PRUDENTIAL

An investment that could help in uncertain times

Investors today are faced with a dilemma. Having worked hard to build up their savings, they want to invest in a way that does not jeopardise this hard earned cash.

We believe there is an investment that can help investors address this situation. We would like to let you know about our Flexible Investment Plan (FIP). This is an investment bond into which you make a lump sum payment. FIP has all the benefits you would expect. For instance free fund switching (which we reserve the right to alter at any time), tax efficient withdrawal options, a range of Trusts to help with Inheritance Tax Planning and other additional benefits. The Flexible Investment Plan is designed for investment over a medium to long term period. You can invest for as long as you like, but there may be an early cash-in charge in the first five years.

As well as all of this, our Flexible Investment Plan has a wide range of funds to choose from. For example, the PruFund Cautious Fund and the PruFund Protected Cautious Fund. As the name suggests, these are aimed at the more cautious investor.

The value of your plan 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 how your fund performs.

Why the Flexible Investment Plan?

The Flexible Investment Plan is a life assurance plan into which you can make a lump sum investment of between £10,000 – £500,000. The advantages of the Flexible Investment Plan are:

- Wide range of funds to meet your needs including funds offering guarantees*
- Ability to take withdrawals up to 5% of your original investment each year for a maximum of 20 years with no encashment, surrender charges or immediate tax to pay*
- Annual Growth Reward (AGR) – From the 2nd anniversary and each anniversary thereafter, provided you have not made any withdrawals in the previous 12 months, we will pay an Annual Growth Reward on your investment. The reward varies depending on which fund you have chosen and some may not apply*
- A range of Guarantees available on our PruFund Protected Funds – If you select a PruFund Protected Fund, you will be able to select from a range of guarantee terms, where the guarantee will only apply at the end of the selected guarantee term. Each guarantee term has its own charge and this will be payable for the whole of this term*
- Long term care benefit – gives you the right, in certain circumstances, to surrender your Plan, or any one or more Policies, in full (not a partial surrender) without a deduction for any early cash-in charge which may otherwise apply*

* Full information can be found in the FIP product pack which you will receive once a quote has been requested from us.

continued overleaf

Why the PruFund Cautious Funds?

The PruFund Cautious Fund and the PruFund Protected Cautious Fund invest in a range of assets. The Funds currently invest around 70% in a well diversified portfolio of fixed interest securities and holdings of cash and money market instruments. The balance is invested in UK and international shares, property and alternative assets. By investing in such assets there is the potential for your money to grow. To decide which of the two funds may be right for you will depend upon your attitude to risk and personal circumstances, and you should discuss this with your adviser.

The problem with investing in a range of assets like those in the PruFund Funds is that the price of these assets may fluctuate and fall, which means you might not get back as much as you invested. To help with this, the PruFund returns are **'smoothed'** which aims to provide a more stable return, than if you were directly exposed to the daily changes in the fund's performance.

However the value of your investment may go down as well as up and is not guaranteed and in certain circumstances Prudential can suspend the smoothing process. (Please see PruFund Smoothing section and the Flexible Investment Plan Key Features Document for more information on applicable restrictions in relation to fund switching.)

Whether you are saving for university fees, looking to provide additional funding in retirement or simply putting aside funds for the future, there may be a point in time when you would prefer to know that your initial investment is secure. This is where investing in the PruFund Protected Cautious Fund comes into its own. The Fund ensures that at the end of the selected guarantee term, it will be worth at least the amount you invested, adjusted for any applicable charges, enhancements or withdrawals.

If you decide to choose the PruFund Protected Cautious Fund, you will be able to select from a range of guarantee terms, where the guarantee will only apply at the end of the selected guarantee term (the Guarantee Date). Each guarantee term has its own charge which will be payable for the whole of the guarantee term. Once the guarantee has been selected, the charge will remain fixed throughout the guarantee term. Although the investment is designed to be held for the medium to long-term, if you decide to move your money out before the Guarantee Date or leave the money in the plan beyond that date, the guarantee will no longer apply.

PruFund Smoothing – How it works

Each quarter we declare an Expected Growth Rate (EGR). As the name suggests this is the annualised rate of growth of the fund that we expect will apply to the PruFund Cautious Funds during the next quarter. Your investment would normally benefit from the growth rate on a daily basis, through an increase in the price of the units you hold. The current rate – expressed as an annual rate – is available from **www.pru.co.uk/investments/bonds/flexible_investment_plan/**

In describing the smoothing process we use the terms "unsmoothed" and "smoothed" when referring to prices:

- unsmoothed price is the value of the underlying "fund" divided by the total number of units
- smoothed price is the same as the unit price. It is normally increased by the Expected Growth Rate as described above.

Every day the smoothing process checks the gap between the smoothed price, which is published, and the unsmoothed price which is not. If at any time the gap is 10% or more, the smoothed price will be adjusted immediately to reduce the gap to 2.5%.

When the Expected Growth Rate is set at the start of each quarter, there's a further smoothing process and if there is a gap of 5% or more, the smoothed price is adjusted to reduce the gap by half. Adjustments to the smoothed price can be down or up, depending on whether it's above or below the unsmoothed price.

The smoothed price after any adjustment will increase at the Expected Growth Rate for the quarter. The unsmoothed price is not published. This avoids speculation over possible smoothed price adjustments (as described above) and so protects investors in these funds.

There may be occasions where we have to suspend the smoothing process to protect our With-Profits Fund and the clients invested in it. We may also suspend the smoothing process if unusually large volumes of money enter or leave the "fund". When this happens your investment will rise or fall in line with the unsmoothed price until the smoothing process is reinstated. For more information, please see your Terms and Conditions which you will receive when you take out your Bond.

Why Prudential?

- For over 160 years, we have protected the interests of our policyholders and shareholders
- We have a highly respected brand
- We have £340 billion assets under management
- We are a very strong company and are rated AA (one of the highest ratings available) for financial strength as at August 2010 by Standard & Poor's, an independent rating company
- Our PruFund Funds are invested in our With-Profits Fund which is one of the largest in the UK at around £65.5 billion as at 31 December 2010
- We have over 25 million customers worldwide today
- The PruFund Cautious Funds were launched on 25 August 2009, and we now have over **£198 million** invested in them across all products for which these funds are available*.

* Source: Prudential Finance – 25 August 2009 to 25 July 2011

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www.pru.co.uk

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