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Additional Information

Level 1 Regulation
Undertakings for Collective Investment in Transferable Securities Directive (UCITS) Directive 2009/65/EC

Topic
Costs and fees

Additional Legal Reference
ESMA guidelines on performance fees in UCITS and certain types of AIFs

Subject Matter
Performance fees

Question
Can the manager of a Fund of Funds (FoF) charge performance fees?

ESMA Answer

24-05-2024

Original language

In line with paragraph 18 of the Guidelines, the manager of a FoF should be able to demonstrate to the NCA that the performance fee model of a fund it manages constitutes a reasonable incentive for the manager and is aligned with investors' interests.

Against this background, as a general principle, where the investment policy of a FoF requires the active management of the FoF and the determination of the allocation in the underlying funds has a material impact on the FoF performance, performance fees for the manager of the FoF could be considered as justified.

The assessment on how performance fees are justified in light of the investment policy of the FoF should be reflected in the fund documentation, including the fund rules or the instruments of incorporation and may be reviewed, where needed, by the NCA on a case-by-case basis.