International Savings and Retirement Plan
December 2008 Newsletter

InterContinental Hotels Group

Room for you

David Coles, VP Pensions

Member survey

Many thanks to the 65 of you who responded to the survey in the last edition of the newsletter. Congratulations go to Franck Naulleau of the InterContinental Chongqing, China, who won the prize draw and has received a Canon Digital IXUS 60 camera.

Survey highlights

Highlights of the survey results are:-

- Over 55% of members rated their understanding of the Plan as good or very good, with less than 10% considering their understanding poor or very poor.
- Over 65% thought the investment range good or very good, with around 10% thinking it poor or very poor.
- 60% rated the Zurich International online (ZIO) system as good or very good, whilst 15% thought it poor or very poor.
- 75% used ZIO monthly or quarterly.
- 50% pay additional voluntary contributions, with virtually all of these members paying 5% of salary or more.
- 55% thought they paid enough into the Plan.
- 37% wanted to retire before age 60, 48% wanted to retire between 60 and 65, whilst 15% were content to wait until after age 65.
- 70% of members wanted to retire on over 50% of their current income, with the majority of these wanting more than 70% of current income.
- Over 40% of members thought they were on track to achieve their desired level of retirement income.

How much?

It is easy to underestimate the savings required for retirement. For example, how much is needed in your account to buy a retirement income of USD10,000 per year for life. Whilst it depends on a number of factors such as age, investment yield, inflation etc., it is likely to be more than USD100,000 of savings, and perhaps as much as USD200,000.

Plan flexibility

In the survey, we also asked a series of questions about how potentially increasing the flexibility in the Plan may encourage the payment of more additional voluntary contributions (AVCs).

We were interested to see that 70% of members said they would be encouraged to contribute if all the account could be withdrawn after age 55, without leaving the Company.

This reduced to 65% if only the AVCs and investment returns were available after age 55.

However, this increased to 75% if some of the AVCs and investment returns were available before age 55 without leaving.

The Company is very grateful for the members' insight into the workings of the Plan, and over the coming months we will consider carefully the practical issues of making changes to the Plan which may encourage more voluntary contributions.

The Company will also consider a number of comments members have made about wishing to better understand their investments, and will inform you of progress on these issues later in 2009.

David Coles, VP Pensions

Beneficiary nominations

It is a requirement for all plan members to complete the beneficiary nomination process, and while the majority of members have completed the process, not all the forms have been sent to Zurich Trust.

It's important to remember that once you have completed the online beneficiary nomination process, via Zurich International online (ZIO), that you print and sign a copy of the completed form and send it to Zurich Trust Limited, P.O. Box277, One Castle Street, St Helier, Jersey, JE4 9SR Channel Islands.

ZIO can be accessed via **https://online.zurichinternationalsolutions.com**

New plan currency

Members who are paid in Singapore dollars can now opt to have their contributions made to the plan in Singapore dollars. If you wish to change your current contribution currency to Singapore dollars, please contact your local HR representative or plan administrator. If you do opt to change the currency of your contributions, you will of course also need to bear in mind that the currency of your investments will not change at the same time. If you want the funds to be invested in your new contribution currency, you will need to make a separate change to your investment strategy. The full range of funds is available to members contributing in Singapore dollars. If you wish to take financial advice in respect of your investments, you may be able to claim for reimbursement of all or part of the cost of taking such advice from the IHG Financial Counselling Benefit. Details of the Financial Counselling Benefit can be found on the International Pension Plan area of the IHG website **here**

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Market update from Zurich International Life

This update is designed to provide some information on trends in various areas which impact long-term investments and is provided by BlackRock, fund adviser to Zurich International Life.

Zurich International Life (Zurich) does not provide investment advice and you should consult your relevant financial professional before making or changing your investment choices as all investment involves risk and past performance is not a guide to future performance.

The first financial crisis of the global age

2008 will be remembered as a year in which global financial markets witnessed developments that appear unprecedented in historical terms.

UK Prime Minister Gordon Brown has termed these developments 'the first financial crisis of the global age' as the credit crunch evolved from its beginnings in the US mortgage market to become the most significant liquidity and solvency crisis to confront markets in modern times.

As the crisis spread across asset classes and markets, it prompted the seizing up of corporate bond and money markets, panic sell-offs across equity markets and the failure of some of the world's largest and most respected financial institutions.

How did we get here?

The root causes of the credit crunch stem from the falls in US house prices that began about two years ago. Earlier this decade, extremely low interest rates, easy lending and a huge run-up in the value of residential property fuelled a boom in mortgage lending to US subprime borrowers (borrowers with poor credit histories and/or low incomes).

These subprime mortgages had been bundled up into bondlike assets called mortgage-backed securities that had been bought up by financial institutions around the world. When subprime mortgages began to run into trouble, those institutions that had bought up and traded their debts saw these investments decline in value.

Financial institutions were forced to make successive massive write-downs on the value of their assets and to raise capital to cover their potential losses. In this climate, such institutions sought to reduce lending and to demand higher borrowing costs. These attempts to reduce borrowing prompted a global credit squeeze.

Where are we now?

There is some good news. During the course of September and October 2008, we have seen co-ordinated action from governments and central banks around the world to try to stabilise the global financial system.

This action has taken the form of banking recapitalisations, liquidity injections and co-ordinated interest rate reductions. To date, these appear to have alleviated the risk of a systemic banking collapse. As a result, confidence and some measure of liquidity should return to financial markets – but this will be a gradual process.

Looking ahead to 2009

Going into 2009, recessionary conditions look likely to prevail and this will inevitably impact on companies' profitability. Concerns over profits levels, cashflows and dividend paying capacity have increasingly become the main factors driving stockmarkets lower, rather than worries about the financial system.

Meanwhile, inflation concerns have eased as the price of oil has moderated and this should result in further interest rate cuts in the UK and in continental Europe.

At the same time, a lower oil price should act as a support to economic growth in some countries. It is unlikely to drive a material improvement in economic conditions, but it could help to stem some of the decline witnessed to date.

How should investors be positioned?

- Markets and investors have become highly risk averse and highly short term. Those willing to take a longer view may well find long-term value.
- Crises always create opportunities, and the prices of some equities have now fallen by enough to create excellent value by historical standards. At the same time, short term government bonds have, in our view, attracted excessive premiums for their safe haven status during the crisis.
- The scale and reach of the turmoil witnessed to date in 2008 make us look to the past to gain some perspective on current events. We would note that history shows that bouts of panic selling have often been followed by similarly extreme bouts of panic buying as investors hurry to buy assets that they had, in some cases, scrambled out of only months before.
- It is also worth noting that many Fund Managers at BlackRock share a belief that there are strong companies in operation with global franchises and robust balance sheets that appear well positioned to survive the economic downturn. Such companies may have been overly sold off in the kind of indiscriminate equity market selling we have seen in recent weeks. As wider unease recedes, we would expect discrimination to return to stockmarkets and to see a consequent polarisation between perceived 'winners' and 'losers' in the more challenging economic environment.
- Within fixed income markets, we see some excellent buying opportunities within investment grade corporate bonds.
- Nevertheless, caution remains the order of the day until some of the current economic and financial challenges appear to have been fully resolved.
- We would encourage investors to remain focused on the long term and to rely on the basic tenets of staying fully invested and well diversified.

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