

PERFORMANCE FEES

ON PHOENIX WEALTH FUNDS

Performance fees apply to a fund available through Phoenix Wealth's products. This leaflet explains how the fees work and how they can affect your investment in a Phoenix Wealth Individual Pension or Investment Bond.

The fund is:

- Phoenix Wealth BlackRock UK Absolute Alpha

What are performance fees?

Performance fees are charges that are taken if a fund's investment return is better than a specified level or benchmark, known as a 'hurdle rate'.

The fee is taken in addition to each fund's management charge and will reduce the return on your investment. Phoenix Wealth does not benefit from the fee, it is incorporated into the unit price of the fund and is reflected in the value of your investment.

Performance fees are common in hedge funds and investment trusts. Historically they have not been so prevalent in open ended mutual funds such as unit trusts and OEICs, which are the underlying investments in many of Phoenix Wealth's funds.

However they are now being increasingly used in these types of funds. Performance fees act as an incentive for a fund manager to make sure a fund performs as well as possible, but they provide no guarantee of any level of return.

Definitions

To explain performance fees, two key terms need defining – the 'hurdle rate' and the 'high water mark'.

1. The **hurdle rate** represents a level of return that a fund must achieve before a performance fee can be taken. Hurdle rates often take a particular financial index as their benchmark.
2. The **high water mark** is a measure used to ensure that a performance fee is only charged when a fund's value at the end of its financial year (the 'performance period') is above its previous highest level at the end of a performance period. So if the overall return over a particular year has been negative, then the fund must at least make up this shortfall in the next or later years before another performance fee is charged.

Example

A fund's performance fee is 20% of the performance above the hurdle rate. If the hurdle rate was linked to an index that over one year increased by 3%, but the fund itself achieved a positive return in that year of 5%, the out-performance would be 2%. The performance fee would be 20% of this out-performance, i.e. 0.4%.

Please turn over for specific details of the performance fees applying to this fund.

There is no guarantee that this fund will achieve a certain level of performance. Its value can go down as well as up and is not guaranteed. You might get back less than you originally invested.

| | Phoenix Wealth BlackRock UK Absolute Alpha |
|--------------------------------------|--|
| Fund Management Charge (FMC): | <ul style="list-style-type: none"> Retirement Wealth Account: 1.65% all other Phoenix Wealth individual products: 1.20% |
| Performance fee: | 20% of performance level above the hurdle rate. |
| Benchmark: | 3 month Sterling LIBOR (London Inter-Bank Offered Rate - the interest rate determined by the rates that banks offer for loans to other banks). |
| Hurdle rate: | Performance of benchmark over 12 month period (reset at the start of each performance period). |
| Performance period: | <p>1 January – 31 December.</p> <p>The hurdle rate for the fund is set quarterly in advance and is based on the three month Sterling LIBOR at the end of the previous quarter.</p> <p>The performance fee is 20% of any amount by which the fund outperforms the hurdle rate, provided the bid price at the end of the performance period is higher than the previous high water mark.</p> |

For further information about this fund, including its aims and the assets it invests in, please see the fund factsheet, available for the fund at phoenixwealth.co.uk. You can invest in this fund through a number of Phoenix Wealth products. For more information, such as the aims and risks of each product, minimum investment levels, tax treatment and charges, speak to your financial adviser, or see your Key Features Document.

How are the performance fees shown?

Using the Retirement Wealth Account as an example:

| | Factsheet FMC | Estimated Performance Fee | Illustration FMC |
|---|---------------|---------------------------|------------------|
| Phoenix Wealth BlackRock UK Absolute Alpha | 1.65% p.a. | 0.55% p.a. | 2.20% p.a. |

Example

The charges for our funds with performance fees is shown differently in fund factsheets and illustrations. The following example demonstrates how it is shown. It relates to the Phoenix Wealth BlackRock UK Absolute Alpha Fund.

| Phoenix Wealth BlackRock UK Absolute Alpha | |
|--|-------|
| FMC: | 1.65% |
| Fund Expenses: | 0.15% |
| Estimate of Performance Fee: | 0.55% |

Charges

In addition to the fund charges shown in this document, product charges and advice charges may also be applicable.

Illustrations

For product illustrations it is necessary for the performance fee to be estimated. We have estimated the performance fee for the fund based on the expected level of performance from the investment policy compared to the benchmark.

In an illustration the fund management charge will be displayed as the total of the FMC and the estimated performance fee, so in this example it will be 2.20% (1.65% + 0.55%). The fund expenses of 0.15% are displayed separately.

Factsheets

Our fund factsheets include a description of the performance fee rather than displaying the estimated charge including the performance fee. Therefore in this example the fund management charge will be displayed as 1.65%. The fund expenses of 0.15% are displayed separately.

For all funds please note:

The performance fee is calculated on a daily basis, as if that day was the end of the annual period. The potential fee is then accrued within the underlying fund's price for that day, which is reflected in the Phoenix Wealth fund price. The next day, when the fee is calculated again, the accrual is adjusted up or down as appropriate so the performance fee is always reflected in the fund's daily unit price.

Each fund pays the performance fee (if the criteria have been met) to the fund manager once a year after the end of the performance period. The daily mechanism simply ensures that on any particular day the fund's price reflects the best estimate of how the performance fee is building up and so if a fee is payable at the end of the year, there is no sudden change to the unit price.

Due to the complex nature of investment funds such as this, it is important that you discuss its suitability for your needs, and any questions you may have about the terms used in this document, with your financial adviser.

Notes

Please note annual fund expenses also apply to all funds in addition to the FMC. These vary frequently but for the underlying fund as at 27/03/2023, this was:

| | |
|--|-------|
| Phoenix Wealth BlackRock UK Absolute Alpha | 0.15% |
|--|-------|

FINANCIAL ADVISER

For more information on your Phoenix Wealth product and the options available to you, please speak to your financial adviser.

Please note that financial advisers use a variety of different ways to charge you for their services and you will be liable for any charges incurred. Please ask your financial adviser for full details of these charges.

If you do not have a financial adviser and would like to speak to one in your area, you can visit **unbiased.co.uk**.

CONTACT US

If you would like more information about your Phoenix Wealth product, please:

Call us on **0345 129 9993**

Available 8.30am – 5.30pm, Monday to Friday. As part of our commitment to quality service and security, telephone calls may be recorded.

Email us at

customerservices@phoenixwealth.co.uk - for Phoenix Wealth Pension Funds only plans

sippenquiries@sipp-phoenixwealth.co.uk - for Self invested plans

Please be aware that emails are not secure as they can be intercepted, so think carefully before sharing personal or confidential information in this way.

Visit us here **phoenixwealth.co.uk**

Write to us

If you have a:

- Phoenix Wealth Pension Funds only plan or Investment Bond please write to Phoenix Wealth, Unit Linked Life & Pensions, PO Box 1393, Peterborough, PE2 2TP.
- Self-invested plan please write to Phoenix Wealth, Self Invested Pensions, PO Box 1394, Peterborough, PE2 2TQ.

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