

A SIMPLE GUIDE TO CHARGES

Investment Management can appear a complex business. When you invest in a fund, we work hard behind the scenes to safely pool your money with that of other investors in the fund; we employ investment professionals to build and manage the portfolios, operations teams to administer the funds, and all transaction and regulatory expenses have to be met. All of this costs money, so this guide helps you to understand the charges and expenses incurred by funds.

The main fund charges

Entry charge One-off charge (we take this on the day you invest in the fund)



What is it?

It's the maximum charge we can take from the money you use to invest in the fund.

What is it for?

It covers the costs of setting up your account.

It may also cover payments to a financial adviser, if this has been agreed as part of the adviser fee.

How much?

Typically anything from zero up to 5%.

Example

If you put £1,000 in a fund with an entry charge of 5%, the charge will be £50. This means £950 will be invested in the fund.

Ongoing charges figure (OCF)

% £

What is it?

The OCF is a single figure that represents the charges you'll pay over a year for the length of time you hold your investment. It is usually stated as a percentage of the fund value.

What is it for?

The OCF covers aspects of operating the fund each year. It includes fees paid for managing the fund such as the annual management charge and our administration and oversight tasks. See overleaf for more details.

How much?

An OCF can typically range from 0.25% to 2.5% each year.

Example

A fund with a constant value of £1,000 over a year and an OCF of 1.5% would have a charge of £15 in that year. Put another way, if the same fund achieved a return of 10% a year, the OCF would reduce the return to 8.5%. A breakdown of a typical Henderson OCF is shown overleaf.

Conditional charges

Some funds have conditional charges that are triggered when they meet specific predefined targets. The most common conditional charge is a performance fee – a fee that generally aims to reward good fund performance. So if the fund achieves a certain level of return, we can take part of that return as a fee for good performance. For further information please refer to our guide to absolute return funds at [HGi.co/d33](https://www.hgi.co/d33)

Portfolio transaction costs

All funds also incur various transaction costs. For example, when a fund buys or sells shares, this incurs broker commissions, transfer taxes and stamp duty, which the fund pays on each transaction. Transaction costs for Henderson funds are shown at [HGi.co/by5r](https://www.hgi.co/by5r)



Exit charge One-off charge (day fund is sold)



What is it?

We may take an exit charge when you sell part or all of your holding in the fund. However, Henderson currently does not do so.

What is it for?

It typically covers the costs if you sell your investment early.

Some funds may make a charge to deter excessive short term trading.

How much?

Many funds such as Henderson's do not apply an exit charge.

If a fund applies a charge, the amount is often discretionary.

Example

A fund that applies a 5% exit charge when it is sold at a value of £2,000 will make a charge of £100. This means the investor will receive £1,900.

The duration of the investment

The OCF in detail

The OCF is made up of several costs and expenses paid by a fund.

To help you understand these, we have listed them below and given a typical range for Henderson's funds available in the UK (where possible).

Summary of cost/expense	Typical range at Henderson
Annual management charge (AMC) The AMC is the charge made by the fund management company. This charge includes the cost of paying the investment professionals who make the fund's investment decisions.	0.6% to 1.5%
Administration charges This will typically cover both client administration and fund administration costs. Client administration costs: This includes the costs of maintaining customers' accounts, processing customers' transactions, paying out income distributions and producing six-monthly statements. Fund administration costs: This includes the costs of calculating and publishing the fund's price, maintaining the financial records (including tax matters) and producing the fund's interim and annual financial statements.	0.07% to 0.25%
Professional service providers The number and type of professional services used by a fund may vary by the type of fund. Auditor: All funds must have their annual financial statements audited. The auditor's cost will increase with the fund's complexity and the type of assets it holds. Legal adviser: A fund will use the services of a solicitor to advise on changes in the rules and regulations, so the level of costs may vary. Tax adviser: A fund may employ a tax adviser in countries where the local tax rules are complex or where this is required by local law.	
Independent oversight and safekeeping of assets Depository/Trustee: A fund must appoint a depository or trustee to oversee its operation and compliance with the rules and regulations. They must be independent from the fund management company. Custodian: The independent custodian will charge for the safe keeping of a fund's assets. The cost of safe keeping will be higher for exotic or emerging markets. The custodian will typically also make a charge per transaction. Regulatory fees: The fund must pay regulatory fees. These are used by the FCA (Financial Conduct Authority) to fund the Financial Services Compensation Scheme (FSCS), which helps to protect investors if a fund manager goes out of business.	0.01% to 0.1%
Multi-manager or fund of funds Multi-manager or funds of funds invest mainly in other funds, rather than directly in shares or bonds or other assets. These funds have their own charges, like any other fund, but will also pay the charges of the underlying funds they invest in. Henderson often negotiates significant discounts on these underlying charges.	0.2% to 0.65%
	0.88% to 2.5%

Top tips

- ✓ You can find the ongoing charges figure (OCF) in the Key Investor Information Document (KIID) and the report and accounts which are on our website.
- ✓ Please read the Prospectus (on our website) for a full explanation of all charges, including what they are for.
- ✓ Try to compare the charges for different funds, using the OCF.
- ✓ Don't consider the charges alone but alongside the fund's features, for example the investment team's experience.
- ✓ Adviser charges may have to be added to fund charges depending on what you have agreed with your financial adviser.
- ✓ Charges can sometimes be discounted. Make sure you know the actual charge you will pay after any discounts.
- ✓ Platforms and wrappers such as an ISA may have additional charges or sometimes provide special negotiated reduced charges. Make sure you know what you are paying in total.
- ✓ An actively managed fund will generally have higher charges than a fund that simply tracks an index.
- ✓ A financial adviser can help you further understand charges and compare different funds. Please note an adviser may charge you separately for this advice.

Past performance is not a guide to future performance.

Issued: September 2015

Contact us

General enquiries: **0800 832 832**
Email: **support@henderson.com**
Website: **henderson.com**

Henderson
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H018666/0915