

PRESS RELEASE

ESG funds provided better returns for investors in 2020

The European Securities and Markets Authority (ESMA), the EU securities regulator, today publishes its fourth annual statistical report on the cost and performance of European Union (EU) retail investment products. A new finding this year is that UCITS with an environmental, social and governance (ESG) strategy (including equity, bond and mixed funds) outperformed their non-ESG peers, and were also overall cheaper.

The Report examines the market over the ten-year period ending in 2020 and finds that, while costs show signs of reducing in certain jurisdictions, in most Member States as well as in the EU as a whole there is limited progress in funds becoming more affordable. Retail investors also continue to pay higher fees than professional investors. The main findings in the report are:

- **Gross performance:** Gross performance in 2020 was low or negative and highly volatile due to the COVID-19 pandemic. Investing long-term significantly reduces the risks related to sudden and large changes in the valuation of financial products;
- **Costs:** Costs remained a critical component when evaluating the ultimate benefits of an investment, they reduced only marginally over time. Total costs were higher for retail investors than for institutional investors, on average. Costs for cross-border funds were higher than those for domestic funds;
- **ESG UCITS:** ESG equity, bond and mixed funds were overall cheaper than non-ESG peers, while their performance reflected the strong performance of specific sectors since the COVID-19 crisis. Within the ESG fund category, impact funds performed better than other ESG strategies and funds with sustainable investment as objective performed better in net terms, after having included costs, than those promoting environmental or social characteristics despite slightly higher costs;
- **Structural market features:** 15% of the managers of UCITS in our sample managed 90% of assets. Cross-border funds were, on average, larger than funds sold only in their home market and on average 60% of funds included in the sample were effectively sold cross-border. Heterogeneity across Member States persists;
- **Performance and costs by management type:** Costs were significantly higher for active



UCITS than for passive funds and ETFs. ETF UCITS performance was in line with that of other passive UCITS investing in similar assets;

- **Retail AIFs:** In 2020, retail investors accounted for only 13% of the total Net Asset Value (NAV) in the EU AIF market. As for UCITS, the annualised monthly gross and net performance across the main retail AIFs fund types, significantly decreased compared with 2019. A full costs analysis could not be carried out due to the unavailability of data on cost composition; and
- **Structured Retail Products:** Total costs were largely attributable to entry costs and varied substantially by country and by pay-off type, but they did not depend on issuance size or underlying type.

Compared with the 2021 edition, this report includes additional analysis on cross-border funds, showing that these, on average, are more expensive than national funds mainly due to distribution costs, and that there is a concentration of funds' assets across few asset managers. New features this year include more information about UCITS following ESG strategies, analysis on the performance of retail AIFs and the study of performance and costs of SRPs based on Packaged Retail Investment and Insurance Products' Key Information Documents (PRIIPs KID).

This report provides consistent EU-wide information on cost and performance of retail investment products. It also demonstrates the relevance of disclosure of costs to investors, as required by the MiFID II, UCITS and PRIIPs rules. Asset managers and investment firms are reminded to act at all times in the best interest of investors, as laid down in MiFID II, and the UCITS and AIFM Directives.



Notes for editors

1. [Annual Statistical report on Costs and Performance for retail investment products in the EU 2022](#) (ESMA 50-165-1677)
2. [Webinar on ESMA and EIOPA's ASRs on cost and performance - 2022](#)
3. Other relevant links:
[Annual Statistical report on Costs and Performance for retail investment products in the EU 2021](#) (ESMA 50-165-1710)
[Annual Statistical report on Costs and Performance for retail investment products in the EU 2020](#) (ESMA 50-165-1106)
[Annual Statistical report on Costs and Performance for retail investment products in the EU 2019](#) (ESMA50-165-731)
4. The analysis contained in this report complements ESMA's risk assessment, supervisory convergence and investor protection work, and contributes to the European Commission's project on cost and performance of investment products under the Capital Markets Union Action Plan.
5. ESMA's mission is to enhance investor protection and promote stable and orderly financial markets.
It achieves these objectives through four activities:
 1. assessing risks to investors, markets and financial stability;
 2. completing a single rulebook for EU financial markets;
 3. promoting supervisory convergence; and
 4. directly supervising specific financial entities.
6. ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board, and with national authorities with competencies in securities markets (NCAs).

Further information:

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