

## Investments

# Transaction costs

Changes in legislation have led to increased interest in the charges incurred by asset managers as a result of trading. MiFID II, PRIIPs and FCA regulation has resulted in fund managers having to disclose these costs as part of their reporting on the funds they manage.

Funds incur transaction costs when the fund managers buy and sell investments in order to achieve the investment objective. Fund managers make trades when money flows into or out of funds, when investment decisions are made and when portfolios need to be rebalanced. Transaction costs are calculated as a percentage of the value of the fund and are paid from the value of the fund.

If you compare transaction costs for different funds then you may not get a clear picture of the relative costs of investing in them, for several reasons:

- Transaction costs don't necessarily reduce returns – the net impact is the combination of the effectiveness of the manager's investment decisions in improving returns, and the associated costs of investment.
- Historic transaction costs are not an effective indicator of the future impact on performance – they depend on the manager's investment decisions and so are not predictable.
- Transaction costs vary from country to country and depend on the types of investments in which a fund invests.

Transaction costs include both explicit (direct) and implicit (indirect) costs.

## Explicit costs

Explicit costs are directly measurable and are therefore simple to quantify. Examples of explicit costs include:

**Broker Commissions** – Intermediaries charge fees for buying and selling securities. Broker commissions include exchange fees, settlement fees and clearing fees.

**Transaction Taxes** – Taxes are charged by regulatory bodies and exchanges. For example, when UK shares are bought, 0.5% stamp duty reserve tax (SDRT) is paid.

**Legal Fees** – Relates to fees paid to lawyers for property sales/purchases.

**Stock Lending Fees** – A stock lending transaction involves a fund making a short-term loan in order to increase returns to investors. Income generated from securities lending is allocated between the funds and the lending agent in an agreed proportion. The proportion allocated to the lending agent is classed as a cost to the fund.

## Implicit costs

Unlike explicit costs where the fee paid is clearly visible, implicit costs are more difficult to measure. These are the effects of changes in market prices in the time between when an order is received to buy or sell an investment and when the transaction is carried out. Measuring this can be difficult for certain assets such as bonds and property, as it can be difficult to get reliable market prices for these assets.

**Slippage Costs** – The FCA's Policy Statement PS17/20 – Transaction Cost Disclosure in Workplace Pensions – proposes the slippage cost approach for calculating implicit costs. The slippage cost methodology calculates transaction costs as the difference between the price at which a transaction was executed, and the price when the order to transact was transmitted to a third-party.

## Other costs

**Anti-dilution Levy** – When money flows into or out of a portfolio, the manager will need to undertake transactions to meet those flows. Funds use mechanisms called 'anti-dilution' to pass the transaction costs associated with these flows to the investor putting money in or taking it out. This prevents the fund's assets from becoming diluted.

## Governed portfolio transaction costs

Governed Portfolios	Commission	Tax	Legal Fees	Other	Implicit Costs	Stock Lending Fees	Total
Governed Portfolio 1	0.019%	0.025%	0.001%	-0.023%	0.036%	0.001%	0.059%
Governed Portfolio 2	0.015%	0.019%	0.001%	-0.020%	0.029%	0.001%	0.044%
Governed Portfolio 3	0.006%	0.007%	0.000%	-0.013%	0.041%	0.002%	0.044%
Governed Portfolio 4	0.022%	0.028%	0.001%	-0.013%	0.045%	0.002%	0.084%
Governed Portfolio 5	0.018%	0.023%	0.001%	-0.014%	0.040%	0.001%	0.069%
Governed Portfolio 6	0.013%	0.017%	0.001%	-0.010%	0.037%	0.002%	0.059%
Governed Portfolio 7	0.023%	0.027%	0.001%	-0.008%	0.054%	0.002%	0.099%
Governed Portfolio 8	0.021%	0.026%	0.001%	-0.010%	0.047%	0.002%	0.087%
Governed Portfolio 9	0.014%	0.017%	0.000%	-0.010%	0.043%	0.002%	0.066%

## Governed Retirement Income Portfolio transaction costs

GRIPS	Commission	Tax	Legal Fees	Other	Implicit Costs	Stock Lending Fees	Total
GRIP 1	0.005%	0.006%	0.000%	-0.036%	0.002%	0.000%	0.023%
GRIP 2	0.008%	0.010%	0.000%	-0.029%	0.014%	0.000%	0.004%
GRIP 3	0.010%	0.012%	0.000%	-0.023%	0.028%	0.001%	0.027%
GRIP 4	0.013%	0.016%	0.000%	-0.017%	0.040%	0.001%	0.053%
GRIP 5	0.015%	0.018%	0.000%	-0.014%	0.049%	0.001%	0.069%

## Fund Range Transaction Costs

Fund	Manager	Total Transaction Costs
RLP Absolute Return Government Bond	RLAM	0.046%
RLP Adventurous Managed	RLAM	0.084%
RLP American Tilt	RLAM	0.000%
RLP Annuity	RLAM	0.054%
RLP Short Term Fixed Income	RLAM	0.009%
RLP Commodity	RLAM	0.000%
RLP Corporate Bond	RLAM	0.000%
RLP Defensive Managed	RLAM	0.059%
RLP Deposit	RLAM	0.023%
RLP Emerging Markets ESG Leaders Equity Tracker	RLAM	0.000%
RLP Short Term Fixed Income Enhanced	RLAM	0.033%
RLP Equity Income	RLAM	0.081%
RLP Ethical Bond	RLAM	0.000%
RLP European	RLAM	0.046%
RLP Far East (Ex Japan) Tilt	RLAM	0.013%
RLP Fixed Interest	RLAM	0.000%
RLP Global Equity	RLAM	0.029%
RLP Global Equity Diversified	RLAM	0.079%
RLP Global Equity Select	RLAM	0.193%
RLP Global High Yield Bond	RLAM	0.153%
RLP Global Index Linked	RLAM	0.000%
RLP Global Managed	RLAM	0.094%
RLP UK Index Linked	RLAM	0.000%
RLP Global Government Bond	RLAM	0.060%

Fund	Manager	Total Transaction Costs
RLP Japan Tilt	RLAM	0.000%
RLP Long (15yr) Corporate Bond	RLAM	0.000%
RLP Long (15yr) Gilt	RLAM	0.000%
RLP Long (15yr) Index Linked	RLAM	0.000%
RLP Managed	RLAM	0.069%
RLP Medium (10yr) Corporate Bond	RLAM	0.000%
RLP Medium (10yr) Gilt	RLAM	0.000%
RLP Medium (10yr) Index Linked	RLAM	0.000%
RLP Multi Asset Strategies	RLAM	0.108%
RLP Pacific Tilt	RLAM	0.005%
RLP Property	RLAM	0.154%
RLP Short (5yr) Corporate Bond	RLAM	0.000%
RLP Short (5yr) Gilt	RLAM	0.000%
RLP Short (5yr) Index Linked	RLAM	0.040%
RLP Short Duration Global High Yield	RLAM	0.051%
RLP Sterling Extra Yield Bond	RLAM	0.000%
RLP Sustainable Diversified Trust	RLAM	0.098%
RLP Sustainable Leaders Trust	RLAM	0.179%
RLP Sustainable Managed Growth Trust	RLAM	0.037%
RLP Sustainable Managed Income Trust	RLAM	0.000%
RLP Sustainable World Trust	RLAM	0.096%
RLP UK Equity	RLAM	0.070%
RLP UK Government Bond	RLAM	0.000%
RLP UK Mid Cap	RLAM	0.041%
RLP UK Opportunities	RLAM	0.163%
RLP UK Smaller Companies	RLAM	0.000%
RLP Worldwide	RLAM	0.000%
RLP Governed Portfolio 1	RLAM	0.059%
RLP Governed Portfolio 2	RLAM	0.044%
RLP Governed Portfolio 3	RLAM	0.044%
RLP Governed Portfolio 4	RLAM	0.084%
RLP Governed Portfolio 5	RLAM	0.069%
RLP Governed Portfolio 6	RLAM	0.059%
RLP Governed Portfolio 7	RLAM	0.099%
RLP Governed Portfolio 8	RLAM	0.087%
RLP Governed Portfolio 9	RLAM	0.066%
RLP GRIP 1	RLAM	0.000%
RLP GRIP 2	RLAM	0.004%
RLP GRIP 3	RLAM	0.027%
RLP GRIP 4	RLAM	0.053%
RLP GRIP 5	RLAM	0.069%
RLP/7IM AAP Adventurous	7IM	0.040%
RLP/7IM AAP Balanced	7IM	0.030%
RLP/7IM AAP Moderately Adventurous	7IM	0.009%
RLP/7IM AAP Moderately Cautious	7IM	0.015%
RLP/ASI Global Absolute Return Strategies	Aberdeen Standard	0.584%
RLP UK Income Core Plus (Artemis Income)	Artemis	0.235%
RLP UK Equity Specialist (Baillie Gifford UK Equity Alpha)	Baillie Gifford	0.072%
RLP/Baillie Gifford High Yield Bond	Baillie Gifford	0.086%
RLP/Baillie Gifford UK Equity	Baillie Gifford	0.034%

Fund	Manager	Total Transaction Costs
RLP/Baillie Gifford UK Equity 'A'	Baillie Gifford	0.393%
RLP/Baillie Gifford UK & Worldwide Equity	Baillie Gifford	0.173%
RLP/Baillie Gifford UK & Worldwide Equity 'A'	Baillie Gifford	0.173%
RLP Japan Specialist (Baillie Gifford Japanese)	Baillie Gifford	0.760%
RLP Japan Core Plus (Baillie Gifford Japanese Income Growth)	Baillie Gifford	0.010%
RLP/BlackRock Emerging Markets Tracker	BlackRock	0.000%
RLP/BlackRock Gold & General	BlackRock	0.587%
RLP/BlackRock UK Equity	BlackRock	0.393%
RLP/BlackRock UK Equity 'A'	BlackRock	0.393%
RLP/BlackRock Consensus 85	Blackrock	0.094%
RLP/BlackRock ACS European Equity Index	Blackrock	0.000%
RLP/BlackRock ACS Global Blend	Blackrock	0.009%
RLP/BlackRock ACS Global Equity Index (50:50)	Blackrock	0.005%
RLP/BlackRock ACS Global Equity Index (60:40)	Blackrock	0.000%
RLP/BlackRock ACS Japanese Equity Index	Blackrock	0.006%
RLP/BlackRock Long Gilt Index	Blackrock	0.000%
RLP/BlackRock Over 5 years Index linked Gilt Index	Blackrock	0.021%
RLP/BlackRock Pacific Rim Equity Index	Blackrock	0.000%
RLP/BlackRock UK All Stocks Corporate Bond Index	Blackrock	0.048%
RLP/BlackRock ACS UK Equity Index	Blackrock	0.001%
RLP/BlackRock ACS US Equity Index	Blackrock	0.009%
RLP/BlackRock ACS World (ex UK) Equity Index	Blackrock	0.054%
RLP/BNY Mellon Multi-Asset Balanced	BNY Mellon	0.054%
RLP/BNY Mellon Multi-Asset Balanced 'A'	BNY Mellon	0.054%
RLP/BNY Mellon Global Income	BNY Mellon	0.079%
RLP/BNY Mellon Multi-Asset Growth	BNY Mellon	0.000%
RLP/BNY Mellon Multi-Asset Growth 'A'	BNY Mellon	0.000%
RLP/BNY Mellon Real Return	BNY Mellon	0.487%
RLP/BMF Balanced	Brooks Macdonald Asset Management	0.110%
RLP/BMF Cautious Growth	Brooks Macdonald Asset Management	0.070%
RLP/BMF Defensive Income	Brooks Macdonald Asset Management	0.070%
RLP UK Equity Core Plus (Close TEAMS UK Equities (1%))	Close TEAMS	0.037%
RLP UK Equity Core Plus (Close TEAMS UK Equities (2%))	Close TEAMS	0.161%
RLP/Close TEAMS UK Equities 1% 'A'	Close TEAMS	0.037%
RLP/Columbia Threadneedle Latin America	Columbia Threadneedle	0.300%
RLP Europe Specialist (Columbia Threadneedle European Select)	Columbia Threadneedle	0.448%
RLP/Dimensional Emerging Markets Core Equity	Dimensional Fund Advisors	0.140%
RLP/Dimensional Global Core Equity	Dimensional Fund Advisors	0.030%
RLP/Dimensional Global Targeted Value	Dimensional Fund Advisors	0.050%
RLP/Dimensional UK Core Equity	Dimensional Fund Advisors	0.060%
RLP Europe Core Plus (Fidelity European Blended)	Fidelity	0.070%
RLP UK Income Specialist (Fidelity MoneyBuilder Dividend)	Fidelity	0.260%
RLP/Fidelity Emerging Europe Middle East and Africa	Fidelity	0.510%
RLP/Fidelity Moneybuilder Income	Fidelity	0.200%
RLP/Fidelity Asia	Fidelity	0.180%
RLP/Fidelity Special Situations Blended	Fidelity	0.170%
RLP/Fidelity Strategic Bond	Fidelity	0.860%
RLP/Fidelity UK Select	Fidelity	0.300%
RLP Emerging Markets Specialist (Fidelity Emerging Markets)	Fidelity	0.000%
RLP UK Equity Specialist (Fidelity UK Opportunities)	Fidelity	0.650%

Fund	Manager	Total Transaction Costs
RLP/First State Global Listed Infrastructure	First State	0.404%
RLP Asia Pacific Core Plus (Stewart Investors Asia Pacific Leaders Sustainability)	First State/Stewart Investors	0.290%
RLP UK Mid Cap Specialist (FTF Martin Currie UK Midcap)	Franklin Templeton	0.260%
RLP/Henderson China Opportunities	Hendersons Global Investors	0.420%
RLP/FTF Royce US Smaller Companies	Franklin Templeton	0.000%
RLP/HSBC Islamic Global Equity Index	HSBC	0.040%
RLP/HSBC Islamic Global Equity Index 'A'	HSBC	0.040%
RLP Asia Pacific Core Plus (Invesco Asian)	Invesco	0.290%
RLP Global Managed Equity Specialist (Invesco Global Equity)	Invesco	0.390%
RLP/Invesco Corporate Bond	Invesco	0.080%
RLP/Invesco Distribution	Invesco	0.110%
RLP/Invesco Global Bond	Invesco	0.170%
RLP/Invesco High Income	Invesco	0.580%
RLP/Invesco Monthly Income Plus	Invesco	0.120%
RLP/Invesco UK Growth 'A'	Invesco	0.260%
RLP Emerging Markets Core Plus (JPM Emerging Markets)	JPMorgan	0.544%
RLP/JPMorgan Global Macro Sustainable	JPMorgan	0.299%
RLP/JPMorgan Natural Resources	JPMorgan	0.659%
RLP/JPMorgan Emerging Europe Equity	JPMorgan	0.879%
RLP UK Equity Core Plus (JPM UK Equity Growth)	JPMorgan	0.806%
RLP/Jupiter European Special Situations	Jupiter	0.140%
RLP/Jupiter Ecology	Jupiter	0.010%
RLP/Jupiter Financial Opportunities	Jupiter	0.901%
RLP/Jupiter India	Jupiter	0.166%
RLP/Jupiter Merlin Balanced Portfolio	Jupiter	0.227%
RLP/Jupiter Merlin Growth Portfolio	Jupiter	0.263%
RLP/Jupiter Merlin Income Portfolio	Jupiter	0.184%
RLP/Jupiter Merlin Worldwide Portfolio	Jupiter	0.217%
RLP/Liontrust Balanced	Liontrust	0.018%
RLP/Liontrust Global Alpha	Liontrust	1.412%
RLP/Liontrust Global Innovation	Liontrust	0.148%
RLP/Liontrust US Opportunities	Liontrust	0.017%
RLP/M&G Corporate Bond	M&G	0.090%
RLP/M&G Global Themes	M&G	0.050%
RLP/M&G Global Dividend	M&G	0.111%
RLP/M&G Global High Yield Bond	M&G	0.441%
RLP/M&G Optimal Income	M&G	0.135%
RLP/M&G Recovery	M&G	0.000%
RLP/M&G Strategic Corporate Bond	M&G	0.068%
RLP/Man GLG Balanced Managed	Man GLG	0.380%
RLP/Man GLG Stockmarket Managed	Man GLG	0.510%
RLP Global Managed Equity Specialist (Ninety One Global Strategic Equity)	Ninety One	0.130%
RLP UK Small Cap Specialist (Ninety One UK Smaller Companies)	Ninety One	0.000%
RLP/Ninety One Global Income Opportunities	Ninety One	0.000%
RLP/Ninety One Emerging Markets Local Currency Debt	Ninety One	0.180%
RLP/Ninety One Global Environment	Ninety One	0.340%
RLP/Ninety One UK Special Situations	Ninety One	0.250%
RLP/Cirilium Balanced	Quilter Investors	0.389%
RLP/Cirilium Conservative	Quilter Investors	0.283%

Fund	Manager	Total Transaction Costs
RLP/Cirilium Dynamic	Quilter Investors	0.389%
RLP/Cirilium Moderate	Quilter Investors	0.309%
RLP/Rathbone Enhanced Growth	Rathbones	0.128%
RLP/Rathbone Strategic Growth	Rathbones	0.151%
RLP/Rathbone Total Return	Rathbones	0.091%
RLP/Sarasin Food & Agriculture Opportunities	Sarasin	0.320%
RLP/Schroder European Recovery	Schroder	0.262%
RLP/Schroder Global Cities Real Estate	Schroder	0.350%
RLP/Schroder Income Maximiser	Schroder	0.072%
RLP/Schroder Managed Balanced	Schroder	0.344%
RLP/Schroder MM Diversity	Schroder	0.239%
RLP/Schroder Blended Portfolio 6	Schroder	0.293%
RLP/Schroder Blended Portfolio 7	Schroder	0.304%
RLP/Schroder Global Equity	Schroder	0.279%
RLP/Schroder UK Multi-Cap Income	Schroder	0.197%
RLP/Schroder US Mid Cap	Schroder	0.270%
RLP/Tilney Defensive Portfolio	Tilney	0.178%
RLP/Tilney Growth Portfolio	Tilney	0.165%
RLP/Tilney Mixed Portfolio	Tilney	0.178%
RLP/UBS Global Allocation	UBS	0.313%
RLP/UBS Global Allocation 'A'	UBS	0.313%
RLP/UBS Global Blend (50:50)	UBS	0.022%
RLP/UBS Global Blend (50:50) 'A'	UBS	0.022%

## Legacy fund transaction costs

Fund name	Manager	Transaction costs
<b>PLAL Group Flexible Plan</b>		
Royal London ANL Pension Managed Fund	RLAM	0.003%
Royal London ANL International Pension Fund	RLAM	-0.001%
Royal London ANL UK Equity Pension Fund	RLAM	0.041%
With Profits Pension Fund (series 6)	RLAM	0.122%
Royal London ANL Deposit Fund	RLAM	0.030%
<b>PLAL Group Stakeholder Plan</b>		
Royal London Stakeholder Managed Fund	RLAM	0.003%
Royal London Stakeholder International Fund	RLAM	-0.001%
Royal London Stakeholder Deposit Fund	RLAM	0.030%
Royal London Stakeholder UK Equity Fund	RLAM	0.041%
Royal London Stakeholder Annuity Protector	RLAM	0.000%
Royal London Stakeholder UK Equity Fund	RLAM	0.000%
<b>CIS Group Stakeholder plan</b>		
Royal London With Profits Stakeholder Fund	RLAM	0.069%
Royal London UK Growth Pension Fund	RLAM	0.070%
Royal London European Growth Pension Fund	RLAM	0.070%
Royal London US Growth Pension Fund	RLAM	0.050%
Royal London Sustainable Leaders Pension Fund	RLAM	0.180%
Royal London UK Broad Equity Tilt Pension Fund	RLAM	0.000%
Royal London Fixed Interest Pension Fund	RLAM	0.000%
Royal London Deposit Pension Fund	RLAM	0.000%
Royal London GMAP Dynamic Fund 2	RLAM	0.160%

Fund name	Manager	Transaction costs
Royal London Global Equity Select Fund 2	RLAM	0.190%
Royal London GMAP Adventurous Fund	RLAM	0.130%
Royal London GMAP Conservative Fund 2	RLAM	0.050%
<b>Royal Liver Group Stakeholder</b>		
Royal Liver Stakeholder Managed Fund	RLAM	0.101%
<b>PMAS GPP</b>		
Royal London With profits fund	RLAM	0.040%
Police Mutual Cash Fund	RLAM	0.025%
Police Mutual Fixed Interest Fund	RLAM	-0.155%
<b>Royal London GPP</b>		
Royal London Managed Stakeholder fund	RLAM	0.011%
<b>CIS Group AVC</b>		
Royal London With Profits Pension Fund	RLAM	0.069%

\* All figures cover the 12-month period up to 31.12.2021.



**Royal London**  
 1 Thistle Street, Edinburgh EH2 1DG  
[royallondon.com](http://royallondon.com)

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