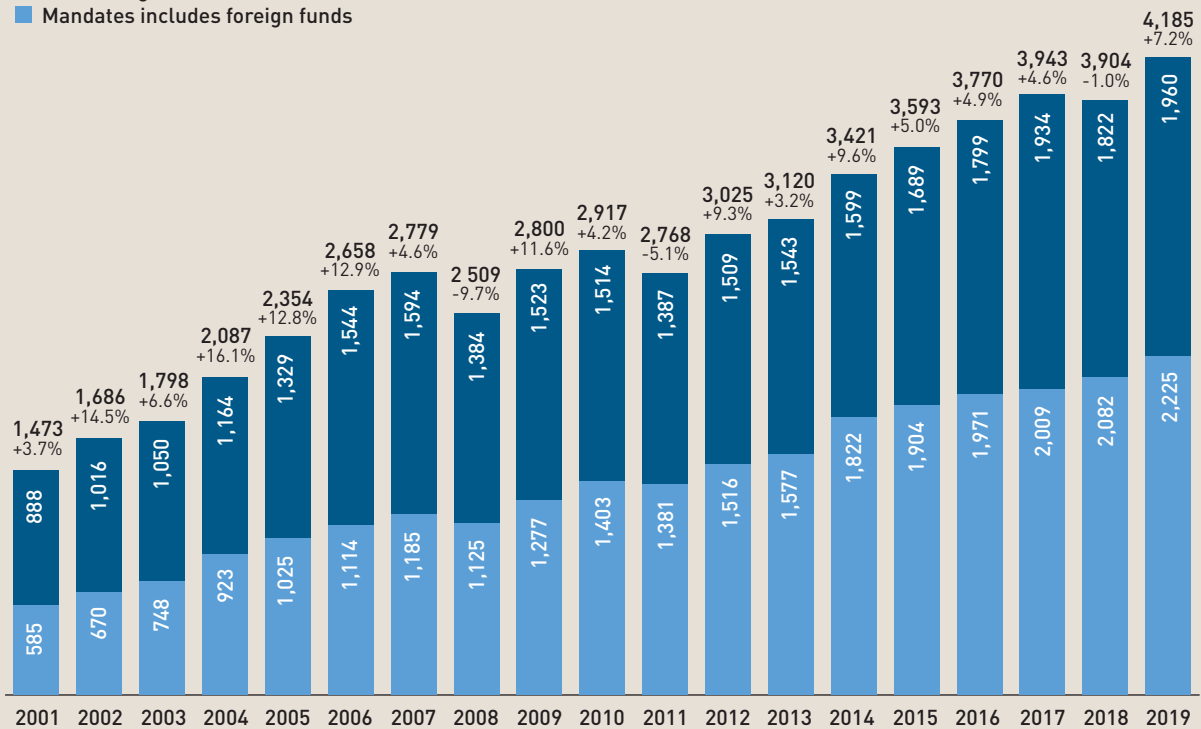
A central role in the flow of money between investors and issuers

The French asset management industry now represents a quarter of the market in continental Europe. Total assets under management in France (discretionary mandates and investment funds) increased by 7.2% in 2019 to €4,185 billion. The market sell-off in the last quarter of 2018 was followed by a sharp and widespread increase in gains on equity

and fixed income markets in 2019. Despite the market upturn, the net outflows from equity funds observed in France and Europe in the fourth quarter of 2018 continued throughout the first three quarters of 2019. After recording net negative flows in 2018, bond funds registered positive net sales in France and Europe of +€277 billion in 2019. Unlisted real assets (real estate, private equity, infrastructure, private debt, etc.) also attracted investors on the look-out for return and diversification opportunities.

Assets managed on behalf of third parties on the French market (billions of euros)

- French-registered funds
- Mandates includes foreign funds



Source : AMF/ BDF / calculs AFG

More specifically, **net assets managed through discretionary mandates** reportedly **rose to €1,650 billion**. Discretionary mandates cater for retail investors who are looking for a tailored service, often to develop their personal wealth, as well as institutional investors seeking to partly delegate the management of their financial investments. **Assets managed in France through foreign funds** amounted to **€580 billion**, representing a fourfold increase

since the 2008 crisis. This growth has been driven by the ever-greater number of stand-alone asset management companies and subsidiaries of financial groups distributing funds to investors not residing in France. In total, **more than €550 billion** in assets is reportedly **managed in France through funds (registered in France or foreign countries) or discretionary mandates on behalf of clients not residing in France**.

Assets managed through French funds resumed growth in 2019 with an increase of 7.6% (after falling by 5.8% in 2018) and now stand at €1,960 billion.

Of these funds, **UCITS** accounted for **€823 billion** (up 5.0% year on year) and **AIFs €1,138 billion** (up 9.5% year on year). Assets managed through French funds have delivered annualized growth of 4.4% since 2011.

AuM of Undertakings for Collective Investment (UCIs) domiciled in France

Type of fund	Net assets at end-2019 (€bn)			Change in 2019		Change 2011- 2019	
	UCITS	AIFs	Total	in € bn	in %	in € bn	CAGR*
Equities	223.1	106.7	329.8	38.5	13.2%	104.2	4.9%
Multi-asset	157.7	188.2	345.9	29.3	9.3%	109.5	4.9%
Formula-based	1.9	17.4	19.3	-1.6	-7.7%	-34.4	-12.0%
Bonds	143.4	141.5	284.9	15.1	5.6%	96.4	5.3%
Money market	296.7	16.9	313.6	-12.8	-3.9%	-34.0	-1.3%
Sub-total	822.8	470.7	1293.5	68.5	5.6%	241.7	2.6%
Other*	0.0	666.9	666.9	70.0	11.7%	331.2	9.0%
Total	822.8	1,137.6	1,960.4	138.5	7.6%	572.9	4.4%
Total excl. MMI	526.1	1,120.7	1,646.8	151.3	10.1%	606.9	5.9%

* Compound annual growth rate

** AFG estimates at end-2019 for the "Other" category: Gvt bonds, alternative funds of funds, FCPEs, FCPRs/FPCIs, OPCIs and SCPIs.

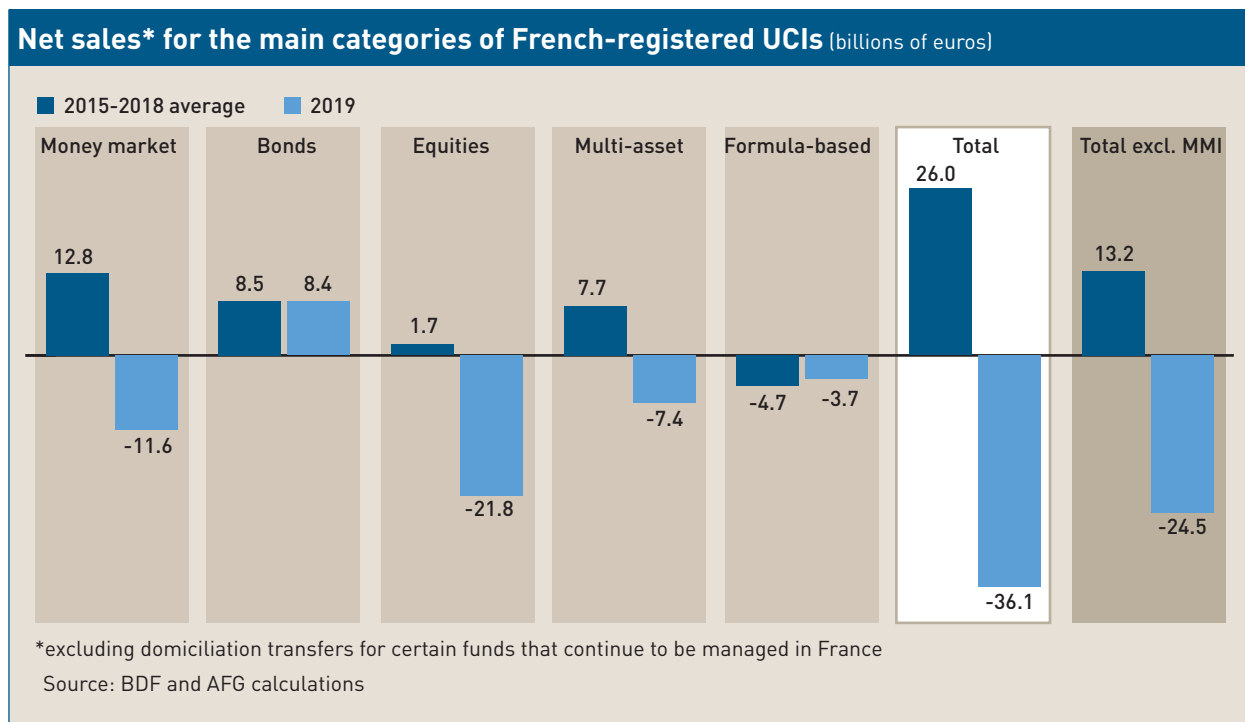
Source : AMF, BDF, IEIF

Equity fund assets rose significantly in 2019 (up 13.2% compared with an 18.0% fall in 2018), buoyed by very favourable market conditions throughout most of the year. This also helped **multi-asset funds** (up 9.3% after a 9.2% decline in 2018). However, growth in assets in these two fund categories was limited by very high negative fund flows in 2019. **Bond fund** assets rose by 5.6% (after falling by 4.1% in 2018), supported by positive flows concentrated in the first half of 2019. **Money market funds** now account for a quarter of the assets managed through retail funds, compared with almost 44% after the crisis of 2008. This fund category was weighed on by the level of short-term rates and ended the year with assets under management decreasing by almost €13 billion.

In the "Other" fund category, **private equity and real estate funds** are very attractive investment options in a low interest rate environment for retail and institutional investors alike. Assets under management in real estate funds open to retail investors (real estate investment companies *SCPI*) and real estate collective investment schemes (*OPCI*) climbed by 18.7% in 2019 to €84 billion¹. Assets managed through **employee savings plans** amounted to €144 billion (up 14.9% in 2019). Of this, more than €20 billion was invested in group retirement savings plans (*PERCO*, up 21% in 2019), benefiting an increasing number of employees eligible for such schemes (PEE (company savings plans) and *PERCO*).

1) Source: IEIF

Total net sales for the main French-registered fund categories **were negative in 2019**.



The number of funds domiciled in France decreased slightly in 2019. The number of UCITS decreased by 74 to 3,024 in 2019, and the number of AIFs also fell to almost 7,700.

The number of funds in certain categories has been falling for many years, particularly in the money market, formula-based and equity categories (down by 81%, 68% and 25% respectively since the end of 2008), due to interest rate trends and the reorganisation of fund ranges.

France is an attractive market for third-party asset management

In 2019, the number of asset management companies jumped to 657, as a significant number of companies secured licences during the year (45 compared with 24 in 2018). This was partly due to the large number of asset management companies created in France in preparation for Brexit. Alongside this, as competition intensifies and margins come under pressure, there has been a tendency in the past few years for stand-alone asset management companies or subsidiaries of financial groups to merge or combine their operations. Stand-alone companies represent two thirds of players in the French asset management industry and a third of management

teams, based on their number and the new licences granted. These are some of the highest proportions in Europe. France also has many large non-specialised and/or specialised asset management companies (87 manage between €1bn and €5 billion, 51 between €5 billion and €50 billion and 15 more than €50 billion in assets). Of the top 25 asset management companies worldwide, four are French. Their innovation and the quality of their asset management services are acknowledged all over the world, be it for discretionary mandates, French-registered funds or funds domiciled abroad. It is estimated that foreign investors account for close to half of the fund assets managed by these stand-alone and/or specialised firms.

Number of asset management companies in France (in units)

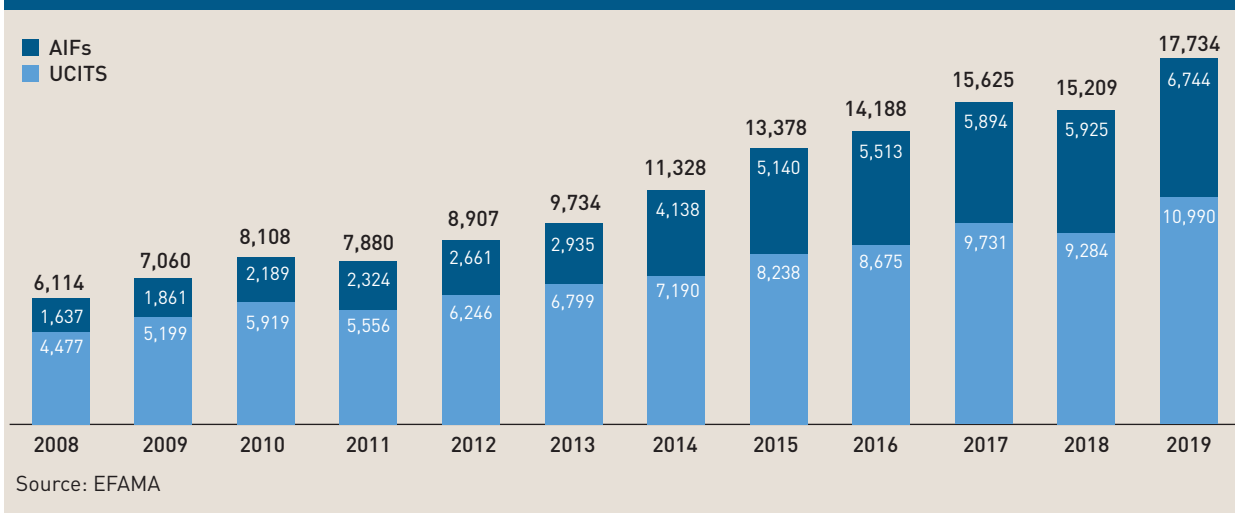


France continues to be a leading asset management centre in Europe

Assets managed through funds domiciled in Europe exceeded €17,700 billion at the end of 2019 (up by 16.8% year on year). These assets

have more than doubled since the low point recorded in 2011. A separate analysis of investment funds by legal structure shows that UCITS assets increased by 18.4% in 2019 to €10,990 billion (after falling by 4.6% in 2018) and AIF assets amounted to €6,744 billion at the end of 2019, marking a year-on-year increase of 14.8% (compared with an increase of 0.5% in 2018).

Growth in AuM invested in funds in Europe (billions of euros)

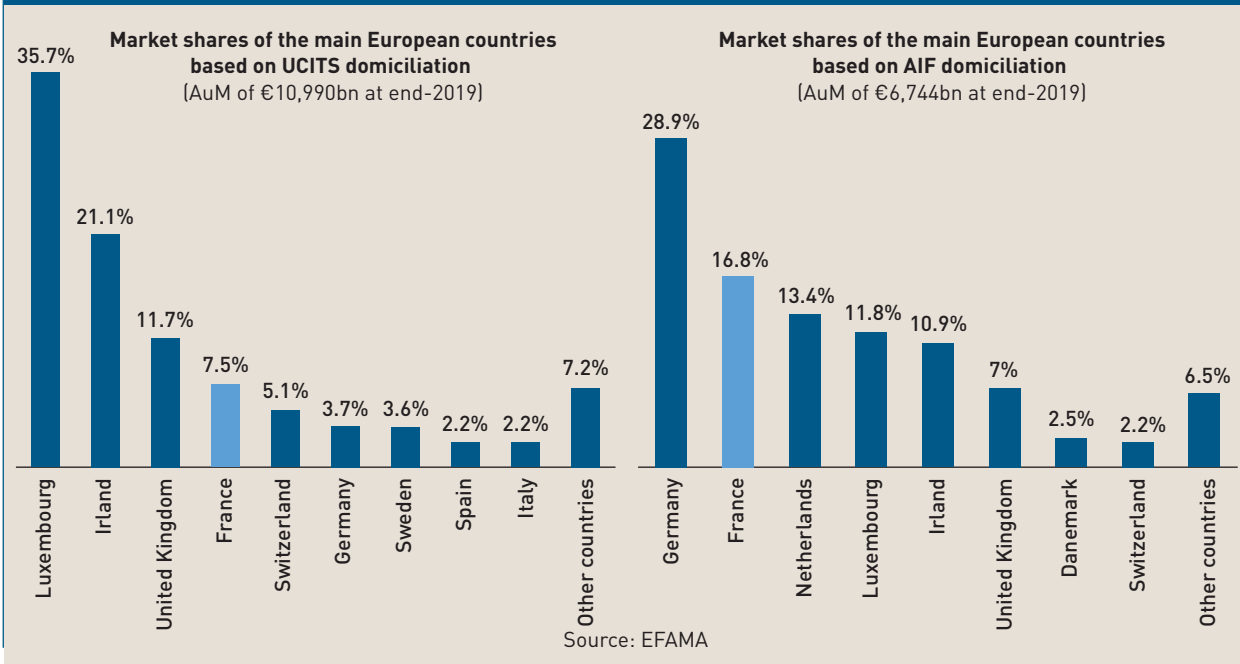


France is ranked second in a geographical breakdown of the countries in which fund assets are actually managed² with a market share of 18%, behind the United Kingdom (26%)

and ahead of Germany (15%). **If we include discretionary mandates, French asset managers are ranked first in continental Europe with a quarter of the market.**

² Source: *Asset Management in Europe*, September 2019, EFAMA.

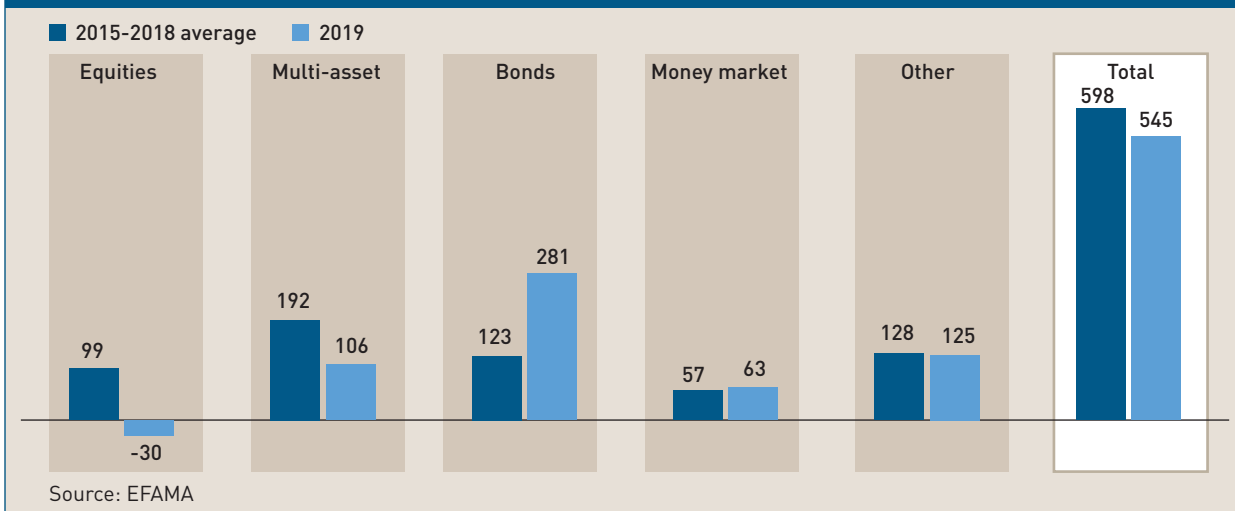
Market shares of the main European countries (in percent)



France holds a 16.8% market share in AIF domiciliation, putting it in second place in Europe behind Germany and ahead of the Netherlands. The top five countries account for 82% of the European market for AIFs. France is ranked fourth in terms of UCITS domiciliation

with a 7.5% market share, behind Luxembourg and Ireland – both offshore centres that are specifically geared towards fund domiciliation and administration – and the United Kingdom. Together, the top five countries represent 80% of the UCITS market in Europe.

Net inflows into funds domiciled in Europe. Total of €545bn in 2019 (billions of euros)



Net inflows amounted to +€545 billion in 2019, compared with an annual average of +€598 billion for 2015-2018. In 2019, inflows into bond funds were well into positive territory at +€281

billion (compared with net outflows of -€40 billion in 2018). Equity funds ended the year with net outflows of -€30 billion, due to withdrawals made in the first three quarters of 2019.

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The Association Française de la Gestion Financière – AFG

(French Asset Management Association) represents and promotes the interests of third-party portfolio management professionals. It brings together all asset management players from the discretionary and collective portfolio management segments, managing more than €4,000 billions, i.e. a quarter of continental Europe's assets under management.

