

**21 JANUARY 2008**

## **SCOTTISH WIDOWS LIFE AND PENSION PROPERTY FUNDS**

Scottish Widows has today introduced a 180-day delay period for certain transactions involving the Scottish Widows Life Property Fund and the Scottish Widows Pension Property Fund. This will affect policyholders in these funds who request full or partial redemptions, transfers or switches. The 180-day delay starts from the day we receive each request.

The delay does not apply on death, on retirement, to regular pension payments, to critical illness claims or at a policy's maturity date. Existing regular withdrawals are also unaffected. New or increased regular withdrawals can also be taken without delay under certain restrictions\* (see notes).

Following several years of attractive returns, the commercial property market has seen a slowdown. This has led to some investors taking the profits they have made from commercial property over recent years, lowering the short-term liquidity levels of many property funds in the market. This includes the Scottish Widows Life and the Scottish Widows Pension Property Funds, from which we have recently seen high levels of switches into our other funds. As a result, the Property Funds need to sell more of their property investments than normal.

The 180-day delay period for requests to switch out or withdraw from the Property Funds is allowed for within the policy provisions and we are taking this action to be fair to all policyholders. Unlike many other asset classes, commercial property can take time to buy and sell. The delay means that we can implement an orderly programme of sales over a longer period, with the aim of providing liquidity within a reasonable period for those who want to leave the funds. At the same time our fund managers will have the opportunity to obtain fair values for properties we sell, protecting the performance of the funds for the majority of policyholders who wish to remain invested.

Although past performance is not a guide to future returns, property funds have performed well for many investors in recent years and provide the potential for good returns in the medium to long term. Scottish Widows remains committed to property as an asset class. We believe the key benefits of investing in property – diversification, generation of income, expectation of a long-term return between bonds and equities – remain fully intact.

The delay period we have introduced only applies to the Scottish Widows Life and Pension funds. The restrictions do not apply to any other Scottish Widows funds, including SWIP's Property Trust.

We will shortly be writing to all customers affected by this change.

**ENDS**

**Notes to editors;**

\* New or increased regular withdrawals can be taken as long as the proportion of the withdrawal taken from the Property Fund does not exceed that Fund's share of the overall policy.

The current cash level is just under 2%.

Fund sizes as at 31 December 2007:  
Scottish Widows Property Pension Fund = £1,141.6m  
Scottish Widows Property Life Fund = £1,012.2m

We will be writing to approximately 200,000 policyholders.

On December 5 2007, Standard & Poor's improved its outlook on Scottish Widows from stable to positive and affirmed its 'AA-' financial strength rating. (source: Standard & Poor's, December 07)

Scottish Widows is also currently rated Aa1 by Moody's and has been consistently rated at that level for seven consecutive years. Aa1 is the highest rating that can be achieved. (source: Moody's Investment Service, 8 March 2007)

**For further information, please contact:**

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