

Executive summary

- This report presents authoritative data on mutual funds' fees and expenses in the US and several key European markets. It provides a useful first look at the European fund expenses landscape for US companies considering establishing funds in Europe, as well as insights into some practices relating to US fees for European companies.
- Across all actively managed equity funds, the simple average Total Expense Ratio (TER) for US funds is 1.32%, 1.57% for German-domiciled funds, 1.66% for UK-domiciled funds and 1.98% for European cross-border funds.
- When these averages are weighted by fund assets, to better reflect where the bulk of investors' money is held, the TER levels fall to 0.91% in the US, 1.44% in Germany, 1.63% in the United Kingdom and 1.89% among cross-border funds.
- For bond funds the US simple average TER is 0.83% compared to 0.88% in Germany. Meanwhile the TER averages are 1.20% in the UK and 1.24% for cross-border funds.
- Looking solely at funds of a similar size, the broad differences in TER levels are maintained. For equity funds between US\$100m and US\$1bn the simple average is 1.33% in the US, 1.48% in Germany, 1.60% in the United Kingdom and 1.90% for European cross-border funds.
- Setting the findings into context, the different shape of the US and European funds industries are examined, with particular focus on different distribution channels and their associated costs, investor awareness of fund charges, as well as fund directors' involvement in overseeing expense levels.
- Fees paid to distributors are highlighted as a key influence on a fund's TER, particularly for cross-border funds in Europe. Cross-border equity funds typically bear distribution fees of around 70 basis points, while the equivalent share class in the US charges 25 to 35 basis points.
- Across Europe some 1,700 fund groups managed assets totalling US\$6.5 trillion at the end of June 2009, spread across some 35 domiciles. In the US there are approximately 600 different mutual fund companies with US\$10.1 trillion under management.

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