PENSION INVESTMENT APPROACHES

GUIDE

SCOTTISH WIDOWS

OUR COMMITMENT TO YOU

We want to do everything we can to help you achieve what you need from your plan. Aiming for investment growth is vital, but we believe we have a commitment to you to:

- Make it easier for you to make your investment choice with confidence.
- Aim to ensure that the investment choice you make on day one remains equally relevant to the day you retire.
- Regularly test and re-test our understanding of investment risk and reward in light of market changes.
- Offer expert investment management at value for money prices.
- Help you to prepare for the type of retirement income you'll want.

THE PENSION INVESTMENT APPROACH (PIA) CHOICES FOR YOUR PLAN

To help you make a suitable investment choice for your plan we offer three risk categories, each with a different combination of risk and reward:

Adventurous	Balanced	Cautious

Whichever one you choose, you can be sure that we'll manage the investment of your plan for you, with the aim that your plan always has a combination of investment risk and reward that both:

- matches your chosen risk category, and
- manages your investment to your selected retirement date.

As you get closer to retirement, we will gradually adjust and move your plan into lower risk investments. Although this reduces the growth potential of your plan, it also aims to help protect its value as you near your selected retirement date. This is a type of lifestyle switching.

Five years from your selected retirement date we will start to automatically adjust your plan so that it will be invested in one of three ways, depending on whether you'll want to purchase an annuity, keep your pension money invested (including taking withdrawals as an income), or take a cash lump sum.

If your circumstances change you can alter your investment choice, helping you to ensure that your investment choice continues to meet your needs. The aims along with both the general and specific risks associated with the underlying funds the Pensions Investment Approaches invest in, can be found in the table on pages 13-15.

PREMIER PENSION INVESTMENT APPROACHES (PPIAs)

In December 2015 we introduced our Premier Pension Investment Approaches (PPIAs). These funds have the same three risk categories as our PIAs above, but aim to offer better potential returns than the PIA equivalent. They aim to achieve this by investing in different ways using specialised investment strategies, more asset classes and an element of active management. It costs more to invest in these additional assets and strategies, so the annual charges for the PPIAs are higher than for the PIAs. A brief description is given on page 9.

Please note that you might not have access to the PPIAs through your employer's pension scheme. Your employer will confirm the options available in your pension scheme.

Full details of our PPIAs can be found in the Scottish Widows Premier Lifestyling Options brochure. You can ask us for a copy of this.

Please note that other than the information given on PPIAs on page 9, this guide only relates to our PIAs.

INVESTMENT RISK AND REWARD

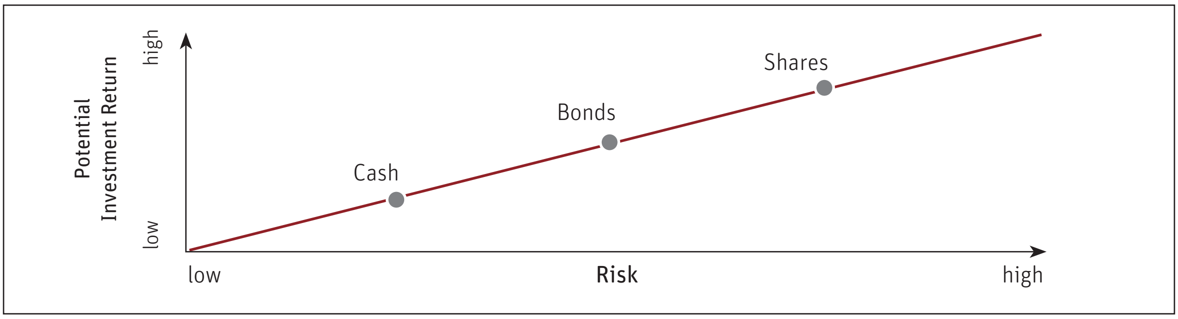
Generally, the greater the potential reward from an investment the greater the risk that its value could fall.

So choosing to invest your pension plan in assets with potentially higher returns, for example buying shares (also known as equities) through the stockmarket, could reward you with a high return but could also lose a large part, or even all, of your investment.

Choosing to invest your pension plan in assets which have a very low risk tends to give very low returns.

The diagram below gives an indication of the general risk and reward for different types of investments. Within each investment type, the level of risk can vary depending on the specific investment you choose to invest in.

Please remember that with investments like these, there are no guarantees, and there is a risk that the value of your plan could go down as well as up, depending on investment performance (and currency exchange rates where a fund invests overseas) and may fall below the amount paid in.



PENSIONS OPTIONS

Investors in UK pensions have three ways to use their pension pot at age 55 or above to provide for their retirement.

You can choose one or more of the following:

1. **Annuity Purchase** – buying one or more annuities to provide a regular and secure income for life.
2. **Pension Encashment** – taking all (or part of) a pension pot as a cash lump sum, 25% of which will be tax-free with the remainder subject to tax.
3. **Flexible Access** – adopting a flexible approach by using a suitable product to keep a pension pot invested and then taking income as it is needed.

These options came about following changes introduced in April 2015, which allow you greater flexibility in how you can take benefits from your pension pot. Scottish Widows conducted significant customer research and worked with independent research specialists Moody's Analytics to identify how we can help meet our customers' needs in this pensions environment.

PENSION INVESTMENT APPROACHES (PIAs) OPTIONS

When the Pension Investment Approaches (PIAs) were launched in 2006, we put in place a regular review process. A key part of this process is to identify any changes which we feel will ensure the PIAs continue to meet our customers' needs and help them to achieve their long-term objectives.

We carried out a review in 2014, focused on how the PIAs should be updated to reflect the new, more flexible ways our customers can access their pension pots from April 2015. As a result of our research, we identified our customers' top priorities as providing financial security in retirement and providing for any dependents after death. Secondary objectives are to maximise growth potential, minimise tax and provide an inheritance. Based on this, we made some significant changes to our PIAs which we believe are appropriate and effective in helping our customers prepare for their retirement.

We've a number of options available in our Pension Investment Approaches to take account of the retirement choices available to you.

When you make your investment choice you have two selections to make:

- The level of risk you are comfortable with; and
- The type of retirement outcome you are likely to want when you retire.

The risk categories that we offer to customers are Adventurous, Balanced and Cautious. Each of these risk categories offer three distinct retirement outcomes to help our customers to prepare effectively for their retirement in the five years running up to their selected retirement date. These retirement outcomes are as follows:

- For customers who plan to purchase an annuity, we offer our risk categories with a 'Targeting Annuity' retirement outcome designed for those who will want an annuity.
- Those customers who expect to take their pension pot as a cash lump sum are offered a 'Targeting Encashment' retirement outcome.
- And customers who intend to draw down income or are unclear about their exact retirement income route can benefit from our 'Targeting Flexible Access' retirement outcome.

Our PIA structure is as follows:

ADVENTUROUS RISK CATEGORY	BALANCED RISK CATEGORY	CAUTIOUS RISK CATEGORY
Adventurous (Targeting Annuity)	Balanced (Targeting Annuity)	Cautious (Targeting Annuity)
Adventurous (Targeting Encashment)	Balanced (Targeting Encashment)	Cautious (Targeting Encashment)
Adventurous (Targeting Flexible Access)	Balanced (Targeting Flexible Access)	Cautious (Targeting Flexible Access)

We realise that some customers may not be sure how they will want to provide for their retirement, especially those who are still some years from taking benefits from their pension pot. So we make it easy for you to change to a different retirement outcome (or to a different risk category) if your plans and objectives change as you get closer to retirement.

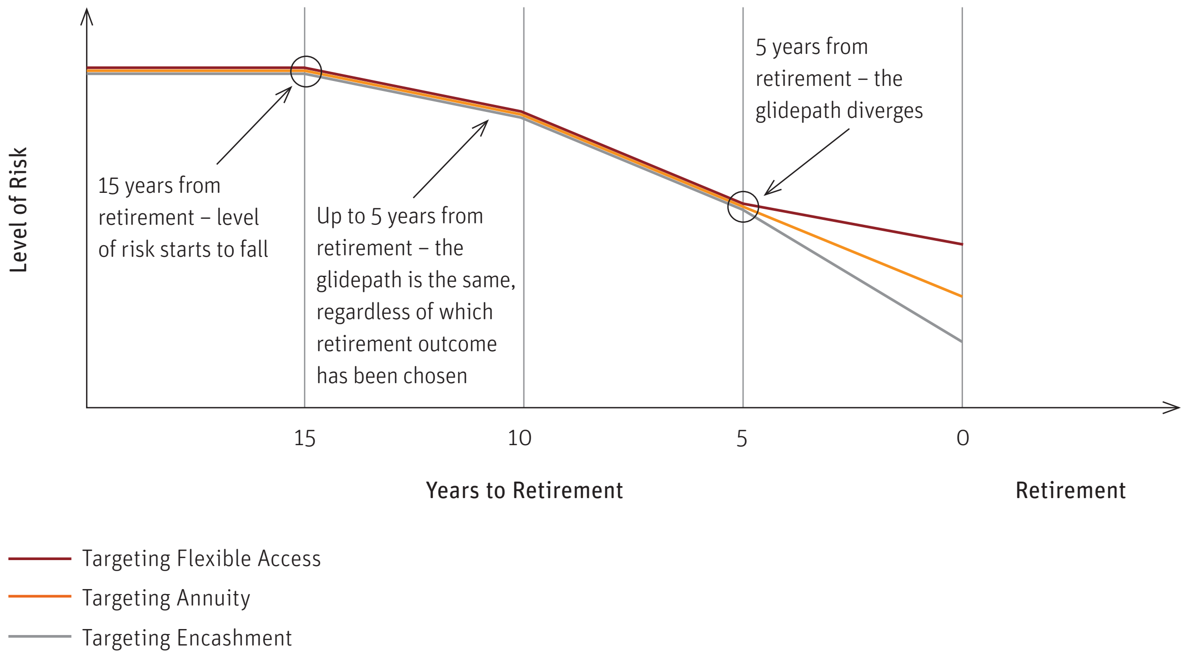
LIFESTYLE SWITCHING EXPLAINED

Our Pension Investment Approaches risk categories all work in a similar way: the difference between them is how much investment risk they take in trying to help your pension fund grow. In the earlier years, more of your money is invested in equities to increase the potential for growth. We then begin to gradually reduce your exposure to risk once you are 15 years from your selected retirement date. This should help to protect what you've built up if there are any market downturns.

We have conducted analysis on when customers should begin to move towards their chosen retirement outcome. Based on our research we believe this move should only happen in the last five years leading up to retirement. Until five years from retirement the 'investment glidepath' for your selected risk category is the same, regardless of which retirement outcome you are targeting. In the final five years leading up to your selected retirement date your investment will gradually move into one of three carefully selected packages of lower-risk investments. These are different for each retirement outcome, tailored to suit whichever option you have chosen.

HOW A PENSION INVESTMENT APPROACH 'INVESTMENT GLIDEPATH' WORKS

The graph below demonstrates how this works, showing a typical Pension Investment Approach 'investment glidepath'. Please note that this graph indicates how the overall level of risk changes at different stages, not the likely performance of an investment.



Our Targeting Annuity option offers a combination of 75% Pension Protector Fund and 25% Cash Fund. This is specifically designed for customers who wish to take 25% of their fund as a tax-free cash lump sum and intend to buy an annuity with the remaining 75%. Our analysis indicates that this combination is a sound choice for those customers who want to choose this route.

For customers who intend to take their pension fund in a cash lump sum our analysis indicates that a more suitable asset-mix at retirement would be 100% in Cash and/or 'near-cash'* money market investments (which means investments that can be converted into cash quickly and easily). We provide this for those selecting the Targeting Encashment retirement outcome through a 100% investment in Scottish Widows Pension Portfolio Five, which invests in two 'near-cash' funds and has been primarily created for this purpose.

Scottish Widows and Moody's Analytics analysed a wide spectrum of possible asset-mixes for those selecting the 'Targeting Flexible Access' retirement outcome. For our PIA customers who intend to have the flexibility of staying invested during retirement, we identified a suitable asset-mix to prepare their pension for ongoing investment. Overall, the asset-mix which we believe is best suited for this is 30% Equities, 45% Bonds and 25% Cash. We deliver this through a combination of 75% Scottish Widows Pension Portfolio Four and 25% Scottish Widows Pension Portfolio Five.

More information on the aims, and both the general and specific risks associated with the underlying funds can be found in the table on pages 13-15.

*By 'near-cash' we mean investing in assets that can be converted into cash quickly and easily. Please remember that, whichever investment you are in, the value of your investment can go down as well as up, and could fall below the amount(s) paid in. This also applies to 'money market', 'cash' and 'near cash' funds which invest in securities, as these securities can fluctuate more than a customer might expect. 'Cash' or 'near-cash' funds do not guarantee a positive return, nor do they provide complete protection for your investment.

FLEXIBILITY

This structure offers customers flexibility when it comes to managing their finances in retirement. Many of our customers will not be sure how they will want to take their income in retirement, especially those who are some years from taking their pension. So customers are able to change direction towards a different retirement outcome or move into a different risk category if their plans and objectives change.

Please note if you change towards a different retirement outcome in the last five years there are risks associated with selling and buying assets that may affect the value of your investment. This also applies if you change your attitude to risk at any stage.

WILL WE EVER USE DIFFERENT INVESTMENTS?

Yes – if, as part of our investment fund review process, we think it would be of long-term benefit to our customers, we may decide in future to alter the asset classes or funds used by our PIAs.

2020 CHANGES – INTRODUCING ESG INVESTMENTS AND ADDITIONAL ASSETS

In early 2020 it became clear that we could expect lower projected returns and potentially continued volatility in the future, exacerbated by the Covid-19 impact. So we decided to make a number of key asset allocation changes which we believe will mean our multi-asset funds are better equipped to overcome these challenges. These asset allocation changes aim to deliver improved investment returns for the same level of risk and at no additional charge by:

- Integrating environmental, social and governance (ESG) considerations, by allocating around 10% of the funds' equity content to BlackRock's ACS Climate Transition World Equity Fund
- Introducing a new asset allocation approach for equities, apportioning global equities according to the size of each market and reducing our UK exposure
- Diversifying the investments in the funds into a wider range of asset types, notably Emerging Market Government Bonds and Global Real Estate Investment Trusts
- Introducing currency hedging on a portion of our overseas equities

We are making these changes because we believe they have the potential to enhance returns and reduce risk over time. We've partnered with BlackRock for the ESG element as we believe they'll be able to identify the companies that make a positive contribution to a lower carbon economy, as well as add long-term value. We will be backing businesses that decrease carbon emissions, increase clean technology revenue, reduce water consumption and improve waste management.

WHAT INVESTMENTS DO WE USE?

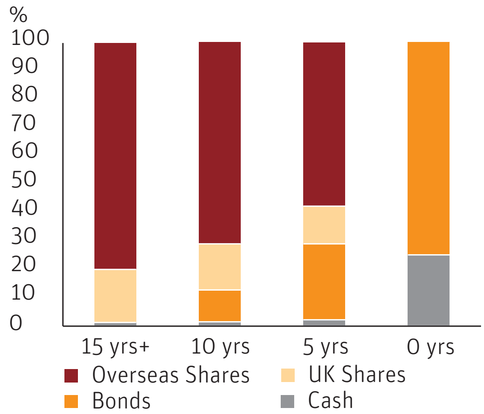
The same types of investments are used in all the Pension Investment Approaches, but in different proportions at different times. The tables below show how each approach will be invested at key points in the term to retirement. The target split of investments used and actual percentage holdings within each approach may change.

The portfolios invest in passive components. We review the asset allocation to improve investment returns over the long term. Given that long term view, we do not make investment decisions to reflect short term market movements or undertake other forms of active management. This means that the portfolios are likely to do well when tracking rising markets. They will similarly track falling markets and the portfolios will not see the impact of active management, which may serve to mitigate the effect of market losses in that event.

Adventurous (Targeting Annuity retirement outcome)

Highest risk ⟷ Lowest risk

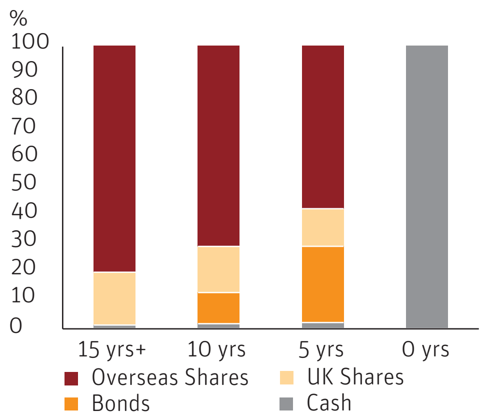
Target Split of Investments Used				
Years to Retirement	Overseas Shares	UK Shares	Bonds	Cash*
15 yrs+	80.2%	18.8%		1.0%
10 yrs	71.1%	16.4%	11.0%	1.5%
5 yrs	57.8%	13.2%	27.0%	2.0%
0 yrs			75%	25%



Adventurous (Targeting Encashment retirement outcome)

Highest risk ⟷ Lowest risk

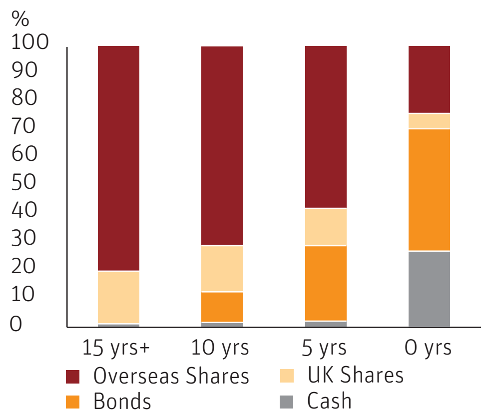
Target Split of Investments Used				
Years to Retirement	Overseas Shares	UK Shares	Bonds	Cash*
15 yrs+	80.2%	18.8%		1.0%
10 yrs	71.1%	16.4%	11.0%	1.5%
5 yrs	57.8%	13.2%	27.0%	2.0%
0 yrs				100%



Adventurous (Targeting Flexible Access retirement outcome)

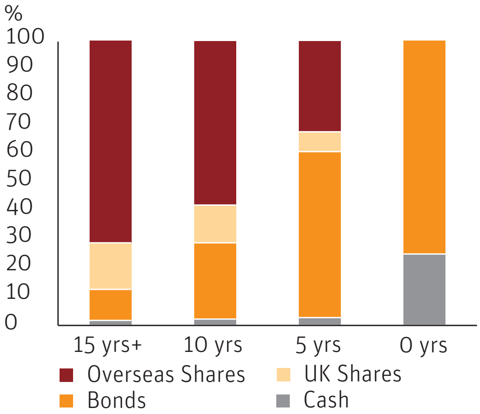
Highest risk ⟷ Lowest risk

Target Split of Investments Used				
Years to Retirement	Overseas Shares	UK Shares	Bonds	Cash*
15 yrs+	80.2%	18.8%		1.0%
10 yrs	71.0%	16.4%	11.0%	1.5%
5 yrs	57.8%	13.2%	27.0%	2.0%
0 yrs	24.0%	5.25%	43.9%	26.9%

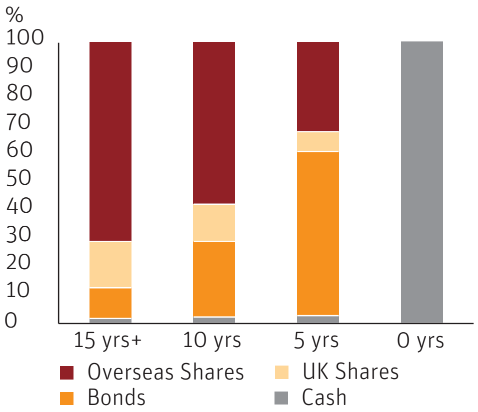


*Please read our explanation of cash as an asset class on page 8 of this guide.

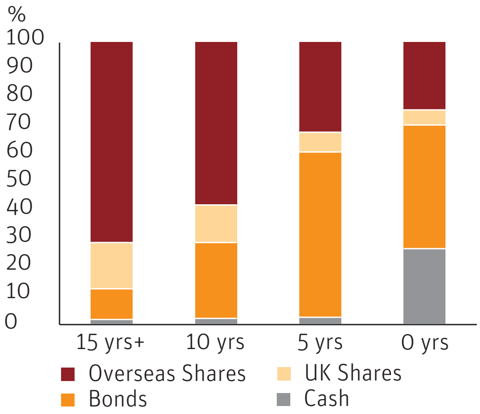
Balanced (Targeting Annuity retirement outcome)				
Highest risk ⟷ Lowest risk				
Target Split of Investments Used				
Years to Retirement	Overseas Shares	UK Shares	Bonds	Cash*
15 yrs+	71.1%	16.4%	11.0%	1.5%
10 yrs	57.8%	13.2%	27.0%	2.0%
5 yrs	32.0%	7.0%	58.5%	2.5%
0 yrs			75%	25%



Balanced (Targeting Encashment retirement outcome)				
Highest risk ⟷ Lowest risk				
Target Split of Investments Used				
Years to Retirement	Overseas Shares	UK Shares	Bonds	Cash*
15 yrs+	71.1%	16.4%	11.0%	1.5%
10 yrs	57.8%	13.2%	27.0%	2.0%
5 yrs	32.0%	7.0%	58.5%	2.5%
0 yrs				100%

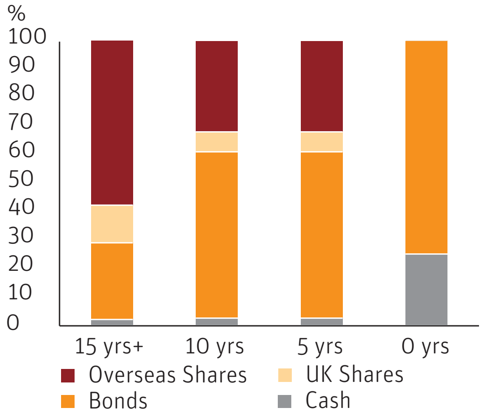


Balanced (Targeting Flexible Access retirement outcome)				
Highest risk ⟷ Lowest risk				
Target Split of Investments Used				
Years to Retirement	Overseas Shares	UK Shares	Bonds	Cash*
15 yrs+	71.1%	16.4%	11.0%	1.5%
10 yrs	57.8%	13.2%	27.0%	2.0%
5 yrs	32.0%	7.0%	58.5%	2.5%
0 yrs	24.0%	5.25%	43.9%	26.9%

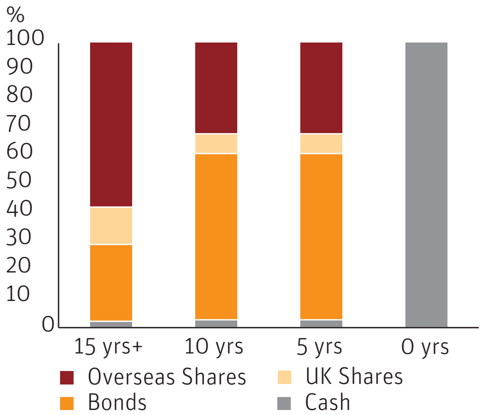


*Please read our explanation of cash as an asset class on page 8 of this guide.

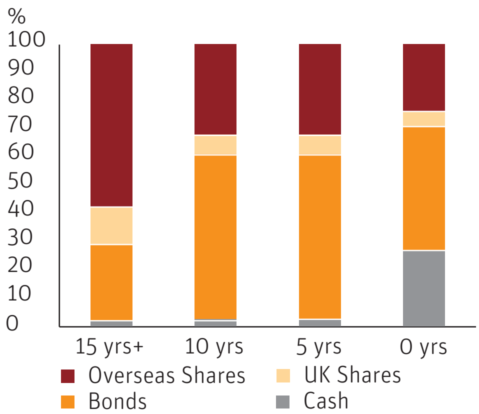
Cautious (Targeting Annuity retirement outcome)				
Highest risk ⟵⟶ Lowest risk				
Target Split of Investments Used				
Years to Retirement	Overseas Shares	UK Shares	Bonds	Cash*
15 yrs+	57.8%	13.2%	27.0%	2.0%
10 yrs	32.0%	7.0%	58.5%	2.5%
5 yrs	32.0%	7.0%	58.5%	2.5%
0 yrs			75%	25%



Cautious (Targeting Encashment retirement outcome)				
Highest risk ⟵⟶ Lowest risk				
Target Split of Investments Used				
Years to Retirement	Overseas Shares	UK Shares	Bonds	Cash*
15 yrs+	57.8%	13.2%	27.0%	2.0%
10 yrs	32.0%	7.0%	58.5%	2.5%
5 yrs	32.0%	7.0%	58.5%	2.5%
0 yrs				100%



Cautious (Targeting Flexible Access retirement outcome)				
Highest risk ⟵⟶ Lowest risk				
Target Split of Investments Used				
Years to Retirement	Overseas Shares	UK Shares	Bonds	Cash*
15 yrs+	57.8%	13.2%	27.0%	2.0%
10 yrs	32.0%	7.0%	58.5%	2.5%
5 yrs	32.0%	7.0%	58.5%	2.5%
0 yrs	24.0%	5.25%	43.9%	26.9%



*Please read our explanation of cash as an asset class on page 8 of this guide.

Please note that, whichever fund you are investing in, the value of your investment can go down as well as up, and could fall below the amount(s) paid in. This also applies to ‘cash’ and ‘near-cash’ funds which invest in securities, as these securities can fluctuate more than a customer might expect. ‘Cash’ or ‘near-cash’ funds do not guarantee a positive return, nor do they provide complete protection for your investment.

CASH AS AN ASSET CLASS

Two of the funds we use in our Pension Investment Approaches invest in 'cash' as an asset class. These funds are often referred to as simply 'cash' or 'near-cash' funds. Cash as an asset class (or as a type of fund) does not mean the same thing as money in a normal bank account. A cash fund may hold different types of 'cash-like' assets that have similar characteristics to bank deposits – such as a fixed rate of interest, quick access and low risk of capital loss. But an investment in a cash fund is not like putting money in a bank account. Cash funds mainly hold investments that mature (i.e. pay out) in the short term (weeks), but can hold assets with slightly longer periods to maturity. A longer period to maturity often means the fund manager is trying to earn a slightly higher return by taking a little more risk, which leads to the potential for slightly higher returns and risks than a bank deposit account. The fund will fluctuate in value because of, among other things, charges and possible falls in interest payments, so investors can get back less than they invest. There is also the risk that this type of fund will not keep pace with inflation, which would mean prices in shops rise quicker than your investment increases in value, so its spending power is reduced.

WHAT IF YOU WANT TO CHANGE INVESTMENT CHOICE?

You can currently change your investment choice for free at any time during the term of your plan, however this would override any Pension Investment Approach that you choose at the start.

HOW MUCH DOES YOUR PLAN COST?

A Total Annual Fund Charge will be collected from your plan. Any personal illustrations take this charge into account.

WHAT NEXT?

To help you identify which of our Pension Investment Approaches may suit you best, have a look at our Investment Decision Tool. You can find it at **www.scottishwidows.co.uk/idt**

Alternatively you can choose from a wide range of investment funds. Please see the Pension Funds Investor's Guide for more detail at **www.scottishwidows.co.uk/lpguide**

When you join, simply indicate your preferred investment choice on the application form provided*.

We may change the selection of funds that we make available. Please be aware that the definitions and investment approach rating for specific funds may change in the future.

More details about the funds you will be investing in and the associated risks can be found on pages 10-15 of this guide.

*If you are being automatically enrolled into your company pension scheme your employer will have selected a default investment option for your first contribution. In these circumstances, you will be able to make a change only after your first contribution has been made.

THE SCOTTISH WIDOWS PREMIER PENSION INVESTMENT APPROACHES

The Scottish Widows' Premier Pension Investment Approaches (PPIAs) have the same three risk categories as our PIAs, but aim to offer better potential returns than the equivalent PIA option. They aim to achieve this by investing in different ways, using specialised investment strategies, more asset classes and an element of active management. It costs more to invest in these additional assets and strategies so the annual charges for the PPIAs are higher than for the PIAs.

Our PPIAs have the same structure as our passively-managed PIA lifestyling options:

- Three risk categories (Cautious, Balanced, Adventurous).
- Three retirement outcomes (Targeting Annuity, Targeting Encashment, Targeting Flexible Access).
- A glidepath design that gradually 'de-risks' from 15 years to a customer's selected retirement date.
- A blend of underlying funds to achieve the selected asset mixes at different stages of lifestyling.

Here are our Premier Pension Investment Approaches in full:

ADVENTUROUS RISK CATEGORY	BALANCED RISK CATEGORY	CAUTIOUS RISK CATEGORY
Premier Adventurous (Targeting Annuity)	Premier Balanced (Targeting Annuity)	Premier Cautious (Targeting Annuity)
Premier Adventurous (Targeting Encashment)	Premier Balanced (Targeting Encashment)	Premier Cautious (Targeting Encashment)
Premier Adventurous (Targeting Flexible Access)	Premier Balanced (Targeting Flexible Access)	Premier Cautious (Targeting Flexible Access)

The PPIAs complement our passively managed PIA options, and we continue to believe in our passively managed approach as a cost-effective and robust way for pension customers to invest. But as a result of developments like Auto Enrolment and Pension Freedoms, we believe that our customers will demand more from their pensions, with the level of net returns becoming increasingly important. We feel some customers will be prepared to pay more to increase potential returns, and this is why we launched our Premier Pension Investment Approaches.

For full details of our Premier Pension Investment Approaches, including the fund aims and risks, please see our 'Premier Lifestyling Options Guide'.

THE NUTS AND BOLTS

We don't actually invest directly in the investments shown e.g. in UK shares and corporate bonds. Instead we invest in funds that have the blends we need. These funds are grouped together under five Portfolios. Currently the Portfolios are as follows.

Funds / Asset classes	Scottish Widows Pension Portfolio One	Scottish Widows Pension Portfolio Two	Scottish Widows Pension Portfolio Three	Scottish Widows Pension Portfolio Four	Scottish Widows Pension Portfolio Five
Overseas Equities - BlackRock ACS US Equity Tracker Fund - SSgA Europe ex UK Equity Index Fund - BlackRock ACS Japan Equity Tracker Fund - SSgA Asia Pacific Ex Japan Equity Index Fund - SSgA Emerging Markets Equity Index Fund	65.8%	57.4%	46.2%	24.5%	
UK Equities - SSgA UK Equity Index Fund	18.8%	16.4%	13.2%	7.0%	
ESG Equities - BlackRock ACS Climate Transition World Equity Fund	9.4%	8.2%	6.6%	3.5%	
UK Corporate Bonds - SWUTM Corporate Bond Tracker Fund		3.2%	8.4%	23.9%	
Global Corporate Bonds (hedged) - Aberdeen Global Corporate Bond Tracker Fund		4.8%	12.6%	31.6%	
Emerging Market Bonds - BlackRock iShares Emerging Markets Local Government Bond Index Fund - BlackRock iShares Emerging Markets Government Bond Index Fund		3%	6%	3%	
Real Estate Investment Trusts - BlackRock iShares Global Property Securities Equity Tracker Fund	5%	5.5%	5%	4%	
Cash - Schroder Sterling Liquidity Fund	1.0%	1.5%	2.0%	2.5%	100%

In the last 15 years before you retire, we gradually start switching to lower risk investment funds.

The funds used during the five years leading up to your selected retirement date will depend on which retirement outcome you have selected, be this Targeting Annuity, Targeting Encashment or Targeting Flexible Access.

The table on the next page shows you which funds are used for each risk category and the different retirement outcomes.

ADVENTUROUS RISK CATEGORY	15 years+	at 10 years	at 5 years	at 0 years
Adventurous (Targeting Annuity)	Scottish Widows Pension Portfolio 1 – 100%	Scottish Widows Pension Portfolio 2 – 100%	Scottish Widows Pension Portfolio 3 – 100%	Scottish Widows Pension Protector – 75% Scottish Widows Cash – 25%
Adventurous (Targeting Encashment)	Scottish Widows Pension Portfolio 1 – 100%	Scottish Widows Pension Portfolio 2 – 100%	Scottish Widows Pension Portfolio 3 – 100%	Scottish Widows Pension Portfolio 5 – 100%
Adventurous (Targeting Flexible Access)	Scottish Widows Pension Portfolio 1 – 100%	Scottish Widows Pension Portfolio 2 – 100%	Scottish Widows Pension Portfolio 3 – 100%	Scottish Widows Pension Portfolio 4 – 75% Scottish Widows Pension Portfolio 5 – 25%

BALANCED RISK CATEGORY	15 years+	at 10 years	at 5 years	at 0 years
Balanced (Targeting Annuity)	Scottish Widows Pension Portfolio 2 – 100%	Scottish Widows Pension Portfolio 3 – 100%	Scottish Widows Pension Portfolio 4 – 100%	Scottish Widows Pension Protector – 75% Scottish Widows Cash – 25%
Balanced (Targeting Encashment)	Scottish Widows Pension Portfolio 2 – 100%	Scottish Widows Pension Portfolio 3 – 100%	Scottish Widows Pension Portfolio 4 – 100%	Scottish Widows Pension Portfolio 5 – 100%
Balanced (Targeting Flexible Access)	Scottish Widows Pension Portfolio 2 – 100%	Scottish Widows Pension Portfolio 3 – 100%	Scottish Widows Pension Portfolio 4 – 100%	Scottish Widows Pension Portfolio 4 – 75% Scottish Widows Pension Portfolio 5 – 25%

CAUTIOUS RISK CATEGORY	15 years+	at 10 years	at 5 years	at 0 years
Cautious (Targeting Annuity)	Scottish Widows Pension Portfolio 3 – 100%	Scottish Widows Pension Portfolio 4 – 100%	Scottish Widows Pension Portfolio 4 – 100%	Scottish Widows Pension Protector – 75% Scottish Widows Cash – 25%
Cautious (Targeting Encashment)	Scottish Widows Pension Portfolio 3 – 100%	Scottish Widows Pension Portfolio 4 – 100%	Scottish Widows Pension Portfolio 4 – 100%	Scottish Widows Pension Portfolio 5 – 100%
Cautious (Targeting Flexible Access)	Scottish Widows Pension Portfolio 3 – 100%	Scottish Widows Pension Portfolio 4 – 100%	Scottish Widows Pension Portfolio 4 – 100%	Scottish Widows Pension Portfolio 4 – 75% Scottish Widows Pension Portfolio 5 – 25%

Where any of the following general risks apply to a fund, they will be indicated beside the aims of the fund shown in the following table. Any specific risks associated with a fund will also be shown here.

EM This fund invests in emerging markets so might invest in stockmarkets which are generally less well regulated than those in the UK. This may result in a greater risk that the value of the units might go down. The investments in these markets might also be bought and sold infrequently therefore resulting in large changes in their prices.

EQ This fund invests in company shares (often referred to as 'equities'). Investing in company shares generally has the potential for higher capital growth over the longer term than investing in say, corporate bonds and other fixed interest securities. However there might be considerable fluctuations in equity prices and there is a greater risk that the value of the investment will fall.

FI Some of the securities in which this fund invests might default or their credit rating might fall. The value of those investments will usually fall should an issuer default or receive a reduced credit rating. Fluctuations in interest rates are likely to affect the value of the securities held by the fund. If long-term interest rates rise, the value of the units is likely to fall and vice versa.

OS Exchange rate changes might cause the value of any overseas investment to go up or down.

FIG This fund may invest more than 35% in government or public securities issued by a single issuer. There could be a risk, for example, that they can't repay the amount borrowed. If they don't repay, the value of the fund will fall.

OUR PENSION PORTFOLIO AND INVESTMENT FUNDS AIMS

Our pension portfolio and investment funds aim to achieve results that are suited to the Pension Investment Approach chosen and your selected retirement outcome.

Fund	Aim	Risks
Scottish Widows Pension Portfolio One Pension Fund	The Fund aims to deliver long-term growth by investing in other funds. The Fund invests almost exclusively in equities by investing in passive* index tracking funds. The equity investments cover a mix of geographic regions and can include the UK, other developed markets and emerging markets. This Fund will be reviewed periodically by Scottish Widows. In future the Fund could be invested in different funds and additional asset types, though the Fund will continue to invest almost exclusively in equities. *Passive management is where the fund manager aims to match a benchmark index and will buy, sell or hold investments depending on the components of that index.	EQ OS EM
Scottish Widows Pension Portfolio Two Pension Fund	The Fund aims to deliver long-term growth by investing in other funds. The Fund invests predominantly in equities, with some exposure to fixed interest securities, by investing in passive* index tracking funds. The equity investments cover a mix of geographic regions and can include the UK, other developed markets and emerging markets. The fixed interest securities can be in sterling or other currencies and may be issued by governments or companies. This Fund will be reviewed periodically by Scottish Widows. In future the Fund could be invested in different funds and additional asset types, though the Fund will continue to invest predominantly in equities. *Passive management is where the fund manager aims to match a benchmark index and will buy, sell or hold investments depending on the components of that index.	EQ OS EM FI

Fund	Aim	Risks
Scottish Widows Pension Portfolio Three Pension Fund	The Fund aims to deliver long-term growth by investing in other funds. The Fund invests primarily in equities, with a proportion in fixed interest securities, by investing in passive* index tracking funds. The equity investments cover a mix of geographic regions and can include the UK, other developed markets and emerging markets. The fixed interest securities can be in sterling or other currencies and may be issued by governments or companies. This Fund will be reviewed periodically by Scottish Widows. In future the Fund could be invested in different funds and additional asset types, though the Fund will continue to invest primarily in equities. *Passive management is where the fund manager aims to match a benchmark index and will buy, sell or hold investments depending on the components of that index.	EQ OS FI
Scottish Widows Pension Portfolio Four Pension Fund	The Fund aims to deliver long-term growth by investing in other funds. The Fund invests with an emphasis on fixed interest securities, with the remainder in equities, by investing in passive* index tracking funds. The fixed interest securities can be in sterling or other currencies and may be issued by governments or companies. The equity investments cover a mix of geographic regions and can include the UK, other developed markets and emerging markets. This Fund will be reviewed periodically by Scottish Widows. In future the Fund could be invested in different funds and additional asset types, though the Fund will continue to invest with an emphasis on fixed interest securities. *Passive management is where the fund manager aims to match a benchmark index and will buy, sell or hold investments depending on the components of that index.	EQ OS FI

Fund	Aim	Risks
Scottish Widows Pension Portfolio Five Pension Fund	The Fund aims to provide high levels of capital security by actively investing almost exclusively in high-quality short- to medium-term securities through other funds. These include fixed- or floating-rate debt instruments such as deposits, commercial paper, medium-term notes, asset-backed securities and bonds. This Fund will be reviewed periodically by Scottish Widows. In future the Fund could be invested in different funds and additional asset types, though the Fund will continue to invest almost exclusively in short- to medium-term securities.	Specific risk Some of the securities in which this Fund invests might default or their credit rating might fall. The value of those investments will usually fall should an issuer default or receive a reduced credit rating. Fluctuations in interest rates are likely to affect the value of the securities held by the Fund. If interest rates rise, the value of the units is likely to fall and vice versa. The Fund therefore carries a relatively modest risk to capital.
Scottish Widows Pension Protector Fund	The fund may be suitable for investors approaching retirement who intend to purchase a conventional pension annuity. The fund invests mainly in long-dated UK fixed interest securities. The prices of these are one of the key factors affecting the cost of buying a pension and so any investment in the fund should rise and fall broadly in line with changes in the cost of buying such a pension in retirement. The fund does not provide any guarantee of the level of pension in retirement or the cost of buying that pension. It may not be effective for those who intend to buy an inflation linked pension and does not provide protection against changes in the cost of buying a pension that arise from changes in life expectancy.	FI FIG
Scottish Widows Cash Fund	The fund aims to provide long-term growth consistent with high levels of capital security by investing mainly in short-term securities.	Specific risk The fund can invest in high-quality, mostly short-term debt instruments such as fixed deposits, certificates of deposit, commercial paper and floating rate notes. It carries a relatively modest risk to capital.

Please note that, whichever fund you are investing in, the value of your investment can go down as well as up, and could fall below the amount(s) paid in. This also applies to ‘cash’ and ‘near-cash’ funds which invest in securities, as these securities can fluctuate more than a customer might expect. ‘Cash’ or ‘near-cash’ funds do not guarantee a positive return, nor do they provide complete protection for your investment.

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