Report on total costs of UCITS and AIFs

ESMA, 12 November 2025

Economics, Financial Stability and Risk Department
Consumer, sustainability and Innovation Analysis Unit

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Report mandate and data

AIFMD UCITSD Review Directive of March 2024

- Mandate: Report by ESMA on AIF (Art. 1(5)) and UCITS (Art. 2 (5)) costs
- Addressees: EP, Council, Commission
- Objectives:
  - Assess costs by UCITS management companies and AIFMs to investors
  - Explain the reasons for costs and any differences, including differences related to the nature of the UCITS/AIFs involved
- Data sources: Competent Authorities (CAs) to provide ESMA with data on costs, including all fees, charges and expenses directly or indirectly borne by investors

Ad-hoc data collection with NCAs for reporting purpose

- UCITS: EUR 7.2tn NAV, 66% of market; EUR 3.3tn NAV distributed in EEA; 90% of which indirectly distributed mainly through Credit Institutions (CIs) and Investment Firms (IFs)
- AIFs: EUR 2.6tn NAV, 38% of market; EUR 1.1tn NAV distributed in EEA; evenly split between direct and indirect distribution; for indirect distribution, CIs and IFs are main distributors

8 key findings

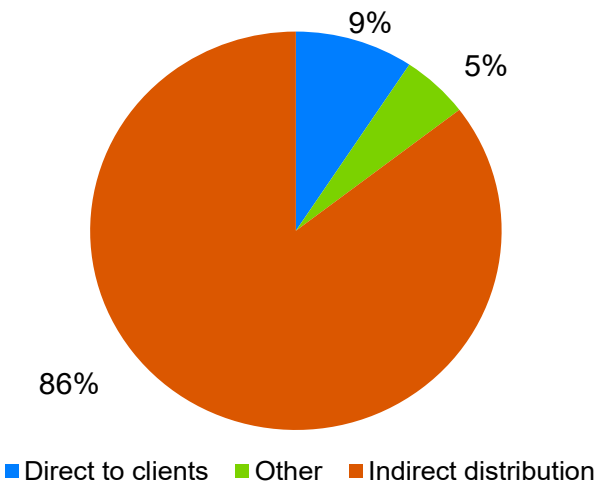
1. Intermediation structures: Credit Institutions and Investment Firms dominate EU distribution
2. Total costs: Actual retail UCITS costs between 0.5% of the invested amount for bond passive and 2% for equity active; AIFs costs between 1.4% and 2.8%
3. PRIIPs KIDs maximum one-off fees vs actual fees: PRIIPs KIDs max one-off fees do not reflect actual fees
4. Distribution costs: Distribution makes 48% of UCITS total costs and 27% of AIFs'; differ by provider, distributor, asset and fund type
5. Inducements: Inducement agreements widespread; payments amount to 45% of ongoing costs for UCITS, 34% for AIFs
6. Cost drivers: Type of investor, distribution channel, service offered and other structural factors
7. Geographical differences: High heterogeneity of costs across member states
8. Cost information: Distribution cost information not fully harmonised across EU law; no full analysis of total costs to investors possible

Traditional intermediation dominant

Direct vs. indirect distribution

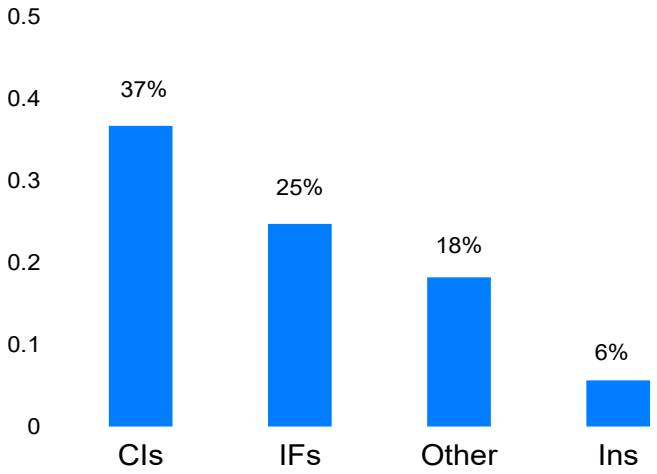
- UCITS: 86% of UCITS mostly indirectly distributed
- AIFs: Even split between direct and indirect distribution; retail investors though go through indirect distribution
- Channels: Indirect distribution relies mostly on CIs and IFs; minor role for neo-brokers, independent advisors (IFAs) and insurance companies

UCITS: Type of distribution



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

UCITS: Type of channel



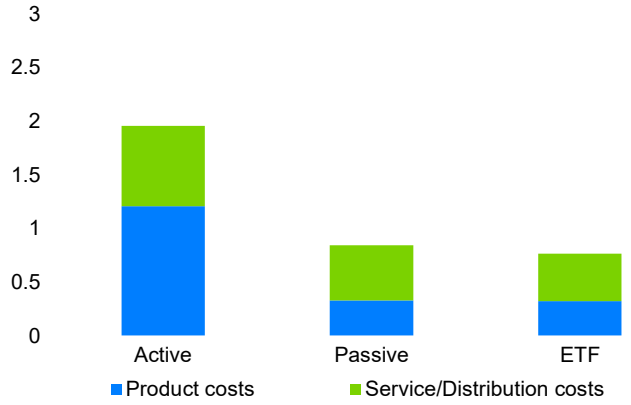
Note: Share of UCITS AuM distributed in the EEA in % of total intermediated distribution by distributor type.
Sources: ESMA.

Distribution costs have a high share in total costs

Total actual costs, incl. product and distribution, vary strongly

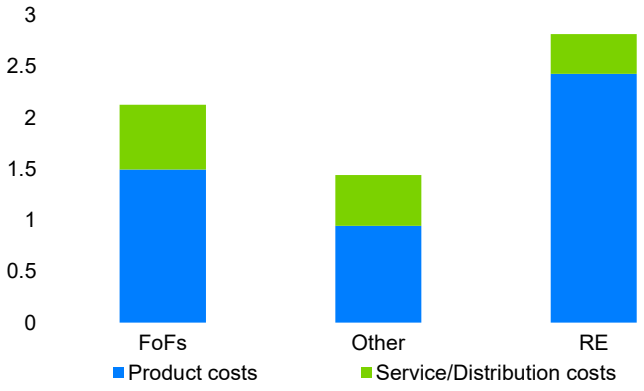
- UCITS to retail investors: Range from 0.5% of the amount invested for bond passive to 2% for equity active
- AIFs to retail investors: 1.4% to 2.8% of invested amount across fund types
- Retail vs institutional: Costs 17% higher for retail investors than institutional
- Cost composition: Distribution costs significant and much higher for UCITS (48% of total costs) than AIFs (27% of total costs)

Total costs – retail equity UCITS



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. Passive UCITS non-ETFs and ETFs. Retail clients only. Equity UCITS only. Median across EEA distributors.

Total costs – retail active AIFs



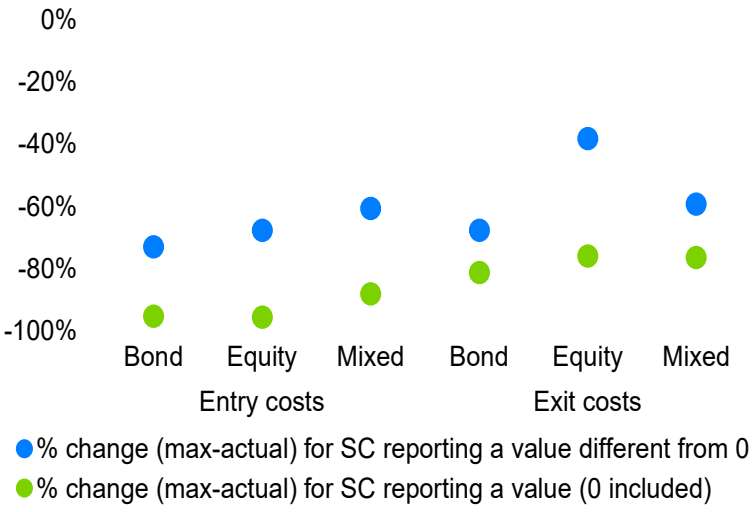
Note: Total costs and associated charges for the financial product (blue) and service/ditribution (green), based on MiFID II, Annex II, Tables 1 and 2 classification, by entity type, in % of the amount invested. AIFs, types: FoFs, Other and RE. Retail clients only. Median across EEA distributors.
Sources: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

PRIIPs max fees do not reflect actual fees

One-off entry and exit fees highly variable

- Structure: One-off fees counted as components of product costs
- Max vs actual: Maximum fees reported in PRIIPs KIDs do not reflect actual fees
- UCITS: One-off actual fees between 38% and 96% lower than max fees in PRIIPs KIDs
- AIF: Actual fees 67% to 96% lower than PRIIPs KID max fees
- Drivers: Influenced by volumes held as well as investor bargaining power

Difference max vs actual one-off costs



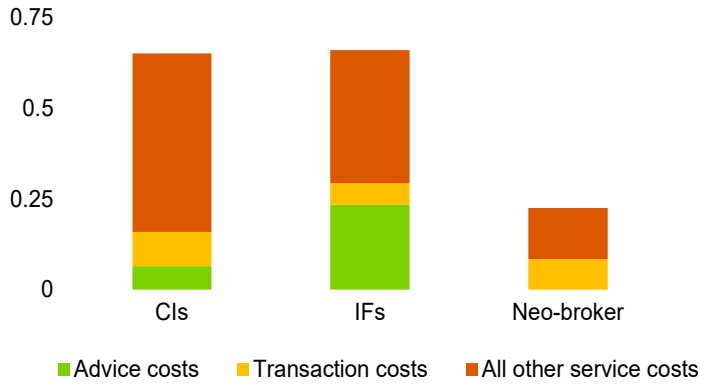
Note: Percentage change between the maximum costs, as reported in PRIIPs KID or regulatory document, and actual costs for active equity, bond or mixed UCITS, all investors, %. In both cases, the sample is limited to share classes reporting a value for actual costs. The blue dots represent a conservative estimate and should be interpreted as a lower bound while the green dots represent an upper bound. SC refer to share classes
Sources: ESMA.

Distribution most expensive at IFs and CIs

Choice of distributor makes massive difference in final costs

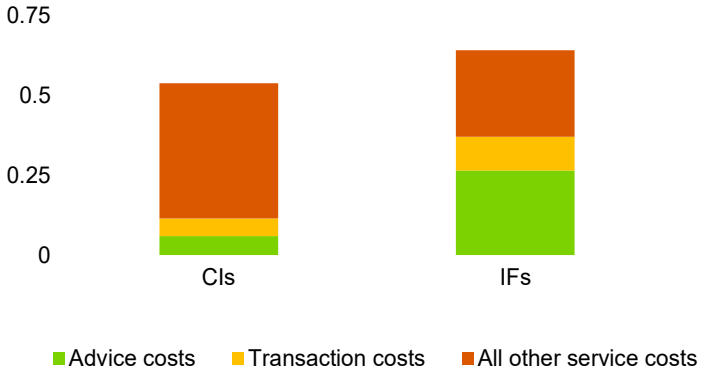
- **Traditional distribution**: Investment Firms (IFs) and Credit Institutions (CIs) have highest distribution costs both for UCITS and AIFs
- **UCITS vs AIFs**: Distributors charge higher costs for UCITS than AIFs; structural differences in distribution and investor base between the two fund universes
- **New players**: Neo-brokers mainly sell equity UCITS to retail investors; they are cheapest, but offer mainly execution-only and portfolio management services

Costs by distributor equity UCITS



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. Equity UCITS excluding ETFs. Retail clients only. Median across EEA distributors.
Sources: ESMA.

Costs by distributor AIFs 'Other'



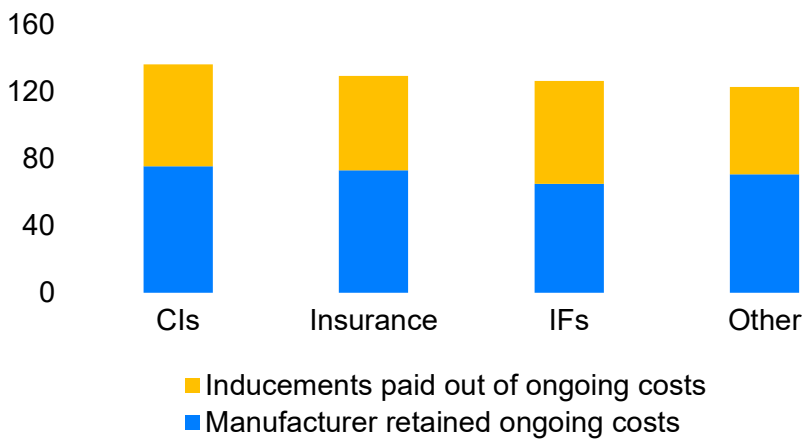
Note: Servoce/Distribution costs and associated charges for the service broken down by advice, transaction, other service costs and distributor type, based on MiFID II, Annex II, Tables 1 and 2 classification. AIFs, for FoFs, RE and Other. Retail clients only. Median across EEA distributors.
Sources: ESMA.

Significant weight on product costs

Most fund manufacturers pay inducements to distributors

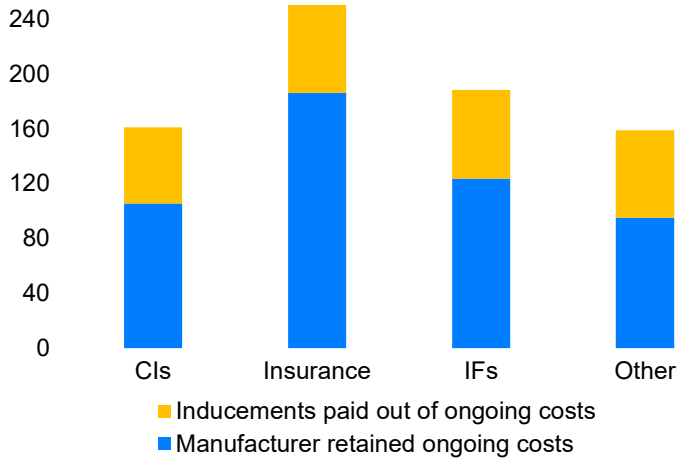
- UCITS manufacturers: 45% of ongoing costs paid by investor handed by manufacturers as inducements to distributors, ranging from 15% to >80%
- AIFM manufacturers: 34% as inducement to distributors; range 2% to 85%
- Heterogeneity in the level of inducements paid from manufacturers to distributors across member states

Ongoing costs of UCITS investment



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: ESMA

Ongoing costs of AIFs investment



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: ESMA

Ongoing costs: Overview of cost drivers

	Upward cost pressure	Downward cost pressure
Asset class (relative to equity funds)	– Alternative	– Bond, money market
Client type (retail vs institutional)	– Retail	– Institutional
Management type (active vs passive)	– Active	– Passive non-ETF, ETF
Share class properties	– Age of the share class	– Size of the share class
Geographic investment focus (relative to global portfolio)	– Emerging markets, Asia, Africa, Latin and South America	– Europe, euro area, Canada, US
Equity fund strategy	– Small and mid caps	– Large caps
Bond fund strategy	– Corporate – Long term – High yield	– Government – Short term
Mixed strategies	– High equity share	– High bond share

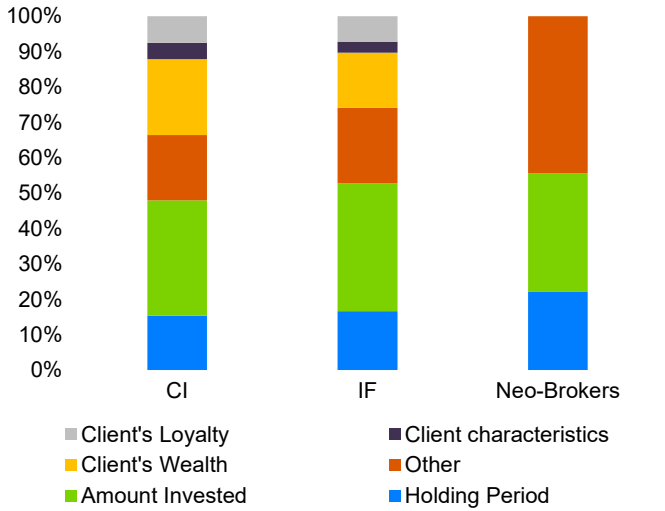
Note: This table presents OLS regression results examining factors affecting UCITS ongoing costs. Positive coefficients suggest costs increase, while negative coefficients suggest costs decrease. Outcomes vary for individual funds.
Sources: ESMA

Distribution cost: Type or service matters

Distribution costs determined by multiple factors

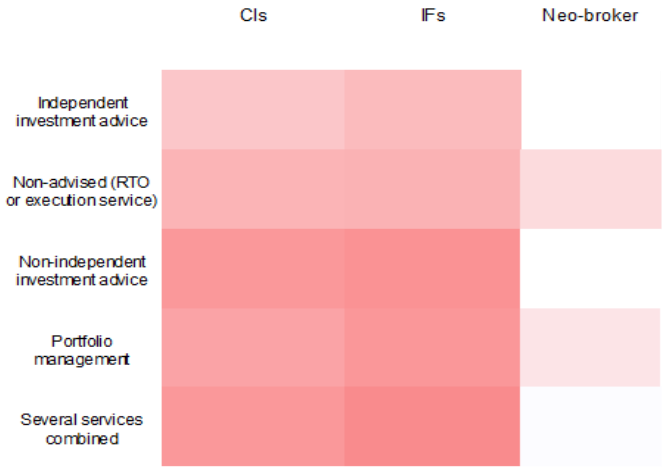
- Amount invested, holding period: Strong drivers as reported by distributors
- Type of distribution service offered
  - Advice and execution-only costs differ (higher for advice, mostly non-independent)
  - Execution-only cheaper when provided by neo-brokers
- Structural factors: Different business models between digital-only platforms and more traditional distribution channels, like IFs or CIs

Distribution cost drivers



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

Costs by type of service and distributor



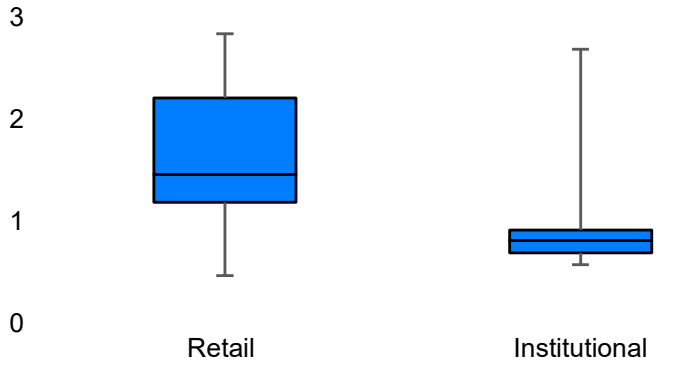
Note: Equity UCITS, distribution costs by type of service, retail investors, in %. The table applies a color-scale formatting to represent values ranging from 0.15% to 0.85%. Lower values are indicated by light pink cells, while higher values are reflected through progressively darker shades of red.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

Strong heterogeneity in costs by country

Cross-country costs differ, driven by distribution patterns

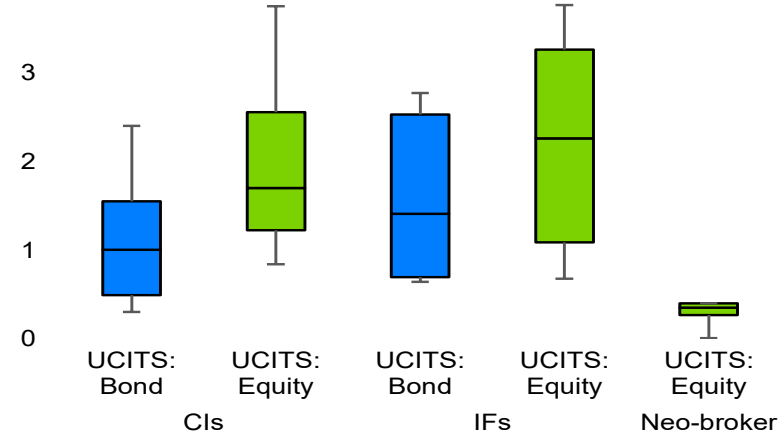
- Product ongoing costs: High cross-country heterogeneity for retail investors ranging from 0.5% to 2.8%
- Distribution of total costs: High cross-country heterogeneity according to the distribution channel. For CIs it ranges between 0.3% and 0.75% across fund types

Product ongoing costs equity UCITS



Note: Distribution of equity UCITS ongoing costs averages across jurisdictions by type of client, %. Data from PRIIPs KID or other regulatory document, funds' domicile. 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: ESMA.

Distribution of total costs across MS



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: ESMA.

Detailed cost components not available

Top-down perspective: ESMA analysis constrained by data

- ESMA annual cost and performance reporting: Built on PRIIPs KID as important source of ex-ante information; but no display or breakdown of all costs borne by investors, especially distribution-related costs
- Current one-off analysis: Adds MiFID data to PRIIPs KID data; includes total costs, product and distribution costs, yet PRIIPs and MiFID disclosures not fully harmonised

Retail client perspective: No realistic way of comparing products

- Availability: Ex-ante and ex-post information through PRIIPs KID and MiFID disclosures
- Reality: PRIIPs and MiFID disclosures not fully harmonised, complex, difficult to reconcile and navigate through the information

Report contribution and conclusions

First time comprehensive assessment of total costs

- Comprehensive analysis of the total costs charged to investors in EEA investment funds
- Innovative analysis on distribution costs
- It fills an existing knowledge gap by providing:
  - an assessment of the total costs charged to investors in European investment funds, namely UCITS and AIFs, and
  - an analysis of the cost drivers for UCITS and AIFs and disparities across them

Conclusions

- Regular ESMA cost and performance findings confirmed and enhanced
- Large by-country differences pointing to gaps in internal market
- Distribution channel comparison strongly depends on “service type” provided
- Potential for further analysis (subject to data and resource availability):
  - In-depth focus on the insurance sector as distributor channel;
  - In-depth focus on new entrants (e.g., digital platforms);
  - Service-related analysis

ESMA
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