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## EXECUTIVE SUMMARY

- This FMA Market Study on Fees charged by Austrian Retail Funds is aimed at investors and intends to put them in a position to be able to better compare and assess the different fees charged within a single category of funds, as well as between different categories of funds.
- The fees for a fund as well as the method for calculating the fees are to be defined in the terms and conditions of the fund. In addition, the fees for a fund are required by law to be stated in a key information document (also called a “Key Investor Information Document”) in accordance with the European Packaged Retail Investment and Insurance-based Products (PRIIPs) Regulation known as a “PRIIPs-KID”. Austrian retail funds were required to draw up a PRIIPs-KID for the first time in 2023. Due to differences in methodologies used in the current PRIIPs-KID compared with to the previous KID for funds, it is only possible to compare figures in this study against studies from previous years to a limited extent.
- For this study, the FMA collected information about fees and the PRIIPs-KID for 2023 from 978 Austrian retail funds pursuant to the Investment Funds Act 2011 (InvFG 2011), the Real Estate Investment Funds Act (ImmoInvFG) and the Alternative Investment Fund Managers Act (AIFMG) from a total of 20 investment fund management companies, real estate investment fund management companies, or alternative investment fund managers with aggregated net asset value (NAV) of EUR 107.20 billion.
- The fund fees for all Austrian retail funds as a volume-weighted average of the maximum annual ongoing management fees stand at 1.13 %, and 3.61 % in the case of the maximum entry charges for purchasing fund units. Transaction costs are 0.17% on average.
- The fees analysed differentiate between the different investment strategies and risk categories. In terms of the volume-weighted average, money market funds and short-term bond funds have the lowest charges by investment strategy, followed by bond funds, real estate fund, mixed funds and equity funds. For example, in terms of volume-weighted average bond funds have lower charges compared to equity funds regarding ongoing management fees (0.63 % compared to 1.56 %), maximum entry charges (3.22 % compared to 4.36 %) as well as transaction costs (0.16 % compared to 0.21 %).
- The results of the regression analysis –which is presented in a separate statistical annex in this report, and a statistical analysis estimating the relevant influence factors for the fees of retail funds (ongoing management fees) – shows that the risk category and investment strategies are the material factors regarding the amount of fees. Furthermore, retail funds that take sustainability factors into account in accordance with Austrian EcoLabel 49 (Umweltzeichen) for sustainable financial products) have slightly lower fees.

# 1 INTRODUCTION

This FMA Market Study on Fees charged by Austrian Retail Funds is aimed at investors and intends to put them in a position to be able to better compare and assess the different fees charged within a single category of funds, as well as between different categories of funds. It therefore assists in the interests of collective consumer protection in improving market transparency with regard to retail funds.

For this purpose, all investment fund management companies (KAGs), real estate investment fund management companies (Immo-KAGs) or alternative investment fund managers (AIFMs) that manage Austrian retail funds<sup>1</sup> under the Investment Fund Act 2011 (InvFG 2011), the Real Estate Investment Fund Act (ImmoInvFG) and the Alternative Investment Fund Manager Act (AIFMG), were requested to submit funds fees and other information in a harmonised manner to the FMA based on the key information documents (PRIIPs-KID) drawn up for 2023 in accordance with European PRIIPS Regulation. All retail funds are prescribed under law to draw the PRIIPs-KID using information that is structured in a consistent manner, in particular containing objectives and the investment policy, a description of the risk, costs and the fund's potential performance. The significant information for investors that are contained in the PRIIPs-KID are intended to place investors in a position to be able to understand the nature and risks involved for a fund, and on this basis to reach a well-founded investment decision.

The fees charged for funds that are prescribed under law to be listed in the PRIIPs-KID or in the fund regulations, they are analysed in Chapter 2 from the perspectives of investment strategy and risk category.<sup>2</sup> Chapter 3 describes the material information about retail funds in the PRIIPs-KID. Finally, the results from the conduct regression analyses for estimating the relevant influence factors regarding retail fund fees are contained in a statistical annex.

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<sup>1</sup> In this FMA Market Study, the following legal fund categories are classified as retail funds: UCITS under the InvFG 2011, pension investment funds pursuant to Article 48 AIFMG in conjunction with Article 168 InvFG 2011, other assets (where approved for distribution to retail clients) pursuant to Article 48 AIFMG in conjunction with Article 166 InvFG 2011, and real estate retail funds pursuant to Article 48 AIFMG in conjunction with the ImmoInvFG.

<sup>2</sup> It should be noted that for the sake of simplified illustration and improved comparability that fees are presented in aggregated form respectively by individual fund categories and risk categories for the purposes of a descriptive analysis. As these can be mutually dependent, the FMA also carries out statistical regression analyses in order to be able to estimate significant influencing factors. Where a need exists for additional explanation of the respective descriptive representations from the statistical analyses, this is indicated separately.

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## 2 ANALYSIS OF FUND FEES OF RETAIL FUNDS

In the analysis of fund fees, the fees of Austrian retail funds were collected with a cut-off point of 31.12.2022 from a total of 20 investment fund management companies and real estate investment fund management companies or alternative investment fund managers (AIFM). These retail funds cover 978 funds (2,735 different share classes) with aggregate net asset value (NAV) of EUR 107.20 billion, which make up approx. 54 % of the entire Austrian fund market. Ongoing management fees, maximum entry charges and transaction fees are considered, analysed by investment strategies and risk categories.

The quantitative analysis neither deals with the maximum exit charges in further detail, since they are only apply to a very low extent in retail funds (36 funds or 92 share classes, max. 5 % with a volume-weighted average of 2.34 %) nor with performance-dependent management fees, since such fees differ greatly in terms of their design and therefore cannot be compared in a quantitatively consistent manner (90 funds, or 236 share classes, up to 20 % of the respective defined added value of the unit).

### 2.1 FEES BY INVESTMENT STRATEGY

Funds may be classified by investment strategies, especially on the basis of the invested assets. In the case of retail funds in terms of NAV, mixed funds form the largest category (EUR 40.91 billion or 38.2 %), followed by bond funds (EUR 27.73 bn or 25.9 %), equity funds (EUR 25.19 bn or 23.5 %), real estate funds (EUR 9.78 bn or 9.1 %), short-term bond funds (EUR 3.25 bn or 3.0 %) as well as other funds (EUR 347 mn or 0.3 %). In comparison with the previous year's study, the proportion of bonds has continued to decrease, while the proportion of mixed funds and equity funds has increased.

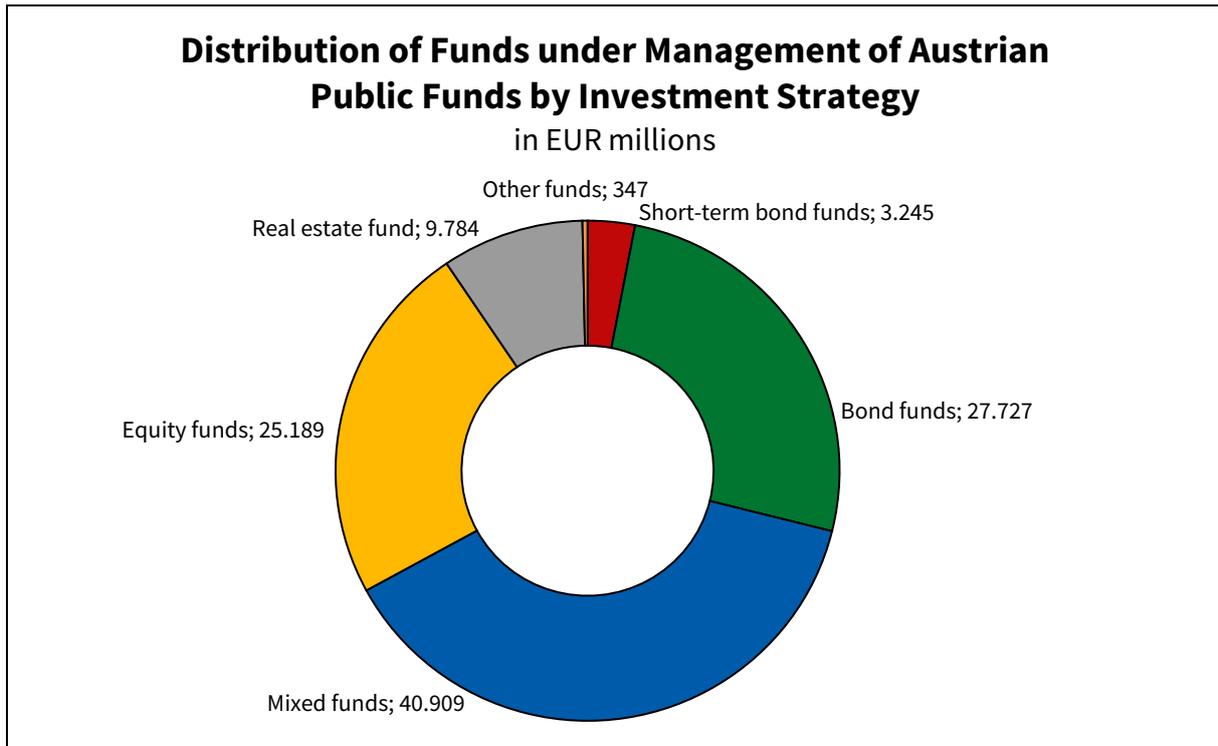


Figure 1: Distribution of funds under management by investment strategy

The volume-weighted average of the fees<sup>3</sup> of all retail funds is 1.13 % for the ongoing management fees, 3.61 % for the maximum entry charges and 0.17 % for transaction fees. The analysed fees show a certain trend between investment strategies.<sup>4</sup> The lowest volume-weighted average fund fees tend to be seen in short-term bond funds, followed by bond funds, real estate fund, mixed funds and equity funds. In terms of volume-weighted average bond funds have lower charges compared to equity funds regarding ongoing management fees (0.63 % compared to 1.56 %), maximum entry charges (3.22 % compared to 4.36 %) as well as transaction costs (0.16 % compared to 0.21 %).

<sup>3</sup> All averages stated for fund fees relate to the respective volume-weighted averages.

<sup>4</sup> The "other funds" category contains very heterogeneous funds, such as for example funds of hedge funds, micro-finance funds and other strategy funds, meaning that due to the small number as well as the heterogeneity of them that they cannot be compared with the other classes.

Table 1: Overview of average and maximum fund fees

Austrian Retail Funds	Funds	NAV as of 31.12.2022	Ongoing management fees in % (from PRIIPs-KID)	in %	Max. entry costs in % (from PRIIPs-KID)	Transaction fees in % (from PRIIPs-KID)		
Funds category	Quantity	in EUR mn	Average	Max	Average	Max	Average	Max
<i>Investment strategy</i>								
Short-term bond funds	34	3,245	0.33	1.20	1.31	7.00	0.09	0.44
Bond funds	241	27,727	0.63	2.53	3.22	10.00	0.16	1.61
Mixed funds	434	40,909	1.30	3.57	3.73	10.00	0.13	2.86
Equity funds	255	25,189	1.56	3.70	4.36	10.00	0.21	1.54
Real estate fund	6	9,784	1.01	1.63	3.06	4.76	0.30	0.47
Other funds	8	347	1.16	2.48	2.03	5.00	0.11	1.59
<b>Total</b>	<b>978</b>	<b>107,201</b>	<b>1.13</b>	<b>3.70</b>	<b>3.61</b>	<b>10.00</b>	<b>0.17</b>	<b>2.86</b>
<i>Legal Type of Fund</i>								
UCITS	858	90,565	1.14	3.70	3.65	10.00	0.16	2.86
AlFs	120	16,636	1.12	3.19	3.36	10.00	0.21	1.08
<i>Funds of Funds</i>								
Funds of Funds	299	23,241	1.40	3.70	3.43	10.00	0.11	1.05
<i>Sustainability funds</i>								
Ecolabel 49 funds	103	24,641	1.13	2.23	3.74	5.25	0.18	1.61
Funds acc. Art. 8 SFDR	371	49,710	1.18	3.57	3.62	10.00	0.15	2.86
Funds acc. Art. 9 SFDR	14	5,005	1.30	1.99	3.86	5.00	0.15	0.62

Furthermore, there is a growing number of retail funds that focus their investment policy on sustainability or ESG criteria<sup>5</sup>. With the Sustainable Finance Disclosure Regulation (SFDR)<sup>6</sup> applying,

<sup>5</sup> ESG: Environmental, Social and Governance.

<sup>6</sup> Also called the Disclosure Regulation: Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

funds are to be classified in accordance with Article 8 SFDR (funds that among other things promote environmental or social characteristics in pre-contractual information, so-called “light green” funds) and in accordance with Article 9 SFDR (funds striving for sustainable investment, so-called “dark green” funds), although specific disclosure obligations are associated with the respective types of funds. Among the retail funds, 371 are categorised as funds acc. Art. 8 SFDR and 14 as funds acc. Art. 9 SFDR (retail funds in accordance with Article 8 SFDR have increased by 97 funds compared to 2022, with the number of funds in accordance with Article 9 SFDR having risen by one). These include 103 retail funds, that invest in accordance with the Austrian Ecolabel 49 for Sustainable Investment Products (UZ49).<sup>7</sup>

The direct comparison of the fees of this fund does not show a clear picture and differences in fees for funds are not able to be directly deduced, since such funds contain an over-proportional amount of equity and mixed funds in comparison with the market as a whole, and for this reason have higher fees. The results of the statistical analysis (see the Statistical Annex) show that only Ecolabel 49 funds tend to have slightly lower fees.

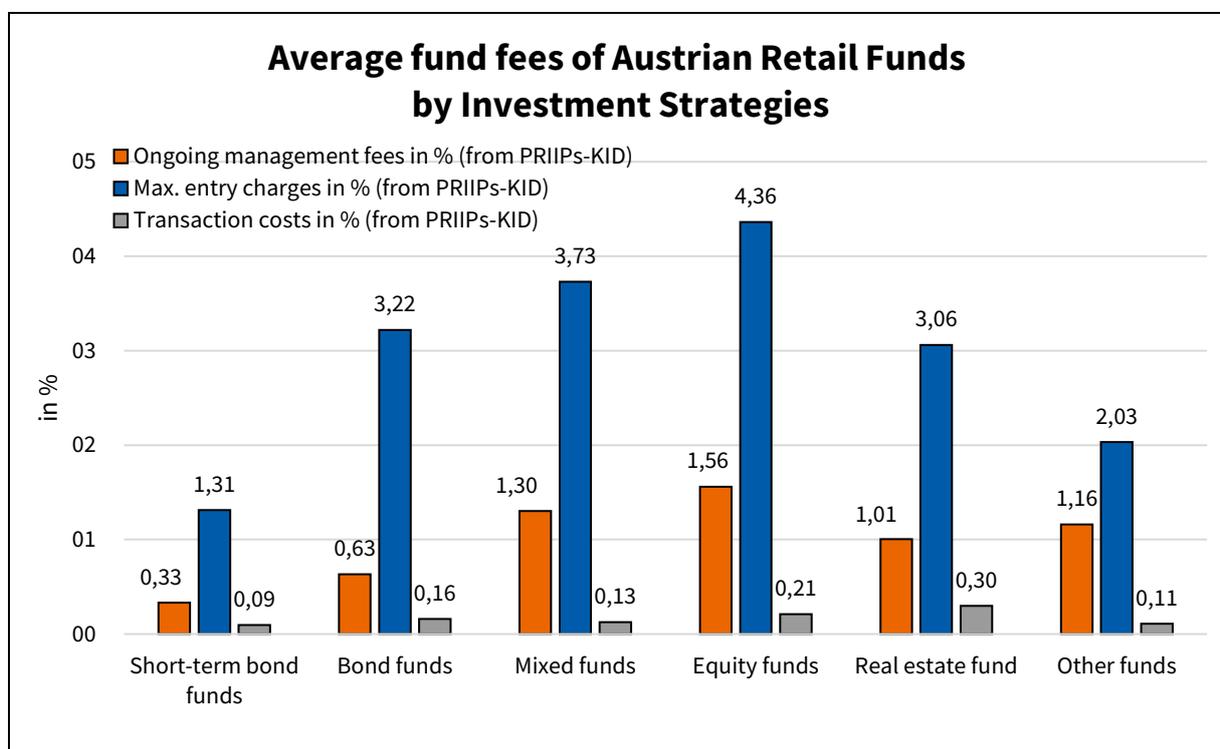


Figure 2: Average fund fees by investment strategies

In addition to the allocation of funds based on their investment strategies (allocation based on predominantly invested assets) may also differ in terms of the strategic approach taken, i.e. whether an active or passive investment strategy is pursued. An active investment strategy is characterized by the composition and/or the selection of the assets being adapted by a manager, depending on

<sup>7</sup> For details about Ecolabel 49 for sustainable financial products: <https://www.umweltzeichen.at/en/products/sustainable-finance>

the prevailing market situation. The objective is to react to changes in the market and to achieve as optimal as possible an investment result (in terms of earnings to risk) or to outperform a benchmark. In contrast, there are also passively managed investment strategies, in which the investment objective is to reproduce the performance of an index. This requires less intervention by the asset manager, with the consequence that their efforts and therefore generally speaking fees are also lower. The majority of Austrian retail funds pursue an active investment strategy. Only three Austrian retail funds pursue a passive investment strategy.

## 2.2 FEES BY RISK CATEGORY

Measured by risk category (defined as the total risk indicator; split into risk categories 1 to 7), the majority of retail funds, in terms of net asset value, fall into the risk categories 2 to 4. Real estate funds have the lowest risk category, following by short-term bond funds, bond funds, mixed funds and finally equity funds, which are allocated to higher risk categories. The average risk category of all Austrian retail funds based on the volume-weighted average is 2.94. It is only partially possible to conduct a historical comparison of the risk category due to the calculation method to be applied in 2023 in accordance with the PRIIPs-KID.

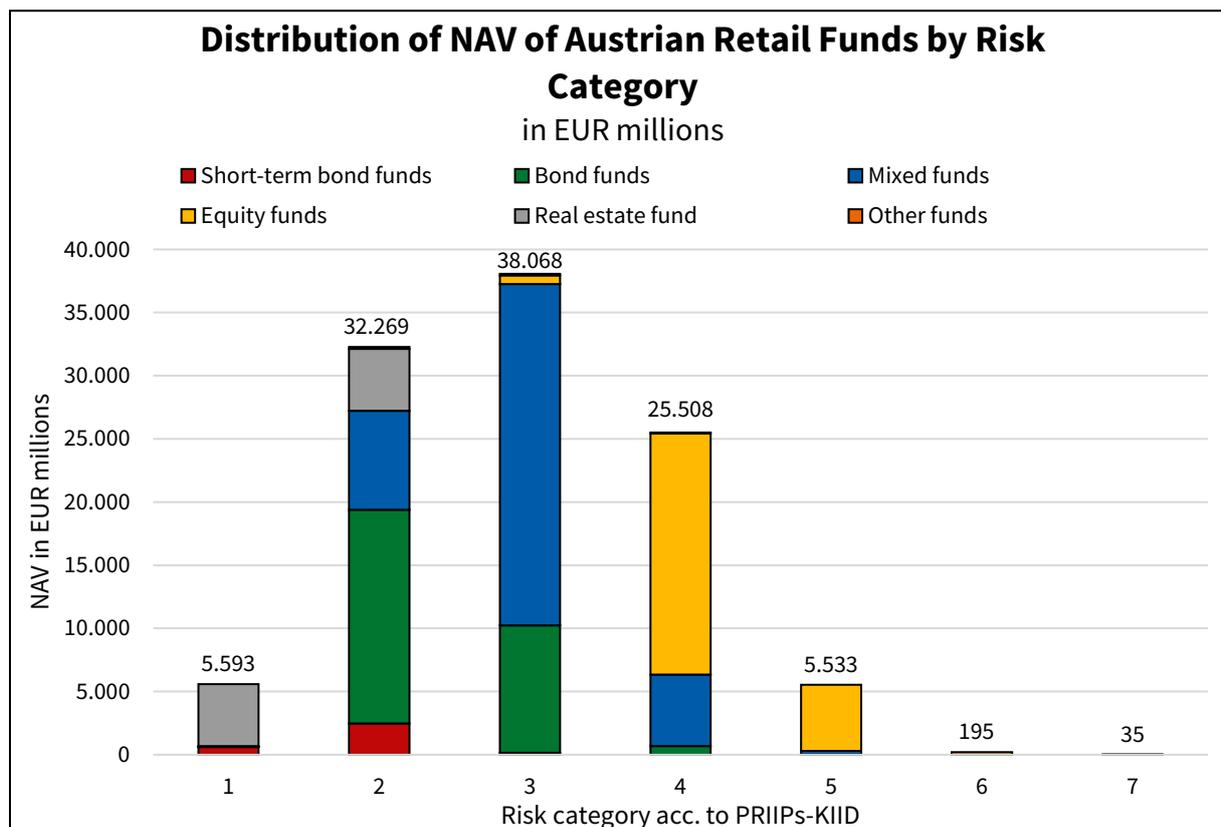


Figure 3: Distribution of Net Asset Value by Risk Category

Looking at the risk category of the fund, the fee structure – especially when examining the ongoing management fees and maximum entry charges – shows a similar tendency as it does when broken down by differing investment strategy: The higher the classification of the risk, the higher the fund fees tend to be. This does not however apply unconditionally and depends on the fees associated with the fund’s investment strategy. This explains the higher values from most cost-intensive real estate funds in risk category 1.

Table 2: Overview of average fund fees by risk category

Austrian Retail Funds	NAV as of 31.12.2022	Ongoing management fees in % (from PRIIPs-KID)	Max. entry costs in % (from PRIIPs-KID)	Transaction fees in % (from PRIIPs-KID)	
Risk category	Quantity	in EUR mn	Average	Average	Average
1	11	5,593	0.90	3.02	0.34
2	270	32,269	0.80	2.77	0.15
3	342	38,068	1.17	3.72	0.14
4	302	25,508	1.43	4.47	0.20
5	46	5,533	1.66	4.31	0.18
6	6	195	1.93	3.64	0.12
7	1	35	0.49	3.00	0.03
<b>Total</b>	<b>978</b>	<b>107,201</b>	<b>1.13</b>	<b>3.61</b>	<b>0.17</b>

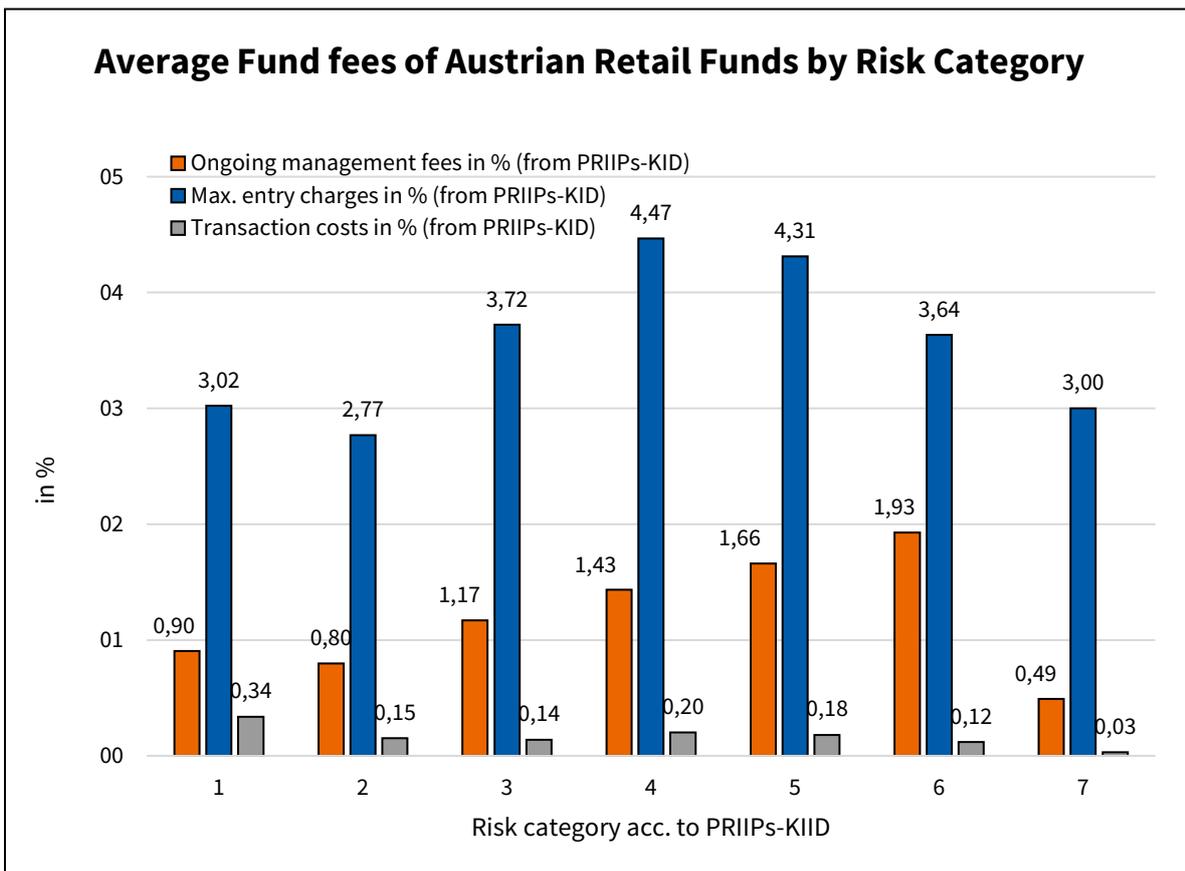


Figure 4: Average Fund Fees by Risk Category

## 2.3 ANNUAL FEE COMPARISON

FMA Market Studies on Fund Fees for Austrian Retail Funds have already been published for a number of years, allowing the aggregated fees in the Austrian fund market to be analysed to identify potential changes over the years. It is necessary to advise that a PRIIPs-KID is required to be drawn up for Austrian retail funds for the first time in 2023. Due to differences in methodologies used in the current PRIIPs-KID compared with to the previous KID for funds, it is only possible to compare figures in this study against previous editions of the study from previous years to a limited extent. Independent of this fact, in recent years there have only been marginal changes to the ongoing management fees (previously ongoing charges) over recent years available for comparison, with no discernible significant trends also being observable among the different investment strategies. Minor changes on an aggregate level are also not necessarily the result of changes in fee structure, but may instead result from changes in the net asset value of groups of funds as a result of inflows or outflows of funds as well as changes in market value. It is to be expected that potential changes in the market structure of funds fees will only become apparent once trends have been observed across several years.

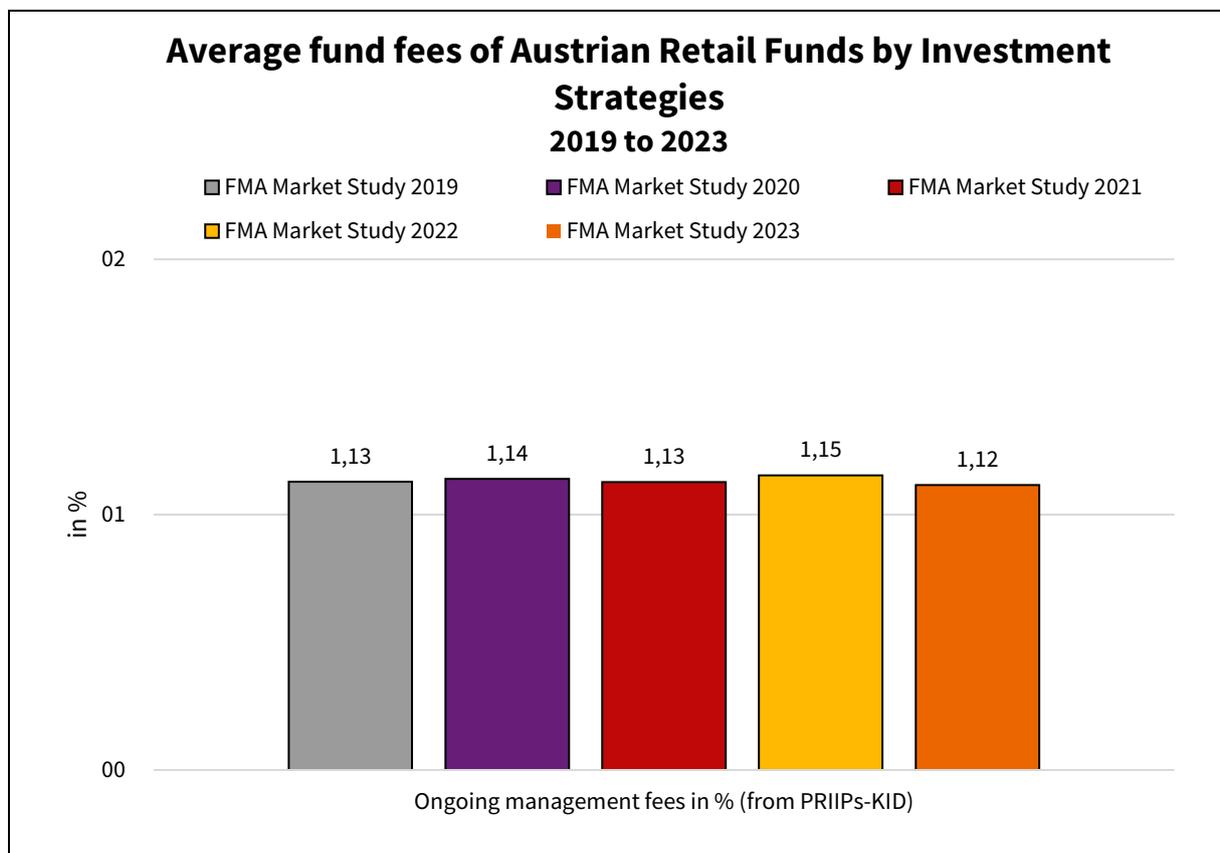


Figure 5: Year-by-year average fund fees

## 3 EXPLANATION OF SIGNIFICANT FIGURES STATED IN THE PRIIPS-KID

The significant figures contained in the key information document (PRIIPs-KID) that are particularly important for the comparison of retail funds relate to the description of the risk, costs and potential performance of the fund. All this information is required to be stated in the key information document on the basis of calculations that are stipulated under law.

### 3.1 RISIK INDICATOR

The risk of a fund is shown by means of a risk indicator that ranges from 1 (low risk) and 7 (very high risk). In particular when calculating this risk indicator, the market risk of the fund is included, i.e. the probability of losing money in the event of the markets performing in a way that is unfavourable for the product. When calculating the risk indicator, it is assumed that the fund will be held until maturity (i.e., the recommended holding period). In the event the fund is sold early, then other risks may occur. Similarly, by virtue of its design the fund may exhibit further risks (e.g., foreign exchange risks, liquidity risk) that were not taken into account in the risk indicator. Such risks are then described separately in the key information document underneath the risk indicator that is displayed in the section “What are the risks and what could I get in return?”.

### 3.2 COSTS

The remuneration and reimbursement of costs that a management company is allowed to draw off from the fund assets, as well as the nature of the charges must be defined in the fund regulations. Furthermore the fees charged by a fund are required to be stated in the PRIIPs-KID. The fees are broken down into one-off entry and exit costs (also known as entry and exit charges for funds), the ongoing charges within a single year, defined as the ongoing management charges and transaction fees, as well as any additional performance-dependent performance-related fees. It should be noted that the share classes of a fund (classes of fund units) may vary, especially about how proceeds are used, the currency in which the unit is denominated as well as the fund fees.

A fictitious initial investment of EUR 10,000 and average performance by the product (also known as the “balanced scenario”) is taken as the basis for calculating charges. The charges therefore only constitute an estimate, and the actual costs may differ from this estimate. In the case of the ongoing charges, they are a estimation on the basis of the actual charges for the previous year. The FMA states the total charges as percentages (as a percentage rate by which the costs reduce the product’s performance).

It is important that the costs stated in the PRIIPs-KID only depict product costs. Additional costs may be incurred for advice about or selling the product, or in the event of the product being terminated

prematurely that were not already taken into account in the total costs. Similarly, personal tax situations are also not taken into consideration.

### **3.3 PERFORMANCE SCENARIOS**

The potential performance of a fund is depicted in the key information document based on performance scenarios: the future performance of a fund is uncertain, and therefore may only be estimated in the key information document based on the past performance of the fund or its underlying asset(s). Different scenarios are therefore applied, i.e., particularly unfavourable past performances (pessimistic scenario) or particularly favourable past performances (optimistic scenario) are presented in addition to an average expected performance (balanced scenario) to nevertheless be able to provide a broad overview about potential performance. Additionally, details are also included about a stress scenario that takes into account extremely unfavourable past performances.

The various scenarios therefore form potential ranges within which the fund's performance might move based on past experiences. The actual performance of the fund may differ from these scenarios depending on the current and future performances of the financial markets.

A fictitious initial investment of EUR 10,000 is applied for calculating the performance scenarios as well as for calculating the costs. The calculation is performed for the same three holding periods. The performance values are presented in the key information document in the currency in which the product is denominated and as percentages (as an annual average return) following the deduction of the costs incurred.

## **4 STATISTICAL ANNEX**

This statistical annex contains the results from the regression analysis for estimating the relevant influence factors regarding retail fund fees.

### **4.1 DESCRIPTION OF THE REGRESSION MODEL**

A cost variable (ongoing fees according to the PRIIPs-KID) is estimated at the level of the unit category using a linear regression model by the following explanatory variables to identify significant influencing factors (p-value <0.05).

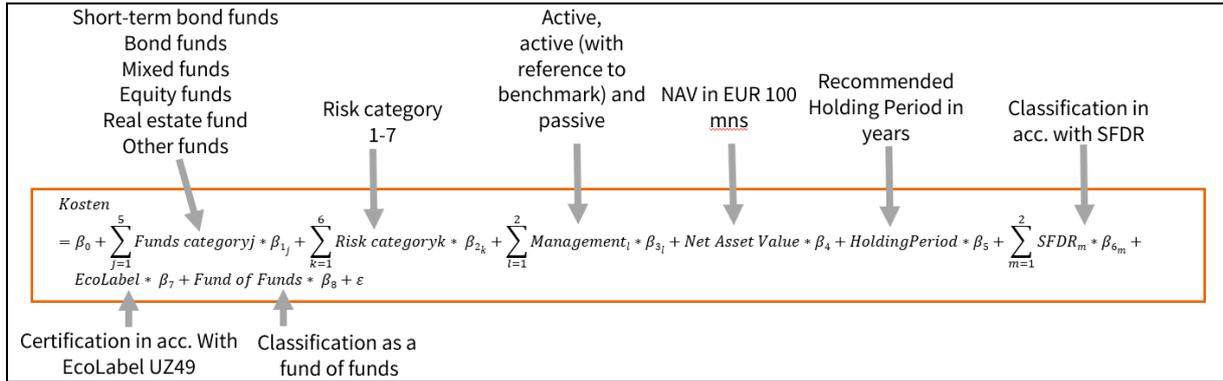


Figure 6: Regression model for ongoing charges

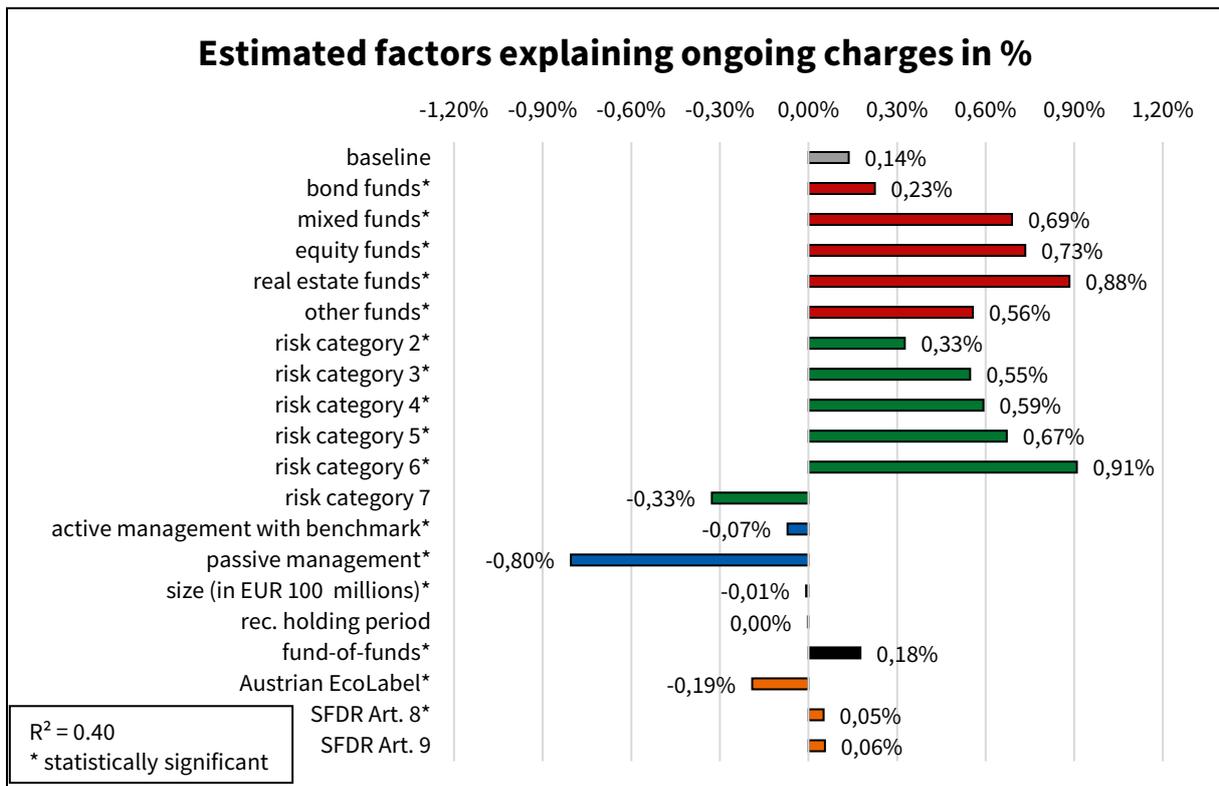


Figure 7: Estimated factors of the regression model for ongoing charges

The baseline refers to a short-term bond fund with a risk category of 1 that is actively managed, that it not a fund of funds and does not take sustainability factors into account. The estimated factors of the ongoing management fees must therefore be calculated additively in each case. For example, an active bond fund in risk category 2 has estimated average ongoing management fees of 0.70 %, an active equity fund in risk category 5 has estimated average ongoing management fees of 1.54 % or a passive equity fund in risk category 5 has estimated average ongoing management fees of 0.74 %. Funds of funds have statistically significantly higher management fees. The net asset value amount is also a statistically significant factor, although it only has a low influence. Moreover, it should also be noted, that out of all the retail funds there are only 87 actively managed funds against a

benchmark, a mere 3 passively managed funds, only one fund with risk category 7 as well as 14 funds in accordance with Article 9 SFDR, meaning that their results potentially do not appear to be representative.

## 4.2 SUMMARY OF THE RESULTS

Results for estimating the relevant factors influencing the fees of retail funds (ongoing management fees) show that the risk category and investment strategies are the material statistical significant factors for explaining the level of fees. The higher the risk category of a fund, then the higher the fund's fees tend to be. This should not however be considered independently of the investment strategy of a fund.

Regarding active versus passive management approaches, passive funds have significantly lower fees, although it should be noted that among the retail funds there are only 87 active funds with a benchmark as well as only 3 passive funds. The consideration of sustainability criteria are only a factor that reduces fees slightly in the case of EcoLabel 49 funds. In addition, funds in accordance with Article 8 or 9 SFDR, which generally consider sustainability factors (no longer) show any statistically significant factor that explain the level of fees.<sup>8</sup>

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<sup>8</sup> In previous edition of the Study, the empirical results determined that the fees of Austrian sustainability funds were slightly lower (see the FMA market reports at <https://www.fma.gv.at/en/fees-charged-by-funds/>). These lower fees can now only be determined for EcoLabel 49 funds. Regarding the fees of sustainability funds, additional studies have been published by ESMA (ESMA TRV Risk Analysis, The drivers of the costs and performance of ESG funds, 2022, [https://www.esma.europa.eu/sites/default/files/library/esma\\_50-165-2146\\_drivers\\_of\\_costs\\_and\\_performance\\_of\\_esg\\_funds.pdf](https://www.esma.europa.eu/sites/default/files/library/esma_50-165-2146_drivers_of_costs_and_performance_of_esg_funds.pdf)) or the AMF on French funds (AMF risk and trend mapping, Costs and performance of funds incorporating a non-financial approach marketed in France between 2012 and 2018, 2021, [https://www.amf-france.org/sites/default/files/private/2021-05/performance\\_isr\\_en.pdf](https://www.amf-france.org/sites/default/files/private/2021-05/performance_isr_en.pdf)).