

# Changes to Principles and Practices of Financial Management (PPFM) for the OneFamily (EM) With Profits Fund

## (Also known as With-Profits Fund 1)

Effective from 15 October 2019

**Current Version:** Principles and Practices of Financial Management (PPFM) for the With Profits Sub Fund Dec 2019

**Previous Version:** Principles and Practices of Financial Management (PPFM) for the With Profits Sub Fund April 18

To obtain previous versions of the PPFM please call 0800 169 4321 or email mail@onefamily.com. We are open Monday to Friday 9am-7pm, Saturday 9am-1pm.

### **Change to Practices in Section 3. Investment Strategy:**

In order to reflect a change in the investment manager for the With-Profits 1 Fund a change has been made to the Practices in section '3. Investment strategy'. The Practices have changed from:

*Whilst the Board is ultimately responsible for the investment strategy, a Board sub-committee is appointed to review investment strategy and asset mix, and monitor the ongoing investment performance of the assets. The asset mix and investment performance is subject to regular review by the Executive.*

*The assets of the Fund are currently managed by Insight Investment Managers.*

*The method currently used to determine asset allocation is as follows:*

- 1) *Determine the investment policy for the assets backing the asset shares of individual policies. Policies are grouped together according to product type and length of time until the next guarantee date. For each group underlying investment fund(s) are selected based on the level of guarantees in relation to asset shares, the time period until the next guarantee date and the overall financial strength of the Fund after taking into account the cost of guarantees and other risk capital.*

*The underlying investment funds reflect differing risk/reward profiles. The current range of investment funds are as follows:*

**Direct Gilt Holdings** – *short duration gilts are typically used for policies close to maturity where the guaranteed benefits are high in relation to asset shares. Medium and long duration gilts may also be held by the fund.*

**Insight Liquidity Fund** – *this fund aims to provide a money market rate of return by investing in a diversified portfolio of cash, securities and deposits.*

**Insight Broad Opportunities Fund** – *this aims to generate long term capital growth through a dynamic asset allocation strategy across several different asset classes (mainly equities, fixed income securities, commodities and property).*

**Insight UK Corporate All Maturities Bond Fund** – *this fund invests in a range of Corporate Bonds and other fixed interest investments and aims to out perform the iBoxx Sterling Non-Govt Bond All Maturities index by 1% per annum.*

**Insight Global Absolute Return Fund (GAR Fund)** – *the objective of this fund is to deliver positive returns on an annual basis with the prospect of long-term capital growth by following a broad 'multi-asset' portfolio approach. The composition of the Insight*

*Investment GAR Fund and the proportion of each type of investment within the GAR Fund will vary, reflecting changing market conditions. It will gain exposure to one or more of the following asset classes: bonds, cash, near cash and deposits, equities, property, commodities and derivatives. Protected Investment Bond policies are fully invested in the Global Absolute Return fund.*

**2) Determine the investment policy for the remainder of the Fund**

*The Board, through the sub-committee, decides on the asset mix for the remainder of the Fund.*

*This asset mix depends on the size of the remaining assets, and what the remaining assets are likely to be required for, as well as its view on the investment outlook for different asset classes. For example, assets required to cover non-profit policy liabilities, the cost of providing guarantees, or business risks are likely to be held in more secure assets e.g. fixed interest securities. The surplus assets of the Fund are more likely to be invested in assets expected to generate higher returns, to maximize long term returns for the Fund.*

*Appropriate credit quality of any fixed interest investments held directly by the Fund is maintained by prescribing acceptable credit ratings to the investment manager. The maximum amounts that can be held with any single financial institution are set by the Board and reviewed on a regular basis.*

to:

*Whilst the Board is ultimately responsible for the investment strategy, the Executive Investment Committee is appointed to review investment strategy and asset mix, and monitor the ongoing investment performance of the assets. The asset mix and investment performance is subject to regular review by the Executive.*

*The assets of the Fund are currently managed by Legal & General Investment Managers.*

*The method currently used to determine asset allocation is as follows:*

**1) Determine the investment policy for the assets backing the asset shares**

*Asset allocations are established for the assets that are assumed to back policy asset shares. The asset allocations are reviewed on a regular basis and will change depending on the overall financial position of the Fund and taking into account the needs of the Fund whilst it is in run-off. The asset allocations may differ by product groups, which consider the product type and length of time until the next guarantee date.*

**2) Determine the investment policy for the remainder of the Fund**

*The Board, through the Executive Investment Committee, decides on the asset mix for the remainder of the Fund.*

*This investment mix depends on the level of the remaining assets, and what the remaining assets are likely to be required for, as well as the investment outlook for different asset classes. For example, assets required to cover non-profit policy liabilities, the cost of providing guarantees, or business risks are likely to be held in more secure assets e.g. fixed interest securities. The surplus assets of the Fund may be invested in assets expected to generate higher returns, to maximize long term returns for the Fund and more secure assets to reduce the volatility of the Fund as it runs off.*

*The underlying investment funds reflect differing risk / reward profiles which are used to manage the Fund's investment strategy and the external investment manager is responsible for selecting the specific assets to meet the aims of the funds.*

*The current range of material investment funds are as follows:*

***Legal & General UK Index Trust*** – this fund aims to provide growth and track the performance of the FTSE All-Share Index. It invests in a broad spread of UK-listed companies, ranging from very large to smaller companies.

***LGIM Sterling Liquidity Fund*** – this fund aims to provide capital stability, liquidity and diversification while providing a competitive level of return. It invests in high quality short-term sterling fixed income and variable rate securities and diversifies risk across a range of financial institutions, sovereign and corporate issuers. It seeks to maintain a AAA rating, which is the highest fund rating available.

***Legal & General Sterling Corporate Bond Index Fund*** – this fund aims to provide income and to track the return of the iBoxx Sterling Non-Gilts ex-BBB Index. It invests in sterling corporate bonds rated AAA, AA or A, deemed to be higher quality than lower-rated bonds.

***Legal & General Short Dated Sterling Corporate Bond Index Fund*** – this fund aims to provide income and capital growth and to track the return of the iBoxx Sterling Corporates 1-5 Index. It invests in 'short-dated' corporate bonds, which tend to be less sensitive to interest rate risk than longer-dated bonds.

***Legal & General All Stocks Gilt Index Trust*** – the objective of this fund is to provide a combination of growth and income. The fund aims to track the return of the FTSE Actuaries UK Conventional Gilts All Stocks Index. It invests in government bonds issued by the UK government.

*In addition, there are also investments in the Insight Global Absolute Return Fund and Insight Diversified Protector fund backing the unitised with profits business, such as the Protected Investment Bond,*

*Other investment funds and directly held assets may be invested in if these better meet the requirements of the Fund.*

*The investment strategy and investment performance are reviewed on a quarterly basis by the Executive Investment Committee.*

There have been no changes to the Principles.