

PAC Euro With-Profits Fund



This fact sheet is for information only and is predominantly designed for financial advisers to discuss with their clients. If you are not a financial adviser and there is information or terminology included that you would like to discuss, then please contact your financial 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 £65.5bn* and PAC is rated AA** by Standard & Poor's.

Within this fund, two ring-fenced With-Profit Sub-Funds have been specifically designed for the international market. One of these is a Euro Sub-Fund.

*Source: Prudential as at December 2010 **Source: S&P as at August 2010

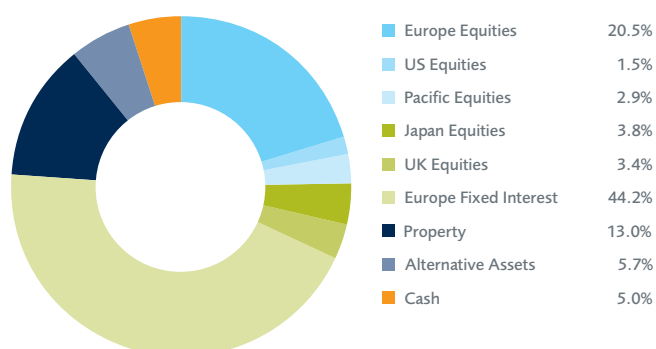
Fund objective

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 European and international equities, property, fixed interest securities, index-linked securities and other specialist investments.

Asset allocation



This is the asset allocation for the fund as at 30 September 2011. The asset mix is likely to vary in future.

Top ten holdings

Alternative Inv St Sterling Hedged	1.6%
Int Public Partner	1.4%
Government Bonds	1.2%
Nestle	1.0%
Novartis	0.8%
Sanofi	0.7%
Total	0.7%
Roche holdings	0.6%
Siemens	0.5%
Imperial Tobacco	0.4%

Source: Prudential as at 30 September 2011.

Fund performance	Percentage change – year to date (to end Sept 2011)	Annualised return – 5 years to end Sept 2011	Annualised return – since inception of product (1 April 2002) to end Sept 2011
PAC Euro With-Profits Fund*	-5.20%	-0.56%	1.97%
FTSE Europe TR**	-15.70%	-4.62%	0.13%
FTSE Euro Corporate Bond TR**	1.59%	4.95%	5.49%
European Central Bank Rate**	0.90%	2.38%	2.38%

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 an investment may fluctuate and is therefore not guaranteed. You may not get back the full amount of your investment. For investments in the PAC With-Profits Funds, the value of the policy depends on the profits made by the long term fund of the Prudential Assurance Company Limited and how these profits are distributed.

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 Euro With-Profits Sub-Fund. Fund performance from 25 July 2005 onwards is based on the PAC Euro With-Profits Fund. The pool of assets underlying each of these sub-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 3 2011

The term "double-dip recession" was never far from investors' thoughts as data from all corners of the globe pointed to a slowdown. The release of second-quarter GDP estimates underscored the marked contraction in activity across the industrialised western nations as efforts to slash their debt levels continued to bite. Moreover, those countries with budget surpluses and sizeable manufacturing sectors, namely Germany and many Asian countries, have started to buckle under the strain of the austerity cuts being made by their heavily indebted counterparts. Even though inflation remains above target, talk among US and UK policymakers has turned to the possibility of more quantitative easing to revive the economy. As well as buying back sovereign debt, the European Central Bank has binned its much-criticised monetary tightening policy, hinting that an interest rate cut is imminent.

Global markets experienced a prolonged bout of risk aversion and extreme volatility during the third quarter which intensified noticeably in August and again in September. Equities were sold indiscriminately across the world as investors worried about the ability of policymakers to solve the eurozone's debt problems and signs that the crisis had spread to the region's larger economies, Italy and Spain. The negotiation of the US debt ceiling, and the subsequent debt downgrade, and a reduction in global growth expectations in response to fiscal tightening in the developed countries also dampened investor sentiment and appetite for riskier assets. In this uncertain environment, government bonds benefited from their "safe haven" status and the yield on the benchmark 10-year gilt hit its lowest ever level in September, while other traditional "safe havens" – gold and the US dollar – also performed well.

Unsurprisingly, European equities bore the brunt of investors' anguish over the eurozone debt crisis to rank as the worst performers of the world's major stockmarkets. No sector or industry was left untouched as investors indiscriminately reduced their stakes in this region. That said, banks had the toughest time; investor sentiment in this industry fell to an all-time low amid concerns over banks' exposure to sovereign debt from debt-stricken countries, further regulation and borrowing difficulties.

Investment strategy

Time is running out for policymakers in Europe but we still believe that with some speedy positive developments the global economy can get back on a "muddle through" tack. We believe that the economic cost of inaction is politically unacceptable and that policy makers will eventually be forced to act. We expect a managed Greek default, a recapitalisation of European banks and more fire-power to support government bond markets. In the medium term we don't know yet whether this will be enough, but it would be positive short term for risk assets and buy time to implement the longer term structural changes needed for the EU economy.

Tactically our preference is to be modestly long UK and European equities at the lower end of the recent trading range and to hedge interest rate risk i.e. reduce duration on a diversified high grade corporate bond portfolio by shorting 10 year core government bond futures.

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. In addition an Early Cash-In Charge may apply in the first five years of any investment into the bond.

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 Contract Conditions which you can get from your Financial Adviser.

Fund facts

Fund manager	Martin Brookes
Fund size	€979.72m as at 30 September 2011

Full terms and conditions are available on request from Prudential International by calling +44 (0) 808 234 2200.

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

www.pru.co.uk/international
www.prudential-international.com

The registered office of Prudential International is in Ireland at Montague House, Adelaide Road, Dublin 2. Prudential International is a marketing name of Prudential International Assurance plc. Registration No. 209956. Telephone number +353 1 476 5000. If the Company should become unable to meet its liabilities, the Financial Services Compensation Scheme will protect eligible policyholders habitually resident in the UK when their contract starts, with effect from 1 December 2001. This protection does not extend to externally-linked investments. Prudential International Assurance plc is authorised by the Central Bank of Ireland and is subject to limited regulation by the Financial Services Authority for UK business. Details on the extent of our regulation by the Financial Services Authority are available from us on request.