



Investing with Nest

—
A review of how your
money is invested
and the fund choices
available



Nest's investment strategy

When you join Nest, you're automatically put into a Nest Retirement Date Fund. These flexible funds are designed to suit most people, whatever their age or income.

We try to invest members' retirement pots in the right place at the right time. We manage the level of risk we take depending on how close a member is to retirement, so that it's ready for them to withdraw when they reach their Nest retirement date.

We aim to grow our members' money while avoiding risk. However, as with any investment it's important to remember that its value could go down as well as up.

If you'd like more guidance on making decisions about investing, visit the Money Advice Service website at moneyadviceservice.org.uk

How Nest Retirement Date Funds Work

Nest Retirement Date Funds aim to give you a steady return on your money and make your retirement pot grow in the long term. Members are put in the Nest Retirement Date Fund that corresponds with the year we expect them to retire, known as their Nest retirement date.

A Nest retirement date is the date we expect members to take their money out of Nest, usually set at their State Pension date. So if a member joins and is expected to retire in 2054, we'll set their Nest retirement date to 2054 and invest the members' pot in the Nest 2054 Retirement Fund.

Members can change their retirement dates to better suit their plans for the future – we'll then automatically move their pot into the fund that matches this new date.

How do we manage members' money?

We adjust how and where we invest members' money based on their Nest retirement date and what's happening to different types of investments at the time.

If a member joins in their twenties, they'll typically spend up to five years in the Foundation phase. This phase concentrates on protecting the value of the members' retirement pot while they get used to the idea of regular pension saving and investing. After a few years of building up funds, we change tactics and aim for faster growth of investments.

If a member joins later on in life, we aim to get their money working hard in order to grow their retirement pot more quickly. There's more uncertainty on how these investments will perform, because we need to take more risk in order to achieve better returns. However, this is a good time for members to take this approach, as they're still a long way off from withdrawing their pension pot.

As members get closer to their Nest retirement date, we gradually reduce the level of investment risk. This helps make sure there aren't any big falls in value as the member gets closer to needing their money. However, we still aim to grow the size of the pot.

All a member needs to do is contribute to their pension pot – Nest does the rest. However, we recognise that some members may want to choose a different fund because of personal preferences or circumstances.

You can find out more about the types of other funds Nest offers over the page.

1. We use the term Nest to refer to the scheme's legal name, the National Employment Savings Trust. We sometimes also use it to refer to the scheme's Trustee, the National Employment Savings Trust Corporation.

Other ways to invest in Nest

Nest Retirement Date Funds are designed to suit most of our members. However, we offer other funds for members who have certain preferences about how we invest their money.

- Nest Ethical Fund
- Nest Sharia Fund
- Nest Higher Risk Fund
- Nest Lower Growth Fund

If you're close to retirement, the following funds may also be available to you:

- Nest Pre-retirement Fund
- Nest Guided Retirement Fund

Like any investment, the value of your retirement pot could go up or down. For more information on savings and investments, please visit the Money Advice Service website at moneyadviceservice.org.uk



Nest Ethical Fund

Who's it for?

This fund is designed for members who are concerned about the impact that organisations have on the environment and on society, in areas such as human rights and fair trade.

How does the fund work?

This fund will only put members' money into companies that we believe have high ethical standards, but our investment experts can still combine different types of investment at different stages to help your money grow.

This will include company shares as well as other types of investment that tend to grow steadily but more slowly which we believe are in keeping with the ethical principles of the fund.

Like Nest Retirement Date Funds, we move money held in the Nest Ethical Fund through different types of investment as you save. We automatically switch your investments on a fixed set of dates, taking your retirement pot through three phases according to your age or expected retirement date.

We invest younger members' pots in higher proportions of less risky investments to help build a solid foundation for their savings. As they get older, we look to grow their ethical pot more quickly.

As members approach their Nest retirement date we'll gradually invest their retirement pot in higher proportions of types of investment that carry less investment risk. This helps to make sure the money built up is ready to use when the member wants to take their money out.

While we try to grow Nest Ethical pots in a similar way to the Nest Retirement Date funds, the investment journey may be bumpier, and the chances of the value of the retirement pot going down as well as up are higher.

Nest Sharia Fund

Who's it for?

This fund is designed for members who want to invest in a way that complies with Sharia principles.

What is the Nest Sharia Fund?

Sharia rules out some types of investment. The investments in this fund are screened by Islamic scholars to make sure they meet sharia standards. For example, it doesn't invest in companies that make money out of alcohol, pornography or pork products. It also avoids types of investments that pay or receive interest.

How does the fund work?

This fund invests in company shares, which may result in bigger rewards but also means more uncertainty about the final value of your pot. It's important to remember the value of your retirement pot could go down as well as up.

Nest Higher Risk Fund

Who's it for?

The Nest Higher Risk Fund is designed for members who are prepared to take more investment risk to try and make their retirement pot grow more.

How does the fund work?

The fund aims to grow retirement pots by investing more in higher risk investments.

The fund is also invested in a range of different types of investments so it's slightly lower risk than putting all your money on the stock market.

Our aim is to get a higher return on your investment but it also means a greater chance you could get less than you put in and have more uncertainty while you save.

When a member chooses to switch into the Higher Risk Fund, they have an option to choose which higher risk strategy they'd like to be invested in.

The first strategy moves a member's pot out of the higher risk fund into a Nest Retirement Date Fund ten years before their nominated retirement date. This will help protect them from the possibility of big falls in value close to retirement and get their retirement pot ready for them to take out of Nest. Although there's a chance a member could miss out on big rises, they're less likely to lose the money they've built up.

The second strategy keeps a members' pot in the Higher Risk Fund regardless of their age unless and until they choose to move their money to an alternative fund choice, or transfer or withdraw their funds.

Nest Lower Growth Fund

Who's it for?

The Nest Lower Growth fund is designed for members who are very cautious while investing so your retirement pot will be exposed to less investment risk.

How does the fund work?

Nest Retirement Date Funds invest members' savings in things like company shares, which can go down in value as well as up.

Members that don't want to take this kind of risk, may prefer the Lower Growth Fund. In this fund, we'll invest in less risky investments than in any of the other funds.

This means retirement pots will be exposed to less risk and won't be as likely to go down during your time with Nest. However, there's a greater risk that the members' pot could lose its buying power by the time they take their money out. This is because there's more chance it may not grow as quickly as prices go up.

Nest Pre-retirement Fund

Who's it for?

The Nest Pre-retirement Fund is an option for members who start saving with Nest when they're within a few years of their Nest retirement date. It's designed for members who plan to take a retirement income with some or all of their pot, rather than take it all as a cash lump sum.

How does the fund work?

The fund assumes a member will be taking their retirement pot out in the near future, so it's invested in assets that offer a small return but are easy to sell such as gilts, corporate bonds and money market investments.



Want to switch funds?

If you'd like to switch to one of Nest's other funds you need to log on at nestpensions.org.uk

Nest Guided Retirement Fund

Who is it for?

Nest Guided Retirement Fund is an option for members who are aged between 60 and 70, who have at least £10,000 in their retirement pot, and want to start taking their money out of Nest. Nest members who are in a Nest Retirement Date Fund at their intended retirement date, and who meet the criteria will be automatically moved into this fund.

How does it work?

Nest manages and invests the member's pot with the aim of providing them with sustainable withdrawals until age 85. The fund is designed so members can start accessing their retirement savings while continuing to benefit from potential investment returns. Members can also continue to contribute to their pot, but they may be liable to an additional tax charges if contributions exceed £4,000 per year.

Nest does this by splitting the members' pot into parts, each designed and invested differently to meet the different needs of our members throughout their retirement.

Nest Wallet

Money available to withdraw when a member needs it which is topped up every year in July.

Nest Safe

This part is designed to give members access to cash when emergencies and unexpected events arise.

Nest Vault

The Nest Vault is divided into two parts. One part is designed to provide money for future years' withdrawals until age 85. Money will be moved from the Nest Vault to the Nest Wallet annually until age 85, for this purpose. Money is allocated to the other part from age 65. This part is designed to provide a member with money to buy a guaranteed lifetime annuity from age 85 if they wish.

The investment team annually reviews the amount of cash available for a member to withdraw from their Nest Wallet. They calculate this amount with the aim of giving members an amount they can withdraw each year that is sustainable, while at the same time aiming to reduce the risk of a member running out of money before age 85. The amount allocated to each part of the Nest Guided Retirement Fund is based on, among other things, the investment performance of a members' pot, how old they are, and when they join the fund.

Nest Corporation
10 South Colonnade
Canary Wharf
London
E14 4PU
nestpensions.org.uk/contactus



© Nest Corporation 2020.

All rights reserved. Any form of reproduction of all or any part of this booklet is not allowed.

We do not make any personal recommendation or give advice on how to make decisions concerning investment or taxation. The information in this booklet does not constitute financial, investment or professional advice or a personal recommendation and should not be relied on.

The information contained in this document is intended to be correct at the time of its publication. We do not give any undertaking or make any representation or warranty that this booklet is complete or error free. We do not accept responsibility for any loss caused as a result of any error, inaccuracy or incompleteness.

The Nest trade marks and trade names used above are owned by Nest Corporation and should not be used in any way without our permission.