



CWM Fee Structure

One of the key principles of Coromandel Wealth Management is transparency, both for portfolio composition and for fees. For the latter, this includes both portfolio-related fees (fund management fees, trading costs), as well as the fee that we assess in order to provide our clients with financial planning and advisory services. We will refer to these fees, respectively, as “portfolio fees” and “advisor fees.”

Our advisor fee structure is designed to represent significant value to our clients. While we do charge a minimum fee for our services, our tiered marginal rates for assets under management are considerably lower than most financial advisory firms, and are capped at an upper limit regardless of increasing portfolio size.

By using diversified portfolios of index exchange traded funds (ETFs), a custodian (Folio Institutional) that has low transaction costs, and limiting portfolio transactions to periodic asset rebalancing when needed, we are able to keep the portfolio fees to a much lower percent of assets under management than the vast majority of financial asset management providers. Our white paper entitled [“Portfolio Investment Strategy”](#) and the addendum [“Comparing the Costs of ETFs and Actively Managed Funds”](#) describe this in considerable detail.

Below we give a description of how we calculate our advisor fee, and an example of portfolio fees for one of our portfolios.

CWM Advisor Fee

Many financial firms and brokerage houses do their best to obscure their actual fees charged to clients, because if clients were to see the actual cost to them per year and compare it to the services received from their money management firm, they would not be pleased with the value received.

Coromandel Wealth Management’s fee structure is designed to accomplish three objectives:

- Fee levels that are competitive with other independent financial advisory firms, and are much lower than those of the major brokerage houses.
- Cap the total fee amount, so that assets above a certain level are not assessed any additional charges.
- Cover our costs of delivering superior services to our clients.

Our fee structure, based on Assets Under Management (AUM) is show in the following table:

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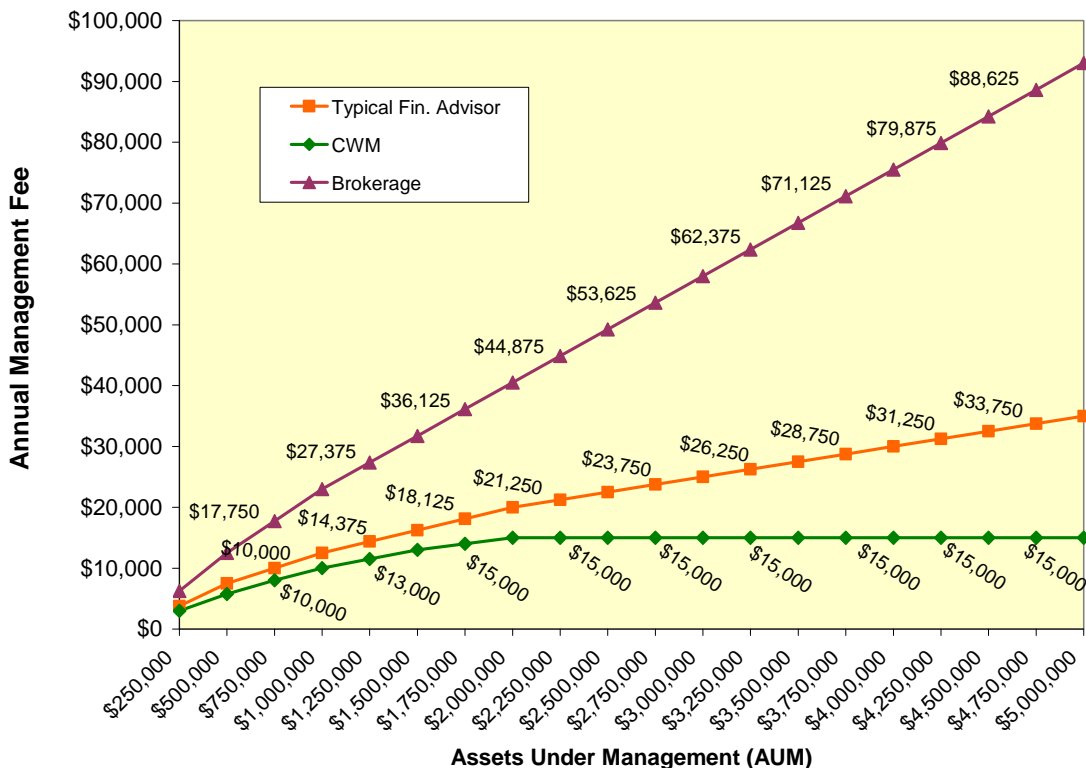
Advisory services offered by Trust Advisory Group, Ltd., a Registered Investment Advisor.
161 Ash Street, Reading, MA 01867 (781)942-5070



Assets Under Management (AUM)		Marginal Fee Rates	Fee formulas
From	To		
\$0	\$250,000	\$3,000	= \$3,000
\$250,000	\$500,000	1.1%	= \$3,000 + (AUM - \$250K)*1.1%
\$500,000	\$750,000	0.9%	= \$5,750 + (AUM - \$500K)*0.9%
\$750,000	\$1,000,000	0.8%	= \$8,000 + (AUM - \$750K)*0.8%
\$1,000,000	\$1,250,000	0.6%	= \$10,000 + (AUM - \$1,000K)*0.6%
\$1,250,000	\$1,500,000	0.6%	= \$11,500 + (AUM - \$1.250K)*0.6%
\$1,500,000	\$1,750,000	0.4%	= \$13,000 + (AUM - \$1,500K)*0.4%
\$1,750,000	\$2,000,000	0.4%	= \$14,000 + (AUM - \$1,750K)*0.4%
\$2,000,000	\$2,250,000	0%	= \$15,000
\$2,250,000	\$2,500,000	0%	= \$15,000
\$2,500,000	\$5,000,000	0%	= \$15,000
> \$5,000,000		0%	= \$15,000

Compared to a typical financial advisory firm that uses a four-tier fee structure – 1.5%, 1.0%, 0.75%, and 0.5% – Coromandel Wealth Management’s advisor fee structure is quite competitive. Here is a comparison of annual fees as a function of assets under management (AUM) of CWM, a typical independent financial advisory firm, and the “wrap” fees of a brokerage¹:

Comparison of Annual Fees by Assets Under Management



¹ Raymond James



CWM Portfolio Fees

Coromandel Wealth Management uses Folio Institutional (“Folio”), an online brokerage, as the custodian for our client’s funds. Folio has several distinct advantages over other financial custodians:

- Low transaction fees (when portfolio asset rebalancing is required).
- A unique mechanism for minimizing the bid-ask spread transaction cost.
- A patented portfolio system that uses customizable portfolio models (called “folios”), where a change to a particular folio simultaneously makes the same change for all clients using that folio.

There are two costs associated with portfolio transactions: a per-trade charge, and the bid-ask price differential on a trade. For the per-trade cost, Folio charges \$7, regardless of the size of the transaction, and no other account related fees².

The other portfolio cost is the bid-ask spread transaction cost (i.e., the difference on the exchange between what a buyer is willing to pay, and what a seller is willing to sell for), which is minimized in two ways. First, Coromandel Wealth Management uses only large, highly liquid ETFs in our portfolios, and these funds tend to have the lowest price differential between the market bid and ask prices. Second, Folio International has a unique mechanism for matching Folio client buyers and sellers of the same security, where they split the difference between the bid and ask prices. This cuts out the “market maker”, effectively reducing the bid-ask spread cost by half.

For example, if a CWM portfolio was holding shares of the S&P 500 ETF (SPY), and the rebalancing necessitated reducing the SPY portfolio allocation by 20% (e.g., from 15% to 12%), the cost would be as follows (using a recent bid-ask spread price for SPY)³:

$$\text{Bid} = \$113.92; \quad \text{Ask} = \$113.97$$

$$\text{Per-share cost to trade using Folio} = (\$113.97 - \$113.92)/2 = \$0.025$$

$$\text{As a percentage of the share price} = \$0.025/\$113.97 = 0.022\%$$

Let’s assume a “worst case” scenario where: a) there are 12 ETFs in a particular folio model; b) we need to rebalance all of the ETFs each quarter, and c) rebalancing requires buying/selling 20% of the total portfolio each time that we do a rebalance. For a \$1,000,000 portfolio, the trading cost would be:

Annual per-trade cost	= 12 ETFs x \$7/trade x 4 x/year	= \$336.00
<u>Annual bid-ask spread cost</u>	= \$1,000,000 x 20% x 0.0022% x 4 x/year	= <u>\$ 17.60</u>
Total annual trading cost		\$353.60

In terms of percentage of assets under management, this translates to 0.035% per year of the total assets under management. Comparable “worst case” figures for two other asset value totals are:

$$\$500,000 \text{ in assets} = \$344.80 (0.069\%)$$

$$\$2,500,000 \text{ in assets} = \$380.00 (0.015\%)$$

September 2010

² There is a \$25 annual fee for IRA accounts, and a \$150 annual fee if you want to receive monthly paper statements.

³ Market bid-ask prices for SPY at close of trading on May 14, 2010.