



## **CTS MAIN ACCOUNT TEMPLATE GLOSSARY OF TERMS**

**This document is designed to aid understanding of the Cost Transparency Standard (CTS) templates for asset owners and their advisors. For detailed technical information please look at the CTS Machine-Readable Template.**

## INTRODUCTION

The Cost Transparency Standard (CTS) provides a new industry standard for asset owner investment cost data. The Cost Transparency Standard (CTS) templates and tools provide a framework for asset owners to receive detailed, consistent and standardised cost and charges information from asset managers.

This information can be used to support assessments of value for money delivered.

The Main Account Template covers most product types and captures all relevant data in one place. Some of this information is populated directly into this template, whereas some specialist costs have relevant sub-templates which map across to the cells. You should expect to receive cost information presented in a standard format, irrespective of asset class, asset manager, or mandate structure (e.g. pooled/segregated).

The Main Account Template also contains non-cost information including asset values, sales, purchases and performance data.

## HOW INFORMATION IS PROVIDED

Asset owners are recommended to employ a third-party provider to manage the Cost Transparency Standard (CTS) data collection process on their behalf.

Asset managers must complete a Cost Transparency Standard (CTS) template for each mandate requested.

## SCOPE AND COVERAGE

The Main Account Template is designed to capture costs of managing investments by asset managers employed. It therefore can be used as part of a wider exercise seeking to understand the total cost of ownership which encompasses all costs, both direct and indirect, of running a pension scheme or investment vehicle.

## OTHER INVESTMENT COSTS

It is important to remember that there are several other components of costs of investment outside of asset management charges. These could include investment consultancy costs, performance measurement, investment administration, risk reporting and investment committee expenses. For further information on custody costs particularly, see the 'Notes on interpretation' below.

## DEFINITION OF DATA ITEMS

This glossary provides a detailed specification for each item provided in the template. Cost data is provided as a percentage of the total value invested and, at a client level, monetary expressions of costs are calculated by reference to the average value of the client's holding.

The 'Reference' code can be found on the CTS Main Account machine readable Template, which provides full technical guidance.

| Section | Item Name                       | Definition  | Reference |
|---------|---------------------------------|---|-----------|
| 1       | <b>ACCOUNT INFORMATION</b>      | <b>This section identifies the fund or investment mandate to which the data relates and the period covered by the report. In the case of an investment mandate the report will be specific to a single client and for pooled vehicles it will normally be provided on a generic basis such that the data is applicable to any client.</b>   |           |
|         | Client name                     | Name of the client to which the report relates. Only used in a client specific report   | 02010     |
|         | Average value of client holding | Average total net asset value of the investment mandate or average value of the client's holding in a pooled vehicle. This figure is used to convert cost data to monetary amounts. The accuracy of this average should be sufficient to ensure converting in this way does not distort the figures. Only used in a client specific report.   | 02020     |
|         | Portfolio issuer name           | Name of the fund or segregated mandate manager.   | 00040     |
|         | Portfolio or share class name   | Name of the portfolio or fund/share class.  | 00030     |
|         | Period of report                | <p>The basis of reporting is annual data delivered once a year, usually 1st January to 31st December. This will typically be by reference to the pension scheme's year end for segregated investments and by reference to the pooled vehicle's year end for pooled vehicles. The actual period covered is indicated by the specified start and end date fields.</p> <p>For a segregated mandate that has been in operation for less than a full year, the data should relate to the shorter period. The specified start and end dates will indicate that the data represents a year's worth of costs and charges.</p> |           |

| Section  | Item Name                            | Definition  | Reference |
|----------|--------------------------------------|---|-----------|
|          | Period of report                     | Annual data should always be given for pooled funds. This facilities users of the information to tailor the generic fund data to their own holding period as appropriate. Where a new share class been added the transaction costs should be the same as for existing share classes (subject to adding any share class hedging transaction costs estimated based on a similar hedging strategy) and the ongoing fees and charges should be estimated by adjusting for the management fee differential compared to an established share class. |           |
|          | Start                                | Date of the first day to which the data refers, usually 1st January.  | 00050     |
|          | End                                  | Date of the last day of the reporting period to which the data relates, usually the 31st December.  | 00060     |
|          | Currency or report                   | Currency in which monetary cost data is denominated. Specifies the currency used for costs and charges data. For pooled funds this will be the currency in which the share class is denominated.  | 00070     |
| <b>2</b> | <b>PORTFOLIO INVESTMENT ACTIVITY</b> | <b>This section is intended to provide additional context for the transaction cost data. Data in this section is given in monetary amounts and, in the case of a pooled vehicle, should relate to the vehicle as a whole.</b>   |           |
|          | Start asset value                    | <p>The opening net asset value of a pooled fund or the value provided in client reports for a segregated mandate.</p> <p>Converted from base currency to reporting currency using the end of period valuation exchange rate.</p> <p>Additional analysis by asset class may be provided (12x10). It should be noted that the total start asset value will not be the summation of the value invested in each asset class due to uninvested cash, receivables and payables.</p>   | 08110     |

| Section | Item Name       | Definition  | Reference |
|---------|-----------------|---|-----------|
| 2       | End asset value | <p>The closing net asset value of a pooled fund or the value provided in client reports for a segregated mandate.</p> <p>Converted from base currency to reporting currency using the end of period valuation exchange rate.</p> <p>Additional analysis by asset class may be provided (12x20). It should be noted that the total end asset value will not be the summation of the value invested in each asset class due to uninvested cash, receivables and payables.</p> | 08120     |
|         | Purchases       | <p>The total consideration paid for the purchase of assets during the reporting period. Converted from base currency to reporting currency using the end of period valuation exchange rate. Additional analysis by asset class may be provided (12x30).</p>   | 08130     |
|         | Sales           | <p>The total consideration received from the sale of assets during the reporting period. Converted from base currency to reporting currency using the end of period valuation exchange rate. Additional analysis by asset class may be provided (12x40).</p>  | 08140     |
|         | Inflows         | <p>Net inflow of new money to the fund during the period calculated across all share classes at each valuation point and then summed for each valuation point with net inflows over the year. Converted from base currency to reporting currency using the end of period valuation exchange rate. Only used in a pooled vehicle report.</p>   | 08150     |
|         | Outflows        | <p>Net outflow of money from the fund during the period calculated across all share classes at each valuation point and then summed for each valuation point with net outflows over the year. Converted from base currency to reporting currency using the end of period valuation exchange rate.</p>   | 08160     |

| Section | Item Name                          | Definition   | Reference |
|---------|------------------------------------|--|-----------|
| 3       | <b>PORTFOLIO TRANSACTION COSTS</b> | <b>This section provides a detailed analysis of transaction costs which are defined as the costs incurred as a result of the acquisition and disposal of investments. It includes indirect transaction costs incurred within underlying holdings of pooled vehicles.</b>   |           |
|         | Explicit Transaction Costs         | Total of all explicit transaction costs. This figure should be broken down into the following components:  | 03020     |
|         | Transaction Taxes                  | Transaction taxes such as stamp duty and other financial transaction taxes. Additional analysis by asset class may be provided (10x30).  | 03030     |
|         | Broker Commissions                 | Fees and commissions paid to brokers or equivalent (e.g. agent's fees). Other levies, such as exchange fees, settlement fees and clearing fees are normally covered by broker commissions but if they are billed separately such amounts should be added to the broker commissions figure. Additional analysis by asset class may be provided (10x40).   | 03040     |
|         | Transaction Related Services       | Transaction service costs such as appraisals, surveys, and studies, searches, due diligence, legal and notary services. Additional analysis by asset class may be provided (10x50).  | 03050     |
|         | Other Explicit Costs               | Other explicit transaction cost not included elsewhere. Includes any entry or exit charges for investing in underlying pooled funds. Additional analysis by asset class may be provided (10x60).   | 03060     |
|         | Implicit Transaction Costs         | <p>Implicit transaction costs represent the loss of value implied by the difference between the buying or selling price and the mid-market price of the asset.</p> <p>A number of methodologies exist for calculating implicit costs and the methodology used should be aligned with the asset managers' MiFID II or other regulatory cost disclosures.</p> <p>Additional analysis by asset class may be provided (10x70).</p> | 03070     |

| Section | Item Name                             | Definition  | Reference    |
|---------|---------------------------------------|---|--------------|
| 3       | Indirect Transaction Costs            | Transaction costs incurred indirectly when part of the portfolio is invested in one or more pooled funds, reflecting the costs those pooled funds incur when they buy and sell their underlying investments (look-through transaction costs). For this purpose, investment trusts should be regarded as being pooled funds and their look-through transaction costs should be included here. Additional analysis by asset class may be provided (10x80).  | 03080        |
|         | Anti-Dilution Offset                  | Amounts collected in the period from dilution levies and dilution adjustments (in the case of swinging prices) or the equivalent amounts in relation to the issue and cancellation prices of dual priced funds. Shown as a positive figure but is a reduction to total transaction costs. Only used in a pooled vehicle report.   | 03090        |
|         | <b>Total Transaction Costs</b>        | This figure represents the total of the transaction cost components given in this section.  | 03010        |
| 4       | <b>ONGOING CHARGES</b>                | <b>This section provides an analysis of ongoing charges and charges for other ancillary services. Where an asset manager has directed the client to the services of a third-party, the asset manager should also report the costs of those services in this section.</b>  | <b>04010</b> |
| 4.1     | <b>Fund and Investment Management</b> | Total fees for managing an investment mandate or total ongoing charges as defined by relevant product regulation for pooled vehicles.   | 04100        |
| 4.2     | <b>Administration</b>                 | Where an asset manager provides additional administrative services, or directs the client to third-party providers of such services, and the costs of those services are not covered by the fund and investment management fees above, the asset manager should report the costs of those services in this section. The asset manager may elect to quantify specific items of administration charges under the headings: investment administration, custody and depositary fees, collateral management fees, facility fees and other administration charges | 04200        |

| Section | Item Name  | Definition  | Reference    |
|---------|--|---|--------------|
| 4.3     | <b>Governance, Regulation &amp; Compliance</b>         | The cost of governance to ensure regulatory compliance, among other factors.  | 04300        |
| 4.4     | <b>Distribution, Communications and Client Service</b> | Fees for intermediaries involved in sales and taking on new asset owners.   | 04400        |
| 5       | <b>INCIDENTAL COSTS</b>                                | <b>This section comprises performance related charges.</b>  | <b>05010</b> |
|         | Performance fees invoiced                              | Performance fees invoiced to the client by the manager. Amounts should be included in the period to which the invoice relates.  | 05020        |
|         | Performance fees paid through NAV                      | Performance fees for the period incurred within the NAV where the reporting entity is a pooled fund. Any indirect performance fees incurred in underlying investment vehicles should be included in "indirect fees and charges".                      | 05030        |
|         | Carried interest charged                               | Carried interest charges for the period incurred within the NAV where the reporting entity is a pooled fund. Any indirect carried interest charges incurred in underlying investment vehicles should be included in "indirect fees and charges".      |              |
|         | <b>Total Incidental Costs</b>                          | Total of all performance related charges. This figure represents the total of the figures given in this section.  | 05010        |
| 6       | <b>LENDING AND BORROWING COSTS</b>                     | <b>This section provides an analysis of lending and borrowing costs.</b>  | <b>04200</b> |
|         | Stock lending fees not retained                        | Calculated as the sum of the amounts of securities lending revenue retained by the custodian, manager or third-party lending agent (as quantified in the stock lending section below). This represents the amount not retained by the client or fund. | 02030        |
|         | Stock borrowing fees                                   | The total amount paid for borrowing securities.   | 06080        |
|         | Interest on borrowing fees                             | The total interest paid on cash borrowings.   | 06100        |



| Section | Item Name                                | Definition   | Reference |
|---------|--|--|-----------|
| 6       | Borrowing and arrangement fees           | Fees for setting up debt facility.   | 06110     |
|         | <b>Total Lending and Borrowing Costs</b> | Total of all lending and borrowing costs. This figure represents the total of the figures given in this section.   | 06010     |
| 7       | <b>PROPERTY EXPENSES</b>                 | <b>This section comprises costs related to real estate assets.</b>   |           |
|         | Property expenses                        | Expenditure related to real estate assets to the extent not recoverable from tenants, and including any incentivised fees in relation thereto. The asset manager may elect to quantify specific items of property expense under the headings: property management fees, leasing costs, maintenance and repairs, utilities and service charges, void costs, insurance costs, valuation fees, failed transaction costs and other property expenses. This figure includes any indirect property expenses. | 07010     |
|         | Indirect property expenses               | Property expenses incurred indirectly when part of the portfolio is invested in one or more pooled funds with direct property exposure (look-through property expenses). For this purpose, investment trusts should be regarded as being pooled funds and their look-through property expenses should be included here.  | 07100     |
| 8       | <b>ONE-OFF COSTS</b>                     | <b>This section provides an analysis of charges levied directly to an investor in a pooled vehicle by deduction either from contributions before they are invested or from the proceeds realised before they are paid to the investor.</b>   |           |
|         | Entry costs                              | Charges deducted from a client's contributions before they are paid into the fund. Only used in a client specific report.  | 02030     |
|         | Exit costs                               | Charges deducted from the proceeds realised at the end of an investment before they are paid to the client. Only used in a client specific report.   | 02040     |
|         | Client FX costs                          | Transaction costs for converting client inflows or outflows to the currency of the fund or share class. These are foreign exchange costs of translating client flows where translation takes place outside the fund. Only used in a client specific report.  | 02050     |

| Section | Item Name                      | Definition   | Reference |
|---------|--------------------------------|--|-----------|
| 8       | <b>Total One-Off Costs</b>     |  |           |
| 9       | <b>PERFORMANCE INFORMATION</b> |  |           |
|         | Gross return                   | For segregated portfolios the primary measure is the gross return calculated using the same methodology as for client reports. In substance this represents the return on the portfolio before management fees. The gross return is calculated after “portfolio transaction costs” and takes into account “indirect fees and charges”, “lending and borrowing costs” and “property expenses”. Therefore, the gross return does not take into account (i.e. is gross of) performance fees and direct ongoing charges. | 08010     |
|         | Net return                     | The return for the share class for the period. Net return is calculated as the change in the net asset value per unit over the period to which the report relates. The net return does not take into account the effect of “fees invoiced” or “fees rebated” outside the fund. It does not take into account any one-off charges (which are client specific).  | 08020     |
| 10      | <b>STOCK LENDING</b>           |  |           |
|         | Value on stock loan            | Value of assets on loan at the end of the period   | 06020     |
|         | Total stock lending revenue    | The amounts paid by the ultimate borrowers in respect of securities lent during the period.  | 06030     |
|         | Revenue retained by portfolio  | The amount of income retained by the client or fund from securities lending activities.  | 06040     |
|         | Revenue paid to custodian      | The amount of securities lending revenue retained by the custodian.  | 06050     |
|         | Revenue paid to manager        | The amount of securities lending revenue retained by the manager.  | 06060     |
|         | Revenue paid to lending agent  | The amount of securities lending revenue retained by a third-party securities lending agent that is neither the manager nor the custodian.   | 06070     |

## NOTES ON INTERPRETATION

As there are standard definitions for the information disclosed in the Account Template format these should be used to aid understanding. Please note that the above is a summary only, and detailed codification information can be found in the machine-readable format. In the first instance this can be helpful should asset owners have questions about the cost components of a particular field.

## TOTAL COST OF OWNERSHIP

Investment costs are also not the full picture; the total cost of ownership also includes pension management costs including executive costs, administration and processing costs, advisory and control costs and rent, for example.

## DIFFERING METHODOLOGIES FOR SOME COST ITEMS

A small number of the fields in the Account Template rely on third-party definitions or regulatory requirements as the standard for disclosure. Your service provider will be disclosing information reflecting their approach to that standard. For the avoidance of doubt different approaches or methodologies, despite being utilised correctly, may result in quite different absolute levels of costs being disclosed in some fields. Asset owners are advised to refer to any notes their provider has included alongside their disclosure and discuss this further with their advisers and investment managers as appropriate.

## ANCILLARY SERVICES - CUSTODY

The disclosure of custody costs will vary depending on the nature of the asset owners' mandate. In particular, it relates to whether those custody costs are incurred by the asset manager or through a third-party employed directly by the institutional fund. Where an investor is unsure, advisers will be able to provide guidance.

For those custody costs incurred on behalf of the institutional fund by asset managers, these will be compiled within the Account Template completed by the asset manager. Where the institutional fund contracts directly with a custodian (e.g. for segregated mandates) the Custodian will need to be approached separately to complete the relevant information for every relevant segregated mandate.