Analysis of Fee Impact

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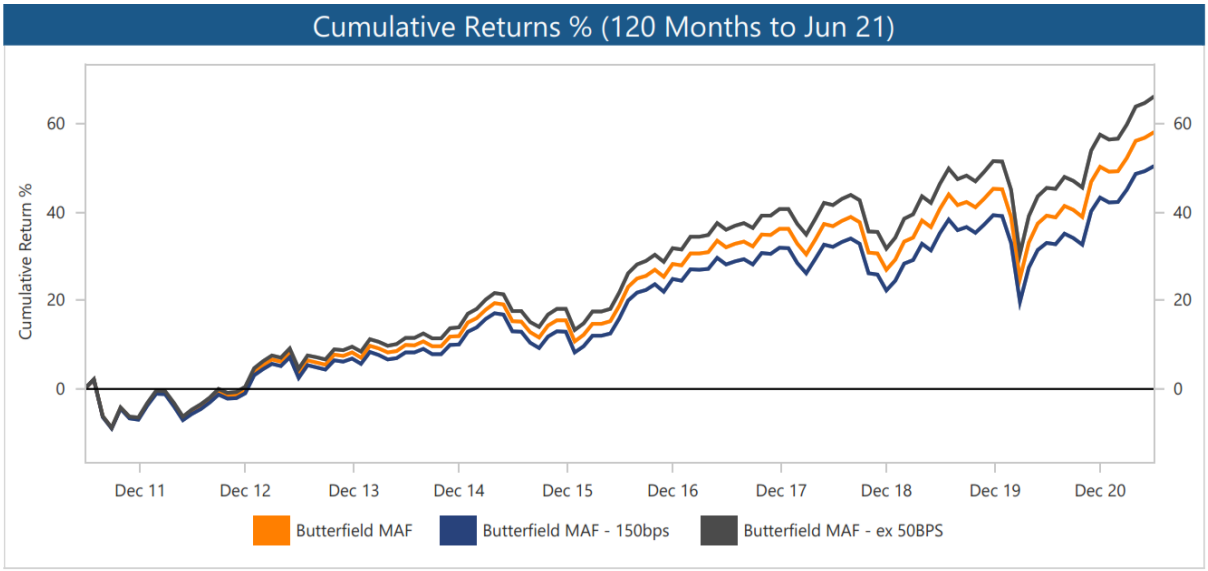
In this report we investigate the impact that fees have on the returns gained from an investment fund. The Butterfield Multi-Asset Fund is used as the basis for the analysis. We will compare the B Class of the fund, which has a total cost of 1.0% with two models that take the gross returns of the fund and apply a total fee of 0.5% and 1.5% respectively.

The chart below shows the 10 year return pattern of the fund and the two models. Note that the return patterns are very similar as the underlying investments are the same, but the long-term impact of the higher and lower fee scales is clearly causing a difference, which widens over time. This widening of the difference is due to the "compounding effect" of the fees being taken on a regular basis as a percentage of the value of the fund at that time. Where the fee is higher, the value of the investment is eroded over time when compared to the lower fee model.



The table below shows the percentage returns of the fund and the two models over different periods.

To June 2021	1 Year	3 Years	5 Years	10 Years
If TER was 1.5%	21.3	15.0	29.6	43.1
Fund (TER 1.0)	21.9	16.8	32.8	50.4
If TER was 0.5%	22.5	18.5	36.2	58.1

It is easier to consider the differences as monetary amounts. The table below shows the value of an initial investment of £100,000 over the same time periods.

To June 2021	1 Year	3 Years	5 Years	10 Years
If TER was 1.5%	£121,300	£115,000	£129,600	£143,100
Fund (TER 1.0)	£121,900	£116,800	£132,800	£150,400
If TER was 0.5%	£122,500	£118,500	£136,200	£158,100

An investor would be £15,000 better off over the 10 years under review if they invested in the fund with a fee of 0.5% compared to the fund with a fee of 1.5% and £8,300 better off at 0.5% than 1.0%. Clearly investment performance is a key consideration when selecting a fund, but fee impact may also be a significant factor in the overall performance of a fund.

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