Scottish Widows Managed Investment Funds ICVC

Interim Short Report for the period ended 31 October 2011

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 period and up to the date of this report, the Prospectus has been changed to reflect that:

- Protected Capital Solutions Fund 7 was launched on 4 July 2011.

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.

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 has been a challenging one for investors in all asset classes, mainly because of economic difficulties.

Most of these difficulties stemmed from the eurozone debt crisis, which dominated sentiment over the period. Ireland and Greece have already succumbed to well-publicised debt problems, but fears that their problems are spreading to countries such as Spain and Italy caused increasing alarm. But in October EU leaders announced a "grand plan" to tackle the situation. This caused some boost in sentiment, but inevitably it wasn't long until markets dived again. These high levels of volatility have been evident throughout the review period and are showing few signs of abating.

Meanwhile, the Bank of England's most recent Inflation Report confirmed what many had feared – that the UK economy is struggling. Growth predictions for 2011 and 2012 were cut to around 1% (down from around 1.5%), while Sir Mervyn King, the Bank's governor, said output was likely to stagnate. On the plus side, inflation is at last showing some signs of falling – the main rate dropped to 5% in October.

Against this background it was perhaps unsurprising that equities continued to suffer. The FTSE 100 Index lost 7.06%, while the US stock market clocked up double-digit losses over the review period. On the corporate front, many firms have announced strong results and having benefited from healthy cash flows. As a result, companies are on a much more sound financial footing than they were a couple of years ago. This makes many companies look like attractive investment propositions. But the surrounding climate of fear is preventing companies from spending the money they have amassed, which would boost the economy. Fear is also stopping investors from putting their money back into equities, which would boost share prices.

Instead, investors have taken refuge in government bond markets, which are traditionally seen as safe havens during times of stress. The Fund invests in bonds issued both by governments and companies. Its government bond holdings helped constrain losses. However, such has been the popularity of government bonds that they no longer represent good value. Although we had increased exposure to government bonds earlier in the summer, we reversed this decision in August. The proceeds from these sales were invested in overseas equities, which represent much better value. At the moment we are comfortable with the comparative lack of exposure to government bonds, which still look expensive at current levels.

Looking ahead, we shall continue to make trades according to our judgements of asset valuations. So we may well look to buy more equities following periods of stock market weakness and vice versa. Given the uncertain economic situation, further volatility is very likely in coming months, but we believe the portfolio is well positioned to take account of current market conditions.

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)

TER

	31/10/11 %	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 period, annualised, against its average net asset value. The TER can fluctuate as underlying costs change.

Details of investments

Investments	31/10/11 %	30/04/11 %
Financials	98.38	99.53
Derivatives	0.39	(0.24)
Net other assets	1.23	0.71
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/10/11 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
A Accumulation	139.43	143.50	(2.84)
T Accumulation	131.62	135.40	(2.79)

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 31/10/11 %	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	(2.86)	7.33	26.13	(16.01)	(1.71)	3.80

Source: 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

		31/10/11 %		30/04/11 %
1.	Scottish Widows UK Growth Fund A Acc	12.60	Scottish Widows UK Equity Income Fund A Acc	12.78
2.	Scottish Widows UK Equity Income Fund A Acc	12.59	Scottish Widows UK Growth Fund A Acc	12.72
3.	Scottish Widows UK Select Growth Fund A Acc	9.96	Scottish Widows UK Select Growth Fund A Acc	10.23
4.	Scottish Widows Global Growth Fund A Acc	9.86	Scottish Widows Corporate Bond Fund A Acc	9.97
5.	Scottish Widows Corporate Bond Fund A Acc	9.83	Scottish Widows Global Growth Fund A Acc	9.96

Number of holdings: 24

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

Global bonds made modest gains over the period under review. The European sovereign debt crisis and weak US economic data supported government bonds, while credit markets suffered from risk aversion. Credit markets started the quarter well, and spreads over Treasuries continued to narrow in April; demand for corporate debt remained strong. Supply was thus heavy, as companies sought to take the opportunity of historically-low interest rates to secure their finances. Credit markets underperformed in June, especially in Europe, as concerns about the potential for a Greek default eroded investors' confidence in riskier assets. Government bonds fared increasingly well in a quarter when risk appetite waned due to the worries about Greece. As investors fled corporate debt and indebted European markets, they sought refuge in the haven of US Treasuries, German Bunds, UK Gilts and Japanese government bonds.

Weaker economic data from the US also supported demand for Treasuries – the ISM manufacturing Index plunged, house prices trawled a 2002 low and jobs data disappointed. In Europe, the strong German economy persuaded the European Central Bank to raise interest rates in the second quarter and signal a further rate rise for July. During the third quarter, corporate bonds underperformed as concerns about European debt and global economic growth drove investors to the safety of government bonds. Risk aversion grew as economic data worsened in the US and other parts of the western world.

Meanwhile, the eurozone debt crisis threatened to spiral out of control as politicians seemed unable to find a satisfactory resolution to Greece's situation. The impact on corporate bond markets was stark – spreads over government bonds moved higher and new issues dried up. High yield bonds were more affected then investment grade issues in this environment. During October, an improving risk appetite among investors – first on expectations and then an official month-end announcement of a European debt accord – spurred investors out of higher-quality government bonds and cash into riskier spread sectors such as corporate bonds and emerging market debt.

Against the backdrop of continued economic uncertainty, global equities struggled during the period under review. The European debt crisis intensified and focussed around Greece, which was anticipated to need an emergency loan to avoid a credit default. Elsewhere, inflationary concerns persisted among emerging economies, resulting in central banks having to take further monetary tightening measures, which dampened investors' optimism. Global equity markets endured a highly volatile third quarter, as the escalating eurozone crisis continued to weigh on investors' confidence. Greece fell 44.1% as markets judged the prospect of default as a growing possibility; larger European countries such as Germany (-30.9%) and France (-29.6%) were also hit. An 8% decline in the euro versus the US dollar exacerbated the underperformance. US equities proved more defensive, declining only 15.4% despite a stream of bad news. Standard & Poor's downgraded the country's debt and renewed deterioration in economic activity undermined investor confidence. As the quarter progressed, concerns over the health of the global economic recovery became more apparent, destabilising the more economically-sensitive emerging markets. By contrast, Japan proved a relatively safe haven, partially supported by a 5% rise in the Japanese yen.

Defensive sectors such as consumer staples and health care outperformed, while financials lagged the most, led by European banks. Commodity-based sectors such as materials and energy were also big underperformers amid growing fears about global growth. From a style perspective, a flight to quality led large companies to beat small companies while growth outperformed value.

Global equity markets significantly advanced in October. To a large extent, the month was a reverse image of the third quarter as the retreat of macroeconomic uncertainty triggered a risk rally.

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. The Balanced Portfolio Fund is constructed from 13 underlying SWIP and Russell funds.

The Balanced Portfolio Fund holds 50% equities and 50% bonds.

Looking ahead, given the uncertain economic situation, further volatility is very likely in coming months and at the moment there appears few prospects of short-term economic improvement. There are, though, reasons for hope. We see the US as being capable of picking up pace over the next year or two. A rebound in Japan is possible as well, following the tragic earthquake earlier this year. This implies that the advanced nations should record faster growth next year. We believe the portfolio is well diversified and suitably positioned given current market conditions.

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)

TER

	31/10/11 %	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 period, annualised, against its average net asset value. The TER can fluctuate as underlying costs change.

Details of investments

Investments	31/10/11 %	30/04/11 %
Financials	100.05	100.38
Derivatives	(0.09)	(0.67)
Net other assets	0.04	0.29
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/10/11 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
A Accumulation	129.58	132.77	(2.40)
X Accumulation	143.78	146.50	(1.86)

Performance record

	01/05/11 to 31/10/11 %	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	(2.41)	6.07	26.29	(15.05)	(1.93)	3.21
Cautious Managed Sector Average Return	(3.04)	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. Cautious Managed 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 50% in Sterling/Euro and equities are deemed to include convertibles.

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

	31/10/11 %		30/04/11 %
1. Russell US Equity Fund I Acc	16.83	Russell US Equity Fund I Acc	16.37
2. Russell Global Bond Euro Hedged Fund I Acc	10.26	Russell Euro Fixed Income Fund I Acc	10.60
3. Russell Euro Fixed Income Fund I Acc	10.02	Russell Global Bond Euro Hedged Fund I Acc	10.56
4. Russell US Bond Fund I Acc	10.00	Russell Global Bond Fund I Acc	10.39
5. Russell Global Bond Fund I Acc	9.91	Russell US Bond Fund I Acc	10.30

Number of holdings: 52 — Number of holdings: 88

Please note: negative figures are shown in brackets.

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 sovereign debt crisis, once confined to the periphery states of Europe, is now a global concern. Markets in the UK have had to watch from the sidelines as Europe's politicians have failed time and again to get ahead of the crisis. Even the so-called "grand plan", announced on 28 October, was in turmoil only two days later after Greece's prime minister called for a referendum on a second bail-out. But political change is afoot, with Greece and Italy installing new prime ministers. It is hoped these so-called technocrats – Lucas Papademos and Mario Monti respectively – can pass the necessary economic reforms to kick-start their countries' ailing economies and tackle crippling debt.

Closer to home, markets received a boost after the Bank of England announced a further round of quantitative easing (buying back government assets to increase the money supply) on 6 October. The £75 billion stimulus measure had been widely expected, but few thought it would come so soon and in such a large amount. This now takes the Bank's gilt purchases to £275 billion. Justifying the move, Sir Mervyn King, the Bank's governor, said the country may be facing the worst financial crisis it has ever known. With inflation falling – the main rate dropped to 5% last month – a further round of quantitative easing now looks like a done deal.

The Bank's latest Inflation Report confirmed what many had feared – that the UK economy is struggling. Growth predictions for 2011 and 2012 were cut to around 1% (down from around 1.5%), while Sir Mervyn King, the Bank's governor, said output was likely to stagnate. Household and public sectors are retrenching, leaving the recovery heavily reliant on business investment and exports, both of which would be very vulnerable to any setback in confidence and global trade. The unemployment figures were also dispiriting, with the number of those out of work at its highest since 1994.

As for interest rates, given the weakness in the economy we expect them to stay at 0.5% well into 2013 and will rise only to 1.25% by the end of that year. Previously we envisaged rate rises starting in the second half of 2012, with base rates hitting 2.25% by the end of 2013.

In UK money markets, with Europe's ongoing travails and economic activity disappointing – both here and abroad – markets firmly believe that rates will be on hold for the foreseeable future. Liquidity remains patchy with many investors looking to keep cash short and in better-quality names. The downgrading of counterparties by ratings agencies over recent months has seen investors adopt a more defensive stance. As a result, the yield curve recently steepened as issuers were forced to pay-up to attract buyers.

Turning to activity, we have continued a conservative strategy concentrating on one- to three-month CDs in higher-rated banks. Select investments were made up to six months in better-rated names where opportunities allowed.

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
31/10/11	31/12/11

TER

	31/10/11 %	30/04/11 %
A Accumulation	0.61	0.61
A Income	0.61	0.61

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

Details of investments

Investments	31/10/11 %	30/04/11 %
Short Term Deposits	100.07	105.06
Net other liabilities	(0.07)	(5.06)
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/10/11 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
A Accumulation	177.83	177.62	0.12
A Income	99.97	99.97	-

Distribution

	Interim 31/10/11 (p)
A Accumulation	0.2034
A Income	0.1144

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 31/10/11 %	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	0.11	0.11	0.06	2.13	4.08	3.47
Money Market Sector Average Return	0.10	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. Money Market Sector – Funds which invest at least 95% of their assets in money market instruments (i.e. cash and near cash, such as bank deposits, certificates of deposit, very short term fixed interest securities or floating rate notes).
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

		31/10/11 %		30/04/11 %
1.	Barclays Bank 0.58% 01/11/2011	9.56	Banco Bilbao Vizcaya Argentaria 0.73% 26/05/2011	4.84
2.	Lloyds Banking 1.06% 04/01/2012	5.16	Bank of America 0.73% 10/05/2011	4.84
3.	Nationwide Building Society 1.08% 03/11/2011	5.16	Bank of Tokyo Mitsubishi 0.62% 09/05/2011	4.84
4.	Royal Bank of Scotland 1.05% 10/11/2011	5.16	Barclays Bank 1.46% 27/09/2011	4.84
5.	UBS 1.26% 23/11/2011	5.16	BNP Paribas 0.8% 10/06/2011	4.84
6.	ABN AMRO Bank 1.18% 09/03/2012	4.11	Clydesdale Bank 0.8% 12/07/2011	4.84
7.	Bank of Nova Scotia 0.7% 02/11/2011	4.11	Credit Agricole 1.01% 07/06/2011	4.84
8.	Bank of Tokyo Mitsubishi 0.92% 12/01/2012	4.11	Credit Industriel et Commercial 0.94% 10/05/2011	4.84
9.	Barclays Bank 1.2% 27/03/2012	4.11	Danske Bank 0.73% 03/05/2011	4.84
10.	Credit Agricole 0.75% 07/11/2011	4.11	Danske Bank 0.78% 03/08/2011	4.84
11.	Credit Industriel et Commercial 1.17% 12/12/2011	4.11	Dexia Banque International 0.75% 26/05/2011	4.84
12.	Credit Suisse First Boston 0.87% 16/01/2012	4.11	ING Bank 1% 04/05/2011	4.84
13.	Danske Bank 0.8% 01/12/2011	4.11	Lloyds Banking 1.01% 04/07/2011	4.84
14.	Deutsche Bank 1% 09/01/2012	4.11	Nationwide Building Society 1% 03/05/2011	4.84
15.	Fortis Bank 0.96% 12/12/2011	4.11	Nordea Bank Finland 0.77% 23/05/2011	4.84
16.	HSBC Bank 1% 27/02/2012	4.11	Scotia Bank 0.7% 09/06/2011	4.84
17.	ING Bank 1.16% 05/03/2012	4.11	Skandinaviska Enskilda Banken 0.75% 10/05/2011	4.84
18.	Nordea Bank Finland 0.85% 01/12/2011	4.11	Societe Generale 0.77% 09/05/2011	4.84
19.	Oversea-Chinese Banking 0.83% 10/01/2012	4.11	UBS 1.26% 23/11/2011	4.84
20.	Rabobank 1% 12/03/2012	4.11	Unicredito Italiano 0.67% 03/05/2011	4.84
21.	Societe General 0.99% 10/01/2012	4.11	Unicredito Italiano 0.67% 03/06/2011	4.84
22.	Svenska Handelsbanken 0.84% 13/01/2012	4.11	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

Against the backdrop of continued economic uncertainty, global equities struggled during the period under review. The European debt crisis intensified and focussed around Greece, which was anticipated to need an emergency loan to avoid a credit default. Elsewhere, inflationary concerns persisted among emerging economies, resulting in central banks having to take further monetary tightening measures, which dampened investors' optimism.

Global equity markets endured a highly volatile third quarter of 2011 as the escalating eurozone crisis continued to weigh on investors' confidence. Greece fell 44.1% as markets judged the prospect of default as a growing possibility; larger European countries such as Germany (-30.9%) and France (-29.6%) were also hit. An 8% decline in the euro versus the US dollar exacerbated the underperformance. US equities proved more defensive, declining only 15.4%, despite a stream of bad news. Standard & Poor's downgraded the country's debt and renewed deterioration in economic activity undermined investor confidence. As the quarter progressed, concerns over the health of the global economic recovery became more apparent, destabilising the more economically-sensitive emerging markets. By contrast, Japan proved a relatively safe haven, partially supported by a 5% rise in the Japanese yen.

Defensive sectors such as consumer staples and health care outperformed, while financials lagged the most, led by European banks. Commodity-based sectors such as materials and energy were also big underperformers amid growing fears about global growth. From a style perspective, a flight to quality led large companies to beat small companies while growth outperformed value.

Global equity markets significantly advanced in October. To a large extent, the month was a reverse image of the third quarter, as the retreat of macroeconomic uncertainty triggered a risk rally.

Global bonds made modest gains over the period under review. The European sovereign debt crisis and weak US economic data supported government bonds, while credit markets suffered from risk aversion. Credit markets started the quarter well, and spreads over Treasuries continued to narrow in April; demand for corporate debt remained strong. Supply was thus heavy, as companies sought to take the opportunity of historically-low interest rates to secure their finances. Credit markets underperformed in June, especially in Europe, as concerns about the potential for a Greek default eroded investors' confidence in riskier assets. Government bonds fared increasingly well in a quarter when risk appetite waned due to worries about Greece. As investors fled corporate debt and indebted European markets, they sought refuge in the haven of US Treasuries, German Bunds, UK Gilts and Japanese government bonds.

Weaker economic data from the US also supported demand for Treasuries – the ISM manufacturing Index plunged, house prices trawled a 2002 low and jobs data disappointed. In Europe, the strong German economy persuaded the European Central Bank to raise interest rates in the second quarter and signal a further rate rise for July. During the third quarter, corporate bonds underperformed as concerns about European debt and global economic growth drove investors to the safety of government bonds. Risk aversion grew as economic data worsened in the US and other parts of the western world. Meanwhile, the eurozone debt crisis threatened to spiral out of control as politicians seemed unable to find a satisfactory resolution to Greece's situation.

The impact on corporate bond markets was stark – spreads over government bonds moved higher and new issues dried up. High yield bonds were more affected then investment grade issues in this environment. There was an improving risk appetite among investors during October – first on expectations and then an official month-end announcement of a European debt accord –- spurred investors out of higher-quality government bonds and cash into riskier spread sectors such as corporate bonds and emerging market debt.

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 approximately 15% of managers being changed in some way each year. The Cautious Portfolio Fund is constructed from 13 underlying SWIP and Russell funds.

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

Looking ahead, given the uncertain economic situation, further volatility is very likely in coming months and at the moment there appears few prospects of short-term economic improvement. There are, though, reasons for hope. We see the US as being capable of picking up pace over the next year or two. A rebound in Japan is possible as well, following the tragic earthquake earlier this year. This implies that the advanced nations should record faster growth next year. We believe the portfolio is well diversified and suitably positioned given current market conditions.

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 date	Payment date
31/07/11	30/09/11
31/10/11	31/12/11

TER

	31/10/11 %	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 period, annualised, against its average net asset value. The TER can fluctuate as underlying costs change.

Details of investments

Investments	31/10/11 %	30/04/11 %
Financials	100.29	101.13
Derivatives	(0.16)	(1.18)
Net other (liabilities)/assets	(0.13)	0.05
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/10/11 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
A Accumulation	138.85	138.20	0.47
A Income	114.13	114.65	(0.45)
X Accumulation	148.51	147.28	0.84

Distribution

	First interim 31/07/11 (p)	Second interim 31/10/11 (p)
A Accumulation	0.5444	0.7305
A Income	0.4515	0.6032
X Accumulation	0.8483	1.0440

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 31/10/11 %	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	0.51	3.99	20.27	(7.69)	0.25	2.84
Global Bond Sector Average Return	1.29	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 investments 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

	31/10/11 %		30/04/11 %
1. Russell Global Bond Euro Hedged Fund I Inc	18.04	Russell Global Bond Euro Hedged Fund I Inc	18.27
2. Russell Euro Fixed Income Fund I Inc	17.83	Russell Euro Fixed Income Fund I Inc	18.15
3. Russell Global Bond Fund I Inc	17.34	Russell Global Bond Fund I Inc	17.84
4. Russell US Bond Fund I Inc	16.84	Russell US Bond Fund I Inc	17.79
5. Russell Sterling Bond Fund I Inc	13.61	Russell Sterling Bond Fund I Inc	13.76

Number of holdings: 64

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 performance of government bonds has varied across the globe. However, 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 not done nearly so well.

The strength of the US bond market comes in spite of Standard & Poor's August move to strip the government of its AAA rating. Additional factors – such as worries about global growth and reassurances that interest rates are set to remain low for months to come – have combined to provide an extra boost for government bond prices in core markets.

Despite gaining ground last year, the passage of corporate bonds has not been smooth. Fears about Europe's troubled economies have never been far from investors' minds and concerns about Greece's economy have resulted in a sharp sell-off of any asset that is not risk free. As a result, corporate bonds have significantly underperformed government bonds in recent months.

Corporate bond markets virtually seized up from September, as financial institutions off-loaded their holdings indiscriminately. But despite the sell-off, there are some good opportunities available and the health of underlying issuers remains robust. Across most sectors, companies have done a good job of repairing their balance sheets and building cash reserves.

Against this background equities have also continued to suffer. The FTSE 100 Index lost 7.06% over the review period. Instead, investors have taken refuge in government bond markets, which are traditionally seen as safe havens during times of stress. However, such has been the popularity of government bonds that they no longer represent good value. Although we had increased exposure to government bonds earlier in the summer, we reversed this decision in August. The proceeds from these sales were invested in overseas equities, which represent much better value. At the moment we are comfortable with the comparative lack of exposure to government bonds, which still look expensive at current levels.

Looking ahead, the outlook for government bonds does not look particularly bright. Prices have risen and yields fallen so far that it is hard to see much further upside from here. Corporate bonds and equities offer better value. But even with valuations at current levels, investors are likely to remain cautious and financial markets will continue to be choppy for the time being.

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 date	Payment date
31/07/11	30/09/11
31/10/11	31/12/11

TER

	31/10/11 %	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 period, annualised, against its average net asset value. The TER can fluctuate as underlying costs change.

Details of investments

Investments	31/10/11 %	30/04/11 %
Financials	97.37	99.38
Derivatives	0.45	(0.26)
Net other assets	2.18	0.88
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/10/11 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
A Accumulation	166.35	168.56	(1.31)
A Income	88.08	90.04	(2.18)
B Accumulation	166.90	169.11	(1.31)
B Income	88.08	90.04	(2.18)

Distribution

	First interim 31/07/11 (p)	Second interim 31/10/11 (p)
A Accumulation	0.5611	0.9064
A Income	0.2996	0.4826
B Accumulation	0.5626	0.9094
B Income	0.2997	0.4825

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 31/10/11 %	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	(1.30)	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

	31/10/11 %		30/04/11 %
1. Scottish Widows UK Equity Income Fund A Inc	10.07	Scottish Widows UK Equity Income Fund A Inc	10.17
2. SWIP High Yield Bond Fund A Inc	10.01	SWIP Corporate Bond Plus Fund A Inc	10.03
3. Scottish Widows Global Growth Fund A Acc	10.00	Scottish Widows Corporate Bond Fund A Inc	10.00
4. Scottish Widows Corporate Bond Fund A Inc	9.82	Scottish Widows UK Index-Linked Tracker Fund I Inc	9.97
5. Scottish Widows UK Index-Linked Tracker Fund I Inc	9.69	SWIP High Yield Bond Fund A Inc	9.87

Number of holdings: 23 | 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

Volatility in equity markets increased over the six months and many major indices lost ground.

European equity markets slumped, as anxious traders offloaded riskier assets in favour of the relative safety of "core" government bonds. Europe's banking sector bore the brunt of the selling, with a number of downgrades to the region's lenders exacerbating matters. Even the announcement of a "grand plan" in October was thrown into turmoil in a matter of days after Greece said it would hold a referendum on its second bail-out (a plan that has since been abandoned). But with Italy and Spain now headed for danger, time is running out for EU leaders and the European Central Bank to act decisively. Markets will remain volatile until they do. Testing times, then, that saw the FTSE Europe ex-UK Index fall 18.8%.

Conditions in US equity markets were tough to say the least. The S&P 500 Index fell 13.8% in dollar total return terms. Late in the reporting period, markets were boosted by events in Europe, but US authorities also provided some domestic reassurance. Meanwhile, the third-quarter earnings season got underway with uninspiring results from aluminium producer Alcoa. PepsiCo, the drinks and snacks group, soon pepped things up, however, by posting a 4.1% rise in third-quarter profit. Google also did well. It reported adjusted net earnings of $9.72 per share in the third quarter, higher than the $8.74 expected by analysts. Unusually, Apple disappointed the market. As the company mourned the loss of co-founder Steve Jobs in early October, its earnings failed to meet expectations.

Japanese equities lost ground: the Topix Index fell 9.3% in yen terms. In the corporate world, there was disappointing news for Olympus, the optical equipment maker. The share price fell sharply after Michael Woodford, the chief executive was dismissed. Fellow camera company Canon got earnings season underway with an increase in quarterly profits, although it reduced full-year guidance on worries about the strength of the yen. Nintendo, the video game maker, also disappointed. Slowing sales of its Wii console were partly to blame for the company's first full-year loss in 30 years.

Finally, equity markets in the Asia Pacific region also fell. In China, inflation hit a 37-month high in July, prompting the central bank to repeatedly raise base rates and increase the reserve ratio for banks. That prompted fears that there might be a hard landing in the Chinese economy. Meanwhile, Hong Kong's government warned that inflation is yet to peak. Higher rent and vegetable costs drove the headline consumer price index up by 5.7% in August. But the city's monetary authority has refused to cede to pressure to remove its currency's peg to the US dollar. The central bank reasserted its full commitment to the 28-year-old exchange rate link.

Weaker economic data, together with increasing interbank credit costs in Europe are continuing to put pressure on global equity markets. In addition, credit quality is beginning to deteriorate in emerging economies such as Brazil, where monetary authorities have begun to relax policy. It is likely that policy measures hold the key to the near-term direction of markets. The political implications of any changes in Europe are complex, however, and may take time to materialise.

If stable economic conditions prevail, equity valuations will remain attractive relative to other asset classes. Profits for economically-sensitive companies are still likely to come under pressure, however.

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
31/10/11	31/12/11

TER

	31/10/11 %	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 period, annualised, against its average net asset value. The TER can fluctuate as underlying costs change.

Details of investments

Investments	31/10/11 %	30/04/11 %
Short Term Deposits	88.10	90.30
Derivatives	8.69	1.86
Financials	5.13	5.75
Net other (liabilities)/assets	(1.92)	2.09
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/10/11 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
I Accumulation	143.67	155.51	(7.61)
X Accumulation	149.49	161.47	(7.42)

Distribution

	Interim 31/10/11 (p)
I Accumulation	0.0984
X Accumulation	0.4081

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 31/10/11 %	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	(7.59)	7.39	32.60	(21.72)	0.43	5.95
Global Sector Average Return	(8.21)	8.11	32.45	(21.36)	(1.46)	5.96
International Equity Customised Benchmark	(10.83)	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

	31/10/11 %		30/04/11 %
1. Short Term Deposits	88.10	Short Term Deposits	90.30
2. SWIP Emerging Markets Fund A Acc	5.13	SWIP Emerging Markets Fund A Acc	5.75
3. Euro Stoxx 50 Index Futures December 2011	4.42	Euro Stoxx 50 Index Futures June 2011	1.61
4. S&P 500 Index Futures December 2011	2.64	S&P 500 Index Futures June 2011	1.14
5. Swiss Market Index Futures December 2011	0.46	ASX SPI 200 Index Futures June 2011	0.44
Number of holdings: 56		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 performance of government bonds has varied across the globe over the last six months. However, 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 not done nearly so well.

The strength of the US bond market comes in spite of Standard & Poor's August move to strip the government of its AAA rating. Additional factors – such as worries about global growth and reassurances that interest rates are set to remain low for months to come – have combined to provide an extra boost for government bond prices in core markets.

Despite gaining ground last year, the passage of corporate bonds has not been smooth. Fears about Europe's troubled economies have never been far from investors' minds and concerns about Greece's economy have resulted in a sharp sell-off of any asset that is not risk free. As a result, corporate bonds have significantly underperformed government bonds in recent months.

The corporate bond market virtually seized up as financial institutions off-loaded their holdings indiscriminately. But despite the sell-off, there are some good opportunities available and the health of underlying issuers remains robust. Across most sectors, companies have done a good job of repairing their balance sheets and building cash reserves.

Against this background equities have also continued to suffer. The FTSE 100 Index lost 7.06% over the review period. Instead, investors have taken refuge in government bond markets, which are traditionally seen as safe havens during times of stress. However, such has been the popularity of government bonds that they no longer represent good value. Although we had increased exposure to government bonds earlier in the summer, we reversed this decision in August. The proceeds from these sales were invested in UK equities, which represent much better value. At the moment we are comfortable with the comparative lack of exposure to government bonds, which still look expensive at current levels.

Looking ahead, bonds may continue to benefit from the fact they are seen as a safe haven during times of equity market volatility. However, with markets at current levels it appears unlikely that prices will rise much further.

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 date	Payment date
31/07/11	30/09/11
31/10/11	31/12/11

TER

	31/10/11 %	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 period, annualised, against its average net asset value. The TER can fluctuate as underlying costs change.

Details of investments

Investments	31/10/11 %	30/04/11 %
Financials	98.02	99.55
Derivatives	0.40	(0.48)
Net other assets	1.58	0.93
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/10/11 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
A Accumulation	131.38	129.78	1.23
A Income	107.39	107.24	0.14

Distribution

	First interim 31/07/11 (p)	Second interim 31/10/11 (p)
A Accumulation	0.6287	0.8170
A Income	0.5194	0.6718

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 31/10/11 %	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	1.23	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

	31/10/11 %		30/04/11 %
1. Scottish Widows Corporate Bond Fund A Inc	15.03	Scottish Widows Corporate Bond Fund A Inc	15.26
2. SWIP Defensive Gilt Fund A Inc	14.98	SWIP Corporate Bond Plus Fund A Inc	15.09
3. SWIP Corporate Bond Plus Fund A Inc	14.85	SWIP Defensive Gilt Fund A Inc	14.85
4. Scottish Widows Gilt Fund A Inc	14.39	Scottish Widows Gilt Fund A Inc	14.83
5. SWIP European Corporate Bond Fund A Inc	9.83	SWIP European Corporate Bond Fund A Inc	10.01

Number of holdings: 15

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. The performance of government bonds has varied across the globe over the last six months. However, 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 not done nearly so well.

The strength of the US bond market comes in spite of Standard & Poor's August move to strip the government of its AAA rating. Additional factors – such as worries about global growth and reassurances that interest rates are set to remain low for months to come – have combined to provide an extra boost for government bond prices in core markets.

Despite gaining ground last year, the passage of corporate bonds has not been smooth. Fears about Europe's troubled economies have never been far from investors' minds and concerns about Greece's economy have resulted in a sharp sell-off of any asset that is not risk free. As a result, corporate bonds have significantly underperformed government bonds in recent months.

The corporate bond market virtually seized up as financial institutions off-loaded their holdings indiscriminately during September. Despite the sell-off, there are some good opportunities available and the health of underlying issuers remains robust. Across most sectors, companies have done a good job of repairing their balance sheets and building cash reserves.

Against this background, equities have also continued to suffer. The FTSE 100 Index lost 7.06% over the review period. Instead, investors have taken refuge in government bond markets, which are traditionally seen as safe havens during times of stress. However, such has been the popularity of government bonds that they no longer represent good value. Although we had increased exposure to government bonds earlier in the summer, we reversed this decision in August. The proceeds from these sales were invested in UK equities, which represent much better value. At the moment we are comfortable with the comparative lack of exposure to government bonds, which still look expensive at current levels.

Looking ahead, bonds may continue to benefit from the fact they are seen as a safe haven during times of equity market volatility. However, with markets at current levels it appears unlikely that prices will rise much further.

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 date	Payment date
31/07/11	30/09/11
31/10/11	31/12/11

TER

	31/10/11 %	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 period, annualised, against its average net asset value. The TER can fluctuate as underlying costs change.

Details of investments

Investments	31/10/11 %	30/04/11 %
Financials	97.92	99.21
Derivatives	0.34	(0.20)
Net other assets	1.74	0.99
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/10/11 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
A Accumulation	133.43	132.71	0.54
A Income	110.08	110.72	(0.58)
U Accumulation	115.72	115.16	0.49

Distribution

	First interim 31/07/11 (p)	Second interim 31/10/11 (p)
A Accumulation	0.5436	0.9584
A Income	0.4534	0.7964
U Accumulation	0.4403	0.8009

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 31/10/11 %	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	0.53	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

	31/10/11 %		30/04/11 %
1. Scottish Widows UK Equity Income Fund A Inc	15.08	Scottish Widows UK Equity Income Fund A Inc	15.33
2. Scottish Widows Corporate Bond Fund A Inc	14.73	Scottish Widows UK Index-Linked Tracker Fund I Inc	15.04
3. Scottish Widows UK Index-Linked Tracker Fund I Inc	14.63	Scottish Widows Corporate Bond Fund A Inc	15.01
4. SWIP Corporate Bond Plus Fund A Inc	14.57	SWIP Corporate Bond Plus Fund A Inc	15.00
5. SWIP Defensive Gilt Fund A Inc	10.04	SWIP High Yield Bond Fund A Inc	9.87

Number of holdings: 13

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

Against the backdrop of continued economic uncertainty, global equities struggled during the period under review. The European debt crisis intensified and focussed around Greece, which was anticipated to need an emergency loan to avoid a credit default. Elsewhere, inflationary concerns persisted among emerging economies, resulting in central banks having to take further monetary tightening measures, which dampened investors' optimism.

Global equity markets endured a highly volatile third quarter of 2011 as the escalating eurozone crisis continued to weigh on investors' confidence. Greece fell 44.1% as markets judged the prospect of default as a growing possibility; larger European countries such as Germany (-30.9%) and France (-29.6%) were also hit. An 8% decline in the euro versus the US dollar exacerbated the underperformance. US equities proved more defensive, declining only 15.4%, despite a stream of bad news. Standard & Poor's downgraded the country's debt and renewed deterioration in economic activity undermined investor confidence. As the quarter progressed, concerns over the health of the global economic recovery became more apparent, destabilising the more economically-sensitive emerging markets. By contrast, Japan proved a relatively safe haven, partially supported by a 5% rise in the Japanese yen.

Defensive sectors such as consumer staples and healthcare outperformed, while financials lagged the most, led by European banks. Commodity-based sectors such as materials and energy were also big underperformers amid growing fears about global growth. From a style perspective, a flight to quality led large caps to beat small caps while growth outperformed value.

Global equity markets significantly advanced in October. To a large extent, the month was a reverse image of the third quarter as the retreat of macroeconomic uncertainty triggered a risk rally.

Global bonds made modest gains over the period under review. The European sovereign debt crisis and weak US economic data supported government bonds, while credit markets suffered from risk aversion. Credit markets started the quarter well, and spreads over Treasuries continued to narrow in April; demand for corporate debt remained strong. Supply was thus heavy, as companies sought to take the opportunity of historically-low interest rates to secure their finances. Credit markets underperformed in June, especially in Europe, as concerns about the potential for a Greek default eroded investors' confidence in riskier assets. Government bonds fared increasingly well in a quarter when risk appetite waned due to worries about Greece. As investors fled corporate debt and indebted European markets, they sought refuge in the haven of US Treasuries, German Bunds, UK Gilts and Japanese government bonds.

Weaker economic data from the US also supported demand for Treasuries – the ISM manufacturing Index plunged, house prices trawled a 2002 low and jobs data disappointed. In Europe, the strong German economy persuaded the European Central Bank to raise interest rates in quarter two and signal a further rate rise for July. During the third quarter, corporate bonds underperformed as concerns about European debt and global economic growth drove investors to the safety of government bonds. Risk aversion grew as economic data worsened in the US and other parts of the western world. Meanwhile, the eurozone debt crisis threatened to spiral out of control as politicians seemed unable to find a satisfactory resolution to Greece's situation. The impact on corporate bond markets was stark – spreads over government bonds moved higher and new issues dried up. High yield bonds were more affected then investment grade issues in this environment. During October, an improving risk appetite among investors – first on expectations and then an official month-end announcement of a European debt accord -– spurred investors out of higher-quality government bonds and cash into riskier spread sectors such as corporate bonds and emerging market debt.

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. The Opportunities Portfolio Fund is constructed from 15 underlying SWIP and Russell funds.

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

Looking ahead, given the uncertain economic situation, further volatility is very likely in coming months and at the moment there appears few prospects of short-term economic improvement. There are, though, reasons for hope. We see the US as being capable of picking up pace over the next year or two. A rebound in Japan is possible as well, following the tragic earthquake earlier this year. This implies that the advanced nations should record faster growth next year. We believe the portfolio is well diversified and suitably positioned given current market conditions.

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.

Opportunities Portfolio Fund (continued)

TER

	31/10/11 %	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 period, annualised, against its average net asset value. The TER can fluctuate as underlying costs change.

Details of investments

Investments	31/10/11 %	30/04/11 %
Financials	100.11	99.55
Derivatives	(0.03)	(0.14)
Net other (liabilities)/assets	(0.08)	0.59
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/10/11 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
A Accumulation	118.65	125.65	(5.57)
X Accumulation	131.70	138.69	(5.04)

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 31/10/11 %	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	(5.57)	8.09	32.97	(22.80)	(4.55)	3.76
Global Sector Average Return	(8.21)	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

	31/10/11 %		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	16.19	SWIP Multi-Manager UK Equity Growth Fund A Acc	16.20
3. Russell US Equity I Acc	15.68	Russell US Equity Fund I Acc	15.35
4. Russell Continental European Equity Fund I Acc	12.14	Russell Continental European Equity Fund I Acc	12.52
5. Russell US Quant Fund I Acc	8.19	Russell US Quant Fund I Acc	7.73

Number of holdings: 38

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

Against the backdrop of continued economic uncertainty, global equities struggled during the period. The European debt crisis intensified and focussed around Greece, which was anticipated to need an emergency loan to avoid a credit default. Elsewhere, inflationary concerns persisted among emerging economies, resulting in central banks having to take further monetary tightening measures, which dampened investors' optimism. Global equity markets endured a highly volatile third quarter, as the escalating eurozone crisis continued to weigh on investors' confidence. Greece fell 44.1% as markets judged the prospect of default as a growing possibility; larger European countries such as Germany (-30.9%) and France (-29.6%) were also hit. An 8% decline in the euro versus the US dollar exacerbated the underperformance. US equities proved more defensive, declining only 15.4% despite a stream of bad news. Standard & Poor's downgraded the country's debt and renewed deterioration in economic activity undermined investor confidence.

As the quarter progressed, concerns over the health of the global economic recovery became more apparent, destabilising the more economically-sensitive emerging markets. By contrast, Japan proved a relatively safe haven, partially supported by a 5% rise in the Japanese yen.

Defensive sectors such as consumer staples and health care outperformed, while financials lagged the most, led by European banks. Commodity-based sectors such as materials and energy were also big underperformers amid growing fears about global growth. From a style perspective, a flight to quality led large caps to beat small caps while growth outperformed value.

Global equity markets significantly advanced in October. To a large extent, the month was a reverse image of the third quarter as the retreat of macroeconomic uncertainty triggered a risk rally.

Global bonds made modest gains over the period under review. The European sovereign debt crisis and weak US economic data supported government bonds, while credit markets suffered from risk aversion. Credit markets started the quarter well, and spreads over Treasuries continued to narrow in April; demand for corporate debt remained strong. Supply was thus heavy, as companies sought to take the opportunity of historically-low interest rates to secure their finances. Credit markets underperformed in June, especially in Europe, as concerns about the potential for a Greek default eroded investors' confidence in riskier assets. Government bonds fared increasingly well in a quarter when risk appetite waned due to the worries about Greece. As investors fled corporate debt and indebted European markets, they sought refuge in the haven of US Treasuries, German Bunds, UK Gilts and Japanese government bonds.

Weaker economic data from the US also supported demand for Treasuries – the ISM manufacturing Index plunged, house prices trawled a 2002 low and jobs data disappointed. In Europe, the strong German economy persuaded the European Central Bank to raise interest rates in the second quarter and signal a further rate rise for July. During the third quarter, corporate bonds underperformed as concerns about European debt and global economic growth drove investors to the safety of government bonds. Risk aversion grew as economic data worsened in the US and other parts of the western world.

Meanwhile, the eurozone debt crisis threatened to spiral out of control as politicians seemed unable to find a satisfactory resolution to Greece's situation. The impact on corporate bond markets was stark – spreads over government bonds moved higher and new issues dried up. High yield bonds were more affected then investment grade issues in this environment. During October, an improving risk appetite among investors – first on expectations and then an official month-end announcement of a European debt accord – spurred investors out of higher-quality government bonds and cash into riskier spread sectors such as corporate bonds and emerging market debt.

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. The Progressive Portfolio Fund is constructed from 14 underlying SWIP and Russell funds.

The Progressive Portfolio Fund holds 75% equities and 25% bonds.

Looking ahead, given the uncertain economic situation, further volatility is very likely in coming months and at the moment there appears few prospects of short-term economic improvement. There are, though, reasons for hope. We see the US as being capable of picking up pace over the next year or two. A rebound in Japan is possible as well, following the tragic earthquake earlier this year. This implies that the advanced nations should record faster growth next year. We believe the portfolio is well diversified and suitably positioned given current market conditions.

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)

TER

	31/10/11 %	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 period, annualised, against its average net asset value. The TER can fluctuate as underlying costs change.

Details of investments

Investments	31/10/11 %	30/04/11 %
Financials	99.81	100.00
Derivatives	(0.05)	(0.32)
Net other assets	0.24	0.32
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/10/11 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
A Accumulation	124.28	130.10	(4.47)
X Accumulation	137.85	143.50	(3.94)

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 31/10/11 %	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	(4.46)	7.52	30.57	(19.70)	(3.75)	3.54
Balanced Managed Sector Average Return	(5.40)	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. Balanced Managed Sector – Funds would offer investment in a range of assets, with the maximum equity exposure restricted to 85% of the Fund. At least 10% of the total fund must be held in non-UK equities. Assets must be at least 50% in Sterling/Euro and equities are deemed to include convertibles.
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

	31/10/11 %		30/04/11 %
1. Russell US Equity Fund I Acc	18.26	Russell US Equity Fund I Acc	17.76
2. SWIP Multi-Manager UK Equity Focus Fund A Acc	14.05	SWIP Multi-Manager UK Equity Focus Fund A Acc	13.57
3. SWIP Multi-Manager UK Equity Growth Fund A Acc	13.90	SWIP Multi-Manager UK Equity Growth Fund A Acc	13.50
4. Russell Continental European Equity Fund I Acc	10.32	Russell Continental European Equity Fund I Acc	10.42
5. Russell US Quant Fund I Acc	6.88	Russell US Quant Fund I Acc	6.61

Number of holdings: 53

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 has been a challenging one for equity investors, mainly because of economic difficulties. Most of these difficulties stemmed from the eurozone debt crisis, which dominated sentiment over the period. Ireland and Greece have already succumbed to well-publicised debt problems, but fears that their problems are spreading to countries such as Spain and Italy caused increasing alarm. But in October EU leaders announced a "grand plan" to tackle the situation. This caused some boost in sentiment, but inevitably it wasn't long until markets dived again. These high levels of volatility have been evident throughout the review period and are showing few signs of abating.

Meanwhile, the Bank of England's most recent Inflation Report confirmed what many had feared – that the UK economy is struggling. Growth predictions for 2011 and 2012 were cut to around 1% (down from around 1.5%), while Sir Mervyn King, the Bank's governor, said output was likely to stagnate. On the plus side, inflation is at last showing some signs of falling – the main rate dropped to 5% in October.

Against this background it was perhaps unsurprising that equities continued to suffer. The FTSE 100 Index lost 7.06%, while the US stock market clocked up double-digit losses over the review period.

On the corporate front, many firms have announced strong results and having benefited from healthy cash flows. As a result, companies are on a much more sound financial footing than they were a couple of years ago. This makes many companies look like attractive investment propositions. But the surrounding climate of fear is preventing companies from spending the money they have amassed, which would boost the economy. Fear is also stopping investors from putting their money back into equities, which would boost share prices.

Instead, investors have taken refuge in government bond markets, which are traditionally seen as safe havens during times of difficulty. The Fund also has small positions in corporate bonds, but these have also suffered from investors' aversion to risk.

Looking ahead, we expect that the UK and overseas equity markets will be slightly higher in 12 months time, although markets may experience some further significant volatility. Against this background, bonds may continue to be seen as a safe haven during times of equity market volatility. But from current levels it appears unlikely that bond prices will rise much further.

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)

TER

	31/10/11 %	30/04/11 %
A Accumulation	1.67	1.65

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

Details of investments

Investments	31/10/11 %	30/04/11 %
Financials	95.73	98.42
Derivatives	0.29	0.04
Net other assets	3.98	1.54
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/10/11 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
A Accumulation	150.80	162.69	(7.31)

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 31/10/11 %	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	(7.31)	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

	31/10/11 %		30/04/11 %
1. Scottish Widows Global Growth Fund A Acc	17.37	Scottish Widows Global Select Growth Fund A Acc	17.47
2. Scottish Widows Global Select Growth Fund A Acc	17.26	Scottish Widows Global Growth Fund A Acc	17.19
3. Scottish Widows UK Growth Fund A Acc	14.92	Scottish Widows UK Equity Income Fund A Inc	15.22
4. Scottish Widows UK Equity Income Fund A Inc	14.90	Scottish Widows UK Growth Fund A Acc	15.12
5. Scottish Widows UK Select Growth Fund A Acc	14.69	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 period under review has been a challenging one for investors in equities, mainly because of economic difficulties. Most of these difficulties stemmed from the eurozone debt crisis, which dominated sentiment over the period. Ireland and Greece have already succumbed to well-publicised debt problems, but fears that their problems are spreading to countries such as Spain and Italy caused increasing alarm. But in October EU leaders announced a "grand plan" to tackle the situation. This caused some boost in sentiment, but inevitably it wasn't long until markets dived again. These high levels of volatility have been evident throughout the review period and are showing few signs of abating.

Meanwhile, the Bank of England's most recent Inflation Report confirmed what many had feared – that the UK economy is struggling. Growth predictions for 2011 and 2012 were cut to around 1% (down from around 1.5%), while Sir Mervyn King, the Bank's governor, said output was likely to stagnate. On the plus side, inflation is at last showing some signs of falling – the main rate dropped to 5% in October.

Against this background it was perhaps unsurprising that equities continued to suffer. The FTSE 100 Index lost 7.06%, while the US stock market clocked up double-digit losses over the review period. On the corporate front, many firms have announced strong results and having benefited from healthy cash flows. As a result, companies are on a much more sound financial footing than they were a couple of years ago. This makes many companies look like attractive investment propositions. But the surrounding climate of fear is preventing companies from spending the money they have amassed, which would boost the economy. Fear is also stopping investors from putting their money back into equities, which would boost share prices.

Instead, investors have taken refuge in government bond markets, which are traditionally seen as safe havens during times of stress. The Fund also has small positions in bonds issued by governments and companies. Our government bond holdings helped contain losses during the period. However, such has been the popularity of government bonds that they no longer represent good value. Although we had increased exposure to government bonds earlier in the summer, we reversed this decision in August. The proceeds from these sales were invested in overseas equities, which represent much better value. At the moment we are comfortable with the comparative lack of exposure to government bonds, which still look expensive at current levels.

Looking ahead, we expect that the UK and overseas equity markets will be slightly higher in 12 months time, although markets may experience some further significant volatility. Against this background, bonds may continue to be seen as a safe haven during times of equity market volatility. But from current levels it appears unlikely that bond prices will rise much further.

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

	31/10/11 %	30/04/11 %
A Accumulation	1.63	1.63
B Accumulation	1.39	1.39

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

Details of investments

Investments	31/10/11 %	30/04/11 %
Financials	98.35	99.30
Derivatives	0.36	(0.03)
Net other assets	1.29	0.73
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/10/11 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
A Accumulation	138.51	145.99	(5.12)
B Accumulation	140.71	148.16	(5.03)

Please note: negative figures are shown in brackets.

Performance record

	01/05/11 to 31/10/11 %	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	(5.14)	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

	31/10/11 %		30/04/11 %
1. Scottish Widows Global Growth Fund A Acc	15.25	Scottish Widows UK Growth Fund A Acc	15.11
2. Scottish Widows UK Growth Fund A Acc	15.04	Scottish Widows Global Select Growth Fund A Acc	14.90
3. Scottish Widows Global Select Growth Fund A Acc	14.75	Scottish Widows Global Growth Fund A Acc	14.76
4. Scottish Widows UK Select Growth Fund A Acc	9.83	Scottish Widows UK Select Growth Fund A Acc	10.22
5. Scottish Widows UK Equity Income Fund A Inc	7.52	Scottish Widows UK Equity Income Fund A Inc	7.66

Number of holdings: 26 | 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 equal to the sum of the increases and decreases (if any subject to the upper and lower limits) in the Index that arise during each Index Valuation Period within 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.

It was a turbulent six months for UK equity markets. The ongoing sovereign debt crisis weighed on sentiment, with traders shunning riskier assets for the perceived safety of "core" government bonds. The deteriorating outlook for the global economy also added to the mood of disquiet. But the announcement of a "grand plan" in Europe at the close of the review period, coupled with a number of upbeat corporate trading reports, saw equity markets claw back some of their losses. Overall, the FTSE 100 Index shed 7.06%.

Looking ahead, the risks in the market are now well-known and clearly reflected in equity valuations. Results from the business world have generally been good, while company balance sheets remain strong. And, given the current macroeconomic uncertainty, interest rates will stay lower for longer. Volatility remains rife, though, and is likely to continue in the months to come.

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

	31/10/11 %	30/04/11 %
M Accumulation	-	-

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

Details of investments

Investments	31/10/11 %	30/04/11 %
Derivatives	100.00	100.00
Net other assets	-	-
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/10/11 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
M Accumulation	103.04	106.13	(2.91)

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 31/10/11 %	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	(2.74)	4.23	1.50	0.10	0.00
FTSE 100 Index	(7.06)	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

	31/10/11 %		30/04/11 %
1. Lloyds TSB Bank plc 100% Call Option January 2013	151.09	Lloyds TSB Bank plc 100% Call Option January 2013	172.08
2. Lloyds TSB Bank plc 120% Put Option January 2013	48.26	Lloyds TSB Bank plc 120% Put Option January 2013	36.67
3. Lloyds TSB Bank plc 100% Call Option January 2013 (Cliquet)	2.04	Lloyds TSB Bank plc 100% Call Option January 2013 (Cliquet)	5.99
4. Lloyds TSB Bank plc 100% Put Option January 2013	(24.62)	Lloyds TSB Bank plc 100% Put Option January 2013	(23.75)
5. Lloyds TSB Bank plc 120% Call Option January 2013	(76.77)	Lloyds TSB Bank plc 120% Call Option January 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 equal to the sum of the increases and decreases (if any subject to the upper and lower limits) in the Index that arise during each Index Valuation Period within 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.

It was a turbulent six months for UK equity markets. The ongoing sovereign debt crisis weighed on sentiment, with traders shunning riskier assets for the perceived safety of "core" government bonds. The deteriorating outlook for the global economy also added to the mood of disquiet. But the announcement of a "grand plan" in Europe at the close of the review period, coupled with a number of upbeat corporate trading reports, saw equity markets claw back some of their losses. Overall, the FTSE 100 Index shed 7.06%.

Looking ahead, the risks in the market are now well-known and clearly reflected in equity valuations. Results from the business world have generally been good, while company balance sheets remain strong. And, given the current macroeconomic uncertainty, interest rates will stay lower for longer. Volatility remains rife, though, and is likely to continue in the months to come.

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

	31/10/11 %	30/04/11 %
M Accumulation	-	-

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

Details of investments

Investments	31/10/11 %	30/04/11 %
Derivatives	100.00	100.00
Net other assets	-	-
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/10/11 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
M Accumulation	106.98	111.45	(4.01)

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 31/10/11 %	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	(4.31)	5.89	5.09	0.10
FTSE 100 Index	(7.06)	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

	31/10/11 %		30/04/11 %
1. Lloyds TSB Bank plc 120% Put Option April 2013	91.14	Lloyds TSB Bank plc 100% Call Option April 2013	84.75
2. Lloyds TSB Bank plc 100% Call Option April 2013	69.59	Lloyds TSB Bank plc 120% Put Option April 2013	72.02
3. Lloyds TSB Bank plc 100% Call Option April 2013 (Cliquet)	6.19	Lloyds TSB Bank plc 100% Call Option April 2013 (Cliquet)	11.08
4. Lloyds TSB Bank plc 120% Call Option April 2013	(21.56)	Lloyds TSB Bank plc 100% Put Option April 2013	(33.05)
5. Lloyds TSB Bank plc 100% Put Option April 2013	(45.36)	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 equal to the sum of the increases and decreases (if any subject to the upper and lower limits) in the Index that arise during each Index Valuation Period within 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.

It was a turbulent six months for UK equity markets. The ongoing sovereign debt crisis weighed on sentiment, with traders shunning riskier assets for the perceived safety of "core" government bonds. The deteriorating outlook for the global economy also added to the mood of disquiet. But the announcement of a "grand plan" in Europe at the close of the review period, coupled with a number of upbeat corporate trading reports, saw equity markets claw back some of their losses. Overall, the FTSE 100 Index shed 7.06%.

Looking ahead, the risks in the market are now well-known and clearly reflected in equity valuations. Results from the business world have generally been good, while company balance sheets remain strong. And, given the current macroeconomic uncertainty, interest rates will stay lower for longer. Volatility remains rife, though, and is likely to continue in the months to come.

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

	31/10/11 %	30/04/11 %
M Accumulation	-	-

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

Details of investments

Investments	31/10/11 %	30/04/11 %
Derivatives	100.00	100.00
Net other assets	-	-
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/10/11 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
M Accumulation	103.85	106.64	(2.62)

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 31/10/11 %	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	(3.38)	7.36	(0.89)	0.00
FTSE 100 Index	(7.06)	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

	31/10/11 %		30/04/11 %
1. Lloyds TSB Bank plc 120% Put Option December 2013	106.48	Lloyds TSB Bank plc 100% Call Option December 2013	87.76
2. Lloyds TSB Bank plc 100% Call Option December 2013	76.55	Lloyds TSB Bank plc 120% Call Option December 2013	85.24
3. Lloyds TSB Bank plc 100% Call Option December 2013 (Cliquet)	7.13	Lloyds TSB Bank plc 100% Call Option December 2013 (Cliquet)	11.26
4. Lloyds TSB Bank plc 120% Call Option December 2013	(29.80)	Lloyds TSB Bank plc 120% Call Option December 2013	(40.80)
5. Lloyds TSB Bank plc 100% Put Option December 2013	(60.36)	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 equal to the sum of the increases and decreases (if any subject to the upper and lower limits) in the Index that arise during each Index Valuation Period within 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.

It was a turbulent six months for UK equity markets. The ongoing sovereign debt crisis weighed on sentiment, with traders shunning riskier assets for the perceived safety of "core" government bonds. The deteriorating outlook for the global economy also added to the mood of disquiet. But the announcement of a "grand plan" in Europe at the close of the review period, coupled with a number of upbeat corporate trading reports, saw equity markets claw back some of their losses. Overall, the FTSE 100 Index shed 7.06%.

Looking ahead, the risks in the market are now well-known and clearly reflected in equity valuations. Results from the business world have generally been good, while company balance sheets remain strong. And, given the current macroeconomic uncertainty, interest rates will stay lower for longer. Volatility remains rife, though, and is likely to continue in the months to come.

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 4 (continued)

TER

	31/10/11 %	30/04/11 %
M Accumulation	-	-

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

Details of investments

Investments	31/10/11 %	30/04/11 %
Derivatives	100.00	100.00
Net other assets	-	-
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/10/11 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
M Accumulation	100.56	102.37	(1.77)

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 31/10/11 %	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	(1.66)	6.71	(4.14)	0.10
FTSE 100 Index	(7.06)	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

	31/10/11 %		30/04/11 %
1. Lloyds TSB Bank plc 120% Put Option April 2014	146.03	Lloyds TSB Bank plc 120% Put Option April 2014	109.98
2. Lloyds TSB Bank plc 100% Call Option April 2014	50.15	Lloyds TSB Bank plc 100% Call Option April 2014	69.17
3. Lloyds TSB Bank plc 100% Call Option April 2014 (Cliquet)	4.86	Lloyds TSB Bank plc 100% Call Option April 2014 (Cliquet)	8.58
4. Lloyds TSB Bank plc 120% Call Option April 2014	(16.00)	Lloyds TSB Bank plc 120% Call Option April 2014	(29.88)
5. Lloyds TSB Bank plc 100% Put Option April 2014	(85.04)	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 equal to the sum of the increases and decreases (if any subject to the upper and lower limits) in the Index that arise during each Index Valuation Period within 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.

It was a turbulent six months for UK equity markets. The ongoing sovereign debt crisis weighed on sentiment, with traders shunning riskier assets for the perceived safety of "core" government bonds. The deteriorating outlook for the global economy also added to the mood of disquiet. But the announcement of a "grand plan" in Europe at the close of the review period, coupled with a number of upbeat corporate trading reports, saw equity markets claw back some of their losses. Overall, the FTSE 100 Index shed 7.06%.

Looking ahead, the risks in the market are now well-known and clearly reflected in equity valuations. Results from the business world have generally been good, while company balance sheets remain strong. And, given the current macroeconomic uncertainty, interest rates will stay lower for longer. Volatility remains rife, though, and is likely to continue in the months to come.

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

	31/10/11 %	30/04/11 %
M Accumulation	-	-

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

Details of investments

Investments	31/10/11 %	30/04/11 %
Derivatives	99.99	100.01
Net other assets/(liabilities)	0.01	(0.01)
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/10/11 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
M Accumulation	101.61	99.99	1.62

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 31/10/11 %	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	0.60	(0.10)	0.10	0.00
FTSE 100 Index	(7.06)	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

	31/10/11 %		30/04/11 %
1. Lloyds TSB Bank plc 120% Put Option July 2014	124.67	Lloyds TSB Bank plc 100% Call Option July 2014	103.82
2. Lloyds TSB Bank plc 100% Call Option July 2014	75.15	Lloyds TSB Bank plc 120% Put Option July 2014	91.28
3. Lloyds TSB Bank plc 100% Call Option July 2014 (Cliquet)	7.85	Lloyds TSB Bank plc 100% Call Option July 2014 (Cliquet)	9.25
4. Lloyds TSB Bank plc 120% Call Option July 2014	(31.91)	Lloyds TSB Bank plc 100% Put Option July 2014	(49.97)
5. Lloyds TSB Bank plc 100% Put Option July 2014	(75.77)	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).

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.

It was a turbulent six months for UK equity markets. The ongoing sovereign debt crisis weighed on sentiment, with traders shunning riskier assets for the perceived safety of "core" government bonds. The deteriorating outlook for the global economy also added to the mood of disquiet. But the announcement of a "grand plan" in Europe at the close of the review period, coupled with a number of upbeat corporate trading reports, saw equity markets claw back some of their losses. Overall, the FTSE 100 Index shed 7.06%.

Looking ahead, the risks in the market are now well-known and clearly reflected in equity valuations. Results from the business world have generally been good, while company balance sheets remain strong. And, given the current macroeconomic uncertainty, interest rates will stay lower for longer. Volatility remains rife, though, and is likely to continue in the months to come.

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)

Distribution

XD date	Payment date
20/06/11	19/08/11

TER

	31/10/11 %	30/04/11 %
M Accumulation	-	-

Share class M Accumulation was launched 16 February 2011.

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

Details of investments

Investments	31/10/11 %	30/04/11 %
Derivatives	100.00	-
Financials	-	87.74
Net other assets	-	12.26
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/10/11 (p)	NAV per share 30/04/11 (p)	NAV percentage change %
M Accumulation	97.37	100.03	(2.66)

Distribution

	Special 20/06/11 (p)
M Accumulation	0.0824

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 5697.72.

Please note: negative figures are shown in brackets.

Holdings

	31/10/11 %		30/04/11 %
1. Lloyds TSB Bank plc 120% Put Option December 2015	157.45	SWIP Sterling Liquidity Fund	87.74
2. Lloyds TSB Bank plc 100% Call Option December 2015	73.05		
3. Lloyds TSB Bank plc 141% Call Option December 2015	(2.26)		
4. Lloyds TSB Bank plc 120% Call Option December 2015	(25.47)		
5. Lloyds TSB Bank plc 100% Put Option December 2015	(102.77)		

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).

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.

It was a turbulent six months for UK equity markets. The ongoing sovereign debt crisis weighed on sentiment, with traders shunning riskier assets for the perceived safety of "core" government bonds. The deteriorating outlook for the global economy also added to the mood of disquiet. But the announcement of a "grand plan" in Europe at the close of the review period, coupled with a number of upbeat corporate trading reports, saw equity markets claw back some of their losses. Overall, the FTSE 100 Index shed 7.06%.

Looking ahead, the risks in the market are now well-known and clearly reflected in equity valuations. Results from the business world have generally been good, while company balance sheets remain strong. And, given the current macroeconomic uncertainty, interest rates will stay lower for longer. Volatility remains rife, though, and is likely to continue in the months to come.

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)

Distribution

XD date	Payment date
10/10/11	09/12/11

TER

	31/10/11 %
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	31/10/11 %
Derivatives	100.00
Net other assets	-
Total net assets	100.00

Net asset value

	NAV per share 31/10/11 (p)
M Accumulation	97.97

Distribution

	Special 10/10/11 (p)
M Accumulation	0.1184

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

The Capital Protected Price is 105.8p.

The FTSE 100 Index starting value is 5466.36.

Please note: negative figures are shown in brackets.

Holdings

	31/10/11 %
1. Lloyds TSB Bank plc 120% Put Option March 2016	145.59
2. Lloyds TSB Bank plc 100% Call Option March 2016	91.05
3. Lloyds TSB Bank plc 141% Call Option March 2016	(2.70)
4. Lloyds TSB Bank plc 120% Call Option March 2016	(36.37)
5. Lloyds TSB Bank plc 100% Put Option March 2016	(97.57)

Number of holdings: 5

SCOTTISH WIDOWS

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