

Costs and charges disclosure

Article 24(4) of the revised Markets in Financial Instruments Directive (“MiFID II”) requires firms to provide clients with “appropriate information in good time” about “all costs and related charges”. This has been reflected by the FCA in its Conduct of Business Rules (COBS 2.2A.2 R (1)(d)).

Whilst Link Fund Solutions Limited (“LFS”) is not directly subject to MiFID II, it is obliged to provide firms to which the rules apply with costs and charges information. To ensure investors all have the same information available to them, it has decided to make generally available a “costs and charges disclosure document” containing the information required by firms subject to MiFID II.

MiFID II also requires that the costs of investment products or services is presented in aggregated form. This is to ensure that clients are able to readily understand the impact on their investments of the total costs charged. However, clients can also request a breakdown of those costs so that individual components can also be understood.

To save the need for client requests, LFS has decided to show both aggregated costs and the more detailed breakdown in its disclosure materials. The purpose of this material is to provide clients with an explanation of the various product costs shown. LFS has no “service costs” as it does not undertake activities other than the operation of collective investment schemes and alternative investment funds.

(It should be noted that, to allow comparability with other products and services available to investors, LFS’s approach has been to show all cost categories, whether relevant to an individual product or not. In certain cases therefore, the disclosures will be £0 for some cost categories.)

The cost types shown are as follows:

Cost type	Description
One-off costs	A payment on investment or divestment either made directly by the investor or paid by deduction from the investor’s subscription or the redemption proceeds due. “Initial charges” or “exit charges” would be examples of “one-off” costs.
Ongoing costs	Ongoing (sometimes referred to as “recurring”) costs are payments taken from a fund (either directly, or via encashment of investors’ holdings) to fund its operation. Examples include costs such as management charges, legal, professional and accounting expenses, depositary or custodian fees.
Transactional costs	Transactional costs are incurred when a fund into which investors have subscribed buys or sells underlying investments, e.g shares or bonds. The transactional costs represent the average charge over prescribed periods and include both the costs necessarily incurred (such as brokers’ fees, exchange costs, stamp duty and other taxes), and an assessment of the cost of entering or exiting the market (in simple terms the difference between the price of the instrument at the time the order was placed and the actual price at which it was executed).
Incidental costs	Where funds utilise “performance fees” (i.e. charges only payable in certain circumstances), then these should be shown separately against this heading.

Should any further information be required, clients should consult their financial adviser or call +44 (0)345 9220044