

Quarterly Investment Bulletin

Quarter 4 2018

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This Bulletin is intended for trustees, sponsors, advisers and members of occupational pension schemes using Prudential Group Pension contracts and Prudential Grouped Personal Pensions and Stakeholder Pension contracts. It's purpose is to provide an insight into how investment markets and funds have performed over the period and is provided for information only. If you are not familiar with any of the investment terminology contained in this bulletin please refer to the Glossary on pru.co.uk/guides_tools/glossary/ or contact your adviser.

The information contained in this report covers the period 30 September 2018 to 31 December 2018.

A quarterly market report including performance of your pension fund investments

- Economic and Market Review
- World Market Review
- Quarterly Fund Performance Data

Fund factsheets and other fund information are available on our website:

If you would like to view more recent information, we have teamed up with FundsLibrary to provide the following fund information:

- Daily fund prices
- Frequently updated fund factsheets
- Past performance data
- Fund analysis tools

Simply go to pru.co.uk/funds then select the link to Prudential Workplace Pension Fund Prices.

You can then use the filter options to get to the fund(s) you are interested in.

There are also guides to help you use and understand the information that FundsLibrary provide. You can download these guides on pru.co.uk/funds/tools2

If you would like to confirm the funds available to your particular scheme or contract, please check your plan conditions or contact your scheme adviser.

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To increase the speed of the production of fund performance figures, and reduce the opportunity for error, we have changed the way we calculate performance.

From Q1 2015 fund performance is produced automatically by Financial Express (FE). Performance of the fund's benchmark is also being migrated to FE where possible.

The fund performance figures included in this update do not take account of the following factors:

- Fund manager dealing cycles – a possible adjustment for the short time-lag between a policyholder investing their money, the money passing through the accounting systems and then buying the underlying investments.
- Fund manager price basis movement – a possible adjustment to account for a move between the offer/bid price of the underlying fund as it is expanding or contracting.

We have previously produced figures that may have been adjusted for these factors, so this may cause some discrepancies in fund performance figures compared to previous quarters.

Economic and Market Review

If you are unsure of the terminology used in the Economic and Market Review and the World Market Review, please refer to the Glossary on pru.co.uk/guides_tools/glossary/ or contact your adviser.

Economic overview

As the quarter progressed, investors became increasingly concerned about the outlook for the world economy. The perception was that the combination of a trade war between the US and China and tighter monetary policy could stifle growth. During the quarter, the US Federal Reserve (Fed) increased interest rates by a quarter of a point and the European Central Bank (ECB) confirmed it was scaling back its monetary stimulus. On the other hand, the Bank of Japan continued with its policy of quantitative easing. In commodity markets, the oil price fell on the expectation of weaker demand and a sense that planned output cuts by major producers were insufficient to allay concerns about oversupply. Meanwhile, in currency markets, the yen strengthened on the back of its perceived safe-haven status, while sterling weakened over fears over a 'hard Brexit'.

Source: M&G

Market overview

There was a broad sell-off in stockmarkets in the final quarter of 2018, as investors became increasingly alarmed over weaker-than-expected economic data out of the US, European Union and Japan, an ongoing trade war between the US and China and generally less supportive monetary policy from the world's central banks. As a result, several stockmarkets have hit, or nearly hit, bear market territory – that is, they have fallen by 20% or more from their peak. Indeed, when you consider the percentage of global assets that have delivered a negative total return year to date, 2018 is set to be one of the worst years on record for returns across a broad spectrum of assets.

Source: M&G

UK equities

In common with other stockmarkets around the world, UK shares suffered major falls during the quarter. Little progress was made over the form of the UK's withdrawal from the European Union, and this weighed on the pound. In the past, pound weakness supported the exporting companies that make up a large proportion of the FTSE 100 Index, but the significant weakness in the oil price in the fourth quarter led to lower share prices for energy companies. Still, the FTSE 100 did outperform the more domestically focused FTSE 250, whose members are seen as more exposed to a 'hard' Brexit. In addition to Brexit, investor sentiment was dented by higher US interest rates, trade tension between the US and China and signs of slowing global economic growth.

Source: M&G

UK bonds

UK government bonds (gilts) delivered positive returns in the final quarter of 2018 as ongoing Brexit uncertainty coupled with fears of a slowing global economy helped support demand for traditional safe haven assets. Gilts also benefited from a drop in UK inflation, with 10-year gilt yields falling from 1.6% at the end of September to below 1.3% at the end of the year. As widely expected, the Bank of England kept interest rates unchanged at 0.75%, with policymakers warning that UK growth would likely slow in the final quarter of 2018. It proved to be a more challenging period for UK corporate bonds as the general downturn in sentiment held back returns.

Source: M&G

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UK property

UK commercial property delivered a solid performance in 2018; however, the overall return was somewhat lower than last year. Nevertheless, UK commercial property was one of the few asset classes to close out 2018 in positive territory. Growth in capital and rental value continue to be strongest in Industrials, driven by demand for well-located fulfilment centres and smaller distribution units. Conversely, capital values in the Retail sector fell in every quarter, reflecting the challenging trading environment. Looking ahead, we expect UK commercial property to generate mid-single-digit returns over the medium term, with rental income representing a significant proportion of returns. The investor market remains healthy, buoyed by overseas demand, following the decline in sterling. Within the market, investors are attracted to quality assets that display resilience, provide increasing rental income, and can adapt to an evolving economy.

Source: M&G

International bonds

While global economic growth forecasts were generally reduced during the fourth quarter, higher US interest rates remained a key theme in global fixed income markets. As expected, the US Fed confirmed a rise in interest rates of 0.25 percentage points in December, its fourth rate increase in 12 months. In addition, international trade tensions continued to weigh on sentiment, with the imposition of tariffs between the US and China staying a main concern. This factor, plus the slower global economic growth outlook, contributed to declines among corporate bonds and emerging market debt. However, the performance of core government bonds benefited from their perceived safe-haven status among investors. This helped segments of the government debt markets in areas such as the US, Germany and UK, to deliver modestly positive returns despite the Fed's tighter monetary stance.

Source: M&G

North America

Despite the major US stockmarkets entering the fourth quarter at record highs, a succession of worrying events soon caused sharp falls in share prices. Investors became concerned the Federal Reserve's policy of increasing interest rates might stifle economic growth, while a possible trade war between the US and China could hamper global economic activity. A major fall in the oil price was another negative factor. Late in the review period, political uncertainty increased as the US government suffered a partial shutdown as financing could not be agreed by politicians. Technology stocks, which have been particularly strong in recent years, fell back as their earnings may come under pressure from reduced global trade. Although US markets rallied in the last full week of the year, this was not enough to make up for earlier falls. The Canadian stockmarket also declined, reflecting the weakness in the US.

Source: M&G

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Europe

European stockmarkets were turbulent in the fourth quarter as a combination of factors dampened investor sentiment. Company share prices fell to the lowest level in two years amid worries about a slowing global economy, trade tensions between the US and China and falling oil prices. The Italian government's dispute with the European Union (EU) over its finances and uncertainty about the UK's departure from the EU, or 'Brexit', also unsettled investors. At the same time, the European Central Bank confirmed it was scaling back its economic stimulus efforts, despite signs of weakening growth in the eurozone. Against this background, stockmarkets in Austria, Ireland and Norway were the biggest fallers. In contrast, markets in Spain and Switzerland were relatively resilient.

Source: M&G

Japan

Japanese equities suffered large losses in the fourth quarter, bearing the brunt of trade war concerns between the US and China, and the prospect of tighter global monetary policy. However, it is worth noting that at this juncture, the Bank of Japan is one of the few major central banks still engaged in quantitative easing through the purchase of assets. Shares were also battered by a strengthening yen, which benefited from its status as a safe-haven currency. A stronger Japanese currency can reduce the value (in yen terms) of the overseas revenues and profits of Japanese companies. While the 'risk-off' environment was a headwind for the Japanese stockmarket, corporate Japan continued to report largely positive quarterly numbers.

Source: M&G

Pacific Basin Ex-Japan

Stockmarkets in Asia Pacific ex Japan fell in the quarter amid concerns about trade tensions between the US and China and the outlook for the global economy. Another increase in US interest rates also dampened investor sentiment. China's stockmarket declined on worries about the impact of tariffs on the country's economy. Trade concerns also weighed on share prices in South Korea and Taiwan, while Taiwanese technology firms were hurt by concerns about demand for Apple iPhones. Stockmarkets in Australia and Thailand lagged too. In contrast, India was one of the best performers. Lower oil prices are helpful for the country's economy, as it is an oil importer. Indonesia also performed well, recovering from declines earlier in the year.

Source: M&G

Emerging markets

Emerging market stocks extended their recent decline over the last quarter of 2018, although they outperformed shares in developed markets. Worries about the trade dispute between the US and China, slowing global economic growth and higher interest rates in the US contributed to increased risk aversion. China's stockmarket declined amid concerns about the impact of tariffs on the country's economy. Uncertainty about global trade weighed on share prices in South Korea and Taiwan too. In Mexico, the stockmarket fell on concerns about the new president's economic policies. In contrast, Brazilian share prices rallied as investors welcomed the outcome of the country's presidential election. Turkish stocks recovered some of their losses from the previous quarter, while India's stockmarket also performed well, supported by lower oil prices.

Source: M&G

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Quarterly Fund Performance Data

The following pages show past performance of each fund over different time periods. The figures are sourced by Prudential using data supplied by Financial Express or from underlying fund groups.

Below is the list of all series 1 funds available under Defined Contribution (DC) products. The performance shown is net of the Annual Management Charge and is based on the fluctuation of the daily published (unit) price.

These funds are generally available to:

- Prudential Money Purchase Plans taken out before April 2003 which have not been through the contract changes taking place from 2005
- Prudential Group Personal Pension Plans taken out before April 2001 which have not been migrated to a new contract since 2003

Not all of the funds are available for every DC product.

If you are in any doubt as to which funds you are invested in, please contact your pensions department (for scheme members), usual Prudential contact (for trustees and advisers) or refer to the “Fund Guide” for the scheme.

Fund (Series 1)	Percentage Growth					Quarter	Annualised	
	31/12/2013-31/12/2014	31/12/2014-31/12/2015	31/12/2015-31/12/2016	31/12/2016-31/12/2017	31/12/2017-31/12/2018		3 Year	5 Year
Cash	-0.4	-0.3	-0.4	-0.6	-0.2	0.0	-0.4	-0.4
Benchmark	0.3	0.4	0.3	0.2	0.5	0.1	0.3	0.3
Discretionary	4.2	3.4	20.4	11.7	-5.5	-7.8	8.3	6.5
Benchmark	4.6	3.6	13.4	12.0	-4.5	-6.5	6.7	5.6
Fixed Interest	13.4	0.1	9.7	1.8	-0.4	1.3	3.6	4.8
Benchmark	13.9	0.6	10.1	1.8	0.6	1.9	4.1	5.2
Global Equity	2.2	3.2	18.7	14.0	-9.2	-11.7	7.1	5.3
Benchmark	7.7	4.9	14.2	14.5	-8.4	-10.0	6.2	6.2
Index-Linked	20.8	-0.9	27.6	2.8	-1.5	0.9	8.9	9.1
Benchmark	21.4	-1.2	27.4	2.5	-0.4	2.0	9.2	9.3
International Equity	8.2	4.4	29.6	14.3	-7.8	-10.6	10.9	9.1
Benchmark	8.6	5.4	26.4	17.8	-6.1	-9.6	11.8	9.8
UK Equity	-0.4	2.5	14.5	13.8	-9.9	-12.1	5.5	3.7
Benchmark	1.2	1.0	16.8	13.1	-9.5	-10.2	6.1	4.1
UK Property	22.2	4.9	3.3	8.6	8.3	1.2	6.7	9.3
Benchmark	17.2	12.5	2.8	10.2	6.5	0.9	6.4	9.7

Figures are sourced by Prudential using data supplied by Financial Express (FE) or from the underlying fund groups.

We can't predict the future. Past performance isn't a guide to future performance. The value of your investment can go down as well as up so you might get back less than you put in.

For more information on how the fund performance is calculated please refer to the Important Information on page 17.

For details of the specific benchmark for your fund, please refer to the fund factsheet. You can find it on our website pru.co.uk/funds. Simply select “ Fund prices info and tools”, choose the “Workplace Pensions Funds” tab then pick your fund.

Below is the list of all series 3 funds available under Defined Contribution (DC) products. The performance shown does not allow for any product charges and is based on the fluctuation of the daily published (unit) price.

These funds are generally available to:

- Prudential Group Stakeholder contracts
- Prudential Group AVC schemes
- Prudential Money Purchase Plans taken out since April 2003 (or earlier contracts which have undergone the contract changes that have taken place since 2005)
- Prudential Company Pension Transfer Plan and Prudential Group Personal Pension Plans taken out since April 2001 (including the replacement contracts for earlier plans) which have been migrated since 2003.

Not all of the funds are available for every DC product. If you are in any doubt as to which funds you are invested in, please contact your pensions department (for scheme members), usual Prudential contact (for trustees and advisers) or refer to the “Fund Guide” for the scheme.

Fund (Series 3) Prudential Group Funds	Percentage Growth					Quarter	Annualised	
	31/12/2013- 31/12/2014	31/12/2014- 31/12/2015	31/12/2015- 31/12/2016	31/12/2016- 31/12/2017	31/12/2017- 31/12/2018		3 Year	5 Year
Absolute Return	5.5	2.9	17.4	10.4	-3.6	-6.2	7.7	6.3
Benchmark	5.6	5.2	6.7	8.1	7.2	1.7	7.3	6.5
All Stocks Corporate Bond	12.2	0.6	11.8	6.2	-2.0	-0.3	5.2	5.6
Benchmark	12.2	0.5	10.6	4.3	-1.5	0.1	4.4	5.1
Cash	0.4	0.5	0.3	0.2	0.6	0.2	0.4	0.4
Benchmark	0.3	0.4	0.3	0.2	0.5	0.1	0.3	0.3
Discretionary	5.0	4.2	21.2	12.5	-4.8	-7.6	9.1	7.3
Benchmark	4.6	3.6	13.4	12.0	-4.5	-6.5	6.7	5.6
Dynamic Growth I	N/A	N/A	15.2	8.2	-2.2	-2.8	6.8	N/A
Benchmark	N/A	N/A	8.7	4.4	-2.3	-2.5	3.5	N/A
Dynamic Growth II	N/A	N/A	18.1	9.2	-3.1	-4.0	7.7	N/A
Benchmark	N/A	N/A	8.7	4.4	-2.4	-3.8	3.5	N/A
Dynamic Growth III	N/A	N/A	19.6	9.6	-3.9	-5.1	8.0	N/A
Benchmark	N/A	N/A	10.8	6.3	-3.8	-5.0	4.3	N/A

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Fund (Series 3) Prudential Group Funds	Percentage Growth					Quarter	Annualised	
	31/12/2013- 31/12/2014	31/12/2014- 31/12/2015	31/12/2015- 31/12/2016	31/12/2016- 31/12/2017	31/12/2017- 31/12/2018		3 Year	5 Year
Dynamic Growth IV	N/A	N/A	22.8	11.5	-4.7	-6.3	9.3	N/A
Benchmark	N/A	N/A	14.2	9.2	-5.0	-6.5	5.8	N/A
Dynamic Growth V	N/A	N/A	25.0	12.0	-5.9	-7.7	9.6	N/A
Benchmark	N/A	N/A	15.0	11.0	-5.7	-8.0	6.4	N/A
Ethical	2.8	2.6	13.6	12.0	-7.1	-8.0	5.7	4.5
Benchmark	2.1	1.1	15.6	12.3	-7.1	-8.5	6.4	4.5
Europe Equity Passive	0.2	5.3	19.0	17.2	-9.7	-10.5	8.0	5.9
Benchmark	0.2	5.3	19.7	17.5	-9.5	-10.9	8.4	6.1
Fixed Interest	14.1	0.9	10.6	2.5	0.2	1.4	4.4	5.5
Benchmark	13.9	0.6	10.1	1.8	0.6	1.9	4.1	5.2
Global Equity Passive	3.2	2.3	20.0	13.6	-8.1	-10.0	7.8	5.7
Benchmark	7.7	4.9	14.2	14.5	-8.4	-10.0	6.2	6.2
Global Equity	2.1	3.9	19.5	14.7	-8.5	-11.5	7.8	5.9
Benchmark	7.7	4.9	14.2	14.5	-8.4	-10.0	6.2	6.2
Index-Linked	21.5	-0.5	28.5	3.3	-0.7	1.1	9.6	9.7
Benchmark	21.4	-1.2	27.4	2.5	-0.4	2.0	9.2	9.3
Index-Linked Passive	21.5	-1.1	26.9	2.7	-0.6	1.7	9.0	9.2
Benchmark	21.4	-1.2	27.4	2.5	-0.4	2.0	9.2	9.3
International Bond	3.9	4.5	24.1	-2.6	6.9	4.6	8.9	7.0
Benchmark	4.5	2.7	22.2	-2.6	6.2	4.8	8.1	6.3
International Equity	8.5	5.2	30.5	15.1	-7.2	-10.4	11.7	9.7
Benchmark	8.6	5.4	26.4	17.8	-6.1	-9.6	11.8	9.8

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Fund (Series 3) Prudential Group Funds	Percentage Growth					Quarter	Annualised	
	31/12/2013- 31/12/2014	31/12/2014- 31/12/2015	31/12/2015- 31/12/2016	31/12/2016- 31/12/2017	31/12/2017- 31/12/2018		3 Year	5 Year
Japan Equity Passive	2.2	17.9	22.7	14.1	-7.3	-12.1	9.0	9.3
Benchmark	2.7	17.6	22.7	14.4	-7.6	-12.4	9.1	9.4
Long Dated Corporate Bond	19.0	-0.8	19.6	8.7	-5.4	-0.7	7.2	7.8
Benchmark	19.0	-1.3	18.5	5.9	-4.1	-0.5	6.4	7.2
Long-Term Bond	23.3	-1.1	20.0	5.3	-2.0	0.8	7.4	8.6
Benchmark	22.5	-0.6	18.6	4.6	-1.9	1.0	6.8	8.2
Long-Term Gilt Passive	26.1	0.0	18.6	3.3	0.0	2.2	7.0	9.1
Benchmark	26.1	0.1	18.5	3.3	0.3	2.6	7.1	9.2
Long-Term Growth Passive	3.7	2.9	21.1	14.8	-7.4	-10.3	8.8	6.5
Benchmark	4.9	2.1	22.1	15.5	-7.8	-9.9	9.2	6.9
M&G Recovery	-8.2	-3.7	21.5	12.7	-14.5	-15.8	5.4	0.7
Benchmark	1.2	1.0	16.8	13.1	-9.5	-10.2	6.1	4.1
M&G Total Return Credit Investment	N/A	N/A	6.8	4.0	-1.1	-1.6	3.2	N/A
Benchmark	0.5	0.5	0.4	0.3	0.6	0.2	0.4	0.5
North America Passive	20.0	5.5	34.8	10.9	0.8	-11.5	14.7	13.8
Benchmark	19.6	5.3	34.1	11.3	0.8	-11.5	14.6	13.6
Overseas Equity Passive	6.3	4.5	26.7	16.2	-5.9	-10.3	11.5	9.0
Benchmark	7.3	2.9	28.3	17.0	-5.7	-10.0	12.3	9.3

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Pacific Basin ex-Japan Equity Passive	4.1	-4.6	31.8	19.9	-7.2	-9.1	13.6	7.8
Benchmark	5.0	-4.4	31.7	20.3	-6.8	-8.1	13.9	8.2
Super Long Fixed Interest	28.6	1.7	20.0	3.3	-0.1	2.1	7.4	10.1
Benchmark	21.0	-0.5	17.4	3.4	-1.4	1.4	6.2	7.6
Super Long Index- Linked	20.9	-1.8	23.2	3.0	1.3	3.1	8.7	8.8
Benchmark	21.0	-0.5	17.4	3.4	-1.4	1.4	6.2	7.6
UK Equity	0.3	3.3	15.2	14.5	-9.2	-11.9	6.2	4.4
Benchmark	1.2	1.0	16.8	13.1	-9.5	-10.2	6.1	4.1
UK Equity Passive	1.2	1.2	15.7	13.3	-9.3	-10.2	5.9	4.0
Benchmark	1.2	1.0	16.8	13.1	-9.5	-10.2	6.1	4.1
UK Property	22.5	12.1	-2.8	9.1	8.5	1.2	4.8	9.6
Benchmark	17.2	12.5	2.8	10.2	6.5	0.9	6.4	9.7
UK Smaller Companies	-5.4	21.5	9.0	34.3	-8.7	-10.4	10.1	9.0
Benchmark	-2.7	13.0	12.5	15.6	-13.8	-12.1	3.9	4.3

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Fund (Series 3) External Funds	Percentage Growth					Quarter	Annualised	
	31/12/2013- 31/12/2014	31/12/2014- 31/12/2015	31/12/2015- 31/12/2016	31/12/2016- 31/12/2017	31/12/2017- 31/12/2018		3 Year	5 Year
Aberdeen Life Multi-Asset (ex Property)	4.8	-4.3	21.5	11.6	-3.5	-8.3	9.4	5.6
Benchmark	5.2	4.0	15.4	11.0	-4.3	-7.7	7.0	6.1
Baillie Gifford Diversified Growth	6.2	1.8	8.6	8.3	-4.9	-4.4	3.8	3.9
Benchmark	4.0	4.0	3.9	3.8	4.1	1.1	3.9	4.0
Baillie Gifford Global Select	9.8	7.0	31.2	23.2	-4.8	-17.7	15.4	12.6
Benchmark	11.2	3.8	29.4	13.8	-3.3	-10.6	12.5	10.5
Baillie Gifford UK Equity Core	0.4	3.5	16.7	17.9	-9.4	-13.6	7.7	5.3
Benchmark	1.2	1.0	16.8	13.1	-9.5	-10.2	6.1	4.1
BlackRock Aquila (30:70) Currency Hedged Global Equity Index	7.5	2.5	12.6	18.4	-7.7	-11.7	7.2	6.3
Benchmark	7.4	2.1	13.1	18.5	-8.5	-11.7	7.0	6.1
BlackRock Aquila (40:60) Global Equity	8.0	3.6	24.6	12.9	-4.8	-10.5	10.2	8.4
Benchmark	8.0	4.1	24.5	13.2	-5.2	-10.9	10.1	8.5
BlackRock Aquila (50:50) Global Equity Index	3.9	2.8	25.1	13.6	-7.9	-10.6	9.4	6.9
Benchmark	4.2	3.7	21.4	14.2	-7.5	-10.5	8.7	6.8
BlackRock Aquila (60:40) Global Equity Index	3.0	3.1	23.5	13.3	-8.3	-10.5	8.7	6.4
Benchmark	3.6	3.2	20.5	14.0	-7.9	-10.5	8.7	6.2

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Fund (Series 3) External Funds	Percentage Growth					Quarter	Annualised	
	31/12/2013- 31/12/2014	31/12/2014- 31/12/2015	31/12/2015- 31/12/2016	31/12/2016- 31/12/2017	31/12/2017- 31/12/2018		3 Year	5 Year
BlackRock Aquila All Stocks Corporate Bond Index	12.0	1.2	9.3	5.0	-1.0	0.5	4.4	5.2
Benchmark	12.2	0.5	10.6	4.3	-1.5	0.1	4.4	5.1
BlackRock Aquila Consensus	4.7	3.3	21.2	9.1	-4.2	-6.7	8.2	6.5
Benchmark	5.3	4.1	18.7	9.4	-4.3	-6.9	7.5	6.4
BlackRock Aquila Emerging Markets Equity	4.0	-10.9	35.0	24.4	-8.8	-5.0	15.2	7.2
Benchmark	3.9	-10.0	32.6	25.4	-9.3	-5.3	14.7	7.1
BlackRock Aquila Market Advantage	7.6	0.4	7.7	8.0	-3.5	-4.2	3.9	3.9
Benchmark	0.5	0.6	0.5	0.4	0.7	0.2	0.5	0.5
BlackRock Aquila Over 15 Years UK Gilt Index	28.3	0.0	14.7	5.4	2.1	3.9	7.2	9.6
Benchmark	26.1	0.1	18.5	3.3	0.3	2.6	7.1	9.2
BlackRock Aquila Sterling Government Liquidity	0.5	0.5	0.3	0.2	0.6	0.2	0.4	0.4
Benchmark	0.3	0.4	0.3	0.1	0.4	0.1	0.3	0.3
BlackRock Aquila UK Equity Index	-0.4	1.3	19.5	12.4	-10.2	-10.3	6.4	4.0
Benchmark	1.2	1.0	16.8	13.1	-9.5	-10.2	6.1	4.1
BlackRock Aquila World ex-UK Index	13.0	4.3	34.0	12.5	-4.2	-12.1	13.0	11.2
Benchmark	12.7	6.1	29.9	13.2	-2.5	-11.3	12.8	11.4

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BlackRock Ascent European Equity	1.4	7.7	22.8	18.8	-10.7	-10.9	9.2	7.3
Benchmark	-0.8	5.2	18.5	16.2	-9.8	-11.1	7.5	5.3
BlackRock Ascent Pacific Rim Equity	3.9	-6.8	35.7	20.4	-10.6	-7.2	13.5	7.2
Benchmark	2.8	-2.7	29.9	21.2	-8.7	-7.6	12.9	7.5
HSBC Amanah Global Equity Index	15.9	4.6	28.9	14.0	2.2	-9.5	14.5	12.7
Benchmark	15.3	7.9	26.1	15.5	2.3	-10.0	14.2	13.1
LGIM Ethical Global Equity Index	12.8	2.5	31.4	12.1	-2.0	-10.0	13.0	10.8
Benchmark	11.7	5.5	27.7	13.4	-2.5	-10.5	12.2	10.7
LGIM Ethical UK Equity Index	N/A	N/A	18.1	11.6	-6.6	-9.0	7.2	N/A
Benchmark	2.1	1.1	15.6	12.3	-7.1	-8.5	6.4	4.5
Newton UK Income	7.7	9.9	8.6	11.9	-5.8	-9.0	4.6	6.3
Benchmark	1.2	1.0	16.8	13.1	-9.5	-10.2	6.1	4.1
Schroder Dynamic Multi Asset	N/A	-0.8	7.5	8.4	-7.0	-5.8	2.7	N/A
Benchmark	4.5	4.2	5.7	7.1	6.2	1.5	6.3	5.5
Schroder QEP Global Core	N/A	2.6	35.1	8.8	-3.6	-11.6	12.3	N/A
Benchmark	11.5	4.9	28.2	11.8	-3.0	-11.3	11.6	10.2
Threadneedle Property	19.7	14.0	-2.7	18.8	6.9	1.3	7.3	11.0
Benchmark	17.2	12.5	2.8	10.2	6.5	0.9	6.4	9.7

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With-Profits returns

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. There are two types of bonus, regular (or reversionary) and final (or terminal) bonus.

The performance figures shown are overall annualised returns for contributions made on the dates specified. The returns include both regular and final bonuses added to a benefit paid at normal retirement date, but make no allowance for any applicable initial charges, allocation rates or early cash in charges (explicit charges).

Final bonus may vary and is not guaranteed. The rate of future bonuses cannot be guaranteed. The value of your investment can go down as well as up so you might get back less than you put in.

Please read the important information below and the Key Features document for the relevant contract.

The performance figures are declared by Prudential Assurance Company Limited, usually each February.

For the Unitised returns shown, it is assumed that the contribution was invested, without any allowance made for any explicit charges on 6 April 1, 3, 5 or 10 years ago and realised on or after 6 April 2018 to secure benefits at normal retirement age. For the Cash Accumulation returns shown, it is assumed that 1, 3, 5 or 10 scheme revision dates ending after 15 March 2018 have passed since the contribution was invested.

Performance (applicable from 6 April 2018):

Bonus Series	1 year	3 years	5 years	10 years
Unitised L With-Profits Returns	2.50	6.40	6.40	7.35
Unitised N With-Profits Returns	2.50	6.40	6.40	7.35
Cash Accumulation MPP With-Profits Returns	2.50	6.40	6.40	7.35
Cash Accumulation AVC With-Profits Returns	6.85	6.90	6.95	5.40

Below is an outline of which bonus series returns relate to which contract:

Unitised With-Profits

Unitised L With-Profits is used by the "101" money purchase contracts for occupational pension schemes and grouped personal pension contracts (including the "Shout/Xafinity" contracts) typically established from 06/04/1987 where holdings are expressed in terms of units.

Unitised N With-Profits is used by the "Select" group personal pension (established 1997) and "Money Purchase Plan/Group Personal Pension" money purchase contracts for occupational pension schemes and group personal pension contracts established since 2001 where holdings are expressed in terms of units.

Cash Accumulation With-Profits

Cash Accumulation MPP With-Profits is used solely by the oldest "pre 101" money purchase contracts for occupational pension schemes typically established from 1974.

Cash Accumulation AVC With-Profits is used solely by Additional Voluntary Contribution contracts as part of an occupational scheme (but not where AVCs are paid through another Prudential group pension contract).

Past performance is not a reliable indicator of future performance. The value of an investment is not guaranteed, it may go down as well as up, and the fund value at retirement may be less than the payments you have made.

For more information on With-Profits, please refer to the Important Information on pages 17 to 19.

Deposit fund returns

The Prudential Deposit fund earns a variable rate of interest. The current practice, which we can review at any time, is to set the interest rate on the first of each month, in line with the Bank of England base rate at the time. Any interest is declared monthly and there are no explicit charges. Interest once added is guaranteed and withdrawals from this fund are not subject to a Market Value Reduction (MVR).

The Deposit fund is backed by the assets held within Prudential's With-Profits Fund.

Below is the past performance of the fund for each of the last 5 years:

	Percentage Growth					Quarter	Annualised	
	31/12/2013-31/12/2014	31/12/2014-31/12/2015	31/12/2015-31/12/2016	31/12/2016-31/12/2017	31/12/2017-31/12/2018		3 Year	5 Year
Deposit fund	0.50	0.50	0.42	0.27	0.58	0.19	0.42	0.45

We can't predict the future. Past performance isn't a guide to future performance.

Future Deposit fund rates cannot be guaranteed.

Important Information

Who is this Bulletin for?

- This Bulletin is intended for trustees, sponsors, advisers and members of occupational pension schemes using Prudential group pension contracts and members of Prudential Grouped Personal Pension and Stakeholder Pension contracts.
- The purpose of this report is to provide an insight on how investment markets and funds have performed over the period and is provided for information only. It should not be considered as financial advice and any change to investment arrangements should be discussed with an adviser.

It is not our intention to give an indication of how any particular funds will perform in the future.

Additional Fund Information

- Please note that some of these funds may not be applicable to your particular scheme or contract, so please check your plan conditions or contact your scheme adviser. Alternatively please refer to your scheme's "Fund Guide".

How are the performance figures calculated?

- The performance figures shown in this bulletin are intended only to demonstrate performance history of the fund. Fund Performance is based upon the movement of the daily published (unit) price and is shown as total return with gross income reinvested. The value of your investment may go down as well as up and the fund value at retirement may be less than the payments you have made. To obtain current unit price and performance information for all funds in the Prudential Fund range, simply go to pru.co.uk/funds then select the link to Fund Prices, information and tools; "Go to Fund Tool"; then choose Workplace Pension Funds. You can then use the filter options to get to the fund(s) you are interested in.

How are Fund (unit) prices calculated?

- The Series 1 funds have both an offer and a bid price, based on the valuation of the underlying assets of the fund and which typically differs by 5%. Your contributions are used to buy units at the offer price. Your benefits are realised by selling units at the bid price. The Series 1 performance figures shown in this Bulletin are calculated on an offer to offer basis.
- The Series 3 funds have a single swinging price, based on the valuation of the underlying assets and cash flows into and out of the fund. This valuation price will be the published price.

What is a dealing cycle?

For some funds, there is a short time lag between a policyholder investing his money, the money passing through the accounting system and then buying the underlying investments. This time-lag or "dealing cycle" is not factored in to the performance of the Prudential fund. You may therefore see a difference between the Prudential's fund performance and that of any underlying fund it invests in to.

What should I know about Prudential's Property fund?

- This fund invests in property and land. This can be difficult to sell – so you may not be able to sell/cash in this investment when you want to. We may have to delay acting on your instructions to sell your investment.
- You should look upon your investment in property as being long-term. There are large costs when we buy and sell property. The allowance for these costs amongst other factors can lead to short-term falls in the price of units in the Property fund.

- The value of property is generally a matter of a Valuer's opinion rather than fact. Under certain circumstances, in the interest of other investors, we reserve the right to defer any early encashment or switch between funds. This may be for a period of up to 6 months in the case of units held in the fund. Depending on your scheme/ policy, in very exceptional circumstances the delay may be longer than this. At other times the fund may have significant levels of cash (short-term deposits) in advance of purchasing or following the sale of property and/or land. This could impact the performance of the property fund.
- Charges on With-Profits business depend on the performance of the With-Profits fund and, in particular, the investment returns achieved and expenses incurred. Over time, if investment returns are higher, the charges would be expected to be higher, and if investment returns are lower, the charges would be expected to be lower.
- There is a charge to pay for all the guarantees the With-Profits fund supports. We guarantee to not take away regular bonuses already added when a payment is made because of death and your normal retirement date and to only apply a Market Value Reduction in certain circumstances. This charge will be taken by making a small deduction each year when deciding Regular and Final Bonuses, so you will not see it on any yearly statement. The total deduction over the lifetime of the Plan is not currently more than 2% of any payment made from the fund. The amount of this charge will be reviewed from time to time and is not guaranteed to remain at the current level.

Is there anything else I should know about funds?

- For any fund there may be a delay in buying, selling or switching of units. These delays will only apply in exceptional circumstances and we will let you know if they apply to you. For more information please refer to your policy or scheme documentation.
- If the total charges taken from your plan are more than any overall growth achieved, your plan will fall in value, possibly to even less than you have invested. This is relevant for all funds but in particular the Prudential Cash fund, BlackRock Sterling Government Liquidity fund and BlackRock Aquila Cash fund.

With-Profits – Other important information

- If money invested in the With-Profits fund is taken out at any time other than on death or normal retirement date, a Market Value Reduction may be applied; this may have the effect of reducing the fund value.
- For the With-Profits fund, we deduct an annual charge through the bonus mechanism. For the Cash Accumulation and Unitised returns shown, this is currently expected to be 0.94% a year assuming future investment returns in the With-Profits fund are 5% a year.

Who manages the Funds?

- All the Series 1 and Series 3 Funds are Prudential funds.
- Prudential has delegated the investment management of these funds to either M&G Investments or various fund managers outside the Prudential.
- Prudential Assurance Company Limited has delegated the investment management of the With-Profits fund to various investment managers including M&G Investments.

Which Prudential companies are involved and how are they regulated?

- Issued by Prudential plc.
- “Prudential” is a trading name of The Prudential Assurance Company Limited (which is also used by other companies within the Prudential group of companies). The Prudential Assurance Company Limited is registered in England and Wales. Registered Office at Laurence Pountney Hill, London EC4R 0HH. Registered number 15454.
- Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.
- M&G Investments is a trading name of Prudential Pensions Limited and M&G Investment Management Limited whose business addresses are at Laurence Pountney Hill, London EC4R 0HH and Prudential Property Investment Managers Limited whose business address is Princeton House, 271–273 High Holborn, London WC1V 7NE. Part of Prudential plc.
- Prudential Pensions Limited and M&G Investment Management Limited are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Other Important Information

- For non UK invested funds or funds denominated in a different currency: exchange rate fluctuations may cause the Sterling values of overseas investments to rise or fall.
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