

**PRESS RELEASE**

**[CHECKYOURFUND.EU](http://www.checkyourfund.eu) GOES LIVE – RESULTS OF CLOSET INDEXING STUDY NOW SEARCHABLE ONLINE**

**22 February 2017** – A little more than a week ago, Better Finance announced the results of its replication of the ESMA investigation into Closet Indexing. Following up on this announcement, today Better Finance launches [www.checkyourfund.eu](http://www.checkyourfund.eu), allowing stakeholders and individual investors to go through the results of the research and, in some cases, find out whether their investments are potentially falsely active according to the ESMA criteria. The database of the 2332 available funds is easily searchable by simply entering a fund's ISIN code.

Whereas not constituting a fully comprehensive and conclusive analysis of closet indexing in Europe, the searchable database can be an important tool for individual investors seeking to avoid detriment and a first step in the identification of closet trackers.

**Background**

Following years of persistent failure by the majority of fund managers to outperform capital markets, the evidence in favour of index investing - also known as “passive management” - is building up.

Indeed, actual results tend to demonstrate that with high fees, scarce talent and intense competition, it is almost impossible for active managers as a whole to outperform the market in the long-term.

Some fund managers turned to indexing and several financial institutions have steadily reduced fees by offering and promoting exchange-traded funds (ETFs) that track indices, offering a better deal in the long-term than most “active” funds. Other managers have started resorting to practices such as “index hugging”... This allows them to limit the risk of underperformance by clinging to an index but without advertising the fact that, for all intents and purposes, they are charging “active management” fees for what is essentially passive management.

The practice of “closet indexing” is very misleading and the promotion and distribution of such funds causes substantial detriment because the investor is paying for a service that he or she is not receiving.

**Findings**

Better Finance replicated the ESMA study on closet indexing and found that 57% of the 2332 UCITs funds it was able to investigate using the ESMA sampling criteria escape scrutiny because of a lack of available information. Of those it was able to investigate, 16 % (165 funds in total) displayed characteristics that flag them as potential closet index funds based on the ESMA metrics.

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