

Prudential Property fund (series 3)



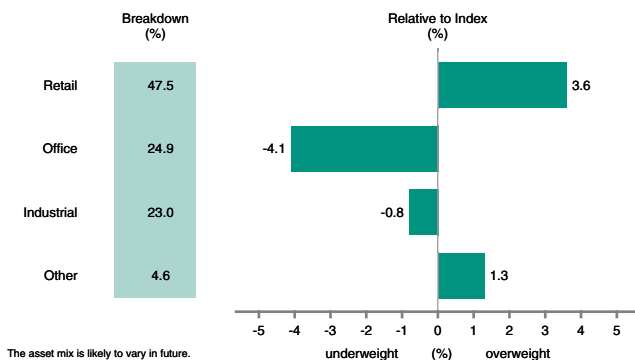
Fund description

The fund invests directly in commercial properties in the UK. The fund is actively managed against its performance benchmark of the IPD UK Pooled Property Fund All Balanced Index. The fund is well diversified investing in the retail, office and industrial sectors of the market.

Key facts

Underlying fund size	£541m
Number of holdings	77
Underlying fund launch date	17/03/1971
Portfolio Manager	Dermot Kiernan
Benchmark	IPD UK Pooled Property Fund All Balanced Index
Investment Style	Prudent active
Sedol code	3169414
Performance Objective	0.5% net per annum above the benchmark on a rolling 3 year basis

Fund distribution and relative positions by sector



Commentary

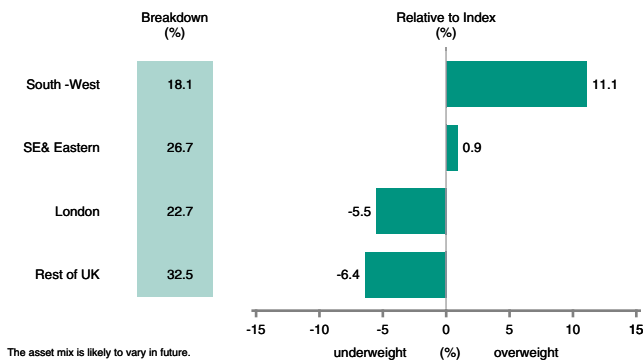
It was a very strong quarter for UK commercial property as a positive change in sentiment towards the asset class took hold. The fund gave up some of its relative performance versus the benchmark over the quarter but delivered solid figures for the year as a whole. The fund's asset allocation added value.

The fund was underweight offices, one of the weakest sectors during the review period, while the fund's preferred retail sector performed well. It had no exposure to shopping centres, which continued to struggle. Holdings in retail warehouse assets also added value. Asset management initiatives helped to enhance returns, while the sector as a whole rallied from a low level.

Given the ongoing challenges in the occupier market due to the weak economy, the fund manager continues to strengthen the income profile of the fund. To this effect, he lengthened the average lease duration of the fund, reduced the vacancy rate and focused on extending those leases due to expire in the near and medium term.

The reinvestment of capital raised from selling weaker assets has concentrated on quality properties with secure, long-term income streams. Asset management strategies are also focussed on securing quality income streams to protect and enhance returns. The fund manager seeks to pragmatically balance income and growth investment going forward as we move through the business cycle.

Fund distributions and relative positions by area



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
Property fund	4.4	-22.0	-6.5	16.2	18.9
Benchmark	-1.8	-23.9	-5.2	19.0	18.5

Past performance of the fund to 31 December 2009

	Quarter	1 Year*	3 Years*	5 Years*
Property fund	6.3	4.4	-8.7	1.0
Benchmark	7.9	-1.8	-10.9	0.0

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.

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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.

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.

This fund invests in property and land. This can be difficult to sell – so you may not be able to sell/cash in this investment when you want to. We may have to delay acting on your instructions to sell your investment.

You should look upon your investment in Property as being long term. There are large costs when we buy and sell property. The allowance for these costs amongst other factors can lead to short-term falls in the price of units in the Property Fund. The value of Property is generally a matter of a Valuer's opinion rather than fact. Under certain circumstances, in the interest of other investors, we reserve the right to defer any early encashment or switch between funds. This may be for a period of up to 6 months in the case of units held in the property fund.

Retirement has more potential with

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