

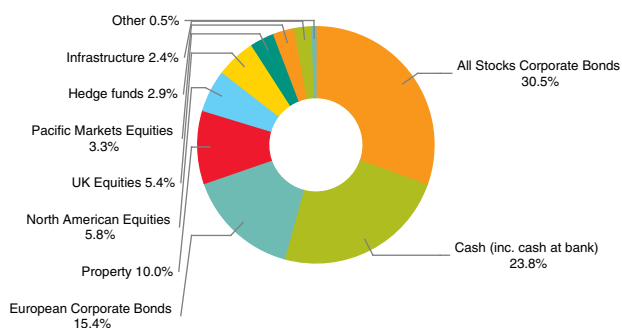
Prudential Defensive fund (Series 3)



Fund description

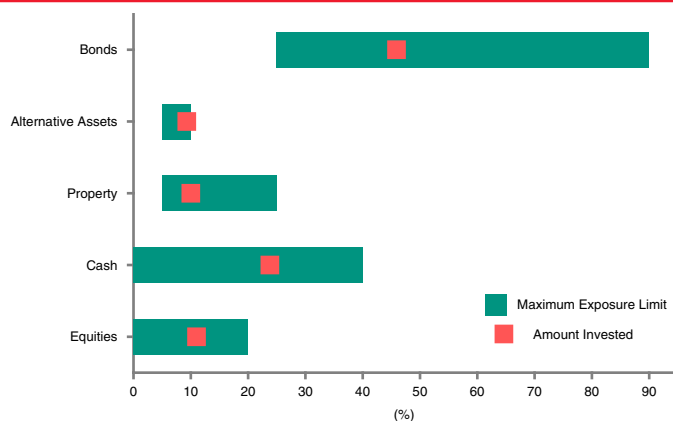
The investment strategy of the fund is to invest in an unconstrained and diversified mix of assets predominantly bonds, property and cash, but it can also invest in equities and alternative assets in market conditions where these may help the fund achieve its target. Active asset allocation decisions are based on 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 around 4.5% per year (before charges) above the rate of inflation (CPI) over a rolling 5-year period.

Fund breakdown



The asset mix is likely to vary in the future.

Distribution within exposure limits



The asset mix is likely to vary in the future.

Source: M&G

All figures are as at 30 September 2011, unless otherwise stated.

Performance

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

	30/09/06 - 30/09/07	30/09/07 - 30/09/08	30/09/08 - 30/09/09	30/09/09 - 30/09/10	30/09/10 - 30/09/11
Defensive fund	N/A	N/A	19.3	8.3	-1.2
Benchmark	N/A	N/A	5.1	7.2	9.4

Key facts

Underlying fund size	£15m
Number of holdings	All M&G pooled fund range
Fund launch date	01/10/2007
Portfolio Manager	Martin Brookes
Benchmark	UK CPI + 4%p.a. (Target Return)
Investment Style	Active multi-asset
Sedol code	B281989
Performance Objective	To achieve a return of around 4.5% per year (before charges) above inflation over a rolling 5-year period. This is a target and not a guarantee.

Commentary

The fund's exposure to corporate bonds provided some protection against a fall in the value of most risky assets during the quarter, with equities declining considerably on the back of the ongoing eurozone debt worries.

In particular, having a large holding in the conservatively positioned All Stocks Corporate Bond fund was helpful. Higher rated corporate bonds benefited from record low government bond yields and investors' search for assets they perceived to be safer, in particular asset-backed securities.

Within the equity portion of the portfolio, stock selection within Europe was positive as the underlying portfolio held up better than the broad market index. Yields on good quality government bonds dropped to historical lows during the quarter, and the fund manager believes that they are unlikely to fall much further. As a result, he established a short position in gilts and German government bonds.

The fund manager remains supportive of corporate bonds, believing that credit spreads, which are currently attractive in a historic context, overcompensate for the risk of default. With regard to equities, the fund manager believes that they should benefit from a coordinated policy response to the eurozone debt crisis. His outlook for stocks is therefore cautiously optimistic.

The past performance of the fund provided in the tables below reflects a swing in the fund's pricing basis from offer to bid.

Past performance of the fund to 30 September 2011

	Quarter	1 Year*	3 Years*	5 Years*
Defensive fund	-4.7	-1.2	8.5	N/A
Benchmark	2.2	9.4	7.2	N/A

Source: Prudential. * 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?

- › These risk ratings have been developed by Prudential to help provide an indication of a fund's potential level of risk and reward based on the type of assets which may be held by 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.
- › We regularly review our fund risk ratings, so they may change in the future. If, in our view, there is a material change in the fund's level of risk, for example due to a significant change to the assets held by the fund or in the way the fund is managed, we will provide information on the new risk rating. We recommend that you make sure you understand the risk rating of any fund before you invest. You will find this information at www.pru.co.uk/factsheets
- › You should also consider discussing your decision and the appropriateness of a fund's 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 provide an insight into 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 financial advice 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 www.pru.co.uk/funds and choose 'Prudential Corporate Pension Fund Prices' then filter on (Series 3).

How are the fund prices calculated?

This fund operates on a single swinging price basis, 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?

This fund is forward priced which means that the member receives the next available unit price after their instruction has been received.

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.

Please note the performance figures shown do not take into account the effect of charges, which can be found in your 'A Guide to Fund Options'.

Asset allocations are regularly reviewed and may vary from time to time, but will always be consistent with the fund objective.

