

## **TER Working Group**

### **Report on the group's findings and guidelines on a common approach on TER calculation and disclosure**

#### **1. Background**

During the past decade the concept of Total Expense Ratio (TER) has been evolving substantially. TER is calculated in different jurisdictions and is widely seen as the fairest representation of the costs charged to funds. Lipper Fitzrovia, who publishes TER data for over 40,000 funds/share classes in the main jurisdictions since 1993 has certainly contributed to widely spread and establish TER as an international and comparable measure of costs.

The EU recommendation on the Simplified Prospectus, issued in April 2004 on some contents of the simplified prospectus provides guidelines on the calculation and disclosure of TER<sup>1</sup> (Appendix A).

However, there are divergences between different countries, and sometimes even different administrators in the same jurisdiction on the calculation and disclosure of TERs, which undermine the comparability of the ratio and therefore the transparency of costs disclosed to clients.

The purpose of the working group is primarily to analyse these divergences and provide with guidelines for a common approach in Luxembourg. In parallel, the working group wishes to cooperate with other organisations such as EFAMA, IMA and other Fund Associations in order to reach a common definition of TER.

#### **2 Objectives of the working group**

The working group has set two main medium term objectives:

1. Prepare a matrix comparing the Total Expense Ratio (TER) approach in different jurisdictions.
2. Agree a common position and provide guidelines on the calculation and disclosure of TER in Luxembourg.

#### **3 The TER Matrix**

The working group has reviewed the TER practice in different jurisdictions and prepared a matrix, summarizing and comparing the approach in different countries (Appendix B). This review also takes in consideration Lipper Fitzrovia, being one of the main parties who have an exposure of calculation of TER in different jurisdictions. Representatives of Lipper Fitzrovia participate actively to our working group.

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<sup>1</sup> Annex I

The matrix covers for the main details of the TER calculation and publication by jurisdiction. It is not intended to be an extensive compendium of the TER practice, but a one-off exercise to be used as a working tool for the group to assess divergences of approach between different jurisdictions and help forming a common view on which methodology would be most suitable to consider as framework for the TER guidelines.

#### 4 Comparison of different approaches

The working group has analysed the diverse approaches, with particular emphasis to the EU recommendation and jurisdictions like Switzerland and UK, where the authorities have published more detailed and binding papers. With regard to Luxembourg, it is worth underlining that CSSF circular 03/122 - Clarification on the simplified prospectus – point II c says: “[...] UCITS *may* calculate a Total Expense Ratio [...]” ; there is therefore no clear obligation in Luxembourg to publish a TER in the simplified prospectus<sup>1</sup> or in any other official publication.

In Switzerland the Swiss Funds Association (SFA) requires the publication of TER within the financial statements since December 2004 and has introduced the publication of a “synthetic TER”, effective from 31<sup>st</sup> December 2006<sup>2</sup>.

In the UK the Financial Services Authority (FSA) has published Conduct of Business Rules (CoB) in August 2005, followed by IMA Guidelines in March 2006. Disclosure of TER is required both in the simplified prospectus and in the Financial Statements.

In The Netherlands the AFM (Autoriteit Financiële Markten) requires publication of TER in the financial statements, in addition to the simplified prospectus.

Other European jurisdictions like Italy, France, Sweden, Spain and Belgium have also implemented the EU recommendation and require disclosure of TER in the simplified prospectus. Some countries like Belgium, Germany and Spain do not require the calculation of a synthetic TER.<sup>3</sup>

#### 5 Main divergences

The EU member states who have adopted the publication of TER have broadly done so in compliance with the EU recommendation. The Swiss Guidelines are clearly based on the EU recommendation as well. The main divergences are summarised below:

- ◇ Calculation period: following the EU recommendation, TER ought to be calculated at least once year on ex-post basis, by reference to the fiscal year. The main divergence from the rule is noted in Switzerland and in Singapore, where the calculation is required for the preceding 12 months of each annual and semi-annual report<sup>4</sup>.<sup>5</sup>
- ◇ Formula: The Netherlands diverges substantially from other countries with regard to the formula used to calculate the ratio, and in particular with regard to the average Net Asset Value (NAV). The average NAV is calculated as the sum of 5 periods (the 4 quarters within the current year and the last quarter of the previous year). A weighted average formula is applied according to the following ratio (0.5;1;1;1;0.5).

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<sup>1</sup> The same is valid for PTR.

<sup>2</sup> Guidelines on the calculation and disclosure of TER and PTR of 25<sup>th</sup> January 2006.

<sup>3</sup> Source : CESR report on the Implementation of the EU recommendation on UCITS of July 2005

<sup>4</sup> Only applicable to semi-annual reports in Singapore

<sup>5</sup> We understand it is possible to obtain dispensation from this rule in Singapore, upon specific request to the local authorities

- ◇ Performance fees: According to the EU recommendation “*Performance fee should be included in the TER and should also be disclosed separately, as a percentage of the average net asset value*”. Most countries have adopted this standard. A few, like Switzerland and Sweden require a TER with and a TER without Performance fees. Lipper Fitzrovia excludes the performance fees from the standard TER, however performance fees charged and a TER including performance fees are disclosed separately.
- ◇ TER components: The TER numerator, according to the EU recommendation, should include all operating costs, all tax included and therefore expressed as gross expenses. Should be **excluded** from the TER: transaction costs, which are costs incurred by the UCITS in connection with transactions on its portfolio, i.e. brokerage fees, taxes and linked charges, interest on borrowing, payments incurred because of financial derivative instruments, entry /exit commissions or any other fee paid directly by the investor. Broadly all countries follow the EU standard, or do not explicitly recommend excluding or including specific lines of expenses.
- ◇ Funds of Funds: The European commission recommends the calculation of a “synthetic TER” in case of investment of at least 10% of the portfolio in other UCITS or non-UCITS publishing a TER. The main divergences are on the limit applied for the calculation of the “synthetic” TER, being 50% in Singapore and 20% in Luxembourg and Ireland.

## 6 Main concerns

The points below are the main concerns identified by the working group with regard to the calculation and disclosure of TER:

a. Transaction fee: There are two types of transaction fees:

1. Fees that are netted against the cost of purchase or sale of a security.
2. Custody transaction fees, charged by the custodian for the settlement of each transaction. The value of the fee may vary depending on the type of security.

It is our understanding that the fee described under point 1 would not be included in the TER; however it is unclear whether or not the fee described under point 2 should be included in the TER. For the sake of consistency a common approach should be considered.

b. Synthetic TER: A few issues have been identified with regard to this point:

- The time factor (period of detention of holdings) in the formula proposed by the EU recommendation is not taken into consideration. This might lead to distortions, if the underlying funds are only held for a limited period of time.
- Even when available, the TER for the underlying funds might not reflect the same reference period, which again could lead to distortions.
- The formula consistently adopted for the calculation of a “truncated” TER, i.e. the weighted average of the TERs for the funds available (in proportion to the holdings) and an “estimate” of TERs for the other funds isn’t straightforward and might lead to misleading disclosure and interpretation of the underlying costs incurred by a Fund of Funds.

- The formula does not make reference to retrocession and reimbursements . It might be appropriate to deduct them from the TER of the underlying fund, to make sure its real costs are properly reflected<sup>1</sup>.

The points above have been discussed in details by the working group and addressed under the Guidelines section below.

- c. Taxe d'abonnement: as the "taxe d'abonnement" is being charged quarterly and calculated on the Fund's Assets at quarter end, there might be variations at the end of each taxation period due to the difference between the accrual – generally based on daily NAVs - and the actual amount charged by the Administration. This would particularly be the case for small sized sub-funds/classes of shares or newly launched sub-funds/classes of shares.

It has been agreed that this is not an issue to be addressed by this committee, however it will be escalated to the ALFI Committee dealing with taxation matters, with a view of exploring possibilities to propose the Administration to base the calculation of the tax on average NAV of the preceding quarter, instead of quarter end NAV.

## 7 Guidelines

Following the analysis performed and the identification of divergences and concerns described above, the working group proposes to issue guidelines on calculation and disclosure of TER, summarised below:

- a. Publication: CSSF circular 03/122 – Clarifications on the simplified prospectus - requires the disclosure of [...] the management fee [...], performance fees as well as other expenses and fees, distinguishing between those to be paid by the investor and those to be paid out of the assets of the UCITS [...]. However, the CSSF leaves the choice open with regard to the calculation and disclosure of the TER.

As most of the Luxembourg based funds are distributed in multiple jurisdictions, for the sake of consistency and transparency we would suggest asset managers to systematically disclose a TER in the simplified prospectus.<sup>2</sup>

- b. Calculation period: the TER should be calculated at least once a year on an ex-post basis with reference to the previous fiscal year. If not possible, we would advise the reference year used to be disclosed in a footnote.
- c. Calculation formula: Total operating costs / average net assets. It is suggested for the TER to be stated as a percentage to two decimal places.
- d. Total operating costs:

We suggest total operating costs to:

**include:**

- i. any legitimate expense charged to the fund, such as: management fees, administration costs, distribution fees, flat fees related to depositary duties, costs for transfer agency and other outsourced services charged to the funds, audit fees and other professional costs charged directly to the fund (i.e. legal costs, advisory services, publications, notices, regulatory fees, taxation etc...).

<sup>1</sup> The Swiss SFA have been more specific on this point in their Guidelines of 25<sup>th</sup> January 2006

<sup>2</sup> N.B. the EU recommendation (par. 2.2.1 d) also recommends to give an indication of all other costs not included in the TER, including disclosure of transactions costs when these are deemed to be available by the home member state competent authorities.

- ii. performance fees: may be included and disclosed separately as a percentage of the average net assets.

**exclude:**

- i. transaction costs incurred by a UCITS in connection with transactions on its portfolio, such as: brokerage fees, taxes and linked charges, interest on borrowing, payments incurred because of derivatives instruments, entry/exit commissions or any other fees paid directly by the investor, soft commissions.<sup>1</sup>
- ii. custody transaction costs: after discussion and consideration of different options, the working group has agreed to advise **exclusion** of such fees from the operating costs. In addition of being transaction linked, these costs are derived from a conscious investment management decision (i.e. number of assets lines within a fund) and can therefore not be considered as operational cost.<sup>2</sup>

The working group recognises that in some instances it might be difficult to identify such costs, which might be charged together with custody and depositary fees by the administrators. If the asset manager cannot easily get the details of such costs, we suggest that he discloses they are included in operational costs, within a separate footnote. However, we would encourage administrators to endeavour to produce such details, for the sake of clarity and transparency.

- e. Average net assets: should be calculated at each calculation of the net asset value, e.g. daily NAVs if this is the normal frequency of NAV calculation<sup>3</sup>.
- f. Synthetic TER: the working group supports the EU recommendation of calculating a synthetic TER if a fund invests at least 10% of its net assets in other funds that publish a TER. The synthetic TER is calculated as the sum of the prorated TER of the underlying funds, weighted on the basis of their proportion in the net asset value of the fund at the closing date.

However, to ensure a certain level of accuracy we propose the general principles below to be covered:

- i) at least 80% of the value of target funds holdings is represented by funds publishing a TER, or for which a TER is available from a reliable external source (i.e. Fitzrovia).
- ii) The underlying information should correspond to the last available period end information and should not be older than 2 years

***If the two criteria above are not met, we would propose to waive the calculation of the synthetic TER and to disclose a corresponding explanation.***

- iii) We advise retrocessions received from target funds to be deducted from the calculation
- iv) We propose subscription and redemption commissions **not** to be included<sup>1</sup>

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<sup>1</sup> For details on soft commissions, please refer to the EU recommendation, Annex I enclosed to this paper.

<sup>2</sup> The UK IMA recommends as well exclusion of these costs from the TER calculation.

<sup>3</sup> To be more specific, the number of days should be calendar days (including week-ends)

If any of the underlying funds' TER is not available (within the limits described under point i) and ii) our guideline is to apply the following principles:

- v) to make reference to the fact that a portion of the underlying funds TER is not available
- vi) to calculate a truncated TER which includes the portion of the underlying funds for which a TER is available, weighted on the basis of their proportion within the fund's holdings, **excluding** the portion of the underlying funds for which a TER is not available.

The working group believes that the respect of the principles above is addressing most of the concerns expressed under point 6b of this paper; however, as a general principle, and in the interest of transparency, we advise to make it clear to the investor that a synthetic and/or a truncated TER is just a best estimate and should be taken as such.

- g. Newly launched funds: we suggest a TER to be calculated only if funds have been active a minimum of 90 days. Where necessary, the operating expenses are to be annualised on the number of days of existence of the fund. The average net assets should be calculated based on the normal frequency of NAV calculation, e.g. daily.
- h. Share classes: as recommended by the EU commission, if a fund charges different costs and commissions (i.e. management fee) for each share class, a separate TER should be calculated by share class.

## 8 Next steps

- a. Obtain the ALFI Executive Committee/Board approval on the working group's guidelines.
- b. ALFI to circulate the guidelines paper to all members for feed-back and summarise them for the WG.
- c. WG to analyse comments and incorporate them in the paper.
- d. Submit guidelines to the CSSF for comments
- e. Contact the Swiss SFA to agree with them our approach is acceptable from their perspective, with the purpose of avoiding administrators and asset managers to provide with different calculations for the different jurisdictions.
- f. Liaise with EU Commission for feedback.
- g. Continue as a working group to follow up on other issues or regulations related to the TER

## APPENDICES

Appendix A: Annex I of the EU recommendation on the Simplified Prospectus, issued in April 2004

Appendix B: The TER Matrix

Appendix C: Working group Terms of Reference and members

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<sup>1</sup> This is not the case in the EU recommendation and the Swiss SFA guidelines, which recommend including such fees. We estimated it would be more appropriate to follow the general principle applied to the calculation of TER and therefore exclude such fees from the calculation base.

## **ALFI TER working group report – APPENDIX A**

Extract of the COMMISSION RECOMMENDATION of 27 April 2004 on some contents of the simplified prospectus as provided for in Schedule C of Annex I to Council Directive 85/611/EEC (notified under document number C(2002) 1541/2) (Text with EEA relevance) (2004/384/EC)

Total expense ratio (TER)

### 1. Definition of the TER

The total expense ratio (TER) of a UCITS is equal to the ratio of the UCITS' total operating costs to its average net assets calculated as according to paragraph 3.

### 2. Included/excluded costs

2.1. The total operating costs are all the expenses which come in deduction of a UCITS' assets. These costs are usually shown in a UCITS' statement of operations for the relevant fiscal period. They are assessed on an «all taxes included» basis, which means that the gross value of expenses should be used.

2.2. They include any legitimate expenses of the UCITS, whatever their basis of calculation (e.g. flat-fee, asset-based, transaction-based(1)), such as:

- management costs including performance fees,
- administration costs,
- fees linked to depository duties,
- audit fees,
- payments to shareholder services providers including payments to the UCITS' transfer agent and payments to broker-dealers that are record owners of the UCITS' shares and that provide sub-accounting services for the beneficial owners of the UCITS shares,
- payments to lawyers,
- any distribution or unit cancellation costs charged to the fund,
- registration fees, regulatory fees and similar charges,
- any additional remuneration of the management company (or any other party) corresponding to certain fee-sharing agreements in accordance to point 4 below.

2.3. The total operating costs do not include:

- transaction costs which are costs incurred by a UCITS in connection with transactions on its portfolio. They include brokerage fees, taxes and linked charges and the market impact of the transaction taking into account the remuneration of the broker and the liquidity of the concerned assets,
- interest on borrowing,
- payments incurred because of financial derivative instruments,
- entry /exit commissions or any other fees paid directly by the investor,
- soft commissions in accordance with point 4.

### 3. Calculation method and disclosure

3.1 The TER is calculated at least once a year on an ex post basis, generally with reference to the fiscal year of the UCITS. For specific purposes it may also be calculated for other time periods. The simplified prospectus should in any case include a clear reference to an information source (e.g. the fund's website) where the investor may obtain previous years'/periods' TER figures.

3.2 The average net assets must be calculated using figures that are based on the UCITS' net assets at each calculation of the net asset value, e.g. daily NAVs where this is the normal frequency of NAV calculation as approved by the UCITS competent authorities. Further circumstances or events which could lead to misleading figures have equally to be taken into consideration.

Tax relief should not be taken into account.

The calculation method of the TER must be validated by the UCITS' auditors and/or competent authorities.

#### 4. Fee-sharing agreements and soft commissions

It regularly results from fee-sharing agreements on expenses that are generally not included in the TER, that the management company or another party is actually meeting, in all or in part, operating costs that should normally be included in the TER. They should therefore be taken into account when calculating the TER, by adding to the total operating costs any remuneration of the management company (or another party) that derives from such fee-sharing agreements.

There is no need to take into account fee-sharing agreements on expenses that are already in the scope of the TER. Soft commissions should also be left outside the scope of the TER.

Thus:

- the remuneration of a management company through a fee-sharing agreement with a broker on transaction costs and with other fund management companies in the case of funds of funds (if this remuneration has not been already been taken into account in the synthetic TER or through other costs already charged to the fund and therefore directly included into the TER) should anyway be taken into account in the TER,
- conversely, the remuneration of a management company through a fee-sharing agreement with a fund (except when this remuneration falls under the scope of the specific fund-of-fund case covered in the previous indent) should not be taken into account.

#### 5. Performance fees

Performance fees should be included in the TER and should also be disclosed separately as a percentage of the average net asset value.

#### 6. UCITS investing in UCITS or in non-UCITS

When a UCITS invests at least 10 % of its net asset value in other UCITS or in non-UCITS which publish a TER in accordance with this Annex, a synthetic TER corresponding to that investment should be disclosed.

The synthetic TER is equal to the ratio of:

- the UCITS' total operating costs expressed by its TER and all the costs suffered by the UCITS through holdings in underlying funds (i.e. those expressed by the TER of the underlying funds weighted on the basis of the UCITS investment proportion), plus the subscription and redemption fees of these underlying funds, divided by
- the average net assets of the fund.

As mentioned in the previous subparagraph, subscription fees and redemption fees of the underlying funds should be included into the TER. Subscription and redemption fees may not be charged when the underlying funds belong to the same group in accordance with Article 24(3) of Directive 85/611/EEC.

When any of the underlying non-UCITS does not publish a TER in accordance with this Annex, disclosure of costs should be adapted in the following way:

- the impossibility of calculating the synthetic TER for that fraction of the investment must be disclosed,
- the maximum proportion of management fees charged to the underlying fund(s) must be disclosed in the simplified prospectus,
- a synthetic figure of total expected costs, by calculating:
  - a truncated synthetic TER incorporating the TER of each of those underlying funds for which the TER is calculated according to this Annex, weighted on the basis of the UCITS investment proportion, and
  - by adding, for each of the other underlying funds, the subscription and redemption fees plus the best available upper-bound assessment of TER-eligible costs. This should include the maximum management fee and the last available performance fee for that fund, weighted on the basis of the UCITS investment proportion.

## 6. Umbrella funds/multiclass funds

In the case of umbrella funds, the TER should be calculated for each subfund. If, in the case of multiclass funds, the TER differs between different share classes, a separate TER should be calculated and disclosed for each share class. Furthermore, in keeping with the principle of equality among investors, where there are differences in fees and expenses across classes, these different fees/expenses should be disclosed separately in the simplified prospectus. An additional statement should indicate that the objective criteria (e.g. the amount of subscription), on which these differences are based, are available in the full prospectus.

(1) This non-exhaustive typology of calculation bases reflects the diversity of recent commercial practice across Member States (i.e. at the end of 2003) and should not be interpreted as a general validation of the compliance of any individual agreement or commission with Directive 85/611/EEC, as last amended by Directives 2001/107/EC and 2001/108/EC, and especially with Article 5f(1)(b) thereof, regarding conflicts of interest, or with national regulations.

	Switzerland	Luxembourg	FEFSI/EFAMA	Ireland	United Kingdom	France	Spain
<b>TER guidelines</b>	Guidelines on the calculation and disclosure of the TER issued by SFA (and accepted by FBC on November 15, 2005) Scope: all investment funds authorised in Switzerland (domestic & foreign) with the exception of real estate funds	Not specifically on TER, but indications included in circular 03/122 on Simplified Prospectus - N.B. The circular is flexible as it says: " The UCITS must indicate the management fee as well as other possible expenses and fees, distinguishing between those to be paid by the investor and those to be paid out of the assets of the UCITS. In addition, UCITS <i>may calculate a total expense ratio...</i> "	Included in FEFSI user manual for the simplified prospectus	IFSRA Guidance Note 1/05 for Collective Investment Schemes - dictating Simplified Prospectus publication standards. (referring to EC recommendation 2004/384/EC)  Several Promoters calculate for internal and/or marketing purposes only.  Outside of the SP, Fund Promoters follow varying standards : Fitzrovia, US, Luxembourg - for internal consistency purposes only.	COB 6 Annex 2R and IMA 'Guidance on TER Calculations', and SORP January 2006.	None as yet but COB published on 09.10.02 a "Report on fees and commission paid by investors invested in UCITS" or "Résumé du rapport sur les frais et commissions à la charge de l'investisseur dns la gestion collective".	Law 35/2003 on Collective Investment Undertakings
<b>Regulator's name of TER guidelines</b>	SFA	CSSF	> Principles for transparency of fees > User Manual for the FEFSI Model Simplified Prospectus	Irish Financial Services Regulatory Authority	FSA		CNMV
<b>Issue date of TER guidelines</b>	25/01/2006	19-déc-03	> 16/04/2002 > 28/10/2002	mars-05	COB August 2005 and Guidance note issued March 2006.		
<b>Date of entry in force</b>	31-déc-06	In conjunction with UCITS law of 20 December 2002 - latest 13/2/2007	n/a	mars-05	Immediate for Simplified Prospectus (COB 6). Accounting periods ending in 2007 for disclosure of TER in annual report (SORP)	Once requested at a European level	04-févr-04
<b>Publication documents</b>	Annual and semi-annual F/S	simplified prospectus	> Annual and semi-annual F/S > Simplified prospectus	Guidance note refers only to mandatory publication in the Simplified Prospectus.  TERs are most commonly issued in marketing data/websites etc.G11Some publication in Annual Reports.	Disclosure of a TER is a requirement of the simplified prospectus and financial statements.  The SORP states that a TER should be included in the long form accounts from the beginning of 2007.	In the annual Financial Statements	Simplified prospectus and half-yearly reports
<b>Calculation period</b>	For the preceding 12 months of each annual and semi-annual reports	at least once a year on ex-post basis, by reference to the fiscal year	> ex-post calculation, updated at least once a year > period: the last fiscal year or the first half of the actual year + second half of the previous year (simplified prospectus: consider 12 months period which is closest to the publication date of the simplified prospectus)	once a year with reference to the fiscal year + option for other periods when required (periodic shareholder report)	12 months on an ex post basis, in line with the Funds Fiscal period.  Where share classes exist there is no requirement to disclose a TER at Fund level.	12 months	
<b>Formula</b>	Total operating expenses (as listed in the P/L) / Average sub-fund TNA	ratio of the gross amount of the expenses of the UCITS to its average net assets.	> based on AVG net assets on a daily, weekly or AT LEAST monthly basis > alternatively formula: Total amount of charges (excl.brokerage) / Management fees(amount) * Management fee (%age)	Total operating expenses (as listed in the P/L) / Average sub-fund TNA	Total operating expenses/ Average sub-fund or share class TNA*100. (TER should be illustrated as a percentage to 2 decimal places)	"Total Frais sur Encours" (TFE) presents all charges supported by the Fund excluding transaction costs in the form of a unique rate corresponding to assets. All taxes are to be included. In addition to the maximum rate to be disclosed, the real rate calculated on the previous exercise is also disclosed.	As for EC recommendation - except for fee sharing arrangements and synthetic TER for funds of funds
<b>Performance fee</b>	Two different TERs to disclose: (1) TER excluding perf. Fee; (2) TER including perf. Fee	Included	no precision in any document	Performance fee must be included in TER & disclosed separately with other management fees.	included and shown separately.	Included	
<b>Performance fee formula</b>		not specified		not specified	no details provided.		

	Switzerland	Luxembourg	FEFS/EFAMA	Ireland	United Kingdom	France	Spain
<b>Fund of Funds (FoF)</b>	<p>Disclosure of a synthetic TER is compulsory for investment in other funds &gt; 10% of net assets.</p> <p>(1) the prorated TER of the target funds weighted according to the share quote in the overall assets of the FoF (the cost of the target funds)</p> <p>(2) S/R fees of the target funds effectively charged</p> <p>(3) TER of the FoF - retrocessions received from target funds (the cost of the fund of funds);</p> <p>- If a target funds do not publish a TER then a "TER" must be computed on the basis of an accurate upper limit for all fees (normally included in the TER) and taking into consideration S/R fees effectively charged</p> <p>- When a FoF invest at least 49% of its net assets in target funds without available TER then no TER FoF to calculate but appropriate disclosure in the F/S</p>	<p>If the UCITS invests more than 20% of its assets in in other investment funds which publish a TER, a synthetic TER must be indicated. If the target fund does not publish a TER, then the impossibility of to calculate a synthetic TER must be disclosed.</p>	<p>&gt; Include TER of each underlying investment (take into account retrocessions!)</p> <p>&gt; Disclosure of max. management fee for both the UCITS and (!) the other investment funds</p>	<p>If the UCITS invests more than 20% of its assets in in other investment funds which publish a TER, a synthetic TER must be indicated.</p> <p>If the target fund does not publish a TER, then the SP should also disclose</p> <p>(i) the impossibility of to calculate a synthetic TER, (ii) the maximum Management Fee of the underlying CIS, (iii) a synthetic figure of expected costs including max management fee, latest available performance fees, best estimates of TER-applicable costs and known subscription/redemption fees from the underlying CISs</p>	<p>If a Fund invests at least 10% of its net assets in other Funds which are required to publish TERs, a synthetic TER should be calculated. Any rebates achieved from other funds Fees can be offset against the TER.</p>	<p>Interdiction for cascading Funds (Fund of Funds) and transparency rules for maximum fees supported by the Fund and underlying Funds which invest over 50% in other funds.</p> <p>- the information notice should indicate, in addition to the direct cost of Fund of Funds, the accumulated TFE, including indirect costs supported by the Fund of its target underlying funds.;</p> <p>- communication in the annual report of the amount of the costs supported by the Fund from its underlying funds and the effective rate in connection to the average net assets of the Fund;</p> <p>- the accumulated TFE of the fund of funds with those of the underlying Funds to be indicated once the threshold of 10% of assets of the Fund has been reached.</p>	<p>Synthetic TER currently not required</p>
<b>TER components</b>	<p>2 alternatives: (1) inclusion of all below listed P&amp;L components; (2) flat-rate + any additional charged commissions, remunerations, costs, fees and duty</p>	<p>The TER includes all expenses levied on the assets of the UCITS such as management charges, performance fees, administration charges, custodian charges, distribution charges, professional charges of the auditor, professional charges of the legal advisers, registration charges and duties. The TER does not include subscription and redemption fees directly paid by the investor.</p>	<p>see: Formula</p>	<p>The TER includes all expenses levied on the assets of the UCITS such as management charges, performance fees, administration charges, custodian charges, distribution charges, professional charges of the auditor, professional charges of the legal advisers, registration charges and duties, Mgt. Co. or Inv. Mgr retrocessions.</p> <p>The TER does not include subscription and redemption fees directly paid by the investor, soft commission, payments relating to derivative instruments, interest on borrowings &amp; transaction costs.</p>	<p>Total operating expenses, excluding transaction fees, and borrowing costs (interest), broker fees and direct taxation (Income Tax and Corporation Tax).</p>	<p>Management fees include, in addition to investment management, all operating costs of the Fund (administration, accounting, custodian and safekeeping). They often also cover distribution costs via retrocessions agreed between the Management company and the distributor.</p> <p><b>Note:</b> transaction costs on holdings in the portfolio are never included under management and operating expenses.</p>	

	Switzerland	Luxembourg	FEFSI/EFAMA	Ireland	United Kingdom	France	Spain
Management fees	Yes	Yes, including performance fees	Yes	Yes	Yes		

	Switzerland	Luxembourg	FEFS/EFAMA	Ireland	United Kingdom	France	Spain
Custodian fees	Yes	Yes	Yes	Yes	Yes (excluding transaction based Fees)		
Taxes (e.g. taxe d'abonnement)	Yes	Yes	Yes	Yes	Yes		
Other expenses (in line with P&L)	Yes	Yes	Yes	Yes	Yes		
- Administration expenses	Yes	Yes	Yes	Yes	Yes		
- Advisory fees	Yes	Yes	Yes	Yes	Yes		
- Distribution costs	Yes	Yes	Yes	Yes	Yes		
- NAV calculation fees	Yes	Yes	Yes	Yes	Yes		
- Publication fees	Yes	Yes	Yes	Yes	Yes		
- Audit fees	Yes	Yes	Yes	Yes	Yes		
- Legal advice costs	Yes	Yes	Yes	Yes	Yes		
- Supervision fees	Yes	Yes	Yes	Yes	Yes		
- Performance fees	Yes in TER including perf. Fee	Yes	no precision in any document	Yes	Yes and shown separately.		
- Other expenses	Yes	Yes	Yes	Yes	Yes		
<b>Questions &amp; Answers</b>							
Are auditors required to sign off on the TER methodology?		not specified	not specified	Yes (for Simplified Prospectus)	Yes		
Are auditors required to sign off on the application of the TER methodology, i.e. the TER itself?		not specified	not specified	No	Yes, but only as far as disclosure in the annual financial statements. No audit is required for the TER disclosed within the simplified prospectus.		
Should debit interest be included in TER?	No	not specified	No	No	No		
Can securities lending income offset negative investment income ?	Implicitly no	not specified	not specified	n/a for TER	not appropriate for the TER calculation.		
Are transaction costs included in TER ?	No	no	No	No	No		
Are taxes relating to transactions included in TER?		not specified		No	No		
What in case of changes in fees charged as % during the reporting period? (e.g. Management fee, Custody fee, etc)	Include this information in a note to F/S	not specified	Investors should be informed of a change in the management fee since the last TER calculation	not specified	Investors should be informed of a change in the management fee since the last TER calculation		
TER for newly launched funds where necessary	Annualisation of operating expenses where necessary	not specified		not specified - market practice is to annualize.	no TER required in SP, only an estimate of expenses. TER is an historic calculation. TER is included in annual report.		
TER for restructured funds (e.g. merges)	TER to calculate for the fund whose historical data is taken over	not specified	no precision given		TERs would be published in line with the Funds fiscal period. If the TER changes as a result of the merger this would be reflected in the calculation.		
Funds with different share classes	Calculation of separate TER for each class based on their respective P&L	Yes. If multiple compartments and classes TER should be calculated at the lowest level	no precision given	not specified	TERs should be disclosed at share class level.		
Calculation methodology for average fund assets	Sum of Net fund assets on n valuation days/ n	not specified	no precision given	Calculation of separate TER for each class based on their respective P&L	TERs should disclosed at share class level.		
Umbrella	TER is calculated for all subfunds			TNA at each valuation point should be used for the calculation	Average Net Assets of all valuations of the Fund, or share class if appropriate.		
Share classes	Calculation of TER per share class only in case of different fee structures						

	Germany	Belgium	Lipper Fitzrovia <small>(received directly from Fitz London)</small>	Morningstar
<b>TER guidelines</b>	Investmentgesetz (InvG), § 41. Kosten und Kostentransparenz	Arrêté Royal relatif à certains organismes de placement collectif public. / Circulaire OPC 1/2005 Présentation du prospectus et prospectus simplifié à publier par les organismes de placement collectif publics de droit belge à nombre variable de parts. Decree on OPC publication of Simplified Prospectus of Belgian Law OPCs	"TER Position Paper"	Morningstar Quicktake Report: Mutual Fund Data Definitions (2006)
<b>Regulator's name of TER guidelines</b>	Bafin	CBFA Commission Bancaire, Financière et des Assurances	TER calculation in line with European Commission recommendations	
<b>Issue date of TER guidelines</b>	15-déc-03	April 26, 2005 / March 4, 2005	Calculating TERs since 1993	
<b>Date of entry in force</b>	01-janv-05		n/a	
<b>Publication documents</b>	-) Annual reports simplified prospectus	Simplified Prospectus	"Fund Charges" analyses of all funds authorised in different markets	
<b>Calculation period</b>		Calculation based on year-end accounts or if necessary on another specified period	Calculation based on annual (and also semi-annual) fund reports, together with liaison with fund accountants where relevant.	
<b>Formula</b>		"Total des frais sur encours - TFE" Total operating expenses divided by average net assets	Total expenses charged / Mgmt Fee amount charged * Percentage Mgmt Fee	
<b>Performance fee</b>	Performance fee shown separately ("gesondert")	Included in the TFE plus mention of their % compared to the average net assets	Excluded from standard TER. (Performance fee charged and TER+PerfFee are also shown separately)	
<b>Performance fee formula</b>			As for other fees/expenses	

	Germany	Belgium	Lipper Fitzrovia <small>(received directly from Fitz London)</small>	Morningstar
<b>Fund of Funds (FoF)</b>	<p>Synthetic TER not required</p> <p>If a single 'flat fee' is shown, its components must also be disclosed in the fund reports</p>	nothing found	Top level expenses only, as based on fund reports. ("Synthetic" figures calculated for range of UK funds)	
<b>TER components</b>		Operating costs including management fees, performance fees, custodian bank fees, audit fees, costs relating to services to shareholders, legal costs, distribution costs or redemption costs, registration, supervision and other costs, other costs to the management company or other party i.e. fee sharing	Figures are taken from the Expense Statement in the fund reports	The annual expense ratio, taken from the fund's annual report, expresses the % of assets deducted each fiscal year for fund expenses, including 12b-1 fee, management fees, administrative fees, operating costs, and all other asset-based costs incurred by the Fund. <u>Portfolio transaction fees or brokerage costs, as well as initial or deferred sales charges are not included in the expense ratio.</u>

	<b>Germany</b>	<b>Belgium</b>	<b>Lipper Fitzrovia</b> <small>(received directly from Fitz London)</small>	<b>Morningstar</b>
Management fees		Yes	Yes	

	Germany	Belgium	Lipper Fitzrovia <small>(received directly from Fitz London)</small>	Morningstar
Custodian fees		Yes	Yes	
Taxes (e.g. taxe d'abonnement)		Yes	Yes	
Other expenses (in line with P&L)		Yes	Yes	
- Administration expenses		Yes	Yes	
- Advisory fees		Yes	Yes	
- Distribution costs		Yes	Yes	
- NAV calculation fees		Yes	Yes	
- Publication fees		Yes	Yes	
- Audit fees		Yes	Yes	
- Legal advice costs		Yes	Yes	
- Supervision fees		Yes	Yes	
- Performance fees		Yes	No (shown outside standard TER)	
- Other expenses		Yes	Yes	
<b>Questions &amp; Answers</b>				
Are auditors required to sign off on the TER methodology?		Yes		
Are auditors required to sign off on the application of the TER methodology, i.e. the TER itself?		Yes, only mention of approval of method		
Should debit interest be included in TER?		No	No	
Can securities lending income offset negative investment income ?			No	
Are transaction costs included in TER ?		No	Depending on accounting method used	
Are taxes relating to transactions included in TER?			[Have not come across this in fund reports]	
What in case of changes in fees charged as % during the reporting period? (e.g. Management fee, Custody fee, etc)		Mention made in simplified prospectus	TER reflects expenses borne by the fund over accounting period. (Additional figure shows "projected" TER if new mgmt fee had been charged throughout period)	
TER for newly launched funds		Mention made in simplified prospectus	All TERs based on published fund reports	
TER for restructured funds (e.g. merges)		Mention made in simplified prospectus	All TERs based on published fund reports	
Funds with different share classes		TFE per share class to be calculated	TER per share class	
Calculation methodology for average fund assets		based on frequency of NAV valuations	Primary method is based on management fees charged.	
Umbrella		TFE for all subfunds	TER is calculated for all subfunds	
Share classes		TFE for all classes	Calculation of TER per share class where different fee structures	

	Singapore	United States of America	The Netherlands	Sweden	EU Recommendation
<b>TER guidelines</b>	IMAS Guidance notes for the disclosure of Expense Ratios	Yes	Further Regulations on the Market Conduct Supervision of Collective Investment Schemes 2005	Handbook for the Fund Market 30/12/05	Recommendation 27 April 2004 on some contents of the simplified prospectus as provide for in Schedule C of Annex I to Council Directive 85/611/EEC
<b>Regulator's name of TER guidelines</b>	IMAS	SEC & GAAP Additional guidance is available in the SEC's N1-A filing requirements and also in the American Institute of Certified Public Accountants (AICPA) Audit Guide for Investment Companies	AFM - Autoriteit Financiële Markten (The Netherlands Authority for the Financial Markets)	Finansinspektionen (Swedish Financial Supervisory Authority)	European Commission
<b>Issue date of TER guidelines</b>	May 2005	SEC 1933 Act and Investment Company Act of 1940 (N1-A filing was last updated December, 2004) and the AICPA Audit Guide - originally issued in 2000	9 August 2005	30/12/2005	27-avr-04
<b>Date of entry in force</b>	Immediate.	same as above	1st September 2005	not mentioned	In conjunction with UCITS law of 20 December 2002 - latest 13/2/2007
<b>Publication documents</b>	TER should be included in the long form accounts at annual and semi annual.	Annual & Semi-Annual Reports and Prospectus & SAI and any other marketing material that may disclose TER information	Simplified Prospectus (Financial Information Leaflet) and in the explanatory notes to the balance sheet and the profit and loss accounts of the collective investment scheme.	Simplified Prospectus	Simplified Prospectus
<b>Calculation period</b>	The expense ratio is to be calculated for the preceding 12 months at the close of the annual and semi annual financial statements. (i.e. For annual reports the calculation is in respect of the financial year ended, and for the semi annual report the calculation is in respect of the 12 months ended on the date of the semi annual report)	The last fiscal year calculation is used for Annual reports & Prospectus which if it is not a new fund then it is a 12 month period. 6 month period is used for Semi-annual reports and then annualized.	Annual calculation of previous financial year	Calculated in arrears once per year, normally in respect of the financial year of the UCIT. For special purposes, TER may be calculated in respect of other periods.	TER to be calculated at least once a year, with reference to the fiscal year of the UCITS. For specific purposes it may also be calculated for other time periods. A clear information source should be mentioned as a reference to find previous years information.
<b>Formula</b>	Total operating expenses/ Average sub-fund or share class TNA*100. (TER should be illustrated as a percentage to 2 decimal places)	Total annual operating expenses from SOPS / annual average daily net assets	The Expense Ratio is rounded off to two decimal places and is calculated by dividing the total costs by the average net asset value of the collective investment scheme. 1. The average net asset value of the collective investment scheme is the sum of the net asset values divided by the number of times that the net asset value was measured. The sum of the net asset values is based on the figures as at 31 December of the previous financial year, 31 March, 30 June, 30 September and 31 December of the current financial year, or comparable data in the case of a non-standard financial year. The net asset value is always measured five times (except in the case of a shortened or extended financial year). The resulting figures from these measurements are considered as a weighted average, whereby the measuring times in question are weighted according to the following ratio: 0.5:1:1:1:0.5.	TER is equal to equal to the ratio between its total operating expenses and its average net assets and is calculated in accordance with section 3 (see manner of calculation). "Total operating expenses" means all expenses which decreases the assets in the UCIT. These expenses are normally reported in the UCIT's profit and loss account for the financial period. They are reported, including all taxes, and it is thus the gross amount of the expenses used in the calculation. The calculation of the average net assets shall use amounts based on the UCIT's net assets in conjunction with each calculation of the net asset value, eg daily net asset values if such is the normal frequency for the competent of the net asset values approved by the investment fund's relevant authority. The calculation method for the TER ratio shall be approved by the Swedish management company's auditors and/or competent authorities.	The TER is equal to the ratio of the UCITS's total operating costs to its average net assets.
<b>Performance fee</b>	Included and shown separately.	Some funds calculate management fees based on a "performance fee" which is calculated at the beginning of each month based on how much the Fund's total return exceeded or lagged its benchmark (S&P) over the preceding twelve month period	no mention of performance fee exclusion	"Results premiums" should be calculated in TER and should also be published separately as a percentage of the net asset value.	
<b>Performance fee formula</b>	no details provided.	Performance adjustment rate by the average daily net assets of the performance period. (See U.S. Long Short Fund's Annual report as an example)	n/a	Calculate a TER with a without a Results Premium.	not specified

	Singapore	United States of America	The Netherlands	Sweden	EU Recommendation
<b>Fund of Funds (FoF)</b>	If a Fund invests more than 50% of its net assets in other Funds which are required to publish TERs, a synthetic TER should be calculated. Any rebates achieved from other funds Fees can be offset against the TER.	Total annual operating expenses / annual average daily net assets = direct TER. For indirect expenses from underlying funds it is a weighted average calculation based on market value & expense ratio for each underlying fund.	<p>If a collective investment scheme invests ten percent or more of its net asset value in collective investment schemes that publish a cost ratio, a synthetic cost ratio shall be drawn up. This synthetic cost ratio is equal to the total operating costs including the entry and exit costs that are charged on to the collective investment scheme by the underlying collective schemes (weighted based on the relative size of the investment), divided by the average net asset value of the collective investment scheme.</p> <p>If the underlying collective scheme does not calculate a cost ratio, the following shall be stated in the annual accounts:</p> <p>a. that it is impossible to draw up a synthetic cost ratio for the collective investment scheme;</p> <p>b. the maximum percentages of the management fees, performance fees and other costs charged to the underlying collective investment schemes;</p> <p>c. a synthetic figure for the total expected costs that is calculated by means of a partially synthetic cost ratio, in which the cost ratio is available, to be added to the entry and exit fees and the maximum estimate of the costs to be included, for inclusion in the cost ratio, of the underlying collective investment scheme for which no cost ratio is available.</p>	<p>In the event a UCITS invests not less than 10% of its net asset value in other UCITS or in funds (special funds or non-UCITS) other than UCITS which publish a TER ratio in accordance with this Appendix, a synthetic TER ratio relating to the investment should be published. The synthetic TER ratio is equal to the ratio of:</p> <p>- the UCITS' total operating expenses, expressed as a TER value, together with the expenses which the UCITS incurs through its holdings in underlying funds (i.e. those expressed through TER and weighted on the basis of the share of the UCITS' investment) plus fees for subscription or redemption for these underlying funds; and the UCITS' average net assets.</p> <p>- When any of the underlying funds which are not a UCITS does not publish any TER ratio, publication of the expenses should be adjusted in the following manner: Publication of a statement why the synthetic TER calculation is not possible;</p> <p>The maximum share of the management fees charged to the underlying fund or funds must be published in the simplified prospectus;</p> <p>A synthetic value for the total expected expenses, calculated through:</p> <p>- a truncated synthetic TER based on the TER quotas for each and every underlying fund for which the TER is calculated pursuant to this Appendix and to which are weighted on the basis of the share of the UCITS investment;</p> <p>- to which each of the underlying funds' fees are paid for subscription and redemption plus the highest accessible assessment of the expenses which can be included in the TER. This should cover the highest management fee and the most recently available result premium for the fund, weighted on the basis of the share of the UCITS' investment.</p>	<p>When a UCITS invests at least 10% of its net asset value in other UCITS or in non-UCITS that publish a TER, a synthetic TER corresponding to that investment should be disclosed. The synthetic TER is equal to the ratio of the UCITS' total operating costs expressed by its TER and all the costs suffered by the UCITS through holdings in underlying funds (i.e. those expressed by the TER of the underlying funds weighted on the basis of the UCITS investment proportion), plus the subscription and redemption fees of these underlying funds, divided by the average net assets of the fund.</p> <p>When any of the underlying non-UCITS does not publish a TER in accordance with this Annex, disclosure of costs should be adapted in the following way:</p> <p>- the impossibility of calculating the synthetic TER for that fraction of the investment must be disclosed,</p> <p>- the maximum proportion of management fees charged to the underlying fund(s) must be disclosed in the simplified prospectus,</p> <p>- a synthetic figure of total expected costs, by calculating:</p> <p>- a truncated synthetic TER incorporating the TER of each of those underlying funds for which the TER is calculated according to this Annex, weighted on the basis of the UCITS investment proportion, and</p> <p>- by adding, for each of the other underlying funds, the subscription and redemption fees plus the best available upper-bound assessment of TER-eligible costs. This should include the maximum management fee and the last available performance fee for that fund, weighted on the basis of the UCITS investment proportion.</p>
<b>TER components</b>	Total operating expenses, excluding transaction fees, and borrowing costs (interest), broker fees and direct taxation.	see: formula above	The total costs include all costs in the reporting period that are charged to the result and to the own funds. The costs of investment transactions and the interest charges are not included, nor are the costs connected with the entry and exits of unit-holders, insofar these are covered by the surcharges and reductions received. Notion of "Recurring costs" which comprise all costs except the transaction costs for the underlying property titles, interests and the costs connected to the unitholders joining and pulling out insofar as these are covered by the surcharges and discounts received.	All of the UCIT's legitimate expenses, irrespective of the basis of calculation (e.g. one-off commissions and assets-bases or transaction-based expenses), e.g. the following: Management expenses including result premiums; Administration expenses; Fees in conjunction with custodian services; Fees in conjunction with custodian services; Audit fees;	The total operating costs are all the expenses which come in deduction of a UCITS' assets. These costs are usually shown in a UCITS' statement of operations for the relevant fiscal period. They are assessed on an «all taxes included» basis, which means that the gross value of expenses should be used. The total operating costs <b>do not</b> include: transaction costs which are costs incurred by a UCITS in connection with transactions on its portfolio, i.e. brokerage fees, taxes and linked charges and the market impact of the transaction taking into account the remuneration of the broker and the liquidity of the concerned assets; interest on borrowing; payments incurred because of financial derivative instruments; entry /exit commissions or any other fees paid directly by the investor; soft commissions.

	Singapore	United States of America	The Netherlands	Sweden	EU Recommendation
				<p>Payments to services providers for shareholders including payments to the UCIT's representative for registration of securities and payments to securities dealers who are formal owners of units in the UCIT and which provide accounting services to the real owners (with "beneficial interest") in the shares:                      Counsel fees; all distribution or de-registration expenses incurred by the fund; Registration fees, supervisory fees and similar fees;</p> <p>-The total operating expenses shall not include the following: -                      Transaction fees charged to the UCIT in conjunction with transactions involving its own portfolio. The aforementioned applies to commission, taxes and related expenses and the effect of the transaction on the market taking into account compensation to brokers and the liquidity of the affected assets. Interests on loans. - Expenses for financial derivative instruments. - Purchases and sales commissions and other fees paid directly by the investors. - "Soft commission".</p>	
Management fees	Yes	yes	In addition to investing in underlying collective investment schemes, collective investment schemes will frequently invest by means of Commodity Trading Advisors, for example. The costs involved in this type of indirect investments must also be included in the (synthetic) cost ratio of the underlying collective investment schemes in the same way as is done with underlying collective investment schemes.	Yes	yes

	Singapore	United States of America	The Netherlands	Sweden	EU Recommendation
Custodian fees	Yes (excluding transaction based Fees)	yes	Yes	Yes	yes
Taxes (e.g. taxe d'abonnement)	Yes	Federal & state income taxes for the fund	Yes	Yes, but not tax relief	Yes, but not tax relief
Other expenses (in line with P&L)	Yes	yes	Yes	Yes	Yes
- Administration expenses	Yes	yes	Yes	Yes	Yes
- Advisory fees	Yes	yes	Yes	Yes	Yes
- Distribution costs	Yes	yes (12b-1 fees)	Yes	Yes	Yes
- NAV calculation fees	Yes	yes (pricing)	Yes	Yes	Yes
- Publication fees	Yes	yes (printing & mailing)	Yes	Yes	Yes
- Audit fees	Yes	yes	Yes	Yes	Yes
- Legal advice costs	Yes	yes	Yes	Yes	Yes
- Supervision fees	Yes	?	Yes	Yes	Yes
- Performance fees	Yes and shown separately.	yes (only a few funds have this as part of the management fee calculation)	Yes	Yes	Yes
- Other expenses	Yes	yes (Transfer Agent Fees)	Yes	Yes	Yes
<b>Questions &amp; Answers</b>					
Are auditors required to sign off on the TER methodology?	n/a				not specified
Are auditors required to sign off on the application of the TER methodology, i.e. the TER itself?	Yes, but only as far as disclosure in the annual financial statements.				not specified
Should debit interest be included in TER?	No	yes, if it is interest expense as it relates to interest on debt by the fund or bank borrowings. We also have expense offset arrangements with the Custodian.	No	No	No
Can securities lending income offset negative investment income ?	not appropriate for the TER calculation.	It is included in investment income, not the TER	not specifically mentioned in regard to TER		not specified
Are transaction costs included in TER ?	No	Transaction costs such as SEC fees or brokerage fees are included in the portfolio trades, not TER	No	No	No
Are taxes relating to transactions included in TER?	No	no - offset to investment income or incorporate in the portfolio trades		No	No
What in case of changes in fees charged as % during the reporting period? (e.g. Management fee, Custody fee, etc)	Investors should be informed of a change in the management fee since the last TER calculation	Investors should be informed of a change in the management fee structure. They are included as disclosure in the Notes to Financials in the shareholder reports and also a disclosure in the Prospectus & SAI			not specified
TER for newly launched funds	TER is included in annual and semi annual report	Estimated total operating expenses including start-up costs divided by estimated average net assets - used for the initial filing to the SEC		Not for newly formed funds	no obligation for newly created UCITS
TER for restructured funds (e.g. mergers)	TERs would be published in line with the guidelines above. If the TER changes as a result of the merger this would be reflected in the calculation.	Estimated total operating expenses including estimated merger costs divided by average daily net assets for both funds combined are used for the proxy (shareholder vote)			not specified
Funds with different share classes	TERs should be disclosed at share class level.	Common expense ratio excluding the 12b-1 fees is the same for all classes. TER is presented on the financial highlights for each share class outstanding.		In respect of each share category where the TER quotas differ between the categories	By sub-fund and share class, if different TER
Calculation methodology for average fund assets	Average Net Assets of all valuations of the Fund, or share class if appropriate.				
Umbrella					
Share classes		12b-1 fee ratio = Class specific expenses divided by class specific average net assets			

## APPENDIX C

### Working Group F6 – Total expense ratio (TER) and Portfolio Turnover Ratio (PTR)

#### Terms of Reference

- Monitor the progression of the TER/PTR concept (calculation, disclosure, etc...) in the EC and other target countries;
- Summarize the Luxembourg position and propose guidelines on TER/PTR for Luxembourg Funds taking into account the CESR guidelines and the EU recommendation on UCITS III simplified prospectus;
- Cooperate with the EFAMA and other international organisations on the subject in order to support a common European wide definition and approach to disclosure;

#### Members

Daniela Klasen-Martin (chair)	The Directors' Office	DKM
Vincent Gouverneur	Deloitte	VC
Thierry Borceaux	RBC Dexia	TB
Frederic Mosele	RBC Dexia	FM
Russell Dixon	Fidelity	RD
Cynthia Watelet	Merrill Lynch	CW
Derek Carroll	Franklin Templeton	DK
Christian Ralison	Fidelity	CR
Anne-Marie Baerten	Fastnet	AB
Colin Cameron	JPMorgan	CC
Stephan Crémony	Pictet	SC
Christof Jansen	AXA	CJ
Ed Moisson, Hughes Gilbert	Fitzrovia	EM, HG
Michel Kabanga Kayembe	Ineum Consulting	MK

#### Frequency of meetings

At least once a month