THE complete investment PORTFOLIO...

Details

This leaflet gives details of our Complete Investment Portfolio.
Your Financial Adviser will also be
pleased to answer any queries you may have.

Contents

Please Note:

- all monetary figures quoted in this leaflet are in UK Sterling. For equivalent monetary amounts for US Dollars and Euro please multiply the UK Sterling amounts by 1.5.
- reference to SMI means Scottish Mutual International Limited.

1. Introduction

1.1 What is the Complete Investment Portfolio?

The Complete Investment Portfolio is a single premium plan. The plan:

- offers a means to invest a capital sum in a range of pooled funds (including those offered by SMI) managed by fund managers chosen from an extensive list
- is designed as a long term investment (normally more than 5 years) but with options allowing you to take one-off or regular withdrawals (which you can use as income) or to invest for growth
- benefits from investing in a (mainly) tax free environment. This is because SMI is a life assurance company based in the International Financial Services Centre in Dublin.

1.2 How does the plan work?

The Complete Investment Portfolio works as follows:

- you choose the type of plan you want. You can choose between the life assurance plan and the redemption plan
- you choose which portfolio structure is most suitable for you, there are 4 structures to choose from
- you decide how much and in which currency you want to invest, there are 3 currencies to choose from
- you may choose to make your own investment decisions, you may appoint a Fund Adviser to make your investment decisions for you or you may even choose to have your portfolio managed by an External Fund Manager
- for investments in Portfolio A, B or C:
  - we will create a Portfolio Fund to hold non-SMI assets
  - we will set up a Cash Account to pay for benefits and charges
  - we will include assets in the Portfolio Fund, chosen from the wide range of investments available
- for investments in SMI Investment or Safety Plus Funds:
  - we will invest your money by allocating units in the funds you choose
  - the price of the units, calculated daily, will reflect any movement in the underlying assets held within the funds
- the investment mix of your plan may be changed at any time
- you may pay additional investments at any time
- you may take money out of the plan at any time
- you may take regular withdrawals from the plan (up to a maximum level)
- we will cancel units or debit the Cash Account to pay for any amounts you take out or to pay for charges
- we deal with all the administration of your plan.

The plan will end:

- on death (life assurance plan),
- on maturity (redemption plan), or
- on earlier full surrender.

Please note:

- more details on all the above can be found in the relevant sections.

2. Eligibility Details

2.1 What types of plan are available?

There are 2 types of Complete Investment Portfolios in which you can invest:

- life assurance plan - a whole life assurance plan offering basic life cover for up to 10 lives assured.
- redemption plan - a plan written for a term of 80 years and having a guaranteed maturity value at that time. There are no lives assured. This may be more suitable for corporate or trustee investors.

You can choose from 4 types of plan structure, each structure essentially reflecting the way we make our charges (this is highlighted in the various charging sections). The choices are:

- Portfolio A - which has a basic traditional offshore charging structure, with low Portfolio Fund Service Charge (see 4.4). This may appeal to investors who wish a conventional approach.
- Portfolio B - which has a clean design, with moderate Portfolio Fund Service Charge. This may appeal to conservative investors who would prefer that SMI's charges reflect actual performance.
- Portfolio C - which has a clean design with modest entry charge and no Portfolio Fund Service Charge. This may appeal to more aggressive investors.
- SMI Portfolio - which allows for a lower initial investment in SMI funds only, with an option to switch to Portfolio A once minimum investment amounts have been met. This may appeal to investors who want to build up their funds before switching to Portfolio A.

You must also choose a plan currency for your plan, the choices being UK Sterling, US Dollars or Euro. This is the currency in which all investments, benefits, charges and withdrawals will be expressed (see 3.9).

Please note:

- you should discuss with your Financial Adviser the type of plan best suited to your needs.

2.2 Who can own the plan?

The owner of the plan normally applies for and normally makes the investment in the plan.

An owner can be:

- a personal investor who on the date the application form is signed must be:
  - aged 18 or over, and
  - below the age of 80, if the investor is also a life assured (see 2.3)
- a corporate or trustee investor, providing they have the appropriate investment powers

A single personal investor will be the sole owner of the plan. On death the ownership will pass to the estate of the deceased. A personal investor may jointly own the plan with up to 3 other people, usually a spouse or business partners. If one dies the survivors will normally become the owners of the plan, allowing the investment to continue after the first death.

Territorial restrictions apply to the owner of the plan. In particular, we will not accept applications from US residents.

Please note:

- although the owner will normally receive the proceeds, in some jurisdictions it may be possible to change the ownership of the plan by assigning the plan. An assignment may result in the loss of any preferential tax treatment associated with the plan.
- if we issue the plan to trustees, it belongs to the trustees and the need for probate to be obtained on death may be avoided. This means the proceeds can usually be paid to the trustees and distributed to the beneficiaries without the delays normally associated with obtaining probate.
- we cannot accept any responsibility for the interpretation of the law and you should seek separate legal advice before effecting a trust or making an assignment.
- if there are 2 or more owners, the above ages refer to the age of the youngest owner.

2.3 Who can be a life assured (life assurance plan only)?

A life assured is a person whose life is covered by the plan. A life assured must be aged 18 or over and must be below the age of 80 on the date you sign the Application Form (although this only applies to the youngest life assured if there is more than 1).

An owner, who is a corporate or trustee investor, can choose to cover up to 10 lives assured.

An owner who is a personal investor will normally be a life assured. However:

- an owner and a life assured may be different people
- up to 10 lives assured can be covered.

If you have more than 1 life assured, any death benefit payable will be due when all the lives assured have died (see 3.6).

Please note:

- we must establish an insurable interest before the start of the plan if a life assured is not an owner or if there are 2 or more lives assured.

2.4 How much must be invested?

To take out a plan you must invest at least £100,000 (for SMI Portfolio the minimum is £15,000). There is no upper limit.

You can also top-up your plan at any time by making an additional investment of at least £10,000 (for SMI Portfolio the minimum is £2,500).

You must pay any amounts by cheque, bank draft, telegraphic transfer or share exchange. We cannot accept payment in cash.

Please note:

- you would normally pay your investment in the same currency as your plan currency, although it is possible that we will accept other currencies (see 3.9).
- we will normally set up the plan as 20 equal segment policies. However:
  - you can request any number of segment policies from 1 to 1000
  - your investment must be equally divisible by the number of segments you choose
  - you must invest at least £750 in each segment
  - any top-up investment will be split evenly across all segments in force at the time.
- if you pay by share exchange, we can arrange to exchange, on favourable terms, some types of shares, government securities or unit trusts you may have. Please consult your Financial Adviser and complete a Share Exchange Agreement Form.

2.5 Who can make the investment decisions?

If you are not familiar with investment markets you may consider:

- appointing an experienced Fund Adviser to choose your investments, or
- using a discretionary fund management service offered by an External Fund Manager appointed by us, who will construct and manage your portfolio for you.

The Fund Adviser you appoint should be someone who is:

- suitably qualified, e.g. Discretionary Portfolio Management or equivalent status
- up to date with the developments and movements in a variety of markets, and
- able to advise you on the best strategy to meet your objectives.

Your Fund Adviser may be the same person as your Financial Adviser. Alternatively, you could appoint a completely different individual to fulfil this role.

If you choose a Fund Adviser:

- please complete the Fund Adviser Application section of the Application Form
- we will expect any investment instructions to be made by that Fund Adviser and not by yourself
- we may refuse to take an instruction from you, unless it is confirmed by your Fund Adviser
- you may instruct us to make regular withdrawals on your behalf to pay your Fund Adviser a fee for ongoing investment advice.

The External Fund Manager we appoint would:

- offer a discretionary fund management service, employing investment professionals with many years experience of managing portfolios, especially for investors who have substantial amounts of money to invest
- discuss the investment strategies and the specialist investment advice and services available
- tailor your portfolio to suit your needs.

If you choose an External Fund Manager:

- please complete the separate External Fund Manager Form for the fund manager of your choice
- the External Fund Manager will decide at all times the assets to be included in your portfolio
- we will make regular withdrawals on your behalf to pay the External Fund Manager a fee for managing your portfolio.

Please note:

- any arrangement between you and your Fund Adviser or External Fund Manager regarding advice and payment for that advice is strictly between you and your Adviser or Manager.
- we cannot take any responsibility for any advice given or the charges taken by the Fund Adviser or External Fund Manager.
- you may notify us in writing at any time to terminate any agreement to use a Fund Adviser or an External Fund Manager.
- we suggest you consult your Financial Adviser before deciding who will make the investment decisions.

3. Plan Details

3.1 How are the assets allocated?

You (or your Fund Adviser) decide what mix of assets you want and how much to invest in each type. The options are:

- choosing assets to be held in a Portfolio Fund - see 4.1 for choices available
- buying units in SMI funds, the only option available for SMI Portfolio - see 5.1 for choices available.

Alternatively, if you are using a discretionary fund management service offered by an External Fund Manager, they will choose the assets to be included in your Portfolio Fund. The assets would be appropriate to the investment strategy you discussed with the External Fund Manager as being the most suitable for your purposes.

Please note:

- you must invest at least £5,000 in each asset to be included in the Portfolio Fund.
- the minimum investment allowed in each SMI fund is £1,000.
- we may restrict the number of SMI funds in which you may invest.
- you may request a conversion from SMI Portfolio to Portfolio A if:
  - the total value of the plan after the conversion is at least £100,000
  - the total value of units remaining in SMI funds is at least £25,000.
- we will not incur any liability from any decision you (or your Fund Adviser) make as to the assets to be included in your Portfolio Fund.
- we are not responsible for the performance of the assets included in your Portfolio Fund and we will not accept liability if the performance does not meet your expectations or if you have made a financial loss as a result of the investment decisions made.

3.2 Can assets be changed?

You (or your Fund Adviser) may instruct us to change the composition of the assets held within the plan at any time. Alternatively, if an External Fund Manager is managing your Portfolio Fund, they have the power to change the composition of the assets at any time if they consider it necessary.

If the assets in the Portfolio Fund have to be changed (see 4.1) we will:

- value the assets to be removed from your Portfolio Fund (based on selling prices readily available to us)
- credit the value of the assets to the Cash Account
- value the assets to be included in your Portfolio Fund (based on buying prices readily available to us)
- debit the value of the assets from the Cash Account.

If units are to be switched from one SMI fund to another:

- we will cancel and allocate units using the prices available to us at the time
- we may delay any switch out of a SMI Safety Plus fund until the next Quarterly Dealing Date (see 5.3).

Please note:

- any change in assets held within the Portfolio Fund may be subject to delay (see 4.2).
- the value of each individual deal for changes to the Portfolio Fund must, normally, be at least £5,000.
- we may restrict the minimum amount to be switched or to remain in a SMI fund.
- we currently allow 12 free switches between SMI funds each year. We may make a charge (currently £50) for extra switches.

3.3 When will the plan be valued?

For Portfolios A, B and C we will:

- value your plan quarterly on the last business day of March, June, September and December
- use the latest closing prices available on those days
- send a comprehensive report shortly thereafter, detailing your current holdings and any transactions that have taken place since the last valuation
- send additional valuation statements at any time which will be based on the latest publicly available prices at that time. We may make a charge (currently £50) for each additional valuation.

For the SMI Portfolio we will:

- value your plan on a daily basis using the prices available at the time
- send you an Annual Plan Statement each year detailing the value of the units in each fund allocated to the plan
- send additional valuation statements free on request at any time.

3.4 What if money is needed?

If you want to take any money from your plan, we suggest you consult your Financial Adviser, and then apply to us in writing.

You can take money out of your plan in 4 ways:

- by regular withdrawals (see 3.5)
- by one-off withdrawals at any time of at least:
  - £2,500 for Portfolios A, B and C
  - £200 for SMI Portfolio
- by segment surrender of one or more segment policies at any time. There may be tax advantages in using this method rather than taking one-off withdrawals
- by full surrender at any time.

Any money you take from the plan may be:

- reduced by applying an early surrender charge, where applicable, if payment is before all establishment charges have been made (see 3.8)
- subject to currency conversion costs (see 3.9)
- subject to a delay if you hold assets in a Portfolio Fund (see 4.2).

Please note:

- any amounts due will be deducted from the Cash Account (or payable by unit cancellation for SMI Portfolio).
- to allow your plan to continue after a payment you must keep invested at least:
  - £40,000 for Portfolios A, B and C
  - £5,000 for SMI Portfolio
  - £20,000 in SMI funds if you have switched from SMI Portfolio to Portfolio A.
- the value of your plan is not guaranteed. It is directly linked to the value of the assets held in the plan and can fall as well as rise. You may not get back your original investment (except for the Guaranteed Maturity Value available after 80 years under the redemption plan - see 3.7).
- the final cash-in value of your plan may be less than your investment, particularly if you cash in your plan in the early years and/or if you take regular or one-off withdrawals.

3.5 What are the regular withdrawal options?

You can take regular withdrawals (which you can use as income) from the start of your plan or at any time in the future. Only fixed regular withdrawal amounts are available.

The regular withdrawal payments:

- will be payable monthly, quarterly, half-yearly or yearly and must be at least £200
- can be made by cheque, telegraphic transfer or direct credit into a bank or building society account of your choice (see note below).

The maximum rate of regular withdrawal will be a percentage, normally 10%, of the value of the plan at the time when payments start. For example, if the value of your plan is £40,000, you may take fixed regular withdrawal amounts of up to £4,000 each year.

Please note:

- direct credit payments are only available to a UK Sterling bank or building society account.
- any regular withdrawals will be deducted from the Cash Account (or payable by unit cancellation for SMI Portfolio).
- if you take a one-off withdrawal, the regular withdrawal payments will stop. However you can apply to continue taking regular withdrawals, the amount, if any, being based on the value remaining in the plan at the time.
- to allow regular withdrawals to continue you must keep invested at least:
  - £40,000 for Portfolios A, B and C
  - £5,000 for SMI Portfolio
  - £20,000 in SMI funds if you have switched from SMI Portfolio to Portfolio A.
- you may increase the level of regular withdrawal at any time, the increase being based on the value of the plan at the time of the increase.
- the higher the level of regular withdrawal you take, the greater the risk that the final cash-in value will be less than your investment.

3.6 What is paid on death (life assurance plan only)?

Your plan automatically provides a death benefit. If there is more than 1 life assured, the death benefit will be payable when we have received evidence that all lives assured have died.

When we are notified of death we will:

- value all the assets of any Portfolio Fund (based on selling prices readily available to us)
- cancel units in any SMI funds
- credit, where appropriate, the total value to the Cash Account
- reduce any value by applying an early surrender charge, if all establishment charges have not yet been made (see 3.8).

The amount we pay depends on the age of the relevant life assured on the date of death as follows:

- if the life assured is aged 74 or under, we will pay the final value increased by 1%
- if the life assured is aged 75 or over, we will pay the final value increased by 0.1%.

We will pay the death benefit once all our claim requirements are met.

Please note:

- no additional life cover is available.

3.7 What is paid on maturity (redemption plan only)?

The redemption plan has a maturity date 80 years after the start date.

The Guaranteed Maturity Value in respect of each investment made is:

2 x I x T/80

where: I is the Investment

T is the period between the date the investment was made and the maturity date.

However, if you take money out of the plan before the maturity date we will reduce the Guaranteed Maturity Value, the reduction depending on the % reduction in the value of the plan at the time of the payment.

For example, an initial investment of £40,000 will have a Guaranteed Maturity Value of £80,000. Assume, after 8 years, £16,000 is withdrawn and at that time the plan is valued at £64,000. Since 25% of the plan is being cancelled, the Guaranteed Maturity Value will reduce to £80,000 x 0.75, i.e. £60,000.

If additional investments have been made the position is as follows:

- an initial investment of £40,000 will give a Guaranteed Maturity Value of £80,000
- if, after 10 years, an additional investment of £16,000 is made the total Guaranteed Maturity Value will increase to 2 x £16,000 x 70/80 + £80,000, i.e. £108,000
- after 15 years, the plan is worth £140,000, say, and a partial surrender of £35,000 is withdrawn, i.e. 25% of the plan is being cancelled
- the total Guaranteed Maturity Value will reduce to £108,000 x 0.75, i.e. £81,000.

On the maturity date we will:

- value all the assets of any Portfolio Fund (based on selling prices readily available to us)
- cancel units in any SMI funds
- credit, where appropriate, the total value to the Cash Account.

The amount we pay will be the higher of:

- the final value of the plan, and
- the Guaranteed Maturity Value.

We will pay the maturity benefit once all our claim requirements have been met.

3.8 What are the plan charges

We will apply the following charges:

- Allocation Charge - this is the difference between the amount of your investment and the amount actually invested to buy assets (the 'Amount Buying Assets'). The Allocation Charge for each portfolio structure is as follows:
  - Portfolio A 0% i.e. 100% is invested
  - Portfolio B 0% + x% i.e. 100% - x% is invested
  - Portfolio C 1.5% + x% i.e. 98.5% - x% is invested
  - SMI Portfolio 0% i.e. 100% is invested

  where x% is the rate of commission you agree is to be paid to your Financial Adviser.

  For example, if your investment was £40,000 under Portfolio B structure and you agree that 5% commission is to be paid to your Financial Adviser, then the 'Amount Buying Assets' will be £40,000 x 0.95, i.e. £38,000.

- Establishment Charge - we will apply a charge to pay for setting up and other administrative costs. The charge will be taken every 3 months for 4 years, the first charge being applied on the second Charge Date after commencement of the plan. The charge is a percentage of your investment and for each portfolio structure is as follows:
  - Portfolio A 1.875% p.a.
  - Portfolio B 0% p.a.
  - Portfolio C 0% p.a.
  - SMI Portfolio 1.875% p.a.

  For example, if your investment was £40,000 under Portfolio A structure, the quarterly charge will be £40,000 x 0.01875/4, i.e. £187.50.

- Surrender Charge - we may apply a surrender charge on any payments made:
  - by one-off withdrawals
  - by segment surrender

- on full surrender
- on death.

The charge will be a proportion of any outstanding establishment charges still to be deducted (the percentage being based on the part of the plan being cancelled).

For example, assume a one-off withdrawal of £8,000 is taken, at the time the total value of the plan is £40,000 and the outstanding establishment charge is £1,200. Since 20% of the plan is being cancelled, the surrender charge will be £1,200 x 0.20, i.e. £240. The remaining establishment charges will now be deducted at 80% of the previous rate.

No surrender charge will apply to payments made from Portfolio B or Portfolio C structures.

- Alteration Charge - we may deduct a charge to pay for any request to alter the arrangements in any way. This may include:
  - changes to the benefits under the plan
  - addition or removal of a life assured
  - introducing or changing an arrangement to take regular withdrawals.

  The current charge is £50.

- Fund Adviser Fee - if you decide to appoint a Fund Adviser (see 2.5), you may agree to pay an additional fee for the services provided. The fee is:
  - paid quarterly, half-yearly or yearly (as agreed by you) on an appropriate valuation date (see 3.3)
  - a fixed percentage of the value of your plan at the time the fee is due, and
  - at a level agreed between you and your Fund Adviser in the Fund Adviser Application Form.

- External Fund Manager Fee - if you decide to use a discretionary fund management service offered by an External Fund Manager (see 2.5) , you will pay an additional fee for the services provided. The fee will typically be:
  - payable quarterly on an appropriate valuation date (see 3.3)
  - a fixed percentage of the value of your plan at the time the fee is due, and
  - at a level agreed by you in the External Fund Manager Form.

- Fund Management Charges - we will apply charges to pay for the administration costs of the funds in which you choose to invest. For more details of:
  - Portfolio Fund charges, see 4.4
  - SMI fund charges, see 5.4.

Please note:

- charges and fees will be deducted from the Cash Account (or payable by unit cancellation for the SMI Portfolio).
- we may increase the level of the Alteration Charge in the future to cover any reasonable increase in our costs.

3.9 What are the currency issues?

You choose, at the start, the plan currency. The plan currency choices are UK Sterling, US Dollars or Euro. This means that all investments, benefits, charges and withdrawals will be expressed in the currency of your choice.

However it is possible:

- to pay your investment or to receive any benefits in a currency different from your plan currency
- to choose to invest in a UK Sterling, US Dollar or Euro fund (the asset currency) which is different from your plan currency
- one of the underlying assets in the fund you choose will be valued in a currency different from the asset currency.

For example, you may pay in US Dollars, choose UK Sterling as your plan currency, invest in a UK Sterling fund and receive withdrawals in Euro. In this case:

- the US Dollars will first be converted to UK Sterling
- the UK Sterling amount will be used to buy units in the UK Sterling fund (the value of all non UK Sterling assets held in the fund will be valued in UK Sterling)
- on withdrawal the value of the UK Sterling fund will be converted and paid in Euro.

We will carry out any conversion at suitable market dealing rates at the time taking into account:

- the exchange rates at the time of the conversion
- any deductions equal to the costs we may incur as a result of the conversion.

Please note:

- we may turn down requests to receive an investment or to pay benefits in a currency which is not one of our allowable plan currencies.
- changes in the rates of exchange between currencies may cause the value of the investment to fluctuate.

4.1 What assets are available for the Portfolio Fund

The Portfolio Fund may contain assets, allowable in accordance with the European Communities (Life Assurance) Framework Regulations 1994, enacted in Ireland

and as may be amended from time to time, chosen from a list including:

- Scottish Mutual International investment funds
- Authorised unit and investment trusts
- Open-Ended Investment Companies
- Units in Collective Investment Transferable Securities
- Other authorised overseas funds

A wider range of investments including individual company shares may be allowed through Portfolio A, B or C if you are not resident in the UK for tax purposes. Please contact your financial adviser for further details. *Territorial restrictions may apply.*

Please note:

- Scottish Mutual International may refuse, at its discretion and without stating reasons, to invest in particular assets.
- assets such as warrants, options or any other future right to purchase shares or units in an investment fund are not allowed under any circumstances.
- we will only consider funds from certain jurisdictions around the world (although local legislation may not allow us to include some assets). Please contact us for further details.
- we do not conduct any due diligence on any assets chosen for your Portfolio Fund. This is your (or your Fund Adviser) or the External Fund Manager's responsibility.
- we may remove a chosen asset from the Portfolio Fund if, for whatever reason, the asset becomes inappropriate or it becomes restructured such that liquidity or trading restrictions are introduced.

4.2 How do Portfolio Funds Work

The Portfolio Fund works as follows:

- if you choose to invest in Portfolio A, B or C we will set up a Portfolio Fund
- when you first invest in the Portfolio Fund we will set up a Cash Account
- your investment is paid directly into the Cash Account
- you, your Fund Adviser or the External Fund Manager will choose the assets to be included in the Portfolio Fund, (only allowable assets can be included)
- we value the assets to be included (based on buying prices readily available to us) and debit the amount from the Cash Account
- if your investment is directed into a pooled fund it normally buys units (sometimes called shares) in that fund. Any income from the underlying assets of each fund is either re-invested in the fund to increase its value, or is paid out as a dividend and credited to the Cash Account
- all charges, regular withdrawals and one-off withdrawals are deducted from the Cash Account
- you must keep some of your investment (up to 5% depending on the portfolio structure) in the Cash Account (see 4.3)
- you may choose to remove assets from the Portfolio Fund, and credit the value to top-up the Cash Account (based on selling prices readily available to us)
- if you also hold units in SMI funds you may cancel some of these units to top-up the Cash Account.

Please note:

- we will value assets at the prices readily available to us at the time.
- the value of an asset may fall as well as rise and is not guaranteed.
- we may have to delay the transaction if the Portfolio Fund includes units in pooled funds which are normally only available for cancellation on specific dates.

4.3 Why is a Cash Account needed?

Cash forms an important part of any portfolio. Every investor needs cash or liquidity to cover daily needs and emergencies.

Each Portfolio Fund has a Cash Account from which the day to day running expenses of your plan are taken. By placing some of your investment in the Cash Account you can obtain a competitive rate of interest, the precise rate depending on the balance in the account.

The Cash Account is used for the following:

- to receive initial payments for the Portfolio Fund
- to pay for the value of the assets being included in the Portfolio Fund
- as a short term deposit facility
- to receive any dividend payments
- to receive the value of assets being removed from the Portfolio Fund
- to pay for all charges
- to pay for all withdrawals from the plan
- to pay for overdraft interest (see below).

You must maintain a sufficient amount in the Cash Account to pay for all outgoings. The percentage of your investment to be invested in the Cash Account depends on the portfolio structure chosen, and is as follows:

- Portfolio A 5%

- Portfolio B 2%
- Portfolio C 0.5%

The amounts held may need to be higher if regular withdrawals are being taken.

If the Cash Account is running low the following choices are open to you:

- remove some of the assets of the Portfolio Fund and credit the value to the Cash Account
- cancel units you may hold in SMI funds and credit the value to the Cash Account
- make an additional investment
- allow your Cash Account to become overdrawn (subject to our agreement).

Please note:

- we will charge interest at commercial rates on any overdrawn amount. Please contact us for the current overdraft interest rates. We will review any overdraft facility at each Portfolio Fund valuation.
- we will take any instructions from you (or your Fund Adviser) to keep the Cash Account at an appropriate level. If we receive no instruction we may choose which assets to be removed from the Portfolio Fund and credit the value to the Cash Account.

4.4 What are the Portfolio Fund charges?

We will apply the following charges to the running of the Portfolio Fund:

- Portfolio Fund Service Charge - we will deduct, each month, a percentage of the value of the assets held in the Portfolio Fund. The annual percentage for each portfolio structure is as follows:
  - Portfolio A 0.25% p.a.
  - Portfolio B 0.40% p.a.
  - Portfolio C nil

  For example, if the value of the assets held under Portfolio A structure is £40,000 the monthly charge will be £40,000 x 0.0025 /12, i.e. £8.33
- Portfolio Fund Administration Charge - we will deduct an amount each month to cover the administration costs of running your Portfolio Fund. The current monthly fee is £39 (as at January 2004).
- Dealing Fee - if you make a request to change the assets in the Portfolio Fund we will allow for a dealing fee in the valuations. A sale and purchase are two separate deals. The current dealing fee is £20 (as at January 2004).
- External Pooled Fund Charges - if you invest in external pooled funds, you will be subject to the external fund manager's charges. Each fund will normally have an initial charge and an annual management charge. We have arranged access to many external funds at a reduction in price unavailable to the individual investor.
- External Investment Expenses - all other expenses incurred in the dealing process. Expenses include external dealing fees, bank charges, duties, commissions and any custodian fees. These are included in the buying and selling price of the assets.

Please note:

- all charges will be deducted from the Cash Account.
- we may increase the Portfolio Fund Service Charge in the future to cover any reasonable increase in our costs.
- we may increase the level of the Administration Charge and Dealing Fee to keep it in line with inflation.

5.1 What SMI funds are available?

You can choose to invest your money in a wide range of

5. SMI Fund Details

funds, each with their own fund objective. The fund range includes Investment Funds and Safety Plus Funds. There is also a fund currency choice for most funds of UK Sterling, US Dollar or Euro.

You can also:

- switch your investment from one SMI fund to another
- transfer the value to the Cash Account for investment in a Portfolio Fund.

Please see the Fund Choice leaflet, which details the Investment Funds and Safety Plus Funds available to you and their fund objectives.

Please note:

- we may change or close the funds available to you. If we decide to close a fund we will give you 3 months' notice and offer you an alternative fund.

5.2 How do the Investment Funds work?

The Investment Funds work as follows:

- the underlying assets of the fund may consist of specific types of investments, e.g. equity shares, government securities, property, cash, etc., consistent with the fund objective
- we divide each fund into units of equal value
- we value the underlying assets each working day and, after allowing for fund charges (see 5.4) calculate the price of the units
- your investment will buy units in the funds you choose
- any movement in the value of the underlying assets of a fund (including movements due to changes in rates of exchange and currency conversion) is directly reflected in the price of the units and therefore in the value of the plan
- the value of a fund may therefore fall as well as rise and is not guaranteed.

5.3 How do the Safety Plus Funds work

The Safety Plus Funds work as follows:

- units in a Safety Plus Fund can only be bought on a Quarterly Dealing Date (QDD) - which will be on the 4th Wednesday of January, April, July and October
- you choose the degree of risk and the level of protection (any whole % from 95% to 100%) to suit your needs
- the protection applies to the movement in the unit prices over a quarterly period, i.e. for:
  - the Sterling 100 Managed Fund, the unit on a QDD should not be less than the unit price on the previous QDD
  - the Sterling 95 Managed Fund, the unit price on a QDD should not be less than 95% of the unit price on the previous QDD
- you must remain invested for the full quarter in order to benefit from this protection
- your investment will initially buy units in our Reserve Fund (a feeder fund). On the next QDD we will switch units to the Safety Plus Fund you choose. However if you make your investment within 8 working days before a QDD we will delay the switch until the next one
- the greater percentage of the underlying assets of each Safety Plus Fund will consist of cash instruments, the percentage depending on the level of protection for the fund and the interest earned by those assets over the quarterly period to provide that protection
- the balance of the assets will consist of a range of suitable options (depending on the investment objective of the fund) which gives exposure to the performance of various world stock markets, bonds, individual stocks and shares and currency movements
- any movement in the value of the underlying assets is directly reflected in the price of the units and therefore in the value of your plan
- the value of a fund may therefore fall as well as rise, although there is some level of protection depending on the fund you choose.

5.4 What are the SMI fund charges?

We will apply the following charges to the running of the Investment and Safety Plus funds:

- a management charge each year, currently 1.25% of the value of units, from each fund to cover fund management and administration fees. The charge is taken daily and is allowed for in the unit price.
- other charges to cover the administrative and investment management expenses relating to the investment in the underlying funds (e.g. dealing costs, trustee fees etc).

The charges may be offset by the addition of bonus units allocated once a month. The increase each month will depend on the total value of units in the SMI funds based on the following table:

Total Value	% increase. p.m	% increase p.a.
under £30,000	Nil	Nil
£30,000 - £49,999	0.02083%	0.25%
£50,000 - £99,999	0.02500%	0.30%
£100,000 - £249,999	0.02917%	0.35%
£250,000 and over	0.03333%	0.40%

Please note:

- the above charges may increase in the future to cover any reasonable increase in costs. The charges will take into account charges for similar funds offered by other insurers and any previous increases.

6.1 What tax is payable

You may be subject to personal taxation in your own country or country of residence as a result of owning the plan or taking benefits from it. For example:

6. Tax Details

- you should in particular be aware that this plan has not been designed to qualify for favourable tax treatment as a life policy or an annuity under US tax laws
- if you are an Irish resident when you take money from the plan, you may have to pay tax on any gain made.

Please consult your Financial Adviser for more information.

For UK residents some of the tax implications are as follows:

- you may be liable to tax on any chargeable gain under your plan (i.e. if the cash-in value is greater than your investment)
- the proceeds of the plan will be free of personal liability to capital gains tax
- for personal investors, the gain will be subject to income tax at their highest tax rate
- for trustee investors, any tax on the gain normally falls on the 'creator'. If the creator is dead (or resident outside the UK) the tax charge falls to the trustees at the tax rate applicable to trusts
- for corporate investors, the gain is subject to corporation tax at a rate appropriate to the company's level of profit at the time
- you can currently withdraw in each plan year, for 20 years, up to 5% of each investment, free of all immediate taxes at the date of withdrawal. Larger withdrawals exceeding 5% in any plan year, may be subject to a tax charge, the gain being the amount of the excess. When you finally cash in the plan there will be a sweep up calculation to determine any final overall gain
- you can cash in the plan when it suits you to reduce the tax liability. For personal investors, this may be when your tax rate is low. For corporate investors, this may be when you have made losses or have other expenses (e.g. pension fund contributions) to offset the gain
- personal investors may reduce the impact of inheritance tax on death by writing the plan under trust. All or part of the proceeds from the plan may be removed from the estate for inheritance tax purposes, which may reduce the final tax bill.

Please note:

- for death benefits, the gain for income tax purposes will be based on the cash-in value of the plan immediately before death.
- if you assign the plan there may be tax consequences, depending on the nature of the assignment.
- tax benefits depend on your individual circumstances and can be changed or withdrawn at any time by changes in legislation.

6.2 What tax is paid on the fund?

Under the law of Ireland, any dividend income or capital gains made within underlying funds will be free of tax. There may be a deduction of withholding tax, which is charged to non-domestic investors. We make an adjustment for any tax we pay in calculating the unit prices for all SMI funds. You may not reclaim this tax.

This (mainly) tax-free environment allows a gross roll up of the funds. This, for many investors, avoids double taxation which may otherwise occur for 'onshore' investments.

This leaflet sets out the main features of the Complete Investment Portfolio. Full details of the contract terms are contained in the Standard Provisions, which form part of the legally binding contract between you and SMI. If you would like to see a copy of the Standard Provisions or receive further information about SMI please contact your Financial Adviser.

The information contained in this leaflet is based on our present understanding of current law and Revenue practice in Ireland and any other jurisdiction mentioned in the text. It is not intended as a substitute for legal and/or taxation advice. We therefore recommend that you seek the advice of a legal and/or taxation specialist in relation to the legal and tax information.

Investment values may fall as well as rise

SMI is an authorised person under the UK Financial Services and Markets Act 2000.

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