

A Guide to Fund Options

Key Features Appendix for
Alvis Pension Scheme – AVC

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PRUDENTIAL



The Funds

Prudential is committed to providing a broad range of investment funds from leading fund managers. We offer you the choice of selecting investment funds managed by Prudential M&G, or those managed by the other leading external investment managers we have available on our platform. If you choose an externally managed investment fund, Prudential will act on your behalf by buying the appropriate number of units in your chosen fund. All of the available funds are Prudential funds – Prudential simply delegates the investment management of the funds to the external managers on the platform.

You can choose a combination up to a maximum of 10 funds from the funds provided below OR a Lifestyle Option below. Please refer to the list of funds in conjunction with the Key Features document.

Available Funds

| Fund Name and Manager | Objective* | Where does the Fund Invest? | Charges per Year |
|---|---|---|--|
| Minimal | These funds invest in cash and look to achieve the best short term rate of return from the money markets. | | |
| Prudential Cash Fund Prudential | To outperform the benchmark on a consistent basis. The benchmark is the London Interbank 7 Day Deposit Rate. | Short-term deposits and high quality Floating Rate Notes (FRNs) issued by well known banks and leading financial institutions. | 0.75% |
| Prudential Deposit Fund Prudential | This Fund currently tracks the Bank of England base rate (although this may change in the future). | The Deposit Fund is part of the Prudential With-Profits Fund. | Interest rate declared monthly net of charges. |
| Lower | These funds may invest in fixed interest securities including gilts, index-linked bonds and an element of corporate bonds. These types of investment are generally recognised as low risk. | | |
| Prudential Pre-Retirement Fund Prudential | To match the performance of benchmark as closely as possible. The benchmark is 50% long dated gilts and 50% long dated corporate bonds. | Passively managed UK Government bonds (gilts) and actively managed UK corporate bonds. | 0.65% |
| Prudential Fixed Interest Fund Prudential | To outperform the benchmark by 0.75% per annum on a rolling three year basis. The benchmark is the FTSE A British Government All Stocks Index. | UK Government bonds and Sterling corporate bond debt issued by UK and overseas borrowers. The fund can also invest in international government bonds. | 0.75% |

| Fund Name and Manager | Objective* | Where does the Fund Invest? | Charges per Year |
|--|--|---|---|
| Lower | continued | | |
| Prudential Index-Linked Fund Prudential | To outperform the benchmark by 0.75% per annum on a rolling three year basis. The benchmark is the FTSE British A Government Over five Years Index-Linked Index. | Actively managed and invests mainly in British Government index-linked stocks. The fund can also invest in corporate index-linked stocks and overseas index-linked government bonds and fixed interest bonds. | 0.75% |
| Prudential Retirement Protection Fund Prudential | To match the performance of the benchmark as closely as possible. The benchmark is the FTSE A British Government Over 15 Years Gilt Index. | UK Government bonds (gilts) with over 15 years to maturity. | 0.65% |
| Lower to Medium | Some of these funds invest in fixed interest securities, predominantly corporate bonds, with higher yielding corporate bonds placed towards the top end of this range as they carry higher default risk. The other funds in this category invest in a wide range of assets which help to provide risk diversification. | | |
| Prudential With-Profits Fund Prudential | To give each policyholder a return which reflects the earnings on the underlying investments, whilst smoothing the peaks and troughs of investment performance. | UK and overseas shares, bonds, property and cash. | Information will be contained within your full Key Features Document. |
| Prudential Corporate Bond Fund Prudential | To outperform the benchmark by 0.80% gross per annum on a rolling three year basis. The benchmark is the iBoxx Sterling Non-Gilts Index. | High quality Sterling corporate bonds. The fund may also hold UK Government bonds (gilts) and limited amounts of non-sterling and high yield corporate bonds. | 0.75% |

| Fund Name and Manager | Objective* | Where does the Fund Invest? | Charges per Year |
|---|---|--|------------------|
| Medium | These funds are predominantly multi-asset funds with a higher weighting in equities. The Property Fund itself is also in this category. | | |
| Aberdeen Life Balanced Fund Aberdeen Asset Management | To outperform the benchmark by 1% per annum on a rolling three year basis. The benchmark is the CAPS Balanced Pooled Fund Median. | UK and overseas company shares, UK and overseas bonds and cash. | 0.85% |
| Prudential Property Fund Prudential | To outperform the benchmark by 0.75% per annum on a rolling three year basis. The benchmark is the CAPS Pooled Fund Property Median. | Commercial properties in the UK, including retail, office and industrial premises. | 0.75% |
| Medium to Higher | These funds offer a diverse geographical spread of equity investment. The funds within this category will have greater overseas exposure and underlying volatility than the "medium" sector. | | |
| Prudential Overseas Equity Passive Fund Prudential | To match the performance of benchmark as closely as possible. The benchmark is a mixture of FTSE regional indices. | Company shares in the major markets, roughly in proportion to each region's economic importance. | 0.65% |
| Prudential International Equity Fund Prudential | To outperform the benchmark by 0.75% to 1.0% per annum on a rolling three year basis. The benchmark is a mix of FTSE regional indices. | Company shares in the major overseas markets including Europe, Japan, Pacific Basin, North America and Emerging Markets. | 0.75% |
| Prudential Long Term Growth Fund Prudential | To match the performance of benchmark as closely as possible. The benchmark is a mix of FTSE UK and regional indices. | UK and overseas company shares. The overseas shares are held roughly in proportion to each region's economic importance. | 0.65% |

| Fund Name and Manager | Objective* | Where does the Fund Invest? | Charges per Year |
|---|---|--|------------------|
| Medium to Higher | continued | | |
| Prudential Global Equity Fund Prudential | To outperform the benchmark by 0.75% to 1.0% per annum on a rolling three year basis. The benchmark is a mix of 70% FTSE UK and Regional Indices. | UK and overseas company shares. | 0.75% |
| BGI Aquila (50:50) Global Equity Index Fund BGI Aquila | To replicate the performance of benchmark. The benchmark is a mix of UK and Regional Indices. | Approximately 50% UK company shares and 50% overseas company shares, split between the US, Europe (ex-UK), and the Far East. | 0.75% |
| The Above Fund Is Only Available As Part Of The Lifestyle Option | | | |
| HSBC Amanah Fund HSBC Investments | To match the performance of benchmark as closely as possible. The benchmark is the Dow Jones Islamic Titans Index. | Shares in the largest 100 Shariah-compliant companies globally. | 0.90% |
| Schroders Diversified Growth Fund Schroders | To outperform the benchmark with a targeted return of RPI +5% per annum over a five to seven year period. | Equities, bonds, property, cash, alternative assets and a range of diversifiers. | 1.45% |

| Fund Name and Manager | Objective* | Where does the Fund Invest? | Charges per Year |
|---|---|---|------------------|
| Higher | These are specialist equity funds that focus on a set geographical region or a particular type of share e.g. shares of smaller companies or those that conform to certain criteria. | | |
| Prudential Equity Fund Prudential | To outperform the benchmark by 1.0% on a rolling three year basis. The benchmark is the FTSE All-Share Index. | UK company shares. | 0.75% |
| Prudential UK Specialist Equity Fund Prudential | To outperform the benchmark by 1.5% to 2.5% gross per annum on a rolling three year basis. The benchmark is the FTSE All-Share Index. | UK company shares, with an emphasis on small to medium sized companies. | 0.75% |
| BGI Aquila UK Equity Index Fund BGI Aquila | To replicate the performance of benchmark. The benchmark is the FTSE All-Share Index. | UK company shares. | 0.75% |
| Prudential Socially Responsible Fund Prudential | To outperform the benchmark by 1.0% per annum on a rolling three year basis. The benchmark is the FTSE All-Share Index Subset. | Shares of UK companies that meet the socially responsible criteria of the Fund. | 0.75% |

* The performance objectives apply to the parent (underlying) funds which may have different charges to those shown above if you were to invest in them directly.

To get unit price information for all managed funds made available through Prudential, simply log on to www.pru.co.uk/fundprices and choose the Prudential Pension Funds (Series 3) link.

For detailed information on your fund's performance, please visit www.pru.co.uk/memberfactsheets where you will find fund factsheets for all of our funds.

Please note that information on external fund past performance or prices obtained from sources other than Prudential can be calculated on a different basis, therefore they may not be applicable to your investment.

The risk categories shown have been developed by Prudential. They should not be viewed as generic descriptions across the fund management industry. They are regularly reviewed by Prudential and may therefore change in the future. They simply serve to indicate the potential level of risk attached to a fund.

You've now seen a list of the funds that Prudential has available. In order to assist you in understanding the options available this table defines each of the available asset classes:

| | |
|---------------------------------------|--|
| Equities | Another term for stocks and shares. The owner of a share owns a small part of a company. |
| Bond | A certificate of a loan issued, for example, by governments and companies. There are different types of bonds which are covered below. |
| Fixed Interest or Fixed Income | Bonds which make a predetermined interest or income payment. |
| Gilt | A bond issued by the UK Government. |
| Government Bond | Bonds issued by a government to finance its borrowing requirements e.g. US Treasury, UK Gilt. |
| Index-Linked Bond | A bond where the regular interest payments and final maturity value are linked to an index of inflation e.g. the Retail Price Index (RPI). |
| Fixed Income Security | Another term for a fixed interest bond. |
| Property | Commercial property investment in offices, shops and industrial premises. |
| Cash | Cash funds invest in short-term interest bearing deposit accounts and bonds. |

Risky Business

It is important to understand the risks involved. You need to consider the amount of risk you are taking against the potential performance of the fund. Some of the key risks you'll need to consider are:

- › Investment Risk – also known as volatility; a measure of the ups and downs investments may go through.
- › Inflation Risk – the risk that the value of investments doesn't grow quickly enough to keep up with inflation.
- › Pension Conversion Risk – the pension you eventually receive will depend on annuity rates at the time you convert your fund into an annuity, which can not be guaranteed.
- › Exchange Rate Risk – exchange rate fluctuations may cause the sterling values of overseas investments to rise or fall.
- › Property Risk – there are certain risks associated with investing in property which are covered in the Important Information section of this document.
- › With Profits Risk – Bonuses will depend primarily on the performance of the assets in the with-profits fund, and a Market Value Reduction (MVR) may apply, if money is switched out of the With-Profits Fund.

Please see your key features for more information on risk factors and market value reductions.

Lifestyling – the right option for you?

Lifestyling is an investment strategy that aims to provide long-term growth, but with an element of capital protection as you approach retirement. To begin with, all your contributions would be invested in a higher risk fund such as an equity fund.

Then 5 years before your retirement age, we will gradually move your money into lower risk funds such as a bond fund, eventually moving into cash as you approach retirement. The switches between these funds are totally free of charge.

The table illustrates how this would work.

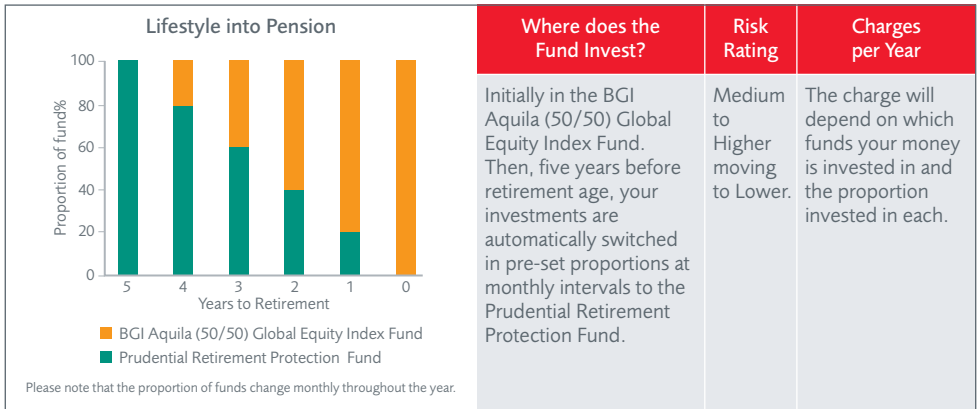
| Lifestyle into Cash | Where does the Fund Invest? | Risk Rating | Charges per Year |
|--|--|--|---|
| <p>Please note that the proportion of funds change monthly throughout the year</p> | <p>Initially in the BGI Aquila (50/50) Global Equity Fund. Then between the period of five and three years before your retirement age, your investments are automatically and gradually switched into the Prudential Fixed Interest Fund. Over the final three years the remaining amounts in the BGI Aquila (50/50) Global Equity Index Fund and Prudential Fixed Interest Fund are gradually switched to the Prudential Cash Fund.</p> | <p>Medium to Higher moving to Minimal.</p> | <p>The charge will depend on which funds your money is invested in and the proportion invested in each.</p> |

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Then 5 years before your retirement age, we will gradually move your money into lower risk funds such as a bond fund, eventually moving into Retirement Protection Fund as you approach retirement. The switches between these funds are totally free of charge.

The table illustrates how this would work.



If you choose the Lifestyle Option, all of your payments will be made into this option and you will not be able to select any other investment funds. You can switch all of your savings out of this option at any time.

- › Prudential reserves the right to change the terms of the Lifestyle Option, subject to certain restrictions in respect of existing investments in the Lifestyle Option.

Important Information.
Please read carefully.

- › When switching between different investment funds excluding the Prudential With-Profits Fund and Prudential Deposit Fund (including under the Lifestyle Option), the sale of existing units and the purchase of new units will not normally take place on the same date. There will be a lead-time involved in making unit prices available, and, where external companies are involved this lead-time may be extended. The prices of units can, as always, go up or down during that time: this is a risk that is borne by you. The exact time lapse between sale and purchase will depend on the investment funds involved in the switch. No interest is due for the period between the sale and purchase of units.

- › In addition, the sale and purchase of units in any of the investment funds, excluding the Prudential With-Profits Fund, and Prudential Deposit Fund, (including switches between funds) may be delayed in some circumstances, for example, where the interests of all policyholders need to be protected, or where there is a delay in receiving the proceeds of a sale of assets, or in circumstances where it is not possible to trade.
- › This fund invests in property and land. This can be difficult to sell – so you may not be able to sell/cash in this investment when you want to. We may have to delay acting on your instructions to sell your investment. You should look upon your investment in Property as being long term. There are large costs when we buy and sell property. The allowance for these costs amongst other factors can lead to short-term falls in the price of units in the Property Fund. The value of Property is generally a matter of a Valuer's opinion rather than fact. Under certain circumstances, in the interest of other investors, we reserve the right to defer any early encashment or switch between funds/this may be for a period of up to 6 months in the case of units held in the property fund.
- › The rate of future bonuses cannot be guaranteed. Final bonus may vary and is not guaranteed.

- › If you choose the Lifestyle Option in your new plan, the total fund value (excluding savings invested in the With-Profits Fund – which may be subject to a Market Value Reduction) will automatically begin switching between funds at 5 years or less to retirement.
- › When switching an existing investment to the Lifestyle Option, the total fund value (excluding savings invested in the With-Profits Fund – which may be subject to a Market Value Reduction) will be switched automatically. You will need to contact us if you like to switch savings from the With-Profits Fund to the Lifestyle Option.
- › Prudential reserves the right to withdraw or change the funds available at any time, subject to certain restrictions. New funds may also be made available.
- › Prudential reserves the right to vary charges at any time. Charges can go up as well as down.

Can I change my mind?

Although we ask you to choose which funds you'd like your money to be invested in, you can switch your existing funds from one to another, and/or choose to redirect future contributions into other funds, at any time. There are no charges for this.

A Market Value Reduction (MVR) may be applied if you switch money out of the With-Profits Fund (this is explained further in the Key Features document).

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