SEI Master Trust Investment Guide

SEI MASTER TRUST

What type of investor am I?

It's vital that you plan your journey to retirement carefully and make good investment decisions for your savings. Follow our quick guide below to help understand your options...

Do it for me

Some people aren't confident about managing their investments and would prefer the Trustee, with its advisers, to do this for them.

Go straight to **page 9** to see how this option works.

Help me do it

Some people like to retain some limited control over their retirement choices.

Go straight to **page 10** to see how this option works.

Let me do it

Some people have the knowledge and confidence to make their own investment decisions.

Go straight to **page 11** to see how this option works.

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Introduction to investment

It's vital that you plan your journey to retirement carefully. Some of the most important decisions you have to make concern what will happen to your savings while they're in your account. These choices can't wait until you're about to retire, they begin as soon as you join the SEI Master Trust.

Since 2015, pension scheme members have a great deal more freedom about how and when they use their pension pots.

Before then, the vast majority of members had to buy an annuity. (An annuity is a product offered mainly by insurance companies that provides you with an income for life in exchange for your pension pot.)

Until 2015, pension scheme investment strategies therefore worked on the basis that most members would buy an annuity when they retired - known as an annuity target investment strategy.

Members can still choose to buy an annuity, but can now also choose to:

- take (or 'draw down') money from their pension pots - either on a regular basis or on an 'as and when' basis.
- take the whole pot as cash - a quarter of which is tax-free and the remainder taxed.

Unless your employer has agreed its own investment strategy, the SEI Master Trust's standard (or 'default' investment strategy) targets drawdown. This reflects the Trustee's belief that most members will wish to take money directly from their SEI Master Trust pot once they retire, for at least some time if not indefinitely.

But the Trustee also recognises that some members would prefer to take their pension pot as a single lump sum, or to buy an annuity.

You will see from this Guide that the Trustee therefore also allows members to target their investment strategy to suit their own preferences. There is an annuity-targeted investment strategy and a cash-targeted investment strategy in addition to the standard default strategy that targets drawdown. Depending on the retirement you're aiming for, this Guide shows you how to target your preference.

Throughout this Guide, there'll be guidance to help you choose the best option for you and your family.

The choices you make now can make quite a difference to how well you live in retirement.

You can find more information on your investment options by logging in to your online account and within your Member Guide.

It doesn't matter if you lose your way, you can ask the SEI administration team who are waiting to help:

Telephone: **0800 011 3540**

Email: **memberenquiries@seimastertrust.co.uk**

Neither the Trustee looking after the SEI Master Trust nor your employer can give you any personal financial advice on how best to invest. You may wish to seek professional financial advice.

You can find a list of professional financial advisers in your area at **register.fca.org.uk**

How are my savings managed and protected?

What happens to your savings?

Financial protection for members is one of the Trustee's key considerations when choosing how to invest. When you and your employer put money into your account, the money is invested in different investment funds (see **page 14** for more information). Different investment funds invest your savings in different countries, industries and assets, but each one is trying to use your savings to make more money for you, or protect them from economic uncertainty.

You can choose which funds your savings are invested in. The SEI Master Trust also offers some pre-selected combinations of funds that you can choose to invest your savings in.

It's important you understand your investment options and make the right decisions for you and your circumstances.

The value of investments can go down as well as up, and past performance is no guarantee of future performance.

We encourage you to read this Guide and take some time to make a plan for retirement.

How safe are my savings?

The Trustee has a Statement of Investment Principles (SIP) that describes their investment philosophy and how they choose the range of funds that you can invest your money in.

Currently, all contributions are invested in pooled investment funds which are accessed through a long-term insurance contract with Scottish Widows, one of the world's largest global financial institutions. Each year, Scottish Widows produces a guide to the various layers of financial protections available to members. This guide, called 'Security of Assets; Insured Trust Based Schemes' describes Scottish Widows' financial strength (including independent credit ratings), its exposure to certain types of investment risks and descriptions of the ways in which members' assets are protected in the event of Scottish Widows' failure or the failure of any external fund manager on its investment platform.

These descriptions include custodial arrangements and the anticipated level of protection available under the Financial Services Compensation Scheme (FSCS). It is available to members on request by contacting:

SEI Master Trust Administration Team
Capita
PO Box 555
Darlington
DL1 9YT

Telephone: **0800 011 3540**

Email: **memberenquiries@seimastertrust.co.uk**

How I feel about risk

Use your SEI Master Trust online account to choose how your savings are invested

Risk, and the way you feel about it, can help you decide which investment option is right for you. Your attitude to risk will be influenced by your personal circumstances, including your age, the number of years you have until retirement and your plans when you access your account.

Ask yourself the following questions to see what type of investor you are:

Q. How comfortable are you that your savings might go down in value as well as up?

Q. When would you like to retire?

Q. What do you plan on doing with your savings when you do retire?

Q. Will you leave money in the SEI Master Trust and dip into it as you need? Or will you take your account and do something different?

Q. Can you be flexible about when you take your benefits?

Consult your SEI Master Trust Member Guide for more information on the options you may have at retirement.

If you would like to find out more about the type of investor you are, you can use this **online tool** provided by our investment partner Schroders to get a personalised report.

Main types of risk and my risk preferences

- **Investment risk**

  This is the risk that the value of your savings will fall. Some investments, such as equities (or stocks and shares) carry a generally higher level of risk, measured as 'volatility'. Volatility refers to how much the value of a particular investment fluctuates. A very volatile investment provides scope for higher returns, but also for greater losses. You will need to decide how much volatility you are willing to accept to get a good return on your investments and how much security you want; even if that means that your savings may be smaller when you retire.

- **Inflation risk**

  This is the risk that your investment returns are lower than inflation. Inflation is the amount by which prices increase. If the investment return on your savings increases at a rate lower than inflation then the 'real' value of your investments goes down, i.e. you might not be able to buy as much for your money.

- **Conversion risk**

  This is the risk that your savings will buy less of a retirement income via an annuity when you come to retire. As you approach retirement you may need to move your savings into investments that are suitable for how you plan to use your money if you favour a secure income and wish to purchase an annuity. To reduce this risk as you approach retirement, you can invest in assets that aim to protect your investment (for example, assets that match the rise and fall in the cost of buying an annuity). This risk mainly affects members who intend to buy an annuity.

- **Longevity risk**

  This is the risk that you might live longer than expected. This is obviously a good thing, but can cause you financial problems if you haven't budgeted for it.

  If you purchase an annuity at retirement, then your income is paid 'for life' – whether you live for five years or fifty. This means that the longevity risk sits with the life assurance company that you bought your annuity from. If you are taking an income directly from your pension account (known as drawdown) then as well as considering the level of income and the timing of withdrawals, you must also think about how long you might live for.

  Your savings in the Scheme are likely to be affected by all of these risks and you should bear them in mind when making investment decisions – remembering that it is impossible to avoid risk altogether.

How close are you to retirement, and how much risk do you want to take with your investments?

How close you are to retirement can influence the way you invest. For example, if you are a long way from retirement then you may be able to take more risk with your investments, as you have the time to make back any losses you may incur. However, if you are closer to retirement you may wish to take less risk as you want to protect what you have built up.

Depending on the other income you expect to have in retirement, you may also want to take more or less risk with your SEI Master Trust savings account. Making sure you are happy with the risks you are taking is important when making your investment choices.

Natasha

Natasha has just started saving for retirement and has at least 30 years until she takes her benefits. She has not built up any retirement savings thus far.

Natasha decides that she can accept a higher level of risk as she has a long time until she accesses her retirement savings. She recognises that in order to get a higher level of return over the longer term she may have to take more risk. She is also currently not worried about seeing her savings go up and down in value in the shorter term.

Which direction to take?

Arguably the most important choice you have to make is this: How much responsibility do you want to take for managing your investments?

Do it for me

Every workplace pension needs to have a default strategy. This is where members will be invested if they don't want to make investment decisions and would rather leave this to the Trustee and its advisers. The default strategy is the SEI Master Trust Flexi Default Option. This makes the assumption that members in this option will draw an income from the SEI Master Trust at least for a period of time, rather than take cash or purchase an annuity. However, that may not be right for everyone, so you should make sure it's right for you. Whichever option you choose, regularly check that you still want your investments managed in this way, and that it suits your current circumstances.

The Trustee believes that, for the best investment outcomes, relative risk is balanced with growth expectations. Therefore, members invested in the 'Do it for me' profile should generally have a higher exposure to equities until a few years before retirement, due to the longer term nature of the flexible retirement options available.

Lifestyling

The 'Do it for me' and 'Help me do it' profiles make use of a method of managing your investments on your behalf called Lifestyling. This means that the option will automatically move your investments on a set path between different funds as you approach retirement. The aim of Lifestyling is to combine a particular level of investment risk with your age and preferred retirement outcome (drawdown, cash or annuity).

Help me do it

Perhaps you feel that selecting your own investments is too much responsibility, but you don't wish to just leave the matter entirely in someone else's hands. If you choose the 'Help me do it' profile you can select the target retirement option leaving the investment experts to select your investment funds.

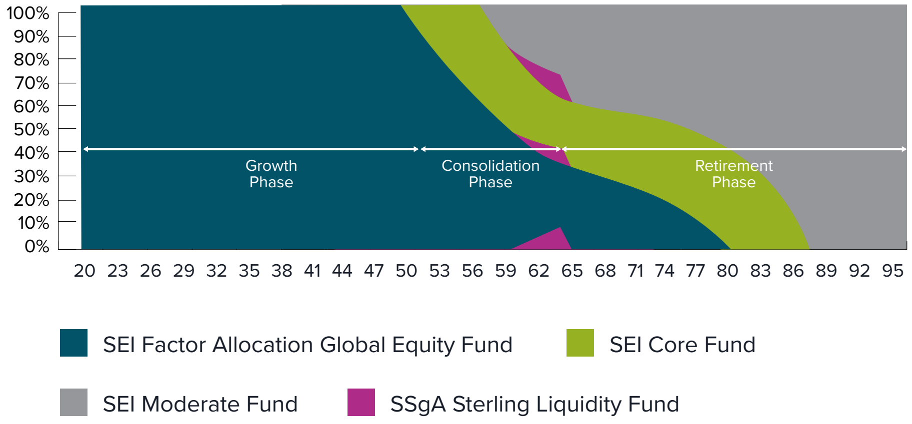
Let me do it

If you're interested in investments, you may wish to manage your investments yourself. If you choose the 'Let me do it' profile, you can control how your savings are invested in a range of funds.

*The 'Do it for me' and 'Help me do it' profiles are designed to work towards the retirement age that you have selected, therefore it is important to keep this up to date. You should particularly review this date in the lead up to retirement, as you could be exposed to too little or too much risk. You can do this by logging in to your **SEI Master Trust online account**.*

Do it for me

SEI Master Trust Flexi Default Option



If you're happy for our investment experts to manage your money, select the 'Do it for me' profile. Your money will be invested in the SEI Factor Allocation Global Equity Fund to start with and gradually you will be automatically switched to the SEI Core Fund, SEI Moderate Fund and the SSgA Sterling Liquidity Fund as you approach retirement.

Even if you are happy in the 'Do it for me' profile, we recommend that you log in to your SEI Master Trust online account regularly. For example, you may need to reconsider your strategy after changes to your personal circumstances.

You can opt out of the 'Do it for me' profile at any time and switch to the 'Help me do it' profile if you want to target a different profile at retirement or select your own investments.

We will automatically switch your investments between funds as you get closer to your Target Retirement Age. Movement between the funds happens gradually on a monthly basis and is spread out over a period of time.

If you don't make a choice on your investment strategy, you will be invested in the 'Do it for me' investment profile but you can change this anytime by logging in to your SEI Master Trust online account.

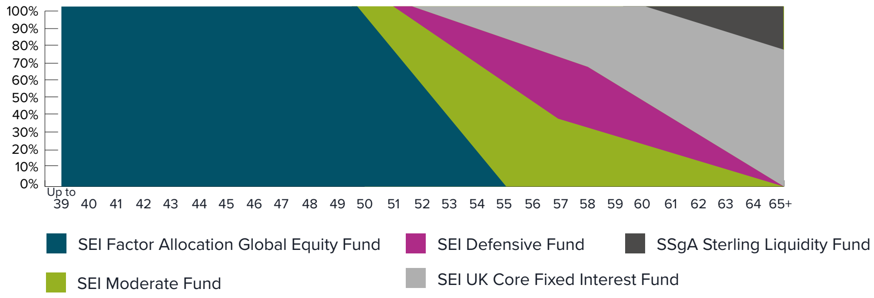
Tim's journey

Tim decides that he doesn't wish to manage his own investments. He remains in the 'Do it for me' profile for most of his working life and is comfortable that at retirement he will access his account flexibly (drawdown). At age 55 he receives a communication from SEI Master Trust telling him that his savings are about to start lifestyling out of the SEI Factor Allocation Global Equity Fund.

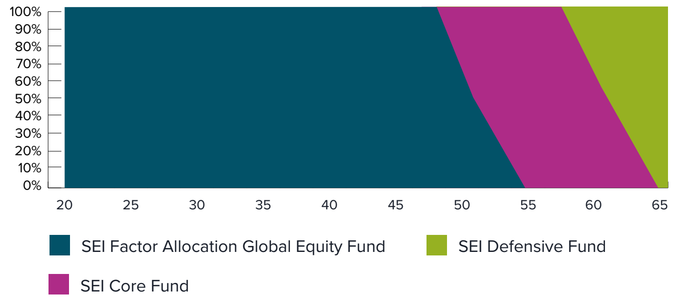
Tim decides that this is still the right option for him as he still wants the investment experts to manage his savings. When he approaches retirement, he receives another communication from SEI Master Trust with all of his retirement options as there is still the opportunity of changing his mind on how to access his account in retirement.

Help me do it

SEI Master Trust Annuity Option



SEI Master Trust Cash Option



In the 'Help me do it' investment profile you have more control than in the 'Do it for me' profile. You're able to target the retirement outcome that's right for you.

Depending on what you choose, we'll take care of automatically switching your investments to protect them the closer you get to retirement.

The 'Help me do it' profile option switches your investments at set points in your journey based on your age. We will contact you before each new stage to give you the opportunity to review your investment choice. This could be because of a change in personal circumstances or risk appetite, for example. You're free to change direction and switch to another fund if you think it might be more suitable for your circumstances.

Switch profiles?

What do I do if I want to change my investment choices?

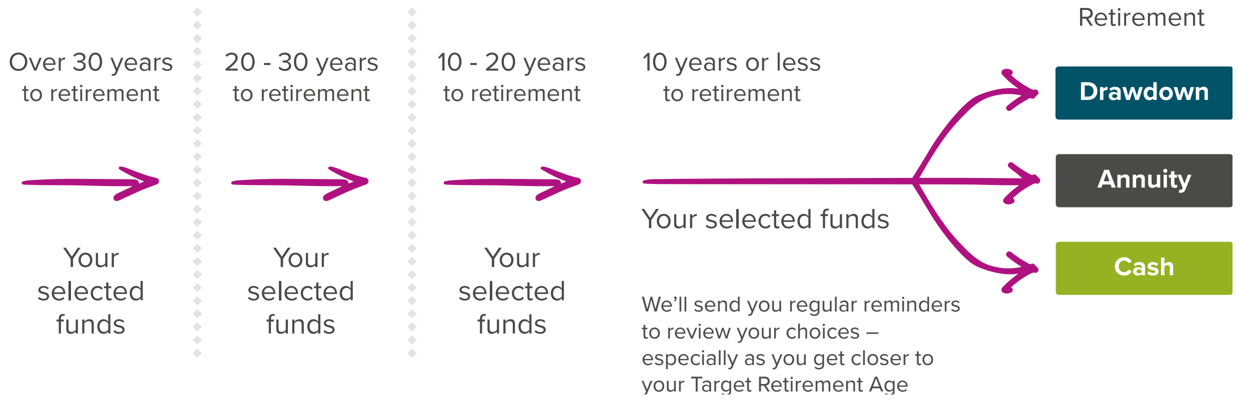
You can log in to your SEI Master Trust online account to:

- Change between lifestyle investment profiles.
- Change where to invest future contributions and keep existing funds where they are if you choose the 'Let me do it' profile.

Helen's journey

Helen joins the SEI Master Trust. She chooses the SEI Master Trust Annuity Option as she wants to target an annuity in retirement. Helen is invested initially in the SEI Factor Allocation Global Equity Fund. Later on, she logs in to her SEI Master Trust online account to review her investment choices, but decides that she doesn't need to change anything. The years pass and Helen gets married and has children. She receives a reminder from SEI Master Trust about checking her investment choices again. Now that her circumstances have changed, she decides that the best thing for her is to switch direction to target income drawdown in retirement with the SEI Master Trust Flexi Default Option.

Let me do it



The 'Let me do it' profile offers a number of individual funds for you to create your own investment approach if you wish.

Before making your decision, you should note that some of the funds have higher charges than others, as they might be actively managed or invest in more specialist assets.

You should also note that there is no automatic lifestyle switching in the last 10 years before retirement if you choose `Let me do it'.

Switch profiles?

What do I do if I want to change my investment choices?

You can log in to your SEI Master Trust online account to:

- Change between investment strategies.
- Change between the different funds in 'Help me do it' or 'Let me do it' profiles.
- Change where to invest future contributions and existing funds.

Gary's journey

Gary decides to take control and chooses the 'Let me do it' profile, splitting his fund evenly between the Global Select equities fund and the UK equities fund.

It is important that you review your investments regularly to ensure that they continue to perform as expected.

Different types of investment funds, assets and styles

Investment funds generally come in one of two different types:

- **Single-asset funds**

  These funds invest in a single type of asset either in one particular region or spread across a number of locations. You can use these to create your own investment approach if you wish.

- **Multi-asset funds**

  These funds tend to invest in a range of different assets. They aim to spread the risk you are exposed to.

- **Index-tracking funds**

  These funds try to invest in the exact same companies in the same proportions of a particular market index. For example, a UK equity index tracker might try to match the performance of the UK stock market (known as the FTSE). Index trackers involve very little management and therefore tend to be lower in cost.

- **Actively-managed funds**

  These funds try to beat the market index. Fund managers select their investments based on their analysis and views, selecting and investing in funds they think will do better than average. There are no guarantees, and there is a risk that a fund will not perform as expected, resulting in the active funds generating lower returns than the market index. The charges attached to active funds can also be higher than index tracking funds, because management is more intensive.

Different types of investment funds and assets

The term 'assets' refers to various different types of investments. The investment funds in the SEI Master Trust invest in a number of different assets, the main ones being:

- **Equities**

  Also known as stocks or shares, these investments are a stake in a company and are usually the most volatile type of investment, particularly over the short term. Equity funds can be in UK companies or overseas companies or a mixture of both. Although the price of equities often goes up and down, they have the potential to provide strong investment returns over the longer term.

- **Bonds**

  These are loans from investors to large companies or governments. In return for the loan, the company or government makes regular payments to the investor and then repays the initial value of the loan at an agreed date. Bonds from the UK government are known as gilts. Bonds and gilts can be traded between investors, so their value can go up or down. They are generally less volatile than equities but also generally expected to produce lower returns than equities over the long term.

- **Property**

  Property funds invest in commercial property. Investment returns are generated through rent and growth in property values. Property investments can go up and down but are not expected to be as volatile as equities. They may be more volatile than bonds. Property is expected to produce returns in the longer term that are higher than bonds but less than equities. You should appreciate however, that this may not be borne out in practice. Due to the nature of buying and selling property, there may be a risk that in certain economic conditions, it can be difficult to sell your investment in these funds and access your money.

- **Cash**

  Cash funds can invest in a range of money market instruments, including short-term loans, cash deposits and investments issued by the UK government (such as UK Treasury Bills). A cash fund generally aims to achieve returns similar to interest rates. This is generally the safest type of investment but it typically provides the lowest returns over the longer term. Cash funds are not guaranteed and can fall in value in certain circumstances.

As well as the main assets described above, some of the multi-asset funds might invest in more specialist assets. More information on where the multi-asset funds invest can be found on the fund factsheets, which you can view via **www.seimastertrust.co.uk**

Questions and answers

Before you log in to your SEI Master Trust online account and make your investment choices, take a moment to consider these questions:

Q. How long will you need to invest your money before you need it?

A. If you have a long time before you need the money, you may be able to afford to take some volatility risk. However if you need it soon then perhaps you might want to choose a more cautious and less volatile approach to protect what you have built up to date.

Q. How do you want to take your benefits?

A. There are many options to choose from. See **page 16** for more information.

Q. How much volatility might you be willing to accept for the potential of higher returns?

A. Volatility is the amount that the value of an investment fluctuates. Equities are generally more volatile than property or bond investments. The period of your investment will matter here – the shorter the period, the less time you have to make back any losses as a result of the volatility in your investment.

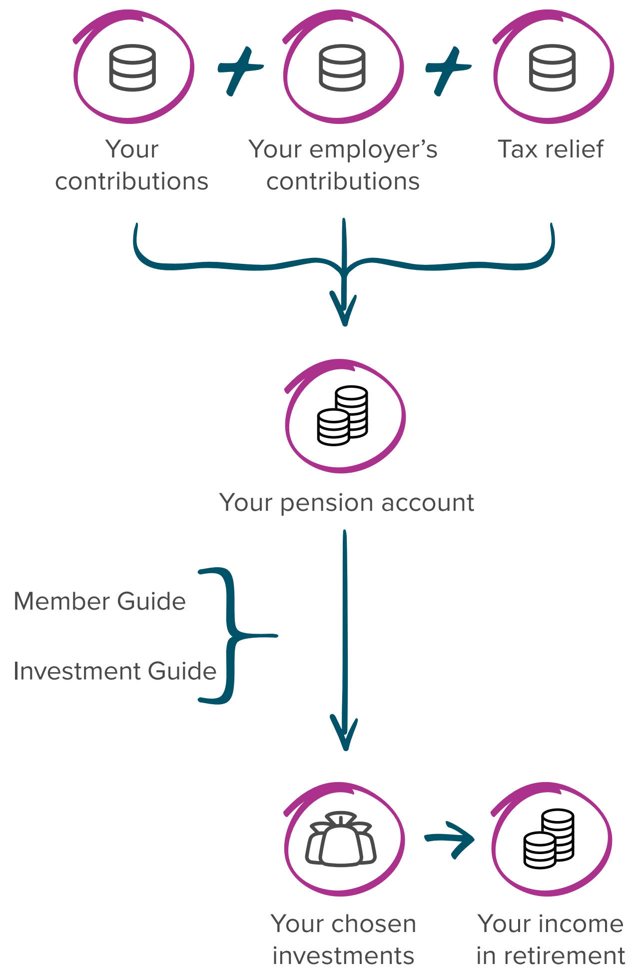
Q. Do your investments allow for the potential of returns ahead of the increases in the cost of living, therefore maintaining the buying power of your money?

A. The increases in the cost of living will affect the buying power of your money by the time you want to take your pension. Investments in equities and property are expected to offer the best chance of returns but in the short term, you could see fluctuation ahead of increases in the cost of living over the longer term.

Q. Can the Trustee change my investment?

A. In certain circumstances, the Trustee may decide that it is necessary to redirect your contributions to another fund. Examples of this would be where a fund manager stops offering a fund, where the Trustee identifies that a fund is at risk of failure or where a fund manager is unable to properly value the fund (this is not uncommon with Property Funds in particular). If this happens, the Trustee will redirect your contributions to another fund of their choosing or may need to switch your holding in a fund to another. You will be given as much notice as is possible if this should happen, although it may not always be possible to give notice. You can choose any alternative fund available if you wish.

You decide



Investment charges and how they work

Each fund has an associated 'Annual Management Charge' (AMC) which is automatically deducted from your fund.

The AMC covers the costs of the investment and some of the costs of running the SEI Master Trust. These are normally fixed.

In addition to the AMC, some funds have extra operating costs that investment managers incur. When these extra costs are added to the AMC the resulting charge is referred to as the 'Total Expense Ratio' (TER).

The total ongoing cost to you is therefore the TER. The extra operating costs, and therefore the TER, can vary over time.

To view the charges for the funds available to you, go to **www.seimastertrust.co.uk/library/documents** and enter your employer in the field provided.

A summary of retirement options

There are multiple options available for when you retire. Details are also provided in the SEI Master Trust Member Guide. Here is a brief summary:

A single lump sum

You could take all your pension savings in a single lump sum. You can take up to 25% as a tax-free amount, and the rest would be taxed at your marginal rate. Any withdrawals that you make that are taxed are combined with any other earned income you have in that tax year and could move you into a higher tax bracket. Any future pension contributions you might wish to make will also be restricted to a maximum of £10,000 in each tax year, including any pension contributions made by your current or a future employer. So taking a taxed benefit from your pension account, at younger ages in particular, can significantly restrict your future pension savings.

A series of lump sums or regular income (drawdown)

You might decide that the best thing for you is to leave your money in your pension account and only withdraw what you need when you need it, either as a lump sum, or as income. This gives you the freedom to either set up a regular or occasional income from your fund, or to take lump sums as and when you want, while taking advantage of tax allowances. 25% of each lump sum will be tax-free and the rest will be taxed. The same tax consequences as noted above under 'A single lump sum' also apply.

An annuity with a tax-free lump sum

A traditional annuity may still be the best option for you. It offers an optional tax-free cash lump sum when you first retire of 25% of your money, coupled with a guaranteed income for life secured with the rest. This means that you don't need to worry about where your money might come from, or that it might run out while you still need it. Also, you won't face tighter tax law restrictions limiting your future pension saving to only £10,000 a year.

Tax-free cash and money for the future

You might wish to take your 25% tax-free cash lump sum and leave the rest of your account invested until a later date when you can take money out as and when you like. This can be as a single lump sum if you wish, although the money will be taxed as it is drawn. The same tax consequences as noted above under 'A single lump sum' also apply.

A mixture

You're not restricted to only one choice. You could use some of your money to buy an annuity, to give you the security of a guaranteed income, and use the rest as lump sum or income payments to top up your income as and when you need it.

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