

Illustration - Computation of Performance Fee by Portfolio Manager

Particulars	Year 1	Year 2	Year 3	Year 4
Initial Corpus	50,00,000	65,92,000	47,98,976	7,092,887
Hurdle rate of return (A)	8%	8%	8%	8%
Performance fee over hurdle rate (B)	20%	20%	20%	20%
Fixed Fee (C)	1.5%	1.5%	1.5%	1.5%
Brokerage (D)	0.20%	0.20%	0.20%	0.20%
Other Expenses (E)	0.50%	0.50%	0.50%	0.50%
Rate of return on the portfolio (I)	40%	-25%	50%	40%

Assumptions:

1. Performance linked fee and fixed management fee are calculated on an annual basis (i.e, performance period=1year)
2. All figures in the tables have been assumed for the purpose of illustration
3. Other expenses mentioned include Custody & FA charges, RTA fees etc

All amounts in Rs. & all returns are pre-tax

Sr. No	Particulars	Year 1		Year 2		Year 3		Year 4		Year 5
		Amount in Rs.		Amount in Rs.		Amount in Rs.		Amount in Rs.		
1	Amount invested by client/Opening value	50,00,000		65,92,000		47,98,976		7,092,887		
2	Portfolio Returns during the year (=I*1)	20,00,000		-16,48,000		2,399,488		2,837,155		
3	Brokerage and Transaction cost@ 20bps (=D*1)	10,000		13,184		9,598		14,186		
4	Other Expenses (=E*1)	25,000		32,960		23,995		35,464		
5	Fixed Management Fee (=C *1)	75,000		98,880		71,985		106,393		
6	Pre-performance fee closing value of portfolio (1+2-3-4-5) Note : If this value exceeds the high watermark, only then shall performance fee be charged to the client	68,90,000	70,00,000	47,98,976	49,44,000	7,092,887	7,198,464	9,773,998	9,930,041	
7	Returns realised by investor (pre-performance fee) over High Water Mark (= (6-14)/14*100)[For Year 1, returns over initial corpus would be considered]	37.80%		-30.35%		2.94%		37.80%		
8	Returns realised by invest or over hurdle rate (=7-A, and in case of negative returns, it shall be zero)	29.80%		0.00%		-5.06%		29.80%		
9	Performance fee levied by PM (in %) (=8*B)	5.96%		0.00%		0.00%		5.96%		
10	Amount of performance fee recovered by PM (high-watermark applicable) on Capital Amount (=9*1)	2,98,000		-				422,736		
11	Total Charges During the year (=3+4+5+10)		4,08,000		1,45,024		1,05,577		578,780	
12	Net Value of the portfolio at the end of year (=1+2-11)		65,92,000		47,98,976		7,092,887		9,351,262	
13	Overall Returns to investor in % (= (12-1)/1)*100		31.84%		-27.20%		47.80%		31.84%	
14	High Water Mark for calculation of performance fee for the next performance period			6890000		6890000		7,092,887		9,773,998