PAC Sterling 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.

Prudential International Investment Bond and International Prudence Bond are issued by Prudential International Assurance plc based in Dublin. They offer investment in a range of unit-linked funds, including funds which are reinsured into the Long-Term Fund of the Prudential Assurance Company Ltd (PAC). PAC is rated A+* by Standard & Poor’s.

Access to this fund is no longer available to new customers investing in Prudential International Investment Bond (PIIB) or International Prudence Bond (IPB) on or after 11/09/2017. If you are an existing customer pre 11/09/2017, you will still be able to top up or switch into this fund.

* Source: S&P as at September 2018

Fund objective

The Fund aims to maximise growth over the medium to long term while helping to smooth the peaks and troughs of investment performance.

Fund 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 2019. Asset allocations are regularly reviewed and may vary from time to time, but will always be consistent with the fund objective.

Top ten holdings*

1. EASTSPRING INVEST ASIAN LOCAL BOND E USD 2.5%
2. EASTSPRING INV DEVELOPED ASIA EQ FD E USD 2.3%
3. EASTSPRING INV GLOBAL EM CUSTOM EQUITY FD 1.3%
4. PRUDENTIAL CORE VALUE FUND 1.1%
5. LIFE TREASURY POOL LIFE TREASURY POOL 1.0%
6. EASTSPRING INVEST ASIAN BOND E USD 0.9%
7. CBT US 10 TNOTE FUT SEP 19 0.8%
8. CBT US LONG BD(30) FUT SEP 19 0.7%
9. FTSE CHINA A50 FUT JUL 19 0.6%
10. H-SHARES IDX FUT FUT JUL 19 0.6%

Source: M&G as at 30 June 2019.

* Largest assets excluding derivatives exposure positions.

Fund performance

Performance of the PAC Sterling With-Profits Fund*

<table>
<thead>
<tr>
<th>Period</th>
<th>Return</th>
</tr>
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<tbody>
<tr>
<td>30/06/14 to 30/06/15</td>
<td>7.0%</td>
</tr>
<tr>
<td>30/06/15 to 30/06/16</td>
<td>5.2%</td>
</tr>
<tr>
<td>30/06/16 to 30/06/17</td>
<td>14.1%</td>
</tr>
<tr>
<td>30/06/17 to 30/06/18</td>
<td>5.4%</td>
</tr>
<tr>
<td>30/06/18 to 30/06/19</td>
<td>4.7%</td>
</tr>
</tbody>
</table>

Please remember that past performance is not a reliable indicator of future performance. The performance of funds and any income from them cannot be guaranteed. The value of an investment can go down as well as up. You may not get back the amount you invested. For investments in the PAC With-Profits Range of Funds, the value of the policy depends on the profits made by the long term fund of the Prudential Assurance Company Limited and how these profits are distributed.

Changes in the rates of exchange between currencies may cause your investment income to go down or up.

* Source: Prudential – total return, gross of charges basis with gross income being reinvested. Please note fund performance before 25 July 2005 is based on returns from the PIA Sterling With-Profits Sub-Fund. Fund performance from 25 July 2005 onwards is based on the PAC Sterling With-Profits Fund. The pool of assets underlying each of these sub-funds, and the charges applied, are the same.
Global growth is exhibiting a slowdown, centred in manufacturing rather than in services. Manufacturing is contracting in several major economies and weak elsewhere. In contrast, service sector PMIs point to growth, though slightly below 2018’s level. We believe the growth in services and employment will be enough to prevent a recession in major developed market economies in the near term. Global central banks have signalled a change in policy towards further easing. Price pressures have weakened across major developed market economies removing a potential constraint for central banks to ease.

Short term outlook: Slowing growth, yield curve inversion in the US and negative spill overs from US-China tariffs all suggest elevated recession risk, emanating from the US and liable to impact the global economy. Nonetheless, we find little evidence of significant imbalances in the US, or the other major developed market economies, though we cannot rule them out entirely. Employment is still rising, the service sector is growing and the change in policy stance by major central banks has eased financial conditions considerably, all of which should support growth. Therefore, we do not believe a recession is the most likely outcome in the near term. Should a recession occur, we take the limited imbalances as an indication that a mild recession is more likely than a severe one.

Business cycle view: US labour markets show increasing signs of tightness, with robust job creation. The Federal Reserve’s dovish policy stance may delay recessionary fears. The UK labour market also looks tight, while the euro area labour market may have more slack. All three economies have considerable idiosyncratic political risk. Credit and debt dynamics do not suggest imminent risk of a debt crisis. However, leverage in US corporates is a potential concern.

Inflation: As economic activity has continued to slow, inflation has weakened across major developed economies. Inflation expectations are also dropping. Market-based measures, such as 5y 5y inflation swap rates, have declined to 2% in the US and 1.5% in the euro area.

Monetary Policy: Global central banks have signalled a change in policy towards further easing, sooner than expected. The Fed has shifted decidedly towards cutting policy rates in order to sustain the expansion. Changes made to the statement, economic projections and the dot plot all suggested rate cuts. ECB president Draghi reinforced the dovish message given at the June policy meeting. Comments from Mark Carney suggest the Bank of England may drop its bias toward tighter monetary policy in upcoming meetings.

Please note

You may only invest in one PAC With-Profits Range of Funds. Investments in PAC With-Profits Range of Funds are backed by assets in the With-Profits Fund of The Prudential Assurance Company Ltd through a reinsurance agreement.

The returns shown are the returns on the underlying assets. The actual returns on any policy are smoothed and will depend on the bonuses declared over the period of investment.

If money invested in the PAC With-Profits Range of Funds is taken out at any time, except on death, maturity or to meet certain regular withdrawals, PAC may reduce the amount to reflect the current market value of the underlying assets. This is known as a Market Value Reduction. In addition an Early Cash-In Charge may apply in the first five years of any investment into the bond.

For any fund, there may be a delay in buying, selling or switching of units. These delays will only apply in exceptional circumstances and if this applies to you, we will let you know. For more information, please refer to your Contract Conditions, which you can get from your Financial Adviser.

Fund manager | M&G Prudential Treasury & Investment Office (T&IO), includes the team formerly known as Prudential Portfolio Management Group

Fund size | £85.5bn as at 30 June 2019

Full terms and conditions are available on request from Prudential International by calling +44 (0) 808 234 2200. Calls may be monitored or recorded for quality, training, dispute resolution and/or security purposes.

www.prudential-international.com

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