

A photograph of two men in business suits walking on a stone staircase. The man in the foreground is smiling and talking on a mobile phone. The man behind him is looking towards him. The staircase is made of large, light-colored stone blocks.

Prudential Trustee Investment Plan (TIP)

Exploring the With-Profits Fund and PruFund Funds in TIP

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This Adviser Guide explains who our Trustee Investment Plan may suit, what the main benefits are, and how it can help your clients. You can find more information in:

- › Key Features of the Trustee Investment Plan
- › Policy Document: Trustee Investment Plan (Series A)
- › Fund Guide: Prudential Trustee Investment Plan
- › Your With-Profits Plan – A guide to how we manage the Fund (different versions available for the With-Profits Fund and for PruFund Funds)

These documents are available in the literature library at www.pruadviser.co.uk

Your clients don't have to choose between growth and stability

What is a Trustee Investment Plan?

A TIP is an investment vehicle for trustees of UK registered Occupational Pension Schemes or for clients who have Self-Invested Personal Pensions (SIPPs) and may be looking to provide diversification to their investments.

The minimum initial investment into our TIP is £20,000 and there is no maximum. The minimum is £10,000 for any additional investment to an existing plan.

Our Trustee Investment Plan is a single premium investment for Trustees of UK registered pensions schemes. It offers access to a range of funds including our With-Profits Fund and the range of PruFund Funds. Regular and one off withdrawals can be taken from the Plan.

With low interest rates and markets still in a period of uncertainty, it can be hard to know which funds will deliver growth as well as stability.

Like other companies, we offer a range of unit-linked funds. However we also offer something our competitors don't – the opportunity to invest in the Prudential With-Profits Fund – one of the largest and financially strongest With-Profits Funds in the UK.

Over the years, our With-Profits Fund has delivered excellent returns. Even with the recent market turmoil, it has continued to deliver strong results over the medium to long term.

Please remember that past performance is not a reliable indicator of future performance.

For a full description of the funds available on our TIP, please refer to the TIP Fund Guide.

Clients have different ways to invest in our With-Profits Fund to suit their attitude to risk and investment objectives. They can select either our traditional With-Profits Fund or from our PruFund range of funds. Whichever they choose, they can potentially benefit from the With-Profits Fund's size, strength and smoothed returns. Trustees will not have to worry about the day-to-day management of their investment, because the Fund is managed using the asset allocation expertise of the Portfolio Management Group (PMG).

PruFund Funds

The PruFund Funds invest in Prudential's With-Profits Fund. The returns on these funds may differ from the returns on the With-Profits Fund due to the smoothing process used and differences in the asset mix and the fund objectives.

Like traditional With-Profits Funds, these funds aim to provide a smoothed return. However PruFund Funds achieve this through Expected Growth Rates (EGR) and Unit Price Adjustments (UPA) rather than by payment of bonuses. We declare Expected Growth Rates each quarter which are set by the Prudential Directors having regard to the expected long-term investment returns on the assets of the Funds.

Investment term

Prudential's TIP has no set investment term, giving your clients the flexibility to invest for as long as they require.

Plans set up before 7th November 2011 will have a Selected Investment Term (SIT).

Who our Trustee Investment Plan could be suited for?

Our With-Profits Fund and PruFund Funds offer growth potential and smoothed returns, as well as guarantee options. These investment choices can provide real growth potential and could be used for money held in a trustees account and may provide some balance to higher risk assets which may be held in the scheme.

Clients with SIPPs

SIPP clients could use a TIP as they near retirement – as a way to reduce the investment risk within their portfolio. If clients want to include With-Profits in a SIPP then it must be held in an insurance contract, i.e. a TIP.

Trustees of Occupational Pension Schemes

Trustees of Occupational Pension Schemes may use a TIP for diversification.

All SIPP plans will be set up for a named individual – known as a 'member designated' plan. Other UK registered Occupational Pension Schemes can also designate the plan to an individual member if they wish to do so. However plans can only be member designated at the start of the plan on the application form.

You can only choose to invest in the With-Profits Fund if;

- › the plan is member designated; and
- › the member is under age 85.

You cannot choose to invest in a PruFund Fund if the member is aged 98 or over.

You cannot choose a PruFund Protected Fund with a guarantee term that ends on or after the member's 99th birthday.

Providing Income

A TIP can provide income to help with:

- › Scheme pension or income drawdown payments without having to realise other assets held in the scheme.
- › Meeting loan repayments for assets held in the scheme.
- › Covering any ongoing costs and charges within the scheme.

Regular withdrawals can start from the first anniversary of the plan. The total maximum withdrawal per year that can be taken is 7.5% of the premium paid. Withdrawals can be taken monthly, quarterly, six-monthly or annually.

Our TIP also offers a choice of unit-linked funds from many different sectors. For more information about the investment choice, please read our "Fund Guide: Prudential Trustee Investment Plan".

The Prudential With-Profits Fund – Steady as she goes

We have one of the largest and financially strongest With-Profits Funds in the UK, with more than £66.3b funds under management (as at 30 June 2011). Any growth is distributed by declaring regular bonuses and potentially a final bonus. The value of the Plan depends on how much profit the Fund makes and how we decide to distribute that profit.

It's what we do best

Our With-Profits Fund has been providing our customers with steady returns for more than 160 years.

The investment strategy followed by the Portfolio Management Group (PMG) for our With-Profits Fund is designed to deliver strong performance over the medium to long term.

Specialist knowledge of global markets

Our success with multi-asset funds over the past decade has been due largely to the expertise of our Portfolio Management Group.

The PMG is a specialist investment team within Prudential. It has over 20 members, including economists, investment strategists and analysts who are specialists in the different areas of the investment world. PMG believe in the importance of asset allocation and the key role that multi-asset managed funds could provide as an investment solution for many investors.

Indeed, academic research has suggested that as much as 90% of an investors return is attributable to market selection rather than other factors such as stock selection or timing.

They also believe that asset allocation is a specialist skill which should exist separately from the other investment activities in any fund.

For over £134 billion (31 December 2010) of Prudential funds, asset allocation is undertaken by our own expert team, the PMG.

Backing our own people

PMG believes that investment success should be built on clear philosophy, demonstrable processes and a team based approach. They believe that this will not only deliver superior returns, but also provide greater reliability and dependability.

As such, PMG runs funds as a team, and they are decidedly not a "star fund manager" culture. They expect the same from all of Prudential's investment specialists around the world.

Making the right calls

Here are just some of the great calls the PMG have made, using a medium term valuation framework and close connection to a global investment team:

- In the late 1990s, they significantly reduced the Fund's exposure to UK equities – before the technology bubble burst.
- Starting in late 2006, they aggressively reduced the Fund's exposure to UK commercial property – before values started to fall.
- In June 2007, they purchased Credit Default Swaps (CDS) protection to reduce the Fund's credit risk – before the credit crunch hit.
- In the period of great distress and volatility in early 2009 when many commentators were forecasting great depressions (and worse) the PMG's key message was "don't panic". They said it was right to stay invested in risk assets which was a huge benefit to the With-Profits Fund given the subsequent rally.

Please remember past performance is not a reliable indicator of future performance.

PMG don't invest in complex investments that are difficult to understand. Some of these assets did so much damage to other financial institutions. The result is that we avoided many of the traps other companies fell into, leaving us in a strong position to ride out the crisis.

Strong results

Our approach has delivered strong results. In the ten years to 31 December 2010, the With-Profits Fund returned 82.1% (before tax, charges and the effects of smoothing). This compares well to our main competitors.

A fair Market Value Reduction (MVR) policy

We may apply a Market Value Reduction (MVR) to any investment in the With-Profits Fund if you withdraw funds or cash in the plan. MVRs are our way of protecting the interests of all our customers and ensuring that every investor gets a return based on the earnings of the With-Profits Fund over the period their payments have been invested. This will have the affect of reducing the value of the investment.

However, we offer an MVR-free guarantee:

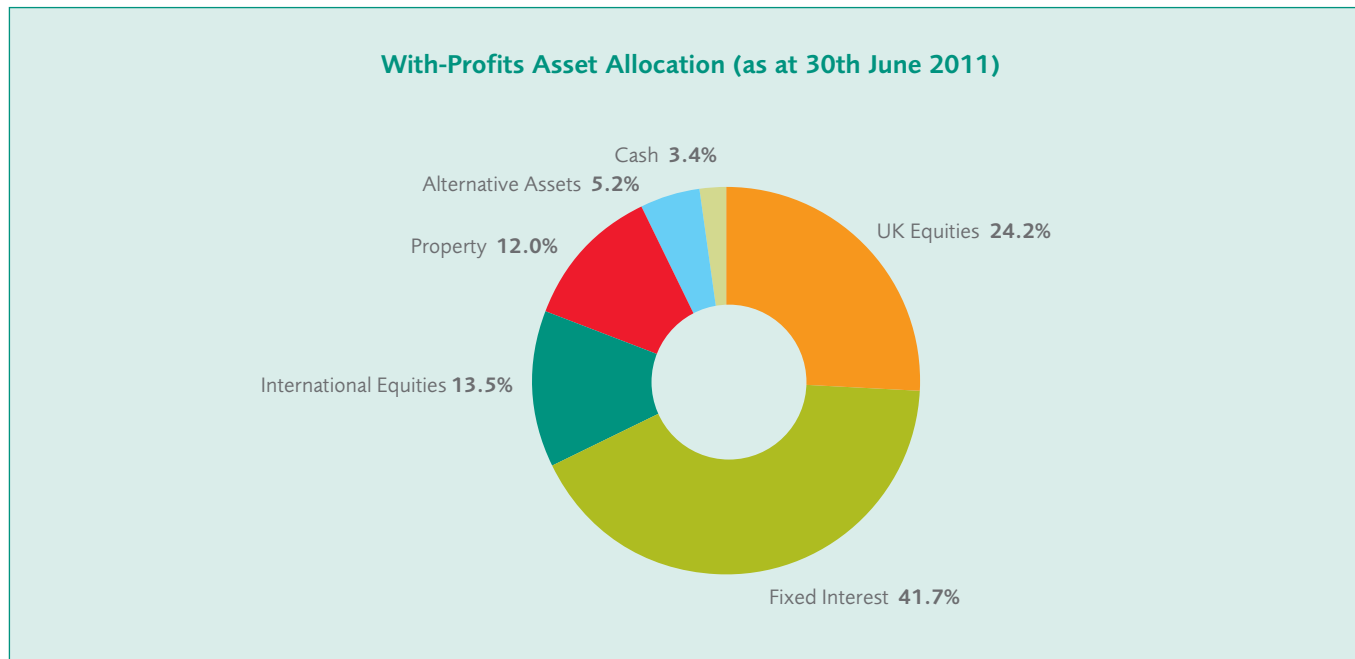
- on any regular withdrawals; or
- on death where the TIP is set up for a named individual ('member designated')

Plans set up before 7th November 2011 will have a Selected Investment Term (SIT). For investments in the With-Profits Fund, we guarantee not to apply an MVR when a plan is cashed in at the end of the SIT.

It is important to remember that the value of your client's investment can go down as well as up.

Our asset mix

The PMG constantly monitors the With-Profit Fund's asset mix to make sure it is achieving the funds objectives. Here's the asset mix:



“ We are confident that our current Fund structure represents a sound approach to asset allocation and our financial strength gives us the flexibility to adapt as markets change.”

Martin Brookes, Director of Portfolio Management

PruFund – a new approach to With-Profits

Our PruFund Funds are part of our With-Profits Fund. We offer the following funds:

- › PruFund Cautious Fund – which holds a higher proportion of fixed interest assets than the PruFund Growth Fund and With-Profits Fund
- › PruFund Protected Cautious Fund – which is the same as PruFund Cautious Fund, except that it comes with a guarantee for an additional charge. Please see "Providing a Guarantee" for more details about the guarantee.
- › PruFund Growth Fund – which holds a higher proportion of equities than the PruFund Cautious Fund range
- › PruFund Protected Growth Fund – which is the same as PruFund Growth Fund, except that it comes with a guarantee for an additional charge. Please see "Providing a Guarantee" for more details about the guarantee.

And 4 new Risk Managed PruFunds:

- › PruFund 0-30
- › PruFund 10-40
- › PruFund 20-55
- › PruFund 40-80

The Risk Managed PruFunds aim to help advisers match the results of their client risk assessments to funds that offer a range of potential returns and levels of risk, as demonstrated by the allowable equity ranges that each fund can invest in.

Transparency

Like traditional With-Profits Funds, these funds aim to provide a smoothed return. However PruFund Funds achieve this through Expected Growth Rates (EGR) and Unit Price Adjustments (UPA) rather than by payment of bonuses.

We declare Expected Growth Rates each quarter which are set by the Prudential Directors having regard to the expected long-term investment returns on the assets of the Funds.

We use a transparent formula to smooth the ups and downs of the markets. If actual returns are within certain limits the unit price will not need to be adjusted and investments will grow steadily at the EGR. However, if actual returns fall outside these limits then we may need to make adjustments to reflect actual returns in the Fund. The unit price may be adjusted at any time and the change could be up or down.

In certain circumstances we may suspend the smoothing process applicable to any PruFund Fund. If this happens, the unit price will increase or decrease daily in line with the value of the underlying investments.

Because it's based on our long-term expectations, we don't anticipate having to change EGRs very often. There are times when things happen in the markets that will cause us to change EGRs. The unique smoothing process developed for PruFund means that there are no MVR's on our PruFund Funds. This allows your client to have a clear understanding on what is happening with their investment.

Providing a Guarantee

We offer guarantee terms for both PruFund Protected Cautious Fund and PruFund Protected Growth Fund, where the guarantee will only apply at the end of the selected guarantee term. Each guarantee has its own charge. The guarantee charge will be payable for the whole of the guarantee term.

Investing in PruFund Protected Funds ensures that at the end of the selected guarantee term, the fund will be worth at least the amount invested, adjusted for any applicable charges, ongoing commission costs, enhancements or withdrawals.

At the end of the selected guarantee term, we switch your investment to the fund chosen or to the corresponding PruFund Fund.

A Guaranteed Minimum Fund (GMF) will be set when your client first invests in these funds. The GMF will be the initial amount invested after allowing for any initial charges, commission or enhancements. The GMF will be reduced proportionately for any withdrawals from these funds.

We check the value of the investment at the guarantee date. If its value has dropped below the GMF, we restore it to that value. We do this by adding units to the plan.

For more detail about how our PruFund Funds work, please read the Key Features and Policy documents or the document "Your With-Profits Plan – A guide to how we manage the Fund (PruFund)".



Charges and commission

Commission

You can agree your initial commission with your client. The standard initial commission is 4%. You can sacrifice initial commission in exchange for a higher allocation rate, or vice versa, on a 1:1 basis.

We also offer fund-related commission up to 1.25%.

Annual Management Charges

We take annual management charges for each of the funds your client invests in. For information about how much we charge for each fund, please read our "Fund Guide: Prudential Trustee Investment Plan" and the Key Features.

Guarantee charges

There are charges for the guarantees on the With-Profits Fund and the PruFund Protected Funds. We take the guarantee charge.

- › for With-Profits investments by making a small adjustment to regular and final bonuses.
- › For PruFund Protected Funds, there is an explicit guarantee charge. The guarantee term options available are shown in the document "The PruFund Range of Funds: Guarantee Options" – INVS11470 which is available from www.pruadviser.co.uk

For more information, please read the Key Features.

Exit Charges

There is an exit charge if a one-off withdrawal is made or the plan is transferred within five years of it starting. However, we don't make a charge for regular withdrawals as long as the maximum regular income rules are not exceeded. For more information, please read the Key Features.

How to contact us

If you would like to speak to us about our Trustee Investment Plan, please contact your Prudential account manager on their usual number.

Alternatively, you can contact our Adviser Contact Centre:

Phone: **0808 234 0808**

Fax: **0808 234 0404**

Lines are open from 8.30am to 6.00pm Monday to Friday.

For any enquiries that don't relate to an existing application or in-force business, please call our Technical Helpline:

Phone: **0845 711 12 13**

Fax: **01786 436 386**

Lines are open from 9.00am to 5.00pm Monday to Friday. Calls may be monitored or recorded for quality or security purposes.

About us

- ▶ We're one of the UK's leading life and pensions providers, with more than £349.5bn funds under management as at 30 June 2011.
- ▶ We've been providing UK customers with pensions and investments for more than 160 years.
- ▶ Despite the recent market turmoil, we've kept an extremely strong capital position. All of the major ratings agencies rate us as one of the UK's strongest financial services companies. Standard & Poors rates us as AA (stable) as at August 2010 and the most recent AKG report rated our With-Profits Fund 5/5.
- ▶ We have over 25 million customers, policyholders and unit holders worldwide.



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