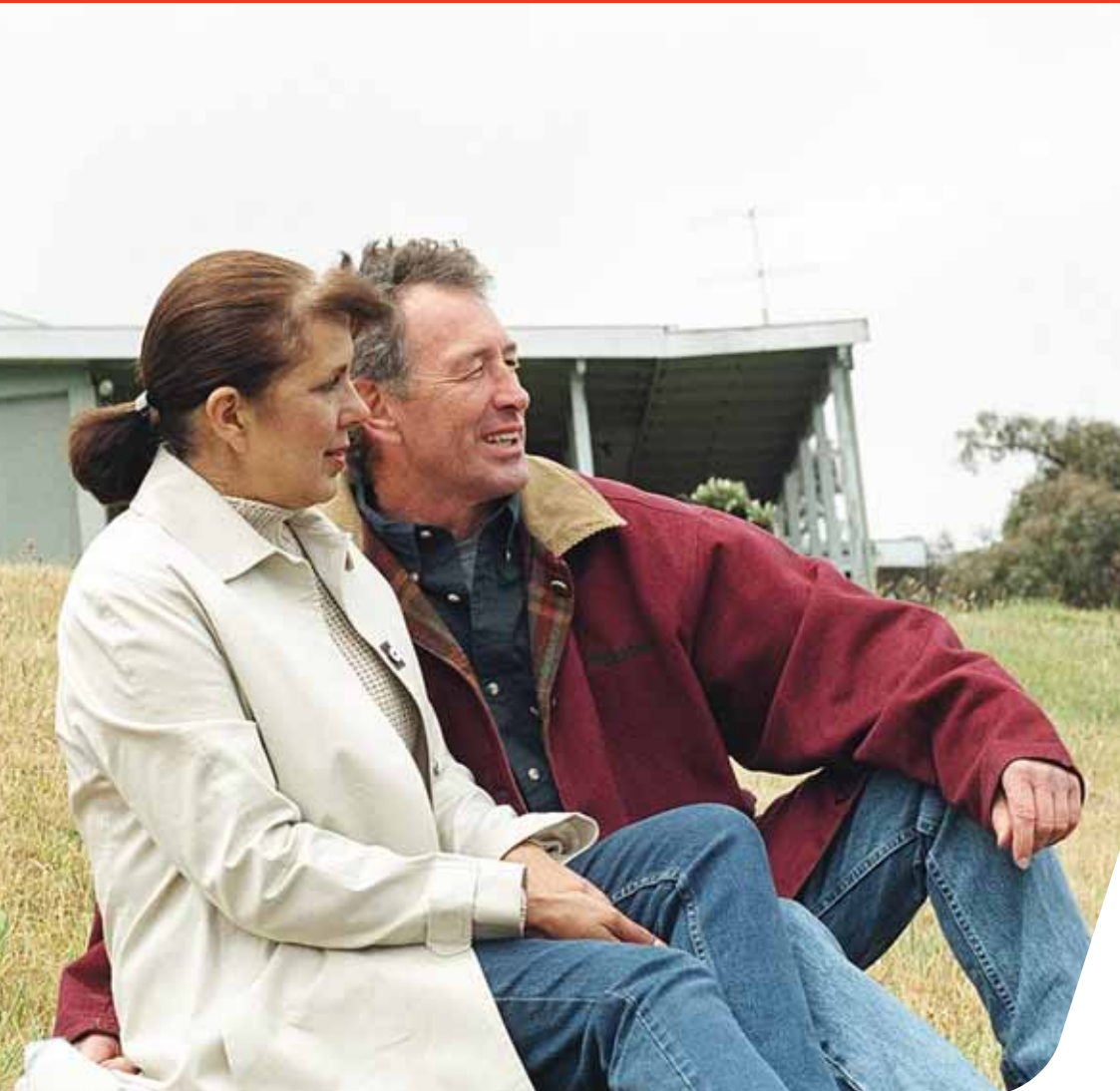




2009 Investment Report for Pearl Unit-Linked Pension Funds



Each year we send you a statement to keep you up-to-date on how your unit-linked pension policy is performing. This booklet has been produced to provide you with some additional information about where your money is invested and how the investment markets performed in 2009. If you have access to the internet, please visit our website www.pearl.co.uk for the latest fund prices. Please note that we have recently added a new document to our website - 'How we look after your unit-linked policy'. It aims to give you a better understanding of unit-linked policies and how they work.

Market Overview

After starting the year on a downward spiral as fear of a global financial meltdown and a deteriorating economic outlook took hold, global equities rebounded during 2009. Initially, equities sold off aggressively as various governments and central banks tried to reignite confidence by cutting base rates and introducing quantitative easing initiatives (the printing of money to purchase assets); base rates fell from 2.0% to 0.5% in the UK and from 2.5% to 1.0% in the Eurozone; rates in the US and Japan – already at a low level – were unchanged.

The turning point was March when sentiment reversed and investors became more positive and risk hungry, reflecting expectations of improved economic conditions. The ensuing market rally continued until mid-June, fuelled by positive economic data surprises, better-than-expected bank earnings, and extensions to quantitative easing programmes.

Apart from some minor setbacks, the global rally continued to gather pace during the remainder of the year. As 2009 drew to a close global equity markets hit new highs for the year, taking gains to over 20% for the year and over 50% up from the March lows.

In the UK, the FTSE 100 large-cap index rose 27.3%, the FTSE 250 mid-cap index rose 50.6% and the FTSE small-cap index rose 54.3%. The market was pulled higher by a relatively small number of stocks, mainly in the resources sectors.

The US market was in freefall at the start of the period as bleak economic data and continued concerns about plans to rescue ailing banks

weighed on investor sentiment. Subsequently, several investment banks released positive trading statements, the Treasury provided detail on the financial sector rescue plan, and there was positive news on housing and retail sales data. US equities ended the year on an upward trend. The S&P 500 index rose 12.6% in sterling terms over the year.

European markets also began to pick up after the low point in March. By the end of the year the larger economies of France and Germany were clearly in recovery, but the poorer performance of Spain, Italy and Greece put a dampener on the European scene. The FTSE All-World Europe (excluding UK) price index rose 16.0% during 2009.

After a bad start, Japan picked up in March despite no improvement in economic data; a further stimulus package of ¥15trn was announced in April. The general election in August resulted in a landslide victory for the opposition Democratic Party of Japan. Over 2009, the Topix index fell by 6.7% in sterling terms, but rose by 7.6% in yen terms.

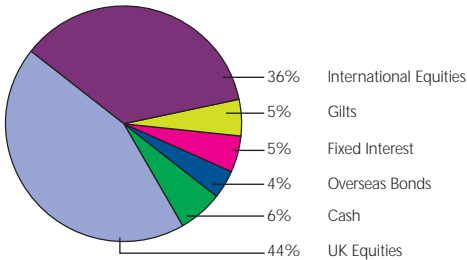
After a fierce sell-off early in 2009, Asian and emerging markets recovered dramatically after the low point in March. Asian markets finished the year in a positive mood, with the export-orientated markets of Taiwan and Korea particularly strong. The FTSE World Asia Pacific ex Japan index rose by 53.8% and the MSCI Emerging Markets index by 59.4%.

The change in economic outlook during 2009 was generally positive for equities and other risk assets, and negative for government bonds.

Pearl Pension Retirement Managed (Mixed) Fund

The Pearl Pension Retirement Managed Fund aims to provide long-term growth by investing in a mix of UK and overseas equities, bonds, property and cash. (This fund is called the "Mixed" fund for Pearl Prosperity Pension unit-linked policies.)

The chart below shows where the fund was invested as at 31 December 2009.



Top five holdings within the fund (other than cash):

- British Petroleum: 2.8%
- Royal Dutch Shell: 2.7%
- GlaxoSmithKline: 2.6%
- HSBC: 2.5%
- Vodafone: 2.4%

Total Fund Size: £294.1 m

The fund produced a return of 17.2% in 2009 and has returned an average of -0.8% a year over the last three years.

Pearl Pension Retirement Cash (Sterling) Fund

The Pension Retirement Cash Fund invests in cash deposits and is designed to preserve the value of the investment, whilst earning a reasonable level of interest. It offers a short-term investment opportunity for those who do not want to risk a fall in prices due to market conditions. It may be beneficial to switch into this fund just prior to the pension date. (This fund is called the "Sterling" fund for Pearl Prosperity Pension unit-linked policies.)

As at 31 December 2009, the fund was valued at £1.8 m and was fully invested in cash deposits.

The fund produced a return of 0.7% in 2009 and has returned an average of 3.5% a year over the last three years.

Outlook for 2010

Initially, the trends seen in late 2009 should continue into 2010. Economic data should remain positive and the employment picture should continue to improve, but unemployment may not fall meaningfully until later in the year. Confidence may remain fragile: governments and central banks will probably keep the stimulus in place until signs of recovery, such as falling unemployment, are unmistakable. Risk assets should continue to do well, but remain vulnerable to disappointing news flow.

As the global economy moves to a sounder footing, the removal of fiscal and monetary commitments will become a key issue. The UK election has to be held within the first half of the year and the new government will have to focus on the reduction of the public deficit in order to avoid a downgrade to Britain's credit rating.

The information about performance has been sourced from Datastream or FTSE. Other data have been internally sourced by Pearl.

Currency fluctuations affect the performance of overseas investments.

We have provided this booklet to give you some background information about your investment.

The views and opinions expressed are those of our investment managers and are for information only and are not intended as specific investment advice, or providing a forecast of future returns.

Please remember that the value of investments can go down as well as up and that past performance is not necessarily a guide to future performance.

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