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# Portfolio Bond

## Key Features

This is an **important document** which you should read and keep along with the accompanying Illustration and Funds Key Features

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A member of the Association of British Insurers  
W10558 03/07 Approved: 03/07 H74557



# Key Features of the Legal & General Portfolio Bond

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It is important that you understand how the bond works and what the risks are before you buy. The full Key Features comprises this document, together with the accompanying Illustration, the Funds Key Features, and if you choose to invest in the Protected UK Growth Fund, the 'Protected UK Growth Fund Guide'. Please read all these documents carefully and keep them for your records.

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The Portfolio Bond is a lump sum investment with no specific end date. All or part of the investment can be cashed in at any time, although it should be regarded as an investment for at least five years, ideally more.

## ITS AIMS

- To provide growth on your investment over the medium to long term (five years or more).
- To provide an 'income' if you choose.

Please note 'Income' is achieved by regular encashments from the bond and is referred to as 'regular withdrawals' in this document.

## YOUR COMMITMENT

- You invest a lump sum of at least £5,000.
- There is no fixed term but you should be prepared to invest for at least five years, ideally longer.

## RISK FACTORS

- What you get back at any time will depend on the investment performance of the assets that make up your chosen fund (or funds). The value of the investment and any money you take to provide you with an income may go down as well as up. The returns you receive are not guaranteed and you could get back less than your original investment.
- You can invest in a range of funds, each of which have specific risks. These risks are set out in the accompanying 'Funds Key Features'.
- You may get back less than illustrated because:
  - investment growth could be lower than illustrated
  - the deductions could be more than illustrated
  - you take more money out of the bond than illustrated.
- If you exercise your right to cancel the bond as explained in the 'Can I change my mind?' section, you may get back less than your investment.
- If you take cash from your bond in the first five years, other than regular withdrawals within the limits explained in the 'How do I take my money out?' section, the amount payable will be reduced by an 'early surrender charge', as explained in the 'What might I get back?' section.
- The amount of the annual fund charge shown in the accompanying Illustration may be varied in the future. You would be given prior notification if any change became necessary.
- Different funds have different levels of charges. If you switch your funds at some point in the future, you may end up paying higher charges, which, in turn, may affect your investment return.
- Historical performance is not a guide to future returns.
- Some specific risks apply to the Protected UK Growth Fund. These are described in the 'What might I get back?' section.

# Questions and answers

## What is the Portfolio Bond?

- The Portfolio Bond is an investment that allows you to invest in a range of funds from a number of investment management companies.
- It is a single premium life assurance contract used for long term investment purposes.
- It can be held in the name of one person alone or it can include up to six people. The sole person, or at least one if the bond is held in more than one name, must be under age 90 when the investment is made. All owners of the investment must be aged 18 or over.
- There is no fixed investment period, although the bond should be considered as a medium to long term investment; at least five years, ideally longer.
- It ends on the death of the sole person in whose name the bond is held, or on the death of the last person if the bond is held in more than one name. If you would like to arrange for specific family or friends to benefit, ask your financial adviser for details of putting your bond into a trust.

## Where is my money invested?

- You can invest your money in up to 10 funds at any one time from the available range (the maximum reduces to eight if your selection includes the Protected UK Growth Fund).
- A list of all the funds available is provided in our 'Funds Summary' brochure.
- Your chosen fund (or funds) is shown on the accompanying Illustration.
- We divide funds into 'units'; all units being equal in value. Your share of a fund is the number of units you hold in it. We work out the value of your bond based upon the number of units you hold in a fund and the price applicable to those units. As the price goes up and down, so will the value of your bond.
- The percentage of your money used to buy units (known as the 'Allocation Rate') depends on your age and the amount of your investment.

## What might I get back?

- The value of your investment is not guaranteed and will fluctuate (please note that certain safeguards do apply to the Protected UK Growth Fund).
- The amount you receive on cashing in your bond will depend upon:
  - the performance of the assets that make up your chosen fund (or funds)
  - the length of time you hold it
  - how much you have already taken out of it
  - the charges
  - any early surrender charge that may apply.
- An early surrender charge applies if you need to cash in all or part of your bond at any time in the first five years. The amount, and an example of the effect of this, is shown in the accompanying Illustration.
- It is possible that you could get back less than you originally invested due to the nature of the underlying investments, which can fall as well as rise in value. In addition, this can be particularly applicable if you cash in the bond during the early years, due to the effect of:
  - the early surrender charge, and
  - any age-related initial charge, as described in the 'What about the charges that apply to the bond?' section, that may have been deducted from your investment. If the percentage shown as the 'Allocation Rate' on the first page of the accompanying Illustration is less than 100% a charge has been made.

- The accompanying Illustration gives examples of what might happen if the fund (or funds) you have selected achieves the investment growth rates shown throughout the period of your investment. It assumes:
  - charges remain at their current level
  - your fund selection does not change
  - any regular withdrawals chosen remain unaltered.

### **Additional information for the Protected UK Growth Fund only**

A description of the key points follows. It is very important that you read the 'Protected UK Growth Fund Guide' before investing in this fund as it contains other essential information.

- The fund is a mix of UK shares and cash. It has locked in protection so you will get back 80% of the highest value that your fund reaches even if the UK stock market falls. This protection depends on a third party honouring contracts they have made with Legal & General so it is not an absolute guaranteed minimum return and is not provided by Legal & General. Please see the 'Fund Guide' for details.
- The amount you get back could be less than the protected 80% if you cash in during the early years due to the early surrender charge described earlier. Also, if we apply an age related initial charge to your investment (that is, if the 'Allocation Rate' shown on the first page of your Personal Illustration is less than 100%), your built in protection is reduced. For example:
  - If the allocation rate is 98%, the amount of your investment that is protected reduces to 98% of 80%, which equals 78.4%.
- The proportion of your money invested in shares varies throughout the period of your investment, so returns will not reflect the performance of the overall UK stock market.
- The fund will always maintain a substantial holding in cash, so it does not offer as much growth potential as an investment entirely in shares.
- The cost of the protection, as shown on your Personal Illustration, has the effect of reducing your investment's growth potential.
- A significant fall in the value of the UK stock market, either as a result of a sudden market crash or over a sustained period of time, would mean that your investment would become largely invested in cash. If a stock market recovery followed, it is likely your investment growth would be severely restricted. Therefore, we will constantly monitor your fund value and if particular circumstances occur as detailed in the 'Protected UK Growth Fund Guide', we will write to you to explain the implications and your options.
- If an exceptional fall occurred, for example around 30% over a very short period, you would become wholly invested in cash. If this happened it would not be in your best interests to remain in the fund. Therefore, we would switch your investment into our Cash Fund and write to you to obtain your instructions.

## **How flexible is it?**

- You can keep the investment for as long as you like. You can cash in all or part of it at any time, or take regular withdrawals from it to provide you with an income.
- The bond is set up as a series of identical contracts ('policies') to give you greater choice as to how you take money from your bond and potentially to increase its tax efficiency.
- You can switch your money between the funds at any time. We currently do not make any charge for the first 12 switches in any 12 month period but we reserve the right to make a charge to cover our costs, currently £25 for any additional switch. Your adviser can provide you with information about the funds available.
- You may add to your bond at any time subject to:
  - us still offering the Portfolio Bond for new investments generally, and
  - the contract terms applicable at the time.

## **How do I take my money out?**

- You can take one-off amounts or regular withdrawals to provide you with an income. This will reduce the remaining value of your investment and affect future performance. If you are invested in the Protected UK Growth Fund, withdrawing money will also reduce the amount of your built in protection.

You should remember that the bond is designed to be a medium to long term investment. Any encashments in the first five years, other than regular withdrawals within the limits described below, will have an early surrender charge deducted.

- Your bond consists of a series of individual policies. You can take one-off amounts at any time by one of the following methods:
  - cashing in any number of the policies while leaving the others intact
  - taking an amount from all of the policies
  - fully cashing in the whole bond.

This gives you considerable flexibility to withdraw money and to do it in the way that is most appropriate to your personal tax circumstances at the time.

- You can choose to receive regular payments ('regular withdrawals') by one of the following options:
  - fixed amounts of money
  - a percentage of your original investment
  - a percentage of the value of your units.

The money is paid into your chosen bank account every month, or if you prefer every 3, 6 or 12 months. The first payment cannot be earlier than one payment frequency from the date of your investment. For example, if the investment is made on 1 June and payments are required every 12 months, the first payment cannot be made before 1 June of the following year.

The maximum amount you can take as a regular withdrawal each year is either 7.5% of your original investment or 7.5% of the value of your units.

Important things you need to know about regular withdrawals are:

- the value of your bond will be affected, in particular if the amount of income you take is greater than the growth on the bond, the overall value of the bond will fall
- the amounts you receive will fluctuate, unless you choose to take fixed amounts of money
- if you are invested in the Protected UK Growth Fund, the amount of your built in protection will reduce.

The regular withdrawals options are described more fully in our 'Product Details' brochure.

**Natural income – an additional option available for some funds. The applicable funds are indicated in our 'Funds Summary' brochure.**

The assets underlying a fund will normally generate income that accumulates to benefit the overall value of the fund (such as dividends from shares, interest from fixed interest securities and rent from commercial property). The natural income option allows you to receive 'distributions', which are payments made from the fund twice a year based upon the amount of income accumulated.

These distributions can be paid to you in full each June and December, or alternatively, can be spread out over the six months following each distribution, to provide you with a monthly income.

Whilst taking natural income there is potential for the value of your units to grow. This will occur if the market value of the underlying assets combined with any accumulated income that has not been distributed results in an overall increase in the value of your chosen fund(s).

## What happens to the bond if I die?

- If the bond is in one name, the bond will end on the death of that person.
- The amount payable will be 101% of the full value of your units. If you are invested in the Protected UK Growth Fund, 101% of the protected value will be payable if greater. The early surrender charge, described in the accompanying Illustration, which applies to one-off encashments in the first five years, does not apply on death.
- If the bond is in the name of more than one person, the bond remains invested until the last person dies. This enables the survivor(s) to continue to benefit from the investment.

## What about the charges that apply to the bond?

- The charges applicable, including the amount and effect of them, are shown in the accompanying Illustration.
- Charges are made to cover:
  - a) the various costs and expenses involved when setting up and managing your bond, such as:
    - investment management
    - administration
    - the expenses of investing in and holding assets
    - payment to your financial adviser and
  - b) if you are invested in the Protected UK Growth Fund, the cost of providing the protection.

## Initial charge

- A percentage of your money invested in the bond is used to buy units (known as the 'allocation rate'). The allocation rate depends upon:
  - the amount of your investment,
  - the age of the person in whose name the bond is held.
- The standard allocation rates we apply are as shown below. If the bond is held in the name of more than one person, the age of the youngest person is used.

Investment amount	Age 74 and under	Age 75 to 89
£5,000-£24,999	100.00%	97.50%
£25,000-£49,999	100.50%	98.00%
£50,000-£99,999	101.00%	98.50%
£100,000 and over	101.25%	98.75%

- An initial charge only applies to standard allocation rates where the person (or all the people if the bond is held in more than one name) holding the bond is aged 75 or over when the investment is made.

If the allocation rate shown on the first page of the accompanying Illustration is 100% or more, no initial charge applies. If the allocation rate is over 100%, then we increase the amount used to buy units.

## Annual fund charge

- The accompanying Illustration shows the annual fund charge(s) applicable.
- **Funds managed by Legal & General**  
The annual fund charge is a recurring charge which is taken on a monthly basis and reflects Legal & General's costs and expenses. These funds bear additional expenses but they are not included in the annual fund charge. The amount of these expenses is variable and cannot be accurately predicted in advance. If and when they become due, they are applied by making a deduction from the value of the relevant fund. An appropriate allowance for them is made when calculating the assumed benefits shown in the accompanying Illustration.
- **Funds managed by fund managers other than Legal & General**  
The annual fund charge is a recurring charge which is taken on a daily basis and reflects Legal & General's costs and expenses. It also includes the management charge that the fund manager charges Legal & General to cover their day-to-day costs of managing the fund.  
  
Fund managers also need to cover the expenses which arise from investing in and holding assets, such as the costs of buying and selling assets, bank charges, audit charges and trustee fees. The amount of these additional expenses varies frequently and cannot be accurately predicted in advance. The annual fund charge includes an allowance for additional expenses based upon what the fund manager has charged in the recent past.  
  
The amount of each annual fund charge will be reviewed periodically. If there have been any significant changes to the fund manager's management charge and/or additional expenses, we may need to alter the annual fund charge to reflect the changes. If in the period before the next review the rate at which the fund manager takes charges and expenses changes, the cost (if higher) or benefit (if lower) will be reflected in the price of units.
- We will let you know what the current annual fund charge is for all funds in which the bond is invested at least once a year. At all times, the most recently published annual fund charges for all the funds and the current level of additional expenses for our own funds, are available on request.
- The annual fund charge is taken into account when calculating the unit price of each fund, so the value of your bond is always net of this charge.
- The funds have different annual fund charges. The amount of the charge applicable to your bond depends upon your choice of fund(s).
- If you alter your fund selection at any time during the lifetime of your bond, it is likely to alter the amount of the annual fund charge.

## Early surrender charge

- An early surrender charge applies if you cash-in all or part of the bond in the first five years. The amount, and an example of the effect of this, is shown in the accompanying Illustration.

## What about tax?

- The investment funds are liable to tax on investment income and capital gains. Legal & General pays this tax. You cannot reclaim this tax.
- When you take money from your bond it is payable free of any personal liability to income tax at basic or lower rates, or to capital gains tax.
- If you are a higher rate taxpayer (or become a higher rate taxpayer when you receive money from the bond) there may be an income tax charge in the following circumstances:
  - if regular withdrawals in any year exceed 5% of the amount invested\*
  - on encashment of one or any number of the individual contracts making up the bond
  - on partial encashment of all or some of the contracts in any year which exceed 5% of the amount invested in those contracts\*
  - if the cumulative total of regular withdrawals or partial encashment of all or some of the contracts exceeds 100% of the amount invested in those contracts.
- \* Please note that the 5% per year is cumulative and any unused part can be carried forward for future years (up to a maximum of 20 years).
- If you are eligible for any Age Allowance, Working Tax Credit or Child Tax Credit when any of the above circumstances apply, your allowance may be reduced which could result in an increase in the tax you pay.
- If the bond ends due to death, the beneficiaries may have a liability to income tax. They may also have to pay inheritance tax unless the bond has been written under a trust.
- These details are based upon Legal & General's understanding of tax law and HM Revenue & Customs practice which are subject to change.
- Your financial adviser can provide further information on the tax treatment of the bond or about putting it into a trust.

## Can I change my mind?

- Once we have processed your application for the bond, you will receive a cancellation form. On receipt you have 30 days in which you can change your mind about making the investment into the bond.
- If you decide to cancel within this 30 day period you should complete the cancellation form and return it to the address shown in the 'How to contact us' section. You may not get a full refund of the money you paid to us. If at the time written confirmation of cancellation is received at our Hove office, the total value of your investment is equal to or greater than the amount of your initial investment, a full refund of the initial amount invested will be made. If the value of your investment has fallen below the amount of the initial investment, the refund amount will be:
  - the value of units, if an allocation rate of 100% or greater was used,
  - the value of units divided by the allocation rate, if an allocation rate of less than 100% was used.
- If you do not cancel within 30 days and subsequently change your mind, you can cash in your bond. You will be subject to the investment risks and charges as detailed in the 'What might I get back?' section.

## How will I know how my bond is doing?

- We will send you a statement at least once a year giving an up to date valuation of your bond. If you are invested in the Protected UK Growth Fund, the statement will also include the current protected value and asset mix.
- You can request a valuation or additional statement from us if you need one at any other time.
- For investments in funds other than the Protected UK Growth Fund, you can check the value of your bond yourself by looking up the unit price of your

fund(s) on our website, [www.legalandgeneral.com](http://www.legalandgeneral.com). Simply multiply the number of units you hold by the appropriate unit price shown to obtain the full value of your investment. Please note that this value will not be the cash-in value in the first five years due to the 'early surrender charge' described earlier.

## How to contact us

- For further information before deciding to invest or about a new application sent to us, please contact your financial adviser.

- For information after completion of your bond, either contact your financial adviser or

Call us on: 0870 010 4080

Call charges will vary. We may record and monitor calls.

Write to us at:

Legal & General  
PO Box 1186, Hove,  
East Sussex BN3 1SD

## Additional details

- This document, together with the 'Funds Key Features' and the Illustration, give a summary of the important things you need to know before deciding to invest.
- If you require more detailed information, items available on request from your financial adviser are:
  1. 'Product Details' – an explanation of the product features, limits, options etc.
  2. 'Funds Summary' – a list of all the funds available, including an overview of each of the Fund Management groups.
  3. 'Contract Document' – Policy Schedule and Policy Provisions (full terms and conditions). Please note, these are sent to all investors shortly after we complete the processing of an application.

# Other information

## About Legal & General

The Legal & General Group, established in 1836, is one of the UK's leading financial services companies. We are one of the UK's top companies in the FTSE 100 Index. Over 5.75 million people rely on us for life assurance, pensions, investments and general insurance plans. The Legal & General Group is responsible for investing over £237 billion worldwide (as at 31 December 2006) on behalf of investors, policyholders and institutions.

## Our regulator

We are authorised and regulated by the Financial Services Authority. We are entered on their register under number 117659. You can check this at [www.fsa.gov.uk/register](http://www.fsa.gov.uk/register) or telephone them on 0845 606 1234.

## How to complain

- If you would like to complain about any aspect of the service you have received from Legal & General, or would like us to send you a copy of our internal complaint handling process, please call or write to us using the details set out in the 'How to contact us' section.
- If you are not satisfied you can complain to:  
The Financial Ombudsman Service  
South Quay Plaza  
183 Marsh Wall  
London E14 9SR  
Making a complaint will not affect your legal rights.

## Compensation

We are covered by the Financial Services Compensation Scheme. You may be entitled to compensation from the Scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim. The first £2,000 of a claim is protected in full. Above this amount, the Scheme covers payment to 90% of the value of a policy. You can get further information from the Financial Services Compensation Scheme. You can find details of the scheme at [www.fscs.org.uk](http://www.fscs.org.uk)

It is important to understand that if you choose to invest in a fund managed by a fund manager other than Legal & General, your investment is in a Legal & General life fund, not the underlying authorised investment fund. This means that, as with any other similar life assurance product, you will not have the right to take action or seek compensation in relation to the authorised investment fund or the fund manager that you would have if you invested directly into the authorised investment fund. In addition, Legal & General's rights to recover losses in connection with any breaches by the authorised investment fund and the fund manager, in particular under the Financial Services Compensation Scheme, may not be as extensive as those of individuals investing directly in the authorised investment fund.

## Law

- Unless otherwise stated in writing, the law applicable to the bond is English Law.
- All our customer communications will only be available in English.

# Portfolio Bond



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This leaflet forms part of the Portfolio Bond Key Features. It must be read in conjunction with the accompanying Illustration, Key Features and Funds Key Features.

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To qualify for the offer, a fully completed application and a valid cheque must be received at our Hove office by the closing date. Whilst we intend to close the offer on 30 April 2008, we do reserve the right to withdraw it earlier.

## Allocation Rates

During the offer period we will add an additional 1.25% to our standard allocation rates. Allocation rates are described in the 'What about the charges that apply to the bond?' section of the accompanying Key Features; the table below replaces that shown.

Allocation rates during the limited offer period		
Investment Amount	Age of Life Assured – the person in whose name the bond will be held. If the bond is held in the name of more than one person, the age of the youngest person is used.	
	Age 74 and under	Age 75 to 89
£5,000 - £24,999	101.25%	98.75%
£25,000 - £49,999	101.75%	99.25%
£50,000 - £99,999	102.25%	99.75%
£100,000 and over	102.50%	100.00%

The actual allocation rate applicable to your bond, as shown in your Illustration, may be higher than the appropriate percentage set out above as it will depend upon the amount of commission taken by your adviser.