

A Guide to your Unit Linked Savings Plan

This guide is based on the most frequently asked questions we receive about our Unit Linked savings plans. Information on the specific fund that your plan is linked to is in the enclosed Investors' Report. The information in this guide applies to all of our non-pension funds.

We hope you find both documents helpful. If you have any further questions please contact your financial adviser if you have one, or call our Customer Services Team on 0845 609 0085. We're open Monday to Friday from 8am to 6pm.

Q. What does Unit Linked mean?

A. Basically, the money you invest with us is used to buy units in a fund.

The value of these units depends on the value of the investments held by the fund. The units bought are added to your plan. The value of your plan, at any given time, is linked to the value of all the units added together. This means that your plan's value will vary according to the number of units held and the value of the investments held by the fund.

Q. What does the fund invest in?

A. The fund is invested in the UBS UK Select Fund OEIC (an Open Ended Investment Company) managed by UBS Global Asset Management.

This OEIC invests in a wide range of companies, although the actual mix of companies changes from time to time. The enclosed Investors' Report gives more detail about the investments held by this fund.

Q. Who looks after my money?

A. Our Investment Committee is responsible for monitoring the performance of the OEIC, and its fund manager, UBS Global Asset Management.

Performance is measured against a 'benchmark', which is currently the FTSE All-Share Index.

Q. How has the stock market performed?

A. In 2010 stock markets once again experienced high levels of volatility with the FTSE All-Share Total Return Index falling by 8% in the first half of the year before recovering to record an eventual increase over the year of 14.5%.

The graph below shows how the value of the FTSE All-Share Total Return Index has moved during the last ten years. This shows the increasing levels of volatility stock markets have been experiencing in recent years.

Performance of the FTSE All-Share Index from January 2001 to December 2010



Q. How has the fund been performing?

A. Please see the enclosed Investors' Report.

Q. What is the outlook for the stock market?

A. Although the UK economy moved out of recession as we entered 2010, a period of low growth remains a distinct possibility with attendant consequences for UK company profits. Both the UK and the US economies continue to benefit from central banks' support for the economy (quantitative easing) and any reduction in this during 2011 may adversely impact markets.

Although difficult to foresee the short-term impact, we still believe that, over the medium-to longer-term, shares offer good value.

Timing is a critical factor

A key point to remember is that timing often has a major influence on the way market fluctuations affect the value of your plan. For example, a market rise or fall towards the end of a plan would normally have more effect on the final payout than the same rise or fall in the early years. A plan has time to recover from a market fall in the early years. There is less time for recovery in the final years, and the number of units affected could be far greater.

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