

safe combination[™] **bond**

PRODUCT BROCHURE

*“THE INNOVATIVE INVESTMENT BOND THAT LETS **YOU**, AND NOT THE STOCK MARKET, **CONTROL THE RISK TO YOUR CAPITAL.**”*

*“PROTECT YOUR CAPITAL FROM STOCK MARKET FALLS AT ALL TIMES AND ONLY EVER RISK GAINS THROUGH THE UNIQUE *safe combination*[™] SYSTEM”*



What is the *safe combination*[™] bond?

The *safe combination*[™] bond is an award-winning, single premium investment bond that provides returns linked to the performance of the world's major stock markets. Investors have the reassurance of knowing that with *safe combination*[™] bond they are in constant control of the level of risk they take with their capital.



The desperate state of global stock markets during the early years of this new millennium and especially the losses suffered in the technology sector, clearly demonstrate the considerable short-term risks and dangers an investor would normally face when investing '**unprotected**' capital in the stock market.

The *safe combination*[™] bond however, provides capital protection enabling you to invest with the confidence and security that come from knowing you are firmly in control of your portfolio risk at all times.

Whilst the value of tax benefits depends on individual circumstances and can change, the bond also enjoys the tax efficiency of an offshore (Isle of Man) investment, liberating you from the problems associated with traditional stock market investment such as yearly taxation and administration hassles.

This brochure provides a brief guide to the benefits of your *safe combination*[™] bond and there is further information in the additional *safe combination*[™] system guide which will show you exactly how you can completely control your investment risk.

Charges

Please note, if you have selected charging structure A or have applied for the International *safe combination*[™] bond, your capital protected investment will be reduced by the effect of contract charges during the first five years of an investment. A full description of the charges can be found in the *Key features* document.

Controlling your capital risk

One of the benefits of the *safe combination*[™] bond is that, unlike most other stock market investment bonds, you are firmly in control of your capital risk and reward at all times.

Scottish Life International's unique and award-winning range of capital protected funds gives you the opportunity to link to a variety of funds from stock markets around the world.

Such is their versatility that you can choose from funds that can:

- ◆ grow when the stock market is flat
- ◆ beat the stock market when it grows rapidly
- ◆ grow even when the stock market falls
- ◆ protect your capital when the stock market crashes.

All of these funds offer a choice of quarterly capital protection of between 100% and 95%. Funds which take a greater degree of risk, such as those with 95% capital protection, will offer a higher level of potential reward. Please refer to the enclosed *Investment guide* for more information including full details of the funds that can only be accessed through the *safe combination*[™] system.

Reducing your capital risk to zero

It is now possible to combine the security of 100% capital protection with the long-term growth profile of the higher risk and higher reward funds. This can be achieved through the *safe combination*[™] system.

This is a clever and yet simple computer-based portfolio management system whereby the timing of switches between different protection levels ensures the preservation of your initial investment capital at all times* whilst maximising the return potential of your unprotected capital.

This service, which comes at no extra cost, is highly recommended by Scottish Life International.

For more information on how this transparent approach to investment risk and reward works please read the *safe combination*[™] system guide which accompanies this brochure.

The capital protection available is provided by investing in the three month cash deposits with a range of highly rated and financially strong institutions. You should note, however, that whilst we are confident about their financial standing, in the unlikely event that they were to default on these investments, then your capital would be at risk.

*Subject to contract charges or because you elect to set your protected amount at a level lower than your initial investment.





Why Scottish Life International?

Scottish Life International is a wholly owned subsidiary of the Royal London Group. The Royal London Group has a combined premium income of over £1.90 billion and around £24 billion funds under management. It employs around 4,000 people and has in the region of 3.5 million customers, which means that around 1 in 17 of the UK population is a Royal London customer. (All figures as at 31 December 2003.)

Scottish Life International is a leading supplier of capital protected products and trust and tax planning solutions, based in the Isle of Man. The company was launched in 1996 as a joint venture between The Scottish Life Assurance Company and Dresdner RCM Global Investors although Royal London has now taken over Dresdner's stake in the company. Scottish Life International has attracted funds under management of £711m (as at 31 December 2003) from investors in the UK and from around the world.

The benefits of investing in the Isle of Man

The *safe combination*[™] bond is an offshore investment bond based in the Isle of Man. All growth is free of Isle of Man tax and all switches between funds within the bond are free of UK capital gains tax. This makes the bond highly suitable for many investors, including trustees and certain pension scheme investors.

An impeccable profile

The Isle of Man is one of the most highly regarded offshore financial centres in the world. It has been awarded the maximum AAA credit rating by both Standard and Poor's and Moody's. The island is also highly regarded by independent financial advisers who have voted it 'International Financial Centre of the Year' in the prestigious *International Money Marketing* awards for each of the last eight years.

Through Scottish Life International, the *safe combination*[™] bond is managed under the strict supervision of the Isle of Man Government Insurance and Pensions Authority. Investors receive the protection of the Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991 whose legislation is designed to provide statutory policyholder protection.

Broadly this protection is equivalent to that available for UK policyholders under UK legislation. Isle of Man legislation provides that, in the event of a 'failure of the insurer' the amount of compensation paid will be up to 90% of any liability without limits. This legislation is also applicable to corporate investors which is not the case for such investors through UK legislation.

Summary of product features



◆ **Switches**

Investors may switch between funds and capital protection levels free of charge each quarter. Importantly, such switches are not subject to UK capital gains tax.

◆ **Regular withdrawals**

These may be monthly, quarterly, half-yearly or annually. Investors may be subject to tax (especially if a withdrawal of more than 5% of the amount invested is made in any one policy year). Please refer to the *Key features* for details of charges and restrictions that may apply during the first five years of an investment.

◆ **Cash in**

The bond may be cashed in at any time. There may be a penalty for doing so during the first five years of an investment. Depending on the funds in which your portfolio is invested, it may be up to three months before you receive your money. Please check *Key features* for details.

◆ **Share exchange**

Stocks and shares may be directly exchanged for an investment in the bond – investors wishing to benefit from the advantageous terms available should consult their financial adviser for details.

◆ **Individual policies**

The bond may be divided up into a maximum of 100 individual policies (subject to size of investment). This can allow greater

flexibility for investors with a requirement for tax planning.

◆ **Minimum investment**

The minimum investment is GBP 15,000 (and USD 24,000/ EUR 24,000 for International *safe combination*[™] bond). There is no maximum. Additional investments of at least GBP 1,500 (USD 2,400, EUR 2,400) may be made at any time. For USD and EUR investments, the International *safe combination*[™] bond should be selected.

◆ **Minimum age**

The minimum age for investors is 18 years.

◆ **Lives assured**

There may be up to six lives assured. Please note that Isle of Man residents cannot be life or lives assured.

◆ **Death benefit**

The amount payable on death is the full value of the bond unless a death claim arises within five years of an investment being made in which case a cash-in penalty may apply. Please see *Key features* for details.

Individuals, companies, trustees and certain pension scheme trustees may invest in the bond.

The value of tax benefits depends on individual circumstances and may change in the future.

Taking the next step

If you have read and understood the *safe combination*[™] bond *Product Brochure* and the enclosed *Key features* document, then you are ready to take control of your stock market investment. The next step is to follow this simple five-step guide to set up your unique *safe combination*[™] bond.

STEP 1 After reviewing the enclosed *Investment guide* simply select your initial investment choice in conjunction with your financial adviser. Remember you can switch your fund selection every quarter to reflect you and your financial adviser's views of the stock market. Alternatively, you can take advantage of the *safe combination*[™] system (full details in the *system guide*) and remove the need to make switching decisions on a quarterly basis, although regular reviews of your investment portfolio should still take place with your financial adviser.

STEP 2 Your financial adviser will request your personalised illustration from Scottish Life International to accompany the *Key features*.

STEP 3 Complete the enclosed application booklet, following any instructions noted. If you are investing by cheque you should make the cheque payable to 'Scottish Life International Insurance Company Limited' and enclose it with your application booklet. If you are investing by telegraphic transfer you should ensure that you complete the relevant section on the application booklet and that your bank receives an instruction letter.

STEP 4 Ask your financial adviser to send the completed application booklet and payment to:

**Scottish Life International
PO Box 154
Douglas
Isle of Man
IM99 1WS
British Isles**

STEP 5 We will send you a *safe combination*[™] bond (or International *safe combination*[™] bond as appropriate) statement and completion documentation to welcome you as a policyholder to Scottish Life International. Each year we will also send you a summary statement detailing the progress your bond has made. In addition, your financial adviser can get immediate up to date information on your portfolio at any time at **www.sli-central.com**, a safe and secure extranet service for adviser use only. This exceptional facility will help speed up the service you and your financial adviser receive from Scottish Life International, reducing both cost and administrative paperwork on your behalf.

Important information

This brochure should be read in conjunction with the enclosed *Key features*, *Investment guide*, *System guide* and *Application booklet*. Please ensure that for International *safe combination*[™] bond investments the international versions of the *Key features* and *Application booklet* are used.

The returns from funds within the *safe combination*[™] bond are directly linked to assets arranged with some of the world's major financial institutions. The capital protection and potential returns offered are not provided by Scottish Life International Insurance Company Limited, but depend on the ability of these financial institutions to meet their obligations.

Scottish Life International Insurance Company Limited is supervised by the Isle of Man Government Insurance and Pensions Authority. Accordingly, holders of policies issued by the company will not be protected by the United Kingdom Financial Services Compensation Scheme should the company become unable to meet its liabilities to them. However, investors do receive the protection of the Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991. The company reserves the right to adjust the returns from the portfolio to cater for any levy or charge made on the company under these regulations or similar legislation.

The information contained in this brochure is based on Scottish Life International's current understanding of the relevant areas of law and taxation as at July 2004. Whilst every care has been taken, the company cannot accept responsibility for its interpretation or any subsequent changes. The rates of and reliefs from taxation may change in the future and the actual tax due will depend on the personal circumstances of the investor(s). All returns are gross of tax - UK investors may be liable to income tax which would have the effect of reducing the returns shown. The value of tax benefits depends on individual circumstances and may change in the future.

Investors should be aware that the value of investments can fall as well as rise and is not guaranteed.

A full description of the charges and how they might affect the value of the bond can be found in the appropriate *Key features* document and your personalised illustration. For further information on the *safe combination*[™] bond please consult your financial adviser.

New Business and Ongoing Service

New Business

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Ongoing Service

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IFA Support

UK business – IFA Support UK

3 Melville Street, Edinburgh EH3 7PE
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Email: ifasupportuk@sli.co.im

Non-UK business – International Adviser Support

Telephone: +44 (0) 1624 611077
Email: customerservice.international@sli.co.im

Marketing

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Email: marketing@sli.co.im



Internet: www.sli.co.im
Extranet: www.sli-central.com

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