Dynamic Portfolios
Quarterly Update

30.03.12

In this quarterly update you will find:

- What makes our Dynamic Portfolios special
- Commentary on markets and each portfolio from the experts
- Asset allocation and holdings information

PRUDENTIAL

This is the quarterly update for our Dynamic Portfolios.

Inside you will find information including investment aims, how we choose funds, commentary on financial markets and updates on each portfolio.

The information in this guide is as at 30 March 2012 unless otherwise stated.

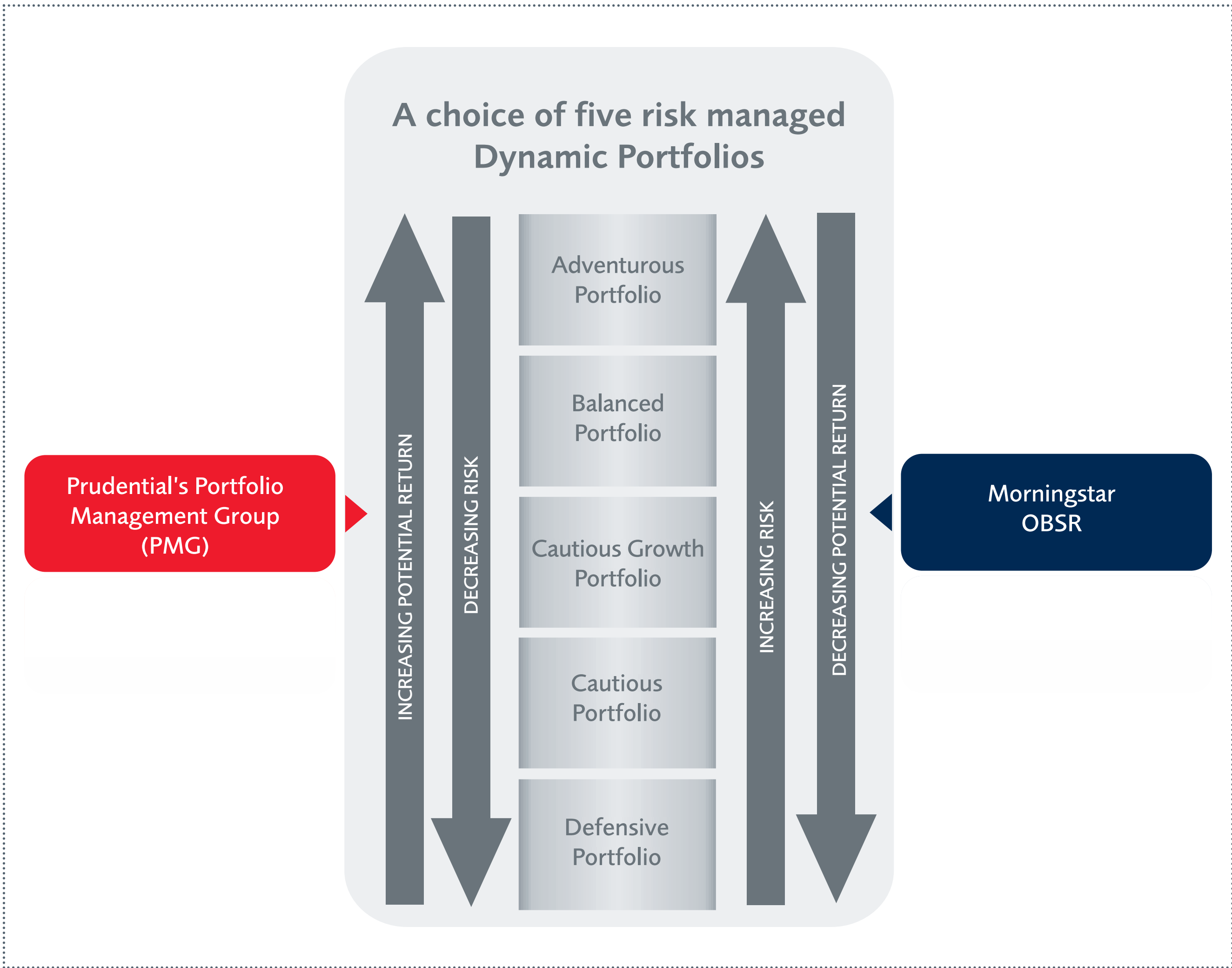
Contents

Our Dynamic Portfolios

We offer five portfolios designed to meet different investment objectives and help target different attitudes to risk.

- Each of our Dynamic Portfolios is a "fund of funds", which means that each invests in a range of independently managed investment funds.
- The portfolios contain different proportions of high and lower risk assets to target different goals and needs.
- Our Dynamic Portfolios benefit from the combined expertise of Prudential's Portfolio Management Group (PMG) and Morningstar OBSR.
- The Dynamic Portfolios represent different profiles from Defensive to Adventurous. These can help you plan for specific investment objectives.

Please remember that the value of your investment may go down as well as up and there may be times when you may not get back the full amount of your original investment. What you will receive will depend on your Portfolio choice and how it performs.



Meet the experts

Prudential's Portfolio Management Group (PMG)

- PMG are the in-house investment strategists and "manager of managers" for Prudential in the UK.
- They are independent of the various underlying asset management businesses within the Prudential Group.
- They are a team of over 20 which includes economists, mathematicians and analysts who are specialists in different areas of the investment world.
- They are responsible for over £137bn of investors' money, as at end of December 2011.

PMG actively manage* each portfolio's asset allocation.

PMG buy and sell funds to be held in the portfolios as selected and recommended to them by Morningstar OBSR.

When deciding the asset allocation of each portfolio, PMG consider their long term view of each type of asset the portfolio can hold and decide which ones to use in line with appropriate risk parameters.

Morningstar OBSR

- Morningstar OBSR have an impartial research business model which selects funds independently of fund managers, and were established in July 1999.
- Their aim is to be the leading qualitative investment research company in the UK retail funds market.
- Their research is widely used by fund managers, product providers and professional intermediaries alike.

Morningstar OBSR research and regularly review funds, and make "buy", "hold" and "sell" recommendations to PMG.

Morningstar OBSR recommend a range of independently managed funds from some of the best fund managers in the country.

When recommending funds for the portfolios, Morningstar OBSR look at the different styles of the managers and blend styles together to create an appropriate fund holding.

Five risk managed portfolios

* When managing these portfolios PMG work within M&G Investment Management Limited, part of the Prudential Group.

Prudential's Portfolio Management Group (PMG) – market update

As explained on the previous page PMG actively manage the portfolios. They decide the asset allocations and buy and sell funds as selected and then recommended to them by Morningstar OBSR.

In this section PMG give their thoughts on current market conditions and how this shapes their views to the portfolio asset allocations.

This commentary reflects the general views of PMG and should not be taken as recommendation or advice as how any specific market is likely to perform.

The first quarter of 2012 was relatively calm and stable compared to some of the more extreme volatility seen in 2011. The main topic of conversation in 2011 had been the Eurozone crisis and specifically the problems and prospects for Greece. Various initiatives were proposed by the politicians throughout the year to help Greece meet its immediate debt needs, but a recurring fear had been the ability of the European financial system to continue to operate successfully in light of the banks' weak balance sheets and prospect of asset write-offs.

However, very late in Q4 the European Central Bank (ECB) intervened with a very significant programme of lending to the banks in an initiative called the Long Term Refinancing Operation ("LTRO"). This initiative gave banks access to cheap funding, and allowed them to continue their daily operations which are so important to the functioning of the European Economy. The programme was deemed to be a success, so much so that a second wave of such funding ("LTRO2") was undertaking during the first quarter of 2012.

The result has been that investor focus shifted in the first quarter away from the machinations of the Eurozone debt crisis, and onto the more general performance of the world economy.

Whilst world growth remains subdued in the aftermath of the Credit Crunch, there have been some positive signs emerging in parts of the world. The large US economy, for example has shown signs of better than expected growth, and employment data there has picked up. European economies too have held up reasonably well despite the debt crisis, and so the European equity market which had been very weak leading up to the LTRO initiative has rallied strongly since.

The UK economy has been uninspiring in total, but the private sector has managed some growth which has helped offset contractions in the public sector. The equity market – which reflects the private sector, held its value having rallied strongly in the latter part of the last quarter of 2011.

Matthew Williams
Fund Manager of the Dynamic Portfolios and Director of Portfolio Management
Portfolio Management Group

Quarter one 2012 facts and figures

Equities	
UK shares (FTSE 100)	+4.64%
US shares (S&P 500 GBP)	+8.71%
Europe excluding UK shares (FTSE Europe ex UK GBP)	+10.04%
Asian shares (FTSE Asia Pacific GBP)	+8.93%
Fixed Income	
UK government gilts (FTSE British Govt All Stocks)	–1.74%
UK bonds (IMA £ Corporate Bonds)*	+3.13%
Global bonds (IMA Global Bonds)*	+1.92%
Average UK bank (Moneyfacts Average 90 Days Notice £10,000)	+0.31%
Property	
UK commercial property (IPD UK All Property Monthly)	+0.65%

Total return performance figures from Financial Express 30 December 2011 to 30 March 2012. *Net of tax where related to fund performance. Past performance is not a reliable indicator of future performance.

Asset allocation views from PMG

Equities

Equity markets continue to present us with the same dilemma that they have done for the year: when looking at the private sector, many companies have been resilient thus far in light of the weak broader economic picture, but share prices have been quite subdued given some generally negative sentiment. In our eyes, therefore, overall equity markets look cheap, but we recognise the risks facing the broader economy and the fact that market volatility is likely to be high for a while longer.

So we tread the balancing line between optimism given the subdued levels of markets, and caution given what could happen were the economies of the world to suffer another major setback. Currently our bias is towards optimism.

There are some geographic nuances to this view, but generally we favour those markets where the prices are more subdued, namely Europe.

Property

As we have previously said, the characteristics of Commercial Property as an investment means it can provide good diversification within a portfolio of other assets. In other words, the values of Commercial Property assets do not behave exactly like those of other assets, so we are likely to always hold an element of property to spread the risk.

However, it is not the most "liquid" of assets and the frictional costs and time taken in buying and selling can be significant. Therefore, the weighting has remained stable within the Portfolios. For us to take action in either direction will require a very strong indicator that the commercial property market is either very overvalue or undervalued. Also we recognise that Commercial Property is a very heterogeneous market, and we only remain comfortable on the basis of accessing very large well diversified funds.

Fixed Income

It is worth thinking about two different (but connected) areas of the Bond Markets. Firstly, Government bonds generally represent the current and prospective interest rate environment of a given country. For these assets, yields remain stubbornly low (approximately 2.2% on 10yr UK Gilts at quarter end), to make these assets very unattractive in our eyes. Indeed we have not held government bonds in the Portfolios since launch in early 2010.

Corporate bonds, offer an additional yield over and above the government bond yield in the form of credit spread, and we believe this credit spread to be currently attractive. We believe the attractiveness of the credit spread offsets to a certain extent the low level of base government bond yields such that whereas we don't think it right to hold government bonds we are happy to hold corporate bonds. This is true of both investment grade and high yield bonds.

Overall, Q1 2012 proved to be relatively benign from a market perspective, and we did not make any significant changes to the Portfolios in this period. As ever, our aim is to be invested in the right assets without the need to be constantly buying and selling, which is consistent with our focus on the long term view.

Currently, within the given constraints of each Portfolio, we retain our bias towards risky assets, namely equities, and with a focus on Europe. This tilt was introduced to the portfolios in early October 2011, and so far has proved beneficial. As the markets have rallied though, we have monitored this position to ensure it remains appropriate for the portfolios.

For bonds, in aggregate we are slightly underweight, and within bonds we have a significant bias away from government bonds and towards corporate bonds. We continue to be concerned that government bond yields may move up (which would cause prices to fall), but believe that corporate bonds wouldn't suffer in this environment given the "cushion" of credit spreads.

Our Commercial Property weighting remains "neutral".

Defensive Portfolio

Investment objective of the collective fund (an Open Ended Investment Company or OEIC)

The Fund aims to achieve long-term total return (the combination of income and growth of capital) by investing mainly in collective investment schemes. No more than 30% of the Fund will be invested in schemes whose predominant exposure is to equities.

The Life, Pension and Prudential International Funds invest in the collective fund.

Quarterly Portfolio Review from Morningstar OBSR

Morningstar OBSR select and recommend funds for each portfolio to Prudential's Portfolio Management Group (PMG), based on the asset allocation PMG have set for each portfolio to reflect the overall risk that the portfolio is willing to take (see pages 6 and 7 for the views of PMG). The following commentary reflects the general views of Morningstar OBSR and should not be taken as a recommendation or advice as to how any specific market is likely to perform.

After a positive end to the eventful and challenging year of 2011, the first quarter of 2012 proved to be a good period for higher risk assets, notably equities and higher yielding credit. Markets were driven higher by a rising tide of liquidity, with the Long-Term Refinancing Operations (LTROs) announced by the European Central Bank (ECB) providing investors with confidence. Global equities rose by around 8% in sterling terms with particular strength from US and emerging market equities. By the end of the quarter however, positive momentum began to wane as European sovereign debt concerns intensified once again and economic data points indicated weakening of growth, particularly in the EU and China.

Equity

The first quarter of 2012 was strongly positive for equities and active investors generally fared much better in relative terms than they had done in last year's volatile markets. With the LTROs providing immediate liquidity to the European banking system, it was not surprising to see banks and financial stocks in the main markets among the top performers. From a market capitalisation point of view, mid and smaller companies outperformed larger companies, particularly in the UK market.

The equity funds in the Portfolio delivered strong positive returns over the period. Given that many funds have been underweight in financials, the strength from this sector proved to be a headwind for relative performance but those with more economically sensitive portfolios and/or those with exposure to mid and small cap stocks had the opportunity to make up ground.

Property

The weakening trends in UK commercial property were reinforced this quarter with many sectors registering a fall in capital values. City offices continue to be one of the few bright spots thanks to strong occupier demand.

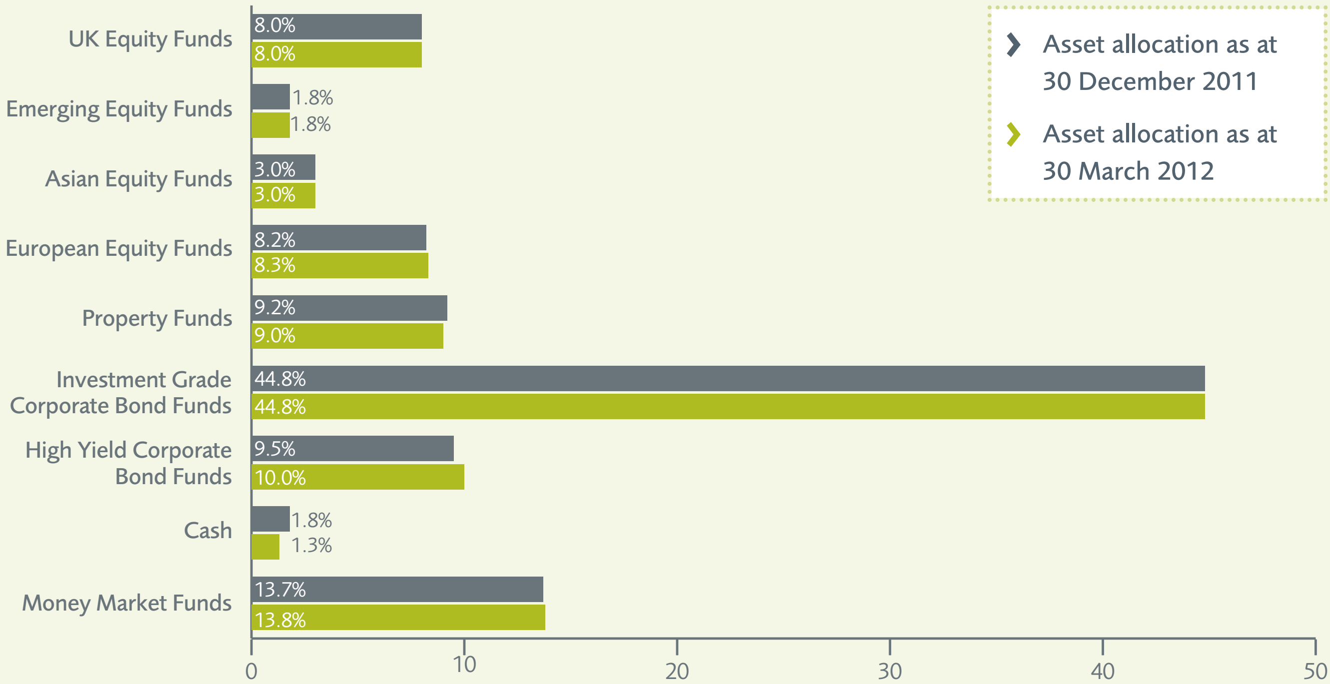
The funds selected for the Portfolio delivered modest positive returns over the quarter. The managers of both funds continue to be cognisant of the risks to rental growth and seek to "sweat" the assets, in other words, generate rental growth and reduce vacancy rates.

Fixed Income

The first quarter of 2012 witnessed upward pressure on government bond yields after a protracted period of strength from these perceived safe-haven assets. Concerns about stronger growth in the US and a lack of commitment to an extension of quantitative easing policies from the Federal Reserve explained much of this move. Credit, particularly of the higher yielding variety, outperformed government bonds over the period as the LTROs boosted riskier assets and investors continued their hunt for attractive levels of income.

The fixed income portion of the Portfolio delivered attractive relative returns over the quarter. The funds selected for the investment grade blend delivered a range of returns with those funds featuring greater credit risk, particularly via holdings in the financials sector, outperformed more conservatively managed funds that are more sensitive to moves in the government bond market. A highlight was Invesco Perpetual Corporate Bond, which produced a very strong return after a relatively challenging 2011. By contrast, Fidelity Moneybuilder Income was a laggard this quarter after last year's relative success. This emphasises the importance of blending different funds, even in a less volatile asset class. Given the supportive backdrop for credit, the high yield bond funds selected for the Portfolio delivered extremely strong returns.

Asset allocation and holdings



	Holdings as at 30 December 2011	Holdings as at 30 March 2012
UK Equity Funds	Cazenove UK Growth & Income	Cazenove UK Growth & Income
International Equity Funds	Aberdeen Emerging Markets	Aberdeen Emerging Markets
	Fidelity South East Asia	Fidelity South East Asia
	First State Asia Pacific Leaders	First State Asia Pacific Leaders
	Henderson European Selected Opportunities	Henderson European Selected Opportunities
Property Funds	Aviva Property Trust	Aviva Property Trust
	M&G Property Portfolio	M&G Property Portfolio
Investment Grade Corporate Bond Funds	Fidelity Moneybuilder Income	Fidelity Moneybuilder Income
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	Investec Strategic Bond	Investec Strategic Bond
	Kames Investment Grade Bond	Kames Investment Grade Bond
	M&G Strategic Corporate Bond	M&G Strategic Corporate Bond
High Yield Corporate Bond Funds	Baillie Gifford High Yield Bond	Baillie Gifford High Yield Bond
	Kames High Yield Bond	Kames High Yield Bond
	M&G High Yield Corporate Bond	M&G High Yield Corporate Bond
Cash	Cash	Cash
Money Market Funds	M&G High Interest	M&G High Interest

The asset allocation and holdings for this portfolio can change regularly based on the views of the fund manager. These positions can also be impacted by cash flows in and out of the portfolio.

Where the Prudential Portfolio fund invests in a collective fund, the manager of that underlying collective fund may use derivatives or alternative investments as part of the management of his/her fund.

Cautious Portfolio

Investment objective of the collective fund (an Open Ended Investment Company or OEIC)

The Fund aims to achieve long-term total return (the combination of income and growth of capital) by investing mainly in collective investment schemes. Between 10% and 40% of the Fund will be invested in schemes whose predominant exposure is to equities.

The Life, Pension and Prudential International Funds invest in the collective fund.

Quarterly Portfolio Review from Morningstar OBSR

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After a positive end to the eventful and challenging year of 2011, the first quarter of 2012 proved to be a good period for higher risk assets, notably equities and higher yielding credit. Markets were driven higher by a rising tide of liquidity, with the Long-Term Refinancing Operations (LTROs) announced by the European Central Bank (ECB) providing investors with confidence. Global equities rose by around 8% in sterling terms with particular strength from US and emerging market equities. By the end of the quarter however, positive momentum began to wane as European sovereign debt concerns intensified once again and economic data points indicated weakening of growth, particularly in the EU and China.

Equity

The first quarter of 2012 was strongly positive for equities and active investors generally fared much better in relative terms than they had done in last year's volatile markets. With the LTROs providing immediate liquidity to the European banking system, it was not surprising to see banks and financial stocks in the main markets among the top performers. From a market capitalisation point of view, mid and smaller companies outperformed larger companies, particularly in the UK market.

The equity funds in the Portfolio delivered strong positive returns over the period. The UK equity blend performed particularly well with all three selected funds outperforming the index. The returns from the other equity funds were close to or a little below the comparative indices. Given that many funds have been underweight in financials, the strength from this sector proved to be a headwind for relative performance but those with more economically sensitive portfolios and/or those with exposure to mid and small cap stocks had the opportunity to make up ground.

Property

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The funds selected for the Portfolio delivered modest positive returns over the quarter. The managers of both funds continue to be cognisant of the risks to rental growth and seek to "sweat" the assets, in other words, generate rental growth and reduce vacancy rates.

Fixed Income

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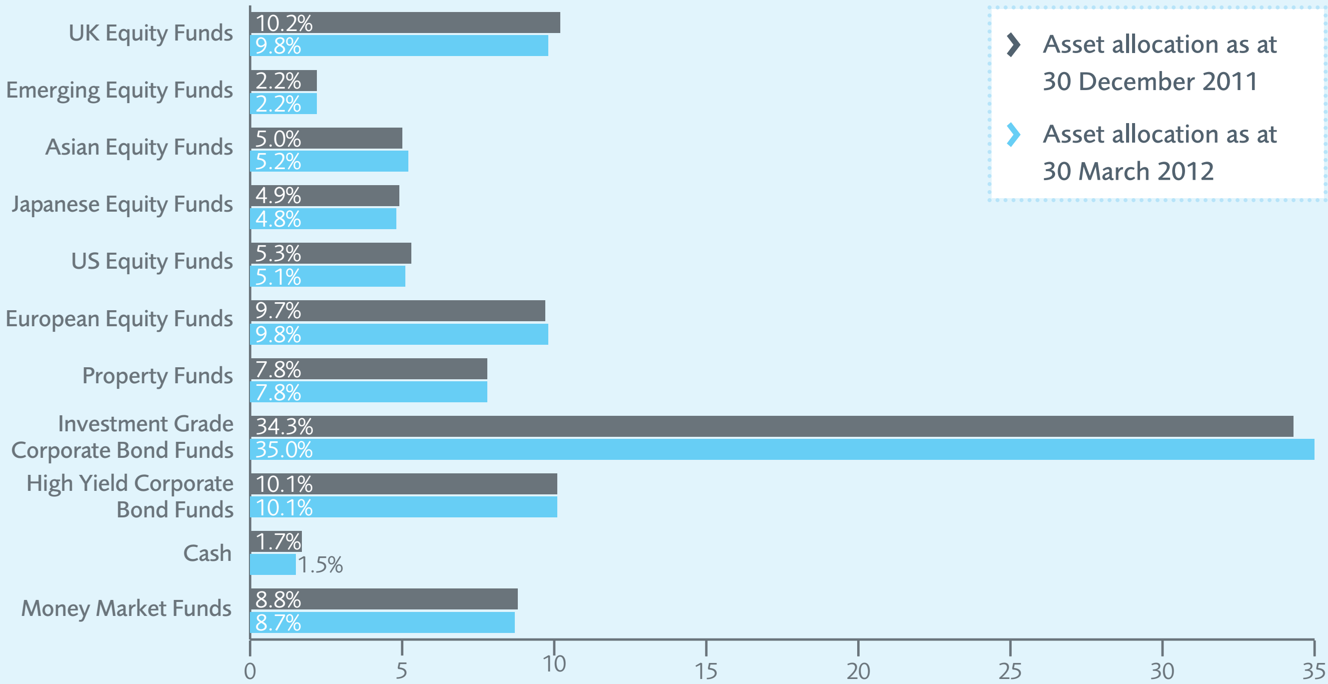
The fixed income portion of the Portfolio delivered attractive relative returns over the quarter. A highlight was Invesco Perpetual Corporate Bond, which produced a very strong return after a relatively challenging 2011. By contrast, Fidelity Moneybuilder Income was a laggard this quarter after last year's relative success. This emphasises the importance of blending different funds, even in a less volatile asset class. Given the supportive backdrop for credit, the high yield bond funds selected for the Portfolio delivered extremely strong returns.

Asset allocation and holdings



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	First State Asia Pacific Leaders	First State Asia Pacific Leaders
	Henderson European Growth	Henderson European Growth
	Henderson European Selected Opportunities	Henderson European Selected Opportunities
	Jupiter European Special Solutions	Jupiter European Special Solutions
	Schroder Tokyo	Schroder Tokyo
	Schroder US Mid Cap	Schroder US Mid Cap
	Threadneedle American	Threadneedle American
Property Funds	Aviva Property Trust	Aviva Property Trust
	M&G Property Portfolio	M&G Property Portfolio
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	M&G High Yield Corporate Bond	M&G High Yield Corporate Bond
Cash	Cash	Cash
Money Market Funds	M&G High Interest	M&G High Interest

The asset allocation and holdings for this portfolio can change regularly based on the views of the fund manager. These positions can also be impacted by cash flows in and out of the portfolio.

Where the Prudential Portfolio fund invests in a collective fund, the manager of that underlying collective fund may use derivatives or alternative investments as part of the management of his/her fund.

Cautious Growth Portfolio

Investment objective of the collective fund (an Open Ended Investment Company or OEIC)

The Fund aims to achieve long-term total return (the combination of income and growth of capital) by investing mainly in collective investment schemes. Between 20% and 55% of the Fund will be invested in schemes whose predominant exposure is to equities.

The Life, Pension and Prudential International Funds invest in the collective fund.

Quarterly Portfolio Review from Morningstar OBSR

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Equity

The first quarter of 2012 was strongly positive for equities and active investors generally fared much better in relative terms than they had done in last year's volatile markets. With the LTROs providing immediate liquidity to the European banking system, it was not surprising to see banks and financial stocks in the main markets among the top performers. From a market capitalisation point of view, mid and smaller companies outperformed larger companies, particularly in the UK market.

The equity funds in the Portfolio delivered strong positive returns over the period. The UK equity blend performed particularly well with all three selected funds outperforming the index. The returns from the other equity funds were close to or a little below the comparative indices. Given that many funds have been underweight in financials, the strength from this sector proved to be a headwind for relative performance but those with more economically sensitive portfolios and/or those with exposure to mid and small cap stocks had the opportunity to make up ground.

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Fixed Income

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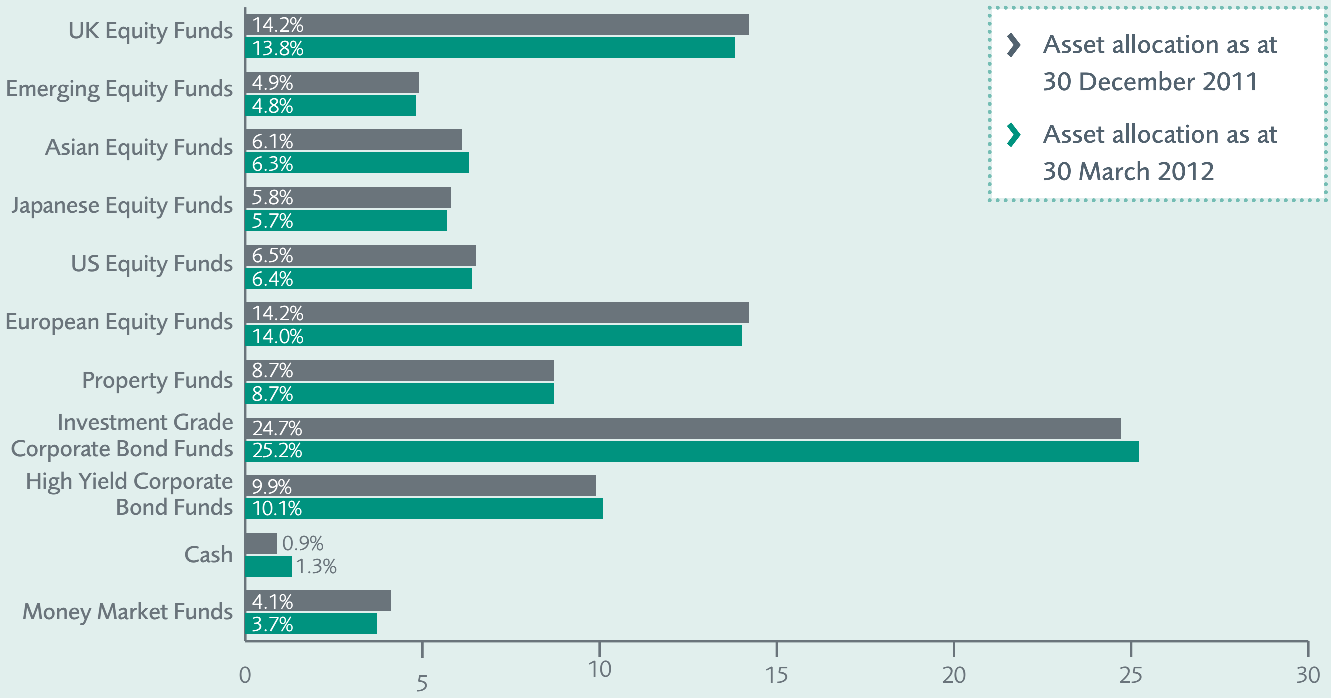
The fixed income portion of the Portfolio delivered attractive relative returns over the quarter. A highlight was Invesco Perpetual Corporate Bond, which produced a very strong return after a relatively challenging 2011. By contrast, Fidelity Moneybuilder Income was a laggard this quarter after last year's relative success. This emphasises the importance of blending different funds, even in a less volatile asset class. Given the supportive backdrop for credit, the high yield bond funds selected for the Portfolio delivered extremely strong returns.

Asset allocation and holdings



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Balanced Portfolio

Investment objective of the collective fund (an Open Ended Investment Company or OEIC)

The Fund aims to achieve long-term total return (the combination of income and growth of capital) by investing mainly in collective investment schemes. Between 40% and 80% of the Fund will be invested in schemes whose predominant exposure is to equities.

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Equity

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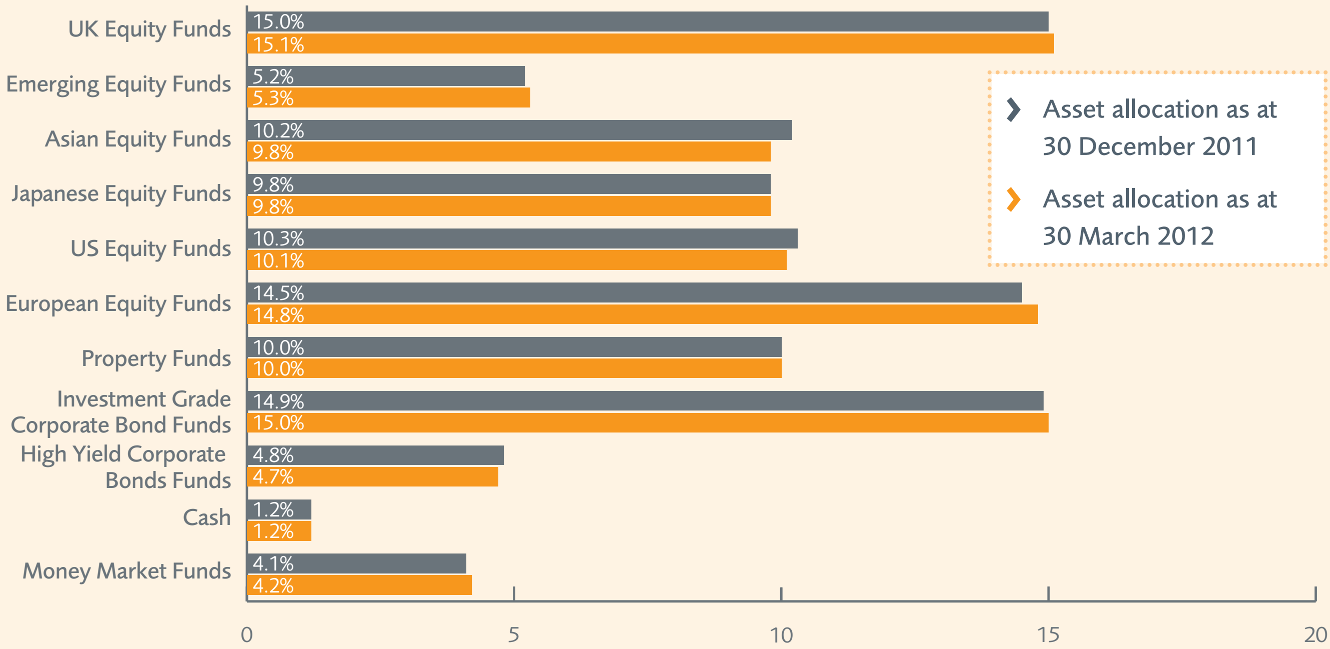
Asset allocation and holdings



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	Investec Strategic Bond	Investec Strategic Bond
	Kames Investment Grade Bonds	Kames Investment Grade Bonds
	M&G Strategic Corporate Bond	M&G Strategic Corporate Bond
High Yield Corporate Bond Funds	Baillie Gifford High Yield Bond	Baillie Gifford High Yield Bond
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Cash	Cash	Cash
Money Market Funds	M&G High Interest	M&G High Interest

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Adventurous Portfolio

Investment objective of the collective fund (an Open Ended Investment Company or OEIC)

The Fund aims to achieve long-term total return (the combination of income and growth of capital) by investing mainly in collective investment schemes. Between 60% and 100% of the Fund will be invested in schemes whose predominant exposure is to equities.

The Life, Pension and Prudential International Funds invest in the collective fund.

Quarterly Portfolio Review from Morningstar OBSR

Morningstar OBSR select and recommend funds for each portfolio to Prudential's Portfolio Management Group (PMG), based on the asset allocation PMG have set for each portfolio to reflect the overall risk that the portfolio is willing to take (see pages 6 and 7 for the views of PMG). The following commentary reflects the general views of Morningstar OBSR and should not be taken as a recommendation or advice as to how any specific market is likely to perform.

After a positive end to the eventful and challenging year of 2011, the first quarter of 2012 proved to be a good period for higher risk assets, notably equities and higher yielding credit. Markets were driven higher by a rising tide of liquidity, with the Long-Term Refinancing Operations (LTROs) announced by the European Central Bank (ECB) providing investors with confidence. Global equities rose by around 8% in sterling terms with particular strength from US and emerging market equities. By the end of the quarter however, positive momentum began to wane as European sovereign debt concerns intensified once again and economic data points indicated weakening of growth, particularly in the EU and China.

Equity

The first quarter of 2012 was strongly positive for equities and active investors generally fared much better in relative terms than they had done in last year's volatile markets. From a market capitalisation point of view, mid and smaller companies outperformed larger companies, particularly in the UK market. After the "risk-on"/"risk-off" environment of 2011, which proved so challenging for those who look to add value through stock-picking, the recent market conditions have been more rewarding for active managers with greater discrimination on the basis of fundamentals being in evidence.

The equity funds in the Portfolio delivered strong positive returns over the period. The UK equity blend performed particularly well with all four selected funds outperforming the index. 2011 was a relatively difficult year due in part to bank holdings but maintaining the positions has proved rewarding so far this year. The returns from the other equity funds were close to or a little below the comparative indices. Given that many funds have been underweight in financials, the strength from this sector proved to be a headwind for relative performance but those with more economically sensitive portfolios and/or those with exposure to mid and small cap stocks had the opportunity to make up ground.

Property

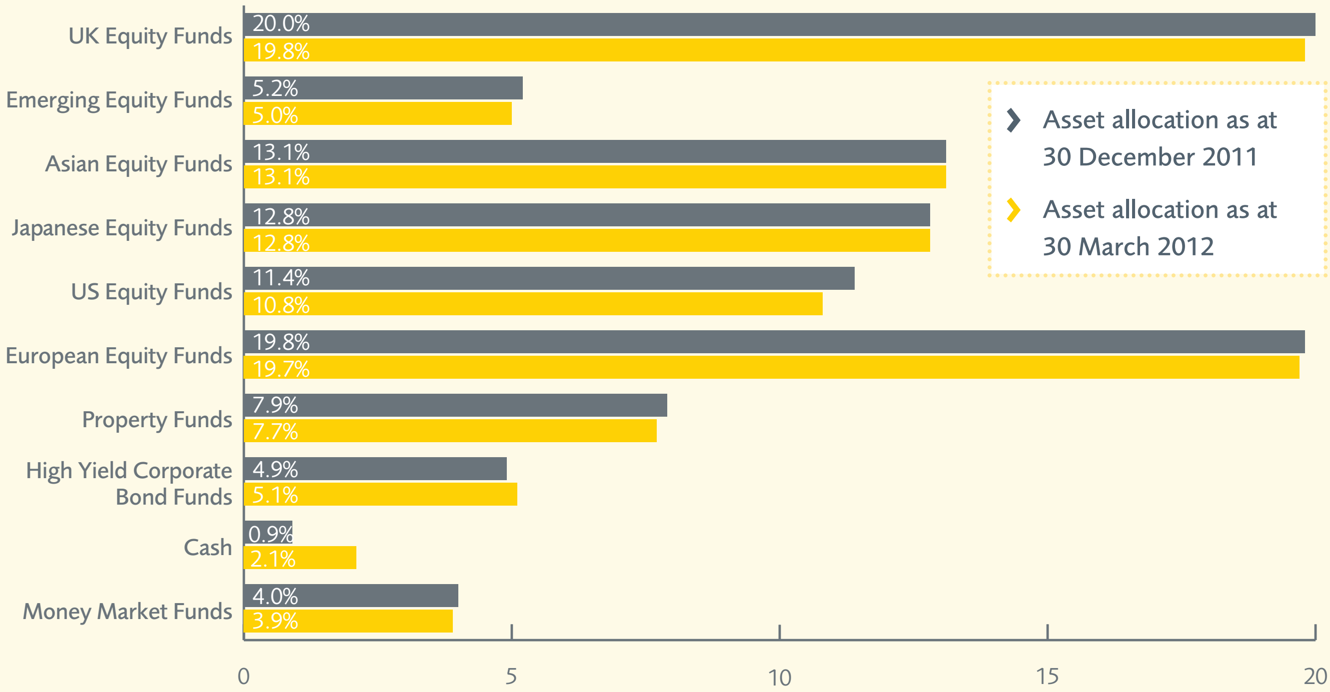
The weakening trends in UK commercial property were reinforced this quarter with many sectors registering a fall in capital values. City offices continue to be one of the few bright spots thanks to strong occupier demand.

The funds selected for the Portfolio delivered modest positive returns over the quarter. The managers of both funds continue to be cognisant of the risks to rental growth and seek to "sweat" the assets, in other words, generate rental growth and reduce vacancy rates.

Fixed Income

The first quarter of 2012 witnessed upward pressure on government bond yields after a protracted period of strength from these perceived safe-haven assets. Concerns about stronger growth in the US and a lack of commitment to an extension of quantitative easing policies from the Federal Reserve explained much of this move although the prospect of interest rates in developed economies being held at very low levels prevented yields from moving materially higher.

Asset allocation and holdings



	Holdings as at 30 December 2011	Holdings as at 30 March 2012
UK Equity Funds	BlackRock UK	BlackRock UK
	Cazenove UK Growth & Income	Cazenove UK Growth & Income
	M&G Recovery	M&G Recovery
	Schroder UK Alpha Plus	Schroder UK Alpha Plus
International Equity Funds	Aberdeen Emerging Markets	Aberdeen Emerging Markets
	Fidelity South East Asia	Fidelity South East Asia
	First State Asia Pacific Leaders	First State Asia Pacific Leaders
	GLG Japan Core Alpha	GLG Japan Core Alpha
	Henderson European Growth	Henderson European Growth
	Henderson European Selected Opportunities	Henderson European Selected Opportunities
	Jupiter European Special Situations	Jupiter European Special Situations
	M&G American	M&G American
	Schroder Tokyo	Schroder Tokyo
	Schroder US Mid Cap	Schroder US Mid Cap
	Threadneedle American	Threadneedle American
Property Funds	Aviva Property Trust	Aviva Property Trust
	M&G Property Portfolio	M&G Property Portfolio
High Yield Corporate Bond Funds	Baillie Gifford High Yield Bond	Baillie Gifford High Yield Bond
	Kames High Yield Bond	Kames High Yield Bond
Cash	Cash	Cash
Money Market Funds	M&G High Interest	M&G High Interest

The asset allocation and holdings for this portfolio can change regularly based on the views of the fund manager. These positions can also be impacted by cash flows in and out of the portfolio.

Where the Prudential Portfolio fund invests in a collective fund, the manager of that underlying collective fund may use derivatives or alternative investments as part of the management of his/her fund.

Glossary

This glossary is a high-level guide to some of the technical terminology that may appear in this update. 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.

Gilts – UK versions of government bonds.

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.

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.

Glossary

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.

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.

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/depositary 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.

Our range of Dynamic Portfolios are available as:

- Prudential Pension Funds
- Prudential Life Funds
- Prudential International Funds
- ISA investments
- Collective Funds (Open Ended Investment Company or OEIC)

The last two options are also available with online fund "platforms", such as Fidelity FundsNetwork, CoFunds, Transact and more. Your financial adviser will be able to discuss these options with you and what could best meet your needs.

PRUDENTIAL

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INVB11277 04/2012