

**INVESTMENT SAVINGS & INSURANCE ASSOCIATION OF NZ
INC**

STANDARD

FOR

**CALCULATION AND
DISCLOSURE OF FEES
AND EXPENSES**



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Version 1.4

November 2010

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ISI STANDARD FOR DISCLOSURE OF FEES AND EXPENSES

Version 1.4 – November 2010

1.0 INTRODUCTION

- 1.1 This Standard deals with disclosure to retail investors of the on-going fees and recovered expenses of an unlisted collective investment.
- 1.2 The rules in this Standard appear in bold type, with explanatory or interpretative paragraphs in standard type.
- 1.3 Some of the terms used in this Standard are given specific meanings in section 7.0.
- 1.4 The law prevails in any situation where there is conflict between this Standard and the law.

2.0 APPLICATION

2.1 This Standard applies to:

2.1.1 each Fund in relation to participatory securities, units in a unit trust, KiwiSaver schemes or interests in a superannuation scheme of which a Member is the issuer or a promoter and where an Investment Statement and/or Prospectus are on offer to the public; and

2.1.2 each investment fund in relation to investment-linked life insurance policies of which a Member is the issuer or a promoter and where an Investment Statement and/or Prospectus are on offer to the public;

but excluding:

- **any scheme in relation to securities that are listed on any stock exchange**
- **any Occupational Superannuation Scheme**

- **any crediting rate fund, and**
- **any fund that recovers expenses via margins rather than underlying fees.**

- 2.2 This Standard does not apply to conventional, investment account or other 'bundled' life insurance policies.
- 2.3 This Standard does not apply to "wrap" accounts or other custodial services that are not securities in their own right but a TER should be calculated for each Fund within the wrap.
- 2.4 In the case of an Umbrella Fund (for example, a master trust), where the returns to investors are calculated by reference to a particular scheme or investment fund this Standard applies to each such scheme or investment fund.
- 2.5 No Member shall disclose fees and charges for a Fund in an Investment Statement or Prospectus other than in accordance with this Standard.**

3.0 PURPOSE

3.1 The purpose of this Standard is to:

- 3.1.1 require each Fund to disclose fees and charges to prospective retail investors in accordance with this Standard in all Prospectuses and/or Investment Statements issued after 1 April 2011; and**
- 3.1.2 specify the procedure to be followed in calculating fees and charges in accordance with this Standard; and**
- 3.1.3 provide guidance for the application of the rules in this Standard.**

4.0 PRESENTATION, STRUCTURE AND FORMAT OF DISCLOSURE

4.1 A Member, for every Fund in relation to securities of which the Member is the issuer or a promoter, must ensure that the Total Expense Ratio (“TER”) is calculated in accordance with the methodology set out in Appendix One of this Standard and disclosed in the relevant section of the Prospectus in accordance with the example set out in Appendix Two of this Standard.

4.2 A Member, for every Fund in relation to securities of which the Member is the issuer or a promoter, must ensure that an example of annual fees and expenses and associated notes as set out in section 6 of this Standard is disclosed in the relevant section of the Investment Statement for the Fund

4.3 A Member, for every Fund in relation to securities of which the Member is the issuer or a promoter, may also choose to disclose and should refer to the Investment Fund’s TER under the heading “What are the charges?” in the Investment Statement.

5.0 DISCLOSURE OF THE INVESTMENT FUND TER

5.1 The Investment Fund TER must be disclosed in the relevant section of the Fund’s Prospectus for all current investment funds.

5.2 New Funds are not required to calculate an Investment Fund TER until their next financial year-end. If a new Fund has been operating less than twelve months at its next financial year-end an Investment Fund TER should not be disclosed.

5.3 There is no requirement for calculation or disclosure of an Investment Fund TER for Funds that do not have a registered Prospectus.

5.4 There is no requirement for the Investment Fund TER to be disclosed in the Fund’s Investment Statement but the Investment Statement must state that the Investment Fund TER is disclosed in the Prospectus.

5.5 An example of Investment Fund TER disclosure is given in Appendix Two.

6.0 EXAMPLE OF ANNUAL FEES AND EXPENSES for Investment Statement

Choosing an Adviser			
Example-the Balanced Investment Option	Rate % (E.G.)	Rate \$ (E.G.)	Balance of \$10,000 with a contribution of \$1,000 paid during the year
Negotiable adviser fee (if applicable)	0-5%		\$0 to \$500 depending on what adviser fee (if any) has been negotiated between the investor and the adviser at the time the initial \$10,000 investment was made.
EQUALS the cost of advice (if applicable)			\$0 to \$500
Choosing a Provider			
Initial/Entry Fee (if applicable)	0%		\$0
PLUS contribution fee (if applicable)	0-4%		For every additional \$1,000 you put in, you will be charged between \$0 and \$40
PLUS Monthly Member Fee (if applicable)		\$36 p.a.	\$36
PLUS Withdrawal Fee (if applicable)	0%		\$0
PLUS Exit Fee (if applicable)	0%		\$0
EQUALS the Provider costs			\$36 - \$76
Choosing a Fund¹			
Annual Management Fee	0.8%		For every \$10,000 you have in the Fund you will be charged \$80 each year
PLUS: Operating and Administration expenses ²	0.4%		\$40 for every \$10,000 you have in the Fund
PLUS: Underlying Fund TERs (if applicable) ³	0.33%		\$33 for every \$10,000 you have in the Fund
EQUALS the Fund Total Expense Ratio	1.53%		\$153 per year
<p>In this example, if you had an investment of \$10,000 at the beginning of the year and you put in an additional \$1,000 during that year, you would be charged fund related fees of \$153 and provider fees of between \$36 and \$76. What it costs you in total will depend on the investment option you choose and whether you have agreed to pay fees for financial advice.</p> <p>This example assumes that the market value of your investment does not go up or down during the year. The example does not include expenses the fund has to pay for transactions such as the purchase and sale of securities. The operating and administration expenses used in this example are taken from the fund's previous years audited financial accounts.</p>			

¹ This is an example applicable to a Balanced Investment Option and these figures will change depending on the specific fund in which you invest. See the table in the Investment Statement for fees applicable to other funds covered by the same Investment Statement.

² Taken from the fund's latest audited financial statements and expressed as a percentage of net asset value. This does not include transaction costs or any performance fees. Where a performance fee is charged it will be disclosed separately.

³ This is the combined total expense ratios (weighted by allocation) of the fund(s) into which the Balanced Investment Option currently invests.

6.1 How to Fill in the Example of Fees and Expenses

6.1.1 *Investment option*

- (1) If the Fund does not offer an investment fund similar to a balanced investment option, the example should be based on the Fund's default investment option.
- (2) If a Fund does not have a balanced investment option or a default investment option, the example should be a fair representation of the product or investment fund, which may be the investment option under which the Fund has the most funds invested.

6.1.2 *Provider fees must be ongoing amounts*

The Provider fees stated in the example must be the typical ongoing fees that apply to investors. These will vary depending on the type of investment on offer. For example, KiwiSaver providers may charge a monthly member fee. Providers may also be charging a plan fee, a switching fee, an administration fee and a contribution fee. These fees, and any other, must be disclosed in this section of the table.

6.1.3 *Standard balance*

The working example is to be based on standard amounts of \$10,000 for the balance and \$1,000 for additional contributions, assumed to be received at the start of the year.

6.1.4 *Exit fee*

If an exit fee is charged, it must be described in the Provider section of the table based on a balance of \$10,000.

6.1.5 *Contribution fees*

- (1) The amounts of contribution fees to be inserted in the example of annual fees and expenses for a collective investment scheme are applied against a contribution of \$1,000 received at the start of the year.
- (2) If an Investment Statement and/or Prospectus relates to a Fund:
 - that is paid for by a single lump sum amount; and
 - for which no additional contributions can be madethe example of annual fees and expenses should be modified by removing references to contributions or contribution fees.
- (3) The example must be based on a balance of \$10,000;
- (4) If there is a fee paid to set up the initial contribution it should be described as the establishment fee.

6.1.6 *Withdrawal fees*

- (1) The example of a withdrawal fee must be applied against an amount of \$10,000.

- (2) In calculating the amount, contributions that may be made during the year should not be included.

6.1.7 *Operating and Administration Expenses*

Refer to Appendix One section 2 – operating and administration expenses.

6.1.8 *Annual Management fee*

The example of the annual management fee for an investment in a collective investment scheme is applied to an amount of \$10,000.

6.2 Additional Explanation of Fees and Expenses in Investment Statement

6.2.1 A Member must include in the Investment Statement under the heading “Additional Explanation of Fees and Expenses” any of the following information if it is relevant to the particular Fund or investment fund:

- (1) Where there are additional service fees disclosed, other than the investment switching fee, they should be cross-referenced to this section and additional explanation provided;
- (2) Information on performance fees, including:
 - a statement that the performance fee is a separate charge; and
 - the method for calculating the fee; and
 - the amount of the fee as a percentage of average Net Asset Value;
- (3) For tax costs – a reference to the “What returns will I get?” section of the Investment Statement;
- (4) Worked examples, if appropriate;
- (5) Description of transactional costs such as brokerage, including:
 - a description of the cost; and
 - how and when the costs are recovered
- (6) The following information about fee changes:
 - if applicable, a statement about the issuer’s right to change the amount of fees without the investor’s consent;
 - any indexation arrangements that apply;
 - the period of advance notice required for fee changes;
- (7) If the issuer has instituted a flexible charging structure, for each applicable fee, if known:
 - any maximum and when it would apply; and
 - any waiver and when it would not apply.

6.3 Fees for other Investment Funds

6.3.1 A Member must include in the Investment Statement a table in the format given in section 6.3.2 showing the fees applicable to investment funds covered by the Investment Statement, other than the one featured in the Example of Annual Fees and Expenses.

6.3.2 FEES FOR OTHER INVESTMENT FUNDS* (as at the date of this Investment Statement)

Investment Fund	Annual Management Fee	Operating & administration expenses	Underlying Fund TERs (if applicable)#	Fund Total Expense Ratio
ABC Fund				
Rate %	1.0	0.5	0.3	1.8
Rate \$	\$100	\$50	\$30	\$180
DEF Fund				
Rate %	1.2	0.5	0.3	2.0
Rate \$	\$120	\$50	\$30	\$200

*Based on a balance of \$10,000

Where applicable, this is the combined total expense ratios (weighted by allocation) of the fund(s) into which the Investment Fund currently invests.

7.0 DEFINITIONS

The following terms are used in this Standard with these meanings:

Administration fee means the monthly fee charged by the Fund’s manager for the administration of your account.

Annual management fee means the fee charged by the manager for managing the investment fund(s).

Adviser service fee means an amount that is:

- (a) deducted and paid to a financial adviser for financial product advice to a retail client or product holder about an investment; and
- (b) not included in a contribution fee, withdrawal fee, termination fee, establishment fee or management fee.

Balanced investment option means an investment fund in which there is a balanced spread of income and growth assets.

Brokerage means an amount deducted and paid to a broker for undertaking a transaction for the acquisition or disposal of a financial product.

Buy-sell spread means an amount, deducted from the investor’s contribution to cover the actual or estimated transaction costs incurred in the purchase or sale of assets by the investment fund.

Contribution fee means an amount deducted from the initial, and any subsequent, contributions made into a Fund by or for a retail client. For a unit trust it may be called an Entry or Initial fee.

Collective Investment Scheme means

- a scheme in relation to participatory securities, group investment funds, units in a unit trust or interests in a superannuation scheme; or
- an investment fund in relation to an investment-linked life insurance policy;

but excluding any scheme in relation to securities that are listed on any stock exchange.

Custodial fee means the costs for holding the assets under custody.

Establishment fee means an amount deducted for the establishment of a client's interest in a Fund.

Extraordinary expenses means costs or amounts, other than costs or fees defined in this standard, which are:

- (a) deducted from the product; and
- (b) not material to a retail client's decision to acquire, hold or dispose of his or her interest in the product; and
- (c) not expected to occur frequently.

Fund: The following definitions apply where these terms are used in this Standard:

Umbrella Fund means an investment vehicle that is used to contain multiple individual Funds such as unit trusts or KiwiSaver schemes. It may also be referred to as an Umbrella Trust or a Master Trust

Fund means the legal entity containing investors' contributions that are used to purchase investment assets. It may take a variety of forms, such as a unit trust, a superannuation scheme, a KiwiSaver scheme etc.

investment fund means the level of the Fund that has its own investment mandate, providing investment options such as "high growth" or "conservative". For a unit trust this may be the Fund level. This may also be known as an 'investment option' in the KiwiSaver context.

scheme means a superannuation scheme or KiwiSaver scheme and is equivalent to a 'Fund'.

trust means a unit trust as defined in the Unit Trusts Act 1960

Occupational Superannuation Scheme means a stand-alone superannuation scheme that is not open to the public but membership is available to the employees of a particular company or a related group of companies;

Operating and administration expenses include the following (amongst others):

- (a) in relation to a Fund – an amount payable for administering and accounting for the assets of an investment fund;
- (b) amounts deducted from a common fund by way of fees, costs, charges or expenses, including:
 - amounts retrieved by an external fund manager, or a Fund issuer; and
 - amounts deducted from returns before allocation to the investment fund;
- (c) any other investment-related expenses and reimbursements, including any associated with custodial arrangements, registry fees or trustee fees.

The following are not operating and administration expenses:

- (a) a contribution fee;
- (b) transaction costs
- (c) an additional service fee;
- (d) an establishment fee;
- (e) a switching fee;
- (f) a termination fee;
- (g) a withdrawal fee;
- (h) costs related to a specific asset or activity to produce income that an investor would incur if he or she invested directly in that asset;

Member means a member of the Investment Savings and Insurance Association of NZ Inc.

Monthly member fee means the fee charged for membership of a KiwiSaver or other superannuation scheme.

Performance, of a Fund, includes:

- (a) income in relation to the assets of the Fund; and
- (b) capital appreciation or depreciation (realised or unrealised) to the value of the Fund.

Performance fee means an amount deducted that is calculated by reference to the performance of a Fund, versus a specific performance benchmark or stated out-performance target.

Portfolio Monitoring Fee means the adviser service fee when associated with a platform.

Service fees means adviser service fees, special request fees, mortgage diversion fees and switching fees.

Special request fees means fees paid or deducted from a Fund for a request made to the manager of the Fund.

Switching fee means an amount deducted when a product holder transfers all or part of a financial product from one investment option to another.

Synthetic Investment Fund TER means a Total Expense Ratio calculated for a fund that contains assets/ holdings which themselves incur fees requiring disclosure under this Standard

A Synthetic Investment Fund TER aims to incorporate both the costs incurred within the retail fund and costs incurred by any other investment layers which exist between the investor and the lowest level assets.

Termination fee means an amount deducted on the disposal of all interests held in a Fund.

Total expense ratio means the ratio of an Investment Fund's total operating costs to its average net assets.

Transaction costs include:

- (a) brokerage;
- (b) buy-sell spread;
- (c) settlement costs);
- (d) clearing costs.

Trustee's fee means the amount paid to the Trustee for its role in the operation of the Fund accounts in accordance with the Trust Deed, or the equivalent eg Statutory Supervisor's Fee for a Group Investment Fund.

Withdrawal fee means an amount, other than a termination fee, deducted in respect of:

- (a) a withdrawal; or
- (b) the disposal of an interest in a Fund; or
- (c) a transfer.

Total Expense Ratio (TER) Calculation Methodology

1.0 Definition of the TER:

The total expense ratio (TER) of an Investment Fund is equal to the ratio of the Investment Fund's total operating costs to its average net assets calculated as according to section 3 below.

2.0 Which fee types should be included within Investment Fund TERs

The Investment Fund TER calculation should include expenses incurred within the investment vehicle/ fund which relate to services which would not otherwise be incurred by an investor holding the lowest level asset directly.

These expenses include, but are not limited to:

- Management fees
- Administration expenses (including issuing advertising material and mailing costs charged to the fund)
- Audit fees
- Trustee fees
- Payments to service providers, including the Custodian
- Legal expenses
- Asset registration fees, regulatory fees and similar charges
- Any of the above incurred within an investment or asset of the investment vehicle/ fund (see Synthetic Investment Fund TERs).
- Any expense incurred by the manager which is charged back to the investment fund, or forms part of the unit price (other than the excluded fees listed below).

Certain expense types are excluded where they are specifically disclosed separately from the Investment Fund TER, such as advisor, registry or performance fees.

Transactional expenses are excluded from the calculations as these would not be deemed as avoidable by an investor holding the lowest level asset directly.

The calculations should not include:

- Performance fees (disclosed separately)
- Unit holder entry/ exit charges or other fees paid directly by the investor (disclosed separately)
- Transaction costs, in relation to the assets of the fund, including brokerage
- Interest on borrowing*
- Payments incurred in relation to financial derivative instruments
- Any expense incurred by the manager which is not charged back to the fund.

* Note that bank fees incurred due to administration errors should be captured unless refunded to the fund by the party that caused the error.

3.0 How to Calculate an Investment Fund TER:

Each Investment Fund TER calculation will consist of the following calculations:

- A) Expenses incurred by a unit holder already expressed in percentage terms (such as Annual Management Fees) and
- B) Expenses incurred by unit holders in dollar terms (such as Audit fees).

The aim of an Investment Fund TER is to disclose a single percentage figure. To achieve this aim the fund expenses incurred in dollar terms (B) must be converted into percentage terms. This outcome is then added to the fees already expressed in percentage terms, which results in the single percentage figure.

A - Percentage term expenses:

This should consist of all fees incurred by the fund which are calculated in percentage terms versus the NAV of the fund.

If the percentage term expenses have changed during the course of the most recent financial year then the fee rates that were in effect at the end of the financial year should be used.

Percentage term expenses should be net of any rebate received and retained by the fund in relation to that expense.

B - Dollar term expenses:

The dollar term expenses are all expenses, as described above, which have been incurred by the fund in its most recent financial year.

To convert dollar term expenses into percentage terms the following calculation should be used:

$$\frac{\text{Dollar amount of expenses incurred}}{\text{Average NAV of Fund (*)}} \times 100$$

The Investment Fund TER calculation should then be:

$$\mathbf{A} \quad + \quad \mathbf{B}$$

where

A=Expenses in percentage terms, and

B=Expenses converted from dollar terms.

Decimal places:

All Investment Fund TERs should be calculated to two decimal places.

See Appendix Two for calculation examples.

4.0 Funds investing in other funds:

If the fund contains assets/ holdings which themselves incur fees which are captured under the above guidelines requiring disclosure then a fund must produce a “Synthetic Investment Fund TER”.

A Synthetic Investment Fund TER aims to reflect the amount of fees paid both in the fund which the investor holds and the underlying assets of that fund. This type of calculation is covered in detail below.

5.0 What is a Synthetic Investment Fund TER and when is it required

A Synthetic Investment Fund TER is required when there is more than one investment layer between the investor and the underlying assets.

Typical examples of this are retail unitised funds which invest into wholesale unitised funds. The unit holders within the retail fund also incur expenses within the wholesale funds.

A retail fund usually holds more than one wholesale fund and therefore a method of factoring the underlying charges (of the wholesale funds into a combined cost to the unit holders within the retail fund) must be calculated.

A Synthetic Investment Fund TER aims to incorporate both the costs incurred within the retail fund and costs incurred by any other investment layers which exist between the investor and the lowest level assets.

Each Synthetic Investment Fund TER contains the following additional calculation:

C) Fees and Expenses incurred within the underlying investments.

The Synthetic Investment Fund TER calculation should then be:

$$\mathbf{A} + \mathbf{B} + \mathbf{C}$$

where

A=Expenses in percentage terms, and

B=Expenses converted from dollar terms.

C=Expenses incurred in underlying investments

6.0 Which asset allocation factor should be used to calculate Synthetic Investment Fund TERs

The most suitable indicator, for the purpose of calculating the Synthetic Investment Fund TER is the fund’s actual exposure to the underlying investment, weighted over the period, versus other investments.

In simple terms, this translates as calculating the value of each investment, versus NAV for each valuation point within the period, and then calculating the mean average outcome over the period.

7.0 What level of effort should be made to identify expenses in underlying investments?

It can be assumed that any investment vehicle which is held as an asset of a retail fund may incur costs which could otherwise be avoided if the underlying assets were held directly.

Therefore any collective investment scheme, mutual fund, group investment fund, trust or exchange traded fund (held by the retail fund) should be requested to supply, in order of preference, its:

- Investment Fund TER
- TER
- MER or
- Management Fee rate

Note that any supplied figure may need to be adjusted by the provider of the retail fund to reflect any rebate, received and retained, from that investment by the retail fund.

There should be no need for a retail fund provider to verify the accuracy of information supplied to it from the underlying investment. It is expected that all New Zealand domiciled funds, whether deemed wholesale or retail, are able to supply an ISI standard Investment Fund TER and international funds are able to supply a TER which corresponds to their domiciled jurisdiction.

See Appendix Two for calculation examples.

EXAMPLES

Calculation Example – Investment Fund TER

XYZ fund has, as at the end of the financial year, the following percentage incurred fees:

- AMF 0.80%
- Trustee fees 0.10%
- Admin fees 0.10%

Total of percentage term expenses = 1.00%

XYZ fund has also incurred the following, dollar term, expenses over the course of the financial year:

- Audit fees \$4,000
- Legal expenses \$1,000

Total of dollar term expenses = \$5,000

The average NAV of the XYZ fund was calculated as \$1,000,000

So the first part of the calculation, for percentage term expenses was:

$$0.80 \text{ (AMF)} + 0.10 \text{ (Trustee)} + 0.10 \text{ (Admin)} = 1.00\%$$

This outcome being the combined amount of percentage based fees and no assets which contain includable fees.

The second part of the calculation is to convert the dollar term expenses into percentage terms:

$$\frac{\$5,000}{\$1,000,000} \times 100 = 0.50\%$$

XYZ fund does not hold assets which themselves incur includable expenses, therefore a Synthetic Investment Fund TER calculation is not required.

The outcomes can then be combined to form the Investment Fund TER:

$$1.00\% \text{ (A: Percentage expenses)} + 0.50\% \text{ (B: Converted dollar expenses)} \\ = 1.50\% \text{ (Investment Fund TER)}$$

Therefore the Investment Fund TER can be determined as 1.50% for disclosure purposes.

Disclosure note:

It is anticipated that when disclosing this information within the ISI prescribed format for the Investment Statement Example of Annual Fees and Expenses that the Annual Management Fee of the investment fund is subtracted from the Investment Fund TER in order to obtain the figure required for “Operating and Administration expenses”.

Calculation Example - Synthetic Investment Fund TER

ABC fund has, as at the end of the financial year, the following percentage incurred fees:

- AMF 0.30%
- Trustee fees 0.10%
- Admin fees 0.10%

Total of percentage term expenses = 0.50%

ABC fund has incurred the following dollar term expenses over the course of the financial year:

- Audit fees \$4,000
- Legal expenses \$1,000

Total of dollar term expenses = \$5,000

The average NAV of the ABC fund was calculated as \$1,000,000

So the first part of the calculation, for percentage term expenses was:

$$0.30 \text{ (AMF)} + 0.10 \text{ (Trustee)} + 0.10 \text{ (Admin)} = 0.50\%$$

This outcome being the combined amount of percentage based fees and no assets which contain includable fees.

The second part of the calculation is to convert the dollar term expenses into percentage terms:

$$\frac{\$5,000}{\$1,000,000} \quad \text{Multiplied by } 100 = \quad 0.50\%$$

Then we combine the outcomes to form the Investment Fund TER:

$$\begin{aligned} &0.50\% \text{ (A: Percentage expenses)} + 0.50\% \text{ (B: Converted dollar expenses)} \\ &= 1.0\% \text{ (Investment Fund TER)} \end{aligned}$$

However, ABC fund does hold assets which incur expenses within the holding. These are as follows:

- 10% exposure to DEF fund (DEF Fund TER of 0.50%)
- 40% exposure to GHI fund (GHI Management Fee of 0.25%)
- 50% exposure to JKL fund (JKL Fund TER of 0.75%)

Therefore a third part of the calculation is required to calculate the combined amount of expense incurred within the underlying assets:

$$\begin{aligned} \text{DEF fund (10\% of 0.50\%)} &= 0.05\% \\ \text{GHI fund (40\% of 0.25\%)} &= 0.10\% \\ \text{JKL fund (50\% of 0.75\%)} &= 0.38\% \end{aligned}$$

Total underlying holding expense = 0.53%

This outcome is then added to the Investment Fund TER to create the Synthetic Investment Fund TER

$$1.00\% \text{ (A+B: Investment Fund TER)} + 0.53\% \text{ (C: Underlying fund expenses)} \\ = 1.53\% \text{ (Synthetic Investment Fund TER)}$$

Therefore the Synthetic Investment Fund TER can be determined as 1.53% for disclosure purposes.

Disclosure note:

It is anticipated that when disclosing this information within the ISI prescribed format for the Investment Statement Example of Annual Fees and Expenses, that the Annual Management Fee, of the Investment fund, and the underlying fund expenses are subtracted from the Synthetic Fund TER in order to obtain the figure required for “Operating and Administration expenses”.

Example Investment Fund TER Disclosure Template (for prospectus)

The following wording is an example of appropriate disclosure for inclusion in the relevant section of each registered prospectus:

Investment Fund Total Expense Ratio

The Investment Fund Total Expense Ratio includes the Annual Management Fee and the Operating and Administration Expenses as further described below. They are calculated based on each fund's audited financial year-end accounts.

Where the investment fund is invested in another fund a 'synthetic' Total Expense Ratio is calculated based on the investment fund's audited financial year-end accounts and fees charged by the wholesale fund.

Annual Management Fee

The manager is entitled to the Annual Management Fee as set out in this prospectus.

Operating and Administration Expenses

Each investment fund may bear all the ordinary operating expenses (the "Operating and Administration Expenses") including but not limited to formation expenses; registration costs; the Custodian fees; Trustee fees; accounting fees covering fund accounting and administration services; registry fees; legal and auditing fees and expenses; ongoing registration fees; the cost of publication of unit prices; the costs and expenses of preparing, printing and distributing the trust deed, prospectus, investment statement or any offering document, financial reports and other documents and letters made available to investors; and the cost of convening and holding unit holder meetings, amongst others.

Operating and Administration Expenses do not include Transaction Fees and extraordinary expenses such as legal action taken against the manager or trustee.

Investment Fund Total Expense Ratio - Calculation

Total Expense Ratio – Historical figures

(Example)

	31 March 2011	31 March 2012	31 March 2013	31 March 2014	31 March 2015
Balanced Fund	1.6% p.a.	1.6% p.a.	1.58% p.a.		
Growth Fund	1.8% p.a.	1.8% p.a.	1.79 % p.a.		
Emerging Markets Fund	2.1% p.a.	2.1% p.a.	2.08% p.a.		

Note: Historical Investment Fund TERs are to be displayed in current prospectuses and should display the previous five years figures where available. Members are not required to calculate and display historical figures for periods before the year in which this Standard becomes effective.

Transaction Fees

Transaction fees are not included in the Investment Fund TER. Each investment fund bears all costs and expenses of buying and selling securities and financial instruments including, without limitation, any brokerage fees and commissions, interest, taxes, governmental duties, charges and levies and any other transaction related expenses excluding any costs and expenses relating to custody (collectively "Transaction Fees") which relate to the relevant investment fund.

Other fees excluded from the Investment Fund TER

The Investment Fund TER does not include any initial, redemption and switching fees (if any) charged by the investment funds. Nor does it include any adviser-based fees paid to advisers directly by investors.

Certain investment funds may also charge a performance fee (if applicable). Performance fees are not included in the Investment Fund TER calculation.

SCHEDULE OF DISCLOSURE REQUIREMENTS

MUST BE DISCLOSED IN PROSPECTUS	PARAGRAPH REFERENCE	MUST BE DISCLOSED IN INVESTMENT STATEMENT	PARAGRAPH REFERENCE
Total Expense Ratio (“TER”)	See 4.1, Appendix One and Appendix Two	Reference to TER	4.3 and 5.4
		Example of Annual Fees and Expenses	6.0 and 6.1
		Additional Explanation of Fees and Expenses	6.2
		Fees for other investment funds	6.3