

Fund Guide

Prudential Trustee Investment Plan (Series A)
(where investment was made on or after 1 January 2003)

Contents

Trustee Investment Plan Fund Guide	3
Using this Fund Guide – Potential Reward and Risk	4
‣ Risk Types	5
‣ Association of British Insurers (ABI) Sector Definitions	9
‣ Potential Reward and Risk Indicator	12
Fund Information	13
‣ Important Explanations	12
‣ Funds, ABI Sectors, Risk Types, Risk Indicator & Annual Management Charges	14
‣ Prudential Multi-Asset Funds	16
‣ Additional Fund Choice	17

Trustee Investment Plan Fund Guide

In this fund guide you will find information on the funds available through the Trustee Investment Plan, including their objectives, risks and fund costs.

It's very important that you clearly understand the risks associated with any fund you may wish to invest in. This guide aims to help you and your Financial Adviser understand the potential reward and risks associated with each of our funds.

Fund Choice

By offering a wide selection of funds we aim to give you a choice from a range of fund management companies and different types of investments.

The funds available are listed in two categories:

- › Prudential Multi-Asset Funds: managed by Prudential and have the ability to invest in a wide range of asset types
- › Additional Fund Choice: other funds you can choose which are made available by Prudential

We would recommend that you discuss fund selection with your Financial Adviser.

Using this Fund Guide – Potential Reward and Risk

The assets of a fund will have a significant effect on the performance of your investment.

Generally, the higher the potential returns, the higher the risk.

To help you and your adviser assess the potential level of risk and reward of our funds we've included in this guide:

- Risk Types – information on the risks applicable with different types of assets
- Association of British Insurers (ABI) Sector Definitions – details on industry recognised fund categories
- Potential Reward and Risk Indicator – a Prudential view on the potential reward and risk that different asset types might offer.

Pages 5 to 12 give more information about each of these categories. From pages 14 to 19 we've indicated what these mean for each of our funds.

Please note

The information in this guide aims to help you and your adviser understand the potential level of risk and reward that is attributable to our funds. However, these are Prudential views based on the type of assets which may be held within the fund.

The information in this guide may not take account of current market conditions or other short-term fund specific changes. Up to date information on each of our funds can be found on www.pru.co.uk.

Risk Types

We have categorised these risks in line with the major asset types and investment styles used (see Risk Types on the following pages). There are many types of risk and when assessing funds we have grouped some that are not covered by the main headings as "Other". Generally, the higher the potential returns, the higher the risk.

To try and reduce the risk of losing money many funds hold a broad range of different types of assets. This means that you are not relying on the performance of an individual asset, nor of assets of the same type. This practice is known as diversification.

For any fund, there may be a delay in buying, selling or switching of units. These delays will only apply in exceptional circumstances and if this applies to you, we will let you know. For more information, please refer to your Policy Document which you can get from your Financial Adviser or can be found on www.pru.co.uk/tip

Equity

Equities are commonly known as "shares". When a fund buys a company share, it is investing in a company and, in exchange, receives a share of the ownership of that company. Shares give two potential investment benefits:

- share prices increase as the value of the company increases
- companies pay dividends – regular payments made to shareholders based on how well the company is doing.

Over the longer-term, equities are considered by many investment experts to offer greater growth potential than many other asset types. But over the short term, the value of equities can go up and down a lot. Funds investing in equities tend to carry a higher risk of capital loss than funds investing in fixed interest securities or money market investments (see below). The financial results of other companies and general stock market and economic conditions can all affect a company's share price, and consequently the value of any fund investing in that company.

Where a fund invests significantly in equities, we have rated the fund as having a risk type of "Equity".

Risk Types – continued

Fixed Interest and Index-Linked Securities

Fixed interest securities, more commonly known as “bonds”, 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 often called Gilts or UK Government Bonds and those issued by the US government are called Treasury Bonds. In effect all bonds are IOUs that promise to pay you a sum on a specified date and pay a fixed rate of interest along the way.

Index-linked securities are similar 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.

On the whole, investing in bonds is seen as lower-risk than investing in equities. Gilts are very low-risk. To date, no UK government has ever failed to pay back money owed to investors. But with corporate bonds there is a risk that the company may not be able to repay its loan or that it may default on its interest payments.

The risks related to investing in bonds can be reduced if you invest through a bond fund. Where a fund manager selects a range of bonds, you are less reliant on the performance of any one company or government. If bond income generated is reinvested by the fund, bond funds can be used to provide attractive levels of growth. However, there is a risk you might not get back the amount you invest and the income you receive is neither fixed or guaranteed.

Corporate and Government bonds are sensitive to interest rate trends. An increase in interest rates is likely to reduce their value, and hence the value of any fund investing in them.

Where a fund is exposed to this risk, we have rated the fund as having a risk type of “Fixed Interest”.

Commercial Property

Commercial property investment generally means the fund is sharing in the returns from the ownership of some buildings (for example, offices and shopping centres). The value of the property may increase and tenants may pay rent to the owners of the building.

However, commercial properties can be difficult to buy and sell quickly. Fund managers may have to delay withdrawal of money by customers from a property fund until they can sell some of the buildings the fund invests in.

The actual value of a property is what someone is prepared to pay for it – an actual sale value. As sales are infrequent, interim valuations are based on a valuer's opinion and may be revised up or down from time to time. This can affect the value of a fund invested in commercial property, with the value possibly fluctuating significantly.

This leads to a number of risks for funds investing in property:

- Cash could remain uninvested as property assets can be difficult to buy, leading to lower returns than expected.
- The value of the fund may be reduced if a large number of withdrawals are requested and it is necessary for properties to be sold at reduced prices.
- There may be delays removing your money from the fund if property cannot be sold.
- Property fund valuations may be revised periodically, upwards or downwards.
- Rental income is not guaranteed. Defaulted rent and unoccupied properties could reduce returns.
- If the size of the fund falls significantly, the fund may have to hold fewer properties, and this reduced diversification may lead to an increase in risk.

Where a fund is exposed to these risks, we have rated the fund as having a risk type of “Property”.

Currency Risk and Overseas Investments

Overseas investments allow you to take advantage of the growth potential of markets outside of the UK, but currency changes can affect the value of overseas investments. Because the value of overseas investments is converted from local currency into pounds (Sterling), the Sterling value can fall if the local currency weakens against Sterling, independent of the performance of the asset itself.

Where a significant proportion of a fund is invested in non-Sterling assets, we have rated the fund as having a risk type of "Currency".

Smaller Companies and Developing Markets

In comparison to larger companies, shares of smaller companies may be harder to trade and short-term performance may be more volatile. There may also be more chance the companies will become insolvent. Funds which invest in small companies can have volatile returns and a greater risk of capital loss.

Some investments are in markets which are less developed than the UK market. In such markets, the ability to trade, and the safe keeping of assets on behalf of the fund, and especially regulation may all be poorer than in well-developed markets. This means increased risk for your investment.

Where a fund has these types of risk, we have rated it as having a risk type of "Smaller Companies and Developing Markets".

Financial Instruments

There are several financial arrangements that fund managers can use to improve fund performance. Some of the most common are:

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. This type of investment may carry a higher risk of capital loss than funds investing in other assets. Sometimes in the event of a counterparty to a derivative (the party with which the fund manager has made the agreement about future deals) being in financial difficulties, it may be difficult to obtain a price for valuations or for the investment manager to dispose of the asset – that creates risk to the value of the fund. There is a risk of capital loss in the event of the counterparty to the derivative becoming insolvent or suffering other financial difficulties. In such circumstances the derivative may have no value.

Geared Assets: Funds that are geared or borrow assets or which use short-selling are likely to be more volatile than other funds and there is a higher risk of capital loss.

Where a fund could be exposed to these types of risk, we have rated it as having a risk type of "Financial Instruments".

Risk Types – continued

Other

We have rated a number of funds as having a risk type of "Other".

- In addition to the risks and characteristics of the individual asset types, specialist investments have other features that are unique to where they invest.

Specialist funds invest in particular markets or geographical areas. Because they invest in a smaller range of asset types, they tend to be more risky than non-specialist funds, but can deliver greater returns.

- Ethical funds are restricted from investment in certain companies due to the criteria used to select investments for the fund. This may mean that the returns from the fund are more volatile than funds which do not have these restrictions.
- The fund may have investment concentrated in relatively few individual assets. Therefore, returns from the fund can be significantly influenced by the performance of a small number of individual holdings and may be more volatile than funds with a wider spread of underlying assets.
- Some funds keep a proportion of your money in cash deposits and other money market investments. Over the long-term, money market investments usually offer the lowest risk of all asset types but also the lowest potential returns. Some funds hold money market investments because they are aiming for security more than substantial growth. Others hold just enough in cash deposits to make sure money is available for customer withdrawals. Over the long term, money market investments can be a low risk asset type but may also produce low returns compared to other asset types.

A money market investment is at risk if any of the banks, building societies or other financial institutions with whom the fund's money is deposited becomes insolvent or suffers other financial difficulties. In such circumstances, the money deposited with that institution may not be returned in full. Some money market investments will be affected if interest rates rise, leading to a drop in value of any fund holding them.

- The fund may offer some form of protection from downside risks for which there will be a charge and which will normally have an impact on long-term returns. The protection may be provided through the use of derivative contracts and this may give rise to counterparty risk and liquidity problems. The provision of the guarantees may result in a significant proportion of the fund being invested in cash and other lower risk investments.

Where a fund could be exposed to these types of risk, we have rated it as having a risk type of "Other".

Association of British Insurers (ABI) – Sector Definitions

The Association of British Insurers (ABI) is a trade body that represents the insurance industry. It maintains ranges of investment fund sectors to facilitate comparisons between similar funds. These sectors allow advisers and investors to make like-for-like comparisons between funds which invest in, or can potentially invest in, broadly comparable assets.

Each of our funds is matched against the relevant ABI sector so you can see in broad terms the type of assets that may be held by that fund.

Asia Pacific including Japan Equities

- › Funds which invest at least 80% of their assets in Asia Pacific equities and which include Japanese equities.
- › Asia Pacific includes all countries in the FTSE World Asia Pacific index.
- › Not to include funds which would otherwise qualify for the Japan Equity sector.

Asia Pacific excluding Japan Equities

- › Funds which invest at least 80% of their assets in Asia Pacific equities, but which normally hold no equities quoted on the Japanese stock market.
- › Asia Pacific includes all countries in the FTSE World Asia Pacific index.

Balanced (up to 85% Equity) Managed

- › Maximum of 85% total equity (including Preference Shares, Permanent Interest Bearing Shares and Convertibles).
- › Minimum of 40% total equity.
- › Minimum of 50% Sterling based assets (including fixed interest hedged back to Sterling).
- › Fixed interest defined as Government Sovereign Bonds and Corporate Bonds.

Cautious (up to 60% Equity) Managed

- › Maximum of 60% total equity (including Preference Shares, Permanent Interest Bearing Shares and Convertibles).
- › Minimum of 20% total equity.
- › Minimum of 60% Sterling based assets (including fixed interest hedged back to Sterling).
- › Fixed interest defined as Government Sovereign Bonds and Corporate Bonds.

Commodity/Energy

- › Funds that invest at least 80% of their assets in commodity and/or energy related securities.

Defensive (up to 35% Equity) Managed

- › Maximum of 35% total equity (including Preference Shares, Permanent Interest Bearing Shares and Convertibles).
- › No minimum equity requirement but managers' stated intention retains the right to invest in equities.
- › Minimum of 85% Sterling based assets (including fixed interest hedged back to Sterling).

- › Fixed interest defined as Government Sovereign Bonds and Corporate Bonds.

Deposit & Treasury

- › Funds in this sector are not 'no risk' funds but to satisfy the sector parameters they must have stability of capital as the principal and overriding objective.
- › Funds must invest 100% of their assets in sterling denominated permitted instruments.
- › Permitted instruments must not have a final maturity greater than 12 months.
- › The investment quality of each of the permitted instruments must be closely matched with the fund's objective of stability of capital.
- › The permitted instruments for this sector are:
 - Current Account Cash
 - Time Deposits (including call accounts)
 - Certificates of Deposit
 - UK Treasury Bills
 - UK Short Gilts
- › Insured funds that track a recognised cash index, such as the Bank of England base interest rate, can be included.

Distribution

- › Maximum of 60% total equity (including Preference Shares, Permanent Interest Bearing Shares and Convertibles).
- › Minimum of 20% total equity.
- › Minimum of 50% Sterling based assets (including fixed interest hedged back to Sterling).
- › Fixed interest defined as Government Sovereign Bonds and Corporate Bonds.

Europe excluding UK Equities

- › Funds which invest at least 80% of their assets in equities quoted on European stock markets, but which normally hold no equities quoted on the UK stock market.
- › Europe includes all countries in the FTSE World Europe/MSCI Europe indices.

Flexible (up to 100% Equity) Managed

- › Maximum of 100% total equity (including Preference Shares, Permanent Interest Bearing Shares and Convertibles).
- › No minimum equity requirement but managers' stated intention retains the right to invest up to 100% in equities.
- › Minimum of 20% Sterling based assets (including fixed interest hedged back to Sterling).
- › Fixed interest defined as Government Sovereign Bonds and Corporate Bonds.

Global Emerging Markets Equities

- › Funds which invest at least 80% of their assets in equities from emerging markets, as defined by the FTSE World Index Indices, without geographical restriction.

Global Equities

- › Funds which invest at least 80% of their assets in equities.
- › Funds must be invested in more than one equity region.
- › Not to include funds which would otherwise qualify for the Global Emerging Markets Equity sector.

Global Fixed Interest

- › Funds which invest at least 80% of their assets in non-UK broad investment grade fixed interest securities.
- › Fixed interest defined as Government Sovereign Bonds and Corporate Bonds. Preference Shares, Permanent Interest Bearing Shares and Convertibles are not treated as fixed interest investments.

Global Property

- › Funds that invest at least 80% of their assets in direct property and property securities.
- › Minimum 50% non-UK assets.

Japan Equities

- › Funds which invest at least 80% of their assets in equities quoted on the Japanese stock market.

Money Market

- › Funds which invest at least 95% of their assets in Sterling (or hedged back to Sterling) money market instruments.
- › Money market instruments are defined as cash and near cash, such as bank deposits, certificates of deposit, and fixed interest securities within three months of maturity or floating rate notes.

North America Equities

- › Funds which invest at least 80% of their assets in equities quoted on United States and Canadian stock markets.

Protected/Guaranteed Funds

- › Funds, other than money market funds, which principally aim to provide a return of a set amount of capital back to the investor (either explicitly guaranteed or via an investment strategy highly likely to achieve this objective) plus some market upside.

Specialist

- › Funds that have an investment universe that is not accommodated by any of the other ABI sectors.
- › As funds in this sector do not meet any pre-set parameters, these should not be compared on a like-for-like basis.

Sterling Corporate Bond

- › Funds which invest at least 80% of their assets in Sterling-denominated (or hedged back to Sterling) broad investment grade corporate bond securities. This excludes Preference Shares, Permanent Interest Bearing Shares and Convertible Securities.

Sterling High Yield

- › Funds which invest at least 80% of their assets in Sterling-denominated (or hedged back to Sterling) fixed interest securities.
- › Funds which invest at least 50% of their assets in sub investment grade fixed interest securities.
- › Fixed interest defined as Government Sovereign Bonds and Corporate Bonds.
- › Preference Shares, Permanent Interest Bearing Shares and Convertibles are not treated as fixed interest investments.

Sterling Long Bond

- › Funds (used in conjunction with pension plans) with a specific objective for the movement in the value of units in a fund that is approximate to movements in annuity purchase prices.
- › Funds which invest at least 80% of their assets in Sterling-denominated (or hedged back to Sterling) long duration (10 years or more) broad investment grade fixed interest securities.

Sterling Other Fixed Interest

- › Funds with investment policy permitting significant changes in asset allocation between broad investment grade and sub-investment grade securities.
- › Funds which invest at least 80% of their assets in Sterling-denominated (or hedged back to Sterling) fixed interest securities.
- › Fixed interest defined as Government Sovereign Bonds and Corporate Bonds.
- › Preference Shares, Permanent Interest Bearing Shares and Convertibles are not treated as fixed interest investments.

UK All Companies

- › Funds which invest at least 80% of their assets in equities quoted on the UK stock market.
- › Funds have the primary objective of achieving capital growth or total return.

UK Direct Property

- › Funds that normally invest at least 80% of their assets in UK property. Managers may occasionally use Property Index Certificates or other property instruments for up to 20% property investment.
- › UK property defined as real estate located within the UK.

UK Equity Income

- › Funds which invest at least 80% of their assets in equities quoted on the UK stock market.
- › Net of tax yield on the underlying portfolio of at least 110% of the FTSE All-Share yield.

UK Gilts

- › Funds which invest at least 80% of their assets in UK Government securities (Gilts).

UK Index-linked Gilts

- › Funds which invest at least 80% of their assets in UK Index Linked Government securities (Index-Linked Gilts).

UK Property Securities

- › Funds that invest at least 80% of their assets in property securities quoted on the UK stock market and direct property located in the UK.
- › Property securities include real estate investment trusts, shares issued by companies that own, develop or manage direct property and Property Index Certificates.

UK Smaller Companies

- › Funds which invest at least 80% of their assets in equities quoted on the UK stock market which form the bottom 10% by market capitalisation.

Potential Reward and Risk Indicator

Investing is about balancing the risk you are comfortable with alongside the potential rewards that you want to achieve. Your attitude to investment risk is personal to you and may change in the future.

The table opposite can help illustrate this concept. It's not exhaustive, but covers a wide range of funds and investments and shows the general principle that, as the level for potential higher returns increases so does the level of risk. The following pages indicate how this relates to our funds.

The value of our funds may fluctuate. You may not get back the full amount of your investment.

These risk rating categories have been developed by Prudential to help provide an indication of the potential level of risk and reward that is attributable to a fund based on the type of assets which may be held within the fund. Other companies may use different descriptions and as such these risk rating categories should not be considered as generic to the fund management industry.

Prudential will keep the risk rating categories under regular review and as such they may be subject to change in the future. We recommend therefore that before making any fund choice in the future you ensure you understand the appropriate risk rating before making a decision. You will find this information in our Fund Guides, along with further information, at www.pru.co.uk. You should also consider discussing your decision with your adviser.

The information included in this guide is correct as at 28 May 2010.

Potential Reward and Risk Indicator	Types of Fund *
6 Higher	Single Country Equity Funds, International Equity Funds, Specialist Funds
5	Flexible (Up to 100% Equities) Managed Funds Global Property Funds
4	Balanced (Up to 85% Equities) Managed Funds Direct Property Funds Global High Yield Funds
3 Potential Rewards	Cautious (Up to 60% Equities) Managed Funds Distribution Managed Funds Sterling High Yield Funds Global Fixed Interest Funds With-Profits
2	Defensive (Up to 35% Equities) Managed Funds Sterling Fixed Interest Funds Corporate Bond Funds Protected/Guaranteed Funds
1 Lower	Deposit & Treasury Funds Money Market Funds

Higher
Risks
Lower

* These are predominantly based on sector classifications by the Association of British Insurers (ABI). The description used may match an individual ABI sector name or be a Prudential suggested description for a grouping of similar sectors.
The only exception to this is 'With-Profits' which is not classified by the ABI.

Fund Information

Important explanations

› Overseas Investments

For the funds which can invest in overseas stocks or shares, not all the assets will be denominated in Sterling and the value of each of the funds could therefore be affected by prevailing exchange rates. Changes in the rate of exchange between currencies may cause the value of your investment to go down or up.

› The Fund Value

The value of an investment may fluctuate and is therefore not guaranteed. You may not get back the full amount of your investment.

For investments in the With-Profits Funds, the value of the Policy depends on how much profit the Funds make and how we decide to distribute it.

For PruFund Funds what you receive will depend upon the value of the underlying investments, the Expected Growth Rates set by the Prudential Directors having regard to the expected long term investment returns on the assets of the funds, the smoothing process, whether you have a guarantee and when you take your money out. The guarantee if applicable is applied to your plan on the guarantee date.

› How Funds Invest

Some of the Prudential funds listed in this guide may gain all or part of their investment exposure by investing in collective investment vehicles (e.g. Unit Trusts, Open Ended Investment Companies (OEICs)), derivatives or other investment vehicles, for which the aims and underlying assets are consistent with the objectives of the fund. These Prudential funds may hold an element of cash due to the short delay between new investments being received by the Prudential fund and being placed in the underlying investment(s), and this may have an impact on the performance of the Prudential fund when compared to the underlying investment(s).

› Annual Management Charge

The base AMC figures quoted are the basic Annual Management Charges.

In general the AMC is taken by the deduction of 1/365th of the applicable Annual Management Charge, from the daily unit price of the relevant unit linked fund.

This differs slightly for With-Profits and PruFund. Please see page 14-15 for further details.

› Other Fund Charges

Where the funds invest in underlying Unit Trusts or Open Ended Investment Companies (OEICs) additional expenses, typically between 0.0% and 0.2% may be charged. We do not currently make this charge but could in the future. We will let you know if we plan to do this.

Charges may vary in the future.

If you have any questions about the Trustee Investment Plan, its charging approach or the fund choice then we recommend you speak to your Financial Adviser.

Funds, ABI Sectors, Risk Types, Risk Indicator and Annual Management Charges (correct

Funds	Association of British Insurers (ABI) Sector		
		Equity	Fixed Interest
Prudential Multi-Asset Funds (see page 16 for more information)			
Prudential Managed Defensive	Defensive (up to 35% Equities) Managed	X	X
Prudential PruFund Cautious	Unclassified	X	X
Prudential PruFund Protected Cautious	Unclassified	X	X
Prudential PruFund Growth	Unclassified	X	X
With-Profits	Unclassified	X	X
Additional Fund Choice (see page 17 for more information)			
Prudential 95% Safeguard	Protected/Guaranteed Funds	X	
Prudential Cash	Deposit & Treasury		X
Prudential Cautious UK Managed	Cautious (up to 60% Equities) Managed	X	X
Prudential Corporate Bond	Sterling Fixed Interest		X
Prudential Equity	UK All Companies	X	
Prudential Equity Income	UK Equity Income	X	
Prudential Ethical	UK All Companies	X	
Prudential European	Europe excluding UK Equities	X	
Prudential Fixed Interest	UK Gilt		X
Prudential International	Global Equities	X	
Prudential Japanese	Japan Equities	X	
Prudential Managed	Balanced (up to 85% Equities) Managed	X	X
Prudential Managed Distribution	Cautious Managed	X	X
Prudential North American	North America Equities	X	
Prudential Pacific Markets	Asia Pacific excluding Japan Equities	X	
Prudential Property	UK Direct Property		
Prudential Small Companies	UK Smaller Companies	X	
Invesco Perpetual Income	UK Equity Income	X	
Invesco Perpetual Managed	Flexible (up to 100% Equities) Managed	X	
M&G Corporate Bond	Sterling Corporate Bond		X
M&G Gilt & Fixed Interest Income	UK Gilt		X
M&G High Yield Corporate Bond	Sterling High Yield		X
M&G Managed Growth	Flexible (up to 100% Equities) Managed	X	
Newton Balanced	Balanced (up to 85% Equities) Managed	X	
Newton Higher Income	UK Equity Income	X	
Newton International Growth	Global Equities	X	
Newton Managed	Flexible (up to 100% Equities) Managed	X	

* The Annual Management Charge for these Funds is taken by monthly cancellation of units from each investment.

** The Annual Management Charge of this fund is already taken into account when we calculate the bonus rates for our With-Profits Fund. For further

as at 28 May 2010)

Risk Types						Annual Management Charge (%)
Property	Currency	Smaller Companies and Developing Markets	Financial Instruments	Other	Potential Reward and Risk Indicator	Base Annual Management Charge
X	X			X	2	1.00
X	X	X	X	X	3	1.45*
X	X	X	X	X	3	1.45*
X	X	X	X	X	3	1.45*
X	X	X	X	X	3	**
			X	X	2	1.00
				X	1	1.00
					3	1.00
					2	1.00
					6	1.00
					6	1.00
				X	6	1.00
	X				6	1.00
					2	1.00
	X				6	1.00
	X				6	1.00
	X				4	1.00
	X				3	1.00
	X				6	1.00
	X				6	1.00
X					4	1.00
		X			6	1.00
	X	X	X	X	6	1.35
	X				5	1.35
					2	1.15
					2	1.25
	X			X	3	1.25
	X				5	1.15
	X		X	X	4	1.25
					6	1.15
	X	X			6	1.40
	X	X			5	1.15

details for this fund please refer to your Key Features document.

Prudential Multi-Asset Funds

Multi-Asset funds work by spreading your money across a number of different types of assets. These can include a number of investment options, such as company shares, fixed interest bonds, cash and property – from both the UK and abroad.

By investing in a number of different assets the fund manager aims to balance the risk that is being taken. So if one asset is falling in value then another may be increasing. Of course there could be times when all the assets in the fund are either rising or falling in value depending on the market conditions at that time.

Managed Defensive

The Fund's objective is to deliver long term total return (the combination of income and growth of capital) with a bias towards income. The Fund aims to achieve its objective through asset allocation unconstrained by any benchmark. The Fund may invest either directly or via other collective investment schemes in assets including transferable securities, debt instruments, money market instruments, cash, near cash, deposits, equities, derivatives, and indirectly in property. Derivative instruments may be used for both investment purposes and efficient portfolio management. The Fund will invest no more than 35% of the portfolio in equities. Assets held will predominantly be denominated in Sterling.

PruFund Cautious[†] and PruFund Protected Cautious^{†*}

The Fund aims for steady and consistent growth through a cautious approach to investing. The Fund currently invests 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.

PruFund Growth[†]

The Fund aims to maximise growth over the medium to long term by investing in shares, property, fixed interest and other investments. The Fund currently invests in UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments.

With-Profits^{†^}

The Fund aims to maximise growth over the medium to long term by investing in shares, property, fixed interest and other investments. The Fund currently invests in UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments.

[†] These funds are all invested in the Prudential With-Profits Fund. The funds aim to protect investors against some of the ups and downs of investment performance using "smoothing" mechanisms. However, there are significant differences in the way this is done for With-Profits compared to PruFund funds. Please refer to 'Your With-Profits Plan – A guide to how we manage the Fund' (document reference WPG0027 for With-Profits and WPG0031 for PruFund) for more information. The returns on the With-Profits Fund and the PruFund funds may differ due to the smoothing process used and differences in the asset mix or the fund objectives.

[^] There is a charge to pay for the guarantees the With-Profits Fund supports. Please refer to your Key Features document for more information.

^{*} PruFund Protected Cautious differs from PruFund Cautious as it provides a guarantee for which there is a charge. Again, please refer to your Key Features document for more information.

Additional Fund Choice

The funds in this category have been selected and made available to our Trustee Investment Plan by Prudential.

The choice of funds covers a range of different assets and types of funds which could be right for you at different times. Some of the funds are managed by Prudential whilst others are managed by external fund managers.

These funds offer additional choice.

The following funds are all Prudential Pension Funds. For the externally managed funds the Prudential fund will invest in the fund manager's own fund or collective investment scheme of the same name unless otherwise indicated.

Prudential 95% Safeguard

The Fund aims to provide capital protection with a degree of exposure to movements in the FTSE 100 Capital Index by investing mainly in cash and derivative instruments. Any reduction in the price of units is limited to 50% of any fall in the FTSE 100 capital index subject to an overall maximum reduction of 5% in each quarter.

Prudential Cash*

This Fund aims to provide a return consistent with investing in interest bearing deposits and/or short-term** UK Government bonds.

Prudential Cautious UK Managed

This Fund aims to provide income and long-term capital growth, by investing mainly in UK equities, corporate bonds and to a lesser extent UK Government bonds (gilts).

Prudential Corporate Bond

This Fund aims to provide total long-term growth (the combination of income and growth of capital) in Sterling by investing in a portfolio consisting wholly or mainly of bonds issued by UK companies.

Prudential Equity

This Fund aims to provide total long-term growth (the combination of income and growth of capital) by investing mainly in a portfolio of equity holdings listed on the London Stock Exchange, with a focus on "blue chip" companies.

Prudential Equity Income

This Fund aims to provide a high and increasing income from a portfolio, at least 85% of which will normally consist of equity-type securities of UK companies in all economic sectors.

Prudential Ethical

This Fund aims to provide total long-term growth (the combination of income and growth of capital) by investing mainly in UK companies that avoid activities which have a significantly harmful impact on the world around us.

Prudential European

This Fund aims to achieve long-term capital growth by investing mainly in the shares of continental European companies quoted on the stockmarkets of Europe in all economic sectors.

Prudential Fixed Interest

This Fund aims to provide a high and secure income, with stability of capital by investing mainly in Government, sovereign and government guaranteed stocks.

* This Fund has a guarantee that the bid value of units in the Fund will not fall. Please refer to the Risk Types section (Fixed Interest and Index-Linked Securities on page 6 and Other on page 8) for further information applicable to this fund.

** Under one year.

Additional Fund Choice – continued

Prudential International

This Fund aims to provide long-term capital growth by investing mainly in a spread of equity markets throughout the world, mainly through Prudential's Unit Trusts. This includes the Prudential Trusts investing in the markets of the USA, Europe, the Asia-Pacific region and Japan. It provides instant investment diversification across a broad cross-section of overseas equity portfolios.

Prudential Japanese

This Fund aims to provide high long-term growth through actively managing a portfolio consisting wholly or mainly of companies, the securities of which are listed in, or the operations of which are based mainly in Japan.

Prudential Managed

This Fund aims to provide steady medium to long-term total growth (the combination of income and growth of capital) by investing mainly in a broad spread of Prudential's investment-linked funds and collective investment schemes.

Prudential Managed Distribution

This Fund aims to deliver capital growth and produce a regular income over the longer term by investing mainly in Sterling denominated equities, bonds, property and cash.

Prudential North American

This Fund aims to provide total long-term growth (the combination of income and growth of capital) by investing in an actively managed portfolio of investments consisting wholly or mainly of companies which are mainly based in the USA, but with the scope to invest in Canada and Latin America.

Prudential Pacific Markets

This Fund aims to provide total long-term growth (the combination of income and growth of capital) by investing in an actively managed portfolio of investments consisting wholly or mainly of companies which are mainly based in the Asia Pacific region (excluding Japan).

Prudential Property

This Fund aims to achieve a rising level of income and long-term growth.

This Fund invests in shops, retail warehouses, offices, industrial, warehouse property and land geographically spread throughout the UK. 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 investments. At other times the fund may hold significant levels of cash and short term deposits in advance of purchasing, or following sale of, property and/or land.

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.

Prudential Small Companies

This Fund aims to provide above average long-term capital growth. It invests mainly in the shares of small growing companies, mainly in the UK.

Invesco Perpetual Income

This Fund aims to achieve a reasonable level of income together with capital growth by investing primarily in shares of companies listed in the UK, with the balance invested internationally.

Invesco Perpetual Managed*

This Fund aims to achieve long-term capital growth by investing mainly in UK and overseas securities.

M&G Corporate Bond

This Fund aims to achieve higher returns than would be available from similar government securities (i.e. gilts) by investing in Sterling denominated, fixed and variable rate securities, including corporate bonds and debentures issued by companies and other institutions.

M&G Gilt & Fixed Interest Income

This Fund aims to provide a high and secure income, with stability of capital by investing in short, medium or long dated Government stocks. The Fund is able to invest a proportion of the assets in corporate bonds if these provide good relative value.

M&G High Yield Corporate Bond

This Fund aims to provide total return (the combination of income and growth of capital) whilst providing a high level of income by investing in high yielding corporate and government bonds denominated in Sterling, other European currencies, US Dollars or Yen.

M&G Managed Growth

This Fund aims to provide long-term capital growth by investing in M&G's range of authorised collective investment schemes.

Newton Balanced

This Fund aims to achieve a balance between capital growth and income from a portfolio of UK and International securities.

Newton Higher Income*

This Fund aims to provide total long-term growth (the combination of income and growth of capital) by investing in a portfolio consisting wholly or mainly of UK equities. The Fund concentrates on high yielding equities which exhibit strong cash flow and dividend growth.

Newton International Growth

This Fund aims to achieve capital growth from a portfolio of international securities.

Newton Managed*

This Fund aims to provide total long-term growth (the combination of income and growth of capital) by investing mainly in a diversified portfolio of UK and international equities with the option of holding up to 15% in bonds and cash.

* This is a Prudential fund managed on our behalf by the fund management group stated. It should not be confused with the same or similarly named fund or unit trust offered independently by this fund management group.

**For more information on a particular fund speak to your Financial Adviser
or go to www.pru.co.uk**

Glossary of investment terms

This glossary is a high-level guide to some of the technical terminology that may appear in our Fund Guide. 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.

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.

Hedged back to sterling

This is a specific example of hedging where the trader is trying to protect an existing or anticipated position from an unwanted move in sterling exchange rates.

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.

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'investissemnt 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.

Primary industry

The industrial sector of an economy involved in the extraction and collection of natural resources, such as copper and timber, as well as by activities such as farming and fishing. A company in a primary industry can also be involved in turning natural resources into products. Primary industries tends to make up a larger portion of the economy of developing countries than they do for developed countries.

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. in the UK the FSA protects the investor and provides structure around the products), financial service providers and markets.

Secondary industry

The industrial sector of an economy that produces finished, usable products. Unlike a primary industry, which collects and produces raw materials for manufacture, a secondary industry makes products that are more likely to be consumed by individuals. Examples of secondary industry divisions include automobile manufacturing, steel production and telecommunications.

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.

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