

## Cash Fund Drawdown

# Guide to investment risk and the LF Cash Fund

### Introduction

Risk is another word for uncertainty or unpredictability. Most investments carry an element of uncertainty or unpredictability as it can be difficult to know what your returns will be. As a general rule, the less risk your investment carries, the lower potential return you can expect to make; whereas the higher the risk, the greater the potential return. However, this higher potential carries the risk of greater fluctuations and potential losses. Risk exists whenever you invest your money; even keeping money in the bank or building society carries the risk of returns not keeping pace with inflation. The Cash Fund Drawdown plan has one investment fund, the LF Cash Fund. The LF Cash Fund invests in a single collective investment scheme, the Henderson Money Market Unit Trust.

### Your attitude to risk

When deciding which type of investment to choose, it is important to consider your own attitude to risk. When considering risk there are different ways to think about it. These include:

- Your financial capacity to deal with potential loss
- Your investment time frame
- Your willingness to take risk.

If you are uncertain about your own risk profile or the level of risk associated with the LF Cash Fund, you should speak to a financial adviser. A financial adviser can help you determine your attitude to investment risk and work with you to develop a retirement strategy that is right for you.

As the LF Cash Fund only invests in a single collective investment scheme, the Henderson Money Market Unit Trust, this may not give you the investment choice you want and therefore you may need to consider another product.

### Fund specific risks

#### TYPES OF INVESTMENT RISK

The main types of risk associated with the LF Cash Fund are:

- The value of your investment could be reduced by the impact of inflation
- The risk that the value of your investment will fall instead of rise
- The value of your investment could be affected by the impact of charges
- The risk that concentrated investments decline or are adversely affected. This can reduce the value of your fund.

#### INFLATION RISK

Inflation eats away at the value of your money. Your fund value doesn't decrease, but you lose buying power, as inflation reduces its potential purchasing power. In other words, the amount that you can purchase with each pound in your pocket slowly erodes over time. Investment funds such as the LF Cash Fund expose you to that risk.

## TYPE OF INVESTMENT ASSET

The LF Cash Fund invests in a fund which invests in money market instruments. Money market instruments are short-term investments issued by a government or company, with a maturity date of less than one year. These are generally considered the most secure and stable type of asset, but the value can still go down in some circumstances. Although returns are more stable, they tend to be low in comparison with other assets and the value can be eroded by the impact of inflation.

## IMPACT OF CHARGES RISK

As your pension savings are invested in a fund they will be impacted by fund manager charges for the management of your investment. As a result the value of your savings may decrease over time, even if you do not take out any cash withdrawals.

## CONCENTRATED INVESTMENTS

This risk is based on the investment objective and the published risk of the underlying fund (the Henderson Money Market Unit Trust). The underlying fund has a factsheet which gives more details in terms of the fund objectives, fund manager, investment styles and charges. This can be found on our website at [pensions.linkfundsolutions.co.uk](https://pensions.linkfundsolutions.co.uk).

The fund holds high proportions of certain securities. If one of these declines in value, or is otherwise adversely affected, this can have a greater effect on the fund's value than if it held less concentrated investments.

## COUNTERPARTY RISK

Counterparty risk is the risk that the financial institutions with which monies are ultimately invested or deposited by the underlying fund, default on their obligations to repay the investments or deposits.

## How do LFS manage risk?

Link Fund Solutions Limited (LFS) manage a range of core pension funds designed to meet different investment needs.

All the funds we invest in are subject to extensive due diligence assessments – prior to investment and periodically after that. LFS have an established Investment Oversight Committee. The Committee meets formally each quarter to review individual funds to ensure that they continue to meet LFS's strategic investment objectives.

**This document does not highlight the risks associated with investing in drawdown. Product risk information can be found in the Cash Fund Drawdown Key Features document. This document does not constitute the provision of financial, investment or other professional advice in any way. If you are unsure about the suitability of your investment, you should speak to a financial adviser. You may need to pay to do this.**

## The LF Cash Fund investment objective and policy

The fund invests in a single authorised collective investment scheme which invests predominantly in Money Market Instruments with the aim of providing a high level of capital security. The fund may also invest in cash should continued investment in the chosen authorised collective investment scheme become impracticable.

The LF Cash Fund invests in the Henderson Money Market Unit Trust which has the following Investment Objective and Policy:

- The fund's aim is to achieve a high level of return consistent with a high degree of capital security
- The fund will invest principally in short term deposits and other money-market instruments.