

With-Profits Pension Fund

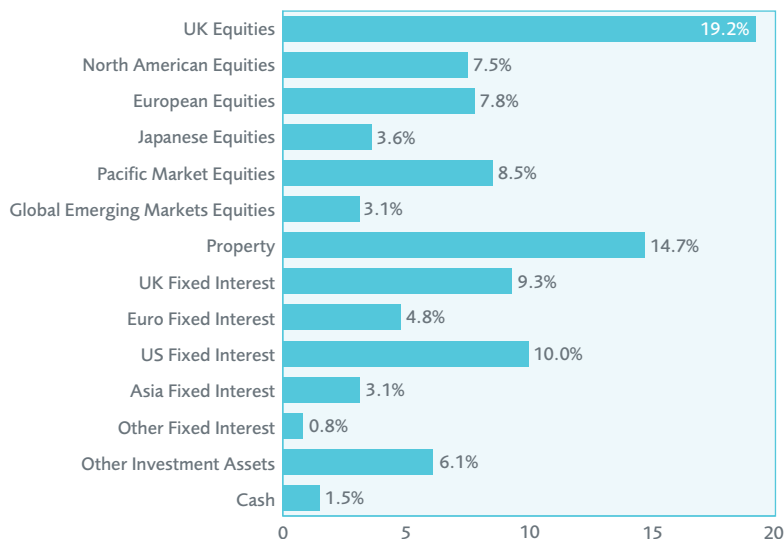
This is an investment option for our Flexible Retirement Plan and Trustee Investment Plan products. Our Income Choice Annuity is also linked to the performance of our With-Profits Fund.

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.

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 US | 0.71% |
| 8 | BRIT AMER TOBACCO ORD GBP | 0.57% |
| 9 | ROYAL DUTCH SHELL 'B'ORD EUR | 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.

With-Profits Pension Fund – investment returns (before tax)

| 31.12.2017 | 31.12.2016 | 31.12.2015 | 31.12.2014 | 31.12.2013 |
|------------|------------|------------|------------|------------|
| 10.3% | 14.5% | 3.6% | 8.3% | 10.3% |

Source: Prudential. These returns are gross of tax (where applicable), and before charges and the effects of smoothing. These figures are based on annual performance.

With-Profits Pension Fund – cumulative returns over 1, 5 & 10 years (before tax)

| 1 Year Cumulative Return | 5 Years Cumulative Return | 10 Years Cumulative Return |
|--------------------------|---------------------------|----------------------------|
| 10.3% | 56.3% | 89.6% |

Source: Prudential. All figures to 31 December 2017. With-Profits performance is gross of tax, and 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 Flexible Retirement Plans and Trustee Investment Plans, or the announced smoothed return for the Income Choice Annuity, other factors including charges, deductions and the effects of smoothing will also apply. For more information on smoothing, please refer to the relevant Your With-Profits Plan – A guide to how we manage the Fund brochure. A further factor affecting the announced smoothed returns for our Income Choice Annuity is any changes in our assessment of how long Income Choice Annuitants might live.

For latest information on annual bonus rates, please refer to the following: pru.co.uk/bonus_declaration_rates/

Please note

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

Flexible Retirement Plan and Trustee Investment Plan

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 may go down as well as up and your fund value in future may be less than the payments you have made.

A Market Value Reduction (MVR) may be applied if you take money out of the With-Profits Fund. There are times we do not apply an MVR, for full details please see your Key Features Document.

Income Choice Annuity

Changes in the income payable from an Income Choice Annuity will depend on the relationship between the Smoothed Return announced and the Required Smoothed Return needed to maintain the customer's chosen income. The income from an Income Choice Annuity can fall as well as rise at the policy anniversary.

The Smoothed Return can be changed and is not guaranteed until it becomes payable at the next policy anniversary. There may be instances where we need to withdraw giving you the opportunity to change your income in the future. We'd do this to maintain the financial strength of the With-Profits Fund for the benefit of all our customers. For full details please see your Key Features Document.

pru.co.uk