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RG97 FAQ

New fee and cost disclosure requirements

30 September 2017

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This FAQ is an overview of the most important changes. It is not an exhaustive list of every change, and this FAQ will be updated as needed over the next few months.

Background to the new disclosure requirements

Following an ASIC review, new requirements for fee and cost disclosure have been introduced to make it easier for your clients to compare different super and investment products. **This is an industry-wide change for all issuers of super and managed investment products.**

The new disclosure requirements are set out in ASIC Class Order 14/1252 (as amended by ASIC Legislative Instruments 15/876, 16/1224 and 17/664) and in updated ASIC *Regulatory Guide 97 – Disclosing fees and costs in PDSs and periodic statements* ('RG 97').

While there are some changes to the amounts and types of fees and costs stated in the PDSs and statements, it's important to note that:

- **There are no new fees or costs being charged, so members won't pay any more**. These are simply changes to how existing fees and costs are disclosed.
- **There's no impact on the after fees and costs performance of members' investments**. The way we calculate investment performance hasn't changed.

ASIC expects these industry-wide changes will provide more accurate and consistent disclosure to customers and that the fee and cost amounts disclosed will generally increase.

About the new disclosure requirements

1. Are there any changes to the fees or costs due to RG 97?

No, there are no new fees or costs, and no changes to the way fees and costs are charged. The only change is to the way existing fees and costs are disclosed.

The RG 97 changes may mean some increases in the amounts of fees and costs disclosed. However, your clients won't pay any more and there will be no impact on the performance of their investments.

2. When are the disclosure changes effective?

PDSs for existing funds must comply by 30 September 2017. New funds launched after 1 February 2017 must comply from launch.

3. When will final figures for the new fee and cost disclosures be available?

Figures are now available in updated PDSs.

4. What are the changes?

The changes are to the disclosure of indirect costs, performance fees, transactional and operational costs (including property operating costs), and borrowing costs.

Indirect costs

- The changes to disclosure of indirect costs are the key changes brought about by RG 97.
- The definition of indirect costs has been expanded as a result of the changes.
- For **managed investment products**, indirect costs are now disclosed in the 'Management costs' section of the fees table of a PDS.
- While the actual costs clients pay won't change as a result of RG 97, the total amount of management costs will generally be higher than previously disclosed due to the inclusion of indirect cost amounts.

Transactional and operational costs, and borrowing costs

The PDS section 'Additional explanation of fees and costs' has been expanded to include:

- details and amounts of transactional costs incurred when an investment manager buys or sells assets, such as stamp duty, brokerage and settlement costs. There'll also be additional information about how these costs are recovered through buy/sell spreads (where applicable),
- borrowing costs, for managed investment products, if incurred directly or indirectly through investments in underlying funds.

Performance fees

A performance fee is generally a fee paid to an investment manager when they perform above a certain level. RG 97 clarifies what amounts can be described as performance fees and how these amounts must be disclosed in a PDS.

All performance fees for managed investment products are included as part of management costs disclosed in the PDS.

5. How does RG 97 affect the way fees and costs are disclosed?

There are three main impacts:

1. Increased 'look through': fund managers will need to look more deeply into their

investment structure to identify all costs that are incurred for underlying investments. This may involve seeking additional information from external fund managers, investment companies and companies responsible for the management and operation of some asset classes, including property, private assets and infrastructure.
2. There are some new items that are required to be disclosed, such as the costs of using derivative products, borrowing costs, and costs of managing and operating property.
3. Costs for existing funds will be based on the actual costs incurred in the relevant fund's previous financial year. These amounts will still include estimates where some of the actual costs incurred during the previous financial year are unknown. Currently, costs are disclosed based on a forward-looking estimate.

We expect these changes to mean an increase in the amounts of fees and costs disclosed. However, your clients won't pay any more and there will be no impact on the performance of their investments.

Updates to PDSs

6. What's the impact of the changes for the funds?

Funds	Impact on disclosure
Antares funds: • Australian Equities Fund • Antares Dividend Builder • Antares Elite Opportunities Fund • Antares High Growth Shares Fund • Antares Listed Property Fund • Antares Income Fund	The only change for these funds is how transaction costs, and (if applicable) borrowing costs and performance fees are disclosed in PDSs. There is no impact to the Antares Direct Separately Managed Account (DSMA), as it already discloses all fees and costs required by the new regulations.
NABAM boutique funds, managed by: • Altrinsic • Fairview • Intermede • Presima • Redpoint	The only change for these products is how transaction costs and (if applicable) performance fees are disclosed in PDSs.
MLC Investment Trusts for example the MLC Wholesale Horizon 4 Balanced Portfolio and the MLC Wholesale Inflation Plus - Moderate Portfolio	Generally, the management costs disclosed for managed investment products are higher as they now include indirect costs. There may also be changes to how transaction costs and (if applicable) borrowing costs are disclosed in PDSs.

When do the PDSs reflect the disclosure changes?

For our existing on sale Antares and NAB AM boutique funds, we issued updated PDSs and Product Guides that reflect the new disclosure changes on 29 September 2017.

They can be downloaded from the 'Product information' section of **nabam.com.au**

For the MLC Investment Trusts, the new PDSs and Product Guide were issued on 30 September 2017.

These can be downloaded from the 'Product Disclosure Statements' section on **www.mlcinvestmenttrust.com.au**

7. When will the periodic and exit statements reflect the new disclosure requirements?

RG 97 requires some changes to periodic and exit statements for your clients to reflect the enhanced disclosure of fees and costs.

The changes to periodic and exit statements will occur as follows:

Statement	Period
Exit statements	For any clients exiting from 1 July 2017
Quarterly periodic statements (minor changes)	For statements for the period ending 30 September 2017

Understanding indirect costs

8. What are indirect costs?

Super and managed investment products may invest customer money into various underlying investments. The returns from these investments are passed back to the products after the costs of the underlying investments have been deducted by the managers of the underlying investments. These costs are known as indirect costs and are not charged by, or paid to, the trustee of the super or managed investment product.

9. Can a client request a waiver of the indirect costs?

No. Indirect costs are part of the cost of investing in the funds. Since they aren't charged directly to an investor, they can't be waived.

10. How often will indirect costs change?

A fund's indirect costs will generally change when its exposure to asset classes with indirect costs changes.

RG 97 requires costs for existing funds to be calculated each year and updated, so there may be some changes to indirect costs each year. However, if a fund's asset allocation remains largely unchanged, we expect little change to the indirect costs.

Important information

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