

PRUDENTIAL FUNDS

– PRU MONTHLY INCOME PLAN

– PRU 3PLUS

ANNUAL REPORTS

For the year ended 31 December 2010

AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

Graham David Mason (Appointed on 4 May 2010)
Guy Robert Strapp
Julian Christopher Vivian Pull

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
ANNUAL REPORT	
For the year ended 31 December 2010	
PRU Monthly Income Plan	
Manager's / Sub-Manager's Commentary	3 – 4
Financial Highlights	5 – 9
Financial Highlights of Underlying Funds	10 – 13
PRU 3PLUS	
Manager's Commentary	14 – 16
Financial Highlights	17 – 18
Report of the Trustee	19
Statement by the Manager	20
Independent Auditors' Report to the Unitholders of Prudential Funds	21 – 22
Audited Financial Statements	
For the year ended 31 December 2010	24 – 42
Additional Risks for PRU 3Plus	45 – 51

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 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 Class A and Class M shares rose by 10.73% and 10.86% (bid-to-bid basis) respectively for the year ended 31 December 2010 versus its benchmark which gained 0.48%.

Market background

Better-than-originally expected global economic growth, a low inflation environment, and effects of developed government quantitative easing policies drove almost all asset classes to end 2010 higher. There was, however, considerable market volatility over the year.

Asian USD corporate bonds and US high yield bonds registered equity-like returns of 10.6%¹ and 13.0%² respectively over the review period. Similarly, Asian equities also posted decent returns of 9.4%³ in Singapore dollar terms for the year.

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 into US credits and Asian high-yielding equities at the start of the year. This move has contributed positively to the Fund’s returns.

¹ *JP Morgan Asian Composite Index hedged into Singapore dollar terms*

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

³ *MSCI AC Asia ex Japan (Total Return Gross) Index in Singapore dollar terms*

PRU MONTHLY INCOME PLAN

Key changes to the portfolio

An improved fundamental outlook in the second half, together with still attractive yields and credit spreads, prompted the fund manager to reduce holdings in Asian USD-denominated bonds and raise the weighting in US high yield credit to close to 50% as of the end of the year. A still-temperd economic growth outlook and lack of inflationary pressures underpinned the strong commitment by developed country central banks to maintain ultra-loose monetary policies and their quantitative easing policies. Corporate fundamentals continued to improve, with declining credit default rates.

The Fund maintained its 3% allocation to high yield Asian equities over the year. The fund manager held the view that Asian equities were richly-valued, in general. Valuations were fair based on the region's historical trading ranges, and expensive relative to developed world. Hence, a 3% allocation was appropriate, and was mainly driven by bottom-up high yield stock ideas, which offered lower-market beta characteristics, while providing reasonable regular dividends.

Outlook

Given the base case assumption of tepid economic growth, the fund manager maintains a constructive view on US credit markets in 2011 as valuations, in the context of historical credit spreads, remain attractive. Improving corporate fundamentals remain intact; these include steady decline in the actual credit default rates, still record high cash balances on corporate balance sheets and low refinancing risk in the high yield sector. Moreover, the fund manager believes that credit markets tend to perform well in periods of weak economic growth, as they benefit from very loose monetary conditions and low borrowing costs. This not only improves the credit fundamentals, but also supports demand for carry assets as investors seek higher yields.

In terms of portfolio strategy, the Fund will stay overweight in US high yield credit relative to Asian US dollar denominated bonds. The fund manager will continue to fully hedge the US dollar assets back to Singapore dollar, to protect the Fund's running yield in Singapore dollar terms, especially given that costs to hedge US dollar back to Singapore dollar are now very low.

The US high yield bond sub-fund favours, as having relatively better value, building material and construction companies, the gaming sector as well as media-cable and telecom. The fund manager is looking to reduce its moderately overweight investment grade-rated credits as relative valuations become less compelling.

Due to the expected swings in risk sentiment ahead, the Asian US dollar bond sub-fund manager would refrain from aggressively adding credit risks in the near term, though he remains constructive on the Asian credit markets as a whole. He maintains his strategic overweight in financials and high yield non-financial corporates, as he still sees relatively better value in these sectors. The fund manager would keep a neutral to slightly long interest rate duration position as he is more comfortable with the US Treasury yield levels after the recent sell-off in the wake of the benign recovery and inflation outlook for the US.

PRU MONTHLY INCOME PLAN

Fund Performance

(As at 31 December 2010)

Sub-Fund / Benchmark	3 months %	6 months %	1 year %	3 year %	5 year %	Since inception ⁺ %
			(average annual compounded return)			
PRU Monthly Income Plan – Class A	0.1	6.0	10.7	4.3	5.3	5.1
PRU Monthly Income Plan – Class M	0.2	6.1	10.9	4.4	5.5	5.2
12 month SGD Fixed Deposit rate	0.1	0.2	0.5	0.6	0.7	0.7

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 11 Jan 10, 10 Mar 10, 12 Apr 10, 10 May 10, 10 Jun 10, 12 Jul 10, 10 Aug 10, 13 Sep 10, 11 Oct 10, 10 Nov 10 and 10 Dec 10. 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 10.

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 10.

+ 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 2010)

Exposure to Derivatives

	Fair Value at 31 Dec 10	Percentage of total net assets attributable to unitholders at 31 Dec 10	Net Unrealised Gains/ (Losses)	Net Realised Gains/ (Losses)
Types of Derivatives	SGD	%	SGD	SGD
Forward Foreign Exchange Contracts	10,967,395	6.99	10,967,395	2,575,150

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

The PRU Monthly Income Plan invests SGD 68,624,733 and SGD 72,697,468 equivalent to 43.72% and 46.31% 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 68,624,733 and SGD 72,697,468 equivalent to 43.72% and 46.31% 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 2010

	SGD
Subscriptions	30,264,452
Redemptions	(36,870,183)

Annualised Expense Ratio**

1.43% (2009: 1.46%)

*** 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

3.54% (2009: 7.75%)

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 2010)

	Market Value SGD	% of Total Net Assets ***
International Opportunities Funds: US High Yield Bond Class D	72,697,468	46.31
International Opportunities Funds: Asian Bond Class D	68,624,733	43.72
Frasers Centrepoint Trust	324,820	0.21
Singapore Telecommunications Ltd	301,950	0.19
China Minzhong Food Corporation Ltd	290,250	0.18
Suntec Reit	286,080	0.18
Parkway Life Reit	280,440	0.18
M1 Ltd	277,300	0.18
ARA Asset Management Ltd	273,504	0.17
Bukit Sembawang Estates Ltd	267,120	0.17

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

*** 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 2010)

	Market Value SGD	% of Total Net Assets ***
Country		
Cayman Islands	156,000	0.10
Luxembourg	141,322,201	90.03
Singapore	4,402,806	2.79
Industry		
Electronic	250,020	0.16
Entertainment	242,780	0.15
Food	650,117	0.41
Investment	273,504	0.17
Investment funds	143,036,716	91.12
Metals	216,000	0.14
Real Estate	267,120	0.17
Telecom service	737,050	0.47
Transport	207,700	0.13
Asset Class		
Equities	2,844,291	1.80
Investment in Underlying Funds	143,036,716	91.12
Other Net Assets	11,109,520	7.08

*** 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 2010)

	Market Value USD	% of Net Assets***
Petronas Capital Ltd 5.25% 12/8/2019	16,071,862	1.33
Indonesia Government International Bond 11.63% 04/03/2019	15,399,450	1.27
Philippine Government International Bond 7.75% 14/1/2031	14,820,000	1.22
Philippine Government International Bond 6.38% 23/10/2034	14,607,625	1.21
Philippine Government International Bond 9.5% 2/2/2030	13,487,375	1.11
Indonesia Government International Bond 7.75% 17/01/2038	11,718,438	0.97
Philippine Government International Bond 10.625% 16/3/2025	11,627,000	0.96
Hutchison Whampoa International Ltd 4.63% 11/09/2015	11,441,312	0.94
Philippine Government International Bond 4% 15/01/2021	11,342,003	0.94
Penerbang 5.63% 15/3/2016	11,120,184	0.92

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

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

INTERNATIONAL OPPORTUNITIES FUNDS - ASIAN BOND

Annualised Expense Ratio *

0.06% (2009: 0.05%)

** 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

33.33% (2009: 37.96%)

INTERNATIONAL OPPORTUNITIES FUNDS - US HIGH YIELD BOND

Top 10 Holdings

(As at 31 December 2010)

	Market Value USD	% of Net Assets***
BNY Mellon Universal USD Liquidity Class B	27,331,249	3.85
Ford Moto 8.13% 15/01/2020	15,867,259	2.23
International 8.75% 15/03/2017	11,927,290	1.68
Sprint Capital Corp. 6.875% 15/11/2028	10,113,250	1.42
Dish DBS 7.88% 01/09/2019	7,933,640	1.12
Lyondell 8% 01/11/2017	7,899,798	1.11
HCA, Inc. 9.625% 15/11/2016	7,841,595	1.10
Boston SC 6% 15/01/2020	7,780,088	1.09
NRG Energy 8.25% 01/09/2020	7,157,500	1.01
Genon Ene 9.88% 15/10/2020	6,783,000	0.95

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

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

INTERNATIONAL OPPORTUNITIES FUNDS - US HIGH YIELD BOND

Annualised Expense Ratio *

0.05% (2009: 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

104.31% (2009: 201.97%)

PRU 3PLUS

Investment Objective

The investment objective of the 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 (each referred to as a “Payout”)

(* This was increased from the 3% stated in the prospectus)

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

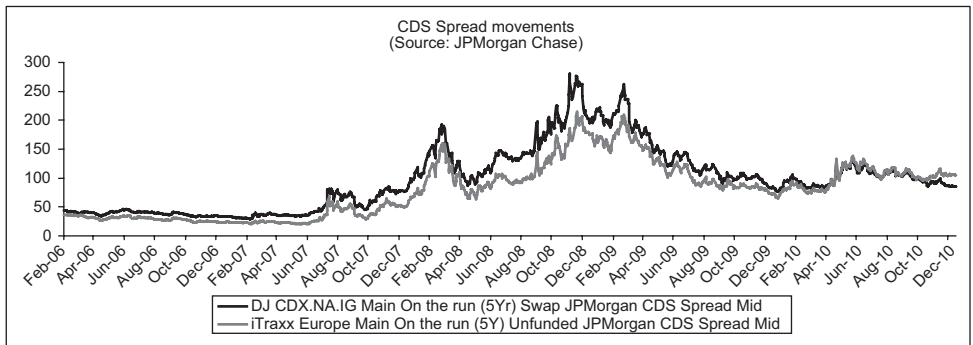
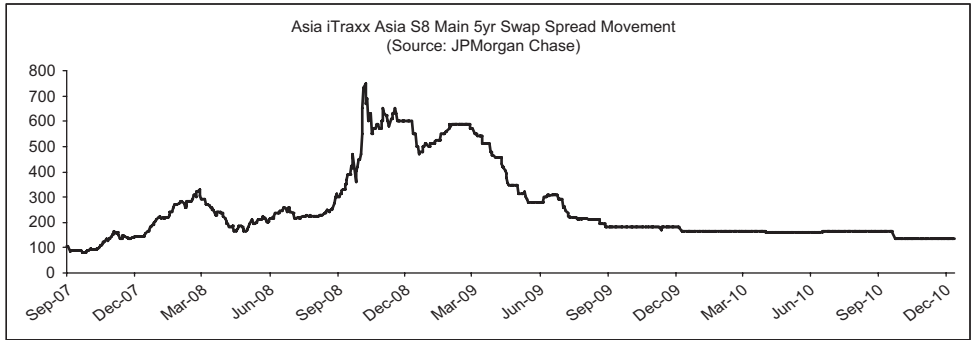
The PRU 3Plus’s NAV per unit was S\$0.913 as at 31 December 2010, up from S\$0.775 as at 30 June 2010.

Market background

Market performance in 2010 reflected strong liquidity within the system rather than genuine broad base improvement to the global economy. Towards the end of the year, corporate Credit Default Swap (“CDS”) market was quiet as the focus remained on sovereign and banking problems. The CDS of other peripheral European countries also drifted wider. This conformed to the current pattern where good performance after announcements from the European Union gradually fades as the markets become clear that the problem is not fixed.

PRU 3PLUS

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



Source: JP Morgan Chase and Prudential Asset Management (Singapore) Limited, as at end Dec 2010

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 2010 can be attributed primarily to the shorter term-to-maturity of the notes.

Key changes to portfolio

The subordination has decreased from 2.221% as at 31 December 2009 to 1.921% as at 31 December 2010 following the default of AIFUL Corporation and Ambac Assurance Corporation.

As at 31 December 2010, the notes invested in by the Fund was rated "BBB-" by Standard & Poor's ("S&P"). They were upgraded by S&P from "BB+" in November 2010.

Outlook

The Fund manager sees credit spreads tightening further in 2011, especially those of higher-yielding corporate credit as investors reach for yield and credit fundamentals strengthen as the economy recovers. However, the main risks remain unchanged: sovereign problems in Europe and the knock-on effects on the banking system, or the other way round.

The Fund manager aims to maintain the current subordination but this is not guaranteed and subject to Credit Events. 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 Fund's investment in the Note(s).

PRU 3PLUS

Fund Performance

(As at 31 December 2010)

Sub- Fund	3 months %	6 months %	1 year %	Since inception ⁺ %
				(average annual compounded return)
PRU 3Plus	7.03	17.81	28.41	-3.78

Source: Prudential Asset Management (Singapore) Limited. The return is in S\$, and calculated on a bid-to-bid basis without taking into account the payout at each anniversary.

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 10.

⁺ 20 August 2008.

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

Schedule of Investments

(As at 31 December 2010)

Number of Shares	Notes	Market Value SGD	% of Net Assets ^{***}
	<u>Ireland</u>		
8,009,000	Silk Road Plus plc # 13 Series EMTN 5.1% due 20/08/2011**	7,408,511	23.48
8,445,000	Silk Road Plus plc # 14 Series EMTN 5.1% due 20/08/2011**	7,811,822	24.76
7,332,000	Silk Road Plus plc # 15 Series EMTN 5.1% due 20/08/2011**	6,782,271	21.49
8,940,000	Silk Road Plus plc # 16 Series EMTN 5.1% due 20/08/2011**	8,269,708	26.21
Total Investments		30,272,312	95.94
Other Net Assets		1,280,765	4.06
Total Net Assets Attributable to Unitholders		31,553,077	100.00

** The credit rating of these Silk Road Plus plc notes as at 31 December 2010 is BBB- (S&P).

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

PRU 3PLUS

(As at 31 December 2010)

Exposure to Derivatives

PRU 3Plus has a net asset value of SGD 30,272,312 (equivalent to 95.94% 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 2010

	SGD
Redemptions	(595,350)

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

Annualised Expense Ratio*

1.91% (2009: 1.95%)

** 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 (2009: 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 24 to 42, 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
21 March 2011

STATEMENT BY THE MANAGER

In the opinion of the directors of Prudential Asset Management (Singapore) Limited, the accompanying financial statements set out on pages 24 to 42, 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 2010 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
21 March 2011

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF PRUDENTIAL FUNDS

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

We have audited the accompanying financial statements of Prudential Funds (the "Fund"), which comprise the Statement of Total Return for the year ended 31 December 2010, Balance Sheet and Portfolio Statement as at 31 December 2010, and a summary of significant accounting policies and other explanatory information, as set out on pages 24 to 42.

Manager's responsibility for the financial statements

The Manager of the Fund 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*, and for such internal control as the Manager of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgment, 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 Fund'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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager of the Fund, 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 2010 and the financial position of the Fund as at 31 December 2010 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.

KPMG LLP

*Public Accountants and
Certified Public Accountants*

Singapore
21 March 2011

FINANCIAL STATEMENTS

For the year ended 31 December 2010 (audited)

	Page
Statement of Total Return	24
Balance Sheet	25
Portfolio Statement	26 - 31
Notes to the Financial Statements	32 - 42

PRUDENTIAL FUNDS
Statement of Total Return

Year ended 31 December 2010

	PRU Monthly Income Plan		PRU 3Plus		
	Year ended	Year ended	Year ended	Year ended	
	Note	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	S\$	S\$	S\$	S\$	
Income					
Dividend		254,491	358,894	-	-
Interest		747	2,738	3,423	454
		<u>255,238</u>	<u>361,632</u>	<u>3,423</u>	<u>454</u>
Less: Expenses					
Management fees		1,972,225	1,774,283	564,107	564,107
Registration fees		16,706	17,224	10,000	10,000
Trustee fees		63,111	56,188	-	-
Custody fees		1,446	2,180	-	-
Audit fees		12,250	10,558	-	-
Others		113,702	120,694	6,667	6,667
		<u>2,179,440</u>	<u>1,981,127</u>	<u>580,774</u>	<u>580,774</u>
Net losses		<u>(1,924,202)</u>	<u>(1,619,495)</u>	<u>(577,351)</u>	<u>(580,320)</u>
Net gains or losses on value of investments					
Net realised gains/(losses) on investments sold		2,963,382	(1,365,393)	1,600,373	1,631,194
Net change in fair value of investments		1,575,771	39,374,195	6,520,581	15,939,191
Net realised gains on financial derivatives		2,575,150	2,746,161	-	-
Net change in fair value on financial derivatives	7	10,967,395	(688,381)	-	-
Net foreign exchange (losses)/gains		(17,316)	117,592	-	-
Net gains on value of investments		<u>18,064,382</u>	<u>40,184,174</u>	<u>8,120,954</u>	<u>17,570,385</u>
Total return for the year before income tax		16,140,180	38,564,679	7,543,603	16,990,065
Less: Income tax	3	19,009	30,099	-	-
Total return for the year after income tax before distribution		<u>16,121,171</u>	<u>38,534,580</u>	<u>7,543,603</u>	<u>16,990,065</u>
Less: Distribution		8,071,449	8,778,476	1,105,685	1,115,829
Total return for the year		<u>8,049,722</u>	<u>29,756,104</u>	<u>6,437,918</u>	<u>15,874,236</u>

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

PRUDENTIAL FUNDS

Balance Sheet As at 31 December 2010

	Note	PRU Monthly Income Plan		PRU 3Plus	
		2010	2009	2010	2009
		S\$	S\$	S\$	S\$
ASSETS					
Portfolio of investments		145,881,007	152,140,787	30,272,312	24,229,732
Prepaid expenses	4	-	-	357,009	921,116
Receivables	5	895,891	524,517	2,228	102
Cash and bank balances		424,951	4,474,048	1,062,236	583,170
Financial derivatives, at fair value	7	10,967,395	-	-	-
Total assets		<u>158,169,244</u>	<u>157,139,352</u>	<u>31,693,785</u>	<u>25,734,120</u>
Liabilities					
Payables	6	1,178,717	904,435	140,708	23,611
Financial derivatives, at fair value	7	-	688,381	-	-
Net assets attributable to unitholders	8	156,990,527	155,546,536	31,553,077	25,710,509
Total liabilities		<u>158,169,244</u>	<u>157,139,352</u>	<u>31,693,785</u>	<u>25,734,120</u>

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

PRUDENTIAL FUNDS

Portfolio Statement
As at 31 December 2010

PRU Monthly Income Plan

	Holdings 31/12/2010 (units)	Fair value 31/12/2010 (\$)	Percentage of total net assets attributable to unitholders 31/12/2010 (%)
By Geography* - Primary			
Unquoted investment funds			
Luxembourg			
International Opportunities Funds:			
Asian Bond Class D	3,419,015	68,624,733	43.72
US High Yield Bond Class D	4,294,562	72,697,468	46.31
		<u>141,322,201</u>	<u>90.03</u>
Quoted investment funds			
Singapore			
Ascendas Real Estate Investment Trust	99,000	204,930	0.13
Cache Logistics Trust Reit	234,000	224,640	0.14
Cityspring Infrastructure Trust	257,000	145,205	0.09
Frasers Centrepoint Trust	218,000	324,820	0.21
Mapletree Industrial Trust	230,000	248,400	0.16
Parkway Life Reit	171,000	280,440	0.18
Suntec Reit	192,000	286,080	0.18
		<u>1,714,515</u>	<u>1.09</u>
Quoted shares			
Cayman Islands			
Mewah International Incorporation	150,000	156,000	0.10
		<u>156,000</u>	<u>0.10</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 2010

PRU Monthly Income Plan

	Holdings 31/12/2010 (units)	Fair value 31/12/2010 (\$)	Percentage of total net assets attributable to unitholders 31/12/2010 (%)
By Geography* - Primary (continued)			
Singapore			
Amtek Engineering Ltd	200,000	216,000	0.14
ARA Asset Management Ltd	177,600	273,504	0.17
Bukit Sembawang Estates Ltd	56,000	267,120	0.17
China Minzhong Food Corporation Ltd	215,000	290,250	0.18
Comfortdelgro Corporation Ltd	134,000	207,700	0.13
M1 Ltd	118,000	277,300	0.18
Pacific Andes Resources Development Ltd	566,296	203,867	0.13
Singapore Press Holdings Ltd	61,000	242,780	0.15
Singapore Telecommunications Ltd	99,000	301,950	0.19
StarHub Ltd	60,000	157,800	0.10
Venture Corporation Ltd	27,000	250,020	0.16
		<hr/> 2,688,291	<hr/> 1.70
Portfolio of investments		145,881,007	92.92
Other net assets		11,109,520	7.08
Net assets attributable to unitholders		<hr/> 156,990,527	<hr/> 100.00

* 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 2010

	PRU Monthly Income Plan	
	Percentage of total net assets attributable to unitholders	
	31/12/2010	31/12/2009
	(%)	(%)
By Geography* (summary) - Primary		
Cayman Islands	0.10	-
Luxembourg	90.03	94.38
Malaysia	-	0.39
Singapore	2.79	3.04
Portfolio of investments	92.92	97.81
Other net assets	7.08	2.19
Net assets attributable to unitholders	100.00	100.00

* *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 2010

PRU Monthly Income Plan

	Fair value 31/12/2010 (S\$)	Percentage of total net assets attributable to unitholders	
		31/12/2010 (%)	31/12/2009 (%)
By Industry - Secondary			
Electronics	250,020	0.16	0.06
Engineering	-	-	0.22
Entertainment	242,780	0.15	0.44
Food	650,117	0.41	0.17
Investment	273,504	0.17	0.37
Investment funds	143,036,716	91.12	95.44
Metals	216,000	0.14	-
Public utilities	-	-	0.13
Real estate	267,120	0.17	0.18
Telecom services	737,050	0.47	0.59
Transport	207,700	0.13	0.21
Portfolio of investments	145,881,007	92.92	97.81
Other net assets	11,109,520	7.08	2.19
Net assets attributable to unitholders	156,990,527	100.00	100.00

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

PRUDENTIAL FUNDS

Portfolio Statement
As at 31 December 2010

	PRU 3Plus			
	Holdings	Fair value	Percentage of	
By Geography* - Primary	31/12/2010	31/12/2010	31/12/2010	31/12/2009
	(units)	(\$)	(%)	(%)
Unquoted notes				
Ireland				
Silk Road Plus plc # 13 Series	8,009,000	7,408,511	23.48	22.73
Silk Road Plus plc # 14 Series	8,445,000	7,811,822	24.76	23.97
Silk Road Plus plc # 15 Series	7,332,000	6,782,271	21.49	22.17
Silk Road Plus plc # 16 Series	8,940,000	8,269,708	26.21	25.37
Portfolio of investments		30,272,312	95.94	94.24
Other net assets		1,280,765	4.06	5.76
Net assets attributable to unitholders		31,553,077	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 2010

	PRU 3Plus		
	Fair value	Percentage of total	
By Industry - Secondary	31/12/2010	31/12/2010	31/12/2009
	(S\$)	(%)	(%)
Financial institutions	30,272,312	95.94	94.24
Other net assets	1,280,765	4.06	5.76
Net assets attributable to unitholders	31,553,077	100.00	100.00

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 2010, 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

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.

The sub-funds Yield 15 and Yield 20 matured on 10 June 2010 on which date all investments were liquidated. Hence they are not presented in this set of financial statements.

The sub-fund PRU 3Plus will mature on 20 August 2011 after which all investments will be liquidated and the sub-fund will be terminated.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements are expressed in Singapore 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.

In accordance with the provision of the Trust Deed, the sub-fund PRU 3Plus will mature on 20 August 2011. Accordingly, the Fund's Manager has prepared the financial statements on the basis that this sub-fund is 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 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.

2.3 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.

2. Summary of significant accounting policies *(continued)***2.3 Distribution policy** *(continued)*PRU Monthly Income Plan *(continued)*

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, 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 the Trustee and unitholders).

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 InvestmentsPRU 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 3 Plus

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.

2. Summary of significant accounting policies *(continued)***2.4 Investments** *(continued)*PRU 3 Plus *(continued)*

The valuation of 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.

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.

2.6 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. Summary of significant accounting policies *(continued)***2.8 Prepaid expenses**

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.

	PRU Monthly Income Plan	
	2010	2009
	S\$	S\$
Singapore withholding tax suffered	15,582	24,635
Overseas tax suffered	3,427	5,464
	<u>19,009</u>	<u>30,099</u>

4. Prepaid Expenses

	PRU 3Plus	
	2010	2009
	S\$	S\$
Prepaid expenses deducted upfront - management fees	357,009	921,116
	<u>357,009</u>	<u>921,116</u>

The amount of S\$357,009 (2009: S\$921,116) represents prepaid management fees which have been deducted upfront after the initial period of the sub-fund in accordance with the prospectus of the sub-fund.

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

PRUDENTIAL FUNDS

Notes to the Financial Statements

Year ended 31 December 2010

4. Prepaid Expenses *(continued)*

	PRU 3Plus	
	2010	2009
	S\$	S\$
Net assets attributable to unitholders per unit for redemption purposes (excluding effect of prepaid expenses)	0.91	0.71
Add: prepaid expenses per unit	0.01	0.03
Net assets attributable to unitholders per unit (including effect of prepaid expenses) (Note 8)	0.92	0.74

5. Receivables

	PRU Monthly Income Plan		PRU 3Plus	
	2010	2009	2010	2009
	S\$	S\$	S\$	S\$
Amount receivable from the creation of units	886,383	479,348	-	-
Accrued interest receivables	-	63	2,228	102
GST receivable	-	31,822	-	-
Dividends receivable	9,508	13,284	-	-
	895,891	524,517	2,228	102

6. Payables

	PRU Monthly Income Plan		PRU 3Plus	
	2010	2009	2010	2009
	S\$	S\$	S\$	S\$
Payable to unitholders for cancellation of units	414,867	151,924	100,430	-
Accrued expenses	763,850	752,511	40,278	23,611
	1,178,717	904,435	140,708	23,611

7. Fair value of financial derivative contract

PRU Monthly Income Plan						
Contract or underlying principal amount	Positive fair value		Negative fair value			
	2010	2009	2010	2009	2010	2009
	S\$	S\$	S\$	S\$	S\$	S\$
Forward foreign exchange contracts	155,040,140	139,779,940	10,967,395	-	-	688,381

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

	PRU Monthly Income Plan		PRU 3Plus	
	Year ended 31/12/2010 S\$	Year ended 31/12/2009 S\$	Year ended 31/12/2010 S\$	Year ended 31/12/2009 S\$
At the beginning of the year	155,546,536	123,967,503	25,710,509	9,904,701
Operations				
Change in net assets attributable to unitholders resulting from operations	8,049,722	29,756,104	6,437,918	15,874,236
Unitholders' contributions/ (withdrawals)				
Creation of units	30,264,452	14,449,354	-	-
Cancellation of units	(36,870,183)	(12,626,425)	(595,350)	(68,428)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	(6,605,731)	1,822,929	(595,350)	(68,428)
Total increase in net assets attributable to unitholders	1,443,991	31,579,033	5,842,568	15,805,808
At the end of the year	156,990,527	155,546,536	31,553,077	25,710,509
Net assets attributable to unitholders:				
- Class A	21,199,286	20,407,349		
- Class M	135,791,241	135,139,187		
Total net assets attributable to unitholders	156,990,527	155,546,536		
Units in issue:				
- Class A	20,431,378	20,691,776		
- Class M	137,166,616	143,637,594		
Total units in issue (number)	157,597,994	164,329,370	34,142,668	34,847,668
Net assets attributable to unitholders per unit (S\$)			0.92	0.74
- Class A	1.04	0.99		
- Class M	0.99	0.94		

9. Units in issue

	PRU Monthly Income Plan		PRU Monthly Income Plan	
	2010	2009	2010	2009
	Class A		Class M	
Units at beginning of the year	20,691,776	22,875,728	143,637,594	139,222,781
Units created	8,528,009	2,564,423	22,109,674	14,208,544
Units cancelled	(8,788,407)	(4,748,375)	(28,580,652)	(9,793,731)
Units at end of the year	20,431,378	20,691,776	137,166,616	143,637,594
	PRU 3Plus			
	2010	2009		
Units at beginning of the year	34,847,668	34,982,668		
Units created	-	-		
Units cancelled	(705,000)	(135,000)		
Units at end of the year	34,142,668	34,847,668		

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.

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

11. Financial risk management

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.

11. Financial risk management *(continued)****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.

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.

Foreign currency risk

The sub-funds PRU Monthly Income Plan and PRU 3Plus are Singapore-dollar denominated. These sub-funds 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 dollars, 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 the 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

	2010	2009
	%	%
PRU Monthly Income Plan		
Expense ratio (Note 1)	1.43	1.46
Turnover ratio (Note 2)	3.54	7.75
<hr/>		
PRU 3Plus		
Expense ratio (Note 1)	1.91	1.95
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, trustee 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

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

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.

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.

PRUDENTIAL FUNDS

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.

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.

PRUDENTIAL FUNDS

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).

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.

PRUDENTIAL FUNDS

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.

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.

PRUDENTIAL FUNDS

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.

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.

PRUDENTIAL FUNDS

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.

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

PRUDENTIAL FUNDS

- (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
 - (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.

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. 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.

IMPORTANT INFORMATION

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.

