

# WESLEYAN WITH PROFITS FUNDS

INVESTING  
MADE SMOOTHER

How Our With Profits Funds  
Work (for investments made  
through financial intermediaries)

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



# HOW OUR WITH PROFITS FUNDS WORK

Please take the time to read this document and keep it safe with your product literature. It explains how our With Profits Funds work and how they affect the value of your investment.

This document applies to investments into the With Profits Growth Fund and With Profits Growth Pension Fund made through financial intermediaries.

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

## IMPORTANT

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This document provides brief details of how our With Profits Funds work. It does not provide all the details about the insurance contract through which the investment in the Funds were made. That information is in the Key Features Document and Plan Terms & Conditions Document that are available from your adviser.

You can also get a copy of the Principles & Practices of Financial Management (Wesleyan Open Fund), which explains the detailed standards we apply to the management of our with profits business. This document is available from your financial adviser.

# YOUR QUESTIONS ANSWERED

## 1. WHAT IS A WITH PROFITS FUND?

A With Profits Fund is a type of investment fund offered by insurance companies, such as Wesleyan Assurance Society. The Wesleyan With Profits Funds aim to provide growth over the long term whilst enabling you to benefit from greater consistency of returns as a result of a mechanism called 'smoothing'. This feature is explained later in this document.

The With Profits Funds are managed by Wesleyan's award-winning Investments Team, with the ability to achieve outstanding long-term investment returns for those who trust in Wesleyan to invest on their behalf. The Funds are invested in a range of asset classes in order to diversify risk.

### How it works

- ▶ A simple, easy to understand structure.
- ▶ Daily unit price enabling the investor to track how the fund is performing and how much their investment is worth today.
- ▶ Daily application of the smoothing formula to ensure all customers get a fair price whether they are paying money in or taking money out.

See questions 3 and 4 for more information on smoothing and how it's applied to the Wesleyan With Profits Funds.

## 2. HOW DOES MY INVESTMENT BENEFIT FROM MUTUALITY?

The Wesleyan With Profits Funds are about more than just smoothing. Investors also get to benefit from Wesleyan being a mutual society.

Our mutual status and financial strength means that, in addition to the returns generated by our Investments Team, investors will also receive a share of profits or losses that the Society makes on other products that it sells, though we expect this to be a small part of the overall return.

In addition, if we generate profits from the charges we make on the Funds, investors in the With Profits Growth Fund and With Profits Growth Pension Fund will receive a share of this in their returns.

Section 9 provides more information about how Wesleyan's financial strength can benefit your investment.

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Our contrarian investment strategy, combined with our 'buy and hold' approach, has resulted in Wesleyan's With Profits Fund achieving a strong, long-term performance track record, which has translated into equally strong financial returns for investors.

Martin Lawrence, Director of Investments



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### 3. WHAT IS SMOOTHING AND WHAT ARE THE BENEFITS?

One of the most important aims of our With Profits Funds are to help shelter you from short-term fluctuations in returns by a process called 'smoothing'. Without us putting this in place, these fluctuations would directly affect the daily value of your investment, like they would in most other types of investment fund. Smoothing seeks to protect you by making your investment returns more consistent over time as strong performance in one period helps to offset poor performance in another.

For many people, smoothing can also help reduce the anxiety felt as a result of volatile stockmarkets and the effect it can have on their investment, or of investing at the wrong time.

### 4. HOW DOES SMOOTHING WORK?

In order to reduce the short-term fluctuations in the value of your investment, we don't pass on the full amount of the investment returns, and other profits and losses, as they arise. Instead, we apply any changes to the value of your investment steadily over time.

In periods of good investment returns, we may keep back some of the return. What we have kept back would then be gradually applied to your investment and can be used to cushion the fall in your share of the Fund if there is a subsequent period of poorer investment returns.

In the long term, on average, we aim to pass on to your investment all of the investment returns attributable to the With Profits Funds.

### 5. HOW DO YOU WORK OUT THE VALUE OF MY INVESTMENT?

We do a calculation which brings together the amounts you have invested in the Fund with your share of investment returns and other profits and losses.

In order to do this,

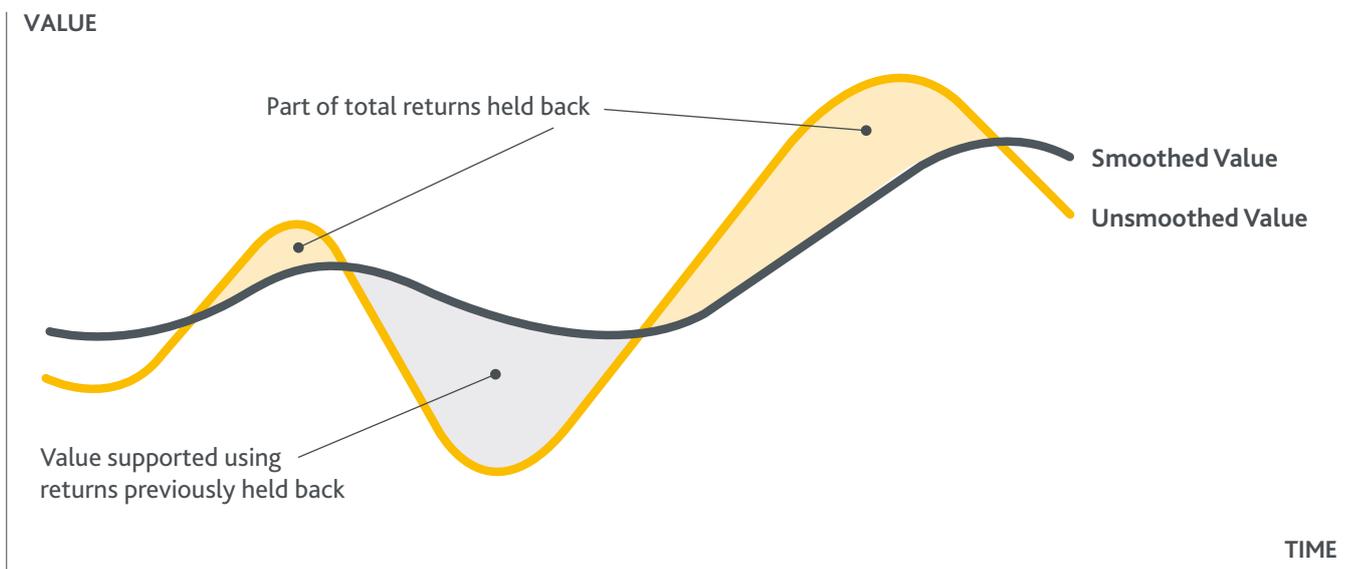
- ▶ we take the amounts you've invested in the Fund, then
- ▶ we make adjustments for investment returns, allowing for smoothing, then
- ▶ deduct any money you've previously taken out of the Fund, then
- ▶ deduct charges, and finally
- ▶ we make adjustments for other profits and losses attributable to the Fund.

The adjustments we make for investment returns and other profits and losses are made throughout the period that you hold units in the Fund. We work this out based on regular reviews of the performance of our investments.

The share of profits and losses attributable to the With Profits Growth Fund and With Profits Growth Pension Fund are set by the Society's Board each year with the advice of the With Profits Actuary. We would generally expect these to be a small part of the overall return.

In order to ensure all investors receive their fair share of the Fund, the smoothing process takes account of rapidly changing markets to ensure the smoothed value of the Fund does not stray too far from the actual value of the assets the Fund is invested in.

**Smoothing illustration – the diagram below shows how smoothing is applied to your investment**



- The smoothed value shows actual payout taking into account smoothing.
- The unsmoothed value shows the underlying assets in your investment based on the fund's actual performance.

## 6. WHAT DO MY CHARGES PAY FOR?

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The charges we deduct from your investment pay for the following costs.

- ▶ Those we incur in managing the With Profits Funds.
- ▶ A share of the overheads of running our business.

A share of any profits or losses we make from these charges are included in the business profits and losses mentioned earlier and are included in the returns to With Profits customers.

Please refer to the Key Features Document and the Key Information Document for your plan for information on the charges and transaction costs applicable to your plan. These documents are available from your adviser.

## 7. WHERE IS MY MONEY INVESTED?

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As the With Profits Funds are designed as a long-term home for your money, we seek to generate the highest possible return subject to an appropriate level of risk. We do this by investing in a wide range of assets to spread the risk, but we place an emphasis on assets which we expect, over time, to provide a return above the rate of inflation.

We apply a sustainable investing policy across all our directly managed funds which includes the Wesleyan With Profits Funds. To find out more, visit: [www.wesleyan.co.uk/intermediaries](http://www.wesleyan.co.uk/intermediaries).

The mix of investments is carefully monitored. However, due to the financial strength of the With Profits Funds and Wesleyan Assurance Society, we are able to hold a significant amount of quoted company shares to improve long-term returns. (Please see Question 9 for more on Wesleyan Assurance Society's financial strength.)

You can get up-to-date information on how the Funds are invested by contacting your adviser or by accessing the most up-to-date Fund factsheet which can be found at: [www.wesleyan.co.uk/intermediaries](http://www.wesleyan.co.uk/intermediaries).

## 8. WHAT COULD HAPPEN TO PUT WESLEYAN ASSURANCE SOCIETY'S OVERALL PROFITS AT RISK, AND HOW WOULD THIS AFFECT PAYOUTS?

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The main risk to profits, and your payout, arises from how our investments perform.

Other things that might put profits at risk include:

- ▶ the risk that the fund declines in size, resulting in our costs not being covered by our charges, and
- ▶ the risk that regulatory, government or tax changes impact on the returns.

We seek to manage these risks so that, in the normal course of events, we make a profit rather than a loss.

If we cannot meet our financial obligations to you, you may be entitled to compensation from the Financial Services Compensation Scheme (FSCS) under the Financial Services and Markets Act 2000. You can get details of the scheme from the FSCS at:

FSCS  
PO Box 300  
Mitcheldean  
GL17 1DY

Phone: 0800 678 1100 or 020 7741 4100.

Email: [enquiries@fscs.org.uk](mailto:enquiries@fscs.org.uk) Website: [www.fscs.org.uk](http://www.fscs.org.uk)

## 9. HOW DO I BENEFIT FROM WESLEYAN ASSURANCE SOCIETY'S FINANCIAL STRENGTH?

We aim to ensure that we have more money than we expect will be needed to pay out on all of our current With Profits holdings. This margin represents our financial strength and is not owned by any particular customers, but is used to give day-to-day benefits to current and future customers.

We do this so we can:

- ▶ keep an above average percentage of the Funds in quoted company shares that we hope will allow us to pay higher returns over time
- ▶ smooth out rises and falls in our returns when we determine payouts
- ▶ select investments which we believe will grow in the long term, even if they are currently out of favour with other investors, and
- ▶ meet the guarantees that we offered on some historic With Profits plans, even if our investments fall in value.

Also, if Wesleyan deems that its financial strength is in excess of what is needed, then we may distribute some of our excess surplus into With Profits plan values. To comply with regulations, the excess surplus (if there is any) is determined by the Board each year and must exclude amounts that we need to hold back to cover our risks<sup>1</sup> and to support our new business plans. If there is an excess surplus distribution, investors in the With Profits Growth Fund and With Profits Growth Pension Fund will get a share of this.

We see these benefits as the key components of what our With Profits Funds are about – growth prospects over the long term with the added benefit of smoothed payouts.

Our financial strength enables us to meet some costs directly from time to time, rather than pass them on to customers. However, we would only do this if we could guarantee that our financial strength would remain strong enough afterwards.

These costs might include:

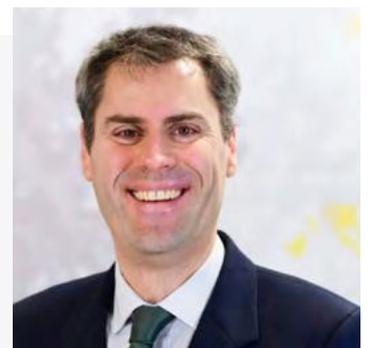
- ▶ some guaranteed costs, such as a guarantee that the maturity payout from certain endowment plans will pay off a planholder's mortgage
- ▶ large projects we undertake to develop our business strategy or modernise our infrastructure
- ▶ compensation paid to our customers, and
- ▶ the cost associated with the Mutual Rewards Scheme, which provides incentives to our members for the purchase of insurance products.

We are a financially-strong company and our aim is to remain financially strong in the future. We monitor this strength to ensure it doesn't fall below an acceptable level. If it were to fall, we would look at how to rebuild it.

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The financial strength of the With Profits Funds, and Wesleyan Assurance Society, enables the funds to hold a significant amount of equity and property investments to improve long-term return.

**Mario Mazzocchi, Group Chief Executive**



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<sup>1</sup> This amount is based on our own internal risk and solvency assessment and forms part of a private submission to the regulator each year; it is much higher than the publicly reported minimum capital value.

## 10. HOW DO I KEEP TRACK OF MY INVESTMENT?

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When you invest in our With Profits Funds, it should be with the aim of investing your money for at least five years or more.

Quarterly valuations are provided by your administration platform, and you can also get daily valuations from your online client portal. Speak to your adviser about how you can get access.

## 11. WHAT IF I CASH IN MY WITH PROFITS INVESTMENT?

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With Profits Funds are designed for long-term investment but our products allow access to your money at any time without any penalties. Please note that there may be taxation issues to consider from withdrawing money from some types of products, and you may wish to seek advice before doing so.

You may get back less than you paid in if you decide to cash in your investment, particularly when underlying asset values are low.

## 12. WHERE CAN I FIND OUT MORE?

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- ▶ If you have any further questions about the information we have covered in this document, or if you would like further information about our With Profits Funds, we suggest you contact your adviser in the first instance.
- ▶ Each year, we publish an Annual Report which explains how we have acted to manage our With Profits Fund during the year and can be viewed at [www.wesleyan.co.uk/-/media/pdf/reports-and-accounts-2021.pdf](http://www.wesleyan.co.uk/-/media/pdf/reports-and-accounts-2021.pdf)
- ▶ We also produce a more detailed guide about how we run the Fund. This is called 'Principles and Practices of Financial Management (Wesleyan Open Fund)' which can be found at [www.wesleyan.co.uk/intermediaries](http://www.wesleyan.co.uk/intermediaries)



Investment team of the year  
- re/insurer



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