



As at 29.06.2022

CONTENTS

Executive Summary	3
1 Introduction	4
2 Analysis of fund fees of retail funds	5
2.1 Fees by Investment Strategy	5
2.2 Fees by risk category	9
2.3 Annual fee comparison.....	10
3 Risk and reward disclosure in the Key Investor Information Document (KIID).....	12
4 Explanation of fund fees of retail funds.....	13
4.1 Maximum entry and exit charges in % of the NAV.....	13
4.2 Maximum management fee as a % of the NAV.....	13
4.3 Ongoing charges according to the KIID as a % of the NAV.....	13
4.4 Performance-dependent management fees	14
5 Statistical Annex	15
5.1 Description of the Regression Model	15
5.2 Summary of the Results	16

EXECUTIVE SUMMARY

- This FMA Market Study on Fees charged by Austrian Retail Funds is aimed towards investors, with the intention of placing them in a position to better compare and assess the different fees charged within a single category of funds, and between different categories of funds.
- For this purpose, the FMA collected information about fees and key investor information documents for the year 2022, of 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 21 investment fund management companies, real estate investment fund management companies, or alternative investment fund managers.
- 1,009 Austrian retail funds with total net asset values (NAV) of EUR 123.71 billion were covered in the analysis to obtain consistent information about the fund fees in the Key Investor Information Documents (KIIDs) and terms and conditions of the 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. Furthermore, the fund fees, especially in addition to the objectives and the investment policy as well as the risk and reward profile of a fund must be stated in a legally required Key Investor Information Document (KIID).
- The fund fees for all Austrian retail funds as a volume-weighted average of the maximum annual management fees stand at 1.26 %, the annual ongoing charges at 1.15 %, and 2.82 % in the case of the maximum entry charges for purchasing fund units. No significant changes have been identified in comparison with the aggregated fees from the previous year.
- The fees analysed differentiate between the different investment strategies and risk classes. 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 the volume-weighted average, bond funds have lower fund fees in comparison to equity funds in terms of the maximum management fees (0.97 % vs 1.62 %), ongoing charges (0.66 % vs 1.63 %) as well as in terms of the maximum entry charges (2.65 % vs 3.22 %).
- The results of the analysis, presented for the first time in this report in a separate statistical annex, estimating the relevant influence factors for the fees of retail funds (ongoing charges) shows that the risk category and investment strategies are the material factors with regard to the amount of the fees (regression analysis). 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. Furthermore, the increasing number of retail funds that take sustainability factors into account (especially such funds under 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 towards investors with the intention of placing 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 funds¹ 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 information to the FMA in a consistent format about fund fees as well as other information contained in the Key Investor Information Document (KIID) updated for 2022.² All retail funds are prescribed under law to draw up a KIID with information that is structured in a consistent manner, containing objectives and the investment policy, the risk and reward profile as well as certain costs in relation to a fund. The significant information for investors that are contained in the KIID 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. KIIDs must be updated and published annually at latest within 35 calendar days after 31 December.

Regarding a consistent overview of fees charged for funds that are prescribed under law to be listed in the KIID or in the fund regulations, they are analysed from the perspectives of investment strategy and risk category in Chapter 2.³ The disclosing of risk and return in the KIIDs published by retail funds is described in Chapter 3. Additionally, the various details about fund fees are explained in greater as background information in Chapter 4. Finally, for the first time, the results from the conducted regression analyses for estimating the relevant influence factors regarding retail fund fees are contained 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 The study incorporates the updated and published KIIDs pursuant to Article 23 of Regulation (EU) 583/2010 that were updated at latest 35 calendar days after 31.12.2021 considering the net asset values (NAVs) of all Austrian retail funds as of 31.12.2021.

³ 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 classes 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.

2 ANALYSIS OF FUND FEES OF RETAIL FUNDS

Funds fees collected from Austrian retail funds from a total of 21 investment fund management companies and real estate investment fund management companies, or alternative investment fund managements were analysed with 31.12.2021 as a reference date. These retail funds cover 1,009 funds (2,743 different share classes) with aggregate net asset values (NAV) of EUR 123.71 billion, which make up approx. 54 % of the entire Austrian fund market. The maximum management fees, ongoing charges and maximum entry charges are considered, analysed by investment strategies and risk categories.

The quantitative analysis does not deal with the either maximum exit charges in further detail, since they are only apply to a very low extent in retail funds (28 funds or 60 share classes, max. 3 % with a volume-weighted average of 0.87 %), or 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 (110 funds, or 273 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 on the basis of the invested assets. In the case of retail funds in terms of NAV, mixed funds form the largest category (EUR 46.48 billion or 37.6 %), followed by bond funds (EUR 33.92 bn or 27.4 %), equity funds (EUR 28.82 bn or 23.3 %), real estate funds (EUR 9.66 bn or 7.8 %), money-market funds and short-term bond funds (EUR 4.49 bn or 3.6 %), as well as other funds (EUR 341 mn or 0.3 %). Compared 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.

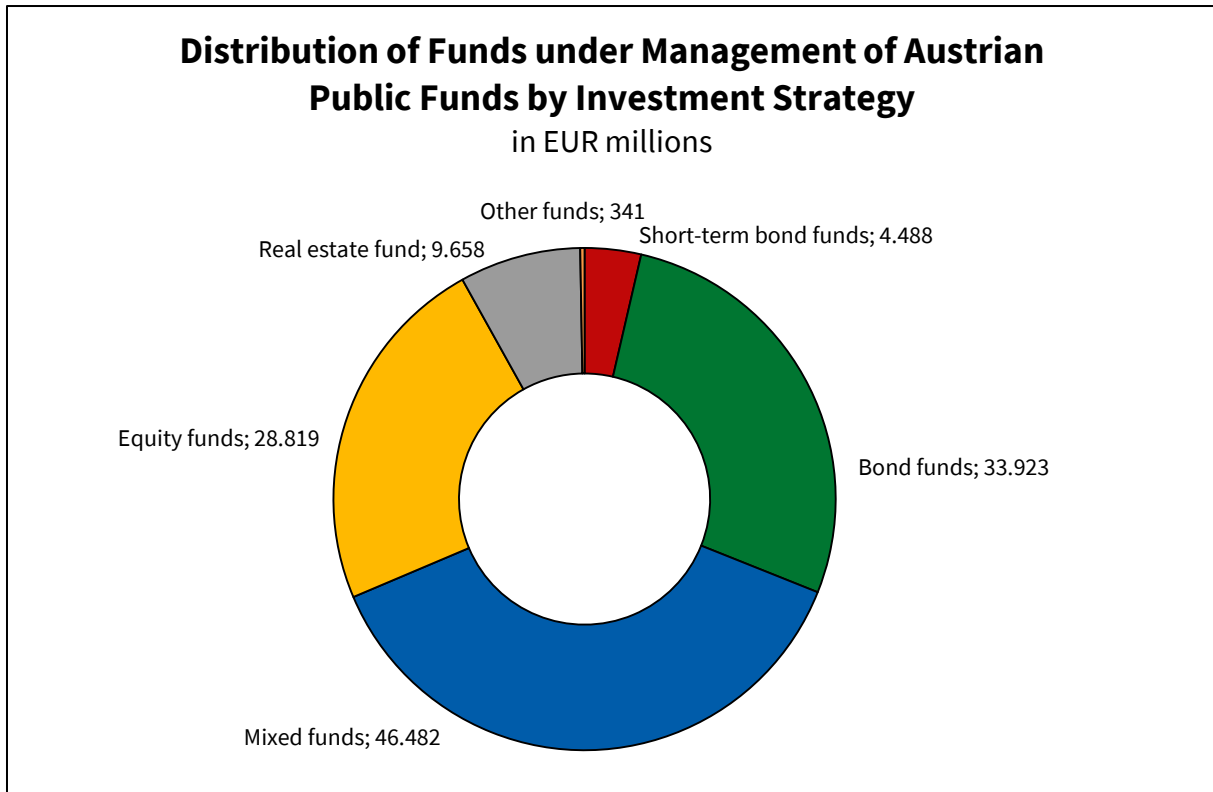


Figure 1: Distribution of funds under management by investment strategy

The volume-weighted average of the fees⁴ of all retail funds is 1.26 % for the maximum management fee, 1.15 % for ongoing costs and 2.82 % for the maximum entry charge. The analysed fees show a certain trend between investment strategies.⁵ 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. For example, in terms of the volume-weighted average, bond funds have lower fund fees in comparison to equity funds in terms of the maximum management fees (0.97 % vs 1.62 %), ongoing charges (0.66 % vs 1.63 %) as well as in terms of the maximum entry charges (2.65 % vs 3.22 %).

⁴ All averages stated for fund fees relate to the respective volume-weighted averages.

⁵ 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 31.12.2021	Max. management fee acc. fund rules (in %)		Ongoing charges acc. KIID (in %)		Max. entry charge acc. KIID (in %)	
Funds category	Quantity	in EUR mn	Average	Max	Average	Max	Average	Max
<i>Investment strategy</i>								
Short-term bond funds	34	4,488	0.60	1.50	0.33	1.21	1.05	7.00
Bond funds	254	33,923	0.97	2.40	0.66	2.39	2.65	10.00
Mixed funds	446	46,482	1.38	3.00	1.38	3.71	2.80	10.00
Equity funds	261	28,819	1.62	2.75	1.63	3.71	3.22	10.00
Real estate fund	7	9,658	1.00	1.80	1.02	1.73	3.10	5.00
Other funds	7	341	1.44	2.40	1.20	2.40	4.47	5.00
Total	1,009	123,711	1.26	3.00	1.15	3.71	2.82	10.00
<i>Legal Type of Fund</i>								
UCITS	889	106,052	1.28	3.00	1.15	3.71	2.72	10.00
AIFs	120	17,659	1.16	2.50	1.16	3.32	3.45	10.00
<i>Funds of Funds</i>								
Funds of Funds	343	30,214	1.31	3.00	1.43	3.71	2.84	10.00
<i>Sustainability funds</i>								
Ecolabel 49 funds	96	25,303	1.33	2.00	1.13	2.38	1.92	5.25
Funds acc. Art. 8 SFDR	274	44,295	1.33	2.63	1.20	3.71	2.43	7.00
Funds acc. Art. 9 SFDR	13	5,140	1.28	1.80	1.29	2.00	3.68	5.00

Furthermore, a growing number of retail funds focus their investment policy on sustainability or ESG criteria⁶. In applying the Sustainable Finance Disclosure Regulation (SFDR)⁷, funds are classified either 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 there are specific disclosure obligations associated with the respective types of

⁶ ESG: Environmental, Social and Governance.

⁷ Also known as 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. Out of all retail funds, 274 are categorised as funds acc. Art. 8 SFDR and 13 as funds acc. Art. 9 SFDR. These include 96 retail funds that invest in accordance with the Austrian Ecolabel 49 for Sustainable Investment Products (UZ49).⁸

No clear picture arises from directly comparing the fees of such funds, although when aggregated EcoLabel 49 funds display slightly lower ongoing charges (1.13 %) compared to the market as a whole (1.15 %). It is not possible directly to deduce differences in fees for funds in accordance with the SFDR, since such funds contain an over-proportional amount of equity and fixed funds in comparison with the market as a whole, and for this reason have higher fees. Results from the statistical analysis (see the statistical annex) show that funds that take into account sustainability criteria tend to have slightly lower fees, although this is only statistically significant for EcoLabel 49 funds.

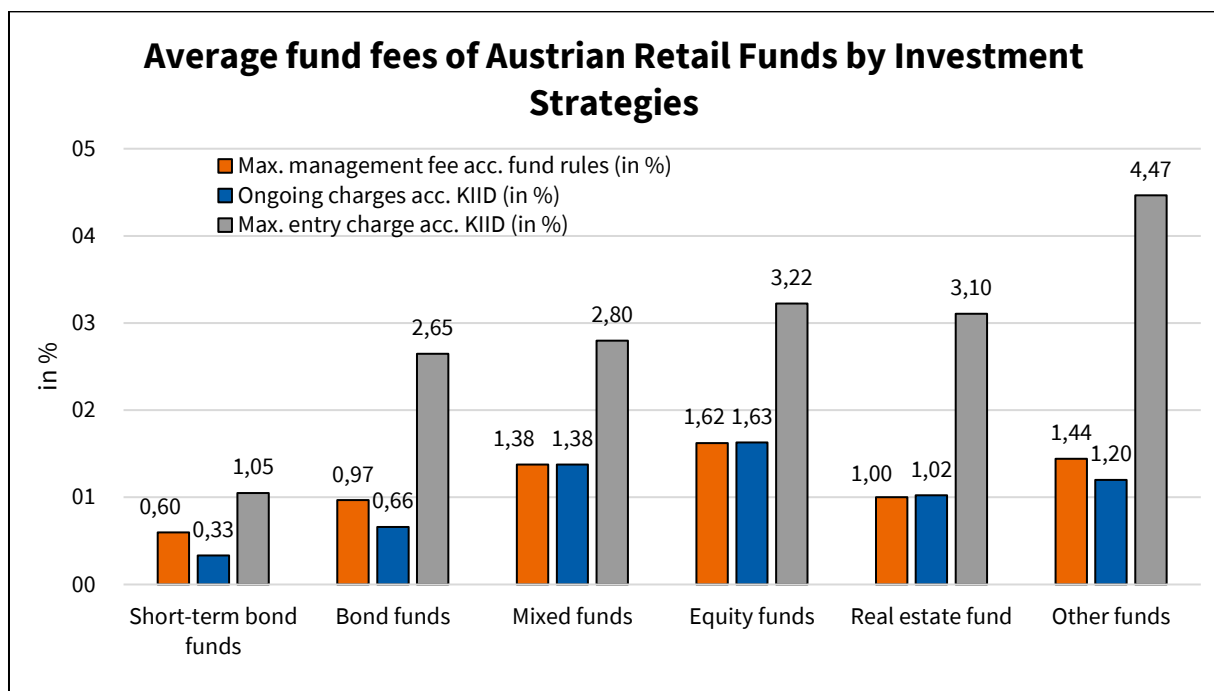


Figure 2: Average fund fees by investment strategies

In addition to the allocation of funds based on their investment strategies (allocation based on predominantly invested assets), differences may also occur due to 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 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

⁸ For details about Ecolabel 49 for sustainable financial products: <https://www.umweltzeichen.at/en/products/sustainable-finance>

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

In terms of risk category, defined using the synthetic risk and reward indicator (SRRI) into risk categories 1 to 7, the majority of retail funds, calculated by NAV, fall in the middle risk categories 3 to 6. 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 the higher risk categories. The average risk category of all Austrian retail funds on the basis of the volume-weighted average is 3.91 (2021: 3.83).

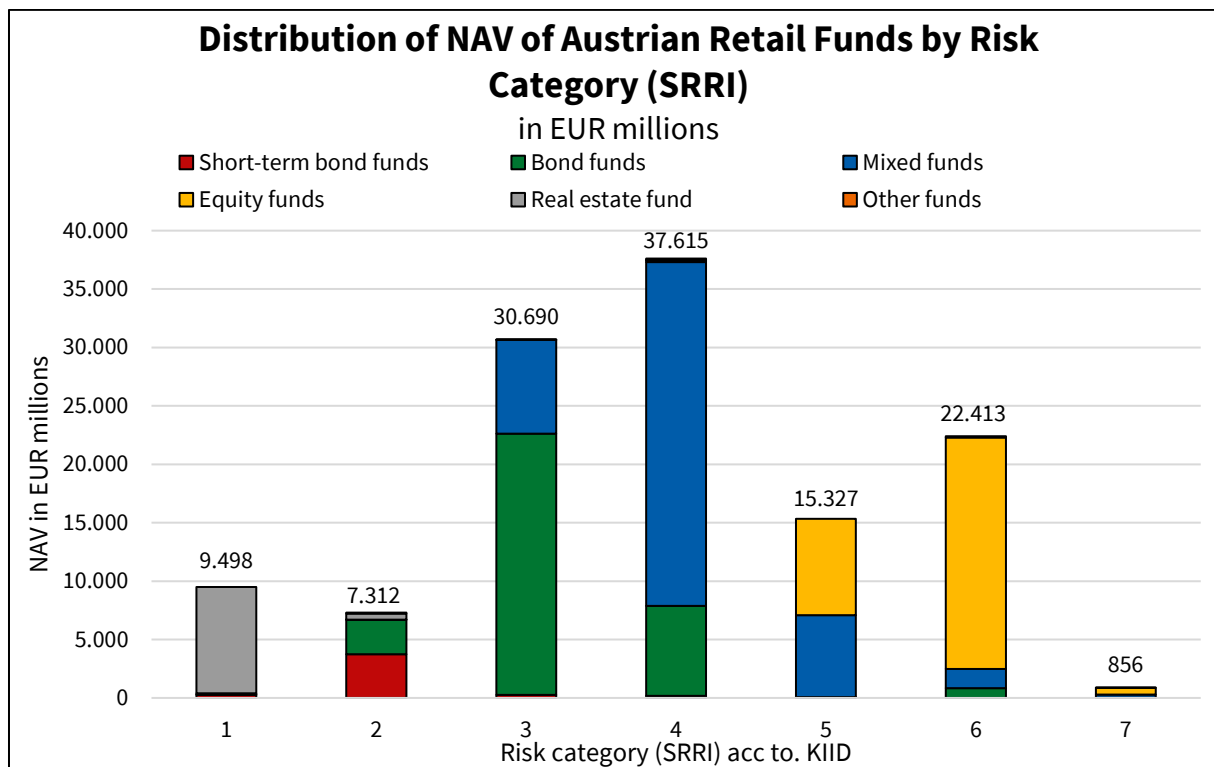


Figure 3: Distribution of NAV by SRRI Risk Category

Looking at the risk category of the fund, the fee structure - especially when examining the maximum management fees and ongoing charges - shows a similar tendency as it does broken down by differing investment strategy: The higher the classification of the risk, the higher the fund fees tend to be. However, this does not 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	Funds	NAV as of 31.12.2021 in EUR mn	Max. management fee acc. fund rules (in %) Average	Ongoing charges acc. KIID (in %) Average	Max. entry charge acc. KIID (in %) Average
SRRI	Quantity				
1	12	9,498	1.01	1.00	3.09
2	56	7,312	0.63	0.45	1.68
3	257	30,690	1.05	0.73	2.25
4	288	37,615	1.35	1.28	2.77
5	186	15,327	1.41	1.47	3.16
6	194	22,413	1.62	1.57	3.74
7	16	856	1.75	1.89	2.39
Total	1,009	123,711	1.26	1.15	2.82

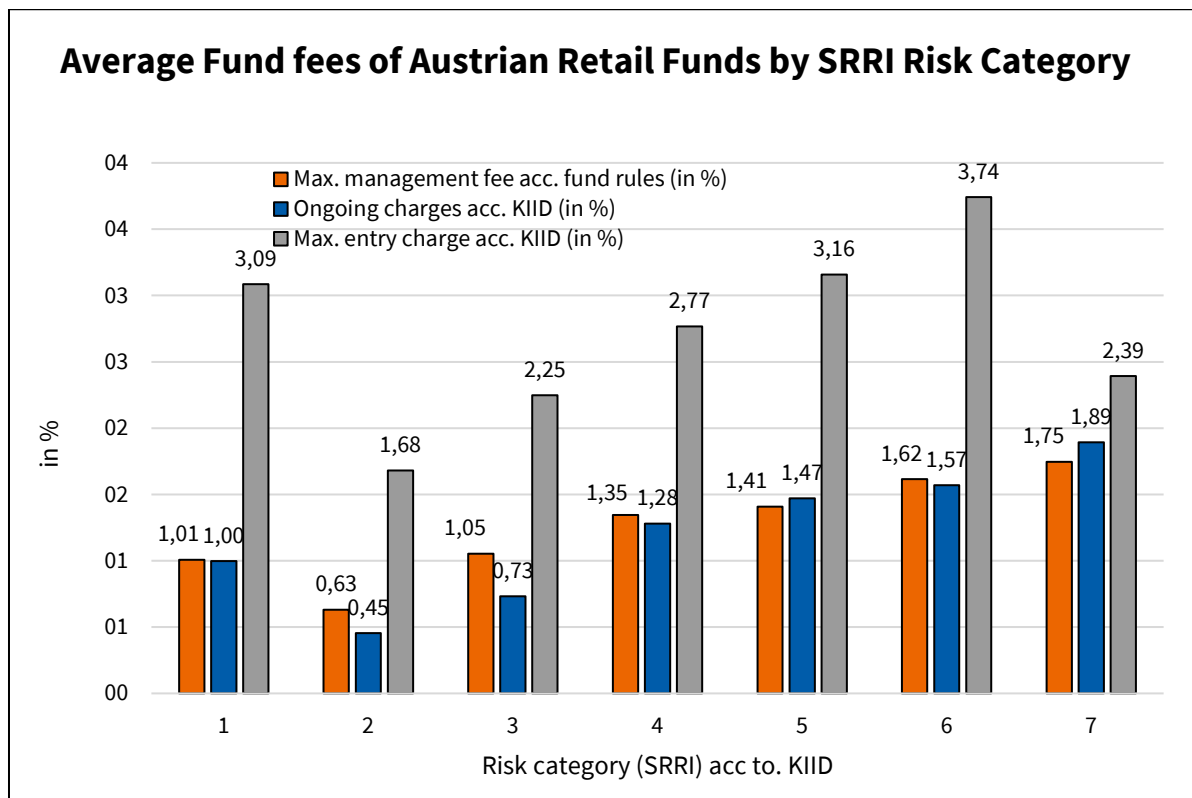


Figure 4: Average Fund fees of SRRI Risk Category

2.3 ANNUAL FEE COMPARISON

FMA Market Studies on Fund Fees for Austrian Retail Funds have been published for a number of years, allowing aggregated fees in the Austrian fund market to be analysed to identify potential changes over the years. From 2020 to 2021, there was an aggregated reduction of the maximum entry fee from 3.60 % to 2.8 % due to fee reductions in the case of several equity, mixed and bond funds. Otherwise, in recent years there have only been marginal changes across the three years

available for comparison, with no discernible significant trends also being observable among the different investment strategies.

Minor changes on an aggregate level are 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.

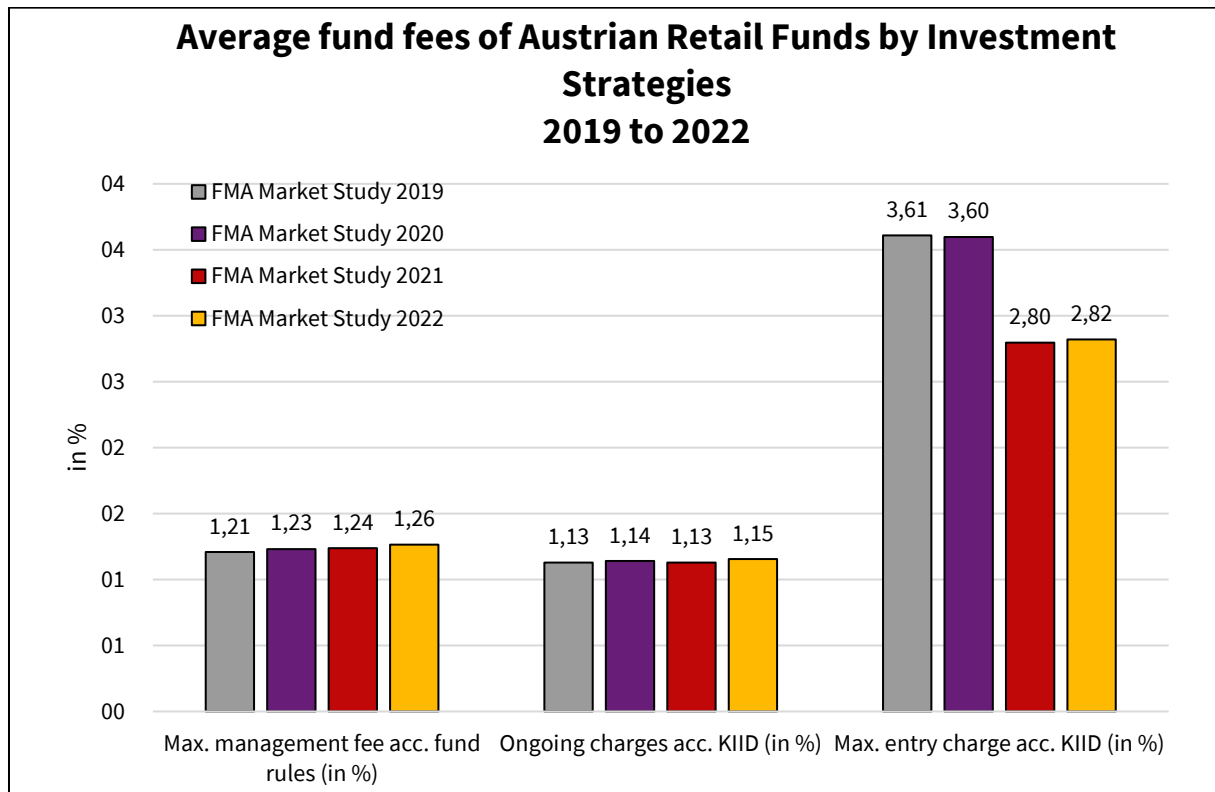


Figure 5: Year-by-year average fund fees

3 RISK AND REWARD DISCLOSURE IN THE KEY INVESTOR INFORMATION DOCUMENT (KIID)

The risk and reward profile of a retail fund must be stated in the KIID. In particular historic performance is to be shown, potential risks explained, and the risk category of the fund disclosed. Information about the historic performance of a retail fund must be presented in the KIID in the form of a bar chart that shows the annual performance for the last ten years. The calculation method for the historic performance is based on the fund's net asset value (NAV), and assumes that any distributed proceeds are reinvested (calculations based on accumulation). The performance is calculated by the Oesterreichische Kontrollbank AG (OeKB) on a consistent basis for Austrian funds using the NAV value of a fund provided by the investment fund management companies.⁹ The development of the NAV must also be published in the fund's annual report; detailed breakdowns of assets are contained in both the annual reports and the half-yearly reports of the funds.

The KIID must also present the fund's risk profile in addition to disclosure about the fund's historic performance. This also contains an explanation of the potential risks as well as disclosing the SRRI as a fund's risk category. The SRRI is based on the historic volatility of a fund and stated on a scale from 1 to 7. The higher the SRRI, the higher the risk is in terms of volatility. By stating the SRRI, investors should be able to receive an easy to understand estimation about the fund's risk based on historic price fluctuations prior to investing in a fund.

⁹ For details about the calculation of performance of funds see the OeKB's Investment fund ratio calculation document (available in German only "Investmentfonds Kennzahlenberechnung"), which is applicable from 01.01.2007: <https://www.oekb.at/dam/jcr:0a44f765-cf16-42a7-b601-43ce13afaab6/OeKB-Kennzahlenberechnung-Investmentfonds-2007-01.pdf>

4 EXPLANATION OF FUND FEES OF RETAIL FUNDS

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 must be stated in the KIID. They can be broken down into one-off entry and exit charges, ongoing charges within a year as well as any other performance-dependent fees. It should be noted that share classes of a fund (classes of fund units) may vary, especially with regard to how proceeds are used, the currency in which the unit is denominated as well as the fund fees.

4.1 MAXIMUM ENTRY AND EXIT CHARGES IN % OF THE NAV

The maximum entry charge is the largest amount in percent of this one-off fee charged when buying units in a fund. Unlike the management fee, the entry charge is a remuneration when purchasing units, which are usually passed on as commission for mediation to the distribution channel, and varies depending on the share class of a fund. The maximum exit charge is the largest amount in percent of the fee to be paid on a one-off basis when redeeming units in funds. In contrast to the entry charge, an exit charge is not typical in the market in the case of retail funds. The maximum entry and exit charges must be stated in both the fund regulations as well as in the KIID.

4.2 MAXIMUM MANAGEMENT FEE AS A % OF THE NAV

The management fee is stated as an annual maximum fee in percent of the NAV and is disclosed in the fund regulations. This amount, however, as a rule covers most but not all costs, since inter alia custodian fees, entry charges, exit charges, transactions costs, other performance-related management charges may also be incurred.

4.3 ONGOING CHARGES ACCORDING TO THE KIID AS A % OF THE NAV

The actual costs of the fund during a year as a percentage of the NAV are expressed in the KIID as the ongoing charges; they may therefore fluctuate from one year to the next. The ongoing charges cover all types of costs that the fund has to bear, regardless of whether they are ongoing charges or the remuneration of persons providing services for the fund. The components of the ongoing charges consist of management fees, custodian banks fees, fees for investment advisers, all payments that may be incurred as a result of outsourcing, registration fees, supervision fees or similar fees, remuneration of statutory auditors, remuneration for legal and business advisers as well as any other distribution fees. In the case of funds of funds, the ongoing charges for the sub-funds that are invested in must also be taken into account in the ongoing charges. Costs that are not taken into consideration as running costs include entry and exit charges, brokerage commission, transaction costs as well as performance-related management fees.

4.4 PERFORMANCE-DEPENDENT MANAGEMENT FEES

Performance-dependent management fees are fees that are tied to the performance of the fund, and therefore only become apparent under certain circumstances. The precise definition of how such fees are calculated may differ strongly between funds depending on the desired investment strategy. Performance-dependent management fees may be defined in absolute terms in relation to the historic performance of the fund or in relative terms, using an index as a benchmark. One example of a performance-dependent management fees calculated in absolute terms would be a defined percentage of the growth of the unit value compared against the last unit value having an effect on performance fees (the high-water-mark method). One example of a performance-dependent management fees calculated in relative terms would be a defined percentage of the growth of the unit value above a defined benchmark¹⁰ using the high-water-mark method. The high-water-mark method thereby ensures that a performance-dependent management fee is only charged only once the previous highest prices are reached again and the performance continues to increase further thereafter. Fees that are tied to the performance of the fund must be stated in both the fund regulations as well as in the KIID.

¹⁰ For example, a performance-dependent management fee in the amount of 15% of the fund's increase in value against the increase in value of the ATX.

5 STATISTICAL ANNEX

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

5.1 DESCRIPTION OF THE REGRESSION MODEL

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

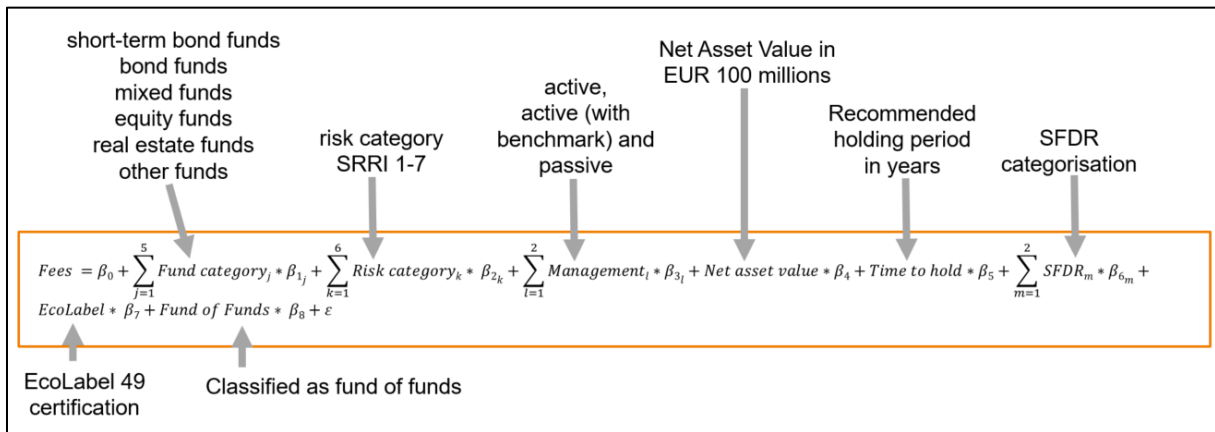


Figure 6: Regression model for ongoing charges

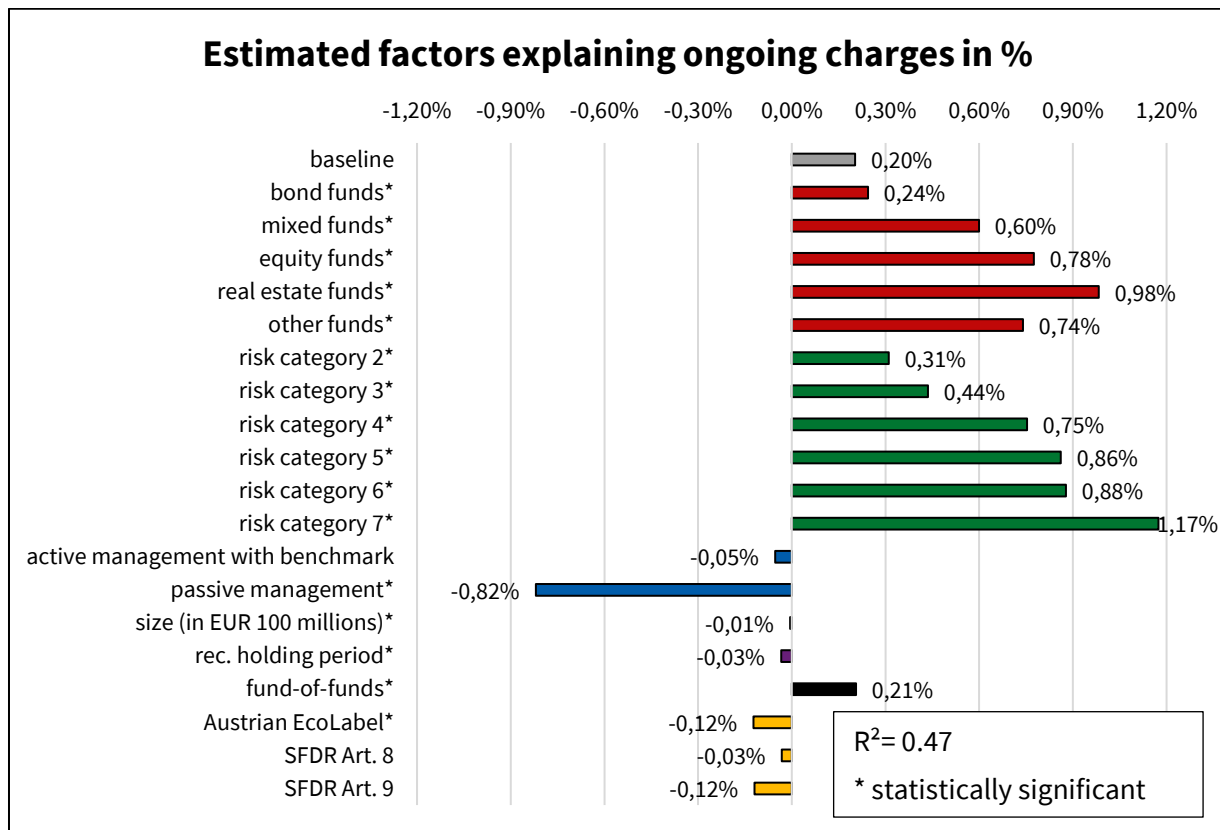


Figure 7: Estimated factors of the regression model for ongoing charges

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 charges must therefore be calculated additively in each case. For example, an active bond fund in risk category 2 has estimated average ongoing charges of 0.76%, an active equity fund in risk category 5 has estimated average ongoing charges of 1.84% or a passive equity fund in risk category 5 has estimated average ongoing charges of 1.02%. Funds of funds have statistically significantly higher fees. The amount of NAV and the recommended holding period are other statistically significant factors, although there are only low factors of influence.

5.2 SUMMARY OF THE RESULTS

Results for estimating the relevant factors influencing the fees of retail funds (ongoing charges) 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. With regard to active versus passive management approaches, passive funds have significantly lower fees, although it should be noted that only 90 active funds with a benchmark as well as only 3 passive funds are covered in the analysis. Taking into account sustainability criteria is a factor that reduces fees slightly. The amount of the factor is roughly the same for EcoLabel 49 funds and funds in accordance with Article 9 SFDR, although this is only statistically significant for Ecolabel 49 funds, and only 13 funds in accordance with Article 9 SFDR were included in the analysis. Classification as a fund in accordance with Article 8 SFDR is not a statistically significant factor for explaining the level of the fees.¹¹

¹¹ Empirical results of Austrian sustainability funds having slightly lower fees are in line with the FMA's analysis from previous years (see past FMA Market Studies at <https://www.fma.gv.at/en/fma-spotlight-on/fees-charged-by-funds/>) as well as ESMA's analysis at European level (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) and that of 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).