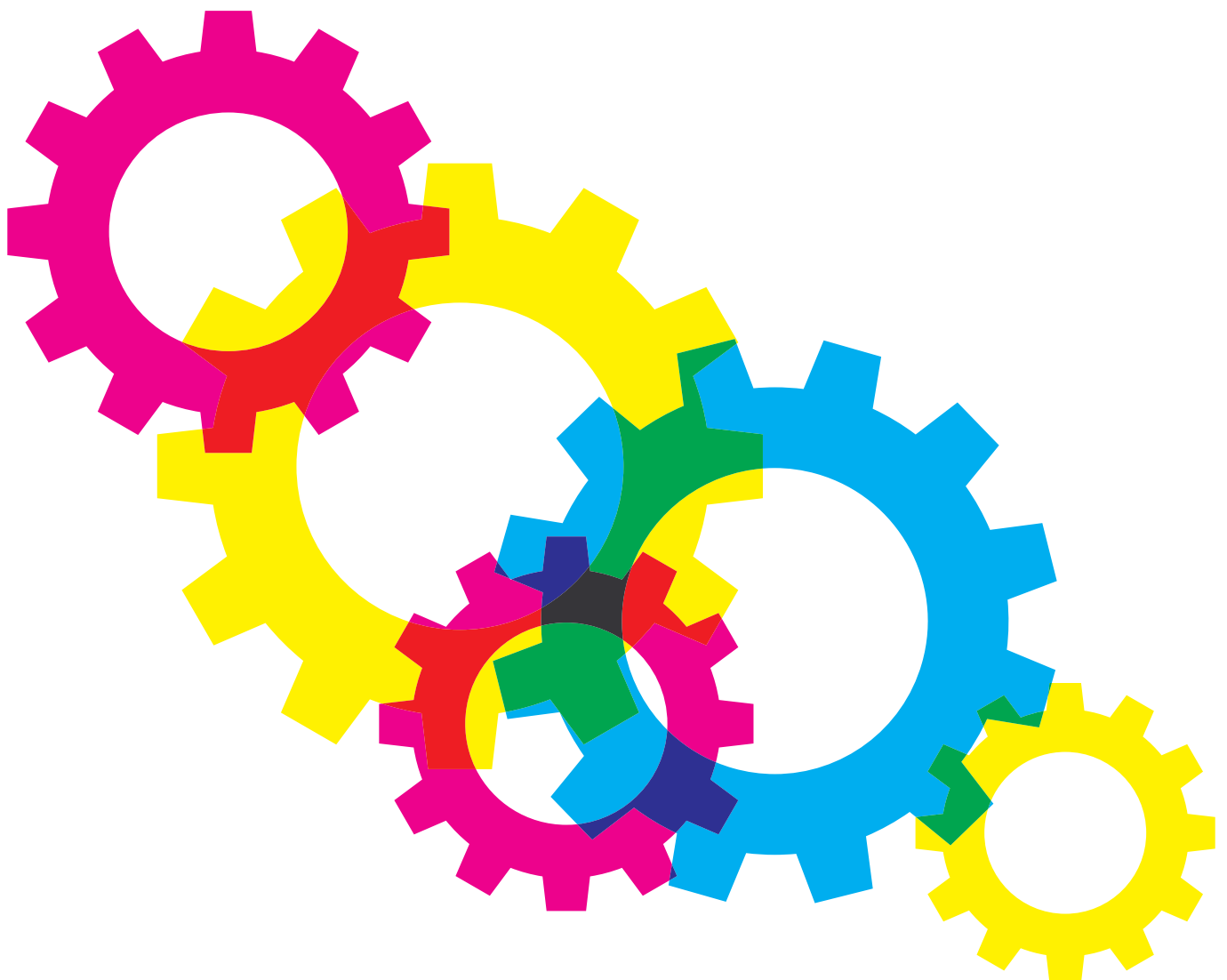









## CMI Investment Solutions fund guide



## What's inside

 Things to consider before investing	2
 Things to consider after investing	2
 The fund managers and available fund ranges	4
 CMI IS funds risk spectrums	13
 Fund information	14
 How we look after your investments	23
 Important notes	24

**Please note that all of the funds in this guide are currently available to all offshore Clerical Medical products (where there's an option to switch funds within the product).**

## Introduction

When reviewing your investments, it's important to remember that the most sensible investment strategies focus on the long term, and accept that investment values may rise and fall sharply from time-to-time. A knee-jerk reaction to severe market movements is often regretted when things calm down, so time should be given to carefully consider what course of action is best for you.

We have created this guide to help you review and develop your own personal investment strategy, and explain the CMI Investment Solutions (CMI IS) fund range. We hope it will be useful to you, but remember it is always sensible to get sound advice from a professional financial adviser.

Please note that we categorise investment periods as short-term: up to five years, medium-term: between five and 10 years, and long-term: over 10 years.

## Things to consider before investing

### ▶ Know why you're investing

All investors should think carefully about why they are investing. It may be for any number of reasons; children's school fees, a deposit on a property, a rainy day, retirement or even a place to put your money for your children to inherit one day. Whatever your reason, you should carefully consider your own goals and whether investing in financial markets is a realistic way to achieve them.

### ▶ Choose appropriate investments

There are many types of investments available, and each of them behaves differently and achieves different results. These are known as asset classes. The most common types of investments are shares (also known as equities), bonds (also known as fixed income or fixed interest), property and cash deposits. Getting the right mix between these asset classes is often the key to successful investment.

### ▶ Know how long you're investing for

If you are only investing for the short term, you're generally less likely to consider taking a risk with your money as risk is generally much greater over shorter timescales. If, on the other hand, you are considering investing over the longer term, you might be prepared to take a higher level of risk with your investments. Remember, your attitude to risk will normally change over time.

Growing your investments is not guaranteed but the chances are increased the longer you hold on to them. Therefore, it is important to understand how your investments are likely to perform over the long term and make an investment choice appropriate to your own time horizons.

## Things to consider after investing

### ▶ Keep your investments under review

Once you have put your investment strategy in place, you should keep your investments under review. This should involve considering whether your personal circumstances have changed, as well as whether your funds are performing as expected. However, remember that you are investing for the long term and that regularly switching your investments around has its disadvantages (see below). The CMI IS funds are kept under constant review by our professional investment team and highly experienced Investment Strategy Committee. Page 23 explains how we do this and how it benefits you.

## Making changes to your investments

Having reviewed your investments, you may decide that you need to make some changes, which is a relatively simple exercise. Before making any changes to your investments there are a number of things you should consider:

- Cashing in your policy now could reduce the overall value of your investment, as you may have to pay extra charges, like early encashment charges, for example.
- There could be extra tax to pay, depending on your circumstances and how you choose to withdraw.
- Opening a new investment product could cost you more as charges may apply during the early years, which will reduce the return of your investment.

We have a wide range of funds available for you to invest in and, depending on which product you're invested in, we currently offer 12 free switches every year. Switching may be less expensive and less time consuming than taking out a completely new investment. Page 23 provides more details on how to switch funds.

## Seek professional advice

Investment is a complicated subject and it pays to seek professional advice. Financial advisers can help you define your investment objectives, assess the risks you are willing to take to achieve them and advise you on the most appropriate investments to make.

Please note that the value of an investment is not guaranteed and can go up and down depending on investment performance (and currency exchange rates where a fund invests overseas).

# The fund managers and available fund ranges



PERFORM

## The manager

Scottish Widows Investment Partnership (SWIP) is one of Europe's largest asset management companies and part of the Lloyds Banking Group plc. It manages funds worth £147 billion (as at 30 June 2011), for a wide range of UK and international clients including individual investors, investment trusts, charities, financial institutions, corporate and local government pension funds. It is owned by our parent company Lloyds Banking Group, one of the UK's leading financial services groups.

SWIP invests in all major asset classes – including domestic and overseas equities, property, bonds and cash. In addition, it offers access to specialist areas such as multi-manager, smaller companies and socially responsible investment.

Under its own name and in partnership with local organisations, SWIP has a presence that stretches from the United States to the Far East and includes continental Europe. This international dimension heightens its awareness of global investment issues and enhances its ability to manage client relationships on a global basis.

<b>Funds available</b>	<b>ABI classification sector</b>
CMI IS Corporate Bond Fund	Sterling Corporate Bond
CMI IS Ethical Fund	Global Equities
CMI IS European Fund	Europe excluding UK Equities
CMI IS European Special Situations Fund	Europe excluding UK Equities
CMI IS Far Eastern Fund	Asia Pacific excluding Japan Equities
CMI IS International Fixed Income Fund	Global Fixed Interest
CMI IS International Growth Fund	Global Equities
CMI IS Japanese Fund	Japan Equities
CMI IS North American Fund	North America Equities
CMI IS Smaller Companies Fund	UK Smaller Companies
CMI IS Special Situations Fund	UK All Companies
CMI IS UK Equity Income Fund	UK Equity Income
CMI IS UK Gilt Fund	UK Gilts
CMI IS UK Growth Fund	UK All Companies
CMI IS UK Index-Linked Gilt Fund	UK Index-Linked Gilts
CMI IS UK Property Fund	UK Direct Property
CMI IS UK High Income Fund	UK Equity Income
CMI IS UK Smaller Companies Alpha Fund	UK Smaller Companies



## The manager

Aberdeen Asset Management is an international investment management group, managing £176.9 billion of assets (as at 31 August 2011) for institutional and retail clients from offices around the world. It manages currency and fixed income and equities in segregated, closed and open-ended pooled structures.

Its mission is to deliver superior fund performance across diverse asset classes in which it believes it has a sustainable competitive edge. Its house style is fundamental and process driven. Active management is the bedrock of its equity process; with alpha generated by identifying market inefficiencies.

---

**Funds available**

CMI IS Far East Focus Fund

---

**ABI classification sector**

Asia Pacific excluding Japan Equities

---



## The manager

Insight Investment Management (Global) Limited ('Insight') is one of the largest UK-based portfolio managers with assets under management of £137.3 billion as at 30 June 2011.

Insight is a specialist asset manager at the forefront of designing and delivering investment solutions to meet its clients' investment needs. As a leading fixed income manager and pioneer of liability-driven investments, multi-asset and absolute return solutions, it combines expertise, strength and depth of knowledge with innovation across a broad range of asset classes and the entire risk/return spectrum to offer its clients complete flexibility; an essential tool in providing tailored client solutions.

Insight has a team-oriented approach. This is the lynchpin of its business and means that it can draw on the in-house expertise of high calibre professionals at any time. The people it recruits are experts in their field meaning it has the right people doing the right jobs for its clients.

At the heart of its investment philosophy is a desire to offer clients innovative yet practical solutions. By working in partnership with clients and their advisers it develops and evolves effective solutions that meet their changing needs. Following this philosophy, Insight has grown into a leading force in investment management; its business is strong and growing rapidly, generating year-on-year growth since launch in 2002.

<b>Funds available</b>	<b>ABI classification sector</b>
CMI IS Absolute Return Fund	Specialist
CMI IS Dynamic Return Fund	Mixed Investment 60% – 100% Shares
CMI IS Target Income Fund	Specialist
CMI IS Target Return Fund	Specialist



## The manager

Investec Asset Management is a specialist, independent provider of active investment products and services to institutional and individual investors. Established in South Africa in 1991, the firm has been built from a small start-up into an international business managing US\$94 billion (as at 31 March 2011) on behalf of third-party clients.

The business has grown organically from domestic roots in the UK and Southern Africa to a position where it proudly serves a growing international client base from the Americas, Europe, Asia, the Middle East, Australia and Africa. The company employs over 125 investment professionals. The firm is still managed by its founding members, representing continuity and stability throughout the firm's successful growth.

The firm seeks to create a profitable partnership between clients, shareholders and employees with an aim to exceed clients' investment and client service expectations and to manage their money to the highest possible standard.

<b>Funds available</b>	<b>ABI classification sector</b>
CMI IS UK Strategic Fund	UK All Companies



## The manager

Launched in 1985 as a specialist boutique, Jupiter has grown to be one of the UK's most successful and respected investment management groups. It currently manages assets spread across a range of UK and offshore mutual funds, multi-manager products, hedge funds, institutional mandates and investment companies.

Jupiter has gained a reputation for achieving outperformance across a broad variety of portfolios specialising in different markets, including UK equities, Europe, global financials and emerging Europe.

It's this consistency which has earned Jupiter over 200 awards in recent years; including the What Investment Fund Management Awards 'Winner of the Best Group Award'\* and the Old Broad Street Research Ltd (OBSR) 'Outstanding Investment House Honour'\*\*.

\*Awarded to Jupiter Unit Trust Managers in June 2010 and 2009.

\*\*Awarded to Jupiter Asset Management in September 2009.

<b>Funds available</b>	<b>ABI classification sector</b>
CMI IS European Focus Fund	Europe excluding UK Equities



## The manager

Martin Currie is a specialist investment management business. From its headquarters in Edinburgh, it manages £6.4 billion in active equity portfolios for clients around the world (as at 30 September 2011). It focuses exclusively on managing active equity portfolios and devotes all of its resources to getting this right. It aligns its interests with those of clients and believes that it can only succeed if its clients succeed.

This is a private company, owned and managed by its full-time employees. It believes that employee-ownership confers stability, minimises corporate distractions and helps it to attract and retain talented people to the business. It is committed to remaining independent and sees this as critical to the future success of Martin Currie.

<b>Funds available</b>	<b>ABI classification sector</b>
CMI IS Emerging Markets Focus Fund	Global Emerging Markets Equities
CMI IS US Focus Fund	North America Equities



## The manager

Old Mutual Asset Managers (UK) Ltd is a specialist investment firm focused exclusively on asset management. Based in London and regulated by the Financial Services Authority, it is part of a FTSE 100 company, Old Mutual plc, a leading international long-term savings group.

It manages £4.5 billion (as at 30 June 2011) in relative and absolute return funds and segregated managed accounts for retail and institutional clients. It offers four key capabilities: discretionary equities; quantitative strategies; statistical arbitrage; and fixed interest.

<b>Funds available</b>	<b>ABI classification sector</b>
CMI IS European Strategic Fund	Europe excluding UK Equities



## The manager

Schroders is an independent, dedicated asset manager with a strong heritage and culture based on over 200 years' experience of investment markets. Listed on the FTSE 100, Schroders benefits from a strong balance sheet and a stable ownership structure which allows it to focus entirely on delivering results. With £204.8 billion of funds under management (as at 30 June 2011) and a network spanning the globe, it has the perspective and expertise to identify major investment potential.

<b>Funds available</b>	<b>ABI classification sector</b>
CMI IS Japanese Focus Fund	Japan Equities
CMI IS UK Focus Fund	UK All Companies



## The manager

UBS Global Asset Management, a business division of UBS, is a large scale asset manager with well-diversified businesses across regions, capabilities and distribution channels. It offers investment capabilities and investment styles across all major traditional and alternative asset classes. These include equity, fixed income, currency, hedge fund, real estate and infrastructure investment capabilities that can also be combined in multi-asset strategies.

Invested assets totalled some \$578 billion as at 30 September 2011. The firm is a leading fund house in Europe, the largest mutual fund manager in Switzerland\* and one of the largest fund of hedge funds and real estate investment managers in the world.

\*Source: Lipper FundFlows insight report (as of 31 March 2011).

<b>Funds available</b>	<b>ABI classification sector</b>
CMI IS US Strategic Fund	North America Equities

# CMI IS funds risk spectrums

While there a number of ways to evaluate risk, the CMI IS funds are designed to fit within three risk spectrums. Each spectrum has an outperformance target range and clear parameters around expected tracking error (how much the fund’s performance deviates from the benchmark which it’s being managed against).

**Please note** that the externally managed funds don’t sit in these risk spectrums, or in any other risk categories. You should speak to your financial adviser about the suitability of these funds for you.

## Foundation range

Funds within the Foundation risk spectrum offer the potential for moderate outperformance and low-risk exposure to individual markets and asset classes relative to their benchmark indices.

## Escalator range

Funds in this range are intended for investors who would like to gain exposure to core markets with the ability to generate a good level of outperformance.

## Accelerator range

Funds in this range are designed to deliver significant outperformance but with expected higher volatility.

		Foundation	Escalator	Accelerator	
Single Funds	Equities	Bonds	<ul style="list-style-type: none"> <li>→ UK Gilt</li> <li>→ UK Index-Linked Gilt</li> </ul>	<ul style="list-style-type: none"> <li>→ Corporate Bond</li> <li>→ International Fixed Income</li> </ul>	
		UK	<ul style="list-style-type: none"> <li>→ UK Growth</li> </ul>	<ul style="list-style-type: none"> <li>→ Special Situations</li> <li>→ UK Equity Income</li> <li>→ Smaller Companies</li> </ul>	<ul style="list-style-type: none"> <li>→ UK Focus</li> <li>→ UK High Income</li> <li>→ UK Smaller Companies Alpha</li> <li>→ UK Strategic</li> </ul>
		Europe	<ul style="list-style-type: none"> <li>→ European</li> </ul>	<ul style="list-style-type: none"> <li>→ European Special Situations</li> </ul>	<ul style="list-style-type: none"> <li>→ European Focus</li> <li>→ European Strategic</li> </ul>
		North America	<ul style="list-style-type: none"> <li>→ North American</li> </ul>		<ul style="list-style-type: none"> <li>→ US Focus</li> <li>→ US Strategic</li> </ul>
		Japan	<ul style="list-style-type: none"> <li>→ Japanese</li> </ul>		<ul style="list-style-type: none"> <li>→ Japanese Focus</li> </ul>
		Pacific Basin	<ul style="list-style-type: none"> <li>→ Far Eastern</li> </ul>		<ul style="list-style-type: none"> <li>→ Far East Focus</li> </ul>
		Emerging Markets			<ul style="list-style-type: none"> <li>→ Emerging Markets Focus</li> </ul>
		Global		<ul style="list-style-type: none"> <li>→ Ethical</li> <li>→ International Growth</li> </ul>	
		Property		<ul style="list-style-type: none"> <li>→ UK Property</li> </ul>	
		Targeted Return	Diversified Absolute Return	<ul style="list-style-type: none"> <li>→ Target Income</li> <li>→ Absolute Return</li> </ul>	<ul style="list-style-type: none"> <li>→ Target Return</li> </ul>
Outperformance target		Low		High	

## Fund information

The funds aim to provide long-term growth in the price of units. This is generated by a combination of capital growth as well as income that is added to the fund (although investors in the CMI IS UK Equity Income Fund can choose to receive income as a direct payment instead).

A proportion of each unit-linked fund may be held in cash to provide liquidity or while awaiting suitable investments.

The funds can invest in other unit-linked funds or in collective investment schemes (for example open-ended investment companies (OEICs) or unit trusts) to achieve exposure to meet the stated fund aims.

The individual aims of the funds currently available are shown on pages 16 to 22.

There are charges associated with investing in the funds. The charges can be different for different funds and can change. For details of the charges, please contact your financial adviser or Clerical Medical.

The funds available, charges, terms and limits may change.

Full terms and conditions are available on request from Clerical Medical.

The value of an investment is not guaranteed and can go up and down depending on investment performance (and currency exchange rates where a fund invests overseas).

There may be restrictions on the amount you can invest in certain funds. Please contact us for details of any restrictions that apply. We may change the selection of funds that we make available.

We reserve the right to delay a request to sell your units in certain circumstances. The period of delay will not be more than six months if the units to be cancelled include units which relate to a fund which holds directly or indirectly assets in the form of real or heritable property. It will not be more than one month in all other cases. This may happen in exceptional circumstances where, for example, there is an unusually high demand for units to be cashed in. For more details please see the relevant Policy Provisions for your investment with us.

## ABI sector information

ABI sectors are designed by the Association of British Insurers. They aim to group funds with similar characteristics and can help investors compare funds. However, they are not designed to reflect the risk level of funds. For more information about how we classify the risk level of the funds in this guide, please see page 13.

The Mixed Investment Shares sector reflects the maximum and minimum amount of a fund that can be invested in shares. Please note that fund managers may often invest at or near the maximum amount in shares.

Funds in the Mixed Investment Shares sector can hold a range of other investments in addition to shares (for example bonds, property and cash) and may use a range of different investment strategies.

The Mixed Investment Shares sector groups together funds that are broadly similar (on the basis of their shares content) for comparison purposes. To give fund managers flexibility, the criteria for each sector overlap. So funds may sometimes meet the requirements for more than one sector.

UK shares are investments in companies quoted on the UK stock market. Overseas shares are investments in companies quoted on non-UK stock markets.

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

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.

DV

This fund uses derivatives and forward transactions for specific investment purposes, as well as for hedging and other efficient portfolio management purposes. Their use may lead to higher volatility.

DVL

This fund uses derivatives and forward transactions for specific investment purposes, as well as for hedging and other efficient portfolio management purposes. It's not intended that the use of derivatives in this way will cause the fund to have high volatility or otherwise cause its existing risk profile to change.

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.

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.

HY

This fund invests in high yielding fixed interest securities, which carry an increased risk of default and, for which, there is a higher risk that the issuer's credit rating may fall. The value of these investments will usually fall should an issuer default or receive a reduced credit rating or should the likelihood of these events increase.

OS

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

SP

This fund has a select portfolio, which has a limited number of stocks. By investing in a select portfolio there might be greater fluctuations in the value of the units than with a wider portfolio.

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.

SC

This fund invests in smaller companies whose shares tend to be bought and sold less frequently than larger companies. There may be large changes in the prices of their shares and their value could fall by large amounts. The price variations of smaller companies might be greater than those of large companies.

PY

This fund invests in property and land. This can be difficult to sell, so it may not be possible to cash in the investment when you want to. We may have to delay acting on your instructions to sell the investment. The value of property is generally a matter of a valuer's opinion rather than fact and values can go up or down. Property transactions tend to be larger and more complex than for other asset classes. As a result the proportion of cash held while awaiting suitable investment opportunities could be greater than for other funds.

PYS

Property is a less liquid asset than other assets such as fixed interest securities or equities and values could be affected if properties need to be sold in a short timescale. Property valuation is generally a matter of judgement by an independent valuer rather than fact and values can go up or down.

This section lists each fund within its ABI sector. For more information about ABI sectors, please see page 14.

## Asia Pacific excluding Japan Equities sector

Fund	Fund aim	Fund risks
<b>CMI IS Far East Focus Fund</b>	The fund aims to achieve long-term capital growth by investing mainly in Asian Pacific (excluding Japanese) companies. The outperformance target of the Far East Focus Fund is to exceed the benchmark by 3–5% (gross per annum) on a rolling three year basis. Tracking error is expected to be within a 6-8% range.	(EQ) (OS) (EM) (SP) (DVL)
<b>CMI IS Far Eastern Fund</b>	The fund aims to achieve long-term capital growth by investing mainly in Far Eastern companies (excluding Japanese companies). The outperformance target of the Far Eastern Fund is to exceed the benchmark by 0.5% (gross per annum) on a rolling three year basis. Tracking error is expected to be within a 1-1.25% range.	(EQ) (OS) (EM) (DVL)

## European excluding UK Equities sector

Fund	Fund aim	Fund risks
<b>CMI IS European Fund</b>	The fund aims to achieve long-term capital growth by investing mainly in European companies excluding the UK. The outperformance target of the European Fund is to exceed the benchmark by 0.5% (gross per annum) on a rolling three-year basis. Tracking error is expected to be within a 1-1.25% range.	(EQ) (OS)
<b>CMI IS European Focus Fund</b>	The fund aims to achieve capital growth in the long term by investing mainly in European companies excluding the UK with some flexibility to gain exposure to a minority holding of UK equities. The outperformance target of the European Focus Fund is to exceed the benchmark by 2-4% (gross per annum) on a rolling three-year basis. Tracking error is expected to be within a 6-8% range.	(EQ) (OS) (SP) (DVL)
<b>CMI IS European Special Situations Fund</b>	The fund aims to achieve capital growth by active investment mainly in European companies with above average potential for growth. The outperformance target of the European Special Situations Fund is to exceed the benchmark by 1.5-3.5% (gross per annum) on a rolling three-year basis. Tracking error is expected to be within a 2-4% range.	(EQ) (OS) (SC) (DVL)
<b>CMI IS European Strategic Fund</b>	The fund aims to achieve long-term capital growth by investing mainly in European companies excluding the UK. The fund can use derivatives to create a long or a short exposure to such companies in order to further enhance returns. Typically, the fund will hold 100% of its new assets directly in securities and will extend its exposure through derivative instruments from a minimum of zero exposure to a maximum of 50% additional long exposure and 50% short exposure. The outperformance target of the European Strategic Fund is to exceed the benchmark by 2-4% (gross per annum) on a rolling three-year basis. Tracking error is expected to be within a 6-8% range.	(EQ) (OS) (SC) (DVL)

## Global Emerging Markets Equities sector

Fund	Fund aim	Fund risks
<b>CMI IS Emerging Markets Focus Fund</b>	The fund aims to achieve long-term capital growth by investing mainly in a diversified portfolio of companies in emerging markets. The outperformance target of the Emerging Markets Focus Fund is to exceed the benchmark by 2-4% (gross per annum) on a rolling three-year basis. Tracking error is expected to be within a 7-9% range.	(EQ) (OS) (SP) (EM) (DVL)

## Global Equities sector

Fund	Fund aim	Fund risks
<b>CMI IS Ethical Fund</b>	The fund aims to achieve long-term capital growth by investing in companies whose activities are considered ethical, both in terms of their primary activities as well as in the means of achieving them. The outperformance target of the Ethical Fund is to exceed the benchmark by 1-3% (gross per annum) on a rolling three-year basis. Tracking error is expected to be within a 4-6% range.	(EQ) (OS)
<b>CMI IS International Growth Fund</b>	The fund aims to achieve capital growth in the long term by investing in a diversified global portfolio. The outperformance target of the International Growth Fund is to exceed the benchmark by 1-3% (gross per annum) on a rolling three-year basis. Tracking error is expected to be within a 2-4% range.	(EQ) (OS) (EM)

## Global Fixed Interest sector

Fund	Fund aim	Fund risks
<b>CMI IS International Fixed Income Fund</b>	The fund aims to maximise total returns by investing in a global portfolio of interest bearing securities. The outperformance target of the International Fixed Income Fund is to exceed the benchmark by 0.75-1.25% (gross per annum) on a rolling three-year basis.	(FI) (FIG) (HY) (OS)

## Japan Equities sector

Fund	Fund aim	Fund risks
<b>CMI IS Japanese Fund</b>	The fund aims to achieve long-term capital growth from investments in a broad range of Japanese companies. The outperformance target of the Japanese Fund is to exceed the benchmark by 0.5% (gross per annum) on a rolling three-year basis. Tracking error is expected to be within a 1-1.25% range.	(EQ) (OS) (DVL)
<b>CMI IS Japanese Focus Fund</b>	The fund aims to achieve capital growth in the long term by investing mainly in Japanese companies. The outperformance target of the Japanese Focus Fund is to exceed the benchmark by 3-5% (gross per annum) on a rolling three-year basis. Tracking error is expected to be within a 8-10% range.	(EQ) (OS) (SP) (DVL)

## Mixed Investment 60% – 100% Shares sector

Fund	Fund aim	Fund risks
<b>CMI IS Dynamic Return Fund</b>	The fund aims to achieve long-term capital growth through gaining exposure to a diversified range of asset classes. The Dynamic Return Fund aims to produce cash +6% (gross of tax, gross of fees) on an annualised basis over the course of the investment cycle.	EQ FI HY OS PYS DVL

## North America Equities sector

Fund	Fund aim	Fund risks
<b>CMI IS North American Fund</b>	The fund aims to achieve long-term capital growth by investing mainly in North American companies. The outperformance target of the North American Fund is to exceed the benchmark by 0.5% (gross per annum) on a rolling three-year basis. Tracking error is expected to be within a 1-1.25% range.	EQ OS
<b>CMI IS US Focus Fund</b>	The fund aims to achieve long-term capital growth by investing mainly in US companies. The outperformance target of the US Focus Fund is to exceed the benchmark by 2-4% (gross per annum) on a rolling three-year basis. Tracking error is expected to be within a 6-8% range.	EQ OS SP SC DVL
<b>CMI IS US Strategic Fund</b>	The fund aims to achieve long-term capital growth by investing mainly in US companies. The fund can use derivatives to create a long or short exposure to such companies in order to further enhance returns. Typically the fund will hold 100% of its new assets directly in securities and will extend its exposure through derivative instruments from a minimum of zero exposure to a maximum of 50% additional long exposure and 50% short exposure. The outperformance target of the US Strategic Fund is to exceed the benchmark by 2-4% (gross per annum) on a rolling three-year basis. Tracking error is expected to be within a 6-8% range.	EQ OS SC DVL

## Specialist sector

Fund	Fund aim	Fund risks
<b>CMI IS Absolute Return Fund</b>	The fund aims to deliver attractive, positive absolute returns in all market conditions. The Absolute Return Fund aims to produce cash +4% (gross of tax, gross of fees) on an annualised basis over the course of the investment cycle.	<p>(EQ) (FI) (OS) (EM)</p> <p><b>Specific risks</b> This fund uses derivatives and forward transactions for specific investment purposes, as well as for hedging and other efficient portfolio management purposes. It's not intended that the use of derivatives will cause the risk profile of the fund to change.</p>
<b>CMI IS Target Income Fund</b>	The fund aims to produce a high level of income together with potential capital growth. The fund also aims to deliver positive total returns on an annual basis. The Diversified Income Fund aims to produce cash +3% (net of tax, gross of fees) on an annualised basis and a yield target of cash +2% (net of tax) over the course of the investment cycle.	(EQ) (FI) (HY) (OS) (PYS) (DVL)
<b>CMI IS Target Return Fund</b>	The fund aims to deliver positive returns on an annual basis with the prospect of long-term capital growth commensurate with returns from equities but with a lower volatility. The Diversified Return Fund aims to produce cash +4% (gross of tax, gross of fees) on an annualised basis over the course of the investment cycle.	(EQ) (FI) (HY) (OS) (PYS) (DVL)

## Sterling Corporate Bond sector

Fund	Fund aim	Fund risks
<b>CMI IS Corporate Bond Fund</b>	The fund aims to provide an above average income from a diversified portfolio of interest bearing securities. The performance target of the Corporate Bond Fund is to meet a defined income benchmark (currently 5.75%) gross of tax and gross of annual management charges (taken from the income).	(FI) (HY) (OS)

## UK All Companies sector

Fund	Fund aim	Fund risks
<b>CMI IS Special Situations Fund</b>	The fund aims to provide capital growth by active investment in UK companies with above average potential for growth. The outperformance target of the Special Situations Fund is to exceed the benchmark by 1.5-3.5% (gross per annum) on a rolling three-year basis. Tracking error is expected to be within a 3-7% range.	EQ SC
<b>CMI IS UK Equity Fund of Funds</b>	To achieve long term capital growth by investing predominantly in units of collective investment schemes which invest in any sector of the UK economy. The fund may also invest directly in securities in such sectors.	EQ
<b>CMI IS UK Focus Fund</b>	The fund aims to achieve long-term capital growth by investing mainly in UK companies. The outperformance target of the UK Focus Fund is to exceed the benchmark by 3-5% (gross per annum) on a rolling three-year basis. Tracking error is expected to be within a 6-8% range.	EQ SP SC DVL
<b>CMI IS UK Growth Fund</b>	The fund aims to achieve long-term capital growth by investing mainly in UK companies. The outperformance target of the UK Growth Fund is to exceed the benchmark by 0.5% (gross per annum) on a rolling three-year basis. Tracking error is expected to be within a 1-1.25% range.	EQ
<b>CMI IS UK Strategic Fund</b>	The fund aims to achieve long-term capital growth by investing mainly in UK companies with flexibility to gain exposure to a minority holding of overseas equities. The fund will use derivatives to create a long or a short exposure to such companies in order to further enhance returns. Typically the fund will hold 100% of its assets directly in securities. It will extend its exposure through derivative instruments from a minimum of zero exposure to a maximum of 50% additional long exposure and 50% short exposure. The outperformance target of the UK Strategic Fund, a '130/30' type fund, is to exceed the benchmark by 2-4% (gross per annum) on a rolling three-year basis. The maximum tracking error is 8%.	EQ SC DVL

## UK Direct Property sector

Fund	Fund aim	Fund risks
<b>CMI IS UK Property Fund</b>	The fund aims to achieve long-term capital growth by investing mainly in UK commercial properties. The outperformance target of the UK Property Fund is to exceed the benchmark by 0.25-0.75% (gross per annum) on a rolling three-year basis.	Ⓟ

## UK Equity Income sector

Fund	Fund aim	Fund risks
<b>CMI IS UK Equity Income Fund</b>	The fund aims to provide an above average income, together with prospects of capital appreciation over the longer term, derived mainly from a portfolio of securities in UK companies. The UK Equity Income Fund has been set an outperformance yield target of 110% gross of the FTSE All Share yield.	Ⓟ
<b>CMI IS UK High Income Fund</b>	The fund aims to provide an above average income, together with the prospect of capital appreciation over the long term, derived mainly from a portfolio of securities in UK companies. The UK High Income Fund has been set an outperformance yield target of 120% gross of the FTSE All Share yield. Tracking error is expected to be less than 8%.	Ⓟ Ⓞ

## UK Gilts sector

Fund	Fund aim	Fund risks
<b>CMI IS UK Gilt Fund</b>	The fund aims to maximise total returns by investing primarily in interest bearing securities issued by the UK government with flexibility to gain exposure to a minority holding in other fixed interest stocks. The outperformance target of the UK Gilt Fund is to exceed the benchmark by 0.5-1.0% (gross per annum) on a rolling three-year basis.	Ⓟ Ⓞ Ⓞ

## UK Index-Linked Gilts sector

Fund	Fund aim	Fund risks
<b>CMI IS UK Index-Linked Gilt Fund</b>	The fund aims to maximise total returns by investing primarily in index-linked interest bearing securities issued by the UK government with flexibility to gain exposure to a minority holding in other fixed interest stocks. The outperformance target of the UK Index-Linked Gilt Fund is to exceed the benchmark by 0.25-0.75 % (gross per annum) on a rolling three-year basis	(FI) (FIG)

## UK Smaller Companies sector

Fund	Fund aim	Fund risks
<b>CMI IS Smaller Companies Fund</b>	The fund aims to achieve long-term capital growth through investing mainly in smaller companies, principally in the UK. The outperformance target of the Smaller Companies Fund is to exceed the benchmark by 1-3 % (gross per annum) on a rolling three-year basis. Tracking error is expected to be within a 5-7 % range.	(EQ) (SC)
<b>CMI IS UK Smaller Companies Alpha Fund</b>	The fund aims to achieve capital growth in the long term by investing mainly in UK smaller companies. The outperformance target of the UK Smaller Companies Alpha Fund is to exceed the benchmark by 3-5 % (gross per annum) on a rolling three-year basis. Tracking error is expected to be within a 6-8 % range.	(EQ) (SC) (DVL)

## How we look after your investments

Our investment process ensures in-depth monitoring and regular reporting.

Our investment process is controlled and managed by the Investment Strategy Committee, a collection of highly experienced individuals from Lloyds Banking Group and the wider investment industry. They bring a depth of experience and expertise ideally suited to oversee our investment framework, and make appropriate decisions when required.

They are supported by a highly qualified Investment Team which is in regular contact with all the fund managers, assessing whether they are likely to meet their performance targets and ensuring that excessive risks are not being taken.

While the Investment Strategy Committee cannot guarantee future performance, its strong analytical framework, the Investment Team's insightful interaction with the fund managers and the ability to replace failing fund managers when necessary, all help to ensure that the funds that you have selected are performing as you expect them to.



### Communicating with you

We produce monthly factsheets for all our funds to keep you and your financial adviser up to date. These are available on our website <http://www.offshore.clerical-medical.com/FundsPrices/FPHome.aspx>

## Switch funds

If you want to switch funds, depending on which product you're invested in, currently you may do so 12 times every year, free of charge. Currently you can hold a maximum of 10 funds at any one time. You can switch more than 12 times if you wish but a switching charge is applied.

To switch funds, please complete and return a switch request form which is available from our website <http://www.offshore.clerical-medical.com/Products/LiteratureLibrary.aspx> or you can call our Client Support Specialists on +44 (0) 1624 638888 and they will send you one.

**Please note:** All funds listed within this guide are sterling denominated, so if your bond or plan is denominated in euros or US dollars, you will be exposed to the risk of currency movements if you switch into these funds. This is something you should discuss with your financial adviser before switching funds.

## Important notes

CMI IS funds are not in any way sponsored, endorsed, sold or promoted by FTSE International Limited (“FTSE”) or by the London Stock Exchange Plc (the “Exchange”) or by The Financial Times Limited (“FT”) and neither FTSE nor Exchange nor FT makes any warranty or representation whatsoever, expressly or implied, either as to the results to be obtained from the use of the FTSE All Share (“the Index”) and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The Index is compiled and calculated by FTSE. However, neither FTSE nor the Exchange nor FT shall be liable (whether in negligence or otherwise) to any person for any error in the Index and neither FTSE or Exchange or FT shall be under any obligation to advise any person of any error therein.

“FTSE”, “FT-SE” and “Footsie” are trade marks of the London Stock Exchange Plc and The Financial Times Limited and are used by FTSE International under licence. “All-World”, “All-Share”, “All-Small” and “FTSE4Good” are trade marks of “FTSE International Limited”.

CMI Insurance Company Limited. Clerical Medical House, Victoria Road, Douglas, Isle of Man, IM99 1LT, British Isles.  
Registered Number 33520, Isle of Man. Telephone +44(0)1624 638888. Fax +44(0)1624 625900.

Approved by Clerical Medical Financial Services Limited, 33 Old Broad Street, London, EC2N 1HZ. Registered number 2114901, England. FSA number 142779.

Clerical Medical Financial Services Limited is authorised and regulated by the Financial Services Authority.

Financial Services authority rules are made under the Financial Services and Markets Act 2000 for the protection of investors and apply to investment business conducted in or from the UK. Holders of policies issued by CMI Insurance Company Limited will not be protected by the Financial Services Compensation Scheme if the company becomes unable to meet its liabilities to them. CMI Insurance Company Limited is supervised by the Isle of Man insurance and Pensions Authority and its policyholders receive the protection of the Life Assurance (Compensation of Policyholders) Regulations 1991.