

Quarterly Update

Prudential Risk Managed

Passive range

Quarter 4 2024



# An introduction to the quarterly update for Prudential Risk Managed Passive range.

Inside you will find information including investment aims, how funds are chosen, commentary on financial markets and updates on each fund.

The information in this guide is correct as at 31 December 2024 unless otherwise stated.

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# Prudential Risk Managed Passive range – availability

It's possible to invest in the Prudential Risk Managed Passive range through a number of products, and, as an Open Ended Investment Company (OEIC), from a range of fund “platforms” such as Cofunds, Fidelity FundsNetwork, Transact and more.

	Prudential Retirement Account	International Portfolio Bond	OEIC	ISA*	Prudential Investment Plan	Flexible Retirement Plan (Personal Pension & Drawdown)	Trustee Investment Plan	Prudential International Investment Bond
Risk Managed Passive 1	✓	✓	✓	✓	✓	✓	✓	✓
Risk Managed Passive 2	✓	✓	✓	✓	✓			
Risk Managed Passive 3	✓	✓	✓	✓	✓	✓		✓
Risk Managed Passive 4	✓	✓	✓	✓	✓			
Risk Managed Passive 5	✓	✓	✓	✓	✓			

\* The Prudential ISA is provided by Waystone Management (UK) Limited, the ISA Plan Manager. Waystone Management (UK) Limited is responsible for all the regulatory and legal aspects of the ISA and the provision of customer services.

This Quarterly Update describes the asset allocations and fund aims of the OEIC versions of these funds. This fund type is distinguished from the Unit-Linked versions, that invest exclusively in the OEIC funds, by the prefix 'WS' in their full name as in 'WS Risk Managed Passive 1' for example.

If you invest or hold these funds in a Pension, Life or International policy you may have the Unit-Linked version that doesn't have the 'WS' prefix. Instead it will simply say 'Prudential' (for Pension and Life funds) as in 'Prudential Risk Managed Passive 1' for example. International funds will have the prefix 'PIA' in their title.

The Unit-Linked versions generally have a slightly larger proportion of their holdings in cash and may have different charging and taxation costs. This will mean their investment performance will be different to their OEIC equivalent.

Your product literature will help you identify which version of the fund you may hold. Or alternatively ask your financial adviser for more information.

# M&G Treasury & Investment Office (T&IO) – market update\*

- T&IO are our in-house investment strategists and “manager of managers”
- They are a well-resourced team that includes experienced investment professionals with specialist expertise in capital markets research, investment strategy design, liability management, portfolio management and manager selection and oversight.
- T&IO are responsible for approximately £151 billion AUM, as at 30 June 2024, across a range of multi-asset investment solutions.

In this section T&IO give their thoughts on current market conditions. This commentary reflects the general views of T&IO and should not be taken as recommendation or advice as how any specific market is likely to perform. If there is information or terminology included in the commentary that you would like to discuss, then please contact your financial adviser.

## Economic view

In the final quarter of 2024, major central banks maintained their path of monetary policy easing, despite modest inflationary upticks. In the US, headline inflation edged up to 2.7% in the 12 months to November, an increase from 2.6% a month earlier. The UK’s 12-month headline inflation rate climbed to an 8-month high of 2.6% in November, up from 2.3% in October. The eurozone also reported a rise in inflation in November: prices rose 2.3% year-on-year, up from 2% in October.

During the review period, the Federal Reserve (Fed) reduced its key interest rate by 25 basis points (bps) twice, taking it to a range of 4.25% to 4.5%. The decisions were driven by indications of moderating inflation and a weakening labour market. The European Central Bank (ECB) implemented two 25 bps cuts, lowering the deposit rate to 3%, while the Bank of England (BoE) reduced interest rates from 5% to 4.75% in November.

The year concluded with a general slowdown in global economic growth. The US economy expanded 2.8% in the third quarter, decelerating from the 3% pace seen in Q2. The UK economy contracted for two consecutive months in September and October; GDP growth was flat in the third quarter. However, eurozone GDP grew 0.4% quarter-on-quarter, in the third quarter, following more than a year of tepid growth. China’s GDP increased 4.6% year-on-year in Q3, down from 4.7% in Q2, driven by robust factory activity and exports but weighed down by a property downturn and weak consumer spending.

\* M&G Investment Management Ltd (MAGIM), part of the M&G plc Group, are the investment managers for the Risk Managed Passive range. They make the fund selections and asset allocations adjustments recommended by T&IO.

## Equities

UK equities ended with a small decline and trailed the US and global market. However, the FTSE All-Share registered a solid return of 9.5% for 2024. Investors had to navigate an uncertain economic backdrop, including evidence that the UK economy was contracting, a pick-up in inflation and a tax-raising budget. The best performing sectors included financials, oil & gas and technology. On the other hand, basic materials fell sharply. Utilities and real estate stocks declined.

US equities rose to round off a year of impressive gains. Investors' enthusiasm for US stocks was buoyed by ongoing excitement about artificial intelligence and the country's robust economic backdrop. Share prices rallied in November following Trump's election victory, which raised the prospect of tax cuts and deregulation. Communication services, consumer discretionary and technology were among the best performing sectors.

European equities fell and were among the weakest markets globally. Investor sentiment was dampened by concerns about the region's economic outlook, the potential impact of President-elect Trump's tariffs and political uncertainty.

The Japanese stockmarket was one of the better-performing markets globally. However, returns for non-yen-based investors were eroded by the weakness of the Japanese currency.

## Fixed Interest

The price of UK government bonds (gilts) fell 3.1%, outperforming US government bonds (Treasuries). The yield of the 10-year UK gilt rose to 4.6%, from 4.0% at the end of September.

Global government bond prices fell 5.4%, despite the majority of major central banks continuing their interest rate-cutting cycles. The Federal Reserve cut rates twice, bringing borrowing costs to the 4.25%-4.5% range, although they signalled a cautious pace for 2025. The European Central Bank and the Bank of England also continued on their rate-cutting journeys.

US Treasuries experienced heightened volatility in the run-up to the US presidential election in November. 10-year US Treasuries fell 5.0% in the period and finished with a yield of 4.6%. The prices of benchmark French, German and Japanese government bonds also fell.

Over the long-term, we continue to favour corporate bonds over government bonds.

## Real Estate

For the three months to end-November (the latest date for which data is available), capital values for All UK commercial property increased by 1.0%, according to property consultant CBRE. This was an acceleration in the growth rate seen in the three months to August, which was 0.3%. Including rental income, the total return over the three months was 2.4%. Capital value growth was strongest in the retail and industrial sectors and in both cases the growth rate accelerated from the previous three months. Whilst prices fell in the office sector, there are tentative signs that capital values are beginning to stabilise. For example, capital values rose by 0.1% in November. Rental values grew in all sectors, with growth strongest in industrials.

We continue to invest in property. The asset class offers solid income streams and a good degree of diversification.

## Overview

We currently have an equity overweight of 1.35%, made up of a diversified basket of US, UK, Asia and GEM. This is funded from small underweights in US Credit, European Credit and cash. We also hold small overweight positions in US Treasuries, UK Gilts and Real Estate (REITs).

# Risk Managed Passive 1

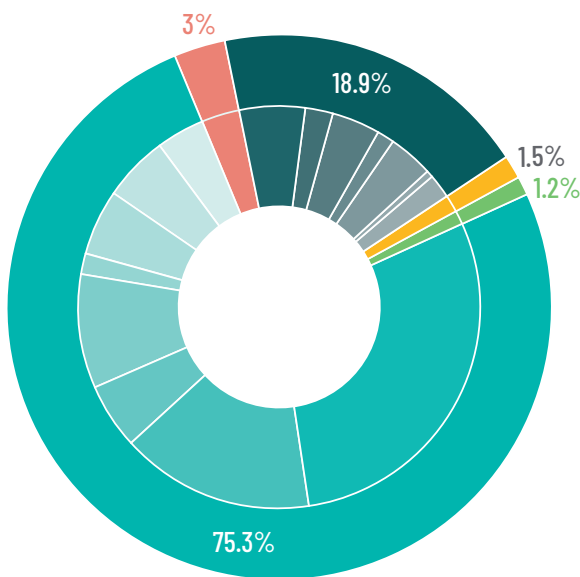
Portfolio Information, as at 31 December 2024, for the collective fund (an Open Ended Investment Company or OEIC)

Fund Size: £235,354,717

## Objective

To achieve long-term (in excess of 5 years) total return (the combination of income and growth of capital) by investing in a mix of assets from around the world and aims to limit the average volatility (the amount by which the fund's value increases or decreases), per annum over rolling 5 year periods to 9%. There is no guarantee that the objective will be met over any time period and at any time the actual volatility may be higher or lower than 9%. You may get back less than you invest.

## Asset Allocation (%)



Category	Sub-Category	Percentage	
Equities	UK Equity	5.4%	
	European Equity	2.2%	
	North America Equity	3.9%	
	Japan Equity	1.4%	
	Asian Equity	3.6%	
	India Equity	0.6%	
	Emerging Markets Equity	2.0%	
	Real Estate		1.5%
		Alternative Assets	1.2%
Alternative Assets	Infrastructure	1.2%	
Bonds	UK Investment Grade Bonds	29.4%	
	US Investment Grade Bonds	15.5%	
	Asian Bonds	5.3%	
	European Investment Grade Bonds	9.1%	
	High Yield Bonds	1.5%	
	US Government Bonds	5.3%	
	UK Government Bonds	5.3%	
	Emerging Market Bonds	3.8%	
	Cash	3.0%	

## Top Ten Holdings %

1	ISHARES UK CORP BD IDX FND IEH ACC	29.4%	6	LONG GILT MAR 25	5.3%
2	ISHR US CORP BND IDX(IE) GBP AC H	15.5%	7	US 10YR NOTE MAR 25	5.3%
3	M&G (LUX) STERL LIQ FD - GBPZ6A DI Prvt	13.9%	8	M&G LUX ASIAN LCL CCY BD FD GBP ZI	4.0%
4	ISHR ESG EU CO BD IDX(IE) GBP AC H	9.1%	9	ISHARES PAC EX JAP EQTY INDX FND I	2.8%
5	ISHARES UK EQTY INDX FND IEH	5.4%	10	ISHARES US EQTY INDX FND IEH	2.4%

Source: T&IO. Asset allocations are regularly reviewed and may vary from time to time, but will always be consistent with the fund objective. These positions can also be impacted by cash flows in and out of the portfolio. Please note that the data may not always add up to 100.0% due to rounding.



# Risk Managed Passive 2

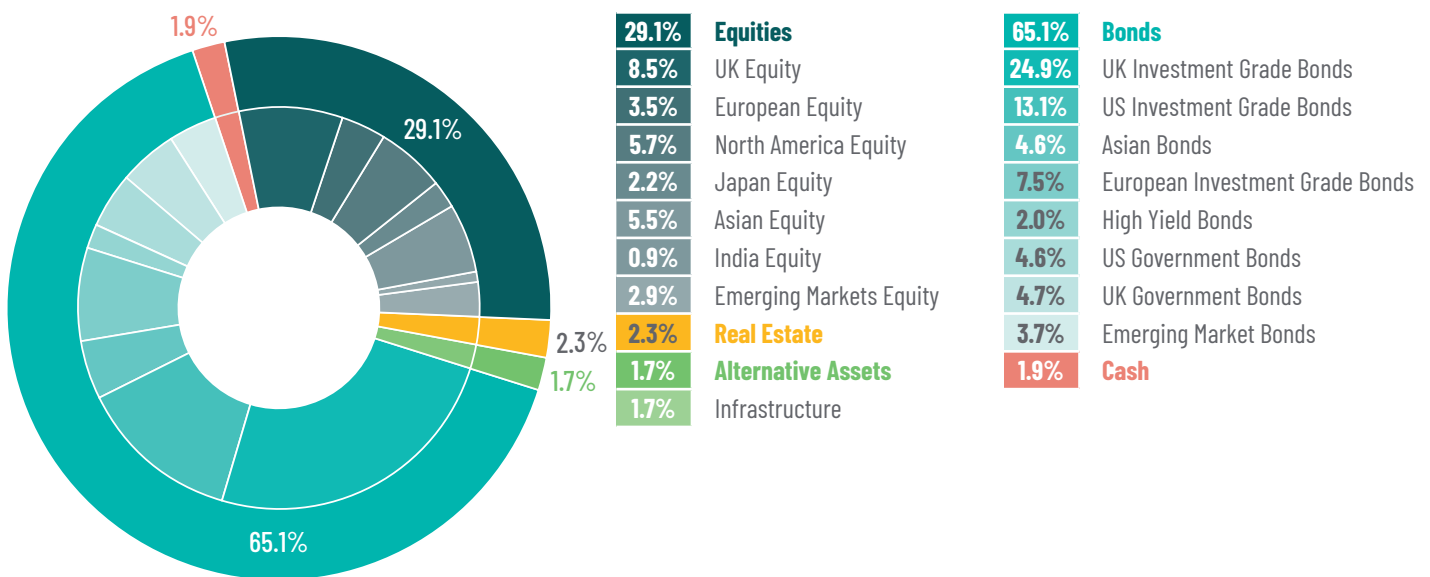
Portfolio Information, as at 31 December 2024, for the collective fund (an Open Ended Investment Company or OEIC)

Fund Size: £212,280,042

## Objective

To achieve long-term (in excess of 5 years) total return (the combination of income and growth of capital) by investing in a mix of assets from around the world and aims to limit the average volatility (the amount by which the fund's value increases or decreases), per annum over rolling 5 year periods to 10%. There is no guarantee that the objective will be met over any time period and at any time the actual volatility may be higher or lower than 10%. You may get back less than you invest.

## Asset Allocation (%)



## Top Ten Holdings %

1	ISHARES UK CORP BD IDX FND IEH ACC	24.9%	6	LONG GILT MAR 25	4.7%
2	ISHR US CORP BND IDX(IE) GBP AC H	13.1%	7	US 10YR NOTE MAR 25	4.6%
3	M&G (LUX) STERL LIQ FD - GBPZ6A DI Prvt	12.0%	8	ISHARES PAC EX JAP EQTY INDX FND I	4.3%
4	ISHARES UK EQTY INDX FND IEH	8.4%	9	ISHARES US EQTY INDX FND IEH	3.7%
5	ISHR ESG EU CO BD IDX(IE) GBP AC H	7.5%	10	M&G LUX ASIAN LCL CCY BD FD GBP ZI	3.5%

Source: T&IO. Asset allocations are regularly reviewed and may vary from time to time, but will always be consistent with the fund objective. These positions can also be impacted by cash flows in and out of the portfolio. Please note that the data may not always add up to 100.0% due to rounding.

# Risk Managed Passive 3

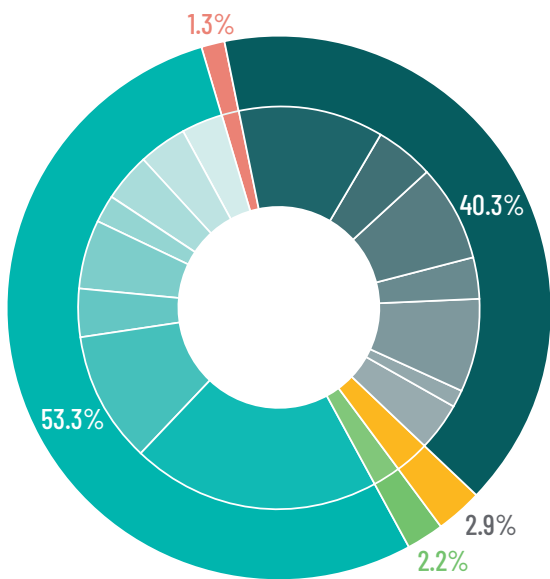
Portfolio Information, as at 31 December 2024, for the collective fund (an Open Ended Investment Company or OEIC)

Fund Size: £480,731,018

## Objective

To achieve long-term (in excess of 5 years) total return (the combination of income and growth of capital) by investing in a mix of assets from around the world and aims to limit the average volatility (the amount by which the fund's value increases or decreases), per annum over rolling 5 year periods to 12%. There is no guarantee that the objective will be met over any time period and at any time the actual volatility may be higher or lower than 12%. You may get back less than you invest.

## Asset Allocation (%)



<b>40.3%</b>	<b>Equities</b>
<b>11.7%</b>	UK Equity
<b>4.8%</b>	European Equity
<b>7.9%</b>	North America Equity
<b>3.1%</b>	Japan Equity
<b>7.6%</b>	Asian Equity
<b>1.3%</b>	India Equity
<b>3.9%</b>	Emerging Markets Equity
<b>2.9%</b>	<b>Real Estate</b>
<b>2.2%</b>	<b>Alternative Assets</b>
<b>2.2%</b>	Infrastructure

<b>53.3%</b>	<b>Bonds</b>
<b>20.1%</b>	UK Investment Grade Bonds
<b>10.6%</b>	US Investment Grade Bonds
<b>3.8%</b>	Asian Bonds
<b>5.6%</b>	European Investment Grade Bonds
<b>2.2%</b>	High Yield Bonds
<b>3.8%</b>	US Government Bonds
<b>3.9%</b>	UK Government Bonds
<b>3.3%</b>	Emerging Market Bonds
<b>1.3%</b>	<b>Cash</b>

## Top Ten Holdings %

1	ISHARES UK CORP BD IDX FND IEH ACC	20.1%	6	ISHR ESG EU CO BD IDX(IE) GBP AC H	5.6%
2	ISHARES UK EQTY INDX FND IEH	11.4%	7	ISHARES US EQTY INDX FND IEH	5.1%
3	M&G (LUX) STERL LIQ FD - GBPZ6A DI Prvt	10.9%	8	L&G EUROPEAN INDEX C DISTR	4.1%
4	ISHR US CORP BND IDX(IE) GBP AC H	10.6%	9	LONG GILT MAR 25	3.9%
5	ISHARES PAC EX JAP EQTY INDX FND I	5.9%	10	US 10YR NOTE MAR 25	3.8%

Source: T&IO. Asset allocations are regularly reviewed and may vary from time to time, but will always be consistent with the fund objective. These positions can also be impacted by cash flows in and out of the portfolio. Please note that the data may not always add up to 100.0% due to rounding.

# Risk Managed Passive 4

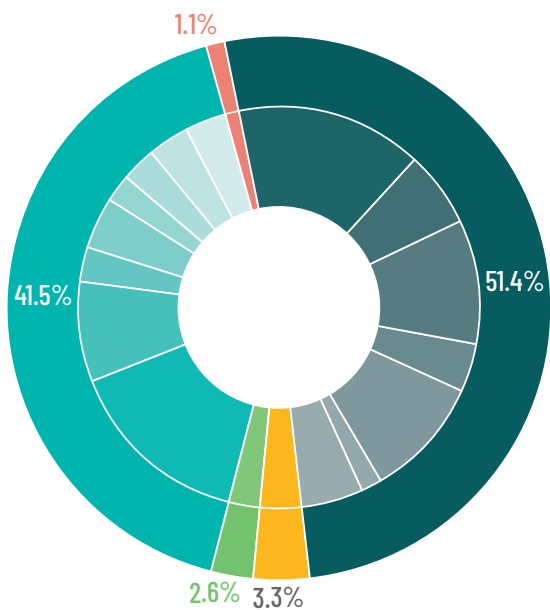
Portfolio Information, as at 31 December 2024, for the collective fund (an Open Ended Investment Company or OEIC)

**Fund Size:** £220,440,352

## Objective

To achieve long-term (in excess of 5 years) total return (the combination of income and growth of capital) by investing in a mix of assets from around the world and aims to limit the average volatility (the amount by which the fund's value increases or decreases), per annum over rolling 5 year periods to 14.5%. There is no guarantee that the objective will be met over any time period and at any time the actual volatility may be higher or lower than 14.5%. You may get back less than you invest.

## Asset Allocation (%)



Percentage	Asset Class
51.4%	<b>Equities</b>
15.0%	UK Equity
6.1%	European Equity
10.0%	North America Equity
4.0%	Japan Equity
9.8%	Asian Equity
1.6%	India Equity
4.9%	Emerging Markets Equity
3.3%	<b>Real Estate</b>
2.6%	<b>Alternative Assets</b>
2.6%	Infrastructure

Percentage	Asset Class
41.5%	<b>Bonds</b>
15.1%	UK Investment Grade Bonds
7.9%	US Investment Grade Bonds
2.9%	Asian Bonds
4.0%	European Investment Grade Bonds
2.2%	High Yield Bonds
3.0%	US Government Bonds
3.3%	UK Government Bonds
3.1%	Emerging Market Bonds
1.1%	<b>Cash</b>

## Top Ten Holdings %

1	ISHARES UK CORP BD IDX FND IEH ACC	15.1%	6	ISHARES US EQTY INDX FND IEH	6.3%
2	ISHARES UK EQTY INDX FND IEH	14.4%	7	L&G EUROPEAN INDEX C DISTR	5.2%
3	M&G (LUX) STERL LIQ FD - GBPZ6A DI Prvt	9.8%	8	ISHR ESG EU CO BD IDX(IE) GBP AC H	4.0%
4	ISHR US CORP BND IDX(IE) GBP AC H	7.9%	9	ISHARES JAPAN EQTY INDX FND IEH	3.4%
5	ISHARES PAC EX JAP EQTY INDX FND I	7.7%	10	LONG GILT MAR 25	3.3%

Source: T&IO. Asset allocations are regularly reviewed and may vary from time to time, but will always be consistent with the fund objective. These positions can also be impacted by cash flows in and out of the portfolio. Please note that the data may not always add up to 100.0% due to rounding.

# Risk Managed Passive 5

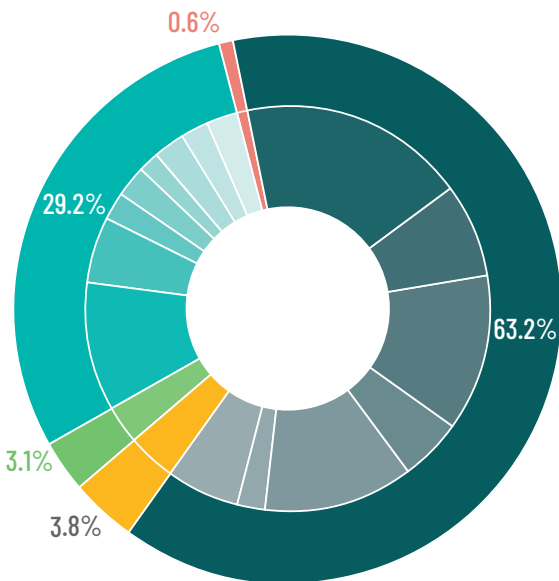
Portfolio Information, as at 31 December 2024, for the collective fund (an Open Ended Investment Company or OEIC)

**Fund Size:** £137,566,682

## Objective

To achieve long-term (in excess of 5 years) total return (the combination of income and growth of capital) by investing in a mix of assets from around the world and aims to limit the average volatility (the amount by which the fund's value increases or decreases), per annum over rolling 5 year periods to 17%. There is no guarantee that the objective will be met over any time period and at any time the actual volatility may be higher or lower than 17%. You may get back less than you invest.

## Asset Allocation (%)



Percentage	Category
63.2%	<b>Equities</b>
18.5%	UK Equity
7.5%	European Equity
12.3%	North America Equity
4.9%	Japan Equity
12.1%	Asian Equity
2.0%	India Equity
6.0%	Emerging Markets Equity
3.8%	<b>Real Estate</b>
3.1%	<b>Alternative Assets</b>
3.1%	Infrastructure

Percentage	Category
29.2%	<b>Bonds</b>
10.1%	UK Investment Grade Bonds
5.4%	US Investment Grade Bonds
2.1%	Asian Bonds
2.4%	European Investment Grade Bonds
1.8%	High Yield Bonds
2.3%	US Government Bonds
2.4%	UK Government Bonds
2.5%	Emerging Market Bonds
0.6%	<b>Cash</b>

## Top Ten Holdings %

1	ISHARES UK EQTY INDX FND IEH	17.8%	6	L&G EUROPEAN INDEX C DISTR	6.5%
2	ISHARES UK CORP BD IDX FND IEH ACC	10.1%	7	ISHR US CORP BND IDX(IE) GBP AC H	5.4%
3	ISHARES PAC EX JAP EQTY INDX FND I	9.4%	8	ISHARES JAPAN EQTY INDX FND IEH	4.2%
4	M&G (LUX) STERL LIQ FD - GBPZ6A DI Prvt	7.9%	9	L&G GLOBAL INFRASTR INDEX FD CLASS	3.1%
5	ISHARES US EQTY INDX FND IEH	7.8%	10	ISHARES EM EQTY INDX IEH	3.0%

Source: T&IO. Asset allocations are regularly reviewed and may vary from time to time, but will always be consistent with the fund objective. These positions can also be impacted by cash flows in and out of the portfolio. Please note that the data may not always add up to 100.0% due to rounding.

# Performance

**All figures sourced from FE fundinfo.** Please note that all performance figures for Prudential Funds are net of Annual Management Charge (AMC) and other fund charges where applicable. They take no account of any product charges that may be applicable. Any product charges will have the effect of reducing the figures shown below.

Performance figures can vary between each of these funds due to different taxation rules and fund level charges. The Life, Pension and Prudential International funds can also hold an element of cash due to the short delay between new investments being received by these funds and being placed in the underlying OEIC portfolio fund, and this may also have an impact on the performance of these funds when compared to the underlying OEIC fund.

<b>OEIC Funds</b>	<b>31/12/23 – 31/12/24 (%)</b>	<b>31/12/22 – 31/12/23 (%)</b>	<b>31/12/21 – 31/12/22 (%)</b>	<b>31/12/20 – 31/12/21 (%)</b>	<b>31/12/19 – 31/12/20 (%)</b>
WS Prudential Risk Managed Passive 1	3.9	7.9	-11.8	0.1	7.3
WS Prudential Risk Managed Passive 2	4.8	8.0	-11.1	2.2	7.8
WS Prudential Risk Managed Passive 3	5.7	8.3	-10.0	4.0	6.6
WS Prudential Risk Managed Passive 4	7.0	8.8	-8.2	6.1	6.3
WS Prudential Risk Managed Passive 5	8.1	9.0	-7.8	8.8	6.1

The fund performance figures above are based on the movement of the daily price. They're on a total return basis with net income reinvested and A Income funds.

<b>Pension Funds</b>	<b>31/12/23 – 31/12/24 (%)</b>	<b>31/12/22 – 31/12/23 (%)</b>	<b>31/12/21 – 31/12/22 (%)</b>	<b>31/12/20 – 31/12/21 (%)</b>	<b>31/12/19 – 31/12/20 (%)</b>
Pru Risk Managed Passive 1	3.3	7.0	-12.3	-0.5	6.4
Pru Risk Managed Passive 3	5.4	7.9	-10.5	3.3	5.8

The fund performance figures above are based on the movement of the daily price. They're on a total return basis with gross income reinvested and Series A funds.

<b>Life Funds</b>	<b>31/12/23 – 31/12/24 (%)</b>	<b>31/12/22 – 31/12/23 (%)</b>	<b>31/12/21 – 31/12/22 (%)</b>	<b>31/12/20 – 31/12/21 (%)</b>	<b>31/12/19 – 31/12/20 (%)</b>
Pru Risk Managed Passive 1	2.8	6.3	-11.4	-0.6	5.0
Pru Risk Managed Passive 2	3.6	6.2	-10.4	1.1	5.6
Pru Risk Managed Passive 3	4.3	6.3	-8.9	2.8	4.8
Pru Risk Managed Passive 4	5.3	6.9	-7.9	4.2	5.1
Pru Risk Managed Passive 5	6.3	6.8	-6.9	6.3	3.6

The fund performance figures above are based on the movement of the daily price. They're on a total return basis with net income reinvested and Series 2 funds.

<b>International Funds</b>	<b>31/12/23 – 31/12/24 (%)</b>	<b>31/12/22 – 31/12/23 (%)</b>	<b>31/12/21 – 31/12/22 (%)</b>	<b>31/12/20 – 31/12/21 (%)</b>	<b>31/12/19 – 31/12/20 (%)</b>
PIA Risk Managed Passive 1	1.8	7.0	-11.0	-2.2	6.5
PIA Risk Managed Passive 3	4.1	7.2	-9.5	1.6	5.6

The fund performance figures above are based on the movement of the daily price. They're on a total return basis with gross income reinvested and Series B funds.

We can't predict the future. Past performance isn't a guide to future performance. The value of your investment can go down as well as up so you might get back less than you put in.

# Glossary

This glossary is a high-level guide to some of the technical terminology that may appear in our Quarterly Summary. It is not intended to be definitive reference document and you should contact your adviser for further assistance where necessary.

## Alternative Assets

These may include non-traditional, complex or specialist investments. Examples include hedge funds, private equity and complex derivative based strategies.

## Basic Materials Sector

A category of stocks covering companies involved with the discovery, development and processing of raw materials. The basic materials sector includes the mining and refining of metals, chemical producers and forestry products.

## “Blue Chip” Companies

These are large, reputable companies which are thought to be financially sound.

## Bonds

See Fixed Interest Securities.

## “Boutique Managed” Funds

Investment funds that are specialised in some way either through the expertise needed to manage the portfolio or because it has an unusual theme or a collection of funds under one house. These “boutique” funds are typically offered by smaller, specialist firms as opposed to large investment management companies.

## Broad Investment Grade

This is a term used to describe a listing of bonds and fixed income instruments on an index. It is used to measure the overall value of a collective group of bonds and represents the characteristics of these types of securities. It is a grading level that can be used by certain types of funds for determining assets that are suitable for investment into a fund.

## Certificates of Deposit

These are money market investments that are generally issued by banks against a security. A certificate of deposit usually pays interest (which can vary) and entitles the bearer to receive a set interest rate up until a set maturity date and can be issued in any currency or denomination.

## Closed Ended Funds

This describes a collective investment scheme which has a limited number of shares (or units). The shares are then traded on an exchange or directly through the fund manager to create a secondary market subject to market forces.

## Collective Investment Schemes

A way of pooling investment with others as part of a single investment fund. This allows investors to participate in a wider range of investments than would normally be feasible if investing individually and to share the costs and benefits of doing so. Collective Investment Schemes, OEICs, Unit Trusts, Mutual funds, usually either target geographic regions (like emerging market countries) or specific themes (like technology or property).

## Convertible Bonds (can also be called Deferred Equity)

These are corporate bonds that are exchangeable for a set number of another form of investment (for example, common shares) at a pre-stated price. Convertible bonds typically pay a lower income than is normally available from common bonds.

## Corporate Bonds

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

## Default Risk

This is the possibility that the issuer of a bond will be unable to make payments when they are due.

## Derivatives

These cover products such as futures and options which are generally an arrangement to buy or sell a standard quantity of a specified asset on a fixed future date at a price agreed today. Also considered to be a financial instrument whose value is dependent upon the value of an underlying asset.

## Equities

These are also known as shares or stocks and represent a share of the ownership of a company. Shares give two potential benefits – the share prices increase as the value of the company increases and regular payments, known as dividends, may be made to shareholders based on how well the company is doing. However, share prices can also go down, therefore there may not be dividends.

## Eurobonds

A Eurobond is an international bond that is denominated in a currency not native to the country where it is issued. It can be categorized according to the currency in which it is issued. For example, a British company may issue a Eurobond in Germany, denominating it in U.S. dollars.

## Exchange-Traded Fund

This is an investment vehicle the units of which are traded on a stock exchange. An exchange traded fund can hold a range of assets such as stocks, bonds or even commodities. Most track an index.

## Fixed Interest Securities

These are more commonly known as “bonds” and are loans issued by companies or by governments in order to raise money. Bonds issued by companies are called corporate bonds, those issued by the UK government are called gilts and those issued by the US government are called treasury bonds. In effect all bonds are IOUs that promise to pay a sum on a specified date and pay a fixed rate of interest along the way.

## Floating Rate Notes

These are basically short-term loans to financial organisations, such as banks, under which the investor receives interest payments from that financial organisation. At the end of an agreed period the financial organisation has to repay the loan.

The interest payment rates are linked to a specified “floating” rate. In legacy instruments, this was typically the London Interbank Offered Rate (LIBOR) though post cessation of LIBOR, these are being replaced by use of alternative rates such as the Sterling Overnight Index Average (SONIA). This means that interest rate payments may go up or down.

## Forwards Contract (or Forwards)

These are agreements between two parties to buy or sell an asset at a fixed future date for a price determined at the time of dealing.

## Government Bonds

These are loans to the government where the purchaser of the government bond lends money to the government in return for regular interest payments and the promise that the initial sum will be repaid on a specified later date.

## Government Sovereign Bond

Is a government debt issued in a foreign currency.

## Hedging

A strategy employed in order to reduce or mitigate risk. Hedging involves making an offsetting transaction in one market in order to protect against possible losses in another.

## Hedged Back to Sterling

This is a specific example of hedging where the trader is trying to protect an existing or anticipated position from an unwanted move in sterling exchange rates.

## Index-Linked Securities

Are similar to fixed interest securities but the payments out are normally increased by a price index e.g. for UK government index-linked securities, payments out are increased in line with the UK Retail Price Index.

## Investment Grade

A credit rating given to a government or corporate bond that indicates that the agency giving the rating (e.g. Standard & Poors) believes that the issuer has a relatively low risk of default. 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

Are defined as cash and near cash such as bank deposits, certificates of deposits, fixed interest securities or floating rate notes, with, where applicable, a maturity date of under a year.

## OEIC

This is an Open Ended Investment Company. Like all open collective Investment 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. Each time that new money is invested, new shares or units are created to match the prevailing share price; each time shares are redeemed, the assets sold match the prevailing share price.

## Options

Legal agreements that give the holder the right (but not the obligation) to buy or sell the underlying asset at an expiration date, at a price determined at the time of dealing.



## Permanent Interest Bearing Shares (usually referred to as PIBS)

These are fixed-interest securities issued by building societies. Building societies use them in the way public limited companies would use preference shares (see below). Although similar to bonds, PIBS typically exist as long as their issuer does. They typically offer better interest rates than bonds although unlike bonds have no fixed redemption date and so redemption value will be determined by market values at the time of sale. PIBS are not covered by UK government compensation schemes. If the building society is in financial distress, mounts are paid to holders of PIBS only after depositors.

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

These are shares in a company which give their holders an entitlement to a fixed dividend payment and may or may not carry voting rights. These are a 'higher ranking' stock than common stock and usually have specific rights attached to them. Preference shares mean that the holder may get preferred treatment over common share holders – and carry a dividend that is paid out prior to dividends to common share holders. In the event of bankruptcy preferred share holders will be paid out from assets before common share holders and after debt holders.

## Primary Industry

The industrial sector of an economy involved in the extraction and collection of natural resources, such as copper and timber, as well as by activities such as farming and fishing. A company in a primary industry can also be involved in turning natural resources into products. Primary industries tend to make up a larger portion of the economy of developing countries than they do for developed countries.

## Regulated

This means the portfolio or fund has to conform to the regulations laid down by the financial authority of the country it is trading in (i.e. in the UK, the FCA protects the investor and provides structure around the products, financial services providers and markets).

## Reverse Repurchase Agreement

A Reverse Repurchase Agreement is a legal contract with a bank, under which securities are purchased (for example, UK Government Bonds or Gilts) from the bank, with an agreement to sell them back to the same bank at a higher price at a specific date in the future.

## Risk

Risk can take on many forms. In the context of investment management it is a term used to indicate the chance of losing or gaining money on your investment. It's usually measured by a statistical measurement called 'standard deviation' this is calculated based on movements (both up & down) from the investment or funds average return.

## Secondary Industry

The industrial sector of an economy that produces finished, usable products. Unlike a primary industry, which collects and produces raw materials for manufacture, a secondary industry makes products that are more likely to be consumed by individuals. Examples of secondary industry divisions include automobile manufacturing, steel production and telecommunications.

## Shares

See Equities.

## Short-Term Government Bonds

For the purposes of determining assets which the Prudential Cash Funds can invest in these are defined as government bonds with a repayment period of twelve months or less.

## Smaller Companies

Companies quoted on a recognised exchange that have a market worth below that of blue chip companies.

## Sterling Overnight Index Average (SONIA)

Is an interest rate that is published and administered by the Bank of England who are responsible for its governance and publication every London business day.

SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.

## Transferable Securities

This is a descriptor given to a type of financial security which is traded on capital markets. The term is probably most commonly known and used in association with UCITS in UK and Europe (examples would be UCITS/some types of warrants).

## Undertakings for Collective Investment in Transferable Securities (UCITS)

These are collective investments which can be sold across national borders within the EU having complied with regulations on investments and administration.

## Unregulated

This means the portfolio or fund does not need to conform to regulations.

## Warrants

A warrant is a security that entitles the holder to buy shares in the issuing company at a specified price and within a certain time frame.

Warrants are freely transferable and traded on major exchanges. Their value will go up or down as the price of the shares to which they relate goes up or down.



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