

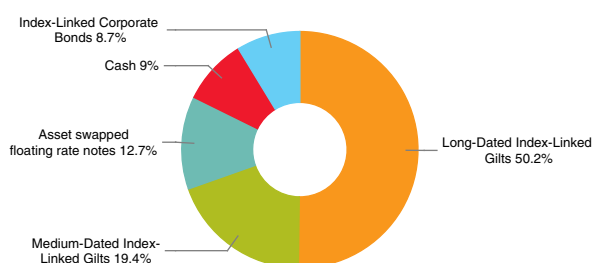
Prudential Index-Linked fund (series 3)



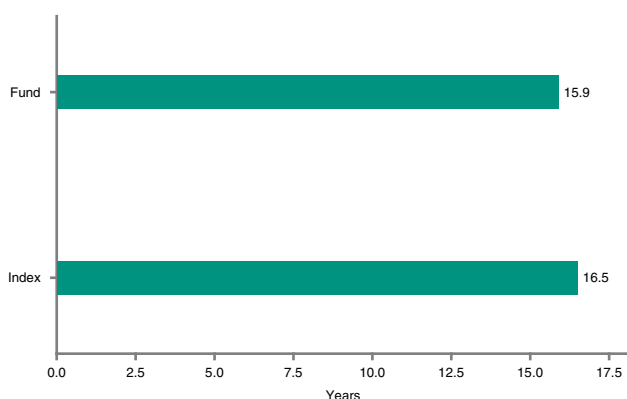
Fund description

The fund invests mainly in British Government index-linked gilts, typically with over five years to maturity. The fund is actively managed against its performance benchmark of the FTSE British Government Over 5 Years Index-Linked Index. The fund can also invest in index-linked corporate bonds and overseas index-linked government bonds. The values of any overseas holdings are protected from short-term exchange rate movements by hedging.

Fund breakdown



Duration



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
Index-Linked fund	7.2	2.1	8.3	2.8	9.5
Benchmark	5.6	3.3	8.6	2.6	9.6

Past performance of the fund to 31 December 2009

	Quarter	1 Year*	3 Years*	5 Years*
Index-Linked fund	2.6	7.2	5.8	5.9
Benchmark	1.5	5.6	5.8	5.9

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	£202m
Number of holdings	49
Underlying fund launch date	20/04/1983
Portfolio Manager	David Lloyd
Benchmark	FTSE A British Government Over 5 Years Index-Linked Index
Investment Style	Prudent active
Sedol code	3168604
Performance Objective	0.75% gross per annum above the benchmark on a rolling 3 year basis

Commentary

Index-linked government bonds performed strongly in the fourth quarter of 2009, helped by consistently strong buying of these assets from pension funds. The weakness of sterling and the Bank of England's ongoing quantitative easing policy also served to keep demand for these assets buoyant. Against this favourable demand backdrop, index-linked gilts outperformed their conventional counterparts.

Non-government securities continued to generate strong returns, with the fund's holdings in floating rate notes and corporate index-linked bonds contributing to its outperformance. Of further benefit was the portfolio's short duration position combined with its underweight position in 30-year bonds, which the fund manager regarded as expensive relative to adjacent parts of the yield curve.

The fund will maintain its underweight position in long-dated index-linked gilts, as these are expensive by international comparison and relative to shorter dated bonds as well. The fund manager will increase the extent of this underweight position if yields fall further.

The fund's index-linked corporate bond holdings will be retained as these assets still offer a significant yield advantage over index-linked gilts.

Prudential Index-Linked fund (series 3)

Prudential risk rating

Lower

What type of funds are in this risk category?

These funds may invest in fixed interest securities including gilts, index-linked and an element of corporate bonds. These types of investment are generally recognised as lower risk.

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.

Retirement has more potential with

PRUDENTIAL



Issued by Prudential. "Prudential" is a trading name of The Prudential Assurance Company Limited (which is also used by other companies within the Prudential group of companies).

The Prudential Assurance Company Limited is registered in England and Wales. Registered Office at Laurence Pountney Hill, London, EC4R 0HH. Registered number 15454.

Authorised and regulated by the Financial Services Authority. M&G Investments is a trading name of Prudential Pensions Limited and M&G Investment Management Limited whose business addresses are at Laurence Pountney Hill, London EC4R 0HH and Prudential Property Investment Managers Limited whose business address is Princeton House, 271-273 High Holborn,