

# Converting your funds for better outcomes



Clear. Clean. Transparent.

# Contents

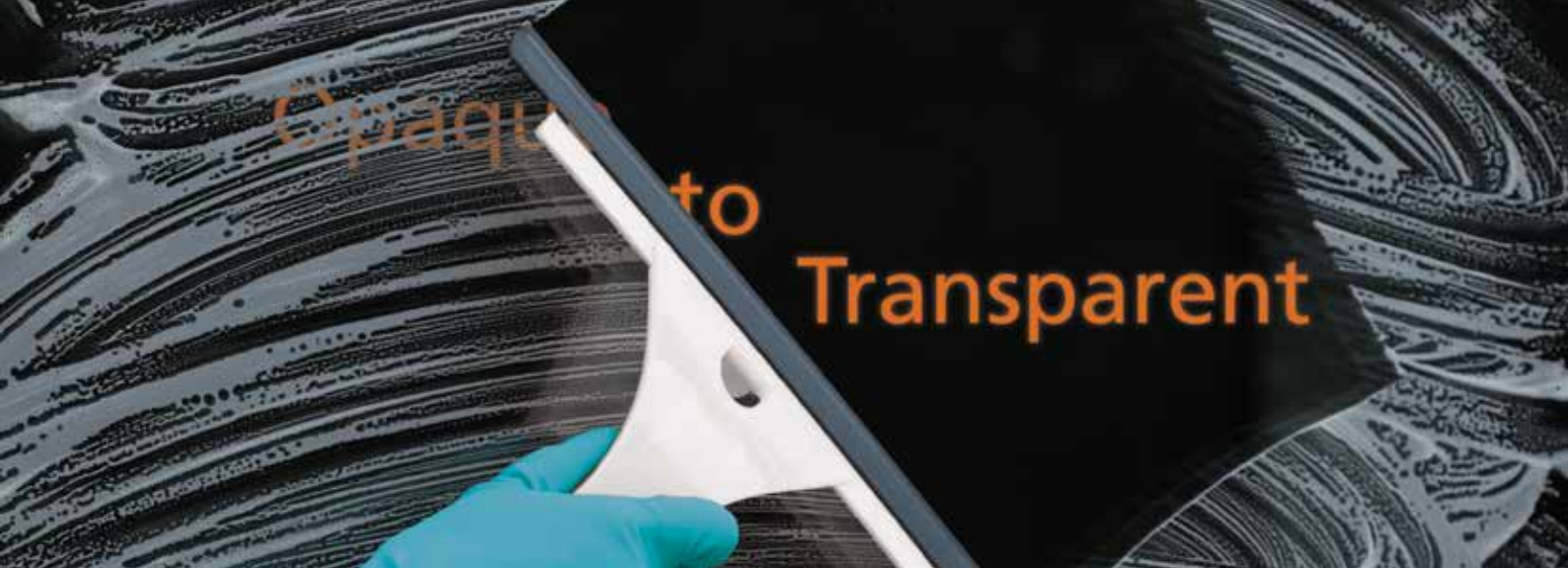
---

Page



- 3. **Opaque to Transparent**
  - Cleaner and cheaper investment charges are now available, but are you benefiting?
- 4. - 5. **What's the difference between old and new?**
  - Get an idea of the sums involved.
- 6. **Clean doesn't necessarily mean cheap**
  - Not all brokers offer a competitively priced service. Are you getting value for money?
- 7. **What are the benefits of holding my funds in a platform?**
  - Consolidation can make a lot of sense.
- 7. **About Cofunds**
  - The UK's leading independent investment platform.
- 8. **Cleaning things up**
  - The process explained.
- 9. **Our fees and services**
  - What we charge and the services you get in return.
- 10. **Why not apply for our free, no-obligation, cost-comparison report?**
  - Find out how much you could save.
- 11. **Authority Form**
  - Complete this to receive your FREE cost-comparison report.





Over recent years, there have been significant changes within the financial services industry following a review by the Financial Conduct Authority. Most of these changes are as a result of the Retail Distribution Review (RDR), and are concerned with the way platforms, like Cofunds and FundsNetwork take their charges from investments.

In order to provide more clarity to investors regarding the various charges associated with investing via a platform, the FCA has introduced a new way for investment platforms to charge for the services they provide.

Historically, fund management companies have paid platforms a proportion of the annual management charge for their services. Any broker commission was also paid out of this charge. In other words, all the various charges associated with an investment were 'bundled' together to form one annual management charge.

Although this system worked well, the FCA concluded that investors were not always aware of the various charges associated with their investments and

in many cases had assumed, that the services of the platform were free or maybe funded in some other way.

To address this problem, the fund management groups introduced new versions of their funds known as 'clean' share classes. These new funds are managed in exactly the same way as their equivalent 'bundled' funds. The fund management charge (or OCF - Ongoing Charge Figure), however, now solely represents the investment management companies' charges, and hence is significantly lower. The platform and intermediary fees are then charged directly to the investor and generally collected by way of unit cancellation or from a cash account.

Since the new rules were introduced, competition has pushed down the overall cost of investing in these new 'clean' funds which is great news for investors. The trouble is, they don't extend to investments made or held directly with the fund management companies, meaning over one million direct investors continue to pay over the odds for their ISAs and funds (source: Daily Telegraph 17 May 2014).

Platforms and the intermediaries that use them were given deadlines to move to this new way of charging. These were 5 April 2014 for all new investments and 5 April 2016 for existing investments.

### Example of charges on a 'bundled' fund

Overall ongoing annual management charge



1.50%

Of which



0.75% p.a. is retained by the fund manager

0.25% p.a. is paid to the platform

0.50% p.a. is paid to the intermediary

### Example of charges on a 'clean' fund

0.75% p.a. fund management charge

0.25% platform service fee

?% Broker fee (depending on the broker you choose)

To give you a completely accurate, clear and transparent comparison in this guide, rather than quoting the annual management charge, we use the TER (Total Expense Ratio) and OCF (Ongoing Charge Figure).

These figures represent the 'drag' on performance caused by operational expenses associated with a fund. Expenses which are represented by these figures include payments to the manager, the trustee, the custodian and their representatives. They also include registration, regulatory, audit and legal fees and the cost of distribution.

# What's the difference old and new?

Here is an example of the difference in charges between the old and the new:

Fund	Old-style charges	New-style 'clean' charges
Invesco Perpetual High Income Fund	1.67% p.a.	0.87% p.a.*

(\*plus 0.42% p.a. platform and our fees - total new-style charges = 1.29% p.a.)

You might not think that the difference in this example is significant, but over time and with compound growth, we can assure you the few minutes you spend reading this guide and acting on it will be time well spent.

Assuming a fund growth rate of 6% p.a. compound over the next 10 and 20 years and a current investment value of £30,000 into the Invesco Perpetual High Income Fund, let's take a look at the different outcomes:

There are literally thousands of these expensive funds still in operation, many still holding billions of pounds of investors' cash.

Same investment - different outcomes	Return over 10 years	Return over 20 years
Return based on old-style charges	£45,837	£70,033
Return based on new-style 'clean' charges	£47,534	£75,316

**That's an improvement of £1,697 over 10 years and £5,283 over 20 years!** Of course, the extra profit you could pocket by converting your funds could be less or more than the amounts shown, depending on the future growth of the fund over the next 10 and 20 years.

(The 6% annual growth rate quoted in the examples is not indicative of the future performance of the Invesco Perpetual High Income Fund).



If you've read up to this point, we're guessing you probably hold at least one of these old-style bundled funds. Fund managers won't offer you a cheaper alternative. After all, why would they? It's simply not in their interest and they're under no obligation to do so.

# between



But we **can** and will help you get those high charges down. A combination of low broker and platform fees means that when you convert your funds to clean share classes through us, it is highly likely that you will make significant ongoing savings. Depending on the value of your investments (and future growth) these ongoing savings could ultimately be worth thousands of pounds in extra profits over the long-term.

We've already helped thousands of investors convert their funds like the ones listed below. This list represents just a handful of the more popular funds held by our existing platform investors – there are many more like this. So, if you're still holding funds like these directly with the fund manager or through a broker, the chances are you're paying the old-style charges. You owe it to yourself at least to find out how much you stand to gain by converting.

We offer these lower-cost clean share class funds to our clients through Cofunds, the UK's largest independent platform with over £70 billion of assets under administration. What's more, it's easy for you to convert any old-style 'commission-included' funds you might still hold. Simply read on, complete and return the authority at the back of this guide and we'll get the ball rolling for you.

Apply today for our free, no-obligation cost-comparison report. Simply complete the authority form on page 11 of this guide and return it to us in the FREEPOST envelope provided.

**Some more examples and there are thousands more like this!**

Fund	Old-style charges (p.a.)	New-style 'clean' charges (p.a.) *	Extra profit you could gain by converting **
Artemis Income Fund	1.54%	0.79%	£4,675
AXA UK Selected Opportunities	1.59%	0.83%	£4,778
Henderson UK Property	1.67%	0.85%	£5,570
Invesco Perpetual Corporate Bond	1.16%	0.61%	£1,937
Invesco Perpetual Income Fund	1.66%	0.86%	£5,291
Invesco Perpetual Monthly Income Plus	1.42%	0.67%	£4,778
Jupiter European Fund	1.78%	1.03%	£4,476
Jupiter Merlin Income Portfolio	2.29%	1.54%	£4,078
M&G Global Dividend	1.66%	0.91%	£4,574
M&G Recovery Fund	1.66%	0.91%	£4,574
Newton Global Income	1.62%	0.80%	£5,621
Newton Real Return	1.61%	0.79%	£5,632

\* Add 0.42% platform and broker fees

\*\* Based on an initial investment of £30,000 growing at 6% p.a. compound over 20 years (calculations include platform and broker fees and assume charges remain static over this period).



# Clean doesn't necessarily mean cheap

Clean share class funds are not generally accessible to the investing public. They tend only to be available through platforms, intermediaries or institutions investing large amounts of money typically in excess of £500,000.

The variable (and unavoidable) elements, therefore, when purchasing a clean fund are the platform and intermediary fees which can differ considerably from one company to the next. If fees are particularly high, then the cost of investing in a clean fund can actually be higher than its bundled equivalent.

So whether you're buying a new fund, considering converting your bundled funds to clean share classes or simply looking for a cheaper servicing agent, it will definitely pay you to shop around.

Switching between brokers and platforms is straightforward, so if you're not completely satisfied

with the level of fees you are being charged and/or the services provided there should be nothing holding you back. Just be mindful that some platforms still charge exit penalties - so check before deciding and do your calculations.

### Same investments, different outcome - how much does your broker charge?

According to a recent undercover Which report, more than two thirds of advisers charging a standard percentage fee for ongoing advice such as an annual review of a portfolio asked for 1% a year. That's £300 every year on a £30,000 portfolio (not taking into account any growth or a platform fee). Over the longer-term high charges like these will, without question, have

a significant detrimental impact on investors' savings.

**You're in control**

Regardless of whether or not you've already converted to clean share classes, you still have the option to move to another agent/platform of your choice to lower your costs and ultimately improve the returns on your investments.

Hopefully yours aren't this high - let's hope they're not higher! You could, however, still be paying an ongoing fee of around 0.4% to 0.5% of the value of your investments - the percentage amount that brokers have received in renewal commission up until now. Many brokers have set their fees for clean share class funds at this level in order to maintain their income stream. OK for them, but still relatively expensive for you.

**In contrast, our service fee is just 0.19% - all in - with no exit penalties. That's just £19 each year per £10,000 invested - less than the price of a coffee in your favourite high street café once a month!**

	Initial fee		Annual fee	1 year cost on £10,000
Elson Associates	0%	Annual service fee	0.19%	£19.00
Cofunds	0%	Annual service fee	0.23%*	£23.00
Investment Company	0%	Typical annual fund management fee	0.75%	£75.00
<b>Total</b>	<b>0%</b>	<b>Total annual fee</b>	<b>1.17%</b>	<b>£117.00</b>

\* for investments up to £500,000. Then it's 0.2% on the next £500,000 and 0.15% on any amount held in excess of £1m. Visit [www.elsonassociates.com](http://www.elsonassociates.com) or call us for further details.

# What are the benefits of holding my funds in a platform?

Most investments today are placed via platforms. Fewer and fewer investors still invest directly with the fund managers - and for good reason - they are generally more expensive and offer less flexibility.

Platforms or fund supermarkets, as they are sometimes called, let you invest in and manage funds from dozens of different fund companies in one place.

They offer low charges, more choice and flexibility, less paperwork - and all this at no extra cost to you (in fact, as you can see from the examples on page 5, you can make significant savings on your investments).

Indeed, their popularity is such that the vast majority of new Unit Trust/OEIC ISA investments are now arranged this way. They offer an easy and convenient way to invest in funds.

Being an intermediary not tied to any one provider, Elson Associates can offer a range of platforms. Our platform of choice is Cofunds.

You get the same benefits as investing with the fund companies, plus:

- You can invest in 'clean' share class funds which tend to be significantly cheaper than the 'bundled' versions still offered by the fund management companies to direct investors
- You can manage your funds online, and switch between funds for free
- There is a significant reduction in paperwork -

one consolidated statement covers all your fund supermarket investments

- Your annual ISA allowance can be split between different fund managers (something you cannot do when investing direct)

You can consolidate your existing funds into a fund supermarket account using a free process called re-registration, which we will go on to cover later in this guide.



# about c-funds

Cofunds was launched in 2001. Over the years it has grown and evolved to become the UK's largest independent platform responsible for over £70 billion of investments on behalf of over 800,000 people.

It is wholly owned by FTSE 100 company Legal and General, and has also been awarded a B+ (very strong) financial strength rating from AKG Actuaries and Consultants.

Offering the choice of over 2,500 funds from more than 100 fund companies, all in one place, Cofunds facilitates quick and easy online investing including switching between funds (for free). In recognition of its achievements, Cofunds has won numerous awards over the years.

Here are some of the more recent ones.

- **Goodacre Systems In The City Awards 2014**  
Best Custody Solution
- **Lang Cat Platform Awards 2014**  
Best for Small Investors
- **Shares Awards 2013**  
Best Fund Supermarket
- **SimplyBiz Group**  
Platform of the Year 2013
- **Goodacre Systems In The City Awards 2013**  
Best Custody Solution
- **Goodacre Systems In The City Awards 2013**  
Best Platform
- **UK Platform Awards 2012**  
Best Institutional Platform
- **Shares Awards 2012**  
Best Fund Supermarket
- **Systems In The City Awards 2012**  
Best Custody Solution

# Cleaning things up

## How can I convert my existing direct holdings to clean share classes?

Once you have established it is in your interest to convert, and you are happy to use the Cofunds Platform to administer your investments, you will need to apply to re-register your funds. We'll send you the necessary paperwork for this. As soon as the re-registration process has been completed, your funds will be converted on your behalf and you'll start to benefit from lower charges.

## What is re-registration?

Re-registration is the process that allows you to transfer funds you wish to retain, from the fund management company to a fund supermarket, without the need to sell and buy back your holdings. This avoids any initial charges and the potential risks of being out of the market. It also avoids any liability to capital gains tax that might otherwise arise from the sale of an investment.

The main difference between holding a fund directly with a fund manager and through a fund supermarket is that whilst a direct investment is registered in the name of the investor, a platform investment is held by a nominee company and registered to that nominee.

Although the nominee or the platform is the legal owner of the funds, you, the investor would be regarded as the 'beneficial' owner, as you benefit from the value/

proceeds of the fund (i.e., its sale value and dividends).

Under law, client assets held in nominee accounts are ring-fenced, meaning investors' assets are protected in the event of the insolvency of a platform.

## What do you mean by conversion?

Conversion is the process of moving from one share class to another share class within the same fund.

When you convert from a bundled share class to a clean share class, the underlying investment remains exactly the same as before. On conversion, the number of units you hold and their price will differ from before, but their value will be the same. The difference in the ongoing charge figure between the two share classes will very much depend on the level of fees charged by the platform and the intermediary. The greatest savings will be made when these charges are low.

Like re-registration, a conversion does not involve a sale and repurchase so there is no risk of loss by being temporarily out of the market - nor will it be classed as a disposal for chargeable gains purposes.

The process of converting funds is straightforward, but can take up to several weeks when volumes are high. During this time you will not be able to trade in your funds.



# Our fees and services



Elson Associates has been arranging discounts on investments for over 20 years. Since we started to advertise our services in the National press back in 1994, we've transacted over £1.4 billion in investments during that period and saved investors tens of millions of pounds in investment charges.

We act as an intermediary between investors and investment providers to arrange investments on a

'non-advised' basis. Although we don't give advice, we provide you with ongoing personalised reporting services that could be of real benefit to you when making decisions about your investment strategy.

We charge a low ongoing fee of 0.19% based on the value of your portfolio for our services. This fee covers all aspects of our service to you in relation to your Cofunds investments including but not restricted to:

**Just £19  
each year per  
£10,000 invested  
- less than the price  
of a coffee in your  
favourite high street  
café once a  
month!**

- Six-monthly fund monitoring and consolidated valuation reports
- Online services including fund research tools, a portfolio scanner and an online account facility offering one view of all your investments, their valuations and performance updated on a daily basis
- Administration support including the processing of any new Cofunds investments (online and paper applications)
- Re-registration and conversion of investments, telephone assistance and generally acting as a point of contact for all your enquiries

# Why not apply for our free, no-obligation, cost-comparison report today?

If you'd like us to send you a free, no-obligation, cost-comparison report comparing the charges you are currently paying to the new-style lower-cost 'clean' charges, simply complete the attached Authority Form.

The form can be used for up to eight investment companies you hold investments with. Simply complete the top section, then enter the name of each plan manager and account number (as per the example given) ensuring you (and any joint holder) sign and date the authorisation for each one. Once completed, return the form to us in the FREEPOST envelope provided.

As soon as we receive your completed Authority Form, we can contact the investment companies concerned to obtain the necessary information required to prepare your cost-comparison report.

After that, if you'd like to proceed with the re-registration and conversion of your funds, we can provide you with the relevant re-registration application form. As soon as your funds have been re-registered, they will be converted to their clean share class equivalents.

We hope you have found this guide of interest. If you do still hold investments directly with the fund managers, it's very likely these investments are being charged on the old 'bundled' basis which means you're now paying over the odds. We'll help you convert these expensive funds to a much more cost-effective 'clean' share class (same funds but lower charges). It could mean hundreds or even thousands of pounds in extra profit over the long-term and that's got to be worth a few minutes of your time!

## Convert, save money every year and get a cashback into the bargain!

What's more if you let us handle the conversion of your funds, not only will we help you make savings year-in, year-out, we'll also pay you an upfront cashback of 0.2% of the value of your holdings up to a maximum of £1,000! (Terms apply) - call it a thank you for your custom.

*Thank you*

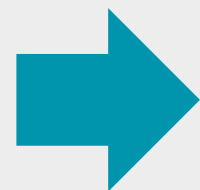
Thank you for taking the time to read this guide. We hope you found it of interest. If you do still have any questions though, please call us on **FREEPHONE 0800 096 1111** and we'll be happy to assist you.

FREE  
cost-comparison  
report



**REQUEST  
YOUR FREE  
REPORT  
TODAY**

You can get your FREE report by completing the Authority Form opposite and send it to:



Elson Associates plc,  
FREEPOST RSTZ-RRXE-GHEA,  
5 Queen Street,  
Kings Hill,  
West Malling,  
Kent,  
ME19 4DA

(NO POSTAGE STAMP REQUIRED)

### Terms of the cashback offer.

1. We will pay a cashback of 0.2% of the value of funds transferred to our agency except in the following circumstances:  
Where your investment is one of the following types: Bank/ Building Society Account, Cash ISA, Investment Trust, Life Policy, Pension, Single Company Share, With Profits/ Investment Bond.
2. The maximum amount we will pay is £1,000.00.
3. If your funds are already held with Cofunds, but through another agent, (charging higher fees than Elson Associates) you will not receive a cost-comparison report. Your annual percentage savings will be the difference between your existing broker and platform fees and ours.
4. If your funds are already 'clean', whether held inside a platform or directly, you will qualify for our cashback once our Service Fee Agreement has been signed, returned and implemented.

5. No cashback will be paid on funds already held under our agency.
6. For the purpose of calculating the cashback due we will use the advised initial valuation of funds at the time the re-registration of your funds has been effected.
7. The offer applies to stocks and shares ISAs and unit trusts.
8. Cheques will be issued within 5 weeks of the completed re-registration. By completed re-registration, we mean when all your funds (that can be re-registered) have been successfully moved across.
9. We reserve the right to reclaim the cashback paid if you transfer away or close your account within 12 months of the date of completion of the re-registration of your funds.

# Authority Form



1. Please complete this form using BLOCK CAPITALS and black ink. If your name and address appear already, you just need to complete any missing or incorrect details. Please keep signatures within the white areas of the signature boxes.

Elson Client Ref.	Title	Full Name		
Name and Address		Date of Birth	DD/MM/YY	Tel No.
		Email Address		
		<p><b>Joint Holding?</b> If an investment is outside an ISA and held jointly, please add the Joint Holder's full name and ask them to sign below as well.</p>		
		Joint Holder Full Name		

2. Please complete one line for each Plan Manager you have investments with. This can be a fund supermarket like Cofunds or FundsNetwork, or a fund company like Jupiter. Please leave the Joint Holder Signature box blank unless the investment is held in joint names.

Name of Plan Manager	Account Number	Signature <small>(sign each line you use)</small>	Joint Holder Signature	Date
e.g. <i>Jupiter</i>	e.g. <i>AB123456</i>	e.g. <i>A. Sample</i>	e.g. <i>B. Sample</i>	e.g. <i>31/01/15</i>

1.				DD/MM/YY
----	--	--	--	----------

I hereby confirm my authority for you to release information relating to the above investment to Elson Associates. Please provide them with account numbers, funds held, valuations and unit positions of all my investments held with you.

2.				DD/MM/YY
----	--	--	--	----------

I hereby confirm my authority for you to release information relating to the above investment to Elson Associates. Please provide them with account numbers, funds held, valuations and unit positions of all my investments held with you.

3.				DD/MM/YY
----	--	--	--	----------

I hereby confirm my authority for you to release information relating to the above investment to Elson Associates. Please provide them with account numbers, funds held, valuations and unit positions of all my investments held with you.

4.				DD/MM/YY
----	--	--	--	----------

I hereby confirm my authority for you to release information relating to the above investment to Elson Associates. Please provide them with account numbers, funds held, valuations and unit positions of all my investments held with you.

5.				DD/MM/YY
----	--	--	--	----------

I hereby confirm my authority for you to release information relating to the above investment to Elson Associates. Please provide them with account numbers, funds held, valuations and unit positions of all my investments held with you.

6.				DD/MM/YY
----	--	--	--	----------

I hereby confirm my authority for you to release information relating to the above investment to Elson Associates. Please provide them with account numbers, funds held, valuations and unit positions of all my investments held with you.

7.				DD/MM/YY
----	--	--	--	----------

I hereby confirm my authority for you to release information relating to the above investment to Elson Associates. Please provide them with account numbers, funds held, valuations and unit positions of all my investments held with you.

8.				DD/MM/YY
----	--	--	--	----------

I hereby confirm my authority for you to release information relating to the above investment to Elson Associates. Please provide them with account numbers, funds held, valuations and unit positions of all my investments held with you.

3. That's it - simply return this form to: Elson Associates plc, FREEPOST RSTZ-RRXE-GHEA, 5 Queen Street, Kings Hill, West Malling, Kent, ME19 4DA (NO POSTAGE STAMP REQUIRED)

--

