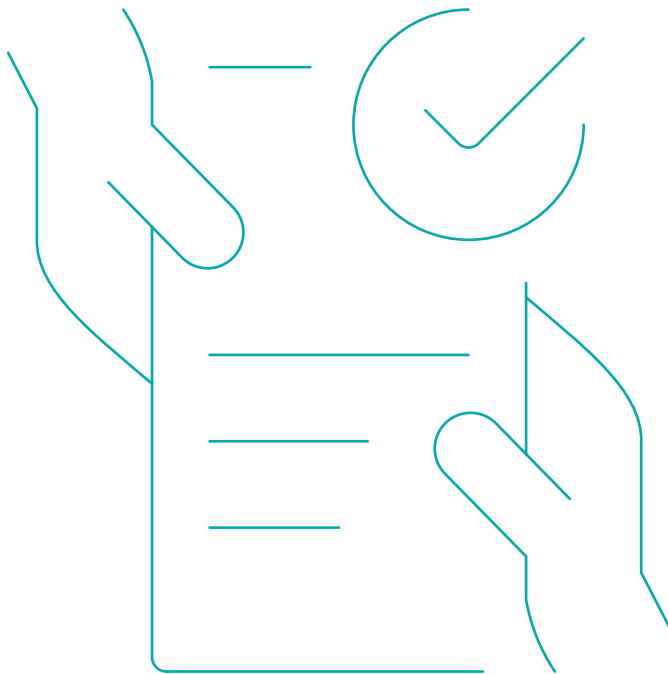


Fund Guide

London Borough of Harrow Pension Fund

Local Government AVC Scheme



Thinking about your future

Saving for retirement is a great idea for the vast majority of people.

By putting money away, and investing it where it may grow in value, you're taking a big step towards living the way you want to in later years.

In this guide we give information that should help when deciding how you want to save for your retirement, and the options available to you.

You can pick the fund or funds that's right for you from a range of options. Those options are listed in the *available funds* section.

Your Key Features document contains all the main features, benefits and risks of your scheme. It's important that you read this document before making a decision.

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

If you're unsure about what you should do next we recommend that you speak to a financial adviser.

The information included in this guide is correct at the time of production in April 2022.

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Using this guide

We'd strongly recommend you read the whole of this document. You can also use the information on the previous page to find out where to find information you're looking for.

If you're looking at this guide online then there are bits of the document that you can interact with.

Fund links – When you're connected to the web, if you click on a fund name the fund factsheet will open for you. Look out for your cursor changing as you move through the 'Available funds' section.

Our factsheets contain more detailed information about our available funds. You can find all our fund factsheets at [pru.co.uk/ourfactsheets](https://www.pru.co.uk/ourfactsheets)

Or you can call us on 0800 000 000.

If you have a printed copy, but would like the latest online version, then search for <https://www.pru.co.uk/pdf/LAVK10040.pdf>

If you'd like to ask us for anything, then visit [pru.co.uk/contact-us](https://www.pru.co.uk/contact-us) for information on the various ways to contact us.

Section 1

Useful things to know about your investment choices

We think it will really help you to read this section. You'll find out about things like funds, risk and diversification as well as charges and costs.

Some risks to think about

You'll need to take risk to grow your savings, so risk isn't always a bad thing. But there are a number of different kinds of risks that could affect your choice. We've explained some of these risks in the table below which we hope you'll find useful.

Risk Type	Investment Risk	Inflation Risk	Liquidity Risk
What it is	This is about how the assets that funds invest in react to changes in the marketplace. Riskier assets like equities, which can potentially give a higher return, can move sharply down and up (be more volatile) than less risky ones.	You can think of inflation as the increasing cost of buying things. So inflation risk is the risk that the value of your investments grows slower than inflation does. This might happen if for example, you only invest in minimal risk funds such as a Cash fund.	Some asset types can take longer to buy and sell than others. A good example is property – as with buying or selling a house, it can also take the fund manager longer to buy or sell property than an equity. So this is the risk that you might not be able to get your money back as fast as you might like or need to.
The potential impact on you	Selecting higher rated funds like equities will mean you're more likely to experience the ups and downs of sharp market movements. But you may benefit from higher returns over the long term.	If inflation is higher than your investment return, you'll then effectively lose money in real terms. In other words, your money will be able to buy less than it could before.	If you can't buy or sell an asset as fast as you would like or need to, it might affect any plans you have for your investment.
When is this most likely to be important to you	Throughout your investment journey, with increasing importance when you come to take your retirement savings.	Throughout your investment journey.	When you take your retirement savings.

There are other risks that might apply to you at different times as you save for and take your retirement benefits. For more information on these, please speak to a financial adviser.

Funds

We offer a number of different funds for you to invest in and they each aim to invest money in a slightly different way. This means you have a choice of funds that might suit your own investment aims.

Funds – what's involved



Lots of investors pool their money together. This gives them the chance to use the expertise of a fund manager and invest in a wider range of assets than they would if they invested themselves.



A fund manager manages the fund and decides year-to-year, week-to-week, day-to-day where to invest the money. They do that based on the agreed objective of the fund (which explains what the fund is trying to achieve and where it can and cannot invest).



Over time the assets the fund manager has invested in generate a return. Hopefully, that's a positive return but potentially not. That will depend on where the fund manager has invested the money and market conditions.



When they decide to leave a fund, each investor takes their share. Hopefully they get back a positive return. And over the medium to long term (10 to 15 years) that is usually the case for many types of investment. Not always though – and no-one knows what might happen in the future.

Important to know

The way a fund's managed depends on its 'aim' or 'objective' which is just a description of what the fund aims to do, and how. It's a bit like the rules that the fund manager has to follow. Because all funds have different aims and objectives, the return from each fund is usually different.

Some useful things to know

Assets

These are just different types of investments. You may have heard of some common ones like shares (also called equities), bonds or deposits. Another is property.

A fund manager thinks about putting money in different asset types depending on where he or she is allowed to invest, and how well they think the asset might do.

You can see definitions of some different asset classes in our glossary at the end of this guide.

Risk and reward

Always remember that some assets are riskier than others. So you might get back more money from one type of asset class than another, but there's also a chance that you might lose more money. It's about weighing up the risk against the potential reward.

Diversification

This sounds quite complicated but it's just a way to manage risk. You probably learnt years ago about the benefits of not putting all your eggs in one basket. Well, the same thing goes with investments.

Spreading your money out across different assets or investments means if one falls in value then there's a good chance the others won't be affected so badly.

There's lots of different ways to diversify for example by asset class, country, industry, size or type of company and so on. Fund managers will use diversification and it can help reduce risk to your money.

Charges and costs

You won't be surprised to know there's a cost to investing. Different funds have different charges and further costs. You can find out more about these, and how much they are, later in this guide.

Active and passive investing

Just as you might think, an 'active' investment style is one where the fund manager actively uses skill, research and knowledge to select and manage assets.

While, as the name suggests, a 'passive' style is where the manager takes a step back and the fund is managed to follow the performance of an index like the share price of the 100 largest companies in the UK, for example.

As a result, active funds often have a higher charge than passive funds. The active manager would expect that the extra cost was rewarded by better performance. This isn't always the case.

Let's talk about risk – and potential reward

Although risk can sound quite unsettling, when it comes to investing, it's about getting a balance between the amount of risk you take and the potential return you might get back. Your attitude to risk is personal to you. It's likely to change over time as your outlook, ability to accept any potential investment loss and circumstances change.

Deciding what's right for your investment journey

If you're just starting or already on the retirement savings journey...

Then you might have as much as 30 or 40 years of saving ahead of you. In that case it's likely that you would be able to take on a higher level of investment risk for the potential of a higher return. It could be that you're less concerned by day-to-day rises and falls in the investment markets, as you're a long-term investor and have time to 'ride out' any short-term storm.

Or if you're closer to taking your retirement savings...

Then it's probably more important to consider protecting the value of the retirement savings you've built up by using funds with less investment risk.

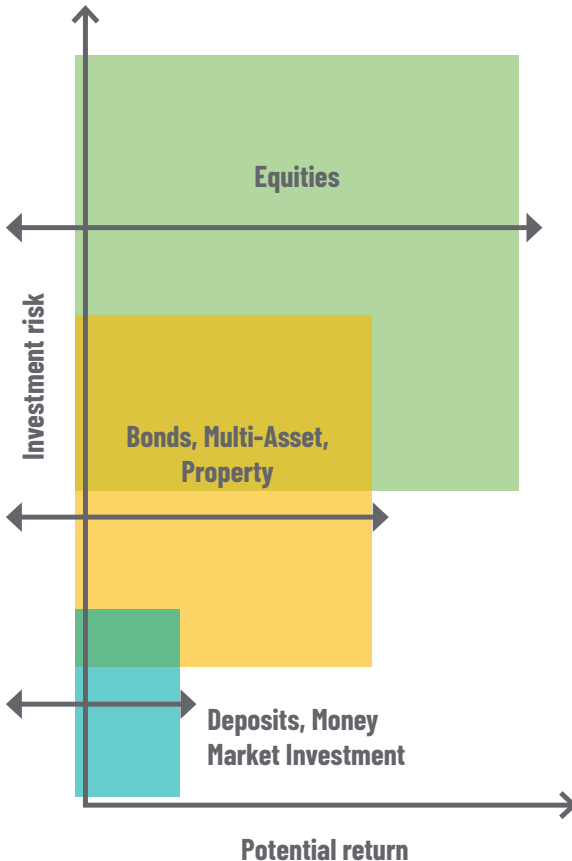
So, your personal circumstances need to be considered carefully when you make any decisions.

Throughout your investment journey, events in financial markets will cause the value of assets a fund invests in to rise and fall. We call this volatility and funds with a higher level of risk will be more affected by it than those with a lower level. The diagram on the next page helps to show how the relationship between risk and return can work.

Let's talk about risk – and potential reward continued

Different levels of investment risk

This chart is an example of how volatility relates to asset classes.



Higher investment risk

For some funds, they tend to rise in value more than lower-risk funds over the medium to long term (ten or more years), but there's a greater chance they will experience large drops in value compared to those less risky funds.

To get more back you need to take more risk – but more risk means more potential for loss.

Lower investment risk

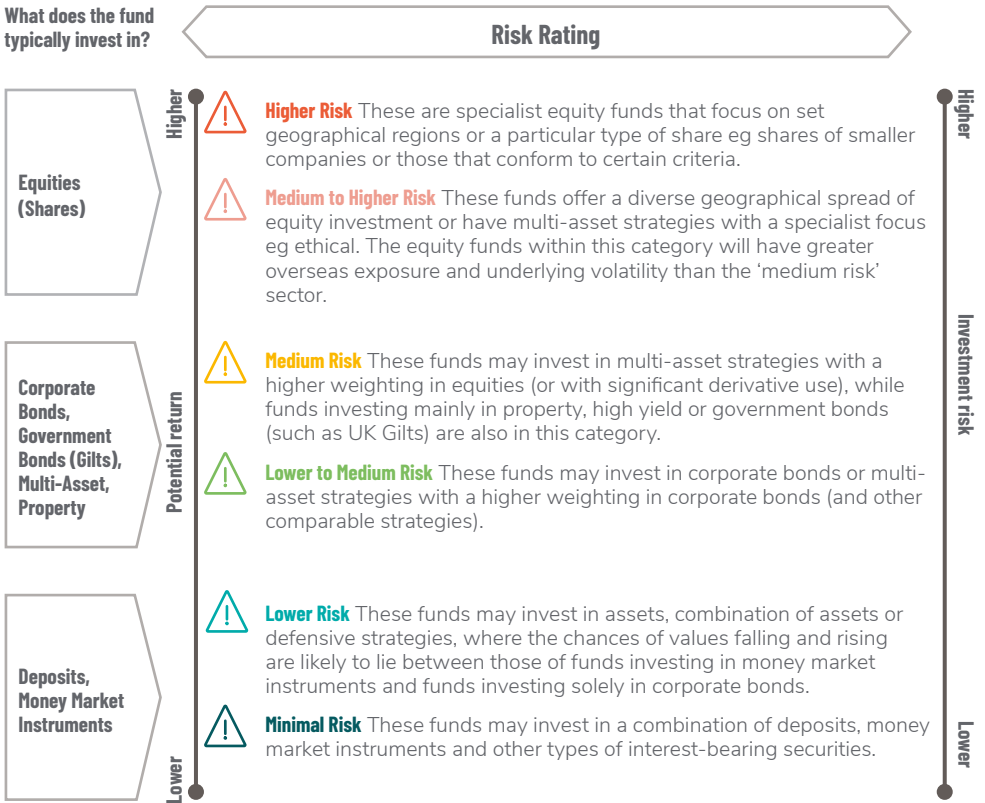
For some funds, there's a good chance that their values will only go down and up by small amounts compared to other funds. These are lower risk funds.

But, the less risky the fund, the lower the potential gain. And that might mean it can't provide you with the amount of money you need when you come to take your savings.

Some funds are riskier than others and so have different levels of potential return. So it's important that if you're selecting your own funds, you select those which invest in assets that you feel will have a chance of providing enough for you to live on when you retire. It's about trying to get a trade-off between risk and reward that you're comfortable with.

Below we show the level of investment risk we think each different type of fund has, depending on what the fund invests in.

Our risk ratings are based on this scale. Later in the guide you'll see the funds you can invest in with their Prudential risk ratings.



Important to know

Our risk ratings are based on our expectation of future volatility (how much the value of the fund could rise and fall). Other companies may use different approaches and descriptions, so these risk ratings shouldn't be considered as generic across the retirement savings or fund management industry.

We regularly review our risk ratings so they may change. Please make sure that you understand the risk rating of any fund before you decide to choose it.

Fund charges and further costs

When you invest your retirement savings in a fund there are charges and costs. Further information on what these are for the funds you can invest in, are shown later in this guide.

We take an Annual Management Charge (AMC) for looking after your investment, from each of the funds you invest in. AMCs may vary in the future and 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 the With-Profits Fund – see your Key Features document for more information).

In addition to our AMC, there may be further costs incurred. Where these are applicable, they are paid for by the fund and will impact on the overall performance. We've included more information on further costs on the next page. As it's normal for further costs to vary over time, we won't contact you when they change.

This is the total of the Annual Management Charge and further costs.

The name of the fund these charges and costs are applicable to.

Fund Name	Annual Management Charge (%)	Further Costs (%)	Yearly Total (%)
An Example Fund	0.75	0.18	0.93

What this means in money terms based on savings of £10,000.	£75	£18	£93
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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 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 that means	Where appropriate, are they included in the further costs figures we show in this fund guide?
Miscellaneous fund administration fees and costs	There can be a number of different administration fees associated with funds. These can include, for example, audit fees, custody fees, infrastructure costs, registrar fees, regulatory fees, transaction related custody fees and trustee fees.	No, for unit-linked funds, apart from transaction related custody fees*. Yes, for the With-Profits Fund (if an option for your scheme).
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.
Property expenses	For funds that invest in property, either directly (i.e. the fund owning physical property) or indirectly (i.e. owning units in a property fund or shares in a property company) there are costs incurred for managing these properties. These can include costs for development, maintenance, oversight and renovation of the properties held, collecting rents, and managing tenants, as well as running costs that can't be passed onto tenants.	Yes.
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.

* *Currently, for unit-linked funds, we give these back (rebate these) to the fund, so they won't impact the fund performance, and aren't disclosed. We reserve the right to not rebate them in the future.*

The further costs listed in this guide are indicative, based on the current levels of costs, and are correct as at April 2022.

Further costs might be incurred by a Prudential fund or, where it's applicable, any fund our fund invests in (see the 'Objective' for information on where a fund might invest).

You can find details of how we manage our unit-linked funds at pru.co.uk/ppfm/ul

With-Profits information

Charges on With-Profits business depend on the performance of the With-Profits Fund and, in particular, the investment returns achieved and expenses incurred.

Over time, if investment returns are higher, then the charges would be expected to be higher, and if investment returns are lower, the charges would be expected to be lower.

An indication of the current estimated level of the annual charge can be found in your Key Features Document and, for existing With-Profits investors, your Annual Benefits Statement.

There's also a charge to pay for all the guarantees the With-Profits Fund supports. That charge isn't included in this guide but you'll find information on this, and further information about With-Profits, in your Key Features document.

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.

If you move money out of the With-Profits Fund a Market Value Reduction (MVR) may be applied, which would cause the value of your savings to fall. MVRs are our way of protecting the interests of all of our With-Profits customers. They ensure that every investor gets a fair return based on the earnings of the With-Profits Fund over the period their payments have been invested. For more information, please see our 'MVR – a clear explanation' document, on pru.co.uk/PRUS6165.pdf

For With-Profits investments, the rate of future bonuses cannot be guaranteed. Final bonus may vary and is not guaranteed. For investments in the With-Profits Fund, the value of the Policy depends on how much profit the Fund makes and how we decide to distribute that profit. Policyholders usually receive their shares of any profits as bonuses but we may use other methods to distribute profits.

For further information on With-Profits please refer to your Key Features Document or visit pru.co.uk/funds/ppfm/

You can find details of how we manage our With-Profits Fund at pru.co.uk/funds/ppfm

Section 2

Your Investment choices

Here's where you can find out about the funds you can invest in.
You can narrow down the options that suit you.

Available funds

In this section you'll find a list of all the funds you can invest in. The most you can choose is twenty (if your scheme offers that many funds). We've organised the funds by their risk ratings. Further information on our risk ratings is available earlier in the guide. We've also included an explanation on charges and costs.

For any fund, there may be a delay in buying, selling or switching of units. These delays will only apply in exceptional circumstances and we will let you know if they apply to you. There may, for example, be circumstances outside our control which prevent us, from acting upon an instruction to buy, sell or switch units. For example, where, due to restrictions imposed by an external fund manager, we are unable to sell units in an externally-managed fund.

Equally we may need to delay acting upon an instruction where we believe that will protect remaining investors in the fund from suffering an unfair reduction in the value of their investment in the fund or some other form of unfair treatment.

- Other than in very exceptional circumstances we would not expect delays to be longer than six months for investments in property and land and one month in the case of units in other funds.
- While we will not delay buying, selling or switching units for longer than reasonably required, we cannot guarantee that we will never delay acting upon your instructions beyond the timescales set out above.
- If we do delay, we will use the unit prices that apply on the day we actually sell, buy or switch units after the delay has ended, unless, again, we believe that in the particular circumstances that would not be fair to investors in general.

The price of units can go up or down during this time. If these delays apply to you, we'll let you know.

Monitoring our fund range

You can be confident that we continually monitor our fund range and may remove or add funds if we think it is in the best interests of our investors. If we stop offering a fund you're invested in, we'll write to you to let you know.

You can find more details on our funds, including performance on our factsheets at pru.co.uk/ourfactsheets

Available funds continued

Fund Name	Fund Charges and Further Costs		
	Annual Management Charge (%)	Further Costs (%)	Yearly Total (%)
Medium to Higher Risk These funds offer a diverse geographical spread of equity investment or have multi-asset strategies with a specialist focus (e.g ethical). The equity funds within this category will have greater overseas exposure and underlying volatility than the 'medium risk' sector.			
Prudential Positive Impact Fund	0.65	0.01	0.66
Medium Risk These funds may invest in multi-asset strategies with a higher weighting in equities (or with significant derivative use), while funds investing mainly in property, high yield or government bonds (such as UK Gilts) are also in this category.			
Prudential Discretionary Fund	0.65	0.02	0.67
Prudential Dynamic Growth IV Fund	0.62	0.01	0.63
Lower to Medium Risk These funds may invest in corporate bonds or multi-asset strategies with a higher weighting in corporate bonds (and other comparable strategies).			
Prudential Dynamic Growth I Fund	0.62	0.02	0.64
Prudential Dynamic Growth II Fund	0.62	0.02	0.64
Prudential With-Profits Fund	†	0.24	†
Minimal Risk These funds may invest in a combination of deposits, money market instruments and other types of interest bearing securities.			
Prudential Cash Fund	0.55	0.00	0.55

† For further information on the Prudential With-Profits Fund please see the With-Profits information earlier in the guide. Please also see your personalised illustration, where relevant, for an indication of your current estimated yearly total value.

Further costs

Further costs will depend on which funds your money is invested in and when any costs are calculated.

Lifestyle options

How lifestyle options work

We'd recommend reading this page and the next at the same time as looking at real life lifestyle options as it'll help matching the theory with an actual example.

Your lifestyle options can be found on the next few pages.

Why use a lifestyle option

Your investment needs change the closer you get to retirement. When you're further away from taking your retirement savings it makes sense to invest in funds that offer greater potential for growth. That also potentially means more risk, so as you move closer to retirement it also makes sense to start to move into generally lower-risk funds.

A lifestyle option can do this for you automatically, without you having to make any decisions about:

- when to make changes
- which funds to choose, and
- how much to change.

The diagram on the next page shows you how that might look with a 'growth' phase being followed by a 'defensive' phase.

How it works

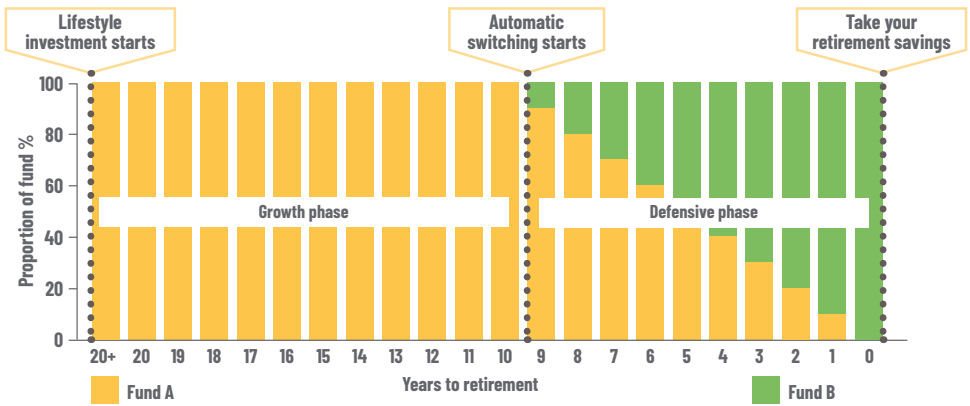
The first phase (we call it the 'growth' phase), is when the aim is to grow the value of your retirement savings. You do that by investing in funds that aim to provide a higher return by taking higher risk.

In the second phase (which we call the 'defensive' phase), your investments are switched automatically, into preselected funds that should help reduce the risk of short-term falls in the value of the savings you've built up.

How this can benefit you

Using a lifestyle means that you don't need to closely manage the funds through the years you're invested. But it's a good idea to check your options from time to time to make sure you're happy it's on track to support you as you would like.

It can be a really good option to consider if you're not keen to take active, regular control on where you are invested. You can find out more at pru.co.uk/lifestyling



Some things we think you should read

- We've designed the switches between funds (shown by funds A and B in the example diagram on the previous page) so that the investment in each fund changes as you approach the date you plan to take your savings.
- The actual funds used, their risk ratings and the point where your fund value will start automatic switching, will be dependent on the lifestyle option you choose. The lifestyle options available to you can be found on the next few pages.
- If you choose a lifestyle option, all your contributions will be made into the lifestyle option and you will not be able to select any other funds or lifestyle option at the same time. You can switch all your retirement savings out of this option at any time.
- As a lifestyle option moves your money between funds, the actual fund charges and costs will be based on a proportioned split between the funds you're invested in and the fund charges and costs applicable at that time.
- We reserve the right to change the terms of a lifestyle option. If such a change applies to you, we'll let you know.

Your lifestyle options

We've shown here the lifestyle options available to you, including the funds used. The funds change automatically and monthly throughout the year to achieve the pre-set proportions. We've included the objectives for each of the funds used in each lifestyle option in the available funds section.

If you're invested in a lifestyle investment option then you can change your mind at a later date.

As a lifestyle option moves your money between funds, the actual fund charges you pay will be based on a proportioned split between the funds you're invested in and the fund charges and costs applicable at that time.

Your plans for taking your pension may influence how you want to invest. We have designed some lifestyles to reflect these different approaches.

Visit pru.co.uk/approachingretirement to find out more about accessing your pension.

The lifestyle options are not a recommendation from Prudential and suitability will depend on your individual aims and requirements. Please speak to a financial adviser if you need help or want to know more about your lifestyle options.

Prudential Dynamic Growth IV Lifestyle targeting 100% cash



Risk rating

- Prudential Dynamic Growth IV Fund - **Medium**
- Prudential Dynamic Growth II Fund - **Lower to Medium**
- Prudential Cash Fund - **Minimal**

The graph shows the funds included in the lifestyle option, where you're initially invested and how the proportions invested change automatically and monthly, to achieve the pre-set proportions, each year to retirement.

Charges and costs in this guide depend on which funds your money's invested in and when these are calculated.

The 'targeting 100% cash' lifestyle is for those intending to take their pension as a single or series of cash lump sums. At retirement, you'll need to consider whether by taking cash you will have sufficient income to meet your needs.

Lifestyle options aren't risk rated by Prudential. More lifestyling information is available in the 'Lifestyle options' section.

Prudential Dynamic Growth IV Lifestyle targeting retirement options



Risk rating

- Prudential Dynamic Growth IV Fund - **Medium**
- Prudential Dynamic Growth II Fund - **Lower to Medium**
- Prudential Cash Fund - **Minimal**

The graph shows the funds included in the lifestyle option, where you're initially invested and how the proportions invested change automatically and monthly, to achieve the pre-set proportions, each year to retirement.

Charges and costs in this guide depend on which funds your money's invested in and when these are calculated.

The 'targeting retirement options' lifestyle is for those that want a lifestyle option, but aren't sure how they might want to access their pension savings when they take their benefits.

Lifestyle options aren't risk rated by Prudential. More lifestyle information is available in the 'Lifestyle options' section.

Closed funds

The following funds are now closed to new members. If you are already invested you may still be able to make additional payments if you want to.

Fund Name	Fund Charges and Further Costs			Date Closed
	Annual Management Charge (%)	Further Costs (%)	Yearly Total (%)	
Prudential Deposit Fund	N/A*	0.00	N/A	31/05/2017

* For further information on the Prudential Deposit Fund please see the 'Fund descriptions' section.

Fund descriptions

Here's a list of all the funds you can invest in, with a description of the funds' objectives. The most you can choose is twenty (if your scheme offers that many funds). We've organised the funds by their risk ratings. Further information

on our risk ratings is available earlier in the guide. We've also included an explanation on charges and costs.

You can find more details on our funds, including performance on our factsheets at: pru.co.uk/ourfactsheets

Fund Name and Manager	Asset Class, Active or Passive	Objective
Medium to Higher Risk		
<p>Prudential Positive Impact Fund Prudential</p>	<p>Equities, Active</p>	<p>Objective: The investment strategy of the fund is to purchase units in the M&G PP Positive Impact fund (the underlying fund).</p> <p>Underlying fund objective: The Fund has two aims:</p> <ul style="list-style-type: none"> • To provide a higher total return (the combination of capital growth and income), net of the Ongoing Charges Figure, than the MSCI ACWI Index over any five-year period; and • To invest in companies that aim to have a positive societal impact through addressing the world’s major social and environmental challenges. <p>The Fund gains its exposure through the M&G Positive Impact Fund, an M&G OEIC. The Fund is a concentrated portfolio of global stocks, usually holding fewer than 40 stocks, investing over the long term in companies that make a positive social and/or environmental impact alongside a financial return, using a disciplined stock selection process. Sustainability and impact considerations are fundamental in determining the Fund’s investment universe and assessing business models. The Fund embraces the United Nations Sustainable Development Goals framework and invests in companies focused on areas including climate action, pollution reduction, circular economy, health and wellbeing, education and innovation, and working conditions. The Fund invests in three categories of positive impact companies:</p> <ul style="list-style-type: none"> • “Pioneers”, whose products or services have a transformational effect on society or the environment; • “Enablers”, which provide the tools for others to deliver positive social or environmental impact; and • “Leaders”, which spearhead the development of sustainability in their industries. <p>Investing in these categories provides diversification across industries and maturity of business models. Dialogue with the companies in which the Fund invests is fundamental to the investment approach. The objective is to support and influence their contribution to the world’s major social and environmental challenges.</p> <p>The fund manager has discretion to invest in companies with limited exposure to fossil fuels but which are driving or significantly participating in the transition to a more sustainable economy. The Fund may also invest in other transferable securities, cash, and near cash, directly or via collective investment schemes (including funds managed by M&G).</p> <p>Derivatives may be used for Efficient Portfolio Management and hedging.</p>

Fund Name and Manager	Asset Class, Active or Passive	Objective
Medium Risk		
Prudential Discretionary Fund Prudential	Multi-Asset, Active	<p>Objective: The investment strategy of the fund is to purchase units in the M&G PP Discretionary Fund – the underlying fund.</p> <p>Underlying Fund Objective: The fund provides a multi-asset approach to investment, holding a mix of UK and overseas company shares, bonds, property, cash plus listed alternative assets through other M&G PP funds or direct holdings. It is actively managed against an internal benchmark asset allocation set by the M&G Treasury & Investment Office (T&IO). It is a “fund of funds” where both active stock selection, within the underlying sector funds, and asset allocation decisions are used to add value.</p> <p>Performance Objective: To outperform the internal composite benchmark by 1.15% – 1.40% a year (before charges) on a rolling three year basis.</p>
Prudential Dynamic Growth IV Fund Prudential	Multi-Asset, Active	<p>The fund aims to deliver long term growth through investing in a diversified range of assets both in the UK and globally. At any time, the fund will invest at least 40% of its assets in equities but not more than 80%. Investments are managed across asset classes and across world markets with a focus on long run investment potential as forecast on a rolling 10 years basis. The fund may invest in a range of permitted assets which include equities, bonds, property and cash accessed directly or indirectly via appropriate fund vehicles. The fund may include other assets as deemed appropriate by both the manager and current regulations.</p>
Lower to Medium Risk		
Prudential Dynamic Growth I Fund Prudential	Multi-Asset, Active	<p>The fund aims to deliver long term growth through investing in a diversified range of assets both in the UK and globally. At any time, the fund will invest a maximum of 30% of its assets in equities. Investments are managed across asset classes and across world markets with a focus on long run investment potential as forecast on a rolling 10 years basis. The fund may invest in a range of permitted assets which include equities, bonds, property and cash accessed directly or indirectly via appropriate fund vehicles. The fund may include other assets as deemed appropriate by both the manager and current regulations.</p>

Fund Name and Manager	Asset Class, Active or Passive	Objective
Prudential Dynamic Growth II Fund Prudential	Multi-Asset, Active	The fund aims to deliver long term growth through investing in a diversified range of assets both in the UK and globally. At any time, the fund will invest at least 10% of its assets in equities but not more than 40%. Investments are managed across asset classes and across world markets with a focus on long run investment potential as forecast on a rolling 10 years basis. The fund may invest in a range of permitted assets which include equities, bonds, property and cash accessed directly or indirectly via appropriate fund vehicles. The fund may include other assets as deemed appropriate by both the manager and current regulations.
Prudential With-Profits Fund Prudential	Multi-Asset, Active	The fund offers the prospect of competitive long-term real returns whilst smoothing the peaks and troughs of day-to-day market movements. Investment returns are passed to policyholders through bonuses. The fund is invested in a diversified portfolio of UK and overseas shares, bonds, property and cash. A significant proportion of the fund is invested in shares and property which can be expected to produce attractive long term returns, but the return on these assets can be volatile and so the fund is actively managed to optimise the returns while controlling risk.
Minimal Risk		
Prudential Cash Fund Prudential	Deposits, Active	Objective: The investment strategy of the fund is to purchase units in the M&G PP Cash Fund – the underlying fund. Underlying Fund Objective: The fund invests in both secured (reverse repurchase agreements) and unsecured interest bearing deposits, as well as short-term UK Government bonds and Certificates of Deposit. It is actively managed against its benchmark, the Sterling Overnight Index Average 1 Week. Performance Objective: To outperform in line with the benchmark before charges on a rolling three year basis.
Prudential Deposit Fund Prudential	N/A, Active	The current practice, which we can review at any time, is to set and declare the interest rate on the first of each month, in line with the Bank of England base rate. Any interest is declared monthly and there are no explicit charges. The assets of this fund are part of the With-Profits Fund which is a multi-asset fund. The capital you hold in the Prudential Deposit Fund will not decrease.

Section 3

Further information

More information we think it's worth reading.

Further information

How unit-linked funds invest

Some of the Prudential funds listed in this guide may invest in 'underlying' funds. Some of these underlying funds may invest in derivatives 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).



Find out more about how we manage our funds

You can find more details of how we manage our unit-linked funds at pru.co.uk/ppfm/ul/

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

This Customer Guide will explain:

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



Switching between funds

- When switching between different unit-linked funds, the sale of existing units and the purchase of new units will not normally take place on the same date. There will be a lead-time involved in making unit prices available and where external companies are involved this lead-time may be longer than for funds managed by Prudential. The prices of units can go up or down during that time: this is a risk to you. The exact time lapse between sale and purchase will depend on the funds involved in the switch. No interest is due for the period between the sale and purchase of units.

- When switching an existing investment from a unit-linked fund to a lifestyle option (if available), the total value of your fund will be switched automatically to that lifestyle option.
- If you choose a lifestyle option (if available), all of your payments will be made into that option and you will not be able to select any other funds or lifestyle option. You can switch all of your savings out of this option at any time.
- If your scheme offers the With-Profits Fund, there may be a Market Value Reduction (MVR) applied if you move money out of the fund. If applicable, you'll find more information about an MVR in the 'With-Profits information' section earlier in this guide.
- The unit-linked funds are “forward priced”. This means that the unit price you receive is the next available price after you have invested money in or taken money out of a fund.
- When calculating the unit price of a fund it is important to consider how much money is either going into or being taken out of 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 purchase price (or “offer” price as it is sometimes known) will be relevant 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.



A bit about how our funds work

- Funds are legal arrangements which pool together the contributions of numerous individuals (such as members of schemes like you) to collectively buy assets like shares and bonds. These funds are then divided into units of equal value. In return for their contributions, each individual receives ownership of their share of the fund in the form of these units.
- These funds – known as ‘unit-linked’ funds – have a single price, based on the valuation of the assets held by the fund. Each unit will have this price.
- Sales prices are generally lower than purchase prices so a switch from a purchase price to a sales price will result in a lower unit price. Conversely, a switch from a sales price to a purchase price will result in a higher unit price.

In both cases the movement in unit price can be significant and will occur immediately.

This is known as a “single swinging price”. It is done to protect the interests of those customers who remain in the fund and means that

Further information continued

the costs of buying and selling assets are borne by those customers who are trading in and out of the fund. The difference between the purchase and sales price reflects these costs which tend to be largest for funds investing in property, smaller companies and developing markets. The costs can include stockbroker commission and withholding taxes (such as stamp duty in the UK) and are outside Prudential's control.

It also means that, whenever you switch funds, there may be an investment cost to you if you switch from a fund where the sales price applies that day to a fund where the purchase price applies on the day the switch is completed.



Changes to our funds

We reserve the right to make changes at any time to the funds we make available, subject to certain restrictions. We might also introduce new funds. To find out about changes to our range of funds, please go to pru.co.uk/cpfundupdates

If you want to contact us then visit pru.co.uk/contact-us for information on how to do so.



You can change your funds

You can switch your money between funds at any time. We won't charge you for this though, as noted earlier, there is a risk to you as the prices of units can go up or down during the lead-time involved in making those prices available. If this changes in the future we will let you know.



The Financial Services Compensation Scheme

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 pension is protected up to 100% of the value of your claim.
- Any funds you choose to hold in your pension 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 Fund or Deposit Fund (if an option for your scheme) in your pension, 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.

Note about the Financial Times Stock Exchange (FTSE)

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Glossary – a high level guide to some useful investment terms you may wish to read

It's not meant to cover every term you may come across. Please speak to a financial adviser if you need help or want to know more about terms used around investments.

Bonds (and Fixed Interest Securities)

All bonds are really just IOUs that promise 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 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).

Custodian

A, normally large and reputable, financial institution that holds customers' securities for safekeeping in order to minimise the risk of their theft or loss. A custodian holds securities and other assets in electronic or physical form.

Depository

A depository can be appointed to a fund to safe keep the assets of the fund (whether by taking them into custody, or record-keeping and verifying title of them) and oversee the affairs of the fund to ensure that it complies with obligations outlined in relevant laws and the fund's constitutional documents.

Deposits

Money that is placed with banks, building societies and other organisations to earn interest. Deposits can be considered to be minimal risk, but there are exceptional circumstances where they can fall in value.

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. Shares have two potential benefits. Firstly, the share price moves as the value of the company changes. Also regular payments, called dividends, may be made to the owners of the share. These are based on how well the company is doing.

Glossary continued

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.

Investments in cash or cash-like funds could potentially 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 or cash-like fund over time.

Multi-Asset

A fund that invests in a range of assets, such as equities, bonds, property and alternative assets, is known as a Multi-Asset fund.

By investing in a range of assets the fund is not relying on the performance of assets of the same type. This helps to give diversification of risk.

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.

Property

Investment in commercial property (such as retail, office and industrial properties). This can be done either by investing directly (eg owning physical property) or indirectly (eg owning shares in a property company). The return achieved from investing in property is a combination of rental income and changes in the value of the property, which is generally a matter of a valuer's opinion rather than fact. It should also be noted that property can be difficult to sell, which can delay withdrawing money from a fund that invests in property. Property can be considered to be lower risk than equities, but higher risk than bonds over the long term.

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 largest 350 companies in the FTSE All Share Index.

pru.co.uk

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