

Multi-Manager Global Real Estate Fund

Fund Objective

The Multi-Manager Global Real Estate Fund is designed to provide investors with exposure to a globally diversified portfolio of real estate securities. It seeks to outperform its benchmark with above-average consistency and with a lower tracking error relative to other managers.

Managers in the Fund

Manager	Mandate	Weight
Invesco	Global Ex Europe	33%
Cohen & Steers	Global Ex Europe	33%
SWIP	UK/ Europe	19%
Perennial	Global Ex Europe	15%

Fund Performance

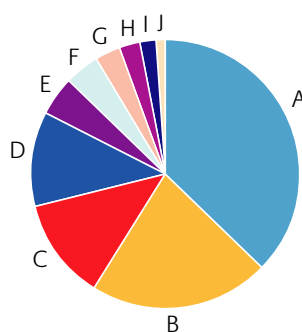
Calendar Years	Since Inception ¹	2009	2008	2007	2006
Fund Return %	0.4	23.4	-22.6	-9.9	---
FTSE ERPA/NAREIT Global Real Estate Index %	-1.4	22.6	-27.9	-8.8	---
Median %	-5.4	23.4	-29.0	-11.2	---

Source: Lipper (Lipper reports SWIP funds at T-1), Net of Fee returns
¹Inception date for performance calculation is deemed as 30/06/06

Sector Allocation

A. Diversified	37.4%
B. Retail	21.5%
C. Office	12.3%
D. Residential	11.5%
E. Health Care	4.6%
F. Industrial	4.2%
G. Lodging/Resorts	3.0%
H. Self Storage	2.7%
I. Specialty	1.9%
J. Office Mixed	0.9%

Figs may not total exactly due to rounding.



Source: Russell.

Top 10 Holdings

Company	Country	%
Simon Property Group	US	4.2
Sun Hung Kai Properties	Hong Kong	4.2
Westfield Group Australia	Australia	4.0
Mitsui Fudosan	Japan	3.5
Unibail-Rodamco	France	3.4
Mitsubishi Estate	Japan	3.4
Henderson Land Development	Hong Kong	2.5
Public Storage	US	2.0
China Resources Land	Hong Kong	2.0
Vornado Realty Trust	US	1.9

Source: Russell.

Market Overview

Global real estate securities advanced during the quarter, led by the strong performance of North America. Within both Canada and the US, investors speculated on future capital growth as concerns over the viability of REITs abated. This was also supported by an increase in the availability of capital at attractive pricing. In Asia, Singapore was the best performing market, benefiting from positive investor sentiment and the government's successful stimulus package. Hong Kong also gained, supported by an unexpected drop in unemployment and growing evidence that rents are bottoming out. In contrast, policy risk and the possibility of more rigid taxation on property remains a major headwind for the property market in Japan. European markets experienced a mixed quarter, as strong returns in October were somewhat offset in November as investors priced in further property declines and a slowdown in rental growth in 2010. However, many markets later rallied following signs that the banking system was stabilising and evidence that the Eurozone had officially exited a recession. In particular, the UK market jumped as commercial property values rose over 2% in November, the largest monthly gain in fifteen years.

Managers in the Fund

The Managers selected for the Fund, **Invesco**, **Cohen & Steers**, **SWIP** and **Perennial** all have different processes for finding returns.

Invesco Institutional – 33 % of Fund*

Invesco performs qualitative and fundamental analysis to identify companies with the greatest return potential within controlled levels of risk. Invesco analyses properties and market cycles and tends to favour securities with consistent cash flow growth, positive earnings revisions and higher dividend yield coverage. Invesco has a comprehensive security valuation process. Portfolio managers are responsible for selecting stocks in their regions and are able to incorporate local market factors.

Cohen & Steers Capital Management – 33 % of Fund*

Cohen & Steers has extensive experience in researching and investing in property securities around the world. The key investment professionals are working in a collaborative fashion to create a bottom-up investment process that utilises a fully dedicated team of securities analysts. In addition, they have previously worked in joint venture arrangements with some of the most experienced real estate portfolio managers in the industry and as a result have acquired in-depth knowledge of global securities valuation methodologies.

Scottish Widows Investment Partnership – 19 % of Fund*

SWIP has a highly experienced real estate team of 28 professionals with an average of 14 years' industry experience. SWIP uses fundamental in-house research that identifies undervalued equities in the market. SWIP also uses macro economic research of real estate markets and sectors, combined with bottom-up views of individual real estate companies. SWIP has a large direct property portfolio with access to information on market movements. This is linked into the securities analysis mainly through the research team's output and co-operation on research topics.

Perennial Investment Partners – 15% of Fund*

Perennial is one of the leading property securities investment organisations in the world. It is led by Stephen Hayes, the portfolio manager of this product, who Russell views as one of the most talented global portfolio managers in the industry. Perennial's investment process focuses on bottom-up stock picking on a global basis and Russell believes a key strength of Perennial is the quality of its security research which Russell views as exceptional and as sophisticated as the best in the industry.

Fund Characteristics

The Fund invests globally in real estate securities, giving investors access to an asset class which has low correlation with equities and bonds, allowing investors to reduce portfolio risk.

Fund Highlights

- The Fund outperformed over the quarter, led by the strong returns of Perennial and Cohen & Steers. Stock selection was one of the main drivers of positive performance, particularly within the diversified sector. Perennial maintained its strong performance of prior months, benefiting from both country positioning and security selection. Cohen & Steers also gained during the period due to strong stock selection within Hong Kong. In contrast, as Europe underperformed other regions, SWIP, having a European mandate, was the worst performing manager.
- SWIP was the worst performing manager because of its stock selection which included diversified French companies that struggled over the quarter. However, the manager did benefit from not holding several of the underperforming smaller companies which helped to offset negative returns elsewhere.
- Cohen & Steers' portfolio benefited from its exposure to the lower leveraged Hong Kong developer companies which benefited from news of a tighter regulatory environment expected for China in 2010. Its US portfolio was boosted by its positions in the two leading regional mall companies.
- Invesco finished in line with the benchmark, benefiting from positive stock selection in the US retail sector, notably malls, shopping centres and freestanding. Its underweight to Japanese REITs and struggling large developer companies continues to boost its portfolio. However, these gains were neutralised by its substantial underweight to the best-performing North American region.
- Performance was generated entirely through security selection in Perennial's concentrated portfolio. In the US, key bets in the office sector, was the main contributor to performance. Stock selection in the UK market, holding only four names, provided a considerable amount of alpha to the portfolio as several UK companies finished well behind the benchmark during the quarter.

* Target Weights.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

Scottish Widows Investment Partnership Limited (SWIP) is registered in England and Wales, Company No. 794936. Registered Office is at 33 Old Broad Street, London EC2N 1HZ. Tel: 0131 655 8500.

SWIP is authorised and regulated by the Financial Services Authority and is entered on their register under number 193707 (www.fsa.gov.uk).

General Information

Bloomberg Ticker

MMGREAA LN

Fund Benchmark

FTSE ERPA/NAREIT Global Real Estate Index (Net)

Fund Complex

Multi Manager ICVC

Fund Size

£420m

Income Yield

3.1%

Launch Date

1 June 2006

(Performance is measured from 30/06/06. In order to enable accurate peer relative and total return benchmark relative performance comparisons, performance is calculated from the first full month following inception.)

No of Holdings

189

Website Address

www.swip.com