

CREST SECURE FUND

HOW DOES THE FUND WORK?

The Crest Secure fund is similar to a with profits fund but with a lower exposure to the stock market. As a result there is no terminal bonus although a regular bonus is added to the fund's value from time to time. The directors of Royal London decide on the level of bonus to declare each year. There are 3 different rates for the fund, Declared, Guaranteed and Interim. An explanation of each of these rates follows

Declared – This is the rate of growth that is applied at the end of the policy year.

Guaranteed – This is the minimum rate that will apply in the following year's declaration.

Interim – This is the rate used where there is an exit from the fund. Therefore this rate will be applied between the last renewal date and the date of leaving the fund.

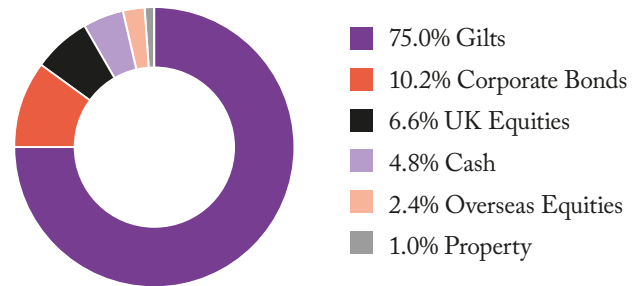
HOW IS THE FUND INVESTED?

The Crest Secure fund is a subset of the closed Scottish Life With Profits Fund. The fund invests in a range of different asset types including fixed interest stocks, equities and property.

The aim of the investment strategy is to maximise the long term return on investments for policyholders whilst recognising the need for the fund to meet its guaranteed liabilities.

The latest asset allocation is detailed in the following chart. It is our expectation that the high level of fixed interest investments will be maintained in the future.

CREST SECURE FUND ASSET ALLOCATION



Source: Royal London, as at 31st December 2016.

RISK FACTORS

It is important that you understand the potential risks associated with this fund. We have detailed below the specific risks we think you should be aware of. For further information on each of these risks please refer to our [Guide to Fund Risks](#).

Investment Risk Factors	Yes/No
Exchange Rate	No
Emerging Markets	No
Concentrated Portfolio	No
Smaller Companies	No
High Yield Bonds	No
Sector Specific	No
Geared Investments	No
Property	Yes
Higher Risk Fund	No
Derivatives	No
Equities	Yes
Bonds	Yes
Money Market	Yes
Stock Lending	No

WHAT ARE THE CURRENT RATES DECLARED?

The current rates declared as at the 1st January 2017 and applicable for the scheme year 2016/2017 are:

Declared Standard Growth Rate for 2016/2017 scheme year	5.0%
Interim Growth Rate	5.0%
Guaranteed Minimum Growth Rate for 2017/2018 scheme year	0.0%

These rates are declared after receiving actuarial advice. The rates declared will reflect the actual performance of the assets backing the business, after allowance for the expenses incurred and after a smoothing adjustment. The smoothing adjustment results in the rate of bonus that is declared each year being more stable than the rate of return on the underlying assets. For example, in good years the rate of bonus that is declared may be less than the return achieved. In bad years the rate of bonus may be more than the return achieved. Over the long term the intention is that these adjustments will cancel each other out.

Following exceptionally bad years from an investment point of view e.g. 2001-2003 the value of the underlying assets will have grown very little, or indeed may have fallen. However, as a result of smoothing, the bonus rates that were declared remained well above the rate of return achieved. This smoothing gives rise to a gap between the value of the underlying assets and the face value of the account. In these circumstances a Market Value Reduction may be applied on voluntary exit in order that policyholders who choose to leave, do so at a rate that properly reflects the underlying value of their policy. Please note that if a Market Value Reduction is applied to your policy, the value of your plan could be reduced and you could get back less than you paid in. The Market Value Reduction will not be applied if the policy is being cashed in on death or in certain other circumstances depending on the plan type.

WHAT RATES HAVE BEEN APPLIED IN PREVIOUS YEARS?

The following table provides details on the rates declared in previous years:

Scheme Year	Declared	Interim	Guaranteed Minimum
2016/2017	5%	5%	0%
2015/2016	5%	5%	0%
2014/2015	5%	5%	0%
2013/2014	5%	5%	0%
2012/2013	5%	5%	0%
2011/2012	4%	4%	0%
2010/2011	3%	3%	0%
2009/2010	0.1%	0.1%	0%
2008/2009	0.1%	0.1%	0%
2007/2008	2%	0.5%	0%
2006/2007	2%	0.5%	0%
2005/2006	2%	0.5%	0%
2004/2005	1.125%	0.5%	0.25%
2003/2004	1.125%	0.75%	0.5%
2002/2003	2.25%	1%	0.5%
2001/2002	4.5%	4%	2.25%
2000/2001	5.25% + a special addition of 1% = 6.25% in total *	4.75%	2.75%
1999/2000	5.75% + a special addition of 1% = 6.75% in total *	5.25%	3.25%
1998/1999	6.25%	5.75%	3.25%

*The special addition of 1% in scheme years 1999/2000 and 2000/2001 was declared in lieu of terminal bonus. Further special bonuses in lieu of terminal bonus may be declared in the future but their size and timing will depend, amongst other things, on future investment conditions. The size of this bonus in previous years should not be taken as an indicator of possible future special bonuses.

FURTHER INFORMATION

Crest Secure is managed in line with our Principles and Practices of Financial Management (PPFM), which are also on our group website at www.royallondongroup.co.uk/about/corporategovernance/PPFM

If you would like further information on Royal London and the range of options available, please visit our website at royallondon.com/pensioninvestments

PPFM CHANGES AT 31 DECEMBER 2016

We have made a change to the Practices to permit more freedom to invest in new asset types subject to following the standard approval process. There have been a few small updates to other PPFM Practices to update terminology.



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