

PAC Sterling With-Profits Fund



This fact sheet is for information only and should not be considered a financial promotion. If you are not a financial adviser and there is terminology included that you would like to discuss, then please contact your adviser.

The International Prudence Bond is issued by Prudential International Assurance plc based in Dublin. It offers investment in a range of unit-linked funds, including funds which are reinsured into the Long-Term Fund of the Prudential Assurance Company Ltd (PAC). This fund is valued at around £61.6bn* and PAC is rated AA** by Standard & Poor's.

* Source: Prudential as at December 2009

** Source: S&P – correct as at March 2010

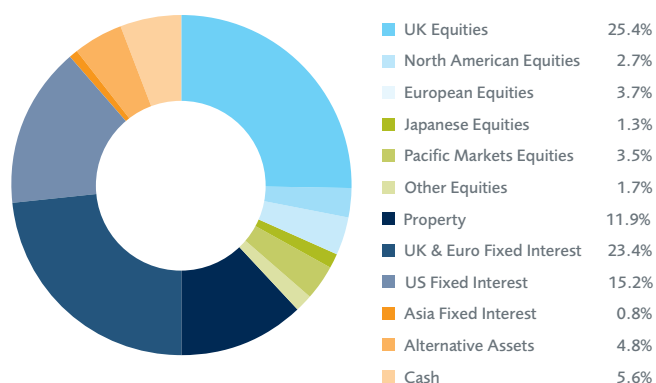
Fund objective

The Fund aims to maximise growth over the medium to long term while helping to smooth the peaks and troughs of investment performance.

Fund investments

The Fund currently invests in UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments.

Asset allocation



Source: Prudential as at 31 March 2010

Top ten holdings

BP	1.7%
HSBC	1.4%
Vodafone	1.3%
Rio Tinto	1.2%
GlaxoSmithKline	1.1%
Royal Dutch Shell	1.0%
British American Tobacco	0.9%
M 31 Private Equity Fund	0.7%
AstraZeneca	0.6%
BHP Billiton	0.6%

Source: Prudential as at 31 March 2010

Fund performance	Percentage change – year to date (end March 2010)	Annualised return – 5 years to end March 2010	Annualised return – since inception (1 April 2002) to end March 2010
PAC Sterling With-Profits Fund*	5.51%	7.44%	7.07%
FTSE All Share TR**	6.42%	7.15%	5.21%
FTSE British Government All Stocks TR**	1.14%	5.24%	5.57%
Bank of England Base Rate**	0.12%	3.80%	3.90%

Please remember that past performance is not a reliable indicator of future performance. The rate of growth of funds and any income from them cannot be guaranteed. The value of your investment depends on how much investment surplus the Prudential Assurance Company makes and how they decide to distribute it.

The value of an investment may fluctuate and is therefore not guaranteed. You may not get back the full amount of your investment. Changes in the rates of exchange between currencies may cause your investment/income to go down or up.

* Source: Prudential – total return, gross of charges basis with gross income being reinvested. Please note fund performance before 25 July 2005 is based on returns from the PIA Sterling With-Profits Sub-Fund. Fund performance from 25 July 2005 onwards is based on the PAC Sterling With-Profits Fund. The pool of assets underlying each of these funds, and the charges applied, are the same.

** Source: Lipper/Hindsight – total return basis with gross income being reinvested.

The commentary in this report reflects the general views of the fund manager and should not be taken as a recommendation or advice as to how any market is likely to perform.

Fund commentary as at end Quarter 1 2010

The last 12 months has been extraordinary for financial markets. The global financial crisis seemed at its peak in early March and the markets were seriously stressed at that time. By the middle of the year, however, they had recovered their losses and by December, with the exception of commercial property, they had moved meaningfully higher. Indeed, the performance of some, particularly credit markets, was truly astonishing. More risky credit assets delivered returns more normally associated with equities in those last 3 quarters of 2009. So far the policy initiatives taken by governments and central banks to shelter us from financial meltdown have worked dramatically.

Equities have still not recovered to the levels reached at the end of 2007 and in some cases (e.g. European markets) are still some 30% below that level. Credit spreads have compressed to levels which we'd regard as more normal but not to the very tight levels exhibited in 2006/7. Government bond yields, for the most part, remain meaningfully below 2007 levels, reflecting the very low level of short term rates.

On our estimates, it looks as though markets have recovered to levels closely aligned to reasonable medium term value. On our usual comparison of current pricing to equilibrium value (which is our concept of fair value), property, credit and equities look about fair value. Equities, perhaps a little cheap if more optimistic 2011 earnings estimates are factored in. Government bonds look expensive.

Investment strategy

Our investment strategy has taken a more cautious stance over the last 12 months. Market valuations on both equities and corporate bonds have increased significantly and policies implemented to stimulate the global economy will start to be withdrawn over the next year. Governments need to cut spending to address budget deficits and central banks are starting to worry about the impact of very low interest rates on inflation. As this policy stimulus is reduced, the key question is whether the private sector can generate enough demand to keep the momentum going.

We think growing consumer confidence should help sustain a modest improving trend this year in the western economies. However, a sharp cyclical recovery is unlikely because banks are still not in a position to start lending normally and household borrowing and unemployment levels remain high.

Please note

You may only invest in one PAC With-Profits Fund.

Investments in PAC With-Profits Funds are backed by assets in the Long-Term Fund of The Prudential Assurance Company Ltd through a reinsurance agreement.

The returns shown are the returns on the underlying assets. The actual returns on any policy are smoothed and will depend on the bonuses declared over the period of investment.

If money invested in the PAC With-Profits Funds is taken out at any time, except on death, maturity or to meet certain regular withdrawals, PAC may reduce the amount to reflect the current market value of the underlying assets. This is known as a Market Value Reduction. This is in addition to any Early Cash-In Charge that may apply in the first five years of any investment into the bond.

Fund manager	Martin Brookes
Fund size	£61.6bn as at 31 March 2010 (Prudential With-Profits Fund)

Full terms and conditions are available on request from Prudential International by calling 0808 234 2200.

Calls may be monitored or recorded for quality and security purposes.



www.pru.co.uk/international

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