



PRINCIPLES FOR TRANSPARENCY OF FEES

The question of transparency of fees has recently attracted increasing attention.

In its work on the simplified prospectus FEFSI has recommended - already two years ago - to use and publish a Total Expense Ratio (TER). Fund managers should clearly state the total costs associated with running a fund through the use of a Total Expense Ratio (TER). In view of the different customs and attitudes across Europe, it is difficult to have a more unified approach to other costs (of distribution and transactions). Nevertheless, fund managers are encouraged to give as much information as possible.

As part of a broader exercise to set industry standards, these recommended Principles reflect FEFSI's aim to set a unified presentation across the European Economic Area of fees that can be charged to an investment fund. The Principles are based on internationally accepted rules but also respect the individual background in the various countries, be they large or small.

Principles for the transparency of fees

The **Total Expense Ratio (TER)** shall include **all costs** actually charged to the Fund **except** for brokerage and like charges. The TER should be presented *ex post* and updated at least once a year. The TER should be disclosed in the annual and semi-annual reports as well as the simplified prospectus.

Cost elements should not be netted when calculating the TER.

Regarding other costs paid directly by the investor, such as front-end, switch or redemption fees, the basis for their calculation should always be disclosed; where this is not the net asset value (NAV) the appropriate basis should be given.