

# HOW OUR UNIT-LINKED FUNDS WORK

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



## WHY SHOULD I READ THIS DOCUMENT?

In this document, we explain how our unit-linked funds work so that you can understand how we manage your money and be confident you will be treated fairly.

We also have a more detailed guide about how we run our unit-linked funds, called the 'Unit-Linked Business Principles and Practices Manual'. This is on our website ([www.wesleyan.co.uk](http://www.wesleyan.co.uk)) or you can ask us for a copy.

If there are any inconsistencies between this document and your Plan Document, the terms and conditions in your Plan Document will apply.

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

## 1. UNIT-LINKED FUNDS OVERVIEW

### What is a unit-linked fund?

A unit-linked fund pools your money and the money of other investors. It uses this money to invest in a wide range of assets that you might not have been able to invest in on your own.

Each fund is divided into units of equal value and your money is used to buy these units. The number of units you get will depend on how much you invest. The price of the units depends on the value of the underlying assets of the fund (see 'What are the underlying assets?').

The value of your investment and any income, can go down as well as up and you may get back less money than you originally invested.

### What are the underlying assets?

Underlying assets are the types of investments in the funds that determine the price of the units, such as shares, fixed interest securities, cash or unit trusts. Different unit-linked funds will have different mixes of underlying assets.

The investment manager decides the mix of assets in a fund based on investment guidelines. These guidelines are set out in our 'Statement of Investment Principles', which you can ask us for.

Our fund fact sheets explain the mix of underlying assets and what each fund aims to do. These are on our website in our Fund Centre ([www.wesleyan.co.uk/fund-prices](http://www.wesleyan.co.uk/fund-prices)), or you can request copies from your Wesleyan Financial Services Consultant.

## 2. OUR UNIT-LINKED FUNDS AND PRODUCTS

### What unit-linked products does Wesleyan offer?

We offer the following:

- ▶ Unit-linked investment bonds.
- ▶ Regular or flexible payment unit-linked savings and protection plans.
- ▶ Unit-linked pension plans.

### What unit-linked funds does Wesleyan manage?

At Wesleyan, we manage Wesleyan Assurance Society funds as well as funds that were set up by the Medical Sickness Society before we merged in July 1997.

To find out which unit-linked funds your plan is invested in you can look at your latest unit-linked annual statement we send you, or you can contact us. See how to do this on page 6.

### Wesleyan funds

Wesleyan Assurance Society manages a range of funds available across both life and pension investment products.

#### Life Funds

Fund name	Launch date
Wesleyan Managed Fund	15/01/1986*
Wesleyan Deposit Fund	04/02/1998*
Wesleyan Asia (ex Japan) Shares Fund	09/01/2012
Wesleyan Corporate Bond Fund	09/01/2012
Wesleyan Emerging Market Shares Fund	09/01/2012
Wesleyan Ethical Shares Fund	09/01/2012
Wesleyan European Share Fund	09/01/2012
Wesleyan Government Bond Fund	09/01/2012
Wesleyan Higher Risk Reward Fund	09/01/2012
Wesleyan Japanese Shares Fund	09/01/2012
Wesleyan Low Risk Reward Fund	09/01/2012
Wesleyan Moderate-High Risk Reward Fund	09/01/2012
Wesleyan North American Shares Fund	09/01/2012
Wesleyan Risk Averse Fund	09/01/2012
Wesleyan UK Shares Fund	09/01/2012
Wesleyan UK Shares Higher Risk Fund	09/01/2012
Wesleyan UK Smaller Companies Fund	09/01/2012

## Pension Funds

Fund name	Launch date
Wesleyan Managed Pension Fund	01/07/1988
Wesleyan Deposit Pension Fund	01/01/1990
Wesleyan Asia (ex Japan) Shares Pension Fund	09/01/2012
Wesleyan Corporate Bond Pension Fund	09/01/2012
Wesleyan Emerging Market Shares Pension Fund	09/01/2012
Wesleyan Ethical Shares Pension Fund	09/01/2012
Wesleyan European Share Pension Fund	09/01/2012
Wesleyan Government Bond Pension Fund	09/01/2012
Wesleyan Higher Risk Reward Pension Fund	09/01/2012
Wesleyan Japanese Shares Pension Fund	09/01/2012
Wesleyan Low Risk Reward Pension Fund	09/01/2012
Wesleyan Moderate-High Risk Reward Pension Fund	09/01/2012
Wesleyan North American Shares Pension Fund	09/01/2012
Wesleyan Risk Averse Pension Fund	09/01/2012
Wesleyan UK Shares Higher Risk Pension Fund	09/01/2012
Wesleyan UK Shares Pension Fund	09/01/2012
Wesleyan UK Smaller Companies Pension Fund	09/01/2012

\* For the Wesleyan Managed Fund, Wesleyan Deposit Fund and all the Wesleyan pension funds, additional share classes have been introduced after the original launch date. However, it should be noted that the bid and offer prices are rounded in the same way as the original share class. For more information about bid and offer prices, see the section 'Bid and offer prices'.

## Medical Sickness Society funds

These funds are no longer open to new customers.

- ▶ MSS Life UK Equity Fund
- ▶ MSS Life North American Fund
- ▶ MSS Life Far Eastern Fund
- ▶ MSS Life European Fund
- ▶ MSS Life Fixed Interest Fund
- ▶ MSS Life Money Fund
- ▶ MSS Life Managed Fund
- ▶ MSS Pension UK Equity Fund
- ▶ MSS Pension North American Fund
- ▶ MSS Pension Far Eastern Fund
- ▶ MSS Pension European Fund
- ▶ MSS Pension Fixed Interest Fund
- ▶ MSS Pension Money Fund
- ▶ MSS Pension Managed Fund

## What about unitised with profits funds?

Some of our unit-linked products offer a unitised with profits fund option. A unitised with profits fund is not directly linked to the performance of the underlying assets. Depending on which funds you choose, your plan might contain units in both unit linked funds and unitised with profits funds at the same time or at different times.

If you want to switch between these two types of fund, you should read 'How our With Profits Fund works, for policies where premiums are used to buy units', which is on our website or you can ask us for a copy.

## 3. CALCULATING PRICES

### How is the value of my unit-linked plan worked out?

We multiply the number of units in your plan by the bid price of the units to work out the value.

When you cash in your units, or units are cashed in because the plan matures, the value may change because bonuses are added or charges are taken. You can find details about these benefits and charges in your Plan Document.

We value and price all unit-linked funds each working day (Monday to Friday except bank holidays in England).

### Bid and offer prices

Each working day, we divide the value of the underlying assets by the number of units in the fund. This number is then adjusted because of initial charges and rounding, to give the bid and offer prices. The bid and offer prices are defined as the following.

- ▶ **Bid price** – the price used to value your funds when you cash in your units or your plan matures (adjusted by bonuses or charges) and sell them back to us.
- ▶ **Offer price** – how much the units cost when they are bought using your investment.

For some of our funds, we sell units to you at a 5% higher price (the offer price) than you can sell them back to us (the bid price). The difference between the two prices is called the bid-offer spread.

The bid and offer prices are rounded in the following ways.

- ▶ **For Wesleyan funds set up before 9 January 2012**, – bid and offer prices are rounded to the nearest 0.1 pence.
- ▶ **Wesleyan funds set up on or after 9 January 2012** – bid and offer prices are rounded up to the nearest 0.1 pence.
- ▶ **Medical Sickness Society funds** – the bid price is rounded up to the nearest 0.1 pence and the offer price is rounded down to the nearest 0.1 pence.

For the following funds, the bid and offer prices are the same, which means there is no bid-offer spread.

- ▶ All Series in the Wesleyan Pension Managed Fund (except Series 1).
- ▶ Series 2, 3 and 4 in the Wesleyan Pension Deposit Fund.
- ▶ Any funds set up on or after 9 January 2012.

### Valuing the underlying assets

The underlying assets are valued using current market prices. External companies are used to make sure these valuations are fair and reasonable. The market prices used will take into account the pricing basis of the fund.

The pricing basis can either be an expanding or contracting basis used to value the underlying assets.

- ▶ An expanding fund is where the unit-linked fund is getting bigger because we are selling more units than customers are cashing in, so the unit-linked fund is getting larger.

If a fund is growing we will normally use an expanding basis to value the underlying assets. This means the valuation will reflect the cost of buying the underlying assets in the market.

- ▶ A contracting fund is where the unit-linked fund is getting smaller because more units are being cashed in than are being sold.

If the fund is getting smaller, we will normally use a contracting basis to value the underlying assets. This means that the valuation will show what could be received if the underlying assets were sold in the market.

A fund is often valued higher when it is calculated on an expanding basis than on a contracting basis. This is because the asset is normally a higher price to buy than to sell.

Your plan value may go up or down because the pricing basis changes. However, the effect of this change is normally smoothed over a period of time.

If the pricing basis changes for a particular unit-linked fund it will be based on long-term trends rather than short-term fluctuations. This means that the pricing basis should not change very often. Our Chief Actuary will decide when a pricing basis should be changed.

### Who is responsible for unit pricing?

Our Board of Directors are responsible for managing unit-linked business. However, it is our Chief Actuary's responsibility to oversee the day-to-day unit pricing.

Certain responsibilities are carried out by other departments at Wesleyan. For example, our Corporate Audit department regularly monitor and review the way we price the units to make sure we continue to treat our unit-linked customers fairly.

### Which day's unit prices are used for my transaction?

The unit price we use to allocate your payments, and to value your plan when you cash it in or it matures, will depend on the type of plan and transaction. You should read your plan document for more information.

### What if Wesleyan makes a pricing error?

We check our prices daily to make sure any errors (such as an underlying asset being valued wrong) are put right before they affect you.

If we make a pricing error on your plan, we will investigate the issue and correct it as soon as we can. We will compensate you or the fund if you have suffered a material loss. A material loss would be 0.5% or more of the correct unit price. You will be compensated if you lose £10 or more because of a pricing error.

### Key aim

Our overall aim when calculating unit prices is to make sure we value all our customer's funds fairly. We aim to:

- ▶ value the underlying assets fairly
- ▶ charge appropriate amounts for managing the fund
- ▶ give our customers a fair price when they buy and sell units, and
- ▶ use a fair and clear way of unit pricing.

## 4. CHARGES AND TAXES

### What are the charges?

Your plan might have an allocation rate. This rate is a percentage which is used to buy units in our funds and the rest goes towards our charges. For example, if there is a 95% allocation rate on a £100 investment, we will use £95 to buy units and use £5 to cover our costs. This means that the amount used to buy units in your chosen funds will be lower than the amount you paid.

Charges depend on the product types and fund or funds you invest in. These can include an Annual Management Charge (AMC) to cover the daily running costs of the fund, the Ongoing Advice Service that Wesleyan Financial Services provide (if you are opted into this service), penalty charges if you cash your plan in early and bid offer spread charges (sometimes called 'initial charges').

We might also charge you for life insurance cover or other similar benefits. All charges are outlined in your Plan Document.

## What about tax?

An underlying asset provides an investment return in the form of income or capital. The fund is subject to tax as outlined below.

### Income

Investment income from the underlying assets (other than UK equities and most non-UK equities) is taxed at a rate equivalent to the current basic rate of income tax. Investment income from UK equities and most non-UK equities is not subject to any further tax.

### Capital gains

A capital gain is when an underlying asset is sold at a higher price than it was bought for (after the purchase price has been increased in line with inflation). Tax is due on the capital gain at a rate equivalent to the current basic rate of income tax.

Any tax that the fund has to pay (or is potentially payable) will reduce the bid and offer prices. In order to treat all customers fairly, we take into account any expected future corporation tax payments on assets of the fund that have increased in value, but haven't been sold. This is known as unrealised capital gains. Each working day, we estimate how much unrealised corporation tax will be applied to your plan, so that is fairer for you.

There is no tax on unit-linked funds which are held for pensions business but you can't reclaim the tax credit associated with investment income from UK equities and most non-UK equities.

Depending on your personal tax status and the type of plan you have, you might have to pay further tax when you cash in your units. For further information you should contact your Wesleyan Financial Services Consultant and accountant.

## What about capital losses?

A capital loss is when an underlying asset is sold at a lower price than it was bought for. Capital losses can sometimes be used to offset capital gains and reduce the corporation tax that the fund has to pay.

This is how we understand tax rules now. They may change in the future.

## 5. OTHER KEY INFORMATION

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### Does Wesleyan own any of the units in the unit-linked funds?

There may be 'spare' units in a unit-linked fund because:

- ▶ the units have not yet been bought by customers;
- or
- ▶ we are keeping a small amount of spare units so we have more flexibility (for example, to keep the buying and selling

costs of a unit-linked fund low). We monitor the number of spare units in each unit-linked fund to make sure it is at an appropriate level. We earn the same return on these units as you do.

## What discretionary powers does Wesleyan have?

To make sure we effectively manage the unit-linked funds, we might have to use discretionary actions if we need to:

- ▶ change fund charges in unit pricing, unless plan conditions stop us from doing this
- ▶ change the pricing basis
- ▶ change the investment plan of any fund, or
- ▶ respond to significant movements in asset prices.

This might affect the value of your plan or the way that we manage our unit-linked funds but our main concern is that we treat customers fairly.

## Exceptional circumstances

Events beyond our control might mean that the value of the underlying assets are not available. We will make sure that our customers' plans are kept secure and protected at all times.

When it is absolutely necessary, we might need to:

- ▶ delay transactions
- ▶ temporarily suspend unit prices
- ▶ change the asset mix of a unit-linked fund, and
- ▶ re-price on a particular day.

## 6. MORE INFORMATION

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### Current unit prices

To find out the current unit prices you can:

- ▶ visit our website at [www.wesleyan.co.uk](http://www.wesleyan.co.uk); or
- ▶ call us on 0345 351 2352. Our lines are open from 8.30am to 6.30pm Monday to Friday, and from 9am to 2pm on Saturdays. We may monitor our calls to improve our service.

### How can I find out how my investment is doing?

Call us on the number shown above

- ▶ Stay up to date with your fund's performance by accessing the Fund Price and Performance section of our website here: [wesleyan.co.uk/fund-prices](http://wesleyan.co.uk/fund-prices)
- ▶ You can ask for a fund value at any time by calling the Customer Service Centre on 0330 123 3813. Lines are open from 9am to 5pm Monday to Friday. This will not affect us sending you your regular statement.

Each year we publish an annual report which explains how we have managed the funds throughout the year. This is on our website or you can ask us for a copy.

### How to complain

We do everything we can to make sure we always give you the best possible service. If you are unhappy with any part of the service we have given you, and wish to complain you can contact us in the following ways:

- ▶ Speak to our Customer Relationship Centre on 0800 092 1990. Our lines are open from 8.30am to 6.30pm, Monday to Friday and from 9am to 2pm on Saturday.
- ▶ Complete the online contact form which can be found by visiting our website [www.wesleyan.co.uk/customer-services/makeacomplaint/](http://www.wesleyan.co.uk/customer-services/makeacomplaint/)
- ▶ Email the Complaints Team at [complaints@wesleyan.co.uk](mailto:complaints@wesleyan.co.uk)
- ▶ In writing to the address below:  
Complaints Team  
Risk and Regulatory  
Wesleyan Assurance Society  
Colmore Circus  
Birmingham  
B4 6AR
- ▶ You can also fax your letter to us on 0121 200 9210.
- ▶ Full details on our complaints processes and times for responses can be found on our website at [www.wesleyan.co.uk/customer-services/makeacomplaint/](http://www.wesleyan.co.uk/customer-services/makeacomplaint/)

### How to contact us

If you have any questions or would like more information, please contact us to arrange an appointment with your Financial Consultant.

- ▶ Call us on 0345 351 2352. Our lines are open from 8.30am to 6.30pm, Monday to Friday and from 9am to 2pm on Saturdays. Calls may be recorded to help us provide, monitor and improve our services to you.
- ▶ Write to us at:  
Wesleyan  
Colmore Circus  
Birmingham B4 6AR.
- ▶ Fax us on 0121 200 2971.
- ▶ Visit our website at [www.wesleyan.co.uk](http://www.wesleyan.co.uk)



## We are all about you.

Since we were founded over 175 years ago, we have cherished our mutual status. It's an integral part of who we are and with no shareholders, our focus is on members and customers. We work to benefit those who invest in our business. Not only today, but also in the future.

It's why 'we are all about you'.

A guide to the many ways in which the Wesleyan Group of companies can help you to plan, prioritise and secure your financial future.

### For you



Savings & Investments



Mortgages



Retirement Planning



Insurance



Life & Income Protection

### For your business



Finance & Funding



Personal Protection



Equipment Insurance



Premises Insurance

For more information about the Wesleyan Group of companies, visit [wesleyan.co.uk/ourcompanies](http://wesleyan.co.uk/ourcompanies)

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