Scottish Widows Managed Investment Funds ICVC

Short Report for the year ended 30 April 2012

Scottish Widows Managed Investment Funds ICVC

The Company

Scottish Widows Managed Investment Funds ICVC
15 Dalkeith Road
Edinburgh
EH16 5WL

Incorporated in Scotland under registered number IC000171. Authorised and regulated by the Financial Services Authority.

Authorised Corporate Director (ACD), Authorised Fund Manager & Registrar

Scottish Widows Unit Trust Managers Limited

Registered Office:

Charlton Place
Andover
SP10 1RE

Head Office:

15 Dalkeith Road
Edinburgh
EH16 5WL

Authorised and regulated by the Financial Services Authority and a member of the Investment Management Association.

Investment Adviser

Scottish Widows Investment Partnership Limited

Registered Office:

33 Old Broad Street
London
EC2N 1HZ

Business Address:

Edinburgh One
60 Morrison Street
Edinburgh
EH3 8BE

Authorised and regulated by the Financial Services Authority and a member of the Investment Management Association.

Depositary

State Street Trustees Limited

Registered Office:

20 Churchill Place
London
E14 5HJ

Head Office:

525 Ferry Road
Edinburgh
EH5 2AW

Authorised and regulated by the Financial Services Authority.

Independent Auditors

PricewaterhouseCoopers LLP
Erskine House
68-73 Queen Street
Edinburgh
EH2 4NH

Introduction

Twice a year we are required to send you a Short Report of the Investment Company with Variable Capital (ICVC) in which you're invested. The report covers how the funds in the ICVC have performed and how they are invested. It also includes a review from the funds' managers. Short Reports are important as not only do they keep you up-to-date with fund activity and fund managers' opinion, but they also contain important information about any changes to how the funds operate. However please note that Short Reports don't contain any details about the value of your personal investment. Information that is personal to you is sent to you annually in your OEIC or ISA statement. The statement gives you the value of your investment. You can also get an up-to-date value of your investment by registering at **www.scottishwidows.co.uk/statements**

Contents

Copies of the annual and half-yearly Long Form Report and Financial Statements are available on request. If you would like a copy, please telephone Client Services on **0845 300 2244** or download the Financial Statements from the website **www.scottishwidows.co.uk** which is a website maintained by Scottish Widows plc on behalf of Scottish Widows Unit Trust Managers Limited.

Daily fund prices can also be found at the above website.

Prospectus Changes

During the year and up to the date of this report, the following changes were made to the Company and therefore the following changes were reflected in the Prospectus of Scottish Widows Managed Investment Funds ICVC:

- Protected Capital Solutions Fund 7 was launched on 4 July 2011;
- The wording in the Prospectus has been updated in accordance with regulations and the FSA Rules in the sections relating to Conflicts of Duty or Interests, Best Execution and Client Order Handling and details of the Fund Accountant have been inserted;
- The Prospectus was updated on 1 November 2011 to show a reduction in the rate of depositary's fee from 0.008% to 0.0072%;
- The Prospectus was updated on 1 November 2011 to modify the wording describing the custodian arrangements and to show the current rates of custody charges and auditors fees applicable to each Fund;
- The Risks section of the Prospectus was updated on 1 November 2011 to add a new risk factor for corporate bonds; and
- The Prospectus was updated on 15 December 2011 to confirm that the Cash Fund is a short term money market fund and that the investment objectives and policies of the Fund will meet the conditions required of a short term money market fund.

A copy of the Prospectus is available on request.

If you have chosen to view this report online, but now wish to receive a paper version of this report, please contact our Client Services team on **0845 300 2244** to arrange this.

Important Information

Amendments to the UK Regulations governing Open-Ended Investment Companies and the FSA's Collective Investment Schemes sourcebook which require limitation of liability between sub-funds of the Company came into effect on 21 December 2011. The new segregated liability regime is mandatory and it is our intention to apply to the FSA within the transitional period for approval to amend the Company's Prospectus and Instrument of Incorporation which will provide for this change. The transitional implementation period is open until 20 December 2013.

FUND PROFILE

Fund Aims

To give long-term capital growth by investing principally in a balance of equity funds and fixed interest security funds (including a small proportion in index-linked securities) within the Lloyds Banking Group. Exposure will be mainly to UK investments but with a significant proportion overseas.

Risks

The Fund can invest in a range of assets including collective investment schemes which may themselves invest in a range of other assets. The Fund's assets are likely to vary from time to time but each category of assets has individual risks associated with them. The value of the Fund will depend on the combined performance of all the assets held by it. A rise in the value of one asset class may not result in an increase in the Fund's value. Similarly, a fall in the value of one asset class may not result in a fall in the value of the Fund if others have risen by more.

- Investing in equities generally has the potential for higher capital growth over the longer term than investing in, say, fixed interest securities. However there might be considerable fluctuations in equity prices and there is a greater risk that you might not get all your money back.
- Some of the companies and governments that the funds invest in who issue fixed interest securities might not be able to meet their payments, or their credit rating might fall. If they don't meet their payments, or their credit rating falls, the value of your investment will reduce. In addition, a small proportion of the portfolio will be invested in fixed interest securities which carry a higher risk.
- Fluctuations in interest rates are likely to affect the value of the fixed interest and index-linked securities held by the portfolio. If long term interest rates rise, the value of your shares is likely to fall and vice versa.
- Exchange rate changes might cause the value of any overseas investments held by the portfolio to go up or down.

INVESTMENT MANAGER'S REVIEW

The Balanced Growth Portfolio invests in a mixture of equities and bonds. The period under review presented a number of challenges for investors in all asset classes.

The UK stock market fell over the year as risk-averse investors favoured high-quality government bonds over the uncertainties of the stock market. The FTSE All-Share Index fell by 2.1% in total return terms. The losses were led by stocks in the banking and mining sectors. Defensive stocks – those whose fortunes are less dependent on the economic cycle – fared far better.

Meanwhile, European equities were dominated by the sovereign debt crisis. The eurozone economy remains sluggish with many periphery nations in recession, and the FTSE Europe ex-UK Index was down more than 10% in local currency, total return terms. In contrast, a rally in the US in early 2012 meant that the S&P 500 Index was strongly ahead. Recent reports on the economy have been favourable, and consumer confidence has improved.

While the performance of government bonds has varied across the globe over the last twelve months, most major markets, including the UK, benefited from their perceived "safe-haven" status during these times of economic uncertainty. In comparison, bonds issued by some of the troubled countries on Europe's periphery did poorly. Bond yields in Spain and Italy rose alarmingly as budgetary troubles came under the spotlight. European Central Bank intervention in the shape of two Long-Term Refinancing Operations (LTROs) helped stem the rising trend. The LTROs involved lending money cheaply to liquidity-strapped commercial banks, and much has been reinvested in short-dated peripheral bonds.

Corporate bonds experienced mixed fortunes. In the first part of the reporting period, strong results and falling debt levels helped drive prices higher and yields lower. But as 2011 progressed, eurozone fears resulted in a sharp widening of the spread between the yields provided by government and corporate bonds. The New Year brought a strong rally; the LTROs effectively put a floor under the prices of financial sector corporate bonds, and banks used borrowed money to restructure their capital positions through buying back debt.

Although we had increased exposure to government bonds in the early summer of 2011, we reversed this decision in August. The proceeds from these sales were invested in UK equities, which had fallen to levels which we felt represented much better value. Profits were taken on this position in October and November, but the rally in UK equities continued into January, meaning the Fund lost out on some performance relative to benchmark.

Looking ahead, fundamental value in government bonds remains poor. We continue to anticipate a clear increase in 10-year government bond yields and a fall in prices in the US, Germany and UK over the next 12 months. Turning to corporate bonds, while early 2012 brought a high volume of new issues, investors appear to have become more cautious, and we may be close to reaching saturation point. The rally may have further to run, but there are significant risks – from Europe and elsewhere.

Equity investors have two main worries: Europe and China. In Europe, the focus has shifted from the immediate threat of a financial crisis and onto a lack of economic growth. Given the single currency zone is the UK's largest export market, this represents a real challenge to UK plc. Fears are also growing that the economic climate in China has changed for the worse. A slowdown would have repercussions for global equity markets.

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.

Balanced Growth Portfolio (continued)

Distribution

XD date	Payment date
30/04/12	30/06/12

TER

	30/04/12 %	30/04/11 %
A Accumulation	1.65	1.64
T Accumulation	1.50	1.50

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

Details of investments

Investments	30/04/12 %	30/04/11 %
Financials	99.31	99.53
Derivatives	0.08	(0.24)
Net other assets	0.61	0.71
Total net assets	100.00	100.00

Net asset value

	NAV per share 30/04/12 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
A Accumulation	143.49	143.50	(0.01)
T Accumulation	135.53	135.40	0.10

Distribution

	Final 30/04/12 (p)
A Accumulation	2.3449
T Accumulation	2.3503

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 30/04/12 %	01/05/10 to 30/04/11 %	01/05/09 to 30/04/10 %	01/05/08 to 30/04/09 %	01/05/07 to 30/04/08 %	01/05/06 to 30/04/07 %
Balanced Growth Portfolio A Accumulation	0.00	7.33	26.13	(16.01)	(1.71)	3.80

Sources: Lipper for Balanced Growth Portfolio Fund. Basis: Mid to Mid, net revenue reinvested and net of expenses.
Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Top five holdings

	30/04/12 %		30/04/11 %
1. Scottish Widows UK Equity Income Fund A Acc	12.99	Scottish Widows UK Equity Income Fund A Acc	12.78
2. Scottish Widows UK Growth Fund A Acc	12.30	Scottish Widows UK Growth Fund A Acc	12.72
3. Scottish Widows Corporate Bond Fund A Acc	10.09	Scottish Widows UK Select Growth Fund A Acc	10.23
4. Scottish Widows Global Growth Fund A Acc	10.03	Scottish Widows Corporate Bond Fund A Acc	9.97
5. Scottish Widows Gilt Fund A Acc	9.44	Scottish Widows Global Growth Fund A Acc	9.96

Number of holdings: 28

Number of holdings: 23

FUND PROFILE

Fund Aims

To give long-term capital growth by investing mainly in multi-manager funds.

The Fund will invest in a balance of equity and fixed interest security funds (the fixed interest security funds will invest mainly in high quality fixed interest securities, including corporate bonds). These equity and fixed interest security funds will invest in UK and overseas markets.

The multi-manager funds are currently provided by Scottish Widows Investment Partnership and the Russell Investment Group.

Risks

The Fund can invest in a range of assets including collective investment schemes which may themselves invest in a range of other assets. The Fund's assets are likely to vary from time to time but each category of assets has individual risks associated with them. The value of the Fund will depend on the combined performance of all the assets held by it. A rise in the value of one asset class may not result in an increase in the Fund's value. Similarly, a fall in the value of one asset class may not result in a fall in the value of the Fund if others have risen by more.

- Investing in equities generally has the potential for higher capital growth over the longer term than investing in, say, fixed interest securities. However there might be considerable fluctuations in equity prices and there is a greater risk that you might not get all your money back.
- Some of the bonds and other fixed interest securities held by the funds are issued by companies and governments that might not be able to meet their payments, or whose credit rating might fall. If they don't meet their payments or their credit rating falls, the value of your investment will fall.
- Exchange rate changes might cause the value of any overseas investment to go up or down.
- Fluctuations in interest rates are likely to affect the value of the bonds and other fixed interest securities held by the funds. If long term interest rates rise, the value of your shares is likely to fall and vice versa.

INVESTMENT MANAGER'S REVIEW

In bond markets, government bonds were the key drivers in the latter part of 2011 after risk aversion escalated significantly amid fears that uncoordinated policy responses to Europe's sovereign debt crisis could undermine economic recovery.

In the second quarter, investors began focusing on evidence of a slowdown in the US and Chinese economies as the situation in Europe appeared to ease. Gains continued into a mixed, but positive third quarter which ultimately favoured risk. As risk appetite returned it was again the higher risk (high yield, emerging market debt) sectors that outperformed. The momentum that built upon the upbeat data released in July faltered somewhat in August, but the improved sentiment in September saw investors again chasing greater yields, and taking on more risk, with sales of high yield bonds surging as companies took advantage of investor demand and low refinancing costs.

The first quarter of 2012 saw systemic risk dissipating, market volatility decreasing and credit spreads tightening. The primary catalysts were developments surrounding the European debt crisis, which provided clarity on policy and significantly reduced liquidity risk. First and foremost was the European Central Bank's LTRO (Long-Term Refinancing Operation) programme, which injected €1 trillion worth of liquidity into eurozone banks, eliminating the probability of a Lehman-like event. Near term Greek pressure was alleviated as private borrowers agreed on terms of a principal write-down and the German parliament approved a second bailout of €130 billion.

The events played out over a backdrop of an ongoing trend in global central bank easing (including the US Federal Reserve's forecast to remain on hold into 2014), positive US economic data and somewhat decreasing concerns of a China hard landing (a shift from rapid growth to slow growth or even recession). At the end of the quarter there was some disappointment in EU finance ministers limiting fresh "firewall" funds to €500 billion, as a higher amount would demonstrate deeper EU commitment and potentially compel other countries to donate more to the International Monetary Fund (IMF). April saw a reversal in risk sentiment following the first quarter, as the positive effects from the ECB's LTRO stimulus faded and investors again became anxious, focusing on news flow and fundamentals.

In equity markets, the risk rally resumed over the second half of 2011 however, with investors buoyed by news that the IMF had raised its global growth forecast and second-quarter earnings releases from a number of the world's biggest companies that were well in excess of expectations. Gains were reinforced by more upbeat news from Europe, where the results of a series of stress tests on banks were largely welcomed. The final quarter was positive as a whole. Global equities finally recaptured all of the ground lost in the aftermath of the collapse of Lehman Brothers, as speculation that the recovery was becoming more sustainable saw them reach levels last seen over two years ago. The generally upbeat sentiment was underpinned by a burgeoning US recovery, strong growth in China and speculation that the Federal Reserve's sanctioning of a second round of quantitative easing (increasing the supply of money) would help global growth accelerate.

A very positive third-quarter earnings season and central bank intervention in Europe helped firm up the belief that the threat of a double-dip recession was receding and that a "worst case scenario" had been prevented. This renewed confidence helped investors to shrug off losses in November as the Irish government's request for assistance from the EU again saw the stability of the eurozone called into question.

Global equities experienced a strong start to 2012 continuing the turnaround that began in the previous quarter and registered strong gains in January and February. Investors reacted increasingly positively to the improved credit conditions in Europe following the European Central Bank's successful Long-Term Refinancing Operations (LTRO). Continued flow of positive news on the US economy, most notably better-than-expected housing and unemployment data, helped lift sentiment. Global equity markets faced divergent forces in April as economic growth indicators nominally weakened, while corporate earnings surpassed consensus expectations.

Russell's manager research, selection and monitoring process aims to maintain the best manager mix within the funds; this is an on going process with approx 15% of managers being changed in some way each year. Balanced Portfolio is constructed from 13 underlying SWIP and Russell funds. Over the period there have been manager changes within five of these – RIC Continental European Fund, RIC Global Bond Fund, RIC Global Bond Euro Hedge Fund, RIC Sterling Bond Fund, and RIC US Equity Fund.

The Balanced Portfolio holds 50% equities and 50% bonds. The Fund returned 1.66% over the year.

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.

Balanced Portfolio Fund (continued)

Distribution

XD date	Payment date
30/04/12	30/06/12

TER

	30/04/12 %	30/04/11 %
A Accumulation	2.00	2.00
X Accumulation	0.60	0.60

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

Details of investments

Investments	30/04/12 %	30/04/11 %
Financials	98.67	100.38
Derivatives	1.42	(0.67)
Net other (liabilities)/assets	(0.09)	0.29
Total net assets	100.00	100.00

Net asset value

	NAV per share 30/04/12 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
A Accumulation	134.98	132.77	1.66
X Accumulation	150.63	146.50	2.82

Distribution

	Final 30/04/11 (p)
A Accumulation	1.5101
X Accumulation	3.3039

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 30/04/12 %	01/05/10 to 30/04/11 %	01/05/09 to 30/04/10 %	01/05/08 to 30/04/09 %	01/05/07 to 30/04/08 %	01/05/06 to 30/04/07 %
Balanced Portfolio Fund A Accumulation	1.66	6.07	26.29	(15.05)	(1.93)	3.21
Mixed Investment 20-60% Shares Sector Average Return*	(0.79)	5.91	21.91	(15.05)	(3.79)	5.54

Source: Lipper for Balanced Portfolio Fund and Sector Average Return. Basis: Mid to Mid, net revenue reinvested and net of expenses. Mixed Investment 20-60% Shares Sector – Funds investing in a range of assets with the maximum equity exposure restricted to 60% of the Fund and with at least 30% invested in fixed interest and cash. There is no specific requirement to hold a minimum % of non-UK equity within the equity limits. Assets must be at least 60% in US Dollar/Sterling/Euro of which 30% must be in Sterling and equities are deemed to include convertibles.

* The IMA changed the name of the Cautious Managed Sector to the Mixed Investment 20-60% Shares Sector, effective from 1 January 2012.

Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Top five holdings

	30/04/12 %		30/04/11 %
1. Russell US Equity Fund I Acc	16.88	Russell US Equity Fund I Acc	16.37
2. Russell Global Bond Fund I Acc	10.37	Russell Euro Fixed Income Fund I Acc	10.60
3. Russell US Bond Fund I Acc	10.36	Russell Global Bond Euro Hedged Fund I Acc	10.56
4. Russell Global Bond Euro Hedged Fund I Acc	10.34	Russell Global Bond Fund I Acc	10.39
5. Russell Euro Fixed Income Fund I Acc	10.30	Russell US Bond Fund I Acc	10.30

Number of holdings: 22 | Number of holdings: 88

FUND PROFILE

Fund Aims

To give an income with capital security by investing in mainly bank and building society deposits.

INVESTMENT MANAGER'S REVIEW

The latest data brought official confirmation that the UK economy had, after a valiant struggle, finally succumbed to a long-feared disease: a double-dip recession. Preliminary estimates from the Office of National Statistics showed that the economy shrank by 0.2% in the first three months of this year. Because Gross Domestic Product (GDP) also contracted (by 0.3%) in the final three months of 2011, the UK thereby met the technical definition of a recession – two successive quarters of negative growth.

Concerns about sovereign debt and rating agency Moody's decision to put a number of European banks on negative watch dominated many of the headlines this quarter. But the biggest talking point was the European Central Bank's Long-Term Refinancing Operations (LTRO) in December and end-February. This saw the Bank make around €1 trillion available in cheap three-year loans to struggling lenders. This helped stave off a potentially ruinous credit crunch and gave the financial system some much-needed breathing room.

At the time of writing, political instability had traders on tenterhooks. France appointed a new leader in the form of socialist Francois Hollande. He has vowed to renegotiate the recently agreed euro fiscal pact to make it a "growth pact." Greece, meanwhile, failed to elect a majority government at its elections, with far left anti-austerity parties gaining in popularity. Many now fear Greece will renege on its bail-out agreements, leading to a possible euro exit – a proposition hitherto ruled out by EU leaders – and disorderedly default. This will have ramifications for all of Europe – the UK included.

The LTRO also had a significant impact of cash rates since the turn of the year. The excess liquidity it created meant requirements for short-term funding dropped markedly. Moody's decision also meant that traders were forced to hunt for the best credit available. As for activity, we continued to run the Fund in a conservative manner, concentrating on one- and three-month CDs (certificates of deposit) in higher-rated banks. Selective investments were made up to six months in better-rated names where opportunities allowed. We also maintained a sufficient level of overnight deposits so that we could meet any redemptions without having to become forced sellers. This strategy will be on-going.

Looking ahead, the world's economy is struggling to gain traction and April saw further disappointing data releases. The situation in Europe remains strained, affecting confidence on both sides of the Channel. As for the UK, the country may be in a technical recession but initial estimates of GDP are notoriously prone to revision, while the survey evidence is more encouraging. As such, we think the UK will still show modest economic growth this year.

As for interest rates (currently at 0.5%), some members of the Bank of England's monetary policy committee are becoming less dovish (economic outlook that generally supports lower interest rates) in the face of persistent above-trend inflation. We continue to expect an upward move in interest rates from the final quarter of next year in response to strengthening economic activity.

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.

Cash Fund (continued)

Distribution

XD date	Payment date
30/04/12	30/06/12

TER

	30/04/12 %	30/04/11 %
A Accumulation	0.62	0.61
A Income	0.62	0.61

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

Details of investments

Investments	30/04/12 %	30/04/11 %
Short Term Deposits	94.33	105.06
Net other assets/(liabilities)	5.67	(5.06)
Total net assets	100.00	100.00

Net asset value

	NAV per share 30/04/12 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
A Accumulation	178.05	177.62	0.24
A Income	99.97	99.97	-

Distribution

	Final 30/04/12 (p)
A Accumulation	0.2182
A Income	0.1224

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 30/04/12 %	01/05/10 to 30/04/11 %	01/05/09 to 30/04/10 %	01/05/08 to 30/04/09 %	01/05/07 to 30/04/08 %	01/05/06 to 30/04/07 %
Cash Fund A Accumulation	0.23	0.11	0.06	2.13	4.08	3.47
Short Term Money Market Sector Average Return*	0.44	N/A	N/A	N/A	N/A	N/A
Money Market Sector Average Return*	N/A	0.08	1.08	0.47	3.77	3.05

Source: Lipper for Cash Fund and Sector Average Return. Basis: Mid to Mid, net revenue reinvested and net of expenses. Short Term Money Market Sector – Funds which invest their assets in money market instruments and comply with the definition of a 'Short Term Money Market' Fund set out in the COLL Sourcebook.

*The IMA created two money market sectors, effective from 1 January 2012. As a result the Cash Fund's sector has changed from the Money Market Sector to the Short Term Money Market Sector.

Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Holdings

		30/04/12 %		30/04/11 %
1.	ABN AMRO Bank 0.75% 11/06/2012	4.29	Banco Bilbao Vizcaya Argentaria 0.73% 26/05/2011	4.84
2.	Bank Deutsche Zentrale 0.76% 28/05/2012	4.29	Bank of America 0.73% 10/05/2011	4.84
3.	Bank of Nova Scotia 0.8% 02/08/2012	4.29	Bank of Tokyo Mitsubishi 0.62% 09/05/2011	4.84
4.	Bank of Tokyo Mitsubishi 0.72% 12/07/2012	4.29	Barclays Bank 1.46% 27/09/2011	4.84
5.	Barclays Bank 0.7% 27/06/2012	4.29	BNP Paribas 0.8% 10/06/2011	4.84
6.	BNP Paribas 1.29% 14/05/2012	4.29	Clydesdale Bank 0.8% 12/07/2011	4.84
7.	Credit Agricole 0.73% 10/05/2012	4.29	Credit Agricole CIB 1.01% 07/06/2011	4.84
8.	Credit Suisse First Boston 0.65% 16/07/2012	4.29	Credit Industriel et Commercial 0.94% 10/05/2011	4.84
9.	Denmark Norske Bank 0.7% 10/07/2012	4.29	Danske Bank 0.73% 03/05/2011	4.84
10.	Deutsche Bank 0.79% 19/07/2012	4.29	Danske Bank 0.78% 03/08/2011	4.84
11.	ING Bank 1.06% 06/06/2012	4.29	Dexia Banque International 0.75% 26/05/2011	4.84
12.	Lloyds Banking 1.06% 08/05/2012	4.29	ING Bank 1% 04/05/2011	4.84
13.	National Austalia Bank 1% 08/05/2012	4.29	Lloyds Banking 1.01% 04/07/2011	4.84
14.	National Bank of Abu Dhabi 0.75% 08/05/2012	4.29	Nationwide Building Society 1% 03/05/2011	4.84
15.	Nationwide Building Society 1.02% 03/05/2012	4.29	Nordea Bank Finland 0.77% 23/05/2011	4.84
16.	Nordea Bank Finland 0.89% 03/09/2012	4.29	Scotia Bank 0.7% 09/06/2011	4.84
17.	Oversea-Chinese Banking 0.745% 16/05/2012	4.29	Skandinaviska Enskilda Banken 0.75% 10/05/2011	4.84
18.	Rabobank 0.98% 12/09/2012	4.28	Societe Generale 0.77% 09/05/2011	4.84
19.	Skandinaviska Enskilda Banken 0.75% 05/07/2012	4.28	UBS 1.26% 23/11/2011	4.84
20.	Societe General 0.66% 14/05/2012	4.28	Unicredito Italiano 0.67% 03/05/2011	4.84
21.	Standard Chartered Bank 1% 27/06/2012	4.28	Unicredito Italiano 0.67% 03/06/2011	4.84
22.	Svenska Handelsbanken 1.2% 13/07/2012	4.28	Oversea-Chinese Banking 0.8% 15/07/2011	1.94
23.			Oversea-Chinese Banking 0.85% 06/07/2011	1.48

Number of holdings: 22 Number of holdings: 23

FUND PROFILE

Fund Aims

To give income, with the potential for some long-term capital growth, by investing mainly in multi-manager funds.

The Fund will invest at least 80% in fixed interest security funds (investing mainly in high quality fixed interest securities, including corporate bonds), with a low proportion in equity funds. These fixed interest security and equity funds will invest in UK and overseas markets.

The multi-manager funds are currently provided by Scottish Widows Investment Partnership and the Russell Investment Group.

Risks

The Fund can invest in a range of assets including collective investment schemes which may themselves invest in a range of other assets. The Fund's assets are likely to vary from time to time but each category of assets has individual risks associated with them. The value of the Fund will depend on the combined performance of all the assets held by it. A rise in the value of one asset class may not result in an increase in the Fund's value. Similarly, a fall in the value of one asset class may not result in a fall in the value of the Fund if others have risen by more.

- Some of the bonds and other fixed interest securities held by the funds are issued by companies and governments that might not be able to meet their payments, or whose credit rating might fall. If they don't meet their payments or their credit rating falls, the value of your investment and any income you take will reduce. If their credit rating falls, the value of your investment will fall.
- Fluctuations in interest rates are likely to affect the value of the bonds and other fixed interest securities held by the funds. If long term interest rates rise, the value of your shares is likely to fall and vice versa.
- Investing in equities generally has the potential for higher capital growth over the longer term than investing in, say, fixed interest securities. However there might be considerable fluctuations in equity prices and there is a greater risk that you might not get all your money back.

INVESTMENT MANAGER'S REVIEW

In bond markets, government bonds were the key drivers in the latter part of 2011 after risk aversion escalated significantly amid fears that uncoordinated policy responses to Europe's sovereign debt crisis could undermine economic recovery.

In the second quarter, investors began focusing on evidence of a slowdown in the US and Chinese economies as the situation in Europe appeared to ease. Gains continued into a mixed, but positive third quarter which ultimately favoured risk. As risk appetite returned it was again the higher risk (high yield, emerging market debt) sectors that outperformed. The momentum that built upon the upbeat data released in July faltered somewhat in August, but the improved sentiment in September saw investors again chasing greater yields, and taking on more risk, with sales of high yield bonds surging as companies took advantage of investor demand and low refinancing costs.

The first quarter of 2012 saw systemic risk dissipating, market volatility decreasing and credit spreads tightening. The primary catalysts were developments surrounding the European debt crisis, which provided clarity on policy and significantly reduced liquidity risk. First and foremost was the European Central Bank's LTRO (Long-Term Refinancing Operation) programme, which injected €1 trillion worth of liquidity into eurozone banks, eliminating the probability of a Lehman-like event. Near term Greek pressure was alleviated as private borrowers agreed on terms of a principal write-down and the German parliament approved a second bailout of €130 billion.

The events played out over a backdrop of an ongoing trend in global central bank easing (including the US Federal Reserve's forecast to remain on hold into 2014), positive US economic data and somewhat decreasing concerns of a China hard landing (a shift from rapid growth to slow growth or even recession). At the end of the quarter there was some disappointment in EU finance ministers limiting fresh "firewall" funds to €500 billion, as a higher amount would demonstrate deeper EU commitment and potentially compel other countries to donate more to the International Monetary Fund (IMF). April saw a reversal in risk sentiment following the first quarter, as the positive effects from the ECB's LTRO stimulus faded and investors again became anxious, focusing on news flow and fundamentals.

In equity markets, the risk rally resumed over the second half of 2011 however, with investors buoyed by news that the IMF had raised its global growth forecast and second-quarter earnings releases from a number of the world's biggest companies that were well in excess of expectations. Gains were reinforced by more upbeat news from Europe, where the results of a series of stress tests on banks were largely welcomed. The final quarter was positive as a whole. Global equities finally recaptured all of the ground lost in the aftermath of the collapse of Lehman Brothers, as speculation that the recovery was becoming more sustainable saw them reach levels last seen over two years ago. The generally upbeat sentiment was underpinned by a burgeoning US recovery, strong growth in China and speculation that the Federal Reserve's sanctioning of a second round of quantitative easing (increasing the supply of money) would help global growth accelerate.

A very positive third-quarter earnings season and central bank intervention in Europe helped firm up the belief that the threat of a double-dip recession was receding and that a "worst case scenario" had been prevented. This renewed confidence helped investors to shrug off losses in November as the Irish government's request for assistance from the EU again saw the stability of the eurozone called into question.

Global equities experienced a strong start to 2012 continuing the turnaround that began in the previous quarter and registered strong gains in January and February. Investors reacted increasingly positively to the improved credit conditions in Europe following the European Central Bank's successful Long-Term Refinancing Operations (LTRO). Continued flow of positive news on the US economy, most notably better-than-expected housing and unemployment data, helped lift sentiment. Global equity markets faced divergent forces in April as economic growth indicators nominally weakened, while corporate earnings surpassed consensus expectations.

Russell's manager research, selection and monitoring process aims to maintain the best manager mix within the funds; this is an on going process with approx 15% of managers being changed in some way each year. Cautious Portfolio is constructed from 13 underlying SWIP and Russell funds. Over the period there have been manager changes within five of these – RIC Continental European Fund, RIC Global Bond Fund, RIC Global Bond Euro Hedge Fund, RIC Sterling Bond Fund, and RIC US Equity Fund.

The Cautious Portfolio is the most conservative portfolio in the Scottish Widows Multi Manager Fund range, with 15% in equities and 85% in Bonds. The Fund returned 4.85% over the year.

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.

Cautious Portfolio Fund (continued)

Distribution

XD dates	Payment dates
31/01/12	31/03/12
30/04/12	30/06/12

TER

	30/04/12 %	30/04/11 %
A Accumulation	1.50	1.50
A Income	1.50	1.50
X Accumulation	0.60	0.60

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

Details of investments

Investments	30/04/12 %	30/04/11 %
Financials	97.75	101.13
Derivatives	2.42	(1.18)
Net other (liabilities)/assets	(0.17)	0.05
Total net assets	100.00	100.00

Net asset value

	NAV per share 30/04/12 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
A Accumulation	144.93	138.20	4.87
A Income	117.84	114.65	2.78
X Accumulation	155.57	147.28	5.63

Distribution

	Third interim 31/01/12 (p)	Final 30/04/12 (p)
A Accumulation	0.7639	0.7962
A Income	0.6277	0.6508
X Accumulation	1.0964	1.1276

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 30/04/12 %	01/05/10 to 30/04/11 %	01/05/09 to 30/04/10 %	01/05/08 to 30/04/09 %	01/05/07 to 30/04/08 %	01/05/06 to 30/04/07 %
Cautious Portfolio Fund A Accumulation	4.85	3.99	20.27	(7.69)	0.25	2.84
Global Bond Sector Average Return	2.91	2.44	13.65	10.08	7.10	(1.21)

Source: Lipper for Cautious Portfolio Fund and Sector Average Return. Basis: Mid to Mid, net revenue reinvested and net of expenses. Global Bonds Sector – Funds which invest at least 80% of their assets in fixed interest securities. All funds which contain more than 80% fixed interest investment are to be classified under this heading regardless of the fact that they may have more than 80% in a particular geographic sector, unless the geographic area is the UK, when the fund should be classified under the relevant UK (Sterling) heading.
Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Top five holdings

	30/04/12 %		30/04/11 %
1. Russell Euro Fixed Income Fund I Inc	17.90	Russell Global Bond Euro Hedged Fund I Inc	18.27
2. Russell US Bond Fund I Inc	17.45	Russell Euro Fixed Income Fund I Inc	18.15
3. Russell Global Bond Euro Hedged Fund I Inc	17.24	Russell Global Bond Fund I Inc	17.84
4. Russell Global Bond Fund I Inc	16.96	Russell US Bond Fund I Inc	17.79
5. Russell Sterling Bond Fund I Inc	13.49	Russell Sterling Bond Fund I Inc	13.76

Number of holdings: 29

Number of holdings: 101

FUND PROFILE

Fund Aims

To give an income with some potential for long-term capital growth.

To do so by investing principally in funds within the Lloyds Banking Group. The Portfolio will invest mainly in fixed interest security funds (including a limited proportion in index-linked securities), with a significant proportion in equity funds. Exposure will be mainly to UK investments but with a significant proportion overseas.

Risks

The Fund can invest in a range of assets including collective investment schemes which may themselves invest in a range of other assets. The Fund's assets are likely to vary from time to time but each category of assets has individual risks associated with them. The value of the Fund will depend on the combined performance of all the assets held by it. A rise in the value of one asset class may not result in an increase in the Fund's value. Similarly, a fall in the value of one asset class may not result in a fall in the value of the Fund if others have risen by more.

- Some of the companies and governments that the funds invest in who issue fixed interest securities might not be able to meet their payments, or their credit rating might fall. If they don't meet their payments, the value of your investment and any income you take will reduce. If their credit rating falls, the value of your investment will fall. In addition, a proportion of the portfolio will be invested in fixed interest securities which carry a higher risk.
- Fluctuations in interest rates are likely to affect the value of the fixed interest and index-linked securities held by the portfolio. If long term interest rates rise, the value of your shares is likely to fall and vice versa.
- Exchange rate changes might cause the value of any overseas investments and income from them to go up or down.
- Investing in equities generally has the potential for higher capital growth over the longer term than investing in, say, fixed interest securities. However there might be considerable fluctuations in equity prices and there is a greater risk that you might not get all your money back.

INVESTMENT MANAGER'S REVIEW

The main part of the portfolio is invested in bonds but it also has exposure to equity markets.

The past year has been a period of mixed fortunes for corporate bonds. In the first part of the reporting period, strong results and falling debt levels helped drive prices higher and yields lower. But as 2011 progressed, fears about Europe's troubled economies resulted in a sharp widening of the spread between the yields provided by government and corporate bonds. The New Year brought a strong rally; the Long-Term Refinancing Operations (LTROs) effectively put a floor under the prices of financial sector corporate bonds, and banks used borrowed money to restructure their capital positions through buying back debt.

While the performance of government bonds has varied across the globe over the last twelve months, most of the major markets, including the UK, have benefited from their perceived "safe-haven" status during these times of economic uncertainty.

Bonds issued by some of the troubled countries on Europe's periphery have done poorly in comparison. Bond yields in Spain and Italy rose alarmingly as their budgetary troubles came under the spotlight. European Central Bank intervention, in the shape of two LTROs helped to stem the rising trend. The LTROs have involved lending money cheaply to liquidity-strapped commercial banks, and much has been reinvested in short-dated peripheral bonds.

The UK stock market fell as risk-averse investors favoured high-quality government bonds over the uncertainties of the stock market. The FTSE All-Share Index fell by 2.1% in total return terms. The losses were led by stocks in the banking and mining sectors. Defensive stocks – those whose fortunes are less dependent on the economic cycle – fared far better.

Meanwhile, European equities were dominated by the sovereign debt crisis. The eurozone economy remains sluggish with many periphery nations in recession. Markets were extremely volatile, and the FTSE Europe ex-UK Index was down more than 10% in local currency, total return terms. In contrast, a rally in the US in early 2012 meant that the S&P 500 Index made strong gains.

Although we had increased exposure to government bonds in the early summer of 2011, we reversed this decision in August. The proceeds from these sales were invested in UK equities, which had fallen to levels which we felt represented much better value. Profits were taken on this position in October and November, but the rally in UK equities continued into January, meaning the Fund lost out on some performance relative to benchmark.

Looking ahead, fundamental value in government bonds remains poor – particularly in the UK and the US. We continue to anticipate a clear increase in 10-year government bond yields and a fall in prices in the US, Germany and UK over the next 12 months. Turning to corporate bonds, while early 2012 brought a high volume of new issues, investors appear to have become more cautious, and we may be close to reaching saturation point. The rally may have further to run, but there are significant risks – from Europe and elsewhere.

Equity investors have two main worries: Europe and China. In Europe, the focus has shifted from the immediate threat of a financial crisis and onto a lack of economic growth. Given the single currency zone is the UK's largest export market, this represents a real challenge to UK plc. Fears are also growing that the economic climate in China has changed for the worse. A slowdown would have repercussions for global equity markets.

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.

Dynamic Income Portfolio (continued)

Distribution

XD dates	Payment dates
31/01/12	31/03/12
30/04/12	30/06/12

TER

	30/04/12 %	30/04/11 %
A Accumulation	1.40	1.39
A Income	1.40	1.39
B Accumulation	1.40	1.39
B Income	1.40	1.39

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

Details of investments

Investments	30/04/12 %	30/04/11 %
Financials	99.15	99.38
Derivatives	0.11	(0.26)
Net other assets	0.74	0.88
Total net assets	100.00	100.00

Net asset value

	NAV per share 30/04/12 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
A Accumulation	172.24	168.56	2.18
A Income	90.25	90.04	0.23
B Accumulation	172.80	169.11	2.18
B Income	90.25	90.04	0.23

Distribution

	Third interim 31/01/12 (p)	Final 30/04/12 (p)
A Accumulation	0.6414	1.1419
A Income	0.3396	0.6020
B Accumulation	0.6433	1.1454
B Income	0.3396	0.6022

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 30/04/12 %	01/05/10 to 30/04/11 %	01/05/09 to 30/04/10 %	01/05/08 to 30/04/09 %	01/05/07 to 30/04/08 %	01/05/06 to 30/04/07 %
Dynamic Income Portfolio A Accumulation	2.14	6.78	24.72	(14.05)	(1.07)	3.40

Source: Lipper for Dynamic Income Portfolio Fund. Basis: Mid to Mid, net revenue reinvested and net of expenses.

Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Top five holdings

	30/04/12 %		30/04/11 %
1. SWIP High Yield Bond Fund A Inc	10.89	Scottish Widows UK Equity Fund A Inc	10.17
2. Scottish Widows UK Equity Income Fund A Inc	10.47	SWIP Corporate Bond Plus Fund A Inc	10.03
3. Scottish Widows Corporate Bond Fund A Inc	10.12	Scottish Widows Corporate Bond Fund A Inc	10.00
4. Scottish Widows Global Growth Fund A Acc	10.06	Scottish Widows UK Index-Linked Tracker Fund I Inc	9.97
5. SWIP Corporate Bond Plus Fund A Inc	9.95	SWIP High Yield Bond Fund A Inc	9.87

Number of holdings: 28

Number of holdings: 23

FUND PROFILE

Fund Aims

To give growth based on the performance of a number of international equity indices. The proportion of each index is determined with reference to the 'Pooled with Property' benchmark, published by Combined Actuarial Performance Services.

Risks

- A number of companies provide derivative investments. These companies could fail to deliver required levels, so the return that you might receive could be less than expected.
- To offer this Fund, we need access to specific types of investment. If, in the future, we cannot get access to these types of investments, then we might not be able to provide the expected returns.
- The Fund may have large price movements due to the nature of the underlying derivative investments.
- Exchange rate changes might cause the value of any overseas investments to go up or down.
- Fluctuations in interest rates are likely to affect the amount of income you may receive.
- Investing in equities generally has the potential for higher capital growth over the longer term than investing in, say, fixed interest securities. However there might be considerable fluctuations in equity prices and there is a greater risk that you might not get all your money back.

INVESTMENT MANAGER'S REVIEW

Global equity markets were somewhat volatile over the last 12 months. The Scottish Widows International Equity Tracker Fund fell 6.50% over the period; this compares to a benchmark fall of 6.49%.

For much of the period under review, the European sovereign debt crisis dominated sentiment. Some progress was made in recent months, however. A new fiscal accord was approved, with 26 countries – the UK exercised its veto – agreeing to harmonize fiscal policies by putting caps on government debt and deficits. And the European Central Bank introduced a Long-Term Refinancing Operations (LTRO). This highly unconventional policy saw the Bank lend around €1 trillion in cheap (1%) three-year loans to Europe's struggling banks. Its impact has been considerable.

Elsewhere, the US economy has shown signs of returning to life in recent months. Traders were emboldened by February's labour market report, which showed the US economy continued to add jobs at a fair rate. The all-important non-farm payroll figure hit an above-forecast 227,000 for the month, while the numbers for December and January were also upgraded. Ben Bernanke, the chairman of the Federal Reserve, struck a more cautious note on the apparent revival of the US labour market. He stated that the recent fall in unemployment would prove short-lived if the economy failed to gain momentum.

Japanese equity markets were volatile over the reporting period, as the country attempted to recover from last year's earthquake and tsunami. Although equities rallied slightly in the early months of 2012, the Topix Index was down 3.4% in yen, total return terms over the 12 months. As ever, the yen's manoeuvres against foreign currencies – particularly the US dollar – were keenly observed by investors. Japan has an export-led economy and the share prices of companies who sell goods abroad are heavily influenced by exchange rates, with a stronger yen putting off overseas buyers.

Finally, Asia Pacific's equity markets lost ground over the 12 months. In China, inflation hit a three-year high last July. This prompted the Chinese central bank to raise interest rates repeatedly and to increase the reserve ratio for banks. It also prompted fears of a hard landing (a shift from rapid growth to slow growth or even recession) for the Chinese economy. Later, the monetary authority began to ease bank reserve requirements, and appeared to be more concerned over falling growth rates than higher inflation. Growth fears resurfaced in the final months of the reporting period, following some particularly uninspiring economic data. This caused Hong Kong-based equities to drop. In Australia, a recent statement from the country's central bank said it believed there was currently no "deep downturn" in the world economy, despite below-average growth.

After making a strong start to 2012, it would not be a surprise to see equity markets consolidating their gains in the near term. Economic data and corporate profits have offered positive surprises in the US, and in Europe the equity risk premium fell as the LTRO helped to avert the crisis in short-term funding for governments.

While we maintain a constructive view of the US, risks to growth in Europe remain because banks are prioritising lending to the public sector over loans to private businesses. Weak demand in Europe (and a related contraction in private sector credit) is also affecting conditions in Asia. Growth is slowing in China – both in the export sector and in the domestic housing market – but a concerted easing in policy may be some time off, due to changes in the political leadership and lingering inflationary pressures.

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.

International Equity Tracker Fund (continued)

Distribution

XD date	Payment date
30/04/12	30/06/12

TER

	30/04/12 %	30/04/11 %
I Accumulation	0.61	0.60
X Accumulation	0.11	0.11

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

Details of investments

Investments	30/04/12 %	30/04/11 %
Short Term Deposits	79.04	90.30
Financials	8.82	5.75
Derivatives	(2.52)	1.86
Net other assets	14.66	2.09
Total net assets	100.00	100.00

Net asset value

	NAV per share 30/04/12 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
I Accumulation	145.36	155.51	(6.53)
X Accumulation	151.54	161.47	(6.15)

Distribution

	Final 30/04/12 (p)
I Accumulation	0.2313
X Accumulation	0.5401

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 30/04/12 %	01/05/10 to 30/04/11 %	01/05/09 to 30/04/10 %	01/05/08 to 30/04/09 %	01/05/07 to 30/04/08 %	01/05/06 to 30/04/07 %
International Equity Tracker Fund I Accumulation	(6.50)	7.39	32.60	(21.72)	0.43	5.95
Global Growth Sector Average Return	(5.59)	8.11	32.45	(21.36)	(1.46)	5.96
International Equity Customised Benchmark	(6.49)	9.94	35.52	(19.51)	4.03	7.90

Source: Lipper for International Equity Tracker Fund and Sector Average Return. Basis: Mid to Mid, net revenue reinvested and net of expenses. Global Sector - Funds which invest at least 80% of their assets globally in equities. Funds must be diversified by geographic region.
The International Equity Customised Benchmark is calculated internally using combined Actuarial Performance Services (CAPS) weightings and index returns sourced from Datastream.
Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Top five holdings

	30/04/12 %		30/04/11 %
1. Short Term Deposits	79.04	Short Term Deposits	90.30
2. SWIP Emerging Markets Fund A Acc	6.05	SWIP Emerging Markets Fund A Acc	5.75
3. iShares MSCI Emerging Markets Index Fund	2.77	DJ EURO STOXX 50 Index Futures June 2011	1.61
4. S&P 500 Index Futures June 2012	0.80	S&P 500 Index Futures June 2011	1.14
5. ASX SPI 200 Index Futures June 2012	0.18	ASX SPI 200 Index Futures June 2011	0.44

Number of holdings: 49

Number of holdings: 70

FUND PROFILE

Fund Aims

To give an income, or growth (when income is kept in the Portfolio).

To do so by investing principally in funds within the Lloyds Banking Group. The Portfolio will invest predominantly in fixed interest security funds (including a small proportion in index-linked securities), with a small proportion in one or more equity funds. Exposure will be mainly to UK investments but with a significant proportion overseas.

Risks

The Fund can invest in a range of assets including collective investment schemes which may themselves invest in a range of other assets. The Fund's assets are likely to vary from time to time but each category of assets has individual risks associated with them. The value of the Fund will depend on the combined performance of all the assets held by it. A rise in the value of one asset class may not result in an increase in the Fund's value. Similarly, a fall in the value of one asset class may not result in a fall in the value of the Fund if others have risen by more.

- Some of the companies and governments that the funds invest in who issue fixed interest securities might not be able to meet their payments, or their credit rating might fall. If they don't meet their payments, the value of your investment and any income you take will reduce. If their credit rating falls, the value of your investment will fall. In addition, a proportion of the portfolio will be invested in fixed interest securities which carry a higher risk.
- Fluctuations in interest rates are likely to affect the value of the fixed interest and index-linked securities held by the portfolio. If long term interest rates rise, the value of your shares is likely to fall and vice versa.
- Exchange rate changes might cause the value of any overseas income received by the portfolio to go up or down. This might affect the amount of income paid to you or added to the portfolio.

INVESTMENT MANAGER'S REVIEW

The bulk of the portfolio is invested in bonds. The past year has been a period of mixed fortunes for corporate bonds. In the first part of the reporting period, strong results and falling debt levels helped drive prices higher and yields lower. But as 2011 progressed, fears about Europe's troubled economies resulted in a sharp widening of the spread between the yields provided by government and corporate bonds. The New Year brought a strong rally; the Long-Term Refinancing Operations (LTROs) effectively put a floor under the prices of financial sector corporate bonds, and banks used borrowed money to restructure their capital positions through buying back debt.

While the performance of government bonds has varied across the globe over the last twelve months, most of the major markets, including the UK, have benefited from their perceived "safe-haven" status during these times of economic uncertainty.

Bonds issued by some of the troubled countries on Europe's periphery have done poorly in comparison. Bond yields in Spain and Italy rose alarmingly as their budgetary troubles came under the spotlight. European Central Bank intervention, in the shape of two LTROs helped to stem the rising trend. The LTROs have involved lending money cheaply to liquidity-strapped commercial banks, and much has been reinvested in short-dated peripheral bonds.

The UK stock market fell over the year as risk-averse investors favoured high-quality government bonds over the uncertainties of the stock market. The FTSE All-Share Index fell by 2.1% in total return terms. The losses were led by stocks in the banking and mining sectors. Defensive stocks – those whose fortunes are less dependent on the economic cycle – fared far better.

Although we had increased exposure to government bonds in the early summer of 2011, we reversed this decision in August. The proceeds from these sales were invested in UK equities, which had fallen to levels which we felt represented much better value. Profits were taken on this position in October and November, but the rally in UK equities continued into January, meaning the Fund lost out on some performance relative to benchmark.

Looking ahead, fundamental value in government bonds remains poor – particularly in the UK and the US. We continue to anticipate a clear increase in 10-year government bond yields and a fall in prices in the US, Germany and UK over the next 12 months. Turning to corporate bonds, while early 2012 brought a high volume of new issues, investors appear to have become more cautious, and we may be close to reaching saturation point. The rally may have further to run, but there are significant risks – from Europe and elsewhere.

Equity investors have two main worries: Europe and China. In Europe, the focus has shifted from the immediate threat of a financial crisis and onto a lack of economic growth. Given the single currency zone is the UK's largest export market, this represents a real challenge to UK plc. Fears are also growing that the economic climate in China has changed for the worse. A slowdown would have repercussions for global equity markets.

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.

Managed Income Portfolio (continued)

Distribution

XD dates	Payment dates
31/01/12	31/03/12
30/04/12	30/06/12

TER

	30/04/12 %	30/04/11 %
A Accumulation	1.40	1.41
A Income	1.40	1.41

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

Details of investments

Investments	30/04/12 %	30/04/11 %
Financials	98.52	99.55
Derivatives	0.53	(0.48)
Net other assets	0.95	0.93
Total net assets	100.00	100.00

Net asset value

	NAV per share 30/04/12 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
A Accumulation	136.29	129.78	5.02
A Income	110.28	107.24	2.83

Distribution

	Third interim 31/01/12 (p)	Final 30/04/12 (p)
A Accumulation	0.6223	0.7359
A Income	0.5087	0.5985

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 30/04/12 %	01/05/10 to 30/04/11 %	01/05/09 to 30/04/10 %	01/05/08 to 30/04/09 %	01/05/07 to 30/04/08 %	01/05/06 to 30/04/07 %
Managed Income Portfolio A Accumulation	5.01	4.68	19.81	(6.84)	0.00	2.02

Source: Lipper for Managed Income Portfolio Fund. Basis: Mid to Mid, net revenue reinvested and net of expenses.

Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Top five holdings

	30/04/12 %		30/04/11 %
1. SWIP Corporate Bond Plus Fund A Inc	15.00	Scottish Widows Corporate Bond Fund A Inc	15.26
2. Scottish Widows Corporate Bond Fund A Inc	14.90	SWIP Corporate Bond Plus Fund A Inc	15.09
3. SWIP Defensive Gilt Fund A Inc	14.43	SWIP Defensive Gilt Fund A Inc	14.85
4. Scottish Widows Gilt Fund A Inc	14.09	Scottish Widows Gilt Fund A Inc	14.83
5. SWIP High Yield Bond Fund A Inc	10.72	SWIP European Corporate Bond Fund A Inc	10.01

Number of holdings: 18

Number of holdings: 22

FUND PROFILE

Fund Aims

To give an income with some potential for long-term capital growth.

To do so by investing principally in funds within the Lloyds Banking Group. The Portfolio will invest mainly in fixed interest security funds (including a proportion in index-linked securities), with a proportion in one or more equity funds. Exposure will be mainly to UK investments but also overseas.

Risks

The Fund can invest in a range of assets including collective investment schemes which may themselves invest in a range of other assets. The Fund's assets are likely to vary from time to time but each category of assets has individual risks associated with them. The value of the Fund will depend on the combined performance of all the assets held by it. A rise in the value of one asset class may not result in an increase in the Fund's value. Similarly, a fall in the value of one asset class may not result in a fall in the value of the Fund if others have risen by more.

- Some of the companies and governments that the funds invest in who issue fixed interest securities might not be able to meet their payments, or their credit rating might fall. If they don't meet their payments, the value of your investment and any income you take will reduce. If their credit rating falls, the value of your investment will fall. In addition, a proportion of the portfolio will be invested in fixed interest securities which carry a higher risk.
- Fluctuations in interest rates are likely to affect the value of the fixed interest and index-linked securities held by the portfolio. If long term interest rates rise, the value of your shares is likely to fall and vice versa.
- Exchange rate changes might cause the value of any overseas income received by the portfolio to go up or down. This might affect the amount of income paid to you or added to the portfolio.
- Investing in equities generally has the potential for higher capital growth over the longer term than investing in, say, fixed interest securities. However there might be considerable fluctuations in equity prices and there is a greater risk that you might not get all your money back.

INVESTMENT MANAGER'S REVIEW

The bulk of the portfolio is invested in bonds. While the performance of government bonds has varied across the globe over the last twelve months, most of the major markets, including the UK, have benefited from their perceived "safe-haven" status during these times of economic uncertainty.

Bonds issued by some of the troubled countries on Europe's periphery have done poorly in comparison. Bond yields in Spain and Italy rose alarmingly as their budgetary troubles came under the spotlight. European Central Bank intervention, in the shape of two Long-Term Refinancing Operations (LTROs) helped to stem the rising trend. The LTROs have involved lending money cheaply to liquidity-strapped commercial banks, and much has been reinvested in short-dated peripheral bonds.

The past year has been a period of mixed fortunes for corporate bonds. Early on, strong results and falling debt levels helped drive prices higher and yields lower. But as 2011 progressed, fears about Europe's troubled economies resulted in a sharp widening of the spread between the yields provided by government and corporate bonds. The New Year brought a strong rally; the LTROs effectively put a floor under the prices of financial sector corporate bonds, and banks used borrowed money to restructure their capital positions through buying back debt.

The UK stock market fell as risk-averse investors favoured high-quality government bonds over the uncertainties of the stock market. The FTSE All-Share Index fell by 2.1% in total return terms. The losses were led by stocks in the banking and mining sectors. Defensive stocks – those whose fortunes are less dependent on the economic cycle – fared far better. Meanwhile, European equities were dominated by the sovereign debt crisis. The eurozone economy remains sluggish with many periphery nations in recession. Markets were volatile, and the FTSE Europe ex-UK Index was down over 10% in local currency, total return terms. In contrast, a rally in the US in early 2012 meant that the S&P 500 Index made strong gains.

Although we had increased exposure to government bonds in the early summer of 2011, we reversed this decision in August. The proceeds from these sales were invested in UK equities, which had fallen to levels which we felt represented much better value. Profits were taken on this position in October and November, but the rally in UK equities continued into January, meaning the Fund lost out on some performance relative to benchmark.

Looking ahead, fundamental value in government bonds remains poor – particularly in the UK and the US. We continue to anticipate a clear increase in 10-year government bond yields and a fall in prices in the US, Germany and UK over the next 12 months. Turning to corporate bonds, while early 2012 brought a high volume of new issues, investors appear to have become more cautious, and we may be close to reaching saturation point. The rally may have further to run, but there are significant risks – from Europe and elsewhere.

Equity investors have two main worries: Europe and China. In Europe, the focus has shifted from the immediate threat of a financial crisis and onto a lack of economic growth. Given the single currency zone is the UK's largest export market, this represents a real challenge to UK plc. Fears are also growing that the economic climate in China has changed for the worse. A slowdown would have repercussions for global equity markets.

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.

Momentum Income Portfolio (continued)

Distribution

XD dates	Payment dates
31/01/12	31/03/12
30/04/12	30/06/12

TER

	30/04/12 %	30/04/11 %
A Accumulation	1.39	1.40
A Income	1.39	1.40
U Accumulation	1.50	1.50

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

Details of investments

Investments	30/04/12 %	30/04/11 %
Financials	98.54	99.21
Derivatives	0.26	(0.20)
Net other assets	1.20	0.99
Total net assets	100.00	100.00

Net asset value

	NAV per share 30/04/12 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
A Accumulation	138.52	132.71	4.38
A Income	113.14	110.72	2.19
U Accumulation	120.07	115.16	4.26

Distribution

	Third interim 31/01/12 (p)	Final 30/04/12 (p)
A Accumulation	0.5406	0.8268
A Income	0.4459	0.6788
U Accumulation	0.4383	0.6874

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 30/04/12 %	01/05/10 to 30/04/11 %	01/05/09 to 30/04/10 %	01/05/08 to 30/04/09 %	01/05/07 to 30/04/08 %	01/05/06 to 30/04/07 %
Momentum Income Portfolio A Accumulation	4.37	5.99	21.79	(10.76)	(0.86)	3.01

Source: Lipper for Momentum Income Portfolio Fund. Basis: Mid to Mid, net revenue reinvested and net of expenses.

Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Top five holdings

	30/04/12 %		30/04/11 %
1. Scottish Widows Corporate Bond Fund A Inc	15.05	Scottish Widows UK Equity Income Fund A Inc	15.33
2. Scottish Widows UK Equity Income Fund A Inc	15.05	Scottish Widows UK Index-Linked Tracker Fund I Inc	15.04
3. Scottish Widows UK Index-Linked Tracker Fund I Inc	15.02	Scottish Widows Corporate Bond Fund A Inc	15.01
4. SWIP Corporate Bond Plus Fund A Inc	14.95	SWIP Corporate Bond Plus Fund A Inc	15.00
5. SWIP High Yield Bond Fund A Inc	10.59	SWIP High Yield Bond Fund A Inc	9.87

Number of holdings: 17

Number of holdings: 14

FUND PROFILE

Fund Aims

To give long term capital growth by investing mainly in multi-manager funds.

The Fund will invest at least 80% in equity funds with a low proportion in fixed interest security funds (the fixed interest security funds will invest mainly in high quality fixed interest securities, including corporate bonds). These equity and fixed interest security funds will invest in UK and overseas markets.

The multi-manager funds are currently provided by Scottish Widows Investment Partnership and the Russell Investment Group.

Risks

The Fund can invest in a range of assets including collective investment schemes which may themselves invest in a range of other assets. The Fund's assets are likely to vary from time to time but each category of assets has individual risks associated with them. The value of the Fund will depend on the combined performance of all the assets held by it. A rise in the value of one asset class may not result in an increase in the Fund's value. Similarly, a fall in the value of one asset class may not result in a fall in the value of the Fund if others have risen by more.

- Investing in equities generally has the potential for higher capital growth over the longer term than investing in, say, fixed interest securities. However there might be considerable fluctuations in equity prices and there is a greater risk that you might not get all your money back.
- Some of the bonds and other fixed interest securities held by the funds are issued by companies and governments that might not be able to meet their payments, or whose credit rating might fall. If they don't meet their payments or their credit rating falls, the value of your investment will fall.
- Exchange rate changes might cause the value of any overseas investments to go up or down.
- Fluctuations in interest rates are likely to affect the value of the bonds and other fixed interest securities held by the funds. If long term interest rates rise, the value of your shares is likely to fall and vice versa.

INVESTMENT MANAGER'S REVIEW

In equity markets, the risk rally resumed over the second half of 2011 however, with investors buoyed by news that the International Monetary Fund (IMF) had raised its global growth forecast and second-quarter earnings releases from a number of the world's biggest companies that were well in excess of expectations.

Gains were reinforced by more upbeat news from Europe, where the results of a series of stress tests on banks were largely welcomed. The final quarter was positive as a whole. Global equities finally recaptured all of the ground lost in the aftermath of the collapse of Lehman Brothers, as speculation that the recovery was becoming more sustainable saw them reach levels last seen over two years ago. The generally upbeat sentiment was underpinned by a burgeoning US recovery, strong growth in China and speculation that the Federal Reserve's sanctioning of a second round of quantitative easing (increasing the supply of money) would help global growth accelerate.

A very positive third-quarter earnings season and central bank intervention in Europe helped firm up the belief that the threat of a double-dip recession was receding and that a "worst case scenario" had been prevented. This renewed confidence helped investors to shrug off losses in November as the Irish government's request for assistance from the EU again saw the stability of the eurozone called into question.

Global equities experienced a strong start to 2012 continuing the turnaround that began in the previous quarter and registered strong gains in January and February. Investors reacted increasingly positively to the improved credit conditions in Europe following the European Central Bank's successful Long-Term Refinancing Operations (LTRO). Continued flow of positive news on the US economy, most notably better-than-expected housing and unemployment data, helped lift sentiment. Global equity markets faced divergent forces in April as economic growth indicators nominally weakened, while corporate earnings surpassed consensus expectations.

In bond markets, government bonds were the key drivers in the latter part of 2011 after risk aversion escalated significantly amid fears that uncoordinated policy responses to Europe's sovereign debt crisis could undermine economic recovery.

In the second quarter, investors began focusing on evidence of a slowdown in the US and Chinese economies as the situation in Europe appeared to ease. Gains continued into a mixed, but positive third quarter which ultimately favoured risk. As risk appetite returned it was again the higher risk (high yield, emerging market debt) sectors that outperformed. The momentum that built upon the upbeat data released in July faltered somewhat in August, but the improved sentiment in September saw investors again chasing greater yields, and taking on more risk, with sales of high yield bonds surging as companies took advantage of investor demand and low refinancing costs.

The first quarter of 2012 saw systemic risk dissipating, market volatility decreasing and credit spreads tightening. The primary catalysts were developments surrounding the European debt crisis, which provided clarity on policy and significantly reduced liquidity risk. First and foremost was the European Central Bank's LTRO (Long-Term Refinancing Operation) programme, which injected €1 trillion worth of liquidity into eurozone banks, eliminating the probability of a Lehman-like event. Near term Greek pressure was alleviated as private borrowers agreed on terms of a principal write-down and the German parliament approved a second bailout of €130 billion.

The events played out over a backdrop of an ongoing trend in global central bank easing (including the US Federal Reserve's forecast to remain on hold into 2014), positive US economic data and somewhat decreasing concerns of a China hard landing (a shift from rapid growth to slow growth or even recession). At the end of the quarter there was some disappointment in EU finance ministers limiting fresh "firewall" funds to €500 billion, as a higher amount would demonstrate deeper EU commitment and potentially compel other countries to donate more to the IMF. April saw a reversal in risk sentiment following the first quarter, as the positive effects from the ECB's LTRO stimulus faded and investors again became anxious, focusing on news flow and fundamentals.

Russell's manager research, selection and monitoring process aims to maintain the best manager mix within the funds; this is an on going process with approx 15% of managers being changed in some way each year. Opportunities Portfolio is constructed from 15 underlying SWIP and Russell funds. Over the period there have been manager changes within five of these – RIC Continental European Fund, RIC Global Bond Fund, RIC Global Bond Euro Hedge Fund, RIC Sterling Bond Fund, and RIC US Equity Fund.

The Opportunities Portfolio is the most aggressive portfolio in the Scottish Widows Multi Manager Fund range, with 90% in equities and 10% in bonds. The Fund fell 1.59% over the year.

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.

Distribution

XD date	Payment date
30/04/12	30/06/12

TER

	30/04/12 %	30/04/11 %
A Accumulation	2.00	2.00
X Accumulation	0.60	0.60

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

Details of investments

Investments	30/04/12 %	30/04/11 %
Financials	99.45	99.55
Derivatives	0.27	(0.14)
Net other assets	0.28	0.59
Total net assets	100.00	100.00

Net asset value

	NAV per share 30/04/12 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
A Accumulation	123.63	125.65	(1.61)
X Accumulation	138.01	138.69	(0.49)

Distribution

	Final 30/04/12 (p)
A Accumulation	0.7796
X Accumulation	2.3556

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 30/04/12 %	01/05/10 to 30/04/11 %	01/05/09 to 30/04/10 %	01/05/08 to 30/04/09 %	01/05/07 to 30/04/08 %	01/05/06 to 30/04/07 %
Opportunities Portfolio Fund A Accumulation	(1.59)	8.09	32.97	(22.80)	(4.55)	3.76
Global Growth Sector Average Return	(5.59)	8.11	32.45	(21.36)	(1.46)	5.96

Source: Lipper for Opportunities Portfolio Fund and Sector Average Return. Basis: Mid to Mid, net revenue reinvested and net of expenses. Global Sector – Funds which invest at least 80% of their assets globally in equities. Funds must be diversified by geographic region.
Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Top five holdings

	30/04/12 %		30/04/11 %
1. SWIP Multi-Manager UK Equity Focus Fund A Acc	16.38	SWIP Multi-Manager UK Equity Focus Fund A Acc	16.20
2. SWIP Multi-Manager UK Equity Growth Fund A Acc	16.26	SWIP Multi-Manager UK Equity Growth Fund A Acc	16.20
3. Russell US Equity Fund I Acc	16.17	Russell US Equity Fund I Acc	15.35
4. Russell Continental European Equity Fund I Acc	10.66	Russell Continental European Equity Fund I Acc	12.52
5. Russell US Quant Fund I Acc	8.33	Russell US Quant Fund I Acc	7.73

Number of holdings: 23

Number of holdings: 42

FUND PROFILE

Fund Aims

To give long-term capital growth by investing mainly in multi-manager funds.

The Fund will invest up to a maximum of 85% in equity funds with a moderate proportion in fixed interest security funds (the fixed interest security funds will invest mainly in high quality fixed interest securities, including corporate bonds). These equity and fixed interest security funds will invest in UK and overseas markets.

The multi-manager funds are currently provided by Scottish Widows Investment Partnership and the Russell Investment Group.

Risks

The Fund can invest in a range of assets including collective investment schemes which may themselves invest in a range of other assets. The Fund's assets are likely to vary from time to time but each category of assets has individual risks associated with them. The value of the Fund will depend on the combined performance of all the assets held by it. A rise in the value of one asset class may not result in an increase in the Fund's value. Similarly, a fall in the value of one asset class may not result in a fall in the value of the Fund if others have risen by more.

- Investing in equities generally has the potential for higher capital growth over the longer term than investing in, say, fixed interest securities. However there might be considerable fluctuations in equity prices and there is a greater risk that you might not get all your money back.
- Some of the bonds and other fixed interest securities held by the funds are issued by companies and governments that might not be able to meet their payments, or whose credit rating might fall. If they don't meet their payments or their credit rating falls, the value of your investment will fall.
- Exchange rate changes might cause the value of any overseas investments to go up or down.
- Fluctuations in interest rates are likely to affect the value of the bonds and other fixed interest securities held by the funds. If long term interest rates rise, the value of your shares is likely to fall and vice versa.

INVESTMENT MANAGER'S REVIEW

In equity markets, the risk rally resumed over the second half of 2011 however, with investors buoyed by news that the International Monetary Fund (IMF) had raised its global growth forecast and second-quarter earnings releases from a number of the world's biggest companies that were well in excess of expectations.

Gains were reinforced by more upbeat news from Europe, where the results of a series of stress tests on banks were largely welcomed. The final quarter was positive as a whole. Global equities finally recaptured all of the ground lost in the aftermath of the collapse of Lehman Brothers, as speculation that the recovery was becoming more sustainable saw them reach levels last seen over two years ago. The generally upbeat sentiment was underpinned by a burgeoning US recovery, strong growth in China and speculation that the Federal Reserve's sanctioning of a second round of quantitative easing (increasing the supply of money) would help global growth accelerate.

A very positive third-quarter earnings season and central bank intervention in Europe helped firm up the belief that the threat of a double-dip recession was receding and that a "worst case scenario" had been prevented. This renewed confidence helped investors to shrug off losses in November as the Irish government's request for assistance from the EU again saw the stability of the eurozone called into question.

Global equities experienced a strong start to 2012 continuing the turnaround that began in the previous quarter and registered strong gains in January and February. Investors reacted increasingly positively to the improved credit conditions in Europe following the European Central Bank's successful Long-Term Refinancing Operations (LTRO). Continued flow of positive news on the US economy, most notably better-than-expected housing and unemployment data, helped lift sentiment. Global equity markets faced divergent forces in April as economic growth indicators nominally weakened, while corporate earnings surpassed consensus expectations.

In bond markets, government bonds were the key drivers in the latter part of 2011 after risk aversion escalated significantly amid fears that uncoordinated policy responses to Europe's sovereign debt crisis could undermine economic recovery.

In the second quarter, investors began focusing on evidence of a slowdown in the US and Chinese economies as the situation in Europe appeared to ease. Gains continued into a mixed, but positive third quarter which ultimately favoured risk. As risk appetite returned it was again the higher risk (high yield, emerging market debt) sectors that outperformed. The momentum that built upon the upbeat data released in July faltered somewhat in August, but the improved sentiment in September saw investors again chasing greater yields, and taking on more risk, with sales of high yield bonds surging as companies took advantage of investor demand and low refinancing costs.

The first quarter of 2012 saw systemic risk dissipating, market volatility decreasing and credit spreads tightening. The primary catalysts were developments surrounding the European debt crisis, which provided clarity on policy and significantly reduced liquidity risk. First and foremost was the European Central Bank's LTRO (Long-Term Refinancing Operation) programme, which injected €1 trillion worth of liquidity into eurozone banks, eliminating the probability of a Lehman-like event. Near term Greek pressure was alleviated as private borrowers agreed on terms of a principal write-down and the German parliament approved a second bailout of €130 billion.

The events played out over a backdrop of an ongoing trend in global central bank easing (including the US Federal Reserve's forecast to remain on hold into 2014), positive US economic data and somewhat decreasing concerns of a China hard landing (a shift from rapid growth to slow growth or even recession). At the end of the quarter there was some disappointment in EU finance ministers limiting fresh "firewall" funds to €500 billion, as a higher amount would demonstrate deeper EU commitment and potentially compel other countries to donate more to the IMF. April saw a reversal in risk sentiment following the first quarter, as the positive effects from the ECB's LTRO stimulus faded and investors again became anxious, focusing on news flow and fundamentals.

Russell's manager research, selection and monitoring process aims to maintain the best manager mix within the funds; this is an on going process with approx 15% of managers being changed in some way each year. Progressive Portfolio is constructed from 14 underlying SWIP and Russell funds. Over the period there have been manager changes within five of these – RIC Continental European Fund, RIC Global Bond Fund, RIC Global Bond Euro Hedge Fund, RIC Sterling Bond Fund, and RIC US Equity Fund.

The Progressive Portfolio holds 75% equities and 25% bonds. The Fund fell 0.54% over the year.

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.

Progressive Portfolio Fund (continued)

Distribution

XD date	Payment date
30/04/12	30/06/12

TER

	30/04/12 %	30/04/11 %
A Accumulation	2.00	2.00
X Accumulation	0.60	0.60

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

Details of investments

Investments	30/04/12 %	30/04/11 %
Financials	99.26	100.00
Derivatives	0.70	(0.32)
Net other assets	0.04	0.32
Total net assets	100.00	100.00

Net asset value

	NAV per share 30/04/12 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
A Accumulation	129.43	130.10	(0.51)
X Accumulation	144.38	143.50	0.61

Distribution

	Final 30/04/12 (p)
A Accumulation	1.0631
X Accumulation	2.7377

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 30/04/12 %	01/05/10 to 30/04/11 %	01/05/09 to 30/04/10 %	01/05/08 to 30/04/09 %	01/05/07 to 30/04/08 %	01/05/06 to 30/04/07 %
Progressive Portfolio Fund A Accumulation	(0.54)	7.52	30.57	(19.70)	(3.75)	3.54
Mixed Investment 40-85% Shares Sector Average Return*	(2.46)	7.92	26.89	(19.33)	(3.70)	6.80

Source: Lipper for Progressive Portfolio Fund and Sector Average Return. Basis: Mid to Mid, net revenue reinvested and net of expenses. Mixed Investment 40%-85% Shares Sector - Funds would offer investment in a range of assets, with the maximum equity exposure restricted to 85% of the Fund. There is no specific requirement to hold a minimum % of non-UK equity within the equity limits. Assets must be at least 50% in US Dollar/Sterling/Euro of which 25% must be in Sterling and equities are deemed to include convertibles.

*The IMA changed the name of the Balanced Managed Sector to the Mixed Investment 40-85% Shares Sector, effective from 1 January 2012.

Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Top five holdings

	30/04/12 %		30/04/11 %
1. Russell US Equity Fund I Acc	18.55	Russell US Equity Fund I Acc	17.76
2. SWIP Multi-Manager UK Equity Focus Fund A Acc	13.66	SWIP Multi-Manager UK Equity Focus Fund A Acc	13.57
3. SWIP Multi-Manager UK Equity Growth Fund A Acc	13.59	SWIP Multi-Manager UK Equity Growth Fund A Acc	13.50
4. Russell Continental European Equity Fund I Acc	9.03	Russell Continental European Equity Fund I Acc	10.42
5. Russell US Quant Fund I Acc	6.96	Russell US Quant Fund I Acc	6.61
Number of holdings: 23		Number of holdings: 70	

FUND PROFILE

Fund Aims

To give long-term capital growth by investing principally in funds within the Lloyds Banking Group. The Portfolio will invest predominantly in equity funds, with a limited proportion in fixed interest security funds. Exposure will be to both UK and overseas markets.

Risks

The Fund can invest in a range of assets including collective investment schemes which may themselves invest in a range of other assets. The Fund's assets are likely to vary from time to time but each category of assets has individual risks associated with them. The value of the Fund will depend on the combined performance of all the assets held by it. A rise in the value of one asset class may not result in an increase in the Fund's value. Similarly, a fall in the value of one asset class may not result in a fall in the value of the Fund if others have risen by more.

- Investing in equities generally has the potential for higher capital growth over the longer term than investing in, say, fixed interest securities. However there might be considerable fluctuations in equity prices and there is a greater risk that you might not get all your money back.
- Exchange rate changes might cause the value of any overseas investments held by the portfolio to go up or down.
- Some of the companies and governments that the funds invest in who issue fixed interest securities might not be able to meet their payments, or their credit rating might fall. If they don't meet their payments, or their credit rating falls, the value of your investment will reduce. In addition, a small proportion of the portfolio will be invested in fixed interest securities which carry a higher risk.
- Fluctuations in interest rates are likely to affect the value of the fixed interest securities held by the portfolio. If long term interest rates rise, the value of your shares is likely to fall and vice versa.

INVESTMENT MANAGER'S REVIEW

The Stockmarket Growth Portfolio invests mainly in equities. The period under review presented a number of challenges for investors in all asset classes.

The UK stock market fell over the year as risk-averse investors favoured high-quality government bonds over the uncertainties of the stock market. The FTSE All-Share Index fell by 2.1% in total return terms. The losses were led by stocks in the banking and mining sectors. Defensive stocks – those whose fortunes are less dependent on the economic cycle – fared far better. Meanwhile, European equities were dominated by the sovereign debt crisis. The eurozone economy remains sluggish with many periphery nations in recession. Markets were extremely volatile, and the FTSE Europe ex-UK Index was down more than 10% in local currency, total return terms. In contrast, a rally in the US in early 2012 meant that the S&P 500 Index gained 7.25% in dollar total return terms.

While the performance of government bonds has varied across the globe, most major markets, including the UK, have benefited from their perceived "safe-haven" status during these times of economic uncertainty. Bonds issued by some of the troubled countries on Europe's periphery have done poorly in comparison. Bond yields in Spain and Italy rose alarmingly as their budgetary troubles came under the spotlight. European Central Bank intervention in the shape of two Long-Term Refinancing Operations (LTROs) helped to stem the rising trend. The LTROs have involved lending money cheaply to liquidity-strapped commercial banks, and much has been reinvested in short-dated peripheral bonds.

The past year has been a period of mixed fortunes for corporate bonds. In the first part of the reporting period, strong results and falling debt levels helped drive prices higher and yields lower. But as 2011 progressed, fears about Europe's troubled economies resulted in a sharp widening of the spread between the yields provided by government and corporate bonds. The New Year brought a strong rally; the LTROs effectively put a floor under the prices of financial sector corporate bonds, and banks used borrowed money to restructure their capital positions through buying back debt.

The Fund moved overweight in UK equities in August 2011, as we felt they had fallen to levels which represented good value. Profits were taken on this position in October and November, but the rally in UK equities continued into January, meaning the Fund lost out on some performance relative to benchmark.

Looking ahead, equity investors have two main worries: Europe and China. In Europe, the focus has shifted from the immediate threat of a financial crisis and onto a lack of economic growth. Given the single currency zone is the UK's largest export market, this represents a real challenge to UK plc. Fears are also growing that the economic climate in China has changed for the worse. A slowdown would have repercussions for global equity markets.

Turning to corporate bonds, while early 2012 brought a high volume of new issues, investors appear to have become more cautious, and we may be close to reaching saturation point. The rally may have further to run, but there are significant risks – from Europe and elsewhere.

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.

Stockmarket Growth Portfolio (continued)

Distribution

XD date	Payment date
30/04/12	30/06/12

TER

	30/04/12 %	30/04/11 %
A Accumulation	1.66	1.65

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

Details of investments

Investments	30/04/12 %	30/04/11 %
Financials	99.04	98.42
Derivatives	(0.14)	0.04
Net other assets	1.10	1.54
Total net assets	100.00	100.00

Net asset value

	NAV per share 30/04/12 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
A Accumulation	155.37	162.69	(4.50)

Distribution

	Final 30/04/12 (p)
A Accumulation	2.4953

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 30/04/12 %	01/05/10 to 30/04/11 %	01/05/09 to 30/04/10 %	01/05/08 to 30/04/09 %	01/05/07 to 30/04/08 %	01/05/06 to 30/04/07 %
Stockmarket Growth Portfolio A Accumulation	(4.49)	8.83	33.72	(24.66)	(3.51)	5.49

Source: Lipper for Stockmarket Growth Portfolio Fund. Basis: Mid to Mid, net revenue reinvested and net of expenses.
Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Top five holdings

	30/04/12 %		30/04/11 %
1. Scottish Widows Global Select Growth Fund A Acc	17.69	Scottish Widows Global Select Growth Fund A Acc	17.47
2. Scottish Widows Global Growth Fund A Acc	17.67	Scottish Widows Global Growth Fund A Acc	17.19
3. Scottish Widows UK Growth Fund A Acc	15.27	Scottish Widows UK Equity Income Fund A Inc	15.22
4. Scottish Widows UK Equity Income Fund A Inc	14.75	Scottish Widows UK Growth Fund A Acc	15.12
5. Scottish Widows UK Select Growth Fund A Acc	14.57	Scottish Widows UK Select Growth Fund A Acc	14.97

Number of holdings: 13 Number of holdings: 13

FUND PROFILE

Fund Aims

To give long-term capital growth by investing principally in funds within the Lloyds Banking Group. The Portfolio will invest mainly in equity funds, but also in fixed interest security funds. Exposure will be to both UK and overseas markets.

Risks

The Fund can invest in a range of assets including collective investment schemes which may themselves invest in a range of other assets. The Fund's assets are likely to vary from time to time but each category of assets has individual risks associated with them. The value of the Fund will depend on the combined performance of all the assets held by it. A rise in the value of one asset class may not result in an increase in the Fund's value. Similarly, a fall in the value of one asset class may not result in a fall in the value of the Fund if others have risen by more.

- Investing in equities generally has the potential for higher capital growth over the longer term than investing in, say, fixed interest securities. However there might be considerable fluctuations in equity prices and there is a greater risk that you might not get all your money back.
- Exchange rate changes might cause the value of any overseas investments held by the portfolio to go up or down.
- Some of the companies and governments that the funds invest in who issue fixed interest securities might not be able to meet their payments, or their credit rating might fall. If they don't meet their payments, or their credit rating falls, the value of your investment will reduce. In addition, a small proportion of the portfolio will be invested in fixed interest securities which carry a higher risk.
- Fluctuations in interest rates are likely to affect the value of the fixed interest securities held by the portfolio. If long term interest rates rise, the value of your shares is likely to fall and vice versa.

INVESTMENT MANAGER'S REVIEW

The Strategic Growth Portfolio invests mainly in equities. The period under review presented a number of challenges for investors in all asset classes.

The UK stock market fell over the year as risk-averse investors favoured high-quality government bonds over the uncertainties of the stock market. The FTSE All-Share Index fell by 2.1% in total return terms. The losses were led by stocks in the banking and mining sectors. Defensive stocks – those whose fortunes are less dependent on the economic cycle – fared far better.

Meanwhile, European equities were dominated by the sovereign debt crisis. Greece was back under the spotlight as it haggled over the details of its second bail-out, but Spain and Italy also came into the firing line. The eurozone economy remains sluggish with many periphery nations in recession. Markets were extremely volatile, and the FTSE Europe ex-UK Index was down more than 10% in local currency, total return terms. In contrast, a rally in the US in early 2012 meant that the S&P 500 Index gained ground in dollar total return terms. Recent reports on the US economy have been favourable, and consumer confidence has improved.

While the performance of government bonds has varied across the globe over the last twelve months, most of the major markets, including the UK, have benefited from their perceived "safe-haven" status during these times of economic uncertainty.

Bonds issued by some of the troubled countries on Europe's periphery have done poorly in comparison. Bond yields in Spain and Italy rose alarmingly as their budgetary troubles came under the spotlight. European Central Bank intervention, in the shape of two Long-Term Refinancing Operations (LTROs) helped to stem the rising trend. The LTROs have involved lending money cheaply to liquidity-strapped commercial banks, and much has been reinvested in short-dated peripheral bonds.

The past year has been a period of mixed fortunes for corporate bonds. In the first part of the reporting period, strong results and falling debt levels helped drive prices higher and yields lower. But as 2011 progressed, fears about Europe's troubled economies resulted in a sharp widening of the spread between the yields provided by government and corporate bonds. The New Year brought a strong rally; the LTROs effectively put a floor under the prices of financial sector corporate bonds, and banks used borrowed money to restructure their capital positions through buying back debt.

Equity investors have two main worries: Europe and China. In Europe, the focus has shifted from the immediate threat of a financial crisis and onto a lack of economic growth. Given the single currency zone is the UK's largest export market, this represents a real challenge to UK plc. Fears are also growing that the economic climate in China has changed for the worse. A slowdown would have repercussions for global equity markets.

Turning to corporate bonds, while early 2012 brought a high volume of new issues, investors appear to have become more cautious, and we may be close to reaching saturation point. The rally may have further to run, but there are significant risks – from Europe and elsewhere. Fundamental value in government bonds remains poor – particularly in the UK and the US. We continue to anticipate a clear increase in 10-year government bond yields and a fall in prices in the US, Germany and UK over the next 12 months.

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.

Strategic Growth Portfolio (continued)

Distribution

XD date	Payment date
30/04/12	30/06/12

TER

	30/04/12 %	30/04/11 %
A Accumulation	1.63	1.63
B Accumulation	1.38	1.39

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

Details of investments

Investments	30/04/12 %	30/04/11 %
Financials	99.62	99.30
Derivatives	(0.04)	(0.03)
Net other assets	0.42	0.73
Total net assets	100.00	100.00

Net asset value

	NAV per share 30/04/12 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
A Accumulation	142.70	145.99	(2.25)
B Accumulation	145.12	148.16	(2.05)

Distribution

	Final 30/04/12 (p)
A Accumulation	2.2189
B Accumulation	2.5387

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 30/04/12 %	01/05/10 to 30/04/11 %	01/05/09 to 30/04/10 %	01/05/08 to 30/04/09 %	01/05/07 to 30/04/08 %	01/05/06 to 30/04/07 %
Strategic Growth Portfolio A Accumulation	(2.26)	8.15	28.57	(19.85)	(2.75)	4.66

Source: Lipper for Strategic Growth Portfolio Fund. Basis: Mid to Mid, net revenue reinvested and net of expenses.
Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Top five holdings

	30/04/12	%	30/04/11	%
1.	Scottish Widows Global Growth Fund A Acc	15.15	Scottish Widows UK Growth Fund A Acc	15.11
2.	Scottish Widows UK Growth Fund A Acc	15.06	Scottish Widows Global Select Growth Fund A Acc	14.90
3.	Scottish Widows Global Select Growth Fund A Acc	15.04	Scottish Widows Global Growth Fund A Acc	14.76
4.	Scottish Widows UK Select Growth Fund A Acc	9.36	Scottish Widows UK Select Growth Fund A Acc	10.22
5.	Scottish Widows UK Equity Income Fund A Acc	7.85	Scottish Widows UK Equity Income Fund A Inc	7.66

Number of holdings: 27

Number of holdings: 22

FUND PROFILE

Fund Aims

On the Protection Date the Protected Capital Solutions Fund 1 aims to provide:

– a protected minimum amount, and
– an additional amount linked to the performance of the FTSE 100 Index.

The additional amount will be calculated by adding up the rises and falls in the Index over each consecutive period of six months (known as Index Valuation Periods) during the Growth Potential Period. The rises and falls are subject to Upper and Lower limits but you won't get back less than the protected minimum amount.

Policy Summary

The Fund will invest principally on deposit in cash or near cash, or through other funds such as collective investment schemes, until the Derivative Date. Thereafter the Fund will invest principally in derivatives which, on the Protection Date, are designed to provide the protected minimum amount and any additional amount.

Risks

- The value of your investment is not guaranteed and will depend on the share price at the time you sell your shares.
- If you sell your shares before the Protection Date, you are likely to get back less than you've invested. If you sell your shares while the Fund is invested in Derivatives, the value of your investment 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.
- 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.
- You might get back less than if you invested directly in the shares that make up the FTSE 100 Index. This is mainly because:
  – There is a cost to providing you with capital protection. If no capital protection was included, the Upper and Lower Limits might be higher.
  – Any potential growth might be less than that achieved by investing directly into the stockmarket and you won't receive any income (dividends) that would be paid if you held shares directly.
  – the Upper Limit on growth could mean that you receive less growth compared to investing directly in the stockmarket.
- If you cancel during the 14 days following receipt of your cancellation notice you might 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 may reduce the real value of your money in the future.
- Terms for the Fund were set some two to three weeks in advance of the start of the Cash Investment Period, based on the price of Derivatives at that time, hence the terms may or may not compare favourably with those currently available in the market at the date a shareholder invests.
- If insufficient money is received into the Fund, or the provider of the Derivatives fails to deliver the assets on the Derivative Date, the Authorised Corporate Director (ACD) may wind up the Fund and return your investment.
- In the event that the FTSE 100 Index cannot be used, this might affect the value of your investment.
- Most of the time the Fund will hold investments known as Derivatives. These Derivatives are most likely to be backed by a single counterparty. Should that counterparty fail, then you might get back less than you invested. To help protect you from most of this risk, collateral (cash or other investments we feel are suitable), is received from the counterparty and deposited with an independent custodian. Should the counterparty fail, we will use this collateral.
- 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 might get back less than you invested.
- There is a risk that if a Derivative provider fails and this coincides with the Fund having collateral which fails or which is deposited with an institution that also fails, then you are likely to get back less than you invested.

INVESTMENT MANAGER'S REVIEW

The Fund aims to provide investors with a Capital Protected Price on the Protection Date. This price, when multiplied by the number of shares held, will be at least equal to the value of those shares on the Derivative Date (plus the preliminary charge that applied to amounts invested during the Cash Investment Period). In addition, on the Protection Date the Fund aims to provide a return that is based on the performance of the FTSE 100 Index during the Growth Potential Period.

The Cash Investment Period, during which time investors could put new money into the Fund, ran from 30 March 2009 to 3 July 2009. During this time the Fund invested in cash or similar investments. The FTSE 100 Index stood at 4388.75 on 17 July 2009, which is the date the Fund started investing in derivatives.

At the end of the reporting period the FTSE 100 Index stood at 5737.78. The UK stock market fell over the year under review as risk-averse investors favoured high-quality government bonds over the uncertainties of the stock market. The losses were led by stocks in the banking and mining sectors. Defensive stocks – those whose fortunes are less dependent on the economic cycle – fared far better.

It was a volatile year, with markets falling particularly sharply during summer 2011, when fears of a US debt default and renewed worries over the eurozone's sovereign-debt crisis weighed on share prices. A strong rally in late 2011 and early 2012, however, saw shares reclaiming most of the ground they had lost in the summer. In large part, this rally came in response to events overseas. The European Central Bank's low-cost three-year loans to banks helped stabilise the financial system and sent yields on peripheral sovereign debt lower. Indications that the United States' economic recovery was gaining momentum also boosted investors' appetite for stocks. Towards the end of the year under review, however, the eurozone's problems began to weigh on sentiment once more. Spain's deteriorating fiscal position pushed yields on its government bonds higher and share prices across the UK banking sector fell once more.

Looking forward, SWIP's central forecast looks for the FTSE 100 Index to reach 6100 by the end of 2012. There is, however, a greater than usual degree of uncertainty around this central scenario: economic fragility in the UK and eurozone and political turbulence in Europe could well pose downside risks.

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.

Protected Capital Solutions Fund 1 (continued)

TER

	30/04/12 %	30/04/11 %
M Accumulation	-	-

There are no expenses charged to the Fund, therefore no TER has been stated.

Details of investments

Investments	30/04/12 %	30/04/11 %
Derivatives	100.00	100.00
Net other assets	-	-
Total net assets	100.00	100.00

Net asset value

	NAV per share 30/04/12 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
M Accumulation	104.49	106.13	(1.55)

The Protection Date for the M share class is 18 January 2013.

The Capital Protected Price is 105.50p.

The FTSE 100 Index starting value is 4,388.75.

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 30/04/12 %	01/05/10 to 30/04/11 %	17/07/09 to 30/04/10 %	01/05/09 to 17/07/09 %	30/03/09 to 30/04/09 %
Protected Capital Solutions Fund 1 M Acc	(1.42)	4.23	1.50	0.10	0.00
FTSE 100 Index	(1.95)	12.91	30.85	N/A	N/A
SWIP Global Liquidity Fund GBP Advisory	N/A	N/A	N/A	0.17	0.71

Source: Scottish Widows for Protected Capital Solutions Fund 1 M Accumulation. Basis: Mid to Mid, net revenue reinvested and net of expenses. Sources: Datastream for SWIP Global Liquidity Fund GBP Advisory and FTSE 100 Index.
Bases: Net of expenses for SWIP Global Liquidity Fund GBP Advisory, and Gross of expenses for FTSE 100 Index.
Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Holdings

	30/04/12 %		30/04/11 %
1. Lloyds TSB Bank plc 100% Call Option January 2013	154.00	Lloyds TSB Bank plc 100% Call Option January 2013	172.08
2. Lloyds TSB Bank plc 120% Put Option January 2013	24.08	Lloyds TSB Bank plc 120% Put Option January 2013	36.67
3. Lloyds TSB Bank plc 100% Call Option January 2013 (Cliquet)	1.02	Lloyds TSB Bank plc 100% Call Option July 2013 (Cliquet)	5.99
4. Lloyds TSB Bank plc 100% Put Option January 2013	(9.09)	Lloyds TSB Bank plc 100% Put Option July 2013	(23.75)
5. Lloyds TSB Bank plc 120% Call Option January 2013	(70.01)	Lloyds TSB Bank plc 120% Call Option July 2013	(90.99)

Number of holdings: 5 — Number of holdings: 5

FUND PROFILE

Fund Aims

On the Protection Date the Protected Capital Solutions Fund 2 aims to provide:

– a protected minimum amount, and
– an additional amount linked to the performance of the FTSE 100 Index.

Any additional amount will be calculated by adding up the rises and falls in the Index over each consecutive period of six months (known as Index Valuation Periods) during the Growth Potential Period. The rises and falls are subject to Upper and Lower limits but you shouldn't get back less than the protected minimum amount.

Policy Summary

The Fund will invest principally on deposit in cash or near cash, or through other funds such as collective investment schemes, until the Derivative Date. Thereafter the Fund will invest principally in derivatives which, on the Protection Date, are designed to provide the protected minimum amount and any additional amount.

Risks

- 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.
- If you sell your shares while the Fund is invested in Derivatives, the value of your investment 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 actual FTSE 100 Index growth.
- At the end of the term you might get back less than if you invested directly in the shares that make up the FTSE 100 Index. This is mainly because:
  – There is a cost to providing you with capital protection. If no capital protection was included, the Upper and Lower Limits might be higher.
  – You won't receive any income (dividends) that would be paid if you held shares directly.
  – the Upper Limit on growth could mean that you receive less growth compared to investing directly in the stockmarket.
- 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.
- During the Growth Potential Period the Fund will hold investments known as Derivatives. These Derivatives are backed by 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. 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 also fails, then you are likely to get back significantly less than you invested.
- In the event that the FTSE100 Index cannot be used, this might affect the value of your investment.
- If insufficient money is received into the Fund, or the provider of the Derivatives fails to deliver the assets on the Derivative Date, the Authorised Corporate Director (ACD) may wind up the Fund and return your investment.
- Inflation will reduce the real value of your money in the future.
- Terms for the Fund were set some two to three weeks in advance of the start of the Cash Investment Period, based on the price of Derivatives at that time, hence the terms may or may not compare favourably with those currently available in the market at the date a shareholder invests.
- 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.
- 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.

INVESTMENT MANAGER'S REVIEW

The Fund aims to provide investors with a Capital Protected Price on the Protection Date. This price, when multiplied by the number of shares held, will be at least equal to the value of those shares on the Derivative Date (plus the preliminary charge that applied to amounts invested during the Cash Investment Period). In addition, on the Protection Date the Fund aims to provide a return that is based on the performance of the FTSE 100 Index during the Growth Potential Period.

The Cash Investment Period, during which time investors could put new money into the Fund ran from 6 July 2009 to 2 October 2009. During this time the Fund invested in cash or similar investments. The FTSE 100 Index stood at 5190.24 on 16 October 2009, which is the date the Fund started investing in derivatives.

At the end of the reporting period the FTSE 100 Index stood at 5737.78. The UK stock market fell over the year under review as risk-averse investors favoured high-quality government bonds over the uncertainties of the stock market. The losses were led by stocks in the banking and mining sectors. Defensive stocks – those whose fortunes are less dependent on the economic cycle – fared far better.

It was a volatile year, with markets falling particularly sharply during summer 2011, when fears of a US debt default and renewed worries over the eurozone's sovereign-debt crisis weighed on share prices. A strong rally in late 2011 and early 2012, however, saw shares reclaiming most of the ground they had lost in the summer. In large part, this rally came in response to events overseas. The European Central Bank's low-cost three-year loans to banks helped stabilise the financial system and sent yields on peripheral sovereign debt lower. Indications that the United States' economic recovery was gaining momentum also boosted investors' appetite for stocks. Towards the end of the year under review, however, the eurozone's problems began to weigh on sentiment once more. Spain's deteriorating fiscal position pushed yields on its government bonds higher and share prices across the UK banking sector fell once more.

Looking forward, SWIP's central forecast looks for the FTSE 100 Index to reach 6100 by the end of 2012. There is, however, a greater than usual degree of uncertainty around this central scenario: economic fragility in the UK and eurozone and political turbulence in Europe could well pose downside risks.

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.

Protected Capital Solutions Fund 2 (continued)

TER

	30/04/12 %	30/04/11 %
M Accumulation	-	-

There were no expenses charged to the Fund, therefore no TER has been stated.

Details of investments

Investments	30/04/12 %	30/04/11 %
Derivatives	100.00	100.00
Net other assets	-	-
Total net assets	100.00	100.00

Net asset value

	NAV per share 30/04/12 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
M Accumulation	111.37	111.45	(0.07)

The Protection Date for the M share class is 17 April 2013.

The Capital Protected Price is 105.90p.

The FTSE 100 Index starting value is 5,190.24.

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 30/04/12 %	01/05/10 to 30/04/11 %	16/10/09 to 30/04/10 %	06/07/09 to 16/10/09 %
Protected Capital Solutions Fund 2 M Acc	(0.45)	5.89	5.09	0.10
FTSE 100 Index	(1.95)	12.91	8.31	N/A
SWIP Global Liquidity Fund GBP Advisory	N/A	N/A	N/A	0.23

Source: Scottish Widows for Protected Capital Solutions Fund 2 M Accumulation. Basis: Mid to Mid, net revenue reinvested and net of expenses. Sources: Datastream for SWIP Global Liquidity Fund GBP Advisory and FTSE 100 Index.
Bases: Net of expenses for SWIP Global Liquidity Fund GBP Advisory, and Gross of expenses for FTSE 100 Index.
Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Holdings

		30/04/12 %		30/04/11 %
1.	Lloyds TSB Bank plc 120% Put Option April 2013	66.16	Lloyds TSB Bank plc 100% Call Option April 2013	84.75
2.	Lloyds TSB Bank plc 100% Call Option April 2013	62.95	Lloyds TSB Bank plc 120% Put Option April 2013	72.02
3.	Lloyds TSB Bank plc 100% Call Option April 2013 (Cliquet)	7.47	Lloyds TSB Bank plc 100% Call Option April 2013 (Cliquet)	11.08
4.	Lloyds TSB Bank plc 120% Call Option April 2013	(12.40)	Lloyds TSB Bank plc 100% Put Option April 2013	(33.05)
5.	Lloyds TSB Bank plc 100% Put Option April 2013	(24.18)	Lloyds TSB Bank plc 120% Call Option April 2013	(34.80)

Number of holdings: 5

Number of holdings: 5

FUND PROFILE

Fund Aims

On the Protection Date the Protected Capital Solutions Fund 3 aims to provide:

– a protected minimum amount, and
– an additional amount linked to the performance of the FTSE 100 Index.

Any additional amount will be calculated by adding up the rises and falls in the Index over each consecutive period of six months (known as Index Valuation Periods) during the Growth Potential Period. The rises and falls are subject to Upper and Lower limits but you shouldn't get back less than the protected minimum amount.

Policy Summary

The Fund will invest principally on deposit in cash or near cash, or through other funds such as collective investment schemes, until the Derivative Date. Thereafter the Fund will invest principally in derivatives which, on the Protection Date, are designed to provide the protected minimum amount and any additional amount.

Risks

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.
- 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 you invest.
- 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 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 actual FTSE 100 Index growth.
- During the Growth Potential Period the Fund will hold investments known as Derivatives. These Derivatives are backed by 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. 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 FTSE100 Index. This is mainly because:
  – there is a cost to providing you with capital protection. If no capital protection was included, the Upper and Lower Limits might be higher;
  – you won't receive any income (dividends) that would be paid if you held shares directly;
  – the Upper Limit on growth could mean that you receive less growth compared to investing directly in the stockmarket.
- In the event that the FTSE100 Index cannot be used, this might affect the value of your investment.

INVESTMENT MANAGER'S REVIEW

The Fund aims to provide investors with a Capital Protected Price on the Protection Date. This price, when multiplied by the number of shares held, will be at least equal to the value of those shares on the Derivative Date (plus the preliminary charge that applied to amounts invested during the Cash Investment Period). In addition, on the Protection Date the Fund aims to provide a return that is based on the performance of the FTSE 100 Index during the Growth Potential Period.

The Cash Investment Period, during which time investors could put new money into the Fund, ran from 25 September 2009 to 4 December 2009. During this time the Fund invested in cash or similar investments. The FTSE 100 Index stood at 5196.81 on 18 December 2009, which is the date the Fund started investing in derivatives.

At the end of the reporting period the FTSE 100 Index stood at 5737.78. The UK stock market fell over the year under review as risk-averse investors favoured high-quality government bonds over the uncertainties of the stock market. The losses were led by stocks in the banking and mining sectors. Defensive stocks – those whose fortunes are less dependent on the economic cycle – fared far better.

It was a volatile year, with markets falling particularly sharply during summer 2011, when fears of a US debt default and renewed worries over the eurozone's sovereign-debt crisis weighed on share prices. A strong rally in late 2011 and early 2012, however, saw shares reclaiming most of the ground they had lost in the summer. In large part, this rally came in response to events overseas. The European Central Bank's low-cost three-year loans to banks helped stabilise the financial system and sent yields on peripheral sovereign debt lower. Indications that the United States' economic recovery was gaining momentum also boosted investors' appetite for stocks. Towards the end of the year under review, however, the eurozone's problems began to weigh on sentiment once more. Spain's deteriorating fiscal position pushed yields on its government bonds higher and share prices across the UK banking sector fell once more.

Looking forward, SWIP's central forecast looks for the FTSE 100 Index to reach 6100 by the end of 2012. There is, however, a greater than usual degree of uncertainty around this central scenario: economic fragility in the UK and eurozone and political turbulence in Europe could well pose downside risks.

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.

Protected Capital Solutions Fund 3 (continued)

TER

	30/04/12 %	30/04/11 %
M Accumulation	-	-

There were no expenses charged to the Fund, therefore no TER has been stated.

Details of investments

Investments	30/04/12 %	30/04/11 %
Derivatives	100.00	100.00
Net other assets	-	-
Total net assets	100.00	100.00

Net asset value

	NAV per share 30/04/12 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
M Accumulation	104.49	106.64	(2.02)

The Protection Date for the M share class is 19 December 2013.

The Capital Protected Price is 105.10p.

The FTSE 100 Index starting value is 5,196.81.

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 30/04/12 %	01/05/10 to 30/04/11 %	18/12/09 to 30/04/10 %	25/09/09 to 18/12/09 %
Protected Capital Solutions Fund 3 M Acc	(2.07)	7.36	(0.89)	0.00
FTSE 100 Index	(1.95)	12.91	7.75	N/A
SWIP Global Liquidity Fund GBP Advisory	N/A	N/A	N/A	0.15

Source: Scottish Widows for Protected Capital Solutions Fund 3 M Accumulation. Basis: Mid to Mid, net revenue reinvested and net of expenses. Sources: Datastream for SWIP Global Liquidity Fund GBP Advisory and FTSE 100 Index.
Bases: Net of expenses for SWIP Global Liquidity Fund GBP Advisory, and Gross of expenses for FTSE 100 Index.
Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Holdings

	30/04/12 %		30/04/11 %
1. Lloyds TSB Bank plc 120% Put Option December 2013	86.96	Lloyds TSB Bank plc 100% Call Option December 2013	87.76
2. Lloyds TSB Bank plc 100% Call Option December 2013	73.97	Lloyds TSB Bank plc 120% Put Option December 2013	85.24
3. Lloyds TSB Bank plc 100% Call Option December 2013 (Cliquet)	4.95	Lloyds TSB Bank plc 100% Call Option December 2013 (Cliquet)	11.26
4. Lloyds TSB Bank plc 120% Call Option December 2013	(23.34)	Lloyds TSB Bank plc 120% Call Option December 2013	(40.80)
5. Lloyds TSB Bank plc 100% Put Option December 2013	(42.54)	Lloyds TSB Bank plc 100% Put Option December 2013	(43.46)

Number of holdings: 5

Number of holdings: 5

FUND PROFILE

Fund Aims

On the Protection Date the Protected Capital Solutions Fund 4 aims to provide:

– a protected minimum amount, and
– an additional amount linked to the performance of the FTSE 100 Index.

Any additional amount will be calculated by adding up the rises and falls in the Index over each consecutive period of six months (known as Index Valuation Periods) during the Growth Potential Period. The rises and falls are subject to Upper and Lower limits but you shouldn't get back less than the protected minimum amount.

Policy Summary

The Fund will invest principally on deposit in cash or near cash, or through other funds such as collective investment schemes, until the Derivative Date. Thereafter the Fund will invest principally in derivatives which, on the Protection Date, are designed to provide the protected minimum amount and any additional amount.

Risks

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.
- 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 you invest.
- 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 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 actual FTSE 100 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. 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 FTSE100 Index. This is mainly because:
  – there is a cost to providing you with capital protection. If no capital protection was included, the Upper and Lower Limits might be higher;
  – you won't receive any income (dividends) that would be paid if you held shares directly;
  – the Upper Limit on growth could mean that you receive less growth compared to investing directly in the stockmarket.
- In the event that the FTSE100 Index cannot be used, this might affect the value of your investment.

INVESTMENT MANAGER'S REVIEW

The Fund aims to provide investors with a Capital Protected Price on the Protection Date. This price, when multiplied by the number of shares held, will be at least equal to the value of those shares on the Derivative Date (plus the preliminary charge that applied to amounts invested during the Cash Investment Period). In addition, on the Protection Date the Fund aims to provide a return that is based on the performance of the FTSE 100 Index during the Growth Potential Period.

The Cash Investment Period, during which time investors could put new money into the Fund, ran from 8 December 2009 to 2 April 2010. During this time the Fund invested in cash or similar investments. The FTSE 100 Index stood at 5743.96 on 16 April 2010, which is the date the Fund started investing in derivatives.

At the end of the reporting period the FTSE 100 Index stood at 5737.78. The UK stock market fell over the year under review as risk-averse investors favoured high-quality government bonds over the uncertainties of the stock market. The losses were led by stocks in the banking and mining sectors. Defensive stocks – those whose fortunes are less dependent on the economic cycle – fared far better.

It was a volatile year, with markets falling particularly sharply during summer 2011, when fears of a US debt default and renewed worries over the eurozone's sovereign-debt crisis weighed on share prices. A strong rally in late 2011 and early 2012, however, saw shares reclaiming most of the ground they had lost in the summer. In large part, this rally came in response to events overseas. The European Central Bank's low-cost three-year loans to banks helped stabilise the financial system and sent yields on peripheral sovereign debt lower. Indications that the United States' economic recovery was gaining momentum also boosted investors' appetite for stocks. Towards the end of the year under review, however, the eurozone's problems began to weigh on sentiment once more. Spain's deteriorating fiscal position pushed yields on its government bonds higher and share prices across the UK banking sector fell once more.

Looking forward, SWIP's central forecast looks for the FTSE 100 Index to reach 6100 by the end of 2012. There is, however, a greater than usual degree of uncertainty around this central scenario: economic fragility in the UK and eurozone and political turbulence in Europe could well pose downside risks.

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.

TER

	30/04/12 %	30/04/11 %
M Accumulation	-	-

There were no expenses charged to the Fund, therefore no TER has been stated.

Details of investments

Investments	30/04/12 %	30/04/11 %
Derivatives	100.00	100.00
Net other assets	-	-
Total net assets	100.00	100.00

Net asset value

	NAV per share 30/04/12 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
M Accumulation	105.04	102.37	2.61

The Protection Date for the M share class is 17 April 2014.

The Capital Protected Price is 105.90p.

The FTSE 100 Index starting value is 5,743.96.

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 30/04/12 %	01/05/10 to 30/04/11 %	16/04/10 to 30/04/10 %	08/12/09 to 16/04/10 %
Protected Capital Solutions Fund 4 M Acc	2.44	6.71	(4.14)	0.10
FTSE 100 Index	(1.95)	12.91	(4.54)	N/A
SWIP Global Liquidity Fund GBP Advisory	N/A	N/A	N/A	0.16

Source: Scottish Widows for Protected Capital Solutions Fund 4 M Accumulation. Basis: Mid to Mid, net revenue reinvested and net of expenses. Sources: Datastream for SWIP Global Liquidity Fund GBP Advisory and FTSE 100 Index. Bases: Net of expenses for SWIP Global Liquidity Fund GBP Advisory, and Gross of expenses for FTSE 100 Index.

Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Holdings

	30/04/12 %		30/04/11 %
1. Lloyds TSB Bank plc 120% Put Option April 2014	125.88	Lloyds TSB Bank plc 120% Put Option April 2014	109.98
2. Lloyds TSB Bank plc 100% Call Option April 2014	44.74	Lloyds TSB Bank plc 100% Call Option April 2014	69.17
3. Lloyds TSB Bank plc 100% Call Option April 2014 (Cliquet)	5.96	Lloyds TSB Bank plc 100% Call Option April 2014 (Cliquet)	8.58
4. Lloyds TSB Bank plc 120% Call Option April 2014	(11.54)	Lloyds TSB Bank plc 120% Call Option April 2014	(29.88)
5. Lloyds TSB Bank plc 100% Put Option April 2014	(65.04)	Lloyds TSB Bank plc 100% Put Option April 2014	(57.85)

Number of holdings: 5

Number of holdings: 5

FUND PROFILE

Fund Aims

On the Protection Date the Protected Capital Solutions Fund 5 aims to provide:

– a protected minimum amount, and
– an additional amount linked to the performance of the FTSE 100 Index.

Any additional amount will be calculated by adding up the rises and falls in the Index over each consecutive period of six months (known as Index Valuation Periods) during the Growth Potential Period. The rises and falls are subject to Upper and Lower limits but you shouldn't get back less than the protected minimum amount.

Policy Summary

The Fund will invest principally on deposit in cash or near cash, or through other funds such as collective investment schemes, until the Derivative Date. Thereafter the Fund will invest principally in derivatives which, on the Protection Date, are designed to provide the protected minimum amount and any additional amount.

Risks

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.
- 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 you invest.
- 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.
- When the Fund is invested in cash or similar investments during the Cash Investment Period and the following period up to the Derivative Date your investment may not receive any interest and may fall in value.

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 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 actual FTSE 100 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 (State Street Bank and 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 FTSE100 Index. This is mainly because:
  – there is a cost to providing you with capital protection. If no capital protection was included, the Upper and Lower Limits might be higher;
  – you won't receive any income (dividends) that would be paid if you held shares directly;
  – the Upper Limit on growth could mean that you receive less growth compared to investing directly in the stockmarket.
- In the event that the FTSE100 Index cannot be used, this might affect the value of your investment.

INVESTMENT MANAGER'S REVIEW

The Fund aims to provide investors with a Capital Protected Price on the Protection Date. This price, when multiplied by the number of shares held, will be at least equal to the value of those shares on the Derivative Date (plus the preliminary charge that applied to amounts invested during the Cash Investment Period). In addition, on the Protection Date the Fund aims to provide a return that is based on the performance of the FTSE 100 Index during the Growth Potential Period.

The Cash Investment Period, during which time investors could put new money into the Fund, ran from 1 April 2010 to 9 July 2010. During this time the Fund invested in cash or similar investments. The FTSE 100 Index stood at 5319.68 on 28 July 2010, which is the date the Fund started investing in derivatives.

At the end of the reporting period the FTSE 100 Index stood at 5737.78. The UK stock market fell over the year under review as risk-averse investors favoured high-quality government bonds over the uncertainties of the stock market. The losses were led by stocks in the banking and mining sectors. Defensive stocks – those whose fortunes are less dependent on the economic cycle – fared far better.

It was a volatile year, with markets falling particularly sharply during summer 2011, when fears of a US debt default and renewed worries over the eurozone's sovereign-debt crisis weighed on share prices. A strong rally in late 2011 and early 2012, however, saw shares reclaiming most of the ground they had lost in the summer. In large part, this rally came in response to events overseas. The European Central Bank's low-cost three-year loans to banks helped stabilise the financial system and sent yields on peripheral sovereign debt lower. Indications that the United States' economic recovery was gaining momentum also boosted investors' appetite for stocks. Towards the end of the year under review, however, the eurozone's problems began to weigh on sentiment once more. Spain's deteriorating fiscal position pushed yields on its government bonds higher and share prices across the UK banking sector fell once more.

Looking forward, SWIP's central forecast looks for the FTSE 100 Index to reach 6100 by the end of 2012. There is, however, a greater than usual degree of uncertainty around this central scenario: economic fragility in the UK and eurozone and political turbulence in Europe could well pose downside risks.

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.

TER

	30/04/12 %	30/04/11 %
M Accumulation	-	-

There were no expenses charged to the Fund, therefore no TER has been stated.

Details of investments

Investments	30/04/12 %	30/04/11 %
Derivatives	100.00	100.01
Net other liabilities	-	(0.01)
Total net assets	100.00	100.00

Net asset value

	NAV per share 30/04/12 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
M Accumulation	101.71	99.99	1.72

The Protection Date for the M share class is 29 July 2014.

The Capital Protected Price is 104.80p.

The FTSE 100 Index starting value is 5,319.68.

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 30/04/12 %	28/07/10 to 30/04/11 %	01/05/10 to 28/07/10 %	01/04/10 to 30/04/10 %
Protected Capital Solutions Fund 5 M Acc	1.60	(0.10)	0.10	0.00
FTSE 100 Index	(1.95)	16.87	N/A	N/A
SWIP Global Liquidity Fund GBP Advisory	N/A	N/A	0.16	0.15

Source: Scottish Widows for Protected Capital Solutions Fund 5 M Accumulation. Basis: Mid to Mid, net revenue reinvested and net of expenses. Sources: Datastream for SWIP Global Liquidity Fund GBP Advisory and FTSE 100 Index. Bases: Net of expenses for SWIP Global Liquidity Fund GBP Advisory, and Gross of expenses for FTSE 100 Index.
Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Holdings

	30/04/12 %		30/04/11 %
1. Lloyds TSB Bank plc 120% Put Option July 2014	108.76	Lloyds TSB Bank plc 100% Call Option July 2014	103.82
2. Lloyds TSB Bank plc 100% Call Option July 2014	74.31	Lloyds TSB Bank plc 120% Put Option July 2014	91.28
3. Lloyds TSB Bank plc 100% Call Option July 2014 (Cliquet)	6.02	Lloyds TSB Bank plc 100% Call Option July 2014 (Cliquet)	9.25
4. Lloyds TSB Bank plc 120% Call Option July 2014	(28.43)	Lloyds TSB Bank plc 100% Put Option July 2014	(49.97)
5. Lloyds TSB Bank plc 100% Put Option July 2014	(60.66)	Lloyds TSB Bank plc 120% Call Option July 2014	(54.37)

Number of holdings: 5 Number of holdings: 5

FUND PROFILE

Fund Aims

On the Protection Date the Protected Capital Solutions Fund 6 aims to provide:

– a protected minimum amount, and
– capital growth linked to the performance of a stockmarket index.

Risks

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 or changing tax practices and legislation could affect what you get back at the end of the term or when you sell your shares.
- 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 you invest.
- 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

- During this period the Fund invests in cash on deposit and other similar investments, in part by investing in the Global Liquidity Fund which is managed by our fund managers, Scottish Widows Investment Partnership. Should any one or more of these fail then you are likely to get back less than you invested, in some circumstances substantially less.
- When the Fund is invested in cash or similar investments during the period up to the Derivative Date your investment may not receive any interest and may fall in value.

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 Derivatives. The value of these will depend to some extent on the level of the Index, but will also be affected by other factors, such as the volatility of the market, the level of interest rates and the time to maturity of the Derivatives. Therefore what you get back will not equal actual FTSE 100 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 to meet its obligations (for example, if it were to become insolvent or unable to meet the claims against it), 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 (State Street Bank and Trust Company). Should the Counterparty fail, we will use this collateral.
- If the Derivative provider (the counterparty) fails to meet its obligations (for example, if it were to become insolvent or unable to meet the claims against it) 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:
  – a Cap is set on any amount payable in addition to your Capital Protected Value, this could mean you receive less growth;
  – 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 FTSE100 Index cannot be used, this might affect the value of your investment.

INVESTMENT MANAGER'S REVIEW

The Fund aims to provide investors with a Capital Protected Price on the Protection Date. This price, when multiplied by the number of shares held, will be at least equal to the value of those shares on the Derivative Date (plus the preliminary charge that applied to amounts invested during the Cash Investment Period). In addition, on the Protection Date the Fund aims to provide a return that is based on the performance of the FTSE 100 Index during the Growth Potential Period.

The Cash Investment Period, during which time investors could put new money into the Fund, ran from 16 February 2011 to 10 June 2011. During this time the Fund invested in cash and other similar investments. The FTSE 100 Index stood at 5697.72 on 24 June 2011, which is the date the Fund started investing in derivatives.

At the end of the reporting period the FTSE 100 Index stood at 5737.78. The UK stock market fell over the year under review as risk-averse investors favoured high-quality government bonds over the uncertainties of the stock market. The losses were led by stocks in the banking and mining sectors. Defensive stocks – those whose fortunes are less dependent on the economic cycle – fared far better.

It was a volatile year, with markets falling particularly sharply during summer 2011, when fears of a US debt default and renewed worries over the eurozone's sovereign-debt crisis weighed on share prices. A strong rally in late 2011 and early 2012, however, saw shares reclaiming most of the ground they had lost in the summer. In large part, this rally came in response to events overseas. The European Central Bank's low-cost three-year loans to banks helped stabilise the financial system and sent yields on peripheral sovereign debt lower. Indications that the United States' economic recovery was gaining momentum also boosted investors' appetite for stocks. Towards the end of the year under review, however, the eurozone's problems began to weigh on sentiment once more. Spain's deteriorating fiscal position pushed yields on its government bonds higher and share prices across the UK banking sector fell once more.

Looking forward, SWIP's central forecast looks for the FTSE 100 Index to reach 6100 by the end of 2012. There is, however, a greater than usual degree of uncertainty around this central scenario: economic fragility in the UK and eurozone and political turbulence in Europe could well pose downside risks.

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.

Protected Capital Solutions Fund 6 (continued)

TER

	30/04/12 %	30/04/11 %
M Accumulation	-	-

Share class M Accumulation was launched 16 February 2011.

There were no expenses charged to the Fund, therefore no TER has been stated.

Details of investments

Investments	30/04/12 %	30/04/11 %
Derivatives	100.01	-
Financials	-	87.74
Net other (liabilities)/assets	(0.01)	12.26
Total net assets	100.00	100.00

Net asset value

	NAV per share 30/04/12 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
M Accumulation	100.19	100.03	0.16

The Protection Date for the M share class is 11 December 2015.

The Capital Protected Price is 106.30p.

The FTSE 100 Index starting value is 5,697.72.

Please note: negative figures are shown in brackets.

Performance record

	24/06/11 to 30/04/12 %	01/05/11 to 24/06/11 %	16/02/11 to 30/04/11 %
Protected Capital Solutions Fund 6 M Acc	(0.19)	0.10	0.00
FTSE 100 Index	4.17	N/A	N/A
SWIP Global Liquidity Fund GBP Advisory	N/A	0.09	0.12

Source: Scottish Widows for Protected Capital Solutions Fund 6 M Accumulation. Basis: Mid to Mid, net revenue reinvested and net of expenses. Sources: Datastream for SWIP Global Liquidity Fund GBP Advisory and FTSE 100 Index.
Bases: Net of expenses for SWIP Global Liquidity Fund GBP Advisory, and Gross of expenses for FTSE 100 Index.
Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Holdings

	30/04/12 %		30/04/11 %
1. Lloyds TSB Bank plc 120% Put Option December 2015	143.79	SWIP Sterling Liquidity Fund	87.74
2. Lloyds TSB Bank plc 100% Call Option December 2015	72.66		
3. Lloyds TSB Bank plc 141% Call Option December 2015	(2.13)		
4. Lloyds TSB Bank plc 120% Call Option December 2015	(24.92)		
5. Lloyds TSB Bank plc 100% Put Option December 2015	(89.39)		

Number of holdings: 5 Number of holdings: 1

FUND PROFILE

Fund Aims

On the Protection Date the Protected Capital Solutions Fund 7 aims to provide:

- a protected minimum amount, and
- capital growth linked to the performance of a stockmarket index.

Risks

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 or changing tax practices and legislation could affect what you get back at the end of the term or when you sell your shares.
- 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 you invest.
- 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

- During this period the Fund invests in cash on deposit and other similar investments, in part by investing in the Global Liquidity Fund which is managed by our fund managers, Scottish Widows Investment Partnership. Should any one or more of these fail then you are likely to get back less than you invested, in some circumstances substantially less.
- When the Fund is invested in cash or similar investments during the period up to the Derivative Date your investment may not receive any interest and may fall in value.

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 Derivatives. The value of these will depend to some extent on the level of the Index, but will also be affected by other factors, such as the volatility of the market, the level of interest rates and the time to maturity of the Derivatives. Therefore what you get back will not equal actual FTSE 100 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 to meet its obligations (for example, if it were to become insolvent or unable to meet the claims against it), 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 (State Street Bank and Trust Company). Should the Counterparty fail, we will use this collateral.
- If the Derivative provider (the counterparty) fails to meet its obligations (for example, if it were to become insolvent or unable to meet the claims against it) 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.
- In the unlikely event that investment markets are suspended at the same time as the counterparty fails, there may be some delay in converting the collateral into benefits. On reinstatement of the investment markets, the independent custodian (who will on counterparty failure have assumed control of the assets), will work on your behalf, deciding how best to maximise the remaining benefits for customers. There is a risk that the underlying value of the assets may be significantly less than your initial investment.

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:
  - a Cap is set on any amount payable in addition to your Capital Protected Value, this could mean you receive less growth;
  - 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 FTSE100 Index cannot be used, this might affect the value of your investment.

INVESTMENT MANAGER'S REVIEW

The Fund aims to provide investors with a Capital Protected Price on the Protection Date. This price, when multiplied by the number of shares held, will be at least equal to the value of those shares on the Derivative Date (plus the preliminary charge that applied to amounts invested during the Cash Investment Period). In addition, on the Protection Date the Fund aims to provide a return that is based on the performance of the FTSE 100 Index during the Growth Potential Period.

The Cash Investment Period, during which time investors could put new money into the Fund, ran from 04 July 2011 to 30 September 2011. During this time the Fund invested in cash and other similar investments. The FTSE 100 Index stood at 5466.36 on 14 October 2011, which is the date the Fund started investing in derivatives.

At the end of the reporting period the FTSE 100 Index stood at 5737.78. The UK stock market fell over the year under review as risk-averse investors favoured high-quality government bonds over the uncertainties of the stock market. The losses were led by stocks in the banking and mining sectors. Defensive stocks – those whose fortunes are less dependent on the economic cycle – fared far better.

It was a volatile year, with markets falling particularly sharply during summer 2011, when fears of a US debt default and renewed worries over the eurozone's sovereign-debt crisis weighed on share prices. A strong rally in late 2011 and early 2012, however, saw shares reclaiming most of the ground they had lost in the summer. In large part, this rally came in response to events overseas. The European Central Bank's low-cost three-year loans to banks helped stabilise the financial system and sent yields on peripheral sovereign debt lower. Indications that the United States' economic recovery was gaining momentum also boosted investors' appetite for stocks. Towards the end of the year under review, however, the eurozone's problems began to weigh on sentiment once more. Spain's deteriorating fiscal position pushed yields on its government bonds higher and share prices across the UK banking sector fell once more.

Looking forward, SWIP's central forecast looks for the FTSE 100 Index to reach 6100 by the end of 2012. There is, however, a greater than usual degree of uncertainty around this central scenario: economic fragility in the UK and eurozone and political turbulence in Europe could well pose downside risks.

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.

Protected Capital Solutions Fund 7 (continued)

TER

	30/04/12 %
M Accumulation	-

Share class M Accumulation was launched 4 July 2011.

There were no expenses charged to the Fund, therefore no TER has been stated.

Details of investments

Investments	30/04/12 %
Derivatives	100.00
Net other assets	-
Total net assets	100.00

Net asset value

	NAV per share 30/04/12 (p)
M Accumulation	100.52

The Protection Date for the M share class is 31 March 2016.

The Capital Protected Price is 105.80p.

The FTSE 100 Index starting value is 5,466.36.

Please note: negative figures are shown in brackets.

Holdings

	30/04/12 %
1. Lloyds TSB Bank plc 120% Put Option April 2016	135.22
2. Lloyds TSB Bank plc 100% Call Option April 2016	91.33
3. Lloyds TSB Bank plc 141% Call Option April 2016	(3.20)
4. Lloyds TSB Bank plc 120% Call Option April 2016	(36.29)
5. Lloyds TSB Bank plc 100% Put Option April 2016	(87.06)

Number of holdings: 5

SCOTTISH WIDOWS

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