

[April 2010]

[Name]

[Address]

Dear [salutation]

Skandia Ethical Fund
Client number: [insert]

As an investor in the Skandia Ethical Fund ('the Fund'), I am writing to tell you about some important changes we are making to the Fund.

With effect from 23 June 2010 we will be changing the investment adviser, expanding the list of regions in which the Fund may invest and, subject to FSA approval, reducing investment in collective investment schemes. The Fund objective and investment policy will not change.

Change of investment adviser

Currently the Fund is managed by a combination of four fund managers - JP Morgan manage the majority of the Fund and the Fund also purchases shares in funds managed by AVIVA, AEGON and Impax, utilising a 'MultiManager' investment approach. From 23 June 2010 Impax will begin taking over sole investment management of the Fund.

Reduction in investment in Collective Investment Schemes

As the fund will be managed solely by Impax, we intend to reduce the percentage of the Fund value which may be invested in collective investment schemes from 30% to 10%.

Expanding the regions in which the Fund can invest

In order to allow Impax to pursue the investment approach described below, we are expanding the list of geographic regions in which the Fund may invest.

Why are we changing the Fund?

We recognise that there is a range of ways that Ethical funds can be constructed and managed. Notions of what is 'ethical' vary widely and are subjective. We feel that there are three broad approaches to managing ethical investments:

1. **Screening** investments to meet a set of ethical criteria such as not investing in companies that manufacture or sell weapons or tobacco, and investing in companies that provide environmental products and service or socially beneficial products such as social housing, for example.

2. **Thematic** investments where a fund manager constructs a portfolio by investing only in particular industries or sectors which meet a certain set of criteria such as

recycling companies or companies dedicated to producing products and services that are environmentally friendly.

3. Engagement strategies where fund managers only invest in companies where they can engage with its directors to influence business practices and/or the development of products and services to be more ethical.

We are changing the investment approach of the Skandia Ethical Fund from a predominantly screening approach to a more environmentally themed fund whilst still applying the current screening criteria as we believe that environmentally themed stocks will outperform screened global equities. This should enable investors to benefit from a superior level of returns for the long-term through harnessing growth in cleaner and more efficient delivery of services in Energy, Water and Waste without materially changing the risk profile of the Fund.

We have chosen Impax to run the Fund as they are a leader in their field with many years of experience and a proven track record.

Who are Impax?

Impax Asset Management Limited is an investment management company specialising in investing in companies that are developing products and services to mitigate and solve some of the world's most pressing environment problems. Investments are made in companies providing or using technology-based products or services in environmental markets, such as:

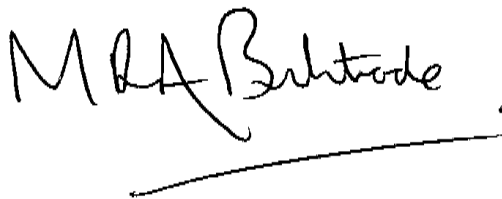
- alternative energy and efficiency;
- water treatment and pollution control;
- waste management.

What do I need to do?

You do not need to take any action and no other aspect of your investment with us will be altered as a result of this change.

If you have any questions, or require any further information please contact us on 0844 892 0996. Our business hours are 8.30am to 5.30pm, Monday to Friday.

Yours [sincerely/faithfully]

A handwritten signature in black ink that reads "Marc Bulstrode". The signature is written in a cursive style and is positioned above a horizontal line.

Marc Bulstrode
Chief Operating Officer
Skandia Investment Management Limited