

# Press Release

## Costs of retail investment products continue slow decline

The European Securities and Markets Authority (ESMA), the EU financial markets regulator and supervisor, today publishes its fifth annual report on the costs and performance of European Union (EU) retail investment products. In the report ESMA looks at the market between 2012 and 2021 and finds that the costs of investing in the most important retail financial products continued to decline, albeit at a very slow pace.

Verena Ross, ESMA Chair, said:

*“Investors are faced with an environment of high economic uncertainty, high inflation and relatively low market performance. In this context, the high costs of certain investment products, particularly for retail investors, raise concerns about actual investment outcomes.”*

*“ESMA’s reporting on the cost and performance of retail investment products provides an annual snapshot of the market. Whilst the cost incurred by investors is slowly declining compared to the past years, the availability of well-designed and cost-efficient products is a key element to encourage increased consumer participation in the European capital markets.”*

The key findings in the report are:

- **Costs:** Costs have declined somewhat, but investors should continue to consider fund fees carefully in their investment decisions. Active UCITS remained more expensive than passive funds and ETFs, such that their net performance was on average lower in comparison. Costs were higher for cross-border funds than those for domestic funds, mainly due to differences in distribution channels.
- **Investment value and value-for-money** Investors paid around 3,000€ in costs for an investment of 10,000€ over the ten years between 2012 and 2021. This led to a final net value of 18,500€ at the end of this period. Beyond performance and costs, the overall utility that investors can derive from investment products, i.e. their value-for-money, is gaining growing attention. Cost efficiency, as well as product design and quality, determine final investor outcomes.
- **Inflation:** After more than a decade of low inflation, the recent rise in price levels has started to weigh on investor returns. In addition to the average 3,000€ fund fees paid for a ten-year 10,000€ investment, investors typically lose 2,000€ due to inflation, reducing the net value of that investment to 16,500€. Inflation differences across

Member States, measured at the level of the fund domicile, add to the persistent and high differences in fund costs across the EU.

- **ESG:** While equity, bond and mixed ESG funds outperformed on average their non-ESG equivalents in 2021, results differ across asset classes. In 2021, equity and mixed ESG funds outperformed their non-ESG peers but the performance of ESG bond funds was lower than the performance of non-ESG bond funds. ESG funds remained cheaper than their non-ESG peers, with the exception of equity ESG ETFs which are more expensive compared to non-ESG equity ETFs.
- **Structured Retail Products:** Total costs were largely attributable to entry costs and varied substantially by country and by pay-off type. Costs of products issued in 2021 increased for a majority of payoff types and issuers compared to products issued in the previous three years.

Cost and performance of retail investment products are key determinants of the benefits and risks for retail investors in the EU. Clear and comprehensive information on retail investment products can help investors assess the past performance and costs of products offered across the EU and foster retail investor participation in capital markets. ESMA's report helps to monitor progress in this regard by providing 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 and the need for asset managers and investment firms to act in the best interest of investors especially considering their role in manufacturing and distributing investment products.

## Notes for editors

1. [ESMA50-165-2357 2022 Cost and Performance report](#)
2. [EIOPA cost and performance report](#)
3. [A joint ESMA-EIOPA webinar open to the public will be organised on 2 February to present the two reports.](#)
4. ESMA is the European Union's EU's financial markets regulator and supervisor. Its mission is to enhance investor protection and promote stable and orderly financial markets.
5. It achieves this objective through three strategic priorities:
  - fostering effective markets and financial stability,
  - strengthening supervision of EU financial markets,
  - enhancing protection of retail investors,and two thematic drivers:
  - enabling sustainable finance; and
  - facilitating technological innovation and effective use of data.
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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