Scottish Widows Pension Portfolio Two Pension (Series 2)

Fund Aim
The Fund aims to deliver long-term growth by investing in other funds. The Fund invests predominantly in equities, with some exposure to fixed interest securities, by investing in passive* index tracking funds. The equity investments cover a mix of geographic regions and can include the UK, other developed markets and emerging markets. The fixed interest securities can be in sterling or other currencies and may be issued by governments or companies. This Fund will be reviewed periodically by Scottish Widows. In future the Fund could be invested in different funds and additional asset types, though the Fund will continue to invest predominantly in equities.

*Passive management is where the fund manager aims to match a benchmark index and will buy, sell or hold investments depending on the components of that index.

Basic Fund Information
Series 2 Unit Launch Date 06/02/2006
Fund Size £15,807.8m
Sector ABI Specialist
ISIN GB00B09CD637
MEX ID SWSTY2
SEDOL B09CD63
Manager Name David Winning, Matthew Davies
Manager Since 01/07/2014, 01/01/2010

Top Ten Holdings (as at 30/06/2019)

<table>
<thead>
<tr>
<th>Holding</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSGA AUT UK EQUITY TRACKER FUND</td>
<td>24.3%</td>
</tr>
<tr>
<td>SSGA AUT EUROPE EX UK EQUITY TRACKER FUND</td>
<td>17.1%</td>
</tr>
<tr>
<td>SSGA MPF NORTH AMERICAN EQUITY INDEX</td>
<td>16.1%</td>
</tr>
<tr>
<td>SSGA MPF EMERGING MARKETS INDEX</td>
<td>11.2%</td>
</tr>
<tr>
<td>SCOTTISH WIDOWS CORPORATE BOND TRACKER FUND</td>
<td>10.4%</td>
</tr>
<tr>
<td>SSGA MPF JAPAN EQUITY INDEX</td>
<td>7.7%</td>
</tr>
<tr>
<td>SSGA MPF ASIA PACIFIC EX JAPAN EQUITY INDEX</td>
<td>5.8%</td>
</tr>
<tr>
<td>ABERDEEN GLOBAL CORPORATE BOND TRACKER B ACC</td>
<td>4.5%</td>
</tr>
<tr>
<td>SSGA AUT ASIA PACIFIC EX-JAPAN EQUITY TRACKER FUND</td>
<td>2.7%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>99.8%</strong></td>
</tr>
</tbody>
</table>

Asset Allocation (as at 30/06/2019)

- UK Equities 24.3%
- Europe ex UK Equities 17.1%
- US Equities 15.3%
- Global Emerging Market Equities 11.2%
- Other 9.0%
- Japanese Equities 7.7%
- Global Fixed Interest 5.8%
- UK Fixed Interest 4.5%
- Asia Pacific ex Japan Equities 2.7%
- Australian Equities 2.4%

The composition of asset mix and asset allocation may change at any time and exclude cash unless otherwise stated.
Quarterly Fund Manager Review

Global equities gained further ground during the second quarter. This was despite a pullback in May, when an escalation in the US-China trade dispute dashed hopes of an imminent resolution. Fears for global growth re-kindled and equities sold off sharply. However, central banks responded with supportive rhetoric and pledges of fresh stimulus to revive economic growth. In particular, the US Federal Reserve (Fed) and European Central Bank (ECB) indicated they would cut interest rates. The ECB also said it could restart quantitative easing. This engendered a more positive mood. Investor confidence received another boost when, at end-June, presidents Trump and Xi agreed a truce in their trade war. In the UK, Brexit uncertainty continued with the increased risk of a ‘no-deal’ outcome. The outlook for returns from equities is better than for bonds, though we have become more pessimistic. Share prices have benefited from expectations that interest rates will be cut by central banks such as the Fed and the ECB. Lower interest rates can stimulate economic growth by encouraging borrowing and spending by consumers and businesses. However, there are still threats to global growth. Despite the truce struck at the G20 summit in Osaka, the US-China trade war still presents a challenge to the health of the global economy and to the prospects for global stock markets. Although a moratorium on new tariffs was agreed at Osaka, the effects of existing tariffs are being felt not only in China but also in the US and in Europe. It is also possible that, as economic growth slows, companies could struggle to continue growing profits. Expectations for corporate profits were already low, and analysts have downgraded their projections further.

David Winning, Matthew Davies 30/06/2019

The views, opinions and forecasts expressed in this document are those of the fund management house. Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact, nor should reliance be placed on these views when making investment decisions.