

produced in association with



understanding investment funds

This factsheet will give you a basic understanding of investment funds – however, your financial adviser will be able to tell you which investment vehicles will suit your own specific needs.

what are investment funds?

The majority of investors lack the time or experience to give a portfolio of Industrial shares the attention it demands. For such investors, investment funds, combined with the ‘know-how’ of a financial adviser can present a sound, individually tailored investment solution.

Investment funds offer the capability to achieve diversification across a range of investments by simply investing into one fund. This fund, under the supervision of a fund

manager, pools together money from many investors to collectively invest in a selection of stocks, bonds, properties or other financial instruments; ultimately providing a diversified investment.

Each investment fund has an objective outlining what it aims to achieve for its investors. This gives investors the ability to choose funds that are appropriate to the level of risk they are prepared to take. The objectives can be found on the fund factsheet or prospectus.

It is the fund manager’s job to create a portfolio that blends different types of shares, bonds and other financial instruments to achieve the objectives of the fund.

As with all investments of this nature, the most important thing to remember is that investment funds should be viewed as a long-term investment, meaning at least five years, but preferably longer.





types of investment funds

Equity funds

Equity funds invest in a diversified portfolio of shares of different companies and industries.

Depending on the investment strategy, some may only invest in large companies and some only in medium to small companies. There are also funds that will only invest in particular sectors, such as health and telecommunications – offering the investor a diversified investment into a particular industry.

Bond funds

In general terms bond funds invest in a diversified portfolio of fixed interest securities, for example, Government bonds and Corporate bonds. The securities within the fund will give the investor an income due to the coupons, or interest, paid out.

Funds that invest in Government bonds are generally considered to be less risky than funds investing in Corporate bonds. However, rates are not guaranteed, they can still go up as well as down.

Balanced funds

Balanced funds have the advantage of investing in a mixture of both equities and bonds. It would be common for a balanced fund to have the majority of the portfolio invested in a mixture of these assets, with the remainder held in other classes such as property and cash. However this varies depending on the objective of the fund.

It is important to be aware of the split between stocks and bonds in order to fully understand the risks and rewards inherent within a particular fund.

Specialist funds

Specialist funds invest in a specific sector of the economy. No matter which sector you are interested in investing in, chances are there is a fund that invests in it. Examples of sectors include: Health; Telecommunications; IT and Technology; Property; Natural Resources; etc.

Global funds

A truly diverse portfolio should take advantage of global diversification opportunities.

Global funds offer a convenient solution to achieve a geographically diverse portfolio.

If you do not have any specific preferences of countries or regions to invest in, global funds are the easiest way of 'going global'.

Emerging market funds

An emerging market fund invests in less developed countries that might, potentially, have very high economic growth. Examples are Brazil, Malaysia, Russia, Taiwan and also larger economies like China.

This high growth potential may be due to a number of factors, such as political and structural changes in the country, for example: privatisation; liberalisation of trade or better access to capital. The main risks on the other hand, are political instability and higher reliance on external capital. The financial markets in such countries can fluctuate quite dramatically. For a private investor it can be difficult to keep track of what is happening within these markets.

the innate diversification qualities of investment funds, combined with the 'know-how' of a financial adviser can present a sound, individually tailored investment solution.

risk and return

As with all investments, there is a degree of risk. Of course, investment funds can go down as well as up in value. It is important that the investor is

comfortable with an investment fund's risk profile and susceptibility for short-term volatility.

measuring performance

You can find performance figures in the financial press and increasingly, on the internet. These figures show cumulative performance for one year or even up to 10 years. Your adviser will also be able to provide you with fund performance information.

The performance of a fund is often compared to a benchmark index and/or with sector average performance.

Sector averages denote the average performance of all funds within that particular sector.

The performance and subsequent sector rank of a fund is an indicator of how good a fund is in comparison to funds with similar investment objectives, however, past performance is not a guide to future performance. Investing in funds is a long-term

investment and it is, therefore, more important to look for funds and fund managers that consistently out-perform the sector average over a sustained period of time. Remember, a fund may outperform its sector, but if the sector average is negative, the actual return on the fund could also be negative.

charges

An investor typically pays a management fee for these services of between 0.5% and 2% a year. On top of this they will also pay the fund's 'additional expenses' such as distribution fees and servicing costs. These two charges

combine to represent the Total Expense Ratio (TER), which is taken from your fund's performance on a daily basis, rather than an annual charge.

There may also be a product charge if purchased within a life product.

and finally...

There is no doubting that investment funds offer the potential for growth and a convenient way to diversify risk. However, with such a wide choice available, all with

varying performance, objectives and risk profiles – it's important to choose wisely.

To become adept at analysing investment funds and various

fund manager strategies, you must have a broad understanding of how investment works.

Your financial adviser will be able to recommend investment funds that are suitable for your own needs and that best fit your specific risk profile.

Issued by Skandia Life Assurance Company Limited.

This factsheet sets out the basics of investment funds. It is not designed to be investment advice and should be not be interpreted as such. Other factors may need to be taken into account before making an investment decision. Your financial adviser will be able to offer you advice on this.

The value of investment funds may fall as well as rise. Past performance is not a guide to the future.

Calls may be monitored and recorded for training purposes and to avoid misunderstandings.

Skandia Life Assurance Company Limited (an incorporated company limited by shares) Skandia MultiFUNDS Limited
Skandia Investment Management Limited

Registered numbers: 1363932, 1680071, 4227837 England Registered Office: Skandia House, Portland Terrace,
Southampton, SO14 7EJ, United Kingdom

All companies authorised and regulated by the Financial Services Authority FSA Register numbers: 110462, 165359, 208543

Royal Skandia Life Assurance Limited (an incorporated company limited by shares) Registered number: 24916

Registered and Head Office: Skandia House, King Edward Road, Onchan, Isle of Man, IM99 1NU, British Isles
Phone: +44 (0) 1624 655 555 Fax: +44 (0) 1624 611 715

Authorised by the Isle of Man Government Insurance and Pensions Authority Authorised and regulated by the Financial Services
Authority for business conducted in the UK. Some of the FSA's rules do not apply to non-UK based insurers.

FSA Register number: 142309

Skandia Life Ireland Limited Registered No: 309649 Ireland Registered Office: Arthur Cox Building, Earlsfort Terrace, Dublin 2, Ireland
Head Office address: Skandia Ireland, Regus House - 4th Floor, Harcourt Road, Dublin 2, Ireland. Skandia Life Ireland Limited is
regulated by the Irish Financial Services Regulatory Authority. Skandia Ireland products are only available in certain countries within
the European Economic Area.