

# FUND CONVERSION POLICY

**This policy sets out how we handle requests for conversions between different unit classes of the same fund held through the HL Service. By requesting such a conversion, you agree to us acting in accordance with this policy. We reserve the right to amend and update this policy, the dates and the process of converting funds at our discretion.**

Once your instruction to convert has been submitted to the relevant fund group you will not be able to trade in that fund until the conversion is completed, which could be a significant period of time. The unit class to which you convert may not be accepted by other service providers, which may impact the transfer process if you were to transfer to them (see section A36 of our Terms & Conditions for further details). In requesting a conversion you accept these restrictions.

There may be other ways to change the type of units you hold to which other considerations may apply. The most common alternative is a fund switch; please see section A15 of our Terms & Conditions for more details. In particular please note a switch will leave you out of the market for at least one working day, and could have tax implications for units held in a Fund & Share Account.

If you choose to convert, any Loyalty Bonus earned on the unbundled units will be paid to you as units. We cannot pay these as cash or use them to cover fees on your Account. Loyalty Bonuses are calculated according to the value of the relevant investment at the end of each month. This means that in the month your conversion takes place, the Loyalty Bonus you receive may relate only to the unbundled units you have converted into (and not the inclusive units previously held). This may be the case regardless of how many days in the month you held the inclusive units for prior to converting. Please note that the Loyalty Bonuses paid on unbundled funds may be less than that received on the inclusive units you convert from. Please see section A3 of our Terms & Conditions for more information.

When you convert we pass your instructions to the appropriate fund group who will convert one type of unit to another. There are no dealing costs and you remain fully invested at all times. The conversion of units will not create a capital gains tax liability. Conversions take place on a quarterly basis.

## CONVERSIONS – THE DIFFERENT STAGES

We will aggregate our clients' conversion instructions and send them to the appropriate fund group on a quarterly basis. The timescale for completion will depend on each fund group's procedures and we will not be liable for any loss caused by any delay caused by the fund group. You will receive confirmation of your request via our secure messaging centre if you use our Paperless Service or by letter if you do not.

You can monitor the progress of your conversion within the 'Pending orders' tab on the HL Website after you log in to your Account. Your conversion will move through the following stages:

**Pending** – when you instruct us to convert, your conversion will show as 'pending' until the order has been submitted to the fund group. Pending orders will be submitted on a quarterly basis which we expect to be in March, June, September and December. We reserve the right to choose and amend conversion dates at our discretion. Whilst your order is shown as pending you may continue to trade in the fund, or cancel your order if you wish.

**Submitted for conversion, awaiting confirmation** – this means your instruction to convert has been submitted to the fund group. You cannot trade in the inclusive units in the fund until the conversion is complete and the number of unbundled units you have received has been confirmed by the fund group, although you can sell or buy more of the unbundled units if you wish. You can no longer cancel the conversion.

**Complete** – your conversion is complete. You will receive confirmation via our secure messaging centre if you use our Paperless Service or by letter if you do not.

Postal confirmations will be sent on a weekly basis so there may be a short delay between your conversion completing and your confirmation being sent. Clients registered for our paperless service will receive electronic confirmations, which will normally be issued daily.

Our conversion process is set up only to convert your inclusive unit holding into the unbundled version. We will convert your units to the lowest cost unbundled unit available via the HL Service at the time of conversion. The lowest cost unit is determined at our sole discretion.

It may not always be in your interests to convert. It is your responsibility to check the fund factsheet and Key Investor Information Document (KIID) to verify the charges applicable to each of the unbundled and inclusive unit class and to ensure that the conversion will be beneficial to you. As the decision to convert any unit class is entirely yours, we cannot accept liability if you choose to convert into a unit class which results in you paying higher charges.

If you ask us to convert units of share classes in a fund we will convert all the units you hold at the point we pass your instructions to the fund group. If any units are not shown on your account when we submit your conversion instructions to the fund group, you will need to provide a new instruction to us to convert those units.

Where you sell units which you have asked us to convert, and the sale has not been fully completed by the point we submit your conversion instructions to the fund group, your instruction to sell will be placed and we will adjust your Account accordingly once the conversion is complete.

If your conversion instruction is 'pending' and you subsequently transfer that fund holding out of your Account, for example to another client number, move into SIPP Drawdown, or merge old ISAs together, the conversion will not be carried out and you will need to instruct a new conversion in the Account to which you have moved the units.

If your conversion instruction is 'submitted for conversion, awaiting confirmation' and you subsequently transfer the fund holding out of your Account, for example to another client number, move into SIPP Drawdown, or merge old ISAs together, the conversion will take place and we will adjust your Account and/or the receiving account after the conversion is complete.

Please note the examples given above do not form an exhaustive list. Where, for any other reason, the number of units you hold in a fund changes between the point at which your conversion instruction is submitted for conversion, awaiting confirmation and the conversion is 'complete', we reserve the right to amend the number of units you convert at our sole discretion.

## INCOME REINVESTMENT

Where you have requested income reinvestment, we will apply any and all income or tax credits ("Credits") received from inclusive units in the following way:

1. Where the Credits are held on your Account at the point the conversion is confirmed by the fund group, these Credits will be reinvested into the unbundled units through a special income reinvestment point within 28 days after your conversion is complete. Our usual reinvestment fee will be waived for these transactions.
2. Where the Credits are received into your Account after the point the conversion is 'complete', these Credits will be reinvested into the unbundled units at our next automatic reinvestment date, in accordance with section A9 of our Terms & Conditions.

The above will not apply where it is either impossible or impracticable to reinvest, in which case any Credits will be moved to your capital account. It will also not apply where you buy or transfer-in more units in the inclusive unit class after the point your conversion is 'complete', in which case any subsequent Credits received from your inclusive units will be reinvested into the inclusive unit class.

## OTHER TRANSACTIONS

Where you instruct a conversion from inclusive to unbundled units, we will update the following investment instructions automatically at the point we pass your instructions to the fund group. All investment following a conversion instruction in a fund will be made into unbundled units unless you expressly instruct us otherwise:

- Regular savings
- Phasing instructions
- Investment instructions for SIPP tax relief
- SIPP Lifestyling
- Regular payments paid over by your employer to any HL Workplace Account
- Investment instructions following a cash transfer