

This report gives information on the following

- ▶ factors that affect with profits policy values
- ▶ types of assets – how these affect investment returns
- ▶ investment market conditions
- ▶ asset mixes – the asset mix for different categories of with profits business
- ▶ asset and investment return details for each asset mix

## Factors that affect with profits policy values

The return on the asset mix is only one of the factors that affect with profits policy values. Other factors are the deductions we make, and any other discretionary adjustments that we may apply such as smoothing. The deductions are normally for such things as our expenses and (where relevant) tax, costs of life cover and guarantees, and a contribution to the capital of the with profits fund. Some payout values are also affected by the guarantees that apply.

When Standard Life demutualised on 10 July 2006 the with profits fund was set up with an Inherited Estate. At least once a year we review whether it's appropriate to make distributions from the Inherited Estate. We use any distributions that we make to enhance with profits payouts.

Some with profits investments guarantee a minimum payout, for example when you die or when your policy reaches its maturity date, as long as all payments have been made when due. We will then pay at least this minimum amount regardless of the performance of the assets we hold over the period that your policy is invested in with profits.

For more information on with profits please visit our website at [www.standardlife.ie/withprofits](http://www.standardlife.ie/withprofits)

## Types of assets

We invest in a wide range of assets including equities, bonds and cash deposits. We expect that a higher proportion of equities and property will produce returns that are higher over the long term, but more variable over the short term. We expect that a higher proportion of bonds and cash will result in returns that are more stable, but lower over the long term.

## Investment market conditions

- ▶ The global economy continued to grow
- ▶ The US Federal Reserve increased interest rates

- ▶ Government bond yields rose sharply
- ▶ Global Equities performed well
- ▶ Property remained stable

## Equities

Global equity markets delivered another quarter of positive returns. Sentiment received a boost after Emmanuel Macron won the French election. The surprise election result in the UK and its inconclusive result caused local turbulence.

European Equities performed well with markets up for the quarter. The Eurozone economy continued to rebound, with unemployment steadily falling and consumer confidence at a 16 year high. However, markets retreated in June after ECB President Mario Draghi said the Bank may soon reduce its quantitative easing purchases. UK equities performed well initially, then dropped back towards the end of the quarter. Concerns about Brexit and the hung parliament generated uncertainty with the pound falling sharply.

Investors in US equities and Japanese equities enjoyed solid returns. Asia Pacific, Korea and India has very good quarters. Activity in China picked up. However tensions around North Korea hurt market sentiment as the quarter progressed.

## Bonds

June was a pivotal month for government bonds markets. Three of the world's major central banks issued statement that seemed to signal a move towards tighter monetary policy. The result was to send government bond yields sharply higher, ie bond prices sharply lower, in the last few days of the month.

Corporate Bond markets were dominated by politics. Macron's victory was warmly embraced by investors. While prospects for monetary policy occupied investors as the quarter drew to a close and government bond yields rose sharply, credit remained broadly resilient and finished the quarter with a positive return.

## Asset mix

Our aim when managing our with profits business is to provide growth over the long term, while continuing to maintain an appropriate level of financial strength so that we can meet all contractual obligations to our customers. We currently group policies into 3 categories, as described in the following table, and so there are 3 different asset mixes.

We regularly review the asset mix that backs our with profits business, taking account of such things as:

- the nature and size of the guarantees for each class of with profits business
- the strength of the fund
- any changes in current and expected future market conditions.

**Note:** the asset mix will also change as market values change.

Policy type	Fund name (see your policy statement)	Asset mix	Page
Personal Pension Plan <sup>1</sup> Personal Pension Plus <sup>1</sup> Tower Pension Series <sup>2</sup>	Pension With Profits Fund	Category 1	3
Corporate Pension Series <sup>1</sup> Buy out Bond <sup>1</sup>	Pension With Profits 2 Fund		
Capital Savings Plan Flexible Life Plan Mortgage Plan Capital Savings Plan (MC100) MoneyWorks Plan (Net)	Life With Profits Fund	Category 2	4
MoneyWorks Plan (Gross) MoneyWorks SSIA	MoneyWorks With Profits Fund		
Approved Retirement Funds <sup>3</sup> With Profits Retirement Annuity	Retirement With Profits Fund		
Endowment Assurance Plan Early Maturity Plan Flexible Savings Plan MC Plan Whole of Life Plan Pure Endowment Personal Pension PenPlan	Conventional With Profits		
PRSA Synergy Investment Bond Synergy Portfolio Bond Synergy approved retirement funds Synergy Portfolio approved retirement funds Executive Pension Plus	Standard Life With Profits Fund	Category 3	5
Personal Pension Plan <sup>1</sup> Personal Pension Plus <sup>1</sup> Tower Pension Series <sup>2</sup> Corporate Pension Series <sup>1</sup> Buy out Bond <sup>1</sup>	Pension With Profits Fund A		
With Profits Bond	With Profits Bond Fund		
Tower Pension Series <sup>2</sup>	Pension With Profits Fund D		

### Notes

<sup>1</sup> New policies taken out from September 2004 and top-ups from that date to existing policies are allocated to the Pension With Profits Fund A.

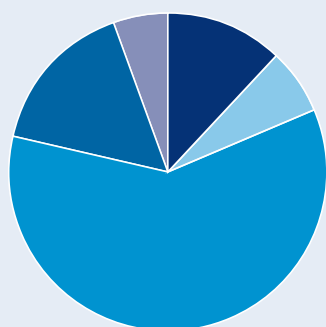
<sup>2</sup> Pension scheme members who joined before September 2004 have investments in the Pension With Profits Fund. Top-ups to these, and new members who joined between September 2004 and 9 July 2006, are invested in Pension With Profits Fund A. New members who joined from 10 July 2006 are invested in Pension With Profits Fund D.

<sup>3</sup> Approved Retirement Funds other than Synergy approved retirement funds and Synergy Portfolio approved retirement funds.

Synergy policies taken out since June 2006 do not have a with profits investment option. All other policy types listed above are no longer available to new investors.

## Category 1 details

30 June 2017



\* Other includes cash deposits and money market instruments.

Top 5 Equity holdings	Sector
Nestle	Consumer
Danske Bank	Financial
Roche	Pharmaceutical
CRH	Materials
Shire	Pharmaceutical

Top 5 Bond holdings	Rating
1 Rep of Germany 4.25% 2018	AAA
2 Rep of France 0.00% 2020	AA+
3 Rep of Germany 1.75% 2022	AAA
4 Rep of France 3.75% IL 2021	AA+
5 Rep of France 4.25% OAT 2019	AA+

## Investment returns

Last four quarter years (before tax)

Quarter year ending on:	30/09/16	31/12/16	31/03/17	30/06/17
Category 1	1.7%	-1.9%	0.0%	0.3%

These investment returns do not allow for charges, expenses or the effects of any smoothing and have been rounded down.

Category 1 is predominately invested in Fixed Interest, in particular European Government Bonds. This reflects the relatively higher guarantees provided by the classes of business backed by Category 1.

Last four calendar year returns (before tax)

Year	2013	2014	2015	2016
Category 1	4.2%	10.3%	3.5%	2.5%

You should refer to your annual statement to see how the value of your policy changes over time.

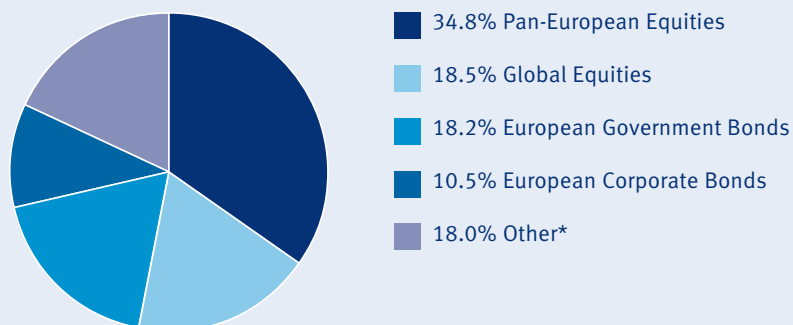
Past performance is not a reliable guide to future performance. The value of this investment may go down as well as up and may also be affected by changes in currency exchange rates.



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## Category 2 details

30 June 2017



\* Other includes cash deposits and money market instruments.

Top 5 Equity holdings	Sector
Nestle	Consumer
Danske Bank	Financial
Roche	Pharmaceutical
CRH	Materials
Shire	Pharmaceutical

Top 5 Bond holdings	Rating
1 Rep of Germany 4.25% 2018	AAA
2 Rep of France 0.00% 2020	AA+
3 Rep of Germany 1.75% 2022	AAA
4 Rep of France 3.75% IL 2021	AA+
5 Rep of France 4.25% OAT 2019	AA+

## Investment returns

Last four quarter years (before tax)

Quarter year ending on:	30/09/16	31/12/16	31/03/17	30/06/17
Category 2	3.1%	1.5%	2.3%	0.2%

These investment returns do not allow for charges, expenses or the effects of any smoothing and have been rounded down.

Category 2 has a significant portion in equities, in particular Pan-European equities.

Last four calendar year returns (before tax)

Year	2013	2014	2015	2016
Category 2	10.9%	8.7%	8.1%	0.7%

You should refer to your annual statement to see how the value of your policy changes over time.

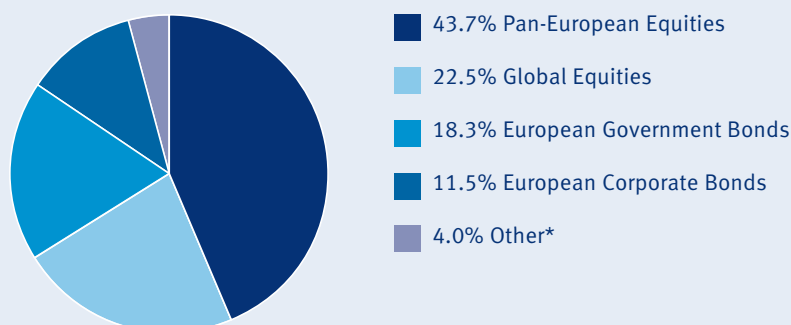
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## Category 3 details

30 June 2017



\* Other includes cash deposits and money market instruments.

Top 5 Equity holdings	Sector
Nestle	Consumer
Danske Bank	Financial
Roche	Pharmaceutical
CRH	Materials
Shire	Pharmaceutical

Top 5 Bond holdings	Rating
1 Rep of Germany 4.25% 2018	AAA
2 Rep of France 0.00% 2020	AA+
3 Rep of Germany 1.75% 2022	AAA
4 Rep of France 3.75% IL 2021	AA+
5 Rep of France 4.25% OAT 2019	AA+

## Investment returns

Last four quarter years (before tax)

Quarter year ending on:	30/09/16	31/12/16	31/03/17	30/06/17
Category 3	3.8%	2.1%	2.9%	0.2%

These investment returns do not allow for charges, expenses or the effects of any smoothing and have been rounded down.

Category 3 is predominately invested in Equities, in particular Pan-European Equities.

Last four calendar year returns (before tax)

Year	2013	2014	2015	2016
Category 3	14.5%	9.0%	10.0%	0.4%

You should refer to your annual statement to see how the value of your policy changes over time.

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