

Euro Offshore With-profits (OWP) and Guaranteed Growth Funds (GGFs) Investment Factsheet (Hong Kong)

Clerical Medical closed to new business in Hong Kong on 1 January 2005. This document has been produced in accordance with UK regulatory requirements and may refer to products which have not been available for sale in Hong Kong. It has not been produced to promote or encourage further investment. It is for existing clients' information only.

Investment objective

A with-profits investment aims to generate capital growth over the medium to long term (at least five years), with some stability against market volatility over the short term. This is achieved by combining your money with that of other with-profits investors, and collectively sharing in the fortunes of the fund.

The return is not based on the precise level of stock markets on the day you invest, or the day you take your money out.

By smoothing through the stock market movements, sometimes the returns are higher than the unsmoothed performance and sometimes lower. Over the longer term, the potential performance of the fund is similar to other funds we offer with a similar mix of assets. But over the shorter term, smoothing reduces the effect of market ups and downs. The guarantees provided by the fund also make your investment different from other types of investment.

Asset information

Asset performance – five years to 31.12.2014

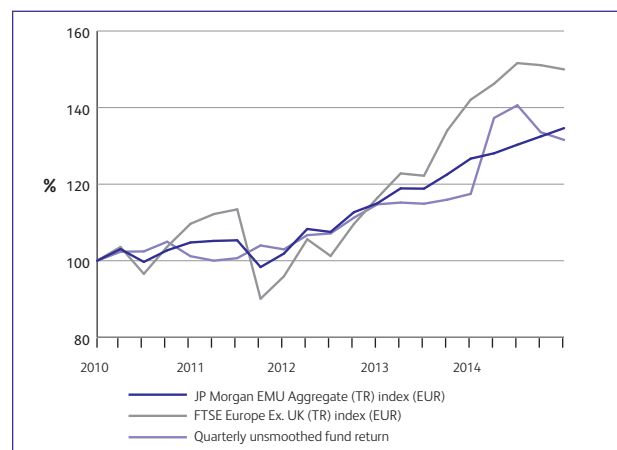
	Unsmoothed return on assets (OWP)	Benchmark performances	
		Equity	Bonds
2010	4.8%	9.7%	1.2%
2011	-2.8%	-12.5%	1.8%
2012	12.9%	21.3%	11.4%
2013	10.2%	22.0%	2.4%
2014	6.3%	5.6%	12.0%
Annualised 5 year return	6.1%	8.4%	5.6%

The table above shows how the assets have performed compared with returns from the relevant benchmark indices: Equity (FTSE Europe Ex. UK (TR) index (EUR)) and Bonds (JP Morgan EMU Aggregate (TR) index (EUR)) over the past five years. It does not represent investor returns. The above figures are gross of tax and do not take into account any charges or deductions.

The With-Profits Fund sometimes takes advantage of derivatives, for example to effect a change in asset allocation quickly. The performance of the derivatives may differ from the corresponding assets and the effective exposure to different assets whilst the derivatives are held may differ from that shown.

This information is for the invested assets that principally drive future bonus amounts and therefore policy payouts. The assets known as the estate, held as reserves to provide a cushion against the effects of poor investment conditions, have a more cautious investment strategy. The part of the estate which is being used to enhance payouts is also invested cautiously, primarily in Cash.

Five year performance



The graph above shows the quarterly unsmoothed OWP fund return (gross of all deductions) against the equity and bond benchmarks. Period covered is 01.01.2010 to 31.12.2014. All indices rebased, 01.01.2010 = 100%. The value of an investment is not guaranteed and can go down as well as up depending on investment performance (and currency exchange rates where a fund invests overseas). You could get back less than you invested. The figures refer to the past and past performance is not a reliable indicator of future results. The ultimate value of a with-profits investment depends on future bonuses which cannot be guaranteed. You cannot invest directly in any of the benchmark indices. Source of data: RIMES and Clerical Medical, February 2015.

Asset mix as at 31.12.2014

Continental European Equities	38.0%
International Equities	12.2%
Euro Bonds	37.4%
Cash	6.7%
Property	5.7%

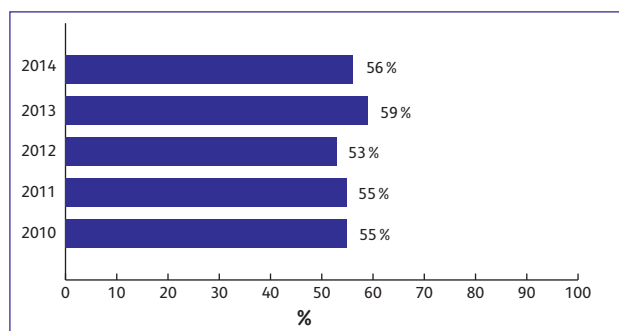
Top 10 equity holdings as at 31.12.2014

Nestle	Sanofi
Novartis	Banco Santander
Roche	Anheuser-Busch
Bayer	Siemens
Total	Novo Nordisk

The above figures show the effective exposure of the different types of assets applicable to Euro denominated OWP policies.

As at 31.12.2014, the size of the whole Euro Offshore With-profits and Guaranteed Growth Funds holding was €2.7bn. The asset mix shown above is for Offshore With-profits. The asset splits for GGFs vary and further information is available on request.

Equity Backing Ratio statistics



The Equity Backing Ratio (EBR) is the percentage of the fund's assets in higher risk assets such as property and equities. The values shown above represent the equity-backing ratio at the 31 December of each year.

Policy returns

The investment performance is normally delivered through regular and final bonuses. A market value adjuster may apply on encashment at certain times – please see the “With-profits summary” which is available on our website (see below) for more information regarding this.

In times of uncertainty when stock markets are volatile and there is an exceptionally large change in asset values, we have to react quickly to protect the interests of our remaining with-profits investors by ensuring that investors leaving the fund don't receive more than their fair share. In this situation we may vary our approach to smoothing.

Following a review of the amount needed to support the fund, a distribution of excess estate was started from 1 February 2010. This is being done through the normal periodic bonus review processes.

An example for a 5 year investment in a CMI Investment Account up to 01.02.2015

Annualised unsmoothed return on assets	6.1%
Effect of product charges (annualised)	-2.7%
Effect of smoothing, guarantee deductions and estate distribution (annualised)	2.6%
Annualised product return on surrender	6.0%

The ‘effect of smoothing, guarantee deductions and estate distribution’ shows how the application of these affect the policy returns.

The 5 year returns are based on a CMI Investment Account policy which is no longer open to new business.

Important notes

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