

Frequently Asked Questions on P2

What is P2?

P2 is a simple, efficient, web-based, interactive modelling tool designed exclusively for professional advisers.

P2 aims to support the IFA sales and servicing cycle at every stage, helping you to plan your client's investments so that their investment goals and objectives are identified and managed.

Who can use P2?

P2 has been developed for use by financial advisers, paraplanners, research teams and support staff.

How do I access P2?

P2 is easily accessible through our Financial Adviser Extranet home page at:

www.scottishwidows.co.uk/extranet or directly through **www.swp2.co.uk**

To access P2, you'll need to be registered on our Extranet. If you aren't already registered, you can register your company with Unipass and apply for a digital certificate. It's easy to install a Unipass certificate on your PC. Just visit their website at **www.unipass.co.uk** to find out how.

If you'd prefer a customer ID and PIN number, you can complete our online registration form, available on the Extranet home page.

What is stochastic modelling?

A stochastic investment model aims to forecast how potential investment returns on different assets, such as equities or bonds, could vary over time. Rather than providing a single estimate of the final result, P2 estimates the possible outcomes by calculating many thousand different investment growth scenarios and recording the result of every single one.

Stochastic modelling not only provides you with an estimate of the most likely outcome, based on the assumptions made, it also gives you the probability of the actual result being less or more than this amount and by how much. It has been used by financial and economic institutions worldwide to simulate long-term future financial behaviour.

The benefit of P2 using a model like this, is that it takes into account the different rates of return your clients' portfolios could have over the medium to long term. This information enables P2 to illustrate the levels of risk and possible return for a portfolio, based on different asset mixes and fund classes.

Our stochastic model is provided by Barrie & Hibbert.

Please note that future investment returns are uncertain and past performance isn't a guide to future performance.

Who is Barrie & Hibbert?

Established in 1995, Barrie & Hibbert Limited (B&H) is a leading financial sector consultancy whose headquarters are based in Edinburgh. B&H's diverse team of highly skilled specialists is drawn from fields such as investment banking, investment management, actuarial professions and academia.

B&H supports major financial organisations in the management of investment risk. B&H's clients operate in the insurance, pensions, investment management and savings industries.

The services provided by B&H include the licensing of risk models and consultancy. B&H's main product, The Barrie & Hibbert Economic Scenario Generator, is now a cornerstone of capital and financial risk management for many global insurance companies.

B&H believes that credible and robust solutions can only come through transparent analysis and good communication with clients. These are important tenets which underlie the services B&H provides.

B&H is owned by its founders and staff.



What assumptions are used?

The following assumptions have been used (current as at May 2007):

Economic Assumptions

The following long-term average returns and standard deviations were assumed in producing the data.

	Mean	Volatility
Short-term interest rate	4.2	4.3
15 year zero – coupon yield	4.7	3.3
Inflation (RPI)	2.7	5.5
National Average Earnings Growth (NAE)	4.2	5.5

Asset Return Assumptions

The following table shows asset returns produced by the proposed calibration. The values shown are annualised nominal return and standard deviation based on a 10 year investment term.

	Arithmetic Mean % PA	Geometric Mean % PA	Annualised Volatility % PA
Cash	4.3	4.2	4.0
Gilts	4.6	4.6	4.0
Pension Protection Fund (PPF)	5.2	5.0	6.5
Bonds	5.6	5.4	6.3
Property	7.3	6.1	16.0
UK Equity	8.2	6.2	20.2
Global Equity	8.1	6.4	18.3

Asset Correlations

The correlations produced by the proposed calibration are shown below.

	Cash	Gilts	PPF	Bonds	Property	UK Equity	Global Equity
Cash	1	-0.20	-0.34	-0.13	0.14	-0.02	-0.11
Gilts		1	0.92	0.57	-0.07	0.14	0.14
PPF			1	0.65	-0.08	0.18	0.16
Bonds				1	0.05	0.61	0.31
Property					1	0.13	0.04
UK Equity						1	0.35
Global Equity							1

The assumptions the model uses are those applying at the date shown and they will change over time. Actual returns may be very different.

Source: Barrie & Hibbert, May 2007.

How far back does the data go?

The most important point to note here is that P2 uses a stochastic projection, which is intended to provide a forward-looking view of a portfolio. As such, any model based entirely on historic returns could be inappropriate.

The Barrie & Hibbert model calibration is maintained on a quarterly basis, via reference to the following sources:

- historic price/return series
- market prices
- expert economic judgment

In terms of the length of the historic data series B&H uses, this varies by asset class and depends on two things:

- availability (eg it has data on UK equities going back over several centuries, but robust data on property price indices only goes back to the 1970s)
- validity (eg corporate bond price data series saw very significant changes in level and volatility during the early 1980s, due mainly to structural changes in the taxation regime. These same changes are not likely to occur now as the market has developed, and so it would probably be inappropriate to capture this sort of behaviour within a model which is intended to create forward-looking projections).

How often are they reviewed?

They are reviewed half-yearly by B&H and if the assumptions have changed, P2 will be updated half-yearly.

Can I print the risk questionnaire to send to my client?

Yes, with P2, you can complete the questionnaire online or print it off to send to your client.

How long can client data be stored for?

Client data will be held on P2 for up to five years and you can review it anytime.

Can Scottish Widows access my clients' records on P2?

No. One of the key benefits of P2 is that your clients' records will be stored on a separate database that only you have access to, so you can be sure there are no data protection issues.

Why provide agency – level access?

Agency – level access allows IFA offices to manage their customers, regardless of whether a Registered Intermediary (RI) is available. The Customer ID gives access to specific Agency Numbers, so by two or more RIs having the same Agency Number, business continuity is maintained.

Does this mean other RIs can view my client data?

Yes. As with all Scottish Widows IFA Extranet services, we allow any RI who has access to an Agency Number access to the business written. This allows RIs in a firm to provide cover for each other, and allows support staff to work on cases for multiple RIs.

If someone leaves my office, who turns off their Agency Number?

You should request that the Customer ID is deleted, preventing the RI accessing the data. Other RIs in the office who have access to that Agency Number will be able to pick up the client data, so maintaining the IFAs' business.

How do you obtain asset allocation splits for existing investments?

P2 has the facility to search the entire UK life, pension and investment fund universe for an existing investment and, through a live link to Financial Express, will instantly pull forward the underlying asset allocation of that investment.

This allows you to very quickly and easily build up an overall picture of your clients' investments and exposure to risk.

Please refer to the P2 User Guide for full instructions (ref 44856).

Who is Financial Express?

Financial Express Limited is Scottish Widows' main data provider. Financial Express:

- is the largest collector of fund data in the UK
- supplies data to 8 out of 10 of the top life companies
- is the largest supplier of price feeds to IFAs
- produces 20% of the industry's factsheets.

Source: Financial Express, April 2007.

How does Financial Express receive its data?

Direct from fund groups. Financial Express has an entire department dedicated to the collection of the information. Where asset allocation data is not available, it is derived from the sector average, the fund's objective or from holding information.

How often is this data updated?

Fund groups publish this information monthly or quarterly, however amendments/updates happen daily.

How accurate is the data?

As the largest collector of fund data in the UK, it is vital that its data is accurate. The fund data used by Financial Express is provided by the fund management groups themselves, and although we are satisfied that their operating procedures ensure every effort has been taken to keep this information accurate, Scottish Widows, unfortunately, cannot warrant the accuracy of the fund information.

P2 shows non-UK equities as one asset class. What market assets does the tool model and in what proportions?

The split of assets used within the overseas equity asset class is 70% US equities and 30% European equities. This is a standard assumption that is representative of a generic international equity fund.

I am searching the whole of market for other providers' With-Profits funds, looking for asset allocation and unit prices, but can't find some of them. Why not?

Some With-Profits funds are not unitised. P2 can only provide the asset allocation and unit price for unitised With-Profits funds (and only those that report their data to Financial Express).

How are the model portfolios derived?

Please refer to the Scottish Widows Life and Pensions Investors Guide (ref 16540) that can be found in the Literature Library on our Financial Adviser Extranet.

What are the underlying funds that make up the SW Solution Funds?

We have individual fund factsheets which contain this information and you can access these from the fund information section on our Financial Adviser Extranet.

Why do the Annual Management Charges (AMC) default to 1%? If I change the % will it alter the analysis?

These default charges are based on Standard Scottish Widows Investment Partnership funds. These can be amended if required. Including a higher AMC will reduce the likely outcome. P2 models the potential performance of asset classes rather than specific funds.



All of the seven Scottish Widows Solutions Funds invest in overseas equities/ bonds. What asset allocation is there to each geographic area?

The target asset mixes for the portfolios:

		Defensive	Cautious	Discovery	Balanced	Strategic	Dynamic	Adventurous
Target Asset Mixes	UK equities	5%	15%	26%	32.5%	50%	55%	50%
	Overseas equities	0%	0%	14%	17.5%	27%	30%	50%
	UK Bonds	40%	45%	30%	20%	8%	5%	0%
	Overseas Bonds	35%	25%	15%	15%	5%	5%	0%
	Property	20%	15%	15%	15%	10%	5%	0%

What is P-view?

P-view is a sophisticated analysis tool that performs a review of the portfolio you have chosen. It mines all the underlying data on the funds in the portfolio, analysing it at asset class, fund, sector and stock level. It then consolidates all this information into a simple report which provides more information about the portfolio than could be obtained from a collection of individual fund factsheets, including volatility measures, top ten holdings, alpha, beta and sharpe ratios.

When I save a report it is sometimes 10MB in size. Why, and what can I do to make it smaller?

For maximum flexibility, the report is generated in "rich text format" or RTF. This format saves considerable extra information (in addition to the text) to enable other applications to use the report. If you only intend to use the report in Word, when saving the document change the 'save as type' from RTF to DOC and you will find that the file is considerably smaller.

I don't have Flash 6.0, what do I do?

You'll be offered the chance to download it when you click on the P2 icon. If you don't do this, then you will be unable to access P2.

I don't have Acrobat Reader, what do I do?

Acrobat Reader software is free of charge and can be downloaded from our Financial Adviser Extranet.

Do I need broadband to use P2?

Due to the amount of information being returned through the live link to Financial Express, a broadband or DSL line is preferred. You can use a dial-up connection using at least a 56K modem line, but this may result in slower performance.

Who do you contact for help?

In the first instance, please contact your usual Scottish Widows consultant, who will be able to help you.

For professional Adviser use only, not be relied upon by any other person.



Scottish Widows plc. Registered in Scotland No.199549. Registered Office in the UK at 69 Morrison Street, Edinburgh EH3 8YF. Tel: 0131 655 6000.
Scottish Widows plc is a member of the Scottish Widows and Lloyds TSB Marketing Group, members of which carry on the business and services associated with life assurance, pensions and investments. Scottish Widows plc acts as the processing and paying agent for Scottish Widows Annuities Ltd.
Scottish Widows plc is authorised and regulated by the Financial Services Authority (FSA Reg. No.191517).

44866 07/07