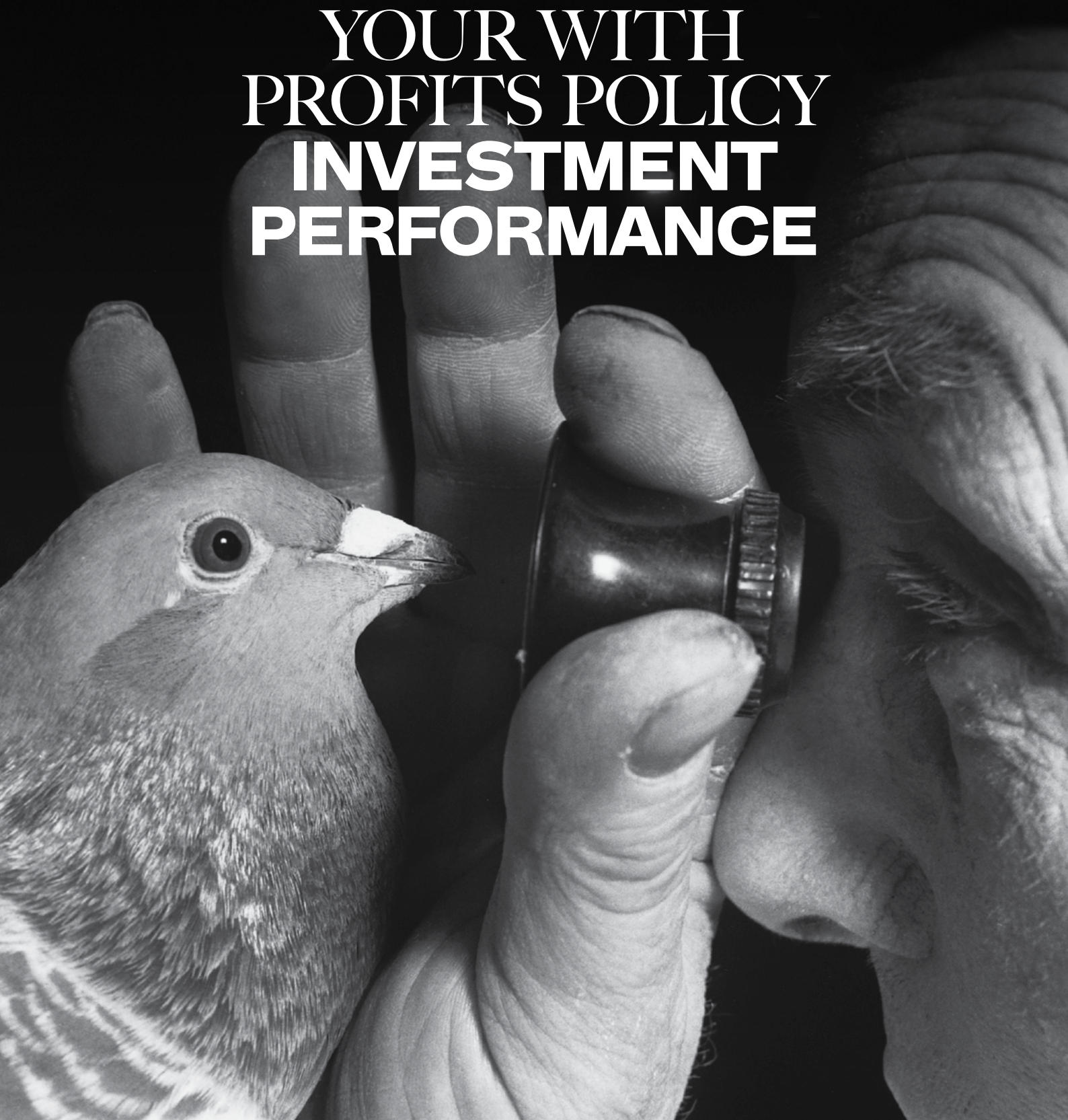




**YOUR WITH
PROFITS POLICY
INVESTMENT
PERFORMANCE**



DEFINITIONS

The media is full of terms that leave many of us scratching our heads. So it's worth pausing for a second to find out what they mean. The brief descriptions you'll find in the margins will help to shed some light on some commonly used terms – they're the ones you'll see in italics.

Asset share
The accumulation of premiums paid into the with profits fund after taking off expenses, charges and tax and allowing for the profits and losses earned by the investments.

Your policy is invested in the PLAL With Profits Sub-Fund. In this leaflet we call this 'the with profits fund'.

What is the investment mix of the with profits fund?

In managing the with profits fund, we aim to maximise the investment return for with profits policyholders whilst also protecting their guaranteed benefits within the with profits fund. We hold a wide range of assets to help reduce the risk that would arise if we invested in a single type of investment.

Table 1 shows the types of investments that *asset shares* have been invested in since 2012.

Table 1

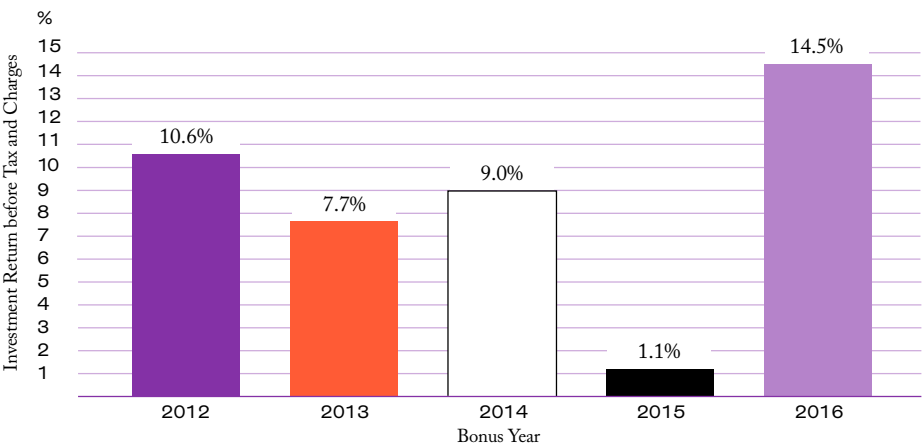
	Company shares	Property	Government and other bonds	Cash and other investments
	%	%	%	%
31.12.2016	41	0	57	2
31.12.2015	40	0	59	1
31.12.2014	38	0	60	2
31.12.2013	40	0	56	4
31.12.2012	34	0	59	7

What was the investment return for my policy for 2016?

The investment return applied to with profits policies in the fund (before tax and charges) for 2016 was +14.5%.

Chart 1 shows the investment returns, before tax and charges, applied each year from 2012 to 2016 to with profits policies now in the fund.

Chart 1



UK bonds, UK company shares and overseas company shares performed very well over 2016. This was as a result of currency movements caused by the Brexit vote in June. Cash also provided more modest positive returns.

We don't know what investment returns will be in the future; you should not assume 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 current economic conditions.

How do I share in the profits and losses of the fund?

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

- **regular bonuses**, which we may add during the lifetime of your policy and which increase the unit price used to calculate the value of your policy, and
- **final bonuses**, which we may add when you cash in some or all of your policy. Final bonuses are not guaranteed and may go up or down.

The regular bonus rate that we have applied to your policy for 2016 is between 1% and 1.5%, depending on the type of policy that you have.

In certain situations, for example bad stock market conditions or after a long period of low investment returns, the value of the with profits units allocated to your policy may be higher than the policy's *asset share*. If your policy ends or you switch to a unit-linked fund (or, if you have a Personal Investment Plan, you cash in part of your policy) during this time, we may apply a **market value reduction** (MVR) to reduce the amount you receive. We will only apply a MVR to ensure fair payouts to everyone invested in the fund. If we don't do this, investors staying in the fund will not get their fair share.

There are some situations where we will not apply an MVR. Your policy document describes the situations that apply to your policy but these will normally include cashing units on death or cashing units on regular withdrawals below a certain limit.

Distribution of working capital

We aim to distribute the *working capital* of the with profits fund to relevant policyholders fairly over time. To achieve this aim this year we have:

- allocated a special enhancement for 2016 by increasing the *asset shares* of relevant policies by 0.3%, and
- set final bonuses so that maturity payouts for 2017 are in excess of *asset shares* for most policies.

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* and how we decide regular and final bonus rates and MVRs. The version that covers your policy is **'Guide 7'**.
- **'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 'Welcome to Royal London' then 'Corporate Governance' then 'PPFM'. If you prefer, or would like large print versions of these documents, you can ask us to send you copies by calling us on 0345 050 2020.

Working Capital

The amount by which the investments of the fund are greater than the guaranteed benefits and bonuses already promised to policyholders.

If you would like a copy of this document in large print, please call us on **0345 050 2020** between 8am and 6pm Monday to Friday, unless it's a bank holiday in England.

Or write to:

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