



FRIENDS PROVIDENT INTERNATIONAL

May 2010

Dear Investor

Re: FPIL (SUSP) J44 Ground Rent Inc Series 1

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF IN DOUBT PLEASE SEEK PROFESSIONAL ADVICE.

We are writing to let you know of some important changes to the FPIL Ground Rent Income Fund (J44). As you may already be aware, Brandeaux announced recently that they would be changing the dealing terms of their Brandeaux Ground Rent Income Fund, allowing it to re-open on 30th April 2010. As a consequence, FPIL is now in a position to re-open its mirror fund J44, to new subscriptions and redemptions on **28th May 2010**, to coincide with the new dealing terms.

We will also take this opportunity to change the name of J44 to the FPIL Brandeaux Ground Rent Income Fund. This will bring the name of the fund in line with naming pattern applied to our other mirror funds for improved clarity of the external fund manager role. The existing fund code (J44) will remain the same.

We have been in close dialogue with Brandeaux in reaching this point and it is a very positive development, which Friends Provident International Limited (FPIL) fully supports.

Outlook for the Brandeaux Ground Rent Income Fund

Brandeaux have made the following comments regarding the outlook for the underlying fund:

... "Brandeaux's Ground Rent Income Fund is performing positively and its investments in ground rents and reversionary residential property have demonstrated their resilience to the financial turmoil. The outlook for continuing returns is positive, and the re-opening of the fund will bring further opportunities to enhance shareholder value." ...

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Regulated by the Financial Services Authority for UK business. Provider of life assurance and investment products

Important changes to the dealing terms of the Brandeaux Ground Rent Income Fund

Brandeaux have implemented a number of important changes to the dealing terms of their Ground Rent Income Fund which we need to bring to your attention. These reflect the realities of the current economic climate whilst attempting to maintain liquidity and protect the interests of existing investors in the fund. The changes are:

- The fund will now accept subscriptions on a monthly basis and also have a prescribed redemption notice period of 6 months, which the Directors of the fund have discretion to increase if they believe it is in the best interests of the fund to do so. However Brandeaux will endeavour to meet 'normal' levels of redemption requests on a monthly basis.
- Brandeaux will have the ability to postpone redemptions beyond the six-month notice period, should the redemptions be of a level that would endanger the liquidity of the fund. This flexibility will give Brandeaux greater ability to manage liquidity and reduce the possibility of a future suspension of the fund.

What is the impact on the FPIL Brandeaux Ground Rent Income Fund (J44)?

It will be necessary for us to adopt the same dealing terms for the mirror fund J44.

The changes to the dealing terms of Brandeaux's Ground Rent Income Fund mean that we will also have to change the dealing terms for the FPIL mirror fund J44 from weekly dealing to a monthly process, and with the same redemption notice period. This will happen automatically when J44 re-opens on 28th May 2010.

- **Information on the revised terms is supplied as an Appendix to this letter.**

Increase in cash weighting within J44

We will be increasing the cash in the fund to a long term target weighting of 5% of the total value of J44. The reason for this is to provide more flexibility for us in making payments to policyholders in a timely manner.

The cash element of the fund will be placed into the Investec GS Sterling Money Fund, which mirrors the investment parameters of Investec's Luxembourg domiciled Liquidity Fund. It has an "AAAm" money market fund rating from Standard & Poors (S&P), meaning it "provides extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market and/or liquidity risks". This is the highest money market fund credit rating available from S&P. However, please note that it is not a guaranteed investment and its value can go down as well as up.

The increased cash weighting within J44 will result in an increased difference in the performance of the mirror fund compared with the underlying Brandeaux Ground Rent Income Fund over time. Also if the cash position of the mirror fund becomes

fully used up, it will then follow the same redemption notice periods applying to Brandeaux's Ground Rent Income Fund at that time.

Keeping You Informed

We will continue to update the Brandeaux News section of our website with any relevant information. **Simply visit our dedicated Brandeaux web pages at www.fpinternational.com and click on "Funds" and then "Brandeaux News"**

If you have any questions regarding the information in this letter, please contact our Corporate Actions Team by telephoning +44 1624 821355 or emailing corporate.actions@fpiom.com

We thank you once again for your patience during what has been a frustrating time for everyone and trust that the re-opening of the mirror fund will be welcome news.

Yours sincerely,

Corporate Actions
Asset Servicing
Bond Administration Investments

Fund prices may fluctuate and are not guaranteed. Investment involves risk. Past performance should not be viewed as a reliable guide of future performance. For details and charges of the relevant underlying funds, please refer to the corresponding prospectus which will be made available by Friends Provident International. Investors should be aware that specific investor protection and compensation schemes that may exist in relation to collective investments and deposit accounts are unlikely to apply in the event of failure of such an investment held within insurance contracts.

Appendix
J44 – FPIL Brandeaux Ground Rent Income Fund

NEW TERMS APPLYING

MONEY IN

If you are an existing regular saver

If you were investing a regular amount into J44 before the suspension, we are pleased to confirm you will be able to resume contributions as soon as the fund re-opens on 28th May 2010.

If you have had premiums re-directed into the M65 Investec GS Sterling Money Fund (or any other fund/s) during the suspension period, you can switch these units back and continue saving into J44.

You will need to complete an appropriate **Key Facts Declaration**, together with a signed **Switch Request Form**, indicating your acceptance of the new terms before we can action your instructions. We will be accepting these from Monday 17th May.

Please note that these transactions will not occur automatically and we will require you to complete and return the necessary forms explained above. You will also need to ensure that any instruction keeps your policy within the 10 fund limit.

New lump sum and top-up investments

If you wish to make a top-up to an existing holding or a new lump sum investment into J44 when the fund re-opens, the minimum investment limit will be the same as applies to your existing policy. Details can be found within your policy terms and conditions. We will also require you to sign a **Key Facts Declaration** indicating your acceptance of the new terms before we can action your instructions.

Switches into J44 from other FPIL mirror funds

Both switches and/or re-directions into the fund will be permitted when the fund re-opens on 28th May 2010. We will need a signed **Key Facts Declaration** and **Switch Request Form** to process any switch, which we will be accepting from Monday 17th May.

What is a Key Facts Declaration and where can I obtain a copy?

We have introduced a new Key Facts Declaration (KFD) which must be signed by the policyholders and accompany all requests for any new investment into the fund. Given that Brandeaux's Ground Rent Income Fund is a specialist asset class, the KFD contains important information about the main features, benefits and risks of such an investment. **It is important that you are aware of these facts before considering further investment into the J44 mirror fund.**

Copies of the KFD are available from either your Financial Adviser or from the specialist Brandeaux News page in the Funds section of our website:
www.fpinternational.com

MONEY OUT

If you wish to fully or partly encash your units in J44

Whilst Brandeaux will endeavour to maintain normal redemptions to a monthly timescale, it is possible that requests could be delayed for a period of up to 6 months or more to protect the interests of long-term investors. FPIL will operate a queue process in these circumstances, on a first come, first served basis. You will need to send us signed instructions and these will be logged accordingly.

If you were already taking regular withdrawals from J44

We are pleased to confirm that existing regular withdrawals from the fund will recommence automatically from 1st July 2010, to meet the monthly dealing cycle of the underlying fund. If you are only invested in J44, we will recommence payments for the amount that was being paid from J44 before the fund suspended.

If you are invested in J44 and other restricted funds, the regular withdrawal payment will recommence for the same amount previously being paid from this fund only. As a result the regular withdrawal total payment may not be for the full amount that was paid before the other funds became restricted.

Please note that the regular withdrawal amount being taken when J44 re-opens cannot be increased above the amount that was paid from this fund before the suspension. This is due to the changes in the liquidity conditions of the fund.

Should Brandeaux be forced to suspend the fund again in future, the payments from J44 would also have to be stopped for the duration of any new suspension.

If you hold J44 and other unrestricted funds, your regular withdrawal should have recommenced from the other funds already – if they have not, please contact us at your earliest opportunity.

If payment of any regular withdrawals that have been missed during the suspension period are now required, you can request a one-off withdrawal or part encashment using our standard surrender/withdrawal form. Please note this request will be subject to the redemption terms.

What if I want to take regular withdrawals in the future?

We cannot accept any new regular withdrawal instructions from J44 due to the changes in the liquidity conditions of the fund. Instead, you will need to complete a switch request for some or all of your units from J44 into another FPIL mirror fund(s) of your choice (where no redemption restrictions apply) and then select the payments

once the switch completes. Please bear in mind that such a switch request out of J44 could take up to six months to complete due to the redemption notice terms now applying. Alternatively, you may choose a one-off redemption from J44, which will then be subject to the redemption terms.

Can switches out of J44 be made into other FPIL mirror funds?

Yes subject to the redemption restrictions.

What happens on a normal policy maturity date?

Where units are held in J44 at the relevant maturity date, proceeds will be subject to the new redemption terms. Other funds, where no restrictions apply, will be paid out as normal.

What will happen in the event of a death claim?

Where units are held in J44 at the date of death, proceeds will be subject to the redemption notice period in place at the time we receive notification of death or the appropriate paperwork. Other funds, where no restrictions apply, will be encashed as normal.