

September
2018

Asset Management in Europe

10th Edition
Facts and figures

An overview of the
Asset Management Industry

1. Introduction

This report aims at providing facts and figures on the financial assets managed through investment funds and discretionary mandates, focusing on where the assets are managed. This perspective is distinct from most other EFAMA reports, such as the Fact Book, Fact Sheets and Quarterly Statistical Releases, which analyze the trends in the European investment fund market from the standpoint of the countries in which the funds are domiciled.

The report is primarily based on data provided by EFAMA national member associations through a questionnaire. Eighteen national member associations provided data on the value of the assets managed in their countries at end 2016: Austria, Belgium, Bulgaria, the Czech Republic, Denmark, France, Germany, Greece, Hungary, Italy, Netherlands, Portugal, Romania, Slovenia, Switzerland, Spain, Turkey and the UK. According to our estimation, these countries account for 86% of the assets under management (AuM) in Europe. Additional internal and external data have been used to estimate the AuM in the other European countries. The value of total AuM at end 2017 has been estimated on the basis of the growth in investment fund assets in 2017.

2. Role of Third-Party Asset Managers

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. Investors’ assets always remain the property of the investor and are held by third parties (called depositaries, custodians or trustees). In this way, they are kept safe and can be withdrawn or transferred to be managed by another manager, if necessary.

Channeling savings towards investment

Asset managers play a key role in the economy. Their most important role is to channel savings towards investment. Asset managers do this by creating products that match investors’ needs with companies in need of capital to finance their investments. This helps to create jobs and to support a strong economy. In addition, by buying and selling assets, asset managers also contribute to the smooth operation of financial markets.

Asset managers also help to fund governments. Acting on behalf of their clients, asset managers are one of the biggest investors in government bonds.

Linking investors and companies

By providing a 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 play an important intermediary role in the financial system by funding new investment projects and generating returns to millions of savers and investors.

Engaging with investee companies

Asset managers 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.

Shareholders hold the companies accountable to ensure that they are well run and thrive. This involves regular engagement and contact, voting at general meetings, and holding these companies to the highest corporate governance standards. Many asset managers, acting on behalf of investors, also integrate environmental, social and governance (ESG) concerns in their investment processes.

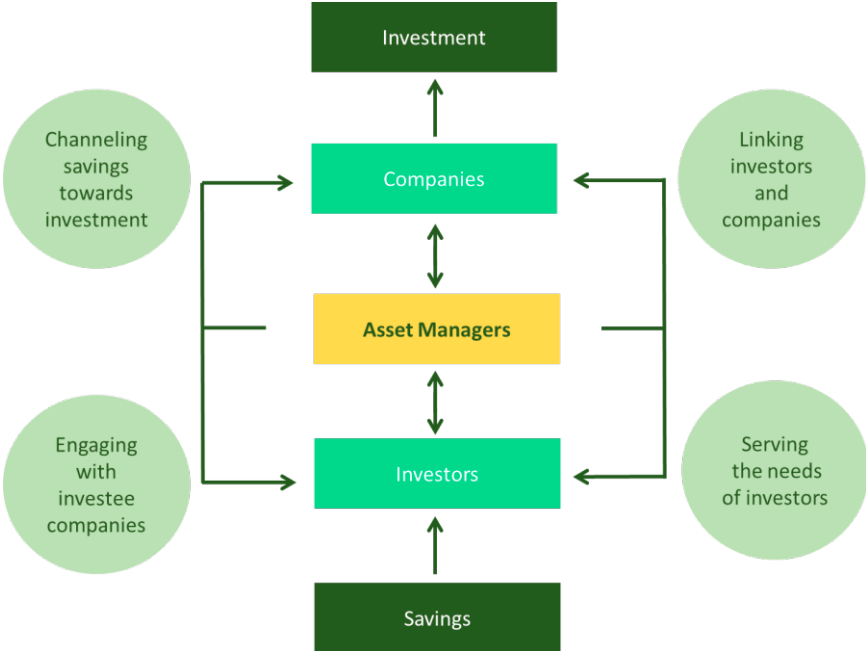
Serving the needs of investors

Asset managers are required by law to act in the best interests of their clients and to invest in accordance with a predefined set of rules and principles. Asset managers must therefore provide the information necessary for investors to make informed decisions and report regularly on how their investments are doing.

Asset managers usually charge a fee which is based on the value of the assets they manage. In this way, the incentives of investors and asset managers to achieve positive returns are aligned.

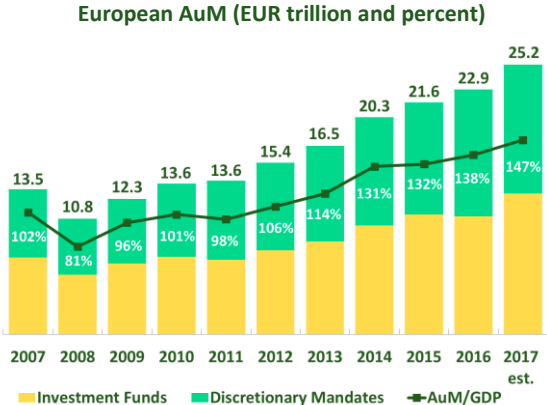
Asset managers allow their clients to gain access, in a cost effective way, to a wider range of products and solutions than would be available to someone who chose to do it themselves. They can reduce risk by helping investors diversify their financial wealth across asset classes, products and geographies.

Stylized View of the Asset Management’s Key Roles



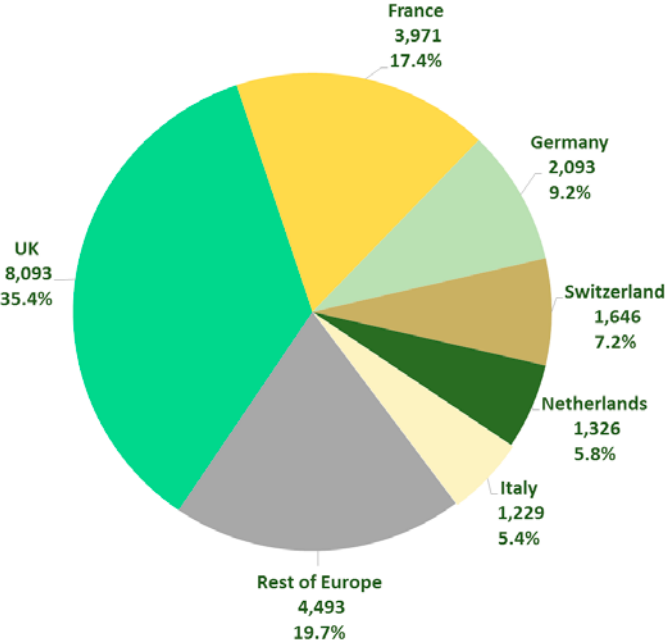
3. Assets under Management in Europe

Assets managed in Europe reached a record high of EUR 25.2 trillion in 2017. This brought the ratio of Assets under Management (AuM) to European GDP to 147% at the end of 2017. Total assets under management have not ceased growing since 2008. The good performance of both equity and bond markets since 2011 paved the way for this asset growth. The flows of new money into investment funds and discretionary mandates also contributed to that evolution, as investors regained confidence in financial markets.



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 62% of the total AuM in Europe at end 2016. This high concentration reflects the size of these countries’ economies, the experience of these countries in financial services and their pool of savings accumulated over the years.

European AuM at end 2016 (EUR billion and percent of total)

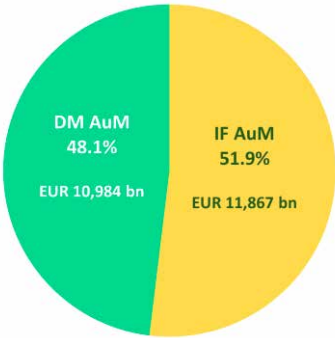


Asset management portfolios can be made up of investment funds and/or discretionary mandates. Investment funds are regulated funds that pool together savings of investors with similar investment goals. A discretionary mandate is a specific investment ‘mandate’ delegated to an asset manager by a specific investor, tailor-made to that particular investors’ precise investment goals. Asset managers typically receive mandates from institutional clients, whereas retail investors are generally offered investment funds.

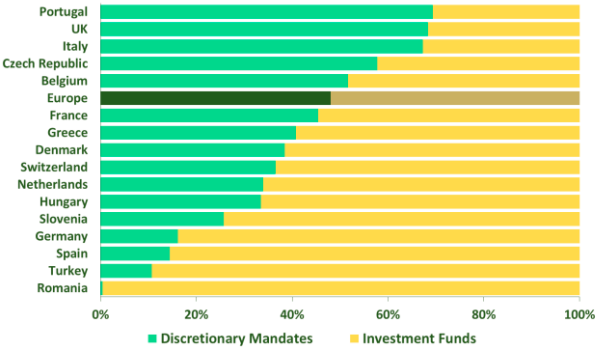
In Europe, discretionary mandates represented EUR 10,984 billion or 48.1% of total AuM at end 2016, whereas the share of investment fund assets in total AuM stood at 51.9% and amounted to EUR 11,867 billion.

Significant differences regarding the split between investment funds and discretionary mandates can be observed between countries. By way of illustration, discretionary mandates accounted for 16% of total AUM in Germany, whereas they represented 45% of total assets in France and 68% in the UK. These figures illustrate important differences in terms of dominant asset management product solutions being offered across Europe.

Discretionary Mandates Vs Investment Funds (end 2016)



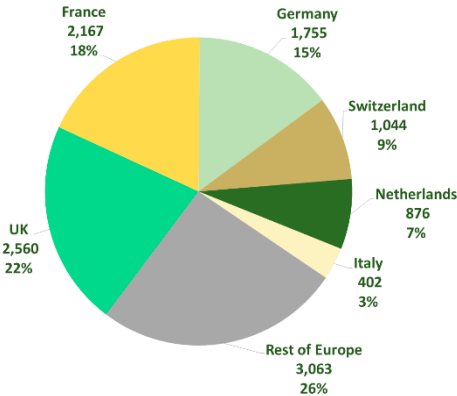
Share of Discretionary Mandates and Investment Fund Assets in Total AuM in 2016



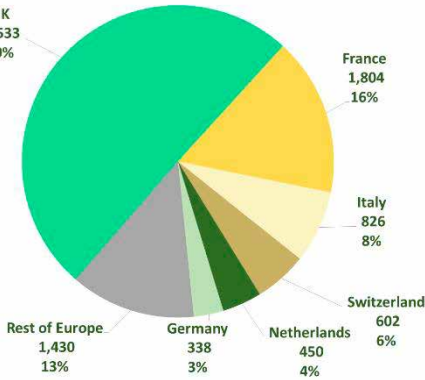
The largest financial centers with more than EUR 1 trillion of fund assets under management (UK, France, Germany and Switzerland) managed 63% of European investment fund assets at end 2016. The relatively high market share of the rest of Europe is attributable to other countries with relatively large fund management, such as Sweden, Denmark, Spain and Belgium, as well as Luxembourg and Ireland, where some investment fund assets are also managed.

IF and DM AuM by Geographical Breakdown at end 2016 (EUR billion and percent of total)

Investment Funds



Discretionary Mandates

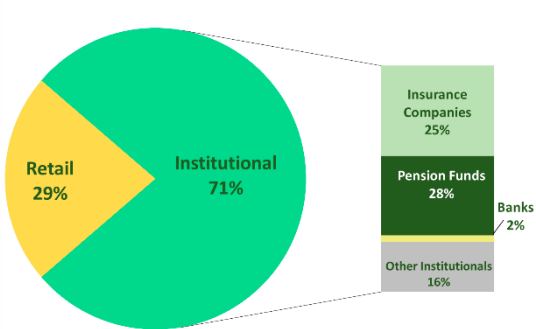


Discretionary mandate AuM are dominated by two markets: the UK and France, which together managed approximately 67% of total European discretionary mandates at end 2016. The significant market share of the UK can be related to the very large base of pension fund assets managed for UK and overseas pension funds and the role of London as an international financial center. In France, the market share 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.

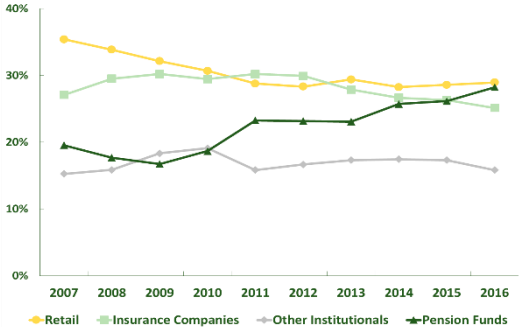
4. Clients of the European Asset Management Industry

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. Institutional clients are dominated by insurance companies and pension funds, which accounted for 25% and 28% of the total assets managed in Europe at end 2016, respectively. These high shares can be explained by the fact that pension funds and insurance companies control large amounts of financial assets and outsource the management of all, or part, of their assets to external asset managers.

Breakdown of Clients by AuM (end 2016)

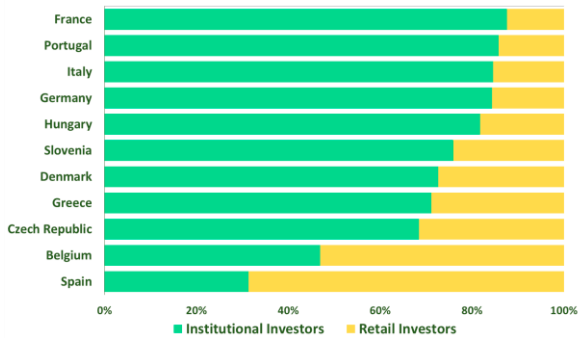


Evolution of the Breakdown between Clients by AuM

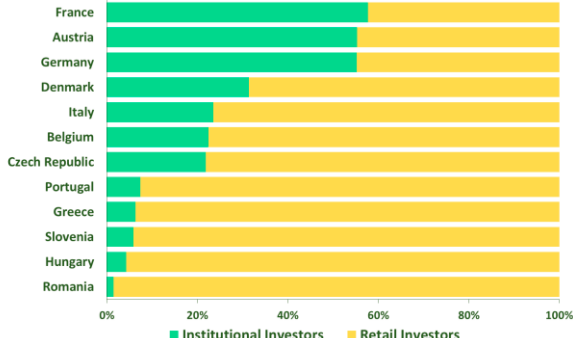


Institutional investors strongly dominate the discretionary mandate segment of the market, for two main reasons. Firstly, mandates are typically associated with minimum investment amount, making them less attractive investment vehicles for retail investors. Secondly, mandates can offer specific investment 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.

Discretionary Mandates by Client Type (end 2016)



Investment Funds by Client Type (end 2016)



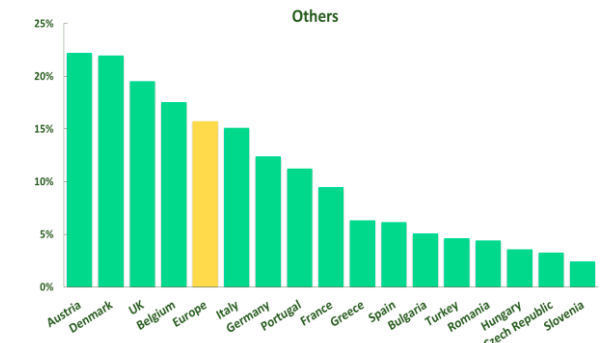
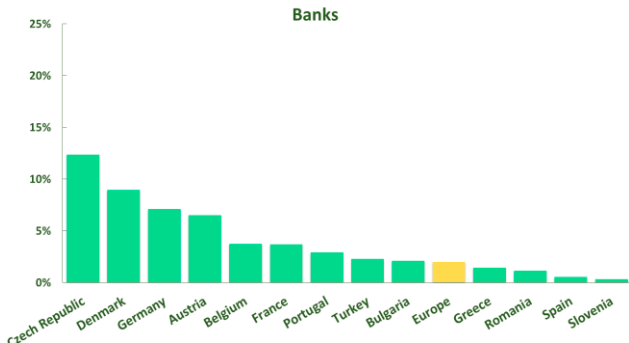
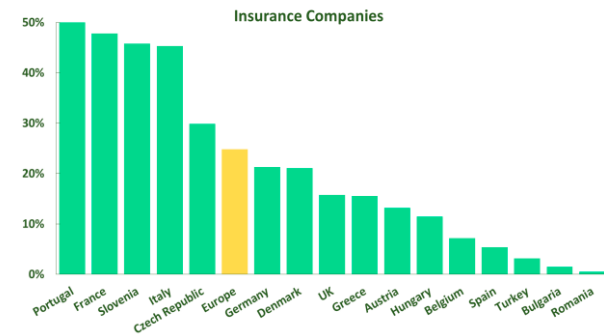
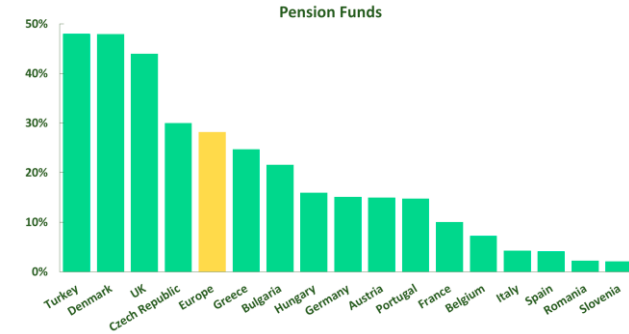
The situation is different in the investment fund market where retail clients tend to be the dominant client. This being said, pension funds and insurers also invest a significant share of their portfolios into investment funds. This is the case in particular in Germany and Austria, where special investment funds (Spezialfonds) are very popular investment vehicles dedicated exclusively to institutional investors, i.e. insurance companies, pension funds and municipal agencies. In France, investment funds are also used extensively in workplace pension schemes and money market funds play an important role in the cash management of many French corporations.

There is significant variation between countries in the relative importance of each type of 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. The charts below illustrate how important various types of clients are in a number of European countries.

AuM by Type of Client and Country (end 2016 in percentage of total AuM)



AuM by type of Institutional Client and Country (end 2016 in percentage of total AuM)



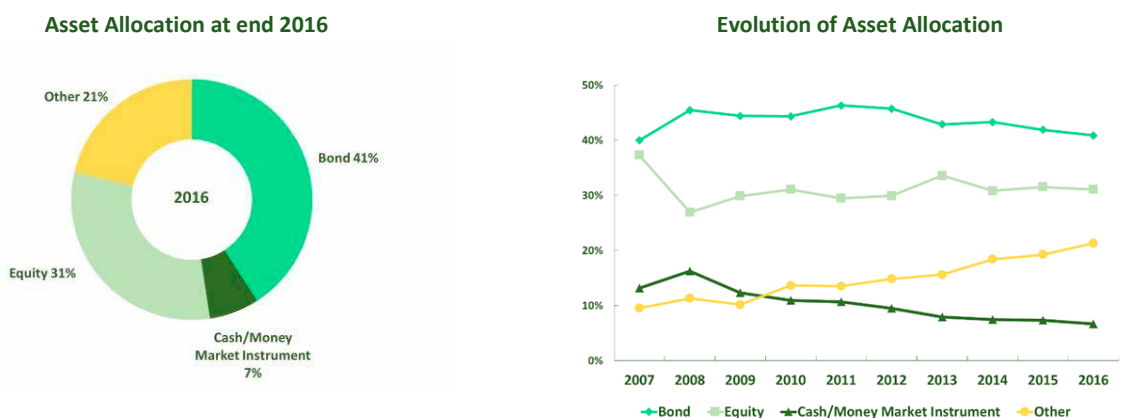
5. Asset Allocation in Europe

This section provides a brief overview of European asset managers' asset allocation. The asset allocation reflects the investment guidelines given by the clients of the asset managers, who are the asset owners. 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.

The global financial crisis had a major impact on global asset allocation, as a consequence of the drop in stock prices in 2008 and the flight towards less risky assets. This led to a significant increase in the share of bonds and liquid instruments and to a sharp fall in the share of equity. Since then, a shift towards a "new normal" asset allocation is under way, with a sharp fall in the holdings of cash and money market instruments and a marked increase in the share of other assets, such as real estate, hedge funds, structured products, private equity and liability driven investment.

The shift towards other assets is driven by an increasing demand for risk-adjusted returns that are uncorrelated to the market in order to reduce the volatility of portfolios, whereas the low interest rate environment encouraged investors to reduce their exposure to liquid assets. In parallel, share of equity assets recovered somewhat but remained lower than in 2007.

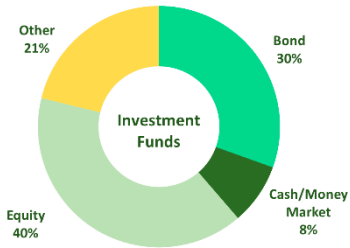
Overall, bond assets accounted for 41% of investment portfolios managed by asset managers in Europe at end 2016. Equity assets accounted for 31% of assets, while money market and cash equivalents represented 7% of assets. The remainder of the portfolio (21%) was made up of other assets. The high level of bond allocation reflects different factors, in particular (i) the fact that bonds are viewed as safe instrument for preserving capital and generating income, (ii) the impact of Solvency II regulatory constraints, which favor fixed-income instruments to the detriment of stocks, and (iii) the increased demand for corporate bonds, reflecting a search for yield in the prevailing low interest rate environment.



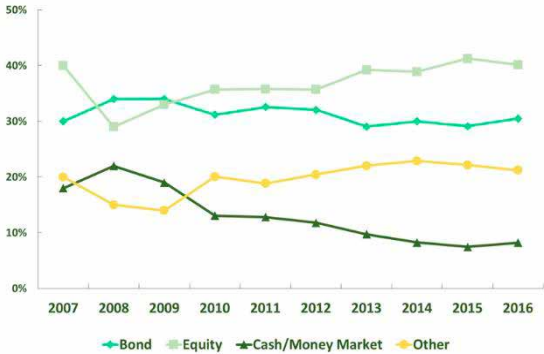
The overall asset allocation of investment funds and discretionary mandates is significantly different. Whereas 40% of investment fund assets were invested in equity at end 2016, the share of equity in mandate assets was only 24%. Conversely, bonds accounted for almost 50% of mandate assets, compared to 30% in the global portfolio held in investment funds. This difference in asset allocation can be explained by the fact that mandates are more conservatively managed than investment funds and thus have an asset allocation much more biased towards bonds. Indeed, the main asset owners of discretionary mandates – pension funds and insurance companies – typically strive to generate sufficient income to meet their projected liabilities.

Interestingly, the share of equity in the portfolio held by investment funds in 2016 is back to its level of 2007. This development contrasts with the evolution of the share of equity in the asset mix of mandates, which has been marked by a significant decline, from 35% in 2007 to 24% in 2016. This process is sometimes referred to as the “de-equitisation” of portfolios. Different causes can explain this process, in particular the growing maturity of pension liabilities due to population ageing as well as changes in regulatory and accounting rules which encourage institutional investors to avoid volatile assets.

Asset Allocation in Investment Funds at end 2016



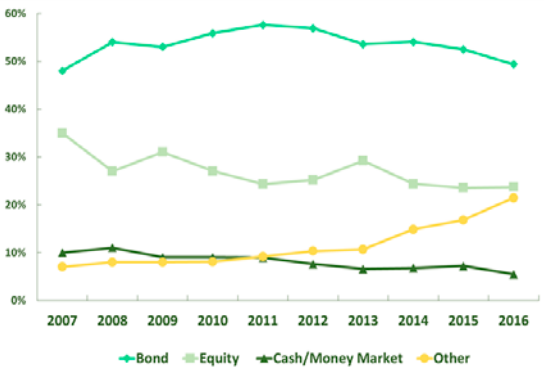
Evolution of Asset Allocation in Investment funds



Asset Allocation in Discretionary Mandates at end 2016

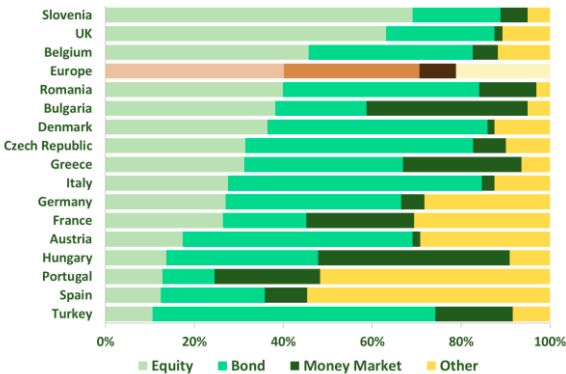


Evolution of Asset Allocation in Discretionary Mandates

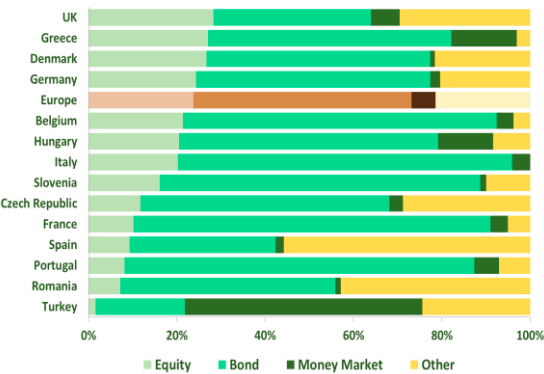


The differences in asset allocation of investment funds and discretionary mandates per country highlighted in the charts below reflects in large part differences in risk preferences and in levels of specialization of asset managers across Europe.

Asset Allocation in Investment Funds at end 2016



Asset Allocation in Discretionary Mandates at end 2016



6. Industry Organization

6.1. Asset Management Companies

There were almost 4,200 asset management companies operating in Europe in 2016. The table below shows the number of firms in each country.

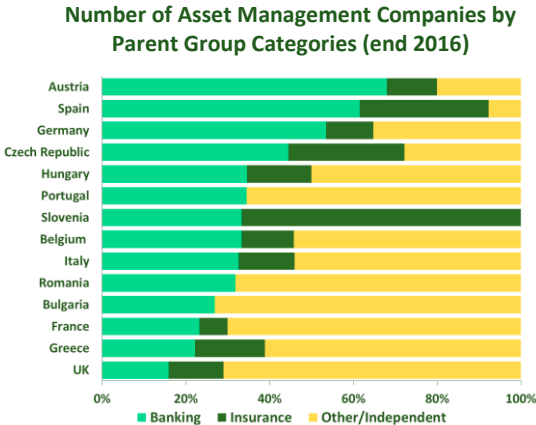
The high number of asset management companies in the UK, France and Germany reflects the relative importance of London, Paris and Frankfurt as asset management centers and the role played by independent and specialized asset managers, such as management companies of private equity funds. The high number of asset management companies operating in Ireland and Luxembourg mirrors the role played by these two countries in the cross-border distribution of UCITS.

Number of Asset Management Companies ¹

Country	2016	Country	2016
Austria	26	Liechtenstein	16
Belgium	64	Luxembourg	314
Bulgaria	31	Malta	120
Croatia	21	Netherlands	224
Cyprus	102	Norway	31
Czech Republic	22	Portugal	72
Denmark	50	Romania	21
Finland	25	Slovakia	9
France	630	Slovenia	7
Germany	325	Spain	101
Greece	52	Sweden	100
Hungary	27	Switzerland	190
Ireland	253	Turkey	50
Italy	261	United Kingdom	1,050
		Europe	4,194

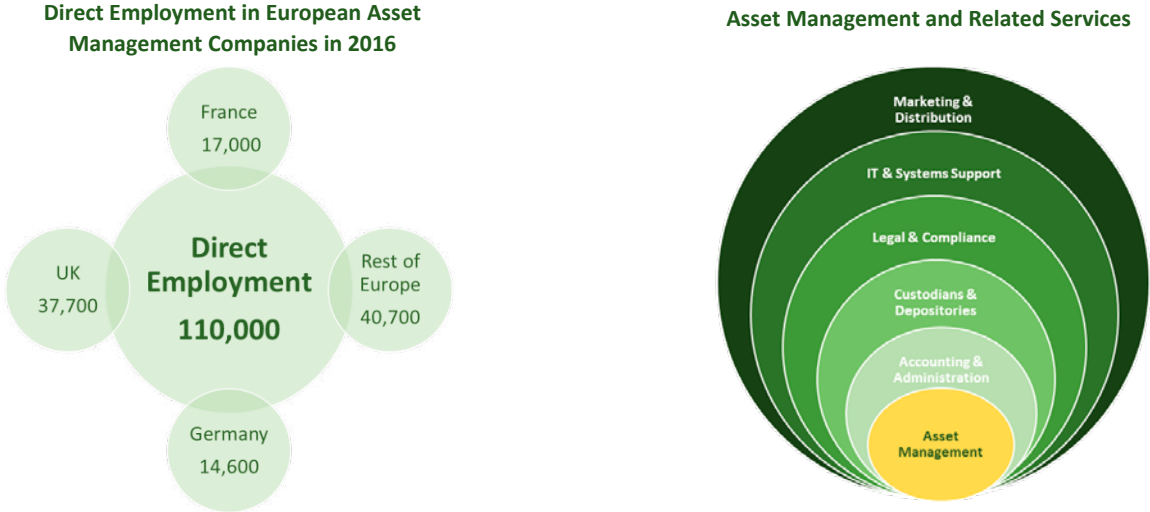
¹ The figures give the number of management companies registered in the countries concerned, except for Austria, Czech Republic, Hungary and Romania where the figures refer to the members of the national trade association. For Ireland, the number refers to the number of UCITS Management companies and AIF Managers in 2017. For Slovenia, the number includes subsidiaries of foreign asset management companies. For the UK, the number is an estimation; there were 138 asset management companies that were members of The IA in 2016; these members managed 85% of the AuM in the UK.

Another dimension of the 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. The chart to the right 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 here that these figures relate to the number of firms, and not their AuM.



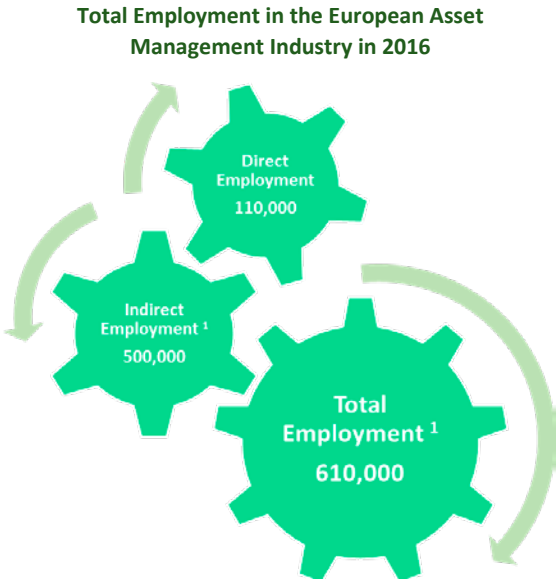
6.2. Employment

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 almost 70,000 at end 2016. Based on this data and the fact that these countries represent around 62% of AuM in Europe, we estimate that around 110,000 individuals are directly employed by the asset management industry across Europe.



When looking at the total number of people employed by the industry, it is necessary to take into account the indirect employment associated with fund distribution, and related services and support functions of asset management such as accounting, auditing, custodianship, IT, legal, marketing, research and FinTech.

Taking into account these related services along the asset management value chain, the French asset management association (AFG) has estimated that every direct job in asset management, in France, gives rise to 4.6 full-time equivalent jobs in related services. Using this ratio, total employment of the asset management industry in Europe can be estimated to approximately 610,000 full-time equivalent jobs.



¹ Full-time equivalent jobs.

7. Statistical Annex

European AuM by Geographical Breakdown at end 2016 (EUR billion and percent)

Country	AuM	% Δ in 2016 ¹	Market Share	AuM / GDP
UK	8,093	4%	35.4%	338%
France	3,971	5%	17.4%	178%
Germany	2,093	3%	9.2%	67%
Switzerland	1,646	3%	7.2%	272%
Netherlands	1,326	7%	5.8%	189%
Italy	1,229	6%	5.4%	73%
Denmark	386	5%	1.7%	139%
Spain ²	314	n.a.	1.4%	28%
Belgium	301	8%	1.3%	71%
Austria ³	132	27%	0.6%	37%
Portugal ⁴	73	n.a.	0.3%	40%
Czech Republic	45	26%	0.2%	25%
Hungary	28	1%	0.1%	25%
Turkey	20	n.a.	0.1%	3%
Greece	10	-10%	<0.1%	5%
Romania	9	87%	<0.1%	5%
Slovenia	3	15%	<0.1%	6%
Bulgaria	1	30%	<0.1%	1%
Rest of Europe	3,172	n.a.	13.9%	165%
Total	22,851	6%	100%	138%

¹ End 2016 AuM compared to end 2015 AuM.

² Spanish data for discretionary mandates is estimated by INVERCO based on a subset of 13 asset management companies.

³ Austrian data includes investment fund assets only.

⁴ Portuguese data for discretionary mandates is estimated by APFIPP based on a subset of 19 asset management companies.

Investment Fund Assets by Geographical Breakdown of AuM at end 2016 (EUR billion and percent)

Country	AuM	% Δ in 2016 ¹	Market Share	AuM / GDP
UK	2,560	-4%	21.6%	107%
France	2,167	7%	18.3%	97%
Germany	1,755	3%	14.8%	56%
Switzerland	1,044	8%	8.8%	173%
Netherlands	876	2%	7.4%	125%
Italy	402	7%	3.4%	24%
Spain	269	6%	2.3%	24%
Denmark	238	3%	2.0%	86%
Belgium	146	12%	1.2%	34%
Austria	132	27%	1.1%	37%
Portugal	22	-2%	0.2%	12%
Czech Republic	19	38%	0.2%	11%
Hungary	19	2%	0.2%	16%
Turkey	18	18%	0.2%	2%
Romania	9	87%	<0.1%	5%
Greece	6	-13%	<0.1%	3%
Slovenia	2	13%	<0.1%	5%
Bulgaria	1	30%	<0.1%	1%
Rest of Europe	2,184	n.a.	18.4%	113%
Total	11,867	7%	100%	72%

¹ End 2016 AuM compared to end 2015 AuM.

Discretionary Mandates by Geographical Breakdown of AuM at end 2016 (EUR billion and percent)

Country	AuM	% Δ in 2016 ¹	Market Share	AuM / GDP
UK	5,533	8%	50.4%	231%
France	1,804	2%	16.4%	81%
Italy	826	6%	7.5%	49%
Switzerland	602	-5%	5.5%	100%
Netherlands	450	17%	4.1%	64%
Germany	338	3%	3.1%	11%
Belgium ²	156	4%	1.4%	37%
Denmark	149	9%	1.4%	54%
Portugal ³	51	n.a.	0.5%	27%
Spain ⁴	45	n.a.	0.4%	4%
Czech Republic	26	18%	0.2%	15%
Hungary	9	0.1%	0.1%	8%
Greece	4	-4%	<0.1%	2%
Turkey	2	n.a.	<0.1%	0.3%
Slovenia	1	22%	<0.1%	2%
Romania	0.04	13%	<0.1%	0.02%
Rest of Europe	988	n.a.	9.0%	51%
Total	10,984	5%	100%	66%

¹ End 2016 AuM compared to end 2015 AuM.

² Belgian data includes unit-linked insurance products and pension funds.

³ Portuguese data for discretionary mandates is estimated by APFIPP based on a subset of 19 asset management companies.

⁴ Spanish data for discretionary mandates is estimated by INVERCO based on a subset of 13 asset management companies.

Asset Allocation by Country at end 2016 (percent)

Country	Investment Funds				Discretionary Mandates				Funds and Mandates			
	Equity	Bond	MMI	Other	Equity	Bond	MMI	Other	Equity	Bond	MMI	Other
Austria	17%	52%	2%	29%	n.a.	n.a.	n.a.	n.a.	17%	52%	2%	29%
Belgium	46%	37%	6%	12%	21%	71%	4%	4%	33%	55%	5%	8%
Bulgaria	38%	21%	36%	5%	n.a.	n.a.	n.a.	n.a.	38%	21%	36%	5%
Czech Republic	32%	51%	7%	10%	12%	56%	3%	29%	20%	54%	5%	21%
Denmark	36%	49%	2%	12%	27%	51%	1%	22%	33%	50%	1%	16%
France	26%	19%	24%	31%	10%	81%	4%	5%	18%	49%	14%	18%
Germany	27%	39%	5%	28%	24%	53%	2%	20%	27%	42%	5%	27%
Greece	31%	36%	27%	6%	27%	55%	15%	3%	30%	44%	22%	5%
Hungary	14%	34%	43%	9%	20%	59%	12%	8%	16%	42%	33%	9%
Italy	28%	57%	3%	12%	20%	76%	4%	0%	23%	70%	4%	4%
Portugal	13%	12%	24%	52%	8%	79%	6%	7%	9%	64%	10%	17%
Romania	40%	44%	13%	3%	7%	49%	1%	43%	40%	44%	13%	3%
Slovenia	69%	20%	6%	5%	16%	73%	1%	10%	55%	33%	5%	6%
Spain	13%	23%	10%	55%	9%	33%	2%	56%	12%	25%	8%	55%
Turkey	11%	64%	17%	8%	2%	20%	54%	24%	10%	59%	21%	10%
UK ¹	63%	24%	2%	11%	28%	36%	6%	30%	39%	32%	5%	24%
Europe	40%	30%	8%	21%	24%	49%	5%	21%	31%	41%	7%	21%

¹ Asset allocation for investments funds and discretionary mandates are estimations based on data received from The IA.

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