

# PRUDENTIAL FUNDS

- PRU MONTHLY INCOME PLAN
- PRU 3PLUS
- YIELD 15
- YIELD 20

## ANNUAL REPORTS

For the year ended 31 December 2009

## AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## PRUDENTIAL FUNDS

### **Manager**

Prudential Asset Management  
(Singapore) Limited  
30 Cecil Street #20-01  
Prudential Tower  
Singapore 049712  
(Company Registration No. 199407631H)

### **Auditors**

KPMG LLP  
16 Raffles Quay #22-00  
Hong Leong Building  
Singapore 048581

### **Directors of the Manager**

Guy Robert Strapp  
Julian Christopher Vivian Pull  
Nils Arne Lindman (*Resigned on 18 December 2009*)

### **Solicitors to the Manager**

Allen & Gledhill LLP  
One Marina Boulevard #28-00  
Singapore 018989

### **Trustee**

HSBC Institutional Trust Services  
(Singapore) Limited  
21 Collyer Quay #14-01  
HSBC Building  
Singapore 049320  
(Company Registration No. 194900022R)

### **Solicitors to the Trustee**

Shook Lin & Bok LLP  
1 Robinson Road #18-00  
AIA Tower  
Singapore 048542

# TABLE OF CONTENTS

	Page
<b>ANNUAL REPORT</b>	
For the year ended 31 December 2009	
<b>PRU Monthly Income Plan</b>	
Manager's / Sub-Manager's Commentary	3 - 5
Financial Highlights	6 - 10
Financial Highlights of Underlying Funds	11 - 17
<b>PRU 3PLUS</b>	
Manager's Commentary	18 - 20
Financial Highlights	21 - 22
<b>Yield 15 / Yield 20</b>	
Manager's Commentary	23 - 25
Financial Highlights	26 - 29
<b>Report of the Trustee</b>	30
<b>Statement by the Manager</b>	31
<b>Independent Auditors' Report to the Unitholders of Prudential Funds</b>	32 - 33
<b>Audited Financial Statements</b>	
For the year ended 31 December 2009	34 - 61
<b>Additional Risks for PRU 3Plus, Yield 15 and Yield 20</b>	62 - 77

# PRU MONTHLY INCOME PLAN

## Structure

PRU Monthly Income Plan (the “Fund”) is established as two classes of units within the Fund. The Class A (annual payout) and Class M (monthly payout) have been established by the Manager for internal classification purposes to enable the different frequency and amount of payouts and do not constitute separate pools of assets. There are separate indicative net asset values in respect of both Classes of Units.

## Investment Objective

PRU Monthly Income Plan seeks to provide investors with regular income and capital growth by investing: 30% to 70% of its assets into Luxembourg domiciled International Opportunities Funds - US High Yield Bond (“IOF - US High Yield Bond”); and 30% to 70% of its assets into the Luxembourg domiciled International Opportunities Funds - Asian Bond (“IOF - Asian Bond”). At the Manager’s absolute discretion, the Fund may invest up to 20% of its assets in any other Asia Pacific investments (including real estate investment trusts, dividend yielding equities and any other sub-funds of the International Opportunities Funds, subject to the prior approval of the Authority where necessary).

## Manager’s Commentary

### Fund performance

The PRU Monthly Income Plan (the “Fund”) Class A and Class M shares rose by 32.1% (bid-to-bid basis) and 32.0% (bid-to-bid basis) respectively for the year 2009 versus its benchmark which gained 0.6%. Since inception, Class A and Class M shares rose by an annualized 4.0% (bid-to-bid basis) and 4.0% (bid-to-bid basis) respectively versus its benchmark which gained an annualized 0.8%.

### Market background

Both US high yield and Asian US dollar denominated credit markets delivered exceptionally strong performance in 2009. Global macroeconomic data were weak at the beginning of the year but gradually showed signs of stabilisation, thanks largely to the bold policy actions from authorities around the world. Improving economic indicators, signs of financial system stabilisation as well a return of investors’ risk appetite over the course of the year fuelled an unprecedented rally in the credit markets from their March lows.

Against this backdrop, both Asian USD corporate bonds and US high yield bonds registered equity-like returns of 26.34%<sup>1</sup> and 40.98%<sup>2</sup> respectively over the year. Similarly, Asian equities also rebounded strongly from their mid March lows, gaining 69.4%<sup>3</sup> in Singapore dollar terms for the review period.

<sup>1</sup> *JP Morgan Asian Composite Index hedged into Singapore dollar terms.*

<sup>2</sup> *Merrill Lynch US High Yield 70% BB-Rated and 30% B-Rated Index hedged into Singapore dollar terms.*

<sup>3</sup> *MSCI AC Far East ex Japan (Total Return Gross) Index in Singapore dollar terms*  
*All indices information were sourced from Bloomberg.*

## **PRU MONTHLY INCOME PLAN**

### **Factors affecting performance**

The rise in value of the Fund over the review period was driven mainly by the strong performance of its bond and equity holdings. The fund manager invested most of the Fund's cash holdings (maintaining minimal amount to meet redemptions) into US credits and Asian high-yielding equities at the start of the year. This move has contributed positively to the Fund's returns.

### **Key changes to the portfolio**

Having maintained close to 10% cash, on average, in 2008, the Fund increased its allocation to US high yield credit (from 42% to 45%) out of cash at the start of the year given the attractive valuation. Credit spreads on US high yield credit over US treasury widened to historically high levels at that point and priced in higher credit default rates than one would expect based on historical experience. As such, the fund manager believed that investors were well compensated to be invested in US credit. The Fund had generally maintained its 50% investment into Asian USD bonds throughout the review period. The fund manager had also maintained the Fund's 5% tactical holdings into select high-yielding Asian equities at the start of the year. However, the fund manager gradually reduced the weightings over April/May to about 3% as the strong equities rally had, to a large extent, unwound the cheap valuation in this asset.

### **Outlook**

Looking forward, the fund manager does not expect a repeat of the equity-like returns enjoyed by credit markets in 2009, following an unwinding of the massive dislocation in markets witnessed from late 2008. The enormous rally has closed out the extreme undervaluation of this asset class. Instead, the fund manager reckons that more normal, bond-like return is likely over the next one year. Returns from this market will be driven mostly by coupon income (carry), and less from capital gains (spread tightening). The fund manager's cautious outlook on US government bond market underpinned by expectations of a slow upward grind in Treasury yields also suggest more muted returns from US dollar denominated corporate bonds.

The Fund has broadly maintained its asset allocation strategy. The fund manager continues to express a more cautious view on credits by maintaining a slightly lower allocation to US high yield bonds versus Asian US dollar denominated bonds. Whilst the fund manager believes that the risk of another credit market meltdown is minimal, the strong performance of both credit markets (particularly US high yield bonds) have reduced the margin of safety for potential risks of macroeconomic disappointment (and its impact on corporate credit fundamentals) and deterioration of credit or liquidity conditions. The Fund will maintain its 3% tactical allocation to high-yielding Asian equities. The modest position is justified by still-attractive bottom-up ideas from the angle of yield-enhancement. But the pace of the equity market rally in 2009 has prompted the fund manager to be more cautious. The Fund will continue to fully hedge the US dollar assets back to Singapore dollar, to protect the Fund's running yield in SGD.

## **PRU MONTHLY INCOME PLAN**

### **Outlook**

The US high yield bond sub-fund manager expects the positive dynamics that have continued to fuel the rally since March of 2009 – strong capital market liquidity, economic improvement, risk appetite, and strong demand for high yield product – to continue to push spreads tighter in 2010. That being said, the room for further tightening is nowhere near its level prior to the record rally of 2009, and while the fund manger expects a positive year by historical standards, high yield total returns will inevitably be much less dramatic than in 2009. Having said that, the fund manager believes that risks of higher volatility exist, particularly in the latter part of the year, due to economic and capital market concerns that could heighten with policy tightening. The high yield bond sub-fund is tilted towards companies which the fund manager believes are still attractively priced from a relative valuation perspective, yet also have relatively stable businesses, cashflows, and liquidity positions that are capable of withstanding “slower growth” scenarios. The Fund’s largest overweights are currently in banking (which is largely investment grade rated securities), telecommunications, and building and construction, which reflect these themes.

The Asian bond sub-fund will maintain the overweight in financials, investment-grade and high-yield non-financial corporates, as well as high yield quasi-sovereigns, as the fund manager continues to see relatively better value in these sectors. The fund manager will look to selectively pick up some longer-dated investment-grade corporate credits that have become more attractive after the recent market corrections.

## PRU MONTHLY INCOME PLAN

### Fund Performance

(As at 31 December 2009)

Sub-Fund / Benchmark	3 months %	6 months %	1 year %	3 year %	Since inception <sup>+</sup> %
			(average annual compounded return)		
PRU Monthly Income Plan – Class A	2.9	12.6	32.1	2.4	4.0
PRU Monthly Income Plan – Class M	2.8	12.4	32.0	2.5	4.0
12 month SGD Fixed Deposit rate	0.1	0.3	0.6	0.7	0.8

Source: Prudential Asset Management (Singapore) Limited, benchmark values were calculated using rates published on the MAS website. The return is in S\$, and calculated on a bid-to-bid basis with net income reinvested.

PRU Monthly Income Plan – Class M has distribution payout of 0.4 cents per Class M Unit (ie 0.4% computed based on the initial issue price of S\$1.00) on 12 Jan 09, 10 Mar 09, 13 Apr 09, 11 May 09, 10 Jun 09, 10 Jul, 11 Aug, 10 Sep, 12 Oct, 10 Nov and 10 Dec. Class M has distribution payout of 0.6 cents per Class M Unit (ie 0.6% computed based on the initial issue price of S\$1.00) on 10 Feb 09.

Class A has distribution payout of 5 cents per Class A Unit (i.e. 5% computed based on the initial issue price of S\$1.00) on 10 Feb 09.

<sup>+</sup> 1 February 2005.

Past performance is not necessarily indicative of the future performance of the PRU Monthly Income Plan.

## PRU MONTHLY INCOME PLAN

(As at 31 December 2009)

### Exposure to Derivatives

	Fair Value at 31 Dec 09	Percentage of total net assets attributable to unitholders at 31 Dec 09	Net Unrealised Gains/ (Losses)	Net Realised Gains/ (Losses)
Types of Derivatives	SGD	%	SGD	SGD
Forward Foreign Exchange Contracts	(688,381)	(0.44)	(688,381)	2,746,161

### Investment in other unit trusts, mutual funds and collective investment schemes

The PRU Monthly Income Plan invests SGD 76,131,589 and SGD 70,678,505 equivalent to 48.94% and 45.44% of its net asset value attributable to unitholders, in International Opportunities Funds - Asian Bond and International Opportunities Funds - US High Yield Bond respectively.

### Borrowings

Nil.

### Related Party Transactions

The PRU Monthly Income Plan invests SGD 76,131,589 and SGD 70,678,505 equivalent to 48.94% and 45.44% of its net asset value attributable to unitholders, in International Opportunities Funds - Asian Bond and International Opportunities Funds - US High Yield Bond respectively. Some directors of the International Opportunities Funds, an open-ended investment company registered in Luxembourg, are also directors of Prudential Asset Management (Singapore) Limited.

Refer as well to Note 10 of the "Notes to the Financial Statements".

### Total Subscriptions and Redemptions for the year ended 31 December 2009

	SGD
Subscriptions	14,449,354
Redemptions	(12,626,425)

### Annualised Expense Ratio\*\*

1.46% (2008: 1.48%)

*\*\* The expense ratio does not include, (where applicable) brokerage and other transaction costs, performance fee, foreign exchange gains/losses, front or backend loads arising from the purchase or sale of other schemes and tax deducted at source or arising out of income received.*

### Turnover Ratio

7.75% (2008: 28.98%)

## **PRU MONTHLY INCOME PLAN**

### **Soft Dollar Commission**

The soft dollar arrangements may include specific advice as to the advisability of dealing in, or as to the value of any investments, research and advisory services, economic and political analyses, portfolio analyses including valuation and performance measurements, market analyses data and quotation services, computer hardware and software or any other information facilities to the extent that they are used to support the investment decision making process, the giving of advice, the conduct of research or analysis, or analysis of trade execution, and custodial service in relation to the investments managed for clients. Soft-dollar commissions/arrangements shall not include travel, accommodation, entertainment, general administrative goods and services, general office equipment or premises, membership fees, employees' salaries or direct money payment.

Soft dollar arrangements have been undertaken by Prudential Asset Management (Singapore) Limited ("PAMS") in respect of the Fund. The soft dollar arrangements relate essentially to the use of an analytical tool provided by a broker, ITG Hong Kong Limited ("ITG HK") for the purpose of assessing and monitoring the efficiency of trade execution. PAMS also uses an execution management system provided by ITG HK. This system enhances current equity order management workflows by increasing functionality with regard to live market data, pre and post-trade execution analytics and access to broker algorithm trading strategies. The said broker has also executed trades for other schemes managed by PAMS.

PAMS confirms that the goods and services received were for the benefits of the funds, trades were executed at the best available terms, taking into account the relevant market at the time for transactions of the kind and size concerned, and there was no churning of trades.

### **Any other material information that will adversely impact the valuation of the Fund**

Nil.

## PRU MONTHLY INCOME PLAN

### Top 10 Holdings

(As at 31 December 2009)

	Market Value SGD	% of Total Net Assets ***
International Opportunities Funds: Asian Bond Class D	76,131,589	48.94
International Opportunities Funds: US High Yield Bond Class D	70,678,505	45.44
Sembcorp Industries Ltd	334,880	0.22
StarHub Ltd	329,560	0.21
Singapore Post Ltd	329,260	0.21
Parkway Life Reit	325,740	0.21
Macquarie International Infrastructure Fund Ltd	319,410	0.21
Singapore Telecommunications Ltd	306,900	0.20
Frasers Centrepoint Trust	300,840	0.19
Mobileone Ltd	287,280	0.18

### Top 10 Holdings

(As at 31 December 2008)

	Market Value SGD	% of Total Net Assets ***
International Opportunities Funds: Asian Bond Class D		
International Opportunities Funds: US High Yield Bond Class D	70,051,349	56.51
Singapore Treasury Bill	52,691,339	42.50
Tanjong PLC	2,748,000	2.22
Resorts World Bhd	696,682	0.56
Singapore Press Holdings Ltd	648,937	0.52
StarHub Ltd	590,900	0.47
Tenaga Nasional Bhd	530,750	0.43
Metropolitan Bank & Trust Company	488,231	0.39
Sembcorp Industries Ltd	324,531	0.26
	322,480	0.26

\*\*\* Any differences in the percentage of the Net Asset figures are the result of rounding.

## PRU MONTHLY INCOME PLAN

### Schedule of Investments

(As at 31 December 2009)

	Market Value SGD	% of Total Net Assets ***
<b>Country</b>		
Luxembourg	146,810,094	94.38
Malaysia	603,313	0.39
Singapore	4,727,380	3.04
<b>Industry</b>		
Electronic	97,240	0.06
Engineering	334,880	0.22
Entertainment	684,206	0.44
Food	260,120	0.17
Investment	566,800	0.37
Investment funds	148,458,924	95.44
Public utilities	201,697	0.13
Real Estate	283,920	0.18
Telecom service	923,740	0.59
Transport	329,260	0.21
<b>Asset Class</b>		
Equities	3,681,863	2.37
Investment in Underlying Funds	148,458,924	95.44
Other Net Assets	3,405,749	2.19

\*\*\* Any differences in the percentage of the Net Asset figures are the result of rounding.

## INTERNATIONAL OPPORTUNITIES FUNDS - ASIAN BOND

### Top 10 Holdings

(As at 31 December 2009)

	Market Value USD	% of Net Assets***
Hutchison Whampoa International Ltd 6.5% 13/2/2013	22,231,404	2.57
Petronas Capital Ltd 7% 22/5/2012	13,712,877	1.59
Petronas Capital Ltd 5.25% 12/8/2019	13,047,935	1.51
PCCW-HKT Capital Ltd 8% 15/11/2011	12,901,235	1.49
Philippine Government International Bond 10.625% 16/3/2025	12,098,250	1.40
Philippine Long Distance Telephone Co. 8.35% 6/3/2017	11,704,000	1.35
Philippine Government International Bond 7.75% 14/1/2031	11,325,000	1.31
Philippine Government International Bond 9.5% 2/2/2030	11,147,250	1.29
Indonesia Government International Bond 6.875% 17/1/2018	10,975,000	1.27
Penerbang 5.63% 15/3/2016	10,442,061	1.21

### Top 10 Holdings

(As at 31 December 2008)

	Market Value USD	% of Net Assets***
Hutchison Whampoa International Ltd 6.5% 13/2/2013	20,294,861	2.81
Petronas Capital Ltd 7% 22/5/2012	15,368,668	2.13
MGTI Finance Co. Ltd (Cayman) 8.375% 15/9/2010	15,132,887	2.09
HKCG FINANCE 6.25% 7/8/2018	13,884,323	1.92
Philippine Government International Bond 9.5% 2/2/2030	13,585,000	1.88
PSA International 5.9% 29/6/2016	13,351,922	1.85
Philippine Government International Bond 6.375% 15/01/2032	13,160,000	1.82
Philippine Government International Bond 7.75% 14/1/2031	13,130,000	1.82
Sun Hung Property 5.375% 8/3/2017	12,372,343	1.71
Philippine Long Distance Telephone Co. 8.35% 6/3/2017	11,578,500	1.60

\*\*\* Any differences in the percentage of the Net Asset figures are the result of rounding.

## INTERNATIONAL OPPORTUNITIES FUNDS - ASIAN BOND

(As at 31 December 2009)

Market Value  
USD % of Net  
Assets\*\*\*

### Credit Ratings (by S&P/Moody's)

(As at 31 December 2009)

AAA	11,776,407	1.36
AA+	2,383,877	0.28
AA	19,517,211	2.26
A+	7,890,000	0.91
A	134,932,676	15.61
A-	165,440,208	19.13
A1	8,581,087	0.99
A3	7,274,500	0.84
Aa2	3,456,000	0.40
BBB+	23,213,910	2.68
BBB	103,059,965	11.93
BBB-	33,720,628	3.90
BB+	16,626,152	1.93
BB	26,506,935	3.06
BB-	99,380,498	11.49
B+	9,649,863	1.11
B	115,224,596	13.32
B1	2,080,000	0.24
B2	7,994,456	0.93
Ba2	2,090,000	0.24
Ba3	6,437,500	0.74
Baa3	13,373,060	1.55

\*\*\* Any differences in the percentage of the Net Asset figures are the result of rounding.

### Annualised Expense Ratio \*

0.05% (2008: 0.06%)

\* The expense ratio does not include, (where applicable) brokerage and other transaction costs, performance fee, foreign exchange gains/losses, front or backend loads arising from the purchase or sale of other schemes and tax deducted at source or arising out of income received.

### Turnover Ratio

37.96% (2008: 70.56%)

## INTERNATIONAL OPPORTUNITIES FUNDS - ASIAN BOND

### Schedule of Investments

(As at 31 December 2009)

	Market Value USD	% of Total Net Assets ***
<b>Country</b>		
Bermuda	1,790,000	0.21
China	36,536,396	4.22
Hong Kong	153,214,535	17.72
India	16,877,500	1.95
Indonesia	123,733,030	14.30
Malaysia	83,772,175	9.69
Philippines	111,463,750	12.89
Qatar	1,657,817	0.19
Singapore	66,676,601	7.69
South Korea	206,907,417	23.95
Taiwan	1,521,000	0.18
Thailand	16,459,308	1.91

\*\*\* Any differences in the percentage of the Net Asset figures are the result of rounding.

## INTERNATIONAL OPPORTUNITIES FUNDS - ASIAN BOND

### Schedule of Investments *(continued)*

	Market Value USD	% of Total Net Assets ***
<b>Industry</b>		
Aerospace & Defence	1,601,189	0.19
Airlines	10,442,061	1.21
Banks	176,684,918	20.41
Chemicals	2,040,191	0.24
Commercial Property	5,923,140	0.68
Diversified Finance	54,361,129	6.29
Diversified Industrials	24,256,219	2.80
Electric Utilities	50,837,520	5.88
Food & Drug Retailers	2,080,000	0.24
Gas Utilities	14,272,386	1.65
Government	203,463,331	23.52
Industrial Conglomerate	81,557,987	9.44
Media	2,339,863	0.27
Oil & Gas	67,822,744	7.86
Paper & Forest Products	5,400,000	0.62
Real Estate	18,711,663	2.17
Real Estate Investment Trust (REITS)	4,787,500	0.55
Retail	3,119,993	0.36
Road & Rail	13,182,903	1.53
Semiconductors & Semiconductor Equipment	1,515,000	0.18
Telecommunications	64,030,439	7.40
Trading & Distribution	7,010,500	0.81
Transport	1,790,000	0.21
Water Utilities	3,378,853	0.39
	<b>Market Value USD</b>	<b>% of Total Net Assets ***</b>
<b>Asset Class</b>		
Corporate Bond	627,667,721	72.58
Government Bond	186,399,097	21.57
Mortgage Related	6,542,710	0.75
Other Net Assets	44,248,748	5.10

\*\*\* Any differences in the percentage of the Net Asset figures are the result of rounding.

## INTERNATIONAL OPPORTUNITIES FUNDS - US HIGH YIELD BOND

### Top 10 Holdings

(As at 31 December 2009)

	Market Value USD	% of Net Assets***
BNY Mellon Universal USD Liquidity Class B	14,077,609	4.95
HCA, Inc. 9.625% 15/11/2016	7,970,448	2.81
Sprint Capital Corp. 6.875% 15/11/2028	7,945,088	2.80
PNC Preferred Funding 8.7% 28/2/2049	7,179,690	2.53
EL Paso Corporation 7.75% 15/1/2032	6,229,768	2.19
Mohawk Industries Inc 6.125% 15/1/2016	5,508,375	1.94
Lennar Corp. 5.6% 31/5/2015	4,764,500	1.68
Liberty Mutual Group 7.8% 15/3/2037	4,269,375	1.50
CSC Holdings, Inc. (United States) 8.5% 15/4/2014	4,258,935	1.50
Chesapeake Energy Corp. 6.875% 15/1/2016	4,253,000	1.50

### Top 10 Holdings

(As at 31 December 2008)

	Market Value USD	% of Net Assets***
BNY Mellon Universal USD Liquidity Class B	8,038,495	5.66
Edison Mission Energy 7% 15/5/2017	3,769,710	2.65
HCA, Inc. 9.25% 15/11/2016	3,037,800	2.14
Pulte Homes 5.25% 15/1/2014	2,840,000	2.00
Energy Fu 10.875% 1/11/2017	2,760,000	1.94
Direct HLD 6.375% 15/6/2015	2,696,520	1.90
Dynegy Holdings, Inc. 7.75% 1/6/2019	2,092,770	1.47
Freeport-McMoRan Copper & Gold, Inc. 8.375% 4/1/2017	2,055,430	1.45
AES Corp. (The) 8% 15/10/2017	2,050,000	1.44
Constellat 7.25% 15/5/2017	1,963,500	1.38

\*\*\* Any differences in the percentage of the Net Asset figures are the result of rounding.

## INTERNATIONAL OPPORTUNITIES FUNDS - US HIGH YIELD BOND

	Market Value USD	% of Net Assets***
<b>Credit Ratings (by S&amp;P/Moody's)</b> (As at 31 December 2009)		
A-	5,331,670	1.88
BBB+	4,125,560	1.45
BBB	8,697,572	3.06
BBB-	13,200,192	4.64
BB+	27,794,614	9.80
BB	62,517,334	22.01
BB-	67,471,531	23.74
B+	32,493,949	11.41
B	25,051,238	8.80
B-	16,000,470	5.63
CCC+	626,250	0.22
Not rated	14,077,609	4.95

\*\*\* Any differences in the percentage of the Net Asset figures are the result of rounding.

### Annualised Expense Ratio \*

0.06% (2008: 0.07%)

\* The expense ratio does not include, (where applicable) brokerage and other transaction costs, performance fee, foreign exchange gains/losses, front or backend loads arising from the purchase or sale of other schemes and tax deducted at source or arising out of income received.

### Turnover Ratio

201.97% (2008: 74.06%)

## INTERNATIONAL OPPORTUNITIES FUNDS - US HIGH YIELD BOND

### Schedule of Investments

(As at 31 December 2009)

	Market Value USD	% of Net Assets***
<b>Country</b>		
Austria	293,930	0.10
Bermuda	467,650	0.16
Brazil	1,245,330	0.44
Canada	9,684,658	3.42
Germany, Federal Republic	1,619,750	0.57
Italy	565,915	0.20
Netherlands	604,515	0.21
South Africa	1,739,778	0.61
United Kingdom	1,238,350	0.44
United States	259,928,114	91.44

	Market Value USD	% of Net Assets***
<b>Industry</b>		
Financial	23,908,340	8.41
Industrials	221,501,847	77.95
Others	14,077,609	4.95
Utility	17,900,192	6.28

	Market Value USD	% of Net Assets***
<b>Asset Class</b>		
Corporate Bond	263,310,379	92.64
Mutual Fund	14,077,609	4.95
Other Net Assets	6,731,721	2.41

\*\*\* Any differences in the percentage of the Net Asset figures are the result of rounding.

## **PRU 3PLUS**

### **Investment Objective**

The investment objective of PRU 3Plus (“the Fund”) is to seek to provide investors with:

- (i) principal repayment on the Maturity Date (as defined below); and
- (ii) a payout of 3.2% of the Initial Offer Price per Unit held by each Holder as at each Anniversary Date

The Fund has a fixed term (the “investment tenure”) commencing on 20 August 2008 (the “Start Date”) and continue for a fixed period of 3 years until 20 August 2011 (or if such date does not fall on a Business Day, the next Business Day) (“Maturity Date”).

“Anniversary Date” means 20 August 2009, 20 August 2010 (or if such dates do not fall on a Business Day, the next Business Day) and the Maturity Date (or such other dates as the Manager may determine from time to time and notify to the Trustee and Holders).

### **Manager’s Commentary**

#### **Fund performance**

The Fund’s NAV per unit was S\$0.240 as at end December 2008 but has since risen to S\$0.711 as of 31 December 2009.

Post balance-sheet date, the swap counterparty, Merrill Lynch International (“Merrill Lynch”), has issued a credit event notice (dated 13 January 2010) in respect of AIFUL Corporation. Taking in account this default, the Fund has experienced 3 credit events since inception.

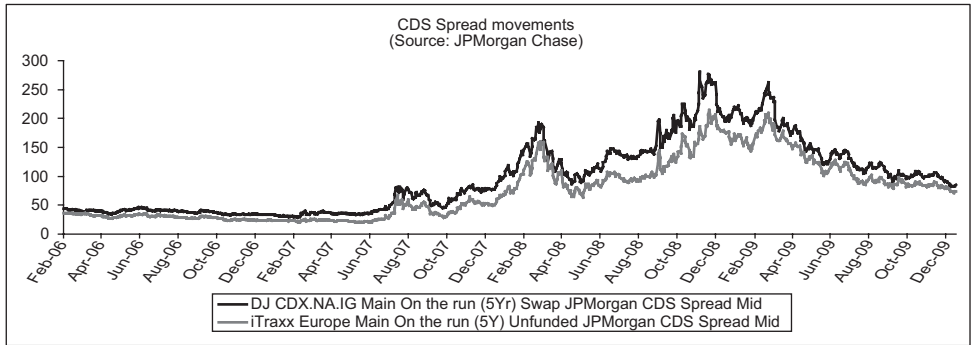
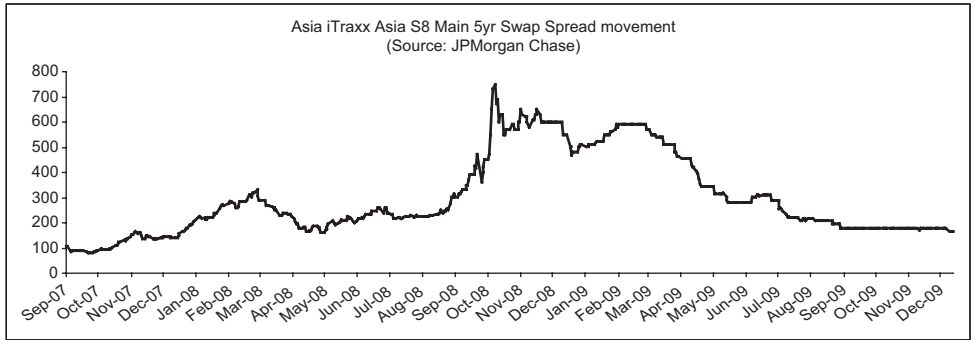
#### **Market background**

Year 2009 started on a low, with markets turning for the better as the year went on. The turnaround in 2009 can be attributed to the aggressive fiscal stimulus introduced by various governments in a bid to prevent their economies spinning into a free fall following the financial system seizure which took place after the collapse of Lehman Brothers in September 2008. As the year unfolded, the United States began to report positive economic data which suggested that its economy had stabilized. Investors were also cheered by China’s fiscal stimulus measures whose impact was expected to have significant influence in the Asian region.

Credit access for investment grade credits was largely restored to normal in 2009. While there were general tightening in credit spreads, non-investment grade companies continued to struggle as investors adopted a cautious approach to this sector especially when there were easier opportunities available in the investment grade sector. Capital accessibility remained tight for non-investment grade issuers and available to select few who were still able to pay the high hurdle rates.

## PRU 3PLUS

Below are the graphs for Credit Derivatives Index (“CDX”) for US, Europe and Asia illustrating the tightening movement of credit spreads.



Source: JP Morgan Chase and Prudential Asset Management (Singapore) Limited, as at end December 2009

Note: The graphs above are included for illustrative purposes only. Please note that there are limitations to the use of such indices as proxies for past performance in the respective asset classes or sectors. The historical performance presented in these graphs are not indicative of and should not be construed as being indicative of or otherwise used as a proxy for the future or likely performance of the Fund. Any projection or forecast is not necessarily indicative of the future or likely performance of the Fund.

## **PRU 3PLUS**

### **Factors affecting performance**

The improvement in the Fund's NAV in 2009 can be attributed primarily to credit spread tightening.

### **Key changes to the portfolio**

The subordination level has increased from 2.084 % as at 31 December 2008 to 2.221% as at 31 December 2009. (Please note that this does not take into account AIFUL Corporation's credit event, which occurred in January 2010). Following AIFUL Corporation's credit event, the subordination is expected to be adjusted downwards. This is pending official notification from the swap counterparty, Merrill Lynch.

As at 31 December 2009, the notes invested in by the Fund was rated "BB" by Standard & Poor's ("S&P"), compared to "BBB-" as at 30 June 2009. The rating was revised downwards due principally to changes in S&P's rating methodology.

### **Outlook**

As global economy stabilizes and recovers, investors are expected to mull on the potential impact of central banks restoring key interest rates to higher levels and governments withdrawing the fiscal packages put in place earlier. Adjustment of benchmark interest rate to higher levels and withdrawal of fiscal stimulus packages may have negative impact on the economy.

Subject to credit default events, we aim to maintain the current subordination level protecting the portfolio against potential credit risks.

## PRU 3PLUS

### Fund Performance

(As at 31 December 2009)

Sub- Fund	3 months %	6 months %	1 year %	Since inception <sup>+</sup> %
				(average annual compounded return)
PRU 3Plus	13.6	50.3	196.3	-22.1

Source: Prudential Asset Management (Singapore) Limited. The return is in S\$, and calculated on a bid-to-bid basis with net income reinvested.

PRU 3Plus has a distribution payout of 3.2% of the Initial Offer Price per Unit (i.e. 3.2 cents computed based on the initial issue price per unit of \$1.00) on 3 Sep 09.

<sup>+</sup> 20 August 2008.

Past performance is not necessarily indicative of the future performance of the PRU 3Plus.

### Schedule of Investments

(As at 31 December 2009)

Number of Shares	Notes	Market Value SGD	% of Net Assets <sup>***</sup>
	<u>Ireland</u>		
8,009,000	Silk Road Plus plc # 13 Series EMTN 5.1% due 20/08/2011**	5,844,354	22.73
8,445,000	Silk Road Plus plc # 14 Series EMTN 5.1% due 20/08/2011**	6,162,513	23.97
7,810,000	Silk Road Plus plc # 15 Series EMTN 5.1% due 20/08/2011**	5,699,139	22.17
8,940,000	Silk Road Plus plc # 16 Series EMTN 5.1% due 20/08/2011**	6,523,726	25.37
<b>Total Investments</b>		<b>24,229,732</b>	<b>94.24</b>
Other Net Assets		1,480,777	5.76
<b>Total Net Assets Attributable to Unitholders</b>		<b>25,710,509</b>	<b>100.00</b>

\*\* The credit rating of these Silk Road Plus plc notes as at 31 December 2009 is BB (S&P).

\*\*\* Any differences in the percentage of the Net Asset figures are the result of rounding.

## **PRU 3PLUS**

(As at 31 December 2009)

### **Exposure to Derivatives**

PRU 3Plus has a net asset value of SGD 24,229,732 (equivalent to 94.24% of its total net asset value attributable to unitholders) invested in Silk Road Plus plc #13, #14, #15 and #16 Series due on 20/08/2011.

### **Investment in other unit trusts, mutual funds and collective investment schemes**

Nil.

### **Borrowings**

Nil.

### **Related Party Transactions**

Refer to Note 10 of the “Notes to the Financial Statements”.

### **Total Redemptions for the year ended 31 December 2009**

	<b>SGD</b>
Redemptions	(68,428)

*Note : PRU 3Plus is no longer available for subscription.*

### **Annualised Expense Ratio\***

1.95% (2008: 0.71%)

*\* The expense ratio does not include, (where applicable) brokerage and other transaction costs, performance fee, foreign exchange gains/losses, front or backend loads arising from the purchase or sale of other schemes and tax deducted at source or arising out of income received.*

### **Turnover Ratio**

Nil (2008: 0.64%)

### **Soft Dollar Commission**

Not applicable

### **Any other material information that will adversely impact the valuation of the fund**

Nil.

## **YIELD 15 & YIELD 20**

### **Investment Objective**

Yield 15 and Yield 20 seek to provide investors with:

- (i) 100% capital protection on the Maturity Date; and
- (ii) a payout of 3% and 4.5%\*\* of the Initial Offer Price per Unit held by each Holder as at each Anniversary Date for Yield 15 and Yield 20 respectively.

(\*\*due to favourable currency swap conditions, payout for Yield 20 has been increased from the stated Prospectus amount of 4% to 4.5%).

“Maturity Date” means 10 June 2010 (or if such date does not fall on a Business Day, the next Business Day).

The next “Anniversary Date” means the Maturity Date (or if such date does not fall on a Business Day, the next Business Day).

### **Manager’s Commentary**

#### **Fund performance**

For the year ended 31 December 2009, 11 credit events occurred in the respective underlying reference portfolios of the Funds, bringing the total to 15 credit events each since the Funds’ inception. On 30 December 2009, the International Swaps and Derivatives Association, Inc. announced that a restructuring credit event occurred in respect of AIFUL Corporation. Post balance sheet date, the Funds have received official notification on the new credit event but yet to receive its final recovery rate from the swap counterparty, Deutsche Bank AG.

The NAV per unit for Yield 15 and Yield 20 were S\$0.876 and US\$0.907 respectively as at 31 December 2009 as compared to S\$0.602 and US\$0.627 respectively as at 31 December 2008.

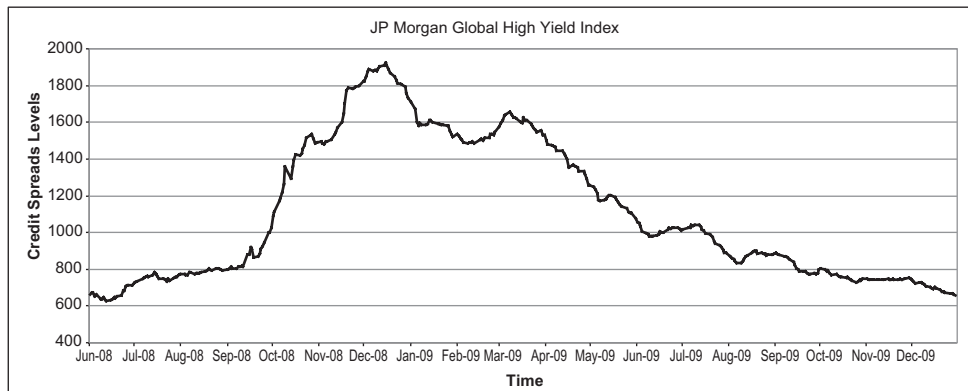
#### **Market background**

Year 2009 started on a low, with markets turning for the better as the year went on. The turnaround in 2009 can be attributed to the aggressive fiscal stimulus introduced by various governments in a bid to prevent their economies spinning into a free fall following the financial system seizure which took place after the collapse of Lehman Brothers in September 2008. As the year unfolded, the United States began to report positive economic data which suggested that its economy had stabilized. Investors were also cheered by China’s fiscal stimulus measures whose impact was expected to have significant influence in the Asian region.

Credit access for investment grade credits was largely restored to normal in 2009. While there were general tightening in credit spreads, non-investment grade companies continued to struggle as investors adopted a cautious approach to this sector especially when there were easier opportunities available in the investment grade sector. Capital accessibility remained tight for non-investment grade issuers and available to select few who were still able to pay the high hurdle rates.

## YIELD 15 & YIELD 20

The graph below shows the credit spread level of the JP Morgan Global High Yield Index.



Source: JP Morgan, as at end December 2009

Note: The graph above is included for illustrative purposes only. Please note that there are limitations to the use of such index as proxies for past performance in the respective asset class or sector. The historical performance presented in the graph is not indicative of and should not be construed as being indicative of or otherwise used as a proxy for the future or likely performance of the Funds. Any projection or forecast is not necessarily indicative of the future or likely performance of the Funds.

### Factors affecting performance

The improvement in the Funds' NAVs can be attributed to the general tightening of credit spreads.

### Key changes to the portfolio

The subordination levels at the start of the year for Yield 15 and Yield 20 were 18.66% and 18.73% respectively. As at 31 December 2009, the subordination levels for Yield 15 and Yield 20 were 10.81% and 10.92% respectively. The swap counterparty, Deutsche Bank AG, has not notified the final recovery rate of the last credit event in respect of AIFUL Corporation. As such, these subordination levels do not take into account the new credit event of AIFUL Corporation.

As at 31 December 2009, the notes issued by R.A.S.A. (Repackaged Assets & Securities in Asia) Limited were rated "BBB-" by Standard and Poor's versus a rating of "AA" as at 31 December 2008.

## **YIELD 15 & YIELD 20**

### **Outlook**

As global economy stabilizes and recovers, investors are expected to mull on the potential impact of central banks restoring key interest rates to higher levels and governments withdrawing the fiscal packages put in place earlier. Adjustment of benchmark interest rates to higher levels and withdrawal of fiscal stimulus packages may have negative impact on the economy.

Non-investment grade companies' business prospects remain challenging in the near term despite the global economy showing signs of stabilization. Unless there is a dramatic increase in risk appetite, non-investment grade companies' access to capital is expected to remain limited.

## YIELD 15

### Fund Performance

(As at 31 December 2009)

Sub – Fund / Benchmark	3-month %	6-month %	1-year %	3 year %	since inception <sup>+</sup> %
			(average annual compounded return)		
Yield 15	17.6	48.2	45.5	-2.7	-2.9
12 month SGD Fixed Deposit Rate	0.1	0.3	0.6	0.7	0.8

Source: Prudential Asset Management (Singapore) Limited, benchmark values calculated using rates published on the MAS website. The return is in S\$, and calculated on a bid-to-bid basis with net income reinvested.

Yield 15 has a distribution payout of 3% of the Initial Offer Price per Unit (i.e. 3 cents computed based on the initial issue price per unit of \$1.00) on 24 Jun 09.

<sup>+</sup> 10 June 2005.

Past performance is not necessarily indicative of the future performance of Yield 15.

### Schedule of Investments

(As at 31 December 2009)

Number of Shares	Notes	Market Value SGD	% of Net Assets <sup>***</sup>
	<u>Singapore</u>		
132,286,000	R.A.S.A (Repackage Assets & Securities in Asia) Limited Series 23 3.75% 10/06/2010 (“RASA Note 23”)**	111,260,610	98.92
<b>Total Investments</b>		111,260,610	98.92
Other Net Assets		1,217,593	1.08
<b>Total Net Assets Attributable to Unitholders</b>		112,478,203	100.00

\*\* The credit rating of RASA Note 23 as at 31 December 2009 is BBB- (S&P).

\*\*\* Any differences in the percentage of the Net Asset figures are the result of rounding.

## **YIELD 15**

(As at 31 December 2009)

### **Exposure to Derivatives**

Yield 15 has a net asset value of SGD 111,260,610 (equivalent to 98.92% of its total net asset value attributable to unitholders) invested in RASA Note 23.

### **Investment in other unit trusts, mutual funds and collective investment schemes**

Nil.

### **Borrowings**

Nil.

### **Related Party Transactions**

Refer to Note 10 of the “Notes to the Financial Statements”

### **Total Redemptions for the year ended 31 December 2009**

	<b>SGD</b>
Redemptions	(81,959,614)

*Note : Yield 15 is no longer available for subscription.*

### **Annualised Expense Ratio\***

1.08% (2008:1.08%)

*\* The expense ratio does not include, (where applicable) brokerage and other transaction costs, performance fee, foreign exchange gains/losses, front or backend loads arising from the purchase or sale of other schemes and tax deducted at source or arising out of income received.*

### **Turnover Ratio**

Nil.

### **Soft Dollar Commission**

Not applicable

### **Any other material information that will adversely impact the valuation of the fund**

Nil.

## YIELD 20

### Fund Performance

(As at 31 December 2009)

Sub – Fund / Benchmark	3-month %	6-month %	1-year %	3 year %	since inception <sup>+</sup> %
			(average annual compounded return)		
Yield 20	17.8	48.7	44.7	-2.4	-2.1
12 month USD Fixed Deposit Rate	0.2	0.5	1.4	3.2	3.8

Source: Prudential Asset Management (Singapore) Limited, benchmark returns taken from Bloomberg. The return is in US\$, and calculated on a bid-to-bid basis with net income reinvested.

Yield 20 has a distribution payout of 4.5% of the Initial Offer Price per Unit (i.e. 4.5 cents computed based on the initial issue price per unit of \$1.00) on 24 Jun 09.

<sup>+</sup> 10 June 2005.

Past performance is not necessarily indicative of the future performance of Yield 20.

### Schedule of Investments

(As at 31 December 2009)

Number of Shares	Notes	Market Value USD	% of Net Assets <sup>***</sup>
	<u>Singapore</u>		
8,783,000	R.A.S.A (Repackage Assets & Securities in Asia) Limited Series 24 5.5% 10/06/2010 ("RASA Note 24") <sup>**</sup>	7,559,601	98.69
<b>Total Investments</b>		7,559,601	98.69
Other Net Assets		100,315	1.31
<b>Total Net Assets Attributable to Unitholders</b>		7,659,916	100.00

<sup>\*\*</sup> The credit rating of RASA Note 24 as at 31 December 2009 is BBB- (S&P).

<sup>\*\*\*</sup> Any differences in the percentage of the Net Asset figures are the result of rounding.

## **YIELD 20**

(As at 31 December 2009)

### **Exposure to Derivatives**

Yield 20 has a net asset value of USD 7,559,601 (equivalent to 98.69% of its total net asset value attributable to unitholders) invested in RASA Note 24.

### **Investment in other unit trusts, mutual funds and collective investment schemes**

Nil.

### **Borrowings**

Nil.

### **Related Party Transactions**

Refer to Note 10 of the “Notes to the Financial Statements”

### **Total Redemptions for the year ended 31 December 2009**

	<b>USD</b>
Redemptions	(4,223,525)

*Note : Yield 20 is no longer available for subscription.*

### **Annualised Expense Ratio\***

1.09% (2008:1.09%)

*\* The expense ratio does not include, (where applicable) brokerage and other transaction costs, performance fee, foreign exchange gains/losses, front or backend loads arising from the purchase or sale of other schemes and tax deducted at source or arising out of income received.*

### **Turnover Ratio**

Nil.

### **Soft Dollar Commission**

Not applicable

### **Any other material information that will adversely impact the valuation of the fund**

Nil.

## REPORT OF THE TRUSTEE

The Trustee is under a duty to take into custody and hold the assets of Prudential Funds (“the Fund”) in trust for the unitholders. In accordance with the Securities and Futures Act (Cap 289), its subsidiary legislation and the Code on Collective Investment Schemes (collectively referred to as the “laws and regulations”), the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting period and report thereon to unitholders in an annual report which shall contain the matters prescribed by the laws and regulations as well as the recommendations of the Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Certified Public Accountants of Singapore and the provisions of the Trust Deed.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the year covered by these financial statements, set out on pages 34 to 61, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and notes to the financial statements, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

For and on behalf of  
**HSBC Institutional Trust Services (Singapore) Limited**

.....  
**Authorised Signatory**

**Singapore**  
**25 March 2010**

## **STATEMENT BY THE MANAGER**

In the opinion of the directors of Prudential Asset Management (Singapore) Limited, the accompanying financial statements set out on pages 34 to 61, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and notes to the financial statements are drawn up so as to present fairly, in all material respects, the financial position of Prudential Funds as at 31 December 2009 and the total return for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Certified Public Accountants of Singapore. At the date of this statement, there are reasonable grounds to believe that Prudential Funds will be able to meet its financial obligations as and when they materialise.

For and on behalf of the directors of  
**Prudential Asset Management (Singapore) Limited**

.....  
**Julian Christopher Vivian Pull**  
Director

**Singapore**  
**25 March 2010**

## **INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF PRUDENTIAL FUNDS**

(Constituted under a Trust Deed in the Republic of Singapore)

We have audited the financial statements of Prudential Funds ("the Fund"), which comprise the Statement of Total Return for the year ended 31 December 2009, Balance Sheet and Portfolio Statement as at 31 December 2009, and a summary of significant accounting policies and other explanatory notes, as set out on pages 34 to 61.

### *Manager's Responsibility for the Financial Statements*

The Fund's Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Fund's Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF PRUDENTIAL FUNDS**

(Constituted under a Trust Deed in the Republic of Singapore)

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the total return for the year ended 31 December 2009 and the financial position of the Fund as at 31 December 2009 in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore.

### *Emphasis of matter*

Without qualifying our opinion, we draw attention to note 2 of the financial statements which states that in accordance with the provisions of Trust Deed, two of the sub-funds, Yield 15 and Yield 20 will mature on 10 June 2010. Accordingly, the Fund's Manager have prepared the financial statements on the basis that these two sub-funds are no longer a going concern. Assets have been recorded at amounts that they are expected to be realised and liabilities at amounts that they are expected to be eventually settled.

### **KPMG LLP**

*Public Accountants and  
Certified Public Accountants*

**Singapore**

**25 March 2010**

## **FINANCIAL STATEMENTS**

For the year ended 31 December 2009 (audited)

	Page
Statement of Total Return	35 - 36
Balance Sheet	37 - 38
Portfolio Statement	39 - 46
Notes to the Financial Statements	47 - 61

**PRUDENTIAL FUNDS**
**Statement of Total Return**

Year ended 31 December 2009

	<u>PRU Monthly Income Plan</u>		<u>PRU 3Plus</u>		
	Note	Year ended 31/12/2009 S\$	Year ended 31/12/2008 S\$	Year ended 31/12/2009 S\$	Period from 20/08/2008 to 31/12/2008 S\$
<b>Income</b>					
Dividend		358,894	432,580	-	-
Interest		2,738	48,248	454	14,859
		<u>361,632</u>	<u>480,828</u>	<u>454</u>	<u>14,859</u>
<b>Less: Expenses</b>					
Management fees		1,774,283	1,597,763	564,107	207,097
Registration fees		17,224	21,533	10,000	4,167
Trustees' fees		56,188	50,997	-	-
Custody fees		2,180	8,256	-	-
Audit fees		10,558	10,556	-	-
Others		120,694	83,314	6,667	2,778
		<u>1,981,127</u>	<u>1,772,419</u>	<u>580,774</u>	<u>214,042</u>
<b>Net losses</b>		<u>(1,619,495)</u>	<u>(1,291,591)</u>	<u>(580,320)</u>	<u>(199,183)</u>
<b>Net gains or losses on value of investments</b>					
Net realised (losses)/gains on investments sold		(1,365,393)	(2,399,737)	1,631,194	(128,483)
Net change in fair value on investments		39,374,195	(24,930,548)	15,939,191	(24,913,524)
Net realised gains on financial derivatives		2,746,161	-	-	-
Net change in fair value on financial derivatives	7	(688,381)	(7,752,639)	-	-
Net foreign exchange gains		117,592	597,299	-	207
<b>Net gains/(losses) on value of investments</b>		<u>40,184,174</u>	<u>(34,485,625)</u>	<u>17,570,385</u>	<u>(25,041,800)</u>
<b>Total return/(deficit) for the year/ period before income tax</b>		38,564,679	(35,777,216)	16,990,065	(25,240,983)
<b>Less: Income tax</b>	3	30,099	51,339	-	-
<b>Total return/(deficit) for the year/ period after income tax before distribution</b>		<u>38,534,580</u>	<u>(35,828,555)</u>	<u>16,990,065</u>	<u>(25,240,983)</u>
<b>Less: Distribution</b>		8,778,476	6,044,717	1,115,829	-
<b>Total return/(deficit) for the year/ period</b>		<u>29,756,104</u>	<u>(41,873,272)</u>	<u>15,874,236</u>	<u>(25,240,983)</u>

The accompanying notes form an integral part of these financial statements.

**PRUDENTIAL FUNDS**
**Statement of Total Return**

Year ended 31 December 2009

	Yield 15		Yield 20	
	Year ended	Year ended	Year ended	Year ended
	Note	31/12/2009	31/12/2008	31/12/2009
	S\$	S\$	US\$	US\$
<b>Income</b>				
Dividend	-	-	-	-
Interest	350	-	-	30
	350	-	-	30
<b>Less: Expenses</b>				
Management fees	2,503,666	2,503,666	197,800	197,800
Registration fees	53,447	53,447	4,211	4,211
Trustees' fees	110,323	110,323	8,804	8,804
Custody fees	40,037	40,037	3,155	3,155
Audit fees	200	3,400	-	1,834
Others	34,434	34,046	3,304	3,217
	2,742,107	2,744,919	217,274	219,021
<b>Net losses</b>	(2,741,757)	(2,744,919)	(217,274)	(218,991)
<b>Net gains or losses on value of investments</b>				
Net realised (losses)/gains on investments sold	(14,128,882)	4,623,814	(388,302)	294,316
Net change in fair value on investments	76,341,422	(85,119,373)	4,296,745	(4,958,935)
Net realised gains on financial derivatives	-	-	-	-
Net change in fair value on financial derivatives	7	-	-	-
Net foreign exchange gains	-	-	-	-
<b>Net gains/ (losses) on value of investments</b>	62,212,540	(80,495,559)	3,908,443	(4,664,619)
<b>Total return/(deficit) for the year before income tax</b>	59,470,783	(83,240,478)	3,691,169	(4,883,610)
<b>Less: Income tax</b>	3	-	-	-
<b>Total return/(deficit) for the year after income tax before distribution</b>	59,470,783	(83,240,478)	3,691,169	(4,883,610)
<b>Less: Distribution</b>	6,823,112	7,374,188	600,800	713,743
<b>Total return/(deficit) for the year</b>	52,647,671	(90,614,666)	3,090,369	(5,597,353)

The accompanying notes form an integral part of these financial statements.

## PRUDENTIAL FUNDS

## Balance Sheet As at 31 December 2009

	Note	PRU Monthly Income Plan		PRU 3Plus	
		2009	2008	2009	2008
		S\$	S\$	S\$	S\$
<b>ASSETS</b>					
Portfolio of investments		152,140,787	131,094,066	24,229,732	8,425,542
Prepaid expenses	4	-	-	921,116	1,485,223
Receivables	5	524,517	237,649	102	-
Cash and bank balances		4,474,048	603,444	583,170	881
Financial derivatives, at fair value	7	-	69,067	-	-
<b>Total assets</b>		<u>157,139,352</u>	<u>132,004,226</u>	<u>25,734,120</u>	<u>9,911,646</u>
<b>LIABILITIES</b>					
Payables	6	904,435	215,017	23,611	6,945
Financial derivatives, at fair value	7	688,381	7,821,706	-	-
Net assets attributable to unitholders	8	155,546,536	123,967,503	25,710,509	9,904,701
<b>Total liabilities</b>		<u>157,139,352</u>	<u>132,004,226</u>	<u>25,734,120</u>	<u>9,911,646</u>

*The accompanying notes form an integral part of these financial statements.*

## PRUDENTIAL FUNDS

**Balance Sheet**  
As at 31 December 2009

	Note	Yield 15		Yield 20	
		2009	2008	2009	2008
		S\$	S\$	US\$	US\$
<b>ASSETS</b>					
Portfolio of investments		111,260,610	137,853,188	7,559,601	8,479,856
Prepaid expenses	4	1,210,893	3,952,042	98,375	314,927
Receivables	5	116,137	331,357	-	60,632
Cash and bank balances		11,390	913	1,940	357
Financial derivatives, at fair value	7	-	-	-	-
<b>Total assets</b>		<b>112,599,030</b>	<b>142,137,500</b>	<b>7,659,916</b>	<b>8,855,772</b>
<b>LIABILITIES</b>					
Payables	6	120,827	347,354	-	62,700
Financial derivatives, at fair value	7	-	-	-	-
Net assets attributable to unitholders	8	112,478,203	141,790,146	7,659,916	8,793,072
<b>Total liabilities</b>		<b>112,599,030</b>	<b>142,137,500</b>	<b>7,659,916</b>	<b>8,855,772</b>

*The accompanying notes form an integral part of these financial statements.*

**PRUDENTIAL FUNDS****Portfolio Statement**  
As at 31 December 2009**PRU Monthly Income Plan**

	<b>Holdings 31/12/2009 (units)</b>	<b>Fair value 31/12/2009 (\$)</b>	<b>Percentage of total net assets attributable to unitholders 31/12/2009 (%)</b>
<b>By Geography* - Primary</b>			
<b>Unquoted investment funds</b>			
<b>Luxembourg</b>			
International Opportunities Funds:			
Asian Bond Class D	3,836,886	76,131,589	48.94
US High Yield Bond Class D	4,309,417	70,678,505	45.44
		<u>146,810,094</u>	<u>94.38</u>
<b>Quoted investment funds</b>			
<b>Singapore</b>			
AIMS AMP Capital Industrial Reit	410,000	86,100	0.05
CapitalMall Trust Reit	136,000	243,440	0.16
CDL Hospitality Trusts	162,000	281,880	0.18
Cityspring Infrastructure Trust	257,000	151,630	0.10
Frasers Centrepoint Trust	218,000	300,840	0.19
Parkway Life Reit	267,000	325,740	0.21
Suntec Reit	192,000	259,200	0.17
		<u>1,648,830</u>	<u>1.06</u>
<b>Quoted shares</b>			
<b>Malaysia</b>			
Genting Malaysia	152,600	175,824	0.11
Tanjong PLC	32,700	225,792	0.15
Tenaga Nasional Bhd	58,700	201,697	0.13
		<u>603,313</u>	<u>0.39</u>

\* Geography classification is based on the country of incorporation of the entities/ issuers of debt securities.

The accompanying notes form an integral part of these financial statements.

**PRUDENTIAL FUNDS**

**Portfolio Statement**  
As at 31 December 2009

**PRU Monthly Income Plan**

	<b>Holdings 31/12/2009 (units)</b>	<b>Fair value 31/12/2009 (\$)</b>	<b>Percentage of total net assets attributable to unitholders 31/12/2009 (%)</b>
<b>By Geography* - Primary (continued)</b>			
<b>Singapore</b>			
ARA Asset Management Ltd	286,000	247,390	0.16
Bukit Sembawang Estates Ltd	56,000	283,920	0.18
Macquarie International Infrastructure Fund Ltd	702,000	319,410	0.21
Mobileone Ltd	152,000	287,280	0.18
Pacific Andes Resources Development Ltd	929,000	260,120	0.17
Sembcorp Industries Ltd	91,000	334,880	0.22
Singapore Post Ltd	326,000	329,260	0.21
Singapore Press Holdings Ltd	77,000	282,590	0.18
Singapore Telecommunications Ltd	99,000	306,900	0.20
StarHub Ltd	154,000	329,560	0.21
Venture Corporation Ltd	11,000	97,240	0.06
		<b>3,078,550</b>	<b>1.98</b>
<b>Portfolio of investments</b>		<b>152,140,787</b>	<b>97.81</b>
<b>Other net assets</b>		<b>3,405,749</b>	<b>2.19</b>
<b>Net assets attributable to unitholders</b>		<b>155,546,536</b>	<b>100.00</b>

\* Geography classification is based on the country of incorporation of the entities/ issuers of debt securities.

The accompanying notes form an integral part of these financial statements.

**PRUDENTIAL FUNDS****Portfolio Statement**  
As at 31 December 2009

	<b>PRU Monthly Income Plan</b>	
	<b>Percentage of total net assets attributable to unitholders</b>	
	<b>31/12/2009</b>	<b>31/12/2008</b>
	<b>(%)</b>	<b>(%)</b>
<b>By Geography* (summary) - Primary</b>		
Indonesia	-	0.10
Luxembourg	94.38	99.01
Malaysia	0.39	1.73
Philippines	-	0.26
Singapore	3.04	4.65
<b>Portfolio of investments</b>	<b>97.81</b>	<b>105.75</b>
<b>Other net assets/(liabilities)</b>	<b>2.19</b>	<b>(5.75)</b>
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	<b>100.00</b>

\* *Geography classification is based on the country of incorporation of the entities/issuers of debt securities.*

*The accompanying notes form an integral part of these financial statements.*

**PRUDENTIAL FUNDS**

**Portfolio Statement**  
As at 31 December 2009

**PRU Monthly Income Plan**

	Fair value 31/12/2009 (S\$)	Percentage of total net assets attributable to unitholders	
		31/12/2009 (%)	31/12/2008 (%)
<b>By Industry - Secondary</b>			
Agriculture	-	-	0.26
Automobile industry	-	-	0.19
Banks and financial institutions	-	-	0.26
Electronic	97,240	0.06	0.16
Energy	-	-	0.10
Engineering	334,880	0.22	0.26
Entertainment	684,206	0.44	1.55
Food	260,120	0.17	-
Government	-	-	2.22
Investment	566,800	0.37	-
Investment funds	148,458,924	95.44	99.93
Public utilities	201,697	0.13	0.39
Real estate	283,920	0.18	-
Telecom services	923,740	0.59	0.43
Transport	329,260	0.21	-
<b>Portfolio of investments</b>	<b>152,410,787</b>	<b>97.81</b>	<b>105.75</b>
<b>Other net assets/(liabilities)</b>	<b>3,405,749</b>	<b>2.19</b>	<b>(5.75)</b>
<b>Net assets attributable to unitholders</b>	<b>155,546,536</b>	<b>100.00</b>	<b>100.00</b>

*The accompanying notes form an integral part of these financial statements.*

**PRUDENTIAL FUNDS**

**Portfolio Statement**  
As at 31 December 2009

	<b>PRU 3Plus</b>			
	<b>Holdings</b> <b>31/12/2009</b> <b>(units)</b>	<b>Fair value</b> <b>31/12/2009</b> <b>(\$)</b>	<b>Percentage of</b> <b>total net assets</b> <b>attributable</b> <b>to unitholders</b> <b>31/12/2009 31/12/2008</b> <b>(%) (%)</b>	
<b>By Geography* - Primary</b>				
<b>Unquoted notes</b>				
<b>Ireland</b>				
Silk Road Plus plc # 13 Series	8,009,000	5,844,354	22.73	20.44
Silk Road Plus plc # 14 Series	8,445,000	6,162,513	23.97	21.55
Silk Road Plus plc # 15 Series	7,810,000	5,699,139	22.17	20.27
Silk Road Plus plc # 16 Series	8,940,000	6,523,726	25.37	22.81
<b>Portfolio of investments</b>		24,229,732	94.24	85.07
<b>Other net assets</b>		1,480,777	5.76	14.93
<b>Net assets attributable to unitholders</b>		25,710,509	100.00	100.00

\* *Geography classification is based on the country of incorporation of the entities/ issuers of debt securities.*

Notes issued by Silk Road Plus Public Limited Company ("Silk Road Plus plc") are under the Silk Road Plus US\$50,000,000,000 Limited Recourse Secured Debt Issuance Program. The proceeds received by Silk Road Plus plc are used to purchase fixed income securities which include:

1. SGD 8,064,000 nominal amount bond issued by Australia and New Zealand Banking Group Limited.
2. SGD 8,500,000 nominal amount bond issued by Commonwealth Bank of Australia.
3. SGD 8,000,000 nominal amount issued by Lloyds TSB Bank plc.
4. SGD 9,000,000 nominal amount issued by Westpac Banking Corporation.

These securities form the Collateral for Silk Road Plus plc's obligation under the Notes and the derivative transactions entered into with Merrill Lynch International. Merrill Lynch International quotes an unwinding price for the Notes. Silk Road Plus plc entered into credit default swap agreement(s) (the "Credit Default Swap(s)") with Merrill Lynch International (the "Swap Counterparty") under which the Swap Counterparty buys credit protection in respect of a basket of corporate, financial institution and/or sovereign reference entities (the "Reference Portfolio") from Silk Road Plus plc. The investors of PRU 3Plus are therefore exposed to the losses resulting from the occurrence of Credit Events as defined in the Prospectus of PRU 3Plus in respect of the underlying Reference Portfolio under the Credit Default Swap(s).

*The accompanying notes form an integral part of these financial statements.*

**PRUDENTIAL FUNDS**

**Portfolio Statement**  
As at 31 December 2009

	<b>PRU 3Plus</b>		
	<b>Fair value</b>	<b>Percentage of total</b>	
		<b>31/12/2009</b>	<b>31/12/2009</b>
<b>By Industry - Secondary</b>	<b>(S\$)</b>	<b>(%)</b>	<b>(%)</b>
Financial institutions	24,229,732	94.24	85.07
<b>Other net assets</b>	1,480,777	5.76	14.93
<b>Net assets attributable to unitholders</b>	<b>25,710,509</b>	<b>100.00</b>	<b>100.00</b>

	<b>Yield 15</b>			
	<b>Holdings</b>	<b>Fair value</b>	<b>Percentage of</b>	
			<b>31/12/2009</b>	<b>31/12/2009</b>
<b>By Geography* - Primary</b>	<b>(units)</b>	<b>(S\$)</b>	<b>(%)</b>	<b>(%)</b>
<b>Unquoted notes</b>				
<b>Singapore</b>				
R.A.S.A. (Repackaged Assets & Securities in Asia) Limited				
Notes Series 23 ("RASA Note")	132,286,000	111,260,610	98.92	97.22
<b>Portfolio of investments</b>		111,260,610	98.92	97.22
<b>Other net assets</b>		1,217,593	1.08	2.78
<b>Net assets attributable to unitholders</b>		<b>112,478,203</b>	<b>100.00</b>	<b>100.00</b>

**Unquoted notes**

**Singapore**

R.A.S.A. (Repackaged Assets & Securities in Asia) Limited  
Notes Series 23 ("RASA Note")

**Portfolio of investments**

**Other net assets**

**Net assets attributable to unitholders**

\* *Geography classification is based on the country of incorporation of the entities/ issuers of debt securities.*

Notes issued by R.A.S.A. (Repackaged Assets & Securities in Asia) Limited ("RASA Limited") are part of a master note issuance program. The proceeds received by RASA Limited are used to purchase fixed income securities which include:

1. SGD 67,000,000 nominal amount bond issued by DEPFA ACS Bank.
2. SGD 67,000,000 nominal amount bond issued by Westpac Banking Corporation.
3. SGD 67,000,000 nominal amount bond issued by BNP Paribas SA.
4. SGD 66,250,000 nominal amount bond issued by Deutsche Bank AG, Sydney Branch.

*The accompanying notes form an integral part of these financial statements.*

## PRUDENTIAL FUNDS

## Portfolio Statement

As at 31 December 2009

These securities form the collateral for RASA's obligation under a portfolio credit default swap agreement entered into with Deutsche Bank AG by way of an asset swap hedging agreement. The portfolio credit default swap is linked to a reference portfolio of between 70 to 120 equally weighted credits. The entry into this swap agreement results in RASA Limited assuming certain credit risks associated with the credit portfolio for which it receives a fee from Deutsche Bank AG. Deutsche Bank AG quotes an unwinding price for the RASA Note.

	Yield 15		
	Fair value 31/12/2009 (S\$)	Percentage of total net assets attributable to unitholders	
		31/12/2009 (%)	31/12/2008 (%)
<b>By Industry - Secondary</b>			
Financial institutions	111,260,610	98.92	97.22
<b>Other net assets</b>	1,217,593	1.08	2.78
<b>Net assets attributable to unitholders</b>	112,478,203	100.00	100.00

	Yield 20			
	Holdings 31/12/2009 (units)	Fair value 31/12/2009 (US\$)	Percentage of total net assets attributable to unitholders	
			31/12/2009 (%)	31/12/2008 (%)
<b>By Geography* - Primary</b>				
<b>Unquoted notes</b>				
<b>Singapore</b>				
R.A.S.A. (Repackaged Assets & Securities in Asia) Limited Notes Series 24 ("RASA Note")	8,783,000	7,559,601	98.69	96.44
<b>Portfolio of investments</b>		7,559,601	98.69	96.44
<b>Other net assets</b>		100,315	1.31	3.56
<b>Net assets attributable to unitholders</b>		7,659,916	100.00	100.00

\* Geography classification is based on the country of incorporation of the entities or issuers of debt securities.

The accompanying notes form an integral part of these financial statements.

## PRUDENTIAL FUNDS

## Portfolio Statement As at 31 December 2009

Notes issued by R.A.S.A. (Repackaged Assets & Securities in Asia) Limited ("RASA Limited") are part of a master note issuance program. The proceeds received by RASA are used to purchase fixed income securities which include:

1. USD 5,260,000 nominal amount bond issued by DEPFA ACS Bank.
2. USD 5,260,000 nominal amount bond issued by Westpac Banking Corporation.
3. USD 5,270,000 nominal amount bond issued by BNP Paribas SA.
4. USD 5,270,000 nominal amount bond issued by Deutsche Bank AG, Sydney Branch.

These securities form the Collateral for RASA's obligation under a portfolio credit default swap agreement entered into with Deutsche Bank AG by way of an asset swap hedging agreement. The portfolio credit default swap is linked to a reference portfolio of between 70 to 120 equally weighted credits. The entry into this swap agreement results in RASA assuming certain credit risks associated with the credit portfolio for which it receives a fee from Deutsche Bank AG. Deutsche Bank AG quotes an unwinding price for the RASA Note.

	Yield 20		
	Fair value	Percentage of total net assets attributable to unitholders	
	31/12/2009 (US\$)	31/12/2009 (%)	31/12/2008 (%)
<b>By Industry - Secondary</b>			
Financial institutions	7,559,601	98.69	96.44
<b>Other net assets</b>	100,315	1.31	3.56
<b>Net assets attributable to unitholders</b>	<b>7,659,916</b>	<b>100.00</b>	<b>100.00</b>

*The accompanying notes form an integral part of these financial statements.*

## 1. Principal Activities

Prudential Funds (“the Fund”) is an umbrella unit trust constituted pursuant to a Trust Deed dated 10 January 2005 and Supplemental Deeds between Prudential Asset Management (Singapore) Limited (“the Manager”) and HSBC Institutional Trust Services (Singapore) Limited (“the Trustee”). The Deed of Trust and Supplemental Deeds are governed by the laws of the Republic of Singapore. As at 31 December 2009, the Fund had the following sub-funds:

<u>Sub-fund</u>	<u>Commencement date</u>	<u>Maturity date</u>	<u>Underlying investments</u>
PRU Monthly Income Plan	01 February 2005	-	International Opportunities Funds - Asian Bond - US High Yield Bond Other Asia Pacific investments
PRU 3Plus	20 August 2008	20 August 2011	Silk Road Plus plc #13, #14, #15 and #16 series
Yield 15	10 June 2005	10 June 2010	R.A.S.A. (Repackaged Assets & Securities in Asia) Limited Notes Series 23
Yield 20	10 June 2005	10 June 2010	R.A.S.A. (Repackaged Assets & Securities in Asia) Limited Notes Series 24

The sub-fund, PRU Monthly Income Plan, which was established with two classes of Units, namely “Class A” and “Class M”, invests all or substantially all its assets in the units of the sub-funds of the Luxembourg-domiciled International Opportunities Funds, other funds and direct securities. The two Classes of Units have been established by the Manager for internal classification purposes to enable the different frequency and amount of payouts and do not constitute separate pool of assets. Consequently, the financial statements of this sub-fund have been presented to show the combined financial results of Class A and Class M.

The sub-fund, PRU 3Plus invests all or substantially all its assets in the limited recourse secured fixed rate credit-linked notes (the “Note(s)”) arranged by Merrill Lynch International (“Merrill Lynch”) and issued by Silk Road Plus Public Limited Company (“Silk Road Plus plc”), a limited recourse special purpose vehicle incorporated in the Republic of Ireland.

**1. Principal Activities** *(continued)*

The sub-funds, Yield 15 and Yield 20 invest all or substantially all their assets in the R.A.S.A. Notes Series 23 and 24 respectively. These notes are arranged by Deutsche Bank AG and issued by R.A.S.A (Repackaged Assets & Securities in Asia) Limited (“RASA Limited”) as part of its master note issuance program.

Yield 15 and Yield 20 will mature on 10 June 2010 after which all investments will be liquidated and the sub-funds will be terminated.

**2. Summary of significant accounting policies****2.1 Basis of preparation**

In accordance with the provision of the Trust Deed, two of the sub-funds, Yield 15 and Yield 20 will mature on 10 June 2010. Accordingly, the Fund’s Manager has prepared the financial statements on the basis that these two sub-funds are no longer a going concern. Assets have been recorded at amounts that they are expected to be realised and liabilities at amounts that they are expected to be eventually settled.

The financial statements are expressed in Singapore dollars except for the Yield 20 sub-fund where the financial statements are expressed in the United States dollars. These financial statements are prepared in accordance with the historical cost convention, as modified by the revaluation of investments and financial derivatives, and in accordance with the Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Certified Public Accountants of Singapore.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

For the purposes of preparation of these financial statements, the basis used for calculating the ratio of expenses and portfolio turnover ratio are in accordance with the guidelines issued by the Investment Management Association of Singapore and the Code of Collective Investment Schemes (“the Code”) under the Securities and Futures Act (Chapter 289).

**2.2 Recognition of income**

Dividend income is recognised when declared. Interest income is recognised as it accrues, using the effective interest method.

## 2. Summary of significant accounting policies *(continued)*

### 2.3 Distribution policy

#### PRU Monthly Income Plan

The sub-fund consists of two classes of Units, Class A (annual payout) and Class M (monthly payout). As part of the investment objective of the sub-fund, the Manager intends to make regular annual and monthly distributions for Class A and Class M respectively.

Distributions are at the discretion of the Manager and there is no guarantee that any distribution will be made. The Manager may also vary the frequency and/or amount of the distributions made.

Distributions of the sub-fund may, in the event that income and net capital gains are insufficient, be made out of the capital of the sub-fund. In the event distributions are made out of the capital of the sub-fund, unitholders will be notified accordingly of the proportion of the distribution which is made out of the capital of the sub-fund.

#### PRU 3Plus

The Manager intends to make a payout of 3.2% of the initial offer price per Unit of S\$1.00 held by each unitholder as at each Anniversary Date.

“Anniversary Date” means 20 August 2009, 30 August 2010 (or if such dates do not fall on a business day, the next business day) and the maturity date (or such other dates as the Manager may determine from time to time).

There is no guarantee that any payout will be made. The Manager may also vary the frequency and/or amount of the payout.

#### Yield 15

The Manager intends to make a payout of 3% of the initial offer price per Unit of S\$1.00 held by each unitholder as at each Anniversary Date.

“Anniversary Date” means 10 June 2006, 10 June 2007, 10 June 2008, 10 June 2009 (or if such dates do not fall on a business day, the next business day) and the maturity date (or such other dates as the Manager may determine from time to time).

There is no guarantee that any payout will be made. The Manager may also vary the frequency and/or amount of the payout.

**2. Summary of significant accounting policies** *(continued)***2.3 Distribution policy** *(continued)*Yield 20

The Manager intends to make a payout of 4.5% of the initial offer price per Unit of US\$1.00 held by each unitholder as at each Anniversary Date.

“Anniversary Date” means 10 June 2006, 10 June 2007, 10 June 2008, 10 June 2009 (or if such dates do not fall on a business day, the next business day) and the maturity date (or such other dates as the Manager may determine from time to time).

There is no guarantee that any payout will be made. The Manager may also vary the frequency and/or amount of the payout.

**2.4 Investments**PRU Monthly Income Plan

Investments in underlying investment funds and quoted securities are stated at fair value based on the last bid price as at the balance sheet date.

PRU 3Plus

Investments in limited recourse secured fixed rate credit-linked notes issued by Silk Road Plus plc (the “Silk Road Notes”) for the sub-fund, PRU 3Plus are initially recognised at cost and are subsequently re-measured at the fair values calculated by the arranger of the Silk Road Notes.

The fair values of the Silk Road Notes reflect the fair value of the underlying portfolio credit default swap between Merrill Lynch International and Silk Road Plus plc as well as the value of the underlying collateral. There is currently no liquid market for the Silk Road Notes, the underlying collateral or the underlying portfolio credit default swap and thus such valuations may be volatile and may differ substantially from what other reasonable market participants may deem their values to be.

The valuation for the Silk Road Notes may be influenced by a number of factors, including but not limited to: the level of credit spreads for the reference entities in the underlying reference portfolio, the level of interest rates, correlation assumptions and other modelling assumptions which may or may not be directly observable from market inputs, the value of the underlying collateral as well as other market variables which the arranger of the Silk Road Notes may deem necessary.

## 2. Summary of significant accounting policies *(continued)*

### 2.4 Investments *(continued)*

#### PRU 3Plus *(continued)*

The unrealised difference between the fair value and original cost is taken directly to the Statement of Total Return. All realised gains and losses on disposal of investments are computed on the basis of the difference between weighted average cost and selling price and are taken directly to the Statement of Total Return.

#### Yield 15 and Yield 20

Investments in unquoted RASA Notes for the sub funds Yield 15 and Yield 20 are initially recognised at cost and are subsequently re-measured at the fair values estimated by the arranger of the notes. This fair value is determined based on valuation techniques.

The fair values estimated are dependent on the collateral, interest rates, the creditworthiness of the reference entities in relation to the portfolio credit default swap, the creditworthiness of RASA Limited and the creditworthiness of the swap counterparty. The fair values of the RASA Notes are therefore a function of the fair values of the collateral and the fair values of the swaps.

The fair value of the collateral is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

The swaps are not separate market instruments and therefore do not have a readily available market value. The fair values of the swaps are estimated based on a function of time and movement in credit spreads.

The unrealised difference between the fair value and original cost is taken directly to the Statement of Total Return. All realised gains and losses on disposal of investments are computed on the basis of the difference between weighted average cost and selling price and are taken directly to the Statement of Total Return.

### 2.5 Foreign currencies

Transactions in foreign currencies are translated at the exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at exchange rates at the reporting date. All exchange differences are recognised in the Statement of Total Return. For investments at fair value, the unrealised exchange differences are recognised in the net change in fair value on investments in the Statement of Total Return.

**2. Summary of significant accounting policies** *(continued)***2.6 Units**

All units issued by the sub-funds provide the investors with the right to require redemption for cash at the value proportionate to the investor's share in the sub-funds' net assets at the redemption date. Accordingly, units give rise to a financial liability for the present value of the redemption amount.

**2.7 Financial derivatives**

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the Statement of Total Return when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in the Statement of Total Return.

**2.8 Prepaid expenses**

In respect to the Yield 15 and Yield 20 sub-funds, prepaid management fees, custody fees, trustee fees, registration fees, valuation fees, audit fees and other expenses are stated at cost and amortised on a straight line basis over 5 years through the Statement of Total Return.

In respect to the PRU 3Plus sub-fund, prepaid management fees are stated at cost and amortised on a straight line basis over 3 years through the Statement of Total Return.

Prepaid expenses are excluded by the Manager in the computation of the Net Asset Value per unit ("NAV") for redemption purposes.

**3. Taxation**

The sub-funds are designated unit trusts under the Singapore Income Tax Act (Chapter 134). As a result, the following income will not be taxed at the sub-fund level on:

- gains or profits derived from Singapore or elsewhere from the disposal of securities;
- interest (other than interest for which Singapore tax has been withheld); and
- dividend derived from outside Singapore and received in Singapore.

	<b>PRU Monthly Income Plan</b>	
	<b>2009</b>	<b>2008</b>
	<b>S\$</b>	<b>S\$</b>
Singapore withholding tax suffered	24,635	20,618
Overseas tax suffered	5,464	30,721
	<u>30,099</u>	<u>51,339</u>

**4. Prepaid Expenses**

	<b>PRU 3Plus</b>	
	<b>2009</b>	<b>2008</b>
	<b>S\$</b>	<b>S\$</b>
Prepaid expenses deducted upfront		
- Management fees	921,116	1,485,223
	<u>921,116</u>	<u>1,485,223</u>

	<b>Yield 15</b>		<b>Yield 20</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>S\$</b>	<b>S\$</b>	<b>US\$</b>	<b>US\$</b>
Prepaid trustee fees	31,685	103,685	3,521	11,521
Prepaid expenses deducted upfront				
- Management fees	1,106,475	3,610,141	90,127	287,927
- Custody fees	17,619	57,656	1,387	4,542
- Trustee fees	16,863	55,186	352	1,156
- Registration fees	23,521	76,968	1,854	6,065
- Valuation fees	11,759	38,483	925	3,031
- Audit fees	-	200	-	-
- Others	2,971	9,723	209	685
	<u>1,179,208</u>	<u>3,848,357</u>	<u>94,854</u>	<u>303,406</u>
Total	<u>1,210,893</u>	<u>3,952,042</u>	<u>98,375</u>	<u>314,927</u>

For the PRU 3Plus, Yield 15 and Yield 20 sub-funds, the amounts of S\$ 921,116 (2008: S\$1,485,223), S\$1,179,208 (2008: S\$3,848,357) and US\$94,854 (2008: US\$303,406) respectively, represent prepaid management fees, custody fees, trustee fees, registration fees, valuation fees, audit fees and other expenses which have been deducted upfront after the initial period of the sub-funds in accordance with the prospectus of the sub-funds.

The above prepaid expenses have been excluded by the Manager in the computation of the Net Assets Value per unit ("NAV") for redemption purposes.

**4. Prepaid Expenses** *(continued)*

	<b>PRU 3Plus</b>	
	<b>2009</b>	<b>2008</b>
	<b>S\$</b>	<b>S\$</b>
Net assets attributable to unitholders per unit for redemption purposes (excluding effect of prepaid expenses)	0.71	0.24
Add: prepaid expenses per unit	0.03	0.04
Net assets attributable to unitholders per unit (including effect of prepaid expenses) (Note 8)	0.74	0.28

	<b>Yield 15</b>		<b>Yield 20</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>S\$</b>	<b>S\$</b>	<b>US\$</b>	<b>US\$</b>
Net assets attributable to unitholders per unit for redemption purposes (excluding effect of prepaid expenses)	0.88	0.60	0.91	0.63
Add: prepaid expenses per unit	0.01	0.02	0.01	0.02
Net assets attributable to unitholders per unit (including effect of prepaid expenses) (Note 8)	0.89	0.62	0.92	0.65

**5. Receivables**

	<b>PRU Monthly Income Plan</b>		<b>PRU 3Plus</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
Amount receivable from the creation of units	479,348	230,615	-	-
Accrued interest receivables	63	-	102	-
GST receivable	31,822	-	-	-
Sales awaiting settlement	-	-	-	-
Dividends receivable	13,284	7,034	-	-
	524,517	237,649	102	-

**5. Receivables (continued)**

	<b>Yield 15</b>		<b>Yield 20</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>S\$</b>	<b>S\$</b>	<b>US\$</b>	<b>US\$</b>
Amount receivable from the creation of units	-	-	-	-
Accrued interest receivables	-	-	-	-
GST receivable	-	-	-	-
Sales awaiting settlement	116,137	331,357	-	60,632
Dividends receivable	-	-	-	-
	<u>116,137</u>	<u>331,357</u>	<u>-</u>	<u>60,632</u>

**6. Payables**

	<b>PRU Monthly Income Plan</b>		<b>PRU 3Plus</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
Payable to unitholders for cancellation of units	151,924	72,778	-	-
Accrued expenses	752,511	142,239	23,611	6,945
	<u>904,435</u>	<u>215,017</u>	<u>23,611</u>	<u>6,945</u>

	<b>Yield 15</b>		<b>Yield 20</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>S\$</b>	<b>S\$</b>	<b>US\$</b>	<b>US\$</b>
Payable to unitholders for cancellation of units	120,827	347,354	-	62,700
Accrued expenses	-	-	-	-
	<u>120,827</u>	<u>347,354</u>	<u>-</u>	<u>62,700</u>

## 7. Fair Value of Financial Derivative Contracts

PRU Monthly Income Plan						
	Contract or underlying principal amount		Positive fair value		Negative fair value	
	2009	2008	2009	2008	2009	2008
	S\$	S\$	S\$	S\$	S\$	S\$
Forward foreign exchange contracts	139,779,940	162,071,395	-	69,067	688,381	7,821,706

Financial derivative contracts for PRU Monthly Income Plan comprise forward foreign exchange contracts, executed for the sale and purchase of foreign currencies. The year-end positive and negative fair values represent the unrealised gains and losses respectively on revaluation of financial derivative contracts at the balance sheet date.

## 8. Net Assets Attributable to Unitholders

	<u>PRU Monthly Income Plan</u>		<u>PRU 3Plus</u>	
	<b>2009</b> <b>S\$</b>	<b>2008</b> <b>S\$</b>	<b>2009</b> <b>S\$</b>	<b>Period from 20/08/2008 to 31/12/2008</b> <b>S\$</b>
<b>At the beginning of financial year/period</b>	123,967,503	63,309,283	9,904,701	-
<b>Operations</b>				
Change in net assets attributable to unitholders resulting from operations	29,756,104	(41,873,272)	15,874,236	(25,240,983)
<b>Unitholders' contributions/ (withdrawals)</b>				
Creation of units	14,449,354	134,996,377	-	35,870,668
Cancellation of units	(12,626,425)	(32,464,885)	(68,428)	(724,984)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	1,822,929	102,531,492	(68,428)	35,145,684
Total increase in net assets attributable to unitholders	31,579,033	60,658,220	15,805,808	9,904,701
<b>At the end of financial year/period</b>	<b>155,546,536</b>	<b>123,967,503</b>	<b>25,710,509</b>	<b>9,904,701</b>
<b>Net assets attributable to unitholders:</b>				
- Class A	20,407,349	18,202,920		
- Class M	135,139,187	105,764,583		
Total net assets attributable to unitholders	155,546,536	123,967,503		
<b>Units in issue:</b>				
- Class A	20,691,776	22,875,728		
- Class M	143,637,594	139,222,781		
Total units in issue (number)	164,329,370	162,098,509	34,847,668	34,982,668
<b>Net asset attributable to unitholders per unit (S\$)</b>			<b>0.74</b>	<b>0.28</b>
- Class A	0.99	0.80		
- Class M	0.94	0.76		

8. Net Assets Attributable to Unitholders *(continued)*

	Yield 15		Yield 20	
	2009	2008	2009	2008
	S\$	S\$	US\$	US\$
<b>At the beginning of financial year</b>	141,790,146	247,645,074	8,793,072	16,639,907
<b>Operations</b>				
Change in net assets attributable to unitholders resulting from operations	52,647,671	(90,614,666)	3,090,369	(5,597,353)
<b>Unitholders' contributions/ (withdrawals)</b>				
Creation of units	-	-	-	-
Cancellation of units	(81,959,614)	(15,240,262)	(4,223,525)	(2,249,482)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	(81,959,614)	(15,240,262)	(4,223,525)	(2,249,482)
Total decrease in net assets attributable to unitholders	(29,311,943)	(105,854,928)	(1,133,156)	(7,846,835)
<b>At the end of financial year</b>	112,478,203	141,790,146	7,659,916	8,793,072
Total units in issue (number)	126,982,589	228,695,561	8,335,644	13,505,106
<b>Net assets attributable to unitholders per unit (S\$/US\$)</b>	0.89	0.62	0.92	0.65

## 9. Units in Issue

	PRU Monthly Income Plan		PRU Monthly Income Plan	
	2009	2008	2009	2008
	<b>Class A</b>		<b>Class M</b>	
Units at beginning of year	22,875,728	17,589,996	139,222,781	43,010,446
Units created	2,564,423	19,192,803	14,208,544	119,553,502
Units cancelled	(4,748,375)	(13,907,071)	(9,793,731)	(23,341,167)
Units at end of the year	<u>20,691,776</u>	<u>22,875,728</u>	<u>143,637,594</u>	<u>139,222,781</u>

	PRU 3Plus	
	2009	Period from 20/08/2008 to 31/12/2008
Units at beginning of year/period	34,982,668	-
Units created	-	35,870,668
Units cancelled	(135,000)	(888,000)
Units at end of the year/period	<u>34,847,668</u>	<u>34,982,668</u>

	Yield 15		Yield 20	
	2009	2008	2009	2008
Units at beginning of year	228,695,561	248,879,116	13,505,106	16,281,962
Units created	-	-	-	-
Units cancelled	(101,712,972)	(20,183,555)	(5,169,462)	(2,776,856)
Units at end of year	<u>126,982,589</u>	<u>228,695,561</u>	<u>8,335,644</u>	<u>13,505,106</u>

## 10. Related party transactions

In the normal course of the business of the Fund, trustee fees, valuation fees and management fees have been paid or are payable to the Trustee and the Manager respectively as noted in the Statement of Total Return. In addition, sub-funds place deposits in bank accounts with related corporations of the Trustee.

**10. Related party transactions** *(continued)*

Transactions with related parties were at terms agreed between the parties and within the provisions of the Trust Deed.

**11. Financial instruments**

In the ordinary course of business, the Fund is exposed to a variety of risks as stated in the Fund's prospectus. The Manager continually monitors the exposure of the Fund to risks and appropriate procedures are in place to manage such risks. In addition to certain risks stated in the portfolio statement, some of the risks relevant to the Fund's financial instruments are detailed below.

*Credit risk*

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the sub-funds. Exposure to credit risk is monitored by the Manager on an ongoing basis. Cash is placed with financial institutions with good credit ratings.

Investments in fixed income securities are subject to adverse changes in the financial condition of the issuer, or in general economic conditions, or both, or an unanticipated rise in interest rates, which may impair the ability of the issuer to make payments of interest and principal. Such issuer's ability to meet its debt obligations may also be adversely affected by specific projected business forecasts, or the unavailability of additional financing.

Transactions involving the sale and purchase of financial instruments are allowed only with brokers that are of high credit quality. The Manager does not expect any counterparty to fail to meet their obligations. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Balance Sheet. Concentration of the sub-funds investments are disclosed in the portfolio statement.

*Liquidity risk*

The Manager monitors and maintains a level of cash deemed adequate by management to finance the sub-fund's operations and to mitigate the effects of fluctuations in cash flows.

*Interest rate risk*

Investments in fixed income portfolios will be subject to the usual risks of investing in bonds and other fixed income securities. Bonds and other fixed income securities are subject to interest rate fluctuations and credit risks.

**11. Financial instruments (continued)***Foreign currency risk*

The sub-funds PRU Monthly Income Plan, PRU 3Plus and Yield 15 are Singapore-dollar denominated while Yield 20 is US-dollar denominated. These sub-funds will invest in underlying securities which are denominated in foreign currencies where the fluctuations in the relevant exchange rates may have an impact on the income and value of such sub-funds.

The sub-fund, PRU Monthly Income Plan hedges its US dollar denominated assets back to Singapore dollar, to protect the sub-fund's running yield in Singapore dollar.

*Fair values*

The fair values of the sub-funds' financial assets and liabilities approximate the carrying amounts at balance sheet date. The fair value of the investments in underlying funds and securities are based on the last bid price as at the balance sheet date.

**12. Financial ratios**

	<b>2009</b> %	<b>2008</b> %
<b>PRU Monthly Income Plan</b>		
Expense ratio (Note 1)	1.46	1.48
Turnover ratio (Note 2)	7.75	28.98
<hr/>		
<b>PRU 3Plus</b>		
Expense ratio (Note 1)	1.95	0.71
Turnover ratio (Note 2)	-	0.64
<hr/>		
<b>Yield 15</b>		
Expense ratio (Note 1)	1.08	1.08
Turnover ratio (Note 2)	-	-
<hr/>		
<b>Yield 20</b>		
Expense ratio (Note 1)	1.09	1.09
Turnover ratio (Note 2)	-	-
<hr/>		

Note 1

The expenses used in calculating the "Ratio of expenses to average net assets" at the sub-fund level include expenses such as management fees (net of rebate), registration fees, trustees' fees, custody fees, audit fees and other expenses incurred by the sub-fund. For feeder funds, the ratio of expenses is determined after taking into account the expenses of the underlying sub-funds.

Note 2

The turnover ratio is the number of times per year that a dollar of assets is reinvested. It is calculated based on the lesser of purchases or sales for the year preceding the reporting date expressed as a percentage of daily average net asset value.

## PRUDENTIAL FUNDS

### **Additional Risks for PRU 3Plus, Yield 15 and Yield 20**

In the prospectus of the sub-funds, the additional risks to which the sub-funds are exposed to were explained, some of which are summarised below.

#### **PRU 3Plus**

The sub-fund, PRU 3Plus invests all or substantially all its assets in the limited recourse secured fixed rate credit-linked notes (the “Note(s)”) arranged by Merrill Lynch International (“Merrill Lynch”) and issued by Silk Road Plus Public Limited Company (“Silk Road Plus”), a limited recourse special purpose vehicle incorporated in the Republic of Ireland.

Silk Road Plus plc purchases fixed income securities which form the Collateral for Silk Road Plus plc’s obligation under the Notes and the derivative transactions entered into with Merrill Lynch. Merrill Lynch quotes an unwinding price for the Notes. Silk Road Plus plc entered into credit default swap agreement(s) (the “Credit Default Swap(s)”) with Merrill Lynch (the “Swap Counterparty”) under which the Counterparty buys credit protection in respect of a basket of corporate, financial institution and/or sovereign reference entities (the “Reference Portfolio”) from Silk Road Plus plc.

#### *Lack of diversification*

The Manager has sought and obtained the Monetary Authority of Singapore’s approval to waive the 10% single issuer and 20% group limits for non-specialised funds under Appendix 1 of the Code and the one third issuer limit in the case of a structured product fund under Annex 1a of the Code, as the sub-fund may invest up to 100% of its net asset value in the Notes which form part of the structured product(s), with Merrill Lynch standing ready to unwind the product(s) at prevailing market prices. The sub-fund may therefore be subject to over-concentration risks and as such be exposed to a higher level of risk than portfolios diversifying their holdings across different issuers in accordance with the 10% single party and 20% group limits for non-structured products fund under Appendix 1 of the Code and the one third issuer limit for traditional structured product fund under Annex 1a of the Code. However, as the Notes will purchase four or more fixed income securities, acting as Collateral and will gain exposure to a credit portfolio comprising of 80 to 200 corporate credits via Credit Default Swap(s), the credit worthiness of the Notes of the sub-fund is therefore linked to the credit worthiness of the Collateral that will comply the single issuer limit applicable for a structured product fund under Annex 1a of the Code as well as the Reference Portfolio.

## PRUDENTIAL FUNDS

### *Principal repayment and payouts not guaranteed*

The sub-fund aims to provide principal repayment on the maturity date and is not a capital or payout guaranteed fund. The principal repayment for units held until the maturity date and payouts for units held until the respective Anniversary Dates are provided by coupons on the notes and not by any guarantees. No guarantee is given (whether express or implied) that investors will receive the payout on the relevant Anniversary Dates and the principal repayment on the maturity date. Accordingly, investors are exposed to full loss of the principal amount invested in the sub-fund.

### *Risk in relation to Silk Road Plus and issuers of the Collateral*

The Manager's ability to provide the principal repayment on the maturity date and payouts is dependent, amongst others, upon the receipt by Silk Road Plus of monies due on the Collateral, the payment of all sums due from the Swap Counterparty, the principal paying agent and the custodian of the Notes making the relevant payments when received and upon all parties to the transaction documents entered into in relation to the Notes (other than Silk Road Plus) performing their respective obligations thereunder. Accordingly, the sub-fund is exposed, amongst others, to the creditworthiness of the issuers in respect of the Collateral, the Swap Counterparty, the principal paying agent and the custodian of the Notes; and the reference entities comprised in the Reference Portfolio. To the extent therefore that any or all of the issuers of the Collateral fails to make payments in respect of the Collateral held by Silk Road Plus, Silk Road Plus will have insufficient funds available to meet its obligations in respect of the Notes and the sub-fund could lose a substantial portion or all of its investment in the Notes.

Silk Road Plus has its registered office in the Republic of Ireland. As a result there is a rebuttable presumption that its centre of main interest is in the Republic of Ireland and consequently that any main insolvency proceedings applicable to it would be governed by Irish law. Nonetheless, this would ultimately be a matter for the relevant court to decide, based on the circumstances existing at the time when it was asked to make that decision.

If Silk Road Plus becomes subject to an insolvency proceeding and Silk Road Plus has obligations to creditors that are treated under Irish law as creditors that are senior relative to the sub-fund, the sub-fund may suffer losses as a result of their subordinated status during such insolvency proceeding.

## PRUDENTIAL FUNDS

### *Downgrade risk of issuers of the Collateral*

Any credit ratings given to any of the issuers of the Collateral and the relevant financial institutions may be subject to suspension, downgrade or withdrawal at any time. In the event any of the ratings of the issuers of the Collateral and/or financial institutions with whom deposits are placed fall below the levels required, the Manager shall take all necessary actions within the prescribed periods to comply with the levels set out therein. In taking such action, capital losses and/or expenses may be incurred by the sub-funds resulting in the 100% capital protection not being achieved at the relevant maturity date of the sub-funds. Payouts, if any, may also be lower than expected as a result.

### *Liquidity of the Collateral*

In the event that the Collateral has to be liquidated prior to its maturity for any reason such as the Reference Portfolio suffers losses, the price obtainable for the Collateral will depend on the liquidity of the Collateral. No assurance can be given in respect of the amount of the liquidation proceeds of the Collateral or any part of it. If there is no market for the Collateral, the price of the Collateral may be deemed as zero, therefore the Notes may be redeemed at zero.

### *Exposure to the Credit Default Swap(s)*

Payments upon redemption (whether at maturity or earlier) and payments of coupon are subject, among other things, to the credit performance of the reference entities and their successors under the Credit Default Swap(s). The occurrence of a credit event in relation to a reference entity comprises in the Reference Portfolio could result in the loss of a substantial portion or all of the sub-fund's investment in the Notes. Investors of the sub-fund should note that, upon the occurrence of a credit event, the recovery rate will be fixed without a valuation auction being held.

The creditworthiness and/or performance of the reference entities and their successors may be dependent upon economic, political, financial and social events both locally and globally. There can be no assurance that such factors will not adversely affect the reference entities' or their successors' creditworthiness, credit ratings and/or performance and, in turn, the performance of the Notes. Further, when and whether to declare credit events of the reference entities is in the sole discretion of the swap counterparty pursuant to the provisions of the Credit Default Swap(s).

## PRUDENTIAL FUNDS

In the event of the occurrence of credit events which result in cumulative losses exceeding the subordination, an amount will become payable by Silk Road Plus under the Credit Default Swap(s) to the swap counterparty. This amount and the costs (if any) associated with the partial termination of the Credit Default s) will be funded by liquidating the Collateral and the proceeds of such liquidation will be paid to the Swap Counterparty in priority to payments due to the sub-fund under the Notes, and therefore Silk Road Plus would not have sufficient funds to redeem the Notes at its principal amount at maturity and to make the coupon payment.

Even if the cumulative losses resulting from the occurrence of credit events do not exceed the subordination, the value of the Notes may still be affected as the Reference Portfolio would be subject to fewer additional credit events having to occur prior to amounts becoming payable under the terms of the Credit Default Swaps. This could lead the subfund to suffer a loss of principal invested in the Notes if the Notes were redeemed early for other reasons.

In the event of certain corporate reorganisations, other entities may succeed the initial reference entities and the identities of such reference entities and any information on such reference entities will not be available at the issue date. Accordingly, the sub-fund could be exposed to the additional risks that such reference entities may suffer credit events during the life of the Notes which may or may not have an adverse impact on the return of its investment in the Notes.

### *Default risk of the Swap Counterparty*

Silk Road Plus may also enter into interest rate swap(s) with the Swap Counterparty whereby Silk Road Plus pays the cash flows of the Collateral and receives the cash flows in relation to the Note(s) from the Swap Counterparty (the "Interest Rate Swap(s)"). Default by the Swap Counterparty under the Credit Default Swap(s) and Interest Rate Swap(s) will result in the early redemption of the Notes. If there is an early redemption of the Notes, Silk Road Plus or the Swap Counterparty may be liable to make a termination payment (determined in accordance with the Credit Default Swap(s) and Interest Rate Swap(s)) to the other. If there is an early termination of the Credit Default Swap(s) and Interest Rate Swap(s), and consequently an early redemption of the Notes occurs, there is no assurance that the proceeds from the liquidation of the Collateral plus (if the termination payment is due to Silk Road Plus) or minus (if the termination payment is due to the swap counterparty) such termination payment will be sufficient to repay the principal amount due to be paid in respect of the Notes and any other amounts in respect thereof that may be due.

### *No recourse to Reference Entities*

The Notes do not represent a claim against any reference entity and in the event of any loss, the sub-fund will not have recourse under the Notes to any reference entity. The sub-fund will be exposed to the credit risk of the reference entities.

## PRUDENTIAL FUNDS

### *Limited recourse to Silk Road Plus*

Silk Road Plus is incorporated with limited liability in the Republic of Ireland. It is a special purpose company that issues the Notes on a limited recourse basis backed by cashflows from certain assets held by it (comprising the Collateral and its rights under the Credit Default Swap(s) and the Interest Rate Swap(s), if any, entered into in connection with the issue of the Notes). Due to the limited recourse to Silk Road Plus, any claims against Silk Road Plus will therefore be limited to the secured assets relating to the Notes and the secured assets of the Notes will accordingly not be available for any claims against Silk Road Plus by holders of the other series of the Notes which may be issued by Silk Road Plus.

In the event that the secured assets have to be realised, the realisation proceeds may be less than the sums due to the sub-fund, the Swap Counterparty and the Manager. If there is any shortfall, Silk Road Plus shall be under no obligation to pay, and the other assets (if any) of Silk Road Plus including, in particular, assets securing other series of notes or alternative investments of Silk Road Plus will not be available for payment of, such shortfall. All claims in respect of such shortfall shall be extinguished and the subfund, the Swap Counterparty and the Manager shall have no further claim against Silk Road Plus in respect of such unpaid amounts and will accordingly not be able to petition for the winding up of Silk Road Plus as a consequence of such shortfall. Hence such shortfall will be borne by the sub-fund, the Swap Counterparty and the Manager in accordance with the applicable security ranking basis.

If there are any unforeseen expenses or liabilities (which have not been provided for) arise, Silk Road Plus may be unable to meet them and may default on its obligations under the Notes. In such an event, there is no guarantee that the sub-fund will recover any amounts payable under the Notes and, accordingly, the sub-fund could lose a substantial portion or all of its investment in the Notes.

### *Credit rating*

While credit ratings can be a useful tool for financial analysis, they are not a guarantee of quality or a guarantee of future performance in relation to the relevant obligations. Ratings assigned to securities by rating agencies may not fully reflect the true risks of an investment.

A rating is not a guarantee of payment and the Notes could be subject to a ratings downgrade in future if credit events begin to occur to reference entities or if reference entities themselves become subject to ratings downgrades. A suspension, downgrade or withdrawal of the rating assigned to any issuer of the Collateral, relevant financial institution with whom deposits are placed may also result in a reduction of the rating assigned to the Notes. A suspension, downgrade or withdrawal of the rating assigned to the Notes may adversely affect the value of the Notes.

## PRUDENTIAL FUNDS

### *Risk of fluctuations in the value of the notes*

There can be no assurance that any appreciation in value will occur or that capital value will be preserved. The price of the Notes may therefore fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the Collateral, interest rates, the creditworthiness of the reference entities in relation to the Credit Default Swap(s), the creditworthiness of Silk Road Plus and the creditworthiness of the Swap Counterparty. This may impact the net asset value of the sub-fund.

### *Interest rate risk*

Investments of the sub-fund will be indirectly subject to the usual risks of investing in bonds and other fixed income securities as Silk Road Plus will invest the proceeds received from the issue of the Notes to purchase fixed income securities. Bonds and other fixed income securities are subject to interest rate fluctuations. Investments in fixed income securities may be subject to an unanticipated rise in interest rates, which may impair the ability of the issuer to make payments of interest and principal, especially if the issuer is highly leveraged. An increase in interest rates may therefore increase the potential for default by the issuers of these securities.

### *Risk of final maturity extension*

Unitholders are required to hold their investment in the sub-fund for the entire investment tenure from the start date of the sub-fund in order that they may enjoy the principal repayment on the maturity date and the full benefit of the payouts.

Unitholders seeking to realise their units prior to the maturity date may run the risk of losing part of their investment in the sub-fund.

As the maturity date is tied to the maturity date of the Notes, the investment tenure of the sub-fund may be extended in the event the maturity date of the Notes is extended. Merrill Lynch, in its capacity as the Swap Counterparty, determines in its sole discretion that there has been an occurrence of certain specified events, the maturity date of the Notes may be extended beyond their scheduled maturity date.

## PRUDENTIAL FUNDS

### *Early redemption risk*

Although the investment tenure of the sub-fund is three years from the start date (which is subject to extension of the maturity date, there is the risk of early redemption of the Notes upon certain specified events occurring, which may lead to the Sub-Fund being terminated prior to the maturity date. The following are examples of circumstances which will lead to early redemption of the Notes: (i) redemption for taxation reasons; (ii) mandatory redemption following payment default under the Collateral; (iii) mandatory redemption following early redemption of the Collateral; (iv) redemption upon termination of a swap agreement which will include (a) redemption other than as a result of counterparty default and (b) redemption as a result of counterparty default; and (v) in the case of the occurrence of events of default as defined in the offer document of the Notes which may include (but not limited to) the following:

- (a) if default is made for a period of 14 days or more in the payment of any sum due in respect of the Note(s) or any of them; or
- (b) if (i) Silk Road Plus fails to perform or observe any of its other obligations under the Notes or the relevant trust instrument, (ii) the breach of which obligation the trustee of the Note(s) shall have certified to be in its opinion materially prejudicial to the interests of the sub-fund (being the noteholder) and (iii) where in the opinion of the trustee of the Notes such failure is capable of remedy and such failure continues for a period of 30 days (or such longer period as the trustee of the Notes may permit) following the service by the trustee of the notes on Silk Road Plus of notice requiring the same to be remedied; or
- (c) if any order shall be made by any competent court or any resolution passed for the winding-up or dissolution of Silk Road Plus other than for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangements on terms approved by the trustee of the Notes; or
- (d) without prejudice to the provisions relating to mandatory redemption of the Notes:
  - (i) if any of the Collateral (or amount due pursuant thereto) becomes capable of being declared due and payable (without taking into account for this purpose any grace period under any terms in effect) prior to their stated date of maturity or other date or dates for their repayment by reason of any event of default (howsoever described) thereunder; or

## PRUDENTIAL FUNDS

- (ii) if any obligor under the Collateral stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or if any order is made by any competent court or any resolution passed for the winding-up or dissolution of such obligor or if proceedings are initiated against such obligor under any applicable liquidation, insolvency, com - position, reorganisation or other similar laws or any analogous proceedings or such obligor is adjudicated or found bankrupt or insolvent. Payments of the minimum specified coupon and principal redemption in respect of the Notes to the sub-fund is, inter alia, conditional on the Notes maturing as scheduled. The early redemption of the Notes upon an early redemption event may result in early termination unwind costs being incurred. The Manager may also, where the Manager considers it to be in the interest of holders, procure that Merrill Lynch unwind the Notes. This may result in the sub-fund not being able to fulfil its investment objective.

### *Risks of the managed reference portfolio*

The Manager who manages the reference portfolio will, amongst others, be responsible for the addition, removal and/or replacement (each an "Adjustment"), in whole or in part, of any reference entity for the time being comprised in the Reference Portfolio in respect of which a credit event has occurred and is then continuing, or at its discretion (within the parameters and subject to the criteria set out in the portfolio management agreement). As a result of any adjustment, certain adjustments may be made to the subordination of the Reference Portfolio.

Each adjustment may give rise to trading losses or trading gains, as determined by the Swap Counterparty in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner and taking into consideration, without limitation, any hedging costs, the remaining duration to maturity of the Notes and other applicable market variables). Trading gains or losses will increase or decrease the subordination accordingly. Thus, adjustments may affect the likelihood of the Reference Portfolio being subject to credit events. The Manager's selection and management of reference entities and the resultant impact on the subordination may adversely affect the amount of principal and coupon payment that may be made by the Notes to the sub-fund.

## PRUDENTIAL FUNDS

Upon the occurrence of one or more credit events in respect of reference entities comprised in the Reference Portfolio and satisfaction of certain conditions to settlement in respect thereto, as a consequence of which the relevant loss amount exceeds the subordination, the aggregate outstanding principal amount of the Notes will accordingly be reduced. In addition, the Manager, on behalf of Silk Road Plus, may, in its sole and absolute discretion (but subject to certain criteria as set out in the portfolio management agreement), elect to “monetise” all or any part of any excess subordination. Excess subordination is “monetised” in the form of a “one-off” additional payment of interest on the Notes. The Manager’s decision to monetise all or part of the excess subordination at any time, whilst resulting in an increase in the amount of coupon paid to sub-fund (as the noteholder), may adversely affect the amounts subsequently payable in that the reduction to the subordination may result in an increased loss that is greater than any related additional interest payments. If the Swap Counterparty does not provide the Manager in relation to the Reference Portfolio, with its determinations of the applicable offer spread, bid spread and delta (as defined below) when required in accordance with the terms of the portfolio management agreement or otherwise does not comply with its obligations in respect of a proposed adjustment, the Manager may not be able to execute such adjustment on behalf of Silk Road Plus, and Silk Road Plus may suffer significant losses as a result.

**“Bid Spread”** means the per annum rate, if applicable, at which the Swap Counterparty would agree to the addition of the relevant incoming reference entity(ies) specified in a proposed adjustment request.

**“Offer Spread”** means the per annum rate, if applicable, offered by the Swap Counterparty for the removal of the relevant outgoing reference entity specified in a proposed adjustment request.

**“Delta”** means, at any time in relation to each reference entity, incoming reference entity or outgoing reference entity, the hedge notional amount determined for such reference entity determined by the Swap Counterparty in its sole and absolute discretion in the context of the Reference Portfolio. The delta for each reference entity may change during the term of the portfolio management agreement.

The investment decisions made by the Manager in relation to the Reference Portfolio may be subject to inherent risks. These include, among other things, credit, liquidity and interest rate risk, the financial condition of the underlying obligors’ general economic conditions, market price volatility, the condition of certain financial markets, political events and developments of trends in any particular country. Exposure to the risks associated with the Reference Portfolio includes exposure in the period from and including the management commencement date of the Reference Portfolio to the issue date and therefore the principal and interest payable in respect of the Notes may be reduced as a result of a credit event notwithstanding that the relevant credit event occurred prior to the issue date of the Notes and that no interest was paid under the Notes in respect of the period prior to the issue date.

## PRUDENTIAL FUNDS

The portfolio management agreement may be terminated in certain circumstances which may result in a new portfolio manager being appointed. If no replacement portfolio manager can be appointed then the Reference Portfolio will become static.

### *Commingling of the Collateral*

In limited circumstances, the Collateral held by the custodian of the Notes may not be segregated from the designated investments of the custodian of the Notes and, in such circumstances, in the event of insolvency of the custodian of the Notes, Silk Road Plus' assets may not be as well protected from claims made on behalf of the general creditors of the custodian of the Notes.

### *Taxation*

The sub-fund as an investor in the Notes will assume and be solely responsible for any and all taxes of any jurisdiction or governmental or regulatory authority, including, without limitation, any state or local taxes or other like assessment or charges that may be applicable to any payment to it with respect to investment in the Notes. Silk Road Plus will not pay any additional amounts to reimburse investors for any tax, assessment or charge required to be withheld or deducted from payments arising from their investment in the Notes or any tax, assessment or charge suffered by Silk Road Plus except as provided for in the terms of the Notes.

### **Yield 15 and Yield 20**

The sub-funds, Yield 15 and Yield 20 invest all or substantially all their assets in the R.A.S.A. Notes Series 23 and 24 ("RASA Notes") respectively. These notes are arranged by Deutsche Bank AG and issued by R.A.S.A. Limited as part of its master note issuance program.

R.A.S.A. Limited purchases fixed income securities which form the collateral for RASA's obligations under portfolio credit default swap agreements entered into with Deutsche Bank AG by way of asset swap hedging agreements. The portfolio credit default swaps are linked to a reference portfolio of between 70 to 120 equally weighted credits. The entry into these swap agreements results in RASA Limited assuming certain credit risks associated with the credit portfolio for which it receives fees from Deutsche Bank AG. Deutsche Bank AG quotes unwinding prices for the RASA Notes.

## PRUDENTIAL FUNDS

### *Lack of diversification*

Investments of the sub-funds will be invested in compliance with the exception to the 10% single party limit under the Appendix 1 of the Code. The sub-funds may also invest beyond the one-third limit and up to 100% of their respective net asset values in debt instruments which are structured products issued or guaranteed by a government, government agency or supranational that has a minimum long-term issuer rating of AA by Fitch Inc, AA by Moody's or AA by Standard and Poor's.

The sub-funds may therefore be subject to a higher level of risk than portfolios diversifying their holdings across different issuers in accordance with the abovementioned 10% single party limit.

### *Capital protection and payouts not guaranteed*

The sub-funds are capital protected funds and not guaranteed sub-funds. The capital protection for units held until the relevant maturity date and payouts for units held until the respective anniversary dates is provided by payouts on the Deutsche Bank AG ("Deutsche Bank") arranged notes ("RASA Notes") issued by R.A.S.A. (Repackaged Assets & Securities in Asia) Limited ("RASA Limited") and not by any guarantees. No guarantee is given (whether express or implied) that unitholders will receive the payouts on the relevant anniversary dates and the 100% capital protection on the relevant maturity date.

### *Default risk in relation to RASA Limited and issuers of the Collateral*

The Manager's ability to provide the capital protection and relevant payouts is dependent upon the receipt by RASA Limited of monies due to it under the investments made using the proceeds of the RASA Notes (the "Collateral") for RASA Limited's obligations under the derivative transactions entered into with Deutsche Bank. Note: Collateral here is different from the Collateral as defined for PRU 3Plus. To the extent that any or all of the issuers of the Collateral fails to make payments in respect of the Collateral held by RASA Limited, RASA Limited will have insufficient funds available to meet its obligations in respect of the RASA Notes and the sub-funds could lose a substantial portion or all of their investment in the RASA Notes.

## PRUDENTIAL FUNDS

### *Downgrade risk of issuers of the Collateral*

Any credit ratings given to any of the issuers of the Collateral and the relevant financial institutions may be subject to suspension, downgrade or withdrawal at any time. In the event any of the ratings of the issuers of the Collateral and/or financial institutions with whom deposits are placed fall below the levels required, the Manager shall take all necessary actions within the prescribed periods to comply with the levels set out therein. In taking such action, capital losses and/or expenses may be incurred by the sub-funds resulting in the 100% capital protection not being achieved at the relevant maturity date of the sub-funds. Payouts, if any, may also be lower than expected as a result.

### *Liquidity of the Collateral*

In the event the Collateral has to be liquidated prior to its maturity for any reason, the price obtainable for the Collateral will depend on the liquidity of the Collateral.

### *Exposure to the Portfolio Credit Default Swap*

The amount of principal repayable by RASA Limited on the maturity of the RASA Notes is also subject to occurrence of credit events (each a "Credit Event") as defined in the portfolio default swap agreement entered between RASA Limited and Deutsche Bank (the "Portfolio Credit Default Swap"). Upon the occurrence of a number of Credit Events resulting in cumulative losses that exceed the initial loss protection level, an amount will become payable by RASA Limited under the Portfolio Credit Default Swap. This amount and the costs (if any) associated with the partial termination of the asset swap hedging agreement entered into between RASA Limited and Deutsche Bank (the "Asset Swap Hedging Agreement") will be funded by liquidating the Collateral and the proceeds of such liquidation will be paid to Deutsche Bank in priority to payments due to the subfunds under the RASA Notes, and therefore RASA Limited would not have sufficient funds to redeem the RASA Notes at its principal amount at maturity. Payments upon redemption (whether at maturity or earlier) will therefore depend upon, among other things, the credit performance of the reference portfolio of between 70 to 120 equally weighted credits linked to the Portfolio Credit Default Swap (each a "Reference Entity") and their successors. Note: Reference Entity here is different from the Reference Entity defined for PRU 3Plus.

In the event of certain corporate reorganisations, other entities may succeed the initial Reference Entities and the identities of such Reference Entities and any information on such Reference Entities will not be available at the relevant issue date. Accordingly, the sub-funds could be exposed to the additional risks that such Reference Entities may suffer Credit Events during the life of the RASA Notes which may or may not have an adverse impact on the return of its investment in the RASA Notes.

## PRUDENTIAL FUNDS

The creditworthiness and/or performance of the Reference Entities and their successors may be dependent upon economic, political, financial and social events both locally and globally. There can be no assurance that such factors will not adversely affect the Reference Entities' or their successors' creditworthiness, credit ratings and/or performance and, in turn, the performance of the RASA Notes. Further, when and whether to declare Credit Events of the Reference Entities is in the sole discretion of the calculation agent pursuant to the provisions of the Portfolio Credit Default Swap.

The occurrence of Credit Events, with cumulative losses not exceeding the loss protection level, whilst not leading to amounts being payable by RASA Limited under the Portfolio Credit Default Swap, may nevertheless affect the value of the RASA Notes as potential buyers would be subject to fewer additional Credit Events having to occur prior to amounts becoming payable under the terms of the Portfolio Credit Default Swap. This could lead the sub-funds to suffer a loss of principal if the RASA Notes are redeemed early for other reasons.

### *Default risk of the swap counterparty*

Default by Deutsche Bank as the swap counterparty under the Portfolio Credit Default Swap and/or the Asset Hedging Agreement will result in the early redemption of the RASA Notes. If there is an early redemption of the RASA Notes, RASA Limited or Deutsche Bank may be liable to make a termination payment (determined in accordance with the Portfolio Credit Default and/or the Asset Hedging Agreement) to the other. If there is an early termination of the Portfolio Credit Default Swap and/or the Asset Swap Hedging Agreement, and consequently an early redemption of the RASA Notes occurs, there is no assurance that the proceeds from the liquidation of the Collateral plus (if the termination payment is due to RASA Limited) or minus (if the termination payment is due to Deutsche Bank) such termination payment will be sufficient to repay the principal amount due to be paid in respect of the RASA Notes and any other amounts in respect thereof that may be due.

### *No recourse to Reference Entities*

The RASA Notes do not represent a claim against any Reference Entity and in the event of any loss on the RASA Notes, the sub-funds will not have recourse under the RASA Notes to any Reference Entity. The sub-funds will be exposed to the credit risk of the Reference Entities (as highlighted above).

## PRUDENTIAL FUNDS

### *Limited recourse to RASA Limited*

RASA Limited is incorporated with limited liability in the Republic of Singapore. It is a special purpose company that issues the RASA Notes on a limited recourse basis backed by cashflows from certain assets held by it (comprising the Collateral and its rights under the Portfolio Credit Default Swap and the Asset Hedging Agreement entered into in connection with the issue of the RASA Notes). Due to the “limited recourse” nature of the RASA Notes, claims in respect of the notes are limited to the proceeds of enforcement of the assets secured under the RASA Notes and the other assets of RASA Limited will not be available to meet any shortfall.

In addition, should any unforeseen expenses or liabilities (which have not been provided for) arise, RASA Limited may be unable to meet them and may default on its obligations under the RASA Notes. In such an event, there is no guarantee that the sub-funds will recover any amounts payable under the RASA Notes and, accordingly, the sub-funds could lose a substantial portion or all of their investment in the RASA Notes.

### *Credit rating*

While credit ratings can be a useful tool for financial analysis, however they are not a guarantee of quality or a guarantee of future performance in relation to the relevant obligations. Ratings assigned to securities by rating agencies may not fully reflect the true risks of an investment. Any rating may be subject to suspension, downgrade or withdrawal at any time.

A rating is not a guarantee of payment and the RASA Notes could be subject to a ratings downgrade in future if Credit Events begin to occur to Reference Entities or if Reference Entities themselves become subject to ratings downgrades. A suspension, downgrade or withdrawal of the rating assigned to any issuer of the Collateral, relevant financial institution with whom deposits are placed may also result in a reduction of the rating assigned to the RASA Notes. A suspension, downgrade or withdrawal of the rating assigned to the RASA Notes may adversely affect the value of the RASA Notes.

### *Risk of fluctuations in the value of the RASA Notes*

There can be no assurance that any appreciation in value will occur or that capital value will be preserved. The price of the RASA Notes may therefore fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the Collateral, interest rates, the creditworthiness of the Reference Entities in relation to the Portfolio Credit Default Swap, the creditworthiness of RASA Limited and the creditworthiness of Deutsche Bank, as the swap counterparty. This may impact the respective net asset values of the sub-funds.

## PRUDENTIAL FUNDS

### *Interest rate risk*

Investments of the sub-funds will be indirectly subject to the usual risks of investing in bonds and other fixed income securities as RASA Limited will invest the proceeds received from the issue of the RASA Notes to purchase high grade fixed income securities issued by at least three different issuers. Unitholders should note that bonds and other fixed income securities are subject to interest rate fluctuations. Investments in fixed income securities may be subject to an unanticipated rise in interest rates, which may impair the ability of the issuer to make payments of interest and principal.

### *Risk of final maturity extension.*

Unitholders will be required to hold their investment in the sub-funds for the entire investment tenure from the relevant start dates of the sub-funds in order that they may enjoy the 100% capital protection and the full benefit of the relevant payouts. Unitholders seeking to realise their units prior to the relevant maturity date may run the risk of losing part of their investment in the sub-funds and consequently, an investment in the subfunds should be regarded as a long term investment. As the relevant maturity date will be tied to the maturity date of the RASA Notes, unitholders should note that the investment tenure of the sub-funds may be extended in the event the maturity date of the RASA Notes is extended. If Deutsche Bank, in its capacity as the calculation agent, determines in its sole discretion that there has been an occurrence of certain specified events, the maturity date of the RASA Notes may be extended beyond its scheduled maturity date.

### *Early redemption risk*

Although the investment tenure of the sub-funds is 5 years from the relevant start dates, unitholders should note the risk of early redemption of the RASA Notes upon certain specified events occurring. The sub-funds may be terminated prior to the relevant maturity dates in such event (an “Early Redemption Event”). Payments of the minimum specified interest and principal redemption in respect of the RASA Notes to the Sub-funds is, inter alia, conditional on the RASA Notes maturing as scheduled.

Any early redemption of the RASA Notes upon an Early Redemption Event may result in early termination unwind costs being incurred. The Manager may also, where the Manager considers it to be in the interest of unitholders, procure that Deutsche Bank unwind the RASA Notes. This may result in the sub-funds not being able to fulfil their investment objectives.

## PRUDENTIAL FUNDS

### *Managed portfolio*

The Manager may also, where the Manager considers it to be in the interest of unitholders, substitute existing Reference Entities with new Reference Entities (each such substitution, a “Replacement”). Replacements may give rise to trading losses or trading gains, as determined by the calculation agent. Trading losses will decrease the loss protection level and Replacements may affect the likelihood of the reference portfolio being subject to Credit Events.

## IMPORTANT INFORMATION

A prospectus in relation to the Fund is available and a copy of the prospectus may be obtained from the Manager and its distribution partners. All application for units in the Fund must be made on the application form accompanying the prospectus. Investors should read the prospectus before deciding whether to subscribe for or purchase units in the Fund. The value of units in the Fund and the income accruing to the units, if any, may fall or rise. Past performance of the Fund is not necessarily indicative of the future performance of the Fund. The prediction, projection or forecast on the economy, securities markets or the economic trends of the markets targeted by the Fund are not necessarily indicative of the future or likely performance of the Fund. An investment in the Fund is subject to investment risks, including the possible loss of the principal amount invested. Investments in unit trusts are not deposits or other obligations of, or guaranteed or insured by Prudential Asset Management (Singapore) Limited or any of its related corporations. Investors may wish to seek advice from a financial adviser before making a commitment to invest in units of the Fund. In the event an investor chooses not to seek advice from a financial adviser, the investor should consider whether the Fund is suitable for him.

Whilst the Manager has taken all reasonable care to ensure that the information contained in this document is not untrue or misleading at the time of publication, the Manager 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.

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1. The name of the sub-fund, "PRU Monthly Income Plan" should not be taken as implying that monthly or regular distributions in respect of units will be made. Distribution payout shall, at the sole discretion of PAMS, be made out of either (a) income; or (b) net capital gains; or (c) capital of the sub-fund or a combination of (a) and/or (b) and/or (c). There is no guarantee that any distribution will be made or that the frequency and amount of distributions as set out in the prospectus will be met. When distributions are declared and paid out (including out of capital) with respect to the PRU Monthly Income Plan, the net assets attributable to the relevant Class of Units will stand reduced by an amount equivalent to the product of the number of Units outstanding and distribution amount declared per unit. Payout is computed based on S\$1.00 initial issue price.

2. PRU 3Plus is no longer available for subscription. The potential principal repayment on maturity date and the payouts are provided for by debt securities and derivative transactions employed as part of the investment approach of the sub-fund and not backed by a guarantee. Investors may lose part or all of their investment in the sub-fund in the event, amongst others, 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, there is no guarantee that any payout will be made or that the frequency and amount of payout as set out in the prospectus will be met or the principal may be repaid at maturity date. Please refer to the prospectus relating to the sub-fund for more details on the risks of investing in the sub-fund.

The sub-fund aims to repay the principal to investors upon maturity. However, investors will have to hold their investments in the sub-fund for the entire investment tenure of 3 years before they may benefit from the principal repayment. If investors realise their units before the sub-fund matures, the realisation price will be based on the prevailing net asset value which can vary according to market fluctuations and may be substantially less than the principal value per unit on maturity.

3. The Yield 15 and Yield 20 are no longer available for subscription. Investors will have to hold their investments in the Yield 15 and Yield 20 for the entire investment tenure of 5 years before they may benefit from the 100% capital protection. If investors realise their units before the sub-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 Yield 15 and Yield 20 and not backed by a guarantee. Investors may lose part or all of their investment in the Yield 15 and Yield 20 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, 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 Yield 15 and Yield 20, if any, may fall or rise. Please refer to the prospectus relating to the sub-funds for more details of the note(s) and the risks of investing in the sub-funds.

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