

# Q&A PruFund

June 2026 Edition

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This Q&A report represents Defaqto's understanding of the investment process, and the terms and conditions of the PruFund range, along with comments on the key features and attributes of this proposition. It does not represent a recommendation to invest in the PruFund range, and Defaqto encourages advisers to conduct their own suitability and due diligence processes before selecting this fund solution, or any other.

# Introduction

## M&G has commissioned Defaqto to carry out an independent fact-based review of the PruFund proposition.

This has been done in a question and answer (Q&A) format and considers the use of the PruFund range within pensions, bonds, and ISAs.

The objective is to provide advisers with the information they should be considering and the process they should be following when assessing the suitability of the PruFund range. Particularly with regard to the investment scale, expertise and experience behind PruFund and the benefits of fund price smoothing.

While some of the questions are specific to the make-up of the PruFund range, many can be applied when carrying out research on other funds and investment solutions to gauge their suitability for clients.

The Q&A report was conducted using M&G's full suite of adviser and client-facing marketing literature. Defaqto has also had access to senior representatives of Prudential.



**Richard Hulbert**  
Insight Consultant



**Fraser Donaldson**  
Investment Consultant

### The 10 questions posed:

- 1 Why should the PruFund range interest investors?
- 2 What investor needs can the PruFund range address?
- 3 What is the PruFund range's aims and objectives?
- 4 How can you identify if the PruFund range is suitable for your client?
- 5 How do I access the PruFund range?
- 6 How is M&G set up to ensure the PruFund range's continued success?
- 7 How does the scale of M&G benefit PruFund investors?
- 8 How does the smoothing process affect returns?
- 9 How does the PruFund range deliver value for money (VFM)?
- 10 How does M&G support advisers?

# Q1 Why should the PruFund range interest investors?

When we look at target market categories there are three key reasons to invest:

- 1 Capital preservation
- 2 Capital growth
- 3 Income

Most advised consumers seek capital growth while they are accumulating (saving) and a combination of capital growth and income when they are in the decumulation phase usually sparked by retirement and a desire for drawdown.

M&G's scale and investment expertise combine to allow PruFund to be invested in a wide range of investments following a three-tiered approach to diversification, which allows greater return-seeking for lower risk. This is discussed further in question 3. In addition, PruFund operates a price-smoothing process, removing much of the day-to-day market volatility investors commonly experience.

The result is an improved overall risk/reward balance that makes the PruFund fund range suitable for a wide audience. It also represents a suitable asset for use in the foundation of advice firms' centralised investment and retirement propositions (CIPs and CRPs).

To summarise, the PruFund range is likely to be most suitable for those seeking some or all of the following attributes:

Investors seeking
<ul style="list-style-type: none"><li>• Capital growth</li><li>• Income through capital drawdown</li><li>• Diverse asset classes</li><li>• Diverse geographical exposure</li><li>• Lower exposure to market volatility</li><li>• Lower exposure to sequence risk</li><li>• Consistent attractive and smoothed performance</li></ul>

## Q2 What investor needs can the PruFund range address?

The suite of PruFund funds help advice firms meet the FCA's vision for consumers expressed in their thematic review TR24/1: Retirement income advice. They are designed for consumers to:

- invest with confidence
- make good investment decisions
- understand the risks and regulatory protections involved
- access investments that suit their circumstances
- get the support they need
- In addition, for advisers it creates a smoothed foundation to their centralised investment propositions

M&G has taken steps to make the due diligence process of paraplanners and advisers easier. Key facts to keep in mind are set out below.

**M&G website dedicated to supporting advisers:**

[mandg.com/pru/adviser](https://mandg.com/pru/adviser)

**AKG Financial Strength Rating of A (see section 5)**

**30 years of smoothing experience**

**M&G publishes its 'fair value' assessment at product and fund levels so evidencing overall fair value is easier**

**Product and fund target markets defined to PROD, MIFID and Consumer Duty standards**

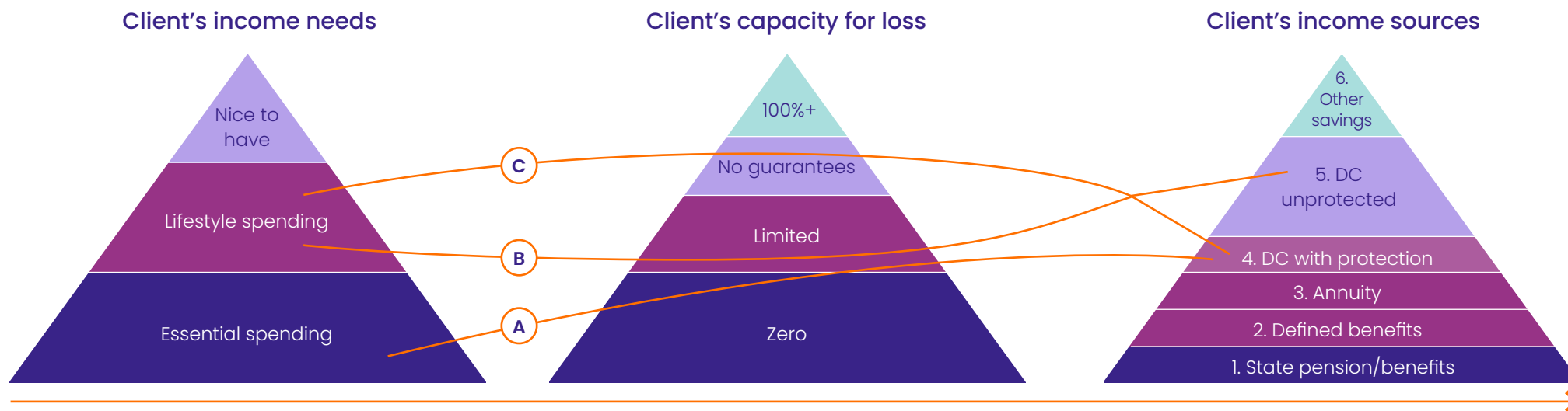
**PruFunds are Defaqto risk rated, this enables helps suitability to be evidenced quickly and easily**

**In 2026, wider availability on platforms will mean the PruFund range can be more extensively used in advice firm CIPs and CRPs**

## Smoothed funds in the suitability test

When we look at suitability through the FCA thematic review of retirement income advice (20 March 2024), we can see why a smoothed fund is often considered a suitable investment solution to recommend. When read from left to right, this chart illustrates the suitability connection between the client's income needs, their capacity for loss, and appropriate income sources. We have used pyramids to illustrate that each level requires a firm foundation below it to create income

security, and that risk increases the further up a pyramid you go. To help identify suitability, we have colour-coded the three key levels; the darker the colour, the more security provided. We have also priority numbered each income source, as indicated by the COBS hierarchy. By considering these in order, appropriate suitability can be found.



Essential spending, zero capacity for loss, and the state pension naturally correlate. However, correlation diminishes when risk is introduced on any one of the pyramids and this is where the position of the option on the pyramid becomes relevant. The PruFund range sits in the DC sections, both with and without protection, so it is well placed to meet the needs and objectives of clients in the three examples shown by the orange lines:

- A** Essential spending need with a limited capacity for loss = DC with protection
- B** Lifestyle spending need with a limited capacity for loss = DC with protection and DC without protection
- C** Lifestyle spending need with a no-guarantees capacity for loss = DC with protection and DC without protection

## Q3 What is the PruFund range's aims and objectives?

The PruFund range leverages M&G's scale and investment expertise, aiming to invest in a wide range of investment classes and geographical regions using holistic active management.

They use a three-tiered approach to diversification allowing greater return-seeking for lower risk.

- A** By investing beyond public equities, fixed income, and cash into private markets they broaden the opportunity to add value without being overly exposed to any single asset class.
- B** By investing across asset classes, M&G's active, forward-looking approach geographically positions portfolios for the future, with flexibility to lean into opportunities such as Asia and emerging markets.
- C** Within asset classes, combining different styles, strategies, and managers, often through bespoke building blocks, allows M&G to target how and where they invest to add value and reduce concentration risk, and where to apply its ESG philosophy.

It is the combination of this targeted diversification that is behind the smoothing process that allows PruFund to iron out short-term market ups and downs, reducing the impact of market shocks to provide more predictable long-term performance. We explain this in more detail under question 6.

While the PruFund range has a collective aim, each fund has a different objective and risk profile as detailed below:

### PruFund Cautious

The fund aims for steady and consistent growth over the medium to long term (5 to 10 years or more) through a cautious approach to investing.

It invests in a range of international equities, real estate, fixed interest securities, cash and other specialist investments by investing in the Prudential With-Profits fund. This gives the advantages of a well-balanced mix of investment with smoothing of investment returns. The fund will aim to invest 50% to 75% in fixed interest securities and cash, but may occasionally move outside this range to meet fund objectives.

### PruFund Growth

The fund aims to maximise growth over the medium to long term (5 to 10 years or more) while helping to smooth the ups and downs of investment performance.

It invests in a range of international equities, real estate, fixed interest securities and other specialist investments, by investing in the Prudential With-Profits fund. This gives the advantage of a well-balanced mix of investments with some smoothing of investment returns.

### PruFund Risk Managed Range

Each of the five PruFunds aim to produce growth over the medium to long term (5 to 10 years or more) while smoothing some of the ups and downs of short-term investment performance.

The funds spread investment risk by investing in a range of different asset types, which include UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments.

The funds are actively managed and aim to limit the fluctuations (volatility) they experience to a defined percentage per annum (before smoothing). There is no guarantee that the funds will achieve their objective of managing the volatility below their limits. The defined percentages are:

Fund	Fluctuation limit target
PruFund Risk Managed 1	9.0%
PruFund Risk Managed 2	10.0%
PruFund Risk Managed 3	12.0%
PruFund Risk Managed 4	14.5%
PruFund Risk Managed 5	17.0%

### PruFund Planet Range

Each PruFund Planet fund aims to produce growth over the medium to long term (5 to 10 years or more) while smoothing some of the ups and downs of short-term investment performance.

The funds spread investment risk by investing in a range of different asset types including UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments.

The funds invest in companies that prioritise ESG factors and have specific goals to help create positive change such as reducing carbon emissions by set dates.

The funds are actively managed and aim to limit the fluctuations (volatility) they experience to a defined percentage per annum (before smoothing). There's no guarantee that the funds will achieve their objective of managing the volatility below their limits. The defined percentages are:

Fund	Fluctuation limit target
PruFund Planet 1	9.0%
PruFund Planet 2	10.0%
PruFund Planet 3	12.0%
PruFund Planet 4	14.5%
PruFund Planet 5	17.0%

# Q4 How can you identify if the PruFund range is suitable for your client?

Standard COBS suitability rules apply; however, we thought it prudent to take a closer look at how to efficiently and accurately evidence target market and attitude to risk compatibility.

## Target market categorisation and compatibility

One of the quickest, simplest, and COBS-compliant ways to help evidence suitability is through target market categories.

Advice firms that adopt the following Q&A into their fact find and periodic review questionnaires and then use their clients' answers as selection criteria in their due diligence selection process, can easily identify suitable solutions:

Target Market Subject Area	Prescribed target market categories			
Distribution channels	Execution only	Non advised/Guided	Advised	Portfolio management
Client type	Retail	Professional	Eligible counterparty	
Needs and objectives	Capital Preservation	Capital Growth	Income	
Knowledge/experience	Basic	Informed	Advanced	
Ability to bear risk	Zero	Limited	No guarantee	More than 100%
Time horizon	<= 1 year	1-2 years	3-4 years	5+ years

Advice firms that categorise their clients using the same system as platforms, products (tax wrappers), and investment solutions (including Prudential) can evidence at least six shared characteristics between their client and the solutions they recommend.

## M&G, Prudential and PruFund Target Markets

Using target market categories makes it easy to identify clients for whom the PruFund range is suitable:

Product	Distribution channels (retail)				Client type			Needs and objectives			Knowledge/experience			Ability to bear risk				Time horizon			
	Execution only	Non-advised/Guided	Advised	Portfolio management	Retail	Professional	Eligible counterparty	Capital Preservation	Capital Growth	Income	Basic	Informed	Advanced	Zero	Limited	No guarantee	More than 100%	≤ 1 year	1-2 years	3-4 years	5+ years
<b>PruFund</b>	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	No	No	No	Yes
Pru ISA	No	No	Yes	No	Yes	No	No	No	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	No	No	No	Yes
Pru Retirement Account	No	No	Yes	No	Yes	No	No	No	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	No	No	No	Yes
Pru Trustee Investment Plan	No	No	Yes	No	Yes	Yes	No	No	Yes	Yes	No	Yes	Yes								
Pru (Onshore) Investment Plan	No	No	Yes	No	Yes	Yes	No	No	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	No	No	No	Yes
Pru International Investment Bond	No	No	Yes	No	Yes	Yes	No	No	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	No	No	No	Yes
Pru International Portfolio Bond	No	No	Yes	No	Yes	Yes	No	No	Yes	Yes	No	Yes	Yes	No	No	Yes	Yes	No	No	No	Yes
<b>M&amp;G Wealth Platform</b>	No	No	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	No	No	No	Yes

Yes

No



# Q5 How do I access the PruFund range?

## PruFund range on platforms

The PruFund range can be accessed through two distinct distribution channels:

- Prudential products
- M&G Wealth platform and products

During 2026, we expect to see this list start to expand as M&G commences a programme of adding PruFund to several platforms.

### Including PruFunds in your CIPs and CRPs

This expansion is good news for advice firms that want their clients to benefit from a smoothing process but have previously been unable to incorporate it into their centralised investment proposition (CIP) or centralised retirement proposition (CRP) due to limited platform access.

On independent platforms, funds from the PruFund range will be available like any other fund. It is therefore anticipated that PruFund’s consistent smoothed performance will become the foundation of many CIPs and CRPs, especially for clients with a low to medium risk profile and limited capacity for loss.

To summarise, the PruFund range is likely to be most suitable for advice firms seeking some or all of the following attributes:

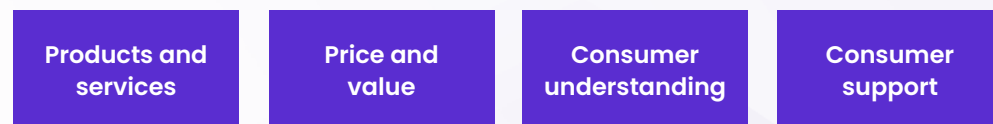
Advice firms seeking
<ul style="list-style-type: none"> <li>• Financially strong provider</li> <li>• Diverse product range</li> <li>• Diverse fund range</li> <li>• Ease of switching between funds</li> <li>• Consistent attractive performance</li> <li>• Smoothed performance</li> <li>• Solutions where ‘fair value’ has already been evidenced</li> <li>• Ability to use the smoothed fund in a CIP and/or CRP on multiple platforms and in multiple products (tax wrappers)</li> <li>• A quality partner for delivering all or part of their income (drawdown) proposition</li> </ul>

# Q6 How is M&G set up to ensure the PruFund range's continued success?

When selecting any provider, it is important to keep in mind the Consumer Duty, especially the cross cutting rules that require firms to:

- act in good faith towards retail customers
- avoid foreseeable harm
- enable and support retail customers to pursue their financial objectives

These are measured across four outcomes:



One common indicator of quality providers that apply regulatory requirements are those who have consistently high ratings from third parties. The reasoning being that it is hard for a firm to grow and maintain this position if it is taking shortcuts or not looking after its clients.

Defaqto produces data and independent ratings to help with this assessment. These cover financial strength, comprehensiveness of products, and the quality of provider service. Details can be found at defaqto.com and Defaqto Engage users can use them as selection criteria.

One of the key areas of due diligence is assessing the safety and security of a client's investment. Advisers are therefore considering the impact of financial failure on their service and future access to wealth.

AKG is an actuarial organisation specialising in the provision of independent ratings to UK financial services firms. In 2023, AKG was acquired by Defaqto and continues to maintain its impartiality.

AKG ratings measure the financial strength of life and pension providers, as well as their commitment to their markets and the wider parent ownership structure. These ratings are quite different from those issued by Moody's, Fitch, and Standard and Poor's which are credit ratings.

Provider	AKG Financial Strength Rating
Prudential Assurance Company Ltd	<p><b>AKG</b> FINANCIAL STRENGTH RATED PLATFORM SECTOR SUPERIOR EMBARC INVESTMENT SERVICES LIMITED</p>
Prudential Pensions Ltd	

## Strength of provider research

Another area advice firms consider is the strength of the asset manager's research. This is an area where transparency of structure and strategy adds value and can help advice firms evidence the quality of the product and service, as well as consumer understanding – two of the outcome measures used in consumer duty assessments.

## M&G's Life Investment Office (LIO)

The LIO is M&G's in-house investment team with expertise in capital market research, investment strategy modelling and design, liability management derivatives, and portfolio and risk management. The team is independent of the various underlying asset management businesses within M&G plc.

The team is one of the largest and most well-resourced multi-asset teams in the UK and is responsible for managing the investment strategy of over £150 billion of M&G Life's investments including the UK's largest with-profits fund, PruFund, and other multi-asset investment portfolios.

The LIO is responsible for the strategic allocation of all M&G Wealth and Prudential multi-asset funds in addition to selecting and overseeing all underlying fund managers. It is also responsible for ensuring that the risk characteristics of each portfolio meet given objectives. Stock selection is delegated to selected internal and external fund managers chosen for their quality of decision making and strengths in specific asset classes.

## Key individuals involved with PruFund



**Ciaran Mulligan**

Chief Investment Officer, M&G Life



**Jin Wee Tan**

Head of Environmental, Social, Governance and Regulatory



**Parit Jakhria, CFA**

Head of Long-Term Investment Strategy



**Paul Parascandalo, CFA**

Head of Multi-Asset Portfolio Management



**Ben Hamilton, CFA**

Head of Investment Manager Oversight

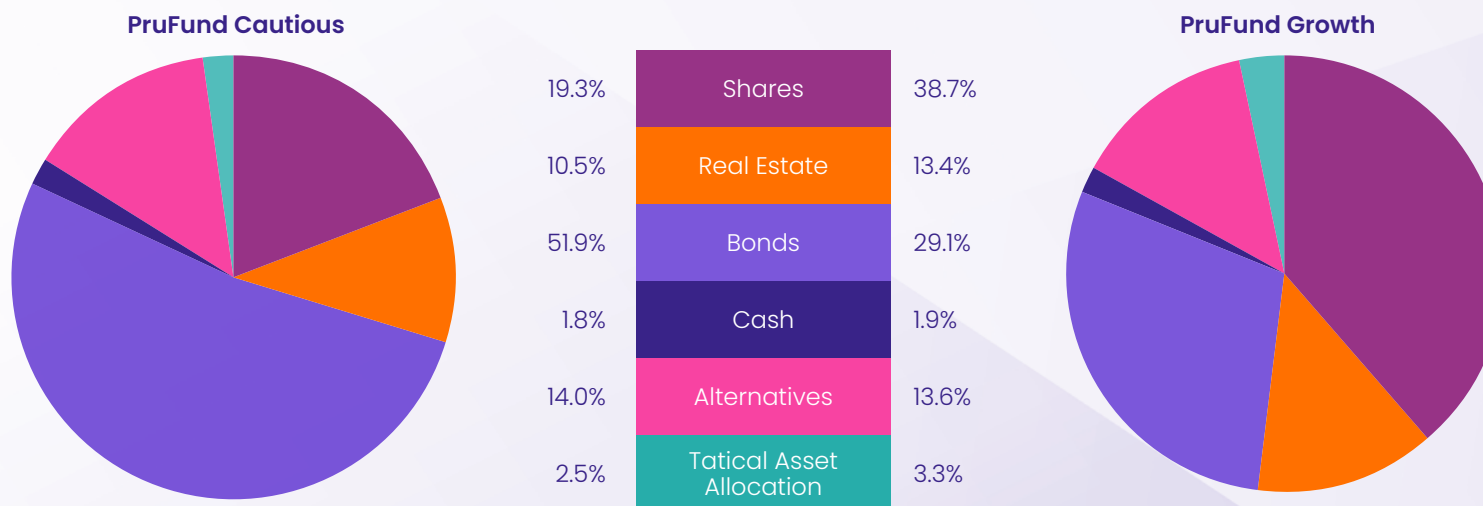
As discussed in question 6, the asset allocation management of the PruFund range is far broader and deeper than that offered by most retail funds. This diversification across and within asset classes and geographical regions creates a risk reward profile that enables the smoothing process to be run cost effectively.

## Q7 How does the scale of M&G benefit PruFund investors?

With around £64 billion invested in PruFunds, it is one of the largest multi-asset fund ranges in the UK. This size allows it to diversify much more than many other funds, which creates a strong risk-reward balance to provide a foundation for the smoothing process.

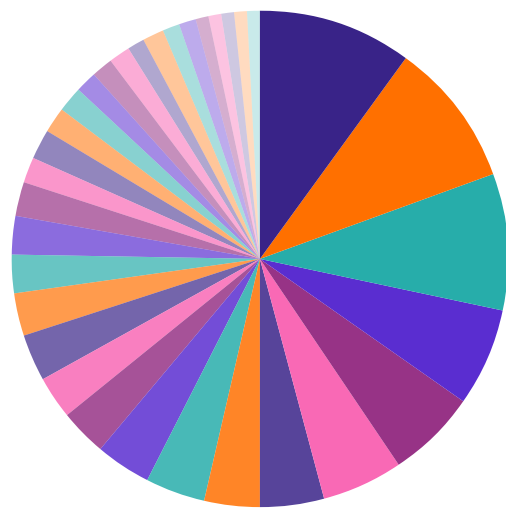
Scale allows access to specialist alternative markets and assets such as private equity and credit, and the ability to implement layered and nuanced asset allocation using bespoke mandates for underlying managers.

When we look at the headline asset allocations for the PruFund Cautious and Growth funds, we immediately notice that weightings in real estate, alternatives, and credit are quite high in comparison to the equity weighting.



These headline asset allocations do not capture the depth of underlying asset diversification and therefore we have illustrated these funds further on the following pages:

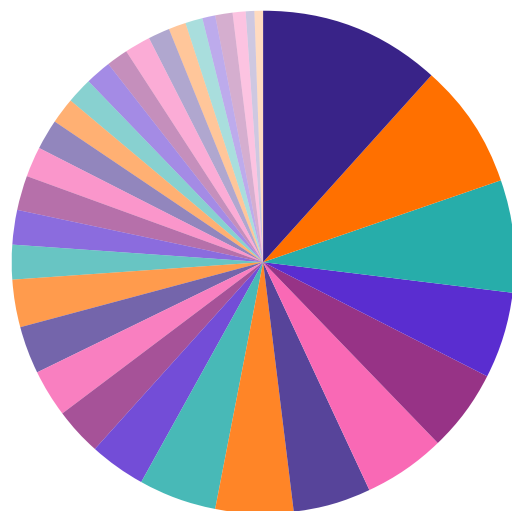
Asset Allocation: PruFund Cautious Fund S2



■ Asia Fixed Interest	10.1%	■ Cash & Equivalents	1.9%
■ US Investment Grade	9.5%	■ Asia Real Estate	1.8%
■ UK Investment Grade	9.1%	■ Convertibles	1.7%
■ UK Equities	6.4%	■ China Equities	1.6%
■ UK Real Estate	6%	■ Japanese Equities	1.5%
■ Private High Yield	5.2%	■ Africa Fixed Interest	1.4%
■ Emerging Market Debt	4.2%	■ Europe ex UK Real Estate	1.3%
■ North American Equities	3.6%	■ Europe High Yield	1.3%
■ Europe Investment Grade	3.9%	■ Middle East and Africa Equities	1.2%
■ Private Equity	3.7%	■ North America Real Estate	1.2%
■ UK High Yield	3.0%	■ Commodities	1.1%
■ European Equities	2.9%	■ Global Emerging Markets Equities	1%
■ Infrastructure	2.9%	■ India Equities	0.8%
■ Tactical Investment Opportunities	2.8%	■ Equities	0.8%
■ US Treasury	2.6%	■ Other Factors	0.8%
■ Asia ex. Japan Equities	2.5%	■ US High Yield	0.7%
■ Lower Risk Private Credit	2.2%		

Source: fundslibrary.co.uk, 30 November 2025

Asset Allocation: PruFund Growth Fund S2



■ UK Equities	11.7%	■ European Investment Grade	2.1%
■ UK Real Estate	8.2%	■ Cash & Equivalents	2.1%
■ North American Equities	7.3%	■ Global Emerging Markets Equities	1.9%
■ Asia Fixed Interest	5.4%	■ Europe ex UK Real Estate	1.7%
■ European Equities	5.3%	■ Asia Real Estate	1.7%
■ Asia ex. Japan Equities	5.2%	■ UK High Yield	1.6%
■ Private Equity	5.2%	■ India Equities	1.5%
■ UK Investment Grade	5%	■ US Treasury	1.5%
■ US Investment Grade	5%	■ North America Real Estate	1.4%
■ Private High Yield	3.5%	■ Commodities	1.2%
■ Tactical Investment Opportunities	3.2%	■ Africa Fixed Interest	1.1%
■ Japanese Equities	3%	■ Convertibles	0.9%
■ China Equities	3%	■ Other Factors	0.9%
■ Infrastructure	3%	■ Lower Risk Private Credit	0.8%
■ Middle East and Africa Equities	2.3%	■ Europe High Yield	0.7%
■ Emerging Market Debt	2.2%	■ US High Yield	0.4%

Source: fundslibrary.co.uk, 30 November 2025

## Q8 How does the smoothing process affect returns?

The diversification, previously explained, allows short-term underperformance in one area to be offset by outperformance in others, whether immediately or in the future. In other words, for the net return to be smoothed, considering M&G's view on both short-term and expected long-term returns. In practice, this should protect investors against the full volatility of the market on both the downside and the upside.

M&G sets an Expected Growth Rate (EGR) for each individual PruFund. This is an expected yearly return reflecting how the LIO expects each fund's underlying assets to perform over the long term. The EGRs are reviewed (and updated) quarterly and are not guaranteed.

Each PruFund price (known as the "smoothed price") increases daily in line with its EGR. However, if the actual difference between the smoothed price and the unsmoothed price, which reflects the underlying asset values, moves outside fund-specific daily smoothing limits, then the smoothed price is adjusted either up or down, as appropriate, to bring the gap within limits. This is called a unit price adjustment (UPA).

### Every day, for each PruFund, M&G monitors two things:

1. The unit price, which it refers to as the 'smoothed price', which normally increases each day by the EGR
2. The 'unsmoothed price', which is the value of the underlying fund divided by the total number of units

For example, for Risk Managed PruFund 3, if the unsmoothed price differs from the smoothed price by 10% or more, based on both the actual unsmoothed price and a five-day rolling average of the unsmoothed price, then the smoothed price will be adjusted immediately to reduce the gap to 2.5%.

The smoothed price will then continue to increase at the EGR. Some of the lower risk PruFunds have an 8% daily smoothing limit and a 2% gap after adjustment.

### Every day the smoothing process checks the gap between the smoothed price and unsmoothed price. For this purpose, the gap is calculated using both:

1. The unsmoothed price
2. A five-working-day rolling average of the unsmoothed price

In addition to monitoring the unit prices daily, M&G applies further monitoring of the smoothed and unsmoothed prices on each PruFund dealing date (monthly or quarterly, depending on the fund series).

On each dealing date, if there is a gap that is equal to or greater than the monthly/quarterly smoothing limit, the smoothed price will be adjusted to reduce the gap by half.

Where necessary, this process will be repeated until the gap is less than the monthly/quarterly smoothing limit.

The quarterly and monthly limits are 50% of the daily check limits. So, for funds that have a 10% daily check, the quarterly/monthly limit is 5%, whereas for those funds that have an 8% daily check, the figure is 4%.

## Unit price resets

M&G may decide to reset the smoothed price of one or more PruFund funds on a particular day to protect the With-Profits Fund and ensure fair treatment of all clients. In the case of a unit price reset (UPR), the smoothed price of the affected fund would be adjusted to the same value as the unsmoothed price on that working day.

This adjusted smoothed price will then continue to grow in line with the EGR from the working day after the reset. M&G has only applied a UPR once. In August 2021, an upwards UPR was applied to ensure clients fully benefited from PruFund's investment performance as markets recovered from the Covid shock.

## Suspension of smoothing

There may be occasions when M&G must suspend the smoothing process for one or more PruFund funds for a number of consecutive days, to protect the With-Profits Fund and the clients invested in it.

If this were to happen, the smoothed price for the affected fund(s) would be set to the unsmoothed price for each day until the smoothing process is reinstated. This is only expected to happen in highly unusual circumstances and to date, M&G has never had to suspend the smoothing process.

## Expected growth rates

The EGRs for the PruFunds within a selection of product wrappers are shown in Table 1. A blank figure indicates the fund is not available within the product. These figures are gross of investment, product and advice charges.

**Table 1:**  
**Expected growth rates**  
(from 25 November 2025)

	Pru ISA	Pru Retirement Account	Pru Trustee Investment Plan	Pru Investment Plan	Pru International Investment Bond	Pru International Portfolio Bond	M&G Wealth Platform
PruFund Risk Managed 1	6.2%	6.2%	6.2%	5.1%	-	6.2%	6.2%
PruFund Risk Managed 2	6.6%	6.6%	6.6%	5.5%	-	6.6%	6.6%
PruFund Risk Managed 3	7.1%	7.1%	7.1%	5.8%	-	7.1%	7.1%
PruFund Risk Managed 4	7.5%	7.5%	7.5%	6.3%	-	7.5%	7.5%
PruFund Risk Managed 5	7.8%	7.8%	-	6.7%	-	7.8%	7.8%
PruFund Cautious (UK£)	6.7%	6.7%	6.7%	5.5%	6.7%	6.7%	6.7%
PruFund Cautious (US\$)	-	-	-	-	6.6%	-	-
PruFund Cautious (€)	-	-	-	-	5.7%	-	-
PruFund Growth (UK£)	7.4%	7.4%	7.4%	6.1%	7.4%	7.4%	7.4%
PruFund Growth (US\$)	-	-	-	-	7.2%	-	-
PruFund Growth (€)	-	-	-	-	6.6%	-	-
PruFund Planet 1	-	6.0%	-	-	-	6.0%	6.0%
PruFund Planet 2	-	6.4%	-	-	-	6.4%	6.4%
PruFund Planet 3	-	6.9%	-	-	-	6.9%	6.9%
PruFund Planet 4	-	7.3%	-	-	-	7.3%	7.3%
PruFund Planet 5	-	7.6%	-	-	-	7.6%	7.6%

Source: [www.mandg.com/pru/adviser/en-gb/funds/prufund-range/egr-and-upa](http://www.mandg.com/pru/adviser/en-gb/funds/prufund-range/egr-and-upa)

# Q9 How does the PruFund range deliver value for money (VFM)?

Every retail product available today has been deemed by its manufacturer to provide fair value. While this does not mean it is the cheapest solution, for many VFM does provide them with 'peace of mind'. With VFM meaning something different to everyone, we have taken a deep dive into two of the most common factors considered - investment process and costs.

## Peace of mind – investment process

The investment process can be broken down into five sections, which we will consider in turn:



### A. Asset Allocation

**Strategic Asset Allocation (SAA)** is set by the M&G LIO's long-term investment strategy team (LTIS). The SAA is based on the investment objectives and long-term view of expected returns and risks of available asset classes considering liquidity requirements and cost constraints.

The team produces a set of capital market assumptions for future expected returns (EGRs), volatility, and correlation of different asset classes. This is established with reference to historical data, forward-looking analysis, and internal and external research. The LTIS team then uses a proprietary Economic Scenario Generator 'Genesis' to carry out stochastic modelling based on the assumptions, thus developing a recommended asset allocation.

The capital market assumptions underlying the SAA allow for each of the ESG factors in the country risk categorisation system and, as such, are allowed for in the risk-return budgeting. Equally, if not more importantly, there is an overall policy around exclusions and ESG factors used within bottom-up stock selection by the delegated managers.

**Tactical Asset Allocation (TAA)** is managed by a specialist TAA manager. This allows strategic and tactical positions to be clearly identified and their effectiveness to be monitored and overseen using the same manager oversight framework used for all underlying managers.

## B. Investment manager and mandate selection and oversight

Investment manager selection is carried out by the Manager Oversight team within the LIO. The team also designs bespoke investment mandates, which implement the detailed views of the LTIS team and M&G's ESG philosophy.

The due diligence process combines quantitative factors, including measures of performance and holdings analysis, with qualitative analysis focused on the business, people, philosophy and process associated with the fund and the fund management team.

In addition, the team analyses the key risks within each underlying fund, such as exposure to a single stock, sector or country.

The process operates at various levels:

- **Monthly monitoring** – where the underlying managers' key holdings and exposures are reviewed and a performance attribution analysis is generated.
- **Quarterly strategy and performance review** – where the managers are met in person or by video, with each submitting a Data Request Book prior to this quarterly meeting that provides the manager's own performance data, risk metrics, market outlook, attribution and ESG considerations.
- **Ongoing investment due diligence** – where the Manager Oversight team conducts onsite meetings with all the underlying managers covering investment activity and performance, interaction within and between the various investment teams, and other functions such as risk and operations.

Their initial and ongoing due diligence processes also incorporate assessment of and challenge to each manager's ESG, sustainability policies and intentions, and how these inform the investment decisions and fit with M&G's ESG philosophy.

## C. Portfolio management

Portfolio management responsibilities can be split into the following areas:

- **Keeping the funds in shape** – ensuring the portfolios are managed in line with target exposures and limits while minimising cost and risk, and managing cash flows and other fund dynamics
- **Implementation** – ensuring changes in the SAA are implemented effectively and efficiently
- **Operational management** – preparing and reviewing trade instructions to minimise operational errors
- **Portfolio monitoring** – reviewing on an ongoing basis exposures, risks and performance in conjunction with the LIO Risk and Manager Oversight teams
- **Liquidity** – managing and reporting on liquidity to ensure that outflows can be covered in stressed scenarios

In building a portfolio, the portfolio managers bring together the SAA, preferred investment managers, portfolio risk limits and cost budget.

## D. Risk management

The risk and compliance function operates with three lines of defence. Its role and purpose are to challenge risks effectively and proactively as well as to add value by providing enhanced business insights to support the delivery of customers' long-term needs.

Within this model, risk is considered from many different perspectives, for example:

- **Investment risk** – the impact that market movements can have on the portfolio and the risk of it failing to meet stated performance objectives
- **Credit risk** – where counterparties could potentially default, or fixed income portfolios become overexposed to a single issuer
- **Liquidity risk** – where portfolios are stressed, a Liquidity Coverage Ratio (LCR), which is the amount of highly liquid assets held by financial institutions to meet short-term obligations, is reported

This liquidity analysis is particularly important as PruFund invests in alternative assets, which can have lower liquidity profiles than most traditional asset classes. For example, the funds can hold private equity, infrastructure, hedge funds and alternative credit.

Finally, there is a team responsible for monitoring operational risk, which is the risk of failure within investment processes, including people or anything from systems malfunction to fraud or input error

## E. Liquidity management

PruFund has a different structure and investment process/philosophy from most other multi-asset and single strategy funds, with a long-term investment outlook that drives the funds' SAA as well as the nature and type of investors.

With the longer-term outlook, Prudential can invest not only in the traditional public listed asset classes but also in private and illiquid assets such as property, infrastructure and smaller companies, and diversifying strategies/alternatives.

Like all investment houses, M&G is required to meet the Liquidity Coverage Ratio (LCR) rules to demonstrate it holds sufficient liquidity under stressed conditions. M&G models stresses over 1 month, 3 months, 6 months, and 1 year and reports the results to the Executive Investment Oversight Committee and the Executive Risk Committee. The most recent results showed much more than the required 100% being held.

## Peace of Mind – Charges

### Annual management charge (AMC)

This is deducted from the annual return.

### Further costs

These can include, for example, maintenance costs for property investments and costs associated with investing in infrastructure such as utilities, transport and renewable energy. These costs can vary over time.

### Adviser charging

It is important to understand the adviser charging terms available through each product provider. The key points for M&G's Prudential products are:

- Set-up charges for single premium pensions will be paid as a percentage or as a specified monetary amount. For regular premiums, it can be paid as a percentage of each gross regular premium paid. For onshore and international bonds, it is taken pre-investment from the contribution either as a percentage or as a specified monetary amount, meaning there is no risk of the adviser charge accounting for, or impacting upon, the 5% tax deferrable allowance. There is no set-up fee for the ISA.
- Ongoing charges can be paid as a percentage or a specified monetary amount for pensions, onshore and international bonds. There is no such charge for the ISA.
- Frequency of charges can be monthly or annually, where charged.
- Ad hoc charges can be paid as a percentage or a specified monetary amount.

### Wrapper and fund charges

While the PruFund range boasts one of the greatest longevity records, due to legacy systems, this may not reflect positively when assessing the total cost experience via reduction in yield. However, it is important to appraise the charges levied at the product and fund level and any additions or discounts that will be applied.

In the appendices you will find a single page summary of the product and fund charges for each Prudential solution that provides access to the PruFunds range.

The summaries have been calculated assuming that a PruFund is used on a nil adviser fee basis. This is an important consideration because adviser fees can reduce the value invested and/or the annual return, which in turn can impact any discount or reward applied.

## Q10 How does M&G support advisers?

M&G are committed to championing the adviser and paraplanner community, recognising the crucial role advisers play in helping clients reach their financial life goals. Their support is built around practical resources, expert-led learning and accessible insights all designed to strengthen the advice process and help advisers deliver the outcomes on which their clients rely.

### Technical support

M&G's Tech Matters hub provides technical guidance and educational resources for financial advisers on a wide range of pension-related topics. It is designed as a specialist reference area to support advisers with rules, structures and planning considerations.

[mandg.com/wealth/adviser-services/tech-matters](https://mandg.com/wealth/adviser-services/tech-matters)

### Dedicated LinkedIn Adviser page

The M&G for Advisers LinkedIn page is a dedicated space for staying informed, supported and ahead in a fast-changing advice landscape. By following the channel, advisers can get access to industry insights, product news, tools and resources, and event updates.

[linkedin.com/showcase/mandgforadvisers/tech-matters](https://linkedin.com/showcase/mandgforadvisers/tech-matters)

### CPD training and events

M&G offers a series of webinars to help advisers stay up to date on expert-led content and build their technical knowledge. This includes popular series such as the PruFund Power Hour and Techy Thursdays.

Advisers can earn CPD credits whilst keeping ahead of key developments, from fund updates to more complex technical planning topics.

[mandg.com/wealth/adviser-services/insights-and-events/on-demand-events](https://mandg.com/wealth/adviser-services/insights-and-events/on-demand-events)

# Appendices and supporting information

## A) Prudential ISA – Charges

Within the Prudential ISA, the standard PruFund Annual Management Charge (AMC) is 1.06%.

To this must be added transactional costs to cover items including maintenance costs for property investments and costs associated with investing in infrastructure, such as utilities. These costs can vary over time and Table 4 explains the current transactional costs being applied and the overall AMC payable.

**Table 4: Prudential ISA – Charges**

PruFund	AMC	Further Costs	Overall
PruFund Risk Managed 1	1.06%	0%	1.06%
PruFund Risk Managed 2	1.06%	0%	1.06%
PruFund Risk Managed 3	1.06%	0%	1.06%
PruFund Risk Managed 4	1.06%	0%	1.06%
PruFund Risk Managed 5	1.06%	0%	1.06%
PruFund Cautious (UK£)	1.03%	0%	1.03%
PruFund Growth (UK£)	1.06%	0%	1.06%
PruFund Planet 1	not available		
PruFund Planet 2	not available		
PruFund Planet 3	not available		
PruFund Planet 4	not available		
PruFund Planet 5	not available		

Source: Prudential January 2026

**Note: Investors experience the smoothed price. While they will see the deduction of the AMC and any product charge, the EGRs on which the smoothed price is based will already include any additional transaction costs. These are detailed here primarily for disclosure reasons.**

The AMC rate applying to the PruFund holding(s) is based on the information shown in Table 5.

**Table 5: Prudential ISA – Net charge**

Value of PruFund fund holdings in ISA	Effective AMC	
	PruFund Cautious	PruFund Growth & Risk Managed 1 to 5
Under £100,000	1.030%	1.060%
£100,000 to £249,999	0.980%	1.010%
£250,000 to £499,999	0.930%	0.960%
£500,000 to £749,999	0.880%	0.910%
£750,000 to £999,999	0.855%	0.885%
£1m +	0.830%	0.860%

Source: Prudential January 2026

## B) Prudential Retirement Account – Charges

Within the Prudential Retirement Account, both a product and annual management charge (AMC) are levied and need to be added together. The product charge is based on the value held in the Prudential Retirement Account and Table 6 shows the rates payable.

**Table 6: Prudential Retirement Account – Charges**

PruFund	AMC	Further Costs	Overall
PruFund Risk Managed 1	0.76%	0%	0.76%
PruFund Risk Managed 2	0.76%	0%	0.76%
PruFund Risk Managed 3	0.76%	0%	0.76%
PruFund Risk Managed 4	0.76%	0%	0.76%
PruFund Risk Managed 5	0.76%	0%	0.76%
PruFund Cautious (UK£)	0.73%	0%	0.73%
PruFund Growth (UK£)	0.76%	0%	0.76%
PruFund Planet 1	0.80%	0%	0.80%
PruFund Planet 2	0.80%	0%	0.80%
PruFund Planet 3	0.80%	0%	0.80%
PruFund Planet 4	0.80%	0%	0.80%
PruFund Planet 5	0.80%	0%	0.80%

Source: Prudential January 2026

**Note: Investors experience the smoothed price. While they will see the deduction of the AMC and any product charge, the EGRs on which the smoothed price is based will already include any additional transaction costs. These are detailed here primarily for disclosure reasons.**

The fund AMC and additional costs are built into the fund performance, whereas the product charges are not but will still reduce the overall return (refer to Table 7).

Transactional costs must be added to the AMC to cover items including maintenance costs for property and costs associated with investing in infrastructure. These costs can vary over time and Table 8 shows the current transactional costs being applied.

**Table 7: Prudential Retirement Account – Product Charge**

Value of PruFund fund holdings in Prudential Retirement Account	Product Charge After Discount	Net Charge
Under £100,000	0.300%	1.060%
£100,000 to £249,999	0.200%	0.960%
£250,000 to £499,999	0.150%	0.910%
£500,000 to £749,999	0.150%	0.910%
£750,000 to £999,999	0.125%	0.885%
£1m +	0.100%	0.860%

Source: Prudential January 2026

## C) Prudential Trustee Investment Plan (TIP) – Charges

Within the Prudential TIP, both a product and annual management charge (AMC) are levied and need to be added together.

The Product charge is based on the value held in the Prudential TIP and Table 9 shows the rates payable.

**Table 8: Prudential TIP – Charges**

PruFund	AMC	Further Costs	Overall
PruFund Risk Managed 1	1.41%	0%	1.41%
PruFund Risk Managed 2	1.41%	0%	1.41%
PruFund Risk Managed 3	1.41%	0%	1.41%
PruFund Risk Managed 4	1.41%	0%	1.41%
PruFund Risk Managed 5	not available		
PruFund Cautious (UK£)	1.38%	0%	1.38%
PruFund Growth (UK£)	1.41%	0%	1.41%
PruFund Planet 1	not available		
PruFund Planet 2	not available		
PruFund Planet 3	not available		
PruFund Planet 4	not available		
PruFund Planet 5	not available		

Source: Prudential January 2026

**Note: Investors experience the smoothed price. While they will see the deduction of the AMC and any product charge, the EGRs on which the smoothed price is based will already include any additional transaction costs. These are detailed here primarily for disclosure reasons.**

A discount may be applied to the AMC resulting in the percentages shown in Table 9 becoming payable.

The discount is based on the combined value held within the Prudential TIP.

**Table 9: Prudential TIP – Net charge**

Value of PruFund fund holdings in Prudential TIP	Fund size discount
Under £100,000	0.350%
£100,000 to £149,999	0.400%
£150,000 to £249,999	0.450%
£250,000 to £499,999	0.475%
£500,000 to £749,999	0.500%
£750,000 to £999,999	0.525%
£1m +	0.550%

Source: Prudential January 2026

The discount to the AMC applies to the whole investment, not just the proportion above the threshold level shown.

## D) Prudential Investment Plan (Onshore Bond) – Charges

Within the Prudential Investment Plan both a product and annual management charge (AMC) are levied and need to be added together.

The product charge is based on the value held in the Prudential TIP and Table 10 shows the rates payable.

**Table 10: Prudential Investment Plan – Charges**

PruFund	AMC	Further Costs	Overall
PruFund Risk Managed 1	1.31%	0%	1.31%
PruFund Risk Managed 2	1.31%	0%	1.31%
PruFund Risk Managed 3	1.31%	0%	1.31%
PruFund Risk Managed 4	1.31%	0%	1.31%
PruFund Risk Managed 5	1.31%	0%	1.31%
PruFund Cautious (UK£)	1.28%	0%	1.28%
PruFund Growth (UK£)	1.31%	0%	1.31%
PruFund Planet 1	not available		
PruFund Planet 2	not available		
PruFund Planet 3	not available		
PruFund Planet 4	not available		
PruFund Planet 5	not available		

Source: Prudential January 2026

**Note: Investors experience the smoothed price. While they will see the deduction of the AMC and any product charge, the EGRs on which the smoothed price is based will already include any additional transaction costs. These are detailed here primarily for disclosure reasons.**

A discount may be applied to the AMC resulting in the percentages shown in Table 11 becoming payable.

The discount is based on the combined value held within the Prudential Investment Plan.

**Table 11: Prudential Investment Plan – Fund Size Discounts**

AUM £	Fund size discount
Under £24,999	0.300%
£25,000 to £49,999	0.350%
£50,000 to £99,999	0.400%
£100,000 to £249,999	0.450%
£250,000 to £499,999	0.475%
£500,000 to £999,999	0.500%
£1,000,000 to £1,749,999	0.525%
£1,750,000 to £2,999,999	0.550%
£3m +	0.575%

Source: Prudential January 2026

## E) Prudential International Investment Bond (IIB) – Charges

Within the Prudential IIB, the standard PruFund annual management charge (AMC) is 1.20%. To this must be added transactional costs to cover items including maintenance costs for property investments and costs associated with investing in infrastructure, such as utilities. These costs can vary over time and Table 12 explains the current transactional costs being applied and the overall AMC payable.

**Table 12: Prudential IIB – Charges**

PruFund	AMC	Transactional costs	Overall
PruFund Risk Managed 1		not available	
PruFund Risk Managed 2		not available	
PruFund Risk Managed 3		not available	
PruFund Risk Managed 4		not available	
PruFund Risk Managed 5		not available	
PruFund Cautious (UK£)	1.20%	0%	1.20%
PruFund Cautious (US\$)	1.20%	0%	1.20%
PruFund Cautious (€)	1.20%	0%	1.20%
PruFund Growth (UK£)	1.20%	0%	1.20%
PruFund Growth (US\$)	1.20%	0%	1.20%
PruFund Growth (€)	1.20%	0%	1.20%
PruFund Planet 1		not available	
PruFund Planet 2		not available	
PruFund Planet 3		not available	
PruFund Planet 4		not available	
PruFund Planet 5		not available	

Source: Prudential January 2026

**Note: Investors experience the smoothed price. While they will see the deduction of the AMC and any product charge, the EGRs on which the smoothed price is based will already include any additional transaction costs. These are detailed here primarily for disclosure reasons.**

An annual investment reward may be credited on the anniversary date where a client has invested at least £50,000.

The rate at which this is credited is based on the amount invested and is applied to the amount of that investment remaining in the bond. It is payable for full years only. There is no credit if the bond ends between anniversaries. The current reward is shown in Table 13.

**Table 13: Prudential IIB – Reward**

Total UK£ premium	Total US\$ premium	Total € premium	Annual rate of reward as % of bond value
£20,000 to £49,999	\$35,000 to \$74,999	€25,000 to €62,499	0.00%
£50,000 to £149,999	\$75,000 to \$224,999	€62,500 to €187,499	0.15%
£150,000 +	\$225,000+	€187,500	0.25%

Source: Prudential January 2026

## F) Prudential Portfolio Bond (PPB) – Charges

Within the Prudential Portfolio Bond, the standard AMC is 0.65%.

To this must be added transactional costs to cover items including maintenance costs for property investments and costs associated with investing in infrastructure, such as utilities. These costs can vary over time and Table 14 explains the current transactional costs being applied and the overall AMC payable.

**Table 14: Prudential Investment Plan – Charges**

PruFund	AMC	Further Costs	Overall
PruFund Risk Managed 1	0.65%	0%	0.65%
PruFund Risk Managed 2	0.65%	0%	0.65%
PruFund Risk Managed 3	0.65%	0%	0.65%
PruFund Risk Managed 4	0.65%	0%	0.65%
PruFund Risk Managed 5	0.65%	0%	0.65%
PruFund Cautious (UK£)	0.65%	0%	0.65%
PruFund Growth (UK£)	0.65%	0%	0.65%
PruFund Planet 1	0.65%	0%	0.65%
PruFund Planet 2	0.65%	0%	0.65%
PruFund Planet 3	0.65%	0%	0.65%
PruFund Planet 4	0.65%	0%	0.65%
PruFund Planet 5	0.65%	0%	0.65%

Source: Prudential January 2026

**Note: Investors experience the smoothed price. While they will see the deduction of the AMC and any product charge, the EGRs on which the smoothed price is based will already include any additional transaction costs. These are detailed here primarily for disclosure reasons.**

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Impartial. Respected. Trusted. We bring data, technology and consumers together to help everyone make smarter financial decisions today and tomorrow.

Defaqto is one of the leading financial information, ratings and fintech businesses that supports financial institutions, intermediaries and consumers to make smarter financial decisions.

We maintain the UK's largest financial product database and use proprietary research methodology to develop independent ratings, reviews, insights and technology.

By bringing together product data, technology and consumer insight we are in a unique position to help everyone make smarter, more informed financial choices now and in the future. And in doing so we hope to raise industry standards, power consumer choice and help the industry meet evolving customer needs.



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