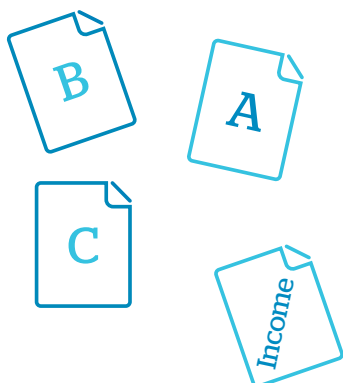




Share classes explained

These educational articles are designed to help our customers' understanding of finance and investing.

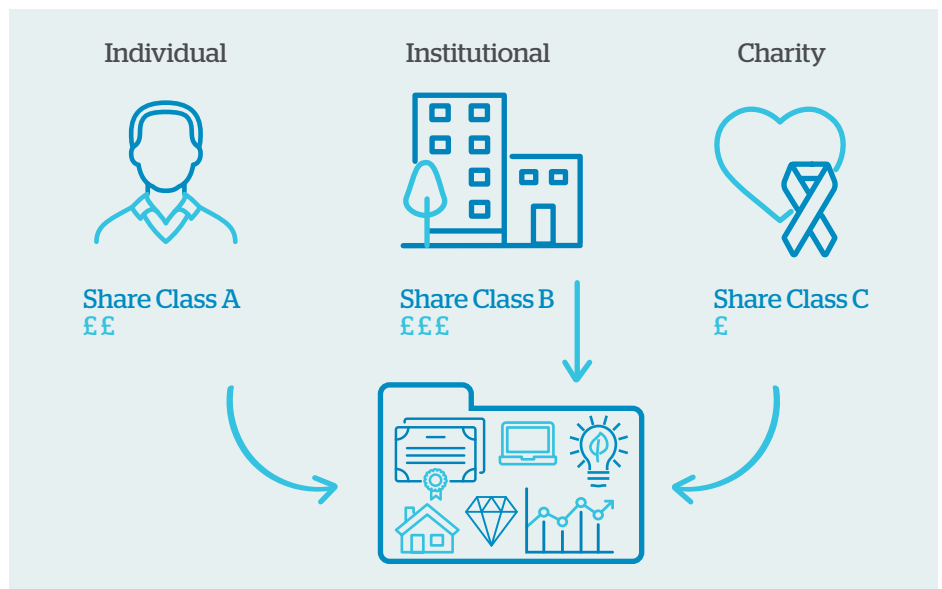
When looking at lists of funds to invest in, it can be confusing to see the same fund name followed by a different letter each time. These letters indicate the fund's specific share classes. You can often tell these different versions by a single letter included in the fund name, or sometimes with something more descriptive, for example 'accumulation' or 'income'.



Why do funds have different share classes?

Different share classes of the same fund are created to suit each type of buyer, for example, individual investors or institutional investors such as pension funds or charities. This means that the share classes are likely to have different costs and also minimum investment levels.

However, all share classes of a fund will invest in the same portfolio of securities and will have the same investment objectives and policies.



Do the share classes perform the same?

Since each class has different fees and expenses, each will likely have different performance results. These results are sometimes only subtly different, but can be more marked, depending on the elements influencing different share classes.

Costs can affect the long-term returns for investors, but costs are not the only element that varies from share class to share class.

Share classes can be bought in different currencies. For example, a sterling-based investor holding a dollar share class of a fund will be exposed to any rise or fall in the

value of sterling versus the dollar. This could be very positive for the investment in some market environments, but extremely painful in others.

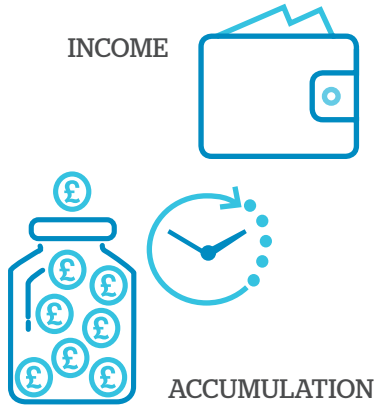
Do share classes mean the same across all funds?

Unfortunately not. There is no commonality to labelling since there is no industry standard for different fund share classes, so different fund providers might use similar labels to one another for very different share classes (or vice versa).

Unhelpfully, this means that there is no continuity across fund groups, class B for one fund is not necessarily the same as class B for another fund. 'B' is simply used to differentiate the fund from another unit of the same fund in another share class, such as class C or class I for example.

What do the abbreviations Inc and Acc mean in a fund's name?

If a fund generates an income (such as through dividend payments or coupons on bonds), then the fund provider will usually offer investors the choice of income (Inc) or accumulation (Acc) share classes. The income share class will distribute the income, while the accumulation share class will reinvest any dividends or interest generated into the fund. The latter has a powerful compounding effect over the long term. An investor's choice of share class will be determined by their need for a regular income from their investment.



Contact

To find out more about the Handelsbanken strategies, contact us at Enquiries.
hwam@handelsbanken.co.uk
or visit www.wealthandasset.handelsbanken.co.uk

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Registered Head Office: No.1 Kingsway, London, WC2B 6AN. Registered in England No: 4132340. www.wealthandasset.handelsbanken.co.uk
Telephone: 020 7045 2600