

**LF Stakeholder Pension Scheme**

# Value Assessment

December 2019

# Value Assessment

## What is a Value Assessment?

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We are required by our regulator, the Financial Conduct Authority (“FCA”) in our capacity as Manager, to assess and report on the value of our funds to investors.

Our assessment of value, which also uses independently sourced market data, looks at a number of criteria relating to Quality of Service, Investment Performance and Costs and will determine whether our funds offer value to investors compared with the market or whether corrective action is required, or has been taken.

Our assessment of value covers the period from 1 January 2019 to 31 December 2019. In our assessment, we have considered events and, in particular, long term performance prior to this assessment period. However we cannot comment on events that have occurred since the end of the assessment period (i.e. after 31 December 2019) that may impact our assessment, other than detailing where we may propose to take corrective action.

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<b>Company</b>	<b>LF Stakeholder Pension Scheme (the “Scheme”)</b>
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<b>Funds</b>		
	<b>LF Tracker Pension Fund</b>	<b>Page 2</b>
	<b>LF Corporate Bond Pension Fund</b>	<b>Page 8</b>
	<b>LF Cash Pension Fund</b>	<b>Page 14</b>

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<b>Manager</b>	Link Fund Solutions Limited
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<b>Assessment Period</b>	01 January 2019 – 31 December 2019
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# LF Tracker Pension Fund

## Executive Summary

- The LF Stakeholder Pension Scheme (the “Scheme”) is an authorised unit trust scheme. It is a non-UCITS retail scheme and a Registered Pension Scheme. It is closed to new investors.
- **LF Tracker Pension Fund** (“the Fund”) has a single class of share available for investment.
- The Fund is only available to existing members of the Scheme. The AMC paid by members includes the costs of administering the Scheme, which most funds in its Sector will not incur.
- The Fund is a feeder fund. It seeks to achieve its investment objective by investing solely in the shares of a single underlying fund, the L&G (N) Tracker Trust (the “underlying fund”).
- The Fund has underperformed its Target Benchmark over the assessment period by -0.22% and over the longer term (5 years) by -6.58%. The performance of its underlying fund was in line with its objective of tracking its benchmark, the FTSE All Share Total Return.
- The Ongoing Charges Figure (“OCF”) of the Fund is higher than the Sector’s middle value.

We have assessed the Fund based on seven key assessment criteria and grouped these into three core categories: Quality, Performance and Cost. Using these assessment criteria, as detailed below, we have sought to establish whether the Fund provides overall value to investors.

Metric	Quality	Performance	Cost
<b>Assessment Criteria</b>	<ul style="list-style-type: none"> <li>• Quality of service</li> </ul>	<ul style="list-style-type: none"> <li>• Investment Objective / Investment Performance</li> </ul>	<ul style="list-style-type: none"> <li>• Overall costs</li> <li>• Economies of scale</li> <li>• Comparable market rates</li> <li>• Comparable services</li> <li>• Classes of shares</li> </ul>
<b>LF Tracker Pension Fund</b>			
<b>Underlying Fund Information</b>	The LF Tracker Pension Fund is invested in the L&G (N) Tracker Trust where Investment Management is provided by Legal & General Investment Limited. The underlying fund aims to achieve long-term capital growth by tracking the capital performance of the UK equity market, as represented by the FTSE All-Share Index, by investment in a representative sample of company shares.		
<b>Investment Objective</b>	It aims for long-term capital growth by investing in a single authorised collective investment scheme.		
<b>Target Benchmark</b>	FTSE All Share Total Return Index		

**Assets Under Management (“AUM”)** £323.66 million (as at 31 December 2019)

**IA Sector** UK All Companies (the “Sector”)

**Further Action: We are reviewing the Fund, the underlying fund it invests in as well as its charging structure and the overall costs paid by investors, as part of a broader review of the Scheme. Once complete, we will write to investors in the Fund with full details of any proposed changes to the Fund.**

## Conclusion



Based on our assessment, we have concluded the Fund does not provide overall value and therefore has been given a **Red** rating. The key contributors to this rating are the Fund’s high costs and underperformance, as detailed in the Performance and Costs sections of this report. As part of our ongoing oversight, we are currently undertaking a broader review of the Scheme including reviewing the Fund, the underlying fund it invests in and the overall costs paid by investors. Once complete, we will write to investors in the Fund with full details of any proposed changes to the Fund.

## Quality

In order to assess Quality, we reviewed the operation and management of the Fund against agreed service levels. The service provision includes a review of the following key elements:

- The timely and accurate calculation of the Fund's prices and payments to investors
- Accessibility, accuracy and use of plain language in Fund documentation and investor communications
- Timely and accurate production and distribution of investor statements
- Ensuring trading activities are within Fund guidelines
- The level of, and timely response to, any complaints from investors

## Conclusion

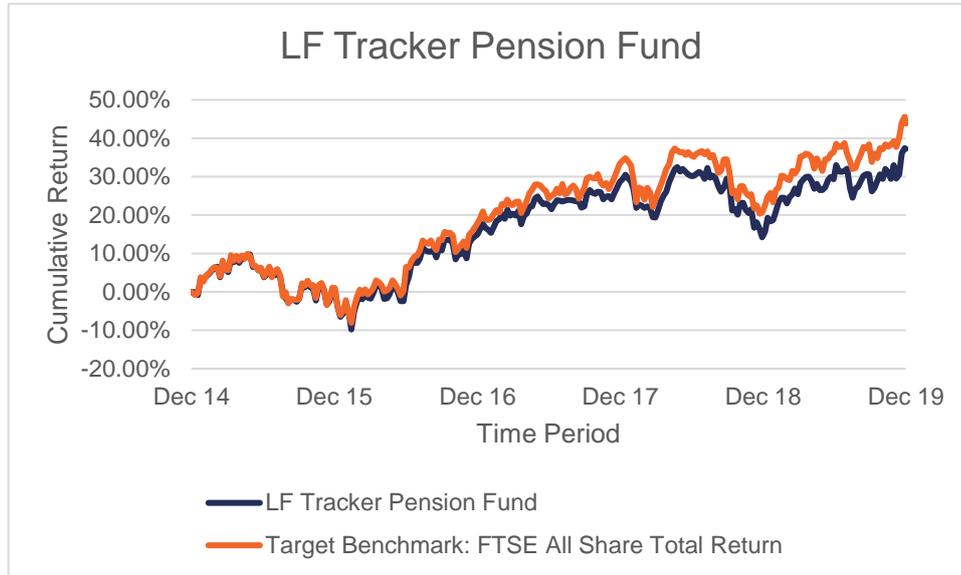
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Following our review of the criteria above, we have not identified any issues that ultimately affect the Quality of Service. There was a delay in publishing and distributing Investor Statements during the assessment period. Despite this delay, we have concluded that the Fund offers overall value when assessing Quality and therefore it has been given a **Green** rating. We continue to review our processes and keep investors updated with any changes to the Fund.

# Performance

In order to assess Performance, we reviewed the Fund’s performance against its objective over the longer term, which for the purpose of this assessment is 5 years. The graph and table below show the performance of the Fund against its Target Benchmark.



Time Period	Rating	Performance over the Time Period	Performance vs Target Benchmark
5 years		37.26%	-6.58%
3 years		19.39%	-2.61%
1 years		18.94%	-0.22%

\* Past performance is not a guide to future performance

## Conclusion

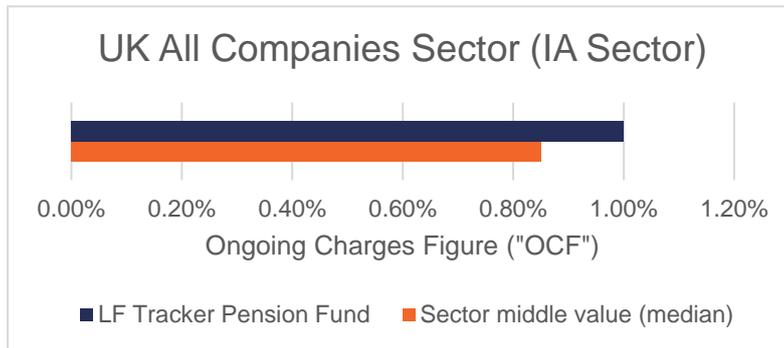
The Fund is wholly invested in an underlying fund aimed at tracking a market index. The underlying fund, in which the Fund is invested, has achieved its objective over the year and the longer term. Following our review, we have concluded that the Fund has been managed in accordance with its investment objective and policy. However due primarily to the costs incurred by the Fund, as well as the difference in valuation points between the Fund and index, it has not tracked the performance of its Target Benchmark as we would expect. We have therefore concluded that the Fund has not provided value in terms of Performance it has therefore been given a **Red** rating. As part of our ongoing oversight, we are currently reviewing the Fund and once completed, we will write to investors in the Fund with full details of any proposed changes to the Fund.

# Costs

In order to assess Costs, we reviewed the Ongoing Charges Figure (“OCF”) of the Fund, market competitiveness and investor/share class suitability over the assessment period.

We actively monitor all costs charged to the Fund against similar funds, including those operated by us, to ensure that it seeks to maintain competitive market rates.

We based our analysis on the Fund’s only share class, “X” Class. The OCF of this share class is 1.00%, which is higher than the middle value OCF of similar funds in the Sector, 0.85%, as shown in the graph below.



- For Economies of scale:**

We have assessed the total costs charged to the Fund and have determined that current available benefits, as a result of economies of scale have been passed on to investors. The OCF is fixed at the same level as the Annual Management Charge (“AMC”) of 1.00%. All fees and expenses including the cost of managing the pension scheme are borne by the Manager out of the AMC.

- For Comparable Market Rates:**

We looked at the Ongoing Charges Figure (“OCF”) of the Fund and compared them against similar funds.

Fund	Annual Management Charge (“AMC”)	Ongoing Charges Figure (“OCF”)	Target Market
LF Tracker Pension Fund	1.00%	1.00%	Retail Investors

- For Classes of shares:**

As the Fund only has one share class, meaning all investors pay the same costs, there are no concerns over the appropriateness of share classes offered to investors in the Fund.

## Conclusion



The Fund’s costs are higher than the Sector’s middle value of 0.85%. The Fund has a fixed OCF, out of which, all fees of the Fund and Scheme are paid. As a pension fund the Fund incurs additional costs related to the operation of a pension scheme that other funds in the Sector will not incur. In addition, the Fund is structured as a feeder fund, therefore the OCF includes the costs of the underlying fund. However, the Fund is a passively managed Fund, in a sector where the funds are predominately actively managed, therefore we would still expect the Fund’s costs to be lower than the Sector’s middle value however, when compared to the middle value OCF of the passively managed funds in the sector the Costs are significantly higher. Based on our review of cost we have concluded the Fund does not offer value and we have therefore rated the Fund **Red**. We are currently undertaking a review of the overall costs paid by investors and once completed, we will write to investors in the Fund with full details of any proposed changes to the Fund.

# LF Corporate Bond Pension Fund

## Executive Summary

- The LF Stakeholder Pension Scheme (the “Scheme”) is an authorised unit trust scheme. It is a non-UCITS retail scheme and a Registered Pension Scheme. It is closed to new investors.
- **LF Corporate Bond Pension Fund** (“the Fund”) has a single class of share available for investment.
- The Fund is only available to existing members of the Scheme. The AMC paid by members includes the costs of administering the Scheme, which most funds in its Sector will not incur.
- The Fund is a feeder fund. It seeks to achieve its investment objective by investing solely in the shares of a single underlying fund, the Legal & General Sterling Income Fund (the “underlying fund”).
- The Fund has underperformed its Comparator Benchmark over the assessment period by -2.62% and over the longer term (5 years) by -4.95%.
- The Ongoing Charges Figure (“OCF”) of the Fund is higher than the Sector’s middle value.

We have assessed the Fund based on seven key assessment criteria and grouped these into three core categories: Quality, Performance and Costs. Using these assessment criteria, as detailed below, we have sought to establish whether the Fund provides overall value to investors.

Metric	Quality	Performance	Cost
<b>Assessment Criteria</b>	<ul style="list-style-type: none"> <li>• Quality of service</li> </ul>	<ul style="list-style-type: none"> <li>• Investment Objective / Investment Performance</li> </ul>	<ul style="list-style-type: none"> <li>• Overall costs</li> <li>• Economies of scale</li> <li>• Comparable market rates</li> <li>• Comparable services</li> <li>• Classes of shares</li> </ul>
<b>LF Corporate Bond Pension Fund</b>			
<b>Underlying Fund Information</b>	The LF Corporate Bond Pension Fund is invested in the L&G Sterling Income Fund where investment management is provided by Legal & General Investment Management Limited. It aims to produce a high level of income consistent with long-term preservation of capital in sterling terms.		
<b>Investment Objective</b>	It aims for long-term capital growth by investing in a single authorised collective investment scheme.		
<b>Comparator Benchmark</b>	IA £ Corporate Bond		
<b>Assets Under Management (“AUM”)</b>	£23.49 million (as at 31 December 2019)		

IA Sector

£ Corporate Bond (the "Sector")

**Further Action:** We are reviewing the Fund, the underlying fund it invests in as well as its charging structure and the overall costs paid by investors, as part of a broader review of the Scheme. Once complete, we will write to investors in the Fund with full details of any proposed changes to the Fund.

## Conclusion



Based on our assessment, we have concluded that the Fund does not provide overall value and therefore has been given a **Red** rating. The key contributors to this rating are the Fund's high costs and underperformance, as detailed in the Costs and Performance sections of this report. As part of our ongoing oversight, we are currently undertaking a broader review of the Scheme including reviewing the Fund, the underlying fund it invests in and the overall costs paid by investors. Once complete, we will write to investors in the Fund with full details of any proposed changes to the Fund.

## Quality

In order to assess Quality, we reviewed the operation and management of the Fund against agreed service levels. The service provision includes a review of the following key elements:

- The timely and accurate calculation of the Fund's prices and payments to investors
- Accessibility, accuracy and use of plain language in Fund documentation and investor communications
- Timely and accurate production and distribution of investor statements
- Ensuring trading activities are within Fund guidelines
- The level of, and timely response to, any complaints from investors

## Conclusion

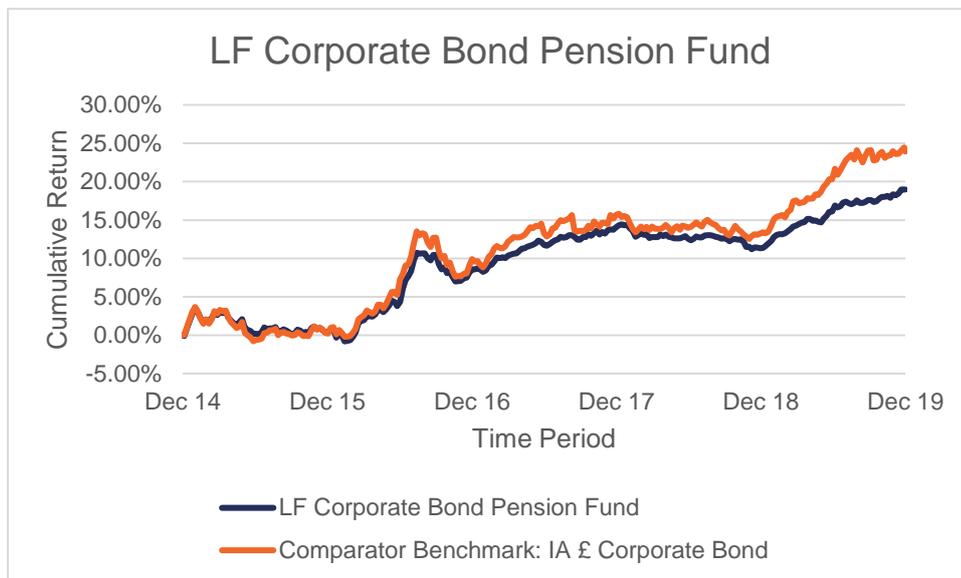
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Following our review of the criteria above, we have not identified any issues that ultimately affect the Quality of Service. There was a delay in publishing and distributing Investor Statements during the assessment period. Despite this delay, we have concluded that the Fund offers overall value when assessing Quality, it has therefore been given a **Green** rating. We continue to review our processes and keep investors updated with any changes to the Fund.

# Performance

In order to assess Performance, we review the Fund's performance against its objective over the longer term, which for the purpose of this assessment is 5 years. The graph and table below show the performance of the Fund against its Comparator Benchmark.



Time Period	Rating	Performance over the Time Period	Performance vs Comparator Benchmark
5 years		18.97%	-4.95%
3 years		9.59%	-3.14%
1 year		6.90%	-2.62%

\* Past performance is not a guide to future performance

## Conclusion

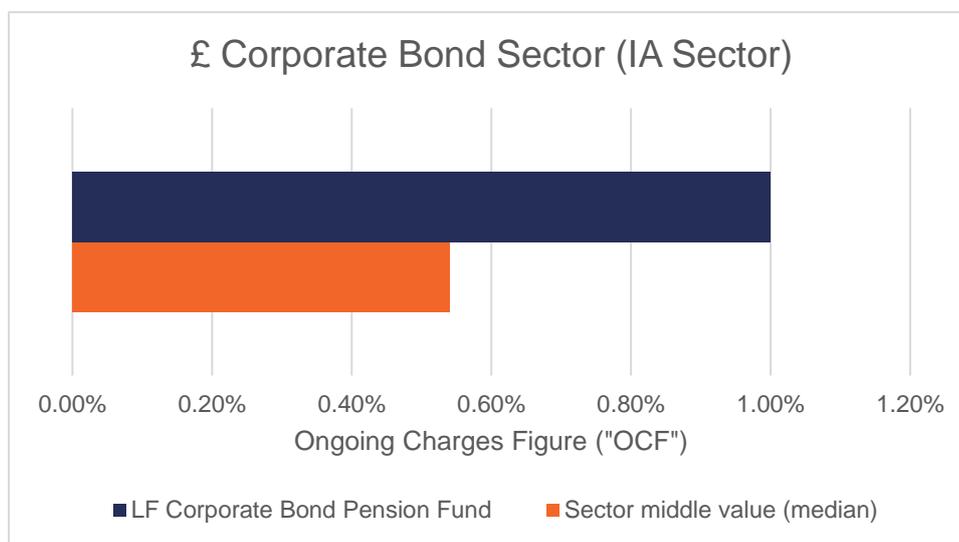
Following our review, we have concluded that the Fund has been managed in accordance with its investment objective and policy. Whilst the Fund has delivered a positive return over both the assessment period and the longer term, it has underperformed its Comparator Benchmark over both periods. Underperformance has been driven by the Fund's costs and the comparatively lower level of interest rate risk the fund is exposed to compared to other funds in the Sector, and we have therefore rated the Fund's Performance as **Amber**. As part of our ongoing oversight, we are currently reviewing the Fund and once completed, we will write to investors in the Fund with full details of any proposed changes to the Fund.

# Costs

In order to assess Costs, we review the Ongoing Charges Figure (“OCF”) of the Fund, market competitiveness and investor/share class suitability over the assessment period.

We actively monitor all costs charged to the Fund against similar funds, including those operated by us, to ensure that it seeks to maintain competitive market rates.

We based our analysis on the Fund’s only share class, “X” Class. The OCF of this share class is 1.00%, which is higher than the middle value OCF of similar funds within the Sector, 0.54%, as shown in the graph below.



- For Economies of scale:**  
 We have assessed the total costs charged to the Fund and have determined that current available benefits, as a result of economies of scale have been passed on to investors. The OCF is fixed at the same level as the Annual Management Charge (“AMC”) of 1.00%. All fees and expenses including the cost of managing the pension scheme, are borne by the Manager out of the AMC.
- For Comparable Market Rates:**  
 We looked at the Ongoing Charges Figure (“OCF”) of the Fund and compared them against similar funds.

Fund	Annual Management Charge (“AMC”)	Ongoing Charges Figure (“OCF”)	Target Market
LF Corporate Bond Pension Fund	1.00%	1.00%	Retail Investors

- For Classes of shares:**  
 As the Fund only has one share class, meaning all investors pay the same costs, there are no concerns over the appropriateness of share classes offered to investors in the Fund.

## Conclusion

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The Fund's costs are significantly higher than the Sector's middle value of 0.54%. The Fund has a fixed OCF out of which, all fees of the Fund and Scheme are paid. As a pension fund the Fund incurs additional costs related to the operation of a pension scheme that other funds in the Sector will not incur. In addition the Fund is structured as a feeder fund, therefore the OCF includes the costs of the underlying fund. However due to the significant difference between the Fund's OCF and the Sector's middle value, we have concluded that the Fund has not provided value in terms of Costs and rated it **Red**. We are currently reviewing the overall costs paid by investors in the Fund and once completed, we will write to investors in the Fund with full details of any proposed changes to the Fund.

# LF Cash Pension Fund

## Executive Summary

- The LF Stakeholder Pension Scheme (the “Scheme”) is an authorised unit trust scheme. It is a non-UCITS retail scheme and a Registered Pension Scheme. It is closed to new investors.
- **LF Cash Pension Fund** (“the Fund”) has a single class of share available for investment.
- The Fund is only available to existing members of the Scheme. The AMC paid by members includes the costs of administering the Scheme, which most funds in its Sector will not incur.
- The Fund is a feeder fund. It seeks to achieve its investment objective by investing solely in the shares of a single underlying collective investment scheme, the LGIM Sterling Liquidity Plus Fund (the “underlying fund”).
- The Fund has underperformed its Comparator Benchmark over the assessment period by -0.21% and over the longer term (5 years) by -1.71%.
- The Ongoing Charges Figure (“OCF”) of the Fund is higher than the Sector’s middle value.

We have assessed the Fund based on seven key assessment criteria and grouped these into three core categories: Quality, Performance and Costs. Using these assessment criteria, as detailed below, we have sought to establish whether the Fund provides overall value to investors.

Metric	Quality	Performance	Cost
<b>Assessment Criteria</b>	<ul style="list-style-type: none"> <li>• Quality of service</li> </ul>	<ul style="list-style-type: none"> <li>• Investment Objective / Investment Performance</li> </ul>	<ul style="list-style-type: none"> <li>• Overall costs</li> <li>• Economies of scale</li> <li>• Comparable market rates</li> <li>• Comparable services</li> <li>• Classes of shares</li> </ul>
<b>LF Cash Pension Fund</b>			
<b>Underlying Fund Information</b>	The LF Cash Pension Fund is invested in the LGIM Sterling Liquidity Plus Fund, where investment management is provided by Legal & General Investment Management. The underlying fund aims to achieve a high level of return consistent with a high degree of capital security, investing principally in short-term deposits and other money market instruments.		
<b>Investment Objective</b>	It aims for long-term capital growth by investing in a single authorised collective investment scheme.		
<b>Comparator Benchmark</b>	3 Month Sterling Libor		

**Assets Under Management (“AUM”)** £43.66 million (as at 31 December 2019)

**IA Sector** Standard Money Market (the “Sector”)

**Further Action: We are reviewing the Fund, the underlying fund it invests in as well as its charging structure and the overall costs paid by investors, as part of a broader review of the Scheme. Once complete, we will write to investors in the Fund with full details of any proposed changes to the Fund.**

## Conclusion



Based on our assessment, we have concluded the Fund does not provide overall value and therefore has been given a **Red** rating. The key contributors to this rating are the Fund’s high costs and underperformance, as detailed in the Performance and Costs sections of this report. We note the underlying fund the Fund invests in was replaced in January 2019, after which relative performance has started to improve. As part of our ongoing oversight, we are currently undertaking a broader review of the Scheme including reviewing the Fund, the underlying fund it invests in and the overall costs paid by investors. Once complete, we will write to investors in the Fund with full details of any proposed changes to the Fund.

## Quality

In order to assess Quality, we reviewed the operation and management of the Fund against agreed service levels. The service provision includes a review of the following key elements:

- The timely and accurate calculation of the Fund's prices and payments to investors
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## Conclusion

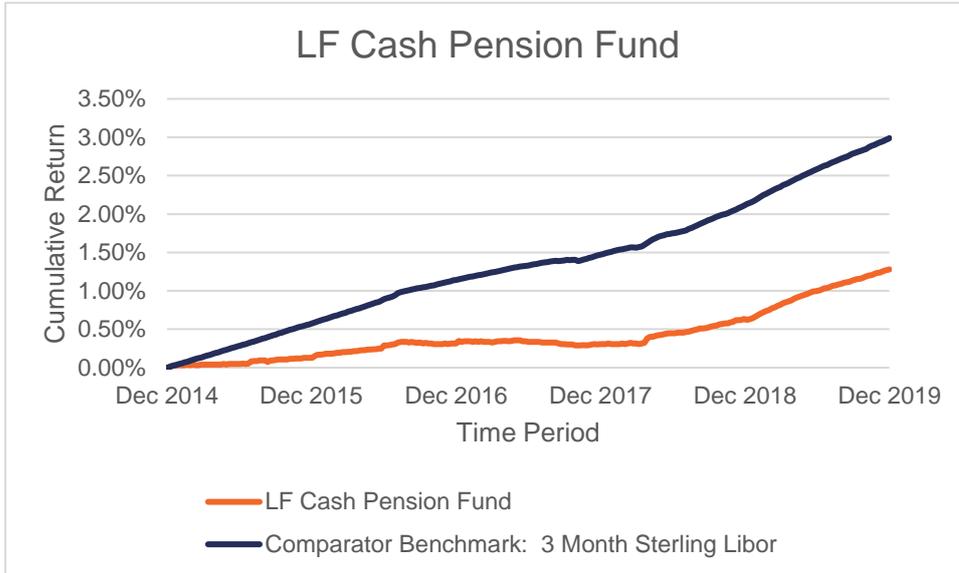
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Following our review of the criteria above, we have not identified any issues that ultimately affect the Quality of Service. There was a delay in publishing and distributing Investor Statements during the assessment period. Despite this delay, we have concluded that the Fund offers overall value when assessing Quality, it has therefore been given a Green rating. We continue to review our processes and keep investors updated with any changes to the Fund.

# Performance

In order to assess Performance, we reviewed the Fund’s performance against its objective over the longer term, which for the purpose of this assessment is 5 years. The graph and table below show the performance of the Fund against its Comparator Benchmark.



Time Period	Rating	Performance over the Time Period	Performance vs Comparator Benchmark
5 years		1.28%	-1.71%
3 years		0.96%	-0.86%
1 year		0.65%	-0.21%

\* Past performance is not a guide to future performance

## Conclusion

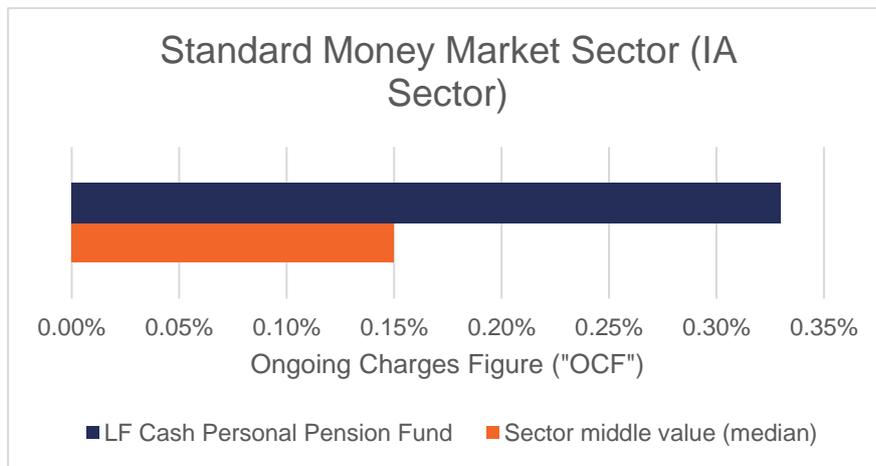
Following our review, we have concluded that the Fund has been managed in accordance with its investment objective and policy. The Fund has consistently underperformed its comparator benchmark, owing primarily to the impact of charges and historically low money market rates. This level of underperformance falls outside the level of tolerance we would expect to see for the types of assets that the underlying fund invests in. For this reason, we have rated Performance as **Red**. We note the underlying fund the Fund invests in was replaced in January 2019, after which relative performance has improved.

# Costs

In order to assess Costs, we reviewed the Ongoing Charges Figure (“OCF”) of the Fund, market competitiveness and investor/share class suitability over the assessment period.

We actively monitor all costs charged to the Fund against similar funds, including those operated by us, to ensure that it seeks to maintain competitive market rates.

We based our analysis on the Fund’s only share class, “X” Class. The OCF of this share class is 0.33%, which is higher than the middle value of the OCFs of similar funds, 0.15%, as shown in the graph below.



- For Economies of scale:**  
 We have assessed the total costs charged to the Fund and have determined that current available benefits, as a result of economies of scale have been passed on to investors. The OCF is fixed at the same level as the Annual Management Charge (“AMC”) of 0.33%, all fees and expenses including the cost of managing the Scheme, are borne by the Manager out of the AMC.

**For Comparable Market Rates:**

We looked at the Ongoing Charges Figures (“OCF”) of the Fund and compared them against similar funds.

Fund	Annual Management Charge (“AMC”)	Ongoing Charges Figure (“OCF”)	Target Market
LF Cash Pension Fund	0.33%	0.33%	Retail Investor

- For Classes of shares:**  
 As the Fund only has one share class, meaning all investors pay the same costs, there are no concerns over the appropriateness of share classes offered to investors in the Fund.

## Conclusion

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The Fund's costs are significantly higher than the Sector's middle value of 0.15%. The Fund has a fixed OCF out of which, all fees of the Fund and Scheme are paid. As a pension fund the Fund incurs additional costs related to the operation of a pension scheme that other funds in the Sector will not incur. In addition, the Fund is structured as a feeder fund, therefore the OCF includes the costs of the underlying fund. However due to the significant difference between the Fund's OCF and the Sector's middle value, we have concluded that the Fund has not provided value in terms of Costs and rated it **Red**. We are currently reviewing the overall costs paid by investors and once completed, we will write to investors in the Fund with full details of any proposed changes to the Fund.

# Glossary

<b>Annual Management Charge (“AMC”)</b>	An ongoing fee paid to the manager for managing the Fund, usually charged as a percentage of the Fund’s value.
<b>Assets Under Management (“AUM”)</b>	Is the total market value of the investments in a Fund.
<b>Cost</b>	<p>Cost is defined by reviewing overall costs, Economies of scale, Comparable market rates, Comparable services and Classes of shares. The assessment looks at each of the five criteria individually to define value:</p> <ol style="list-style-type: none"> <li>1. Overall costs: the total ongoing charges of the Fund.</li> <li>2. Economies of scale: assesses whether any area of savings and benefits from the increase in scale or size in assets under management have been passed onto the investor.</li> <li>3. Comparable market rates: compares the price charged for investing in the Fund against similar funds.</li> <li>4. Comparable services: assesses the fair treatment of investors in the Fund. This looks at the investment criteria at share class level within the Fund</li> <li>5. Classes of shares: assessing pricing of a share class against those of other share classes within the same Fund, and the points of differentiation of these share classes.</li> </ol>
<b>Comparator Benchmark</b>	A benchmark is a standard against which the performance of the Fund can be measured.
<b>Cumulative Return</b>	Shows the aggregated return from an investment over a specific time period.

<p><b>IA Sector</b></p>	<p>As there are numerous funds in the market available from different providers, the Investment Association (“IA”) provides a list of sectors as a way of dividing these funds into broad groups. Investors can use sectors to compare similar funds’ performance and charges.</p> <p><b>Standard Money Market:</b> Funds which invest their assets in money market instruments and comply with the definition of a ‘Standard Money Market’ fund set out in the Money Market Fund Regulation – Regulation (EU) 2017/1131 (MMFR).</p> <p><b>Sterling Corporate Bond:</b> Funds which invest at least 80% of their assets in Sterling denominated (or hedged back to Sterling). Triple BBB minus or above corporate bond securities (as measured by Standard &amp; Poors or an equivalent external rating agency). This excludes convertibles, preference shares and permanent interest bearing shares (PIBs).</p> <p><b>Sterling Corporate Bond:</b> Funds which invest at least 80% of their assets in Sterling denominated (or hedged back to Sterling). Triple BBB minus or above corporate bond securities (as measured by Standard &amp; Poors or an equivalent external rating agency). This excludes convertibles, preference shares and permanent interest bearing shares (PIBs).</p>
<p><b>Interest rate risk</b></p>	<p>The risk is the movement in value of overseas financial instruments based on fluctuations in exchange rate; managed by the utilisation of forward currency contracts as necessary.</p>
<p><b>Manager</b></p>	<p>A corporate body and an authorised person given powers and duties under the Financial Conduct Authority regulations to operate a fund, trust or investment company in accordance with regulations.</p>
<p><b>Ongoing Charge Figures (“OCF”)</b></p>	<p>A single percentage figure used to show the total annual operating costs taken from the assets of the relevant Sub-fund over the year, and based on the figures for the preceding year, including the annual management charge, registration fees, the Depositary’s periodic charge, custody fees, and the Auditor’s fees, but excluding any redemption charge, brokerage charges, taxes or other dealing costs incurred in respect of the Fund’s Scheme Property.</p>
<p><b>Performance</b></p>	<p>The profit or loss derived from an investment.</p>
<p><b>Quality</b></p>	<p>Quality is defined by reviewing Quality of service. Quality of service refers to the range and quality of services provided to investors.</p>
<p><b>Registered Pension Scheme</b></p>	<p>An occupational pension scheme or personal pension scheme that is registered with HM Revenue &amp; Customs under the Finance Act 2004.</p>
<p><b>Retail Investor</b></p>	<p>Is an individual who purchases shares for their own personal account rather than for an organisation. They also typically trade in much smaller quantities.</p>

**Share Class**

A fund can have several share classes which can have different characteristics and/or charging structures, reflecting the type of investor that would typically buy them.

**Target Benchmark**

A target benchmark is where the fund aims to match or exceed an index or similar factor.