

Prudential Assurance Company

How we manage your money



For Conventional With-Profits policies, Accumulating With-Profits policies, With-Profits Annuities, PruFund Growth, PruFund Cautious, and the Risk Managed PruFund range of funds



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Summary

We understand that your time is valuable. That's why we've also created this summary that covers the key points from this Report, so you can stay informed without taking too much time out of your day.

This Report is about our With-Profits Fund and focuses on the with-profits policies that make up the vast majority of the Fund. This includes the PruFund range of funds (but excluding the PruFund Planet range in this Report) our Conventional and Accumulating With-Profits policies, and our With-Profits Annuities.

We've provided information about your investments, which hopefully you'll find interesting. Our aim is to help you keep up to date, and to give you an overview of how we manage your money, including general fund performance.

Our purpose is to give our clients real confidence to put their money to work.

5 key things you need to know

For more information on the below, please see the corresponding page numbers.

1. The Prudential With-Profits Fund is the largest of its kind in the UK – page 4
2. You have invested in a policy which is pooled together with other investors in our With-Profits Fund. This invests in a very wide range of different types of investments, all over the world, which means that your eggs aren't all in one basket – page 5
3. The funds aim to grow your money while smoothing some of the short-term ups and downs of investment markets – page 9
4. We invest for the long-term across our With-Profits Fund; please see an illustrative example of just one fund's performance – pages 10 and 11
5. We manage your money responsibly and one of the ways we provide evidence for this is by following The UK Stewardship Code 2020 from the Financial Reporting Council, and producing a Stewardship Report each year – pages 13 and 14.

You don't need to do anything from reading this report. It's just for information only.

Hold another With-Profits policy?

For our offshore policies in Euro or Dollar, the content of this Report is applicable to you.

If your policy is already invested in one of our PruFund Planet Funds, we've developed a Report specifically about these as they have a different investment focus. You can find it [here](#)

We're sharing this information with you entirely for your background knowledge and interest. We've developed the content following research with some of our clients and advisers who said they wanted to know more about the general performance of the funds and more about where their money is invested.

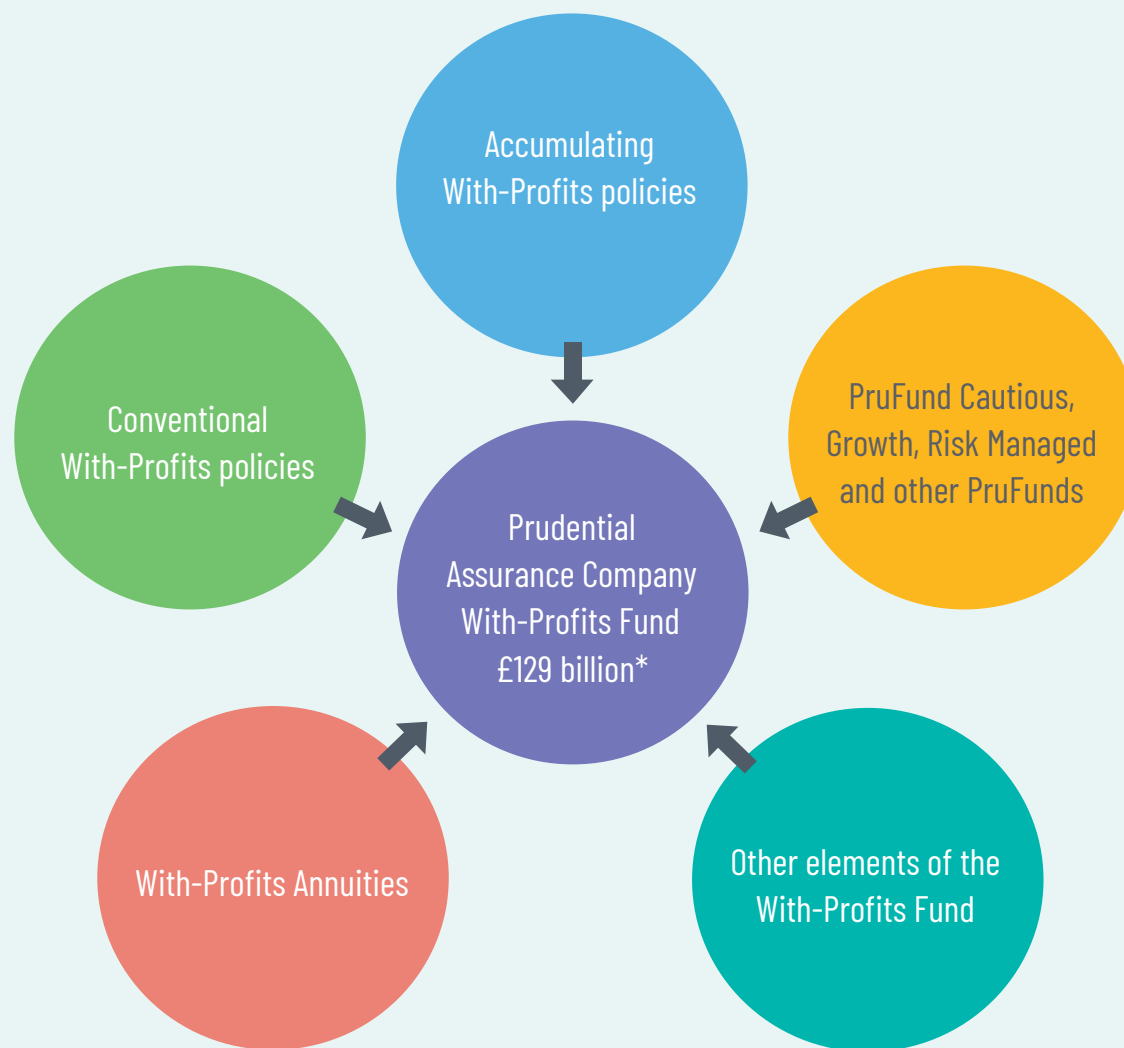
Where is my money invested?

This Report focuses on our With-Profits Fund and focuses on the With-Profits policies that make up the vast majority of the Fund. This includes the PruFund range of funds (but excluding the PruFund Planet range in this Report) our Conventional and Accumulating With-Profits policies, and our With-Profits Annuities.

Through your investment, your money is pooled together with other investors in our Prudential With-Profits Fund, which is the largest of its kind in the UK with a total of over £129 billion invested*.

Please see the graphic to the right showing in simple terms how the different funds and products all relate to the With-Profits Fund.

Pooling of the different policies in the Prudential With-Profits Fund



* Source: M&G plc as at 31 December 2023.

Overview of investing

Our With-Profits Fund invests in a wide range of different types of investments, also known as assets. If you're already familiar with the types of assets you're invested in, you can skip this section.

What are the types of assets?

As a reminder, there are broad types of investments, or assets, which when grouped together are known as asset classes. We've provided an explanation on the right as this will help with understanding the performance of the fund in other sections of this Report. Please see the graphic opposite for a simple explanation of the broad types:

Each one of these asset types has its own level of risk and return and by spreading your investment across different ones, it can help to reduce some of the short-term ups and downs you could get when investing in just a single type of asset.

Asset classes



Shares/ Public Equity

Also known as equity, equities, or shares, these represent a share of ownership in a company that is listed on a public stock exchange



Real Estate

Also known as property and could be investment into commercial real estate, such as offices or shopping centres or residential real estate such as student accommodation



Bonds/ Fixed Income

Also known as fixed interest or bonds. These are loans made to a company or government in return for interest payments and generally carry lower risk than equities



Alternatives

These include investment into private equity (shares/companies that are not listed on public stock exchanges), Infrastructure (e.g. exposure to sources of renewable energy, roads or telecommunications) or Private High Yield (funding to privately-owned businesses which are often smaller early-stage companies)



Other Strategies

This includes what's known as Tactical Asset Allocation (TAA) which is investment with the aim of taking advantage of shorter-term market trends or economic conditions.

Other Strategies also includes exposure to what we refer to as 'Other Factors' and currently includes investment into Hedge Funds which can employ various different strategies



Cash

The fund will also have exposure to cash

Where is your money invested?

The With-Profits Fund offers the benefits of being a large fund with a broad range of assets, including all of the main asset classes shown in the graphic above. It is able to access some alternative investments mentioned above, which may not normally be accessible to individual investors.

Examples of how we invest your money

Of the many investments held within the With-Profits Fund, we've shown below just a small number of examples for the main asset classes to help bring to life the kinds of investments your money could be invested in.

A small number of examples of the kinds of investments included in the With-Profits Fund



Two examples of shares /public equity:

- (1) **AstraZeneca plc:** a British-Swedish multinational pharmaceutical and biotechnology company which has a portfolio of products for major diseases and was involved in developing the Covid-19 vaccine, which is where you may have heard their name.
- (2) **Nvidia Corporation:** an American multinational corporation and technology company that's a dominant supplier of artificial intelligence hardware and software and supplies computer graphics processing units for data science and high-performance computing.



Two examples of real estate:

- (1) **40 Leadenhall:** a 900,000 sq. ft. landmark office building in prime Central London. Acquired as a development opportunity in 2019, now completed, and has attracted strong demand from tenants. This highlights a continued need for high quality, modern offices, in good locations.
- (2) **Place Rio de Janeiro:** Prime boutique office building in the sought after Parisian central business district. Fully let to 5 tenants including legal, investment and private equity firms. This asset is part of the M&G European Property Fund that the With Profits Fund invests in.

Continued on next page...

Examples of how we invest your money (continued)



Two examples of bonds /fixed income:

- (1) **United States Treasuries:** debt issued by the US Government that pay interest twice a year.
- (2) **JPMorgan Chase & Co – Corporate Bond:** JPMorgan is an American multinational financial services firm, the largest bank in the US, and the world's largest bank by market capitalisation or 'market-cap', which is simply a measure that shows how much a company is worth. Companies repay bonds at a fixed interest rate over a given time period.



Two examples of alternatives:

- (1) **Sun King** is one of the world's leading off-grid solar energy companies. They have 100 million product users based in 65 countries around the world. They design, distribute, install, and finance solar energy solutions for those who cannot access or afford traditional electrical grid connections.
- (2) **Campos Borquez:** a leading regenerative producer of organic vegetables and fruits in Mexico. The company has expanded operations from grapes and asparagus to avocados and mangoes. They were elected global supplier of the year in 2022 by Whole Foods Markets – the world's leading natural and organic foods retailer.



Cash

A small percentage of the With-Profits Fund is held in cash. This is readily available money, meaning the Fund is well placed to take advantage of potential investment opportunities.

The above are just a small number of examples of With-Profits Fund investments in the asset classes. Our size also means we can take advantage of some good long-term opportunities that individual investors may not be able to.

For those that like more detail, you'll find more information about the types of assets we invest in, including how they are spread globally, in the Appendix on page 18.

We've talked about where your money is invested and now we'll move on to the overall performance.

Just to note, we won't be sharing with you detail on how your individual policy, plan or investment has performed, but you can find out below where you can learn more about your own policy.



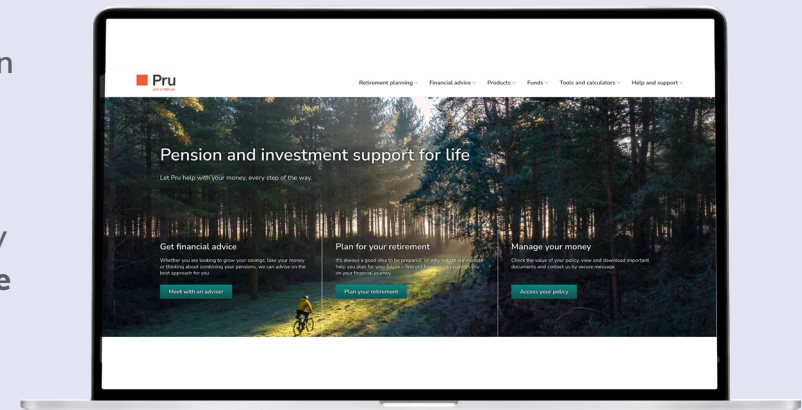
How do I know where my policy is invested?

You don't need to take any action when reading this Report; this information is for your interest only.

But if you're unsure which fund your policy is invested in or want more information on your personal policy, there are several ways you can find out:



- a) You can contact your adviser, if you have one
- b) If you'd like information about your policy, or you don't have an adviser, you can find out directly by:
 - 1) looking at your policy annual statement
 - 2) going to pru.co.uk where you can log in and see your policy if you're registered; or to register for our online service [here](#)
 - 3) you can also find useful contact information on pru.co.uk [here](#)
- c) To find a financial adviser, you can go to unbiased.co.uk



Overall performance of our With-Profits Fund

In this section, we'll cover some key elements that impact performance, and give you an example of the performance of one of our policy types over 10 years.

Smoothing

Coupled with this broad spread of investments described above, our With-Profits Fund aims to smooth some of the short-term ups and downs of investment markets by using what we call 'smoothing'. This smoothing directly affects the investment performance of your policy. The different policy types within the With-Profits Fund do this in a slightly different way.

- **Smoothing in the With-Profits Fund (excluding PruFund range of funds)**

- The With-Profits Fund aims to smooth some of the ups and downs of short-term investment performance in order to provide a more stable return. We do this by holding back some of the investment returns in good years with the aim of using this to support bonus rates in the years where the investment returns have been lower. It offers some protection against poor investment market conditions but it won't stop the value of your plan going down if investment returns have been low. Your plan value depends on how much profit the fund makes and how it's shared out as bonuses

- **Smoothing in the PruFund range of funds**

- For clients invested in the PruFund range of funds, these Funds aim to grow your money over the medium to long term (5 to 10 years or more), while smoothing some of the short term ups and downs of investment markets. We do this by using an established smoothing mechanism. You can find out more detail in **A step-by-step guide to the PruFund smoothing process**

An illustrative example of just one funds' performance

To demonstrate the effect asset allocation has on performance, we've provided an example of the largest fund, in terms of money invested in the With-Profits Fund, PruFund Growth.

It's important to note, we're not providing detail on how your particular policy has performed, we're just using one example **for illustrative purposes only**.

If you want to know more about your individual policy's performance, please visit pru.co.uk or speak to your adviser.

What you could take from this illustrative example

- ✔ This is just a general overview of how one of the many policy types in our With-Profits Fund has performed over time.
- ✔ The illustrative example simply shows how PruFund Growth has performed alongside the ABI Life Mixed Investment 20-60% which reflects unsmoothed performance. Smoothing helps reduce the variation in the returns over the period shown.

	Year on year fund performance									
	25.11.14 to 25.11.15	25.11.15 to 25.11.16	25.11.16 to 25.11.17	25.11.17 to 25.11.18	25.11.18 to 25.11.19	25.11.19 to 25.11.20	25.11.20 to 25.11.21	25.11.21 to 25.11.22	25.11.22 to 25.11.23	25.11.23 to 25.11.24
ABI Mixed Investment 20 60% Shares	0.73	6.74	6.86	-2.73	6.23	0.78	7.25	-8.21	0.80	8.63
PruFund Growth Fund	8.12	4.93	7.67	4.40	4.39	0.24	13.17	5.59	-0.06	6.57

	Average yearly fund performance			
	1 year to 25.11.24	3 years to 25.11.24	5 years to 25.11.24	10 years to 25.11.24
ABI Mixed Investment 20 60% Shares	8.63	0.18	1.67	2.58
PruFund Growth Fund	6.57	3.99	4.99	5.44

What you shouldn't take from this illustrative example

- ✗ This is not a representation of the performance of the overall With-Profit Fund
- ✗ This doesn't illustrate how smoothing would look for all funds
- ✗ Even if your individual policy were invested in the PruFund Growth Fund, this illustrative example wouldn't give you a true representation of your individual policy's performance because when you started it, what charges are applied, the kind of investment included in the fund and the smoothing mechanism used, and many other factors will affect this
- ✗ Although PruFund Growth Fund is one of the larger funds in the With-Profits Fund measured by size of assets invested, it isn't the biggest by numbers of customers.

The illustrative example in the tables below left:

- We've compared PruFund Growth Fund to the performance of the Association of British Insurers (ABI) Life Mixed Investment 20%-60% Fund: one of the investment fund sectors maintained by the ABI, a trade body that represents the insurance industry. It maintains ranges of investment fund sectors to help comparisons between similar funds.
- We've chosen this for the comparison as we believe it is the closest comparable index for PruFund Growth
- The period covered by the illustrative example is 10 years, 25.11.2014 to 25.11.2024

You'll see in the tables below that returns for some years are negative due to the difficult investment environment, with high inflation and increases in interest rates.

Source: FE fundinfo 25/11/2014 to 24/11/2024. The figures are intended only to demonstrate performance history of the fund over the period shown. The PruFund Growth Fund includes excess surplus distributions, a representative fund charge of 0.65% pa and any further costs. It takes no account of product or advice charges. The application of charges and further costs will reduce the overall performance. Please note that our charges and any further costs may vary in the future and may be higher than they are now. Fund performance is based upon the movement of the daily price and is shown as total return in Pounds Sterling with net income reinvested.

It's important to note that the value of your investment can go down as well as up so you might not get back the amount you put in. We can't predict the future, past performance isn't a guide to future performance.

If you wish to know more about the performance of the fund invested in, or of your individual policy please contact your adviser.

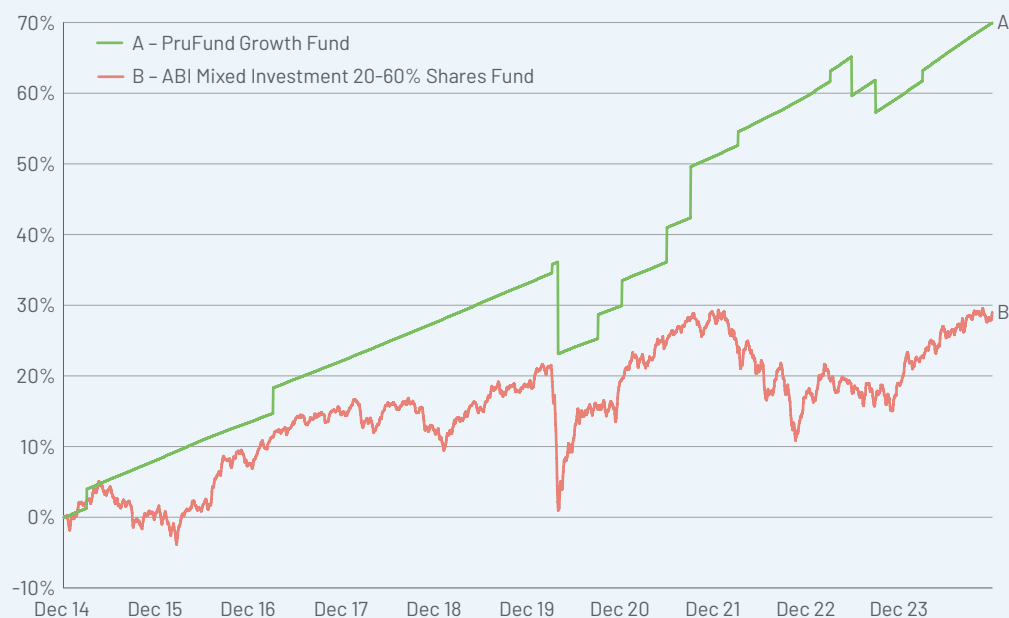
An illustrative example of PruFund Growth performance – (continued)

For those who prefer graphs, the one below demonstrates the effect asset allocation has on performance. We've provided the same example, PruFund Growth.

It's important to note, we're not providing detail on how your particular policy or fund has performed, we're just using one example for illustrative purposes only. If you want to know more about your individual policy's performance, please visit pru.co.uk or speak to your adviser.

What you could take from this illustrative example

- ✓ This is just a general overview of how just one of the many policy types in our With-Profits Fund has performed over time.
- ✓ The illustrative example simply shows how one smoothed fund has performed: PruFund Growth has performed, alongside the ABI Life Mixed Investment 20-60% which reflects unsmoothed performance. Smoothing helps reduce the variation in the returns over the period shown.



What you shouldn't take from this illustrative example

- ✗ This is not a representation of the performance of the overall With-Profit Fund, just one fund within it
- ✗ This doesn't illustrate how smoothing would look for all funds within the With-Profits Fund
- ✗ Even if your individual policy were invested in the PruFund Growth Fund, this illustrative example wouldn't give you a true representation of your individual policy's performance because when you started it invested, what charges are applied, the kind of investment included in the fund and the smoothing mechanism used, and many other factors will affect this
- ✗ Although PruFund Growth Fund is one of the larger funds in the With-Profits Fund measured by size of assets invested, it isn't the biggest by numbers of customers

The illustrative example in the graph below left:

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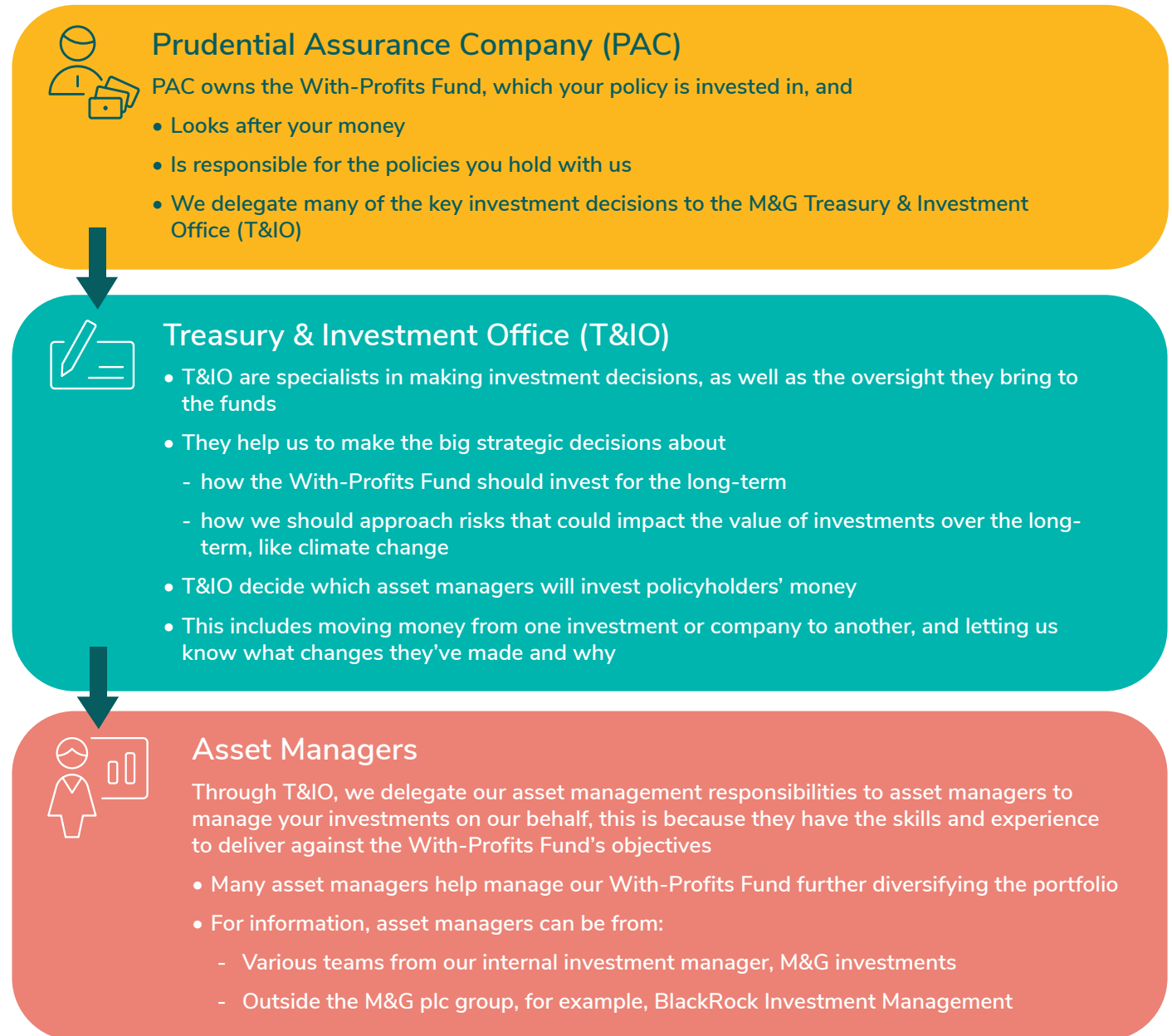
If you wish to know more about the performance of the fund invested in, or of your individual policy please contact your adviser.

Who is managing your money?

You're probably aware of Pru, we've been around for over 170 years. In 2019, we became part of the M&G plc group of companies. One of the companies that makes up M&G plc is Prudential Assurance Company (PAC).

As you would expect, there are many people working on your behalf to manage your investment across the company.

In the graphic below we show you a simplified overview of who is managing your money in PAC.



So far, we've covered where your money is invested, what impacts performance and now we'll cover how we invest your money.

What is our investment approach and what does it mean for you?

Our approach to investing your money includes careful consideration of all aspects of investing, from how we choose where to invest (known as asset allocation) through to the oversight of the people and companies investing the money for us.

We aim to be transparent on how we manage your money, which is another reason why we are providing you with this With-Profits Fund money management Report.

As part of this transparency we also produce the PAC Stewardship Report.

Stewardship (our responsible investing approach)

The Financial Reporting Council defines stewardship as “the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society”. In a nutshell, all this means is stewardship is about taking a responsible approach when investing clients' money.

In the context of the PAC Stewardship Report, stewardship means we take a responsible approach when we invest your money, from deciding where to invest through to the ongoing management of investment.

The PAC Stewardship Report

In 2021, the Financial Reporting Council (FRC) launched the UK Stewardship Code 2020, and each year since 2021, we've produced the PAC Stewardship Report and achieved signatory status to the FRC's Code. The PAC Stewardship Report shows how we continue to enhance our stewardship practices in line with the Code.

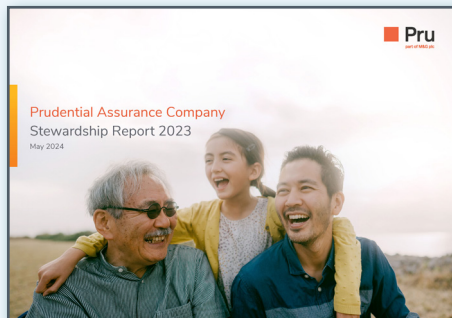
The FRC is an independent body and following the Code is voluntary. It has 12 guiding Principles which look to drive better stewardship outcomes across financial services for investors; including safeguarding the interests of policyholders.

What you'll find inside the PAC Stewardship Report

The Stewardship Report provides a very detailed view of how we're managing your investments, and includes lots of interesting case studies on the different areas and companies we are investing in.

You can read the full Report below. It's a big Report as we need to ensure we cover all the areas the FRC need, to maintain our signatory status to the Code against the 12 Principles.

Read the full PAC Stewardship Report



Short on time?

However, we understand that your time is valuable. So that's why we've created an Executive Summary, a 15-minute read that covers all the key points from the full Report, so you can stay informed without taking too much time out of your day.

Get the highlights in the Executive Summary



Why Environmental, Social and Governance factors could be considered

When investing your money, we seek to maintain the performance of the With-Profits Fund as priority as part of our duty to policyholders. This might include considering Environment, Social and Governance (ESG) factors while we continue to deliver on the objectives of the Fund.

M&G plc's sustainability priorities are set out annually in the **M&G plc Annual Report and Accounts**. The policies you're invested in follow and align with these priorities.

At PAC, we also set out Environmental, Social and Governance (ESG) priorities by issuing an ESG letter to all asset managers each year.

Our ESG Investment Policy

You can find out more about our approach to investing in the PAC ESG Investment Policy which helps make sure our decisions and behaviours are consistent with our values of care and integrity, and our corporate sustainability priorities. You can find the full policy [here](#)

Independent ratings

You can rest assured that independent assessments conducted each year confirm that we continue to be a financially strong company, giving you further assurance that your money is in the right hands.

- The Prudential With-Profits Fund, as at December 2023, has a 5/5 rating for financial strength from AKG Financial Analytics Ltd, who are specialists in providing independent with-profits ratings. This is the highest rating that AKG provide.
- The Prudential Assurance Company Limited is rated A+ for financial strength by Standard & Poor's, as at July 2024.

We can't predict the future, past performance isn't a guide to future performance.

Conclusion

We hope you've found this Report interesting and that it has given you some insights into your investments with us.

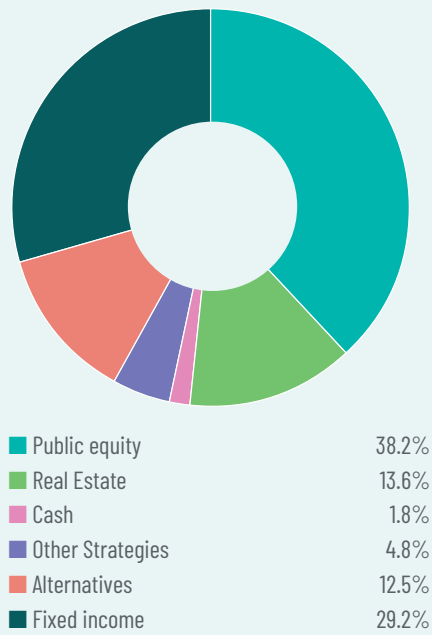
We hope also that this Report has also helped to give you confidence that we are putting your money to work responsibly. You can find out more about this **here**

PruFund Growth

For PruFund Growth, Conventional With-Profits policies, Accumulating With-Profits policies and With-Profits Annuities

The chart below shows the types of assets in which your policy is invested. You'll see more of your policy is invested in public equity, fixed income and real estate (property). This aligns with the funds' objectives for the percentages of investments it can include.

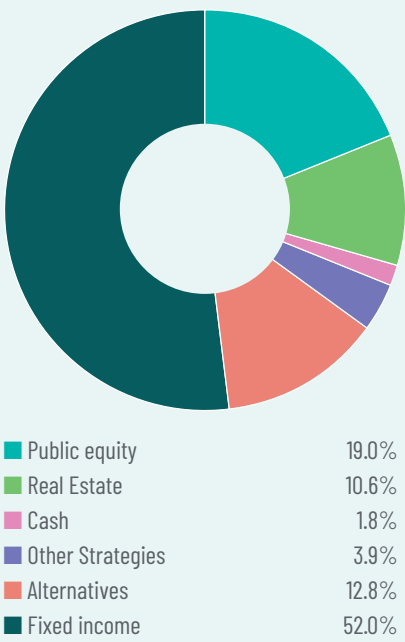
What assets your investments are in:



PruFund Cautious

You'll see more of your policy is invested in fixed income, shares (shown below as public equity) and alternatives. This aligns with the fund's objectives with the percentage of investments it can include.

What assets your investments are in:



Asset allocations are regularly reviewed by the M&G Treasury & Investment Office and may vary from time to time, but will always be consistent with the fund's objective.

Source: M&G Treasury & Investment Office, data as at 30th June 2024

Risk Managed PruFund range of funds

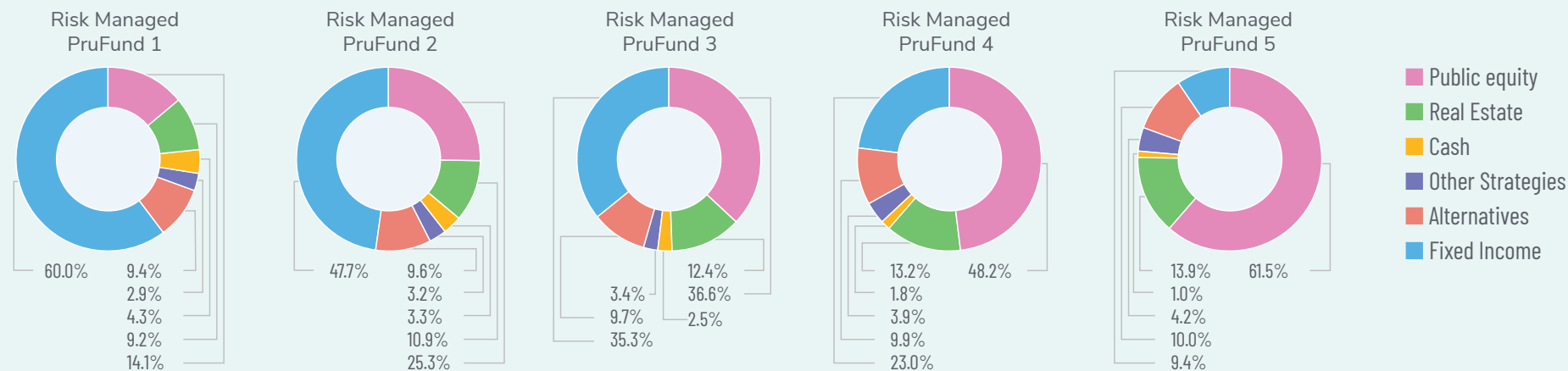
You'll see below that each of the five funds in the Risk Managed PruFund range have slightly different investments mixes. This allows us to offer investors funds with a range of different levels of risk and potential reward.

How this works is simply that some investments can be riskier but potentially offer higher rewards, so the funds with a higher risk rating would invest in more of those assets, such as equities or shares.

Whereas for funds that are at the lower end of the risk rating, we'd invest more in the potentially lower risk assets like fixed income.

You'll have agreed with your adviser which one of these funds best meets your needs.

What assets your investments are in:



Asset allocations are regularly reviewed by the M&G Treasury & Investment Office and may vary from time to time, but will always be consistent with the individual Fund's objective.

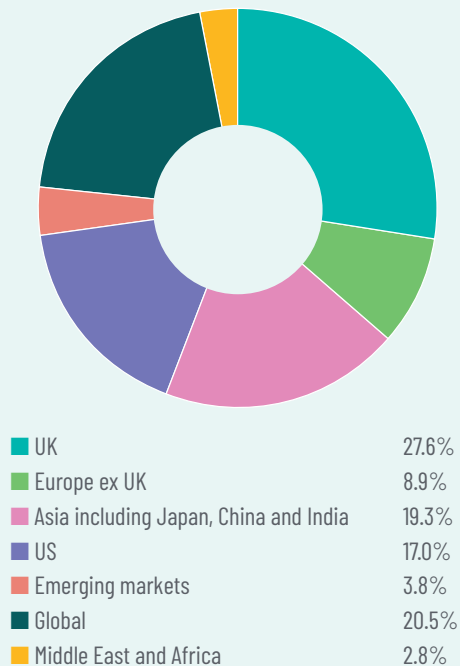
Source: M&G Treasury & Investment Office, data as at 30th June 2024.

Where in the world your investments are

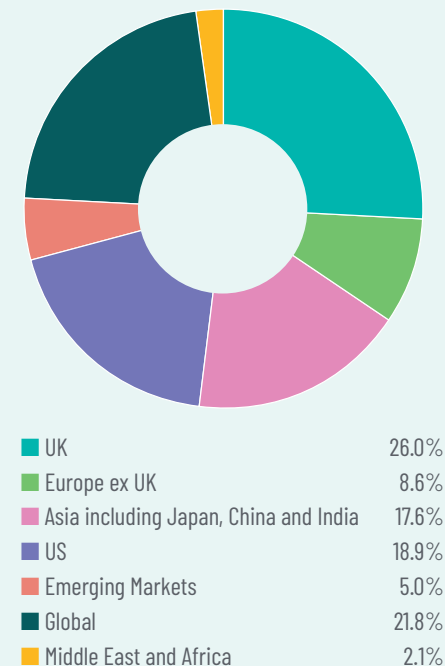
Spreading investments across different areas of the world is a bit like spreading your investments across lots of different asset types. Because of the size and scale of the With-Profits Fund, it spreads your investments across many different countries and regions. This is a further way of spreading the risks, for example, limiting exposure to unstable economies as well increasing opportunities for potential rewards when economies are doing well.

The graphs below shows some general examples of where in the world your money is invested:

PruFund Growth, Conventional With-Profits policies and Accumulating With-Profits policies



PruFund Cautious

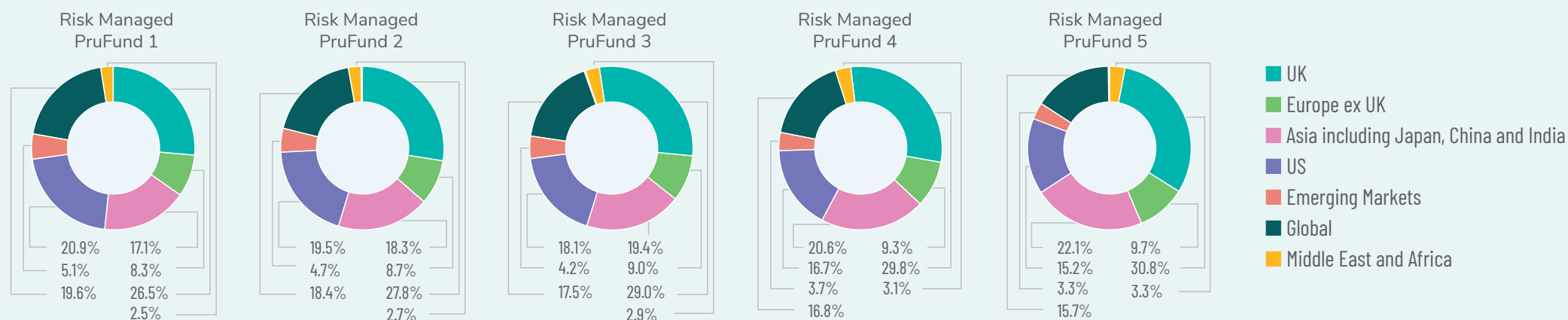


This broad mix focuses on countries that meet the objectives of the fund in which your policy is invested. Asset allocations are regularly reviewed by the M&G Treasury & Investment Office and may vary from time to time, but will always be consistent with the fund's objective.

Source: M&G Treasury & Investment Office, data as at 30th June 2024.

Risk Managed PruFund range of funds

Where in the world your investments are:



In summary the amount invested in different countries depends on the risk level of your fund.

Asset allocations are regularly reviewed by the M&G Treasury & Investment Office and may vary from time to time, but will always be consistent with the fund's objective.

Source: M&G Treasury & Investment Office, data as at 30th June 2024.

The value of your investment can go down as well as up so you might not get back the amount you put in.



You can find out more detail by going to:

With-Profits Fund Factsheet

Investment reports for

- PruFund Growth
- PruFund Cautious
- Risk Managed PruFund

pru.co.uk

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