

Liverpool Victoria
Sub-fund of UK-authorized Oeic
Report Issued: June 2009

Peer Group:

Cautious Managed
Fund Manager/Adviser:
 Tom Caddick (since July 2008)
Location:
 London
Launch Date: July 2008
Fund Size (March 2009):
 £1m

Group Contact No:

+44 845 113 0273
Website:
 www.lv.com
S&P ID Number: SB373841
Share Class screened:
 Ord



INVESTMENT STYLE

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

AS THE FUND IS UNDER THREE YEARS OLD THERE IS INSUFFICIENT PERFORMANCE DATA FOR RISK/RETURN ANALYSIS.

CALENDAR YEAR DECILE RANKS



Decile ranking in discrete annual periods. 1st decile shown as rank 10, 2nd decile as rank 9, etc. to 10th decile as Rank 1.

Further information on S&P's fund coverage can be found at www.funds.standardandpoors.com

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STANDARD & POOR'S OPINION (MAY 2009)

This is one of a suite of asset allocation funds run by LV=Asset Management's (LVAM's) multi-manager team, headed by Tom Caddick. Its diversified mandate is intended to offer an attractive income stream (above 4%) and some long-term capital growth across 10 non-correlated asset classes through the selection of specialised external funds. From a neutral stance of 10% in each class, Caddick aims to add value through active asset allocation of up to +/-5% in each.

The key to the fund's success will lie in the fund selection. Caddick has been involved in this area since 2004, spending three years in the multi-manager team at F&C. There he was lead manager for nine months on two in-house funds-of-funds, but his work as a named deputy manager on unfettered funds-of-funds is perhaps more significant as background to his present role.

On joining LV= in December 2007, Caddick recruited Simon Brooks as a second funds analyst and Regina Ezeh to maintain the database. He has instituted a robust and disciplined selection process. The qualitative analysis is the overriding element and is largely used to validate the output of the initial quantitative screens, although there is some room to include recently launched funds that fall outside its scope.

LV=Diversified Income Fund includes a significant number of funds that S&P rates highly. Caddick has applied his earlier experience effectively in establishing both a new team and process and has successfully negotiated reasonable terms with a number of very well-recognised houses. The fund achieves an S&P A (New) rating.

FACT FILE

Group: LV= (formerly Liverpool Victoria before a re-branding in 2007) is the UK's largest friendly society and provides a broad array of financial products, ranging from banking to insurance and investments.

Team: Caddick heads the multi-manager team of three. It is formally set as a unit independent from the other teams but maintains considerable interaction with the resources available in the group.

Fund Manager: Caddick has spent most of his 10-year career focusing on fund selection, eventually

rising to the role of lead manager at F&C in December 2006. He joined LVAM in 2007.

Style: This fund-of-funds aims to provide a yield of at least 4% as well as long-term capital and income growth. Fund selection is diversified through 10 asset classes.

Performance: Since launch to 30/04/2009, the fund has returned -9.7%, compared with -9.8% for the sector median, ranking 83/167.

FUND MANAGER & TEAM

Caddick heads the multi-manager team of three. Together with Simon Brooks, he focuses on qualitative analysis and portfolio construction. Regina Ezeh is responsible for database maintenance. They draw on Steven Albert's input for alternative and structured products. There is also constant interaction with the other investment desks of group, in particular on UK and European equities, as well as fixed income. Caddick is a member of the group's monthly asset allocation committee.

Tom Caddick - started his career in 1998 at Ashcourt AM, before moving to Nevile Merriam Investment Management (now Principal Asset Management). He joined F&C in 2004 as a fund analyst, eventually rising to lead manager of the fettered funds in December 2006, and deputy manager on a number of unfettered funds-of-funds.

Simon Brooks - started his career at Daiwa Bank as a bond dealer in 1987. From 1994 to 2002 he worked as fund manager at Lester Aldridge Solicitors, Blake Laphorn Solicitors, then at the Investors Partnership Research. In 2003, he joined Solus where he was deputy manager of the multi-manager range. In 2004, he became deputy CIO of investment management and then head of portfolio implementation at Skandia, before moving to LV in June 2008.

PORTFOLIO CHARACTERISTICS

No. of holdings	22
Turnover ratio (%)	N/A
% in top 10	61

TOP 10 HOLDINGS (01/03/09)

	%
BlackRock UK Absolute Alpha	9.0
Schroder ISF Global Dividend Max C Dist	7.3
Invesco Perpetual Corporate Bond	6.3
Invesco Perpetual High Income	6.3
Fidelity Institutional Cash Sterling	5.9
Fidelity MoneyBuilder Income	5.8
M&G Global Leaders	5.7
Threadneedle Absolute Return Bond	5.6
JPM Natural Resources	5.3
Templeton Global Bond	3.9

* In top 10 holdings a year ago

ALLOCATION BREAKDOWN (01/03/09)

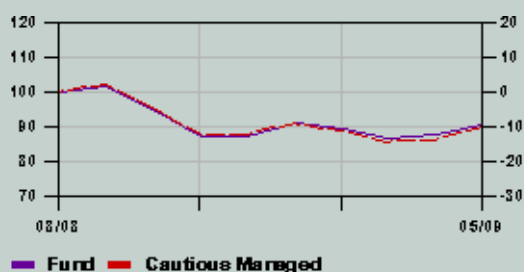
	Fund %
EQUITY	
North America	9
United Kingdom	17
Europe ex UK	3
Japan	1
Pacific ex Japan	1
Others	0
FIXED INTEREST	30
PROPERTY	5
ALTERNATIVES / OTHERS	20
CASH	14

Ucits III permits net fund exposure to be less or greater than 100%.

PERFORMANCE STATISTICS

	Launch
Fund	-9.7%
Standard & Poor's Peer Median	-9.8%
Fund Rank	83/167
Standard Deviation	-
Relative Standard Deviation	-
Volatility Adjusted Ranking	-

CUMULATIVE PERFORMANCE



— Fund — Cautious Managed

LV= INVESTMENT MANAGEMENT FUND RETAIL

Peer Group: Cautious Managed



MANAGEMENT STYLE

- This fund-of-funds invests in 10 diversified asset classes, aiming to provide a yield above 4% combined with long-term capital and income growth. The fund will always be at least 5% invested in global equity income, global equity alpha, UK equity income, absolute return, commodities, commercial property, government bonds, IG bonds, HY bonds and cash. The maximum holding is 15% in any one.

- Fund selection targets onshore and offshore funds with a minimum of 18 months' record of consistent outperformance of their peers. A quantitative screen scores funds on performance (40%), alpha generation (30%),

downside volatility (20%) and Sortino ratio (10%) over 75 randomly generated discrete periods going back up to four years. Highly scored funds are then interviewed and regular manager contact and systematic portfolio analysis maintained.

- Caddick is responsible for the asset allocation. He is guided, but not bound by, the decisions of the asset allocation committee. The portfolio contains 15-25 funds and may use ETFs for tactical positioning. Holdings are divided between core (around 60%) and satellite funds, which are used to shift the asset tilt of the fund.

PORTFOLIO REVIEW

At launch, the fund was cautiously positioned with a maximum 15% weighting in cash and a high weighting in investment grade bonds and absolute return. These positions were offset by minimum holdings in commodities, commercial property and government bonds, where the emphasis was strongly on index-linked exposure to protect against inflation.

Global equity alpha and UK equity income were slightly overweight, high yield bonds were neutral and global equity income slightly underweight. The UK accounted for 56% of the equity portion of the fund.

Fund selection included a high proportion of S&P rated funds, with four of the top 10 holding AAA ratings and two AA. These include Mark Lyttleton's BlackRock UK Absolute Alpha fund, which was increased significantly in the first quarter as LVAM had cash inflows. UK Equity Income has also been increased.

The emphasis on income means there is little overlap with the other LVAM funds-of-funds we have rated.

PERFORMANCE ANALYSIS (MARCH 2009)

This fund has only recently been launched, so there is as yet no meaningful performance record for it. The diversified nature of this fund is intended primarily to provide consistent income.

However, the other fund-of-funds managed by the same team in the asset allocation balanced-managed sector ranks above median since launch in December 2007. Returns on that fund were constrained by the defensive stance in the first half of 2008, but this came right in the second half of the year and relative performance in the first four

months of 2009 has been strengthened further.

Before moving to LVAM, Caddick was at F&C, where he was lead manager of two fettered funds-of-funds - including the F&C Managed Balanced Fund. He managed them for nine months, during which time both funds outperformed the relevant sector median. However, he was also named deputy manager for several unfettered funds-of-funds, which were more comparable to the present fund.

DISCRETE PERFORMANCE (CALENDAR YEARS)

	2005		2006		2007		2008		YTD 30/04/2009	
Fund	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Median	13.2	/	7.4	/	3.6	/	-15.5	/	-1.1	71/165
									-1.8	

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