Copy of our letter sent to customers already invested in the fund.

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# We're improving the fund(s) you're invested in:

- **The Virgin Pension Bond, Gilt and UK Share Fund**
- **The Virgin Pension Bond, Gilt, UK and Overseas Share Fund**

## Here's what you need to know

We always want your money to work harder for you, which is why we're making some changes to the fund(s) you're invested in. We believe these changes will bring you better returns over the medium to long term, for the same or less risk, by spreading your money across more types of investments and markets.

We're also giving these funds simpler names. Our Pension Bond, Gilt and UK Share Fund will be renamed Virgin Money Pension Growth Fund 1. Our Pension Bond, Gilt, UK and Overseas Share Fund will be renamed Virgin Money Pension Growth Fund 2.

## What's changing?

1. **More flexibility** – we'll move away from pre-determined asset mixes, so we can invest more widely and adjust allocations (usually once a year) in line with our latest research.
2. **A global investment approach** – instead of focusing on the UK, the fund(s) will invest globally, including emerging markets.
3. **More asset types** – we'll also spread your money across more asset types, such as different types of bonds as well as listed property companies.
4. **Greater diversification** – by investing in more countries and asset types, we expect to be able to generate a better mix of risk and return for you. Of course, nothing's certain when it comes to investing. So, please read the section below on the risks associated with these changes.

You'll find the new Investment Objective and Policy for each fund, which reflects the changes above, in the enclosed leaflet. It's worth noting that the funds will no longer track the performance of their current benchmarks. Instead, we'll compare each fund's performance against a new measure known as its performance comparator. If you want to see how that works, just take a look at the Investment Policy section in the leaflet.

There's nothing you need to do. We'll make these changes on or around 15 October 2021.

Continued overleaf...

## Are there any risks associated with these changes?

There's always some risk with investing.

Because we'll be reducing the proportion of money invested in UK shares and bonds, the main risk with these changes is that the UK outperforms other markets in the future – that would result in lower returns than if we'd maintained the current higher allocations to the UK.

Also, because more of your money will be invested overseas and priced in other currencies, the value of your investment (in pounds) could fall if Sterling rises in value compared to these currencies – and vice versa.

Finally, because some of the new bond types we'll invest in offer higher yields, the risk of capital loss is higher too. That's also true of investing in emerging markets: higher potential rewards but higher risk.

So, while we believe the combination of all these changes will mean a better balance of risk and return for you, it might not work out that way – especially in the short-to-medium term.

## The cost of making these changes

There'll be some transaction costs charged to the funds when they change to the new investment approach. We expect these to be no more than 0.25% of the value of each fund. This will happen behind the scenes and reduce the unit price (and therefore the value of your investment) when these changes happen. Over the medium to long term, we believe the additional return from these changes will be far higher than the cost of making them.

## Everything else will stay the same

All other key features of the fund(s) will stay the same, including the annual fee and the dates when income is reinvested on your behalf.

## What if I don't like these changes?

Although we believe these changes are in your best interest, they might not be for you. That's why we're giving you plenty of notice.

If you're not happy with these changes, you can switch to any of our other funds at no cost. Or you can transfer your money to another pension provider – we won't charge you anything to leave, but we'll be sorry to see you go.

## What if I have some questions?

We can't give you advice, but we can answer lots of other questions. Just give us a call on **03456 10 20 30** between 8am–9pm, Monday to Friday, and 9am–6pm on Saturdays. We'll be happy to help.

**The team at Virgin Money**



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# We're improving two of our funds

- The Virgin Pension Bond, Gilt and UK Share Fund
- The Virgin Pension Bond, Gilt, UK and Overseas Share Fund

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In this leaflet there are the key changes to the funds, the new investment allocation split, together with a past performance comparison. Please read the information carefully.

# Key changes to our funds:

This table shows you the current Investment Objective and Policy for each fund, and what it will change to. The fee doesn't change, but we've included this just to be clear.

As the Investment Policy for both funds will be very similar, we show the policy once (for Pension Growth Fund 1) to save on words, and then show how it differs for Pension Growth Fund 2 – using footnote numbers[1-3]. We hope this better illustrates how the two funds differ, instead of playing "spot the difference".

| | Current | New (from October 2021) |
|---|---|---|
| **Name** | **Virgin Pension Bond, Gilt and UK Share Fund** | **Virgin Money Pension Growth Fund 1** |
| **Annual fee** | **0.85%** | **0.85%** |
| **Investment Objective** | The investment objective of the Fund is to provide a total return (income and capital growth) from bonds, gilts and UK shares. The Fund aims to achieve this by tracking the performance of a composite index, comprising 50% FTSE All-Share Index, 18.5% Bloomberg Barclays UK Gilt Index, 13.0% Bloomberg Barclays UK Gilt 1-5 Year Index, 9.25% FTSE 5-15 Year Gilt Index, and 9.25% Bank of America Merrill Lynch 5-15 Year AAA-A Non-Gilt Index, measured annually, less charges. | The aim of the Fund is to provide a total return (income and capital growth) over the longer term (5 years or more) from a multi-asset portfolio of shares and bonds from around the world (i.e. globally invested). The Fund is the lowest risk fund in the Virgin Money Growth range, which offers three funds with different levels of risk and potential return. |

| | Current | New (from October 2021) | New (from October 2021) | |
|---|---|---|---|---|
| **Name** | **Virgin Pension Bond, Gilt and UK Share Fund** | **Virgin Money Pension Growth Fund 1** | **Virgin Money Pension Growth Fund 1** | |
| **Investment Policy** | The Fund aims to achieve the objective by investing in other funds rather than in individual bonds or shares. This type of fund is often referred to as a 'fund-of-funds'.<br><br>The Fund's investments are split equally between funds which invest in shares and funds which invest in bonds.<br><br>In order to achieve the objective, the underlying funds aim to track the performance of the stock market indices specified within the investment objective. No decisions are taken by the managers of these funds on which individual shares or bonds may perform better or worse. In this way, the underlying funds are designed to perform as closely as possible with the respective index, rather than trying to outperform it.<br><br>The Fund rebalances its investments at the end of each calendar quarter to the percentage allocations shown in the investment objective. If at any calendar quarter end, any particular allocation is within +/-0.5% from the specified allocation, that element of the fund may not be traded in order to minimise transaction costs. | The Fund aims to achieve the objective by investing in other funds, rather than investing directly in individual shares and bonds. This means that the Fund is what's often known as a 'fund-of-funds'. The funds which it invests in may be managed by us, our Investment Adviser, or any other authorised fund manager.<br><br>The Fund invests:<br><br>• at least 30%[1] in funds that have a higher return potential (compared to other investments in the Fund) – but which carry a higher level of risk, such as shares (from both developed and emerging countries) and higher yielding bonds. This includes company shares, property shares, and higher yielding bonds such as corporate bonds rated by the leading credit agencies as below investment grade (BB or lower); and<br><br>• the rest in funds that have a lower return potential (compared to other investments in the Fund) – but which carry a lower level of risk. This includes government bonds (loans to a government) from developed countries, investment grade corporate bonds (loans to a company) with relatively strong credit ratings (BBB or higher), and cash. | The split between higher and lower risk investments, and the types of investment (for example, geography and types of bonds) are chosen so that risk (measured by how much the Fund's value fluctuates, known as 'volatility') is expected to remain within the range 30% to 50%[2] of the risk of world stock markets over 10 year periods. The Fund uses the MSCI All Countries World Index GBP to represent world stock markets.<br><br>The underlying funds are chosen to implement the desired mix of assets as per the bullet points above. Normally at least 80% of the funds that the Fund invests in will be passively managed. This means that they aim to track the performance of a particular share index or bond index. The rest will be actively managed funds – this is where the fund manager chooses individual shares / bonds and as a result returns may be higher (or lower) than the market.<br><br>As well as investing in bond and share funds, the Fund may also hold cash or funds investing in cash and money-market investments.<br><br>The Fund's mix of investments will be reviewed at least annually, and may change in consideration of the outlook for each investment type, but it will always include at least 30% in funds with higher risk/return potential. | The Fund doesn't use a benchmark as a guide for investing or as a target to beat. But we do use a performance comparator, which investors may want to compare the Fund's performance against. This comprises 30%[3] world shares and 70%[3] bonds. World shares are represented by the MSCI All Countries World Index GBP, whilst bonds are represented by the Bloomberg Barclays Global Aggregate Bond Index GBP Hedged.<br><br>Note that the footnote references 1-3 apply to Virgin Money Pension Growth Fund 2 shown in the next table |

| | Current | New (from October 2021) |
|---|---|---|
| **Name** | **Virgin Pension Bond, Gilt and UK Share Fund** | **Virgin Money Pension Growth Fund 2** |
| **Annual fee** | **0.85%** | **0.85%** |
| **Investment Objective** | The investment objective of the Fund is to provide a total return (income and capital growth) from bonds, gilts, UK and overseas shares. The Fund aims to achieve this by tracking the performance of a composite index, comprising 50% FTSE All-Share Index, 6.5% FTSE World North America Index, 6.5% MSCI Europe ex UK Index, 6% MSCI Japan Index, 6% FTSE All-World Developed Asia Pacific ex Japan Index, 6.5% Bloomberg Barclays UK Gilt Index, 9.25% FTSE 5-15 Year Gilt Index, and 9.25% Bank of America Merrill Lynch 5-15 Year AAA-A Non-Gilt Index, measured annually, less charges. | The aim of the Fund is to provide a total return (income and capital growth) over the longer term (5 years or more) from a multi-asset portfolio of shares and bonds from around the world (i.e. globally invested). The Fund is the middle risk fund in the Virgin Money Pension Growth range, which offers three funds with different levels of risk and potential return. |
| **Investment Policy** | The current policy for this Fund is the same as our other fund (shown on page 4), except one small difference, we omit the word 'equally' from the following sentence:<br><br>"The Fund's investments are split between funds which invest in shares and funds which invest in bonds." | The new policy for this Fund will be the same as for Pension Growth Fund 1, except the following differences:<br><br>[1] For Pension Growth Fund 2, this figure is 60%.<br><br>[2] For Pension Growth Fund 2, this range is 60% to 80%.<br><br>[3] For Pension Growth Fund 2, this comprises 60% world shares and 40% bonds. |

# Investment allocations

Below, you can see how the fund(s) will spread your money across more markets. The allocations (how much is invested and where) will change over time but, in line with the new Investment Policy of each fund, we'll always keep at least 30% (Pension Growth Fund 1) or 60% (Pension Growth Fund 2) in higher risk / return potential assets.

| | Pension Bond, Gilt, UK Share Fund (Pension Growth Fund 1) | |
|---|---|---|
| | Now | From October 21 |
| **Higher risk / return assets** | 50.00% | 39.00% |
| **UK Shares** | 50.00% | 7.00% |
| **North America Shares** | | 5.00% |
| **Europe (ex-UK) Shares** | | 5.00% |
| **Japan Shares** | | 5.00% |
| **Asia Pacific (ex-Japan) Shares** | | 3.00% |
| **Emerging Market Shares** | | 2.00% |
| **Global Real Estate Investment Trusts** | | 4.00% |
| **Global High Yield Bonds** | | 4.00% |
| **Emerging Market Bonds** | | 4.00% |
| **Lower risk / return assets** | 50.00% | 61.00% |
| **Corporate Bonds (Global)** | | 17.00% |
| **Corporate Bonds (GBP)** | 9.25% | 6.00% |
| **Government Bonds (Global** | | 9.00% |
| **UK Government Bonds (Gilts)** | 27.75% | |
| **Inflation Linked Bonds (Global)** | | 9.00% |
| **Short Duration Bonds (GBP)** | 13.00% | 14.00% |
| **Short Duration Bonds (Global)** | | 5.00% |
| **Cash** | | 1.00% |

| | Pension Bond, Gilt, UK and Overseas Share Fund (Pension Growth Fund 2) | |
|---|---|---|
| | Now | From October 21 |
| **Higher risk / return assets** | 75.00% | 76.00% |
| **UK Shares** | 50.00% | 9.00% |
| **North America Shares** | 6.50% | 16.00% |
| **Europe (ex-UK) Shares** | 6.50% | 11.00% |
| **Japan Shares** | 6.00% | 9.00% |
| **Asia Pacific (ex-Japan) Shares** | 6.00% | 5.00% |
| **Emerging Market Shares** | | 4.00% |
| **Global Real Estate Investment Trusts** | | 7.00% |
| **Global High Yield Bonds** | | 8.00% |
| **Emerging Market Bonds** | | 7.00% |
| **Lower risk / return assets** | 25.00% | 24.00% |
| **Corporate Bonds (Global)** | | 6.00% |
| **Corporate Bonds (GBP)** | 9.25% | 2.00% |
| **Government Bonds (Global** | | 7.00% |
| **UK Government Bonds (Gilts)** | 15.75% | |
| **Inflation Linked Bonds (Global)** | | |
| **Short Duration Bonds (GBP)** | | 6.00% |
| **Short Duration Bonds (Global)** | | 2.00% |
| **Cash** | | 1.00% |

# Past performance comparison

Although past performance isn't a reliable indicator of future returns, it's still interesting to compare how the old and new strategies would have performed side by side.

Returns for the new fund strategies, and also the current fund strategies before they launched in 2015, are simulated. That means we take the returns from the markets the funds would have invested in, make an assumption around rebalancing (monthly), and deduct an amount each year for charges.

This table looks at the past 10 calendar years. The total return over this time would have been 5.0% per year for Pension Growth Fund 1 and 6.8% per year for Pension Growth Fund 2. This is in comparison to 3.7% and 5.6% per year respectively for the current strategies.

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Pension Bond, Gilt and UK Share Fund** | **0.3%** | **6.9%** | **8.3%** | **2.4%** | **-1.1%** | **11.1%** | **5.5%** | **-4.8%** | **11.0%** | **-1.3%** |
| Current benchmark | 4.4% | 8.6% | 8.5% | 6.1% | 1.0% | 12.4% | 7.3% | -4.3% | 12.1% | -0.7% |
| **New strategy – Pension Growth Fund 1** | **-0.3%** | **10.0%** | **5.1%** | **6.6%** | **1.4%** | **11.4%** | **5.3%** | **-3.0%** | **10.0%** | **19.2%** |
| New performance comparator | 2.2% | 7.7% | 6.1% | 9.0% | 2.2% | 10.9% | 5.4% | -0.8% | 11.1% | 7.7% |
| **Pension Bond, Gilt, UK and Overseas Share Fund** | **-2.8%** | **10.0%** | **13.6%** | **3.5%** | **1.0%** | **16.1%** | **9.1%** | **-6.8%** | **15.1%** | **-0.2%** |
| Current benchmark | -0.8% | 11.3% | 14.4% | 5.5% | 2.5% | 17.3% | 11.1% | -6.0% | 15.8% | 0.7% |
| **New strategy – Pension Growth Fund 2** | **-3.8%** | **11.4%** | **10.3%** | **7.2%** | **2.4%** | **18.8%** | **8.5%** | **-4.1%** | **14.2%** | **20.3%** |
| New performance comparator | -1.3% | 9.4% | 12.4% | 10.0% | 3.0% | 18.6% | 9.0% | -1.7% | 15.9% | 10.3% |

*Source: Lipper for Investment Management, net income reinvested.*

**Past performance is not a reliable guide to the future. Remember, the value of your investments can go down as well as up and you may get back less than you invest.**

# Any questions?

Just call a member of our team on **03456 10 20 30** and they'll do all they can to help.

You can reach them Monday to Friday 8am to 9pm, and 9am to 6pm Saturdays.



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