Your guide to investing in the PruFund Range of Funds

This guide provides a summary of how the PruFund Range of Funds work and how you can invest in them. You should read this along with your **Key Features Document**, which gives you more information about your **bond** and investment choices. For more information and details of the investment and charging please take a look at our **Contract Conditions**.

If you are unsure about anything in this document please contact you financial adviser or you can give us a call using the contact details on the last page. We have highlighted relevant documents you may find useful if you are looking for more detail on specific points.

We've also highlighted some terms throughout the document, you'll find more information about these in **'Some terms explained'** at the back of this guide.

Balancing risk and potential reward

The PruFund funds aim to grow your money over the medium to long-term (5 to 10 years or more), while protecting you from some of the short-term ups and downs of direct stockmarket investments, using an established smoothing process.

This means that while you won't benefit from the full upside of any potential stock market rises you won't suffer from the full effects of any downfalls either.

Important:

This guide covers investment in the PruFund Range of Funds via our Prudential International Investment Bond and International Prudence Bond.

Please remember that the value of an investment may go down as well as up and is therefore not guaranteed. You may not get back the full amount of investment.

The market context

Keeping all your savings in a deposit account or cash investment can be secure and may be easy to access. However...

Returns can be low

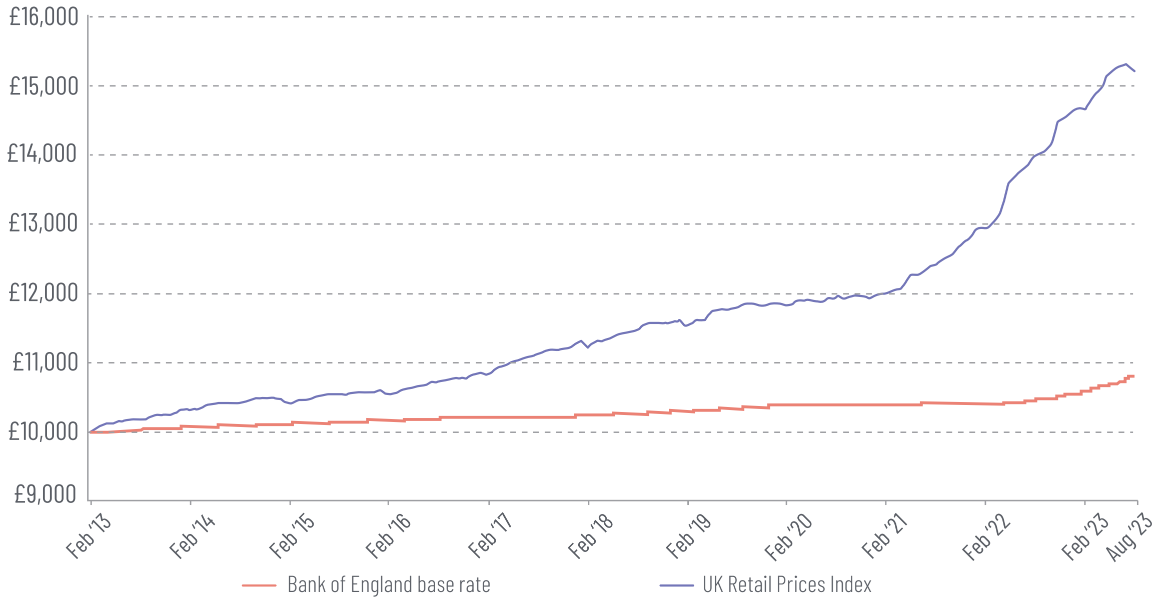
Of course a high interest deposit account or a **Cash ISA (UK only)** is a sensible and secure home for what you might call your "ready" or "emergency cash". For many, the offer of instant access, knowing your capital is secure, or the tax efficiencies of a **Cash ISA (UK only)** has great appeal. And it's always a good idea to have a cash safety net to help with any unexpected emergencies. However, over and above this emergency cash, it may not be the most appropriate place for any additional money you may have.

Inflation eats away at the buying power

As long as you have enough to cover any unexpected emergencies, it might be timely to look again at whether your money is in the best place. That's because if inflation is higher than your rate of return, it will eat away at the buying power of your money whether in cash-based savings such as deposit accounts or any other type of investment. The overall result is simply that at the end of the investment term, you can buy less with your money than you would have been able to at the beginning.

An example of the effect of inflation on a bank account

Banks and Building Societies use The Bank of England base rate to help set the interest rates they offer customers on their savings accounts. The graph below shows the return on £10,000, using the Bank of England base rate to indicate what's happened to interest rates over time. It also compares interest rates to the effect of inflation (as represented by the UK Retail Prices Index (RPI)). The graph shows the buying power of your money would have been declining during this time.



Source: FE Fundinfo.

The graph shows the gross returns from 31 January 2013 to 1 August 2023.
Past performance is not a reliable indicator of future performance.

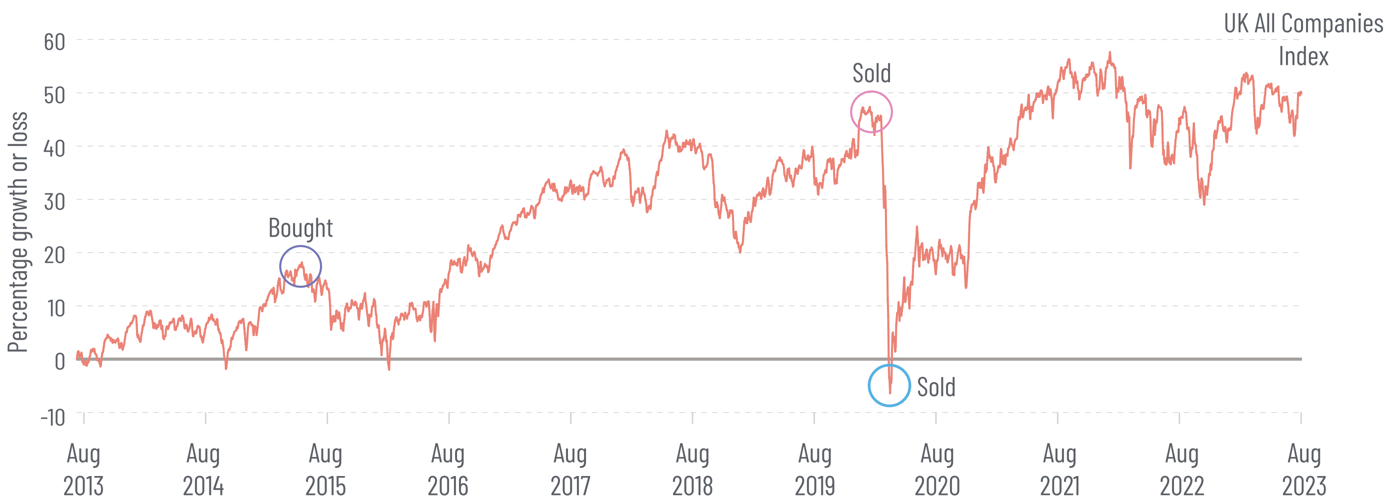
Direct investment in **equities, property** and other investment types could provide you with attractive returns, but at what risk?

Concerned about falls in investment performance?

Direct investment in **equities, property** and other investment types gives you access to potentially higher returns than saving in a deposit account and may build your money over the medium to long term (5 – 10 years or more). However, investment performance can fall, which then means the value of your investment could drop too and you might not get back what you put in. This is a level of risk that you may not be comfortable with.

The risk of getting your investment timing wrong

The illustration below shows an example of the rises and falls of the UK stockmarket over time. As an example if you bought **equities** at a high point circled in purple below and you were able to sell at the higher point circled in pink below, you could potentially have gained some investment growth. But, if you sold at the point circled in blue below, you could have lost some of your money. Getting the timing right over when to buy and sell is very difficult, which is why investments should be held for 5 – 10 years or more.



Source: FE Fundinfo.

The graph shows the performance of UK All Companies index from 31 July 2013 to 31 July 2023.

Please remember past performance is not a reliable indicator of future performance.

You'll find more information about highlighted terms, in '**Some terms explained**' at the back of this guide.

PruFund can provide an alternative for investors

Deposit accounts or **Cash ISAs (UK only)** can be secure places for your capital, but returns from these can be low. And at the other end of the scale, direct investment (in **equities, property** and other investment types) can provide higher returns but come with higher risks.

Investing in the PruFund range of funds can provide you with the potential for investment growth with the possibility of smoother returns than would typically be experienced from direct investment. Although, please remember the value of your investment can fall as well as rise and you may not get back the amount you invested. Investing is essentially about balancing the investment risk you are comfortable with alongside the potential rewards you want to achieve.

Here's a summary of the benefits offered by the PruFund range of funds – these are explained in more detail on the following pages:

- Designed to suit different clients' attitudes to risk and reward.
- The potential for growth, but with lower risk than buying **equities** in a single company.
- They aim to smooth some of the short-term highs and lows of investment performance.
- Access to a wide range of investments – including some which individual investors may not be able to access.
- A spread of diversified* investments – this could help offset poor performance in one asset type with good performance in another.
- Economies of scale – investment costs are spread over many investors.
- Actively managed by skilled investment experts.

The PruFund range of funds all invest in Prudential's **With-Profits Fund**, which is one of the largest with-profits funds in the UK. However, there are differences across the range of PruFund funds in their objectives and mix of assets, and how PruFund delivers returns to investors when compared to other With-Profits business, which means the returns received by investors will vary by fund choice. For more details, please see "Your With-Profits Plan – a guide to how we manage the Fund".

* **Diversified investments explained** – a diversified portfolio of investments contains a mix of distinct asset types and investment vehicles with the aim of limiting exposure to any single asset or risk.

What is the PruFund Range of Funds?

Important Information

The PruFund Protected Funds are currently unavailable to new investments.

There are:

- three PruFund Growth Funds: Sterling, Euro and US Dollar,
- three PruFund Cautious Funds: Sterling, Euro and US Dollar, and
- a number of PruFund Protected Funds, also in Sterling, Euro and US Dollar.

When you invest in any of the PruFund Range of Funds, your investment is put together with other investors' money in part of The Prudential Assurance Company Ltd (PAC) long-term fund, called the Defined Charge Participating Sub-Fund (DCPSF). This is through a reinsurance arrangement which means that all of the benefits payable from our funds are provided by PAC.

The DCPSF invests in a mix of assets such as:

- shares,
- **property**,
- fixed interest securities, and
- cash deposits.

Within each of these types, there are many different holdings, both in the UK and abroad.

This varied mix helps to spread risk. If one holding or market is falling in value this can be balanced by another that is rising. This will reduce the overall impact and help steady the fund in future.

The PruFund Growth Funds and PruFund Cautious Funds have different investment objectives and a different asset mix.

The Growth Funds aim to provide medium to long term, so 5 to 10 years or more, returns above inflation and will usually lean towards shares and **property**.

The Cautious Funds aim for steady and consistent growth through a more cautious investment approach that focuses on fixed interest securities and cash.

The PruFund Growth and PruFund Cautious Funds are denominated in Sterling, Euro or US Dollar. Within each group of funds, the asset mix will also differ between the three currency versions.

The value of your investment in the PruFund Range of Funds can go down as well as up and you may not get back what you put in.

What you get back will depend on:

- the fund you have chosen,
- the value of the underlying fund assets,
- the Expected Growth Rates (EGR) as set by the directors of PAC,
- our charges,
- the smoothing process,
- if you have chosen one of the PruFund Protected Funds and,
- when you take your money out.

How does PruFund invest?

Your money is pooled together with that of other PruFund investors. It is then used to buy a large spread of different types of investments (often described as **asset classes**). There are a number of benefits to this:

Reducing risk by investing in a diversified mix of **asset classes**

Each of the individual PruFunds invest in a spread of different types of **asset classes**. The four main **asset classes** are **Equities**, **Commercial Property**, **Bonds** (Corporate and Government) and Cash. By spreading the investment across these **asset classe**s, the rises and falls (or **volatility**) associated with investing in a single asset class can be reduced.

Increasing the potential to benefit from higher performance and reducing the risk of exposure to poorer performance

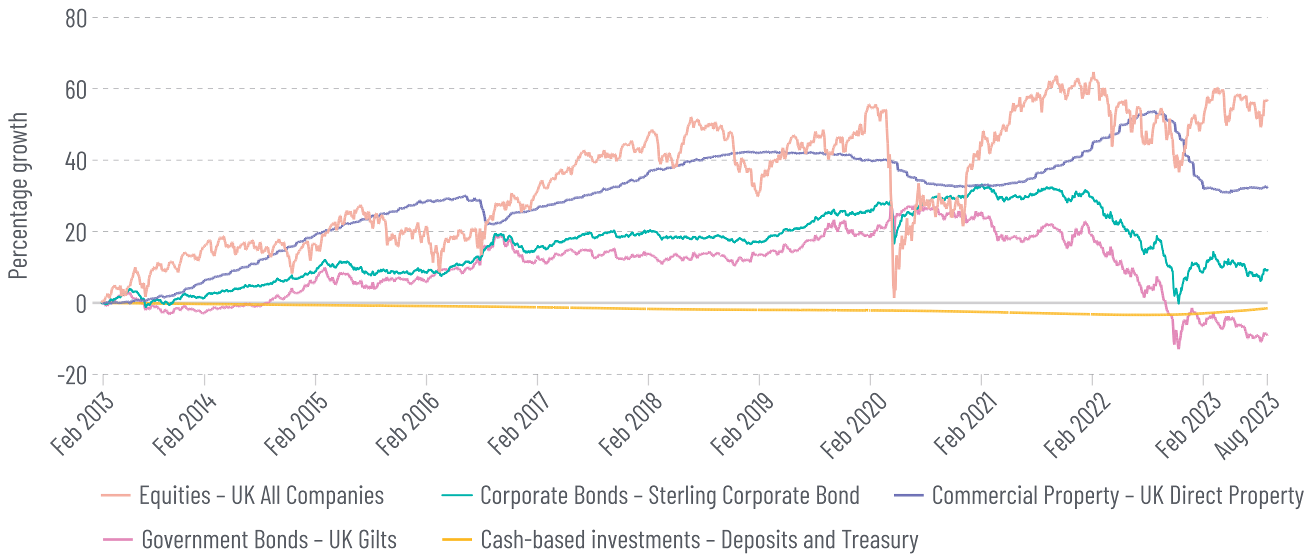
The graph below gives an example of the volatile behaviours of different **asset classes**. It demonstrates that when one asset class is performing well, another may be performing less well, and their relative positions could be reversed in future years.

Investment in each PruFund is spread across a number of different **asset classes**, so there is a greater opportunity to benefit from potential investment growth and reduced risk of full exposure to lower performing **asset classes**. Of course, this also means that you might not benefit from all of the investment growth because you hadn't invested all your money directly in one of the strongly performing **asset classes**.

Access to investments a private investor may not normally have access to

Through the Prudential **With-Profits Fund**, PruFund gives you access to very specialist investments which add greater diversity to the funds. These include investments in the UK such as schools as well as a diverse range of Europe-wide developments, including investments in renewable energy, utility service providers and large, economically and socially important investments.

This graph shows an example of the volatile behaviours of different **asset classes**.



Source: FE Fundinfo.

Important note: The graph shows gross returns for the sector averages from 31 January 2013 to 1 August 2023, from the Association of British Insurers (ABI) Pensions universe.

Please remember that past performance is not a reliable indicator of future performance.

Strong investment management and controls

A key benefit of the PruFund range of funds is the management of their **asset allocation** by M&G Treasury & Investment Office (T&IO). T&IO also monitor the underlying fund managers of the PruFunds range of funds. They are a team of experienced investment professionals with specialist expertise in capital markets research, manager research, investment strategy design, liability management and portfolio management.

Their role is to ensure that the funds are actively managed in a way that aims to deliver what investors expect. As well as setting and actively monitoring the investment strategy they have strong governance and controls around how the funds are managed. T&IO work closely with compliance and risk teams in M&G plc to ensure each fund is managed in a controlled and appropriate manner.

Economies of scale

Your money is combined with that of other investors. This means that the normal costs associated with investing (for example the costs of buying and selling **equities**, **property** or other investments) are spread over many, many investors rather than one individual investor.

The PruFund Smoothing Mechanism

The PruFund range of funds use an established smoothing mechanism, and aims to grow your money while smoothing the short-term ups and downs of markets.

Like most investments, the value of the underlying funds change daily, up or down. The smoothing mechanism aims to reduce the impact of these movements over the short term. This means that you would potentially not benefit from the full upside of rises or suffer from the full downside of falls in investment performance, which can help to provide more stable returns.

The Expected Growth Rate

As part of the smoothing process, Prudential set Expected Growth Rates (EGR); these are the annualised rates your investment would normally grow at. They are reviewed every 3 months, when they could rise or fall.

They are set quarterly by the directors of PAC, having regard to the investment returns expected to be earned on the assets of the funds over the long-term (up to 15 years).

They are published every quarter for each product on our website: **mandg.com/pru/customer/en-gb/funds/investment-fund-range/prufund/prufund-range**

The PruFund Quarter Dates are:

- 25 February
- 25 May
- 25 August
- 25 November

or the next valid working day.

Your investment will normally benefit from this growth rate on a daily basis, through an increase in the price of the units you hold (known as the unit price).

Unit Price Adjustment (UPA)

While the EGR reflects the long term view (up to 15 years), PAC need to check that the fund is performing as expected – if it's not, they may need to make an adjustment to your fund value, either up or down. This helps to ensure all investors are treated fairly. There are limits which set out when an adjustment would be required.

The value of your investment in a PruFund fund is based on the Smoothed Price, this is the unit price, which grows daily by the EGR. PAC compare the Smoothed Price against the Unsmoothed Price – which reflects the value of underlying assets. If these move too far away from one another PAC will need to adjust the Smoothed Price to narrow the gap. This could be a price increase or a price decrease. PAC use threshold tests to check the Smoothed Price against the Unsmoothed Price on a daily basis and on a quarterly basis.

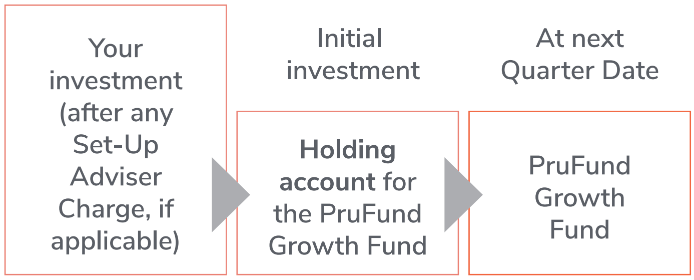
For more information on monitoring the unit price on a daily and quarterly basis, please look to '**Your With-Profits Bond – a guide to how we manage the Fund (PruFund range of funds)**', on **www.pru.co.uk**, or '**PruFund range of Funds (UK/Non-UK)**' is available from your financial adviser.

Remember, you'll find more information about highlighted terms, in '**Some terms explained**' at the back of this guide.

The Holding Account

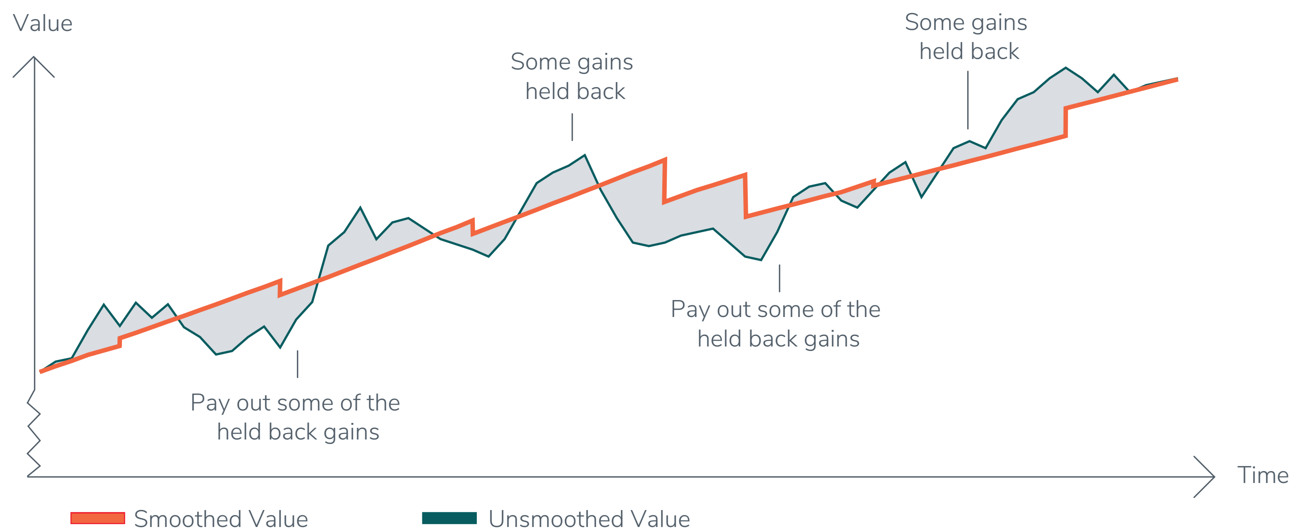
- When you invest in one of our PruFund funds, your money will be put into a **'holding account'** where it will stay until the next quarter date.
- While your money is in a **holding account**, it increases daily in line with the Expected Growth Rate applicable to that account. During this time, we apply product charges but the investment will not be subject to any smoothing adjustments or suspension of smoothing. There is an associated PruFund Account (**holding account**) for each fund in the PruFund fund range.
- At the next quarter date, your money will be transferred from that **holding account** to your chosen PruFund fund. Your **holding account** buys units in your chosen PruFund fund at the price that applies on that day.
- If you invest on a quarter date, you would normally be invested in a **holding account** until the next quarter date.

This example shows an investment being made into the PruFund Growth Fund:



This is a simplified example of how the process works and is for illustrative purposes only. It is not representative of any particular time period or investment performance.

The chart shows how smoothing can work.



This graph is not representative of any particular Prudential International fund, product or specific time period. Its sole aim is to explain the smoothing concept.

Unit Price Reset

PAC may decide to reset the smoothed price of a PruFund fund on a particular day, to protect the PAC **With-Profits Fund**.

If PAC decide to reset, the smoothed price of the affected fund would be adjusted to be the same value as the unsmoothed price on that working day. That adjusted smoothed price will continue to grow in line with the EGR from the working day following the reset of the smoothed price.

Suspension of smoothing

There may be occasions where PAC have to suspend the smoothing process for one or more PruFund funds for a period of consecutive working days, to Protect the PAC With Profits Fund. When this happens, the smoothed price for the affected fund(s) is set to the unsmoothed price for each working day until the smoothing process is reinstated.

Any suspension of smoothing on one fund would not affect funds of different currencies or investment objectives within the PruFund Range.

What is the PruFund Guarantee?

Important Information

The PruFund Protected Funds are currently unavailable to new investments.

The PruFund Protected Funds offer a range of guarantees that starts on the anniversary of your **bond**.

The guarantee will apply on the Guarantee Date. This is the anniversary on which the guarantee applies and depends on the choice available to you when you apply for your **bond**.

For example, if you choose a 10 year guarantee, your Guarantee Date will be the tenth anniversary of the date on which your **bond** starts. So if your **bond** starts on 9 May 2019, the Guarantee Date will be 9 May 2029.

Please note that the guarantee will only apply on the Guarantee Date. If you decide to switch completely out of the fund, or cash in your **bond**, before the Guarantee Date, the guarantee will not apply.

When you invest in a PruFund Protected fund you will also have a Guaranteed Minimum Fund. We set this at the start of your **bond**. If you would like more information see your **Personal Illustration** or speak to your financial adviser.

At the Guarantee Date, if the value of the units you hold in the fund is less than your Guaranteed Minimum Fund, we will add units to bring it up to the amount guaranteed.

We will then switch all the units you hold in the PruFund Protected Fund, including any we have added, into the equivalent non-protected fund of the same currency.

The exception is if you already hold the non-protected fund in a different currency. In this case we would switch units into the fund you already hold.

Example 1
If you were invested in the PruFund Protected Growth (Sterling) Fund, we would switch your units into the PruFund Growth (Sterling) Fund.

The exception is if you already hold the non-protected fund in a different currency. In this case we would switch units into the fund you already hold.

Example 2
If as above, you were invested in the PruFund Protected Growth (Sterling) Fund and you also had an investment in the Prufund Growth (Euro) Fund, we would switch your units into the PruFund Growth (Euro) Fund.

Where the switch is made into a fund of the same currency – such as Sterling to Sterling, in Example 1 – it will go straight into the fund. If it is a different currency – such as Sterling to Euro in Example 2 – it will go first into the corresponding PruFund Account. It will then be automatically transferred into the appropriate fund at the next PruFund Quarter Date.

Please note: switching between funds denominated in different currencies does expose you to exchange rate risk.

In all cases, switches will be made automatically and will not count towards your free switches for that 12-month period.

During the 28 days following the Guarantee Date, you can choose either of the following options:

- you can keep your holding in the PruFund Cautious Fund or the PruFund Growth Fund, or
- you can switch all the units out of that fund into any other fund of your choice. In this case, the switch will not be subject to the usual 28-day delay on PruFund switches, for more information please look at the 'What if I decide to take my money out?' section.

We will write to you before your Guarantee Date to remind you of these options and of the value of your Guaranteed Minimum Fund.

Where the Guaranteed Minimum Fund becomes effective, it will be expressed in the currency of the relevant fund:

- Sterling,
- Euro, or
- US Dollar.

If you decide to cash in your **bond** at the Guarantee Date and you are taking the proceeds in a different currency, your payment may be subject to exchange rate fluctuations when payment is taken.

Special rules apply to the PruFund Protected Funds, these are:

- You cannot switch into any of the funds at any time:
  - if you don't choose one at the start of your **bond** and you then want to invest in one, you would have to start a new **bond**;
  - if you do choose one of the funds at the start of your **bond**, but later switch any money out of it, you cannot later switch back into it.
- You cannot make top-up investments into any of the funds.

What affects the returns on the PruFund Range of Funds?

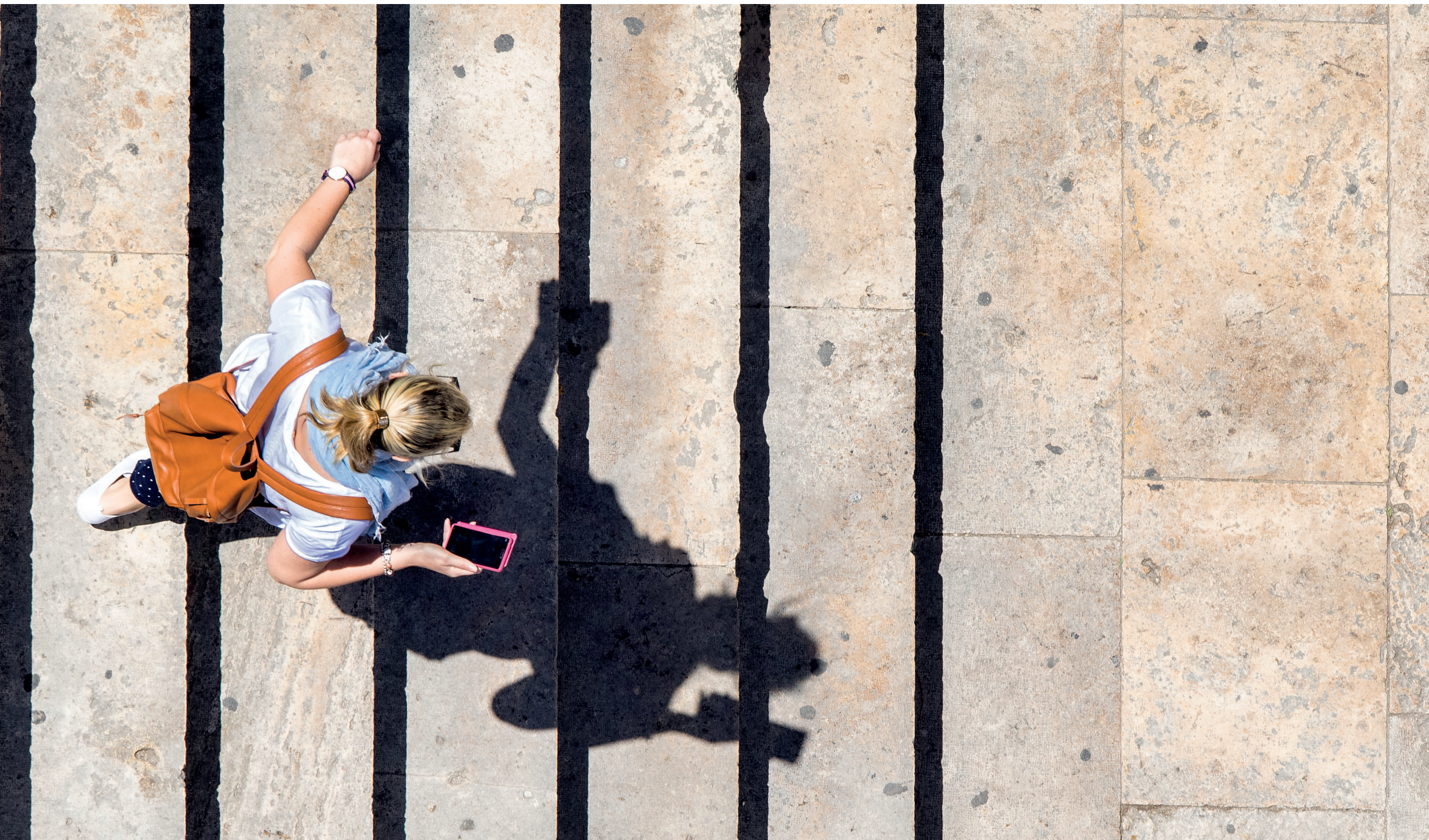
One influence on returns is the investment performance. Each one of the funds invests in a number of different asset types. The overall performance will depend on how these various assets perform and the **asset allocation** – how the fund is proportioned between them.

The performance of different assets can change overtime which might mean that we need to adjust the funds objective. But, our expert fund managers will ensure these are reviewed and changed appropriately.

They also take the risk level into account. Assets which have the potential to give the highest returns also tend to be the most risky. So the aim will always be to achieve the best possible return, subject to an appropriate level of risk for each particular fund. For more information please look at the **Fund Guide**.

The effect of investment performance will normally be lessened by the smoothing process. As we explained in the section 'How do these funds work', this aims to help reduce the ups and downs of market conditions – the smoothed price should generally fluctuate less than the true value of the assets in the fund.

Charges will also have an effect on returns. They are taken by cancelling units in your plan. You can find more details of all the charges and costs in your **Key Features Document, Personal Illustration** where applicable and **Statement of Charges.**



What if I decide to take my money out?

Due to the special nature of the PruFund Range of Funds, there are some particular conditions that apply to switching out or making withdrawals.

If any regular or one-off withdrawals are deducted from a PruFund Protected Fund (including any ad hoc and ongoing Adviser charges as applicable), the Guaranteed Minimum Fund will be reduced proportionately.

Switches out of any of the funds will be subject to a 28-day delay. The unit price we will use will be the one that applies on the day the switch is made, which means it may be different – higher or lower – from the unit price on the day that you request the switch. If you make a partial withdrawal from your **bond**, or cash it in completely, there may be a discretionary 28-day delay.

Exceptions

There are some exceptions as shown below. We've used the PruFund Protected Cautious Funds and the PruFund Cautious Funds in these examples but the same rules will apply for the PruFund Protected Growth Funds and the PruFund Growth Funds.

- If you switch from a PruFund Protected Cautious Fund to a PruFund Cautious Fund of the same currency – for instance, if you switch from the PruFund Protected Cautious (Sterling) Fund to the PruFund Cautious (Sterling) Fund
- Automatic switches out of the PruFund Protected Cautious Fund at the Guarantee Date
- If you switch fully out of the PruFund Cautious Fund and PruFund Cautious Account in the 28 days following the Guarantee Date, where part or all of your holding has been automatically switched from the PruFund Protected Cautious Fund

In these cases, the 28-day delay will not apply.

If you switch more than one fund at the same time and the 28-day delay applies to some funds but not others, the transaction will be done in two stages: on Day 1, for any switches not subject to the delay, and on Day 29, for any that are.

We will carry out your switching instructions as follows.

1. Any switches between funds within the PruFund Range that are not subject to a 28-day delay (as outlined above) will be done first, on Day 1.
2. Any switches out of a fund not in the PruFund Range will be done next, also on Day 1. The proceeds will be invested into your new choice of funds in the proportions you have asked for.
3. Any switches from funds in the PruFund Range that are subject to the 28-day delay will be done on Day 29. The proceeds will "top up" the investments already made under step 2.

For full details of how switches are made, please see your **Contract Conditions.**

In any quarter (that is, between any two PruFund Quarter Dates), you can make only one switch request into or out of any fund in the PruFund Range.

Once you have requested a switch out of any of the funds, you cannot change your mind. You may, however, select a different fund to switch into, as long as it is not another fund in the PruFund Range.

If you are invested in one of the PruFund Protected Funds, there are two important points you should note:

- If you take any money out of the fund, whether as part of a switch or as a withdrawal, your Guaranteed Minimum Fund will be reduced proportionately.
- You can never switch into these funds, so if you switch out, wholly or partly, you will not be able to switch back in at a later date.

Some terms explained

Asset allocation

Asset allocation is an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance and investment horizon.

Asset classes

Equities (e.g., stocks), fixed income (e.g., bonds), cash and property, are common examples of asset classes.

Bond

Lower to medium-risk loans to the government or companies that pay you a fixed rate of interest.

Cash ISA (UK only)

Similar to a regular savings account, but there is no tax to pay on any of the interest you earn. Different types of cash ISAs are fixed rate ISAs and variable rate cash ISAs.

Commercial Property

See **Property**.

Corporate Bond

A loan to a company that earns you income in the form of interest. (See also Bond)

Equities

Equities are the same as stocks, which are shares in a company. That means if you buy stocks, you're buying equities.

Holding Account

When you invest in one of our PruFund funds, your money will be put into a 'holding account' where it will stay until the next PruFund Investment Date. While your money is in a 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 Reserts or suspension of smoothing. There is an associated holding account for each PruFund fund.

Property

In the context of 'Property' as a type of asset, investment is usually in commercial property such as offices, shops and industrial premises.

Volatility

A measure of how much an investment's price is likely to fluctuate during a set period of time.

With-Profits Fund

Essentially a fund made up of shares, property, cash and fixed interest securities, which usually carries a medium risk. The products that use the with-profits are typically regular and single premium savings plans and pensions. With-profits funds pool policyholders' investments, and the returns are smoothed to help reduce the **volatility** associated with direct equity investment.

Get in touch

We are always here to help you when you need it

Write to us:
Prudential International Assurance plc, PO Box 13395, Chelmsford, CM99 2GH

Give us a ring:
0808 234 2200 (UK freephone) or +353 1 476 5000 (if outside the UK)
(9am – 5pm) GMT Monday to Friday)
We might record your call for training and quality purposes

Send us an email:
prudentialinternational@prudential.co.uk

If you would like full terms and conditions of Prudential International products please let us know.

www.prudential-international.com

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