

Prudential Newton Higher Income fund (Series 3)

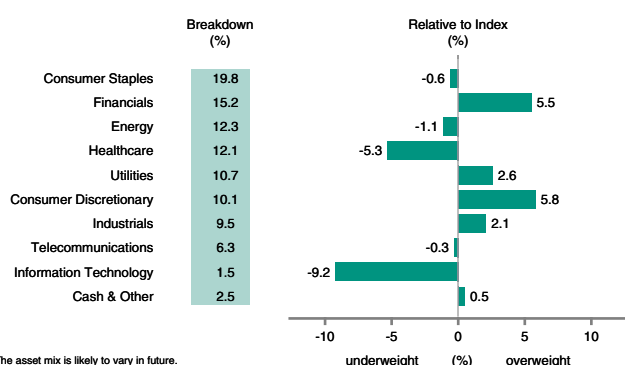
NEWTON
The Power of Ideas

Fund description

The investment strategy of the fund is to purchase units in the Newton Higher Income Fund. This fund aims to achieve long-term capital growth by investing purely in the UK.

The Newton Higher Income Fund specifically invests in higher yielding companies in the FTSE All-Share Index. As a result the Fund's returns may vary more than other funds that invest in companies irrespective of dividend yields.

Sector positions vs benchmark



The asset mix is likely to vary in the future.

Top holdings

Rank	Company	%
1	GlaxoSmithKline	7.7
2	Royal Dutch Shell	6.7
3	British American Tobacco	6.5
4	BP	5.5
5	AstraZeneca	4.5
6	Vodafone	4.4
7	Tesco	3.9
8	HSBC	3.6
9	Imperial Tobacco	3.5
10	Centrica	3.1

The asset mix is likely to vary in the future.

Source: Newton

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
Newton Higher Income fund	7.7	-17.4	10.2	8.4	-0.4
Benchmark	12.2	-22.3	10.8	12.5	-4.4

Key facts

Underlying fund size	£2,292m
Number of holdings	70
Underlying fund launch date	01/06/1987
Portfolio Manager	Tineke Frikkee
Benchmark	FTSE All-Share Index
Investment Style	Active
Sedol code	3420177
Performance Objective	To achieve long-term capital growth.

Commentary

In a falling market, our overweight position in the defensive utility and pharmaceutical sectors did well. Hence our holdings in GlaxoSmithKline, AstraZeneca, Scottish and Southern Energy (now called SSE), Centrica, United Utilities Group, Pennon Group, Northumbrian Water Group and Severn Trent were positive.

Our overweight position in Logica continued to hold performance back. The business and technology service company's first-half results disappointed, with net income declining 14% due to cost cutting by government customers in the Netherlands. Among our other holdings, our overweight position in Premier Farnell held the fund back.

We sold our holding in Northumbrian Water after a period of strong performance on the back of an approved bid by Cheung Kong Infrastructure Holdings in Hong Kong. We took profits in the relatively strongly performing utility sector by reducing our overweight positions in SSE, United Utilities Group and Severn Trent.

We increased our positions in British American Tobacco and Imperial Tobacco as relative safe-havens in these challenging times. In the oil sector, we reduced our holding in Royal Dutch Shell in favour of increasing our exposure to its competitor BP, which we believe to be more attractively valued.

Past performance of the fund to 30 September 2011

	Quarter	1 Year*	3 Years*	5 Years*
Newton Higher Income fund	-7.8	-0.4	6.0	1.1
Benchmark	-13.5	-4.4	6.0	0.8

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.

Prudential Newton Higher Income fund (Series 3)

Prudential risk rating

Higher

What type of funds are in this risk category?

These are specialist equity funds that focus on set geographical regions or a particular type of share e.g. shares of smaller companies or those that conform to certain criteria.

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 Mellon Fund Managers Limited.

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+1. This means that money received on day T buys units at the valuation date price applicable at close of business 1 day later.

Other important information

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.

