Reassuringly prepared

Protected Profits funds for Zurich retail pensions

Questions and answers

This document has been produced to provide greater detail on how the range of Protected Profits funds work. It should be read in conjunction with the relevant fund guides and fund factsheets.

All Protected Profits funds

Q: What protection will my client get when they invest?

A: New clients investing in a Protected Profits fund will buy units at the current unit price. The protected price, below which the Protected Profits fund unit price aims not to fall, is set at fund level. The level of protection your client receives therefore depends on the difference between the current unit price and the protected price at the time they invest.

For example, if the highest-ever unit price is 500p, the Protected Profits fund unit price aims not to fall below the protected price of 400p (i.e. 80%).

- A client investing when the unit price is 470p and the protected price is 400p, has effectively 85.1% protection.
- A client investing when the unit price is 440p and the protected price is 400p, has effectively 90.9% protection.

These examples assume the client receives 100% allocation.

Clients investing when the unit price is below the highest-ever unit price will have a lower exposure to the equity portfolio in the Protected Profits funds than if the unit price was at the highest-ever level when they invest.

Q: Do charges affect the protection?

A: The protection is on the Protected Profits fund's unit price, not on your client's original investment. This means that any charges taken directly from your client's plan (by initial charge or ongoing charges taken by unit deduction) or withdrawals will reduce what they get back and may result in them getting back less than 80% of their original investment.

For example, if the highest-ever unit price is 520p, the Protected Profits fund aims not to fall below the protected price of 416p (i.e. 80%).

A client investing £100,000 when the unit price is 500p will purchase 20,000 units. The value of these units after purchase is £100,000 and the client has a protected value of £83,200 (20,000 units * 416p). This is equivalent to a protection level of 83.2% of the client's original investment.

If after a year the unit price of the fund is the same (500p), but the number of units has been reduced to 19,800 units due to product charges, the client will now have a protected value of £82,368 (19,800 units * 416p). This is equivalent to a protection level of 82.4% of the client's original investment.

The protected price of the fund has remained the same. However, the 'protected value' has now reduced due to a reduction in the number of units.

Q: Can the protection fail?

A: Yes, the protection is not guaranteed and the unit price could fall below 80% of the highest-ever unit price in certain extreme circumstances. Please see the fund guides and the individual Protected Profits fund product leaflets for more detail.

Q: Do the Protected Profits funds have any exit penalties?

A: No, the Protected Profits funds do not have any exit penalties. Your clients can switch in and out of the Protected Profits funds as with any other fund. However, the underlying product wrapper may have exit penalties. Please refer to the relevant product Terms & Conditions for more information.

Q: What are the charges/expenses on the Protected Profits funds?

A: The Protected Profits funds are inclusively priced to include all fund management charges and fund expenses, which are fully disclosed. The current Total Expense Ratios (as at November 2017) are as follows:

Zurich Multimanager Protected Profits ZP	0.86% p.a.
Zurich Multimanager Generation 2 Protected Profits ZP	0.98% p.a.
Zurich Protected Profits ZP*	0.73% p.a.
Zurich Tracker Protected Profits ZP	0.55% p.a.

*The fund closed to new customers in January 2007.

Q: Where can I find the latest asset splits?

A: The latest asset splits for all Protected Profits funds can be found in the fund factsheets available on Fundzone at www.zurichintermediary.co.uk, along with performance history of each fund.

Q: Are the Protected Profits funds covered by the Financial Services Compensation Scheme?

A: The protection is not guaranteed and the unit price could fall below 80% of the highest-ever unit price if the financial company providing the protection does not make the payments it has agreed to, or becomes insolvent. If this happens, it is unlikely your client will be able to claim under the Financial Services Compensation Scheme.

Q: What is the strategic asset mix of the equity funds used in the Multimanager Protected Profits funds?

A: The Multimanager Protected Profits funds have exposure to a range of actively managed equity funds. Every three months, the mix of the actively managed equity funds is set to:

• Newton UK Income	30%
• Threadneedle UK	24%
• Janus Henderson European Selected Opportunities	13%
• JPM US	9%
• Schroder European Opportunities	7%
• Schroder Core UK Equity	6%
• UBS US Equity	6%
• Legg Mason IF Martin Currie North American	5%

This gives exposure to the following geographic regions of UK (60%), Europe (20%) and North America (20%).

Q: What is the strategic asset mix of the equity index tracking funds used in the Tracker Protected Profit fund?

A: The Tracker Protected Profits fund has exposure to a range of equity index tracking funds. Every three months, the mix of the equity index tracking funds is set to:

• HSBC FTSE All Share Index Fund	60%
• HSBC European Index Fund	20%
• HSBC American Index Fund	20%

This gives exposure to the following geographic regions of UK (60%), Europe (20%) and North America (20%).

Q: What is the strategic asset mix of the equity funds used in the Zurich Protected Profits fund*?

A: The Zurich Protected Profits fund invest in a range of actively managed equity funds. Every three months, the mix of the actively managed equity funds is set to:

• Threadneedle UK Institutional	60%
• Threadneedle American	15.5%
• Threadneedle European	13.5%
• Threadneedle European Select	6.5%
• Threadneedle American Select	4.5%

This gives exposure to the following geographic regions of the UK (60%), Europe (20%) and North America (20%).

Q: What is the difference between the Zurich Multimanager Protected Profits fund and the Zurich Multimanager Generation 2 Protected Profits fund?

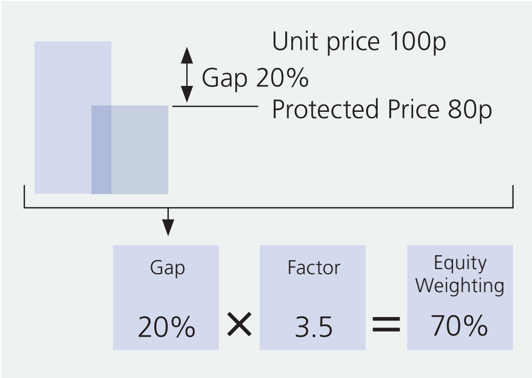
A: The Zurich Multimanager Protected Profits fund was launched in January 2005. The Zurich Multimanager Generation 2 Protected Profits fund was launched in March 2009. The Generation 2 fund works in exactly the same way as the original Zurich Multimanager Protected Profits fund. However, as this was launched at a later date it currently has a different protection level and exposure to the equity funds.

Q: How is the mix between the equity funds and the BlackRock Institutional Sterling Liquidity fund determined?

A: The mix between the equity funds and the BlackRock Institutional Sterling Liquidity fund is determined by multiplying the percentage difference between the current unit price and protected price by a factor, which is usually set to 3.5.

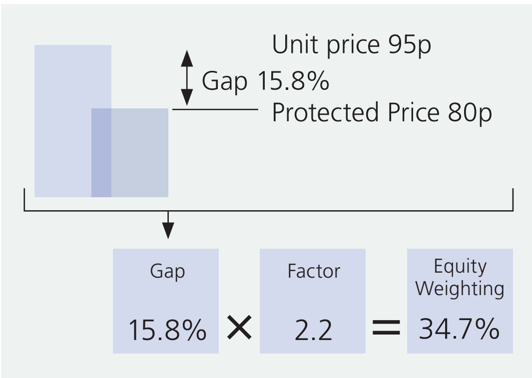
*The fund closed to new customers in January 2007.

For example, at its maximum 70% exposure, the equity funds weighting would be calculated as follows:



The factor is not fixed and varies depending on the current level of volatility in the market. A formula is used which works to reduce equity exposure when markets are deemed highly volatile. This formula is based on implied volatility on the VIX and VDAX indices. If markets expect higher volatility, the factor is reduced and the exposure to the equity funds will fall accordingly.

The following example shows the effect on the fund of this kind of change in the factor. Assume the unit price has reduced to 95p. The gap between the unit price and the protected price is now 15.8%. A lower factor of 2.2 results in an equity content of 34.7%.



There is also a tolerance level applied to changes in the mix between the equity funds and the BlackRock Institutional Sterling Liquidity fund as the unit price rises and falls to avoid the Protected Profits fund having to make small daily changes to the proportion allocated to the equity funds. This reduces the level of transaction costs incurred by the Protected Profits fund that would otherwise have an adverse affect on the investment performance of the fund and does mean that the actual asset mix on a given day may not be exactly the same as the above formulae might indicate.

Q: What is the VIX?

A: The VIX is the short name, or ticker symbol, for the Chicago Board Options Exchange Volatility Index, a measure of the implied volatility of the American S&P 500 stock market index. The VIX has been referred to as the ‘fear index’. It is a measure of the market’s expectation of volatility on the index in the next 30 days. No UK equivalent of the VIX currently exists.

Q: What is the VDAX?

A: The VDAX is the ticker symbol for the Deutsche Börse VDAX Volatility Index, which measures implied volatility of the German DAX stock market index. It is a measure of the market’s expectation of volatility on the index in the next 30 days. No UK equivalent of the VDAX currently exists.

If you have any further questions on our range of Protected Profits funds, please contact your Zurich consultant on **08085 546 546**.

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