

3 February 2010

To: Unitholder of Yield 15 / Yield 20

Dear Valued Unitholder

### **NOTICE OF CREDIT EVENT**

You are currently invested in one or more of the following funds managed by Prudential Asset Management (Singapore) Limited:

1. Yield 15
  2. Yield 20
- (collectively, the "Funds")

### BACKGROUND – INVESTMENT STRUCTURE

The Funds were incepted on 10 June 2005 and invested substantially in Deutsche Bank AG ("Deutsche Bank") arranged notes issued by R.A.S.A. (Repackaged Assets & Securities in Asia) Limited ("RASA Limited"; the notes shall be referred to as the "RASA Note"). The RASA Note was rated a minimum rating of AA- as at its date of issue. As of 25 November 2009, the RASA Note was downgraded from BBB+/Watch Negative to BBB-by Standard & Poor's ("S&P").

#### A. Collateral Bonds

The proceeds from the RASA Note were used to purchase 4 high grade fixed income securities issued by 4 different issuers, each of whom was rated at least AA- by S&P as at the issue date.

#### B. Portfolio Credit Default Swap

RASA Limited entered into a portfolio credit default swap agreement ("agreement") with Deutsche Bank. The agreement is linked to a reference portfolio of 100 equally weighted credits, each of which was rated at least B- by S&P at issue date. US high yield credits make up most of the reference portfolio. The tranche in the reference portfolio provided for an initial loss protection level (i.e. subordination level) of 20% and a minimum credit assessment of at least AA- by S&P at issue date.

### OCCURRENCE OF CREDIT EVENTS

We wish to inform you that the swap counterparty, Deutsche Bank had given us a credit event notice dated 28 January 2010 in respect of Aiful Corporation, an entity in the reference portfolio. As at the date of this notice, the Fund has experienced a total of fifteen credit events since inception.

We have yet to receive from Deutsche Bank official notification on the final recovery rate of Aiful Corporation. The revised loss protection levels of Yield 15 and Yield 20 will be determined once the recovery rate of this credit event is made known and we will inform you accordingly.

The following is provided for illustration purposes only and the actual recovery rates may vary:

**Illustration:**

Hypothetically, assuming worst-case scenario of 0%<sup>1</sup> recovery rate for the credit event in respect of Aiful Corporation, the revised subordination levels will be at 9.76% for Yield 15 and 9.88% for Yield 20.

Assuming worst-case scenario of 0%<sup>1</sup> recovery rate for each subsequent default after the current 15 defaults, the portfolio can sustain an additional 8 defaults without capital loss or impact to the intended payouts of the Funds.

<sup>1</sup> 0% recovery rates are assumed here for illustration purposes only. The assumed recovery rates are hypothetical and the actual recovery rates may vary. The number of credit events which will result in a realized loss above the protection level will vary in accordance to the actual recovery rate of each credit event. Factors such as, but not limited to, interest rates, exchange rates and the market value of the collaterals are assumed to remain unchanged. The illustrations take into consideration recovery rates that have been officially notified by the swap counterparty.

The 100% capital protection and the payouts are provided for by (A) debt securities and (B) derivative transactions employed as part of the investment approach of the Funds and not backed by a guarantee. Investors may lose part or all of their investment in the Funds in the event there is a downgrade of the debt securities, default by the issuers of the debt securities, a default of the swap counterparty to the derivative transactions, an early redemption of the RASA Note, or credit events/trading actions resulting in cumulative losses that exceed the initial loss protection level (as defined in the portfolio credit default swap agreement).

This notice has been provided for your information only. Should you have any queries on the above, please do not hesitate to contact us at 6317 9618 or any of our appointed distributors for clarification.

## Important Information

The Yield 15 and Yield 20 (the “Funds”) are no longer available for subscription. This document is solely for information and may not be copied, published, circulated, reproduced or distributed in whole or part to any person without the prior written consent of Prudential Asset Management (Singapore) Limited (“PAMS”) (Company Ref no 199407631H). Whilst we have taken all reasonable care to ensure that the information contained in this document is not untrue or misleading at the time of publication, we cannot guarantee its accuracy or completeness. Investors should not act on it without first independently verifying its contents.

Any opinion or estimate contained in this document is subject to change without notice. PAMS and its related affiliated corporations together with their respective directors and officers may have or may take positions in the securities mentioned in this document and may also perform or seek to perform broking and other investment services of the corporations whose securities are mentioned in this documentation as well as other parties.

Investors should note that, depending on market conditions, the Manager may in its absolute discretion from time to time substitute any of the Reference Entities in the list provided and/or vary the number of Reference Entities in the reference portfolio (within the range set out in the prospectus relating to the Funds) during the investment tenure of the Funds.

Investors will have to hold their investments in the Funds for the entire investment tenure of 5 years before they may benefit from the 100% capital protection. If investors realise their units before the Funds mature, the realisation price will be based on the prevailing net asset value, which can vary according to market fluctuations, and may be less than the capital protected value per unit at maturity. The 100% capital protection and the payouts are provided for by debt securities and derivative transactions employed as part of the investment approach of the Funds and not backed by a guarantee. Investors may lose part or all of their investment in the Funds in the event there is a downgrade of the debt securities, default by the issuers of the debt securities, a default of the swap counterparty to the derivative transactions, an early redemption of the note(s), or credit events/trading actions resulting in cumulative losses that exceed the initial loss protection level (as defined in the portfolio credit default swap agreement). **As such, no guarantee is given that investors will receive the capital protected value at maturity or the payouts at each Anniversary Date and the value of units and the income accruing to the units in the Funds, if any, may fall or rise. Please refer to the prospectus relating to the Funds for more details of the note(s) and the risks of investing in the Funds.** The information provided by PAMS does not have any regard to the specific investment objective(s), financial situation or the particular needs of any person. Investors may wish to seek advice from a financial adviser on any concern about their investment.

Investments in the Funds are not deposits with, or other obligations of, or guaranteed, or insured by PAMS, Deutsche Bank AG or any subsidiary or associate thereof, or by any distributor of the Funds. The past performance of PAMS is not necessarily indicative of its future performance or of the Funds. PAMS is a wholly-owned subsidiary of Prudential plc of the United Kingdom. PAMS and Prudential plc are not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America.

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