

Premier Portfolio Management Service

Costs & Charges disclosure – frequently asked questions

The Costs & Charges disclosure is often referred to as 'ex-post costs and charges disclosure'. The annual costs and charges disclosure statement is not marketing material.

We are required to issue an annual costs and charges disclosure statement covering the reporting period 1 January to 31 December. Premier Miton will produce this in April for the previous calendar year. It sets out the costs and charges paid by an investor in respect of their investment with Premier Miton during the previous calendar year. The investor will receive this even if their account is closing/closed at the end of the period.

What is the purpose of the Costs and Charges disclosure?

The Costs and Charges disclosure aims to improve transparency through disclosing costs and charges as cash amounts as well as the previously stated industry practice of quoting percentage figures. This helps investors to understand how much they have paid for holding their investment and what products and services they paid for.

What will the disclosure look like and what will it include?

Premier Miton is regulated by the Financial Conduct Authority (FCA). The FCA has provided specific categories of costs and charges for firms to use in the Costs and Charges disclosure. The categories of costs and charges shown in your Premier Miton disclosure are all shown in £ or % terms (see later on in the document for explanation of these):

- Investment Services costs (explicit)
- Investment Product costs (implicit)
- Third party payment costs (not utilised by Premier Miton)
- Amount
- Taxes
- Total costs and charges

What is the frequency of the costs and charges disclosure?

Currently Premier Miton has opted to issue the annual disclosure for a calendar year (1 January to 31 December), which will be available in April (online and by post). Regrettably, we are not currently able to issue these on an ad-hoc basis.

Please note that if your client's account was opened or closed during the year, the percentage of charges may appear higher/lower than expected due to the underlying calculations. The calculations are based on the period the account was open for during the year, including periods with a zero balance.

Where can I find information on the costs and charges incurred for a different period than the annual disclosure?

We issue a quarterly statement, which contains investment transactions (within which includes the Investment Product costs) and fees (Investment Services costs) that have been applied to your clients' account(s); your clients' can also access this information via our online valuation site at any time.

The Investment Product costs can be found within the Premier Portfolio Management Service ("PPMS") Investor Guide.

An Ongoing Charges Figure ("OCF") is applied to the portfolio, which is calculated by taking the weighting of each fund within the portfolio and calculating the cost of investing in each fund during the period using the underlying fund costs and charges.

The annual disclosure takes into consideration weighted figures, using the published OCFs for the portfolios. Therefore, do note that you may not be able to accurately calculate an ad-hoc figure against the annual disclosure amount; whilst both are accurate, they are calculated across different periods.

Can I select what to call the categories or change the annual disclosure?

The format Premier Miton is using is taken from the standard guidance issued to the market, therefore you are unable to select different categories or naming conventions.

What will my clients explicitly see on the annual disclosure?

Your clients will see both the explicit and implicit costs that have impacted their investment throughout the period. This will include the explicit fees paid to you, as their adviser, via their Premier Miton holding and the implicit costs associated with managing the portfolio by Premier Fund Managers Ltd.

Can you explain some of the costs in more detail?

Investment Product / Product Costs

Ongoing Charge Figure ("OCF"): The OCF is the estimated yearly cost for investing in a fund, including the costs related to managing the investment, research and fund services.

We are also required to calculate an OCF for the portfolios offered through PPMS, which is calculated based on the charges (OCF, transaction costs) of the underlying funds weighted across the portfolio. When the OCF changes, the new figure is published in the PPMS Investor Guide.

Charges included in the OCF

- **Other fund operational costs:** This includes fees paid to various other companies or organisations for services provided for administering and operating our funds, including fees paid to the depositary, custodian and auditors, as well as other fees related to operating the funds.

- **Underlying fund charges:** Some of our funds are invested in different funds managed by specialist fund managers. These are the charges for the underlying funds and we pay these to the relevant underlying investment management firm.
- **Research costs:** These are paid to other financial firms and are the estimated cost of external research for our equity funds, which forms a significant part of the active-management process for these funds. This includes research from certain financial firms such as stockbrokers and banks, on investment markets, sectors, companies and so on.

Investment Product / Product Costs

- **Annual Management Charge (AMC):** The AMC is the charge paid to us for actively managing the funds, including monitoring the funds' investments and deciding which investments in the funds to hold, buy or sell, as well as other business costs.
- **Transaction Costs ("TC"):** These are the costs and charges associated with buying or selling investments in a fund. The transaction costs are not included in the OCF and rather are reported separately.

Charges included in the transaction costs are:

- **Broker fees:** these are fees paid to firms known as brokers who act as an intermediary between the buyer and seller of certain investments, such as company shares and bonds.
- **Implicit costs:** these costs are not paid to us or any other company or organisation, but are designed to represent the difference between the price of specific underlying investments in the fund when the order to buy or sell them was initially sent, and their actual price when the deal was completed.
- **Taxes:** buying or selling certain investments means we have to pay tax on them. For example, the fund pays Stamp Duty Reserve Tax to HM Revenue & Customs of 0.5% of the value of the transaction when buying shares in a UK company or shares in a foreign company with a share register in the UK.
- **Investments in underlying funds:** some of our funds are invested in different underlying funds to spread the risk of investing. For those funds, the transaction costs include the costs incurred by these underlying funds.

Investment Services / Service Costs

Premier Miton takes the OCFs and TCs allocated to each of the underlying funds weighted by the portfolio asset allocation to calculate the OCF for a portfolio. This is likely to change if any of the underlying fund OCFs move by 5%.

Why is my client's annual disclosure showing an investment of zero at the start or end date?

The statement reflects the actual position of the account at the beginning and end of the calendar year period. Therefore for accounts that were not open as at 1 January or closed prior to 31 December, the account opening / closing balance is shown as zero.

How is the Start and End date derived?

If one or more accounts in the statement event had an investment balance on the 31 December 2019 then the start date for the reporting period will be 1 January 2020

If accounts were opened on 1 January or thereafter, then the start date for the reporting period will be the earliest date Premier Miton recorded the account being opened, regardless of when cash or an investment was made, as these dates may be different.

If one or more accounts had an investment balance on the 31 December 2020 then the end date for the reporting period will be 31 December 2020.

If all accounts were closed during 2020 then the end date for the reporting period will be the latest date Premier Miton recorded as the account being closed

If a General Investment account (GIA) was reduced to a zero balance during 2020, for example to fund an ISA, the reporting period will remain as at 31 December 2020,

How is the performance calculated for the purposes of the costs and charges disclosure?

This is the value of the costs and charges expressed as a percentage of the average account balance during the reporting period.

This figure is calculated as follows:

$$([\text{CHARGE/TAX AMOUNT}] * 100) / [\text{ADMV}]$$

Tax Amount is the element of VAT, where applicable.

ADMV stands for Average Daily Market Value

How are the figures in the 'itemised breakdown of costs and charges' calculated?

Investment Services – One-off Charges

This is the initial charge paid to you as the client's financial adviser.

Investment Services – Ongoing Charges

1. Investment services / adviser fees are shown on the basis of when the fees are paid, therefore showing in the quarter following calculation.

For example:

Fee period Fees deducted

Q4 2019 Q1 2020

Q1 2020 Q2 2020

Q2 2020 Q3 2020

Q3 2020 Q4 2020

2. The £ amount will reflect the payments deducted from your client's account and paid to you, the client's financial adviser, during the period.

The % is calculated as a return against performance, using the calculation below (*2), this shows the value of charges expressed as a percentage of the average account balance during the reporting period.

*2

$$[(\text{CHARGE/TAX AMOUNT}) * 100] / [\text{ADMV}]$$
How is the 'cumulative effects of costs and charges on return', as described on the disclosure, calculated?

Gross performance is calculated using the Average Daily Market Value, taking into consideration any inflows or outflows of the following:

- Periodic Fees
- Cash movements
- Product Charges

Gross return is calculated as $[\text{weighted Assets Under Management (AUM)}/\text{Profit}]$

Profit is calculated based on $[\text{Value at 31/12}-\text{ADMV}-(\text{Total of cash flows})]$

Weighted AUM is calculated based on $[\text{ADMV} + \text{Total (weighted cash flows)}]$

Net performance is calculated using the Average Daily Market Value taking into consideration any cash movements.

For noting:

The Average Daily Market Movement (ADMV) is calculated by our custody system, and therefore you may see some small discrepancies in the figures shown on the costs and charges disclosure compared to your own calculation based on the start and end date.

Gross = is the theoretical performance return had the costs and charges not been deducted.

Net = is the return after the costs and charges were deducted.

Why is the performance figure under the heading 'cumulative effects of Costs and Charges on Return' showing a negative figure?

We show the performance of your client's investment as a cumulative amount and percentage. Some statements show a negative percentage where the investment has provided a positive investment return, as a result of the account only being open for part of the period.

What does the cumulative effect mean?

Where the regular deduction of fees or charges will have an effect greater, or sometimes less than the total of the increase in the investment return.

Issued by Premier Miton Investors. Premier Portfolio Managers Limited is registered in England no. 01235867. Premier Fund Managers Limited is registered in England no. 02274227. Both companies are authorised and regulated by the Financial Conduct Authority and are members of the 'Premier Miton Investors' marketing group and subsidiaries of Premier Miton Group plc (registered in England no. 06306664). Registered office: Eastgate Court, High Street, Guildford, Surrey GU1 3DE.

002285/240221