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PRUDENTIAL WITH-PROFITS FUND HELPS PROTECT POLICYHOLDERS FROM INVESTMENT MARKET FALLS IN 2018

The Prudential Assurance Company today announced bonuses on traditional and accumulating with-profits business, in its 2019 With-Profits Declaration, expected to be worth £2.2bn.

Investment returns for the £109 billion Prudential With-Profits Fund (The Fund), which has global holdings in shares, bonds, property and private assets, were -2.8% in 2018. In contrast, the FTSE All-Share^{^^} and FTSE 100^{^^} indices fell 9.5% and 8.7% respectively, including the reinvestment of dividend income. These returns do not allow for any management fees. (^{^^}See financial performance and policy value notes).

When setting bonuses, Prudential aims to smooth some of the extreme highs and lows of investment performance by holding back some returns in good years to support bonus rates in years where returns are lower.

As a result, the bonuses announced for 2018 mean that policyholders of accumulating with-profits policies will typically see year-on-year returns ranging from a small loss of 0.5% to a gain of up to 2%. These returns are net of all management fees.

Over the longer term, the Fund has generated returns which are greater than those from many investment markets. In the ten years to the end of 2018, the Fund produced a cumulative gross return of 129.5% before tax and charges. This compares with a 121.4% return from the FTSE 100 Index^{^^} over the same period, not allowing for any management fees.

While not impacted directly by this bonus distribution, the overall performance of the Fund also benefits the company's hugely successful PruFund range.

Jack Daniels, Chief Investment Officer, Prudential UK, said:

“Last year will be remembered as a year of turmoil in investment markets but it is also a year when our With-Profits Fund continued to deliver competitive returns. Although there were many ups and downs in investments markets last year and many ended the year at a lower level, our diversified approach, strong and prudent financial management and smoothing policy have shielded policyholders from the worst of the falls.

“Policyholders have avoided much of the falls experienced by investors in many other investments and we’ll continue to manage the Fund to secure the highest total return while maintaining an acceptable level of risk.

“The Prudential With-Profits Fund is one of the largest and financially strongest in the UK and gives us the flexibility to invest in a very wide range of assets and individual companies. We’ll continue to monitor markets to take advantage of investment opportunities while keeping the fund well diversified around the world.”

Ned Cazalet, leading industry commentator, observes that: .

“For many years, on a forward-looking basis, we have rated Prudential as a top with-profits provider. The Pru’s depth of resources devoted to asset allocation and risk management combined with excellent financial strength and resilience have enabled it to provide worthwhile guarantees and consistently generate above-average investment returns for policyholders at the same time as giving customers the benefit of valuable smoothing to help protect them against market uncertainty.”

-ENDS-

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Notes to Editors:

- Prudential has announced bonuses on traditional and accumulating with-profits business, expected to be worth of £2.2 billion. This estimate is based on the expected future economic conditions and expected number of claims for 2019.
- Prudential’s With-Profits Fund has delivered a gross cumulative investment return of 129.5 per cent¹ over 10 years, compared with the FTSE 100^{^^} (total return) index gross return of 121.4 per cent over the same period.
- Policyholders will typically see year-on-year changes of between -0.5 per cent and 2.0 per cent in their accumulating with-profits policy values, underlining the consistency of the fund management approach.

- Prudential continues to offer solid annual bonus rates for personal pensions, bonds and conventional with-profits products:

- Flexible Investment Plan (optimum return fund) 1.5 per cent
- Personal pensions 1.5 per cent
- Corporate pensions (unitised group with-profits) 1.75 per cent

- Strong annualised post-tax returns for policyholders over the lifetime of their policy:

Prudential With-Profits Flexible Investment Plan (20 year, £10,000 single premium)	4.7 per cent *
Prudential With-Profits Flexible Investment Plan (15 year, £10,000 single premium)	5.6 per cent *
Prudential With-Profits Flexible Investment Plan (10 year, £10,000 single premium)	6.2 per cent *
Prudential With-Profits Individual Pension (20 year term, £200 pm RP)	5.7 per cent *
Prudential With-Profits Savings Endowment (25 year term, £50 pm RP)	5.0 per cent *
Scottish Amicable With-Profits Savings Endowment (25 year term, £50 pm RP)	4.8 per cent *

(* Net of tax where relevant and charges. Endowment examples based on male aged 29 at start of contract.)

Maturing Policy Values Increased

Many policies maturing in 2019 have increased in value compared with their surrender value 12 months ago (with regular premium products this increase takes into account the cost of an additional year's premiums), proving that Prudential's with-profits investments continue to provide reliable medium to long-term growth prospects for investors.

Prudential Bonus Tables: sample 1 May 2019 maturity values vs 1 May 2018 surrender values.

Contract	Policy duration in 2019 (2018)	Premium	Surrender Value 2018~	Maturity Value 2019	% Increase*
Prudential Personal Pension (10 year term)	10 years (9 years)	£200 per month	£ 28,235	£ 30,770	0.5 %
Prudential With-Profits Bond (Flexible Investment Plan)	15 years (14 years)	£10,000 Single premium	£ 22,073	£22,735 [^]	3.0%
Prudential Personal Pension (20 year term)	20 years (19 years)	£200 per month	£ 85,430	£ 88,164	0.4 %
Prudential Mortgage Endowment (25 year term)	25 years (24 years)	£50 per month	£ 27,260	£ 28,204	1.3%
Scottish Amicable Mortgage Endowment (25 year term)	25 years (24 years)	£50 per month	£ 27,904	£ 28,476 [#]	0.0 %

~ Before any surrender charge or MVR that may apply.

* After allowing for premiums paid during the year. Endowment examples based on male aged 29 at start of contract.

[^] Prudential With-Profits Bond is a single premium product. It does not have a maturity date. The figure quoted is a surrender value at 15 year duration.

[#] Unitised with-profits after tax and charges.

What does this mean in practice for customers?

The strong, long-term investment performance achieved by the With-Profits Fund has enabled Prudential to continue providing customers with good annualised returns compared with many other investment options.

Bonds:

20 year Prudential With-Profits Bond (Flexible Investment Plan) performance relative to alternative investment products based on a single premium of £10,000:

Investment Product	Total Payout	Annualised Return
Prudential With-Profits Bond	£25,001	4.7%
Morningstar 90 Day Notice Net	£13,573	1.5%
Average mixed investment 20% - 60% shares unit trust*	£24,533	4.6%
Average mixed investment 20% - 60% shares unit-linked life fund**	£19,583	3.4%

15 year Prudential With-Profits Bond performance (Flexible Investment Plan) relative to alternative investment products based on a single premium of £10,000:

Investment Product	Total Payout	Annualised Return
Prudential With-Profits Bond	£ 22,735	5.6 %
Morningstar 90 Day Notice Net	£ 11,798	1.1 %
Average mixed investment 20% - 60% shares unit trust*	£ 21,540	5.2 %
Average mixed investment 20% - 60% shares unit-linked life fund**	£ 18,723	4.3 %

10 year Prudential With-Profits Bond (Flexible Investment Plan) performance relative to alternative investment products based on a single premium of £10,000:

Investment Product	Total Payout	Annualised Return
Prudential With-Profits Bond	£ 18,174	6.2 %
Morningstar 90 Day Notice Net	£ 10,415	0.4 %
Average mixed investment 20% - 60% shares unit trust*	£ 19,248	6.8 %
Average mixed investment 20% - 60% shares unit-linked life fund**	£ 17,881	6.0 %

See financial performance and policy value notes

Pensions:

A Prudential personal pension customer who has contributed £200 (gross) a month for 20 years (a total of £48,000) and is retiring on 1 May 2019 will have a fund value of £ 88,164.

20 year Personal Pension performance relative to alternative investment products:

Investment Product	Total Payout	Annualised Return
Prudential With-Profits Individual Pension (20 year term, £200 per month regular premiums)	£88,164	5.7%
Scottish Amicable Personal Pension (20 year term, £200 per month regular premiums)	£90,963	6.4%
Morningstar 90 Day Notice Gross	£54,175	1.2%
Average mixed investment 20% - 60% shares unit trust*	£83,175	5.2%
Average mixed investment 20% - 60% shares unit-linked pension fund**	£77,566	4.6%

(For tables above, please refer to financial performance and policy value notes 2-6 below)

*IMA Mixed investment 20% - 60% shares unit trust

**ABI Mixed investment 20% - 60% shares UK pension/life fund

Underlying Investment performance 2018:

Fund/Index	2018 Performance
Prudential With-Profits Fund (before tax) – Pension Funds	-2.8 %
FTSE All -Share index (total return)*	-9.5 %
FTSE 100 index (total return)*	-8.7 %
ABI UK – Mixed Investment 20% - 60% Shares Sector Average – Pension Funds	-5.3 %
ABI Global Fixed Interest (total return)	1.1%
Morningstar 90 Day Notice Gross	0.5 %

Source: Prudential, FE Analytics. All figures to 31 December 2018.

The Prudential With-Profits Fund net return – Life Funds in 2018 was -2.2 per cent. Over the same period the ABI UK – Mixed Investment 20%-60% Shares Sector Average – Life return was -5.4 per cent.

Underlying 10-year Investment Performance:

Fund/Index	10 year
Prudential With-Profits Fund (gross cumulative return) – Pension Funds	129.5 %
FTSE All-Share index (total return)***	138.3 %
FTSE 100 index (total return)**	121.4 %
ABI UK – Mixed Investment 20% - 60% Shares Sector Average – Pension Funds	82.6 %
ABI Global Fixed Interest	34.27%
Morningstar 90 Day Notice Gross	5.3%

Source: Prudential, Financial Express. All figures to 31 December 2018. The With-Profits performance is gross of tax, charges and the effects of smoothing.

The Prudential With-Profits Fund net cumulative return – Life Funds over 10 years was 105.0 per cent. Over the same period the ABI UK – Mixed Investment 20%-60% Shares Sector Average – Life return was 67.4 per cent.

Market Value Reductions

On an accumulating with-profits policy, held for more than five years, up to £25,000 can currently be withdrawn in any 12 month period without a Market Value Reduction (MVR) applying. Where applicable, MVRs are calculated on a case-by-case basis and do not apply to all contracts. Prudential's approach to MVRs remains unchanged although this is reviewed regularly to take account of changing market conditions and can be changed at any time.

Asset Mix of the Prudential With-Profits Fund:

Assets	Percentage as at 31/12/2017	Percentage as at 31/12/2018
UK Equity (Listed)	18.2	15.6
Overseas Equity (Listed)	33.8	28.0
Property	14.1	15.8
Alternative Assets	5.5	9.3
Fixed Interest/Corporate Bonds	26.3	30.0
Cash & Receivables	2.1	1.3
Total	100	100

Financial Performance and Policy Value Notes:

1. Gross cumulative return before charges and smoothing.
2. Comparison between Prudential products and other returns are for periods to 1 May 2019 and are after charges.
3. 90 Day Notice account, unit trust values and unit-linked life and pension fund values use actual returns from 1 May in the relevant year through to 31 December 2018 and are then projected to 1 May 2019 using the most recent returns for the 90 Day Notice accounts and 4.2 per cent per annum (3.5 per cent net) for unit trust and unit-linked fund values.
4. Morningstar UK Savings is a representation of a 90 day notice account. This has been shown for comparison purposes and may not specifically be available for the investments shown. Rates assumed are gross of tax for the Individual Pension and net of tax for Prudence Bond. The unit trust returns are based on an average for the "IMA Mixed investment 20% - 60% shares" sector. The unit-linked life fund returns are based on the average returns in the ABI "Mixed investment 20% - 60% shares UK Life" category. The unit-linked pension fund returns are based on the average in the ABI "Mixed investment 20% - 60% shares UK Pension" category.
5. A with-profits investment is not like a bank or building society deposit account. A with-profits policy may return less than has been invested, in particular in the early years, whereas a bank or building society deposit account would return the entire customer's capital. Investors should consider keeping any money which might be needed in the short-term in a bank or building society deposit account which is generally secure and readily accessible.
6. Past performance is not a reliable indicator of future performance.
7. Full details of all annual and final bonus rates are available on request.
8. ^^Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2018. FTSE Russell is a trading name of certain of the LSE Group companies. e.g., "FTSE®" "Russell®", "FTSE Russell®", "MTS®", "FTSE4Good®", "ICB®", "Mergent®, The Yield Book®," are a trade mark(s) of the relevant LSE Group companies and are used by any other LSE Group company under license. "TMX®" is a trade mark of TSX, Inc. and used by the LSE Group under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

About M&G Prudential

M&G Prudential is the UK and European savings and investments business of Prudential plc, the global financial services company. It has total assets under management of £351 billion, as at 31 December 2017 and has more than 7 million customers.