

# YOUR GUIDE TO OUR FUNDS



**NFU Mutual**  
INSURANCE | PENSIONS | INVESTMENTS

# YOUR GUIDE TO OUR FUNDS

This guide is intended to introduce you to our funds and help you decide which ones may be suitable for you to invest in. We don't offer all of the funds on all of our products. The individual fund pages in this guide show for which products they are offered.

This guide helps you decide your attitude to investment risk and explains any risks that are specific to an individual fund. **You must also read the Key Features Document for the product you're buying together with the document entitled 'A Guide to Investing with NFU Mutual'.** These documents describe the product's aims, what you're committing to, any risks involved and how it works.

You may not be familiar with some of the words we use in the guide, so we've included a glossary at the back of the guide to help you.

You can get information about daily fund prices and current charges on our website [nfumutual.co.uk](http://nfumutual.co.uk). Fund prices and charges for the With-Profits Fund aren't available on the website, for details you can contact us on **0800 622323**.

## THIS GUIDE COVERS THE FOLLOWING PRODUCTS:

### Investments

- Capital Investment Bond
- Flexibond
- Capital Access Bond
- Shrewd Savings Plan ISA

### Pensions

- Group Personal Pension
- Managed Fund Plan
- Flexible Retirement Account
- Personal Pension Account
- Stakeholder Pension Plan
- Trustee Investment Plan

This guide doesn't cover the My Investments Select ISA, Select Junior ISA, Select Investment Plan, and Select Pension Plan.

For the products not covered in this guide please refer to the relevant Key Features Documents available on our website at [nfumutual.co.uk/myi](http://nfumutual.co.uk/myi) and the Investor Information Documents that are available at [nfumutual.co.uk/investments/fund-centre](http://nfumutual.co.uk/investments/fund-centre).

If you would like information about any of these products, please ask your NFU Mutual Financial Adviser.

Or you can:



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# CONTENTS

2	HOW DO I DECIDE WHICH FUNDS TO INVEST IN?
3	UNDERSTANDING INVESTMENT RISK
5	DEPOSIT FUND
6	CAPITAL ACCESS BOND
7	FIXED INTEREST FUND
8	INDEX LINKED FUND
9	WITH-PROFITS FUND
13	MIXED PORTFOLIO 20-60% SHARES FUND
15	MIXED PORTFOLIO 40-85% SHARES FUND
17	UK EQUITY INCOME FUND
18	UK EQUITY FUND
19	PROPERTY FUND
20	MIXED PORTFOLIO MAX 100% SHARES FUND
21	INTERNATIONAL FUND
22	GLOSSARY

# HOW DO I DECIDE WHICH FUNDS TO INVEST IN?

The funds you choose will depend on your attitude to risk and return. Quite simply, the more risk you're willing to take, the greater your potential for higher returns, but there's also a greater chance of losing money or seeing a change in any income you receive.

- Your fund choice will also depend on whether you want growth on your investment or income from your money. For example you may want a regular investment income to top up your income if you no longer receive a wage.
- The length of time you plan to invest for should influence your attitude to risk, and therefore your potential return. For example, if you wish to invest for 25 years you may be willing to take on more risk for a potentially higher return. But if you're only looking to invest for 5 years, you may be looking for a lower risk investment.
- In the following pages we will help you decide which risk category you fit into. The aim is to help you decide how you look at risk and your goals for investing your money. It's important that you think carefully about the different risks outlined and decide which risk category best suits your circumstances.

- Each of the funds covered in this guide fits into one of the 6 risk categories. Throughout the guide we've grouped the funds into their corresponding risk categories, starting off with the lowest risk level 1 category and moving on to the high level 6 risk category.
- We review the risk categories of our funds from time to time. It's possible that a fund could move to a higher or lower risk category in the future.
- Your own circumstances will also change over time. It's important to review your investments regularly, to make sure they remain compatible with your aims and your attitude to risk.

It's a fact that the potential for higher returns is usually accompanied by a higher level of risk. Although there are no totally 'risk-free' investments available, some are safer than others. These range from lower risk cash deposits to higher risk International Funds and individual **stocks** and **shares**. It's important to remember that any investment involves some form of risk.

# UNDERSTANDING INVESTMENT RISK

Which of the following risk levels best describes your attitude towards investing?

## RISK LEVEL ONE

**1** You are not prepared to take any risk with your investments and would rather keep your money in cash deposits.

**2** What does this mean for potential investment growth?

**3** You accept the potential for growth is low and that the growth may not keep pace with inflation.

**4** You take no investment risk, choosing investments that are unlikely to fall in value and lose money.

**5** How long do you intend to invest for?

**6** You might need to access any investment within five years, possibly at short notice.

What type of investment would you make?

You prefer to have no exposure to shares, accepting the impact this has on potential for growth.

What level of investment knowledge do you need?

An investor in this risk level is typically someone who does not need knowledge of investments.

What type of investment would you make?

You are comfortable with around 40% of your capital being invested in equities (UK or Global) and the rest in lower risk investments such as **cash** and fixed interest.

What level of investment knowledge do you need?

An investor in this risk level is typically someone who has some knowledge of the most popular types of investments.

## RISK LEVEL THREE

**1** You are prepared to take limited risk with some of your investments for the potential of reasonable levels of growth.

**2** What does this mean for potential investment growth?

**3** You want higher growth than is typically on offer with deposit accounts but accept high returns are unlikely. You take limited risk when investing, choosing investments that fluctuate in value, but avoid investments that can lead to large losses.

**4** How long do you intend to invest for?

**5** You can invest for the longer term, say five years or more, and do not expect you will have to sell your investments earlier.

**6** What type of investment would you make?

You are comfortable with around 60% of your capital being invested into equities (UK or Global) and the rest in lower risk investments such as cash and fixed interest.

What level of investment knowledge do you need?

An investor in this risk level is typically someone who has a good level of knowledge of the most popular types of investments.

## RISK LEVEL TWO

**1** You are prepared to take very limited risk with your investments to achieve some growth.

**2** What does this mean for potential investment growth?

**3** You accept the potential for growth is low but want the potential to outperform deposit accounts and keep pace with inflation.

**4** You take very limited risks when investing, choosing investments that fluctuate in value but where losses are small.

**5** How long do you intend to invest for?

**6** You can invest for the longer term, say five years or more, and do not expect you will have to sell your investments earlier.

## RISK LEVEL FOUR

1	You are prepared to take a medium level of risk with your investments for the potential of higher growth.
2	
3	What does this mean for potential investment growth?
4	You want much higher growth than is typically on offer with deposit accounts, with potential for high returns
5	You take a medium level of risk when investing, choosing investments that fluctuate in value, but try to limit the risk of significant losses.
6	

### How long do you intend to invest for?

You can invest for the longer term, say five years or more, and do not foresee needing to sell your investments earlier.

### What type of investment would you make?

You are comfortable with around 80% of your capital being invested into equities (UK or Global) and the rest in lower risk investments such as fixed interest.

### What level of investment knowledge do you need?

An investor in this risk level is typically someone who has a good level of knowledge of stock market investments.

### What type of investment would you make?

You are comfortable investing all of your capital into equities (UK or Global).

### What level of investment knowledge do you need?

An investor in this risk level is typically someone who has a high level of knowledge or experience of stock market investments

## RISK LEVEL SIX

1	You are prepared to take very high risks with your investments to maximise potential growth.
2	
3	What does this mean for potential investment growth?
4	You want the potential to maximise returns and are willing to accept very high levels of risk. You take very high risks when investing, choosing investments that see significant fluctuations in value and lose money.
5	
6	

### How long do you intend to invest for?

You can invest for the longer term, say five years or more, and do not foresee needing to sell your investments earlier.

### What type of investment would you make?

You are comfortable investing all your capital into equities, potentially focussing on high risk areas such as small or new companies and those in **emerging markets**.

### What level of investment knowledge do you need?

An investor in this risk level is typically someone who has very good knowledge or experience of stock market investments.

## RISK LEVEL FIVE

1	You are prepared to take a high level of risk with your investments for the potential of significantly higher growth.
2	
3	What does this mean for potential investment growth?
4	You want significantly higher growth than is typically on offer with deposit accounts with potential for high returns.
5	You take a high level of risk when investing, choosing investments that can fall sharply in value and lose money.
6	

### How long do you intend to invest for?

You can invest for the longer term, say five years or more, and do not foresee needing to sell your investments earlier.

# DEPOSIT FUND – RISK LEVEL ONE

1

## INVESTMENT OBJECTIVE

To provide capital stability and a return, before charges, greater than the Bank of England base rate over a rolling 12-month period, by investing in secure UK money market accounts.

2

3

4

5

## INVESTMENT POLICY

The fund will invest 100% in Sterling denominated assets which may include Cash, Deposits, Money Market Instruments and UK government bonds with shorter maturities. Investment decisions will be made based on short-term (up to 1 year) return expectations. No more than 20% of the fund will be invested with one financial institution.

6

## FUND SPECIFIC RISKS

### Charges risk

When interest rates are low, the charges can be higher than the growth.

### Inflation rate risk

When inflation is greater than the returns achieved by the Fund the purchasing power of your capital can be eroded.

### Interest rate changes risk

Changes in interest rates will affect interest paid on deposits in **UK money market accounts**. When interest rates are low, the returns generated by the fund may be less than the fees and charges associated with the product you are invested in and the value of your investment could decline.

### Money market insolvency risk

The fund invests in money market assets, which includes deposits in banks and other financial institutions. If any of these get into financial difficulties or become insolvent, they may not pay back some or all of the amount invested in them. This could mean that you might not get back the full value of your investment.

## PRODUCTS OFFERING THIS FUND

### Investments

- Capital Investment Bond\*\*
- Flexibond

### Pensions

- Group Personal Pension Plan
- Managed Fund Plan\*
- Flexible Retirement Account\*\*
- Personal Pension Account\*
- Stakeholder Pension Plan
- Trustee Investment Plan

\* Only accepts additional investments from investors into their existing bond/plan.

\*\* Only fund switches can be made by investors to their existing plan.

# CAPITAL ACCESS BOND – RISK LEVEL ONE (CLOSED TO NEW INVESTORS)

1

## INVESTMENT OBJECTIVE

Capital Access Bond is a with-profits investment. We aim to increase the value of your investment by adding regular bonuses.

2

3

4

## INVESTMENT POLICY

We invest your money, together with that of all our Capital Access Bond policyholders, mainly in **cash** and **floating rate securities**. Whilst the mix of assets may change over time, it is likely that the assets will continue to be mainly invested in low risk assets.

5

6

## BONUS POLICY

Every day we add an interim bonus to your investment. The bonus added will depend upon the return on the assets we invest in less the costs of selling and administering the policies. Once a year we review the interim bonuses and add a final bonus that replaces all the interim bonuses for that year. Normally the final bonus is the sum of all the interim bonuses but it can be lower (for example if the performance of the assets is not as we expected). Once we have added a final bonus it cannot be taken away. No terminal bonus is payable.

Larger policies may receive higher bonus rates than smaller policies because the administration costs associated with larger policies are a smaller proportion of the investment compared to smaller policies. The bonus rate will always be greater than or equal to zero. The latest bonus rates are available on our website, [nfumutual.co.uk](http://nfumutual.co.uk)

## FUND SPECIFIC RISKS

**Because the Capital Access Bond is a low risk investment, the return on your investment may not keep pace with inflation.**

You will always get your full investment back when you want to access your money. There are no penalties. You will get back the amount you have paid, plus any final bonuses added and any interim bonuses added since the last final bonus date, less any withdrawals you have made.

**The Capital Access Bond is a stand-alone product.**

## More information

There's more detail on how we manage our with-profits business in the Principles and Practices of Financial Management available on our website, [nfumutual.co.uk](http://nfumutual.co.uk)



# FIXED INTEREST FUND – RISK LEVEL TWO

1  
2  
3  
4  
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6

## INVESTMENT OBJECTIVE

To achieve a combination of income and capital growth which results in a total return, net of fees, greater than that of the Composite Benchmark (65% Markit iBoxx £(GBP) Corporate Index and 35% FTSE Actuaries UK Conventional Gilts All Stocks Index) over a rolling 5-year period, by investing in fixed interest investments.

## INVESTMENT POLICY

The fund will invest at least 80% and up to 100% in corporate and government debt (bonds), both UK and international, that have investment grade credit ratings.

Investment decisions will be made based on long-term (5 years +) expectations of performance including bonds issued by high-quality companies and highly rated governments.

The fund may also invest up to 20% in lower credit rated corporate debt (bonds), Transferable Securities, Collective Investment Schemes (including other funds managed by NFU Mutual), Money Market Instruments, Deposits, Cash and Near Cash.

## FUND SPECIFIC RISKS

### Credit risk

The risk that the issuers of **fixed and floating rate securities** may default on their capital repayment and/or interest payment obligations. In addition to the risk of the issuer defaulting on payment, the potential or actual downgrading of the credit rating of an issuer may increase the level of perceived risk, and may impact the performance of the fund.

### Inflation rate risk

The fund's investment returns may not keep pace with inflation.

### Interest rate changes risk

Changes in interest rates may have a significant impact on the performance of the fund. When interest rates fall the value of the fund's investments in **fixed interest rate securities** can be expected to rise, and when interest rates rise the value of those investments can be expected to fall.

### Market movements risk

The value of assets held in the fund may go down if investment markets fall.

## PRODUCTS OFFERING THIS FUND

### Investments

- Capital Investment Bond\*\*
- Flexibond

### Pensions

- Group Personal Pension Plan
- Managed Fund Plan\*
- Flexible Retirement Account\*\*
- Personal Pension Account\*
- Stakeholder Pension Plan
- Trustee Investment Plan

\* Only accepts additional investments from investors into their existing bond/plan.

\*\* Only fund switches can be made by investors to their existing plan.

# INDEX LINKED FUND – RISK LEVEL THREE

1

## INVESTMENT OBJECTIVE

2

To achieve a combination of income and capital growth which results in a total return, net of fees, greater than that of the FTSE Actuaries Index-Linked Gilts All Stocks Index over a rolling 5-year period, by investing in index-linked investments.

3

4

5

6

## INVESTMENT POLICY

The fund will invest at least 95% in sterling denominated (or hedged back to sterling) index-linked government or government backed debt (bonds) with a rating the same or higher than that of the UK, with at least 80% in UK index-linked government bonds.

Investment decisions will be made based on long-term (5 years +) expectations of performance.

The fund may also invest up to 5% in corporate bonds, other Transferable Securities, Collective Investment Schemes (including other funds managed by NFU Mutual), Money Market Instruments, Deposits, Cash and Near Cash.

## FUND SPECIFIC RISKS

### Credit risk

The risk that issuers of **index-linked securities** may default on their payment obligations.

### Inflation rate risk

While the fund's returns may keep pace with inflation over the long term, this is not guaranteed.

### Interest rate changes risk

**Index-linked securities** held by the fund will be affected by general changes in interest rates. When interest rates fall the value of the fund's investments in **index-linked securities** can be expected to rise, and when interest rates rise the value of those investments can be expected to fall.

### Market movements risk

The value of assets held in the fund may go down if investment markets fall.

## PRODUCTS OFFERING THIS FUND

### Pensions

- Group Personal Pension Plan
- Managed Fund Plan\*
- Personal Pension Account\*
- Stakeholder Pension Plan
- Trustee Investment Plan

\* Only accepts additional investments from investors into their existing bond/plan.

# WITH-PROFITS FUND – RISK LEVEL THREE

1  
2  
3  
4  
5  
6

## INVESTMENT OBJECTIVE

We invest your money with the aim of achieving long-term growth. Returns on your investment are smoothed out over time, as we keep back some of the growth from good years to boost returns in poor years. This is achieved through the way we apply bonuses to the with- profits investments. Although returns are smoothed, values can still change sharply so it's not suitable as a short-term investment. A minimum 10 year investment is required for the Personal Pension Account and a minimum 5 year investment is recommended for other products.

## INVESTMENT POLICY

We invest your money, together with that of all of our with-profits policyholders, in a wide range of investments including **shares, commercial property, cash, fixed interest rate and index-linked securities**. Higher risk assets, such as **shares** and property, offer the potential for higher returns over the long term than lower risk assets such as **cash** and **bonds**. Currently we invest a significant proportion of the With-Profits Fund in **shares** and property in order to try and increase returns for our with-profits policyholders. The mix of assets is managed and regularly monitored by our investment team. Our With-Profits Committee set the minimum and maximum amounts that can be invested in each type of asset.

## BONUS POLICY

At least once a year we decide whether we can add an annual bonus, and if so how much. We don't guarantee the size of future bonuses because they depend on any future profits we might make. We may have to cut bonus rates in future and there is no guarantee that an annual bonus will be added each year.

If we decide to add an annual bonus, for Flexibond, Shrewd Savings Plan ISA and the Personal Pension Account, we increase the price of the With-Profits Fund units. For the Group Personal Pension Plan, we add bonus units to your pension plan.

The latest annual bonus rates are available on our website, [nfumutual.co.uk](http://nfumutual.co.uk)

When you cash in units, take pension benefits or transfer some of your investment from the With-Profits Fund, we may add a final bonus to reflect the overall growth in your share of the fund.

The level of final bonus can go up and down and there is no guarantee that any final bonus will be added. Currently we set final bonus levels twice a year, or more often if investment conditions change significantly from what we were expecting.

## FUND SPECIFIC RISKS

### Important information about the market value reduction (MVR)

When you take money out of the With-Profits Fund or transfer into one of our other funds, we may have to reduce the value of your With-Profits Fund units by applying an MVR. The aim of the MVR is to ensure that people who leave their money invested in poor years do not lose out because other people take their money out of the With-Profits Fund.

For example, an MVR might be applied:

- after a large fall in the stock market.
- after a sustained period of low investment returns.
- when the stock market is at a low level relative to when your investment was made.

If you have a guarantee that no MVR will apply on your policy on a certain date, the minimum amount you will receive is the value of your With-Profits Fund units including all regular bonuses that have been added to your policy. You may not receive the full value of your With-Profits Fund units at other times.

# WITH-PROFITS FUND – RISK LEVEL THREE (continued)

**For the Flexibond we guarantee that the MVR will not apply:**

- for single life bonds, on the death of the person whose life is insured.
- for joint life bonds, after the deaths of both people whose lives are insured.
- on regular withdrawals of up to 10% (of the original investments) per policy year.

**For the Shrewd Savings Plan ISA, we guarantee that the MVR will not apply:**

- on your death.

**For the Personal Pension Account we guarantee that the MVR will not apply:**

- on your target pension date. This date is specified in the schedule to the policy document as the date on which benefits become payable.
  - your target pension date must be at least ten years after the date you last invested a lump sum payment, started or increased a regular payment, redirected or switched money into the With-Profits Fund. If you change your target pension date, the change must occur at least one year ahead of your new target pension date.
  - you can change your target pension date at any time – however, the new earlier pension date must be at least ten years after the date you last invested a lump sum payment, started or increased a regular payment, redirected or switched money into the With-Profits Fund. If you change your target pension date, the change must occur at least one year ahead of your new target pension date.
  - if you decide not to take your pension benefits when you reach your target pension date, we will automatically extend your target pension date by one year and the MVR won't apply on your new later target pension date.

- on your early retirement before age 55 due to serious ill health.
- on switching out of the With-Profits Fund as part of lifestyle switching.
- on your death.
- to pay deductions for any charges.

If you buy your pension income, switch money out of the With-Profits Fund or transfer your plan in the three years before your target pension date and the MVR applies at that time, it's our current practice to smooth in the MVR. This has the effect of gradually reducing the amount of MVR that is applied, from 100% of the standard MVR at three years before your target pension date to nil on your target pension date. This is so that you have some protection from the MVR as you get close to your planned retirement.

**For the Group Personal Pension Plan we guarantee that the MVR will not apply:**

- on your death.
- on your target pension date. This date is specified in the schedule to the policy document of a unitised with-profits pension policy, as the date on which benefits become payable. You can change your target pension date at any time – however, if you are invested in the With-Profits Fund, the new retirement date must be at least 5 years after the date the change is made.

If you buy your pension income, switch money out of the With-Profits Fund or transfer your plan in the three years before your target pension date and the MVR applies at that time, it's our current practice to smooth in the MVR. This has the effect of gradually reducing the amount of MVR that is applied, from 100% of the standard MVR at three years before your target pension date to nil on your target pension date. This is so that you have some protection from the MVR as you get close to your planned retirement.

# WITH-PROFITS FUND – RISK LEVEL THREE (continued)

## How does the MVR work?

When you invest in the With-Profits Fund we create two types of unit for you.

**With-Profits Fund units** – the value of With-Profits Fund units may grow by bonuses being added.

**Shadow Fund units** – these represent your share of the With-Profits Fund after the charges applied to your policy. The value of these units goes up and down with the value of the underlying investments.

Our aim when setting final bonus rates is to pay out, on average, the value of the Shadow Fund units when monies leave the With-Profits Fund.

However if no final bonus is payable and if the value of your Shadow Fund units is lower than the value of your corresponding With-Profits Fund units then, if we pay the full value of the With-Profits Fund units, we would have paid you more than your underlying investment is really worth. The MVR ensures we don't pay out too much to people who cash in at such times, so that people who remain invested in the With-Profits Fund do not lose out.

We don't currently use the MVR unless the value of your Shadow Fund units is less than 90% of the value of your corresponding With-Profits Fund units.

If the value of your Shadow Fund units is 85% or less than the value of your corresponding With-Profits Fund units, we will pay you the value of the Shadow Fund units.

If the value of your Shadow Fund units is between 85% and 90% of the value of your corresponding With-Profits Fund units, we will pay you an amount between the value of the Shadow Fund units and the value of the With-Profits Fund units.

We can change the 'trigger points' of 85% and 90%. We will notify you as soon as reasonably practical after we make the change.

Each lump sum payment, or series of regular payments, you make is treated separately for this calculation.

The following examples apply to Flexibond and Shrewd Savings Plan ISA:

### Example 1:

Value of With-Profits Fund units = £100,000

Value of Shadow Fund units = £90,000

We will not use the MVR in this example, as the value of the Shadow Fund units is not less than 90% of the value of the With-Profits Fund units. So we would pay you £100,000 if you cashed in your With- Profits Fund units.

### Example 2:

Value of With-Profits Fund units = £100,000

Value of Shadow Fund units = £85,000

We will use the MVR in full in this example, as the value of the Shadow Fund units is 85% of the value of the With-Profits Fund units. So we would pay you £85,000 if you cashed in your With-Profits Fund units.

### Example 3:

Value of With-Profits Fund units = £100,000

Value of Shadow Fund units = £87,500

The value of the Shadow Fund units is half way between 85% and 90% of the value of the With-Profits Fund units, so the effect of the MVR is reduced by half:  $\frac{£12,500}{2} = £6,250$ . We would pay you £93,750 if you cashed in your With-Profits Fund units.

For the pension plans offering this fund (Personal Pension Account, Group Personal Pension Plan) the above examples apply more than 3 years from your target pension date and the cash values represent the amount available to buy your pension benefits.

# WITH-PROFITS FUND – RISK LEVEL THREE (continued)

The following example is for pension plans within 3 years of your target pension date:

## **Example 4 – 18 months from your target pension date:**

Value of With-Profits Fund units = £100,000

Value of Shadow Fund units = £87,500

Effect of standard MVR = £6,250

Actual reduced MVR as 18 months from target pension date = £3,125

Value after MVR = £96,875

We will use a reduced MVR in this example, as this is within 3 years of your target pension date. The effect of the MVR is reduced by half because 18 months is half way through the 3 year period:  $£6,250/2 = £3,125$ . So the amount available to buy your pension benefits would be £96,875.

## **OTHER RISKS**

A with-profits policy shares in the profits and losses of the With-Profits Fund. As well as depending upon investment returns, the performance of the With-Profits Fund is also affected by other risks. These risks may change over time but currently the other major risks facing the With-Profits Fund as a whole are:

- The cost of guarantees made on some with-profits policies being greater than expected.
- Losses on our non-profit business (such as claims being more than expected).
- Expenses being higher than planned.

Our Board of Directors is responsible for actively managing any risks to the With-Profits Fund.

The **estate** will normally absorb any profits or losses that arise from the risks the With-Profits Fund runs. However as a mutual organisation, with no shareholders, any losses (or profits) may ultimately be borne by (or credited to) the with-profits policyholders.

## **PRODUCTS OFFERING THIS FUND**

### **Investments**

- Capital Investment Bond\*\*
- Flexibond
- Shrewd Savings Plan ISA

### **Pensions**

- Personal Pension Account\*
- Group Personal Pension Plan

\* Only investors with regular payments into this fund can continue to invest in this fund. This regular payment cannot be increased.

\*\* Only fund switches can be made by investors to their existing plan.

### **More information**

There's more detail on how we manage our with-profits business in the Principles and Practices of Financial Management available on our website, [nfumutual.co.uk](http://nfumutual.co.uk)

# MIXED PORTFOLIO 20-60% SHARES

## FUND – RISK LEVEL THREE

1	<b>INVESTMENT OBJECTIVE</b>	The Fund may use <b>financial derivatives</b> but only for the purpose of <b>efficient portfolio management</b> to reduce risk and cost in the Fund, including through <b>hedging</b> (to manage currency exposure) or to generate extra income or growth in line with the risk profile of the Fund. Where the Fund invests in funds managed by other managers, those other funds may use derivatives for investment purposes, but such use is expected to be minimal.
2	To provide capital growth and income (net of fees) over the long term (a period of at least 5 years)	
3	<b>INVESTMENT POLICY</b>	The Fund is actively managed. The mix of investment types will be managed and regularly monitored by our investment team.
4	The Fund invests in the NFU Mutual Portfolio Funds OEIC Mixed Portfolio 20-60% shares Fund, managed by N.F.U. Mutual Unit Managers Limited. This Fund invests up to 100% of its assets in other funds. The other funds invested in may be funds managed by N.F.U. Mutual or third-party managers. The other funds may be actively managed or may be passively managed (that is funds which track or are closely linked to the performance of a market index) and no more than half of the assets will be invested in passive funds.	<b>FUND SPECIFIC RISKS</b>
5	Through its investment in other funds, the Fund will have an exposure to the following asset classes: <b>shares</b> of companies ( <b>equities</b> ) and between 20-60% of the assets of the Fund will be in <b>equities</b> . At least 30% of Fund exposure will be to fixed income securities (such as <b>bonds</b> ), money market instruments and <b>cash</b> and <b>near cash</b> . The Fund can also invest indirectly in property through other funds which gain exposure to property related securities and through <b>shares</b> , including in <b>real estate investment trusts</b> (REITs) and may also seek exposure to <b>alternative assets</b> (such as infrastructure) through its equity investment.	<b>Credit risk</b> The risk that the issuers of <b>fixed income stocks</b> may default on their payment obligations.
6	The <b>shares</b> which can be invested in by the Fund can be of companies anywhere in the world and in any sector. The fixed income securities and money market instruments which can be held may be issued by companies, governments, government agencies and international organisations (such as the European Investment Bank) anywhere in the world. They can be <b>investment grade</b> (meet a certain level of credit rating by a credit rating agency) or they may be sub-investment grade or unrated (and hence more likely to fail than <b>investment grade</b> bonds).	<b>Currency exchange rates risk</b> Values can go up and down due to changes in currency exchange rates. <b>Interest rate changes risk</b> The fund will be affected by general changes in interest rates. When interest rates fall the value of the fund's investments in <b>fixed income stocks</b> can be expected to rise, and when interest rates rise the value of those investments can be expected to fall. <b>Inflation rate risk</b> The fund's investment returns may not keep pace with inflation. <b>Investment in emerging markets risk</b> Investment values can move sharply down or up, as <b>emerging markets</b> tend to be smaller, less <b>liquid</b> , less regulated and less developed. <b>Market movements risk</b> The value of assets held in the fund may go down if investment markets fall. The fund may invest up to 60% in UK and international <b>Shares</b> . <b>Investment in smaller companies risk</b> The market for these is smaller than for larger companies, and they may be less <b>liquid</b> so price changes may be greater.

# MIXED PORTFOLIO 20-60% SHARES FUND – RISK LEVEL THREE (continued)

## PRODUCTS OFFERING THIS FUND

### Investments

- Flexibond

### Pensions

- Managed Fund Plan\*
- Flexible Retirement Account\*\*
- Personal Pension Account\*
- Trustee Investment Plan

\* Only accepts additional investments from investors into their existing bond/plan.

\*\* Only fund switches can be made by investors to their existing plan.



# MIXED PORTFOLIO 40-85% SHARES

## FUND – RISK LEVEL FOUR

1

### INVESTMENT OBJECTIVE

To provide capital growth and income (net of fees) over the long term (a period of at least 5 years).

2

3

### INVESTMENT POLICY

4

The Fund invests up to 100% of its assets in other funds. The other funds invested in may be funds managed by NFU Mutual or third-party managers. The other funds may be actively managed or may be passively managed (that is funds which track or are closely linked to the performance of a market index) and no more than half of the assets will be invested in passive funds.

Through its investment in other funds, the Fund will have an exposure to the following asset classes: **shares** of companies (equities), fixed income securities (such as **bonds**), money market instruments and **cash** and **near cash**. Between 40-85% of the assets of the Fund will be in **equities**. The Fund can also invest indirectly in property through other funds which gain exposure to property related securities and through **shares**, including in **real estate investment trusts** (REITs) and may also seek exposure to **alternative assets** (such as infrastructure) through its equity investment.

The **shares** which can be invested in by the Fund can be of companies anywhere in the world and in any sector. The fixed income securities and money market instruments which can be held may be issued by companies, governments, government agencies and international organisations (such as the European Investment Bank) anywhere in the world. They can be **investment grade** (meet a certain level of credit rating by a credit rating agency) or they may be sub-investment grade or unrated (and hence more likely to fail than **investment grade** bonds).

The Fund may use **financial derivatives** but only for the purpose of **efficient portfolio management** to reduce risk

and cost in the Fund, including through **hedging** (to manage currency exposure) or to generate extra income or growth in line with the risk profile of the Fund. Where the Fund invests in funds managed by other managers, those other funds may use derivatives for investment purposes, but such use is expected to be minimal.

The Fund is actively managed. The mix of investment types will be managed and regularly monitored by our investment team.

### FUND SPECIFIC RISKS

#### Credit risk

The risk that the issuers of **fixed interest rate** or **index-linked securities** may default on their payment obligations.

#### Currency exchange rates risk

Values can go up and down due to changes in currency exchange rates.

#### Inflation rate risk

While the fund's returns may keep pace with inflation over the long term, this is not guaranteed.

#### Interest rate changes risk

**Gilts** and **corporate bonds** held by the fund will be affected by general changes in interest rates. When interest rates fall the value of the fund's investments in **fixed interest rate securities** can be expected to rise, and when interest rates rise the value of those investments can be expected to fall.

#### Investment in emerging markets risk

Investment values can move sharply down or up, as **emerging markets** tend to be smaller, less **liquid**, less regulated and less developed.

#### Market movements risk

The value of assets held in the fund may go down if investment markets fall.

#### Investment in smaller companies risk

The market for these is smaller than for larger companies, and they may be less **liquid** so price changes may be greater.

# MIXED PORTFOLIO 40-85% SHARES FUND – RISK LEVEL FOUR (continued)

## PRODUCTS OFFERING THIS FUND

### Investments

- Capital Investment Bond\*\*
- Flexibond

### Pensions

- Group Personal Pension Plan
- Managed Fund Plan\*
- Flexible Retirement Account\*\*
- Personal Pension Account\*
- Stakeholder Pension Plan
- Trustee Investment Plan

\* Only accepts additional investments from investors into their existing bond/plan.

\*\* Only fund switches can be made by investors to their existing plan.

# UK EQUITY INCOME FUND – RISK LEVEL FIVE

1

## INVESTMENT OBJECTIVE

To produce an income in excess of the FTSE All-Share Index with some capital growth which results in a total return, net of fees, greater than that of the FTSE All-Share Index over a rolling 5-year period, by investing in UK equities.

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## INVESTMENT POLICY

The fund will invest at least 80% and up to 100% in a diversified portfolio of company shares (equities) domiciled in the UK (or whose business activities are predominantly in the UK/the majority of their revenue is derived from the UK but which are domiciled or quoted on a market outside the UK).

The shares held can be from companies in any sector and of any size, including smaller companies and up to 10% in Alternative Investment Market (AIM) shares which may be less liquid and subject to greater price changes.

Investment decisions will be made based on long-term (5 years +) expectations of performance and stability with a bias towards stocks with the potential to deliver above average and/or growing dividend income.

The fund may also invest up to 20% in other Transferable Securities, Money Market Instruments, Collective Investment Schemes (including other funds managed by NFU Mutual), Deposits, Cash and Near Cash.

6

## FUND SPECIFIC RISKS

### Inflation rate risk

While the fund's returns may keep pace with inflation over the long term, this is not guaranteed.

### Market movements risk

The value of assets held in the fund may go down if investment markets fall.

### Investment in smaller companies risk

The market for these is smaller than for larger companies, and they may be less **liquid** so price changes may be greater.

## PRODUCTS OFFERING THIS FUND

### Investments

- Flexibond

### Pensions

- Managed Fund Plan\*
- Personal Pension Account\*
- Trustee Investment Plan

\* Only accepts additional investments from investors into their existing bond/plan.

# UK EQUITY FUND – RISK LEVEL FIVE

1	<b>INVESTMENT OBJECTIVE</b>		<b>FUND SPECIFIC RISKS</b>
2			<b>Inflation rate risk</b>
3			While the fund's returns may keep pace with inflation over the long term, this is not guaranteed.
4			<b>Market movements risk</b>
5	<b>INVESTMENT POLICY</b>		The value of assets held in the fund may go down if investment markets fall.
6			<b>Investment in smaller companies risk</b>
			The market for these is smaller than for larger companies, and they may be less <b>liquid</b> so price changes may be greater.
			<b>PRODUCTS OFFERING THIS FUND</b>
			<b>Investments</b>
			• Capital Investment Bond**
			• Flexibond
			<b>Pensions</b>
			• Group Personal Pension Plan
			• Managed Fund Plan*
			• Personal Pension Account*
			• Stakeholder Pension Plan
			• Trustee Investment Plan
			* Only accepts additional investments from investors into their existing bond/plan.
			** Only fund switches can be made by investors to their existing plan.

To achieve a combination of capital growth and income which results in a total return, net of fees, greater than that of the FTSE All-Share Index over a rolling 5-year period, by investing in UK equities.

## INVESTMENT POLICY

The fund will invest at least 80% and up to 100% in a diversified portfolio of company shares (equities) domiciled in the UK (or whose business activities are predominantly in the UK/the majority of their revenue is derived from the UK but which are domiciled or quoted on a market outside the UK).

The shares held can be from companies in any sector and of any size, including smaller companies and up to 10% in Alternative Investment Market (AIM) shares which may be less liquid and subject to greater price changes.

Investment decisions will be made based on long-term (5 years +) expectations of performance with a bias towards stocks with the potential to generate above average earnings growth.

The fund may also invest up to 20% in other Transferable Securities, Money Market Instruments, Collective Investment Schemes (including other funds managed by NFU Mutual), Deposits, Cash and Near Cash.

# PROPERTY FUND – RISK LEVEL FIVE

1

## INVESTMENT OBJECTIVE

To achieve income and capital growth which results in a total return, net of fees, greater than that of the FTSE EPRA Nareit UK Index over a rolling 5-year period, by investing in UK property shares.

2

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## INVESTMENT POLICY

The fund will invest at least 80% and up to 100% in a focused portfolio (between 20 and 40 holdings) of Real Estate Investment Trusts (REITs) and listed property companies (represented principally by shares listed on the London Stock Exchange) which are domiciled, incorporated or do the predominant amount of their business in the UK.

Investment decisions will be made based on long-term (5 years +) expectations of performance.

The fund may also invest up to 20% in other Transferable Securities, Money Market Instruments, Collective Investment Schemes (including other funds managed by NFU Mutual), Deposits, Cash and Near Cash and fixed interest investments when the fund manager believes it is in the interests of the fund to do so.

The fund will invest at least 80% in GBP investments, but should any foreign currency exposure arise it may at the discretion of the manager be hedged back to GBP.

## FUND SPECIFIC RISKS

### Concentrated portfolio risk

The fund may invest in a small number of **stocks** from a limited number of companies, or may invest heavily in specific types of companies, sectors or regions. This is riskier than investing from a wider range of companies, sectors or regions.

### Interest rate changes risk

Property company **share** values will move significantly with major changes in interest rates, as expectations of future profitability vary.

### Inflation rate risk

While the fund's returns may keep pace with inflation over the long term, this is not guaranteed.

### Liquidity risk

Although the fund will invest in readily saleable investments, there's no guarantee the fund will be able to sell such investments quickly, or at a price which reasonably reflects the underlying value of the investments.

### Market movements risk

The value of assets held in the fund may go down if investment markets fall.

### Property risk (bricks and mortar)

Sometimes properties aren't easy to sell, so we may need to delay cashing in or switching units for up to 12 months. The value of property depends on the individual views of the valuers.

### Investment in smaller companies risk

The market for these is smaller than for larger companies, and they may be less **liquid** so price changes may be greater.

## PRODUCTS OFFERING THIS FUND

### Pensions

- Group Personal Pension Plan
- Managed Fund Plan\*
- Personal Pension Account\*
- Stakeholder Pension Plan
- Trustee Investment Plan

\* Only accepts additional investments from investors into their existing bond/plan.

# MIXED PORTFOLIO MAX 100% SHARES FUND – RISK LEVEL FIVE

1  
2  
3  
4  
5  
6

## INVESTMENT OBJECTIVE

To provide capital growth (net of fees) over the long term (a period of at least 5 years).

## INVESTMENT POLICY

The Fund invests up to 100% of its assets in other funds. The other funds invested in may be funds managed by NFU Mutual or third-party managers. The other funds may be actively managed or may be passively managed (that is funds which track or are closely linked to the performance of a market index) and no more than half of the assets will be invested in passive funds.

Through its investment in other funds, the Fund will have an exposure to the following asset classes: **shares** of companies (**equities**), fixed income securities (such as **bonds**), money market instruments and **cash** and **near cash**. Up to 100% of the assets of the Fund will be in **equities**. The Fund can also invest indirectly in property through other funds which gain exposure to property related securities and through **shares**, including in **real estate investment trusts** (REITs) and may also seek exposure to **alternative assets** (such as infrastructure) through its equity investment.

The **shares** which can be invested in by the Fund can be of companies anywhere in the world and in any sector. The fixed income securities and money market instruments which can be held may be issued by companies, governments, government agencies and international organisations (such as the European Investment Bank) anywhere in the world. They can be **investment grade** (meet a certain level of credit rating by a credit rating agency) or they may be sub-investment grade or unrated (and hence more likely to fail than **investment grade** bonds).

The Fund may use **financial derivatives** but only for the purpose of **efficient portfolio management** to reduce risk and cost in the Fund, including through **hedging** (to manage currency exposure) or to generate extra income or growth in line with the risk

profile of the Fund. Where the Fund invests in funds managed by other managers, those other funds may use derivatives for investment purposes but such use is expected to be minimal.

The Fund is actively managed. The mix of investment types will be managed and regularly monitored by our investment team.

## FUND SPECIFIC RISKS

### Currency exchange rates risk

Values can go up and down due to changes in currency exchange rates.

### Inflation rate risk

While the fund's returns may keep pace with inflation over the long term, this is not guaranteed.

### Investment in emerging markets risk

Investment values can move sharply down or up, as **emerging markets** tend to be smaller, less **liquid**, less regulated and less developed.

### Market movements risk

The value of assets held in the fund may go down if investment markets fall.

### Investment in smaller companies risk

The market for these is smaller than for larger companies, and they may be less **liquid** so price changes may be greater.

## PRODUCTS OFFERING THIS FUND

### Investments

- Flexibond

### Pensions

- Managed Fund Plan\*
- Flexible Retirement Account\*\*
- Personal Pension Account\*
- Stakeholder Pension Plan
- Trustee Investment Plan

\* Only accepts additional investments from investors into their existing bond/plan.

\*\* Only fund switches can be made by investors to their existing plan.

# INTERNATIONAL FUND – RISK LEVEL FIVE

1

## INVESTMENT OBJECTIVE

To achieve capital growth which results in a total return, net of fees, greater than that of the FTSE All-World ex UK net Index over a rolling 5-year period, by investing internationally in equities.

2

3

4

5

## INVESTMENT POLICY

The fund can invest up to 100% of its assets in other funds. The other funds invested in may be funds managed by NFU Mutual and/or third-party managers and will include exposure to a combination of actively managed and passively managed funds (that is funds which track or are closely linked to the performance of a market index).

A significant proportion (more than 50% of the net asset value of the fund) of the exposure to international equities could be through passive funds.

At least 80% of the fund's exposure will be to a broadly diversified portfolio of international company shares (equities). The shares invested in can be of companies anywhere in the world and in any sector and will include a mix of investments in developed markets (in areas including North America, Europe and Asia) and Emerging Markets (economies progressing towards being advanced which are not yet fully developed, where prices can move up or down more sharply).

Investments may also include smaller companies which may be less liquid and subject to greater price changes.

While the fund can invest in UK company shares any holdings here are expected to be small.

The fund may also invest up to 20% in other securities equivalent to shares in companies, bonds or other forms of securitised debt, Money Market Instruments, Deposits, Cash and Near Cash, in each case anywhere in the world.

The fund manager also has the ability to invest directly in company shares (equities) and other permitted investments as listed above within their stated limits.

A diversified portfolio will be maintained through a combination of internally managed geographical funds and the use of selected external investment management expertise.

## FUND SPECIFIC RISKS

### Currency exchange rates risk

Values can go up and down due to changes in currency exchange rates.

### Inflation rate risk

While the fund's returns may keep pace with inflation over the long term, this is not guaranteed.

### Investment in emerging markets risk

Investment values can move sharply down or up, as **emerging markets** tend to be smaller, less **liquid**, less regulated and less developed.

### Market movements risk

The value of assets held in the fund may go down if investment markets fall.

### Investment in smaller companies risk

The market for these is smaller than for larger companies, and they may be less **liquid** so price changes may be greater.

## PRODUCTS OFFERING THIS FUND

### Investments

- Capital Investment Bond\*\*
- Flexibond

### Pensions

- Group Personal Pension Plan
- Managed Fund Plan\*
- Personal Pension Account\*
- Stakeholder Pension Plan
- Trustee Investment Plan

\* Only accepts additional investments from investors into their existing bond/plan.

\*\* Only fund switches can be made by investors to their existing plan.

# GLOSSARY

## **Alternative assets**

Investments in assets that fall outside of the more traditional asset classes such as publicly traded equities, bonds and cash.

## **Blue-chip**

A well established company usually large and highly regarded.

## **Bond**

Governments, companies, and other organisations issue bonds as a way of borrowing money. Bonds pay an agreed rate of interest and the issuer repays the capital at a certain date in the future. There is a risk that the issuer will be unable to pay the interest or capital in the future.

## **Cash**

Typically means deposits placed with banks or building societies.

## **Collective investment schemes**

An investment fund where multiple investors pool their money to invest in a diversified portfolio of assets.

## **Commercial property**

Investment in 'bricks and mortar' property assets with the aim of achieving capital gains or rental income. This market can be illiquid.

## **Composite Benchmark**

A benchmark made up of multiple indices which can be used to evaluate the performance of an investment portfolio.

## **Corporate bonds**

Bonds issued by companies. Often they offer higher rates of interest than bonds issued by governments, but they can sometimes be less secure (see Investment grade).

## **Diversified**

Money spread among many types of investments with the aim of reducing risk.

## **Efficient portfolio management**

A strategy of reducing risk or increasing returns, for example by using Financial Derivatives or Hedging (see explanations of Financial Derivatives and Hedging later).

## **Emerging markets**

These are markets that usually have rapid economic growth and therefore offer good investment growth opportunities, but greater risk. They tend to be developing, and therefore have less market infrastructure and regulation.

## **Equities**

Another name for shares in a company.

## **Estate**

The estate is the term we use to describe the excess of our assets over liabilities. Or in other words, what we own over what we owe. It provides us with the money (working capital) to operate our business.

## **FTSE**

The initials FTSE ("footsie") stands for the Financial Times Stock Exchange. It is an independent company, originally jointly created by the Financial Times and the London Stock Exchange which amongst other things creates and manages indices that cover companies quoted on the London Stock Exchange. For example the FTSE All Share index monitors all shares on the London Stock Exchange.

## **Financial derivative**

A financial contract whose value is based on (derived from) a traditional security, an asset or a market index.

## **Fixed interest rate securities/fixed income stocks/fixed and floating rate securities**

Fixed interest rate securities (also referred to as fixed rate securities or fixed income stocks) are bonds and other debt instruments on which the holder receives a fixed rate of interest. Floating rate securities have a variable rate of interest.

## **Gilts**

Gilts are bonds issued by the UK government. They can be fixed interest or index-linked.

## **Hedging**

A transaction that reduces the risk of an investment.

## **Index-linked bonds/Index-linked securities**

A type of bond where the rate of interest and the amount paid on redemption will rise in line with inflation.



# GLOSSARY

## **Indirect Investment**

Indirect investment is a means of investing in an asset, for example shares or property, without getting involved in the buying and selling of the assets on your own account. Your money is pooled with that from a number of investors and is invested in the assets, i.e. a portfolio of stocks and shares. These will be selected and managed on your behalf (and the other investors) by fund managers.

## **Investment grade**

Bonds are rated on the probability of the bond issuer not paying back the value of the bond or interest due. This rating is based on an analysis of the issuer's financial condition and profit potential. There are specialist agencies that provide bond rating services. A bond is considered to be 'investment grade' where the agency believes there is a relatively low level of risk of default by the issuer. The highest rating is AAA.

## **Liquid/Liquidity**

Liquidity is a measure of how easy it is to buy and sell an asset or company's shares. For example it is easier to sell the shares of a large UK company quoted on the London Stock Exchange than those of a small private unquoted company.

## **Money market accounts**

Typically refers to deposits placed in cash or cash like assets.

## **Near cash**

These are non-cash assets that are highly liquid, such as bank deposits, certificates of deposit, and Treasury Bills. They can be quickly converted into cash.

## **OEIC**

A type of open-ended investment formed as a corporation under the Open-Ended Investment Companies Regulations of the United Kingdom. As an open-ended company, the manager creates shares when money is invested and redeems shares when asked to by shareholders.

## **Portfolio**

Refers to any collection of assets such as shares, bonds and cash.

## **Property related shares**

Investments in the stocks and shares of companies that specialise in property and real estate.

## **Real estate investment trust**

A Real estate investment trust (REIT) is a company that owns, and in most cases operates, income producing real estate.

## **Securities**

Another name for stocks and shares.

## **Share(s)**

A unit of ownership in a corporation.

## **Smaller companies**

Companies that represent the bottom 10% of UK companies by market capitalisation. These companies are smaller than blue chip companies but offer good growth potential.

## **Stocks**

Units of ownership in a company, which are represented by shares. Also used to describe Bonds or Corporate Bonds.

## **Transferable Securities**

These refer to financial instruments that can be traded between investors. These are usually liquid assets making them easy to buy or sell.

## **UK quoted company**

A company whose shares are listed on the London Stock Exchange.





# THE NEXT STEP

Simply get in touch with your local NFU Mutual agency, or call 0800 622 323 to make an appointment with an NFU Mutual Financial Adviser. Financial advice is provided by NFU Mutual Select Investments Limited.

They will take the time to explain the advice services and charges.

NFU Mutual Financial Advisers advise on NFU Mutual products and selected products from specialist providers.

Here are our details



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