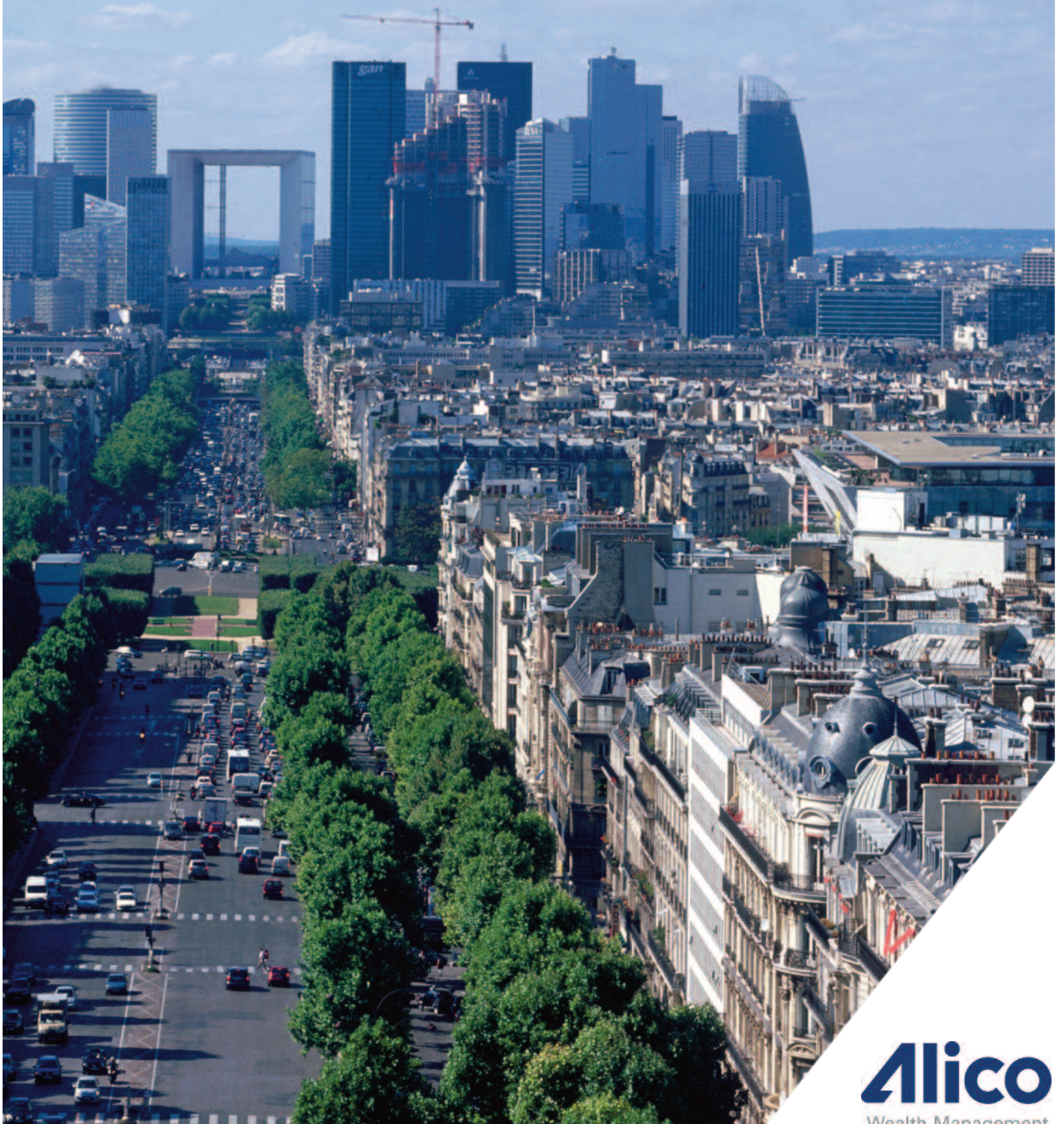


# Quarterly Guaranteed Funds

## A guide for advisers

For adviser use only - not to be passed to individual clients



## Overview

For those who are interested in equity stockmarket returns but are concerned by the associated risk to their capital, we offer a range of Quarterly Guaranteed Funds.

The Quarterly Guaranteed Funds were designed to enable investors to enjoy a level of participation in stock market investment along with a chosen capital protection level, or even complete capital security.

Returns are linked to a choice of the major UK, European, American or Japanese equity stockmarkets and quarterly capital protection levels of 95%, 98% or 100% are available. The level of participation in the stockmarket increases if less capital protection is chosen. The link to each stock market is achieved via exposure to the FTSE 100, Nikkei 225, S&P 500 and Eurostoxx 50 indices as appropriate.

Please note that the level of stockmarket participation depends on the level of interest rates. Participation rates may be low when interest rates are low, as relatively more of the fund is required to be invested in short term money market instruments to provide the chosen capital protection. This means that less of the fund is available to provide stockmarket participation.

The Guarantees only apply on set dates.

## Availability

The Quarterly Guaranteed Funds are available through the following products:

- Capital Portfolio Bond
- Guaranteed Quarterly Stockmarket Bond
- Guaranteed Worldwide Equity Bond
- Pension Bond
- Personal Pension Bond
- Trustee Guaranteed Stockmarket Bond
- Trustee Portfolio Bond.

Please note this guide does not cover the Capital Secure Stockmarket Bond, for more information please contact our Customer Service Team on 0800 013 2272.

## Guarantee Dates

The Guarantee Dates are normally the third Friday of March, June, September and December. Should the Guarantee Date fall on a non-business day (for example, bank holidays) then the Guarantee Date will be the business day immediately preceding it.

## Guarantees

For each of the Quarterly Guaranteed Funds, we guarantee that the unit price of each fund on any given Guarantee Date will not be less than the unit price of the fund on the previous Guarantee Date multiplied by the "guarantee level" (i.e. 95%, 98% or 100%) for the fund.

For the 95% and 98% guarantee levels, there is additional downside protection. If the relevant stockmarket index is lower on the Guarantee Date than on the previous Guarantee Date, then the relevant fund price on the Guarantee Date will not fall below the fund price on the previous Guarantee Date by more than the percentage fall in the index.

For example, if the stockmarket index is 4% lower on the Guarantee Date than on the previous Guarantee Date, the price on the Guarantee Date for a "95% guarantee level" fund linked to that index will not be less than 96% of the price of the fund on the previous Guarantee Date.

## Growth Potential

The growth potential of the fund is provided by the assets in the fund whose value is linked to stockmarket returns. However, it is limited to a percentage (typically known as the "participation rate") of the growth rate of the underlying stockmarket index. This is because a significant proportion of the fund is invested in short term money market instruments to meet the guarantee.

In order to optimise the participation rate, a mix of assets is held in the funds so that the fund will not participate in any stockmarket index growth in excess of a ceiling.

This ceiling will vary from fund to fund and from quarter to quarter depending on the exact level of the index and the equity options available to the fund; however the growth ceilings are typically around 5%.

Appendix 1 provides indicative participation rates to enable you to compare potential fund growth against stockmarket returns. The indicative participation rates express the potential fund growth as a percentage of a 5% increase in the stockmarket.

These funds exhibit less volatility than normal stockmarket funds because of the downside protection and the upside ceiling to the stockmarket fluctuations. Clients need to remain invested from a Guarantee Date to the next Guarantee Date to benefit from the guarantee and participation rate features.

Please remember that the level of stockmarket participation also depends on the level of interest rates. Participation rates may be low when interest rates are low, as relatively more of the fund is required to be invested in short term money market instruments to provide the chosen capital protection. This means that less of the fund is available to provide stockmarket participation.

## Assets of the fund

Each of the funds holds a mixture of assets in order to provide the guarantee and the stockmarket exposure. For any given choice of stockmarket, the lower the level of capital protection that is chosen, the greater the proportion of the fund that can be invested in assets providing stockmarket exposure.

Each fund typically invests in:

- short term money market instruments such as bank deposits and certificates of deposits to provide the chosen level of capital protection; and
- equity options to provide equity exposure, including the additional downside protection on the 95% and 98% funds; and where necessary
- currency options to protect the Pound Sterling value of the return on non-UK stockmarkets

## Pricing of options and Period of Exposure

The equity options held by the funds mature on set dates. The value of each option on its maturity date is based on the Exchange Delivery Settlement Price (EDSP) used to settle the particular option. On other days the value of an option is its market value.

The UK, European and American equity options held by the funds mature on the Guarantee Date and therefore provide exposure to the relevant stockmarket from one Guarantee Date to the next Guarantee Date.

The Japanese equity options held by the funds mature one week before the Guarantee Date and provide exposure from one Guarantee Date to one week prior to the next Guarantee Date. This means that for the Japanese funds, including the Japanese part of the Managed Funds, stockmarket exposure ceases one week earlier than all other funds. This does not affect the guaranteed amount but means that the fund is not exposed to stockmarket movements (positive or negative) during the final week of each quarter.

## How to switch into the Quarterly Guaranteed Funds

Clients can switch into the Quarterly Guaranteed Funds by completing a Fund Switching Authorisation Form and faxing to our Customer Service Team on 0845 196 0024 (Investments) or 0845 234 2342 (Pensions). There are two options on the switch form:

1. Clients can switch directly into their choice of Quarterly Guaranteed Fund(s) on any Guarantee Date. We would need to receive the completed Fund Switch Authorisation Form at least two working days prior to the Guarantee Date.
2. Clients can switch directly into their choice of Quarterly Guaranteed Fund(s) on any day between two Guarantee Dates. We would need to receive the completed Fund Switching Authorisation Form at least two working days prior to the client's desired switch date. Please note that any investments made between Guarantee Dates will not be subject to the "guarantee levels", and the value of the client's investment may go down before the next Guarantee Date (see "Unit Prices" section below).

Clients will automatically remain invested in their choice of Guaranteed Fund(s) until we receive a request to switch/withdraw.

## How to switch or withdraw from the Quarterly Guaranteed Funds

Clients can switch from Quarterly Guaranteed Funds by completing a Fund Switching Authorisation Form and faxing to our Customer Service Team on 0845 196 0024 (Investments) or 0845 234 2342 (Pensions).

Clients can withdraw from the Quarterly Guaranteed Funds by completing a Encashment Request Form and sending to Alico Wealth Management, 22 Addiscombe Road, Croydon, Surrey, CR9 5AZ.

There are two options for switching/withdrawing :

1. Clients can switch/withdraw from the Quarterly Guaranteed Funds on any Guarantee Date. We would need to receive the completed Fund Switching Authorisation/Encashment Request Form at least two working days prior to the Guarantee Date.
2. Clients can switch/withdraw from the Quarterly Guaranteed Funds on any day between two Guarantee Dates. We would need to receive the completed Fund Switching Authorisation/Encashment Request Form at least two working days prior to the client's desired switch/withdrawal date. Please note that any switches/withdrawals made between Guarantee Dates will not be subject to the "guarantee levels", and the value of the client's investment may be lower than the capital guarantee level times the value of the investment on the previous Guarantee Date (see "Unit Prices" section below).

Please remember that clients will automatically remain invested in their choice of Guaranteed Fund(s) until we receive a request to switch/withdraw.

## Unit Prices

The funds are priced on each working day. The unit price of the fund is calculated by reference to the value of the underlying assets. On the Guarantee Date, the unit price will not be lower than the minimum guaranteed price. On all other days the price may be higher or lower than the minimum unit price guaranteed on the next Guarantee Date.

The funds are subject to charges which are calculated and deducted on a daily basis. Please refer to the Investment Fund Guide for full details of the charges.

## Funds available

A range of funds providing exposure to any one of the global stockmarkets of the UK, Europe, America or Japan, as well as two Managed Fund options (Global Managed and Managed Index) which provide exposure to a weighted basket of these four markets are available.

The Global Managed Fund follows a market allocation strategy, aiming to maximise the potential for growth by adjusting the exposure to markets on a quarterly basis.

The Managed Index Fund follows a more aggressive allocation strategy by concentrating on the potential offered by favoured markets.

The weightings of the Global Managed and the Managed Index Fund for the start of the current quarter are shown below. These weightings are decided by us each quarter: please note that the weightings in any one quarter may not be the same as the weightings that will apply in any subsequent quarter.

The following funds were available for investment on the Guarantee Date in December 2011:

Territory	Stockmarket Index / Managed Fund	Level of capital protection		
		95%	98%	100%
UK	FTSE 100	95%	98%	100%
Europe	Eurostoxx 50	95%	98%	100%
America	S&P 500	95%	98%	100%
Japan	Nikkei 225	95%	98%	100%
Global	Global Managed	95%	98%	100%
Global	Managed Index	95%	98%	100%

The weightings of the Managed Funds for the start of the quarter from December 2011 to March 2012 are as follows:

		Global Managed	Managed Index
UK	FTSE 100	60%	37%
Europe	Eurostoxx 50	15%	21%
America	S&P 500	20%	37%
Japan	Nikkei 225	5%	5%

## Benefits

- The 100% Quarterly Guaranteed Funds are suitable for clients requiring capital security and willing to invest for a 3 month period.
- Clients can choose what proportion of their capital is protected (95%, 98% or 100%).
- There is a choice of exposure to UK, European, American or Japanese stockmarkets, or a mixture determined by us.
- Clients can exit the funds at any time (although the guaranteed price will only apply on a Guarantee Date).

## Risks

- Clients may lose capital if invested in a 98% or a 95% Quarterly Guaranteed Fund.
- Growth cannot be guaranteed and may be zero.
- The downside protection on the 95% and 98% funds can be expensive and so may limit upside participation in stockmarket returns.
- The guarantee element associated with these funds is only applicable if investments are held across two consecutive Guarantee Dates.
- A low interest rate environment will generally lead to reduced participation rates with limited exposure to stock market growth.

## Important notes

- As a growth ceiling is applied each quarter, and participation rates are likely to be less than 100%, these funds are unlikely to perform in line with underlying stockmarket indices.
- If at the Guarantee Date the stockmarket has fallen to a level where a fund has reduced to its capital protection level, it is this amount that is rolled over and not the original investment amount.
- If a client chooses to move out of a Quarterly Guaranteed Fund between Guarantee Dates then the fund price may be lower or higher than the minimum price set for the following Guarantee Date.
- If a client intends to hold these funds for the long term, they should be reviewed on a quarterly basis to ensure that they are still an appropriate investment.
- If clients are invested in the Quarterly Guaranteed Funds through the Capital Portfolio Bond or Pension Bond and have chosen the Total Allocation structure, please note that an additional annual charge is deducted from the investment value at the end of each of the first 5 years. For further information please refer to the Terms & Conditions of the Pension Bond and Capital Portfolio Bond.
- Quarterly Guaranteed Funds have the potential to perform better in an high interest rate environment when stock markets are growing in comparison to a low interest environment when stock markets are growing. Therefore the suitability of these investments should be reviewed regularly.

## Participation rates

In order to assist advisers, we are able to provide some indicative participation rates on the funds each quarter.

These are based on the assumption that:

- the EDSP used to value each particular option on the Guarantee Date at the end of the quarter will be 5% greater than the EDSP used to value each particular option on the Guarantee Date at the start of the quarter.
- exchange rates (Euro, US Dollar and Japanese Yen to Pounds Sterling) and tax rates on the Guarantee Date at the end of the quarter will be the same as on the Guarantee Date at the start of the quarter.

The participation rate is calculated as the unit price growth rate on the fund over the quarter divided by the 5% assumed growth in the EDSP. e.g. if the unit price growth rate was 1%, the participation rate would be 20% (being 1% divided by 5%).

The participation rates are indicative only as the rates depend on the actual performance of the indices. Therefore no inference should be made as to the possible participation or return on the funds in other circumstances.

Appendix 1 (on pages 6 and 7) shows the indicative levels of participation (for a 5% growth of the EDSP) for the current quarter.

**The Quarterly Guaranteed Fund – A guide for Advisers is regularly reviewed and is subject to change at any time.**

**Alico reserves the right to add or withdraw any fund(s) at any time without notice.**

**For the latest version of this guide please refer to our website at [www.alico.co.uk](http://www.alico.co.uk)**

**or contact our Customer Service Team on**

**0800 013 2272 (Investments) or 0800 013 2292 (Pensions).**

## Appendix 1: Participation rates for December 2011 to March 2012

Please remember that the level of stockmarket participation also depends on the level of interest rates. Participation rates may be low when interest rates are low, as relatively more of the fund is required to be invested in short term money market instruments to provide the chosen capital protection. This means that less of the fund is available to provide stockmarket participation.

For policyholders invested in the <b>Capital Portfolio Bond, Guaranteed Quarterly Stockmarket Bond and Guaranteed Worldwide Equity Bond</b> in the following funds:		
<b>Life Fund</b>	<b>Indicative quarterly growth in unit price (*)</b>	<b>Indicative Participation Rate</b>
Alico UK 100%	0.00%	0.0%
Alico UK 98%	1.32%	26.3%
Alico UK 95%	3.26%	65.2%
Alico American 100%	0.00%	0.0%
Alico American 98%	1.22%	24.3%
Alico American 95%	2.98%	59.6%
Alico European 100%	0.00%	0.0%
Alico European 98%	1.32%	26.4%
Alico European 95%	3.38%	67.6%
Alico Japanese 100%	0.00%	0.0%
Alico Japanese 98%	0.82%	16.4%
Alico Japanese 95%	1.90%	38.0%

(\*) after allowance for Basic Rate Tax

For policyholders invested in the <b>Pension Bond, Trustee Guaranteed Stockmarket Bond and Trustee Portfolio Bond</b> in the following funds:		
<b>Pension Fund</b>	<b>Indicative quarterly growth in unit price</b>	<b>Indicative Participation Rate</b>
Alico UK 100%	0.01%	0.1%
Alico UK 98%	1.34%	26.8%
Alico UK 95%	3.25%	65.1%
Alico American 100%	0.01%	0.1%
Alico American 98%	1.30%	25.9%
Alico American 95%	3.02%	60.4%
Alico European 100%	0.01%	0.2%
Alico European 98%	1.40%	28.0%
Alico European 95%	3.49%	69.7%
Alico Japanese 100%	0.00%	0.0%
Alico Japanese 98%	0.86%	17.2%
Alico Japanese 95%	1.89%	37.8%

For policyholders invested in the **Personal Pension Bond** in the following funds:

<b>Pension Fund</b>	<b>Indicative quarterly growth in unit price</b>	<b>Indicative Participation Rate</b>
Alico UK 100%	0.00%	0.0%
Alico UK 98%	1.31%	26.3%
Alico UK 95%	3.23%	64.6%
Alico American 100%	0.00%	0.0%
Alico American 98%	1.27%	25.4%
Alico American 95%	2.99%	59.9%
Alico European 100%	0.00%	0.0%
Alico European 98%	1.38%	27.5%
Alico European 95%	3.46%	69.2%
Alico Japanese 100%	0.00%	0.0%
Alico Japanese 98%	0.83%	16.7%
Alico Japanese 95%	1.87%	37.3%

### Contacting Alico Wealth Management

Contact your local branch or visit [www.alicowm.co.uk](http://www.alicowm.co.uk) for any queries relating to Alico Wealth Management and its products.

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#### **Pensions:**

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## Wealth Management

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