

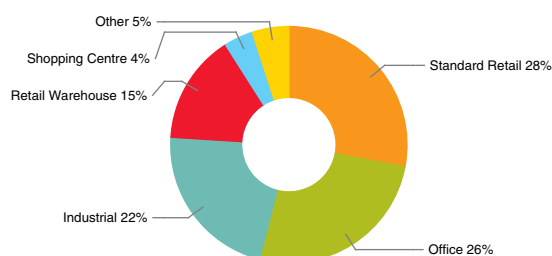
Prudential Threadneedle Property fund (series 3)



Fund description

The fund invests primarily in UK property, including retail and office buildings, and industrial property. The objective of the fund is to outperform the benchmark (CAPS Pooled Property) by 1 – 1.5% per annum or better over rolling 3 year periods.

Fund breakdown



Top tenants

	%
1 Tottenham Court Road, London	5.2
2 Deva Retail Park, Chester	4.6
3 Wardour Street, London	3.6
4 Boreham Airfield, Chelmsford	3.5
5 London Road, Twickenham	2.7
6 Riverbridge House, Dartford	2.3
7 Maesglas Retail Park, Newport	2.3
8 Quay Place, Birmingham	2.2
9 Park Row, Leeds	1.7
10 Stannard Place, Norwich	1.5

Source: Threadneedle
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
Threadneedle Property fund	7.4	N/A	N/A	N/A	N/A
Benchmark	1.6	N/A	N/A	N/A	N/A

Key facts

Underlying fund size	£671m
Number of holdings	176
Underlying fund launch date	31/03/1995
Portfolio Manager	James Rigg
Benchmark	CAPS Pooled Property
Investment Style	Active
Sedol code	B2PKMD5
Performance Objective	To outperform the benchmark by 1-1.5% per annum or better over rolling 3 year periods

Commentary

Over the period investor interest was focused on prime well let stock, while demand for secondary property remained weak. We soon expect the fund to resume outperforming as it has for some time. The principal factors that will help to boost fund performance include: high property income (at 9.3% it is 33% above the market level of 7%); strong asset diversification; and high liquidity.

We took advantage of current pricing in the market to acquire three assets in Q4. Two were retail warehouses (one in Newport, the Isle of Wight, and another in Ruislip) with lot sizes of £9mn and £10mn respectively. The other buy was the Kitty Brewster Retail Park in Aberdeen for £32mn reflecting a net initial yield of 9%. It was obtained in an off market transaction and provides a number of opportunities to enhance capital value.

Extracting value remained a key focus in Q4. Highlights included: letting a 25,000 square foot industrial unit in Kings Langley on a new ten year lease to an undoubted covenant at an initial rent of £230,000 per annum; the re-letting of a former Woolworths store in Cannock for a new ten-year term at an initial rent of £120,000 per annum; the letting of a 54,000 square foot industrial unit in Cumbernauld, Scotland at an initial rent of £259,572 per annum exclusive, some 35% greater than ERV, and letting 6,300 square feet of northwest London offices at an initial rent of £157,150 per annum.

Past performance of the fund to 31 December 2009

	Quarter	1 Year*	3 Years*	5 Years*
Threadneedle Property fund	9.5	7.4	N/A	N/A
Benchmark	7.7	1.6	N/A	N/A

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.

Prudential Threadneedle Property 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.

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 Threadneedle

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+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

Exchange Rate fluctuations may cause the Sterling values of overseas investments to rise or fall.

Retirement has more potential with

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