Santander Asset Management

Fund charges explained

June 2023

Fund charges

All funds incur costs and charges. These are the costs of running the fund, including marketing and distributing it.

Costs and charges can have a real impact on the return or income that you get from a fund so it's important to know what you will pay when you invest. This means you could get back less than you paid in, especially in the early years of your investment.

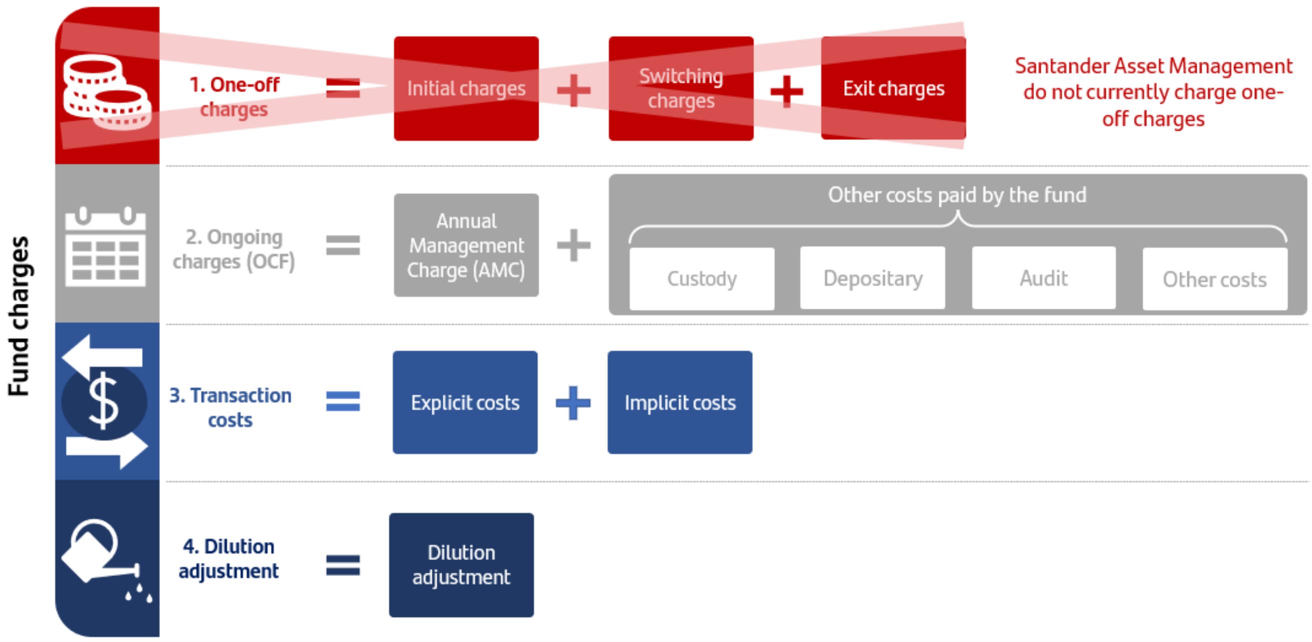
Costs and charges can either be fixed (our Annual Management Charge is fixed), or variable. Where the cost or charge can vary, we can either show *actual* costs incurred over the last 12 months (Ex-Post), or what we *expect* costs to be (Ex-Ante).

Where do you take charges from?

The charges are taken directly out of the fund. This means that you will not see the fees being paid, but they will reduce the potential return or income of your investment.

We aim to reduce the impact of charges to the objective of the fund, so for funds with a growth objective, the charges will come out of the income of the fund. For funds with an income objective, the charges will come out of the growth of the fund (charged to capital).

Below is a summary of the relevant costs and charges associated with our funds:



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1. One off charges

These are charges that you would pay when buying or selling the fund. This could be when you buy a fund with us for the first time, when you switch from another Santander Asset Management UK fund, or when you sell your investment and cash it in. Santander Asset Management does not currently charge any one-off charges on any of its funds.

2. Ongoing charges figure (OCF)

What are ongoing charges?

Ongoing charges are paid throughout the lifetime of your investment in the fund and cover the day to day running of the fund. You can find the current Ex-Post (meaning actual) OCF on our Fund centre.

There are three main types of costs and charges within the OCF:

1. Annual management charge (AMC) – The charge that we as fund manager are paid for managing all aspects of the fund. This makes up the main part of the OCF.
2. Indirect costs included in the OCF – Charges that are incurred by the fund if it invests in other open-ended investment funds, also known as 'Synthetic OCF'.
3. Direct costs included in OCF – Costs and charges incurred from third parties who support in management of the fund, for example for holding your assets (Custody) and keeping them safe (Depositary).

Some of our funds have an OCF cap in place. This means that we will aim to keep the ongoing charges that the fund will pay below a fixed maximum amount. For more information, please refer to the fund prospectus or KIID which can also be found on our Fund centre.

3. Transaction costs

Funds incur transaction costs when they buy and sell investments, and these costs impact the return of your investment in the fund. You can find the current Ex-Ante (meaning expected) Transaction Costs on our Fund centre.

Types of transaction costs

Transaction costs can be:

1. ***Explicit (direct costs)*** – costs paid to third parties to complete a transaction including amounts paid to brokers and taxes (after dilution as described under Section 4); and
2. ***Implicit (indirect costs)*** – costs which reflect a theoretical value lost to the market during the process of buying and selling.

Transaction costs

EXPLICIT COST
Measurable cost paid by fund

1. Commissions
   e.g. commissions paid to brokers
2. Taxes
   e.g. payments to the local tax authority

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IMPLICIT COST
Estimated loss of value

1. Bid-offer spreads
   The difference between the prices you can buy or sell at
2. Market movements
   Price changes between deciding to trade and trading
3. Delay cost
   Price changes over time when breaking trade into smaller batches

Implicit transaction costs are harder to explain as they do not reflect money that is physically being paid, but do have a cost which affects the return of your investment in the fund.

There are different ways that a fund manager can calculate this hypothetical cost. This means that the transaction costs that we disclose for our funds may not be comparable with transaction costs disclosed for other funds.

How we calculate implicit costs:

Implicit costs = The typical half bid-offer spread[1] for each asset class multiplied by Turnover[2] of the investments in that asset class

[1] Half bid-offer spread: Reflects the difference between the value of the investment (the mid-price – which is between the bid and offer price), and the price you can buy or sell it at. Typical half bid-offer spreads used are from the industry body, AFG.

[2] Turnover: The amount of buying and selling of investments within the fund.

4. Dilution adjustment

As well as the costs and charges disclosed that all shareholders pay, we protect the value of your investment by applying a "dilution adjustment" (also known as "dynamic swing pricing") to the price of the fund. This adjustment is made to cover transaction costs linked to investors buying or selling, so that other shareholders are not disadvantaged by bearing any of these costs. We do this by adjusting the price of shares in a fund when net buy and sell trades exceed zero each day.

This means that whilst this is not a charge or cost that is paid by all (and is therefore not displayed within the costs and charges disclosed on our Fund centre, investors buying and selling may pay a different price (the swing price) on that day. For more information, please refer to the fund prospectus which can also be found on our Fund centre.

Important Information

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