

Scottish Widows Capital Protected Fund 16

This booklet contains:

- (i) Details of Terms
- (ii) Key Features, incorporating a Simplified Prospectus and
- (iii) Terms and Conditions for the Scottish Widows Individual Savings Account (ISA)

Important information you need to read

This Fund aims to offer capital protection for your investment on the Protection Date. It does not provide a guarantee. There are risks associated with it that may affect the amount you get back. Please ensure that you take the time to read these Key Features along with the Brochure and, if they apply to you, the Terms and Conditions for the Scottish Widows Individual Savings Account (ISA). These documents will provide you with important information about this Fund and the risks that apply to it.

The Financial Services Authority is the independent financial services regulator. It requires us, Scottish Widows, to give you this important information to help you to decide whether our Capital Protected Fund is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

Key Features – Glossary of Terms

Certain words and expressions used in this Key Features document have particular meanings. This section explains what they mean.

- **Authorised Corporate Director (ACD):** the ACD is responsible for dealing with day to day management of the OEIC; such as managing the OEIC's investments, ensuring it complies with the regulations and buying and selling shares in the OEIC. The ACD is Scottish Widows Unit Trust Managers Limited (SWUTM).
- **Averaging:** we take an average of the Index on specific dates when we determine whether there has been any rise in the Index over the period when the Fund is invested in Derivatives. Averaging is intended to provide you with extra protection from sudden changes in the level of the Index, however, please note that this could also have the effect of reducing growth. This means that the level of the index we calculate at the end of the Growth Potential Period could be higher or lower than the actual level of the index.
- **Cap:** the cap sets the maximum additional amount you can get, as a percentage of the Capital Protected Value. The cap for CPF16 is 42%, which means the maximum you can receive back at the end of the term is the Capital Protected Value plus an additional 42% of that value.
- **Capital Protected Price:** the minimum share price the Fund aims to return on the Protection Date.
- **Capital Protected Value:** the Capital Protected Price multiplied by the number of shares you own. If you hold all your shares to the Protection Date your Capital Protected Value should be equal to the amount of your original investment plus any interest earned up until the start of the Growth Potential Period. Your Capital Protected Value includes the full initial charge deducted at the start of the investment.
- **Capital Protection:** The Fund is designed to return your original investment on the Protection Date, however this is not guaranteed. The Fund invests in derivatives which are provided by a counterparty. These derivatives will be structured in a way to deliver the capital protection on the Protection Date. In order to provide extra security for the investor, cash or similar investments will be held by an independent custodian. In the event of the counterparty failing to meet its obligations (for example, if it were to become insolvent or unable to meet the claims against it), this collateral will be used. However, there is a risk that this collateral may not be able to provide the intended benefits in full.
- **Cash Investment Period:** the period during which you can invest money into the Fund. During this period the Fund invests in cash or similar investments.
- **Collateral:** to provide additional protection for the Fund, cash or other investments known as 'collateral' will be held by an independent custodian (the independent custodian for CPF16 is State Street Bank & Trust Company). We aim to hold collateral of at least 100% of the value of derivative assets at any time. If the derivative provider fails and is unable to meet its obligations (for example, if it were to become insolvent or unable to meet the claims against it), this collateral will be used.
- **Counterparty:** The Fund will enter into a derivative arrangement with another financial institution. This agreement involves the provision of the derivatives which are structured to deliver the Fund's investment objectives. With this kind of arrangement the other financial institution is usually known as a 'counterparty'. The counterparty will be a recognised expert in derivatives for use in funds like this. The counterparty for the Capital Protected Fund 16 is Lloyds TSB Bank plc.
- **Derivative Date:** the date on which assets in the Fund move from cash, or similar investments, to Derivatives.
- **Derivatives:** investment instruments whose value generally depends on the price movements of an underlying investment, for example, shares listed on a share index such as the FTSE 100 Index. In turn the values are 'derived' from these underlying investments. In the context of the Fund, the Derivatives purchased will be structured to deliver the Fund's investment objectives.
- **Fund:** the Capital Protected Fund 16.
- **Growth Potential Period:** the period during which the Fund invests primarily in Derivatives.
- **Index:** the FTSE 100 index.
- **Initial charge:** which is a percentage of your payment that is deducted before shares are bought. If you keep your investment to the Protection Date, the cost of the initial charge is returned to you as part of what you get back.
- **OEIC:** An OEIC is a pooled investment where your money is added to that of other investors. Each OEIC fund is designed with different investment goals in mind.
- **Participation Rate:** the percentage that's applied to any growth in the Index (after any Averaging) over the Growth Potential Period to determine how much of any increase in the Index the Fund will provide.
- **Protection Date:** the date at the end of the Growth Potential Period on which the Fund aims to deliver its investment objectives for capital protection and growth. This is the only date that the original investment should be protected.
- **Total Sales Limit:** is the total of all customer investments that we accept into the Fund. We may have to close the Fund to new investments before the end of the Cash Investment Period if the offer becomes fully subscribed and the Total Sales Limit is reached.
- **We/our/us:** Scottish Widows Unit Trust Managers Limited.

Key Features, incorporating a Simplified Prospectus, for the Capital Protected Fund 16

These Key Features give you important information about the Capital Protected Fund 16. The Details of Terms, which form part of these Key Features, set out the dates, terms and charges that apply to the Fund. For an introduction to this investment, please read the Capital Protected Fund brochure.

Please read these Key Features and the Details of Terms carefully before you sign the application form and keep them with the other documentation we provide. If you are considering making an investment via our Individual Savings Account (ISA), then you should also read the ISA Terms and Conditions (see page 16).

These Key Features together with the Details of Terms incorporate the Simplified Prospectus requirements which have come about as a result of European legislation to help people make an informed choice between funds offered by different companies. The Simplified Prospectus does not replace the full OEIC Prospectus which contains full terms and conditions.

This is available on request free of charge from Scottish Widows.

The information in these Key Features covers direct investments into the Fund and investments through our ISA and is correct as at 21 May 2010.

For details of other funds we have available please speak to your Financial Adviser.



Details of Terms for the Capital Protected Fund 16

What are the aims of the Fund?

- On the Protection Date to provide:
 - a protected minimum amount; and
 - capital growth linked to the performance of a stockmarket index.
- To find out the details of this offer, please refer to the Details of Terms below.

Investment Summary

The Fund is designed to provide investors with a Capital Protected Value on the Protection Date together with capital growth linked to the performance of the Index by investing primarily in Derivatives. During the Cash Investment Period investment will be in cash, Collective Investment Schemes or similar investments.

Cash Investment Period	21 May 2010 to 15 September 2010
Derivative Date	29 September 2010
Growth Potential Period	29 September 2010 to 12 September 2016
Protection Date	13 September 2016
Participation Rate	150%
Index	FTSE 100 Index (Please note that the Capital Protected Fund doesn't mirror the rises and falls of the FTSE 100 Index)
Averaging	The average of the closing levels of the FTSE 100 Index on UK stockmarket trading days over the last 12 months of the Growth Potential Period.
Cap	Any amount payable in addition to the Capital Protected Value is subject to a maximum of 42% of the Capital Protected Value.
Minimum investment amount	£3,000. £1,000 via an ISA
Maximum investment amount	£250,000 directly into the Fund and up to £10,200 via a stocks and shares ISA. This means you can currently invest up to £10,200 in the 2010/2011 tax year.
Total Sales Limit	£149,300,000. The Fund may close for new investments before 15 September 2010 if the Total Sales Limit is reached. If your application is received after the Total Sales Limit has been reached, we will return your application and any payment received.
Initial Charge	7.65%
Early Exit Charge	0%
Annual Management Charge	0%
Estimated Total Expense Ratio (TER)	0% (When the Fund is invested in cash or similar investments we will invest in one or more collective investment schemes, the costs of which will be reflected in the TER but are currently estimated at 0%.)

Please note:

- Shares in the Capital Protected Fund 16 are only available for a limited period. We may have to stop offering shares before the end of the Cash Investment Period if the Total Sales Limit is reached.
- If the overall total investment into the Fund is not a viable size, your shares will be sold and we'll send you the proceeds of your investment rather than move the cash type investments to Derivatives.
- We intend to offer a Capital Protected Fund for new investments approximately every three months.
- The Prospectus is available on request from Scottish Widows Unit Trust Managers.

Key Features of the Capital Protected Fund 16

What is the Capital Protected Fund 16?

- The Capital Protected Fund 16 is a sub-fund within the Scottish Widows Investment Solutions Funds ICVC which was incorporated in Great Britain on 23 September 2005. This is a UK authorised Open Ended Investment Company (OEIC) with variable capital.
- The OEIC is authorised and regulated by the Financial Services Authority (FSA).
- Scottish Widows intends offering a series of Capital Protected Funds. Your money is invested in the Capital Protected Fund 16.
- Your money, along with that from other investors, buys shares in the Fund. The number of shares you get depends on the amount you invest, the initial charge we make and the share price. The share price will move up and down in line with the value of the investments that the Fund holds.
- **The value of your investment is not guaranteed and will depend on the share price at the time you sell your shares.**
- The base currency of the Fund is sterling.
- Share certificates will not be issued.
- For more information contact us on the number quoted in the 'How to contact us' section on page 14.

How does the Fund work?

- The Fund is limited issue. This means that there is only a certain period (Cash Investment Period) when you can invest in the Fund. This Key Features and the Brochure tell you when our current offer closes.
 - During the Cash Investment Period and for the two weeks that follow, the Fund invests in cash or similar investments.
 - After the two weeks that follow the close of the Cash Investment Period, the Fund invests primarily in Derivatives, which are arranged with a counterparty. The counterparty for the Capital Protected Fund 16 is Lloyds TSB Bank plc. Credit ratings can be a useful way to compare the credit risk associated with different companies. As at 1 April 2010 Lloyds TSB Bank plc had a Standard & Poor's credit rating of A+.
- Standard & Poor's is one of the world's foremost providers of independent credit ratings and companies are rated from AAA (most secure/best) to D (most risky/worst).
- Credit ratings of companies can change.
- The Derivatives are structured to provide the capital protection and any growth on the Protection Date as set out in this document and the Brochure.
- For further information please see 'Where are my payments invested?' on page 5.

What is my investment commitment?

- Your payment must be for at least £3,000, or £1,000 if investing via an ISA.
- Your investment can be made directly into the Fund and/or via a Stocks and Shares ISA.
- You should consider your investment as being for the fixed term and aim to remain invested until the Protection Date (which is 13 September 2016). You may, however, sell your shares at any time – but you are likely to get back less than you invested, in some cases substantially less, due to the deduction of the initial charge and the value of the investments before the Protection Date.

What are the risks of the Fund?

General risks that apply to your investment

- If you sell your shares before the Protection Date, you are likely to get back less than you've invested, in some circumstances substantially less.
- Tax rules can change. New tax practice and legislation, or changes to existing practice and legislation could affect what you get back at the end of the term or when you sell your shares.
- The favourable tax treatment of ISAs may not be maintained.
- Terms for the Fund are set several weeks in advance of the start of the Cash Investment Period, based on the price of the Derivatives at that time, hence the terms may or may not compare favourably with those currently available in the market at the date the shareholder invests.
- If insufficient money is received into the Fund, or the provider of the Derivatives fails to meet the contract terms on the Derivative Date, the Authorised Corporate Director (ACD) may wind up the Fund and return your investment.
- If you cancel during the 14 days following receipt of your Cancellation Notice you are likely to get back less than you invested if the investments in the Fund have fallen in value. You will, however, receive a full refund of any initial charge that has been deducted.
- Inflation will reduce the real value of your money in the future.

Risks that apply specifically during the Cash Investment Period

- When the Fund is invested in cash or similar investments, these assets may be held with a small number of approved banks or collective investment schemes. Should any one or more of these fail then you are likely to get back less than you invested, in some circumstances substantially less.

Risks that apply specifically during the Growth Potential Period

- If you sell your shares while the Fund is invested in Derivatives, the value of your investment will depend on the value of the Index and on other factors. These other factors include:
 - the volatility of the market;
 - the level of interest rates;
 - the time to maturity of the Derivatives.Therefore the overall investment return will not equal actual Index growth.
- During the Growth Potential Period the Fund will hold investments known as Derivatives. These Derivatives are arranged with a single counterparty. Should that counterparty fail, then you might get back less than you invested. To help protect you from this risk, collateral (cash or other investments we feel are suitable), is received from the counterparty and deposited with an independent custodian (the independent custodian for CPF16 is State Street Bank & Trust Company). Should the counterparty fail, we will use this collateral.
- There is a risk that the Derivative provider (the counterparty) fails and this coincides with the Fund having collateral which fails or which is deposited with an institution that fails, then you are likely to get back significantly less than you invested.

Risks that apply specifically at the end of the term

- At the end of the term, you might get back less than if you invested directly in the shares that make up the Index. This is mainly because:
 - we set a cap on any amount payable in addition to your Capital Protected Value, this could mean you receive less growth. Please see the Key Features document for information;
 - if you held shares directly you would be paid an income (dividends); and
 - the Averaging that's applied to determine the value of the Index will mean that if the Index rises, your returns may be lower than investing in the shares of the Index directly where Averaging would not apply.
- In the event that the Index cannot be used, this might affect the value of your investment.

You can also find details of all the risks in the full OEIC Prospectus which is available on request, free of charge.

Who is the Fund marketed to?

- The Fund is marketed to UK retail investors who are seeking a cautious investment, require capital protection at the end of the term and are prepared to invest until the Protection Date.
- The Fund is not normally available to non-UK residents.
- We are unable to accept business from US residents.

Can I invest via an ISA?

- You can currently invest via a stocks and shares ISA.
- If you invest via an ISA you have no personal liability to tax on any profit made or tax on any income received (please see 'What about tax?' on page 11).
- You can invest in a Stocks and Shares ISA if you're 18 or over and resident in the UK for tax purposes. For further information see the ISA Terms and Conditions on page 16.
- There are currently two types of ISAs:
 - Stocks and Shares ISA;
 - Cash ISA.
- Scottish Widows Unit Trust Managers Limited do not offer a cash ISA.

When can I invest?

- During the Cash Investment Period – see the Details of Terms on page 2 and Brochure for the dates of our current offer.
- We may have to close the Fund to new investments before the end of the Cash Investment Period if the offer becomes fully subscribed.
- The Total Sales Limit is shown in the Details of Terms. If your application is received after the Total Sales Limit has been reached, then we will return your application and any payment received.

What's the minimum amount I can invest?

- The minimum single payment you can make is £3,000 during the Cash Investment Period, or £1,000 if investing via an ISA.
- You can top up your investment with a single payment of at least £250 during the Cash Investment Period.

What's the maximum amount I can invest?

- The current maximum you can invest in ISAs is £10,200 in this tax year.
 - Of this £10,200, the maximum you can currently invest in a Cash ISA is £5,100 in this tax year or you can choose to invest the full £10,200 in a Stocks and Shares ISA.
- You can decide the balance of your investments, provided you keep within the cash limit and the overall limit.
- Investing directly in the Capital Protected Fund, you can invest up to £250,000.

HM Revenue and Customs decide the maximum ISA payment limits and the limits may change.

How can I invest?

- You can invest directly in the Fund in your own name, or jointly with up to three other people.
- For ISA investments applications must be in one person's name only.
- You can make your payment by cheque, debit card or debit authority.
- Payments will normally be invested using the next price following receipt and acceptance of your correctly completed application form and payment, provided that the Fund is open for investment.
- When you invest, we might make a dilution adjustment (see 'What are the charges?') which could mean you get fewer shares.

What documents will I receive?

- Once your application is accepted, you will receive a contract note and Cancellation Notice.

Where are my payments invested?

- Your money, after the initial charge has been deducted, buys shares in the Capital Protected Fund 16. The number of shares you get depends on the amount you invest, the initial charge and the share price.
- The Fund will invest in cash, or similar investments, during the Cash Investment Period and for the two weeks that follow until the Derivative Date is reached.
- We only offer accumulation shares which means that any interest earned during the Cash Investment Period and the period that follows, until the Derivative Date, will not be paid directly to you but will be added to the value of the Fund and will be reflected in the share price.
- On the Derivative Date (which is 29 September 2010), the Growth Potential Period starts and the Fund will move from cash or similar investments to invest primarily in Derivatives. The Fund will remain invested in Derivatives until the Protection Date. The Derivatives are structured to provide the capital protection and any growth on the Protection Date that's set out in the Details of Terms.

What happens to my investment on the Protection Date?

- At least three months before the Protection Date, we will write to you with the available options for the proceeds of your investment. This gives you the opportunity to decide what you want to do with your money at the Protection Date.
- These options may include:
 - investment in another Capital Protected Fund,
 - investment in another fund, or
 - payment of the proceeds.
- If no instructions are received before the Protection Date, the proceeds will be paid out to you as soon as reasonably practicable after the Protection Date. The proceeds would normally be sent to your bank account.



What are the charges?

- Our charges cover remuneration to your Financial Adviser, expenses, profit, managing the investments and any other adjustments.
- An initial charge of 7.65%, which is a percentage of your payment, is deducted before shares are bought. If you keep your investment to the Protection Date, the cost of the initial charge is returned to you as part of what you get back.
- Any commission paid to a financial adviser is borne out of the initial charge.
- When the Fund invests in cash or similar investments this will include investment in other collective investment schemes. The Fund may have to bear the cost of investing in other collective investment schemes and any charge will be reflected in the share price.
- There are other costs associated with the Fund including investment management fees, accounting fees, the ACD's own management costs, depositary fees and expenses, custodian fees, registrar fees, audit fees, interest on any borrowing and regulatory fees. It is intended that these costs and expenses will be met by the ACD.
- If there are any transaction costs incurred when the fund manager buys and sells investments within the Fund these will be met by the ACD.
- There is currently no Annual Management Charge (AMC).
- There is no Total Expense Ratio (TER) or Exit Charge for the Fund.
- The Total Expense Ratio (TER) shows the annual operating expenses of the Fund and includes the AMC, if any. All funds covered under European legislation must highlight the TER to help customers compare the annual operating expenses of different schemes.
- If you choose to switch out of the Capital Protected Fund 16 and into another fund you will incur a charge. If you switch into the Cautious Growth Fund, Balanced Growth Fund, Progressive Growth Fund or Adventurous Growth Fund you will pay the full initial charge that applies to those funds. (We may launch further funds in this range, so please contact us if you are considering a switch or ask your adviser for details of the funds available.)

If you choose to switch into any of our other funds you will incur a charge of 0.5% of the value of the shares you are switching. This charge of 0.5% is in place of the initial charge for the fund into which you are switching. If you switch out of the Fund before the Protection Date you will lose any protection on your investment. Please note, if you wish to switch into the Capital Protected Fund from another fund, you can only do this during the Cash Investment Period and you will be charged the initial charge of the Capital Protected Fund 16.

- Please refer to the OEIC Prospectus for full details of the charges.
 - The dilution adjustment might affect the number of shares you receive or how much you get back when you cash them in.
 - A dilution adjustment is an adjustment which might be made to the share price of a Fund when there are large amounts of cash going into or coming out of a Fund. The adjustment reflects the difference between the buying and selling prices of the investments of a Fund and any costs incurred, including taxes.
 - A dilution adjustment means that the impact of buying or selling investments is met by those moving into or out of a Fund, rather than by those who remain.
 - We may apply a dilution adjustment at any time, although we do not expect to apply one while a Fund is invested in cash or similar investments. During a Growth Potential Period we will normally apply a dilution adjustment to the share price.
- The ACD's policy for making dilution adjustments in connection with the Capital Protected Fund 16, is laid down in the Prospectus.
- We have the power to change, at any time, most of the charges we make. We will give you notice in line with the FSA's rules where appropriate. We may use this power if our costs turn out to be unexpectedly high, compared to our charges. Charges could increase if, for example:
 - a tax rule or law increases our costs or decreases our income from charges;
 - our staff or overhead costs are more than we expect; or
 - our income from charges is less than we expect.

Can I change my mind?

- You will be given 14 days to cancel the agreement if you are not completely satisfied with your investment. The 14 day cancellation period starts from the day you receive your Cancellation Notice.
- If you cancel, we'll give you your money back less any fall in the investment value. This amount is calculated using the next price released after we receive your written instructions. You might not get back what you paid in.
- If you invest via an ISA and change your mind within 14 days, you'll be free to make another ISA investment in the same tax year.
- If you don't cancel your investment, it will continue.
- Please send your request to the address on the Cancellation Notice.

How will I know how my investment is doing?

- Every year we'll send you a statement and valuation for your investment.
- Twice a year you'll receive a copy of the Short Report for the Scottish Widows Investment Solutions Funds ICVC. You can contact us for further copies of the interim and final Short or Long Reports. These are available free of charge and can also be downloaded from our website at www.scottishwidows.co.uk
- You can get an up-to-date valuation by phoning us on **0845 300 2244** or by registering at www.scottishwidows.co.uk/valuation
- You can check the Fund prices on our website at www.scottishwidows.co.uk
- The value of your investment is calculated by multiplying the number of shares you hold by the share price. We might make a dilution adjustment when you cash in some or all of your investment.

Can I take money out?

- Yes. You can sell some or all of your shares at any time before the Protection Date. If you do not sell all your shares in the Fund, you must continue to own at least £500 worth of shares in the Fund.
- Capital protection only applies at the Protection Date. If you sell shares at any other time you are likely to get back less than you invested, in some cases substantially less.
- If you cash in some of your shares the value of your investment and your Capital Protected Value will be reduced.
- You can instruct us to sell shares by writing to us. You can call us and we'll help you with your request, but any request must be confirmed in writing.
- If you own shares jointly, all written requests and confirmations of telephone requests must be signed by all shareholders.

- We'll normally cash in your shares using the next price calculated after we receive your request to sell.
- We might make a dilution adjustment, which could reduce what you get back.
- Money you take out will be transferred to your bank account, or we'll send you a cheque, normally within four working days after the later of receipt of;
 - your written instructions; and
 - the share price calculated following receipt of your request to sell.
- For ISAs, if you invest up to the Government's yearly ISA limit and then make a withdrawal you won't be able to reinvest that amount back into an ISA in the same tax year.
- If you want to sell some or all of your shares please contact us using the details on page 14 and we'll let you know what you need to do next.



What might I get back?

- What you get back depends upon the performance of the Capital Protected Fund 16 and when you sell your shares. If you sell your shares on the Protection Date you should get back your Capital Protected Value (your full original investment, this includes the cost of the initial charge). This assumes you haven't already sold any of your shares.

We also aim to provide an additional amount:

- This additional amount will be based on 150% (the Participation Rate) of the growth of the Index over the Growth Potential Period, after allowing for Averaging but will not be more than 42% of your Capital Protected Value.
- The additional amount (if any) will be reflected in the share price on the Protection Date.
- Averaging is intended to provide you with extra protection from sudden changes in the level of the Index, however it could also have the effect of reducing growth. The level of the Index we calculate at the end of the Growth Potential Period could be higher or lower than the actual level of the Index.
- The cap on your additional amount could mean you receive less growth compared to investing directly in the stockmarket.

At the end of the Growth Potential Period we will work out the percentage rise or fall in the Index by comparing the level of the Index at the start of the Growth Potential Period (Start Level), with the average of the daily closing levels of the Index on UK stockmarket trading days over the last 12 months of the Growth Potential Period (End Level).

If you sell your shares in the Capital Protected Fund 16 before the Protection Date you will receive the value of your shares based on the next price we calculate after we receive your written request.

- The shares sold will not benefit from any protection and you are likely to get back less than you invested, in some circumstances substantially less, due to the impact of the initial charge and the value of the investments before the Protection Date.
- If you sell some of your shares during the Growth Potential Period, this will reduce your Capital Protected Value at the Protection Date.

The effect of charges and expenses on an investment of £10,000 is set out below.

The figures used are only to illustrate the effect of charges and expenses. The total amount you might get back is not guaranteed.

- The table shows what you might get back if you were to hold your shares to the end of years 1, 2, 3, 4 and 5 following the Derivative Date, and on the Protection Date.

At the end of	Total paid	Effect of deductions to date	What you might get back
1 year	£10,000	£802	£9,680
2 years	–	£843	£10,100
3 years	–	£887	£10,700
4 years	–	£938	£11,300
5 years	–	£1,000	£12,000
The Protection Date	–	£1,120	£13,600

The tax treatment of any growth within the Fund is the same regardless of whether you invest directly into the Fund or via an ISA, this is why we show just one rate of growth. Tax treatment of returns in the hands of the investor depends on the individual circumstances of each investor and may be subject to change in the future.

- We assume a smooth growth of 4% each year in the growth of the FTSE 100 Index between the Derivative Date and the Protection Date. This rate reflects the fact that this Fund does not include any dividend payments.
- The value of your investment at any time between the Derivative Date and the Protection Date will depend on the value of the FTSE 100 Index and on other factors. These other factors include:
 - the volatility of the market
 - the level of interest rates
 - the time to maturity of the Derivatives.

Therefore, the overall investment return will not equal the FTSE 100 growth.

- This document shows possible returns during the Growth Potential Period and does not take into account any interest achieved before this.
- The last line of the table shows that on the Protection Date the effect of the total charges and expenses could amount to £1,120.
- Putting it another way, over the period from the Derivative Date to the Protection Date this would have the same effect as bringing investment growth from 6.7% a year down to 5.3% a year.
- The investment growth of 5.3%, after charges and expenses, is greater than the FTSE growth assumption of 4%. This is because of how the Fund operates as the Participation Rate we use is greater than 100%. The investment growth of 6.7% represents the return that would be obtained assuming that the initial charge is not taken by us but is also invested in the Fund.

Three examples are shown below of how the performance of the Index can affect how much you could get back if you hold all your shares until the Protection Date. They are not projections.

These examples do not take into account any interest that might be achieved while the Fund is invested in cash or similar investments.

Example 1 – FTSE 100 Index rises 20%

- The single payment is £10,000.
- The initial charge is 7.65%. Therefore £9,235 is used to buy shares.
- Your Capital Protected Value is £10,000.
- Start Level of the FTSE 100 Index is 4,000.
- End Level of the FTSE 100 Index (after Averaging) is 4,800.
- The percentage rise in the FTSE 100 Index is 20% (after Averaging).
- The Participation Rate is 150%. This means that you would get one and a half times the rise in the index. The index has risen by 20%. One and a half times 20% is 30%.
- 30% of the Capital Protected Value of £10,000 is £3,000, therefore in this example the additional amount is £3,000.
- In this example you should get back £13,000 on the Protection Date.

Example 2 – FTSE 100 Index rises 50%

- The single payment is £10,000.
- The initial charge is 7.65%. Therefore £9,235 is used to buy shares.
- Your Capital Protected Value is £10,000.
- Start Level of the FTSE 100 Index is 4,000.
- End Level of the FTSE 100 Index (after Averaging) is 6,000.
- The percentage rise in the FTSE 100 Index is 50% (after Averaging).
- The Participation Rate is 150%. This means that you would get one and a half times the rise in the index. The index has risen by 50%. One and a half times 50% is 75%. However, there is a cap on the amount of growth of 42% which would be used.
- 42% of the Capital Protected Value of £10,000 is £4,200, therefore in this example the additional amount is £4,200.
- In this example you should get back £14,200 on the Protection Date.

Example 3 – FTSE 100 Index falls 20%

- The single payment is £10,000.
- The initial charge is 7.65%. Therefore £9,235 is used to buy shares.
- Your Capital Protected Value is £10,000.
- Start Level of the FTSE 100 Index is 4,000.
- End Level of the FTSE 100 Index (after Averaging) is 3,200.
- The percentage fall in the FTSE 100 Index is 20% (after Averaging).
- In this example you would get back the Capital Protected Value of £10,000 on the Protection Date.

The figures detailed are only examples of what you might get back and are not guaranteed. You could get back more or less than this, but provided you do not sell any of your shares before the Protection Date you should get back at least your Capital Protected Value on the Protection Date.

- What you get back will generally depend on:
 - how much you've paid in;
 - how long the payment has been invested;
 - how well the investments have performed and the amount of interest earned;
 - whether you've already cashed in any of your shares;
 - how much we've charged and expenses met by the Fund;
 - any dilution adjustment, which could reduce what you get back.

Will I receive an income?

- No – the Fund’s aim is to provide growth. Your money will buy accumulation shares and any income received by the Fund will be reinvested as a dividend payment and will be reflected in the share price.

When is the share price calculated?

- We value daily at 2pm on business days in the UK when the Fund is invested in cash or similar investments.
- We value weekly on a Friday at 2pm providing it is a business day in the UK during the Growth Potential Period.
- These valuations are used to calculate the share price.
- When the Fund is invested in cash or similar investments, postal or other written instructions received in the administration department before 12pm on a business day will normally receive the share price calculated on that day. Postal or written instructions received after 12pm will receive the next price calculated.
- During the Growth Potential Period, when the Fund will be valued weekly, postal or other written instructions received in the administration department before 12pm on the day that the Fund is valued will normally receive the share price calculated on that day. Postal or written instructions received after 12pm will receive the next price calculated.
- Our dealing times are from 9am to 5pm each business day.

How is the share price calculated?

- The value of shares in the Fund is based on the value of the Fund’s investments after allowing for charges and expenses. Where there are both buying and selling prices for these investments we use the mid-point. The price of a share is the total Fund value divided by the number of shares, adjusted for charges.
- We may apply a dilution adjustment at any time, although we do not expect to apply one while the Fund is invested in cash or similar investments. During the Growth Potential Period we will normally apply a dilution adjustment to the share price. As it’s not possible to buy shares during a Growth Potential Period we know that the only kind of transaction that will be received is from investors who wish to sell their shares. In order that the share price you see is a fair reflection of the value you would get if you sold your shares, we will normally make an adjustment to the share price so that the cost of selling the underlying investments is fairly met by those investors that are leaving the Fund, rather than by those who remain.
- Our policy as ACD, is to apply a dilution adjustment within the criteria laid down in the Prospectus.

How flexible is my investment?

- You can switch between OEIC funds offered by us at any time subject to minimum requirements. If you choose to switch out of the Capital Protected Fund and into another fund you will incur a charge. If you switch into the Cautious Growth Fund, Balanced Growth Fund, Progressive Growth Fund or Adventurous Growth Fund you will pay the full initial charge that applies to those funds. (We may launch further funds in this range, so please contact us if you are considering a switch or ask your adviser for details of the funds available.)

If you choose to switch into any of our other funds you will incur a charge of 0.5% of the value of the shares you are switching. This charge of 0.5% is in place of the initial charge for the fund into which you are switching. Please note you can only switch into the Capital Protected Fund 16 during the Cash Investment Period and you will be charged the initial charge of the Fund. Please contact us for more details.

- The Total Expense Ratio for the fund you switch into might be different from that for the fund from which you are switching. Please refer to the relevant key features.
- Please speak to your Financial Adviser for details of the range of funds available.
- A switch between funds in an OEIC, or from an OEIC to an ISA is regarded as a disposal for Capital Gains Tax purposes. A switch between funds in an ISA is not subject to Capital Gains Tax.

- You can also transfer your ISA to another manager. Currently we don’t charge for transferring your ISA to another manager.
- You can cash in all or some of your shares at any time before the Protection Date. If you sell some of your shares you must leave at least £500 invested in the Fund.
- If you sell shares or switch out you should benefit from capital protection if the transaction is made on the Protection Date. At other times, the value of your shares will depend upon investment performance and the effect of charges.

Can I transfer my ISA?

- You can transfer part or all of a previous year's investment to another ISA Manager. If you want to transfer an ISA investment made in the current tax year you can only transfer the whole amount. You must tell us in writing if you want to transfer your ISA.
- If you transfer out of your ISA, or switch funds you won't lose any of your ISA tax benefits.
- The value of shares available for transfer will be the same as that available for you to sell and you are likely to transfer less than you invested.
- You may have to pay initial charges and transaction costs to your new ISA Manager.
- Currently, we make no charge for arranging a transfer.
- There is the potential for loss of income or growth depending on market movements while your transfer is awaiting completion.
- We are unable to accept ISA transfers into the Capital Protected Fund 16.
- Please see the ISA Terms and Conditions on page 16 for more information about transferring.

How much will the advice cost?

- Your financial adviser will tell you this cost. The amount will depend on the size of your investment. Any advice will be paid for out of the charges.
- This section does not apply if you have not received advice before making your investment.

What about tax?

- The tax regime applicable is that of the United Kingdom. This regime applies to the taxation of both income and capital gains within the Fund.
- Stamp Duty Reserve Tax (SDRT) is normally incurred when shares in a fund are cashed-in. It can also arise on a transfer between third parties. If this tax should arise, it will be paid by the ACD and not charged to the Capital Protected Fund 16.
- Tax treatment depends on the individual circumstances of each client and may be subject to change in the future. Tax rules can change.

The following information applies to UK resident individuals. If you are uncertain of your tax position you should seek professional advice.

This information represents our interpretation of the law and HM Revenue and Customs' practice as at the date of publication. The taxation implications described assume that there is no change in tax or other laws affecting a Fund or its investors.

Investing directly:

Dividend distributions

- Any interest income from the cash, or similar investments, will be treated as a dividend distribution. The dividend distribution will arise at the end of the period that the Fund is invested in cash or similar investments. The distribution will be on the Derivative Date.
- The Fund makes dividend distributions which come with a 10% tax credit. This distribution (excluding the tax credit) will be added to the Fund and will have the effect of increasing the share price.
 - Non taxpayers will have no further income tax to pay and will not be able to reclaim the 10% tax credit.
 - Basic rate taxpayers will have no further income tax to pay.
 - Higher rate taxpayers will have an additional income tax liability. The extra tax is equal to 25% of the net dividend distribution.
 - Additional rate taxpayers will have an additional income tax liability. The extra tax is equal to 36.1% of the net dividend distribution.
- We'll send you a tax voucher showing you the amount of the distribution and the tax credit.
- You must declare any dividend distributions to HM Revenue and Customs.

Capital Gains Tax

- Capital gains are made when you sell your shares and make a profit.
- Capital Gains Tax will be payable if your total gains from all sources in any tax year are more than your personal annual Capital Gains exemption allowance for that year. This is £10,100 for the 2010/2011 tax year. We will write to you at least 3 months before the Protection Date with the options available to you for the proceeds of your investment. If you do not actively select an option we will automatically send you your proceeds as soon as reasonably practicable after the Protection Date. This may affect your allowance and Capital Gains Tax may be payable on these proceeds.
- A switch between funds in an OEIC, or from an OEIC to an ISA is regarded as a disposal for Capital Gains Tax purposes.
- We have no responsibility for deducting Capital Gains Tax on your behalf, you must declare any taxable gains to HM Revenue and Customs.

Inheritance Tax

- If you die the value of your shares in a Fund will form part of your estate for inheritance tax purposes.

Investing via an ISA:

Dividend distributions

- Any interest income from the cash, or similar investments, will be treated as a dividend distribution. The dividend distribution will arise at the end of the period that the Fund is invested in cash or similar investments. The distribution will be on the Derivative Date.
- The Fund makes dividend distributions which come with a 10% tax credit. This distribution (excluding the tax credit) will be added to the Fund and will have the effect of increasing the share price:
 - You will have no further tax to pay.
 - Neither you nor we are able to reclaim the 10% tax credit.

Capital Gains Tax

- You will have no liability to Capital Gains Tax on any profits made from your ISA investment.
- A switch between funds from an OEIC to an ISA is regarded as a disposal for Capital Gains Tax purposes. A switch between funds in an ISA is not subject to Capital Gains Tax.

Inheritance Tax

- On death, the tax benefits of an ISA cease and your investment can no longer be held as an ISA. Its value will form part of your estate for inheritance tax purposes.

The value to an investor of the tax advantages of an ISA will depend on personal circumstances, which may change.

There's no need to declare your ISA to HM Revenue and Customs.

Cashing in your ISA

We will write to you at least 3 months before the Protection Date with the options available to you for the proceeds of your investment. If you do not actively select an option, we will automatically sell all of your shares and send you your proceeds as soon as reasonably practicable after the Protection Date.

The proceeds from those shares will cease to qualify from the current tax advantages available from an ISA investment.

What happens to my investment if I die?

- Your shares will remain invested in the Fund, but not beyond the Protection Date, until we receive instructions from your legal representatives to either sell or transfer the shares to a new owner. If no instructions are received before the Protection Date, the proceeds of your shares will be dealt with in accordance with our current practice.
- For ISAs, the tax benefits will stop from the date you die.
- The value of your shares will form part of your estate for inheritance tax purposes.

Can I invest on behalf of a child?

- Yes. If investing for a child is of interest to you, speak to your Financial Adviser.

Investment Approaches

While there are a number of ways to evaluate risk, we use the following definitions to help you decide on the appropriate investment approach for you.

The Capital Protected Fund 16 has been categorised as cautious using the investment approaches.

Please be aware that these definitions and the approaches for specific Funds may change in the future.

SECURE	CAUTIOUS	BALANCED	PROGRESSIVE	ADVENTUROUS	SPECIALIST
<p>These investments provide safety to the amount invested and can be expected to offer relatively low growth over the medium to long-term. They cannot fall in actual value, but can fall in 'real' value due to the effects of inflation.</p>	<p>These investments are expected to have a relatively modest risk to the capital value and/or income. They have the potential to provide income, and/or, over the medium to long-term, relatively modest capital growth. The capital value may fluctuate, although some products may offer an element of capital protection.</p>	<p>These investments carry a risk of loss to capital value but have the potential for capital growth and/or income over the medium to long-term. Typically they do not have any guarantees and will fluctuate in capital value.</p>	<p>These investments are expected to have a relatively significant risk of loss to capital value, but with the potential of relatively more capital growth over the medium to long-term. They do not offer any guarantees and will fluctuate in capital value.</p>	<p>These investments carry a relatively much higher risk of capital loss but with the potential for relatively higher capital growth over the medium to long-term. They may be subject to a considerable level of fluctuation in capital value. They do not offer any guarantees.</p>	<p>These investments carry a very high risk of capital loss, but with the potential for a higher return over the long-term. They are very volatile and are only suitable for clients who can afford to, and are prepared to, risk the entire capital value. They do not offer any guarantees.</p>



Investment Periods

We categorise investment periods as follows:

Short-term: Up to 5 years

Medium-term: Between 5 and 10 years

Long-term: Over 10 years

Other information

How to contact us

If you've any questions at any time or any changes you want to make to your investment, please contact us. You can phone us, send us a fax, or write to us.

Call us on **0845 300 2244** during the following times:

Monday to Friday 8am to 6pm

We may record and monitor calls to help us to improve our service.

OEIC Dealers **0845 845 0066**

Fax Number **0845 758 1950**

Website **www.scottishwidows.co.uk**

Address Scottish Widows Unit Trust Managers Limited
PO Box 28015
15 Dalkeith Road
Edinburgh
EH16 5WL

How to complain

- If you ever need to complain, first contact us at Scottish Widows Unit Trust Managers Limited using the details above.
- If you're not satisfied with our response, you can complain to:

The Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London
E14 9SR

Tel **0845 080 1800**

Email **enquiries@financial-ombudsman.org.uk**

Website **www.financial-ombudsman.org.uk**

- Complaining to the Ombudsman won't affect your legal rights.

Law and language

- For legal purposes the law of England and Wales will apply.
- Any communication sent to you will be in English.

About these Key Features

- This information represents our interpretation of the law and HM Revenue and Customs' practice as at the date of publication. The taxation implications described assume that there is no change in tax or other laws affecting a Fund or its investors.

Management and regulation

- The Authorised Corporate Director, Registrar and ISA Manager is Scottish Widows Unit Trust Managers Limited (SWUTM) whose business address is PO Box 28015, 15 Dalkeith Road, Edinburgh EH16 5WL FSA Reg. No. 122129. SWUTM is authorised and regulated by the Financial Services Authority.
- The Depositary (Independent Custodian) is State Street Trustees Limited, 525 Ferry Road, Edinburgh EH5 2AW. The Depositary is authorised and regulated by the Financial Services Authority.
- The Investment Adviser is Scottish Widows Investment Partnership Limited (SWIP) whose business address is Edinburgh One, 60 Morrison Street, Edinburgh EH3 8BE. SWIP is authorised and regulated by the Financial Services Authority.
- The Auditors are PricewaterhouseCoopers LLP, Erskine House, 68-73 Queen Street, Edinburgh, EH2 4NH.
- The Competent Regulatory Authority is the Financial Services Authority (FSA) whose business address is 25 The North Colonnade, Canary Wharf, London E14 5HS. Scottish Widows Investment Solutions Funds ICVC has been authorised and registered by the FSA.
- Each Capital Protected Fund will be managed in accordance with the Investment and Borrowing powers set out in the Prospectus and comply with the regulations within the FSA's Collective Investment Schemes Sourcebook.
- The Capital Protected Funds are sub-funds of the Scottish Widows Investment Solutions Funds ICVC which is authorised under Regulation 14 of the Open Ended Investment Companies Regulations 2001.
- Copies of the Prospectus and the Instrument of Incorporation relating to the OEIC are available from the Authorised Corporate Director for inspection during normal business hours. Copies will be supplied to any shareholder on request. Charges, terms and limits may change.

Fee and Commission Sharing Arrangements

- SWIP is authorised to, and has entered into, commission sharing arrangements with certain third party brokers, where a broker remunerated out of the assets of the scheme has agreed to split its remuneration with another broker and which results in that other broker meeting expenses through this commission sharing arrangement that should normally be met out of the assets of the scheme.
- Scottish Widows Unit Trust Managers may enter into fee sharing arrangements.

Investor cash balances

- Any investor cash balances (which is money held on behalf of an investor) shall be deposited with Lloyds Banking Group. Interest will not be paid on any cash held in client money accounts (an account where investors' money may be held).

Compensation

- OEIC funds are not directly covered by the Financial Services Compensation Scheme (FSCS), however Scottish Widows Unit Trust Managers Limited (SWUTM) is covered as the Authorised Corporate Director (ACD). The FSCS will not cover financial loss in the course of normal OEIC investment business if SWUTM is still solvent, including losses due to counterparty failure. However an investor may be entitled to compensation from the FSCS if SWUTM cannot meet its obligations (for example, if SWUTM were to become insolvent or unable to meet the claims against it resulting in you suffering a financial loss).

A customer's entitlement to a claim depends on the type of business and the circumstances of the claim. Customers would be potentially covered by the FSCS for 100% of their claim up to a maximum of £50,000.

- Further information about compensation arrangements is available from the Financial Services Compensation Scheme, who can be contacted on 020 7892 7300 or via their website at www.fscs.org.uk

Money Laundering Regulations

- Under these regulations, there's a requirement to prove the identity of people who wish to take out a life, pension or investment contract. You may therefore be asked to supply documents as evidence of your identity and your address. Please see the application form for further details.

Incomplete applications

- If an application is received and does not have all of the details required by the regulations, it will be returned to you and your investment will not be opened. However, in some circumstances we will still be able to open your investment and will write to you for the missing information.

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Terms & Conditions of the Scottish Widows Individual Savings Account (ISA)

These are the Terms and Conditions for our Individual Savings Account (ISA). You should read these together with the Key Features for the Scottish Widows fund into which you are considering making an investment.

1. Definitions

Certain words and expressions in these Terms and Conditions have particular meanings. This section explains what they mean.

- **Account:** your total investment in your Scottish Widows Individual Savings Account (ISA).
- **Accumulation Shares:** shares which automatically retain any income they earn. Any tax we reclaim on Income Distributions will be used to buy additional accumulation shares. (Please see Section 9 'Taxation'.)
- **Cancellation Notice Period:** the number of days set out in the Key Features during which you may cancel this agreement under the provisions of Section 7.
- **ICVC:** Investment Company with Variable Capital (see OEIC).
- **Income Distribution:** income from your shares which is either paid to you or increases the value of the shares you hold.
- **Income Shares:** shares which make payments of the income they earn to you, rather than retaining it.
- **ISA Manager:** the manager of your ISA. In the case of the Scottish Widows ISA this is Scottish Widows Unit Trust Managers Limited.
- **ISA Regulations:** The Individual Savings Account Regulations (1998) as amended or re-enacted from time to time.
- **Key Features:** information which we make available to you as required by regulation, which, in general terms, is intended to enable you to make an informed decision about making an investment.
- **OEIC:** Open Ended Investment Company, being a collective investment that pools together investors' money to achieve a spread of investments. An OEIC is set up as a company and governed by specially written company law.
- **Prospectus:** a document drawn up by us which contains information about the OEIC and its Sub funds and which complies with the relevant rules of the Financial Services Authority.
- **Qualifying Individual:** an individual who, in the case of a cash ISA, is 16 years of age or over or, in any other case, is 18 years of age or over who is resident and ordinarily resident in the United Kingdom. Crown employees and their spouses/civil partners who are not resident in the United Kingdom may qualify.
- **Scottish Widows:** Scottish Widows Unit Trust Managers Limited.
- **Sub fund:** a fund of an OEIC to which specific assets and liabilities of an OEIC may be allocated and which is invested in accordance with its own investment objective. These are referred to as funds throughout the remainder of this document.
- **Subscription:** any payment you make to a Scottish Widows ISA.
- **we/us/our:** Scottish Widows Unit Trust Managers Limited.
- **you/your:** the shareholder or his/her legal successor(s).

2. About Individual Savings Accounts (ISAs)

An ISA is an investment which qualifies for exemption from personal taxation under the ISA Regulations. This means you can currently invest in OEIC funds through an ISA and not have any personal liability to tax on any income or capital gains. (Please see Section 9 'Taxation'.)

You and your partner can each take out an ISA each tax year providing you are eligible. There are two types of ISAs available – a Cash ISA and a Stocks and Shares ISA.

The Scottish Widows ISAs are Stock and Shares ISAs.

In the current tax year you can pay into both a Cash ISA and a Stocks and Shares ISA.

If you pay into a Cash ISA with one provider, you can also invest, within the subscription limit, in a Stocks and Shares ISA with either the same or a different provider.

You can invest in our OEIC funds via an ISA managed by Scottish Widows. An ISA should be viewed as a medium to long-term investment (this is an investment held for at least five to ten years). Please remember that the value of an investment, and any income from it, is not guaranteed and can go up and down depending on investment performance (and currency exchange rate changes where a fund invests overseas).

3. Payment levels

There are limits on the Subscriptions that you can make to an ISA in each tax year. Please refer to your Key Features for details.

If you change your mind and exercise your cancellation rights (your Key Features tells you how many days you have to do this) your ISA Subscription DOES NOT count as a Subscription to an ISA in that tax year. In addition, you are free to make another ISA Subscription with an ISA Manager within that tax year without the loss of tax benefits.

A request to sell your shares and close your account other than by exercising your cancellation rights will, if received within the Cancellation Notice Period be treated as a normal request to sell your shares. This means that you will not be able to make any payments into a Stocks and Shares ISA (with us or any other ISA Manager) until the following tax year. Cancelling a Stocks and Shares ISA will not affect your right to invest in a cash ISA with another ISA Manager.

4. To qualify as an ISA investor

For you to be eligible to invest in an ISA, you must be a Qualifying Individual (see definition in Section 1).

5. Statements and Reports

Every six months we will send you a statement and valuation for each fund that you hold. Twice a year you will also receive a copy of the Short Report for the OEIC you invest in. The Annual and Interim Long Report is available on request from us.

6. Title – ownership of your ISA and security

When you invest in an ISA your fund holding will be registered jointly in your name and ours (or that of our nominee), but you are and must remain the sole beneficial owner of the shares. This means that you must not use the shares as security for a loan.

It is not Scottish Widows' practice to issue share certificates.

We must act on your instructions or those of your personal representatives. As a holder of a Scottish Widows ISA you are entitled to attend any OEIC shareholder meetings, to vote and to receive any other information issued to shareholders. If you would like to exercise any of these rights, please contact us.

We reserve the right to request additional information or proof of identity, or any other relevant information in line with requirements on us under the Money Laundering Regulations and in order to validate elements of the sales transaction. Such requests are designed with security of clients' investments in mind and may delay the despatch of any sale proceeds.

When withdrawing monies, it is possible for you to state the time period between your initial request to withdraw and completion of the withdrawal process, from an immediate withdrawal up to a maximum time period of 30 days. Please contact us for more details.

You authorise us to give HM Revenue & Customs (HMRC) information it reasonably requests, and to make claims, conduct appeals and agree the tax position in respect of your ISA.

7. Your right to change your mind

You will be given a number of days (your Cancellation Notice Period) to cancel the agreement if you are not completely satisfied with your investment. The Cancellation Notice Period starts from the day you receive your Cancellation Notice. If you decide to cancel and you have made monthly payments, we will give you your money back. If you decide to cancel and you have made a single payment we will send you a cheque for the lower value of either:

- your original payment; or
- the value of your investment calculated using the next price released after we receive your written instructions to cancel at our Administration Department, plus the amount deducted in respect of any initial charge.

If the price of the shares has fallen between the dates of your original payment and cancellation, you will receive less than you paid for them. If you change your mind within the Cancellation Notice Period, you'll be free to make another ISA Subscription in the same tax year. If you have transferred another ISA to us and you decide to cancel, you have the following three options:

- the ISA can be closed, and the proceeds returned to you; or
- the ISA can be transferred back to the original manager, although the original manager may not accept it; or
- the ISA can be transferred to any other ISA Manager.

The proceeds returned to you or transferred on cancellation will be the lower value of either:

- your original transfer amount; or
- the value of your investment calculated using the next price released after we receive your written instructions to cancel or transfer at our Administration Department, plus the amount deducted in respect of any initial charge.

If the price of the shares has fallen between the dates of your original transfer request and cancellation, you will receive less than you initially transferred.

If you don't cancel your investment, it will continue.

If you are in any doubt as to whether an ISA is suitable, you should seek financial advice.

8. Charges

Details of the initial charge for the fund you wish to invest in can be found in the Key Features together with information about fees and expenses that may be charged to the fund and any exit charges that may apply.

9. Taxation

There will be no personal liability to UK income tax on any income your ISA produces and no capital gains tax to pay when you sell or transfer your ISA.

Each fund pays out or accumulates Income Distributions after any income has been taxed. The ISA Manager is unable to reclaim the 10% tax credit on dividend distributions. OEIC funds which make payments of interest deduct tax at 20% from the interest payments. This tax is currently reclaimed in full by the ISA Manager on your behalf.

For OEIC funds which make payments of interest:

- If you hold Income Shares we will pay to you the distribution and an amount equal to the tax deducted and reclaim the tax on your behalf. When we receive it back from HMRC we pay it into your ISA. Under these Terms and Conditions you authorise us to withdraw the amount of the tax deducted from your ISA to repay ourselves for the amount already paid to you. You promise to repay the amount paid to you by us when we ask for it, if for any reason we cannot reclaim the tax back from HMRC.
- If you hold Accumulation Shares, the tax that is reclaimed from HMRC will purchase additional Accumulation Shares, when received from HMRC.

For OEIC funds which make payments of dividends:

- If you hold Income Shares we will pay to you the distribution net of a 10% tax credit.
- If you hold Accumulation Shares the distribution net of a 10% tax credit will be credited to the fund and will have the effect of increasing the Share Price.

The value to an investor of the tax benefits of an ISA will depend on personal circumstances, which may change. Tax rules can change.

10. Transfer of an ISA

a) Transferring an existing ISA to us

If you have a Stocks and Shares ISA or a Cash ISA with another company, you can transfer it into a Scottish Widows Stocks and Shares ISA. The minimum amount we will accept for the fund you select will be in the Key Features. We will reinvest the amount transferred, less any charges, into one or more of our funds available through a Scottish Widows ISA.

We will not charge for arranging the transfer but the ISA Manager of the existing account may make a charge.

Not all Scottish Widows funds accept ISA transfers from other ISA Managers. Please see the relevant Key Features for more details.

Stocks and Shares ISA to Cash ISA transfers are not permitted. If you transfer a Cash ISA into a Stocks and Shares ISA you cannot transfer it back to a Cash ISA.

We are unable to accept ISA transfers into the Capital Protected Fund.

b) Transferring your Scottish Widows ISA to another ISA Manager

You may request that your ISA be transferred to another ISA Manager subject to the deduction of any amounts due under these Terms and Conditions. To do this you must first contact the ISA Manager that you wish to transfer to and request that they send us the relevant documentation in order for us to be able to complete the transfer. Following receipt of this documentation, we will encash your shares and pay the proceeds to your chosen approved ISA Manager. (Please note shares will be sold in accordance with the provisions of the Prospectus for the fund you are transferring from. This may involve the Authorised Corporate Director of the fund applying a dilution adjustment or charging a dilution levy or making a deduction for Stamp Duty Reserve Tax (SDRT) which could reduce the amount transferred).

You may request a whole or partial transfer in respect of that part of the investment in your Account which was acquired with Subscriptions made in earlier tax years. Investments held in your Account which were acquired with Subscriptions made in the then current tax year must be transferred out in whole.

It is possible for you to state the time period between your initial request to transfer to another ISA Manager and the completion of the transfer process, from an immediate transfer up to a maximum time period of 30 days. Please contact us for further details.

In the case of ISA transfers any income or growth received may be reduced. This can happen if, for example, the markets rise while the transfer is awaiting completion.

11. Management and administration of your ISA

We act as manager of your ISA and have been approved to do so under the ISA Regulations. We have the right to appoint another company to act as Manager in our place. However, any new manager must also be approved under the ISA Regulations.

We may delegate some or all of the administration of your ISA to a third party, but we must first satisfy ourselves that the proposed party is competent to carry out the administration in accordance with the ISA Regulations.

12. The end of your ISA

We have the right to give reasonable written notice (at least 30 days) to end your ISA if legislation or regulations make it impractical to carry on or if you are in material breach of any of these provisions. Your ISA will come to an end automatically if it becomes void under the ISA Regulations.

We will notify you if, by any reason of failure to follow the ISA Regulations, your ISA has or will become void.

If you are making monthly payments, subject to any concessions we may offer from time to time, we will bring your ISA to an end by reasonable written notice if you decide to stop making regular payments and at that time the value of the shares in your Account of any one fund is less than £500. We may also bring your ISA to an end if you have invested a single payment and the value of the shares in your ISA of any one fund is less than £500.

No additional payment shall be required to be made to the ISA Manager in respect of termination, save that the ISA Manager shall receive:

- (i) all sums, owing or accrued, due to it under these terms; and
- (ii) any additional expenses which it necessarily incurs in terminating the account due to the sale of investments or otherwise; and
- (iii) any losses necessarily incurred in settling or concluding outstanding obligations.

The ISA Manager may also retain an amount, if any, representing tax which is or may become payable in respect of the Account.

The tax benefits of this investment will cease immediately upon your death. Your Account will be closed immediately upon receipt of written notice by the ISA Manager of your death. Although your investment will no longer be treated as an ISA, its value will still be subject to the performance of the fund(s) as normal until further instructions are received from your legal personal representatives. The ISA Manager may then, on receipt of a death certificate relating to you, and subject to such other formalities as the ISA Manager may specify, either transfer the investments to your legal personal representative(s) or sell all of the investments held within the Account. You agree that the provision of these terms shall bind your legal personal representative(s).

If your ISA is invested in a Capital Protected Fund that started on or after 8th September 2008, any part of your ISA investment still invested in such a Capital Protected Fund will end on the date we distribute the proceeds of your shares. We will distribute the proceeds following the relevant Protection Date (as defined in the Prospectus for each Capital Protected Fund) of the fund unless you have instructed us before the Protection Date for the relevant Capital Protected Fund to switch or transfer the value of the applicable Capital Protected Fund shares held in your ISA into an alternative fund or funds then available for ISA investments with us or another ISA Manager.

13. Client Money

Any cash balances in an Account shall be deposited with Lloyds Banking Group. Interest will not be paid in respect of any cash held in client money accounts.

14. Changing these Terms and Conditions

We may need to change these Terms and Conditions:

- in order to stay within legislation, regulations or HMRC requirements;
- to protect existing holders;
- to ensure the efficient administration of your ISA. If any cost arises from this change we will only pass it on to you in accordance with these Terms and Conditions.

We will comply with any legal requirements in connection with giving you notice about a change. If there are no legal requirements in force, we will still give you reasonable notice (at least 30 days) of the change.

15. The Scottish Widows ISA – making payments

Amounts that you invest in the Scottish Widows ISA will be used to buy shares in the fund(s) of your choice. The Key Features for the fund(s) you are considering for investment will tell you if you can invest with single payments, regular payments, or both and what the minimum and maximum payment amounts are.

We reserve the right to add to or remove the funds offered via an ISA. Please contact us to find out which funds are currently available.

16. Switching

You may sell your shares in your chosen fund(s) and simultaneously reinvest the proceeds in one or more of our other funds currently offered via an ISA (subject to minimum requirements). Once we have received and accepted your written instructions at our ISA Administration Department, your shares will be sold and new shares purchased at the next price after your request is received.

The initial charge and the total expense ratio for the fund you switch into might be different to those for the fund from which you are switching. For further details, please refer to the Key Features. Please contact us for details of any discounts that may apply to the initial charge of the fund you are switching into.

It may be possible for you to exchange shares from a fund offered through a Scottish Widows OEIC investment into a Scottish Widows ISA. We can provide you with more details of this service.

A switch from an OEIC to an ISA is regarded as a disposal for Capital Gains Tax purposes. A switch between funds within an ISA is not subject to Capital Gains Tax.

17. Invalid ISA Accounts

You may be notified directly by HMRC if it appears that your ISA Account is invalid. Alternatively, we shall notify you that you should contact HMRC regarding your ISA Account if we identify any failure to satisfy the provisions of the ISA Regulations which may mean your ISA is invalid. In either case, no steps will be taken to repay any invalid payments until full instructions on the treatment of any invalid payments are provided by HMRC.

Treatment of Invalid Payments

We may reimburse to HMRC any tax claimed on income generated by the invalid payments between the date of the first invalid payment and the date of the notice from HMRC.

If HMRC instructs us that any payments must be removed from your ISA Account we will do this by removing the investments that these payments have bought. We will normally do this by transferring the invalid amounts to a standard OEIC investment in the same fund. Where for any reason this proves impossible we will sell the investments purchased with the invalid payments and remit the proceeds to you.

Treatment of Income Distributions on Invalid ISA Accounts

If you hold Accumulation Shares we may also remove from your ISA the net income whether that income has been paid or is payable. We may also cancel shares equivalent to the value of the tax paid. If you hold Income Shares we may remove from your ISA an amount equal to the tax claimed on income generated by the invalid payments or the relevant part of them between the date of the first invalid payment and the date of notice from HMRC by cancelling shares to the value of the tax paid.

In every case, the amounts to be removed will be removed in a manner that will leave the highest possible value of shares within the Account as at the date of notification from HMRC. Any cancellation of shares will be carried out using the share price at the next valuation point after we receive such notification.

18. Residual tax amounts

If, after termination of your ISA, a small balance (£5 or less) accrues due to payment of residual tax amounts reclaimed from HMRC, we shall have absolute discretion to realise this balance and pay the proceeds to a registered charity.

19. Complaints

Should you ever need to complain about your Scottish Widows ISA or any advice you have received, details about how to complain are shown in your Key Features.

20. Law

The law of England and Wales will apply to these Terms and Conditions.

Important Notes

These Terms and Conditions apply to the Scottish Widows ISA and will come into effect on receipt of your fully completed and signed application. If an application is received and this is not fully completed and does not have all of the details required by the regulations, it may be returned to you and the ISA will not be opened. However, in some circumstances we will still be able to open your ISA and will write to you for the missing information.

These Terms and Conditions are based on the ISA Manager's understanding of current tax law and HMRC practice (as at date of publication) which may change in future.

Charges, limits and terms may change.

Important investor information including full details of the risks that apply to each of the funds can be found in the Key Features which should be read in conjunction with these Terms and Conditions.

You should read these Terms and Conditions along with any other ISA documentation before you sign your application form.



SCOTTISH WIDOWS

official pensions and investment provider



As part of the Lloyds Banking Group, Scottish Widows is proud to be an Official Provider of the London 2012 Olympic and Paralympic Games.

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