

# Savings & Investments Union

Improve EU economy funding and address the pension gap

## Analysis and Key Actions

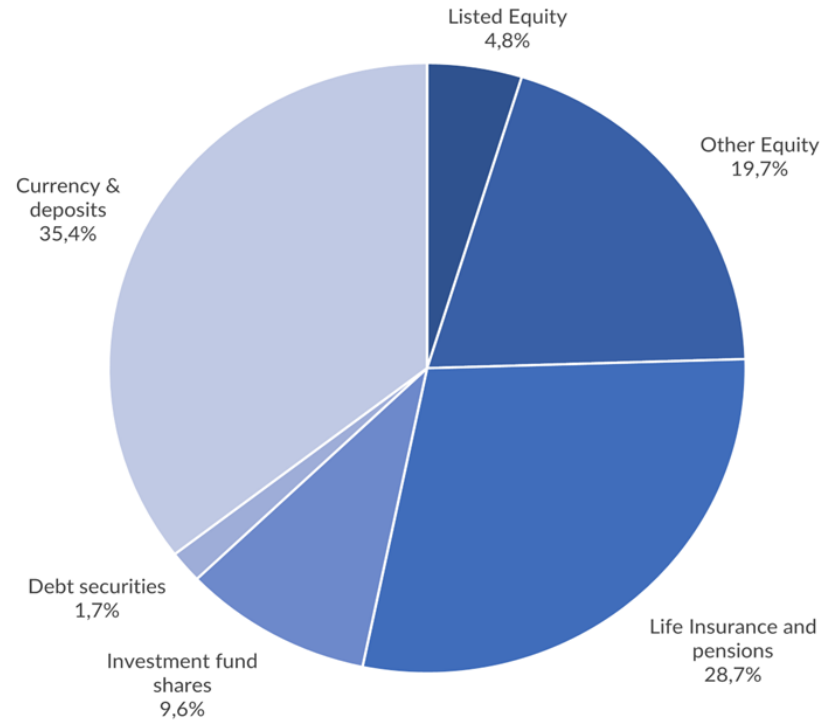
ESMA MSG Meeting – 14 February 2025



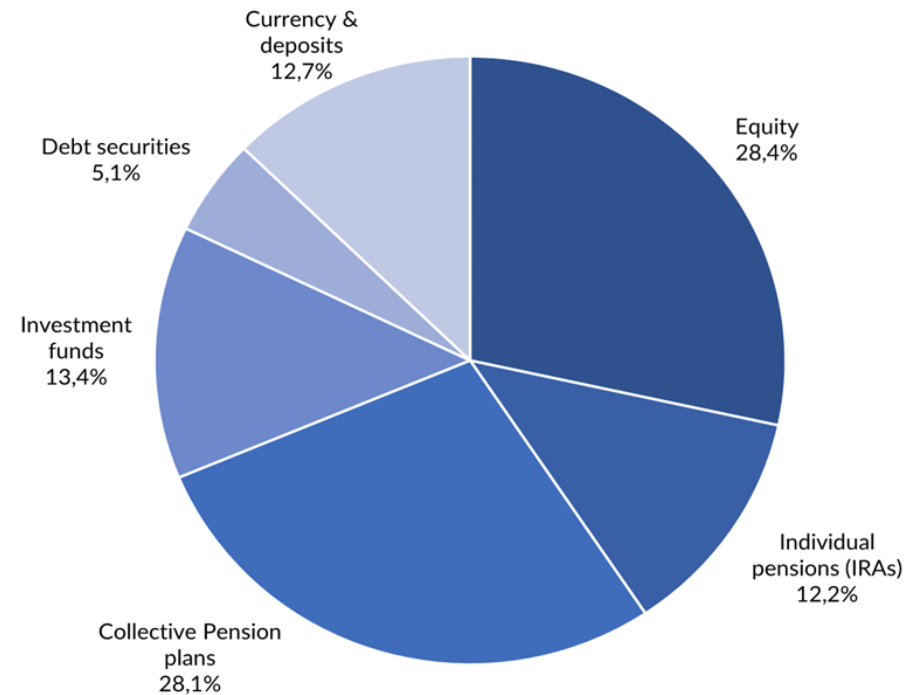
The European Federation of Investors and Financial Services Users  
Fédération Européenne des Épargnants et Usagers des Services Financiers

# European financial sector is much less effective in allocating savings to the real economy

Allocation of households' financial assets in the EU (end-2022)



Allocation of households' financial assets in the USA (end-2023)



# PENSION SAVINGS PRODUCTS FROM FRANCE, BELGIUM , GERMANY AND THE USA (last 8 years) :

Real and widespread cases 2016-2023

Pension saving Products	Nominal revaluation*	Inflation Belgium	Real revaluation = Change in purchasing power	Equity Allocation	Total expenses TER
<b>French</b> (personal pension)	-7%	+28%	-27%	11%	?
<b>Belgian</b> (occ. Pension)	+16%	+28%	-9%	?	?
<b>German</b> (Riester rente)	wip		wip		
<b>US</b> (IRA)	+89%	+28%	+48%	68%	0,07%
<b>Europe capital markets**</b>	+29%	+28%	+1%		
<b>Europe stock markets</b>	+66%	+28%	+30%		
<b>World Stock markets in €</b>	+125%	+28%	+77%		

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\* retiring at age 65 from 2026 on

\*\* 50% stock/50% bond rebalanced annually



Info not disclosed to the average individual investor, and difficult to dig out / compute

?

Info not even accessible to BETTER FINANCE research

# MISSING KEY INFORMATION IN THE REGULATORY KEY INFORMATION DOCUMENTS FOR INDIVIDUAL INVESTORS, making it impossible to compare with capital markets' perf and risk

- **Nominal performance track record** (in particular over the time horizon of the investment product)
- **Inflation and real performance** (= purchasing power evolution) track record
- **Comparable benchmark** / investment objective track record (the investment objective itself is often missing or not clearly identifiable)
- Actual or targeted **Asset allocation** of the product
- Actual and comparable **Total expense ratio** (actual total annual charges as a % of assets)

# Savings & Investment Union

Investor information,  
education & empowerment

Best EU policy action to educate and empower EU long-term savers, to boost equity investments, competitiveness and pension adequation

**Step 1:** Urgently review the PRIIPs Key Information Document (KID)

« The triumph of pseudo science over common sense » (Pr. J. Kay).

Reinstating actual LT performance of product and of benchmark, actual full annual cost ("TER"), and an adequate risk scale taking into account the time horizon.

**Step 2:** Sponsor an independent online database of investment products and comparison tool

Example: the Norwegian public "FinansPortal", which feeds many online comparison tools.

**Results:** Positive impact on investors and the EU economy

EU LT savers finally get relevant and comparable key information on performance of investment products.

They switch to simpler, more cost efficient, better performing products, closer to equity markets and investee companies.

The EU economy benefits with much more equity investments, in particular for SMEs.

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1. **Go back to at least 10 year (or life of product if shorter) actual net performance alongside the performance of the benchmark chosen by the manufacturer** (BF and ESMA work show that the vast majority of investment funds and PRIIPs have an explicit or implicit benchmark, by default use inflation)
2. **Histogram of performance** by year (back to UCITS Regulation KIID) and cumulative over max period.
3. **Add real performance disclosure** to the nominal one, or at the very least add annual and cumulative inflation
4. **Back to actual full annual cost** (like in UCITS Regulation KIID)
5. **Consider the time horizon in the risk scale** (e.g. Money Market Funds are a very risky asset for a retirement time horizon but constitute more than 20% of French DC pension plans assets)
6. **Ensure all personal pension products are in scope** (including "individual" occupational pension/ones (DC plans where employee contributions are flexible at the choice of the employee))

# Savings & Investment Union

## Investor information

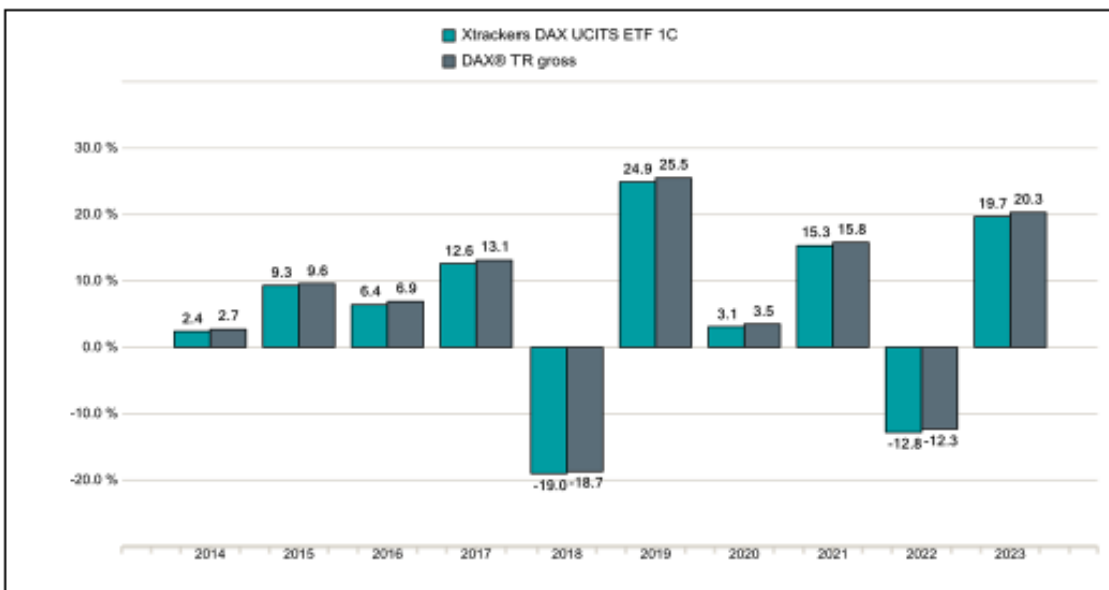
Display of performance data in the KIID (Key Investor Information Document) versus in the KID (Key Information Document), example of the performance of the Xtrackers German DAX index ETF UCITS fund.

### KIID



#### Past performance

This chart shows the Xtrackers DAX UCITS ETF 1C performance as the percentage loss against its benchmark.



### KID



#### Performance Scenarios

What you will get from this product depends on future market performance. Market developments in the future are uncertain and cannot be accurately predicted. The unfavourable, moderate and favourable scenarios shown are illustrations using the worst, average and best performance of the product over the last 10 years. Markets could develop very differently in the future.

Recommended holding period: Example Investment:		5 years 10,000 EUR	
		If you exit after 1 year	If you exit after 5 years
Scenarios			
Minimum	There is no minimum guaranteed return. You could lose some or all of your investment.		
Stress	What you might get back after costs Average return each year	1,260 EUR -87.4 %	1,060 EUR -36.1 %
Unfavourable	What you might get back after costs Average return each year	7,900 EUR -21.0 %	8,130 EUR -4.1 %
Moderate	What you might get back after costs Average return each year	10,560 EUR 5.6 %	12,590 EUR 4.7 %
Favourable	What you might get back after costs Average return each year	15,040 EUR 50.4 %	15,700 EUR 9.4 %

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Investor  
information

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**Simplify and shorten the KID  
by looking at the US mutual  
fund summary prospectus  
and at the short-lived but  
much better EU UCITS KIID.**

### SIMPLIFICATION - COMPETITIVITY

Investment fund	Word count
<b>Vanguard European Stock Index Fund</b> Summary Prospectus US domiciled fund – format required from 2009	1453
<b>Vanguard European Stock Index Fund</b> KID EU domiciled fund – format required from 2022 on	2190
<b>Vanguard European Stock Index fund</b> KIID EU domiciled fund – format required from 2011 - † 2022	1524

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# Savings & Investment Union

## Competitiveness

The EU Economy and investors badly need **a total EU stock market fund**

Largest Total Equity Index fund		
	US total equity	Europe total equity
Number of companies	3704	600
Smallest market cap	USD 15 million	EUR 1400 million
Size (AuM)	USD 1 600 billion	EUR 8 billion
10 year return as of mid 2024	+213%	+98%
Annual expense ratio	3 bps	7 bps

# Savings & Investment Union

## Competitiveness

The EU Economy and investors badly need **a Total EU stock market fund (ETSM)**

### ADVANTAGES

- The EU has only two true Pan-European retail investment products: listed stocks and UCITs funds  
ETSM is only one of these already existing, well known and rather simple Pan-European UCITs funds.
- Looking at the success of the US equivalent, the potential is huge
- It would bypass at least two of the current hurdles to develop investments into small and mid caps:
  - Current such investments mostly on a national basis, very rarely cross-border
  - Current “active” fund investments are limited by the insufficient research available on small and mid cap, especially cross-border
- It would tremendously help the private equity investment in Europe, while remaining much safer for retail investors as an entirely listed and liquid product providing an additional and large pool of funding for private equity exit strategies.
- It does not require any new EU or Member State-level regulations.
- An additional advantage could be a Member States’ tax incentive for long term investment products into European equity (“Noyer” Report from last Spring).

### MANAGEABLE CHALLENGES

- Lack of liquidity of small caps. But effective (minimal tracking error) expertise in smart sampling those . Even when doing that instead of 100% full replication, many portfolio investments in the USD 15 to 50 million market cap range
- The current lack of a very broad EU equity Index like the US CRISP
- Seed money

# Savings & Investment Union

Address value and **Competitiveness** of the European Fund Industry

Active UCITS equity fund management delivered only a small fraction - one sixth at best - of the performance of its investment universe:  
+8% over five years versus +53%

€ 10.000 investment real value after 5 years		
2019-2023		
UCITS non-ETF Equity funds	direct	10.844
UCITS non-ETF Equity funds	unit-linked	10.413
UCITS ETF equity funds	direct	12.131
MSCI World equity index in €		15.273
ESMA "hypothetical Portfolio"		10.614
Actual French unit-linked Portfolio		9.051
Sources: ESMA, France Assureurs		

-> BETTER FINANCE (sept. 2024): merge the EU index management leaders "*or face slow agony*" (Draghi)

-> Enrico Letta (ESMA 5/02/2025 Conference): "*we need an Airbus of asset management* "