



FUNDS KEY FEATURES.

This is an **important document**. Please keep it safe for future reference.

▶ WHAT ARE THE FUNDS KEY FEATURES?

This document is part of the information we provide you to help decide whether our Bond is right for you.

Like your **Key Features**, which explains the basics of the bond itself, the **Funds key features** explains the basics of investing in investment funds and the important things you need to know about them. You should read this document carefully and keep it safely together with the **Key Features**.



FINDING OUT MORE

REMEMBER, IF YOU'RE UNSURE ABOUT ANYTHING, PLEASE ASK.

If there's anything you don't understand, or if you have a question about any of the funds, please ask your adviser.

▶ QUESTIONS AND ANSWERS.

WHAT IS AN INVESTMENT FUND?

When you invest in your bond you can put your money into one, or up to 10, of these funds (eight if you invest in the Protected UK Growth Fund). Each fund is divided into a number of units. Each time you make a payment into your plan we buy you some of these units in your chosen fund, or funds.

HOW IS MY INVESTMENT VALUED?

- It's the unit price that determines how many units you buy and how much they're worth when you sell them.
- Each day, when we calculate the unit price, we take account of the amount of money going in and out of the fund.
- We use the general principle that if investments into the fund are greater than withdrawals, we need to buy assets. The unit price then takes account of the prices at which assets in the fund might be bought and the costs of dealing in those assets.
- If withdrawals from the fund are greater than investments, we need to sell assets. The unit price then takes account of the prices assets might be sold for, together with the sale costs. Selling prices are generally lower than buying prices.
- The difference between the values determined by each method of calculation is known as the 'valuation spread'. The amount of the valuation spread usually depends upon the assets the fund invests in. For instance, the cost of dealing in the underlying assets will vary by asset type, country and company size.
- Funds that invest in commercial property, certain corporate bonds, smaller companies or emerging markets tend to have a larger difference.
- A significant change in the amount of money going into or out of the fund on a particular day may lead to a change in the method of calculation for that day's valuation. This could result in a significant change in the unit price.
- The current spreads applicable to our funds are included in the **Fund information** section starting on page 6.

WHAT ARE INVESTMENT ASSETS?

Assets are what the funds invest in. They have a significant effect on the performance of your investment. It's therefore important that you understand the differences between the main types of assets.

There are four main types of asset and each has its own characteristics:

- Equities
- Fixed interest securities
- Commercial property
- Cash.

It's generally a good idea to invest in a number of different assets so you don't rely on the performance of one individual asset. This strategy, called 'diversification', is basically what funds offer, as they spread your investment across lots of assets.

Many funds also invest in more than one type of asset to create even more diversification. Investing in a mix of funds is another good way to spread your investment, which is why we allow you to invest in up to 10 funds (eight if you invest in the Protected UK Growth Fund).

WHAT ARE EQUITIES?

Equities are the type of asset commonly known as 'company' shares. They buy a share in a company in return for participation in any financial success achieved by that company.

Equities can achieve growth in two ways:

- Through increases in share prices. The share price reflects the underlying value of the company.
- Through dividends, which are regular payments made to shareholders generally based on the company's annual profits.

Investing in equities is considered by many investment experts to be one of the best ways to achieve long-term growth. However, over the short term, the value of funds investing in equities can go up and down a lot. Company share prices can also change dramatically in response to the activities and financial performance of individual companies, as well as being influenced by general market and economic conditions.



Further details about how we value funds and calculate unit prices are contained in our **A guide to how we manage our unit-linked funds**, which is available on request from your adviser.

WHAT ARE FIXED INTEREST SECURITIES?

Fixed interest securities are more commonly known as 'bonds'. They are essentially a loan, usually to a company, or sometimes a government.

The company or government pays regular interest on the loan and pays back the original capital in full at a set date in the future. Your return from a fund investing in fixed interest securities comes from the interest the company or government pays and the market value of the securities.

The value of funds investing in fixed interest securities does go up and down. It tends to go up and down less than funds investing in equities, although the potential returns are often lower. The value of bonds is particularly sensitive to changes in interest rates. As a rule, the value is more likely to fall when interest rates are rising.

If a fund buys a bond in a company that performs poorly, there is a risk that company won't be able to pay back the loan or the interest owed. Some companies offer more risky bonds paying high interest rates, known as 'high-yield bonds', where the risk of non-payment is higher.

Government bonds generally carry less risk than company bonds but as a result often pay less interest.

WHAT IS COMMERCIAL PROPERTY?

An investment in commercial property usually means that you are buying a share in the ownership of a number of buildings. These buildings might be office blocks, shopping units, retail warehouses, industrial units and leisure centres.

Commercial property investments can provide growth in two ways:

- Through rises in the value of the property.
- Through rent paid by the tenants of the buildings.

Property valuations are based on a valuer's opinion rather than fact, so they may be revised up or down from time to time. This can affect the value of a fund invested in commercial property.

Commercial properties can sometimes be difficult to buy and sell quickly. It may be necessary for the fund manager to postpone meeting customer requests to withdraw money from a property fund until they can sell some of the buildings the fund invests in.

WHAT IS A CASH INVESTMENT?

Some funds keep a proportion of your money in cash. This is useful as it adds flexibility to your asset mix and aids stability.

The growth potential for cash is low, so if your fund does include some cash element, it tends to account for only a small percentage of the total fund. Basically, cash offers the lowest risk of all asset types but also the lowest potential returns.

WHAT ABOUT SPECIALIST INVESTMENT FUNDS?

In addition to the risks and characteristics of the individual asset types, specialist investments have other features that are unique to where they invest. They usually invest in a particular market, country or region. They allow you to exploit the characteristics of a particular type of investment and tend to aim for high performance compared with more balanced funds. They are likely to be more risky than funds holding a very wide spread of assets.

WHAT ABOUT OVERSEAS INVESTMENTS?

Overseas investments allow you to take advantage of the growth potential of markets outside the UK.

Currency values can have an effect on performance. This is because the value of funds holding overseas investments are often converted from local currency into British pounds (sterling) so the value can fall if the pound strengthens against the local currency.

THE FUNDS.

Our range of funds gives you flexibility that can help create a portfolio matched to your individual needs. We've listed the funds in alphabetical order on the following pages. The information provided for each fund is as accurate and current as we can make it. If you wish to change your funds in the future, please see the **Changing your funds(s)** section on page 10.

THE FUND INFORMATION HEADINGS EXPLAINED

The information for each fund is set out as shown in the example below:

LEGAL & GENERAL EXAMPLE FUND

Not available for Investment Bond with Death Guarantee
Natural income option available

Aim: To achieve long-term capital growth.

Fund specific risks: 12, 14, 15, 19

Annual management charge: 1.00%

Valuation spread: 2.50%

Not available for Investment Bond with Death Guarantee

Some funds are not available on the Investment Bond with Death Guarantee. This statement is only included for funds where this is the case.

Natural income option available

The fund allows 'natural income' as described in the **Product Details**.

Aim

This is a general description of what the fund aims to achieve. There is no guarantee the fund manager will achieve the aim, and it is not a statement of what will actually happen. It is important to consider that the performance of a fund may not match your expectation, particularly in the short term.

Fund specific risks

In addition to the general risks of investing, as described in the **Key Features**, each fund carries some risks specific to the type of assets it invests in.

We make regular assessments of all the funds we offer and then decide which risks apply to each fund. Our assessment takes account of:

- The fund's aim.
- The assets the fund invests in.
- The fund manager's own opinion of the risks that apply to their fund.

To find out what the fund specific risk numbers applied to each fund mean, please see the **Fund specific risk definitions** section starting on page 11.

Some funds have many fund specific risks. This does not necessarily mean that investing in that fund is riskier than choosing one with less fund specific risks. A fund often has more fund specific risks because it invests in a wider variety of assets.

What is important is the percentage of the fund that is exposed to each risk. A significant exposure to one risk can lead to a fund rising and falling in value more than one with a low exposure to several risks.

For example:

- Fund A invests 20% in overseas equities, 30% in UK equities and 50% in fixed interest securities. It has four fund specific risks.
- Fund B invests 100% in overseas equities. It only has two fund specific risks.

Fund B has fewer fund specific risks but because all of your investment is exposed to equities and the exchange rate risk, it is likely to be a higher risk fund than Fund A, where your investment is divided between a spread of risks.

Investing in a fund with a mix of assets can reduce the impact of each fund specific risk. Alternatively, you can create an investment portfolio that invests in a mix of funds.

Annual management charge

The current annual management charge applicable to the fund, as described in your **Key Features** and also in the **Product Details** document available from your adviser.

Valuation spread

This is the difference between the value of the units calculated assuming that more money is going into the fund than going out and the value based on more money going out of the fund than going in. These figures are correct as at 29 February 2012. The valuation spread may change from time to time. We can provide you with the spread applying to a fund at any time on request.

FUND INFORMATION.

The following pages provide the individual aim for each fund, the fund specific risks, the annual management charge and the valuation spread applicable to that fund. The 'Fund specific risk' definitions should be cross referenced with those set out starting on page 11.

LEGAL & GENERAL BRITISH OPPORTUNITIES FUND

Not available for Investment Bond with Death Guarantee

Aim: To obtain long-term capital growth by investing in UK companies that are subject to special market influences.

Fund specific risks: 13, 29

Annual management charge: 1.00%

Valuation spread: 0.93%

LEGAL & GENERAL CASH FUND

Aim: To provide capital protection with growth at short-term interest rates. The fund invests in the short-term money markets such as bank deposits and Treasury Bills.

Notes:

A. The fund does not invest in any asset types where the capital value can fall, such as fixed interest securities. The value of the fund's assets would only fall if a deposit holder or the UK Government were unable to meet their obligations.

B. If the interest earned by the fund's assets is insufficient to cover the annual fund charge and any additional fund expenses, the unit price will fall.

Fund specific risks: 24, 29

Annual management charge: 1.00%

Valuation spread: 0.04%

LEGAL & GENERAL CAUTIOUS MANAGED FUND

Aim: This fund is a balanced portfolio that aims to offer good medium to long-term growth prospects through a combination of capital growth and reinvested income. It invests in a broad mix of equities (maximum 60% of total fund), fixed interest securities, UK commercial property and cash.

Fund specific risks: 13, 14, 15, 23, 29

Annual management charge: 1.00%

Valuation spread: 0.49%

LEGAL & GENERAL DISTRIBUTION FUND

Natural income option available

Aim: The fund is a well balanced portfolio that aims to generate and distribute stable, rising income and offer good growth prospects. It invests in a broad mix of equities (mainly UK), fixed interest securities, UK commercial property and cash.

Note: The potential level of income is driven by increases in dividend payments from shares, coupon payments from bonds and rental increases on the property investments. The short-term outlook for dividend and rental growth is subdued, which may impact the size of any increase in distributions over the forthcoming periods. Whilst we aim to deliver a relatively high level of income, this cannot be guaranteed and in the current economic environment any increases in the short term are likely to be limited.

Fund specific risks: 12, 13, 14, 15, 16, 17, 23, 29

Annual management charge: 1.00%

Valuation spread: 1.25%

LEGAL & GENERAL DISTRIBUTION (GROWTH) FUND**Natural income option available**

Aim: To maximise the total return from a well balanced portfolio over the long term. It can also provide some potential for income. It invests in a broad mix of equities (mainly UK), fixed interest securities, UK commercial property and cash.

Fund specific risks: 13, 14, 15, 16, 23, 29

Annual management charge: 1.00%

Valuation spread: 1.27%

LEGAL & GENERAL DISTRIBUTION (RISING INCOME) FUND**Natural income option available**

Aim: The fund is a well balanced portfolio that aims to provide a modestly rising income combined with the potential for some capital growth over the long term. We aim to increase income at a rate of no less than inflation until mid 2013. To achieve this we may not distribute all the income generated by the fund's assets with any surplus used to provide additional growth. The fund invests in a broad mix of equities (mainly UK), fixed interest securities, UK commercial property and cash.

Fund specific risks: 13, 14, 15, 16, 23, 29

Annual management charge: 1.00%

Valuation spread: 1.24%

LEGAL & GENERAL EQUITY FUND**Not available for Investment Bond with Death Guarantee**

Aim: To maximise the investment return by investing in a very broad mix of mainly UK companies.

Fund specific risks: 13, 19, 29

Annual management charge: 1.00%

Valuation spread: 0.59%

LEGAL & GENERAL EUROPEAN FUND**Not available for Investment Bond with Death Guarantee**

Aim: To provide the potential for long-term growth by investing in a portfolio exclusively invested directly or indirectly in European securities, other than those of the UK, which may be selected from all economic sectors.

Fund specific risks: 12, 13, 29

Annual management charge: 1.00%

Valuation spread: 0.20%

LEGAL & GENERAL FAR EASTERN FUND**Not available for Investment Bond with Death Guarantee**

Aim: To provide the potential for long-term growth by investing directly or indirectly into a portfolio of Far Eastern securities, which may be selected from all economic sectors.

Fund specific risks: 12, 13, 21, 29

Annual management charge: 1.00%

Valuation spread: 0.81%

LEGAL & GENERAL FIXED INTEREST FUND**Not available for Investment Bond with Death Guarantee**

Aim: To maximise the overall returns from interest received and capital values of a portfolio of investments in British Government stocks and other readily marketable fixed interest securities. This may also include quoted marketable stocks of overseas governments and companies.

Fund specific risks: 14, 15, 29

Annual management charge: 1.00%

Valuation spread: 0.05%

LEGAL & GENERAL INDEX LINKED GILT FUND**Not available for Investment Bond with Death Guarantee**

Aim: To get the best return from a portfolio of mainly index linked securities issued predominantly by the UK Government.

Fund specific risks: 14, 15, 20, 29

Annual management charge: 1.00%

Valuation spread: 0.15%

LEGAL & GENERAL INTERNATIONAL FUND**Not available for Investment Bond with Death Guarantee**

Aim: The fund seeks to secure long-term capital growth from a widespread portfolio of international securities. Occasionally shares of UK companies, a large proportion of whose profits arise from overseas earnings, may be included.

Fund specific risks: 12, 13, 29

Annual management charge: 1.00%

Valuation spread: 0.34%

LEGAL & GENERAL MANAGED FUND**Not available for Investment Bond with Death Guarantee**

Aim: To seek steady long-term growth, whilst at the same time safeguarding the fund against excessive risks. It invests principally in UK and international equities but also has some exposure to fixed interest securities, UK commercial property and cash, thus offering a more diversified investment than a pure equity fund.

Fund specific risks: 12, 13, 14, 15, 29

Annual management charge: 1.00%

Valuation spread: 0.47%

LEGAL & GENERAL MANAGED BOND FUND**Natural income option available**

Aim: To provide a high level of income together with some prospects of capital growth through investing generally in a diversified portfolio of principally investment grade and sub-investment grade corporate bonds. To give flexibility to take advantage of opportunities in the overall fixed interest market, the fund manager will have the discretion to also invest in government securities, preference shares and convertibles, including overseas issues from time to time.

Fund specific risks: 12, 14, 15, 16, 29

Annual management charge: 1.00%

Valuation spread: 1.06%

LEGAL & GENERAL NORTH AMERICAN FUND**Not available for Investment Bond with Death Guarantee**

Aim: To provide the potential for long-term growth by investing directly or indirectly into a portfolio of US securities, which may be selected from all economic sectors.

Fund specific risks: 12, 13, 29

Annual management charge: 1.00%

Valuation spread: 0.25%

LEGAL & GENERAL PROPERTY FUND**Natural income option available****Not available for Investment Bond with Death Guarantee**

Aim: To maximise the return from a portfolio of first class freehold and leasehold interests in commercial and industrial property. This includes industrial warehouse buildings, shopping units and office blocks. The fund will also invest in indirect property vehicles to diversify the portfolio further and manage liquidity levels efficiently.

Fund specific risks: 23, 29

Annual management charge: 1.00%

Valuation spread: 4.54%

LEGAL & GENERAL PROTECTED UK GROWTH FUND**Not available for Investment Bond with Death Guarantee**

Aim: To provide long-term growth, whilst providing some protection against stock market falls. It invests in a combination of UK equities and cash. The proportions invested in equities and cash will vary depending upon stock market conditions, subject to a maximum equity allocation of 70%.

Fund specific risks: See Protected UK
Growth Fund Guide

Annual management charge: 1.55%

Valuation spread: 0.21%

CHANGING YOUR FUND(S)

You can transfer your money between our funds (known as a 'switch') at any time, subject to the details in your Policy Provisions. We recommend that you speak to your adviser before changing your funds.

FUND AVAILABILITY

You can only switch into funds that were available at the time of your investment. The table below shows which funds are available and the date they were available from.

FUNDS AVAILABLE	AVAILABLE FOR CONTRACTS DATED FROM
British Opportunities Fund	31 December 1987
Cash Fund	12 October 1977
Cautious Managed Fund	02 January 1998
Distribution Fund	01 June 1994
Distribution (Growth) Fund	30 June 2003
Distribution (Rising Income) Fund	30 June 2003
Equity Fund	12 October 1977
European Fund	29 October 1985
Far Eastern Fund	29 October 1985
Fixed Interest Fund	12 October 1977
Index-Linked Gilt Fund	01 October 1982
International Fund	09 May 1978
Managed Fund	12 October 1977
Managed Bond Fund	30 June 2003
North American Fund	29 October 1985
Property Fund	12 October 1977
Protected UK Growth Fund	01 November 2004

FUND SPECIFIC RISK DEFINITIONS.

Listed below are all of the fund specific risks that could potentially apply to the funds. To find out which risks apply to a fund you need to cross-reference the numbers in the fund specific risks section of the fund information with the corresponding numbered definitions below.

You'll note that there are some numbers missing from the list. This is because we use standard descriptions for a number of different products and some of those numbers do not apply to the funds on the bond.

12. CURRENCY CHANGES

The fund may have investments valued in currencies that are not sterling (British pounds).

- If the value of these currencies falls compared to sterling, this may mean the value of your fund will go down.
- If arrangements are made to protect the fund against currency movements (known as 'hedging') and the currencies rise compared to sterling, your fund will not benefit from those gains.

13. EQUITIES

The fund invests in equities (company shares). Investments in shares tend to be riskier than for most other types of investments because there's a higher risk of the value of your fund falling, especially in the short term.

14. FIXED INTEREST SECURITIES.

The fund invests in fixed interest securities – usually corporate and government bonds. Investment returns are particularly sensitive to trends in interest rate movements and inflation. The value of your fund is likely to fall when interest rates rise.

15. RISK OF ISSUER BECOMING LESS SECURE

The financial strength of a company or government issuing a fixed interest security determines their ability to make some or all of the payments they are committed to. If their financial strength weakens, the chances of them not making payments increases. This could reduce the value of your fund.

16. HIGH-YIELD BONDS

The fund invests in higher yielding bonds (known as 'sub-investment grade' bonds). There is a risk that the fund will not receive back, either on time or at all, some or all of the amount invested or interest that is due to be paid.

17. DERIVATIVES

This fund invests in derivatives and so may be higher risk than funds that don't. Sometimes using derivatives could give lower returns, or cause the value of your investment to fall even though the market is rising.

If any of the companies with whom the fund has taken out a derivative experiences financial difficulties, it may be difficult to value the derivative or for it to be sold. This may reduce the value of your fund.

19. SMALLER COMPANIES

The fund invests in smaller companies. Investments in smaller companies tend to be riskier than investments in larger companies because they can:

- be harder to buy and sell
- go up and down in value more often and by larger amounts, especially in the short term.

20. CONCENTRATION OF INVESTMENTS

Most funds have lots of individual investments, so don't rely upon the performance of just a few. The whole of this fund, or a large part of it, has relatively few individual investments. This means that a fall in the value of an individual investment can have a major impact on the overall performance of your fund.

21. EMERGING MARKETS

The fund invests in countries where investment markets are not as well developed as those in the UK. This means that investments are generally riskier than those in the UK because they:

- are not as well regulated
- are more difficult to buy and sell
- have less reliable arrangements for the safekeeping of investments
- are more exposed to political uncertainties.

23. COMMERCIAL PROPERTY

Property can be difficult to buy or sell. This could mean:

- Cash builds up waiting to be invested, so the fund will underperform when property returns are greater than the interest earned, and/or
- Property may have to be sold for less than expected.

If requests are received for an exceptional amount to leave the fund, the fund manager may be forced to sell properties quickly. This could mean that properties are sold for less than expected which would reduce the value of your investment.

If the size of the fund falls significantly, the fund may have to invest in fewer properties. This may lead to an increase in risk.

Rental growth is not guaranteed and unpaid rent could affect the performance of your investment.

The value of property is generally a matter of valuer's opinion rather than fact.

24. DEPOSIT

The fund has money on deposit with companies such as banks or other financial institutions. If any of these suffer financial difficulty, they may be unable to pay back some or all of the interest, original amount invested or other payments they owe. If this happens the value of your fund may fall.

29. DELAYED REPAYMENT

This fund is able to delay paying out, which may mean that you have to wait to get your money. A delay may happen when market conditions mean it is difficult for the fund manager to cash in investments to pay out to investors.

For example, a fund with investments in commercial properties may find they may take time to sell. Whilst waiting to complete on the sale of properties, the fund manager may suspend making payments to investors who want to cash in.

The fund can only delay paying out if it is in the interests of all investors.



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