

A client guide to **Share Exchange**





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› Why should I consider exchanging my shares?

Like you, more and more people now understand the potential benefits of stockmarket investment. Over the medium to longer term, stocks and shares can offer the potential for returns above those available from other types of investment.

However, a worry is the need to ensure your shares continue to represent good value, especially when stockmarkets can rise and fall with such speed. No matter how much time and effort you put into following the city pages, ploughing through company reports and so on, it can be a real problem knowing how best to protect your investment. And, as many investors have found, mistakes can be very costly.

Nowadays many small investors may hold several individual shares, often small bundles received as a result of privatisations or demutualisations, which may have initially proved very profitable. However, even though stockmarket investment may make sense, some find themselves wondering whether owning their own shares is really such a good idea after all.

For a start, keeping track of the paper work can be daunting and time-consuming. Then there may be complexities such as rights or bonus issues, takeover bids, mergers etc.

Even if you decide to sell, the costs can sometimes be so high that they take a chunk out of any profits, particularly if your shares are worth hundreds rather than thousands of pounds.

Prudential's Share Exchange could provide a simple answer to all of these problems. You can still reap the potential benefits of stockmarket investment, but without the need to find a broker to buy and sell your shares for you. You can swap some of the paperwork, hassle and worry for an investment that is managed for you by experienced full-time professionals.

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

If you are unsure whether Prudential's Share Exchange is suitable for you then you should speak to your Financial Adviser.

Although direct investment in the stockmarket through your shares can offer potentially better returns, it can come with a much greater risk than other types of investment.

› What is Share Exchange?

Our Share Exchange offers a simple way to take advantage of Prudential's investment expertise by exchanging some or all of your existing shares for an investment with Prudential.

You can choose to invest the proceeds from Share Exchange into one or more of Prudential's investment bonds – a list is on page 5.

This brochure should be read in conjunction with the literature available for the Prudential investment bond(s)/plan(s) which you have selected.

Full terms and conditions of all Prudential's products are available from our administration office at Prudential, Stirling, FK9 4UE.

Prudential's Share Exchange is provided by Stocktrade, the execution-only arm of Brewin Dolphin Limited. Brewin Dolphin is authorised and regulated by the Financial Services Authority. Registered number 124444.

What do I gain?

You have the reassurance of knowing your money is being expertly cared for by one of the largest and most comprehensive investment organisations in the UK. Established in 1848,

Prudential has long held a reputation for financial security. We currently have funds under management of £349.5 billion as at 30 June 2011 – money which many people have entrusted to the sound experience and proven skill of our investment managers.

What kind of shares can I exchange?

You can exchange most types of shares – including privatisation and demutualisation stocks such as building societies, water and electricity company shares, as well as gilts, investment trusts and most fixed interest securities listed on the London Stock Exchange. You must hold valid share certificates for the holdings you wish to sell. However you are not able to exchange in foreign stock or unit trusts.

Are there any restrictions on the number of shares I can exchange?

Our minimum lump sum investment is usually £10,000, but this varies from product to product. If you have already invested in one of Prudential's investment bonds, you may consider adding to your investment. If your shares are worth less than the minimum investment into your Bond, you will need to make a cash payment to bring the amount you are investing up to this sum.

What price will I get?

Share Exchange provides a simple way of selling your shares to take advantage of one of Prudential's range of investments. To this end, we have negotiated special rates on behalf of our customers with Stocktrade.

Your shares will be sold at the prevailing "bid price" at the time they are sold by Stocktrade. The exact timing will be at the discretion of Stocktrade.

What are the charges?

Subject to a minimum fee of £25 per separate shareholding, dealing charges on each shareholding are 0.75% of the value of the shares exchanged, up to a maximum fee of £50 per shareholding for shares with a value of up to £25,000.

If the value of your shares exceeds £25,000 an additional charge of 0.1% of the excess over £25,000 will apply. These charges are deducted from the sale proceeds.

Individual share transactions over £10,000 also attract the Panel on Takeovers and Mergers (PTM) levy of £1.

Charges may vary in the future, and could be higher than they are now.

How does it work?

Once we accept your application, your shares are sold and the proceeds placed into your selected investment product with Prudential.

You can choose an investment to suit your own individual needs and circumstances from a wide range including:

- › Flexible Investment Plan
- › Prudential Investment Plan
- › Prudence Inheritance Bond
- › Prudence Bond
(for top-ups only)
- › Prudence Managed Investment Bond
(for top-ups only)
- › Prudence Distribution Bond
(for top-ups only)
- › Capital Investment Bond
(for top-ups only), and
- › Distribution Bond
(ex-Scottish Amicable for top-ups only)

Once we have received your application (please see How do I apply? on page 7) we will send all the documents to Stocktrade who will check that they are in order. Stocktrade will then sell the securities at the best price available at that time, subject to the criteria set out in the Order Execution Policy. Any securities that cannot be sold will be returned.

To limit exposure to adverse price movements while the documents are in the post, you may state a minimum sale price for each security. If Stocktrade cannot sell the security for this price or better, it will be returned unsold.

How do I know what my shares are worth?

You may wish to value your shares before deciding to sell. Prices for most quoted shares and other securities are available in the quality newspapers, such as the Financial Times, on Teletext or via the Internet and other specialist providers. If you are unable to locate a price from these sources, Stocktrade can help you to find a price. Please call Stocktrade on (0131) 240 0411.

The price of a security may change before it is sold by Stocktrade. The ability for you to state a minimum sale price for each stock therefore allows you to limit your exposure to any price movement.

When will the proceeds of my sale be allocated to my Prudential investment?

For stocks listed on the London Stock Exchange, sale proceeds will normally be received by Prudential five working days after the date of sale. Prudential allocates the sale proceeds to your investment on the day of receipt of the proceeds.

What is the tax position?

You may have to pay Capital Gains Tax (CGT) if you make a profit when you sell your shares and if that profit brings your total capital gains during the year above the amount allowed by HM Revenue and Customs, currently £10,600 (Capital Gains Tax annual exemption for tax year 2011/12). Your Financial Adviser can tell you about any personal liability to tax you may have when you sell your shares.

The impact of taxation (and any tax relief) depends on individual circumstances.

This is based on our understanding as at November 2011, of current taxation, legislation and HM Revenue & Customs practice, all of which are liable to change without notice.

› How do I apply?

If you have not already done so, you will need to find out which Prudential investment is suitable for you. Your Financial Adviser will help you with this.

If you decide to take advantage of Prudential's Share Exchange, you will be sent a Key Features document for the relevant investment. Please read this carefully.

Share Exchange is a postal dealing facility. In order to use the facility, you will need to complete and sign the Authority for Share Exchange form*. This needs to be sent along with the relevant share certificates and completed application form for the Prudential investment of your choice to us at Prudential, Stirling, FK9 4UE. Your Financial Adviser will help you with this process. The application should be clearly marked to show that the investment amount is derived from the proceeds of Share Exchange.

* This form is important because it gives formal permission for Stocktrade to sell shares on your behalf. To help you complete it, you may wish to talk to your financial adviser. The notes that accompany the form will also help.

If the proceeds of the Share Exchange are to be transferred to the trustees of an existing trust, please also complete a Share Exchange Letter of Authority. This authorises Prudential to transfer the proceeds into an investment owned by the trustees. This Letter of Authority should be sent to Prudential with the completed application form (completed by ALL the trustees) for the selected investment.

"Cash-back" facility

Securities sold under Share Exchange will be treated as a disposal by you for CGT. You may want to keep some of the cash realised from the sale of your shares (e.g. to help meet any CGT liability).

However, you must still place the minimum amount within the investment of your choice. You may choose to keep up to 25% of the sale proceeds as cash. This will be paid by direct credit to an account in your name at your nominated bank or building society account by Stocktrade. There is no charge for this service, however if the payment is made by cheque, there is an additional charge of £3 for this service.





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