

SCOTTISH WIDOWS
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Scottish Widows Investment Solutions Funds ICVC

Final Short Report
for the year ended
31 May 2009

Scottish Widows Investment Solutions Funds ICVC

The Company and Head Office

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

Incorporated in Scotland under registered number IC000164. 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 and Head 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.

Depository

State Street Trustees Limited

Registered Office:

20 Churchill Place
Canary Wharf
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 twice a year 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

Prospectus Changes and Important Information	1
Adventurous Solution	4
Balanced Solution	6
Cautious Solution	8
Defensive Solution	10
Discovery Solution	12
Diversified Portfolio Fund	14
Dynamic Solution	16
Strategic Solution	18
Capital Protected Fund 1	20
Capital Protected Fund 2	22
Capital Protected Fund 3	24
Capital Protected Fund 4	26
Capital Protected Fund 5	28
Capital Protected Fund 6	30
Capital Protected Fund 7	32
Capital Protected Fund 8	34
Capital Protected Fund 9	36
Capital Protected Fund 10	38
Capital Protected Fund 11	40

Long reports 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 Unit Trust Managers Limited.

Fund prices can also be found at the above website.

Prospectus Changes

During the year and up to the date of this report, the following changes were made to the Company and therefore the following changes were reflected in the Prospectus and/or Instrument of Incorporation of Scottish Widows Investment Solutions Funds ICVC.

- During the reporting period, five new sub funds were added to the ICVC. Capital Protected Fund 8 was launched on 8 September 2008.
- The Diversified Portfolio Fund was launched 17 November 2008. Customer literature may indicate that this fund was launched in October 2008, however the launch was delayed some three weeks due to very volatile market conditions in October and early November.
- Capital Protected Fund 9 was launched on 20 November 2008. Some customers who bought CPF 9 may have received Details of Terms for this tranche which state a launch date of 24 November 2008, however the launch date was brought forward to 20 November 2008.
- Capital Protected Fund 10 was launched on 28 January 2009 and Capital Protected Fund 11 was launched on 27 March 2009.
- The share class rules for Capital Protected Funds 11 and 12 (“CPFs 11 and 12”) have been varied to permit the Authorised Corporate Director to issue further shares in CPFs 11 and 12 provided, in accordance with COLL Rules, that it is satisfied that doing so will not compromise CPFs 11 and 12’s investment objectives or materially prejudice the rights of shareholders.
- The Prospectus section on suspension of dealing has been updated to reflect a recent change in the rules governing collective investment schemes. The new rules allow greater flexibility in the duration that shares may be suspended for when, due to exceptional circumstances, it is in the interests of all the Shareholders to suspend dealing. Previously dealing could only be suspended for a maximum of 28 days before recommencing, however now dealing can be suspended for an indefinite period, as long as the suspension ceases as soon as practicable after the exceptional circumstances have ended and the suspension is reviewed at least every 28 days. Should it become necessary to suspend dealing in a fund we would notify all shareholders of this as soon as practicable.

A copy of the Prospectus is available on request.

Important Information

Please note that with effect from 31 December 2008, the Registrar's fee for each of the Defensive Solution, Cautious Solution, Discovery Solution, Balanced Solution, Strategic Solution, Dynamic Solution and Adventurous Solution funds has changed from a flat fee to an ad valorem basis. The amount of the Registrar's fee, if applied, shall be 0.1% per annum of the Net Asset Value of each fund. This fee shall accrue daily and will be paid monthly. The ACD is currently waiving this fee.

On 31 July 2008 a motion was passed by shareholders in the Defensive Solution, Cautious Solution, Discovery Solution, Balanced Solution, Strategic Solution, Dynamic Solution and Adventurous Solution funds allowing changes to the objectives, policy and investment and borrowing powers of each of these funds. These changes were made to allow more flexibility and efficiency in managing the funds and provide more options as to the type of asset classes that each fund can invest in. The restructuring of the Solutions funds following this vote was due to commence in mid September but was delayed due to extreme market volatility at that time. The restructuring of the funds actually commenced in November 2008 and will take some time to complete. As at 31 May 2009, the funds are in an interim structure and have not, as yet, fully moved to the final structure proposed.

The protected price for CPF 3, shown in 2008 six monthly customer statements, was incorrectly understated as £1.011 instead of the correct price of £1.065. This was corrected for ongoing statements.

The last report contained an error in relation to the CPF 5 Fund definition of upper limit. The definition previously stated: "Upper Limit is 75%; this is the cap on the Increase so if the Increase is greater than 75% Shareholders will only get 100% (i.e. the Participation Rate) of 75%". The correct definition should read as follows: "Upper limit is 83.34% this is a cap on the Increase so if the Increase is greater than or equal to 83.34% Shareholders will only get an Increase of 90% (the Participation Rate) x 83.34% = 75%".

It has been identified during the reporting period that the Total Expense Ratio (TER) for a number of funds have been incorrectly disclosed in previous reports and accounts. The funds affected are the Adventurous Solution, Balanced Solution, Cautious Solution, Defensive Solution, Discovery Solution, Dynamic Solution and Strategic Solution. This mistake has been rectified and where historic TER figures are included in this report, the correct revised TERs are now included.

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

To give long-term capital growth by investing mainly in funds such as collective investment schemes.

Summary of the investment policy of the Fund

The Fund will provide exposure primarily to equities (including UK, overseas and emerging markets equities). The Fund will also provide exposure to fixed interest securities (including UK fixed interest securities and overseas high yield bonds), property and commodities. In addition the Fund has the power to invest in other asset classes permitted by the FSA rules. Exposure will be generally to UK investments but with a significant proportion overseas.

Risks

The Fund will provide exposure to a wide range of asset classes, 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 the value of your investment might fall.
- Some of the companies and governments who issue the fixed interest securities that the funds invest in 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 might reduce. In addition, a proportion of the Fund 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 funds. If long term interest rates rise, the value of your investment might fall and vice versa.
- Exchange rate changes might cause the value of any overseas investments to go up or down.
- Property is a less liquid asset than other assets such as fixed interest securities or equities and values could be affected if properties need to be sold in a short timescale. Property valuation is generally a matter of judgement by an independent valuer rather than fact and values can go up or down.

INVESTMENT MANAGER'S REVIEW

The Fund returned -24.13% over the period under review.

This was an extraordinary period for financial markets, dominated by the global financial crisis and increasingly negative economic outlook. Throughout 2008 and into 2009, the economic environment across most of the world weakened markedly. The downturn in the major European and US housing markets continued to gather pace, fuelled by sharply rising unemployment rates in those economies. The economic difficulties in the west also started to take their toll on Asian growth rates as exports started to slow toward the end of 2008. However, more recent months have seen risk appetite increase, partly fuelled by a belief that the worst of the financial crisis might be over.

Against this background it has been very difficult to generate positive returns. During the review period the Fund's investment policy was changed to give the manager more flexibility in achieving the aims of the Fund. This increased level of diversification proved beneficial in limiting the Fund's losses.

The Fund's exposure to equities was negative for performance. In the UK, equity markets followed a largely downward path, with the FTSE All-Share index losing nearly a quarter of its value. Much of the decline came in September and October amid the threatened meltdown of the banking system and sharp downturn in economic prospects. Since March, though, there has been an upturn in performance: April produced the biggest monthly rise in the All-Share in 17 years.

Overseas equities also suffered during the period. A steep decline in the Standard & Poor's 500 index in June 2008 was followed by further steep falls in September, October and February. While the rebound of recent months allowed the index to recover some ground, US shares still lost nearly a third of their value in dollar terms over the period. Most major indices in Europe and the Far East suffered declines of similar magnitude, while emerging markets continued to exhibit high levels of volatility.

The Fund's exposure to commodities was also negative for performance, although the market for this asset class now looks to have bottomed out. Toward the end of the period some commodities, such as copper, even produced strong positive returns.

Looking ahead, only a muted economic recovery is likely over the next 12 to 18 months, given caution on the part of the banks, who continue to be constrained by their levels of capital. But the fact that global equity valuations are relatively inexpensive is good news for investors with a long-term investment horizon who are able and willing to shoulder some further short-term volatility.

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.

Adventurous Solution (continued)

Distribution

XD date	Payment date
31/05/09	31/07/09

TER

	31/05/09	31/05/08
	%	%
A Accumulation	1.69	1.71
X Accumulation	0.05	0.06

The Total Expenses Ratio (TER) is the total expenses paid by the Fund in the year against its average net asset value. The TER will fluctuate as underlying costs change. The TERs for the prior year have been restated.

Details of investments

Investments	31/05/09	31/05/08
	%	%
Equity Funds	77.95	98.96
Other Funds	12.77	5.48
Bond Funds	8.20	-
Futures Contracts	0.75	-
Property Funds	0.58	-
Forward Currency Contracts	(0.28)	-
Net other assets/(liabilities)	0.03	(4.44)
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage change
	31/05/09	31/05/08	
	(p)	(p)	%
A Accumulation	88.60	115.53	(23.31)
X Accumulation	92.80	119.44	(22.30)

Performance record

	01/06/08 to 31/05/09	01/06/07 to 31/05/08	01/06/06 to 31/05/07	24/10/05 to 31/05/06
	%	%	%	%
Scottish Widows Adventurous Solution A Accumulation	(24.13)	(6.78)	17.22	5.70

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

Distribution

	Final 31/05/09 (p)
A Accumulation	1,7835
X Accumulation	3,0888

Top five holdings

	31/05/09		31/05/08
	%		%
1. SWIP Multi-Manager International Equity Fund A Acc‡	24.53	SWIP Multi-Manager International Equity Fund A Acc‡	25.16
2. SWIP Multi-Manager UK Equity Focus Fund A Acc‡	16.98	Russell US Equity Fund I Acc	16.36
3. SWIP Multi-Manager UK Equity Growth Fund A Acc‡	16.00	SWIP Multi-Manager UK Equity Income Fund A Acc‡	16.34
4. SWIP Multi-Manager UK Equity Income Fund A Acc‡	15.96	SWIP Multi-Manager UK Equity Growth Fund A Acc‡	16.29
5. Russell Emerging Markets Fund I Acc	5.27	SWIP Multi-Manager UK Equity Focus Fund A Acc‡	16.21

Number of holdings: 25

Number of holdings: 9

‡ Scottish Widows Investment Partnership (SWIP)

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

To give long-term capital growth by investing mainly in funds such as collective investment schemes.

Summary of the investment policy of the Fund

The Fund will provide exposure to equities (including UK, overseas and emerging markets equities) balanced mainly with fixed interest securities (including UK fixed interest securities and overseas high yield bonds). The Fund will also provide exposure to property, commodities and other asset classes. Exposure will be to both UK and overseas markets.

Risks

The Fund will provide exposure to a wide range of asset classes, 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 the value of your investment might fall.
- Some of the companies and governments who issue the fixed interest securities that the funds invest in 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 might reduce. In addition, a proportion of the Fund 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 funds. If long term interest rates rise, the value of your investment might fall and vice versa.
- Exchange rate changes might cause the value of any overseas investments to go up or down.
- Property is a less liquid asset than other assets such as fixed interest securities or equities and values could be affected if properties need to be sold in a short timescale. Property valuation is generally a matter of judgement by an independent valuer rather than fact and values can go up or down.

INVESTMENT MANAGER'S REVIEW

The Fund returned -16.4% over the period under review.

This was an extraordinary period for financial markets, dominated by the global financial crisis and increasingly negative economic outlook. Throughout 2008 and into 2009, the economic environment across most of the world weakened markedly. The downturn in the major European and US housing markets continued to gather pace, fuelled by sharply rising unemployment rates in those economies. The economic difficulties in the west also started to take their toll on Asian growth rates as exports started to slow toward the end of 2008. However, more recent months have seen risk appetite increase, partly fuelled by a belief that the worst of the financial crisis might be over. As a result, equities and corporate bonds have rebounded.

Against this background it has been very difficult to generate positive returns. During the review period the Fund's investment policy was changed to give the manager more flexibility in achieving the aims of the Fund. This increased level of diversification proved beneficial in limiting the Fund's losses.

The Fund's exposure to equities was negative for performance. In the UK, equity markets followed a largely downward path, with the FTSE All-Share index losing nearly a quarter of its value. Much of the decline came in September and October amid the threatened meltdown of the banking system and sharp downturn in economic prospects. Overseas equities also suffered during the period. Since March, though, there has been an upturn in performance: April produced the biggest monthly rise in the All-Share in 17 years.

Corporate bonds underperformed government bonds over the review period and were negative for performance. Between September and December, corporate bonds fell dramatically as the succession of bank failures and government bail-outs destabilised the credit market. Recent months, though, have proved more encouraging. This is particularly true for areas of the market, such as high-yield, that had suffered the largest losses.

The position in UK commercial property also proved negative, with the sector continuing to suffer from falling rental income and capital values. Persistent problems in the credit markets have negatively affected the supply and cost of funding for property companies and developers.

Looking ahead, only a muted economic recovery is likely over the next 12 to 18 months, given caution on the part of the banks, who continue to be constrained by their levels of capital. We expect that 2009 will be the low point for the property market, with the economy picking up towards the end of the year. This should bring a more positive outlook for rental growth and an improvement in investor confidence. Elsewhere, corporate bond markets remain attractive from a medium-to-long term perspective, while the relatively inexpensive global equity valuations are good news for investors who can shoulder further short-term volatility.

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 Solution (continued)

Distribution

XD date	Payment date
31/05/09	31/07/09

TER

	31/05/09 %	31/05/08 %
A Accumulation	1.82	1.80
X Accumulation	0.17	0.16

The Total Expense Ratio (TER) is the total expenses paid by the Fund in the year against its average net asset value. The TER will fluctuate as underlying costs change. The TERs for the prior year have been restated.

Details of investments

Investments	31/05/09 %	31/05/08 %
Equity Funds	50.51	49.74
Bond Funds	38.64	34.63
Property Funds	5.52	12.61
Other Funds	4.59	2.53
Futures Contracts	0.47	0.05
Forward Currency Contracts	(0.16)	0.13
Net other assets	0.43	0.31
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/05/09 (p)	NAV per share 31/05/08 (p)	NAV percentage change %
A Accumulation	88.84	105.12	(15.49)
X Accumulation	93.12	108.74	(14.36)

Performance record

	01/06/08 to 31/05/09 %	01/06/07 to 31/05/08 %	01/06/06 to 31/05/07 %	24/10/05 to 31/05/06 %
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Scottish Widows Balanced Solution

A Accumulation	(16.40)	(7.13)	9.65	3.60
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Source: Lipper for Fund. Basis: Mid to Mid, net income reinvested and net of expenses. Past performance is not a reliable indicator of future results. The value of an investment and any income from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Distribution

	Final 31/05/09 (p)
A Accumulation	2.6502
X Accumulation	3.9879

Top five holdings

	31/05/09 %		31/05/08 %
1. SWIP High Yield Bond Fund A Inc‡	14.95	SWIP Multi-Manager International Equity Fund A Acc‡	17.66
2. SWIP Multi-Manager International Equity Fund A Acc‡	12.03	SWIP Property Trust Acc‡	12.61
3. SWIP Multi-Manager UK Equity Focus Fund A Acc‡	11.21	SWIP Multi-Manager UK Equity Focus Fund A Acc‡	10.75
4. SWIP Corporate Bond Plus Fund A Inc‡	11.20	SWIP Multi-Manager UK Equity Income Fund A Acc‡	10.70
5. SWIP Multi-Manager UK Equity Growth Fund A Acc‡	10.31	SWIP Multi-Manager UK Equity Growth A Acc‡	10.63

Number of holdings: 28

Number of holdings: 14

‡ Scottish Widows Investment Partnership (SWIP)

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

To give an income with some potential for long-term capital growth by investing mainly in funds such as collective investment schemes.

Summary of the investment policy of the Fund

The Fund will provide exposure generally to fixed interest securities (including UK government bonds, other UK fixed interest securities and overseas high yield bonds). The Fund will also provide exposure to equities (including UK and overseas equities), property, commodities and other asset classes. Exposure will be generally to UK investments but with a significant proportion overseas.

Risks

The Fund will provide exposure to a wide range of asset classes, 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 who issue the fixed interest securities that the funds invest in 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 might fall. In addition, a proportion of the Fund 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 funds. If long-term interest rates rise, the value of your investment might fall and vice versa.
- Exchange rate changes might cause the value of any overseas income received by the Fund to go up or down. This might affect the amount of income paid to you or added to the Fund.
- 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 the value of your investment might fall.
- Property is a less liquid asset than other assets such as fixed interest securities or equities and values could be affected if properties need to be sold in a short timescale. Property valuation is generally a matter of judgement by an independent valuer rather than fact and values can go up or down.

INVESTMENT MANAGER'S REVIEW

The Fund returned -10.34% over the period under review.

This was an extraordinary period for financial markets, dominated by the global financial crisis and increasingly negative economic outlook. Throughout 2008 and into 2009, the economic environment across most of the world weakened markedly. The downturn in the major European and US housing markets continued to gather pace, fuelled by sharply rising unemployment rates in those economies. The economic difficulties in the west also started to take their toll on Asian growth rates as exports started to slow toward the end of 2008. However, more recent months have seen risk appetite increase, partly fuelled by a belief that the worst of the financial crisis might be over.

Against this background it has been very difficult to generate positive returns. During the review period the Fund's investment policy was changed to give the manager more flexibility in achieving the aims of the Fund. This increased level of diversification proved beneficial in limiting the Fund's losses.

During the review period, the Fund's exposure to corporate bonds proved negative for performance. Over the last few months of 2008, corporate bonds fell dramatically as the succession of bank failures and government bail-outs destabilised the credit market. One of the market's main concerns has been the ability of the government to revitalise the troubled financial sector. As a result, financial companies were responsible for most of the losses in this asset class. Recent performance, though, has proved more encouraging. This is particularly true for areas of the market, such as high-yield, that had suffered the largest losses.

The Fund's holding in UK equities also detracted from performance in the wake of the sustained heavy falls in global equity markets. The position in commercial property also proved negative, with the sector continuing to suffer from falling rental income and capital values. Persistent problems in the credit markets have negatively affected the supply and cost of funding for property companies and developers.

Looking ahead, only a muted economic recovery is likely over the next 12 to 18 months, given caution on the part of the banks, who continue to be constrained by their levels of capital. Corporate bond markets remain attractive from a medium-to-long term perspective, while the relatively inexpensive global equity valuations are good news for investors who can shoulder further short-term volatility.

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 Solution (continued)

Distribution

XD date	Payment date
28/02/09	30/04/09
31/05/09	31/07/09

TER

	31/05/09	31/05/08
	%	%
A Accumulation	1.55	1.43
A Income	1.55	1.43
X Accumulation	0.20	0.09

The Total Expenses Ratio (TER) is the total expenses paid by the Fund in the year against its average net asset value. The TER will fluctuate as underlying costs change. The TERs for the prior year have been restated.

Details of investments

Investments	31/05/09	31/05/08
	%	%
Bond Funds	66.34	69.17
Equity Funds	22.76	14.75
Property Funds	6.86	12.45
Other Funds	3.40	2.64
Futures Contracts	0.26	0.05
Forward Currency Contracts	(0.11)	0.21
Net other assets	0.49	0.73
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage change
	31/05/09	31/05/08	(p)
	(p)	(p)	%
A Accumulation	92.27	102.05	(9.58)
A Income	83.27	95.49	(12.80)
X Accumulation	95.85	104.88	(8.61)

Performance record

	01/06/08 to 31/05/09	01/06/07 to 31/05/08	01/06/06 to 31/05/07	24/10/05 to 31/05/06
	%	%	%	%

Scottish Widows Cautious Solution

A Accumulation	(10.34)	(4.30)	4.18	2.80
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Source: Lipper for Fund. Basis: Mid to Mid, net income reinvested and net of expenses. Past performance is not a reliable indicator of future results. The value of an investment and any income from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Distribution

	Third interim 28/02/09	Final 31/05/09
	(p)	(p)
A Accumulation	0.8491	0.7953
A Income	0.7764	0.7288
X Accumulation	1.1272	1.0769

Top five holdings

	31/05/09		31/05/08
	%		%
1. SWIP Sterling Credit Advantage Fund A Inc ‡	15.99	SWIP High Yield Bond Fund A Inc ‡	15.08
2. SWIP Corporate Bond Plus Fund A Inc‡	15.72	Scottish Widows UK Index-Linked Tracker Fund I Inc	14.87
3. SWIP High Yield Bond Fund A Inc‡	15.32	SWIP Multi-Manager UK Equity Income Fund A Inc ‡	14.75
4. SWIP Multi-Manager UK Equity Income Fund A Inc‡	9.12	Scottish Widows Corporate Bond Fund A Inc	14.71
5. SWIP Property Trust Inc‡	6.86	SWIP Property Trust Inc ‡	12.45

Number of holdings: 29

Number of holdings: 11

‡ Scottish Widows Investment Partnership (SWIP)

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

To give an income, or growth (when income is kept in the Fund) by investing mainly in funds such as collective investment schemes.

Summary of the investment policy of the Fund

The Fund will provide exposure generally to fixed interest securities (including UK government bonds, other UK fixed interest securities and overseas high yield bonds). The Fund will also provide exposure to equities (including UK and overseas equities), property, commodities and other asset classes. Exposure will be mainly to UK investments but with a significant proportion overseas.

Risks

The Fund will provide exposure to a wide range of asset classes, 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 who issue the fixed interest securities that the funds invest in 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 might fall. In addition, a proportion of the Fund 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 funds. If long-term interest rates rise, the value of your investment might fall and vice versa.
- Exchange rate changes might cause the value of any overseas income received by the Fund to go up or down. This might affect the amount of income paid to you or added to the Fund.
- Property is a less liquid asset than other assets such as fixed interest securities or equities and values could be affected if properties need to be sold in a short timescale. Property valuation is generally a matter of judgement by an independent valuer rather than fact and values can go up or down.

INVESTMENT MANAGER'S REVIEW

The Fund returned -8.51% over the period under review.

This was an extraordinary period for financial markets, dominated by the global financial crisis and increasingly negative economic outlook. Throughout 2008 and into 2009, the economic environment across most of the world weakened markedly. The downturn in the major European and US housing markets continued to gather pace, fuelled by sharply rising unemployment rates in those economies. The economic difficulties in the west also started to take their toll on Asian growth rates as exports started to slow toward the end of 2008. However, more recent months have seen risk appetite increase, partly fuelled by a belief that the worst of the financial crisis might be over.

Against this background it has been very difficult to generate positive returns. During the review period the Fund's investment policy was changed to give the manager more flexibility in achieving the aims of the Fund. This increased level of diversification proved beneficial in limiting the Fund's losses.

During the review period, the Fund's exposure to corporate bonds proved negative for performance. Over the last few months of 2008, corporate bonds fell dramatically as the succession of bank failures and government bail-outs destabilised the credit market. One of the market's main concerns has been the ability of the government to revitalise the troubled financial sector. As a result, financial companies were responsible for most of the losses in this asset class. Recent performance, though, has proved more encouraging. This is particularly true for areas of the market, such as high-yield, that had suffered the largest losses.

Global government bonds were ahead in sterling terms over the review period, which helped to offset some of the Fund's losses. The holding in UK equities detracted from performance in the wake of the sustained heavy falls in global equity markets. Sentiment has improved in recent months, however.

Looking ahead, only a muted economic recovery is likely over the next 12 to 18 months, given caution on the part of the banks, who continue to be constrained by their levels of capital. Corporate bond markets remain attractive from a medium-to-long term perspective, while the relatively inexpensive global equity valuations are good news for investors who can shoulder further short-term volatility.

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.

Defensive Solution (continued)

Distribution

XD date	Payment date
28/02/09	30/04/09
31/05/09	31/07/09

TER

	31/05/09	31/05/08
	%	%
A Accumulation	1.55	1.52
A Income	1.55	1.52
X Accumulation	0.20	0.18

The Total Expenses Ratio (TER) is the total expenses paid by the Fund in the year against its average net asset value. The TER will fluctuate as underlying costs change. The TERs for the prior year have been restated.

Details of investments

Investments	31/05/09	31/05/08
	%	%
Bond Funds	74.28	74.35
Equity Funds	16.13	4.83
Property Funds	5.02	17.26
Other Funds	3.10	1.95
Futures Contracts	0.31	0.05
Forward Currency Contracts	(0.13)	0.44
Net other assets	1.29	1.12
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage
	31/05/09	31/05/08	change
	(p)	(p)	%
A Accumulation	90.50	97.98	(7.63)
A Income	81.44	91.29	(10.79)
X Accumulation	94.04	100.72	(6.63)

Performance record

	01/06/08 to 31/05/09	01/06/07 to 31/05/08	01/06/06 to 31/05/07	24/10/05 to 31/05/06
	%	%	%	%
Scottish Widows Defensive Solution A Accumulation	(8.51)	(4.67)	2.38	0.90

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

Distribution

	Third interim 28/02/09 (p)	Final 31/05/09 (p)
A Accumulation	0.7222	0.6828
A Income	0.6549	0.6278
X Accumulation	0.9943	0.9560

Top five holdings

	31/05/09		31/05/08
	%		%
1. SWIP Sterling Credit Advantage Fund A Inc‡	24.96	SWIP Property Trust Inc‡	17.26
2. SWIP Corporate Bond Plus Fund A Inc‡	16.30	SWIP High Yield Bond Fund A Inc‡	15.42
3. SWIP Gilt Plus Fund A Inc‡	9.46	Scottish Widows Corporate Bond Fund A Inc	14.88
4. SWIP European Corporate Bond Fund A Inc‡	8.18	SWIP Corporate Bond Plus Fund A Inc‡	9.98
5. SWIP High Yield Bond Fund A Inc‡	6.99	SWIP Defensive Gilt Fund A Inc‡	9.78

Number of holdings: 27

Number of holdings: 19

‡ Scottish Widows Investment Partnership (SWIP)

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

To give an income with the potential for long-term capital growth by investing mainly in funds such as collective investment schemes.

Summary of the investment policy of the Fund

The Fund will provide exposure mainly to fixed interest securities (including UK fixed interest securities and overseas high yield bonds) and equities (including UK and overseas equities). The Fund will also provide exposure to property, commodities and other asset classes. Exposure will be generally to UK investments but with a significant proportion overseas.

Risks

The Fund will provide exposure to a wide range of asset classes, 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 the value of your investment might fall.
- Some of the companies and governments who issue the fixed interest securities that the funds invest in 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 might fall. In addition, a proportion of the Fund 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 funds. If long term interest rates rise, the value of your investment might fall and vice versa.
- Exchange rate changes might cause the value of any overseas investments and income from them to go up or down.
- Property is a less liquid asset than other assets such as fixed interest securities or equities and values could be affected if properties need to be sold in a short timescale. Property valuation is generally a matter of judgement by an independent valuer rather than fact and values can go up or down.

INVESTMENT MANAGER'S REVIEW

The Fund returned -14.18% over the period under review.

This was an extraordinary period for financial markets, dominated by the global financial crisis and increasingly negative economic outlook. Throughout 2008 and into 2009, the economic environment across most of the world weakened markedly. The downturn in the major European and US housing markets continued to gather pace, fuelled by sharply rising unemployment rates in those economies. The economic difficulties in the west also started to take their toll on Asian growth rates as exports started to slow toward the end of 2008. However, more recent months have seen risk appetite increase, partly fuelled by a belief that the worst of the financial crisis might be over.

Against this background it has been very difficult to generate positive returns. During the review period the Fund's investment policy was changed to give the manager more flexibility in achieving the aims of the Fund. This increased level of diversification proved beneficial in limiting the Fund's losses.

The Fund's exposure to equities was negative for performance. In the UK, equity markets followed a largely downward path, with the FTSE All-Share index losing nearly a quarter of its value. Overseas equities also suffered during the period. Much of the decline came in September and October amid the threatened meltdown of the banking system and sharp downturn in economic prospects. Since March, though, there has been an upturn in performance: April produced the biggest monthly rise in the All-Share in 17 years.

The Fund's exposure to commodities was also negative for performance, although the market for this asset class now looks to have bottomed out. Toward the end of the period some commodities, such as copper, even produced strong positive returns.

Global government bonds were ahead in sterling terms over the review period, which helped to offset some of the Fund's losses. There was a "flight to quality" as risk-averse investors moved away from equities and corporate bonds into the security of safer government bonds. Corporate bonds underperformed government bonds over the review period and were negative for performance. Between September and December, corporate bonds fell dramatically as the succession of bank failures and government bail-outs destabilised the credit market. Recent performance, though, has proved more encouraging. This is particularly true for areas of the market, such as high-yield, that had suffered the largest losses.

Looking ahead, only a muted economic recovery is likely over the next 12 to 18 months, given caution on the part of the banks, who continue to be constrained by their levels of capital. We expect that 2009 will be the low point for the property market, with the economy picking up towards the end of the year. This should bring a more positive outlook for rental growth and an improvement in investor confidence. Elsewhere, corporate bond markets remain attractive from a medium-to-long term perspective, while the relatively inexpensive global equity valuations are good news for investors who can shoulder further short-term volatility.

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.

Discovery Solution (continued)

Distribution

XD date	Payment date
28/02/09	30/04/09
31/05/09	31/07/09

TER

	31/05/09	31/05/08
	%	%
A Accumulation	1.54	1.52
A Income	1.54	1.52
X Accumulation	0.19	0.17

The Total Expenses Ratio (TER) is the total expenses paid by the Fund in the year against its average net asset value. The TER will fluctuate as underlying costs change. The TERs for the prior year have been restated.

Details of investments

Investments	31/05/09	31/05/08
	%	%
Bond Funds	50.60	44.49
Equity Funds	37.39	39.76
Property Funds	6.44	12.57
Other Funds	4.86	2.41
Futures Contracts	0.50	0.05
Forward Currency Contracts	(0.17)	0.14
Net other assets	0.38	0.58
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage change
	31/05/09	31/05/08	%
	(p)	(p)	
A Accumulation	91.49	105.58	(13.35)
A Income	83.79	99.91	(16.13)
X Accumulation	94.99	108.46	(12.42)

Performance record

	01/06/08 to 31/05/09	01/06/07 to 31/05/08	01/06/06 to 31/05/07	24/10/05 to 31/05/06
	%	%	%	%
Scottish Widows Discovery Solution A Accumulation	(14.18)	(5.27)	8.01	3.60

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

Distribution

	Third interim 28/02/09	Final 31/05/09
	(p)	(p)
A Accumulation	0.6370	0.7574
A Income	0.5922	0.6999
X Accumulation	0.9043	1.0293

Top five holdings

	31/05/09		31/05/08
	%		%
1. SWIP High Yield Bond Fund A Inc‡	15.12	SWIP Multi-Manager International Equity Fund A Acc‡	14.04
2. SWIP Corporate Bond Plus Fund A Inc‡	12.19	SWIP Multi-Manager UK Equity Income Fund A Inc‡	12.99
3. SWIP Multi-Manager UK Equity Income Fund A Inc‡	9.22	SWIP Property Trust Inc‡	12.57
4. SWIP Multi-Manager UK Equity Focus Fund A Acc‡	9.15	SWIP High Yield Bond Fund A Inc‡	10.08
5. SWIP Sterling Credit Advantage Fund A Inc‡	9.03	Scottish Widows UK Index-Linked Tracker Fund I Inc	9.89

Number of holdings: 27

Number of holdings: 15

‡ Scottish Widows Investment Partnership (SWIP)

Please note: negative figures are shown in brackets.

Diversified Portfolio Fund for the period from 17 November 2008 to 31 May 2009

FUND PROFILE

Fund Aims

To give a total return, primarily through capital growth, in excess of the Bank of England base rate over any period of five consecutive years.

Summary of the investment policy of the Fund

The Fund Manager aims to minimise the volatility of the Fund by investing in a diverse and global range of investments. In addition the Fund Manager can make changes to the Fund asset allocation within certain limits.

The Fund will have exposure to equities (including UK, overseas and emerging markets equities), bonds (including UK government bonds, other UK and overseas fixed interest securities and high yield bonds), property and cash. The Fund may also have exposure to commodities, private equity and other asset classes. The Fund may achieve exposure to these assets by investing either directly or indirectly, for example through other funds such as collective investment schemes.

Risks

The Fund will invest in a wide range of asset classes, 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 and 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.

- There's no guarantee that the Fund will achieve growth in excess of the Bank of England base rate over any period of five consecutive years. In addition the base rate will change from time to time and it might go down or up.
- 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 the value of your investment might fall.
- Exchange rate changes might cause the value of any overseas investments to go up or down.
- Some of the companies and governments who issue the bonds and other fixed interest securities that the Fund may invest in 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 might reduce. In addition a small proportion of the Fund may 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 Fund. If long-term interest rates rise, the value of your investment might fall and vice versa.
- This Fund may invest in stockmarkets which are generally less well regulated and developed than those in the UK and there is less investor protection. This might result in a greater risk that the value of your investment might go down. Investments in these markets might be bought and sold less frequently, which might cause large changes in their prices.
- The Fund invests indirectly in property. Property is a less liquid asset than other assets such as fixed interest securities or equities and values could be affected if properties need to be sold in a short timescale. Property valuation is generally a matter of judgement by an independent valuer rather than fact and values can go up or down.

INVESTMENT MANAGER'S REVIEW

The six months under review can essentially be summarised in two halves. The three months to the end of February saw financial markets coming under further sustained selling pressure, as uncertainty continued and investors avoided assets that entail any element of risk. However, since March markets have picked up and some signs of confidence have returned.

The extraordinary level of government and central bank intervention seen during the latter part of 2008 continued well into the new year. In the UK, this included the creation of a government-backed Asset Purchase Facility and an Asset Protection Scheme for toxic (or "legacy") bank loans.

Now there are signs that these initiatives have begun to take effect. While global equity markets stumbled into 2009, they began to rally in March in anticipation of clearer plans from the US to shore up its banks. The rally gained momentum in April, which produced the biggest rise in the Standard and Poor's 500 index since March 2000.

Investors are also placing a great deal of faith in China's multi-billion pound economic stimulus package, announced toward the end of last year. As a result, commodity markets have bounced back from their late-2008 lows, and the price of oil, which had hit a four-year low in February, has risen steadily. China's ambitious rescue plan, encompassing a variety of infrastructure initiatives, has also been good news for many of the resource-rich emerging markets.

All the same, the global economy has remained in decline – and forced many central banks into drastic action in their efforts to stimulate growth. In March, the Bank of England cut its base rate to an unprecedented 0.5%, then announced it would pursue a policy of "quantitative easing," buying up assets such as government and corporate bonds with money it has created. Its aim is to boost the money supply and reinvigorate lending. While the early signs are promising, it will be some time yet before its effects can be properly judged. Most of the other major economies introduced similar "easing" measures.

Diversified Portfolio Fund (continued)

INVESTMENT MANAGER'S REVIEW (continued)

The period also produced a dramatic shift in bond markets. Whereas at the beginning of the period investors favoured the comparatively safe haven of gilts, their increasingly confident mood led them to move into riskier assets, including corporate bonds. Concerns have grown that rising bond yields – brought about by the enormous level of debt issuance this year – could have an adverse effect on an economic revival, since this raises the cost of mortgages and loans.

In the commercial property market, the downward pressure on rents gained momentum amid the weakening economy, with voids in both the retail and industrial sectors rising sharply. But there are tentative signs of recovery. The rate of decline in capital values has stabilised and investor sentiment is improving.

Tactically, the Fund has an overweight position in equities expressed mainly through the US. This position is funded by a comparative lack of exposure to both commercial property and cash. Within bonds, the Fund maintains a preference for investment grade bonds over gilts.

The Fund was launched in November 2008 and despite increased volatility in financial markets, it has mostly outperformed its benchmark on a monthly basis and year to date is ahead of the benchmark. Holdings in developed market equities and real estate had a detrimental effect on the Fund's performance at the turn of the year. However, the Fund took advantage of the strong market rally of March/April and since then has produced a very strong performance. The main driver of relative outperformance came from the portfolio's UK and emerging markets equity holdings, which saw strong gains. Our preference for investment grade bonds over gilts further enhanced the Fund's comparative performance.

Overall, the Fund's diversified portfolio remains a key advantage in these turbulent times and will ensure investors are well placed to see through what is going to be another challenging year for investment markets.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

Distribution	
XD date	Payment date
31/05/09	31/07/09
TER	
	31/05/08
	%
A Accumulation	1.87

Share class A Accumulation was launched 17 November 2008. The Total Expense Ratio (TER) is the total expenses paid by the Fund in the period, annualised, against its average net asset value. The TER will fluctuate as underlying costs change.

Details of investments	
Investments	31/05/09
	%
Bond Funds	37.23
Property Funds	34.14
Equity Funds	13.49
Other Funds	12.27
Future Contracts	1.86
Forward Currency Contracts	(0.39)
Net other assets	1.40
Total net assets	100.00

Net asset value	
	NAV per share
	31/05/09
	(p)
A Accumulation	104.69
Distribution	
	Final
	31/05/09
	(p)
A Accumulation	0.4268

Top five holdings	
	31/05/09
	%
1. SWIP Sterling Liquidity Fund†	20.65
2. SWIP Gilt Plus Fund A Acc†	13.78
3. SWIP UK Advantage Fund A Inc†	11.99
4. SWIP Corporate Bond Plus Fund X Acc†	10.15
5. SWIP Sterling Credit Advantage Fund A Inc†	9.89

Number of holdings: 32

† Scottish Widows Investment Partnership (SWIP)

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

To give long-term capital growth by investing mainly in funds such as collective investment schemes.

Summary of the investment policy of the Fund

The Fund will provide exposure mainly to equities (including UK, overseas and emerging markets equities). The Fund will also provide exposure to fixed interest securities (including UK fixed interest securities and overseas high yield bonds), property, commodities and other asset classes. Exposure will be to both UK and overseas markets.

Risks

The Fund will provide exposure to a wide range of asset classes, 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 the value of your investment might fall.
- Some of the companies and governments who issue the fixed interest securities that the funds invest in 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 might reduce. In addition, a proportion of the Fund 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 funds. If long term interest rates rise, the value of your investment might fall and vice versa.
- Exchange rate changes might cause the value of any overseas investments to go up or down.
- Property is a less liquid asset than other assets such as fixed interest securities or equities and values could be affected if properties need to be sold in a short timescale. Property valuation is generally a matter of judgement by an independent valuer rather than fact and values can go up or down.

INVESTMENT MANAGER'S REVIEW

The Fund returned -22.4% over the period under review.

This was an extraordinary period for financial markets, dominated by the global financial crisis and increasingly negative economic outlook. Throughout 2008 and into 2009, the economic environment across most of the world weakened markedly. The downturn in the major European and US housing markets continued to gather pace, fuelled by sharply rising unemployment rates in those economies. The economic difficulties in the west also started to take their toll on Asian growth rates as exports started to slow toward the end of 2008. However, more recent months have seen risk appetite increase, partly fuelled by a belief that the worst of the financial crisis might be over.

Against this background it has been very difficult to generate positive returns. During the review period the Fund's investment policy was changed to give the manager more flexibility in achieving the aims of the Fund. This increased level of diversification proved beneficial in limiting the Fund's losses.

The Fund's exposure to equities was negative for performance. In the UK, equity markets followed a largely downward path, with the FTSE All-Share index losing nearly a quarter of its value. Much of the decline came in September and October amid the threatened meltdown of the banking system and sharp downturn in economic prospects. Since March, though, there has been an upturn in performance: April produced the biggest monthly rise in the All-Share in 17 years.

Overseas equities also suffered during the period. A steep decline in the Standard and Poor's 500 index in June 2008 was followed by further steep falls in September, October and February. While the rebound of recent months allowed the index to recover some ground, US shares still lost nearly a third of their value in dollar terms over the period. Most major indices in Europe and the Far East suffered declines of similar magnitude, while emerging markets continued to exhibit high levels of volatility.

During the review period, the Fund's exposure to corporate bonds proved negative for performance. Over the last few months of 2008, corporate bonds fell dramatically as the succession of bank failures and government bail-outs destabilised the credit market. One of the market's main concerns has been the ability of the government to revitalise the troubled financial sector. As a result, financial companies were responsible for most of the losses in this asset class. Recent performance, though, has proved more encouraging. This is particularly true for areas of the market, such as high-yield, that had suffered the largest losses.

Looking ahead, only a muted economic recovery is likely over the next 12 to 18 months, given caution on the part of the banks, who continue to be constrained by their levels of capital. But the fact that global equity valuations are relatively inexpensive is good news for investors with a long-term investment horizon who are able and willing to shoulder some further short-term volatility. Corporate bond markets, too, remain attractive from a medium-to-long-term perspective.

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 Solution (continued)

Distribution

XD date	Payment date
31/05/09	31/07/09

TER

	31/05/09 %	31/05/08 %
A Accumulation	1.76	1.76
X Accumulation	0.12	0.11

The Total Expense Ratio (TER) is the total expenses paid by the Fund in the year against its average net asset value. The TER will fluctuate as underlying costs change. The TERs for the prior year have been restated.

Details of investments

Investments	31/05/09 %	31/05/08 %
Equity Funds	75.85	84.44
Bond Funds	17.32	9.81
Other Funds	4.62	2.56
Property Funds	1.86	3.17
Futures Contracts	0.44	0.04
Forward Currency Contracts	(0.16)	0.01
Net other assets/(liabilities)	0.07	(0.03)
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/05/09 (p)	NAV per share 31/05/08 (p)	NAV percentage change %
A Accumulation	89.39	113.88	(21.51)
X Accumulation	93.75	117.88	(20.47)

Performance record

	01/06/08 to 31/05/09 %	01/06/07 to 31/05/08 %	01/06/06 to 31/05/07 %	24/10/05 to 31/05/06 %
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Scottish Widows Dynamic Solution A Accumulation	(22.40)	(7.24)	15.29	6.60
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Source: Lipper for Fund. Basis: Mid to Mid, net income reinvested and net of expenses. Past performance is not a reliable indicator of future results. The value of an investment and any income from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Distribution

	Final 31/05/09 (p)
A Accumulation	2.3673
X Accumulation	3.6972

Top five holdings

	31/05/09 %		31/05/08 %
1. SWIP Multi-Manager International Equity Fund A Acc‡	19.88	SWIP Multi-Manager International Equity Fund A Acc‡	19.95
2. SWIP Multi-Manager UK Equity Focus Fund A Acc‡	16.20	SWIP Multi-Manager UK Equity Focus Fund A Acc‡	18.30
3. SWIP Multi-Manager UK Equity Growth Fund A Acc‡	15.16	SWIP Multi-Manager UK Equity Growth Fund A Acc	18.26
4. SWIP Multi-Manager UK Equity Income Fund A Acc‡	15.13	SWIP Multi-Manager UK Equity Income Fund A Acc‡	18.25
5. SWIP High Yield Bond Fund A Inc‡	12.95	Russell US Equity Fund I Acc	6.22

Number of holdings: 26

Number of holdings: 16

‡ Scottish Widows Investment Partnership (SWIP)

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

To give long-term capital growth by investing mainly in funds such as collective investment schemes.

Summary of the investment policy of the Fund

The Fund will provide exposure generally to equities (including UK, overseas and emerging markets equities). The Fund will also provide exposure to fixed interest securities (including UK fixed interest securities and overseas high yield bonds), property, commodities and other asset classes. Exposure will be to both UK and overseas markets.

Risks

The Fund will provide exposure to a wide range of asset classes, 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 the value of your investment might fall.
- Some of the companies and governments who issue the fixed interest securities that the funds invest in 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 might reduce. In addition, a proportion of the Fund 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 funds. If long term interest rates rise, the value of your investment might fall and vice versa.
- Exchange rate changes might cause the value of any overseas investments to go up or down.
- Property is a less liquid asset than other assets such as fixed interest securities or equities and values could be affected if properties need to be sold in a short timescale. Property valuation is generally a matter of judgement by an independent valuer rather than fact and values can go up or down.

INVESTMENT MANAGER'S REVIEW

The Fund returned -20.8% over the period under review.

This was an extraordinary period for financial markets, dominated by the global financial crisis and increasingly negative economic outlook. Throughout 2008 and into 2009, the economic environment across most of the world weakened markedly. The downturn in the major European and US housing markets continued to gather pace, fuelled by sharply rising unemployment rates in those economies. The economic difficulties in the west also started to take their toll on Asian growth rates as exports started to slow toward the end of 2008. However, more recent months have seen risk appetite increase, partly fuelled by a belief that the worst of the financial crisis might be over.

Against this background it has been very difficult to generate positive returns. During the review period the Fund's investment policy was changed to give the manager more flexibility in achieving the aims of the Fund. This increased level of diversification proved beneficial in limiting the Fund's losses.

The Fund's exposure to equities was negative for performance. In the UK, equity markets followed a largely downward path, with the FTSE All-Share index losing nearly a quarter of its value. Overseas equities also suffered during the period. Much of the decline came in September and October amid the threatened meltdown of the banking system and sharp downturn in economic prospects. Since March, though, there has been an upturn in performance: April produced the biggest monthly rise in the All-Share in 17 years.

During the review period, the Fund's exposure to corporate bonds proved negative for performance. Over the last few months of 2008, corporate bonds fell dramatically as the succession of bank failures and government bail-outs destabilised the credit market. One of the market's main concerns has been the ability of the government to revitalise the troubled financial sector. As a result, financial companies were responsible for most of the losses in this asset class. Recent performance, though, has proved more encouraging. This is particularly true for areas of the market, such as high-yield, that had suffered the largest losses.

The position in UK commercial property also proved negative, with the sector continuing to suffer from falling rental income and capital values. Persistent problems in the credit markets have negatively affected the supply and cost of funding for property companies and developers.

Looking ahead, only a muted economic recovery is likely over the next 12 to 18 months, given caution on the part of the banks, who continue to be constrained by their levels of capital. But the fact that global equity valuations are relatively inexpensive is good news for investors with a long-term investment horizon who are able and willing to shoulder some further short-term volatility. Corporate bond markets, too, remain attractive from a medium-to-long-term perspective.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

Strategic Solution (continued)

Distribution

XD date	Payment date
31/05/09	31/07/09

TER

	31/05/09	31/05/08
	%	%
A Accumulation	1.78	1.77
X Accumulation	0.14	0.12

The Total Expense Ratio (TER) is the total expenses paid by the Fund in the year against its average net asset value. The TER will fluctuate as underlying costs change. The TERs for the prior year have been restated.

Details of investments

Investments	31/05/09	31/05/08
	%	%
Equity Funds	64.50	76.65
Bond Funds	25.44	12.84
Property Funds	4.74	7.55
Other Funds	4.53	2.35
Futures Contracts	0.46	0.03
Forward Currency Contracts	(0.16)	0.01
Net other assets	0.49	0.57
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage change
	31/05/09	31/05/08	%
	(p)	(p)	
A Accumulation	89.57	111.86	(19.93)
X Accumulation	93.96	115.81	(18.87)

Performance record

	01/06/08	01/06/07	01/06/06	24/10/05
	to 31/05/09	to 31/05/08	to 31/05/07	to 31/05/06
	%	%	%	%
Scottish Widows Strategic Solution A Accumulation	(20.80)	(7.51)	14.02	6.30

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

Distribution

	Final
	31/05/09
	(p)
A Accumulation	2.4666
X Accumulation	3.8060

Top five holdings

	31/05/09		31/05/08
	%		%
1. SWIP Multi-Manager UK Equity Focus Fund A Acc‡	15.24	SWIP Multi-Manager International Equity Fund A Acc‡	20.00
2. SWIP High Yield Bond Fund A Inc‡	15.10	SWIP Multi-Manager UK Equity Growth Fund A Acc‡	16.63
3. SWIP Multi-Manager International Equity Fund A Acc‡	14.88	SWIP Multi-Manager UK Equity Income Fund A Acc‡	16.62
4. SWIP Multi-Manager UK Equity Income Fund A Acc‡	13.27	SWIP Multi-Manager UK Equity Focus Fund A Acc‡	16.52
5. SWIP Multi-Manager UK Equity Growth Fund A Acc‡	13.08	SWIP Property Trust Acc‡	7.55

Number of holdings: 26

Number of holdings: 17

‡ Scottish Widows Investment Partnership (SWIP)

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

- On each Protection Date to provide:
 - a protected minimum amount, and
 - capital growth linked to the performance of a stockmarket index.

Definitions

Capital Protected Price is the minimum Share Price the Fund aims to achieve on the Protection Date in relation to an Investment Cycle.

Protection Date is the date on which the Share Price reflects the maturity value of the derivatives during an Investment Cycle.

Derivative Date is the date on and from which the Scheme Property is invested in derivatives during an Investment Cycle.

Cash Investment Period is the period during which Shares may be issued.

Investment Cycle is the period between the start of the Cash Investment Period and the relevant Protection Date.

Growth Potential Period is the period during which the Scheme Property is invested in derivatives.

Increase means the amount (expressed as a percentage) by which the relevant index has grown over the Growth Potential Period and for these purposes the ACD will take an average of the index on specific dates – 'averaging'.

Risks

Market risk: The value of your investment is not guaranteed and can go up and down depending on investment performance. You might get back less than you've invested.

If you sell your shares while a Fund is invested in Derivatives you might get back less than illustrated. The value will mainly depend on market conditions when we sell the underlying investments and this may not be a reflection of any growth in the Index. What you get back may depend on movements in interest rates and to some extent, movement in the Index since a Fund started investing in Derivatives.

Indirect Investment Risk: You might get back less than if you invested directly in the shares that make up the Index. This is mainly because:

- the cost of providing you with capital protection may mean that the Participation Rate shown in the Details of Terms offers you less than the full rise in the Index;
- if you held shares directly you would be paid an income (dividends); and
- any 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.

Changes to Terms Risk: Terms for each Investment Cycle within a Capital Protected Fund are set some 6 to 10 weeks in advance based on the price of Derivatives at that time. These terms may or may not compare favourably with those currently available.

If insufficient money is received into a Fund, or the provider of the Derivatives fails to deliver the assets on the Derivative Date, the Authorised Corporate Director (ACD) may wind up that Fund and return your investment.

In the event that the Index shown in the Details of Terms cannot be used, this might affect the value of your investment.

Counterparty Risk: Most of the time, a 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 this risk, cash or other secure investments (known as collateral) will be deposited with an independent custodian.

When a 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 remote risk that if a Derivative provider fails and this coincides with the Fund having cash collateral which is deposited with an institution that also fails, then you might get back less than you invested.

Capital Protected Fund 1 (continued)

INVESTMENT MANAGER'S REVIEW

The Fund is designed to provide investors with a Capital Protected Value on each Protection Date together with capital growth linked to the performance of the FTSE 100 index. The Fund is invested primarily in derivatives that are designed to provide, on the Protection Date, both growth linked to the FTSE 100 index and protection so that, if the index goes down, the amount you invested remains safe if you hold your investment to the Protection Date.

At the end of the reporting period, the FTSE 100 index stood at 4417.94. UK equities fell heavily during the review period. Much of the decline came in September and October amid the growing global financial crisis and fears over the scale of the economic downturn to follow. Very few areas finished in positive territory, with the financial and mining sectors especially hard hit. Recent months, though, have seen an increase in risk appetite.

Looking ahead, only a muted economic recovery is likely in 2009 and 2010, given caution on the part of the banks, who continue to be constrained by their levels of capital. But global equity valuations now appear relatively inexpensive. This is good news for investors with a long-term investment horizon who are able and willing to shoulder short-term volatility.

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

	31/05/09	31/05/08
	%	%
L Accumulation	0.43	0.43

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

Details of investments

	31/05/09	31/05/08
	%	%
Investments	100.04	100.03
Derivatives	(0.04)	(0.03)
Net other liabilities	100.00	100.00
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/05/09	NAV per share 31/05/08	NAV percentage change 31/05/09 to 31/05/08
	(p)	(p)	%
L Accumulation	93.10	99.25	(6.20)

The Protection Date for the L share class is 24 October 2012.
The Capital Protected Price is 106.70p.
The FTSE 100 Index starting value is 6,524.10.

Performance record

	01/06/08 to 31/05/09	01/06/07 to 31/05/08	09/05/07 to 31/05/07	09/01/07 to 08/05/07
	%	%	%	%
Scottish Widows Capital Protected 1 L Accumulation	(5.21)	0.07	(3.03)	1.30
FTSE 100 Index	(23.67)	(5.10)	1.08	N/A
SWIP Global Liquidity Fund GBP Advisory	N/A	N/A	N/A	1.63

Source: SWIP for Scottish Widows Capital Protected Fund 1 L Accumulation. Basis: Mid to Mid, net income reinvested and net of expenses. Sources: Lipper for SWIP Global Liquidity Fund GBP Advisory and Datastream for 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 income from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Holdings

	31/05/09		31/05/08
	%		%
1. Lloyds TSB Bank plc 120% Put Option October 2012	262.97	Lloyds TSB Bank plc 120% Put Option October 2012	133.35
2. Lloyds TSB Bank plc 100% Call Option October 2012	6.36	Lloyds TSB Bank plc 100% Call Option October 2012	94.31
3. Lloyds TSB Bank plc 120% Call Option October 2012	(1.34)	Lloyds TSB Bank plc 120% Call Option October 2012	(49.53)
4. Lloyds TSB Bank plc 100% Put Option October 2012	(167.95)	Lloyds TSB Bank plc 100% Put Option October 2012	(78.10)

Number of holdings: 4

Number of holdings: 4

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

- On each Protection Date to provide:
 - a protected minimum amount, and
 - capital growth linked to the performance of a stockmarket index.

Definitions

Capital Protected Price is the minimum Share Price the Fund aims to achieve on the Protection Date in relation to an Investment Cycle.

Protection Date is the date on which the Share Price reflects the maturity value of the derivatives during an Investment Cycle.

Derivative Date is the date on and from which the Scheme Property is invested in derivatives during an Investment Cycle.

Cash Investment Period is the period during which Shares may be issued.

Investment Cycle is the period between the start of the Cash Investment Period and the relevant Protection Date.

Growth Potential Period is the period during which the Scheme Property is invested in derivatives.

Increase means the amount (expressed as a percentage) by which the relevant index has grown over the Growth Potential Period and for these purposes the ACD will take an average of the index on specific dates – ‘averaging’.

Risks

Market Risk: The value of your investment is not guaranteed and can go up and down depending on investment performance. You might get back less than you’ve invested.

If you sell your shares while a Fund is invested in Derivatives you might get back less than illustrated. The value will mainly depend on market conditions when we sell the underlying investments and this may not be a reflection of any growth in the Index. What you get back may depend on movements in interest rates and to some extent, movement in the Index since a Fund started investing in Derivatives.

Indirect Investment Risk: You might get back less than if you invested directly in the shares that make up the Index. This is mainly because:

- the cost of providing you with capital protection may mean that the Participation Rate shown in the Details of Terms offers you less than the full rise in the Index;
- if you held shares directly you would be paid an income (dividends); and
- any 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.

Changes to Terms Risk: Terms for each Investment Cycle within a Capital Protected Fund are set some 6 to 10 weeks in advance based on the price of Derivatives at that time. These terms may or may not compare favourably with those currently available.

If insufficient money is received into a Fund, or the provider of the Derivatives fails to deliver the assets on the Derivative Date, the Authorised Corporate Director (ACD) may wind up that Fund and return your investment.

In the event that the Index shown in the Details of Terms cannot be used, this might affect the value of your investment.

Counterparty Risk: Most of the time, a 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 this risk, cash or other secure investments (known as collateral) will be deposited with an independent custodian.

When a 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 remote risk that if a Derivative provider fails and this coincides with the Fund having cash collateral which is deposited with an institution that also fails, then you might get back less than you invested.

Capital Protected Fund 2 (continued)

INVESTMENT MANAGER'S REVIEW

The Fund is designed to provide investors with a Capital Protected Value on each Protection Date together with capital growth linked to the performance of the FTSE 100 index. The Fund is invested primarily in derivatives that are designed to provide, on the Protection Date, both growth linked to the FTSE 100 index and protection so that, if the index goes down, the amount you invested remains safe if you hold your investment to the Protection Date.

At the end of the reporting period, the FTSE 100 index stood at 4417.94. UK equities fell heavily during the review period. Much of the decline came in September and October amid the growing global financial crisis and fears over the scale of the economic downturn to follow. Very few areas finished in positive territory, with the financial and mining sectors especially hard hit. Recent months, though, have seen an increase in risk appetite.

Looking ahead, only a muted economic recovery is likely in 2009 and 2010, given caution on the part of the banks, who continue to be constrained by their levels of capital. But global equity valuations now appear relatively inexpensive. This is good news for investors with a long-term investment horizon who are able and willing to shoulder short-term volatility.

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

	31/05/09	31/05/08
	%	%
L Accumulation	0.50	0.50

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

Details of investments

	31/05/09	31/05/08
	%	%
Investments	100.03	99.99
Derivatives	(0.03)	0.01
Net other (liabilities)/assets	100.00	100.00

Net asset value

	NAV per share 31/05/09 (p)	NAV per share 31/05/08 (p)	NAV percentage change %
L Accumulation	92.50	100.41	(7.88)

The Protection Date for the L share class is 23 January 2013.
The Capital Protected Price is 106.40p.
The FTSE 100 Index starting value is 6,393.90.

Performance record

	01/06/08 to 31/05/09	08/08/07 to 31/05/08	01/06/07 to 07/08/07	25/04/07 to 31/05/07
	%	%	%	%
Scottish Widows Capital Protected 2 L Accumulation	(6.86)	(1.62)	0.50	0.20
FTSE 100 Index	(23.67)	(4.05)	N/A	N/A
SWIP Global Liquidity Fund GBP Advisory	N/A	N/A	0.48	0.53

Source: SWIP for Scottish Widows Capital Protected Fund 2 L Accumulation. Basis: Mid to Mid, net income reinvested and net of expenses. Sources: Lipper for SWIP Global Liquidity Fund GBP Advisory and Datastream 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 income from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Holdings

	31/05/09		31/05/08
	%		%
1. Lloyds TSB Bank plc 120% Put Option January 2013	253.09	Lloyds TSB Bank plc 120% Put Option January 2013	128.57
2. Lloyds TSB Bank plc 100% Call Option January 2013	11.54	Lloyds TSB Bank plc 100% Call Option January 2013	106.35
3. Lloyds TSB Bank plc 120% Call Option January 2013	(3.16)	Lloyds TSB Bank plc 120% Call Option January 2013	(58.62)
4. Lloyds TSB Bank plc 100% Put Option January 2013	(161.44)	Lloyds TSB Bank plc 100% Put Option January 2013	(76.31)

Number of holdings: 4

Number of holdings: 4

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

- On each Protection Date to provide:
 - a protected minimum amount, and
 - capital growth linked to the performance of a stockmarket index.

Definitions

Capital Protected Price is the minimum Share Price the Fund aims to achieve on the Protection Date in relation to an Investment Cycle.

Protection Date is the date on which the Share Price reflects the maturity value of the derivatives during an Investment Cycle.

Derivative Date is the date on and from which the Scheme Property is invested in derivatives during an Investment Cycle.

Cash Investment Period is the period during which Shares may be issued.

Investment Cycle is the period between the start of the Cash Investment Period and the relevant Protection Date.

Growth Potential Period is the period during which the Scheme Property is invested in derivatives.

Increase means the amount (expressed as a percentage) by which the relevant index has grown over the Growth Potential Period and for these purposes the ACD will take an average of the index on specific dates – ‘averaging’.

Risks

Market Risk: The value of your investment is not guaranteed and can go up and down depending on investment performance. You might get back less than you've invested.

If you sell your shares while a Fund is invested in Derivatives you might get back less than illustrated. The value will mainly depend on market conditions when we sell the underlying investments and this may not be a reflection of any growth in the Index. What you get back may depend on movements in interest rates and to some extent, movement in the Index since a Fund started investing in Derivatives.

Indirect Investment Risk: You might get back less than if you invested directly in the shares that make up the Index. This is mainly because:

- the cost of providing you with capital protection may mean that the Participation Rate shown in the Details of Terms offers you less than the full rise in the Index;
- if you held shares directly you would be paid an income (dividends); and
- any 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.

Changes to Terms Risk: Terms for each Investment Cycle within a Capital Protected Fund are set some 6 to 10 weeks in advance based on the price of Derivatives at that time. These terms may or may not compare favourably with those currently available.

If insufficient money is received into a Fund, or the provider of the Derivatives fails to deliver the assets on the Derivative Date, the Authorised Corporate Director (ACD) may wind up that Fund and return your investment.

In the event that the Index shown in the Details of Terms cannot be used, this might affect the value of your investment.

Counterparty Risk: Most of the time, a 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 this risk, cash or other secure investments (known as collateral) will be deposited with an independent custodian.

When a 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 remote risk that if a Derivative provider fails and this coincides with the Fund having cash collateral which is deposited with an institution that also fails, then you might get back less than you invested.

Capital Protected Fund 3 (continued)

INVESTMENT MANAGER'S REVIEW

The Fund is designed to provide investors with a Capital Protected Value on each Protection Date together with capital growth linked to the performance of the FTSE 100 index. The Fund is invested primarily in derivatives that are designed to provide, on the Protection Date, both growth linked to the FTSE 100 index and protection so that, if the index goes down, the amount you invested remains safe if you hold your investment to the Protection Date.

At the end of the reporting period, the FTSE 100 index stood at 4417.94. UK equities fell heavily during the review period. Much of the decline came in September and October amid the growing global financial crisis and fears over the scale of the economic downturn to follow. Very few areas finished in positive territory, with the financial and mining sectors especially hard hit. Recent months, though, have seen an increase in risk appetite.

Looking ahead, only a muted economic recovery is likely in 2009 and 2010, given caution on the part of the banks, who continue to be constrained by their levels of capital. But global equity valuations now appear relatively inexpensive. This is good news for investors with a long-term investment horizon who are able and willing to shoulder short-term volatility.

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

	31/05/09	31/05/08
	%	%
L Accumulation	0.63	0.63

Share class L Accumulation was launched 25 July 2007.

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

Details of investments

Investments	31/05/09	31/05/08
	%	%
Derivatives	100.03	99.95
Net other (liabilities)/assets	(0.03)	0.05
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage change
	31/05/09	31/05/08	
	(p)	(p)	%
L Accumulation	94.41	102.13	(7.56)

The Protection Date for the L share class is 24 October 2012. The Capital Protected Price is 106.50p.

The FTSE 100 Index starting value is 6,385.10.

Performance record

	01/06/08	07/11/07	25/07/07
	to 31/05/09	to 31/05/08	to 06/11/07
	%	%	%
Scottish Widows Capital Protected 3 L Accumulation	(6.64)	0.00	1.10
FTSE 100 Index	(23.67)	(4.24)	N/A
SWIP Global Liquidity Fund GBP Advisory	N/A	N/A	1.98

Source: SWIP for Scottish Widows Capital Protected Fund 3 L Accumulation. Basis: Mid to Mid, net income reinvested and net of expenses. Sources: Lipper for SWIP Global Liquidity Fund GBP Advisory and Datastream for 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 income from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Holdings

	31/05/09		31/05/08
	%		%
1. Lloyds TSB Bank plc 120% Put Option October 2012	253.66	Lloyds TSB Bank plc 120% Put Option October 2012	128.55
2. Lloyds TSB Bank plc 100% Call Option October 2012	11.42	Lloyds TSB Bank plc 100% Call Option October 2012	104.92
3. Lloyds TSB Bank plc 120% Call Option October 2012	(3.11)	Lloyds TSB Bank plc 120% Call Option October 2012	(57.46)
4. Lloyds TSB Bank plc 100% Put Option October 2012	(161.94)	Lloyds TSB Bank plc 100% Put Option October 2012	(76.06)

Number of holdings: 4

Number of holdings: 4

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

- On each Protection Date to provide:
 - a protected minimum amount, and
 - capital growth linked to the performance of a stockmarket index.

Definitions

Capital Protected Price is the minimum Share Price the Fund aims to achieve on the Protection Date in relation to an Investment Cycle.

Protection Date is the date on which the Share Price reflects the maturity value of the derivatives during an Investment Cycle.

Derivative Date is the date on and from which the Scheme Property is invested in derivatives during an Investment Cycle.

Cash Investment Period is the period during which Shares may be issued.

Investment Cycle is the period between the start of the Cash Investment Period and the relevant Protection Date.

Growth Potential Period is the period during which the Scheme Property is invested in derivatives.

Increase means the amount (expressed as a percentage) by which the relevant index has grown over the Growth Potential Period and for these purposes the ACD will take an average of the index on specific dates – 'averaging'.

Upper limit is 65% this is the cap on the Increase so if the Increase is greater than 65% shareholders will only get 100% (i.e. the Participation Rate) of 65%.

Risks

Market Risk: The value of your investment is not guaranteed and can go up and down depending on investment performance. You might get back less than you've invested.

If you sell your shares while a Fund is invested in Derivatives you might get back less than illustrated. The value will mainly depend on market conditions when we sell the underlying investments and this may not be a reflection of any growth in the Index. What you get back may depend on movements in interest rates and to some extent, movement in the Index since a Fund started investing in Derivatives.

Indirect Investment Risk: You might get back less than if you invested directly in the shares that make up the Index. This is mainly because:

- the cost of providing you with capital protection may mean that the Participation Rate shown in the Details of Terms offers you less than the full rise in the Index;
- the percentage rise in the Index may be subject to an upper limit which could have the effect of limiting growth. Please see the Details of Terms for information.
- if you held shares directly you would be paid an income (dividends); and
- any 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.

Changes to Terms Risk: Terms for each Investment Cycle within a Capital Protected Fund are set some 6 to 10 weeks in advance based on the price of Derivatives at that time. These terms may or may not compare favourably with those currently available.

If insufficient money is received into a Fund, or the provider of the Derivatives fails to deliver the assets on the Derivative Date, the Authorised Corporate Director (ACD) may wind up that Fund and return your investment.

In the event that the Index shown in the Details of Terms cannot be used, this might affect the value of your investment.

Counterparty Risk: Most of the time, a 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 this risk, cash or other secure investments (known as collateral) will be deposited with an independent custodian.

When a 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 remote risk that if a Derivative provider fails and this coincides with the Fund having cash collateral which is deposited with an institution that also fails, then you might get back less than you invested.

Capital Protected Fund 4 (continued)

INVESTMENT MANAGER'S REVIEW

The Fund is designed to provide investors with a Capital Protected Value on each Protection Date together with capital growth linked to the performance of the FTSE 100 index. The Fund is invested primarily in derivatives that are designed to provide, on the Protection Date, both growth linked to the FTSE 100 index and protection so that, if the index goes down, the amount you invested remains safe if you hold your investment to the Protection Date.

At the end of the reporting period, the FTSE 100 index stood at 4417.94. UK equities fell heavily during the review period. Much of the decline came in September and October amid the growing global financial crisis and fears over the scale of the economic downturn to follow. Very few areas finished in positive territory, with the financial and mining sectors especially hard hit. Recent months, though, have seen an increase in risk appetite.

Looking ahead, only a muted economic recovery is likely in 2009 and 2010, given caution on the part of the banks, who continue to be constrained by their levels of capital. But global equity valuations now appear relatively inexpensive. This is good news for investors with a long-term investment horizon who are able and willing to shoulder short-term volatility.

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

	31/05/09	31/05/08
	%	%
L Accumulation	0.51	0.51

Share class L Accumulation was launched 17 October 2007. The Total Expense Ratio (TER) is the total expenses paid by the Fund in the year against its average net asset value. The TER will fluctuate as underlying costs change.

Details of investments

	31/05/09	31/05/08
	%	%
Investments	100.00	99.95
Derivatives	-	0.05
Net other assets	100.00	100.00

Net asset value

	NAV per share 31/05/09 (p)	NAV per share 31/05/08 (p)	NAV percentage change %
L Accumulation	93.45	101.20	(7.66)

The Protection Date for the L share class is 23 January 2013. The Capital Protected Price is 106.70p. The FTSE 100 Index starting value is 5,875.40.

Performance record

	01/06/08 to 31/05/09	06/02/08 to 31/05/08	17/10/07 to 05/02/08
	%	%	%
Scottish Widows Capital Protected 4 L Accumulation	7.14	(0.79)	1.30
FTSE 100 Index	(23.67)	5.21	N/A
SWIP Global Liquidity Fund GBP Advisory	N/A	N/A	1.95

Source: SWIP for Scottish Widows Capital Protected Fund 4 L Accumulation. Basis: Mid to Mid, net income reinvested and net of expenses. Sources: Lipper for SWIP Global Liquidity Fund GBP Advisory and Datastream 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 income from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Holdings

	31/05/09		31/05/08
	%		%
1. Lloyds TSB Bank plc 120% Put Option January 2013	221.94	Lloyds TSB Bank plc 100% Call Option January 2013	119.16
2. Lloyds TSB Bank plc 100% Call Option January 2013	17.15	Lloyds TSB Bank plc 120% Put Option January 2013	93.99
3. Lloyds TSB Bank plc 165% Call Option January 2013	(0.13)	Lloyds TSB Bank plc 165% Call Option January 2013	(1.68)
4. Lloyds TSB Bank plc 120% Call Option January 2013	(4.82)	Lloyds TSB Bank plc 100% Put Option January 2013	(49.10)
5. Lloyds TSB Bank plc 100% Put Option January 2013	(134.14)	Lloyds TSB Bank plc 120% Call Option January 2013	(62.42)

Number of holdings: 5

Number of holdings: 5

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

- On each Protection Date to provide:
 - a protected minimum amount, and
 - capital growth linked to the performance of a stockmarket index.

Definitions

Capital Protected Price is the minimum Share Price the Fund aims to achieve on the Protection Date in relation to an Investment Cycle.

Protection Date is the date on which the Share Price reflects the maturity value of the derivatives during an Investment Cycle.

Derivative Date is the date on and from which the Scheme Property is invested in derivatives during an Investment Cycle.

Cash Investment Period is the period during which Shares may be issued.

Investment Cycle is the period between the start of the Cash Investment Period and the relevant Protection Date.

Growth Potential Period is the period during which the Scheme Property is invested in derivatives.

Increase means the amount (expressed as a percentage) by which the relevant index has grown over the Growth Potential Period and for these purposes the ACD will take an average of the index on specific dates – ‘averaging’.

Upper limit is 83.34% this is a cap on the Increase so if the Increase is greater than or equal to 83.34% Shareholders will only get an increase of 90% (the Participation Rate) x 83.34% = 75%.

Risks

Market Risk: The value of your investment is not guaranteed and can go up and down depending on investment performance. You might get back less than you’ve invested.

If you sell your shares while a Fund is invested in Derivatives you might get back less than illustrated. The value will mainly depend on market conditions when we sell the underlying investments and this may not be a reflection of any growth in the Index. What you get back may depend on movements in interest rates and to some extent, movement in the Index since a Fund started investing in Derivatives.

Indirect Investment Risk: You might get back less than if you invested directly in the shares that make up the Index. This is mainly because:

- the cost of providing you with capital protection may mean that the Participation Rate shown in the Details of Terms offers you less than the full rise in the Index;
- we may set a cap on any amount payable in addition to your Capital Protected Value, this could mean you receive less growth. Please see the Details of Terms for information;
- if you held shares directly you would be paid an income (dividends); and
- any 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.

Changes to Terms Risk: Terms for each Investment Cycle within a Capital Protected Fund are set some 6 to 10 weeks in advance based on the price of Derivatives at that time. These terms may or may not compare favourably with those currently available.

If insufficient money is received into a Fund, or the provider of the Derivatives fails to deliver the assets on the Derivative Date, the Authorised Corporate Director (ACD) may wind up that Fund and return your investment.

In the event that the Index shown in the Details of Terms cannot be used, this might affect the value of your investment.

Counterparty Risk: Most of the time, a 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 this risk, cash or other secure investments (known as collateral) will be deposited with an independent custodian.

When a 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 remote risk that if a Derivative provider fails and this coincides with the Fund having cash collateral which is deposited with an institution that also fails, then you might get back less than you invested.

Capital Protected Fund 5 (continued)

INVESTMENT MANAGER'S REVIEW

The Fund is designed to provide investors with a Capital Protected Value on each Protection Date together with capital growth linked to the performance of the FTSE 100 index. The Fund is invested primarily in derivatives that are designed to provide, on the Protection Date, both growth linked to the FTSE 100 index and protection so that, if the index goes down, the amount you invested remains safe if you hold your investment to the Protection Date.

At the end of the reporting period, the FTSE 100 index stood at 4417.94. UK equities fell heavily during the review period. Much of the decline came in September and October amid the growing global financial crisis and fears over the scale of the economic downturn to follow. Very few areas finished in positive territory, with the financial and mining sectors especially hard hit. Recent months, though, have seen an increase in risk appetite.

Looking ahead, only a muted economic recovery is likely in 2009 and 2010, given caution on the part of the banks, who continue to be constrained by their levels of capital. But global equity valuations now appear relatively inexpensive. This is good news for investors with a long-term investment horizon who are able and willing to shoulder short-term volatility.

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

	31/05/09	31/05/08
	%	%
L Accumulation	0.34	0.34

Share class L Accumulation was launched 17 December 2007. The Total Expense Ratio (TER) is the total expenses paid by the Fund in the year against its average net asset value. The TER will fluctuate as underlying costs change.

Details of investments

Investments	31/05/09	31/05/08
	%	%
Derivatives	100.02	100.00
Net other liabilities	(0.02)	-
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage change
	31/05/09	31/05/08	
	(p)	(p)	%
L Accumulation	92.27	99.18	(6.97)

The Protection Date for the L share class is 4 April 2013. The Capital Protected Price is 106.60p. The FTSE 100 Index starting value is 6,046.20.

Performance record

	01/06/08	16/04/08	17/12/07
	to 31/05/09	to 31/05/08	to 15/04/08
	%	%	%
Scottish Widows Capital Protected			
6 L Accumulation	(6.42)	2.71	1.20
FTSE 100 Index	(23.67)	3.11	N/A
SWIP Global Liquidity Fund			
GBP Advisory	N/A	N/A	0.94

Source: SWIP for Scottish Widows Capital Protected Fund 5 L Accumulation. Basis: Mid to Mid, net income reinvested and net of expenses. Sources: Lipper for SWIP Global Liquidity Fund GBP Advisory and Datastream for 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 income from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Holdings

	31/05/09		31/05/08
	%		%
1. Lloyds TSB Bank plc 120% Put Option April 2013	233.00	Lloyds TSB Bank plc 100% Call Option April 2013	122.72
2. Lloyds TSB Bank plc 100% Call Option April 2013	21.91	Lloyds TSB Bank plc 120% Put Option April 2013	113.88
3. Lloyds TSB Bank plc 183% Call Option April 2013	(0.04)	Lloyds TSB Bank plc 165% Call Option April 2013	(0.70)
4. Lloyds TSB Bank plc 120% Call Option April 2013	(7.67)	Lloyds TSB Bank plc 100% Put Option April 2013	(465.57)
5. Lloyds TSB Bank plc 100% Put Option April 2013	(147.18)	Lloyds TSB Bank plc 120% Call Option April 2013	(70.22)

Number of holdings: 5

Number of holdings: 5

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

- On each Protection Date to provide:
 - a protected minimum amount, and
 - capital growth linked to the performance of a stockmarket index.

Definitions

Capital Protected Price is the minimum Share Price the Fund aims to achieve on the Protection Date in relation to an Investment Cycle.

Protection Date is the date on which the Share Price reflects the maturity value of the derivatives during an Investment Cycle.

Derivative Date is the date on and from which the Scheme Property is invested in derivatives during an Investment Cycle.

Cash Investment Period is the period during which Shares may be issued.

Investment Cycle is the period between the start of the Cash Investment Period and the relevant Protection Date.

Growth Potential Period is the period during which the Scheme Property is invested in derivatives.

Increase means the amount (expressed as a percentage) by which the relevant index has grown over the Growth Potential Period and for these purposes the ACD will take an average of the index on specific dates – ‘averaging’.

Upper limit is 75% this is the cap on the Increase so if the Increase is greater than 75% shareholders will only get 100% (i.e. the Participation Rate) of 75%.

Risks

Market Risk: The value of your investment is not guaranteed and can go up and down depending on investment performance. You might get back less than you’ve invested.

If you sell your shares while a Fund is invested in Derivatives you might get back less than illustrated. The value will mainly depend on market conditions when we sell the underlying investments and this may not be a reflection of any growth in the Index. What you get back may depend on movements in interest rates and to some extent, movement in the Index since a Fund started investing in Derivatives.

Indirect Investment Risk: You might get back less than if you invested directly in the shares that make up the Index. This is mainly because:

- the cost of providing you with capital protection may mean that the Participation Rate shown in the Details of Terms offers you less than the full rise in the Index;
- we may set a cap on any amount payable in addition to your Capital Protected Value, this could mean you receive less growth. Please see the Details of Terms for information;
- if you held shares directly you would be paid an income (dividends); and
- any 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.

Changes to Terms Risk: Terms for each Investment Cycle within a Capital Protected Fund are set some 6 to 10 weeks in advance based on the price of Derivatives at that time. These terms may or may not compare favourably with those currently available.

If insufficient money is received into a Fund, or the provider of the Derivatives fails to deliver the assets on the Derivative Date, the Authorised Corporate Director (ACD) may wind up that Fund and return your investment.

In the event that the Index shown in the Details of Terms cannot be used, this might affect the value of your investment.

Counterparty Risk: Most of the time, a 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 this risk, cash or other secure investments (known as collateral) will be deposited with an independent custodian.

When a 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 remote risk that if a Derivative provider fails and this coincides with the Fund having collateral which is deposited with an institution that also fails, then you might get back less than you invested.

Capital Protected Fund 6 (continued)

INVESTMENT MANAGER'S REVIEW

The Fund is designed to provide investors with a Capital Protected Value on each Protection Date together with capital growth linked to the performance of the FTSE 100 index. The Fund is invested primarily in derivatives that are designed to provide, on the Protection Date, both growth linked to the FTSE 100 index and protection so that, if the index goes down, the amount you invested remains safe if you hold your investment to the Protection Date.

The Cash Investment Period, during which time investors could put new money into the Fund, ran from 19 February 2008 to 4 June 2008. During this time the Fund invested in cash or similar instruments. The FTSE 100 index stood at 5756.85 on 18 June 2008, which is the date the Fund started investing in derivatives. The Fund is now invested in derivatives that are designed to provide, on the Protection Date, both growth linked to the FTSE 100 index and protection so that if the index goes down, the amount invested remains safe.

At the end of the reporting period, the FTSE 100 index stood at 4417.94. Looking ahead, only a muted economic recovery is likely in 2009 and 2010, given caution on the part of the banks, who continue to be constrained by their levels of capital. But global equity valuations now appear relatively inexpensive. This is good news for investors with a long-term investment horizon who are able and willing to shoulder short-term volatility.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

Distribution

XD date	Payment date	
12/06/08	12/08/08	

TER

	31/05/09	31/05/08
	%	%
L Accumulation	0.43	-*

Share class L Accumulation was launched 19 February 2008. The Total Expense Ratio (TER) is the total expenses paid by the Fund in the year against its average net asset value. The TER will fluctuate as underlying costs change.

* There were no expenses charged to the Fund in the prior year, therefore no TER has been stated.

Details of investments

Investments	31/05/09	31/05/08
	%	%
Derivatives	99.95	-
Short Term Deposits	-	60.11
Money Market Collective		
Investment Schemes	-	39.70
Net other assets	0.05	0.19
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage change
	31/05/09	31/05/08	(p)
	(p)	(p)	%
L Accumulation	90.39	101.01	(10.51)

The Protection Date for the L share class is 5 June 2014. The Capital Protected Price is 106.60p.

The FTSE 100 Index starting value is 5,756.90.

Performance record

	18/06/08	01/06/08	19/02/08
	to 31/05/09	to 17/06/08	to 31/05/08
	%	%	%
Scottish Widows Capital Protected			
6 L Accumulation	(3.20)	0.20	(9.52)
FTSE 100 Index	(23.56)	(2.92)	N/A
SWIP Global Liquidity Fund			
GBP Advisory	N/A	N/A	4.12

Source: SWIP for Scottish Widows Capital Protected Fund 6 L Accumulation. Basis: Mid to Mid, net income reinvested and net of expenses. Sources: Lipper for SWIP Global Liquidity Fund GBP Advisory and Datastream for 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 income from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Distribution

	Final
	12/06/08
	(p)
L Accumulation	0.2291

Holdings

	31/05/09		31/05/08
	%		%
1. Lloyds TSB Bank plc	214.22	SWIP Sterling	39.70
120% Put Option June 2014		Liquidity Fund†	
2. Lloyds TSB Bank plc	48.96	Irish Permanent	15.03
100% Call Option June 2014		5.55% 04/06/2008	
3. Lloyds TSB Bank plc	(0.33)	Allied Irish Bank	11.27
175% Call Option June 2014		5.65% 04/06/2008	
4. Lloyds TSB Bank plc	(23.56)	Bank of Ireland	11.27
120% Call Option June 2014		5.86% 04/06/2008	
5. Lloyds TSB Bank plc	(139.34)	Barclay Bank	11.27
100% Put Option June 2014		5.80% 04/06/2008	
6.		Nationwide	11.27
		5.74% 04/06/2008	

† Scottish Widows Investment Partnership (SWIP)

Number of holdings: 5

Number of holdings: 6

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

- On each Protection Date to provide:
 - a protected minimum amount, and
 - capital growth linked to the performance of a stockmarket index.

Definitions

Capital Protected Price is the minimum Share Price the Fund aims to achieve on the Protection Date in relation to an Investment Cycle.

Protection Date is the date on which the Share Price reflects the maturity value of the derivatives during an Investment Cycle.

Derivative Date is the date on and from which the Scheme Property is invested in derivatives during an Investment Cycle.

Cash Investment Period is the period during which Shares may be issued.

Investment Cycle is the period between the start of the Cash Investment Period and the relevant Protection Date.

Growth Potential Period is the period during which the Scheme Property is invested in derivatives.

Increase means the amount (expressed as a percentage) by which the relevant index has grown over the Growth Potential Period and for these purposes the ACD will take an average of the index on specific dates – ‘averaging’.

Upper limit is 75% this is the cap on the Increase so if the Increase is greater than 75% shareholders will only get 100% (i.e. the Participation Rate) of 75%.

Risks

Market Risk: The value of your investment is not guaranteed and can go up and down depending on investment performance. You might get back less than you’ve invested.

If you sell your shares while a Fund is invested in Derivatives you might get back less than illustrated. The value will mainly depend on market conditions when we sell the underlying investments and this may not be a reflection of any growth in the Index. What you get back may depend on movements in interest rates and to some extent, movement in the Index since a Fund started investing in Derivatives.

Indirect Investment Risk: You might get back less than if you invested directly in the shares that make up the Index. This is mainly because:

- the cost of providing you with capital protection may mean that the Participation Rate shown in the Details of Terms offers you less than the full rise in the Index;
- we may set a cap on any amount payable in addition to your Capital Protected Value, this could mean you receive less growth. Please see the Details of Terms for information;
- if you held shares directly you would be paid an income (dividends); and
- any 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.

Changes to Terms Risk: Terms for each Investment Cycle within a Capital Protected Fund are set some 6 to 10 weeks in advance based on the price of Derivatives at that time. These terms may or may not compare favourably with those currently available.

If insufficient money is received into a Fund, or the provider of the Derivatives fails to deliver the assets on the Derivative Date, the Authorised Corporate Director (ACD) may wind up that Fund and return your investment.

In the event that the Index shown in the Details of Terms cannot be used, this might affect the value of your investment.

Counterparty Risk: Most of the time, a 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 this risk, cash or other secure investments (known as collateral) will be deposited with an independent custodian.

When a 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 remote risk that if a Derivative provider fails and this coincides with the Fund having collateral which is deposited with an institution that also fails, then you might get back less than you invested.

Capital Protected Fund 7 (continued)

INVESTMENT MANAGER'S REVIEW

The Fund is designed to provide investors with a Capital Protected Value on each Protection Date together with capital growth linked to the performance of the FTSE 100 index. It does this by investing primarily in derivatives. Investment may also be in cash, collective investment schemes and other similar investments.

The Cash Investment Period, during which time investors could put new money into the Fund, ran from 21 May 2008 to 4 September 2008. During this time the Fund invested in cash or similar instruments. The FTSE 100 index stood at 4879.99 on 18 September 2008, which is the date the Fund started investing in derivatives. The Fund is now invested in derivatives that are designed to provide, on the Protection Date, both growth linked to the FTSE 100 index and protection so that if the index goes down, the amount invested remains safe.

At the end of the reporting period, the FTSE 100 index stood at 4417.94. Looking ahead, only a muted economic recovery is likely in 2009 and 2010, given caution on the part of the banks, who continue to be constrained by their levels of capital. But global equity valuations now appear relatively inexpensive. This is good news for investors with a long-term investment horizon who are able and willing to shoulder short-term volatility.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

Distribution

XD date	Payment date
12/09/08	12/11/08

TER

	31/05/09	31/05/08
	%	%
L Accumulation	0.57	-*

Share class L Accumulation was launched 21 May 2008.

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

* There were no expenses charged to the Fund in the prior year, therefore no TER has been stated.

Details of investments

Investments	31/05/09	31/05/08
	%	%
Derivatives	99.92	-
Financials	-	31.31
Net other assets	0.08	68.69
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage
	31/05/09	31/05/08	change
	(p)	(p)	%
L Accumulation	96.51	100.01	(3.50)

The Protection Date for the L share class is 4 September 2014.

The Capital Protected Price is 106.60p.

The FTSE 100 Index starting value is 4,880.00.

† Scottish Widows Investment Partnership (SWIP)

Performance record

	18/09/08	01/06/08	21/05/08
	to 31/05/09	to 17/09/08	to 31/05/08
	%	%	%
Scottish Widows Capital Protected 7 L Accumulation	(4.21)	1.10	0.00
FTSE 100 Index	(7.10)	N/A	N/A
SWIP Global Liquidity Fund GBP Advisory	N/A	1.40	0.46

Source: SWIP for Scottish Widows Capital Protected Fund 7 L Accumulation. Basis: Mid to Mid, net income reinvested and net of expenses. Sources: Lipper for SWIP Global Liquidity Fund GBP Advisory and Datastream for 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 income from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Distribution

L Accumulation	Final 12/09/08 (p)
	1.2023

Holdings

	31/05/09	31/05/08
	%	%
1. Lloyds TSB Bank plc 120% Put Option September 2014	185.02	31.31
	SWIP Sterling Liquidity Fund†	
2. Lloyds TSB Bank plc 100% Call Option September 2014	117.30	
3. Lloyds TSB Bank plc 175% Call Option September 2014	(5.19)	
4. Lloyds TSB Bank plc 120% Call Option September 2014	(72.49)	
5. Lloyds TSB Bank plc 100% Put Option September 2014	(124.72)	

Please note: negative figures are shown in brackets.

Number of holdings: 5

Number of holdings: 1

Capital Protected Fund 8

for the period from 8 September 2008 to 31 May 2009

FUND PROFILE

Fund Aims

- On the Protection Date to provide:
 - a protected minimum amount, and
 - capital growth linked to the performance of a stockmarket index.

Definitions

Capital Protected Price is the minimum Share Price the Fund aims to achieve on the Protection Date .

Protection Date is the date on which the Share Price reflects the maturity value of the derivatives.

Derivative Date is the date on and from which the Scheme Property is invested in derivatives .

Cash Investment Period is the period during which Shares may be issued.

Growth Potential Period is the period during which the Scheme Property is invested in derivatives.

Increase means the amount (if any) (expressed as a percentage and subject to the Upper Limit) by which the index has grown over the Growth Potential Period and subject to any Averaging.

Upper limit is 90% this is the cap on the Increase so if the Increase is greater than 90% shareholders will only get 100% (i.e. the Participation Rate) of 90% .

Risks

Market Risk: The value of your investment is not guaranteed and can go up and down depending on investment performance. You might get back less than you've invested.

If you sell your shares while a Fund is invested in Derivatives you might get back less than illustrated. The value will mainly depend on market conditions when we sell the underlying investments and this may not be a reflection of any growth in the Index. What you get back may depend on movements in interest rates and to some extent, movement in the Index since a Fund started investing in Derivatives.

Indirect Investment Risk: You might get back less than if you invested directly in the shares that make up the Index. This is mainly because:

- the cost of providing you with capital protection may mean that the Participation Rate shown in the Details of Terms offers you less than the full rise in the Index;
- we may set a cap on any amount payable in addition to your Capital Protected Value, this could mean you receive less growth. Please see the Details of Terms for information;
- if you held shares directly you would be paid an income (dividends); and
- any 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.

Changes to Terms Risk: Terms for each Capital Protected Fund are set some 6 to 10 weeks in advance based on the price of Derivatives at that time. These terms may or may not compare favourably with those currently available.

If insufficient money is received into a Fund, or the provider of the Derivatives fails to deliver the assets on the Derivative Date, the Authorised Corporate Director (ACD) may wind up that Fund and return your investment.

In the event that the Index shown in the Details of Terms cannot be used, this might affect the value of your investment.

Counterparty Risk: Most of the time, a 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 this risk, cash or other secure investments (known as collateral) will be deposited with an independent custodian.

When a 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 remote risk that if a Derivative provider fails and this coincides with the Fund having collateral which is deposited with an institution that also fails, then you might get back less than you invested.

Capital Protected Fund 8 (continued)

INVESTMENT MANAGER'S REVIEW

The Fund is designed to provide investors with a Capital Protected Value on each Protection Date together with capital growth linked to the performance of the FTSE 100 index. It does this by investing primarily in derivatives. Investment may also be in cash, collective investment schemes and other similar investments.

The Cash Investment Period, during which time investors could put new money into the Fund, ran from 8 September 2008 to 4 December 2008. During this time the Fund invested in cash or similar instruments. The FTSE 100 index stood at 4330.66 on 18 December 2008, which is the date the Fund started investing in derivatives. The Fund is now invested in derivatives that are designed to provide, on the Protection Date, both growth linked to the FTSE 100 index and protection so that, if the index goes down, the amount invested remains safe.

At the end of the reporting period, the FTSE 100 index stood at 4417.94.

Looking ahead, only a muted economic recovery is likely in 2009 and 2010, given caution on the part of the banks, who continue to be constrained by their levels of capital. But global equity valuations now appear relatively inexpensive. This is good news for investors with a long-term investment horizon who are able and willing to shoulder short-term volatility.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

Distribution	
XD date	Payment date
12/12/08	12/02/09
TER	
	31/05/09
	%
M Accumulation	-*

Share class M Accumulation was launched 8 September 2008. The Total Expense Ratio (TER) is the total expenses paid by the Fund in the period, annualised, against its average net asset value. The TER will fluctuate as underlying costs change.

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

Details of investments

Investments	31/05/09
	%
Derivatives	100.00
Net other assets	-
Total net assets	100.00

Net asset value

	NAV per
	share
	31/05/09
	(p)
M Accumulation	101.22

The Protection Date for the M share class is 4 December 2014.

The Capital Protected Price is 109.60p.

The FTSE 100 Index starting value is 4,330.70.

Distribution	
	Final
	12/12/08
	(p)
M Accumulation	0.8335
Holdings	
	31/05/09
	%
1. Lloyds TSB Bank plc 100% Call Option March 2014	154.59
2. Lloyds TSB Bank plc 120% Put Option March 2014	154.38
3. Lloyds TSB Bank plc 190% Call Option March 2014	(5.80)
4. Lloyds TSB Bank plc 120% Call Option March 2014	(100.10)
5. Lloyds TSB Bank plc 100% Put Option March 2014	(103.07)

Number of holdings: 5

Please note: negative figures are shown in brackets.

Capital Protected Fund 9 for the period from 20 November 2008 to 31 May 2009

FUND PROFILE

Fund Aims

- On the Protection Date to provide:
 - a protected minimum amount, and
 - capital growth linked to the performance of a stockmarket index.

Definitions

Capital Protected Price is the minimum Share Price the Fund aims to achieve on the Protection Date .

Protection Date is the date on which the Share Price reflects the maturity value of the derivatives.

Derivative Date is the date on and from which the Scheme Property is invested in derivatives .

Cash Investment Period is the period during which Shares may be issued.

Growth Potential Period is the period during which the Scheme Property is invested in derivatives.

Increase means the amount (if any) (expressed as a percentage and subject to the Upper Limit) by which the index has grown over the Growth Potential Period and subject to any Averaging.

Upper limit is 65% this is the cap on the Increase so if the Increase is greater than 65% shareholders will only get 100% (i.e. the Participation Rate) of 65% .

Risks

Market Risk: The value of your investment is not guaranteed and can go up and down depending on investment performance. You might get back less than you've invested.

If you sell your shares while a Fund is invested in Derivatives you might get back less than illustrated. The value will mainly depend on market conditions when we sell the underlying investments and this may not be a reflection of any growth in the Index. What you get back may depend on movements in interest rates and to some extent, movement in the Index since a Fund started investing in Derivatives.

Indirect Investment Risk: You might get back less than if you invested directly in the shares that make up the Index. This is mainly because:

- the cost of providing you with capital protection may mean that the Participation Rate shown in the Details of Terms offers you less than the full rise in the Index;
- we may set a cap on any amount payable in addition to your Capital Protected Value, this could mean you receive less growth. Please see the Details of Terms for information;
- if you held shares directly you would be paid an income (dividends); and
- any 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.

Changes to Terms Risk: Terms for each Capital Protected Fund are set some 6 to 10 weeks in advance based on the price of Derivatives at that time. These terms may or may not compare favourably with those currently available.

If insufficient money is received into a Fund, or the provider of the Derivatives fails to deliver the assets on the Derivative Date, the Authorised Corporate Director (ACD) may wind up that Fund and return your investment.

In the event that the Index shown in the Details of Terms cannot be used, this might affect the value of your investment.

Counterparty Risk: Most of the time, a 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 this risk, cash or other investments (known as collateral) we feel are suitable will be deposited with an independent custodian.

When a 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 is deposited with an institution that also fails, then you might get back less than you invested.

Capital Protected Fund 9 (continued)

INVESTMENT MANAGER'S REVIEW

The Fund is designed to provide investors with a Capital Protected Value on each Protection Date together with capital growth linked to the performance of the FTSE 100 index. It does this by investing primarily in derivatives. Investment may also be in cash, collective investment schemes and other similar investments.

The Cash Investment Period, during which time investors could put new money into the Fund, ran from 20 November 2008 to 4 February 2009. During this time the Fund invested in cash or similar instruments. The FTSE 100 index stood at 4006.83 on 18 February 2009, which is the date the Fund started investing in derivatives. The Fund is now invested in derivatives that are designed to provide, on the Protection Date, both growth linked to the FTSE 100 index and protection so that, if the index goes down, the amount invested remains safe.

At the end of the reporting period, the FTSE 100 index stood at 4417.94.

Looking ahead, only a muted economic recovery is likely in 2009 and 2010, given caution on the part of the banks, who continue to be constrained by their levels of capital. But global equity valuations now appear relatively inexpensive. This is good news for investors with a long-term investment horizon who are able and willing to shoulder short-term volatility.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

Distribution

XD date	Payment date
12/02/09	12/04/09

TER

31/05/09
%

M Accumulation

-*

Share class M Accumulation was launched 20 November 2008. The Total Expense Ratio (TER) is the total expenses paid by the Fund in the period, annualised, against its average net asset value. The TER will fluctuate as underlying costs change.

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

Details of investments

Investments	31/05/09 %
Derivatives	100.00
Net other assets	-
Total net assets	100.00

Net asset value

	NAV per share
	31/05/09 (p)
M Accumulation	100.32

The Protection Date for the M share class is 4 February 2015.

The Capital Protected Price is 108.40p.

The FTSE 100 Index starting value is 4,006.83.

Distribution

	Final
	12/02/09
	(p)
M Accumulation	0.3194

Holdings

	31/05/098 %
1. Lloyds TSB Bank plc 120% Call Option February 2015	190.02
2. Lloyds TSB Bank plc 100% Put Option February 2015	144.27
3. Lloyds TSB Bank plc 165% Call Option February 2015	(10.65)
4. Lloyds TSB Bank plc 100% Put Option February 2015	(96.51)
5. Lloyds TSB Bank plc 120% Call Option February 2015	(127.13)

Number of holdings: 5

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

- On the Protection Date to provide:
 - a protected minimum amount, and
 - capital growth linked to the performance of a stockmarket index.

Definitions

Capital Protected Price is the minimum Share Price the Fund aims to achieve on the Protection Date .

Protection Date is the date on which the Share Price reflects the maturity value of the derivatives.

Derivative Date is the date on and from which the Scheme Property is invested in derivatives .

Cash Investment Period is the period during which Shares may be issued.

Growth Potential Period is the period during which the Scheme Property is invested in derivatives.

Increase means the amount (if any) (expressed as a percentage and subject to the Upper Limit) by which the index has grown over the Growth Potential Period and subject to any Averaging.

Upper limit is 33.334% this is the cap on the Increase so if the Increase is greater than 33.334% shareholders will only get 150% (i.e. the Participation Rate) X 33.334 = 50% .

Risks

Market Risk: The value of your investment is not guaranteed and can go up and down depending on investment performance. You might get back less than you've invested.

If you sell your shares while a Fund is invested in Derivatives you might get back less than illustrated. The value will mainly depend on market conditions when we sell the underlying investments and this may not be a reflection of any growth in the Index. What you get back may depend on movements in interest rates and to some extent, movement in the Index since a Fund started investing in Derivatives.

Indirect Investment Risk: You might get back less than if you invested directly in the shares that make up the Index. This is mainly because:

- the cost of providing you with capital protection may mean that the Participation Rate shown in the Details of Terms offers you less than the full rise in the Index;
- we may set a cap on any amount payable in addition to your Capital Protected Value, this could mean you receive less growth. Please see the Details of Terms for information;
- if you held shares directly you would be paid an income (dividends); and
- any 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.

Changes to Terms Risk: Terms for each Capital Protected Fund are set some 6 to 10 weeks in advance based on the price of Derivatives at that time. These terms may or may not compare favourably with those currently available.

If insufficient money is received into a Fund, or the provider of the Derivatives fails to deliver the assets on the Derivative Date, the Authorised Corporate Director (ACD) may wind up that Fund and return your investment.

In the event that the Index shown in the Details of Terms cannot be used, this might affect the value of your investment.

Counterparty Risk: Most of the time, a 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 this risk, cash or other investments (known as collateral) we feel are suitable will be deposited with an independent custodian.

When a 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 is deposited with an institution that also fails, then you might get back less than you invested.

Capital Protected Fund 10 (continued)

INVESTMENT MANAGER'S REVIEW

The Fund is designed to provide investors with a Capital Protected Value on each Protection Date together with capital growth linked to the performance of the FTSE 100 index. It does this by investing primarily in derivatives. Investment may also be in cash, collective investment schemes and other similar investments.

The Cash Investment Period was scheduled to run from 28 January 2009 to 11 June 2009. During this time, the Fund invests in cash or similar instruments. Thereafter, the Fund will invest in derivatives that are designed to provide, on the Protection Date, both growth linked to the FTSE 100 index and protection so that, if the index goes down, the amount you invested remains safe. The Fund's Derivative Investment Date is 25 June 2009.

At the end of the reporting period, the FTSE 100 index stood at 4417.94.

Looking ahead, only a muted economic recovery is likely in 2009 and 2010, given caution on the part of the banks, who continue to be constrained by their levels of capital. But global equity valuations now appear relatively inexpensive. This is good news for investors with a long-term investment horizon who are able and willing to shoulder short-term volatility.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

Distribution	
XD date	Payment date
31/05/09	31/07/09

TER	
	31/05/09
	%
M Accumulation	-

Share class M Accumulation was launched 28 January 2009. There are no expenses charged to the Fund, therefore no TER has been stated.

Details of investments

Investments	31/05/09
	%
Short Term Deposits	66.26
Money Market Collective	
Investment Schemes	33.78
Net other liabilities	(0.04)
Total net assets	100.00

Net asset value

	NAV per
	share
	31/05/09
	(p)
M Accumulation	100.24

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

Distribution

	Final
	31/05/09
	(p)
M Accumulation	0.2590

Holdings

	31/05/09
	%
1. SWIP Sterling Liquidity Fund†	33.78
2. UniCredito 0.45% 11/06/2009	14.72
3. Barclays Bank 0.6% 11/06/2009	12.26
4. Lloyds Banking Group 0.41% 11/06/2009	9.82
5. Lloyds Banking Group 1.24% 11/06/2009	9.82
6. Nationwide 1.22% 11/06/2009	9.82
7. Royal Bank of Scotland 0.48% 11/06/2009	9.82

Number of holdings: 7

† Scottish Widows Investment Partnership (SWIP)

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

- On the Protection Date to provide:
 - a protected minimum amount, and
 - capital growth linked to the performance of a stockmarket index.

Definitions

Capital Protected Price is the minimum Share Price the Fund aims to achieve on the Protection Date .

Protection Date is the date on which the Share Price reflects the maturity value of the derivatives.

Derivative Date is the date on and from which the Scheme Property is invested in derivatives .

Cash Investment Period is the period during which Shares may be issued.

Investment Cycle is the period between the start of the Cash Investment Period and the relevant Protection Date.

Growth Potential Period is the period during which the Scheme Property is invested in derivatives.

Increase means the amount (if any) (expressed as a percentage and subject to the Upper Limit) by which the index has grown over the Growth Potential Period and subject to any Averaging.

Upper limit is 33.334% this is the cap on the Increase such that if the Increase is greater than 33.334% shareholders will only get an increase of 150% (i.e. the Participation Rate) X 33.334 = 50% .

Risks

Market Risk: The value of your investment is not guaranteed and can go up and down depending on investment performance. You might get back less than you've invested. If you sell your shares before the Protection Date you might get back less than illustrated.

If you sell your shares while a Fund is invested in Derivatives, the value will mainly depend on market conditions when we sell the underlying investments and this may not be a reflection of any growth in the Index. What you get back may depend on movements in interest rates and to some extent, movement in the Index since a Fund started investing in Derivatives.

Indirect Investment Risk: You might get back less than if you invested directly in the shares that make up the Index. This is mainly because:

- the cost of providing you with capital protection may mean that the Participation Rate shown in the Details of Terms offers you less than the full rise in the Index;
- we may set a cap on any amount payable in addition to your Capital Protected Value, this could mean you receive less growth. Please see the Details of Terms for information;
- if you held shares directly you would be paid an income (dividends); and
- any 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.

Changes to Terms Risk: Terms for each Capital Protected Fund are set some 6 to 10 weeks in advance based on the price of Derivatives at that time. These terms may or may not compare favourably with those currently available.

If insufficient money is received into a Fund, or the provider of the Derivatives fails to deliver the assets on the Derivative Date, the Authorised Corporate Director (ACD) may wind up that Fund and return your investment.

In the event that the Index shown in the Details of Terms cannot be used, this might affect the value of your investment.

Counterparty Risk: Most of the time, a 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 a 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 is deposited with an institution that also fails, then you might get back less than you invested.

Capital Protected Fund 11 (continued)

INVESTMENT MANAGER'S REVIEW

The Fund is designed to provide investors with a Capital Protected Value on each Protection Date together with capital growth linked to the performance of the FTSE 100 index. It does this by investing primarily in derivatives. Investment may also be in cash, collective investment schemes and other similar investments.

The Cash Investment Period was scheduled to run from 27 March 2009 to 3 September 2009. During this time, the Fund invests in cash or similar instruments. Thereafter, the Fund will invest in derivatives that are designed to provide, on the Protection Date, both growth linked to the FTSE 100 index and protection so that, if the index goes down, the amount you invested remains safe. The Fund's Derivative Investment Date is 17 September 2009.

At the end of the reporting period, the FTSE 100 index stood at 4417.94.

Looking ahead, only a muted economic recovery is likely in 2009 and 2010, given caution on the part of the banks, who continue to be constrained by their levels of capital. But global equity valuations now appear relatively inexpensive. This is good news for investors with a long-term investment horizon who are able and willing to shoulder short-term volatility.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

Distribution	
XD date	Payment date
31/05/09	31/07/09

TER	
	31/05/09
	%
M Accumulation	-

Share class M Accumulation was launched 27 March 2009. There are no expenses charged to the Fund, therefore no TER has been stated.

Details of investments	
Investments	31/05/09
	%
Short Term Deposits	51.57
Money Market Collective	
Investment Schemes	39.41
Net other liabilities	9.02
Total net assets	100.00

Net asset value	
	NAV per
	share
	31/05/09
	(p)
M Accumulation	100.07

The Protection Date for the M share class is 3 September 2015.

Distribution	
	Final
	31/05/09
	(p)
M Accumulation	0.0970

Holdings	
	31/05/09
	%
1. SWIP Sterling Liquidity Fund†	39.41
2. Royal Bank of Scotland 1.27 % 03/09/2009	27.30
3. Lloyds Banking Group 1.43 % 20/07/2009	24.27

Number of holdings: 3

† Scottish Widows Investment Partnership (SWIP)

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