

Who's performing well?

DC Default Fund Survey - Growth Phase

Q1 2018



Powered by



Report run on 05 June 2018

How we help

We bring together different skills and experience, tailoring them to the needs of you, your scheme and your employees.



Master Trust

The Aspire Savings Trust is a multi-employer, occupational pension scheme. It brings together governance, investment, administration and communications expertise within a technology-led solution.



Governance

Establishing and governing the ideal workplace pensions and savings for your employees can be complex and time consuming. That's where we come in.



Communications

Our online platform educates and inspires employees across a range of financial topics. It helps them understand the importance of saving for their long-term future.



Retirement

With greater choice and freedom in how and when individuals are able to access their pension fund, there is now an even greater need for early education and advanced planning. Find out how we help.



Investment

Our investment research division analyses and rates over 18,000 DC investment funds. The insight we have enables us to support your investment objectives, making sure they're on track to deliver.



Education

Our financial wellbeing and education service helps employers explain finances and their implications to employees, giving them the tools to make better financial choices at all stages of their working lives.

Section 1: Introduction



Powered by



Section 1

DC overview

This survey examines the growth phase of the standard default investment options of the leading providers in the DC market as at 31 March 2018. Based on the analysis of this survey we conclude the following:

Assets under Management

- Most of the default funds sit within an Assets under Management range of approximately £600m and £13bn, depending mainly on their launch date. Some of the funds have been designed and launched specifically to be the DC default, relatively recently, for example, Fidelity's default started in 2015. Whereas others have been in existence for many years and have been repurposed to reflect the changes in member requirements as a result of automatic enrolment and pension freedoms.
- Scottish Widows and Legal & General's defaults have the highest total fund values, with £12.3bn and £9.4bn respectively.

Assets Allocation

- The allocation to equities, bonds and other asset classes varies dramatically between the default funds, depending mainly on the targeted risk levels and the range of investment tools used.
- In the broadest terms, those providers (Royal London, Standard Life, Fidelity, Aviva, Legal & General) who have their own asset management arm within their Group (which means more internal resources are available including ranks of economists, strategists, portfolio managers and specialised analysts) have developed the more diversified and sophisticated default offerings.
- In general, the growth phase of the average default option is designed with significant exposure to Equities to maximise growth. The average allocation to Equities amongst the defaults was around 66%, with Scottish Widows' default having the highest exposure at 84%, while Legal & General and Standard Life's have both the lowest exposure at 44% approximately of their total asset allocation.
- Default options also hold a significant portion of Fixed Income, allocating 27% on average to this asset class. Legal & General and Fidelity have the highest allocation with 47% and 37% respectively, while Royal London has no exposure at all.
- Most of the defaults do not use Alternative Investments due mainly to cost constraints. The average percentage of the overall allocation to Alternative Investments within the default funds is almost 6%, with Standard Life and Royal London placing the highest weights, 22% for both approximately. The Alternative Investments asset class includes allocations to investments such as commodities, property and absolute return strategies.
- The average allocation between UK and non-UK assets has been 31% and 69% respectively, with Aegon and Aviva – My Future having the highest concentration in the UK region of their total assets with 56% and 50% respectively.
- Being invested in a diversified default option is really important as it helps to manage risk during volatile periods. There are some providers (Friends Life, Scottish Widows, Aegon and Zurich) who employ a limited range of asset classes (with Zurich using the least, at four). On the other side, there are also providers (Legal & General, Fidelity, Royal London and Standard Life) with a more diversified approach to the design of their default options incorporating for example Commodity, High Yield, Property and other alternative investments alongside the traditional asset classes. The advantages of such asset classes are to provide higher risk adjusted returns, especially in stress markets. However, they can also carry a few disadvantages as they can occasionally be more illiquid, costly, risky and more opaque to monitor.
- The use of active underlying funds in some default solutions (Royal London, Standard Life and Fidelity) is also a noteworthy distinguisher since the majority of the default funds use only passive components. Being more expensive than the passive funds, actively managed funds are targeted to deliver higher returns than their corresponding benchmarks, along with greater downside protection due to their tactical management.
- Providers (Zurich, Friends Life, Aegon, Scottish Widows) without an asset management arm, employ a long-term approach to asset allocation (strategic asset allocation) based on optimisations of expected long-term risk and return numbers provided by a third party. However, to benefit further from market inefficiencies, it should also involve an active oversight by taking a more dynamic approach to asset allocation (tactical asset allocation).

Section 1

DC overview

Performance

- There is no single specific measure to assess the performance of the default options in the DC Market, as providers are using a wide variety of different comparators (peer group sectors, composite benchmarks, cash or inflation indices) based on the strategy's objectives and asset allocation.
- Additionally, for better risk management, the vast majority of the default funds have an explicit volatility target included within their expected returns (Aegon, Scottish Widows and Zurich do not).
- Given the diversified nature of the DC Defaults and holdings of less than 100% equity, it is no surprise that they outperform the global equity market in periods of falling equities and underperform in periods of rising equity markets. Similarly, they have a less extreme range of returns than equities. Over the long term, higher risk should be rewarded with a higher return, although clearly there is an optimal level of asset allocation where the level of return is maximised for the risk taken.
- Over the last 3 three years, the Zurich fund was the best performer (7.3%), although on a relatively higher level of risk (9.5%) compared to the other defaults, which is no surprise given the levels of equity within the fund (77% equities). In the same period, Standard Life produced the worst return (3.5%), but it does exhibit a consistently lower level of risk (5.3%) than all the default funds.
- There has been a wide performance spread amongst the top and bottom performers, indicating the significance of the asset allocation in the growth phase to maximise members' fund values. However, the returns take no account of the overall risk taken, therefore regarding 3 year risk-adjusted performance, Zurich followed by Legal & General and Aviva – My Future have the highest Information Ratio (0.27 and 0.26 respectively). The Information Ratio is a commonly used measure which measures the excess return against the benchmark (CPI plus 3%) divided by tracking error, where tracking error is a measure of consistency.

Growth phase length

- The timing of when the growth phase period ends, with assets moving gradually to lower risk assets, differs significantly amongst all the providers. The duration of the growth phase could have a significant impact on members' fund values. The longer that period is offers members more chance of creating higher fund values at retirement, but also provides them with less downside protection as they get closer to retirement (underperformance is more impactful and irreversible close to retirement).
- Furthermore, the duration of the growth phase is determined mainly by the allocation of growth assets. Providers with high percentages in equities tend to start de-risking earlier, trying to mitigate volatility risk and stabilise growth. Scottish Widows, Friends Life and Royal London end their growth phase 15 years before retirement while Fidelity only 2 years before retirement.

Fees

- Even if charges vary from scheme to scheme, they remain crucial in the final outcome of each default strategy as they affect members' fund values and subsequently members' available income at retirement. The more diversified and sophisticated the default option, the higher the total cost. Therefore providers need to ensure consistent performance and efficient protection from market volatility to create value for money and justify the higher fees.

Note: After the acquisition of Friends Life by Aviva, Friends Life, with effect from October 2017, is no longer a legal entity and therefore any references to Friends Life in the default fund report have been removed. The Friends Life default, My Future, remains as the default strategy for Aviva's NGP and My Money platforms, the old Friends Life platforms, whilst Future Focus 2 remains as the default strategy for the Aviva Unisure platform. However, the plan is for Aviva to harmonise and utilise one default across all three platforms, this is expected to happen in late 2018. The single Aviva default will then be based upon the current My Future default.

Section 1



	Aegon Default Equity & Bond Lifestyle	Aviva Diversified Assets Fund II	Fidelity Diversified Markets Fund	Aviva My Future Growth	L&G Multi Asset	Royal London Governed Portfolio 4	Scottish Widows Pension Portfolio 2	Stan Life Active Plus III	Zurich Passive Multi-Asset(V and IV)
Fund	Aegon Default Equity & Bond Lifestyle	Aviva Diversified Assets Fund II	Fidelity Diversified Markets Fund	Aviva My Future Growth	L&G Multi Asset	Royal London Governed Portfolio 4	Scottish Widows Pension Portfolio 2	Stan Life Active Plus III	Zurich Passive Multi-Asset(V and IV)
Fund Manager Managed	No	Yes	Yes	No	Yes	Yes	No	Yes	No
Volatility targeting	No	10%	6%-8%	12%	2/3 of DM equity	Min 11.3% Max 13.8%	No	9%-12%	No
Active Components (in-house)	No	No	Yes	No	No	Yes	No	Yes	No
Typical active proportion	None	Fixed income only (corps and gilts)	<50%	None	High Yield Bonds	Approximately 55%	None	90%	None
Alternatives	No	No	No	No	Yes	Yes	No	Yes	No
Property	No	No	Global Developed Real Estate	No	Passive REITS	Yes	No	Yes	No
Passive Provider	Blackrock	In-house	Primarily futures	Blackrock	In-house	In-house	SSGA(Equities) Aberdeen(Bonds)	N/A	Blackrock
Qualitative Tactical Asset Allocation	No	Yes	No	No	Yes	Yes	No – strategic/medium term only	Yes	No
Comparator	Composite benchmark	RPI +3%	Cash + 3% (gross)	70%:30% Equity:Bond, Libor + 4%	DM equity returns	Composite	ABI (40%-85%)	N/A	Composite
Asset class buckets	5	c. 10	20	5	21	8	9	13	4
Growth Phase length	up to 6 years before retirement	up to 10 years before retirement	up to 10 years before retirement	up to 15 years before retirement	no derisking	up to 15 years before retirement	up to 15 years before retirement	up to 10 years before retirement	up to 7 years before retirement
AUM	£1078m	£1.9bn	£1,048m	£1.5bn	£9.4bn	£6.9bn	£12.3bn	£2.2bn	£611

Section 1

Specified DC Default Fund Universe

Returns to: 31 March, 2018

Fund Name	Launch Date	Quarter	Fund performance %			3 years performance %			Information Ratio ¹
			1 Year	3 Years ⁴	3 Years Risk ⁴	Comparator ¹ %	Comparator ² %	Comparator ³ %	
Aegon/Scottish Equitable plc - Aegon Default Equity & Bond Lifestyle Pn (ARC)	04 Apr 2013	-4.74	1.11	6.59	8.52	4.79	4.87	7.85	0.22
Aviva Life & Pensions UK Ltd - Aviva Diversified Assets II Pn S6	09 Mar 2009	-4.24	1.64	6.00	8.39	4.79	4.87	7.85	0.15
Aviva Life & Pensions UK Ltd - Av My Future Growth FP Pn	26 Mar 2013	-4.88	0.33	6.88	8.26	4.79	4.87	7.85	0.26
Fidelity (FIL Life Ins Ltd) - Fidelity Diversified Markets Pn 9	26 Jun 2015	-4.25	0.84	N/A	N/A	4.79	4.87	7.85	N/A
Legal & General Assurance Soc - L&G Multi Asset PMC Pn 3	06 Jan 2012	-3.67	1.32	6.63	7.23	4.79	4.87	7.85	0.26
Royal London Model Portfolio - Royal London Governed Portfolio 4 Pn	12 Jan 2009	-4.52	0.55	5.62	7.33	4.79	4.87	7.85	0.12
Scottish Widows Limited - Pension Portfolio Two Pension Series 2	06 Feb 2006	-5.57	0.57	6.80	10.45	4.79	4.87	7.85	0.20
Standard Life Assurance Co - Stan Life Active Plus III Pn S4	01 Mar 2012	-3.32	1.26	3.54	5.37	4.79	4.87	7.85	-0.24
Zurich Assurance Ltd - Zurich Passive Multi Asset IV Pn CS1	02 Dec 2013	-5.50	0.32	7.29	9.54	4.79	4.87	7.85	0.27

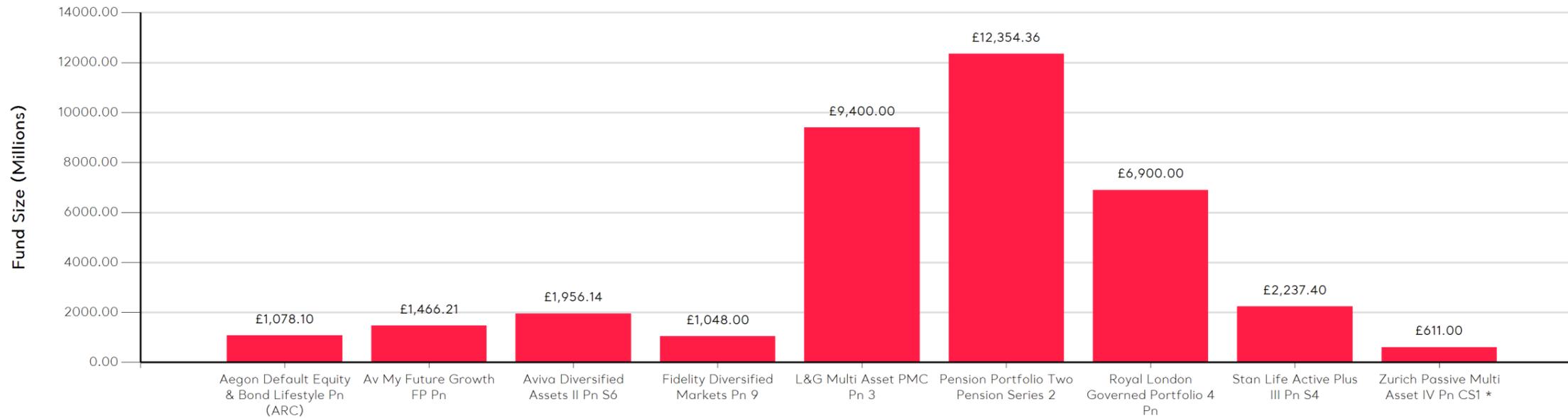
¹ CPI+3%

² ABI Mixed Investment 40%-85%

³ PS Aspire DC Default Composite

⁴ Annualised

DC Default Fund Size



* AUM data as at Dec 2017

Section 2: Asset Allocation

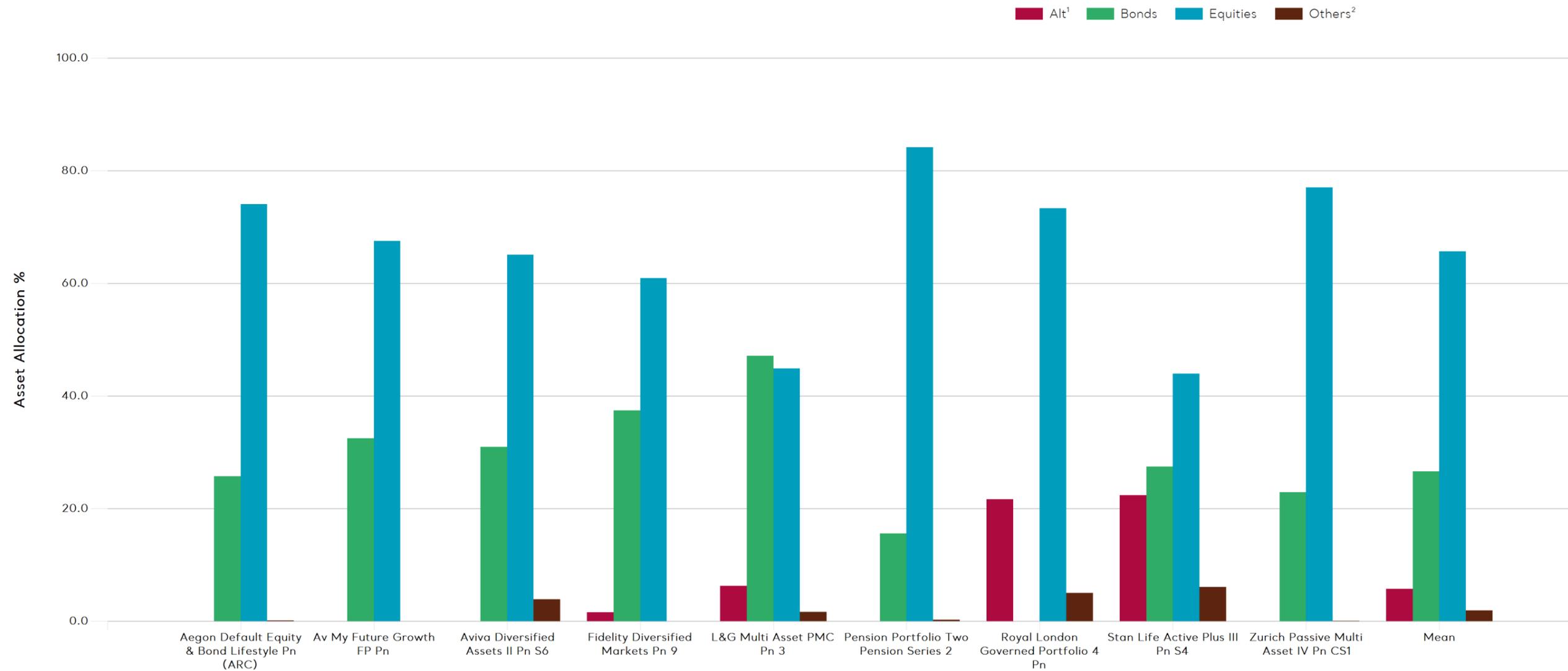


Powered by



Section 2

Asset Allocation*

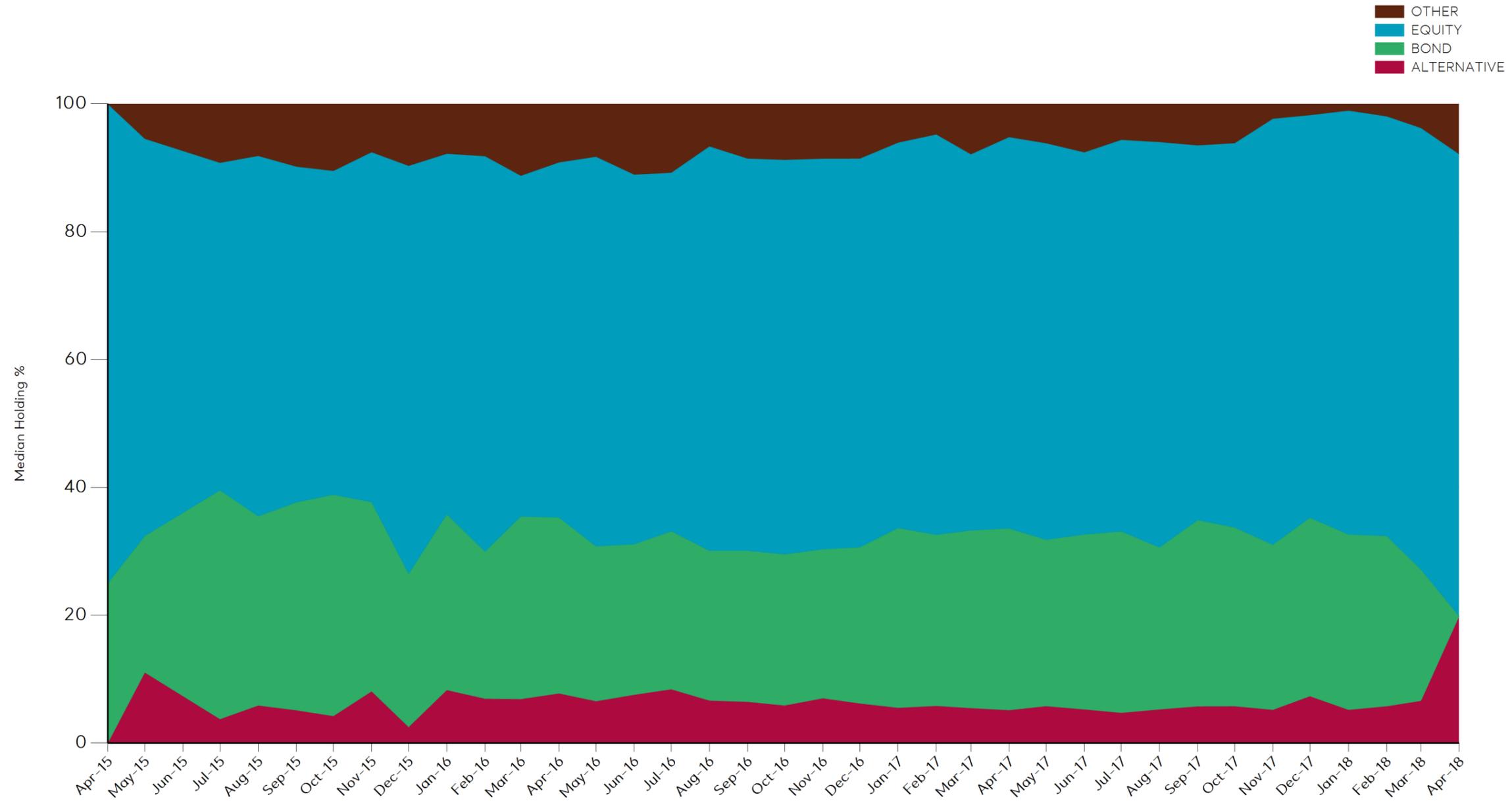


¹ Alternative Assets & Property ² Money Market & Others

	Aegon Default Equity & Bond Lifestyle Pn (ARC)	Av My Future Growth FP Pn	Aviva Diversified Assets II Pn S6	Fidelity Diversified Markets Pn 9	L&G Multi Asset PMC Pn 3	Pension Portfolio Two Pension Series 2	Royal London Governed Portfolio 4 Pn	Stan Life Active Plus III Pn S4	Zurich Passive Multi Asset IV Pn CS1	Mean
Alt	0	0	0	1.62	6.27	0	21.65	22.4	0	5.77
Bonds	25.76	32.48	31	37.47	47.12	15.6	0	27.5	22.93	26.65
Equities	74.05	67.52	65.1	60.91	44.92	84.13	73.31	44	77	65.66
Others	0.19	0	3.9	0	1.69	0.28	5.04	6.1	0.05	1.92
UK Assets	55.83	50.05	26.6	11.24	18.53	27.01	32.16	20.4	38.57	31.15
Non UK Assets	44.17	49.95	73.4	88.76	81.47	73	67.84	79.6	61.41	68.84

Section 2

Historical Universe Asset Allocation Mean



Section 3: Performance



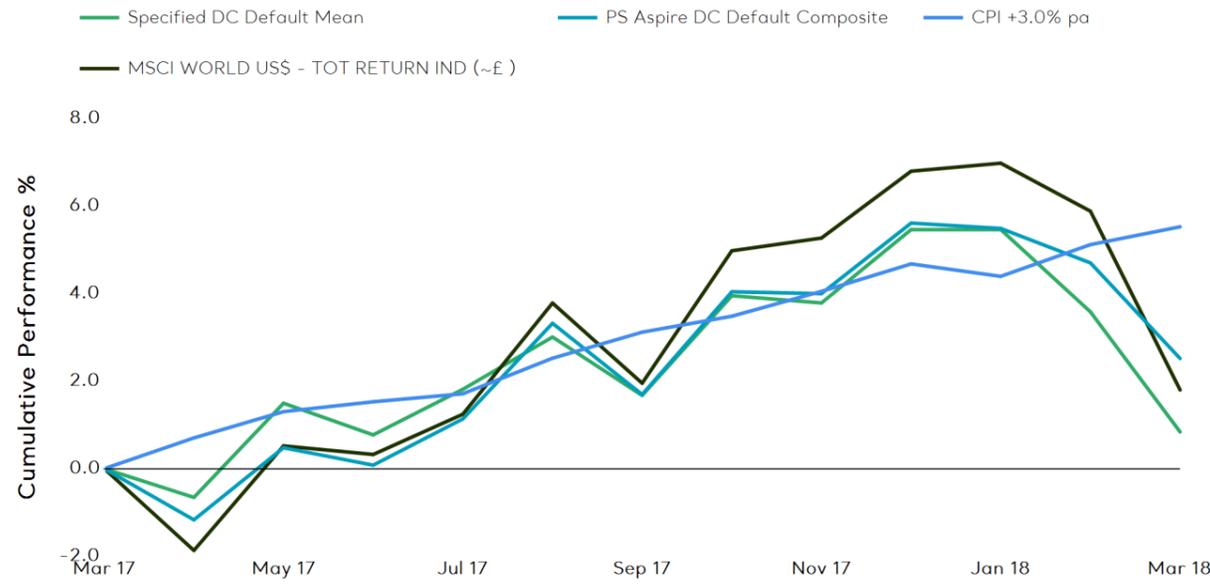
Powered by



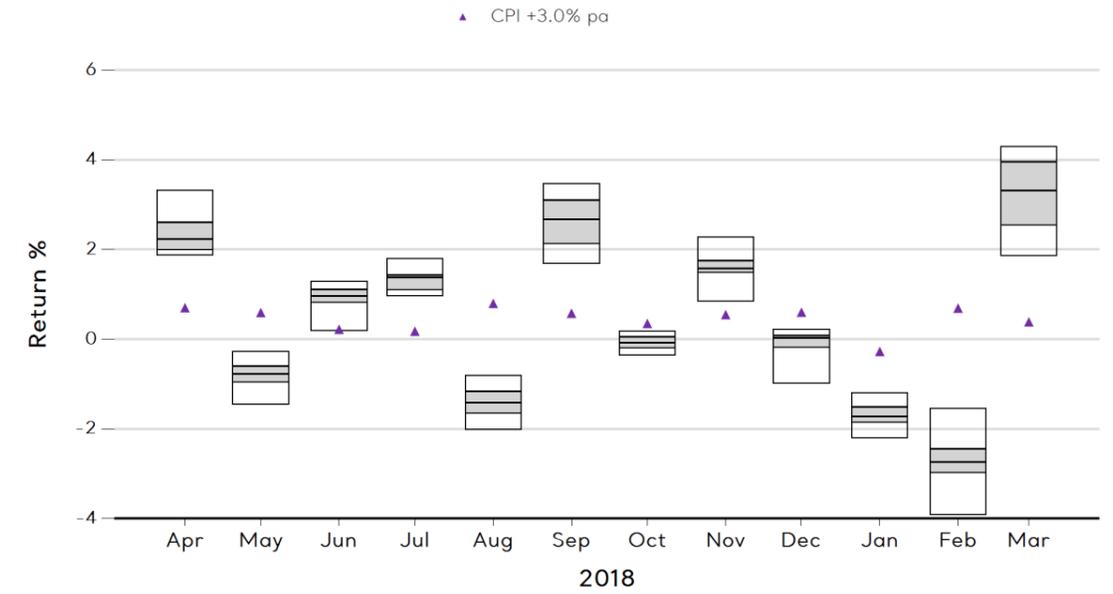
Section 3

Return Performance

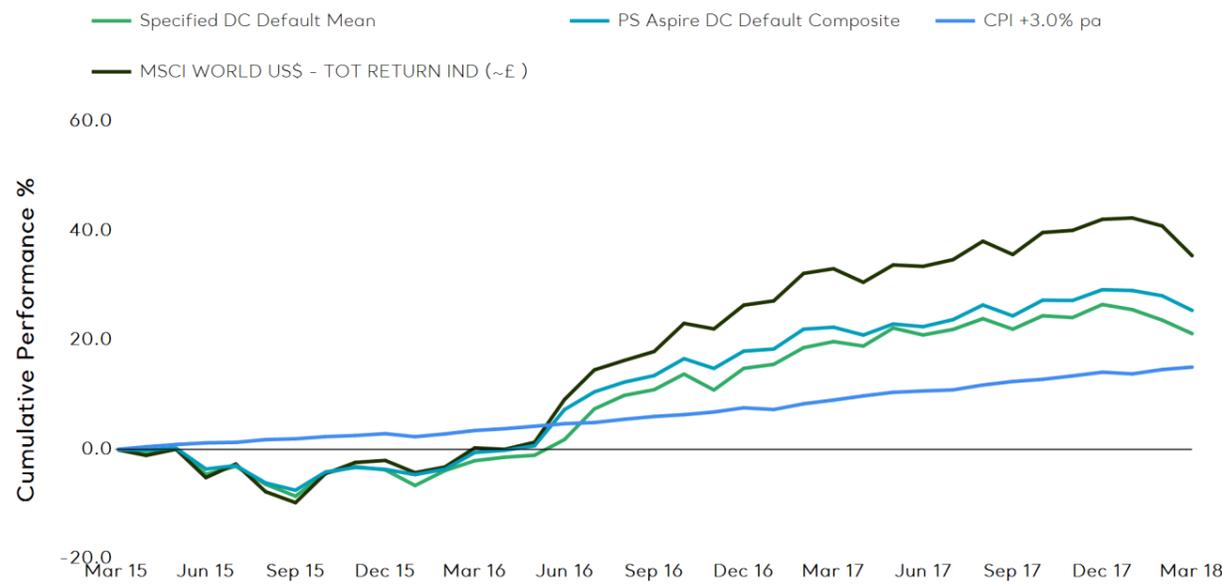
CUMULATIVE RETURNS - DC DEFAULT V MARKET (1 YEAR)



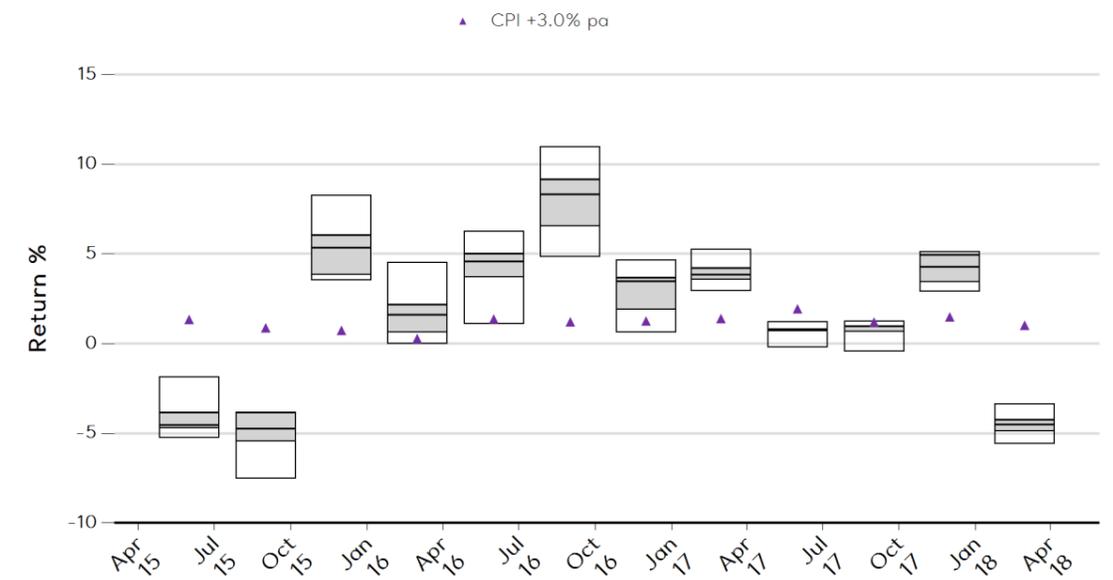
MONTHLY RETURNS - DC DEFAULT



CUMULATIVE RETURNS - DC DEFAULT V MARKET (3 YEARS)



QUARTERLY RETURNS - DC DEFAULT



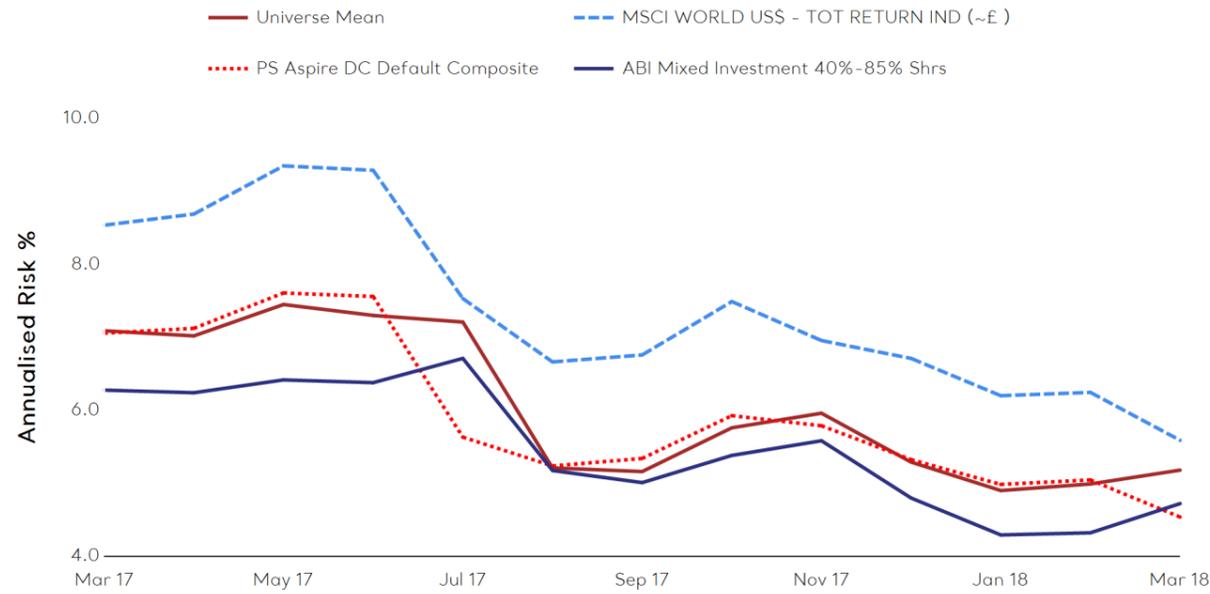
Copyright MSCI 2018.

All Rights Reserved. Without prior written permission of MSCI, this information and any other MSCI intellectual property may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used to create any financial instruments or products or any indices. This information is provided on an 'as is' basis, and the user of this information assumes the entire risk of any use made of this information. Neither MSCI nor any third party involved in or related to the computing or compiling of the data makes any express or implied warranties, representations or guarantees concerning the MSCI index-related data, and in no event will MSCI or any third party have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) relating to any use of this information.

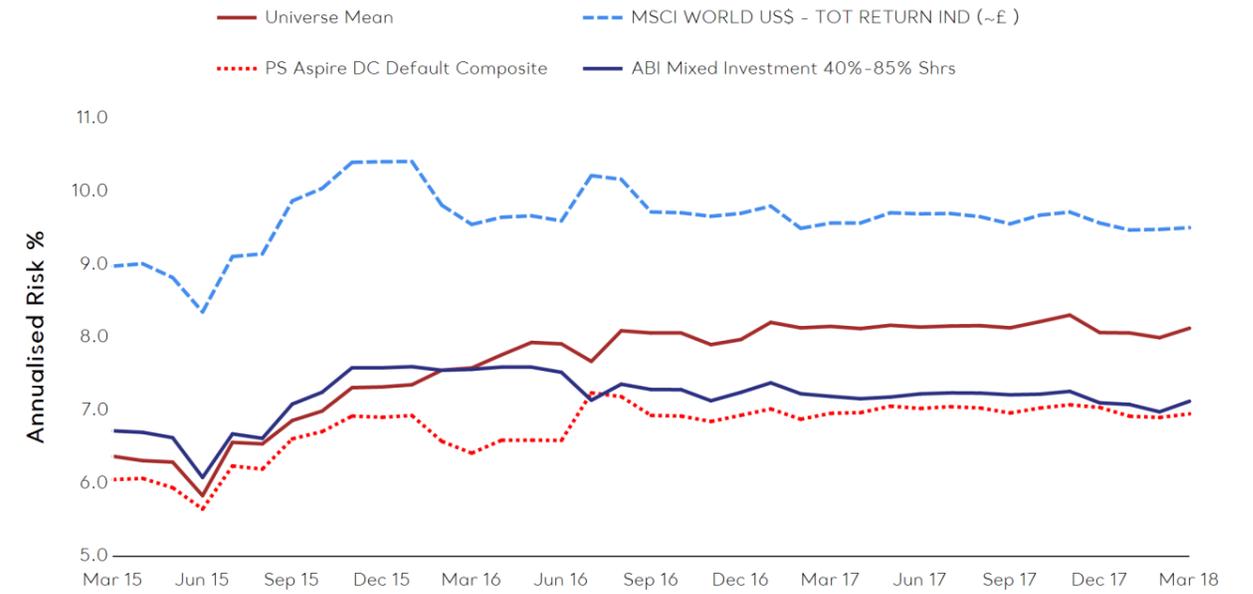
Section 3

Risk Performance

1 YEAR ANNUALISED RISK - SPECIFIED DC DEFAULT FUND UNIVERSE



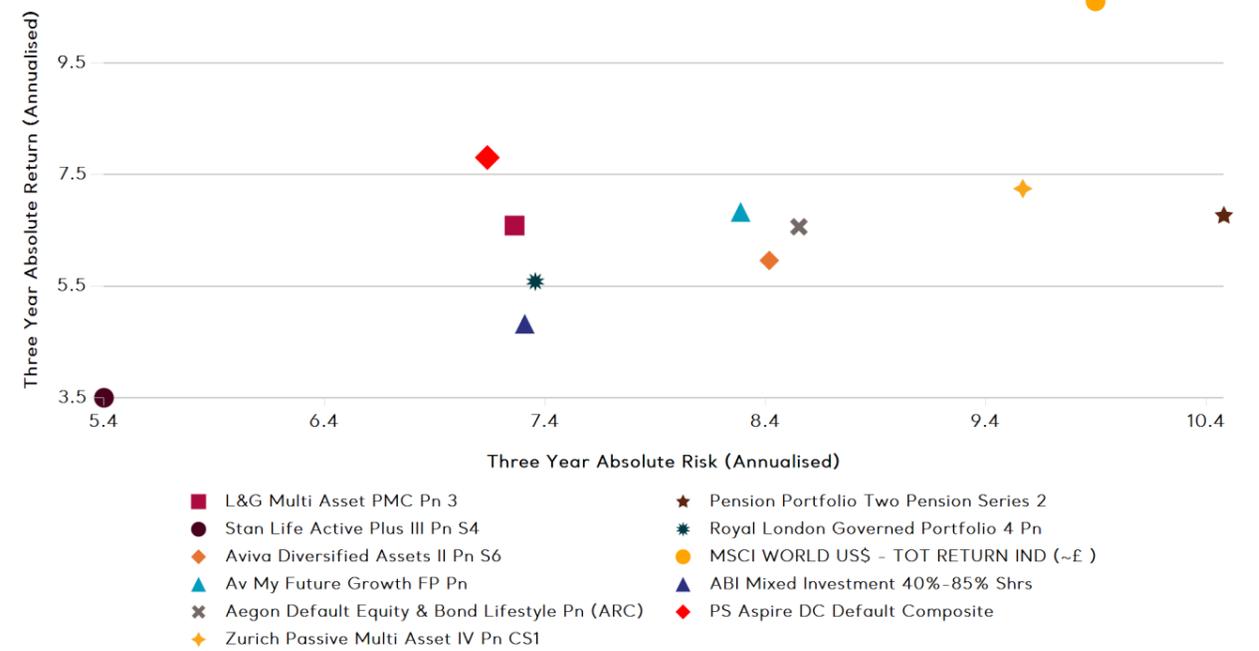
3 YEAR ANNUALISED RISK - SPECIFIED DC DEFAULT FUND UNIVERSE



1 YEAR RISK RETURN - SPECIFIED DC DEFAULT FUND UNIVERSE



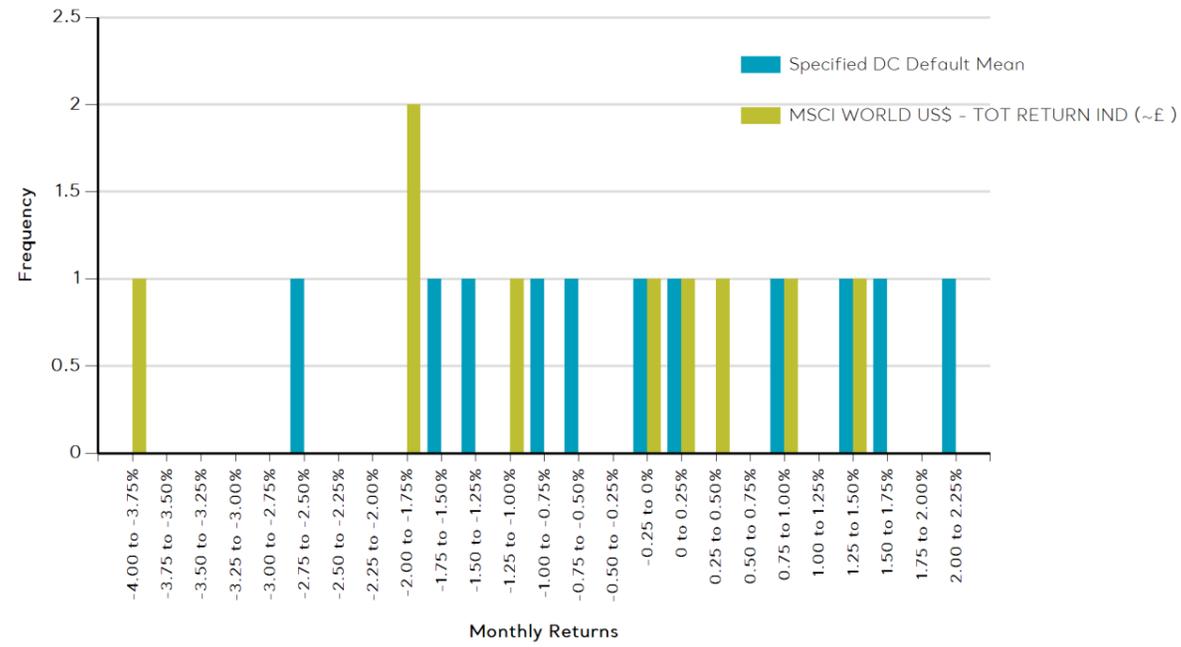
3 YEARS RISK RETURN - SPECIFIED DC DEFAULT FUND UNIVERSE



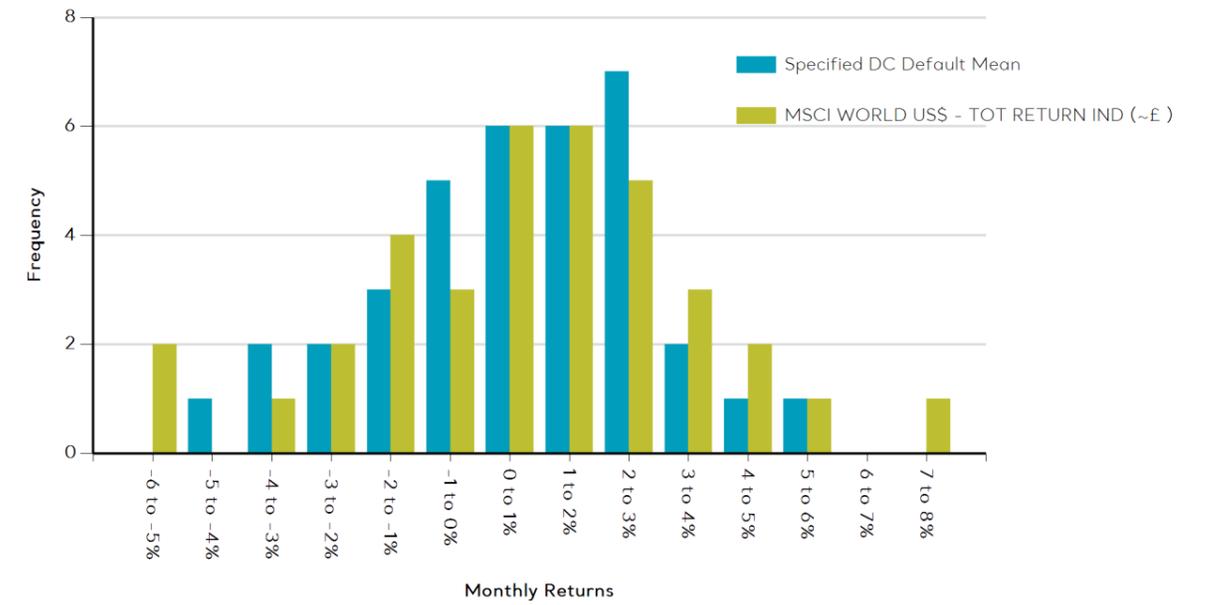
Section 3

Distribution of Returns

DISTRIBUTION OF MONTHLY RETURNS 1 YEAR - DC DEFAULT FUNDS



DISTRIBUTION OF MONTHLY RETURNS 3 YEARS - DC DEFAULT FUNDS



Section 4: Fund analysis



Powered by



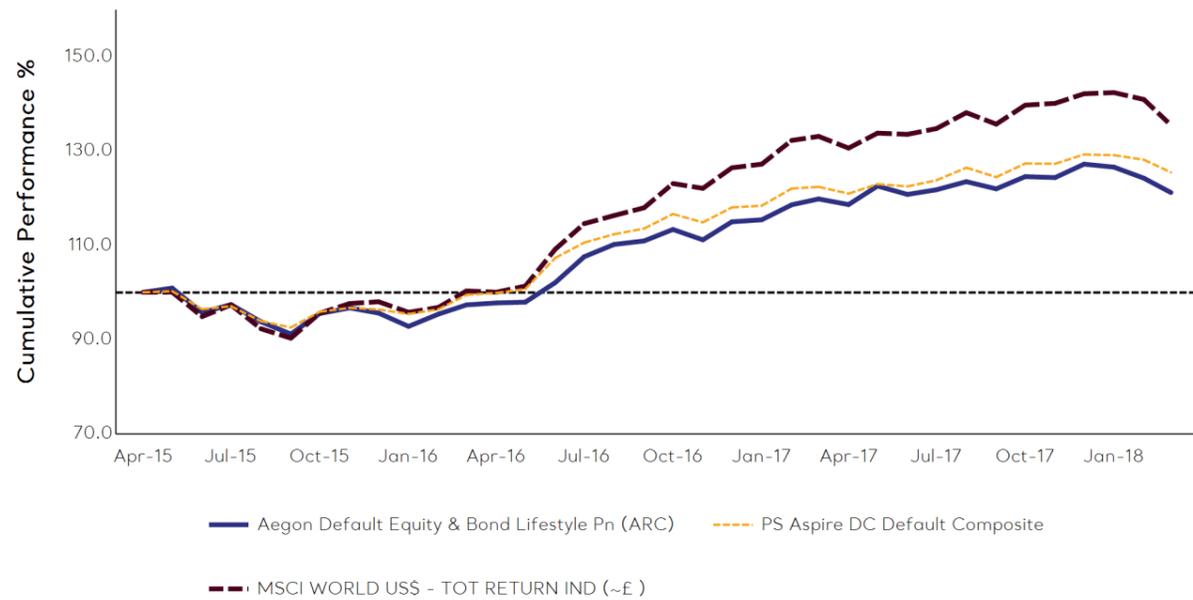
Section 4

Fund Analysis: Aegon Default Equity & Bond Lifestyle Pn (ARC)

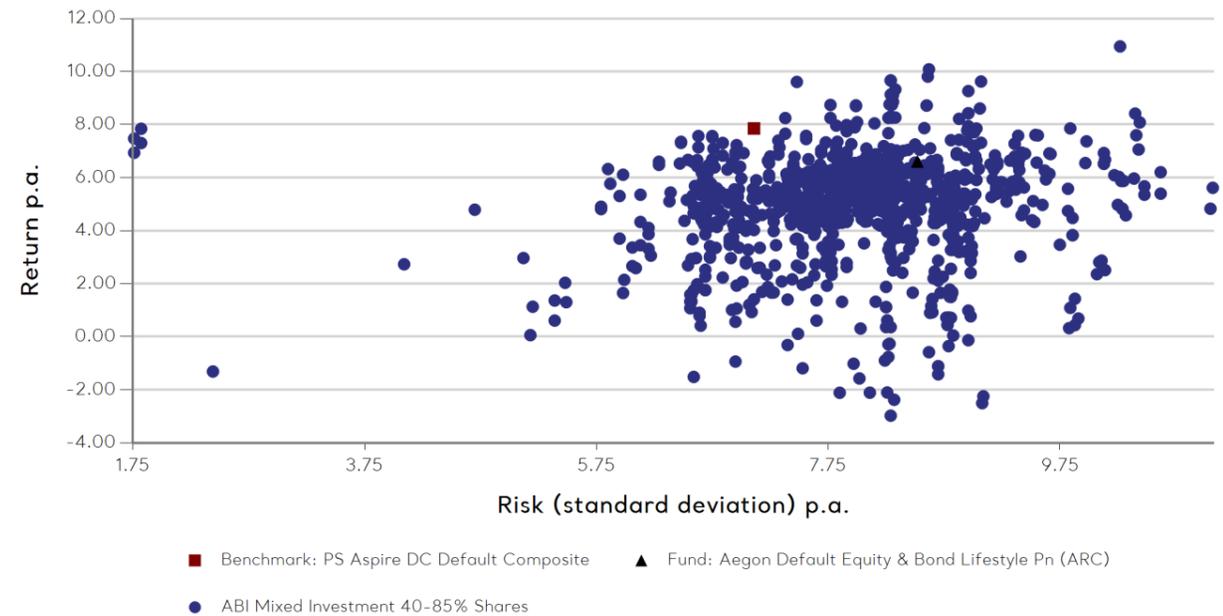
FUND OBJECTIVE

This fund uses a two-stage investment process. In the early years (the growth stage) it aims to grow savings over the long term by investing mainly in global equities (company shares) with the remainder (around 25%) in UK bonds (a blend of UK corporate, UK index-linked and conventional government bonds). It's designed to track the markets it invests in, so performance should be similar to those markets. Then, six years before your nominated retirement year, it automatically starts moving into investments better suited to preserving the size of annuity you can buy (the lifestyle stage). It does this by investing increasing amounts into the Aegon Over 15 Years UK Gilt Index fund. This process assumes you'll buy an annuity when you retire. In the final two years, we'll also move some of your investment into our Cash fund, to cater for you tax-free cash entitlement. This is Aegon's default fund, which means it's designed for use by company pension schemes. We reserve the right to make changes to make sure this fund continues to remain appropriate for use as a scheme default.

CUMULATIVE PERFORMANCE

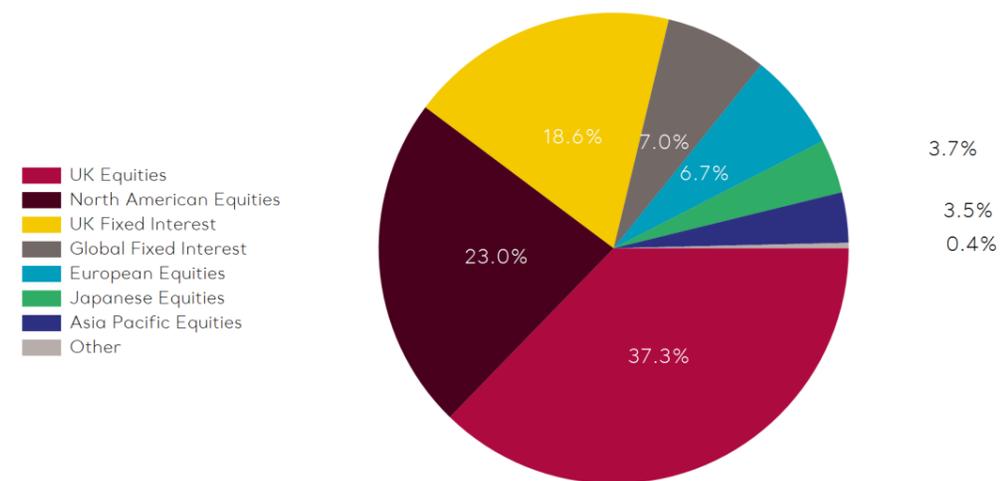


THREE YEAR ANNUALISED RISK/RETURNS AS AT MAR 2018



Fund	Annualised Return		Annualised Risk	
	Quarter	1 Year	3 Years	3 Years
Fund	-4.73%	1.14%	6.61%	8.52%
MSCI WORLD US\$ - TOT RETURN IND (~£)	-4.68%	1.80%	10.65%	9.87%
PS Aspire DC Default Composite	-2.93%	2.52%	7.85%	7.11%
ABI Mixed Investment 40%-85% Shrs	-4.23%	0.76%	4.87%	7.28%

ASSET ALLOCATION AS AT MAR 2018



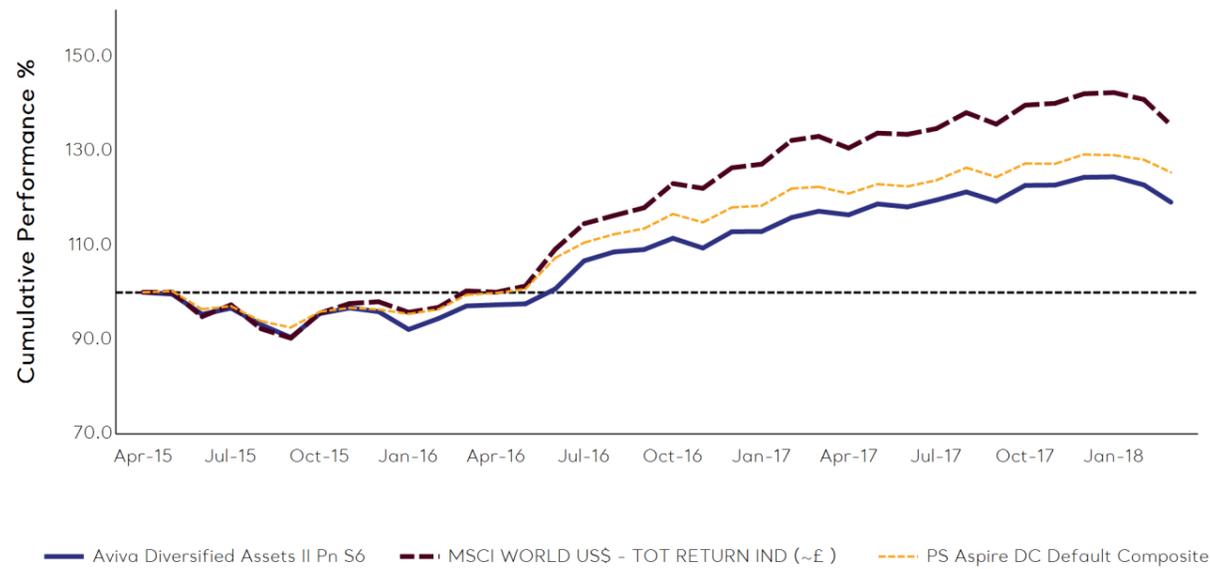
Section 4

Fund Analysis: Aviva Diversified Assets II Pn S6

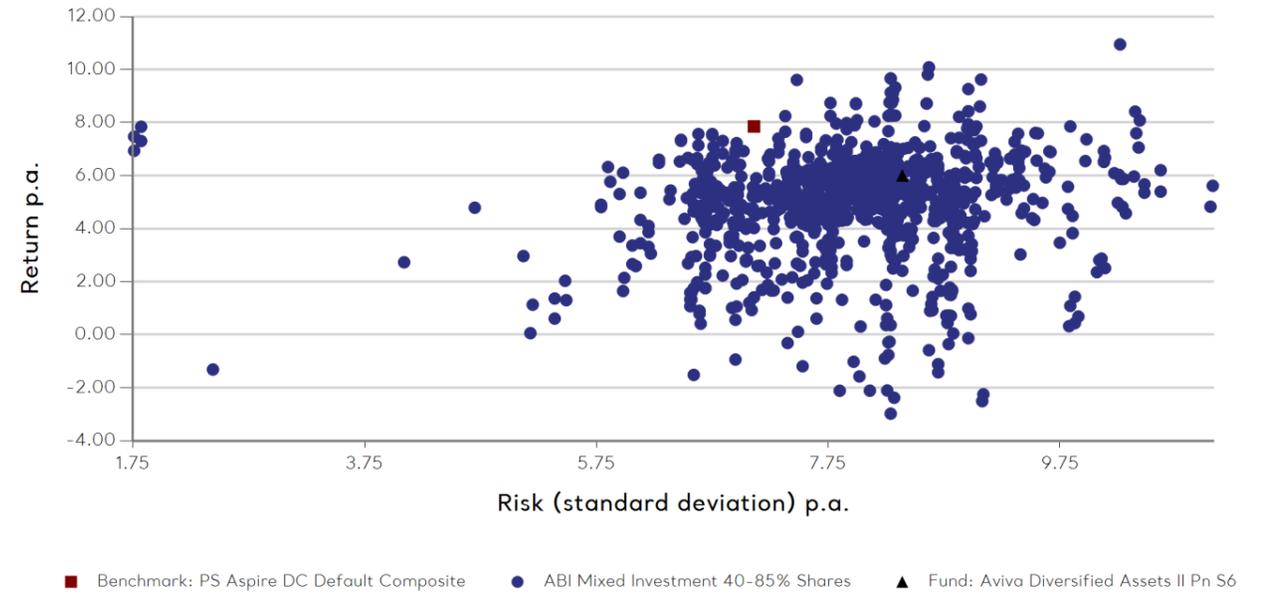
FUND OBJECTIVE

The objective of the Fund is to provide long term growth through exposure to a range of asset classes, that can include, but is not limited to equities, fixed interest, cash, property and commodities. The Fund may also use derivatives. This Fund is part of a range of funds that have been designed to offer different risk options.

CUMULATIVE PERFORMANCE

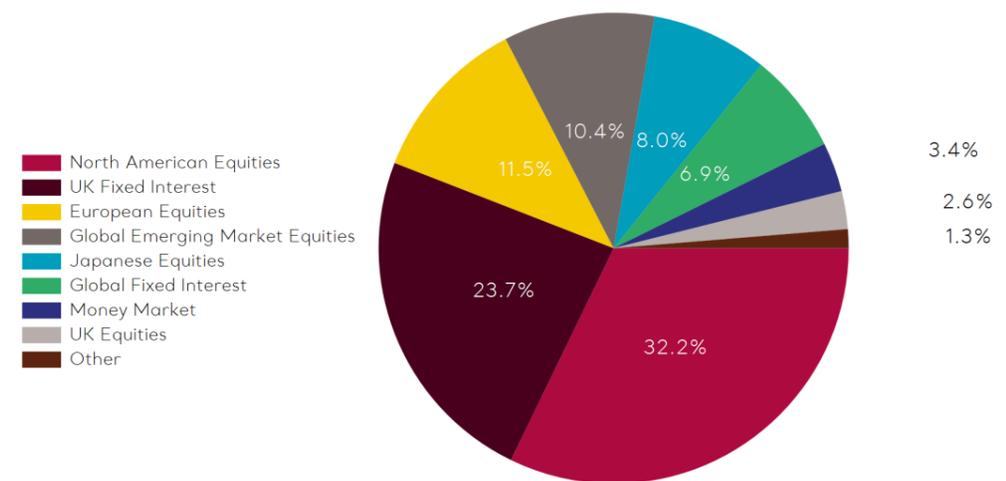


THREE YEAR ANNUALISED RISK/RETURNS AS AT MAR 2018



Fund	Annualised Return			Annualised Risk
	Quarter	1 Year	3 Years	3 Years
Fund	-4.24%	1.64%	6.00%	8.39%
MSCI WORLD US\$ - TOT RETURN IND (~£)	-4.68%	1.80%	10.65%	9.87%
PS Aspire DC Default Composite	-2.93%	2.52%	7.85%	7.11%
ABI Mixed Investment 40%-85% Shrs	-4.23%	0.76%	4.87%	7.28%

ASSET ALLOCATION AS AT MAR 2018



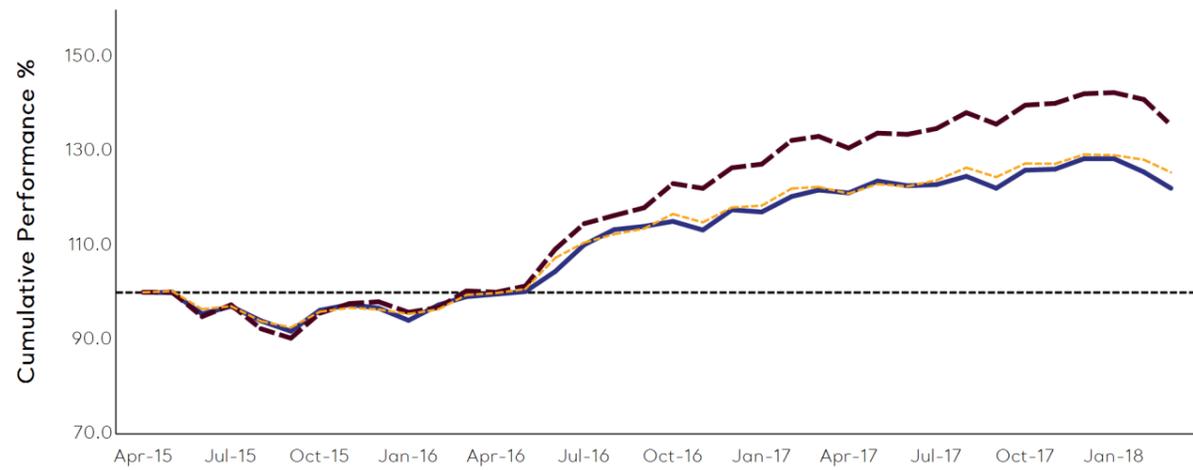
Section 4

Fund Analysis: Av My Future Growth FP Pn

FUND OBJECTIVE

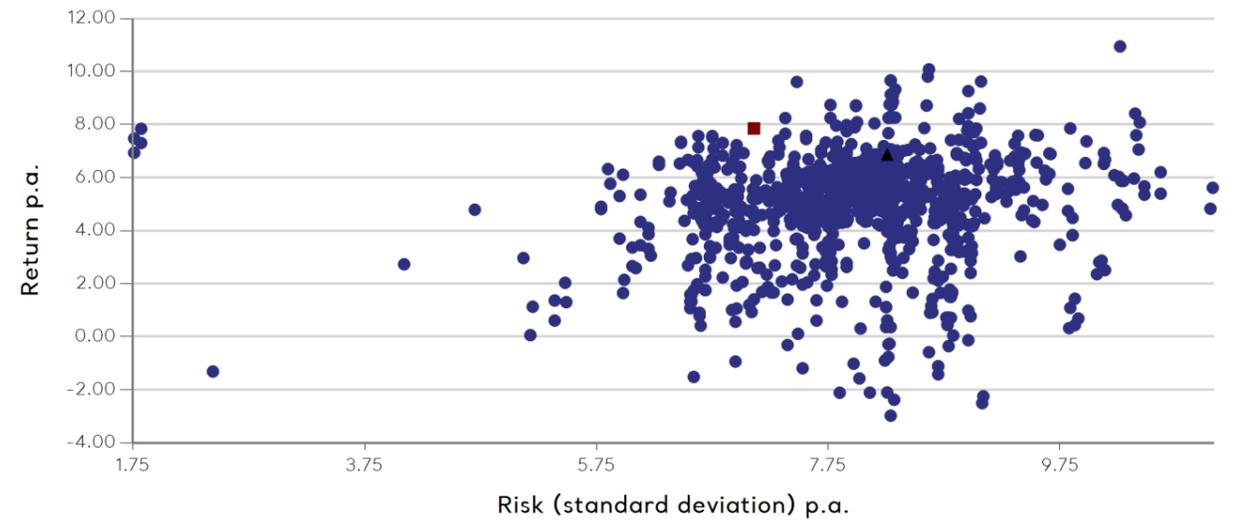
The fund aims to achieve a total overall return from capital growth and reinvested income by investing in a diversified portfolio of predominantly passively managed underlying funds. The fund will predominantly invest in UK and overseas equities (including emerging markets), with some investment in UK Government (including index-linked) and corporate bonds. It may also invest in overseas government and corporate bonds, money market instruments and cash.

CUMULATIVE PERFORMANCE



— Av My Future Growth FP Pn - - MSCI WORLD US\$ - TOT RETURN IND (~£) - - - PS Aspire DC Default Composite

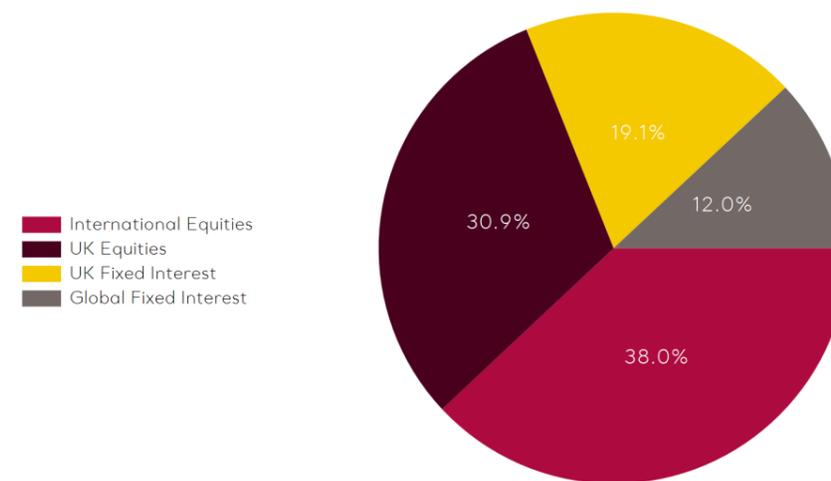
THREE YEAR ANNUALISED RISK/RETURNS AS AT MAR 2018



■ Benchmark: PS Aspire DC Default Composite ● ABI Mixed Investment 40-85% Shares ▲ Fund: Av My Future Growth FP Pn

Fund	Annualised Return			Annualised Risk
	Quarter	1 Year	3 Years	3 Years
Fund	-4.88%	0.31%	6.88%	8.26%
MSCI WORLD US\$ - TOT RETURN IND (~£)	-4.68%	1.80%	10.65%	9.87%
PS Aspire DC Default Composite	-2.93%	2.52%	7.85%	7.11%
ABI Mixed Investment 40%-85% Shrs	-4.23%	0.76%	4.87%	7.28%

ASSET ALLOCATION AS AT MAR 2018



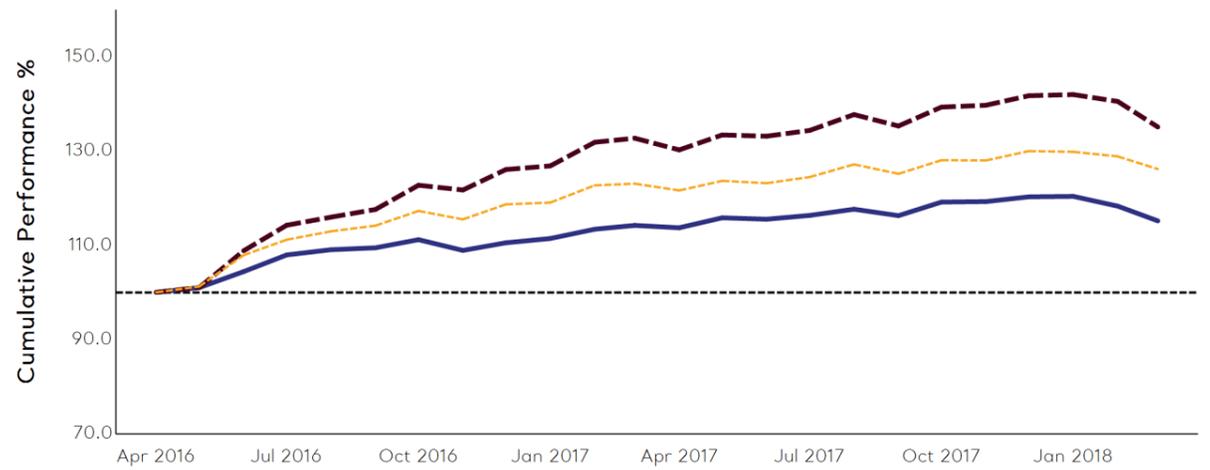
Section 4

Fund Analysis: Fidelity Diversified Markets Pn 9

FUND OBJECTIVE

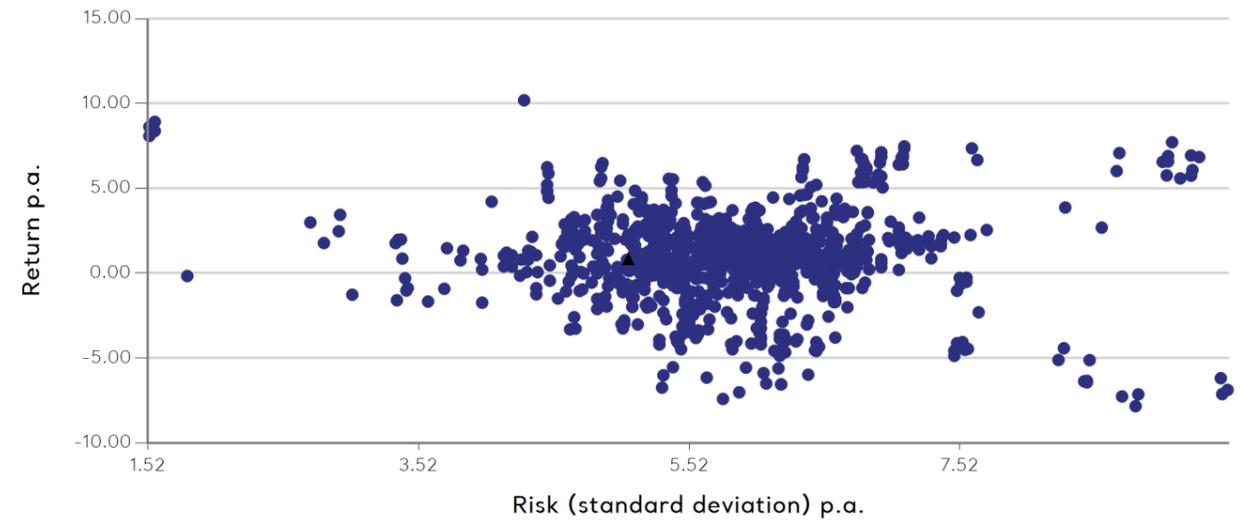
This life fund invests in an underlying fund managed by Fidelity: The Fund's investment objective is to achieve long term capital growth by investing in a range of assets giving diversified underlying global exposure to mainly corporate and government bonds, equities and high yield securities in variable proportions to manage volatility and risk. The Fund may invest in securities, collective investment schemes, money market instruments, cash, deposits, derivatives and forward transactions (which can also be used for investment purposes). It is anticipated that investments shall be made in both funds managed by third party fund providers and funds managed by Fidelity and in such proportions as the investment manager may decide in pursuit of the investment strategy.

CUMULATIVE PERFORMANCE



— Fidelity Diversified Markets Pn 9 - - - MSCI WORLD US\$ - TOT RETURN IND (~£) - - - PS Aspire DC Default Composite

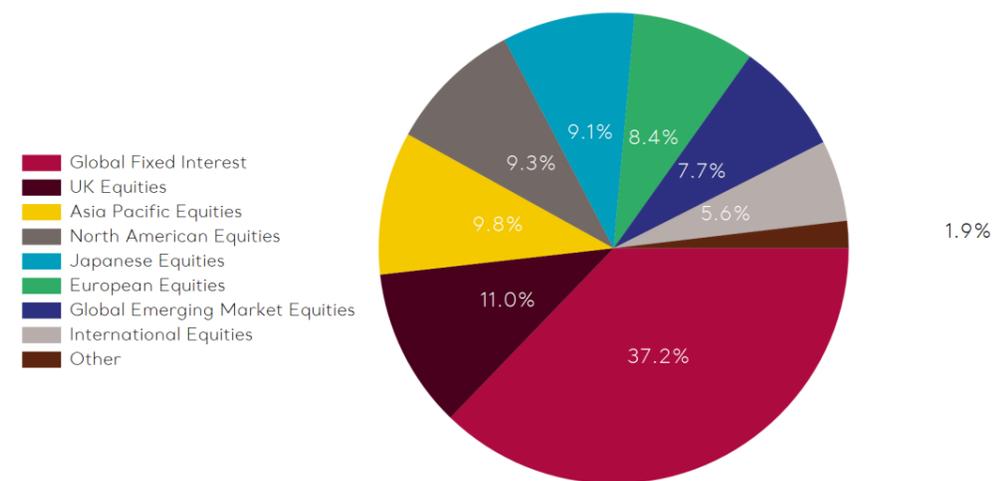
ONE YEAR ANNUALISED RISK/RETURNS AS AT MAR 2018



■ Benchmark: PS Aspire DC Default Composite ● ABI Mixed Investment 40-85% Shares ▲ Fund: Fidelity Diversified Markets Pn 9

Fund	Annualised Return		Annualised Risk	
	Quarter	1 Year	3 Years	3 Years
Fund	-4.24%	0.84%	N/A	N/A
MSCI WORLD US\$ - TOT RETURN IND (~£)	-4.68%	1.80%	N/A	N/A
PS Aspire DC Default Composite	-2.93%	2.52%	N/A	N/A
ABI Mixed Investment 40%-85% Shrs	-4.23%	0.76%	N/A	N/A

ASSET ALLOCATION AS AT MAR 2018



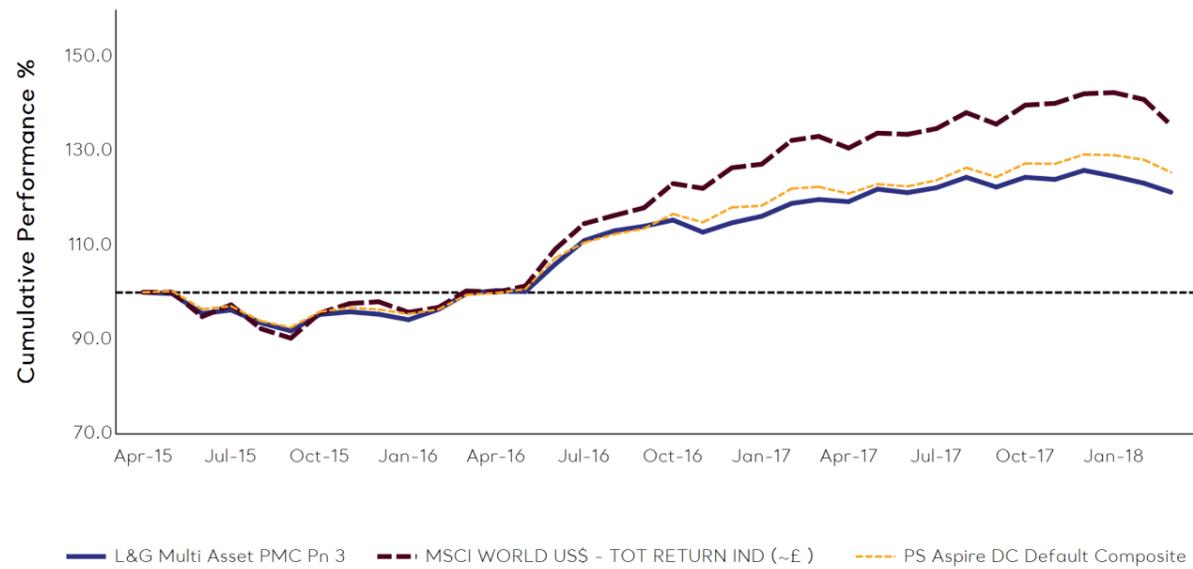
Section 4

Fund Analysis: L&G Multi Asset PMC Pn 3

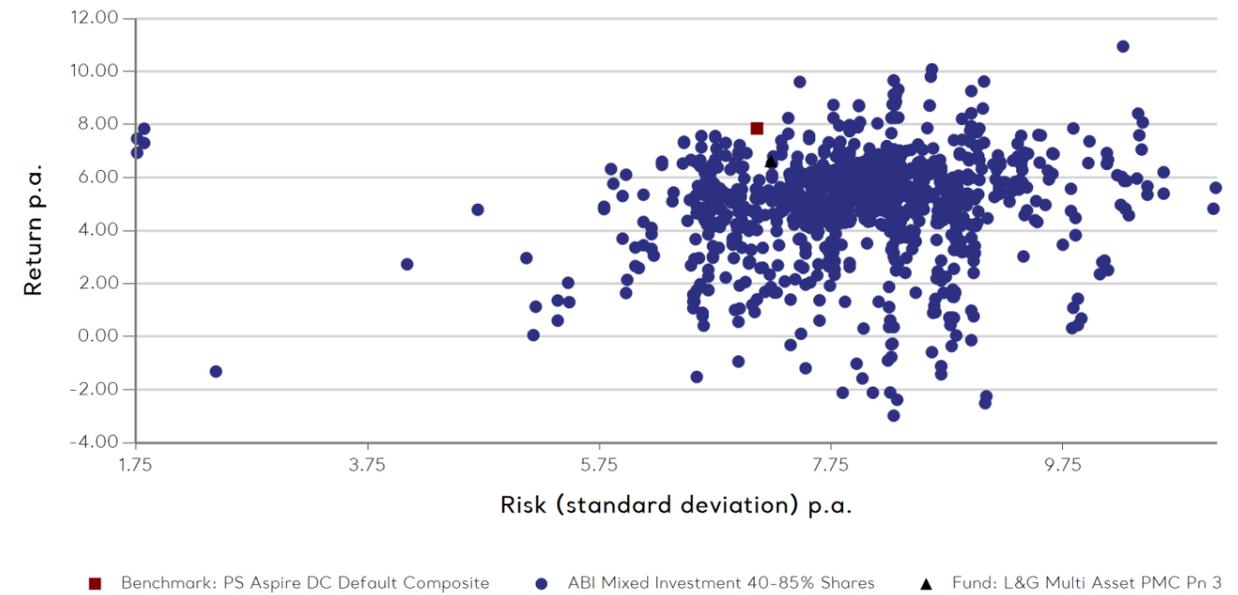
FUND OBJECTIVE

To provide long-term investment growth through exposure to a diversified range of asset classes. The diversified nature of the Fund means that the Fund is expected to have less exposure than an equity-only fund to adverse equity market conditions. However, the Fund may perform less strongly than an equity-only fund in benign or positive market conditions.

CUMULATIVE PERFORMANCE

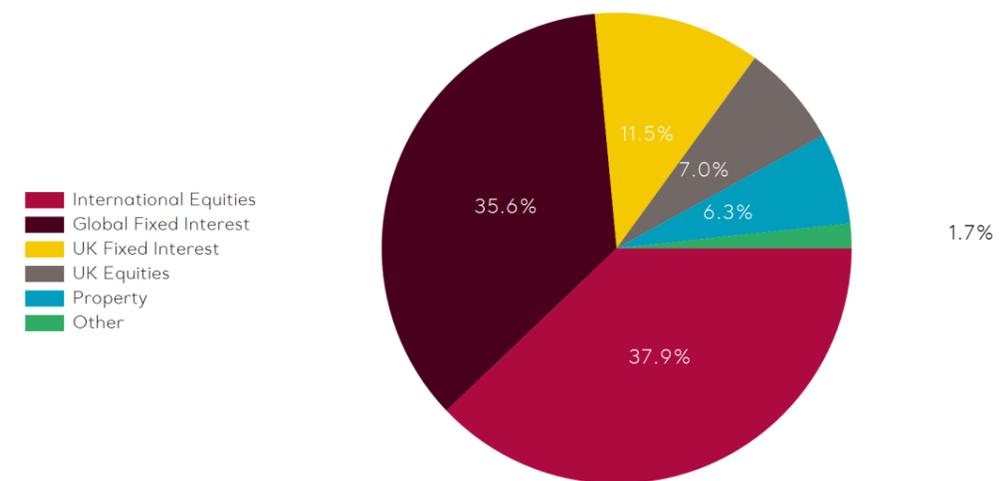


THREE YEAR ANNUALISED RISK/RETURNS AS AT MAR 2018



	Annualised Return			Annualised Risk
	Quarter	1 Year	3 Years	3 Years
Fund	-3.67%	1.31%	6.63%	7.23%
MSCI WORLD US\$ - TOT RETURN IND (~£)	-4.68%	1.80%	10.65%	9.87%
PS Aspire DC Default Composite	-2.93%	2.52%	7.85%	7.11%
ABI Mixed Investment 40%-85% Shrs	-4.23%	0.76%	4.87%	7.28%

ASSET ALLOCATION AS AT MAR 2018



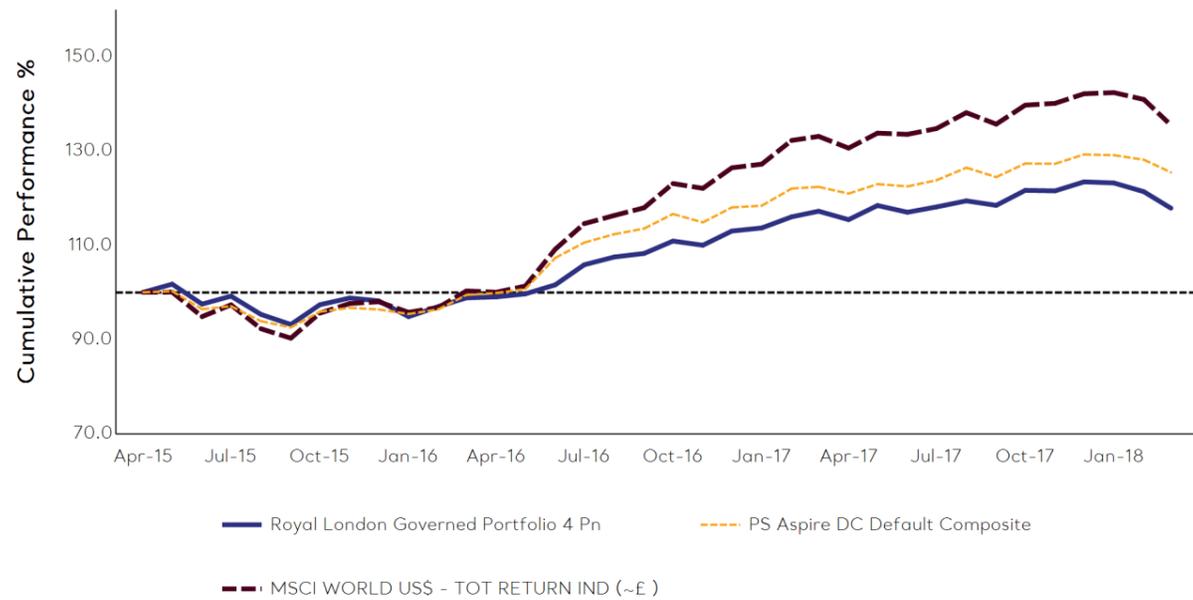
Section 4

Fund Analysis: Royal London Governed Portfolio 4 Pn

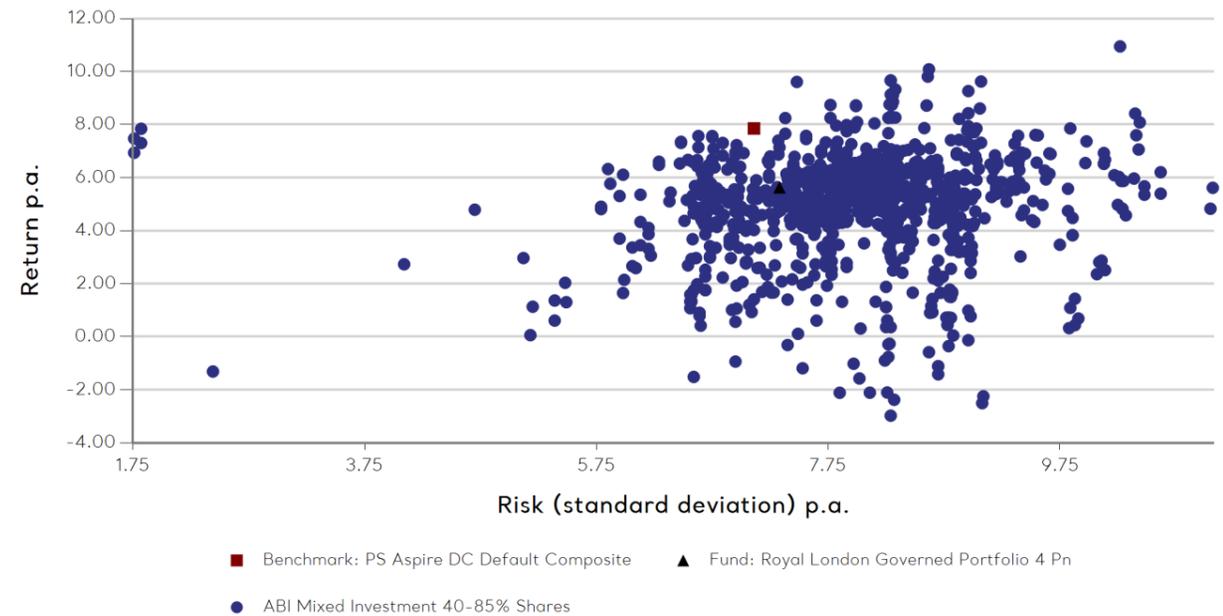
FUND OBJECTIVE

This portfolio aims to deliver above inflation growth in the value of the fund at retirement, whilst taking a level of risk consistent with a moderately cautious or balanced risk attitude over a long time period.

CUMULATIVE PERFORMANCE

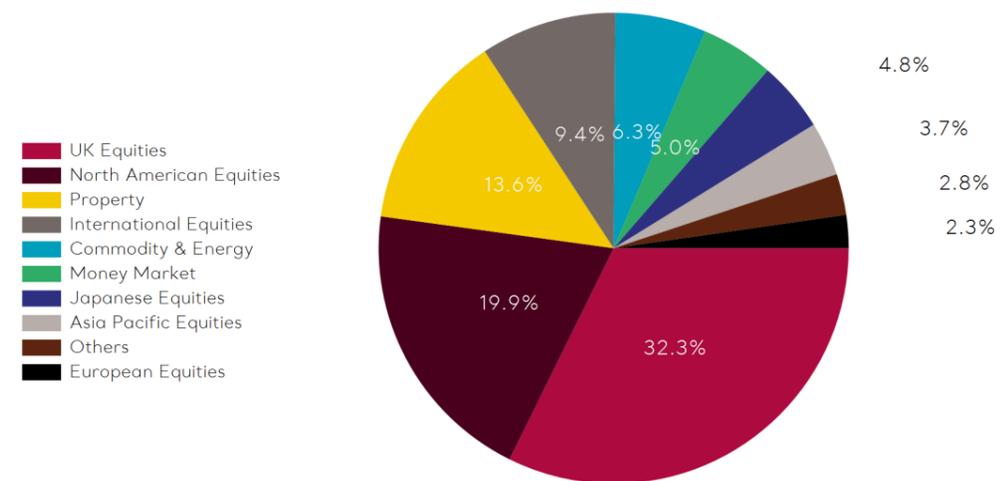


THREE YEAR ANNUALISED RISK/RETURNS AS AT MAR 2018



Fund	Annualised Return		Annualised Risk	
	Quarter	1 Year	3 Years	3 Years
Fund	-4.52%	0.55%	5.63%	7.33%
MSCI WORLD US\$ - TOT RETURN IND (~£)	-4.68%	1.80%	10.65%	9.87%
PS Aspire DC Default Composite	-2.93%	2.52%	7.85%	7.11%
ABI Mixed Investment 40%-85% Shrs	-4.23%	0.76%	4.87%	7.28%

ASSET ALLOCATION AS AT MAR 2018



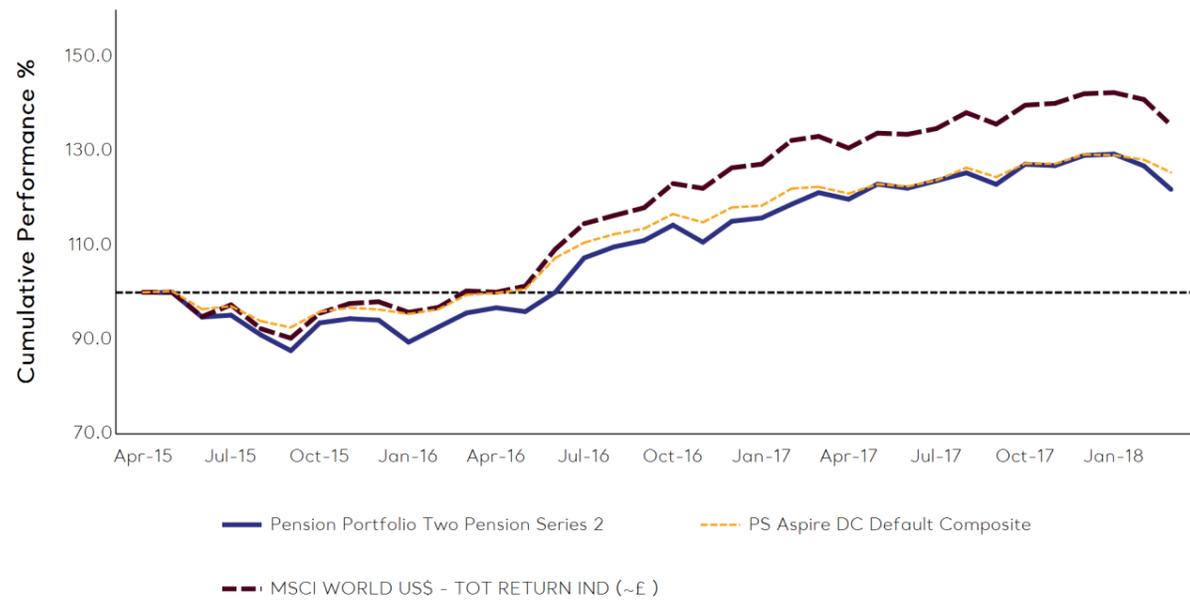
Section 4

Fund Analysis: Pension Portfolio Two Pension Series 2

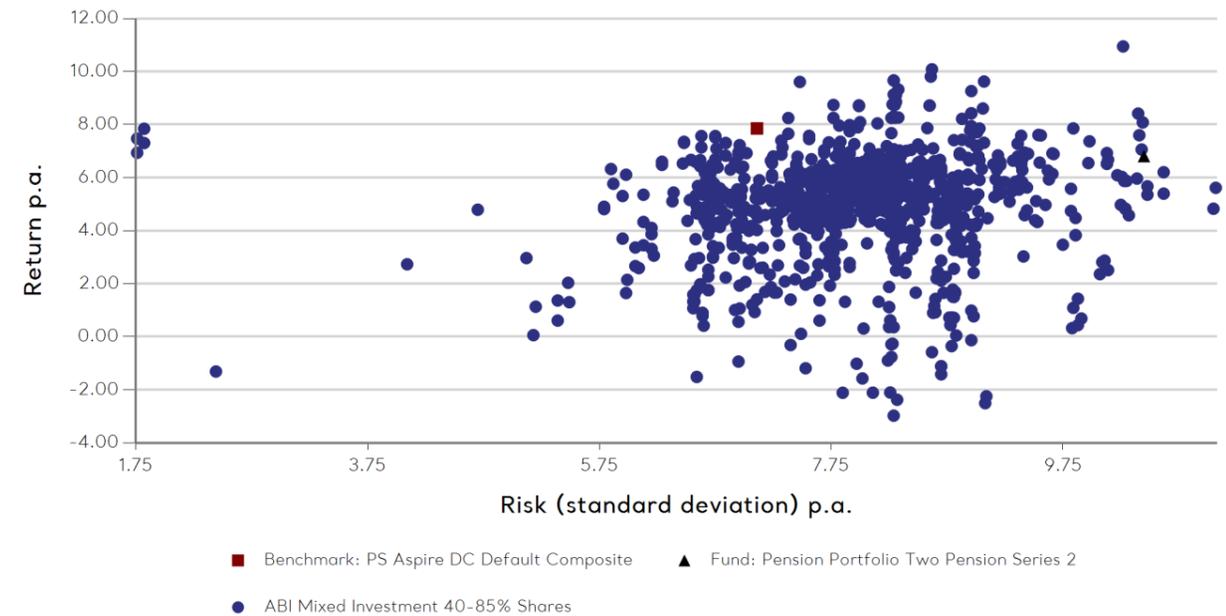
FUND OBJECTIVE

The Fund aims for long term growth by investing mainly in UK and overseas equities. It also has some exposure to bonds. The exposures are currently gained through holdings in the following funds: SW SSgA UK Equity Index Fund, SW SSgA Europe ex UK Equity Index Fund, SW SSgA North America Equity Index Fund, SW SSgA Japan Equity Index Fund, SW SSgA Asia Pacific ex Japan Equity Index Fund, SW SSgA Emerging Markets Equity Index Fund and Scottish Widows Corporate Bond Tracker Fund. The asset mix of the fund will be reviewed periodically, and may be amended if a review indicates that it would be in the investors' best interests to do so. This means in future the Fund could be invested in different funds and additional asset types, though the Fund will continue to invest mainly in equities.

CUMULATIVE PERFORMANCE

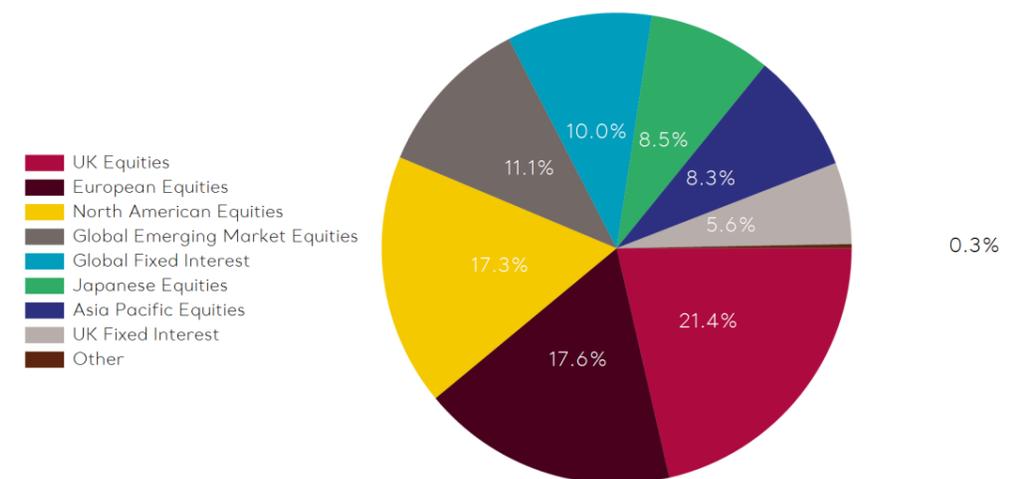


THREE YEAR ANNUALISED RISK/RETURNS AS AT MAR 2018



Fund	Annualised Return			Annualised Risk
	Quarter	1 Year	3 Years	3 Years
Fund	-5.57%	0.58%	6.81%	10.45%
MSCI WORLD US\$ - TOT RETURN IND (~£)	-4.68%	1.80%	10.65%	9.87%
PS Aspire DC Default Composite	-2.93%	2.52%	7.85%	7.11%
ABI Mixed Investment 40%-85% Shrs	-4.23%	0.76%	4.87%	7.28%

ASSET ALLOCATION AS AT MAR 2018



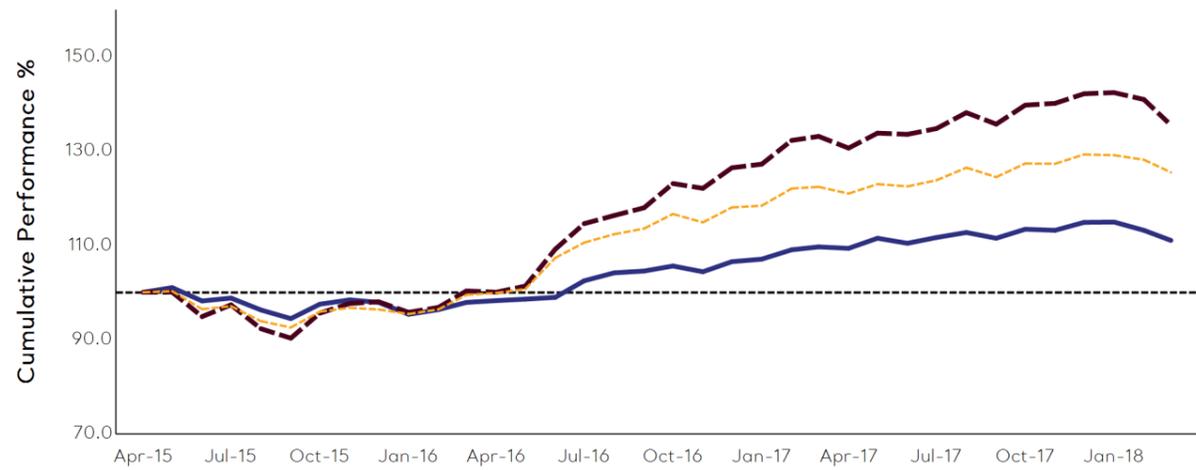
Section 4

Fund Analysis: Stan Life Active Plus III Pn S4

FUND OBJECTIVE

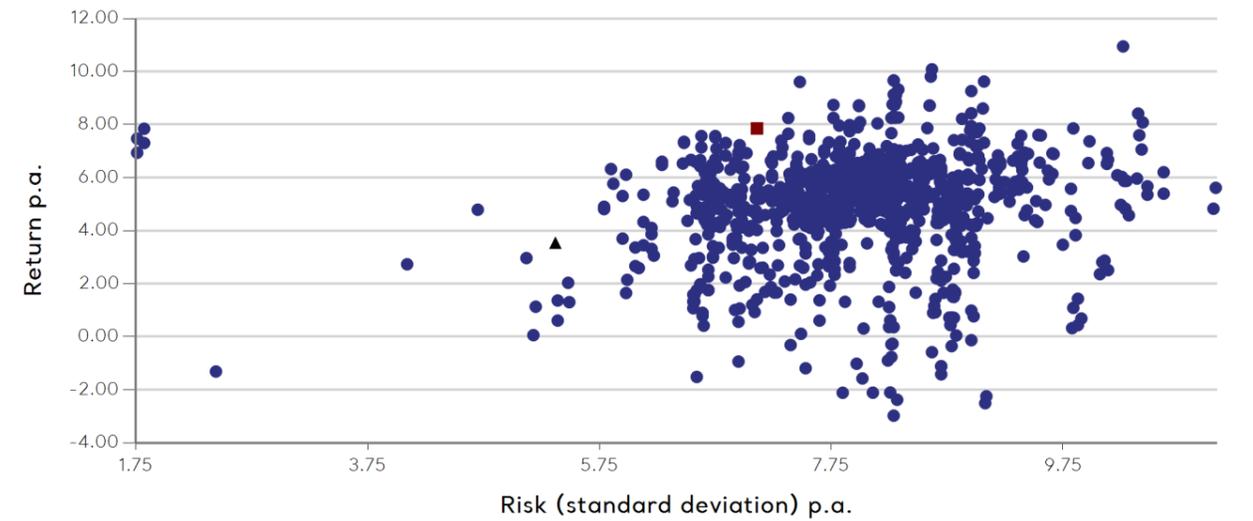
The fund aims to meet this goal by holding different types of investment funds, such as those investing in equities (shares), bonds (loans to a government or company) and non-residential property (such as offices, shopping centres and shares in property development companies). The investments in the fund can be from around the world, including emerging markets, which means that some of them will be in a foreign currency. The fund can also invest in absolute return funds that aim to provide positive investment returns, regardless of whether markets are going up or down, over the medium to long term. They do this by using a wide range of investment strategies including those using derivatives. Derivatives are financial instruments whose value comes from movement in other investments, such as equities and currencies.

CUMULATIVE PERFORMANCE



— Stan Life Active Plus III Pn S4 - - - MSCI WORLD US\$ - TOT RETURN IND (~£) - - - PS Aspire DC Default Composite

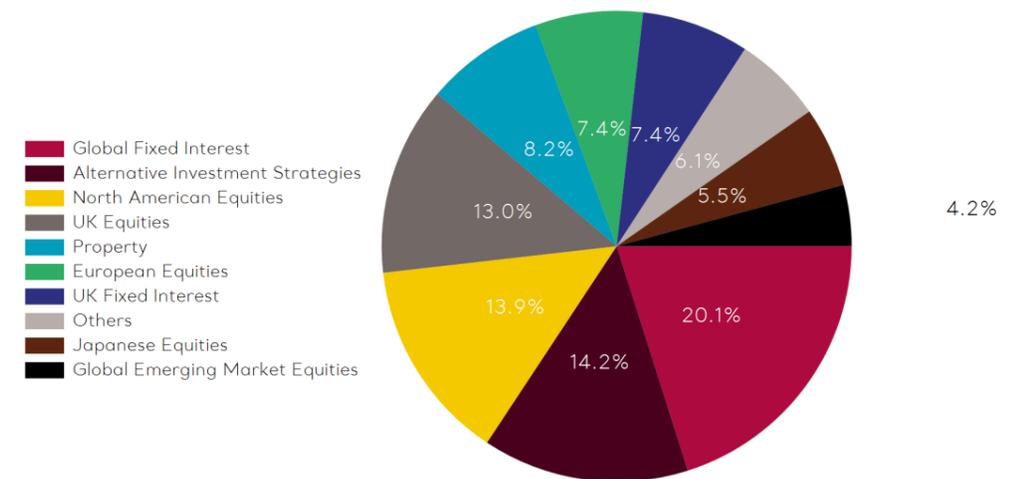
THREE YEAR ANNUALISED RISK/RETURNS AS AT MAR 2018



■ Benchmark: PS Aspire DC Default Composite ● ABI Mixed Investment 40-85% Shares ▲ Fund: Stan Life Active Plus III Pn S4

Fund	Annualised Return			Annualised Risk
	Quarter	1 Year	3 Years	3 Years
Fund	-3.33%	1.26%	3.54%	5.37%
MSCI WORLD US\$ - TOT RETURN IND (~£)	-4.68%	1.80%	10.65%	9.87%
PS Aspire DC Default Composite	-2.93%	2.52%	7.85%	7.11%
ABI Mixed Investment 40%-85% Shrs	-4.23%	0.76%	4.87%	7.28%

ASSET ALLOCATION AS AT MAR 2018

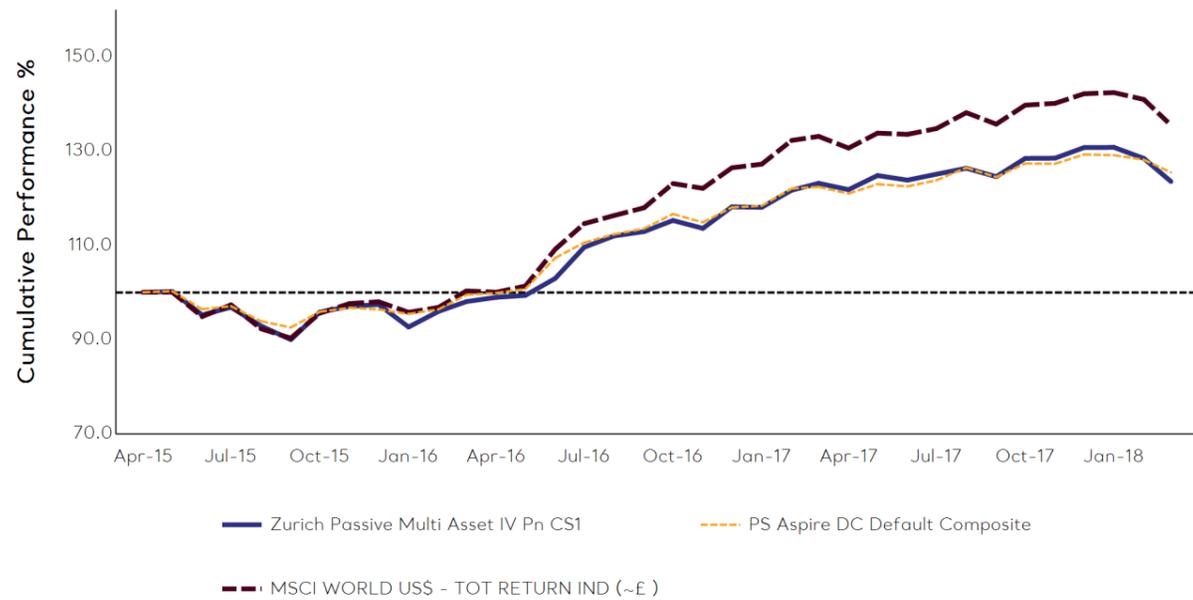


Section 4

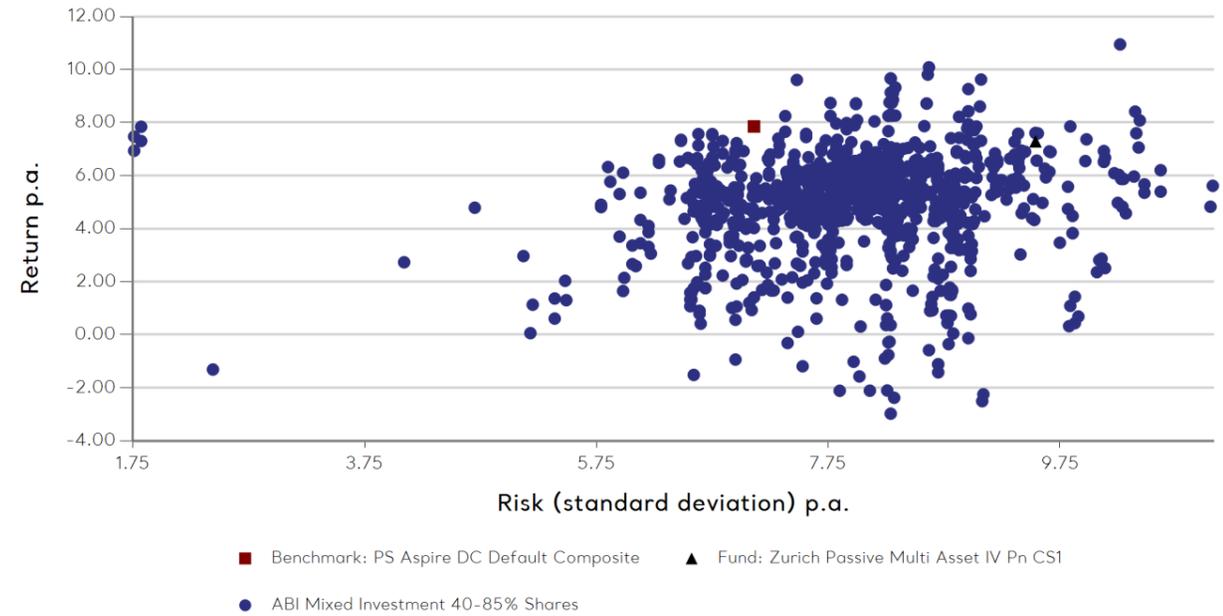
Fund Analysis: Zurich Passive Multi Asset IV Pn CS1

FUND OBJECTIVE

CUMULATIVE PERFORMANCE

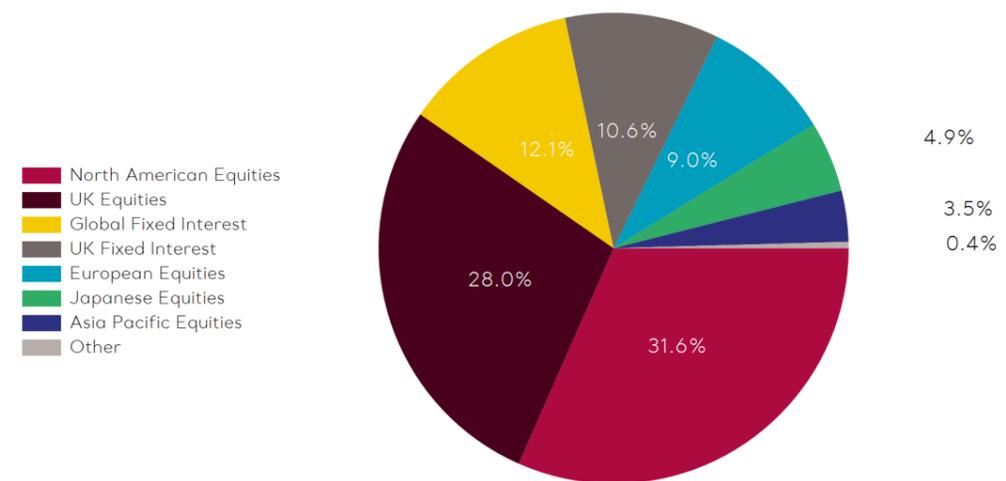


THREE YEAR ANNUALISED RISK/RETURNS AS AT MAR 2018



Fund	Annualised Return			Annualised Risk
	Quarter	1 Year	3 Years	3 Years
Fund	-5.50%	0.31%	7.29%	9.54%
MSCI WORLD US\$ - TOT RETURN IND (~£)	-4.68%	1.80%	10.65%	9.87%
PS Aspire DC Default Composite	-2.93%	2.52%	7.85%	7.11%
ABI Mixed Investment 40%-85% Shrs	-4.23%	0.76%	4.87%	7.28%

ASSET ALLOCATION AS AT MAR 2018



Appendix 1



Market Quarterly Snapshot

UK EQUITIES	EUROPEAN EQUITIES	NORTH AMERICA EQUITIES	JAPAN EQUITIES	GLOBAL EQUITIES	EMERGING MARKET EQUITIES	SOVEREIGN DEBT	INVESTMENT GRADE CORPORATE CREDIT	HIGH YIELD CORPORATE CREDIT	INDEX LINKED BONDS	PROPERTY	COMMODITIES
Q1 2018											
-6.9%	-4.6%	-4.3%	-2.6%	-4.7%	-2.2%	0.1%	-1.5%	-4.6%	-0.7%	-3.8%	-4.0%
1 YEAR											
1.3%	3.7%	1.6%	8.3%	1.8%	11.8%	0.2%	1.6%	-8.6%	-0.3%	6.6%	-7.6%
3 YEARS											
5.9%	8.3%	12.9%	12.3%	10.7%	11.3%	3.5%	4.0%	5.5%	5.6%	0.3%	-1.4%

Appendix 2



Defined Contribution Default Composite Benchmark (DCDC)

The DCDC (Defined Contribution Default Composite) is a static, passive benchmark. It attempts to represent the central asset allocation of the default funds on the DC pension platforms used in the growth phase.

As you would expect of the default solutions, the vast majority of the member's experience is in the growth phase (that growth phase being biased towards those assets with the highest expected long-term return such as equities).

Following analysis of various peers groups and, indeed, the entire global opportunity set, the following asset allocation has been adopted for the DCDC:

Component	Weight
Global Equity	60%
Global Investment Grade Corporate Bonds	10%
Global Sovereign Bonds	5%
High Yield Bonds	5%
Fixed Interest Gilts	7.5%
Emerging Markets Debt	5%
Commodities	5%
Property	2.5%

Given the long-term growth nature of the default funds, 60% of the weighting is in equities whilst a significant allocation is in corporate bonds such as high yield and investment grade debt. These constitute large parts of the global opportunity set. The EMD allocation is equally split between hard currency and local currency indices. Index-linked gilts are a very small part of the opportunity set and are not often held.

The DCDC is composed of a broad global opportunity set of different asset classes (as defined by market indices) that are typically available to multi-asset funds. It allows a deeper quantification of a manager's performance than using a cash or inflation outperformance target alone. It enables investors to understand the performance achieved by the investment manager's skill in:

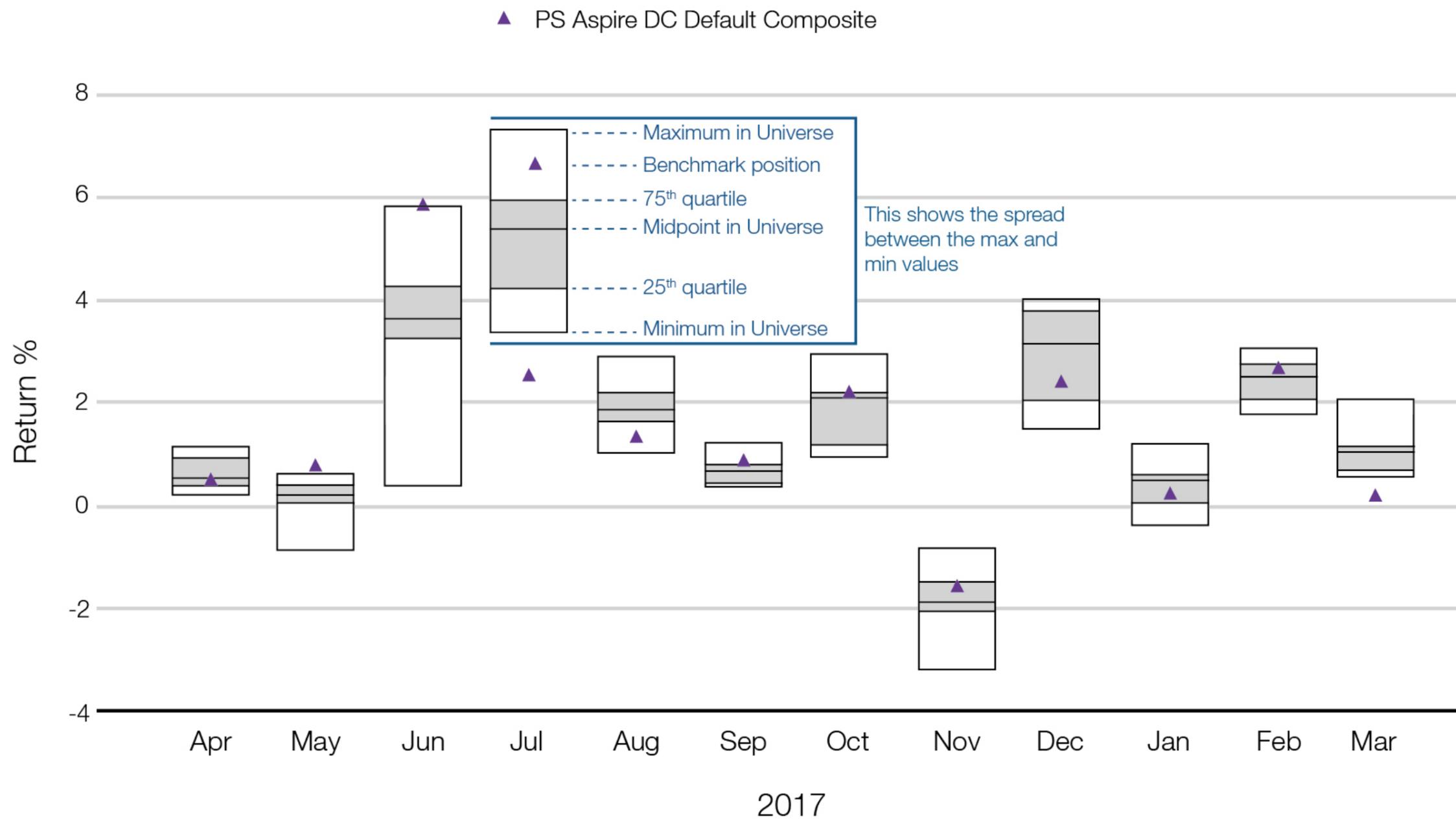
- using and rotating between asset classes, both strategically and tactically, and
- specific capabilities in underlying asset classes.

The DCDC is a useful benchmarking tool for multi-asset funds and can be used alongside the long-term risk-free target (cash) and other quantitative and qualitative factors for measuring success.

Appendix 3



Understanding the quarterly/monthly performance returns chart



Who are we

We are Punter Southall Aspire. And we're part of the Punter Southall Group, which is proudly independent and entirely employee-owned.

We're a major new workplace pensions and savings business that brings together governance, investment and communications expertise within a technology led business.

Through our regional UK offices, we work with over 800 employers, designing and managing solutions that meet their unique needs.

About the Punter Southall Group

The Punter Southall Group was founded in 1988 by Jonathan Punter and Stuart Southall.

Across the Group, and its associated companies, we provide actuarial advice, pensions consultancy, administration, risk and investment services for pension scheme trustees, employers, private clients, Lloyd's insurers and institutions.



1,250
PENSION
SCHEMES



£3.5bn
OF ASSETS
UNDER ADVICE



200,000
SCHEME
MEMBERS



9
OFFICES ACROSS
THE UK



Important Notice

This document is produced by CAMRADATA Analytical Services Ltd ('CAMRADATA'), a subsidiary of Punter Southall Aspire Limited. CAMRADATA is registered in England & Wales with registration number 06651543. CAMRADATA is neither authorised nor regulated by the Financial Conduct Authority in the United Kingdom nor the Securities and Exchange Commission in the United States of America.

This document is not intended to constitute an invitation or an inducement to engage in any investment activity. It is not intended to constitute investment advice and should not be relied upon as such. It is not intended and none of CAMRADATA, its holding companies or any of its or their associates ('CAMRADATA Group') shall have any liability whatsoever for (a) investment advice; (b) a recommendation to enter into any transaction or strategy; (c) advice that a transaction or strategy is suitable or appropriate; (d) the primary basis for any investment decision; (e) a representation, warranty, guarantee with respect to the legal, accounting, tax or other implications of any transaction or strategy; or (f) to cause the CAMRADATA Group to be an advisor or fiduciary of any recipient of this report or other third party.

The content and graphical illustrations contained in this document are provided for information purposes and should not be relied upon to form any investment decisions or to predict future performance. CAMRADATA recommends that recipients seek appropriate professional advice before making any investment decision.

Although the information expressed is provided in good faith, the CAMRADATA Group does not represent, warrant or guarantee that such information is accurate, complete or appropriate for your purposes and none of them shall be responsible for or have any liability to you for losses or damages (whether consequential, incidental or otherwise) arising in any way for errors or omissions in, or the use of or reliance upon the information contained in this document. To the greatest extent permitted by law, we exclude all conditions and warranties that might otherwise be implied by law with respect to the document, whether by operation of law, statute or otherwise, including as to their accuracy, completeness or fitness for purpose.

CAMRADATA Analytical Services and its logo are proprietary trademarks of CAMRADATA and are registered in the United Kingdom.

Unauthorised copying of this document is prohibited.

© Copyright CAMRADATA Analytical Services Jun 2018

Fund Data

All fund data is sourced from Financial Express and performance returns are net of fees.



**Punter Southall
Aspire**

+44 (0)20 3327 5500
sayhello@psaspire.com
www.psaspire.com

Punter Southall Aspire is a trading name of CAMRADATA Analytical Services Limited. Registered Office: 11 Strand London WC2N 5HR. Registered in England and Wales No 06651543