



ROYAL LONDON WITH PROFITS FUND

Your policy is invested in the Royal London open fund.

The Royal London open fund is designed for investors looking for a medium to long-term investment.

In this leaflet we call the Royal London open fund the With Profits fund.

WHAT IS THE INVESTMENT MIX OF THE WITH PROFITS FUND?

The With Profits fund is invested in a mixed portfolio which includes company shares (both UK and overseas), Government and other bonds and property. The aim of the investment strategy is to maximise the long term return on investments for with profits policyholders whilst recognising the need for the fund to meet its guaranteed liabilities and commitments to policyholders.

Table 1 shows the current overall investment mix and how we have changed the mix of the investments backing the asset shares of with profits policies in the With Profits fund since 2013.

By **asset share** we mean the accumulation of premiums paid into a With Profits policy after taking off expenses and charges and allowing for the profits and losses.

Table 1

	Company shares %	Property %	Government and other bonds %	Cash and other investments %
31/12/2017	51	12	33	4
31/12/2016	46	13	40	1
31/12/2015	47	17	36	0
31/12/2014	46	16	37	1
31/12/2013	50	14	36	0

Note that we have restated the investment mix at 31/12/2016 to more accurately reflect how asset shares were invested at the time.

WHAT IS THE INVESTMENT MIX OF MY POLICY?

Since January 2010 we have varied the investment mix of your policy according to how long we think it has left to run. However, we have now moved back to a single mix of assets for all policies covered in this document. We mentioned that this had started to happen last year.

Your policy is still invested in a wide range of assets, but the investment mix will no longer change as you approach the end of your policy.

The investment returns from government bonds, other bonds and cash tend to vary less from year to year than the returns from company shares and property. However, over the longer term, the investment returns from government bonds, other bonds and cash tend to be lower than those from company shares and property.

WHAT WAS THE INVESTMENT RETURN FOR MY POLICY FOR 2017?

The investment return that we added to the asset shares of policies in 2017 varies according to how long the policy has left to run. That's because last year we still varied the investment mix of a policy during its last 10 years. From 2018 onwards, the investment return will not vary depending on how long your policy has left to run.

Table 2 shows the investment returns before tax and charges added to asset shares for 2017 for some example with profits policies in the With Profits fund.

Table 2

Number of years to the policy maturity date	Investment return before tax and charges %
15	10.0
10	9.9
5	9.2
1	8.7

Company shares and bonds performed very well in 2017, whilst UK bonds provided more modest positive returns. There were also small positive returns on cash and overseas bonds.

We don't know what investment returns will be in the future; you should not assume that they will be the same as they were in previous years. However, we believe that the current investment mix is appropriate for the With Profits fund in the current economic conditions.

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](#).

Table 4

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

HOW DO I SHARE IN THE PROFIT AND LOSSES OF THE FUND?

The performance of the With Profits fund is shared out to its investors through a system of bonuses. There are two types of bonus that we may add to your policy:

- **annual bonuses**, which we may add during the lifetime of your policy and which increase the guaranteed amount payable when you take your guaranteed benefits, and
- **final bonuses**, which we may add when your policy ends. Final bonuses are not guaranteed and may go up or down.

Some unitised policies have a unit price that changes on a daily basis to reflect the addition of regular bonus, but the effect is the same.

We haven't changed the annual bonus rate, so for 2017 it is still 2.18% for pensions policies and 1.43% for life and savings policies. Your bonus rate includes 0.18% added as a result of ProfitShare this year. You can read more about this in the section headed 'Royal London ProfitShare'.

A **Market Value Reduction (MVR)** may be applied to reduce the value of units being cashed in during adverse market conditions. A reduction would be applied to ensure a fair level of payouts to everyone invested in the fund. If we did not do this the investors remaining in the fund would not receive their fair share. Please note that if an MVR is applied to your policy, the value of your plan would be reduced and you could get back less than you paid in. The MVR will not be applied if the policy is being cashed in on death or in certain other circumstances as set out in your policy documents.

ROYAL LONDON PROFITSHARE

As a result of our good operating profits and continued strong capital position we have allocated a discretionary ProfitShare to all eligible with profits policyholders. We have applied this by enhancing the asset shares of the relevant policies by 1.4%.

As mentioned earlier, our new approach to ProfitShare meant that we have also given you an extra bonus of 0.18% this year.

We hope to award a similar level of ProfitShare next year and our business plan supports that. However, the current uncertainty in financial markets may affect the amount of profits we are able to earn and share with our customers. Rest assured that, whatever happens in 2018, we will do all we can to maintain your ProfitShare at an attractive level.

WHERE CAN I FIND OUT MORE INFORMATION ABOUT THE WITH PROFITS FUND?

You can view and download the following documents from our website royallondon.com:

- **Principles and Practices of Financial Management (PPFM)** which is a technical document that explains the way in which we manage our With Profits fund.
- **A guide to how we manage our With Profits fund** which is a plain English guide to the key points of the PPFM. This includes more information on asset shares, how we decide annual and final bonus rates and MVR. The version that covers your policy is **Guide 6**.
- The Directors report on compliance which is the most recent report about how we have complied with the PPFM.

To find these documents, please click on 'About Royal London' then 'Corporate Governance' then 'PPFM'. If you prefer, you can ask us to send you copies by calling us on [03450 502020](tel:03450502020).

PPFM CHANGES AT 31 DECEMBER 2017

There were no changes to PPFM practices in 2017.



Royal London
1 Thistle Street, Edinburgh EH2 1DG
royallondon.com

All literature about products that carry the Royal London brand is available
in large print format on request to the Marketing Department at
Royal London, 1 Thistle Street, Edinburgh EH2 1DG.
All of our printed products are produced on stock which is from FSC® certified forests.

The Royal London Mutual Insurance Society Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The firm is on the Financial Services Register, registration number 117672. It provides life assurance and pensions. Registered in England and Wales number 99064. Registered office: 55 Gracechurch Street, London, EC3V 0RL. Royal London Marketing Limited is authorised and regulated by the Financial Conduct Authority and introduces Royal London's customers to other insurance companies. The firm is on the Financial Services Register, registration number 302391. Registered in England and Wales number 4414137. Registered office: 55 Gracechurch Street, London, EC3V 0RL. Royal London Corporate Pension Services Limited is authorised and regulated by the Financial Conduct Authority and provides pension services. The firm is on the Financial Services Register, registration number 460304. Registered in England and Wales number 5817049. Registered office: 55 Gracechurch Street, London, EC3V 0RL.