RNPFN Managed Growth Fund

Investment Report 2017

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This information does not constitute investment advice and we recommend that you speak to a suitably qualified financial adviser before making any investment decision based upon this, or any other information.

This report provides information on the performance of the RNPFN Managed Growth Fund for 2017. Investment Bonds and Maximum Investment Plans taken out by customers of RNPFN (prior to its acquisition by LV=) invest in this fund.

Columbia Threadneedle Investments

Since 1 November 2011 the asset management of our funds has been undertaken on our behalf by Columbia Threadneedle Investments. Columbia Threadneedle is responsible for the day to day management of the assets within investment guidelines set by LV=.

Columbia Threadneedle is a leading international investment manager that manages £366bn of assets (as at 31 December 2017), investing on behalf of individuals, pension funds, insurers and corporations. Columbia Threadneedle is the global asset management group of Ameriprise Financial, a leading US-based financial services provider. Columbia Threadneedle's website address is **columbiathreadneedle.co.uk.**

Unit Price and Fund Performance

Within the following pages you'll find information on the Managed Growth Fund including how it has performed, recent unit prices and the assets it invests in.

You can find useful information including the current unit price of the fund on the Managed Growth Fund pages on our website at **LV.com/rnpfn**. The annual statement for your Investment Bond or Maximum Investment Plan will show you the number of units, the unit price and the value of your policy at the statement date.

You need to be aware that the value of your investment can go down as well as up. A large proportion of the Managed Growth Fund is invested in equities and therefore significant changes in value are to be expected.

The information in this Investment Report should be read alongside your Policy Conditions, Key Features document and your annual statement.

Performance Review

In 2017 the performance of the fund was strong for the second year in a row, helped by the higher investment in equities compared to fixed income. Increased investment in Asia Pacific, and Japanese equities were particularly beneficial. The US and Europe excluding UK equity portfolios lagged their respective benchmarks, but other investments such as corporate bonds and cash also outperformed theirs. Overall the fund produced a gross return of 12.6% which was above the benchmark.

During the year marginal net sales of UK and US equities in 2017 allowed for an increased investment in overseas equity markets such as Europe and Asia. The investment in Japanese equities was also increased due to the positive outlook for these. The Asia Pacific portfolio performed strongly with stock selection driving the outperformance. This was strongest in China, Hong Kong and India. Holdings in a number of leading Chinese companies such as Ping An (insurance), Alibaba (e-commerce), and Tencent (internet services) also boosted returns.

The UK equity portfolio struggled during the latter part of the year with sector positioning the main determiner of relative performance. The lower investments in financials and materials were unfavourable, as was the higher amount invested in healthcare. Positive selection effects in consumer staples (such as food and household goods), healthcare, IT and real estate were overshadowed by negative selection elsewhere, most notably in telecoms, materials, energy and utilities.

The investment within the US equity income portfolio did not perform as well as the broader market. US equities have been led by technology and energy, both areas which the fund has been light of during the past year. The European excluding UK portfolio also came in slightly behind its benchmark with stock selection being the main issue, particularly in the consumer discretionary, industrials and energy sectors.

In fixed income 2017 continued to be a strong year for UK corporate bonds, and the two underlying credit funds both outperformed their respective benchmarks. The investment in UK gilts increased slightly during the latter part of the year, but the yields were lower than in 2016.

Unit Price and Performance

Two unit prices are calculated weekly. The higher one is called the ‘offer’ price and the lower one is called the ‘bid’ price. The difference between the two is approximately 5%. Units are allocated to your plan at the ‘offer’ price and encashed at the ‘bid’ price.

The table below shows the ‘bid’ prices at the end of each calendar year for the last five years.

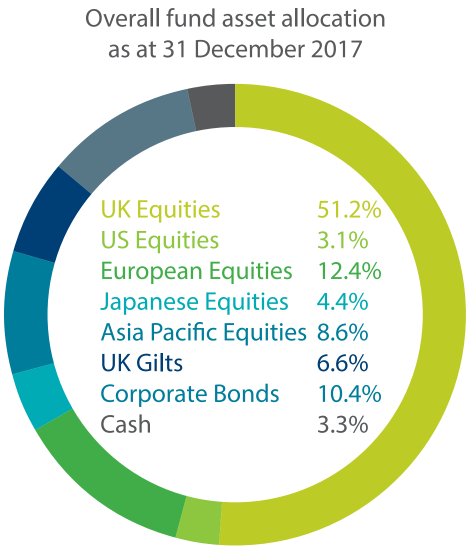
Fund price date	**31 December 2017**	31 December 2016	31 December 2015	31 December 2014	31 December 2013
Bid price	**£5.302**	£4.806	£4.246	£4.138	£3.983
Growth % for the 12 months to date shown	**10.3%***	13.2%	2.6%	3.9%	16.6%

* The growth % of the bid price is less than the growth % of the fund shown above because the bid price includes the impact of tax and charges.

The latest bid price can be found on our website at **LV.com/rnpfn** or by contacting us.

Please remember that past performance doesn’t necessarily reflect what will happen in the future.

Asset Allocation



Value of the Managed Growth Fund

The value of the fund at 31 December 2017 was £137.5m.

Charges

The following deductions are made from the Managed Growth Fund:

- an annual charge of 0.75% of the value of the fund, taken into account when calculating the unit prices;
- the costs incurred when buying, holding and selling the assets in the fund; and
- any tax and other levies borne by the fund.

There is an initial charge of 5% when money is invested in the fund, allowed for when calculating the offer price. In addition, both the bid and offer prices may include a rounding adjustment of up to 1%.

Full details of product charges can be found in your Key Features document.

Market and Economic Review

During 2017 global equities enjoyed a strong year, while global bonds made smaller gains. Synchronised global growth, strong corporate results and, towards the end of the year, expectation of US tax reform buoyed equities and helped corporate bonds outperform their government counterparts.

Key central banks made steps towards normalising their monetary policy, following the use of more unconventional methods in recent years to keep their economies stable. Faced with a strengthening Eurozone economy, the European Central Bank announced it would halve its bond buying programme from January 2018. The Bank of England also took action, raising interest rates in November for the first time in a decade, in a bid to control inflation. Meanwhile the US Federal Reserve made three 0.25% interest rate increases over the year. None of these moves fazed the market, a good sign of the increasing health of global economies.

In the US the dollar weakened, in part due to fading optimism about President Trump's ability to deliver his reform agenda. However, the president scored a notable win at the end of the year when Congress passed his tax-cutting bill and anticipation of this helped boost US equities to fresh highs in December. The S&P 500 returned 21.8% in dollar terms (11.3% in sterling) helped to record highs by better-than-expected company earnings against a solid domestic economic backdrop.

In Europe, European excluding UK equities trailed behind global averages, despite strong economic performance in the region. A stronger euro impacted the outlook for exporters, whilst investors were also unsettled by bouts of political uncertainty. The FTSE Europe excluding UK returned 15.2% (17.5% in sterling terms). UK equities also lagged, as Brexit-related concerns weighed on the market although the pound recovered some of its post-referendum losses. The FTSE All-Share gained 13.1% for the year in sterling terms.

Japanese equities rallied in response to strong earnings and anticipation that Prime Minister Abe's election victory would ensure further economic stimulus including increased public spending. Asia Pacific and emerging-market equities enjoyed a strong year, boosted by the weak dollar and improvement in the global economy. Korea and China were especially strong, while Mexico and Russia lagged. The MSCI AC Asia Pacific excluding Japan returned 30.5% in local terms (25.4% in sterling) and the MSCI Emerging Markets returned 31.0% (25.8% in sterling).

Market and Economic Outlook

With reasonable economic growth and only gentle rises in inflation in most regions, a ‘Goldilocks economy’ best describes the current global economic environment. In other words the global economy is not sufficiently hot to need aggressive monetary tightening, nor so cold as to create fears of another economic recession.

For now we anticipate that these conditions will persist. Equity valuations are reasonably high, but are supported by expected future growth and earnings.

In Europe and the UK, companies are taking part in increasingly unfriendly bond activity, such as Mergers & Acquisitions, which can lead to the price of bonds falling. Because of this the outlook is perhaps less positive than it was.

There are a range of events which could upset the apple cart. From a monetary perspective, the global issues include quantitative tightening in the US, higher Eurozone interest rates and the reduction of the European Central Banks bond buying programme. From a political perspective risks include a China trade war, the threat from North Korea and renegotiation of the North American Free Trade Agreement (NAFTA).

The outlook for Japanese equities appears positive, with factors supporting this including: increased strength in corporate earnings, better shareholder returns being driven by corporate reforms (allowing companies to function in a similar way as US corporations), firm economic expectations, and reduced political risk following Prime Minister Abe’s re-election.

You can get this and other documents from us in Braille or large print by contacting us.