Prudential's Portfolio Management Group (PMG)

Retirement has more potential with PRUDENTIAL

The PMG are the in-house investment strategists and 'manager of managers' for the Prudential in the UK. They are independent of the various underlying asset management businesses within the Prudential Group. They are a team of more than 20 economists, investment strategists, analysts and mathematicians who are specialists in different areas of the investment world. The team have been together for a considerable amount of time and come from a range of investment backgrounds.

The teams that contribute to the PMG

The Portfolio Management Team

The Portfolio Management Team provide a key role in interpreting the output from the various teams to establish the right investment strategy for Prudential's multi asset funds, and then manage the day to day asset mix to ensure it stays in line with the desired strategy. This is achieved by both getting the longer term, or strategic, asset mix right and then successfully implementing shorter term tactical asset allocation decisions to reflect their views on relative value in the markets. This team also has responsibility for monitoring the performance and risk of internal fund managers through rigorous and robust control processes.

The Strategy Group

The PMG work closely with the M&G Strategy Group. This group aims to understand the current pricing of markets and identify instances where investor behaviour is causing markets to become either over or undervalued. This is achieved by comparing current pricing with calculated equilibrium prices.

The Quantitative Analysis Group

The Quantitative Analysis Group provide a contextual framework for building investment portfolios by analysing the interplay of the various asset markets and currencies.

Their work involves the use of sophisticated statistical tools allowing them to help quantify the implied risks of given strategic benchmarks, and the tactical asset allocation positions around those benchmarks.

The Capital Management Team

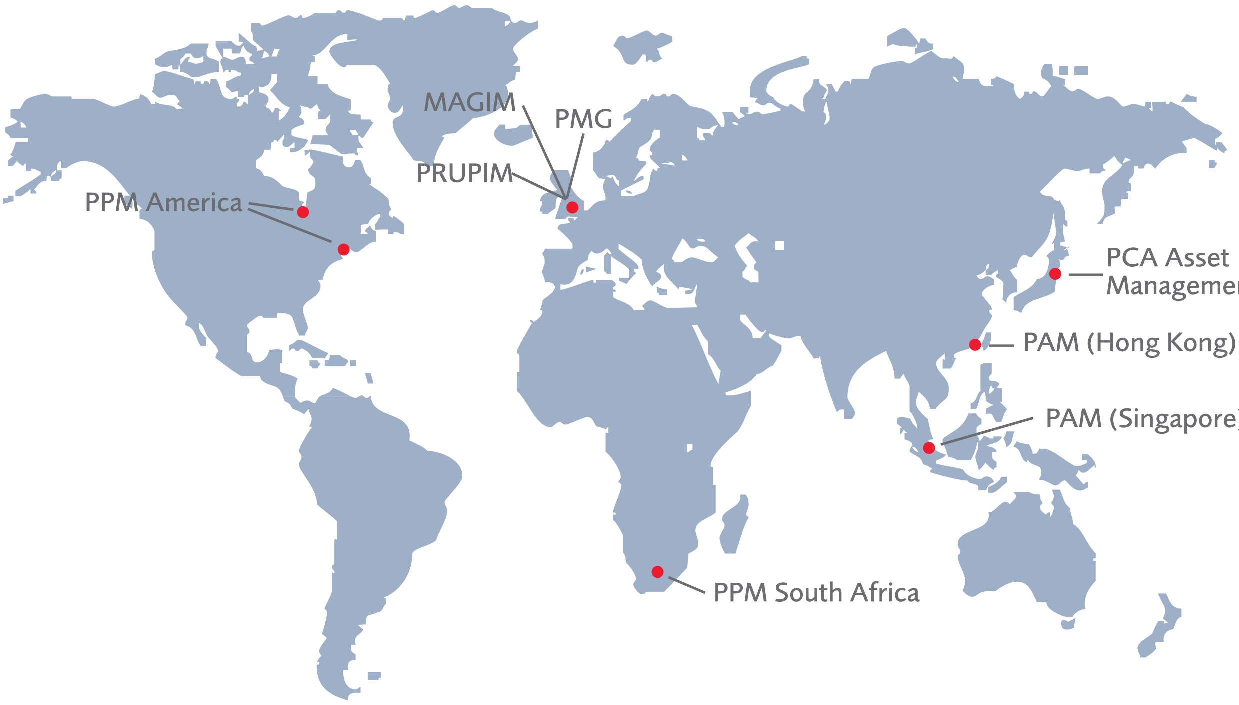
The Capital Management Team provide insight into the optimal (strategic) asset allocation for the With-Profits and annuity Funds taking into account the constraints posed by the nature of the liabilities and capital regulations.

Their work involves combining actuarial knowledge of liabilities with quantitative finance and Monte Carlo techniques to build models representing the interaction between assets and liabilities.

These models are then used to obtain the optimal investment strategy.

Monitoring the activities of the Prudential Group's fund managers around the world

The Prudential Group are a global organisation with specialist fund managers around the world. The PMG monitor and review the performance of each of the fund management specialists to ensure they are providing best value in a consistent, risk controlled approach.



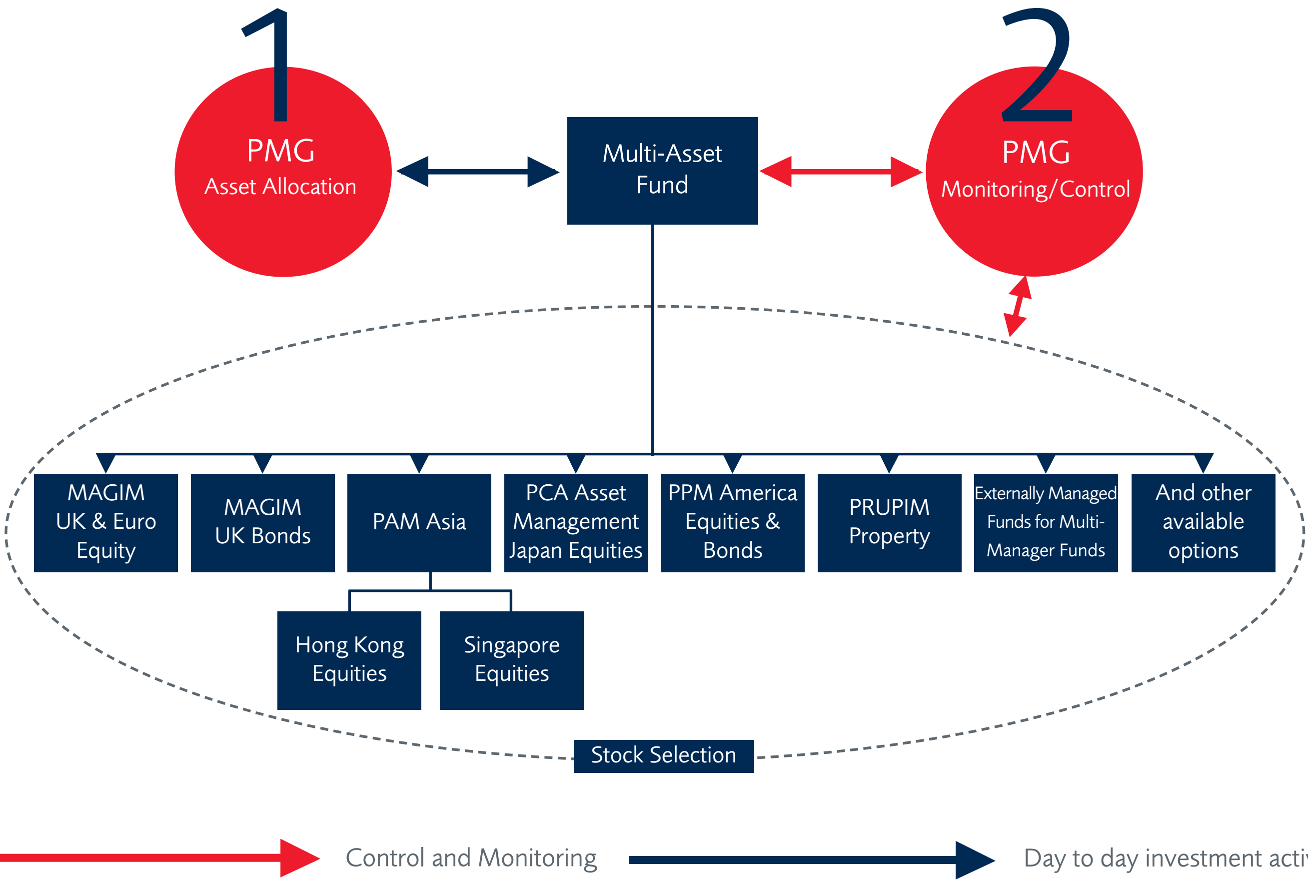
PPM = Prudential Portfolio Management
PRUPIM = Property Investment Managers
PAM = Prudential Asset Management
MAGIM = M&G Investment Managers
PCA = Prudential Corporation of Asia
PMG - Portfolio Management Group

With such a large and capable investment organisation around the world, the role of the PMG is vital. Based in London, they are the force that brings it all together, to provide a coherent dependable and forward looking resource. Their main aims are not only to ensure excellent investment results today, but also with safeguarding the skills of the group to provide excellent performance delivery in the future.

Controlling over £100 billion (as at December 2008) of Prudential's Investments

First and foremost, the PMG are responsible for ensuring that the assets of Prudential's managed funds are invested in the right markets. They are independent of the individual expert fund managers around the globe (who take the day to day stock selection decisions) and this ensures not only a fully dedicated asset allocation resource, but also helps ensure an even view across all asset classes.

In addition to the asset allocation work PMG are also involved in ensuring that the stock selection provided by our global network of specialists is focused on delivering what's right for our funds. The PMG sets a clear mandate for each specialist and works with them to ensure delivery, through a series of meetings, tele-conferences and annual due diligence visits. In addition, the PMG carries out its own independent, detailed review of all key portfolio risk positions on a monthly basis. This combination of review, discussion and local visits can be thought of as a highly evolved 'managing the managers' role providing effective quality control around our full investment capability.



1 Asset allocation decisions are made by the PMG leaving individual fund managers to concentrate solely on stock selection. We believe that good asset allocation is at the heart of delivering a good overall investment result.

2 The PMG establish a clear mandate with each of our managers, and then review their activity & performance against this mandate. Good two way discussion ensures the ongoing sound development of our investment capability, and that we remain focused on delivering what is right for our funds.

Understanding the markets

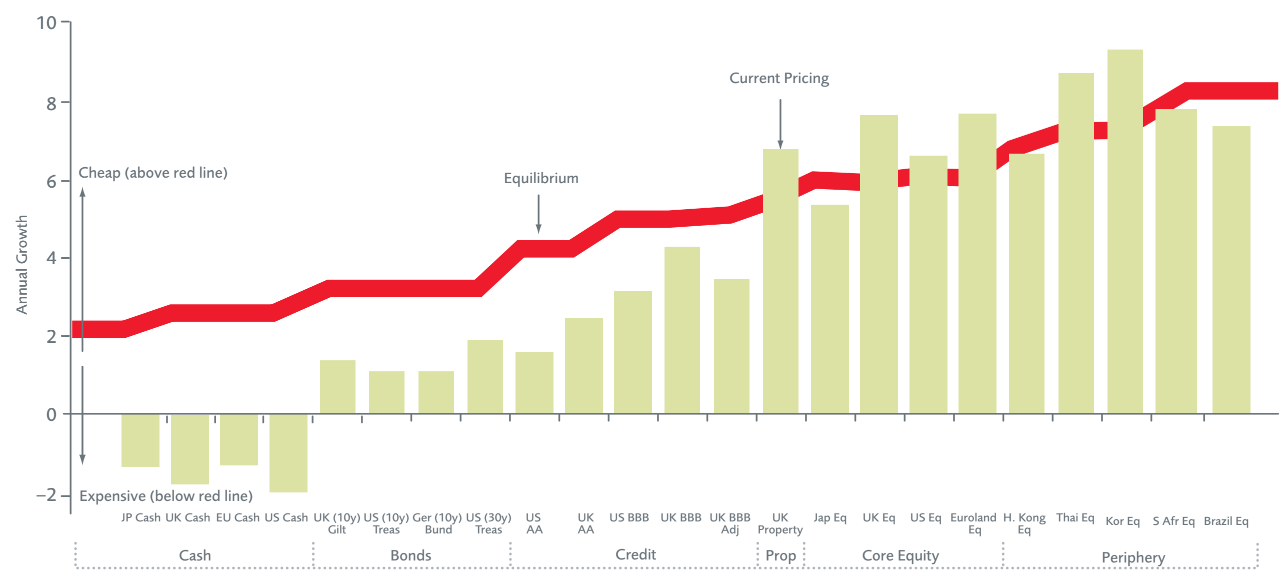
Market conditions change, and understanding what is changing and why is vital to any fund management group.

The graph below shows typical examples of the type of analysis that the PMG utilise when aiming to understand the markets.

The graph demonstrates views on the current pricing of different asset types compared to forecasts of long-term fair value. When the current pricing rises above the equilibrium value this indicates the likelihood that those assets offer good value.

Example of Implied Real Returns based upon Current Real Pricing vs Equilibrium Returns

October 2009



Taking tactical asset allocation decisions

The majority of Prudential's multi asset funds have long term strategic asset allocation positions, which are set by the PMG. During their day to day management of these funds the PMG will take tactical asset allocation decisions against these positions based on their current market views, and in line with set risk parameters.

The ability to make tactical plays against a long term strategic asset allocation position is fundamental to sound fund management and is as important as, if not more than, individual stock selection.

Our Multi-Asset fund Range

Choose between Investments, Pensions or Collectives. Choose to have smoothing or not. Choose to have income bias or not.

	Fund Aim	Approximate asset split (equities & property/fixed interest & cash)	Smoothing approach	Onshore Bonds	Pensions	International Bonds	Collective
Managed Defensive	Deliver long-term total return (the combination of income and growth of capital) with a bias towards income. The fund will invest no more than 35% in equities.	15/85		✓	✓	✓	✓
PruFund Cautious	Steady and consistent growth through a cautious approach to investing.	30/70	Unique PruFund Smoothing	✓	✓	✓**	
PruFund Protected Cautious	Steady and consistent growth through a cautious approach to investing. Includes a guarantee.	30/70	Unique PruFund Smoothing	✓	✓	✓**	
PruFund Growth	Maximise growth over the medium to long term by investing in shares, property, fixed interest and other investments.	60/40	Unique PruFund Smoothing	✓	✓	✓**	
With-Profits Fund	Maximise growth over the medium to long term by investing in shares, property, fixed interest and other investments.	60/40	Traditional With-Profits Smoothing	✓*	✓	✓**	
Cautious Managed Growth	Deliver long-term total return (the combination of income and growth of capital). The fund will invest no more than 60% in equities.	55/45		✓	✓	✓	✓

* This refers to the With-Profits Optimum Return Fund.

** International Prudence Bond only. Available in Sterling, Euro and US Dollar versions.

Asset allocation is as at 30 October 2009 and may change in future. For further information on our products and other funds please contact your Prudential Account Manager.

For more information on PMG and their asset allocation expertise, please contact your Account Manager or visit **www.pruadviser.co.uk/funds**

Retirement has more potential with PRUDENTIAL

www.pruadviser.co.uk

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