



Manulife Fund of Canada Life Limited Annual Report 2015

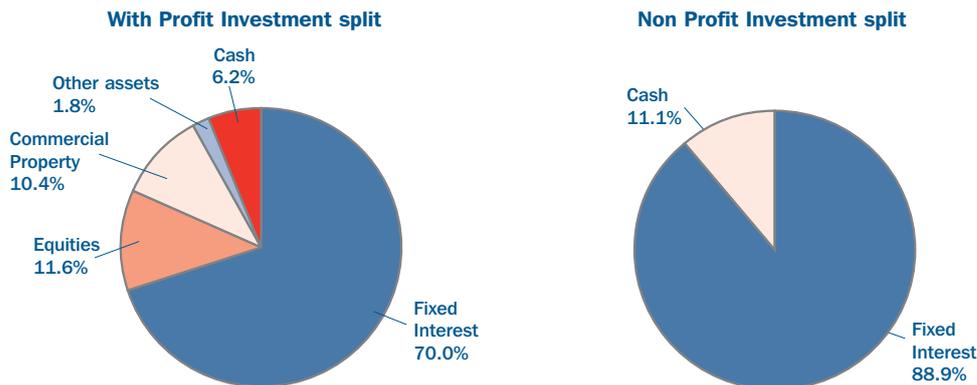
This report has been produced to update you on the Manulife Fund of Canada Life Limited at the end of 2015 and to explain how we used our discretion when making key decisions in managing the fund.

It covers:

- how the fund is invested
- how the fund has performed
- regular bonuses
- final bonuses
- expenses
- compliance with the Principles & Practices of Financial Management (PPFM)
- independent review, and
- the opinion of the Canada Life Limited's Board and the With-Profits Actuary.

How the fund is invested

The fund has both non-profit policies (around 15% of the fund) and with-profit policies (around 85% of the fund). Only the with-profit policies share the gains and losses arising in the fund. The split of the fund's investments on 31 December 2015 is shown in the charts below.



The Manulife Fund has a wide range of investments including bonds (which are loans to companies or governments, shown in the charts as Fixed Interest), Equities (shares in companies), Commercial Property, Policy Loans (shown in the chart as Other Assets) and Cash.

How the fund has performed

During 2015, the investment returns (for the whole fund) were:

	Income	Growth	Total
Total (overall return)	3.7%	-1.4%	2.3%
This is made up of:			
Investment type	Income	Growth	Total
Fixed interest	3.9%	-3.3%	0.6%
Equities	3.2%	4.7%	7.9%
Commercial property	4.3%	7.2%	11.5%
Other assets	5.0%	0.0%	5.0%
Cash	0.5%	0.0%	0.5%

For each of the asset types, we compare the actual return with the average return across the UK market for similar investments. The overall fund return was 2.3%.

For the fixed interest assets the focus is to match the assets with the expected claims excluding the final bonus. Higher bond interest rates have led to the market value of bonds being lower than the value at the start of the year, resulting in an overall return of 0.6%.

The equity return exceeded the benchmark FTSE All Share Index. The property return was below the relevant benchmark return.

Taking account of the asset mix in the fund, the 2015 overall return was 2.3% which was slightly above the overall investment benchmark of 1.8%.

Regular Bonus (also known as Annual Bonus)

We increase the value of your policy by adding bonuses. We add regular bonuses where possible, every year. We calculate these based on the income from the fund's investments plus other sources of gains or losses. For example, the gains or losses arising from the level of death claims, expenses charged to the fund and the gains from other policyholders cashing in their policies early.

The regular bonus rate is set relative to the income on assets in the fund backing the with-profits policies, as set out in the Principles and Practices of Financial Management (PPFM). The regular bonus allocation rate we will use in 2016 is unchanged from the one used in 2015, which results in no bonus being declared on some policies. This is one of the key areas where we use our discretion.

Regular bonuses already added cannot be reduced at any time. Future rates of regular bonus are not fixed and may be higher or lower than the current rates or could even be zero.

Final Bonus (also known as Terminal Bonus)

A final bonus is added when your policy pays out. We use the final bonus so that we share out the Manulife Fund fairly. Future rates of final bonus are not fixed and may be higher or lower than current rates or can be zero.

For a policy issued in 1977 or later, the 2016 final bonus rate varies from 29.00% for a 25 year policy to 42.50% for a policy with a term of 35 years or more, for maturity and death claims. These rates have increased, compared to the rates payable in June 2015, to reflect the investment return over the period these policies were held.

For a policy issued pre-1977, the 2016 final bonus rate is 43% for a policy with a term of 35 years or more, for maturity and death claims. These rates have increased, compared to the rates payable in June 2015, to reflect the investment return over the period held.

We calculate the final bonus rate by taking into account:

- the total value of the Manulife Fund
- the expected future investment return
- the expected premiums to be paid in
- the expected pay outs due to maturities and deaths, and
- the number of policies that are likely to be cashed in early.

These figures are used to predict the level of payouts on all the remaining policies so that the fund is shared out fairly. This is another key area where we use our discretion.

We regularly review final bonus rates and may change these at short notice so that payouts reflect changes to the value of the fund's investments. These reviews demonstrate that all policyholders are treated fairly during the year by setting policy returns in line with the investment return for the period their policy was held.

The final bonus rate paid on a policy will depend on the number of years from the start date to the payout date (known as the policy term) and the start date of the policy. We apply different rates to policies with longer or shorter policy terms. If a policy is cashed in early, the policy term used is the number of years the policy was actually held, rather than the original policy term. The final bonus rates for policies being cashed in early are a proportion of the final bonus scale appropriate for a maturity or death claim on a policy with the same term.

The final bonus is not guaranteed; it may be changed at short notice and can be zero.

Charges and Expenses

We deduct a charge of £51.69 per policy each year (as at 1 January 2016) from the fund. This charge is updated monthly in line with changes in the Retail Price Index. Investment management charges are made at the rate of 0.25% each year of the average market value of funds under management. Investment dealing charges are paid directly out of the fund as these happen.

Principles and Practices of Financial Management

We have published the Principles and Practices of Financial Management (PPFM), a detailed and technical document which describes how we manage the Manulife Fund. Periodically we review its contents and may make minor changes to practices. If you would like a copy of the PPFM, please call us on **0345 6060708**.

We have also produced a document called **The Manulife Fund – A guide to how your fund and policy are managed**, which provides a summary of the PPFM. You can find this document on our website www.canadalife.co.uk in the **Existing Customers** section. Alternatively, if you would like us to send you a copy please call us on **0345 6060708**.

Independent review

An independent review is carried out annually of the management of the Manulife Fund and its compliance with the PPFM. The review is carried out by an independent person who reports directly to the Board of Canada Life Limited.

The independent person's roles and responsibilities are described in the **Terms of Reference** document. This is also available on our website www.canadalife.co.uk in the **Existing Customers** section or by calling us on **0345 6060708**.

We also employ a With-Profits Actuary to give actuarial advice to the Board in connection with the management of this fund.

Opinion of the Board of Canada Life Limited and the With-Profits Actuary

It is the Board's opinion that the management of this fund has been in accordance with the PPFM in all material respects and that the different categories of policyholders have been treated in a reasonable and proportionate manner. The Board is also satisfied that appropriate discretion was used when reviewing regular and final bonus rates. This opinion is shared by the With-Profits Actuary (see Appendix for his opinion).

About Canada Life

Canada Life Limited is a subsidiary of The Great-West Life Assurance Company and a member of the Power Financial Corporation group of companies.

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Appendix – Annual Report from the With-Profits Actuary

In my opinion, for the financial year 2015, the management of the fund has complied with the PPFM in all material respects. There are areas where discretion has been exercised by the company and I believe that this has reflected the interests of the different categories of policyholders in a reasonable and proportionate manner.

Hitesh Shah
With Profits Actuary
30 March 2016



Canada Life

Canada Life Limited, registered in England no. 973271. Registered office: Canada Life Place, Potters Bar, Hertfordshire EN6 5BA.
Telephone: 0345 6060708 Fax: 01707 646088 www.canadalife.co.uk Member of the Association of British Insurers.

Canada Life Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.