ASISA STANDARD: CALCULATION AND DISCLOSURE OF TOTAL EXPENSE RATIOS AND TRANSACTION COSTS

First published: 28 May 2019

Last updated: 30 October 2024

1. INTRODUCTION

1.1. Some investment charges and expenses relating to underlying products might not always be visible to investors and, even when they are, investors might not pay sufficient attention to charges or understand their impact. Low visibility of charges, inconsistency in the way information is presented and lack of understanding can harm consumer welfare.

1.2. All ASISA members are committed to operating within the Treating Customers Fairly six outcomes framework. Outcomes 1 and 3 have relevance to this Standard: "*Customers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture*"; and "*Customers are provided with clear information and are kept appropriately informed before, after and during the point of sale*".

1.3. In seeking to achieve these outcomes, ASISA members have developed the Total Expense Ratio ("**TER**") and Transaction Costs ("**TC**") disclosure measures set out in this ASISA Standard on the Calculation and Disclosure of Total Expense Ratios and Transaction Costs ("**Standard**"). These are uniform disclosure tools that can be used by investors and advisors to assess the impact of investment charges, (i.e. all charges and expenses relating to all underlying assets) ("**ICs**") on financial products.

1.4. This Standard has accordingly been established in the interests of promoting transparency and disclosure, reducing search costs incurred by customers and improving comparability of retail savings and investment products.

1.5. This Standard and, in particular, the TER and TC measures, has been developed on the basis of has been developed on the basis of engagements with National Treasury and the Financial Sector Conduct Authority ("**FSCA**").

1.6. This Standard is being shared with ASISA members and the public at large for their consideration and implementation, and is binding on ASISA members.

2. SCOPE

2.1. This Standard applies to the following South African regulated "Financial Products" marketed to retail customers:

2.1.1. each class of participatory interests in collective investment schemes;

2.1.2. insurance contracts, other than pure risk-based insurance contracts - including where these products are provided on a platform of a FSP III (LISP) or are available for individual member choice within a retirement annuity or preservation fund,

(hereinafter referred to as "**Financial Products**").

2.2. This Standard does not lend itself out to financial products to the extent that a segregated mandate has been entered into directly between the investor and a licensed stockbroker, or discretionary financial services provider as defined in the FAIS Code of Conduct for Administrative and Discretionary FSPs in respect to the selection of underlying instruments, but excluding wrap funds offered under an FSP III Licence.

2.3. Where any financial products which do not fall into the definition of "*Financial Products*", are marketed to retail customers, ASISA members should apply the provisions of this Standard in relation to such other financial products as far as possible.

3. DEFINITIONS

For purposes of this Standard:

3.1. "**Net Asset Value**" / "**NAV**" means the fair market value of all assets less the fair value of the liabilities in the Financial Product;

3.2. "**Provider**" means a provider of Financial Products;

3.3. "**Total Expense Ratio**" / "**TER**" is a measure that can be used by investors and advisors to determine how much of a Financial Product's underlying assets are relinquished as payment for services rendered in the administration of the Financial Product. This is expressed as a percentage of the daily NAV of the Financial Product calculated over a period of three years on an annualised basis;

3.4. "**Transaction Costs**" / "**TC**" is a measure that can be used by investors and advisors to determine the costs incurred in buying and selling the underlying assets of a Financial Product. This is expressed as a percentage of the daily NAV of the Financial Product calculated over a period of three years on an annualised basis.

4. GENERAL PRINCIPLES

4.1. In the application of this Standard, a Provider should adhere to the following well accepted principles, as outlined in the General Code of Conduct for Authorised Financial Services Providers and Representatives, 2003 ("**General Code of Conduct**") and the Treating Customers Fairly Framework ("**TCF**") set by the FSCA that disclosures:

4.1.1. be timely;

4.1.2. be relevant and complete;

4.1.3. promote Financial Product understanding;

4.1.4. promote Financial Product comparisons;

4.1.5. highlight important information; and

4.1.6. have regard to consumer needs.

4.2. Providers should exercise their discretion in applying this Standard with due regard to the objectives of this Standard.

4.3. All charges and expenses (as independently determined by the Provider) as set out in this Standard are included in the TER and TC measures. Where a charge is not available, a reasonable best-estimate should be used and explained in the free text notes. For guidance in this regard, please see **Annexure "B"**.

4.4. Providers should do their best to ensure that all values used in calculations are accurate and complete and that its calculations are accurate. Where any value is not available, a reasonable best estimate should be used and explained in the free text notes. For guidance in this regard, please see **Annexure "B"**.

4.5. Providers should not manipulate any figures or calculations, or use any wording in free text notes which purports to, at any point in time:

4.5.1. make a Financial Product appear less expensive; or

4.5.2. present any other skewed, inaccurate, untrue, biased, misleading or incomplete view of a Financial Product to an investor.

4.6. The form and wording of the disclosures set out in this Standard should be utilised.

4.7. In all free text notes, Providers should use clear, plain and unambiguous language.

4.8. Where a Provider deviates from the recommended definitions, calculation periods, calculation principles or calculation methods outlined in this Standard, clear explanations should be provided in the fee text notes so that customers are not misled.

5. CALCULATION PERIOD

5.1. **Financial Products: 3 years+ since inception**

The TER/TC is calculated over rolling three-year periods, coinciding with a calendar quarter end and annualised.

5.2. **Financial Products: 1-3 years since inception**

The TER/TC is calculated using the available history since the inception date (regardless of whether a Provider calculated and disclosed a TER/TC prior to that time) and annualised.

5.3. **Financial Products: less than 1 year since inception**

Where a Financial Product is less than one year old and the calculation of the TER/TC provides a poor estimate of possible future costs due to a lack of historic data, a Provider should make estimates which are grounded on fair principles as per the table attached in **Annexure "C"**. The TER/TC should then be annualised.

6. TER CALCULATION PRINCIPLES

In respect of TER calculations, the following principles should be applied:

6.1. **Expenses to be included**

A TER includes any expense of the Financial Product incurred locally or globally that is necessary for its administration, such as (but not limited to):

6.1.1. fixed management fees, regardless of the make-up and retention of any portion of the fee by the Provider;

6.1.2. performance-based management fees, regardless of the make-up and retention of any portion of the fee by the Provider;

6.1.3. administration costs;

6.1.4. custody fees;

6.1.5. trustee fees;

6.1.6. audit fees;

6.1.7. bank charges;

6.1.8. taxes;

6.1.9. net negative interest charges (where the net interest from trust accounts is negative for a month due to for example large overdrafts);

6.1.10. expenses underlying multi-tier Financial Products (see paragraph 6.4 below);

6.1.11. all costs incurred by the Financial Product in relation to scrip-lending.

6.2. **Items to be excluded**

6.2.1. all Transaction Costs;

6.2.2. scrip lending fees earned by the Financial Product (may not be set off against expenses).

6.3. **Rebate of expenses**

6.3.1. Where the expenses included in the TER are shared or reimbursed to the Financial Product for the benefit of investors, the amount reimbursed may be deducted from that specific expense for TER calculation purposes.

6.3.2. Where such reimbursements are effected by the allocation of additional assets to the top-tier Financial Product, that allocation is valued at the value they represent in the books of the entity transferring/creating the assets at the time of allocation. In the absence of this, the number of assets so allocated should be multiplied by the ruling price of the day when the assets become payable in order to establish the amount to be deducted from the expense.

6.3.3. For purposes of inclusion in the TER where so elected by the Provider, the same accounting basis should be used as is used for affecting the pricing - i.e. where rebates are valued for pricing purposes on the received basis, those rebates should be incorporated into the TER on the received basis and vice versa for the accrued basis.

6.4. **Multi-tier Financial Products**

A multi-tier Financial Product exists where a Financial Product (top–tier) invests in one or more other Financial Product(s) (bottom-tier). These include but are not limited to hybrid funds, fund of funds and feeder funds.

6.5. **TERs for the bottom-tier Financial Products**

6.5.1. **General**

6.5.1.1. Where average Financial Product sizes cannot be calculated, the latest Financial Product sizes should be used.

6.5.1.2. The actual weighted average allocation to bottom-tier Financial Products should be used when reconstructing the TER of the top-tier Financial Product. Where the actual weighted average allocation cannot be calculated, the latest available allocation should be used.

6.5.1.3. The TER used should be obtained from the Provider of the specific Financial Product.

6.5.1.4. The TER should be an all-inclusive TER, i.e. including **all** independently determined expenses and management/performance fees, as well as any underlying Financial Product costs.

6.5.2. **Where a TER is publicly available for a bottom-tier Financial Product**

The Provider should use that TER when calculating the TER of the top-tier Financial Product and ensure that the top-tier TER includes the TERs of all the tiers underlying to that bottom-tier Financial Product.

6.5.3. **Where no TER is publicly available for a bottom-tier Financial Product**

6.5.3.1. The Provider should take into account all publicly available information in constructing a TER for that bottom-tier Financial Product and all tiers underlying to it.

6.5.3.2. Publicly available information includes audited financial information, documents establishing the Financial Product, marketing material, report backs etc.

6.5.3.3. At a minimum, the management fee, performance fee, all administration fees, audit fees, custody fees (as independently determined by the Provider) should be brought into account at each tier of the Financial Product.

6.6. **Treatment of multiple classes**

6.6.1. As the expenses of Financial Products with multiple classes will be different per class due to different fee structures, a TER would have to be calculated for each class.

6.6.2. Expenses incurred in respect of the Financial Product as a whole are allocated proportionally based on the relative size of the class.

6.7. **Financial Product amalgamations**

Where Financial Products amalgamate, the target Financial Product's TER continues as per normal.

7. TER CALCULATION METHOD

With regards to TER calculation methods, the following principles should apply:

7.1. Single-tiered Financial Products

7.1.1. For each day in the period under review, calculate the daily expense ratio (including all the expenses referred to in 6.1):

$$\textit{Daily Expense Ratio } (t) = \frac{\text{Expenses(t)}}{\text{NAV(t)}}$$

Where:

t *represents the day, for t = 1,2,3,…,n; and*

n *is the total number of days in the period under review.*

7.1.2. Add together each daily expense ratio for the period under review to obtain a TER for the whole period.

$$\textit{Total Expense Ratio} = \sum_{t=1}^{n} \text{Daily Expense Ratio}$$

7.1.3. If the period under review is not an exact period of 12 months, annualise the total expense ratio. Multiply the TER by the following factor to annualise the figure:

$$\text{Annualised Total } \textit{Expense Ratio } (t) = \text{TER} \times \frac{12}{\text{m}}$$

*Where **m** is the number of months in the period under review, for m = 1,2,…. ,36.*

Note: Where daily data is not available, monthly data can be utilised.

7.2. Multiple classes in a Financial Product

A TER for each class will need to be calculated. Use the above single-tier method, taking into account the practicalities of multiple class Financial Products:

7.2.1. All expenses, except management fees (both fixed and performance based) (as independently determined by the Provider), are apportioned to each class at their relative sizes on a daily basis. Multiply each expense by the following factor before using the single-tier method:

$$\frac{\text{NAV class (t)}}{\text{NAV fund (t)}}$$

Where:

t *represents the day, for t = 1,2,3,…,n; and*

n *is the total number of days in the period under review.*

7.2.2. Management fees (both fixed and performance based) (as independently determined by the Provider) are reflected in full for the specific fee related to that class and as per the single-tier method.

7.3. **Multi-tiered Financial Products**

7.3.1. For **each month** in the period under review, calculate the monthly expense ratio, including all the expenses referred to in paragraph 6.1, for the top-tier Financial Product:

$$\textit{Monthly Expense Ratio}\ (t) = \frac{\text{Expenses(t)}}{\text{NAV(t)}}$$

Where:

t *represents the month, for t = 1,2,3,..,m; and*

m *is the total number of months in the period under review.*

Note: The expenses will be the total for the month, while the NAV will reflect the month end number.

7.3.2. For **each month** in the period under review, calculate the monthly underlying ratio for each Financial Product that charges fees over and above the top-tier fees that is held by the top-tier Financial Product:

$$Underlying\ costs\ (t) = \frac{Holdingfund1(t)}{NAV(t)} \times \frac{TERfund1}{12} + \frac{Holdingfund2(t)}{NAV(t)} \times \frac{TERfund2}{12} + \dots$$

Note: The TER for the underlying Financial Product must correspond correctly to the period in question. The underlying TER that applies for the same period under review should be updated each quarter and used for the immediately preceding 12 – 36 months.

7.3.3. Add together each monthly expense ratio and underlying ratio for the period under review to obtain a TER for the whole period.

$$Total\ Expense = \sum_{t=0}^{m} \{Monthly\ Expense\ Ratio\ (t) + Underlying\ Ratio\ (t)\}$$

7.3.4. If the period under review is not an exact period of 12 months, the total expense ratio is annualised. Multiply the TER by the following factor to annualise the figure:

$$(Annualised)\ Total\ Expense\ Ratio = TER \times \frac{12}{m}$$

*Where **m** is the number of months in the period under review, for m = 1,2,…. ,36.*

7.4. Calculation notes

7.4.1. The final (published) TER should always be represented as rounded to the two nearest decimal places.

7.4.2. Where the daily NAV and/or expenses are not available, the above method should be completed for **t** = 1,2,3,…m, *where **m** is the total number of months in the period under review*.

7.4.3. Where any expenses are not available, a reasonable estimate should be used.

8. TC CALCULATION PRINCIPLES

8.1. **Costs to be included**

8.1.1. The following costs should be included in the TC calculation:

8.1.1.1. brokerage;

8.1.1.2. VAT;

8.1.1.3. securities transfer tax ("**STT**");

8.1.1.4. investor protection levy;

8.1.1.5. STRATE contract fees;

8.1.1.6. FX spread costs;

8.1.1.7. bond spread costs;

8.1.1.8. CFDs.

8.1.2. It is recognised and accepted that the TC on some investment instruments, such as bonds (generally), CFDs and Fx spread costs are capitalised in the trade price. Where these costs are not explicitly charged, the Provider should make a best possible estimate. based on fair principles. and include them in the calculation of the TC.

8.2. **Multi-tier Financial Products**

8.2.1. **General**

A multi-tier Financial Product exists where a Financial Product (top–tier) invests in one or more other Financial Product(s) (bottom-tier). These include, but are not limited to, hybrid funds, fund of funds and feeder funds.

8.2.2. **TCs for the bottom-tier Financial Products**

General

8.2.2.1. Where average Financial Product sizes cannot be calculated, use the latest Financial Product sizes.

8.2.2.2. Use the actual weighted average allocation to bottom-tier Financial Products when reconstructing the TC of the top-tier Financial Product. Where the actual weighted average allocation cannot be calculated, use the latest available allocation.

8.2.2.3. The TC used should be obtained from the Provider of the specific Financial Product.

8.2.2.4. The TC should be all-inclusive, i.e. includes **all** costs as well as any underlying Financial Product costs (as independently determined by the Provider).

Where TC is publicly available for a bottom-tier Financial Product

8.2.2.5. Use that TC when calculating the TC of the top-tier Financial Product. The Provider should ensure that said TC includes the TC of all the tiers underlying to that bottom-tier Financial Product.

Where no TC is publicly available for a bottom-tier Financial Product

8.2.2.6. The Provider should take into account all publicly available information in constructing TC for that bottom-tier Financial Product and all tiers underlying to it.

8.2.2.7. Publicly available information includes audited financial information, documents establishing the Financial Product, marketing material, report backs etc.

8.2.2.8. At a minimum, the costs listed in paragraph 8.1 should be brought into account at each tier of the Financial Product.

8.3. **Treatment of multiple classes**

As the transaction expenses are incurred in respect of the Financial Product as a whole, a single TC can be calculated for the Financial Product and used to represent the TC per class as well.

8.4. **Financial Product amalgamations**

Where Financial Product portfolios amalgamate, the target Financial Product's portfolio's TC continues as per normal.

9. TC CALCULATION METHOD

9.1. Single-tiered Financial Products

9.1.1. For each day in the period under review, calculate the daily transactions ratio (including all the Transaction Costs referred to in paragraph 8.1):

$$\textit{Daily Transaction Costs}\ (t) = \frac{\text{Costs(t)}}{\text{NAV(t)}}$$

Where:

t represents the day, for t = 1,2,3,…,n; and

n is the total number of days in the period under review.

9.1.2. Add together each daily TC for the period under review to obtain the TC for the whole period.

$$\textit{Total Transaction Costs} = \sum_{t=1}^{n} \textit{Daily Transaction Costs}\ (t)$$

9.1.3. If the period under review is not an exact period of 12 months, annualise the total TC. Multiply the total TC by the following factor to annualise the figure:

$$(\textit{Annualised})\ \textit{Transaction Costs} = \text{TC} \times \frac{12}{\text{m}}$$

*Where **m** is the number of months in the period under review, for m = 1,2,…. ,36.*

Note: where daily data is not available, monthly data can be utilised.

9.2. Multiple classes in Financial Products

The Transaction Costs will be identical for all classes of the Financial Product.

9.3. Multi-tiered Financial Products

9.3.1. For **each month** in the period under review, calculate the monthly TC, including all the costs referred to in paragraph 8.1 for the top-tier Financial Product:

$$\textit{Monthly Transaction Costs}\ (t) = \frac{\text{Costs(t)}}{\text{Nav(t)}}$$

Where:

***t** represents the month, for t = 1,2,3,…,m; and*

***m** is the total number of months in the period under review.*

Note: The expenses will be the total for the month, while the NAV will reflect the month end number.

9.3.2. For **each month** in the period under review, calculate the monthly underlying TC for each Financial Product that charges fees over and above the top-tier fees that are held by the top-tier Financial Product:

$$\textit{Underlying}\ \text{costs}\ (t) = \frac{Holdingfund1(t)}{NAV(t)} \text{ x } \frac{\text{TERfund1}}{12} + \frac{Holdingfund2(t)}{NAV(t)} \text{ x } \frac{TERfund2}{12} + \ldots$$

Note: The TC for the underlying Financial Product must correspond to the period in question. Each TC will apply to the immediately preceding 12 months; therefore every time new TC for the underlying Financial Product is obtained, it should be applied for the full immediately preceding 12 months.

9.3.3. Add together each monthly TC and underlying costs for the period under review to obtain the TC for the whole period.

$$\textit{Transaction Costs} = \sum_{t=0}^{m} \{\textit{Monthly Transaction Costs}\ (t) + \text{Underlying Costs (t)}\}$$

9.3.4. If the period under review is not an exact period of 12 months, annualise the TC. Multiply the TC by the following factor to annualise the figure:

$$(Annualised)\ Transaction\ Costs \quad = \quad \mathbf{TC} \quad \mathbf{x} \ \frac{\mathbf{12}}{\mathbf{m}}$$

*Where **m** is the number of months in the period under review, for m = 1,2,…. ,36*

10. TER AND TC DISCLOSURE

10.1. General

10.1.1. The latest TER and TC should be prominently disclosed in any marketing material or subsequent investor communications that may be used by investors to make informed investment decisions.

10.1.2. The Provider should update the TER and TC disclosures of each Financial Product that is not a multi-tier Financial Product in the month directly after the end of each calendar quarter, for multi-tier Financial Products by the fourteenth of the second month directly after the end of each calendar quarter and for top-tier Financial Products by the end of the second month directly after the end of each calendar quarter.

10.1.3. The TER and TC disclosures should at all times be accompanied by the disclosures as per paragraph 10.2 and such free text notes as are to be included by the Provider in terms of this Standard.

10.2. Disclosures

One of the following disclosures should accompany TER & TC disclosures.

Disclosure where the TER & TC can be disclosed separately per class of Financial Product:

Financial Product

Period (annualised)	[beginning period]	**to**	[ending period]
Class	**Total Expense Ratio (TER)**	**Transaction Costs (TC)**	**Total Investment Charges (TER + TC)**
	X%	Y%	Z% (X+Y = Z)
	of the value of the Financial Product was incurred as expenses relating to the administration of the Financial Product	of the value of the Financial Product was incurred as costs relating to the buying and selling of the assets underlying the Financial Product	of the value of the Financial Product was incurred as costs relating to the investment of the Financial Product.

"*A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TERs*".

OR:

In the event that a management fee (fixed/performance-based) has changed during the relevant disclosure period, replace the generic disclosure directly above with the following:

"*Our fee has* [decreased/increased] *by X%. Our expectation is therefore that the TER will* [increase/decrease]. or *[We are not certain what the impact will be]*."

AND:

"*Transaction Costs are a necessary cost in administering the Financial Product and impacts Financial Product 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 Financial Product, the investment decisions of the investment manager and the TER*."

AND:

Where the Financial Product is less than 1 year old since inception, include the following wording:

"*The TER and Transaction Costs cannot be determined accurately because of the short life span of the Financial Product. Calculations are based on actual data where possible and best estimates where actual data is not available*."

AND/OR:

Where a performance fee was present in a particular class, include the following wording: "*Inclusive in the TER of [X%], a performance fee of [W%] of the net asset value of the class of Financial Product was recovered*."

DOCUMENT HISTORY

Date	Publication / Amendments
28 May 2019	First published
October 2024	Updated from a competition law perspective by external legal counsel.

RESPONSIBLE COMMITTEES & SENIOR POLICY ADVISER

Responsible ASISA Board Committee	Marketing and Distribution Board Committee
Responsible ASISA Standing Committee	Standards and Disclosures Standing Committee
Responsible Senior Policy Advisor	ASISA Point Person to the Marketing and Distribution Board Committee

ANNEXURE "A"

ADDENDUM FOR HEDGE FUNDS

This Addendum for Hedge Funds ("**Addendum**") to the **ASISA Standard: Calculation and Disclosure of Total Expense Ratios and Transaction Costs** ("**Standard**") is included in the Standard to provide clarity and further guidance in respect of the application of the Standard to hedge funds specifically. This Addendum should be read together with the Standard. If any of the provisions of this Addendum conflict with those of the Standard, the provisions of this Addendum will take precedence.

The provisions of the Standard are hereby amplified or amended as follows:

AD PARA 3.4: DEFINITION OF "TRANSACTION COSTS" / "TC"

In respect of the definition of "*Transaction Costs*" or "*TC*", the costs include once off costs calculated and determinable at the time of transaction (e.g. brokerage, VAT and STT) and not the costs of holding the position. The latter is part of the net return on the position.

AD PARA 6: TER CALCULATION PRINCIPLES

6.1 **Expenses to be included**

The following footnotes are added:

6.1.1.2 performance-based management fees (as independently determined by the Provider), regardless of the make-up and retention of any portion of the fee by the Provider;[1]

6.1.1.8 taxes;[2]

6.1.1.9 net negative interest charges (where the net interest from trust accounts is

[1] Performance fees should be included as the accrued amount at calculation point. With the maximum measurement periods typically being 12 months, any Performance Fee write-backs over the period should not skew the annualised TER %.

[2] VAT is excluded here, VAT may be included as default with the specific expense type (e.g. VAT on management fees should be included with management fee as TER, but STT on a trade or VAT on brokerage should be excluded from TER and included as part of TC).

negative for a month due to for example large overdrafts);[3]

6.1.1.11 all costs incurred by the Financial Product in relation to scrip-lending.[4]

6.2 **Items to be excluded**

The following items are added to the items in the Standard:

6.2.3 manufactured dividend expenses and short dividends;

6.2.4 interest expense;[5]

6.2.5 bond spread costs;[6]

6.2.6 exit fees;[7]

6.2.7 scrip borrow costs.[8]

AD PARA 7: TER CALCULATION METHOD

Monthly TER and TC calculation for monthly valued funds – refer to valuation point of the portfolio (daily/weekly/monthly/quarterly) instead of "daily".

Where series accounting is applicable, the TER and TC of the lead series will be referenced.

AD PARA 8: TC CALCULATION PRINCIPLES

8.1 **Costs to be included**

[3] Negative interest does not include financing of an asset purchase or negative income (e.g. interest paid on a swap transaction). It only refers to interest incurred on a fund's S105 Trust account due to an overdraft.
[4] Scrip-lending does not include scrip borrowing, the latter being more prevalent in a hedge fund (i.e. borrowing to support settlement of a short sale) which is included in the net return of holding the position.
[5] These expenses are associated to holding short positions and cannot be seen as administration or transaction cost. These expenses are neither TER nor TC, but negative income included in the net return of the position.
[6] Manager to provide an estimate to be included in TC.
[7] Should be offset against TC to decrease TC, as this is essentially compensation to the remaining investors for any liquidity costs for financing redemptions of capital (commissions and other amounts directly related to transactions).
[8] Scrip borrowing, being more prevalent in a hedge fund (i.e. borrowing to support settlement of a short sale) which is included in the net return of holding the position.

The following footnote is added to paragraph 8.1.1:

8.1.1.8 CFDs;[9]

AD PARA 9: TC CALCULATION METHOD

Monthly TER and TC calculation for monthly valued funds – refer to valuation point of the portfolio (daily/weekly/monthly/quarterly)' instead of "daily".

Where series accounting is applicable, the TER and TC of the lead series will be referenced.

[9] CFD costs consisting of brokerage, commission, market costs, taxes, etc. Apply the above principle to include once off costs determinable at time of transaction. Exclude ongoing costs e.g. borrow costs and financing charges.

ANNEXURE "B"

GUIDELINE ON TRANSACTION COST METHODOLOGIES

1 BACKGROUND

The ASISA Standard on the Calculation and Disclosure of Total Expense Ratios and Transaction Costs ("**Standard**") requires the following:

"*4.3 All charges and expenses (as independently determined by the Provider) as set out in this Standard are included in the TER and TC measures. Where a charge is not available, a reasonable best-estimate should be used and explained in the free text notes. For guidance in this regard, please see* ***Annexure "B"****.*

4.4 Providers do their best to ensure that all values used in calculations are accurate and complete and that its calculations are accurate. Where any value is not available, a reasonable best estimate may be used and explained in the free text notes. For guidance in this regard, please see ***Annexure "B"****.*"

This Guideline on Transaction Cost Methodologies ("**Guideline on TCM**") is intended to provide guidance to members in respect of the calculation of the TC and reasonable best estimate costs. Please note that the methodologies outlined in this Guideline on TCM are merely suggested guidelines to assist members and are neither compulsory nor definitive.

2 GENERAL

The TC could be determined according to the following waterfall:

- Use the actual TC where it is explicitly available (calculated as per section 9 of the Standard).
- If the actual TC is not available, but the TC is stipulated in an agreement with the broker/counterparty, use the actual transaction volumes x agreed costs per transaction.

- If the TC cannot be determined as set out above, use the actual transaction volumes x Best Estimate Costs per transaction.

- If the TC cannot be determined as set out above, use the turn over ratio x Best Estimate Costs (of buying and selling).

Notes:

If the turn-over ratio is used, take care as to how it was determined. For example, the UCITS Portfolio Turnover Ratio definition includes purchases and sales which are consistent with the calculation above. Other definitions could be to use the average or maximum of purchases and sales in which case the rate should be multiplied by 2 in order to estimate the costs of both buying and selling.

3 TC FOR INTEREST RATE SECURITIES - BROKERAGE COMMISSION

The following options are suggested:

Option A:

- Only include trades where a broker is used.

- Take the settlement amount (principal + accrued income).

- Multiply the absolute value of the buy/sell trade values by the implied broker commission spread as determined by the trading team.

- The broker commission spread could be determined by:

  - polling selected fixed income brokers; or

  - the commission rate as quoted in the yield spread by the broker; or

  - the bond broker commission spread as determined by multiplying a reasonable broker commission spread (on yield) by a reasonable duration estimate for all bond trades for the period to determine the commission spread on the bond price.

- This bond transaction expense is implied and may be subject to change as and when any of the following changes:
    - broker yield commission estimate;
    - average bond duration for trades for the period;
    - a change in interest rates.

Option B:

Where clients are members of the JSE, use the actual bond exchange fee paid on the trade. For all other bond trades where the cost is included in the yield: apply, with guidance from clients, an assumed brokerage of x basis points. However, instead of doing a number of calculations, a fixed fee per million on all listed bonds can be used.

For example: take a number of bonds with maturity dates between 1-25 years and calculate the market value differential between the current yield and the yield including x% commission, in order to estimate the rand value of the transaction cost. Based on the assumption that a certain percentage of the bonds are long term and the balance is short term, a weighted average fixed fee per R1m nominal is calculated. This fee will be revisited on a frequent basis (at least annually) or when a rate change becomes effective; to ensure that market/yield movements are taken into account.

4 TC FOR CURRENCY (FX) - BROKERAGE COMMISSION

The following options are suggested:

Option A:

- Only include buy/sell trades.
- Take the absolute value of the settlement amount in the base currency of the fund and sum them for the applicable period.
- Multiply each of these values by the implied currency broker commission spread as determined by the trading team.

- The currency commission spread is determined by:
    - polling selected currency brokers; or
    - the commission rate as quoted in the currency spread by the broker; or
    - the currency broker commission spread as determined by multiplying a reasonable broker commission spread by a reasonable estimate for all currency trades for the period to determine the commission spread on the currency price.
- This currency broker transaction expense is implied and may be subject to change as and when the broker currency commission estimate changes.

Option B:

Transaction costs on FX trades may not be transparent in which case Best Estimate Costs can be determined as follows:

- Where actual transaction amounts are available, by calculating the weighted average FX rate for the period in question and comparing to the weighted average WM/Reuters Standard Fixings Spot Rates (using the same transactions).
- Where sufficient transactions are not available to make a reasonable estimate (or actual transaction amounts are not available), by using the cost implied by the WM/Reuters Standard Fixings Spot Rates Bid / Offer spread.
- Using the Best Estimate costs based on the ZAR value of the purchase leg multiplied with a fixed percentage that will be confirmed by the management company.
    - Where actual transactions are available – using the spread on the date of such transaction.
    - Where transactions are not available (as would be the case for an underlying offshore fund) – using the average spread percentage over the period in question.
- The intention is to apply the confirmed percentage to the portfolio currency of the forex trade in order to estimate the transaction costs.

5 TC FOR DERIVATIVES - BROKERAGE COMMISSION

The following is recommended:

- Only include buy/sell (all long and short trades included) and rebook trades.
- Take the absolute value of the number of contracts bought/sold.
- Multiply each of these values by the implied derivative broker commission spread as determined by polling the trading teams.
- The derivative commission Spread is determined by multiplying a reasonable broker commission spread per contract (determined by the trading teams after polling selected brokers) to determine the broker commission.
- This derivative broker transaction expense is implied and may be subject to change as and when the broker derivative commission estimate changes.

6 TC FOR OFFSHORE FUNDS

The following is recommended:

- For funds managed by the management company, full transaction information is available and may be used to calculate the TC (as per para 2 above).
- For other funds, request a best estimate from the fund manager.
- Where managers are unable / unwilling to provide such an estimate:
    - Calculate the TC as the turnover ratio of the fund x Best Estimate Costs.
    - Best Estimate costs be estimated for each asset class i.e. listed equities, cash, bonds, and unlisted equities etc.
    - For multi-asset funds, the Best Estimate Cost be determined each quarter by asset-weighting the quarter-end asset allocation.
- If none of the above is available, the turnover ratio (and/or quarter-end asset allocation) be estimated using whatever information is available on such a fund or

reasonable proxy.

ANNEXURE "C"

TOTAL EXPENSE RATIO AND TRANSACTION COSTS					
COMPONENT	**SUB-COMPONENT**	**< 1 YR OLD FUND**	**< 1 YR OLD FUND CLASS**	**1 < 3 YR OLD FUND/FUND CLASS**	**>3 YR OLD FUND/FUND CLASS**
TER excl Perf Fee Ratio	Service charge ratio	Insufficient historic data but % is explicitly determinable	Insufficient historic data but % is explicitly determinable	Sufficient historic data	Sufficient historic data
	Admin charge ratio	Insufficient historic data but estimation should be possible	Sufficient historic data of fund to be applied	Sufficient historic data	Sufficient historic data
	Custody charge ratio	Insufficient historic data but estimation should be possible	Sufficient historic data of fund to be applied	Sufficient historic data	Sufficient historic data
	Bank charge ratio	Insufficient historic data but estimation should be possible	Sufficient historic data of fund to be applied	Sufficient historic data	Sufficient historic data
	Trustee charge ratio	Insufficient historic data but estimation should be possible	Sufficient historic data of fund to be applied	Sufficient historic data	Sufficient historic data
	Audit charge ratio	Insufficient historic data but estimation should be possible	Sufficient historic data of fund to be applied	Sufficient historic data	Sufficient historic data
	Taxes charge ratio	Insufficient historic data but estimation should be possible	Sufficient historic data of fund to be applied	Sufficient historic data	Sufficient historic data
	Net negative interest charge	Insufficient historic data but estimation should be possible	Sufficient historic data of fund to be applied	Sufficient historic data	Sufficient historic data
	Scriplending charge	Insufficient historic data but estimation should be possible	Sufficient historic data of fund to be applied	Sufficient historic data	Sufficient historic data
	Weighted TER portion of underlying	Insufficient historic data but estimation should be possible	Sufficient historic data of fund to be applied	Sufficient historic data	Sufficient historic data
	Initial charge for underlying fund	Insufficient historic data but estimation should be possible	Sufficient historic data of fund to be applied	Sufficient historic data	Sufficient historic data
	Exit charge for underlying fund	Insufficient historic data but estimation should be possible	Sufficient historic data of fund to be applied	Sufficient historic data	Sufficient historic data
Perf Fee Ratio		Insufficient historic data but estimation should be possible	Insufficient historic data but estimation should be possible	Sufficient historic data	Sufficient historic data
TC (explicit cost)	Brokerage ratio	Insufficient historic data but estimation should be possible	Sufficient historic data of fund to be applied	Sufficient historic data	Sufficient historic data
	VAT Ratio	Insufficient historic data but estimation should be possible	Sufficient historic data of fund to be applied	Sufficient historic data	Sufficient historic data
	STT ratio	Insufficient historic data but estimation should be possible	Sufficient historic data of fund to be applied	Sufficient historic data	Sufficient historic data
	Investor Protection Levy	Insufficient historic data but estimation should be possible	Sufficient historic data of fund to be applied	Sufficient historic data	Sufficient historic data
	Strate Contract Fees	Insufficient historic data but estimation should be possible	Sufficient historic data of fund to be applied	Sufficient historic data	Sufficient historic data

TC (estimated cost)	FX Cost Ratio	Insufficient historic data but estimation should be possible	Estimation at fund level to be used	Estimation	Estimation
	Bond spread Ratio	Insufficient historic data but estimation should be possible	Estimation at fund level to be used	Estimation	Estimation
Total Investment Charges					