

2009 FP Secure Growth Fund Report



Pensions

Fund objective

The objective of the FP Secure Growth Fund is to outperform the composite benchmark at sector and total fund level providing stable income and long term capital guarantees. The benchmark is made up of UK Corporate Bonds (80%) and UK Equities (20%).

Unlike a unit-linked fund, investment returns on the FP Secure Growth Fund are smoothed over a period of years by using investment reserves.

The fund predominantly invests in fixed interest stock, with some degree of exposure to equity investment. In the long-term, the return on the fund will reflect the performance of those underlying assets. However, in the short-term, the smoothing effect will result in yields for policies that both rise and fall more slowly than fixed interest returns.

Commentary for the period 01/01/09 to 31/12/09

Sentiment in the UK corporate bond markets improved and spreads tightened across the board as data increasingly pointed to the global economy returning to growth. Liquidity was restored, allowing financial institutions to rebuild damaged balance sheets and after the rally commenced in March, it paused only briefly in November in response to a debt standstill at a Dubai Corporate. By the time 2009 came to an end UK corporate bonds had posted exceptionally strong gains. UK equities recovered too, after a series of aggressive interest rate cuts by the Bank of England, plus the injection of rescue funds through the 'quantitative easing' policy, helped the UK economy to begin the recovery from recession. By December they regained the ground lost since the collapse of Lehman Brothers.

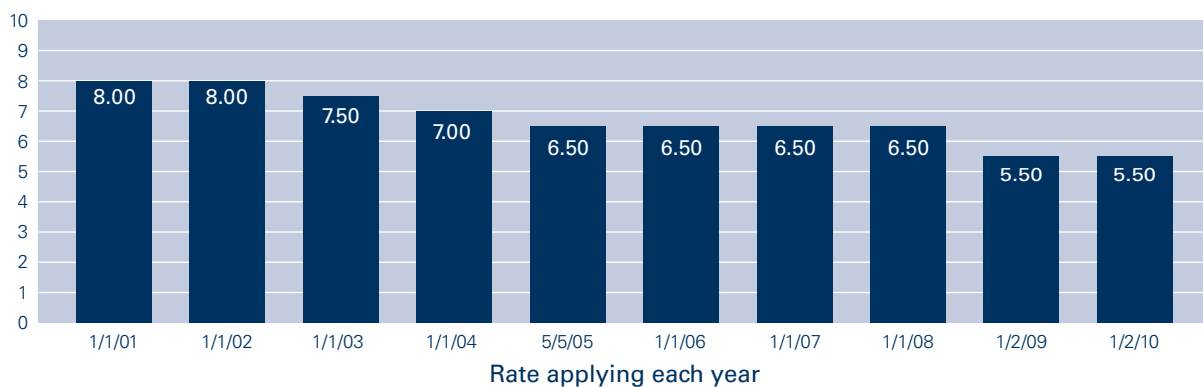
The benchmark for the FP Secure Growth Fund is 80% investment in non-gilt fixed income securities and 20% in UK equities. The corporate bond portfolio had a very difficult time in the early months of the review period as the banking sector remained under pressure following 2008's bank failures and bailouts. The fund was overweight financials at this time and this impacted hard on performance. However, the UK equity element helped to offset this weakness. Value was added most particularly by selected overweight positions in the mining, and oil and gas sectors.

This report is for information only and should not be considered as a financial promotion.



Interest rates for the FP Secure Growth Fund

Gross annual rate of interest 2001 – 2010



The information shown refers to the past. Past performance is not a reliable guide to future performance.

In the FP Secure Growth Fund, we set interest rates at levels deemed appropriate over the long-term and add interest through increases in the daily unit price. The interest rate is reviewed at least once a year. The gross interest rate (before deduction of fund charges) was last changed from 1 February 2009 with subsequent reviews leaving the rate unchanged. This rate will continue to remain in force until such time as a change is authorised by the Board.

Market Value Reduction (MVR)

MVRs are used to ensure that all our customers invested in the FP Secure Growth Fund are treated fairly. They may be applied when the underlying value of investments backing the

FP Secure Growth Fund is less than the unit price times the number of units. This occurs when markets are depressed to the extent that accumulated interest already added is too high to provide a fair value to customers choosing to leave the FP Secure Growth Fund. We guarantee that we will not apply an MVR at the maturity date or selected retirement date defined in your policy or on your death.

Further information

For further information on the FP Secure Growth Fund, please speak to your financial adviser or contact Friends Provident on 0845 602 9199.

Friends Provident Pensions Limited

Registered and Head Office: Pixham End, Dorking, Surrey RH4 1QA
 Incorporated company limited by shares and registered in England number 475201
www.friendsprovident.com Telephone 0845 602 9189

