

Peer Group:
 Active Managed
Fund Manager/Adviser:
 Tom Caddick (since launch)
Location:
 London

Group Contact No:
 0845 113 0273
Website:
 www.lv.com
S&P ID Number: SB920649
Share Class screened:
 Ord



Launch Date: December 2007
Fund Size (July 2008):
 £1.1m

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

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STANDARD & POOR'S OPINION (JULY 2008)

Tom Caddick was recruited to launch LV='s multi-manager offering. This is his first spell as head of a team. He has recruited Simon Brooks - who he already knew - and has introduced a disciplined fund selection approach which closely resembles the one adopted during his time at F&C. Both Caddick's mindset and the approach he has developed appear to suit the group's risk aware mindset.

Although only a team of two fund selectors, the quantitative screen is very effective at reducing the number of funds to be considered for qualitative review. The focus on consistency is evident in every step of the process, which emphasises fund selection over highly active allocation. The qualitative analysis is the overriding element and is largely used to validate the output, although there is some room for flexibility to include funds that fall

outside the screen, as is the case with a recently launched fund.

The team acts independently but can rely on the input from proven resources within the group, in particular in fixed income and pan-European equities.

Caddick was lead manager of two fettered portfolios at F&C for around nine months and has run this fund since launch. Although his combined experience fulfils our minimum rating criteria, the approach adopted to managing the fettered funds is not entirely compatible with the current one. However, we do gain comfort from the fact that the current approach is largely the same to the one used for the F&C multi-manager funds, which were rated by S&P and in which Caddick had considerable input. This supports the S&P A (New) rating.

FACT FILE

Group: LV= (formerly Liverpool Victoria, prior to 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 up as an independent unit from the other teams but maintains considerable interaction with the resources available in the group.

Fund Manager: Tom 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 LV= in 2007.

Style: Most added value is sought through selecting funds showing high consistency of returns against peers and acceptable levels of risk.

Performance: Since launch to 30/05/2008, the fund has returned -4.0%, compared with -2.4% for the sector median, ranking 162/205.

FUND MANAGER & TEAM

Caddick heads the multi-manager team of three. Together with Simon Brooks, he focuses on qualitative analysis and portfolio construction. Regina Ezech is responsible for database maintenance. They draw on Steven Albert's input for alternative and structured products. There is also constant interaction with the group's other investment desks, 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 - accounting and finance, started his career in 1998 at Ashcourt AM before moving to Neville Merriam Investment Management (now Principal Asset Management). Joined F&C in 2004 as a fund analyst, eventually rising to lead manager of the fettered funds in December 2006.

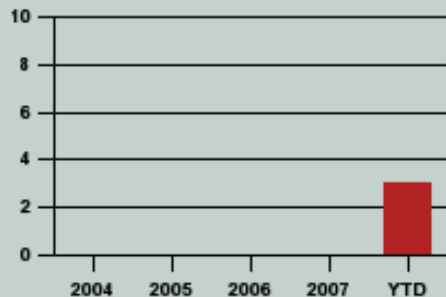
Simon Brooks - quantity surveying, started his career at Daiwa Bank as a bond dealer in 1987. From 1994 to 2002 worked as fund manager at Lester Aldridge Solicitors, Blake Laphorn Solicitors, then at the Investors Partnership Research. In 2003, he joined Solus where he was deputy manager of the multi-manager 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.

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.

PORTFOLIO CHARACTERISTICS

No. of holdings	16
Turnover ratio (%)	N/A
% in top 10	74

TOP 10 HOLDINGS (01/07/08)

	%
LV= European ex UK Growth I	13.1
LV= US Growth I	10.5
First State Asia Pacific Leaders	8.9
Invesco Perpetual High Income	8.6
Invesco Perpetual Corporate Bond	6.9
LV= UK Growth I	6.0
River & Mercantile UK Equity	5.7
Blackrock UK Special Situations	5.1
L&G UK Index Tracker Inc	4.8
M&G Recovery A Inc	4.3

* In top 10 holdings a year ago

ALLOCATION BREAKDOWN (01/07/08)

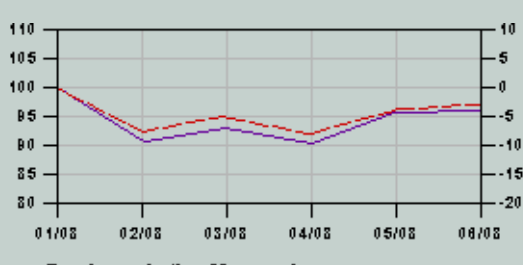
	Peer Avg %	Fund %
EQUITY		
North America	15	15
United Kingdom	52	36
Europe ex UK	11	17
Japan	7	4
Pacific ex Japan	7	8
Others	5	0
FIXED INTEREST		
United Kingdom	1	8
Others	0	0
CASH		12

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

PERFORMANCE STATISTICS

	Launch
Fund	-4.0%
Standard & Poor's Peer Median	-2.4%
Fund Rank	162/205
Standard Deviation	-
Relative Standard Deviation	-
Volatility Adjusted Ranking	-

CUMULATIVE PERFORMANCE



LV= STOCK FUND

Peer Group: Active Managed



MANAGEMENT STYLE

- This fund-of-funds is run in a risk-aware fashion to produce returns consistently above the sector median largely through fund selection. Asset allocation tends not to deviate significantly from the IMA Balanced Managed benchmark.
- The monthly house view is used as a framework. Allocation to styles or capitalisations is mainly discussed by the multi-manager team during its monthly meetings.
- Fund selection targets both onshore and offshore funds with a minimum of 18 months' record of consistent outperformance within their sector. A proprietary 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 four years. Funds that score highly are subject to qualitative research, including regular contact with managers and systematic portfolio analysis.

- The portfolio has 15-25 holdings with up to 12% for core funds and 7% for satellite positions. Passive instruments can be used in efficient markets or for tactical shifts. Scenario analysis is used for portfolio construction. Deviations tend to be within 10% at the asset class level and 5% for regions.

PORTFOLIO REVIEW

The portfolio currently has 16 holdings and includes a number of in-house funds purchased at the fund's inception as a cheaper way to gain market exposure. Some of these in-house funds are being reduced whereas both the LV= Europe ex-UK and UK funds continued to be held on their own merits. There are also three passive instruments, accounting for 10% of the assets.

over the UK and Europe. Within the UK, the preference is towards large-caps with non-sterling earnings. Emerging markets exposure is mostly in Asia and is gained through First State Asia Pacific Leaders and LV= Pacific ex-Japan Growth (outsourced to JF). Within fixed income, the preference is towards investment grade.

The River & Mercantile UK Equity Fund was bought at launch in February 2008 on the back of Daniel Hanbury's previous track record at Investec.

Caddick is looking to reduce the current 9.6% underweight to equities, where he favours the US (held marginally overweight) and Japan

PERFORMANCE ANALYSIS (JUNE 2008)

This fund was only launched in December 2007. Performance has slightly lagged the sector median (-4% against -2.4%) since launch, as it has suffered by maintaining near-zero exposure to emerging markets. The Invesco Perpetual High Income Fund has proved more volatile than expected whereas BlackRock UK Special Situations has done well. There was also some headwind from the timing of the initial seeding.

funds-of-funds - including the F&C Managed Growth which sits in the same peer group. He did this for nine months, during which time both funds outperformed the relevant sector median. However, the fettered nature of the portfolios means the performance figures are not entirely comparable to the fund-of-funds currently run by Caddick. We gain some comfort from the fact that we rated the multi-manager offering at F&C, which applied a very similar process emphasising highly consistent funds.

Before moving to LV= Caddick was at F&C where he was lead manager of two fettered

DISCRETE PERFORMANCE (CALENDAR YEARS)

Fund	2004		2005		2006		2007		YTD 30/05/2008	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Median	9.4	/	23.2	/	10.0	/	5.6	/	-4.0	95/127
									-2.7	

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