Balanced 31 August 2016

Scottish Widows Pension Protector Pension (Series 2)

Asset Allocation (as at 30/06/2016)
- UK Fixed Interest: 50.5%
- Overseas Bonds: 49.4%
- Money Market: 0.1%

Credit Rating Breakdown (as at 30/06/2016)
- AAA: 6.7%
- AA: 16.5%
- A: 34.1%
- BBB: 35.4%
- NR: 7.3%

Maturity Breakdown (as at 30/06/2016)
- 10 - +15 years: 98.2%
- 5-10 years: 1.7%
- Other: 0.1%

The composition of asset mix and asset allocation may change at any time and exclude cash unless otherwise stated.

Fund Aim
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.

Basic Fund Information
- Series 2 Unit Launch Date: 28/07/2003
- Fund Size: £1106.0m
- Sector: ABI Sterling Long Bonds
- ISIN: GB0033376087
- MEX ID: SWPP2
- SEDOL: 3337608
- Manager Name: Matthew Davies, Mark Henzell
- Manager Since: 10/04/2014

Top Ten Holdings (as at 30/06/2016)
- TREASURY 4.25% GILT 7/12/46: 1.6%
- EUROPEAN INVESTMENT BANK 5% BDS 15/4/2039 GBP1000: 1.5%
- EDF 5.5% BDS 17/10/41 GBP100000: 1.4%
- AT&T INC 4.25% BDS 01/06/43 GBP100000: 1.3%
- EUROFIMA 5.50% NOTES 7/6/2032 GBP (VAR): 1.3%
- PFIZER INC 6.5% BDS 03/06/38 GBP500000: 1.3%
- ASPIRE DEFENCE FINANCE 4.674% SER A GTD SEC BD 31/3/40 GBP500000: 1.2%
- ENEL FINANCE INT 5.75% BDS 14/09/40 GBP1400000000: 1.2%
- GE CAPITAL UK FUNDING UNLTD CO 5.875% NTS 18/01/33 GBP1000: 1.2%
- SSE PLC 6.25% NTS 27/08/38 GBP500000: 1.2%
- TOTAL % OF FUND: 13.2%

This document is provided for the purpose of information only. This factsheet is intended for individuals who are familiar with investment terminology. Please contact your financial adviser if you need an explanation of the terms used. This material should not be relied upon as sufficient information to support an investment decision. The portfolio data on this factsheet is updated on a quarterly basis.
Past performance is not a guide to future performance. Investment value and income from it may fall as well as rise, as a result of market and currency movements. You may not get back the amount originally invested.

### Discrete Performance

<table>
<thead>
<tr>
<th>Period</th>
<th>Scottish Widows Pension Protector Pension (Series 2)</th>
<th>ABI Sterling Long Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>30/06/2012-30/06/2016</td>
<td>12.1%</td>
<td>17.6%</td>
</tr>
<tr>
<td>30/06/2013-30/06/2014</td>
<td>7.0%</td>
<td>11.7%</td>
</tr>
<tr>
<td>30/06/2014-30/06/2015</td>
<td>6.5%</td>
<td>5.5%</td>
</tr>
<tr>
<td>30/06/2013-30/06/2014</td>
<td>0.3%</td>
<td>-1.6%</td>
</tr>
<tr>
<td>30/06/2012-30/06/2013</td>
<td>13.4%</td>
<td>21.8%</td>
</tr>
</tbody>
</table>

Information is shown as unavailable if prior to the launch of fund.

### Cumulative Performance

<table>
<thead>
<tr>
<th>Period</th>
<th>Scottish Widows Pension Protector Pension (Series 2)</th>
<th>Quartile</th>
<th>ABI Sterling Long Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>31/07/2015-31/08/2016</td>
<td>6.9%</td>
<td>2</td>
<td>6.5%</td>
</tr>
<tr>
<td>31/05/2016-31/08/2016</td>
<td>20.5%</td>
<td>3</td>
<td>19.4%</td>
</tr>
<tr>
<td>31/08/2015-31/08/2016</td>
<td>29.0%</td>
<td>3</td>
<td>27.5%</td>
</tr>
<tr>
<td>31/08/2016-31/08/2016</td>
<td>46.2%</td>
<td>4</td>
<td>53.3%</td>
</tr>
<tr>
<td>30/06/2012-30/06/2013</td>
<td>61.4%</td>
<td></td>
<td>72.9%</td>
</tr>
<tr>
<td>30/06/2012-30/06/2013</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30/06/2013-30/06/2013</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30/06/2012-30/06/2012</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: FE as at 31/08/2016

Performance figures are in £ sterling on a single pricing basis, with income (where applicable) reinvested net of UK tax and net of total annual fund charges. These figures do not include any initial charge or other product charge(s) that may be applicable.

### Quarterly Fund Manager Review

The second quarter began almost the exact opposite way to how it finished in terms of sentiment. With central bank activity relatively unchanged and volatility low during April, core bond markets sold off and risk assets, including corporate bonds and equities, outperformed. A sustained recovery in the oil price also helped to improve the mood among investors, with new year-to-date highs being reached. With markets steadying, attention began to shift back to the outlook for the Fed, and May witnessed a steady rise in expectations of hikes in interest rates during the summer. This began with the release of the FOMC’s April minutes, which were more optimistic than expected, and was later fuelled by comments from Janet Yellen herself. Despite this change rate expectations implied by the markets, risk assets (which would usually underperform during a monetary policy tightening cycle) performed reasonably well and volatility remained low. These expectations of tighter US monetary policy were drastically reduced in the last month of the quarter though. To begin with, a labour market report at the start of June was very disappointing, casting a doubt over the strength of the US economy. Attention then quickly turned to the UK referendum on membership of the European Union, with bookmaker odds and polling news coming under increased scrutiny. When the outcome of the vote finally became clear, there were large moves in financial markets globally and liquidity soon disappeared. There was a pronounced ‘risk-off’ tone in markets for the remainder of the month, with safer assets witnessing a significant re-pricing higher and the market shifting to expecting no hikes at all from the Federal Reserve this year. The Fund performed broadly in line with the benchmark over the first two months of the quarter, but underperformed its benchmark in June. The underperformance in June was in part due to a short duration position held at the start of the review period which detracted from performance as yields continued to fall. We then removed the short duration position before the EU referendum in order to reduce risk going into the event, given the uncertainty surrounding the vote. Also, the fund’s position in Australian government bonds also contributed to the underperformance because whilst Australian government bonds rallied, UK gilt outperformed over the month due to the outcome of the EU referendum. The breakeven position (buying UK index-linked bonds and selling the equivalent conventional bond) contributed negatively to performance too as conventional bonds outperformed index-linked assets during the gilt rally after the EU referendum.

Matthew Davies, Mark Henzell, 30/06/2016

The views, opinions and forecasts expressed in this document are those of the fund manager. Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact, nor should reliance be placed on these views when making investment decisions.