

Press Release - London, 26 September 2018

Transaction costs are material and schemes need to understand how to manage them, shows CEM Benchmarking research

CEM Benchmarking Inc. (CEM), the world's leading provider of benchmarking information on pension scheme costs and performance, has released the results of an in-depth study on the impact of transaction costs, *'Transaction costs amongst large asset owners'*.

The research provides analysis of the transaction costs incurred by a selection of the world's largest and most complex institutional investors, with combined assets of over £2 trillion. This is one of the most detailed global studies ever completed on this subject and provides an indication of the overall magnitude of these costs for the first time.

John Simmonds, CEM Benchmarking's UK Principal, commented: "Transaction costs make up a significant part of the investment costs incurred by institutional asset owners. Our study shows that, on average, transaction costs account for 24% of total investment costs.

Cost type	Bps*	% of total
Base manager fees/internal management	41.8	49%
Performance fees	20.4	24%
Transaction costs	20.2	24%
Governance, custody, operations	2.6	3%
Overlays	1.3	1%
Total	86.3	100%

* Average costs amongst the study group.

"Whilst transaction costs are clearly material, there is a range. Where you sit in that range is dependent on asset mix, volumes of trades, estimates of spreads or simply if you are paying more or less than others for similar activities. These criteria are all possible to monitor and manage as part of regular cost assessment, so institutional investors need to better understand these costs and the factors that drive them."

Simmonds continued: "There has been a real drive towards transparency in investment costs around the world. Obtaining the data is the first and hardest part. What comes next is a comparison with others on a sensible basis to determine if those costs are reasonable."

The full report can be found at [this link](#).

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Note to Editors:

CEM Benchmarking Inc. is an independent company, founded in 1992 and headquartered in Toronto, Canada. CEM produces detailed benchmarking reports for pension funds and institutional investors that compare costs and performance in the areas of administration and investment. CEM's motto is "Measure what matters because what gets measured gets managed".

CEM has clients across the world, including in the US, Canada, Australia, UK and Europe. Those clients include some of the world's largest schemes.

Clients submit administration and / or investment data to CEM and receive detailed reports that compare the client's cost and performance with both a peer group of similar funds and the universe of international CEM clients.

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