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Global Investor Experience Study: Fees and Expenses

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For Professional Clients Only

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Introduction

Morningstar launched the Global Investor Experience study, or GIE, in 2009 to encourage a dialogue about global best practices for mutual funds from the perspective of fund shareholders. We've produced the study approximately every two years, with 2022 marking the seventh edition. We currently structure the GIE around three 'chapters':

- Fees and Expenses
- Disclosure
- Regulation and Taxation

To provide greatest focus, we publish each chapter of the study independently, starting with this Fees and Expenses chapter. We expect to publish the Disclosure chapter in the second half of 2022. The total number of markets under consideration for this study remains at 26.

About This Study

The GIE reflects Morningstar's views about what makes a good experience for fund investors. We favour effective regulation that promotes transparency and polices misleading statements and conflicts of interest; low tax burdens on investors; comprehensive, easy-to-understand disclosure; a varied distribution system that gives investors many ways in which to purchase funds; and, most importantly for this chapter of the GIE, competitive fund fees. We are open to other views, including those that oppose ours, and have incorporated some of that feedback into the way we conduct the GIE study.

This study primarily considers publicly available open-end funds that typically issue or redeem shares or units daily. We use the term 'funds' or 'mutual funds' to refer to the various types of open-end vehicles available globally, including investment companies, unit trusts, managed funds, UCITS, and SICAVs. The study does not include other pooled investment vehicles, such as guaranteed funds, variable annuities, insurance-linked funds, private pension funds, closed-end funds, collective investment trusts, hedge funds, private equity funds, or venture capital funds.

Within the commentary on individual markets, we discuss factors that are not explicitly incorporated for scoring but are still important for understanding a given market.

We again included some survey questions on exchange-traded funds in this edition to assess the breadth and level of ETF use in each market. We believe that vibrant ETF markets put fee pressure on open-end products. As inherently 'clean' share classes that exclude initial charges and ongoing commissions, ETFs are particularly well-suited for use in unbundled advice programs, which we maintain are an industry best practice. Our local analysts and global passives research team leaders answered several questions about ETF usage in each market as part of this year's study, but this information did not factor into the determination of the grades for each market. Additionally, ETF expense data were not included in asset-weighted median calculations, as it isn't possible to accurately measure ETF ownership at the individual market level across all markets represented in this study. In Denmark, where products that have traditionally been classified as open-end funds may be considered as ETFs under MiFID II rules, we have included only the open-end share classes as still defined in Morningstar's database.

This study does not evaluate the potential total cost of owning a fund and receiving financial advice across the world. Reliable data on financial advice and platform fees are not available across the 26 markets we consider in this global study. Advice fees can vary by investor, advisory firm, and account type, and fee schedules are not required disclosure in the same way as the various fees associated with a registered fund itself. Hence, we continue to heavily emphasise the asset-weighted median expense ratio, which provides the best objective measure to compare fund costs across global markets.

We are aware that our study methodology tends to penalise costlier fund markets where it's been common to bundle advice and distribution fees into fund expense ratios. However, we think the study usefully denotes differences between markets that bundle fees and those that don't, as we believe an unbundled approach is ultimately superior in promoting transparency and orderly fee competition.

It is important to note that even in markets that are increasingly unbundling fees and adopting lower-cost funds, the asset-weighted median captures where assets sit today. This means that in markets like the United Kingdom and Australia that have banned commissions, the median asset-weighted expense ratio includes the assets still held by funds that have high ongoing costs.

Methods

Defining and Assessing 'Fees and Expenses'

The main scoring component of this study is the asset-weighted median expense ratio by country or market. We calculate the asset-weighted median using share classes available to retail investors, which are often defined as those share classes not classified as 'institutional' in Morningstar's database, with an investment minimum below USD 100,000. This distinction has become less clear-cut in the UK and Netherlands, where embedded commissions are largely prohibited. Fund firms have taken different approaches to comply, with many launching 'clean' retail-facing share classes, and others opening their institutional ranges to retail investors. This change has been honoured in the calculation, and an adjustment has been estimated to reflect the proportion of retail investors to institutional investors in those classes. For each market, we include all retail share classes of funds either domiciled or available for sale in that specific market, split into the appropriate groups by asset class.

Given the differences in the way fees are calculated, reported, and named across different markets, it can be difficult to ensure like-for-like comparisons. Since the conclusion of our 2017 GIE study, we introduced a new data point, Representative Cost, that standardises annual fund expenses globally, facilitating comparison across markets. Representative Cost captures recurring costs charged by the fund vehicle, including embedded distribution fees, retrocessions, and performance fees. It excludes one-off fees charged by third parties such as advisers or platforms, as well as front-end or deferred sales loads and redemption charges.

In many markets, Representative Cost uses the annual report net expense ratio. In European countries, Representative Cost incorporates the forward-looking MiFID ongoing cost estimate (with any accompanying performance fee), though it will use a series of potential substitutes, like the Key Investor Information Document ongoing charge, if that data point is not available.

We use the Representative Cost methodology to calculate the asset-weighted median expense ratio, which is the basis for comparisons we make between markets in this study.

Morningstar Representative Cost.pdf

As part of this study, we also consider how commonplace it is for investors to make one-time payments to an adviser or distributor in the form of initial charges or sales loads. In addition, we evaluate the structure and disclosure around performance fees and investors' ability to avoid advice fees via loads or ongoing commissions when no advice is given.

While acknowledging that within a bundled-fee environment the investor experience can be adequate, Morningstar maintains that by lowering the cost of investment products via commission-free share classes and by unbundling other expenses from the cost of investment management, investors benefit from greater choices and improved transparency. In addition to lowering all-in costs for do-it-yourself investors, those participating in a fee-based advice model may accrue additional benefits from more-individualised service, including savings guidance, tax planning, and pension optimisation, which collectively add significant value to the investor experience.

Additionally, when paying directly for advice, an investor can avoid the inherent conflict of interest that occurs when advisers are compensated for promoting specific products. In the worst possible outcomes from 'bundling,' investors run not only the risk of receiving poor quality advice, but of receiving no advice at all.

We view performance-based fees favourably only when structured to appropriately align management's interests with fund shareholders'. Best practice for performance fees includes the use of an appropriate benchmark and emphasising long-term periods in measuring performance. In addition, we prefer fulcrum fees that symmetrically adjust the fund's fee upward or downward in direct proportion to any outperformance or underperformance. Finally, the upward adjustment shouldn't be so large that it takes the fund's expense ratio well above its peers' average. It remains instructive that in the United States, where performance fees are required to be symmetrical, those fees are exceedingly rare within mutual funds.

The study breaks up the markets into three groups of funds: allocation, equity, and fixed income. Alternatives and property are not considered in this study, as global data in these areas can be uneven. The calculations consider two perspectives: funds available for sale in the marketplace and funds that are locally domiciled. Thus, a country or market is measured both by the opportunity it gives to investors in registering outside (available for sale) funds and by the costs associated with its own domestically grown industry. On average, locally domiciled funds tend to be less expensive than available-for-sale funds across most global markets.

In this most recent study, we have adjusted the assets used in the weightings for available-for-sale funds in each market to better reflect the propensity of domestic investors to invest in nonlocally domiciled share classes. These adjustments were made based on the local market knowledge of our analysts and supported by industry data (where available) and independent discussions with a panel of large, cross-border asset managers. Broadly speaking, northern European countries have benefited from this change, given their propensity to invest domestically. Some Asian markets have been negatively impacted, given their propensity to invest in offshore fund vehicles, particularly for fixed income.

Key Takeaways

- The majority of the 26 markets we studied saw the asset-weighted median expense ratios for domestic and available-for-sale funds fall since the 2019 study. For domestically domiciled funds, the trend was most notable in allocation and equity funds, with 17 markets in each category reporting reduced fees.
- Lower asset-weighted median fees are driven by a combination of asset flows to cheaper funds as well as the repricing of existing investments. In markets where retail investors have access to multiple sales channels, investors are increasingly aware of the importance of minimising investment costs, which has led them to favour lower-cost fund share classes.
- Outside the United Kingdom, United States, Australia, and the Netherlands, it is rare for investors to pay for financial advice directly, as the global fund industry structure perpetuates the use of loads and trail commissions. Consequently, many investors will unavoidably pay for advice that they do not seek or receive. Even in markets where share classes without trail commissions are technically registered for sale, such as Italy, they are not easily accessible for the average retail investor, given that fund distribution is dominated by intermediaries, notably banks.
- Australia, India, and the Netherlands remain the only markets to effectively ban front loads. The primary beneficiary of front loads is the fund distributor (notably banks). There appears to be a lack of political will to phase out front loads in global markets, despite the clear misaligned incentives that front loads can create. The Australian Banking Royal Commission and the misselling that led to the UK Retail Distribution Review painfully highlight the impact that misaligned distributor incentives can have on retail investors.
- The move toward fee-based financial advice in the US and Australia has spurred the demand for lower-cost funds like passives. Institutions and advisers have increasingly opted against costlier share classes that embed advice and distribution fees. The trend extends to markets such as India. The growth of F-class shares in Canada is another notable example.
- In markets where banks continue to dominate fund distribution, particularly in Asia, investors still confront sales loads, although those who purchase funds online will often benefit compared with those who choose to buy funds from banks. While these online channels can avoid excessive up-front loads, we have yet to see evidence that these new channels are driving the asset-weighted median fee lower.
- Appropriate performance-fee structures and disclosures remain a watch area for Morningstar. In markets like New Zealand where there is no prescription by regulation for the performance-fee benchmark to be appropriate and tied to the asset allocation of the fund, this has led to some inappropriate benchmarks being used as hurdle rates by local fund managers. Large performance-fee earnings that reflect market movements rather than manager skill have been evidenced in recent years.
- Price wars in the ETF space have also put downward pressure on fund fees across the globe. In the US, competition has driven fees to zero in the case of a handful of index funds and ETFs, and these competitive forces are spreading to other corners of the fund market.

Fees and Expenses: Final Grades

The following grades are issued in this study:

- Top
- Above Average
- Average
- Below Average
- Bottom

This terminology should help readers better understand where a country or market sits relative to global peers. Top and Above Average markets will have lower asset-weighted median expense ratios and tend to have investor-friendly approaches to initial charges and ongoing commissions. Please note that the grades have not been fitted to a normal distribution. The mix of higher and lower grades around the Average grade helps identify markets that, in Morningstar's opinion, are adopting best practices and those that need to improve.

Exhibit 1: Fees and Expenses Scorecard

Top	Above Average	Average	Below Average	Bottom
Australia	↑ Korea	↑ Belgium	Canada	Italy
Netherlands	↑ Norway	Denmark	↓ China	Taiwan
United States	↑ South Africa	Finland	France	
	Sweden	↑ Germany	Hong Kong	
	United Kingdom	India	Mexico	
		Japan	Singapore	
		↓ New Zealand		
		↑ Spain		
		↓ Switzerland		
		↓ Thailand		

Source: Morningstar, Inc. ↑ Improved since last study ↓ Declined since last study

Top Grades: Key Drivers

Australia, the Netherlands, and the US again receive the best grades for Fees and Expenses in this edition of the GIE. This is the fourth study in a row that these three countries have nabbed the highest grade in this area.

What these markets have in common is ongoing fund fees that are typically unbundled. Asset-weighted fees in the large US and Australian marketplaces show the effect of economies of scale and competition. Also notable is that the US and Australian markets are closed to funds domiciled elsewhere, so their low domestic expenses are not affected by more-expensive offshore funds when calculating the available-for-sale expenses.

Regulation has played a critical role in driving down fees in the Netherlands. When the Dutch Retail Distribution Review was implemented in 2014, investors were shifted from share classes with retrocessions into classes without retrocessions. The implementation in the Netherlands was immediate, and this resulted in a drop in expenses that has persisted.

The UK just missed out on a Top grade for this study. Like the Netherlands, embedded commissions are largely prohibited in the UK. Fund firms in both markets have taken different approaches to comply, with many launching 'clean' retail-facing share classes, and others opening their institutional ranges to retail investors. Both approaches benefit investors.

Assessment of Value evaluations introduced in the UK in 2020 have resulted in large swaths of assets moving into lower-cost share classes from the legacy bundled classes in which they'd remained after the Retail Distribution Review. Culminating from the Financial Conduct Authority's Asset Management Market Study that found weak price competition in the asset-management industry, the rules require firms to justify why investors are in a given share class when a lower-cost class that confers substantially equivalent benefits is available.

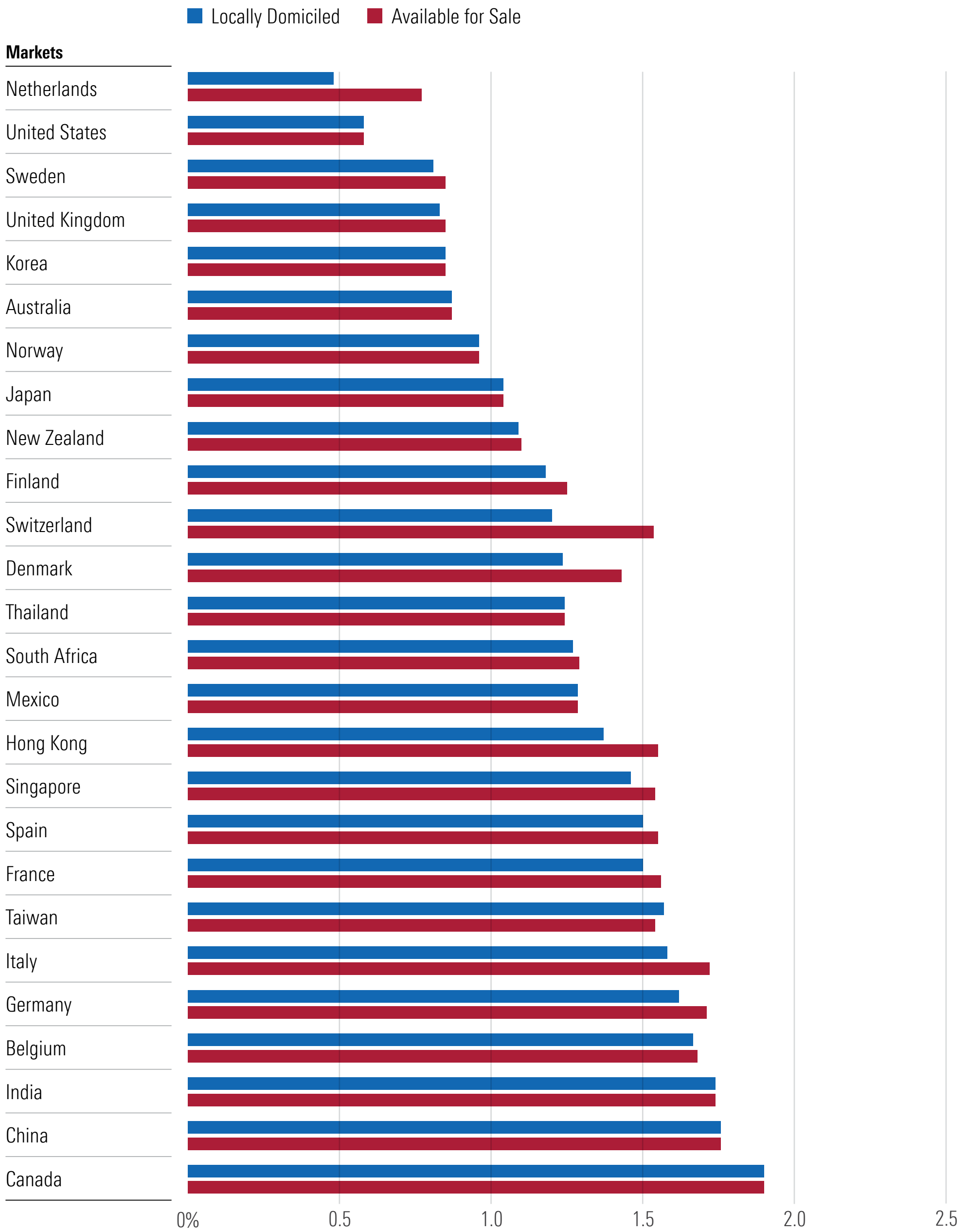
Bottom Grades: Key Drivers
Italy and Taiwan receive the lowest grades in this year's study. This is the third study in which Taiwan has received a grade of Bottom and the second in succession for Italy.

Taiwan's asset-weighted median fees for fixed-income funds are the highest among all the markets in this study. This is partly driven by Taiwan's heavy concentration in funds that invest in higher-cost asset classes, such as emerging-markets debt and high yield. These high expenses and a fund industry structure that perpetuates the use of initial charges and retrocessions drive Taiwan's Bottom grade.

Italy maintains a Bottom grade owing to individual investors' routinely being subjected to initial charges and retrocessions, as well as the country's funds having some of the highest asset-weighted median expense ratios we measured. In addition, share classes without trail commissions are often technically registered for sale in Italy but are not easily accessible for the average retail investor given that fund distribution is dominated by banks.

In markets where banks dominate fund distribution, there is no sign that market forces alone will drive down asset-weighted median expense ratios for retail investors. This is particularly evident in markets like Italy, Taiwan, Hong Kong, and Singapore where expensive offshore fund sales predominate over those of cheaper locally domiciled funds.

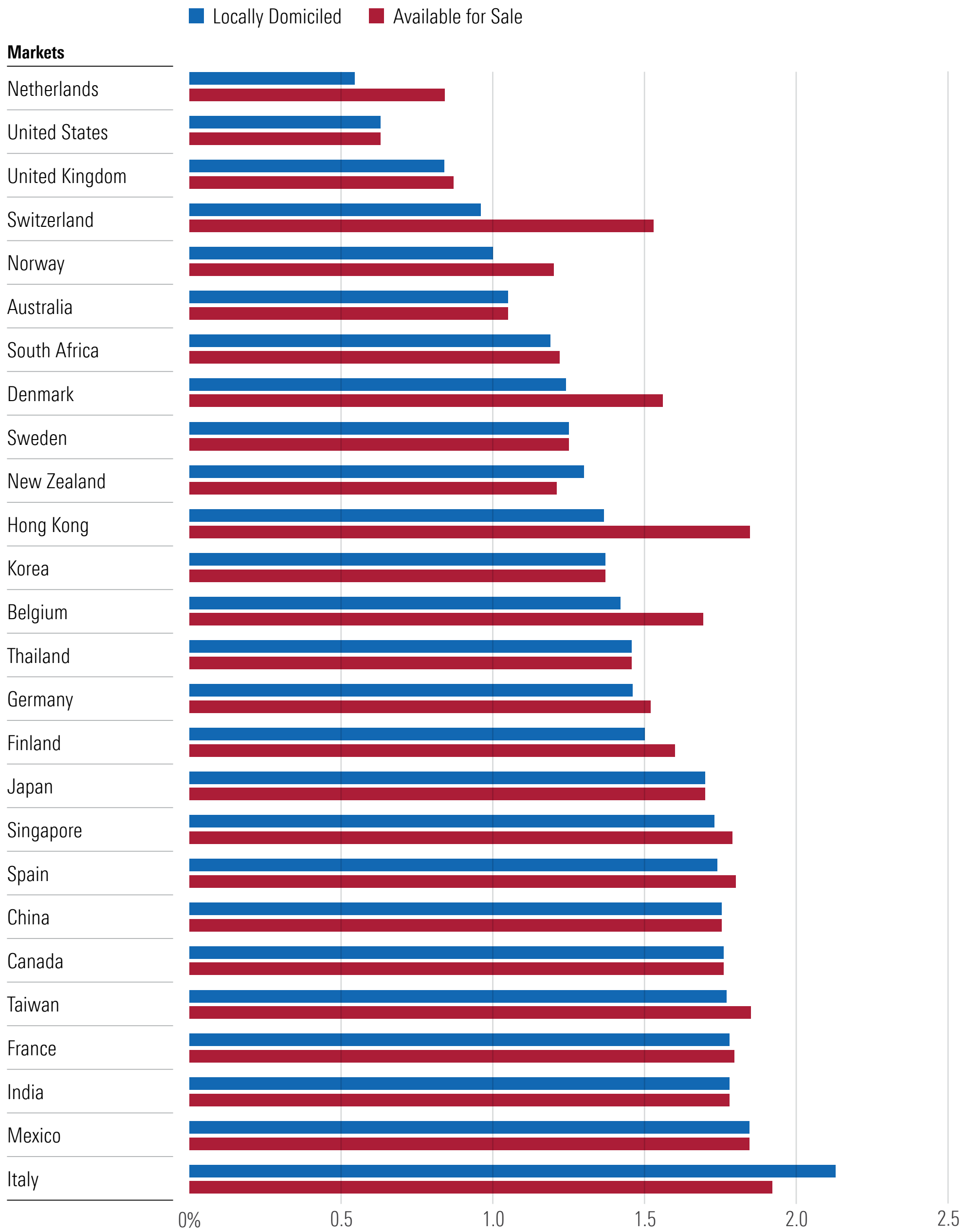
Exhibit 2: Asset-Weighted Median Expense Ratios for Allocation Funds



Source: Morningstar, Inc.

The Netherlands and the United States lead the pack, having the lowest asset-weighted median expenses for allocation funds. Allocation funds are frequently executed in a fund-of-funds structure, using traditional advisory fees for the development and execution of the asset-allocation methodology, as well as passed-through costs from the underlying funds. Given the prevalence of target-date funds in the US and that underlying fund costs are much cheaper there, the US continues to exhibit low asset-weighted median allocation fund costs, while regulatory drivers account for the low asset-weighted medians in the Netherlands.

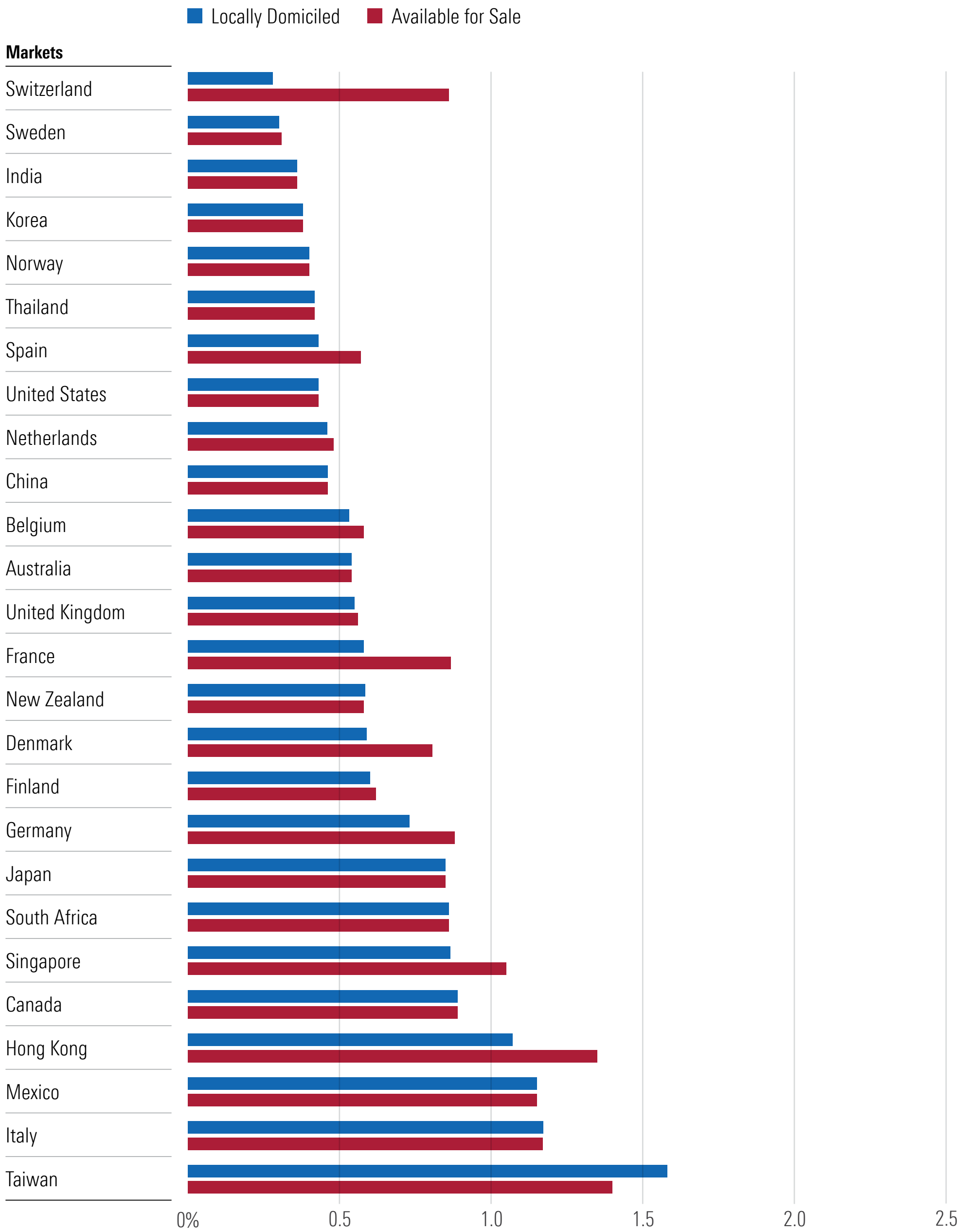
Exhibit 3: Asset-Weighted Median Expense Ratios for Equity Funds



Source: Morningstar, Inc.

Regulatory drivers explain the low asset-weighted median expenses for the Netherlands, while the economies of scale achieved by larger fund markets such as the United States, Switzerland, the United Kingdom, and Australia explain their leading positions. The order of asset-weighted median expense ratios for locally domiciled equity funds is also somewhat dictated by the preference of retail investors for passive funds in their markets, which tend to be much cheaper than their active counterparts. The US has more than 25% of the asset-weighted total invested in passive open-end vehicles. Meanwhile, the most expensive markets for equity investment have minimal assets invested in passive open-end vehicles, on average.

Exhibit 4: Asset-Weighted Median Expense Ratios for Fixed-Income Funds



Source: Morningstar, Inc.

Switzerland and Sweden lead all markets, with low fixed-income fees, followed closely by India and Korea. In the markets with higher asset-weighted medians, like Taiwan, Italy, Hong Kong, and Singapore, expensive offshore fund sales are a prevalent feature.

In the following table, we designate the prevalence of initial charges (loads) and ongoing commissions (retrocessions/trail) within a market, as observed by our local Morningstar specialists. The designations of Low, Medium, and High are not a comment on the quantum of these fees but rather the prevalence of use with retail investors. Our specialists also identify the primary distribution channel in each market, notable regulatory events impacting fee arrangements, markets where governments levy a value-added tax on investment manager fees (10 at the time of this study), as well as the prevalence of use of locally listed ETFs by retail investors.

Exhibit 5 Fees and Expenses — Market Characteristics

Market	**Initial Charges** Use in retail market	**Ongoing Commissions** Use in retail market	**Distribution** Primary Channel	**Regulatory or Other Influence on Fees** Notable Regulation/Events	**Value-Added Taxes** Levied on Investment Management Fees	**ETFs** Use in retail market
Australia	Banned	Banned	Large Distributors	Future of Financial Advice, 2013 Regulatory Guide 97: Disclosing Fees and Costs in PDS and Periodic Statements, 2020	Yes	Low
Belgium	Medium	High	Banks	ESMA published guidance on performance fees, 2020 Ran a Common Supervisory Action with national regulators to ensure compliance with UCITS rules and the obligation of not charging investors with undue costs, 2021 Began a CSA focused on MiFID costs and charges, 2022	No	Low
Canada	Low	High	Banks, Brokerage	Client Focused Reforms required advisors and firms to document that the impact of fees were considered in recommendations, 2021	Yes	Medium
China	Medium	High	Banks	Regulator proposed enhanced cost disclosure, 2019	No	Low
Denmark	Medium	Medium	Banks	ESMA published guidance on performance fees, 2020 Ran a Common Supervisory Action with national regulators to ensure compliance with UCITS rules and the obligation of not charging investors with undue costs, 2021 Began a CSA focused on MiFID costs and charges, 2022	No	Medium
Finland	Medium	High	Banks	ESMA published guidance on performance fees, 2020 Ran a Common Supervisory Action with national regulators to ensure compliance with UCITS rules and the obligation of not charging investors with undue costs, 2021 Began a CSA focused on MiFID costs and charges, 2022	No	Medium
France	Low	High	Banks	ESMA published guidance on performance fees, 2020 Ran a Common Supervisory Action with national regulators to ensure compliance with UCITS rules and the obligation of not charging investors with undue costs, 2021 Began a CSA focused on MiFID costs and charges, 2022	No	Low
Germany	High	High	Banks	ESMA published guidance on performance fees, 2020 Ran a Common Supervisory Action with national regulators to ensure compliance with UCITS rules and the obligation of not charging investors with undue costs, 2021 Began a CSA focused on MiFID costs and charges, 2022	No	Medium
Hong Kong	High	High	Banks	SFC enhanced point-of-sale cost disclosures, 2018	No	Low
India	Banned	High	Banks, Brokerage	SEBI front-load ban enforcement, 2009 SEBI ban on all point-of-sale commissions, 2018 SEBI caps expense ratios, 2019	Yes	Low
Italy	Medium	High	Banks	ESMA published guidance on performance fees, 2020 Ran a Common Supervisory Action with national regulators to ensure compliance with UCITS rules and the obligation of not charging investors with undue costs, 2021 Began a CSA focused on MiFID costs and charges, 2022	No	Medium
Japan	Medium	High	Banks, Brokerage	FSA released guidelines on the Important Information Sheet, which is a two-page summary stating fund characteristics, and released an initiative to discourage commission-driven business and promote fee- and consulting-based services, 2021	No	Low
Korea	Low	High	Banks, Brokerage	FSC lowered max allowed initial charges and ongoing commissions, 2010 FSC introduced independent financial advisers, 2017	Yes	Low

Source: Morningstar, Inc. *Ongoing commissions are banned going forward, but certain existing share classes were grandfathered.

Exhibit 5 Fees and Expenses — Market Characteristics (Continued)

Market	Initial Charges Use in retail market	Ongoing Commissions Use in retail market	Distribution Primary Channel	Regulatory or Other Influence on Fees Notable Regulation/Events	Value-Added Taxes Levied on Investment Management Fees	ETFs Use in retail market
Mexico	High	High	Banks, Brokerage	A modification was made to the regulatory framework, Circular Unica de Fondos de Inversion, or CUFI, which allows for the creation of specific mutual fund share classes exclusively for mandates, 2017	Yes	Low
Netherlands	Banned	Banned	Banks	Banned sales loads and ongoing commissions, no grandfathering, 2014	No	High
New Zealand	Medium	Medium	Independent Advisers	Financial Services Legislation Amendment Act, 2019	Yes	Low
Norway	Low	High	Banks	MiFID II, but little effect on local retail fees so far	No	Low
Singapore	High	High	Banks	CPF Investment Scheme planned elimination of sales charges, 2020	Yes	Low
South Africa	Medium	Medium	Independent Advisers	ASISA Standard on Total Expense Ratios and Transaction Costs, 2016 ASISA Standard on Effective Annual Cost, 2016 ASISA Performance Fee Standard, 2017	Yes	Low
Spain	Low	High	Banks	ESMA published guidance on performance fees, 2020 an a Common Supervisory Action with national regulators to ensure compliance with UCITS rules and the obligation of not charging investors with undue costs, 2021 Began a CSA focused on MiFID costs and charges, 2022	No	Low
Sweden	Low	Medium	Banks	ESMA published guidance on performance fees, 2020 Ran a Common Supervisory Action with national regulators to ensure compliance with UCITS rules and the obligation of not charging investors with undue costs, 2021 Began a CSA focused on MiFID costs and charges, 2022	No	Low
Switzerland	High	High	Independent Advisers, Banks	Highest court banned banks from retaining commissions, 2012. Financial Services Act and Financial Institutions Act moved Swiss regulation into closer alignment with the EU, though inducements can be retained as long as they are disclosed and clients have given their consent, 2020	No	Medium
Taiwan	High	High	Banks	SITCA required improved offshore fund fee disclosure, 2019 Transition to AUM-based model to calculate fund distribution rebate, 2020	Yes	Low
Thailand	Medium	High	Banks	SEC fee notification, conflict of interest rules, 2019	Yes	Low
United Kingdom	Low	Banned*	Independent Advisers	RDR banned new flows to share classes with initial charges and ongoing commissions, 2013 Annual Assessments of Value place obligations on funds to report whether fees levied to investors are justified by the value provided, 2020	No	Low
United States	Low	Medium	Independent Advisers	No notable regulatory changes but competition from do-it-yourself channels and lower costs for retirement plan share classes put downward fee pressure on the overall market	No	High

Source: Morningstar, Inc. *Ongoing commissions are banned going forward, but certain existing share classes were grandfathered.

Observations

The prevalence of initial charges varies meaningfully by retail market. Initial charges are now banned outright in three countries (Australia, India, and the Netherlands), but their use remains high in many parts of Europe and Asia.

The prevalence of ongoing commissions remains high across 18 markets in our study, including most European and all Asian markets. Banks are the primary distribution channel in most of these markets.

One of the most significant regulatory developments since our 2019 study is the introduction of annual assessments of value in the UK. These require asset managers to substantiate the value that each fund has provided to investors in the context of the fees charged.

Other recent fee-related regulatory developments across global markets have tended to focus on enhanced fee disclosures; tighter guidelines around the use of performance fees; and enforcement of existing regulatory requirements.

From September 2019, Japan's industry association, the Investment Trusts Association, Japan, or JITA, requires funds to disclose total expense ratios and their compositions in annual reports. In particular, the new disclosures show a clearer picture of the total cost for funds of funds. In May 2021, Japan's regulator the Financial Services Agency released guidelines on the Important Information Sheet, which is a two-page summary stating fund characteristics, such as fund objective and relevant fees.

The European Securities and Markets Authority published advice for the European Commission citing Morningstar's 2019 Fees and Expenses study. The regulator highlighted how inducement bans encourage the distribution of more cost-effective investment products to consumers and reduced conflicts of interest for advisers, while increasing competition between product manufacturers to the benefit of consumers. However, ESMA concluded that it does not recommend an EU-wide inducement ban because of differing distribution models across member states and the risk that those with bank-centric distribution models could, because of the loss of incentives to sell third-party products, see banks react by increasing closed-architecture models.

In Canada, a trend toward fee-based accounts will likely be accelerated by a set of regulatory changes known as the Client Focused Reforms, which came into effect at the end of 2021. In many ways analogous to Regulation Best Interest in the US, the principles-based regulation changes aim to raise the bar for advice givers by defining requirements for know-your-product, know-your-client, and suitability.

The proliferation of web-based distributors in recent years, with many offering digital advice solutions, represents an additional distribution channel for funds to be accessible by retail investors. In markets where fund distribution is dominated by intermediaries, such as those in Asia, web-based distributors often offer discounts on sales loads. The growth of web-based distribution channels has put pressure on established players in certain markets, such as China. The offering of digital advice solutions also allows retail investors to access advice, albeit via a fee structure that has room for improvement when it comes to transparency and alignment with the services offered.

The overall usage of ETFs by retail investors in each of the markets studied has been largely similar to our previous Fees and Expenses study. ETF usage is generally highest in mature markets with large populations of engaged retail investors; in these markets, such as the US, independent fee-based advice models flourish and ETFs are common building blocks in digital advice solutions. Markets where fund distribution is dominated by local banks, such as markets in Asia, do not have an incentive to sell ETFs to individual investors and remain at a low level of ETF usage.

Market Summaries

Australia Fees and Expenses

Fees and Expenses Grade
Top

Asset-Weighted Medians

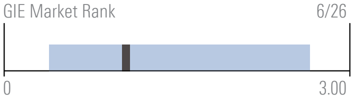
Domiciled	%	Available for Sale	%
Allocation	0.87	Allocation	0.87
Equity	1.05	Equity	1.05
Fixed-Income	0.54	Fixed-Income	0.54

Fees and Expenses Detail

Asset Weighted Median Range 5% to 95%

Domiciled: Allocation **0.87**
GIE Market Rank 6/26

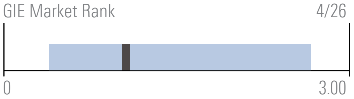
Domiciled: Equity **1.05**
GIE Market Rank 6/26



Domiciled: Fixed Income **0.54**
GIE Market Rank 12/26

Available for Sale: Allocation **0.87**
GIE Market Rank 5/26

Available for Sale: Equity **1.05**
GIE Market Rank 4/26



Available for Sale: Fixed Income **0.54**
GIE Market Rank 9/26

ETF Usage

L M H

Australia earns a Top grade for Fees and Expenses based on practices such as investors paying for advice outside of commissions, banned front loads, and low asset-weighted median expenses. Australia is effectively a closed market for retail fund investors, and its asset-weighted median fees are 0.87%, 1.05%, and 0.54% for allocation, equity, and fixed-income funds, respectively.

In Australia, long-standing legislation (since 2013) has effectively banned commissions and volume-based payments in relation to the distribution of and advice about a range of retail investment products. Funds with no loads or commissions are available to retail investors without advice but are still a small part of overall assets. In certain situations, adviser fees can be negotiated with clients and deducted from their investment products. Product manufacturers will typically cap the adviser fees (around 2%) and can require advisers to provide proof that they are providing a service for that fee.

Funds in Australia are permitted to charge management fees with an asymmetrical performance fee component without an equal reduction in fees for underperformance. Performance fees do come with high-water marks and are typically set against appropriate hurdle rates. In Australia, the Morningstar Total Cost Ratio provides investors with forward-looking estimates of fees and costs and includes performance fee estimates.

Over the past few years, the Australian Securities and Investments Commission has been consulting with the industry on the implementation of its Regulatory Guide 97: disclosing fees and costs in product disclosure statements and periodic statements. The primary aim of RG 97 is to allow investors to easily compare products, and it takes a prescriptive approach in defining the nature of the fees required to be produced/displayed in product disclosure statements for Australian managed investments. Periodic statements on or after 1 July 2021 must comply with RG 97; compliance for product disclosure statements will be required from 30 Sept 2022.

Exchange-traded fund usage in Australia continues to grow with substantial flows and new funds being launched. Overall usage of locally listed ETFs is still low when compared with Australia's total assets under management of around AUD 1.8 trillion as at 30 June 2021. ETFs account for AUD 112 billion of this figure. Australia's compulsory superannuation system has contributed a large pool of savings that is mostly managed by institutional investors. In the case of self-directed retail investors, ETF usage is higher, and advisers are increasingly recommending them, although managed (mutual) fund recommendations still dominate.

Australia Fees and Expenses (continued)

Fees and Expenses Grade
Top

Locally listed ETFs account for the majority of ETF assets in Australia with tax regulation treating these ETFs the same as other vehicles. Recently, platform operators and brokers in Australia have begun to offer foreign ETFs to Australian investors, including retail investors. The primary rationale appears to be the ability to access ETFs with lower fees, and/or ETFs that don't exist in Australia. However, assets in such ETFs remain modest, and investors need to be cognizant of issues such as withholding tax.

Belgium Fees and Expenses

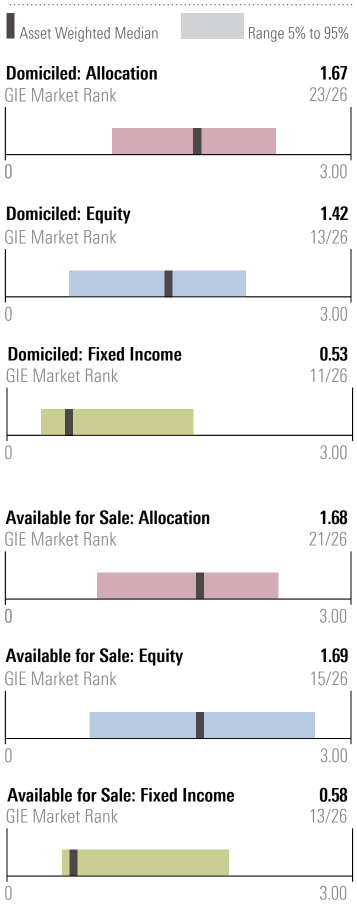
Fees and Expenses Grade

Average

Asset-Weighted Medians

Domiciled	%	Available for Sale	%
Allocation	1.67	Allocation	1.68
Equity	1.42	Equity	1.69
Fixed-Income	0.53	Fixed-Income	0.58

Fees and Expenses Detail



ETF Usage

L M H

Belgium receives a Fees and Expenses grade of Average. The typical retail fund investor in Belgium faces limited purchasing options and an inability to avoid paying commissions and retrocessions, whether receiving advice or not. However, more competitive asset-weighted median expenses for equity and fixed-income funds have improved relative results in this study. The locally domiciled asset-weighted median expense ratios are 1.67%, 1.42%, and 0.53% for allocation, equity, and fixed-income funds, respectively.

In Belgium, retail investors rarely negotiate sales loads. Typically, only very large investors or clients with extensive relationships with financial institutions can do so. Advice to retail clients can be dependent or independent, with the latter providing (some form of) open architecture, while investors can also opt for discretionary managed accounts. Depending on the service model chosen, investors pay for advice or management through either rebates or a separate fee, which typically follows a degressive fee structure as assets increase. Local banks dominate fund distribution in Belgium and therefore advice is often restricted rather than fully independent. Independent advisers must pass through any retrocessions they receive to end investors.

Belgian investors can invest in either locally domiciled funds or UCITS funds with distribution operations in Belgium. However, the available-for-sale range of UCITS funds is greater than for locally domiciled funds, and Belgium-listed passive options are rare. The ongoing charges of locally domiciled equity, fixed-income, and allocation funds are typically lower than those offered by foreign fund sponsors.

Funds in Belgium are permitted to charge management fees with an asymmetrical performance component without an equal reduction in fees for underperformance. Terms of performance fees are clearly stated, so an investor reviewing a fund's performance can estimate costs for the current year, except if there is a high-water mark involved in the calculation. Funds typically don't communicate when the last high-water mark was reached, making it difficult for investors to accurately estimate expenses in that case.

There have not been any material regulatory changes related to fee disclosure since our 2019 Fees and Expenses study. The implementation of MiFID II in 2018 was the last major regulatory change. This saw an increase in investor protections owing to new rules of conduct for the investment industry. Following the European directive, investment firms must inform clients on the total costs of their investment services and financial instruments. This increased the cost transparency of advice and investment products, benefiting investors as they have more complete information on the total costs of their investments.

Belgium Fees and Expenses (continued)

Fees and Expenses Grade
Average

A study published by the Financial Services and Markets Authority in 2021 on retail investor behaviour revealed that the adoption of exchange-traded funds is still in its infancy in the Belgian market. The study found that while approximately 360,000 unique Belgian investors traded in ETFs, the bulk of trades coming from this client segment were in discretionary managed accounts. Nonetheless, ETFs also gradually gained momentum with nondiscretionary retail investors over the past three years.

There is no distinction in the tax regulation between funds and ETFs. However, differences in taxation apply depending on domicile and whether dividends or coupons are being distributed or accumulated. If the investment vehicle is domiciled in the European Economic Area, investors pay a 0.12% transaction tax. However, the tax rate is 1.32% for capitalisation funds domiciled in Belgium. The tax rate for investment vehicles domiciled in non-EEA countries is 0.35%.

Canada Fees and Expenses

Fees and Expenses Grade
Below Average

Asset-Weighted Medians

Domiciled	%	Available for Sale	%
Allocation	1.90	Allocation	1.90
Equity	1.76	Equity	1.76
Fixed-Income	0.89	Fixed-Income	0.89

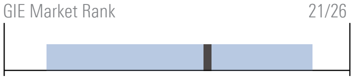
Fees and Expenses Detail

Asset Weighted Median Range 5% to 95%

Domiciled: Allocation **1.90**
GIE Market Rank 26/26


0 3.00

Domiciled: Equity **1.76**
GIE Market Rank 21/26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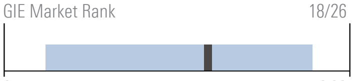
Domiciled: Fixed Income **0.89**
GIE Market Rank 22/26


0 3.00

Available for Sale: Allocation **1.90**
GIE Market Rank 26/26


0 3.00

Available for Sale: Equity **1.76**
GIE Market Rank 18/26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Available for Sale: Fixed Income **0.89**
GIE Market Rank 21/26


0 3.00

ETF Usage

L **M** H

The Fees and Expenses grade for Canada is Below Average. Increased availability and uptake of no-load and retrocession-free share classes contribute positively to this grade. This is offset by the relatively higher asset-weighted median fees of 1.90%, 1.76%, 0.89% for allocation, equity, and fixed-income funds, respectively, generated by the continued prevalence of commission-based advice share classes that bundle advice fees.

In terms of mutual fund distribution, the Canadian market is largely dominated by a small number of vertically integrated financial institutions, which double as manufacturers and distributors of investment funds. Though the shift toward fee-based advice continues to accelerate, advice fees are still largely bundled with the sale of fund products.

That said, fees are made very transparent through a simple fund facts document that must be provided to an investor prior to the sale of a fund (or immediately after the sale of a fund through execution-only channels). Maximum sales loads are stated in this document (often labelled as initial sales charges or deferred sales charges), though front-end loads are often negotiable with the adviser. From this same document, an investor can see a sample calculation of the impact of fees over time through an example, alongside a clearly printed statement of the management expense ratio and trading expense ratio, together making up the total cost of owning the fund. Asymmetrical performance fees are allowed in Canada but must be disclosed.

Canadian-listed exchange-traded funds represent 11% of assets when considering both mutual funds and ETFs. By count, 20% of unique investment products available to retail investors are issued as ETFs. Though there are no restrictions on Canadians holding US-listed ETFs, Canadian investors who hold ETFs have 84.5% invested in Canadian-listed products and 15.5% invested in US-listed products, according to data from Investor Economics. Taxation on ETFs works largely the same as mutual funds.

Investors seeking to purchase funds without advice in Canada are not subject to loads if they correctly purchase the do-it-yourself share class of a mutual fund (through a discount brokerage), which by default excludes loads and trailers. For investors who do seek advice, 19% of commission-based share classes by count are available with no-load options. In terms of trailing commissions, 45% of retail share classes by count are either DIY or fee-based, implying that there are no trail commissions included, though fee-based share classes are subject to an overall account advice fee that can vary based on account size. By assets, fee-based share classes make up 33% of retail mutual funds and continue to receive inflows, while commission-based share classes continue to exhibit net outflows.

In Canada, fund companies report the distribution channel for each share class: commission-based advice, fee-based advice, do-it-yourself, or institutional. The table below illustrates the percentage

Canada Fees and Expenses (continued)

Fees and Expenses Grade
Below Average

of fund assets invested within each asset class by distribution channel for the retail share classes examined in this study. It is becoming more common for investors to pay for advice separately from trail commissions, although the extent of this change varies somewhat by asset class. Considered separately, the asset-weighted medians for share classes sold via commission-based advice come in higher than the overall medians, while the medians for share classes sold via the fee-based advice channel, which includes but is not limited to F-class funds (a designation generally used to identify share classes available through fee-based advisers), are substantially lower.

Funds in the do-it-yourself channel typically carry a trail commission of 0.25% or less, which the discount broker usually collects. It's worth noting that because this fee assessment considers only retail funds, it doesn't include pooled, institutional, or high-net-worth share classes. These are open-end funds sold by prospectus but with negotiable fees.

Exhibit 6: Asset-Weighted Median Expense Ratios and Assets by Distribution Channel

	Commission-Based Advice		Fee-Based Advice		Do-It-Yourself	
	Asset-Weighted Median	Market Share	Asset-Weighted Median	Market Share	Asset-Weighted Median	Market Share
Allocation	2.01	43%	0.90	13%	0.91	1%
Equity	2.25	19%	1.07	12%	1.15	2%
Fixed Income	1.39	4%	0.71	6%	0.60	0%
Overall		66%		31%		3%

Source: Morningstar, Inc.

Additionally, an exercise was conducted to determine the difference in fees between fee-based share classes and their closest commission-based equivalents. Various parameters were used to match share classes algorithmically, including portfolio identifier, base currency, minimum investment amount, distribution type (fixed or not fixed), and Levenshtein distance between two fund names. In total, 6,233 fee-based share classes were mapped to commission-based equivalents. The differences in the representative costs between these share classes were then aggregated, and a median was taken. The results are below:

Exhibit 7: Comparison of Commission-Based and Fee-Based Share Classes

	Median Difference of Fee-Based and Commission-Based Share Classes	# of Funds Matched
Allocation	1.12	2,125
Equity	1.14	3,294
Fixed Income	0.62	814

Source: Morningstar, Inc.

Canada Fees and Expenses (continued)

Fees and Expenses Grade
Below Average

The trend toward fee-based accounts will likely be accelerated by a set of regulatory changes known as the Client Focused Reforms, or CFRs, which came into effect at the end of 2021. In many ways analogous to the US' Regulation Best Interest, the principles-based regulation changes aim to raise the bar for advice givers by defining requirements for know-your-product, know-your-client, and suitability. Specific portions of the reform that will likely put downward pressure on fees include: **1**) the fact that the CFRs put the onus on wealth management firms to create product shelves that are assessed, approved, and monitored in consideration of fees, risk, liquidity, and performance, among other factors. In essence, a product must be vetted in some manner before being put on the shelf; **2**) the requirement for advisers to document that they have considered a reasonable range of alternatives prior to making a suitable recommendation to a client. The regulations stipulate that the impact of fees should be a consideration in this comparison; and **3**) the fact that the CFRs define a number of conflicts of interest that must be disclosed and addressed, one of which is the sale of proprietary funds, which are widely used in Canada. To address this conflict, firms must conduct competitive analysis of proprietary products against others in the market to determine whether said products are competitive and fit for purpose.

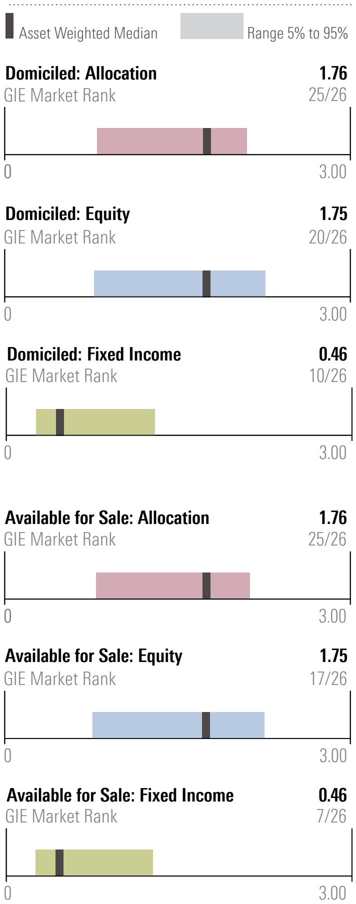
China Fees and Expenses

Fees and Expenses Grade
Below Average

Asset-Weighted Medians

Domiciled	%	Available for Sale	%
Allocation	1.76	Allocation	1.76
Equity	1.75	Equity	1.75
Fixed-Income	0.46	Fixed-Income	0.46

Fees and Expenses Detail



ETF Usage

L M H

China receives a Fees and Expenses grade of Below Average in this study because there has been no discernable improvement in fee levels since our last study, in a global environment of shrinking fees in most markets. The asset-weighted median fees for allocation, equity, and fixed-income funds are 1.76%, 1.75% and 0.46%, respectively, almost unchanged since our 2019 study. In addition, China's grade continues to be held back by investors' inability to avoid paying retrocessions when not receiving advice.

More than 70% of share classes in China report a front sales load, which can vary among the different distribution channels. Investors who purchase funds online often benefit from larger discounts to the sales load listed in the prospectus compared with those who choose to buy from banks. The growth of online distribution channels in recent years has put pressure on the established players, notably banks. As a result, we have seen more and more banks offering larger discount on front loads since 2020, while some also promote share classes with ongoing commissions.

Almost all funds in China are associated with a retrocession fee called a client maintenance fee, which is paid out of the management fee to compensate third-party distributors. On 28 Aug 2020, the Chinese regulator for the first time put a cap on client maintenance fees. For the number of fund units held by retail investors, the client maintenance fee cannot exceed 50% of its management fee. For the amount of fund units distributed to nonindividual investors, the ratio between the client maintenance fee and management fee shall be capped below 30%. In addition, the regulator requires fund sales agents to disclose the client maintenance fee as a percentage of the management fee when an investor is purchasing a fund.

While the fee-based model of fund advisory services has been available to Chinese investors since October 2019, it is only slowly gaining traction. It is still not common for investors to pay for advice outside of commissions and expenses.

Funds in China are not prohibited from charging management fees with a performance-based component. Both traditional performance fee and fulcrum fee structures exist, but it is more common for mutual funds to charge symmetrical fulcrum fees. In any case, these funds make up a small part of the investment universe, largely because of the regulator's rigorous approval process, and high-water marks are required by regulation.

In China, investors have limited choices when investing in foreign-domiciled funds. There are a small number of Hong Kong-domiciled funds that investors can gain access to under the Mainland-Hong Kong Mutual Recognition of Funds scheme.

China Fees and Expenses (continued)

Fees and Expenses Grade
Below Average

Exchange-traded funds remained a small part of the China fund market, at around 4.02% of total assets under management as of September 2021, according to Morningstar Direct. In addition, in the first 10 months of 2021, ETF turnover on the Shanghai and Shenzhen stock exchanges only accounted for around 1% to 3% of the total market turnover, according to the exchanges' statistics. These figures suggest the usage of ETFs by retail investors remained low. That said, the adoption of ETFs by retail investors became more prevalent in China over the past two years. ETFs' total AUM almost doubled to USD 133 billion as of June 2021 from two years prior, and the share of retail investors increased to 38% from 20% over the same period. In addition, retail investors without a brokerage account can access ETFs via feeder funds, which made up 26% of ETF assets in China as of June 2021.

The growing ETF adoption among individual investors in China was mainly driven by the divergent market environment and widened range of ETF offerings. The local stock market saw more sector rotations over the past two years, while local ETF providers launched various niche ETFs along the hottest themes and industries, such as new energy, electric vehicles, automation, semiconductors, and so on. As such, ETFs became an increasingly popular vehicle of choice for some self-directed investors to gain quick exposure to a theme or sector.

However, it is still rare for retail investors to pay for advice when investing in ETFs. The tax treatment for ETFs is the same as for other fund investments. Although local investors cannot access ETFs listed on foreign exchanges, they can gain indirect exposure through funds of funds or master-feeder funds under the Qualified Domestic Institutional Investor scheme.

Denmark Fees and Expenses

Fees and Expenses Grade

Average

Asset-Weighted Medians

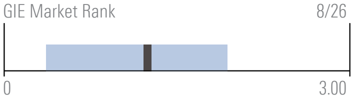
Domiciled	%	Available for Sale	%
Allocation	1.24	Allocation	1.43
Equity	1.24	Equity	1.56
Fixed-Income	0.59	Fixed-Income	0.81

Fees and Expenses Detail

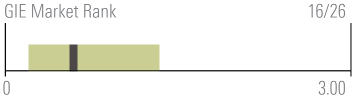
Asset Weighted Median   Range 5% to 95%

Domiciled: Allocation **1.24**
GIE Market Rank 12/26

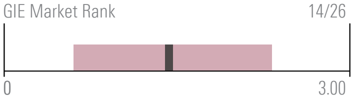
Domiciled: Equity **1.24**
GIE Market Rank 8/26



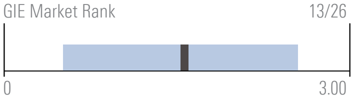
Domiciled: Fixed Income **0.59**
GIE Market Rank 16/26



Available for Sale: Allocation **1.43**
GIE Market Rank 14/26



Available for Sale: Equity **1.56**
GIE Market Rank 13/26



Available for Sale: Fixed Income **0.81**
GIE Market Rank 15/26

ETF Usage

L M H

Denmark receives a Fees and Expenses grade of Average based on competitive asset-weighted median fees across each of the asset classes. The asset-weighted medians are 1.24%, 1.24%, and 0.59% for locally domiciled allocation, equity, and fixed-income funds, respectively.

Mutual funds are distributed and created differently in Denmark compared with other European countries. Locally domiciled funds have a market maker and can be traded throughout the day.

Under the European Union's MiFID II and MiFIR regulations, most funds domiciled in Denmark classify as exchange-traded funds. Denmark has a high penetration of locally listed ETFs, both active and passive, and the market had been dominated by domestic players for retail investors until a few years ago. Funds with a European passport, both open-end and exchange-traded funds, can be bought through online brokers. Foreign open-end funds have a 17% market share within the Danish retail investor base.

The Danish fund structure has created some controversy, as locally domiciled vehicles have had a more favorable taxation environment than those domiciled outside of Denmark. Recently, foreign funds have been granted permission to apply for the same tax advantages as Danish funds, and a considerable number of foreign funds have applied.

Despite the Danish fund market historically having a domestic bias, fees have been competitive in a European context, and funds imported from other European markets have generally had higher fees than their locally based competitors.

Because of the structure of the Danish market, there are loads on purchases and sales of mutual funds; however, these are quite low. The introduction of MiFID II has seen a proliferation of clean (or unbundled) classes in the Danish market. These clean share classes have been created for investing with a financial adviser. Do-it-yourself investors still need to invest through bundled classes, even if they do not receive advice.

Most funds with performance fees impose a high-water mark in Denmark, but there are no requirements stipulating any form of clawback. We find that funds with performance fees often lack a relevant hurdle, with only one fifth of these funds using a hurdle that represents the investable universe. That said, only 6% of domestic funds impose a performance fee.

Traditional ETFs that offer passive exposure to markets represent only a small part of investors' portfolios but are available through local brokers. They are typically presented on a separate list versus the locally based legal entity 'investeringsforeninger'.

Finland Fees and Expenses

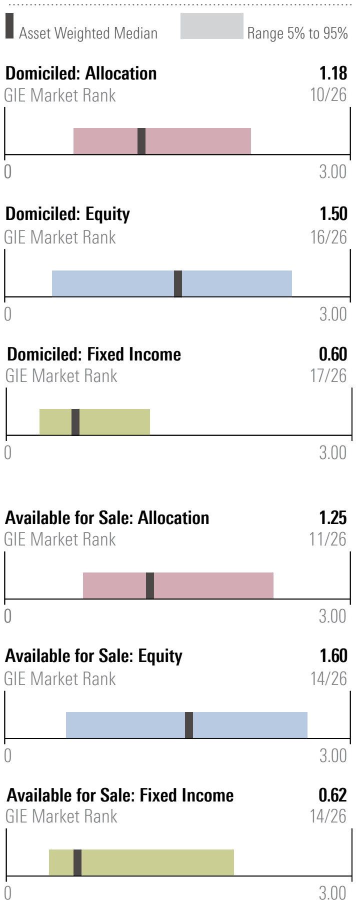
Fees and Expenses Grade

Average

Asset-Weighted Medians

Domiciled	%	Available for Sale	%
Allocation	1.18	Allocation	1.25
Equity	1.50	Equity	1.60
Fixed-Income	0.60	Fixed-Income	0.62

Fees and Expenses Detail



ETF Usage

L **M** H

Finland receives a Fees and Expenses grade of Average. Locally domiciled funds continue to carry lower asset-weighted median expenses than available-for-sale funds The locally domiciled median fees are 1.18% for allocation funds, 1.50% for equity funds, and 0.60% for fixed-income funds.

In Finland, maximum sales loads are stated in the fund prospectus. However, actual sales loads may vary depending on the fund distributor. They have been completely waived at key fund platforms as well as by some fund companies selling their products directly. Also, investors using insurance wrappers typically pay no loads.

Many fund companies have technically registered nonrebate, or clean, share classes for sale in Finland. But despite the MiFiD II legislation that came into force in 2018, these shares are still rarely accessible to the average retail investor as banks dominate the Finnish fund market with their strong distribution arms. Independent advisers, who charge a direct fee for their impartial work, are few and far between, so paying for advice outside of commissions and trailers is limited mostly to private-banking clients, as well as clients of one larger bank (Danske). Finnish individual investors have the choice to invest in locally domiciled funds as well as UCITS with a "European passport." There is no difference in taxes, and platforms as well as some banks offer mostly the A (full-freight) share classes of funds from a range of international providers.

Fees of local funds consist typically only of a fixed percentage that is known beforehand, rather than a management fee plus a varying amount, as is the case for some international competitors.

Funds in Finland are permitted to charge management fees with an asymmetrical performance component without an equal reduction in fees for underperformance, though the use of appropriate hurdle rates is common. Terms of performance fees are usually stated clearly enough so a sophisticated investor reviewing a fund's performance can estimate costs for the current year. Guidance from the European Securities and Markets Authority in 2020 detailed requirements on performance fees.

Although there is only one Helsinki-listed exchange-traded fund, Finnish investors can access a broad range of ETFs listed on European exchanges, and their popularity has grown in recent years. There is no local tax regulation that would make the use of ETFs less attractive than mutual funds, and brokerages do not tend to charge platform fees.

France Fees and Expenses

Fees and Expenses Grade
Below Average

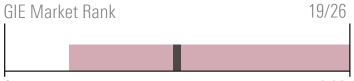
Asset-Weighted Medians

Domiciled	%	Available for Sale	%
Allocation	1.50	Allocation	1.56
Equity	1.78	Equity	1.80
Fixed-Income	0.58	Fixed-Income	0.87

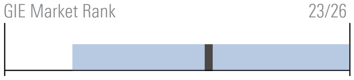
Fees and Expenses Detail

Asset Weighted Median Range 5% to 95%

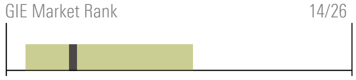
Domiciled: Allocation **1.50**
GIE Market Rank 19/26



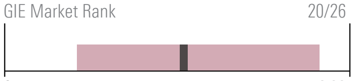
Domiciled: Equity **1.78**
GIE Market Rank 23/26



Domiciled: Fixed Income **0.58**
GIE Market Rank 14/26



Available for Sale: Allocation **1.56**
GIE Market Rank 20/26



Available for Sale: Equity **1.80**
GIE Market Rank 21/26

Available for Sale: Fixed Income **0.87**
GIE Market Rank 19/26

ETF Usage

L M H

The Fees and Expenses Grade for France is Below Average. The asset-weighted median fees for locally domiciled allocation, equity, and fixed-income funds are all above average, while the dominance of bundled charges in France, along with investors' inability to avoid such charges even when not receiving advice, puts French investors at a disadvantage compared with global peers. The locally domiciled asset-weighted median expense ratios are 1.50%, 1.78%, and 0.58% for allocation, equity, and fixed-income funds, respectively.

In France, maximum sales loads are stated in the fund prospectus. However, in most cases, investors can access products with reduced or no sales loads, particularly on fund platforms, or negotiate sales loads with their financial advisers. In practice, investors rarely pay the maximum charge stated in the prospectus. In the few cases when investors pay entry fees, these are often paid back to the adviser in the form of rebates. Regardless of whether they charge front loads or not, most funds also carry trail commissions to compensate for advice. The trailer fee typically accounts for between 30% and 50% of the annual ongoing charge paid by retail investors. Fund distribution is dominated by intermediaries, notably banks, and the vast majority of financial advisers are also remunerated through trail commissions. As a result, the average retail investor very rarely pays directly for financial advice. Even if funds without trail commissions technically exist in France, they constitute only a tiny part of retail investors' portfolios.

Funds in France are permitted to charge performance fees without an equal reduction in fees for underperformance. Most funds that charge performance fees use appropriate benchmarks or hurdle rates. The terms of performance fees are described in plain language most of the time in a fund's documentation; and investors reviewing a fund's performance can roughly estimate costs for the current year, except if there is a high-water mark involved in the calculation. Funds typically don't communicate when the last high-water mark was reached, making it difficult for investors to accurately estimate expenses in that case.

In France, individual investors have the choice to invest in locally domiciled funds as well as in a wide range of non-French-domiciled UCITS funds registered for sale in France. The ongoing charges of funds domiciled in France are generally in line with those offered from foreign fund sponsors.

There is no distinction in the tax regulation between open-end funds and exchange-traded funds. While ETFs only represent a minority of retail investors' assets, the number of retail investors who transmitted buy-sell orders on ETFs increased by 63% from 2018 to 2020. The use of ETFs is also spurred by online platforms and nascent robo-advisers that offer ETF-based portfolios and life insurance wrappers with ETF options. Investors pay for advice when they invest in ETFs with these new platforms. Still, most ETFs investors don't pay for advice at this stage.

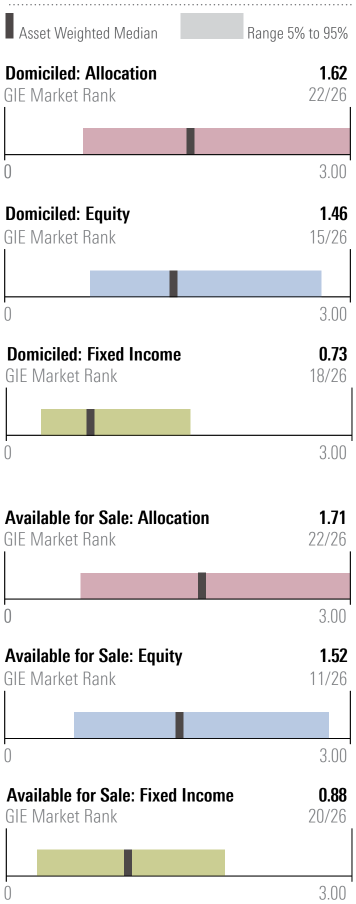
Germany Fees and Expenses

Fees and Expenses Grade
Average

Asset-Weighted Medians

Domiciled	%	Available for Sale	%
Allocation	1.62	Allocation	1.71
Equity	1.46	Equity	1.52
Fixed-Income	0.73	Fixed-Income	0.88

Fees and Expenses Detail



ETF Usage

L M H

Germany receives a grade of Average for Fees and Expenses. The sales method of combining front loads with trail commissions remains the dominant model, but more-competitive asset-weighted median expenses for equity funds have improved relative results in this study. The locally domiciled asset-weighted median expense ratios are 1.62%, 1.46%, and 0.73% for allocation, equity, and fixed-income funds, respectively.

Sales loads are sometimes subject to negotiation depending on the amount invested and the advice required. It is rare for investors to pay financial advice fees other than through commissions or retrocessions. Funds with no loads exist in Germany but make up a small percentage of assets. No-load funds often charge higher ongoing fees, thus resulting in higher expenses for long-term investors.

Clean share classes are becoming more common but are generally only accessible through fee-based advisers or discretionary portfolio management services. Despite the establishment of officially regulated fee-based financial advisory services in 2014, there has been limited willingness among financial institutions to obtain such licenses and limited interest from retail investors to pay for financial advice on a stand-alone basis. This, in turn, has hampered the uptake of clean shares.

In Germany, individual investors have the choice to invest in locally domiciled funds as well as UCITS funds with distribution operations in Germany.

There are multiple exchange-traded funds listed on the Frankfurt stock exchange, and these are commonly used by retail investors. Retail investors can also gain access to ETFs listed on other European exchanges; however, their usage has been low anecdotally. It is rare for investors to pay for advice for investments in ETFs, but where it exists, fee-based advisers, including robo-advisers, tend to use ETFs. There is no local tax regulation that makes the use of ETFs financially unattractive relative to mutual funds; the tax implications are similar for both fund types.

There have not been any material regulatory changes related to fee disclosure since our 2019 Fees and Expenses study. MiFID II was rolled out across 31 European countries, including Germany, in early 2018 with the aim of increasing transparency on fees, unbundling third-party research from trading costs, and providing better investor protection. It requires comprehensive fee disclosure, including transaction costs, both at the point of sale and annually thereafter. However, the EU requirement for retail UCITS funds to use the PRIIPs Key Information Document, which employs a different methodology to calculate fund costs, has been delayed until July 2022.

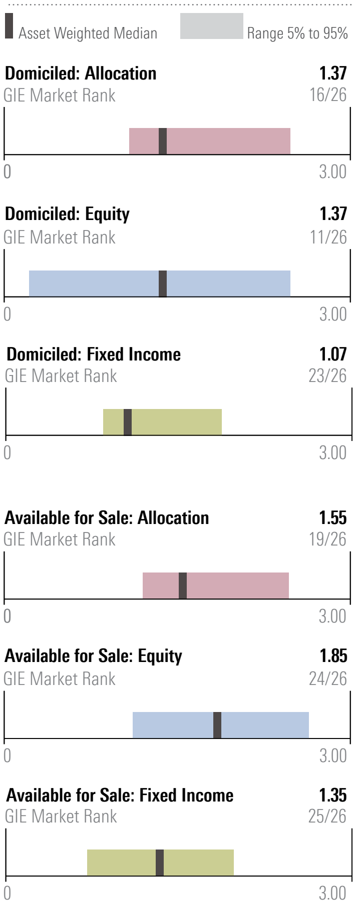
Hong Kong Fees and Expenses

Fees and Expenses Grade
Below Average

Asset-Weighted Medians

Domiciled	%	Available for Sale	%
Allocation	1.37	Allocation	1.55
Equity	1.37	Equity	1.85
Fixed-Income	1.07	Fixed-Income	1.35

Fees and Expenses Detail



ETF Usage

L M H

The Fees and Expenses grade for Hong Kong is Below Average. The use of front loads is common, and the availability of retrocession-free share classes is limited. Consequently, asset-weighted median expense ratios for available-for-sale fixed-income and equity products are among the highest in this study. On a positive note, compared with available-for-sale funds, asset-weighted median expenses are lower for Hong Kong-domiciled funds, with expenses for allocation, equity, and fixed-income funds of 1.37%, 1.37%, and 1.07%, respectively.

In Hong Kong, maximum sales loads are stated in the fund prospectus. However, actual sales loads may vary depending on the fund distributor and can sometimes be waived. Funds with no loads are accessible to Hong Kong-based investors but make up a small part of retail investors' assets. Funds without trail commissions are technically registered for sale in Hong Kong but are not actually accessible to the average retail investor, given that fund distribution is dominated by intermediaries, notably banks.

Banks account for around 80% of total fund sales in Hong Kong. Their market dominance presents challenges for asset managers in trailer fee negotiations. In Hong Kong, the trailer fee typically ranges between 30% and 60% of the management fee, although this can be even higher for small or new asset managers with less negotiating power.

Funds in Hong Kong are permitted to charge asymmetrical performance fees, meaning that funds can charge additional fees for outperformance without an equal reduction in fees for underperformance. However, they must be charged on a high-water-mark principle, as required by regulation. Fund documents disclose the relevant terms of performance fees to help investors accurately estimate costs for the year.

There have not been any material regulatory changes related to fee disclosure since our last study. Hong Kong has continued to broaden the fund products available to local investors, such as through the Mutual Recognition of Funds with Thailand and the Cross-Boundary Wealth Management Connect Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area. The Securities and Futures Commission also rolled out enhanced disclosure requirements for environmental, social, and governance funds, as well as expected standards for fund managers to consider climate risks when managing investment risks.

Retail investors in Hong Kong do not commonly use locally listed exchange-traded funds. In 2019 and 2020, ETF turnover on the Stock Exchange of Hong Kong only accounted for around 5% to 6% of total Main Board turnover, according to the exchange's statistics. Retail investors, through brokers or online platforms, can trade nonlocally listed ETFs, such as U.S.-listed ETFs, but it is not common for

Hong Kong Fees and Expenses (continued)

Fees and Expenses Grade
Below Average

retail investors in Hong Kong. It is rare for investors to pay for advice when investing in ETFs. Over the past two years, more robo-advisers have entered the market. They are fee-based and use ETFs as building blocks in investment portfolios. That said, robo-advisers are still in their infancy, according to the “Digital Financial Services Usage Study 2021” published by the Investor and Financial Education Council. There is no capital gains tax in Hong Kong, and there is no local tax regulation that makes the use of ETFs financially unattractive. ETFs are generally treated similarly to other funds with respect to taxation.

India Fees and Expenses

Fees and Expenses Grade
Average

Asset-Weighted Medians

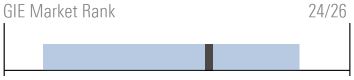
Domiciled	%	Available for Sale	%
Allocation	1.74	Allocation	1.74
Equity	1.78	Equity	1.78
Fixed-Income	0.36	Fixed-Income	0.36

Fees and Expenses Detail

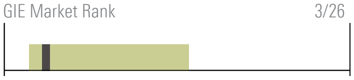
Asset Weighted Median | Range 5% to 95%

Domiciled: Allocation **1.74**
GIE Market Rank 24/26

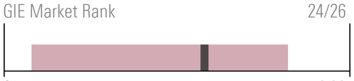
Domiciled: Equity **1.78**
GIE Market Rank 24/26



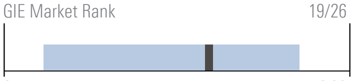
Domiciled: Fixed Income **0.36**
GIE Market Rank 3/26



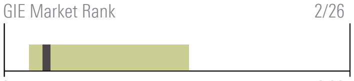
Available for Sale: Allocation **1.74**
GIE Market Rank 24/26



Available for Sale: Equity **1.78**
GIE Market Rank 19/26



Available for Sale: Fixed Income **0.36**
GIE Market Rank 2/26



ETF Usage

L M H

The Fees and Expenses grade for India remains Average. The increased availability and uptake of retrocession-free share classes, along with investor-friendly regulations banning front loads and up-front commissions and capping investment charges, contribute positively to the country's grade. Asset-weighted median fees for fixed-income funds remain among the cheapest in the world. This is offset by the relatively higher asset-weighted median fees of 1.74% for allocation funds and 1.78% for equity funds, generated by the continued prevalence of distributor plans that bundle distribution fees.

In India, charging front-end sales loads has not been permitted since August 2009. Many funds charge deferred (exit) loads, although these are not sales loads in the classical sense. These deferred (exit) loads are credited back to the net asset value of the fund, thus benefiting those who stay invested. Deferred loads are stated in the fund prospectus and cannot be negotiated.

Funds without trail commissions—also known as direct share classes—have been available since January 2013, as per regulations. Direct share classes have low investment minimums equivalent to those of distributor share classes, thus making them accessible to all investors. Investors can purchase these commission-free direct share classes through advisers or directly from funds' websites, stock exchange platforms, and several online platforms.

Exhibit 8: Asset-Weighted Median Expense Ratios and Assets by Distribution Channel

	Distributor Plans		Direct Plans	
	Asset-Weighted Median	Market Share	Asset-Weighted Median	Market Share
Allocation	1.79	12%	1.02	1%
Equity	1.86	37%	0.86	11%
Fixed Income	0.80	15%	0.31	24%
Overall		**64%**		**36%**

Source: Morningstar, Inc.

Assets in direct share classes have been rising gradually among investors who have partnered with fee-based advisers or have invested directly. Still, most individual investors seek the services of mutual fund distributors and thus purchase trail-commission-embedded regular share classes. This results in overall higher median expense ratios for equity and allocation funds, where a majority of the investments are in distributor share classes with distribution fees embedded. Expense ratios for direct share classes are significantly lower and comparable to global non-advice-fee-embedded share classes.

The median distribution fee embedded in distributor plans varies by asset class and is typically higher for equity funds as compared with allocation and fixed-income funds.

India Fees and Expenses (continued)

Fees and Expenses Grade
Average

Exhibit 9: Comparison of Commission-Based and Fee-Based Share Classes

Global Category	Asset-Weighted Median Difference Between Distributor and Direct Share Classes
Allocation	0.71
Equity	0.95
Fixed Income	0.40

Source: Morningstar, Inc.

Traditionally, banks, wealth managers, and mutual fund distributors have accounted for the majority of total fund sales. Over the past few years, the advent of financial technology platforms and apps has increased penetration for direct investors. Currently, 46% of the industry's assets are invested in direct share classes (when we also include money market/liquid funds), but a large part of this is from institutional investors. Individuals invest 21% of their overall assets directly, which accounts for approximately 11.5% of overall industry assets.

Growth in equity fund assets since the last study has resulted in lower expense ratios across share classes for equity funds as per the regulator-defined slabs. We could continue to witness this downward trajectory in asset-weighted median expense ratios as the market share of direct share classes increases along with the growth in fund assets, leading to lower expense ratios.

Funds in India are not permitted to charge performance fees. Investors in India sometimes pay for advice in addition to vehicle-related expenses for commission-free share classes, though such instances are still limited. The regulator promotes transparency at all levels and has made it mandatory that commissions earned by the distributor be disclosed in customer account statements. Investors can easily find fund total expense ratios in fund documents.

There have not been any material regulatory changes related to fee disclosure since our 2019 Fees and Expenses study. In 2018-19, there were significant regulations around ending the practice of paying up-front commissions as well as changes to the total expense ratio slabs, which resulted in significant fee reductions, especially for large funds. In recent years, the Securities and Exchange Board of India, or SEBI, has tightened regulations around investment guidelines, risk management, and disclosures for asset managers.

India Fees and Expenses (continued)

Fees and Expenses Grade
Average

Individual investors are not truly free to choose foreign-domiciled funds as India has capital controls in place, but SEBI has allowed domestic asset managers to offer locally domiciled rupee-denominated funds, which invest into permitted foreign securities or feeder funds up to an overall industry limit of USD 7 billion. Asset managers have launched many such funds in recent times as investor interest has gone up, but these represent a small slice of overall industry assets. The total expense ratios of these funds are similar to those of typical domiciled funds, but they tend to be tax-inefficient. In addition, Indian residents are also allowed to remit USD 250,000 per person per financial year overseas under the Liberalized Remittance Scheme, which can be used to make overseas investments.

Exchange-traded funds represent a small subset of the Indian fund industry, and most ETF flows are from institutional investors. ETFs are taxed in a similar fashion to mutual funds. While low-cost locally listed ETFs are available, usage by retail investors is relatively low, and it is rare for retail investors to pay for advice when making an investment in ETFs. Currently, individual investors account for less than 10% of overall ETF assets. But this trend is slowly changing as many individual investors are looking at using passive vehicles such as ETFs and index funds.

Retail investors can gain access to ETFs listed on foreign exchanges, subject to capital controls and setting up of an offshore account.

Italy Fees and Expenses

Fees and Expenses Grade

Bottom

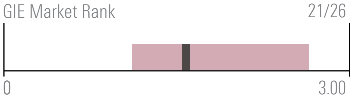
Asset-Weighted Medians

Domiciled	%	Available for Sale	%
Allocation	1.58	Allocation	1.72
Equity	2.13	Equity	1.92
Fixed-Income	1.17	Fixed-Income	1.17

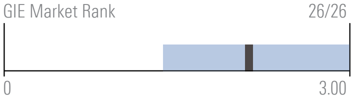
Fees and Expenses Detail

Asset Weighted Median Range 5% to 95%

Domiciled: Allocation **1.58**
GIE Market Rank 21/26



Domiciled: Equity **2.13**
GIE Market Rank 26/26



Domiciled: Fixed Income **1.17**
GIE Market Rank 25/26

Available for Sale: Allocation **1.72**
GIE Market Rank 23/26

Available for Sale: Equity **1.92**
GIE Market Rank 26/26

Available for Sale: Fixed Income **1.17**
GIE Market Rank 24/26

ETF Usage

L M H

Italy's asset-weighted median fees for locally domiciled allocation, equity, and fixed-income funds are 1.58%, 2.13% and 1.17%, respectively—among the highest in this study. These high expenses, coupled with a fund industry structure that perpetuates the use of loads and trail commissions, factor greatly into Italy's Bottom grade for Fees and Expenses.

In Italy, individual investors are left to negotiate stated loads with the sales agent. Funds or share classes with no loads are accessible to Italian investors but are often more expensive in terms of base fees. In practice, companies state a maximum front and exit load in their official documents, but the actual amount charged to investors will vary and is often scrapped altogether.

It is relatively rare for investors to pay for financial advice directly, as advice is mostly financed through commissions or retrocessions. Share classes without trail commissions are often technically registered for sale in Italy but are not easily accessible for the average retail investor given that fund distribution is dominated by intermediaries, notably banks.

Funds in Italy are permitted to charge management fees with an asymmetrical performance component without an equal reduction in fees for underperformance, but performance fees in most cases may be levied only if the performance is both positive and above a stated benchmark, which is often only a low hurdle, such as a cash rate. For funds domiciled in Italy, the frequency is at least annual. All relevant terms of performance fees are generally clearly stated, so an investor reviewing a fund's performance can estimate costs for the current year. Local regulator Consob complied with the European Securities and Markets Authority's 2020 guidelines on performance fees in December 2021.

Locally listed exchange-traded funds are used by retail investors to some extent, and retail investors can also invest in ETFs listed on foreign exchanges through brokers or online platforms. It is rare for investors to pay for advice for investments in ETFs, although this practice has become more common with the advent of robo-advisers using ETFs as building blocks in investment portfolios. There is no local tax regulation that makes the use of regional ETFs financially unattractive. European-domiciled ETFs are generally treated similarly to other funds with respect to taxation.

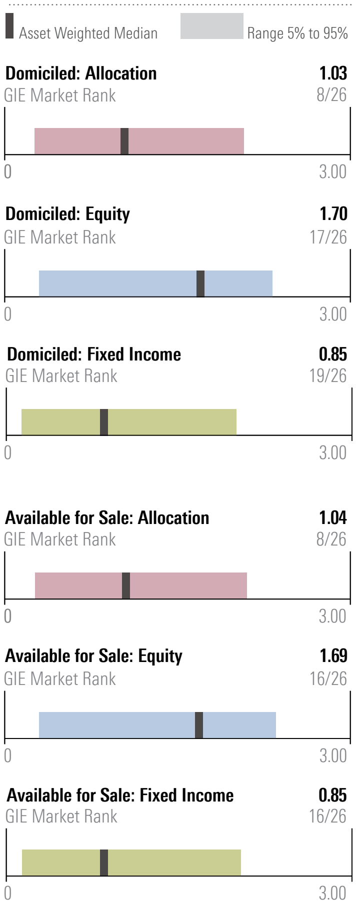
Japan Fees and Expenses

Fees and Expenses Grade
Average

Asset-Weighted Medians

Domiciled	%	Available for Sale	%
Allocation	1.03	Allocation	1.04
Equity	1.70	Equity	1.69
Fixed-Income	0.85	Fixed-Income	0.85

Fees and Expenses Detail



ETF Usage

L M H

Japan maintains a Fees and Expenses grade of Average based on easy accessibility to no-load funds but the rarity of fund holdings without ongoing fees to distributors. Japan has a mix of high asset-weighted median fees for equity and fixed-income funds and then lower relative expenses for allocation funds. For locally domiciled funds, asset-weighted median fees are 1.03%, 1.70%, and 0.85% for allocation, equity, and fixed income, respectively.

In Japan, maximum sales loads are stated in the fund prospectus. However, actual sales loads may vary depending on the fund distributor. In practice, investors can pick and choose between fund distributors for lower loads. Funds with no loads are easily accessible to Japanese investors mainly through web-based distributors. No-load funds are also available through traditional banks' online channels and brokerage channels, sometimes via seasonal sales when the loads are waived. Funds without ongoing fees to distributors do not exist, except funds that are directly sold by asset managers; in this rare case, asset managers act as both asset manager and distributor and receive both management and distribution fees. Funds directly sold by asset managers made up less than 1% of total value of publicly offered funds in Japan, whereas brokerage companies constituted 78% and banks 21% at the end of 2021.

Funds in Japan are permitted to charge asymmetrical performance fees, meaning that funds can charge additional fees for outperformance without an equal reduction in fees for underperformance. High-water marks or the use of appropriate hurdle rates or benchmarks are common. Fund documents disclose the relevant terms of the performance fee to help investors estimate costs for the year.

From September 2019, Japan's industry association, the Investment Trusts Association, has required funds to disclose total expense ratios and their compositions in annual reports. In particular, the new disclosures show a clearer picture for the total cost of funds of funds and their invested funds. In May 2021, Japan's regulator, the Financial Services Agency, released guidelines on the "Important Information Sheet," a two-page summary stating fund characteristics, such as fund objective, fees, risk/returns, and so on. Although not mandatory, distributors are obliged to make efforts to provide these together with fund prospectus when selling a fund to investors.

Retail investors in Japan tend to use exchange-traded funds for short-term trading purposes. Leveraged or inverse ETFs are often among the most traded ETFs by value on local exchanges. According to the statistics from the Japan Exchange Group, the transaction value of leveraged or inverse ETFs accounted for almost 80% of the transaction value for all ETFs in the first 10 months of 2021. There are robo-advisers that use local and foreign-listed ETFs as building blocks, and retail ETF investors sometimes pay for advice through these channels. ETFs are generally treated similarly to other funds with respect to taxation.

Korea Fees and Expenses

Fees and Expenses Grade
Above Average

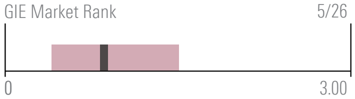
Asset-Weighted Medians

Domiciled	%	Available for Sale	%
Allocation	0.85	Allocation	0.90
Equity	1.37	Equity	1.47
Fixed-Income	0.38	Fixed-Income	0.39

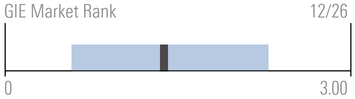
Fees and Expenses Detail

Asset Weighted Median   Range 5% to 95%

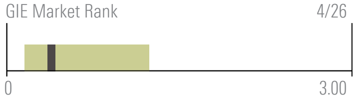
Domiciled: Allocation **0.85**
GIE Market Rank 5/26



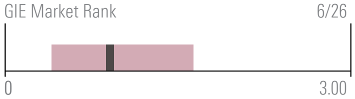
Domiciled: Equity **1.37**
GIE Market Rank 12/26



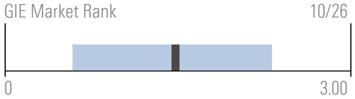
Domiciled: Fixed Income **0.38**
GIE Market Rank 4/26



Available for Sale: Allocation **0.90**
GIE Market Rank 6/26



Available for Sale: Equity **1.47**
GIE Market Rank 10/26



Available for Sale: Fixed Income **0.39**
GIE Market Rank 3/26

ETF Usage

Lower asset-weighted median fees for locally domiciled allocation, equity, and fixed-income funds in Korea lifted its Fees and Expenses grade to Above Average in this study. Holding Korea back from our highest grade is investors' inability to avoid paying trail commissions. Locally domiciled allocation funds carry an asset-weighted median expense ratio of 0.85%, with equity at 1.37% and fixed income at 0.38%.

In Korea, maximum sales loads are stated in the fund prospectus. However, actual sales loads may vary depending on the fund distributor. Funds without front-end-load fees are widely available and account for a large part of retail investors' assets, given that funds that charge a front load represent approximately 12% of locally domiciled funds. In contrast, funds without trail commissions do not exist in an open-end format, and it is rare for investors to pay separately for advice when selecting funds. Like many Asian markets, advisory services are embedded in the distribution fee paid to banks, which dominate Korea's retail distribution channel. Typically, trail commissions range between 60% and 70% of the total expense ratio.

Since 2017, funds in Korea have been permitted to charge asymmetrical performance fees, meaning they can charge additional fees for outperformance without an equal reduction in fees for under-performance. However, these fees must be charged on a high-water-mark principle, as required by regulation. Fund documents disclose the relevant terms of the performance fee, but funds that charge performance fees remain uncommon.

In Korea, financial regulations have improved consumer protections as there were several big scandals involving private-placement funds in the past few years. The Financial Consumer Protection Act became effective on 25 March 2021 with the objective of strengthening the public's confidence in the financial industry by imposing six major sales regulations on all financial products; previously, these regulations applied to only selected products. Open-end funds already followed these regulations, hence there were no new changes.

The exchange-traded fund market in Korea has been growing gradually, and product launches in the first 10 months of 2021 were tilted toward environmental, social, and governance themes. According to the Korea Exchange, approximately 10% of the market's overall transaction value came from ETF transactions in the 10 months ended October 2021. Only 2% of retail investors' transactions came from ETFs. The level of transactions in leveraged/inverse ETFs remained high, at around 60% of total ETF transaction value in the first 10 months of 2021, suggesting that investors use ETFs for trading. Retail investors can invest in nonlocally listed ETFs through brokers, but usage has been low. Although there are robo-advisers that use ETFs as building blocks, it is rare for Korean investors to pay for ETF advice. The tax treatment of ETFs is generally the same as that of other funds.

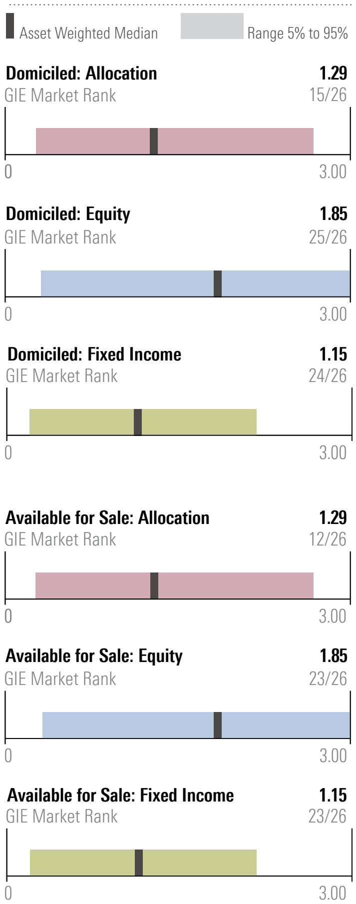
Mexico Fees and Expenses

Fees and Expenses Grade
Below Average

Asset-Weighted Medians

Domiciled	%	Available for Sale	%
Allocation	1.29	Allocation	1.29
Equity	1.85	Equity	1.85
Fixed-Income	1.15	Fixed-Income	1.15

Fees and Expenses Detail



ETF Usage

Mexico's asset-weighted median fees for locally domiciled funds are among the highest in this study. These high expenses, 1.85% for equity funds and 1.15% for fixed-income funds, coupled with a fund industry structure that facilitates the use of loads and trail commissions, factor greatly into Mexico's Below Average grade for Fees and Expenses.

In Mexico, retail investors work directly with advisers at large financial institutions, while independent financial advisers almost exclusively cater to high-net-worth individuals. Investors may pay financial advice fees outside of bundled fund expenses, although this is not common practice. Only funds domiciled in Mexico are available to Mexican investors.

Mutual fund providers must identify the maximum allowable sales load in a fund's prospectus, but distributors ultimately have discretion on the front load charged to investors. This means fees may vary from one firm to another. Funds without front loads or trail commissions are available in Mexico but constitute only a small part of retail investors' assets.

Though funds in Mexico are permitted to charge fees on strong performance without an equal reduction in fees for underperformance, in practice, there are no such funds with this scheme. Terms of performance fees are expected to be described in relevant terms so that investors can accurately estimate costs for the current year.

In Mexico, individual investors cannot invest in nonlocally listed exchange-traded funds. However, the locally listed ETF menu includes many US-domiciled ETFs that are cross-listed on the local exchange, and investors make moderate use of them. It is rare for individual investors to pay for advice when investing in ETFs, and the tax treatment of ETFs is generally favorable to that of other funds, making ETFs ultimately more affordable for investors.

Netherlands Fees and Expenses

Fees and Expenses Grade
Top

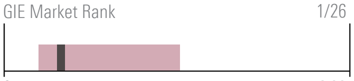
Asset-Weighted Medians

Domiciled	%	Available for Sale	%
Allocation	0.48	Allocation	0.77
Equity	0.55	Equity	0.84
Fixed-Income	0.46	Fixed-Income	0.48

Fees and Expenses Detail

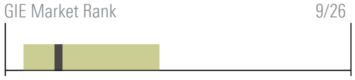
Asset Weighted Median — Range 5% to 95%

Domiciled: Allocation **0.48**
GIE Market Rank 1/26

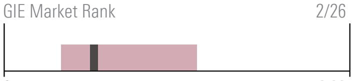


Domiciled: Equity **0.55**
GIE Market Rank 1/26

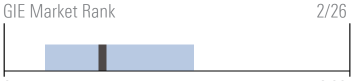
Domiciled: Fixed Income **0.46**
GIE Market Rank 9/26



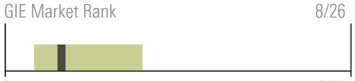
Available for Sale: Allocation **0.77**
GIE Market Rank 2/26



Available for Sale: Equity **0.84**
GIE Market Rank 2/26



Available for Sale: Fixed Income **0.48**
GIE Market Rank 8/26



ETF Usage

L M **H**

The Netherlands again earns a Top Fees and Expenses grade because of asset-weighted median expense ratios that are among the lowest in this study and backed by investor-friendly regulations that prohibit front loads and trail commissions. For locally domiciled funds, the median fees for allocation, equity, and fixed-income funds are 0.48%, 0.55%, and 0.46%, respectively.

In the Netherlands, collecting sales loads and trail commissions is forbidden after the ban on retrocessions was incorporated in investment products in 2014. Investors now pay advisers directly for advice, rather than through rebates. Sales channels have introduced services with advisory fees replacing the prior model that depended on rebates. Advisers frequently introduced different fee models depending on the size of assets and level of services. The ban on inducements and the subsequent introduction of different advisory fee models led to greater transparency. This benefits investors as they can make better-informed decisions. Longer term, we'd like to see this also lead to a lower cost outcome for all investors.

Funds in the Netherlands are permitted to charge management fees with an asymmetrical performance component without an equal reduction in fees for underperformance. Most funds that charge performance fees use appropriate benchmarks or hurdle rates. Fund documents disclose the relevant terms of the performance fee to help investors accurately estimate costs for the year. Terms of performance fees are described in plain language most of the time. Investors reviewing a fund's performance can roughly estimate costs for the current year, except if there is a high-water mark involved in the calculation. The date of the last high-water mark is typically not communicated by fund firms, making it difficult for investors to accurately estimate expenses.

There have not been any material regulatory changes related to fee disclosure since our 2019 Fees and Expenses study. The implementation of MiFID II in 2018 was the last major regulatory change. This saw an increase in investor protections owing to new rules of conduct for the investment industry. Following the European directive, investment firms must inform clients on the total costs of their investment services and financial instruments. This increased the cost transparency of advice and investment products, benefiting investors as they have more complete information on the total costs of their investments.

Dutch retail investors can invest in both locally domiciled funds as well as UCITS funds with distribution operations in the Netherlands. However, the available-for-sale range of UCITS funds is greater than locally domiciled funds. The ongoing charges of equity, fixed-income, and allocation funds domiciled in the Netherlands are typically lower than those offered by foreign fund sponsors. When the Dutch Retail Distribution Review was implemented in 2014, investors were shifted from share classes with retrocessions into classes without retrocessions. The implementation in the Netherlands

Netherlands Fees and Expenses (continued)

Fees and Expenses Grade
Top

was immediate, and this resulted in a drop in expenses between our 2013 and 2015 studies that was generally proportionate to the rebates paid to advisers.

Exchange-traded funds are widely used and represent a significant part of Dutch retail investors' assets. Dutch investors have access to a large number of ETFs traded at Euronext Amsterdam, but ETFs traded at other regional exchanges also are easily accessible as long as the sponsors offer a Key Investor Information Document in Dutch. As with other advice propositions, it is common for investors to pay directly for ETF investment advice.

There is no distinction in the tax regulation between funds and ETFs. Dutch investors are taxed based on their total wealth with no distinction between types of investments. However, there is a dividend withholding tax that can be deducted from the final payable wealth tax. The domicile of a fund can influence the deductibility of this dividend withholding tax.

New Zealand Fees and Expenses

Fees and Expenses Grade
Average

Asset-Weighted Medians

Domiciled	%	Available for Sale	%
Allocation	1.09	Allocation	1.10
Equity	1.30	Equity	1.21
Fixed-Income	0.59	Fixed-Income	0.58

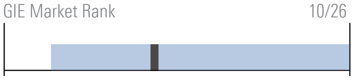
Fees and Expenses Detail

Asset Weighted Median Range 5% to 95%

Domiciled: Allocation **1.09**
GIE Market Rank 9/26

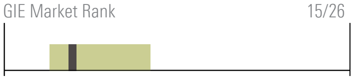
0 3.00

Domiciled: Equity **1.30**
GIE Market Rank 10/26



0 3.00

Domiciled: Fixed Income **0.59**
GIE Market Rank 15/26



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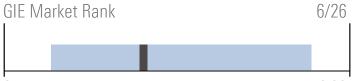
Available for Sale: Allocation **1.10**
GIE Market Rank 9/26

0 3.00

Available for Sale: Equity **1.21**
GIE Market Rank 6/26



0 3.00

Available for Sale: Fixed Income **0.58**
GIE Market Rank 12/26

0 3.00

ETF Usage

L M H

New Zealand's grade for Fees and Expenses is Average. Funds without loads and trail commissions are widely available to New Zealand investors. Domestic asset-weighted median fees are broadly competitive. The allocation, equity, and fixed-income fund median expenses are 1.09%, 1.30%, and 0.59%, respectively.

In New Zealand, maximum sales loads are reported to the regulator and disclosed publicly. However, actual sales loads may vary depending on the fund distributor and could sometimes be waived. Funds with no loads are easily accessible on platforms made available to the public, and many funds simply don't charge them at all. Funds without trail commissions are also accessible to the average retail investor given that fund distribution is common via an adviser or through more modern direct-to-consumer platforms.

Banks account for around 80% of total market share of the KiwiSaver market, which is the most common way that a New Zealander owns managed funds. This can present issues for advisers who find it hard to provide advice to this market, as there are few sales loads or commissions for those funds in the KiwiSaver market. Outside of KiwiSaver, the banks are less dominant and advisors accessing loads and commissions is more common.

Funds in New Zealand are permitted to charge asymmetrical performance fees, meaning that funds can charge additional fees for outperformance, without an equal reduction in fees for underperformance. Fund documents disclose many of the relevant terms of the performance fee to help investors accurately estimate costs for the year. They must estimate the performance fee in percentage terms and include this in their forward-looking estimate of fees and costs. There is no prescription by regulation for the performance fee benchmark to be appropriate and tied to the asset allocation of the fund. This has led to some inappropriate benchmarks being used as hurdle rates in the New Zealand market. Large performance fee earnings, which reflect market movements rather than manager skill, have been evidenced in recent years. This is commonly seen with equity funds that use cash-plus benchmarks. Couple this with asymmetrical performance fees, this ensures a performance fee structure that is optimized not for investor returns but instead for the fund manager's benefit.

There have not been any material regulatory changes related to fee disclosure since our 2019 Fees and Expenses study. At the same time, the Financial Markets Authority, which is the primary regulator, has required the industry to assess the products they sell to be 'fair value.' This has led to fee reductions in some products.

New Zealand's exchange-traded fund market remains a small portion (around 2%) of the overall fund market, but the local ETF industry has experienced strong growth in the two years ended September

New Zealand Fees and Expenses (continued)

Fees and Expenses Grade
Average

2021, with total assets under management surging around 75%. Albeit off a small base, ETF adoption appears to have increased in retail investors' portfolios, notably from the strong ETF market growth, both in assets and the range of local products. It is more common for investors to be placed in ETFs by financial advisers now, giving advisers the option of reducing all-in costs—or protecting their own margins, which have been under threat. Over the past few years, there have been more online trading platforms entering the market, opening access to investors of all types. Retail investors, through brokers or online platforms, can trade nonlocally listed ETFs, such as US-listed ETFs, and these are also being used within local retirement saving schemes. ETFs are single-rate portfolio entities in New Zealand's tax system, and this makes them slightly less attractive than a multirate managed investment fund for those with lower incomes.

Norway Fees and Expenses

Fees and Expenses Grade
Above Average

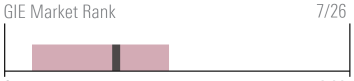
Asset-Weighted Medians

Domiciled	%	Available for Sale	%
Allocation	0.96	Allocation	0.96
Equity	1.00	Equity	1.20
Fixed-Income	0.40	Fixed-Income	0.40

Fees and Expenses Detail

Asset Weighted Median Range 5% to 95%

Domiciled: Allocation **0.96**
GIE Market Rank 7/26

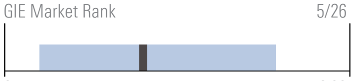


Domiciled: Equity **1.00**
GIE Market Rank 5/26

Domiciled: Fixed Income **0.40**
GIE Market Rank 5/26

Available for Sale: Allocation **0.96**
GIE Market Rank 7/26

Available for Sale: Equity **1.20**
GIE Market Rank 5/26



Available for Sale: Fixed Income **0.40**
GIE Market Rank 4/26

ETF Usage

L M H

Norway receives a Fees and Expenses grade of Above Average. Investors' ability to avoid front loads and the country's more competitive asset-weighted median expenses have improved relative results in this study. The locally domiciled asset-weighted median expense ratios are 0.96%, 1.00%, and 0.40% for allocation, equity, and fixed-income funds, respectively.

Although fund prospectuses still quote maximum sales loads in Norway, most investors can invest in mutual funds without paying loads through online brokerage firms and directly from fund companies. However, to protect long-term shareholder interests, swing pricing is being used more frequently. Fees have trended downward over the years because of fee cuts at existing vehicles, multiple launches of cheaper passive vehicles, as well as the introduction of clean share classes following the MiFiD II regulation. In addition, several fund platforms in Norway have changed their fee structures in recent years to charge a platform fee, which in general has resulted in cheaper actively managed funds but a higher total cost for index funds.

Advisers who are classified as independent financial advisers under MiFiD II rules typically target one or several segments, which include high-net-worth individuals, foundations, and institutional clients. Independent financial advisers are still estimated to be in the minority, as most investors purchase funds through their bank.

Funds in Norway are permitted to charge asymmetrical performance fees, meaning that funds can charge additional fees for outperformance without an equal reduction in fees for underperformance. However, the local mutual fund association's 2017 guidelines stipulate that there should be some form of clawback mechanism, either through fulcrum charges or high-water marks. In addition, funds should select a relevant benchmark and have lower starting ongoing charges compared with funds without performance fees. In addition, the European Securities and Markets Authority's guidelines on performance fees in UCITS and certain types of alternative investment funds were enforced on 5 Jan 2021 in Norway. The ESMA guidelines provide recommendations on performance fee calculation methods, negative performance (loss) recovery, and the disclosure of performance fee models.

For exchange-traded products, only a few locally listed ETFs exist in the market. However, there is a vibrant local exchange-traded note market with products applying leverage or tracking an individual stock with leverage. That said, most brokers offer a full suite of ETFs listed on exchanges within the European Union. These products are treated equally with other UCITS funds in terms of taxation and regulation. In addition, the locally domiciled index tracker funds have competitive fees when compared with the ETFs available for sale in Norway.

Singapore Fees and Expenses

Fees and Expenses Grade

Below Average

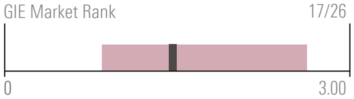
Asset-Weighted Medians

Domiciled	%	Available for Sale	%
Allocation	1.46	Allocation	1.54
Equity	1.73	Equity	1.79
Fixed-Income	0.87	Fixed-Income	1.05

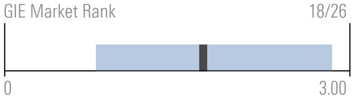
Fees and Expenses Detail

Asset Weighted Median Range 5% to 95%

Domiciled: Allocation **1.46**
GIE Market Rank 17/26

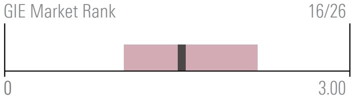


Domiciled: Equity **1.73**
GIE Market Rank 18/26

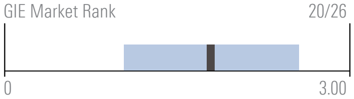


Domiciled: Fixed Income **0.87**
GIE Market Rank 21/26

Available for Sale: Allocation **1.54**
GIE Market Rank 16/26



Available for Sale: Equity **1.79**
GIE Market Rank 20/26



Available for Sale: Fixed Income **1.05**
GIE Market Rank 22/26

ETF Usage

L M H

The Fees and Expenses grade for Singapore remains Below Average. The use of front loads, limited availability of retrocession-free share classes (with retrocession fees making up around half of the total expense ratio), and several high asset-weighted median fees contribute negatively to the grade. Domiciled asset-weighted median fees are better than the available-for-sale values, with allocation, equity, and fixed-income fee medians of 1.46%, 1.73%, and 0.87%, respectively. Disappointingly, these are almost unchanged since our 2019 study.

In Singapore, maximum sales loads are stated in the fund prospectus. However, actual sales loads may vary depending on the fund distributor. Funds with no loads are accessible to Singapore-based investors but make up a small part of retail investors' assets. It is possible but rare for investors to pay for advice other than through commissions or retrocessions. Most investors pay a financial adviser through retrocessions embedded in the expense ratio. Funds without retrocessions are technically registered for sale in Singapore but are not actually accessible to the average retail investor given that fund distribution is dominated by intermediaries, notably banks. Certain robo-advisory platforms that require a minimum initial investment of SGD 10,000 offer a 100% trailer-fee rebate to retail investors.

Very few investors in Singapore utilise fee-based advice. Financial advice fees in Singapore are typically bundled with front-end loads, platform fees, and wrap fees. On average, retrocession fees make up 50% of the total expense ratio of a fund.

Funds in Singapore are permitted to charge management fees with an asymmetrical performance component without an equal reduction in fees for underperformance. However, it must be charged on a high-water-mark principle, as required by regulation. All relevant terms of performance fees are disclosed accompanied by an illustrative example, so an investor reviewing a fund's performance can estimate costs for the current year.

Retail investors do not commonly use locally listed exchange-traded funds in Singapore. ETFs accounted for only 1.6% of the Singapore Exchange's total transaction value in 2021. While retail investors can invest in nonlocally listed ETFs, such as those listed in the United States and Hong Kong, through brokers and designated accounts, the usage had been low. It is rare for investors to pay for advice for investments in ETFs, but the emergence of robo-advisers in recent years has offered an additional pay-for-advice channel. In Singapore, there are a number of fee-based robo-advisers that use ETFs as building blocks in investment portfolios. Various media reports quoted Singapore's robo-adviser user base at around 104,900 in 2020. There is no local tax regulation that makes the use of ETFs financially unattractive; ETFs are generally treated similarly to other funds with respect to taxation.

South Africa Fees and Expenses

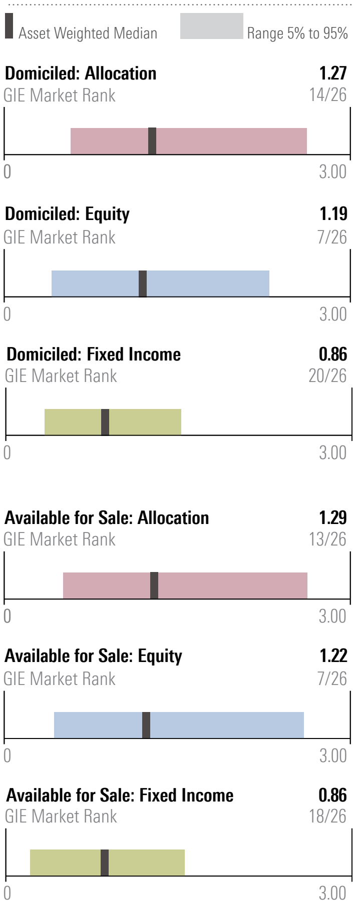
Fees and Expenses Grade

Above Average

Asset-Weighted Medians

Domiciled	%	Available for Sale	%
Allocation	1.27	Allocation	1.29
Equity	1.19	Equity	1.22
Fixed-Income	0.86	Fixed-Income	0.86

Fees and Expenses Detail



ETF Usage

L M H

South Africa's Fees and Expenses grade returns to Above Average, owing largely to highly competitive asset-weighted median fees for equity funds plus the accessibility of no-load, no-trail funds for do-it-yourself investors. Domiciled fixed-income funds are relatively expensive, with an asset-weighted median expense ratio of 0.86%, while the medians for domiciled equity and allocation funds are 1.19% and 1.27%, respectively. The prominence of performance fees and their poor comparability continues to be a negative factor.

In South Africa, stated loads (known as initial charges) are generally negotiable with the sales agent and are often scaled down, depending on the size of the investment. The fee is usually negotiated and paid directly to the adviser through the redemption of units. While it does occur, it is not overly common for the investor to pay for advice as a fixed fee as opposed to a percentage of assets under management.

We typically see an ongoing trail commission of 0.58% per year (including value-added tax) as a percentage of assets charged for financial advice; however, this fee is negotiable between the end investor and the financial adviser and can range lower or higher depending on the size of the assets invested. End investors with significant assets are generally able to receive a lower percentage trail fee.

When purchasing funds without advice, funds without loads or trail commissions are accessible and make up a large part of investors' assets. South African fund management companies do not typically charge initial fees (also known as loads) for direct investments in collective investment schemes.

Funds in South Africa are permitted to charge management fees with an asymmetrical performance component without an equal reduction in fees for underperformance if provided for in the trust deed of the collective investment scheme portfolio. Performance fees in South Africa are very common, do not have a uniform structure, and vary meaningfully, making them difficult to compare and understand. This is partly a problem because it skews expense ratios in South Africa from year to year depending on how performance was for prior periods. Effective 1 Jan 2017, the Association for Savings and Investment South Africa, or ASISA, introduced a new Performance Fee Standard that aims to guide its members in terms of acceptable practices and complement the ASISA Effective Annual Cost and Total Expense Ratio Standards. While this standard is a step in the right direction, it only provides broad guidelines for members on what is acceptable in terms of performance fee structures. There have not been any material regulatory changes related to fee disclosure since our 2019 Fees and Expenses study.

South Africa Fees and Expenses (continued)

Fees and Expenses Grade
Above Average

South African individual investors have the choice to invest in locally domiciled funds as well as foreign funds (whether approved by the Financial Sector Conduct Authority or not). FSCA approval is required for funds that intend to engage in active marketing and advertising strategies to the general public. Fund investors do face limits on the cumulative amounts they can invest in foreign securities.

Locally listed exchange-traded funds have become more readily available for South African retail investors; however, this still accounts for a very small portion of retail investors' allocations. Locally listed ETFs presently make up less than 4% of the total collective investment scheme assets in South Africa. Globally listed ETFs are available to local investors, but this does not account for a significant percentage of retail investors' global allocations. The most common use of global ETFs is by small or boutique asset managers that do not have the investment team depth for global stock-picking in their collective investment schemes and therefore make use of ETFs to gain access to global markets. Advice fees are common when ETFs are used in the South African environment. However, ETFs are not a significant portion of retail assets yet. ETFs are generally treated similarly to other funds with respect to taxation.

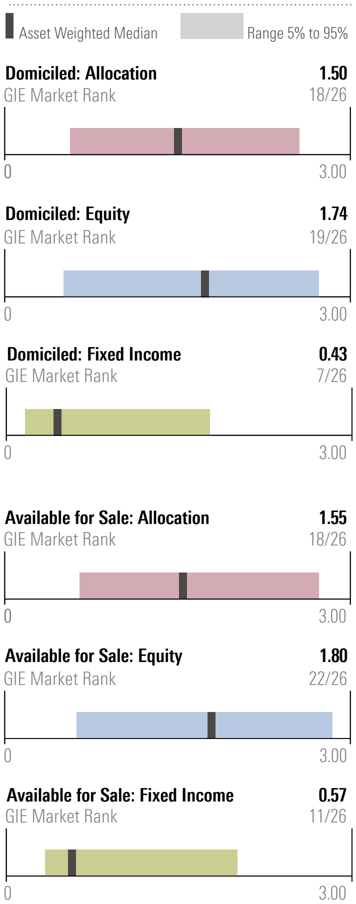
Spain Fees and Expenses

Fees and Expenses Grade
Average

Asset-Weighted Medians

Domiciled	%	Available for Sale	%
Allocation	1.50	Allocation	1.55
Equity	1.74	Equity	1.80
Fixed-Income	0.43	Fixed-Income	0.57

Fees and Expenses Detail



ETF Usage

L M H

The Fees and Expenses Grade for Spain is Average. Spain's grade is hampered by the prominent use of performance fees that are difficult for retail investors to understand and the use of trail commissions even in those fund products purchased without advice. The domiciled asset-weighted median expenses for allocation, equity, and fixed-income funds are 1.50%, 1.74%, and 0.43%, respectively.

In Spain, an increasing number of funds are using performance fees (often in conjunction with fixed management fees). They are commonly asymmetrical in the sense that there is no fee reduction in case of underperformance and may be based on positive returns rather than referenced to a specific benchmark. In practice, it can be especially difficult for investors to accurately estimate how much they will pay if a high-water mark is used.

In Spain, sales loads are non-negotiable. There four types of fees: management fees, depositary fees, front-load fees, and redemption fees. Around 10% of the locally domiciled funds charge a front-load fee. Front-load fees are very common in guaranteed funds and in fixed-term bond funds, but they can also be found in balanced funds. They are less frequently used in equity funds.

The big Spanish fund companies have created clean share classes, but they are still not directly available to retail investors. These share classes are only accessible to professional investors through financial advisers or private banks, or through managed portfolios offered by those banks.

The volume of foreign funds sold in Spain has increased at a strong pace in recent years, with assets growing from EUR 18.0 billion at the end of 2008 to EUR 199.4 billion in December 2020. The percentage of foreign funds sold in Spain was 39% in 2020 compared with 30% five years ago.

There are very few exchange-traded funds listed in Spain, but investors have access to European products through local brokers. (US ETFs generally do not include a Spanish-language Key Investor Information Document, which would be necessary for them to be sold to retail investors in Spain.) The fund distribution network is largely dominated by local banks that do not have any incentive to sell ETFs to retail investors (they prefer to sell their own funds, even if MiFID II has forced them to extend their product range to foreign funds). However, the main reason for the lack of appeal of ETFs in Spain is the way they are taxed compared with mutual funds: ETFs are treated as stocks rather than funds. That means while investors can switch from one mutual fund to another without paying taxes, the same action with ETFs generates a tax liability.

Sweden Fees and Expenses

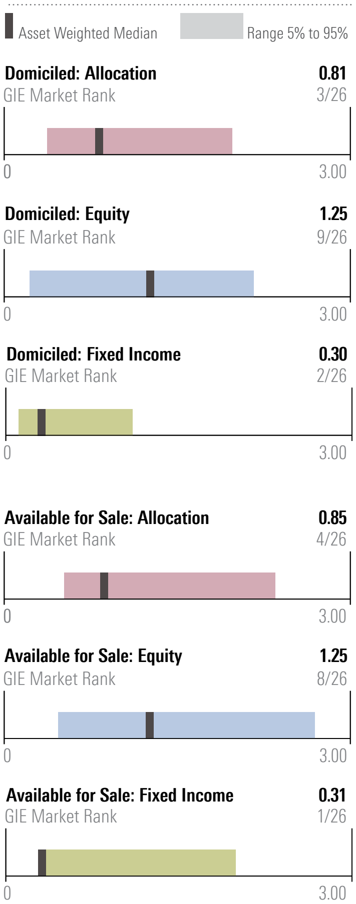
Fees and Expenses Grade

Above Average

Asset-Weighted Medians

Domiciled	%	Available for Sale	%
Allocation	0.81	Allocation	0.85
Equity	1.25	Equity	1.25
Fixed-Income	0.30	Fixed-Income	0.31

Fees and Expenses Detail



ETF Usage

Sweden again earns an Above Average Fees and Expenses grade because of asset-weighted median fees that are among the lowest in this study and regulation that does not permit complex fee structures. Domiciled asset-weighted median expenses are in line or better than the available-for-sale values, with allocation, equity, and fixed-income medians of 0.81%, 1.25%, and 0.30%, respectively.

Sweden's fund fee landscape has not seen considerable changes since our last report in 2019. Fund fees in Sweden continue to be among the lowest in Europe. This is driven both by the popularity of investing, which has attracted competition to the market, and distributors starting their own in-house funds with very low costs.

While negotiable, loads are very rare for funds domiciled in Sweden; less than 5% of locally domiciled funds report front loads. Foreign funds, even with stated loads, usually do not charge them in the Swedish market. Institutions also demand rebates. As rebates are such a common practice for both retail and institutional investors, clean share classes have not made many inroads into the Swedish market. Thus, the MiFID II regulation has only had a limited effect on fees in the country.

Swedish regulator Finansinspektionen does not permit complex fee structures. It allows a few external costs, such as custody and regulatory fees, to be charged separately. This means that funds domiciled in Sweden usually have very small differences between the stated management fee and the ongoing charges in the Key Investor Information Document.

Funds in Sweden are permitted to charge management fees with an asymmetrical performance component without an equal reduction in fees for underperformance. However, high-water marks are common. Terms of performance fees are clearly stated in the funds' legal documents, so an investor reviewing a fund's performance can estimate costs for the current year.

There are only 13 locally listed exchange-traded funds on the Swedish Stock Exchange with XACT being the only local investment provider. However, retail investors can gain access to ETFs listed on any European exchange, and there is no detrimental tax treatment of ETFs relative to other investment funds. Usage of passive ETFs by retail investors remains low, although they may have exposure indirectly through their pensions or other managed investments.

It is rare for investors to pay for advice when investing in ETFs. Over the past two years, some fee-based robo-advisers have entered the market, using ETFs and other passively managed investments as building blocks in their investment portfolios.

Switzerland Fees and Expenses

Fees and Expenses Grade
Average

Asset-Weighted Medians

Domiciled	%	Available for Sale	%
Allocation	1.20	Allocation	1.54
Equity	0.96	Equity	1.53
Fixed-Income	0.28	Fixed-Income	0.86

Fees and Expenses Detail

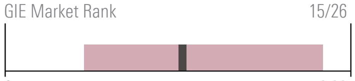
Asset Weighted Median Range 5% to 95%

Domiciled: Allocation **1.20**
GIE Market Rank 11/26

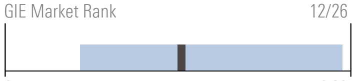
Domiciled: Equity **0.96**
GIE Market Rank 4/26

Domiciled: Fixed Income **0.28**
GIE Market Rank 1/26

Available for Sale: Allocation **1.54**
GIE Market Rank 15/26



Available for Sale: Equity **1.53**
GIE Market Rank 12/26



Available for Sale: Fixed Income **0.86**
GIE Market Rank 17/26

ETF Usage

L **M** H

Switzerland's Fees and Expenses grade returns to Average in this year's study. Switzerland leads all markets with low asset-weighted median expenses for domiciled fixed-income funds at 0.28%, but above-average available-for-sale fixed-income and equity fund fees detract from its grade. Less investor-friendly fee arrangements, such as the persistent use of front loads, also hamper a higher overall score. Domiciled asset-weighted median fees for allocation, equity, and fixed-income funds are 1.20%, 0.96 %, and 0.28%, respectively.

In Switzerland, maximum sales loads are stated in the fund prospectus. However, actual sales loads may vary depending on the fund distributor and could sometimes be waived. Advice to retail clients can be dependent or independent, with the latter providing (some form of) open architecture, while investors can also opt for discretionary managed accounts. The local banks dominate fund distribution in Switzerland. Depending on the service model chosen, investors pay for advice through either commissions or a separate fee, which typically follows a degressive fee structure as assets increase. The Swiss Federal Supreme Court has ruled twice, in 2006 and 2012, that commissions that are paid within a wealth-management mandate must be returned to the investor. While this pertains to managed accounts and not to funds, where commissions are not banned, this ruling has led many Swiss banks to offer alternatives to commission-based advice. Fees vary widely depending on invested assets, risk profiles, and the underlying investments. Fees start at 50 basis points for robo-advisers that use exchange-traded funds and may well reach 200 basis points. While paying for advice is becoming more common, commission-based advice is still widespread.

Many asset managers are increasingly introducing rebate-free share classes to cater to the needs of distribution channels that are moving away from the traditional distribution model. If clients invest through a wrap account (discretionary or advisory), they would generally be invested in clean share classes that are otherwise not available to retail investors.

Funds in Switzerland are permitted to charge management fees with an asymmetrical performance component without an equal reduction in fees for underperformance. The terms of performance fees are clearly stated, so an investor reviewing a fund's performance can estimate costs for the current year, except if there is a high-water mark involved in the calculation. Funds typically don't communicate when the last high-water mark was reached, making it difficult for investors to accurately estimate expenses in that case. Performance fees are not a common feature in Swiss-domiciled funds.

While Swiss-domiciled funds are distributed almost exclusively in Switzerland, Swiss individual investors have the possibility to invest in foreign-domiciled funds that register to distribute in Switzerland, and they do so heavily. Such funds are not offered only by foreign asset managers;

Switzerland Fees and Expenses (continued)

Fees and Expenses Grade
Average

most Swiss large and midsize asset managers have Luxembourg- or Dublin-based fund operations. The available-for-sale range of UCITS funds is greater than for locally domiciled funds, but the ongoing charges of locally domiciled equity, fixed-income, and allocation funds are typically lower than those for funds domiciled outside of Switzerland.

Regarding financial market regulation, enacting the Financial Services Act and the Financial Institutions Act on 1 Jan 2020 brought Swiss regulation into closer alignment with European Union regulation (MiFID II and PRIIPs), though differences remain. Both sets of regulations seek to increase investor protection and transparency. However, MiFID II bans commissions from third parties unless they provide a quality enhancement, and it differentiates between independent and nonindependent advice. MiFID II prohibits commissions paid to independent financial advisers. Under the Financial Services Act, inducements can be retained as long as they are disclosed and clients have given their consent.

Passive funds are widely available to Swiss investors, but ETFs are only one part of the passive market in Switzerland given the large presence of index funds. Retail investors in Switzerland may be exposed indirectly to passive investments through their pension fund investments, but most of the money invested in ETFs is institutional. Providers have, however, increasingly opened index funds, which used to be accessible only to institutional investors, to retail investors. Regarding ETFs, the vast majority of European-listed ETFs are listed on the Swiss exchange and accessible to retail and institutional investors domiciled in Switzerland in addition to locally domiciled ETFs. There is no distinction in the tax regulation between funds and ETFs. However, differences in taxation can arise depending on domicile.

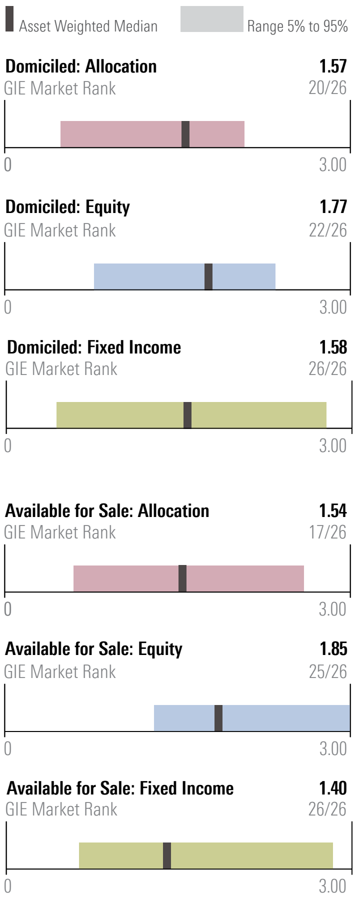
Taiwan Fees and Expenses

Fees and Expenses Grade
Bottom

Asset-Weighted Medians

Domiciled	%	Available for Sale	%
Allocation	1.57	Allocation	1.54
Equity	1.77	Equity	1.85
Fixed-Income	1.58	Fixed-Income	1.40

Fees and Expenses Detail



ETF Usage

Taiwan retains a Bottom grade for Fees and Expenses, based on individual investors' routinely being subject to front loads and retrocessions, as well as high asset-weighted median expenses across the board. For locally domiciled allocation, equity, and fixed-income funds, the asset-weighted medians are 1.57%, 1.77%, and 1.58%, respectively.

In Taiwan, maximum sales loads are stated in the fund prospectus. However, actual sales loads may vary depending on the fund distributor. More than 80% of funds available for sale in Taiwan and more than 90% of locally domiciled funds report charging a front load. Funds with no loads are accessible to Taiwan-based investors but make up a minimal part of retail investors' assets. These load-free funds are available through promotions by some of the traditional fund distribution channels, such as banks and securities investment trust enterprises, as well as through certain online platforms.

Although available, it is rare for investors to pay financial-advice fees other than through retrocessions for locally domiciled onshore funds. Offshore funds without trail commissions do not exist in an open-end format in Taiwan, and the trailer fees of these offshore funds typically range from 20% to 40% of management fees.

While onshore funds do not charge performance fees, foreign-domiciled funds available for sale in Taiwan are permitted to charge asymmetrical performance fees without an equal reduction in fees for underperformance. All relevant terms of the performance fee, including an illustrative example, are disclosed in the prospectus, so that an investor can accurately estimate expenses.

The Securities Investment Trust and Consulting Association requires fund companies to clearly disclose the composition of the total expense ratio for each share class of an offshore fund. When an offshore fund charges back-end loads, distributors are required to obtain a signed declaration from the investor that states an understanding of the fund's fee structure before subscribing to it for the first time. Since 1 Jan 2020, fund companies have been prohibited from paying distributors for marketing and sales campaigns in a bid to reduce fund sales churn.

In 2020, exchange-traded funds accounted for 5.8% of the Taiwan Stock Exchange's total market turnover. Leverage/inverse ETFs continued to account for the majority of the traded value of ETF transactions, at 55% in 2020, suggesting that investors are mostly utilising ETFs for trading purposes. Nonlocally listed ETFs, such as those listed in the United States and Hong Kong, are not commonly used in Taiwan. It is rare for investors to pay for advice regarding ETF investments. However, in 2021 the market saw the launch of the first robo-adviser, which is fee-based and uses ETFs as building blocks in investment portfolios. There is no local tax regulation that makes the use of ETFs financially unattractive; ETFs are generally treated similarly to other funds with respect to taxation.

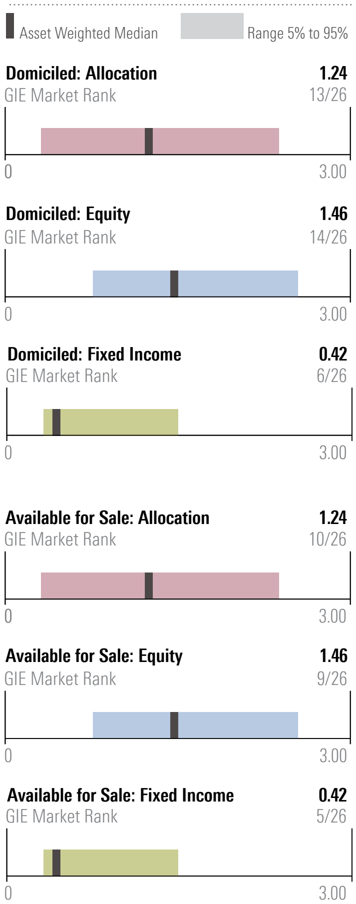
Thailand Fees and Expenses

Fees and Expenses Grade
Average

Asset-Weighted Medians

Domiciled	%	Available for Sale	%
Allocation	1.24	Allocation	1.24
Equity	1.46	Equity	1.46
Fixed-Income	0.42	Fixed-Income	0.42

Fees and Expenses Detail



ETF Usage

L M H

Thailand's grade for Fees and Expenses falls to Average in this year's study. The Thai fund market is dominated by domestic asset managers, and therefore the asset-weighted medians are the same for locally domiciled funds and funds available for sale in Thailand. Thai investors remain unable to purchase funds without trail commissions, and investors paying for advice outside of commissions and expenses is rare. Asset-weighted medians are broadly competitive, as the allocation, equity, and fixed-income fund medians are 1.24%, 1.46%, and 0.42%, respectively.

In Thailand, sales loads are stated in a fund's simplified prospectus, also known as a fact sheet. The stated loads include disclosure of the maximum and actual charges, which are non-negotiable. Funds with no loads are accessible to Thailand-based investors. Fixed-income funds, which represented 37% of Thailand's open-end fund industry as of December 2021, usually do not charge front loads.

However, funds without trail commissions do not exist in an open-end format for retail investors. Thai investors generally pay for management, registrar, and custodian fees. As banks dominate sales channels, trailer fees are often embedded in the total cost that investors pay when purchasing a fund, and the amount is not officially disclosed.

Funds in Thailand can charge performance fees, and the fee calculation method and appropriate benchmark should be clearly identified. The performance fee is symmetrical, which is also known as a fulcrum fee. Although asset managers can charge performance fees, this practice is not actively implemented for retail open-end funds in Thailand.

The Securities and Exchange Commission of Thailand has been launching various regulatory projects since 2020. The project pipeline includes a new fund fact sheet format and adjustments on fee disclosure. It is the SEC's intention that investors be provided with the necessary fee and expense information of a fund. The new fact sheet format is expected to become effective in mid-2022.

It is not common for retail investors to use locally listed exchange-traded funds in Thailand. As of August 2021, the total net assets of ETFs made up just 0.40% of the fund market, according to Morningstar Direct. ETF transactions' value in 2021 only accounted for 0.02% of the market's overall turnover, according to the Stock Exchange of Thailand. Retail investors can trade global stocks and ETFs via specific broker accounts, but this is not common. Additionally, some Thai mutual funds have investment policies of having foreign ETFs as master funds. In 2021, a Singaporean robo-adviser expanded to Thailand offering a fee-based robo advisory service using ETFs as building blocks in investment portfolios. This has offered a channel for retail investors to pay for ETF investment advice. There is no local tax regulation that makes the use of ETFs financially unattractive.

United Kingdom Fees and Expenses

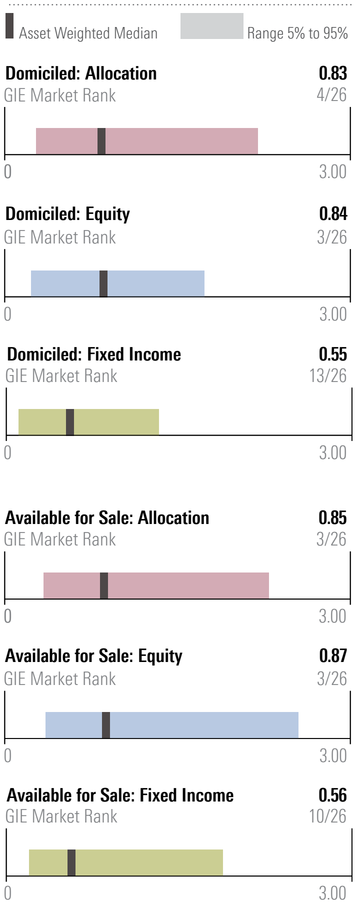
Fees and Expenses Grade

Above Average

Asset-Weighted Medians

Domiciled	%	Available for Sale	%
Allocation	0.83	Allocation	0.85
Equity	0.84	Equity	0.87
Fixed-Income	0.55	Fixed-Income	0.56

Fees and Expenses Detail



ETF Usage

L M H

The United Kingdom earns an Above Average Fees and Expenses grade. Its asset-weighted median fees are among the lowest in this study and are backed by investor-friendly regulation, such as the banning of front loads as a means of paying commissions to distributors and the separation of advice fees from embedded ongoing charges. UK-domiciled funds carry median expenses of 0.83% for allocation, 0.84% for equity, and 0.55% for fixed income.

Despite leaving the European Union, the UK's laws still conform to EU directives, including UCITS V and MiFID II. Individual investors have the choice to invest in locally domiciled funds as well as UCITS funds operating under the FCA Temporary Permissions Regime. The expense ratios of funds domiciled in the UK are lower on average than those domiciled outside the UK.

In the UK, under the rules generated by the Retail Distribution Review, which came into effect in January 2013, most investments now flow into share classes that are free of sales charges and ongoing trail commissions. An exception is made for restricted advisers who elect to offer only 'basic advice,' although here strict disclosures are mandated. The RDR also mandated that investors pay for advice as a separate fee instead of through loads and embedded trail commissions. So, it is now commonplace for investors to pay a fixed fee or percentage of assets to an adviser directly for investment advice. This also resulted in the mass creation of share classes that investors can purchase without paying a load or retrocessions, as well as the opening of some institutional share classes to retail investors with minimum investment amounts waived. Some share classes still report the ability to charge a front load, but these are usually a legacy issue rather than an actual deduction of money from an investment. Legacy assets invested in retrocession-led share classes still exist, but retail platforms have made efforts to switch investors into unbundled share classes. Investors also typically pay charges when investing in funds via retail platforms, usually in the range of 0.20% to 0.45%.

Funds are permitted to charge performance fees that are asymmetric, meaning the fees increase in the case of outperformance but do not decrease in the case of underperformance. However, there are instances of fund groups in the UK trying something different, such as fulcrum fees, where investors pay less when a fund underperforms. However, the terms of performance fees are frequently too complex for a typical investor to accurately estimate total expenses including performance fees.

While exchange-traded fund usage among retail investors is low in the UK, there is no distinction in the tax regulation between open-end funds and ETFs that have reporting status in the UK. If an ETF does not have reporting status, then any capital gains will be taxed at an individual's income tax rate and not subject to capital gains tax and the annual capital gains tax exemption allowance, making them less tax-efficient. Historically, retail investors in the UK have tended to use index-tracking funds

United Kingdom Fees and Expenses (continued)

Fees and Expenses Grade
Above Average

for passive exposure rather than ETFs, given the former have been available for many years on platforms. This is gradually changing through the emergence of robo-advisers that make significant use of ETFs. There is a wide choice on investment platforms encompassing ETFs domiciled in different European jurisdictions. ETFs listed on the London Stock Exchange are not subject to UK stamp duty, but given their stocklike characteristics, trading ETFs will incur expenses such as brokerage commissions and bid-offer spreads.

United States Fees and Expenses

Fees and Expenses Grade

Top

Asset-Weighted Medians

Domiciled	%	Available for Sale	%
Allocation	0.58	Allocation	0.58
Equity	0.63	Equity	0.63
Fixed-Income	0.43	Fixed-Income	0.43

Fees and Expenses Detail

Asset Weighted Median Range 5% to 95%

Domiciled: Allocation **0.58**
GIE Market Rank 2/26

Domiciled: Equity **0.63**
GIE Market Rank 2/26

Domiciled: Fixed Income **0.43**
GIE Market Rank 8/26

Available for Sale: Allocation **0.58**
GIE Market Rank 1/26

Available for Sale: Equity **0.63**
GIE Market Rank 1/26

Available for Sale: Fixed Income **0.43**
GIE Market Rank 6/26

ETF Usage

L M **H**

The United States again receives a Top grade for Fees and Expenses, driven largely by low asset-weighted median expenses across asset classes, from 0.43% on fixed-income funds to 0.58% and 0.63% for allocation and equity funds, respectively. These low expense ratios for allocation and equity funds translate to top rankings for the US among markets in this study when considering available-for-sale funds in these asset classes. The US also benefits from the mostly organic growth of its fee-based advice market and the broad availability of no-load, no-trailer share classes for do-it-yourself investors.

In the US, front loads and trail commissions are still relevant and not directly influenced by the Securities and Exchange Commission, but market forces have driven investment away from share classes that employ those traditional fee arrangements. When investors work with a commission-based sales agent, loads and breakpoints are stated and non-negotiable, but load waivers based on cumulative investment are common. That said, per Morningstar's US fund fee study published in August 2021, these share classes have been in aggregate outflows for the past 10 years and are becoming less relevant.

In recent years, investors have migrated to fee-based advisers (paying the adviser for advice directly, uncoupled from loads and trail commissions), and advisers themselves have been reconsidering such transaction-based models. Now, fee-based arrangements constitute the majority of retail fund assets in the US. In addition, it is quite common for investors to forgo advice entirely and invest directly in funds without loads or commissions. So-called "no-load" funds are widely available and represent a significant portion of investor assets.

Similarly, investors may purchase domestically listed exchange-traded funds, which lack the minimum investment requirements of open-end funds and feature prominently in digital advice solutions, such as robo-advisers. ETFs are accessible and highly utilised in the US market via fee-based and self-directed investment. While ETFs are frequently associated with passive management, some US ETFs employ active management, further eroding the distinction between traditional open-end mutual funds and ETFs in this market. ETFs in the US tend to be more tax-efficient than traditional open-end mutual funds owing to their more regular use of in-kind redemptions.

While hundreds of asset managers operate in the US market, Vanguard is worth mentioning for its influence on the fee landscape. Offering predominantly passive strategies and operating at enormous scale in a mutual ownership structure, the firm routinely offers investments at prices well below the norm. The asset-weighted average expense ratio across the firm's open-end and exchange-traded

United States Fees and Expenses (continued)

Fees and Expenses Grade
Top

funds together was just 0.09% as of 31 Dec 2020. Fee competition in the US market has further benefited fund investors, as other large asset managers have matched or undercut Vanguard's pricing of certain core index strategies.

However, the broader trend toward creating mutual fund "clean shares" that include only management expenses lost significant momentum when the US Labor Department's efforts to introduce a fiduciary rule in 2017 fizzled out. More recently, asset managers have been opting to launch ETF replicas of existing strategies and/or converting some of their mutual funds to ETFs. ETFs are, for all intents and purposes, the original clean shares.

The US is one of the few markets in this survey to require that any performance fees paid to fund advisers include a symmetrical reduction in fees for underperformance, also known as fulcrum fees. In practice, though, few funds in the US assess performance fees. Where such fees do exist, the terms are disclosed in the financial documents, though these can be complex.