



Investments

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 optimise the long term return on investments for with profits policyholders whilst recognising the need for the fund to meet the guarantees provided 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 2019.

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 earned by the investments.

Table 1

	Company shares %	Property %	Government and other bonds %	Cash and other investments %
31/12/2023	59	13	27	1
31/12/2022	53	16	30	1
31/12/2021	54	15	31	0
31/12/2020	44	13	36	7
31/12/2019	49	12	36	3

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 2023?

The total investment return applied to asset shares in the with profits fund (before taxes and charges) for 2023 was 7.9%.

The with profits fund's investment portfolio has provided an overall positive return during 2023. The key sources of growth were from UK bonds and overseas shares.

Due to the nature of your policy being with profits, we try to smooth out variations in investment returns year on year so that your policy is less affected by the ups and downs. The section 'How do I share in the profits and losses of the fund?' explains how we distribute these investment returns by adding bonuses to your policy.

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. We continuously monitor economic conditions, and where necessary adjust the investment mix to be appropriate given the current conditions.

Investing responsibly

As the UK's largest mutual insurance and pension provider, we're committed to acting and investing responsibly. Visit royallondon.com/responsiblebusiness to read our latest report on our climate change commitments and the progress we've made so far in line with our requirements under the Taskforce on Climate-related Financial Disclosures (TCFD).

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 2

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

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:

- **regular 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.

The regular bonus rates for 2023 have increased since 2022. For Crest Growth policies the rate is 3.15% and for other pension policies it is 2.65%. For life and savings policies the rate is 1.9%. Your bonus rate includes 0.15% added as a result of ProfitShare for 2023. 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

We continue to meet society's needs for high quality life insurance, investment and pension products.

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 conventional with profits policies by 1.2%. We have also enhanced the asset shares of eligible investments in former Scottish Life unitised with profits policies by 0.3%.

As mentioned earlier, our approach to ProfitShare means that we have also given you an extra bonus of 0.15% this year.

We hope to award a similar level of ProfitShare next year and our business plan supports that. You could get more or less than this and there's no guarantee that we'll be able to award ProfitShare every year. Rest assured that, whatever happens in 2024, 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/PPFM:

- **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 MVRs. 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.

Change made to the PPFM

No changes were made to the PPFM during 2023, but look out for our refreshed document in 2024. We're making changes that will make it easier to understand and follow the document, but no changes will be made to the actual Principles and Practices.



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**We're happy to provide your documents in a different format, such as braille,
large print or audio, just ask us when you get in touch.**

All of our printed products are produced on stock which is from FSC® certified forests.

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