

US & European fund fee trends; Exploring a decade of transformation

Factors driving fee compression across Ireland, Luxembourg, UK, and US



Introduction

Across the global fund industry, it is widely accepted that asset managers are facing increased pressure to reduce fees on their products. While this fee compression is generally seen as beneficial for investors, allowing more investment dollars to be put to work, the impact on asset managers is more complex. To fully understand the drivers of fee compression, particularly as the asset management industry grows and regulations vary across markets, a comprehensive analysis is essential.

Our study aims to investigate the changes in fund costs over the past ten years in Ireland, Luxembourg, the UK, and the US. We will examine how four key factors—regulation, the emergence of cleaner share classes, the growth of passive investments, and industry concentration—affect the pricing in each market. We will also explore future trends in fund pricing for products domiciled in these markets, as well as on a global scale.

Over the past decade, there has been a significant shift of assets from actively managed mutual funds to passive funds and ETFs. Has this shift toward less expensive passive products impacted the pricing of both active and passive products? Concurrently, the way products are sold and the manner in which investors pay for advice have also evolved. Has this shift to cleaner share classes been a driving factor in fee reductions? Also, we will examine whether industry concentration and consolidation have contributed to cost reductions.

Our evaluation must consider the direct and indirect impacts of regulation. For example, in the US, Section 15(c) of the Investment Company Act of 1940 requires independent directors of a fund to review and approve the advisor's contract while the UK's Assessment of Value ("AoV") rule mandates a review of several criteria to ensure investors receive value. Both regulations explicitly require fund boards to consider costs. Beyond direct cost oversight, other rules may influence fund costs. For instance, has the UK's Retail Distribution Review and the US's Regulation Best Interest ("Reg BI") accelerated the shift to cleaner share classes, thereby contributing to the observed fee compression?

Key findings from this report include:

- **Fee pressure:** UK and US fees are likely at their lowest, while fees in Ireland and Luxembourg could fall further, depending on the Retail Investment Strategy.
- **Advice costs:** The EU may continue permitting fund expenses for advice, in contrast to the UK and US, which favour cleaner share classes.
- **ETF trends:** European passive ETF fees could drop, especially if asset managers adopt US-style low-cost models.
- **Industry consolidation:** Large asset managers are expected to maintain stable fees, while mid- to small-sized managers must focus on cost efficiency to stay competitive.
- **Rising fees in niche areas:** Some active ETFs and private investment access may see a slight rise in fees due to specific investment mandates.

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In This Whitepaper

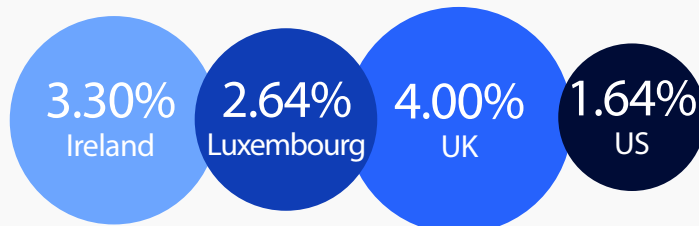
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A Starting Point – Are Fees Actually Dropping?

Over the past ten years, asset-weighted total expenses for both actively managed funds and passively managed funds (including ETFs) have trended downward across all four domiciles, with the UK market experiencing the steepest overall decline. In the realm of active management, the US market has consistently had the lowest average fees. Despite this, it has seen the second-largest fee decrease, at 32%, over the past decade. UK domiciled funds, which initially had the highest asset-weighted costs, have now reduced their fees by 44%, positioning their costs below those of Luxembourg. On the passive side, costs have significantly decreased, with reductions ranging from 40% in Ireland to 74% in the UK.

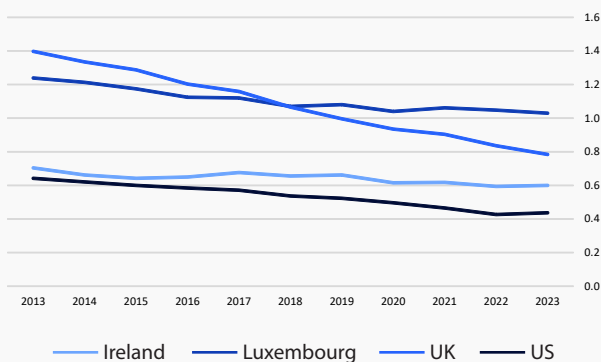
Recently weighted average prices in the US and the UK have stabilized due to two competing factors. First, the absolute bottom for margins is coming into view as broad market indexed funds have achieved such phenomenal scale that single-digit basis points—rounding errors in most industries—define the competitive boundary. Second, competition with highly commoditized and superscaled benchmark products necessitates offering more specialized alternatives, such as factor-weighted or “smart beta” indexed funds.

Average Annual Fee Decrease – All Product Types

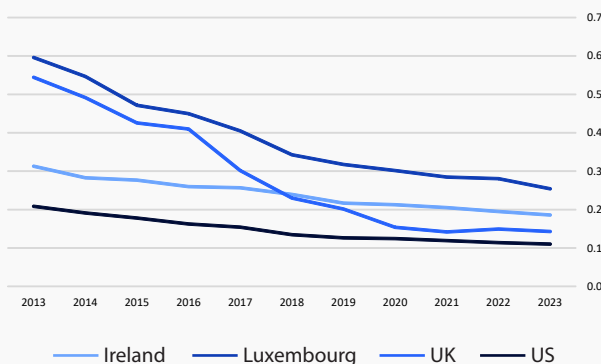


A detailed analysis reveals consistent trends across asset classes in all markets. The UK’s passive equity products have seen the steepest decline. Interestingly, passive bond products in Ireland have only experienced a 24% cost decrease over the past ten years. Across all asset classes and management styles, UK domiciled funds show the largest percentage decrease across the board.

Weighted Average TER Actively Managed Funds, All



Weighted Average TER Passively Managed Funds, All

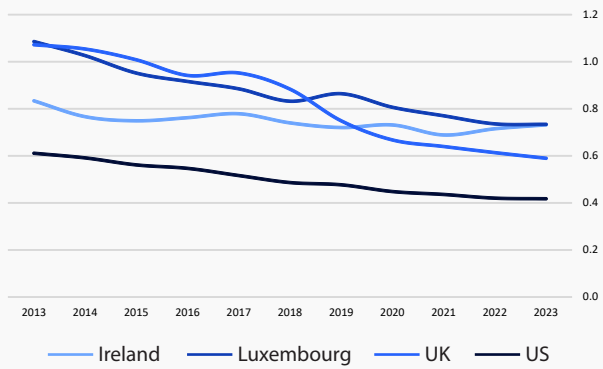


Source: Broadridge Global Pricing Intelligence

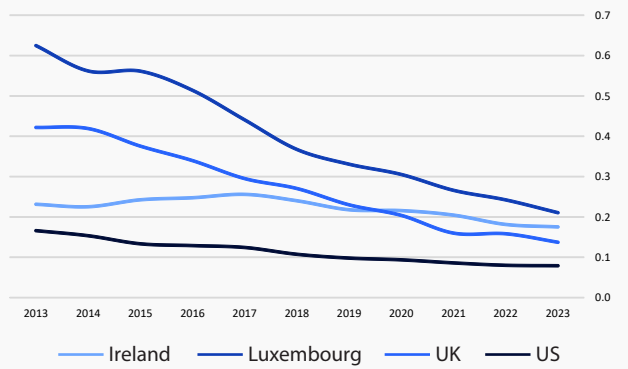
While UK products are not typically sold internationally, Irish and Luxembourg domiciled products are marketed and sold both in the UK and across the EU, and often globally. With the UK market exhibiting the steepest cost declines, and the most active regulatory regime, it appears that products domiciled in Luxembourg and Ireland have had to lower prices to remain competitive for UK investors. Thus, the UK seems to be influencing pricing strategies in these regions.

To comprehend the factors driving cost reductions and the extent of their impact on pricing in specific markets as well as on a macro level, it is essential to examine each criterion closely. Given the well-documented shift from active to passive products and the significant price differences between these categories, our analysis will begin with a review of this pivot to passive investments.

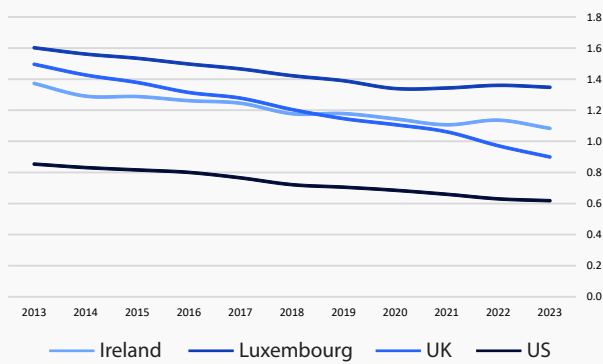
Weighted Average TER Actively Managed Bond Funds



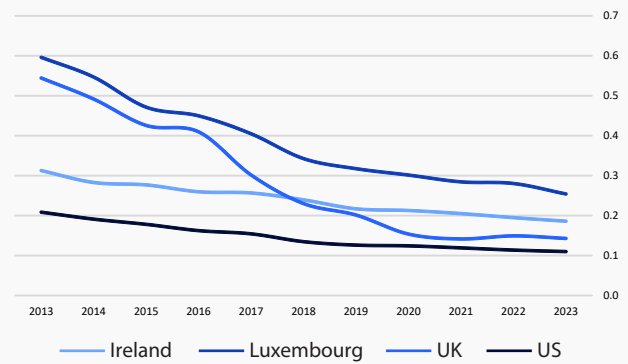
Weighted Average TER Passively Managed Bond Funds



Weighted Average TER Actively Managed Equity Funds



Weighted Average TER Passively Managed Equity Funds



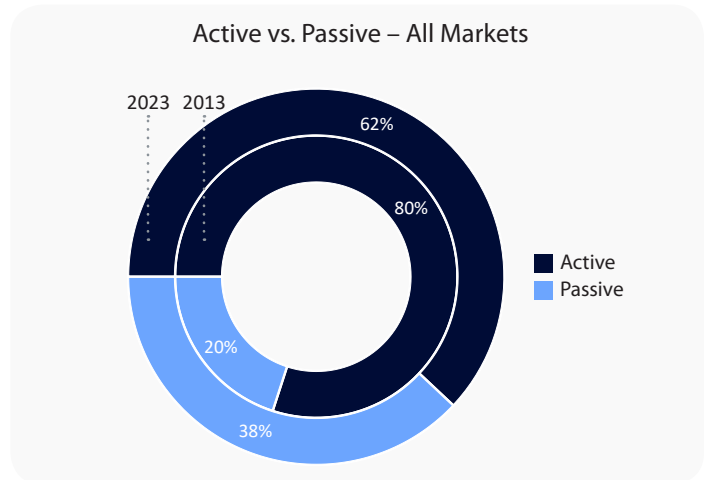
Source: Broadridge Global Pricing Intelligence



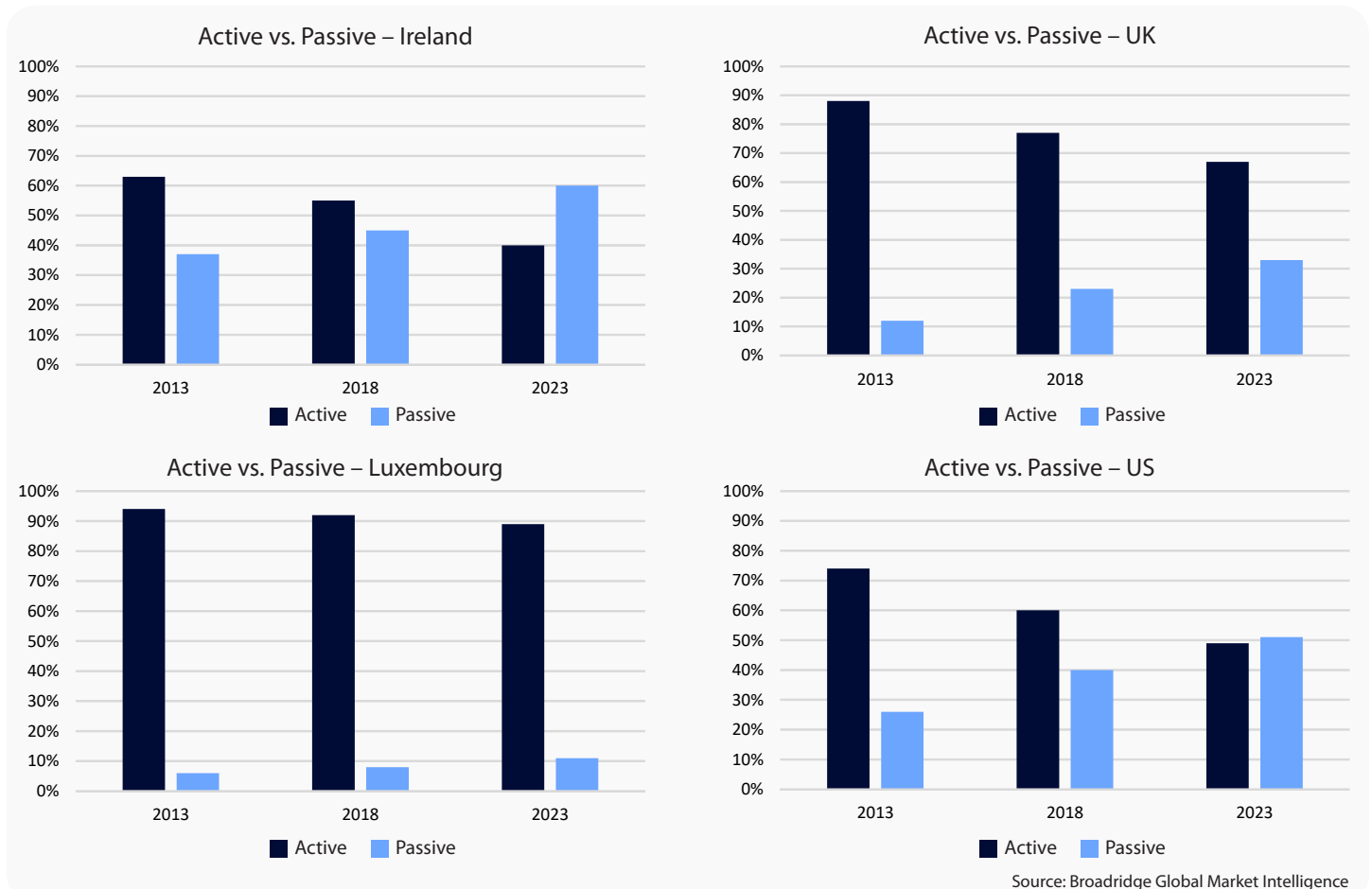
The Pivot to Passive

From 2013 to 2023, there has been a significant and consistent shift in assets from active mutual funds to passive mutual funds and ETFs. We are now at a point where more than half the assets in the US and Ireland are held in passive products, either ETFs or funds. The UK has seen a shift to passive funds, though ETFs domiciled in this market have yet to take off and Luxembourg trails well behind the other three markets in terms of the pivot to passive. This trend reflects a broader global movement towards lower-cost, transparent, and efficient investment strategies. Passive funds and ETFs have become increasingly relevant, driven by their cost advantages, broad market exposure, and growing investor preference for simplicity.

Importantly, passive products appeal to investors due to their typically lower costs compared to analogous active strategies. Because they do not attempt to outperform the market by selecting individual securities, their management requires much less research and analysis, thus reducing costs.

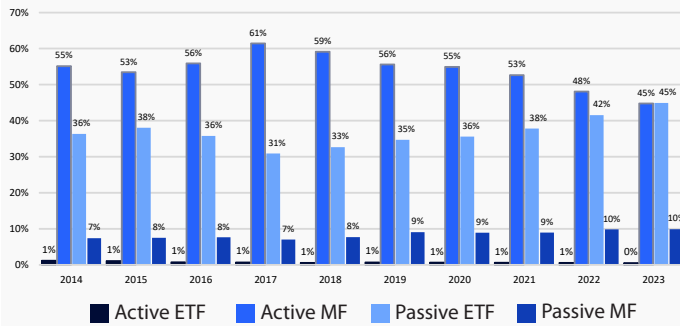


Cumulative flow data for each region illustrates the trend in active and passive investments over the past decade. While capital continues to flow into active investments, flows into passive investments are on the rise. In the US flows into passive ETFs have far surpassed those into active products. Ireland follows a similar trend, showing growing interest in passive ETFs since 2017. The UK has also seen a significant shift as of late for flows into the passive space; this time to passive funds.

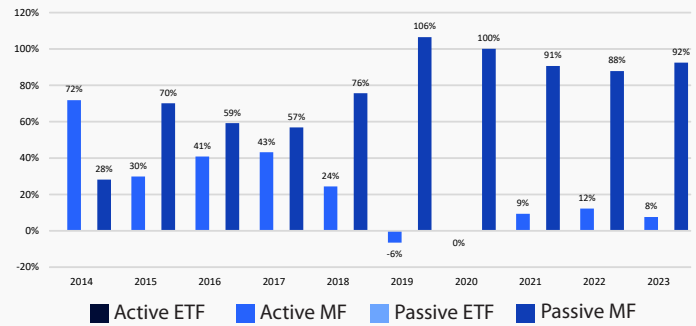


Source: Broadridge Global Market Intelligence

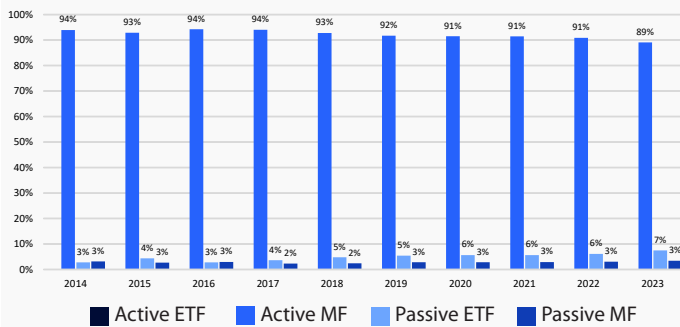
Cumulative Flows - Allocation Percentages – Ireland



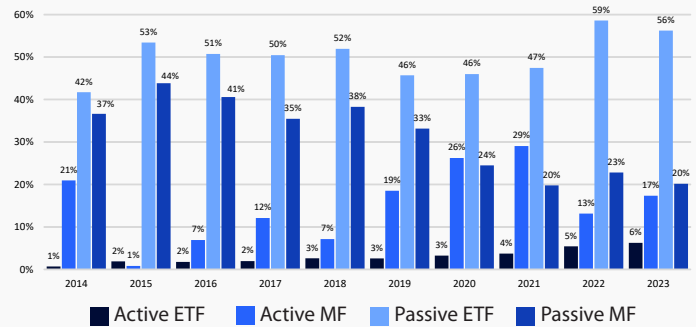
Cumulative Flows - Allocation Percentages – UK



Cumulative Flows - Allocation Percentages – Luxembourg



Cumulative Flows - Allocation Percentages – US



Source: Broadridge Global Market Intelligence

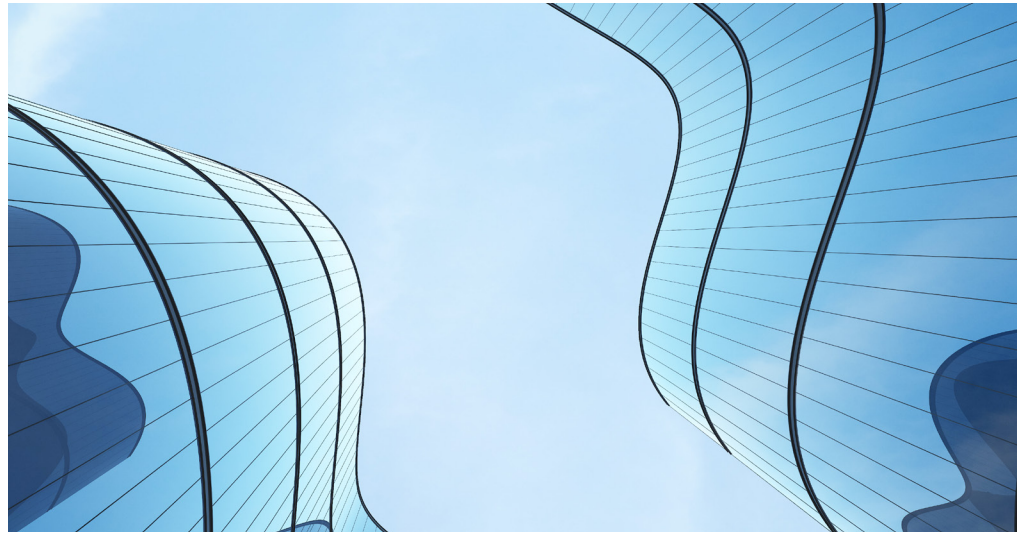
All four regions have experienced a decrease in active mutual fund flows and an increase in passive mutual fund flows. Luxembourg still maintains a strong preference for active mutual funds in 2023, though flows into passive funds have seen a slight increase. Overall, the trend across the four regions confirms the shift towards more passive investment strategies, with growing interest in both passive ETFs and passive mutual funds.

As the pivot to passive comes with revenue implications to asset managers, due to the lower costs of passive management, it is interesting to see how the shift impacts active management. We notice that unique products are being launched. In the US, there has been an 11% increase in Assets Under Management (AUM) for alternative products. This increase is generally explained by two factors: active managers bringing products to investors that cannot be replicated well in an ETF due to complexity or liquidity and investors are diversifying their portfolios into assets that are unavailable in market-cap-based passives.

The impact to pricing shows that the UK has seen the steepest decline in passive products. Luxembourg, which trails the other markets by a noticeable amount in passive AUM, has seen the second largest decrease in costs of passive products; however, the pricing for active funds has seen the smallest overall decrease. Interestingly, the gap between active and passive product pricing has increased over the past ten years overall, indicating that the importance of passive pricing is not as strong as originally thought.

Fee change by Type and Market 10 Years		
Market	Passive	Active
Ireland	40%	15%
Luxembourg	57%	17%
UK	73%	44%
US	47%	32%

Source: Broadridge Global Pricing Intelligence



Industry Concentration

A widely held perception in the funds industry is that scale is paramount and that greater assets typically lead to lower costs for all consumers—a phenomenon known as “economies of scale.” For an asset manager, more assets can achieve cost savings in several ways, including:

Greater Product Distribution: Larger managers are better positioned to negotiate commercial arrangements with distributors and platforms that broaden their appeal and attract more assets.

Specialization: Managers can leverage internal skills, research, and data in newer strategies, allowing them to price these products competitively from the outset.

Fixed Cost Sharing: Fixed costs are spread over a larger number of shares as assets increase, resulting in lower per-share costs.

Operational Efficiency: Larger operations can streamline processes and reduce waste, leading to improved efficiency and lower costs.

However, economies of scale have limitations:

Diseconomies of Scale: If a firm grows too large, it may become inefficient and experience increased costs due to factors like bureaucracy and coordination challenges.

Market Saturation: Expanding too rapidly without considering market demand may create an excessive number of fund choices that inhibit sales.

Regulatory Burdens: Larger firms may face increased regulatory scrutiny and compliance costs, offsetting some of the benefits of scale.

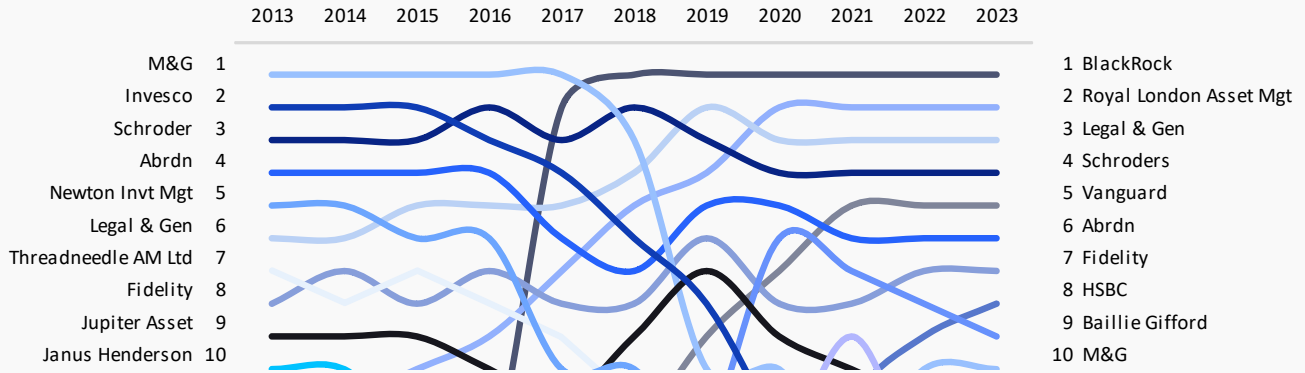
While economies of scale lower prices for consumers, it is important to consider how other factors, such as competition and market dynamics, will impact fund companies’ ability and willingness to pass these savings onto investors. An overly concentrated industry may restrict investor choice by creating barriers for boutique asset managers to introduce innovative products.

Industry Concentration by Market – 2023			
Market	Top 10	Next 40	All Others
Ireland	67%	23%	10%
Luxembourg	42%	39%	19%
UK	56%	37%	7%
US	71%	21%	7%

Source: Broadridge Global Market Intelligence

In all markets, the top ten asset managers by AUM hold extensive market shares. The US and Ireland lead the way, largely due to extreme concentration in passive assets. With the exception of UK active management products and Irish passive products we see that the top ten asset managers by AUM have seen an increase in their market share. The UK stands out for the swift change in leadership among top managers. While market share can be fleeting, the top six firms have held firm for the past three years, collectively increasing their market share from 43% to 45%—a gain similar to that in the US, although well below its top six concentration level, which rose from 59% to 62%. Recently, passives have come to the forefront, with BlackRock and Vanguard now ranking first and second, a significant rise from their positions in 2013 when they were 8th and 20th, respectively.

Largest UK Fund Managers Ranked by Year



Source: Broadridge Global Market Intelligence

In the US funds market there is generally more concentration, with the top ten firms accounting for 71% of fund assets, compared to 67% in Ireland, 56% in the UK, and 42% in Luxembourg. While there is higher concentration among index fund providers, active managers have also seen increased concentration. Among active funds only, the top ten managers control 58% of assets in the US, compared to 53% in Ireland, 45% in the UK, and 38% in Luxembourg.

Comparing Asset Weighted Total Expense Ratios (TER) between 2013 and 2023 shows significant cost reduction trends across all domiciles, driven by sharp decreases from the largest asset managers in each market. In Ireland and Luxembourg, the most pronounced reductions occur within the top ten and next 40 asset managers, while broader market changes are more moderate. Both the UK and US exhibit consistent downward TER trends, with the top ten firms experiencing the most substantial declines.

		Active		
		2013	2018	2023
Ireland	Top 10	53%	50%	53%
	Next 40	33%	33%	31%
	All Others	15%	17%	16%
	Size (\$ bil)	736.4	1208.8	1840.2

		Passive		
		2013	2018	2023
Ireland	Top 10	97%	96%	91%
	Next 40	3%	4%	9%
	All Others	0%	0%	0%
	Size (\$ bil)	256.0	579.6	1608.7

		2013	2018	2023
Luxembourg	Top 10	37%	38%	38%
	Next 40	46%	43%	42%
	All Others	17%	20%	20%
	Size (\$ bil)	1871.8	2846.6	3976.1

		2013	2018	2023
Luxembourg	Top 10	74%	86%	90%
	Next 40	26%	14%	10%
	All Others	0%	0%	0%
	Size (\$ bil)	99.8	230.9	446.0

		2013	2018	2023
UK	Top 10	53%	48%	45%
	Next 40	39%	43%	46%
	All Others	8%	9%	10%
	Size (\$ bil)	710.5	783.3	1059.0

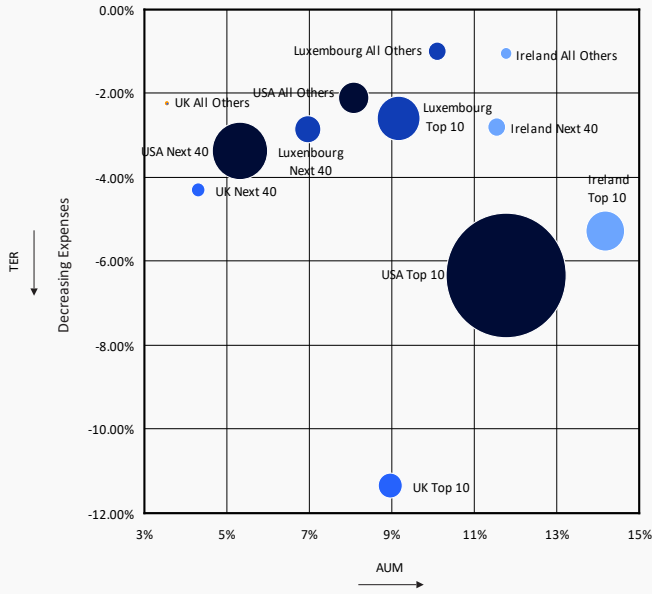
		2013	2018	2023
UK	Top 10	92%	97%	98%
	Next 40	8%	3%	2%
	All Others	0%	0%	0%
	Size (\$ bil)	89.8	221.0	503.4

		2013	2018	2023
US	Top 10	48%	53%	58%
	Next 40	39%	36%	33%
	All Others	13%	11%	9%
	Size (\$ bil)	10114.9	12420.5	18479.8

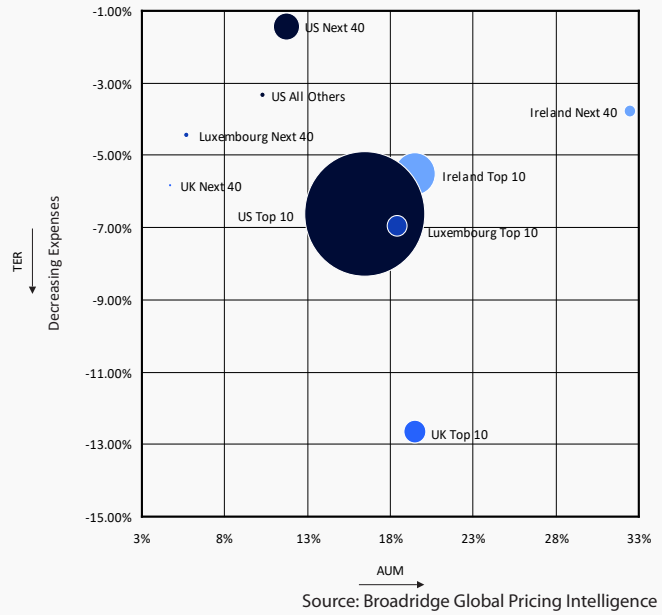
		2013	2018	2023
US	Top 10	92%	94%	94%
	Next 40	8%	6%	5%
	All Others	1%	0%	0%
	Size (\$ bil)	2975.1	6418.8	13282.1

Source: Broadridge Global Market Intelligence

10yr Annualized Change (All funds/domiciles)
TER vs. AUM
Top 10-Next 40-All Others



10yr Annualized Change (All Passive funds/domiciles)
TER vs. AUM
Top 10-Next 40-All Others



Source: Broadridge Global Pricing Intelligence

Examining where new money flows reveals that the largest asset managers are clear winners, forcing others to match their pricing to stay competitive. Interestingly, in Luxembourg, JP Morgan leads in AUM but holds the smallest market share relative to other markets. JP Morgan's market share of 10% is double that of Amundi. We also observe that Luxembourg has the lowest overall pricing decrease. This indicates that while economies of scale drive prices down, the greater the percentage of assets held by the top ten asset managers, the more pronounced the trickle-down effect on the rest of the market.

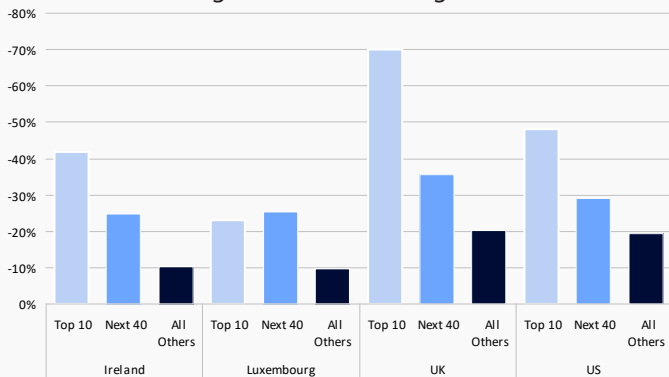
In 2023, BlackRock led the Irish market, managing 32% of the total AUM. The combined AUM managed by the next nine advisors was 35%. Over the past decade, cumulative flows into BlackRock investment products in Ireland grew substantially compared to those of the other nine advisors. BlackRock's pricing strategies in Ireland will directly influence other advisors in the market. Similarly, BlackRock is the leading advisor in the UK, managing 19% of total AUM.

Since 2018, BlackRock's flows in the UK have outpaced all other advisors, capturing more than 50% of cumulative flows from 2021 to 2023.

In the US, Vanguard, Fidelity, and BlackRock manage just under 50% of total AUM, amounting to over \$14.9 trillion. Over the past decade, these three firms have captured more than 50% of cumulative flows into their investment products. In 2023 alone, they received 71% of capital inflows in the US, compelling other fund complexes to adjust their pricing strategies accordingly.

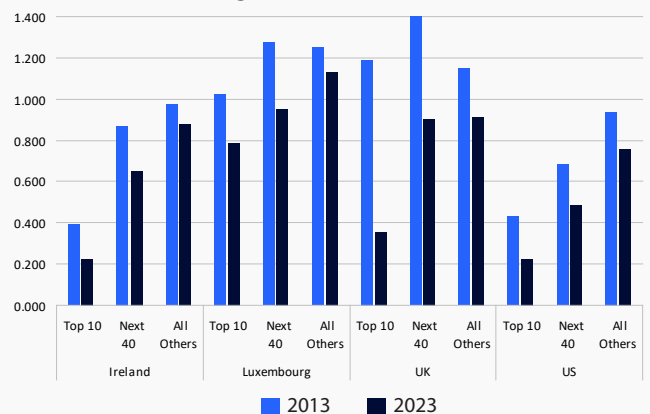
The concentration of assets among the largest managers is creating economies of scale and driving prices down. Mid and small-sized asset managers are also dropping their fees to remain competitive with market leaders. This suggests that these firms either need to keep up with top-tier pricing to retain market share or that other factors are at play in driving fees down.

Asset Weighted TER – % Change 2013-2023



Source: Broadridge Global Pricing Intelligence

Asset Weighted TER – 2013 vs. 2023



Cumulative Flows 2013-2023

Ireland Top 10 Advisors by 2023 AUM											
Advisor Name (2023 AUM)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2023 AUM
BlackRock (\$1,101 B)	31%	25%	28%	24%	26%	29%	29%	33%	35%	38%	32%
Vanguard (\$256 B)	12%	11%	10%	8%	8%	8%	7%	7%	7%	8%	7%
PIMCO (\$173 B)	-19%	-11%	-3%	8%	5%	8%	7%	5%	4%	3%	5%
GS Asset Intl (\$154 B)	9%	14%	12%	7%	7%	7%	6%	4%	5%	5%	4%
HSBC (\$137 B)	7%	4%	3%	3%	3%	3%	4%	3%	4%	5%	4%
State Street (\$118 B)	1%	1%	1%	2%	3%	3%	3%	3%	3%	4%	3%
Deutsche Bank (\$117 B)	4%	3%	1%	1%	1%	1%	3%	3%	3%	3%	3%
Mercer (\$91 B)	5%	4%	4%	4%	4%	4%	4%	3%	4%	3%	3%
Legal & Gen (\$88 B)	9%	7%	6%	6%	6%	5%	5%	5%	5%	4%	3%
Northern Trst (\$67 B)	2%	3%	3%	3%	3%	3%	2%	2%	2%	2%	2%

Luxembourg Top 10 Advisors by 2023 AUM											
Advisor Name (2023 AUM)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2023 AUM
JP Morgan (\$431 B)	11%	10%	11%	11%	8%	9%	10%	10%	9%	12%	10%
Amundi (\$271 B)	3%	3%	4%	4%	4%	5%	4%	5%	5%	6%	6%
BlackRock (\$188 B)	9%	10%	8%	7%	6%	4%	4%	5%	4%	3%	4%
Deutsche Bank (\$185 B)	8%	8%	5%	5%	5%	4%	4%	4%	4%	4%	4%
UBS (\$151 B)	7%	6%	5%	4%	6%	5%	5%	5%	4%	4%	3%
Fidelity (\$141 B)	2%	3%	2%	1%	1%	1%	2%	2%	2%	1%	3%
Eurizon Capital (\$128 B)	3%	4%	6%	5%	5%	5%	6%	6%	6%	5%	3%
Schroder (\$127 B)	5%	4%	3%	3%	2%	2%	2%	2%	2%	2%	3%
BNP Paribas (\$114 B)	0%	1%	2%	1%	1%	1%	2%	2%	2%	3%	3%
Pictet Asset (\$95 B)	0%	1%	1%	1%	1%	1%	2%	2%	2%	2%	2%

UK Top 10 Advisors by 2023 AUM											
Advisor Name (2023 AUM)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2023 AUM
BlackRock (\$298 B)	-9%	-6%	-6%	26%	36%	39%	47%	58%	55%	63%	19%
Royal London (\$104 B)	13%	20%	30%	14%	18%	26%	25%	16%	17%	14%	7%
Legal & Gen (\$84 B)	10%	12%	15%	9%	13%	17%	11%	6%	7%	8%	5%
Schroder (\$77 B)	-39%	-37%	-32%	-12%	-14%	-22%	-19%	-9%	-7%	-8%	5%
Vanguard (\$72 B)	13%	20%	17%	9%	12%	20%	19%	12%	12%	14%	5%
Abrdn (\$69 B)	-3%	-10%	-14%	-8%	-10%	-11%	-9%	-4%	-4%	-5%	4%
Fidelity (\$58 B)	-5%	-3%	1%	1%	-1%	-3%	-2%	-1%	0%	2%	4%
HSBC (\$44 B)	3%	5%	7%	4%	5%	7%	7%	5%	6%	7%	3%
Baillie Gifford (\$34 B)	5%	6%	3%	7%	12%	16%	16%	11%	9%	7%	2%
M&G (\$33 B)	32%	-33%	-37%	-8%	-20%	-49%	-39%	-25%	-25%	-25%	2%

US Top 10 Advisors by 2023 AUM											
Advisor Name (2023 AUM)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2023 AUM
Vanguard (\$7,872 B)	50%	63%	60%	53%	51%	43%	38%	34%	38%	34%	25%
Fidelity (\$3,660 B)	-7%	-5%	2%	2%	7%	10%	11%	10%	11%	13%	12%
BlackRock (\$3,358 B)	21%	27%	23%	25%	25%	24%	24%	23%	25%	23%	11%
Cap Rsrch & Mgmt (\$2,187B)	0%	1%	1%	1%	1%	1%	0%	0%	-1%	-1%	7%
State Street (\$1,375 B)	9%	4%	6%	5%	4%	4%	4%	5%	6%	7%	4%
JP Morgan (\$1,195 B)	4%	4%	2%	1%	3%	4%	6%	6%	5%	8%	4%
Charles Schwab (\$961 B)	2%	3%	4%	4%	7%	7%	6%	5%	8%	10%	3%
Invesco (\$834 B)	-1%	-3%	-1%	0%	-1%	-1%	-1%	0%	0%	0%	3%
T. Rowe Price (\$707 B)	2%	2%	1%	0%	-1%	-1%	-1%	-1%	-3%	-3%	2%
GSAM (\$541 B)	6%	4%	4%	1%	2%	3%	4%	4%	4%	4%	2%

Source: Broadridge Global Market Intelligence

Share Class Pricing and The Shift to Clean

Over the last decade, fee compression has been evident for both active and passive funds across the US and Europe. Key contributors to this overall reduction include heightened regulatory oversight, competitive pricing among asset managers, a shift to passive investments, and changes in how products are packaged for investors. However, it is less clear to what extent overall compression is due to reductions in fees across all share classes versus the movement of investors to cleaner share class structures where advice is paid for outside of the fund.

The shift to cleaner classes has been dramatic over the last ten years, particularly in the US and UK. The UK's Retail Distribution Review (RDR) has significantly impacted share class structure, with the highest-priced classes now accounting for only 30% of AUM, down from 75% ten years prior. The SEC's emphasis on standards such as 15(c) Advisory Contract Renewal and Reg BI in the US has similarly driven cost savings for both retail and institutional investors.

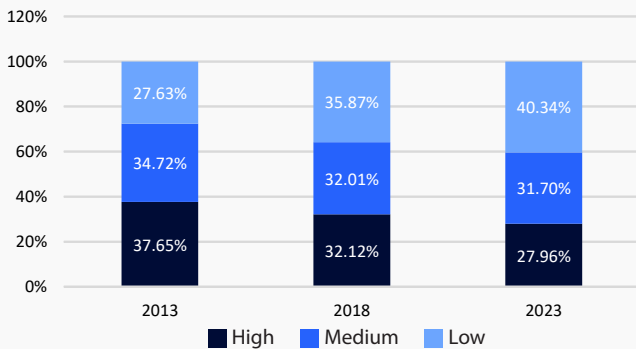
In 2018 the SEC focused on ensuring investors were in appropriate share classes with their sweeps as part of the Share Class Selection Disclosure Initiative. This effort focused on making sure investors were in the lowest cost share class they were eligible for, causing intermediaries and asset managers to focus on moving investors to lower priced share classes.

The evolution of share classes within fund wrappers is driving down fees, offering greater options for retail investors and increasing scrutiny on advisors' fiduciary obligations. The decrease in fees within the highest-priced share classes is consistent, albeit at different rates across domiciles and asset classes. In the US, load-deferred B and C legacy share classes designed for retail investors have seen significant outflows, as have retirement plan share classes with higher servicing costs. Luxembourg and Ireland have yet to experience similar dramatic declines in total expenses, unlike the UK, which has seen significant drops in the last five years, partly due to the FCA's Assessment of Value rule.

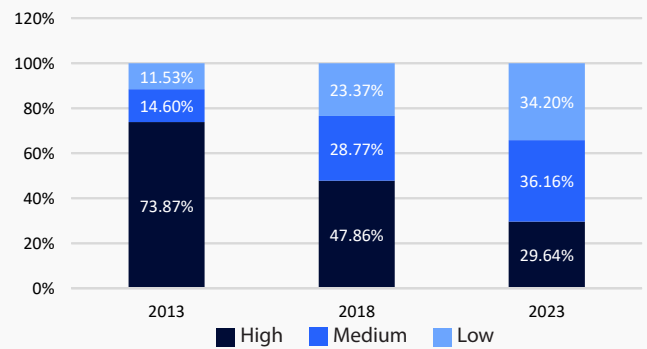
Each pricing tier demonstrates consistent fee compression, with the UK and Ireland leading in cleaner class pricing. Notably, the additional share classes in Europe, such as those available for cross-border distribution and distinctions between income-accumulating or distributing share classes, add complexity to comparative data analysis.

Competition among fund managers over the last decade has exerted downward pressure on funds, while also providing investors access to new, previously unavailable share classes. The regulatory environment, particularly in Europe, has amplified this competition. Examining annualized fee compression rates over the last decade reveals that fee pressure accelerated in the UK in the last five years while stabilizing in the US. Luxembourg and Irish funds have shown more stability, but the lowest-priced classes in Irish domiciled funds exhibit greater compression.

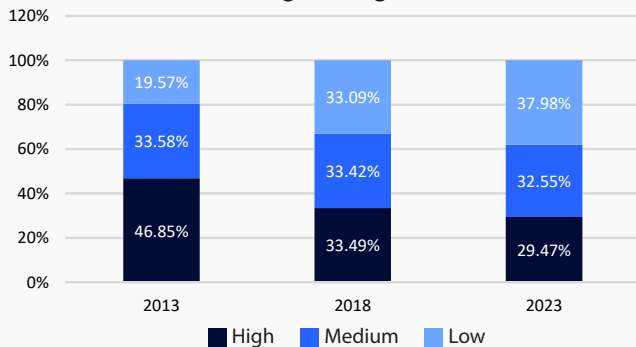
Ireland Fee Segmentation



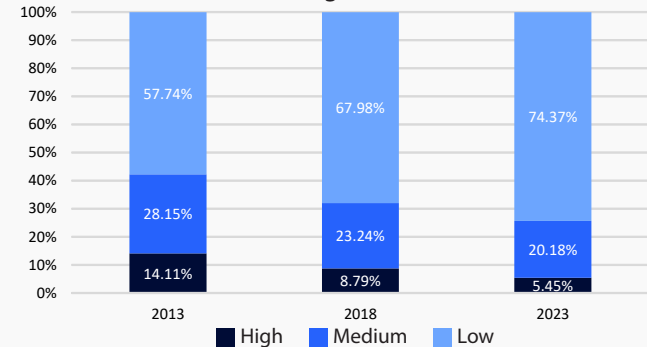
UK Fee Segmentation



Luxembourg Fee Segmentation



US Fee Segmentation



Source: Broadridge Global Market Intelligence

Average Annual Percentage Rate of Decline – Actively Managed Funds

	Ireland		Luxembourg		UK		US	
	2013-2018	2019-2024	2013-2018	2019-2024	2013-2018	2019-2024	2013-2018	2019-2024
Equity Diversified								
High	0.6%	0.7%	0.5%	0.2%	0.9%	3.4%	1.3%	0.6%
Moderate	1.5%	1.1%	1.6%	1.0%	0.7%	0.9%	1.4%	0.6%
Low	1.9%	5.4%	1.1%	1.3%	0.0%	1.8%	1.7%	0.6%
Bond								
High	0.6%	0.6%	0.0%	0.8%	1.7%	2.7%	0.9%	0.9%
Moderate	1.3%	1.4%	2.0%	0.8%	0.7%	2.1%	1.1%	0.9%
Low	1.7%	2.4%	2.1%	1.4%	0.0%	3.3%	2.1%	0.9%
Mixed Assets								
High	1.4%	1.1%	1.1%	0.1%	0.5%	2.8%	0.7%	0.6%
Moderate	2.4%	1.1%	0.0%	0.0%	0.5%	0.8%	1.1%	0.2%
Low	3.2%	4.7%	1.3%	1.4%	2.0%	5.2%	1.3%	1.0%

Source: Broadridge Global Pricing Intelligence

Regulation

Over the past decade, regulators have increasingly focused on fund pricing. New regulations such as the UK’s AoV and Consumer Duty, and intensive oversight in the US, such as the SEC’s 15(c) reviews, have spurred cost scrutiny. Moreover, regulations like the UK’s RDR and the US’s Reg BI, while not directly focused on fund costs, have influenced how intermediaries are compensated, indirectly impacting fund pricing.

Outcomes of these regulations show a clear connection to lower prices. The UK has seen the steepest decline in prices, especially from 2019 to 2023, driven by rules ensuring investor value and adding independent non-executive directors. Likewise, Consumer Duty’s influence extends to Irish and Luxembourg domiciled products sold into the UK market, pressing them to consider competitive pricing.

In Europe, the Central Bank of Ireland and ESMA have also emphasized cost oversight, with directives highlighting the need for meaningful, regular cost reviews. Similarly, although the US has a long-established process for fee reviews, renewed focus came in 2022 with SEC sweeps on the 15(c) process.

In the UK, the market with the greatest overall fee decrease, fees have fallen faster in the second five-year period. This is after the announcement and implementation of both Assessment of Value and Consumer Duty. The focus of the regulator appears to be a primary driver in fee decreases in the UK market.

Beyond direct regulatory scrutiny, fund costs have shifted due to RDR and Reg BI. This regulatory shift prompted a move to cleaner, lower-priced share classes in both markets, though it hasn’t necessarily resulted in lower overall costs for investors, but rather a shift in where fees are paid. Despite indirect impacts, regulatory focus, particularly in the UK, has driven down fund costs.

Beyond regulation focused on cost and value oversight regulators in all four markets have been busy. Regulations related to ESG, oversight of cybersecurity, and disclosures, to name a few, have been efforts asset managers have had to invest time and money in to comply. Compliance costs have increased significantly for asset managers while at the same time the costs they charge investors have gone down. The impact of these two competing forces to revenue and margins are an area of concern to the long-term viability of asset managers. As new rules emerge, such as the Offshore Funds Regime in the UK and RIS in Europe, asset managers’ operational costs will rise. Regulators and asset managers will need to seek a balancing point between meaningful investor protections through regulations and the ability for fund companies to continue to offer investment products.

Conclusion

While fees in the US and the UK are likely near their lows due to extensive regulatory influence, fees in Ireland and Luxembourg may drop further, pending final outcomes on the Retail Investment Strategy (RIS). Early indications suggest that the continued use of fund expenses for advice may be permitted in the EU, contrasting with the UK and the US emphasis on cleaner share classes.

In Europe, passive ETF fees have some room to drop, depending on product development trends. If European asset managers replicate the low-cost structures seen in the US, fees may decrease slightly. However, if they proceed with more restraint, passive ETF fees may remain stable.

Continued consolidation among the largest asset managers is expected to gain scale and expand distribution, likely keeping their fees steady. Mid to small-sized asset managers will need to focus on costs to stay competitive. While economies of scale benefit investors through lower prices, industry concentration may restrict investor choice by raising barriers to entry for boutique asset managers to launch innovative products.

Some areas may witness a slight uptick in average fees, particularly for unique active ETF offerings and access to private investments. While these offerings will not be priced like traditional active mutual funds, they represent higher-cost opportunities based on specific investment mandates.

What can we learn from the expense trends that have been identified in this research and what actions can asset managers, trade organizations, and regulators take as a result of the research? We set out to examine how four key factors—regulation, the emergence of cleaner share classes, the growth of passive investments, and industry concentration—affect pricing, so let's take a look at actions related to those four areas.

Regulation has clearly been a driver of fee reductions in the UK and to a lesser extent Ireland and Luxembourg, though the effort to comply with regulations increases costs for asset managers. If costs to oversee existing and new regulations become too high, asset managers will need to determine if offering regulated offerings to retail investors is a sound business decision. Regulators need to balance the need for reasonable oversight to protect investors while not creating an overly burdensome process that impacts the viability of asset managers. The US market may be a good beacon to track to, where the self-governance created by a majority of independent directors acts as a bridge between regulation and meaningful fiduciary oversight.

The on-going prevalence of clean share classes in the UK and US markets has cut fund costs for investors; however, we are unable to determine whether investors are saving money or paying fees directly to intermediaries. As regulators move forward considering the full cost of investing will be important. Consumer Duty in the UK is a starting point for this consideration. Beyond the regulatory side of cleaner fund charges asset managers need to consider the dynamics of each individual market. With cross-border funds having unique share classes and pricing strategies dependent on where a fund's target investor lives will be critical to both governance and distribution success.

Passive products have been the clear winner of assets over the past ten years, especially in the US and Ireland where ETFs have captured the lion's share of passive AUM. Interestingly, the cost differential between active and passive products has increased. This is counterintuitive and indicates idiosyncratic pricing between active and passive. Pricing for passive funds are being driven lower by passive ETFs. Active fund pricing, while lower, is moving based on independent factors.

Industry concentration has created clear economies of scale that the largest asset managers have passed along to investors. Given the scale of the largest providers margins have likely not taken the same hit as mid- to small-sized fund companies. Mid- and small-sized asset managers will need to make a decision between margins and costs. If a fund company can clearly differentiate value they will be able to charge more and retain margin; however, for undifferentiated products costs will need to be competitive with the largest asset managers and revenue and margins will be at risk.

At the end of the day can any one entity or market factor take credit, or accept blame, for driving fees down on funds? Is the race to lower fees the best for investors? Perhaps John Bogle, the godfather of fund expenses, put it best: "We need a mutual fund industry with both vision and values. A vision of fiduciary duty and shareholder service, and values rooted in the proven principles of long-term investing and of trusteeship that demands integrity in serving our clients." While Bogle would certainly appreciate the decreased fees we are seeing, he was also attuned enough to investors to know that acting as a fiduciary for investors and providing reasonable choices at low costs benefits investors. Our global regulators rightfully continue to focus on costs of funds in an effort to protect investors. Ultimately, regulators and asset managers will need to realize that costs can't continue to fall forever, at least for funds, if we as an industry are to provide strong investment management, liquidity, and fiduciary oversight. Perhaps additional future focus will be placed on the cost of advice on the impact of those costs on investor returns.

Methodology

All expense and asset data was sourced from Broadridge's Global Pricing Intelligence - Funds.

All net flows data was sourced from Broadridge's Global Market Intelligence.

Data excludes money market products and funds of funds.

Asset- (Dollar-) Weighted Average: Is an aggregate measure of central tendency of a group of values, that is similar to a simple average or median, yet accounts for disparate size or impact of certain values within a group. In the fund context, an asset- (dollar-) weighted average is computed by assigning an asset weight based on the total or average net assets (where applicable) of a fund. An assigned weight is based on the proportion of total or average net assets of a fund in comparison to the applicable group's aggregate assets. Expense ratios are multiplied by the weights and summed to create the asset- (dollar-) weighted average (ratio). Therefore, funds with greater size and typically more shareholders impact the asset- (dollar-) weighted average more than those with small asset bases.

Share Class Pricing and The Shift to Clean methodology categorizes share classes by domicile into three equally divided pricing tiers (High/Medium/Low) based on TER percentile ranks within distinct sub-asset classes (Equity Diversified, Equity Other, Bond, Bond Government, Bond Short Duration, Bond Other, Mixed Assets, Money Market, Other). Actively managed funds and passively managed funds were only ranked against their respective counterparts. For actively managed funds, TER's of five basis points or less were excluded from pricing tier assignments to account for internal only (often zero management fees) or limited distribution share classes. Funds of funds and ETFs were excluded due to their unique pricing structures relative to mutual funds.

AUM data is comprised of total net assets for all active funds and ETFs as of 12/31 for each year 2013 – 2023, excluding funds of funds and money market assets.

Number of Products were tabulated by fund. Multiple share classes of funds count as a single fund.

Product Descriptions

GLOBAL Board Reporting

Board Reporting provides independent benchmarking, analytics, and insights to fund boards, supporting the fiduciary oversight requirements for price and performance evaluation. Broadridge's Board Reporting leverages 30+ years experience creating benchmarking reports for fund boards to create analytics that meet the unique demands of each fund company and regulatory requirements globally.

GLOBAL Pricing Intelligence

Global Pricing Intelligence (GPI) provides asset managers with a fully integrated analytics solution to support effective pricing across institutional and retail channels. GPI tracks the net negotiated fees of 80k+ institutional agreements, detailed pricing metrics of 9k ETFs, and 400k mutual fund share classes, including negotiated IM fees and share class categorization.

GLOBAL Market Intelligence

Global Market Intelligence (GMI) is the authoritative source for tracking global retail and institutional assets and flows – covering over US\$95trn of assets across retail, institutional, and private markets.

GMI delivers market, distribution, product, and competitive intelligence to asset management product and strategy teams via customizable dashboards; integrating retail and institutional channels to deliver a holistic view of your competitive position and market opportunities.

Broadridge Financial Solutions (NYSE: BR), a global Fintech leader with over \$6 billion in revenues, provides the critical infrastructure that powers investing, corporate governance, and communications to enable better financial lives. We deliver technology-driven solutions that drive business transformation for banks, broker-dealers, asset and wealth managers and public companies. Broadridge's infrastructure serves as a global communications hub enabling corporate governance by linking thousands of public companies and mutual funds to tens of millions of individual and institutional investors around the world. Our technology and operations platforms underpin the daily trading of more than \$10 trillion of equities, fixed income and other securities globally. A certified Great Place to Work®, Broadridge is part of the S&P 500® Index, employing over 14,000 associates in 21 countries. For more information about us, please visit broadridge.com.

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