

## Your M&S Pension Saving Plan

### Fund Specific Risks

#### **12. Currency changes**

The fund may have investments valued in currencies that are not sterling (British pounds).

- If the value of these currencies falls compared to sterling, this may mean the value of your investment and the income paid to you will go down.
- If arrangements are made to protect the fund against currencies' movements (known as 'hedging') and the currencies' rise compared to sterling, your fund will not benefit from those gains.

#### **13. Equities (company shares)**

Investments in company shares tend to be riskier than for many other types of investment. This is because the value of shares goes up and down, more often and by a larger amount than for many other asset types, especially in the short term.

#### **14. Fixed interest securities**

Investment returns on fixed interest securities – corporate and government bonds, and other types of debt - are particularly sensitive to trends in interest rate movements and inflation. Their values are likely to fall when interest rates rise. Such falls may be more pronounced in a low interest rate environment. Longer dated fixed interest securities will fall by more than short dated fixed interest securities.

#### **15. Risk of issuer becoming less secure**

The financial strength of a company or government issuing a fixed interest security (such as a bond or other types of debt) determines their ability to make some or all of the payments they are committed to. If their financial strength weakens, the chances of them not making payments increases. This could reduce the value of your investment and the amount of income paid to you.

#### **16. High Yield Bonds**

The fund invests in higher yielding bonds (known as 'sub-investment grade' bonds). Compared to lower yielding bonds (known as 'investment grade' bonds) there is a greater risk that the fund will not receive back, either on time or at all, some or all of the amount invested or interest that is due to be paid.

#### **18. Derivative counterparty risk**

The fund may have derivative contracts with companies such as banks or other financial institutions. If these companies experience financial difficulty, they may be unable to pay back some or all of the interest, original capital or other payments that they owe. If this happens, the value of your fund may fall.

#### **20. Concentration of Investments**

Most funds have lots of individual investments, so don't rely upon the performance of just a few. The whole of this fund, or a large part of it, has relatively few individual investments. This means that a fall in the value of an individual investment can have a major impact on the overall performance of the fund.

## **21. Emerging markets**

The fund invests in countries where investment markets are not as well developed as those in the UK. This means that investments are generally riskier than those in the UK because they:

- are not as well regulated
- are more difficult to buy and sell
- have less reliable arrangements for the safekeeping of assets
- are more exposed to political and taxation uncertainties.

The value of the fund can go up and down more often and by larger amounts than funds that invest in developed countries, especially in the short term.

## **23. Commercial Property**

Property can be difficult to buy or sell. This could mean:

- Cash builds up waiting to be invested, so the fund will underperform when property returns are greater than the interest earned; and/or
- Property may have to be sold for less than expected.

If an exceptional amount of withdrawals are requested, the fund manager may be forced to sell properties quickly. This could mean that properties are sold for less than expected, which would reduce the value of your investment.

If the size of the fund falls significantly, the fund may have to invest in fewer properties. This may lead to an increase in risk.

Rental growth is not guaranteed and unpaid rent could affect the performance of your investment. The value of property is generally a matter of valuer's opinion rather than fact and the true value of a property may not be recognised until the property is sold.

## **24. Deposit**

The fund has money on deposit with companies such as banks or other financial institutions. If any of these suffer financial difficulty, they may be unable to pay back some or all of the interest, original amount invested or other payments they owe. If this happens the value of your fund may fall.

## **27. Socially Responsible or Religious Investments**

The standards used for this fund mean that it cannot invest in some companies' shares or corporate bonds or in certain market sectors, for example tobacco or mining. Because this fund limits the companies it may invest in, it may be riskier than funds that don't have such restrictions.

## **28. Money Market**

The fund invests in money market securities which may be issued by governments, companies, banks and other financial institutions. If any of these issuers suffer financial difficulty, they may be unable to pay back some or all of the interest, original amount invested or other payments they owe. The value of money market securities may fall due to changes in interest rates, inflation, creditworthiness, wider credit events or extensions to the anticipated term of investments. If this happens the value of your fund may fall.

## **29. Delayed Repayment**

This fund is able to delay paying out, which may mean that you have to wait to get your money. A delay may happen when market conditions mean it is difficult for the fund manager to cash in investments to pay out to investors.

For example, a fund with investments in commercial properties may find they may take time to sell. Whilst waiting to complete on the sale of properties, the fund manager may suspend making payments to investors who want to cash in.

The fund can only delay paying out if it is in the interests of all investors and with the permission of the fund trustee or depositary.

### **30. Few Bond Issuers**

The fund invests almost exclusively in fixed interest bonds from a single or small number of issuers, such as companies or governments. If any of these issuers experience financial difficulty, they may be unable to pay back some or all of the interest, original investment or other payments that they owe. If this happens, the value of your fund may fall.

### **31. Liquidity**

This fund has investments that, rather than being traded on a stock exchange, are traded through agents, brokers or investment banks matching buyers and sellers. In times of market uncertainty or if an exceptional amount of withdrawals are requested it may become less easy for your fund to sell investments. If this happens, the value of your fund may fall and in extreme circumstances this may also force a delay in buying and selling your investment in the fund.

The fund can only delay paying out if it is in the interests of all investors and with the permission of the fund trustee or depository.

### **36. Inflation Linked Bonds**

The fund invests in inflation-linked bonds, which are particularly sensitive to changes in inflation rates. Their values are likely to fall when inflation rates fall.

