

THE AMF HOUSEHOLD SAVINGS OBSERVATORY NEWSLETTER



ÉDITO

Lower fees, but a need for greater transparency

Over the past few years through its Household Savings Observatory, the AMF has observed a fall in the fees on financial investments, for both direct investments in equities and collective investments.

As far as fees on investment funds are concerned, this fall has been relatively large. For funds in French equities, for example, ongoing fees went down from 2.3% to 1.8% between 2010 and 2018 (see on page 3).

However, ensuring that retail investors understand these fees remains just as important a challenge, as the impact of fees on the returns on their investment continues to be very much underestimated.

In addition to this, the mystery visits conducted by the AMF have regularly shown the difficulties advisors have presenting fees in a comprehensive and transparent manner.

The European regulations have been tightened since 2018: they require that investors be informed of the fees of any investments being proposed to them before they subscribe, and aim to provide them with the means to assess the impact of the fees over time.

Having information about fees is not enough, however. That information also needs to be legible and understood and we will be coming back to these issues soon.

The AMF considers that there is an urgent need to provide retail investors with stronger bearings to guide them.

In 2020, it will be continuing to raise their awareness of the reflexes they need to have when making investments, more particularly by urging them to conduct an analysis of the fees before making any investment decisions. ■

FOCUS

Fees of employee savings scheme funds

The fees of employee savings scheme funds are lower than those on equivalent funds proposed to the general public.

Employees who have an employee savings scheme in their company enjoy access to specific investment vehicles: employee savings scheme funds.

On 11 December 2019, the AMF published a study of the fees on these employee savings scheme funds, comparing them in particular to those of equivalent funds intended for retail investors¹.

Comparison of employee savings scheme funds and funds open to the general public

The total expense ratio (TER) of employee savings scheme funds, which represents all the fees paid by the employer and the employee, is 0.66 percentage points lower on average than the TER of equity funds for retail investors. For diversified funds, the difference comes to 0.60 percentage points.

These results were relatively constant over the period studied (2008-2017). ■

Table: differences in fees between employee investment scheme funds and funds open to the public, by category of fund

	Differences in fees, as a %
Equity funds	- 0.66
Bond funds	- 0.39
Money market funds	- 0.21
Diversified funds	- 0.60

Source: Source: SIX, AMF calculations.

NB: for equity funds, the fees on employee savings scheme funds are 0.66 percentage points lower than the fees on funds open to the public

¹ For further information, the study "Costs and Performance of Employee Investment Undertakings", published in December 2019, is available on the AMF website in [Publications/ Reports, Research and Analysis](#)

Financial investment fees



Since 2011, the AMF Household Savings Observatory has monitored the trends in fees applied to direct and collective investments in equities.

Fees on direct investments in equities

Fees for equity buy and sell orders and custody fees vary greatly from one firm to another and depending on the channel selected (internet, telephone, branch office).

Here, we studied the online channel, which is the most widely used for placing stock market orders.

Stability of brokerage fees charged by banks

The brokerage fees clients are charged by the major banks for online buy and sell orders for equities on Euronext were fairly stable between 2018 and 2019.

At 1st August 2019, the total average cost of an online order of €5,000 on Euronext Paris was 0.54% (i.e. €27.10).

Rates vary by a factor of three from one bank to another: for the same €5,000 order on Euronext Paris, the cost ranges from 0.30% to 0.75% of the amount of the order (from €15.00 to €37.50).

Table 1: Average fees charged by banks for online brokerage

		Average fees	
Online order on Euronext Paris	€1,000 order	€8.0	0.80%
	€5,000 order	€27.1	0.54%
	€10,000 order	€50.6	0.51%
Online order on the New York Stock Exchange (NYSE): €5,000		€49.3	0.99%

Source : AMF. Fees to buy or sell equities listed on Euronext Paris. Calculations based on the rates of nine banks applicable as at 01/08/2019

A slight rise in custody fees in 2019

Custody fees pay for the custody of securities and the administrative processes carried out by the institution for security holders.

For a portfolio totalling €10,000 divided among 10 investments, annual custody fees at 1st August 2019 represented an average of 0.66% of the total amount invested, i.e. €65.60 (0.65% in 2018)

From one bank to another, for a portfolio of €10,000 divided among 10 investments, the custody fees ranged from 0.30% to 0.96% of the amount of the portfolio.

Table 2: Average custody fees charged by banks

		Average fees	
€10,000 portfolio	5 investments	€47.7	0.48%
	10 investments	€65.6	0.66%
€60,000 portfolio	5 investments	€142.4	0.24%
	10 investments	€160.3	0.27%

Source: AMF, for a portfolio of equities listed on Euronext Paris. Calculations based on the rates of nine banks applicable as at 01/08/2019

The fees of online intermediaries stable at a low level

Fees on orders placed through the sites of specialist intermediaries remain low. The average cost of a €5,000 buy or sell order for equities on Euronext Paris was €8.3, representing 0.17% of the order amount on average. From one intermediary to another, this cost varies from 0.09% to 0.33%.

Table 3: Average brokerage fees charged by online specialists

		Average fees	
Online order on Euronext Paris	€1,000 order	€3.1	0.31%
	€5,000 order	€8.3	0.17%
	€10,000 order	€15.4	0.15%
Online order, New York Stock Exchange (NYSE): €5,000		€13.7	0.27%
Online order, Frankfurt Stock Exchange: €5,000		€20.8	0.42%

Source: AMF. Fees to buy or sell equities listed on Euronext Paris. Calculations based on the rates of seven banks applicable as at 01/08/2019

The intermediaries do not charge any custody fees.

Simulation: what is the impact of fees ?

On the basis of the average costs observed on 1st August 2019 among high street banks, the total stock market fees for an investor placing twelve €5,000 orders a year online and holding a portfolio of €60,000 divided between 10 investments, represent 0.81% of the amount of their portfolio (€486).

Among the specialists in online investments, the average total cost amounts to 0.17% of the amount of the same portfolio (€100). ■

Collective investment fees

In addition to any entry fees, investors in CIUs (collective investment undertakings) are charged ongoing operating and management fees annually. These fees differ from one category of fund to another.

Further falls in fees in 2018

In 2018, ongoing fees on all French CIUs open to the public were 1.3 % on average, which was down on 2017 (1.4 %)¹.

The 2,425 equity funds (all categories included) charged average ongoing fees for 2018 of 1.58% (1.66% in 2017, 1.70% in 2016 and 1.74% in 2015).

The average fees of the 876 diversified funds counted were 1.60% in 2018 (1.71% in 2017, 1.80% in 2016 and 1.85% in 2015).

Table 4: Ongoing fees in 2017 and 2018 for a selection of CIU categories

Six Financial Information categories	Average fees (%)	
	2017	2018
US equities	1.40	1.29
Asia/Pacific equities	1.51	1.56
European equities	1.67	1.55
International equities	1.87	1.74
Theme and sector equities	1.58	1.59
Euro area diversified	1.40	1.39
European diversified	1.56	1.39
International diversified	1.84	1.71
Target-date funds	1.44	1.24
Euro-denominated convertible bonds	1.08	1.06
European convertible bonds	1.13	0.99
International convertible bonds	1.41	1.34
Euro-denominated bonds	0.64	0.58
High-yield bonds	0.95	0.89
International bonds	0.99	0.92
Partially-guaranteed CIU	1.26	1.22
Fully-guaranteed CIU	1.19	1.23
Absolute performance - multi-strategy	1.26	1.15
Absolute performance - directional strategy	1.94	1.77
Euro cash	0.13	0.13

Source: Six Financial Information, December 2019

¹ Source: Six Financial Information, a fund analysis and measurement agency, has tracked the fees of French funds open to the public (about 6,000 funds). Fee averages are calculated without weighting for fund size.

Passive management and active management

In 2017, the 105 equity ETFs charged average fees of 0.38%.

At the same time, the 76 funds classified as "index-based" charged average fees of 0.99%.

Fall in the TER of active management funds

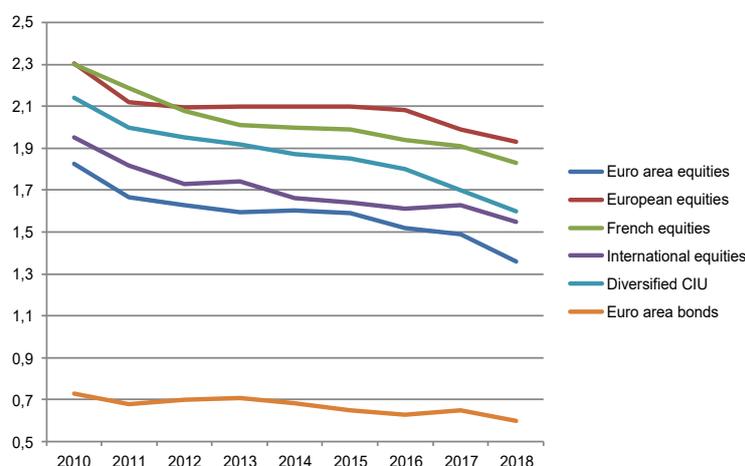
The average total annual fee charged by equity funds, excluding "index" funds and ETFs, was 1.68%, which was down on 2017 (1.90%). The average fees for 2018 were 2.02% for the 402 European equity funds (2.27% in 2017) and 1.92% for the 182 French equity funds (2.16%). ■

Sharp fall since 2010 for equity funds and diversified funds

Between 2010 and 2018, ongoing fees fell for the main categories of funds.

They fell from 2.3% to 1.8% for French equity funds. In the diversified funds category, the average ongoing fees dropped from 2.3% to 1.6%.

Figure 2: Trend in average ongoing fees of French CIUs from 2010 to 2018, as a %



Source: Six Financial Information, December 2019

Performance fees

Ongoing fees do not include performance fees.

2018 was a year when equity markets dropped and performance fees were 0.05% for French equity funds (against 0.24% in 2017).

For international bond funds, they came to 0.16 points.

In 2018, the total expense ratio (TER), i.e. the sum of ongoing fees and performance fees, was 1.88% on average for French equity funds (2.10% in 2017) and 1.96% for European Union equity funds (2.14%). ■



In 2019, retail investors continued to prefer guaranteed investments

Year after year, the figures confirm the very strong preference among French people for guaranteed, liquid investments. In 2019, they invested some €50 billion in sight deposit accounts and €40 billion in savings accounts.

At the same time, inflows in Euro-denominated life insurance and pension savings were estimated to amount to €44 billion (AMF calculations).

Investments in risk assets (equities, bonds, etc.) posted negative flows at the end of Q3 2019, except for investments in unit-linked life insurance products (and excluding unlisted equities)

Source: Banque de France, Placements et patrimoine des ménages aux 3e et 4e trimestres 2019, February 2020

Life insurance: inflows up in 2019

In 2019, payments into life insurance amounted to €145 billion (€140 billion in 2018). Payments into unit-linked products represented €40 billion (27% of payments).

The net inflows (payments minus redemptions) came to €26 billion (€21.5 billion in 2018), of which €20 billion in unit-linked products.

The total value of assets under management in life insurance contracts was estimated at €1,788 billion at the end of 2019, up 6% year on year. The share of unit-linked products was 22%. This share has been increasing progressively: it stood at 18% in 2015.

Source: Fédération française de l'assurance, February 2020

Life insurance: units of account heavily invested in equities

According to a recent study of insurers' investments by the Banque de France, the amounts held by policyholders in unit-linked products were heavily invested in equities, which represent 30%.

The share invested in foreign funds was made up of equity fund shares to the tune of 48% and mixed fund shares for 20%.

Source: Bulletin de la Banque de France 227-4, February 2020

Confidence in robo-advisors remains limited in France

In France, 4 people in 10 state that they trust the advice of 100% robotic advice solutions when subscribing to a retail investment product.

One person in two still prefers to go to a branch office for investment operations, however. One respondent in three answers that they are familiar with robo-advice in investments (34% against 28% in 2018).

Source: Les Français et les nouveaux services financiers, 2,000 people representative of the French population aged 18 to 70, Deloitte, March 2020

25% of funds that claim to be "sustainable" are thematic funds

Novethic tracks the range of "sustainable" funds on offer to the public on the French market (SRI, ethical, sustainable, responsible, SDG, impact funds, etc.). At the end of 2019, its valuation of the assets under management in these funds (704 funds counted) came to €278 billion.

Half of those assets under management are made up of equity funds and 28% of bond funds. Finally, 25% of the sustainable funds are thematic funds.

Source: Novethic, February 2020

Record inflows for real estate investment products in 2019

In 2019, inflows into real-estate investment companies (SCPI) came to €8.6 billion (up 68% on 2018) Real estate collective investment undertakings (OPCI), which are mainly distributed via life insurance policies, saw inflows of €2.8 billion (up 30%).

Total assets under management in SCPIs stood at €65.1 billion at the end of 2019 (up 17% on 2018). The figure for "retail" OPCIs increased from €15.2 billion at the end of 2018 to €18.6 billion at the end of 2019.

Source: Association Française des Sociétés de Placement Immobilier (ASPIM), February 2020

Private equity returns: around 10% per annum

According to France Invest, investments in unlisted companies (private equity) have delivered an average performance of 11.2% over the past 15 years (2004-2018).

Over the same period, the performance of the CAC 40 (dividends reinvested) came to 5.9% a year, and that of real estate 7.7%.

Source: France Invest, Performance du capital-investissement français à fin 2018, June 2019

Stock market products: a slight drop in trading in 2019

Trading in stock market products came to €4.3 billion in 2019, down by 6.5% on 2018.

On average, 51,850 products were available on the Paris stock market, mainly leveraged products. Turbos represented 60% of trading in this category and warrants 25%.

Source: Association française des produits d'investissement de détail et de Bourse (AFPDB), Info Stats, February 2020