Investing in the With-Profits Fund

Trustee Investment Plan

One of the unique features of our Trustee Investment Plan is that it allows trustees to access our With-Profits Fund – one of the largest and financially strongest With-Profits Funds in the UK.

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

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

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.

Here, we take a closer look at how the With-Profits Fund operates in our Trustee Investment Plan (TIP).

The With-Profits Fund aims to maximise growth over the medium to long term by investing in shares, property, fixed interest and other investments. The Fund uses:

- a multi asset approach, by investing in a range of assets including UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments; and
- a smoothing process which aims to smooth some of the peaks and troughs of investment performance in order to provide a more stable return.

Investment growth

Prudential's With-Profits Fund is actively managed by Prudential's Portfolio Management Group (PMG). Their investment strategy aims to deliver strong performance over the medium to long term.

The returns of the With-Profits Fund are shared amongst investors by adding bonuses.

There are two types of bonus:

1. Regular bonus – Regular bonuses are added during the term of the Plan. This bonus is added to your Plan daily through the unit price. We don't guarantee to add a regular bonus each year. When we decide regular bonus rates, the main thing we consider is the return we expect our investments to earn in the future. We hold back some of this return with the aim of paying a proportion of the proceeds as final bonuses.
2. Final bonus – This is an additional bonus we expect to pay when money is taken out of the Plan. If the investment return has been low over the lifetime of your Plan, a final bonus may not be paid.

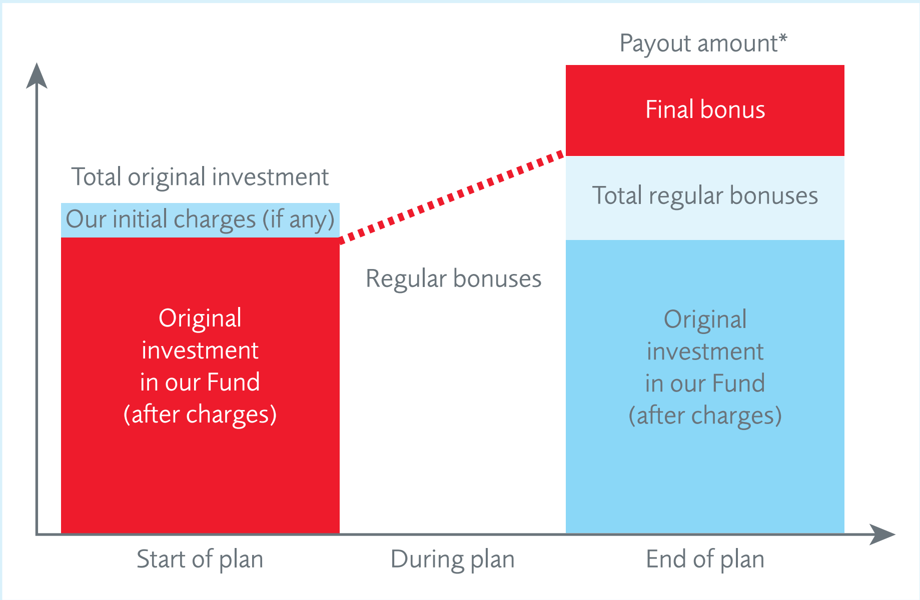
The value of your investment may go down as well as up and there may be times when you may not get back the full amount of your original investment. The value of a With-Profits investment depends on how much profit our Fund makes and how we decide to distribute it.

continued overleaf

How we apply bonuses to your investment

The graph illustrates how we add bonuses to your investment.

This chart is for illustrative purposes only – it's not representative of any particular time period or investment performance. Its sole aim is to explain how we add bonuses.



* If you take money from your Plan other than when a guarantee applies, you may get back less than the payout represented in the chart. For more information about guarantees and bonuses, please refer to "Your With-Profits Plan – a guide to how we manage the Fund" which is available at www.pru.co.uk/ppfm.

What is a Market Value Reduction (MVR)?

If money invested in the With-Profits Fund is taken out, we may make an adjustment to the fund value if the value of the underlying assets is less than the value of the plan including all bonuses. This adjustment is known as a Market Value Reduction.

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 your investment.

MVR-free guarantee

However, we offer an MVR-free guarantee:

- on any regular withdrawals. 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; 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.

This means we guarantee not to make any deductions to your fund value in these circumstances. Your fund value will include any bonuses applied during the term of your plan.

For more information, please refer to our Key Features documents which is available from your Financial Adviser.

For more information about Prudential's With-Profits Fund please contact your Financial Adviser.

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TIPS10019 10/2011