

## Fund Suspensions

Recently there have been a number of articles surrounding the Woodford Equity Income Fund and, in particular, the suspension of trading in that fund. The Woodford Equity Income Fund is not a fund we invest in, and nor is it our philosophy to invest in funds that hold significant amounts of illiquid or unquoted shares. The majority of our funds, with exception of the Fund of Investment Trusts and Property Funds hold investments that are significantly linked to all major stock exchange indices.

The Equitable unit-linked funds mainly invest in Open Ended Investment Companies (OEICs) through Aberdeen Standard Investments and Lloyds Banking Group. Our fund range includes a Managed Fund that holds multiple assets types including Equity, Fixed Interest and Cash, to balance risk and returns. These are highly liquid assets that can be sold through daily financial exchanges.

The majority of our equity funds are Enhanced Equity Index funds, that seek to enhance the returns of an index e.g. FTSE All Share. Fund Managers within Aberdeen Standard Investments, actively manage funds within an agreed tolerance, to identify expected top performing sectors and stocks, which then receive greater weighting in the portfolio. These hold highly liquid assets that can be sold through daily financial exchanges. The Enhanced Equity Index funds are slightly higher risk than the Managed Fund as they only hold shares in companies. Gilt and Fixed Interest and Money Funds are lower risk, holding government securities and cash.

The Equitable also operates a Property Fund, which is closed to new contributions. Property funds tend to be more specialist and more expensive to run. In times when financial conditions in the commercial property sector are difficult, it can take longer to sell properties at a fair price, in order to meet policyholder claims. We saw this in 2016, following the EU Referendum result, when a number of large well known property funds, had to suspend trading for several months. The Equitable Property Fund invests in the Aberdeen Property Fund, which did suspend trading. However as it was only suspended for a few days, the Equitable Property Fund did not have to suspend and we were able to continue to make payment, albeit at a lower price. During this period we contacted policyholders, to ensure they understood the drop in value and to confirm they still wished to proceed with their transactions.

The Fund of Investment Trusts is also closed to new contributions. Like the Property Fund, this is more specialist in nature. This means there may be times it can take longer to sell the assets.

We would only suspend a fund if the underlying assets were suspended and no price was available. If we had to do this we would update our website and contact policyholders where appropriate. Further information is in our Unit-Linked Guide.

The FCA rules allow for funds to be suspended, to protect the fund and the policyholders in it. It allows time for assets to be sold in a more controlled manner, rather than quickly, when the asset price may be volatile (sometimes referred to as a “fire sale”). A fund suspension is not necessarily a bad thing, as it is used to protect the fund for those selling, as well as remaining. It also stops people trying to take advantage of buying into the fund at a reduced value, at the expense of the existing investors.

It is important that you regularly review your unit-linked investments, to make sure that they fit your needs and that you are comfortable with the level of risk. If you would like to choose a different fund, simply let us know, by telephoning us on 0330 159 1530.