14 January 2025
ESMA50-524821-3525

ESMA Market Report

Costs and Performance of EU Retail Investment Products 2024

ESMA Market Report on Costs and Performance of EU Retail Investment Products 2024

© European Securities and Markets Authority, Paris, 2024. All rights reserved. Brief excerpts may be reproduced or translated provided the source is cited adequately. The reporting period of this report is 1 January 2014 to 31 December 2023, unless indicated otherwise. Legal reference of this report: Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC, Article 32 'Assessment of market developments, including stress tests. '1. The Authority shall monitor and assess market developments in the area of its competence and, where necessary, inform the European Supervisory Authority (European Banking Authority), and the European Supervisory Authority (European Insurance and Occupational Pensions Authority), the ESRB, and the European Parliament, the Council and the Commission about the relevant micro-prudential trends, potential risks and vulnerabilities. The Authority shall include in its assessments an analysis of the markets in which financial market participants operate and an assessment of the impact of potential market developments on such financial market participants." This report, while contributing to ESMA's risk assessment activities, addresses the European Commission mandate to the three European Supervisory Authorities on recurrent reporting on the costs and past performance of the main categories of retail investment insurance and pension products. The report and its contents do not prejudice or impair ESMA's regulatory, supervisory or convergence activities, nor the obligations of market participants thereunder. The information contained in this publication, including text, charts and data, exclusively serves analytical purposes. It does not provide forecasts or investment advice, and does not prejudice, preclude or influence in any way past, present or future regulatory or supervisory obligations on market participants. The charts and analyses in this report are based on data not proprietary to ESMA, including from commercial data providers and public authorities. ESMA uses these data in good faith and does not take responsibility for their accuracy or completeness. ESMA is committed to constantly improving its data sources and reserves the right to alter data sources at any time. The third-party data used in this publication may be subject to provider-specific disclaimers, especially regarding its ownership, its reuse by non-customers and, in particular, the accuracy, completeness or timeliness of the data provided, and the provider's liability related thereto. Please consult the websites of the individual data providers, whose names are detailed throughout this report, for more details on these disclaimers. Where third-party data are used to create any chart, table or analysis the third party is identified and credited as the source. In each case, ESMA is cited by default as a source, reflecting any data management, cleaning, processing, matching, analytical, editorial or other adjustments to raw data undertaken.

ISBN 978-92-95235-75-5 DOI 10.2856/3163056 ISSN 2599-8897 EK-01-24-003-EN-N
European Securities and Markets Authority (ESMA)
Risk Analysis and Economics Department
201-203 Rue de Bercy
FR-75012 Paris
risk.analysis@esma.europa.eu

Table of contents

Executive summary

The European Securities and Markets Authority’s 2024 market report on the costs and performance of EU retail investment products provides an overview of key developments up to the end of 2023, a year characterised by improving returns and a macroeconomic slowdown. Similarly to previous editions, this year’s analysis covers undertakings for collective investment in transferable securities (UCITS), retail alternative investment funds (AIFs), and structured retail products (SRPs). We have significantly improved the coverage of the UCITS market compared with the previous edition and provide an in-depth analysis of the role of size in explaining differences in cost levels. Improvements in data availability continue, but significant data issues persist. For UCITS, entry and exit costs are still subject to limitations, while no data are available on distribution costs. In the case of AIFs, information on costs is very scarce. For SRPs, costs are extracted from key information documents which issuers are obliged to issue under the Packaged Retail Investment Insurance Products regulation. The information is only available for a subset of products, and do not include potential distribution costs.

Investment funds – UCITS

Our sample covers UCITS assets worth around EUR 10.2tn, of which retail investors were estimated to hold around EUR 6.4tn in 2023. This constitutes a significant increase in our coverage of the EU UCITS market (from 85% in the previous edition to 94% this year), made possible by the inclusion of new data sources. Mirroring the trends observed in the United States, ongoing costs in the EU continued to decline in 2023. At the one-year investment horizon, between 2019 and 2023 the ongoing costs of equity funds declined by 5%, while the ongoing costs of bond funds reduced by 13%. However, not all categories of funds display such reductions: the ongoing costs of mixed funds and passive equity funds were relatively stable over time. Despite the decline in costs, active equity funds continued to underperform (after fees) passive non-exchange-traded equity funds and exchange-traded equity funds. A hypothetical five-year investment of EUR 10,000 between 2019 and 2023, based on a stylised portfolio of UCITS, would yield around EUR 12,800, net of fees, or EUR 10,600 when considering the effect of inflation. The investment strategy of the fund can also significantly impact the costs and performance. EU UCITS remain, on average, much smaller than US funds. This can, at least partially, explain the substantial differences in the fund cost levels observed between the EU and the United States since larger funds tend to have lower ongoing costs. Moreover, when management companies are held by a large parent company, the managed share classes are associated with lower ongoing costs on average. As reported in 2022, the ongoing costs of environmental, social and governance (ESG) funds are lower than or similar to the ongoing costs of non-ESG equivalents. Overall, ESG funds outperformed their non-ESG equivalents in 2023, with disparities across asset classes. Equity ESG funds outperformed their equivalents, while fixed income and mixed ESG funds underperformed.

Investment funds – retail AIFs

AIFs reached almost EUR 7.7tn in assets in 2023, with just under EUR 900bn of which was estimated to be held by retail investors (retail AIFs). The share of retail investors decreased from the share reported in the previous edition: from 13.8% to 11.3%. Around a quarter of the total retail investment in AIFs is concentrated in funds primarily focusing on traditional asset classes, such as equities and bonds. Annualised returns of AIFs offered to retail investors significantly improved in 2023 compared with 2022, mirroring the trends observed for the UCITS market. A hypothetical five-year investment of EUR 10,000 between 2019 and 2023, based on a stylised portfolio of AIFs, would yield around EUR 12,600, net of fees, or EUR 10,500 when considering the effect of inflation.

Structured retail products

Structured retail products (SRPs), with an outstanding value of EUR 360bn in 2023 – a slight increase from the value in the previous year – remain a much smaller market than UCITS and AIFs sold to retail investors. Products referencing interest rates and inflation saw a growing market share, reaching 21%, up from 6% in 2022. We provide an EU-wide analysis of performance scenarios and costs, drawing on commercial data. Costs – largely charged in the form of subscription fees – decreased in 2023 for some common product types, although they varied substantially by payoff type and country. The analysis of performance scenarios shows limited differentiation between the moderate scenario and the favourable scenario as presented to retail investors in the key information document. Overall, taking as a reference the return of the median SRP in the moderate scenario, a hypothetical five-year investment of EUR 10,000 undertaken in 2023 would yield around EUR 12,702, in net terms, at maturity. This figure increases to EUR 12,885 in a favourable scenario, but drops to EUR 7,417 in an unfavourable scenario. SRPs that matured in 2023 consistently delivered positive returns in gross terms, but these figures do not consider the incidence of costs paid by investors.

Essential statistics – UCITS

UCITS

Costs and performance (2019–2023)	Funds (non-ETF) Equity	Funds (non-ETF) Bond	Funds (non-ETF) Mixed	ETFs Equity
Costs (%, per annum (p.a.))	2.1	1.4	2.0	0.6
Ongoing charges	1.47	0.94	1.48	0.23
Subscription fees	0.56	0.45	0.44	0.21
Redemption fees	0.04	0.05	0.06	0.16
Net performance (%, p.a.)	5.8	-0.4	1.4	8.2
Change in ongoing costs (%, 2019–2023)	-4.9	-13.0	-2.1	-26.7
Inflation (%, p.a.)	4.1	4.1	4.1	4.1
Net real performance (%, p.a.)	1.7	-3.7	-2.7	4.1

ESG UCITS

Costs and performance (2019–2023)	Funds (non-ETF) Equity	Funds (non-ETF) Bond	Funds (non-ETF) Mixed	ETFs Equity
Costs (%, p.a.)	1.9	1.3	2.0	0.8
Ongoing charges	1.36	0.75	1.49	0.26
Subscription fees	0.52	0.49	0.50	0.31
Redemption fees	0.06	0.07	0.04	0.28
Net performance (%, p.a.)	6.3	-0.9	0.9	7.5

Hypothetical UCITS portfolio performance

EUR 10,000 UCITS portfolio performance	10Y (2014–2023)	5Y (2019–2023)
Net value (EUR)	15,146	12,778
Costs paid (EUR)	1,871	855
Inflation (EUR)	3,224	2,164
Net real value (EUR)	11,923	10,614

Note: ESG, environmental, social and governance; ETF, exchange-traded fund; p.a., per annum; UCITS, undertakings for collective investment in transferable securities. UCITS − costs and performance for EU27 UCITS (ESG and non-ESG), for main retail investors' asset classes, at a five-year investment horizon between 2019 and 2023 (%); change in ongoing costs from 2019–2023 refers to the changes in ongoing costs for an investment horizon of one year as calculated at the end of 2019 and at the end of 2023. ESG UCITS – costs and performance for EU27 ESG UCITS for main retail investors' asset classes, at a five-year investment horizon between 2019 and 2023 (%). The definition of ESG funds relies on the Morningstar definition of a sustainable investment fund, which classifies a product as a sustainable investment "*if the use of one or more approaches to sustainable investing is central to the investment product's overall investment process, based on its prospectus or other regulatory filings*" (Morningstar, Morningstar Sustainable Attributes – Framework and definitions for the 'Sustainable Investment' and 'Employs Exclusions' attributes, August 2022). Hypothetical UCITS portfolio performance − value of hypothetical EUR 10,000 after 10 years and 5 years, for retail investors (in euro). Statistics presented in this report cover the period after the withdrawal of the United Kingdom from the EU on 31 January 2020. Comparisons with the statistics published in the first three editions are, therefore, limited. A change in the methodology led to a significant change in the figures displayed for the subscription and redemption fees (please refer to the annexes for more details).

Essential statistics – AIFs, SRPs

Retail AIFs

Performance (2019–2023)	FoFs	Other AIFs	RE	RoM
Gross performance (%, p.a.)	6.6	6.7	3.3	2.6
Net performance (%, p.a.)	5.8	6.0	2.1	2.0

Hypothetical AIFs portfolio performance

EUR 10,000 AIF portfolio performance over time	5Y (2019–2023)
Gross value (EUR)	13,198
Net value (EUR)	12,643
Inflation (EUR)	2,141
Net real value (EUR)	10,502

Structured Retail Products

Performance scenarios	Stress	Unfavourable	Moderate	Favourable
Simulated net return (core 50% of products, % p.a.)	-41 to -14	-19 to 3	3 to 8	4 to 8
Costs				
Summary cost indicator (%, p.a.)	0.9			

Hypothetical SRPs performance

EUR 10,000 SRP performance over time	1Y	5Y
Net value (EUR) in the unfavourable scenario	5,256	7,417
Net value (EUR) in the moderate scenario	12,402	12,702
Net value (EUR) in the favourable scenario	14,829	12,885

Note: AIF, alternative investment fund; FoF, fund of funds; p.a., per annum; RE, real estate; RoM, rest of the market; SRP, structured retail products. Retail AIFs − annualised monthly gross and net performance of retail AIFs in the 30 European Economic Area countries, by fund type (%). 'Other AIFs' = fixed income funds, equity funds, infrastructure funds, commodity funds and other funds; RoM = rest of the market and includes hedge funds, private equity and those funds whose type is not indicated; no cost reporting available from regulatory data sources. Hypothetical AIFs portfolio performance − value of hypothetical EUR 10,000 after 5 years, for retail investors (in euro). Structured Retail Products − forecasts of performance and costs for SRPs (%). Figures for performance refer to the interquartile range (25th and 75th percentiles) of potential per annum returns over the product's recommended holding period under four scenarios: stress, unfavourable, moderate and favourable. Figures for costs are the median summary cost indicator per annum over a product's recommended holding period. Hypothetical SRPs performance – value (in euro) of hypothetical EUR 10,000 based on the median of potential returns after 1 year (assuming early exit) and 5 years (assuming this is the product's recommended holding period or maturity) under three scenarios: unfavourable, moderate and favourable. Statistics presented in this report cover the period after the withdrawal of the United Kingdom from the EU on 31 January 2020. Comparisons with the statistics published in the first three editions are, therefore, limited.

Market monitoring

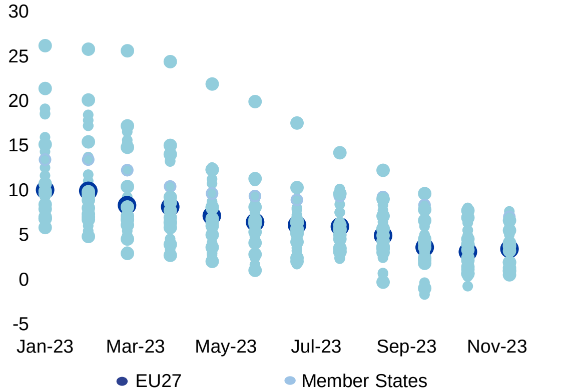
Market environment in 2023

The global macroeconomic environment deteriorated in 2023, amid decreasing but still high inflation and tightening of monetary policy. It was especially visible for advanced economies, with a slowdown in real gross domestic product growth, from 2.6% in 2022 to 1.6% in 2023, according to International Monetary Fund[1]. In the EU, the growth of real gross domestic product stood at 0.4% in 2023, according to the European Commission, compared with 3.5% in 2022[2].

MR-CP.1

EU Harmonised Index of Consumer Prices inflation

Increase in inflation and heterogeneity in the EU



Note: EU27 HICP monthly inflation dispersion, %.
Sources: Eurostat, ESMA.

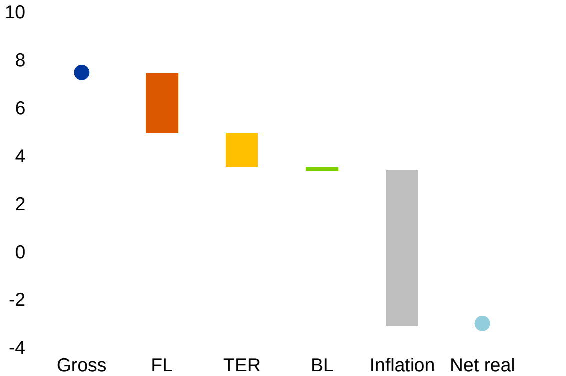
After a peak in 2022 (9.2% in the EU), inflation started to recede in 2023 (6.4%) following the tightening of monetary policy and the drop in energy prices[3]. Specifically, in 2023, the monthly variation in the Harmonised Index of Consumer Prices went from 10% in January to 3.4% in December in the EU (MR-CP.1). In parallel, the high disparities observed across EU Member States reduced, with the spread between the highest and lowest inflation rates reaching its peak at 22.7 percentage points (pp) in March 2023, before decreasing to 7.2pp in December 2023.

Although inflation declined in 2023, it continues to have a significant impact on final investment outcomes, especially in the short term. At the one-year investment horizon (MR-CP.2), inflation reduced investor return by more than 6pp, with net performance at 3.4% and net real performance at -3.0% for an investment in equity undertakings for collective investment in transferable security (UCITS).

MR-CP.2

Equity funds' real net performance at the 1Y horizon

Negative net real performance in 2023



Note: EU27 UCITS equity funds, annual performance classified as gross performance, ongoing costs (TER), subscription (FL) and redemption loads (BL), inflation and net real performance, retail investors, one-year horizon, %.
Sources: Refinitiv Lipper, Morningstar Direct, Eurostat, ESMA.

Inflation developments continue to be particularly relevant for consumers and retail investors, who need to account for these macroeconomic conditions. The impact of inflation can be underestimated or overlooked by retail investors, who may overestimate the real value of their savings and investments. This can lead to insufficient savings, excessive spending or ill-judged allocation of capital, all of which will have detrimental effects on investors' long-term wealth.

After a year of lower returns on the equity markets, returns increased significantly in 2023. Overall, the performances of the main equity indices around the globe were positive in 2023 (+23% for the EURO STOXX 50, +26% for the S&P 500 and +31% for the Nikkei 225). Increasing returns were also observed on bond prices, with the performances of sovereign and bond indices standing at respectively +7% and +8% in 2023[4].

[1] International Monetary Fund, World Economic Outlook – Steady but Slow: Resilience amid Divergence, 2024.

[2] European Commission, European Economic Forecast – Spring 2024, Publications Office of the European Union, 2024.

[3] Inflation is measured by the Harmonised Index of Consumer Prices. According to the Eurostat definition of inflation, the index measures the changes over time in the prices of consumer goods and services acquired by households. It is calculated in accordance with harmonised definitions.

[4] The indices used are the IBOX EUR all maturities.

Investment funds – UCITS

Summary

Our sample covers UCITS assets worth around EUR 10.2tn, of which retail investors were estimated to hold around EUR 6.4tn in 2023. This constitutes a significant increase in our coverage of the EU UCITS market (from 85% in the previous edition to 94% this year), made possible by the inclusion of new data sources. Mirroring the trends observed in the United States, ongoing costs in the EU continued to decline in 2023. At the one-year investment horizon, between 2019 and 2023 the ongoing cost of equity funds declined by 5%, while the ongoing costs of bond funds reduced by 13%. However, not all categories of funds display such reductions: the ongoing costs of mixed funds and passive equity funds were relatively stable over time. Despite the decline in costs, active equity funds continued to underperform (after fees) passive non-exchange-traded equity funds and exchange-traded equity funds. A hypothetical five-year investment of EUR 10,000 between 2019 and 2023, based on a stylised portfolio of UCITS, would yield around EUR 12,800, net of fees, or EUR 10,600 when considering the effect of inflation. The investment strategy of the fund can also significantly impact the costs and performance. EU UCITS remain, on average, much smaller than US funds. This can, at least partially, explain the substantial differences in the fund cost levels observed between the EU and the United States since larger funds tend to have lower ongoing costs. Moreover, when management companies are held by a large parent company, the managed share classes are associated with lower ongoing costs on average. As reported in 2022, the ongoing costs of environmental, social and governance (ESG) funds are lower than or similar to the ongoing costs of non-ESG equivalents. Overall, ESG funds outperformed their non-ESG equivalents in 2023, with disparities across asset classes. Equity ESG funds outperformed their equivalents, while fixed income and mixed ESG funds underperformed.

Market overview

At the end of 2023, the EU UCITS segment remained the largest fund investment sector in the EU, with almost EUR 11tn in assets[5]. In this European Securities and Markets Authority (ESMA) report, we cover 94% of the EU UCITS market as reported by the European Fund and Asset Management Association (EFAMA): a total of EUR 10.2tn, of which EUR 6.4tn was estimated to be held by retail investors[6]. Excluding exchange-traded funds (ETFs), our sample covers assets worth around EUR 8.8tn, of which retail investors held around EUR 5.0tn in 2023 (AMR-CP-S.34).

Compared with previous editions, we were able to increase the coverage of the UCITS market (from 85% in 2022 to 94% in 2023, on aggregate) with significant improvements for some countries (MR-CP.3)[7].

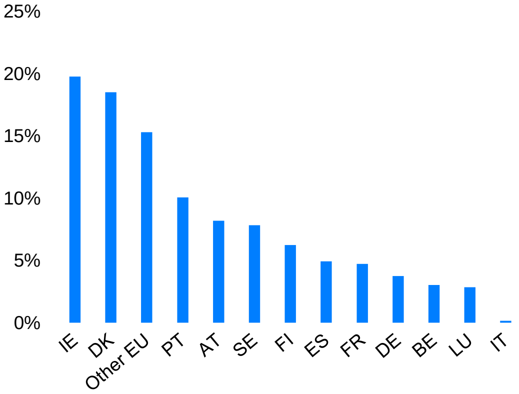
[5] EFAMA, 'Trends in the European investment fund industry in the fourth quarter of 2023 & results for the full year 2023', Quarterly Statistical Release, No 96, March 2024, Table 1, p. 12. Only Member States were included.

[6] Refinitiv Lipper accounts for share classes declaring themselves institutional. If the share class does not declare itself institutional, the share class is considered retail. Therefore, high net-worth investors can still count as retail. This potentially means a downward bias in the size of the market for institutional investors, especially for domiciles characterised mainly by non-retail investors.

[7] This higher coverage is the result of several changes:

- in addition to Refinitiv Lipper, our sample includes Morningstar Direct data for funds not referenced in Refinitiv Lipper;
- some jurisdictions shared their data for 2023 with us and
- following a change in the methodology (i.e., one-off costs are no longer weighted by the ratio of fund flows over fund value but instead weighted by time horizon), less information is now required in order for a fund to be included in the sample. Please refer to the annexes for more details.

MR-CP.3
Change in coverage by country
Increase in coverage for most countries



Note: Change of coverage (compared to EFAMA data) between 2022 and 2023 by country, percentage points. Other EU includes Bulgaria, Croatia, Cyprus, Czech Republic, Greece, Hungary, Malta, Poland, Romania, Slovakia and Slovenia.
Sources: Refinitiv Lipper, Morningstar Direct, EFAMA, ESMA.

Europe, with 30% of global net assets, is the second largest market globally in terms of open-ended regulated funds, after the United States (US), which holds almost 50% of global net assets[8]. In our sample, in 2023, retail investors were estimated to hold almost 65% of the total outstanding EU UCITS assets. This is lower than the share in the US, where households held 88% of the total net assets of US mutual funds at the end of 2023[9]. In addition, as observed previously, EU investment funds were, on average, much smaller than US funds[10]. This can, at least partially, explain the substantial differences in the fund cost levels between the EU and the US. The link between the funds' size and the funds' costs is analysed in more detail in the 'Impact of size on costs' section.

More than 90% of retail investment centres on equity, bond and mixed assets (AMR-CP-S.36), which are the focus of this report. The distribution of retail investment across these assets is heterogeneous in the EU. For example, in 2023, the share of investment mainly focusing on equity was 14% in Italy, while it was around 65% in the Netherlands (AMR-CP-S.39).

The number of funds marketed and sold cross-border in the EU remained smaller than that of funds sold exclusively domestically (AMR-CP-S.44)[11]. In terms of assets, however, funds effectively sold cross border accounted for 56% of the total EU UCITS funds (AMR-CP-S.43)[12].

Costs and performance

EU aggregate fund costs: gradual decline

In line with the trends reported in previous editions, in 2023 we observed an overall decline in ongoing costs[13 14]. Table MR-CP.4 details this decline in prices across fund categories for retail investors[15]. While the decline is limited from one year to the next, it becomes more significant when comparing this edition of the report with older editions.

For equity UCITS, ongoing costs for investments over the one-year horizon in this year's edition (for 2023) are lower than those in 2019 (-5%) and in 2022 (-3%). We can draw similar conclusions for the ten-year investment horizon.

For bond funds, the decline in costs was more pronounced, even when comparing 2023 with 2022. The reduction in costs was around 4% between this edition and the previous one for the one-year investment horizon, but it reached 13%

8 EFAMA, 'Worldwide regulated open-end fund assets and flows – Trends in the fourth quarter of 2023', International Quarterly Statistics, 22 March 2024, Exhibit 7.

9 Investment Company Institute, Investment Company Factbook – A review of trends and activities in the investment company industry, 2024, p. 45.

10 EFAMA, 'Worldwide regulated open-end fund assets and flows – Trends in the fourth quarter of 2023', International Quarterly Statistics, March 2024, Tables 2 and 4. In 2023, a US fund held an average of EUR 2,944mn in assets, while an EU fund held around EUR 320mn.

11 For the purpose of this report, a cross-border fund is defined as a fund sold in at least two countries in addition to the funds domicile country.

12 This share increases to 61% if we consider funds that were registered to be marketed cross-border but did not get sold across borders.

13 Starting 1 January 2023, the packaged retail investment and insurance products (PRIIPs) key information document (KID) became mandatory for UCITS, replacing the UCITS key investor information document (KIID). The cost decomposition in the PRIIPs KIDs is slightly different from the split displayed in the UCITS KIIDs. The recurrent costs are now split between transaction costs and other ongoing costs. For this report, ongoing costs means other ongoing costs. However, no significant change in ongoing costs between 2022 and 2023 is expected. For funds reporting costs in both 2022 and 2023, the average change between the years was 0.26 bps.

14 However, it should be noted that the reduction in ongoing costs would have been less significant if using the same methodology and same data sources as in previous years. Please refer to the annexes for more details (AMR-CP-S.1).

15 The five-year investment horizon was introduced in the report covering 2020; therefore the comparison with the earlier editions of this report focuses only on the one- and ten-year horizons.

between this edition and the edition published five years ago (for 2019).

For mixed funds, the reduction appears to be more limited, even when comparing the results in 2023 with those obtained in 2019.

MR-CP.4
UCITS costs across periods
Declining, but only marginally

	2019	2020	2021	2022	2023
Equity UCITS					
Ongoing costs					
1Y	1.47	1.48	1.44	1.44	1.40
5Y		1.52	1.52	1.50	1.47
10Y	1.63	1.60	1.61	1.59	1.55
Subscription and redemption fees (*)					
1Y	0.13	0.18	0.24	0.19	2.69
5Y		0.16	0.18	0.19	0.60
10Y	0.19	0.17	0.18	0.19	0.33
Bond UCITS					
Ongoing costs					
1Y	0.99	0.96	0.92	0.90	0.86
5Y		1.01	0.99	0.97	0.94
10Y	1.09	1.07	1.05	1.03	1.01
Subscription and redemption fees (*)					
1Y	0.17	0.18	0.18	0.11	2.09
5Y		0.19	0.19	0.17	0.50
10Y	0.26	0.23	0.22	0.20	0.27
Mixed UCITS					
Ongoing costs					
1Y	1.49	1.50	1.50	1.48	1.45
5Y		1.52	1.53	1.51	1.48
10Y	1.54	1.54	1.56	1.55	1.53
Subscription and redemption fees (*)					
1Y	0.13	0.15	0.20	0.19	2.22
5Y		0.20	0.20	0.19	0.50
10Y	0.24	0.23	0.21	0.23	0.27

(*) For subscription and redemption fees, the data report the maximum level for each fund share class, in line with regulatory requirements. However, the actual entry and exit fees are subject to negotiations among parties and can be significantly lower than those reported. A change in the methodology led to a significant change in the figures displayed for the subscription and redemption fees (please refer to the annexes for more details).

Note: EU27 UCITS ongoing costs and subscription and redemption fees, by investment horizon and asset type, geometric mean aggregation, retail investors, %. Periods: 2023 covers the 2014–2023 reporting period, 2022 covers the 2013–2022 reporting period, 2021 covers the 2012–2021 reporting period, 2020 covers the 2011–2020 reporting period and 2019 covers the 2010–2019 reporting period. For the 2019 edition, the five-year investment horizon is not available, as it was only introduced in the 2020 edition.
Sources: Refinitiv Lipper, Morningstar Direct, ESMA.

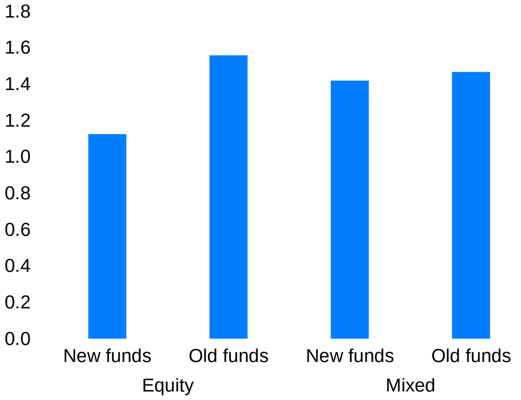
This difference in trends between mixed funds on the one hand and equity and bond funds on the other hand could be related, first, to the relatively low share of passive funds among mixed funds. While the share of passive funds has become more and more significant over the years for equity and bond funds (AMR-CP-S.53 and AMR-CP-S.54), it remains very limited for mixed funds. As of the end of 2023, the share of passive funds among mixed funds was 1%, compared with 39% for equity funds and 22% for bond funds.

In addition, while new equity funds[16] have lower ongoing costs than older funds, this is less visible for mixed funds (MR-CP.5). The results of the regression analysis (AMR-CP-S.2) show that old equity funds are associated with higher ongoing costs (+16 basis points (bps), significant at the 1% confidence level). This is also the case for mixed funds, but on a lower scale (+8bps,

[16] For the purpose of this analysis, new funds are funds launched in 2022 or after.

significant at the 1% confidence level)[17]. The gradual reduction in costs over time as new funds enter the market is thus less pronounced in the case of mixed funds.

MR-CP.5
Ongoing costs by launch date
New funds are on average cheaper



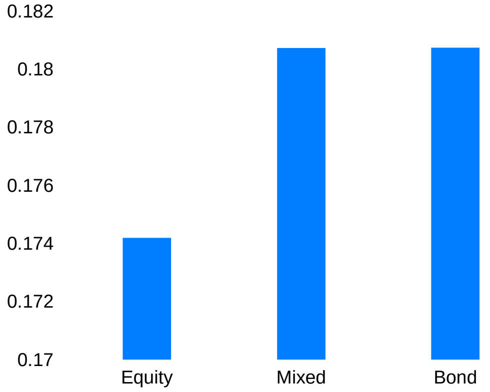
Note: EU27 active equity and mixed UCITS ongoing costs, by asset type and launch date, geometric mean aggregation over one-year investment horizon, retail investors, %. New funds are funds launched in or after 2022.
Sources: Refinitiv Lipper, Morningstar Direct, ESMA.

Similar to what was observed in the previous editions, the results of the regression analysis show that domestic UCITS have, on average, lower ongoing costs than cross-border funds (AMR-CP-S.4). The heterogeneity of distribution channels and costs, and the related cost treatment that affects the cross-border marketing of a fund are the two main underlying reasons for these differences.

The increase in subscription and redemption fees in 2023 compared with previous years is the consequence of a methodological change to include one-off costs (please refer to the annexes for more details). The one-off costs are, on average, higher for equity funds.

With the transition from UCITS KIIDs to PRIIPS KIDs, a new category of costs has been included: transaction costs. These are now presented as a stand-alone category. Transaction costs measure the impact, in terms of costs, of buying and selling the underlying securities. At the aggregated EU level, equity funds tend to have lower reported transaction costs than mixed and bond funds (MR-CP.6). This reflects the overall higher liquidity of stock markets than bond markets. However, the difference in transaction costs appears limited (0.7bps between equity and bond funds).

MR-CP.6
Aggregated transaction costs by asset class
Lower transaction costs for equity funds



Note: EU27 UCITS transaction fees by asset class, retail investors, 2023, %.
Sources: Morningstar Direct, Refinitiv Lipper, ESMA.

While costs only moderately change over time, gross performance[18] is highly volatile. After a year of degraded returns as a consequence of the deteriorated macroeconomic environment, returns progressed in 2023 but remained far from their 2021 levels. This translated into improved returns for UCITS (MR-CP.7)[19].

The highest returns were observed for equity funds, with an average annual net performance of 3.4% in 2023. The annual net performance of bond and mixed funds for 2023 was higher than in 2022 but still in negative territories (at respectively -1.8% and -0.03%). In addition, 2023 saw an improvement in the returns over the four quarters, but the higher returns at the end of the year were not always sufficient to compensate the degraded returns of the earliest quarters.

[17] For the purpose of this analysis, new funds are defined as funds launched in or after 2022. Setting the threshold as 2021, 2020 or 2019 instead of 2022 led to similar results. In all cases, new funds display, on average, lower ongoing costs, but the difference in ongoing costs between new and old funds is smaller for mixed funds.

[18] Performances by time horizon are obtained through a geometric average of annual performances (annual performances moving quarterly) across time.

[19] As in previous editions of this report, the investment horizon analysis is calculated as an average of annual performances at the end of all the four quarters of the year.

MR-CP.7
UCITS net annual performance across periods
Strong volatility driven by gross performance

	2019	2020	2021	2022	2023
			Equity UCITS		
1Y	9.1	-0.4	30.4	-10.5	3.4
5Y		3.7	10.2	4.9	5.8
10Y	9.2	6.4	9.3	7.4	6.7
			Bond UCITS		
1Y	5.3	-1.4	4.4	-7.7	-1.8
5Y		0.7	1.4	-0.5	-0.4
10Y	3.8	2.6	2.9	1.2	0.9
			Mixed UCITS		
1Y	4.4	-1.8	13.9	-8.4	-0.03
5Y		0.5	3.8	0.9	1.4
10Y	4.5	4.1	4.3	2.8	2.3

Note: EU27 UCITS annual performance net of ongoing costs, subscription and redemption fees, by asset type and investment horizon, geometric mean aggregation (%). Periods: 2023 covers the 2014–2023 reporting period, 2022 covers the 2013–2022 reporting period, 2021 covers the 2012–2021 reporting period, 2020 covers the 2011–2020 reporting period and 2019 covers the 2010–2019 reporting period. For the 2019 edition, the five-year investment horizon is not available, as it was only introduced in the 2020 edition.
For subscription and redemption fees, the data report the maximum level for each fund share class, in line with regulatory requirements. This could, therefore, lead to an underestimation of net performance. The investment horizon analysis is calculated as an average of annual performances at the end of all four quarters of the year.
Sources: Refinitiv Lipper, Morningstar Direct, ESMA.

This variability considerably drops over longer horizons. For instance, at the one-year investment horizon between 2022 and 2023, returns for equity funds improved by 13.9pp, while the difference in returns between 2022 and 2023 at the ten-year investment horizon reached only -0.7pp. A similar phenomenon can be noticed for bond and mixed funds, albeit on a lower scale. Long-term investment can smooth out the volatility in performance and the exposure to more extreme events. The impact of one-off costs can also be distributed over a longer period.

A hypothetical ten-year investment of EUR 10,000 between 2014 and 2023, based on a stylised portfolio composed of equity (40%), bond and mixed funds (30% each),[20] would yield around EUR 15,100 in net terms. Over those ten years, approximately EUR 1,900 would have been paid in total costs[21]. This is almost twice the amount that an institutional investor would have paid if they had adopted the same strategy with the same initial investment. As a consequence, the net outcome would have been higher for the institutional investors (around EUR 16,200). This simulation illustrates the substantial impact fund costs have on the final outcome of an investment for a consumer[22].

The costs and performance can also be very heterogeneous according to the investment strategy of the fund. As shown by tables AMR-CP-S.146, AMR-CP-S.147 and AMR-CP-S.148, equity funds focusing on large caps tend to have lower ongoing costs compared to other equity strategies. The performance is also highly variable, ranging, over the one-year investment horizon, from -10% to +21%.

Inflation: significant impact on real investment value

Despite receding after the high levels of 2022, inflation remained elevated in 2023. This created a new investment environment that affected the final value of investments. Therefore, retail investors need to anticipate the consequences of these new macroeconomic conditions on their savings.

[20] The portfolio composition mirrors the distribution of retail investment between equity funds (40% in 4Q23), bond funds (25% in 4Q23) and mixed funds (28% in 4Q23). See AMR-CP-S.36.

[21] For more details on the methodology applied to obtain those figures, please refer to the statistical methods section in the annexes.

[22] Trading and distribution costs could not be accounted for due to the limited information available. However, these costs should not be disregarded by individual investors, who largely rely on financial institutions for access to financial products and to related information.

MR-CP.8
EU inflation across periods
Inflation increased from 2021

	2019	2020	2021	2022	2023
1Y	1.4	0.7	2.9	9.2	6.4
5Y	1.0	1.1	1.7	3.2	4.1
10Y	1.4	1.3	1.3	2.0	2.5

Note: EU27 inflation by investment horizon, mean aggregation, (%). Periods: 2023 covers the 2014–2023 reporting period, 2022 covers the 2013–2022 reporting period, 2021 covers the 2012–2021 reporting period, 2020 covers the 2011–2020 reporting period and 2019 covers the 2010–2019 reporting period.
Sources: Eurostat, ESMA.

After years at very low levels, inflation peaked in 2022 and, as mentioned, remained elevated in 2023 (MR-CP.8). With moderate net returns in 2023 and persistent inflation, real net returns for 2023 over the one-year investment horizon were negative for the three asset classes considered. After one year of holding, the real net return stood at -3.0% for equity funds and -8.2% for bond funds (MR-CP.9). This is the second consecutive year with negative real net returns over the one-year investment horizon.

Taking the effect of inflation into account, the same ten-year investment of EUR 10,000 considered above yields, in real terms, approximately EUR 12,000, after costs and inflation. Inflation thus decreases the net value by more than EUR 3,000. This hypothetical portfolio, however, yields a higher performance than what would have been obtained with a current account. Assuming no fees and a 0% yield, a banking account with EUR 10,000 would be worth EUR 10,000 after 10 years, in net terms. Taking into account inflation, the banking account would be worth EUR 7,900 after ten years.

MR-CP.9
UCITS real net annual performance across periods
Strong volatility driven by gross performance

	2019	2020	2021	2022	2023
			Equity UCITS		
1Y	7.7	-1.1	27.5	-19.7	-3.0
5Y		2.6	8.5	1.7	1.7
10Y	7.8	5.1	8.0	5.4	4.2
			Bond UCITS		
1Y	3.9	-2.1	1.5	-16.9	-8.2
5Y		0.4	-0.3	-2.7	-4.5
10Y	2.4	1.3	1.6	-0.8	-1.6
			Mixed UCITS		
1Y	3.0	-2.5	11.0	-17.6	-6.4
5Y		-0.6	2.1	-2.3	-2.7
10Y	3.1	2.8	3.0	0.8	-0.2

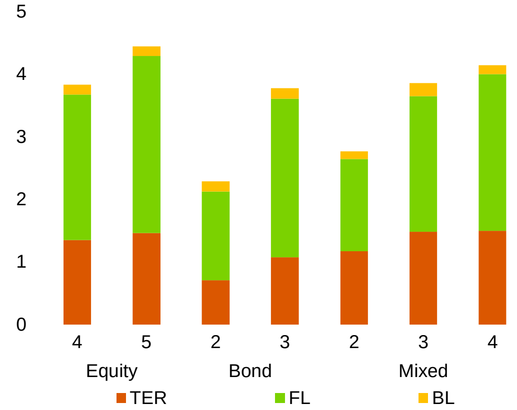
Note: EU27 UCITS real annual performance net of ongoing costs, subscription and redemption fees, by asset type and investment horizon, geometric mean aggregation (%). Periods: 2023 covers the 2014–2023 reporting period, 2022 covers the 2013–2022 reporting period, 2021 covers the 2012–2021 reporting period, 2020 covers the 2011–2020 reporting period and 2019 covers the 2010–2019 reporting period. For the 2019 edition the five-year investment horizon is not available as it was only introduced in the 2020 edition.
Sources: Refinitiv Lipper, Morningstar Direct, Eurostat, ESMA.

Costs and performance by risk

We analyse performance and costs accounting for differences in the level of risk within each asset class based on the PRIIPs summary risk indicator (SRI)[23]. For each asset, UCITS are grouped by risk class based on the SRI classification from 1 to 7 with 1 indicating the lowest risk category and 7 the highest. As in 2022, assets were invested for the largest part in equity funds belonging to PRIIPs SRI classes 4 (70% of equity UCITS) and 5 (26% of equity UCITS). Bond funds were also grouped into a few SRI classes (i.e., SRI classes 2 and 3) while mixed funds were mostly concentrated between 3 SRI classes (i.e., SRI classes 2, 3 and 4).

Across asset classes, riskier funds are associated with higher total costs. On average, funds belonging to higher risk classes display higher ongoing costs and higher subscription fees (MR-CP.10).

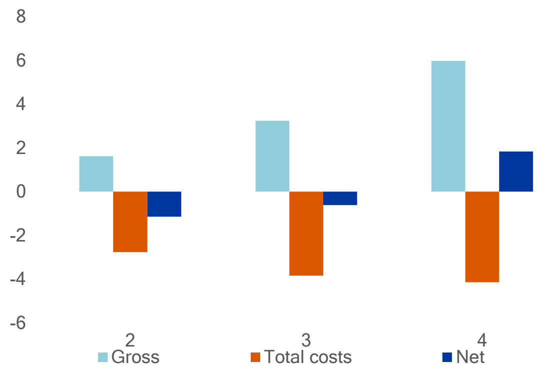
MR-CP.10
UCITS total costs by SRI
Riskier funds are more expensive



Note: EU UCITS fund shares total costs classified as ongoing costs (TER), subscriptions (FL) and redemption loads (BL), retail investors, by PRIIPs SRI class and asset class, 2023, %.
Sources: Morningstar Direct, Refinitiv Lipper, ESMA.

For mixed funds, funds in higher risk classes are associated with higher gross and net performance (despite higher costs; MR-CP.11). However, no similar conclusion can be drawn for equity and bond funds. Equity funds belonging to risk class 5 have on average lower gross performance than equity funds belonging to risk class 4. With higher costs for funds belonging to risk class 5, net performance is also higher on average for funds in risk class 4. In the case of bond funds, gross performance is higher for riskier products but doesn't compensate for the higher costs.

MR-CP.11
Mixed UCITS total costs and performance
Riskier funds have higher performance



Note: EU27 UCITS mixed fund shares annual gross and net returns, and total costs, retail investors, by PRIIPs SRI risk class, one-year investment horizon, 2023, %.
Sources: Morningstar Direct, Refinitiv Lipper, ESMA.

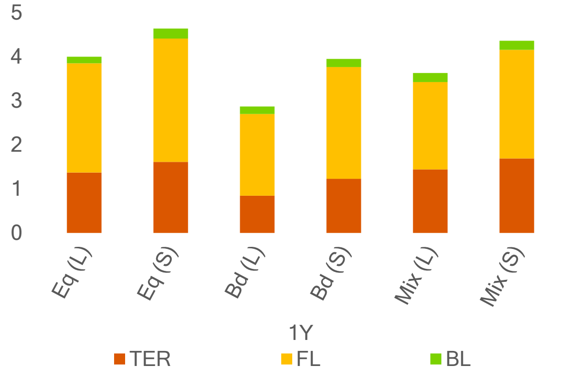
Impact of size on costs

As highlighted in previous editions of this report, larger funds (in terms of net assets) have lower costs than smaller funds. This is visible across all asset classes (MR-CP.12). The total costs of smaller equity, bond and mixed funds are higher by respectively 14%, 27% and 17% than the total costs of larger funds.

[23] Commission Delegated Regulation (EU) 2017/653 of 8 March 2017 supplementing Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents. The SRI aims to provide investors with a meaningful indication of the risks of PRIIPs and of the different degrees of risk within the same asset class. Details on its methodology can be found in Annex II to the regulation.

From January 2023, it replaces the UCITS synthetic risk and reward indicator, whose methodology is reported in *CESR's guidelines on the methodology for the calculation of the synthetic risk and reward indicator in the key investor information document*.

MR-CP.12
Total costs by size of funds
Larger funds have lower costs



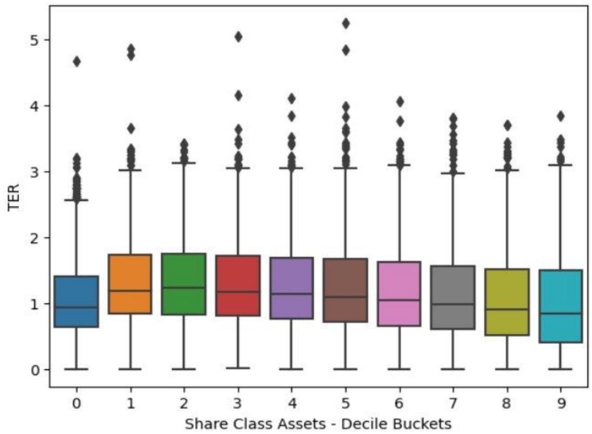
Note: EU27 UCITS total costs, classified as ongoing costs (TER), subscription (FL) and redemption (BL) loads, by size and asset class, one-year investment horizon, %. L=largest-25% and S=smallest-25%.
Sources: Refinitiv Lipper, Morningstar Direct, ESMA.

The higher costs of smaller funds are also observed when looking at ongoing costs. The total expense ratio (TER) of smaller funds is at least 14% higher than the TER of larger funds. This result is confirmed by regressions (AMR-CP-S.5). The main drivers of these disparities are economies of scale (i.e., smaller impact of fixed costs over total assets).

While the correlation between fund size and fund costs has been observed across several studies[24], the correlation between parent size (i.e., the size of the entity ultimately associated with the investment fund) and fund costs still need to be explored. This analysis intends to fill this gap. On a sample of equity, bond and mixed UCITS, each fund was mapped to the ultimate parent by searching for the owner of the management company and going up the shareholding structure[25]. This leaves us with a sample of 35,951 share classes with information available on the share classes' characteristics and parents' characteristics in 2022[26].

With this sample, a negative correlation between the size of the share class and the cost can also be observed (MR-CP.13).

MR-CP.13
EU: TER distribution by size of share class
Larger share classes seem to have lower ongoing costs



Note: Distribution of the TER by deciles of share class size (based on share class assets). The diamonds at the extremities of the box plots are the outliers of each distribution. The extreme horizontal bars represent the smallest and largest adjacent values. The smallest adjacent value is obtained by the following formula: $Q1 - \frac{3}{2}(Q3 - Q1)$, while the largest adjacent value is obtained by the following formula: $Q3 + \frac{3}{2}(Q3 - Q1)$, where Q1 corresponds to the first quartile and Q3 to the third quartile. The bottom of the box represents the first quartile, the middle line the median and the top of the box the third quartile. The area ranging from the bottom of the box to the top of the box represents the interquartile range. The size of the share class is the net assets of each share class. The median cost for the share classes in the lowest decile (i.e. the 0 category in the x-axis), appears to be low compared with other deciles. This may be related to the largest share of recent share classes within this bucket since recent funds tend to be less expensive. More than 50% of share classes in the lowest decile were launched in 2020 or after, compared with 20% for the rest of the sample.
Source: Morningstar Direct, Refinitiv Eikon, ESMA.

As highlighted in the 'Market overview' section, EU investment funds are, on average, smaller than US funds. This difference could, at least partially, explain the substantial differences in the fund cost level between the EU and the US. Based on a sample of 20,917 US share classes with information available on their assets and their net expense ratio[27] for 2022, we observed that the average size of the US share classes is approximately EUR 810mn, in comparison with the average size of EU share classes in our sample of approximately EUR 71mn.

[24] See, for instance, ESMA, '[The drivers of the costs and performance of ESG funds](https://www.esma.europa.eu)', ESMA Report on Trends, Risks and Vulnerabilities Risk analysis, May 2022, or Darpeix, P.-E., '[Analysis of the costs charged by French funds](https://www.amf-france.org)', working papers series of the French Securities and Markets Authority (AMF), AMF, May 2024.

[25] The parents considered are the ultimate parents. In the case of a management company with subsidiaries settled in several EU countries, the share classes managed by the different subsidiaries were mapped to the same ultimate parent.

[26] The parents' characteristics include the total assets of the entity in 2022, the domicile and main sector of activity.

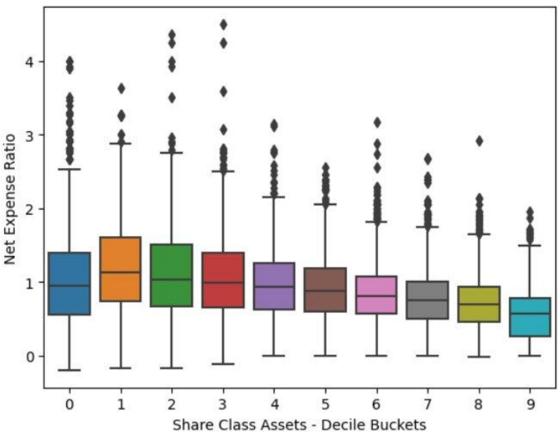
[27] The net expense ratio is defined by Morningstar as "*the percentage of fund assets used to pay for operating expenses and management fees, including 12b-1 fees, administrative fees, and all other asset-based costs incurred by the fund, except brokerage costs*" (see Morningstar, Prospectus Net Expense Ratio).

With the sample of US share classes, we can also observe that larger share classes tend to have lower costs. This is similar to the behaviour of EU share classes; however, there are two significant differences:

- as the size of the share classes increases, US share classes seem to experience larger decreases in their costs than EU share classes do;
- the costs of US share classes tend to be less dispersed than those of EU share classes.

More specifically, looking at MR-CP.13 and MR-CP.14, we notice that US share classes tend to have less dispersion (interquartile range in boxplots) in their costs than EU share classes do. Moreover, moving to higher buckets of share class assets leads to a more significant decrease in the median costs of US share classes than EU ones.

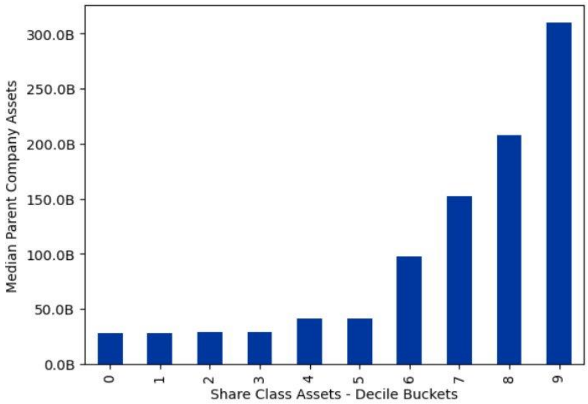
MR-CP.14
US: net expense ratio distribution by size of fund
Largest funds seem to have lower ongoing costs



Note: Distribution of the net expense ratio by deciles of share class size (based on share class assets). The diamonds at the extremities of the box plots are the outliers of each distribution. The extreme horizontal bars represent the smallest and largest adjacent values, while the bottom of the box represents the first quartile, the middle line the median and the top of the box the third quartile. The area ranging from the bottom of the box to the top of the box, represents the interquartile range. The size of the share class is the net assets of each share class.
The median cost for the share classes in the lowest decile (i.e. the 0 category in the x-axis), appears to be low compared with subsequent deciles. This may be related to the largest share of recent share classes within this bucket since recent funds tend to be less expensive.
Source: Morningstar Direct, Refinitiv Eikon, ESMA.

Looking now at the parent companies for the EU sample, it is interesting to observe that larger share classes tend to be associated with larger parents. MR-CP.15 shows that, when grouping the different share classes from our sample into deciles based on their size, share classes in the highest deciles correspond to parents whose median sizes are higher.

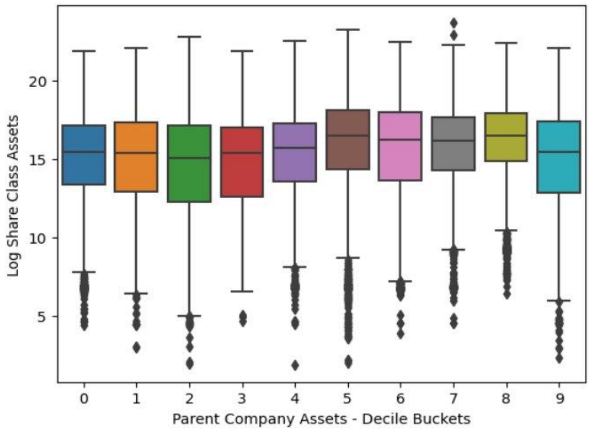
MR-CP.15
Median parents' size by share class bucket
Larger share classes for larger parents



Note: Median size of the parents (based on total assets) by deciles of share class size. The size of the parents is the total assets of each entity, while the size of the share class is the net assets of each share class.
Source: Morningstar Direct, Refinitiv Eikon, ESMA.

However, the largest parents don't necessarily manage the largest share classes. Instead, the parents seem to gather a variety of share classes (in terms of size; MR-CP.16).

MR-CP.16
Share classes' size by parents' size bucket
Parents are associated with a variety of share classes



Note: Distribution of the share classes' sizes (in log) by deciles of parents' size (based on total assets). The diamonds at the extremities of the box plots are the outliers of each distribution. The extreme horizontal bars represent the smallest and largest adjacent values, while the bottom of the box represents the first quartile, the middle line the median and the top of the box the third quartile. The size of the parents is the total assets of each entity, while the size of the share class is the net assets of each share class.
Source: Morningstar Direct, Refinitiv Eikon, ESMA.

This analysis also demonstrates the negative correlation between the parent's size and the share class's costs. The regression presented in the annexes (AMR-CP-S.6) shows that, all else being equal, being held by a larger parent is associated on average with lower ongoing costs for the share class.

Costs and performance by management type

The EU UCITS ETF segment increased in 2023, reaching EUR 1.44tn in 4Q23 (AMR-CP-S.49). The share of ETFs in the total EU UCITS grew as well, from 13% in 2021 to almost 16% at the end of 2023[28]. At the end of 2023, 72% of EU UCITS ETFs were invested in equity, 25% in bonds and the residual 3% in other assets (AMR-CP-S.50). Net annual inflows in equity ETFs significantly rebounded, from EUR 40bn at the end of 2022 to EUR 78bn at the end of 2023. Net annual inflows into bond ETFs more than doubled in 2023 (EUR 52bn) from 2022 (EUR 23bn; AMR-CP-S.51).

In our sample, passive equity and bond UCITS non-ETFs accounted for EUR 533bn and EUR 206bn respectively – or 18 and 9% of equity and bond UCITS (excluding ETFs)[29]. Active equity UCITS assets were at EUR 2.5tn and bond UCITS at EUR 2.0bn at the end of 2023 (AMR-PC-S.53 and AMR-PC-S.54). Only passive funds excluding ETFs (respectively EUR 17bn and EUR 9bn for equity and bond) and ETFs (respectively EUR 78bn and EUR 52bn for equity and bond) recorded positive net flows in 2023. Confirming the trend observed in 2022, active funds experienced net outflows in 2023 (EUR -126 bn for equity funds and EUR -31 bn for bond funds)[30].

In the equity UCITS market segment, the share of passive UCITS non-ETFs and UCITS ETFs continued to grow, reaching 39% in 4Q23. In the bond segment, the share of passively managed funds grew as well, but remained lower (22%) than the share in the equity UCITS market (AMR-CP-S.53 and AMR-CP-S.54).

The analysis of ongoing costs[31] by type of management shows a decline in costs for active funds and ETFs at the one-year investment horizon (MR-CP.17). This is visible for both equity and bond funds. From 2019 to 2023, ongoing costs for the one-year investment horizon declined by 7% for active equity UCITS and 26% for equity ETFs. The decline in active funds' and ETFs' ongoing costs is also visible at the ten-year investment horizon, but appears to be less linear, with some rebounds (e.g., 2020). The only exception is bond ETFs, for which costs at the ten-year investment horizon have remained similar since 2021. This breakdown by management type confirms that the reduction in costs observed in MR-CP.4 is not solely driven by the growing share of passive funds among UCITS, since the decline in costs is also visible for active funds. The ongoing costs of equity passive non-ETFs, on the other hand, appear to have been relatively stable since 2020. This is confirmed by the regressions (AMR-CP-S.7), which show that the ongoing costs in 2020, 2021 and 2022 for passive equity non-ETFs were not statistically different from the ongoing costs for 2023.

28 The sample includes both retail and institutional investors. The analysis is performed similarly to that for UCITS non-ETFs.

29 The sample includes both retail and institutional investors. We distinguish between UCITS ETFs and passive UCITS non-ETFs. Even if UCITS ETFs can primarily be considered passively managed funds, they differ from passive funds because ETF shares are listed on stock markets and can be traded more easily.

30 The sample includes both retail and institutional investors, as not all funds report information related to the management type, and the share of passively managed funds, especially for bond UCITS, is still small.

31 The focus on ongoing costs is due to ETFs' subscription and redemption fees being borne mainly on the primary market. Retail investors are mostly concerned with the secondary market.

MR-CP.17

UCITS costs and net performance by management type

Passive funds are on average about 60–80% cheaper than active funds

	Active funds		Passive funds		ETFs	
	1Y	10Y	1Y	10Y	1Y	10Y
Ongoing costs						
Equity UCITS						
2019	1.40	1.50	0.32	0.40	0.30	0.30
2020	1.37	1.51	0.36	0.52	0.24	0.33
2021	1.34	1.50	0.38	0.53	0.23	0.31
2022	1.32	1.47	0.37	0.50	0.23	0.29
2023	1.30	1.43	0.37	0.51	0.22	0.27
Bond UCITS						
2021	0.76	0.90	0.29		0.23	0.25
2022	0.74	0.87	0.28	0.45	0.23	0.25
2023	0.71	0.84	0.23	0.42	0.21	0.25
Net performance						
Equity UCITS						
2019	9.2	9.6	11.8	10.3	11.7	10.2
2020	-0.4	6.6	-0.7	7.4	-2.2	7.3
2021	30.1	9.4	32.2	10.6	31.7	10.4
2022	-10.6	7.5	-7.2	8.7	-4.8	8.9
2023	3.4	6.7	7.2	8.2	7.6	8.3
Bond UCITS						
2021	4.7	3.1	3.9		2.1	3.5
2022	-7.4	1.4	-10.6	1.9	-6.0	1.9
2023	-1.1	1.2	-1.0	1.5	-1.3	1.7

Note: EU27 UCITS ongoing costs and annual performance net of ongoing costs and one-off costs, by management type, investment horizon and asset type, geometric mean aggregation, retail and institutional investors (%). Periods: 2023 covers the 2014–2023 reporting period, 2022 covers the 2013–2022 reporting period, 2021 covers the 2012–2021 reporting period, 2020 covers the 2011–2020 reporting period and 2019 covers the 2010–2019 reporting period. For passive bond UCITS, data were previously not available for longer horizons. For subscription and redemption fees, the data report the maximum level for each fund share class, in line with regulatory requirements. This could, therefore, lead to an underestimation of net performance. The investment horizon analysis is calculated as an average of annual performances at the end of all four quarters of the year.
Sources: Refinitiv Lipper, Morningstar Direct, ESMA.

Despite the decline in costs for active UCITS, active equity funds (3.4%) significantly underperformed, in net terms, both passive funds (7.2%) and ETFs (7.6%) in 2023. The regressions confirm this underperformance for 2023. The difference is also visible at the ten-year investment horizon, although it is less pronounced. MR-CP.17 shows that active bond funds (-1.1%) slightly underperformed passive funds (-1.0%) and outperformed ETFs (-1.3%)[32]. However, regressions controlling for the funds' strategy and funds' characteristics indicate that active bond funds outperformed passive non-ETFs but underperformed ETFs in 2023 (AMR-CP-S.8).

The ongoing costs of the top 25% (in terms of performance) of equity funds are similar to the ongoing costs for the overall sample of equity funds. However, in the case of bond funds, the top 25% display, on average, higher ongoing costs than the overall sample.

In terms of net performance, the top 25% of active equity funds underperformed the top 25% of their passive peers at the one-year and ten-year investment horizons (MR-CP.18). The regression controlling for the funds' strategy and the funds' characteristics confirms this underperformance of the top 25% of active equity funds for 2023 (AMR-CP-S.9).

[32] In contrast to those in MR-CP.4, the figures provided in Tables MR-CP.17 and MR-CP.18 rely on a sample composed of both retail and institutional funds in order to ensure a large enough sample for each category.

MR-CP.18
UCITS costs and net performance of top 25% of funds by management type
Top 25% of active equity funds underperformed top 25% of passive peers at one-year horizon

	Top-25%active funds		Top-25% passive funds	
	1Y	10Y	1Y	10Y
		Ongoing costs		
		Equity UCITS		
2020	1.42	1.63	0.40	0.40
2021	1.30	1.63	0.41	0.39
2022	1.27	1.54	0.37	0.49
2023	1.32	1.47	0.49	0.50
		Bond UCITS		
2021	1.01	1.14	0.61	
2022	0.78	1.13	0.30	
2023	0.87	1.11	0.40	
		Net performance		
		Equity UCITS		
2020	11.0	10.5	5.7	11.2
2021	41.2	13.1	38.7	14.1
2022	1.5	11.2	0.5	12.8
2023	10.8	10.2	12.6	12.2
		Bond UCITS		
2021	13.3	5.9	15.7	
2022	1.1	3.9	0.9	
2023	3.7	4.1	4.7	

Note: Top 25% of EU27 equity and bond UCITS ongoing costs and annual performance net of ongoing costs and one-off costs, by management type, investment horizon and asset type, geometric mean aggregation, retail and institutional investors (%). Periods: 2023 covers the 2014–2023 reporting period, 2022 covers the 2013–2022 reporting period and 2021 covers the 2012–2021 reporting period. For passive bond UCITS, data were not available for longer horizons.
Sources: Refinitiv Lipper, Morningstar Direct, ESMA.

Fund and investor domiciles

Fund domicile analysis

Structural differences across markets linger, as do differences in investor preferences, marketing channels, distribution costs and their regulatory treatment[33]. This creates heterogeneity across Member States, thus limiting the comparability of costs and performance.

Limitations in terms of data availability remain, especially for distribution costs, affecting the composition of the sample used in the analysis. In this respect, analyses carried out by the authorities in individual jurisdictions, such as those in Belgium, Greece, France and Austria[34], are crucial to gather information on the characteristics and main developments in national markets. This is even more important in several jurisdictions for which analyses cannot be developed because of the scarcity of data from commercial providers.

Costs remained very heterogeneous among Member States. As in previous editions, the funds domiciled in the Netherlands and Sweden exhibited the lowest total costs. The highest cost levels were observed in Luxembourg and Austria[35]. At the one-year investment horizon, the difference in total costs between the most expensive and the cheapest jurisdiction ranges from 3.4pp for bond funds to 4.7pp for equity funds[36]. However, it is important to recall that the

[33] The survey on distribution costs published in the third edition of this report (p. 69) details the differences in the types of the predominant marketing channels and in the treatment of distribution cost treatment across Member States.

[34] Financial Services and Markets Authority, 'Update of the FSMA's study of the costs associated with investment funds', August 2024; Hellenic Capital Market Commission, 'HCMC's survey on fees and charges applicable on UCITS in Greece', July 2024; Darpeix, P.-E., Analysis of the costs charged by French Funds, working papers series of the French Securities and Markets Authority (AMF), AMF, May 2024; Financial Market Authority , FMA market study on fund fees of Austrian retail funds 2024, June 2024.

[35] When just the ongoing costs are considered (instead of total costs), funds from Italy, Luxembourg and Portugal tend to be the most expensive.

[36] The increase in total costs observed between this report and the previous edition is explained by the change in the methodology to include one-off costs. Please refer to the annexes for more details.

comparability of costs across jurisdictions is limited. The granularity of the data provided by commercial data providers (and also provided in the PRIIPs KIDs) is insufficient to allow for a fair comparison. A relevant comparison would require information on the products' costs (i.e., exclusion of the rebates paid by the manufacturer to the distributor), on the actual subscription and redemption fees charged to the investors and on the fees charged by distributors. Following the review of alternative investment fund (AIF) managers directive / the UCITS directive[37], ESMA received the mandate to '*submit a report to the European Parliament, the Council and the Commission assessing the costs charged by UCITS and management companies to the investors*' (a similar amendment is included for AIFs). This report is expected to bring new insights and more granular information on funds' costs.

Investor domicile analysis

When moving from the fund domicile analysis to the investor domicile analysis, the heterogeneity across Member States largely declines, with a clear decrease in national differences. For example, the ongoing costs for equity UCITS over the ten-year horizon were in the range of 1.8% in Portugal and 1.5% in Sweden (AMR-CP-S.111).

These results are primarily due to the composition of the sample. The information in terms of assets, flows and costs is only provided on an aggregated basis at the level of the fund's domicile. If a fund is distributed across several countries, no information is available regarding the assets under management (AuM) sold in each country, the net flows or the costs charged in the different countries. In addition, the information at our disposal indicates where the fund can be marketed but does not include information on whether the fund is actually sold in all the countries in which it can be distributed. Therefore, we apply the fund's domicile-based data to all the countries in which the fund can be marketed[38]. This analysis may involve some double counting of funds and related metrics[39]. In order to comprehensively conduct an accurate analysis on a country-by-country basis, improvements in the availability and usability of data are essential. In this respect, the mandate received by ESMA could also shed light on these aspects.

Impact of inflation

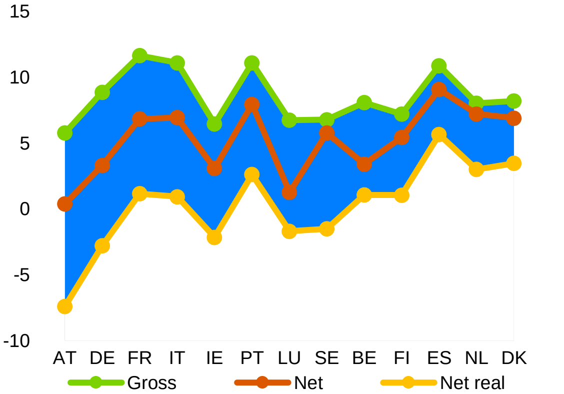
As highlighted in the market environment, inflation levels have been very different across Member States. This disparity adds to the cost heterogeneity described earlier. Given the lack of data regarding the actual marketing of funds outside their domicile, inflation is measured at the fund domicile level. This measure of inflation may diverge from that of inflation at the investor domicile level, given the cross-border nature of the UCITS market.

At the one-year horizon, the decrease in performance due to inflation was above 6pp at the EU level. This hides significant disparities across countries, with the annual inflation rate ranging from 2.3% in Belgium to 7.8% in Austria.

MR-CP.19

Equity UCITS gross, net and real net return at 1Y

Significant impact of inflation in some countries



Note: EU27 equity funds annual performance classified as gross performance, net performance and net real performance, retail investors, by domicile, one-year horizon, %. Countries ranking based on the difference between gross and net real returns (from highest to lowest).
Sources: Refinitiv Lipper, Morningstar Direct, Eurostat, ESMA.

In countries with high inflation, such as Austria, it creates a significant difference between gross

[37] The mandate can be found in [Directive (EU) 2024/927 of the European Parliament and of the Council of 13 March 2024](#) amending Directives 2011/61/EU and 2009/65/EC as regards delegation arrangements, liquidity risk management, supervisory reporting, the provision of depositary and custody services and loan origination by alternative investment funds.

[38] For instance, this applies if a fund can be marketed in two countries: country A and country B. To perform the calculations at the investor level (i.e., country A or country B), we use the information at the fund level (total AuM, total flows etc.).

[39] Very similar cost levels across countries in the analysis based on investor domicile are driven by the weighting used when aggregating funds, based on the net asset value (NAV) of the fund domicile and not that of the investor domicile. In the Netherlands, for example, the cost figure would have been lower if it had accounted for the country's inducement ban.

performance and net real performance (MR-CP.19).

Environmental, social and governance (ESG) UCITS

In 2023, retail ESG funds (i.e., investment funds following ESG strategies according to Morningstar[40]) attracted positive inflows, unlike non-ESG funds. Net flows into EU retail ESG equity, bond and mixed UCITS reached EUR 18bn. In contrast, non-ESG equity, bond and mixed funds faced outflows of EUR 14bn in 2023. However, net flows into EU ESG funds are expected to be more subdued in 2024[41]. Looking at the disclosure regime under the sustainable finance disclosure regulation (SFDR)[42] provides a different picture as funds disclosing under Article 8 or Article 9 faced net outflows in 2023 (of respectively EUR 56bn and EUR 1bn) while funds disclosing under Article 6 attracted net inflows (EUR 65bn)[43]. Positive flows combined with increased returns led to a 24% growth of the retail ESG fund AuM in 2023. It increased by EUR 257bn during 2023 to settle at EUR 1,310bn at the end of the year (AMR-CP-S.126). At the end of 2023, the share of ESG funds reached 22%. Equity funds still account for the largest share of ESG UCITS funds, with EUR 800bn in AuM (i.e., 61% of ESG fund assets in our sample).

The broad market trends observed in 2022 regarding ESG ETFs continued. ESG equity ETFs still attracted investors, with net inflows of EUR 23bn. The AuM of ESG equity ETFs increased in 2023 (from EUR 172bn in the fourth quarter of 2022 to EUR 221bn at the end of 2023).

In 2023, the ongoing costs of retail ESG UCITS (1.1%) were on aggregate similar to the ongoing costs of non-ESG funds (1.1%).

MR-CP.20

UCITS gross performance and costs over one year

ESG funds outperformed others in 2023

	ESG	Non-ESG
All funds (equity, bond and mixed UCITS)		
Net performance	2.3%	1.5%
Ongoing costs	1.1%	1.1%
One-off costs	2.3%	2.2%
Number of funds	3,797	13,968
Equity UCITS		
Non-ETFs		
Net performance	4.0%	3.1%
Ongoing costs	1.3%	1.4%
One-off costs	2.5%	2.8%
Number of funds	1,679	4,709
ETFs		
Net performance	6.3%	6.9%
Ongoing costs	0.2%	0.2%
One-off costs	1.9%	1.5%
Number of funds	332	703
Bond UCITS		
Net performance	-1.7%	-1.8%
Ongoing costs	0.6%	0.8%
One-off costs	2.0%	1.9%
Number of funds	875	3,616
Mixed UCITS		
Net performance	-0.4%	0.1%
Ongoing costs	1.5%	1.4%
One-off costs	2.4%	2.2%
Number of funds	911	4,940

Note: EU27 ESG and non-ESG UCITS total costs and net annual performance in 2023 (one year investment horizon) and number of funds in 4Q2023, aggregated and by asset type, geometric mean aggregation (%). Retail funds only. ESG fund sample based on the Morningstar definition of sustainable investments (see footnote 40). Funds for which the sustainability information is not available are excluded from the sample (i.e., funds that are considered neither ESG nor non-ESG are excluded). ESG bond and mixed ETFs are included but not presented in a separate category given the low number of ESG ETFs in those asset classes (92 ESG bond ETFs and 2 ESG mixed ETFs). A change in the methodology led to a significant change in the figures displayed for the subscription and redemption fees.
Sources: Refinitiv Lipper, Morningstar Direct, ESMA.

One-off fees were, however, slightly higher for ESG funds (2.3% v 2.2%). This cost difference is driven by both the front charges and the back charges, which were slightly higher for ESG

40 For this year's report, we rely again on the Morningstar definition of sustainable investment fund. Morningstar classifies a product as a sustainable investment 'if the use of one or more approaches to sustainable investing is central to the investment products overall investment process based on its prospectus or other regulatory filings' (see Morningstar, Morningstar Sustainable Attributes – Framework and definitions for the 'sustainable investment' and 'employs exclusions' attributes, August 2022). We use the latest available information as of June 2024.

41 Morningstar, 'Global sustainable fund flows: Q3 2024 in Review', 5 February 2024, last updated 29 October 2024.

42 Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector.

43 The discrepancies in the results can be explained by samples that do not totally overlap. Almost all funds disclosing under Article 6 of the SFDR are considered non-ESG funds by Morningstar. Similarly, almost all funds disclosing under Article 9 of the SFDR are considered ESG funds by Morningstar. However, two-third of the funds disclosing under Article 8 of the SFDR are considered non-ESG funds by Morningstar. Among funds disclosing under Article 8 of the SFDR, those considered ESG funds attracted net inflows of EUR 20bn in 2023, while those considered non-ESG funds faced net outflows of EUR 77bn.

funds (2.0% for subscription fees and 0.33% for redemption fees) than for non-ESG funds (1.9% for subscription fees and 0.26% for redemption fees)[44].

Looking at each individual asset class, the ongoing costs of equity ETFs were similar for ESG and non-ESG funds, while ongoing costs of mixed funds were slightly higher for ESG funds. However, in both cases, ESG funds reported higher one-off costs. Elsewhere, the ongoing costs of ESG equity non-ETFs and bond funds were lower than those of their non-ESG peers. In the case of equity non-ETFs, one-off costs were also lower for ESG funds (2.5% v 2.8%). However, the one-off costs of ESG bond funds appeared slightly higher than the one-off costs of non-ESG bond funds (2.0% v 1.9%).

The regressions presented in the annexes show that, when controlling for factors such as asset class or fund size / age[45], the TER of ESG funds was lower (with a difference of around 8bps on average across the four quarters) and statistically significant at the 1% confidence level. The results also hold for individual asset classes and total costs (AMR-CP-S.10 and AMR-CP-S.12 - AMR-CP-S.14).

On aggregate, ESG funds outperformed their non-ESG peers in 2023 (+0.8pp). This result hides important disparities, as the outperformance is driven by the outperformance of equity non-ETF ESG funds, whose net performance reached 4.0% in 2023 compared with 3.1% for their non-ESG peers. Conversely, equity ETFs and mixed ESG funds underperformed their non-ESG peers in 2023 (by respectively 0.6pp and 0.5pp). The regression provides mixed evidence, with ESG funds outperforming their non-ESG peers in the second quarter but underperforming in the third quarter. The gross returns of ESG funds were not statistically different from those of non-ESG funds during the first and fourth quarters of the year.

At the five-year investment horizon, ongoing costs and one-off costs of ESG funds were higher than the costs of their non-ESG peers (+10 bps each). On aggregate, ESG funds outperformed non-ESG peers between 2019 and 2023. This outperformance was mainly driven by the outperformance of ESG equity non-ETF funds, as ESG equity ETFs, bond and mixed funds underperformed their non-ESG equivalents (MR-CP.21).

MR-CP.21
UCITS gross performance and costs over 5 years
ESG funds still outperformed over 5 years

	ESG	Non-ESG
All funds (equity, bond and mixed UCITS)		
Net performance	3.6%	3.1%
Ongoing costs	1.2%	1.1%
One-off costs	0.6%	0.5%
Number of funds	3,797	13,968
Equity UCITS		
Non-ETFs		
Net performance	6.2%	5.6%
Ongoing costs	1.4%	1.5%
One-off costs	0.6%	0.6%
Number of funds	1,679	4,709
ETFs		
Net performance	7.2%	8.2%
Ongoing costs	0.3%	0.2%
One-off costs	0.6%	0.4%
Number of funds	332	703
Bond UCITS		
Net performance	-0.9%	-0.2%
Ongoing costs	0.7%	0.8%
One-off costs	0.6%	0.4%
Number of funds	875	3,616
Mixed UCITS		
Net performance	0.9%	1.5%
Ongoing costs	1.5%	1.5%
One-off costs	0.5%	0.5%
Number of funds	911	4,940

Note: EU27 ESG and non-ESG UCITS total costs and net annual performance (five-year investment horizon) and number of funds in 4Q22, aggregated and by asset type, geometric mean aggregation (%). Retail funds only. ESG fund sample based on the Morningstar definition of sustainable investments (see footnote 40). Funds for which the sustainability information is not available are excluded from the sample (i.e., funds that are considered neither ESG nor non-ESG are excluded). ESG bond and mixed ETFs are included but not presented in a separate category. A change in the methodology led to a significant change in the figures displayed for the subscription and redemption fees.
Sources: Refinitiv Lipper, Morningstar Direct, ESMA.

[44] We recall here that the results regarding subscription and redemption fees should be treated with caution as the data reported are maximum levels. The actual levels can be significantly lower. For more details, please see the annex on data sources and limitations.

[45] For a detailed analysis of the factors potentially affecting the costs and performance of ESG funds, see ESMA, '[The drivers of the costs and performance of ESG funds](#)', ESMA Report on Trends, Risks and Vulnerabilities Risk analysis, May 2022.

Sustainable finance disclosure regulation disclosure regime

Additional sustainability-related information is now being provided by EU fund managers under the SFDR. Our sample includes 8,800 funds disclosing under Article 8 (around half of them are equity funds) and around 740 disclosing under Article 9 (approximately two thirds are equity funds).[46]

With a few exceptions, the regressions (AMR-CP-S.21 - AMR-CP-S.23) demonstrate an underperformance in gross terms of funds disclosing under Article 6 or Article 9 compared with funds disclosing under Article 8.

In terms of costs, the regressions (AMR-CP-S.18 - AMR-CP-S.20) show that, among equity funds, the differences in TER between funds disclosing under Article 6, 8 or 9 were in most cases not significant. When the differences were significant (i.e., for the first quarter only), results indicate that funds disclosing under Article 8 have an intermediate position, with funds disclosing under Article 9 being less expensive and funds disclosing under Article 6 being more expensive. For bond funds, funds disclosing under Article 9 seem to be the cheapest, while the difference in TER between funds disclosing under Article 8 and funds disclosing under Article 6 is not statistically significant. Finally, mixed funds disclosing under Article 6 tend to be the most expensive funds. The regressions with total costs lead to similar conclusions.

Those results are aligned with the analysis of ESG funds: non-ESG funds and funds disclosing under Article 6 of the SFDR tend to be more expensive.

[46] Article 8 funds are investment products promoting sustainability characteristics. Article 9 funds are investment products with sustainable investment as their objective and Article 6 funds have neither sustainability characteristics nor a sustainable investment objective. Information on the SFDR disclosure regime was correct as of June 2024.

Summary findings

Costs and performance

— Costs: Costs have declined over time, mirroring the trends observed in the United States. However, not all funds report a reduction in costs: the ongoing costs of mixed funds and passive equity funds were relatively stable over time.

— Savings and investment union: EU UCITS are, on average, much smaller than US funds. This can, at least partially, explain the substantial differences in the fund cost levels observed between the EU and the US since larger funds tend to have lower ongoing costs. In this report, we demonstrate that the size of the parent (i.e., the entity ultimately owning the management company) also matters. The analysis shows that there is a negative correlation between the costs of a share class and the size of the parent ultimately associated with this share class.

— Investment value: Investors paid around EUR 2,000 in costs for an investment of EUR 10,000, obtaining a net value of EUR 15,100 after ten years.

— Inflation: Inflation plays an exogenous but significant role on top of fund costs. For a ten-year EUR 10,000 investment, an investor loses more than EUR 3,000 due to inflation. For a ten-year EUR 10,000 investment, this leads to a net real value of around EUR 12,000.

— Time horizon: Investing long-term significantly reduces the risks related to swift and large changes in the valuation of financial products. It also reduces the impact of one-off costs.

— Investment strategy: cost and performance are significantly impacted by the investment strategy as well as the geographical region of the investment. For instance, funds focusing on large caps tend to have lower ongoing costs.

Structural market features

— Heterogeneity across Member States: The main drivers of heterogeneity were structural market differences and a lack of harmonisation in national regulations. It decreased when moving from the fund domicile to the investor domicile, given the cross-border nature of the UCITS market. This highlights the need for more granular data to undertake a more accurate comparison of funds' costs across Member States.

— Inflation by fund domicile: Inflation differences across Member States, measured at the level of the fund's domicile, adds to the cost heterogeneity.

ESG UCITS

— Costs: Ongoing costs of ESG funds are lower or similar to the ongoing costs of non-ESG equivalents. Splitting the sample in line with the SFDR disclosure regime gives coherent results: according to the econometric regressions, funds disclosing under Article 6 of the SFDR tend to have higher ongoing costs.

— Net performance: Overall, ESG funds outperformed their non-ESG equivalents in 2023. This hides some disparities across asset classes: non-ETF equity ESG funds outperformed their peers, while equity ETF, fixed income and mixed ESG funds underperformed.

Investment funds – retail AIFs

Summary

Alternative Investment Funds (AIFs) reached almost EUR 7.7tn in assets in 2023, with just under EUR 900bn of which was estimated to be held by retail investors (retail AIFs). The share of retail investors decreased from the share reported in the previous edition: from 13.8% to 11.3%. Around a quarter of the total retail investment in AIFs is concentrated in funds primarily focusing on traditional asset classes, such as equities and bonds. Annualised returns of AIFs offered to retail investors significantly improved in 2023 compared with 2022, mirroring the trends observed for the UCITS market. A hypothetical five-year investment of EUR 10,000 between 2019 and 2023, based on a stylised portfolio of AIFs, would yield around EUR 12,600, net of fees, or EUR 10,500 when considering the effect of inflation.

The incentive to invest in AIFs is related to the potential for above-average returns and risks. However, AIFs are also related to lower market liquidity and lower market transparency and thus potentially a higher risk than more traditional types of investment.

The following analysis focuses on the abovementioned market segment and specifically on AIFs sold to retail investors (retail AIFs). It is based on data from the AIF managers directive, which regulates managers of AIFs in the EU[47] and excludes those authorised under the UCITS directive. The AIF types encompass not only hedge funds (HF), but also private equity (PE) funds, venture capital, real estate (RE) funds, funds of funds (FoFs), other AIFs ('Others')[48] and, as a residual category, 'None' (meaning none of the above)[49].

Market overview

The size of the EU AIF industry was almost EUR 7.7tn at the end of 2023. The market for EU AIFs underwent a significant increase of almost EUR 1tn from 2022. The market remained dominated by professional investors[50]. The share of retail investors underwent a slight decrease of 2.5pp, reaching 11.3% by the end of 2023 (AMR-CP-S.149)[51] [52].The total net asset value (NAV) of retail AIFs fell to around EUR 867bn at the end of 2023 from almost EUR 930bn in 2022. Thus, AIFs sold to institutional investors are the main driver of the overall increase in the value of EU AIFs.

[47] Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on alternative investment fund managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010. For an overview of the EU AIF market, please see ESMA, EU Alternative Investment Funds 2023, ESMA market report, January 2024.

[48] Almost half of retail AIFs classified as other AIFs are either equity funds or bond funds (respectively 25% and 22%). However, the strategy for 52% of other retail AIFs is unclear, as they are simply classified as 'other funds'. The remaining funds (1%) are infrastructure funds.

[49] Annex IV, Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/16/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision. The residual category of 'other AIFs', labelled here as 'Others', includes the following investment strategies: commodity and infrastructure funds, and conventional non-UCITS investment funds pursuing more traditional strategies and targeting primarily traditional asset classes, such as equities and bonds. The 'other AIF' type includes a further residual category of other, unspecified strategies: 'other-other'. Often 'special funds' set up by single investors, such as insurance undertakings and pension funds, fall into this residual category. According to the ESMA guidelines, AIF managers should select 'None' as the predominant AIF type if the investment strategy of the AIF does not permit the identification of a predominant AIF type.

[50] Professional investors are identified using the criteria specified in Directive 2011/61/EU, Article 4 (1)(ag), and Annex II to Directive 2014/65/EC of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

[51] However, retail investment in AIFs is subject to underestimation, as retail investors may buy products invested in AIFs through banks or insurance firms, which fall into the category of professional investors.

[52] If we exclude from the sample AIFs classified in the category 'None', the share of retail investors decreases to 10.8% (compared with 12.4% in 2022).

The vast majority (almost 90%) of the assets of AIFs sold to retail investors benefited from the passporting regime (i.e., they can be sold across the EU) (AMR-CP-S.150). Retail clients were primarily invested in AIFs classified as 'Others' (42%; AMR-CP-S.151), FoFs (22%) and RE funds (21%)[53].

AIFs can invest in a variety of assets, including property and commodities, and rely on a high degree of flexibility around the strategy followed when they invest[54]. Focusing on retail clients, most of the NAV was concentrated in the strategy 'Other' (50%), a similar share to that in the previous report. This 'Other' category can be further divided into other funds (22%), other FoFs (25%) and other HFs, PE funds and RE funds (3%). Investment in the commercial RE strategy remained stable at close to 17%. The share of funds focusing on fixed income underwent a small increase of 2%, while retail investing in equities remained broadly unchanged at 14%. (AMR-CP-S.152).

Retail AIF performance

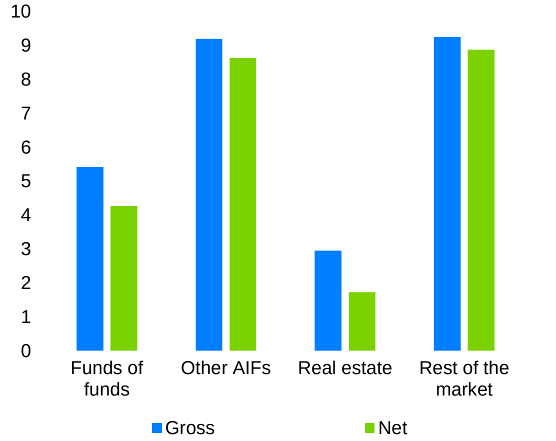
MR-CP.22 shows the annualised monthly performance in 2023 by fund type. The performance of AIFs in 2023 improved significantly compared with the performance in 2022, with all fund strategies having positive returns.

Putting the rest of the market aside, the funds in the AIF type 'Other' experienced the largest improvement in terms of gross and net performance reaching levels of 9.2% and 8.6% respectively by the end of 2023. The annualised monthly gross performance of FoFs was slightly above 5%, while their net performance, was around 4%[55]. RE funds showed a slight decrease in their returns, both gross and net, aligning with the expected downturn in the RE market[56]. More specifically, gross returns of RE funds decreased by 0.4%, reaching a level of 2.9%, while net returns decreased by 0.5%, reaching 1.7% in 2023.

MR-CP.22

Retail AIFs gross and net performance at 1Y horizon

Positive returns in 2023 for all AIF types



Note: EEA30 AIFs annualised monthly gross and net performance by fund type, %, 2023. Reported according to AIFMD. Rest of the market includes Hedge Funds, Private Equity and None.
Sources:National competent authorities, ESMA.

The performance over 5 years appears positive for all retail AIF segments (MR-CP.23). Compared with the previous edition, returns significantly improved for all categories, except the RE funds (from 2.5% in net terms over 2018 – 2022 to 2.1% for 2019 – 2023). Elsewhere, net performance increased by 3.8pp, 4.1pp and 2.7pp respectively for the FoFs, other AIFs and the rest of the market[57].

[53] ESMA, 'EU Alternative Investment Funds - 2020', ESMA annual statistical report, 10 January 2020. In Commission Delegated Regulation (EU) No 231/2013, AIFs are classified into five main types: HFs, RE funds, FoFs, PE funds, and other AIFs (Others). See footnote 48 for details of this last category.

[54] ESMA, 'AIFMD – A framework for risk monitoring', in: ESMA Report on Trends, Risks and Vulnerabilities, No 1, 2018, p. 40.

[55] The net performance is subject to reporting issues that ESMA and the national competent authorities aim to resolve through joint work. See the annex on data sources and limitations.

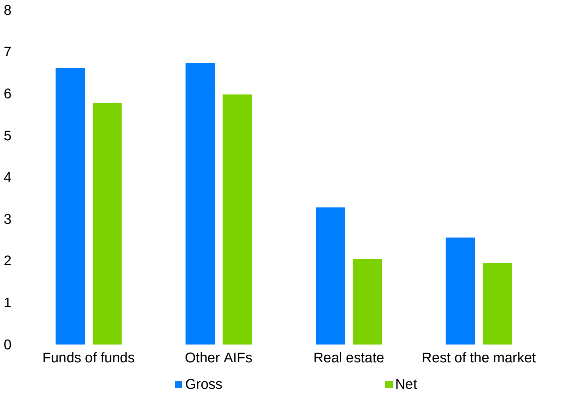
[56] ESMA, 'Costs and performance of EU retail investment products 2023', ESMA market report, December 2023, MR-CP.27, p. 30.

[57] For more details, see the previous editions of this report.

MR-CP.23

Retail AIFs gross and net performance at 5Y horizon

Positive returns for all AIF types

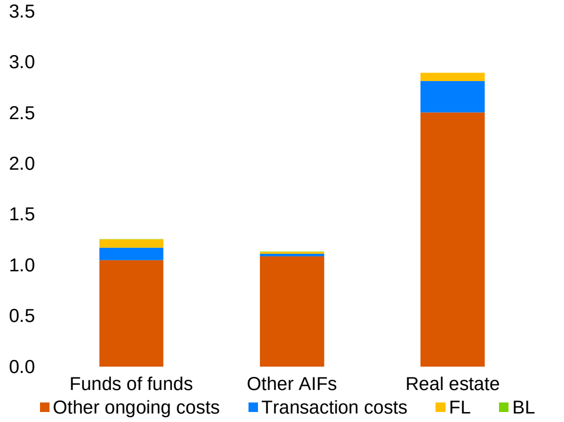


Note: EEA30 AIFs annualised monthly gross and net performance by fund type, five-year horizon, %. Reported according to AIFMD. Rest of the market includes Hedge Funds, Private Equity and None.
Sources:National competent authorities, ESMA.

MR-CP.24

Retail AIFs total costs

Lowest total costs for 'Other' funds



Note: EEA30 AIFs total costs classified as other ongoing costs, transaction costs, front (FL) and back loads (BL), by fund type, 2023, %. Rest of the market includes Hedge funds, Private Equity and None.
Sources: Morningstar, ESMA.

A hypothetical five-year investment of EUR 10,000 between 2019 and 2023, based on a stylised portfolio composed of other AIFs (40%), FoFs and RE funds (30% each), would yield around EUR 12,600 in net terms[58]. Taking the effect of inflation into account, the same investment would yield in real terms approximately EUR 10,500, an amount just above the initial investment.

Retail AIF costs

Some information on costs (i.e., costs extracted from PRIIPs KIDs) is reported by our commercial data provider. However, the coverage of AIFs is still low with only 9% of the retail AIF sample retained for the analysis of costs.

AIFs in the category 'Other' (almost half of which are either equity funds or bond funds but 52% are simply classified as 'other funds') have the lowest costs, with ongoing and total costs both at 1.1% (MR-CP.24), followed by FoFs (ongoing costs at 1.1% and total costs at 1.3%). However, the conclusions for these two types of AIFs should be read with caution given the low coverage. The RE funds display the highest costs due to higher transaction costs (0.3% for RE funds v 0.1% for FoFs and 0.03% for other AIFs) and higher other ongoing costs (2.5%)[59].

[58] The calculation is based on the net performance reported by AIF managers through the AIFM reporting.

[59] Unfortunately, a comparison with equivalent UCITS funds is impeded by the small number of equity and bond AIFs with information available on costs (respectively 28 and 24 funds).

Summary findings

— Retail investment: In 2023, retail investors accounted for almost 11.3% of the total NAV for the AIF market. This represents a 2.5pp reduction compared with 2022.

— Fund type: Assets invested in retail AIFs were concentrated in the type of AIFs classified as 'Others' (42%), FoFs (22%) and RE funds (21%). Compared with the previous edition, the share of the 'None' category decreased (from 15% to 10%) while the share of 'Other AIFs' increased (from 36% to 42%).

— Strategy: Most of the NAV was concentrated in the strategy 'Other' (50%), followed by commercial RE (17%) and equity strategies (14%). Fixed-income strategies increased slightly, from 9% to 11% in 2023.

— Investment value: A hypothetical five-year investment of EUR 10,000 between 2019 and 2023, based on a stylised portfolio composed of other AIFs (40%), FoFs and RE funds (30% each), would yield around EUR 12,600 in net terms. Taking the effect of inflation into account, the same investment would yield in real terms approximately EUR 10,500.

— Performance: In 2023, annualised monthly gross and net performance improved significantly compared with performance in 2022, with all fund strategies having positive returns. RE funds reported the lowest gross and net performance, a potential consequence of the downturn that was expected for the RE market.

— Costs: A full analysis of AIF costs is still impaired by the lack of data. Nonetheless, the results show that, on average, RE funds are the most expensive category of AIFs. However, the conclusions should be read with caution given the low coverage.

Structured retail products

Summary

Structured retail products (SRPs), with an outstanding value of EUR 360bn in 2023 – a slight increase from the value in the previous year – remain a much smaller market than UCITS and AIFs sold to retail investors. Products referencing interest rates and inflation saw a growing market share, reaching 21%, up from 6% in 2022. We provide an EU-wide analysis of performance scenarios and costs, drawing on commercial data. Costs – largely charged in the form of subscription fees – decreased in 2023 for some common product types, although they varied substantially by payoff type and country. The analysis of performance scenarios shows limited differentiation between the moderate scenario and the favourable scenario as presented to retail investors in the key information document. Overall, taking as a reference the return of the median SRP in the moderate scenario, a hypothetical five-year investment of EUR 10,000 undertaken in 2023 would yield around EUR 12,702, in net terms, at maturity. This figure increases to EUR 12,885 in a favourable scenario, but drops to EUR 7,417 in an unfavourable scenario. SRPs that matured in 2023 consistently delivered positive returns in gross terms, but these figures do not consider the incidence of costs paid by investors.

Structured products are investments for which the return is linked to the performance of one or more reference indices, prices or rates (reference values). Several types of structured products are offered to retail investors in the EU, many with complex pay-off structures and with different risk levels. This, together with the existence of significant costs and charges for retail investors, prompts continued market surveillance. Moreover, unlike long-term investment products such as funds, many structured products may be designed for hedging purposes or to speculate on price movements over a period of months or years[60].

Product distribution is another source of heterogeneity in the market for structured products. First, some standardised products are issued on a recurring basis, while others are issued as part of a specific offer with a pre-determined subscription period[61]. Second, the EU market involves both bank-issued and exchange-issued products. There is geographical variation in this respect – for example, exchange-based issuance tends to be more common in Germany, while bank-based issuance tends to be more common in Italy.

Market overview

SRPs had an outstanding value of around EUR 360bn in 2023, up slightly from that in the previous year[62]. The market for SRPs remains a much smaller market than that for UCITS and AIFs sold to retail investors.

Around half of SRP sales volumes were capital-protected products, up from 20% in 2022 and only 4% in 2021. This is likely to be related to the increase in interest rates over this period, making fixed-income products more attractive to investors. The term profile of SRP sales remained steady, with the share of short-term products (less than 1 year maturity) stable at around 12% , while the largest share of sales volumes continued to be represented by products with a term of at least3 years (64%, -2pp from 2022).

In terms of the asset classes referenced by SRPs, around three quarters of sales volumes were for products with equities or equity indices as underlying, down from almost 90% the previous year. Products referencing interest rates saw an increase in their share of sales volumes

60 Such reference values may include stock indices, the prices of individual equities or other assets, and interest rates. For more details on SRPs, please see the 2022 edition of this report.

61 According to the commercial data used in this section, approximately 73% of outstanding product volumes at the end of 2021 in the EU were tranche products.

62 Of this total, around EUR 270bn was in tranche products (i.e. available for a limited time only) and around EUR 90bn in continuous products (i.e. with no fixed subscription period, and no maturity date).

to 17% (+11pp from 2022), while those referencing inflation accounted for 4% of sales volumes, up from near-zero levels previously.

Costs and performance

Our calculations are based on a data sample of SRP KIDs (issued since 2018 under the PRIIPs KIDs delegated regulation[63]), including information on various cost figures, absolute and percentage product returns under different performance scenarios, and the SRI. The following analysis mainly focuses on 12,710 SRPs issued in 2023[64]. Sales of products in this sample amount to EUR 63bn, which accounts for two thirds of the total sales of SRPs to retail investors in 2023 in the EU.

Costs

The two key types of costs are those embedded in the product when it is issued and presented in the KID[65] and costs involved in distributing the product, such as sales commissions. The analysis in this report focuses on the former.

Although the cost ranges of SRPs available for sale in various Member States can be very different, the median product costs in the three largest markets (Germany, France and Italy) were tightly clustered between 0.8% and 0.9% (MR-CP.25). Product costs often also varied widely within the same country. This variation is not entirely explained by classifying the products according to the different payoff structures (MR-CP.26) and the underlying asset class (MR-CP.27), as broad ranges can typically be observed within each of these categories. This demonstrates the importance of prospective investors comparing alternative SRP manufacturers and offers even within the same market and for the same type of product.

In terms of underlying asset type, the SRPs with the highest costs tended to be those based on a basket of shares and those based on multiple underlying asset classes ('hybrid') and other less common asset types. At the other end of the spectrum, products based on foreign exchange and interest rates tended to offer cheaper options. Products backed by equity indices and those backed by single shares display large cost ranges (MR-CP.27).

MR-CP.28 examines how the costs of SRPs offered in 2023 changed compared with similar products in our dataset issued in 2022, using the annual cost impact over a product's recommended holding period (RHP). To allow for some comparability between products offered at different times, SRPs are grouped based on their payoff type and manufacturer. For each of these groups of products, the median cost of products offered in 2023 is compared with the median cost of products issued in 2022. MR-CP.28 shows the difference between these two measures. In 2023, a few large issuers made available cheaper products than those in the previous year for some popular payoff types (autocall, reverse convertible and barrier reverse convertible), reversing an upward trend observed in two previous editions of this report. However, overall, approximately 50% of the data points still indicated an increase in costs (with, for example, products of the types 'digital' and 'uncapped participation' getting more expensive across manufacturers). This mixed picture does not provide as clear evidence of a downward trend in costs of retail investment products as seen in the UCITS segment, and warrants further monitoring of developments in the SRP market.

In terms of the composition of the total costs of SRPs in the dataset, previous editions of this report showed that expenses are typically front-loaded in the form of entry costs[66]. Only a minority of the products (less than 3%) incur recurring costs over their lifetime. This feature is typically reflected in a far higher incidence of costs if the investment is withdrawn after one year than when calculated over a product's lifespan, as presented in the KID.

63 Commission Delegated Regulation (EU) 2017/653.

64 Unless otherwise indicated. Sample sizes in the following charts may vary due to missing information for certain variables.

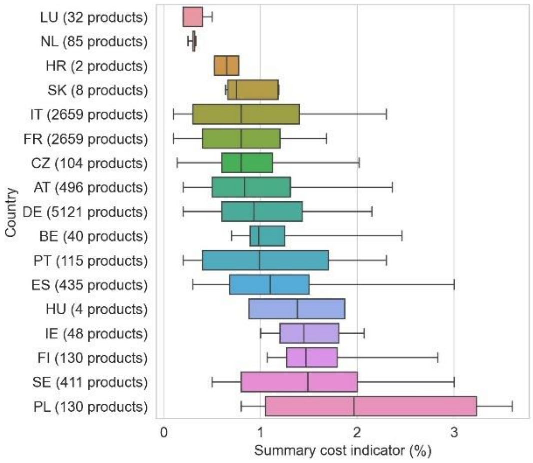
65 These are expressed using summary cost indicators and represent the costs known by the PRIIP manufacturer, as specified in Annex VI to Commission Delegated Regulation (EU) 2017/653.

66 The 2023 edition of this report, for data on SRPs issued in 2022, showed that entry costs were the only costs in almost 97% of the KIDs, up from 92% in the previous year.

MR-CP.25

Total costs for SRPs by country

Substantial variation in product cost by country

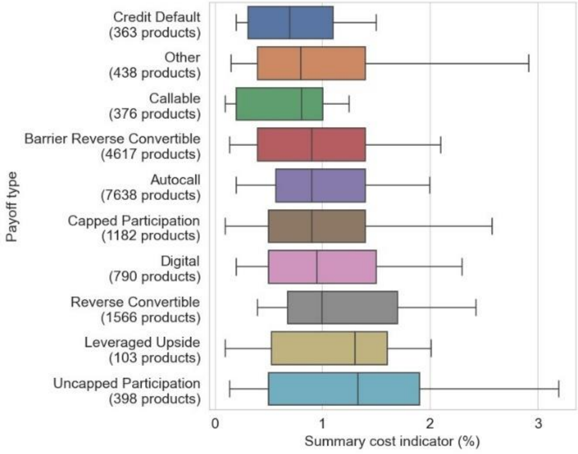


Note: Each bar displays the range in the annual impact of costs on the return over the RHP for products sold in a country. The same product can be sold in multiple countries. The vertical line in each box shows the median percent cost. Box edges are the 25th and 75th percentiles, and additional lines ('whiskers') represent the 10th and 90th percentiles for the respective country.
Sources: ESMA, structuredretailproducts.com, financial entities' websites.

MR-CP.26

Total costs for SRPs by payoff type

Most payoff types present wide cost ranges

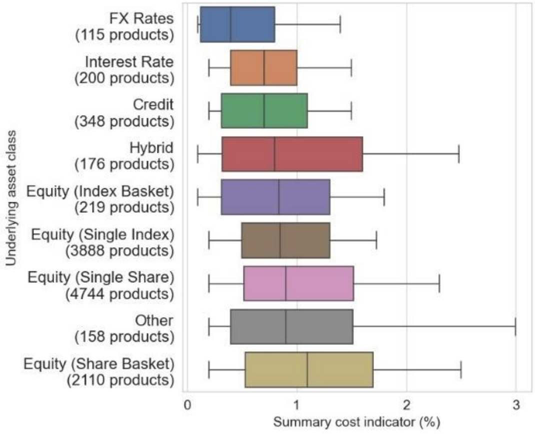


Note: Each bar displays the range in the annual impact of costs on the return over the RHP for products with that payoff type. The same product can appear under multiple payoff types. The vertical line in each box shows the median percent cost. Box edges are the 25th and 75th percentiles, and additional lines ('whiskers') represent the 10th and 90th percentiles for the respective payoff type. 'Other' comprises payoff types that have 100 or fewer observations in the data sample.
Sources: ESMA, Structuredretailproducts.com, financial entities' websites.

MR-CP.27

Total costs for SRPs by underlying asset

Cheapest products based on rates and credit

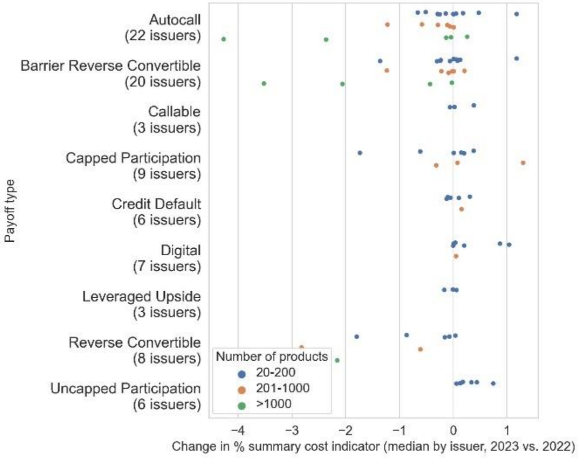


Note: Each bar displays the range in the annual impact of costs on the return over the RHP for products with that underlying asset class. Box edges are the 25th and 75th percentiles, and additional lines ('whiskers') represent the 10th and 90th percentiles for that underlying asset type. 'Other' comprises underlying asset classes that have 20 or fewer observations in the data sample, such as funds, commodities and real estate.
Sources: ESMA, Structuredretailproducts.com, financial entities' websites.

MR-CP.28

Change in total costs in 2023 from 2022

Some large issuers marketed cheaper products



Note: Each dot in the chart represents the difference between the median annual costs over the RHP for SRPs issued in 2023 and the same figure for SRPs issued in 2022, for products of that payoff type and by a specific issuer. Only issuers (dots) with at least ten products for that payoff type both in 2022 and in 2023 are shown. Payoff types with fewer than three issuers are not shown. One product can appear under multiple payoff types.
Sources: ESMA, Structuredretailproducts.com, financial entities' websites.

Performance

MR-CP.29 displays the range of investment returns across the four performance scenarios laid out in the KID, at two investment horizons: one year and the product's RHP[67]. The simulated product returns under the stress and unfavourable scenarios are well below the moderate scenario returns, with shorter-term returns significantly more adverse than those seen if the product is assumed to be held until maturity. On the other hand, the ranges of simulated returns at the RHP display very little distinction between the favourable and the moderate scenarios. This apparent drawback is due in part to the scenarios being based on different horizons when using different simulated termination dates for the product, as is the case, for instance, for many autocall products[68]. Another reason might be payoff structures that often 'cap' outperformance[69]. The moderate scenario can be considerably adverse, especially after one year, despite it being the second-best scenario out of the four (27% of the SRPs offer negative returns at this horizon, compared with 7% at the RHP or another early termination date), which illustrates the unfavourable implications for retail investors of not holding on to their investment for the entire duration of the RHP[70]. Most of the products that are expected to deliver negative returns in the moderate scenario fall under one of several payoff type categories, such as 'callable', 'leveraged upside' and 'uncapped participation' (MR-CP.30). These products are often characterised by a 'worst of' optionality, whereby the product's performance depends on the worst performing asset from a predetermined reference basket. Overall, taking as a reference the return of the median SRP in the moderate scenario over the RHP, a hypothetical five-year investment of EUR 10,000 undertaken in 2023 would yield around EUR 12,702, in net terms, at maturity. This figure increases to EUR 12,885 in a favourable scenario, but drops to EUR 7,417 in the unfavourable scenario[71].

Looking at how simulated returns vary depending on a product's SRI, within the favourable scenario high-SRI products are associated with higher returns (MR-CP.31). This appears sensible as the favourable scenario represents 'upside risk' for an investor. Conversely, the higher the SRI for an SRP, the lower the simulated returns in both the unfavourable and stress scenarios. Within the moderate scenario, there is little variation in simulated returns across SRI categories. This pattern (the riskier the product, the higher the variability of returns across scenarios) confirms that the SRI calculation methodology is functioning as intended (i.e., as a proxy for the volatility of the product's return).

Separately, we looked at the actual performance of the SRPs – issued from late 2017 onwards – that matured in 2023 (MR-CP.32). Against the backdrop of favourable market conditions, returns were largely positive, with a small sample of capped and uncapped participation products faring worse in relative terms (more than 10% delivered negative returns). However, these figures are not yet adjusted for the costs paid by investors, for whom the final outcome might be markedly different. In particular, products such as autocalls might deliver elevated returns when they terminate early in favourable market conditions, but these may be offset by the costs – relatively high due to the short duration of the product – paid by the investor up-front when subscribing .

[67] The scenarios are favourable (90th percentile of simulated returns), moderate (50th percentile of returns, i.e. the median), unfavourable (10th percentile), and stress (1st or 5th percentile, depending on the type of product). Depending on the product and scenario, the shorter horizon may be missing and the longer horizon may be shorter than the RHP (e.g. if the product is called before the RHP in that scenario).

[68] These circumstances can even result in higher returns for the moderate scenario than the favourable scenario over their horizons: this happens for 37% of the products, with 84% of those products being autocall.

[69] For 17% of the products, the favourable and moderate scenario returns at the RHP are equal.

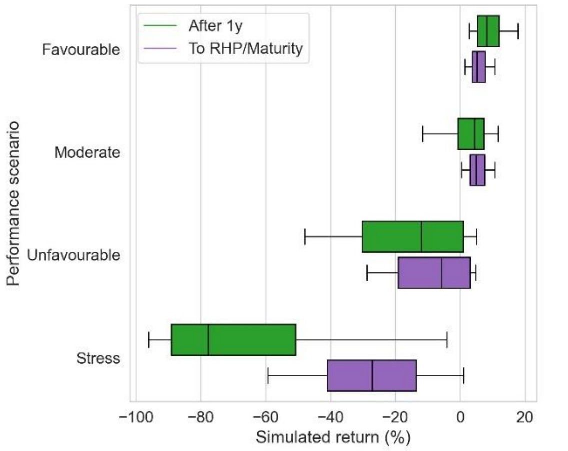
[70] In fact, many of these products are intended to be held to maturity: they are structurally illiquid as they do not have a secondary market and they must be redeemed with the issuer.

[71] This hypothetical five-year investment assumes an initial investment of EUR 10,000 in 2023. The inflation rate at the end of the holding period is unknown. For this reason, only the net nominal outcome is calculated.

MR-CP.29

Simulated returns across scenarios

Similar favourable and moderate scenarios

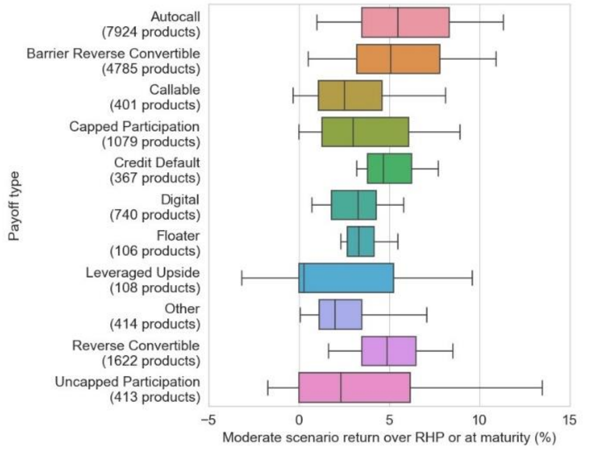


Note: The chart shows the range in annual returns for SRPs in each performance scenario, over two horizons. The longer horizon corresponds to the RHP or the early termination date in that scenario. The one-year horizon might not be present in a specific product or in a specific scenario. The sample for the longer horizon comprises 12,197 products; for the one-year horizon it comprises between 7,907 (moderate scenario) and 11,440 (stress scenario) products. The vertical line in each box shows the median simulated return in that performance scenario category. Box edges are the 25th and 75th percentiles, and additional lines ('whiskers') represent the 10th and 90th percentiles for that category.
Sources: ESMA, Structuredretailproducts.com, financial entities' websites.

MR-CP.30

Moderate scenario returns across payoff types

Some products foresee negative returns

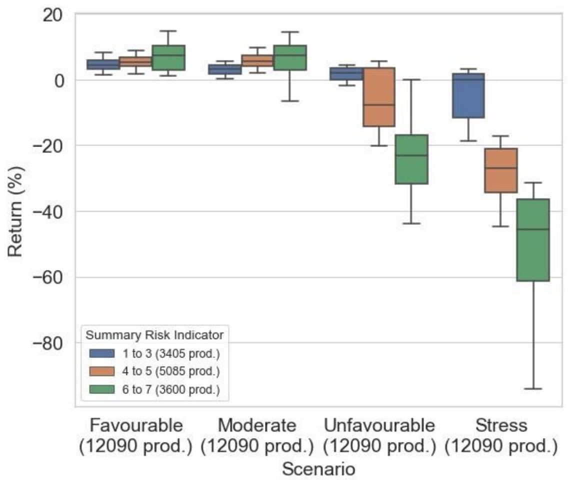


Note: Each bar displays the range in annual returns under the moderate scenario over the RHP or at product maturity, for products with that payoff type. The same product can appear under multiple payoff types. The vertical line in each box shows, within each payoff type, the median moderate scenario returns (after costs) at the RHP. Box edges are the 25th and 75th percentiles, and additional lines ('whiskers') represent the 10th and 90th percentiles for that payoff type. 'Other' comprises payoff types that have 100 or fewer observations in the data sample.
Sources: ESMA, Structuredretailproducts.com, financial entities' websites.

MR-CP.31

SRI and simulated returns

SRI consistent with volatility of performance

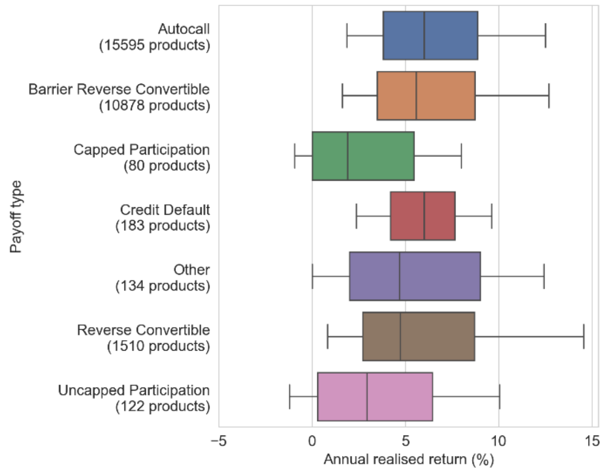


Note: The chart shows the range of returns (over the RHP or at product termination) in each scenario for SRPs grouped by the SRI. The horizontal line in each box shows the median simulated return for a specific performance scenario and SRI. Box edges are the 25th and 75th percentile simulated returns across the group, and additional lines ('whiskers') represent the 10th and 90th percentiles.
Sources: ESMA, Structuredretailproducts.com, financial entities' websites.

MR-CP.32

Actual returns for SRPs that matured in 2023

Largely favourable returns gross of costs



Note: The chart presents the range of annual returns for 18,126 SRPs that matured or expired in 2023, grouped by payoff type. The returns reflect both the coupons paid over an SRP's life and the capital return, and are not adjusted for the costs paid by investors. The vertical line in each box shows the median return for SRPs of that payoff type. Box edges are the 25th and 75th percentiles, and additional lines ('whiskers') represent the 10th and 90th percentiles for that payoff type. One product can be assigned to multiple payoff types. 'Other' comprises payoff types that have 25 or fewer observations in the data sample.
Sources: ESMA, Structuredretailproducts.com, financial entities' websites.

Summary findings

The key findings are as follows:

— SRP market: The total value of SRPs held by EU retail investors increased slightly in 2023 to approximately EUR 360bn, but remained a relatively small market compared with other financial instruments such as UCITS. Volumes and types of SRPs sold in national markets within the EU showed high heterogeneity.

— Underlying assets: The share of products referencing interest rates and inflation rose to around one fifth of sales volumes, a sharp increase from 2022. This trend followed higher interest rates and inflation.

— Costs: Total costs for SRPs are usually paid at subscription. These costs appear to vary substantially depending on the country in which they are marketed and the payoff type, but also depending on the issuer and other characteristics of the products.

— Costs of products issued in 2023 decreased for some common product types issued by a few large issuers, reversing an upward trend in expenses observed in the previous two years. The growth of cheaper products referencing interest rates may also have contributed to the overall decrease in median product costs from 1% to 0.9% observed in this year's sample. Continued monitoring of the SRP market is warranted to assess the significance of this trend.

— Performance: Once costs were taken into account, the simulated returns for over one in four SRPs were below zero if the investor were to exit after one year, even in a moderate performance scenario. This highlights that prospective SRP investors should carefully consider their investment horizon and make appropriate comparisons between investment products.

— Risk: There is a significant negative correlation between a product's SRI and the simulated returns in negative performance scenarios: the higher the SRI, the lower the simulated returns in both the unfavourable and stress scenarios. This provides evidence that the SRI calculation methodology used in the KID is functioning as intended from an investor protection perspective.

Annexes

In the annexes to the report, we provide details on the data and data limitations, the statistical methods that are the basis of the analysis report, and statistics reporting extensive and up-to-date charts and tables with key data on UCITS, retail AIFs and SRPs. These annexes can be accessed on ESMA's website.

Bibliography

Darpeix, P.-E., ‘Analysis of the costs charged by French funds’, working papers series of the French Securities and Markets Authority (AMF), AMF, May 2024.

EFAMA, ‘Trends in the European investment fund industry in the fourth quarter of 2023 & results for the full year of 2023’, *Quarterly Statistical Release*, No 96, March 2024.

EFAMA, ‘Worldwide regulated open-end fund assets and flows – Trends in the fourth quarter of 2023’, *International Quarterly Statistics*, 22 March 2024.

ESMA, ‘AIFMD – A framework for risk monitoring’, in: *ESMA Report on Trends, Risks and Vulnerabilities*, No 1, 2018, p. 40.

ESMA, *EU Alternative Investment Funds – 2020*, ESMA annual statistical report, 2020.

ESMA, *Performance and Costs of EU Retail Investment Products*, ESMA annual statistical report, 2022.

ESMA, ‘The drivers of the costs and performance of ESG funds’, *ESMA Report on Trends, Risks and Vulnerabilities – Risk analysis*, 2022.

ESMA, *Costs and performance of EU retail investment products 2023*, ESMA market report, 2023.

ESMA, *EU Alternative Investment Funds 2023*, ESMA market report, 2024.

European Commission, *European Economic Forecast – Spring 2024*, Publications Office of the European Union, 2024.

Financial Market Authority, *FMA market study on fund fees of Austrian retail funds 2024*, 2024.

Hellenic Capital Market Commission, ‘HCMC’s survey on fees and charges applicable on UCITS in Greece’, July 2024.

International Monetary Fund, *World Economic Outlook – Steady but slow: Resilience amid divergence*, 2024.

Investment Company Institute, *Investment Company Fact Book – A review of trends and activities in the investment company industry*, 2024.

Morningstar, *Morningstar Sustainable Attributes – Framework and definitions for the ‘sustainable investment’ and ‘employs exclusions’ attributes*, 2022.

List of abbreviations

AIF	Alternative Investment Fund
AIFM	Alternative Investment Fund Manager
AIFMD	Alternative Investment Fund Managers Directive
AMF	Autorité des marches financiers
AuM	Assets under Management
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht
BIS	The Bank of International Settlements
BL	Redemption fees (back loads)
BPS	Basis points
CESR	Committee of European Securities Regulators
CMU	Capital Market Union
CONSOB	Commissione Nazionale per le Società e la Borsa
CSSF	Commission de Surveillance du Secteur Financier
EA	Euro Area
EBA	European Banking Authority
ECB	European Central Bank
EEA	European Economic Area
EFAMA	European Fund and Asset Management Association
EIOPA	European Insurance and Occupational Pensions Authority
ESA	European Supervisory Authorities
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
ETF	Exchange Traded Fund
EU	European Union
FCA	Financial Conduct Authority
FL	Subscription fees (front loads)
FMA	Financial Market Authority
FoF	Fund of funds
FSMA	Financial Services and Markets Authority
HCMC	Hellenic Capital Market Commission
HICP	Harmonised Index of Consumer Prices
HF	Hedge Funds
IBIP	Insurance-based investment products
IDD	Insurance Distribution Directive
IORP	Directive on the activities and supervision of institutions for occupational retirement provision
KID	Key Information Document
KIID	Key Investor Information Document
MiFID	Markets in Financial Instruments Directive
MiFIR	Markets in Financial Instruments Regulation
MMF	Money Market Fund
NAV	Net Asset Value
NCA	National Competent Authority
PE	Private Equity
PRIIP	Packaged retail investment and insurance products
PPP	Personal pension products
pp	Percentage points
RE	Real Estate
RTS	Regulatory Technical Standards
SFDR	Sustainable Finance Disclosure Regulation
SMSG	Securities and Markets Stakeholder Group
SRI	Summary Risk Indicator
SRPs	Structured Retail Products
SRRI	Synthetic Risk and Reward Indicator
TER	Total Expense Ratio
TRV	Trends Risk and Vulnerabilities
UCITS	Undertaking for Collective Investment in Transferable Securities

Countries abbreviated in accordance with International Organization for Standardization standards
Currencies abbreviated in accordance with International Organization for Standardization standards

Publications Office
of the European Union