**Pension Fund**

Scottish Widows Corporate Bond Pension (Series 2)

**Fund Aim**

To provide income and the potential for capital growth by investing in investment grade corporate bonds and other fixed interest securities. The Fund is actively managed. The Fund Manager chooses investments to aim to outperform the iBOXX Sterling Corporate and Collateralised Index by 0.75% per annum on a rolling 3 year basis, before deduction of fees. At least 80% of the Fund will invest in a diversified portfolio of investment grade corporate bonds. At least 70% of the Fund will invest in Sterling denominated investment grade corporate bonds. It may also invest in Sterling and non-Sterling denominated: non-investment grade corporate; government; supranational; covered; and emerging market bonds, and asset backed securities. Investment in the asset classes will be direct and indirect using derivatives to seek to meet the Fund’s aim. The use of derivatives depends on market conditions and is limited as the intention is this should not change the Fund’s risk profile. Derivatives and stock lending may be used in a way that is designed to reduce risk, or cost and/or generate extra income or growth (often referred to as efficient portfolio management).

**Asset Allocation (as at 31/03/2022)**

- **UK Fixed Interest**: 58.8%
- **Global Fixed Interest**: 42.5%
- **UK Gilts**: 2.4%
- **Money Market**: 1.3%
- **Alternative Investment Strategies**: -0.6%
- **Futures**: -4.3%

**Credit Rating Breakdown (as at 31/03/2022)**

- **AAA**: 1.2%
- **AA**: 6.5%
- **A**: 28.3%
- **BBB**: 63.1%
- **BB**: 3.8%
- **B**: 0.6%
- **Not rated**: -3.5%

**Maturity Breakdown (as at 31/03/2022)**

- **+15 Years**: 31.7%
- **0-5 Years**: 20.7%
- **10-15 Years**: 14.2%
- **5-10 Years**: 33.0%
- **Other**: 0.4%

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

**Information Statement**

The fund invests via the SWUTM Corporate Bond OEIC Fund. A shortened version of the OEIC Fund aim is detailed under the heading Fund Aim. The Fund Manager is limited in the extent to which positions can vary to those of the Index: to help provide a balance between the spread of assets within the Fund and risk management; to provide a balance between the amount the Fund can vary from the Index and provide flexibility to seek to outperform the Index. Fund performance may differ from the Index. Please note: the Scottish Widows unit-linked funds aim to provide long-term growth in the price of units. Any income generated will not be distributed, but added to the fund value. We’ve increased the range of investment options for this Fund primarily through permitting derivatives for investment purposes. We’ve also added more detail to explain how the Fund is invested. Please see our FI and MA Fund Changes web page for more information.

**Basic Fund Information**

- **Series 2 Unit Launch**: 28/07/2003
- **Date**: 28/07/2003
- **Fund Size**: £136.5m
- **Sector**: ABI Sterling Corporate Bond
- **ISIN**: GB0033375121
- **MEX ID**: SWCB2
- **SEDOL**: 3337512
- **Manager Name**: Alexandra Stewart
- **Manager Since**: 08/11/2019

**Top Ten Holdings (as at 31/03/2022)**

1. **LONG GILT JUN 22 (G M2)**: 4.7%
2. **UK TREASURY 1.25% 22 OCT 2041**: 1.1%
3. **BARCLAYS PLC SR REGS 2.375% 06 OCT 2023**: 1.0%
4. **US ULTRA T-BOND JUN 22 (WNM2)**: 1.0%
5. **UK TREASURY 4% 22 JAN 2060**: 0.9%
6. **BARCLAYS PLC SR REGS 3% 08 MAY 2026**: 0.9%
7. **BHP BILLITON FINANCE LTD SR REGS 6.5% 22 OCT 2077**: 0.9%
8. **AXA SA SR REGS 5.453% 31 DEC 2049**: 0.9%
9. **ANNINGTON FUNDING PLC SR REGS 3.184% 12 JUL 2029**: 0.9%
10. **HEATHROW FUNDING LTD SR REGS 6.75% 03 DEC 2026**: 0.9%

**TOTAL**: 13.2%
Past Performance

<table>
<thead>
<tr>
<th>Scottish Widows Corporate Bond Pension Series 2</th>
<th>ABI Sterling Corporate Bond</th>
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</thead>
<tbody>
<tr>
<td>Past performance is not a guide to future performance. Investment value and income from it may fall as well as rise, as a result of market and currency movements. You may not get back the amount originally invested.</td>
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Discrete Performance

<table>
<thead>
<tr>
<th>31/03/2021 - 31/03/2022</th>
<th>31/03/2020 - 31/03/2021</th>
<th>31/03/2019 - 31/03/2020</th>
<th>31/03/2018 - 31/03/2019</th>
<th>31/03/2017 - 31/03/2018</th>
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<tbody>
<tr>
<td>Scottish Widows Corporate Bond Pension (Series 2)</td>
<td>-6.7%</td>
<td>8.4%</td>
<td>0.5%</td>
<td>3.0%</td>
</tr>
<tr>
<td>ABI Sterling Corporate Bond</td>
<td>-5.1%</td>
<td>8.7%</td>
<td>0.3%</td>
<td>2.4%</td>
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Information is shown as unavailable if prior to the launch of fund.

Cumulative Performance

<table>
<thead>
<tr>
<th>30/04/2022 - 31/05/2022</th>
<th>28/02/2022 - 31/05/2022</th>
<th>31/05/2021 - 31/05/2022</th>
<th>31/05/2019 - 31/05/2022</th>
<th>31/05/2017 - 31/05/2022</th>
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</thead>
<tbody>
<tr>
<td>Scottish Widows Corporate Bond Pension (Series 2)</td>
<td>-1.2%</td>
<td>-5.0%</td>
<td>-10.4%</td>
<td>-3.0%</td>
</tr>
<tr>
<td>ABI Sterling Corporate Bond</td>
<td>-1.0%</td>
<td>-4.3%</td>
<td>-8.9%</td>
<td>-0.7%</td>
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Source: FE fundinfo as at 31/05/2022

Performance figures are in £ Sterling on a single pricing basis, with income (where applicable) reinvested net of UK tax and net of total annual fund charges. These figures do not include any initial charge or other product charge(s) that may be applicable.

Quarterly Fund Manager Review

Financial markets were volatile over the quarter. Headlines were dominated by the horrific war in Ukraine and the terrible humanitarian crisis continuing to unfold. There was a short-lived rotation toward safe haven assets as the war began, but investors appeared to focus overall on inflationary pressure that is high and still rising. Government bond yields rose sharply (bond prices and yields move in opposite directions). Central banks were surprisingly hawkish, and markets priced in a faster pace of monetary normalisation. The extent of yield moves differed across markets. The US Treasury market is in the midst of one of its worst selloffs on record but moves were less pronounced in core Europe and the UK. The Fed’s rhetoric turned more hawkish, and “lift-off” came as expected in March, with the Fed implementing a 25-basis point rate hike. Investors expect several more, at a swift pace, in 2022. The US 10-year Treasury yield increased from 1.51% to 2.35%, with the 2-year yield rising from 0.73% to 2.33%. The European Central Bank (ECB) unexpectedly pivoted to a more hawkish stance in February. Comments from President Lagarde indicated rate rises were no longer ruled out for 2022 and the ECB confirmed a faster reduction in asset purchases. Corporate bonds saw significantly negative returns and wider spreads, underperforming government bonds. High yield spreads widened more than investment grade, although they saw less negative total returns due to income. Investment grade bonds are the highest quality bonds as determined by a credit rating agency; high yield bonds are more speculative, with a credit rating below investment grade. Emerging market (EM) bond returns were negative. Local currency bonds were slightly more resilient than hard currency. Among EM currencies, Latin America performed well, the Brazilian real notably, but Asia and central and eastern Europe fell. Convertible bonds, as measured by the Refinitiv Global Focus Index, suffered disproportionally and shed 6.4% in US dollar terms compared to -5.2% for the MSCI World. Selective IT names within the universe of convertible bond issuers saw a strong rebound.

Alexandra Stewart 31/03/2022

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.