

**MAKE INFORMED  
DECISIONS FOR  
RESEARCH-RELATED  
FIDUCIARY RISKS &  
RESPONSIBILITIES**

**SOFT DOLLAR & RESEARCH  
BUDGET AUDIT**

**EVALUATE, MANAGE AND  
CONTROL COMMISSIONS AND  
RESEARCH COSTS**

New regulations in Europe under the Markets in Financial Directive II (MiFID II) have banned the use of soft dollars by investment managers. This has created a "ripple effect" in the US for asset owners using global managers.

As a result, asset owners face new fiduciary risks and responsibilities; and need to make prudent, informed decisions regarding research-budget requests received from their managers.

US asset owners also need to ensure their fund is being treated as well as their managers' European clients, and is not subsidizing the research costs of the European clientele.

As its name implies, the Soft Dollar & Research Budget Audit is designed to help asset owners review the soft dollar/research policies and practices of their managers and provide tools necessary for assessing their reasonableness.

Our audit also assists asset owners in encouraging their managers' prompt

| Manager   | Investment Mandate  | Research-budgeting Process |                        | Compliance/Fiduciary Oversight Issues |                               |                                    |                          |  |
|-----------|---------------------|----------------------------|------------------------|---------------------------------------|-------------------------------|------------------------------------|--------------------------|--|
|           |                     | Level of Transparency      | Uses External research | Pays for European clients' research   | Pays for US clients' research | Best Execution (on Soft-\$ trades) | Client Cross-subsidizing | Research-spend Variation (from prior year) |
| Manager A | US REIT             | Superior                   | Yes                    | No                                    | No                            | ○                                  | ○                        | Reduced by 72%                             |
| Manager B | Global Equity       | Adequate                   | Yes                    | No                                    | No                            | ●                                  | ○                        | Reduced by 39%                             |
| Manager C | Large Cap Value     | Adequate                   | Yes                    | No                                    | No                            | ●                                  | ●                        | Same                                       |
| Manager D | Small Cap Value     | Adequate                   | Yes                    | Yes                                   | Yes                           | ○                                  | ○                        | Increased by 7%                            |
| Manager E | Small Cap Growth    | Superior                   | Yes                    | No                                    | No                            | ○                                  | ●                        | Reduced by 7%                              |
| Manager F | Global Value Equity | Deficient                  | Yes                    | Yes                                   | Yes                           | ○                                  | ○                        | Not disclosed                              |
| Manager G | Large Cap Core      | N/A                        | No                     | N/A                                   | N/A                           | N/A                                | N/A                      | N/A  |
| Manager H | Global Equity       | N/A                        | No                     | N/A                                   | N/A                           | N/A                                | N/A                      | N/A  |
| Manager I | Large Cap Growth    | Superior                   | Yes                    | Yes                                   | Yes                           | ○                                  | ○                        | Reduced by 2%                              |
| Manager J | EAFE                | Deficient                  | Yes                    | Not Disclosed                         | Not disclosed                 | ○                                  | Not disclosed            | Reduced by 30%                             |
| Manager K | Total Return        | Deficient                  | Yes                    | Yes                                   | No                            | ●                                  | ●                        | Not disclosed                              |
| Manager L | Non-US All Country  | Adequate                   | Yes                    | Yes                                   | No                            | ○                                  | ○                        | Reduced by 68%                             |

*Is your fund receiving best execution on soft-dollar trades, being treated fairly relative to your managers' European clients, and receiving sufficient research to sustain your return objectives?*

compliance with these regulations while tracking investment progress. Furthermore, it helps ensure a fund is not disadvantaged relative to the managers' other clients.

**Features:**

- Quantitative best execution analysis on Section 28 (e) soft dollar trades.
- Identifies the fund assets spent on research, and whether those costs were reasonable, consistent with Section 28(e)/MiFID II, and permissible under the fund's investment policies
- Qualitative review of manager research-budgeting practices and policies
- Comparison of pre-MiFID II research spend "baseline" vs. subsequent years
- Ascertain whether managers are using fund assets to subsidize the

research costs of European clients, and/or if a US fund is being treated worse than the managers' European clients

- Critical insights regarding managers' research policies and practices helps decision making on future research-budget requests
- Written recommendations and follow-up on issues flagged
- Ad hoc consultative advice on research-related best practices

**Additional Services**

- Equities, Fixed Income, FX, Options and Futures TCA
- Transition Reporting and Consulting
- Commission Recapture Program Audits
- Liquidity Threshold Analysis