IHG
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International Savings and Retirement Plan
Summer 2009 Newsletter

Welcome to this 2009 edition of the Plan newsletter. You will recall that in the previous newsletter I summarised the results of the member survey, and some of the answers indicated how increasing the flexibility of the Plan may encourage the payment of more additional voluntary contributions (AVCs). 70% of members said they would be encouraged to contribute if all the account could be withdrawn after age 55, without leaving the Company. The Company agreed to consider the practical issues of making changes which might encourage the payment of more AVCs.

I am therefore, very pleased to announce a new flexible retirement option for members over age 55. Please read about this improvement to the Company's retirement provisions below.

David Coles, VP Pensions

New flexible retirement option

We are pleased to announce that a flexible retirement option has been introduced for members of the IHG International Savings and Retirement Plan.

Subject to the consent of the Company, which should not be unreasonably refused, if you are aged 55 or over you will now be able to withdraw all or part of your funds whilst still employed by the Company and at the same time continue to receive contributions for your future service. If you withdraw part of your funds, this is subject to the amount received and the amount remaining being at least USD10,000 or currency equivalent.

The option may be particularly useful, for example, if you are looking to make a significant purchase with your retirement savings before you actually retire from employment.

As always, if you are uncertain of the financial implications, you should seek independent financial advice in respect of your savings and retirement options. You should also consider your personal tax implications of withdrawing funds. Tax is not deducted from withdrawals by Zurich because you are responsible for reporting and paying any tax due on receipt of the payment. Tax planning, and international tax planning in particular, is a complex area and Zurich recommend that members seek professional, independent advice.

If you wish to consider taking the flexible retirement option, please contact Keith Sully in the IHG Pensions team (email: keith.sully@ihg.com).

Note: Unfortunately we are not able to offer this flexible retirement facility to US tax payers due to US legislation.

Attention US Citizens and Green Card holders

Recent changes in US law mean that IHG plan members subject to US tax but working outside the US may suffer a penalty tax of 20% when they receive their Plan benefits unless certain conditions are met.

If you are a US Citizen or Green Card Holder, please make sure that Keith Sully in the IHG Pensions team (email: keith.sully@ihg.com) is aware so that your situation can be assessed in detail.

What happens if I leave IHG?

If you leave IHG, your options depend on the value of your account. If you have less than 10,000 US dollars or currency equivalent in your account, the funds will have to be claimed as a payment to you or transfer to another retirement savings policy. If you have more than 10,000 US dollars or currency equivalent in your account, you still have the option to claim payment or transfer but you could also retain the funds in the IHG Plan and keep access to your account via the Zurich website – although no new contributions could be added to the IHG Plan after you have left the Company.

If you are due to leave the Company, please make sure that Keith Sully in the IHG Pensions team (email: keith.sully@ihg.com) is aware so that you can be provided with details of your options.

Step-by-step guide to nominating beneficiaries online

In the last newsletter you may recall that we emphasised the importance of Zurich holding up-to-date beneficiary information for all members of the Plan. Currently, only 5% of members have completed the whole process for the trustee to hold a valid beneficiary nomination form.

So that leaves **95%** of members with **incomplete** beneficiary nominations.

- 84% of the members have not started the online beneficiary process
- 9% of the members have started the process but not yet completed it
- 2% of the members have submitted the online nomination but no original form has been received by the trustee. For the process to be complete, the member **must print, sign and send the original form to the trustee**

Figures as of 25 June 2009.

Step-by-step guide to completing beneficiaries online

Below is an easy step-by-step guide to completing the beneficiary nomination process online. Please note the beneficiary process only applies to benefits from the International Savings and Retirement Plan.

Process for nominating beneficiaries online

Although the initial part of the process is online, **the nomination will only be accepted if the printed and signed original form is received at the Zurich office address shown on the form**.

Please note that only the most recently authorised nomination is effective.

General Manager
Holiday Inn

Stephen Lam

Process

Log into ZIO and proceed as follows:

1. Click on 'Scheme enquiry' at the top of the screen.
2. From the 'My details' menu, click on 'Beneficiary details' on the left of the screen.
3. Click on the 'Create beneficiary details' on the bottom right of the screen.
4. Input your nominated beneficiary details (first name, surname, date of birth, their relationship to you and their percentage entitlement).
5. Click on '+' to add the nominated person. If the first nominated person's percentage is less than 100%, a second row will appear for you to nominate another person.

   Note: All nomination forms must total 100%.
   Should you wish to update percentages before completing the form, you should over-type the percentage and click 'Update'.

   Should you wish to remove a nominated individual before completing the form, you should click to remove the name.
6. Once you are happy with your nominated individual/s, you should click 'Next'.

   Note: 'Next' will only appear if the total percentage is '100%'.
7. You should read the declaration. Once you are happy with the declaration, you should click 'Confirm' on bottom right of the screen.
8. A new window will open with a pre-populated 'Beneficiary nomination form'. **You should print this form, sign it and return the original form to the address at the top of the form.**

   Note: the trustees must receive the original form for the nomination to be accepted.
9. The 'Status' will read 'Submitted'. Once received by the trustees and accepted, the 'Status' will update to 'Current'.

   Note: If you want to delete a nomination that has been submitted but not yet authorised, please click 'Transactions' on the left of the screen, then 'Workflow', and click 'Cancel' next to the item you wish to delete.

New funds

There have been 17 new funds added to the IHG International Savings and Retirement Plan platform since December 2008.

Fund	Key points
ZI Aberdeen GF Asian Bond fund OMUSD	• The fund seeks long term total return by investing in debt and debt-related securities issued by governments, supranational institutions or government bodies domiciled in Asia. • The average credit rating for the fund is A- (Standard and Poor's) and A3 (Moody) (as at 30 June 2009). • Such securities may include, but are not limited to convertibles, floating rate securities, asset-backed securities, perpetual securities, preferred stocks and warrants. • The fund is ranked 2nd in its sector based on since launch performance.
ZI BlackRock Global Allocation fund ERUSD BHEUR	• The aim of the fund is to maximise total return. • It invests globally in equity, debt and short term securities of both government and corporate issuers. • The fund generally seeks to invest in undervalued securities but may also invest in equity securities of small and emerging growth companies. • The fund has consistently outperformed its benchmark, won 36 industry awards in 2008 and has a Standard & Poor's Fund Management rating of AAA (as at 30 June 2009).
(ZI) BlackRock ICS Euro Govt fund DLEUR	• This fund seeks to preserve capital and may be suitable for investors wanting to invest in very low risk funds. • The fund reduces investors credit risk by only providing exposure to European governments.
ZI BlackRock World Gold fund (SGD hedged) AOSGD	• The Fund invests globally at least 70% of its total assets in the equity securities of companies whose predominant economic activity is gold-mining. It may also invest in the equity securities of companies whose predominant economic activity is other precious metal or mineral and base metal or mineral mining. • The focus is on growth producers, mid cap bias, high quality assets that can perform in any gold price environment. • The Fund has been awarded maximum AAA ratings from both Standard & Poor and OBSR (as at 30 June 2009).
ZI BlackRock World Health Science fund ONUSD	• This funds invests at least 70% of its assets in companies whose main activity is in healthcare, pharmaceuticals, medical technology and supplies and the development of biotechnology. • The aim of the fund is to generate maximum total return. • The fund is top quartile over 3 and 5 years and has also outperformed its benchmark over these dates.
ZI Fidelity Currency funds BXGDP OYUSD DVEUR	• These cash funds offer an alternative to bank deposits and may be suitable for the low risk investor or someone who is looking to 'drip-feed' funds back into the market. • The funds are triple-A investment rated by Moody's (as at 30 June 2009).
ZI Franklin Templeton MENA fund BOEUR GCUSD	• This newly launched fund seeks to achieve long-term capital growth through investing in equities across the Middle East and North Africa region (MENA). • The MENA region is one of the fastest growing regions in the world and GDP growth is set to be robust in the coming years. • The region offers investment opportunities across many diversified industries and is currently the largest supplier of crude oil and natural gas. • The stock markets have attractive price to earnings valuations and is uncorrelated to global markets. • The fund aims to invest in a blend of growth and value companies and to benefit from on-the-ground insight from its sub-advisor based in Dubai.
ZI Invesco Bond fund OPUSD	• The objective of the fund is to achieve long-term returns through fixed interest and floating rate securities. • The fund has diversified sources of alpha including currency, duration, yield curve positioning and security selection. • The fund benefits from input from 120 investment specialists worldwide and offer both a top-down and bottom-up approach.
ZI Invesco Euro Corporate Bond fund DMEUR	• The fund aims to achieve medium to long term investment return that is competitive to equities but with relative security of capital compared to equities. • The fund invests mainly in investment grade corporate bonds but also has the flexibility to invest in government and high yield bonds. • The fund aims to beat its peers in strong and weak market conditions. • Average bond prices are lower than expected and offer potential for capital growth in addition to high yields.

Fund	Key points
ZI Invesco Global Bond fund OQUSD DNEUR	• The funds aims to achieve long-term capital growth with income from a diversified portfolio including bonds and other debt instruments. • It invests primarily in international bonds of differing yields and maturities issued by governments, supranational bodies, local authorities, national public bodies and corporate issuers worldwide. • The fund has a four star Morningstar rating (as at 30 June 2009). • The average credit rating is AA (as at 30 June 2009).
ZI Invesco Global High Income fund ORUSD	• The aim of the fund is to achieve long-term returns through investments in a range of debt securities in developed and emerging countries. • The fund has a two star Morningstar rating (as at 30 June 2009). • The average credit rating of the fund is A (as at 30 June 2009).
ZI JPMorgan Funds Africa Equity fund EPUSD BFEUR	• This newly launched fund, available exclusively to Zurich International Life policyholders, provides exposure to one of the most exciting new frontiers. • Also considered to be the last frontier – for both growth and investment potential, the fund aims to provide long-term capital growth by investing primarily in a portfolio of African companies. • Africa has many unexploited markets, an increasing domestic demand, abundant natural resources and is undergoing regional structural change. All of these factors lead the fund managers to believe that the area offers special growth potential. • The fund is suitable for investors who looking for a higher-risk return profile and want to participate in the development of emerging markets.
ZI JPM Highbridge Statistical Market Neutral fund BIEUR AHGBP FQUSD	• JPMorgan Highbridge is a strategic partnership between Highbridge and JPMorgan that has created the world's largest hedge fund organisation. • This fund offers retail investors access to a hedge fund strategy but though a highly regulated fund structure. • The fund aims to provide total returns in all market environments through a market neutral strategy. Exposure is primarily to US equity securities and the fund had delivered a positive performance year to date. • The fund uses a fully automated strategy called statistical arbitrage. This strategy aims to remove or neutralise market risk in order to benefit from any stock specific returns. • Although this strategy sounds complex, the fund essentially does what a traditional investment manager would do but with far, far more stocks. • This fund can potentially help to improve the risk/return profile of a portfolio and act as a diversifier due to low correlation to traditional asset classes.
ZI Pictet Absolute Return Global Conservative fund DOEUR	• The fund seeks to generate a positive absolute return independent of market conditions. • It aims to perform equally or better than EONIA (EURO Overnight Index Average) +2% with low to moderate risk. EONIA is one of the two benchmarks for the money and capital markets in the euro zone. • The fund invests in liquid instruments (for example cash instruments or derivatives), in developed and emerging equity markets and also in fixed income markets in all major currencies. • It may be suitable for investors looking for a low volatility investment with the potential of higher returns and limited downside. • It is suitable for short to medium term investment.
ZI Pictet Absolute Return Global Diversified fund DPEUR	• The fund seeks to generate a positive absolute return independent of market conditions. • It aims to perform equally or better than EONIA (EURO Overnight Index Average) +4% with a moderate risk. EONIA is one of the two benchmarks for the money and capital markets in the euro zone. • The fund invests in liquid instruments (for example cash instruments or derivatives), in developed and emerging equity markets and also in fixed income markets in all major currencies. • It may be suitable for investors looking to participate in global capital market upsides while avoiding significant losses in difficult markets. • It is suitable for medium to long term investment.
ZI Schroder ISF Emerging Markets Debt Absolute Return fund OSUSD DREUR	• The fund targets absolute returns with limited volatility and aims to generate positive returns over each 12-month rolling period – regardless of market conditions. • In emerging markets businesses are growing rapidly, while governments need to build infrastructure to support them. This dynamic creates a wealth of opportunities for investors . • The fund has a proven track record over 11 years, with the same fund manager since 1998. • The fund has a low correlation with traditional asset classes and the ability to hold up to 40% in cash in adverse market conditions.
ZI Schroder ISF Global Inflation Linked Bond fund GAUSD BLEUR	• This fund aims to provide capital growth and income primarily through investment in a portfolio of inflation-linked debt securities. • Inflation linked bonds are linked to inflation indices. In general interest payments and principle on inflation-linked bonds rise along with increases in consumer prices. • This fund can offer investors protection from the effects of inflation by providing real return. • The inflation-linked bond asset class is growing in popularity and this trend is expected to continue. • This asset class offers investors access to a wider investment universe and can also be a defensive play as they tend to outperform nominal bonds when bond yields are increasing.

Zurich International Life fund centre

For details of the new funds and all the funds that are available on the Plan please visit the Zurich International Life fund centre.

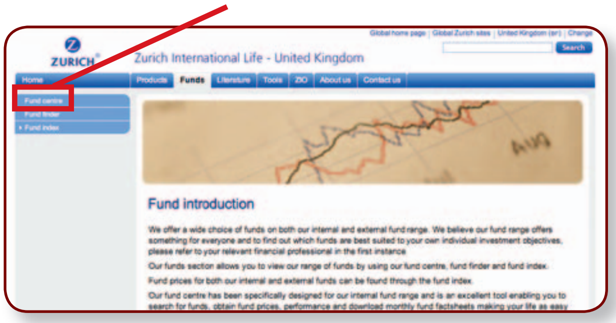
You can access the fund centre by following the steps below:

1. Go to www.zurichinternational.com

2. Select your region

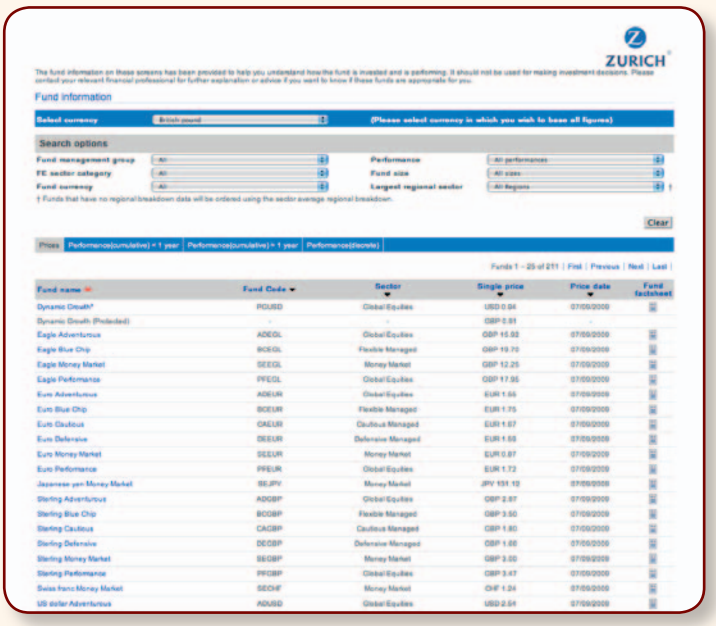
3. Click on the 'Funds' tab at the top of the screen

4. Click on the 'Fund centre' tab



Zurich International Life fund centre – the benefits

- View up-to-date fund performance
- View up-to-date price information
- Access fact sheets for all the funds available on the Plan
- Makes your search easier by allowing you to filter by currency, fund manager and sector amongst others



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Market update from Zurich International Life

This update is designed to provide some information on trends 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.

Summary and market outlook
Produced in association with BlackRock.

Quarter 2 2009 review

The major equity markets enjoyed a strong quarter, with global equities rising strongly from the exceptionally low levels in March as economic indicators showed tentative signs of improvement, notably stabilisation of demand for goods and services and a rise in business confidence. Monetary stimulus provided by central banks is likely to remain in place with little sign of an inflation threat and this intervention will continue to keep government bond yields low. The level of corporate bond issuance over the quarter has been high, but it has also been met with strong demand.

UK equities enjoyed a positive quarter, returning 10.9%, as improving economic data, both globally and in the UK has led to a positive reassessment of earnings prospects. The more cyclical and leveraged companies led the market rise resulting in small and mid cap stocks returning 28.8% and 17.5% respectively. The best performing sector was Financials, led by the Banks which rose strongly on decreased likelihood of full nationalization. However, defensive shares with stable revenues and conservative balance sheets such as Healthcare, Tobacco, Household Goods and Telecoms stocks, lagged the market.

US equities returned positive results over the quarter as the rally that began in March continued into June before tapering off. Some Financials and consumer stocks performed well over this period, whilst more defensive stocks such as healthcare strengthened by quarter-end. Five out of ten sectors experienced positive returns with Financials returning 13.0% while telecommunication services fell by 4.9%.

European equity markets rebounded significantly in the second quarter of 2009 with their strongest gains posted in April and May. Initially driven by Financials, the rally broadened out to include cyclical and commodity-related sectors on the back of better economic sentiment and higher oil and metal prices. Defensive areas of the market such as Telecoms, Utilities and Healthcare fared less well and as risk appetite returned to the market, small and mid cap stocks began to outperform large caps.

With tentative signs suggesting that the worst of the global financial crisis may be over, the Tokyo stock exchange, boosted by expectations of an economic recovery, rose sharply in the second quarter of 2009. The Nikkei 225 closed above 10,000 for the first time in eight months in mid-June. Small to mid cap stocks remained solid even though export-related large cap stocks weakened on profit taking activities towards the month-end.

Asia Pacific equities enjoyed a sustained recovery from their March lows over the second quarter. While the world's economy is by no means in a healthy state, indications that the situation is not as bad as many had feared have restored investor confidence somewhat, and funds have begun to flow back into the Asian equity market. China, Hong Kong and Singapore all enjoyed strong quarters, based partly on a recovery in property stocks. Korea and Taiwan lagged as Western consumer demand remained weak.

Emerging equity markets experienced their best quarter since 1988. Returns in April and May were notably strong, and although markets did register a slight pullback in June, most still posted strong double digit returns over the quarter. In Asia, a strong victory by the opposition Congress Party in the Indian elections lifted the market, which is currently one of the best performers year to date. Brazil also performed strongly, particularly in Financials, while Russia was supported by firmer oil prices.

Looking ahead

The growth collapse which emerged in the aftermath of the demise of Lehman Brothers continued into the first part of this year. The fall in Gross Domestic Product (GDP) of more than 2% in the major economies in the first quarter was even greater than that of the final quarter of 2008, making it one of the most pronounced declines ever. However, the pace of decline has moderated and changes in economic figures are showing that the risks of depression are reducing, as are the pressures of recession. Whilst most developed economies are expected to report negative GDP figures for the second quarter, we would expect a return to a positive growth rate in the second half of the year, but at a very subdued pace that is unlikely to prevent further rises in unemployment.
We continue to believe that the two major problems in the world economy will be the ongoing struggle for a weakened global financial system to deliver adequate credit growth, and the prospect of a period of debt reduction as savings ratios rise from relatively low levels. Fiscal easing and changes to monetary policy around the world will provide a material offset to this ongoing drag, but is unlikely to erode it. In addition, the fall in commodity prices, which supported income growth in the second half of last year, is set to become a minor headwind in the short term, notably through the rise in the oil price.

Credits spreads (the compensation required by investors for the additional risk incurred by owning corporate bonds rather than government bonds) have come down significantly, but remain high relative to pre-'credit crunch' levels. Given the illiquidity premium that remains, we continue to believe that credit remains attractive as spreads remain above historic levels even taking into account higher default rates. Credit is likely to remain volatile, but we believe it will outperform over a 1-2 year horizon.

In terms of alternatives, we have seen a sharp recovery in energy prices resulting from improving economic data and dollar weakness as weakening risk aversion has allowed commodities to re-assert their role as favoured asset for protection against dollar weakness. However, on balance we expect a period of consolidation given challenging demand-supply conditions. More widely, we expect further volatility in most commodities given the weak economic backdrop.

Concerns of a potential collapse in sterling associated with the risk of bank nationalisation and the potential for a downgrade of UK debt by the rating agencies appear exaggerated. Nationalisation is a last resort and even if it were to occur, UK Government debt would not be particularly high in a global context. In addition, other countries face challenges resulting from similar issues.

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