

PruFund investment insights: a closer look at shares

 a 5 minute read

Shares are one of the main types of assets that investment funds like the PruFund range of funds invests in. Other assets includes bonds, real estate, cash and other alternative assets. Your financial adviser has given you this article so that you can learn more about shares and why we invest in them on your behalf. Read on to find out more.



Introducing shares

The term 'shares' generally refers to ownership. Shares are also known as stocks or equities. When PruFund funds buy shares, our investment managers are essentially buying pieces of the companies in which we invest your money. When the value of these companies rise or fall, so does the value of your investment. Some shares also pay dividends – a dividend is a portion of the company's profits that is paid out to the investor. So shares can offer income as well as growth.

Over the coming pages, you'll find out more about our investment strategy, some of the companies PruFund funds are invested in, and how we spread our investment across lots of companies, to manage risk and provide more potential opportunities for your money to grow.

For more information about your investments or PruFund funds, please speak to your financial adviser. They'll be familiar with your situation and able to discuss your investments in detail. **Please bear in mind that the value of your investments can fall as well as rise, and you may get less back than what you invest.**





Diversification: how we spread your investment across lots of companies and how it benefits you

Diversifying (or varying) our investment in shares means that we spread your money out to help reduce the overall impact of risk when investing. PruFund funds invest in shares in a range of different companies. Some companies might do better than others at times and not do so well at other times. By investing across a wide variety of companies, only a small part of any PruFund fund is only ever invested in one company. This means if the share price of this individual company falls, it doesn't impact PruFund funds as much. Read on to find out more about why and how we diversify our investments.



Spreading investments over a number of companies

Because shares can be easily bought and sold, stock markets can fall sharply if investors are alarmed by unexpected political or economic developments.

That's why it makes sense to spread investments over a large number of companies – so that if some do badly, others may continue to thrive.



Investing around the world

Another important way we diversify our investments is through buying shares in companies based all around the world.

Our largest investments are in developed markets like the UK, the US, Japan and European countries. Because their stock markets are large and well established, they tend to be relatively stable and contain many large, well-established global businesses.

Emerging markets – including many countries in Asia and Africa – tend to offer higher growth potential but also higher risks. For these reasons, part of the PruFund portfolio is invested in emerging markets.



Combining a range of sectors

We also invest in companies that operate in different sectors because companies in different industries are affected by different economic forces.

For example, companies that make luxury goods tend to do well when the economy is booming but less well when people have to watch what they spend. Meanwhile, companies that produce everyday necessities such as food and soap are likely to be less exciting but more stable.

Diversification: how we spread your investment across lots of companies and how it benefits you (continued on next page)



Diversification: how we spread your investment across lots of companies and how it benefits you (continued from previous page)



Investing in companies of different sizes

By investing in companies of different sizes, we can increase PruFund funds' exposure to different opportunities and offset risks.

Large companies tend to derive a lot of their earnings from overseas operations. Middle-sized companies tend to be more closely connected to the domestic economy. Small companies, meanwhile, can offer potentially higher growth – after all, some of these companies grow to become the middle and large companies of the future.



Including active and passive investments

We can also combine different approaches to investing in shares. The main ones are active and passive investing.

Actively managed funds are run by professional experts who make investment decisions on your behalf. Active fund managers believe that by using analysis, research and proven investment processes to make informed decisions, it is possible to outperform the market. Fund managers will charge for investing your money. If your investments are successful, the returns should have the potential to outweigh the costs of investing.

In contrast to active funds, passively managed funds look to closely track the performance of a particular market benchmark or index. A passive fund, by design, should rise and fall in line with the market index that it tracks. While this reduces the risk that your investment will underperform relative to the overall market, it also means that it won't be able to meaningfully outperform – unlike how an actively managed fund might be able to. Passive fund charges tend to be lower than for active funds, because there is less 'added value' by the provider, in the form of expertise or research needed to pick individual assets.



A mix of value and growth investing

Value and growth investing have different advantages and, by combining them, we hope to get the best of both worlds.

Value investing involves looking for companies that are overlooked or out of favour with investors, so their shares may not reflect their true value. Value investors hope to profit when their share prices recover.

Growth investing means buying shares in companies where they see bright prospects – even if the shares look relatively expensive. The hope is these companies will continue to grow in future and their current share prices will continue to rise.

The above – and previous page – is for illustrative purposes only and does not represent investments in PruFund funds at any given time.



Our investment strategy in practice

The M&G Treasury & Investment Office is a team of experts who oversee our investments. They combine the different investment building blocks available to ensure your investments contain the right mix of risk and opportunity and monitor the investment managers who make the investments into shares.



UK equities are the largest single regional allocation, although this has reduced over the years with the fund shifting towards a more globalised portfolio. We currently invest in four UK equity funds, offering different strategies to achieve the desired overall exposure.



Overseas exposure makes up around 70% of the overall allocation to equities, having diversified more into Asia and emerging markets, in particular, over recent years. These markets are extremely diverse, providing greater opportunities for good quality active managers to outperform the broader market. We therefore deploy full active management across Asia, Japan, and emerging markets.



In North America, we use different investment strategies to gain exposure across the US and Canada. Canada represents around 10% of the allocation via a passive fund. Within the US equity allocation, we have two high conviction active managers focusing on smaller companies. The large cap US equity exposure is also through active strategies, with three high conviction active managers and two dynamic strategies weighted based on various fundamental factors (sales, cash flows, dividends and book values) and ESG considerations.



Environmental, social and governance (ESG) considerations are important to many of our investors who want to invest in companies that are helping to solve some of the global challenges with a long term view and consideration of the future for people and the planet. So ESG is a crucial factor for us, which underpins how we decide where we should invest your money. Our fund managers engage with many of the companies in which they invest on the full range of ESG issues. Ask your financial adviser about ESG considerations if you'd like to learn more.

The above is for illustrative purposes only and is not representative of PruFund funds' investment proportions.



Some of the companies we invest your money in

Your investment includes many shares from a wide range of companies. To give you an idea about the companies that PruFund funds invest in on your behalf, below is a list of the top holdings – by size – from each of the top categories – also by size – in which we hold shares (PruFund Growth Fund as of 31 July 2024). Holdings will differ by the PruFund fund you're invested in. The holdings will change, but they'll always be in line with the fund's objectives.

The percentages below show the size of each holding. They're small numbers because of the way we diversify our investments in shares to balance risk versus reward, which you've learned about on the previous pages. Please note that we may also hold bonds issued by these companies, but the information on this page solely relates to our investments in shares. You can visit the companies' websites if you'd like to find out more.



Category: UK equities
Company: AstraZeneca plc
Company website: astrazeneca.co.uk
Holding size: 0.54%



Category: North American equities
Company: Apple Inc
Company website: apple.com
Holding size: 0.17%



Category: China equities
Company: Tencent Holdings Ltd
Company website: tencent.com/en-us
Holding size: 0.16%



Category: European equities
(excluding UK)
Company: Roche Holding AG
Company website: roche.com
Holding size: 0.14%



Category: Japan equities
Company: Toyota Motor Corporation
Company website: global.toyota/en/
Holding size: 0.14%



Category: India equities
Company: HDFC Bank Ltd
Company website: hdfc.com
Holding size: 0.24%



Category: Asia equities (excluding Japan,
China and India)
Company: Taiwan Semiconductor
Manufacturing Company Ltd
Company website: tsmc.com/english
Holding size: 0.28%



It's always a good idea to know where your money is invested. If reading this article has made you want to know more about the PruFund range of funds, you might also be interested in reading our regular report 'A closer look at PruFund: your quarterly market overview' or our other articles about bonds, real estate and alternative investments. Ask your adviser if you'd like to receive any of them.

If you have any questions after reading this

We hope that you've found this insight into shares interesting and helpful. Please remember, if you have questions, it's always best to speak to your adviser. Only your adviser will have a complete view of your situation and be able to answer questions with your financial goals in mind.

