

Fitz Partners Release.

Funds Transaction Fees

London December 5th, 2017.

As the industry is getting ready for MiFID II requirements in the New Year, Fitz Partners publishes this week a separate piece of research with a special focus on fund transaction costs. *“A Review of Funds’ Costs and the Relative Impact of Trading Costs on Funds’ Overall Charges. Comparing ETFs, Equity Funds, Index Trackers.”*



The 50 page report and its joint dataset focuses mainly on the level of overall fees and trading costs for Equity funds, Index Trackers and ETFs.

We calculated transaction fees from audited fund accounts and measured the impact that transaction fees would have on funds’ OCFs, should both costs be aggregated in one single measure.

The relative size of trading fees compared to OCF is significant for some of the cheaper products. It can represent an extra cost 5 times their disclosed annual charges and in some instances can bring ETFs overall costs over those of some active funds.

The relative increase in OCF due to the addition of trading costs depends on asset class or product type; OCFs would increase on average by 21% for an equity fund, 29% for index trackers and 26% for ETFs.

With the implementation of MiFID II, trading costs will become more transparent and will allow investors to refine their investment choice. Adding 20bps of trading fees to an active OCF of 100bps is not particularly welcome, although maybe expected, and is certainly not as impactful as adding the same 20bps to a lower OCF of say 25bps.

The report and the associated transaction fee database are offered for free to our current subscribers of the “UK Portfolio Turnover and Transaction Fees” or can be purchased as a “one-off” (£2,500+vatt).

Please feel free to contact us if you have any questions or wish to receive our research.

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