

Frequently Asked Questions: Costs and Charges Breakdown Disclosure Document

Q: Why are these changes happening now / why is this information being provided now?

A: In 2018 the Financial Conduct Authority introduced new rules requiring firms to provide clients with more information about the costs and charges that have been applied to their investments on an annual basis. The first time that RLUM need to provide a breakdown of these costs and charges is with the April 2019 statement.

Q: Why do the charges differ to those shown on half-yearly statements?

A: The charges in the disclosure document are calculated over a different period to the charges shown on half-yearly statements. Also, the half-yearly statement does not show the impact of transaction costs.

Q: Why are these charges calculated over a different period to statements?

A: The new rules introduced by the Financial Conduct Authority (FCA) require RLUM to provide costs and charges information on an annual basis covering a 12 month period. As a result, the new disclosure document needs to cover a 12 month period, rather than the half-yearly period that the statement actually covers.

Q: Why is a costs and charges breakdown disclosure document not provided for each fund or split between ISA and UT?

A: To meet the new rules introduced by the Financial Conduct Authority, RLUM are required to provide total figures for a client's investment.

Q: How often will this information be provided?

A: RLUM will be issuing cost and charges breakdown disclosure documents with the half-yearly statements sent in April and October each year. Each costs and charges breakdown disclosure document will cover a 12 month period ending on the date of the half-yearly statement.

Q: Why are RLUM making these charges now / why have charges been incurred now?

A: RLUM have always applied costs and charges to clients' investments. However, in 2018 the Financial Conduct Authority introduced new rules requiring firms to provide clients with more information about the costs and charges that have been applied to their investments on an annual basis. Thus, RLUM are now starting to report these costs and charges to clients in line with the new rules.

Q: How have these charges been calculated?

A: RLUM have used an industry standard method of calculating the costs and charges. For the Ongoing Charges and Transaction Costs RLUM have applied the relevant rates (these can be found in the European MiFID Template, which can be found on the home page of the RLUM website, myisa.royallondon.com), to the Net Asset Value of a client's investment at the start of each month. These monthly costs and charges are then summed up to annual figures over the relevant reporting period. For the One-off Charges, RLUM have simply reported the actual initial charges that have been deducted during the reporting period, and these are calculated as the initial charge rate multiplied by the value of any new investment made prior to 1 March 2019.

Q. How are the percentages derived?

A. Ongoing Charges, Transaction Costs and Total Costs and Charges are reported as a percentage of a client's investment, i.e. the average monthly holdings value for the reporting period. The monthly holding value is calculated based on daily unit positions and movements in the month with the value calculated using the monthly NAV (Net Asset Value) price as at the end of each month.

One-Off Charges are reported as a percentage of any new investments made in the period.

Q: What is the Net Asset Value?

A: The Net Asset Value (also known as the NAV) is simply the value of a client's investment, calculated as the number of units multiplied by the unit price.

Q. Why are some charges negative?

A. Negative transaction costs are largely caused by the required calculation method which includes the effect of price movements between when a fund manager decides to trade and the actual execution of the trade. Given the market can move up or down in this time, the resulting impact on costs can be positive or negative.

Q: What is the European MiFID Template?

A: The European MiFID Template (EMT) is a standard template used by all fund providers to disclose information, including charges, about a fund. Further information about the EMT can be found on the home page of the RLUM website, which is myisa.royallondon.com.

Q: The European MiFID Template on the RLUM website shows the initial charge as 0.05 (5%). Why is this value different to the initial charge pre and post 1 March 2019 (1.5% / 0%)?

A: The European MiFID Template details the maximum initial charge that RLUM are allowed to make on each fund. Prior to 1 March 2019, while RLUM had discounted the initial charge to 1.50%, the maximum charge was actually 5%. The European MiFID Templates that are effective after 1 March 2019 will show an initial charge of 0% to reflect the fact that RLUM have removed initial charges from all funds.

Q. Are costs and charges breakdown disclosure documents available on an ad hoc basis?

A. Unfortunately no. The costs and charges disclosure document cannot be requested on an ad hoc basis. Duplicate copies of the annual costs and charges disclosure document can be provided upon request.