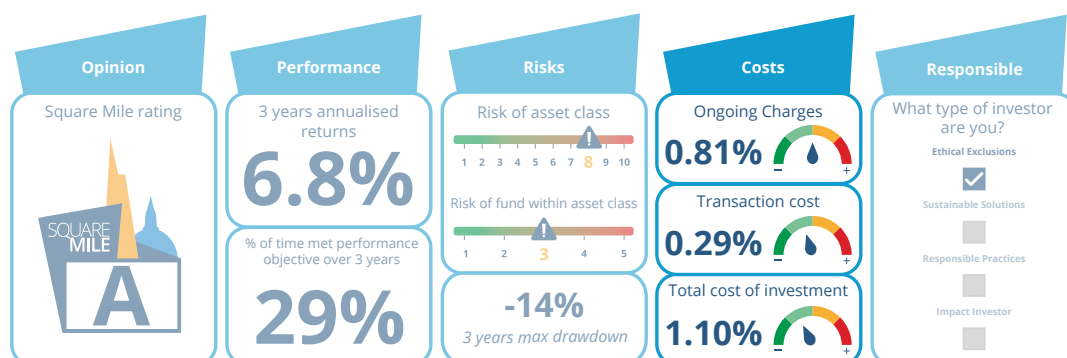


FOR PROFESSIONAL INVESTORS ONLY

# Fund Dashboard: Cost Analysis Methodology

## FUND DASHBOARD: COST ANALYSIS METHODOLOGY



Source: Square Mile

The following methodology was created in order to provide insight on a strategy's fee and cost structure as well as to provide context to these figures by comparing the strategy's costs to other funds within the relevant peer group and fund management style.

The cost calculation is done on three levels. Firstly the ongoing charge figure (OCF) is considered, followed by calculation of transaction costs and the total cost of investment.

1. The **ongoing charge figure (OCF)**, is well recognised across the industry and will include expenses such as: annual management charge (AMC), audit, regulatory and other administrative fees.
2. The **transaction costs** are a total of both Transaction Cost Ex-Ante and Incidental Cost Ex-Ante, as defined by MiFID II. These costs are meant to provide a further insight into the overall cost of investing in a particular strategy.
3. The **total cost of investment** is a sum of the two previously mentioned metrics: the ongoing charge figure (OCF) and transaction costs, where available. It is meant to summarise the total expected cost of investing into the strategy. Costs which are not included in this analysis are any platform charges.

Every cost calculation for each strategy is then compared on the value-o-meter against other strategies within the same peer group. The reporting standards vary and certain costs, such as transaction costs, may not always be available. The following comparison is therefore limited to the reported costs.

The comparison is formulated as a percentile rank for each strategy within a shared peer group i.e. the lower the percentile rank of a fund, the "cheaper" the strategy is compared to other similar strategies. On the dashboard scale, cheaper are shown by the arrow pointing towards the left-hand side of the meter. The following "Value for Money" section, present on the [Square Mile Academy website](#), is used to comment on the strategy's relative cost in terms of the strategy's historic and expected performance profile.

### Peer group selection

The value-o-meters provide a useful comparison between a strategy's cost relative to other similarly structured products i.e. peer groups. The peer groups are also utilised when looking at the "the fund risk within the asset class" metric within the dashboard. The cost analysis also differentiates between active and passive styles of fund management i.e. the cost of an actively managed strategy is compared to costs of other actively managed strategies present within the same peer group.

### Share class selection

For each strategy there could be as few as one investable share class or as many as 30 different share classes, each with different costs and investor outcomes. The cost analysis is performed on a single chosen share class for each deemed the most widely available to advisers, as defined by platform availability within the appropriate peer group. This is done to make comparisons more relevant as well as to avoid strategies with many share classes skewing the cost analysis for less represented strategies.

The rules for share class selection are listed as follows, in the order of importance:

- Share class is required to be “clean” and sterling denominated.
- Distribution, for fixed income strategies preference is given to income distribution share classes.
- Platform availability, share classes which are more widely available receive preference.
- History length, strategies with longer history are favoured.
- Cost, cheaper share classes, as determined by “total cost of investment” are preferred, however the cheapest share class might not necessarily be selected due to other reasons stated by the asset manager i.e. minimum subscription.

The share class which satisfies the majority of these criteria is selected and used to construct an appropriate peer group. On occasion, when the chosen share class is “closed” or restricted to fewer investors, the next recommended share class is selected.

The chosen share class for each strategy is referenced and can be seen when viewing funds on the [Academy of Funds website](#).



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