Your guide to

The Risk Managed Passive range

Balancing risk and reward

One of the keys to successful investing is to find the correct balance between potential risk and reward.

The Risk Managed Passive funds are a range of multi-asset, Open Ended Investment Company (OEIC) funds, designed to target different levels of risk, and combine active asset allocation with a predominantly passive fund management approach.

By combining these two approaches, you benefit from specialist investment expertise and cost-effective access to mainstream equity markets.

We'll manage your money to achieve the best return we can for the level of risk you're willing to take.

The WS Prudential Risk Managed Passive fund range might be right for you if:

- you're looking to invest for the medium to long term (5-10 years or more)
- you're looking for investment returns by investing in a mix of assets from around the world and have a risk appetite comparable to the risk profile of the fund you're looking to invest in
- you're comfortable with the short-term ups and downs of financial markets
- you understand that past performance is not a reliable indicator of future performance and that the value of your investment can go down as well as up and you might get back less than you put in

The market context

Keeping all your savings in a deposit account or cash investment can be secure and may be easy to access. However...

Returns can be low

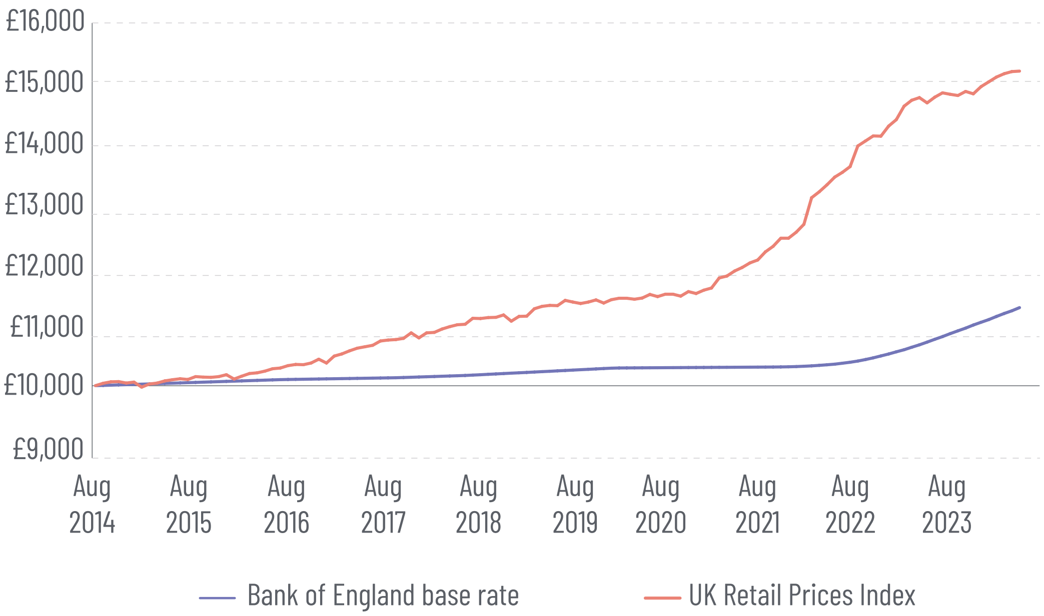
Of course a high interest deposit account or a Cash ISA is a sensible and secure home for what you might call your "ready" or "emergency" cash. For many, the offer of instant access, knowing your capital is secure, or the tax efficiencies of a Cash ISA has great appeal. And it's always a good idea to have a cash safety net to help with any unexpected emergencies. However, over and above this emergency cash, it may not be the most appropriate place for any additional money you may have. Returns, even in so-called high interest accounts, can be low.

Inflation eats away at the buying power

As long as you have enough to cover any unexpected emergencies, it might be timely to look again at whether your money is in the best place. That's because if inflation is higher than your rate of return, it will eat away at the buying power of your money whether in cash-based savings such as deposit accounts or any other type of investment. The overall result is simply that at the end of the investment term, you can buy less with your money than you would have been able to at the beginning.

An example of the effect of inflation on a bank account

Banks and Building Societies use the Bank of England base rate to help set the interest rates they offer customers on their savings accounts. The graph below shows the return on £10,000, using the Bank of England base rate to indicate what's happened to interest rates over time. It also compares interest rates to the effect of inflation (as represented by the UK Retail Prices Index (RPI)). The graph shows the buying power of your money would have been declining during this time.



Source: FE Fundinfo.

The graph shows the gross returns from 31 July 2014 to 31 July 2024.

Past performance is not a reliable indicator of future performance.

The volatility factor

Finding the right balance between risk and potential reward is the key to successful investing.

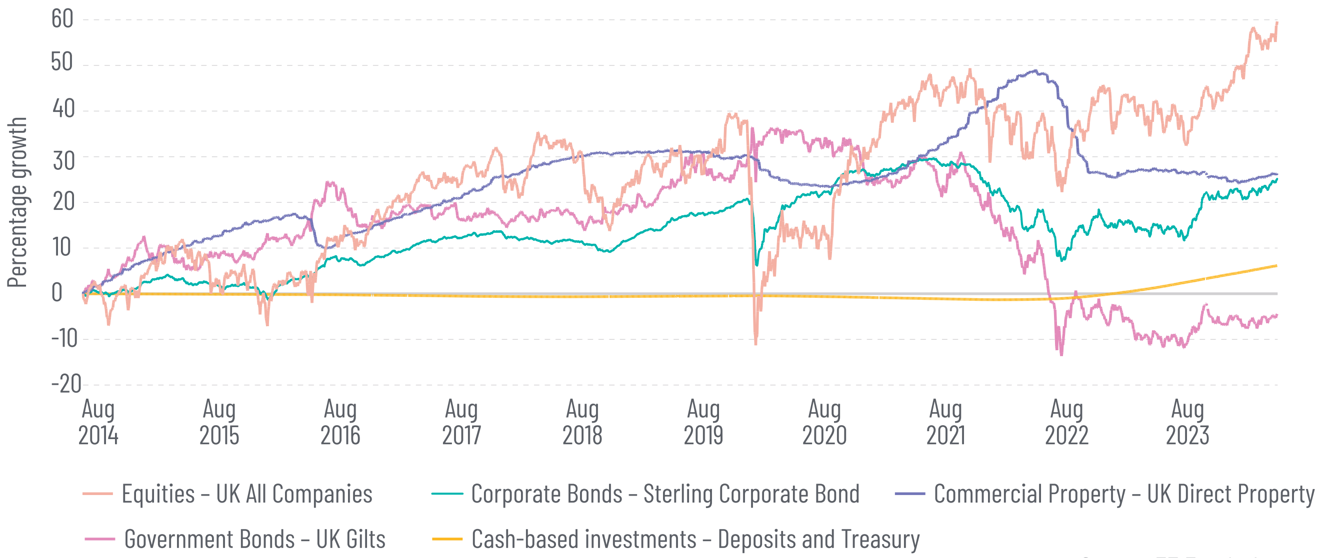
To help decide what's the 'best fit' type of investment for you, it's important to consider the behaviour and volatility of asset classes, over time. For example, if an asset class rises and falls rapidly over the short-term, it's considered to be more volatile.

You may feel that the volatility which can result from investing in a single asset class is unacceptable. But at the same time, you may be looking to achieve returns that offer the potential to outstrip inflation. So spreading your money over a variety of asset classes with the potential to gain some exposure to higher performing assets, without the risks that come from 'putting all your eggs in one basket', or in one asset class, could be an option for you.

Assuming you're willing to accept some degree of risk for your investments and are prepared to invest over the medium to long term (5-10 years or more), we have a range of multi-asset funds that may suit your needs.

The volatility of individual asset classes

This graph shows an example of the volatile behaviours of different asset classes. Those with a higher allocation to shares such as the "ABI UK All Companies" have experienced more volatility.



Source: FE Fundinfo.

Important note. The graph shows gross returns for the sector averages from 31 July 2014 to 31 July 2024, from the Association of British Insurers (ABI) Pensions universe.

Please remember that past performance should not be considered a reliable indicator of future performance.

Multi-Asset explained

A multi-asset fund typically invests in many different types of investments, including UK and international shares (equity), real estate, fixed-interest securities such as government and corporate bonds, cash and other alternative assets such as infrastructure and private equity.

Each type of investment (asset class) has its own level of risk and reward and by spreading your investment across different asset classes, it can help to reduce the extreme ups and downs that you get when investing in a single asset class. This is known as 'asset allocation'.

Where to invest

Different types of assets offer different levels of risk and potential reward so the most appropriate choice of assets for you would be those which are most in line with your attitude to risk and your financial goals.

There are five broad categories of investment, or 'asset classes'.

Shares – also known as equities or stocks, where you buy a 'share' in a company.

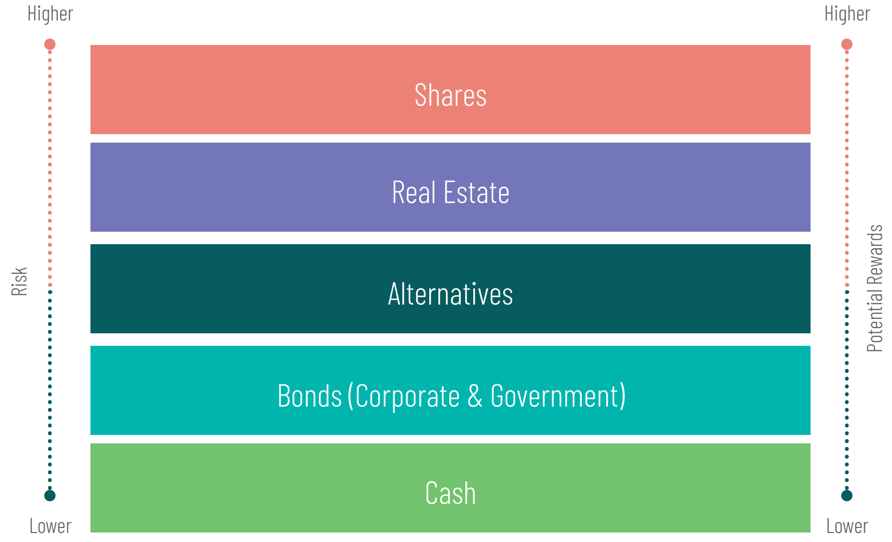
Real estate and infrastructure – property is available in a variety of sectors including retail, office, residential and industrial.

Alternatives – includes exposure to various types of listed alternative assets such as infrastructure and private equity.

Bonds – also known as fixed-interest investments, can be purchased from corporate entities or governments. UK government bonds are referred to as Gilts and US government bonds are referred to as Treasuries.

Cash – includes currency, deposit accounts and negotiable investments, for example, money orders, cheques and bank drafts

The risk and potential rewards of different asset classes



Please note this diagram is only intended to be a general indicator of the relationship between different asset classes in terms of risk and reward and may vary in certain circumstances. It's not intended to show examples of all types of asset classes.

Introducing our Risk Managed Passive range

The Risk Managed Passive funds are a range of multi-asset, Open Ended Investment Company (OEIC) funds, invested across a broad range of asset classes, designed for medium to long-term investment (5-10 years or more).

As passively managed funds, the Risk Managed Passive range – with five funds to choose from – is a lower cost investment option compared to our Active range. Our Risk Managed Passive funds invest in a selected range of asset classes such as company shares (equities), fixed interest bonds and cash – from both the UK and abroad.

By investing in several different types of assets, the fund manager aims to balance the risk that's being taken. So, if one asset is falling in value then another may be increasing. Of course, there could be times when all the assets in the fund are either rising or falling in value depending on market conditions at that time.

Balancing risk and reward

Asset allocation is an investment approach that aims to balance risk and create diversification, by dividing investments across a range of asset classes, like those described above, and other investment types.

Each asset class has different levels of risk and reward so will behave differently over time. A diversified portfolio that includes higher-risk investments such as equities as well as lower-risk investments such as bonds, should help to manage and lower your risk, for example, if the value of equities falls significantly, the fixed interest from your bonds may still help provide some balance and stability.

Passive management explained

Passive management (also called passive investing) is an investing strategy that tracks a market-weighted index or portfolio. Passive management is most common in the equity market, where index funds track a stock market index, but it's becoming more common in other investment types, such as bonds.

OEICs explained

An Open-Ended Investment Company (OEIC) is a collective investment scheme, or managed fund, in which the money of many investors is pooled together and managed by a professional fund manager. Instead of buying individual investments, this can be an easier and more cost-effective way to invest in the markets across different asset classes, it can also help to reduce the extreme ups and downs that you get when investing in a single asset class.

You'll find more information on any highlighted terms, on page 14.

An important point to remember is that the value of your investment can go down as well as up and you may not get back the amount you put in.

Our risk profiles

Our Risk Managed Passive range gives access to a choice of five risk-managed multi-asset funds, each with its own risk profile and which invest at least 70% in passive collective investment schemes (e.g funds which track an index).

These funds are invested in a mix of assets with the aim to limit volatility and can be matched to your own attitude to risk.

The numbering of the funds i.e. Prudential Risk Managed Passive 1 fund, up to Prudential Risk Managed Passive 5 fund, indicates the increasing level of investment risk – with 1 low and 5 high – and the higher level of investment risk, the greater the potential return.

Our investment approach

In addition to targeting different levels of risk, our Risk Managed Passive range combines active asset allocation with a passive fund management approach, which means you benefit from a fund manager's expertise, experience, skill and judgement to make decisions on where, when and how much to invest, on an ongoing basis.

The active asset allocation and passive fund management approach offers the potential for growth as well as spreading the risk across a wide range of assets.

Each of our five Risk Managed Passive funds is a 'fund of funds' which means they invest in a range of underlying funds. This makes it simpler for you when selecting funds – as within each sector there can potentially be hundreds of funds to choose from – and looking to diversify across different asset types.

Within a fund of funds, as part of an OEIC investment, the manager can switch and replace the underlying funds as often as is necessary, without the fund having to pay any Capital Gains Tax (CGT). Fund of funds are often called 'multi-manager funds'.

Please note: The numbers used within the fund names reflect the relative risk against the other funds in that fund range. They don't reflect the actual level of risk and aren't intended to match the risk and reward profile in the Key Investor Information Document. Other companies and risk rating agencies may rate risk differently.

Collectives explained

Collective investment schemes – or 'collectives' – pool money from different investors into one fund, such as a unit trust, open ended investment company (OEIC) or investment trust.

What our Risk Managed Passive funds invest in

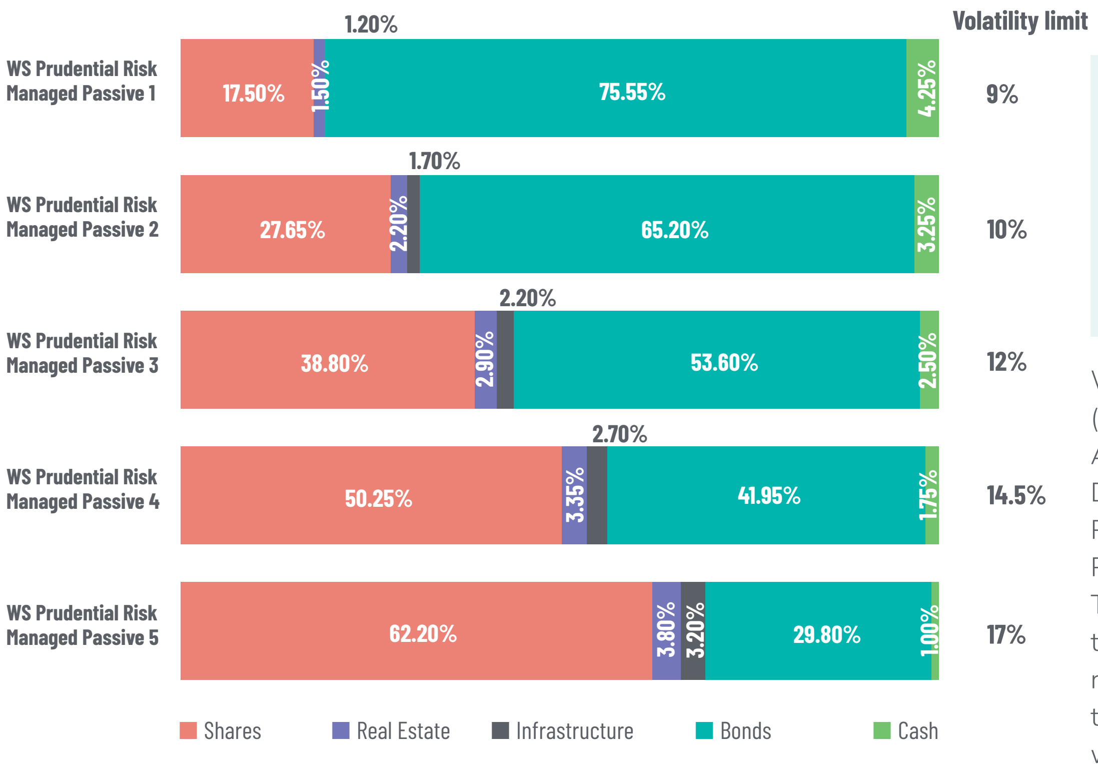
Our Risk Managed Passive funds invest in a selected range of asset classes and offer a lower cost investment compared to our Active range.

The types of funds used, and the asset allocation split of each Risk Managed Passive fund will depend on the funds' objectives.

Each fund has a different range of investment in shares, with the rest being invested in various amounts in bonds, property and cash, as you can see in the graph below.

- The WS Prudential Risk Managed Passive 1 fund has the lowest volatility limit of 9% and therefore, the lowest amount invested in assets that may be move volatile, with 17.5%* in shares.
- The WS Prudential Risk Managed Passive 5 fund, in contrast, has the highest volatility limit of 17% and the highest amount invested in assets that may be more volatile, with just over 62%* in shares.

WS Prudential Risk Managed Passive Funds



Each fund has a different range of investment in shares, with the rest being invested in various amounts of bonds, cash, property and infrastructure.

Waystone Management (UK) Limited is the Authorised Corporate Director (ACD) of the WS Prudential Risk Managed Passive OEIC funds. The term ACD is used to describe the party responsible for operating the OEIC in accordance with the regulations.

* Source: T&IO, 1 August 2024.

The asset mixes for the passive funds shown above, are valid from 1 August 2024.

The asset allocations are regularly reviewed and may vary from time to time but will always be consistent with the fund objective.

Please note that the above figures do not add to 100% as there may be a small allocation to alternative assets. Alternatives have been removed from the asset allocation of the Risk Managed Passive Range but a small percentage may remain as the portfolio managers finalise the disinvestment process.

How our Risk Managed Passive funds are managed

The investment manager for our Risk Managed Passive funds is M&G Investment Management Limited, part of M&G plc and they make the relevant adjustments to the portfolio based on recommendations from the **M&G Treasury & Investment Office (T&IO).**

T&IO recommends the asset allocation for each WS Prudential Risk Managed Passive fund.

Waystone Management (UK) Limited the Authorised Corporate Director for the WS Prudential Risk Managed Passive OEIC funds, ensures that T&IO recommendations are in line with the funds' objectives

M&G Investment Management Ltd, part of the M&G Group, execute the trades in order to conform to the asset allocation model set by T&IO

The Risk Managed Passive funds use the combined expertise of T&IO, the same team responsible for our PruFund funds.

- T&IO recommends the asset allocation for each Risk Managed Passive fund
- T&IO selects the funds which they believe best meet the portfolio asset mix requirements
- The funds are available as OEIC investments
- Unit-linked versions of the OEIC funds are available for investment in selected Pru and Pru international products

We'll manage your money to achieve the best return we can for the level of risk you're willing to take.

T&IO – experts in diversified investment

We believe a well-diversified fund is more likely to achieve consistent returns and that value can be added through a sound and well-structured investment process. That's why we use M&G's expert investment strategists at T&IO to make our strategic investment decisions. They're the investment engine behind our multi-asset portfolios.

As our in-house team and 'manager of managers' for Pru in the UK, T&IO are independent of the various underlying asset management businesses within M&G plc and are responsible for approximately £151bn* assets under management across a range of multi-asset investment solutions and other Pru products. They are the team behind the UK's largest and financially strongest With-Profits fund – and many other Pru funds.

T&IO has great strength in depth with a team that includes investment professionals with expertise in capital market research, investment strategy design, liability management, derivatives and portfolio management.

Each member of T&IO brings deep expertise from their area of specialism. Together, their complementary strengths make Pru a leader in multi-asset investment.

For more information on the M&G Treasury and Investment Office please speak to your financial adviser.

* T&IO as at 30 June 2024.

Investing in Collectives

T&IO will select collective investment schemes to invest in from a focused range of funds and fund management groups. At least 70% of the Risk Managed Passive funds will be invested in collective investments.

T&IO will select the collective investment schemes to invest in from a focused range of funds and fund management groups (which may include other funds managed by M&G Investments or other internal managers, as well as externally managed funds.

The following table shows the underlying holdings of the WS Prudential Risk Managed Passive range, as at 30 June 2024.

Underlying building blocks and exposures

	Fund
UK Equity	FTSE 100 Index
	iShares UK Equity Index
European excluding UK Equity	Euro STOXX 50
	European Small Cap Equity FCP
	L&G European Index
US Equity	iShares US Equity Index Fund
	M&G (ACS) BlackRock RAFI Equity Fund
	Russell 2000 E-Mini
	E-Mini S&P 500
Canada Equity	M&G (ACS) BlackRock Canada Equity Fund
China Equity	FTSE China A50
	M&G (ACS) China Equity Fund
	M&G (ACS) Value Partners China Equity Fund
	M&G (ACS) Matthews Asia China Equity Fund
India Equity	iShares MSCI India UCITS ETF
	M&G India Equity Fund
Asia excluding Japan Equity	iShares Pacific excluding Japan Equity Index Fund
Global Emerging Markets Equity	iShares Emerging Market Equity Index
Japan Equity	iShares Japan Equity Index Fund
	M&G (ACS) Japan Smaller Company Fund
	TOPIX Index

South Africa Equity	FTSE/JSE TOP 40
	M&G South Africa Equity Fund
UK Property	iShares UK Property Fund
	L&G UK Property Fund
Europe Property	iShares European Property Fund
	M&G European Property Fund
Infrastructure	L&G Global Infrastructure Index
Alternatives	Various
UK Investment Grade	iShares UK Corporate Bond Index Fund
Europe Investment Grade	iShares ESG European Investment Grade Corporate Bond Fund
US Investment Grade	iShares US Corporate US Bond Index
UK Government	Long Gilt exposure
US Treasuries	US 10 Year Note
Asia Fixed Income	M&G (Lux) Asian Corporate Bond Fund
	M&G (Lux) Asian Local Bond Fund
Emerging Market Debt	M&G Emerging Market Bond Fund
Global High Yield	M&G Global High Yield Bond Fund
Cash	

T&IO will regularly review the performance of these schemes and may propose changes in the future.

* Source: T&IO at 30 June 2024.

Environmental, Social and Governance (ESG)

Given their importance for the long-term sustainability of all businesses and society as a whole, our priorities for ESG are Climate Change, and Diversity and Inclusion.

T&IO's view is that the integration of ESG factors into the investment process can help manage risk and generate better sustainable long-term returns. T&IO look to the asset managers they select to:

- engage with companies as active owners that help foster a more sustainable economy,
- participate in voting on key issues such as Climate,
- manage assets in accordance with the ESG Investment Policy and,
- Ensure that ESG is integrated into their investment process.

T&IO's ongoing Investment Due Diligence on these selected managers ensures that they not only meet a high threshold from an investment perspective, but also in terms of these ESG requirements.

T&IO do this on behalf of Pru, implementing ESG considerations into the asset allocation process, and integrating ESG factors into manager selection and oversight.

Risk Managed Passive range

For our Risk Managed Passive funds, T&IO apply their ESG investment principles for the internally managed active funds within these ranges, focusing on the corporate priorities of climate change and diversity and inclusion. T&IO incorporate considerations of these priorities through a combination of focused engagement strategies and some exclusions.

External funds

For active funds run by external managers, T&IO look to identify suitable investment managers which are able to manage funds in line with the T&IO ESG investment principles.

For existing active managers, we look to monitor their alignment to the principles, on an ongoing basis. Where there are divergences, the T&IO Investment Management Oversight team looks to either re-engage with managers to encourage alignment with the principles over time, or to migrate the assets to a fund that aligns.

Further information

For more information on Risk Managed Passive funds or Pru's range of investment funds and products, please contact your Financial Adviser. Please remember, investment returns are not guaranteed. The value of an investment can go down as well as up and you may not get back the full amount of your original investment.

Some terms explained

Alternatives

An alternative asset is an investment that is not one of the conventional investment types, such as stocks, bonds and cash. The main categories of alternative investments we use include infrastructure, private equity, alternative credit and **hedge funds**.

Asset allocation

Asset allocation is the implementation of an investment strategy that attempts to balance risk versus reward by adjusting the percentage of each asset in an investment portfolio, according to the investor's risk tolerance, goals and investment time frame.

Bonds

Low to medium-risk loans to the government or companies that pay you a fixed rate of interest. UK government bonds are called gilts and those issued by the US government are called treasury bonds.

Cash

This can include cash deposits and other money market investments. Money market investments usually offer the lowest risk of all asset types but also the lowest potential returns. These may be held to target security more than substantial growth. Or to have just enough in cash deposits to make sure money is available for customer withdrawals.

Commodities

A commodity is a basic good used in commerce that is interchangeable with other goods of the same type. Commodities are most often used as inputs in the production of other goods or services. A commodity thus usually refers to a raw material used to manufacture finished goods. A product, on the other hand, is the finished good sold to consumers

Corporate bond

A loan to a company that earns you income in the form of interest. Also referred to as fixed interest securities. (See also Bonds)

Diversified portfolio

A diversified portfolio, or 'diversification' – is a risk management strategy that mixes a wide variety of investments within a portfolio. A diversified portfolio contains a mix of distinct asset types and investment vehicles with the aim of limiting exposure to (or risk from) any single asset.

Fixed Interest

A generic term to describe investment in assets such as corporate bonds or government bonds, from here in the UK and around the world.

Hedge funds

A hedge fund is a limited partnership of private investors whose money is managed by professional fund managers who use a wide range of strategies including leveraging or trading of non-traditional assets, to earn above-average investment returns.

Inflation

Inflation is the increase in prices you pay for the same products over time, whether a tangible item like a loaf of bread, or a service, such as getting a haircut.

Volatility

A measure of how much the returns of an investment move away, or deviate, from their average return, determines how volatile that particular fund is. The more volatile investments move further and more frequently from their average.

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