

# Making investments clearer – a guide for you

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## What is a fund?

A fund is a 'pooled' investment, which brings together the savings of many people like you and enables you to spread your monies across a wider set of individual investments. The fund is managed professionally by a fund manager and aims to achieve the objective as outlined in the fund's factsheet.

## How funds work

Your payments are invested in your chosen funds by buying units in these funds:

- each fund is divided into units of equal value
- the value of the units may rise and fall depending on the fund's investment performance
- these units are used to calculate how much your investment plan is worth.

## What is an asset class?

The investments that a fund owns are often referred to as assets.

There are different classes of assets. Asset classes include:

- **Equities** which are individual company shares.
- **Bonds** which include loans to governments and companies.
- **Commercial property** which includes offices and commercial buildings or shares in companies investing in commercial property.
- **Money market assets** which include deposits and money market instruments.

Each fund invests in one or more asset classes to help achieve the fund's objectives. Some funds invest in other funds.

## Further help?

Your financial adviser will be able to help you understand how different funds work and guide you in selecting funds to help meet your goals.

# Understanding risk

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Every investment decision involves some degree of risk. Likewise, not investing involves risk – by doing nothing you run the risk of never achieving your financial goals.

There are ways of dealing with risk. First, you need to be aware of your attitude to risk, your capacity to take risk and how to manage risk. Your financial adviser will be able to discuss this with you and help you with your assessment. We have provided some information below as guidance only.

## How much risk should I take?

How much risk you should take will depend on:

- your financial circumstances and goals
- the extent to which you are prepared or can afford to lose money
- the length of time you are prepared to invest for.

Cautious investors tend to look for more stable returns and accept the amount they are likely to gain will be limited as a result. On the other hand, more adventurous investors, seeking higher returns, understand their investment is likely to go sharply up and down in value.

## Will my attitude to risk change?

As your circumstances change over the years, it's likely that your investment goals will also change, affecting your attitude to risk. Regular discussions with your financial adviser will help determine whether you need to make any changes to your investments.

For example, if you start your plan at the age of twenty, you may be happy to accept a higher level of risk as you are expecting to invest over the long term (10 years or more).

On the other hand, if you're coming up for retirement you may want to try to protect the value of your investments from falling by choosing a lower level of risk.

## What are the fund risks?

All funds carry some risks and you should consider these before making any investment decisions. It's important to know about what could happen to your money when you invest in a fund. Here's some information on several different risks you should be aware of:

**Funds can fall in value** – Funds generally go up and down in value, some types more than others. For example, with equities there is a risk that you may not get back as much as you put in.

**Your income** – If you are taking an income from your fund, the income may be less than you had expected.

**Inflation** – Your investment in your fund may not keep up with inflation reducing your future buying power.

**Currency risk** – different currencies – for example sterling, euros, dollars and yen – move in relation to one another. If the fund you are investing in is denominated in a different currency, then its value will move up and down in line with currency changes as well as the normal share-price movements.

**Accessing your money** – It isn't always possible to switch or disinvest from a fund quickly. For example, if you invest in a property fund there may be a long delay (a few months) in cashing in your investment.

## What is Zurich's role?

We review the range of funds available to ensure it is up to date and that you are provided with an appropriate selection of funds to choose from.

## What does the fund manager do?

We work with a number of fund managers to provide our customers with a wide choice of investment opportunities.

Working within the parameters set out in the fund's objectives, the role of the fund manager is to find the best opportunities for the fund to invest in to help it achieve those objectives.

Fund managers have extensive knowledge of the companies, markets and territories in which the fund can invest. They use this expertise to decide on where to invest, and when and how to adjust the relative proportions of different asset types.

The fund manager keeps these decisions under constant review, through continuing analysis, research and regular meetings with the companies in which the fund is making or considering investment.

# Understanding fund charges

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These are applied by fund managers and can include:

## Initial charge

Some fund managers will take an initial charge on all investments. We have arranged discounts on the fund managers' normal initial charges. Please refer to the relevant fund charges documents for further information.

## Bid/offer spread

Units in some funds are bought at one price (the 'offer' or 'buying' price) and sold at another price (the 'bid' or 'selling' price). The difference between these prices takes into account the fund manager's initial charge mentioned above and also associated dealing costs. The total difference between the 'buying' and 'selling' price is known as the 'spread'.

## Annual management charge

Some funds have an annual management charge, which is a percentage of the value of the units in the fund. Each time a fund is valued and before the unit price is calculated, the appropriate fraction of the annual management charge is taken.

## Ongoing charges

Fund managers will also take ongoing charges from the fund to cover the day to day management of the fund and variable expenses such as registrar's fees, audit fees, cost of collateral, trustee and depository fees.

## Fund transaction charges

On a day when you sell your investment in a fund, more money may be moving out of the fund than into it. In this case, some of the assets of the fund will have to be sold and the value of your plan may be reduced to reflect the impact on the fund unit price of the costs and charges associated with the sale.

## Dilution levy/adjustment

If investors are buying or selling large numbers of shares in a fund, relative to the size of the fund, the dealing costs within the fund may be high and adversely affect existing investors. This is called 'dilution'. The fund manager may offset the effects of dilution so that investors who are not buying or selling at these times are treated fairly. There are two ways of doing this:

- the fund manager may deduct a levy (called a 'dilution levy') from the value of transactions made by investors who are buying or selling at these times. The levy is paid into the fund and is used to cover the associated dealing costs, or
- the fund manager may adjust the share price (called a 'dilution adjustment') to take account of the dealing costs so that only those investors buying and selling on that day are affected.

## Zurich charges

In addition to charges that could be applied by fund managers, there are charges that Zurich will take from your plan.

For specific details of all charges that will be applicable please refer to your plan's key features and specific plan fund charges documents.