Pru
part of M&G plc

Fund Guide

Prudential Investment Plan

Introduction to this guide

We know that choosing which fund may be best for you isn't easy – there are many options and everyone's different so there's no 'one way' to invest.

So we offer a range of options to help you meet your investment goals.

We've produced this guide to help you and your financial adviser understand more about our funds. This includes which funds are available and, for some funds, where you can find further relevant information, including about fund objectives, risks and charges that isn't available in this guide. There is also an explanation of some useful terms. If there's information or terminology included that you'd like to discuss, then please contact your financial adviser.

The funds in this guide are available to most investors in the Prudential Investment Plan.

Some funds are available to new and existing investors (see pages 8 to 10) and some only to existing investors (see page 13). Another is unavailable to new investments since January 2018 (see page 14).

This fund guide includes a list of funds that are available with our Prudential Investment Plan.

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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.

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 640 1000 and we'll send these out to you.

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.
- 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 22 January 2024, 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**
- All views are Prudential's own.

Information to read before making a decision

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.

PruFund Funds

For the PruFund range of funds, what you receive will depend upon:

- the value of the underlying investments
- the Expected Growth Rates set by the Prudential Directors having regard to the investment returns expected to be earned on the assets of the funds over the long-term (up to 15 years)
- our charges
- the smoothing process
- whether you have chosen a Protected fund
- and when you take your money out

Please speak to your adviser or visit **mandg.com/pru/customer/en-gb/funds/investment-fund-range/prufund** for more information on PruFund and how it works, including an explanation of Expected Growth Rates.

With-Profits Funds

For investments in the With-Profits Fund(s) (see page 13), the value of the plan depends on how much profit the funds make and how we decide to distribute it.

Fund charges and further costs

Annual Management Charge

The funds shown on pages 8 to 10, each have an applicable Key Information Document and Investment Option Document.

These include the following ongoing costs information:

- Portfolio transaction costs – The impact of the costs of buying and selling underlying investments.
- Other ongoing costs – The impact of the costs that a fund manager takes each year for managing your investments.

In those documents the 'Other ongoing costs' shown include the Annual Management Charge and, where applicable, further costs that may also apply. Further explanations on what these are, follow on the next page.

For the funds that don't have a Key Information Document and Investment Option Document (as they're no longer available for new investors) but are still available to existing investors, then please go to page 13 for fund charges and further costs.

We take a base Annual Management Charge (AMC) for looking after your investment, from each of the funds you invest in. By 'base' we mean the AMC that's applicable before any discounts might apply. Your Key Features Document will provide further information. Any Further Costs shown are expenses which are borne by the fund. We might change our charges in future.

If the AMC exceeds the return earned, the fund will go down in value. In general the AMC is taken by the deduction each day of 1/365th of the applicable AMC, from the relevant unit-linked fund. This differs slightly for With-Profits and PruFund.

With-Profits

For With-Profits the annual charge applied will depend on the returns we achieve on our With-Profits funds.

Charges on With-Profits business depend on the performance of the With-Profits Fund and, in particular, the investment returns achieved and expenses incurred. You can find out more about the available With-Profits funds on page 13.

PruFund

The AMC for the PruFund funds is taken by the monthly cancellation of units from each investment.

PruFund Protected Funds

If you had selected a Protected PruFund Fund, you would have selected from a range (where available) of guarantee terms, where the guarantee will only apply at the end of the selected guarantee term. Each guarantee term, where available, has its own additional charge and this will be payable for the whole of this term.

For more information, please read our guarantee flyer at: **mandg.com/dam/pru/shared/documents/en/invs11470.pdf**

Further costs

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?	If they're applicable, then where would they appear in a Key Information Document or Investment Option Document?
Miscellaneous fund administration fees and costs	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.	Yes.	In 'Other ongoing costs'.
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.	In 'Performance fees'.
Property expenses	For funds that invest in property, either directly (ie the fund owning physical property) or indirectly (ie 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.	Yes.	In 'Other ongoing costs'.
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.	In 'Portfolio transaction costs'.

- Further costs might be incurred by a Prudential fund or, where it's applicable, any fund our fund invests in (see the 'Investment strategy' or 'Investment objective' for information on where a fund might invest).
- An Investment Option Document together with your illustration will include information on fund charges and further costs applicable to your chosen fund(s).
- 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 are invested in, unless the change in the AMC we quote is part of the expected function of that fund (for example our With-Profits Fund – see your Key Features Document for more information). 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.
- If you have any questions about this product, your fund choice or the fund charges and further costs applicable then we recommend you speak to your financial adviser.
- The further costs listed in this guide are indicative, based on the current levels of costs, and are correct as at 22 January 2024, unless another date is shown.

How unit-linked funds invest

Some of the Prudential funds listed in this guide may invest in 'underlying' funds or other investment vehicles. Have a look at a fund's objective and that will tell you where it invests – including if that's in an underlying fund or funds.

If the Prudential fund is investing in just one underlying fund then it's what's known as a 'mirror' fund, as the performance of the Prudential fund broadly aims to reflect the performance of the underlying fund it invests in. The performance of our Prudential fund, compared to what it's invested in won't be exactly the same. The differences between the underlying fund and our fund can be due to:

- additional charges,
- cash management (needed to help people to enter and leave our fund when they want),
- tax,
- timing of investments (this is known as a fund's dealing cycle, it varies between managers and can be several days).

Unit pricing basis for unit-linked funds

When we determine the basis to be used for calculating the unit price, it's important to think about how much money is either going into or is being taken out of either Prudential's fund or the underlying investment. The unit price is then used to determine the value of individual policyholders' investments in the fund.

If more money is being paid into the fund than is being taken out, then the fund will need to purchase assets. If this is the case then the amount that's needed to buy assets for the fund (ie the purchase price) will be more relevant than the amount obtained for selling the assets (ie the sale price) in determining the unit price of the fund.

If more money is being taken out of the fund than is being paid in then the fund will need to sell assets. If this is the case, the sale price of the underlying assets will be more relevant when calculating the unit price. Sales prices are generally lower than purchase prices. The size of the difference depends on the cost of either purchasing or selling the assets the fund invests in.

These costs tend to be largest for funds investing in property, smaller companies and emerging markets so will have the largest impact on the change in price. If there is a switch from a purchase price to a sales price then the unit price could reduce.

If there's a switch from a sales price to a purchase price then the unit price could go up. In both cases the movement in price can be frequent, significant and will happen straight away.

You can find details of how we manage our Unit-Linked funds at **pru.co.uk/ppfm/ul**

You'll also find there a shortened 'Customer Guide', which explains briefly how the Prudential unit-linked funds work and our current approach to managing them. It explains the standards and practices we use to manage the funds. Principally the guide will explain:

- the nature and extent of the decisions we take to manage the funds, and
- how we treat customers and shareholders fairly.

How PruFund Funds invest

PruFund Funds are all invested in the Prudential With-Profits Fund. The funds aim to protect investors against some of the highs and lows of investment performance using "smoothing" mechanisms. But there are significant differences in the way this is done for our With-Profits funds compared to PruFund funds. Please refer to "Your With-Profits Plan – a guide to how we manage the Fund" (document reference WPGB0027 for With-Profits and WPGB0031 for PruFund) for more information. We strongly suggest these documents are read before any investment decision is made.

Funds that are open to new and existing investors

You'll find a Key Information Document for the Prudential Investment Plan, and Investment Option Documents for each of the funds that are open to new investors at **pru.co.uk/investments/investment-fund-range/productlibrary/**

These documents include information such as:

- Investment objective
- Risk indicator
- Charges

For the funds listed below, it's very important, to make an informed decision, that you read both the Prudential Investment Plan Key Information Document and relevant fund Investment Option Document(s).

If you're invested in a fund, that's available through the Prudential Investment Plan, but it's not listed in this section then please see pages 11 to 13.

Prudential Multi-Asset Funds

Multi-Asset funds work by spreading your money across a number of different types of assets. These can include a number of investment options, such as company shares (equities), fixed interest bonds, cash and property – from both the UK and abroad.

By investing in a number of different assets the fund manager aims to balance the risk that's being taken. So if one asset is falling in value then another may be increasing. Of course there could be times when all the assets in the fund are either rising or falling in value depending on the market conditions at that time. This is known as Diversification.

Find out more about how PruFund Funds invest on page 7.

The following are examples of Multi-Asset funds we offer.

Prudential Risk Managed PruFund Funds
Prudential PruFund Risk Managed 1
Prudential PruFund Risk Managed 2
Prudential PruFund Risk Managed 3
Prudential PruFund Risk Managed 4
Prudential PruFund Risk Managed 5
Prudential Risk Managed Passive Funds
Prudential Risk Managed Passive 1
Prudential Risk Managed Passive 2
Prudential Risk Managed Passive 3
Prudential Risk Managed Passive 4
Prudential Risk Managed Passive 5
Prudential Risk Managed Active Funds
Prudential Risk Managed Active 1
Prudential Risk Managed Active 2
Prudential Risk Managed Active 3
Prudential Risk Managed Active 4
Prudential Risk Managed Active 5
Other Prudential Multi Asset Funds
Prudential PruFund Cautious
Prudential PruFund Protected Cautious
Prudential PruFund Growth

Additional Fund Choices

The choice of funds covers a range of different assets and types of funds which could be right for you at different times. Some of the funds are managed by Prudential whilst others are managed by external fund managers. These funds are also known as Unit-Linked funds and offer additional choice. You can find out more about how Unit-Linked funds invest on page 7.

The following funds are all Prudential funds. For the externally managed funds the Prudential fund will invest in the fund manager's own fund or collective investment scheme.

Additional Fund Choices
Prudential Artemis SmartGARP European Equity
Prudential Artemis Strategic Bond
Prudential Artemis UK Smaller Companies
Prudential Asia Pacific
Prudential Baillie Gifford American
Prudential Baillie Gifford High Yield Bond
Prudential BlackRock Gold & General
Prudential BlackRock UK
Prudential BlackRock UK Special Situations
Prudential Cash~
Prudential European Equity
Prudential Fidelity Asia
Prudential Fidelity European
Prudential Global Emerging Markets Portfolio
Prudential International
Prudential Invesco Managed Growth
Prudential Janus Henderson China Opportunities##

Additional Fund Choices – continued
Prudential Japanese
Prudential JP Morgan Natural Resources
Prudential L&G UK Property
Prudential M&G Corporate Bond
Prudential M&G Dividend
Prudential M&G Episode Allocation
Prudential M&G Episode Growth
Prudential M&G Gilt & Fixed Interest Income
Prudential M&G Global High Yield Bond
Prudential M&G Global Themes
Prudential M&G Managed Growth
Prudential M&G Optimal Income
Prudential M&G Property Portfolio*
Prudential M&G Recovery#
Prudential M&G Smaller Companies
Prudential M&G Strategic Corporate Bond
Prudential M&G UK Sustain Paris Aligned
Prudential Managed

~ *Investments in a cash fund could be affected by inflation and/or charges. Inflation could mean your money is less able to buy what it could before and charges will reduce the value of a cash fund over time.*

* *This fund is currently suspended.*

\# *This fund is scheduled for closure in February 2024 and you may wish to take this into account if choosing to invest in it for the longer term. Existing investors will be contacted directly prior to the point of closure.*

\## *This fund is scheduled for closure in April 2024 and you may wish to take this into account if choosing to invest in it for the longer term. Existing investors will be contacted directly prior to the point of closure.*

Prudential Ninety One Global Strategic Equity	Prudential UK Equity and Bond
Prudential North America Equity[#]	Prudential UK Tracker
Prudential Royal London Sustainable Leaders	Prudential Wellington Global Impact Bond
Prudential Schroder Income	**Distribution Income Funds+**
Prudential Schroder Tokyo	Prudential 0-35% Equity Managed Distribution (Inc)**
Prudential UK Equity	Prudential Managed Distribution (Inc)**

\+ *These funds can pay out a natural 'income' based on what the underlying assets in the fund have earned (this can include dividends from shares, lease payments from properties, interest from fixed interest holdings). Please see your Key Features Document for further information on withdrawing money from your plan.*

** *These funds distribute on the 17 February / 17 August each year.*

[#] *Previously known as Prudential US Equity*

Funds that are only open to existing investors

This section is for funds that are no longer available to new investors. The funds are shown on page 13.

An Investment Option Document is not produced for these funds. Instead information is included here that can help you with an investment decision that you wish to make.

1. Risk and potential reward

Investing is about balancing the risk you're comfortable with alongside the potential rewards that you want to achieve.

Your attitude to investment risk is personal to you and may change in the future.

Prudential rate the risk and potential reward of the funds on the following pages on a scale from A (the lowest) to F (the highest).

Some key things to think about:

- The value of our funds may go down as well as up. You may not get back the full amount of your investment.
- 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.
- These risk and potential reward categories are not the same as the information provided in Investment Options Documents and so it's not appropriate to compare directly across different funds.
- We've developed these risk rating categories to help provide an indication of the level of risk and potential reward that's attributable to a fund based on the type of assets which may be held within the fund.
- These risk rating categories shouldn't be considered generic to the fund management industry as other companies use different descriptions.
- We regularly review these risk rating categories and so they might 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 the fund, for example due to a significant change to the assets held by the fund or in the way the fund is managed, we'll provide information on the new risk rating.

We strongly recommend that before making any fund choice you ensure you understand the appropriate risk ratings. You'll find this information in this fund guide, along with further information, at **pru.co.uk/funds**. For details of material fund changes please visit **pru.co.uk/fundchanges**. Information is normally shown for one year.

2. Asset class risk types

- Some funds can invest in more than one asset type to try and reduce the risk of losing money. So they're not relying on the performance of an individual asset or assets of the same type.
- The next page shows which asset class risk types relate to individual funds.
- You'll find definitions for each of the risk types by visiting **pru.co.uk/risktypes**

Please take time to review the fund information you were given when you took out your plan. This should include an Investment Option Document if you took out the plan after January 2018. Up to date information on each fund can be found at **pru.co.uk/funds**

You should think about discussing any decision with your financial adviser.

It's important to also note that your adviser may make their own assessment of the risk rating of funds when thinking about your needs and objectives, and this may differ from our own internal assessment.

The information included in this guide is correct as at 22 January 2024, unless another date is shown.

As these funds are no longer available to new investors an Investment Option Document is not produced.

Instead information is included here that can help you with an investment decision that you wish to make.

Access to the funds below is no longer available to new customers investing in Prudential Investment Plan on or after 11/09/2017. However if you're an existing customer pre 11/09/2017, you'll still be able to top up or switch into the Prudential With-Profits Optimum Return and the Prudential With-Profits Optimum Bonus Fund.

	Risk and Potential Reward Indicator	Fund Charges and Further Costs			Asset Class Risk Types									
		Annual Management Charge (%)	Further Costs (%)	Yearly Total (%)*	Equity	Fixed Interest	Property	Currency	Smaller Companies and Emerging Markets	Financial Instruments	Alternative Investments	Other	Can existing investors in the product top-up	Can existing investors in the product switch in
Prudential With-Profits (Optimum Bonus)	C	1.21	0.24	1.45	✓	✓	✓	✓	✓	✓	✓	✓	Yes	Yes

The fund aims to produce medium to long term growth and generate income. The fund currently invests in UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments.

Prudential With-Profits (Optimum Return)	C	1.21	0.25	1.46	✓	✓	✓	✓	✓	✓	✓	✓	Yes	Yes

The fund aims to maximise growth over the medium to long term by investing in shares, property, fixed interest and other investments. The fund currently invests in UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments.

These funds are both invested in the Prudential With-Profits Fund, and aim to protect investors against some of the highs and lows of investment performance using a 'smoothing' mechanism. Please refer to 'Your With-Profits Plan – a guide to how we manage the Fund' (document reference WPGB0027 for With-Profits) for more information.

For With-Profits the annual charge applied will depend on the returns we achieve on our With-Profits funds. For example, we'd expect an annual charge of 1.21%, which is included in the figures above if the fund returns are 4.5% a year after tax. There's an additional charge to pay for the guarantees the With-Profits Fund supports. The annual charge, further costs, and charges to cover the cost of these guarantees, are already taken into account when we calculate the bonus rates for our With-Profits Fund. To find out more about the charges for this fund, please refer to the Key Features Document or speak to your adviser.

* *This is equivalent to the 'Other ongoing costs' in an Investment Option Document. Any 'Portfolio transaction costs' or 'Portfolio fees' provided in a Key Information Document and Investment Option Document are not included in the figure above. If 'Portfolio transaction costs' or 'Performance fees' are applicable they will impact on the overall performance of a fund.*

Funds that are unavailable to new investments – after January 2018

An Investment Option Document isn't available for the fund below. You can get more information on these funds including objective and historical charges, on request. Please contact us on 0345 640 1000 (Monday-Friday 8am-6pm. Calls may be recorded for security and quality purposes.

Customers can send us a secure message by registering for our online service. Go to **pru.co.uk/existing-customers** to find out more.

Prudential PruFund Protected Growth
(Unavailable to new investments since 25 November 2019)

Further information

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 fund.

If you have any questions about this product, your fund choice or the charges applicable then we recommend you speak to your financial adviser.

For any fund, there may be a delay in buying, selling or switching of units. These delays will only apply in exceptional circumstances. We wouldn't expect delays to be longer than six months for units that invest in property or land and one month for units that invest in other funds. However we can't guarantee that we'll never delay longer than these timescales. If these delays apply to you, we'll let you know.

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 full FSCS coverage if PACL is 'in default'.

- Your plan is protected up to 100% of the value of your claim.
- Any funds you choose to hold in your plan will be included in the value of your claim in the event that PACL is declared 'in default'.
- If you hold the Prudential With-Profits funds or PruFund funds in your plan, they are protected 100% in the event of the default of PACL.

All the other funds we offer, apart from those mentioned above, are unit-linked, and invest in other funds managed by non-PACL fund managers. FSCS cover does not apply if the non-PACL fund manager were to be 'in default'.

- There is no FSCS cover for unit-linked funds investing with non-PACL fund managers if that manager were to be 'in default'.
- See 'How unit-linked funds invest' for further information on these types of fund (often called 'mirror' funds).

You can find out more information on the FSCS at **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**

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. For example unit-linked funds that invest in the funds of non – PACL fund managers (often called 'mirror' funds).

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.

To find out more

For more information on the above, please refer to your Policy Provisions.

For the funds listed on pages 8 to 10, it's very important that you read both the Key Information Document and relevant fund Investment Option Document(s) before making an investment decision. Pages 11 to 14 provide important information for funds that do not have a Key Information Document and Investment Option Document.

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

Companies which are large, and considered to be reputable and financially sound.

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

A way of pooling investment with others within a single investment fund. Once you've joined the scheme, you can have access to a wider range of investments than if you were investing individually. You'll also share the costs and benefits. 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

Loans to companies where the buyer of the corporate bond lends money in return for regular interest payments and the promise that the initial sum will be repaid on a specified later date.

Derivatives

These refer to products such as 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.

Financial Times Stock Exchange (FTSE)

Source: London Stock Exchange Group plc and its group undertakings (collectively, the 'LSE Group'). © LSE Group 2023. FTSE Russell is a trading name of certain of the LSE Group companies. Eg, 'FTSE®' 'Russell®', 'FTSE Russell®', 'MTS®', 'FTSE4Good®', 'ICB®', 'Mergent®, The Yield Book®,' are a trade mark(s) of the relevant LSE Group companies and are used by any other LSE Group company under license. 'TMX®' is a trade mark of TSX, Inc. and used by the LSE Group under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

Floating Rate Notes

Short-term loans to financial companies, such as 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 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

A way of trying to reduce or limit risk. Hedging involves making a deal in one market in order to try to protect against possible losses in another.

Index-Linked Securities

Are similar to fixed interest securities but the payments to the investor are normally increased in line with a measure of inflation.

Investment Grade

An agency(eg Standard and Poors) can give a rating to a corporate or government bond. The rating indicates the agency believes that the bond issuer has a relatively low risk of not paying what it owes the buyer of the bond. Bonds with credit ratings of AAA, AA, A or BBB are considered investment grade. Low rated bonds with ratings of BB or below are often called 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 open collective investment scheme. Like all such schemes, an OEIC has no fixed amount of capital. The total value of the OEIC is equally divided into shares which will vary in price and in the number issued. When you invest new money, new shares or units are created to match the share price. When you take money out (redeem your shares), the assets are sold at the 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 carry voting rights.

If you hold preference shares, you may get preferential treatment over common shareholders. You'll get a dividend before them and, in the event of bankruptcy, you'll be paid from company assets before common shareholders (but after debt holders).

Shares

See Equities.

Smaller Companies

Companies that you can find on a recognised exchange that have lower value than blue chip companies. In the UK, smaller companies are usually defined as those with market values below the top 350 companies in the FTSE All Share Index.

Units / Unit Linked

Unit linked funds are divided into units and the investors hold a number of units representing the money they have invested. The price of units changes daily to reflect the value of the assets held in the fund and so the investor's fund value at any point depends on the price of the units.

Further information

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

pru.co.uk

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