

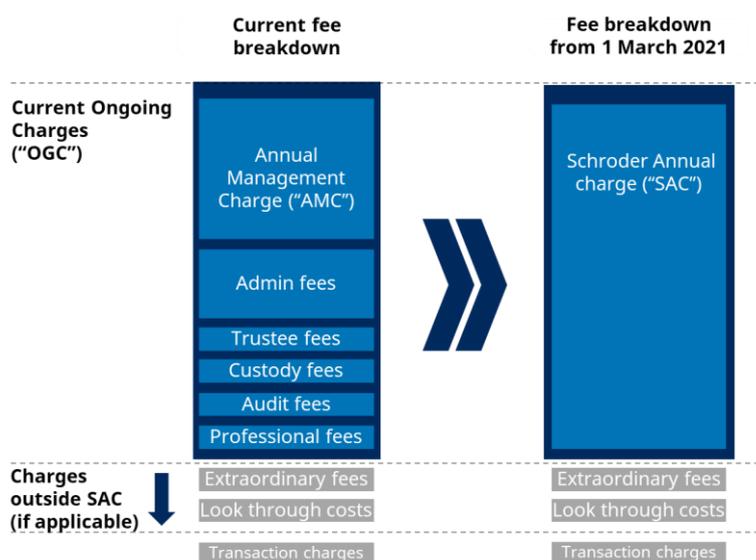
# Schroders Annual Charge: overview and FAQs

## We are simplifying our charges

Our aim is simple - to help our clients plan for the future with ideas and investments built to stand the test of time. As part of this commitment, in April 2020 we published our first [Assessment of Value Report](#), where we committed to introducing discounts on our largest Schroders Unit Trust Limited (“SUTL”) funds and by also introducing a simpler, all-in-one fee. We made the first of these changes – the scale discounts – on 1 December 2020 and the all-in-one fee will be implemented from 1 March 2021. Neither of these changes will result in any fee increase, in fact, for some investors, the combined effect of the two changes will result in lower fees. Please read below for more detail about both of the changes and for answers to frequently asked questions.

## Simplification of our ongoing 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 clarity 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”.



## Scale discounts – passing on cost savings

As a fund gets larger, the fixed costs of administering and managing that fund become smaller in proportion to the fund. From 1 December 2020, we began passing on some of these savings by applying discounts to our largest UK SUTL funds. The discount is only applicable to retail share classes and the discount is determined by the size of each fund and is capped at 0.05%. The discount applies as follows:

## Equity funds

For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (capped at 0.05%), as follows (and illustrated to the right):

- the AMC payable in respect of retail unit/share classes in funds with £1 billion plus assets under management is discounted by 0.02%
- the AMC payable in respect of retail unit/share classes in funds with £2 billion plus assets under management is discounted by 0.04%
- the AMC payable in respect of retail unit/share classes in funds with £3 billion plus assets under management is discounted by 0.05%

Fund assets under management	Discounted fee for a retail Unit/Share class, with a current fee of 1.50%
<b>£1.8bn</b>	<b>1.48%</b>
<b>£2.4bn</b>	<b>1.46%</b>
<b>£3.0bn</b>	<b>1.45%</b>
<b>£4.0bn</b>	<b>1.45%</b>

## Fixed income and multi-asset funds

For the first £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge. An additional discount is applied for larger funds, as follows (and illustrated to the right):

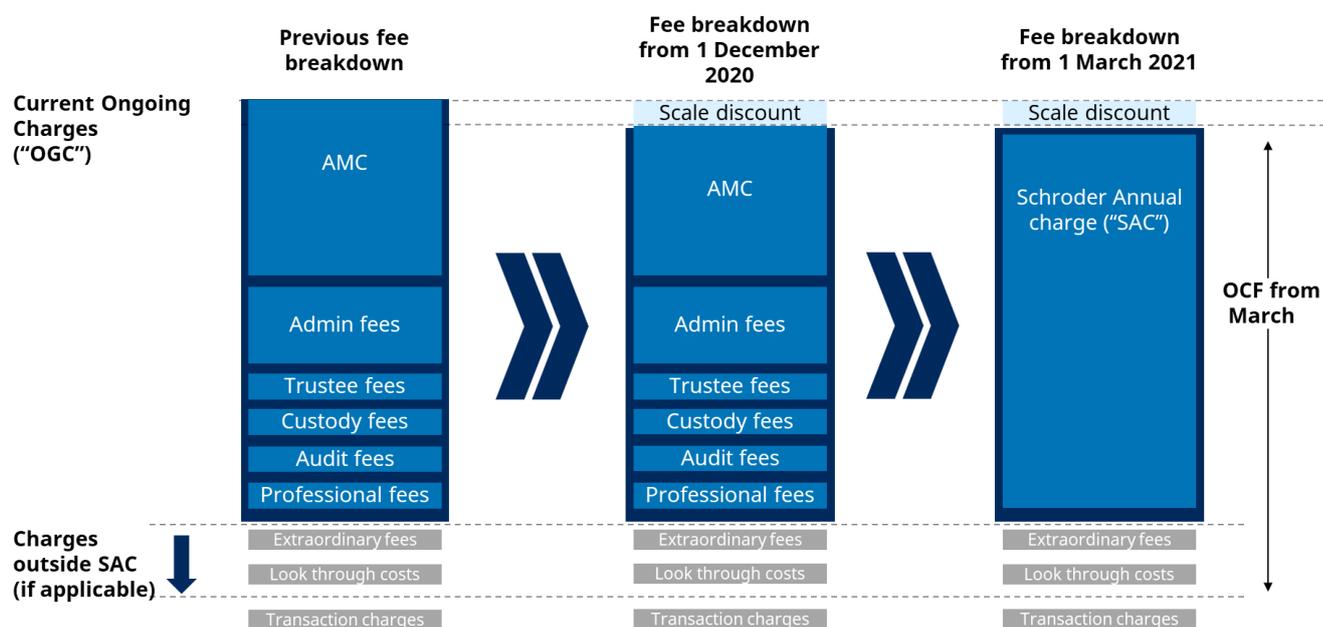
- The 0.02% discount is applied to the AMC payable in respect of retail unit/share classes in funds with £1 billion plus of assets under management
- A further 0.02% discount is applied for each further £2 billion plus of assets under management
- The discount is capped at 0.05%.

Funds assets under management	Discounted fee for a retail Unit/Share Class, with a current fee of 1.50%
<b>£1.8bn</b>	<b>1.48%</b>
<b>£2.4bn</b>	<b>1.48%</b>
<b>£3.0bn</b>	<b>1.46%</b>
<b>£4.0bn</b>	<b>1.46%</b>
<b>£5.0bn</b>	<b>1.45%</b>
<b>£6.0bn</b>	<b>1.45%</b>

# Frequently asked questions

## 1. What is changing?

From 1 December 2020 we began applying a fee discount for our largest funds. We are also 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 Schrodgers Annual Charge. The diagram below shows how the scale discounts are applied from 1 December 2020 and reflected from 1 March 2021.



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

No. The only change is in the way we present your fees but there will be no increase as a result of this change. For some investors – those investing in our largest retail share class funds – fees may slightly decrease.

## 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, so it should 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 and the Scale Discounts were applied from 1 December 2020.

## **6. Which funds will the new Schroders Annual Charge be applied to?**

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

## **7. When and how frequently will the scale discounts be applied?**

We will assess the size of each fund and whether it qualifies for a discount on a daily basis and the discount will be applied immediately thereafter.

## **8. Is there a maximum discount on a fund's annual charge?**

Yes. Currently we have not specified a discount beyond that applied if a fund is larger than the amounts outlined above. We currently have no funds in this bracket. As and when funds grow larger we will reassess whether there are further discounts to be passed on.

## **9. Which classes will qualify for scale discounts?**

A, C, F, I, M, P1, P2, T, X, Z, L

## **10. Is my AMC changing as a result of the scale discount?**

Any applicable scale discount is applied to the fees that we receive and will be reflected in the OGC. For an illustration of how this is applied please see Question 15 below.

## **11. Why isn't Schroders applying discounts to Luxembourg funds?**

At this stage our fee restructuring is limited to the UK domiciled funds, which are regulated by the FCA and are therefore subject to different regulatory requirements to funds regulated by the Commission de Surveillance du Secteur Financier (CSSF).

## **12. 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; it 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-term 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, but where there is a difference between the buying and selling prices of investments (the 'bid-offer spread'). 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 in the best long-term interests of our investors.

## **13. 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.

## **14. Is Schroders introducing any new charges?**

No.

## **15. 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.

## **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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