

## *Royal Bank of Scotland (“RBS”) Common Investment Fund (“CIF”) Investment performance to 30 September 2015*

**This note has been prepared by Lane Clark & Peacock LLP (“LCP”) for the Trustee of the RBS CIF. It is a summary version for members of the full report which is prepared for the Trustee. It reviews performance of the CIF for periods ending 30 September 2015. It is intended to supplement the factsheets provided by Fidelity, although you should note that the performance data produced in this report will not necessarily match the performance data quoted by Fidelity in the factsheets. It is intended as an indicative summary guide only.**

The analysis of performance in this report is based on data supplied by Fidelity, in its role as platform provider, and the CIF’s underlying investment managers. We have reviewed the data received and satisfied ourselves that it is reasonable to use it. Performance figures shown in this report are before the deduction of fees, including those charged by Fidelity in its role as platform provider. We show manager fees in Appendix 1 to this note and a glossary of the terms used in this report in Appendix 2.

These and other points are considered in more detail below. With respect to the performance of RBS funds and underlying component funds shown in the tables throughout this note **outperformance is shown in blue, benchmark performance in green and underperformance in red.**

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### 1. Performance of the RBS CIF options (gross of fees) to 30 September 2015

Fund	3 months (%)	1 year (%)	3 years (% pa)	5 years (% pa)	Since inception <sup>1</sup> (% pa)
<b>RBS Diversified Growth Fund</b>	<b>-3.7</b>	<b>1.2</b>	<b>8.0</b>	<b>7.2</b>	<b>5.4</b>
Composite benchmark <sup>2</sup>	-3.3	1.7	7.3	6.5	4.9
CPI	0.0	-0.2	1.3	2.2	2.5
<b>RBS UK Equity Fund</b>	<b>-4.2</b>	<b>6.6</b>	<b>13.8</b>	<b>11.8</b>	<b>6.5</b>
<b>RBS UK Equity Tracker Fund</b>	<b>-5.7</b>	<b>-2.3</b>	<b>7.3</b>	<b>6.8</b>	<b>4.8</b>
FTSE All-Share Index	-5.7	-2.3	7.2	6.7	4.6
<b>RBS International Equity Fund</b>	<b>-5.8</b>	<b>1.7</b>	<b>10.8</b>	<b>9.1</b>	<b>5.3</b>
Composite benchmark	-5.1	1.4	10.8	9.0	6.7
<b>RBS International Equity Tracker Fund</b>	<b>-4.8</b>	<b>2.5</b>	<b>11.8</b>	<b>9.8</b>	<b>7.1</b>
FTSE All-World Developed ex-UK Index	-4.9	2.0	11.2	9.3	6.7
<b>RBS Emerging Market Equity Tracker Fund</b>	<b>-16.0</b>	<b>-13.6</b>	<b>-2.5</b>	-	<b>-0.4</b>
FTSE All-World Emerging Markets Index	-16.0	-13.7	-2.7	-	-0.5
<b>RBS Annuity Pre-Retirement Fund</b>	<b>2.7</b>	<b>9.5</b>	<b>7.0</b>	<b>9.0</b>	<b>7.8</b>
Composite benchmark	2.8	9.0	6.2	8.0	6.8
<b>RBS UK Gilts Over 15 Year Tracker Fund</b>	<b>4.9</b>	<b>14.1</b>	<b>6.5</b>	-	<b>6.4</b>
FTSE Over 15 year Gilts Index	4.9	14.1	6.5	-	6.3
<b>RBS Index-Linked Fund</b>	<b>2.1</b>	<b>11.4</b>	<b>9.1</b>	<b>9.2</b>	<b>8.0</b>
FTSE UK Gilts Index-Linked Over 5 Year Index	2.1	11.4	9.0	9.2	7.9
<b>RBS Corporate Bond Fund</b>	<b>1.2</b>	<b>6.4</b>	<b>7.3</b>	-	<b>9.0</b>
BAML Euro-Sterling over 10 Year Index	1.5	5.6	6.0	-	7.8
<b>RBS Property Fund</b>	<b>2.7</b>	<b>6.1</b>	<b>6.4</b>	<b>6.1</b>	<b>-1.4</b>
Property benchmark <sup>3</sup>	1.0	6.4	7.4	5.8	6.7
<b>RBS Cash Fund</b>	<b>0.1</b>	<b>0.5</b>	<b>0.5</b>	<b>0.6</b>	<b>1.9</b>
Libid 7 day Index	0.1	0.5	0.5	0.5	1.6

For active funds out or underperformance greater than +/- 0.5% over 3 months, or greater than +/- 1%pa over longer periods is shown in a box.

<sup>1</sup> Inception date for: the RBS Corporate Bond Fund is 29/02/2012, the RBS UK Gilts Over 15 year Tracker Fund is 31/01/2012, the RBS Emerging Market Equity Tracker Fund is 31/12/2011 and all other funds is 30/09/2006, though underlying funds may vary.

<sup>2</sup> The composite benchmark is currently: 22.5% FTSE All Share, 22.5% FTSE AW Developed ex UK, 15% L&G 70/30 Hybrid Property, 5% ML Eurosterling over 10 years, 10% FTSE AW All Emerging Markets, 20% 1 Month LIBOR+3% and 5% CPI+3% .

<sup>3</sup> Since inception to 31/12/2011 the benchmark has been calculated by Fidelity as CPI +5%pa. From 31/12/2011 to 30/09/2014 the benchmark has been calculated by Fidelity as the IMA Property Sector Index.

From 30/09/2014 to date, the benchmark has been calculated as the IPD Direct / MSCI World Real Estate Custom Index.

2. RBS Diversified Growth Fund Performance (gross of fees) to 30 September 2015

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%	Underlying Fund	3 months (%)	1 year (%)	2 years (% pa)	3 years (% pa)
	<b>RBS Diversified Growth Fund</b>	<b>-3.7</b>	<b>1.2</b>	<b>5.2</b>	<b>8.0</b>
	Composite benchmark	-3.3	1.7	5.0	7.3
	CPI	0.0	-0.2	0.6	1.3
<b>22.5</b>	<b>BlackRock UK Equity Tracker Fund</b>	<b>-5.7</b>	<b>-2.3</b>	<b>1.8</b>	<b>7.3</b>
	FTSE All-Share Index	-5.7	-2.3	1.8	7.2
<b>5</b>	<b>Henderson Diversified Alternatives Fund</b>	<b>-1.7</b>	<b>1.6</b>	<b>4.9</b>	-
	FTSE All-Share Investment Trust Sector	-6.1	-0.7	2.6	-
	CPI +3% pa	0.7	2.8	3.6	-
<b>22.5</b>	<b>BlackRock International Equity Tracker Fund<sup>1</sup></b>	<b>-4.7</b>	<b>2.5</b>	<b>7.6</b>	<b>11.8</b>
	FTSE All-World Developed ex-UK Index	-4.9	2.0	7.0	11.2
<b>10</b>	<b>L&amp;G World Emerging Markets Fund</b>	<b>-16.1</b>	<b>-13.8</b>	<b>-4.2</b>	<b>-2.7</b>
	FTSE AW Emerging Markets Index	-16.0	-13.7	-4.3	-2.7
<b>15</b>	<b>L&amp;G 70/30 Hybrid Property Fund</b>	<b>2.4</b>	<b>13.3</b>	<b>13.3</b>	<b>11.5</b>
	Composite benchmark	2.8	13.7	13.4	10.5
<b>5</b>	<b>Fidelity UK Long Corporate Bond Fund</b>	<b>1.2</b>	<b>6.3</b>	<b>9.2</b>	<b>7.2</b>
	BAML Euro-Sterling over 10 Year Index	1.5	5.6	8.1	6.0
<b>10</b>	<b>M&amp;G Total Return Credit Investment Fund</b>	<b>-1.8</b>	<b>-0.2</b>	<b>2.1</b>	-
<b>3</b>	<b>Alliance Trust Dynamic Bond Fund</b>	<b>-0.5</b>	<b>0.3</b>	-	-
<b>4</b>	<b>Newton Global Dynamic Bond Fund</b>	<b>0.0</b>	<b>1.1</b>	<b>2.6</b>	-
<b>3</b>	<b>Kames Absolute Return Bond Fund</b>	<b>-0.2</b>	-	-	-
	1 month LIBOR +3% pa	0.9	3.5	3.5	-

<sup>1</sup> The benchmark index is net of tax on dividends receivable, whereas life funds are able to reclaim the tax payable on the dividends received in the US and some European countries. In combination with the positive impact of securities lending revenue on the Fund return, this difference in the treatment of tax on the dividends is expected to create a consistent positive tracking error over time. Other factors will cause distortions from time to time, although these can be both positive and negative.

### 3. RBS UK Equity Fund Performance (gross of fees) to 30 September 2015

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%	Underlying Fund	3 months (%)	1 year (%)	3 years (% pa)	5 years (% pa)
	<b>RBS UK Equity Fund</b>	<b>-4.2</b>	<b>6.6</b>	<b>13.8</b>	<b>11.8</b>
<b>35</b>	<b>Ardevora UK Income Fund</b>	<b>-1.7</b>	<b>11.1</b>	-	-
<b>30</b>	<b>Majedie UK Equity Service Fund</b>	<b>-6.6</b>	<b>0.7</b>	<b>12.4</b>	<b>11.2</b>
<b>35</b>	<b>Lindsell Train UK Equity Fund</b>	<b>-2.5</b>	<b>12.7</b>	<b>17.3</b>	<b>16.1</b>
	FTSE All-Share Index	-5.7	-2.3	7.2	6.7
	NUMIS Small-cap Index	-3.3	9.9	15.6	13.8

### 4. RBS International Equity Fund Performance (gross of fees) to 30 September 2015

%	Underlying Fund	3 months (%)	1 year (%)	3 years (% pa)	5 years (% pa)
	<b>RBS International Equity Fund</b>	<b>-5.8</b>	<b>1.7</b>	<b>10.8</b>	<b>9.1</b>
	Composite benchmark <sup>1</sup>	-5.1	1.4	10.8	9.0
<b>25</b>	<b>M&amp;G Global Leaders Fund</b>	<b>-7.9</b>	<b>-3.5</b>	<b>7.9</b>	<b>6.1</b>
	MSCI All Countries World index	-5.9	0.4	10.1	8.7
<b>25</b>	<b>Veritas Global Focus Fund</b>	<b>-2.4</b>	<b>5.4</b>	-	-
<b>25</b>	<b>MFS Global Equity Fund</b>	<b>-4.2</b>	<b>5.5</b>	<b>13.3</b>	<b>11.8</b>
<b>25</b>	<b>Trilogy Global Equity Fund</b>	<b>-9.1</b>	<b>-1.4</b>	<b>8.5</b>	<b>8.5</b>
	MSCI World Index	-4.9	1.6	10.9	9.1

<sup>1</sup> The composite benchmark was 75% MSCI World NDR Index, 25% FTSE World Index until May 2013. From May 2013 the composite benchmark is 75% MSCI World Index, 25% MSCI All Countries World Index.

### 5. RBS Annuity Pre-Retirement Fund Performance (gross of fees) to 30 September 2015

%	Underlying Fund	3 months (%)	1 year (%)	2 years (% pa)	3 years (% pa)
	<b>RBS Annuity Pre-Retirement Fund</b>	<b>2.7</b>	<b>9.5</b>	<b>10.7</b>	<b>7.0</b>
	Composite benchmark	2.8	9.0	9.9	6.2
<b>40</b>	<b>L&amp;G Over 15 Years UK Gilt Index</b>	<b>4.8</b>	<b>14.1</b>	<b>12.6</b>	<b>6.5</b>
	FTSE Over 15 Years Gilt Index	4.9	14.1	12.6	6.5
<b>60</b>	<b>Fidelity UK Long Corporate Bond Fund</b>	<b>1.1</b>	<b>6.4</b>	<b>9.2</b>	<b>7.2</b>
	BAML Euro Sterling Over 10 Year Index	1.5	5.6	8.1	6.0

### 6. RBS Property Fund performance (gross of fees) to 30 September 2015 (Commentary for Q2)

%	Underlying Fund	3 months (%)	1 year (%)	2 years (% pa)	3 years (% pa)
	<b>RBS Property Fund<sup>1</sup></b>	<b>2.7</b>	<b>6.1</b>	<b>6.3</b>	<b>6.4</b>
	Benchmark*	1.0	6.4	7.0	7.4
	<b>L&amp;G 70/30 Hybrid Property Fund<sup>2</sup></b>	<b>2.8</b>	<b>13.7</b>	<b>13.6</b>	-
	Composite benchmark	2.8	13.7	13.4	-
	<b>Standard Life Global Real Estate Fund<sup>3</sup></b>	<b>2.9</b>	<b>2.9</b>	<b>4.7</b>	<b>4.9</b>
	Benchmark*	1.0	6.4	7.0	7.4

\*Provided by Standard Life. Note: Standard Life changed its benchmark (from CPI +5%) on 30 September 2010 to the IMA Property Sector Index. From 30 September 2014, Standard life has changed its benchmark to an IPD / MSCI World Real Estate Custom Index. For the most recent quarter the benchmark return is the IMA Property Sector Index.

<sup>1</sup> We would expect the RBS Property Fund to underperform the composite return of its underlying funds over time as a result of the high transactions costs incurred in buying property fund units. This factor affects the returns generated by the RBS Property Fund, but is not reflected in the performance of its underlying funds.

<sup>2</sup> The L&G Fund invests in two underlying funds: 70% in L&G's Managed Property Fund, which invests in commercial properties (ie bricks and mortar) and is benchmarked against the CAPS Pooled Property Fund Median, and 30% in L&G's Global Real Estate Equity Index Fund which aims to provide global, diversified exposure to listed real estate companies by tracking the FTSE EPRA/NAREIT Global Real Estate Index.

<sup>3</sup> The Standard Life Fund was previously benchmarked against the IMA property sector index (a peer group benchmark comprised of funds which invest predominantly in property, which is defined as at least 60% directly in property or at least 80% in property securities). From 30 September 2014, Standard life has changed its benchmark to an IPD / MSCI World Real Estate Custom Index.

Fund	AMC	OCF
<b>Diversified Growth Fund</b>	<b>0.23%</b>	<b>0.26%</b>
BlackRock UK Equity Index Fund	0.03%	0.03%
BlackRock World (ex UK) Fund	0.03%	0.04%
Fidelity UK Long Corporate Bond Fund	0.25%	0.32%
L&G 70/30 Hybrid Property Fund	0.40%	0.42%
L&G World EM Equity Index Fund	0.28%	0.28%
Alliance Trust Dynamic Bond Fund	0.25%	0.25%
Kames Absolute Return Bond Fund	0.43%	0.47%
Newton Global Dynamic Bond Fund	0.40%	0.46%
M&G Total Return Credit Investment Fund	0.07%	0.22%
Henderson Diversified Alternatives Fund	0.50%	0.58%
<b>UK Equity Fund</b>	<b>0.74%</b>	<b>0.82%</b>
Lindsell Train UK Equity Fund	0.65%	0.77%
Ardevora UK Income Fund	0.70%	0.81%
Majedie UK Equity Service Fund	0.75%	0.77%
<b>UK Equity Tracker Fund</b>	<b>0.07%</b>	<b>0.08%</b>
BlackRock UK Equity Index Fund	0.03%	0.03%
<b>International Equity Fund</b>	<b>0.68%</b>	<b>0.80%</b>
Veritas Global Focus Fund	0.50%	0.62%
M&G Global Leaders Fund	0.75%	0.92%
MFS Global Equity Fund	0.60%	0.65%
Trilogy Global Diversified Fund	0.70%	0.84%
<b>International Equity Tracker Fund</b>	<b>0.07%</b>	<b>0.08%</b>
BlackRock World (ex UK) Fund	0.03%	0.04%
<b>Emerging Markets Equity Tracker Fund</b>	<b>0.32%</b>	<b>0.32%</b>
L&G World Emerging Markets Fund	0.28%	0.28%

Fund	AMC	OCF
<b>Annuity Pre-Retirement Fund</b>	<b>0.20%</b>	<b>0.24%</b>
Fidelity UK Long Corporate Bond Fund	0.25%	0.32%
L&G +15 Year Gilt Fund	0.03%	0.03%
<b>Lump Sum Fund</b>	<b>0.20%</b>	<b>0.23%</b>
Kames Absolute Return Bond Fund	0.43%	0.47%
Alliance Trust Dynamic Bond Fund	0.25%	0.25%
Newton Global Dynamic Bond Fund	0.40%	0.46%
M&G Total Return Credit Investment Fund	0.07%	0.22%
L&G Cash Fund	0.05%	0.05%
<b>UK Gilts Over 15 Year Tracker Fund</b>	<b>0.07%</b>	<b>0.07%</b>
L&G Over 15 Year Gilt Fund	0.03%	0.03%
<b>Index-Linked Gilt Fund</b>	<b>0.07%</b>	<b>0.07%</b>
L&G Over 5 Year Index Linked Gilt Fund	0.03%	0.03%
<b>Corporate Bond Fund</b>	<b>0.29%</b>	<b>0.36%</b>
Fidelity UK Long Corporate Bond Fund	0.25%	0.32%
<b>Property Fund</b>	<b>0.61%</b>	<b>0.72%</b>
Standard Life Select Property Fund	0.65%	0.81%
L&G 70:30 Hybrid Property Fund	0.40%	0.42%
<b>Cash Fund</b>	<b>0.09%</b>	<b>0.09%</b>
L&G Cash Fund	0.05%	0.05%

- The Ongoing Charges Figure (“OCF”) was formerly known as the Total Expense Ratio (“TER”).
- The current ongoing charges figure on the Diversified Growth Fund is 0.26% pa.
- Fidelity’s platform fee of 4 basis points (0.04%) is included within the RBS Fund AMCs shown above in bold.

## *Glossary of terms*

### **Absolute return bond funds**

A fund that aims to produce a positive return without reference to a benchmark by investing across bond markets.

### **Active funds**

A fund is managed actively if the manager has discretion over what is included in the fund relative to its benchmark (typically a reference portfolio or index). This is in contrast to passive, or tracker, funds where there is no, or very limited, discretion. An actively managed fund has the potential to provide higher returns than the comparable passive alternative, but also the risk of lower returns. Active management also typically involves higher fees than passive management.

### **AMC – Annual Management Charge**

The annual investment management fee levied by the relevant investment manager within its fund.

### **Basis point**

A basis point is one hundredth of one percent (ie 0.01%).

## **Appendix 2**

### **Composite Benchmark**

A benchmark made up of a number of component parts. It is usually calculated by weighting the component parts in line with their benchmark allocations

### **CPI – Consumer Price Index**

This is a measure of inflation. In the UK inflation is measured chiefly by the CPI and the Retail Prices Index (“RPI”).

### **DGF – Diversified growth fund**

DGFs typically aim to achieve a return in excess of cash or inflation by investing in a range of underlying asset classes. The RBS DGF targets CPI plus 3-5% per annum over the longer term.

### **Inception date**

The date on which the initial investment into a fund was made.

### **LIBOR**

This stands for “London Interbank Offered Rate”. This is the rate that banks pay when borrowing from another bank.