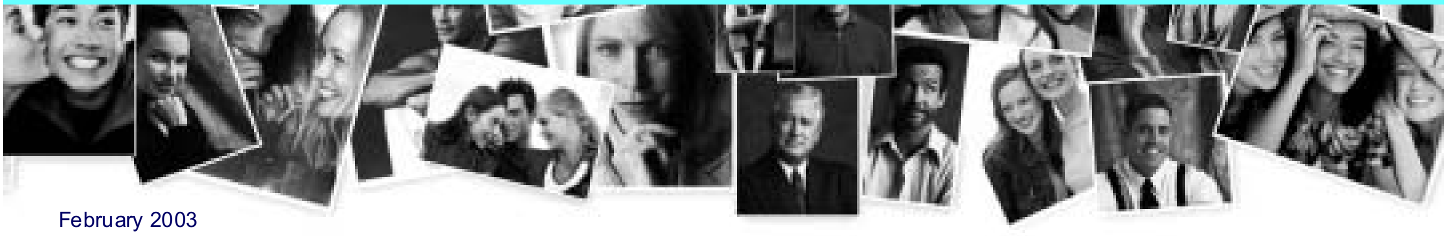
WHAT IS A MIRROR FUND?



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At Friends Provident International Limited we have a range of award winning mirror funds to which our clients can link through their investment plans.

What is a Mirror Fund?

Our funds are unit linked and we use your investment to buy units in the funds you choose. The price of each unit depends on the value of the fund investments. So if the unit prices rise or fall, so will the value of your investment.

Our funds invest in other funds - the underlying funds - managed outside Friends Provident International Limited. Our own funds may hold a small amount in cash but invest the rest in the underlying funds. The unit price of our own fund differs from that of the underlying fund, but it will move mainly in line with it.

The funds are managed on our behalf by a number of major institutional investment managers.

Our Mirror Fund Range

- At FPIL we regularly review the marketplace, meeting with fund managers and researching new funds to ensure our range is constantly evolving.
- We select only the best fund management groups with good track records.
- We collect feedback from our sales team, brokers and also monitor funds selected by personal bond clients to obtain a good indication of current market demands.
- We have over 90 funds in our range, catering for all risk profiles, which span most sectors and geographical regions.

The Mirror Fund Range - your questions answered:

In how many funds can I invest?

You can invest in up to 10 funds at any one time.

What is the minimum investment?

You can invest from a minimum lump sum of £13,333. Each plan can select a range of mirror funds, meaning that the minimum investment in each fund is even further reduced. You can access our mirror funds at much lower minimum premiums than you could if you invested directly into the underlying fund. For example, the Thames River Eastern European Fund minimum premium is US$35,000 lump sum and US$5,000 for additional amounts thereafter.

Can I switch between funds within the range?

Yes, you can switch between funds free of charge, and as often as you like.

Investment into the following investment plans is at the Bid Price i.e. without any bid/offer spread :

- Reserve
- Elite Investment Account
- International Investment Account

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How can I find out what risk grade the funds have?

All our funds are risk graded from 1 to 5, with 1 being the most conservative and 5 carrying the most risk. The Risk/Reward Profile for all mirror funds can be found in our monthly Fund Prices and also in our Fund Guide which is published quarterly.

Can I expect better terms by investing through an institution?
As an institutional investor FPIL generally can obtain better discounts/terms from investment houses than an individual. We pass these on to our policyholders.

Where can I find up to date information on the mirror funds?

Visit the Funds Centre at our website (www.fpiom.com). Here you can obtain information on our entire mirror fund range including daily fund prices, our fund guide and fund prices in pdf format plus current sales aids in the downloads section, guaranteed profits fund prices, fund factsheets detailing fund objectives, asset allocation and performance, and a fund prices and fund guide archive listing all back issues plus investment market commentaries which are updated weekly.

What are the Benefits of Investing Through our Mirror Funds?

As our company is based in the Isle of Man our mirror funds are therefore classed as offshore unit-linked insurance funds making them eligible for the tax efficient benefits of a company registered in an offshore jurisdiction:

Do the funds grow free of tax?
All income and capital gains arising within the funds are reinvested within the fund. As FPIL are based in the Isle of Man (the world-leading jurisdiction for offshore insurance) it does not pay tax on income or capital gains within the mirror funds apart from any withholding of tax deducted at source. Therefore an investor's capital can accumulate entirely free of tax.

Can tax be deferred?
Because income & gains grow free of tax the policyholder can defer any tax liability on their capital until benefits are taken.

Can I gain access to my capital in a tax efficient manner?
Under UK tax law, an amount equal to 5% of the premium paid can be taken each year for a maximum of 20 years without incurring an immediate income tax liability. The ability to defer tax means that with proper, well structured planning and timing, funds can be extracted in a tax efficient way via withdrawals.

Can I switch between funds without incurring tax?
By investing in a portfolio of funds via an insurance policy, the investor can switch between funds without incurring any tax liability. Normally any fund disposals incur a tax liability if funds are held directly, depending on the investor's country of residence.

Can my policy be assigned?
It is also possible to change the policy owner by assignment. The new policy owner can then surrender the policy and any tax liability will fall on them.

Can UK expats claim non-residence tax relief?
On final encashment, any chargeable gains can be reduced by periods of non-residence. Furthermore, where the policyholder is a basic rate taxpayer, top-slicing relief can be claimed to reduce or eliminate the proportion of gains chargeable at the higher rate of tax.

What level of investor protection can I expect by investing with an Isle of Man company?
The Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991 provides up to 90% of an insurer's liability to the policyholder, in the unlikely event that the company should go into liquidation. There is no upper limit to the amount of compensation that can be paid.

The Isle of Man was the first offshore centre to be granted Designated Territory status by the U.K. This makes the Isle of Man one of the best regulated international finance centres in the world.

What Fund Charges Can I Expect?

All mirror fund charges are included in the unit price of the funds as opposed to encashing units. These include our fund administration charge of 1.2% plus the annual management charge of the underlying fund manager (from 0.1% - 2.9%). All fund performance data supplied is net of these charges.

Fund prices may go down and up depending upon investment performance and past performance is not necessarily a guide to future performance. Please note that securities held within a fund may not be denominated in the currency of that fund and, as a result, fund prices may rise and fall purely on account of exchange rate fluctuations.

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Visit our website at www.fpiom.com
Details of our complete fund availability can be obtained from our website or from the address above.