

Your AVC investment choice



You can invest your monthly AVCs in a range of funds provided by Friends Provident. There are eight funds to choose from.

Making your choice

Which fund or funds you choose is a decision that you have to take based on your own personal circumstances and your attitude to risk. DMGT Pensions is unable to give you advice in this area, but we can provide you with factual information. Hopefully you will find the following information helpful but if you are unsure please take independent financial advice.

The following table shows the range of funds available, together with the fund aim, risk rating, risk warnings that apply and annual charge.

Fund	Risk	Aim	Annual charge
Cash	Low	The fund aims to provide short-term liquidity by investing in money market instruments, bonds and cash. It may invest in bonds issued or backed by the UK Government as well as commercial paper, cash and near cash assets such as deposits and certificates of deposit. Risk warnings A, B, C, D, H, K	0.60%
Fixed Interest	Low +	The fund aims to achieve income and capital growth by mainly investing in bonds. It may also invest in money market instruments, derivatives, cash and near cash assets such as deposits and certificates of deposit. The fund may invest directly or indirectly. Any direct investment in derivatives will be for the purpose of efficient portfolio management and risk reduction. Risk warnings A, B, C, D, E, H, J, N	0.60%
UK Corporate Bond Index	Medium –	The fund invests in investment grade corporate bonds denominated in Sterling. The fund aims to achieve a return consistent with the iBoxx £ Non-Gilts Over 15 Years Index. This index consists of bonds with a maturity of 15 years or longer. Risk warnings A, B, C, H	0.60%
Baillie Gifford Managed	Medium	The fund aims to achieve above-average returns over the long term by investing worldwide in securities in any economic sector. The fund will be diversified by holding different asset classes, by investing internationally, and by holding shares of companies operating in a wide range of industries. Risk warnings A, B, C, E, F, G, H, J	0.80%
Managed	Medium	The fund aims to provide exposure to a diversified portfolio of assets in order to produce capital growth and income. It will mainly be invested in equities and bonds. It may also invest in warrants, convertibles, money market instruments, cash and near cash assets such as deposits and certificates of deposit, commodities, private equity, hedge funds, derivatives, other alternative asset classes, and property. The fund may invest directly or indirectly. Any direct investment in derivatives will be for the purpose of efficient portfolio management and risk reduction. Risk warnings A, B, C, D, E, F, G, H, I, J, L, N, O	0.60%
Baillie Gifford International	Medium +	The fund aims to achieve capital growth through investing principally in the shares of companies worldwide, excluding the UK. Risk warnings A, B, C, E, F	0.80%

Fund charges

Friends Provident take an annual management charge out of the fund over the lifetime of your plan, as shown in the table above. For the two Baillie Gifford funds, a share of expenses, such as fees to auditors, trustees or valuers is payable. As at November 2008 this reduces the fund value by not more than 0.2% a year.

Making your choice

Fund	Risk	Aim	Annual charge
Global Equity	Medium +	The fund aims to achieve capital growth, with some income by investing mainly in listed global equities. It may also invest in other equities, warrants, convertibles, derivatives, money market instruments, cash and near cash assets such as deposits and certificates of deposit. The fund may invest directly or indirectly. Any direct investment in derivatives will be for the purpose of efficient portfolio management and risk reduction. Risk warnings A, B, C, D, E, F, G, J	0.60%
UK Equity	Medium +	The fund aims to achieve capital growth by mainly investing in UK listed equities. It may also invest in other equities, warrants, convertibles, derivatives, money market instruments, cash and near cash assets such as deposits and certificates of deposit. The fund may invest directly or indirectly. Any direct investment in derivatives will be for the purpose of efficient portfolio management and risk reduction. Risk warnings A, B, C, G, J	0.60%

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Your choice of funds will depend not only on your investment aims but also your approach to investment risk. Friends Provident has developed the guide below to help you choose funds with a level of investment risk you're prepared to accept.

First decide which approach best describes your attitude to investment risk. Then check to see the funds that meet your investment aims are not in a higher risk band than you've identified using this guide. If the risk band of your chosen fund is higher, you should go ahead with this choice only if you're sure you're prepared to accept the extra risk.

Your approach to investment risk	Risk band	Fund
You're a very cautious investor and are willing to take a minimal amount of risk only	Low	Cash
Although a cautious investor, you're prepared to accept low levels of risk for the prospect of slightly higher returns	Low +	Fixed Interest
You will accept below-average risk to achieve more attractive returns	Medium –	UK Corporate Bond Index
You prefer a balanced approach to investment and are willing to accept average risk to achieve more attractive returns	Medium	Managed, Baillie Gifford Managed
You prefer a balanced approach to investment and are willing to accept above-average risk in the hope of higher returns	Medium +	Global Equity, UK Equity, Baillie Gifford International

Features of unit linked funds

- Your AVC contributions are used to buy units in your chosen fund(s)
- The value of these units fluctuate in line with financial markets

By paying AVCs

- You will build up an AVC fund which will be used to buy you a pension from an insurance company when you retire
- The amount of pension you can buy depends on the value of your fund and the cost of the pension
- You will have the flexibility to choose the type of pension that can be bought. For example, if you are married you can buy a 50% spouse's pension and you can choose the level of pension increases (if any) you want in retirement.

Investment Performance

You can see how the funds have performed by visiting www.dmgtpensions.co.uk or you can call DMGT Pensions for a fund factsheet.

Fund risk warnings

There are risks associated with investing in funds, or types of funds. In this document we show which risk warning or warnings apply to each fund. These are all explained below. Not all of these warnings will apply to each fund.

Risk warning type	Risk warning code	Risk warnings
Investment is not guaranteed	A	The value of an investment is not guaranteed and can go up and down depending on performance. You could get back less than you have paid in.
Price	B	At times, a fund may need to change the way its price is calculated, to ensure that those moving into and out of the fund are treated fairly. This can have a negative effect on a fund's price and performance.
Suspend trading	C	Fund managers have the ability, in exceptional circumstances, to suspend trading in their funds for as long as necessary. When this occurs we will need to delay the 'cashing in' or switching of units in the relevant fund. You may not be able to access your money during this period.
Income	D	Where a fund aims to generate an income, we reinvest any income back into the fund to increase the value of the units.
Currency risks	E	Where a fund invests overseas, the value can go up and down simply because of changes in currency exchange rates.
Emerging markets	F	Where a fund invests in emerging markets it is likely to be more volatile than one that invests in developed markets. These markets can be unstable and less liquid, so the fund may carry more risk.
Smaller companies	G	Some funds invest in the shares of smaller companies. These shares can be more volatile and less liquid than larger company shares, so the funds may carry more risk.
Fixed interest	H	Where a fund invests in fixed interest securities, such as company or government bonds, the value may go up and down as interest rates change. If interest rates rise, the value is likely to fall. Some high yielding bonds are known as junk bonds. These carry an increased risk that the issuer of the bond will be unable to continue the interest payments or return the capital at maturity.
Specialist	I	Funds that invest in specific industry sectors may carry more risk than those spread across several sectors. These funds can be more volatile and higher risk due to their limited exposure.
Derivatives	J	Derivatives are complex and funds that use them for investment purposes may be more volatile. These funds are considered to be higher risk than funds that invest only in shares.
Cash	K	Cash funds are not cash deposit accounts and can fall in value. In a low interest rate environment the charges applied to the fund may be greater than its return, so you may not get back all of your original investment.
Direct property	L	Property funds mainly invest in commercial properties which are not easy to sell. In exceptional circumstances, we may need to delay the 'cashing in' or switching of units in the fund. You may not be able to access your money during this period.
Stock lending	M	Where a fund is involved in the temporary transfer of securities, there is always the risk that the borrower may not be able to return the security to its owner. This may have a negative effect on the performance of the fund.
Index linked	N	Where a fund invests in index linked bonds, the value may go up and down as the rate of inflation changes. If inflation falls, the value is likely to fall.
Property securities	O	Some funds invest in the shares of property investment trusts, which may own commercial and residential properties. Property investment trusts are stock market listed companies, and their shares can be affected by the performance of global stock markets.
High cash levels	P	Due to the way some funds are managed there may be periods when they have large cash holdings. This can be a deliberate asset allocation decision or while suitable investment opportunities are researched and selected. A fund's growth potential may be less during this period.



This leaflet has been prepared by DMGT Pensions.

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