



The Total Investment Charge is the sum of the **TOTAL EXPENSE RATIO (TER)** and the **TRANSACTION COST (TC)**.

TOTAL EXPENSE RATIO (TER)

TER is the global standard used to measure the impact that the deduction of management and operating costs has on a fund's value. It gives you an indication of the effects these costs have on the future growth of your investment portfolio. Expressed as a percentage, a fund's TER is calculated over a rolling three-year period (or since inception where applicable) and annualised to the most recent quarter-end. Where the fund invests in the participatory interests of foreign collective investment schemes, these may levy additional charges, which are included in the relevant fund's TER. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. Also, the current TER may not necessarily be an accurate indication of future TERs.

EXPENSES INCLUDED IN THE TER

The costs that comprise the TER are expenses that the unit trust management company is unable to quantify upfront as they depend on specific or variable circumstances.

The TER is an annualised value and includes:

- ▶ Annual service fee
- ▶ Fund's bank charges
- ▶ Fund's audit fees
- ▶ Taxes (e.g. stamp duty, VAT)
- ▶ Custodian and trustee fees (custodians and trustees are appointed to protect the interests of the unitholders, and the fees pay for their services)
- ▶ Costs related to scrip lending
- ▶ Performance fees are a form of fund management fees expressed in variable terms for generating positive returns. This variable charging structure aligns the interests of the investor and the management company.

EXPENSES NOT INCLUDED IN THE TER

Charges not included are generally of a one-off nature, and deducted from the investment capital as opposed to the underlying portfolio:

- ▶ Initial charges (including commission) – deducted from the investment amount prior to units being bought.
- ▶ Annual adviser fees agreed upon between the adviser and the client – this cost agreed between client and adviser is deducted monthly through the sale of units.
- ▶ Stockbroker fees – this is a portfolio fee and covers the trading costs incurred when buying and selling securities.
- ▶ Expenses related to the settling of transactions and taxes associated with these (e.g. securities transfer tax).
- ▶ Scrip lending fees earned may not be offset against expenses.

TRANSACTION COST (TC)

TC is a necessary cost in administering the fund and impacts fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER. Calculations are based on actual data where possible and best estimates where actual data is not available.

Transaction costs include:

- ▶ VAT
- ▶ Brokerage
- ▶ Securities transfer tax (STT)
- ▶ Investor protection levy
- ▶ STRATE contract fees
- ▶ Exchange rate costs
- ▶ Bond spread costs
- ▶ Fees associated with Contract for Difference (CFDs)