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## Costs and Performance of Investment Funds: AFG Responds to ESMA Report

The AFG welcomed the report published by ESMA on the “*Performance and costs of retail investment products in the EU*”.

This report details the costs and performance of investment funds sold to the public, by main fund category and for each European country between 2008 and 2017. It demonstrates **the high level of transparency of the asset management industry in terms of these costs and performance**, which Eric Pinon, Chairman of the AFG, is pleased to point out: “*We are convinced that promoting information that is clear, easy-to-understand and allows comparison among various savings products is beneficial for investors and for our industry*”. In this respect, one can only hope that future reports published by the other two supervisory authorities, EIOPA and EBA, provide detailed information comparable to that of ESMA.

**The AFG regrets, however, that the report does not draw a connection between the fees charged and the financing of this activity's organisational costs**, particularly those required for legitimate investor protection. Moreover, all management methods are grouped together, which results in **a price comparison among products that are very different in nature and which do not offer the same service to investors**. Eric Pinon notes that “*the content of ESMA's report should avoid adversely affecting the diversity of the offerings and players, which contributes to broader sources and forms of financing for issuers*”.

The AFG also underscores **the crucial role played by active managers** in the analysis, selection and pricing of securities in the markets. Index construction and pricing simply reflects their expectations. Through their method of market intervention, i.e. the freedom to choose securities, they focus on those for which issuers create wealth and therefore contribute to economic growth.

Investment funds account for more than one-fourth of the financial assets of individuals in Europe<sup>1</sup>. They offer investors **a wide range of investment and allocation profiles** in line with their investment horizon and risk tolerance. According to the report, between 2008 and 2017 the annual average performance **net of costs** of French funds was 4.38%, 3.44% and 2.82%, respectively, for the equity, diversified and bond categories. **These results**, which are higher than inflation, **remind us of the positive role that this industry plays in increasing the value of investors' assets**.

<sup>1</sup> “Ownership of investment funds in Europe”, EFAMA, November 2018

**About AFG** [www.afg.asso.fr](http://www.afg.asso.fr); follow us on Twitter [@AFG\\_France](https://twitter.com/AFG_France)

*The Association Française de la Gestion Financière (French Asset Management Association – AFG) represents and promotes the interests of third-party portfolio management professionals. It brings together all asset management players from the discretionary and collective portfolio management segments. These companies manage nearly EUR 4,000 billion in assets, including EUR 1,950 billion in French funds and approximately EUR 2,050 billion in discretionary portfolios and foreign funds.*

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