

SOFT-DOLLAR & RESEARCH BUDGET AUDIT

A NEW Fiduciary Obligation for Asset-owners, that can save your Fund \$100,000s! Are You Ready?

Zeno Consulting Group, LLC, offers plan sponsors, mutual funds, insurance companies and fund-of-fund managers an objective way to examine the entire trading process, from stock selection through implementation, devoid of conflicts or hidden agendas.

As part of that commitment, we have also developed a proprietary benchmark that goes beyond measuring costs to encompass trade characteristics, existing market conditions and delay costs, giving you a fuller, more accurate picture of a manager's trading execution efficiency.

CHALLENGE New regulations in Europe under the Markets in Financial Instruments Directive II (MiFID II) have banned the use of 'Soft-Dollars' by investment managers. This will have a "ripple effect" in the US for any Fund that utilizes global asset managers.

Beginning in the 2nd half of 2017, many global managers will begin formally asking their clients to transfer specific dollar amounts (over and above their asset management fee) from the client's Fund into the manager's account.

The money will be used to meet the manager's research needs (which can often amount to 2/3 of the total commissions paid by the manager); and the Asset-owner, as their Fund's fiduciary, must annually either approve, or prohibit such transfers.

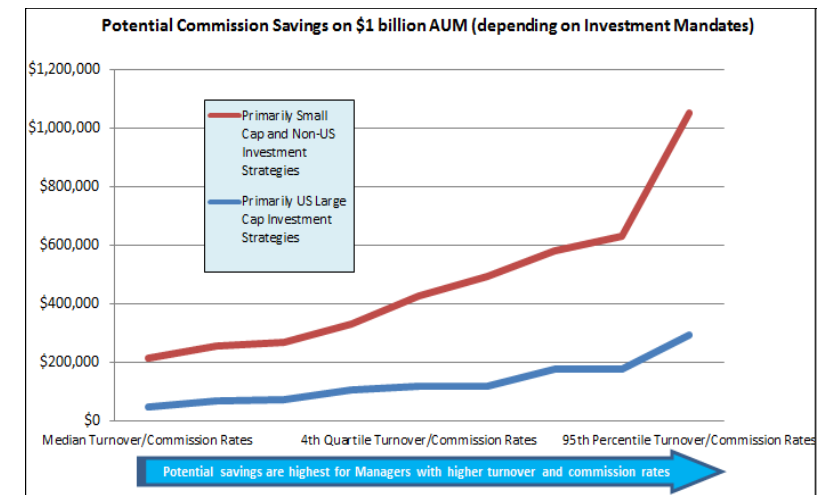
Further, under MiFID II, once the Asset-owner approves the requested transfer of funds, that money is no longer an asset of the client's Fund, but rather the property of the manager!

Asset-owners therefore should be prepared to both receive these requests, and make prudent informed decisions as to their reasonableness. Asset-owners must also ensure that their Fund is not being used to subsidize the research fees of the managers' other clientele.

SOLUTION As the name implies, Zeno's *Soft-Dollar & Research Budget Audit* is designed to help Asset-owners audit the soft-dollar and research budgets of their managers. To this end, the service provides the critical qualitative and quantitative tools necessary for assessing the reasonableness of those costs.

This oversight not only helps address your new fiduciary responsibility, but also encourages managers to use a bottom-up approach (which to date has been eschewed by the industry) for determining their research needs.

Indeed, once managers adopt the new procedures, studies estimate their research budgets may fall upwards of 15%. This represents real savings for your Fund, and falls straight to the bottom-line in terms of improving Fund performance!

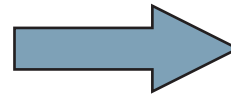


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FEATURES

Key issues considered include:

- ✓ Identification of the specific services purchased, and whether the costs were: reasonable, consistent with Section 28(e), and permissible under the Fund's Investment Policies.
- ✓ Qualitative review of manager research-budgeting practices/policies.
- ✓ Establishment of pre-MiFID II baseline (vs. subsequent years).
- ✓ Ensuring your U.S. managers don't use your Fund's commissions to pay the research needs of their other clients.
- ✓ Written Recommendations & Follow up on issues flagged.
- ✓ Optional: quantitative "Best Execution" analysis of the trades involving commissions earmarked to pay for the manager's research.



BENEFITS

MiFiD II's regulations are intended to foster transparency and a systematic "bottom-up" approach for managers to use when determining their research needs.

Once implemented, the regulations will provide Asset-owners with critical insight into their managers use of Fund assets, and reduce commission costs (through more efficient research-budget practices).

Unfortunately, most managers neither want, nor are currently set up to comply with MiFiD II's requirements.

The *Soft-Dollar & Research Budget Audit* assists Asset-owners in encouraging their managers' prompt compliance, tracking each manager's progress, and ensuring your managers don't use your commissions to subsidize their other, more attentive, clientele.

KEY POINT

You can't manage what you don't monitor!

CONTACT INFORMATION

For more information on Zeno's *Soft-dollar & Research Budget Audit Service*, please call (732) 851-4210 or email info@zenocg.com.