

DEWS

# Investment Guide

DIFC Employee Workplace  
Savings (DEWS) Plan



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## Important notice

This document has been created by Mercer Financial Services Middle East Limited at the request and under the supervision of Equiom Isle of Man Ltd, the Master Trustee and Operator of the DIFC Employee Workplace Savings plan ('DEWS' or 'the Plan'). The information contained herein supports the DEWS Member's Guide, providing information on the various Investment Options available within the Plan. It should only be read by Members of the Plan.

The information contained in this document does not constitute professional and/or financial advice. Furthermore, the information does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the Investment Option Providers, their affiliates, products or strategies that the Operator may make available.

None of the current Investment Options available in the Plan are subject to any form of regulation or approval by the Dubai Financial Services Authority ("DFSA"). The DFSA has not approved any associated factsheets or any other associated documents nor taken any steps to verify the information set out in any factsheet, and has no responsibility for it. Members should conduct their own due diligence on the Investment Options. If you do not understand the contents of this document or require advice, you should consult an authorised personal financial adviser.



# 01. Overview

## About DEWS

DIFC Employee Workplace Savings (DEWS) is a workplace savings plan that will help your employer meet their end of service benefit liability to you and help you to build up a savings pot.

The DEWS plan allows you a choice as to how your savings will be managed, catering to a range of risk appetites and includes Sharia compliant options. It offers the opportunity for contributions to be professionally managed in a cost effective and flexible manner with the opportunity to earn returns.

## About this guide

This guide tells you about the types of **investment choices** available to you, what they are and how they work. This investment guide provides general information only. If you're not sure which investments are suitable for you, or if you're not confident in making a decision, please speak to an independent personal financial adviser.

## About Mercer

Mercer are the appointed investment advisor of the DEWS plan. Mercer brings an independent, tried and tested investment process to the Master Trustee of the DEWS plan. Mercer is an authorised advisor under a Dubai Financial Services Authority (DFSA) Category 4 license, based in the Dubai International Financial Centre (DIFC).

Mercer is a subsidiary of global professional services firm Marsh & McLennan Companies.

# 02. Saving through Investing



**It's a simple question, but are you saving for the near future or making an investment for the longer term – perhaps for retirement?**



## What are your savings goals?

**It's a simple question, but are you saving for the near future or making an investment for the longer term – perhaps for retirement?**

Deciding what you want your investment to achieve is important, because it'll help you make decisions about where to put your money. When saving through investing, you should consider:

- What do you want your money to achieve?
- What levels of investment risk would you be comfortable with?
- How long do you expect to invest your money?

## How do you feel about investment risk?

**It's important to decide how you feel about risk before you make an investment. Hopefully your investment will go up in value and, when you want access to it, it'll be worth more than when you originally invested.**

With every type of investment comes risk – the risk that the value of the investment can go down as well as up, and that you might get back less than you invested. In addition, any income from the investment could go up or down.

A vital component of being able to invest with confidence and prepare for tomorrow is the knowledge that you have assessed your attitude to risk and you've invested accordingly. You should consider how comfortable you are with the value of your investments going up and down over time, and the possibility that you could end up losing money.

There are many factors that you need to consider, including:

### How old are you?

Your attitude to risk will normally change over time. Younger people are generally more likely to take a higher level of risk when investing in the hope of earning higher returns, as they have a longer time period to invest and can ride out short-term market instability. Conversely, older people tend to have shorter investment timeframes and may have more immediate spending needs than younger people, so may be less willing and able to take a higher risk with their money.

### What other investments do you have?

If you already have significant savings elsewhere, you may feel that you can take more of a risk than someone who is more reliant on their DEWS plan investments.

### How long are you investing for?

Irrespective of your age, if you are only expecting to invest for the short term, you are generally less likely to consider taking a risk with your money. If, on the other hand, you expect to be investing over the longer term, you might be prepared to take a higher level of risk with your investments. And keep in mind that the DEWS plan allows you the flexibility to remain invested, even after you terminate employment, should you wish to do so. Remember, your attitude to risk will normally change over time. Regular reviews will help to ensure that your money is where you want it to be.

**Please remember past performance is no guide to future performance.**



## 03. Investment Options

### Who will look after my money?

The DEWS plan is established as a Master Trust governed by an independent Master Trustee. This Master Trust arrangement facilitates a multi-employer occupational plan where each employer has its own division within the master trust arrangement.

#### The DEWS panel of experts includes:

- [Equiom](#) – the Master Trustee
- [Zurich Workplace Solutions](#) – the Plan Administrator
- [Mercer](#) – the Investment Advisor

The DIFC Supervisory Board (comprised of DIFC Authority representatives, DIFC employer and employee representatives, together with an independent chairperson) will ensure that the Master Trustee, together with their appointed Plan Administrator and Investment Advisor, fulfil their roles in line with established international standards.

Further information on the structure of the DEWS plan and the role of each of the parties mentioned above is available in the [DEWS member guide](#).

### Where and how will my money be invested?

Through the Plan Administrator, the DEWS plan will facilitate access to a choice of one or more **funds** in which you will be able to invest your money. **Your money will automatically be invested in the DEWS fund's default investment fund (Low / Moderate Growth Fund)** which is suitable for members saving for a short to medium time horizon, with low to medium willingness or ability to take risk.

You can choose to switch your investments at any time via your online account.

## What fund options are available?

The Master Trustee acknowledges that members have differing investment needs and that these may change during the course of their employment. The Master Trustee recognises that members have differing attitudes to risk and has, therefore designed a concise but sufficient choice of options that caters to a wide range of potential circumstances.

Each of the fund options have been carefully selected after taking due advice from the DEWS plan's appointed investment advisor, Mercer. The actions and decisions of the underlying fund management is the responsibility of the fund managers or fund management companies.

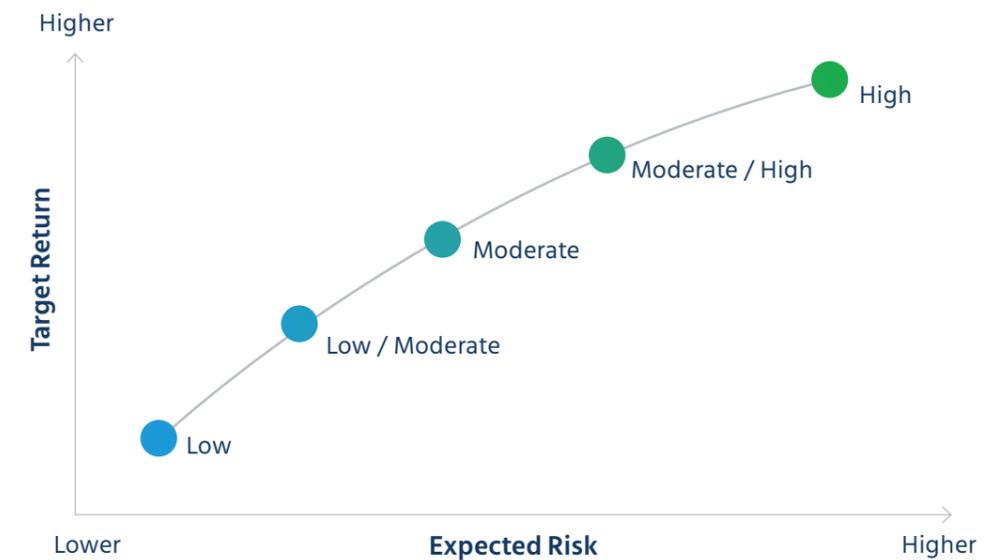
**Understanding a little more about what's in each fund can help you make choices that suit your aims, and your attitude to risk. Making the right investment choices is important because it directly affects the amount of money you will have available to take at the end of your service with your employer.**

When you've decided what level of investment risk you're willing to take and how long you'd like to invest for, you can think about which type of investment suits you. The options available to you are described below:

## Understanding Risk Profiles

The DEWS plan offers a core range of five risk-profiled funds. These funds are designed such that they offer sufficient diversification across the risk and return (reward) spectrum, allowing members to choose an option suitable for their particular circumstances. The core range has also been kept deliberately manageable in terms of the number of choices, with each choice being clearly labelled so that members who want to make a choice can easily understand their options and understand the difference between each fund.

The chart below shows the relative levels of expected risk and return for each of the core risk profiled funds. Please note that this is an indicative stylised example for illustrative purposes only and does not imply or offer any guarantee.



In addition, realised risk and return figures may differ significantly from those expected, especially over shorter time horizons.

## Default investment option

If you choose not to select a preferred investment option, you will automatically be invested in the DEWS plan's default strategy – the **Low/Moderate Growth Fund**. The default fund was selected by the Master Trustee after consideration of a variety of relevant factors, including an assessment of international best practice. The fund is expected to be suitable for members saving for a short to medium time horizon, with low to medium willingness or ability to take risk.

## Core Risk-Profiled Funds

To help you decide which investment option might be appropriate for your individual circumstances, the key characteristics of each of the available fund options are outlined here. Additional information, including asset allocation and fund performance data is available through the DEWS plan's fund factsheets.

| Low Growth Fund                          |  |
|--|--|
| Aim                                      | The investment objective is to invest in US Dollar Cash holdings consistent with the preservation of capital and provision of liquidity. The fund may invest in a global range of US Dollar cash deposit holdings, short-dated term money market securities and short-dated government bonds.  |
| Suitability <sup>1</sup>                 | Most suitable for members saving for a short time horizon, with low willingness or ability to take risk.   |
| Additional observations                  | <ul style="list-style-type: none"> <li>Conservative option focussed on preserving member funds.</li> <li>While low risk, there is no explicit guarantee that the fund will not fall in value.</li> <li>During a low interest rate environment, returns may be negative after fees.</li> <li>Returns are unlikely to keep pace with inflation.</li> </ul> |
| Asset Class                              | Cash / Money Market  |
| Investment Manager                       | Mercer Global Investments Europe Limited (MGIE)  |
| Underlying Fund                          | Mercer USD Cash Fund   |
| Benchmark                                | FTSE USD 1 Month Euro Deposit Index  |
| Long-term Objective <sup>3</sup>         | n/a  |
| Annual Charge <sup>2</sup> (% of assets) | 1.26<br><i>This fee is split across the DEWS panel of experts as follows:</i> <ul style="list-style-type: none"> <li>Master Trustee 0.20</li> <li>Plan Administrator 0.80</li> <li>Investment (variable) 0.26</li> </ul>   |

Risk Meter<sup>4</sup>



## Low / Moderate Growth Fund (Default)

|  |   |
|--|---|
| Aim                                      | The investment objective is to seek long term growth of capital and income. The sub-fund is actively managed and contains a mix of global growth assets reflecting Mercer's best ideas and will evolve over time in line with Mercer's global advice. The fund aims to pursue a balanced growth investment strategy by holding a mix of equities, higher-yielding global bonds and other asset classes. |
| Suitability <sup>1</sup>                 | Most suitable for members saving for a short to medium time horizon, with low to medium willingness or ability to take risk.  |
| Additional observations                  | <ul style="list-style-type: none"> <li>Aims to provide low to medium levels of member fund growth over the long term.</li> <li>Member funds may fluctuate in value, but this is tempered by a significant holding in lower risk asset classes, aimed at protecting against large falls in value.</li> </ul>   |
| Asset Class                              | Multi-Asset   |
| Investment Manager                       | Mercer Global Investments Europe Limited (MGIE)   |
| Underlying Fund                          | Mercer Multi Asset Balanced Growth Fund   |
| Benchmark                                | FTSE USD 1 Month Euro Deposit Index   |
| Long-term Objective <sup>3</sup>         | Benchmark + 2% - 3% p.a.  |
| Annual Charge <sup>2</sup> (% of assets) | 1.37<br><i>This fee is split across the DEWS panel of experts as follows:</i> <ul style="list-style-type: none"> <li>Master Trustee 0.20</li> <li>Plan Administrator 0.80</li> <li>Investment (variable) 0.37</li> </ul>  |

Risk Meter<sup>4</sup>



## Moderate Growth Fund

|  |  |
|--|--|
| Aim                                      | The investment objective is to seek long term growth of capital and income. The sub-fund is actively managed and contains a mix of global growth assets reflecting Mercer's best ideas and will evolve over time in line with Mercer's global advice. The fund aims to achieve equity-like returns but with less volatility, by holding a mix of equities, higher-yielding global bonds and other asset classes.   |
| Suitability <sup>1</sup>                 | Most suitable for members saving for a medium to long time horizon, with moderate willingness or ability to take risk.   |
| Additional observations                  | <ul style="list-style-type: none"> <li>Aims to provide moderate levels of growth over the long term.</li> <li>Member fund value fluctuations are expected given the significant allocation to higher risk assets, however at a reduced level relative to equity markets given the diversified nature of the fund.</li> <li>The fund may see large reductions in value during periods of market falls, although these are expected to be less severe than those for the Moderate / High Growth and High Growth fund options.</li> </ul> |
| Asset Class                              | Multi-Asset  |
| Investment Manager                       | Mercer Global Investments Europe Limited (MGIE)  |
| Underlying Fund                          | Mercer Diversified Growth Fund   |
| Benchmark                                | FTSE USD 1 Month Euro Deposit Index  |
| Long-term Objective <sup>3</sup>         | Benchmark + 3% - 4% p.a.   |
| Annual Charge <sup>2</sup> (% of assets) | 1.33<br><i>This fee is split across the DEWS panel of experts as follows:</i> <ul style="list-style-type: none"> <li>Master Trustee 0.20</li> <li>Plan Administrator 0.80</li> <li>Investment (variable) 0.33</li> </ul>   |

Risk Meter<sup>4</sup>



## Moderate / High Growth Fund

|  |  |
|--|--|
| Aim                                      | The investment objective is to seek long term growth of capital and income. The sub-fund is actively managed and contains a mix of global growth assets reflecting Mercer's best ideas and will evolve over time in line with Mercer's global advice. The fund aims to pursue a growth investment strategy by holding a mix of equities, higher-yielding global bonds and other asset classes.   |
| Suitability <sup>1</sup>                 | This fund may be suitable for members saving for a long time horizon, with moderate to high willingness or ability to take risk.   |
| Additional observations                  | <ul style="list-style-type: none"> <li>Aims to provide medium to high levels of growth over the long term.</li> <li>Member fund value fluctuations are expected given the significant allocation to higher risk assets, however at a reduced level relative to equity markets given the diversified nature of the fund.</li> <li>The fund may see large reductions in value during periods of market falls, although these are expected to be less severe than those for the High Growth fund option.</li> </ul> |
| Asset Class                              | Multi-Asset  |
| Investment Manager                       | Mercer Global Investments Europe Limited (MGIE)  |
| Underlying Fund                          | Mercer Multi Asset Growth Fund   |
| Benchmark                                | FTSE USD 1 Month Euro Deposit Index  |
| Long-term Objective <sup>3</sup>         | Benchmark +3.5% -4.5%  |
| Annual Charge <sup>2</sup> (% of assets) | 1.31<br><i>This fee is split across the DEWS panel of experts as follows:</i> <ul style="list-style-type: none"> <li>Master Trustee 0.20</li> <li>Plan Administrator 0.80</li> <li>Investment (variable) 0.31</li> </ul>   |



## High Growth Fund

|  |  |
|--|--|
| Aim                                      | The investment objective is to seek long term growth of capital and income. The sub-fund is actively managed and contains a mix of global growth assets reflecting Mercer's best ideas and will evolve over time in line with Mercer's global advice. The fund aims to pursue a growth investment strategy by holding a mix of equities, higher-yielding global bonds and other asset classes. |
| Suitability <sup>1</sup>                 | This fund may be suitable for members saving for a long time horizon, with high willingness or ability to take risk.   |
| Additional observations                  | <ul style="list-style-type: none"> <li>Aims to provide high levels of growth over the long term.</li> <li>Member fund value fluctuations are expected given the significant allocation to higher risk assets.</li> <li>The fund may see large reductions in value during periods of market falls.</li> </ul>   |
| Asset Class                              | Multi-Asset  |
| Investment Manager                       | Mercer Global Investments Europe Limited (MGIE)  |
| Underlying Fund                          | Mercer Multi Asset High Growth Fund  |
| Benchmark                                | FTSE USD 1 Month Euro Deposit Index  |
| Long-term Objective <sup>3</sup>         | Benchmark + 4% - 5% p.a.   |
| Annual Charge <sup>2</sup> (% of assets) | 1.31<br><i>This fee is split across the DEWS panel of experts as follows:</i> <ul style="list-style-type: none"> <li>Master Trustee 0.20</li> <li>Plan Administrator 0.80</li> <li>Investment (variable) 0.31</li> </ul>   |



## Sharia Compliant Funds

In addition to the core risk profile fund range, Sharia compliant options will be available which will allow members the flexibility to tailor their investment choices with a view to meeting their long-term savings goals in line with their Islamic religious beliefs.

From 1 February 2020, the following Sharia compliant fund is available:

### Emirates NBD Islamic Money Market Fund

|  |  |
|--|--|
| Aim                                      | The fund aims to achieve a higher return than traditional Sharia compliant bank deposits of similar liquidity, by investing in a diversified portfolio of Islamic money market instruments.  |
| Suitability <sup>1</sup>                 | Most suitable for members wanting to save in line with their Islamic religious beliefs for a short time horizon, with low willingness or ability to take risk.   |
| Asset Class                              | Shariah compliant money market instruments   |
| Fund Manager                             | Emirates NBD Asset Management  |
| Underlying Fund                          | Emirates NBD Islamic Money Market Fund   |
| Benchmark                                | Morningstar Money Market open ended funds  |
| Annual Charge <sup>2</sup> (% of assets) | 1.43<br><i>This fee is split across the DEWS panel of experts as follows:</i> <ul style="list-style-type: none"> <li>Master Trustee 0.20</li> <li>Plan Administrator 0.80</li> <li>Investment Advice, Research, Monitoring, Operational Governance 0.23</li> <li>Investment management (excluding additional expenses) 0.20</li> </ul> |



In the future, it is expected that 2 additional Sharia compliant funds will be made available, namely:

### Franklin Templeton Global Sukuk Fund

|  |  |
|--|--|
| Aim                                      | This fund aims to provide returns through profit income and capital appreciation. Compared to equities, they are expected to be less risky but provide lower returns over the long-term.   |
| Suitability <sup>1</sup>                 | Most suitable for members wanting to save in line with their Islamic religious beliefs for a medium to long time horizon, with moderate willingness or ability to take risk.   |
| Asset Class                              | Shariah compliant fixed and floating rate securities   |
| Fund Manager                             | Franklin Templeton   |
| Underlying Fund                          | Franklin Templeton Global Sukuk Fund   |
| Benchmark                                | Dow Jones Sukuk Index  |
| Annual Charge <sup>2</sup> (% of assets) | 1.68<br><i>This fee is split across the DEWS panel of experts as follows:</i> <ul style="list-style-type: none"> <li>Master Trustee 0.20</li> <li>Plan Administrator 0.80</li> <li>Investment Advice, Research, Monitoring, Operational Governance 0.23</li> <li>Investment management (excluding additional expenses) 0.45</li> </ul> |



| HSBC Global Islamic Equity Index Fund       |  |
|---|--|
| Aim   | The fund is designed to deliver benchmark returns, whilst minimising associated trading costs and tracking error risk.   |
| Suitability <sup>1</sup>                    | This fund may be suitable for members wanting to save in line with their Islamic religious beliefs for a long time horizon, with high willingness or ability to take risk.   |
| Asset Class                                 | Sharia compliant equities  |
| Fund Manager                                | HSBC   |
| Underlying Fund                             | HSBC Global Islamic Equity Index Fund  |
| Benchmark                                   | Dow Jones Islamic Market Titans 100 Index  |
| Annual Charge <sup>2</sup><br>(% of assets) | 1.53<br><i>This fee is split across the DEWS panel of experts as follows:</i> <ul style="list-style-type: none"> <li>• Master Trustee 0.20</li> <li>• Plan Administrator 0.80</li> <li>• Investment Advice, Research, Monitoring, Operational Governance 0.23</li> <li>• Investment management (excluding additional expenses) 0.30</li> </ul> |

Risk Meter<sup>4</sup>



## Notes:

1. Whether a particular fund is suitable for you or not will depend on your personal circumstances. If you are in any doubt about which funds are suitable for you, or if you're not confident in making a decision, please speak to an independent personal financial adviser. Please note that no one involved in the running of the DEWS plan, including the Master Trustee, is allowed to give you advice about your financial planning or decisions, including advice as to whether any particular funds would be appropriate for your personal circumstances.
2. The annual charge quoted (as at 31 May 2020) is inclusive of Master Trustee, administration, investment management and advice fees, Mercer Fund additional fund expenses (where applicable), hedging expenses (where applicable), and underlying sub-investment manager fees (for the core-risk profiled funds these fees can change from time to time as result of dynamic asset allocation tilts). These fees are deducted from the assets and are reflected in the unit price. Excluded from this fee are variable expenses such as underlying fund service expenses (e.g. custody, legal, audit etc.) which are confirmed annually. Portfolio transaction costs are not quoted explicitly but are included in the unit price of the funds and reflected in the overall investment returns achieved.

Fees are deducted from the unit price of the investments on a daily basis and the value you will see on the online portal will be net of fees.

The core funds detailed in this guide are 'pooled' or 'unitised' funds. This means that members purchase units in each of the funds which will entail beneficial ownership of a proportion of the overall fund. In pricing the units for each fund, fund managers typically use a mechanism for absorbing the cost impact of purchases and sales within a fund. The core range of funds in the DEWS plan are single priced at their Net Asset Value (NAV). This means all sellers and buyers on a given day will receive the same price. If a material amount of selling or buying occurs on a given day, then the manager will apply a unit price adjustment in order to protect existing members of the fund. This is intended to ensure the fair treatment of all the investors because it helps to make sure investors are not materially disadvantaged by the impact of others' selling or buying.

3. The long-term objective is gross of the of Master Trustee, administration, investment management and advice fees, and hedging expenses (where applicable). It is net the underlying sub-investment manager fees and net of all other fees and expenses (including Mercer Fund additional fund expenses, underlying fund service expenses, and portfolio transaction costs).
4. The risk ratings are subjective assessments based on the strategic underlying asset allocation for each fund and the associated properties of each underlying asset class. Historic volatility (standard deviation) informs the assigned risk rating, however this is not a purely quantitative assessment - a qualitative overlay is also applied when assigning these ratings. The assignments are an indication only and apply only in comparison with the other funds within the DEWS plan. Ratings may change and do not imply or offer any guarantee.

The Master Trustee reserves the right to add, remove or make changes to funds at any time where they deem such changes to be in the interests of the majority of the DEWS plan's members. The Master Trustee will always endeavour to communicate changes it deems to be material to members ahead of time.

## Currency Considerations

Each of the funds that underlie the core-risk profiled options will either be denominated in US dollars, or accessed via a share class that is hedged back to US dollars. Currency risk within the portfolios is managed by Mercer to maintain currency exposure at appropriate levels.

## Risk Warnings

When making your investment decisions, you should bear in mind that past performance is no guarantee of future performance. The aims of the funds and any stated performance objectives and performance targets are guidelines only and are not guaranteed.

The value of the investments may rise as well as fall and you may not get back the amount invested. If your chosen fund or funds invest in overseas markets, changes in exchange rates may also cause the value of investments to rise or fall.





## 04. Managing your Investments

### Tracking your Investments

Once you're a member of the DEWS plan, you'll be able to see how your money's doing at any time – it's always a good idea to keep a regular eye on your finances. You can view your investments' performance and decide whether you'd like to make any changes, add money, or move money, depending on your circumstances' – it's up to you.

If you're not sure which investments are suitable for you, or if you're not confident in making a decision, then you should talk to an independent personal financial adviser. Please note that no one involved in the running of the DEWS plan, including the Master Trustee, is able to give you advice about your financial planning or decisions, including advice as to whether any particular funds would be appropriate for your personal circumstances.

### Switching your Investments

The DEWS plan allows you to change funds, or invest in more than one fund, where that would be appropriate for your individual circumstances. Changing your funds is referred to as switching. You may switch the investment mix of your individual account at no cost to you by accessing the online portal.

If you make a switch, this will change the way your current funds are invested and also change the way future contributions (if applicable) are invested. There is no limit on the number of switches you can make and there is no switch fee.

## Leaving

When you end your employment with a DIFC based company, you have three options with your DEWS plan.

- You can leave the value of your DEWS plan invested and benefit from any potential investment growth. You can continue to track it no matter where you are in the world using the online portal and take it when you need to.
- You can take a partial withdrawal which can be paid to a bank account held in your name. Your remaining funds will still be invested and you can continue to benefit from any potential investment growth until such time as you choose to withdraw fully.
- You can withdraw your money and close your DEWS plan. The value of your investments will be transferred to your bank account held in your name.

This flexibility means that while your time with your employer may be at an end, it doesn't mean that you have to stop benefiting from the DEWS plan.

# 05. Contacts

Further useful information on the DEWS plan, how it works and what it means for you is available in the [DEWS member guide](#).

### Should you have any questions or need any extra help:

- You can find answers to frequently asked questions at [Zurich Workplace Solutions](#)
- If this doesn't resolve your issue you can contact the administrator by email at [dews.support@zurich.com](mailto:dews.support@zurich.com)
- Or you can call 800-DEWS.
- When you call, you'll need to tell us the full registered name of your employer and your employee ID.

# 06. Appendix

## Know the asset classes that make up funds

An investment fund is designed to hold individual assets. In most cases the fund manager (operating within pre-defined guidelines) decides which types of asset will be bought and sold by the fund, so it's important to understand more about them. Five commonly used asset classes are described in this guide.

### What is an asset?

There are many different types of investment, which are often called 'asset classes'. Five commonly used asset classes are described here. Each one works in a different way and carries its own particular investment risks. You need to understand how each one works and the risks involved before making any investment decisions.

Fund managers buy and sell these assets on your behalf, hoping that their value will increase over a period of time. Different assets have higher or lower risks attached to them, and could potentially give you higher or lower returns on your initial investment. While the general long term relative performance of the asset classes can be quantified, it's important to note that the way an asset class has performed in the past isn't necessarily how it'll perform in the future.

## Cash / Money market investments

In this case, 'cash' is not the same thing as the money in a normal bank account. A 'cash fund' may hold different types of 'cash-like' investments, including short-dated government bonds, that have similar characteristics to bank deposits – such as a fixed rate of interest, quick access and low risk of capital loss. Cash funds mainly hold investments that mature (i.e. pay out) in the short term (weeks), but can hold assets with slightly longer periods to maturity. A longer period to maturity often means the fund manager is trying to earn a slightly higher return by taking a little more risk, which leads to the potential for slightly higher returns and risks than a bank deposit account.

The fund will fluctuate in value because of, among other things, charges and possible falls in interest payments, so investors can get back less than they invest. There is also the risk that this type of fund will not keep pace with inflation, which would mean prices in shops rise quicker than your investment increases in value, so its spending power is reduced.

Please remember that, whichever fund you are investing in, the value of your investment can go down as well as up, and could fall below the amount(s) paid in. This also applies to funds which invest in 'cash' and 'near-cash' investments, as these can fluctuate more than a customer might expect. Therefore, these funds do not guarantee a positive return, nor do they provide complete protection for your investment.

## Bonds

Also known as fixed interest or index-linked securities, bonds are essentially loans, i.e. an agreement between a borrower and a lender. Bonds are the means by which companies, governments or local authorities borrow money directly from the public.

They generally have the following characteristics:

- A fixed investment term.
- The issuer of the bond agrees to make interest payments, normally every six months during the term. These payments are called coupon payments.
- At the end of the term the issuer should repay the original loan. For a fixed interest security, the issuer should pay back the original price of the bond. For an index-linked security the issuer should pay back the original price of the bond, adjusted in line with the index tracked.

Please remember that when bonds are included in an investment fund, the fund will include many different bonds with different interest rates and terms. The fund itself usually won't have a fixed term. This may seem very similar to a cash investment in that you deposit your money and you are paid interest in coupon payments, but there are some important differences:

- There is no guarantee that you will receive the agreed coupon payments or get your initial investment back.
- The interest (coupon) rate is either fixed (i.e. a fixed interest security) or linked to an index (i.e. an index-linked security).
- A bond can be bought and sold on the market and its value can go up or down during the term.

## Types of bonds

The two main types of bonds are government bonds and corporate bonds.

Government bonds are a form of loan issued by governments. Funds raised can be used, for example, to finance improvements to the country's infrastructure, such as building schools, hospitals and improving public transport.

Corporate bonds are bonds issued by companies. The money raised by companies can be used for a variety of purposes including expansion or research and development.

There are two types of corporate bonds; investment grade and non-investment grade bonds.

- Investment grade bonds are those issued by low to medium-risk issuers. The risk of the issuer not meeting their payments is lower than those of non-investment grade bonds.
- Non-investment grade bonds often have a higher interest rate, but also have an increased risk that the issuer will not make their payments. Non-investment grade bonds are also known as sub-investment grade, high yield or junk bonds.

## Property: physical buildings, usually commercial properties.

Investing in commercial property is an alternative to the traditional asset classes of equity and fixed-interest. As well as looking for capital growth on the properties, rental income aims to be received. Values are determined by an independent valuer considering market conditions and, in particular, the price received for recent sales. At times the value of your investments in these funds could fall quite sharply. In more uncertain market conditions transactions in these funds may be delayed for up to a year, or possibly longer, if the fund manager believes it's necessary to sell properties before carrying out a transaction. The underlying transaction costs for property funds are also typically higher than those of more liquid asset classes like equities and bonds.

## Shares: stakes in a company (also called equities, stocks)

If you invest in a fund that deals in the shares of companies, then growth is dependent on several factors including how well those companies perform. When a company makes higher profits, it could choose to pay higher 'dividends'. Dividends are payments made by a company to its shareholders and are a portion of corporate profits. The fund you're investing in benefits from those dividends as returns in your fund. Increased profits and dividend payments may also mean the value of each share increases, providing further growth in the value of the fund.

Over time a fund which invests mostly in shares is likely to offer greater potential for higher returns, but with it greater changes in value. This is because they're volatile in nature: meaning their value can rise and fall quickly. While they carry the greatest risk, they may provide the greatest return over the long term (10 years or more).

If you choose to invest in funds with overseas assets, changes in exchange rates between currencies may also cause the value of your investments to fall or rise.

## Sharia investing

Sharia refers to a set of religious principles that are an important part of Islamic tradition for many Muslim investors. Investing in a Sharia-compliant way requires the standard investment process to be adjusted. Sharia-compliant funds can be considered a form of socially responsible investing, and will typically exclude investments which derive a majority of their income from the sale of certain products such as alcohol, pork products, gambling, military equipment or weapons.

## Funds investing in mixed assets

Some funds, including the core risk-profiled funds available under the DEWS Plan, may invest in a mix of assets (for example, shares and bonds). A managed or multi-asset fund allows you to invest in a range of assets, countries and market sectors, spreading your investment across often hundreds of different companies. The fund manager is able to adjust the asset allocation of the fund in anticipation of changing market conditions. Funds that invest in a wide range of sectors or shares generally carry less risk.

## The importance of diversification

Investment portfolios have typically focused on equities to generate growth over the long term. Widening the investment selection to include other asset types helps to reduce overall risk through more effective diversification and reduces a portfolio's reliance on equities as a long-term growth generator.

Diversification simply means ensuring that your investments are spread across different asset classes to help your investment portfolio match your investment goals, the return that you are aiming for, and the level of risk that you are willing to accept. It can also mean looking at the behaviours of asset classes and selecting those that are thought to perform differently in any particular set of market conditions.

Through multi-asset investing, combining several types of assets which have different performance characteristics in one fund, fund managers seek to reduce volatility by offsetting the falls of one asset class with the gains of another. Multi-strategy investing also seeks to reduce volatility in a fund by using a number of investment strategies.

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