

Your with profits policy

Investment performance



Your policy is invested in the RL Open Fund within the Royal London Long-Term Fund. In this leaflet we call this ‘the with profits fund’.

What is the investment mix of the with profits fund?

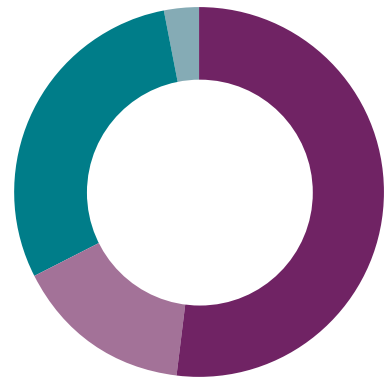
In managing the with profits fund, we aim to optimise the investment return for with profits policyholders whilst also protecting their guaranteed benefits within the with profits fund. We hold a wide range of assets to help reduce the risk that would arise if we invested in a single type of investment.

The charts below show the types of investments that asset shares of unitised with profits policies have been invested in for the past two years. By asset share, we mean the build up of payments made into the with profits fund after taking

off expenses, charges and tax (where applicable) and allowing for the profits and losses earned by the investments.

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.

Investment mix at 31.12.2024



- 58% Company shares
- 14% Property
- 24% Government and other bonds
- 4% Cash and other investments

Investment mix at 31.12.2023



- 59% Company shares
- 13% Property
- 27% Government and other bonds
- 1% Cash and other investments



What was the investment return for my policy for 2024?

The total investment return applied to asset shares in the with profits fund for unitised with profits policies (before taxes and charges) for 2024 was 10.6%.

The with profits fund's investment portfolio has provided an overall positive return during 2024. The key sources of growth were from company shares and property.

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. Please refer to the next page to find out how your policy shares in these profits and losses.

We don't know what investment returns will be in the future; you shouldn't assume they'll be the same as they were in previous years. However, we believe that the investment mix is appropriate for the with profits fund in current economic 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).

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

The performance of the with profits fund is shared out to its PMAS unitised with profits policyholders through movements in the unit price. The unit price changes in line with changes in the underlying asset values.

The premiums that you pay us are used to buy units in the fund at the unit price applicable on the day you buy them. Units are cancelled to cover charges.

If your policy or option provides a guarantee, each payment is also converted into guaranteed units, giving a Guarantee Fund, which may have units cancelled to cover charges or increase over time through the addition of annual bonuses.

When you cash in your policy, we base the amount we pay you on the value of the units you hold in the fund at the date you decide to leave. This may include a final bonus or we may apply a market value reduction (MVR) to reduce the amount we pay you in certain circumstances.

If the value of your units is greater than your Guaranteed Fund then the difference between these two values is called a final bonus.

In certain situations, for example bad stock market conditions or after a long period of low investment returns, the value of your units may be lower than the Guaranteed Fund. If this happens, we are effectively applying a market value reduction (MVR). We will only apply an MVR to ensure fair payouts to everyone invested in the with profits fund. 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 a guarantee or specified retirement date for pension policies.

Smoothing is one of the main features of with profits business that we have to consider when determining the payout for a with profits policy. It is one of the key ways in which we can be fair to all policyholders. For PMAS unitised with profits policies, smoothing is applied using a smoothed unit price, which is updated weekly. This is based on the average unsmoothed price over the previous 26 weeks.

When PMAS policies were transferred to Royal London, a 'Notional Account' was set up until 1st October 2030. It operates in line with the legal documents (known as the PMAS Instrument of Transfer) and it tracks the movements in the value of PMAS assets and liabilities that aren't related to every day operations.

The legal documents say that if the Notional Account becomes higher or lower than a certain range, action will be taken to bring it back into the range. The cost of these actions will be split between Royal London and PMAS policyholders until 1st October 2030. This means that a profit or a loss could be shared with these policyholders. We review the value of the Notional Account at least once a year.

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 and how we decide annual and final bonus rates. The version that covers your policy is Guide 3.

- The Directors' report on compliance which is the most recent report about how we've complied with the PPFM.

If you'd like braille, large print or audio versions of these documents, you can ask us to send you copies by calling us on **01543 441 630**.

Changes made to the PPFM

There have been a small number of updates to PPFM Practices to improve clarity.



**If you would like a copy of this
document in large print, braille
or audio, please call us on
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