COLUMBIA THREADNEEDLE INVESTMENTS

THREADNEEDLE FUND CHARGES AND COSTS EXPLAINED – THREADNEEDLE POOLED PENSION FUNDS (TPEN)

There are a number of charges and costs incurred when investing. The detail below aims to make our charging structure more transparent and easier to understand. The charges that you pay are used to cover the costs of running the fund, including a charge by Threadneedle Asset Management Limited for managing the fund, and the costs of distributing and administering it. Any extra service charges deducted from your investments, including charges relating to membership of a pension scheme, will be explained by the Pension Scheme Provider. The value of your investment will reflect these charges and will be lower as a result of them.

Charges vary depending on the fund and unit class you are invested in. **This document should be read in conjunction with the TPEN Key Features Document (KFD)** which can be found on www.columbiathreadneedle.co.uk

This document also explains the operation of the pricing procedure followed for all Columbia Threadneedle funds in the TPEN range.

Funds

The information in this document applies to the following Columbia Threadneedle funds:

Corporate Bond Fund	Property Fund
Global Select Fund	Sterling Fund
Index-Linked Bond Fund	UK Equity High Alpha Fund
Multi Asset Fund	

If you hold units in a TPEN fund that is managed by a Third Party please refer to our TPEN Guest Fund Key Features Document and the Key Features Document supplied by the Third Party.

Pricing of TPEN Funds

Dilution adjustment

All of the funds in the TPEN range are priced on a semi-swinging single price basis. That is, on each dealing day we calculate a single price per unit for each unit class of each fund, at which all investors buy and sell, based on the mid-market value of all of the assets of the fund. This unit price, however, does not take account of any purchase expenses that would be incurred if we had to invest new cash flowing into the fund, nor any encashment expenses if we had to sell assets within the fund purely to meet redemptions of units by clients.

Therefore, the actual dealing price of each fund may be adjusted or 'swung' by a dilution adjustment to account for the impact of large subscriptions or redemptions in the fund. Consequently, this means that the price per unit may not be the same as the NAV per unit, and will in fact be:

– The mid-market net asset value of the fund plus an allowance to cover purchase expenses, or

– The mid-market net asset value of the fund minus an allowance to cover encashment expenses.

The reason for adjusting the price of units is to protect other unit holders from the dilution in the value of their units, caused by dealing costs and disbursements associated with the purchase of underlying assets (in the case of net inflows) or the sale of underlying assets (in the case of net outflows).

The size of the allowances to cover purchase or encashment expenses depends upon the nature of the assets within the fund. For UK Equity funds, a typical dilution adjustment may be 0.70% for net purchases and 0.20% for net redemptions. For Bond funds, a typical dilution adjustment may be 0.05% for net purchases and net redemptions. The highest transaction expenses are normally associated with commercial property, due to the costs of acquiring and disposing of properties and the associated Stamp Duty. These costs only apply to physical properties and not any cash allocation in a fund. For the Property Fund therefore, the typical dilution adjustment is 6% for net inflows and 1.2% for net outflows. However this may vary dependent upon both the prevailing cost of acquiring and disposing of properties and the cash allocation in the fund at the time.

Dilution adjustments are applied to the relevant fund at the discretion of TPEN for the benefit of all unit holders and not for the benefit of Columbia Threadneedle.

Where a TPEN fund invests in another Columbia Threadneedle Investment fund, such as a unit trust or OEIC, a decision to apply a dilution adjustment on the TPEN fund will be influenced by any decision to apply dilution on the relevant unit trust or OEIC sub fund in which the TPEN fund has invested.

Further information on the latest available dilution rates for each fund can be found on our website: www.columbiathreadneedle.co.uk

In the table below we have illustrated how the application of a dilution adjustment can affect the unit price of a fund:

Example	Dilution adjustments	Unit price at mid-market asset value	Unit price with dilution adjustment for purchases	Unit price with dilution adjustment for encashments
Fund investing in UK equities	0.70% on purchases & 0.20% sales	100.00p	100.70p	99.80p
Fund investing in commercial property	6% on purchases 1.2% on sales	100.00p	106.00p	98.80p

If a TPEN fund is experiencing strong cash inflows, the fund manager may need to buy more assets for the fund, in which case it is likely that the single dealing price will be set at a level which includes the dilution adjustment for purchases. So in our examples above the single dealing price of the fund would be 100.70p (UK equities) or 106.00p (commercial property).

If a TPEN fund is experiencing strong cash outflows, the fund manager may need to sell some of the assets of the fund to raise cash, in which case it is likely that the single dealing price will be set at a level which includes the dilution adjustment for encashments. So in our examples above the single dealing price of the fund would be 99.80p (UK equities) or 98.80p (commercial property).

If there are no cash flows into or out of a TPEN fund, or the flows are not sufficient to cause dilution within the fund, then the single dealing price can be set at mid-market net asset value (i.e. without any allowance for purchases or sales) which would be 100.00p in the example above.

Volatility Adjustment

TPEN may apply a volatility adjustment to reduce variability in the unit price of a fund caused by changes in the level of net inflow or outflow of investment into or from that fund and consequent changes in the amount of any dilution adjustment applied.

Therefore, if there is a small inflow or outflow which goes against what is otherwise a general trend, a volatility adjustment may be applied instead of the dilution adjustment.

Such a volatility adjustment is currently applied only to the TPEN Property Fund, but TPEN reserves the right to apply it to other funds, subject to TPEN giving 28 days' notice in writing to all unit holders.

One-off charges

Exchange fee or switching charge

This is a charge that may be taken from your investment should you decide to switch your money from one unit class or fund to another unit class or fund. Currently TPEN does not apply a charge when switching from one Columbia Threadneedle unit class or fund to another in TPEN. However, your Pension Scheme Provider may apply a charge. Please ask your Pension Scheme Provider for further details.

Annual charges

There are a number of charges and costs borne by the funds each year as described below. The Total Expenses Ratio (TER) is a Pensions Industry standard way of measuring the aggregate effect of a number of these charges. The TER is a measure of the total cost of a fund to the investor and may vary from year to year.

Annual management charge (AMC)

This is a charge paid to us, or any sub-advisors, for managing your investment in a fund. It varies depending on the fund(s) you are invested in and the unit class chosen. The AMC is calculated and accrued against each unit class daily, where the AMC is deducted from the unit value. For details of charges and unit classes relevant to your pension scheme, please contact your usual Columbia Threadneedle relationship manager or email us at clientservices@columbiathreadneedle.com

Additional expenses

There may be additional expenses charged to the funds that relate to services provided by the custodians, registrars, auditors and other service providers as well as regulatory costs. In addition, there will be transaction related costs associated with the buying and selling of the underlying investments. The TER does not include any additional charges applied by your Pension Scheme Provider.

For funds that invest in other Collective Investment Schemes, an element of the underlying costs associated with running these funds will also be incurred.

Portfolio transaction costs (PTC)

This includes the expenses that arise from selling or buying investments in the fund, including transfer fees and broker commissions. These occur as part of the day-to-day active management of the fund and also as a result of the fund receiving subscriptions and redemptions. The TER does not include such costs. In the case of subscriptions and redemptions over a certain threshold, the dilution adjustment should cover estimated portfolio transaction costs. Costs for a property fund may be significantly higher than an equity or bond fund, due to the additional costs associated with the day-to-day management of the property portfolio and the additional transaction costs associated with buying or selling property.

Stock lending

Stock lending is a process whereby the owner of a security (such as an equity share or fixed interest holding) lends the security to another party in return for a fee.

From time to time, TPEN may engage in stock lending, either directly or indirectly by being invested in our other funds which are engaged in stock lending arrangements.

In the process of direct stock lending, the relevant TPEN fund will receive a share of the fees, which may be shared with TPEN and the intermediary party which facilitates the transaction. Further information on TPEN's stock lending policy is available on request.

How to contact us

There are several different ways of getting in touch with us.

You can call us at:
020 7464 5667
Call charges will vary. We may record and monitor calls.

You can e-mail us at:
clientservices@columbiathreadneedle.com

You can write to us at:
Threadneedle Pensions Limited
Cannon Place, 78 Cannon Street
London EC4N 6AG

You can also visit our website at:
www.columbiathreadneedle.co.uk

To find out more visit columbiathreadneedle.com

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For use by Professional and/or Qualified Investors only (not to be used with or passed on to retail clients). Important information: Threadneedle Pensions Limited (TPEN) provides policies that entitle the holder to the value determined with reference to the underlying investment in a pooled pension fund. The holder of a policy does not own the units in the selected fund. TPEN provides unit linked investment products for access by UK registered pensions schemes. TPEN is not your pension provider. If you have any questions about your specific policy, please contact your pension provider. The Columbia Threadneedle Pooled Pension Funds Key Features Document (KFD) is available on the institutional site of www.columbiathreadneeedle.co.uk., or on request from clientservices@columbiathreadneedle.com. The KFD gives a summary of information about Columbia Threadneedle Investments pooled pensions in order to help you decide if you want to invest in funds, as well as a full list of risk factors applying to the funds. Please refer to the Risk section of the KFD for all risks applicable to investing in the funds. Columbia Threadneedle Investments does not give investment advice. Threadneedle Pensions Limited. Registered in England and Wales, No. 984167. Registered Office: Cannon Place, 78 Cannon Street, London, EC4N 6AG. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies.

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