PRUDENTIAL

New Prudential Lifestyling Options and Funds

Investment innovation in a new pensions landscape

At Prudential we have adapted our investment proposition to meet your clients and our customer needs in a new and flexible retirement environment – by launching new lifestyling options and a range of risk managed multi-asset funds.

New lifestyling options – the Prudential Dynamic Growth Lifestyle Options

The majority of pension scheme members now have a choice around what they can do with their accumulated pension pot. These new pensions freedoms mean that for many schemes the traditional lifestyle end points that were designed on the basis that a member was buying an annuity, now may not match their goals. Furthermore, traditionally there has been a low member engagement with their retirement investment choices – with many members not knowing what retirement options they will take and of course varying levels of investment knowledge.

Following the launch of our new range of risk managed multi- asset funds – the Prudential Dynamic Growth funds. We developed a range of lifestyle strategies – The Prudential Dynamic Growth Lifestyle Options – these options are designed to effectively complement a members chosen post-retirement product, as well as being a suitable and ideal default option for the majority of members that do not elect their own accumulation investments.

Benefits for EBCs and DC pension schemes and their members:

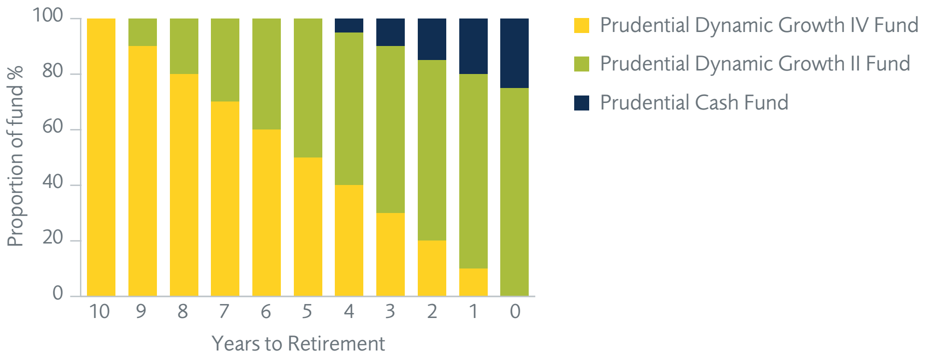
- A range of high quality off-the-shelf lifestyle strategies that meet varying member decumulation requirements.
- Access to the multi-asset management capability of the Prudential Portfolio Management Group (PPMG) through investment in selected Prudential Dynamic Growth Funds. PPMG are entrusted to manage £155bn* of our customers money. They have the experience of managing a multi-asset portfolio over £95 billion* by utilising the expertise of 500 investment professionals around the world.
- A choice of risk profiles and end points. These would be available to schemes selecting the scheme default and to members who wish to opt out of the default but do not want to manage their own portfolio.
- A charge cap compliant default option.

* December 2014

continued overleaf

The Prudential Dynamic Growth Lifestyle Options

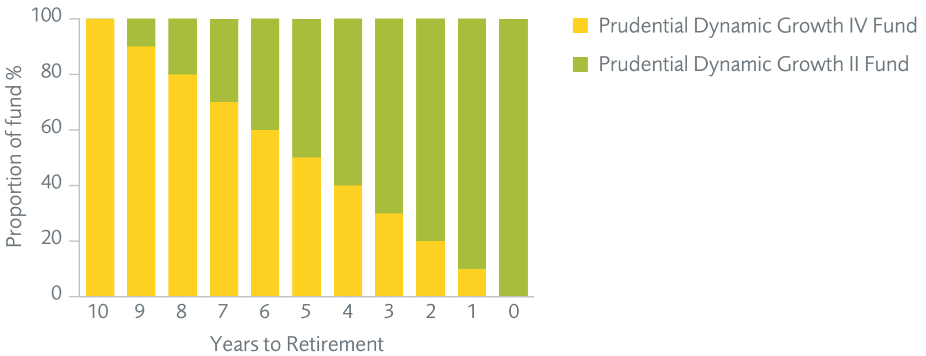
PDG Lifestyle – targeting Retirement Options



Member decumulation requirement: Flexi-Drawdown, Annuity, Full Withdrawal and/or Uncrystallised Funds Pension Lump Sum (UFPLS).

The PDG Lifestyle – targeting Retirement Options is designed to offer an investment solution for all members, whatever their end retirement goals may be. The lifestyle de-risks into Prudential Dynamic Growth II Fund (PDGII) and Cash 10 years from the members selected retirement date. PDGII is a low volatility fund which may provide some protection against fluctuations in capital value as the member approaches retirement. 3 risk profiles may be selected for the accumulation phase.

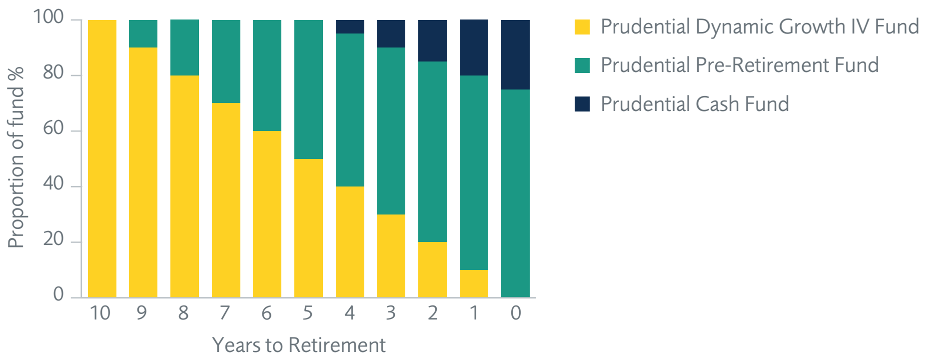
PDG Lifestyle – targeting Drawdown



Member decumulation requirement: Flexi-Drawdown or Uncrystallised Funds Pension Lump Sum (UFPLS).

PDG Lifestyle – targeting Drawdown is designed for members wishing to remain fully invested at the start of their retirement. Through derisking into a lower risk multi-asset fund, Prudential Dynamic Growth II, members remain invested in a lower risk multi-asset fund, so they do not need to fully sell out of equities only to have to buy back into market at retirement. 3 risk profiles may be selected for the accumulation phase.

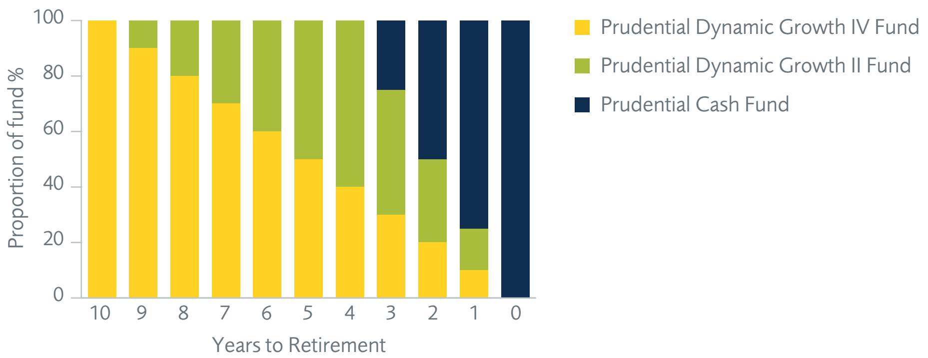
PDG Lifestyle – targeting an Annuity



Member decumulation requirement: Annuity.

PDG Lifestyle – targeting an Annuity Option offers members protection against volatility by derisking into the Prudential Pre-Retirement fund and in the later stages the Prudential Cash fund. The Pre-Retirement fund invests in long-dated bonds split equally between passively managed British government gilts and actively managed sterling corporate bonds. It is a lower risk fund and will typically hold 50% fixed interest assets which will provide an element of hedging against movements in annuity rates. Further more to also protect capital against fluctuation nearer to the members selected retirement date. 3 risk profiles may be selected for the accumulation phase.

PDG Lifestyle – targeting 100% Cash



Member decumulation requirement: Full Withdrawal and/or Uncrystallised Funds Pension Lump Sum (UFPLS).

The PDG Lifestyle – targeting 100% Cash Option provides a solution to target cash withdrawals at retirement. PDG Lifestyle – targeting 100% Cash begins to de-risk at 10 years from the members selected retirement date, switching through Prudential Dynamic Growth II into Prudential Cash Fund. PDGII is a low volatility multi-asset fund that may provide some protection against fluctuations in capital value as the member approaches retirement. 3 risk profiles may be selected for the accumulation phase.

The Risk Profiles

There are 3 risk profiles to select from for the accumulation stage across all of the Dynamic Growth Lifestyling Options :

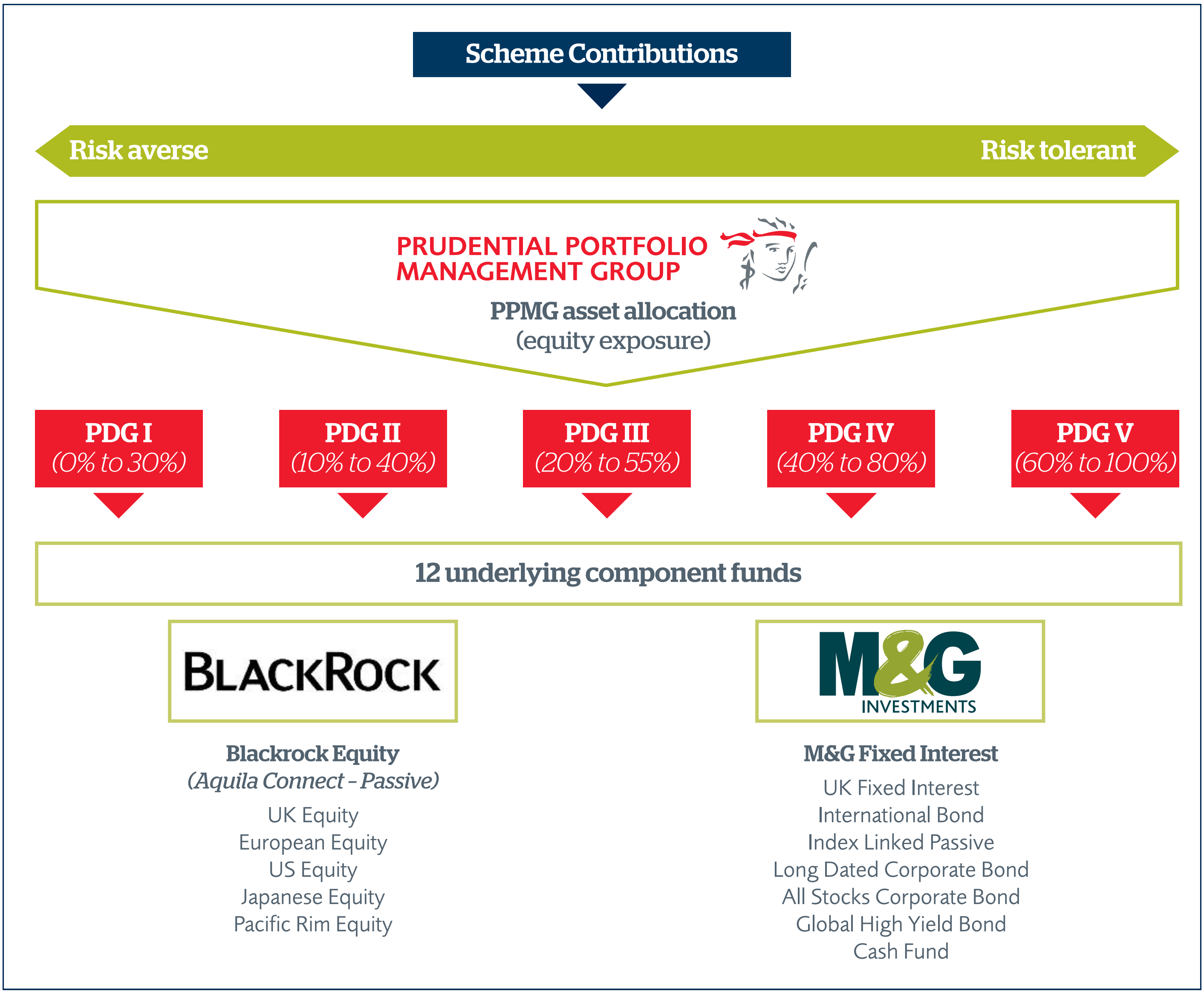
- Prudential Dynamic Growth IV – Default Option
- Prudential Dynamic Growth III
- Prudential Dynamic Growth V

These profiles offer growth potential through equity exposure in the later accumulation stages, but through a risk-managed diversified fund.

Please speak to your Client Manager for more information.

The Prudential Dynamic Growth Funds

A range of five multi-asset funds, with dynamic asset allocation and varying equity weights for different risk appetites, which aim to deliver long-term growth through investing in a diversified range of assets both in the UK and globally.



PDG Funds - effective investment proposition

- **Diversification** – members see one fund (either as part of the default or by self-selecting) which offers diversification and active asset allocation.
- **Quality** – built using Prudential's asset allocation expertise, M&G's active fixed interest investment capabilities and BlackRock equity trackers.
- **Expert management** – PPMG effectively manage the risk and the assets.
- **Value** – cost effective through use of both active fixed interest and passive regional equity strategies – priced to sit between active and passive investments.
- **Expert multi-asset and risk management** – by Prudential's Portfolio Management Group (PPMG).dynamically manage each Dynamic Growth fund within each fund objective and parameters – through different market conditions to control risk and return opportunities.

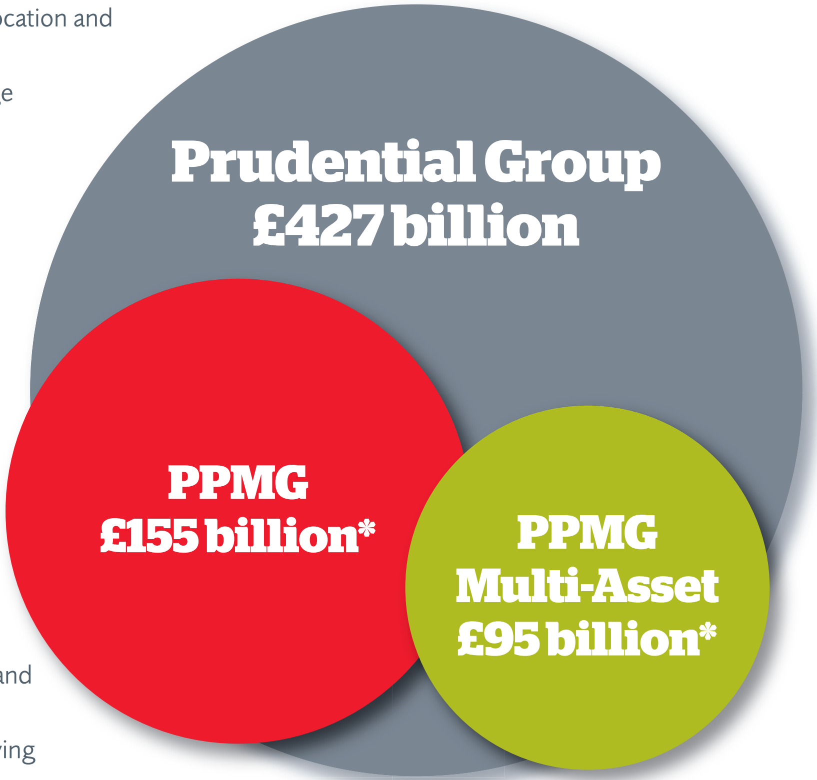
Fund	Equity allocation	Risk Rating
Prudential Dynamic Growth I (PDG I)	0% to 30%	Lower to Medium
Prudential Dynamic Growth II (PDG II)	10% to 40%	Lower to Medium
Prudential Dynamic Growth III (PDG III)	20% to 55%	Lower to Medium
Prudential Dynamic Growth IV (PDG IV)	40% to 80%	Medium
Prudential Dynamic Growth V (PDG V)	60% – 100%	Medium

The Prudential Dynamic Growth Funds - benefits for schemes and members

- **Simplicity** – members see one fund (either as part of the default or by self-selecting) which offers diversification and active asset allocation.
- **Choice** – to both schemes and members, through offering five different risk ratings for different risk appetites.
- **Flexibility** – the funds are components that can be selected for use in accumulation, to provide flexible lifestyle profiles and to provide Pensions Freedom investment solutions for partial withdrawals and drawdown.
- **Value** – cost effective through use of both active fixed interest and passive regional equity strategies – priced to sit between active and passive investments, with the use of the funds for lifestyling minimising transaction costs.
- **Compliance** – the pricing supports charge cap compliance and the funds have been designed with flexibility and choice in mind to facilitate Pensions Freedom.

About the expert PDG managers - PPMG

These funds are managed by Prudential's Portfolio Management Group (PPMG). PPMG are experts in active asset allocation and risk management. PPMG are an integral part of the Prudential's UK business and are entrusted to manage over £155 billion of Prudential's customers' money (December 2014), of which £95 billion is invested in multi-asset funds.

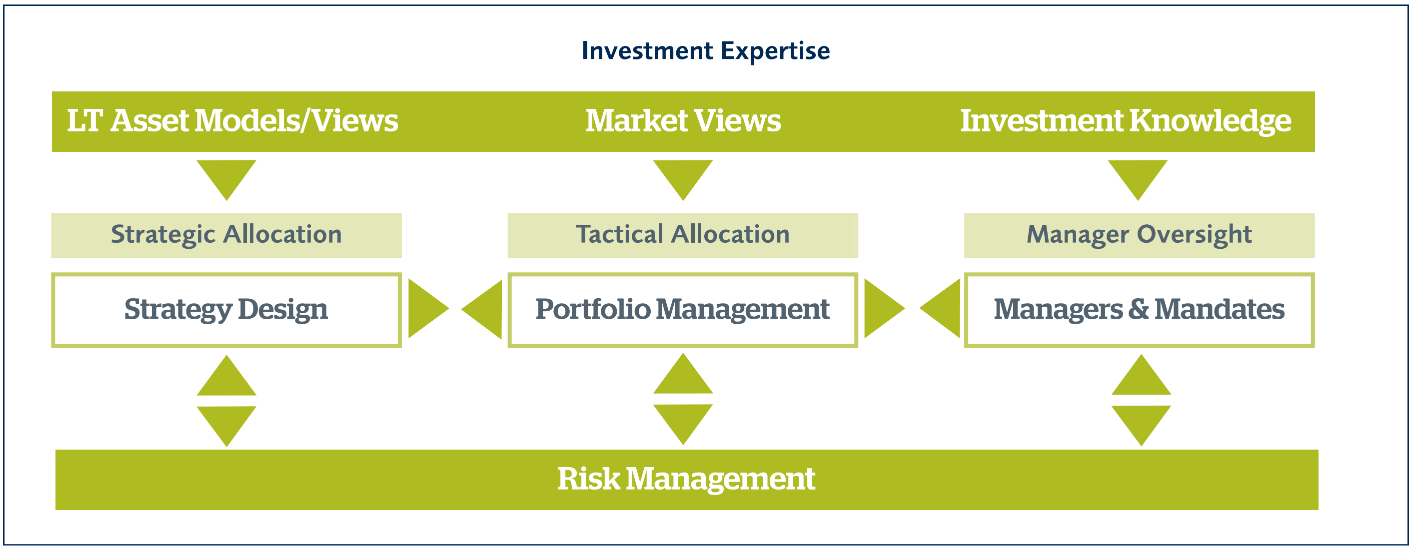


* December 2014

Prudential has a long established tradition in employing innovative asset allocation techniques. This activity has been a core part of our multi-asset fund management services since the mid 1980's. Our willingness to make meaningful asset allocation policy changes, rather than a series of smaller tactical shifts in policy is the single most important differentiator which sets us apart from other multi asset teams. Responsibility for asset allocation lies with Prudential's Portfolio Management Group (PPMG), a team consisting of economists, strategists, actuaries and derivative specialists and portfolio managers. Our investment process starts with this team, whether giving advice on strategic asset allocation decisions or making recommendations and implementing tactical asset allocation decisions. This team is based in London and draws upon the expertise and resources of M&G and Prudential's global network.

PPMG's core functions include:

- Recommending the strategic allocation between different asset classes
- Adding value through tactical overlays
- Management and oversight of Asset Manager stock selection mandates



What differentiates PPMG?

They have always believed that asset allocation should be treated as a separate asset class with dedicated specialist resources. With dedicated resource, the PPMG, has been in place since 1987. Importantly, the PPMG is physically separate and independent from all the other fund management divisions of M&G. This structure is very different from the typical asset allocation decision making processes of many of our competitors where there is wider peripheral involvement and time consuming, view-diluting structures of meetings and committees.

In addition to their resources, the key source of competitive advantage is their investment philosophy and process. This defines our view creation approach, our view of the opportunity set, performance target and risk control.

This philosophy of understanding of price and potential return are also at the core of our stock selection processes.

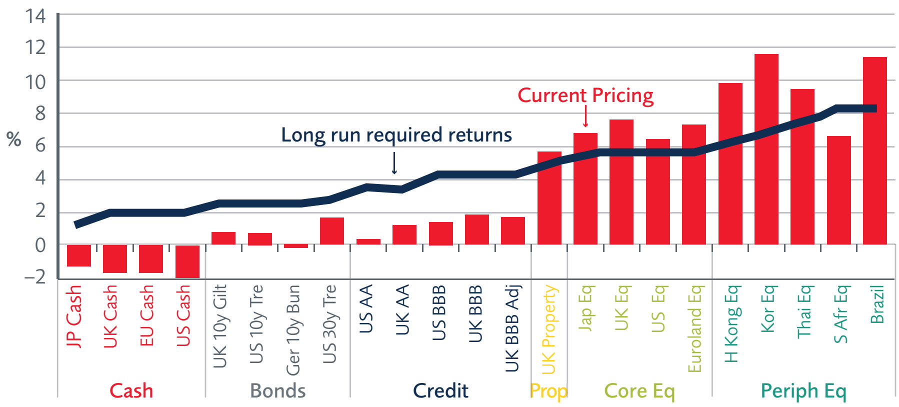
PPMG's asset allocation philosophy

The philosophy for asset allocation is one very much focused on the attempt to understand market pricing. Whereas many managers have a starting point which attempts to forecast the future for key economic variables, PPMG take the view that even in the unlikely event that we could systematically out-forecast our competitors on these economic variables, it wouldn't necessarily follow that market indices would behave rationally relative to that news.

Therefore, PPMG focus on their measures of what they believe markets are priced to deliver – based, for example, on equity earnings yields using market consensus earnings forecasts rather than our own.

Markets generally, on this kind of measure, appear to be overpaying or under-paying relative to measures that may be considered "normal" and at these times PPMG attempt to understand the factors that may have given rise to such an anomaly. If they discover that the prime drivers are emotions and human behaviours, they are likely to look at the anomaly as a mis-pricing and adjust portfolio shapes accordingly. The views they arrive at in this way are consistently applied (subject to mandate) across all our managed portfolios. Below is an historic example of PPMGs long-term views.

Current Real Pricing Vs Equilibrium, based on consensus FY2014 forecast



Source: PMG and Thomson Reuters Datastream, as at December 2013

Fundamental to this approach is the belief that a lot of the headlines and "hot stories" which seem to get latched onto in extreme market moves will, with hindsight, turn out to be noise. PPMG believe it is easier to understand whether markets look fundamentally attractive or unattractive on a long-term view, than trying to second guess and "game" tomorrow's newspaper headlines.

The impact of excess price volatility and the role of behavioural finances informs our process of determining prices. In looking for asset allocation opportunities, PPMG seek to identify episodes and instances where market pricing has moved temporarily from what they regard as fundamental value, driven by investors inconsistency and variability in their perceptions about risk and short-term price dynamics.

The value-adding opportunities that PPMG aim to exploit typically fall into two categories.

1) Structural Economic Dynamics – variables such as inflation, real profits growth, real interest rates and asset risk premia,

2) Price Volatility – industry structure, differential investor time horizons and human behaviour exacerbate price volatility and create independent price dynamics.

Critically, neither of these involve a heavy reliance on short-term macroeconomic forecasting, where PPMG believe that maintaining an edge is problematic.

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BTBF13102 04/2015