

# CONSUMER GUIDE

## Transaction costs

Sun Life Assurance Company of Canada (U.K.) Limited



**Sun Life Financial  
of Canada**

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## Introduction

This guide aims to make the cost of investing in our funds transparent and comparable. In recent years, there have been a number of Regulatory initiatives relating to the disclosure of transaction costs involved within funds, some examples of these Regulations are detailed below:

- Packaged Retail and Insurance based Investment Products (“PRIIPS”);
- Markets in Financial Instruments Directive 2 (“MiFID II”);
- Transaction cost disclosure in workplace pensions (Policy Statement 17/20).

Funds incur transaction costs when investments within the funds are bought and sold or ‘traded’.

This guide does not change how your plan works. It provides more detail about the costs involved when you invest in a fund and what this means for you.

We want to help you make informed choices and hope that you find this guide useful.

## What does this guide cover?

This guide provides you with information about the transaction costs that apply to:

- Plans originally sold by Sun Life Assurance Company of Canada (U.K.) and Confederation Life Insurance Company (UK) Limited. We refer to these plans as **SLOC plans**.
- Plans originally sold by Lincoln Assurance Limited, Cannon, Trident Life, Imperial Life, Laurentian Life, Liberty Life, British National Life Assurance and other former companies of SLFC Assurance (UK) Ltd including i2Live plans. We refer to these plans as **SLFC plans**.

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## Are transaction costs a new fee?

**No** - transaction costs are not a new cost to you. They reflect the cost of investing in markets and have always been reflected within the fund performance and fund prices you see.

## What are transaction costs?

Funds incur transaction costs when investments within the funds are bought and sold or 'traded'. Transaction costs include both explicit and implicit costs.

## Explicit costs

Explicit costs can generally be measured and quantified. They vary depending on the type of investment, for example:

- A Broker charges commission when stocks and shares are traded.
- Broker commission charged when trading fixed income investments, like bonds, is less easy to quantify as the explicit costs are included within the final trade price. It can therefore be difficult to separate them from other trading costs.

Examples of explicit costs include:

1. Commissions paid to Brokers.
2. Taxes, stamp duty and similar levies on trading activity paid to Government tax authorities.

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## Implicit costs

Implicit costs are more difficult to see and measure. They can include:

- The difference between buying and selling prices.
- The impact of buying or selling large quantities of a security.
- The impact of the time it can take to complete a sale or purchase because the investment held is not easily converted into cash.

Examples of implicit costs include:

- 1. Spread** - the difference between buying and selling prices.
- 2. Market impact** – buying an investment can increase the price and selling can reduce the price. The market impact on the price is increased if an asset is not easily converted into cash or the amount being bought or sold is large.
- 3. Opportunity cost**- the missed opportunity for investment return when a sale or purchase cannot be completed straight away.
- 4. Delay cost** - the market movement between starting and completing a sale or purchase.

Implicit costs can sometimes become implicit gains if markets move in the traders favour between starting and completing a sale or purchase.

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## How are transaction costs calculated and who calculates them?

We outsource investment decisions to expert Fund Managers. We select the Fund Manager for each fund, to meet the specific criteria, risk appetite and objectives for each fund.

Our Fund Managers decide what assets to buy and sell. They calculate the transaction costs for each fund that they manage. Where a fund invests in a number of other funds, we calculate a blended transaction fee using data provided by our Fund Managers and fund providers. We calculate the blended fee in line with the proportion invested in each fund at a specific date.

**Explicit costs:** These costs are generally straightforward to measure and are normally confirmed on individual trade contract notes received from brokers.

**Implicit costs:** There are a number of different ways to calculate implicit costs. Different Fund Managers use different methods depending on the assets they manage and their individual preference. The most common methods are:

- **Slippage** aims to measure the cost of implementing an investment idea. If a Fund Manager is slow to communicate their investment decisions to their trading desk or the trader cannot find a buyer/seller quickly, the delay may cause a loss of value of the investment decision – perhaps because of market sentiment outside of the control of the Fund Manager, has caused the asset price to move.
- **Spread** aims to measure fund transaction costs by estimating a typical cost of a transaction. Fund Managers using this methodology would give each trade or investment type a representative spread cost that it would typically incur so this method estimates, rather than confirms the cost.

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## **Do low transaction costs indicate better investment performance?**

**No** – Transaction costs do not necessarily reduce returns because incurring costs can generate higher returns, manage risk and price volatility and so improve performance. Funds with lower transaction costs will not necessarily generate better investment returns and funds with higher transaction costs will not necessarily generate lower investment returns. You should not use transaction cost data to compare the performance of funds and doing so may give a false impression of the relative costs of investing in them.

Transaction costs vary from country to country and from asset type to asset type and whether a trade is a buy or a sale. Also historic transaction costs are not an effective indicator of the future impact on investment performance. You should instead consider the fund's investment objective and investment return after fees have been taken.

## **Where can I find the transaction costs for the fund I am invested in?**

The transaction costs applicable to the fund(s) you are invested in can be found in the fund fact sheets on our fund hub, which you can find on our website - **sloc.co.uk**. Each fact sheet contains fund specific charges including annual management charges, total expense ratios and transaction costs.

## **How do costs and charges affect my investment?**

Costs and charges will reduce the value of your plan. Your annual benefit statement will show the current value of your plan. For pension plans, your annual benefit statement will also show the expected future value of your pension.

Our website includes example illustrations showing how the costs and charges affect the value of pension plans.

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## **How do you make sure that my money is safe, well managed and that I receive a good outcome?**

Our Board of Directors is ultimately responsible for the management of our unit-linked funds. Our internal investment team is responsible for the day-to-day operational management of the funds. The team makes sure that our Fund Managers manage our funds in line with our investment policies. These policies aim to achieve consistent investment performance. They do this by taking appropriate levels of risk in line with the funds' investment objectives and by maintaining an efficient investment management structure.

We also have a pricing team who monitor the unit prices. They ensure that discretion is applied fairly and in line with our practices, commitment to you, and our regulatory requirements. The investment and pricing teams are responsible for:

- implementing our investment strategy and making sure our structure and process support this strategy;
- complying with our investment policies and monitoring performance for our funds;
- achieving fair treatment for customers in our management of the funds;
- supervising the day-to-day operation of our funds;
- managing the funds in line with unit pricing rules and best practice principles;
- ensuring that unit prices are accurate; and
- meeting regulatory requirements.

We review the structure of the investment management operation regularly and select fund managers based on a number of factors. These include past performance, investment process, investment style, and investment management charges.

We use several Fund Managers to manage our unit-linked funds. We assess the Fund Managers' investment performance regularly.

Our Unit-Linked Funds Consumer Guide provides information about how our unit-linked funds work and how we manage them.

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## What should I do if I have a complaint?

We handle complaints in line with the Financial Conduct Authority rules.

### **SLOC plans**

If you have a complaint, please either phone us on our customer careline **0345 072 0223 (or from overseas on +44 1256 841414)**, or email us at **complaints@uksloc.co.uk** or write to us at:

**Sun Life Financial of Canada  
Customer Relations  
PO Box 7019  
Basingstoke  
RG24 4LY**

### **SLFC plans excluding i2live**

If you have a complaint about any plan apart from *i2Live* (see below), please either phone us on **0345 605 2323 (or from overseas on +44 1242 663604)**, or email us at **complaints@sloc.co.uk** or write to us at:

**Sun Life Financial of Canada  
PO Box 1140  
Bishops Cleeve  
Cheltenham  
GL50 9QW**

### **For i2Live plans:**

If you have a complaint please either phone us on our customer service line **0345 642 4444 (or from overseas on +44 1256 656472)**, or email us at **i2live@uksloc.co.uk** or write to us at:

**Sun Life Financial of Canada  
PO Box 6904  
Basingstoke  
RG24 4TD**

## Where can I get more information?

Please visit the fund hub, which you can find on our website at **sloc.co.uk**. for the following additional information:

- Unit linked fund fact sheets.
- Unit fund prices for most of our unit-linked funds.

### **SLOC plans**

If you have any questions, please call our customer careline on **0345 072 0223**.

### **SLFC plans**

If you have any questions, please call our customer service lines:

- For i2Live retirement products, call **0345 642 4444**.
- For all other products, call **0345 605 2323**.