

# A guide to the costs and charges associated with investing in PruFund

This guide aims to set out the different costs and charges that are associated with investing in PruFund. It explains what the costs are and how they are applied. **See the PruFund range of funds webpage** for more information on PruFund Funds including the full explanation of the smoothing process.

PruFund funds aim to grow your money over the medium to long term (5 to 10 years or more), while protecting you from the impact of short-term investment market volatility. We do this by using an established smoothing process and spreading the risk by investing across a wide range of assets, our Multi-Asset approach.

While this multi asset approach aims to smooth investment returns, the value of the assets will still fluctuate from day to day. The smoothing process aims to reduce the impact of these movements over the short term. This doesn't mean that your investment can't go down. It can. But PruFund is designed to dampen the number and scale of any drops in value. The smoothing process uses Expected Growth Rates (EGRs) and, where needed, Unit Price Adjustments to deliver a smoothed investment journey.

Expected Growth Rates are our view of how the assets within PruFund are expected to perform over the long term, up to 15 years and your investment will normally grow daily by the EGR. While EGRs reflect a long-term view of performance, it's also important to check that the underlying assets are performing as expected using set limits which we publish. If the limits are exceeded then a Unit Price Adjustment, also called UPA, may be required which could be an increase or decrease to your fund price. This is done to ensure no one is receiving too much or too little.

While the performance of PruFund is driven by the smoothing process, the costs and charges associated with investing in PruFund will also affect the overall performance.

## PruFund range of funds charges explained

There are a range of costs related to investing; some of these are directly charged whereas others are reflected in the overall fund performance of PruFund; what these are and how they are applied are covered in the table below. Your personalised illustration will also set out the applicable charges.

	<b>Product Set A</b> Prudential ISA, Prudential Investment Plan, Trustee Investment Plan, Prudential International Investment Bond, International Prudence Bond	<b>Product Set B</b> Retirement Account, International Portfolio Bond	<b>How it is disclosed</b>
Annual Management Charge/Fund Charge	<p>This charge covers the cost for managing the fund as well as the cost of managing the product.</p> <p>It is deducted from a customer's investment through the deduction of units.</p>	<p>This charge covers the cost for managing the fund. It is deducted from the Smoothed Price, through a reduced EGR.</p> <p>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.</p>	<p>On the following:</p> <ul style="list-style-type: none"> <li>• Illustrations</li> <li>• Benefit statements</li> <li>• Fund factsheets</li> <li>• Fund guides</li> <li>• Fund lists</li> </ul> <p>For benefit statements, where factored into the daily price (Product Set B), it won't be seen as a separate transaction.</p>
Product/Wrapper Charge	<p>This covers the cost of managing the product. It is incorporated into the AMC.</p>	<p>This covers the cost of the managing the product.</p> <p>The product charge is an explicit charge deducted from the product based on the value of the investment when the charge is taken.</p> <p>It is deducted from a customer's investment through the deduction of units.</p>	<p>On illustrations and benefit statements.</p>

	<b>Product Set A</b> Prudential ISA, Prudential Investment Plan, Trustee Investment Plan, Prudential International Investment Bond, International Prudence Bond	<b>Product Set B</b> Retirement Account, International Portfolio Bond	<b>How it is disclosed</b>
Adviser Charge	The charge covers the cost of any advice, as agreed between you and your adviser. If agreed, any initial cost will be taken before the investment is made. Any ongoing charge, if agreed, will be deducted from your investment through a deduction of units.		On illustrations and benefit statements.
Further Costs (also known as other charges and expenses)	<p><b>Miscellaneous fund administration fees and costs</b></p> <p>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></p> <p>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> <p>These are not a specific charge deducted from the investment. These are factored into the setting and reviewing of Expected Growth Rates.</p>		<p>These are no longer disclosed separately on the following:</p> <ul style="list-style-type: none"> <li>• Illustrations</li> <li>• Benefit statements</li> <li>• Fund factsheets</li> <li>• Fund guides</li> <li>• Fund lists</li> </ul> <p>For completeness, they are listed here for products open to new business.</p> <p>For non-pension products they continue to be disclosed in the Investment Option Document. In 'Other Ongoing Costs'.</p>
Performance Fees	<p>In some funds the fund managers are paid a fee depending on how they perform.</p> <p>Where they apply, performance fees will be reflected in the unit price of the fund.</p>		These are not disclosed separately.
Transaction Costs	<p>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.</p> <p>These are not a specific charge deducted from the investment.</p> <p>These are factored into the setting and reviewing of Expected Growth Rates.</p>		<p>These are not disclosed separately for pension products.</p> <p>For all other products, these are disclosed in the Investment Option Document.</p>

## Annual Management Charge and Further Costs

The following tables show the Annual Management Charge and Further Costs for the PruFund range and their availability through our current product range.

	Retirement Account			Prudential ISA			Prudential Investment Plan			Trustee Investment Plan		
	AMC	Further Costs	Total	AMC	Further Costs	Total	AMC	Further Costs	Total	AMC	Further Costs	Total
PruFund Cautious	0.73	0.28	1.01	1.03	0.28	1.31	1.28	0.22	1.50	1.38	0.28	1.66
PruFund Growth	0.76	0.31	1.07	1.06	0.31	1.37	1.31	0.25	1.56	1.41	0.31	1.72
PruFund Risk Managed 1	0.76	0.22	0.98	1.06	0.22	1.28	1.31	0.18	1.49	1.41	0.22	1.63
PruFund Risk Managed 2	0.76	0.24	1.00	1.06	0.24	1.30	1.31	0.19	1.50	1.41	0.24	1.65
PruFund Risk Managed 3	0.76	0.26	1.02	1.06	0.26	1.32	1.31	0.21	1.52	1.41	0.26	1.67
PruFund Risk Managed 4	0.76	0.27	1.03	1.06	0.27	1.33	1.31	0.22	1.53	1.41	0.27	1.68
PruFund Risk Managed 5	0.76	0.29	1.05	1.06	0.29	1.35	1.31	0.23	1.54	Not applicable		
PruFund Planet 1	0.80	0.23	1.03	Not applicable								
PruFund Planet 2	0.80	0.24	1.04									
PruFund Planet 3	0.80	0.25	1.05									
PruFund Planet 4	0.80	0.27	1.07									
PruFund Planet 5	0.80	0.32	1.12									

## Annual Management Charge and Further Costs continued

	International Portfolio Bond			Prudential International Investment Bond			International Prudence Bond		
	AMC	Further Costs	Total	AMC	Further Costs	Total	AMC	Further Costs	Total
PruFund Cautious (Sterling)	0.65	0.28	0.93	1.20	0.28	1.48	1.20	0.28	1.48
PruFund Cautious (Euro)	Not applicable			1.20	0.19	1.39	1.20	0.19	1.39
PruFund Cautious (Dollar)				1.20	0.18	1.38	1.20	0.18	1.38
PruFund Growth (Sterling)	0.65	0.31	0.96	1.20	0.31	1.51	1.20	0.31	1.51
PruFund Growth (Euro)	Not applicable			1.20	0.28	1.48	1.20	0.28	1.48
PruFund Growth (Dollar)				1.20	0.25	1.45	1.20	0.25	1.45
PruFund Risk Managed 1	0.65	0.22	0.87	Not applicable					
PruFund Risk Managed 2	0.65	0.24	0.89						
PruFund Risk Managed 3	0.65	0.26	0.91						
PruFund Risk Managed 4	0.65	0.27	0.92						
PruFund Risk Managed 5	0.65	0.29	0.94						
PruFund Planet 1	0.65	0.23	0.88						
PruFund Planet 2	0.65	0.24	0.89						
PruFund Planet 3	0.65	0.25	0.90						
PruFund Planet 4	0.65	0.27	0.92						
PruFund Planet 5	0.65	0.32	0.97						

The Annual Management Charge shown is the total disclosable Annual Management Charge for the fund relevant to the product wrapper, and which is shown on the relevant fund factsheet and fund guide. Returns shown in the factsheet may not accurately display the performance of their investment due to charges (for example, where the AMC is taken by unit deallocation).

There may be a discount applied to the Annual Management Charged based on the investment amount.

The Annual Management Charge represents the effective costs that the customer would see reflected in the overall performance of their PruFund investment, assuming their investment grew in line with the Expected Growth Rate for the full length of the illustration term.

Personal Illustrations, where available, will show the applicable cost and charges for your investment at the outset of the plan. The Annual Benefit Statement will show the actual costs and charges deducted.

## FAQs

### **Why aren't Further Costs and Transaction Costs disclosed in your illustrations?**

Pre-sale illustrations must be produced in line with the relevant FCA COBS 13 rules, and in terms of investment and product wrapper costs, it does not include Transaction Costs. When we set the Expected Growth Rates on PruFund funds, we do so after deducting the Further Costs and Transactions costs applicable to that fund. Therefore, they have already been deducted from the EGR received. Therefore, to include them in illustrations would be to count them twice – once in setting the EGR, and secondly as an explicit cost and charges deduction in the illustration.

### **Does this mean the effect of Further Costs and Transaction Costs is not demonstrated in projections?**

Further costs and Transaction costs are factored into the Expected Growth Rate – the growth rate is net of these charges and the effect therefore accounted for. Unlike other charges such as the Annual Management Charge and product wrapper, these do not need to be then deducted from any projected growth.

### **What rate of return is used in illustrations?**

Benefits are projected at the lower, intermediate and higher rates of return, and shown in real terms accounting for inflation for pensions. For each PruFund fund, we use an intermediate rate of return equal to the fund's relevant EGR, and where appropriate, capped at the maximum rates in accordance with COBS 13 Annex 2 according to the product wrapper the illustration relates to. The intermediate rates of return are capped at 4.5% for the Prudential Investment Plan and 5.0% for all other product wrappers, with Retirement Account and Trustee Investment Plan reflecting an inflation adjusted rate of 2.94%.

### **Why aren't Further Costs and Transaction Costs calculated as a monetary charge deducted over the benefit statement period?**

As detailed above, further charges and Transaction Costs are not being deducted from the fund, so they are no longer calculated and shown within benefit statements.

### **Where else are Further Costs and Transaction Costs disclosed?**

Prudential Investment Plan, Prudential ISA, International Portfolio Bond, Prudential International Investment Bond, and International Prudence Bond are all subject

to PRIIPS regulations – Packed Retail and Insurance-based Investment Products. PRIIPs sets out a prescribed set of templated documents that must be provided to customer before any contract can be undertaken. So, prior to sale we need to provide customers with a Product Key Information Document, and where the product has multiple fund options, an Investment Options Document for the funds selected.

The ISA product requires costs and charges to be disclosed as per MiFID II rules. In addition to being stated in the IODs and KIDs, the costs and charges calculator will disclose Further costs, Transaction costs, and the impact of these on projected annual returns.

We have no scope to amend the content of these documents, so whilst the EGR setting process may account for further costs and transaction costs, we have to disclose these in the Investment Options Documents for PruFund funds.

### **Why am I still seeing Further Costs and Transaction Costs in some documents?**

We are updating all impacted documents and in the meantime, you may still see some reference to further costs and transaction costs on PruFund until the updates are fully completed.

### **How do I compare PruFund fund to other investments?**

When comparing PruFund costs and charges to other investments, it is important to explain the nature of PruFund as a with-profits fund, these are not comparable on a like for like basis with unit linked basis. The further costs and transaction costs where applicable are not deducted from the fund but are factored into the EGR. Consider net returns after charges, not just the Ongoing Charges Figure (OCF), especially for with-profits funds where smoothing and guarantees play a role.

- Unit-linked funds show charges upfront and their effect is immediate. All charges are explicit and deducted from the fund daily.
- With-profits funds smooth returns and embed charges in the bonus structure, making it difficult to isolate their impact.

Even if both show an OCF, the method of applying charges and their impact on investor outcomes differ significantly.

## **Why don't we disclose Further Cost charges anymore?**

Historically, our disclosures included both the AMC and further costs associated with running the PruFund funds. While this was done with the intention of improved transparency, it resulted in understated projections. Removing the Further Costs, disclosure helps emphasize that these are factored into the EGR. Transaction Costs were not included in projections, but are factored into the EGR.

There has been no change to the charges the customer actually pays in relation to their investment in PruFund. The change is intended to help advisers and customers see a more appropriate representation of the impact of charges on their plan.

## **Do Further Costs and Transaction Costs vary?**

Further Costs and Transaction Costs are considered variable costs and can vary. They're the estimated or predicted cost and charges associated with an investment. They represent the expected costs based on assumptions and projections, rather than the actual realised costs.