

Fund Brochure

Prudential Personal Pension



Choice of funds

Before you decide which fund or funds to invest in, you should consider the types of funds and the level of risk involved with each.

How much risk should I take with my money?

Before deciding which funds to invest in, you should consider the types of funds and level of risk involved. To help you choose an investment mix to suit your specific needs, the funds are graded into risk bands – minimal risk, lower risk, lower to medium risk, medium risk, medium to higher risk and higher risk.

These risk rating categories 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 rating categories should not be considered as generic to the fund management industry.

Prudential will keep the risk rating categories under regular review and as such they may be subject to change in the future. Where a risk rating is amended as a result of a material change in our view of the level of risk for the fund, for example due to a significant change to the assets held by the fund or in the way the fund is managed, information will be provided on the new risk rating. We recommend that before making any fund choice in the future you ensure you understand the appropriate risk ratings at that time. You will find this information in our Fund Guides, along with further information, at www.pru.co.uk. You should also consider discussing your decision with your financial adviser. It is important to also

note that your adviser may make their own assessment of the risk rating of funds when considering your needs and objectives, and this may differ from Prudential's own internal assessment. They may charge you for advice.

The information included in this guide is correct as at November 2011.

Furthermore, for pension investment, it is important to take into account the perceived fund risk that suit each individual life stage. Different risk profiles may be appropriate at different stages of the investment.

You should also consider that the effect of inflation would be to reduce what you could buy in the future with your pension. If investment returns are sufficiently low, inflation could cancel out returns that you make on your pension investment.

This risk is particularly relevant to lower risk funds that invest in fixed interest and cash, because they have limited protection against inflation, as provided by equity and property investments.

The value of an investment may go down as well as up and the fund value in future may be less than the payments you have made. For investments in With-Profits Funds, the value of the Policy depends on how much profit the Funds make and how we decide to distribute that profit.

Policyholders receive a distribution of profits by means of bonuses, or other methods as specified in the relevant policy documentation.

Please remember that the name of a fund is not indicative of the risk that it may take.

Your pension fund will be used to purchase an annuity, which will provide you with an income. The income you eventually receive will depend on the value of your pension fund and the cost of purchasing an annuity.

This creates the risk that the value of your pension fund does not move in line with the cost of purchasing an annuity.

Risk types

To help you and your adviser assess the potential level of risk and reward of our funds, we've included in this guide information on the risks applicable with different types of assets.

We have categorised these risks in line with the major asset types and investment styles used (see Risk Types on the following pages). There are many types of risk and when assessing funds we have grouped some that are not covered by the main headings as "Other". Generally, the higher the potential returns, the higher the risk.

To try and reduce the risk of losing money many funds hold a broad range of different types of assets. This means that you are not relying on the performance of an individual asset, nor of assets of the same type. This practice is known as diversification.

Risk types – continued

Equity

Equities are commonly known as "shares". When a fund buys a company share, it is investing in a company and, in exchange, receives a share of the ownership of that company. Shares give two potential investment benefits:

- › share prices increase as the value of the company increases
- › companies pay dividends – regular payments made to shareholders based on how well the company is doing.

Over the longer-term, equities are considered by many investment experts to offer greater growth potential than many other asset types. But over the short term, the value of equities can go up and down a lot. Funds investing in equities tend to carry a higher risk of capital loss than funds investing in fixed interest securities or money market investments (see below). The financial results of other companies and general stock market and economic conditions can all affect a company's share price, and consequently the value of any fund investing in that company.

Where a fund invests significantly in equities, we have rated the fund as having a risk type of "Equity".

Fixed Interest and Index-Linked Securities

Fixed interest securities, more commonly known as "bonds", are loans issued by companies or by governments in order to raise money. Bonds issued by companies are called Corporate Bonds, those issued by the UK government are often called Gilts or UK Government Bonds and those issued by the US government are called Treasury Bonds. In effect all bonds are IOUs that promise to pay you a sum on a specified date and pay a fixed rate of interest along the way.

Index-linked securities are similar but the payments out are normally increased by a price index e.g. for UK government index-linked securities, payments out are increased in line with the UK Retail Price Index.

On the whole, investing in bonds is seen as lower-risk than investing in equities. Gilts are very low-risk. To date, no UK government has ever failed to pay back money owed to investors. But with corporate bonds there is a risk that the company may not be able to repay its loan or that it may default on its interest payments.

The risks related to investing in bonds can be reduced if you invest through a bond fund. Where a fund manager selects a range of bonds, you are less reliant on the performance of any one company or government. If bond income generated is reinvested by the fund, bond funds can be used to provide attractive levels of growth. However, there is a risk you might not get back the amount you invest and the income you receive is neither fixed or guaranteed.

Corporate and Government bonds are sensitive to interest rate trends. An increase in interest rates is likely to reduce their value, and hence the value of any fund investing in them.

Where a fund is exposed to this risk, we have rated the fund as having a risk type of "Fixed Interest".

Risk types – continued

Commercial Property

Commercial property investment generally means the fund is sharing in the returns from the ownership of some buildings (for example, offices and shopping centres). The value of the property may increase and tenants may pay rent to the owners of the building.

However, commercial properties can be difficult to buy and sell quickly. Fund managers may have to delay withdrawal of money by customers from a property fund until they can sell some of the buildings the fund invests in.

The actual value of a property is what someone is prepared to pay for it – an actual sale value. As sales are infrequent, interim valuations are based on a valuer's opinion and may be revised up or down from time to time. This can affect the value of a fund invested in commercial property, with the value possibly fluctuating significantly.

This leads to a number of risks for funds investing in property:

- › Cash could remain uninvested as property assets can be difficult to buy, leading to lower returns than expected.
- › The value of the fund may be reduced if a large number of withdrawals are requested and it is necessary for properties to be sold at reduced prices.
- › There may be delays removing your money from the fund if property cannot be sold.
- › Property fund valuations may be revised periodically, upwards or downwards.
- › Rental income is not guaranteed. Defaulted rent and unoccupied properties could reduce returns.
- › If the size of the fund falls significantly, the fund may have to hold fewer properties, and this reduced diversification may lead to an increase in risk.

Where a fund is exposed to these risks, we have rated the fund as having a risk type of "Property".

Currency Risk and Overseas Investments

Overseas investments allow you to take advantage of the growth potential of markets outside of the UK, but currency changes can affect the value of overseas investments. Because the value of overseas investments is converted from local currency into pounds (Sterling), the Sterling value can fall if the local currency weakens against Sterling, independent of the performance of the asset itself.

Where a significant proportion of a fund is invested in non-Sterling assets, we have rated the fund as having a risk type of "Currency".

Smaller Companies and Developing Markets

In comparison to larger companies, shares of smaller companies may be harder to trade and short-term performance may be more volatile. There may also be more chance the companies will become insolvent. Funds which invest in small companies can have volatile returns and a greater risk of capital loss.

Some investments are in markets which are less developed than the UK market. In such markets, the ability to trade, and the safe keeping of assets on behalf of the fund, and especially regulation may all be poorer than in well-developed markets. This means increased risk for your investment.

Where a fund has these types of risk, we have rated it as having a risk type of "Smaller Companies and Developing Markets".

Risk types – continued

Financial Instruments

There are several financial arrangements that fund managers can use to improve fund performance. Some of the most common are:

Derivatives: These cover products such as futures and options which are generally an arrangement to buy or sell a standard quantity of a specified asset on a fixed future date at a price agreed today. This type of investment may carry a higher risk of capital loss than funds investing in other assets. Sometimes in the event of a counterparty to a derivative (the party with which the fund manager has made the agreement about future deals) being in financial difficulties, it may be difficult to obtain a price for valuations or for the investment manager to dispose of the asset – that creates risk to the value of the fund. There is a risk of capital loss in the event of the counterparty to the derivative becoming insolvent or suffering other financial difficulties. In such circumstances the derivative may have no value.

Geared Assets: Funds that are geared or borrow assets or which use short-selling are likely to be more volatile than other funds and there is a higher risk of capital loss.

Where a fund could be exposed to these types of risk, we have rated it as having a risk type of "Financial Instruments".

Other

We have rated a number of funds as having a risk type of "Other".

- In addition to the risks and characteristics of the individual asset types, specialist investments have other features that are unique to where they invest.

Specialist funds invest in particular markets or geographical areas. Because they invest in a smaller range of asset types, they tend to be more risky than non-specialist funds, but can deliver greater returns.

- Ethical funds are restricted from investment in certain companies due to the criteria used to select investments for the fund. This may mean that the returns from the fund are more volatile than funds which do not have these restrictions.

- The fund may have investment concentrated in relatively few individual assets. Therefore, returns from the fund can be significantly influenced by the performance of a small number of individual holdings and may be more volatile than funds with a wider spread of underlying assets.

- Some funds keep a proportion of your money in cash deposits and other money market investments. Over the long-term, money market investments usually offer the lowest risk of all asset types but also the lowest potential returns. Some funds hold money market investments because they are aiming for security more than substantial growth. Others hold just enough in cash deposits to make sure money is available for customer withdrawals. Over the long term, money market investments can be a low risk asset type but may also produce low returns compared to other asset types.

A money market investment is at risk if any of the banks, building societies or other financial institutions with whom the fund's money is deposited becomes insolvent or suffers other financial difficulties. In such circumstances, the money deposited with that institution may not be returned in full. Some money market investments will be affected if interest rates rise, leading to a drop in value of any fund holding them.

- The fund may offer some form of protection from downside risks for which there will be a charge and which will normally have an impact on long-term returns. The protection may be provided through the use of derivative contracts and this may give rise to counterparty risk and liquidity problems. The provision of the guarantees may result in a significant proportion of the fund being invested in cash and other lower risk investments.

Where a fund could be exposed to these types of risk, we have rated it as having a risk type of "Other".

Funds and risk types

Funds	Risk types						
	Equity	Fixed Interest	Property	Currency	Smaller Companies and Developing Markets	Financial Instruments	Other
Prudential Cash		X					X
Prudential Corporate Bond		X					
Prudential Equity	X						
Prudential Ethical	X						X
Prudential European	X			X			
Prudential Fixed Interest		X					
Prudential International	X			X			
Prudential Invesco Perpetual Income	X			X	X	X	X
Prudential Invesco Perpetual Managed	X			X			
Prudential Japanese	X			X			
Prudential Managed	X	X		X			
Prudential Newton Higher Income	X						
Prudential Newton Managed	X			X	X		
Prudential North American	X			X			
Prudential Pacific Markets	X			X			
Prudential Property			X				
Prudential Small Companies	X				X		
Prudential With-Profits	X	X	X	X	X	X	X

Risk categories	Risk category descriptions
<p>General These risk categories have been classified by Prudential, they should not be viewed as generic descriptions across the fund management industry. These classifications may change in the future.</p>	
<p>Minimal risk Prudential Cash Pension Fund</p>	<p>This fund may invest in a combination of deposits, money market investments and other types of interest bearing securities.</p>
<p>Lower risk Prudential Fixed Interest Pension Fund</p>	<p>This fund 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</p>
<p>Lower to medium risk Prudential Corporate Bond Pension Fund Prudential With-Profits Pension Fund</p>	<p>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.</p>
<p>Medium risk Prudential Managed Pension Fund Prudential Property Pension Fund</p>	<p>These funds are predominantly multi-asset funds with a higher weighting in equities. The Property Fund is also in this category.</p>
<p>Medium to higher risk Prudential International Pension Fund Prudential Invesco Perpetual Managed Pension Fund Prudential Newton Managed Pension Fund</p>	<p>These funds offer a diverse geographical spread of equity investment. The funds within this category will have greater overseas exposure and underlying volatility than the "medium" sector.</p>
<p>Higher risk Prudential Equity Pension Fund Prudential Ethical Pension Fund Prudential European Pension Fund Prudential Invesco Perpetual Income Pension Fund Prudential Japanese Pension Fund Prudential Newton Higher Income Pension Fund Prudential North American Pension Fund Prudential Pacific Markets Pension Fund Prudential Small Companies Pension Fund</p>	<p>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.</p>

For more information on each of these funds, including details of where they can invest, please see the fund objectives starting on page 5.

There are certain risks associated with the funds that we offer. The key ones are as follows:

- **The value of an investment or fund may fluctuate and is therefore not guaranteed.**
- For any fund there may be a delay in buying, selling or switching of units. These delays will only apply in exceptional circumstances and if this applies to you we will let you know. For more information please refer to your Member's Explanatory Booklet.
- **You may not get back the full amount of your original investment.**
- A Market Value Reduction may be applied to money that is taken out of the With-Profits Fund. Please see the Key Features document for further details.
- The sterling value of overseas investments in the funds may also rise and fall as a result of exchange rates fluctuations.
- For full details on charges please see the "What are charges section?" in the Key Features document.

Although we ask you to choose which fund you'd like to invest in, you can switch your existing funds from one to another and/or choose to redirect future contributions to a different fund. There is currently no charge for switching although we reserve the right to do so in the future.

When switching between different investment funds (including under the Lifestyle Option), the sale of existing units and the purchase of new units will not normally take place on the same date. For example, the new units may be bought on a date and using the relevant unit price some three or four days later than the date the original units were sold. The prices of units can, as always, go up or down during that time: this is a risk that is borne by you. The exact time lapse between sale and purchase will depend on the investment funds involved in the switch.

No interest is due for the period between the sale and purchase of units.

A Market Value Reduction (MVR) may be applied if you switch out of, or you take money out of the With-Profits fund. We may make an adjustment to your fund value if the value of the underlying assets is less than the value of your plan including all bonuses. This adjustment is designed to protect investors who are not taking their money out of the Fund. However, the amount you get back from your Plan will not be less than the value of the underlying investments relating to your part of the Fund. We apply the MVR to your Plan value including regular and final bonuses. We do not apply an MVR at your selected retirement date or on any claims due to death (see Key Features document for more details).

Choosing an investment fund

You can choose to invest your money in a range of funds, or you may prefer to choose a Lifestyle Option, which will automatically switch the investments as you approach retirement.

Lifestyling

Lifestyling is an investment strategy which aims to provide long-term growth, but with automatic switching into funds with lower risk profiles as you approach retirement. To begin with all your contributions would be invested in a fund with a higher risk profile. Then 8 or 10 years before your Selected Retirement Date, we will gradually move your money into funds with a lower risk profile. The switches are free of charge.

The funds

Prudential is committed to providing a broad range of investment funds by offering you the choice of selecting investment funds solely managed by Prudential or those managed by leading external investment managers. If you choose an externally managed investment fund, Prudential will act on your behalf by buying the appropriate number of units in your chosen fund.

In addition, the sale and purchase of units in any of the funds (including switches between funds) may be delayed in some circumstances. For example, where the interests of all policyholders need to be protected, or where there is a delay in receiving the proceeds of a sale of assets, or in circumstances where it is not possible to trade.

The investment funds are currently all "forward priced". This means that the unit prices for any given transaction – that is buying units with payments, selling units to provide benefits or a transfer out or switching between investment funds – is not determined until after the transaction has started to be processed. There may be a time lapse between the date you request the transaction and the relevant unit price date(s) for that transaction, with a further delay before the relevant unit price(s) is known. Where selling units, there may also be a time lapse before the proceeds of the sale are made available for reinvestment or to provide benefits or a transfer out. In any particular case, the exact time lapse will depend on the investment fund(s) involved in the transaction.

In some circumstances, an external fund manager may make an adjustment either to purchases or sales of units, in order to ensure that those policyholders who are not trading in its funds are not treated unfairly. If such an adjustment is made, we may have to make a corresponding adjustment to the unit price for either buying or selling units in that externally linked fund on that day. Please refer to the list of funds in conjunction with the Key Features document.

Some of the Prudential funds listed in this guide may gain all or part of their investment exposure by investing in collective investment vehicles (e.g. Unit Trusts, Open Ended Investment Companies (OEICs) and Qualified Investor Schemes (QISs)), derivatives or other investment vehicles, for which the aims and underlying assets are consistent with the objectives of the fund. These Prudential funds may hold an element of cash due to the short delay between new investments being received by the Prudential fund and being placed in the underlying investment(s), and this may have an impact on the performance of the Prudential fund when compared to the underlying investment(s).

Fund charges

When determining the basis to be used for calculating the unit price, it is important to consider how much money is either going into the fund or is being taken out. The unit price is then used to determine the value of individual policyholders' investments in the fund.

If more money is being paid into the fund than is being taken out, then the fund will need to purchase assets. If this is the case then the amount that is needed to buy assets for the fund (i.e. the purchase price) will be more relevant than the amount obtained for selling the assets (i.e. the sale price) in determining the unit price of the fund.

If more money is being taken out of the fund than is being paid in then the fund will need to sell assets.

If this is the case, the sale price of the underlying assets will be more relevant when calculating the unit price. Sales prices are generally lower than purchase prices. The size of the difference depends on the cost of either purchasing or selling the assets the fund invests in. These costs tend to be largest for funds investing in property, smaller companies and developing markets so will have the largest impact on the change in price. If there is a switch from a purchase price to a sales price then the unit price will reduce. If there is a switch from a sales price to a purchase price then the unit price will increase. In both cases the movement in price can be significant and will occur immediately.

Please see your Policy Provisions for further information.

Funds and fund managers	Objective	Risk rating	Current charges per year
Prudential Cash Pension Fund*	The investment strategy of the fund is to provide a return consistent with investing in interest bearing deposits and/or short-term UK government bonds.	Minimal	1%
Prudential Fixed Interest Pension Fund	The investment strategy of the fund is to purchase units in the M&G Gilt & Fixed Interest Income Fund. That fund aims to provide a secure income with stability of capital consistent with investment in gilts. The fund invests mainly in short, medium or longdated gilts according to M&G's view at any given moment of the likely course of interest rates and trend of the gilt-edged market.	Lower	1%
Prudential Corporate Bond Pension Fund	The investment strategy of the fund is to purchase units in the M&G Corporate Bond Fund. That fund aims to achieve a higher total return (the combination of income and growth of capital) from investment than would be obtainable in UK government fixed interest securities (ie gilts) of similar maturities. The fund invests mainly in sterling denominated corporate debt instruments. Any currency exposures within the fund may be managed by currency hedges into sterling.	Lower to medium	1%
Prudential With-Profits Pension Fund	<p>This Fund aims to maximise growth over the medium to long term by investing in shares, property, fixed interest and other investments. The Fund currently invests in UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments.</p> <p>There are currently two types of bonuses:</p> <p>Regular Bonus</p> <p>This is added during the term of your plan. When we decide the rates of regular bonus, the main thing we consider is the return we expect our investments to earn in the future. We hold back some of this return with the aim of paying a proportion of the proceeds as final bonuses.</p> <p>Final Bonus</p> <p>This is an additional bonus, which we expect to pay when you take money from your plan. If the investment return has been low over the lifetime of your plan, a final bonus may not be paid. There is no guarantee final bonus will be paid.</p> <p>If all, or any part of the pension is invested in the With-Profits Fund and the pension is transferred or early retirement is taken, we may apply an adjustment called a Market Value Reduction (MVR). If an MVR applies you may not receive any final bonus, or the full value of the regular bonus. However, the amount you get back from your Plan will not be less than the value of the underlying investments relating to your share of the Fund. MVRs are designed to protect investors not taking their money out of the Fund.</p> <p>Full details of our current practice of applying an MVR can be found in the Key Features Document.</p> <p>The Annual Management Charge of this fund is already taken into account when we calculate the bonus rates for our With-Profits Funds. For further details of the charges for this fund please refer to your Key Features Document.</p>	Lower to medium	please see "What are the charges?" section of the Key Features Document

* This fund has a guarantee that the bid value of units in the fund will not fall.

Funds and fund managers	Objective	Risk rating	Current charges per year
Prudential Property Pension Fund	The investment strategy of the fund is to purchase units in the M&G Property Portfolio. That portfolio aims to maximise long-term total return (the combination of income and growth of capital) through investment mainly in commercial property. The portfolio invests in a diversified portfolio of commercial property mainly in the UK, seeking to add value through strategic asset allocation, stock selection and asset management. The portfolio may also invest in other property related assets, including collective investment schemes, securities, derivatives and debt instruments, as well as government debt, money market instruments and cash.	Medium	1%
Prudential Managed Pension Fund	The investment strategy of the fund is to provide steady medium to long-term total growth (the combination of income and growth of capital) by investing mainly in a broad spread of Prudential's investment-linked funds and collective investment schemes.	Medium	1%
Prudential International Pension Fund	The investment strategy of the fund is to provide long-term capital growth by investing mainly in a spread of equity markets throughout the world, mainly through Prudential's Unit Trusts. This includes the Prudential Trusts investing in the markets of the USA, Europe, the Asia-Pacific region and Japan.	Medium to higher	1%
Prudential Invesco Perpetual Managed Pension Fund++	The investment strategy of the fund is to achieve long-term capital growth by investing mainly in UK and overseas securities.	Medium to higher	1.25%
Prudential Newton Managed Pension Fund++	The investment strategy of the fund is to provide total long-term growth (the combination of income and growth of capital) by investing mainly in a diversified portfolio of UK and international equities with the option of holding up to 15% in bonds and cash.	Medium to higher	1.25%
Prudential Equity Pension Fund	The investment strategy of the fund is to provide total long-term growth (the combination of income and growth of capital) by investing mainly in a portfolio of equity holdings listed on the London Stock Exchange, with focus on "blue chip" companies.	Higher	1%

Funds and fund managers	Objective	Risk rating	Current charges per year
Prudential Ethical Pension Fund	The investment strategy of the fund is to provide total long-term growth (the combination of income and growth of capital) by investing mainly in UK companies that avoid activities which have a significantly harmful impact on the world around us.	Higher	1%
Prudential European Pension Fund	The investment strategy of the fund is to purchase units in the PUTL European Qualified Investor Scheme Fund. That fund aims to achieve long-term capital growth by investing mainly in the shares of continental European companies quoted on the stockmarkets of Europe in all economic sectors.	Higher	1%
Prudential Japanese Pension Fund	The investment strategy of the fund is to purchase units in the PUTL Japanese Qualified Investor Scheme Fund. That fund aims to provide high long-term growth through actively managing a portfolio consisting wholly or mainly of companies, the securities of which are listed in, or the operations of which are based mainly in, Japan.	Higher	1%
Prudential North American Pension Fund	The investment strategy of the fund is to purchase units in the PUTL North American Qualified Investor Scheme Fund. That fund aims to provide total long-term growth (the combination of income and growth of capital) by investing in an actively managed portfolio of investments consisting wholly or mainly of companies which are mainly based in the USA, but with the scope to invest in Canada and Latin America.	Higher	1%
Prudential Pacific Markets Pension Fund	The investment strategy of the fund is to provide total long-term growth (the combination of income and growth of capital) by investing in an actively managed portfolio of investments consisting wholly or mainly of companies which are mainly based in the Asia Pacific region (excluding Japan).	Higher	1%
Prudential Small Companies Pension Fund	The investment strategy of the fund is to provide above average long-term capital growth. The fund invests mainly in the shares of small growing companies, mainly in the UK.	Higher	1%
Prudential Invesco Perpetual Income Pension Fund+	The investment strategy of the fund is to purchase units in the Invesco Perpetual Income Fund. That fund aims to achieve a reasonable level of income together with capital growth by investing primarily in companies listed in the UK, with the balance invested internationally.	Higher	1.25%
Prudential Newton Higher Income Pension Fund++	The investment strategy of the fund is to provide total long-term growth (the combination of income and growth of capital) by investing in a portfolio consisting wholly or mainly of UK equities. The fund concentrates on high yielding equities which exhibit strong cash flow and dividend growth.	Higher	1.25%

+ This Fund invests in the fund manager's own collective investment fund of the same name.

++ The Fund management group stated manages an underlying Prudential Fund. It should not be confused with the same or similar named collective investment fund offered independently by the fund management group.

Full terms and conditions are available on request.

Charges may vary in future and they may be higher than they are now.

Funds and fund managers	Objective	Where does the fund invest ?	Risk rating
Lifestyle Option 1	Aims to achieve long-term growth, but with automatic switching into lower risk funds as you approach retirement	Initially in your choice of funds then between 10 and 5 years before your Selected Retirement Date (SRD) your investments are automatically switched in pre-set proportions at monthly intervals to the Prudential Fixed Interest Fund. Over the final 5 years, the investment is switched into a mixture of the Fixed interest and Cash funds and then all into the Cash fund.	This will vary depending on the funds you choose
Lifestyle Option 2	Aims to achieve long-term growth, but with automatic switching into lower risk funds as you approach retirement	Initially in your choice of funds then between 10 and 5 years before your Selected Retirement Date (SRD) your investments are automatically switched in pre-set proportions at monthly intervals to the Prudential Managed Fund. Over the last 5 –3 years, the investment is switched from the Managed Fund into the Fixed Interest Fund. Then over the last 3 years, from the Fixed Interest fund, to a mixture of the Fixed Interest and Cash funds and then all into the Cash fund.	This will vary depending on the funds you choose
Lifestyle Option 3	Aims to achieve long-term growth, but with automatic switching into lower risk funds as you approach retirement	Initially in your choice of funds then between 8 and 3 years before your Selected Retirement Date (SRD) your investments are automatically switched in pre-set proportions at monthly intervals to the Prudential Managed Fund. Over the final 3 years, the investment is switched into a mixture of the Fixed interest and Cash funds and then all into the Cash fund in the final year.	This will vary depending on the funds you choose

Prudential reserves the right to change the terms of the Lifestyle Option, subject to certain restrictions in respect of existing investments in the Lifestyle Option. When switching an existing investment to the Lifestyle Option, 100% of the savings invested (excluding savings invested in the With-Profits Fund) will automatically be switched.

Completion of an additional form will be required to authorise the switch of savings from the With-Profits Fund to the Lifestyle Option. Prudential reserves the right to withdraw or change the funds available at any time, subject to certain restrictions. New funds may also be made available.

Full terms and conditions of all the Prudential products are available upon request. For full details on charges please see the Key Features document.

Important information

Full terms and conditions of our Pension Plans are available on request.

Further information on these funds is available in the Fund Prices section of our website www.pru.co.uk/funds

From time to time, investment-linked funds may hold a small proportion of cash in addition to stocks, shares or property.

It should be appreciated that unit prices of the investment-linked funds can go down as well as up. The value of an investment or fund may fluctuate and is therefore not guaranteed. You may not get back the full amount of your original

investment. For investments in the With-Profits Fund the value of the policy depends on how much profit the fund makes and how we decide to distribute that profit. Policyholders receive a distribution of profits by means of bonuses or other methods as specified in the relevant policy documentation.

If the taxation treatment of the funds changes, we reserve the right to change the arrangements for the investment of the underlying assets of the fund.

Our charges may vary in the future and may be higher than they are now.

For any fund there may be a delay in buying, selling or switching of units. These delays will only apply in exceptional circumstances and if this applies to you we will let you know. For more information please refer to your policy conditions.

Glossary of investment terms

This glossary is a high-level guide to some of the technical terminology that may appear in this Fund Guide. It is not intended to be a definitive reference document and you should contact your adviser for further assistance where necessary.

Basic Materials Sector – a category of stocks covering companies involved with the discovery, development and processing of raw materials. The basic materials sector includes the mining and refining of metals, chemical producers and forestry products.

"Blue Chip" Companies – these are large, reputable companies which are thought to be financially sound.

Bonds – see Fixed Interest Securities.

"Boutique Managed" Funds – investment funds that are specialised in some way either through the expertise needed to manage the portfolio or because it has an unusual theme or a collection of funds under one house. These "boutique" funds are typically offered by smaller, specialist firms as opposed to large investment management companies.

Broad Investment Grade – this is a term used to describe a listing of bonds and fixed income instruments on an index. It is used to measure the overall value of a collective group of bonds and represents the characteristics of these types of securities. It is a grading level that can be used by certain types of funds for determining assets that are suitable for investment into a fund.

Certificates of Deposit – these are a money market investments that are generally issued by banks against a security. A certificate of deposit usually pays interest (which can vary) and entitles the bearer to receive a set interest rate up until a set maturity date and can be issued in any currency or denomination.

Closed Ended Funds – this describes a collective investment scheme which has a limited number of shares (or units). The shares are then traded on an exchange or directly through the fund manager to create a secondary market subject to market forces.

Collective Investment Schemes – a way of pooling investment with others as part of a single investment fund. This allows investors to participate in a wider range of investments than would normally be feasible if investing individually and to share the costs and benefits of doing so. Collective Investment Schemes, OEICs, Unit Trusts, Mutual funds, usually either target geographic regions (like emerging market countries) or specific themes (like technology or property).

Convertible Bonds (can also be called Deferred Equity) – these are corporate bonds that are exchangeable for a set number of another form of investment (for example, common shares) at a pre-stated price. Convertible bonds typically pay a lower income than is normally available from common bonds.

Corporate Bonds – these are loans to companies where the purchaser of the corporate bond lends money to the company in return for regular interest payments and the promise that the initial sum will be repaid on a specified later date.

Default Risk – this is the possibility that the issuer of a bond will be unable to make payments when they are due.

Derivatives – these cover products such as futures and options which are generally an arrangement to buy or sell a standard quantity of a specified asset on a fixed future date at a price agreed today. Also considered to be a financial instrument whose value is dependent upon the value of an underlying asset.

Equities – these are also known as shares or stocks and represents a share of the ownership of a company. Shares give two potential benefits – the share prices increase as the value of the company increases and regular payments, known as dividends, may be made to shareholders based on how well the company is doing.

Eurobonds – a Eurobond is an international bond that is denominated in a currency not native to the country where it is issued. It can be categorized according to the currency in which it is issued. For example, a British company may issue a Eurobond in Germany, denominating it in U.S. dollars.

Exchange-Traded Fund – this is an investment vehicle the units of which are traded on a stock exchange. An exchange traded funds can hold a range of assets such as stocks, bonds or even commodities. Most track an index, such as the FTSE ALL share or the S&P 500.

Fixed Interest Securities – these are more commonly known as “bonds” and are loans issued by companies or by governments in order to raise money. Bonds issued by companies are called corporate bonds, those issued by the UK government are called gilts and those issued by the US government are called treasury bonds. In effect all bonds are IOUs that promise to pay a sum on a specified date and pay a fixed rate of interest along the way.

Floating Rate Notes – these are basically short-term loans to financial organisations, such as banks, under which the investor receives interest payments from that financial organisation. At the end of an agreed period the financial organisation has to repay the loan. The interest payment rates are linked to a specified “floating” rate typically the London Interbank Offered Rate (LIBOR). This means that interest rate payments may go up or down.

Forwards Contract (or Forwards) – these are agreements between two parties to buy or sell an asset at a fixed future date for a price determined at the time of dealing.

Government Bonds – these are loans to the government where the purchaser of the government bond lends money to the government in return for regular interest payments and the promise that the initial sum will be repaid on a specified later date.

Government Sovereign Bond – is a government debt issued in a foreign currency.

Hedging – a strategy employed in order to reduce or mitigate risk. Hedging involves making an offsetting transaction in one market in order to protect against possible losses in another.

Hedged Back to Sterling – this is a specific example of hedging where the trader is trying to protect an existing or anticipated position from an unwanted move in sterling exchange rates.

Index-Linked Securities – are similar to fixed interest securities but the payments out are normally increased by a price index e.g. for UK government index-linked securities, payments out are increased in line with the UK Retail Price Index.

Investment Grade – a credit rating given to a government or corporate bond that indicates that the agency giving the rating (e.g. Standard & Poors) believes that the issuer has a relatively low risk of default. Bonds with credit ratings of AAA, AA, A or BBB are considered investment grade. Low rated bonds with ratings of BB or below are often called Junk Bonds.

LIBOR (London Interbank Offered Rate) – this is the interest rate that London banks charge when lending money to one another over a short period of time. LIBOR is often used as a benchmark when setting other short term interest rates.

Money Market Investments – are defined as cash and near cash such as bank deposits, certificates of deposits, fixed interest securities or floating rate notes, with, where applicable, a maturity date of under a year.

OEIC – this is an Open Ended Investment Company, which is the British version of a European SICAV (Societe D'investissement a Capital variable) or Irish VCIC (Variable Capital Investment Company). Like all open collective Investment Schemes, an OEIC has no fixed amount of capital.

The total value of the OEIC is equally divided into shares which will vary in price and in the number issued. Each time that new money is invested, new shares or units are created to match the prevailing share price; each time shares are redeemed, the assets sold match the prevailing share price.

Options – legal agreements that give the holder the right (but not the obligation) to buy or sell the underlying asset at an expiration date, at a price determined at the time of dealing.

Permanent Interest Bearing Shares (usually referred to as PIBS) – these are fixed-interest securities issued by building societies. Building societies use them in the way public limited companies would use preference shares (see above). Although similar to bonds, PIBS typically exist as long as their issuer does. They typically offer better interest rates than bonds although unlike bonds have no fixed redemption date and so redemption value will be determined by market values at the time of sale.

PIBS are not covered by UK government compensation schemes. If the building society is in financial distress, amounts are paid to holders of PIBS only after depositors.

Preference Shares (also called Preferred Stock or Preferred Shares) – these are shares in a company which give their holders an entitlement to a fixed dividend payment and may or may not carry voting rights. These are a "higher ranking" stock than common stock and usually have specific rights attached to them.

Preference shares mean that the holder may get preferred treatment over common share holders – and carry a dividend that is paid out prior to dividends to common share holders. In the event of bankruptcy preferred share holders will be paid out from assets before common share holders and after debt holders.

Primary Industry – the industrial sector of an economy involved in the extraction and collection of natural resources, such as copper and timber, as well as by activities such as farming and fishing. A company in a primary industry can also be involved in turning natural resources into products. Primary industries tends to make up a larger portion of the economy of developing countries than they do for developed countries.

Qualified Investor Scheme (QIS) – A qualified investor scheme is essentially a mixed asset type of scheme where different types of permitted asset may be included as part of the scheme property, depending on the investment objectives and policy of that scheme and within any restrictions in the rules.

Regulated – This means the portfolio or fund has to conform to the regulations laid down by the financial authority it is trading in (i.e. the FSA in the UK), financial service providers and markets.

Secondary Industry – the industrial sector of an economy that produces finished, usable products. Unlike a primary industry, which collects and produces raw materials for manufacture, a secondary industry makes products that are more likely to be consumed by individuals. Examples of secondary industry divisions include automobile manufacturing, steel production and telecommunications.

Shares – see Equities.

Short-Term Government Bonds – for the purposes of determining assets which the Prudential Cash Funds can invest in these are defined as government bonds with a repayment period of twelve months or less.

Smaller Companies – companies quoted on a recognised exchange that have a market worth below that of blue chip companies. In the UK, smaller companies are typically defined as those with market capitalisations below the top 350 companies in the FTSE All Share Index.

Transferable Securities – this is a descriptor given to a type of financial security which is traded on capital markets. The term is probably most commonly known and used in association with UCITS in UK and Europe (examples would be UCITS/depository receipts/some types of warrants).

Undertakings for Collective Investment in Transferable Securities (UCITS) – these are collective investments which can be sold across national borders within the EU having complied with regulations on investments and administration.

Unregulated – this means the portfolio or fund does not need to conform to regulations.

Warrants – a warrant is a security that entitles the holder to buy shares in the issuing company at a specified price and within a certain time frame.

Warrants are freely transferable and traded on major exchanges. Their value will go up or down as the price of the shares to which they relate goes up or down.



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