

■ EDITORIAL

Investment funds less expensive for investors in 2023

Fund fees continued their downward trend in 2022 and 2023. This was mainly driven by equity funds and diversified funds. While investors are not always aware of the impact of fees, European regulations have brought about significant progress in terms of fee transparency.

However, this needs to be supplemented by an instructive and comprehensive presentation to investors by their advisers. To this end, the AMF is calling on all financial players to adopt the [Glossary on Financial Investment Fees](#) (in french) put together in 2023.

For their part, investors need to make sure they are better informed. To do this, they should make a point of reading the Key Information Document (KID) before subscribing to a product, in particular in order to compare product fees.

In 2023, the AMF stepped up its initiatives to promote heightened fee transparency and ensure that investors take greater account of their impact. In addition to the Fee Glossary, it has added a new section to its website containing articles, infographics and tools, including a simulator for calculating the impact of fees on investment returns.

Through its Impact 2027 Strategic Guidelines, the AMF has reaffirmed its commitment to promoting the distribution of investment products that offer good value for money. In 2024, its work will include monitoring and supporting players in the field of fees.

The AMF also welcomes the creation of an Observatory for Financial Investment Products under the aegis of the Comité Consultatif du Secteur Financier (CCSF), which brings together financial industry professionals and consumer associations. The AMF will contribute to the quality of the Observatory through the provision of technical support. ■

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Many investors find it difficult to assess the impact of fees

For investors, the level of fees is not the most important criterion when choosing an investment. Many do not feel confident taking account of the impact of fees on returns.

For the majority of French people surveyed as part of the AMF Savings and Investment Barometer¹, fees were not a key criterion when choosing an investment. The three most important criteria were risk (53% of people), return (51%) and the availability of their savings (48%). 31% evoked fees.

Young people feel more confident about assessing the impact of fees

While 46% of those questioned felt they were able to assess the impact of an investment's fees on its return, only 13% said they were 'completely confident' in doing so (with 33% being 'somewhat' confident).

Younger people felt more capable than their elders: this was the case for 54% of under-35s (including 20% who said they were completely confident), as compared to 43% of those aged 55 and over (9%).

66% of investment products holders, who are more affected, said they were able to take account of the impact of fees (23% confidently and 43% somewhat confidently), compared to only 27% of other savers.

Recent advice encourages fees to be taken into account

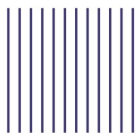
Of the 26% of French people who have recently had their savings reviewed, 70% said they felt confident in assessing the impact of fees on investments, compared with 32% of people who have not had such a review. This is also the case for 69% of the people who say they consult a key information document before subscribing to an investment (who make up only 14% of the French population). ■

Proportion of respondents who feel confident assessing the impact of investment fees on returns

| French people | Aged under 35 | Aged 55 and over | Investors |
|---------------|---------------|------------------|-----------|
| 46 % | 54 % | 43 % | 66 % |

Source: AMF Saving and Investment Barometer, 2023

¹ 2,386 people surveyed in October 2023, representative of the French population aged 18 and over.



Investment fund fees have been falling for two years

Collective investment fees

Investors in CIUs (Collective Investment Undertakings) pay operating and management fees each year. These recurring charges differ by fund category and fund¹.

This dossier sets out the average fees for 2022 and 2023².

Net drop in average fees for equity and diversified funds

After the stability seen in 2021, the downward trend in CIU fund fees has resumed.

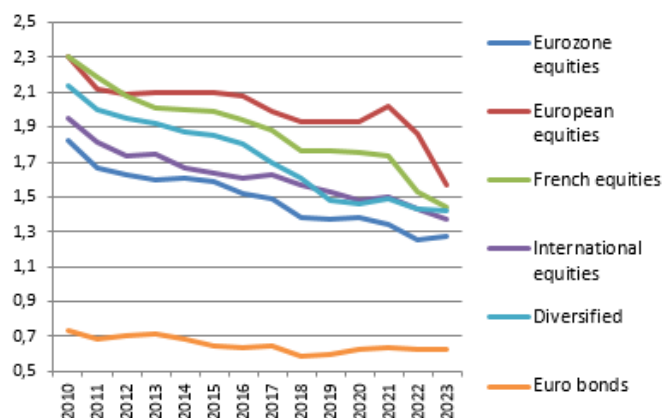
In 2023, the annual fees (excluding incidental costs) for all French CIUs open to the public averaged 1.15%, compared with 1.18% in 2022 and 1.25% in 2021.

The average fees for equity funds (around 1,800 all categories taken together) were 1.35% in 2023, excluding outperformance commission, compared with 1.42% in 2022 and 1.51% in 2021.

Moreover, the average fees for the 600 diversified funds surveyed were 1.42% in 2023, having been 1.43% in 2022 and 1.47% in 2021.

Between 2010 and 2023, the average annual fees for French equity funds fell from 2.3% to 1.5%. Diversified fund fees dropped from 2.1% to 1.4%.

Change in average ongoing fees of French CIUs from 2010 to 2021, by AMF category, as a %



Source: Six Financial Information, French funds, February 2024

¹ Source: Six Financial Information, a fund information and analysis agency, tracks the fees of French funds open to the public (around 6,000 funds).

Averages are not weighted for fund size.

The fund population changes from year to year due to mergers, take-overs and dissolutions.

² At the end of February 2024, 2023 data was available for around 90% of funds. The average annual fees shown are comprised of recurrent charges and ancillary fees (see opposite). They do not include the fund's transaction fees.

Average ongoing fees of the main CIU categories

| | 2021 | 2022 | 2023 |
|---|------|------|------|
| US equities (137 funds in 2022) | 1,24 | 1,27 | 1,27 |
| Asia-Pacific equities (114 funds) | 1,48 | 1,43 | 1,29 |
| European equities (1,202 funds) | 1,49 | 1,41 | 1,36 |
| of which French equities (114) | 1,73 | 1,53 | 1,50 |
| of which European Union equities (237) | 2,02 | 1,86 | 1,58 |
| International equities (excluding Europe, 243) | 1,70 | 1,56 | 1,46 |
| Theme and sector equities (492 funds) | 1,49 | 1,42 | 1,34 |
| Balanced euro zone (129 funds) | 1,25 | 1,16 | 1,12 |
| Balanced Europe (56 funds) | 1,31 | 1,32 | 1,22 |
| Balanced international (403 funds) | 1,59 | 1,55 | 1,54 |
| Euro-denominated bonds (668 funds) | 0,62 | 0,60 | 0,58 |
| High-yield bonds (313 funds) | 0,82 | 0,85 | 0,90 |
| International bonds (248 funds) | 0,85 | 0,83 | 0,79 |
| Absolute performance – multi-strategy (181 funds) | 1,16 | 1,15 | 1,25 |
| Absolute performance – directional strategies (477 funds) | 1,70 | 1,61 | 1,67 |
| Euro cash (265 funds) | 0,14 | 0,17 | 0,20 |

NB: Reading aid: for French equity funds, the average ongoing charges applied in 2022 were 1.53%, compared with 1.73% in 2021.

Source: Six Financial Information, French funds open to the public, February 2024

Increase in money market fund fees

While the annual fees for euro bond funds are also falling, the fees for money market funds have risen to 0.20% in 2023, compared to 0.17% in 2022 and 0.14% in 2021, in line with the rise in interest rates and a resurgence in inflows.

Investment fee typology

We can differentiate between three categories:

- one-off fees applicable to certain transactions (entry fees, for example);
- ongoing costs that apply on a regular basis, such as management fees or other annual fees applicable to a collective investment;
- and incidental costs charged when certain conditions are met, such as the outperformance commissions in force at a fund. ■

To find out more:

- [Professional guide - Terminology for the costs and fees used in communications to retail clients](#) (in French)
- [Glossary of financial investment fees](#) (in French)

Equity investments: passive and active management

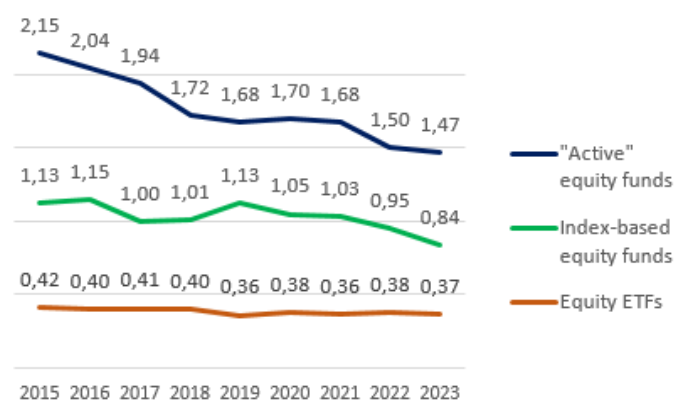
On the passive management side, ETFs replicating the performance of stock indices posted average annual fees of 0.37% in 2023 (0.38% in 2022). Equity funds identified as being 'index-linked', and not listed unlike ETFs, posted fees of 0.84% (compared with 0.95% in 2022).

For 'actively'³ managed equity funds, the average level of total fees (TER), including recurrent charges and any outperformance commission, was 1.47% in 2023, down on 2022 (1.50%) and 2021 (1.68%).

In 2022, equity funds charged virtually no outperformance commission due to negative movements in the equity markets. These commissions were slightly higher in 2023, but this did not outweigh the fall in recurrent charges.

³ 'Active' equity funds cover all equity funds, except those identified as being index-linked and ETFs.

Change in the average TERs of "active" equity funds, index-based equity funds and equity ETFs (as a %)



Source: Six Financial Information, French funds, February 2024

UCITS: general downward trend in fees over the last 10 years in Europe

Each year, ESMA publishes the average fees charged by the UCITS marketed in the European Union (EU). Generally speaking, French fund fees for 2022 were fairly similar to the average fees in the EU.

For mixed UCITS, the average total fees (TER) were 1.48% in the EU and 1.41% for funds domiciled in France. For bond funds, these fees were 0.90% and 0.64% respectively.

In 2022, for equity UCITS, they were 1.44% in the EU and 1.63% for funds domiciled in France.

The trend is for lower recurrent charges for UCITS. For equity UCITS, and for the five years from 2018 to 2022, average recurrent charges were 1.50% in the EU and 1.67% in France. For the 10 years from 2013 to 2022, these were 1.59% and 1.75%. ■

Source: [Costs and Performance of EU Retail Investment Products 2023](#), Lipper data, asset-weighted averages, ESMA, December 2023

Direct equity investment fees

As every year, we have surveyed the fees charged by investment services providers for PEAs and securities accounts.

Banks: reduction in average fees for securities accounts

While bank charges for PEAs remain unchanged, charges for securities accounts have fallen as compared to January 2023. Some institutions have aligned the charges for securities accounts with those for PEAs.

Banks: average fees for internet orders on Euronext Paris

| | PEA | Securities account |
|---------------|-------------|--------------------|
| €1,000 order | 0,49% (€5) | 0,68% (€7) |
| €5,000 order | 0,48% (€24) | 0,50% (€25) |
| €10,000 order | 0,48% (€48) | 0,49% (€49) |

On the other hand, as a result of the new charges levied by one major bank, the average level of custody fees has been rising over the past year for securities accounts and PEAs.

Banks: average custody fees

| | | PEA plan | Securities account |
|-------------------|----------------|--------------|--------------------|
| €10,000 portfolio | 5 investments | 0,51% (€52) | 0,55% (€55) |
| | 10 investments | 0,70% (€70) | 0,73% (€74) |
| €60,000 portfolio | 5 investments | 0,32% (€193) | 0,32% (€191) |
| | 10 investments | 0,35% (€210) | 0,35% (€211) |

Source: AMF. Fees of 9 banks as at 01/01/2024

Online brokers: reduction in brokerage fees

The brokerage fees charged by online brokers, which are much lower than those charged by traditional banks, have changed little over the past year. However, in 2023, one panel member stopped offering investment services to its clients, bringing down average cost levels (its fees were higher than the average).

Average brokerage fees, on the internet, with online specialists

| Execution venue / order amount | | Average fees |
|---------------------------------|---------|---------------|
| Euronext Paris | €1,000 | 0.28% (€2.8) |
| | €5,000 | 0.10% (€4,8) |
| | €10,000 | 0.09% (€9,2) |
| New York (NYSE, Nasdaq): €5,000 | | 0.15% (€7,6) |
| Frankfurt: €5,000 | | 0.20% (€10,1) |

Source: AMF. Fees applying as at 01/01/2024 for 8 firms including three firms offering investment services under the freedom to provide services from another European country.

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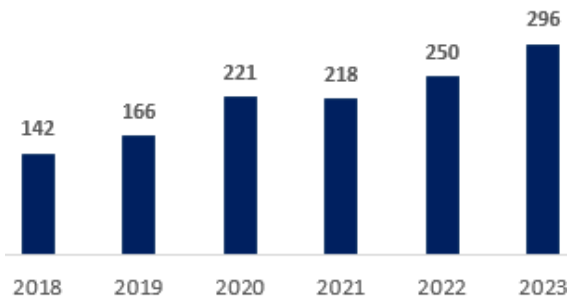
Growing use of ETFs by retail investors

Since 2018, more and more investors have been trading ETFs, and these investors have been getting younger.

The number of ETF investors has doubled in five years

In 2023, 296,000 active retail investors bought or sold ETFs¹, and around 150,000 did so each quarter. This figure is 18% higher than in 2022 and 36% higher than in 2021.

Change in the number of investors trading ETFs each year



Source: transaction reports, AMF

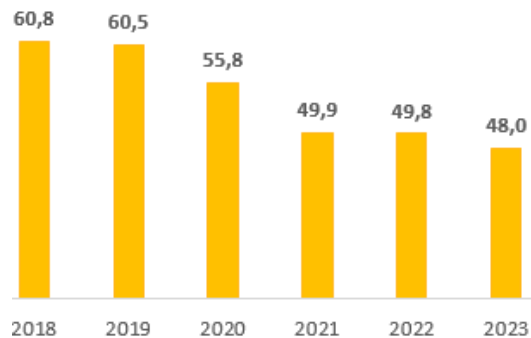
In five years, the number of ETF investors has doubled, and a total of 567,000 people have traded in an ETF at least once.

In 2023, 34% of ETF investors (103,000) invested solely in this instrument. Of the other ETF investors, 57% also traded in listed shares (directly) and 9% in other financial instruments (bonds, certificates, warrants, etc.).

Marked rejuvenation since 2020

The average age of ETF investors, which was over 60 in 2018 and 2019, fell significantly from 2020 onward to reach 48 last year. Recall that the average age of investors in listed shares was 55 in 2023.

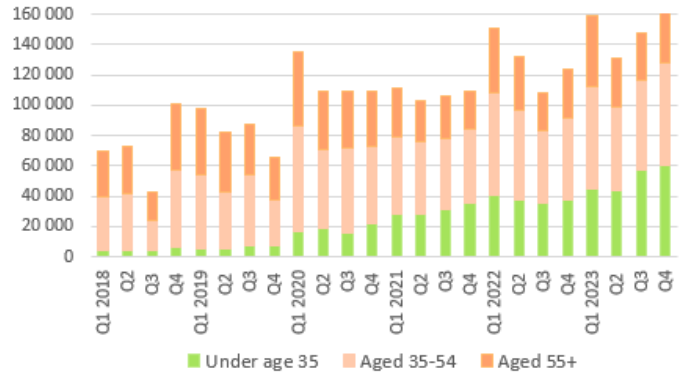
Average age of ETF investors



Source: transaction reports, AMF

This rejuvenation is the result of the arrival of many young people under the age of 35, who have risen from 5,000 in Q1 2018 to 60,000 in Q4 2023. At the end of 2023, under-35s accounted for 36% of ETF investors, compared to 7% at the start of 2018.

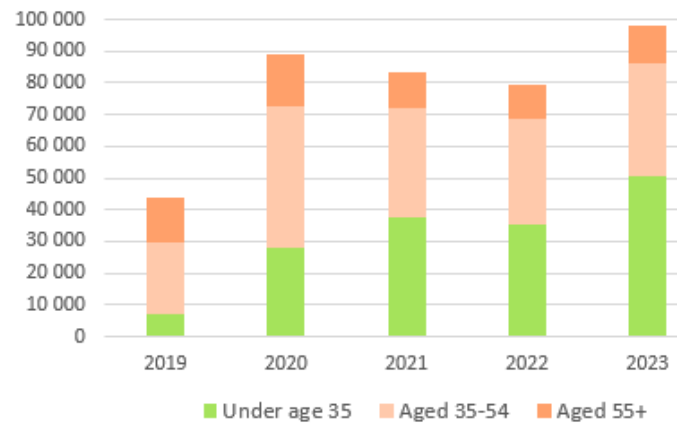
Quarterly change in the number of ETF investors, by age group



Source: transaction reports, AMF

The number of new ETF investors reached almost 100,000 in 2023, 52% of whom were under 35.

Annual change in the number of new ETF investors, by age group



Source: transaction reports, AMF

Medium- and long-term ETFs are the most commonly used

In 2023, of the 10 ETFs attracting the most retail investors, four ETFs were invested in the US equities markets, three ETFs in global equities, one ETF in Asian equities, one ETF in emerging market equities and one is a very short-term leveraged ETF.

Leveraged ETFs, which are riskier and more frequently traded, had the highest trading volumes. ■

¹ An ETF, or tracker, is a listed index fund whose objective is to reproduce the evolution of an index, most often of equities.