

Customer Questions and Answers

**Final update on important information
regarding change of Investment
Management to Clerical Medical Funds**

March 2010

Q. What has changed?

In August 2009, Lloyds Banking Group announced its intention to transfer the investment management of the majority of funds managed by Insight Investment Management (Global) Limited (Insight) (*including funds available through our Halifax and Bank of Scotland bancassurance operations, our Bank of Scotland wealth management business and the Clerical Medical intermediary franchise*) to Scottish Widows Investment Partnership Limited. This announcement only applied to funds managed by Insight. Funds not managed by Insight are unaffected.

The accountability for the investment management of the majority of funds moved to Scottish Widows Investment Partnership in October and early November 2009. However, initially Scottish Widows Investment Partnership delegated the day-to-day investment management of some of the funds back to Insight so Insight could continue to manage the funds until the Scottish Widows Investment Partnership fund manager is appointed by our Investment Committee as part of the investment partnership governance process. The appointment of the new Scottish Widows Investment Partnership fund manager and the move of day-to-day investment management has been happening in a number of separate moves.

Q. Which funds are now managed by Scottish Widows Investment Partnership?

Funds moved on [24 October 2009](#)
Funds moved on [23 January 2010](#)
Funds moved on [20 February 2010](#)
Funds moved on [13 March 2010](#)

Q. Are any Insight managed funds not moving to Scottish Widows Investment Partnership?

The following funds are not being transferred to Scottish Widows Investment Partnership because we believe that Insight has the best capability to manage these particular funds. The funds not moving are:

- Absolute Return
- Balanced Fund of Funds
- Diversified Income
- Diversified Return
- Dynamic Return
- Target Income
- Target Return
- UK Alpha Fund of Funds
- UK Equity Fund of Funds

Q. What do I need to do as a result of this announcement?

You don't need to do anything. The way your fund is managed will not change. Our aim is to continue the management of your fund to the same risk and performance objectives communicated to you when you invested. In the unlikely event that we are unable to achieve this, we will inform you of any changes to the management of your fund as part of the transfer to the new manager.

Our Investment Committee has a formal responsibility to ensure that the fund managers appointed to manage your fund are able to meet the performance and risk objectives that we specify for each fund.

Q. Are you writing to investors?

Most investors will be notified of the changes in their next annual statement from March 2010 onwards. Some investors that do not get a regular annual statement will be mailed separately.

Q. Why is this happening?

Our strategy is to create a centre of excellence for Lloyds Banking Group's (the Group) asset management activity. Bringing together the Group's asset management business under Scottish Widows Investment Partnership will provide significant scale benefits and further build a dynamic research-driven asset manager. Scottish Widows Investment Partnership has a global presence and a geographically diverse client base with alliances, joint ventures and clients in the UK and overseas.

Q. Can you give me more information about Scottish Widows Investment Partnership?

Scottish Widows Investment Partnership is a fully owned asset management business of Lloyds Banking Group. It has a strong track record with £142 billion in funds under management as at 31 December 2009. Scottish Widows Investment Partnership employs 442 people in offices in Edinburgh, London, Europe, US and Saudi Arabia.

- Created in 2000, Scottish Widows Investment Partnership has quickly become one of the largest and most dynamic asset management companies in the UK.
- Scottish Widows Investment Partnership forms part of the Wealth & International division within its parent company, Lloyds Banking Group plc.
- Scottish Widows Investment Partnership aims to provide every investor with consistently superior returns on their investment by adhering to a robust research-driven investment philosophy.
- Scottish Widows Investment Partnership invests from the bottom up, with an investment process driven by focused, quality research.
- Scottish Widows Investment Partnership believes in identifying undervalued stocks through vigorous fundamental research and by adopting a five year forecast.
- All fund managers within the investment teams have combined fund manager and analyst roles. The decision-making chain is short and fund managers are accountable for the whole investing process.

Q. Should I consider moving my investment out of these funds?

Your fund will continue to be managed in accordance with the fund objectives. No action is required by you as a result of this change. Any changes to the management of funds will take place at a corporate level. If you would like to discuss this further we suggest you speak to your financial adviser.

Q. I have policy x. Which funds are impacted by the announcement?

If you are invested in a fund that was managed by Insight then there could be a change of the individual fund manager as a result of this announcement. The fund lists above will tell you where day-to-day management has moved to Scottish Widows Investment Partnership and the name of the fund manager. Your investment will continue to be managed in accordance with the fund objectives.

Q. How will my investment change? Will you for example be changing the fund range linked to my policy?

At this time we are not expecting any change to the way your fund is managed or the range of funds available to you as a result of the transfer of funds to Scottish Widows Investment Partnership or sale of Insight. Should there be any change to your policy or the way your fund is managed we will let you know in writing.

Q. If I want to switch funds what is the process?

There is no change to the current process.

Q. What other fund managers have you considered in this move?

We have an Investment Committee that has a formal responsibility to monitor fund manager performance to our stated fund objectives. The committee has done a detailed analysis of Scottish Widows Investment Partnership to assess its capability and to ensure the right fund manager is selected to deliver the funds' objectives.

Q. I have a lifestyle fund, how am I affected?

There is no impact on this fund mandate or indeed any fund mandate (apart from the Evergreen Fund) as a result of this announcement.

Q. Can I still access fund prices etc on the website?

Yes, there is no change to where you can look up our fund prices.

Q. I have a With-Profit investment how is this affected?

The stocks and shares investment management of our With-Profits Fund moved to Scottish Widows Investment Partnership on 23 January 2010. Invista Real Estate Investment Management will continue to manage property investments and the With-Profits Fund holding in the Absolute Return Fund will continue to be managed by Insight. The investment aims and objectives of the fund will not change as a result of the change of investment manager.

Q. Who can I contact about this?

If you have any queries please don't hesitate to contact us. Please have your policy number to hand if you do call us. We're not authorised to give you any advice, so if you want advice on what to do, please talk to your financial adviser.

Evergreen Fund changes

Q. What changes are you making to the Clerical Medical Evergreen Fund?

As part of the change of investment management from Insight to Scottish Widows Investment Partnership, we've reviewed the investment aim of the Clerical Medical Evergreen Fund and decided to make some changes which are set out in the enclosed [fact sheet](#).

Q. When are you changing the Evergreen Fund?

We're giving investors three months' notice of this change and will be writing to all investors and any pension fund trustees and employers that have access to the Evergreen Fund. These letters will be sent out in March 2010. We expect the new investment aim will take effect on 11 June 2010.

Q. Are you changing the annual management charge?

No, the current annual management charge of 1% is not changing as a result of this change.

Q. Is the new fund aim for the Evergreen Fund the same as your Ethical Fund?

Yes, we are aligning Evergreen to our Ethical Fund. This will allow the fund manager to have more time to manage both funds using the same criteria.

Q. Will both funds remain open for new investments?

The Ethical Fund is open for any new investments. The Evergreen Fund is only available to its existing investors.

Q. What experience does Scottish Widows Investment Partnership have in Ethical Fund management?

Scottish Widows Investment Partnership has a long history in ethical and socially responsible investing. It was one of the first fund managers to recognise the importance of sustainable environmental investing; hence the launch of its UK Ethical Fund in 1987 and UK Environmental Fund in 1989, now one of the largest of its kind. Scottish Widows Investment Partnership has since taken on a number of new institutional mandates with socially responsible investing criteria.

Scottish Widows Investment Partnership's aim is to deliver long-term financial benefits to clients by investing their money both safely and successfully. It believes this will best be achieved through combining detailed analysis of a company's structure, strategy and performance with careful consideration of corporate governance issues. By ensuring companies are effectively managed, and that the interests of management and shareholders are aligned, corporate governance makes a key contribution to the creation of long-term value for shareholders.

Q. Are you offering investors any alternative to accepting these changes?

Yes, all investors are being offered a free switch to an alternative fund in the Clerical Medical fund range.