

Capital Growth Fund

Fund Objective

The aim of the Fund is to seek long term capital appreciation through investment in international equity and fixed interest securities with a focus on United Kingdom securities.

Investment Manager

Scottish Widows Investment Partnership ("SWIP")
Manager: Jeff King

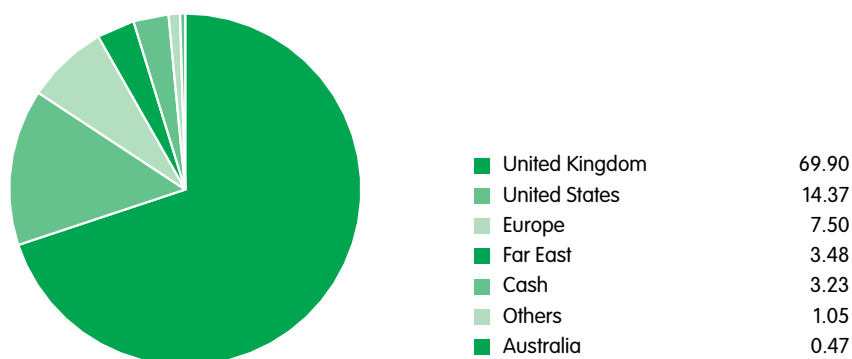
Fund Performance

	30/06/09 to 30/06/10 (%)	30/06/08 to 30/06/09 (%)	30/06/07 to 30/06/08 (%)	30/06/06 to 30/06/07 (%)	30/06/05 to 30/06/06 (%)
Sterling (£)	15.13	-17.30	-10.13	13.82	15.58
Euro (€)	19.86	-22.58	-23.81	17.37	11.81
US dollar (\$)	3.89	-31.07	-10.42	24.31	17.67

Past performance should not be seen as an indication of future performance.

The figures show the performance growth over 5 years as discrete 12 month periods, on a mid price basis with gross income reinvested. Source: Financial Express. Sector is Lipper UK Equity.

Geographical Split (%)



Largest Investments (%)

HSBC	4.33
Vodafone Group	3.43
GlaxoSmithKline	3.31
Rio Tinto	3.30
Royal Dutch Shell	3.26
Treasury 2.75% 2015	2.86
BG Group	2.72
AstraZeneca	2.60
BP	2.46
British American Tobacco	2.34

Market Overview

- The revival in global equity and financial markets, apparent for much of the early part of 2010, hit the buffers in May. Concerns over the strength and sustainability of economic recovery have never been far away, and the worsening of the Greek debt crisis prompted a flight to safety.
- Investors retreated from equities to the comparative safety of "core" government bond markets. As a result, government bonds in the UK, US and Germany outperformed riskier assets, such as equities and corporate bonds.
- At the beginning of the quarter the Fund held overweight positions in UK and European equities funded by a comparatively small holding in cash. In May, we marginally increased our overweight position in UK equities funded by a further underweight in cash.
- From an asset allocation perspective, the overweight position in equities had a negative impact on performance over the quarter.
- In equities, there were benefits in an underweight position in BP and an overweight holding in AstraZeneca (the beneficiary of a victory in a patent trial regarding Crestor, a key drug) But these were offset by the holding in Thomas Cook (affected by the volcanic ash cloud) and the decline in the share prices of the mining stocks on concerns over the outlook for economic growth.
- Among our international equity holdings, Cybersource was a strong performer. The company provides electronic payment and risk management products, primarily for e-commerce transactions. Cybersource received a boost after it became subject to an agreed takeover by Visa at a significant premium to its share price. Our holding in O'Reilly Automotive, the car parts retailer, also boosted returns. It performed well as investors responded to positive integration news surrounding its merger with CSK Auto.



Future Policy

- Despite the challenges facing the market, equities remain the most attractive asset class on a 12-month investment horizon. A positive sign is that upgrades to corporate earnings forecasts continue to outweigh downgrades. These positive earnings revisions have been one of the key drivers of equity markets in recent months and this appears set to continue for the time being.
- The excess liquidity which has been poured into the global economy through the actions of governments around the world has helped to support financial markets. Investors will need to be alert in order to anticipate the consequences of that support now starting to be withdrawn.

General Information

Value of Fund as at 30th June 2010
£12.71m

Dealing Price as at 30th June 2010
£ 1.5550
€ 1.9110
\$ 2.3350

Current Yield as at 30th June 2010
2.86%

Distribution Dates
22nd November

XD Dates
1st October

Launch Date
10th January 1995

Minimum Investment
£1,000 or currency equivalent

Subsequent Investment
£50 or currency equivalent

Initial Charge
5%

Annual Management Charge
1.5%

Total Holdings
110

Sedol
0886534

ISIN
GB0001096394

Contact Details

For further information about the
**Lloyds TSB Offshore Funds Limited - Capital
Growth Fund**

call **+44 (0) 1534 845555**

email **funds@lloydstsb-offshore.com**

or go to **www.lloydstsb-offshore.com/funds**

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