

# Your guide to investing in the PruFund Range of Funds



### Important:

This guide covers investment in the PruFund Range of Funds via our International Portfolio Bond – Lives Assured and Capital Redemption.

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

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

## Important Information

Capital Guarantees on PruFund funds are currently unavailable.

## What is the PruFund Range of Funds?

They are a collection of funds available for investment. These are:

- PruFund Cautious Sterling
- Prufund Growth Sterling
- PruFund Risk Managed 1 Sterling
- PruFund Risk Managed 2 Sterling
- PruFund Risk Managed 3 Sterling
- PruFund Risk Managed 4 Sterling
- PruFund Risk Managed 5 Sterling
- PruFund Planet 1 Sterling
- PruFund Planet 2 Sterling
- PruFund Planet 3 Sterling
- PruFund Planet 4 Sterling
- PruFund Planet 5 Sterling

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

The DCPSF invests in a mix of assets such as:

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

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

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

Each PruFund fund has its own investment objective and asset mix. For more information please take a look at our **International Portfolio Bond Fund Guide**.

The value of your investment in the PruFund Range of Funds can go down as well as up and you may get back less than what you put in.

What you get back will depend on:

- the value of the underlying fund assets,
- the Expected Growth Rates as set by the Directors of PAC,
- our charges and costs,
- the smoothing process,
- when you take your money out.

# How do these funds work?

When you make an investment into one of these funds, your money is used to buy units in the fund. The Prudential Assurance Company sets the price of units on a daily basis.

With a typical Unit-Linked Fund, the unit price is directly related to the value of the assets held in the fund. This can go down and up on a day to day basis due to market movements, transactions by the fund manager which incur transaction costs and other fund charges, for example, fund administration charges. The assets in the PruFund Funds can go down and up in the same way but The Prudential Assurance Company aims to smooth these out by using a formula to set the unit price.

## The Smoothing Process

The PruFund Range of Funds has an established smoothing process which uses Expected Growth Rates (EGRs) and, where required, Unit Price Adjustments (UPAs), to deliver a smoothed investment journey.

The aim of the smoothing process is to provide you with some protection from the extreme short-term ups and downs of direct investment. The smoothing process sets out an EGR for each PruFund fund and then compares that rate to how each fund is actually performing, making adjustments where necessary.

## The Expected Growth Rate

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

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

They are published every quarter for each product on our website: [www.pru.co.uk](http://www.pru.co.uk).

The PruFund Quarter Dates are:

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

or the next working day if the Quarter Date is a weekend or a UK bank holiday.

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

## Unit Price Adjustment (UPA)

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

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

For more information on monitoring the unit price on a daily and monthly basis, please look to '**Your With-Profits Bond – a guide to how we manage the Fund**', on [www.pru.co.uk](http://www.pru.co.uk).

## The Holding Account

- Every time you invest in the PruFund Range of Funds, your money will buy units in the corresponding "holding account" before we move it into your chosen fund(s) on the next PruFund Investment Date.

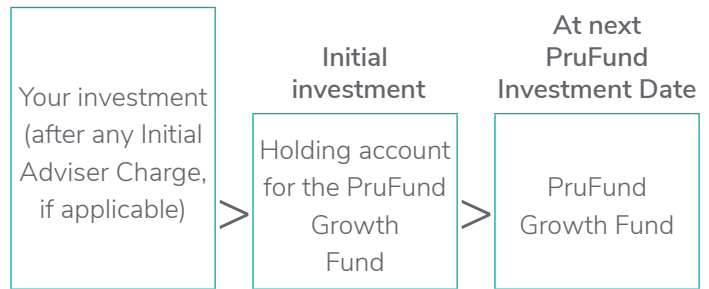
There is an associated holding account for each fund in the PruFund Range of Funds.

Please note that any units bought on a PruFund Investment Date will be switched on that same day.

The PruFund Investment Date will be the 25th of each month or the next working day if the 25th falls on a weekend or a UK bank holiday.

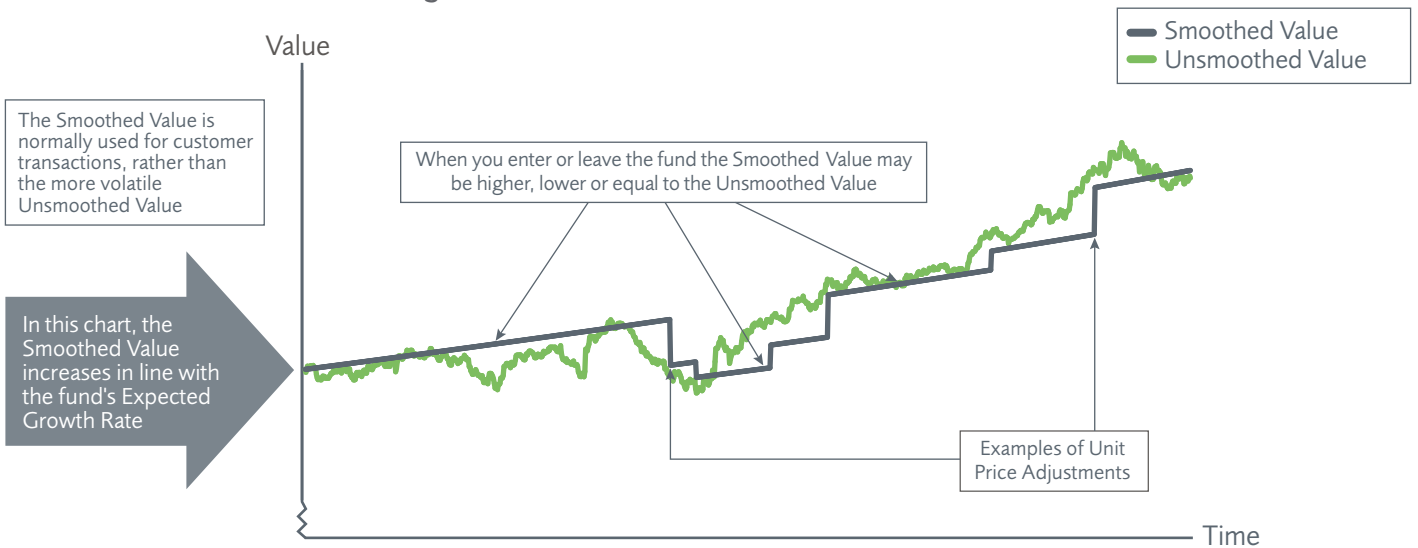
- While your money is in a holding account it'll grow in line with the Expected Growth Rate for the fund you've chosen. Charges will apply as normal during this period, but any Unit Price Adjustments, Unit Price Resets, or suspension of smoothing won't apply.
- At the next PruFund Investment Date, your money will be transferred from that holding account to your chosen PruFund Fund. Your holding account buys units in your chosen PruFund Fund at the price that applies on that day.

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



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

**The chart shows how smoothing can work.**



This is for illustrative purposes only – it's not representative of any particular time period or investment performance. Its only aim is to explain how smoothing works.

**Unit Price Reset**

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

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

**Suspension of smoothing**

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

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

# What affects the returns on the PruFund Range of Funds?

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

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

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

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

Charges will also have an effect on returns. You can find more details of all of the charges and costs in your **Key Features Document** and the relevant **PruFund Investment Option Documents**.

## What if I decide to take my money out?

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

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

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

We will carry out your switching instructions as follows.

1. Any switches out of a fund not in the PruFund Range of Funds will be done first, on Day 1. The proceeds will be invested into your new choice of funds in the proportions you have asked for.
2. As switches from funds in the PruFund Range of Funds are subject to the 28-day waiting period, these will be done at the end of the 28-day waiting period. The proceeds will “top up” the investments already made under step 1.

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

You can only make a switch involving the PruFund Range of Funds once in any 3 month period.

# Get in touch

We are always here to help you when you need it:



Write to us: **Prudential International**  
**PO Box 5177**  
**WORTHING**  
**BN11 9HJ.**



Give us a ring: **0345 528 0655** or from overseas **+44 131 608 1767**  
We might record your call for training and quality purposes.

If you would like the **Contract Conditions and Important Information Booklet** for this product please let us know.

[www.pru.co.uk/international](http://www.pru.co.uk/international)

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