

Prudential With-Profits fund

This document is not a financial promotion and is designed for trustees and advisers to use to help members understand how their fund is performing. If you are an occupational pension scheme member and need further clarity on this information please speak to your adviser.



Fund description

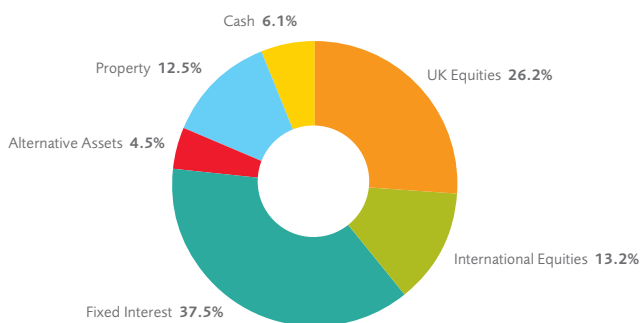
The fund offers the prospect of competitive long-term real returns whilst smoothing the peaks and troughs of day-to-day market movements. Investment returns are passed to policyholders through bonuses. The fund is invested in a diversified portfolio of UK and overseas shares, bonds, property and cash. A significant proportion of the fund is invested in shares and property which can be expected to produce attractive long-term returns, but the return on these assets can be volatile and so the fund is actively managed to optimise the returns while controlling risk.

Key facts

Fund size	£54.0 billion as at 30 June 2009
Solvency Rating*	AA-
Portfolio Manager	Martin Brookes
Investment Style	Prudent Active
Performance Objective	To offer competitive long term returns

* Standard & Poor's as at December 2009

Fund breakdown



Source: Prudential as at 30 June 2009
Asset mix is likely to vary in the future.

Commentary

Early in 2009 we advised investors to stay with risk assets on the grounds that low valuations offered a huge cushion and in the expectation that government policies would start to get some traction. This proved to be good advice.

The Prudential With-Profits Life Fund has been a major beneficiary of the change in sentiment, which is reflected in the strong investment return last year. However, while the short-term momentum remains positive and the outlook has clearly improved there remain significant questions about the sustainability of global economic recovery.

Governments need to cut spending to address budget deficits and central banks are starting to worry about the impact of very low interest rates on inflation. The key question is whether the private sector can generate enough demand to replace a reduced policy stimulus.

We think growing consumer confidence could help sustain an improving trend this year. However, a sharp cyclical recovery is unlikely because banks are still not in a position to start lending normally and household borrowing remains high. We think this combined with high unemployment levels makes it more likely they will increase saving rather than spend.

Given this note of caution and the significant rally in equities, in recent months we have reduced risk by partially selling equities and reinvesting in lower risk corporate bonds.

This locks in some profit and helps secure the financial strength of the fund which is a huge benefit should markets dip again later this year.

Underlying investment returns



Source: Prudential. The above are calendar year returns for the With-Profits fund (before charges, tax and effects of smoothing). The value your policy will depend on when you actually invested, tax, charges and smoothing and will be sent out in your annual statement, or is available on request. The value could change by more or less than the underlying investment return of the overall fund. Past performance is not a reliable indicator of future performance.

Performance

Bonus Series	1 Year	3 Years*	5 Years*	10 Years*
WPIA WPIB Unitised With-Profits	4.25	4.25	6.35	4.90

Source: Prudential. * annualised

Past performance is not a reliable indicator of future performance. The value of an investment may go down as well as up and the fund value in the future may be less than the payments you have made. For investments in With-Profits fund, the value of the policy depends on how much profit the fund makes and how we decide to distribute that profit. Policyholders receive a distribution of profits by means of bonuses, or other methods as specified in the relevant policy documentation. Please bear in mind that inflation could also reduce the value of your investment and any growth from it. For the unitised returns shown, it is assumed that the contribution was invested after any explicit charges on the 6 December 1, 3, 5 or 10 years ago and realised on or after 6 April 2009 to secure benefits at normal retirement age.

Prudential With-Profits fund

Prudential risk rating

Lower to Medium

What type of funds are in this risk category?

Some of these funds invest in fixed interest securities, predominantly corporate bonds, with higher yielding corporate bonds placed towards the top end of this range as they carry higher default risk. The other funds in this category invest in a wide range of assets which help to provide risk diversification.

What is the risk rating?

- The risk rating applies to the entire portfolio and not to the individual funds within them. Risk ratings have been developed by Prudential to help provide an indication of the potential level of risk and reward that is attributable to a fund based on the type of assets which may be held within the fund. Other companies may use different descriptions and as such these risk ratings should not be considered as generic across the fund management industry.
- Prudential will keep the risk ratings under regular review and as such they may be subject to change in the future. We therefore recommend that before making any fund choice in the future you understand the appropriate risk rating before making a decision. You will find this information at www.pru.co.uk.
- You should also consider discussing your decision and the appropriateness of this risk rating with an adviser.

Important information

Who manages the funds?

Prudential Assurance Company Limited holds the assets of the With-Profits fund through custodians. Prudential has delegated the investment management of the fund through agreements with various investment managers including Prudential M&G.

Are all of the funds available to me?

With-Profits is not available under Stakeholder Pension contracts. Various With-Profits bonus series are used by Prudential group pension contracts.

Can I get advice?

This factsheet should not be considered as a financial promotion and any changes to investment arrangements should be discussed with an adviser. The commentary in this factsheet reflects the general views of the individual fund manager and should not be taken as a recommendation or advice as to how a specific market or fund is likely to perform.

How are the performance figures calculated?

The performance figures are declared by Prudential Assurance Company Limited, usually each February.

The performance figures shown on page 1 are overall annualised returns for contributions made on the dates specified.

The returns include both regular (or reversionary) and final (or terminal) bonuses added to a benefit paid at normal retirement date.

Final bonus may vary and is not guaranteed. The rate of future bonuses cannot be guaranteed.

Past performance is not a reliable indicator of future performance and that past performance obtained from any other sources than Prudential may not be applicable.

Who is this factsheet for and what does it do?

This factsheet is intended for the trustees, sponsors, advisers and members of occupational pension schemes using Prudential group pension contracts.

Other important information

If money invested in the With-Profits fund is taken out at any time other than on death or normal retirement date, a Market Value Reduction may be applied; this may have the effect of reducing the fund value.

For the With-Profits fund, we deduct an annual charge through the bonus mechanism.

This is currently expected to be 0.65% a year, for WPIA & WPIB assuming future investment returns in the With-Profits fund are 7% a year. Charges on With-Profits business depend on the performance of the With-Profits fund and, in particular, the investment returns achieved and expenses incurred. For example, if over time investment returns are higher than we would expect to increase the charge and if investment returns are lower we would expect to reduce the charge.

There is a charge to pay for all the guarantees the With-Profits fund supports. We guarantee to not take away regular bonuses already added when a payment is made because of death and your normal retirement date and to only apply a Market Value Reduction in certain circumstances.

This charge will be taken by making a small deduction each year when deciding Regular and Final Bonuses, so you will not see it on any yearly statement. The total deduction over the lifetime of the Plan is not currently more than 2% of any payment made from the fund. The amount of this charge will be reviewed from time to time and is not guaranteed to remain at the current level.

For further information on MVRs and charges please refer to the Key Features document for the relevant contract. For a copy of the Key Features document, please contact your pensions department for scheme members or usual Prudential contact for trustees and advisers.

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