EIOPA COSTS AND PAST PERFORMANCE REPORT 2025

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Department: **Consumer Protection Department**

Date: **12 June 2025**

European Insurance and
Occupational Pensions Authority

AGENDA

1	Background
2	Insurance-based investment products (IBIPs)
3	Pension products and schemes
4	Way Forward

BACKGROUND

- As required by Art. 9.1 of the EIOPA regulation, EIOPA collects data on the costs and past performance of IBIPs distributed across the EEA to produce the annual **Costs and Past Performance report (CPP)**

- **63% of EEA undertakings selling IBIPs are covered***. This year's report include data for the period 2020-2023 and focuses on unit-linked (UL) , profit participation (PP) and hybrid (HY) products as well as personal pension products.

- **The CPP analyses and reports on market developments from a consumer perspective and it has evolved significantly over the past years:**

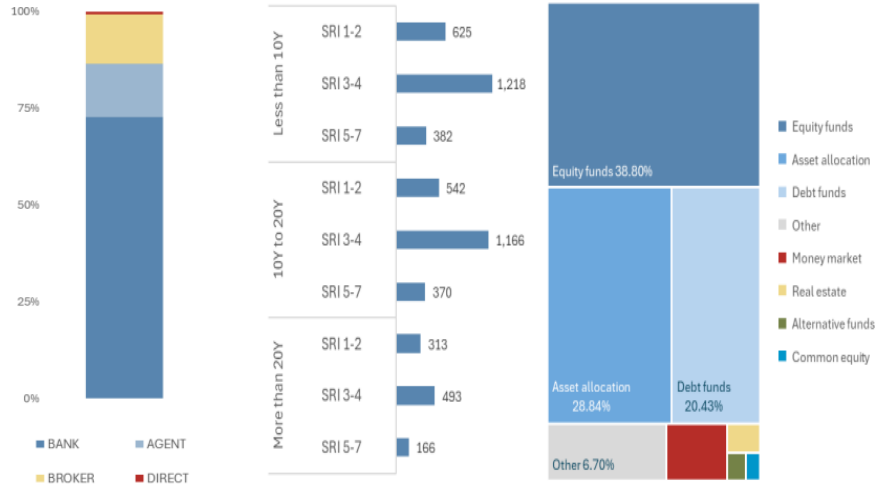
Single template for streamlined reporting	Enhanced market insights	More granular analysis	Impact of inflation, real returns	More concise reports

** In terms of Gross Written Premium of unit-linked and profit participation lines of business in 2023*

EUROPEAN IBIPS MARKET LANDSCAPE

- IBIPs market evolved heterogeneously in 2023:
  - **In some Member States, rising interest rates meant that insurers were able to offer products with higher guarantees**, thereby shifting demand to more traditional insurance options
  - **On the other hand, favourable trends in the financial market increased interest for unit-linked products,** mainly in Member States where increasing guarantees rates had not yet materialised

Sample by channel (figure 1) and **RHP, SRI and investment** (figure 2)

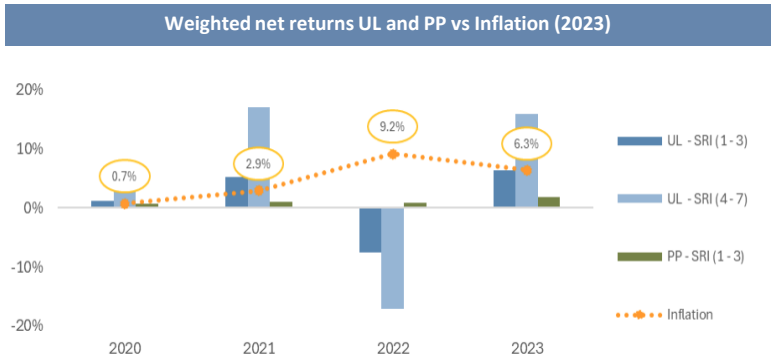


- IBIPs with profit participation features or low risk unit-linked with less than 10 years RHP were the most common.
- Banks were the most predominant distribution channel in more than half Member States.

HOW DID PRODUCTS PERFORM ?

IN 2023, ALL CLASSES OF IBIPS EXPERIENCED AN INCREASE IN NET RETURNS WITH SIGNIFICANT DIFFERENCE DEPENDING ON THE LEVEL OF RISK ASSOCIATED TO THE INVESTMENT

- On average, UL and PP delivered positive net returns in 2023.
- Consumers who chose UL benefited from greater exposure to a rising market.
- UL products with higher risk levels (SRI 4 or above) provided substantial net returns exceeding 10% on average.



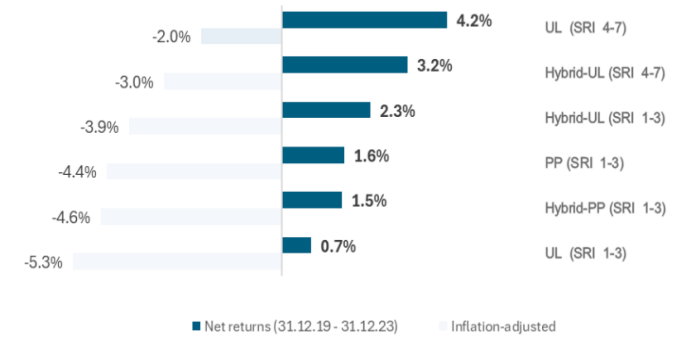
- PP products generated increasingly positive returns (1.8%) although they failed to outperform inflation.
- **Over the long term, the impact of inflation becomes increasingly pronounced,** leading to negative real returns for consumers.

HOW DID PRODUCTS PERFORM OVER THE PAST YEARS?

DESPITE GOOD RETURNS, RETAIL INVESTMENT PRODUCTS FAIL TO OUTPERFORM INFLATION. CONSUMERS WHO SEEK HIGHER YIELDS AND ARE WILLING TO ACCEPT RISKS CAN POTENTIALLY RECEIVE BETTER RETURNS AND MORE VALUE.

- Most IBIPs delivered average positive net returns in 2019-2023 period, however, they generally struggled to outperform inflation over the period.
- Pure UL products showed a range of net returns over the period, with lower-risk options experiencing limited net returns.
- Profit participation products have been delivering stable returns across the reporting period

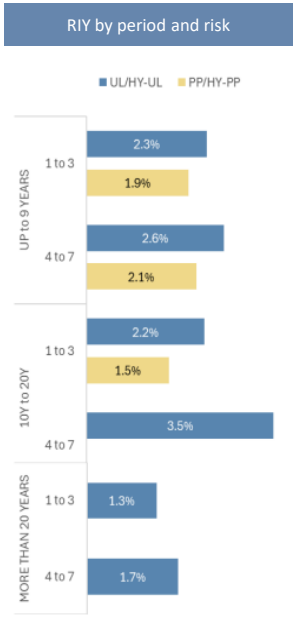
Compound net returns by product class (31.12.19 to 31.12.23)



- Hybrid-UL products, which balance consumers' exposure to financial markets with steady returns through profit participation mechanisms, outperformed most IBIPs

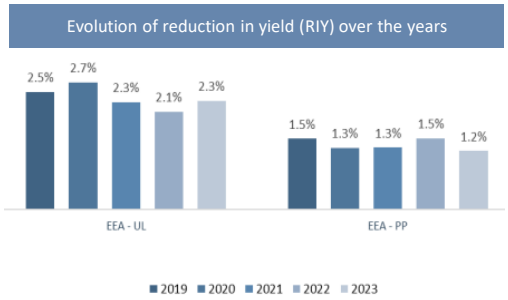
WHAT IS THE TREND IN COSTS?

INFLATIONARY PRESSURES DID NOT LEAD TO A MARKED INCREASE IN IBIPS COSTS. HOWEVER, COSTS REMAIN HIGH, LIMITING THE VALUE FOR MONEY OF SOME PRODUCTS.



- **PP mechanisms emerged as the most affordable option.** Although unit-linked products remain more expensive, those with greater risk exposure (SRI 4-7) achieved the highest net returns.

- **Declining prices for investment funds over the past years were only partially passed onto IBIPs,** keeping costs high and limiting value for money improvements.



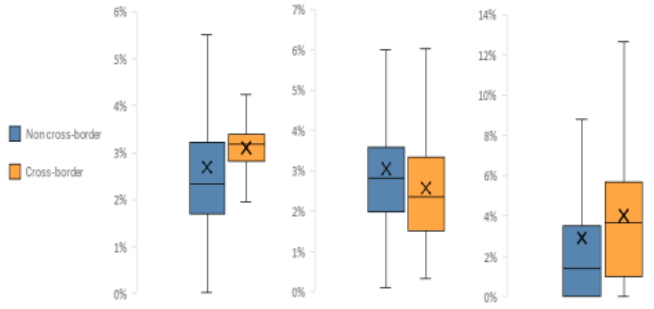
- **Efforts on value for money for consumers need to continue.**

CROSS-BORDER AND ESG PRODUCTS

CROSS-BORDER PRODUCTS CAN BE MORE EXPENSIVE DUE TO HIGHER COMMISSIONS

- For instance, entry costs for similar UL distributed from Liechtenstein to Austria or Ireland to Italy tend to be higher than those of domestic products.

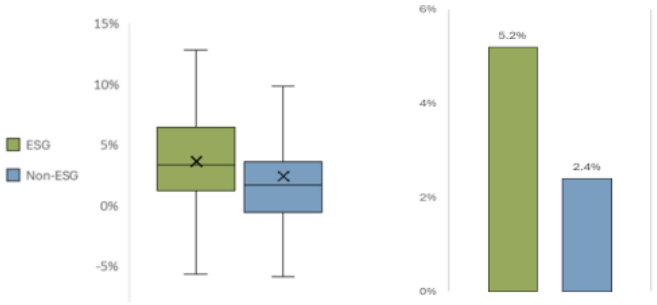
UL - RIY short period (left) | medium period (middle) | Entry costs (right)



TREND TOWARDS SUSTAINABLE INVESTING CONTINUED TO GAIN MOMENTUM

- Notable increase in the adoption of ESG (55% of sample incorporates ESG features) with equity funds with ESG features delivering higher returns.

Compound net returns 2020-2023, dispersion (left) and weighted average (right) – Equity funds

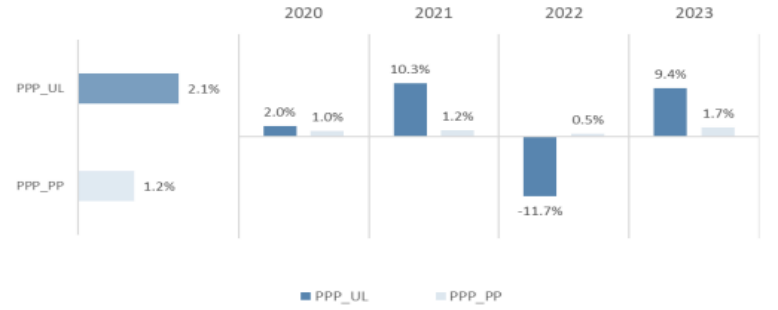


PERSONAL PENSION PRODUCTS

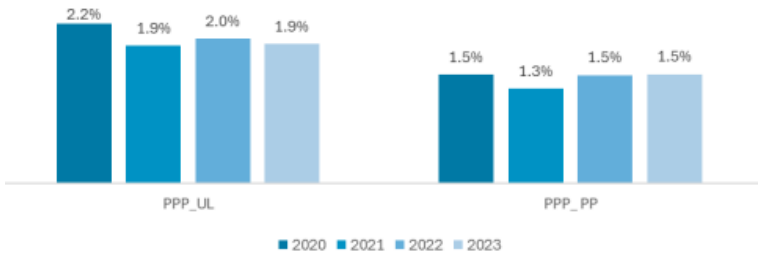
IN 2023, PERSONAL PENSION PRODUCTS (PPP) SOLD BY INSURANCE UNDERTAKINGS GENERATED POSITIVE RETURNS, CONTRIBUTING TO AN OVERALL POSITIVE PERFORMANCE FOR THE FOUR-YEAR PERIOD

- The costs of PPP remain stable with 1.9% RIY on average for products with UL features. In some Member States, **the costs of these products exceed 2.5% RIY.** PPPs with profit participation features tend to have lower costs, however, this gap is narrowing over time.

Weighted net returns 2020-23 (left) and over the years (right)



Weighted reduction in yield over the years (2020-2023)

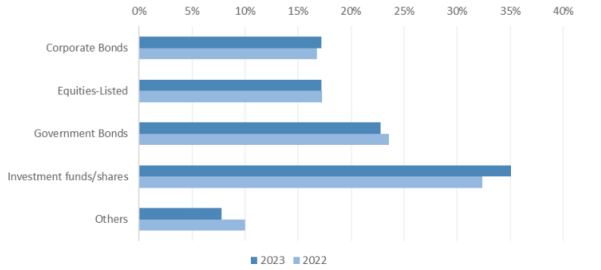


INSTITUTIONS FOR OCCUPATIONAL RETIREMENT PROVISIONS (IORPS)

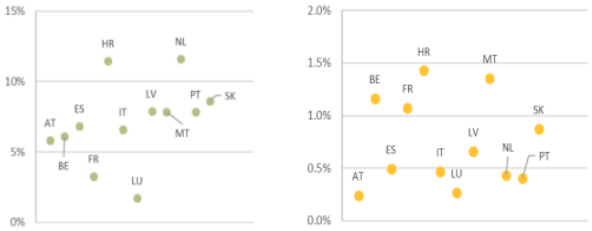
IORPS SECTOR CONTINUES TO BE CHARACTERIZED BY THE SHIFT TOWARDS DEFINED CONTRIBUTION (DC) SCHEMES WHICH SAW GROWTH IN ACTIVE MEMBERS (+ 2%) AND TOTAL ASSETS (+ 8.8%)

- Large markets such as France, Italy and Spain show an increase of active members and confirm the steady move from DB to DC schemes.
- The composition of DC schemes is varied and mainly composed of Investments funds (35%) and Government bonds (23%). Categories such as “Other than Government bonds and Corporate Bonds” and “Investment fund” increased during 2023
- **Income:** performance of DC schemes increased significantly in 2023 due to good market conditions, averaging an income ratio of 8.54%
- **Costs:** no significant changes from previous years. Some member States exhibit an expense ratio above 1%

DC schemes - Evolution of assets composition



DC schemes – Income (left) and expenses (right) ratios



WAY FORWARD

- **The new approach successfully addressed limitations of previous reports.** To facilitate reporting and limit burden that could emerge from adaptation, EIOPA will retain existing template with minor changes this year.
- **EIOPA will continue to collaborate with external stakeholders** to strengthen the representation of market trends in the report.
- **The production of more concise CPP report will continue** to ensure the markets insights are provided in a clear manner.

THANK YOU!

For more information visit:
https://www.eiopa.europa.eu

ESMA
European Securities and Markets Authority

ESMA market report on costs and performance of EU retail investment products

Webinar

12 June 2025

ESMA50-1949966494-3807

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Main results

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- **Retail AIFs**
- **SRPs**

Conclusion

UCITS: costs continue to decline…

- Between 2019 and 2023, for the 1Y investment horizon, ongoing costs declined by:
  - 5% for equity funds
  - 13% for bond funds
- No consistent decline for mixed funds

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.

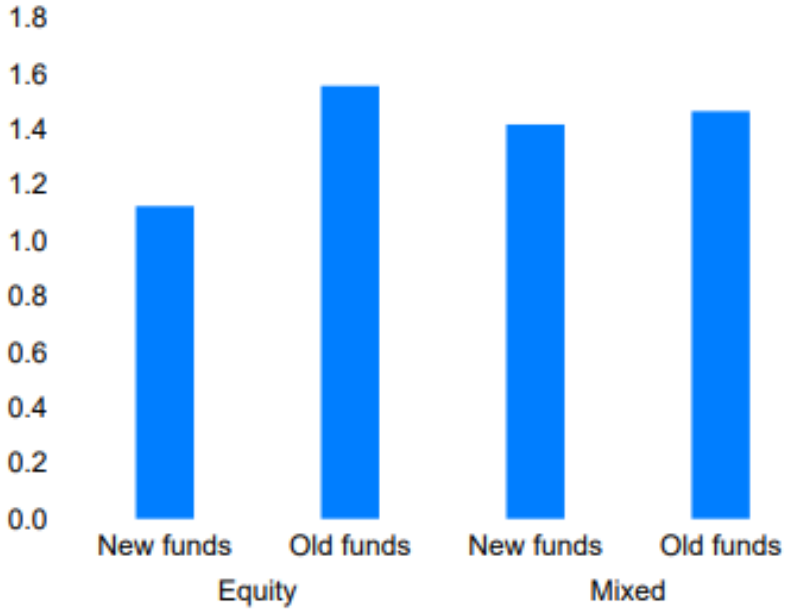
…albeit not for all asset classes

- As highlighted in a previous editions, new funds tend to be cheaper
- This is still the case when looking at equity and bond funds
- But no similar trend can be observed for 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.

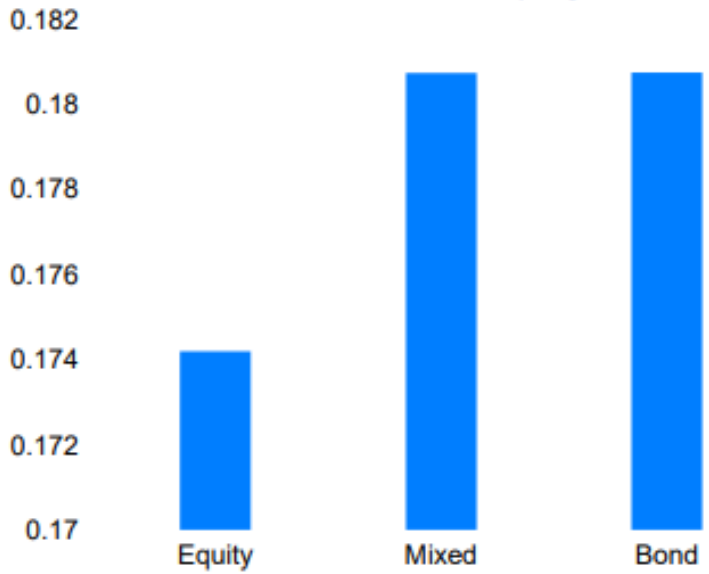
Lower transaction costs for equity

- The costs decomposition in the PRIIPs KIDs has an additional category (compared to UCITS KIIDs): transaction costs
- In 2023, transaction costs appear lower for equity funds
- This reflects the overall higher liquidity of stock markets
- But the difference is very small (i.e., 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.

UCITS: performance is volatile

- After a year of degraded returns, performance increased in 2023
- But remaining negative in net terms for bond and mixed funds
- Investing long term (i.e., 10 years) reduce the volatility of performance

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.

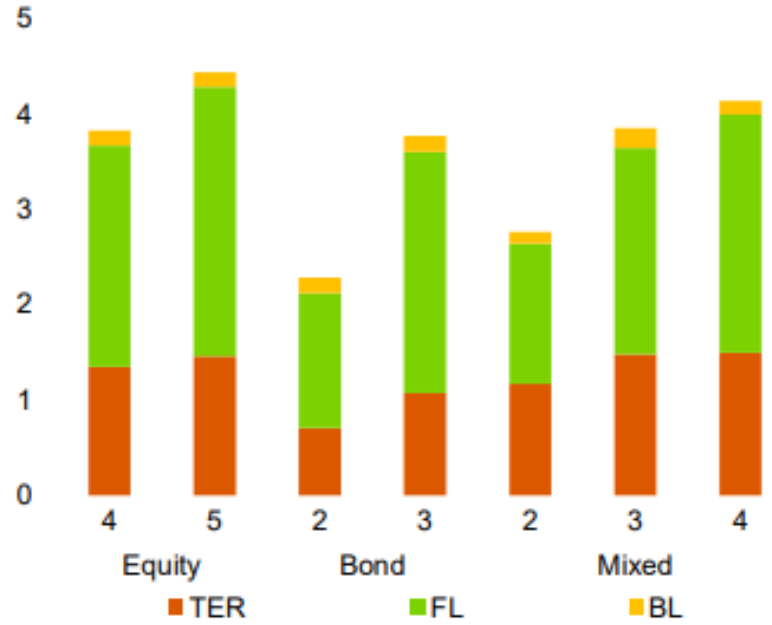
UCITS: higher risks associated with higher costs…

- Across asset classes, products with higher risk classes display higher costs
- Consequence of higher ongoing costs and higher subscriptions fees

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.

UCITS: … but not necessarily with higher returns

- For mixed funds higher risk is associated with higher gross and net performances
- Not the case for equity and bond funds

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.

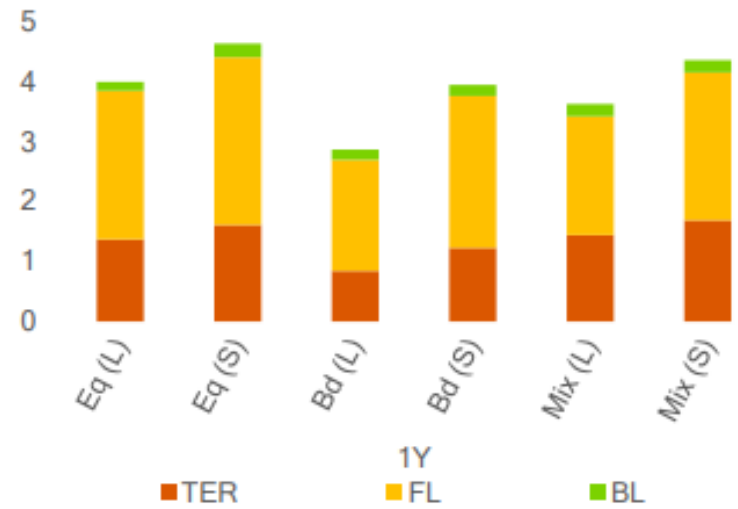
UCITS: Fund size analysis

- Evidences that costs are lower for largest funds
- Scarce evidence on the link between the parent size and the fund costs
  - ➢ Could the size of the parent be one of the drivers of the differences in costs across funds?

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.

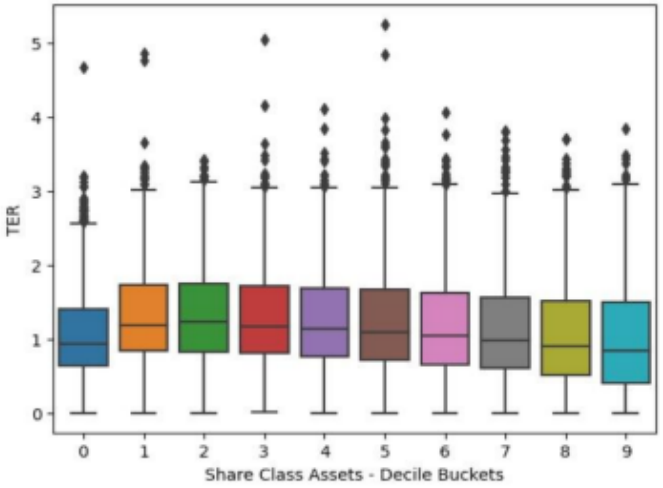
UCITS: the largest share classes have the lowest costs

- The largest share classes seem to have the lowest (ongoing) costs
- The median cost for the smallest size decile, composed by the youngest share classes, is the lowest across size buckets
- New share classes may charge low fees to attract investors

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.

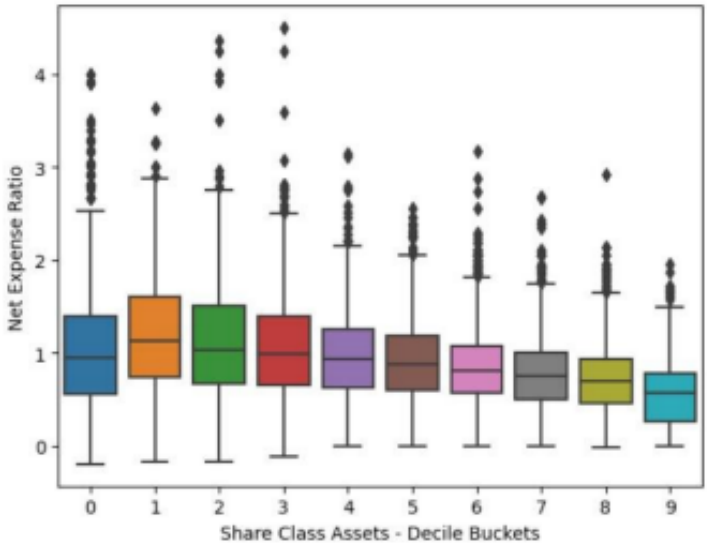
UCITS: parent size matters

- Similarly to EU, the largest share classes in the US seem to have the lowest costs
- As the size of the share classes increases, US share classes seem to have larger decrease in their costs
- US share classes' costs tend to be less dispersed compared to EU ones
- Regressions show a negative correlation between parent's size and the share class's costs. All else being equal, being held by a larger parent is associated on average with lower ongoing costs for the share class

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.

UCITS: No reduction of costs for passive, that are still much cheaper than active funds

- No reduction of costs for passive equity funds
- Confirmed by regressions

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

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.

Main results

UCITS ESG: similar or lower costs for ESG

Net performance:

- Outperformance of equity ESG non-ETFs
- Underperformance of equity ESG ETFs, ESG bond and mixed funds

Ongoing costs:

- Lower for equity ESG non-ETFs and ESG bond funds
- Similar for equity ETFs and mixed funds
- Regressions indicate that TER of ESG funds is lower

Total costs:

- Higher for ESG funds except equity non-ETFs
- Regressions indicate that ESG funds have lower total costs

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

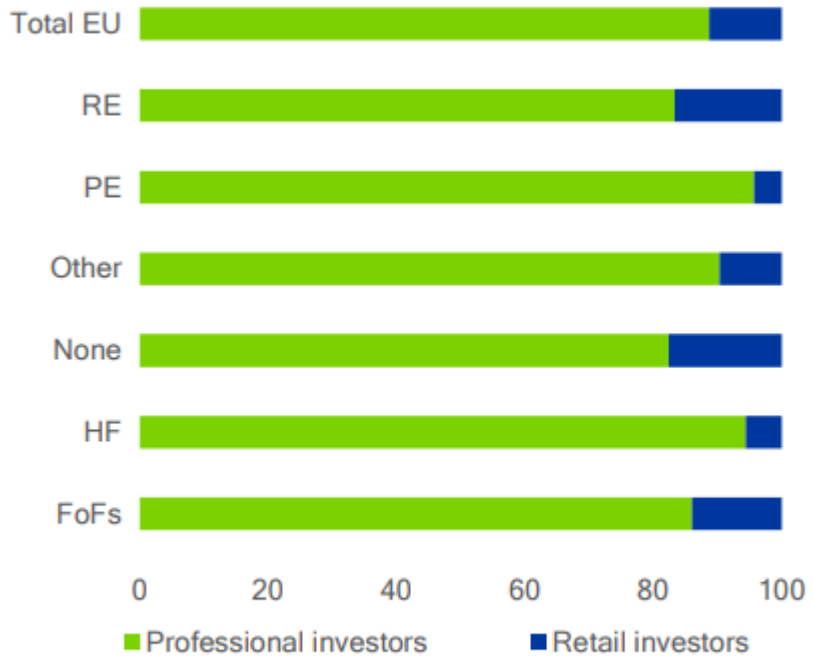
Sources: Refinitiv Lipper, Morningstar Direct, ESMA.

AIFs: decrease in retail participation

- Significant increase of EU AIFs market:
  - ➢ + EUR 1 tn between 2022 and 2023
- Total NAV for retail AIFs declined from EUR 930bn to EUR 867bn:
  - ➢ Share of retail investors decrease from 13.8% to 11.3% between 2022 and 2023

AMR-CP-S.149

AIFs NAV by type of client



Note: Clients of EEA30 AIFs managed and/or marketed by authorised AIFMs and sub-threshold managers registered only in national jurisdictions, end of 2023, in % of NAV.
Sources:National Competent Authorities, ESMA

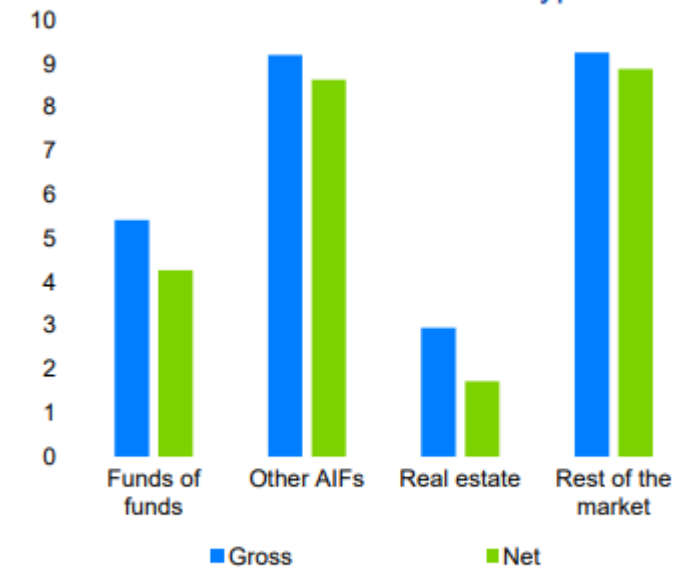
AIFs: improved performance

- The performance of AIFs in 2023 improved significantly compared to 2022
- With the exception of real estate funds whose returns decreased slightly
  - ➢ Confirm the expected downturn in RE market

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.

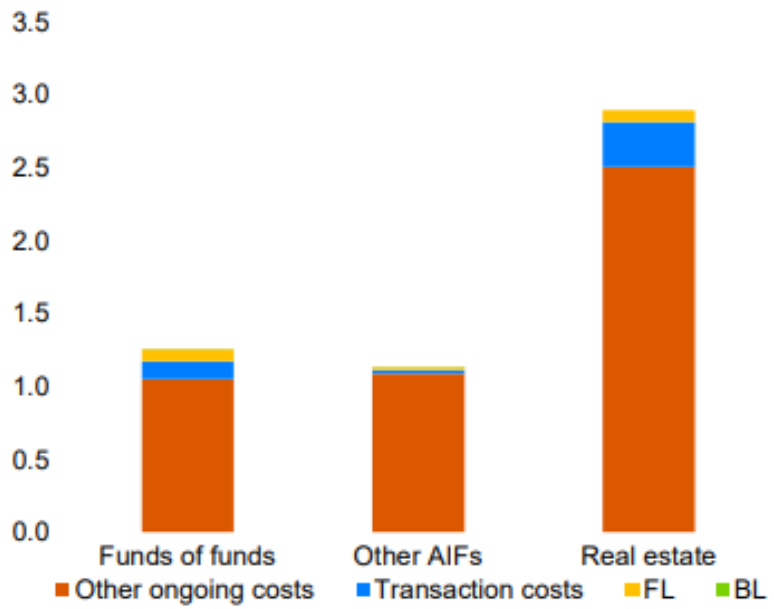
AIFs: information on costs remains limited

- Complete analysis of AIFs costs still impaired by lack of data
- Costs information for 9% of retail AIFs
- Real estate funds report the highest costs

MR-CP.24

Retail AIFs total costs

Lowest total costs for 'Other' funds

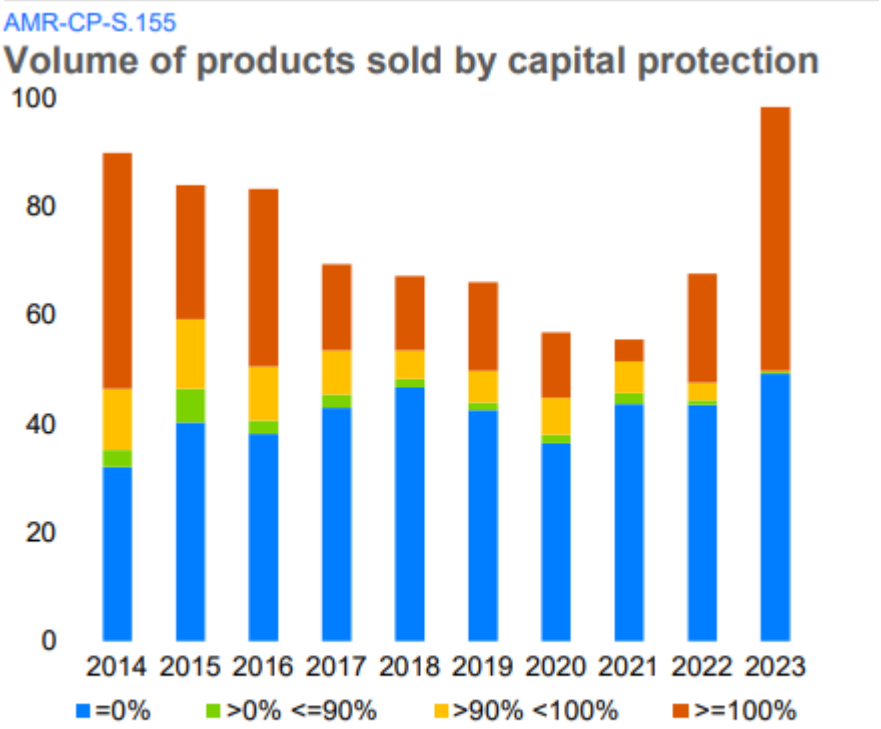


Note: EEA30 AIFs total costs classified as other ongoing costs, transaction costs, front (FL) and back loads (BL), by fund type, 2023, %. Rest of the market includes Hedge funds, Private Equity and None.

Sources: Morningstar, ESMA.

SRPs section: market overview

- SRPs had an outstanding value of EUR 360bn in 2023
- Half of SRP sales volumes were capital-protected products
  - ➢Up from 20% in 2022 and 4% in 2021
- Approximately ¾ of sales were for products with equities or equity indices as underlying, down from almost 90%



Note: Annual volumes of structured products sold to retail investors in EU by level of capital protection, EUR bn and expressed as percentages of the total in selected cases.
Sources: StructuredRetailProducts.com, ESMA.

2024 edition

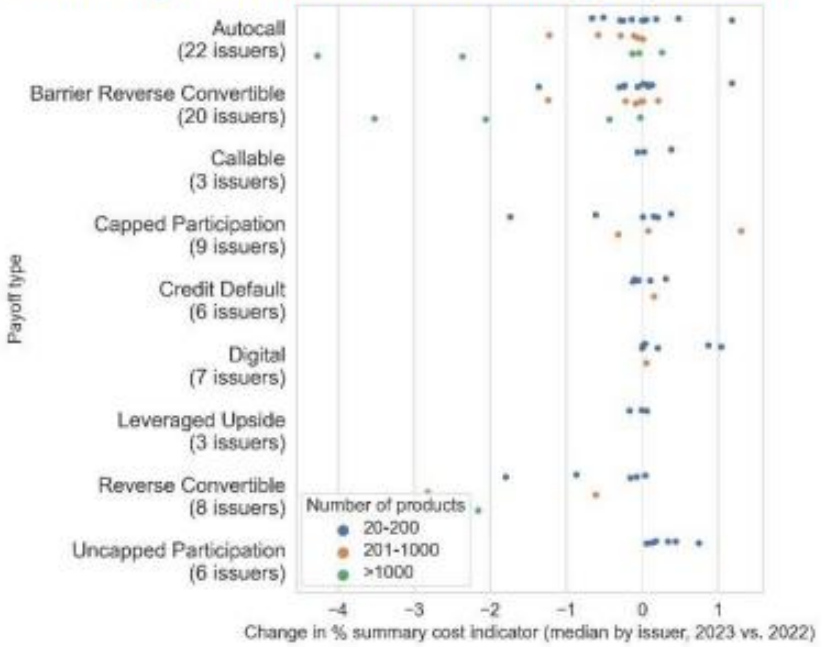
SRPs section: costs

- A few large issuers reduced the costs for some popular payoff types (autocall, reverse convertible and barrier reverse convertible)
- Some increases also observed for products of type ‘digital’ and ‘uncapped participation’
- Costs still vary substantially by payoff type and country

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.

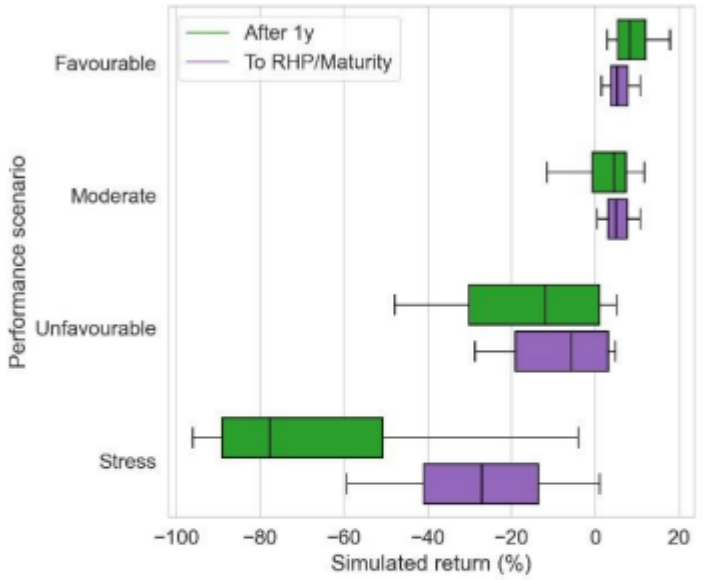
SRPs section: performance

- The simulated returns under the ‘stress’ and ‘unfavourable’ scenarios are well below the ‘moderate’ scenario returns
- But the ranges of simulated returns display very little differentiation between the ‘favourable’ and the ‘moderate’ scenarios
- A five-year investment of EUR 10,000 undertaken in 2023 would yield around EUR 12,702, in net terms, at maturity under the ‘moderate’ scenario

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.

Conclusion

- Overall decrease of ongoing costs for UCITS
- Despite this decline, the weighted average costs is higher for UCITS compared to US mutual funds
- Several analyses found a negative correlation between costs and size
- Difference of costs between EU and US may be partially explained by the average size of EU / US funds
  - ➢50,000 funds in EU vs 10,000 in the US
  - ➢EU funds on average 10 times smaller than US funds
- Confirm the need of an efficient single market and of a full functioning Savings and investment union

ESMA
European Securities and Markets Authority

Annex

Annex

Main changes

- Increase of the coverage:
  - ➢ Inclusion of Morningstar data in addition to Lipper
  - ➢ Some NCAs shared their data
  - ➢ Following a change of methodology for the inclusion of one-off costs, less information is now required (it also induces a breakdown in one-off costs)
- Data source changed
  - ➢ First year using PRIIPs KID costs data (instead of UCITS KIID data)