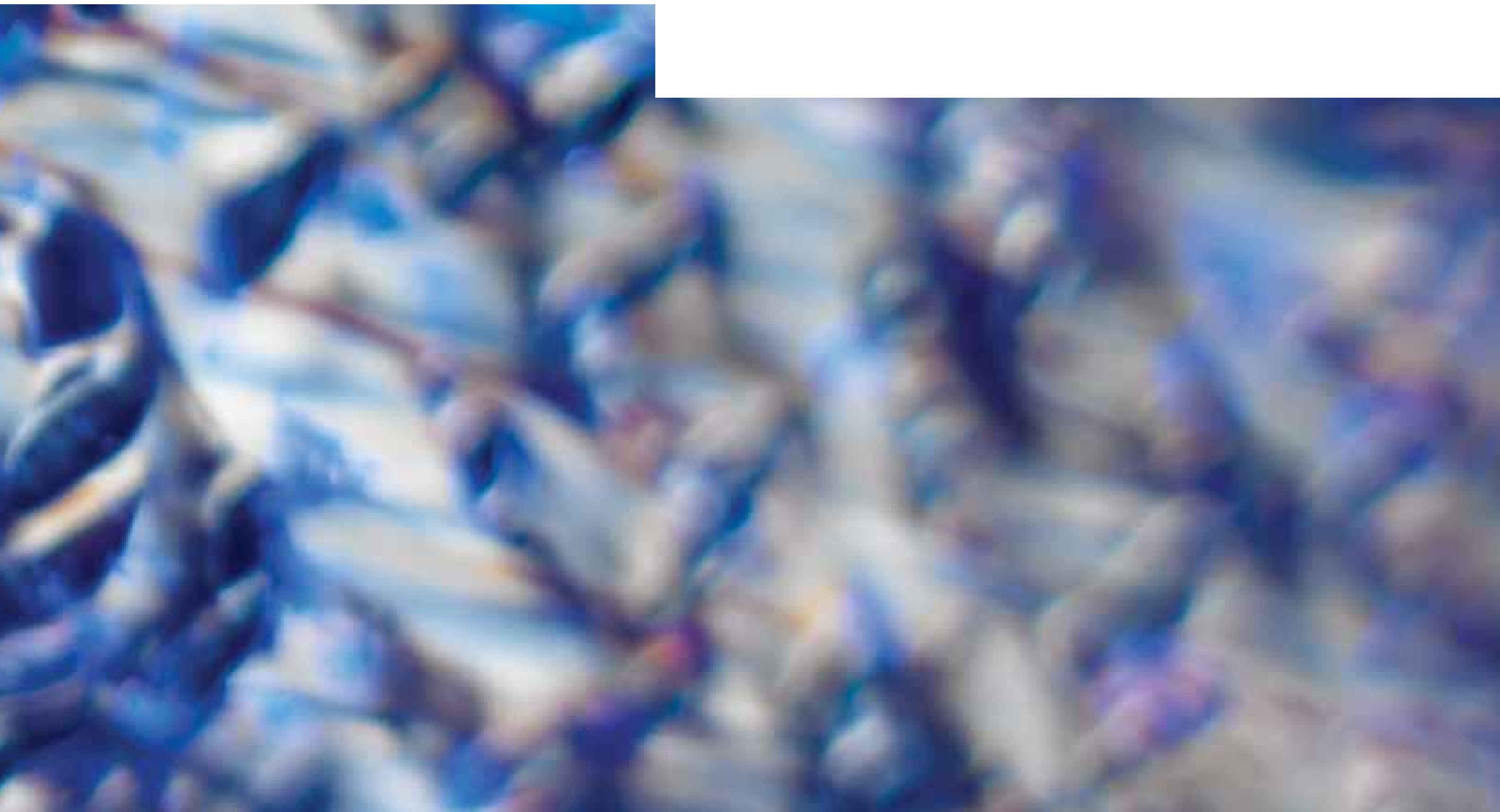
AEGON | Scottish Equitable

Stakeholder pensions – your investment choices



You have to choose which funds you want your stakeholder pension contributions invested in. And it's important you choose funds that match your attitude to risk and your investment goals. Here you can find details of our wide range of available funds so you can find the right funds for you.

Contents

About the funds

Before you choose your funds

When deciding which funds to invest your contributions in you should first think about:

- the length of time until you retire
- how much you contribute
- how often you contribute
- your approach to investment risk

Our fund range covers various risk profiles, from higher risk to more secure funds. This means you can easily choose funds which match your needs and if your needs change, you can switch fund(s) to meet your new requirements.

You may wish to take specialist advice from your financial adviser about whether any particular fund is suitable for you. They may charge for this advice.

Risk categories

We divide our funds into different risk categories:

- Minimal
- Below average
- Average
- Above average
- Higher

This can help you compare each fund on the merits of its relative risk and associated growth potential. Please note that the risk rating for each of our funds is based on its risk relative to other funds in our full fund range. It's not its risk compared against industry benchmarks.

Within each category, we list the funds in order of risk, relative to each other, with the level of risk increasing through each category. If a number of funds within the same category are of very similar risk, we've put them together in alphabetical order, for example this happens with our balanced managed and stockmarket managed fund ranges.

Please note: we don't guarantee the returns and please remember that the value of investments may go down as well as up. An investment's past performance is no guide to its future performance.

Fund categories

While some of our funds may have the same risk classification, they may invest in different investment types and regions. To help you compare our funds on that basis, our fund range can be split into three main categories, plus our lifestyle funds.

Managed funds

A managed fund is one where fund managers make all the decisions on how, where and when to invest. Managed funds invest across the main asset classes (shares, fixed interest or bonds, and cash). Some may include other asset classes such as property. Such funds give investors access to bond and stock markets worldwide. The Association of British Insurers (ABI) has categorised managed funds as follows, according to how much they invest in shares: defensive managed, cautious managed, balanced managed and stockmarket managed.

Regional and specialist funds

With this type of fund, the fund manager has developed particular expertise that allows them to operate a range of funds in specific sectors of the market or specific geographical areas.

With-profits funds

With our new generation with-profits funds you share, with the other fund investors, in the profits and losses of the fund you've invested in. Profits and losses are generated both from each fund's investments and from investors leaving the fund.

Another key element of a new generation with-profits investment is smoothing. The way this works is that in years when investment returns are good, some return is effectively held back to provide support for years when investment returns aren't so good. This means you've the potential for less variable returns than if you'd invested direct in, for example, the stock market.

Lifestyle funds

For lifestyle funds we use a two-stage approach. In the first stage we aim to build your pension fund. Then in the second stage, as your chosen retirement date approaches, we look to help protect your annuity buying power, as well as taking into account your tax-free cash entitlement.

First stage: while you're still some years from your chosen retirement date, you'll have a choice of lifestyle funds to invest in. This range, graded according to their risk relative to other funds in our range, includes funds combining fixed interest and shares as well as funds mainly invested in overseas shares.

Second stage: as you approach retirement (typically between five and seven years before your chosen retirement date), your pension fund will be switched, systematically and progressively, into investments better suited to protect the annuity buying power of the fund (while taking into account your tax-free cash entitlement – and we assume you'll take the maximum cash of 25%). These switches follow a set pattern and are free.

The fund details shown for lifestyle funds relate to the first stage described above.

Default fund

Under stakeholder pension rules, you don't actually have to choose a fund. If you don't specify a fund on your application form, we'll automatically invest your contributions in our Stakeholder Default fund.

It currently invests 100% in the Balanced Passive Lifestyle fund but we may change this in the future if we feel it's appropriate. If we do change the default fund, we'll write and tell you.

Investment types

In the fund descriptions we refer to the different asset classes (such as shares and bonds) a fund can invest in. Here are brief descriptions of the terms we use.

Cash

Cash is generally considered the least risky of all the main investment types. This means its price doesn't tend to move much either up or down on a daily basis. The downside is that cash tends to have far less potential to grow than other investments and in real terms, due to inflation, it can actually fall in value. This is why it's most suited to investors as a shorter-term investment. Cash generally includes money, typically held in bank deposits, and other types of money market investments, which pay the investor regular interest.

Corporate bonds

Corporate bodies, for example companies, local authorities and government agencies, issue bonds to raise money. The bonds are loans, which pay interest at a fixed rate until the loan is repaid by the corporate body on a predetermined future date. A bond can be bought and sold by investors throughout its life and its price will vary depending on market ups and downs. When the bond is issued its tradeable value may vary significantly from day to day. However, as the repayment date draws closer, the price will increasingly reflect the repayment value and price movements will become smaller from day to day. The bonds are categorised as short-, medium- or long-dated stocks, depending on the time left until the bond is repaid. Credit ratings agencies like Moody's and Standard & Poor's analyse corporate bonds and rate them according to a number of criteria, including the financial strength of the company issuing the bond. An investment grade bond will have a rating of AAA down to BBB, which implies a higher credit rating with a lower risk of defaulting on the loan. A non- or sub-investment grade bond (also known as a high yield bond) will have a rating of BB down to CCC, which implies a lower credit rating with a higher risk of defaulting on the loan. See also 'Fixed interest' for more about this type of investment.

Fixed interest

Fixed interest investments, or bonds, are generally considered a lower-risk investment. Bonds are issued by governments, local authorities or companies to raise capital. They're generally issued for a fixed time period during which investors are usually paid interest.

Because investors can buy and sell bonds readily, their price will go up and down depending on changes in the interest that can be earned on other investments, although usually not too dramatically. How risky a bond is depends on a number of factors such as the likelihood of the issuer defaulting on the loan. So gilts (UK Government bonds), for example, are less risky than bonds issued by small companies. See 'UK government securities' below for more on gilts.

Shares

Shares, or equities, offer part-ownership in a company, unlike bonds, which are loans. Shares are generally considered the most risky type of investment as their value tends to go up and down more than other investment types, in some cases quite dramatically. However, shares are widely considered to offer the greatest potential for returns. Due to the potential for significant gains or losses in value, shares are better suited to investors who are prepared to invest for the medium to long term.

UK government securities

These are also known as gilts. These are loan stocks with varying maturity dates that are issued by the Government to fund the public sector net cash requirement, and they pay a fixed rate of interest until their repayment date. Gilts are traded in the bond market and their value will be influenced by a number of underlying economic factors such as interest rates and inflation.

The fund range

Minimal risk
Cash

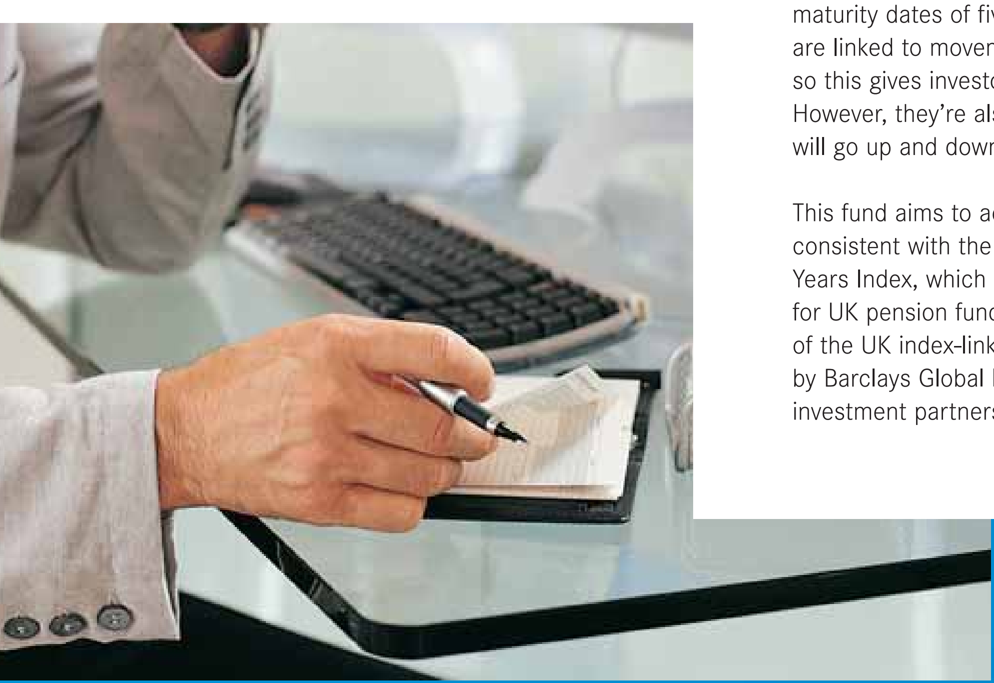
Below-average risk
BGI Over 5 Years UK Index-Linked Gilt Index
Index-Linked
UK Government Bond
UK Fixed Interest
UK Corporate Bond
Overseas Bond
BGI Over 15 Years UK Gilt Index
Long Gilt
BGI Over 15 Years Corporate Bond Index

Minimal risk

Funds in this category have underlying investments that generally experience little or no change in value from day to day. They're designed to provide steady growth and are particularly suited to short-term investment where security is the main aim. Over the longer term, these funds are unlikely to deliver high levels of return.

Cash

This fund is actively managed (which means the fund manager decides where to invest to outperform the market average), investing at least 95% in bank deposits and other short-term UK money market investments, such as very short-term fixed interest securities. This is in line with the Association of British Insurers' (ABI) Money Market sector requirements. The fund aims to make attractive cash returns, before any charges.



Below-average risk

The underlying investments of these funds will generally see some change in day-to-day value but the movements won't typically be large (in comparison with our full fund range). They try to provide better long-term growth prospects than a cash deposit, but are lower risk than funds investing mainly in shares. The majority of the funds in this category invest in fixed interest investments.

BGI Over 5 Years UK Index-Linked Gilt Index

This fund invests in UK government index-linked securities (also known as index-linked gilts) that have maturity dates of five years or longer. These securities are linked to movements in the Retail Prices Index (RPI), so this gives investors some protection against inflation. However, they're also traded in the market and so prices will go up and down.

This fund aims to achieve a return, before charges, consistent with the FTSE UK Gilts Index-Linked Over 5 Years Index, which is widely regarded as the benchmark for UK pension fund investment in the longer-dated end of the UK index-linked gilt market. The fund is managed by Barclays Global Investors (BGI), one of our investment partners.

Index-Linked
This fund invests mostly in index-linked UK government securities. These securities are linked to movements in the Retail Prices Index (RPI), so this gives investors some protection against inflation. However, they're also traded in the market and so prices will go up and down.

UK Government Bond
This fund invests mainly in UK government securities, known as gilts. It's actively managed and invests across all durations. Duration is simply a measure of risk, expressed in years – the longer the duration, the greater the risk.

UK Fixed Interest
This fund invests in government securities and corporate bonds across all maturities.

This is an actively managed fund (which means the fund manager decides where to invest to outperform the market average), which aims to give investors attractive and consistent long-term returns.

UK Corporate Bond
This fund invests in a wide range of sterling investment grade bonds. These are bonds with credit ratings between AAA and BBB- or equivalent.

The fund is actively managed (which means the fund manager decides where to invest to outperform the market average) and invests across all durations. Duration is simply a measure of risk, expressed in years - the longer the duration, the greater the risk.

Overseas Bond
This fund invests in foreign government and high-quality non-government fixed interest securities with varying maturity dates. Sterling investment will be limited.

This is an actively managed (which means the fund manager decides where to invest to outperform the market average) specialist fund, which aims to give investors attractive long-term total returns.

BGI Over 15 Years UK Gilt Index
This fund invests in UK government fixed income securities (gilts) that have a maturity period of 15 years or longer.

The fund aims to achieve a return, before charges, consistent with the FTSE UK Gilts Over 15 Years Index, which is widely regarded as the benchmark for UK pension fund investment in the longer-dated end of the UK gilt market. The fund is managed by Barclays Global Investors (BGI), one of our investment partners.

Long Gilt
This fund invests in UK government securities (known as gilts) with maturity dates of more than 15 years.

This is a specialist fund, which aims to help protect investors' annuity buying power, as annuity rates are heavily influenced by the Long Gilt Index.

BGI Over 15 Years Corporate Bond Index
This fund invests in sterling investment grade corporate bonds.

The fund aims to achieve a return, before charges, consistent with the IBoxx Sterling Non-Gilts Over 15 Years Index. This index consists of bonds with maturity periods of 15 years or longer. It's managed by Barclays Global Investors (BGI), one of our investment partners.

Below-average risk (continued)
UK Long Corporate Bond
High Yield Corporate Bond
With-Profits Cautious
BGI 50/50 Bond and Equity Index Lifestyle
BGI 50/50 Bond and Equity Index
UK Fixed Interest and Global Equity Tracker Lifestyle
UK Fixed Interest and Global Equity Tracker
Cautious Lifestyle
Distribution
With-Profits Growth

UK Long Corporate Bond

This fund invests in a wide range of sterling investment grade bonds with maturity dates of 10 years or over. These bonds have credit ratings between AAA and BBB- or equivalent.

High Yield Corporate Bond

This fund invests in a mix of non- or sub-investment grade corporate bonds, usually known as high yield corporate bonds, and investment grade bonds.

High yield bonds are issued by companies with a lower credit rating than investment grade bonds. In return for the extra risk of investing in a high yield bond, you generally receive a higher rate of interest. The market value of high yield bonds usually fluctuates more than for investment grade bonds.

With-Profits Cautious

This fund invests in a wide range of stocks and shares in the UK and overseas. It mainly invests in income-generating investments such as bonds but can also invest up to 50% in company shares. We 'smooth' the returns daily. This means we take the fund performance to be halfway between the actual returns on the investments and our published 'expected growth rate' (EGR). This helps to dampen stockmarket ups and downs. The EGR is our view of the long-term rate at which the underlying investments will grow and doesn't include any fund or product-specific charges. It isn't guaranteed.

We may change the EGR in the future but we won't change it retrospectively. When investors take money out of the fund this can result in smoothing profits or losses for the fund, currently half of which are immediately reflected in the daily unit price. To make sure all investors receive their fair share we may, under certain conditions, apply additional smoothing adjustments either up or down when investors take their money out the fund.

Due to the smoothing process, this fund is lower risk relative to other funds that have a similar proportion of investment in shares.

Smoothing of with-profits funds won't be able to counteract the impact of a sustained decline in investment returns.

BGI 50/50 Bond and Equity Index Lifestyle

In the first stage of its investment, this lifestyle fund invests approximately 50% in shares and the remainder in fixed interest investments. It divides its share investment between the UK and overseas with the overseas element split equally between the USA, Europe (excluding the UK) and the Far East. The fixed interest portion is split equally between UK government securities (gilts) that have a maturity period of 15 years or longer, and sterling investment grade corporate bonds that have a maturity period of 15 years or longer. The fund is managed by Barclays Global Investors (BGI), one of our investment partners. BGI aims to provide returns consistent with the markets it invests in and uses the full replication approach for the majority of its passive funds, in other words it invests in the same shares as the index fund.

BGI 50/50 Bond and Equity Index

This fund invests approximately 50% in shares (equities) and the remainder in fixed interest investments. It divides its investment in shares between the UK and overseas with the overseas element split equally between the USA, Europe (excluding the UK) and the Far East. The fixed interest portion is split equally between UK government securities (gilts) that have a maturity period of 15 years or longer and sterling investment grade corporate bonds that have a maturity period of 15 years or longer.

This fund is managed by Barclays Global Investors, one of our investment partners. BGI aims to provide returns consistent with the markets it invests in and uses the full replication approach for the majority of its index funds, in other words it invests in the same shares as the index fund.

UK Fixed Interest and Global Equity Tracker Lifestyle

In the first stage of its investment, this lifestyle fund invests 50% in the UK Fixed Interest fund and 50% in the Global Equity Tracker fund. The UK Fixed Interest fund element invests in gilts, as well as other quality sterling fixed interest and convertible loans issued by UK corporations. This part of the investment is actively managed (which means the fund manager decides on where to invest to outperform the market average or benchmark), aiming to produce attractive and consistent long-term returns. The Global Equity Tracker element invests in shares in all major regions, based on equal investment in the UK and overseas, for long-term growth. This part of the investment is passively managed which means the fund manager aims to match the performance of a benchmark index or fund by investing in the same proportions as the index, so it invests similarly to our other stockmarket managed funds.

UK Fixed Interest and Global Equity Tracker

This fund invests 50% in the UK Fixed Interest fund and 50% in the Global Equity Tracker fund.

The UK Fixed Interest fund element invests in gilts, as well as other quality sterling fixed interest and convertible loans issued by UK corporations. This part of the investment is actively managed (which means the fund manager decides where to invest to outperform the market average), aiming to produce attractive and consistent long-term total returns.

The Global Equity Tracker element invests in company shares (equities) in all major regions, based on equal investment in the UK and overseas, for long-term growth. This part of the investment is passively managed, which means the fund manager aims to match the performance of a benchmark index or fund by investing in the same proportions as the index.

Cautious Lifestyle

In the first stage of its investment, this lifestyle fund invests in UK shares and corporate bonds. It may also invest in bonds issued by the Government (both conventional and index-linked) and on occasion invest internationally if appropriate. It aims to provide a balanced return.

Distribution

This fund invests in UK shares and corporate bonds. It may also invest in bonds issued by the Government (both conventional and index-linked) and on occasion invest internationally if appropriate. It sits in the cautious managed sector, which means it aims to provide a balance between risk and reward that's acceptable to the more cautious investor.

With-Profits Growth

This fund invests in a mix of stocks and shares in the UK and overseas and fixed interest investments. The majority of the fund is invested in UK and overseas shares in order to increase the long-term growth potential of the fund. We 'smooth' the returns daily. This means we take the fund performance to be currently halfway between the actual returns of the underlying investments and our published 'expected growth rate' (EGR). This helps to dampen stockmarket ups and downs. The EGR is our view of the long-term rate at which the underlying investments will grow and doesn't include any fund or product-specific charges. It isn't guaranteed. We may change the EGR in the future but won't change it retrospectively.

When investors take money out of the fund this can result in smoothing profits or losses for the fund, currently half of which are immediately reflected in the daily unit price. To make sure all investors get their fair share we may, under certain conditions, apply additional smoothing adjustments (either up or down) when investors take their money out of the fund. Due to the smoothing process, this fund is lower risk relative to other funds that have a similar proportion of share investment. With its higher share content, this fund has a higher risk level than our With-Profits Cautious fund.

Smoothing of with-profits funds won't be able to counteract the impact of a sustained decline in investment returns.

Average risk
Balanced Passive Lifestyle
Balanced Passive
Stakeholder Default
Universal Lifestyle Collection
Universal Balanced Collection
Balanced Lifestyle
BGI Consensus Lifestyle
BGI Consensus
Mixed

Average risk

The underlying investments of the funds in this category will typically see average levels of change in day-to-day value (relative to our full fund range). They offer good growth potential, mostly by investing in a diversified spread of assets and are well suited for medium- to long-term investment.

Balanced Passive Lifestyle

In the first stage of its investment, this lifestyle fund invests in a wide spread of international shares, to spread the risk of being too heavily invested in one region. It's a fund that aims to perform in line with the Association of British Insurers' (ABI's) Balanced Managed sector average. During this first stage the fund is passively managed, which means the fund manager aims to match the performance of the benchmark by investing in the same stocks and in the same proportions as the average fund in the benchmark.

Balanced Passive

This fund invests mainly in the shares of companies in the UK and overseas for long-term growth. The remainder is invested in fixed interest investments and cash.

The fund can have up to 85% invested in shares and a minimum of 50% in sterling-based investments. It's a passively managed fund (which means the fund manager aims to match the performance of a benchmark index or fund by investing in the same proportions as the index).

Stakeholder Default

In the first stage of its investment, this lifestyle fund invests in a wide spread of international shares, to spread the risk of being too heavily invested in one region. It's a fund that aims to perform in line with the Association of British Insurers' (ABI's) Balanced Managed sector average. During this first stage the fund is passively managed, which means the fund manager aims to match the performance of the benchmark by investing in the same stocks and in the same proportions as the average fund in the benchmark.

From launch the fund was invested in the Balanced Lifestyle fund. Then from 1 November 2004 the underlying fund changed to the Balanced Passive Lifestyle fund.

Universal Lifestyle Collection

In the first stage of its investment, this lifestyle fund invests in a wide spread of international shares, to spread the risk of being too heavily invested in one region. It's a fund that aims to perform in line with the Association of British Insurers' (ABI's) Balanced Managed sector average. During this first stage the fund is mainly passively managed, which means the fund manager aims to match the performance of the benchmark by investing in the same stocks and in the same proportions as the average fund in the benchmark. But it also has some investment in a collection of actively managed (which is when the fund manager decides on where to invest to outperform the market average or benchmark) balanced funds.

Currently 75% of the fund is invested in the Balanced Passive fund and 25% is invested in the External Balanced Collection (currently giving investors access to five active fund managers). It's suitable for investors who want a fund that offers some access to a blend of fund management investment styles.

Universal Balanced Collection

This fund is a balanced managed fund which invests mainly in the shares of companies in the UK and overseas for long-term growth. The remainder is invested in fixed interest investments and cash. This fund is largely passively managed (which means the fund manager aims to match the performance of a benchmark index or fund by investing in the same proportions as the index) and also has some investment in a collection of actively managed (which means the fund manager decides where to invest to outperform the market average) funds. Currently 75% of the fund is invested in the Balanced Passive fund and 25% is invested in the External Balanced Collection (currently giving investors access to five active fund managers). It's suitable for investors who want a balanced managed fund that also offers access to a blend of fund management investment styles.

Balanced Lifestyle

In the first stage of its investment, this lifestyle fund currently invests in a variety of Scottish Equitable regional and specialist funds. It invests in a similar mix of investments to the Association of British Insurers' (ABI's) Balanced Managed sector average. However, our fund managers believe that they can better the ABI's Balanced Managed sector average by actively managing (which means the fund manager decides where to invest to outperform the market average) both the asset allocation (the mix of equities, bonds and cash) and stock selection (the companies invested in). The larger portion of the portfolio will be invested in the UK. This is a diversified mainstream managed fund with a bias towards shares, which aims to provide consistent long-term growth.

BGI Consensus Lifestyle

In the first stage of investment, this lifestyle fund aims to produce consistent investment performance in line with the average balanced managed pension fund (as measured by the balanced section of the CAPS Pooled Fund survey), while avoiding any violent swings between the upper and lower ends of the pension fund performance league tables. The majority of this fund is invested in company shares, which helps to meet the aim of providing returns of more than inflation, while the holdings in gilts, index-linked gilts, corporate bonds, overseas bonds and cash provide stability and help to spread risk within the fund.

BGI Consensus

This fund is a balanced managed fund which is passively managed by Barclays Global Investors (BGI), one of our investment partners. BGI uses the 'full replication' method of passive management, which means it aims to exactly duplicate the investments of a particular index in exactly the same proportions. It aims to produce consistent investment performance in line with the average balanced managed pension fund (as measured by the balanced section of the CAPS Pooled Fund survey), while avoiding any violent swings between the upper and lower ends of the pension fund performance league tables. The majority of this fund is invested in company shares, which helps to meet the aim of providing returns of more than inflation, while the holdings in gilts, index-linked gilts, corporate bonds, overseas bonds and cash provide stability and help to spread risk within the fund.

Mixed

This fund invests in a variety of Scottish Equitable regional and specialist funds, keeping close to the same investment type choices as the Association of British Insurers' (ABI's) Balanced Managed sector average. Our fund managers believe that they can better the ABI's Balanced Managed sector average by actively managing both the mix of shares, bonds and cash and stock selection. The larger portion of the portfolio will be invested in the UK. This is a mainstream managed fund with a bias towards shares, which aims to provide consistent long-term growth.

Above-average risk
Global Equity Tracker Lifestyle Global Equity Tracker BGI 50/50 Global Equity Index Lifestyle BGI 50/50 Global Equity Index Dynamic Lifestyle Global BGI 40/60 Global Equity Index Lifestyle BGI 40/60 Global Equity Index Overseas Equity Tracker BGI World (ex UK) Equity Index International UK Index Tracker BGI UK Equity Index UK Equity

Above-average risk

These funds offer very good long-term growth potential. The majority invest in one asset class only (for example North American shares) so returns are likely to change more in day-to-day value than our more diversified funds. This makes them best suited for longer-term investment, and particularly useful as part of a balanced portfolio.

Global Equity Tracker Lifestyle

In the first stage of its investment, this lifestyle fund invests in shares (equities) in all major regions, based on equal investment in the UK and overseas, for long-term growth. The fund invests 50% in UK shares and 50% in overseas shares and tracks the key market indices. We regularly rebalance where it's invested to maintain the equal weighting between UK and overseas markets.

Global Equity Tracker

This fund invests in shares (equities) in all major regions, based on equal investment in the UK and overseas, for long-term growth. The fund invests 50% in UK shares and 50% in overseas shares and is passively managed (which means the fund manager aims to match the performance of key market indices). We regularly rebalance the investments to maintain the equal weighting between UK and overseas markets.

BGI 50/50 Global Equity Index Lifestyle

In the first stage of investment for this lifestyle fund it invests mainly in shares (equities), both in the UK and overseas markets. The fund has approximately 50% invested in the shares of UK companies. The remaining 50% is invested in overseas companies, split equally between the USA, Europe excluding the UK, and the Far East. The fund aims to provide returns consistent with the markets it invests in and uses the 'full replication' approach for the majority of its passive funds, in other words it invests in the same shares and in the same proportions as its index fund.

BGI 50/50 Global Equity Index

This fund invests mainly in company shares (equities), both in the UK and overseas markets. The fund has approximately 50% invested in the shares of UK companies. The remaining 50% is invested in overseas companies, split equally between the USA, Europe excluding the UK, and the Far East. The fund is passively managed, which means it aims to provide returns consistent with the markets it invests in. BGI uses the 'full replication' approach for the majority of its passive funds, in other words it invests in the same shares as the index it's aiming to match.

Dynamic Lifestyle

In the first stage of its investment, this lifestyle fund invests mainly in shares, through a variety of Scottish Equitable regional and specialist funds. The UK portion of the fund invests in fewer companies but to a greater extent than more mainstream UK pension funds. The proportion it invests in shares, bonds and cash may be very different from the market average. In the first stage, as an aggressively managed fund (which means the fund manager decides where to invest to outperform the market average, and the investment choice can vary significantly from that of the average or benchmark), it aims to provide superior long-term growth.

Global

This fund invests mainly in company shares by investing in a variety of Scottish Equitable regional and specialist funds. Its UK portfolio (which makes up the majority of the fund) is more concentrated than the average UK pension fund, which means it holds shares in a smaller number of companies but with greater amounts invested in each. Our fund managers believe that they can outperform the Lipper Stockmarket Managed sector median by actively managing both how much is invested in each asset class (shares, bonds and cash) and stock selection (the particular companies invested in). The fund's investment in shares, bonds and cash may be very different from the market average. The fund aims to provide superior long-term growth.

This is a stockmarket managed fund, which means up to 100% of the fund can be invested in shares and at least 50% of the fund must be in sterling-based investments.

BGI 40/60 Global Equity Index Lifestyle

In the first stage of its investment, this lifestyle fund invests in shares (equities), both in the UK and overseas markets. The fund has approximately 40% invested in the shares of UK companies. The remaining 60% is invested in overseas companies, split equally between the USA, Europe excluding the UK, and the Far East. During this stage the fund aims to provide returns consistent with the markets in which it invests and uses the 'full replication' approach for the majority of its passive funds, in other words it invests in the same shares and in the same proportions as its index fund.

BGI 40/60 Global Equity Index

This fund accesses two established fund links with Barclays Global Investors (BGI). The fund invests primarily in shares (equities), both in the UK and overseas markets. The fund has approximately 40% invested in the shares of UK companies. The remaining 60% is invested in overseas companies, split equally between the USA, Europe excluding the UK, and the Far East. The fund is passively managed, which means it aims to provide returns consistent with the markets in which it invests. BGI uses the 'full replication' approach for the majority of its passive funds. In other words it invests in the same shares and in the same proportions as the index it's aiming to match.

Overseas Equity Tracker

This fund invests mainly in shares (equities) outside the UK. It's a passive fund (which means the fund manager aims to match the performance of a benchmark index or fund by investing in the same investments as the index) whose geographical spread of investments aims to produce returns that closely track its benchmark, the FTSE World ex UK Index. This index represents all major global stock markets outside the UK.

BGI World (ex UK) Equity Index

This fund invests in the shares (equities) of overseas companies from the European, Japanese, Far East, US and Canadian markets. It's passively managed, which means it aims to match the performance of a particular index, in this case, the FTSE All-World Developed (ex UK) Index. The fund is managed by Barclays Global Investors, one of our investment partners. This fund invests in the shares of companies in many of the world's stock markets so spreading the risk of investment and giving it the potential of returns generated in the main overseas markets. BGI uses the 'full replication' approach for the majority of its passive funds, in other words it invests in the same shares and in the same proportions as the index it's aiming to match.

International

This fund invests internationally in stock markets specifically excluding the UK. It invests broadly in line with market average asset allocation (in this case, the amounts invested in each region) through a number of our regional and specialist funds. This is a mainstream international equity fund, which aims to achieve long-term capital growth.

UK Index Tracker

This fund is a passively managed fund (which means the fund manager aims to match the performance of a benchmark index or fund by investing in the same proportions as the index) that aims to mirror the movements of the UK FTSE All-Share Index before charges. The All-Share Index includes around 98% of all listed companies in the UK, small, medium and large. So this fund gives investors a fairly broad exposure to the whole of the UK equity market.

BGI UK Equity Index

This fund invests in the shares (equities) of UK companies and aims to achieve a return that's consistent with the return of the FTSE All-Share Index – widely regarded as the benchmark for pension fund investment in shares of companies in the UK. It's managed by Barclays Global Investors (BGI), one of our investment partners.

BGI uses the 'full replication' approach for the majority of its passive funds, in other words it invests in the same shares as its index fund, which in this case is the FTSE All-Share Index.

UK Equity

This fund invests in a broad range of stocks, most of which are listed on the London Stock Exchange. The fund can invest in all major industrial sectors and may also invest in smaller companies and cash from time to time. This is a mainstream UK equity fund, which aims to provide capital growth from a well-diversified portfolio of holdings. This fund will normally have a below-average relative risk compared with the average fund in the UK All-Companies Pension sector.

Above-average risk (continued)
UK Equity Tactical UK Smaller Companies Ethical BGI US Equity North American BGI European Equity European European Tactical

UK Equity Tactical

This fund invests across all major industrial sectors in UK company shares (equities) listed on the London Stock Exchange. The fund has a more concentrated portfolio than the average UK equity fund, in other words it invests in fewer stocks and in larger proportions than the average fund. It invests both in companies that the manager believes are undervalued and those that have attractive future growth prospects. It's a specialist fund, which aims to achieve capital growth from an actively managed (which means the fund manager decides where to invest to outperform the market average) portfolio of holdings.

UK Smaller Companies

This fund invests in smaller companies with shares listed on the London Stock Exchange. Smaller companies are defined as those in the lowest 10% by capitalisation of the FTSE Actuaries All-Share Index. Market capitalisation is the value of a company, based on the price of its shares multiplied by the number of shares.

The fund invests across a wide range of industrial sectors, in order to maximise the potential returns while spreading the risks inherent in investment in companies whose performance is highly sensitive to fluctuations in the UK economic cycle. This is a specialist fund which aims to achieve capital growth over the medium to longer term, subject to short-term fluctuations in value.

Ethical

This fund invests in a wide range of UK companies whose activities comply with a strict set of ethical negative screening criteria. This specialist fund aims to maximise growth from a restricted range of stocks that has a bias towards smaller companies, because these are the companies that tend to find it easier to meet the ethical criteria of the fund. It's suitable for investors who want their investments to meet certain ethical criteria. Because of its restricted investment choice, the fund will have an above-average relative risk compared with the average fund in the UK All-Companies Pension sector.

BGI US Equity

This fund invests in a variety of large and small US companies, offering both a wide spread within the US market and opportunities for growth in the future. It's managed by Barclays Global Investors (BGI), one of our investment partners.

The fund is passively managed, which means it aims to match the performance of a particular index, in this case, the FTSE All-World USA Index. This index is widely regarded as the benchmark for UK pension fund investment in shares of companies in the USA.

North American

This fund invests in shares of companies listed on the North American stock exchanges. The fund's main focus is US shares (equities) but it sometimes holds a small amount of Canadian shares. The portfolio is well spread across all major market sectors, and tends to concentrate on larger companies. This is a mainstream US equity fund, which aims to provide capital growth from a broadly based portfolio of holdings.

BGI European Equity

The fund invests in shares (equities) of companies in Europe and is passively managed, which means it aims to match the performance of a particular index, in this case, the FTSE All-World Developed Europe ex UK Index. This index is widely regarded as the benchmark for UK pension fund investment in European company shares. It's managed by Barclays Global Investors (BGI), one of our investment partners.

European

This fund invests in a wide range of shares (equities) across all major European markets, specifically excluding the UK. It generally holds shares in larger companies. It's a mainstream European equity fund, which aims to provide capital growth from a wide-ranging portfolio of holdings. The fund has an average relative risk compared with the average fund in the Association of British Insurers' (ABI's) European Excluding UK Pension sector.

European Tactical
This fund invests in companies of all sizes listed on European stock exchanges. The fund's portfolio is wide-ranging, investing across all major European markets and most secondary markets, and can also concentrate its investment on a few companies within those markets. The fund managers have considerable flexibility to make investment decisions. This is a specialist fund, which aims to achieve capital growth through aggressive management of the investments (which is when the fund manager decides on where to invest to outperform the market average or benchmark and their investment choice can vary significantly from that of the average or benchmark). The fund has an above-average relative risk compared with the average fund in the European Excluding UK Pension sector.

Higher risk
BGI Pacific Rim Equity Pacific BGI Japanese Equity Japan Technology

Higher risk
The funds in this category invest in areas that may see large day-to-day changes in return (relative to our full fund range). They can offer excellent growth potential from time to time and are particularly useful when constructing a balanced portfolio.

BGI Pacific Rim Equity
This fund invests in a variety of large and small companies across the Australasian, Hong Kong, New Zealand and Singapore markets, spreading the risks of being too exposed to one particular market but also offering opportunities for growth in the future. It's managed by Barclays Global Investors (BGI), one of our investment partners.

It's a passively managed fund, which means it aims to match the performance of a particular index, in this case the FTSE All-World Developed Asia Pacific ex Japan Index. This index is widely regarded as the benchmark for UK pension fund investment in shares of companies in the Pacific Rim.

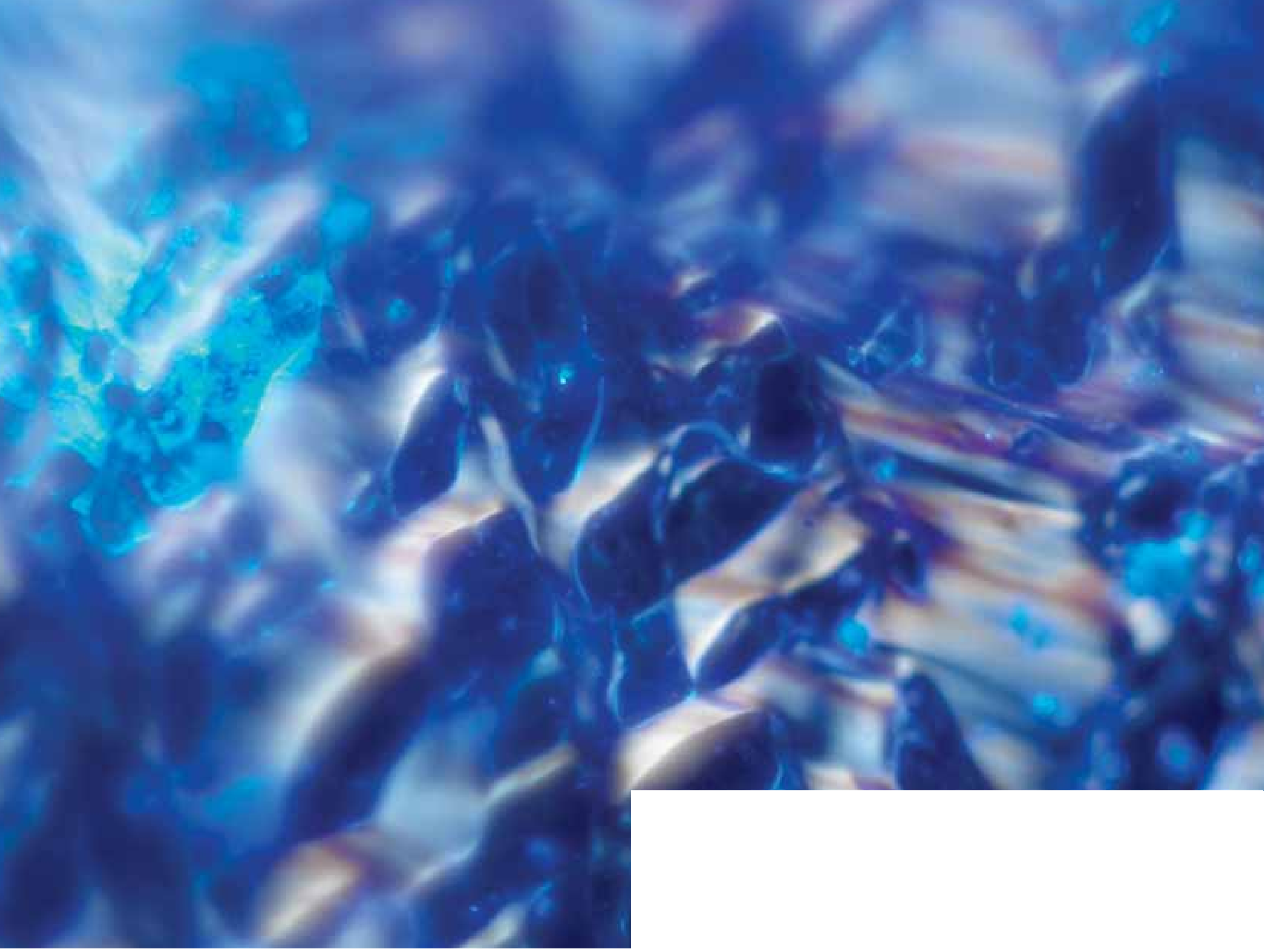
Pacific
This fund invests in a broad range of companies listed on stock exchanges in the Pacific Basin, including Australasia and the Indian sub-continent, but specifically excluding Japan. The fund can invest in all industrial sectors. It's a mainstream Pacific equity fund, which aims to achieve long-term capital growth.

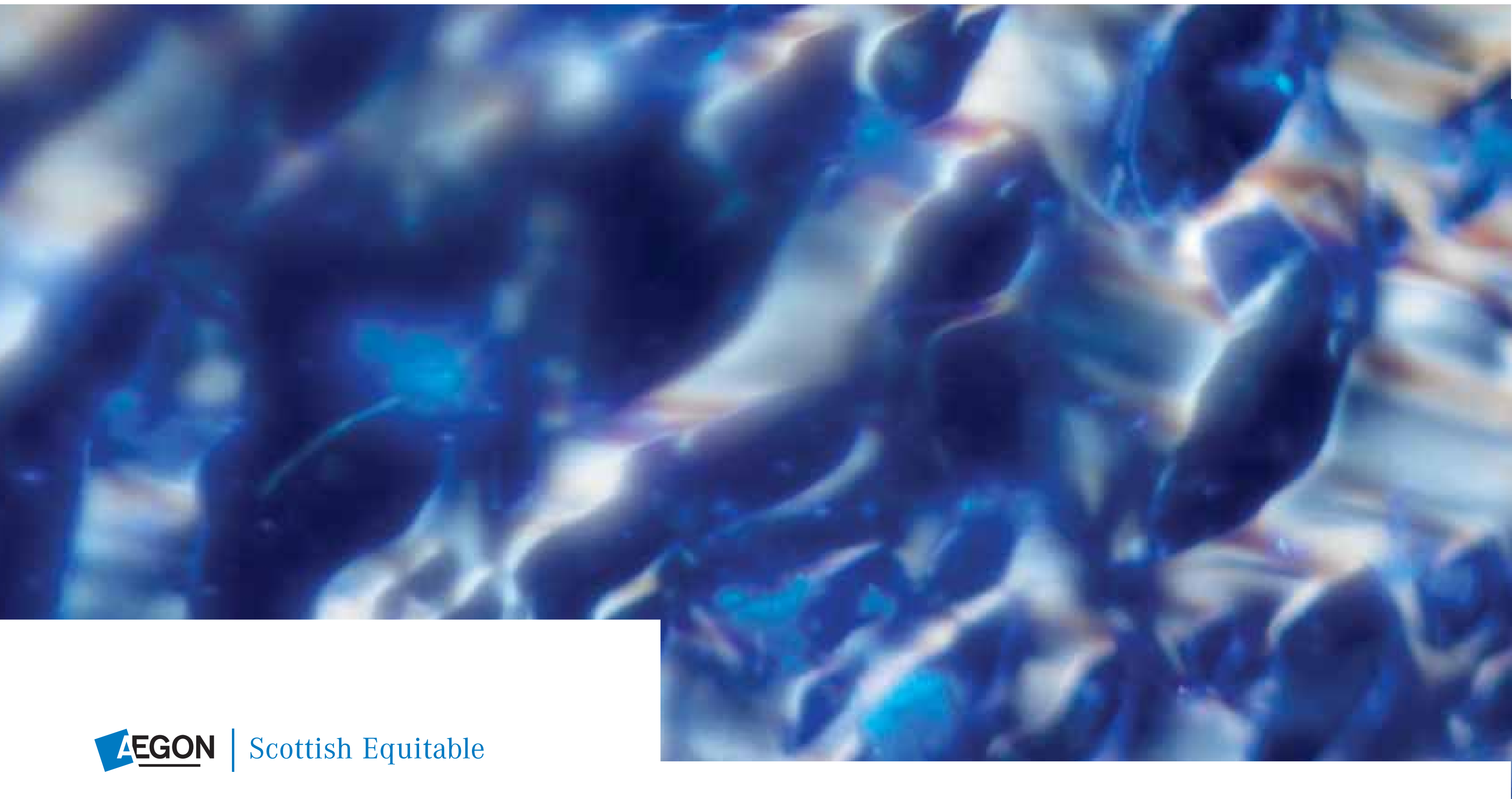
BGI Japanese Equity
This fund invests in a variety of large and small Japanese companies, spreading the risks of being too exposed to one particular company or industrial and commercial sector but also offering opportunities for growth in the future. It's managed by Barclays Global Investors (BGI), one of our investment partners.

The fund is passively managed, which means it aims to match the performance of a particular index, in this case the FTSE All-World Japan Index. This index is widely regarded as the benchmark for UK pension fund investment in shares of companies in Japan.

Japan
This fund invests in listed Japanese companies across a wide range of industrial sectors. Generally, the fund invests mainly in the shares (equities) of established companies where prospects for growth appear attractive, although it sometimes invests in equity-related products such as convertible bonds (these are bonds which can be converted into shares at a later date). It's a mainstream Japanese equity fund, which aims to provide capital growth from a diversified portfolio of investments.
The fund has an average relative risk compared with the average fund in the Japan Pension sector.

Technology
This fund invests in companies involved in technology-intensive industries around the world. Suitable industries include manufacturers of computers and their components, software and computing services, telecommunications, pharmaceuticals, biotechnology, aerospace and electronics. The fund usually invests heavily in the US market because this is where there's the highest concentration of technology companies. This is a specialist fund, which aims to provide capital growth from investing in niche markets.





C 251370
IND 00002867 09/07