

UK Fund

Fund Objective

The aim of the Fund is to seek long term capital appreciation through investment in United Kingdom securities.

Investment Manager

Scottish Widows Investment Partnership ("SWIP")
Manager: Peter Cockburn

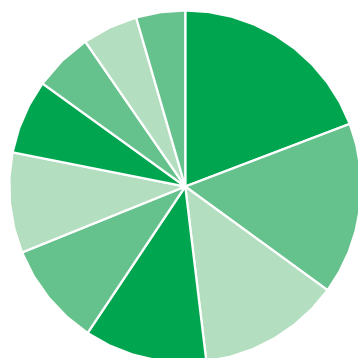
Fund Performance

	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 (£)	16.11	-24.09	-9.47	21.41	21.84
Euro (€)	20.94	-28.93	-23.23	25.13	17.82
US dollar (\$)	4.83	-36.71	-9.81	32.63	23.90

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.

Sector Breakdown (%)



Oil & Gas	19.21
Others	15.81
Basic Resources	13.07
Banks	11.27
Healthcare	9.53
Personal & Household Goods	9.22
Utilities	6.84
Telecommunications	5.44
Travel & Leisure	5.11
Industrial Goods & Services	4.50

Largest Investments (%)

HSBC	6.88
Vodafone Group	5.44
GlaxoSmithKline	5.41
Rio Tinto	5.22
Royal Dutch Shell	5.16
BG Group	4.35
AstraZeneca	4.12
BP	3.91
British American Tobacco	3.70
Great Eastern Energy	3.42

Market Overview

- Greece's sovereign debt difficulties, the health of the eurozone banking system, economic developments in China and the US and the prospect of a hung parliament cast some long shadows over equity markets during the period. The FTSE All-Share index fell 11.8%, returning to a level it had last reached in September 2009.
- The mining and oil & gas sectors were among the hardest hit, with BP's difficulties in the Gulf of Mexico and the proposed Australian "resources super-profits tax" making those sectors amongst the worst performing areas of the market. Declines were less pronounced in many of the defensive sectors, particularly healthcare and utilities, but there were very few areas that made any headway.
- The Greek crisis and its ramifications have led to a consensus favouring a greater level of austerity than the outgoing government had scheduled. The measures announced by the new coalition government in its emergency budget include a more ambitious plan to tackle the UK's huge debt. The bulk of this reduction is to be achieved by cuts in public spending, with only the minority by net increases in taxation.
- The Fund outperformed its benchmark during the period. Key positive performers included AstraZeneca, the beneficiary of a victory in a patent trial regarding Crestor, a key drug; and Great Eastern Energy, which secured a coal-bed methane contract from the Indian government. Well-timed trades in BP also added to relative performance.
- On the downside, shares in Thomas Cook were affected by volcanic ash cloud, which grounded planes across Europe and resulted in downgrades to earnings forecasts.



Future Policy

- During the period we participated in the initial purchase offering of Essar Energy, which was a key contributor to performance over the quarter. The India-focussed firm started trading on the London Stock Exchange in May and has performed strongly since its entry into the FTSE 100 index.
- With the outlook for the global economy remaining uncertain, we also reduced our exposure to the mining sector in favour of increased weightings in the more defensive areas of the market such as National Grid and Unilever.
- We retain our preference for reliable growth stocks and this continues to be reflected in overweight positions in the pharmaceutical, electricity and tobacco sectors. Beverages, banks and food & drug retailers are among the largest underweight positions.
- Looking ahead, the global economy faces a number of headwinds. Economic indicators suggest the growth that resulted from the measures taken by governments at the height of the financial crisis is running out of steam. Earnings momentum, a key driver of markets year to date, is also slowing. Equity valuations remain attractive compared to other asset classes, though equity markets may remain volatile as we move through the second half of 2010.

General Information

Value of Fund as at 30th June 2010
£36.58m

Dealing Price as at 30th June 2010
£ 5.3120
€ 6.5290
\$ 7.9770

Current Yield as at 30th June 2010
4.04%

Distribution Dates
22nd November

XD Dates
1st October

Launch Date
1st May 1990

Minimum Investment
£1,000 or currency equivalent

Subsequent Investment
£50 or currency equivalent

Initial Charge
5%

Annual Management Charge
1.5%

Total Holdings
47

Sedol
0871767

ISIN
GB0008717679

Contact Details

For further information about the
Lloyds TSB Offshore Funds Limited - UK Fund

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

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

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

The value of investments and the income from them can go down as well as up and cannot be guaranteed. An investment, in a currency other than the shareholder's own currency or in a fund that invests in securities denominated in currencies other than sterling, will be subject to the movement of foreign exchange rates. Consequently, investors may receive an amount greater or less than their original investment.

This document has been issued by Lloyds TSB Offshore Fund Managers Limited (the "Manager"), registered office address P.O. Box 160, 25 New Street, St Helier, Jersey, Channel Islands, JE4 8RG and approved by Lloyds TSB Private Banking Limited, Registered Office: 25 Gresham Street, London EC2V 7HN. Registered in England and Wales no. 2019697. Authorised and regulated by the Financial Services Authority under number 122626. Lloyds TSB Offshore Fund Managers Limited and Lloyds TSB Offshore Funds Limited (the "Fund") which are incorporated in Jersey, have been authorised by the Jersey Financial Services Commission under the Collective Investment Funds (Jersey) Law, 1988.

The commentary contained in this document has been derived from sources, which we consider to be reasonable and appropriate. It may also include our views and expectations, which cannot be taken as fact.

The rules of the UK Financial Services Authority and the United Kingdom Financial Services Compensation scheme do not apply to the Fund and no cancellation rights apply, however, the Fund is recognised under Section 270 of the Financial Services and Markets Act 2000.

Messages sent by email may not be secure and may be intercepted by third parties. Please do not use email to send us communications which contain confidential information or instructions as we require these communications to be in writing. If you disregard this warning, you agree that you do so at your own risk and that you will not hold the Manager responsible for any loss that you suffer as a result. Telephone calls may be recorded and monitored.

Legislation or regulations in your home jurisdiction may prohibit you from entering into such a transaction with us. We reserve the right to make final determination on whether you are eligible for any products or services.

Lloyds TSB Offshore Holdings Limited has registered the business name of Lloyds TSB International in Jersey and has licensed it to Lloyds TSB Offshore Fund Managers Limited and Lloyds TSB Offshore Funds Limited.