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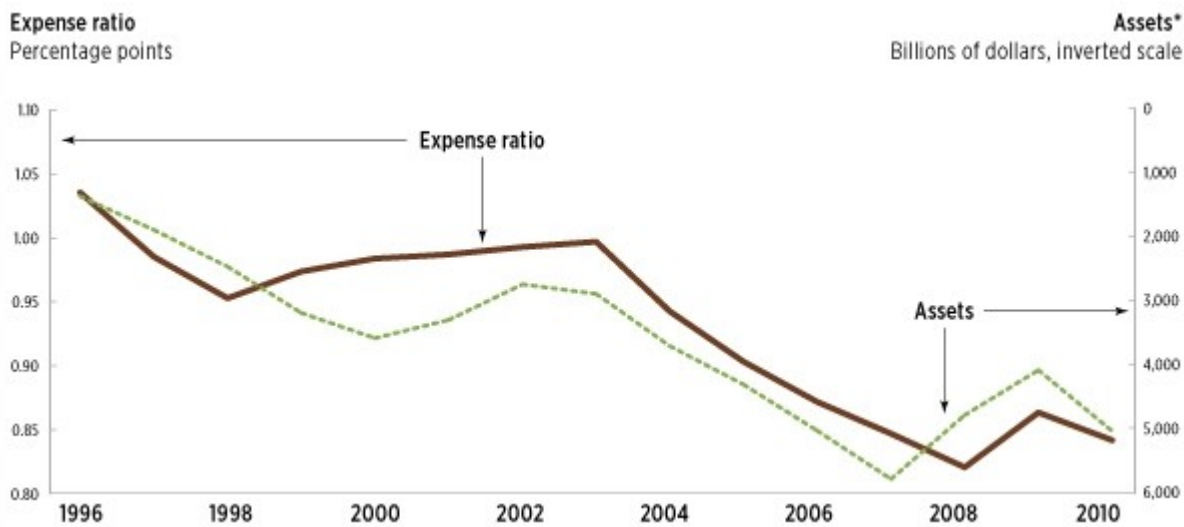
Washington, DC, March 24, 2011 - Mutual fund investors in 2010 paid lower average expense ratios in stock funds, but bond fund expense ratios remained unchanged, according to an annual ICI report on fund fees and expenses. The expense ratio is a fund's total annual expenses expressed as a percentage of a fund's net assets.

The ICI study shows that the asset-weighted average expense ratio for stock funds fell from 86 basis points in 2009 to 84 basis points in 2010. The asset-weighted average expense ratio for bond funds stayed the same, at 64 basis points. A basis point is one one-hundredth of a percentage point; 100 basis points equal 1 percent.

Stock Fund Expense Ratios Drop as Assets Rise

According to the annual ICI study, *Trends in the Fees and Expenses of Mutual Funds, 2010*, the decline in stock fund expense ratios is not unexpected given recent stock market developments. Excluding variable annuities and funds of funds, the net assets of stock funds rose from \$4.7 trillion in December 2009 to \$5.4 trillion in December 2010, a 15 percent increase. As seen in the chart below, which plots fund asset levels as a two-year moving average, mutual fund expense ratios often vary inversely with fund assets, as fixed fund expenses are spread across a larger asset base.

Stock Fund Expense Ratios Are Related to Stock Fund Assets



**Assets are the total net assets of equity and hybrid funds. Figure excludes assets of mutual funds available as investment choices in variable annuities and mutual funds that invest primarily in other mutual funds. Assets are plotted as a two-year moving average.*

Sources: Investment Company Institute and Lipper

Bond Fund Expense Ratios Remain Steady Due to Two General Investing Trends in 2010

Bond funds also experienced strong asset growth in 2010, rising 18 percent during 2010 to a year-end total of \$2.6 trillion. But the average expense ratio for bond funds remained unchanged from 2009 to 2010.

“While we saw strong growth in the bond market in 2010, those expense ratios stayed flat due to two reasons: investors moved more assets into global bond funds, which tend to have higher expense ratios, and into funds that use a unified fee structure, in which fees are a constant percentage of fund assets. Given these trends, it’s not surprising to see bond fund expense ratios bucking the typical inverse relationship between asset growth and expenses,” said ICI senior economist Sean Collins.

Money Market Funds Expense Ratios Drop, Reflecting Low Interest Rates and Fund Fee Waivers

The average fees and expenses of money market funds fell 7 basis points in 2010, to 26 basis points from 33 basis points in 2009. Expense ratios on money market funds fell in 2010 because there was a sharp increase in the number of funds waiving expenses to ensure that net returns to investors remained positive in the face of very low interest rates. If and when short-term interest rates rise from their current historic lows, advisers may reduce or eliminate waivers, and money market fund expense ratios could rise.

Other Key Findings About Average Fees and Expenses Include:

- On average, fees and expenses incurred by investors in long-term mutual funds declined in 2010. Fees and expenses include the annualized cost of one-time load fees paid by investors in addition to the fund's expense ratio. Stock fund investors on average paid 95 basis points (or 95 cents for every \$100 in assets invested) in fees and expenses—3 basis points less than in 2009. Bond fund fees and expenses declined by 1 basis point, to 72 basis points.
- Lower load fee payments by investors reduced overall fees and expenses. In 2010, the average maximum sales load on stock funds offered to investors was 5.3 percent. But the average sales load investors actually paid was only 1.0 percent, due to load fee discounts on large purchases and fee waivers from purchases through 401(k) plans.

About Mutual Fund Fees and Expenses

Mutual fund investors typically pay two types of fees and expenses: 1) sales loads, which are one-time fees investors pay at purchase or sale of the fund and 2) fund expenses, which cover operating costs such as portfolio management, fund administration and compliance, shareholder services, recordkeeping, and distribution charges. Fund expenses are paid out of fund assets.

ICI Methodology

The Institute's unique annual study evaluates fee trends using a comprehensive measure of the major fees and expenses that shareholders pay for investing in mutual funds. ICI's methodology includes adding a fund's annual expense ratio to an estimate of the annualized cost that investors pay for one-time sales loads. ICI uses asset-weighted averages to summarize the fees and expenses that shareholders actually pay through mutual funds. In this context, asset-weighted averages are preferable to simple averages, which would overstate the fees and expenses of funds in which investors hold few dollars.

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