

PruFund Fund Guide

Prudential Retirement Account

# Introduction to this guide

This fund guide provides details of the PruFund funds available in the Prudential Retirement Account, including the PruFund Planet range. This includes the risk and potential reward of each fund, their investment aims and information on fund charges and further costs. For more information about our funds visit our website [pru.co.uk/funds](https://pru.co.uk/funds)

We offer a wide range of investment funds to suit your investment style and appetite for risk.

For an even wider investment choice you have access to hundreds of collective funds from a wide variety of fund management groups.

If you want more information on what investment funds and PruFunds are available you can explore our full range of funds and download our **factsheets**. You can find the factsheets by going to **Pru.co.uk** and clicking on the 'Fund Prices and Factsheets' option within the 'Funds' menu and selecting by product.

## Some important notes we'd like you to read:

- The value of your investment can go down as well as up so you might get back less than you put in.
- We'd like everyone to find it easy to deal with us. Please let us know if you need information about our plans and services in a different format.
- All our literature is available in audio, large print or braille versions. If you would like one of these please contact us on 0345 268 0488 and we'll send these out to you.
- The types of assets a fund invests in will have a significant effect on its performance. Generally, the higher the potential returns, the higher the risk.
- A fund's name isn't indicative of the risk it may take.
- The information in this guide is correct as at 19 January 2026, unless another date is shown.
- This guide doesn't take account of current market conditions or other short-term fund specific changes. Up to date information on each fund can be found at [pru.co.uk/funds](https://pru.co.uk/funds)
- All views are Prudential's.

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**Before making any decisions you should speak to your financial adviser. They can discuss and help you understand your fund selection.**

# Investing in PruFunds

PruFunds are multi asset funds which are part of Prudential's With-Profits Fund, which is the largest With-Profits Fund in the UK. There are differences across the range of PruFund funds, in terms of asset mix and objectives which means the returns received will vary based on fund choice.

PruFund funds aim to grow your money over the medium to long term (5 to 10 years or more), while smoothing some of the short term ups and downs of market volatility. We do this by using an established smoothing mechanism and spreading the risk by investing across a wide range of assets, our Multi Asset approach. This means that while you won't benefit from the full upside of any market rises you won't suffer from the full effects of any drops either. However, the value of your investment can go down as well as up. You could get back less than you invested.

## Environmental, Social and Governance (ESG) and PruFund

Our existing PruFund range is focused on responsible investing such as avoidance of harms via exclusions and mitigating ESG risks.

Our ESG approach applies to all funds that we manage, which means that we incorporate ESG factors into our investment decisions to better manage risk and generate sustainable, long-term returns and drive improvement on diversity and climate.

If you want to know that your money is helping benefit the environment and society, whilst supporting your financial goals and potential competitive returns, the PruFund Planet funds go a step further by seeking to pursue ESG opportunities and create high-impact solutions that seek to address pressing social or environmental issues.

Whilst they feature a very similar asset allocation at the broad asset class level, they will predominantly invest in underlying funds that are not present in our existing PruFund ranges. PruFund Planet aims to generate differentiated investment outcomes to the existing PruFunds.

Our PruFund Planet funds follow the established PruFund process and philosophy, aiming to provide a smoothed investment experience for customers.

## How PruFund works

We set Expected Growth Rates (EGRs); these are yearly rates your investment will normally grow at. They reflect our view of how we expect the underlying assets of PruFunds to perform over the long term (up to 15 years). The likelihood of receiving returns in line with these expectations will be greater, the longer you remain invested. Each PruFund fund has its own EGR and your investment will normally grow daily by the relevant EGR, through an increase in the price of the units you hold (known as the Smoothed Price). Although we take a long term view, we do review the rates every three months to allow for any changes, which may mean a change in EGR on a quarterly basis, up or down.

On a daily basis, if the shorter-term performance differs too much from our current Expected Growth Rate, we have to amend the value of your fund up or down to ensure we are not returning too much or too little. We call these Unit Price Adjustments.

There may be occasions where we must adjust the value of your investment to ensure continued fairness for all customers in our With-Profits fund, although we expect these to be used in highly unusual circumstances. A Unit Price Reset is where we reset the smoothed price (sometimes called unit price) to the unsmoothed price on a particular day. Suspension of Smoothing is where we suspend the smoothing process for a period of consecutive days, to protect our With-Profits Fund and those invested in it.

There's more detailed information about how the PruFund funds work in Your With-Profits Plan – a guide to how we manage the Fund. You can find this as well as the Retirement Account Key Features Document in the 'investing' tab at [pru.co.uk/retirement-account](https://pru.co.uk/retirement-account)

### **Moving money in**

It is only possible to invest in PruFund on specific PruFund investment dates: the 25th of each month (or the next working day, if the 25th is not a working day).

While your money is in the Holding Account, it increases daily in line with the Expected Growth Rate applicable to the main Fund. During this time, we apply product charges but the investment will not be subject to any Smoothing adjustments, Unit Price Resets or Suspension of Smoothing.

### **Moving money out**

When you switch out of a PruFund fund there is a 28-day delay from when we receive your instruction, then we make the sale using the unit price applicable at the end of the waiting period. There are some exceptions to this which are detailed in the Terms & Conditions.

When you withdraw money from a PruFund fund (including by a switch), we reserve the right to apply a 28-day waiting period and use the unit price applicable at the end of the waiting period, but we won't apply this to:

- taking out tax-free cash
- regular payments already being made from your PruFund
- the sale of units due to your death

For more details, please refer to your Key Features Document.

Also, for any fund, there may be a separate delay in buying, selling or switching of units. These delays will only apply in exceptional circumstances.

We'd not expect delays to be longer than one month. However we cannot guarantee that we will never delay longer than this timescale. If a delay applies to you, we will let you know.

There's more information in the Terms & Conditions that we send when you take out your account. You can ask us for a copy at any time.

## **Further information**

### **The Fund Value**

The value of your investment can go down as well as up so you might get back less than you put in.

For the PruFund Range of funds what you receive will depend upon the value of the underlying investments, the smoothing process, charges, whether you have chosen a guarantee and when you take your money out.

### **Effect of inflation**

You should also consider that inflation may reduce what you could buy in the future with your pension savings. Inflation could mean your money is less able to buy what it could before. If inflation is high it could cancel out returns that you make on your pension investment.

## **Fund charges and further costs**

### **Annual Management Charge**

This charge covers the cost of managing the fund. It is deducted from the Smoothed Price, through a reduced EGR. You won't see this AMC as a separate transaction on your statement as it's factored into the daily price for the PruFund funds. The deduction will be 1/365th of the stated AMC.

## Further Costs related to Investing

In addition to our annual charges, there may be further costs incurred. Where these are applicable, they're paid for by the fund and will impact on the overall performance. Some examples of what these further costs might include are shown below. These aren't listed in order of importance, they won't necessarily apply to all funds, and this isn't an exhaustive list.

Name	What this means	Where applicable, are they included in the further costs figures we show in this fund guide and/or illustration?
Further Costs	<p><b>Miscellaneous fund administration fees and costs</b> There can be a number of different administration fees and costs associated with funds. These can include, for example, audit fees, custody fees, infrastructure costs, registrar fees, regulatory fees, stock lending fees, and trustee fees.</p> <p><b>Property expenses</b> For funds that invest in property, either directly (i.e. the fund owning physical property) or indirectly (i.e. owning units in a property fund or shares in a property company) there are costs incurred for managing these properties. These can include costs for development, maintenance, oversight and renovation of the properties held, collecting rents, and managing tenants, as well as running costs that cannot be passed onto tenants.</p>	These are factored into the setting and reviewing of Expected Growth Rates, so aren't shown separately in any projections covering PruFund.
Performance fees	In some funds the fund managers are paid a fee depending on how they perform.	No, but if they're applicable they will impact on the performance of a fund.
Transaction costs	When a fund manager trades the investments in a fund (for example, makes a decision to sell one holding and buy another) there are associated costs, for example taxes.	No, but if they're applicable they will impact on the performance of a fund.

Fund charges and further costs may vary in future and they may be higher than they are now. We'll write to you if an AMC goes up for a fund you're invested in. As it's normal for further costs to vary over time we won't contact you when they change. If fund charges and further costs exceed the return earned, the fund will go down in value.

The further costs listed in this guide are indicative, based on the current levels of costs, and are correct as at 19 January 2026, unless another date is shown.

Information on product charges can be found in your Key Features Document.

If the taxation treatment of the funds changes, we reserve the right to change the arrangements for the investment of the underlying assets of the funds.

If you're in any doubt about this product option, your fund choice or the fund charges and further costs applicable then we recommend you speak to your financial adviser.

## Further information

Please refer to your Key Features Document, "Your With-Profits Plan – a guide to how we manage the Fund – PruFund range of funds", "Guarantees available on PruFund investments" and the Terms & Conditions. These can be found in the 'overview' and 'investing' tabs at [pru.co.uk/retirement-account](https://pru.co.uk/retirement-account)

## Compensation

The products Prudential Assurance Company Limited (PACL) offer are covered by the Financial Services Compensation Scheme (FSCS). If we get into financial difficulties, you may be able to make a claim. The FSCS is an independent body set up by Government to provide compensation for people where their authorised financial services provider gets into financial difficulties and becomes unable, or unlikely to be able, to pay claims against it. This circumstance is referred to as being 'in default'.

Losses, which may result from poor investment performance, are not covered by the FSCS.

### Where does FSCS protection apply?

#### There is FSCS coverage if PACL is 'in default'.

- PACL is the operator of the Prudential Retirement Account, so if PACL defaults as operator of the personal pension plan you are protected up to £120,000.
- If you hold the Prudential PruFund funds in the Prudential Retirement Account, then they're protected up to 100% in the event of PACL being 'in default'.

#### Any further FSCS cover depends on where you invest.

- A collective fund (often called an Open Ended Investment Company or OEIC) – These funds are protected up to £120,000 per person per firm 'in default'.
- Stocks & shares investments (Stocktrade) – Fully protected up to £120,000 per person, per firm 'in default'.
- Cash Account (HSBC) – Fully protected up to £120,000 per person, per deposit group.

You can find out more information on the FSCS at [pru.co.uk/fscs](https://pru.co.uk/fscs), or you can call us.

Information is also available from the Financial Services Compensation Scheme.

Visit their website: [fscs.org.uk](https://fscs.org.uk)

Or write to: The Financial Services Compensation Scheme, PO Box 300, Mitcheldean GL17 1DY.

Or call the FSCS: Telephone 0800 678 1100.

### Where FSCS coverage does not apply, then other factors can come in.

As explained in the 'Where does FSCS protection apply?' section, the FSCS doesn't cover every situation.

But, where FSCS protection does not apply, there are other factors that could help if the worst happened and a provider was 'in default'. For example, the use of custodians or depositories to provide protection for fund assets, where there is separate legal ownership of assets and legal entities that aren't liable for any losses of a fund manager. In so doing, the intention is that the underlying fund will not be liable for any losses the underlying fund management company incurs.

PACL would aim to recover any money invested in an underlying fund where the fund manager has been declared 'in default', but PACL would not be liable for any loss incurred from the default of the non-PACL fund manager.

# Risk and potential reward

Investing is about balancing the risk you're comfortable with against the potential rewards that you want to achieve. Your attitude to investment risk is personal to you and may change in the future. Prudential gives each fund a risk rating – known as a Risk Indicator – of between 1 and 6 (1 is lower risk and 6 is higher risk). Generally, lower risk has the potential for a lower reward and higher risk the potential for higher reward.

The table on the next page can help illustrate this concept. It's not exhaustive, but covers a wide range of funds and investments and shows the general principle that, as the level for potential higher rewards increases so does the level of risk. On page 10 you can see how these risk and potential reward indicator numbers relate to our PruFund funds.

## Some key considerations

- The value of your investment can go down as well as up so you might get back less than you put in.
  - The types of assets a fund invests in will have a significant effect on its performance. Generally, the higher the potential returns, the higher the risk.
  - Risk Indicators have been developed by Prudential to give you a guide to the potential level of risk and reward for each PruFund based on the assets which may be held within it.
  - Other companies use different risk descriptions, so these risk rating categories should not be considered generic to the fund management industry.
- Prudential will keep the risk rating categories under regular review, so they may change in the future.
  - Where a risk rating is amended as a result of a material change in our view of the level of risk, for example due to a significant change to the assets held by a fund or in the way a fund is managed, information will be provided on the new risk rating.
  - The name of a fund is not an indicator of the level of risk involved with it.
  - Past performance is not a guide to future performance.
  - Before making any fund choice in the future, we strongly recommend that you make sure you understand the appropriate PruFund fund risk ratings at that time. These will be found in our PruFund fund guide in the 'What funds can I invest?' section at [pru.co.uk/retirement-account](https://pru.co.uk/retirement-account), along with further information, at [pru.co.uk/funds](https://pru.co.uk/funds)

Sometimes we may need to make a change to a fund. For details of recent material fund changes then please visit [pru.co.uk/funds/changes](https://pru.co.uk/funds/changes)

Please speak to your adviser to determine how to meet your investment goals and your attitude to risk. Your attitude to risk is personal to you and may change over time. Your adviser may make their own assessment of a fund's risk rating.

## Risk and potential reward indicator

		<b>Types of Fund*</b>			
6	Higher	Single Country Equity Funds, International Equity Funds		Higher	
5		Flexible Investment Funds, Global Property Funds			
4	Potential Rewards	Mixed Investment 40-85% Shares Funds, Direct Property Funds, Global High Yield Funds		Risks	
3		Mixed Investment 20-60% Shares Funds, Distribution Managed Funds, Sterling High Yield Funds, Global Fixed Interest Funds, With-Profits Funds**			
2		Mixed Investment 0-35% Shares Funds, Sterling Fixed Interest Funds, Corporate Bond Funds, Protected/Guaranteed Funds			
1	Lower	Deposit & Treasury Funds, Money Market Funds		Lower	

### \* Types of Fund

These are mostly based on sector classifications by the Association of British Insurers (ABI). The description used may match an individual ABI sector name or be a Prudential suggested description for a grouping of similar sectors. The only exception to this is "With-Profits" which isn't classified by the ABI. Where a fund is classified by the ABI then we'll use the sector it's in as a starting point to think about its appropriate position in the scale above. But please note that each fund is considered individually and membership of an ABI sector doesn't automatically imply a particular risk and potential reward indicator number.

### \*\* With-Profits funds

PruFund funds invest in our With-Profits Fund and some appear in a lower or higher risk and potential reward indicator category. This is because of the different asset mix that applies to each PruFund Fund. Please refer to the specific PruFund risk and potential reward indicator on page 10.

# Available funds

Prudential Retirement Account Funds	Risk and Potential Reward Indicator	Asset Class Risk Types								Fund Charges and Further Costs*		
		Equities	Fixed Interest	Property	Currency	Smaller Companies and Developing Markets	Financial Instruments	Alternative Investments	Other	Annual Management Charge (%)	Further Costs (%)**	Yearly Total (%)
Prudential PruFund Cautious	2	✓	✓	✓	✓	✓	✓	✓	✓	0.73	0.00	0.73
Prudential PruFund Growth	3	✓	✓	✓	✓	✓	✓	✓	✓	0.76	0.00	0.76
Prudential PruFund Planet 1	2	✓	✓	✓	✓	✓	✓	✓	✓	0.80	0.00	0.80
Prudential PruFund Planet 2	3	✓	✓	✓	✓	✓	✓	✓	✓	0.80	0.00	0.80
Prudential PruFund Planet 3	3	✓	✓	✓	✓	✓	✓	✓	✓	0.80	0.00	0.80
Prudential PruFund Planet 4	4	✓	✓	✓	✓	✓	✓	✓	✓	0.80	0.00	0.80
Prudential PruFund Planet 5	5	✓	✓	✓	✓	✓	✓	✓	✓	0.80	0.00	0.80
Prudential PruFund Risk Managed 1	2	✓	✓	✓	✓	✓	✓	✓	✓	0.76	0.00	0.76
Prudential PruFund Risk Managed 2	3	✓	✓	✓	✓	✓	✓	✓	✓	0.76	0.00	0.76
Prudential PruFund Risk Managed 3	3	✓	✓	✓	✓	✓	✓	✓	✓	0.76	0.00	0.76
Prudential PruFund Risk Managed 4	4	✓	✓	✓	✓	✓	✓	✓	✓	0.76	0.00	0.76
Prudential PruFund Risk Managed 5	5	✓	✓	✓	✓	✓	✓	✓	✓	0.76	0.00	0.76

A fund's name isn't indicative of the risk it may take.

\* The total cost to Retirement Account customers is made up of a product charge and investment charges – the Annual Management Charge (AMC) and Further Costs.

\*\* For PruFund, as further costs are factored into the setting of Expected Growth Rates, they are not shown separately here.

## Asset class risk types

Funds can invest in different asset types with each asset type having its own level of risk. While there are many types of risk, generally the higher the potential returns or losses, the higher the risk.

PruFunds invest in a variety of different asset types to try to reduce the impact on the performance of one kind of asset.

You will find more information and definitions for each of the risk types by visiting [pru.co.uk/risktypes](https://pru.co.uk/risktypes)

## Fund information

The Prudential Retirement Account uses both the Series D and Series E versions of the PruFund funds. You will be in Series D if you were invested in a PruFund fund on or before 25 August 2017, and you will be in Series E if you invest or switch into a PruFund fund after 25 August 2017. You can find information on both Series D and E, including daily prices and fact sheets, at [pru.co.uk/retirement-account](https://pru.co.uk/retirement-account)

# Investment aims

This section includes information on the investment aims of the available PruFund range of funds. This should help you to understand each of the fund's aims and where your money will be invested.

## Prudential PruFund Cautious

Objective: The fund aims to produce growth over the medium to long term (5 to 10 years or more) using a cautious approach to investing while smoothing some of the ups and downs of short-term investment performance. The fund spreads investment risk by investing in a range of different asset types, which currently includes UK and international equities, property, fixed interest securities, index-linked securities, cash and other specialist investments. The cautious approach to investment means the fund aims to invest 50-75% in fixed interest securities, index-linked securities and cash, although we may occasionally move outside this range to meet the fund objectives.

## Prudential PruFund Growth

Objective: The 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 fund spreads investment risk by investing in a range of different asset types, which currently includes UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments.

## Prudential PruFund Planet 1

The 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 fund spreads investment risk by investing in a range of different asset types, which currently includes UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments. The fund is actively managed and aims to limit the fluctuations ('volatility') the fund experiences to 9% per annum (before smoothing). There is no guarantee the fund will achieve its objective of managing the volatility below this limit. In addition to generating financial returns most of the underlying funds apply at least one of the three ESG investing approaches:

1. Mitigating Environmental, Social and Governance risks and minimising negative outcomes

2. Pursuing Environmental, Social and Governance opportunities
3. Focussing on addressing environmental and social issues.

## Prudential PruFund Planet 2

The 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 fund spreads investment risk by investing in a range of different asset types, which currently includes UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments. The fund is actively managed and aims to limit the fluctuations ('volatility') the fund experiences to 10% per annum (before smoothing). There is no guarantee the fund will achieve its objective of managing the volatility below this limit. In addition to generating financial returns most of the underlying funds apply at least one of the three ESG investing approaches:

1. Mitigating Environmental, Social and Governance risks and minimising negative outcomes
2. Pursuing Environmental, Social and Governance opportunities
3. Focussing on addressing environmental and social issues.

## Prudential PruFund Planet 3

The 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 fund spreads investment risk by investing in a range of different asset types, which currently includes UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments. The fund is actively managed and aims to limit the fluctuations ('volatility') the fund experiences to 12% per annum (before smoothing). There is no guarantee the fund will achieve its objective of managing the volatility below this limit. In addition to generating financial returns most of the underlying funds apply at least one of the three ESG investing approaches:

1. Mitigating Environmental, Social and Governance risks and minimising negative outcomes
2. Pursuing Environmental, Social and Governance opportunities
3. Focussing on addressing environmental and social issues.

## Prudential PruFund Planet 4

The 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 fund spreads investment risk by investing in a range of different asset types, which currently includes UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments. The fund is actively managed and aims to limit the fluctuations ('volatility') the fund experiences to 14.5% per annum (before smoothing). There is no guarantee the fund will achieve its objective of managing the volatility below this limit. In addition to generating financial returns most of the underlying funds apply at least one of the three ESG investing approaches:

1. Mitigating Environmental, Social and Governance risks and minimising negative outcomes
2. Pursuing Environmental, Social and Governance opportunities
3. Focussing on addressing environmental and social issues.

## Prudential PruFund Planet 5

The 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 fund spreads investment risk by investing in a range of different asset types, which currently includes UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments. The fund is actively managed and aims to limit the fluctuations ('volatility') the fund

experiences to 17% per annum (before smoothing). There is no guarantee the fund will achieve its objective of managing the volatility below this limit. In addition to generating financial returns most of the underlying funds apply at least one of the three ESG investing approaches:

1. Mitigating Environmental, Social and Governance risks and minimising negative outcomes
2. Pursuing Environmental, Social and Governance opportunities
3. Focussing on addressing environmental and social issues.

## Prudential PruFund Risk Managed 1

Objective: The 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 fund spreads investment risk by investing in a range of different asset types, which currently includes UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments. The fund is actively managed and aims to limit the fluctuations ('volatility') the fund experiences, to 9% per annum (before smoothing). There is no guarantee that the fund will achieve its objective of managing the volatility below this limit.

## Prudential PruFund Risk Managed 2

Objective: The 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 fund spreads investment risk by investing in a range of different asset types, which currently includes UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments. The fund is actively managed and aims to limit the fluctuations ('volatility') the fund experiences, to 10% per annum (before smoothing). There is no guarantee that the fund will achieve its objective of managing the volatility below this limit.

### Prudential PruFund Risk Managed 3

Objective: The 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 fund spreads investment risk by investing in a range of different asset types, which currently includes UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments. The fund is actively managed and aims to limit the fluctuations ('volatility') the fund experiences, to 12% per annum (before smoothing). There is no guarantee that the fund will achieve its objective of managing the volatility below this limit.

### Prudential PruFund Risk Managed 4

Objective: The 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 fund spreads investment risk by investing in a range of different asset types, which

currently includes UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments. The fund is actively managed and aims to limit the fluctuations ('volatility') the fund experiences, to 14.5% per annum (before smoothing). There is no guarantee that the fund will achieve its objective of managing the volatility below this limit.

### PruFund Risk Managed 5

Objective: The 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 fund spreads investment risk by investing in a range of different asset types, which currently includes UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments. The fund is actively managed and aims to limit the fluctuations ('volatility') the fund experiences, to 17% per annum (before smoothing). There is no guarantee that the fund will achieve its objective of managing the volatility below this limit.

## Further information

More information on these funds can be found at [pru.co.uk/funds](https://pru.co.uk/funds). Your financial adviser can also discuss these and other investment options with you.

# Some useful investment terms

## Learn about some investment related terms

This is a high-level guide to some useful investment terms. It's not meant to cover every term you may come across and you may not find each item in the glossary within this guide. Please speak to your financial adviser if you need help or want to know more about terms used around investments.

### **“Blue Chip” Companies**

Large companies which are known for their strong reputation and financial stability.

### **Bonds (and Fixed Interest Securities)**

A bond is an 'I owe you' that promises to pay an amount of money on a specified date and pay a fixed rate of interest along the way. Companies and governments can issue bonds when they want to raise money. Bonds issued by companies are called corporate bonds. Bonds issued by the UK government are called gilts and those issued by the US government are called treasury bonds.

### **Collective Investment Schemes**

These are funds where many investors pool their money together within a single investment fund. This allows them access to a wider range of investments than they could on their own. You'll also share both the costs and potential benefits with other investors. Collective Investment Schemes, such as OEICs, Unit Trusts, Mutual funds, usually target investments in geographic regions (like emerging market countries) or specific themes (like technology or property).

### **Corporate Bonds**

These are loans to companies where the buyer of the corporate bond lends money in return for regular interest payments and the promise that the amount loaned will be repaid on a set future date.

### **Derivatives**

These are financial products like futures and options which are generally an arrangement between different parties to buy or sell a standard quantity of a specified asset on a fixed future date at a price agreed today.

### **Equities**

Equities are also known as shares or stocks. They are a share of the ownership of a company. When you invest in equities, you become a shareholder.

### **Financial Times Stock Exchange (FTSE)**

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### **Floating Rate Notes**

Short-term loans to financial companies, like banks. The investor receives interest payments, which may go up or down, and at the end of an agreed period the company has to repay the original loan.

### **Government Bonds**

Loans to the government where the buyer of the government bond lends money to the government. In return, they get regular interest payments and the promise that the initial sum will be repaid on a specified later date. Bonds issued by the UK government are called gilts and those issued by the US government are called treasury bonds.

### **Hedging**

This is a strategy used to help reduce or limit financial risk. It involves making a deal in one market in order to try to protect against possible losses in another. Often used by Hedge Funds.

### **Index-Linked Securities**

Are similar to fixed interest investments but the payments to the investor are designed to increase in line with inflation.

### **Investment Grade**

A credit rating agency such as Standard & Poor's, can assess the reliability of corporate and government bonds and give a rating. The rating indicates whether the agency believes that the bond issuer has a relatively low risk of missing payments to the buyer of the bond. Bonds with credit ratings of AAA, AA, A or BBB are considered investment grade, while those rated BB or lower are often referred to as junk bonds.

### **Money Market Investments**

These are cash and investments similar to cash such as bank deposits, certificates of deposits, fixed interest securities or floating rate notes. They usually have a life of less than a year.

### **OEIC (Open Ended Investment Company)**

An OEIC is a type of investment fund that allows investors to pool their money together to invest in a portfolio of companies, assets and other commodities with the aim of generating a return. The OEIC is equally divided into shares which will vary in price and in the number issued. When new money is invested, additional shares or units are created to match the current share price.

### **Preference Shares (also called Preferred Stock or Preferred Shares)**

Shares in a company which give their holders a right to a fixed dividend payment. Some preference shares also come with voting rights.

If you own preference shares, you receive dividends before common shareholders, and if the company goes bankrupt, you'll be paid from company assets before common shareholders (but after debt holders).

### **Shares**

See Equities.

### **Smaller Companies**

These are Companies that you can find on a recognised stock exchange which have a lower market value than larger, well-established companies. In the UK, smaller companies are typically those ranked outside the top 350 in the FTSE All-Share Index.

### **Units/Unit Linked**

Unit linked funds are divided into smaller portions, called units, which represent the money you've invested. The price of units change on a daily basis and are based on the value of the assets held within the fund. This means your total fund value will go up or down depending on the unit price at any given time.

If you're looking for more information then please speak to your financial adviser.