

## Introduction

This leaflet is our regular update on investment performance, bonus rates, charges and guarantees. We have previously sent you a copy of our guide, "How we manage the Phoenix Life Limited - Phoenix With-Profits Fund" ('the Guide'). This guide, which gives important information about how your with profits policy works, is available on our website [www.phoenixlifegroup.co.uk](http://www.phoenixlifegroup.co.uk) or on request. As we refer to this guide throughout this leaflet, you may wish to read it again before reading this leaflet.

## Key facts about your guarantees

- Your policy may have a guarantee on a specified policy anniversary. (Please refer to your policy documents for more details or contact our Customer Services Helpline on 0845 070 0105 if you need assistance).
- If one applies, on that date, you can surrender your bond for at least the amount of your original investment, less any amounts already withdrawn.
- If you need to surrender your bond at any other time, we may apply a market value reduction ('MVR') to make sure that any amount paid out reflects the performance of the with profits fund up to the time that the policy is surrendered.

**If you are considering surrendering your policy, you should take into account the value of any guarantees that your policy has. You may wish to seek financial advice before surrendering your policy. If so, you should contact your normal financial adviser. If you do not have an adviser, arrangements have been put in place to help put you in touch with**

**a specialist company who can provide independent financial advice. For further details, please visit our website or contact our Customer Services Helpline on 0845 070 0105.**

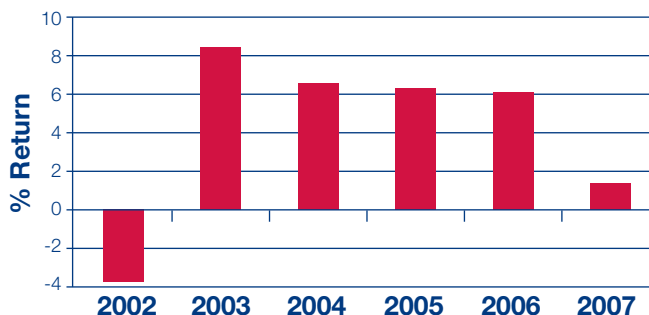
## Investment markets

We invest in a mix of assets such as equities (company shares), property and bonds (types of loan issued by the Government or companies).

- The return on UK Government bonds ('Gilts') for this type of policy was 8%<sup>1</sup> in 2007.
- Bonds issued by companies did not perform as well as those issued by the Government during 2007, mainly due to concerns over lending practices in the international banking sector.
- Stock markets worldwide rose during 2007, with UK shares ending the year 1% above their peak in 2000<sup>2</sup>. Our share investments returned 5% over the year.
- Our commercial property investments performed poorly, returning about -11% in 2007.

The figures above are before tax.

The chart below shows the investment returns (net of tax) earned in the last six years in respect of with profit bonds issued between July and December 1996. Different values will apply for bonds issued at different times and for other types of policy.



Source: Phoenix Life Group. Past performance is not necessarily a guide to future performance.

<sup>1</sup> FTSE UK gilt indices 31.12.06 - 31.12.07.

<sup>2</sup> FTSE All-share index 31.12.07.

## Investment approach

The Guide outlines our approach to investment. It is particularly important for you to be aware that the proportion of investments with higher risk, and therefore higher performance potential, is not the same for all policies.

During 2007, we increased the proportion of our assets invested in higher risk investments such as shares and property. For policies already invested in higher risk investments, we have generally increased the amount invested in these investments, and therefore increased the potential for a higher return. As a result, the amount invested in lower risk investments has reduced for these policies.

Table 1 (at the end of this leaflet) shows the approximate share and property proportions we held at 31 December 2007 for specimen with profit bonds commencing at different dates.

## Annual bonuses

Annual bonuses are added to your policy on each policy anniversary.

Over the last few years, annual bonus rates have been at low levels. We expect that this will continue to be the case for some years to come. This is because the guaranteed benefits under many policies are high relative to the investment returns which we have earned or expect to be able to earn.

The Guide explains the conditions under which annual bonuses may be added.

## Customers making regular withdrawals from with profits bonds

If you are currently taking regular withdrawals from your policy at a rate more than the annual bonus rate, then the ongoing value of your policy will be reducing.

You can ask us to reduce the amount of regular withdrawals or stop them altogether at any time. This will reduce the rate at which the ongoing value of your policy decreases. You may wish to seek financial advice before requesting any change.

## Final bonuses

There are no final bonuses on your policy.

## Market value reductions

The Guide explains how and when we apply market value reductions.

Market value reductions are being applied in most cases if policies are surrendered now. Market value reductions that were applied to policies on 1 July 2008, and their effects on surrender values, are shown in Table 1 at the end of this leaflet.

If the profits that we earn on our investments in future are higher than the annual bonuses that we add, we will be able to reduce the market value reductions that apply to some of our policies. However, if profits are lower than the annual bonuses that we add, then market value reductions will increase.

We will not apply a market value reduction on death or to amounts taken as regular withdrawals.

## Guarantees and charges

Your policy contains guarantees. When calculating the bonuses that apply to your policy, we currently make deductions for the cost of these guarantees. The level of charges is not guaranteed and could change if our expected cost of guarantees were to change in future.

## Compliance with the Principles and Practices of Financial Management

In common with other insurance companies which have issued with profits policies, we maintain a document which sets out the principles which we apply to the management of our with profits policies and the current methods we adopt to put those principles into practice. This is called our Principles and Practices of Financial Management ('PPFM'). You can find this document on our website.

During 2007, we reported on our compliance with our PPFM in 2006. This report is also available on our website. In summary, we considered that we complied with our PPFM, in all material respects, throughout 2006 and noted that our With Profits Committee and our With Profits Actuary both agreed with this conclusion. We expect to report on our compliance with the PPFM in 2007 by 30 June 2008.

**Table 1** – All values as at 1 July 2008.

Original dates of investment	Assured investment date (1)	Current ongoing value per £100 invested (2)	Market value reduction (3)	Current surrender value per £100 invested (4)	Equity/Property proportion held for specimen policy (4)
1 Jan 92 - 31 Mar 92	Jan-92	283	-4%	272	45% / 24%
11 May 92 - 30 Aug 92 (5 year)	Jul-92	267	-4%	256	45% / 24%
11 May 92 - 30 Aug 92 (10 year)	Jul-92	263	-5%	250	45% / 24%
31 Aug 92 - 30 Nov 92 (5 year)	Sep-92	255	-2%	250	45% / 24%
31 Aug 92 - 30 Nov 92 (10 year)	Sep-92	257	-1%	254	45% / 24%
15 Jan 93 - 30 Apr 93	Mar-93	218	-6%	205	45% / 24%
17 May 93 - 31 Aug 93	Jul-93	205	-8%	189	45% / 24%
13 Sep 93 - 30 Nov 93	Sep-93	207	-7%	193	45% / 24%
01 Dec 93 - 30 Mar 94	Jan-94	203	-5%	193	45% / 24%
05 Apr 94 - 30 Jun 94	May-94	227	-6%	213	45% / 24%
04 Jul 94 - 29 Dec 94	Sep-94	224	-3%	217	45% / 24%
01 Jan 95 - 29 Sep 95	Jun-95	209	-3%	202	45% / 24%
04 Oct 95 - 14 Jan 96	Oct-95	184	-6%	173	45% / 24%
23 Jan 96 - 30 Jun 96	Mar-96	173	-8%	159	45% / 24%
01 Jun 96 - 31 Dec 96	Sep-96	163	-11%	145	45% / 24%

Notes:

- (1) As annual bonus is added on the policy anniversary, the ongoing value depends on the date of investment. The value may differ for different investment dates.
- (2) Based on an original investment of £10,000 (values will differ slightly for other amounts) and assuming no bonus has been taken as income and no withdrawals have been taken.
- (3) Market value reductions are represented by negative values.
- (4) The remainder of the policy is invested in fixed interest and cash.

Phoenix Life Limited is authorised and regulated by the Financial Services Authority.

Phoenix Life Limited is registered in England (No. 1016269)

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