



MATRIX FUND RANGE

Getting the asset allocation spot-on is the most important part of building portfolios for your clients. We know that and there are lots of ways that we can help you with this. However, selecting appropriate funds is still a key part of your investment process. So offering a strong range of top quality funds is still essential. It's the performance of the investment funds that will ultimately drive how much your client's pension pot will be worth.

A broad range of funds – We believe that we should offer you a real and sensible choice of funds for your investment. Choice for us is offering you a range of funds that invest in different stock markets, in different styles and with different degrees of risk.

Management of risk – We segment our matrix funds into three main categories of management risk – Core, Core Plus and Specialist. This categorisation is based on tracking error against a benchmark to determine where each fund sits within the Matrix and the level of risk each fund should be taking.

Ongoing Suitability – Once your client has chosen which funds are best suited to their needs it is important that the fund continues to behave as first expected. This means that if your clients pick a fund because it is suitable for their risk profile we monitor it to ensure it continues to remain suitable.

The Royal London Investment Advisory Committee (IAC) governs the Matrix Fund range. They receive input from Morningstar Investment Management on an ongoing basis to ensure the funds within the Matrix are doing what they are expected to do. If the IAC feel an underlying fund is no longer suitable for the Matrix we will communicate this to you and your client and replace it with another more suitable fund. Your client does not need to sanction the change or provide written approval, it is an automatic process.

Clear communication – We write to you and your client in advance of any change to a Matrix Fund. In addition to this, you can view the full minutes of every IAC meeting at adviser.royallondon.com/pensioninvestments to see what action is being taken with our Matrix funds. You can read more about the committee on the section marked “Investment Advisory Committee”.

WHAT DOES THIS MEAN FOR YOUR CLIENT?

Saving for retirement is one of the most important decisions your client will make. We cannot guarantee the performance of any fund. We can, however control and monitor the risk and style of the funds we offer and help you and your clients feel more confident in planning for their retirement.

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Sector	Core (←1%)	Core Plus (1-5%)	Specialist (→5%)
Selection criteria	<p>We expect our Core Matrix Funds to have a very low tracking error and therefore a very close relationship to the underlying benchmark.</p> <p>Core Matrix Funds are in effect passive or tracker funds in that their sole objective is to replicate the movement in the underlying benchmark. We would be concerned if a Core fund in particular regularly outperformed its benchmark as this would imply some “active” fund management decisions were being taken as opposed to direct replication of the benchmark.</p>	<p>We expect our Core Plus Matrix Funds to have a higher tracking error and therefore a looser relationship with the underlying benchmark. This is because the fund manager takes additional stock picking risk with the aim of generating a higher return.</p> <p>Core Plus Matrix Funds will move broadly with the underlying benchmark and from time to time we would expect the “annualised tracking error” to be within a band of 1% to 5% per year of the index on a rolling 36-monthly basis.</p>	<p>Finally we expect our Specialist Matrix Funds to have only a general relationship to the underlying benchmark. Specialist Matrix Funds will be expected to deviate significantly from the underlying benchmark and we would expect their annualised performance to be 5% greater or lower than the movement in the underlying benchmark analysis. This is because the fund manager takes additional stock-picking risk with the aim of generating a higher return.</p> <p>Similarly we would not be expecting a Matrix Fund in our Specialist sector to demonstrate too close a relationship with the benchmark index such that it exhibited the properties of a Core Plus Matrix Fund.</p>
UK Equity	RLP/BlackRock Aquila UK Equity Index	RLP/UK Equity Core Plus (Schroder Core UK Equity) RLP/UK Equity Core Plus (Schroder UK Equity) RLP/UK Equity Core Plus (Close TEAMS UK Equities (1%)) RLP/UK Equity Core Plus (Close TEAMS UK Equities (2%))	RLP/UK Equity Specialist (Artemis UK Special Situations) RLP/UK Equity Specialist (Schroder UK Alpha Plus) RLP/UK Equity Specialist (Invesco Perpetual UK Growth)
UK Income		RLP/UK Income Core Plus (Artemis Income)	RLP/UK Income Specialist (Fidelity MoneyBuilder Dividend)
UK Mid Cap			RLP/UK Mid Cap Specialist (Franklin UK Mid Cap)
UK Small Cap			RLP/UK Small Cap Specialist (Investec UK Smaller Companies)
Global Blend	RLP/BlackRock Aquila Global Blend	RLP/Global Blend Core Plus (Rathbone Global Alpha)	
Global Managed Equity	RLP/BlackRock Aquila Global Equity Index (60:40)		RLP/Global Managed Equity Specialist (Investec Global Free Enterprise) RLP/Global Managed Equity Specialist (Invesco Perpetual Global Equity)
Europe	RLP/BlackRock Aquila European Equity Index	RLP/Europe Core Plus (Fidelity European Blended)	RLP/Europe Specialist (Neptune European Opportunities)
US	RLP/BlackRock Aquila US Equity Index	RLP/US Core Plus (Fidelity American)	RLP/US Specialist (JPMorgan US)
Japan		RLP/Japan Core Plus (Schroder Tokyo)	RLP/Japan Specialist (Invesco Perpetual Japan)
Asia Pacific		RLP/Asia Pacific Core Plus (Invesco Perpetual Asian) RLP/Asia Pacific Core Plus (Stewart Investors Asia Pacific Leaders)	
Emerging Markets		RLP/Emerging Markets Core Plus (JPM Emerging Markets)	RLP/Emerging Markets Specialist (Stewart Investors Global Emerging Markets Leaders)*

Funds in bold are funds that have been brought on as replacements.

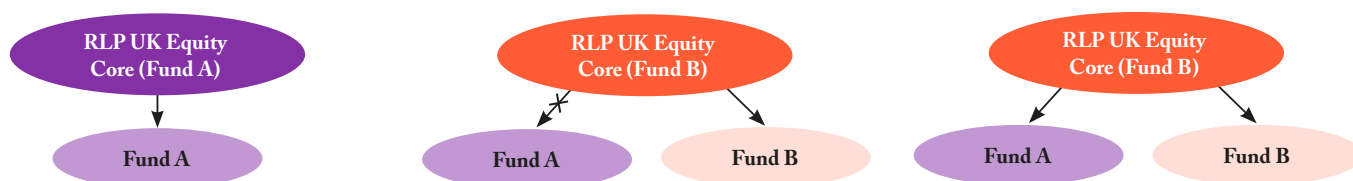
* This fund is open to existing regular premiums only.

CHANGING AN UNDERLYING EXTERNAL FUND WITHIN THE MATRIX

Stage 1 – Your client is invested in the Matrix Fund “RLP/UK Equity Core (Fund A)”. The Investment Advisory Committee announce that from an “Appointed-Date” in 90 days time, Fund A will be replaced by Fund B.

Stage 2 – The “Appointed-Date”. All future contributions from this date are invested via the Matrix Fund “RLP UK Equity Core” into Fund B.

Stage 3 – The assets that were previously invested with Fund A will be moved across to Fund B. The timing of this process depends upon the amount of money held with Fund A and the method which we believe is in the best interests of our policyholders. Generally speaking, the smaller the sums involved, the quicker the process.



GOVERNANCE IN ACTION – MATRIX FUND CHANGES MADE IN LAST 5 YEARS

Fund changes								
3rd May	2nd May	28th November		14th December		19th August	19th November	26th May
JP Morgan Premier Equity Growth	Artemis European Growth	Schroder UK Mid 250	Investec American	Emerging Markets Core Plus (First State Global Emerging Markets Leaders)	Henderson Emerging Markets Opportunities	Global Blend Core Plus (Close TEAMS Global Alpha)	Fidelity International	UK Income Specialist (Invesco Perpetual Income)
Replaced by	Replaced by	Replaced by	Replaced by	Re-categorisation	Replaced by	Replaced by	Transferred into	Replaced by
Cazenove UK Growth & Income	Neptune European Opps.	Franklin UK Mid Cap	Fidelity American	Emerging Markets Specialist (First State Global Emerging Markets Leaders)*	JPM Emerging Markets	Global Blend Core Plus (Rathbone Global Alpha)	Global Blend Core Plus (Rathbone Global Alpha)	UK Income Specialist (Fidelity MoneyBuilder Dividend)
2010	2011		2012		2013		2013	2014

*Please note that this fund is now known as Stewart Investors

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