

Royal Ordnance Pension Scheme

Your investment choices

Standard Life 

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This guide contains information on the funds you can choose to invest in through the Royal Ordnance Pension Scheme, a Trust Based Pension provided by Standard Life.

You'll find information about the Cash Lifestyle Profile and the Pension Lifestyle Profile, and also details of the core fund range that the Trustees have selected after receiving advice from their investment advisers.

If you would like more information on any of these funds, please contact Standard Life on **0845 271 9501** (call charges will vary). Further information is also available on the website **www.standardlife.co.uk**

For more information about about making payments to the Royal Ordnance Pension Scheme, please contact the Royal Ordnance Pensions Helpline on **0845 180 1403**.

If you are in any doubt about which investment fund(s) you should choose, the Trustees strongly recommend you speak to a financial adviser. There may be a cost for this.

Please ensure you read the Important information on Pages 2 to 4 of this booklet.

Important information you should read

Before making your investment choices please make sure you read the following information, which includes details of some of the risks you should be aware of.

- ▶ Before you decide to buy, you need to know what the risks and commitments are. Read Standard Life's Key Features Document. It will help you decide if this product is right for you. If you're still not sure what to do, speak to a financial adviser. There may be a cost for this.
- ▶ The return on each fund depends on the performance of the assets it invests in and the charges on the fund.
- ▶ The price of units depends on the value of the fund's assets after charges. This can go down as well as up, and your investment in the fund may be worth less than what was paid in.
- ▶ Standard Life review volatility ratings regularly and they can change over time.
- ▶ Some funds invest in overseas assets. This means that exchange rates and the political and economic situation in other countries can significantly affect the value of these funds. The value can go down as well as up, and your investment in the fund may be worth less than what was paid in.
- ▶ The asset mix that each fund invests in is continuously reviewed. It may be changed in line with developments in the relevant markets. Part of each fund may be held in cash and other money market instruments.
- ▶ You'll probably be one of many investors in each fund you choose. Sometimes, in exceptional circumstances, Standard Life may have to wait before they can transfer or switch your investments. This is to maintain fairness between those remaining in and those leaving the fund. This delay could be for up to a month.

But for some funds, the delay could be longer:

It may be for up to 6 months if it's a property based fund because property and land can take longer to sell.

If the fund invests in an external fund, the delay could be longer if the rules of the fund allow this.

If Standard Life have to delay a transfer or switch, they'll use the fund prices on the day the transaction takes place – these prices could be very different from the prices on the day you made the request.

- ▶ Some funds invest in property. The valuation of property is generally a matter of a valuer's opinion rather than fact.
- ▶ You can change the mix of your investments as it suits you. In some situations there may be a delay in carrying out your fund switch requests.

- ▶ Some funds invest in funds managed by external fund managers. In these cases, the description of the fund is provided by the external fund manager so Standard Life can't guarantee that it's accurate.

External fund managers are in charge of managing their own funds including what they invest in. This means that Standard Life is not responsible for these funds' performance or continued availability.

The investment performance of the Standard Life version of a fund will be different from what you would see if you invested in the underlying fund directly. There can be several differences, due to charges, cash management, tax and the timing of investing.

- ▶ Some fund managers may look to get a better return by lending some of the assets from their funds to certain financial institutions. This involves some risk, and in certain circumstances, the fund could suffer a loss – for example, if the institution encountered financial difficulties and was unable to return the asset. The fund manager will use some controls to manage this risk, such as obtaining security from the borrower and monitoring their credit rating. External fund managers may also lend assets and are responsible for their own controls.
- ▶ Funds can sometimes use derivatives to improve portfolio management and to help meet investment objectives. A derivative is a financial instrument – its value is derived from the underlying value or movement in other assets, financial commodities or instruments, like equities, bonds, interest rates etc.

There is a risk that a counterparty will fail, or partially fail, to meet their contractual obligations under the arrangement. Where a counterparty fails, the fund could suffer a loss. As part of the management of a fund, a number of controls can be used to reduce the impact of this risk, such as holding collateral and monitoring credit ratings.

Depending on how it is used, a derivative can involve little financial outlay but result in large gains or losses. Standard Life has control over the use of derivatives in its funds and external fund managers are responsible for their own controls.

- ▶ Charges and rebates are not guaranteed and can be altered in the future.
- ▶ The funds listed here were correct when this document was published. Standard Life can't guarantee that all funds will be available when you make an investment.

Guidance notes

Volatility

The volatility rating of a fund indicates how much the fund price might move compared to other funds. The higher the volatility rating, the less stable the fund price is likely to be. You can use this to help you decide how much risk you're comfortable taking with your investments.



Standard Life regularly review volatility ratings for funds, and these may change.

They set ratings based on their experts' judgement, using data on:

- ▶ how the fund price has varied from month to month in the past, compared to other funds available
- ▶ how investments in similar asset classes vary from month to month and the investment policy of the fund.

Typically, higher volatility ratings mean greater potential investment returns over the longer term. But high volatility funds are more likely to suddenly fall or rise in value. The volatility ratings for funds are kept under review and may change. The volatility rating is not the only factor you should consider when selecting a fund. If you're not sure which funds to choose, please seek advice from a financial adviser.

Effective Fund Management Charge

A charge is applied to money invested in a fund. This charge is known as the Fund Management Charge (FMC). Standard Life deduct the charge from the fund on a daily basis which has the effect of reducing the unit price for the fund.

Standard Life have agreed with the Scheme Trustees and their adviser, to provide enhanced terms to give you a rebate on your Fund Management Charges. For any passive funds you select, the rebate is 0.65%, and for any active funds you select, the rebate is 0.60%.

See the 'Investment approaches' section on page 8 for an explanation of active and passive funds. The individual fund descriptions on pages 13 to 16 show which investment approach each fund follows.





Your rebate is given to you as additional units in your fund each month. This reduces the effect of the Fund Management Charge.

In the long term your effective FMC will be close to the FMC you pay less the rebate you receive. But it won't be the same because the FMC is deducted daily while the rebate is applied monthly.

Your effective FMC will be affected by factors such as:

- ▶ the period it has been measured over
- ▶ any single payments and transfer payments made
- ▶ changes in the timing of your regular payments
- ▶ daily changes in the fund value.

The example below illustrates how the effective FMC is calculated for a fund with an FMC of 1.00%:

If you invested in the Standard Life Managed Cash Pension Fund with an FMC of 1.00%, less rebate of 0.60% this would give an effective FMC of 0.40%.

If you leave the pension scheme, the rebate detailed on page 5 would remain in place.

Full details of your special terms are detailed in the tables in the rest of this booklet.

Additional expenses

Additional expenses may be deducted from some funds. They include items such as trustees', registrars', auditors' and regulators' fees and where a fund invests in other underlying funds they may include their underlying management charges. The additional expenses relate to expenses incurred during the fund management process and as such they will regularly increase and decrease as a percentage of the fund, sometimes significantly. Where expenses arise within a fund they have been taken into account in the calculation of the price.

All additional expense figures quoted in the following pages are rounded to 2 decimal places. An additional expense charge may apply but due to the fact that Standard Life have rounded to 2 decimal places it may show as 0.00%.

The additional expenses quoted are correct as at 16th January 2012.

The charges and additional expenses are not guaranteed. They are regularly reviewed and may be changed in the future.

Where you can invest your money

Choosing where to invest your money is one of the most important decisions you have to make when arranging a pension. Many people find this task confusing.

To help make your life easier, after recommendations from their investment advisers, the Scheme Trustees have chosen two Lifestyle Profiles and some core funds which they think are appropriate for pension scheme investments.

You can choose to invest in either of the two Lifestyle Profiles, or in any combination of the 7 individual funds described on pages 13 to 16.

If you would like more information on any of the funds from Standard Life, please contact them on: **0845 271 9501** or visit the website at **www.standardlife.co.uk**

If you are in any doubt as to which fund(s) you should choose, the Trustees strongly recommend you seek advice from a financial adviser. There may be a cost for this.

If you do not make an investment choice, then your money will be invested in the Cash Lifestyle Profile (also known as the 'default fund').

Fund name and fund code

This gives the name of the fund and internal code used by Standard Life. Please enter both of these in full in the appropriate boxes when completing an application form. This will help Standard Life process your application more quickly.

Investment approaches

Passive investment

A 'passive' investment aims, before charges, to track or replicate the performance of an index or indices. The fund will be affected by market volatility, but relative performance won't be impacted by stock selection.

Active investment

Active investments aim to achieve returns that are above average, using fund manager analysis. The fund manager will try to outperform the market by investing in companies that they believe will provide higher than average returns. However, returns are not guaranteed, and there is a chance of poor performance. These investments can be more volatile than passive investments, and are usually more expensive.

Lifestyle Profiles

Lifestyle Profiles are designed for customers investing for retirement. The funds used depend on the profile chosen.

The funds you are invested in at any point will also depend on how long you've got until your selected retirement date. If this date is some time away (typically more than 10 years), the profiles will invest in funds that offer growth potential over the long term. But remember that all funds can go up and down in value and investment growth is not guaranteed.

As you get closer to retirement, the investment aims of the profile move away from growth and towards preparing your pension pot for retirement. The profiles will do this by automatically switching your funds – you don't need to do anything.

Before making this choice you need to consider the following:

A Lifestyle Profile may not be suitable for those who do not intend to retire at their selected retirement age. In addition, these Lifestyle Profiles may not be suitable in other circumstances (e.g. the Cash Lifestyle Profile

may not be suitable for those who aren't planning on taking all of their pension benefits as tax-free cash, and the Pension Lifestyle Profile may not be suitable for customers who aren't considering annuity purchase, or those who intend to buy a pension that varies each year at a rate linked to inflation).

You should note that the inclusion of these Lifestyle Profiles does not mean that they are recommended by the Trustees or their investment advisers as being suitable in every case.

You should also be aware of the risks and commitments involved. Read Standard Life's Key Features Document for more information.

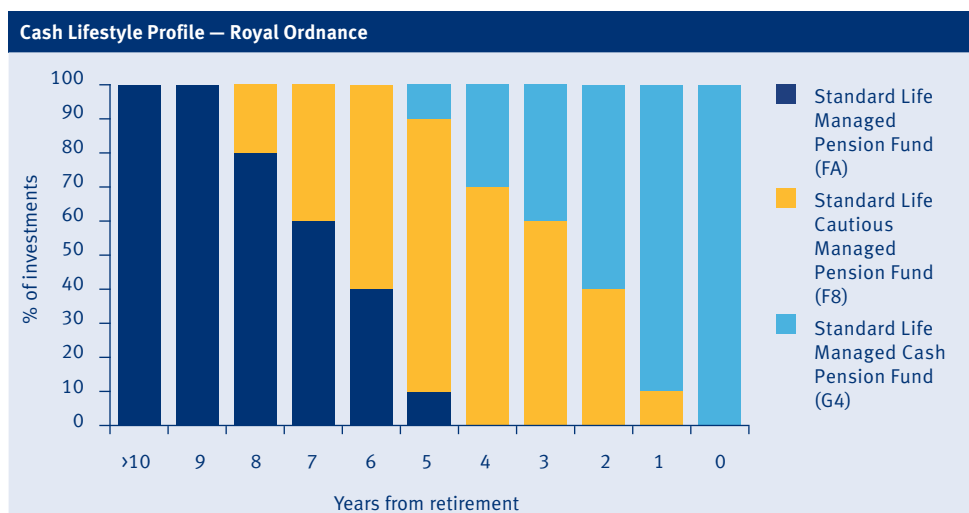
All Lifestyle Profiles (including the Cash Lifestyle Profile) are subject to risk and the value of units in the underlying funds can go down as well as up - your investment may be worth less than what was paid in.

If you choose to invest in one of the following Lifestyle Profiles you cannot combine this with any other fund or with the other Lifestyle Profile.

The Cash Lifestyle Profile - Royal Ordnance

This is a tailored Lifestyle Profile where your investments start in the Standard Life Managed Pension Fund. The Cash Lifestyle Profile – Royal Ordnance then gradually moves your investments into combinations of the Standard Life Cautious Managed Pension Fund and the Standard Life Managed Cash Pension Fund until, at retirement, you are invested in the Standard Life Managed Cash Pension Fund only. This Lifestyle Profile may be suitable for those Members who expect to use their benefits to provide a tax-free lump sum.

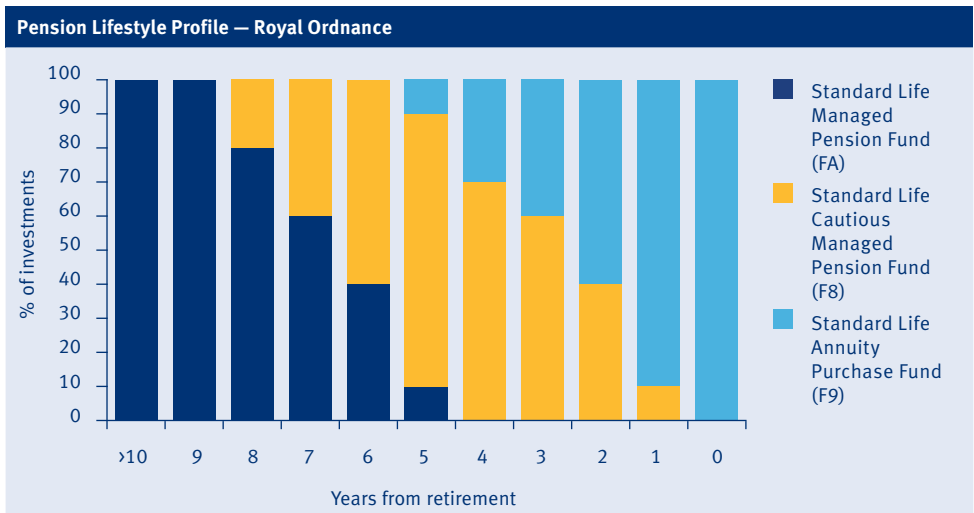
The graph below illustrates how the funds you invest in will vary during the years before your selected retirement date.



The Pension Lifestyle Profile - Royal Ordnance

This is a tailored Lifestyle Profile where your investments start in the Standard Life Managed Pension Fund. The Pension Lifestyle Profile – Royal Ordnance then gradually moves your investments into combinations of the Standard Life Cautious Managed Pension Fund and the Standard Life Annuity Purchase Fund until, at retirement, you are invested in the Standard Life Annuity Purchase Fund only. This Lifestyle Profile may be suitable for those Members who expect to use their benefits to provide a pension income.

The graph below illustrates how the funds you invest in will vary during the years before your selected retirement date.



For more information about the funds that make up each Lifestyle Profile, including the description, charges and volatility rating, refer to pages 13 to 16.

You should also read the Important information on pages 2 to 4.



Core fund range

The fund descriptions may contain terminology you're not familiar with. Please contact your financial adviser if you need an explanation of the terms used.

Reference to 'our' within the Standard Life fund descriptions, on pages 13 to 16, refers to Standard Life or Standard Life Investments.

The funds described below have been ordered in line with their volatility rating (see page 5). The lower volatility funds are shown first, moving through to the higher volatility funds.

Standard Life Managed Cash Pension Fund

- ▶ Volatility Rating: 1
- ▶ Fund Code: G4
- ▶ Active Fund
- ▶ FMC: 1.00%
- ▶ Effective FMC: 0.40%
- ▶ Additional Expenses: 0.01%

The fund aims to provide a return before charges equivalent to overnight deposits by investing in deposits and short term money market instruments.

The fund price is not guaranteed by Standard Life and there could be circumstances where the fund price may fall. A fall might happen if, for example, there is a default by one of the banks where some of the money is held or where there is an adverse market movement in the value of some of the money market instruments held. A fall may also happen if interest income falls so low as to be less than the charges applied to the fund.

Standard Life Sterling Pension Fund

- ▶ Volatility Rating: 1
- ▶ Fund Code: GS
- ▶ Active Fund
- ▶ FMC: 1.00%
- ▶ Effective FMC: 0.40%
- ▶ Additional Expenses: 0.01%

The fund is intended to provide market leading returns from a portfolio of money market instruments and invests not only in bank and building society deposits but also in a variety of other money market instruments such as Certificates of Deposits (CDs), Floating Rate Notes (FRNs) including Asset Backed Securities (ABSs) where, when purchased, repayment is typically expected within 3 years.

The fund price is not guaranteed by Standard Life and there could be circumstances where the fund price may fall. A fall might happen if, for example, there is a default by one of the banks where some of the money is held or where there is an adverse market movement in the value of one or more of the securities held due to for instance a credit event or where the anticipated repayment term of an asset is extended.

Standard Life Cautious Managed Pension Fund

- ▶ Volatility Rating: 3
- ▶ Fund Code: F8
- ▶ Active Fund
- ▶ FMC: 1.00%
- ▶ Effective FMC: 0.40%
- ▶ Additional Expenses: 0.01%

The fund aims to provide long term growth whilst investing in a diversified portfolio of assets (including equities, bonds, property, cash deposits and money-market instruments) in order to reduce the risk associated with being solely invested in any one asset class. These assets can be from both the UK and overseas. It aims to be less volatile than the Standard Life Managed Pension Fund, investing a higher proportion in assets that are traditionally less volatile (such as bonds). The fund is actively managed by our investment team, who will vary the proportions held in each asset class to try to take advantage of opportunities they have identified.

Standard Life Annuity Purchase Fund

- ▶ Volatility Rating: 3
- ▶ Fund Code: F9
- ▶ Active Fund
- ▶ FMC: 1.00%
- ▶ Effective FMC: 0.40%
- ▶ Additional Expenses: 0.01%

This fund has a very different aim from most other investment-linked funds. It is designed for investors approaching retirement and considering purchasing a fixed annuity. It aims to reduce the effect of changes in long term interest rates on the value of annuity that can be purchased. The fund invests predominantly in bonds whose prices are normally expected to rise and fall broadly in line with long term interest rates, which in turn are one of the major factors affecting the cost of purchasing an annuity. The fund does not provide any guarantee in relation to the level of annuity you will be able to purchase at retirement. It also does not protect against changes in the cost of purchasing an annuity that arise due to changes in life expectancy.

Please note that this fund may not be suitable for everyone and there may be more suitable alternative funds for those who intend to buy an annuity that increases each year at a rate linked with inflation.

Standard Life Managed Pension Fund

- ▶ Volatility Rating: 5
- ▶ Fund Code: FA
- ▶ Active Fund
- ▶ FMC: 1.00%
- ▶ Effective FMC: 0.40%
- ▶ Additional Expenses: 0.01%

The fund aims to provide long term growth whilst investing in a diversified portfolio of assets (including equities, bonds, property, cash deposits and money-market instruments) in order to reduce the risk associated with being solely invested in any one asset class. These assets can be from both the UK and overseas. The fund is predominantly equity based and is actively managed by our investment team, who will vary the proportions held in each asset class to try to take advantage of opportunities they have identified.

Standard Life FTSE* Tracker Pension Fund

- ▶ Volatility Rating: 6
- ▶ Fund Code: G6
- ▶ Passive Fund
- ▶ FMC: 1.00%
- ▶ Effective FMC: 0.35%
- ▶ Additional Expenses: 0.01%

The fund (before charges and tax) aims to closely track the performance of the FTSE All-Share Index, allowing for reinvestment of dividends. The fund invests in a broad spread of the UK listed equities which are constituents of the FTSE All-Share Index.

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Standard Life Global Equity 50:50 Tracker Pension Fund

- ▶ Volatility Rating: 6
- ▶ Fund Code: H8
- ▶ Passive Fund
- ▶ FMC: 1.00%
- ▶ Effective FMC: 0.35%
- ▶ Additional Expenses: 0.01%

The fund (before charges and tax) aims to closely track the performance of an index composing of 50% FTSE All-Share Index and 50% FTSE World ex UK Index (£), allowing for reinvestment of dividends. The fund invests in a broad spread of equities which are constituents of the FTSE All-Share Index and the FTSE World ex UK Index (£). The return of the fund will be affected by exchange rate fluctuations.

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Find out more

If you'd like more information on the products or services within this literature, or if there's anything more Standard Life can help you with, just call them on this number or visit their website.

Call us on 0845 271 9501

(Mon-Fri, 9am to 5pm). Call charges may vary and calls may be recorded and/or monitored to help improve customer service.

www.standardlife.co.uk

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