

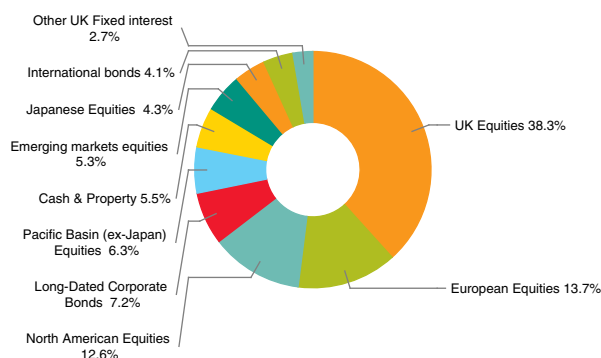
Prudential Discretionary fund (series 3)



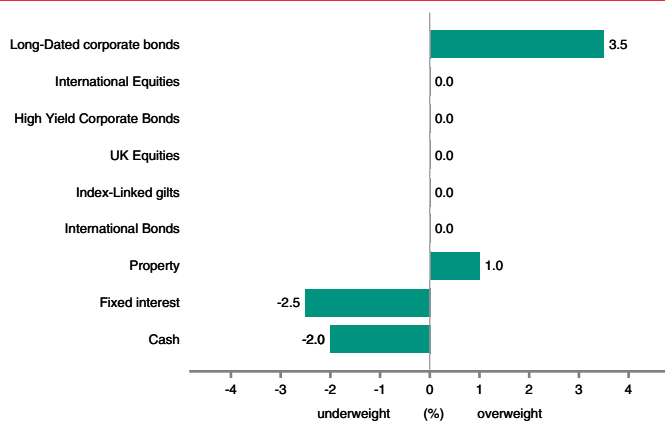
Fund description

The fund provides a traditional balanced approach to investment holding a mix of UK and overseas shares, bonds, property and cash. The fund is actively managed against its benchmark of the CAPS Balanced Pooled Fund Median. The significant numbers of stocks held in all areas reflect the prudent approach adopted by this fund. Both active stock selection and asset allocation are used to add value.

Fund breakdown



Target position 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
Discretionary fund	23.0	-18.2	7.1	11.5	22.7
Benchmark	20.5	-20.3	7.1	11.0	21.6

Past performance of the fund to 31 December 2009

	Quarter	1 Year*	3 Years*	5 Years*
Discretionary fund	2.9	23.0	2.5	8.1
Benchmark	3.1	20.5	1.2	7.0

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.

Key facts

Underlying fund size	£897m
Number of holdings	13
Underlying fund launch date	20/04/1983
Portfolio Manager	Portfolio Management Group
Benchmark	BNY Mellon CAPS Balanced Pooled Fund Median
Investment Style	Prudent active multi-asset
Sedol code	3168574
Performance Objective	1.15% - 1.4% gross per annum above the benchmark on rolling 3 year basis

Commentary

The fund slightly lagged its benchmark during a period in which positive momentum slowed somewhat in equity markets. Despite this setback, the fund achieved a healthy return for investors over the quarter and remained well ahead of its benchmark during 2009 as a whole. Asset allocation was broadly neutral for the quarter, with an overweight position in UK commercial property out of cash adding the most value. In contrast, the fund's bias towards long-dated corporate bonds out of UK government bonds detracted. Stock selection in the portfolio of bonds was generally helpful. However, this was more than offset by the underperformance in equities, particularly those in overseas markets.

Some of the fund's cash was used to increase an existing holding in UK commercial property. Sentiment towards the sector has warmed in recent months, particularly towards the highest-quality assets with good tenants on long leases. The fund manager maintained an overweight position in long-dated corporate bonds. With interest rates likely to remain low for some time to come, the asset class offers attractive long-term prospects, relative to UK government bonds and cash. The fund manager also retained the fund's neutral position in UK and overseas equities. He is doubtful about the likelihood of further substantial gains in the coming months, considering the scale of the stockmarket rally during 2009.

Prudential Discretionary fund (series 3)

Prudential risk rating

Medium

What type of funds are in this risk category?

These funds are predominantly multi-asset funds with a higher weighting in equities. The Property Fund is also in this category.

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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