

# With-Profits Pension Fund

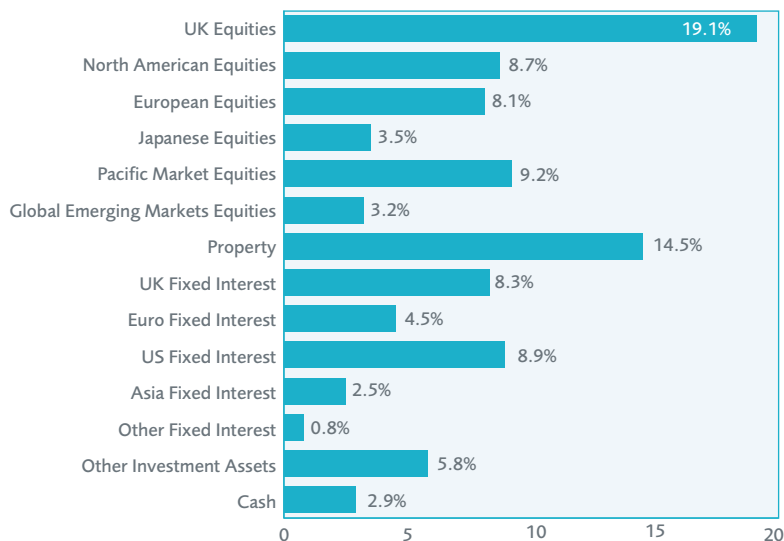
This is an investment option for our Flexible Retirement Plan and Trustee Investment Plan products. Our Income Choice Annuity is also linked to the performance of our With-Profits Fund.

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 June 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 – Q2 2018

Significant developments during the quarter were the strength of the US dollar and the oil price, which rose despite oil producers agreeing to increase production. In the UK, Brexit uncertainty continued.

The UK stockmarkets made impressive gains over the quarter. Performance was driven by a fall in sterling alongside some prominent merger & acquisition activity. In the US, shares rose, buoyed by a bumper first-quarter earnings season, with most sectors delivering double-digit earnings growth. Despite some significant volatility, most European stockmarkets ended in positive territory, with the notable exception of Italy. The euro struggled throughout, held back by disappointing economic data and 'dovish' comments by the European Central Bank, indicating that interest rates were unlikely to rise before the end of summer 2019. Japanese shares made modest gains while Asia Pacific stockmarkets ended the period in positive territory. Indonesia and Thailand, were the weakest. In contrast, Australia and India were among the best performers. China's stockmarket underperformed due to rising uncertainty around trade tensions.

UK commercial property has generated a reasonably strong total return in 2018. However, gains are somewhat smaller than for the same period in 2017. Capital value and rental value growth continue to be strongest in Industrials. Looking ahead, UK commercial property is expected to generate a mid-single-digit total return in 2018. UK government bonds (gilts) were broadly unchanged over the quarter, although this masks occasional volatility. Prudential Portfolio Management Group's outlook for the global economy remains constructive and they expect the solid global economic performance of 2017 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	2.31%
2	EASTSPRING INVESTM ASIAN LOCAL BOND E USD	1.78%
3	EASTSPRING INV GLOBAL EM CUSTOM EQUITY FD	1.54%
4	PRUDENTIAL CORE VALUE FUND	1.01%
5	BP ORD USD	0.81%
6	BRIT AMER TOBACCO ORD GBP	0.65%
7	ROYAL DUTCH SHELL 'B'ORD EUR	0.65%
8	HSBC HOLDINGS PLC ORD USD0.50(UK REG)	0.61%
9	EASTSPRING INVESTM ASIAN BOND E USD	0.61%
10	RIO TINTO ORD GBP	0.46%

\* Largest assets excluding derivatives exposure positions.

Source: Prudential as at 30 June 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/](http://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](http://pru.co.uk)