

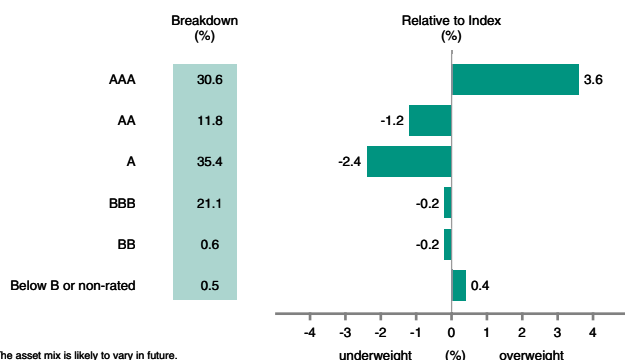
Prudential Corporate Bond fund (series 3)



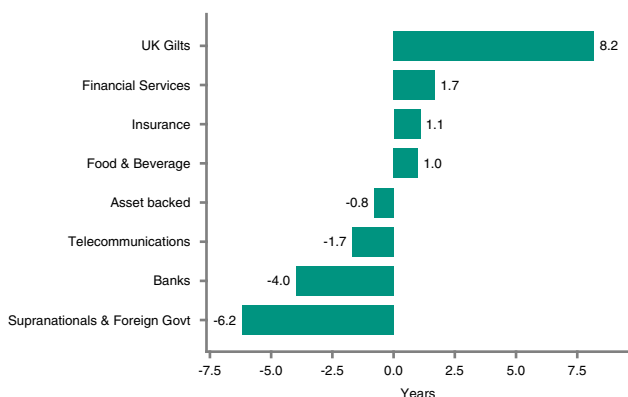
Fund description

The fund invests mainly in high quality sterling corporate bonds across the range of maturities. The fund is actively managed against its performance benchmark of the iBoxx Sterling Non-Gilts Index. The fund may also hold UK government gilts and derivatives (such as options and swaps) together with limited amounts of non-sterling and high yield corporate bonds where this may prove beneficial in the shorter term.

Credit ratings and positions



Sector positions vs benchmark



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
Corporate Bond fund	14.5	-3.1	1.8	1.5	9.3
Benchmark	10.8	-4.1	1.8	0.7	9.0

Key facts

Underlying fund size	£2,210m
Number of holdings	384
Underlying fund launch date	05/01/2000
Portfolio Manager	Jamie Hamilton
Benchmark	iBoxx Sterling Non-Gilts Index
Investment Style	Prudent active
Sedol code	3168563
Performance Objective	0.8% gross per annum above the benchmark on a rolling 3 year basis

Commentary

In an environment of stronger risk appetite among investors, corporate bond markets maintained their strong performance during the final quarter of 2009. Against this backdrop, the fund's slight overweight position in non-financial bonds was beneficial.

However, the main driver of performance was again the portfolio's exposure to floating rate asset-backed securities since they continued to recover during the quarter. There were some signs of improvement in the residential and commercial property markets, which provide support for these bonds.

As the rebound in credit continued in the final three months of 2009 and value in this area of the fixed income market diminished, the fund manager trimmed the portfolio's exposure to corporate bonds, moving to a neutral position.

This leaves the fund well placed to take advantage of any compelling opportunities in the corporate bond market when they arise, especially as we are likely to see further volatility given the uncertain economic environment. The focus of the fund manager's investment strategy is therefore on careful stock selection, which he believes will be the main driver of performance in the months ahead.

Past performance of the fund to 31 December 2009

	Quarter	1 Year*	3 Years*	5 Years*
Corporate Bond fund	0.6	14.5	4.1	4.6
Benchmark	0.5	10.8	2.7	3.4

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 Corporate Bond fund (series 3)

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?

- 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?

This 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.

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