APPENDIX 2

Investment Risks for PRU*link* Dana

1) Market Risk

This risk refers to changes and developments in regulations, politics and the economy of the country. The very nature of investing in a fund, however, helps mitigate the risk because a fund would generally hold a well-diversified portfolio of securities from different market sectors so that the collapse of any one security or any one market sector would not impact too greatly on the value of the fund.

2) Liquidity Risk

Liquidity refers to the ease of converting an investment into cash without incurring an overly significant loss in value. If a fund has a large portfolio of stocks issued by smaller companies, the relatively less liquid nature of those stocks can cause the value of the fund to drop; this is because there are generally less ready buyers of such stocks as compared with the stocks of larger and more established companies. The risk is managed by taking greater care in stock selection and diversification.

(Specific for **PRU***link dana aman* & **PRU***link dana urus II*)
Should there be negative developments on any of the issuers, this will increase liquidity risk of the particular security. This is because there are generally less ready buyers of such securities as the fear of a credit default increases. The risk is managed by taking greater care in stock and security selection and diversification.

3) Interest Rate Risk

Interest rate risk is a general risk affecting Shariah-based funds. This is so even though Shariah-based funds only invest in investments that are in accordance with Shariah requirements. The reason for this is because a high level of interest rates will inevitably affect corporate profits and this will have an impact on the value of both equity and debt securities.

(Specific for **PRU***link dana urus II*)
This risk is crucial in a sukuk fund since a sukuk portfolio management depends on forecasting interest rate movements. Prices of sukuk move inversely to interest rate movements therefore as interest rates rise, the prices of sukuk decrease and vice versa. Furthermore, sukuk with longer maturity and lower profit rates are more susceptible to interest rate movements.

(Specific for **PRU***link dana aman*)
This risk is also crucial in a Sukuk fund since Sukuk portfolio management depends on forecasting interest rate movements. Generally, demand for Sukuk moves inversely to interest rate movements therefore as interest rates rise, the demand for Sukuk decreases and vice versa. Furthermore, Sukuk with longer maturity and lower profit rates are more susceptible to interest rate movements. Sukuk are subject to interest rate fluctuations with longer maturity and lower profit rates, Sukuk being more susceptible to such interest rate movements. To address the interest rate risk, we will seek to diversify the Fund's portfolio in Sukuk with varying maturity periods.

4) Stock Risk / Issuer Risk (PRU*link dana urus II*), Issuer Risk (PRU*link dana aman*), Stock Risk (PRU*link dana unggul*)

This risk refers to the individual risk of the respective companies issuing the securities. Specific risk includes, but is not limited to changes in consumer tastes and demand, legal suits, competitive operating environments, changing industry conditions and management omissions and errors. However, this risk is minimized through investing in a wide range of companies in different sectors and thus function independently from one another.

5) Country Risk

This risk refers to changes and developments in regulations, politics and the economy of the country. The investments may be affected by uncertainties in the investing country such as domestic political developments, restrictions on foreign investment and currency repatriation, changes in governmental policies, changes in taxation and other developments in the laws and regulations. In addition, the reduced availability of public information, the legal infrastructure and the lack of uniform accounting, auditing and financial reporting standards or other regulatory practices and requirements may reduce the degree of investor protection afforded. Some of the securities may also be subjected to government taxes or incur higher custodian expenses which may reduce the yield on such securities.

6) Risk of Non-Compliance

Non-adherence with laws, rules, regulations, prescribed practices, internal policies and procedures may result in tarnished reputation, limited business opportunities and reduced expansion potential for the management company. Investor's investment goals may also be affected should the fund manager not adhere to the investment mandate. Such risk is mitigated by the compliance unit of the management company which oversees the entire compliance matters of the management company.

7) Concentration Risk

This is the risk of a fund focusing a greater portion of its assets in a smaller selection of investments. The fall in price of a particular equity and/or fixed income investment will have a greater impact on the funds and thus greater losses. This risk may be minimised by the manager conducting even more rigorous fundamental analysis before investing in each security.

8) Management Company Risk

There is risk that the management company may not adhere to the investment mandate of the respective fund. With close monitoring by the investment committee, a back office system that is being incorporated with limits and controls, and regular reporting to the senior management team, the management company is able to manage such a risk. This risk is also mitigated by the existence of the custodian. Poor management of the fund may also jeopardise the investment of investors through the loss of the capital invested in the fund.

9) Inflation Risk

Inflation risk can be defined as potential intangible losses that may arise from the increase in prices of goods and services in an economy over a period of time. Inflation causes the reduction in purchasing power and if the rate of inflation is constantly higher than the rate of returns on investments, the eventual true value of investments could be negative.

10) Investment Managers' Risk

Poor management of the Fund due to lack of experience, knowledge, expertise and poor management techniques would have an adverse impact on the performance of the Fund. This may result in investors suffering loss on their investment of the Fund.

11) Credit / Default Risk

Bonds are subject to credit / default risk in the event that the issuer of the instrument is faced with financial difficulties, which may decrease their credit worthiness. This in turn may lead to a default in the payment of principal and interest.

12) Reclassification of Shariah Status Risk

The risk that the currently held Shariah-compliant securities in the portfolio of Shariah-based funds may be reclassified to be Shariah non-compliant upon review of the securities by the Shariah Advisory Council of the Securities Commission performed twice yearly. If this occurs, the value of the fund may be adversely affected where the Manager will take the necessary steps to dispose of such securities in accordance with the Shariah Advisory Council's advice.

The above should not be considered to be an exhausted list of the risks which potential investors should consider before investing in the Fund. Potential investors should be aware that an investment in the Fund may be exposed to other risks of exceptional nature from time to time.