

Investment factsheet – Group Pension Contract

▶ Investment objective

Group Pension Contracts are invested in the With-Profits Fund. The fund aims to generate capital growth over the medium to long term (at least five years), with some stability against market volatility over the short term. This is achieved by combining your money with that of other with-profits investors, and collectively sharing in the fortunes of the fund.

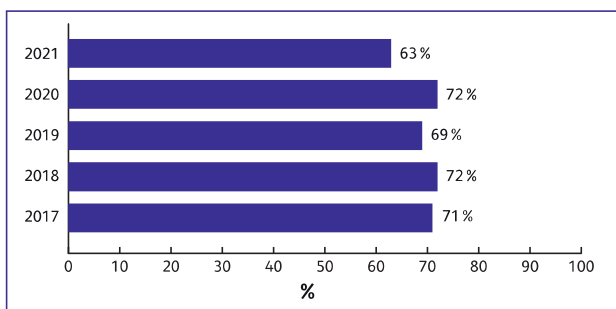
▶ Asset information

Asset performance – from 01.01.2017 to 31.12.2021

	Unsmoothed return on assets	Benchmark performances		
		Equity	Bonds	Property
2017	7.8%	13.1%	1.8%	7.9%
2018	-2.6%	-9.5%	0.6%	3.9%
2019	10.8%	19.2%	6.9%	0.2%
2020	0.5%	-9.8%	8.3%	-3.6%
2021	10.1%	18.3%	-5.2%	8.8%
Annualised 5 year return	5.2%	5.4%	2.4%	3.3%

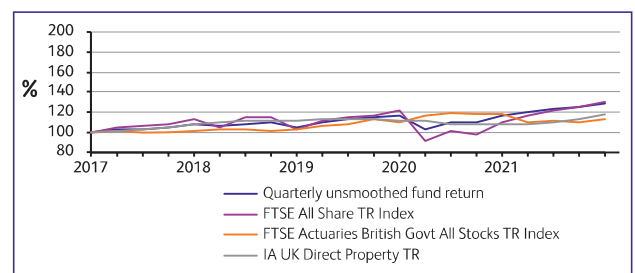
The table above shows how the assets underlying Group Pension Contracts have performed compared with returns from relevant benchmark indices: Equity (FTSE All Share (Total Return)), Bonds (FTSE Actuaries British Govt All Stocks TR index) and Property (IA UK Direct Property TR) since 01.01.2017. It does not represent investor returns. The above figures are gross of tax and do not take into account any charges or deductions.

Equity Backing Ratio statistics



The Equity Backing Ratio (EBR) is the percentage of the fund's assets in higher risk assets such as property and equities (including the holdings in absolute return funds). The values shown above represent the Equity Backing Ratio at the 31 December of each year.

Five year performance



The graph above shows the quarterly unsmoothed return (gross of all deductions) against the equity, bond and property benchmarks. Period covered is 01.01.2017 to 31.12.2021. All indices rebased, 01.01.2017 = 100%. The figures refer to the past and past performance is not a reliable indicator of future results. You cannot invest directly in any of the benchmark indices. Source of data: FinEx, February 2022.

This information is for the invested assets that principally drive future interest rates and therefore contract returns. The assets known as the estate, held as reserves to provide a cushion against the effects of poor investment conditions, have a more cautious investment strategy. Part of the estate is being used to enhance payouts and is also invested cautiously, primarily in Cash. For more detail refer to Clerical Medical's 'Annual Report' on www.clericalmedical.co.uk

Asset Mix as at 31.12.2021

UK Fixed Interest:	
Government Bonds	1.5%
Corporate Bonds	12.7%
Loans secured against commercial property	0.8%
Property	13.9%
UK Equities	12.6%
Overseas Equities	28.0%
Cash/Other	6.5%
Absolute Return Funds	16.0%
Private Debt	2.7%
Emerging Market Debt	5.3%

Top 10 equity holdings as at 31.12.2021

AstraZeneca	BP
Unilever	Royal Dutch Shell A
HSBC	Taiwan Semiconductor Manufacturing Company
Diageo	Royal Dutch Shell B
GlaxoSmithKline	British American Tobacco

The above figures are as at 31 December 2021 and show the effective exposure of the different types of assets applicable to sterling denominated policies. This excludes the estate, which is invested more cautiously.

Note: An Absolute Return fund is one which aims to make positive returns regardless of market conditions, although this is not guaranteed. They do this by balancing traditional equity investment with other investment techniques, such as using hedging to reduce exposure to a market sector and by diversifying across different types of asset.

As at 31.12.2021 the size of the whole With-Profits Fund, including the estate, was £4.8bn.

In times of uncertainty when stock markets are volatile and there is an exceptionally large change in asset values, we have to react quickly to protect the interests of our remaining with-profits investors by ensuring that investors leaving the fund don't receive more than their fair share. In this situation we may vary our approach to smoothing.

Following a review of the amount needed to support the fund, a distribution of excess estate was started from 1 February 2010. This is being done through the normal periodic interest rate review, with higher claim addition rates being declared than would otherwise apply.

Details of the current rates of interest and those that have applied in previous years can be provided on request.

Surrender values

On surrender of a contract, an amount is payable that reflects the market value of the underlying assets and any distribution of excess estate at the time.

Over the five year period 01.01.2017 to 31.12.2021 the return on an average contract starting from the surrender value at the start of the period was:

	% pa
Annualised unsmoothed return on assets	5.2%
Effect of expense deductions	-0.7%
Effect of guarantees and estate distribution	-0.6%
Annualised return on surrender	3.9%

An average contract had a fund of £4.9m at 01.01.2017 and had income of 5% and outgo of 11% of the fund per year between 01.01.2017 and 31.12.2021.

The 'effect of investment guarantees and estate distribution' shows in aggregate how the application of these affected the contract returns.

The effect of expense deductions could be different for contracts of a different size, with the effect being higher for smaller contracts and lower for larger contracts.

▶ Group Pension Contract returns

Interest rates

The interest rate policy is designed to reflect the performance achieved on the assets applicable to these policies, with a substantial degree of smoothing.

Whilst money remains invested in a contract, interest may be added each year in the form of basic yield. The interest added can vary by contract size. The rates are net of all deductions and are reviewed annually.

When money is used from a contract to provide benefits to members, additional interest may apply in the form of claim addition, depending on the level of the underlying assets at the time. The rates are normally reviewed twice a year.

▶ Important notes

The value of an investment is not guaranteed and can go down as well as up depending on investment performance (and currency exchange rates where a fund invests overseas). You could get back less than you invested. The figures refer to the past and past performance is not a reliable indicator of future results. The ultimate value of a with-profits investment depends on future interest additions which cannot be guaranteed.

Source of data: FinEx and Clerical Medical, February 2022.

For more details on the management of the With-Profits Fund and on some of the terms or abbreviations used in this factsheet, please refer to the 'Group Pensions – rates of interest 2022' leaflet, Clerical Medical's 'With-profits summary' or 'PPFM' on www.clericalmedical.co.uk and/or contact your financial adviser.

www.clericalmedical.co.uk

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