Smart Pension

Investment guide

For Smart Pension Master Trust members

Series four

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Contents

Choose the right investments for you

In this guide, we tell you about choosing the right investments for you. We explain which investments are available for your retirement savings and what things you should think about.

It's important to think about your investments because it's one of the main things that affect how much money you have when you retire.

We can choose your investments for you with one of our three investment strategies. Each investment strategy is a mix of investments designed to meet different goals. We keep an eye on these investments and update them if we think it's necessary. If you don't want to make a choice, we will pick a strategy for you. We call this our default strategy and we base it on what we think is suitable for most people who save with us.

But not everyone's the same and you may want to pick investments from our full selection and manage your retirement savings yourself. We have tried to make it as easy as possible for you to take as much or as little control as you want.

In this guide we cover:

- What the different kinds of investment are and how they differ
- The different investment strategies you can choose and when they might be suitable for you
- A summary of the investments we offer

You can go straight to this if you are an experienced investor.

We hope the information in this guide helps you to decide what you want to do. We can't recommend what you should do because we don't know enough about you. And we're not allowed to by law. If you want a recommendation for your personal circumstances, you should see an independent financial adviser.

If you have any questions, please contact us on 0333 666 2626 or email employee@smartpension.co.uk. We are open from 9am to 5pm on Mondays to Fridays.

Top tips for saving for your retirement

- Start as soon as possible. The sooner you start, the more time your money has to grow.
- Save as much as possible. The more you save, the more you'll have when you retire.
- Save regularly. This smooths out the price you pay for investments because you can buy more when prices fall. You've already got this covered by saving with Smart Pension.
- Choose the right investments for you. Make sure that they give you the growth and risk you want.

Do you want to choose your investments?

Yes

Do you want to use an investment strategy?

No

Do nothing. We'll choose a investment strategy for you (our default strategy).

Yes

Choose an investment strategy
that suits how much risk you want to take or what you want to do with your money when you retire. We'll keep an eye on your investments and move them automatically if we think it's right.

No

Choose your own investments. You must keep an eye on them yourself and make sure they continue to be right for you.

See: https://www.pensionsadvisoryservice.org.uk/about-pensions/pensions-basics/top-tips-for-your-pension for more information

What you should know about investments

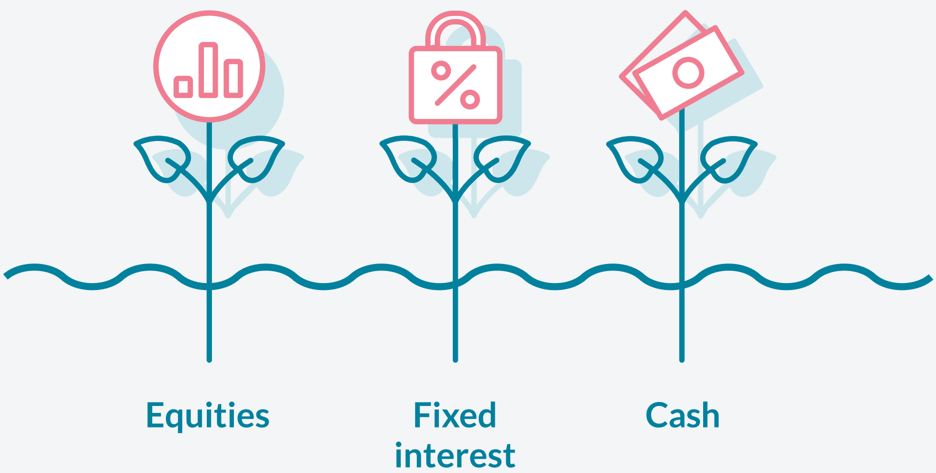
This section briefly tells you some of the key facts about investments. If you are familiar with investing, you can skip this section and move straight to the details of the investments you can choose. It's important to think about your investments because it's one of the main things that affect how much money you have when you retire.

Different types of investment

An investment is anything you buy because you hope that you can make a profit on it. There are different types of things you can buy (called "asset classes"), which we describe later in this section.

An investment's value will go up and down over time. Although, you can't be sure what it will do over a short period, over the longer term you can expect it to increase. Some asset classes will tend to grow more than others. In general, those that can go up the most can also fall the most. So there is a trade off between how much an investment could grow and how far it could fall. Higher opportunity for growth comes with a higher risk of loss.

Here is a brief summary of the main asset classes that we use. We describe what each asset class means. We also show whether the asset is aimed at growth (with higher risk) or at predictability (with lower potential growth). The stars below illustrate the asset classes' features by ranking them out of five; they are not a formal rating.



Equities

Growth 4*

Predictability 1*

(sometimes called stocks and shares). Equities are shares in companies. The value of a share depends on the company's performance. Equity investments can focus on types of company or on the countries in which the companies operate. Historically, equities have grown more than other asset classes and they fluctuate the most in the short term.

Fixed interest

Growth 2*

Predictability 3*

(sometimes called bonds or gilts). Bonds are loans to companies or governments. Loans to the UK Government are called "Gilts." The company or government promises to pay back the amount of the loan at an agreed time in the future. It pays a regular income until then. Bonds give a predictable return at a relatively low risk, depending on how reliable the organisation is that issued them.

Cash

Growth 1*

Predictability 4*

Cash asset classes invest money in secure accounts or short term loans between banks. They offer the lowest risk of loss and therefore the lowest potential for growth. They may not keep pace with rising prices.

Risk

Risk is the chance that something can go wrong. Here are the key risks that you face when you invest for your retirement.

Risk	Description
Investment	Your investments might not grow as much as you need, or might shrink. This means you might not have as much at retirement as you want.
Inflation	Your investments might not keep pace with rising prices (inflation), which means that your money won't buy as much when you retire as it would now.
Conversion	You could get less money than you expect when you take it out because your investments are inconsistent with the way you plan to take the money out. For example, if you want to buy an annuity, the cost of an annuity could increase, but your investments don't grow as much, so you end up with less income.

We have designed our investment strategies to allow for these risks. We explain how we do this later.

Dealing with risk (diversification)

Risk is the chance that something can go wrong. Here are the key risks that you face when you invest for your retirement. One way of dealing with these risks is to invest in a mixture of investment classes, to spread the risk. This means that if some investments go down, then others may go up, which reduces your potential loss.

By choosing a mixture of different asset classes carefully, you can get a blend that keeps most of the growth potential, but lessens the unpredictability.

How we manage your money

We offer two approaches to investing your pension savings:

We can do it for you: We have built some investment strategies that you can use. We have designed a mixture of investments for these investment strategies. We will automatically move your investments as you get closer to retirement into assets that protect what you've built up.

Choose your own investments: You don't have to use one of our investment strategies. You can choose your own investments from our selection. In this case you will choose the mixture of investments yourself and keep an eye on them, changing them if you think it necessary.

We will explain how the investment strategies work and what investments you can choose yourself in the next sections.

Investment funds

We don't invest directly in companies or bonds. We buy shares in investment funds that pool people's money and invest it in a particular asset class.

These shares are called units. When you save your money in Smart Pension, we buy units in the investment fund with it. We record how many units you have bought in your account. When the assets in the investment fund go up or down in value, the price of each unit changes too and with it, the value of your account.

Our funds are managed by Legal & General Investment Management, HSBC and J.P. Morgan.

Our investment strategies

An investment strategy sets out what mixture of investments you will hold and how that mixture will change over time.

We have built some investment strategies that you can use. We have designed a mixture of investments for these investment strategies. We will automatically move your investments as you get closer to retirement into assets that protect what you've built up.

This section explains how we do this and what funds we use.

Our investment strategies depend on two factors:

- How much risk you want to take
- How you plan to take your money from your account when you retire

Each strategy has two phases, which reflect these factors.

Growth Phase

You can choose one of three funds for the growth period, depending on how much risk you want to take. If you are not sure how much risk you'd like to take, we will choose the moderate risk fund.

Protection Phase

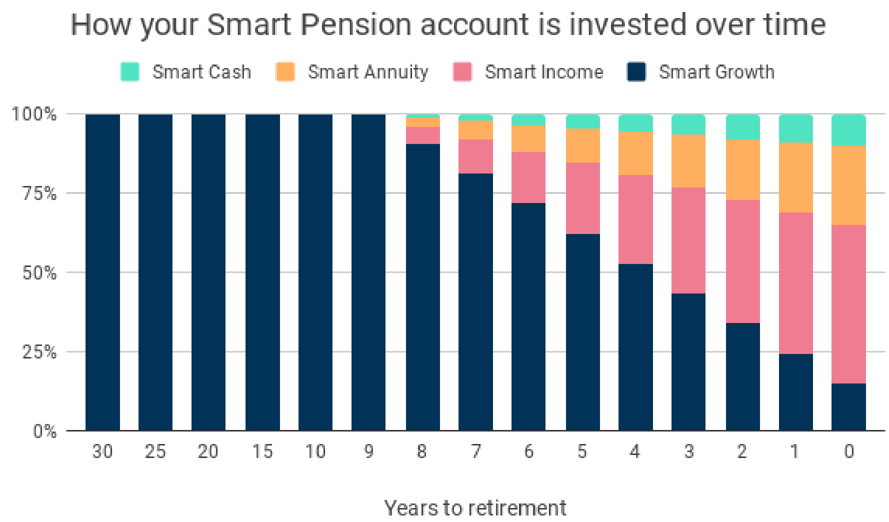
We move it into investments that are most suitable for the way you plan to take money out. This manages the conversion risk we described in the previous section.

Our investment strategies - at a glance

The bar charts below show how we automatically move your money into different investments as you get closer to retirement.

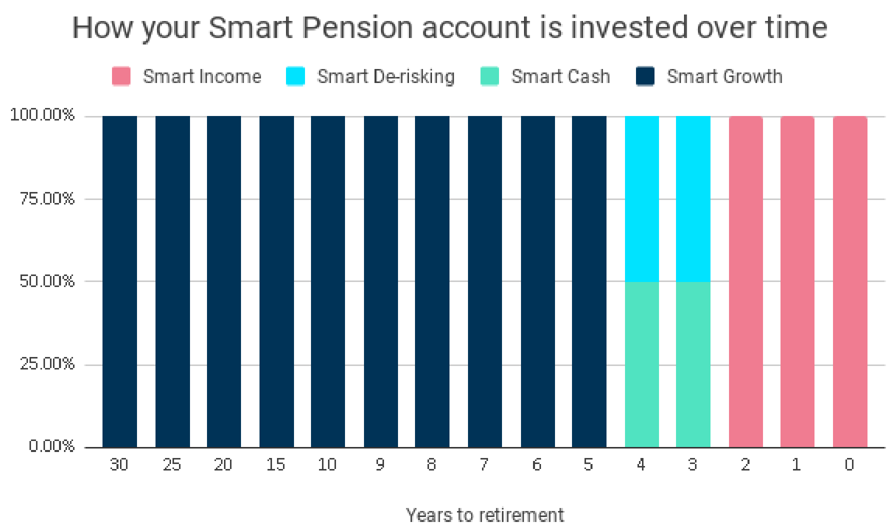
Targeting a flexible income (also known as income drawdown) - moderate risk option

This is our default investment strategy. We use this if you do not make a choice. It is also available for you to choose, alongside the other investment strategies shown in this section. If your money is invested in this investment strategy, your money will move in line with the bar chart below.



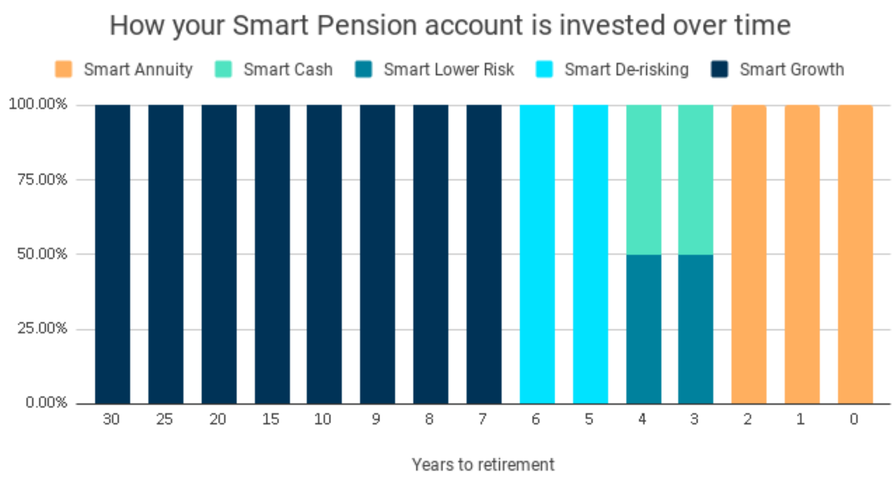
Targeting a flexible income (also known as income drawdown) - higher and lower risk options

We offer two other levels of risk for the investment strategy targeting a flexible income (also known as income drawdown). You can also choose to use this investment strategy with either the Smart Growth Fund - lower risk or Smart Growth Fund - higher risk. If you choose this investment strategy, your money will move in line with the bar chart below.



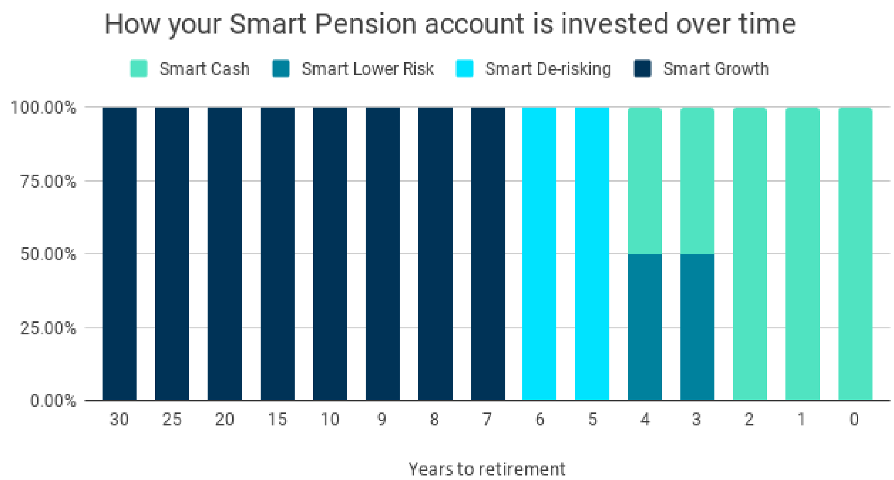
Targeting a guaranteed income (also known as an annuity)

You can choose to use this investment strategy with either the Smart Growth Fund - lower risk, Smart Growth Fund - moderate risk or Smart Growth Fund - higher risk.



Targeting cash

You can choose to use this investment strategy with either the Smart Growth Fund - lower risk, Smart Growth Fund - moderate risk or Smart Growth Fund - higher risk.



How much risk do you want to take?

You can use the table below to help you choose what level of risk you want to take. This is a guide only, which sets out the type of issues you should think about.

See which column of statements most applies to you to help you choose the level of risk you want to take.

	Higher risk	Moderate risk	Lower risk
Other retirement savings	You will have significant income when you retire from other sources, for example from another pension scheme or from property.	You will have some income from other sources, but your Smart pension will make up a reasonable part of your total income.	You will rely on your Smart pension for most of your retirement income.
Ability to top up	You can afford to pay extra into your account if your investments shrink.	You can afford to pay a limited amount of extra money into your account if necessary.	You have little scope to top up your retirement savings.
Ability to delay retirement	You can work longer or delay taking money from your account if your investments shrink before you retire.	You could work a little while longer or have a short delay taking money from your account.	You could not keep working or delay taking money from your account.
Age	You have a long time before you retire, so your investments have time to recover if they fall.	You are a few years from retirement and could recover from a slight fall in your investments.	You are close to retirement and could not cope if your investments fell.
Attitude	You are happy to take risks and prepared for your investments to fall if it gives you the chance of greater gains.	You are comfortable with a moderate amount of risk for extra growth, but not too much.	You prefer safety and are willing to forgo the chance of extra growth if it gives you greater stability.

You can find more information at
www.moneyadviceservice.org.uk/en/articles/know-your-risk-appetite

How do you plan to take your money from your account?

There are three ways you can take money out of your account. The table below gives a brief summary of them. If you do not know what you might do, we'll move it into investments that are suitable for drawdown.

Flexible income (drawdown)	You take income directly out of your account. This gives you flexibility to vary your income to suit your needs. You must keep managing your investments after you retire. There is a risk that you could run out of money sooner than you planned if your investments do not grow as much as you hoped.
Guaranteed income **(annuity)**	You use your account to buy a guaranteed income for life from an insurance company. You can choose if this income increases each year or if someone else gets paid after you die. You need to shop around to get the right option for you. This gives you the security of knowing that your income is guaranteed however long you live. Once you have bought an annuity, you cannot change your mind, so you don't have the flexibility to change your income if your circumstances change.
Cash	You take your account as a lump sum. You could pay a higher amount of tax if you take a large cash sum.

You can also combine these options. If you want to know more, you can visit Pension Wise, which gives free and impartial government guidance, at: www.pensionwise.gov.uk/en/browse/taking-your-pension-money

Choose your own investments

You don't have to use one of our investment strategies. You can choose your own investments from our selection. Remember that if you choose your own investments, you must keep an eye on them, changing them if you think necessary.

Here are the investments in our selection. The risk ratings give an indication of the potential level of risk and reward, based on the asset class of the investment. The funds' investment managers have given us these ratings. They are not based on any industry standard, so you can't use them to compare with investments outside Smart pension.

Our risk rating system

1 2 3 4 5 6 7

Lower risk
potentially lower reward

Higher risk
potentially higher reward

Investment fund factsheets

You can find out more about the individual funds in the factsheets below.

Equity investments

Smart UK FTSE 100 Equity Index Fund

Aims to track the return of the FTSE 100 Index, which contains the largest listed companies on the UK stock market.

Risk
5

Smart World (ex UK) Developed Equity Index Fund

Aims to track the performance of the FTSE Developed (ex UK) Index, which provides broad exposure to large and mid-cap companies in the developed world, excluding the UK.

Risk
5

Smart North America Equity Index Fund

Aims to track the return of the FTSE USA Index, which provides broad exposure to companies in the North American equity market.

Risk
5

Smart World Emerging Markets Equity Index Fund

Aims to track the return of the FTSE All-World Emerging Index, which provides access to key emerging economies including Brazil, Russia, India and China.

Risk
6

Other specialist funds

Smart Ethical Global Equity Index Fund

Aims to track a filtered index, which excludes companies that operate in industries that breach certain ethical criteria.

Risk
5

Smart Shariah Fund

Aims to create long term appreciation of capital through investment in a diversified portfolio of securities which meets Islamic investment principles.

Risk
6

Smart Future Fund

This fund has been selected to replicate the asset allocation, performance and risk profile of our default fund, whilst incorporating additional screening criteria that revalues the weighting of each investment depending on their Environmental, Social, and Governance (ESG) performance. It aims to limit the additional risks associated with ESG factors.

Risk
5

Fixed interest

Smart All Stocks Index–Linked Gilts Index Fund

Aims to track the return of the FTSE Actuaries British Government Index-Linked All Stocks Index, which features UK government bonds with returns linked to the Retail Price Index (RPI).

Risk
5

Smart Overseas Bond Index Fund -GBP Hedged

Aims to invest in different types of bonds, including corporate and government bonds both in the UK and overseas.

Risk
5

Cash

Smart Cash Fund

Aims to maintain capital and provide a return in-line with money market rates by investing in a range of money market securities denominated in sterling.

Risk
2

Specialist funds - Pre/At retirement

Smart Income Fund

Aims to provide long-term investment growth up to and during retirement, to facilitate the drawdown of retirement income.

Risk
5

Smart Annuity Fund

Aims to invest in a way which matches the broad characteristics of investments underlying the pricing of a typical non-inflation linked annuity.

Risk
4

Blended funds

These funds are blended from our individual investment funds. We use some of them in our investment strategies which can be found on page 10 and 11. Those not included within our investment strategies are available to select as individual funds.

Please note, you cannot choose to be in an investment strategy and a self select fund at the same time.

Risk	Description	Risk
Smart Growth Fund - Higher Risk	Aims to provide long-term investment growth up to and during retirement, to facilitate the drawdown of retirement income.	5
Smart Growth Fund - Moderate Risk	Aims to invest in a way which matches the broad characteristics of investments underlying the pricing of a typical non-inflation linked annuity.	5
Smart Growth Fund - Lower Risk	This fund carries the lowest risk of loss but also reduced likelihood of a high return, but it may be suitable if you are concerned about volatility.	5
Smart De-risking Fund	This fund has been created so that it will typically suit most of our members who are approaching their target retirement age and would like a lower level of volatility than the Smart growth funds.	4
Smart Lower Risk Fund	This fund has been created so that it will typically suit most of our members who are approaching their target retirement age and would like an even lower level of volatility than the Smart growth funds and the de-risking fund.	2
Smart Future Fund	This fund has been selected to replicate the asset allocation, performance and risk profile of our default fund, whilst incorporating additional screening criteria that revalues the weighting of each investment depending on their Environmental, Social, and Governance (ESG) performance. It aims to limit the additional risks associated with ESG factors.	5

This risk and reward indicator is based on historical data which may not be a reliable indication of the fund's risk and reward category in the future. The category number highlighted above reflects the rate at which the fund's unit price has moved up and down in the past. If the fund has less than 5 years' track record, the number also reflects the rate at which the index the fund tracks has moved up and down in the past. Higher numbers mean the potential reward could be greater, but this comes with increased risk of losing money.

The fund's category is not guaranteed to remain the same and may change over time.

- Even a fund in the lowest category is not a risk free investment.
- The value of your investment will fall as well as rise and is not guaranteed.
- You might get back less than you invest.

How much we charge you

We charge a percentage of your investments each month for managing and investing your pension. This is the Annual Management Charge (AMC).

Some investments have extra operating costs which we add to the AMC. This total charge is called the Total Expense Ratio (TER). Here are the AMCs and TERs for each investment fund.

Fund	AMC	TER
Smart Growth Fund - Higher risk	0.45%	0.45%
Smart Growth Fund - Moderate risk	0.45%	0.45%
Smart Growth Fund - Lower risk	0.45%	0.45%
Smart UK FTSE 100 Equity Index Fund	0.45%	0.45%
Smart World (ex UK) Developed Equity Index Fund	0.45%	0.45%
Smart North America Equity Index Fund	0.45%	0.45%
Smart World Emerging Markets Equity Index Fund	0.82%	0.82%
Smart All Stocks Index-Linked Gilts Index Fund	0.45%	0.45%
Smart Overseas Bond Index Fund - GBP Hedged	0.55%	0.55%
Smart Cash Fund	0.45%	0.45%
Smart Income Fund	0.45%	0.45%
Smart Annuity Fund	0.45%	0.45%
Smart Shariah Fund	0.71%	0.75%
Smart Ethical Global Equity Index Fund	0.57%	0.57%
Smart Future Fund	0.45%	0.45%
Smart De-risking Fund	0.45%	0.45%
Smart Lower Risk Fund	0.45%	0.45%

Legal stuff

The aim of this guide is to give general information about investments, and choosing the right investments for you within the Smart Pension Master Trust. It does not give personal advice. If you need personal advice then you should speak to an independent financial adviser.

Remember that the value of investments is not guaranteed and will go down as well as up and may fall below the original investment amount. You should not see past performance as an indication of future performance.

The Smart Pension Master Trust is governed by a document known as the trust deed and rules. In the event of any differences between the trust deed and rules and this guide, the trust deed and rules will apply.

Where links are given to external websites in this guide, neither Smart Pension Limited nor the Trustee of the Smart Pension Master Trust are responsible for the content of those websites.

Smart Pension Limited does not provide investment, financial or any other type of professional advice, and none of the material or content of this brochure, our phone calls or other communications or our website should be taken as providing such advice. Smart Pension Master Trust is authorised and regulated by The Pensions Regulator.

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