

Average UCITS Ongoing Charges Continue Downward Trend

Brussels, Belgium; October 19, 2023—UCITS investors continue to benefit from lower ongoing charges, according to an updated report from the Investment Company Institute (ICI)—*Ongoing Charges for UCITS in the European Union, 2022*. This year's report will help inform European policy makers as they consider UCITS costs as an element of the Retail Investment Strategy's (RIS) value-for-money framework.

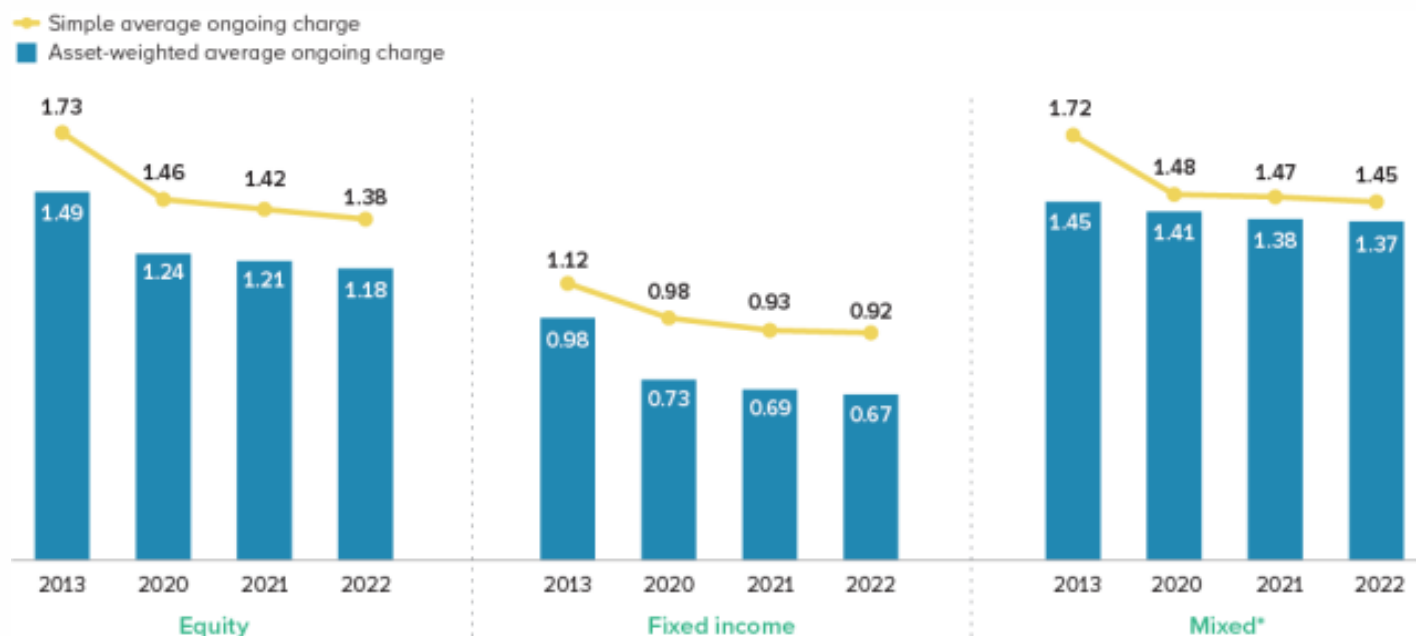
Average UCITS ongoing charges have trended downwards for nearly a decade, driven in large part by two important factors: First, greater access to funds that are commission-free, meaning that investors pay for advice directly through an asset-based fee. Second, the increasing popularity of index tracking UCITS and ETFs, underlining a broader trend of assets shifting to lower-cost funds.

"Average ongoing charges continued to fall in 2022 and are down more than 20 percent from 2013, which is welcome news for retail investors," said James Duvall, ICI Economist. "UCITS remain an excellent investment vehicle for retail investors because they provide many benefits including access to professional management, global markets, and a sound regulatory framework."

Additionally, in 2022, the average ongoing charge for cross-border equity funds was 1.34 percent compared with 1.23 percent for single country equity funds. Cross-border UCITS provide European investors with a much larger range of investment options, but such funds often incur additional marketing or registration costs.

Investors in UCITS Pay Below-Average Ongoing Charges

Percent



*Mixed funds invest in a combination of equity and fixed-income securities.

Note: Data exclude exchange-traded funds.

Source: Investment Company Institute calculations of Morningstar Direct data

Retail Investment Strategy: On May 24, 2023, the European Commission published a legislative proposal on the RIS with comprehensive reforms to the EU framework for retail investors. As part of the RIS, the Commission has proposed changes to the UCITS Directive to insert a value-for-money assessment framework—one that is problematic because it would require management

companies to align with a cost benchmark to be developed by the European Securities and Markets Authority (ESMA) that would be unlikely to take into account individual investor needs.

“We strongly support efforts to improve retail investor access to the capital markets,” says Eva Mykolenko, Associate Chief Counsel at ICI Global. “However, the Commission’s cost benchmark proposal will lead to negative consequences for European investors. Continued falling ongoing charges, combined with increased investment in lower-cost funds, signal that market competition is working. The cost benchmark proposal will reduce product diversity and stifle future innovation.”

European co-legislators have begun their deliberations on the RIS. It is too early to know what changes will ultimately be included in the final agreement, which is not expected until late 2024 or early 2025.

To read more from the ICI report, [click here](#).

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