

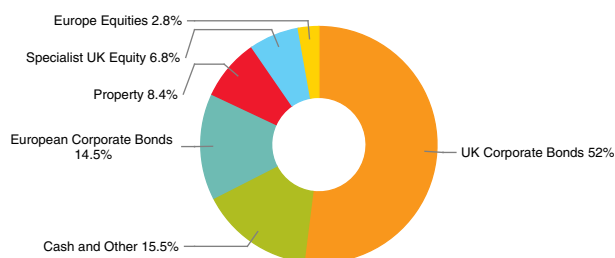
# Prudential Defensive fund (series 3)



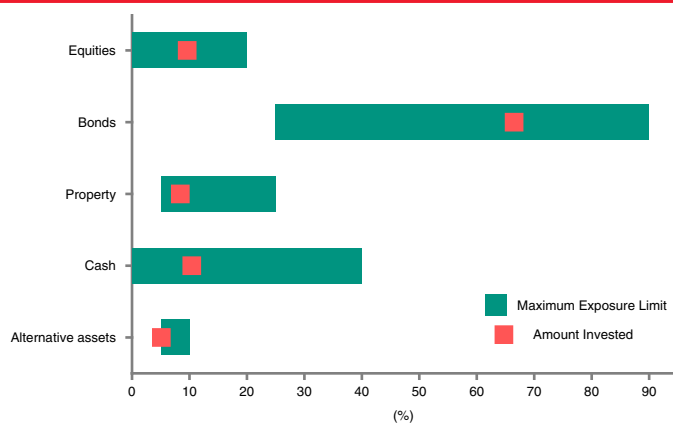
## Fund description

The fund invests in an unconstrained and diversified mix of assets predominantly bonds, property and cash, but it can also invest in equities and alternative assets in market conditions where these may help the fund achieve its target. Active asset allocation decisions are driven by the attractiveness of current market valuations compared to expected long-run returns for each asset class. The fund's target is to give a real return of 4.5% gross above the rate of inflation over a rolling 5 year period (although this level of return cannot be guaranteed).

## Fund breakdown



## Distribution within exposure limits



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
Defensive fund	17.3	-1	N/A	N/A	N/A
Benchmark	6.9	7.2	N/A	N/A	N/A

## Key facts

Underlying fund size	£14m
Number of holdings	All M&G Pooled Fund Range
Fund launch date	01/10/2007
Portfolio Manager	Martin Brookes
Benchmark	UK CPI (Harmonised EU Basis) + 4%p.a.
Investment Style	Prudent active multi-asset
Sedol code	B281989
Performance Objective	To target a return of around 4.5% gross above inflation per annum over a 5 year rolling period. This is a target and not a guarantee.

## Commentary

Holdings in the Specialist UK Equity Fund and UK commercial property provided very healthy returns for the fund. Indeed, a decision to invest in UK commercial property in the previous quarter was rewarded following a strong rebound in the asset class. However, the fund's position in European equities weighed slightly on performance during the fourth quarter of 2009. A relatively small presence in basic materials producers was a negative during a period when commodities stocks were in high demand amongst investors.

Both equity and corporate bonds have benefited from investors' renewed appetite for risk in 2009. Considering the scale of the rebound, the fund manager is doubtful about the potential for further substantial gains in the coming months. In light of this, the fund manager adjusted the portfolio to reduce its exposure to risk, shifting the emphasis away from equities. For example, he took some profits from a holding in European equities and invested in 10-year UK government bond futures. He believes that current yields of around 4.0% are a reasonable return considering his expectations for low inflation over the medium term, although there may be some short-term volatility. A portion of the fund's available cash was also used to increase the fund's position in UK commercial property.

### Past performance of the fund to 31 December 2009

	Quarter	1 Year*	3 Years*	5 Years*
Defensive fund	1.3	17.3	N/A	N/A
Benchmark	2	6.9	N/A	N/A

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 Defensive 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](http://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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