

# WESLEYAN WITH-PROFITS FUNDS

## INVESTING MADE SMOOTHER

How Our With-Profits Funds  
Work (for investments made  
through financial intermediaries)

**WESLEYAN**  
*we are all about you*



# HOW OUR WITH-PROFITS FUNDS WORK

Please take the time to read this document and keep it safe with your product literature. It explains how our with-profits funds work and how they affect the value of your investment.

This document applies to investments into the With-Profits Growth Fund and With-Profits Growth Pension Fund made through financial intermediaries.

In this document, 'we', 'us' and 'our' refer to Wesleyan Assurance Society.

## IMPORTANT

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This document provides brief details of how our with profits funds work. It does not provide all the details about the insurance contract through which the investment in the Funds were made. That information is in the Key Features Document and Plan Terms & Conditions that are available from your adviser or on our website at [www.wesleyan.co.uk/intermediaries/resources](http://www.wesleyan.co.uk/intermediaries/resources).

The Principles & Practices of Financial Management (Wesleyan Open Fund) explains the detailed standards we apply to the management of our with-profits business. This document is also available from your adviser or on our website at [www.wesleyan.co.uk/intermediaries/resources](http://www.wesleyan.co.uk/intermediaries/resources).

# YOUR QUESTIONS ANSWERED

## 1. WHAT IS A WITH-PROFITS FUND?

A with-profits fund is a type of investment fund offered by insurance companies, such as Wesleyan Assurance Society. The Wesleyan With Profits Funds aim to provide growth over the long term whilst reducing day-to-day market fluctuations through a mechanism known as 'smoothing'. Smoothing means that Policy values are not expected to be as volatile as other managed funds that invest in similar assets.

The with-profits funds are managed by Wesleyan's award-winning Investments Team, with the ability to achieve outstanding long-term investment returns for those who trust in Wesleyan to invest on their behalf. The Funds are invested in a range of asset classes in order to diversify risk.

When you invest in our With Profits Funds, it should be with the aim of investing your money for at least five years or more.

### How it works

- ▶ A simple, easy to understand structure.
- ▶ Daily unit price enabling the investor to track how the fund is performing and how much their investment is worth today.

- ▶ Daily application of the smoothing formula to make the change in price from one day to the next smoother than might be the case in another fund investing in similar assets.

See questions 3 and 4 for more information on smoothing and how it's applied to the Wesleyan With-Profits Funds.

## 2. ARE THERE ANY OTHER BENEFITS OF WITH-PROFITS?

In addition to smoothing, a further feature of the With Profits Funds is that they can also receive a share of profits or losses that the Society makes on other products that it sells, though we expect this to be a small part of the overall return.

In addition, if we generate profits from the charges we make on the Funds, investors in the With-Profits Growth Fund and With-Profits Growth Pension Fund will receive a share of this in their returns.

For information about how Wesleyan's financial strength can benefit your investment, please see section 9.

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Our contrarian investment strategy, combined with our 'buy and hold' approach, has resulted in Wesleyan's With-Profits Fund achieving a strong, long-term performance track record, which has translated into equally strong financial returns for investors.

Martin Lawrence, Director of Investments

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### 3. WHAT IS SMOOTHING AND WHAT ARE THE BENEFITS?

One of the most important aims of our With Profits Funds is to reduce the effect of day-to-day fluctuations on the value of your Policy. In order to achieve this, we don't just pass on the full amount of the investment returns, and other profits and losses, as they arise. Instead, we apply any changes to the value of your investment over time, cushioning the impact in a process known as smoothing.

For many people, smoothing can also help reduce the anxiety felt as a result of volatile stockmarkets and the fear of the effect it can have on their investment.

### 4. HOW DOES SMOOTHING WORK?

In periods of good investment returns, we may hold some of the return back, which in turn allows us to pay out more in periods when investment returns are lower than expected.

We aim that this will balance out over time, and that over the long term all the investment returns generated within the fund are distributed to policyholders.

The smoothing process takes account of rapidly changing markets to ensure the smoothed value of the Fund does not stray too far from the actual value of the assets the Fund is invested in.

### 5. HOW DO YOU WORK OUT THE VALUE OF MY INVESTMENT?

We do a calculation which brings together the amounts you have invested in the Fund with your share of investment returns and other profits and losses.

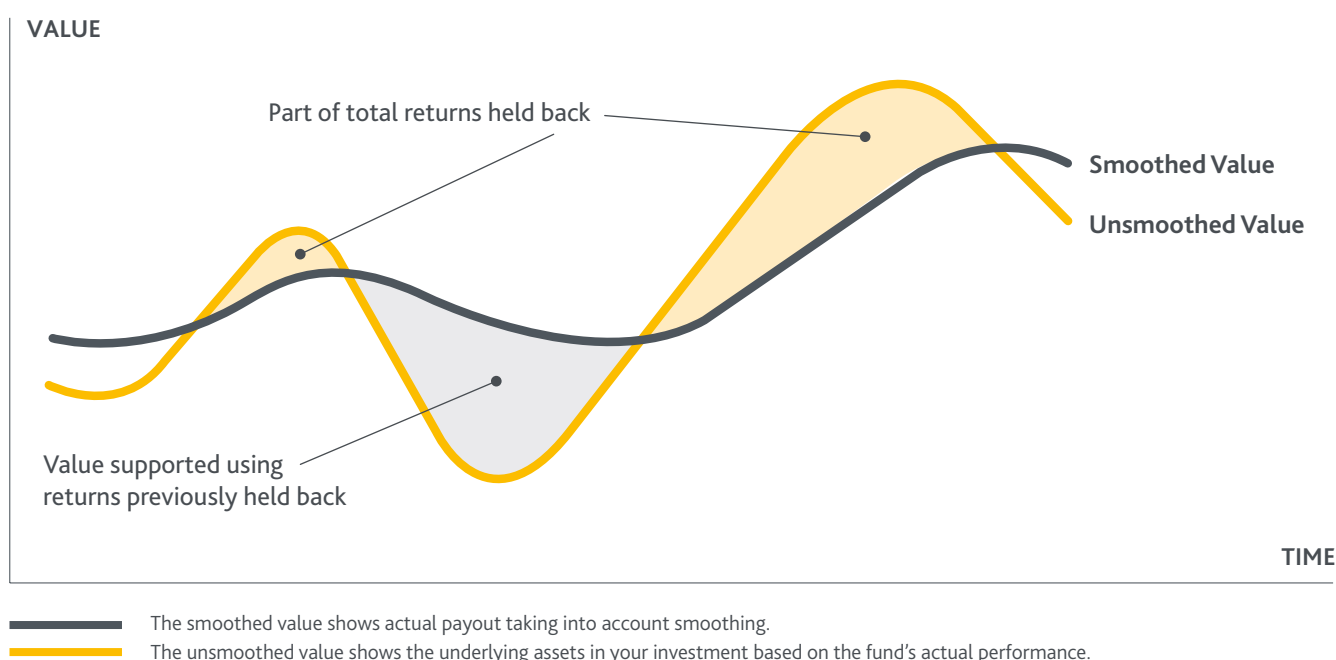
In order to do this,

- ▶ we take the amounts you've invested in the Fund, then
- ▶ deduct any money you've previously taken out of the Fund, then
- ▶ deduct charges, and finally
- ▶ we make adjustments for investment returns and other profits and losses attributable to the Fund, allowing for smoothing.

The adjustments we make for investment returns and other profits and losses are made throughout the period that you hold units in the Fund. We work this out based on regular reviews of the performance of our investments.

The share of profits and losses attributable to the With-Profits Growth Fund and With-Profits Growth Pension Fund are set by the Society's Board each year with the advice of the With-Profits Actuary. We would generally expect these to be a small part of the overall return.

**Smoothing illustration – the diagram below shows how smoothing is applied to your investment**



## 6. WHAT DO MY CHARGES PAY FOR?

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The charges we deduct from your investment pay for the following costs.

- ▶ Those we incur in managing the with-profits funds.
- ▶ A share of the overheads of running our business.

A share of any profits or losses we make from these charges are included in the business profits and losses mentioned earlier and are included in the returns to with-profits customers.

Please refer to the Key Features Document and the Key Information Document for your plan for information on the charges and transaction costs applicable to your plan. These documents are available from your adviser or on our website at [www.wesleyan.co.uk/intermediaries/resources](http://www.wesleyan.co.uk/intermediaries/resources).

## 7. WHERE IS MY MONEY INVESTED?

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As the with-profits funds are designed as a long-term home for your money, we seek to generate the highest possible return subject to an appropriate level of risk. We do this by investing in a wide range of assets to spread the risk, but we place an emphasis on assets which we expect, over time, to provide a return above the rate of inflation. (Please see Question 9 for more on Wesleyan Assurance Society's financial strength.)

We apply a sustainable investing policy across all our directly managed funds which includes the Wesleyan With-Profits Funds. You can find more on our sustainable investing policy on our website at [www.wesleyan.co.uk/intermediaries/resources](http://www.wesleyan.co.uk/intermediaries/resources).

You can get up-to-date information on how the Funds are invested by contacting your adviser or by accessing the most up-to-date Fund factsheet which can be found at: [www.wesleyan.co.uk/intermediaries/resources](http://www.wesleyan.co.uk/intermediaries/resources).

## 8. WHAT RISKS COULD AFFECT PAYOUTS?

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The main risk to profits, and therefore your payout, arises from how our investments perform.

Other things that might put profits at risk include:

- ▶ the risk that the fund declines in size, resulting in our costs not being covered by our charges, and
- ▶ the risk that regulatory, government or tax changes impact on the returns.
- ▶ our expenses in managing our business increase by more than expected.

If we cannot meet our financial obligations to you, you may be entitled to compensation from the Financial Services Compensation Scheme (FSCS) under the Financial Services and Markets Act 2000. You can get details of the scheme from the FSCS at:

FSCS  
PO Box 300  
Mitcheldean  
GL17 1DY

Phone: 0800 678 1100 or 020 7741 4100.

Email: [enquiries@fscs.org.uk](mailto:enquiries@fscs.org.uk)

Website: [www.fscs.org.uk](http://www.fscs.org.uk)

## 9. HOW DO I BENEFIT FROM WESLEYAN ASSURANCE SOCIETY'S FINANCIAL STRENGTH?

We aim to ensure that we have more money than we expect will be needed to pay out on all of our current with-profits holdings. This margin is not owned by any particular customers. We aim to manage it so that we can:

- ▶ invest in assets that we hope will allow us to pay higher returns over time
- ▶ smooth out rises and falls in our returns when we determine payouts
- ▶ meet the guarantees that we offered on some older with-profits plans, even if our investments fall in value.

We see these benefits as the key components of what our With Profits Funds are about – growth prospects over the long term with the added benefit of smoothed payouts.

We are a financially strong company and our aim is to remain financially strong in the future. We monitor this strength to ensure it doesn't fall below an acceptable level. If it were to fall, we would look at how to rebuild it.

## 10. HOW DO I KEEP TRACK OF MY INVESTMENT?

Regular valuations are provided by your administration platform, and you can also get daily valuations from your online client portal. Speak to your adviser about how you can get access.

## 11. WHAT IF I CASH IN MY WITH-PROFITS INVESTMENT?

With-profits funds are designed for long-term investment but our products allow access to your money at any time without any penalties. Please note that there may be taxation issues to consider when withdrawing money from some types of products, and you may wish to seek advice before doing so.

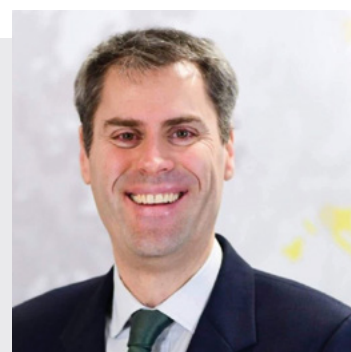
You may get back less than you paid in if you decide to cash in your investment, particularly when underlying asset values are low.

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The financial strength of the With-Profits Funds, and Wesleyan Assurance Society, enables the funds to hold a significant amount of equity and property investments to improve long-term return.

Mario Mazzocchi, Group Chief Executive

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## 12. WHERE CAN I FIND OUT MORE?

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- ▶ If you have any further questions about the information we have covered in this document, or if you would like further information about our with-profits funds, we suggest you contact your adviser in the first instance.
- ▶ Each year, we publish an annual report to policyholders which explains how we have acted to manage our with-profits fund during the year, and this can be viewed at [www.wesleyan.co.uk/intermediaries/resources](http://www.wesleyan.co.uk/intermediaries/resources).
- ▶ We also produce a more detailed guide about how we run the Fund. This is called 'Principles and Practices of Financial Management (Wesleyan Open Fund)' which can be found at [www.wesleyan.co.uk/intermediaries/resources](http://www.wesleyan.co.uk/intermediaries/resources).



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<sup>1</sup>'WESLEYAN' is a trading name of the Wesleyan Group of companies.

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