

## Possible costs and savings at different levels of participation in the CIV

The table below outlines possible costs and savings at different levels of participation:

|  | Assets<br>under<br>management | Assets<br>under<br>management | Assets<br>under<br>management |
|--|-------------------------------|-------------------------------|-------------------------------|
|  | £24bn                         | £10bn                         | £5bn                          |
|  | £ 000's                       | £000's                        | £ 000's                       |
| <b>Expected gain <sup>(1)</sup></b>                          |                               |                               |                               |
| Investment management fees - 15bps                           | 36,000                        | 15,000                        | 7,500                         |
| Improved performance - 35bps                                 | 84,000                        | 35,000                        | 17,500                        |
| Total expected savings                                       | 120,000                       | 50,000                        | 25,000                        |
| <b>Custody costs - Custody costs</b>                         | (8,400)                       | (4,000)                       | (2,500)                       |
| <i>Incurring in existing third party funds<sup>(3)</sup></i> | 3,600                         | 1,500                         | 750                           |
| <b>Net Custody Cost</b>                                      | <b>(4,800)</b>                | <b>(2,500)</b>                | <b>(1,750)</b>                |
| <b>Other Costs</b>   |                               |                               |                               |
| Salaries –e.g. COO/Admin                                     | (400)                         | (400)                         | (400)                         |
| Audit/advice   | (200)                         | (150)                         | (100)                         |
| Offices/expenses   | (200)                         | (200)                         | (200)                         |
| Misc. Advisory   | (500)                         | (400)                         | (300)                         |
| <b>Total On-going Costs</b>                                  | <b>(6,100)</b>                | <b>(3,650)</b>                | <b>(2,750)</b>                |
| <b>Establishment costs <sup>(2)(3)</sup></b>                 |                               |                               |                               |
| Transition advisory, custody selection                       | (700)                         | (500)                         | (400)                         |
| Other misc. fund advisory                                    | (500)                         | (500)                         | (400)                         |
| Legal, regulatory, and financial advice <sup>(4)</sup>       | (600)                         | (600)                         | (600)                         |
| <b>Total Establishment Costs</b>                             | <b>(1,800)</b>                | <b>(1,600)</b>                | <b>(1,400)</b>                |

## Notes

- (1) These savings are as previously considered. They have been allocated on a straight-line basis for assets under management less than £24bn. This is an assumption made for simplicity and any real savings may well be less and will depend on types of mandate, asset mix, etc. There are also other potential areas where financial benefits may arise, such as increased income from activities such as stock lending, which have not been quantified within the above.
- (2) All costs (other than custody costs) are estimated on very high level assumptions and may not reflect final costs.
- (3) For “other costs” and “Establishment costs”, some of these expenses would be incurred in existing investments or on changes of manager/investment. No attempt has been made to estimate these existing costs to date.
- (4) These costs have already been incurred.