

# Optimum Return With-Profits – Life Fund

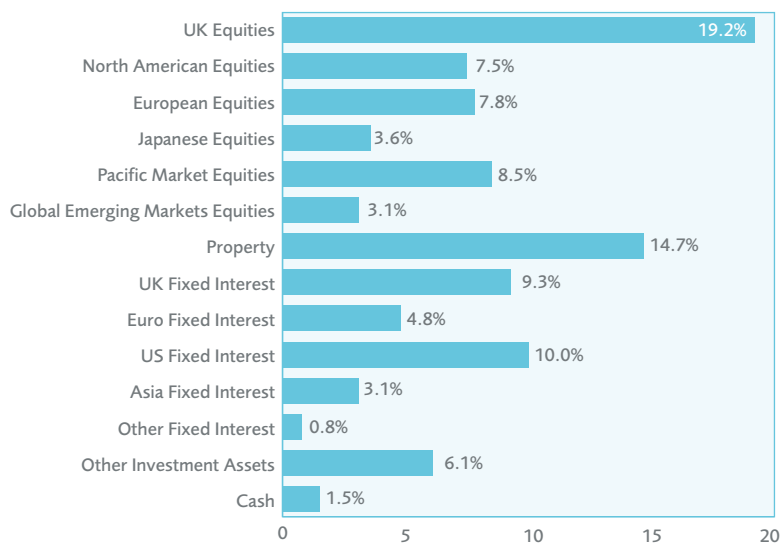
This is a With-Profits investment option for our Flexible Retirement Plan. Access to this fund is no longer available to new customers investing in Prudential Investment Plan (PIP) on or after 11/09/2017. If you are an existing customer pre 11/09/2017, you will still be able to top up or switch into this fund. This document is for use by individuals who are familiar with investment terminology. If there is product information included that you would like to discuss, then please contact your financial adviser.

## Fund aim

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.

The Fund aims to smooth the peaks and troughs of investment performance in order to provide a more stable return. We achieve this by holding back some of the investment returns in good years with the aim of using this to boost bonus rates in the years where the investment returns have not been so good.

## Asset allocation



This is the asset allocation for the fund as at 30 September 2018. Asset allocations are regularly reviewed and may vary from time to time, but will always be consistent with the fund objective.

## Fund manager commentary – Q3 2018

An escalating trade war between the US and China was very much at the forefront of investors' minds during the third quarter of 2018. Despite the prospects of import duties being applied to a significant volume of products both from China into the US and vice versa, so far at least, economic growth in both countries remains resilient.

Over quarter three the UK stockmarket was one of the worst performers globally. In the US the S&P 500 Index and NASDAQ composite reached all-time highs. Performance of European stockmarkets was disappointing with company shares facing several headwinds. Japanese shares made solid gains, performing particularly well in September. Stockmarkets in Asia Pacific ex Japan declined as the fears of a global trade war hit investor risk appetite. Emerging market stocks were under pressure as a crisis in Turkey, fears of a global trade war and a rising US dollar dampened investor sentiment.

In 2018 UK commercial property has generated a reasonably strong total return; however, gains are more modest compared to the same period in 2017. Capital value and rental value growth continue to be strongest in Industrials. UK gilts declined over the third quarter of 2018 as higher-than-expected inflation readings and some robust economic data helped push 10-year yields higher. The Bank of England raised interest rates from 0.5% to 0.75%. UK corporate bonds held up well with Index-linked gilts outperforming conventional gilts.

Prudential Portfolio Management Group's outlook for the global economy remains constructive and they expect solid global economic growth to continue in 2018.

This commentary reflects the general views of individual fund managers and should not be taken as a recommendation or advice as to how any specific market is likely to perform.

## Top Ten Holdings\*

1	EASTSPRING INV DEVELOPED ASIA EQ FD E USD	2.36%
2	EASTSPRING INVESTM ASIAN LOCAL BOND E USD	2.26%
3	EASTSPRING INV GLOBAL EM CUSTOM EQUITY FD	1.37%
4	PRUDENTIAL CORE VALUE FUND	1.07%
5	EASTSPRING INVESTM ASIAN BOND E USD	0.76%
6	USA TREASURY NTS T 2.75% 31/7/23 USD FXD	0.72%
7	BP ORD USD0.25	0.71%
8	BRIT AMER TOBACCO ORD GBP0.25	0.57%
9	ROYAL DUTCH SHELL 'B'ORD EURO0.07	0.56%
10	HSBC HOLDINGS PLC ORD USD0.50(UK REG)	0.51%

\* Largest assets excluding derivatives exposure positions.

Source: Prudential as at 30 September 2018.

## Prudential Portfolio Management Group Ltd (PPMG)

Prudential Portfolio Management Group are our in-house asset-allocation experts in the UK. They select a wide range of assets to hold in the With-Profits Fund, in line with the Fund's objective. The aim is to maximise long-term investment returns while maintaining the financial security of the Fund.

## Optimum Return With-Profits Life Fund – investment returns (after tax)

31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
9.1%	12.2%	3.2%	7.0%	8.7%

Source: Prudential. These returns are before charges and the effects of smoothing. These figures are based on annual performance.

## Optimum Return With-Profits Life Fund – cumulative returns over 1, 5 & 10 years (after tax)

1 Year Cumulative Return	5 Years Cumulative Return	10 Years Cumulative Return
9.1%	47.0%	76.5%

Source: Prudential. All figures to 31 December 2017. Performance is before charges and the effects of smoothing.

The returns shown are the returns on the underlying assets and do not reflect the actual pay-outs on any plan. The actual returns on any plan are smoothed and whilst investment performance is normally the most important factor in determining the level of bonuses applied to plans, other factors including charges, deductions and the effects of smoothing will apply. For more information on smoothing, please refer to Your With-Profits Plan – A guide to how we manage the Fund.

For latest information on annual bonus rates, please refer to the following: [pru.co.uk/bonus\\_declaration\\_rates/](http://pru.co.uk/bonus_declaration_rates/)

### Please note

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 your investment depends on how much investment profit the Fund makes and how we decide to distribute it.

The value of an investment can go down as well as up. You may not get back the amount you invested.

If money invested in the Optimum Return Life Fund is taken out at any time, except on death, or to meet certain regular withdrawals, we 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 early years of any investment into the plans. For more information please refer to your Key Features Document.

[pru.co.uk](http://pru.co.uk)