

An introduction to the Investment ISA

2010-2011 tax year



About us

National Friendly is a mutual society established in 1868. We offer investments, life cover and healthcare for you and your family and have over 140 years' experience of caring for our members.

As a mutual we have no shareholders to take a share of our profits. This means we can use our profits for the benefit of our members.

Our main purpose is to provide benefits for our members and we pride ourselves on the high standard of service we offer.

Everyone who takes out an Investment ISA becomes a member of National Friendly.

Summary

Our Investment ISA allows you to build a tax-free* lump sum through:

- ✓ **Regular contributions**
- ✓ **Lump sum investments**
- ✓ **Transferring in existing ISAs**

* Except for the tax National Friendly pays on share dividend income.



7 good reasons to apply for our Investment ISA

Our Investment ISA is a stocks & shares ISA. It allows you to invest up to £10,200 each tax year through monthly payments and/or lump sums.

- 1** You choose how much to invest – starting from £50 a month by direct debit or an initial lump sum of at least £1,000.
- 2** Your money is added to our long established with-profits fund, which is looked after by investment experts and monitored daily.
- 3** The fund invests in a diverse portfolio of assets to give a good balance of risk and return.
- 4** We reduce the effects of stock market fluctuations by ‘smoothing’ your returns i.e. we use profits from the good years to improve the return in the bad years.
- 5** Bonuses may be added to your investment depending on performance.
- 6** You can withdraw a minimum of £500 at any time without notice or penalty, providing your balance does not fall below £1,000.
- 7** Every year we’ll send you a statement to confirm the current value of your ISA.

You can also apply to transfer an existing ISA from another provider to our Investment ISA. Simply complete an ISA transfer form and we’ll take care of everything for you.

Things you should know

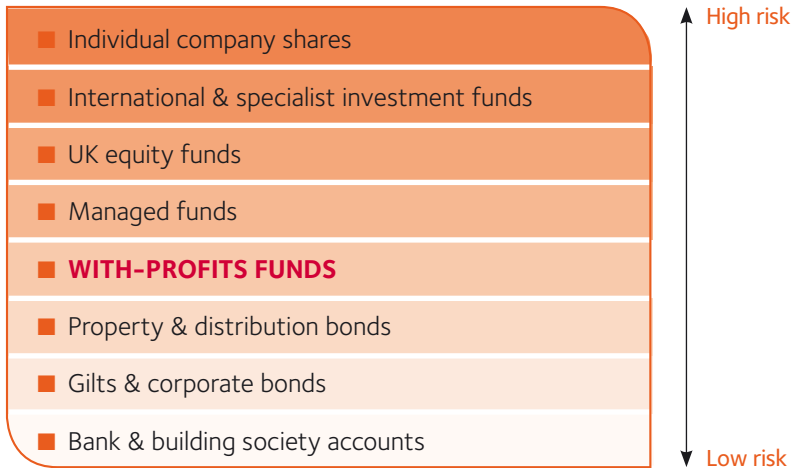
- To apply you need to be a UK resident aged at least 18.
- We recommend you hold your ISA for a minimum of 5 years and ideally for at least 10.
- All our charges are detailed on page 7 of the Key Features booklet. It's important you read these and understand how they affect your investment.
- When you withdraw your money you could get back less than you invested (see page 3 of the Key Features booklet) if:
 - Bonuses are less than the fund charges.
 - You withdraw all or part of your money at any time during or following periods of poor performance.
 - You withdraw all or part of your money when the ISA Investment Performance Adjustment (IPA) is negative.
- The only tax deducted is on dividend income from the shares in the with-profits fund. You cannot reclaim this.
- The tax treatment of the plan may change in the future and could also depend on your individual circumstances.
- Inflation will reduce what you can buy in the future with your investment.



How we invest your money

With so many things to worry about as we go through life, it's great to know your ISA doesn't have to be one of them. Our cautiously managed Investment ISA provides an attractive option for investors looking to take a more prudent

approach with their tax-free savings contribution limit, as it aims to lower the risk of the investment reducing in value. This diagram shows how investing in a with-profits fund compares to other investment options.



In general, investments that offer the potential of a higher return bring with them an increased risk of losing all or part of your investment.

Your money, along with that from other investors, is pooled into our long established with-profits fund and is managed by investment experts who monitor the fund daily.

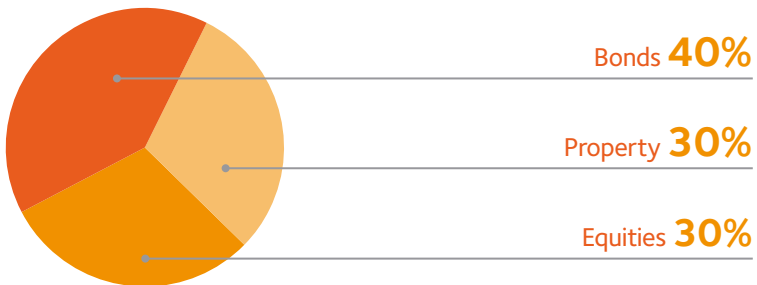
The following charts explain how the money in the with-profits fund is invested.

Please note - investment conditions change daily, so the exact split of investments can vary.

With-Profits Fund Investment Portfolio

As at March 2010

The with-profits fund invests in a variety of assets such as bonds, property and company shares (also known as equities). This chart shows what percentage is invested in each.

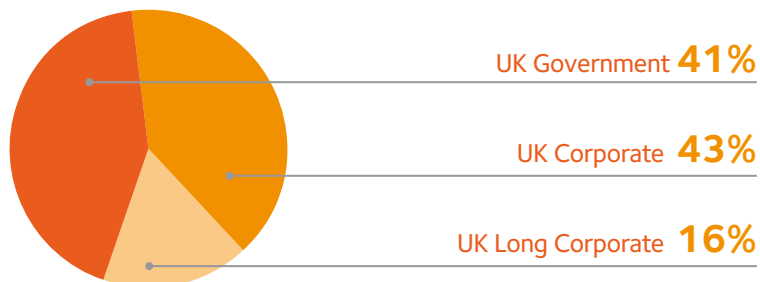


The following charts show how each section of the with-profits fund is invested

Bond Portfolio

As at March 2010

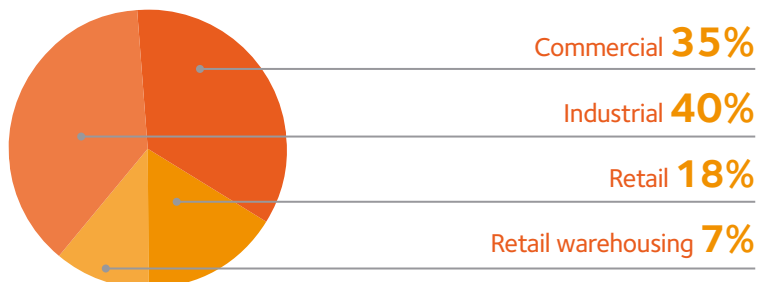
The bonds portfolio is managed by Fidelity International and holds investment grade fixed interest bonds.



Property Portfolio

As at March 2010

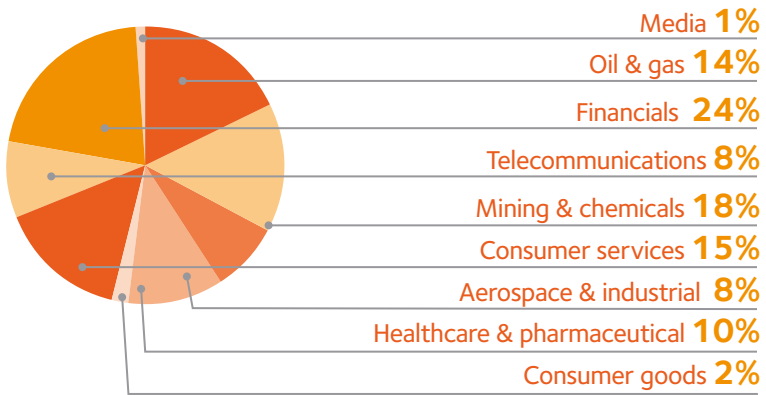
This portfolio is managed by our own National Friendly property experts and is made up of a range of different property types across the UK.



Equities Portfolio

As at March 2010

The equities portfolio is also managed by Fidelity International, with the greater part held in UK blue chip companies.*



* Large well established companies with a reputation for being financially secure

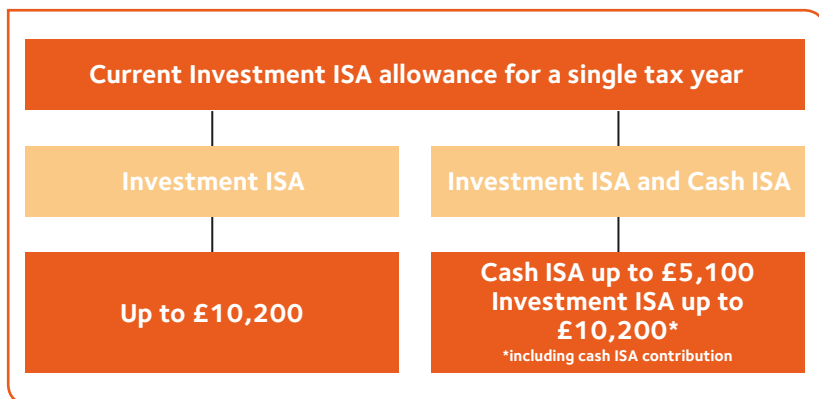
Tracking the value of your ISA

Every year you will receive a statement confirming the current value of your ISA. This includes details of any bonuses added, withdrawals made and charges deducted. An Investment Performance Adjustment (IPA) will also be applied (please see page 6 of the Key Features booklet).

Your 2010/11 ISA options

Our Investment ISA is a stocks & shares ISA. From 6th April 2010 it allows you to invest up to £10,200 each tax year through monthly payments and/or lump sums.


If you have a cash ISA you can still apply for a stocks and shares ISA. The table below shows how your ISA allowance breaks down for the 2010/11 tax year.



You can only invest in one cash ISA and one stocks & shares ISA each tax year.


Next steps

Applying is quick and easy. Simply read the 'Key Features' booklet and 'A guide to how we manage our with-profits fund', then either:

 Complete and return your application form

 Visit www.nationalfriendly.co.uk/isa

If you have any questions, please:

 Call us on **0800 195 9245**
(8am-6pm weekdays, calls are recorded for quality purposes)

 or email enquiries@nationalfriendly.co.uk

Other products available

Investments

- Tax-Free Savings Plan
- With-Profits Bond

Health & Life Cover

- Healthcare Deposit Account
- 50+ Life Plan

For extra information on this product or to request a copy in Braille, large print or audio please call us on:

0800 195 9245

(8am-6pm weekdays, calls are recorded for quality purposes)

Email enquiries@nationalfriendly.co.uk

Or alternatively contact your financial adviser



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