

Skandia Shield Fund – aiming high, playing safe

The Skandia Shield Fund is a risk-targeted protected fund which has been developed in conjunction with, and is managed by, Commerzbank AG, London Branch. The Fund aims to provide investors with long-term capital growth, equivalent to that achieved by a diversified portfolio of international investments, and provides investors with downside protection of 80% of the highest ever share price achieved by the Fund.

Fund facts

Launch date	16 November 2010
Investment manager	Commerzbank AG, London Branch
Counterparty	Commerzbank AG
Fund structure	Luxembourg SICAV
IMA sector	Not categorised
AMC	0.80%
Estimated TER	0.90%
Pricing and trading frequency	Daily*
Legal status	UCITS III
Product availability	Exclusive to the Skandia UK product range which includes the Skandia Investment Solutions platform and Skandia Life Assurance Company products

*Skandia is not able to accept instructions to carry out transactions on Dealing days when the New York Stock Exchange (NYSE) is closed. Please see the Skandia Shield Fund – protecting your investment brochure for further information.

The Skandia Shield Fund portfolio

The Skandia Shield Fund derives its performance from a portfolio made up of a 'basket' of 16 different UK and international asset classes and a cash holding. Rather than hold the portfolio directly, the Fund holds a derivative contract with Commerzbank AG that follows the day-to-day performance of the portfolio.

Derivatives are widely used in the investment industry because they are a cheap and effective way of providing the benefit of any growth in specific assets, without having to invest directly into them. As the value of the assets to which the Skandia Shield Fund is linked goes up or down, the value of the derivative contract follows those movements. The portfolio will also reflect the value of the reinvestment of any dividends or interest generated by the basket of assets and the cash holding. Many protected products do not offer this benefit. The cash holding is used to manage the risk level of the portfolio, not to provide the protection.





Providing investment protection

To provide protection for the Fund's share price, so that it will be always at least 80% of its highest share price, the Fund invests in another derivative contract with Commerzbank AG. It is designed to underpin the share price and prevent it falling below the 80% protected level.

The Skandia Shield Fund pays upfront and regular premiums for the derivative contract. Because the derivative is an asset of the Fund, the premium is accounted for in the share price.

An innovative feature of the Skandia Shield Fund is that unlike many other protected funds it relies on a separate derivative to provide the protection. This means that the Fund can retain exposure to the portfolio and thus benefit when an upturn occurs. Other protected funds that may not have this flexibility need to maintain a high cash exposure (up to 100%) in falling markets to provide protection and so cannot take advantage of upturns in the markets as effectively as the Skandia Shield Fund. This inflexibility can result in what is known as 'cash-locking', where the price, in effect, stagnates. This means that when the market recovers, they are not in a position to benefit.

Asset allocation and management of the Fund

The asset allocation of the basket of assets held by the Fund is based upon a model provided by Skandia Investment Group (SIG), the investment management arm of Skandia. SIG models the risk and return characteristics of the basket of 16 different asset classes on at least a monthly basis with the goal of achieving strong returns within a targeted risk level of around 8%. This volatility target relates to variations in the value of the portfolio and not to expectations about the Fund's growth.

The balance between the cash holding and the basket of assets held within the portfolio is also adjusted at least monthly, based on the level of its volatility over the previous 50 working day period, with more weight being given to more recent data through what is known as exponential weighting.

In low volatility conditions, when markets generally are rising, the portfolio may contain a greater proportion of shares and bonds than cash, and in more volatile markets it may contain a greater proportion of cash.

The proportion of the portfolio that can be held as cash can be up to 100%. The proportion held in the form of assets can be up to 150%. This is because when markets are rising, the Fund can leverage by implicitly borrowing up to an additional 50% of the value of the basket of assets in order to take advantage of the additional growth opportunities.

For further information please see the [Skandia Shield Fund – protecting your investment brochure](#) and the [Skandia Shield Fund – an innovative fund offering technical guide](#).

www.skandia.co.uk

Calls may be monitored and recorded for training purposes and to avoid misunderstandings.

Skandia provides you with access to its investment platform, known as Skandia Investment Solutions. Within this platform you can open an ISA and Collective Investment Account provided by Skandia MultiFUNDs Limited and a Collective Retirement Account and Collective Investment Bond provided by Skandia MultiFUNDs Assurance Limited.

Skandia MultiFUNDs Limited and Skandia MultiFUNDs Assurance Limited are registered in England & Wales under numbers 1680071 and 4163431 respectively. Registered Office at Skandia House, Portland Terrace, Southampton SO14 7EJ, United Kingdom. Both companies are authorised and regulated by the Financial Services Authority. FSA register numbers 165359 and 207977 respectively.

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