LOWES

Where personal finances are cared for personally

Autumn 2006

"The path of no risk is the biggest risk of all."

– Anon

INSIDE - Inheritance trust uncertainty removed

Will survey highlights problems

SEVEN PEOPLE IN EVERY 10 DO not have a valid Will, either because they have never written one or because they have failed to update it.

This is one of the key findings of the recent survey of 2,000 people by Will Aid. Others include:

- 53 per cent of parents wrongly believe that when a parent dies, care of any children automatically passes to their partner. Only 36 per cent have made a Will.
- About 20 per cent believe their property is worth more than the Inheritance Tax (IHT) threshold. But just 30 per cent of these people have taken steps to reduce the IHT liability of their loved ones.
- 54 per cent of married people wrongly believe their husband or wife would automatically receive everything should they die without a Will, but only 50 per cent of married respondents have written their Will.
- Most cohabiting people know that their partner will not automatically inherit should they die without a Will and yet only 23 per cent have made a Will.

■ *Lowes offers a comprehensive Will writing service. To find out more, contact your usual Lowes consultant, or call 0845 1 484848.*

Across the Tyne by zipwire!

TEN MEMBERS OF THE LOWES TEAM TOOK to extreme sports on 23 September to raise money for charity.

Hooked onto a zipwire, they took it in turn to speed from the top of the Newcastle side of the famous Tyne Bridge down onto the helipad next to HMS Calliope, the Royal Naval training base on the Gateshead side of the river next to the new Millennium Bridge.

Heading the Lowes' charge was Managing Director, Ian Lowes, and right behind him were Louise Furlong, Andrew Gardiner, Eddie Hindmarsh, Brenda Joyce, Kirsty Maule, Becky McLaughlin, Jackie Scott, Ruth Taylor and Aimie Warkman.

The dare-devilry was on behalf of the Anthony Nolan Trust, which supports leukaemia patients, and the Lowes' team raised over £1,900.

● Lowes Head Office receptionist Brenda Joyce hurtles across the Tyne on a zipwire as part of Lowes' fundraising efforts for the Anthony Nolan Trust

Rise in estates paying IHT

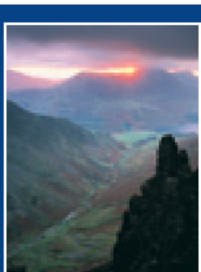
RESEARCH BY THE HALIFAX based on recent data from HM Revenue & Customs shows that over the five years to 2003/4, the total number of estates paying Inheritance Tax (IHT) rose 72 per cent to 30,451.

The Government's own estimates suggest that the number of estates paying IHT by the end of 2006/7 will rise a further 22 per cent. The main reason why more estates are now paying IHT is that the tax threshold has fallen behind the increase in property prices over the past decade.

As a result:

- In the five years to 2003/4, the number of estates valued below £500,000 paying IHT rose by 75 per cent to 21,750 and these now account for 71 per cent of all estates paying IHT.
- In 2003/4, 8 per cent of estates worth less than £500,000 paid IHT, up from 5 per cent in 1998/99. The average amount of IHT paid by these estates was £31,393. Estates valued below £500,000 accounted for 25 per cent of total IHT revenue in 2003/4, or £683 million.
- Estates worth more than £2 million accounted for 19 per cent of total IHT revenue in 2003/4 or £526 million, down from 23 per cent in 1998/99.
- Estates valued between £500,000 and £1 million generated the most IHT revenue in 2003/4, £921 million, a third of the total.
- In 2005/6 the government collected £3.3 billion in IHT revenue and expects this to rise to £3.6 billion for 2006/7.

■ *If you haven't yet taken steps to reduce your IHT liability then contact your usual Lowes consultant, or call 0845 1 48448.*



The photograph on this issue's cover is of Red Pike, Buttermere in Cumbria

Make your money work Best bank and building society instant access/no notice accounts

Branch Based

Amount	Provider	Account	Gross Rate	Contact
£1+	Co-op Bank	Smart Saver	4%	Branch[1]

Postal or Telephone

Amount	Provider	Account	Gross Rate	Contact
£1+	Birmingham Midshires	Direct Telephone Savings Account	5%	0845 603 8027 for application form and information pack[2]

Internet

Amount	Provider	Account	Gross Rate	Contact
£1+	Birmingham Midshires	Internet Saver	5%	www.askbm.co.uk[2]
£1+	Sainsbury's Bank	Internet Saver	5%	www.sainsburysbank.co.uk
£1,000+	Bradford & Bingley	eSaver	5.1%	www.bradford-bingley.co.uk[3]

Note 1: Account can also be accessed at your local post office. Note 2: Rate is guaranteed to stay 0.25% above ING Direct Savings Account underlying rate until 01/08/2008.
Note 3: Rate guaranteed to at least match the Bank of England Base Rate plus 0.25% until 30/06/2007.
Sources: www.thisismoney.com, www.everyinvestor.co.uk 04/10/2006. All accounts subject to terms and conditions.

Medical treatment costs underestimated

ALTHOUGH 82 PER CENT OF Britons rely on the NHS to cover the cost of healthcare*, they consistently underestimate the value of the treatment they receive.

As part of Legal & General's ongoing Health Uncovered Index, which monitors public attitude towards health issues including medical provision, more than 5,000 people were asked to estimate the cost of six common medical procedures.

The findings show the average cost of common medical treatments is underestimated by 38 per cent, undervaluing the financial benefit of the service provided by the NHS or through private medical insurance cover.

** This research was undertaken by YouGov on 3 May 2006 and covered 5,294 people.*

Medical procedure	How much it costs	How much Britons think it costs	% Underestimated
Cataract Removal	£3,275	£1,362	58%
Varicose Vein Treatment	£2,680	£1,527	43%
Heart Bypass	£17,500	£10,347	41%
Hip Replacement	£8,530	£5,104	40%
Hernia Repair	£2,240	£1,698	24%
Knee Replacement	£5,130	£4,107	20%
Average			38%

Source: Legal & General

Savings high – so is borrowing

IN THE SECOND QUARTER of 2006, the UK's savings pot grew to its highest level this century, according to new figures* from IFA Promotion (IFAP), the organisation promoting the benefits of independent financial advice.

● The Bank of England

IFAP says UK consumers saved more than £38.6 million between April and June, although people are still taking on new debt, and that for every pound saved, 48 pence is being borrowed.

**Based on an independent analysis of the most recent official figures by independent agency, RAKM, using data from the Bank of England, British Bankers Association, ABI, AITC and IMA.*

COMMENT

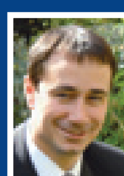
To die for!

I READ WITH AMUSEMENT THE RESULTS OF A recent poll commissioned by BUPA that found that 40 per cent of the people questioned would give up sex if it meant it would prolong their lives (clearly the converse of this is that the other 60 per cent will continue to have sex even if it kills them!).

The Ipsos Mori research also found that 48 per cent of women and 42 per cent of men would sacrifice travelling if it meant they would live to 100 and 64 per cent believed living sensibly and prolonging life was more important than living fast and dying young. We know that our priorities change with age and so I am sure that the opinions of younger pollsters would be somewhat different from those of the older generation, but what remains clear is that many people would choose to delay the inevitable any way they can.

The fact is, we are and can expect to continue living longer and whilst this has significant implications for current and future governments, it equally has massive implications for us as individuals. Obviously, when we retire we stop earning and so our pensions, savings, investments and state benefits are all we can expect to have to support us for the rest of our days. The pressure on the state of an increasingly ageing population is akin to a financial time bomb. But a similar threat hangs over those who fail to invest their savings and capital appropriately (a) to provide the income they need throughout retirement and (b) to help protect the value of their capital because they don't know exactly how long they will live!

Research shows us that the rate of annual price inflation experienced by the retired is significantly higher than the rest of the population and the longer we live, the greater the risk of inflation eroding our capital. Whilst deposit accounts can provide us with a regular income in retirement, they will not provide an adequate hedge against inflation and so investment in assets that will, such as those linked to shares, is equally important throughout retirement as it is during our working years.



Ian H Lowes,
Managing Director

IHT trusts are back in vo

Clarification of tax rules means that investors can once again receive an income from certain assets sheltered fr Inheritance Tax. Senior Lowes consultant, Peter Collin

DISCOUNTED GIFT TRUSTS ARE A MEANS OF sheltering assets from Inheritance Tax (IHT).

By making use of insurance-based investments wrapped in these Trusts, they had proved extremely popular with people requiring a regular income from assets which had been sheltered from a potential liability to IHT.

However, rule changes announced by the Chancellor of the Exchequer in the Budget created some uncertainty over their use and they were temporarily withdrawn pending clarification.

Following the passing of the Finance Act 2006, the situation has been clarified and, because Discounted Gift Trusts are, in the main, unaffected by the rule changes, they have been reintroduced and are again proving to be very popular.

On these pages I have summarised how they work and provided a typical example.

How Discounted Gift Trusts work

AN INDIVIDUAL MAKES A one off investment in the form of a 'gift' into a series of single premium insurance bonds contained in a Trust. These investments are designed to mature after one year, two years, three years, etc. The underlying investment funds are often held offshore to benefit from tax-free growth during the investment term.

When the plan is first started, the insurance company which provides the investment bonds will 'underwrite' the investment according to Inland Revenue guidelines. This means that on the basis of mortality rates and the investor's health, the insurance company estimates how much of the investment 'gift' is unlikely to be returned to the investor by way of income and will 'discount' its value by this amount.

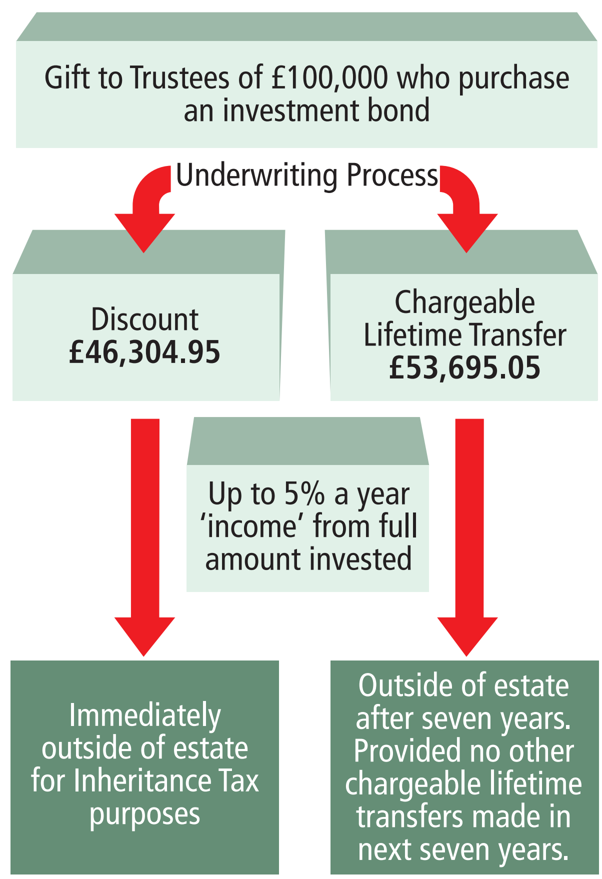
This discount is then subtracted from the overall value of the investment gifted to the Trust and the balance is called a 'Chargeable Lifetime Transfer'. This immediately creates an IHT tax saving which equals 40 per cent of the size of the discount. e.g. If the total value of the gift before underwriting was £100,000 and the discount was determined to be £46,304.95, then this would create an immediate IHT saving of £18,521.98 (40 per cent x £46,304.95).

During the period of the investment any investment growth will fall outside the estate and will ultimately be paid to the chosen beneficiaries free of IHT. Irrespective of the size of the discount, it is important to note that it is the full value of the investment which is contained within the Trust.

Also at the outset, the investor elects how much annual income he or she would like to receive, and when; then each year the maturing investment(s) are returned to the investor as income.

If the investor survives for a minimum of seven years after the Trust scheme has been set up, then all of the Chargeable Lifetime Transfer will fall outside their estate for IHT purposes.

Figure 1. The Discounted Gift Trust Process



Source: Scottish Equitable. Based on male, age 70 who has elected to receive 5 per cent annual 'income' ogue

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● Potentially mitigating IHT whilst retaining a right to income

When the investor dies (or once they have received all of the income payments they elected to receive, if earlier), then the scheme trustees can distribute the value of the bonds which have not matured to the beneficiaries.

A key point to note is that the investor retains a degree of access to the capital through the repayment of the maturity proceeds.

Once the original capital has been fully repaid no further payments can be made to the settlor (the investor). As the settlor is often also a trustee, they can also change the Trust beneficiaries.

Another important point to note is that the key to saving IHT is the structure of the Trust arrangement itself rather than the performance of the underlying funds – although, of course, performance is very important.

Figure 1. left, illustrates how the Discounted Gift Trust works and the figures relate to my case study (right).

Case study

- **John, aged 75, a widower with children and grandchildren, wants to reduce his IHT liability but requires access to his capital in order to supplement his pension income.**
- **He needs £5,000 a year for the next 20 years.**
- **He gifts the trustees £100,000 and they buy an investment bond.**
- **He then receives £5,000 a year from the Trust, making use of the 5 per cent tax-deferred allowance on the bond.**
- **Because he is in good health his gift to the trustees is discounted by £46,304.95. This means that he has made an immediate IHT saving of £18,521.98 (40 per cent x £46,304.95).**
- **If John survives seven years from making the gift, its value will fall outside his estate for IHT purposes.**
- **If he dies within seven years then the value of the gift which will be subject to an IHT charge will be £53,695.05 (i.e. the Chargeable Lifetime Transfer, which is £100,000 less the discount of £46,304.95).**

■ *For further information on Discounted Gift Schemes contact your Lowes consultant or call 0845 1 484848.*

5 YEARS AGO

How did it perform?

In our ongoing series examining the progress of the investment products we featured five years ago in Lowes magazine, we report on the AIG Extra Income Bond …

THE AIG EXTRA INCOME BOND featured in the October 2001 issue of Lowes magazine. This was a four-year stockmarket bond linked to the FTSE 100 Index of leading UK companies and was designed to pay either:

- An income of 7.25 per cent a year net of basic rate tax, which is equivalent to 9.6 per cent gross, or
- Growth of 31.25 per cent after four years.

A full return of capital was also guaranteed providing the FTSE 100 was no lower after four years than it was on 14 November 2001, the actual investment date.

So, what was the outcome? The contract paid 7.25 per cent a year net of basic rate tax, or growth of 31.25 per cent and also provided a full return of capital. Over the four-year investment period, the FTSE 100 rose from 5240.7 to 5471.86 – a rise of 4.4 per cent.

Summary: AIG Extra Income Bond

	Rise (Fall) from 14/11/2001 to 14/11/2005
FTSE 100	+4.4%
AIG Extra Income Bond	+31.25%

INSURANCE

Protection gap hits tax planning

THE SO-CALLED 'PROTECTION GAP' – the difference between the amount of life assurance cover required to protect your assets, and the amount of liquid assets plus life cover in force in the UK – now stands at £2,300 billion, according to the specialist insurance company, Swiss Re.

When Swiss Re first identified the gap in 2002, it was calculated to be £2,000 billion.

This gap has widened despite considerable competition between product providers leading to a continued reduction in premium rates. There has been no increase in new term assurance sales in the last 12 months, while new sales of critical illness, income protection and whole of life insurance – a key tool in protecting inherited assets from tax – have fallen for a third consecutive year.

Swiss Re's research – for its annual Insurance Report – shows that half of the adult population has insufficient life

cover, with the widest gaps among low to middle earners and those with children and aged under 35.

The research also identifies another key gap – in the use of whole of life insurance as a means of reducing potential Inheritance Tax (IHT) liabilities. Swiss Re says its consumer research shows that while there is a high level awareness of the impact of IHT on wealth cascading through generations, and growing resentment of what is generally seen to be an unfair tax on assets which had already been taxed during the person's lifetime, there is a limited understanding of the detail and of how this whole of life insurance can be used to fund an IHT liability.

Swiss Re says that a key problem is that by the time people think about doing something about IHT, it's too late and whole of life insurance is perceived to be too expensive. It says: "Advice and action rather than awareness are what is needed as consumers are faced with balancing inheritance aspirations with the need for retirement funds."

■ *For more information on the use of whole of life insurance to reduce potential IHT liabilities, contact your Lowes consultant, or call 0845 1 484848.*

PROPERTY

Can property provide a pension boost?

ACCORDING TO MERCER HUMAN Resource Consulting, a third of people in defined contribution pension schemes (e.g. personal pensions and company money purchase pension schemes, where the eventual size of the pension fund depends on the investment performance of the contributions) are relying on the house they live in to form a large part of their retirement income.

But Mercer says while a minority of people will be able to downsize their properties and use the extra capital to buy a substantial annuity: "selling a home to fund retirement will not be a viable solution for most".

However, for the many homeowners who've benefited from rising house prices and who would like to translate some of this into an income to supplement their retirement savings without buying an annuity, there is another option in the shape of the 'lifetime mortgage'. This is a special kind of loan for homeowners aged 60 and over. Although it's secured on your property, there are normally no monthly payments to make and it is designed to help you remain in your home for as long as you wish.

When first launched, these products released only a cash lump sum, but now it is possible to receive a regular income in the shape of a monthly cash release for life, with an optional lump sum. Typically, there are two interest rate options – a fixed rate and a tracker rate which tracks the Bank of England base rate and is capped for the life of the loan. The amount of equity you can release as a monthly cash payment is based on age, property value and any one-off cash lump sum you take.

There are no monthly loan payments, as the loan, accrued interest and charges are repaid from proceeds of the property sale when you sell up or die. In addition, most schemes offer a 'no negative equity guarantee' and the product is usually portable if you move house.

How a lifetime mortgage might work

Mr and Mrs Smith are aged 74 and 72 respectively and their house is worth £200,000.

They want a cash lump sum of £14,500, that's 7.25 per cent of their home's total value. This is then rounded up (in every case) to the nearest full per cent, i.e. 8 per cent. This would then entitle them to a further maximum monthly cash release of 0.2 per cent of their home's total value – which makes £400 per month (i.e. £200,000 x 0.2 per cent = £400). Or, they can choose any amount between £50 and that maximum figure.

Protecting some equity

A variation on this product enables you to protect a proportion of the property equity which then remains as a guaranteed inheritance.

NOTE: For the purposes of this example, we have referred to the features of the Northern Rock lifetime mortgage product range. There are a number of different types of scheme which enable you to release value from your home without having to sell it and move out.

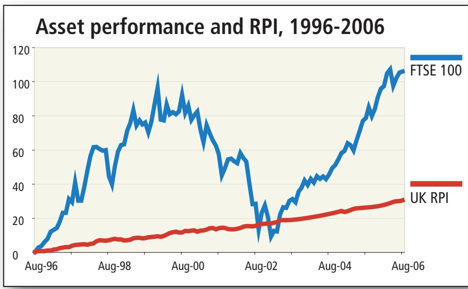
■ Lowes would not recommend effecting a lifetime mortgage or any other form of equity release product until a client has sought advice from a Lowes consultant and fully understands all the risks involved. If you would like to find out more about lifetime mortgage or other equity release products and the risks involved, contact your Lowes consultant, or call us on 0845 1 484848. Full written details available on request.

Investing to beat inflation and tax

FOLLOWING THE BANK OF ENGLAND'S decision in August to raise interest base rates by 0.25 to 4.75 per cent, further increases could be in the pipeline to counter inflationary pressures.

Many of our clients may welcome this as it means they will earn more interest on their savings. However, higher inflation means your savings must work harder than ever to maintain your spending power – particularly if you are on a fixed income and rely on your investments to provide an additional income.

- The latest official figures show that inflation as measured by the Consumer Prices Index (CPI – the government's preferred measure) rose from 2.4 per cent in July to 2.5 per cent in August, the highest since the CPI was launched in January 1997.
- The all-items Retail Prices Index (RPI), the benchmark for many pay settlements, increased from 3.3 to 3.4 per cent in the year to August.



Source: Lipper/Hindsight 5, 19/9/2006

In reality, many readers may be experiencing a higher 'real' inflation rate than the official figures suggest. As we've reported in recent issues of *Lowes magazine*, research by Alliance Trusts and others indicates that homes run by people of retirement age (65+) face higher inflation than those of working age.

The key reason is that while younger households spend relatively more on audio-visual products, which have fallen in price (largely because they are made in the low wage Chinese economy) items such as meals out, entertainment and energy, which older people tend to consume more of, have risen in price.

Faced with this, it is essential to take action to help your investments outstrip inflation.

Effective investing

The Barclays Gilt Equity Study, which is based on data since 1899, shows that over all 10 year periods shares have a 93 per cent chance of outperforming deposits.

However, although shares held long-term out-perform other assets, it is important to invest via a balanced portfolio based on your investment objectives, risk profile and time horizon. This portfolio should comprise cash, bonds/gilts, shares and perhaps property.

■ *If you wish to discuss the importance of investing, then please contact your usual Lowes consultant, or this office on 0845 1 484848.*

Where are the markets going?

By Melvyn Bell, Lowes' Investment Manager

SEVERAL TIMES RECENTLY I've been asked: "What are the prospects for the stockmarkets in the coming months". The question usually includes reference to rising commodity prices, geopolitical uncertainty and the potential for rising inflation and interest rates.

I'm not alone in admitting that I don't really know. A leading UK fund manager said recently: "Often our honest answer is we've absolutely no idea at all … the recent increase in UK interest rates could be taken in two ways; either the move is positive, in that it acts as a pre-emptive strike and reduces inflationary concerns before they have become entrenched, or it could be seen as an excessive move. One conclusion might encourage an investor to buy equities, the other might encourage a sale."

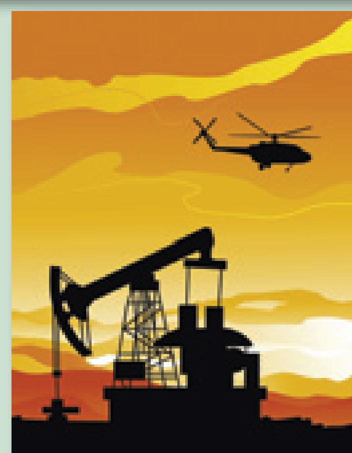
This highlights the dangers of trying to anticipate short-term sentiment. Successful fund managers focus more on a company's ability to improve profitability by internal actions than on the economic outlook. Companies can't avoid market corrections, but they can limit their effects.

So, to pin down market prospects in the coming months, we must look at the broader picture. The subject of inflation is currently a bit of a 'hot potato', with arguments over how accurate the official figure actually is, and whether the 'true' level could lead to higher interest rates and economic recession. The fact is that the official figures aim to represent 'Mr Average' and are based on a basket of goods deemed to be represent average consumption. Consequently, the 'real' rate of inflation varies from person to person.

Current inflation is what the economists call a 'lagging indicator', i.e. it is the result of previous events not future ones. In the last few months, commodities, including oil and gas prices, have actually fallen, so domestic energy bills could actually be set to fall.

As for the markets, corporations globally are performing well. US corporate earnings recently recorded another quarter of earnings growth ahead of expectations, with S&P 500 earnings growth of 16.6 per cent, year on year. On 24 August Standard & Poor's said the S&P 500 stock buyback activity continues to show record growth. By reducing the number of shares in issue, stock buybacks should, over time, increase equity prices.

Elsewhere, equities are also attractively valued. On 1 September the UK's FTSE 100 Index price to earnings ratio (PE) was 12.32 with a yield of 3.25 per cent and dividend



cover of 2.5 times (i.e. the companies had earnings 2.5 times higher than their dividend payments – the higher the cover the safer the dividend). Bearing in mind the PE for the FTSE 100 at the beginning of the decade exceeded 30, it illustrates how conservatively the equity market is currently priced.

However, I believe no one knows with any certainty how the markets will perform in the future, although the current geopolitical unrest could affect the markets in the short to medium-term. This is why we advocate diversifying your investments across a broad range of assets and fund managers.

Minimum Investment £1,000,000!!! – There is another way!

IT IS NOT UNCOMMON FOR VERY successful funds to close to new investment to prevent the fund from becoming diluted. One of the most consistent UK Equity funds over the last 6 years, the JP Morgan UK Strategic Value Fund, recently effectively closed by increasing the minimum investment from one thousand pounds to a staggering one million!

Whilst this has no doubt led to disappointment from those who would have otherwise invested, when one door closes another often opens.

The JP Morgan UK Strategic Value Fund had been awarded high ratings by leading fund analysis groups Standard & Poor's and Old Broad Street because it has been a significant success since its launch in May 2000. As an example, according S&P Fund Research, it has been in the first quartile of the S&P Equity UK Sector in each of the last six 12 monthly periods up to the end of August 2006.

This success is the result of an investment process developed over a number of years by the highly rated JP Morgan Asset Management team. The fund itself is co-managed by Chris Champin and Michael Barakos, and they took the decision to

● (l-r) Michael Barakos and Chris Champin – fund managers for the Norwich Union UK Growth & Value Fund

effectively stop new investments and limit the size of the fund in order that the funds flexibility could be maintained.

The good news for investors who would like to benefit from the skills of the JP Morgan Asset Management team is that all is not lost. In March 2006, Norwich Union launched the first in a range of new funds designed to enhance their profile in the retail investment market. Effectively Norwich Union have delegated the new fund's management to a group who they acknowledge as one of the leaders in the active management of UK equities – JP Morgan Asset Management and, specifically, Champin and Barakos.

The new fund is called the **Norwich Union UK Growth & Value Fund** and unlike previous Norwich Union funds is designed to lead rather than follow the markets. After considerable research and a number of years putting the results into practice, JP Morgan Asset Management believe that while pure value, or growth strategies, may outperform during certain market cycles, the combining of the two strategies in one portfolio (a 'barbell' strategy) can lead to outperformance on a consistent basis. The Norwich Union UK Growth & Value Fund aims to capitalise on this belief and provide consistent above average capital growth by using an investment strategy, which sees half of its portfolio invest in the best growth stocks and the other half in the best value stocks that they have identified by using JP Morgan Asset Management's proven investment process.

As we said earlier, for investors wishing to invest in a team which has been one of the most consistent over the last six years, ***all is not lost.*** The Norwich Union UK Growth & Value Fund is new to the market, but the methodology and the people applying it are not. JP Morgan Asset Management have justifiably been rated one of the best management groups in the UK, and Chris Champin and Michael Barakos two of the best managers. The Norwich Union UK Growth & Value Fund gives access to them all.

It is important to appreciate that the past performance of the JP Morgan Fund, or the management team, is not necessarily a guide to the future performance of the Norwich Union fund under the same management. The return achieved is dependant upon the performance of the underlying assets of the fund and you may get back less than you initially invested. This fund is therefore only suitable for those investors who are prepared to accept some risk to their capital and who anticipate retaining their investment for a period of five years or more. We have selected Cofunds as the suggested holding vehicle for the investment into the Norwich Union UK Growth & Value Fund, as Cofunds provide many added benefits compared to simply holding the fund direct with Norwich Union. What's more, they won't charge a penny for the service as they will be paid direct from Norwich Union.

If you wish to invest please study the accompanying literature and key features carefully to ensure that you understand all of the details of the investment and the risks. Once you are satisfied with your investment choice, please complete the application form and return it to this office in the envelope provided. If you have any doubts about the suitability of this or any other investment for you, then please talk to your usual Lowes consultant, or this office on 0845 1 484848.

Note: Lowes may be required to approach a third party in order to verify the identity of a client or any person providing funds on behalf of an investment made in a client's name. Where further information is required to verify identity, Lowes reserves the right to delay applications until sufficient identification has been provided.

Past Performance of the JPM UK Strategic Value fund

Percentage Growth; Total Return, Net Income Reinvested at Payment Date

1 yr to 29/09/2006	1 yr to 30/09/2005	1 yr to 30/09/2004	1 yr to 30/09/2003	1 yr to 30/09/2002
15.83%	**27.95%**	**15.87%**	**24.44%**	**-3.31%**

It is important to appreciate that the above past performance table is included in order to comply with Financial Services Authority rules which stipulate that such a table should be included wherever past performance of a fund is mentioned. This is not however the fund being promoted as the minimum investment is now £1m.The Norwich Union UK Growth & Value Fund, managed by the same team, was launched on 6 March 2006 and saw growth of 2.68% from then until the end of September 2006. Past performance is not necessarily a guide to the future.