Contact us/

Telephone 0845 122 3007

Visit www.axawealth.co.uk

Be part of the AXA Wealth story

FURTHER INFORMATION

If you would like to learn more about our products and investments, or require any advice or further information, we recommend that you speak to an adviser.

Please note that advisers use a variety of different ways to charge you for their services and you will be liable for any charges incurred. Please ask your adviser for full details of these charges.

If you do not have an adviser you can find one in your area by visiting www.unbiased.co.uk

CONTACT US

If you wish to obtain information on an existing AXA Wealth policy or would like to discuss an application, which has already been sent to us, please contact:

TELEPHONE

0845 122 3007

Available 8.30am to 5.30pm
Monday to Friday

EMAIL*

axawealthcustomerservices@axawealth.co.uk

ADDRESS

AXA Wealth
Winterthur Way
Basingstoke
Hampshire
United Kingdom
RG21 6SZ

ONLINE SUPPORT

www.axawealth.co.uk

Please visit our website to view our fund factsheets and information on our fund ranges.

*Please be aware that emails are not secure as they can be intercepted, so think carefully before sharing personal or confidential information in this way.

AXA Wealth, Winterthur Way, Basingstoke, Hampshire, RG21 6SZ. Telephone: 01256 470707. As part of our commitment to quality service and security, telephone calls may be recorded.

AXA Wealth funds are available on certain products provided by AXA Wealth limited. AXA Wealth limited (no. 01225468) is authorised and regulated by the Financial Conduct Authority and is a company limited by shares. Registered in England, registered office: 5 Old Broad Street, London, EC2N 1AD.

INV3056 March 2014

Investments/

Investing made simple

A guide to the basics of investing, and the types of investments available.

AXA WEALTH

redefining / standards

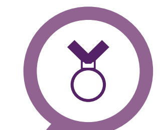
Why should investing be complicated?

We can help you build your investment knowledge and confidence in making the right investment decisions for you.

Choosing an investment: Things to think about

HOW MUCH CAN YOU AFFORD TO INVEST?

This will help you find the most suitable investment for the amount you're investing.



WHAT DO YOU WANT TO ACHIEVE?

Why are you investing, and how much are you aiming to make? Keep in mind that you may not reach your investment target.

HOW LONG DO YOU WANT TO INVEST FOR?

Short term (up to five years)? Or long term (10 years or more)? Less risky investments may be better if you're investing for a forthcoming event such as school fees, as you would have less time to make your money back if your investment were to drop in value.

ARE YOU INVESTING TAX-EFFICIENTLY?

Your adviser can help you make the money you invest work as hard as possible. Just be aware that tax benefits are subject to change and individual circumstances.

HOW MUCH RISK ARE YOU PREPARED TO TAKE?

Whether you're investing for luxury or for necessity, this will affect the level of risk you're willing to take.

What can affect your investment?

Whether you're investing for the long or short term, every investment carries an element of risk.

THE IMPORTANCE OF RISK

There are different types of risk that can have an effect on the performance of your investment over time.

MARKET RISK

Changes in the bond, equities, property and money markets could cause your investment to fall in value.

BUSINESS RISK

Circumstances affecting a particular company or industry might result in a reduction in the expected investment return.

INTEREST RATE RISK

Each type of investment is affected by rises and falls in interest rates in different ways.

INFLATION RISK

The real value of an investment can fall if inflation rates rise higher than the capital growth and return being received from it.

EXCHANGE RATE RISK (CURRENCY RISK)

The value of overseas investments can be volatile purely due to exchange rate movements.

LIQUIDITY RISK

An investment may be difficult to sell or cash-in, this could result in delays in cashing in your investments or switching funds.

What does risk mean to you?

Your attitude to risk will likely be linked to your financial goals, and where and how much you invest. Together with your adviser, you can agree how to achieve these goals, while taking into account your personal circumstances.

Investment risks/

To understand your appetite for risk you may wish to consider

YOUR PERSONAL FINANCIAL SITUATION

How much risk can you afford to take?

YOUR INVESTMENT GOALS

The level of potential return you would like from your investment and whether you are happy with the level of risk needed to get there. Usually the greater the potential risk, the greater the potential reward.

YOUR TIMESCALE

Your attitude towards risk may depend on how long you wish to invest for.

YOUR FINANCIAL DEADLINE

Investments can go up and down in value, so you should remember that at the time your investment needs to be cashed in, its value could be at a low point. Some investors like to move their investments into less risky assets as their financial deadline approaches.

The value of your investment and any income provided by it can go down as well as up and is not guaranteed. This means you could get back less than you invest.

Investment products available

When you invest your money, it will often be through a financial product. There are many to choose from, and the purpose, features and benefits of these vary.

STOCKS AND SHARES INDIVIDUAL SAVINGS ACCOUNTS (ISA)

A tax-efficient and flexible way of investing for the future.

PENSIONS

A way of saving that provides an income or a lump sum payment and an income in later life.

COLLECTIVE INVESTMENTS

An investment that pools investors' money together to invest across a range of assets.

OFFSHORE INVESTMENTS

Held outside the UK, these let you build a tax-efficient investment, for growth, income or estate planning.

INVESTMENT BONDS

Designed for investing a lump sum for at least five to 10 years, an investment bond can be tailored to your needs and adapt as your circumstances change.

How your money is invested and structured

Your adviser can help you with the range of options available to you when making an investment.

Investment options

CHOOSE A PRODUCT THAT FITS YOUR NEEDS

Decide with your adviser which product is most suitable for you based on your investment objectives. Each product has different rules that determine how your money is invested and what you're allowed to do with it.

THE TYPE OF PRODUCT YOU CHOOSE WILL BE DETERMINED BY:

- **Flexibility** – your options for making additional single and regular payments and accessing your money.
- **Charges** – associated with your investment.
- **The legal rules** – including any tax implications there may be.
- **Any restrictions** – for example a minimum age and how much money you're allowed to invest.

CHOOSE AN ASSET CLASS

An 'asset class' is the type of investment held, for example equities, bonds or property. Each asset class has different characteristics based on its level of risk. These are shown in more detail over the next few pages.

CHOOSE AN INVESTMENT

Most products will offer you a choice of funds – a pool of investors' money often looked after by a fund manager, who decides where to invest the money. The next step is to determine the fund that best suits your investment needs and attitude to risk.

There are many different types of funds to choose from that invest in:

- certain countries or regions of the world
- specific types of companies and industries
- commodities, such as gold and precious metals
- a mixture of different areas, such as equities, bonds and property

THINGS TO THINK ABOUT

Because a fund is made up of investors' money, by law fund managers have to inform customers about how they aim to run the fund and where their money will be invested.

Money Markets

Placing investors' money with banks, building societies, and a mixture of financial investments. Sometimes known as 'near cash' – this can also include Certificates of Deposit, Floating Rate Notes and Treasury Bills.

POTENTIAL ADVANTAGES

- **Can be lower risk** – compared to other assets, money market funds are less risky, although there is no guarantee that they will remain this way in the future.
- **Liquidity** – the fund manager can usually buy and sell assets in a money market fund fairly easily so can take advantage of investment opportunities more quickly.
- **Interest rates** – the fund manager may be able to negotiate better rates of interest than an individual investor would receive on a bank or building society account.

POTENTIAL DISADVANTAGES

- **Modest returns** – producing lower returns than other asset classes over the long term.
- **Vulnerable to inflation** – meaning your money could be worth less over time.
- **Changes in interest rates** – over the longer term, falling interest rates can negatively affect the performance of money market funds. Interest rates earned can be lower than the fund and product charges applied.
- **Going bust** – if a bank or financial institution cannot afford to repay a money market investment placed with them, then all or some of the investment's value will be lost.

Bonds

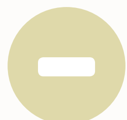
A loan issued by a company, government or local authority, investing all or a proportion of investors' money. In exchange, the investor is paid either a 'fixed-interest' rate (expressed as a percentage) or a rate 'index-linked' to inflation.

THERE ARE TWO MAIN TYPES OF BOND

- **Gilts** – issued by the UK Government and traded on the UK stock market.
- **Corporate Bonds** – issued by companies, usually carrying a higher rate of interest since they don't have the government's support behind them.

POTENTIAL ADVANTAGES

- **Reduced volatility** – fixed-interest funds can offer stable returns as the bonds they invest in aim to pay the fund a fixed rate of return.
- **Can be less risky** – from government-backed assets, to credit-deprived companies, bonds issued by the government and by large, successful companies are generally thought to be less risky than equity investments.
- **Can provide diversification** – the performance of bonds isn't necessarily linked to performance of the stockmarket, so fixed-interest investments can help to spread the risk across an investment portfolio.



POTENTIAL DISADVANTAGES

- **Still carry investment risk** – a bond or gilt may be unable to pay either the interest due to the fund or the nominal value of the bond at the end of the term, which may affect the fund's performance.
- **Vulnerable to inflation** – conventional bond funds can be vulnerable to inflation, as the rate of interest paid does not increase over time.
- **Lack of capital growth** – although a fixed-interest fund hopes to deliver a return to investors through receiving interest from the bonds it holds, the capital value of the bonds themselves is unlikely to increase much over time; therefore fund performance can be limited.

Equities

A share in a company often referred to as 'shares' or 'stocks'.

EQUITIES CAN RETURN A PROFIT IN TWO WAYS:

- **The value of equities can go up** – the company becomes more desirable and people are willing to pay a higher price to own a share.
- **Companies distribute their profits amongst shareholders** – by making payments called dividends.

POTENTIAL ADVANTAGES

- **A wide choice of funds** – you can invest in a particular country, region or industry.
- **Beat inflation** – Equities generally offer higher potential for investment growth and can help investors' portfolios keep up with, or even exceed inflation. This could mean a 'real' rate of return over the longer term.

POTENTIAL DISADVANTAGES

- **Higher risk** – even those with lower levels of risk offer no guarantees that investors will see their shares' value rise and you could even lose money.
- **Dividends are not guaranteed** – a company does not have to pay dividends to the fund. If it is performing poorly, dividends can be reduced, temporarily suspended or stopped completely.
- **Volatility** – meaning the value of your investment can go up and down on a regular basis, making it difficult to plan for specific financial objectives.

Property

Specialist funds investing solely or partly in property (usually commercial rather than residential) with the aim of delivering a return, by leasing the property and benefiting from any increase in value.

POTENTIAL ADVANTAGES

- **Generating returns** – commercial property can provide an investment return as the fund holding the property can benefit from the rent.
- **A physical asset** – investors can often access details on the properties purchased by the fund, helping an investment feel more tangible.
- **Participation in the property market** – enabling investors to participate in the property market without the time, commitment, expertise and expense required when buying and letting your own property.

POTENTIAL DISADVANTAGES

- **Time constraints** – the manager may not be able to take advantage of investment opportunities quickly enough. This is also known as 'liquidity risk', and could result in delays in cashing in your investment or switching funds.
- **Additional costs** – buying and maintaining a property could reduce the profit made by a property fund. Gaps in the rental income received by the fund when properties are vacant can also affect investment returns.
- **Market fluctuations** – with no guarantees, you could lose part or all of your investment. Also, the funds' assets are only worth as much as somebody is willing to pay for them.

Diversification

By holding a wide range of investments you can reduce your dependence on any one asset class. In essence, not 'putting all your eggs in one basket'.

THE AIM

The four asset classes respond differently to changing economic conditions. Diversification aims to spread your investments across these different asset classes, so that potential losses in one asset class can be offset by potential gains in another.

- Funds can invest in a single asset class or a combination of asset classes.
- Within an asset class, you may be able to diversify your portfolio further. For example, when investing in equities, selecting a variety of different industries may help to balance your investment portfolio as different types of companies may perform well at different times.

REMEMBER

There is no guarantee this strategy will work all the time. The effect of changing economic conditions is complex and the performance of one asset class can impact on another.

Need advice on what to do next?

We hope you have found our guide to investing helpful.

For advice on your situation please speak to your adviser. They will be able to help you work out which investment is best for you and provide a suitable recommendation.

If you don't already have an adviser, take a look at the back page for details on how to find one in your area.