



NEWS RELEASE

MiFID II, the Financial Services Consumer Panel and the planned disclosure of fund transaction fees - Fitz Partners brings measurable evidence to the debate.

London, 17 November 2014. Fitz Partners has produced its second edition of Portfolio Turnover and Trading Fees analysis for funds domiciled in the UK.

Hugues Gillibert, Chief Executive Officer of Fitz Partners commented, "According to our calculations covering over 800 UK funds and based on asset managers audited accounts, the impact of trading fees remains significant. However on average, they are still well under the level of management fee and nothing like doubling the total fund expenses or Ongoing Charges, as has sometimes been predicted.

"Hopefully our work will bring some substance to the current discussions currently taking place in the UK and in Europe as to what the impact of MiFID II might be in terms of fund fee disclosures and in particular whether fund transaction fees should be made available to investors alongside other fees."

In the Netherlands, and also in the UK following a latest report from the FCA's Consumer Panel, the fund cost discussion has moved even further with the probable introduction of a new cost measure best described as a 'total cost of ownership' adding transaction fees among other costs to the Ongoing Charge Figure (OCF).

The Ongoing Charge, which is a reflection of a fund operating fee structure that has been mostly engineered, would generally be stable enough to be part of an investment decision process. On the other hand, trading fees are in essence entirely backward looking and could reflect, for a large part, past market conditions. Hence, last year's level of trading fees might

not be an accurate proxy for future years unless the fund shows consistent levels of portfolio turnover year on year.

Hugues Gillibert added, “There is a fundamental difference between trading fees and Ongoing Charges and although we believe it is right to offer visibility on both fees, they should not really be stacked up on one another. Trading fees should be measured relative to the fund’s return and not in isolation. Has the investment advisor been adding value through his or her trading and can this be replicated in the future, this is what really matters.”

Most articles written on the subject of trading fees are usually referring to outdated assumptions of what the impact of trading fees might be on the return of a fund. The table below describes the asset weighted averages or straight averages of trading fees currently charged to UK domicile funds for a selection of IMA sectors. As expected Emerging Market and UK Small Companies sectors show the highest level of average trading fees at 34 and 32 basis points respectively although the fees drop to 20 and 23 basis points when considering weighted averages. Global Equity and North America Equity shows the lowest weighted average trading fees at 14 and 13 basis points respectively.

Hugues Gillibert commented, “An average trading fee level of 13 or 14 basis points does not seem over the top when considering the upside of investing in global or US equities, although as low as it can be, it must produce a level of return exceeding investors’ expectations.”

IMA Sectors	Wght Avg PTO%	Straight Avg PTO%	Wght Avg Trading Fee%	Straight Avg Trading Fee%
Asia Pacific Excluding Japan	42.25%	57.41%	0.21%	0.31%
Europe Excluding UK	63.47%	78.89%	0.18%	0.22%
Global	49.33%	59.05%	0.14%	0.18%
Global Emerging Markets	34.84%	55.47%	0.20%	0.34%
Japan	40.21%	71.87%	0.09%	0.13%
Mixed Investment 20-60% Shares	48.14%	48.63%	0.09%	0.11%
North America	68.35%	75.03%	0.13%	0.13%
Specialist	89.29%	97.08%	0.20%	0.31%
UK All Companies	28.70%	41.11%	0.17%	0.30%
UK Equity Income	21.60%	36.59%	0.16%	0.28%
UK Smaller Companies	33.12%	37.60%	0.23%	0.32%

Source: Fitz Partners Ltd
ENDS

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Notes to the editors:

Fitz Partners background

FITZ Partners is an independent London-based fund research company specialising in detailed fund fees & expenses calculations and unique fee benchmarking references. The management team have built their unique expertise in fund fees & expenses during a combined 45 years of experience in this sector, first with Fitzrovia International and subsequently with Lipper a Thomson Reuters company.

Hugues Gillibert

A pioneer in fund cost calculation in Europe, from 1996, Hugues developed Fitzrovia International alongside Paul Moulton before selling their well-respected business to Lipper. After 4 successful years as Head of New Ventures at Thomson Reuters, Hugues setup FITZ Partners.

Under his leadership as a Director of Fitzrovia International, his data team made over 350,000 TER calculations based on a consistent methodology, covering over 55,000 funds worldwide. He has supported Working Groups on fund expenses for both INREV and ALFI, and spoken at diverse Thomson Reuters asset management events.

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