

Performance and financial overview of investment funds – France

September 2020

The Banque de France draws up the following information for investment funds: ¹

- *monthly statistics on fund outstandings and flows, and on the valuation of issued securities;*
- *quarterly statistics on flows and the structure of investments by investment funds;*
- *quarterly statistics on the nature of the holders of the securities issued by investment funds (investors).*

These statistics are published in two Stat Infos. The first is published monthly, and describes the performances of the different categories of fund and of the associated outstandings. The second is published quarterly, and gives a financial overview of investment funds, including a breakdown of fund investments by instrument type, geographical region and issuing sector, and a breakdown of net investments by investor category. All data series published in the Stat Infos, as well as additional and more detailed series, can be found at <http://webstat.banque-france.fr>.

1. Fund types and population covered

Banque de France statistics cover all investment funds under French law, as well as Monegasque funds under the terms of Council Regulation (EC) No 2533/98 of 23 November 1998 and Article 11.1 of the Franco-Monegasque Monetary Agreement.

The fund categories used in this publication are those defined by the Autorité des Marchés Financiers (AMF - French Financial Markets Authority). The category of each fund is determined according to its actual exposure to risk. The risk thresholds for each category and methods used to calculate exposure are defined in AMF Instructions 2011-19, 2011-20 and 2011-21.

Money market funds are French and Monegasque funds which are included in the ECB's list of monetary financial institutions and comply with specific regulations (notably regarding liquidity) defined by the European parliament and the council of 14 June 2017 and by the European Securities and Markets Authority (see www.esma.europa.eu).

Non-money market funds include French and Monegasque investment funds that fall into the other categories of the classification defined by the AMF or the French Monetary and Financial Code. They are divided into the following categories:²

- equity funds: classifications below are optional since January 2017³ :

¹ The European Directive on Alternative Investment Fund Managers, which entered into force on 22 July 2013, applies to all categories of alternative investment funds (AIFs by nature and AIFs by purpose). It defines alternative investment funds as collective investment undertakings which raise capital from a number of investors, with a view to investing it in accordance with a defined policy for the benefit of those investors. AIFs do not just invest in transferable securities; as a result, they are no longer referred to as UCITs (undertaking for investment in transferable securities) as the name was considered too restrictive. Instead, they are referred to simply as investment funds.

² The range of collective investment products has been rationalized since 22 July 2014 under the AIFM Directive of 22 July 2013 (further details can be found on the AMF website)

³ The new classification is the result of a public consultation carried out by the AMF in order to alleviate the previous classification and to fulfill the BDF's regulatory requirements vis-à-vis the ECB.

- euro shares
- French equities
- international equities
- European Union equities.
- bond funds classifications below are optional since January 2017³ :
 - bonds and other euro debt securities
 - bonds and other international debt securities
- Mixed funds³ (replaces the diversified funds category discontinued as of the 31 December 2017)

For the purposes of the Bdf, funds that have abandoned AMF classifications must provide the ECB classification, corresponding to their investment policy (“equities”, “bonds” or “mixed”)

- "other" funds:
 - employee saving funds (FCPE and SICAVAS) including money market employee savings funds
 - hedge funds identified on the basis of self-reporting
 - structured funds (whose contract guarantees the achievement of a predefined financial objective)
 - private equity funds: venture capital investment funds (FCPR), innovation mutual funds (FCPI) and community investment funds (FIP)
 - futures market intervention mutual fund (in the process of extinction).
- Real estate funds
 - SCPI and OPCIs at a quarterly basis

The equity, bond and mixed fund categories also include Exchange Traded Funds (ETFs), also known as index-linked funds, which are listed investment funds that track the performance of a stock market index. Their aim is to replicate the performance of an equity, bond or commodity index. Shares in these funds are listed continuously on an official stock exchange.

Alternative Investment Funds by Purpose (AIFs by Purpose) are absent from the current scope of collection.

The reporting population comprised 10,375 entities at the end of December 2019, made up of 123 money market funds whose shares held by resident agents are a component of the M3 monetary aggregate, and 10,252 non-money market funds.

	Money market	Non-money market	Total
December 2017	231	10,485	10,716
December 2018	175	10,351	10,526
December 2019	123	10,252	10,375

The data published by the Banque de France differs from those published by the AMF :

- Firstly, as Monegasque funds are not supervised by the AMF, they are not included in its publications (1 billion outstanding amounts of money market funds and 2.8 billion outstanding amounts of non-money market funds at end-September 2020);
- In addition, money market employee savings funds are excluded from the "money market funds" category in Banque de France statistics under European regulations. Indeed, they cannot be included in monetary statistics because most of these funds are not liquid and available at all times. Consequently, they are included with non-money market funds in the "other" category. By comparison, the data published by the AMF on money market funds include money market employee savings funds (21.5 billion in assets under management at end September 2020).

2. Data sources

Three distinct sources are used to compile these statistics:

- the individual balance sheets sent to the Banque de France every month by money market and non-money market funds⁴ provide details of portfolio items, security-by-security, the aggregate outstanding amount of other balance sheet items, and the outstanding amount and number of investment fund shares/units issued (all categories);

⁴ The balance sheets of venture capital funds are reported to the Banque de France every six months.

- the net asset value of each investment fund (reported by ISIN code and with the corresponding number of shares/units) is submitted to the AMF, which forwards the information to the Banque de France on a daily basis;⁵
- the PROTIDE survey conducted by the Banque de France among resident custodians provides information about holdings of investment fund shares/units by "holding sector". The "holding sectors" correspond to the national accounts sectors: households, non-financial corporations, financial corporations and general government.

⁵ Realisable values are updated at different frequencies, depending on the nature of the fund

3. Breakdown of changes in outstanding amounts, calculation of holdings and consolidation rules

3.1 Breakdown of changes in outstanding amounts

The published statistics are compiled using the balance sheet information submitted by reporting entities. The change in outstanding amounts between two periods is attributable to three factors:

- (i) **flows**, which correspond to changes in balance sheet items in the investment fund sector resulting from actual transactions. They notably correspond to acquisitions or redemptions of shares/units in the investment fund which result in the purchase or sale of assets;
- (ii) **valuation** which combines, on the one hand, **gains or losses in holding** (valuation) due to changes in price levels (stock market prices, interest rates, exchange rates, etc.) and, on the other hand, **income received on investments** (coupons, dividends, rents, etc.) whether distributed or reinvested
- (iii) **other changes in volume** (reclassifications, merger or split of entities).

Outstanding amounts are calculated using the following formula:

$$\Delta \text{Outs tan dings}_t = \text{Flows}_t + \text{Valuation effects}_t + \text{Other changes in volume}_t$$

Gains or losses on holding in assets (respectively liabilities) between two different dates result in a change in the outstanding amount of the fund which corresponds to the change in the price of the security (net asset value per fund share/unit) multiplied by the average number of securities (average number of units of the fund). Similarly, the investment income received by the fund, if reinvested or as long as it is not distributed to investors, increases the net assets of the fund (at constant number of units) and thus its net asset value and therefore its valuation. When there is an income distribution, a statistical restatement is made to neutralize the decrease in the net asset value. It consists in offsetting the distribution flow (by a positive valuation of the same amount, which makes it possible to return to the valuation before distribution, all other things being equal⁶). In total, **the performance of the funds, calculated on the basis of valuation, includes investment income (distributed or capitalised) as well as gains or losses in holdings linked to price variations of the various assets held by the fund.**

Flows on the asset (or liability) side between two dates lead to a variation in the outstanding amount of the fund, corresponding to purchases/sales of fund securities (acquisition/redemption of fund shares/units) at the average price for the period (average net asset value of the fund share/unit).

Flows on the assets side (respectively on the liabilities side) between two dates result in a change in the fund's outstanding amount corresponding to the balance of purchases/sales of securities (subscriptions/redemptions of fund units) multiplied by the average price of the security over the period (average net asset value of the fund share/unit).

Flows and valuation, excluding distributed income, on the asset (liability) side are calculated for each security ISIN code (each fund share/unit ISIN code). The following formulae are used:

$$\text{Valuation (excluding distributed income) } M = \Delta p \text{ between } M \text{ et } M_{-1} \times \frac{n^m + n^{m-1}}{2}$$

$$\text{Flow } M = \Delta n \text{ between } M \text{ et } M_{-1} \times \frac{p^m + p^{m-1}}{2}$$

Where, on the asset side n = the number of securities and p = the price of each security

And, on the liabilities side n = the number of shares/units and p = the net asset value of each share/unit

⁶ To maintain the level of outstanding amounts at the level reported by the fund, a negative flow of the same amount as the positive valuation flow is recorded

Purchases of securities are deemed to occur at the end of the period in question, and sales at the start of the period.

If no information is available on the shares/units of a fund, flows are deemed to be nil and the outstanding amount for the previous period is carried over.

For data series where there are no valuation effects, the transaction flow is deemed to be the difference in the outstanding amount at each date, after other changes in volume.⁷

In the case of instruments which are subject to valuation effects, the transaction flow is calculated by subtracting the valuation effect from the change in outstanding amount. The amount of the revaluation is estimated either from the detailed "security-by-security" information submitted by the fund⁸, or using stock market indices.

3.2. Calculation of holdings

The PROTIDE survey is used to break down the outstanding amounts of and transactions in money market fund shares/units by holding sector, except in the following cases:

- holdings by the investment fund sector (i.e. shares/units held by money market and non-money market funds). Data on these holdings are instead obtained from the detailed investment fund portfolios collected by the Banque de France;
- holdings by credit institutions. Data on these holdings are instead obtained from the credit institutions' individual balance sheets.

The structure of the breakdown by holding sector provided by custodians in the PROTIDE survey is applied to the outstanding amounts reported by investment funds themselves.

Flows are calculated by deducting valuation amounts from the change in outstandings:

$$\text{Monthly flows} = \Delta \text{Outstandings} - \frac{(\text{Outstandings}_M + \text{Outstandings}_{M-1})}{2} \times \text{monthly valuation rate of funds in the category}$$

Where Flows and Outstandings represent the flows and outstandings by holding sector

NB: quarterly flows = the sum of 3 monthly flows

3.3. Consolidation rules

These statistics are not consolidated except in the case of consolidated outstandings of money market fund shares or units that do not include the securities held by money market funds themselves. In other words, for non-money market funds, the holding of funds (master funds or others) by other funds (feeder funds or other) is neither subtracted from the total outstanding of securities issued nor from net transaction flows.

4. Recording of events affecting investment funds

Events affecting the life of investment funds, such as their creation, mergers and acquisitions, changes of category and dissolutions, are recorded in the published statistics as follows:

Creations are deemed to occur at the end of the period in question. The outstanding amounts declared by the funds in the first month of their existence are deemed to correspond to flows of assets and liabilities: no valuation effects are recorded for the first period of their existence.

Dissolutions are, unlike creations, deemed to occur at the start of the period in question. The outstanding amounts declared by the funds at the start of the month are recorded as negative asset and liability flows. No valuation effects are recorded for the period during which the dissolution takes place.

⁷ Other changes in volume correspond to reclassifications, merger or split of entities

⁸ Based on the ISIN code.

Changes of category are treated as redemptions of shares/units issued by the investment fund concerned in the category to which it belonged in the previous period and as an inflow in the new category to which it belongs. This treatment stems from the obligation for investment funds to publish any changes in their investment strategy leading to a change in category: the acceptance of these changes by the investor who holds the shares/units is regarded as a deliberate choice to change the allocation of his assets, translating into a redemption of shares/units in the category the investor has moved out of and a net investment in the new category.

Mergers, acquisitions and divisions of funds: these operations result in either i) the creation of one or more new funds to which the assets of the merged funds are transferred, or ii) the acquisition of the fund's old portfolio and issue of new shares/units. Cases consisting in both a transfer of assets and a change of portfolio (case iii) are not taken into account due to a lack of information on the individual investors in the old and new funds.

i) By convention, transfers of assets resulting from mergers of resident funds are not recorded as transaction flows in the published statistics but as reclassifications of assets (other changes in volume). Thus:

- For the fund acquired or divided:

Δ outstanding amounts = – M-1 outstanding amounts transferred (= reclassification) and flows = 0

- For the acquiring or newly created fund:

Δ outstanding amounts = flows + valuation effect + reclassification (= outstanding amounts transferred)

ii) Cross-border mergers (into and out of France) result in the dissolution or creation of a resident fund and the corresponding dissolution or creation of a non-resident fund. These transactions between residents and non-residents are recorded as flows, in the same way as in the Balance of Payments. Thus:

- For the acquired or divided French fund:

Δ outstanding amounts = – M-1 outstanding amounts transferred (= negative flow)

- For the absorbing French fund

Δ outstanding amounts = M-1 outstanding amounts transferred (= positive flow)

5. The monthly Stat Info on "Investment Fund Performances"

This document details both the monthly and the annual performance of the different investment fund categories described in Part 1.

Monthly performances are measured by comparing the monthly valuation (the calculation of which was detailed above) of month M of all funds belonging to the same category to the outstanding amount at the end of the previous month M-1.

$$\text{Monthly performance} = \frac{\text{Valuation effects of M}}{\text{Outstanding M} - 1}$$

Annual performances are measured as the ratio between the sum of the valuation effects (calculated as described previously) for all funds in the same category in the 12 preceding months, and the outstanding amount at M-12:

$$\text{Annual performance} = \frac{\text{sum of valuation effects from M to M} - 11}{\text{Outstanding M} - 12}$$

As a reminder (see 3.1), these valuations include gains or losses on holdings but also income from investments (interest, dividends, rents, etc.), whether distributed or not. It is therefore an overall performance indicator that includes reinvested income (distributed or capitalized).

Performances are given net of management fees but before entry or exit fees (non-collected data).

The monthly Stat Info also includes charts on three data series published by external bodies :

- the annual performance of the **Stoxx 600 index “total return” (with reinvested income)**. This index comprises 600 companies resident in 18 European countries): percentage change in the index between the last day of month M and M-12
- the annual performance of the **Barclays Euro Aggregate Bond index “total return” (with reinvested income)** : percentage change in the index between the last day of month M and M-12. This index comprises fixed-rate, investment-grade Euro denominated bonds. It includes bonds issued by general government, corporations and asset-backed securities. The residual maturity is more than one year. The inclusion is based on the currency of issue, not on the domicile of the issuer (around 80% of issuers are located in the euro area)
- These two index were chosen because they are representative of the portfolio of French funds mainly invested in euro-denominated assets and issued within the euro area. For example, 88% of the securities portfolio of French bond funds is denominated in euros and 75% is issued by entities located in the euro area.
- **6-month Euribor**: monthly average of the daily rate.

6. The quarterly Stat Info on "Financial Overview of Investment Funds"

This document provides data with the net inflows by funds type. .

Two charts represent the investment flows of non-money funds broken down by resident issuing sectors: in shares and in debt securities

The table summarises the balance sheet data on the assets and liabilities of the funds.

- **Investments of investment funds are broken down by /**
 - Type of instrument: short-term debt securities,⁹ long-term debt securities,¹⁰ equities (for non-money market funds), investment funds shares/units and deposits and other net investments.¹¹
 - Geographical area: residents, euro area non-residents and non-euro area residents
 - Issuing sector: non-financial corporations, monetary financial institutions, credit institutions (for money market funds), public administrations, non-money market funds, other (non-money market funds, insurance undertakings and other financial institutions)
- **Investors - Breakdown of holdings by sector of issued investment fund units/shares**

The data on the shares/units issued by money market and non-money market funds, collected from resident custodians (PROTIDE survey), provide information on the nature of the sectors holding these shares/units (see section 3.2. Calculation of holdings).

⁹ Primarily NEU CP issued by bank and non-financial issuers and fixed rate T-bills

¹⁰ Bonds, medium-term notes and securities issued by securitisation vehicles.

¹¹ Other net investments includes derivatives (except options and warrants held by money market funds, which are classed as debt securities), non-financial assets and other claims. These items are all net of liabilities.