



FMA MARKET STUDY ON FUND
FEES OF AUSTRIAN RETAIL
FUNDS 2024

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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.
- A fund's fees and the fee calculation method must be defined in its terms and conditions. In addition, a fund's fees are legally required 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 PRIIPs-KIDs for the first time in 2023. Differences in methodologies between the KIDs and PRIIPs-KIDs only permit a limited comparison between the figures in this year and last year's edition of the study with those in prior editions.
- For this edition of the study, the FMA used an artificial intelligence-based methodology to collect information about fees and PRIIPs-KIDs for 2024 from 995 Austrian retail funds pursuant in accordance with the Investment Funds Act 2011 (InvFG 2011), the Real Estate Investment Funds Act (ImmoInvFG) and the Alternative Investment Fund Managers Act (AIFMG), from 20 investment fund management companies, real estate investment fund management companies, and alternative investment fund managers with and aggregate net asset value (NAV) of EUR 112.91 billion.
- As a volume-weighted average of the maximum annual ongoing management fees, fund fees for all Austrian retail funds stand at 1.13 %, and 3.53 % in the case of the maximum entry charges for purchasing fund units. On average, transaction fees stand at 0.15 %.
- Differences are observable between the analysed fees depending on funds' different investment strategies and risk classes. In volume-weighted average terms, money market and short-term bond funds have the lowest charges by investment strategy, followed by bond funds, real estate fund, mixed funds and equity funds. Bond funds have lower charges compared to equity funds in terms of ongoing management fees (0.62 % compared to 1.51 %), maximum entry charges (3.07 % compared to 4.24 %), as well as transaction fees (0.16 % compared to 0.17 %).
- The results of the regression analysis – presented in a separate statistical annex in this report and a statistical analysis estimating the relevant influence factors for retail funds' fees (ongoing management fees) – show risk category and investment strategies to be material factors regarding the level of fees. Furthermore, retail funds that consider sustainability factors 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 is intended to enable them to better compare and assess the different fees within a category of funds, as well as between different categories of funds. It therefore contributes to improving market transparency regarding retail funds in the interests of collective consumer protection.

For this purpose, natural language processing (NLP) algorithms were used to automatically extract information from key information documents (PRIIPs-KIDs) prepared in 2023 based on the European PRIIPS Regulation by all investment fund management companies (KAGs), real estate investment fund management companies (Immo-KAGs) or alternative investment fund managers (AIFMs) that manage Austrian retail funds¹ under the Investment Fund Act 2011 (InvFG 2011), the Real Estate Investment Fund Act (ImmoInvFG) and the Alternative Investment Fund Manager Act (AIFMG). All retail funds are legally required to prepare PRIIPs-KIDs using consistently structured information, that states their objectives and investment policy, a description of the risk, costs, and the fund's potential performance. The significant information contained in PRIIPs-KIDs is intended to provide investors with a better understanding of the nature and risks associated with a fund, and to enable them to reach a well-founded investment decision. PRIIPs-KIDs' up-to-dateness must be reviewed at least annually and amended as necessary.

The fees charged for funds that are legally required to be stated in PRIIPs-KIDs or fund regulations are analysed in Chapter 2 from investment strategy and risk category perspectives.² Chapter 3 describes the material information in retail funds' PRIIPs-KIDs. Finally, the results of the conducted regression analyses for estimating relevant influence factors regarding retail fund fees are listed in a statistical annex.

¹ 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.

² It should be noted that fees are presented in aggregated form respectively by individual fund categories and risk categories for the purposes of a descriptive analysis for the sake of simplified illustration and improved comparability. As these can be mutually dependent, the FMA also carries out statistical regression analyses 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.

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 31.12.2023 from a total of 20 investment fund management companies and real estate investment fund management companies or alternative investment fund managers. These retail funds cover 995 funds (2,792 different share classes) with aggregate net asset value (NAV) of EUR 112.91 billion, making up approx. 53 % of the entire Austrian fund market. Ongoing management fees, maximum entry charges, and transaction fees - analysed by investment strategies and risk categories - are considered.

The quantitative analysis does not go into maximum exit charges in greater detail, since they are only apply to a very low extent in retail funds (29 funds or 72 share classes, max. 3 % with a volume-weighted average of 0.92 %) nor into performance-dependent management fees, since the design of such fees differs greatly that does not permit a quantitatively consistent comparison (76 funds, or 186 share classes, up to 25 % of the respective defined added value of the unit).

2.1 FEES BY INVESTMENT STRATEGY

Funds may be classified by investment strategies, especially based on invested assets. In the case of retail funds in terms of NAV, mixed funds form the largest category (EUR 42.40 billion or 37.6 %), followed by bond funds (EUR 30.32 billion or 26.9 %), equity funds (EUR 28.79 billion or 25.5 %), real estate funds (EUR 8.08 billion or 7.2 %), short-term bond funds (EUR 3.05 billion or 2.7 %) as well as other funds (EUR 277 million or 0.3 %). Compared with last year's edition of the study, the proportion of mixed funds and real estate funds has decreased, while equity funds and bond funds have increased.

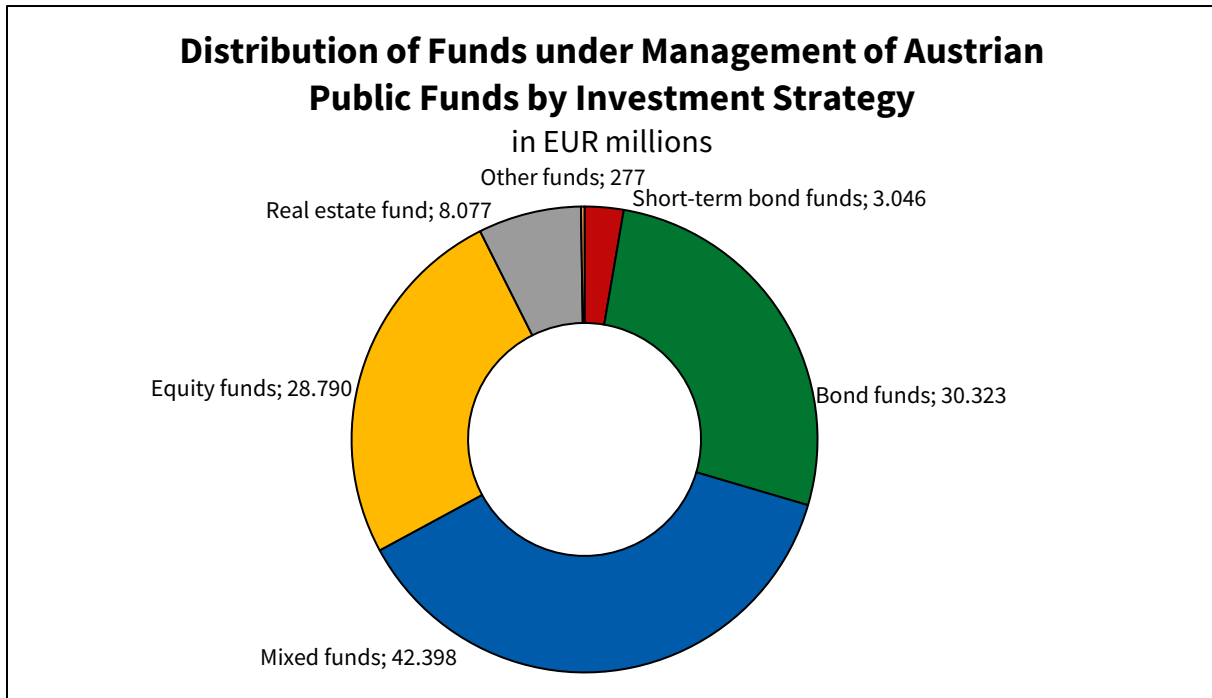


Figure 1: Distribution of funds under management by investment strategy

The volume-weighted average of the fees³ of all retail funds is 1.13 % for the ongoing management fees, 3.53 % for the maximum entry charges and 0.15 % for transaction fees. The analysed fees show a certain trend between the respective investment strategies.⁴ 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 (0.62 % compared to 1.51 %), maximum entry charges (3.07 % compared to 4.24 %) as well as transaction fees (0.16 % compared to 0.17 %).

³ All averages stated for fund fees relate to the respective volume-weighted averages.

⁴ The "other funds" category contains very heterogeneous funds, such as funds of hedge funds, micro-finance funds, and other strategy funds, which cannot be compared with the other classes due to their small number and their heterogeneity.

Table 1: Overview of average and maximum fund fees

Austrian Retail Funds	Funds	NAV as of 31.12.2023	Ongoing management fees in % (from PRIIPs-KID)	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	36	3,046	0.34	1.20	1.07	7.00	0.12	0.63
Bond funds	247	30,323	0.62	2.85	3.07	10.00	0.16	1.09
Mixed funds	437	42,398	1.32	3.78	3.66	10.00	0.10	2.65
Equity funds	262	28,790	1.51	4.63	4.24	10.00	0.17	2.05
Real estate fund	6	8,077	1.00	1.63	3.06	4.76	0.32	0.63
Other funds	7	277	1.04	2.06	2.40	5.00	0.14	1.59
Total	995	112,911	1.13	4.63	3.53	10.00	0.15	2.65
<i>Legal Type of Fund</i>								
UCITS	872	97,634	1.13	4.63	3.55	10.00	0.14	2.65
AlFs	123	15,278	1.13	3.21	3.42	10.00	0.21	1.28
<i>Funds of Funds</i>								
Funds of Funds	320	25,495	1.38	4.63	3.26	10.00	0.07	0.99
<i>Sustainability funds</i>								
Ecolabel 49 funds	109	27,059	1.11	2.31	3.66	5.25	0.14	2.65
Funds acc. Art. 8 SFDR	435	61,633	1.19	3.78	3.60	10.00	0.14	2.65
Funds acc. Art. 9 SFDR	11	2,435	1.34	1.89	4.18	5.00	0.16	0.55

Furthermore, a growing number of retail funds focus their investment policy on sustainability or ESG criteria⁵. In applying the Sustainable Finance Disclosure Regulation (SFDR)⁶, funds are to be

⁵ ESG: Environmental, Social and Governance.

⁶ 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.

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 Article 9 SFDR (funds striving for sustainable investment, so-called “dark green” funds), with specific disclosure obligations associated with the respective types of funds. Among the retail funds, 435 are categorised as funds in accordance with Art. 8 SFDR and eleven as funds in accordance with Art. 9 SFDR (retail funds in accordance with Article 8 SFDR have increased by 64 funds compared to 2023, while the number of funds in accordance with Article 9 SFDR has decreased on aggregate by three due to reclassifications). These include 109 retail funds investing in accordance with the Austrian Ecolabel 49 for Sustainable Investment Products (UZ49).⁷

The direct comparison of fees of such funds does not show a clear picture and it is not possible to directly deduce differences in fees for funds, since such funds contain an over-proportional amount of equity and mixed funds compared with the overall market, and therefore 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.

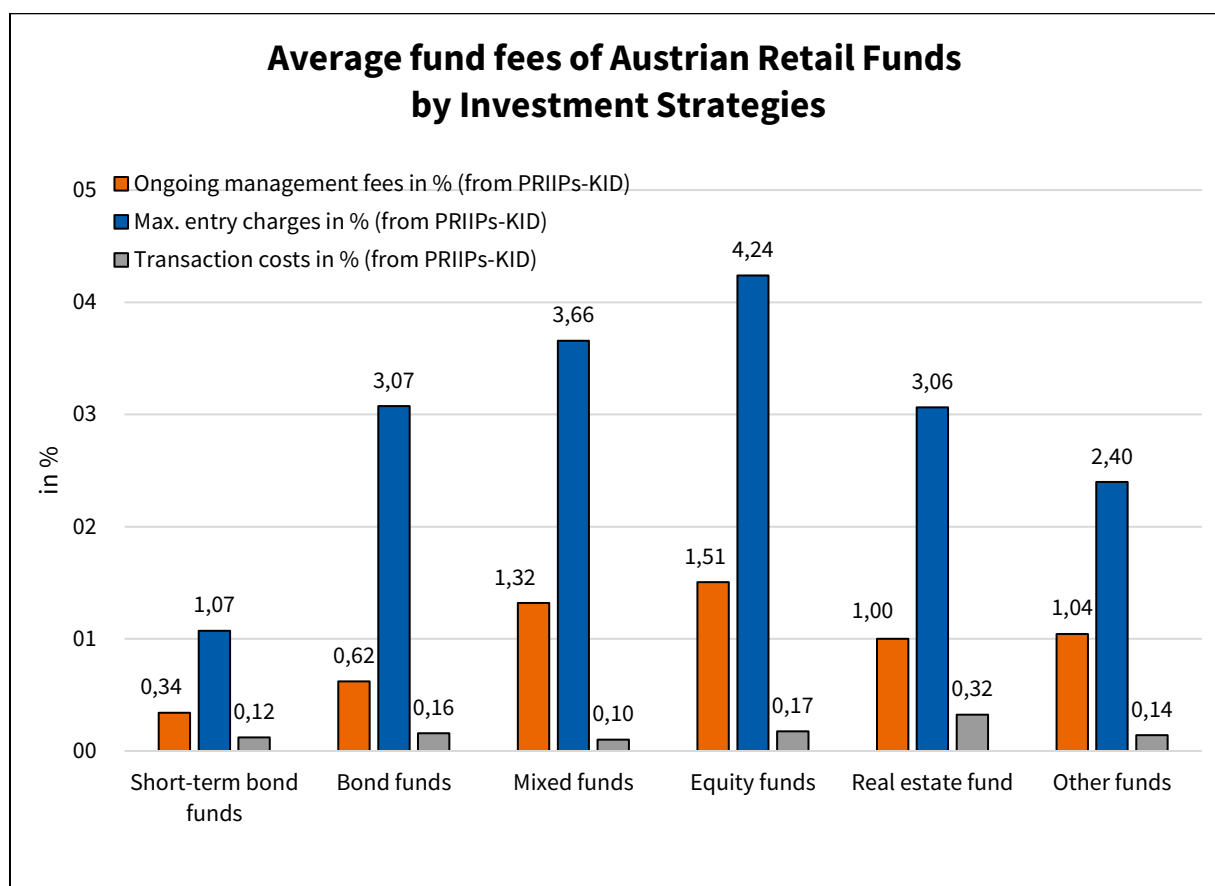


Figure 2: Average fund fees by investment strategies

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

In addition to the allocation of funds based on their investment strategies (allocation based on predominantly invested assets), they may also differ in terms of the strategic approach pursuit, i.e. an active or passive investment strategy. Active investment strategies are characterized by the composition and/or the selection of the assets being adapted by a manager, depending on the 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, passively managed investment strategies exist with an investment objective of reproducing the performance of an index. This requires less intervention by the asset manager, with the consequence that their expenditure and therefore 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), in terms of net asset value the majority of retail funds 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. Based on the volume-weighted average, the average risk category of all Austrian retail funds is 3.03. A more long-term comparison is not possible due to the new calculation method applied since 2023. Last year's analysis used the same methodology, meaning the previous year's value (2.94) is comparable.

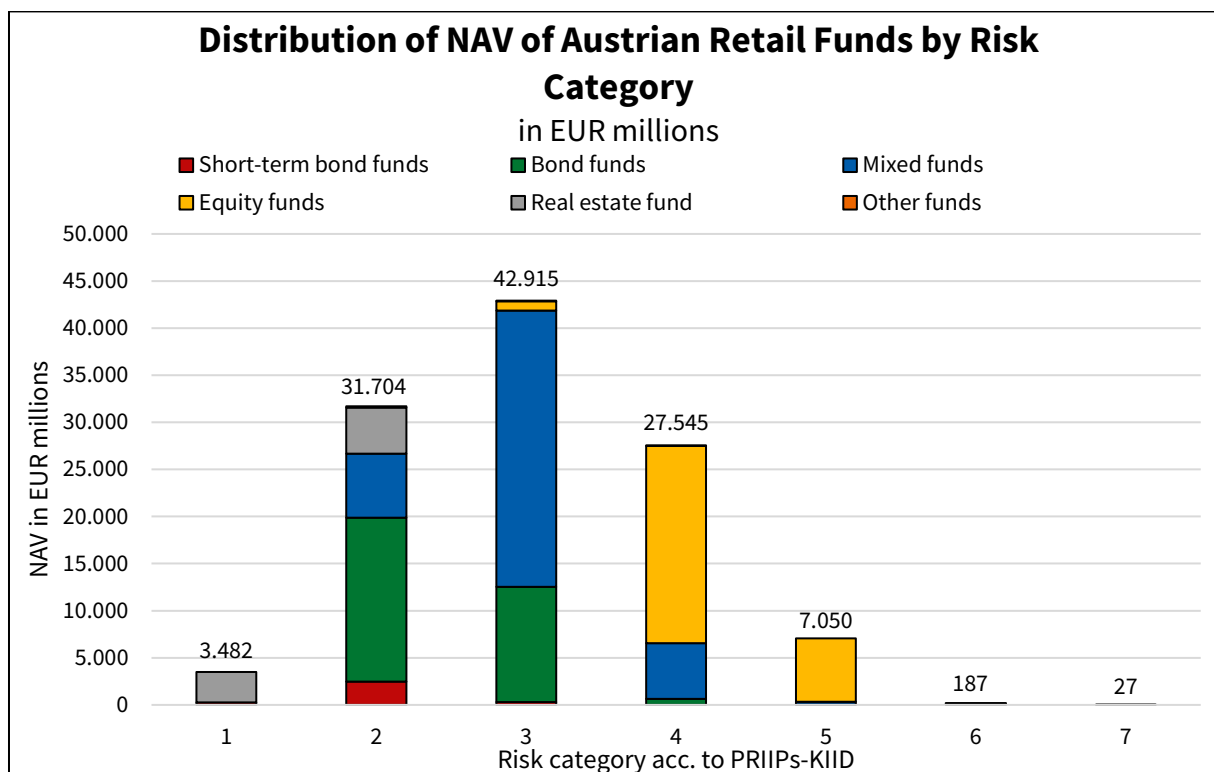


Figure 3: Distribution of Net Asset Value by Risk Category

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 risk category, 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 in risk category 1 for the most cost-intensive real estate funds.

Table 2: Overview of average fund fees by risk category

Austrian Retail Funds	NAV as of 31.12.2023	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	8	3,482	0.92	3.23	0.31
2	261	31,704	0.79	2.61	0.15
3	370	42,915	1.15	3.60	0.12
4	290	27,545	1.37	4.27	0.17
5	59	7,050	1.65	4.55	0.16
6	6	187	1.92	3.66	0.14
7	1	27	0.51	3.00	0.11
Total	995	112,911	1.13	3.53	0.15

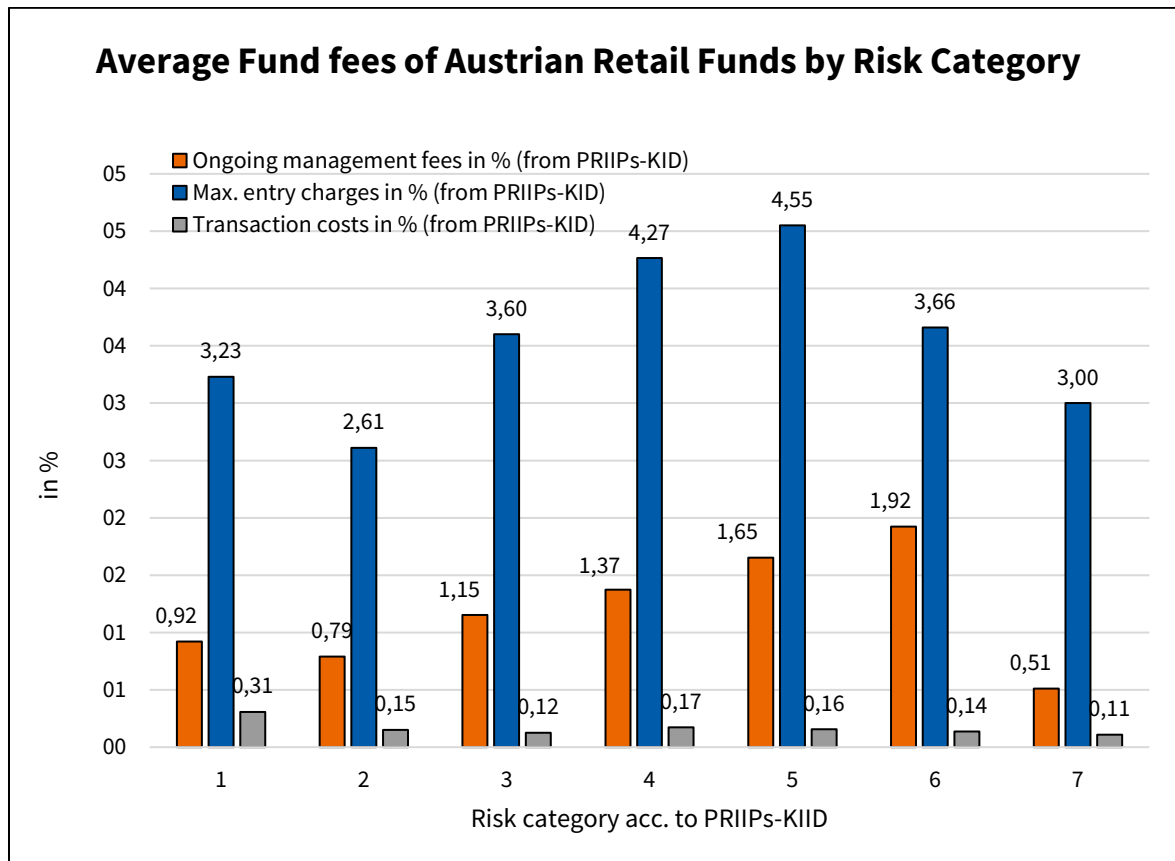


Figure 4: Average Fund Fees by Risk Category

2.3 ANNUAL FEE COMPARISON

FMA Market Studies on Fund Fees for Austrian Retail Funds have been published for several years, allowing analysis of aggregated fees in the Austrian fund market to identify potential changes over the years. It should be noted that Austrian retail funds have been required to prepare PRIIPs-KIDs since 2023. Differences in methodologies used in PRIIPs-KIDs compared with predecessor KIDs for funds mean the figures in this study can only be compared to a limited extent against editions from years prior to 2023. This notwithstanding, only marginal changes have been observed in recent years to the ongoing management fees (previously ongoing charges), with no discernible significant trends 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 due to inflows or outflows of funds as well as changes in market value. Potential changes in the market structure of funds fees are only expected to become apparent once trends have been observed across several years.

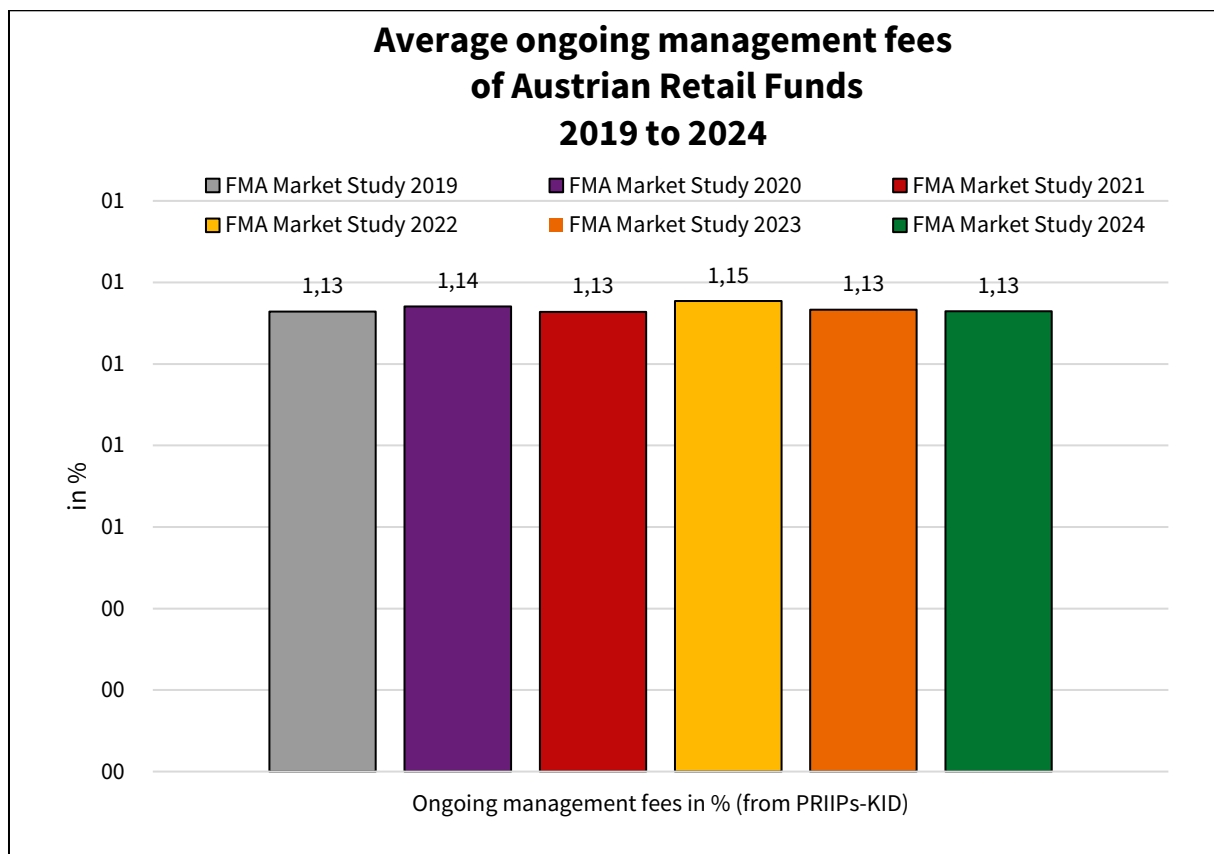


Figure 5: Year-by-year average fund fees

3 EXPLANATION OF SIGNIFICANT FIGURES STATED IN PRIIPS-KIDS

The significant figures contained in key information documents (PRIIPs-KIDs) that are particularly important for comparing 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 based on legally stipulated calculations.

3.1 RISK INDICATORS

A fund's risk is shown by means of a risk indicator ranging from 1 (low risk) to 7 (very high risk). A fund's market risk flows into the calculation of this risk indicator, i.e. the probability of losing money if the markets perform in a way that is unfavourable for the product. The assumption used when calculating the risk indicator is that the fund will be held until maturity (i.e. the recommended holding period). Other risks may occur if the fund is sold earlier. Similarly, the fund may exhibit further risks (e.g. foreign exchange risks, liquidity risk) due to its design that are not considered in the risk indicator. Such risks are described separately in the key information document below the risk indicator presented in the section "What are the risks and what could I get in return?".

3.2 COSTS

The remuneration and reimbursement of costs that management companies are 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 PRIIPS-KID must also state the fees charged by a fund. 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, and 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 regarding the use of proceeds, the currency in which units are denominated, and fund fees.

Fictitious initial investments of EUR 10,000 or a similar amount that is simply divided by 1,000 where units are denominated in another currency, and the product's average performance (also known as the "balanced scenario") are used to calculate costs. Charges are therefore only estimates, and actual costs may differ from estimates. Ongoing charges, are an estimation based on the actual charges for the previous year. The FMA states the total charges as percentages (stated as a percentage by which the costs reduce a product's performance).

It is important that the costs stated in PRIIPs-KIDs only depict product costs. Additional costs may be incurred for advice about or selling the product, or if the product is withdrawn prematurely, that

were not considered in the total costs. Similarly, personal tax situations are also not taken into consideration.

3.3 PERFORMANCE SCENARIOS

A fund's potential performance is depicted in a key information document based on performance scenarios: a fund's future performance is uncertain, and therefore only estimates can be given in the key information document that are 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) and 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 taking 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. A fund's actual performance may differ from such scenarios depending on the current and future performances of the financial markets.

For calculating performance scenarios, as is the case for calculating charges, fictitious initial investments of EUR 10,000 are used or a similar amount that is divisible by 1,000 in the case of the units being denominated in another currency. The calculation is performed for the same holding period(s). Performance values are presented in the key information document in the currency in the product is denominated in and as percentages (as an annual average return) following the deduction of incurred costs. This study focuses on the fund fees rather than the performance scenarios.

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 MODELL

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).

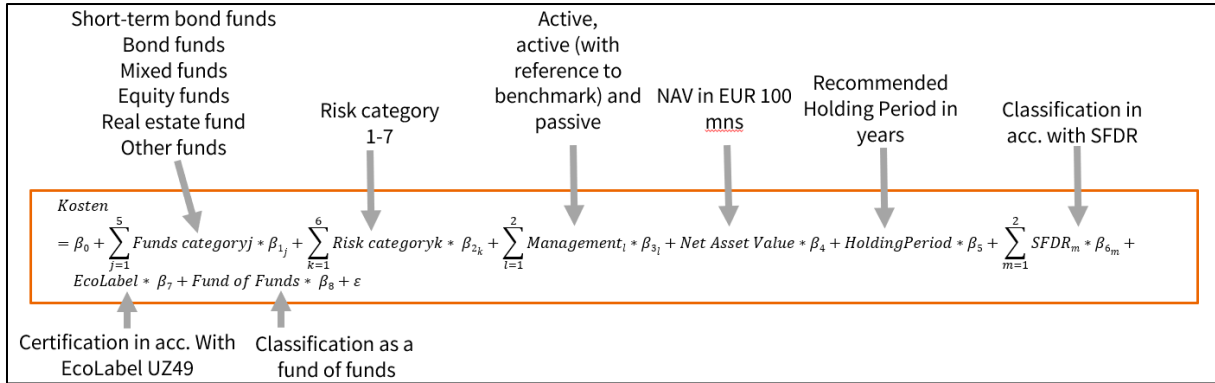


Figure 6: Regression model for ongoing charges

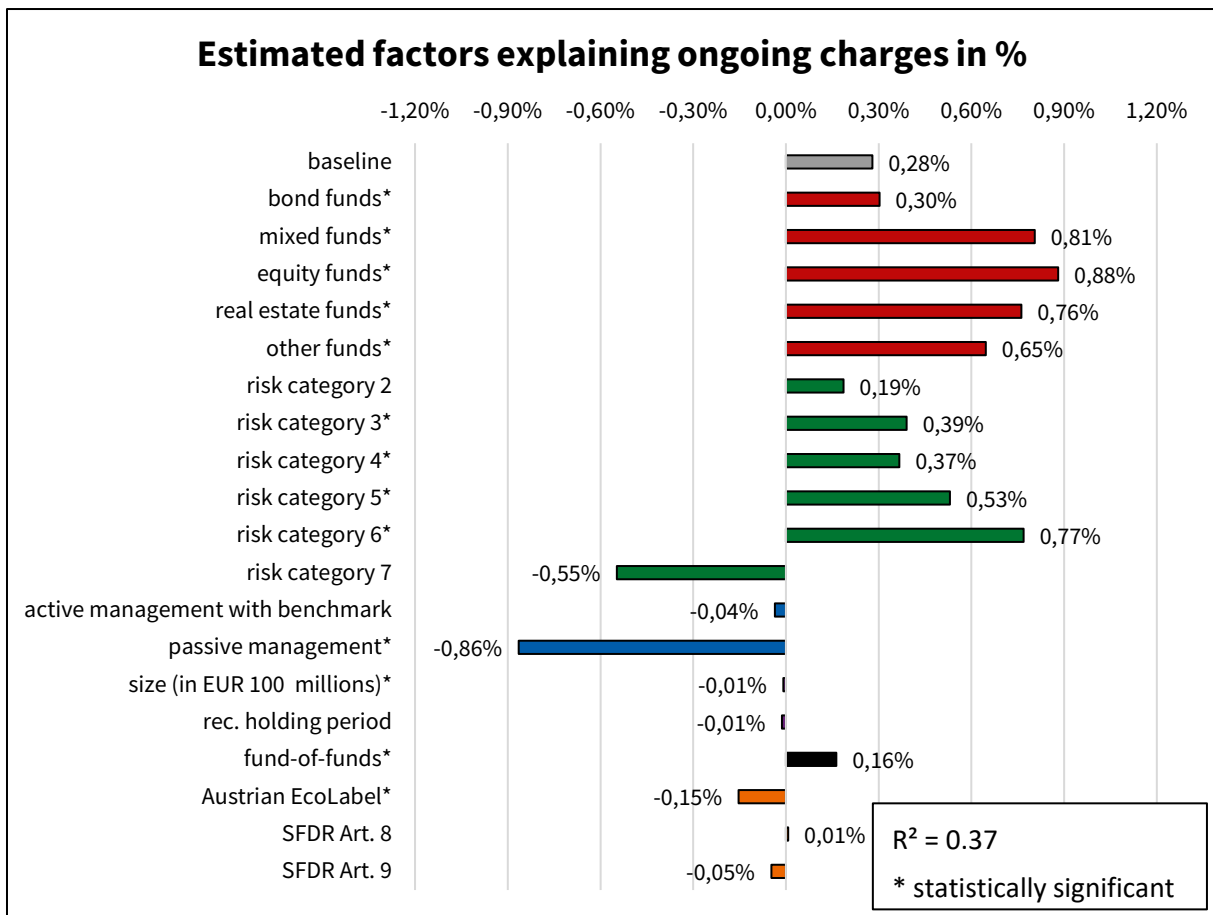


Figure 7: Estimated factors of the regression model for ongoing charges

The baseline short a short-term bond fund with a risk category of 1 that is actively managed, is not a fund of funds, and which 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 0.77 %, an active equity fund in risk category 5 has estimated average ongoing management fees of 1.69 % or a passive equity fund in risk category 5 has estimated average ongoing management fees of 0.83 %. Funds of funds have statistically significantly higher management fees. The amount of NAV and the

recommended holding period are also considered as statistically significant factors, although there is only a low factor of influence. It should also be noted among all the retail funds that only 84 are actively managed funds against a benchmark, with a mere three passively managed funds, only one fund with risk category 7, and eleven funds acc. Article 9 SFDR, meaning that their results may not 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 statistically 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 84 active funds with a benchmark as well as only three passive funds. The consideration of sustainability criteria only constitutes a factor that slightly reduces fees in the case of EcoLabel 49 fund. In addition, funds in accordance with Article 8 or 9 SFDR, generally considered as sustainability factors, do not show any statistically significant factor that (still) explain the level of fees.⁸

⁸ In previous editions 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, 2023, https://www.esma.europa.eu/sites/default/files/library/esma_50-165-2146_drivers_of_costs_and_performance_of_esg_funds.pdf) as well as the AMF on French funds (AMF, Analysis of the costs charged by French funds, 2024, https://www.amf-france.org/sites/institutionnel/files/private/2024-05/etude-analyse-des-frais_en.pdf as well as the 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).
