

With-Profits Pension Fund

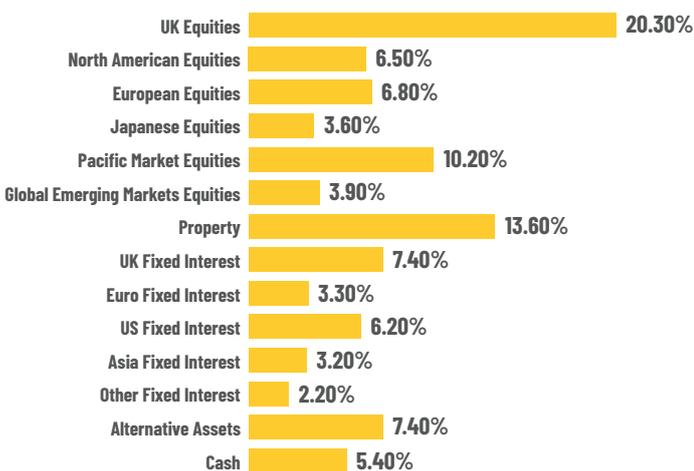
This is an investment option for our Flexible Retirement Plan and Trustee Investment Plan products. Our Income Choice Annuity is also linked to the performance of our With-Profits Fund.

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

Objective: 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 31 December 2020. Asset allocations are regularly reviewed and may vary from time to time, but will always be consistent with the fund objective.

Fund manager commentary – Q4 2020

Global GDP growth appeared to normalise somewhat after most major economies posted record growth rates in the third quarter as economic activity rebounded from the lockdown conditions seen earlier in the year. However, a resurgence of COVID-19 cases (particularly in the US and Europe) worsened as autumn and winter took hold, forcing restrictions on consumers and businesses to be re-imposed and causing a slowdown in the global economic recovery.

The UK equity market produced its best quarter of the year as it staged a recovery from oversold levels. The catalyst for the rebound were the announcements of positive news on COVID-19 vaccines, followed by regulatory approval in the UK for two of them in December. UK sentiment also received a boost from the finalising of the EU trade deal on Christmas Eve. US stockmarkets finished the year at record highs. Overall, stockmarkets in Europe, Japan, Emerging Markets & Asia Pacific ex Japan saw healthy gains in the fourth quarter. Traditional safe-haven assets such as government bonds underperformed other asset classes over the fourth quarter.

UK Commercial property delivered positive returns as rental income offset moderate capital declines. The surge in online retailing has intensified the contrasting fortunes of industrials and retail. Industrials (which includes distribution centres) were the standout performer, achieving both rental growth and further yield tightening.

The M&G Treasury & Investment Office (T&IO) outlook is cautiously optimistic although much uncertainty remains in 2021.

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	SAMSUNG ELECTRONICS LTD	0.89%
2	TAIWAN SEMICONDUCTOR MANUFACTURING	0.78%
3	UNILEVER PLC	0.46%
4	ASTRAZENECA PLC	0.45%
5	RIO TINTO PLC	0.39%
6	GLAXOSMITHKLINE PLC	0.35%
7	BRITISH AMERICAN TOBACCO PLC	0.32%
8	AIA GROUP LTD	0.32%
9	ROYAL DUTCH SHELL PLC CLASS B	0.31%
10	BP PLC	0.29%

* Largest assets excluding derivatives exposure positions.

Source: Prudential as at 31 December 2020.

M&G Treasury & Investment Office (T&IO)

T&IO 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)

31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
11.5%	-2.8%	10.3%	14.5%	3.6%

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
11.5%	42.0%	115.5%

Source: Prudential. All figures to 31 December 2019. 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. 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

We can't predict the future. Past performance isn't a guide to 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 profit the Fund makes and how we decide to distribute it. The value of your investment can go down as well as up so you might get back less than you put in.

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 further 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 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.

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