# Fisher Funds
## Investor Education Centre
*Making investing enjoyable, understandable and profitable…*

**Why you can rely on performance tables** **22/05/11**

Recently a journalist suggested to me that "people just don't trust you KiwiSaver managers because your performance numbers can be fudged and you don't disclose your fees". To date I have stayed out of this discussion because frankly I haven't seen it as a big issue, but the chattering is not going away and it does need an informed response.

I haven't regarded performance reporting and disclosure of fees to be a big issue because we've been doing it for more than ten years and we've never fudged anything or been accused of poor disclosure.

Fund managers are governed by a comprehensive set of rules. We are required to disclose our fees in investment statements, use standard wording in our communications together with all-encompassing disclosure statements, and our unit prices (from which our performance numbers are derived) are calculated by an independent third party.

The regulators have however decided that the current set of rules is not sufficient, so they are being extended and there will, in the not too distant future, be a new industry standard for fund managers to use to calculate total fees. But that is not to say that the current disclosures by fund managers should be totally disregarded and used as a reason not to invest. That's just silly.

While we are waiting for the new standard to be developed, here are some simple things an investor can ask to find out whether your fund manager has a reasonable fee structure.

What is the annual management fee? The industry standard for a retail managed fund is around 1-1.5%pa. What additional fees are charged? You should ask specifically about any entry fee or exit fee, any ongoing administration fee, and ask what transaction costs (like brokerage) are charged to the fund. If you are comparing one fund with another, you should ask each manager what their Management Expense Ratio (or MER) is, so then you can compare apples with apples.

Having kept an eye on the competitive landscape over the years, I think you'll find that the vast majority of fund managers have very similar fee structures. Where a significant difference can arise is where a manager charges a performance fee or in a fund of funds, where one manager uses the services of other fund managers who also charge their own fees. It's easy to ask a manager how they earn a performance fee and what performance fees they have earned over the past five years. As for the fund of funds, you should ask your manager to outline all the fund charges – their own fees, plus those charged by other managers they use, including any performance fees.

Now you'll be thinking 'this is a lot to work just to compare one fund manager to another' and you're right, it is. That's why the research houses who produce the performance tables in your newspaper each week ask us these questions on your behalf. Based on the information we have to provide every month, I think you can reasonably rely on the performance tables. I'm all for informed debate but thinking all fund managers are deceitful is just wrong.

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