Prudential Cash fund (series 3)

Fund description

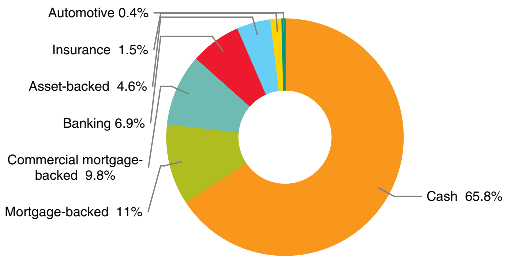
The fund invests in both high quality Floating Rate Notes (FRNs) and short-term deposits. The fund is actively managed with the aim of beating its benchmark of the London Interbank 7 Day Deposit Rate. The financial instruments held in the fund are issued by well known banks and leading financial institutions. The fund invests in: insurance, banking, asset backed, commercial mortgage and mortgage FRNs.

For the fund asset parameters please see the table overleaf.

Key facts

Underlying fund size	£168m
Number of holdings	64
Underlying fund launch date	28/04/1982
Portfolio Manager	Claire Bews
Benchmark	London Interbank 7 Day Deposit Rate
Investment Style	Prudent active
Sedol code	3168110
Performance Objective	To outperform the benchmark

Fund breakdown



Commentary

The fund outperformed its benchmark, the 7 Day Deposit Rate, during the fourth quarter of 2009. This good performance was due to the fund's holdings in Floating Rate Notes (FRNs). Against a backdrop of calmer financial markets and an ongoing stabilisation in the economic data, the prices of FRNs across all sectors - banking, residential, mortgage-backed and commercial mortgage-backed - rose modestly during the review period. In October, building society Nationwide became the second financial institution within a month to launch a residential mortgage-backed security (RMBS). The Silverstone Master Trust is a prime AAA-rated security, offering a spread of approximately 150 basis points above Libor, and the fund manager participated in this deal.

The fund remains focused on FRNs from the commercial mortgage-backed sector based on the fund manager's view that these assets offer better value than floaters from banks. A number of the fund's bank-issued FRNs were sold during the quarter. Approximately 65% of the fund is invested in cash deposits. This portion of the portfolio is actively managed, allowing the fund manager to take advantage of the higher rates available for one-week and two-week deposits.

Top 10 cash instruments

	Top 10 cash instruments	%
1	Nationwide B/S FRN 06/10	1.3
2	Santander FR MTN 07/11	1.2
3	Chester A/Rec FRN 05/13	1.1
4	Permanent Finance No.9 FRN 06/42	1.1
5	Bank of America FR MTN 06/12	1.1
6	Metro Life FRN MTN 02/11	1.1
7	Gracechurch FRN 15/10/12	1.0
8	Epic (Barchester) FRN 09/31	1.0
9	Arran Residential FRN 09/56	1.0
10	Gracechurch FRN 11/56	0.9

Source: M&G
All figures are as at 31 December 2009, unless otherwise stated.

Performance

Past performance of the fund over each of the last 5 years to the end of December

	31/12/08 - 31/12/09	31/12/07 - 31/12/08	31/12/06 - 31/12/07	31/12/05 - 31/12/06	31/12/04 - 31/12/05
Cash fund	3.8	1.0	5.5	4.7	5.2
Benchmark	0.6	4.8	5.8	4.8	4.7

Past performance of the fund to 31 December 2009

	Quarter	1 Year*	3 Years*	5 Years*
Cash fund	1.5	3.8	3.4	4.0
Benchmark	0.1	0.6	3.7	4.1

Source: Prudential and Financial Express. *annualised

Based on percentage change in unit price. It is important to remember that past performance is not a reliable indicator of future performance. The value of your investment may go down as well as up and the fund value at retirement may be less than the payments you have made.

Prudential Cash fund (series 3)

Prudential risk rating

Minimal

What type of funds are in this risk category?

These funds may invest in a combination of deposits, money market instruments and other interest bearing securities.

What is the risk rating?

- 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 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 and Prudential grouped personal pensions and Stakeholder pension contracts.

Its purpose is to shed some light on how investment markets and funds have performed over the period and is provided for information only.

If you are not familiar with any of the investment terminology included on this factsheet, then please contact an adviser.

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. It is not our intention to give an indication of how any particular funds will perform in the future. 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.

Who manages the funds?

Ths fund is managed by M&G Investments.

How are the performance figures calculated?

The performance shown overleaf is measured on the fluctuation of the daily published price. This published price is adjusted to accommodate the fund's dealing cycle where appropriate.

To obtain current unit price and performance information for all funds in the Prudential Fund range, simply log on to http://www.pru.co.uk/funds/series/ and choose 'Pension Funds' and then select Prudential Corporate Pensions (Series 3).

How are the fund prices calculated?

This fund has a single price, based on the valuation of the underlying assets and cash flows into and out of the fund. This valuation price will be the published price.

What is the dealing cycle?

The Pensions Series 3 fund range is forward priced which means that the member gets the next available price after they invest.

This fund has a dealing cycle of T+0. This means that money received on day T buys units at the valuation date price applicable at close of business on the same day

Other important information

Exchange Rate fluctuations may cause the Sterling values of overseas investments to rise or fall.

Fund asset parameters

Total fund level	Non-government bonds	Cash
At least 25% of the fund should be readily available within 7 days At least 50% of the fund should be less than 1 month to maturity	Can hold sterling denominated corporate debt up to 1 year maturity Can hold floating rate notes FRNs (up to maximum of 50%) A maximum of 2.5% of the fund in any one less than A issue bond A maximum of 5% of the fund in any one AAA, AA or A rated issue bond	Can hold money on deposit, commercial paper, Certificate of Deposit CDs (an interest bearing promissory note and is generally issued by a commercial bank), and gilt reports (simultaneous sale and repurchase of a security at a specified price, interest rate and time), all up to a maximum of 1 year maturity Maximum of £25m per counterparty.

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