

**For immediate release
1 September 2006**

Scottish Widows Response to Fidelity Special Situations Fund Split

- Existing Widows fund renamed from SW Fidelity Special Situations to SW Fidelity 50-50 Special Situations
- Fund aim changed to reflect 50-50 split into two underlying funds
- Two new SW funds to be launched on 18 September:
 - “SW Fidelity Special Situations (2006)” for UK exposure
 - “SW Fidelity Global Special Situations” for global coverage

Scottish Widows has announced its response to the Fidelity Special Situations Fund split which is due to take effect on 18 September. Following close dialogue with Fidelity, a solution has been identified that enables customers to mirror the suggested Fidelity fund allocation of 50% UK 50% Global, or tailor it to their own needs using two new Fidelity funds as building blocks.

From 18 September, investors in the Scottish Widows Fidelity Special Situations funds will be offered the following options:

Option 1 – Existing fund to be the default option for existing customers

The existing SW Fidelity Special Situations fund will, because of the change in the underlying investments, change its name to ‘**SW Fidelity 50-50 Special Situations**’. It will also change its fund aim in order to match the investments held.

This default option will be a “50-50” fund which will reflect 50% of the assets being allocated to Fidelity Special Situations Fund and 50% being allocated to Fidelity Global Special Situations Fund. Fidelity will manage the 50-50 asset allocation on an ongoing basis.

Scottish Widows has closed this fund to new investment into new policies and new schemes. There are no plans to reopen this fund to new business in the foreseeable

future. However, existing customers who took out policies prior to 1 June 2006 may increment, switch or redirect existing contributions into this fund.

Option 2 – Alternative fund options

Scottish Widows will also establish two new fund links in their life and pensions range:

- The first fund will be UK orientated, called **SW Fidelity Special Situations (2006)**.
- The second fund will be globally orientated, called **SW Fidelity Global Special Situations**.

UK - SW Fidelity Special Situations (2006)

The 'SW Fidelity Special Situations (2006)' fund will invest in the new Fidelity Special Situations fund. This fund will be closed to new investment for new policyholders but will be available to existing customers who took out policies prior to 1 June 2006.

Scottish Widows will monitor, in conjunction with Fidelity, whether this fund will open to new business at a future date.

Global - SW Fidelity Global Special Situations

The new 'SW Fidelity Global Special Situations' fund will invest in the new Fidelity fund of the same name. This fund will be open to new business for all policy holders.

In addition, any investor who feels the new fund options are unsuitable will be offered a free switch out of the existing fund into any other available fund on the Scottish Widows platform.

Alasdair Fraser, head of investment services at Scottish Widows, believes that the options will benefit both intermediaries and customers by offering a comprehensive and flexible choice on their investments. He said:

“The key principle of Scottish Widows’ response to the Fidelity fund split is customer choice. The easy option would have been to just convert the existing fund and leave it at that. However, we anticipated that some of our investors will want a greater degree of choice. I am confident we have found a more flexible approach that enables advisers and investors to make informed investment decisions.”

To communicate the changes to affected parties, Scottish Widows is now planning to write to approximately 5,000 intermediaries and 28,000 customers. This will include:

- All IFAs with customers in the fund, to explain the changes
- Every policy holder invested in the current fund, providing them with details to make an informed decision and a switch form / reply-paid envelope.
- All relevant employers, so they are aware their employees are being mailed
- All relevant trustees, to explain the changes and offer them help with contacting their scheme members

Nick Bamford, IFA at Informed Choice, commented:

"Scottish Widows is making it easier for customers to make a choice. This is a responsible step and gives customers the flexibility to make a decision appropriate to their investment needs."

ENDS

Notes to Editors:

The funds can be accessed across a broad range of life and pension products. They will not be available under Stakeholder Pensions and Unitised Annuities. Current life and pension products that the funds are available under are:

- Life – Flexible Options Bond, Regular Savings Plan
- Pensions – Personal Pension, Group Personal Pension, Executive Pension Plan, Income Drawdown, Phased Retirement, Group AVC, Trustee Investment Bond, Group Money Purchase.

For further information, please contact –

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