

## Reserve

*This Guide should be read in conjunction with the Product Brochure,  
the Mirror Funds leaflet and the Annual Charges leaflet.*

## RESERVE

Reserve is an investment-linked insurance plan under Class C linked long-term business as defined in the Insurance Companies Ordinance ("ICO") offered by Friends Provident International as an authorised insurance company under the ICO in Hong Kong.

## ASSETS

100% of your premium will be placed into the General Transactions Account. After the deduction of the Establishment Charge, the net figure is available to purchase the assets of your choice from the available range of funds.

Reserve gives you the freedom to select the funds that you invest in. The responsibility for its performance, therefore, rests with you or your Fund Adviser. Whatever type of fund you choose, it is important to remember that the value can go down as well as up. Where assets are in a different currency, the value may rise and fall purely on the basis of exchange rate fluctuations.

The minimum investment holding in any one asset is £5,000 or currency equivalent. The maximum number of funds that may be held in Reserve is 50.

### ACCEPTABLE ASSETS - COLLECTIVE INVESTMENTS VERSION

For a fund to be available, it must be structured as follows:

- A UK authorised unit trust within the meaning of section 468 ICTA 1988
- A UK investment trust, excluding warrants, within the meaning of section 842 ICTA 1988
- An open-ended investment company (OEIC) within the meaning of section 236 of the UK Financial Services & Markets Act 2000
- An interest in an overseas collective investment\* that is structured as one of the following:
  - an open ended investment company
  - a unit trust
  - offshore distributor and non distributor funds.

\* "Collective investment" as defined in section 235 of the UK Financial Services & Markets Act 2000.

US and Canadian Mutual Funds are not permitted.

If you are resident in Hong Kong, you should remember that funds not authorised or registered in Hong Kong are not available to you.

### Availability

In order for a collective investment to be made available by us to a Reserve Collective Investments policyholder, ownership must not be restricted in such a way as to prevent

us from making it available to other Reserve Collective Investments policyholders. Collective investments which are structured as partnerships, limited partnerships, private funds or funds restricted to a class of investors not determined by Friends Provident International alone are not acceptable. Insurance policies issued by other life assurance companies are not acceptable.

### Subscription Frequency

It must be possible to subscribe to and redeem from an investment daily, weekly, monthly or quarterly at the least.

### Liquidity

There will be no clauses restricting dealing, e.g. 12 months waiting period before assets can be redeemed. The fund will not be accepted if redemptions are restricted until a buyer is located and the sale matched out.

### Pricing

The unit or share price for the fund must be readily available or publicly quoted regularly.

### Cash

The holding of cash, including bank and building society deposits and the General Transactions Account, is permitted provided it is not held for the purpose of realising a gain on disposal.

### Note

We reserve the right to amend the standard menu at any time, providing that at all times any such amendments comply with Regulation 4 of the Personal Portfolio Bonds (Tax) Regulations 1999 of the United Kingdom and any subsequent amendments thereof. We also reserve the right to refuse any asset at our discretion.

### ACCEPTABLE ASSETS - PERSONALISED INVESTMENTS VERSION

Reserve - the Personalised Assets version enables you to set up a privately-chosen portfolio of any investment quoted on the world's major stock markets, securities, cash and term deposits, and any of Friends Provident International's range of mirror funds. Whatever type of investment you choose, it is important to remember that the value can go down as well as up. Where assets are in a different currency, the value may rise and fall purely on the basis of exchange rate fluctuations.

Any eligible stocks presently held can be included. However, Reserve cannot accept the following:

- Friends Provident Shares
- F&C Asset Management plc shares
- Commodities
- Real Property
- Options/Futures/Precious Metals

- UK National Savings Capital Portfolios
- US and Canadian Mutual Funds.

This is not an exhaustive list and we reserve the right to refuse other assets which we regard as unsuitable.

## SHARE SALE

We will sell shares on behalf of the investor. The proceeds from this sale are then invested in your portfolio. The following terms will apply to Share Sale transactions:

- Only available on Certificated UK equities
- The minimum value of each stock to be sold is £1,000
- A standard Dealing Charge will apply to every sale of assets
- Friends Provident International Limited will pass on any stockbroker commission and stamp duty direct to the investor
- Cash proceeds of the sale will be added to the General Transactions Account.

## ASSET EXCHANGE

We will re-register assets in the name of Friends Provident International Limited, at the investor's request. The value of the assets remains within your portfolio. Most assets can be transferred in this way, provided they satisfy the terms outlined above and that their inclusion in the portfolio would not cause it to be classed as a Personal Portfolio Bond as defined in the UK Personal Portfolio Bonds (Tax) Regulations 1999.

So that the administration of the Asset Exchange facility is completed quickly and efficiently, please take time to read the following guidance notes. If you require any assistance or have any queries when the time comes to send any assets to us for exchange, please feel free to contact our Investments Department:

- Telephone +44(0) 1624 821017
- Fax +44(0) 1624 821105
- E-mail: [investments@fpiom.com](mailto:investments@fpiom.com)

All Asset Exchanges will incur a charge - see the Summary of Charges. Assets below £5,000 cannot use the Asset Exchange facility.

## GUIDANCE NOTES

- If assets are registered in the investor's name please complete the relevant section of the Reserve application form
- Please also provide confirmation of holdings. This can be recent statements from unit trust managers, or contract notes if the assets are non-certified
- If assets are certified, the actual certificate must be provided. If a certificate is lost, then the investor must apply for an indemnity before the Asset Exchange can take place.

Please note: Friends Provident International Limited will not join in any indemnity for a certificate lost in a client's name.

- Assets which are held in a nominee name require:
  - A statement from the nominee company or bank
  - A letter from the client stating that he wishes the assets to be part of a Friends Provident International Reserve
  - A copy letter to the nominee company or bank stating that the transfer is to take place
  - Full details of the nominee contact name, address and telephone or fax numbers, particularly if different custodians are involved.

PLEASE NOTE: At this stage, all dealing on the nominee account must cease.

- The value date will be the date Friends Provident International confirms receipt of the assets.
- All assets will be valued using Net Asset Value or bid prices.
- A valuation letter will be issued before the transfer takes place.
- Once the transfer has taken place, a fax confirming receipt of all assets is sent to the intermediary.
- Assets in certificated or non-certificated form require a transfer form to be completed, using the Power of Attorney. Some Jersey companies, however, do not accept the Friends Provident International Limited Power of Attorney forms. If this is the case, please complete a stock transfer form (available from Friends Provident International Limited).

## TAX TREATMENT

Asset exchange may result in a personal Capital Gains Tax liability, dependent on the clients country of residence. Any liability must be met by the clients, personally, from their own funds.



## **SUMMARY OF CHARGES**

Please note: A unique, personalised structure of charges has been developed by Friends Provident International Limited specially for Reserve. A personal charging structure will be prepared for you which will reflect the agreement reached between you and your Independent Financial Adviser. This must be signed and returned with the completed application form.

100% of your premium will be placed into the General Transactions Account. After the deduction of the Establishment Charge, the net figure is available to purchase the assets of your choice.

These charges are current as at 1 April 2008. Fixed amount charges in currencies other than Sterling are set by the Appointed Actuary four times each year, 28 days prior to each calendar quarter. The amounts are based on the Sterling charges but can vary from quarter to quarter depending on movements in exchange rates. Note: all fixed amount charges are linked to Isle of Man inflation.

Friends Provident International Limited reserves the right to change its charges at any time at its discretion. Our policy is to give three months' notice of any charges as required in the policy conditions.

## CHARGES

ESTABLISHMENT CHARGE (Applied to initial and any subsequent contributions)	The Establishment Charge will be deducted quarterly, during the initial period of zero, five or eight years. This initial period is selected on the payment of any or all premiums. The precise charge will be determined by your personal charging structure. The maximum Establishment Charge, based on the amount of premium, is 8.5% when the Charge is taken immediately, 1.9% per annum for an initial period of five years, and 1.25% per annum for an initial period of eight years.
ADMINISTRATION CHARGE	£101.50 (or currency equivalent) per quarter.
DEALING CHARGE	A Dealing Charge will apply to every sale or purchase of assets for your portfolio. This is currently £22.50 (or currency equivalent) per deal.
FUND ADMINISTRATION CHARGE	An annual management charge is taken in respect of any investments in the FPIL mirror funds. This charge, currently 1.2% per annum, is payable out of the assets of each fund whenever the fund is valued.
FUND MANAGER CHARGES	On certain assets such as collective investments and FPIL mirror funds, the managers will take charges from the assets. Details of the current annual charges taken by the managers of the assets held in the FPIL mirror funds are available in the Annual Charges leaflet. For any other charges, please refer to the individual fund prospectus.
ASSET EXCHANGE	Asset Exchanges will incur a charge of £100 (or currency equivalent) for each individual asset. The maximum charge taken for any premium paid will be £1,000 (or currency equivalent).
SURRENDER PENALTY	During the initial period (selected at outset and variable between zero, five or eight years) a Surrender Penalty equal to the outstanding Establishment Charge will apply.
SAFE CUSTODY ON SECURITIES	Agents' charges in respect of securities, such as Investment Trusts (Collective Investments version) or Eurobonds and equities (Personalised Assets version) which are held by safe custodian banks throughout the world will be debited to your portfolio. Agents' charges are not currently incurred for safe custody or dividend collection where securities are in registered form and the certificates are held by us here in the Isle of Man.
DELIVERY AND RECEIPT CHARGES	In the general course of dealing in markets, agents' fees are incurred in the receipt and delivery of securities. These charges are levied by the agents at the time of dealing and are debited to your portfolio by Friends Provident International. Under the terms of your contract we will deduct these from the fund immediately they are incurred.
STOCKBROKERS' FEES	Such fees are not shown as separate items within your portfolio as the Stockbroker includes his costs in the total settlement shown for each transaction.
AD HOC CHARGES	The following transactions will incur a charge of £112.00 (or currency equivalent) for each transaction: <ul style="list-style-type: none"><li>• change of investment adviser</li><li>• change of life assured</li><li>• valuation requested from Friends Provident International, above the annual valuation provided free</li></ul>

## IMPORTANT INFORMATION

The information given in this document is based on the understanding of Friends Provident International Limited of current law and Isle of Man taxation practice, which may change in the future. No liability can be accepted for any personal tax consequences of this scheme or for the effect of future tax or legislative changes.

Fund prices may go down and up depending upon investment performance. Past performance is not indicative of 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. You may get back less than you have paid in.

Holders of policies issued by the Company will not be protected by the Financial Services Compensation Scheme if the Company should become unable to meet its liabilities to them. Policyholders will receive the protection of the Life Assurance (Compensation of Policyholders) Regulations 1991 of the Isle of Man.

Complaints we cannot settle can be referred to the Financial Services Ombudsman Scheme for the Isle of Man or the Financial Ombudsman Scheme in the UK, depending on the parties involved.

Some telephone communications with the Company are recorded and may be randomly monitored or intruded into.

## LEGAL INTERPRETATION

Each policy is governed by and shall be construed in accordance with the law of the Isle of Man.

## IMPORTANT NOTES

The documentation of Reserve has been authorised by the Hong Kong Securities and Futures Commission pursuant to Section 105(1) of the Securities and Futures Ordinance. In giving this authorisation the Commission has made no assessment of, nor does it take responsibility for, the financial soundness or merits of Reserve, nor has it verified the accuracy or truthfulness of statements or opinion expressed in the documentation. The constitutive documents of Reserve are available for inspection at Friends Provident International Limited's offices at the address given.

Each policy is governed by and shall be construed in accordance with the law of the Isle of Man. However, this will not preclude the right to bring legal action in a Hong Kong court.

Friends Provident International Limited accepts responsibility for the accuracy of statements contained in this brochure and that no material facts have been omitted from the information provided to the best of Friends Provident International Limited's knowledge.

## Illustration of Surrender Value

Applicants will be required to sign an illustration document as part of the application for a policy. This document includes a table of figures which shows the impact of fees and charges on the product and their effect on surrender values. The figures are based on certain assumptions as stated in the document.

## Cooling-Off Rights

**Applicants have the right to cancel a policy and obtain a refund of any premiums paid less any market value adjustment by giving a written notice to us. If you decide to cancel your policy, you must send a written notice to us direct at our office at Suites 1203-1211 Two Pacific Place, 88 Queensway, Hong Kong. Such notice must be signed by you and received by us within 21 days after the delivery of the policy or issue of a notice to you or your representative about the availability of the policy and the expiry date of the cooling-off period, whichever is earlier.** If you would like to know how we calculate the market value adjustment, please contact our office at the address shown above for further information.

## Mirror fund price roundings

In pricing each Friends Provident International fund in the mirror fund range, we may reasonably round any calculations by an adjustment of not more than 0.001%. All rounding adjustments accrue to the benefit of the policyholders who invest in that fund.

The maximum offer price and the minimum bid price are calculated each valuation day. The maximum offer price is rounded up to two decimal places and the minimum bid price is rounded down to two decimal places.

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Friends Provident International Limited

Registered & Head Office: Royal Court, Castletown, Isle of Man, British Isles, IM9 1RA  
Telephone: +44(0) 1624 821212 Fax: +44(0) 1624 824405

Incorporated company limited by shares

Registered in the Isle of Man No. 11494

Authorised by the Isle of Man Insurance & Pensions Authority and regulated by the

Financial Services Authority for the conduct of investment business in the UK

Provider of life assurance and investment products

The appointed representative of the Company in Hong Kong is

Friends Provident International Limited's branch office:

Friends Provident International Limited

Suites 1203-1211, Two Pacific Place, 88 Queensway, Hong Kong

Telephone: +852 2524 2027 Fax: +852 2868 4983

Website: [www.fpinternational.com.hk](http://www.fpinternational.com.hk)

Authorised by the Office of the Commissioner of Insurance to conduct long-term insurance business in Hong Kong

