

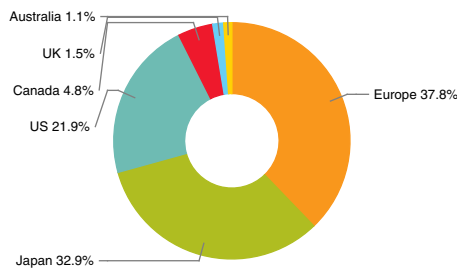
Prudential International Bond fund (Series 3)



Fund description

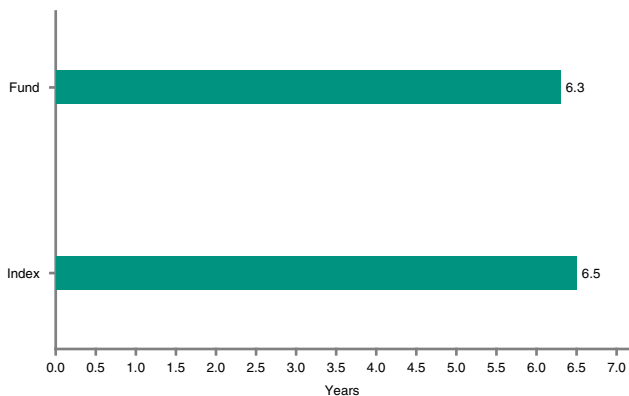
The investment strategy of the fund is to purchase units in the M&G PP International Bond Fund. This fund invests in all the major government bond markets outside the UK with principal holdings in US, Japanese and European Bonds. The fund is actively managed against its benchmark of the Salomon World Government Bond Non-Sterling Index. Both active stock selection and asset allocation are used to add value.

Geographical weighting



The asset mix is likely to vary in the future.

Duration



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
International Bond fund	-0.2	21.4	31.5	8.9	7.8
Benchmark	-0.4	22.0	27.6	6.5	5.7

Past performance of the fund to 30 September 2011

	Quarter	1 Year*	3 Years*	5 Years*
International Bond fund	7.5	7.8	15.6	13.3
Benchmark	5.3	5.7	12.8	11.8

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.

Key facts

Underlying fund size	£28m
Number of holdings	21
Underlying fund launch date	30/07/1986
Portfolio Manager	David Lloyd
Benchmark	Salomon World Government Bond ex UK Index
Investment Style	Active
Sedol code	3168615
Performance Objective	To outperform the benchmark by 0.75% per year (before charges) over rolling 3-year periods.

Commentary

Yields on good quality international government bonds fell sharply during the quarter amid high risk aversion, driven by fears that Greece might default on its sovereign debt and drag the already lacklustre world economy into another recession. The fund was helped by its overweight in government bonds from the US, the UK, Germany and Australia which benefited from investors' flight to quality. In the same way, the fund manager's preference for government bonds and currencies from the stable growing economies of Sweden and Norway added substantial value. Finally, the portfolio's relatively low exposure to the Japanese yen was advantageous. However, the fund manager closed the underweight during the quarter after the country's government intervened to devalue the currency.

The fund manager believes that bond markets are likely to remain very volatile until the European policymakers come up with a credible plan to resolve the eurozone debt crisis. Depending on the resolution, he is likely to maintain the fund's underweight to the region's single currency. With the US facing similar problems of slowing growth and mounting debt, the portfolio's underweight in the US dollar will also remain in place. Due to this uncertain economic backdrop, the fund manager will maintain an overweight exposure to 'safe haven' bonds from the US, the UK, Germany, Norway, Sweden and Australia.

Prudential International 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?

- › 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.

