



STERLING



Reassuringly prepared

Sterling Multimanager Generation 3 Protected Profits funds for the Sterling Investment Bond

The Sterling Multimanager Generation 3 Protected Profits fund

The Sterling Multimanager Generation 3 Protected Profits funds aim to achieve medium to long-term growth while protecting the fund price from falling below 80% of its highest-ever level.

The funds tend to produce more stable, but lower, returns compared to investing directly in equities and, therefore, often appeal to investors who have a relatively cautious attitude to risk.

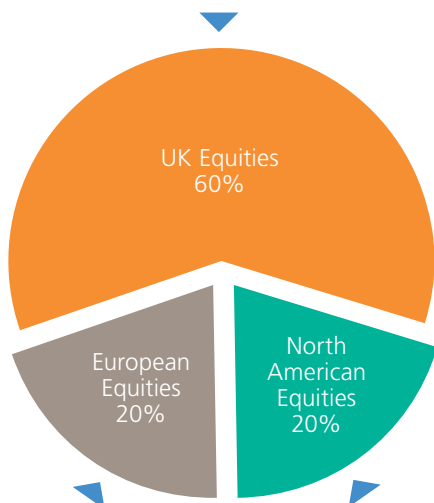
The Sterling Multimanager Generation 3 Protected Profits funds are invested in a range of actively managed equity funds (risky pot) and a money market fund (less risky pot).

- The equity funds are spread across the UK (60%), Europe (20%) and North America (20%). This split is set every three months and so may vary in between times.
- The money market fund (BlackRock Institutional Sterling Liquidity fund) aims to achieve a return in line with wholesale money market short-term interest rates.

Strategic asset allocation of the equity funds

The equity funds used within the Sterling Multimanager Generation 3 Protected Profits funds, which give exposure to the UK, Europe and North America, are as follows:

Newton UK Income 30%, Schroder Core UK Equity 6%,
Threadneedle UK 24%



Janus Henderson European Selected Opportunities 13%,
Schroder European Opportunities 7%

JPM US 9%, Legg Mason IF Martin Currie North American 5%,
UBS US Equity 6%

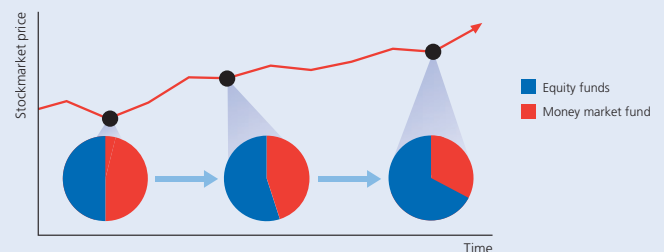
These equity funds are rebalanced back to this strategic asset allocation every three months.

How the fund works

The funds work by varying the proportions invested in the equity funds and money market fund on a daily basis. At any particular time the proportion invested in the equity funds could be between zero and 70%. For example:

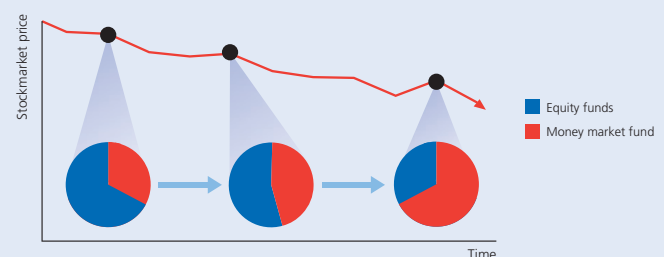
In a rising market

As the fund increases in value, more of the fund is invested in the equity funds.



In a falling market

As the fund falls in value, less of the fund is invested in the equity funds.



The fund's protection

The fund's aim of protecting the fund price from falling below 80% of its highest-ever level is achieved by varying the proportions invested in the equity funds and money market fund on a daily basis.

However, if markets fall quickly and dramatically, varying the proportions may not be sufficient to achieve the protection aim. Under these circumstances, another financial company (Barclays Bank plc), would provide the protection and pay into the fund to protect the fund price from falling below 80% of its highest-ever level.

The protection is not guaranteed and the fund price could fall below 80% of its highest-ever level if Barclays Bank plc does not make the payments it has agreed to, or becomes insolvent. If this happens, it is unlikely you will be able to claim under the Financial Services Compensation Scheme.

Credit ratings can be a useful guide to the risk associated with financial companies. Ratings are given by independent agencies such as Standard & Poor's and Moody's. Companies are rated from most secure (AAA) to most risky (D). The most up-to-date long term credit rating for Barclays Bank plc can be found at: www.barclays.com/barclays-investor-relations.

The fund price could also fall below 80% of its highest-ever level if the fund's equity content is at, or close to, zero and the interest earned on the fund's other assets is less than its charges and expenses.

Barclays Bank PLC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. You do not have a contract with Barclays Bank plc. They have agreed to protect the fund price from falling below 80% of its highest-ever level due to market falls. They do not offer any protection against the insolvency of Zurich Assurance Ltd.

Protected Profits lifecycle

The following chart shows how a Protected Profits fund will perform through its various investment 'stages'.

Growth potential

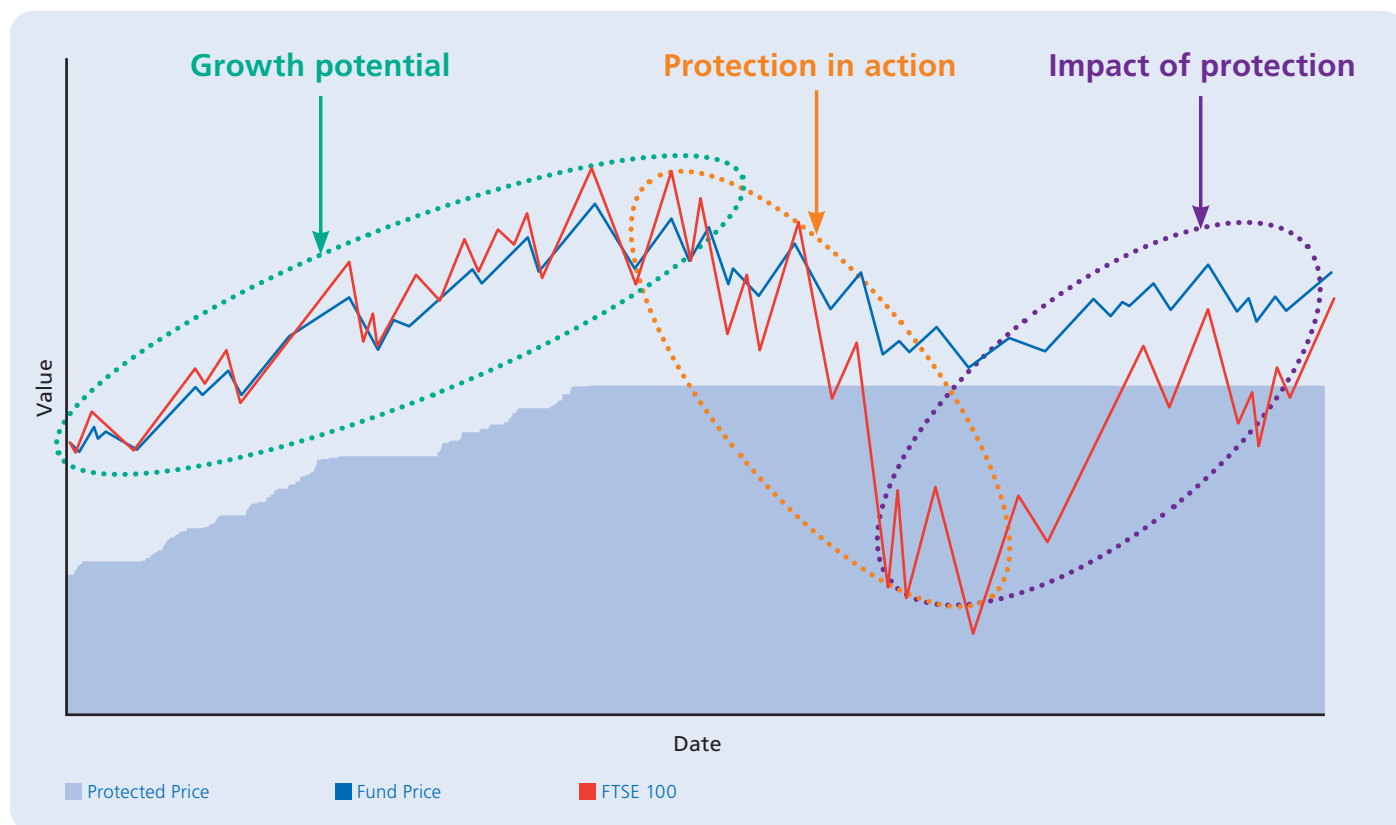
During this stage, the fund will produce more stable, but lower, returns compared to investing directly in equities. This reflects the fact that the fund only ever has a maximum exposure to the equity funds of 70% and always has a cushion of 30% exposure to the money market fund. This means that the fund is unlikely to perform as well as a fund fully invested in equities in a rising market. The protected price will increase over this stage.

Protection in action

In this stage the fund price will be protected from falling below 80% of its highest-ever level, in a falling market. During this period, the level of protection previously built up within the fund will remain constant, while the exposure to the equity funds will fall. This is in order to maintain the protection level and prevent the fund price from falling below the protected price. In addition, the higher proportion invested in money market funds means that the fund price falls significantly less than a direct equity investment.

Impact of protection

During this stage as equity markets rise, the fund price will not increase as much as the equity markets, as the fund will have a lower exposure to the equity funds following the protection in action stage. This is because more of the fund will be invested in the money market fund and returns could be lower than in equities.



The price of protection

The price to provide the protection is included in the total yearly expenses shown in our charges summary document and fund factsheets available at www.sterling-assurance.co.uk.

The protection is on the fund price, not on your original investment. Any charges taken directly from your investment bond will reduce what you get back and may result in you getting back less than 80% of your original investment.

Fund availability and changes

In some investment conditions, we may consider the fund can no longer achieve its aim of medium to long term growth. If this happens we can close the fund and switch your investment to another fund. We will then write to you to give you the opportunity to switch to a fund of your choice.

The Sterling Multimanager Generation 3 Protected Profits funds are only a fund link on the Sterling Investment Bond. You can switch your investment to another fund available on your investment bond at no cost, although other funds may not necessarily provide any protection.

If we consider it is appropriate (for example, due to performance), we can change the underlying funds the Sterling Multimanager Generation 3 Protected Profits funds are invested in. We can also change the financial company that provides the protection to the fund.

There may be future, unforeseen, changes to taxation or regulation that adversely affect the funds and the protection they offer. If this happens we'll write to you to explain the choices available to you.

This document is intended to be used by your financial adviser with you to help explain how the fund works and how it could fit in with your overall investment strategy. You should not rely on it to make an investment decision and, if you do have any questions, you should ask your adviser before making any decision to invest.

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We may record or monitor calls to improve our service