Your guide to The PruFund Planet range

The power to build a better future

More and more people are becoming aware of the potential that planet-friendly investments offer in helping to shape the world we live in, and are looking to invest in funds which can deliver positive outcomes as well as competitive returns.

Prudential's fund range – PruFund Planet – gives you the power to build a better future for yourself, for society and for the planet.

The value of your investment can go down as well as up so you might get back less than you put in.

What is PruFund Planet?

PruFund Planet is a range of five funds, each with their own risk profile that seek to deliver positive environmental and societal outcomes.

It's designed for clients who want to know their savings are creating positive outcomes but who also want a smoothed investment experience.

PruFund Planet offers the potential for steady returns for saving and retirement.

Investing in positive outcomes

When our investment experts look for places to invest your money, they use a range of factors to decide where to invest.

One of the considerations when selecting investments is whether they do any harm, so that would mean excluding certain areas, such as controversial weapons or unethical business practices, for example.

As well as the potential for returns, our experts look at three important areas when considering investment options – Environmental, Social and Governance (ESG).

Smoothed investment

Investments in the PruFund Planet range are subject to an established smoothing process which helps protect you from some of the day-to-day fluctuations associated with direct investment.

Full details on the smoothing process are available on page 7.

Environmental, Social and Governance (ESG) factors

Environmental factors – such as levels of carbon emissions produced, waste levels and pollution management

Things that benefit society – such as fair working conditions, working with local communities and quality and diversity

Companies with robust controls (for example, fair working conditions) – such as ensuring transparency in supply chains and shareholder voting

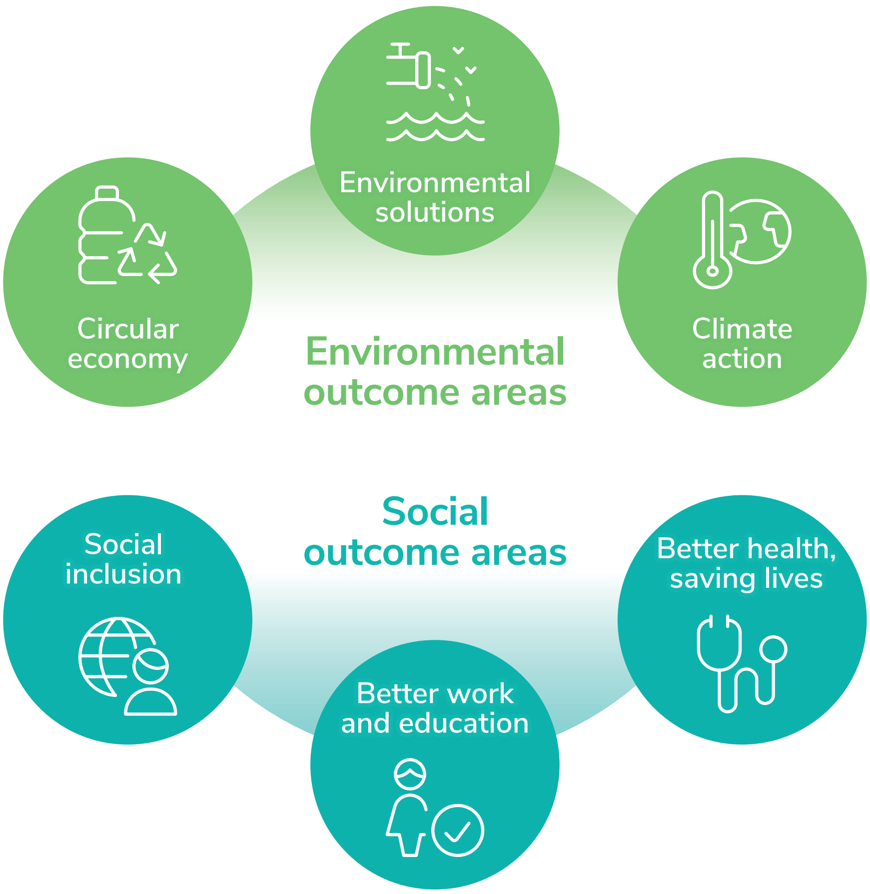
Investing ranges from traditional investing to maximise returns, and philanthropy to achieve social and environmental good. PruFund Planet looks to take advantage of opportunities that exist between these two approaches – to invest your money whilst aiming to create positive outcomes and competitive returns.

PruFund Planet integrates responsible investment, with investing in ESG opportunities and seeking to address societal and environmental challenges, often for under-served or disadvantaged groups, to generate competitive financial returns.

Responsible investing generally aims to avoid harmful investment activities, which can be implemented through negative exclusions in areas such as; controversial weapons, tobacco, coal mining or gambling. Company engagement and voting are also key parts of responsible investing.

So when you invest in PruFund Planet, your money is invested to make a positive impact. This means it's invested in companies, governments or other entities that set out to achieve specific and measurable differences to environmental or societal issues.

PruFund Planet comes from Pru – one of the UK's most recognisable savings and investment companies. And as part of M&G plc our size and scale means you can have access to a huge and diverse global range of investments, across different **asset classes**, both in the UK and around the world. It's the power of Pru, working for you. PruFund Planet gives you the power to build a better future for yourself, for society and for the planet.



You'll find more information about highlighted terms, in **'Some terms explained'** at the back of this guide.

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

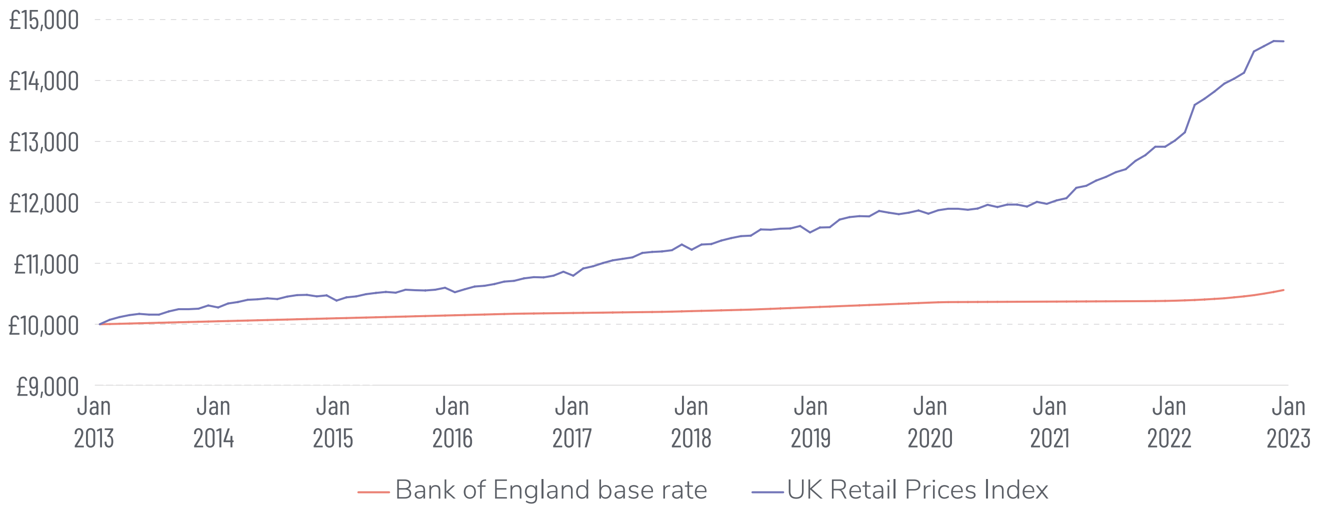
Of course a high interest deposit account or a Cash ISA is a sensible and secure home for what you might call your “ready” or “emergency cash”. For many, the offer of instant access, knowing your capital is secure, or the tax efficiencies of a Cash ISA has great appeal. And it’s always a good idea to 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. Particularly in a low interest rate environment.

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 January 2013 to 31 January 2023.

Past performance is not a reliable indicator of future performance.

How does PruFund Planet work?

PruFund Planet funds aim to grow your money over the medium to long term (5-10 years or more), while protecting you from some of the short-term ups and downs of direct stock market investments, by using an established smoothing process. This means that while you won't benefit from the full upside of any potential stock market rises, you won't suffer the full effect of any downfalls either.

With PruFund Planet funds, your money is pooled together with that of other investors within your chosen fund, and used to buy a large spread of different types of investment (often described as asset classes).

Reducing risk by investing in a diversified mix of asset classes

Each of the individual PruFund Planet funds invest in a spread of different types of asset classes. The four main asset classes are **Equities**, **Commercial Property**, **Bonds** (Corporate and Government) and **Cash**. By spreading investment across these asset classes, the rises and falls (or volatility) associated with investing in a single asset class can be reduced.

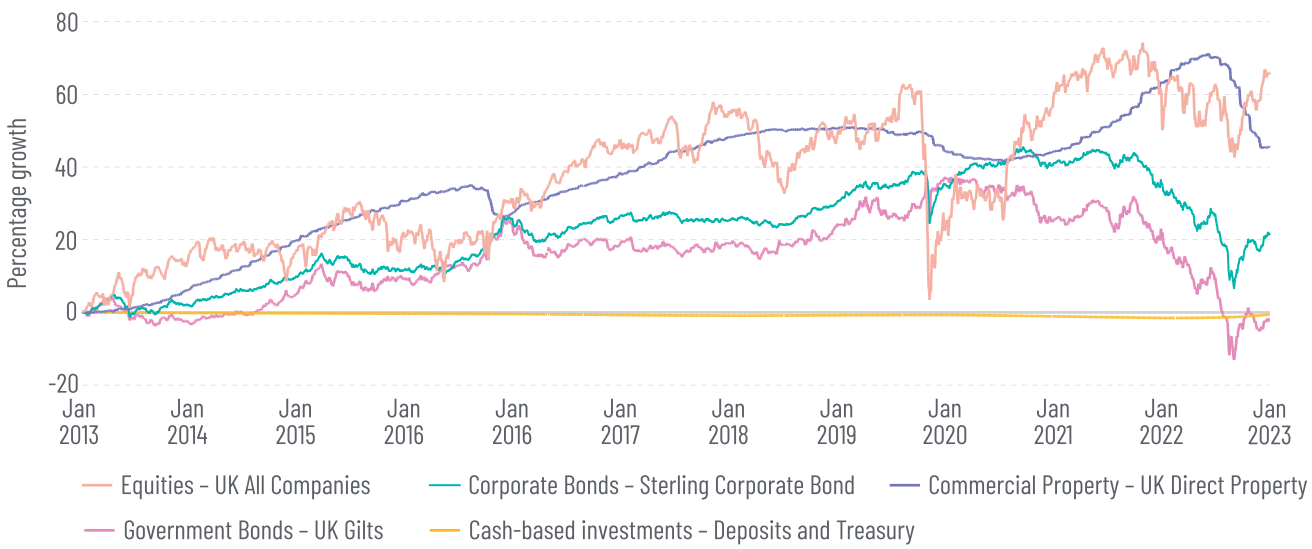
Increasing the potential to benefit from higher performance and reducing the risk of exposure to poorer performance

The graph below demonstrates that when one asset class is performing well, another may be performing less well, and their relative positions could be reversed in future years.

Access to investments a private investor may not normally have access to

Through the Prudential With-Profits Fund, PruFund Planet gives you access to very specialist investments which add greater diversity to the funds. These include investments in the UK such as schools as well as a diverse range of Europe-wide developments, including investments in renewable energy, utility service providers and large economically and socially important investments.

The graph shows an example of the volatile behaviours of different asset classes



Source: FE Fundinfo.

Important note: The graph shows gross returns for the sector averages from 31 January 2013 to 31 January 2023, from the Association of British Insurers (ABI) Pensions universe.

Please remember that past performance is not a reliable indicator of future performance.

Strong investment management and controls

A key benefit of the PruFund range of funds is the management of their **asset allocation** by M&G Treasury & Investment Office (T&IO). T&IO also monitor the underlying fund managers of the PruFunds range of funds. They are a team of experienced investment professionals with specialist expertise in capital markets research, manager research, investment strategy design, liability management and portfolio management.

Their role is to ensure that the funds are **actively managed** in a way that aims to deliver what investors expect. As well as setting and actively monitoring the investment strategy they have strong governance and controls around how the funds are managed. T&IO work closely with compliance and risk teams in M&G plc to ensure each fund is managed in a controlled and appropriate manner.

Economies of scale

Your money is combined with that of other investors. This means that the normal costs associated with investing (for example the costs of buying and selling equities, property or other investments) are spread over many, investors rather than one individual investor.

The PruFund smoothing process

PruFund uses an established smoothing mechanism, and aims to grow your money while smoothing the short-term ups and downs of markets.

Like most investments, the value of the underlying funds change daily, up or down. The PruFund smoothing mechanism aims to reduce the impact of these movements over the short-term.

This means that you would potentially not benefit from the full upside of rises or suffer from the full downside of falls in investment performance, which can help to provide more stable returns.

Expected Growth Rates

With many funds there is little or no information on how they could perform in the future. PruFund is slightly different, as we publish how we think the underlying assets of the funds will perform over the long-term (up to 15 years). We call this the Expected Growth Rate (EGR). And although it's how we expect the funds to perform, it isn't guaranteed. The likelihood of receiving returns in line with these expectations will be greater the longer you remain invested.

Each PruFund has its own EGR and your investment will normally grow daily by the relevant EGR, through an increase in the price of the units you hold (known as the smoothed price). Although we take a long-term view, we do review the rates every three months to allow for any changes, which may mean a change in EGR on a quarterly basis, up or down.

You can view current and historic EGRs on our website **mandg.com/pru/customer/en-gb/funds/investment-fund-range/prufund/prufund-range**

Unit Price Adjustments

We also have to take into account shorter-term performance. On a daily basis, if the shorter-term performance differs too much from the current EGR, the value of your fund is amended to make sure neither too little nor too much is returned to you. These are called Unit Price Adjustments and they help to ensure all investors are treated fairly.

Suspension of smoothing

In certain circumstances we might need to suspend the smoothing mechanism to protect the With-Profits fund and those invested in it. There are two different ways we could do this:

- We may suspend the smoothing mechanism for a period of consecutive days, during this period the smoothed price for any affected PruFund will be set to the unsmoothed price for each day until the smoothing mechanism is reinstated
- We may reset the smoothed price of any affected PruFund to the unsmoothed price on a particular day. This is a Unit Price Reset

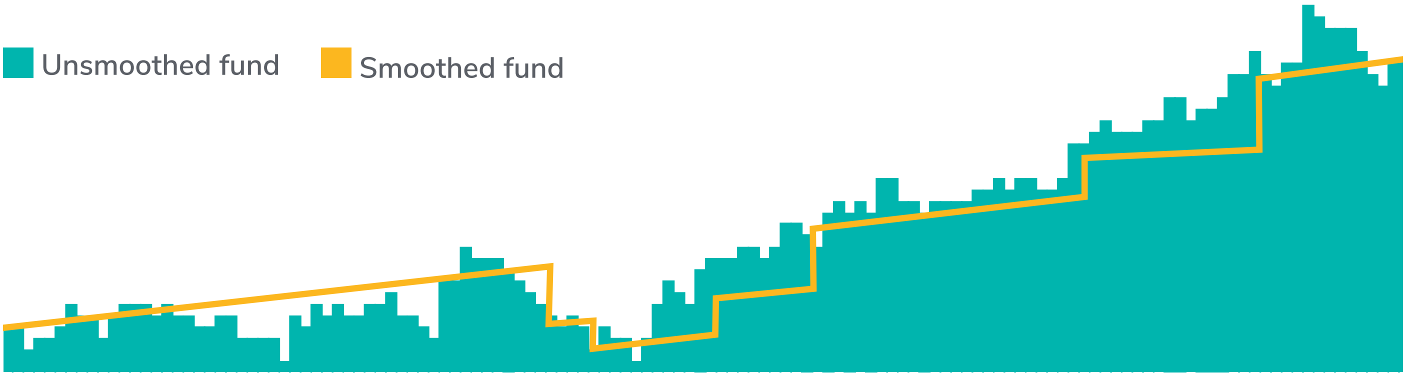
We will use suspension of smoothing (including Unit Price Resets) to ensure continued fairness to our customers; this is expected to be in highly unusual circumstances.

When you first invest

It is only possible to invest in PruFund on specific dates in the year (PruFund Investment Dates). Any investment we receive between these dates will be put into a PruFund Holding Account until the next PruFund Investment Date.

While the investment is in a PruFund Account, it increases daily in line with the EGR applicable to that main PruFund. During this time, product charges will be applied, but the investment will not be subject to any smoothing adjustments, Unit Price Resets or suspension of smoothing. There is an associated PruFund Account for each fund in the PruFund range of funds.

An illustration of how PruFund smoothing could work



This chart aims to illustrate the concept of a smoothed fund, but it is not representative of any particular time period or investment performance. Its sole aim is to explain how smoothing works.

- The **green** area of the chart represents the ups and downs of the market that could occur in an unsmoothed fund.
- The **yellow** line represents the activity of a smoothed fund, which is designed to reduce the ups and downs of the market.

Fore more information on smoothing, please see the Step by Step guide to the PruFund smoothing process.

Our PruFund Planet range

Everyone is different in terms of the risk they're willing and able to take, and the returns they want to aim for. Investing is about balancing the potential reward you could achieve, with the level of risk you're prepared to accept.

PruFund Planet funds invest across our spectrum of positive outcomes, from clean technology and renewable energy to social enterprise. These funds vary in terms of their potential risk and potential reward, meaning that depending on your attitude to risk and reward, PruFund Planet may provide an option that meets your needs.

Our investment strategy aims to secure the highest total return over the time you have your plan, consistent with the objectives of the individual PruFund Planet fund, while maintaining an acceptable level of risk.

We have five funds available in the PruFund Planet range. The numbering of the funds. i.e. PruFund Planet 1, up to PruFund Planet 5, indicates the increasing level of investment risk – with 1 low and 5 high. The higher level of investment risk, the greater the potential reward.

The value of your investment can go down as well as up so you might get back less than you put in. For the PruFund Planet range of funds, what you receive will depend on the value of the underlying investments, the Expected Growth Rates as set by the Prudential Directors, our charges and the smoothing process.

Investment Objective

The PruFund Planet funds aim to achieve a total return from income and capital over the medium to long term (at least 5-10 years), while aiming to deliver positive environmental and societal outcomes in addition to financial returns.

These Funds that invest across our spectrum of positive outcomes, have three categories of outcome;

1. Mitigating Environmental, Social and Governance risks and minimising negative outcomes
2. Pursuing Environmental, Social and Governance opportunities
3. Investing in positive outcomes for disadvantaged groups or stakeholders.

PruFund Planet 1 – The fund aims to limit the fluctuations (volatility) your investment experiences, after allowing for smoothing, to 9% per annum.

PruFund Planet 2 – The fund aims to limit the fluctuations (volatility) your investment experiences, after allowing for smoothing, to 10% per annum.

PruFund Planet 3 – The fund aims to limit the fluctuations (volatility) your investment experiences, after allowing for smoothing, to 12% per annum.

PruFund Planet 4 – The fund aims to limit the fluctuations (volatility) your investment experiences, after allowing for smoothing, to 14.5% per annum.

PruFund Planet 5 – The fund aims to limit the fluctuations (volatility) your investment experiences, after allowing for smoothing, to 17% per annum.

Please note: There is no guarantee the funds will achieve their objective of managing the volatility to the target level.

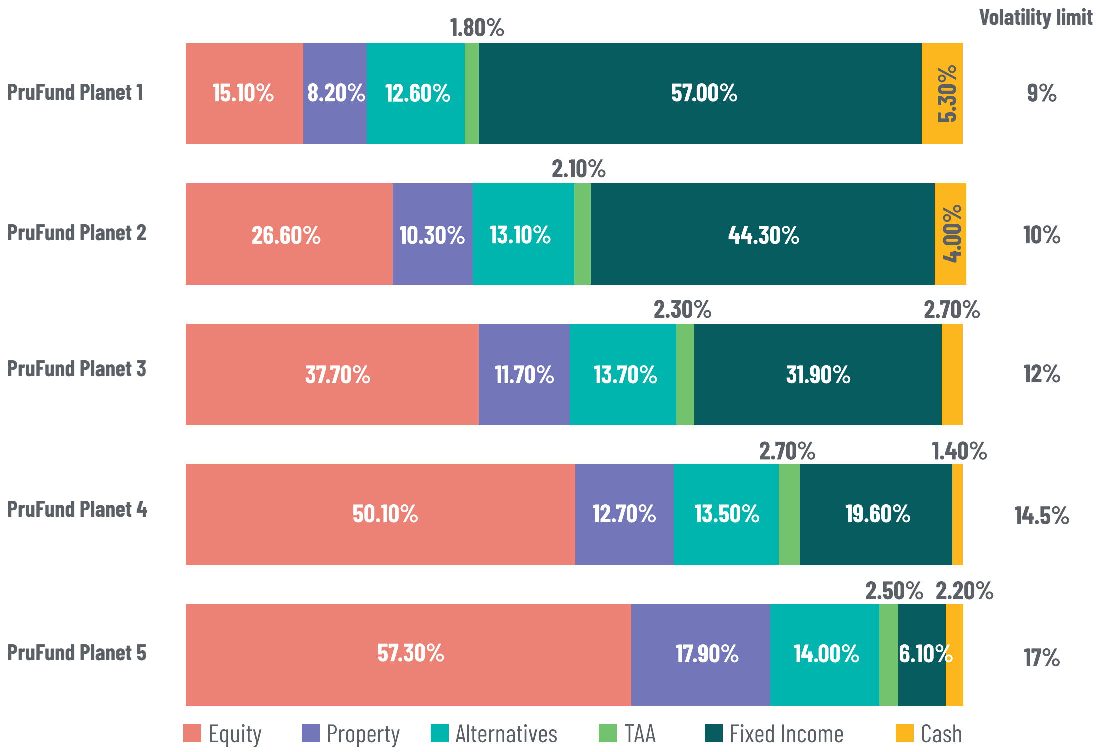
What our PruFund Planet range invests in

Our PruFund Planet funds are multi-asset funds which means you get access to a wide range of assets across different asset types and countries, which allows you to spread the risk of investment.

Designed to suit different attitudes to risk and reward, each fund differs in their objective and mix of assets, and how PruFund Planet delivers returns to investors when compared to other **With-Profits** business. This means the returns received by investors will vary by fund choice.

These funds are numbered one to five based on how volatile we expect each fund to be after smoothing has been applied. For example, PruFund Planet 1 has the lowest volatility limit of 9% after smoothing, and therefore has the lowest amount invested in assets that are likely to be more volatile, as you can see below (with just over 15% investing in shares, as at January 2023).

PruFund Planet 5, on the other hand, has the highest volatility limit of 17% after smoothing, and has the highest amount invested in assets that are likely to be more volatile (with just over 57% invested in shares, on January 2023).



Source: Prudential as at January 2023. Asset allocations are regularly reviewed and may vary from time to time, but will always be consistent with the fund objective. TAA stands for Tactical Asset Allocation.

Multi-asset funds explained – a multi-asset fund typically invests in many different types of investments, including UK and international shares (equities), cash, property and fixed-interest securities, such as corporate bonds. Each type of investment (asset class) has its own level of risk and return 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.

Your money can help to protect and improve society and the planet, as well as aiming to deliver competitive returns. Your financial adviser will be able to talk to you about your attitude to risk, financial goals and your personal values.

How our PruFund Planet funds are managed

Our PruFund Planet funds are designed to help you create positive outcomes but at the same time, aim to grow your money while giving you a smoothed investment experience.

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 and are experts in **diversified investment**.

- T&IO recommends the asset allocation for each PruFund Planet fund
- T&IO selects the funds which they believe best meet the portfolio asset mix requirements
- T&IO is also the team behind one of the UK's largest With-Profits funds

Who is T&IO?

M&G's Treasury & Investment Office (T&IO) is one of the largest and most well-resourced multi-asset teams in the UK.

Managing £152 billion* across a growing range of highly competitive multi-asset investment solutions and annuities, on behalf of Pru UK and Europe, T&IO is our in-house team and 'manager of managers' and independent of the various underlying asset management businesses with M&G plc. They are the team behind the UK's largest With-Profits fund – and many other Pru funds.

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

* T&IO as at 31 December 2022

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

Investing money can be rewarding, but it's not without risk

- The value of an investment can go down as well as up so you might get back less than you put in
- Charges will reduce the value of the investment and they may increase in the future
- Withdrawals from the fund can exhaust the investment. Therefore it's important to try to ensure that investment money needs to last for as long as it is intended
- Inflation will affect the buying power of the money you get back

Our PruFund Planet range of funds is currently available through our Retirement Account, International Portfolio Bond and M&G Wealth Platform products.

Some terms explained

Active management
The traditional investment approach where fund managers actively build and change a portfolio of assets (e.g. stocks and shares) in order to take advantage of what they believe are the best opportunities.

Asset allocation
Asset allocation is an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance and investment horizon.

Asset classes
Equities (e.g. stocks), fixed income (e.g. bonds), cash and property, are common examples of asset classes.

Bonds
See Fixed Interest Securities

Commercial Property
See Property

Corporate Bonds
See Fixed Interest Securities

Diversification/Diversified Investment
Spreading your investments to help reduce the risk within your portfolio.

Equities
Like 'stocks', equities is another name for shares held in a company or companies. Expected Growth Rate (EGR)

Fixed Interest Securities
More commonly known as **'bonds'** these are loans issued by companies or by governments in order to raise money. Bonds issued by companies are called **corporate bonds**, those issued by the UK government are called **gilts** and those issued by the US government are called treasury bonds. In effect, all bonds are IOUs that promise to pay a sum on a specified date and pay a fixed rate of interest along the way.

Government Bonds
See Fixed Interest Securities

Holding Account
When you invest in one of our PruFund Planet funds, your money will be put into a 'holding account' where it will stay until the next PruFund Investment Date.

While your money is in a holding account, it increases daily in line with the Expected Growth Rate applicable to the main fund. During this time, we apply product charges but the investment will not be subject to any smoothing adjustments, Unit Price Resents or suspension of smoothing. There is an associated holding account for each PruFund Planet fund.

Property
In the context of 'Property' as a type of asset, investment is usually in commercial property such as offices, shops and industrial premises.

Volatility
A measure of how much an investment's price is likely to fluctuate during a set period of time.

With-Profits fund
Essentially a fund made up of shares, property, cash and fixed-interest securities, which usually carries a medium risk. The products that use with-profits are typically regular and single premium savings plans and pensions. With-profits funds pool policyholders' investments, and the returns are smoothed to help reduce the volatility associated with direct equity investments.

More information
You can refer to the relevant Key Features Document and Funds Guides for more details on our range of funds. These are available from your financial adviser.

For the PruFund Planet range of funds, what you receive will depend on the value of the underlying investments, the Expected Growth Rates as set by the Prudential Directors, our charges and the smoothing process.

pru.co.uk

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