

PRUDENTIAL FUNDS

– PRU MONTHLY INCOME PLAN

SEMI-ANNUAL REPORTS
For the half year ended 30 June 2011

UNAUDITED FINANCIAL STATEMENTS
For the half year ended 30 June 2011

PRUDENTIAL FUNDS

Manager

Prudential Asset Management
(Singapore) Limited
10 Marina Boulevard #32-01
Marina Bay Financial Centre Tower 2
Singapore 018983
(Company Registration No. 199407631H)

Directors of the Manager

Graham David Mason
Guy Robert Strapp
Julian Christopher Vivian Pull
Lakshman Kumar Mylavarapu
(Appointed on 23 March 2011)

Trustee

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

Auditors

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

Solicitors to the Manager

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

Solicitors to the Trustee

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

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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 3.3% and 3.2% (bid-to-bid basis with net dividends reinvested) respectively for the half year ended 30 June 2011 versus its benchmark which gained 0.2%.

Market background

The first half of this year has been characterized by market volatility as investor sentiment ebbed and flowed with economic data releases and news flows. This in part reflected the uncertain outlook over global growth path and central banks’ monetary policies, further exacerbated by geopolitical developments, be it the Middle Eastern political upheaval, or the Japan earthquake. The ongoing peripheral European debt crisis added further to the fragility of investor sentiment.

Despite the volatility equity markets managed to end the half-year higher. The gains were driven mainly by the developed markets of the US and Europe, while Asia and emerging markets generally underperformed. Credit markets also posted positive returns over the review period, with lower quality, higher yielding credits outperforming better quality ones.

In this environment, both US high yield and Asian US dollar denominated credit markets delivered decent returns for the review period; Asian USD corporate bonds and US high yield bonds were up 2.74%¹ and 4.91%² respectively. In contrast, Asian equities registered a loss of 2.9%³ over the corresponding period.

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

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 high yield credits, Asian US dollar denominated credits and Asian high-yielding equities at the start of the year. Both the USD credit markets (in hedged SGD terms), and high yielding Asian equities posted positive returns during the first half of the year.

Key changes to the portfolio

There has been no major asset allocation strategy change for most part of the review period. The Fund continued to be fully invested, at most times, and has a small allocation to high dividend yield Asian equities. This was 3% at the start of the year, and was further increased to 5% in the middle of June, as equity market weakness offered the opportunity to buy some attractively-valued assets.

In June this year, the Fund tactically increased its relative weighting in Asian USD credit versus US high yield credit. Historically low relative high yield pick-up over investment grade suggested greater caution in adding to lower-quality credits in an environment of greater macro uncertainties which would add to short-term spread volatility, most felt in the high yield space.

Outlook

Credit markets began weakening at the beginning of the second quarter of this year. Spreads have been widening since mid-April for US high yield credit, as investors increasingly became concerned of slowing global growth. The fund manager has long held the view that credit markets have normalised since the recovery from the 2008 credit crisis and no longer offer exceptional value.

However, the fund manager has been positive on this asset class from a credit fundamental perspective. The recent market correction was spurred predominantly by macro factors (rather than credit fundamental factors). Corporates have continued to demonstrate a strong balance sheet discipline and in the high yield sector, they have been taking the opportunity of supportive monetary conditions to refinance their debts. The fund manager does not believe there will be a major blow-out in spreads against this strong fundamental backdrop which argues for declining default rates.

As such, the fund manager is still inclined to be overweight credit over the medium-term as the fund manager continues to expect this asset classes to outperform cash and government bonds.

In the short-term, the fund manager recognises there is a risk of market volatility especially for US high yield credit spreads which tend to be more cyclical. But over the medium term, the fund manager continues to expect US credit to outperform cash and government bonds, especially with the recent upward correction in spreads. The Fund continues to be fully invested out of cash, and has also recently used market weakness to add to its allocation of high dividend yield equities (currently 5% of the Fund).

Tactically, the Fund has been adding to the relative weighting of Asian bonds versus US high yield bonds, the former being more resilient to weakening investor sentiment and downgrading of growth expectations due to its weighting in better quality, investment graded credits. The Fund continues to hedge all its USD bond investments back to SGD to protect its running yield in SGD, and also to benefit from the current very low hedging costs.

PRU MONTHLY INCOME PLAN

Fund Performance

(As at 30 June 2011)

Fund / Benchmark	3 months	6 months	1 year	3 years	5 years	Since inception ⁺
	%	%	%	%	%	%
(average annual compounded return)						
PRU Monthly Income Plan – Class A	1.0	3.3	9.5	7.3	5.9	5.2
PRU Monthly Income Plan – Class M	1.0	3.2	9.5	7.3	5.9	5.3
12-month SGD Fixed Deposit Rate	0.1	0.2	0.4	0.5	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 dividends reinvested.

PRU Monthly Income Plan – Class M has distribution payout of 0.4 cents per Class M Unit (i.e. 0.4% computed based on the initial issue price of S\$1.00) on 10 Jan 11, 10 Mar 11, 11 Apr 11, 12 May 11 and 10 Jun 11. Class M has distribution payout of 0.6 cents per Class M Unit (i.e. 0.6% computed based on the initial issue price of S\$1.00) on 14 Feb 11.

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 14 Feb 11.

+ 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 30 June 2011)

Exposure to Derivatives

	Fair Value at 30 Jun 11	Percentage of total net assets attributable to unitholders at 30 Jun 11	Net Unrealised Gains/ (Losses)	Net Realised Gain/ (Losses)
Types of Derivatives	SGD	%	SGD	SGD
Forward Foreign Exchange Contracts	8,917,419	3.61	8,917,419	(1,930,555)

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

The PRU Monthly Income Plan invests SGD 113,605,949 and SGD 103,139,075 equivalent to 46.05% and 41.82% of its net asset value attributable to unitholders, in International Opportunities Funds - Asian Bond and International Opportunities Funds - US High Yield Bond respectively. (Investments in REITs are not included under this heading)

Borrowings

Nil.

Related Party Transactions

The PRU Monthly Income Plan invests SGD 113,605,949 and SGD 103,139,075 equivalent to 46.05% and 41.82% 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 9 of the "Notes to the Financial Statements".

Total Subscriptions and Redemptions for the period ended 30 June 2011

	SGD
Subscriptions	106,239,605
Redemptions	16,477,865

Annualised Expense Ratio**

1.42% (2010: 1.43%)

*** 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

1.63% (2010: 1.92%)

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 30 June 2011)

	Market Value SGD	% of Net Assets ***
International Opportunities Funds: Asian Bond Class D	113,605,949	46.05
International Opportunities Funds: US High Yield Bond Class D	103,139,075	41.82
Singapore Press Holdings Ltd	1,020,440	0.42
Singapore Telecommunications Ltd	945,000	0.38
Singapore Post Ltd	943,000	0.38
StarHub Ltd	739,480	0.30
Ascendas Real Estate Investment Trust	711,960	0.29
Capitaland Ltd	646,700	0.26
Comfortdelgro Corporation Ltd	601,750	0.25
Suntec Reit	600,000	0.24

Top 10 Holdings

(As at 30 June 2010)

	Market Value SGD	% of Net Assets ***
International Opportunities Funds: Asian Bond Class D	78,267,995	50.09
International Opportunities Funds: US High Yield Bond Class D	72,577,969	46.45
China Minzhong Food Corporation Ltd	392,940	0.25
Singapore Post Ltd	365,120	0.23
Parkway Life Reit	360,450	0.23
StarHub Ltd	344,960	0.22
M1 Ltd	325,280	0.21
Singapore Telecommunications Ltd	299,970	0.19
Singapore Press Holdings Ltd	291,060	0.19
CapitalMall Trust Reit	288,880	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 30 June 2011)

	Market Value SGD	% of Net Assets ***
Country		
Luxembourg	216,745,024	87.87
Singapore	11,824,111	4.79
Industry		
Electronic	426,000	0.17
Entertainment	1,020,440	0.42
Food	915,581	0.37
Healthcare	357,600	0.14
Investment funds	220,004,914	89.19
Real Estate	1,344,390	0.54
Shipbuilding	386,400	0.16
Telecom service	1,980,660	0.80
Transport	2,133,150	0.87
Asset Class		
Equities	8,564,221	3.47
Investment Funds	220,004,914	89.19
Other Net Assets	18,112,114	7.34

*** 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 30 June 2011)

	Market Value USD	% of Net Assets***
Hutchison Whampoa International Var 29/12/2049	19,503,500	1.43
Philippine Government International Bond 6.38% 23/10/2034	17,153,820	1.25
Philippine Government International Bond 9.5% 02/02/2030	16,468,850	1.20
Philippine Government International Bond 7.75% 14/01/2031	15,086,400	1.10
Philippine Government International Bond 10.63% 16/03/2025	14,525,550	1.06
China Government International Bond 10.63% 10/11/2020	14,323,500	1.05
Petronas Capital Ltd 5.25% 12/8/2019	14,002,300	1.02
Indonesia Government International Bond 11.63% 04/03/2019	12,312,270	0.90
Indonesia Government International Bond 7.75% 17/01/2038	11,944,625	0.87
Penerbangan Malaysia Bhd 5.63% 15/3/2016	11,129,000	0.81

Top 10 Holdings

(As at 30 June 2010)

	Market Value USD	% of Net Assets***
Petronas Capital Ltd 5.25% 12/8/2019	13,665,366	1.59
Petronas Capital Ltd 7% 22/5/2012	13,601,170	1.58
Philippine Government International Bond 7.75% 14/1/2031	11,587,500	1.35
Philippine Government International Bond 9.5% 2/2/2030	11,303,813	1.32
Penerbangan Malaysia BD 5.625% 15/3/2016	11,199,718	1.30
Gain Silver Finance 6.375% 25/8/2016	9,747,071	1.13
Korea Development Bank 8% 23/1/2014	9,564,430	1.11
Philippine Government International Bond 10.625% 16/3/2025	9,448,375	1.10
HKCG Finance Ltd 6.25% 7/8/2018	9,319,321	1.08
Hutchison Whampoa International 09/16 4.625% 11/9/2015	9,294,269	1.08

*** 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% (2010: 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

75.01% (2010: 38.45%)

INTERNATIONAL OPPORTUNITIES FUNDS - US HIGH YIELD BOND

Top 10 Holdings

(As at 30 June 2011)

	Market Value USD	% of Net Assets***
International Lease Finance Co 8.25% 15/12/2020	16,420,220	2.21
BNY Mellon Universal USD Liquidity Class B	16,359,394	2.20
Ford Motor Credit Co LLC 8.13% 15/01/2020	15,754,162	2.12
HCA Inc 8.5% 15/04/2019	15,452,500	2.08
Dish DBS Corporation 7.88% 01/09/2019	11,412,880	1.54
Sprint Capital Corporation 6.88% 15/11/2028	10,951,205	1.47
Citigroup Cap Xiii Preference Shares	10,410,000	1.40
Citigroup Inc 7% USUSD 02/05/2017	9,937,500	1.34
Frontier Communications Corporation 8.5% 15/04/2020	9,647,213	1.30
Sprint Capital Corporation 6.9% 01/05/2019	9,258,750	1.25

Top 10 Holdings

(As at 30 June 2010)

	Market Value USD	% of Net Assets***
BNY Mellon Universal USD Liquidity Class B	11,645,942	3.89
Sprint Capital Corp. 6.875% 15/11/2028	7,885,350	2.63
HCA, Inc 9.625% 15/11/2016	7,878,410	2.63
EL Paso Corporation 7.75% 15/1/2032	4,470,370	1.49
Boston Scientific Corp 6% 15/1/2020	4,461,233	1.49
CSC Holdings, Inc. (United States) 8.5% 15/4/2014	4,188,953	1.40
JPMorgan Chase & Co 7.9% 29/4/2049	4,110,760	1.37
Ford Motor Credit Co LLC 8.125% 15/1/2020	3,778,317	1.26
Dish DBS Corp 7.875% 1/9/2019	3,735,680	1.25
Liberty Mutual Group 7.8% 15/3/2037	3,548,750	1.18

*** 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% (2010: 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

154.34% (2010: 109.42%)

FINANCIAL STATEMENTS

For the half year ended 30 June 2011

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PRUDENTIAL FUNDS

Statement of Total Return

As at 30 June 2011

	PRU Monthly Income Plan	
	Financial	Financial
	period from	period from
Note	01/01/2011	01/01/2010
	to 30/06/2011	to 30/06/2010
	S\$	S\$
Income		
Dividend	123,777	121,739
Interest	2,051	690
	<hr/>	<hr/>
	125,828	122,429
Less: Expenses		
Management fees	1,161,495	968,267
Registration fees	10,196	7,940
Trustee fees	37,168	30,985
Custody fees	702	830
Audit fees	6,074	4,724
Others	44,571	49,360
	<hr/>	<hr/>
	1,260,206	1,062,106
Net losses	<hr/>	<hr/>
	(1,134,378)	(939,677)
Net gains or losses on value of investments		
Net realised gains on investments sold	279,928	1,029,112
Net change in fair value on investments	(824,712)	5,518,109
Net realised (losses)/gains on financial derivatives	(1,930,555)	1,576,582
Net change in fair value on financial derivatives	8,917,419	(396,695)
Net foreign exchange gains/(losses)	110,908	(9,516)
Net gains on value of investments	<hr/>	<hr/>
	6,552,988	7,717,592
Total return for the period before income tax	5,418,610	6,777,915
Less : Income tax	3	8,569
	<hr/>	<hr/>
	8,569	8,693
Total return for the period after income tax before distribution	5,410,041	6,769,222
Less: Distribution	5,481,059	4,748,397
	<hr/>	<hr/>
Total (deficit)/return for the period	(71,018)	2,020,825

The accompanying notes form an integral part of these financial statements

PRUDENTIAL FUNDS**Balance Sheet**

As at 30 June 2011

	Note	PRU Monthly Income Plan	
		30/06/2011	31/12/2010
		S\$	S\$
Assets			
Portfolio of investments		228,569,135	145,881,007
Receivables	4	5,357,761	895,891
Cash and bank balances		23,527,869	424,951
Financial derivatives, at fair value	6	8,917,419	10,967,395
Total assets		<u>266,372,184</u>	<u>158,169,244</u>
Liabilities			
Payables	5	19,690,935	1,178,717
Net assets attributable to unitholders	7	246,681,249	156,990,527
Total liabilities		<u>266,372,184</u>	<u>158,169,244</u>

The accompanying notes form an integral part of these financial statements

As at 30 June 2011

PRU Monthly Income Plan

	Holdings 30/06/2011 (units)	Fair value 30/06/2011 (\$)	Percentage of total net assets attributable to unitholders 30/06/2011 (%)
By Geography* - Primary			
Unquoted investment funds			
Luxembourg			
International Opportunities Funds:			
Asian Bond Class D	5,731,644	113,605,949	46.05
US High Yield Bond Class D	6,027,466	103,139,075	41.82
		<u>216,745,024</u>	<u>87.87</u>
Quoted investment funds			
Singapore			
Ascendas Real Estate Investment Trust	349,000	711,960	0.29
Cache Logistics Trust Reit	550,000	533,500	0.22
Frasers Centrepoint Trust	218,000	331,360	0.13
Mapletree Industrial Trust	326,000	381,420	0.16
Parkway Life Reit	259,000	476,560	0.19
Perennial China Reit	366,000	225,090	0.09
Suntec Reit	400,000	600,000	0.24
		<u>3,259,890</u>	<u>1.32</u>

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

As at 30 June 2011

PRU Monthly Income Plan

	Holdings 30/06/2011 (units)	Fair value 30/06/2011 (\$)	Percentage of total net assets attributable to unitholders 30/06/2011 (%)
By Geography* - Primary (continued)			
Quoted shares			
Singapore			
Bukit Sembawang Estates Ltd	56,000	246,400	0.10
Capitaland Ltd	223,000	646,700	0.26
Capitamalls Asia Ltd	307,000	451,290	0.18
China Minzhong Food Corporation Ltd	350,000	525,000	0.21
Comfortdelgro Corporation Ltd	415,000	601,750	0.25
M1 Ltd	118,000	296,180	0.12
Osim International Ltd	240,000	357,600	0.14
Pacific Andes Resources Development Ltd	1,420,296	390,581	0.16
Singapore Post Ltd	820,000	943,000	0.38
Singapore Press Holdings Ltd	263,000	1,020,440	0.42
Singapore Telecommunications Ltd	300,000	945,000	0.38
Smart Corp Ltd	200,000	384,000	0.16
StarHub Ltd	266,000	739,480	0.30
STX OSV Holdings Ltd	280,000	386,400	0.16
Venture Corporation Ltd	50,000	426,000	0.17
Yangzijiang Shipbuilding Holdings Ltd	140,000	204,400	0.08
		8,564,221	3.47
Portfolio of investments		228,569,135	92.66
Other net assets		18,112,114	7.34
Net assets attributable to unitholders		246,681,249	100.00

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

PRUDENTIAL FUNDS

Portfolio Statement

As at 30 June 2011

	PRU Monthly Income Plan	
	Percentage of total net assets attributable to unitholders	
	30/06/2011	31/12/2010
	(%)	(%)
By Geography* (summary) - Primary		
Cayman Islands	-	0.10
Luxembourg	87.87	90.03
Singapore	4.79	2.79
Portfolio of investments	92.66	92.92
Other net assets	7.34	7.08
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.

	PRU Monthly Income Plan		
	Fair value	Percentage of total net assets attributable to unitholders	
		30/06/2011	30/06/2011
	(S\$)	(%)	(%)
By Industry - Secondary			
Electronic	426,000	0.17	0.16
Entertainment	1,020,440	0.42	0.15
Food	915,581	0.37	0.41
Healthcare	357,600	0.14	-
Investment	-	-	0.17
Investment funds	220,004,914	89.19	91.12
Metals	-	-	0.14
Real estate	1,344,390	0.54	0.17
Shipbuilding	386,400	0.16	-
Telecom services	1,980,660	0.80	0.47
Transport	2,133,150	0.87	0.13
Portfolio of investments	228,569,135	92.66	92.92
Other net assets	18,112,114	7.34	7.08
Net assets attributable to unitholders	246,681,249	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 30 June 2011, 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

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.

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.

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

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.

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

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.

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.

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	
	30/06/2011	30/06/2010
	S\$	S\$
Singapore withholding tax suffered	8,569	7,180
Overseas tax suffered	-	1,513
	<u>8,569</u>	<u>8,693</u>

4. Receivables

	PRU Monthly Income Plan	
	30/06/2011	31/12/2010
	S\$	S\$
Amount receivable from the creation of units	5,323,482	886,383
GST receivable	34,279	-
Dividends receivable	-	9,508
	<u>5,357,761</u>	<u>895,891</u>

5. Payables

	PRU Monthly Income Plan	
	30/06/2011	31/12/2010
	S\$	S\$
Payable to unitholders for cancellation of units	1,189,285	414,867
Purchases awaiting settlements	17,158,884	-
Accrued expenses	1,325,966	763,850
Other payables	16,800	-
	<u>19,690,935</u>	<u>1,178,717</u>

6. Fair Value of Financial Derivative Contracts

PRU Monthly Income Plan						
Contract or underlying principal amount	Positive fair value		Negative fair value			
	30/06/2011	31/12/2010	30/06/2011	31/12/2010	30/06/2011	31/12/2010
	S\$	S\$	S\$	S\$	S\$	S\$
Forward foreign exchange contracts	221,175,249	155,040,140	8,917,419	10,967,395	-	-

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

7. Net Assets Attributable to Unitholders

	PRU Monthly Income Plan	
	30/06/2011	31/12/2010
	S\$	S\$
At the beginning of financial period/year	<u>156,990,527</u>	<u>155,546,536</u>
Operations		
Change in net assets attributable to unitholders resulting from operations	(71,018)	8,049,722
Unitholders' contributions/(withdrawals)		
Creation of units	106,239,605	30,264,452
Cancellation of units	(16,477,865)	(36,870,183)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	<u>89,761,740</u>	<u>(6,605,731)</u>
Total increase in net assets attributable to unitholders	<u>89,690,722</u>	<u>1,443,991</u>
At the end of financial period/year	<u>246,681,249</u>	<u>156,990,527</u>
Net assets attributable to unitholders:		
- Class A	28,221,753	21,199,286
- Class M	<u>218,459,950</u>	<u>135,791,241</u>
Total net assets attributable to unitholders	<u>246,681,703</u>	<u>156,990,527</u>
Units in issue:		
- Class A	27,653,725	20,431,378
- Class M	<u>219,296,444</u>	<u>137,166,616</u>
Total units in issue	<u>246,950,169</u>	<u>157,597,994</u>
Net asset attributable to unitholders per unit (S\$)		
- Class A	1.02	1.04
- Class M	<u>0.99</u>	<u>0.99</u>

8. Units in Issue

	PRU Monthly Income Plan			
	30/06/2011	31/12/2010	30/06/2011	31/12/2010
	Class A		Class M	
Units at beginning of period/year	20,431,378	20,691,776	137,166,616	143,637,594
Units created	10,400,825	8,528,009	95,341,409	22,109,674
Units cancelled	(3,178,478)	(8,788,407)	(13,211,581)	(28,580,652)
Units at end of period/year	<u>27,653,725</u>	<u>20,431,378</u>	<u>219,296,444</u>	<u>137,166,616</u>

9. 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.

10. 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.

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.

10. Financial risk management *(continued)*

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 is Singapore-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 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.

11. Financial ratios

	30/06/2011	30/06/2010
	%	%
PRU Monthly Income Plan		
Expense ratio (Note 1)	1.42	1.43
Turnover ratio (Note 2)	1.63	1.92

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 period that a dollar of assets is reinvested. It is calculated based on the lesser of purchases or sales for the period preceding the reporting date expressed as a percentage of daily average net asset value.

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. The Underlying Funds may use derivative instruments for efficient portfolio management or hedging purposes.

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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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.

