

Link Fund Solutions
Governance Advisory Arrangement

Annual report to unit-holders
of the

LF Personal Pension Trust
Year-ended 31 December 2017

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1. Chairman's report

I am pleased to present the 2017 annual report of the independent governance committee of the LF Personal Pension Plan. The committee is known for technical reasons as a “governance advisory arrangement” or “GAA” and its sole objective is to ensure that you are getting “value-for-money” out of your pension plan and in your dealings with Link Fund Solutions Limited (“Link”).

Although you (or your employer) will have taken out the original policy through Jessop Fund Managers Limited, the pension plan itself has been managed and administered by Link since last autumn. In practice, these are the same people you will have been dealing with for several years but the original company, Jessop Fund Managers Limited (as part of a larger group), was taken over by Capita Asset Services Limited in 2016, who themselves were acquired by Link in 2017.

During the year, Link (initially as “Capita”) implemented plans that had been disclosed in our previous report, such that three of the existing funds (Multi-Asset, Cautious and Cash) would be maintained, all equity funds were amalgamated into a single Global Equity Index fund and all bond funds were consolidated into a single Gilt fund. This process completed on 31st March 2017.

Your Committee was consulted about various stages of the process, which were approved by the Financial Conduct Authority. We note that the costs of this process were as set-out in the investor communication.

We are also pleased to report that there have been some reductions in charges as a result of the restructuring and, as requested last year, we have seen removal of the fixed charge that was previously associated with setting up the cash fund draw-down facility.

The introduction, in early 2018, of the “Markets in Financial Instruments Directive II” (“MiFid II”) proved challenging and time-consuming for most financial services companies and, together with further changes in company ownership during the year, meant that progress was slow in addressing some of the concerns that we raised last year. This has meant that some of the areas requiring attention last year remain outstanding, with issues around life-styling, charges in some areas and the similarity in risk profile between the Multi-Asset Fund (which had a good year) and the Cautious Managed Fund (which didn't).

Over the next year, we would also like to consider the impact of environmental, social and corporate governance decisions on the fund along with greater transparency of transaction costs.

We believe that today, the portfolio is effectively streamlined and is delivering better value-for-money than previously. We continue to work with the Company to achieve further improvements in value-for-money.

Christopher J Murray FPMI, Dip PFS
Chairman

Investment Review 2017

Default Investment Strategies

Historically, the majority of contributions were channelled into funds managed by either Gartmore or Aberdeen. 81.1% of the assets (by value) are held in the Multi-Asset and Cautious Managed Funds.

At the start of the year, CFML administered the CF Personal Pension Trust and there were a range of 14 funds open to investors. Day to day investment management of the underlying assets was outsourced to a number of institutions. On 31st March 2017, the number of funds was consolidated from 14 funds to 5 funds. During rationalisation of the funds, charges for some of the funds changed.

On 3rd November 2017, CFML funds became Link Fund Solutions Limited and the funds were rebranded as “LF” funds. This process was approved by the Financial Conduct Authority. The underlying assets remained fully invested throughout the process.

The funds now available to members are:

- LF Multi-Asset Fund
- LF Cautious Managed Fund
- LF Cash Fund
- LF UK Gilt Fund
- LF Global Equity Index

The Committee has therefore concentrated on these funds, with a view to establishing whether or not they are appropriate.

We note that members of the Scheme were offered lifestyling in 2012 but only a minority took up the opportunity. The Committee feels that Link should remind members periodically about lifestyling and the benefits of de-risking. The primary objective is to reduce the risk of members experiencing excessive volatility in the value of their pension funds as they approach retirement (i.e. when members crystallise their funds).

Suitability of funds

Over the year to 31st December 2017, the members have seen the funds rationalised and the table below shows how the funds have been consolidated.

<i>Old Personal Pension Fund</i>	<i>New Personal Pension Fund</i>
CF Cash	LF Cash
CF Index Linked Gilt	LF UK Gilt
CF UK Gilt	
CF Emerging Markets Opportunities	LF Global Equity Index
CF Japan Opportunities	
CF Pacific Opportunities	
CF US Growth	
CF Global Growth	
CF European Growth	
CF UK Index	
CF UK and Irish	
CF UK Growth	
CF Cautious Managed	
CF Multi-Asset	LF Multi-Asset

In addition, within LF Multi-Asset Personal Pension Fund there was a change of mandate to the Aberdeen Diversified Growth fund as of 31st March 2017.

In the Committee's view, investment philosophy and processes should be driven by the needs of members. However, there has been no research on the risk profile of the members and their financial objectives during the year. We have therefore made assumptions about the needs of the majority of members, depending on their ages, and financial planning strategies for those approaching retirement age.

The factors one would normally take into account when identifying a suitable default fund are as follows: -

- 1) Time horizon
- 2) Risk profile
- 3) Financial knowledge and experience of the members
- 4) Liquidity
- 5) Return targets

During the 2017 calendar year, funds have experienced change in some cases, and our report concentrates on the performance of assets since 31st March 2017, where there has been a change in the mandate.

Return-seeking managed funds - LF Multi-Asset and Cautious Managed

The LF Multi-Asset Fund is now benchmarked to achieve a return of 4.5% per annum above cash, specifically 1 month LIBOR, gross of fees. A secondary measure for the fund is the Investment Association's Mixed Investment 20-60% Sector Median.

The LF Cautious Managed Fund is still benchmarked against “Pension Mixed Investment 20-60% Shares”. Within these benchmarks, the allocation to equities can be relatively wide, so investors need to consider other aspects of performance in addition to investment returns.

Although no data is currently available regarding the financial knowledge and experience of participants, the Committee does have information about the number of members invested in each fund, their ages and the average value of their holdings for the last three years.

As at 31st December 2015

<i>Fund</i>	<i>Number of Members</i>	<i>Value</i>	<i>Value per member</i>	<i>Average Age</i>	<i>Weighted average</i>
CF Multi-Asset Personal Pension Fund	8,801	154,022,325	17,501	50.0	52.0
CF Cautious Managed Personal Pension Fund	2,180	37,630,579	17,254	48.0	52.0

As at 31st December 2016

<i>Fund</i>	<i>Number of Members</i>	<i>Value</i>	<i>Value per member</i>	<i>Average Age</i>	<i>Weighted average</i>
CF Multi-Asset Personal Pension Fund	8,214	165,296,894	20,124	51.3	53.5
CF Cautious Managed Personal Pension Fund	2,063	38,795,563	18,805	49.3	53.3

As at 31st December 2017

<i>Fund</i>	<i>Number of Members</i>	<i>Value</i>	<i>Value per member</i>	<i>Average Age</i>	<i>Weighted average</i>
LF Multi-Asset Personal Pension Fund	7,510	160,814,300	21,413	51.4	53.6
LF Cautious Managed Personal Pension Fund	1,920	35,519,876	18,500	49.0	52.8

“Weighted average” is the average age of members, weighted to reflect the value of the assets they hold; i.e. a larger fund will attract a higher weighting.

The selected retirement ages for those in workplace schemes with Link are between 60 and 65. We have identified that the time-frame for these investments (before they will be drawn upon) is likely to be between 7 and 12 years, based upon the weighted averages.

We would expect the weighted average age of members using the Multi-Asset Fund to be the younger of these two return-seeking funds, on the grounds that their fund is now the prime return-seeking asset. The Cautious Managed Fund was created to provide an interim fund between the long term return-seeking asset and the defensive assets, the Cash and UK Gilt funds. The change of strategy for the Multi-Asset fund has reversed this.

Volatility of the Cautious Managed Fund over the 9-month period to 31 December 2017 is the similar to the Multi-Asset fund. On the grounds that volatility is the correct measurement of risk, the assumption is that their future returns should reflect the risks taken. Both funds have been allocated to the Mixed Investment 20-60% sector, which reinforces the thesis that their future returns should be comparable over the long term. The funds have different investment strategies and asset allocations so they may behave differently in the future. We will continue to monitor the funds and measure the outcomes.

Our working assumptions forces us to question the suitability of the Cautious Managed fund in the role assigned within the life-styling profiles, after the changes implemented by Link.

Over the year the equity allocation in the Multi-Asset Fund has dropped substantially, and is currently about 30%. So far the fund has worked well, but the holdings differ from a traditional multi-asset fund. To date, the volatility of this fund has been low. Time will tell if this approach will work in more volatile market conditions.

There are 284 members over age 65 holding units in the Multi-Asset fund, with an average fund value of £33,000. We would encourage Link to approach these members to ensure they understand that the risk profile of the fund is medium risk, and may not be appropriate to them.

The Committee considers that most members in the Multi-Asset and Cautious Managed funds appear to be holding assets that are suitable for them, based on their ages and the length of time before their money is expected to be used to generate retirement benefits.

The cumulative performance of these two funds (i.e. total return) is shown below, over various periods to 31 December 2017.

<i>Fund performance to 31st December 2017</i>	<i>3 months</i>	<i>6 months</i>	<i>9 months</i>
LF Multi-Asset Personal Pension Fund	2.70%	3.49%	6.02%
<i>LIBOR +4.0% per annum, net of expenses</i>	0.35%	1.09%	3.22%
<i>IA Mixed 20-60%</i>	1.02%	2.28%	2.87%

<i>Fund performance to 31st December 2017</i>	<i>3 months</i>	<i>6 months</i>	<i>9 months</i>	<i>1 years</i>	<i>3 years</i>	<i>5 years</i>
LF Cautious Managed Personal Pension Fund	1.74%	2.47%	3.29%	5.12%	13.28%	33.85%
<i>Pensions Mix 20% - 60%</i>	1.26%	2.58%	3.65%	6.56%	20.62%	38.39%

The colour coding outlines the quartile position of the fund relative to its peers

1st Quartile
2nd Quartile
3rd Quartile
4th Quartile

LF Multi-Asset fund has performed well since 31st March 2017, in that its returns are satisfactory relative to the two measures.

The position is less rosy for the Cautious Managed fund over the last year, with the longer term record disappointing. Before making a judgement we need to consider the risk metrics of each fund.

The table for the Multi-Asset fund uses three measures of fund behaviour over 9 months between 31st March 2017 and 31st December 2017, as the previous data is not relevant. For the Cautious Managed fund we have looked over the 5 years to 31 December 2017.

<i>Fund performance to 31st December 2017</i>	<i>Volatility</i>	<i>Jensen's Alpha</i>	<i>Maximum Drawdown/Fall</i>
LF Multi-Asset Personal Pension Fund	3.83	3.62	-1.27%
<i>LIBOR +4.0% per annum, net of expenses</i>	0.02	0	-1.21%
<i>IA Mixed 20-60%</i>	3.42	0	-1.21%

<i>Fund performance to 31st December 2017</i>	<i>Volatility</i>	<i>Jensen's Alpha</i>	<i>Maximum Drawdown/Fall</i>
LF Cautious Managed Personal Pension Fund	6.55	-2.02	-9.84%
<i>Pensions Mix 20% - 60%</i>	5.31	0	-7.88%

Glossary

The Committee has selected three fund characteristics to help members appreciate the risks and the rewards of their selections.

“Volatility” illustrates the level of risk in each fund. The unit price will vary from day to day and will oscillate around the average returns for the period. Deviation against long-term averages will provide a measure of risk; greater deviation in the unit price = higher volatility = higher risk. Ideally, a fund will have a deviation in line with (or less than) its benchmark, which is highlighted in light blue. The lower the volatility, the higher will be its quartile ranking.

Where a fund is more volatile than the benchmark index, an investor should expect to achieve a higher return, relative to that index. This is to compensate the investor for the higher level of risk.

“Jensen's Alpha” (“Jenson’s Information Ratio”) is a measure of the marginal return a fund has achieved, relative to its peer group, i.e. other comparable funds, net of fees, adjusted for volatility (hence risk). The ratio provides investors with a simple measure of whether a fund manager has performed better (or worse) than his peers, allowing for the risks taken. It may be regarded as a measure of the skill of a fund manager. Ideally, the value should be above zero and a higher number is better.

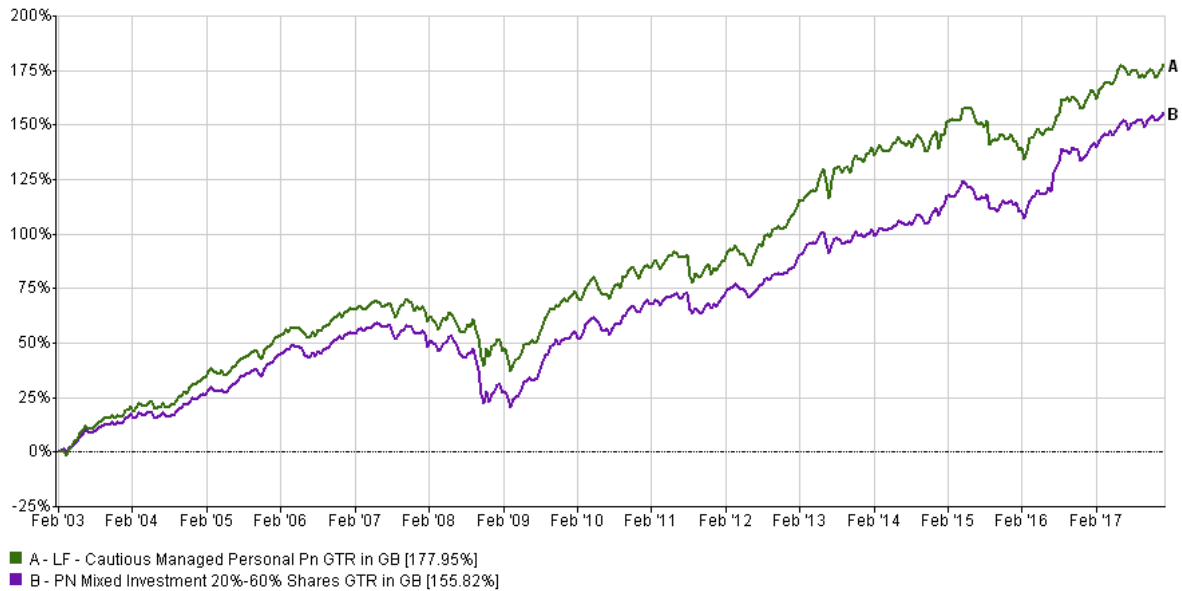
“Maximum drawdown/fall” is the maximum percentage loss incurred by unit-holders. The Committee has taken the maximum unit price and compared it with the minimum price over the period. The purpose is to provide investors with an assessment of the maximum potential loss of capital, assuming no further contributions are made to the fund over the remaining period. The greater the fall, the higher will be the down-side risk associated with owning that asset during the period. A top quartile rating is given to funds with the lowest fall in fund value.

The quartile positions reflect where the fund stood at 31 December 2017, relative to its peers, using the main units for each fund.

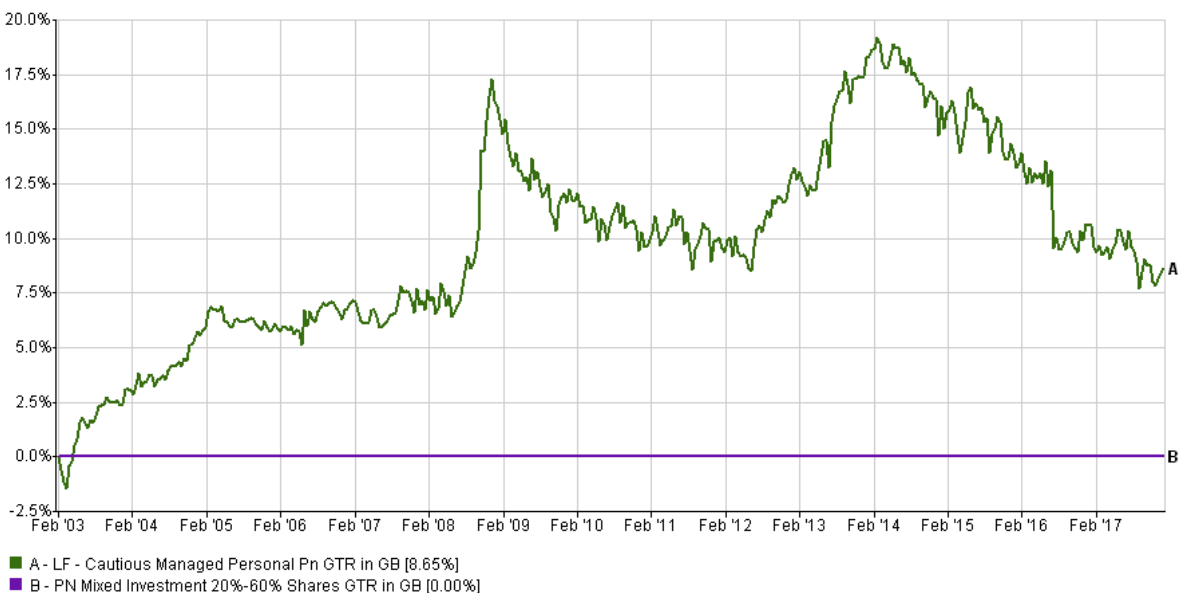
Cautious Managed Fund

The overall performance and characteristics of the Cautious Managed Fund have taken a turn for the worse over the last few years, in that the volatility and the drawdowns of the fund have been higher than the benchmark. While we appreciate the fund manager is always taking a medium to long term view on the assets held, there are likely to be periods when relative returns will be poor. That was the case in 2017, with marginal underperformance of 1.44% over the year, net of charges. The outcome is better than the previous year.

The manager of this fund is Chris Burvill, who has managed the fund since its launch in 2003. The chart below shows generally positive performance of the fund within its sector, the “Pensions Mixed Investment 20-60% Shares” sector, over the period since February 2003.



Although returns have been positive, unit-holders should be mindful that there have been periods of relative underperformance as we have seen over the last year. To illustrate this point the chart below shows the relative returns of the Cautious Managed Fund against its peers, where the benchmark has been flat-lined.



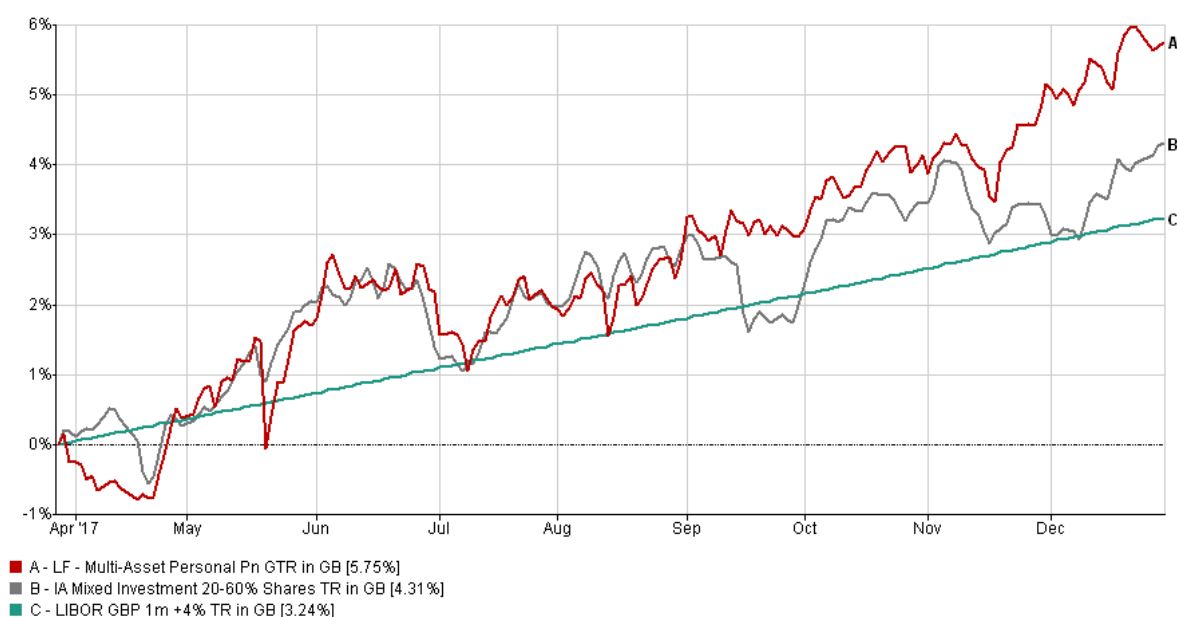
Whilst a variance is expected, we remain concerned about how each cohort of membership is likely to experience a significant difference in the size of their pension funds at retirement, when making the same contributions but starting at different times.

The Committee feels that the variance in returns is within acceptable limits for a fund with its investment philosophy, investment process and management. However we feel that unit-holders should be made aware of the variance in the returns against the benchmark due to the way the money is managed.

Although only 9 months of data is available, the volatility of the Cautious Managed and the Multi-Asset funds is 3.80 and 3.83 respectively. This issue has been raised as a potential concern, in that investors are being offered two funds whose risk profiles are very similar.

Multi-Asset Fund

Since inception of this fund, its performance has been satisfactory, as illustrated by the chart below, which shows investment returns since commencement of the current investment mandate, relative to its peers.



29/03/2017 - 29/12/2017 Data from FE 2018

This chart shows some volatility in fund performance since the change in management. Substantial variances in returns in the opening month or so were attributable to the restructuring of the fund taking place over a number of weeks. Since the portfolio has been in place, it has performed in line with expectations.

Return Seeking Fund - Global Equity Index

The Global Equity Index fund is solely allocated to the L&G International Index Fund, replacing a myriad of regional funds.

The table below shows the membership profile of those who hold the fund, along with their ages.

Fund	Number of Members	Value	Value per member	Average Age	Weighted average
LF Global Equity Index	834	22,961,172	27,531	49.5	52.5

At first sight, the fund is appropriate for the membership. As highlighted in the past unit-holders should be reminded of the risk profile of this fund, suggesting that the members consider obtaining financial advice if they are over the age of 60 and continue to hold the fund.

The underlying fund, gross of charges, continues to track its benchmark index, with a low tracking error. Variations in returns since 31st March 2017 and 31st December 2017 reflect the impact of charges and timing differentials in fund pricing (noon every day for the fund and at the close of each day for the index). The tables below summarise the performance characteristics:

<i>Fund performance to 31st December 2017</i>	<i>3 months</i>	<i>6 months</i>	<i>9 months</i>
LF Global Equity Index	5.96%	6.28%	6.44%
Pensions Global Equity	5.07%	6.24%	7.86%
<i>FTSE All World</i>	5.10%	7.10%	7.61%

<i>Fund performance to 31st December 2017</i>	<i>Volatility</i>	<i>Jensen's Alpha</i>	<i>Maximum Drawdown / Fall</i>
LF Global Equity Index	8.92	-2.84	-3.22%
Pensions Global Equity	7.12	0	-2.42%
<i>FTSE All World</i>	9.04	-1.8	-3.46%

De-risking funds - Cash and UK Gilt

The Cash and UK Gilt funds have a clearer investment strategy. They are invested in two separate asset classes, each with its own benchmark index. Investment in each of the funds is shown below at 31st December 2017, along with an analysis of investors.

<i>Fund</i>	<i>Number of Members</i>	<i>Value</i>	<i>Value per member</i>	<i>Average Age</i>	<i>Weighted average</i>
LF Cash	928	7,299,085	7,865	55.2	60.1
LF UK Gilt	838	11,276,219	13,456	53.6	59.4

The weighted average age of unit-holders in each fund is in line with expectations.

The funds returns are shown below.

<i>Fund performance to 31st December 2017</i>	<i>3 months</i>	<i>1 year</i>	<i>3 years</i>	<i>5 years</i>	<i>10 years</i>
LF Cash Personal Pension Fund	0.00%	-0.01%	0.31%	0.46%	4.06%
<i>Pensions Cash</i>	0.09%	0.12%	0.82%	1.47%	7.19%
<i>LIBOR 1 month</i>	0.11%	0.30%	1.21%	2.21%	10.41%
LF UK Gilt Personal Pension Fund	2.07%	1.07%	9.77%	15.30%	66.47%
<i>Pensions UK Gilts</i>	1.95%	1.09%	10.73%	19.47%	65.35%
<i>FTSE UK Conv Gilts</i>	1.97%	1.83%	12.73%	23.31%	74.94%

Performance of the Cash fund is in line with expectations, i.e. at a discount to the benchmark returns. Again we would encourage correspondence with the unit-holders to remind them of the current position, re the returns and the impact of inflation.

The UK Gilt fund has been disappointing in that it has substantially underperformed its benchmark index. The risk metrics below indicate that additional risks have been taken yet unit-holders have not been rewarded over the five years to 31st December 2017.

<i>Fund performance to 31st December 2017</i>	<i>Volatility</i>	<i>Jensen's Alpha</i>	<i>Maximum Drawdown/Fall</i>
LF UK Gilt Personal Pension Fund	6.56	-0.31	-10.56%
<i>Pensions UK Gilts</i>	6.12	0.00	-8.53%
<i>FTSE UK Conv Gilts</i>	6.39	0.79	-8.22%

The UK Gilt fund has underperformed its benchmark index. The risk metrics below indicate that additional risks have been taken yet unit-holders have not been rewarded over the five years to 31st December 2017. The underlying fund has a low tracking error versus its benchmark index. In reality most of the underperformance is down to the impact of the charges. The other reason for the variances in the performance is the impact of the timing of when the fund is priced, at mid-day, and the index, which is priced at the end of the day. The fund is performing in line with expectations.

Charges (default funds)

Charges for the default funds ought to be competitive on the grounds that they attract the most assets. The following charges have applied to members of the LF Personal Pension Trust:

- Initial charge
There are no initial charges.
- Annual Management Charge (“AMC”)
This charge is dependent upon which fund is selected. The AMC is deducted from the assets of a fund and is taken into account when calculating the daily unit price. It is not deducted from individual plans.
- The Operating Charge (“OC”)
The Operating Charge is set out in the report and accounts for these funds and reflects the total costs of operating the fund.

Annual Management Charges

Return-seeking funds

The table below sets out annual management charges for the three return-seeking funds, their total expenses ratios and discounts available

<i>Fund</i>	<i>Annual Management Charge</i>	<i>Operating Charges Ratio</i>
LF Multi-Asset Personal Pension Fund	1.25%	1.25%
LF Cautious Managed Personal Pension Fund	1.00%	1.11%
LF Global Equity	1.00%	0.99%

Operating Charges Ratios have been taken from the last report and accounts for the year ended 30th September 2017. Charges for the managed funds have been reduced since last year, which is to be welcomed, but the overall charges are still higher than the Committee would like to see.

De-risking funds

The LF Cash Personal Pension Fund and the LF UK Gilt Personal Pension Fund are both used within the later stages of the life-styling process. Charges for these funds are shown below.

<i>Fund</i>	<i>Annual Management Charge</i>	<i>Operating Charges Ratio</i>
LF Cash Personal Pension Fund	0.30%	0.38%
LF UK Gilt Personal Pension Fund	0.75%	0.72%

Over the last year the charges for these funds has reduced, which is again to be welcomed, especially for the cash fund where the rates of interest are so low.

Liquidity

All of these funds continue to provide daily liquidity to investors and there are no reports of members being unable to buy or sell funds during the period.

Summary

The performance of the Cautious Managed Fund has been somewhat disappointing in 2017 relative to its peers, yet the risk profile of the fund appears to have been higher than the benchmark index. The Multi-Asset Fund has seen strong absolute returns since the change in mandate.

The main issue is that seemingly the volatility, and therefore the risk profile, of these two funds is very similar. Hence, one must question the merit of offering both funds. We will continue to monitor the behaviour of these funds. Please note that they are not targeting the same risk profile, but they do share benchmarks.

The Global Equity Index fund is performing in line with expectations. Weightings of the underlying stock markets mean that the fund has a substantial exposure to the US market. We believe that communicating this to members is key.

The Committee considers that the Cash and UK Gilt funds have performed satisfactorily. Link has worked hard to reduce costs for these funds.

We have some concerns about the future; for the Cash fund, there is a continuing struggle to secure any positive return in the current market environment. In the case of the UK

Gilt fund, if the bull-run we have seen in bond markets reverses, unit-holders may experience a capital loss, even after taking into account reinvestment of income.

For the Cash and UK Gilt Funds, we believe that positive engagement should be sought with unit-holders about current market conditions and their potential impact on the price of units (and therefore the value of the member's pension pots) as they approach retirement.

In the case of the UK Gilt fund, investors should be made aware of the implications of investing in a fund in that will not fully hedge pension annuity rates, since its duration is too short.

Other potential charges

All administration costs are included within each fund's annual management charge.

Currently, Link makes no explicit charge for the following transactions:

Transaction
Plan set up
Transfer-in
Transfer-out to UK scheme
Transfer-out to overseas scheme
Fund Switch
Pension Splitting on Divorce
Small pot lump sum payment
Account closure fee
Arranging death benefits
Annual Statements
Duplicate copies of correspondence
Account closure

Whilst Link does not currently charge for any of the above, it reserves the right to do so in the future. The processing of pension sharing orders, for example, can be particularly complex and a specialist's technical input may be required. All fund switches take place using single swinging prices.

Members may find comparing Link's costs with other providers' products challenging because products with a lower AMC may charge administration fees for transactions that Link currently provides at no extra cost.

Liquidity

All funds continue to provide daily liquidity to investors and there were no reports of members being unable to buy or sell funds during the period.

Customer Experience

The Customer support offered to the Personal Pension Trust has been a key part of the service and one which appears to be highly valued by the members. The team remained largely in place following the transfer from Jessops to Capita, and we understand that it is

to be kept in place going forwards, although this function continues to be outsourced to Capita rather than transferred to Link.

The Committee will continue to monitor the performance of the team and review whether or not its positive contribution is maintained - this may be difficult to achieve as time passes and the connection with the Personal Pension Trust reduces.

The record on transactions, errors and complaints remains good, with a limited dip in service around the time of the asset transition which related to a small number of information packs being included in the wrong envelopes. While this amounted to a breach of data protection requirements it was due to a “one-off” human error rather than a systems error. The error was identified and dealt with promptly to the satisfaction of the individuals concerned, as well as being notified promptly to the Committee.

It is noted that the team handled extremely well the increase in volume of queries as a result of the asset transition.

Transaction Errors	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
Recorded Errors	0	0	0	3	0	0	0	0	0	0	0	0
Errors requiring remedial activity	0	0	0	3	0	0	0	0	0	0	0	0
Cost of remedial activity funded by Capita	0	0	0	55.35	0	0	0	0	0	0	0	0

Complaints	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
Brought forward	0	0	1	2	0	0	0	0	0	0	0	0
Received	0	2	4	2	0	2	1	0	0	3	0	1
Closed	0	1	3	4	0	2	1	0	0	3	0	1
Upheld	0	1	1	1	0	0	0	0	0	3	0	0
Carried forward	0	1	2	0	0	0	0	0	0	0	0	0

Standard of telephony Service	Target SLA	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
% of calls answered within 20 seconds	0.8	91.1	79.1	88.3	92.1	90.4	94.3	91.3	91.1	94.6	87	91.9	93
% of calls abandoned	Less than 5%	3.1	4.4	1.8	0.8	1.9	1.3	2	1.4	1.3	4.3	2.7	0.4

3. Areas requiring attention

Over the review year a significant restructuring of the investment funds has taken place. On 31st March 2017, the number of funds was consolidated from 14 funds to five.

In our last report, we identified a need for clear financial objectives for each fund, with corresponding investment mandates and specific benchmarks against which performance could be measured. Whilst this has now been done, the mandates continue to remain under review.

The performance of the Cautious Managed Fund has been somewhat disappointing in 2017 relative to its peers, yet the risk profile of the fund appears to have been higher than the benchmark index. The Multi-Asset Fund has seen strong absolute returns since the change in the mandate.

The Committee is concerned that the risk profiles, reflected in the volatility of the Cautious Managed Fund and the Multi-Asset Fund, are very similar. This raises a question over the diversity benefits of offering both funds. It is recognised that whilst they do not specifically target the same risk profile, they have adopted the same benchmarks. We will continue to monitor the behaviour of these two funds.

Charges

Last year we asked for a review of the fixed charge for implementation of the cash fund drawdown facility. We are pleased to report that this charge was removed from April 2017.

Charges for the managed funds have fallen from the previous year, which is to be welcomed, although overall charges are still higher than the Committee would like to see. Charges for the LF Cash and UK Gilt funds have also reduced, which again is to be welcomed, especially for the cash fund where the rates of interest are currently so low.

Transaction costs are routinely excluded from total expense ratios by all fund managers. These apply to the underlying funds; they are not imposed by Link Group. However, these charges still impact on overall investment returns and, we believe, need to be visible. The FCA has also shown a keen interest in bringing these costs into the open and we hope that Link Group will be able to obtain this information from its investment managers in future.

Life-styling Options

Last year, the Committee highlighted the need to review life-styling options for members particularly in the light of "pension freedoms" that were introduced by the Government in 2015. This has yet to be undertaken. Over the coming year, we would like to see:

- Analysis of how unit-holders are taking their benefits;
- A review of the default investment strategy so that the outcome of the above analysis can be properly reflected, which would make the strategy more suitable for the majority of unit-holders;
- Currently, all lifestyle options (not just the default strategy) are geared towards to annuity purchase; we would like to see at least some of these geared towards generating cash at retirement.

Environmental, social and governance issues

Over the next year, we would also like to consider the impact of environmental, social and corporate governance decisions on the funds.

Appendix 1 - Constitution of GAA Committee

The Committee is comprised of four independent members and one member appointed by JFM. FCA guidance was observed over selection of the employer-appointed member. Committee members during the year were:



Christopher Murray (Chair)

Director of Smith & Williamson Financial Services Limited

Professional qualifications

- Fellow of the Pensions Management Institute
- Diploma of the Personal Finance Society

Mr Murray has extensive experience of advising companies on pension schemes and working with trustees, as well as acting in a trustee capacity on behalf of Smith & Williamson Trust Corporation Limited. He is also a Partner of Smith & Williamson LLP.



Naomi L'Estrange

Director of 20-20 Trustee Services Limited

Professional qualifications

- Solicitor (current practising certificate)
- Qualified Executive Coach
- Certificate in Advanced Business Management from Ashridge

Ms L'Estrange has 20 years' experience as a pension lawyer and a director of the Pension Protection Fund. She advised the Institute of Actuaries and many individual pension schemes and was seconded to Government to advise on Pensions Act 2004.

As the PPF's Director of Strategy and Policy, Ms L'Estrange has worked with various Government departments and the EU on matters of pension policy. She is a professional trustee to a number of pension schemes of all types.



Sarah Farrant
Director of Sarah Farrant Consulting

Professional qualifications

- Fellow of the Institute of Actuaries

Ms Farrant has been a qualified actuary for over 25 years. She has been Scheme Actuary to many schemes, including a number of FTSE 100 and FTSE 250 companies and has enjoyed senior roles with national employee benefit consultancies and a “Big four” firm of Chartered Accountants.



Mark Garnett
Director of Advisory Investment Services Limited

Professional qualifications

- Associate of the Chartered Institute for Securities & Investment
- Associate of the Chartered Insurance Institute

Mr Garnett provides investment management and advice for pension schemes and is a former Partner of Smith & Williamson Investment Management LLP.

He advises employers and boards of trustees, and regularly presents on the economy and investment markets.



Adam Tookey
Head of Product Management, Link Asset Services

Mr Tookey is responsible for the development and on-going product management of all funds operated by Link Asset Services Limited, including those offered through the pension plan.

He has more than 20 years’ asset management experience, working for a number of global firms.

Appendix II - Terms of Reference and Conflicts Policy