

Schroders Annual Charge: overview and FAQs

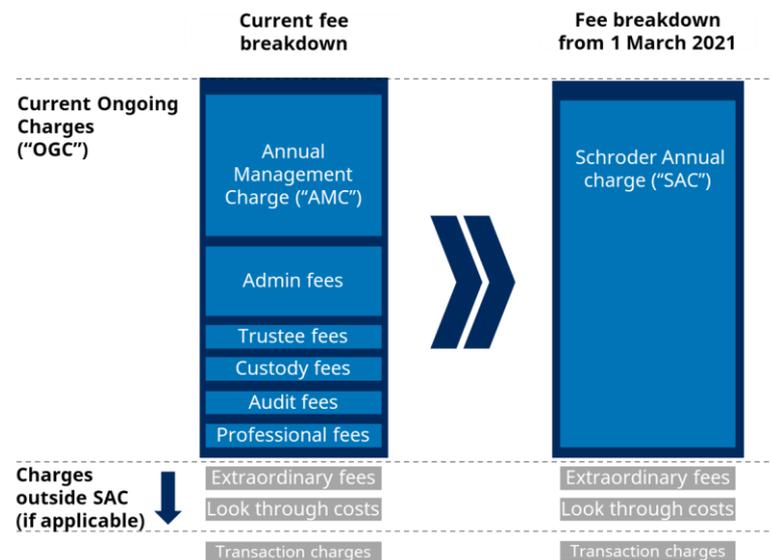
We are simplifying our charges

As part of our ongoing commitment to helping our investors achieve their goals we are changing the way we structure charges for our Schroders Unit Trust Limited (“SUTL”) fund range. From 1 March 2021, we will be consolidating various charges into a single annual fee so that investors have a clearer view of the costs of their investments. The new annual charge, referred to as the Schroders Annual Charge (“SAC”) will not result in any fee increase. For some investors, the combined effect of the two changes will result in lower fees.

Simplification of charges

The charges our investors currently pay are made up of several different costs. They not only reflect the annual cost of Schroders managing and administering the funds, but also cover additional costs of third parties providing services to the funds.

From 1 March 2021, we are pooling together these charges to provide investors with greater certainty regarding the costs incurred in their investments. In our Key Investor Information Documents (KIID), this charge will be referred to as the “Schroders Annual Charge”.



Frequently asked questions

1. What is changing?

We are simplifying the charges for our funds so they are easier to understand and to provide more clarity around the costs of investing. Currently, the charging structure for each fund includes the annual management charge, plus other fees and expenses such as the Depositary Fee, Custody Fee, Registrar Fees, Audit Fees and management expenses as disclosed in the Prospectus. We are replacing these with a more transparent, single “all in one” fee, known as the Schroders Annual Charge.

2. Will this result in an increase in my fees?

No. The only change is the way we present your fees but there will be no increase as a result of this change.

3. How does this affect me?

Currently, the level of these different fees and expenses can vary month to month and as a result, your fees may fluctuate. Moving to a fixed annual fee effectively caps the charges on these items and should therefore provide you with greater certainty regarding the costs you incur in respect of your investments.

4. Do I need to do anything?

No, there is nothing for you to do.

5. When will the changes take effect?

The Schroders Annual Charge will take effect from 1 March 2021.

6. What funds will the new Schroders Annual Charge be applied to?

For all UK Schroders Unit Trust Limited (SUTL) funds, with the exception of the SUTL Real Estate and Real Estate Feeder Funds.

7. Schroders Annual Charge: which costs are not included?

Extraordinary legal or tax charges, portfolio transaction costs and interest on any borrowing by a fund. It also excludes ‘look through’ costs. Look through costs only occur when a fund invests in another fund and ‘look-through costs’ are the costs incurred in the management of the underlying fund(s). Please note, this is not a change in our policy, since this is a continuation of our current process.

Extraordinary fees

Extraordinary fees related charges – such as legal fees or tax claims – that are both exceptional and unforeseeable. Please be aware these costs are very uncommon and do not occur in most years. Although they result in a short-term cost to the fund, they can deliver long term benefits to investors. Due to the infrequency of these costs, we have not included them in our annual charge.

Portfolio Transaction charges

Portfolio transaction charges – which are incurred when a fund manager buys or sells the underlying investments held in a fund – have always been treated separately and this will continue to be the case, so these costs will not be included in Schroders Annual Charge. This is because we believe fund managers need to be free to make investment decisions – and to incur short terms costs - that they believe will *be in the long term interest* of investors. There are two types of portfolio transaction costs – direct and indirect costs. Direct costs are incurred in the buying and selling of investments, such as commissions and taxes. Indirect costs differ from direct costs in that there is no specific cash payment, rather these are due to many investments having a bid-offer spread which is the difference between the buying and selling prices of investments. To protect investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through an adjustment to the price they pay or receive. Total portfolio transaction costs can appear as negative if the amount recovered through the adjustments is more than the costs paid by the fund.

These costs vary because they are incurred in the process of buying and selling the underlying assets in the fund. The more activity there is in any given period, the higher the portfolio transaction costs will be. Including these costs within an annual charge could become a disincentive for fund managers to make changes to their portfolios, as placing fewer transactions would keep costs lower. We want our fund managers to act on behalf of what they believe to be the best long term interests of our investors.

8. Are ‘performance fees’, impacted by this change?

No, this will not change. Only one fund has a performance fee (SARFCO Fund) and all performance fees are paid by the fund. Fees related to client or portfolio performance will not be impacted.

9. Is Schroders introducing any new charges?

No.

10. What is the OGC?

This is disclosed on a fund’s KIID and refers to ongoing charges – which is what you can expect to be charged over the next 12 months, it includes the SAC plus extraordinary fees and fees associated with holdings of underlying funds.

11. How will this impact any rebate that is currently paid?

Rebates will be calculated on the SAC (when it replaces the AMC), however the total aggregate cost of the charges and expenses will not change as a result of the new charging structure. You will be contacted separately by your client service/relationship contact in order to update the agreed terms as detailed in schedules of existing commercial agreements.

12. Why is the SAC different to the previous OGC?

For the majority of funds they will be the same however where a fund invests in a non-Schroders fund it is likely that the OGC will be higher than the SAC as Schroders Unit Trusts Limited will not be covering the underlying costs of such funds.

13. What fee information will be displayed by Schroders e.g. KIIDs and website?

The Schroders Annual Charge will replace any reference to the Annual Management Charge and additionally the Schroders Annual Charge figure will be included in the KIID and referenced in the prospectus.

14. How will this impact the fee information shown externally e.g. FundInfo and Morningstar?

The SAC will replace the Annual Management Charge however the current headings used by each of the vendors will not change.

15. How will performance be referenced?

The way performance is currently shown will remain unchanged.

16. In the example you provided, the new SAC is lower than the OGC, what makes up the other charges in the OGC?

For any fund that invests in external funds the inherent costs of those funds will feed into the OGC in addition to our charge – the SAC.

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