

27 March 2019

Kathy Neilson
Senior Lawyer, Investment Managers & Superannuation
Australian Securities and Investments Commission
Level 5, 100 Market Street
Sydney NSW 200

Dear Kathy,

Feedback on Consultation Paper 308 *Review of RG 97 Disclosing fees and costs in PDSs and periodic statements (CP 308)*

Please find our feedback on ASIC's proposed changes to the RG 97 fees and costs disclosure regime in the attached appendices. Our feedback has been provided in the context of being a Responsible Entity for over 200 registered managed investment schemes.

As requested we have not provided feedback in relation to every proposal outlined in CP 308, rather we have only provided feedback where we felt there was an opportunity to improve the current proposal.

Yours sincerely,

Harvey H Kalman
Executive General Manager
Corporate Trustee Services

cc: feesandcostdisclosure@asic.gov.au

Appendix 1: Recommendations that require admenents to Schedule 10

Proposal	Recommendation in REP 581	Feedback
1. Changing the treatment of transactional and operational costs.	24, B5	<p>In most part we agree with the changes suggested in recommendation 24. We do however disagree with the recommendation to move the transaction costs disclosure from the Additional Explanation of Fees and Costs (AEFC) to both the Fees and Costs Template and the Example of Annual Fees and Costs.</p> <p>Transaction costs are incurred for a number of reasons including:</p> <ol style="list-style-type: none"> 1. To invest application money and to generate funds to satisfy redemptions; 2. To ensure appropriate exposure to meet the fund’s strategy, investment mandate and with the aim to generate positive investment return; and 3. Exiting investments that have reached their maximum value. <p>Specifically, in relation to points (2) and (3) above it would be unfair to include transaction costs in the Fees and Costs Template and the Example of Annual Fees and Costs without providing performance returns, or some context around these transaction costs.</p>
2. Changing the treatment costs of performance fees.	24, B9	<p>Given the volatility in performance fees (as noted in REP 581), we disagree with the requirement to disclose performance fees based on the previous five financial years in the Fees and Costs Template.</p> <p>Performance fees will fluctuate from year-to-year and thus any disclosure based on historic performance fees does not provide accurate information to potential investors on what performance fees they will incur in future periods. Our recommendation would be to limit the performance fee disclosure to:</p> <ol style="list-style-type: none"> 1. The performance fee criteria in the Fees and Costs Template; 2. An example calculation outlining the mechanics of the performance fee calculation in the AEFC, assuming a balance of \$50,000 and the fund meeting its investment objective; and 3. An example in the Example of Annual Fees and Costs based on (b) above.



Proposal	Recommendation in REP 581	Feedback
		<p>Alternatively, should there still be a requirement to disclose performance fees on historic averages, we recommend ASIC consider extending the five-year period to ten years or possibly inception. Any performance fee disclosure should clearly note the period in which it has been calculated.</p> <p>Finally, we disagree that historic average performance fees cannot be reported as negative amounts. Depending on the period in which the average performance fee is being calculated, negative (clawback) performance fee provisions may result in a net amount being returned to investors. Limiting the performance fee disclosure to positive amounts may overstate performance fees that were/are expected to be incurred by investors.</p>



Appendix 2: Recommendations and observations that ASIC do not propose to adopt at this stage

Proposal	Recommendation in REP 581	Feedback
1. Consistency in the way fees and costs information is incorporated by reference.	4, D3	We recommend that ASIC work with the industry to develop a single template that all industry participants can use to satisfy investor requests for 'RG97 data'. One of the most significant frustrations with RG97 is completing the numerous templates forwarded by investors that have minimal guidance. Completing multiple templates reduces the amount of time that can be spent accurately completing and reviewing the data being populated and thus increases the risk of error.
2. Explaining transactional and operational costs to consumers within the context of information about returns.	25, D5	See comments in proposal 1 in Appendix 1.