

Scottish Widows Capital Protected Fund 21 (CPF21)

We are pleased to come to the market with CPF21.

With CPF21 your client can have the peace of mind to know that whether the stockmarket moves up or down, their original investment should be protected at the end of the specified term (the Protection Date).

CPF21 may be ideal for a cautious investor who:

- wants to invest for growth
- wants an element of capital security
- wants the opportunity to potentially earn a higher return than a conventional fixed term deposit
- is prepared to invest for a fixed term (six years from the end of the Cash Investment Period)
- wants to benefit to a degree from the potential upside of the stockmarket (FTSE 100 Index) – but likes the fact that, if the investment is held until the Protection Date, it should be protected if the index has fallen
- understands that any upside will be subject to a cap and averaging will be applied in the last 12 months of the Growth Potential Period
- understands that if the investment is cashed in early, the amount returned is likely to be less than invested, in some circumstances substantially less.

Product terms

Key details	
Cash Investment Period	Thursday 26 January 2012 to Thursday 24 May 2012
Derivative Date	Tuesday 12 June 2012
Growth Potential Period	Tuesday 12 June 2012 to Thursday 24 May 2018
Protection Date	Friday 25 May 2018
Participation Rate	100 %
Cap	Any amount payable in addition to the Capital Protected Value is subject to a maximum of 47 % of the Capital Protected Value. This capped rate is the equivalent to a maximum return of 6.63 % pa before tax over the Growth Potential Period.
Initial Charge	7.85 % (which is effectively “added back into the investment” at the Protection Date)
Other charges	No AMC or early exit penalty
Index	FTSE 100 Index
Averaging	The average of the closing levels of the FTSE 100 Index on UK stockmarket trading days over the last 12 months of the Growth Potential Period
Capital Protection	100 %

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Investment amounts and sales limits

Investment amounts/limits	Tax years 2011/12 and 2012/13
Minimum investment amount for OEIC	£3,000
Minimum investment amount for Investment ISA	£1,000
Further investments (during Cash Investment Period)	£250 once minimum amounts are placed in one of the products above
Maximum investment amount	£250,000 (OEIC). For an ISA, the limit is £10,680 for the 2011/12 tax year and £11,280 for 2012/13 tax year (less any amounts invested in a cash ISA in the same tax year)
Size of fund	£55m to £82.5m

Why use a Scottish Widows Capital Protected Fund?

- Your clients should benefit if there's a rise in the FTSE 100 Index, but shouldn't lose money if the Index falls, as long as the investment is held until the Protection Date.
- The additional amount your client could receive will be based on 100% (Participation Rate) of the growth of the Index over the Growth Potential Period (after Averaging).
- The maximum additional return your client could receive at the end of the term is 47% of their original investment, which would be equivalent to having received growth of 6.63% before tax each year during the Growth Potential Period. Please note that this maximum can be achieved only if your client remains invested until the Protection Date and the FTSE 100 Index has grown by 47% or more (after Averaging).
- Clients can access their investment at any time if needed. However, if they cash in before the Protection Date, they will lose the capital protection and they are likely to get back less than they invested, in some cases substantially less.
- Clients can invest into CPF21 directly or through an ISA.
- CPF21 has a simple charging structure with an initial charge of 7.85%, but no AMC or exit charge. At the Protection Date the cost of the initial charge is effectively "added back in to the investment".

Please ensure that your clients are comfortable that CPF21 meets their investment objectives, and that consideration has been given to other alternatives such as savings based products. Your clients should not only consider the level of return but the term of the product and the tax rules that would apply, as these will impact your client's investment and any returns at the end of the term.

Examples

At the end of the investment period your client should get back their original investment. This would be the equivalent to growth of 0%. They should also get back an additional amount based on the rise in the FTSE 100 Index (after Averaging). The maximum additional amount a customer could get back is 47% of their original investment (the Cap).

Example 1 (% increase in FTSE is below Cap)	Example 2 (decrease in FTSE)
Index rises 15% (after Averaging)	Index falls 15% (after Averaging)
Capital Protected Value = £10,100	Capital Protected Value = £10,100
Participation Rate is 100%, Cap is 47%	Participation Rate is 100%, Cap is 47%
100% of 15% is 15%	Although the Index has fallen your client should still receive their Capital Protected Value on the Protection Date
15% of Capital Protected Value (£10,100) is £1,515	
Cap does not apply in this case	
Value on Protection Date is £10,100 + £1,515 = £11,615	Value on Protection Date is £10,100

In the event that the FTSE 100 Index rises by more than 47 % (after Averaging) during the Growth Potential Period then your client's additional amount will be capped at 47 % of their Capital Protected Value.

Investment risk

CPF21 is a sub fund within Scottish Widows Income & Growth Funds ICVC. This is a UK authorised OEIC, and as such the underlying investments must be held separately from the fund manager, Scottish Widows Unit Trust Managers Limited* (SWUTM), by an independent depository.

During the Cash Investment Period, and the two weeks that follow, the Fund invests in cash on deposit and other similar investments in part by investing in the Global Liquidity Fund, which is managed by our fund managers Scottish Widows Investment Partnership.

* SWUTM is a wholly owned subsidiary of Scottish Widows plc

Counterparty

After the two weeks that follow the end of the Cash Investment Period, each CPF enters into a series of derivative contracts with a counterparty. The period which follows is known as the Growth Potential Period and it lasts from the Derivative Date until the Protection Date. During this period, the CPF is exposed to the risk of counterparty failure. The counterparty for our current CPF is Lloyds TSB Bank plc.

Collateral

In the event of counterparty failure, neither SWUTM nor our customers could claim compensation from the Financial Services Compensation Scheme (FSCS) for any loss. However, to help protect against losses in such circumstances, cash or other secure investments (known as "collateral") covering the investment value is deposited with an independent custodian (State Street Bank and Trust Company). We have 100 % collateral for CPF21, and in the event of counterparty failure, CPF21 would receive the supporting collateral.

Should there be a failure of this counterparty, particularly if it also coincides with failure of the underlying collateral that supports the derivatives or the institution that the collateral is deposited with, then the investor is likely to get back substantially less than was invested.

FSCS

OEIC funds are not directly covered by the FSCS; however SWUTM is covered as the Authorised Corporate Director (ACD). The FSCS will not compensate financial loss in the course of normal OEIC investment business if SWUTM is still solvent, including losses due to counterparty failure.

However, an investor may be entitled to claim if SWUTM cannot meet its obligations (for example, if SWUTM were to become insolvent or unable to meet the claims against it, resulting in the customer suffering a financial loss).

Entitlement to a claim depends on the type of business and the circumstances of the claim. Your clients would be potentially covered by the FSCS for 100 % of their claim up to a maximum of £50,000.

Further information about compensation arrangements is available from the FSCS website at www.fscs.org.uk or on 020 7892 7300.



Other useful information to remember

1. ISA transfers

Stocks and Shares transfers are permitted into CPF21 from HBOS Investment Fund Managers Limited (HIFML) only and not from external providers.

2. Commission

Scottish Widows will pay 3.00% initial commission for investments into CPF21. No trail commission will be paid. We do not offer commission sacrifice.

3. Sales process

- Applications must be received at Scottish Widows, Head Office, Dalkeith Road, Edinburgh by close of business on 17 May 2012. This is when we expect this tranche to close to IFA applications to avoid, where possible, having to reject any applications.
- Client Services will not process any applications after this date and your applications (and cheque if applicable) will be returned.

We may have to stop selling before this date if the Total Sales Limit is reached or at the discretion of the ACD provided that existing shareholders are not materially prejudiced as a result. We will communicate a revised date if necessary.

Marketing support

A folder (reference 47401) containing the following literature will help you to discuss this product with your clients.

- Brochure
- Key Features
- OEIC and ISA application forms

The folder will be held in stock and can be ordered through the usual channel.

In addition, a full and short financial statement, Simplified and Full Prospectuses are also available. The Full Prospectus can be found at:

http://www.scottishwidows.co.uk/investments/open_ended_investment_companies/choosing_your_funds.html

Further information

For further information please contact your Account Manager.



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Scottish Widows Unit Trust Managers Limited is authorised and regulated by the Financial Services Authority. Our FSA Register number is 122129.

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