

# LMM COMPASS



## Dear reader

In the area of asset management, the total expense ratio provides information about the direct and indirect costs. A comparison with similar mandates or a peer group shows whether these are in line with the market. Some investment strategies, particularly those with alternative investments such as hedge funds or real estate funds, can incur higher costs. But what is ultimately important for investors is the net return, not the pure costs. Read more about this in our specialist article.



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## THEMES



**Market data**  
Markets and strategies



**Specialist article**  
Investment reporting  
for family offices



## MARKETS AND STRATEGIES

Due to the weakness of the US dollar, falling US real interest rates and geopolitical uncertainties, the price of gold has reached an all-time high. Global stock indices have fully recovered from the interim losses in August in a classic V-shaped recovery. The S&P 500, for example, is back near its peak.

The European Central Bank (ECB) has, as expected, cut key interest rates for the second time by 0.25%, but left open whether a further rate cut will follow in October. Growth forecasts for the eurozone have been revised slightly downwards. The US Federal Reserve (Fed) cut interest rates by 50 basis points to a range of 4.75% to 5%.

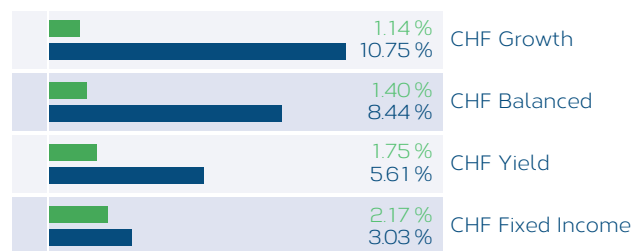
Both in the third quarter of 2024 and in the current year, all CHF and EUR investment strategies show a positive result. For the current year, the higher the equity ratio, the better the performance. For the past quarter, the opposite applies: the lower the equity ratio, the better the result. Since the beginning of 2024, the CHF investment strategies have produced results between +3.03% and +10.75%. The EUR investment strategies are in the range of 2.69% to +10.53%.

		Value	%QTD	%YTD	Currency
Currencies	EUR / CHF	094	-2.25	+1.27	
	EUR / USD	1.12	+4.14	+1.04	
	USD / CHF	084	-6.13	+0.22	
	USD / JPY	14304	-11.08	+1.46	
Bonds	Switzerland		+2.21	+3.99	CHF
	Europe		+3.74	+2.49	EUR
	USA		+5.20	+4.45	USD
	EMMA (Hard Currency)		+6.09	+8.07	USD
	Inflation Linked		+5.96	+3.19	USD
	High Yield		+6.21	+9.59	USD
	World		+6.98	+3.60	USD
Equities	Switzerland		+1.86	+10.67	CHF
	Europe		+2.35	+11.62	EUR
	North America		+5.82	+21.32	USD
	Pacific		+8.47	+13.24	USD
	EMMA		+8.72	+16.86	USD
	World		+6.61	+18.66	USD
Alternatives	Real Estate		+16.33	+12.64	USD
	Commodities		-0.64	+1.72	USD
	Gold		+13.24	+27.69	USD
	Private Equity (listed)		+9.92	+19.62	USD
	Hedge Funds		+2.12	+5.08	USD

Calculation LMM; Period 01.01.2024-09.30.2024

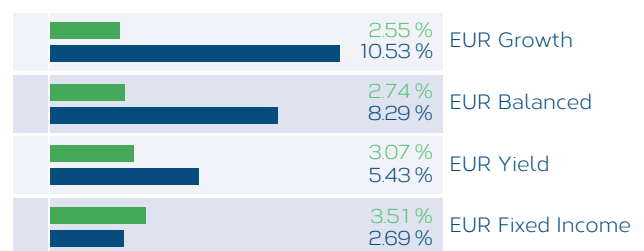
### Investment strategies in CHF

■ QTD ■ YTD



### Investment strategies in EUR

■ QTD ■ YTD



Note: the figures are before costs

Calculation LMM; Period 01.01.2024-09.30.2024



## COSTS COST PERFORMANCE

Before deciding on asset management, it is important to find out about the exact fee structures and to weigh these against the opportunities and advantages of asset management.

The total costs of asset management depend on various factors, such as the investment strategy chosen or the size of the mandate, and can generally be broken down into the following types of fees.

- **Asset management fees**  
Charged by an asset manager or bank for managing and monitoring a client portfolio. They can be calculated as a percentage of the assets under management (e.g. 1% per year) or as a fixed amount per year. The amount of the fee varies depending on the amount invested and the complexity of the investment strategy. It is usually calculated as a percentage of the assets under management. Larger assets often pay lower percentages.
- **Flat fees**  
These are fees that are charged regardless of the scope and value of a services or amount of assets managed.
- **All-in-fee models**  
These fees include asset management as well as custody fees and transaction costs. In practice, these models are used in asset management by banks.
- **Custody fees**  
The fee charged by banks for the safekeeping of securities.
- **Performance fees**  
These fees are rarely added to management fees and are based on the return achieved by the asset manager. They are usually calculated as a percentage of the return above a certain benchmark.
- **Transaction fees**  
Trading fees or brokerage costs (also known as

brokerage fees) may be incurred for purchases and sales of securities or other investments. These costs can be calculated as a flat rate or as a percentage of the trading volume. By choosing a flat rate, optimization can be achieved, i.e. a fee that is independent of the number of transactions.

- **Costs for investment products (indirect costs)**  
If the asset management company invests in certain investment products such as mutual funds, ETFs or certificates, additional product costs are incurred. The total expense ratio (TER) is given as a percentage of the average fund assets.
- **Other fees**  
Depending on the provider, additional costs such as consulting fees or fees for special services such as tax records may apply.

### Please note

Banks/asset managers break down all costs incurred in a so-called MiFID cost statement. These reports therefore provide a clear overview of the individual fees.

However, these reports usually do not address hidden costs. Hidden costs are costs that are not immediately obvious, e.g. transaction costs or costs that are included in the spread of currency transactions. It is therefore important to control these costs as well.

### Cost comparison

In order to better classify the costs, they should be related to the service provided and checked for market conformity.

The total expense ratio is used to compare costs. This figure takes into account all direct and indirect costs associated with asset management. It takes into account management fees, transaction costs, custody fees and other fees incurred.



**Cost comparisons with benchmarks:** Compare the cost structure of your asset manager with industry benchmarks or competitors to see whether you are paying competitive prices.

**Net return:** A practical method of assessing costs is to calculate the net return, i.e. the return after deducting all costs. This figure shows how much of the returns achieved ultimately reach the investor.

### Investment strategies and costs

As mentioned above, the inclusion of investment products leads to additional costs. This is not an argument for or against these investment products per se. Depending on the investment strategy or investment philosophy, investment classes/products with higher costs are used for reasons of diversification and return optimization. In principle, it can be stated that the inclusion of alternative investments (such as hedge funds or private equity) or real estate funds leads to an increase in costs. Consequently, when comparing the total expense ratio, it is also important to consider which investment strategy has been chosen and to what extent investments are made in "more expensive" forms of investment.

### Costs and Performance

The goal of every investor is to achieve the highest possible return with the chosen investment profile. Focusing solely on costs is not productive. What counts is the net return.

Recently published studies have shown that for professional investors, the level of total costs had no decisive influence on net performance.

It is important to assess the costs per asset class and investment product in comparison to market prices. Experts can help with this by providing relevant comparative data and experience.

#### Important questions:

- Are all cost levels shown transparently?
- Does the performance calculation take the net return into account?
- Are the additional costs incurred by considering special investment products worthwhile?
- Is the selected fee model appropriate and tailored to the selected investment strategy?



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