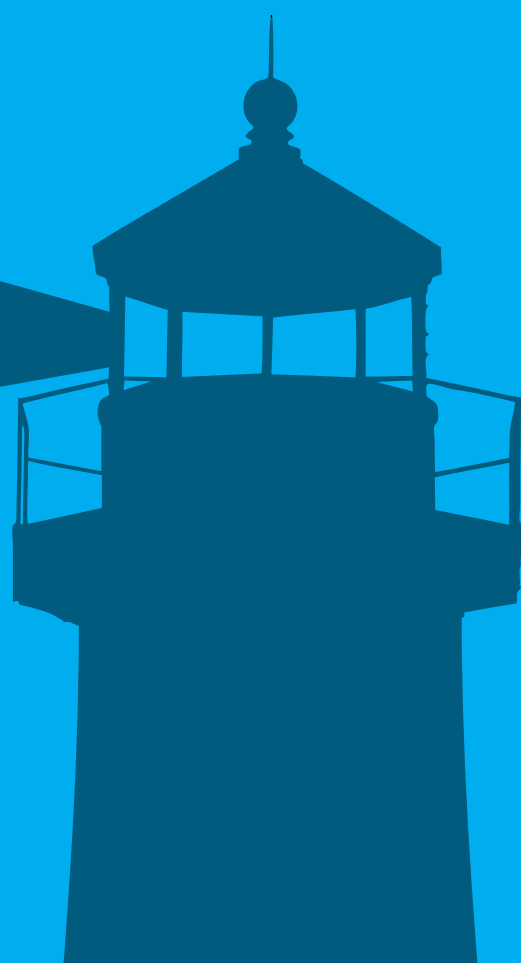


# LEGAL & GENERAL PROTECTED UK GROWTH FUND.

AVAILABLE THROUGH PORTFOLIO BOND  
AND INVESTMENT BOND



# STOCK MARKET POTENTIAL FOR THE CAUTIOUS INVESTOR.

## OVERVIEW OF THE FUND

- The fund is aimed at cautious investors looking for some exposure to the growth potential of the UK stock market, but needing to limit the associated risks throughout the period of their investment.
- The fund invests in a combination of UK shares (referred to in this brochure as 'equities') and cash. An investor's returns from the fund will reflect the performance of these underlying assets.
- The fund also provides investors with significant protection against falls in value.
- The protection rises if the value of each individual's net investment in the fund rises. This protection is 80% of the highest value reached.
- The protection depends on a third party honouring contracts they've made with Legal & General, so it is not an absolute guaranteed minimum return.
- Every new investment into the fund will initially be invested 70% into equities and 30% into cash.
- The equity and cash proportions are changed regularly, often daily. Generally, the cash content will increase when the stock market falls and reduce when it increases.
- To achieve the built-in protection, there will always be at least 30% of each investor's money held in cash, often substantially more. This means that the fund does not offer the full potential of an investment entirely in equities that may be appropriate for more adventurous investors.
- In extreme stock market conditions, an individual investor's holdings in the fund could become wholly invested in cash.

## HOW YOU INVEST IN THE PROTECTED UK GROWTH FUND

The Legal & General Protected UK Growth Fund is available to investors through our Portfolio Bond and Investment Bond. These products have no specific end date and should be regarded as an investment for at least five years, ideally longer. Detailed information about the products is provided in the 'Key Features' and the 'Product Guide', which you must read before making an investment. All items of literature are available on request from your financial adviser.

## WHAT THE FUND OFFERS

### UK Equities – for good long term growth potential

Over the long term, investments in UK equities offer better potential for long term growth than, say, conventional bank or building society deposit accounts. Whilst capital and added interest is usually secure in a deposit account, over the longer term, its value in real terms will decline if inflation levels exceed net interest rates. Up to 70% of your money is invested in UK equities via Legal & General's UK Index Trust. See 'The underlying investments' section (on page 9) for information about the UK Index Trust.

### Cash – for liquidity and security

A minimum of 30% is invested in cash deposits. See 'The underlying investments' section (on page 9) for information about the type of cash holdings we use.

The cash content of the fund is capital secure. This gives the overall fund greater stability and helps to provide the built-in protection. It can generally be traded easily, allowing us to change the mix between equities and cash quickly.

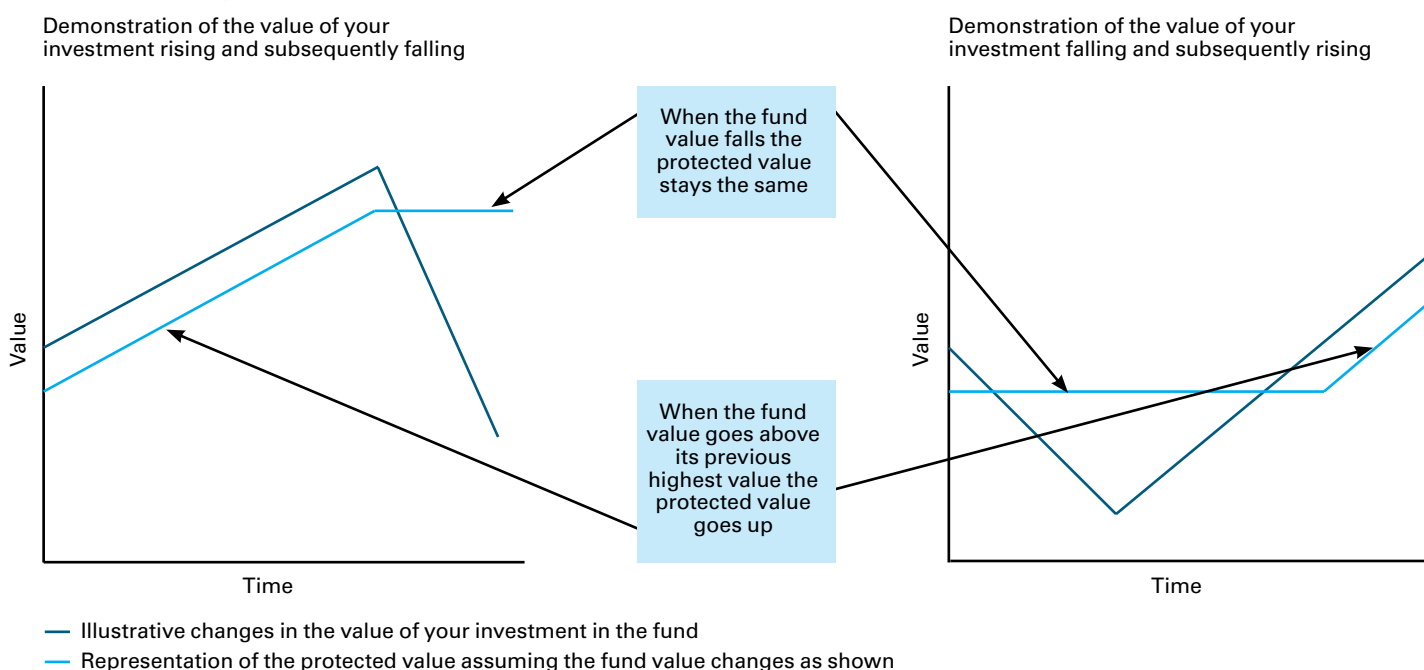
### Protected minimum amount – for peace of mind

We manage the fund to give you a high level of protection. The least you will get back is 80% of the amount invested into the fund less any early surrender charge, assuming you have not previously withdrawn any money. This is subject to the contracts described in the 'Protection provided through contracts with a respected third party – for reassurance' section (on page 4). Investors with an allocation rate on their investment of less than 100% (see your Illustration or Schedule for details), should note that the amount invested in the fund could be less than the amount you give us (see 'Important information and risks unique to this fund' on page 6). Regular withdrawals and partial encashments are available but they reduce your protected minimum amount (see the 'Regular withdrawals and partial encashments' section on page 11 for details). Please remember an early surrender charge may apply.

### Gains locked-in – for protection against stock market falls

In addition to the protected minimum amount, if the value of your investment in the fund rises, the level of your protection also increases. This means that you will get back the greater of your current value or 80% of the highest value your investment ever reaches, again subject to the contracts mentioned above and less any early surrender charge. So, if your investment grows over the long term (which is not guaranteed), your protected value will correspondingly increase. As with the protected minimum amount, any regular withdrawals or partial encashments will reduce your protected value.

## Graphs illustrating how the protection works

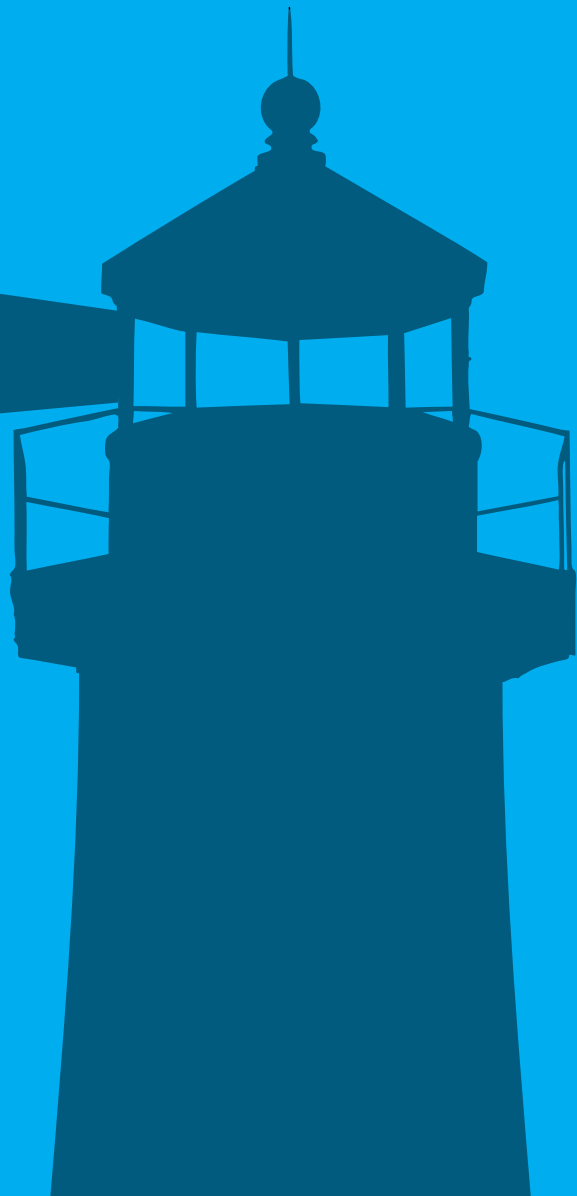




## **PROTECTION PROVIDED THROUGH CONTRACTS WITH A RESPECTED THIRD PARTY – FOR REASSURANCE.**

Protection is very important to many investors, and in order to provide the protection described earlier, Legal & General has entered into contracts with a leading global investment bank, Goldman Sachs International. It is these contracts that provide the protection; Legal & General is not providing it.

Goldman Sachs International's obligations under the contracts are backed by the Goldman Sachs Group Inc. which has been recognised for its financial strength by leading independent rating agencies, such as Standard & Poor's and Moody's.



**Set investment mix for all new investments into the fund – for a consistent approach**

We will always split new investments into the fund 70% into equities and 30% into cash. If you invest into similar funds with some other providers they may give you the investment mix their existing investors have, which would generally depend upon the previous performance of UK equities. In those types of fund, if you make an investment following a period of stock market falls, the proportion invested in equities could be much lower than 70%, and after periods of large market falls could potentially be almost zero. However, we will always allocate 70% of every new investment into equities. This ensures that the original purpose of the fund, to provide equity exposure plus protection for all new investors in the fund, is achieved regardless of the performance of the UK stock market up to that point.

**Investment balance – for changing market conditions**

After the initial investment split of 70% equities and 30% cash, the mix will be automatically adjusted depending on market conditions. Subject to a maximum of 70% in equities, if the stock market falls, the cash proportion will generally increase and when the market rises the proportion in equities will usually increase. This allows us to offer you a balance of the potential of UK equities and the security of cash.

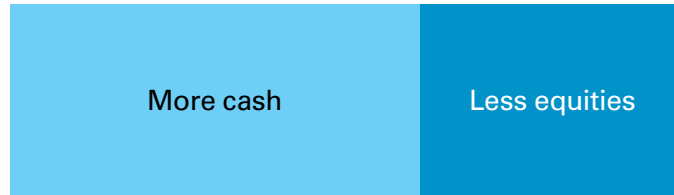
**No fixed investment period – for flexibility**

You can leave your investment in the fund as long as you like. You can withdraw money at any time and we also offer you the option to switch to any of the other funds available on your chosen bond. Charges may apply in some circumstances as described in the relevant 'Product details'.

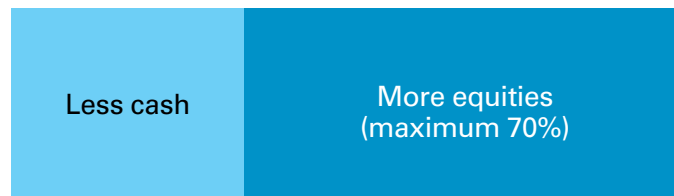
**All new investments**



**Stock market falls**



**Stock market rises**



# IMPORTANT INFORMATION AND RISKS UNIQUE TO THIS FUND.

All the 'risk factors' set out at the front of the Portfolio Bond and Investment Bond Key features apply to the Protected UK Growth Fund, but there are a number of important specific additional items.

## Potential returns

We believe that the fund has the potential to provide a greater return than cash deposits over the medium to long term, typically five years or more, but less growth than the UK stock market index that the equity content tracks. Five years is important as it should be considered the minimum commitment period due to the way we take our charges. Your actual return from the fund will depend on the performance of the assets in which it invests (see 'The underlying investments' section on page 9) and our charges (see your personal illustration). The amount you get back could be less than you would get from an average deposit account, and the fund provides a different form of capital security from that provided by such accounts. Whilst you can make withdrawals at any time, payment is not immediate as it can be with many deposit accounts.

## The effect of unit allocation rates on the protected minimum amount

The proportion of your money we put into the fund varies depending on your age and the amount you invest (see the relevant 'Product details'). The allocation rate shown on the first page of your personal illustration determines the amount of your protected minimum amount. If your allocation rate is less than 100%, the amount of your initial investment that benefits from the protection is less than you put in. For example, if the allocation rate used is 98%, your protected minimum amount is 80% of 98%, that is 78.4% of your initial investment. Remember that there might be an early surrender charge which reduces the protected minimum amount if you decide to cash in during the first five to seven years of your investment (see your Illustration or Schedule for details).

## Cost of the protection

We currently pay Goldman Sachs International 0.5% per year of the overall fund value to provide the protection. We expect to claim tax relief in respect of this payment, which currently reduces the net effect of this cost to approximately 0.4%, although this favourable tax treatment may change in the future. The overall fund bears the cost rather than it being deducted from your units. As a result your investment potential will be less than that from a fund with a similar asset mix without the protection.

The gross amount of this cost is fixed for a period of at least 10 years from the date you invest in the fund. After that it could go up or down. The net cost may vary over time. We will review the gross cost just before the tenth anniversary. We may then continue our arrangement with Goldman Sachs International or use another provider. We will contact you at that time to give you full details.

## Effect of stock market fluctuations on potential returns

The UK stock market can be volatile; even during periods when the general trend is upwards there will be days when the value falls. When we switch between equities and cash, we have to take account of the level of protection reached which could often be more than 80% of the current value of your investment in the fund. The effect of this is that during periods when the UK stock market is unsettled or rises steadily following a fall,

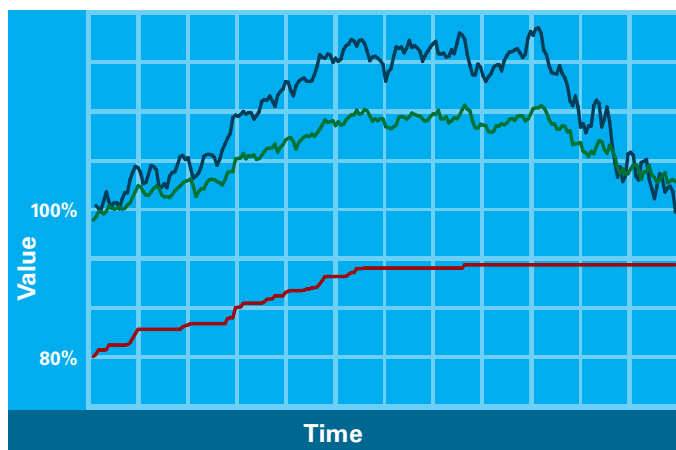
- a) any increases in the value of your investment in the fund are unlikely to be as much as the increase in the value of the UK stock market, and
- b) the cash content of your fund will often be much higher than 30%, even during favourable market conditions.

(This characteristic of the fund is demonstrated in the table on page 10.)

**Demonstration of the fund attributes**

The following graphs show the Protected UK Growth Fund values that would apply assuming UK stock market values moved as shown. They are only provided to show how the amount of your investment is likely to react in different stock market conditions. They should not be considered as any guide to the future performance of the UK stock market or the Protected UK Growth Fund. All these examples take charges and tax into account, but not any early surrender charge and assume that 100% of your investment is allocated to units in this fund.

**Representation of a rising stock market with some volatility**

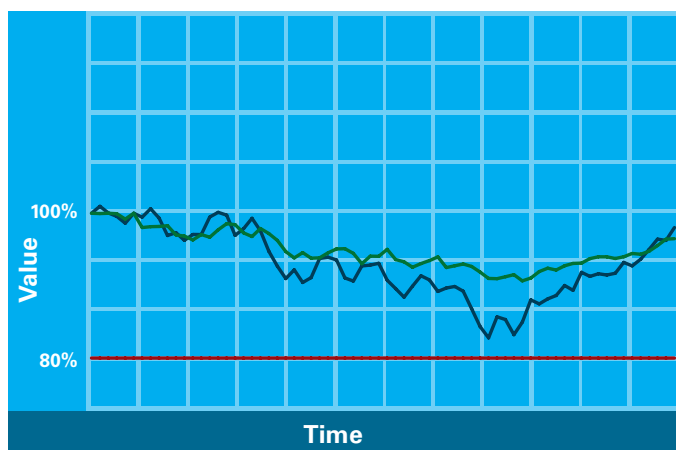


- FTSE All-Share Index
- Value of an investment in the fund assuming the FTSE All-Share Index moves as shown
- Protected amount

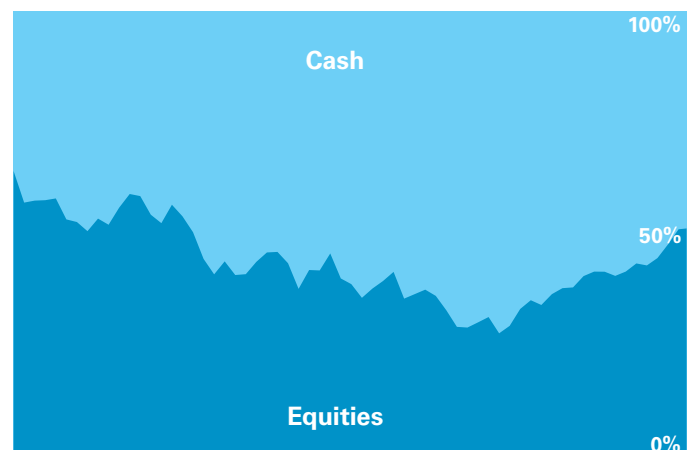


This graph demonstrates what the approximate split between equities and cash would be, based upon the adjacent representative UK stock market performances.

**Representation of a falling stock market followed by a rise**



- FTSE All-Share Index
- Value of an investment in the fund assuming the FTSE All-Share Index moves as shown
- Protected amount



This graph demonstrates what the approximate split between equities and cash would be, based upon the adjacent representative UK stock market performances.

### Severe fall in value

If an extreme event occurs that significantly reduces the value of your investment in the fund you would become 100% invested in cash. Examples of such events would be:

- a) a fall in the value of the UK stock market of around 30% in one day and
- b) a substantial fall in the value of your equity proportion combined with a major bank(s) failing to repay a deposit we have with them.

As a result, it would be difficult to make a significant move back into equities unless interest rates were high, so we would expect your future returns from the fund to be in line with cash. Therefore, when taking account of the charges, we do not believe it would be in your best interests to remain in the fund.

If a fall of this size happened, we would automatically switch your money into our Cash Fund. We would switch the protected minimum amount including any locked in gains (assuming Goldman Sachs International honour their contracts). Whilst the protection offered by the Protected UK Growth Fund would no longer apply, the Cash Fund has virtually no capital risk so your protected value should not reduce.

We would then write to you and explain your options. You may be able to switch back into the Protected UK Growth Fund, or a similar protected fund, if available. The protection you would get would depend on the fund available at that time. It might not be the same as that offered by this version of the fund.

### Sustained stock market falls

If we experience a lengthy period where UK equities perform consistently poorly, there would be a significant decline in your equity content. The cash proportion of your investment would become very high, and in extreme circumstances such as a deposit non-payment, could become 100%. The effect of this would be that if the stock market recovered, the growth of your investment would be considerably reduced when compared to an investment in the stock market without the protection this fund provides. We will constantly monitor your investment and will write to you if:

- a) the equity content falls to 30% or less, which is broadly equivalent to a fall of more than 12% from the highest ever value, and again/or if the fall is so severe that
- b) the equity content falls below 10%.

Our letter(s) will explain the effect on your investment and the options available to you. As with a severe fall in value, your protected value will be the protected minimum amount at that time.

### Movements out of the fund immediately following the fund value falling below the protected value

If the value of your investment in the fund falls below the protected value, Legal & General expects to receive a payment under the contracts with Goldman Sachs International within 20 working days, although any payment is not guaranteed. Until we receive the payment, we cannot ascertain any overall fund values. Therefore, it would not be possible to fully satisfy any request to cash-in units or switch units out of the fund received during this period. Any balance due would need to be deferred for up to one month to enable us to calculate a final value.

### Third party failure to honour contracts

There is always the possibility that Goldman Sachs International could fail and therefore be unable to meet its obligations under the contracts with Legal & General. In the worst possible scenario – an extreme fall in the value of your investment in the fund to below your protected amount, combined with Goldman Sachs International being unable to honour the contracts – your minimum cash-in value would be the remaining value of your investment at the time, comprising your share of the value of the cash holding, less any early surrender charge, rather than the protected amount.

## THE UNDERLYING INVESTMENTS

### UK Index Trust

Legal & General launched its first index trust in 1989 and is one of the biggest providers of index-tracking investments in the UK, managing £180 billion as at 30 June 2009.

The UK Index Trust tracks the FTSE All-Share Index, which contains a broad spread of companies that aims to be fully representative of the UK market as a whole. It gives investors exposure to all economic sectors of the UK stock market without all the risk associated with selecting individual stocks. Rather than a fund manager, we use sophisticated computer software to track the index to produce results that closely mirror that of the actual index.

All dividends received are re-invested to increase returns.

**Investment objective** To track the capital performance of the UK equity market, as represented by the FTSE All-Share Index, by investment in a representative sample of stocks selected from all economic sectors (including a stock or stocks reasonably expected to be shortly part of that Index).

**Launch date** 24 September 1992

**Size** £3.8 billion  
(as at 30 September 2009)

The FTSE All-Share Index is calculated by FTSE International Limited ('FTSE'). FTSE does not sponsor, endorse or promote the Protected UK Growth Fund. All copyright in the index values and constituent list belongs to FTSE.

Legal & General has obtained full licence from FTSE to use such copyright in the creation of this fund. 'FTSE' is a trademark of the London Stock Exchange plc and The Financial Times Limited and is used by FTSE International Limited under licence. 'All-Share' is a trademark of FTSE.

### Cash holdings

We use investments in overnight and short term cash deposits. We closely control the spread of the different periods of the deposits, to ensure we can always move quickly between cash and shares.

The investment objective is to provide a gross return (before charges), that is broadly in line with the most widely used benchmark rate for short term interest rates, 7-day LIBOR (London Interbank Offered Rate).

The value of the holdings will change in line with the interest received from the banks, building societies and other financial institutions we invest in, after taking account of taxation and expenses. The risk of interest rate variation is spread and buying power is maximised by pooling money with that of thousands of other investors in a spread of interest bearing deposits. That way, we are likely to obtain a better rate of interest than from an average high street bank or building society, although this cannot be guaranteed.

If the cash proportion of your overall investment becomes very high due to a severe fall in value or sustained stock market falls, as described earlier, we would move to using mostly overnight deposits. This would be likely to have the effect of reducing the potential returns from the overall cash holding.

## HOW THE FUND OPERATES

### Unit types

The fund is split into a number of 'units'. Each unit is a share of the fund. We split investments in the fund into two types of unit – primary and secondary units. The overall value of your investment in the fund is the value of your holdings in these primary and secondary units added together.

The proportion of your money invested in primary units will always represent at least 80% of the highest value your investment reaches. Your protected amount will only be reduced if you take regular withdrawals or partial encashments.

Both the primary and secondary units have their own unit prices (which are different). The price of the primary units will go up or down based upon movements in the underlying cash holdings, which also takes account of the charges. Therefore, in order to maintain a constant level of protection when your overall investment value is falling, we will switch between primary and secondary units to ensure your protected value is not reduced. Expressed another way:

Number of primary units x primary unit price =  
Protected value

We calculate the price of secondary units based on the movement of both the underlying equity and cash holdings. Therefore, as UK stock market and cash values change, so the price of the secondary units changes.

Since your investment is always protected at 80% of your highest value, should the value of your secondary units become more than 20% of your overall value, then we will switch secondary units into primary units so that the value of the primary units is again locked-in at 80% of your highest overall fund value. Legal & General call this a 're-balance' and will complete re-balances, where appropriate, on a daily basis.

### The equity/cash mix

A prescribed formula is used as the basis of switching between equities and cash as a result of market movements. The value of the secondary units is multiplied by 3.5, on every working day, to work out the value of the equity content. The contract we have entered into with Goldman Sachs International includes them undertaking the relevant calculations to determine what this equity content should be as a percentage of the overall fund value, which then determines the remaining percentage required in cash.

## DEMONSTRATION OF HOW THE FUND WORKS

This table shows how even small changes in the price of equities could affect the proportions we invest in cash and equities. You should note how the cash content increases, even though the value of the equity content goes up by 4% and then down by 4%. The more of your money that is in cash, the less you will benefit from any rise in equity prices.

Assumes:

1. An investment of £10,000 (100% of your investment is allocated to units)
2. The net value of the equity content changes as shown
3. No interest is added to the cash content during the period shown

All values are for illustration purposes only. They are not intended to represent how the fund might perform.

| Assumed daily % change in the net value of the equity content | Values following assumed change in the net value of the equity content |  |   |   |              |
|---|--|--|---|---|--------------|
|   | Total value of an investment in the fund                               | Protected value (value of primary units) | Value of secondary units (total fund value minus protected value) | Equity content (value of secondary units x 3.5) | Cash content |
| Day 1 starting value  | £10,000  | £8,000                                   | £2,000  | £7,000 70%                                      | £3,000 30%   |
| Day 2 plus 1%   | £10,070  | £8,056                                   | £2,014  | £7,049 70%                                      | £3,021 30%   |
| Day 3 plus 1%   | £10,140  | £8,112                                   | £2,028  | £7,098 70%                                      | £3,042 30%   |
| Day 4 plus 1%   | £10,210  | £8,168                                   | £2,042  | £7,147 70%                                      | £3,063 30%   |
| Day 5 plus 1%   | £10,281  | £8,224                                   | £2,057  | £7,199 70%                                      | £3,082 30%   |
| Day 6 minus 1%  | £10,209  | £8,224*                                  | £1,985  | £6,947 68%                                      | £3,262 32%   |
| Day 7 minus 1%  | £10,139  | £8,224*                                  | £1,915  | £6,702 66%                                      | £3,437 34%   |
| Day 8 minus 1%  | £10,071  | £8,224*                                  | £1,847  | £6,464 64%                                      | £3,607 36%   |
| Day 9 minus 1%  | £10,006  | £8,224*                                  | £1,782  | £6,237 62%                                      | £3,769 38%   |

\*Protected value remains unchanged as the value of an investment in the fund falls.

## FUND CHARGES

We deduct a fund management charge and the cost of protection from the value of the underlying assets before the daily re-balance between primary and secondary units (if applicable).

Generally, ongoing fund charges will have the effect of reducing your overall growth but will not reduce your protected value.

Investment into our Protected UK Growth Fund is available via our Portfolio Bond and Investment Bond, that have other charges. These charges are described in our product literature and your personal illustration.

## REGULAR WITHDRAWALS AND PARTIAL ENCASHMENTS

All regular withdrawals or partial encashments reduce the amount of protection.

When you take money out of the fund, we cancel both primary and secondary units. We base the split between the two types of unit on their percentage of the total value of your investment in the fund at the time.

This is best demonstrated by an example, based upon our standard terms for investors aged under 75:

Say you invest £10,000 and we assume all of this is allocated to units in this fund.

At the start of your investment you would have 80% primary units (providing a protected value of £8,000) and 20% secondary units.

If you made a withdrawal of £1,000 on the same day, we would reduce the value of your primary units (and therefore the value of your protection) by £800, the secondary units by £200.

Please remember that an early surrender charge may apply to encashments, other than regular withdrawals, in the first five to seven years (see your Illustration or Schedule for details). In this example, in order for you to receive £1,000 we would need to cancel units worth more than £1,000.

If the value of your investment in the fund rose to a highest value of, say, £12,000 but later fell back to £11,000, your protected value would be £9,600 (80% of £12,000), resulting in 87% primary units (£9,600 as a % of £11,000) and 13% secondary units.

A withdrawal of £1,000 at this time would be split 87% (£870) primary units and 13% (£130) secondary units, which would reduce the value of your investment in the fund to £10,000 (£11,000 less £1,000) and your protected value to £8,730 (£9,600 less £870).

Your annual statement will show details of all withdrawal transactions, including the revised value of your investment in the fund, your protected value and the units cancelled in respect of each withdrawal. Additional statements are always available on request.

## WHY LEGAL & GENERAL?

The Legal & General Group, established in 1836, is one of the UK's leading financial services companies.

Over 6.5 million people rely on us for life assurance, pensions, investments and general insurance plans. The Legal & General Group is responsible for investing £287 billion worldwide (as at 30 June 2009) on behalf of investors, policyholders and shareholders. Legal & General Assurance Society Limited is one of the UK's top rated companies for financial strength. Three of the world's leading rating agencies; Standard & Poor's, Moody's and A.M. Best have recognised this.



[www.legalandgeneral.com](http://www.legalandgeneral.com)



**Legal & General Assurance Society Limited**

Registered in England No.166055

**Registered office:** One Coleman Street, London EC2R 5AA

This is also where our head office is in the UK

We are authorised and regulated by the Financial Services Authority.  
We are members of the Association of British Insurers.

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