Aviva Investors Charges and Costs Questions and Answers

What costs does a fund need to disclose?

There are four types of costs that an investment fund must now disclose, both before a fund is sold to an investor, and on an ongoing annual basis:

- **One-off Charges** - these would include entry and exit charges. We do not charge an entry or exit charge on any of our funds other than the Aviva Investors US Equity Income Fund which has a maximum entry charge of 5%.
- **Ongoing Charges** - these are taken annually for managing the fund and are calculated within the share price.
- **Transaction Costs** - incurred when trading underlying investments
- **Incidental Costs** - ad-hoc charges such as performance fees (we don't charge a performance fee on any of our funds).

For most of our funds the charges applicable to you will be the Ongoing Charge and Transaction Costs.

What's included in the Ongoing Charge?

The ongoing charge is a historic measure of the annual costs of managing a fund, in some circumstances we may provide an estimate of the upcoming costs where this provides a better indication. The main components of the ongoing charge are:

- Fund Management Fee (FMF)
- Synthetic Charges (where applicable)

What is an Economies of Scale Discount?

Economies of scale is a discount applied to certain retail share classes which passes on the potential benefits of a Fund's scale to investors. These discounts are based on the size of the Fund and on any given day will automatically reduce the Fund Management Fee (a component of the Ongoing Charge Figure) for that share class by a fixed amount when a defined "Trigger Point" has been reached. At all other times the FMF will be charged at the rate as set out in the Fund's prospectus. For further details on the Economies of Scale discounts and the trigger points at which they apply, please refer to the Fund's prospectus.

What is the Fund Management Fee (FMF)?

The Fund Management Fee is a single fixed rate charge we charge to cover the underlying fees, costs and expenses of operating and administering the fund. The underlying costs may fluctuate, however by fixing the fund management fee we bear the risk that the balance of the fee payable to us will not fully remunerate us in the event of a deficit, but conversely, we will be permitted to retain any surplus.

What are synthetic charges?

In reference to Aviva Investors Funds, the synthetic charges are levied when a fund invests a substantial proportion of its assets in other funds, the synthetic charge is the pro-rata amount charged by these other Funds.

What are transaction costs?

Transaction costs are incurred when the fund manager buys or sells the underlying investments of the fund. They include both the explicit (i.e. direct) cost of trading as well as implicit costs, which are intended to reflect the market impact of trading. Implicit costs are determined in accordance with criteria set by the regulators under MiFID II.

How does Aviva Investors seek to control transaction costs?

Aviva Investors experienced and highly skilled trading team are focussed on achieving the best outcome for clients, consistent with our regulatory responsibility to achieve best execution. In part, this involves keeping the direct costs of trading low but, importantly, also seeking the best price for transactions in the fund's underlying investments.

What's included in the transaction cost?

Transaction costs can be split into two types of costs; explicit costs which are incurred when the fund buys and sells investments, and implicit costs whereby there is no specific cash payment.

What is an explicit cost?

Also referred to as direct transaction costs these are cash payments incurred when the fund buys and sells investments, and which reduce fund returns. These costs are separate from the ongoing charge and include broker commission (fee paid to a broker to execute a trade) and taxes. The transaction costs are the result of decisions made by the fund manager to buy and sell investments to improve returns.

What is an implicit cost?

Also referred to as indirect transaction costs or slippage costs, these costs represent the difference in the price of a security between the time when a transaction is instructed, and when it is executed in the market. For Fixed Income transactions (including exchange traded derivatives of this asset class) the calculation of implicit costs is completed by comparing the mid-market price as at the execution time of our transaction against the execution price that we achieved for that transaction. We feel that this calculation methodology is more accurate than comparing the mid-market price at the time a transaction is instructed ("arrival price") against the execution price that we achieved for that transaction. For Foreign Exchange (FX) transactions (including exchange traded derivatives of this asset class) basis points based on the liquidity of the relevant currency pair being traded are used to calculate implicit costs. We feel that this calculation methodology is more accurate than comparing the mid-market arrival price at the time a transaction is instructed against the execution price that we achieved for that transaction. For OTC (Over-The-Counter) derivatives, where there is no ready means of determining the price when the trade is instructed, the cost is the average of the observed cost of the transaction. These costs represent the Regulator's view of the opportunity cost of the transaction, and do not represent any cash payment made by the fund. Implicit costs may be positive or negative. Where an implicit cost in a fund is positive i.e. a gain, this has been reduced to zero, as we believe it would be confusing to disclose a gain.

What is Dilution Levy (Investor Protection Fee)?

Funds typically have a pricing mechanism to offset the cost impact to existing investors of transactions caused by cash flow into or out of the fund. This is known as the Dilution Levy, and it is paid by the transacting investors. The Levy is used to offset the transaction costs incurred.

What has changed in relation to transaction costs?

Transaction costs have always been charged to the fund, and effectively reduce the returns achieved by the fund. Under the new rules we are disclosing these costs to improve the transparency of the funds, and ensure customers understand what they are paying for.

What's the difference between ex-ante and ex-post costs?

The ex-ante are the expected costs and associated charges of the fund. The ex-post costs are the actual costs incurred by the fund.

Where can I find a list of fund charges and costs for Aviva Investors funds?

You can find the full list of charges on our website.

Are the costs incurred by a Property Fund different?

The nature of investment in real property is such that there are significant costs associated with property assets. A fund will bear expenses in relation to real property asset management (such as lease renewal costs, rent review fees and letting costs) known as the Property Expense Ratio (PER). The PER will vary over time and is in addition to the ongoing charge. The PERs for all share classes are available on our website under 'Report and Financial Statements'.

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