GOVERNED RANGE
GOVERNED RETIREMENT INCOME PORTFOLIO 2 FACTSHEET

Risk Grading : Risk Rating 2

What is a Governed Retirement Income Portfolio?

Choosing a suitable portfolio of funds to meet your requirements can be difficult. Our range of Governed Retirement Income Portfolios is designed to help with exactly that.

A Governed Retirement Income Portfolio matches your risk attitude to a suitable mix of assets and funds. There are five portfolios to choose from so you can select the one that best suits your risk attitude.

What governance process is in place?

Your portfolio comes with ongoing governance. This simply means that our investment experts check it regularly. It allows us to maintain the best mix of assets in line with the risk category - and to make sure it is performing in line with its overall objectives - aiming to give you the best returns. The value of your investment can go down as well as up and you may not get back the value of the original investment.

If our experts decide that the mix of assets needs to be adjusted, it happens automatically on your behalf, you don't need to do anything. What's more, this service comes at no extra cost.

For full details of our governance process please visit our website at **royallondon.com/pensioninvestments**.

Who is this portfolio designed for?

It is designed for someone who is taking income from their plan and can accept a level of uncertainty in their future income consistent with a risk rating 2 attitude to risk.

If you are in any doubt about the suitability of any particular type of investment, you should seek professional financial advice.

Advisers may charge for providing such advice and should confirm any costs beforehand.

What is the investment objective?

This portfolio aims to deliver growth above inflation to support regular income withdrawals, whilst taking a level of risk consistent with a risk rating 2 risk attitude.

Where is the portfolio invested?

The fund mix of the portfolio as at 7th February 2019 is shown below:

Governed Retirement Income Portfolio 2	
RLP Sterling Extra Yield Bond	3.75%
RLP Cash Plus	7.00%
RLP Property	7.50%
RLP Medium (10yr) Gilt	15.40%
RLP Medium (10yr) Corporate Bond	15.85%
RLP Medium (10yr) Index Linked	15.00%
RLP Global High Yield Bond	3.60%
RLP Short Duration Global High Yield	1.65%
RLP Commodity	4.25%
RLP Absolute Return Government Bond	3.00%
RLP Global Managed	23.00%

The Global Managed fund invests in UK and Overseas equities. The current benchmark split is 50% UK Equities and 50% Overseas Equities. You can replace the Global Managed pension fund with an alternative equity fund or funds from the Royal London Pensions fund range.

If you want to know more about any of the funds within your portfolio, including details of fund charges, please visit our website **royallondon.com/pensioninvestments** and view the relevant fund factsheet.

Does the portfolio rebalance?

This portfolio rebalances monthly. If a portfolio is not rebalanced regularly, the asset mix can drift significantly over time changing the suitability of the portfolio.

What is the portfolio benchmark?

The benchmark is a target against which performance is measured.

This benchmark is regularly reviewed and may be updated by Royal London so that it remains appropriate for the investor profile as detailed in the section **"Who is this portfolio designed for?"** or where a component index is discontinued or replaced.

The benchmark for this portfolio is a composite of indices:

ABI UK - UK Direct Property	7.50%
Various FTSE Actuaries UK Index-Linked Gilt Indices that are blended together to reflect a 10 year investment horizon	15.00%
Various iBoxx Sterling Non Gilts Indices that are blended together to reflect a 10 year investment horizon	15.00%
Markit iBoxx Sterling Non Gilts BBB Index	3.75%
BofA Merrill Lynch European Currency HY Hedged Index	3.75%
Bloomberg Commodity Index	5.00%
Various FTSE Actuaries UK Conventional Gilt Indices that are blended together to reflect a 10 year investment horizon	15.00%
LIBID GBP 7 Day Index	15.00%
FTSE All Share Index	10.00%
FTSE All World ex UK Index	10.00%

Details of changes to the portfolio

The following table documents the last 3 changes that Royal London have made to this portfolio.

Effective Date of Change	Overview of Changes
07/02/2019	**Governed Retirement Income Portfolio 2** Investor sentiment has returned to normal levels, rebounding from very depressed readings recorded in the last quarter. We think markets were premature to price in a recession, but near term economic activity remains weak. Having bought in market weakness at the end of 2018, we have reduced equity exposure in recent rallies, taking profits, the proceeds were moved into government bonds, commodities and short duration global high yield debt. We would like to see evidence of Chinese stimulus measures and a pause in US rate hikes boosting growth before getting more positive again.
10/01/2019	**Governed Retirement Income Portfolio 2** Equities markets have priced in a US recession, which we believe is premature given strong labour market data and low real interest rates, although recent housing weakness is a concern. At the same time, our investor sentiment indicator remains oversold. In our view, the current recovery in stock prices has further to run; we again bought equities, increasing our above benchmark allocation, funded out of commodities. We may look to sell into rallies, as stronger economic activity in 2019 would probably spur a resumption of US rate hikes, ending the current business cycle.

continued on next page...

Effective Date of Change	Overview of Changes
06/12/2018	**Governed Retirement Income Portfolio 2** Markets remain volatile, driven by political and economic news including the US Federal Reserve signalling that interest rates are near a neutral level and President Trump conducting trade and tariff negotiations with China and Europe. On a longer term view, we expect global economic expansion to continue into 2019; while rates may be slowly rising in the US, they remain relatively low. With this constructive background, we continued to buy equities, increasing our overweight. With volatility expected to remain high, we also expanded the government bond allocation, funded from commodities, high yield corporate debt and cash.

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