



2011 FL Secure Growth Fund Report

Fund objective

The objective of the FL 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 Fixed Income (78%), Ordinary Shares (20%) and Cash and other assets (2%).

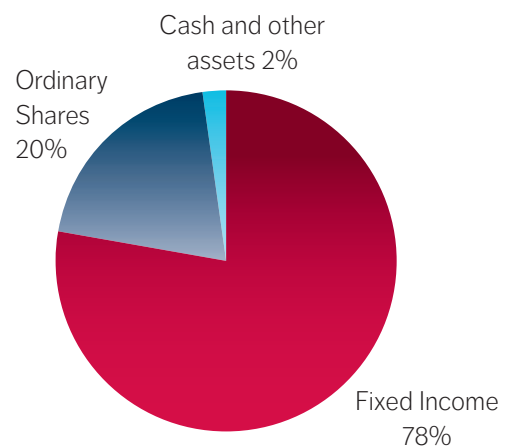
Unlike a unit-linked fund, investment returns on the FL Secure Growth Fund are smoothed over a period of years by using investment reserves.

The fund predominantly invests in fixed interest investments, with some degree of exposure to shares in companies. In the long term, the fund's return will reflect the performance of these 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.

FL Secure Growth Fund

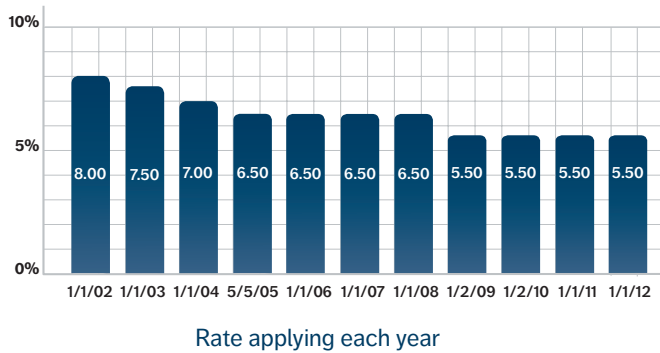
Risk band	Your approach to investment risk
 Medium –	For a full explanation of risk ratings, refer to page 3.
Risk warnings	
A, C, D, G, H	These are the risk warnings that apply to this fund. For a full explanation, refer to page 3.

Distribution of fund as at 31/12/2011



Interest rates for the FL Secure Growth Fund

Gross annual rate of interest 2002 – 2012



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

The declared interest rates listed above are before any charges have been deducted.

In the FL 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 on 1 February 2009 with subsequent reviews leaving the rate unchanged. This rate will remain in place until a change is authorised by the Friends Life and Pensions Limited (FLP) Board. Future interest rates will vary based upon the returns of the underlying investments. Interest rates are applied to your fund value by an increase in the unit price. You may have a minimum income guarantee applicable to your policy. Please check your policy conditions for more information.

Market Value Reduction (MVR)

MVRs are used to ensure that all our customers invested in the FL Secure Growth Fund are treated fairly. They may be applied when the underlying value and investments backing the FL Secure Growth Fund is less than the value and the interest payments already guaranteed. This may occur 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 FL 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. An MVR reduces the unit price used to calculate the value of units for policyholders leaving the fund at times other than those specified in the contract. When it is applied, it will reduce the value of your investment, which means you may get back less than invested.

Short Term Investment Charge

The fund should be viewed as a means for long-term investment. Investments withdrawn from the fund within five years may be subject to a charge, depending on the terms and conditions of the product you are in. Please refer to your policy conditions for more information.

Commentary for the period 01/01/11 to 31/12/11

Corporate bonds made gains in 2011, although performance was fluctuated as investors remained pre-occupied by eurozone sovereign debt woes and fears that the major developed economies would slide back into recession. While this helped drive healthy returns from the government bonds, the performance of corporate bonds was weaker as concerns about banks' exposure to Greek debt sapped confidence in the financial industry. General worries about economic growth and the eurozone caused the UK stockmarket to post a loss over the year. However, signs of a recovery in the US economy and moves by the European Central Bank to guarantee funding for banks helped both corporate bonds and UK stockmarket to end the year on a firmer footing.

The benchmark for the FL Secure Growth Fund is 78% investment in non-gilt fixed income securities, 20% in ordinary shares and 2% in cash and other assets. The fund held a higher position in UK equities than its benchmark at the start of the year. While this helped performance at a time when investor confidence was still reasonably high, this stance was a drag on performance as riskier assets fell out of favour in the third quarter of the year. Accordingly, we reduced our exposure to UK equities to neutral relative to the benchmark.

Further information

You can invest in this fund through a number of different products. For further information on the FL Secure Growth Fund, we recommend you speak to your financial adviser and refer to your product literature. Alternatively, please contact Friends Life on 0845 602 9199.

Approaches to investment risk

All investments carry some form of risk but this varies from fund to fund. Each risk band is shown below with an explanation of the relevant approach to investment risk.

Risk band	Your approach to investment risk
 High +	As a very adventurous investor, you will accept much higher risk for the prospect of much higher returns
 High	You're an adventurous investor willing to accept high risk for the prospect of high returns
 High -	As an adventurous investor you will accept above-average but below high risk for the prospect of high returns
 Medium +	You prefer a balanced approach to investment and are willing to accept above-average risk in the hope of higher returns
 Medium	You prefer a balanced approach to investment and are willing to accept average risk to achieve more attractive returns
 Medium -	You will accept below-average risk to achieve more attractive returns
 Low +	Although a cautious investor, you're prepared to accept low levels of risk for the prospect of slightly higher returns
 Low	You're a very cautious investor and are willing to take a minimal amount of risk only

Please note...

The above risk bands and their descriptions are the opinion of Friends Life

The colours in this table may be different to those used online, however the bands and approach to investment risk remain the same.

Fund risk warnings

There are risks associated with investing in funds, or types of funds. In this document we only show which risk warning or warnings apply to the secure growth fund.

Risk warning type	Risk warning code	Risk warnings
Investment is not guaranteed	A	The value of an investment is not guaranteed and can go up and down depending on performance. You could get back less than you have paid in.
Suspend trading	C	Fund managers have the ability, in exceptional circumstances, to suspend trading in their funds for as long as necessary. When this occurs we will need to delay the 'cashing in' or switching of units in the relevant fund. You may not be able to access your money during this period.
Income	D	Where a fund aims to generate an income, we reinvest any income back into the fund to increase the value of the units.
Smaller companies	G	Some funds invest in the shares of smaller companies. These shares can be more volatile and less liquid than larger company shares, so the fund may carry more risk.
Fixed interest	H	Where a fund invests in fixed interest securities, such as company or government bonds, the value may go up and down as interest rates change. If interest rates rise, the value is likely to fall. Some high yielding bonds are known as junk bonds. These carry an increased risk that the issuer of the bond will be unable to continue the interest payments or return the capital at maturity.

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Authorised and regulated by the Financial Services Authority

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