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ESMA Market Report

Report on total costs of investing in UCITS and AIFs

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Executive summary

Our report provides for the first-time a comprehensive assessment of the total costs charged to investors in European Economic Area (EEA) investment funds[1], including an innovative analysis on distribution costs.

This ad-hoc report complements ESMA's annual monitoring of the performance and costs of EU investment products[2], and responds to a request from the European Union (EU) Institutions.[3] With an unprecedented insight on the fund distribution landscape in the EEA, it fills an existing knowledge gap by providing:

- an assessment of the total costs charged to investors in European investment funds, namely Undertakings in Collective Investments in Transferable Securities (UCITS) and Alternative Investment funds (AIFs), and
- an analysis of the cost drivers for UCITS and AIFs and disparities across them.

ESMA in cooperation with national competent authorities (NCAs) collected data on costs borne by investors in UCITS and AIFs. The data encompass the costs related to the fund managers (manufacturers of investment fund), as well as the fund distributors (i.e., investment firms (IFs), credit institutions (CIs), independent financial advisors (IFAs), neo-brokers)[4]. The resulting sample covers UCITS assets worth around EUR 7.2 tn, representing 66% of the total EU UCITS market (80% of which can be sold to retail investors). It also covers AIF assets worth EUR 2.6 tn, representing 40% of the total EU AIF market as reported under AIFMD (25% of which can be sold to retail investors).[5]

Necessary caveats apply due to the challenges related to a first-time, one-off data collection.[6]

Findings in a nutshell

1. **Traditional intermediation:** Credit institutions and investment firms dominate EEA distribution.[7]
2. **Total costs**: Actual retail UCITS costs range between 0.5% of the invested amount for passive bond UCITS and 2% for active equity UCITS; AIFs costs range between 1.4% and 2.8%.
3. **Packaged Retail Investment and Insurance Products Key Information Documents (PRIIPs KIDs) fees:** PRIIPs KIDs maximum one-off fees do not reflect actual fees.

[1] Our sample includes investment funds from 26 EU countries and from EEA countries. The annex reports the coverage for each jurisdiction.

[2] See ESMA, 2025, ESMA Market Report on Costs and Performance of EU Retail Investment Products 2024.

[3] As part of the AIFMD/UCITSD review Directive, Art. 1 (amending Art. 12 of the AIFMD) and Art. 2 (amending Art. 14 of the UCITSD) require ESMA to submit a report to the European Parliament, the Council, and the Commission assessing the costs charged by UCITS management companies and AIFMs to investors of the UCITS/AIFs they manage, explaining the reasons for these costs and any differences between them, including differences related to the nature of the UCITS/AIFs involved.

[4] Neo-brokers are licenced either as CIs or IFs. Given their recent development and their business model mainly relying on digital platforms, we treat them as a different distribution channel in this report.

[5] For the analysis of distribution channels and costs, the perimeter of this report is limited to the share classes that are distributed in the EEA. The reporting of distribution data of share classes distributed exclusively outside the EEA was discretional for the manufacturers. Similarly, the reporting of share classes distributed by sub-distributors was discretional to the single reporting entity.

[6] Given the novelty of the collected dataset and the wide range of information received, prior to the analysis, ESMA staff proceeded with comprehensive data quality assessment and management procedures to ensure accuracy and completeness. The resulting sample is necessarily reduced. Details on the specific steps are explained in the statistical annex. Moreover, given the extensive scope of information captured, and the substantial variation across multiple dimensions, the analysis does not include national breakdowns or comparisons.

[7] A very limited analysis of insurance undertakings distributing unit-linked insurance contracts using investment funds is included in MR-C.22.

4. **Distribution costs:** Distribution represents 48% of UCITS total costs and 27% of AIFs'; distribution costs differ by provider, distributor, asset and fund type.
5. **Inducements:** Inducement agreements are widespread; they amount on average to 45% of product ongoing costs for UCITS and to 34% of product ongoing costs for AIFs.
6. **Cost drivers:** The main drivers are the type of investor, the amount invested, the distribution channel and the service offered.
7. **Geographical differences:** We observe a high heterogeneity of costs across Member States.
8. **Cost information:** Distribution cost information is not fully harmonised across the different pieces of EU legislation; without distribution cost reporting exhaustive analysis of total costs to investors is not possible.

Distribution channels

In the investment fund industry, distribution refers to the process through which funds are made available to end-investors. Overall, the majority of net asset value (NAV) of EEA investment funds indirectly distributed in the EEA goes through traditional distribution channels, such as CIs and IFs. For UCITS, this is equivalent to 60% of total distributed NAV. For AIFs there is an even split between direct (mostly institutional clients only) and indirect distribution. Even if still marginal, neo-brokers have seen a rapid uptake among retail investors: the selected number of neo-brokers considered accounts for around 1% of NAV distributed in the EEA of the investment funds included in the sample, notably UCITS Exchange Traded Funds (ETFs) and equity funds. Distributors provide a variety of services, including non-independent advice and execution services, each entailing different cost structures. In the EEA, to pay for these services the most common arrangements are commission-based models, where fund manufacturers pay inducements to distributors as a percentage of the assets invested in their funds.

Investment fund costs

UCITS

The total cost of investing in investment funds is the sum of product-related costs and distribution-related costs. On average, in our sample, the total annual cost of investing EUR 10,000 over 1 year in investment funds goes from EUR 50 for UCITS mainly passively investing in bonds to EUR 200 for UCITS actively investing primarily in equity. Product-level costs are in line with what is reported in the ESMA annual report on costs and performance of retail investment products. In the current report, contrary to our previous analyses, we examine the actual entry and exit fees, in addition to the maximum levels as reported in PRIIPs. This excludes fees charged directly by distributors and not necessarily known by manufacturers. At the aggregate level, based on what manufacturers reported, maximum fees reported in PRIIPs KIDs do not reflect actual fees.

For the first time, we provide an analysis on distribution-related costs. Distribution costs for UCITS represent 48% of total costs on average across distribution channels. IFs are the most expensive distribution channel followed by CIs and neo-brokers. This last channel, still limited but growing in the EU, offers mainly execution services which are structurally the cheapest. Conversely, CIs and IFs also provide advice and portfolio management services, which are generally more expensive types of services compared to the others. In commission-based models, for the subset of UCITS paying inducements, inducements represent around 45% of product ongoing costs, on average, across distribution channels.

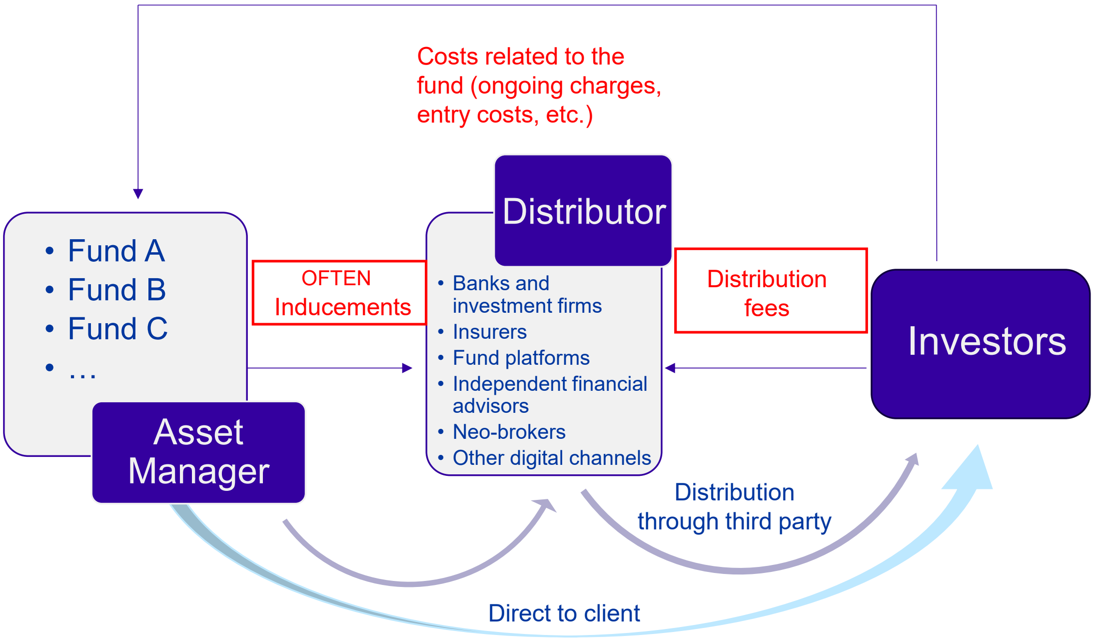
AIFs

For the first time, we are able to document comprehensively the costs of EEA AIFs. On average, in our sample, the total costs (product and distribution) of a EUR 10,000 investment for a retail investor over 1 year go from EUR 144 for AIFs belonging to the Other fund type to EUR 280 for real estate (RE). Retail investment in AIFs constitutes a minor portion: retail investors account for 25% of our total AIF sample and it is mostly focused on more traditional asset classes ('Other'), as well as on Fund of Funds (FoFs) and Real Estate (RE).

As for UCITS, maximum entry and exit fees do not reflect the actual entry and exit fees levied by manufacturers. For product costs, institutional investors pay less than retail (institutional share classes (SCs) are between 12% and 56% cheaper depending on the fund type) and riskier fund types are more expensive. The main cost drivers are fund characteristics (e.g., age), type of investors and investment strategy. Distribution costs amount to 27% of total costs, lower than in the case of UCITS but still comparable in monetary value. This difference may be partially related to the different distribution architecture as well as clients' profile. The level of inducements is lower compared to UCITS: inducements to distributors account for 34% of ongoing costs.

Summary: Industry practices on fund distribution

The diagram below illustrates how funds, from asset managers, reach investors through distributors.



The Asset Management side

The asset manager (on the left in the diagram) creates and manages multiple investment funds (Fund A, Fund B, Fund C…). Its role implies doing the necessary market research, selecting the underlying assets of the fund, etc. For this, the manager charges the investor various costs related to the fund itself, such as ongoing charges. These are the product costs that are inherent to holding the fund, irrespective of how an investor buys it.

The distribution network

The distributor ('Distributor') has an intermediation role between the asset manager, or the fund manufacturer, and the end investors. Distributors can be CIs and IFs, insurances (although we have a limited sample for those), digital platforms, and neo-brokers. Each of these channels helps investors accessing funds and provides various levels of service such as execution services, investment advice or portfolio management.

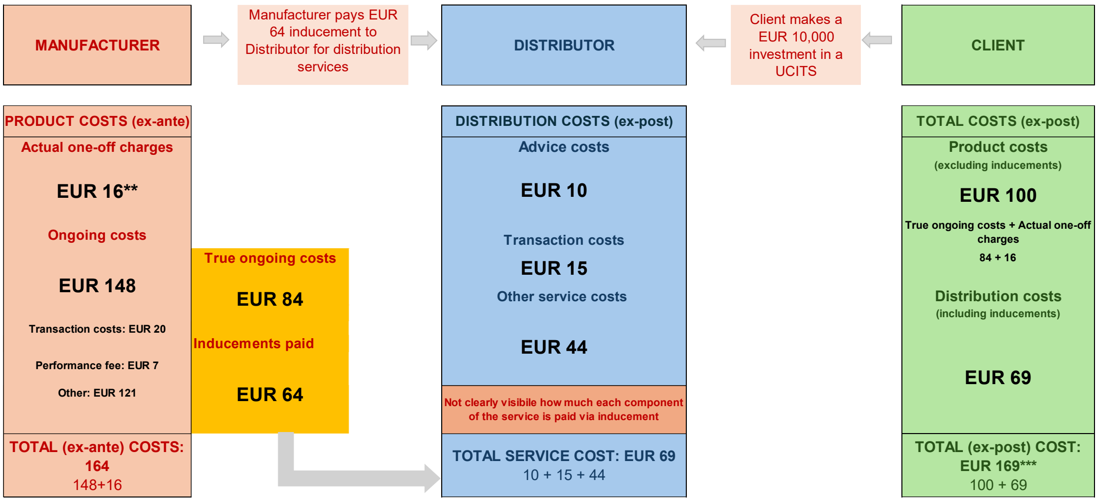
Investors

The investors ('Investors') are the end clients who ultimately purchase investment funds. They can either do it directly from the asset manager or, more often (especially in the case of retail investors) through a distributor. For this intermediation, investors may pay additional costs explicitly charged by the distributor, in addition to product costs, (e.g., advice costs when receiving financial guidance), unless such costs are paid in the form of 'inducements' from the fund manager to the distributor, as explained below. However, even if inducements are not directly paid by the investor to the distributor, this cost is still borne by the investor.

This diagram also illustrates the commercial relationship between the asset manager and the distributor. The asset manager may provide a financial incentive to the distributor to sell its funds, called inducements.

Summary: Stylised cost components

The diagram below* illustrates the complete distribution chain for investment funds sold to retail investors, explaining how products flow from manufacturers (left-hand side) to end clients (right-hand side), through distributors (centre), and how costs and payments – for the 1 year investment – move in the different direction throughout this chain.



* Please note that, the calculations presented in this table are stylised and illustrative for the specific products and scenarios shown. These figures are based on simplified assumptions to demonstrate the cost structure framework. The inducements received may be underestimated due to a number of zero values reported in the dataset. While some zeros may accurately reflect inducement-free structures, others may indicate incomplete reporting rather than true zero costs.
** Please note that the one-off charges reported are the realised one-off charges received by the manufacturer, i.e., those an investor actually pays to the manufacturer. These are often different from the maximum level of charges that are reported in the PRIIPs KID as required by the PRIIPs Regulation and Delegated Regulation. They are included under the 'manufacturer' costs as PRIIPs KID foresees the reporting of the maximum values, even though in several cases entry fees are paid to the distributor rather than to the manufacturer (in which case the amount declared by the manufacturer understates the total entry/exit fee paid by the client).
*** The discrepancy between total costs for clients and total PRIIPS KIDs costs may be partly related to the fact that there might be extra distribution costs borne directly by the investor rather than financed by inducements. This results from the combination of the data submitted by the manufacturers (PRIIPs KID) and those by distributors (Markets in Financial Instruments Directive (MiFID II) / Markets in Financial Instruments Regulation (MiFIR)).
Note: This table shows the complete cost chain of a 10,000 EUR retail investment in UCITS focusing on equity, bond or mixed assets, over 1 year investment horizon. It displays client total costs, of which distribution costs (MiFID II/MiFIR reporting) paid to distributors and products costs (PRIIPs reporting) paid to manufacturers. It also reports the supply chain relation, between manufacturers and distributors, which is not clearly visible to investors. Costs are calculated as median values and reported in EUR.
Sources: ESMA.

The manufacturer

A fund manager ('Manufacturer') creates a fund product to be marketed to retail investors and makes available a PRIIPs KID disclosing information on product costs including one-off charges and ongoing costs. This last item includes management fees, transaction costs and other ongoing costs. In the example above, EUR 148 are charged to the investor as ongoing costs but, out of these, the manufacturer pays EUR 64 to compensate the distributor for distributing the fund product ('Inducements paid' in the orange box). The distributor uses this money to (partly) cover the costs of services provided to its clients, such as advice and transaction costs. For the client, this implies that product ongoing costs for the fund (excluding the inducements paid to the distributor) are EUR 84

('True ongoing costs' in the orange box). Therefore, PRIIPs KID fees also include some distribution costs that are not explicitly reported ex-ante by the manufacturer.

The distributor

Often, all or part of the inducements received are used by the distributor to distribute the fund to the investor, such as by the provision of investment advice. In other cases, the distributor may pass on part or all of the inducements received to the investor to comply with regulatory obligations, reduce conflicts of interest, and maintain transparency in their advisory relationships. Inducements were collected from manufacturers as part of the ongoing costs out of an investment of EUR 10,000.

This reporting comes from the requirements both from the PRIIPs Regulation and MiFID II/MiFIR. According to the PRIIPs Regulation, the fund will disclose EUR 148 and the maximum one-off charges. According to MiFID II/MiFIR, the distributor will detail about the EUR 100 for the product and the EUR 69 for the service (including inducements). PRIIPs regulation[8] and MiFID II[9] ensure investors receive complete cost transparency throughout the fund distribution chain. While this comprehensive disclosure provides the full economic picture, investors may need to cross-reference and read through various disclosure documents. Moreover, it is not clearly visible how much each component of distribution cost is paid via inducement.

The investor

A retail investor ('Client') decides to invest EUR 10,000 in this product and redeems it after one year. To do that, the client relies on a third-party distributor. The client should be charged EUR 164 (EUR 16 in one-off charges and EUR 148 for ongoing costs) for product costs. However, since EUR 64 is paid to the distributor as inducements, what the investor actually pays as product cost – in this example – is EUR 100 (EUR 84 in ongoing costs – 'True ongoing costs' in the orange box – and EUR 16 in one-off charges). Out of the overall investment, the investor also pays EUR 69 in distribution costs ('Distribution costs (ex-post)'), which totals EUR 169 in costs for the one-year investment.

[8] Annex VII Commission Delegated Regulation (EU) 2021/2268.

[9] Annex II Commission Delegated Regulation (EU) 2017/565.

Summary: Cost drivers

Product costs

Cost drivers	Impact
Product characteristics: Funds entailing higher risks incur higher costs than funds entailing lower risks (e.g., equity funds; strategies focusing on high-yield fixed income products; emerging markets or RE in the case of AIFs).	Medium/High
Client type: Costs are lower for institutional clients compared to retail clients.	Medium
Management type: Actively managed funds have higher costs compared to passive funds or passive ETFs.	High
Fund characteristics: Costs for large funds are lower than for small funds in the case of UCITS as large funds may benefit from economies of scale.	Medium/Low

Service/Distribution Costs

Domicile: There are notable differences in distribution costs across member states (MS). Market practices contribute to significant cross-country variation in fees. National regulatory specificities (where they exist) may have an impact (i.e., the Dutch ban on inducements for retail clients).	Medium
Type of distributor: Distribution costs tend to be far less heterogeneous across the EEA for neo-brokers than for more traditional channels, namely CIs and IFs. While offering different distribution services, neo-brokers follow a digital-only operating model. Conversely, CIs and IFs often maintain extensive branch networks, local advisory staff, and country-specific distribution models.	Medium
Type of service: There are differences in the type of distribution services offered. Services such as investment advice, whether independent or non-independent, are still mostly concentrated in the CIs and IFs distribution channels and entail higher fees. Execution services are limited to carrying out clients' instructions without further guidance. This allows for significantly lower costs.	High
Investor profile: Institutional investors pay lower distribution costs than retail clients.	Medium/High
Fund characteristics: Asset class type, management type and fund type are drivers of distribution costs even though to a lesser extent than product costs.	Low
Amount held: There is a negative correlation between the amount a client holds in a fund and the costs they pay for the services. The magnitude of this relationship decreases as the amount held increases though.	Medium/High
Holding period: Among additional factors driving difference in costs, distributors in our sample indicated the holding period as one of the main reasons driving the level of costs charged to the clients.	Low
Level of inducements: They affect the overall cost structure of investment services and help to explain variations in how products are marketed and offered to clients. The amount of inducements paid may affect the level of distribution costs charged.	High

Summary: Essential sample statistics

	All	UCITS	AIFs
Manufacturers			
Total number of Manufacturers*	734	369	610
Total number of SCs	86,085	67,856	19,229
Total NAV (EUR tn)	9.8	7.2	2.6
Total NAV distributed in the EEA (EUR tn)**	4.4	3.3	1.1
Of which direct to clients (in %)	20%	9%	50%
Of which through CIs (in %)	31%	38%	10%
Of which through insurance companies** (in %)	6%	6%	6%
Of which through IFs (in %)	26%	27%	25%
Of which through other entities (in %)	17%	20%	9%
Distributors			
Total number of Distributors	293	/	/
Of which CIs	151	/	/
Of which IFs	133	/	/
Of which Neo-Brokers****	9	/	/
Total assets distributed in UCITS and AIFs in the EEA (EUR tn)***	3	/	/
Of which CIs	2	/	/
Of which IFs	0.9	/	/
Of which Neo-Brokers	0.1	/	/
Number of SCs distributed	34,200	31,445	2,755
Held by retail clients	30,170	28,041	2,129
Held by institutional clients	21,047	19,354	1,693

(*) Some manufacturers offer both UCITS and AIFs and are then counted twice (i.e., once in the count of UCITS manufacturers and once in the count of AIFs manufacturers).
(**) The NAV distributed in the EEA is just more than half of the total sample NAV. Please refer to footnote 5 for the details on the coverage.
(***) Insurance undertakings distributing unit-linked insurance contracts using investment funds as underlying are captured for only a limited sample in this report (insurers were excluded from the "distributor survey"). Yet manufacturers often consider that life insurers actually market their funds as units for unit-linked products, which could explain this number in the "manufacturer survey".
(****) Neo-brokers are licenced either as CIs or IFs. Given their recent development and their business model mainly relying on digital platforms, we treat them as a different distribution channel in this report.

Investment fund distribution

Main distribution channels

Summary

In the investment fund industry, distribution refers to the process through which funds are made available to end-investors. Overall, the majority of net asset value (NAV) of EEA investment funds indirectly distributed in the EEA goes through traditional distribution channels, such as CIs and IFs. For UCITS, this is equivalent to 60% of total distributed NAV. For AIFs there is an even split between direct (mostly institutional clients only) and indirect distribution. Even if still marginal, neo-brokers have seen a rapid uptake among retail investors: the selected number of neo-brokers considered accounts for around 1% of NAV distributed in the EEA of the investment funds included in the sample, notably UCITS ETFs and equity funds. Distributors provide a variety of services, including non-independent advice and execution services, each entailing different cost structures. In the EEA, to pay for these services the most common arrangements are commission-based models, where fund manufacturers pay inducements to distributors as a percentage of the assets invested in their funds.

Fund distribution

In the investment fund industry, **distribution** refers to the process through which funds are made available to end-investors. Funds can be distributed **directly to clients** or **indirectly through distributors**.[10]

Funds are distributed **directly** to clients when no third-party intermediary is involved. Conversely, funds are distributed **indirectly** when they are sold through a professional third-party financial intermediary or when they are distributed through intermediaries belonging to the same **conglomerate as the manufacturer**. These can be, for example, CIs, IFs or insurance undertakings[11] that are part of a financial group, IFAs or online fund platforms that operate independently. **Fund platforms** provide access to multiple fund ranges from different manufacturers. IFAs offer advice and product selection across various fund providers.

Depending on their model, the different types of distributors listed above may provide **different types of services** including:

— execution services without advice.

— investment advice, non-independent (e.g., they may opt to only recommend products from the financial group they belong to) or independent; or

— portfolio management services.

These entities (excluding those exclusively providing independent investment advice or portfolio management) are typically compensated through **commissions paid by fund manufacturers** (i.e., inducements), **fees charged directly** to clients, or a hybrid model which combines both.[12]

In **commission-based models**, fund manufacturers pay inducements to distributors as a percentage of the assets invested in their funds. While common, these arrangements, which typically involve fund managers paying a portion of their management fees or one-off charges to the distributors who sell their products, may have significant implications:

10 Please note that insurance undertakings distributing unit-linked insurance contracts using investment funds as underlying is only captured in this report in MR-C.22. For a limited number of products in our sample, in cooperation with EIOPA we identified the insurance products within which the UCITS SCs are sold (e.g., the UCITS funds in which a consumer purchasing an insurance product can invest) and analysed the related costs.

11 The analysis on insurances as distribution channel focuses on a very limited sample of unit-linked products, (box MR-C.22). To put things into perspective, the AMF analysis in the 2025 Markets and Risks Outlook provides an overview of the share of insurance undertakings in the distribution of French funds. This makes clear the need of a more complete and comprehensive analysis on insurance undertakings as distribution channel.

12 Delegated Directive (EU) 2017/593 sets out that any inducements received in relation to the provision of independent investment advice or portfolio management shall be transferred in full to the client.

— **not-easily visible costs (especially for retail clients)**: payments related to inducements often remain opaque due to the partial overlap of requirements on costs disclosures across different regulations and directives. End investors may be unaware of the financial incentives influencing the distribution of investment products.

— **conflict of interest**: distributors may be incentivised to recommend products that offer the highest inducements, rather than the ones pursuing the client's best interest. Against this background, the MiFID II directive includes specific provisions regarding inducements designed to limit that any third-party payments received by investment firms do create conflicts of interest that could harm clients.

— **regulatory specificities**: In markets where inducements are banned – e.g., the Netherlands for retail clients – distribution costs become more explicit through other fees (e.g., advisory fees). Alternatively, in those where inducements, under certain conditions, are permitted, distribution costs remain embedded in the overall product cost structure (e.g., management fees).

Conversely, the **fee-based distribution models** refer to those models in which fees are paid directly by the client for services provided by the distributor (e.g., the financial advisor). In such cases, the fees are explicitly disclosed as part of the investment agreement and ahead of the transaction taking place. They can include, for example, advisory fees directly charged to the client by the firm for the services of a financial advisor, fees for execution services charged by the broker or any other distributor for the execution of a transaction.

The type of service offered and the remuneration model chosen influences which products are made available and how they are selected, with direct implications for both distribution services and investment fund costs. Furthermore, it also impacts the total cost to the investor and, by extension, long-term net investment performance. This reflects the comprehensive set of rules introduced with MiFID II to promote transparency and investor protection including:

— requirements for disclosures to clients on the type of advice (whether independent or not) and recommendation for products based on fairness and investor's interest.

— where inducements are received, firms must demonstrate that they enhance the quality of the service and do not compromise the distributor's obligation to act in the client's best interest.

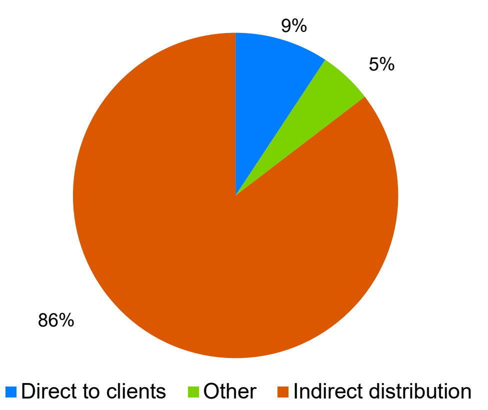
Despite these regulatory efforts, ESMA's annual cost and performance reports highlight that it is cumbersome, especially for a retail investor, to fully identify the total cost of investing.

Main distribution channels in the EEA

We collected **data both from manufacturers of fund products** (who provided the information they had on the distribution of their own funds) **and distributors**.[13] The aim was to receive information on the total cost of investing in a fund. This includes information on product costs required from the PRIIPs Regulation, as well as information on services provided and related costs, which distributors are required to provide to investors based on MiFID II disclosure requirements.

MR-C.1 UCITS distribution channels

UCITS funds mostly sold through indirect distribution



Note: Share of UCITS AuM distributed in the EEA by distribution channel, %.
Sources: National Competent Authorities, ESMA.

Based on the information reported by the

[13] For the analysis of distribution channels and costs, the perimeter of this report/ is limited to those SCs distributed in the EEA. The reporting was discretional for those distributed outside the EEA. Similarly, the reporting of SCs distributed by sub-distributors was discretional to the single reporting entity. Not all distribution channels have the same relevance across MS.

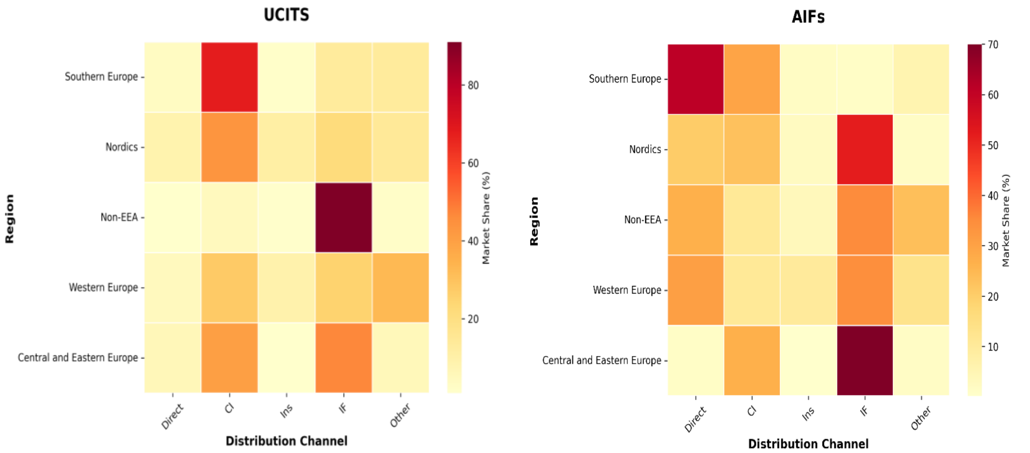
manufacturers participating to the data collection,[14] the distribution cost data used in this analysis represent the equivalent of **45% of the total UCITS NAV** considered for the analysis of product costs only. This is because either part of these funds is distributed outside the EEA or part is sold by sub-distributors (i.e., the manufacturer has no relationship with the end-distributor).

— Based on manufacturers' data, **86% of UCITS NAV is distributed indirectly through a third-party distributor** (of which more than 60% are sold through CIs and IFs, MR-C.1). Distribution through other types of entities (e.g., neo-brokers, fund platforms or other digital platforms) accounts for 5% of total NAV marketed.

— Only **17% of UCITS indirectly distributed are marketed to institutional-only investors**, the rest are sold to retail-only or both to retail and institutional investors. For AIFs, there is an even split between direct distribution and distribution through a third-party entity (MR-C-S.9).

MR-C.2 Investment fund distribution channels by region

CIs and IFs dominant channels yet notable regional differences



Note: Share of UCITS NAV distributed, by distribution channel and region. Darker red indicates higher concentration of a specific distribution channel in a specific region. Lighter red indicates lower concentration. CI = Credit Institutions; IF = Investment Firm; Ins = Insurance. Country groupings based on Refinitiv classification. Nordics includes SE, DK, FI, NO, IS, EE; Western Europe includes NL, BE, LU, IE, LI, DE, AT, FR; Southern Europe includes IT, ES, PT, GR, MT, CY; Central and Eastern Europe includes PL, CZ, SK, HU, SI, HR, BG, RO, LT, LV; Non-EEA includes all the countries domiciled outside the EEA.
Sources: National Competent Authorities, ESMA.

Note: Share of AIF NAV distributed by distribution channel and region. Darker red indicates higher concentration of a specific distribution channel in a specific region. Lighter red indicates lower concentration. CI = Credit Institutions; IF = Investment Firm; Ins = Insurance. Country groupings based on Refinitiv classification. Nordics includes SE, DK, FI, NO, IS, EE; Western Europe includes NL, BE, LU, IE, LI, DE, AT, FR; Southern Europe includes IT, ES, PT, GR, MT, CY; Central and Eastern Europe includes PL, CZ, SK, HU, SI, HR, BG, RO, LT, LV; Non-EEA includes all the countries domiciled outside the EEA.
Sources: National Competent Authorities, ESMA.

This difference is driven by **professional investors.** Two thirds of the AIFs distributed NAV is in funds sold to professional investors-only that often directly purchase them from the manufacturers. Out of this, 70% is directly distributed. For retail investors, AIFs investment, even if marginal compared to UCITS, goes mostly through indirect distribution, namely CIs and IFs (MR-C-S.12, MR-C-S.13).[15] For both fund universes, however, there is substantial variation across the EEA (MR-C.2). These results are in line with a recent EFAMA study (2024). According to EFAMA, most retail investors (81%) access funds through advice-based channels. Banks are the primary distribution channel, accounting for 57% of the fund distribution to retail investors within the EU. There is large heterogeneity across MS.

The findings of the Funds Europe survey are also in line with the above. Advice-based channels, particularly banks and financial advisers, are dominant in the EU fund distribution landscape. However, the distribution structure varies notably across countries influenced by local regulations, market maturity, and investor preferences.[16]

14 Please see the follow-up section on UCITS costs and sample construction.

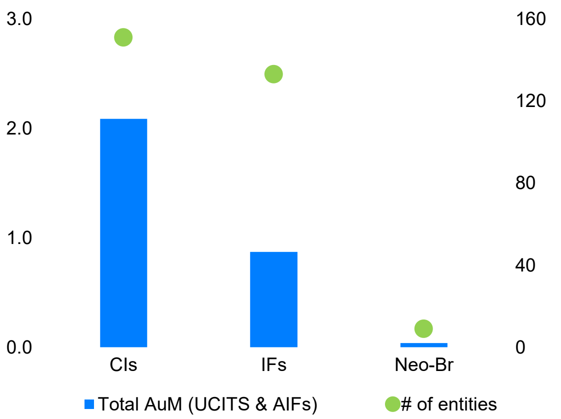
15 Please note that insurance undertakings distributing unit-linked insurance contracts using investment funds as underlying is only captured for a limited number of products. This may lead to underestimation also of the share of indirect distribution on overall distribution. Especially for retail clients, some manufacturers consider the insurer, using their fund as underlying for a unit-linked product, to actually intermediating to distribute its product.

16 Funds Europe, March 2020, Distribution channels.

An earlier study, conducted by Deloitte for the European Commission (EC) in 2018, reached similar conclusions. In most EU countries, retail investors primarily receive advice from non-independent advisors, often recommending a narrow selection of in-house products. Retail investors face difficulties in collecting and comparing information across products.[17]

To have the full picture on the **distribution landscape**, including the type of services offered to clients, we complemented our manufacturers' data with information collected from a sample of distributors based on NCAs judgement.[18] This sample mainly consists of traditional distribution channels (CIs and IFs) that have the largest role as third-party distributors. In our sample, CIs account for 70% of total Assets under Management (AuM) of EEA distributed investment funds (MR-C.3).[19]

MR-C.3 Investment funds distribution channels
CIs and IFs main distribution channels

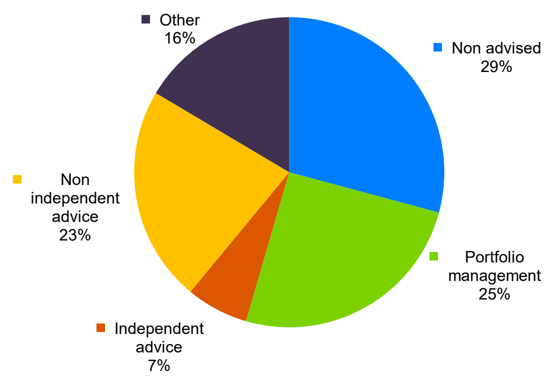


Note: Assets under Management (AuM), in EUR tn, left-hand side (lhs), distributed in UCITS and AIFs and number of entities, right-hand side (rhs), by type of distributor.
Sources: National Competent Authorities, ESMA.

The coverage of insurance undertakings is only partial in this report.[20] **Neo-brokers** are still marginal, but they have seen rapid uptake among retail investors in the EU. ESMA's analysis highlights their growing assets (~ EUR 150 bn in 2023) and appeal, notably for ETFs and equities.[21] Our sample accounts for EUR 38 bn of distributed fund assets by selected neo-brokers or 1% of the total sample of distributed UCITS and AIFs. Our sample covers only a limited share of IFAs. We account for ten entities across 6 countries for a total of around EUR 6 bn in AuM.

Regarding **offered distribution services**, (MR-C.4), advice and non-advised services are the largest categories in our sample accounting respectively for 30% and 29% of the AuM distributed across UCITS and AIFs. Advice mostly takes the form of non-independent advice (23%) and to a lesser extent of independent advice (7%). Portfolio management accounts for 25% of the AuM. These findings, with a larger role for non-advised services and a smaller role for investment advice, are somewhat different than those of the earlier mentioned EFAMA study. Services vary according to distributor type. For CIs, non-independent advice dominates (29%), followed by non-advised and portfolio management (25% each, MR-C-S.19).

MR-C.4 Investment funds distribution service
Non-advised service most represented



Note: Share of fund assets under management (UCITS & AIFs) by distribution service, 2023, % of total fund investment distributed assets.
Sources: National Competent Authorities, ESMA.

Conversely, IFs distribute funds mainly via non-advised and portfolio management services (38% and 25%), with also a significant amount of distribution through advice on an independent basis (22%, MR-C-S.19). There is heterogeneity across countries in the main service provided (MR-C-S.20 and MR-C-S 21).

[17] European Commission, April 2018, Study on the distribution systems of retail investment products.

[18] Please check the Annex on Statistical methods for an overview on the data collection and sample construction.

[19] Please note that insurance undertakings distributing unit-linked insurance contracts are captured in this report for a very limited number of products. This may lead to underestimation of the role of insurance companies as distributors.

[20] Insurances as distribution channel are only very partially covered in box MR-C.22. This does not allow to provide a complete and comprehensive picture. See footnote 11.

[21] ESMA, July 2024, Neo-brokers in the EU: Developments, benefits and risks.

Investment fund costs

Investment funds – UCITS

Summary

The total cost of investing in investment funds is the sum of product-related costs and distribution-related costs. On average, in our sample, the total annual cost of investing EUR 10,000 over 1 year in investment funds goes from EUR 50 for UCITS mainly passively investing in bonds to EUR 200 for UCITS actively investing primarily in equity. Product-level costs are in line with what is reported in the ESMA annual report on costs and performance of retail investment products. In the current report, contrary to our previous analyses, we examine the actual entry and exit fees, in addition to the maximum levels as reported in PRIIPs. This excludes fees charged directly by distributors and not necessarily known by manufacturers. At the aggregate level, based on what manufacturers reported, maximum fees reported in PRIIPs KIDs do not reflect actual fees. For the first time, we provide an analysis on distribution-related costs. Distribution costs for UCITS represent 48% of total costs on average across distribution channels. IFs are the most expensive distribution channel followed by CIs and neo-brokers. This last channel, still limited but growing in the EU, offers mainly execution services which are structurally the cheapest. Conversely, CIs and IFs also provide advice and portfolio management services, which are generally more expensive types of services compared to the others. In commission-based models, for the subset of UCITS paying inducements, inducements represent around 45% of product ongoing costs, on average, across distribution channels.

Total cost to investors

When an investor approaches a distributor to invest in a fund, the regulatory framework foresees **two distinct phases** (MR-C.5). When taking the decision of investing, the investor receives information on the fund product directly through the **PRIIPs KID**, which the manufacturer is required to produce for funds marketed to retail investors.

MiFID II requires annual disclosure on all actual costs and charges related to the financial product and distribution services, with inducements itemised separately (the ex-post reporting is what we received from distributors through our data collection).

MR-C.5 Costs regulatory reporting
PRIIPs and MiFID II regimes

	Cost Type	PRIIPs KID (ex-ante)	MiFID II (ex-post)
Service costs	Advisory	Not covered	Actual fees charged
	Portfolio Mgmt	Not covered	Actual management fees
	Execution Services	Not covered	Actual transaction costs
	Custody Services	Not covered	Actual custody charges
	Research Services	Not covered	Actual research costs
Product costs	One-off Costs	(Max) Entry/exit fees	Actual entry/exit fees
	Ongoing Costs	Mgmt fees, transaction costs	Actual ongoing charges
	Incidental Costs	Perf fees, carried interest	Actual performance fees

Note: Annex VII Commission Delegated Regulation (EU) 2021/2268 and Annex II Commission Delegated Regulation (EU) 2017/565. Annex II lists the costs referred in point a) point b) in Art. 50 2017/565. This article refers to both ex-ante and ex-post disclosure of information but we focus on ex-post that relates to the data we receive from distributors through our data collection.

PRIIPs KIDs focus primarily on product-level costs, including maximum entry and exit fees, ongoing management fees, transaction costs and potential performance fees. This framework excludes though explicit distribution-related costs paid by the investor directly to the distributor. These costs often represent a substantial portion of the total investment expense. **MiFID II** disclosures reveal the complete fee structure actually incurred by the investor.

However, even with disclosures available under both PRIIPs and MiFID II, information fragmentation across regulatory frameworks and the not fully harmonised terminology make it hardly possible for the investor to view cost information in a coherent format enabling comparison between products, thus hampering the taking of fully informed investment decisions.

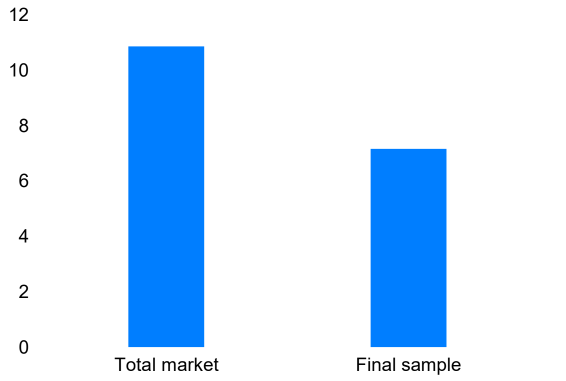
Product costs (ex-ante cost reporting)[22]

Sample construction

This analysis is based on a dataset collected from **734 fund managers** for the year 2023.[23] The UCITS final sample[24] (MR-C.6) reports a total of almost **68,000 SCs** domiciled in the EEA (almost 15,000 distinct UCITS),[25] for about **EUR 7.2 tn NAV** or **66% of total market** as reported by EFAMA statistics end-2023.[26]

Each reporting manager provided information on cost structures for funds at SC level, following either PRIIPs reporting framework or the closest possible reporting framework in case the fund does not issue a PRIIPs KID.[27] The dataset also includes additional dimensions that are crucial for a deeper analysis on costs, such as fund characteristics: asset class, investment strategy, size, launch date, marketing country etc.

MR-C.6 Overall UCITS coverage
UCITS funds sample



Note: UCITS sample size in terms of net asset value, EUR tn. Europe total market size is reported by EFAMA statistics for 2023 and excludes CH, NO, TR, UK. Final sample refers to the sample used for the analysis after the necessary cleaning of the collected sample.
Sources: National Competent Authorities, EFAMA, ESMA.

Annual costs

The data allow for a **distinction by type of investor** (retail or institutional – as assessed by the manager), and **type of management** (active, passive non-ETF and ETFs). 60% of UCITS can be sold to both retail and institutional investors (MR-C.7).

When we **distinguish by asset class and type of management**, the sample of funds sold only to retail investors (especially retail passive funds) is limited. Given this and considering that no statistically significant difference is observed between product ongoing costs (ongoing costs) for SCs sold only to retail and those sold both to retail and institutional investors, we aggregate these two subsamples to form a single larger one when analysing costs.[28]

When focusing on equity, bond and mixed

22 The charts and analyses of this section are based on data provided by UCITS management companies (ManCos). Product costs are based on PRIIPs KID or UCITS KIID reporting in the case of UCITS funds sold to institutional investors who opted not to report under PRIIPs Regulation (see MR-C.5).

23 Out of the 734 fund managers, 369 reported data on UCITS. ESMA registers included around 1,300 UCITS ManCos in July 2025. ManCos of different sizes are included to limit potential biases in the results. See annex on Statistical methods.

24 The sample used for this analysis includes all SCs outstanding. Observations are excluded when: all cost fields are empty or equal to zero; costs are lower (higher) than the 1st (99th) percentile for each cost component separately; NAV not reported or higher than EUR 100 bn at end 2023 or higher than the fund AuM; there is a mismatch between the reported fund's legal framework and asset class (e.g., funds reported first as UCITS and subsequently as AIF: RE). We removed SCs with NAV above EUR 100 bn as no SC in the EU has a NAV higher than EUR 100 bn according to commercial data providers or AIFMD. More details in the annex.

25 Our sample includes investment funds from 26 EU countries and from 2 EEA countries. The annex reports the coverage for each jurisdiction.

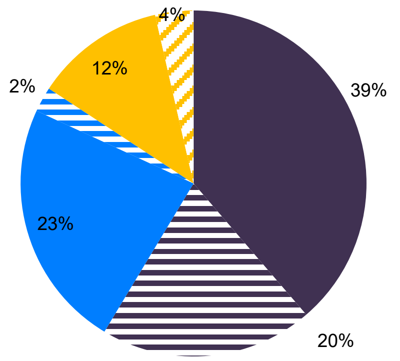
26 EFAMA, January 2024, Investment Fund Industry Fact Sheet. Norway, Switzerland, Turkey and the United Kingdom are excluded. However, the two samples do not perfectly match. Some countries are included in one sample but not in the other (e.g., the EFAMA sample does not include any figure for Estonia, Lithuania or Latvia).

27 UCITS solely marketed to institutional investors have the choice to either issue a PRIIPs KID or a UCITS KIID.

28 Please refer to the annexes on statistical methods for additional details.

UCITS, the **cheapest ongoing costs** are for UCITS mainly investing in bonds and for those SCs sold to institutional investors (EUR 38 or 0.4%, MR-C.8).

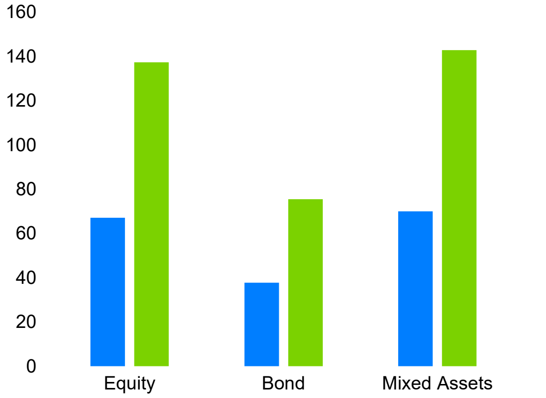
MR-C.7 Final sample by management and client
UCITS mostly sold to both types of investors



Note: EEA UCITS final sample, share of NAV by type of investors and type of management, %.
Sources: National Competent Authorities, ESMA.

For equity and mixed assets, institutional SCs remain cheaper than those sold to both retail and institutional investors. The highest ongoing costs (around 1.4%) are for equity and mixed funds sold to retail and institutional investors.[29]

MR-C.8 Ongoing costs by asset and investor type
Lowest costs for bond UCITS to institutional-only clients



Note: Average ongoing costs for a 10,000 EUR investment at one-year horizon in active funds, by asset type and investor type, in EUR. Averages are weighted by the share classes NAV.
Sources: National Competent Authorities, ESMA.

MR-C.9 Ongoing costs: drivers
What drives ongoing costs to increase or decline?

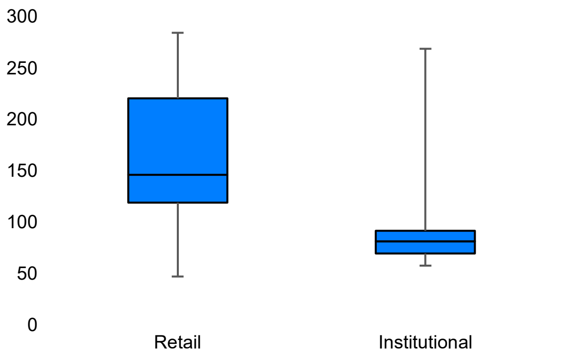
+	-
Asset class (compared to equity)	
Alternative	Bond and money market assets
Type of client (compared to SCs sold to both retail and institutional investors)	
	Institutional
Type of management (compared to active funds)	
	Passively managed funds and ETFs
Geographical focus (compared to global focus)	
Emerging markets, Asia, Africa, Latin and South America	Europe, Euro area, North America
Equity strategies (compared to large caps)	
Small and mid-caps	
Bond strategies (compared to short-term investment grade)	
Long term, high-yield	Government
Mixed fund strategies (compared to equal allocation between equity and bond assets)	
Largest share of equities	Largest share of bonds
Other dimensions	
Age; Being a FoFs; Being a feeder fund	Size

Note: This table presents OLS regression results examining factors affecting fund ongoing costs. The '+' and '-' columns indicate the direction of each variable's relationship with ongoing costs. Positive coefficients suggest costs increase, while negative coefficients suggest costs decrease. The table summarises the output of several regressions and only includes drivers whose coefficient is statistically significant.
Sources: National Competent Authorities, ESMA

[29] Even, if not strictly comparable, these results are in line with previous ESMA analysis. For example, ongoing costs for active equity funds sold to retail and institutional investors were observed to be around 1.3%. See ESMA, 2025, ESMA Market Report on Costs and Performance of EU Retail Investment Products 2024. Also please note that the chart only considers actively managed funds as in our sample, for mixed UCITS, the level of passive investment is negligible.

To obtain a more granular and robust view of the ongoing costs' drivers, we relied on regression analysis.[30] The collected data, in addition to the type of asset, client and management type, also include information on geographical focus and investment strategy, size and age of the SC as well as SFDR disclosures. Several additional key factors emerge as significant **drivers of ongoing costs** of investment funds (MR-C.9). Ongoing costs tend to increase with the age of the SC, suggesting that older SCs may not revise much their historical fees reflecting older market conditions, while newcomers adjust to the competitive environment, trying to attract new clients. Larger SC size brings economies of scale that reduce per-unit costs. Also, ongoing costs are on average higher for funds investing through other funds (i.e., feeder funds or FoFs) given the additional layer of costs these funds bear.

MR-C.10 Average ongoing costs: spread by domicile
Retail equity UCITS large cost heterogeneity



Note: Distribution of equity UCITS ongoing costs averages across jurisdictions by type of client, in EUR. The box represents the interquartile range (25th to 75th percentiles), with the median shown as the central line. The whiskers extend to the minimum and maximum values, illustrating the full range of cost observations.
Sources: National Competent Authorities, ESMA.

A **strong heterogeneity across countries** can be observed when looking at ongoing costs, as previously highlighted in the annual ESMA market report on costs and performance of EU retail investment products. The reasons for these differences include limited granularity (i.e., no information on the costs sub-components and level), a lack of full harmonisation in cost data (i.e., distribution costs can be put under different cost categories including ongoing costs depending on the country of domiciliation) and, in some cases, also specific national rules (i.e., ban on inducements for retail clients in the Netherlands). Thus, average ongoing costs can vary sixfold between the cheapest and most expensive country (MR-C.10). The wide range of values across dimensions suggests that direct comparisons should be treated with caution.

Portfolio geographic diversification also plays a key role. Funds with emerging market exposure have higher costs than those with global mandates, presumably due to the additional research, risk assessment, and operational complexities associated with these markets. This is not the case for funds investing in North America and the European region. Other factors, including the type of marketing (domestic or cross-border) seem to be a weaker driver of the funds' costs dynamics. There is weak evidence[31] that domestic UCITS are, on average, less expensive than cross-border UCITS.

The **strategy** significantly impacts cost structures within each individual asset class. Funds mainly investing in government bonds tend to charge lower fees than those mainly following high-yield strategies. This may reflect the need to have more specialised expertise and increased monitoring required for these riskier asset classes. For equity funds, strategies focused on small and mid-caps have, on average, higher costs. This is likely related to the reduced size and liquidity of these markets, as well as the costlier research and more complex risk assessment. For mixed strategies, funds investing predominantly in equities are associated with higher ongoing costs compared to funds with a balanced allocation or a focus on bonds. This is related to the higher costs of equity investing compared to bonds, as mentioned above (MR-C.9).

One can identify further disparities within asset categories. For instance, **funds disclosing under SFDR Article 9** are associated with higher costs compared to funds disclosing under SFDR Article 8 for equity funds.[32] However, bond funds disclosing under SFDR Article 9 are associated with lower costs compared to funds disclosing under SFDR Article 8.[33]

30 Please see the annex of this report for details regarding the estimation and regression outputs.

31 The difference of costs between domestic and cross-border funds is statistically significant only at 10% confidence level.

32 This is slightly different from the results of the last ESMA market report on costs and performance of EU retail investment products. For equity funds, differences in total expense ratio (TER) among different disclosures were mostly not significant.

33 This is in line with the results of the last ESMA market report on costs and performance of EU retail investment products.

Other recuring costs also **include transaction costs** (disclosed as a stand-alone category in the PRIIPs KID). On average, transaction costs do not appear significantly different between equity, bond and mixed funds. There is also no difference between retail and institutional SCs. On the contrary, passive funds (both ETFs and non-ETFs) are associated with lower transaction costs, probably because of the lower portfolio turnover related to these strategies. Feeder funds and FoFs also display lower transaction costs, a likely consequence of their indirect investment and exposure to markets. Funds investing in areas such as emerging markets or Asia tend to have higher transaction costs, probably related to the additional costs linked to those strategies (e.g., currency conversion, currency hedging).

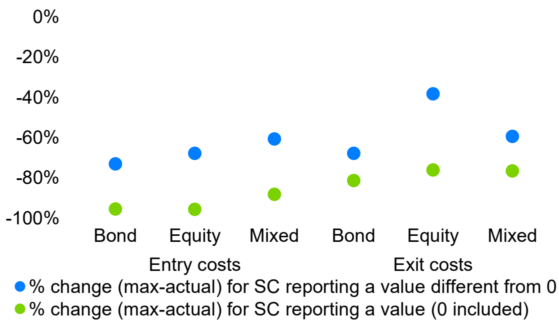
One-off costs: entry and exit fees

PRIIPs KIDs only report **maximum one-off fees**. Those fees represent the highest possible charges that could be applied, rather than the actual fees most investors may pay when investing. A cost analysis based on maximum fees only may imply an overestimation of one-off charges and therefore of the true cost of investment.

Fee structures may vary for several reasons (e.g., volume discounts, different distribution channels, negotiated rates with distributors). Reporting only the maximum fee fails to reflect the competitive market dynamics, making the disclosed figures less relevant to actual investment decisions. The KID is a priori disclosure document, and not a statistical tool aimed at feeding quantitative studies with detailed figures.

MR-C.11 Max and actual one-off fees: difference[34]

Actual costs lower than maximum



Note: Percentage change between the maximum costs, as reported in PRIIPs KID or regulatory document, and actual costs for active equity, bond or mixed UCITS, all investors, %. In both cases, the sample is limited to share classes reporting a value for actual costs. Assuming the actual numbers reported by the manufacturers include also one-off costs levied directly by distributors (which might not be the case) the blue dots could represent a conservative estimate and be interpreted as a lower bound while the green dots could represent an upper bound. SC refers to share classes.
Sources: National Competent Authorities, ESMA.

We collected data from manufacturers on **actual entry and exit fee** they charged, in addition to the maximum levels as reported in the PRIIPs KID.[35] MR-C.11 reports the relative difference between the maximum and actual one-off fees for active equity, bond and mixed UCITS.[36] When the manufacturers charge one-off fees, the actual amounts are between 38% and 96% lower than the maximum amounts disclosed across fund types. This suggests that one-off fees can be highly variable and driven by volumes as well as investors' bargaining power. Yet, this result could also be driven by the fact that actual entry and exit fees levied are not always known by asset managers as they may be directly charged by distributors in practice.[37]

[34] The chart includes one-off fees only charged by manufacturer. This does not capture those one-off fees that could be charged directly by the distributor.

[35] The PRIIPs cost data (as specified in table 2 "composition of costs" of the cost section of the KID) refer to cost "if you exit after 1 year" whereas there was no requirement on actual costs regarding the holding period. Instead, actual costs are the actual amount of entry and exit fees received by the manufacturers in 2023. It was however not possible to assess the magnitude of the margin of uncertainty on the values of exit fees (and therefore one-off costs) resulting from that difference. Please see the annex of the report for additional details.

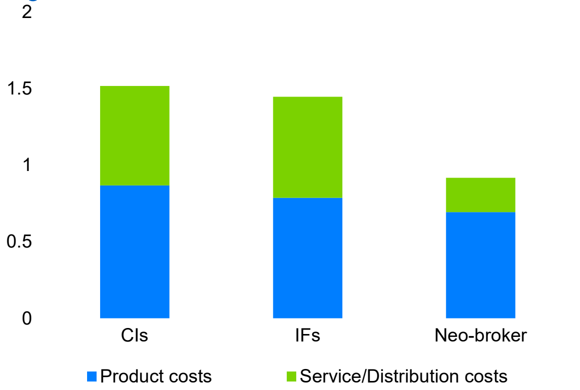
[36] A number of observations were excluded from the sample. This is the case when the amounts received as subscription (redemptions) costs were above the total value of subscriptions (redemptions), or the actual subscriptions (redemptions) costs were above the maximum level as displayed in the regulatory documents. In addition, values above the 99th percentile have been excluded for SCs for which a comparison with costs from legal documents was not doable. Two different estimates, based on two samples, have been produced, representing a range. For UCITS, the first sample includes around 127,000 observations of either actual entry or exit costs, corresponding to almost 20,000 distinct SCs (total NAV distributed of EUR 0.9 tn) while the second sample includes more than 11,000 observations of either actual entry or exit costs, corresponding to around 1,800 distinct SCs (total NAV distributed of EUR 107bn). Please see the annex of this report for additional details.

[37] Manufacturers do not always know the level of one-off fees charged as they are not necessarily the ones collecting those fees. Depending on the contractual arrangements between the manufacturer and the distributor of a given fund (and national specificities), some fees that appear on the product PRIIPs KID are in practice directly levied by the distributor, without the manufacturer being able to know. The one-off fees charged by distributors are included in the total distribution costs analysed in the next section. While we have information on the total costs charged by distributors with some breakdowns by costs components, we do not have information specifically on the amount of one-off fees charged by distributors.

Distribution costs (ex-post cost reporting)[38]

A **sizeable portion of the total investment costs stems from distribution costs**, which are not visible in PRIIPs disclosures but are captured through MiFID II transparency requirements.[39] MiFID II also requires to provide ex-post realised product costs, offering investors insight into the actual fees paid.[40]

MR-C.12 Costs by distributor channel
Higher costs for traditional channels

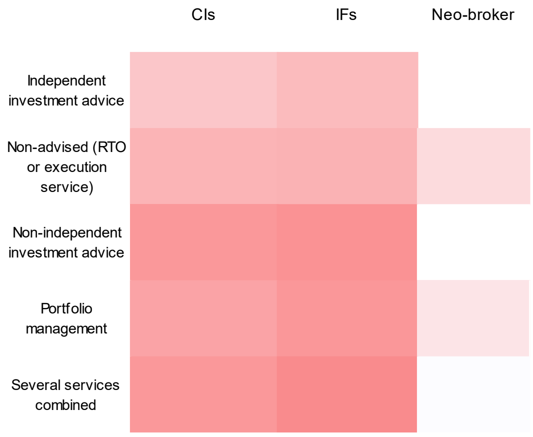


Note: Total costs and associated charges for the financial product (blue) and service/distribution (green), based on MiFID II, Annex II, Tables 1 and 2 classification, by entity type, in %. Equity UCITS excluding ETFs. Retail clients only. Median across EEA distributors.
Sources: National Competent Authorities, ESMA.

According to the data reported by the distributors participating in the data collection,[41] on average, across distributor types and assets, distribution costs are around 0.5% of the amount invested, or 48% of total costs.[42] Traditional distribution channels for intermediated distribution, namely CIs and IFs, are associated with the highest costs.

Focusing on equity active and passive non-ETFs UCITS sold to retail investors, distribution costs for neo-brokers, 0.23%, are around 40 percentage points less than CIs and IFs at 0.66% (MR-C.12). This means that for neo-brokers distribution costs account for around 25% of the total costs. This share increases to around 45% for CIs and IFs. In the case of bond funds, this is even more prominent, especially when looking at IFs, since they report the highest costs both for product and distribution services (MR-C-S.33).

MR-C.13 Distribution costs' drivers
Non-independent investment advice, higher costs



Note: Equity UCITS, distribution costs by type of service, retail investors, in %. The table applies a color-scale formatting to represent values ranging from 0.15% to 0.85%. Lower values are indicated by light pink cells, while higher values are reflected through progressively darker shades of red. When information is not available, cells are left empty (white).
Sources: National Competent Authorities, ESMA.

Higher cost levels for CIs and IFs with respect to neo-brokers, relate to differences in the type of distribution services offered. Services such as investment advice, independent and non-independent, are still mostly concentrated in CIs and IFs. This type of services, especially non-independent advice, together with portfolio management, generally has higher fees (MR-C.13, MR-C-S.66). This also potentially reflects the additional resources required to deliver them (e.g., qualified advisers, product assessment, client suitability assessment).

Conversely, **execution services** are limited to executing clients' instructions without guidance or recommendations. Their streamlined nature allows for significantly lower operating costs, resulting in lower costs for clients. This is the case for neo-brokers whose services entirely focus on providing execution services or – to some extent – portfolio management services, enabling reduced operational costs even though limiting

[38] Please note that costs data provided by distributors of UCITS funds are based on MiFID II/MiFIR reporting of ex-post costs (see MR-C.5).

[39] By combining both regulatory frameworks, we can present a more complete view of total investment costs. This perspective is essential for investors to make fully informed decisions based on the real economic impact of their investment choices, rather than the partial picture provided by the PRIIPs KID in isolation.

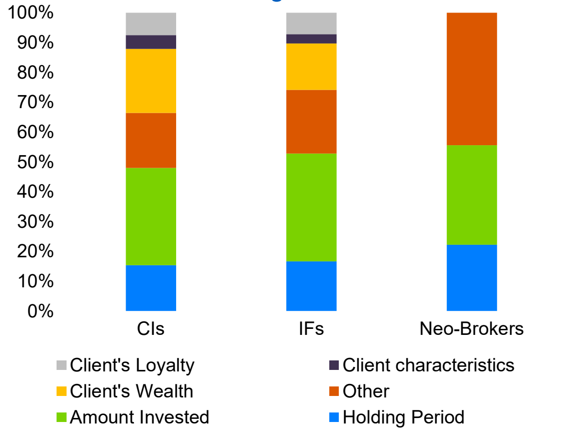
[40] It is important to note that for this report, entry and exit costs have been reported only in cases where the product has been purchased or sold in 2023.

[41] The figures in this section refer to a subsample (34,200) of the SCs considered in the previous section ('Product costs') and originate from the data collected from distributors following the MiFID II costs disclosures requirements. This may justify any slight inconsistency with the costs in previous section.

[42] This is the average across equity, bond and mixed assets, with CIs and IFs as distributors. Our sample of neo-brokers only distributes UCITS equity passive.

their scope. This, combined with their fully digital and standardised app-based platforms, allows them to streamline market access and offer services at significantly lower costs.

MR-C.14 Distribution costs drivers
Amount invested among the main drivers



Note: Costs drivers frequency distribution of mentions by distributors according to the type of distribution channel, in %.
Sources: National Competent Authorities, ESMA.

Among the main **factors driving differences in costs** (MR-C.14), distributors in our sample indicated the amount invested and the holding period among the most relevant reasons driving the level of costs charged to the clients. This seems to confirm the results presented in the scatter plot MR-C-S.48 that shows a negative relation between costs related to distribution services and the amount held in a portfolio. For CIs and IFs client's wealth is stated to have a fair share of impact on the level of costs charged.

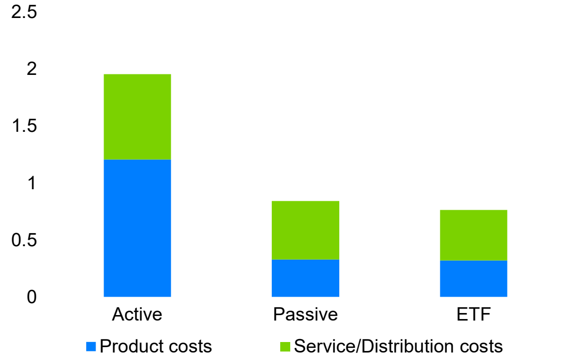
As in previous analyses,[43] **actively managed equity UCITS are more expensive than passive** UCITS non-ETFs or ETFs (MR-C.15).[44] The difference is mostly driven by product costs, significantly higher, 1.2% for active against 0.3% for both passive non-ETFs and ETFs UCITS.[45] The difference in distribution costs is much lower, 0.8% for active UCITS against 0.5% for passive UCITS and a bit more than 0.4% for ETFs. This implies that the share of distribution costs on the total costs an investor pays is higher for passive and ETF equity UCITS (more than 60% compared to active (around 40%).

[43] ESMA, 2025, ESMA Market Report on Costs and Performance of EU Retail Investment Products 2024.

[44] We consider the entire population of ETFs without distinction between active and passive.

[45] This is in line with the last ESMA Market Report on Costs and Performance of EU Retail Investment Products where the average ongoing costs of active equity UCITS was 1.5% and the average of ongoing costs of equity ETFs was 0.2%.

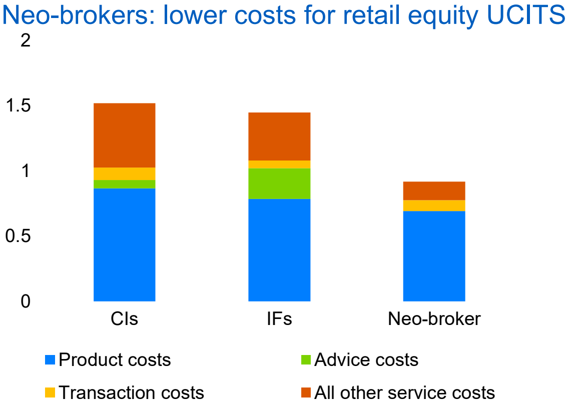
MR-C.15 Total costs by type of management
Distribution costs more similar than product costs



Note: Total costs and associated charges for the financial product (blue) and service/distribution (green), based on MiFID II, Annex II, Tables 1 and 2 classification, by equity fund type, in % of the amount invested. Retail clients only. Equity UCITS only. Median across EEA distributors.
Sources: National Competent Authorities, ESMA.

For **ETFs**, a very relevant cost component, even if not clearly displayed, is the bid-ask spreads. Investors bear these transaction costs directly when trading, with the spread amount varying significantly depending on the underlying asset type, trading platform, and execution timing.

MR-C.16 Distribution costs components
Neo-brokers: lower costs for retail equity UCITS



Note: Total costs and associated charges for the financial instrument (blue) and service/distribution broken down by advice, transaction, other service costs and distributor type, based on MiFID II, Annex II, Tables 1 and 2 classification. in %. Equity UCITS excluding ETFs. Retail clients only. Median across EEA distributors.
Sources: National Competent Authorities, ESMA.

Distribution costs are composed of **advice costs, transaction costs, and other distribution costs** as the residual (i.e., all costs that are neither advice nor transaction)[46]. MR-C.16 reports total costs for equity UCITS sold to retail

[46] From 88 mln observations received, the sample reduces to 80 mln observations. 3 mln observations were excluded because the values on these cost components were not reported at all and 5 million observations were not matched with the share classes from manufacturers. However, numbers may be underestimated owing to the substantial number of zero values reported for each item. In this context, we were unable to distinguish whether the single entity reported zero as true value or zero as

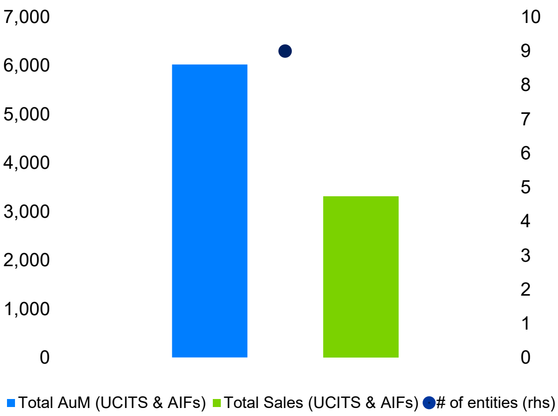
investors including product costs and distribution costs by component.

Regarding **distribution costs**, CIs report the highest total costs followed by IFs. As previously mentioned, advice costs are absent when the distributor is a neo-broker as they do not provide this type of service. Transaction costs range between 0.06% (for neo-brokers) and 0.1%.

MR-C.17 Independent Financial Advisors (IFAs)
Independent intermediaries

IFAs serve as intermediaries between investment product providers and end investors, typically offering advice across multiple product categories including investment funds, insurance-based investments, and structured products.[47] Under MiFID II, IFAs must meet strict independence criteria to use this designation.

MR-C.18 Investment funds distribution: IFAs
Small sample of selected IFAs

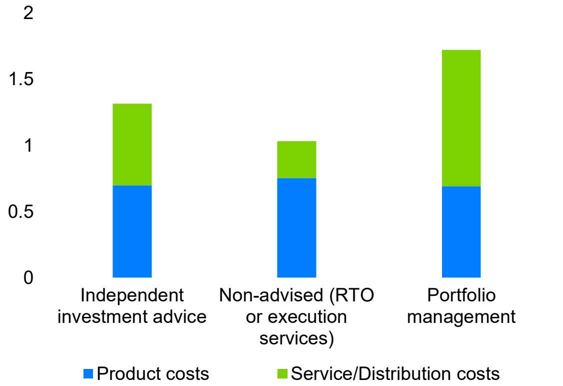


Note: Total assets and total sales in 2023 in investment funds (UCITS & AIFs) of independent financial advisors (IFAs) in the EEA, by domicile of the distributor, EUR mln, number of entities (right-end side, rhs)
Sources: National Competent Authorities, ESMA.

For our analysis, we collected data for the largest IFAs in terms of AuM or number of clients in countries where it was relevant for fund distribution also building on NCAs knowledge of their market. Our sample accounts for 9 entities registered as IFAs across 6 countries (AT, CZ, DE, FI, FR, SE) for a total of just above EUR 6 bn in AuM (MR-C.18) against EUR 4.2 tn for other types of intermediaries (MR-C.3). Compared to other more traditional channels costs of distribution are similar or higher. For equity UCITS non-ETF sold to retail investors, distribution costs related to independent advice are around 0.6%. The lowest distribution costs are in case of execution-only service (MR-C.19).

Unlike non-independent advisers, who may be restricted on the product range they can offer, IFAs can recommend the full spectrum of investment products available on the market. Moreover, there is also higher transparency as IFAs distribution involves explicit and transparent costs rather than hidden subsidies common in other channels.

MR-C.19 IFAs distribution costs by type of service
Portfolio management higher costs



Note: Total costs and associated charges for the financial product (blue) and service/distribution (green), based on MiFID II, Annex II, Table 1 and 2 classification, when distributor are IFAs, by type of distribution service, in %. Equity UCITS non ETF, retail clients only.
Sources: National Competent Authorities, ESMA.

In addition to distribution costs information, we also collected data, from manufacturers, regarding **inducement arrangements.** Inducements are an integral part of the distribution framework. They do not only affect the overall cost structure of investment services, but they also help to explain variations in how products are marketed and offered to clients.

Their **disclosure and reporting obligations are central to ensuring transparency**, as they provide investors with a clearer view of the incentives underlying distribution practices. However, from the current MiFID costs disclosure requirements, it is not explicitly clear how much of each service cost component is paid via inducements.

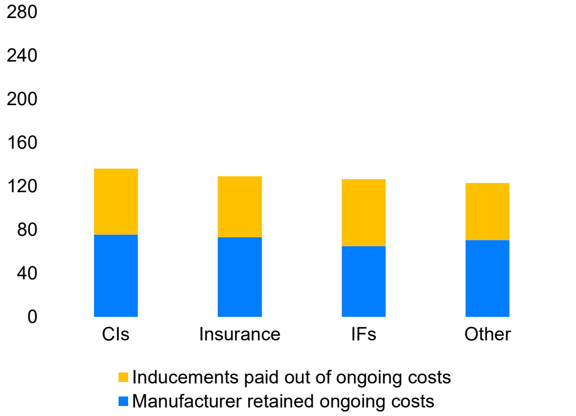
Across Europe, fund manufacturers may have **different arrangements with distributors on payments for inducements**. There can be structured on ongoing costs only, such as management fees, on one-off charges, such as entry or exit fees or on both. The information available to us is considerably more detailed and comprehensive in relation to ongoing costs. Therefore, the analysis presented here focuses solely on the ongoing costs component of product costs.

missing value (instead of leaving the cell blank), hence we did not apply any exclusion. Nevertheless, we still report results given their importance in the distribution chain.

[47] Article 24(7) of Directive 2014/65/EU, IFAs must meet strict independence criteria to use this designation.

MR-C.20 Inducements on ongoing costs

45% of ongoing costs paid to distributors



Note: Amount paid by an investor as ongoing costs on a EUR 10,000 UCITS 1Y investment, divided in what is retained by the manufacturer and what is paid as inducements to the distributor. Median across EEA countries, EUR.
Sources: National Competent Authorities, ESMA

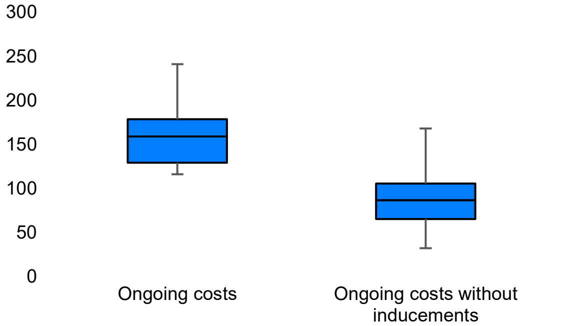
Overall, on average, across distributor channels, for the subset of UCITS ManCos paying inducements, **45% of ongoing costs paid by investors is paid as inducements to distributors** (MR-C.20).[48] Looking at the different distributor channels, IFs receive the highest inducements: 49% of ongoing costs against 45% for CIs. The lowest level of inducements is for other types of distributors (e.g., fund platforms or other digital platforms) who receive around 42%.[49] As from chart MR-C.20, an investor investing EUR 10,000 over one year in UCITS pays, on average across distributors, ongoing costs of EUR 127.[50] Of the amount paid, EUR 62 goes to the distributor and EUR 65 is retained by the manufacturer.

There are several reasons explaining why **inducements are significantly higher for CIs and IFs compared to fund platforms or other digital platforms.** This includes the different business models. CIs and IFs have strong client-based relationships and network, which potentially gives them stronger bargaining power over investment products' manufacturers. An additional important driver is the role of distribution services offered by CIs and IFs: they have a significant advisory role compared to digital platforms mainly offering execution type of services.

As mentioned previously, a **strong heterogeneity of ongoing costs across countries** can be observed, depending on the dominant type of distributors in the MS (i.e., CIs, IFs, neo-brokers). The variability remains when considering the ongoing costs that exclude inducements (MR-C.21).

MR-C.21 Ongoing costs across countries

Significant heterogeneity across MS



Note: Distribution of the median ongoing costs and ongoing costs without inducements paid by investor for a 10,000 investment for equity, bond and mixed UCITS across jurisdictions, in EUR. Sample includes share classes sold to retail and institutional investors and paying rebates. The box represents the interquartile range (25th to 75th percentiles), with the median shown as the central line. The whiskers extend to the minimum and maximum values, illustrating the full range of cost observations.
Sources: National Competent Authorities, ESMA.

A number of factors account for this heterogeneity. Even if subject to a single EU framework, there are **distinct national requirements** that may differ across several aspects, such as local marketing restrictions, country specific requirements, reliance on different distribution channels or different distribution service provided, different tax treatment. This in turn implies that for the same product we might have also different costs across different countries.

Differences in the main distribution channels as well as in the scale and development of national markets can have substantial impact on cost structures and cost levels. Traditional intermediation with extensive branch networks, while offering broader market reach and in-person service, may charge higher distribution

48 The inducements presented in this chart were collected from manufacturers. In particular, manufacturers were required to submit the amount of inducements paid on ongoing costs. The share of ongoing costs paid as inducements is, therefore, the fraction between these payments and the total ongoing costs. The sample used only considers manufacturers that actually pay inducements to distributors. The sample includes just less than 30,000 SCs for a total of EUR 2 tn in distributed NAV. For more details, please refer to the Annex on Statistical methods.

49 As explained in the previous footnote, the inducements presented in this chart were collected from manufacturers. In the analysis of inducements, based on data collected from manufacturers, we are unable to have a distinct category for neo-brokers. They could therefore be captured under CIs or IFs categorisation, but also under Other in case manufacturers referred to them as a different category.

50 Please note that the value refers to the subsample of funds on which inducements are paid.

fees to cover their physical infrastructure. The absence of physical branches and local presence for digital platforms may significantly reduce costs. However, the penetration of these digital channels varies vastly across EU markets.

More market-based countries (i.e., investors primarily trade directly on the market) with larger digital presence are more and more relying on **innovative distribution platforms** than bank-based markets or market with older demographics, lower digital adoption or with investor preferences for physical interaction that still mostly rely on traditional channels.

MR-C.22 Insurance products

UCITS integrated into unit-linked products

Insurance companies do not offer UCITS as standalone investment products. Instead, they can integrate UCITS funds or other eligible assets into insurance-based investment products (IBIPs) that combine investment and insurance components.

Insurance-based investment products (IBIPs) are insurance contracts whose maturity or surrender value depends, directly or indirectly, on market fluctuations. They fall under the scope of the PRIIPs Regulation. This category includes unit-linked (UL) products, profit-participation contracts, and hybrids. [51]

Our sample includes 230 observations (corresponding to 195 distinct UCITS SCs).[52] Those SCs are also sold by insurance undertakings as an investment option within an insurance product. In cooperation with EIOPA we identified the UL products within which the UCITS SCs are sold (e.g., the UCITS in which a consumer purchasing an IBIPs can invest) and analysed the related costs for a very limited number of products included in our sample. We were able to match this extremely small number of SCs that are sold as fund investment and/or part of an insurance wrapper. We extracted from the PRIIPs KIDs of UCITS the reduction in yield (RIY) and EIOPA shared with us the RIY for the insurance product.

UL products generally include an additional range of features than those of traditional investment funds such as insurance coverage in case of death, capital guaranteed, combination of investment funds with life-cycle strategy, resulting in broader costs, possibility to have annuitized pay outs. The main difference lies in the insurance wrapper including costs linked to insurance-specific elements such as distribution commissions, biometric coverage, guarantees, cost of capital, which are not part of the fund-related costs.

Therefore, although the PRIIPs framework provides a common methodology for the calculation of costs and performance across investment products, comparability between UL and other PRIIPs such as UCITS and AIFs remains limited and may result to misleading results if not considering core difference in the products. In addition, we observe, as expected and in line with previous cost analysis from ESMA and EIOPA, a much longer recommended holding period (RHP) for an average UL product (~20 years) than that of a fund (~5-10 years), which affects the RIY calculation. There are few cases though in which the RHP is similar between UCITS and UL product.

In view of these challenges, we followed a less granular approach where we looked at the RIY (as extracted from PRIIPs KID for the single UCITS)[53] for products and the RIY for UL products, including all costs borne by the policy holders. In this sense, we consider the average RIY across the different options for the entire UL product (e.g., UCITS SCs) offered.

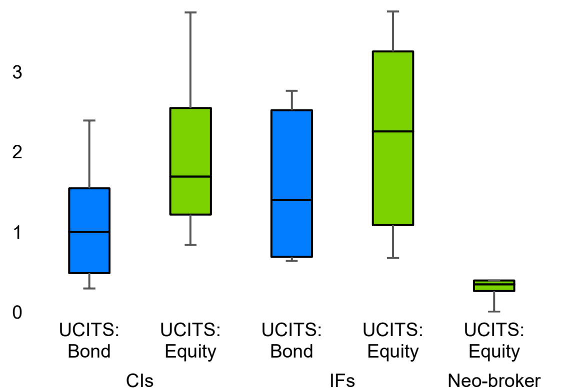
The results from the sample show that the average RIY for UL products across EEA countries is above 2.5%. The average RIY for UCITS is around 1.9%. However, among other reasons, this difference may be explained by the fact that UL products include the above-mentioned additional features.

Distribution cost heterogeneity analysis

When looking at the distribution of total costs, (MR-C.23) there are **notable differences across assets,** distribution channels and countries. There is a substantial level of heterogeneity in distribution costs especially for IFs and CIs.

MR-C.23 Total costs: distribution in the EEA

Heterogeneity by asset and distribution channel



Note: Distribution of total costs across the sample of UCITS distributed in the EEA by type of distribution channel, %. Data collected from distributors, distributors' domicile data. The box represents the interquartile range (25th to 75th percentiles), with the median shown as the central line. The whiskers extend to the 10th (downward bar) and 90th (upward bar) percentiles.
Sources: National Competent Authorities, ESMA.

Costs tend to be far less variable for neo-brokers than for CIs and IFs. This can be largely attributable to their highly standardised digital-

51 EIOPA, 2020, Regulation (EU) No 1286/2014.

52 This sample is a limited sample. For example, only for France, the AMF (2025) identifies more than 21,000 French funds' SCs used for French insurers' unit-linked contracts.

53 Please note however that for investment funds (UCITS and AIFs) the RIY indicator is available only for total costs, as can be seen in the first cost table ("costs over time") of the cost section of the KID (as specified in the PRIIPs Delegated Regulation, Annex VII)

only operating model, easily scalable across borders. Their pricing structures, therefore, are designed to be uniform across MS. CIs and IFs often maintain extensive branch networks, local staff, and country-specific distribution models.

This **heterogeneity is also shown across countries for CIs and IFs** together with a positive trend between total costs and distribution costs.

Summary findings

The total cost of investing includes product-level costs, and distribution costs. **Distribution costs often represent a substantial portion of the total investment expense.** To be able to have the complete fee structure, an investor needs to have access to PRIIPs KIDs, and MiFID II costs and charges disclosures. However, comparing information across these two frameworks proves to be cumbersome, especially for a retail investor, complicating their investment decision.

Product costs analysis

- Results are in line with expectations and previous analyses (i.e., costs and performance report).
- One-off fees: PRIIPs KIDs maximum one-off fees do not reflect actual fees levied by manufacturers.
- Product cost drivers:
  - Management type: Costs are lower for passive non-ETFs and ETFs UCITS.
  - Client and asset type: Among equity, bond and mixed UCITS, those focusing on bonds and sold to institutional investors-only are the cheapest.
  - Product characteristics:
    - Ongoing costs increase with fund age and for funds investing through other funds (i.e., feeder funds or FoFs) but decrease with fund size.
    - Transaction costs are lower for feeder FoFs and higher for funds investing in emerging
  - Domicile: There is strong heterogeneity across countries.

Distribution costs analysis

- Distribution costs are around 48% of total costs, with neo-brokers the cheapest (25%).
- Inducements: around 45% of ongoing costs, when they exist. The level of inducements varies across jurisdictions
- Distribution cost drivers:
  - Management type: Passive equity UCITS and passive ETFs have cheaper product and distribution costs yet differently from active funds, distribution costs are higher than product costs.
  - Client type: Institutional investors pay less than retail clients, especially in terms of distribution costs.
  - Distributor channel:
    - IFs distributing channel is the most expensive for retail, especially when looking at distribution costs.
    - Neo-brokers are the cheapest: focus on equity, ETFs and passive funds only, and only sell to retail clients. Costs of distribution significantly lower than those related to the product, yet they mostly provide execution services and sometimes portfolio management.
    - IFs receive the highest level of inducements: 49% of ongoing costs against 45% for CIs.

Investment funds – AIFs

Summary

For the first time, we are able to document comprehensively the costs of EEA AIFs. On average, in our sample, the total costs (product and distribution) of a EUR 10,000 investment for a retail investor over 1 year go from EUR 144 for AIFs belonging to the Other fund type to EUR 280 for real estate (RE). Retail investment in AIFs constitutes a minor portion: retail investors account for 25% of our total AIF sample and it is mostly focused on more traditional asset classes ('Other'), as well as on Fund of Funds (FoFs) and RE. As for UCITS, maximum entry and exit fees do not reflect the actual entry and exit fees levied by manufacturers. For product costs, institutional investors pay less than retail (institutional share classes (SCs) are between 12% and 56% cheaper depending on the fund type) and riskier fund types are more expensive. The main cost drivers are fund characteristics (e.g., age), type of investors and investment strategy. Distribution costs amount to 27% of total costs, lower than in the case of UCITS but still comparable in monetary value. This difference may be partially related to the different distribution architecture as well as clients' profile. The level of inducements is lower compared to UCITS: inducements to distributors account for 34% of ongoing costs.

Total cost to investors

As also reported in ESMA annual market report,[54] **AIFs are mostly sold to professional investors** (75%) rather than retail (MR-C.25). This also explains the even split between direct and indirect distribution. Moreover, no cost disclosure to regulators is required in the case of AIFs in the context of AIFMD in the Level 1 directive.[55] This (and the low coverage of AIFs by commercial data providers) explains why, so far, in previous analyses we were only able to provide a very limited analysis on costs, focusing on a small sample.

Product costs (ex-ante cost reporting)[56]

Sample construction

This analysis is based on a dataset collected from **734 fund managers** for the year 2023.[57] The final sample for AIFs[58] (MR-C.24) reports a total of almost **20,000 SCs in** the EEA (corresponding to almost 12,000 distinct AIFs),[59] for about EUR

54 ESMA, 2025, ESMA Market Report on Costs and Performance of EU Retail Investment Products 2024.

55 Directive 2011/61/EU Art. 23(i) requires 'a description of all fees, charges and expenses and of the maximum amounts thereof which are directly or indirectly borne by investors. Art. 110(2) details the reporting obligations of an AIFM to competent authorities, including the current risk profile of the AIF and return. Annex IV lays out the reporting templates including those related to the 'Historical Risk Profile' requirements. When AIFs are sold to retail investors and the supervising National Competent Authority (NCA) has opted for pre-notification (art.5(2) of the PRIIPs Regulation), AIFs report a PRIIPs KID to the NCA of the PRIIP.

56 Please note that product costs refer to data provided by AIFMs based on PRIIPs KID reporting or ad-hoc cost reporting following PRIIPs KID categories in the case of AIFs sold to institutional investors who opted not to report under PRIIPs Regulation. The charts and analyses of this section are based on data provided by AIFMs.

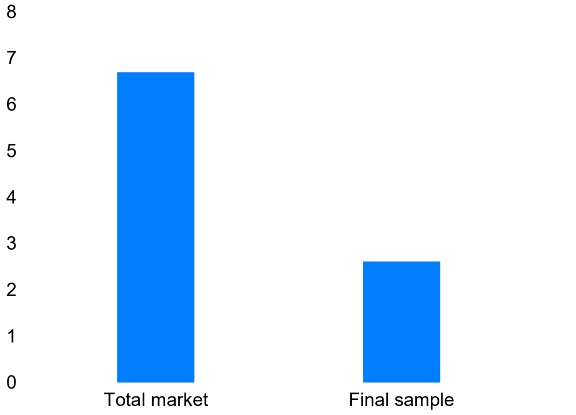
57 Out of these 734 fund managers, 610 reported data on AIFs. In comparison, ESMA registers included around 2,500 AIFMs in July 2025. Management companies of different sizes are included to limit potential biases in the results.

58 The sample used for this analysis includes all share classes (e.g., whether they are distributed within EEA or not). We exclude observations when all cost fields are empty or equal to zero; costs are lower (higher) than the 1st percentile (99th percentile) for each cost component separately; NAV not reported or higher than 100 bn at end 2023 or higher than the fund assets under management; and when there is a mismatch between the reported fund's legal framework and asset class (e.g., funds reported both as UCITS and subsequently as AIF: RE). It was decided to remove SCs with NAV above EUR 100 bn as no SC in the EU has a NAV higher than EUR 100 bn according to commercial data providers or AIFMD. Please refer to the annex of this report to visualise the impact of the different cleaning steps on the sample.

59 It should be clarified that, in the case of AIFs, the reporting that we received from Germany covers the share of AIFs that are actively distributed. The rest of the total AIF market is not actively distributed. Please refer to the annex of this report for an assessment of coverage in terms of number of funds and for details regarding the impact of the different cleaning steps.

2.6 tn NAV or **39% of AIFMD** reporting for end 2023[60].

MR-C.24 Overall AIFs coverage
AIFs funds sample

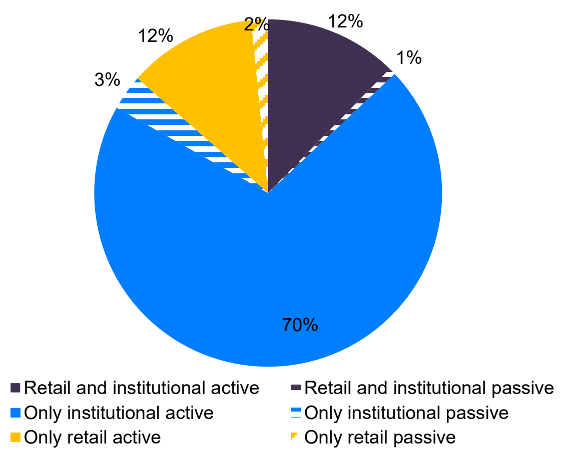


Note: AIF sample size in terms of net asset value, EUR tn. Total market is the EEA market size from the AIFMD reporting at end 2023. Final sample refers to the sample used for the analysis after the necessary cleaning of the collected sample.
Sources: National Competent Authorities, ESMA.

Annual costs

The collected data allow for a **distinction by type of investor** (retail or institutional – as assessed by the manager), and **type of management** (active or passive). Almost 75% of the AIFs are sold only to institutional investors (MR-C.25). Compared to UCITS, a smaller share of AIFs is passively managed (6% vs 26% for UCITS).

MR-C.25 AIF final sample by management and client
AIFs predominantly sold to institutional investors



Note: EEA AIFs final sample, share of NAV by type of investors and type of management, %.
Sources: National Competent Authorities, ESMA.

Given the above and similarly to the methodology applied for UCITS, we consider the populations of 'retail' SCs and 'retail and institutional' SCs as a single one when analysing costs. Among the different fund types[61], AIFs classified as 'Other' sold to institutional investors present the lowest ongoing costs, as expected, in line with ESMA previous findings (MR-C.26).[62]

MR-C.26 Ongoing costs by asset and investor
Lowest costs for other AIFs, institutional-only

Note: Ongoing costs for a 10,000 EUR investment in active AIFs at one-year horizon, by asset type and investor type, in EUR.
Sources: National Competent Authorities, ESMA.

To obtain a more granular and robust view of the ongoing costs' drivers, we relied on regression analysis. The collected data include asset, client and management types, information on the funds' geographical focus, investment strategy and SFDR disclosures as well as the size and age of the share classes.

Several **key factors emerge as significant drivers of ongoing costs** in investment funds, in addition to the type of management and client, (MR-C.27). The regressions confirm that AIFs classified as 'Other' are the cheapest while the difference in ongoing costs between the four other categories is not statistically significant. There is an inverse correlation between age and ongoing costs for AIFs, with older share classes being cheaper on average. This may be related to the fact that the cheapest fund type (i.e., other AIFs) is, on average, older than other funds.[63]

60 The figure used for the comparison is the total NAV of AIFs managed by EEA managers (feeder funds and National private placement regime excluded).

61 The AIF types encompass hedge funds (HF), but also private equity (PE) funds, venture capital, real estate (RE) funds, funds of funds (FoFs) and other AIFs. The residual category of 'other AIFs', 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'.

62 ESMA, 2025, [ESMA Market Report on Costs and Performance of EU Retail Investment Products 2024](#).

63 Other AIFs have on average, been alive for 9 years, while the other types of AIFs have been alive for 7 years or less on average.

Just as for UCITS, the **geographical focus** does influence fees. Funds with emerging market exposure incur higher costs than those with global mandates, while funds investing in Europe are cheaper. Contrary to what was observed for UCITS, there is a clear difference in ongoing costs between domestic AIFs and cross-border AIFs, the latter category being, on average, more expensive. This may also reflect a structural difference in the marketing of UCITS and AIFs: AIFs are mainly sold domestically (64% compared to 20% for UCITS).

MR-C.27 AIFs ongoing costs: drivers

What drives ongoing costs to increase or decline?

+	-
Asset class (compared to other AIFs)	
FoFs, HF, PE, RE	
Type of client (compared to SCs sold to both retail and institutional investors)	
	Institutional
Type of management (compared to active funds)	
	Passively managed funds
Geographical focus (compared to global focus)	
Emerging markets, Africa	Europe
Other dimensions	
Cross-border fund (compared to domestic funds)	Age

Note: This table presents OLS regression results examining factors affecting fund ongoing costs. The '+' and '-' columns indicate the direction of each variable's relationship with ongoing costs. Positive coefficients suggest costs increase, while negative coefficients suggest costs decrease. The table only includes drivers whose coefficient is statistically significant.
Sources: National Competent Authorities, ESMA

One-off costs: entry and exit fees

For the same reasons explained for UCITS, it is relevant to report the **actual fees paid by investors to manufacturers rather than the maximum as reported in regulatory documents**. MR-C.28 reports the relative difference between maximum and actual values[64] of one-off costs for other AIFs, FoFs and RE (as known by the manufacturers).[65] When the manufacturers do charge one-off fees, we can observe a decline ranging from -67% and -96% across fund types between the maximum one-off fees and the actual amount they declare. Yet this result could also be driven by the fact that actual entry and exit fees levied are not always entirely known by asset managers as they may be directly charged by distributors in practice.[66]

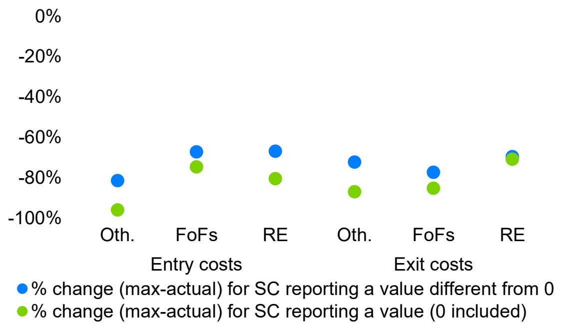
64 The PRIIPs cost data (as specified in the table 2 "composition of costs" of the cost section of the KID) refer to cost "if you exit after 1 year" whereas there was no requirement on actual costs regarding the holding period. Instead, actual costs are the actual amount of entry and exit fees received by the manufacturers in 2023. It was however not possible to assess the magnitude of the margin of uncertainty on the values of exit fees (and therefore one-off costs) resulting from that difference. Please see the annex of the report for additional details.

65 A number of observations were excluded from the sample. This is the case when the amounts received as subscription (redemptions) costs were above the total value of subscriptions (redemptions), or the actual subscriptions (redemptions) costs were above the maximum level as displayed in the regulatory documents. In addition, values above the 99th percentile have been excluded for SCs for which a comparison with costs from legal documents was not doable. Two different estimates, based on two samples, have been produced, representing a range. For AIFs, the first sample includes more than 46,000 observations of either actual entry or exit costs, corresponding to around 5,000 distinct SCs (total NAV distributed of EUR 0.5 tn) while the second sample includes more than 11,000 observations of either actual entry or exit costs, corresponding to almost 500 distinct SCs (total NAV distributed of EUR 94bn). Please see the annex of this report for additional details.

66 Manufacturers do not always know the level of one-off fees charged as they are not necessarily the ones collecting those fees. Depending on the contractual arrangements between the manufacturer and the distributor of a given fund (and national specificities), some fees that appear on the product PRIIPs KID are in practice directly levied by the distributor, without the manufacturer being able to know. The one-off fees charged by distributors are included in the total distribution costs analysed in the next section. While we have information on the total costs charged by distributors with some breakdowns by costs components, we do not have information specifically on the amount of one-off fees charged by distributors.

MR-C.28 Difference between max and actual one-off fees[67]

Actual costs sensibly lower than maximum



Note: Percentage change between the maximum costs, as reported in PRIIPs KID or regulatory document, and actual costs for active other AIFs, FoFs and RE, all investors, %. In both cases, the sample is limited to share classes reporting a value for actual costs. Assuming the actual numbers reported by the manufacturers include also one-off costs levied directly by distributors (which might not be the case) the blue dots could represent a conservative estimate and be interpreted as a lower bound while the green dots could represent an upper bound. SC refers to share classes.
Sources: National Competent Authorities, ESMA.

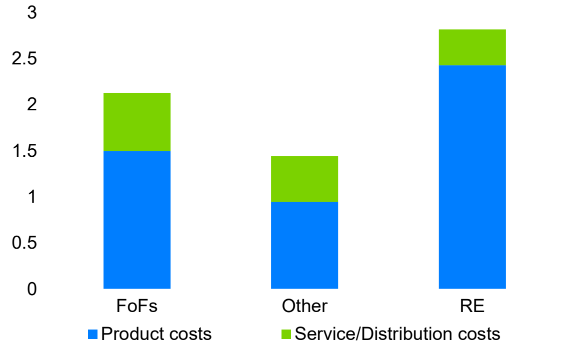
Distribution costs (ex-post cost reporting)[68]

As in the case of UCITS, in order to have a full transparency on the cost structure, we also report on the **distribution expenses for AIFs following MiFID II categorisation**. We collected data on the type of distributors directly from AIFMs, including information on inducements, and data were also collected directly from distributors.[69]

The notably limited reporting of distribution costs for AIFs stems primarily from their **fundamentally different distribution architecture** compared to UCITS. AIFs operate with a considerably lower degree of intermediated distribution. In our sample this accounts for around 50% of the overall AIFs distributed in the EEA (MR-C.S.9). AIFs distribution typically bypasses the complex networks of retail intermediaries, financial advisers, and distribution platforms that characterise UCITS marketing. AIFs predominantly employ direct distribution channels to institutional investors, pension schemes, insurance companies, and sophisticated private clients. This results in a cost reporting landscape where comprehensive data collection proves more challenging.

MR-C.29 Costs by AIF type

Lower share on total costs compared to UCITS



Note: Total costs and associated charges for the financial product (blue) and service/ditribution (green), based on MiFID II, Annex II, Tables 1 and 2 classification, by AIF type, in % of the amount invested. AIFs, types: FoFs, Other and RE. Retail clients only. Median across EEA distributors.
Sources: National Competent Authorities, ESMA.

MR-C.29 reports total costs by type of AIFs focusing on FoFs, RE and Other following AIFMD fund type categorisation. The focus is on these three types because retail investors mainly focus on these categories when investing in AIFs – FoFs and Other more than RE.[70] To note that the residual category 'Other' largely consists of more traditional asset classes (e.g., equity, fixed income).

Intermediated distribution concentrates mostly in CIs and IFs, at a different degree across regions (MR-C.2).[71] Overall, total costs are higher than in the case of UCITS with IFs reporting higher costs both in terms of product-only related costs and of distribution services. To note is the overall lower share of distribution costs on AIFs total costs, 27% on average across distributors, compared to UCITS (MR-C.30). Altogether, all cost components seem to be higher for IFs compared to CIs. In terms of inducements arrangements, CIs report the highest level of inducements compared to the IFs. [72]

67 The chart includes one-off fees charged by manufacturer, ignoring that entry and exit fees could also be charged directly by the distributor.

68 Please note that the data provided by distributors of AIFs are based on MiFID II/MiFIR reporting of ex-post costs. See MR-C.5.

69 The analysis goes along the lines of the one done in the case of UCITS funds. When building our sample, we follow the same steps as done for UCITS. Our final distributor sample counts ~2 mln observations for ~2,750 SCs.

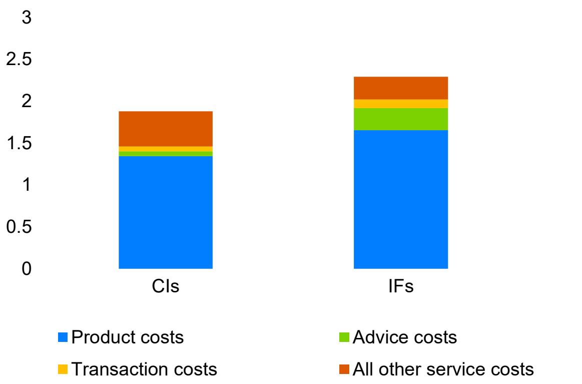
70 Please refer to the annex for professional investors.

71 Please be reminded that only a limited number of life-insurance products are included in this analysis.

72 Please refer to the UCITS section above for the methodology behind the calculation of inducements.

MR-C.30 Distribution costs components

IFs distribution costs higher than CIs

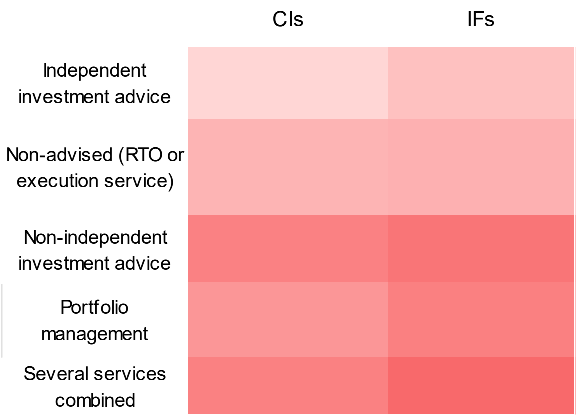


Note: Service/Distribution costs and associated charges broken down in advice, transaction, other service costs by distributor type, based on MiFID II, in %, Annex II, Tables 1 and 2 classification. AIFs: FoF, Other and RE. Retail clients only. Median across EEA distributors.
Sources: National Competent Authorities, ESMA.

As in the case of UCITS, services related to **advice and portfolio management are the most expensive** (MR-C.31). These require a significant level of expertise and market knowledge especially given the potentially higher level of complexity and risks of AIFs products. This also explains the different investor focus: retail for UCITS, professional investors for AIFs.

MR-C.31 Distribution costs' drivers

Highest costs: non-independent advice and multiple services

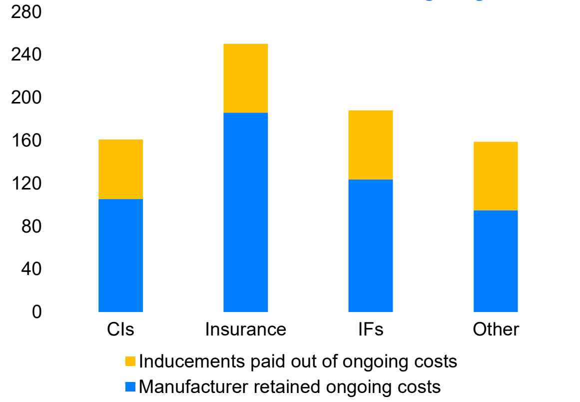


Note: AIFs, FoFs RE and Other, distribution costs by type of service, retail investors, in %. The table applies a color-scale formatting to represent values ranging from 0.4% to 0.85%. Lower values are indicated by light pink cells, while higher values are reflected through progressively darker shades of red.
Sources: National Competent Authorities, ESMA.

The share of inducements that AIFMs pay to distributors is much lower – 34% on average across distribution channels – than for UCITS, (MR-C.32). In monetary amounts, inducements are higher though as ongoing costs are higher for AIFs. For example, AIFs investors pay EUR 188 in ongoing costs on EUR 10,000 investment over one year. Of this, EUR 65 goes to the distributor.[73]

MR-C.32 Inducements on ongoing costs

Inducements, 30% of amount on ongoing costs

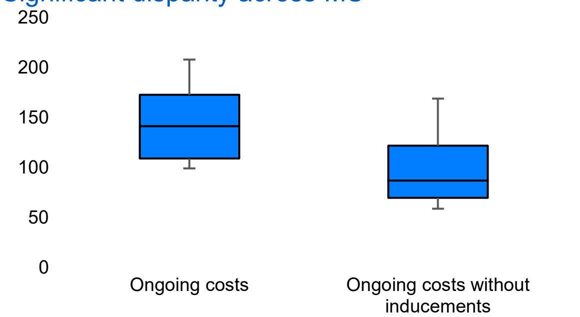


Note: Amount paid by an investor as ongoing costs on a EUR 10,000 1Y AIF investment, divided in what is retained by the manufacturer and what is paid as inducements to the distributor. Median across EEA countries, EUR.
Sources: National Competent Authorities, ESMA

Similarly to UCITS, a **strong heterogeneity of ongoing costs across countries remains**. The variability is still observed when considering the ongoing costs that exclude inducements (MR-C.33).

MR-C.33 Ongoing costs across countries

Significant disparity across MS



Note: Distribution of the median ongoing costs and ongoing costs without inducements paid by investor for a 10,000 investment for other AIFs, funds of funds and real estate AIFs share classes across jurisdictions, in EUR. Sample includes share classes sold to retail and institutional investors and paying rebates. The box represents the interquartile range (25th to 75th percentiles), with the median shown as the central line. The whiskers extend to the minimum and maximum values, illustrating the full range of cost observations.
Sources: National Competent Authorities, ESMA.

Distribution costs drivers

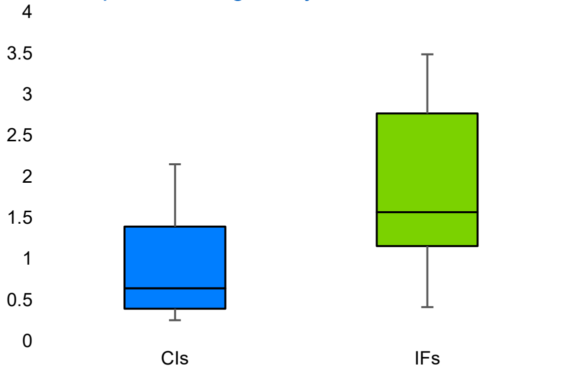
As seen in the UCITS analysis, there are **notable differences in total costs for retail AIFs across distributor types and countries**. Overall, the cross-country comparison confirms the previous findings for AIFs. Distribution costs account for a smaller share of total costs for AIFs compared to UCITS. Also, AIFs distributed by CIs face lower

73 Please note that the value refers to the subsample of funds on which inducements are paid.

costs levels and smaller range variation than IFs (MR-C.34).

MR-C.34 Total costs: distribution in the EEA

CIs cheaper; heterogeneity across countries



Note: Distribution of total costs across the sample of AIFs distributed in the EEA by type of distribution channel, in %. The box represents the interquartile range (25th to 75th percentiles), with the median shown as the central line. The whiskers extend to the 10th (downward bar) and 90th (upward bar) percentiles.
Sources: National Competent Authorities, ESMA.

Moreover, CIs show a greater concentration of total costs across countries, with total costs clustering between 0.5% and 1.4% (compared to 1.3% and almost 3% for IFs, MR-C.34). IFs also mirror similar figures, except for a few countries where distribution costs add up to more than 60% of the total costs.

These trends are mainly due to the **institutional focus of AIFs.** Retail consumers purchasing AIFs can also be sophisticated investors (high net worth individuals). However, given the complex structure and large capital pools managed by AIFs the largest share of costs is included in the product per se. Similarly to UCITS, different business models, technology infrastructures and regulatory requirements could explain the differences in costs between CIs and IFs even across countries.

Summary findings

The total cost of investing includes product-level costs and distribution costs. AIFs reporting is scarcer compared to UCITS: AIFMD does not require cost reporting, PRIIPs KIDs reporting only required if a fund is sold to retail investors and is not exempt according to specific circumstances as laid out in the regulation.

Product costs analysis

— One-off fees: Similarly to UCITS maximum values do not reflect actual values, levied by manufacturers.
— Investors: 75% of AIFs in our sample are sold only to institutional investors and 95% of it is actively managed.
— Product cost drivers: ‘
  – Client and asset type: AIFs classified as ‘Other’ sold to institutional investors present the lowest ongoing costs, as expected, in line with ESMA previous findings.
  – Product characteristics:
  – Contrary to UCITS, there is an inverse correlation between age and ongoing costs for AIFs, with older share classes being cheaper on average.
  – Funds with emerging market exposure incur higher costs than those with global mandates,
  – Cross-border more expensive than domestic funds.

Distribution costs analysis

— Distribution costs are around 27% of total costs.
— Inducements: Inducements are less than 35% of ongoing costs
— Distribution cost drivers:
  – Client type: Institutional investors pay less than retail clients, especially in terms of distribution costs.
  – Distributor channel: IFs distributing channel is the most expensive channel across all components of distribution costs. CIs report a higher level of inducements than IFs.

ESMA supervisory convergence

ESMA supervisory convergence work on the supervision of costs

The following section provides a summary of the convergence work undertaken by ESMA on the topic of supervision of costs, namely on closet indexing, performance fees and undue costs. Furthermore, in order to measure the appropriateness and effectiveness of the criteria set out in the ESMA convergence tools, by means of assessing the impact of the convergence work undertaken and take stock on any type of follow-up actions envisaged/taken at national level, on 14 April 2025 ESMA launched a survey addressed to NCAs. The main results of the survey are described throughout the following segments.

Closet indexing

Closet indexing, also known as "index hugging", refers to the practice of fund managers claiming to manage portfolios actively when in reality the fund stays close to a benchmark. This practice harms investors as they are not receiving the service or risk/return profile they expect based on the fund's disclosure documents while potentially paying higher fees compared to those typically charged for passive management.

ESMA's work on closet indexing started in February 2016 with the publication of a Statement[74] to inform investors about the potential for some equity UCITS to be closet index trackers, following which ESMA and NCAs have committed to additional work on potential closet indexing. Moreover, in March 2019, ESMA published benchmark disclosure Q&As to clarify benchmark disclosure obligations for UCITS.[75]

Throughout the years, ESMA has continuously monitored the fund market and, together with NCAs, have worked to identify potential closet indexers by examining metrics on fund composition and performance; on that basis, NCAs conducted follow-up detailed supervisory work on a fund-by-fund basis. ESMA has also monitored closet indexing activity over time through an ad hoc closet indexing indicator in the ESMA Reports on Trends Risks and Vulnerabilities. In some jurisdictions, NCAs carried out ad hoc analysis.[76]

In 2018 and 2020, ESMA hosted a two one-day workshops with NCAs with the objective of enhancing supervisory convergence in the field of supervision of closet indexing. Moreover, throughout the years ESMA has been tabling various discussions among NCAs to discuss supervisory actions taken in their respective jurisdictions against potential closet indexing funds.

Results of the survey on closet indexing

NCAs were asked to report on the number and type of supervisory actions started and/or carried out against potential closet indexers.

The outcome of the survey showed that, since the publication of the 2019 ESMA UCITS Q&As on benchmark disclosure, at least 344 supervisory actions were started by NCAs.

These mainly consisted in bilateral engagement(s) with fund manager(s) (11 NCAs) and desk research (e.g., gather information about costs in prospectuses and/or websites) (11 NCAs), followed by onsite and/or off-site inspections (nine NCAs) and letter(s) and/or publication(s) addressed to the industry (seven NCAs). One NCA also reported holding a webinar, which covered their own methodology for detecting potential closet indexers, developed in 2021-2022.

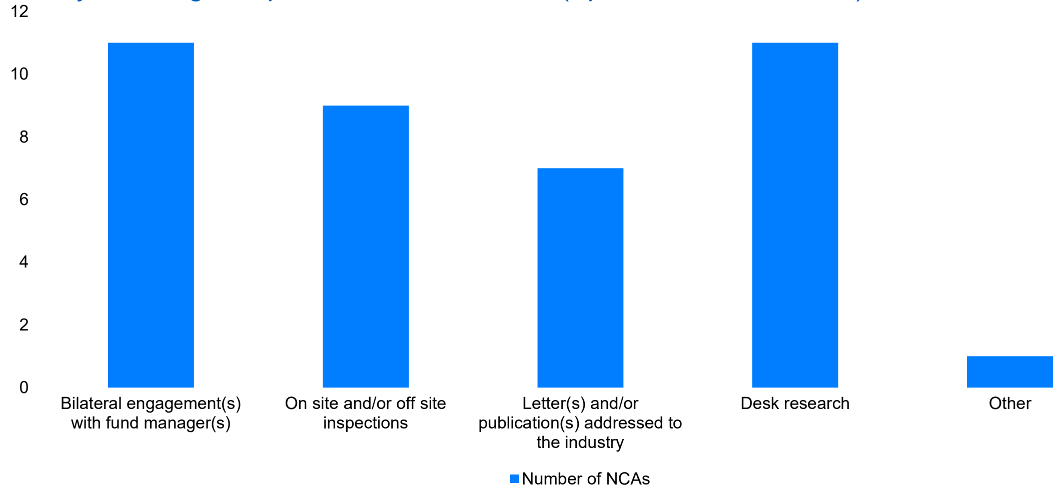
74 Public Statement - Supervisory work on potential closet index tracking

75 ESMA Q&As clarify benchmark disclosure obligations for UCITS

76 For instance, AMF paper on developing a methodology to identify closet index funds even when benchmarks are not disclosed. AMF, Closet index funds: a contribution to the debate in Europe. *AMF working papers series*. July 2018.

MR-C.35 Supervisory actions

Started by NCAs against potential closet indexers (April 2019 - March 2025)



Note: Type of supervisory actions started by NCAs against potential closet indexers (April 2019 - March 2025).
Sources: National Competent Authorities, ESMA.

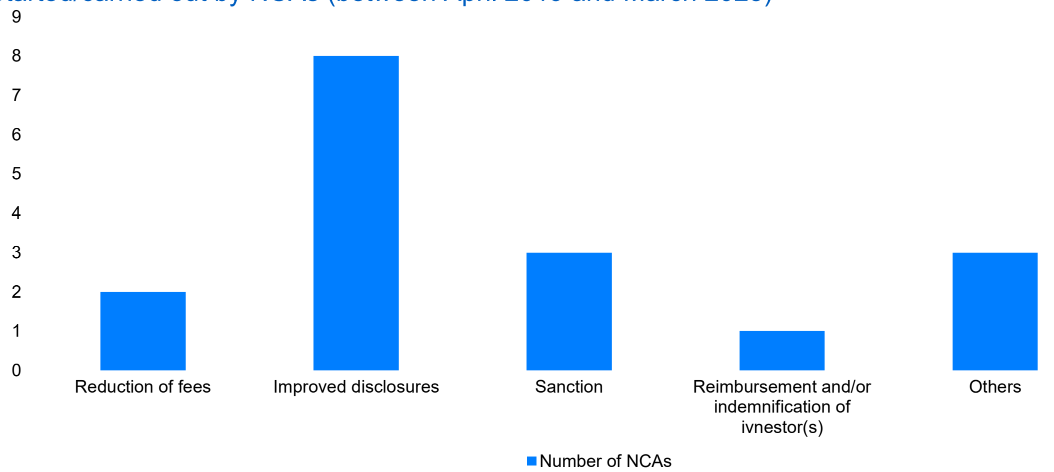
NCAs have reported to have started and/or carried out a total of six enforcement actions in relation to closet indexing, leading up to three sanctions totally amounting to 143,600 Euro. However, in the case of one NCA, the enforcement actions are ongoing, and their results are not known yet.

The most common outcome of supervisory and/or enforcement actions, as reported by NCAs, was improved disclosure (eight NCAs), followed by sanctions (three NCAs), reduction of fees (two NCAs). Other outcomes (three NCAs) included: improved guidance to the industry, satisfactory explanations provided by the fund manager on how the fund was not pursuing closet indexing strategies.

No cases of reimbursement and/or indemnification to investors were reported, except one NCA that indicated that a supervisory action was taken in 2015, which concluded in the Supreme Court in 2020. The outcome was that the fund manager had to compensate investors with approximately 50% of the management fees charged over five years.

MR-C.36 Most common outcomes of supervisory and/or enforcement actions

Started/carried out by NCAs (between April 2019 and March 2025)



Note: Most common outcomes of supervisory and/or enforcement actions started/carried out by NCAs (between April 2019 and March 2025).
Sources: National Competent Authorities, ESMA.

Lastly, seven NCAs issued guidance at national level to complement the work done at ESMA level. This included: an industry letter which followed a thematic review on all authorised UCITS; a regulation issued on the disclosure in the prospectus of the degree of freedom from the benchmark; the amendment of national rules on the organisational requirements for UCITS management companies to introduce an explicit obligation to establish, implement and regularly update policies and procedures for determining the level of fees and costs charged to UCITS investors or borne by the fund.

ESMA Guidelines on performance fees

At the beginning of 2018, ESMA conducted a mapping exercise in order to analyse practices and approaches in all EU member states in relation to some aspects of performance fees. The results showed a lack of harmonisation among EU jurisdictions. Against this background, ESMA decided to carry out further convergence work, which led to the development of the Guidelines on performance fees in UCITS and certain types of AIFs ("the Guidelines").[77]

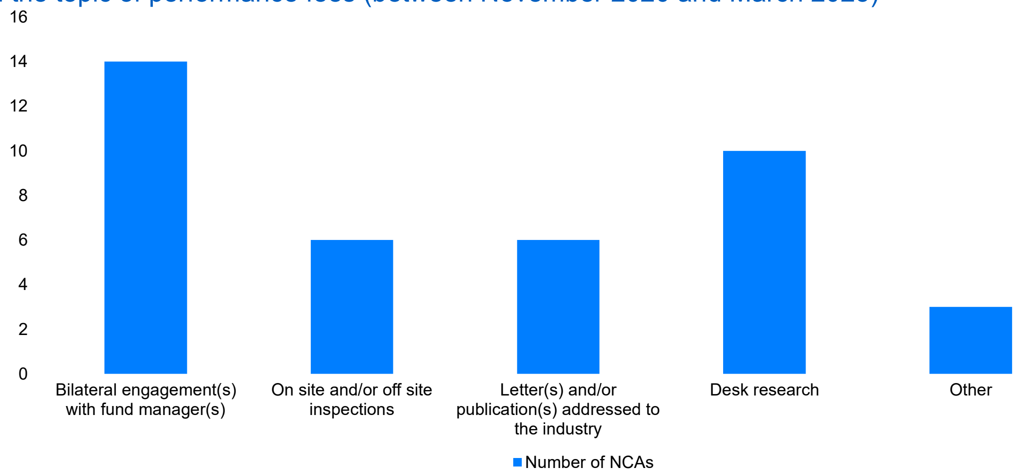
Since the publication of the Guidelines, some questions on operational aspects related to their application have been brought to the attention of ESMA with the view to ensuring convergent approaches among member states. These discussions led to the publication of several UCITS and AIFMD Q&As.[78]

Results of the survey on performance fees

NCAs were asked to report on the number and type of supervisory actions started and/or carried out on the topic of performance fees.

MR-C.37 Type of supervisory actions started by NCAs

On the topic of performance fees (between November 2020 and March 2025)



Note: Type of supervisory actions started/carried out by NCAs on the topic of performance fees (between November 2020 and March 2025).
Sources: National Competent Authorities, ESMA.

The outcome of the survey was that, since the publication of the translations of the Guidelines in November 2020, more than 170 supervisory actions were started by NCAs. These mainly consisted in bilateral engagement(s) with fund manager(s) (14 NCAs), followed by desk research (e.g.: gather information about costs in prospectuses and/or websites) (10 NCAs), on site and/or off-site inspections (six NCAs) and letter(s) and/or publication(s) addressed to the industry (six NCAs). Other supervisory actions (three NCAs) included: annual reporting provided by the management of the funds to the NCA, including information on performance fees; requirement for the fund's statutory auditor to perform specific sample-based procedures to ensure that the fund's performance fees are calculated correctly in accordance with the disclosures in the prospectus; annual market study on fees charged by domiciled funds marketed to retail investors; organisation of a seminar for the local

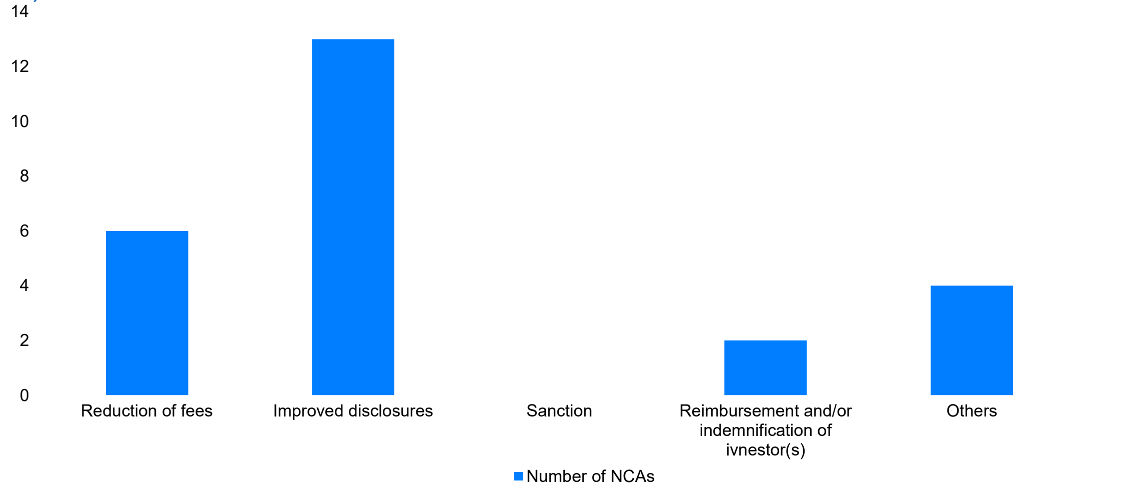
[77] Final_report_guidelines_on_performance_fees.pdf

[78] UCITS Q&As and AIFMD Q&As. The Q&A topics include: the crystallisation period, the performance reference period (first time application, benchmark model, hurdle rate, additional reference indicator), the scope (ELTIFs, registered AIFMs), mergers, creation of new compartment/share class/fund, funds of funds. See the link to the ESMA Q&A tool: Search a question | European Securities and Markets Authority

association of asset management companies. The most common outcome of the supervisory actions, as reported by NCAs, was improved disclosure (13 NCAs), followed by reduction of fees (six NCAs), reimbursement and/or indemnification of investor(s) (two NCAs). Other outcomes (four NCAs) included: change of performance fees structure or modification in accordance with the Guidelines; correction of material errors in the computation of performance fees. One NCA provided a specific support channel to management companies for the application of the ESMA Guidelines on performance fees. While no sanctions were issued, one NCA reported six cases of reimbursements to 636 investors in total, spanning across six investment funds and totalling to approximately 1,500,000 Euro. Another NCA reported two cases leading to a reimbursement of 20,000 Euro to the investors.

MR-C.38 Outcome of supervisory and/or enforcement actions

Started/carried out by NCAs on the topic of performance fees (between November 2020 and March 2025)



Note: Type of outcomes of supervisory and/or enforcement actions started/carried out by NCAs on the topic of performance fees (between November 2020 and March 2025).
Sources: National Competent Authorities, ESMA.

Lastly, six NCAs issued guidance at national level to complement the work done at ESMA level. This included national guidance on the practical implementation of the Guidelines and national guidance to incorporate the ESMA Q&As on the Guidelines. One NCA mentioned that an industry association has issued specific guidance on performance fees, with input from the relevant NCA.

Undue costs

In July 2019 ESMA launched a survey among NCAs on national approaches to the supervision of the cost-related provisions under the UCITS and AIFMD frameworks. This initiative was prompted by ESMA's first annual statistical report on costs and performance of retail investment products, which showed the significant impact of costs on the final returns for investors.[79] The analysis of the responses to the ESMA survey showed a lack of convergence on the way the notion of "undue costs" is interpreted across the EU and on the supervisory approach to the cost-related provisions.

This work led to the publication of the ESMA supervisory briefing on the supervision of costs in June 2020.[80] The supervisory briefing is to be considered by NCAs when supervising cost-related issues, including the duty of not charging undue costs to investors and also gives market participants indications of compliant implementation of the cost-related UCITS and AIFMD provisions.

In this context, the topic of costs and performance of retail investment products was identified as one of the Union Strategic Supervisory Priorities in 2020. [81] Under this Priority, it was agreed that NCA would

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

80 ESMA identifies costs and performance and data quality as new Union Strategic Supervisory Priorities.

81 ESMA launches a Common Supervisory Action with NCAs on the supervision of costs and fees of UCITS

undertake supervisory action in 2021, coordinated by ESMA, on costs and fees charged by fund managers.

Against this background, in January 2021, ESMA launched a Common Supervisory Action (CSA) with NCAs on the supervision of costs and fees of UCITS across the EU/EEA.[82] The CSA's aim was to assess, foster and enforce the compliance of supervised entities with key cost-related provisions in the UCITS framework, in particular the obligation of not charging investors with undue costs.[83]

The outcome of the CSA on costs and fees, whose Final Report was published in May 2022, showed divergent market practices as to what industry reported as "due" or "undue" costs and it evidenced that further legislative specification of the notion of "undue costs" would provide more convergence and a stronger legal basis for NCAs to take supervisory and enforcement actions against the relevant market participants in many cases.

Against this background, in May 2023, ESMA issued an Opinion to the European Commission setting out suggestions for possible clarifications of the legislative provisions under the UCITS Directive and the AIFMD relating to the notion of "undue costs".

ESMA's work on costs and fees also covered the use of Efficient Portfolio Management (EPM) techniques (i.e. securities lending). In 2018 ESMA undertook a Peer Review on the guidelines on ETFs and other UCITS issues. The Peer Review assessed the use of EPM techniques and the level of costs for UCITS employing EPM.[84]

In some jurisdictions, NCAs carried out analyses and market studies to gather information on the characteristics and main developments in national markets.[85]

Results of the survey on undue costs

NCAs were asked to report on the number and type of supervisory actions started and/or carried out on the topic of undue costs.

The outcome of the survey was that, since the publication of the ESMA supervisory briefing on the supervision of costs in June 2020, more than 350 supervisory actions were started/carried out by NCAs. Those mainly consisted in bilateral engagement(s) with fund manager(s) (17 NCAs), followed by desk research (e.g., gather information about costs in prospectuses and/or websites) (16 NCAs), onsite and/or off-site inspections (16 NCAs) and letter(s) and/or publication(s) addressed to the industry (nine NCAs). Other supervisory actions (five NCAs) included: ban of transaction-based fees charged by the management company; analysis of the pricing processes of a sample of UCITS management companies; update of the procedures for the examination of fees at the authorisation stage of new funds/sub-funds, in order to strengthen the scrutiny of costs and fees; annual reporting provided by the management of the fund to the NCA including information on costs and fees; requirement for the fund's statutory auditor to perform specific sample-based checks regarding costs and fees' compliance with prospectus provisions and the underlying contractual agreements; participation by the NCA in conferences with industry participants and associations to address the topic of costs and fees.

82 ESMA, [2021 CSA Final report on costs and fees]

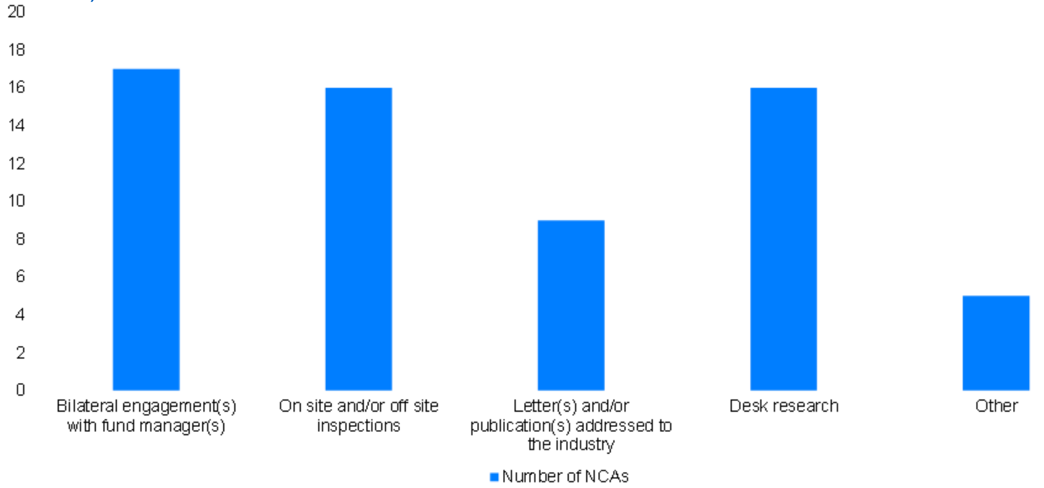
83 [ESMA34-45-1747 Opinion to the EC on undue costs of UCITS and AIFs]

84 As part of the Peer Review follow up in 2023, ESMA assessed NCAs' supervisory activities related UCITS EPM costs., particularly in light of the large variations (from 51% to 95%) in the gross revenues generated by securities lending transactions that were returned to UCITS investors in some jurisdictions. While ESMA positively noted that NCAs had undertaken ad-hoc supervisory work following the market information in the Better Finance report, cases remained where the costs charged to some UCITS were significantly higher in comparison to other UCITS, especially where EPM techniques are carried out by the UCITS management company itself or by their related parties

85 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.

MR-C.39 Outcome of supervisory actions: undue costs

Type of supervisory actions started by NCAs on the topic of undue costs (between June 2020 and March 2025)



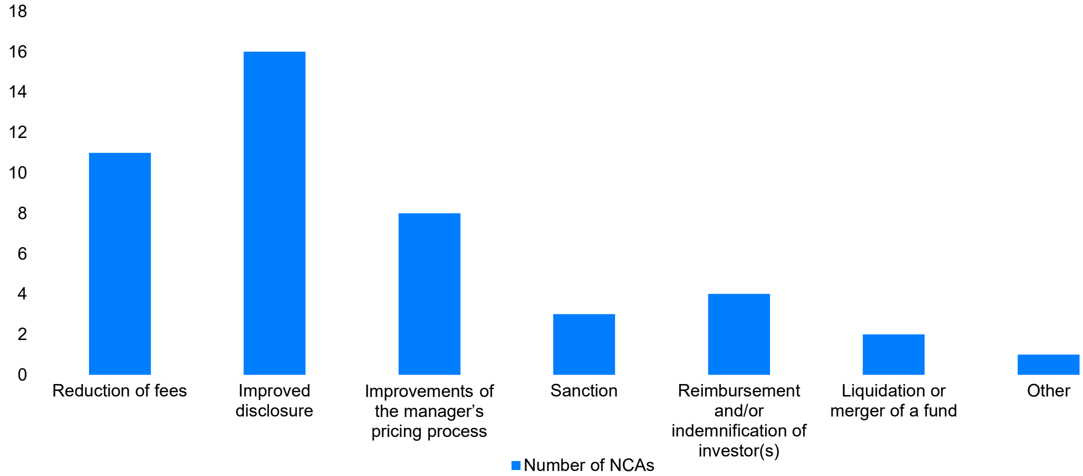
Note: Outcome of supervisory actions: undue costs. Type of supervisory actions started by NCAs on the topic of undue costs (between June 2020 and March 2025).
Sources:National Competent Authorities, ESMA.

NCAs have reported to have started and/or carried out a total of 15 enforcement actions[86] in relation to undue costs, for a total number of three sanctions amounting to about 21,902 Euro. However, in the case of one NCA, one enforcement action is still ongoing, and the outcome is not known yet.

The most common outcome of supervisory and/or enforcement actions, as reported by NCAs, was improved disclosure (16 NCAs), followed by reduction of fees (11 NCAs), improvements of the manager's pricing process (eight NCAs), reimbursement and/or indemnification of investor(s) (four NCAs), sanctions (three NCAs), and liquidation or merger of a fund (two NCAs). Other reported outcomes (one NCA) included: increase of AuM/NAV of the fund to decrease the impact of fixed costs and minimum fees on the cost ratios and change of service providers to reduce the fees / costs paid by the fund for the respective services. The cases of reimbursement and/or indemnification to investors amounted to 24, with one NCA reporting indemnification to investors for a total amount of 2,110,549 Euro.

MR-C.40 Outcome of supervisory and/or enforcement action: undue costs

Types of outcomes of supervisory and/or enforcement actions started/carried out by NCAs on the topic of Undue costs (between June 2020 and March 2025)



Note: Outcome of the supervisory and/or the enforcement action(s) started by NCAs on the topic of undue costs (between June 2020 and March 2025).
Sources: National Competent Authorities, ESMA.

[86] Out of the 15 enforcement actions, 11 enforcement actions were carried out by one single NCA who did not report any financial penalty as a result to those cases.

Lastly, 14 NCAs issued guidance at national level to complement the work done at ESMA level. This included the following: a Q&A on the regular review of the costs/charges by managers; a communication addressed to the industry on some general guiding principles on funds' pricing processes by fund managers; a circular highlighting the consistent calculations of fees and expectations from the NCA; a methodological guidance on funds' fees; an NCA feedback report on the findings identified in the funds' annual closing documents including the main observations and recommendations on costs and fees; a NCA feedback report to the fund industry in relation to the ESMA CSA on costs and fees and the annual NCA activity report, mentioning the NCA's main observations and recommendations for improvements on the topic of costs and fees.

Conclusions

ESMA welcomes the supervisory efforts made by NCAs on the topic of costs and fees and the amount of resources that NCAs have deployed to properly take stock of the market practices in their respective markets and assess whether those practices were against the investors' best interests.

In this context, while the work done by ESMA and NCAs on the topic of closet indexing, performance fees and undue costs, was made on a voluntary basis and was not the outcome of a legislative mandate, the results of the survey show that the ESMA supervisory convergence initiatives on costs were effective enough to prompt NCAs to undertake supervisory actions and, in some limited instances, request investors' reimbursement.

In this context, as already highlighted in the past, ESMA considers that a further legislative specification of the notion of "undue costs" would promote more convergence and offer a stronger legal basis for NCAs to take supervisory and enforcement actions against the relevant market participants in many cases.

ESMA is confident that should legislative changes be made in this respect[87], this would provide NCAs with a stronger legal basis to pursue enforcement actions and require investors compensation. In this context, it is also worth noting that under current requirements, NCAs have the power to enforce against firms who are deemed in breach of their obligations. This is evidenced by the supervisory actions (incl. enforcement actions and reimbursement to investors) already undertaken by NCAs as outlined in this report.

In light of the high investor protection relevance of this issue, it is indeed important that fund managers are obliged to compensate investors in case of costs that have been unduly charged, and also to provide NCAs with an explicit legal basis to require and enforce this requirement, where this is not done by the fund manager at its own initiative.

[87] The European Commission's proposal in the Retail Investment Strategy includes a provision aimed at ensuring investors' reimbursement in case of undue costs were charged. See the proposed amendment to Article 14 of the UCITS Directive and Article 12 of the AIFMD available at the following link: Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directives (EU) 2009/65/EC, 2009/138/EC, 2011/61/EU, 2014/65/EU and (EU) . A suggestion on legislative clarifications on the reimbursement and indemnification to investors where undue costs have been charged, was also included in the ESMA Opinion on undue costs. See, in particular, the proposed addition under Article 98(2) of UCITS Directive and Article 46(2) of the AIFMD, available at the following link: ESMA34-45-1747 Opinion to the EC on undue costs of UCITS and AIFs.

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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
CI	Credit Institution
CMU	Capital Market Union
EA	Euro Area
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
EEA	European Economic Area
EFAMA	European Fund and Asset Management Association
EIOPA	European Insurance and Occupational Pensions Authority
EP	European Parliament
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
FMA	Financial Market Authority
FoFs	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
IF	Investment Firm
IFA	Independent Financial Advisor
KID	Key Information Document
KIID	Key Investor Information Document
ManCo	Management Company
MS	Member states
MiFID	Markets in Financial Instruments Directive
MiFIR	Markets in Financial Instruments Regulation
NAV	Net Asset Value
NCA	National Competent Authority
PE	Private Equity
PRIIPs	Packaged retail investment and insurance products
PPP	Personal pension products
pp	Percentage points
RE	Real Estate
RHP	Recommended holding period
RIY	Reduction in yield
RTS	Regulatory Technical Standards
SFDR	Sustainable Finance Disclosure Regulation
SC	Share class
UCITS	Undertaking for Collective Investment in Transferable Securities

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

ANNEXES

.

Regulatory background

Regulatory provisions

PRIIPs Regulation

The PRIIPs Regulation[88] and its supporting Regulatory Technical Standards (RTS)[89] mandate standardised pre-contractual disclosure through the Key Information Document (KID).

UCITS have a reporting obligation under PRIIPs regulation. PRIIPs requires disclosure of the following cost categories:

- One-off costs: Maximum entry and exit charges.
- Ongoing costs: Management fees, performance fees, portfolio transaction costs
- Incidental costs: Performance fees, carried interest.
- Transaction costs: Both explicit (including broker commissions, taxes) and implicit (market impact).

As from Annex VII in the supporting RTS, the costs are based on an investment amount of 10,000 euro and are reported as:

- A total aggregate cost figure expressed as both monetary amounts and percentages.
- Reduction in Yield (RIY) showing the impact of total costs on investment returns.
- Costs over time displaying costs across different holding periods.
- Costs broken down by type and annual cost impact.

Concerning distribution costs:

- The treatment of distribution costs varies across Member States: These may be included within one-off costs. This means distribution costs, like commissions are bundled into the initial charges when an investor subscribes a product.
- Distribution costs are required to be disclosed if they are known to the PRIIP manufacturer. However, this is not always the case. If not included in one-off costs, distribution costs may also be included in on-going costs. This makes the comparison of costs between two investment funds domiciled in different jurisdictions partial.
- Whether distribution costs are included in one-off or on-going costs, these costs are reported as part of the aggregate cost figure. This means that investors do not necessarily see exactly how much goes to distribution versus other costs.

AIFs do not have the same reporting obligation as UCITS, however when AIFs are sold to retail investors and the supervising NCA has opted for pre-notification (art.5(2) PRIIPs Regulation), AIFs report a PRIIPs KID to the National Competent Authority of the PRIIP.

MiFID II/MiFIR

MiFID II[90] and MiFIR[91], complemented by the Commission Delegated Regulation 2017/565[92] numerous Q&A documents[93], establish cost transparency requirements for investment firms.

MiFID II requires disclosure of:

- All costs and charges related to investment services and ancillary services (what in the report is referred to as distribution costs) including advisory fees and platform fees.
- All costs and charges related to the financial instrument (what in the report is referred to as product costs), including management fees, structuring costs, custodian costs.
- Third-party payments (inducements) are considered as part of costs and charges related to investment services and ancillary services.

Requirements include both ex-ante and ex-post disclosures. Figures should be provided at aggregate level with itemised breakdown on

[88] Regulation (EU) No 1286/2014.

[89] Commission Delegated Regulation (EU) No 2017/653 and Commission Delegated Regulation (EU) No 2021/2268.

[90] Directive 2014/65/EU.

[91] Regulation (EU) 600/2014.

[92] Commission Delegated Regulation (EU) 2017/565.

[93] Q&A on MiFID II and MiFIR investor protection topics.

request. Disclosures require both percentage and monetary amounts.

Focusing on costs, MiFID II requires:

- Distribution costs to be clearly identified as service costs.
- Inducements to be disclosed separately.
- Granularity in cost disclosures with a clear distinction between product and service costs.

Actual costs are reported where available, otherwise a reasonable estimates approach should be followed. Ex-post disclosures are annualised and follow the actual investment amount of the client and not a standardised amount such as in the case of PRIIPs.

AIFMD

The Alternative Investment Fund Managers Directive (AIFMD)[94] establishes a regulatory framework for alternative investment fund managers (AIFMs) operating in the EU. Regarding cost disclosures, it is less prescriptive than PRIIPs or MiFID II/MiFIR. AIFMD does contain important provisions on cost transparency. If anything, cost disclosure requirements can be found in Art.22 and Art.23 of the AIFMD Directive, in Art. 103-111 of the AIFMD Delegated Regulation and related Annex IV including a reporting template for regulatory reporting[95].

AIFMD follows a more principles-based approach compared to PRIIPs and MiFID II/MiFIR and in more flexible format compared to the PRIIPs KID.

Professional investor focus means less emphasis on granular retail-oriented disclosure.

Cost reporting between frameworks

Overall, especially in terms of cost reporting, AIFMD shows a lower degree of cost transparency provisions. It follows a more principles-based approach compared to PRIIPs and MiFID II/MiFIR. Its professional investor focus means less emphasis on granular retail-oriented disclosures.

There are overlapping requirements when an AIF is marketed to retail investors. In this case, when AIFs are sold to retail investors and the supervising NCA has opted for pre-notification (art.5(2) PRIIPs Regulation), AIFs report a PRIIPs KID. Similarly, when distributed through a MiFID firm, it is subject to MiFID II cost transparency requirements.

PRIIPs and MiFID II/MiFIR, are more prescriptive compared to AIFMD, especially in terms of costs reporting. However, differences exist between the two. These include:

- potentially different cost figures across regimes: a 1.8% RIY in the PRIIPs KID, which represents the impact of total costs on returns over the recommended holding period (RHP), is not directly comparable to 2.1% aggregated costs, reported in MiFID II, as certain service costs are not included in the PRIIPs KID.
- Different figure for seemingly identical cost categories: as an illustrative example not related to the analysis above, PRIIPs one-off costs 3% may or may not include costs related to distribution. For the same fund, MiFID provides a breakdown of the 3% costs in 1.5% for product costs and 1.5% distribution.
- Different cost reporting across different investors: a PRIIPs KID refers to costs over a specific RHP for a EUR 10,000 investment in a specific topic. For the same product, MiFID II requires a cost disclosure based on actual invested amounts.

The Commission acknowledged the challenges created by lack of transparency and overlapping regulatory frameworks. It has taken steps toward greater alignment and enhanced transparency across the different regimes:

- Retail Investment Strategy and related legislative proposals and documents.[96]
- The AIFMD and UCITS reviews through Directive (EU) 2024/972 also mandating ESMA to develop the current report.[97]
- The MiFID II/MiFIR review to also account for, increasing digitalisation of investment

[94] Directive2011/61/EU.

[95] Commission Delegated Regulation (EU) No 231/2013.

[96] Retail Investment Strategy..

[97] Directive 2024/927/EU.

services, technological change, and innovation in financial instruments.[98]

MR-C-S.1

EU regulatory fund cost reporting and disclosures to clients

Three cost regimes

PRIIPs	MFID II/MiFIR	AIFMD
	Scope and application	
Applies to manufacturers of packaged retail product instruments (e.g. asset managers, insurers, banks manufacturing structured retail products)	Applies to investment service providers (e.g., distributors, advisors)	Applies to managers of alternative investment funds
Exclusively focused on retail investors	Applies to both retail and professional clients and all financial instruments	Primarily focused on professional investors (although there is retail investment)
Pre-contractual disclosure only	Both pre-contractual and ongoing disclosure	Emphasis on annual reporting
Product-focused, highly prescriptive	Service- and product-focused, detailed yet less prescriptive	
	Treatment of distribution costs	
Distribution costs embedded in aggregate cost figures	Separately identified as service costs	
Not identified in KIDs as separate cost item	Detailed breakdown of distribution-related costs	
No requirement to isolate distribution costs	Explicit separation between product and service costs	Limited specific requirements on costs
Limited transparency on inducement and cost sharing arrangements	Full transparency on inducements and payment flows between parties	
	Methodology and presentation	
Prescribed calculation methodologies	More principle-based approach to calculation	
Update when material changes occur	Annual reporting of actual costs	
Ex-ante reporting	Ex-ante and ex-post disclosures	
Standardised format and scenarios	Personalised to clients	

Note: Cost reporting PRIIPs Regulation, 1286/2014/EU, (EU) No. 2017/653 and (EU) No 2021/2268. MiFID/MiFIR, 2014/65/EU, (EU) No 600/2014. AIFMD, 2011/61/EU, (EU) No 231/2013

98 Regulation (EU) 2024/791.

AIFMD and UCITS Review

In the context of the AIFMD/UCITS review, Art.1 amending Art.12 AIFMD and Art.2 amending Art.14 UCITS require ESMA to submit a report to the European Parliament (EP), the Council and the Commission in October. Such report should:

- Assess the costs charged by UCITS management companies (ManCos) and Alternative Investment Funds Managers (AIFMs) to the investors of the UCITS/AIFs they manage.
- Explain the reasons for the level of those costs.
- Identify any differences in costs, including differences resulting from the nature of the AIFs or UCITS concerned.

For the purpose of this report, and in accordance with Art. 35 of ESMA Regulation[99] (EU) No 1095/2010, the competent authorities shall provide ESMA on a one-time basis with data on costs including all fees, charges and expenses which are directly or indirectly borne by investors, or by the UCITS ManCos or AIFMs in connection with the operation of the UCITS/AIF, and that are to be directly or indirectly allocated to the UCITS/AIF. The NCAs shall make those data available to ESMA within their powers, which include the power to require UCITS ManCos/AIFMs to provide information as granted under Art. 98(2)/46(2) of the Directive.

[99] REGULATION (EU) No 1095/2010.

Statistical methods

Data and statistical methods

Data collection

For this analysis we rely on a data collection both from fund manufacturers i.e., ManCos/AIFMs), and fund distributors (i.e., CIs, IFs, IFAs, neo-brokers). We collected data from 26 EU countries and 2 EEA countries.

The data collection is based on a sample selection aiming to reduce excessive burden on reporting entities while ensuring representativeness for the population of selected ManCos/AIFMs and distributors to guarantee a reliable and comprehensive analysis.

In this sense, ManCos/AIFMs were selected distinguishing by size (large/medium/small) and in such a way to reach a coverage of 50% (30%) of the total of the AuM for large (medium, small) entities in the jurisdiction the ManCo/AIFM belongs to. The criterion of number of entities by jurisdiction was also followed, the aim was to reach a coverage equal to 40% and 20% of the total per jurisdiction for large and medium/small respectively.

For what concerns distributors, the criterion aimed to have a number of large entities whose selection allowed to cover at least 40% of the market, plus at least 5 medium/small sized IFs/ CIs selected by the NCA.

The three largest IFAs, according to AuM or number of clients, were surveyed in those countries where IFAs are relevant for the investment in UCITS and AIFs. Also, a sample of selected neo-brokers was selected. These two last distributor channels are a minority compared to the other within the scope of the report, namely CIs and IFs.

Manufacturers provided information on fund costs. In addition, we also received information on inducements paid by manufacturers to fund distributors, effective entry and exit fees received by manufacturers from investors and not only the maximum levels as reported in regulatory documents, and details on fund characteristics and investment strategy.[100]

Manufacturers were required to report the data at:

a) The management company / AIFM level (assets under management, domicile);
b) The share class level (costs, share class or funds' characteristics);
c) The share class distributor level (characteristics of the distributor and inducements paid to the distributor).

Concerning distribution costs, through the data collection targeting distributors, we obtained information on all costs that are charged by distributors in the distribution of UCITS and AIFs in the EU, including advisory, inducement and transaction fees. The reporting follows MiFID II reporting requirements. Distributors were required to report the following data for our cost analysis:

— Total costs and associated charges for the investment service and/or ancillary services;
— Advice costs;
— Costs related to the transaction;
— Inducements;
— All costs and charges related to the financial product.

Manufacturer analysis

The SC level information allows us to assess the drivers of SCs' costs. Some corrections have been made to the costs and NAV figures when there was a clear issue of unit (the corrections have also been validated to the extent possible with other sources). We also excluded a number of observations:

— When all costs fields were empty or equal to zero;
— When costs were lower than the first percentile or higher than the 99th percentile for each cost component separately (the threshold have been lowered to the 97th percentile for the ongoing costs of AIFs);
— When the NAV was not reported or higher than EUR 100bn at end 2023;
— When the NAV was higher than the fund assets under management;

[100] The information reported relates both to investment funds domiciled in the EU and investment funds domiciled outside the EU which are notified for marketing in the EU, if this information is available.

— When there was a mismatch between the reported fund's legal framework and asset class (e.g., funds reported both as UCITS and subsequently as AIF: real estate).

Our final sample at SC level (b) reports a total of more than 87,000 SCs (corresponding to more than 26,500 distinct funds), for about EUR 9.8 tn NAV. The initial sample included almost 97,000 SCs (corresponding to 30,000 funds).[101]

Regarding the number of management companies / AIFMs (a), our final sample includes observations for 734 distinct management companies / AIFMs. Among those 734 companies, 558 offer at least one SC intended for retail investors only or retail and institutional investors. 75% of these 558 companies offer only one type of SC (i.e., either pure retail SCs or SCs intended for both retail and institutional investors) but only 25% offer both types of SCs. In most cases, retail SCs and retail and institutional SCs are then managed by distinct entities. This is something to consider when comparing the costs of those two types of SCs as differences of costs may be driven by inherent differences at the company level. In addition, our regressions (Ordinary Least Squares regressions with robust standard errors clustered at the level of management company) show that the difference of ongoing costs between SCs sold to retail investors only and SCs sold to both retail and institutional investors is not statistically significant. For these reasons, we have decided to group together those two types of SCs.

At the SC distributor level (c), we received information on the type of distribution and distribution channels for those SCs distributed to clients within the EEA. This accounts for a bit more than 55,800 SCs worth EUR 4.4tn, in terms of AuM, EUR 3.3tn of which UCITS. This equals to around 45% of the total UCITS NAV we received for the analysis on product costs. This is because either part of these funds is distributed outside the EEA or part is sold by sub-distributors (i.e., the manufacturer has no relationship with the end-distributor). We use this information to calculate the amount of distributed NAV and to calculate statistics for inducements paid by the manufacturer to the distributor. On distribution, we sum the total NAV reported by manufacturers grouping the amounts by distribution channel, country of the distributor, fund type (UCITS/AIF) and asset class.

Inducements are calculated averages of median values across domicile of the distributor, asset classes, distribution channel and fund type depending on the charts displayed. We only consider manufacturers that declare they actually pay inducements to distributors. We also do not consider observations whose inducements reported were above 10% of the total investment of EUR 10,000. We also exclude observations whose inducements were reported as zero, given our impossibility to distinguish whether they were true zeros or not reported. This means the statistics on inducements refer to only those manufacturers who reported that they pay non-zero inducements. This boils down to a sample of just less than 30,000 SCs for a total of EUR 2tn in distributed NAV.

We also received information on the actual amount of entry and exit fees received by the manufacturers in 2023. This encompasses one-off fees charged by manufacturer but does not capture those fees that could be charged directly by the distributor. The information provided is the actual amount received and not a percentage. We use the total value of subscriptions or redemptions over the year to calculate the percentage of actual entry and exit costs charged in 2023. A number of observations were excluded from the sample:

- In case the amounts received as subscription (resp. redemptions) costs were above the total value of subscriptions (resp. redemptions);
- If the actual subscriptions (resp. redemptions) costs were above the maximum level as displayed in the regulatory documents.
- Values above the 99th percentile have been excluded for share classes for which a comparison with costs from legal documents was not possible.

This latter exclusion may imply a downward bias in the result.

Two different estimates have been produced, based on two different sub-samples:

- The first one includes only SCs where manufacturers actually charged entry

[101] Assessing the NAV of the initial sample is not possible given the issue with the reporting of some NAV (i.e., the NAV above EUR 100bn have been excluded during the cleaning process).

and exit costs. We therefore exclude observations whose actual one-off fees were reported as zero, given our impossibility to distinguish whether they were true zeros or not reported. This sub-sample includes more than 22,000 observations of either actual entry or exit costs, corresponding to around 2,300 distinct share classes (total NAV distributed of EUR 0.2tn).

– The second sub-sample includes, in addition to SCs that actually charged entry and exit costs, observations for which the reported actual one-off fees are 0. This sub-sample includes more than 173,000 observations of either actual entry or exit costs, corresponding to more than 24,000 distinct share classes (total NAV distributed of EUR 1.4 tn).

Therefore, the two estimates constitute an upper and a lower bound of what was actually charged by manufacturers – however entry and exit fees could also be charged directly by distributors and would not be captured in these figures.

For the two sub-samples mentioned above and for each fund type, we calculate the average of the maximum one-off fees as reported in the PRIIPs KID or other regulatory document and the average of the actual one-off fees.[102] Both averages are weighted by the distributed NAV.

Distributor analysis

All the distributors selected by the NCAs were requested to report data at client's portfolio-ISIN level. The figures reported refer to averages of median values across countries, asset classes, distributor types and fund type depending on the charts displayed. This was a natural choice given the high heterogeneity of distribution costs across different dimensions.

For each cost component, entities were requested to report values in percentage (e.g., if distribution costs were 1% the entity should have reported 1, not 0.01). In instances in which the product costs were misreported, we compared this value with the total ongoing costs reported by the manufacturers. We then retrieved a correction factor by dividing the ongoing costs reported by the product costs reported by the distributor. If the rounded correction factor was close to one hundred, we then multiplied this value by the product cost.

From 88 mln (38,590 SCs) observations received, the sample reduced to 80 mln (34,200 SCs) observations. 3 mln observations were excluded because the values on these cost components were not reported at all and 5 million observations could not be matched with the SCs from manufacturers.

For the calculations on total distribution costs and total product costs, we exclude observations when cost is above the 95th percentile of its own distribution or cost is reported as zero. This is because it is not plausible that the realised total costs paid by the client – product plus distribution costs – is zero.

When looking at service cost components (advice, transaction), we follow a slightly different approach. The reporting figures included a considerable number of zeros for each component. We were unable to distinguish whether the entity reported zero as a true value (free service) or zero as missing value (instead of leaving the cell blank). Hence, we did not apply any exclusion. Given their importance in the distribution chain, however, we performed the analysis with the necessary caveats.

Distributors reported values on inducements as a share of distribution costs after they were deducted from the cost of the financial instrument (as from MiFID II, Annex II, Table 1 and 2). The inducement data reported include also a considerable number of zeros. Therefore, figures could be underestimated. However, inducements show significantly better data coverage than each of the service cost components, with many more non-missing and non-zero values.

Cost drivers: product's costs

To obtain a more granular and robust view of the product costs' drivers, we relied on regression analysis. The regressions are estimated using Ordinary Least Squares (OLS) with robust standard errors clustered at the

[102] It should be noted that the PRIIPs cost data (as specified in the table 2 "composition of costs" of the cost section of the KID) refers to cost "if you exit after 1 year" whereas there was no requirement on actual costs regarding the holding period. Instead, actual costs are the actual amount of entry and exit fees received by the manufacturers in 2023. It was however not possible to assess the magnitude of the margin of uncertainty on the values of exit fees (and therefore one-off costs) resulting from that difference.

level of the management company. The baseline model is as follows:

$$Costs_i = \alpha + \beta_1\ Asset\ Class_j + \beta_2\ Client\ Type_i + \beta_3\ Fund\ Domicile_j + \beta_4\ Fund\ of\ Funds_j + \beta_5\ Currency_i + \beta_6\ Management\ Type_j + \beta_7\ Net\ Assets_i + \beta_8\ Age_i + \beta_9\ SFDR\ Regime_j + \beta_{10}\ Investment\ Area_j + \beta_{11}\ Marketing_i + \beta_{12}\ Costs\ Source_i + \beta_{13}\ ManCo_k + \varepsilon_i$$

where subscript *i* indicates share class level variables, *j* fund-level variables and *k* management company level variables and where:

- $Costs_i$ is the share class costs at end 2023 (we subsequently analyse ongoing costs and transaction costs);
- $Asset\ Class_j$ is the fund's asset class;
- $Client\ Type_i$ is the type of client targeted (it can be either institutional or retail and institutional);
- $Fund\ Domicile_j$ is where the fund is domiciled;
- $Fund\ of\ Funds_j$ is a dummy variable identifying either funds of funds or feeder funds;
- $Currency_i$ is the share class currency;
- $Management\ Type_j$ is the type of management of the fund (it can be either active, passive or ETF);
- $Net\ Assets_i$ is the share class net asset value at end 2023;
- Age_i is the difference (in years) between end 2023 and the share class launch date;
- $SFDR\ Regime_j$ is the fund's disclosure regime under SFDR;
- $Investment\ Area_j$ is the fund main geographical focus;
- $Marketing_i$ is the type of marketing of the share class. We distinguish between share classes sold cross-border (within EU, outside EU or both), share classes sold domestically or round-trip funds (i.e., funds domiciled in Luxembourg or Ireland and sold only in another EU country);
- $Costs\ Source_i$ is a dummy variable indicating if the source of the data is the PRIIPs KIDs or another regulatory document;
- $ManCo_k$ is a dummy variable identifying each management company.

The regressions on UCITS (Tables MR-C-S.2 to MR-C-S.6) show:

- The influence of the different asset classes;
- The lower costs of passive non-ETF and ETFs;
- The lower costs of share classes dedicated to institutional compared to share classes opened to retail investors;
- A positive correlation between ongoing costs and the share classes' age;
- A negative correlation between ongoing costs and share classes' size;
- The influence of the geographical focus and the strategy;
- The higher costs for round-trip funds (i.e., funds domiciled in Luxembourg or Ireland and sold only in another EU country) compared to domestic funds, while there is weak evidence of cross-border funds being more expensive than domestic funds.

The regressions on AIFs (Table MR-C-S.7) show:

- The influence of the different asset classes;
- The lower costs of passive funds;
- The lower costs of share classes dedicated to institutional compared to share classes opened to retail investors;
- A negative correlation between ongoing costs and the share classes' age;
- The influence of the geographical focus.

MR-C-S.2
Regression analysis of OC for UCITS

OLS with clustered robust standard errors	
Dependent variable: ongoing costs	
Alternative	9.120**
Bond	-38.60***
Mixed	-5.039*
Money Market	-82.38***
Other	-9.978
Institutional	-57.67***
Fund of funds	21.69***
ETF	-74.10***
Passive non-ETF	-68.55***
Size	-1.30e-09***
Age	1.246***
Art. 9	3.322
Art. 6	1.113
Africa	31.72***
Developed countries	-1.261
Emerging countries	12.78***
Asia	7.472***
Australia / New Zealand	-29.36***
Canada / US	-4.571***
Euro area	-8.709***
Europe (excl. Euro area)	-8.282**
Europe (incl. Euro area)	-6.929***
Latin America	19.65***
Middle east	61.19**
South America	26.62***
Cross-border EU	12.33*
Cross-border global	4.956
Cross-border outside EU	4.709
Round trip	18.70***
Source costs	5.586
Constant	128.3***
Obs.	60,412
Adj R^2	0.480

Note: *Alternative, Bond, Mixed, Money Market and Other are* dummies taking the value of 1 if a fund belongs to the corresponding asset class, the base class is equity. *Institutional* is a dummy taking the value of 1 if the share class is an institutional share class compared to share classes opened to retail and institutional. *Fund of funds* is a dummy taking the value of 1 if the fund is a feeder fund or a fund of funds. *ETF (Passive non-ETF)* is a dummy taking the value of 1 if a fund is an ETF (Passive non-ETF) fund compared to an active fund. *Size* represents share class size in terms of net assets. *Age* represents the age of the share class calculated as the difference (in years) between end 2023 and the share class launch date. *Art. 9* is a dummy taking the value of 1 if the fund is disclosing under SFDR Article 9 (compared to funds disclosing under SFDR Article 8). *Art. 6* is a dummy taking the value of 1 if the fund is disclosing neither under SFDR Article 8 nor SFDR Article 9 (compared to funds disclosing under SFDR Article 8). *Africa*, *Developed countries*, *Emerging countries*, *Asia*, *Australia / New Zealand*, *Canada / US*, *Euro area*, *Europe (excl. Euro area)*, *Europe (incl. Euro area)*, *Latin America*, *Middle east* and *South America* are dummies taking the value of 1 if the fund invests primarily in the corresponding area (compared to funds investing globally). *Cross-border EU*, *Cross-border global*, *Cross-border outside EU* and *round trip* are dummies indicating the marketing profile of the funds (compared to funds sold domestically). *Source costs* is a dummy taking the value of 1 if the source of the data are not the PRIIPs KIDs but any other regulatory document (compared to PRIIPs KID). The domicile, currency and Asset Management Company variables are hidden from the results. Significance levels are reported: 0.01 (***), 0.05 (**), 0.1 (*).

Source: National Competent Authorities, ESMA

MR-C-S.3
Regression analysis of OC for equity UCITS

OLS with clustered robust standard errors	
Dependent variable: ongoing costs	
Blend small & mid	11.33***
Growth large	2.964
Growth small & mid	6.771
Value large	0.585
Value small & mid	23.25***
Other	-0.534
Institutional	-64.97***
Fund of funds	33.52***
ETF	-89.85***
Passive non-ETF	-83.12***
Size	-1.36e-09*
Age	1.674***
Art. 9	8.684**
Art. 6	0.980
Africa	31.72***
Developed countries	-0.618
Emerging countries	3.610
Asia	7.514***
Australia / New Zealand	-28.90***
Canada / US	-6.454**
Euro area	-7.620***
Europe (excl. Euro area)	-6.993
Europe (incl. Euro area)	-4.487**
Latin America	20.00***
Middle east	63.85**
South America	25.03***
Cross-border EU	17.34**
Cross-border global	7.494
Cross-border outside EU	2.916
Round trip	25.67***
Source costs	-1.552
Constant	230.9***
Obs.	24,503
Adj R^2	0.488

Note: *Blend small & mid, Growth large, Growth small & mid, Value large, Value small & mid and Other are* dummies taking the value of 1 if a fund follows the corresponding strategy, the base strategy is blend large caps. *Institutional* is a dummy taking the value of 1 if the share class is an institutional share class compared to share classes opened to retail and institutional. *Fund of funds* is a dummy taking the value of 1 if the fund is a feeder fund or a fund of funds. *ETF (Passive non-ETF)* is a dummy taking the value of 1 if a fund is an ETF (Passive non-ETF) fund compared to an active fund. *Size* represents share class size in terms of net assets. *Age* represents the age of the share class calculated as the difference (in years) between end 2023 and the share class launch date. *Art. 9* is a dummy taking the value of 1 if the fund is disclosing under SFDR Article 9 (compared to funds disclosing under SFDR Article 8). *Art. 6* is a dummy taking the value of 1 if the fund is disclosing neither under SFDR Article 8 nor SFDR Article 9 (compared to funds disclosing under SFDR Article 8). *Africa*, *Developed countries*, *Emerging countries*, *Asia*, *Australia / New Zealand*, *Canada / US*, *Euro area*, *Europe (excl. Euro area)*, *Europe (incl. Euro area)*, *Latin America*, *Middle east* and *South America* are dummies taking the value of 1 if the fund invests primarily in the corresponding area (compared to funds investing globally). *Cross-border EU*, *Cross-border global*, *Cross-border outside EU* and *round trip* are dummies indicating the marketing profile of the funds (compared to funds sold domestically). *Source costs* is a dummy taking the value of 1 if the source of the data are not the PRIIPs KIDs but any other regulatory document (compared to PRIIPs KID). The domicile, currency and Asset Management Company variables are hidden from the results. Significance levels are reported: 0.01 (***), 0.05 (**), 0.1 (*).

Source: National Competent Authorities, ESMA

MR-C-S.4
Regression analysis of OC for bond UCITS

OLS with clustered robust standard errors	
Dependent variable: ongoing costs	
Corp long term IG	-15.49***
Corp short term HY	-10.22**
Corp short term IG	-34.70***
Govt long term HY	-9.436***
Govt long term IG	-19.03***
Govt short term HY	-30.59***
Govt short term IG	-34.21***
Other	-10.83***
Institutional	-52.29***
Fund of funds	28.66***
ETF	-49.49***
Passive non-ETF	-49.24***
Size	-6.50e-09***
Age	0.912***
Art. 9	-11.75***
Art. 6	-2.069
Developed countries	7.823
Emerging countries	20.38***
Asia	8.797***
Australia / New Zealand	-36.24***
Canada / US	-6.677**
Euro area	-7.528***
Europe (excl. Euro area)	-10.42*
Europe (incl. Euro area)	-7.736***
Latin America	16.45
Middle east	58.08**
South America	17.11***
Cross-border EU	13.23**
Cross-border global	6.170
Cross-border outside EU	8.240
Round trip	12.73**
Source costs	6.285
Constant	141.8***
Obs.	20,7773
Adj R²	0.460

Note: *Corp long term IG, Corp short term HY, Corp short term IG, Govt long term HY, Govt long term IG, Govt short term HY, Govt short term IG and Other are* dummies taking the value of 1 if a fund follows the corresponding strategy, the base strategy is corporate long term HY. *Institutional* is a dummy taking the value of 1 if the share class is an institutional share class compared to share classes opened to retail and institutional. *Fund of funds* is a dummy taking the value of 1 if the fund is a feeder fund or a fund of funds. *ETF (Passive non-ETF)* is a dummy taking the value of 1 if a fund is an ETF (Passive non-ETF) fund compared to an active fund. *Size* represents share class size in terms of net assets. *Age* represents the age of the share class calculated as the difference (in years) between end 2023 and the share class launch date. *Art. 9* is a dummy taking the value of 1 if the fund is disclosing under SFDR Article 9 (compared to funds disclosing under SFDR Article 8). *Art. 6* is a dummy taking the value of 1 if the fund is disclosing neither under SFDR Article 8 nor SFDR Article 9 (compared to funds disclosing under SFDR Article 8). *Developed countries*, *Emerging countries*, *Asia*, *Australia / New Zealand*, *Canada / US*, *Euro area*, *Europe (excl Euro area)*, *Europe (incl Euro area)*, *Latin America*, *Middle east* and *South America* are dummies taking the value of 1 if the fund invests primarily in the corresponding area (compared to funds investing globally). *Cross-border EU*, *Cross-border global*, *Cross-border outside EU* and *round trip* are dummies indicating the marketing profile of the funds (compared to funds sold domestically). *Source costs* is a dummy taking the value of 1 if the source of the data are not the PRIIPs KIDs but any other regulatory document (compared to PRIIPs KID). The domicile, currency and Asset Management Company variables are hidden from the results. Significance levels are reported: 0.01 (***), 0.05 (**), 0.1 (*).

Source: National Competent Authorities, ESMA

MR-C-S.5
Regression analysis of OC for mixed UCITS

OLS with clustered robust standard errors	
Dependent variable: ongoing costs	
Flexible allocation	1.852
>50% ptf invested in bonds	-18.68***
>50% ptf invested in equities	10.57*
Institutional	-63.08***
Fund of funds	12.47*
ETF	-19.47
Passive non-ETF	-79.05***
Size	2.27e-09
Age	0.860***
Art. 9	2.530
Art. 6	5.711
Developed countries	4.733
Emerging countries	16.00***
Asia	18.86*
Canada / US	-2.978
Euro area	-7.164
Europe (excl. Euro area)	-15.61
Europe (incl. Euro area)	-4.756
Latin America	19.79***
South America	62.50*
Cross-border EU	7.331
Cross-border global	-1.788
Cross-border outside EU	6.385
Round trip	8.181
Source costs	18.88
Constant	-0.954
Obs.	8,498
Adj R²	0.439

Note: *Flexible allocation, >50% ptf invested in bd and >50% ptf invested in eq are* dummies taking the value of 1 if a fund follows the corresponding strategy, the base strategy is equal allocation between equities and bonds. *Institutional* is a dummy taking the value of 1 if the share class is an institutional share class compared to share classes opened to retail and institutional. *Fund of funds* is a dummy taking the value of 1 if the fund is a feeder fund or a fund of funds. *ETF (Passive non-ETF)* is a dummy taking the value of 1 if a fund is an ETF (Passive non-ETF) fund compared to an active fund. *Size* represents share class size in terms of net assets. *Age* represents the age of the share class calculated as the difference (in years) between end 2023 and the share class launch date. *Art. 9* is a dummy taking the value of 1 if the fund is disclosing under SFDR Article 9 (compared to funds disclosing under SFDR Article 8). *Art. 6* is a dummy taking the value of 1 if the fund is disclosing neither under SFDR Article 8 nor SFDR Article 9 (compared to funds disclosing under SFDR Article 8). *Developed countries*, *Emerging countries*, *Asia*, *Canada / US*, *Euro area*, *Europe (excl. Euro area)*, *Europe (incl. Euro area)*, *Latin America,* and *South America* are dummies taking the value of 1 if the fund invests primarily in the corresponding area (compared to funds investing globally). *Cross-border EU*, *Cross-border global*, *Cross-border outside EU* and *round trip* are dummies indicating the marketing profile of the funds (compared to funds sold domestically). *Source costs* is a dummy taking the value of 1 if the source of the data are not the PRIIPs KIDs but any other regulatory document (compared to PRIIPs KID). The domicile, currency and Asset Management Company variables are hidden from the results. Significance levels are reported: 0.01 (***), 0.05 (**), 0.1 (*).

Source: National Competent Authorities, ESMA

MR-C-S.6
Regression analysis of transaction costs for UCITS

OLS with clustered robust standard errors	
Dependent variable: transaction costs	
Alternative	16.70***
Bond	-2.365
Mixed	1.084
Money Market	-19.32***
Other	5.397
Institutional	0.368
Fund of funds	-13.85***
ETF	-19.88***
Passive non-ETF	-18.46***
Size	-1.59e-10
Age	-0.100**
Art. 9	-1.556
Art. 6	0.524
Africa	12.10**
Developed countries	-6.747***
Emerging countries	11.19***
Asia	8.720***
Australia / New Zealand	-9.633***
Canada / US	-5.033***
Euro area	-1.357
Europe (excl. Euro area)	-5.686***
Europe (incl. Euro area)	-0.682
Latin America	7.107
Middle east	12.17
South America	20.93*
Cross-border EU	1.620
Cross-border global	3.352***
Cross-border outside EU	1.897
Round trip	-1.248
Constant	55.03***
Obs.	58,754
Adj R²	0.290

Note: *Alternative, Bond, Mixed, Money Market and Other are* dummies taking the value of 1 if a fund belongs to the corresponding asset class, the base class is equity. *Institutional* is a dummy taking the value of 1 if the share class is an institutional share class compared to share classes opened to retail and institutional. *Fund of funds* is a dummy taking the value of 1 if the fund is a feeder fund or a fund of funds. *ETF (Passive non-ETF)* is a dummy taking the value of 1 if a fund is an ETF (Passive non-ETF) fund compared to an active fund. *Size* represents share class size in terms of net assets. *Age* represents the age of the share class calculated as the difference (in years) between end 2023 and the share class launch date. *Art. 9* is a dummy taking the value of 1 if the fund is disclosing under SFDR Article 9 (compared to funds disclosing under SFDR Article 8). *Art. 6* is a dummy taking the value of 1 if the fund is disclosing neither under SFDR Article 8 nor SFDR Article 9 (compared to funds disclosing under SFDR Article 8). *Africa*, *Developed countries*, *Emerging countries*, *Asia*, *Australia / New Zealand*, *Canada / US*, *Euro area*, *Europe (excl. Euro area)*, *Europe (incl. Euro area)*, *Latin America*, *Middle east* and *South America* are dummies taking the value of 1 if the fund invests primarily in the corresponding area (compared to funds investing globally). *Cross-border EU*, *Cross-border global*, *Cross-border outside EU* and *round trip* are dummies indicating the marketing profile of the funds (compared to funds sold domestically). The domicile, currency and Asset Management Company variables are hidden from the results. Significance levels are reported: 0.01 (***), 0.05 (**), 0.1 (*).

Source: National Competent Authorities, ESMA

MR-C-S.7
Regression analysis of OC for AIFs

OLS with clustered robust standard errors	
Dependent variable: ongoing costs	
Funds of funds	36.39***
Hedge funds	40.99***
Private equity	37.14***
Real estate	40.22***
Institutional	-39.38***
ETF	23.63
Passive non-ETF	-22.74**
Size	-3.19e-09
Age	-0.652**
Employee fund	-11.67
Art. 9	10.80
Art. 6	0.553
Africa	98.52***
Developed countries	-7.018
Emerging countries	25.72**
Asia	6.233
Australia / New Zealand	8.737
Canada / US	2.046
Euro area	-9.312
Europe (excl. Euro area)	-22.62***
Europe (incl. Euro area)	3.296
Latin America	-12.93
Middle east	21.99
South America	-57.99****
Cross-border EU	23.81***
Cross-border global	28.69***
Cross-border outside EU	22.40***
Round trip	10.70
Source costs	-1.333
Constant	110.4***
Obs.	16,854
Adj R²	0.389

Note: *Funds of funds, Hedge funds, Private equity, and Real estate are* dummies taking the value of 1 if a fund belongs to the corresponding asset class, the base class is other AIFs. *Institutional* is a dummy taking the value of 1 if the share class is an institutional share class compared to share classes opened to retail and institutional. *ETF (Passive non-ETF)* is a dummy taking the value of 1 if a fund is an ETF (Passive non-ETF) fund compared to an active fund. *Size* represents share class size in terms of net assets. *Age* represents the age of the share class calculated as the difference (in years) between end 2023 and the share class launch date. *Art. 9* is a dummy taking the value of 1 if the fund is disclosing under SFDR Article 9 (compared to funds disclosing under SFDR Article 8). *Art. 6* is a dummy taking the value of 1 if the fund is disclosing neither under SFDR Article 8 nor SFDR Article 9 (compared to funds disclosing under SFDR Article 8). *Africa*, *Developed countries*, *Emerging countries*, *Asia*, *Australia / New Zealand*, *Canada / US*, *Euro area*, *Europe (excl Euro area)*, *Europe (incl Euro area)*, *Latin America*, *Middle east* and *South America* are dummies taking the value of 1 if the fund invests primarily in the corresponding area (compared to funds investing globally). *Cross-border EU*, *Cross-border global*, *Cross-border outside EU* and *round trip* are dummies indicating the marketing profile of the funds (compared to funds sold domestically). *Source costs* is a dummy taking the value of 1 if the source of the data are not the PRIIPs KIDs but any other regulatory document (compared to PRIIPs KID). The domicile, currency and Asset Management Company variables are hidden from the results. Significance levels are reported: 0.01 (***), 0.05 (**), 0.1 (*).

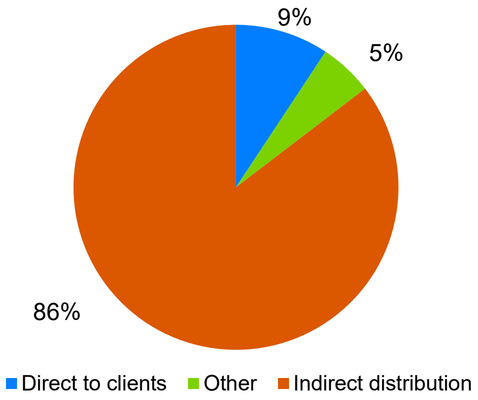
Source: National Competent Authorities, ESMA

Statistical annex

Distribution channels

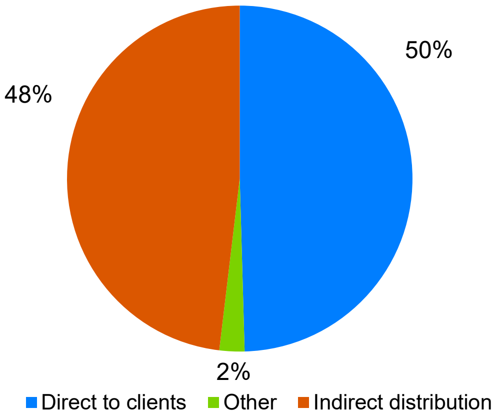
Distribution channels overview

MR-C-S.8
UCITS distribution channels



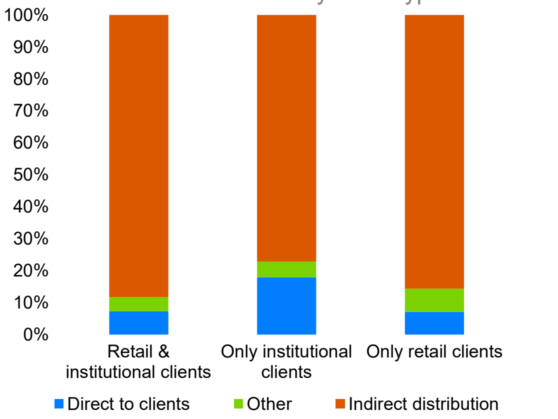
Note: Share of UCITS AuM distributed in the EEA by distribution channel, %.
Sources: National Competent Authorities, ESMA.

MR-C-S.9
AIFs distribution channels



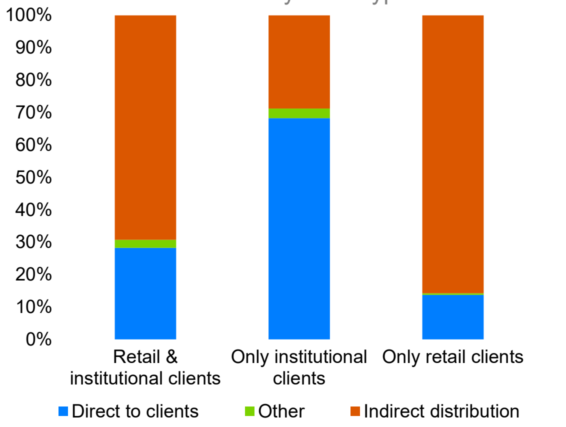
Note: Share of AIFs AuM distributed in the EEA by distribution channel, %.
Sources: National Competent Authorities, ESMA.

MR-C-S.10
UCITS distribution channels by client type



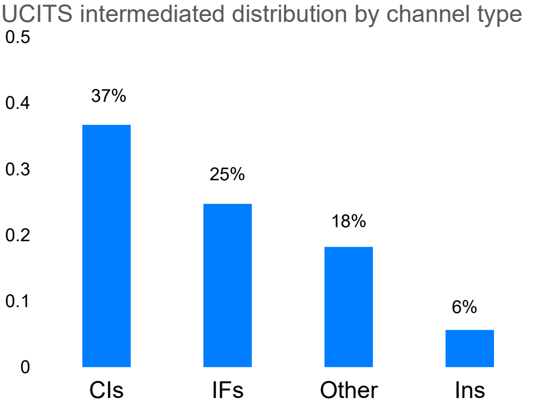
Note: Share of UCITS AuM distributed in the EEA by distribution channel and client type, %.
Sources: National Competent Authorities, ESMA.

MR-C-S.11
AIF distribution channels by client type



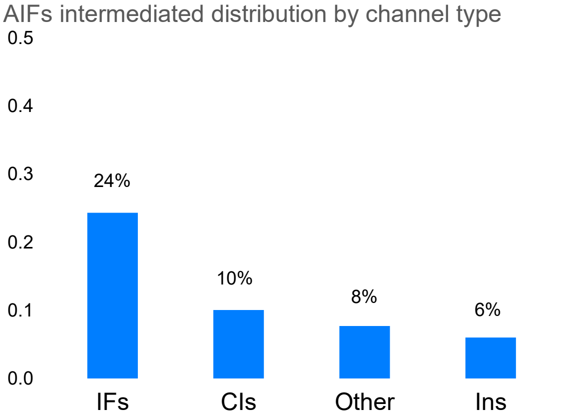
Note: Share of AIFs AuM distributed in the EEA by distribution channel and client type, %.
Sources: National Competent Authorities, ESMA.

MR-C-S.12
UCITS intermediated distribution by channel type



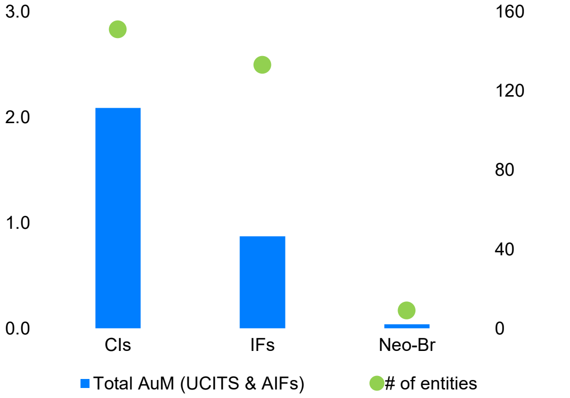
Note: Share of UCITS AuM distributed in the EEA in % of total intermediated distribution by distributor type.
Sources: National Competent Authorities, ESMA.

MR-C-S.13
AIFs intermediated distribution by channel type



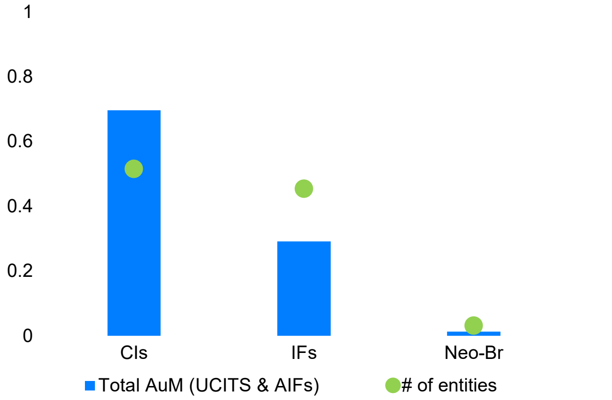
Note: Share of AIFs AuM distributed in the EEA in % of total intermediated distribution by distributor type.
Sources: National Competent Authorities, ESMA.

MR-C-S.14
estment funds distribution channels



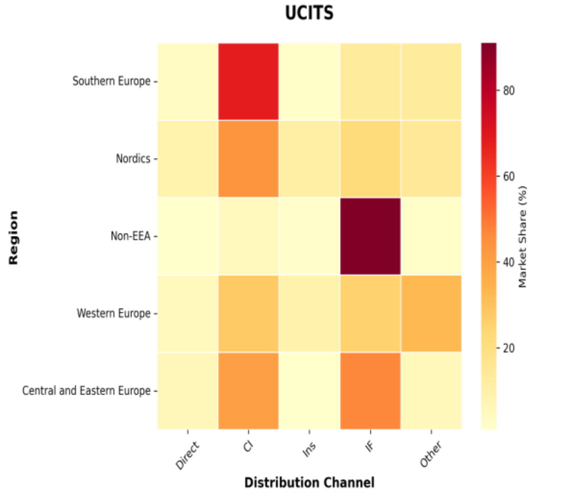
Note: Assets under Management (AuM), in EUR tn, left-hand side (lhs), distributed in UCITS and AIFs and number of entities, right-hand side (rhs), by type of distributor.
Sources: National Competent Authorities, ESMA

MR-C-S.15
are of distribution channels



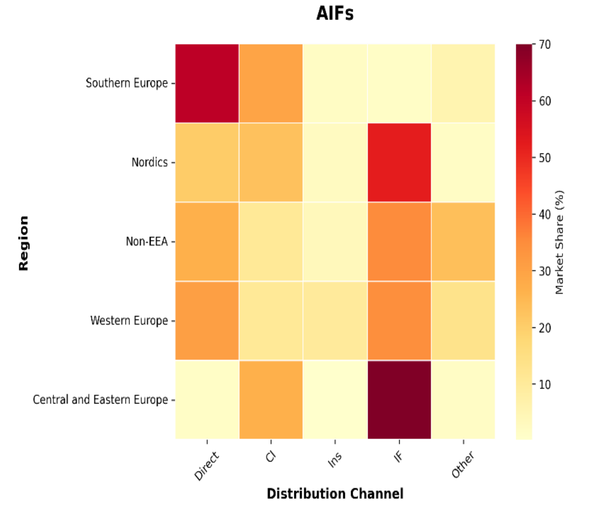
Note: UCITS distributed in the EEA by distributor type, share of total Assets under Management (AuM), histogram, and share of total number of entities, dots, in %.
Sources: National Competent Authorities, ESMA

MR-C-S.16
ITS distribution channels by region



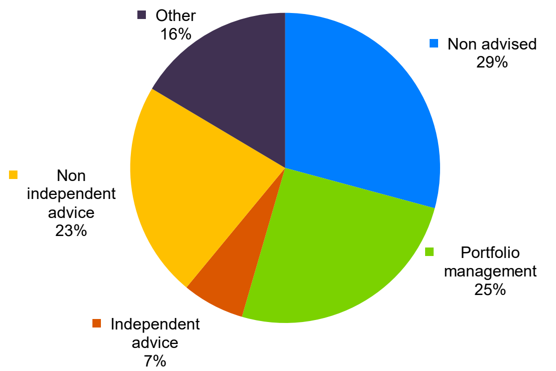
Note: Share of UCITS NAV distributed, by distribution channel and region. Darker red indicates higher concentration of a specific distribution channel in a specific region. Lighter red indicates lower concentration. CI = Credit Institutions; IF = Investment Firm; Ins = Insurance. Country groupings based on Refinitiv classification. Nordics includes SE, DK, FI, NO, IS, EE; Western Europe includes NL, BE, LU, IE, LI, DE, AT, FR; Southern Europe includes IT, ES, PT, GR, MT, CY; Central and Eastern Europe includes PL, CZ, SK, HU, SI, HR, BG, RO, LT, LV; Non-EEA includes all the countries domiciled outside the EEA.
Sources: National Competent Authorities, ESMA.

MR-C-S.17
's distribution channels by region



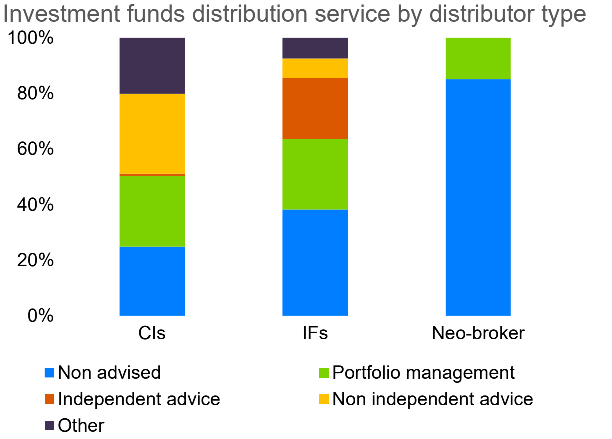
Note: Share of AIF NAV distributed by distribution channel and region. Darker red indicates higher concentration of a specific distribution channel in a specific region. Lighter red indicates lower concentration. CI = Credit Institutions; IF = Investment Firm; Ins = Insurance. Country groupings based on Refinitiv classification. Nordics includes SE, DK, FI, NO, IS, EE; Western Europe includes NL, BE, LU, IE, LI, DE, AT, FR; Southern Europe includes IT, ES, PT, GR, MT, CY; Central and Eastern Europe includes PL, CZ, SK, HU, SI, HR, BG, RO, LT, LV; Non-EEA includes all the countries domiciled outside the EEA.
Sources: National Competent Authorities, ESMA.

MR-C-S.18
Investment funds distribution services



Note: Share of fund assets under management (UCITS & AIFs) by distribution service, 2023, % of total fund investment distributed assets.
Sources: National Competent Authorities, ESMA.

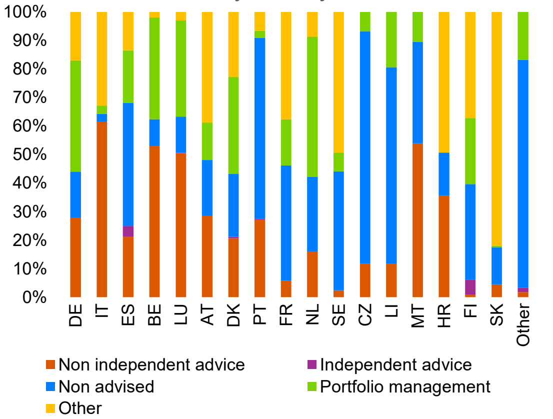
MR-C-S.19
Investment funds distribution service by distributor type



Note: Assets under Management distributed in UCITS and AIFs by type of distribution service provided, in %. CI= Credit, Institution, IF = Investment Firm.
Sources: National Competent Authorities, ESMA.

MR-C-S.20

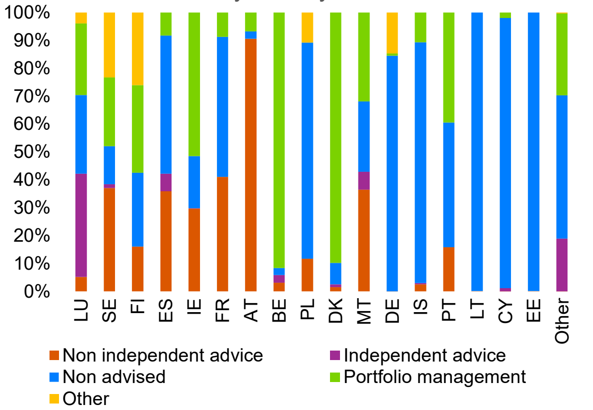
Distribution services by country: CIs



Note: Share of Assets under Management distributied in UCITS and AIFs by type of distribution service provided and country of distributor, in %. Credit institutions only.
Sources: National Competent Authorities, ESMA.

MR-C-S.21

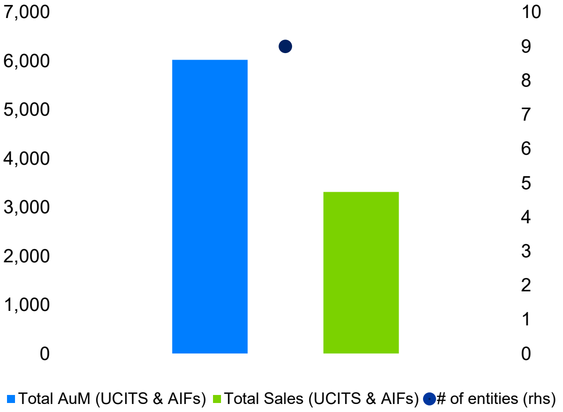
Distribution services by country: IFs



Note: Share of Assets under Management distributied in UCITS and AIFs by type of distribution service provided and country of distributor, in %. Investment firms only.
Sources: National Competent Authorities, ESMA.

MR-C-S.22

Investment funds distribution: IFAs

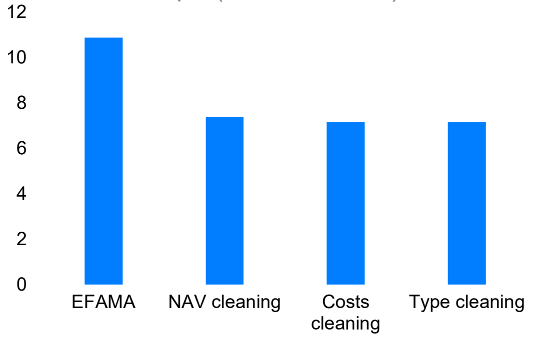


Note: Total assets and total sales in 2023 in investment funds (UCITS & AIFs) of independent financial advisors (IFAs) in the EEA, by domicile of the distributor, EUR mln, number of entities (right-end side, rhs)
Sources: National Competent Authorities, ESMA.

UCITS

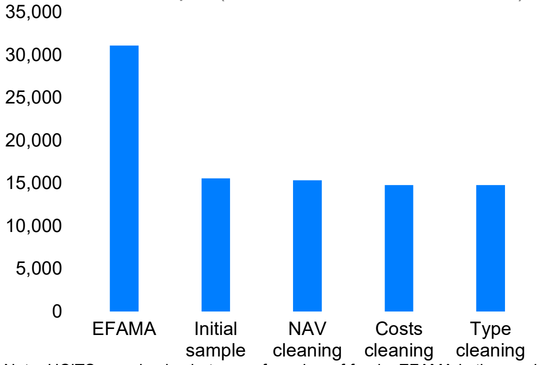
Product costs (ex-ante cost reporting)[103]

MR-C-S.23
UCITS fund sample (in terms of NAV)[104]



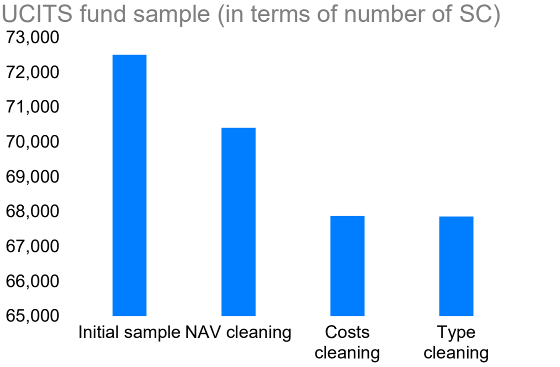
Note: UCITS sample size in terms of net asset value, EUR tn. Europe total market size is reported by EFAMA statistics for 2023 and excludes CH, NO, TR, UK. NAV cleaning, Costs cleaning, Type cleaning refer to necessary cleaning of the collected sample in case NAV and costs are not reported or misreported, and Type in case of mismatch between the assigned fund universe, UCITS and the relevant assigned fund category, that is relevant only for AIFs.
Sources: National Competent Authorities, EFAMA, ESMA.

MR-C-S.24
UCITS fund sample (in terms of number of funds)



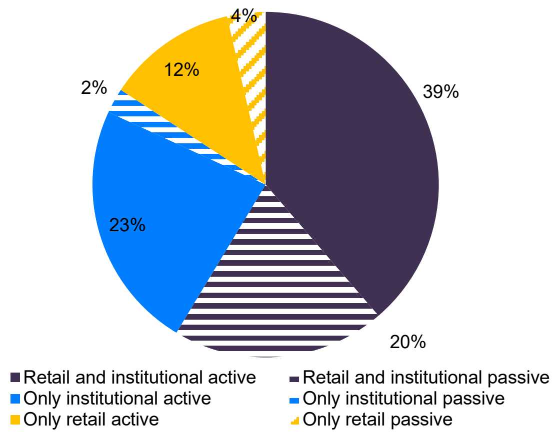
Note: UCITS sample size in terms of number of funds. EFAMA is the number of funds in Europe as reported by EFAMA statistics for 2023, excluding CH, NO, TR, UK. Initial sample refers to the initial sample received. NAV cleaning, Costs cleaning, Type cleaning reter to necessary cleaning of the collected sample in case NAV and Costs not reported or misreported, and Type in case of mismatch between the assigned fund universe, UCITS and the relevant assigned fund category, that is relevant only for AIFs.
Sources: National Competent Authorities, EFAMA, ESMA.

MR-C-S.25
UCITS fund sample (in terms of number of SC)



Note: UCITS sample size in terms of number of share classes. Initial sample refers to the initial sample received. NAV cleaning, Costs cleaning, Type cleaning reter to necessary cleaning of the collected sample in case NAV and Costs not reported or misreported, and Type in case of mismatch between the assigned fund universe, UCITS and the relevant assigned fund category, that is relevant only for AIFs.
Sources: National Competent Authorities, ESMA.

MR-C-S.26
UCITS NAV by type of client and management

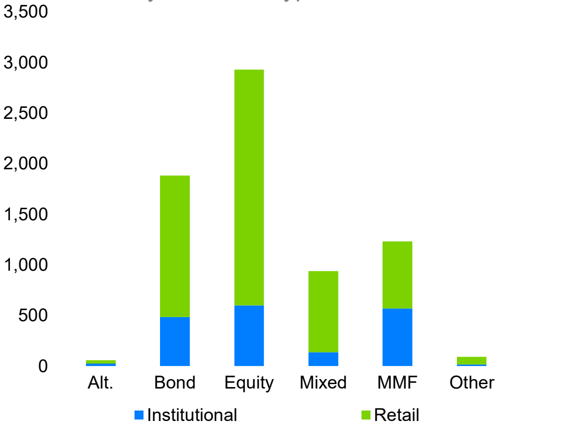


Note: EEA UCITS final sample, share of NAV by type of investors and type of management, %.
Sources: National Competent Authorities, ESMA.

103 Please note that product costs refer to data provided by ManCos based on PRIIPs KID reporting or UCITS KIID reporting in the case of UCITS funds sold to institutional investors who opted not to report under PRIIPs Regulation. See MR-C.5.

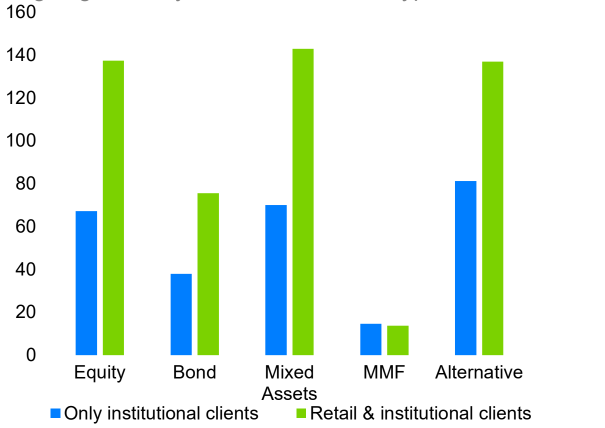
104 Assessing the NAV of the initial sample is not possible given the issue with the reporting of some NAV (i.e., the NAV above EUR 100bn have been excluded during the cleaning process).

MR-C-S.27
UCITS NAV by asset and type of client



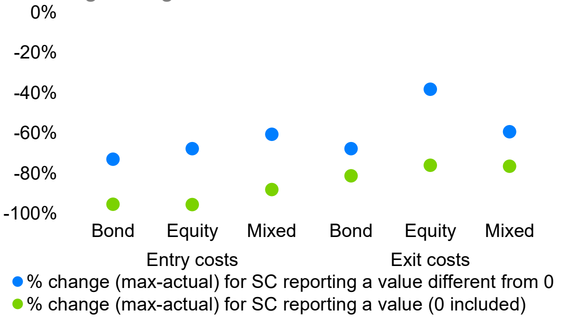
Note: EEA UCITS final sample, NAV by type of investors and asset class, EUR bn.
Sources: National Competent Authorities, ESMA

MR-C-S.28
Ongoing costs by asset and investor type



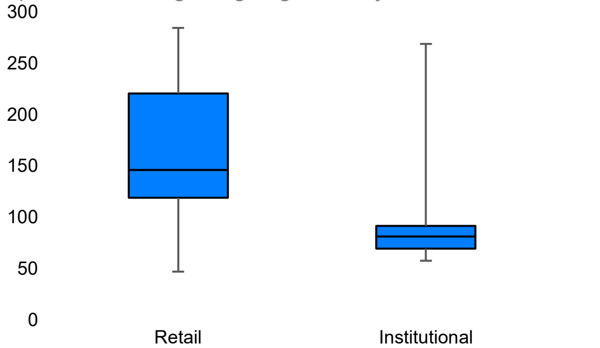
Note: Average ongoing costs for a 10,000 EUR investment at one-year horizon in active funds, by asset type and investor type. Averages are weighted by the share classes NAV.
Sources: National Competent Authorities, ESMA.

MR-C-S.29
Percentage change between max and actual one-off fees[105]



Note: Percentage change between the maximum costs, as reported in PRIIPs KID or regulatory document, and actual costs for active equity, bond or mixed UCITS, all investors, %. In both cases, the sample is limited to share classes reporting a value for actual costs. Assuming the actual numbers reported by the manufacturers include also one-off costs levied directly by distributors (which might not be the case) the blue dots could represent a conservative estimate and be interpreted as a lower bound while the green dots could represent an upper bound. SC refers to share classes.
Sources: National Competent Authorities, ESMA.

MR-C-S.30
Spread of average ongoing costs by domicile

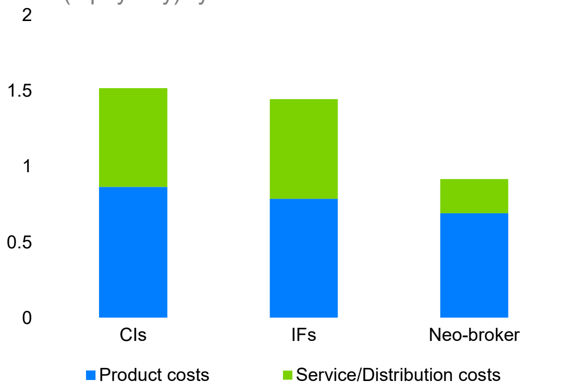


Note: Distribution of equity UCITS ongoing costs averages across jurisdictions by type of client, in EUR. The box represents the interquartile range (25th to 75th percentiles), with the median shown as the central line. The whiskers extend to the minimum and maximum values, illustrating the full range of cost observations.
Sources: National Competent Authorities, ESMA.

[105] The chart includes one-off fees charged by the manufacturer, ignoring what might be charged directly by the distributor.

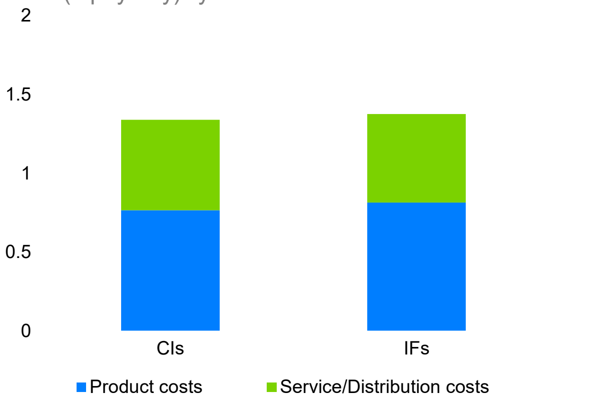
MiFID costs (ex-post cost reporting)[106]

MR-C-S.31
Costs (equity only) by distributor channel – retail investors



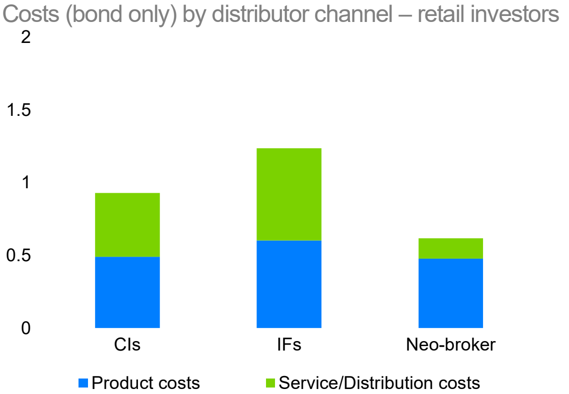
Note: Total costs and associated charges for the financial product (blue) and service/distribution (green), based on MiFID II, Annex II, Tables 1 and 2 classification, by entity type, in %. Equity UCITS excluding ETFs. Retail clients only. Median across EEA distributors.
National Competent Authorities, ESMA.

MR-C-S.32
Costs (equity only) by distributor channel – institutional investors



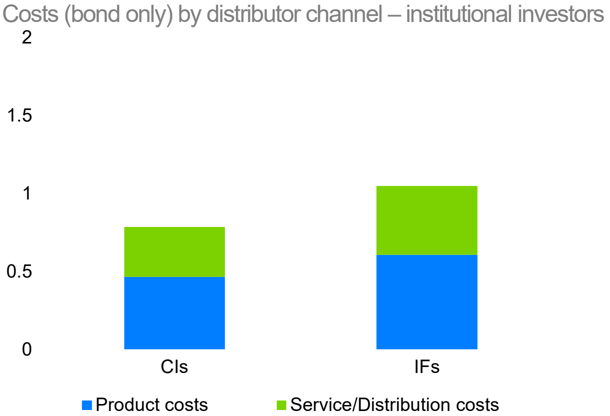
Note: Total costs and associated charges for the financial instrument (blue) and service/distribution (green), based on MiFID II, Annex II, Tables 1 and 2 classification, by entity type, in %. Equity UCITS excluding ETFs. Institutional clients only. Median across EEA distributors.
Sources: National Competent Authorities, ESMA.

MR-C-S.33
Costs (bond only) by distributor channel – retail investors



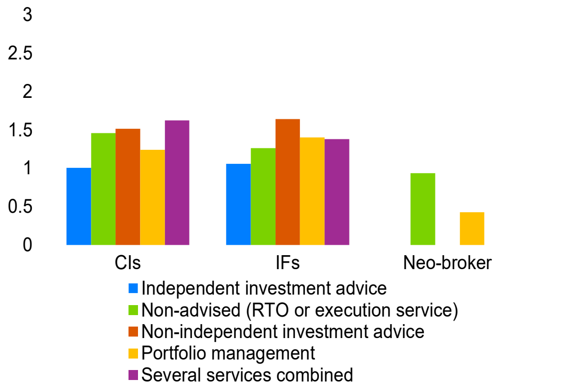
Note: Total costs and associated charges for the financial instrument (blue) and service/distribution (green), based on MiFID II, Annex II, Tables 1 and 2 classification, by entity type, in %. Bond UCITS excluding ETFs. Retail clients only. Median across EEA distributors.
Sources: National Competent Authorities, ESMA.

MR-C-S.34
Costs (bond only) by distributor channel – institutional investors



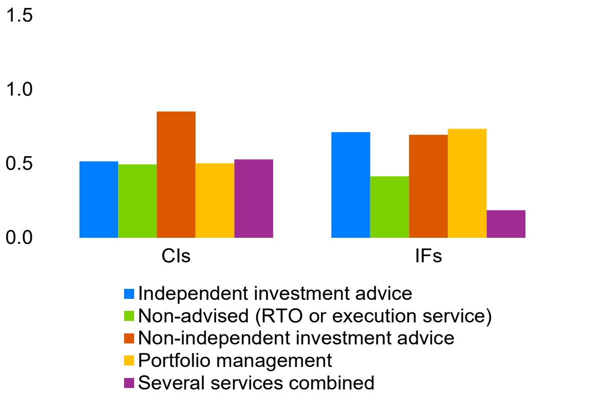
Note: Total costs and associated charges for the financial instrument (blue) and service/distribution (green), based on MiFID II, Annex II, Tables 1 and 2 classification, by entity type, in %. Bond UCITS excluding ETFs. Institutional clients only. Median across EEA distributors.
Sources: National Competent Authorities, ESMA.

MR-C-S.35
Total costs by service type – Retail investors



Note: Total costs for the investment based on MiFID II, Annex II, Tables 1 and 2 classification, by service/distribution type, in %. Equity UCITS excluding ETFs. Retail clients only. Median across EEA distributors.
Sources: National Competent Authorities, ESMA.

MR-C-S.36
Total costs by service type – Institutional investors



Note: Total costs for the investment based on MiFID II, Annex II, Tables 1 and 2 classification, by service type, in %. Equity UCITS excluding ETFs. Institutional clients only. Median across EEA distributors.
Sources: National Competent Authorities, ESMA.

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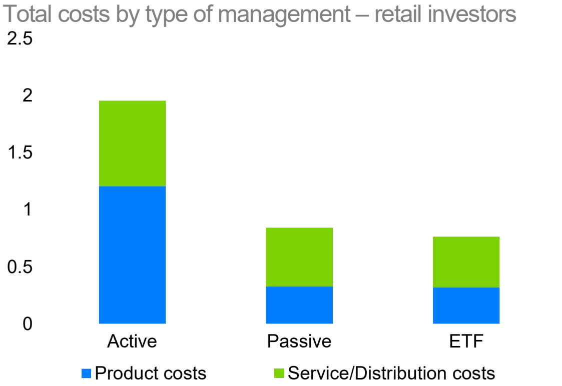
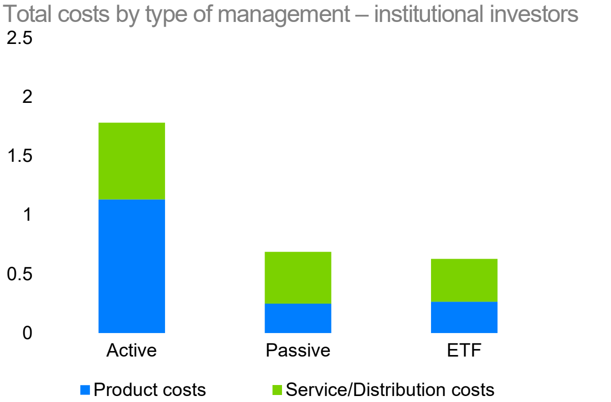
[106] Please note that MiFID costs refer to data provided by distributors of UCITS funds based on MiFID II/MiFIR reporting of ex-post costs. See MR-C.5.

MR-C-S.37
Total costs by type of management – retail investors



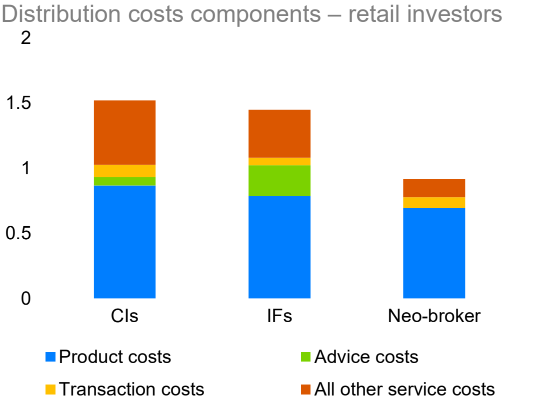
Note: Total costs and associated charges for the financial product (blue) and service/distribution (green), based on MiFID II, Annex II, Tables 1 and 2 classification, by equity fund type, in % of the amount invested. Retail clients only. Equity UCITS only. Median across EEA distributors.
Sources: National Competent Authorities, ESMA.

MR-C-S.38
Total costs by type of management – institutional investors



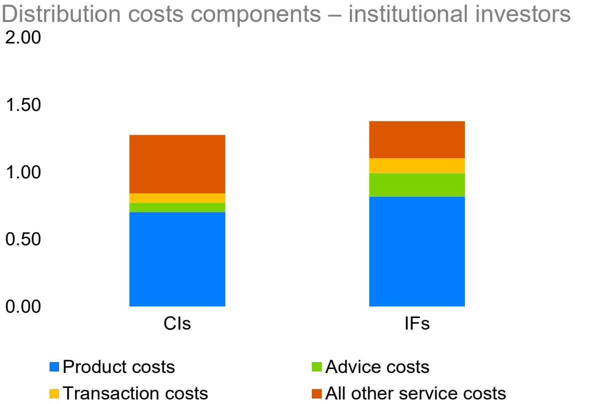
Note: Total costs and associated charges for the financial instrument (blue) and service/distribution (green), based on MiFID II, Annex II, Tables 1 and 2 classification, by equity fund type, in %. Institutional clients only. Equity UCITS only. Median across EEA distributors.
Sources: National Competent Authorities, ESMA.

MR-C-S.39
Distribution costs components – retail investors



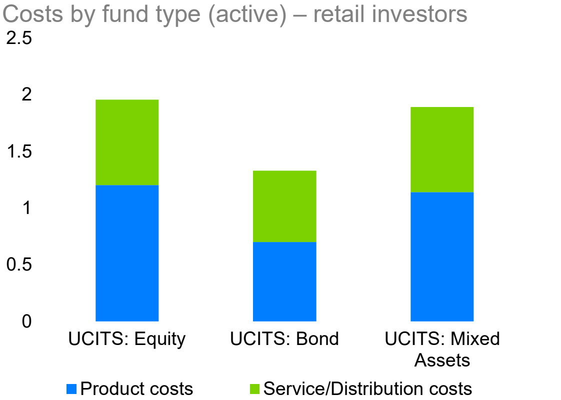
Note: Total costs and associated charges for the financial instrument (blue) and service/distribution broken down by advice, transaction, other service costs and distributor type, based on MiFID II, Annex II, Tables 1 and 2 classification. in %. Equity UCITS excluding ETFs. Retail clients only. Median across EEA distributors.
Sources: National Competent Authorities, ESMA.

MR-C-S.40
Distribution costs components – institutional investors



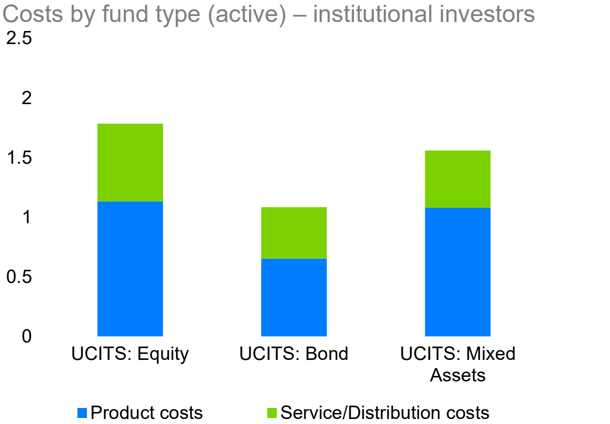
Note: Total costs and associated charges for the financial instrument (blue) and service/distribution broken down by type, based on MiFID II, Annex II, Tables 1 and 2 classification, by entity type, in %. Equity, mixed and bond UCITS excluding ETFs. Institutional clients only. Median across EEA distributors.
Sources: National Competent Authorities, ESMA.

MR-C-S.41
Costs by fund type (active) – retail investors



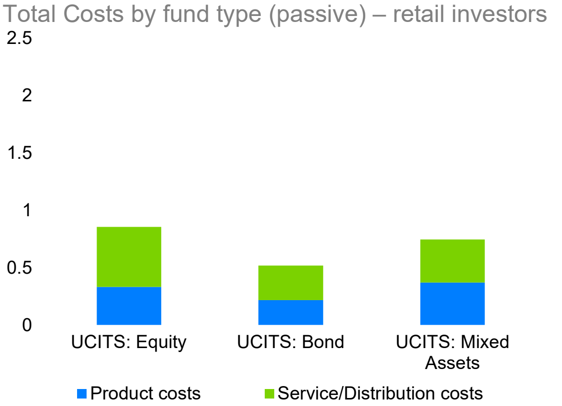
Note: Total costs and associated charges for the financial instrument (blue) and service/distribution (green), based on MiFID II, Annex II, Tables 1 and 2 classification, by fund type, in %. Active UCITS excluding ETFs. Retail clients only. Neobrokers are excluded. Median across EEA distributors.
Sources: National Competent Authorities, ESMA

MR-C-S.42
Costs by fund type (active) – institutional investors



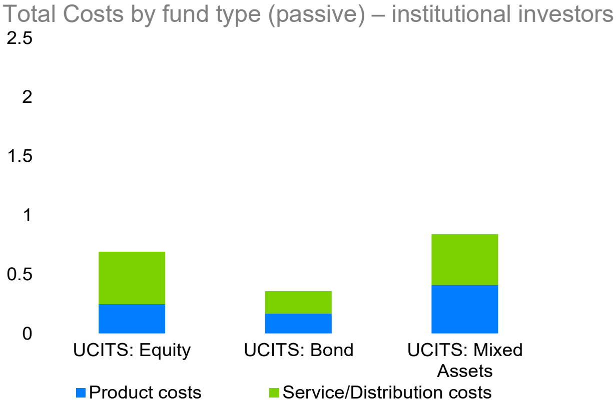
Note: Total costs and associated charges for the financial instrument (blue) and service/distribution (green), based on MiFID II, Annex II, Tables 1 and 2 classification, by fund type, in %. Active UCITS excluding ETFs. Institutional clients only. Neobrokers are excluded. Median across EEA distributors.
Sources: National Competent Authorities, ESMA

MR-C-S.43
Total Costs by fund type (passive) – retail investors



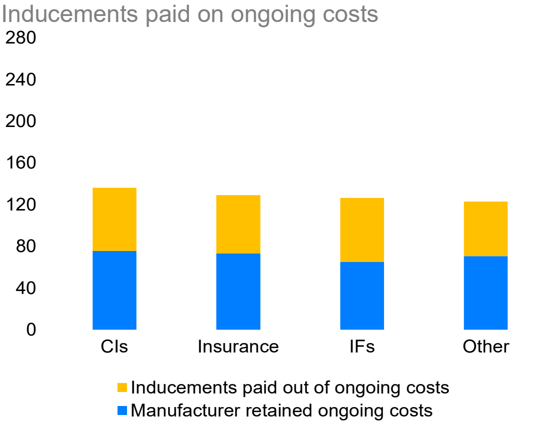
Note: Total costs and associated charges for the financial instrument (blue) and service/distribution (green), based on MiFID II, Annex II, Tables 1 and 2 classification, by fund type, in %. Passive UCITS excluding ETFs. Retail clients only. Neobrokers are excluded. Median across EEA distributors.
Sources: National Competent Authorities, ESMA.

MR-C-S.44
Total Costs by fund type (passive) – institutional investors



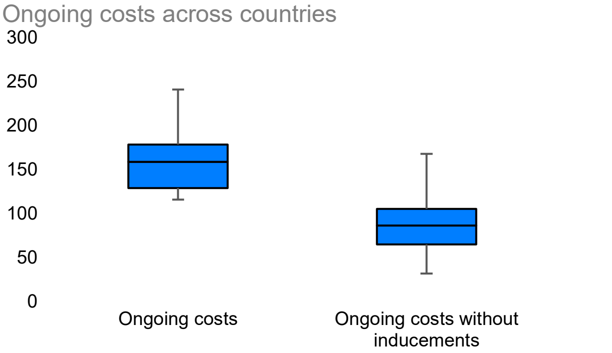
Note: Total costs and associated charges for the financial instrument (blue) and service/distribution (green), based on MiFID II, Annex II, Tables 1 and 2 classification, by fund type, in %. Passive UCITS excluding ETFs. Institutional clients only. Neobrokers are excluded. Median across EEA distributors.
Sources: National Competent Authorities, ESMA

MR-C-S.45
Inducements paid on ongoing costs



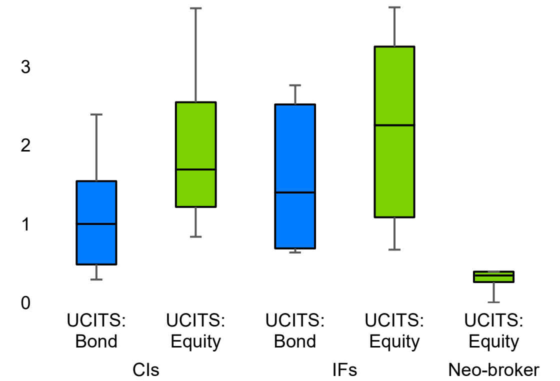
Note: Amount paid by an investor as ongoing costs on a EUR 10,000 UCITS 1Y investment, divided in what is retained by the manufacturer and what is paid as inducements to the distributor. Median across EEA countries, EUR.
Sources: National Competent Authorities, ESMA

MR-C-S.46
Ongoing costs across countries



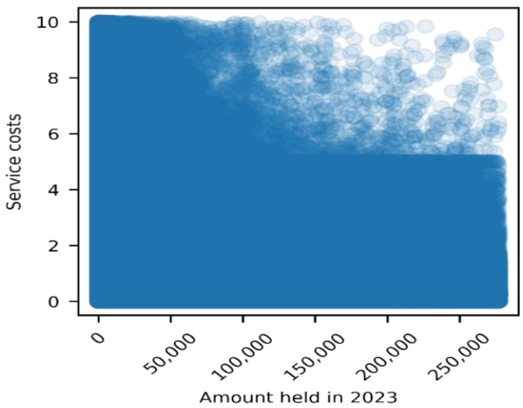
Note: Distribution of the median ongoing costs and ongoing costs without inducements paid by investor for a 10,000 investment for equity, bond and mixed UCITS across jurisdictions, in EUR. Sample includes share classes sold to retail and institutional investors and paying rebates. The box represents the interquartile range (25th to 75th percentiles), with the median shown as the central line. The whiskers extend to the minimum and maximum values, illustrating the full range of cost observations.
Sources: National Competent Authorities, ESMA.

MR-C-S.47
Distribution costs in the EEA



Note: Distribution of total costs across the sample of UCITS distributed in the EEA by type of distribution channel, %. Data collected from distributors, distributors' domicile data. The box represents the interquartile range (25th to 75th percentiles), with the median shown as the central line. The whiskers extend to the 10th (downward bar) and 90th (upward bar) percentiles.
Sources: National Competent Authorities, ESMA.

MR-C-S.48
Scatter plot: amount held vs. distribution costs



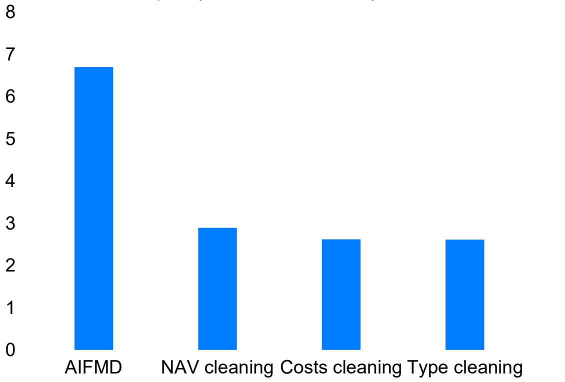
Note: The scatter plots service/distribution costs (y-axis in %) against amount of each UCITS held (x-axis in EUR) in every retail portfolio in the sample.
Sources: National Competent Authorities, ESMA.

AIFs

Product costs (ex-ante cost reporting)[107]

MR-C-S.49

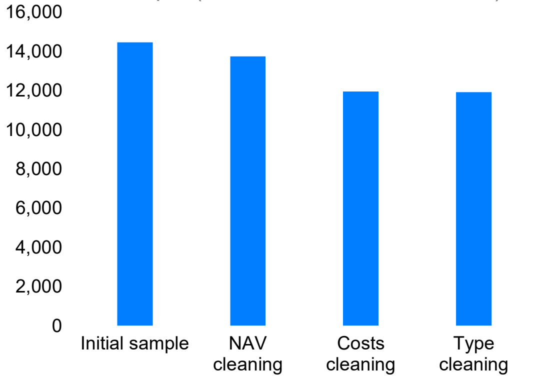
AIFs fund sample (in terms of NAV)[108]



Note: AIF sample size in terms of net asset value, EUR tn. AIFMD is the EEA market size from the AIFMD reporting at end 2023. NAV cleaning, costs cleaning and type cleaning refer to necessary cleaning of the collected sample in case NAV and costs not reported or misreported and type in case of mismatch between the assigned fund universe and the relevant assigned fund category.
Sources: National Competent Authorities, ESMA.

MR-C-S.50

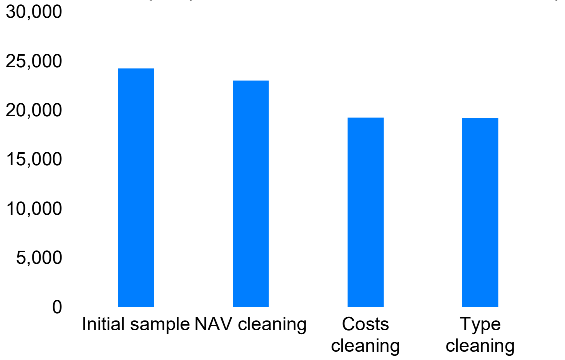
AIFs fund sample (in terms of number of funds)



Note: AIFs sample size in terms of number of funds. Initial sample refers to the initial sample received. NAV cleaning, Costs cleaning, Type cleaning reter to necessary cleaning of the collected sample in case NAV and Costs not reported or misreported, and Type in case of mismatch between the assigned fund universe, UCITS and the relevant assigned fund category, that is relevant only for AIFs.
Sources: : National Competent Authorities, ESMA.

MR-C-S.51

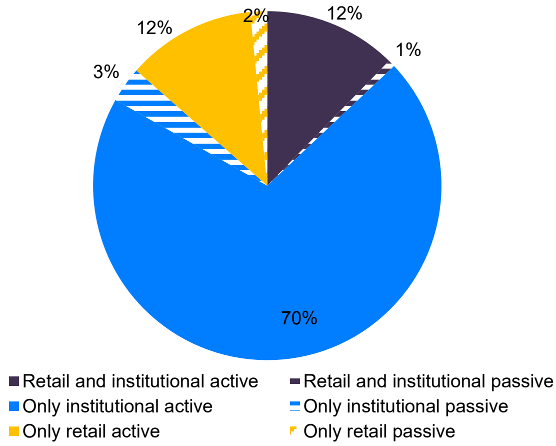
AIFs fund sample (in terms of number of share classes)



Note: AIFs sample size in terms of number of share classes. Initial sample refers to the initial sample received. NAV cleaning, Costs cleaning, Type cleaning reter to necessary cleaning of the collected sample in case NAV and Costs not reported or misreported, and Type in case of mismatch between the assigned fund universe, UCITS and the relevant assigned fund category, that is relevant only for AIFs.
Sources: National Competent Authorities, ESMA.

MR-C-S.52

AIFs NAV by type of client and management



Note: EEA AIFs final sample, share of NAV by type of investors and type of management, %.
Sources: National Competent Authorities, ESMA.

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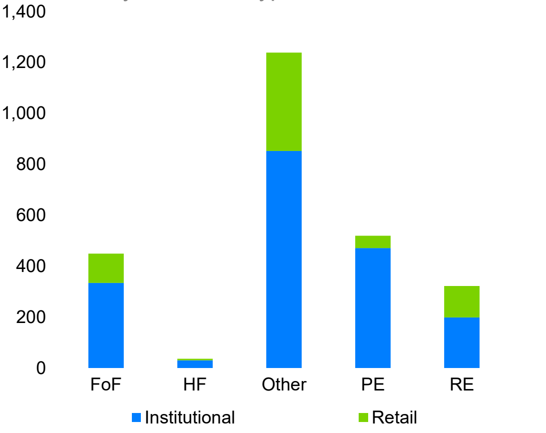
[107] Please note that product costs refer to data provided by AIFMs based on PRIIPs KID reporting or ad-hoc cost reporting following PRIIPs KID categories in the case of AIFs sold to institutional investors who opted not to report under PRIIPs Regulation.

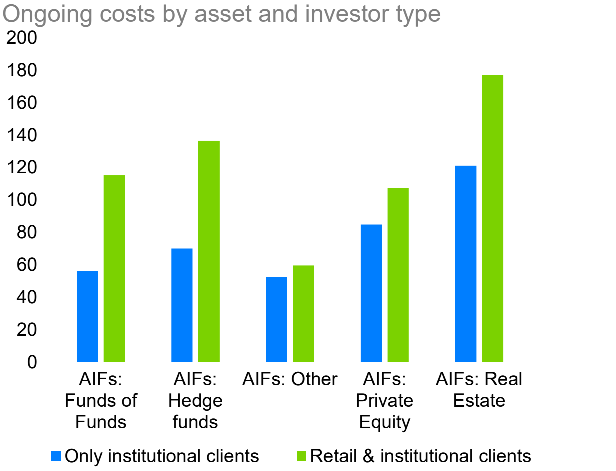
[108] Assessing the NAV of the initial sample is not possible given the issue with the reporting of some NAV (i.e., the NAV above EUR 100bn have been excluded during the cleaning process).

MR-C-S.53
AIFs NAV by asset and type of client



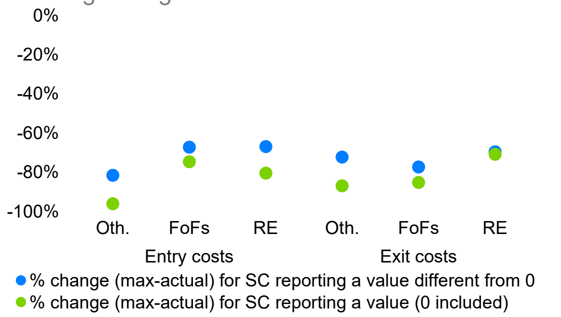
Note: EEA AIFs final sample, NAV by type of investors and asset class, EUR bn.
Sources: National Competent Authorities, ESMA.

MR-C-S.54
Ongoing costs by asset and investor type



Note: Ongoing costs for a 10,000 EUR investment in active AIFs at one-year horizon, by asset type and investor type, in EUR.
Sources: National Competent Authorities, ESMA.

MR-C-S.55
Percentage change between max and actual one-off fees[109]

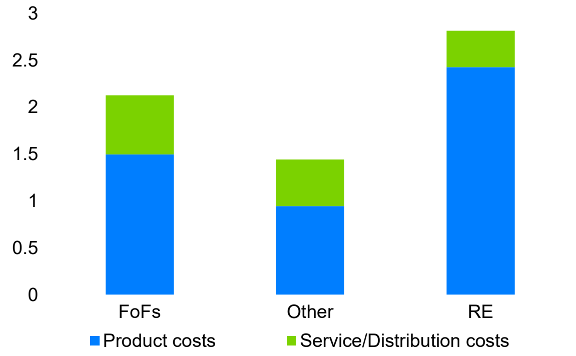


Note: Percentage change between the maximum costs, as reported in PRIIPs KID or regulatory document, and actual costs for active other AIFs, FoFs and RE, all investors, %. In both cases, the sample is limited to share classes reporting a value for actual costs. Assuming the actual numbers reported by the manufacturers include also one-off costs levied directly by distributors (which might not be the case) the blue dots could represent a conservative estimate and be interpreted as a lower bound while the green dots could represent an upper bound. SC refers to share classes.
Sources: National Competent Authorities, ESMA.

[109] The chart includes one-off fees charged by manufacturer, ignoring that entry and exit fees could also be charged directly by the distributor.

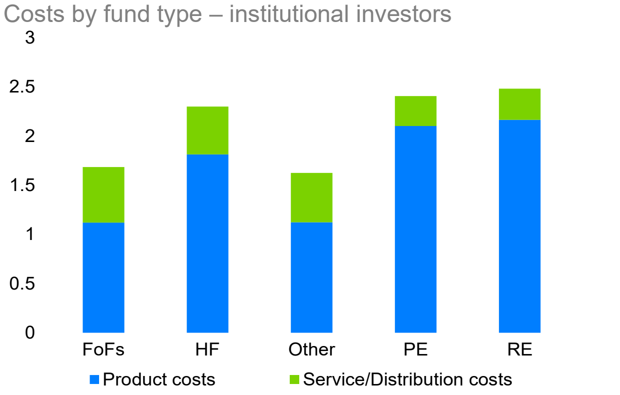
MiFID costs (ex-post cost reporting)[110]

MR-C-S.56
Costs by fund type – retail investors



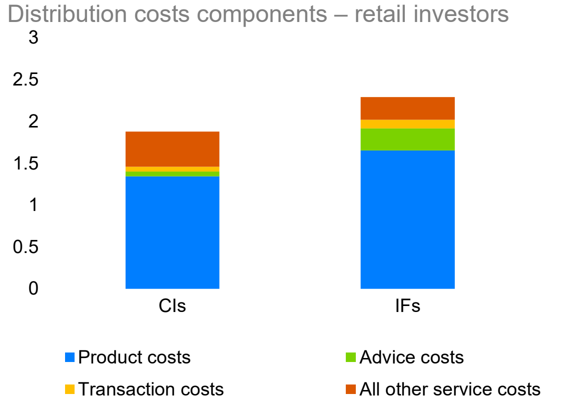
Note: Total costs and associated charges for the financial product (blue) and service/ditribution (green), based on MiFID II, Annex II, Tables 1 and 2 classification, by AIF type, in % of the amount invested. AIFs, types: FoFs, Other and RE. Retail clients only. Median across EEA distributors.
Sources: National Competent Authorities, ESMA.

MR-C-S.57
Costs by fund type – institutional investors



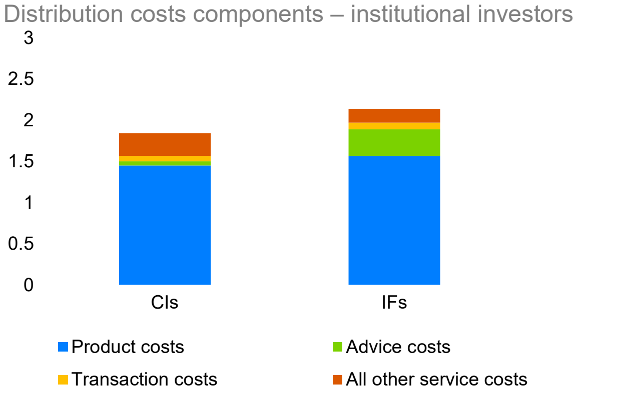
Note: Total costs and associated charges for the financial instrument (blue) and service/distribution (green), based on MiFID II, Annex II, Tables 1 and 2 classification, by AIF type, in %. AIFs, types: HF, PE, FoFs, Other and RE. Institutional clients only. Median across EEA distributors.
Sources: National Competent Authorities, ESMA.

MR-C-S.58
Distribution costs components – retail investors



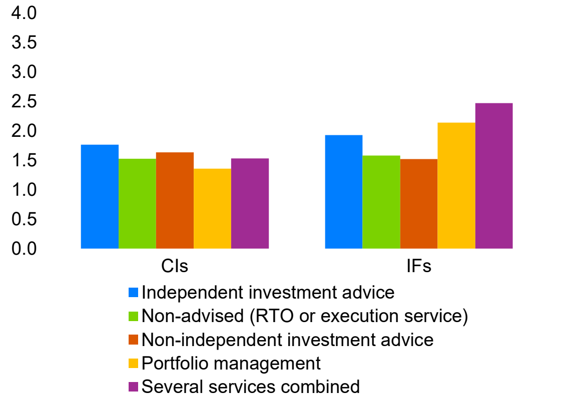
Note: Service/Distribution costs and associated charges broken down in advice, transaction, other service costs by distributor type, based on MiFID II, in %, Annex II, Tables 1 and 2 classification. AIFs: FoF, Other and RE. Retail clients only. Median across EEA distributors.
Sources: National Competent Authorities, ESMA.

MR-C-S.59
Distribution costs components – institutional investors



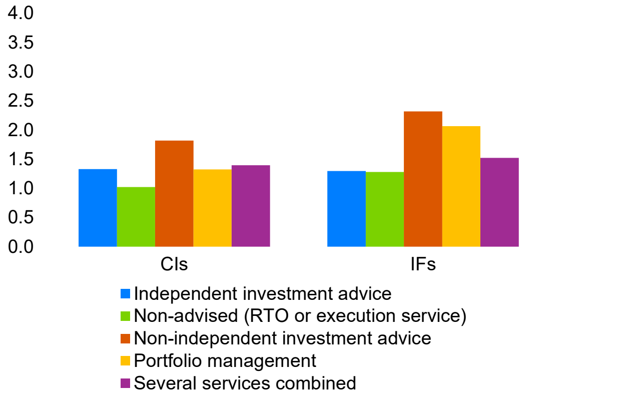
Note: Service/distribution costs and associated charges broken down in advice, transaction, other service costs by distributor type, based on MiFID II, Annex II, Tables 1 and 2 classification. Inducements on the right-hand side (rhs), in %. Inducements on the right-hand side (rhs), %. AIFs: PE, HF, FoF, Other and RE. Institutional clients only. Median across EEA distributors.
Sources: National Competent Authorities, ESMA.

MR-C-S.60
Total costs by type of service – retail investors



Note: Total costs for the investment based on MiFID II, Annex II, Tables 1 and 2 classification, by service type, in %. AIFs, FoFs RE and Other. Retail clients only. Median across EEA distributors.
Sources: National Competent Authorities, ESMA.

MR-C-S.61
Total costs by type of service – institutional investors

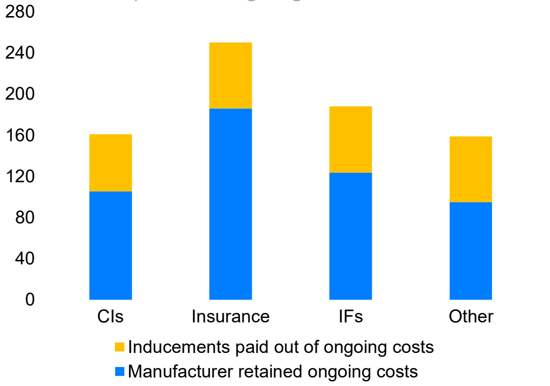


Note: Total costs for the investment based on MiFID II, Annex II, Tables 1 and 2 classification, by service type, in %. AIFs, FoFs RE and Other. Retail clients only. Median across EEA distributors.
Sources: National Competent Authorities, ESMA.

[110] Please note that MiFID costs refer to data provided by distributors of AIFs based on MiFID II/MiFIR reporting of ex-post costs. See MR-C.5.

MR-C-S.62

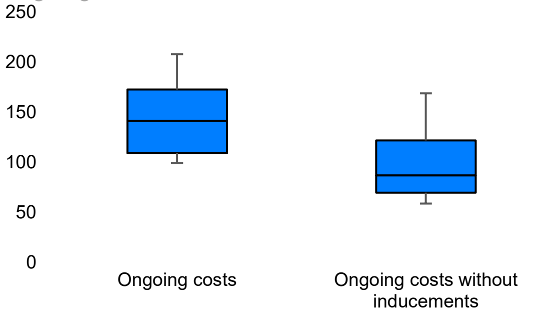
Inducement paid on ongoing costs



Note: Amount paid by an investor as ongoing costs on a EUR 10,000 1Y AIF investment, divided in what is retained by the manufacturer and what is paid as inducements to the distributor. Median across EEA countries, euro.
Sources: National Competent Authorities, ESMA

MR-C-S.63

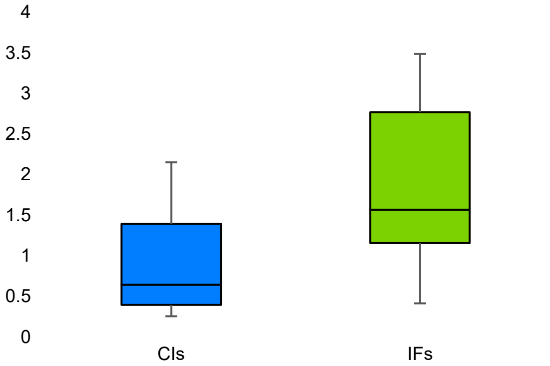
Ongoing costs across countries



Note: Distribution of the median ongoing costs and ongoing costs without inducements paid by investor for a 10,000 investment for other AIFs, funds of funds and real estate AIFs share classes across jurisdictions, in EUR. Sample includes share classes sold to retail and institutional investors and paying rebates. The box represents the interquartile range (25th to 75th percentiles), with the median shown as the central line. The whiskers extend to the minimum and maximum values, illustrating the full range of cost observations.
Sources: National Competent Authorities, ESMA.

MR-C-S.64

Total costs in the EEA

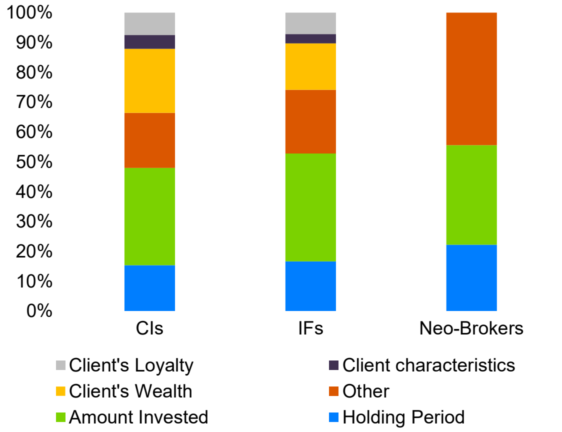


Note: Distribution of total costs across the sample of AIFs distributed in the EEA by type of distribution channel, in %. The box represents the interquartile range (25th to 75th percentiles), with the median shown as the central line. The whiskers extend to the 10th (downward bar) and 90th (upward bar) percentiles.
Sources: National Competent Authorities, ESMA.

Distribution costs drivers

Overview

MR-C-S.65
Distribution costs drivers



Note: Costs drivers frequency distribution of mentions by distributors according to the type of distribution channel.
Sources: National Competent Authorities, ESMA.

MR-C-S.66
Distribution services UCITS – retail investors

	CIs	IFs	Neo-broker
Independent investment advice	0.40	0.48	
Non-advised (RTO or execution service)	0.53	0.55	0.25
Non-independent investment advice	0.73	0.78	
Portfolio management	0.65	0.74	0.18
Several services combined	0.73	0.83	

Note: Equity UCITS, distribution costs by type of service, retail investors, in %. The table applies a color-scale formatting to represent values ranging from 0.15% to 0.85%. Lower values are indicated by light pink cells, while higher values are reflected through progressively darker shades of red. When information is not available, cells are left empty (white).
Sources: National Competent Authorities, ESMA.

MR-C-S.67
Distribution services UCITS – institutional investors

	CIs	IFs
Independent investment advice	0.46	0.67
Non-advised (RTO or execution service)	0.35	0.36
Non-independent investment advice	0.65	0.70
Portfolio management	0.44	0.61
Several services combined	0.46	0.19

lote: Equity UCITS, distribution costs by type of service, institutional investors, in %. The ıble applies a color-scale formatting to represent values ranging from 0.15% to 0.85%. ower values are indicated by light pink cells, while higher values are reflected through rogressively darker shades of red.
ources: National Competent Authorities, ESMA.

MR-C-S.68
Distribution services AIFs – retail investors

	CIs	IFs
ndependent investment advice	0.40	0.48
Non-advised (RTO or execution service)	0.53	0.55
Non-independent investment advice	0.73	0.78
Portfolio management	0.65	0.74
Several services combined	0.73	0.83

ote: AIFs, FoFs RE and Other, distribution costs by type of service, retail investors %. The table applies a color-scale formatting to represent values ranging fron 4% to 0.85%. Lower values are indicated by light pink cells, while higher values are flected through progressively darker shades of red.
ources: National Competent Authorities, ESMA.

MR-C-S.69
Distribution services AIFs – institutional investors

	CIs	IFs
Independent investment advice	0.48	0.52
Non-advised (RTO or execution service)	0.24	0.12
Non-independent investment advice	0.65	0.50
tfolio management	0.40	0.62
Several services combined	0.29	0.32

lote: AIFs, PE, HFFoFs RE and Other,distribution costs by type of ervice, institutional investors, in %. The table applies a color-scale ormatting to represent values ranging from 0.1% to 0.7%. Lower alues are indicated by light pink cells, while higher values are eflected through progressively darker shades of red.
ources: National Competent Authorities, ESMA.

Sample coverage

UCITS

MR-C-S.70
Coverage by country

Country	Final sample	EFAMA	Coverage
Austria	64,215	97,637	66%
Belgium	152,031	200,163	76%
Bulgaria	952	1,262	75%
Cyprus	464	508	91%
Czech Republic	9,087	24,121	38%
Germany	224,448	486,666	46%
Denmark	88,495	173,106	51%
Estonia*	67	70	96%
Spain	234,923	326,421	72%
Finland	132,985	131,133	101%
France	813,260	915,830	89%
Greece	7,006	12,874	54%
Croatia	1,822	2,289	80%
Ireland	2,205,515	3,217,438	69%
Iceland*	1,025	1,010	100%
Italy	159,410	251,240	63%
Liechtenstein	22,854	34,600	66%
Lithuania*	30	30	100%
Luxembourg	2,624,471	4,291,294	61%
Latvia*	150	167	90%
Malta	1,163	2,915	40%
Netherlands	58,149	81,858	71%
Poland	17,776	28,572	62%
Portugal	16,798	17,858	94%
Romania	1,392	3,504	40%
Sweden	319,103	557,470	57%
Slovenia	764	4,786	16%
Slovakia	5,014	6,526	77%

Note: The column ‘Final sample’ refer to the sum of UCITS net assets by fund’s domicile after necessary cleaning in EUR mln. To estimate the coverage reached in each jurisdiction, the total net assets by country according to EFAMA is also reported. (*) indicates that the total NAV was communicated by the NCA as the information was missing from EFAMA. The coverage column is the ratio between the ‘Final sample’ and the ‘EFAMA’ sample. Coverage for Slovenia is low as a management company did not report any NAV. According to our methodology, those observations have been removed from the final sample.
Sources: National Competent Authorities, EFAMA, ESMA.

AIFs

MR-C-S.71
Coverage by country

Country	Final sample	AIFMD	Coverage
Austria	55,487	87,833	63%
Belgium	22,937	32,408	71%
Bulgaria	132	310	43%
Cyprus	2,869	4,752	60%
Czech Republic	11,042	36,292	30%
Germany	147,415	2,258,756	7%
Estonia	611	1,070	57%
Spain	37,628	59,534	63%
Finland	15,942	18,375	87%
France**	886,624	935,465	95%
Greece	331	2,860	12%
Croatia*	498	1,081	46%
Ireland	253,104	733,609	35%
Iceland*	4,360	4,870	90%
Italy	36,274	117,123	31%
Liechtenstein**	65,126	87,053	75%
Luxembourg	783,897	1,701,884	46%
Latvia	249	380	65%
Malta	13,000	18,594	70%
Netherlands	167,813	599,769	28%
Poland	27,435	49,629	55%
Portugal	11,138	14,935	75%
Romania	1,271	1,639	78%
Sweden	30,921	59,693	52%
Slovakia*	3,024	3,386	89%

Note: The column 'Final sample' refer to the sum of AIFs net assets by AIFM domicile after necessary cleaning in EUR mln. To estimate the coverage reached in each jurisdiction, the total net assets by country according to AIFMD is also reported. The coverage column is the ratio between the 'Final sample' and the 'AIFMD' sample. Denmark not included as data not fully reconcilable with AIFMD data. For Germany, in the case of AIFs, the reporting that we received covers the share of AIFs that are actively distributed. The rest of the total AIF market is not actively distributed. Coverage for Greece is also low as a significant share of AIFs did not report any figures for costs or NAV or reported only 0. Following our methodology, those observations have been excluded from the final sample. (*) indicates that the AIFMD figures were provided by the NCA. (**) indicates that the AIFMD figures include feeder funds and NPPR.
Sources: National Competent Authorities, AIFMD, ESMA.

Glossary

Alternative investment fund (AIF): Collective investment undertakings, including investment compartments thereof, which: (i) raise capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors; and (ii) do not require authorisation pursuant to Article 5 of Directive 2009/65/EC.

Alternative investment fund manager (AIFM) (Manufacturer): Legal persons whose regular business is managing one or more AIFs, defined in directive 2011/61/EU.

Credit Institutions (Distributor): An undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account. Defined in point (1) of Article 4(1) of Regulation (EU) No 575/2013.

Distribution costs: As envisaged by Commission Delegated Regulation (EU) 2017/565. All costs and associated charges charged for the investment service(s) and/or ancillary services provided to the client that should form part of the amount to be disclosed to the client.

Direct to clients: Distribution model where fund management companies sell their investment funds directly to end investors without intermediaries. The fund manager assumes full responsibility for client onboarding, suitability assessments, and ongoing investor relations.

Exchange-traded fund: A fund of which at least one unit or share class is traded throughout the day on at least one trading venue and with at least one market maker which takes action to ensure that the price of its units or shares on the trading venue does not vary significantly from its net asset value and, where applicable, from its indicative net asset value (Commission Delegated Regulation (EU) 2014/65).

Execution of orders on behalf of clients: Acting to conclude agreements to buy or sell one or more financial instruments on behalf of clients and includes the conclusion of agreements to sell financial instruments issued by an investment firm or a credit institution at the moment of their issuance (Directive 2014/65/EU).

Independent Financial Advisers (Distributor): Professional who offers independent advice on financial matters to their clients and recommends suitable financial products from the whole of the market.

Indirect distribution: Distribution model where fund management companies sell their investment products to end investors through intermediaries such as investment firms, credit institutions, insurance undertakings, neo-brokers or other entities. The intermediary assumes responsibility for client relationships, suitability assessments, and regulatory compliance obligations toward the end investor.

Inducements: Inducements generally refer to financial or non-financial incentives which may be provided in connection with the provision of an investment or ancillary service.

Insurance undertaking: A direct life or non-life insurance undertaking which has received authorisation in accordance with Article 14 of Directive 2009/138/EC. This definition encompasses entities engaged in direct insurance business (as opposed to reinsurance) that have obtained the necessary regulatory approval to operate within the EU framework. (Directive 2009/138/EC, Article 13(1)).

Investment advice: The provision of personal recommendations to a client, either upon its request or at the initiative of the investment firm, in respect of one or more transactions relating to financial instruments (Directive 2014/65/EU).

Investment firm (Distributor): Any legal person whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more investment activities on a professional basis.

Neo-brokers (Distributor): The term 'neo-brokers' does not have a legal definition. It refers to a recent wave of digital-only entrants into the financial services market that offer users real-time trading in financial instruments.

One-off costs: Entry and exit costs paid directly by investors or deducted from their payments/receipts, including initial charges and commissions. For investment funds, these are costs borne by investors but not deducted from fund assets (Commission Delegated Regulation (EU) 2017/653, Annex VI).

Portfolio management: Managing portfolios in accordance with mandates given by clients on a discretionary client-by-client basis where such portfolios include one or more financial instruments (Directive 2014/65/EU).

Product costs (ex-ante cost reporting): As defined in Commission Delegated Regulation (EU) 2017/653, Annex VI. The list of costs to be disclosed includes one-off costs and recurring costs.

Product costs (ex-post cost reporting): As defined in Commission Delegated Regulation (EU) 2017/565. All costs and associated charges related to the financial instrument that should form part of the amount to be disclosed to the client.

Product ongoing costs (ex-ante cost reporting): Regular costs deducted from investment assets or payments to investors, including management fees, administrative expenses, and operational costs. For investment funds (UCITS/AIFs), these comprise payments to service providers and expenses necessary for fund operations (Commission Delegated Regulation (EU) 2017/653, Annex VI).

Professional Client: Professional client is a client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs. To be considered as professional client, the client must comply with the criteria laid down in Directive 2014/65/EU.

Retail Client: Retail client means a client who is not a professional client (Directive 2014/65/EU).

Total costs: Total costs are result of the sum between product and distribution costs.

Undertakings for collective investment in transferable securities (UCITS): Undertakings: (a) with the sole object of collective investment in transferable securities or in other liquid financial assets referred to in Article 50 (1) of capital raised from the public and which operate on the principle of risk-spreading; and (b) with units which are, at the request of holders, repurchased or redeemed, directly or indirectly, out of those undertakings' assets. Action taken by a UCITS to ensure that the stock exchange value of its units does not significantly vary from their net asset value shall be regarded as equivalent to such repurchase or redemption (Directive 2009/65/EC).

UCITS management company (Manufacturer): A company, the regular business of which is the management of UCITS in the form of common funds or of investment companies (collective portfolio management of UCITS). Defined in point (b) of Article 2(1) of Directive 2009/65/EC of the European Parliament and of the Council.