

# Understanding PruFund cost and charges information

We have produced this guide to help you understand the costs and charges for the PruFund range of funds that are included in our illustrations. This guide shows high level information and is not designed to provide full details of the mechanics of how the PruFund range of funds work. **See the PruFund range of funds webpage** for more information on PruFund Funds including the full explanation of the smoothing process.

PruFund has an established smoothing mechanism that aims to reduce the impact of these movements over the short term, using Expected Growth Rates (EGRs) and where required, Unit Price Adjustments (UPAs), to deliver a smoothed investment journey. Each PruFund has its own Expected Growth Rate (EGR), and your client's investment will grow daily by the relevant EGR through an increase in

the price of the units they hold (known as the smoothed price). The Smoothed price may also be impacted by the Annual Management Charge (AMC), which you may also see referred to as the Yearly Charge and potentially a Product Wrapper Charge. The table below (Table 1) sets out these differences.

Product wrapper	Fund Series	Impact on Smoothed Price
Retirement Account	Series D & E	<ul style="list-style-type: none"> <li>The AMC is taken from within the fund so is accounted for in the disclosed smoothed price. The smoothed price already accounts for investment related costs, for example Further Costs and Transaction Costs</li> </ul>
International Portfolio Bond	Series C	
Prudential ISA	ISA	<ul style="list-style-type: none"> <li>The AMC is not taken from within the fund so the disclosed smoothed price will reflect the full disclosed EGR for the PruFund series and the product wrapper in which the fund is held</li> <li>The AMC, which for these products is a bundled charge that incorporates the product wrapper administration costs, is deducted through a cancellation of units from the PruFund fund from within the relevant product wrapper</li> </ul>
Prudential Investment Plan	Series 2	
Trustee Investment Plan	Series A	
Prudential International Investment Bond	Series B	<ul style="list-style-type: none"> <li>The smoothed price already accounts for investment related costs, for example Further Costs and Transaction Costs</li> </ul>

You can find out more about the smoothing process in our **Step-by-step guide to smoothing**.

## Key features illustrations

When you recommend investment in a PruFund fund within one of the product wrappers shown in Table 1, you will likely be required to provide your client with a key features illustration.

Personalised illustrations are available for all products listed in Table 1 except the Prudential ISA. However, we do provide a **Generic illustration document** that shows example illustrations for investment in the PruFund Growth Fund within the Prudential ISA based on a range of assumed contribution levels.

Key feature illustrations must be produced in line with the relevant FCA COBS 13 rules, and in terms of investment and product wrapper costs, we include the following (Table 2):

Costs and charges	The illustration must include appropriate charges <b>information, which include:</b>			
	Product wrapper	AMC / Yearly charge	Further costs	Product wrapper cost
	Retirement Account and International Portfolio Bond	Yes	Yes	Yes
Prudential ISA, Prudential Investment Plan, Trustee Investment Plan and Prudential International Investment Bond	Yes	Yes	N/A	

  

Standardised deterministic illustration	<p>Must be produced in accordance with the assumptions contained in COBS 13 Annex 2 providing a projection of benefits at the lower, intermediate and higher rates of return, and which for a pension illustration must be shown in real terms accounting for inflation at the rate shown in COBS 13 Annex 2.</p> <p>The intermediate rate of return:</p> <ul style="list-style-type: none"> <li>• must accurately reflect the investment potential of the investment,</li> <li>• must not exceed maximum rates as shown in COBS 13 Annex 2, and</li> <li>• the lower and higher rates of return must be 3% lower and higher relative to the intermediate rate of return, subject to the maximum rates shown in COBS 13 Annex 2.</li> </ul> <p>For each PruFund fund, we use an intermediate rate of return equal to the fund's relevant EGR, and where appropriate, capped at the maximum rates in accordance with COBS 13 Annex 2 according to the product wrapper the illustration relates to. For the product wrappers detailed in Table 1, the intermediate rates of return are capped at 4.5% for the Prudential Investment Plan and 5.0% for all other product wrappers, with Retirement Account and Trustee Investment Plan reflecting an inflation adjusted rate of 2.94%.</p>
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## Important points to note

As mentioned above, the smoothed price will grow daily by the relevant EGR. The smoothed price already accounts for investment related costs, for example Further Costs and Transaction Costs. These don't need to be added to total costs or deducted from the EGR. As shown in Table 2, we are required to disclose these costs as part the FCA rules.

The following provides an example of an assumed investment of £100,000 in the relevant PruFund Growth Fund (GBP) associated with the product wrappers detailed below. These are for illustrative purposes only to reflect the information shown in the previous sections of this guide and have been produced using charge information on 14 May 2024 which is subject to change, so they shouldn't be compared to the actual illustration produced for individual clients.

Costs and charges	Prudential Retirement Account	International Portfolio Bond	Prudential ISA	Prudential Investment Plan	Trustee Investment Plan	Prudential International Investment Bond
Annual management charge (AMC) <sup>1</sup>	0.76%	0.65%	1.06%	1.31%	1.41%	1.20%
AMC discount / Reward <sup>2</sup>	N/A	N/A	-0.05%	-0.45%	-0.40%	-0.15%
Further costs	0.31%	0.31%	0.31%	0.25%	0.31%	0.31%
Product wrapper costs <sup>3</sup>	0.20%	0.40%	N/A	N/A	N/A	N/A
<b>Total costs<sup>4</sup></b>	<b>1.27%</b>	<b>1.36%</b>	<b>1.32%</b>	<b>1.11%</b>	<b>1.32%</b>	<b>1.36%</b>
<b>Total costs (excluding Further Costs)<sup>5</sup></b>	<b>0.96%</b>	<b>1.05%</b>	<b>1.01%</b>	<b>0.86%</b>	<b>1.01%</b>	<b>1.05%</b>

These charges would produce the following reductions in yield:

Reduction in yield after 10 years	Prudential Retirement Account	International Portfolio Bond	Prudential ISA	Prudential Investment Plan	Trustee Investment Plan	Prudential International Investment Bond
Total costs	1.3%	1.4%	1.4%	1.2%	1.4%	1.4%
Total costs (excluding Further Costs)	1.0%	1.1%	1.1%	0.9%	1.1%	1.1%

1. The AMC shown is the total disclosable AMC for the PruFund Growth Fund (GBP) relevant to the product wrapper, and which is shown on the relevant fund factsheet.
2. This is the yearly discount to the AMC, and for the Prudential International Investment Bond is the Annual Investment Reward, based on the assumed investment amount.
3. The product charge is an explicit charge deducted from the product based on the investment amount used.
4. These are the effective costs that would be included within a key features illustration and reflected in the projected fund at the end of the term in the illustration.
5. These are the effective costs that the customer would see reflected in the overall performance of their PruFund investment, assuming their investment grew in line with the EGR for the full length of the illustration term.

## FAQs

### **Why don't you disclose Transaction Costs in your illustrations?**

Key feature illustrations must be produced in line with the relevant FCA COBS 13 rules, and in terms of investment and product wrapper costs, it does not include Transaction Costs. If your client is investing into our ISA, we have created a calculator which shows the cost and charges disclosure required under MIFID II rules which may help when comparing PruFund ISA with a unit linked or OEIC ISA. Please remember that in the same way as further costs are effectively allowed for in the smoothed price, so are Transaction Costs, so you don't need to add them to the total of all other charges such as AMC or product wrapper charge.

### **Do Further Costs and Transaction Costs vary?**

Further Costs and Transaction Costs are considered variable costs and can vary. They're the estimated or predicted cost and charges associated with an investment. They represent the expected costs based on assumptions and projections, rather than the actual realised costs.

### **Why are reduction in yield figures higher?**

Reduction in yield (RIY) figures are typically higher than the sum of the charges because the RIY calculation accounts for the compounding effect of costs and charges over time on investment growth.