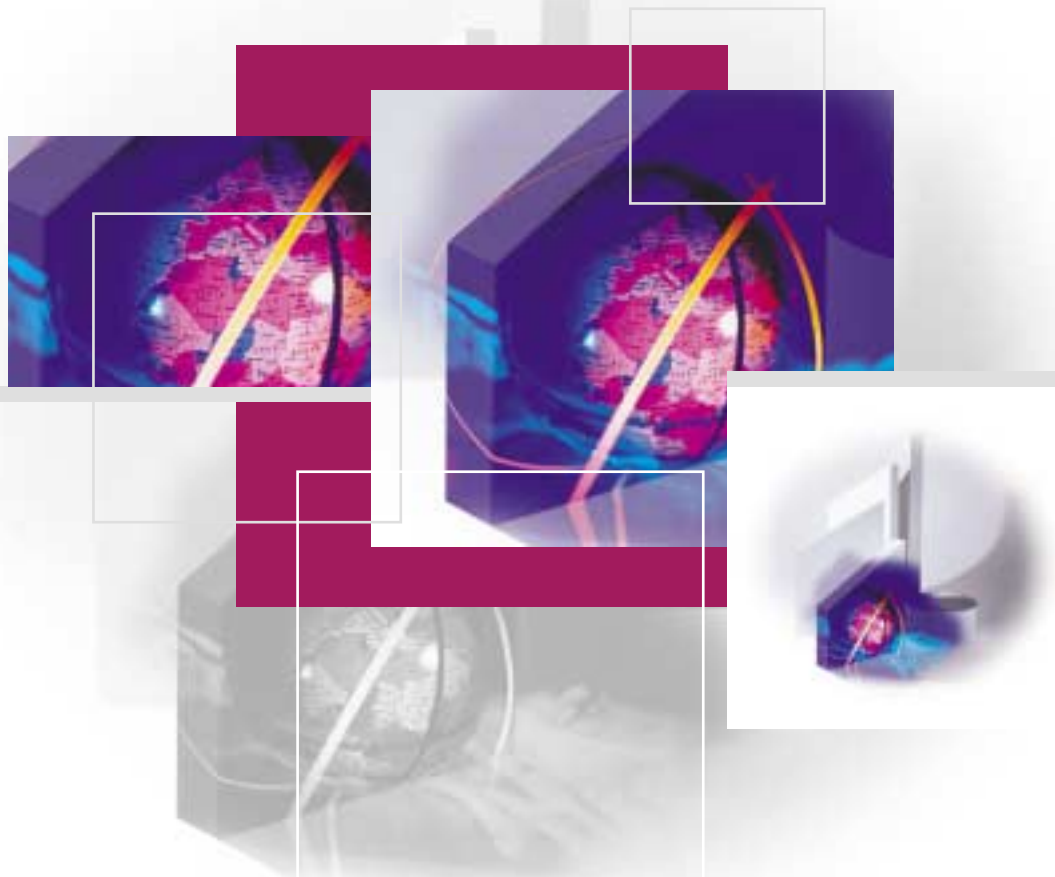


Managed Capital Account



Flexible investment choice
World leading fund managers

Your guide

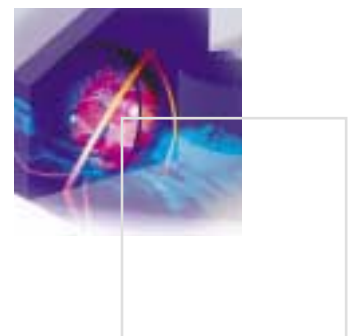
Investing for growth

To create, maintain and increase hard-earned capital is a challenging task for most people. Money left on deposit will gradually lose its purchasing power through the ravages of inflation. Alternatively, highly speculative investment may produce substantial gain but also risks potential loss.

Balancing these opportunities and the risks that are often associated with them with the correct degree of security is a difficult and specialist operation. It is a role that some investors choose to play themselves but which most prefer to leave to professionals with worldwide resources and access to stock market information.

Royal Skandia, from its tax-efficient base in the Isle of Man, has worked closely with professional financial advisers experienced in the recommendation of investment plans to identify the key requirements of today's international investor. Royal Skandia's Managed Capital Account has been developed to specifically meet these requirements and offers the following benefits:

- superior investment opportunities from a wide range of funds
- access to many of the world's top performing fund managers
- flexibility to move between funds and fund managers
- access to capital at any time
- tax-efficient growth for your investment
- 100% of premiums invested
- option for additional protection for dependants
- award-winning administration.



First class investment choice

Balancing opportunity with security

Most international investors recognise the great rewards that are available from the world's equity investment markets but are equally aware of the need to shelter part of their capital in relatively secure vehicles, such as bank deposits and Government securities. Royal Skandia provides the potential to balance these opportunities with just the level of exposure that is required.

Through the Managed Capital Account you have access to a range of funds with a choice of investment objectives and strategies:

- Risk-Graded Managed Funds – Cautious
 - Balanced
 - Aggressive
- Single Sector Funds
- Specialist Funds.

Royal Skandia also provides Deposit and Building Society funds which may be used to consolidate gains or to adopt a more cautious investment strategy.

Tax efficient funds

As Royal Skandia is based on the Isle of Man, its policyholders' funds are free from any form of tax in respect of income and gains. This means that with the exception of certain investment income, which may be subject to a tax deduction in its country of origin, the Managed Capital Account will grow tax free.

Investment flexibility

You simply need to select the funds which match your own personal objectives and attitude to risk. If you prefer, you can select a different fund choice for your lump sum investment, to that of your regular savings. With Royal Skandia, the choice of investment company or strategy selected at outset is not final. As investment conditions, your attitude to risk or personal circumstances change, it is possible to move your investment between both funds and fund managers, or change investment choice at any time.



A selection of the world's finest fund managers

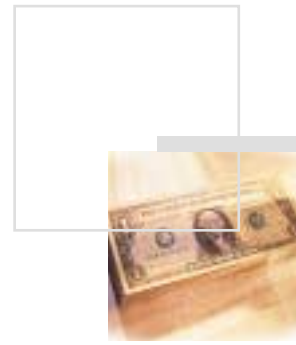
Recognising the specialist nature of investment management, Royal Skandia offers you access to over 20 prestigious and internationally recognised fund management groups, who implement the decisions necessary to follow a range of investment strategies.

This top list of fund managers includes names such as Fidelity, INVESTEC, HSBC, JPMorgan Fleming and M&G.

Each of the fund management groups has been carefully selected by Royal Skandia to manage chosen asset classes on the basis of their award-winning performance and expertise in particular investment markets. Royal Skandia is confident of both their stability and potential to find the most productive investments to achieve their fund objectives.

You can also benefit from Royal Skandia's long standing and successful relationships with these fund management groups, which has resulted in substantial discounts on administration charges which are then passed on to Royal Skandia investors like yourself.

Details of Royal Skandia's full range of investment funds and fund managers are available in the brochure 'Superior Offshore Investment' and the 'Fund Performance Summary', plus on our web site at www.royalskandia.com.



How to start investing

The Managed Capital Account is set up with either a lump sum or regular premiums or both. Subject to the limits below you can add to your investment while the Account is in force, to build a greater capital sum.

Single premiums can be paid by cheque, telegraphic transfer or banker's draft. Regular premiums can be paid by standing order, credit card or telegraphic transfer.

The Account can be denominated in either sterling, US dollar or euro.

Minimum premiums

Frequency	To start the Account:			Future increases:		
	£	US\$	€	£	US\$	€
Regular:						
Monthly	300	450	450	100	150	150
Quarterly	900	1,350	1,350	300	450	450
Single:	10,000	15,000	15,000	1,000	1,500	1,500

A disciplined approach

Earning more during your working life means more spare income to invest to achieve your future goals. If you choose to pay regular premiums into the Account, to ensure this opportunity is not lost, you need a disciplined attitude to your savings. We will continue to collect and invest your money until you tell us not to, however you should make a personal commitment to keep investing for at least 5 years. Over the medium to long term, you have a much greater opportunity for high investment growth.

However, if your circumstances change you can stop, or reduce premiums subject to the minimum levels at the time, free of charge.

100% invested

Pooling your investment with other policyholders into a unit-linked fund with a spread of investments offers the potential for both greater security and greater reward than individual investors can achieve by investing into equity markets alone.

However, many such funds often make a large initial charge for entering the fund to cover their costs. With Royal Skandia's Managed Capital Account 100% of your premiums are allocated to units in your selected funds, therefore no immediate charge is made on your investment so there is more opportunity for investment growth earlier on.

Competitive charges

The Managed Capital Account has been designed to provide maximum investment opportunities with a competitive level of charges:

- 100% of premiums are invested from day one
- annual management charge of 1% of the value of the selected fund(s)*
- the normal annual management charges and operational costs charged by the various investment fund managers*
- establishment charge of 1.6% a year of the fund value of all premiums paid - whether single or regular. Taken up to the fifth Account anniversary from the last year in which premiums are paid*
- £5 (US\$7.50 or €7.50) a month maintenance charge if in a month the higher of the premium paid or fund value is below £10,000 (US\$15,000 or €15,000)

* The charges may vary in the future.

Access to capital

The Managed Capital Account can be partially or totally encashed at any time, allowing access to capital whenever it is needed. If part of all of the Account is encashed within five years of the Account anniversary date premiums were last paid, then Royal Skandia will make a charge to help meet the original establishment costs of the Account.

However, you can take up to 10% of the total Account premiums paid each year without incurring such a charge and any of this 10% allowance which is not used can be carried forward. Encashments made after the fifth Account anniversary from the Account last year in which premiums were paid, are entirely without penalty.

The Account can be used to provide an automatic regular income on a monthly, quarterly, half-yearly or annual basis. The minimum amount for each withdrawal under this facility is £50 (US\$75 or €75). This is not available when regular savings are being paid into the Account.

The exact tax treatment of cash withdrawals and profits made from the Account will depend upon the tax rules in your country of residence. Any amount payable on death may be similarly taxable and therefore you should talk to your professional financial adviser about the rules that will apply to your particular circumstances.



Peace of mind

Protection for dependants

Whilst maintaining and enhancing accumulated wealth may be the main investment incentive, it can be equally important to provide for the continued wealth of your dependants on death.

The Managed Capital Account guarantees a death benefit of 101% of the encashment value of the Account, but it is possible to build in additional life cover at a level appropriate for your personal circumstances. An increased level of cover may also help the Account meet any requirements there may be for beneficial tax status in your home country. The cost of this extra cover is met by deducting units from the selected investment fund or funds.

Estate and tax planning

The advantages of trusts

Placing the Managed Capital Account in a trust can provide extra value by:

- reducing UK inheritance tax liabilities
- controlling who and when heirs inherit your investment
- providing extra confidentiality.

Royal Skandia has a variety of trust arrangements, including:

- Power of Appointment including the settlor/Lifetime Trust (income trust)
- Power of Appointment excluding the settlor (gift trust)
- Skandia Inheritance Loan Trust (gift and loan trust) (for single premium only)
- Estate Protector Bond (retained interest trust) (for single premium only).

Using Royal Skandia Trust Company as professional trustees

For extra convenience you can place a Managed Capital Account in trust with Royal Skandia Trust Company. This provides additional benefits including:

- No dilemmas selecting personal trustees
- All trust paperwork professionally dealt with on your behalf
- Objective trustee decisions, keeping to the aims of the trust, without personal complications
- Confidence that trust provisions and trust laws are not being breached
- May provide extra tax efficiency.

A separate information pack on what trusts are available through Royal Skandia Trust Company is available from your Skandia office.

You should consult your professional financial adviser for full details of Royal Skandia's range of trust facilities, and for advice regarding the suitability of any such trust to your requirements.

The Isle of Man

Tax efficiency and security combined

As an established offshore investment centre with a stable and independent legal, political and regulatory framework and with confidentiality maintained, the Isle of Man provides an ideal location for investment.

As the Isle of Man enjoys fully designated territory status under the UK Financial Services and Markets Act 2000, it has satisfied the UK authorities that the law under which its insurance companies are authorised and supervised offer adequate protection to actual and potential policyholders should a company become unable to meet its liabilities. Policyholders are not protected by the UK Financial Services Compensation Scheme. The Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991 protects investors whose policies are effected on or after 1 February 1991. Compensation of up to 90% of the value of their policies would be received in the unlikely event that their insurer became unable to meet its liabilities.

Royal Skandia is authorised under the Manx Insurance Act 1986 and is a member of the Association of International Life Offices. Royal Skandia is authorised to carry out investment business in the UK as a member of the FSA, the regulatory body governing life assurance business in the UK, under the Financial Services and Markets Act 2000.

The rules and regulations made by the FSA under the Financial Services and Markets Act 2000 for the protection of investors may not apply to persons outside the UK.

Further information

Royal Skandia's Managed Capital Account provides a tax-efficient and flexible vehicle for capital growth. This brochure has introduced some of the Account's benefits. However, before making an application you should read and carefully consider the **Technical Guide** which provides further details.

When you are ready to proceed with your application, you should complete the necessary form, being careful to include all relevant information. Royal Skandia will issue an acceptance letter followed by policy terms and schedules, the formal record of your Account. Copies of these items are always available and a summary of the units allocated to your Account can be requested at any time. You may wish to trace movements in the value of units of their selected funds in the financial press or on our web site (www.royalskandia.com) - your professional adviser will explain how to do this.

This document is based on Royal Skandia's interpretation of the law and Board of Inland Revenue practice at February 2002. While this interpretation is believed to be correct, Royal Skandia can give no guarantee in this respect or that tax reliefs and the tax treatment of investment funds will remain the same in the future. The value of any tax reliefs will depend on individual financial circumstances.

Past performance is not necessarily a guide to future performance, and the value of unit-linked contracts is not guaranteed as the prices of units may fall as well as rise. Where a fund holds investments in another currency, there may be additional risks because of exchange rate fluctuations.

www.royalskandia.com

This piece of literature is available on the Royal Skandia Web Site.

Royal Skandia Trust Company Limited

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Phone: +44 (0)1624 679756 Fax: +44 (0)1624 679757 Registered Number: 095926C Isle of Man

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Phone: +44 (0)1624 655 555 Fax: +44 (0)1624 611 715 Registered Number: 24916 Isle of Man

Member of the Association of International Life Offices Authorised by the FSA

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