

Fund Information Sheet

Bonds Fund

Royal Mail Defined Contribution Plan

As at 31 December 2011

The Bonds Fund aims to broadly match the cost of buying a pension that does NOT increase with inflation. This Fund invests in Fixed Interest Government bonds (gilts) and corporate bonds issued by UK companies. Unit prices of the Bonds Fund can fluctuate over time but typically not by as much as equity funds.

The Bonds Fund currently invests as follows:

- 100% in the Legal & General Investment Management Pre-Retirement Fund. This is a passively-managed fund (see the Glossary on page 23 of the Investment Guide for a definition of passive management).

Information on the Bonds Fund

Launch date	April 2009
Fund size (£m)	2.2 (as at 31/12/2011)
Composite benchmark	90%: iBoxx £ Non-Gilt (ex-BBB) Index 10%: FTSE A Government (Over 15 Year) Index

The Bonds Fund was launched in April 2009 which means we only have a short performance history to show you. However, the Bonds Fund currently invests entirely in the LGIM Pre-Retirement Fund (LGIM Fund). We have included the performance figures of the LGIM Fund to give you an indication of what past performance would have been prior to the Fund's launch in April 2009.

Top holdings (as at 31/12/2011)

European Investment Bank	8.6%
Kredit Fuer Wiederaufbau	5.1%
Electricite De France	3.7%
Hsbc Finance Corp	3.1%
Wal-Mart Stores Inc	2.9%
General Electric Co	2.8%
Tesco Plc	2.8%
Glaxo Smithkline Corp	2.4%
Lcr Finance Plc	2.4%
Eon Ag	2.3%

Asset split (as at 31/12/2011)

Corporate Bonds over 15 yrs	90%
Gilts over 15 yrs	10%

Source: LGIM (as at 31/12/2011)

Market commentary

Positive returns from most markets in Q4

Global shares rallied in the final quarter of 2011. UK and European markets saw significant gains. Emerging market shares achieved good performance although the Japanese market posted a negative return.

Interest rates in the US, UK and Japan remained at historic lows. European rates were cut by a quarter-point on two occasions. Interest rates were cut in several emerging markets to help offset the impact of slower growth in the developed world.

Annual fund performance (as at 31/12/2011)

	31/12/2006- 31/12/2007	31/12/2007- 31/12/2008	31/12/2008- 31/12/2009	31/12/2009- 31/12/2010	31/12/2010- 31/12/2011
	%	%	%	%	%
Bonds Fund	-	-	-	9.8	13.8
Benchmark	-0.8	-2.1	8.7	9.1	13.5
LGIM Fund	-0.4	-1.9	9.2	9.2	13.8

Annualised fund performance (as at 31/12/2011)

	3 years % pa	5 years % pa
Bonds Fund	-	-
Benchmark	10.4	5.5
LGIM Fund	10.7	5.8

Source: The Bonds Fund performance – Zurich (as at 31/12/2011). Benchmark and LGIM Fund performance – LGIM (as at 31/12/2011)

Things you need to know

Please read this Information Sheet in conjunction with the Royal Mail Defined Contribution Plan Investment Guide.

The fund is designed to provide a return in line with the benchmark. This is expected to be the case over the long term. However, there may be times when the fund performance does not match the benchmark. This may be due to a number of reasons. For example, cash flows in or out of the fund resulting in unit price movements and slight timing differences for the period over which performance is measured.

All funds carry some risk and you should consider the different types of risk before making any investment decision.

Fund performance data is presented before the deduction of fees. You shouldn't use past performance as a suggestion of future performance and it shouldn't be used as a reason for making an investment decision. The value of investments and any income from them can fall as well as rise and will be reduced in real terms by the effects of inflation. You may not get back the amount you invested.

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This Fund Information Sheet is for information only and has been provided to help you understand how the Bonds Fund was invested and has performed. The Trustees, Royal Mail Group and its employees are not authorised to give you financial advice. Zurich is also unable to provide financial advice to you. If you are not sure whether this fund is suitable for you then you should speak to an independent financial adviser (IFA). You can find the name of an IFA through IFA Promotions Ltd at www.unbiased.co.uk