

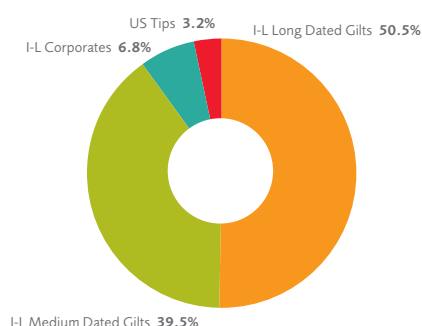


Prudential Index-Linked fund (series 1 & 3)

Fund description

The fund invests mainly in British Government index-linked gilts, typically with over five years to maturity. The fund is actively managed against its performance benchmark of the FTSE British Government Over 5 Years Index-Linked All Stocks Index. The fund can also invest in index-linked corporate bonds and overseas indexlinked government bonds. The values of any overseas holdings are protected from short-term exchange rate movements by hedging.

Fund breakdown



Key facts

Underlying fund size	£192m
Number of holdings	26
Underlying fund launch date	20/04/1983
Portfolio Manager	David Lloyd
Benchmark	FTSE British Government Over 5 Years Index-Linked All Stocks Index
Investment Style	Prudent active
Sedol code (series 1)	702339
Sedol code (series 3)	3168604
Performance Objective	+0.75% per annum over rolling 3 year periods

Duration

%



Commentary

The fund's average maturity (duration) was shortened so that by the end of the quarter duration was in line with the benchmark.

The fund manager continued his strategy of reducing holdings in medium-dated index-linked gilts and increasing index-linked corporate bonds.

Index-linked corporate bonds offer substantial additional yield relative to government bonds and are priced very attractively in comparison. The manager will continue to increase the fund's holdings as he believes that corporate bonds will be a substantial source of outperformance over the next one to two years.

Over the shorter term, however, the position may not add to performance immediately because volatility in the market is expected to persist.

Source: M&G
All figures are as at 31 March 2008, unless otherwise stated.

Performance

Past performance of the fund over each of the last 5 years to the end of March

	30/03/2007 to 31/03/2008	31/03/2006 to 30/03/2007	31/03/2005 to 31/03/2006	31/03/2004 to 31/03/2005	31/03/2003 to 31/03/2004
Index-Linked fund series 1	12.0	2.1	7.7	5.2	6.2
Index-Linked fund series 3	13.0	2.8	8.7	6.0	7.1
Benchmark	13.5	2.7	9.0	5.7	6.7

Past performance of the fund to 31 March 2008

	Quarter	1 Year*	3 Years*	5 Years*
Index-Linked fund series 1	3.3	12.0	7.2	6.6
Index-Linked fund series 3	3.5	13.0	8.1	7.5
Benchmark	3.7	13.5	8.3	7.4

Source: Prudential. * annualised

Based on percentage change in unit price. It is important to remember that past performance is no guide to the future. The value of your investment may go down as well as up and the fund value at retirement may be less than the payments you have made.

Prudential Index-Linked fund (series 1 & 3)

Prudential risk rating

Lower

What type of funds are in this risk category?

These funds may invest in fixed interest securities including gilts, index-linked and an element of corporate bonds. These types of investment are generally recognised as lower risk

What is the risk rating?

- › This risk rating reflects the expected short-term volatility in the fund's value.
- › Risk ratings have been developed by Prudential for this fund. They should not be viewed as generic descriptions across the fund management industry. The ratings are reviewed periodically and may change in the future.
- › There are a variety of investment risks facing a scheme member during pension scheme membership including inflation, changing annuity costs and volatility in fund values. The importance of each type of risk will vary from person to person and from time to time.
- › You should discuss the investment risks and the appropriateness of this risk rating with an investment professional.

Important information

Who manages the funds?

All of the series 1 & 3 funds are Prudential funds.

Prudential has delegated the investment management of the funds to M&G Investments.

How are the fund prices calculated?

The Series 1 funds have both an offer and bid price which typically differs by 5%. Contributions are turned into units at the offer price and units are realised to provide benefits at the bid price.

The Series 3 funds operate on a single swinging price basis. The pricing basis on which units in the fund are transacted is dependent upon the cash flow into/out of the fund. This is also the price that is published.

What is the dealing cycle?

The Pensions Series 1 fund range is historically priced which means that the unit price is set before money is invested.

M&G Investments has a dealing cycle of T-1. This means that money received on day T buys units at the valuation date price applicable 1 day earlier.

The Pensions Series 3 fund range is forward priced which means that the unit price is set after money is invested.

M&G Investments has a dealing cycle of T+0. This means that money received on day T buys units at the valuation date price applicable at close of business on the same day.

Who is this factsheet for and what does it do?

This factsheet is intended for the trustees, sponsors, advisers and members of occupational pension schemes using Prudential group pension contracts and Prudential grouped personal pensions and Stakeholder pension contracts. Its purpose is to shed some light on how investment markets and funds have performed over the period and is provided for information only. If you are not familiar with any of the investment terminology included on this factsheet, then please contact an adviser.

Can I get advice?

This factsheet should not be considered as a financial promotion and any changes to investment arrangements should be discussed with an adviser. It is not our intention to give an indication of how any particular funds will perform in the future. The commentary in this factsheet reflects the general views of the individual fund manager and should not be taken as a recommendation or advice as to how a specific market or fund is likely to perform.

How are the performance figures calculated?

Performance is measured on an offer price to offer price basis.

For the purposes of comparison with the benchmark we have used unit prices with the closest valuation point to that of the benchmark, taking into consideration the relevant dealing cycle.

To obtain current unit price and performance information for all funds in the Prudential Fund range, simply log on to www.pru.co.uk/fundprices and choose "Pension Funds" and then select Group Pensions (series 1 & 3).

Are all of the funds available to me?

Not all of the funds are available for every DC product.

If you are in any doubt as to which funds you are invested in, please contact your pensions department (for scheme members), usual Prudential contact (for trustees and advisers) or refer to the "Key Features Appendix" for the scheme.

Other important information

Exchange Rate Risk – exchange rate fluctuations may cause the Sterling values of overseas investments to rise or fall.

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