

Fund Guide

Prudence Bond
Prudence Managed Investment Bond



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Fund options from Prudential

This guide will help you and your financial adviser decide which funds you want to invest in through your Prudential investment.

It's very important that you clearly understand the risks associated with any fund you may wish to invest in. This guide aims to help you and your Financial Adviser understand the potential reward and risks associated with our funds. You can choose to invest in up to 10 funds.

The funds in this guide are available via:

- Prudence Bond
- Prudence Managed Investment Bond

For Prudence Bonds with policy numbers specifically prefixed LH or LD (e.g. LH123456A or LD123456B) only the Optimum Return (With-Profits) Fund is available and this fund guide is not applicable.

Please note

The information in this guide aims to help you and your adviser understand the potential level of risk and reward for the funds that we offer. However, these are Prudential views based on the type of assets which may be held within the fund.

The information in this guide may not take account of current market conditions or other short-term fund specific changes.

Up to date information on each of our funds can be found on www.pru.co.uk/funds

Meeting your investment needs

The Prudential range of life funds has been developed to suit all tastes. We believe there's something for everyone, whether you have a specific aim such as growing your money over a period of time or gaining a regular income* from your investment.

You may be wary about stockmarket investment and perhaps a more cautious approach to investment would suit you.

Choosing funds for your investment will also depend upon how long you wish to invest your money for and how you may feel about the future. Generally speaking, investment funds seek to achieve their objectives over the medium to longer term, usually for at least 5 years.

Maybe the most important thing for you is that your plans may change at sometime in the future and you therefore want the security of being able to change your fund selections at some stage?

* HM Revenue & Customs may not tax these regular payments as income in the same way that dividends or interest are treated. Any income or withdrawal taken will reduce the value of your bond. If the income or withdrawals are more than any overall growth achieved the value of your bond will reduce below the level of original capital invested.

A wide investment choice

Investment Funds combine the investments of a great number of people to create a portfolio of assets, or fund, that very few private investors could match. This can either be funds that invest in just one type of asset (for example company shares or fixed interest securities from around the world) or funds that invest in a range of assets.

This second type of fund is often referred to as a managed fund. We provide a range of this type of fund, which hold a large number, and varying types, of assets. The manager of this type of fund will often have a primary focus on how much money goes into each different available asset type. They then can delegate the day to day management of that money to experts in that particular area, whilst keeping a close eye on their performance.

We offer a range of managed funds, complemented by a selection of funds that target one specific asset or country from both our own and external fund managers. It should be appreciated that unit prices of the investment-linked funds can go down as well as up.

The value of an investment or fund may fluctuate and is therefore not guaranteed. You may not get back the full amount of your original investment.

Risk Types

To help you and your adviser assess the potential level of risk and reward of our funds, we've included in this guide information on the risks applicable with different types of assets.

We have categorised these risks in line with the major asset types and investment styles used. There are many types of risk and when assessing funds we have grouped some that are not covered by the main headings as "Other". Generally, the higher the potential returns, the higher the risk.

To try and reduce the risk of losing money many funds hold a broad range of different types of assets. This means that you are not relying on the performance of an individual asset, nor of assets of the same type. This practice is known as diversification.

Equity

Equities are commonly known as "shares". When a fund buys a company share, it is investing in a company and, in exchange, receives a share of the ownership of that company. Shares give two potential investment benefits:

- › share prices increase as the value of the company increases
- › companies pay dividends – regular payments made to shareholders based on how well the company is doing.

Over the longer-term, equities are considered by many investment experts to offer greater growth potential than many other asset types. But over the short term, the value of equities can go up and down a lot. Funds investing in equities tend to carry a higher risk of capital loss than funds investing in fixed interest securities or money market investments (see below). The financial results of other companies and general stock market and economic conditions can all affect a company's share price, and consequently the value of any fund investing in that company.

Fixed Interest and Index-Linked Securities

Fixed interest securities, more commonly known as "bonds", 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 often called Gilts or UK Government Bonds and those issued by the US government are called Treasury Bonds. In effect all bonds are IOUs that promise to pay you a sum on a specified date and pay a fixed rate of interest along the way.

Index-linked securities are similar but the payments out are normally increased by a price index e.g. for UK government index-linked securities, payments out are increased in line with the UK Retail Price Index.

On the whole, investing in bonds is seen as lower-risk than investing in equities. Gilts are very low-risk. To date, no UK government has ever failed to pay back money owed to investors. But with corporate bonds there is a risk that the company may not be able to repay its loan or that it may default on its interest payments.

The risks related to investing in bonds can be reduced if you invest through a bond fund. Where a fund manager selects a range of bonds, you are less reliant on the performance of any one company or government. If bond income generated is reinvested by the fund, bond funds can be used to provide attractive levels of growth. However, there is a risk you might not get back the amount you invest and the income you receive is neither fixed or guaranteed.

Corporate and Government bonds are sensitive to interest rate trends. An increase in interest rates is likely to reduce their value, and hence the value of any fund investing in them.

Risk Types – continued

Commercial Property

Commercial property investment generally means the fund is sharing in the returns from the ownership of some buildings (for example, offices and shopping centres). The value of the property may increase and tenants may pay rent to the owners of the building.

However, commercial properties can be difficult to buy and sell quickly. Fund managers may have to delay withdrawal of money by customers from a property fund until they can sell some of the buildings the fund invests in.

The actual value of a property is what someone is prepared to pay for it – an actual sale value. As sales are infrequent, interim valuations are based on a valuer's opinion and may be revised up or down from time to time. This can affect the value of a fund invested in commercial property, with the value possibly fluctuating significantly.

This leads to a number of risks for funds investing in property:

- Cash could remain uninvested as property assets can be difficult to buy, leading to lower returns than expected.
- The value of the fund may be reduced if a large number of withdrawals are requested and it is necessary for properties to be sold at reduced prices.
- There may be delays removing your money from the fund if property cannot be sold.
- Property fund valuations may be revisited periodically, upwards or downwards.
- Rental income is not guaranteed. Defaulted rent and unoccupied properties could reduce returns.
- If the size of the fund falls significantly, the fund may have to hold fewer properties, and this reduced diversification may lead to an increase in risk.

Currency Risk and Overseas Investments

Overseas investments allow you to take advantage of the growth potential of markets outside of the UK, but currency changes can affect the value of overseas investments. Because the value of overseas investments is converted from local currency into pounds (Sterling), the Sterling value can fall if the local currency weakens against Sterling, independent of the performance of the asset itself.

Smaller Companies and Developing Markets

In comparison to larger companies, shares of smaller companies may be harder to trade and short-term performance may be more volatile. There may also be more chance the companies will become insolvent. Funds which invest in small companies can have volatile returns and a greater risk of capital loss.

Some investments are in markets which are less developed than the UK market. In such markets, the ability to trade, and the safe keeping of assets on behalf of the fund, and especially regulation may all be poorer than in well-developed markets. This means increased risk for your investment.

Risk Types – continued

Financial Instruments

There are several financial arrangements that fund managers can use to improve fund performance. Some of the most common are:

Derivatives: These cover products such as futures and options which are generally an arrangement to buy or sell a standard quantity of a specified asset on a fixed future date at a price agreed today. This type of investment may carry a higher risk of capital loss than funds investing in other assets. Sometimes in the event of a counterparty to a derivative (the party with which the fund manager has made the agreement about future deals) being in financial difficulties, it may be difficult to obtain a price for valuations or for the investment manager to dispose of the asset – that creates risk to the value of the fund. There is a risk of capital loss in the event of the counterparty to the derivative becoming insolvent or suffering other financial difficulties. In such circumstances the derivative may have no value.

Geared Assets: Funds that are geared or borrow assets or which use short-selling are likely to be more volatile than other funds and there is a higher risk of capital loss.

Other

- In addition to the risks and characteristics of the individual asset types, specialist investments have other features that are unique to where they invest.

Specialist funds invest in particular markets or geographical areas. Because they invest in a smaller range of asset types, they tend to be more risky than non-specialist funds, but can deliver greater returns.

- Ethical funds are restricted from investment in certain companies due to the criteria used to select investments for the fund. This may mean that the returns from the fund are more volatile than funds which do not have these restrictions.
- The fund may have investment concentrated in relatively few individual assets. Therefore, returns from the fund can be significantly influenced by the performance of a small number of individual holdings and may be more volatile than funds with a wider spread of underlying assets.
- Some funds keep a proportion of your money in cash deposits and other money market investments. Over the long-term, money market investments usually offer the lowest risk of all asset types but also the lowest potential returns. Some funds hold money market investments because they are aiming for security more than substantial growth. Others hold just enough in cash deposits to make sure money is available for customer withdrawals. Over the long term, money market investments can be a low risk asset type but may also produce low returns compared to other asset types.

A money market investment is at risk if any of the banks, building societies or other financial institutions with whom the fund's money is deposited becomes insolvent or suffers other financial difficulties. In such circumstances, the money deposited with that institution may not be returned in full. Some money market investments will be affected if interest rates rise, leading to a drop in value of any fund holding them.

- Some funds may offer some form of protection from downside risks for which there will be a charge and which will normally have an impact on long-term returns. The protection may be provided through the use of derivative contracts and this may give rise to counterparty risk and liquidity problems. The provision of the guarantees may result in a significant proportion of the fund being invested in cash and other lower risk investments.

Funds and risk types

Funds	Risk types						
	Equity	Fixed Interest	Property	Currency	Smaller companies and developing markets	Financial instruments	Other
Prudential Cash		X					X
Prudential Corporate Bond*		X					
Prudential Equity	X						
Prudential Equity Income	X						
Prudential Ethical	X						X
Prudential European	X			X			
Prudential European Tracker	X			X			
Prudential Fixed Interest		X					
Prudential International	X			X			
Prudential Invesco Perpetual Income	X			X	X	X	X
Prudential Invesco Perpetual Managed	X			X			
Prudential Invesco Perpetual UK Growth	X						
Prudential Japanese	X			X			
Prudential M&G Cautious Multi-Asset		X		X			X
Prudential M&G Corporate Bond		X					
Prudential M&G Gilt & Fixed Interest		X		X			
Prudential M&G Growth Portfolio	X			X			
Prudential M&G High Yield Corporate Bond		X		X			X
Prudential M&G Managed Growth	X			X			
Prudential M&G Managed	X	X		X			
Prudential Managed	X	X		X			
Prudential Managed Defensive	X	X	X	X			X
Prudential Newton Balanced	X			X		X	X
Prudential Newton Continental European	X			X			
Prudential Newton Higher Income	X						
Prudential Newton International Growth	X			X	X		
Prudential Newton Managed	X			X	X		
Prudential Newton Oriental	X			X			X
Prudential North American	X			X			
Prudential Optimum Bonus With-Profits	X	X	X	X	X	X	X
Prudential Optimum Return With-Profits	X	X	X	X	X	X	X
Prudential Pacific Markets	X			X			
Prudential Property			X				
Prudential Small Companies	X				X		
Prudential Strategic Growth	X			X			
Prudential UK Equity & Bond Pension Fund	X	X					
Prudential UK Tracker	X						

* This fund is open for existing investors only.

Important information

Choosing funds for your risk profile

Naturally some investment funds can be riskier than others and you will have your own views on the level of risk that you want to take. Traditionally, over the longer term, the greater your exposure to so called "higher-risk" investment funds, the greater the potential return.

To help you choose the funds most suitable for you, we've divided our funds into different categories and highlighted the individual aim of each fund along with the appropriate Annual Management Charge.

The funds invest in a range of different types of investment – the risk types section (pages 4 to 6) and our glossary at the back of this guide give more information on the terminology used.

These risk rating categories have been developed by Prudential to help provide an indication of the potential level of risk and reward that is attributable to a fund based on the type of assets which may be held within the fund. Other companies may use different descriptions and as such these risk rating categories should not be considered as generic to the fund management industry.

Prudential will keep the risk rating categories under regular review and as such they may be subject to change in the future. Where a risk rating is amended as a result of, in our view, a significant change to the assets held by the fund or in the way the fund is managed information will be provided on the new risk rating. We recommend that before making any fund choice in the future you ensure you understand the appropriate risk ratings at that time.

You will find this information in our Fund Guides, along with further information, at www.pru.co.uk/funds. You should also consider discussing your decision with your Financial Adviser. It is important to also note that your adviser may make their own assessment of the risk rating of funds when considering your needs and objectives, and this may differ from Prudential's own internal assessment. They may charge you for advice.

The information included in this guide is correct as at 7 November 2011.

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

You may not get back the full amount of your investment.

For any fund there may be a delay in buying, selling or switching or units. These delays will only apply in exceptional circumstances and if this applies to you we will let you know. For more information please refer to your Policy Provisions.

Please remember that the name of a fund is not indicative of the risk that it may take.

Fund charges

When determining the basis to be used for calculating the unit price, it is important to consider how much money is either going into the fund or is being taken out. The unit price is then used to determine the value of individual policyholder's investments in the fund.

If more money is being paid into the fund than is being taken out, then the fund will need to purchase assets. If this is the case then the amount that is needed to buy assets for the fund (i.e. the purchase price) will be more relevant than the amount obtained for selling the assets (i.e. the sale price) in determining the unit price of the fund.

If more money is being taken out of the fund than is being paid in then the fund will need to sell assets. If this is the case, the sale price of the underlying assets will be more relevant when calculating the unit price.

Sales prices are generally lower than purchase prices. The size of the difference depends on the cost of either purchasing or selling the assets the fund invests in. These costs tend to be largest for funds investing in property, smaller companies and developing markets so will have the largest impact on the change in price. If there is a switch from a purchase price to a sales price then the unit price will reduce. If there is a switch from a sales price to a purchase price then the unit price will increase. In both cases the movement in price can be significant and will occur immediately.

Please see your Policy Provisions for further information.

Charges may vary in the future, and may be higher than they are now. Further details can be found in the Policy Provisions.

If the Annual Management Charge on the fund exceeds the return earned the fund will go down in value.

In general the AMC is taken by the deduction of 1/365th of the AMC applicable to each particular unit linked fund each day.

Within the funds, additional expenses will be incurred in relation to trading and holding assets and on any underlying Unit Trust, Open Ended Investment Companies (OEICs) or Qualified Investor Schemes (QIS) holdings.

Your illustration will show the charges applicable to your chosen fund(s).

Full details are available on request by calling 0800 000 000. Calls may be monitored for quality and assurance purposes.

If you are in any doubt about this product option, your fund choice or the charges applicable then we recommend you speak to your Financial Adviser.

In reviewing the appropriate fund charges, please note that the different series for each fund relates to the date of purchase, namely:

Series 2 Funds

All original Prudential initial charge contracts taken out between 29 April 1991 and 19 May 2002 and additional "top up" investments to these contracts.

Series 3 Funds

Prudence Managed Investment Bond and Prudence Bond, no initial charge option taken out between 2 January 2002 and 19 May 2002 and additional "top up" investments to these contracts.

Series 4 Funds

Prudence Bond and Managed Investment Bond, initial charge option taken out between 20 May 2002 and 16 November 2003 and additional "top up" investments.

Series 5 Funds

Prudence Bond and Managed Investment Bond, no initial charge option taken out between 20 May 2002 and 16 November 2003 and additional "top up" investments.

How funds invest

Some of the Prudential funds listed in this guide may gain all or part of their investment exposure by investing in collective investment vehicles e.g. Unit Trusts, OEICs or Qualified Investor Schemes, derivatives or other investment vehicles, for which the aims and underlying assets are consistent with the objectives of the fund. These Prudential funds may hold an element of cash due to the short delay between new investments being received by the Prudential fund and being placed in the underlying investment(s), and this may have an impact on the performance of the Prudential fund when compared to the underlying investment(s).

Our range of accumulation funds

The following funds are all Prudential Life funds. Some funds, where indicated, invest in the fund managers' own fund or collective investment scheme of the same name.

Category/Fund	Annual Management Charge %	Series number
Minimal risk This fund may invest in a combination of deposits, money market investments and other types of interest bearing securities.		
Prudential Cash Fund	1.00	Series 2
	1.30	Series 3
	1.25	Series 4
	1.55	Series 5
The investment strategy of this fund is to provide a return consistent with investing in interest bearing deposits and/or short-term UK government bonds.		

Lower risk These funds may invest in fixed interest securities including gilts, index-linked and an element of corporate bonds. These types of investment are generally recognised as lower risk		
Prudential Fixed Interest Fund	1.00	Series 2
	1.30	Series 3
	1.25	Series 4
	1.55	Series 5
The investment strategy of the fund is to purchase units in the M&G Gilt & Fixed Interest Income Fund. That fund aims to provide a secure income with stability of capital consistent with investment in gilts. The Fund invests mainly in short, medium or longdated gilts according to M&G's view at any given moment of the likely course of interest rates and trend of the gilt-edged market.		
Prudential M&G Gilt & Fixed Interest Income Fund+	1.25	Series 2
	1.55	Series 3
	1.50	Series 4
	1.80	Series 5
The investment strategy of the fund is to purchase units in the M&G Gilt & Fixed Interest Income Fund. That fund aims to provide a secure income with stability of capital consistent with investment in gilts. The fund invests mainly in short, medium or longdated gilts according to M&G's view at any given moment of the likely course of interest rates and trend of the gilt-edged market.		

Category/Fund	Annual Management Charge %	Series number
Lower to medium risk Some of these funds invest in fixed interest securities, predominantly corporate bonds, with higher yielding corporate bonds placed towards the top end of this range as they carry higher default risk. The other funds in this category invest in a wide range of assets which help to provide risk diversification.		
Prudential Corporate Bond Fund	1.05	Series 2
	1.35	Series 3
	1.30	Series 4
	1.60	Series 5
The investment strategy of the fund is to purchase units in the M&G Corporate Bond Fund. That fund aims to achieve a higher total return (the combination of income and growth of capital) from investment than would be obtainable in UK government fixed interest securities (ie gilts) of similar maturities. The fund invests mainly in sterling denominated corporate debt instruments. Any currency exposures within the fund may be managed by currency hedges into sterling.		
Prudential Managed Defensive Fund	1.00	Series 2
	1.30	Series 3
	1.25	Series 4
	1.55	Series 5
The investment strategy of the fund is to purchase units in the Prudential Unit Trusts Ltd Prudential Managed Defensive Fund. That fund aims to achieve long term total return (the combination of income and growth of capital) with a bias towards income through investing either directly or via other collective investment schemes in assets including transferable securities, debt instruments, money market instruments, cash, near cash, deposits, equities, derivatives, and indirectly in property. The fund will invest no more than 35% of the portfolio in equities. Assets held will predominantly be denominated in sterling.		
Prudential M&G Cautious Multi-Asset Fund+	1.20	Series 2
	1.50	Series 3
	1.45	Series 4
	1.75	Series 5
The investment strategy of the fund is to purchase units in the M&G Cautious Multi Asset Fund. That fund aims to maximise total return (the combination of income and growth of capital) through investment in a diversified range of asset types. Subject to this, the fund aims to grow income in the long-term. The fund invests mainly in securities, fixed income assets, warrants, money market instruments, deposits, cash, near cash and property via collective investment schemes and, with the exception of property, by investing directly in these assets. That fund will invest no more than 60% of its portfolio in equities.		
Prudential M&G Corporate Bond Fund+	1.20	Series 2
	1.50	Series 3
	1.45	Series 4
	1.75	Series 5
The investment strategy of the fund is to purchase units in the M&G Corporate Bond Fund. That fund aims to achieve a higher total return (the combination of income and growth of capital) from investment than would be obtainable in UK government fixed interest securities (ie gilts) of similar maturities. The fund invests mainly in sterling denominated corporate debt instruments. Any currency exposures within the fund may be managed by currency hedges into sterling.		
Prudential M&G High Yield Corporate Bond Fund+	1.25	Series 2
	1.55	Series 3
	1.50	Series 4
	1.80	Series 5
The investment strategy of the fund is to purchase units in the M&G High Yield Corporate Bond Fund. That fund aims to maximise total return (the combination of income and growth of capital) while generating a high level of income. The fund invests predominantly in higher yielding corporate debt instruments which may be denominated in sterling, European currencies and other major global currencies, should the investment managers deem them to be appropriate investments.		

Category/Fund	Annual Management Charge %	Series number
Lower to medium risk continued		
Some of these funds invest in fixed interest securities, predominantly corporate bonds, with higher yielding corporate bonds placed towards the top end of this range as they carry higher default risk. The other funds in this category invest in a wide range of assets which help to provide risk diversification.		
Prudential UK Equity & Bond Fund+	1.00	Series 2
	1.30	Series 3
	1.25	Series 4
	1.55	Series 5

The investment strategy of the fund is to provide income and long-term capital growth, by investing mainly in UK equities, corporate bonds and to a lesser extent UK government bonds (gilts).

Prudential With-Profits Fund		
This applies to the Optimum Bonus With-Profits Fund and Optimum Return With-Profits Fund		
Prudence Bond & Prudence Managed Investment Bond & Top Ups*		
Initial Charge Option		
➤ Original plan taken out before 2 January 2002	1.15**	n/a
➤ Original plan taken out on or after 2 January 2002	1.25**	
Establishment Charge Option	1.15**	
No Initial Charge Option	1.55**	

Prudential's With-Profits Fund is one of the largest and one of the strongest in the UK. It currently invests mainly in a mix of company shares, fixed-interest securities and property, meaning it is well placed for potential real growth over the longer term. These investments also have risks, but Prudential's With-Profits Fund aims, through the bonus mechanism, to smooth some of the peaks and troughs of investment performance.

There are currently two types of bonus:

Regular bonus – This is added during the term of your Bond. When we decide the rates of regular bonus, the main thing we consider is the return we expect our investments to earn in the future. We hold back some of this return to enable us to pay final bonus.

Final bonus – This is an additional bonus, which we expect to pay when you take money from your Bond. If the investment return has been low over the lifetime of your Bond, a final bonus may not be paid. There is no guarantee final bonus will be paid.

If money invested in either of the With-Profits Funds is taken out at any time including to switch to the other With-Profits Fund, except on a death claim or to meet certain regular withdrawals, the amount may be reduced to reflect the current market value of the underlying assets. This is known as a Market Value Reduction (MVR) and is in addition to any Early Cash-In Charge. This may mean that you get back less than the full amount of your investment.

Full details of our current practice of applying an MVR can be found in the Key Features document.

The Annual Management Charge will depend on the returns we achieve on our funds. We expect the above annual management charges if fund returns are 6% after tax.

* A lower annual management charge applies to existing investments made before 1 October 2002. Please refer to your bond details.

** The Annual Management Charge of this fund is already taken into account when we calculate the bonus rates for our With-Profits Funds. For further details of the charges for this fund please refer to your Key Features document.

Category/Fund	Annual Management Charge %	Series number
Medium risk These funds are predominantly multi-asset funds with a higher weighting in equities. The Property Fund is also in this category.		
Prudential Managed Fund	1.00	Series 2
	1.30	Series 3
	1.25	Series 4
	1.55	Series 5
The investment strategy of the fund is to provide steady medium to long-term total growth (the combination of income and growth of capital) by investing mainly in a broad spread of Prudential's investment-linked funds and collective investment schemes.		
Prudential M&G Managed Growth Fund+	1.20	Series 2
	1.50	Series 3
	1.45	Series 4
	1.75	Series 5
The investment strategy of the fund is to purchase units in the M&G Managed Growth Fund. That fund aims to achieve long-term capital growth by investing predominantly in collective investment schemes in order to provide a well diversified exposure to global equities.		
Prudential M&G Managed Fund+	1.20	Series 2
	1.50	Series 3
	1.45	Series 4
	1.75	Series 5
The investment strategy of the fund is to purchase units in the M&G Managed Fund. That fund aims to maximise total return (the combination of income and growth of capital) by investing mainly in securities, fixed income assets, warrants, money market instruments, deposits, cash, near cash and property mainly via collective investment schemes, but, with the exception of property, may invest directly in these assets.		
Prudential Newton Balanced Fund+	1.40	Series 2
	1.70	Series 3
	1.65	Series 4
	1.95	Series 5
The investment strategy of the fund is to purchase units in the Newton Balanced Fund. That fund aims to achieve a balance between capital growth and income predominantly from a portfolio of UK and international securities.		
Prudential Property Fund	1.00	Series 2
	1.30	Series 3
	1.25	Series 4
	1.55	Series 5
The investment strategy of the fund is to purchase units in the M&G Property Portfolio. That portfolio aims to maximise long-term total return (the combination of income and growth of capital) through investment mainly in commercial property. The portfolio invests in a diversified portfolio of commercial property mainly in the UK, seeking to add value through strategic asset allocation, stock selection and asset management. The portfolio may also invest in other property related assets, including collective investment schemes, securities, derivatives and debt instruments, as well as government debt, money market instruments and cash.		

Category/Fund	Annual Management Charge %	Series number
Medium to higher risk These funds offer a diverse geographical spread of equity investment. The funds within this category will have greater overseas exposure and underlying volatility than the 'medium' sector.		
Prudential International Fund	1.00	Series 2
	1.30	Series 3
	1.25	Series 4
	1.55	Series 5
The investment strategy of the fund is to provide long-term capital growth by investing mainly in a spread of equity markets throughout the world, mainly through Prudential's Unit Trusts. This includes the Prudential Trusts investing in the markets of the USA, Europe, the Asia-Pacific region and Japan.		
Prudential Invesco Perpetual Managed Fund++	1.35	Series 2
	1.65	Series 3
	1.60	Series 4
	1.90	Series 5
The investment strategy of the fund is to achieve long-term capital growth by investing mainly in UK and overseas securities.		
Prudential M&G Growth Portfolio+	1.20	Series 2
	1.50	Series 3
	1.45	Series 4
	1.75	Series 5
The investment strategy of the fund is to purchase units in the M&G Managed Growth Fund. That fund aims to achieve long-term capital growth by actively investing predominantly in collective investment schemes in order to provide a well diversified exposure to global equities.		
Prudential Newton International Growth Fund+	1.40	Series 2
	1.70	Series 3
	1.65	Series 4
	1.95	Series 5
The investment strategy of the fund is to purchase units in the Newton International Growth Fund. That fund aims to achieve capital growth from a portfolio of international securities.		
Prudential Newton Managed Fund++	1.20	Series 2
	1.50	Series 3
	1.45	Series 4
	1.75	Series 5
The investment strategy of the fund is to provide total long-term growth (the combination of income and growth of capital) by investing mainly in a diversified portfolio of UK and international equities with the option of holding up to 15% in bonds and cash.		
Prudential Strategic Growth Fund	1.00	Series 2
	1.30	Series 3
	1.25	Series 4
	1.55	Series 5
The investment strategy of the fund is to achieve total long-term growth (the combination of income and growth of capital) by investing mainly in UK and International shares.		

Category/Fund	Annual Management Charge %	Series number
Higher risk These are specialist equity-invested funds that focus on set geographical regions or a particular type of share e.g. shares of smaller companies or those that conform to certain criteria.		
Prudential Equity Fund	1.00	Series 2
	1.30	Series 3
	1.25	Series 4
	1.55	Series 5
The investment strategy of the fund is to provide total long-term growth (the combination of income and growth of capital) by investing mainly in a portfolio of equity holdings listed on the London Stock Exchange, with focus on "blue chip" companies.		
Prudential Equity Income Fund	1.10	Series 2
	1.40	Series 3
	1.35	Series 4
	1.65	Series 5
The investment strategy of the fund is to provide a high and increasing income from a portfolio, at least 85% of which will normally consist of equity-type securities of UK companies in all economic sectors.		
Prudential Ethical Fund	1.40	Series 2
	1.70	Series 3
	1.65	Series 4
	1.95	Series 5
The investment strategy of the fund is to provide total long-term growth (the combination of income and growth of capital) by investing mainly in UK companies that avoid activities which have a significantly harmful impact on the world around us.		
Prudential European Fund	1.00	Series 2
	1.30	Series 3
	1.25	Series 4
	1.55	Series 5
The investment strategy of the fund is to purchase units in the PUTL European Qualified Investor Scheme Fund. That fund aims to achieve long-term capital growth by investing mainly in the shares of continental European companies quoted on the stockmarkets of Europe in all economic sectors.		
Prudential European Tracker Fund	1.00	Series 2
	1.30	Series 3
	1.25	Series 4
	1.55	Series 5
The investment strategy of the fund is to purchase units in the M&G European Index Tracker Trust. That trust aims to track the FTSE Europe (ex UK) Index.		
Prudential Invesco Perpetual Income Fund+	1.40	Series 2
	1.70	Series 3
	1.65	Series 4
	1.95	Series 5
The investment strategy of the fund is to purchase units in the Invesco Perpetual Income Fund. That fund aims to achieve a reasonable level of income together with capital growth by investing primarily in shares of companies listed in the UK, with the balance invested internationally.		

Category/Fund	Annual Management Charge %	Series number
Higher risk continued These are specialist equity-invested funds that focus on set geographical regions or a particular type of share e.g. shares of smaller companies or those that conform to certain criteria.		
Prudential Invesco Perpetual UK Growth Fund+	1.60	Series 2
	1.90	Series 3
	1.85	Series 4
	2.15	Series 5
The investment strategy of the fund is to purchase units in the Invesco UK Growth Fund. That fund aims to achieve capital growth by investing mainly in shares of companies listed in the UK.		
Prudential Japanese Fund	1.00	Series 2
	1.30	Series 3
	1.25	Series 4
	1.55	Series 5
The investment strategy of the fund is to purchase units in the PUTL Japanese Qualified Investor Scheme Fund. That fund aims to provide high long-term growth through actively managing a portfolio consisting wholly or mainly of companies, the securities of which are listed in, or the operations of which are based mainly in, Japan.		
Prudential Newton Continental European Fund+	1.40	Series 2
	1.70	Series 3
	1.65	Series 4
	1.95	Series 5
The investment strategy of the fund is to purchase units in the Newton Continental European Fund. That fund aims to achieve capital growth from a portfolio of predominantly European securities.		
Prudential Newton Higher Income Fund++	1.20	Series 2
	1.50	Series 3
	1.45	Series 4
	1.75	Series 5
The investment strategy of the fund is to provide total long-term growth (the combination of income and growth of capital) by investing in a portfolio consisting wholly or mainly of UK equities. The fund concentrates on high yielding equities which exhibit strong cash flow and dividend growth.		
Prudential Newton Oriental Fund+	1.40	Series 2
	1.70	Series 3
	1.65	Series 4
	1.95	Series 5
The investment strategy of the fund is to purchase units in the Newton Oriental Fund. That fund aims to achieve capital growth by investing in securities predominantly in Asian and in Pacific markets including Australia and New Zealand but excluding Japan.		
Prudential North American Fund	1.00	Series 2
	1.30	Series 3
	1.25	Series 4
	1.55	Series 5
The investment strategy of the fund is to purchase units in the PUTL North American Qualified Investor Scheme Fund. That fund aims to provide total long-term growth (the combination of income and growth of capital) by investing in an actively managed portfolio of investments consisting wholly or mainly of companies which are mainly based in the USA, but with the scope to invest in Canada and Latin America.		

Category/Fund	Annual Management Charge %	Series number
Higher risk continued These are specialist equity-invested funds that focus on set geographical regions or a particular type of share e.g. shares of smaller companies or those that conform to certain criteria.		
Prudential Pacific Markets Fund	1.00	Series 2
	1.30	Series 3
	1.25	Series 4
	1.55	Series 5
The investment strategy of the fund is to provide total long-term growth (the combination of income and growth of capital) by investing in an actively managed portfolio of investments consisting wholly or mainly of companies which are mainly based in the Asia Pacific region (excluding Japan).		
Prudential Small Companies Fund	1.00	Series 2
	1.30	Series 3
	1.25	Series 4
	1.55	Series 5
The investment strategy of the fund is to provide above average long-term capital growth. The fund invests mainly in the shares of small growing companies, mainly in the UK.		
Prudential UK Tracker Fund	1.00	Series 2
	1.30	Series 3
	1.25	Series 4
	1.55	Series 5
The investment strategy of the fund is to purchase units in the M&G UK Tracker Fund. That fund aims to track the FTSE All Share Index.		

- + Invests in the fund manager's own fund or collective investment scheme of the same name.
- ++ These are Prudential funds managed on our behalf by the fund management group stated. They should not be confused with the same or similarly named funds or unit trusts offered independently by these fund management groups.

Glossary of investment terms

This glossary is a high-level guide to some of the technical terminology that may appear in this Fund Guide. It is not intended to be a definitive reference document and you should contact your adviser for further assistance where necessary.

Basic Materials Sector – a category of stocks covering companies involved with the discovery, development and processing of raw materials. The basic materials sector includes the mining and refining of metals, chemical producers and forestry products.

"Blue Chip" Companies – these are large, reputable companies which are thought to be financially sound.

Bonds – see Fixed Interest Securities.

'Boutique Managed' Funds – investment funds that are specialised in some way either through the expertise needed to manage the portfolio or because it has an unusual theme or a collection of funds under one house. These 'boutique' funds are typically offered by smaller, specialist firms as opposed to large investment management companies.

Broad Investment Grade – this is a term used to describe a listing of bonds and fixed income instruments on an index. It is used to measure the overall value of a collective group of bonds and represents the characteristics of these types of securities. It is a grading level that can be used by certain types of funds for determining assets that are suitable for investment into a fund.

Certificates of Deposit – these are a money market investments that are generally issued by banks against a security. A certificate of deposit usually pays interest (which can vary) and entitles the bearer to receive a set interest rate up until a set maturity date and can be issued in any currency or denomination.

Closed Ended Funds – this describes a collective investment scheme which has a limited number of shares (or units). The shares are then traded on an exchange or directly through the fund manager to create a secondary market subject to market forces.

Collective Investment Schemes – a way of pooling investment with others as part of a single investment fund. This allows investors to participate in a wider range of investments than would normally be feasible if investing individually and to share the costs and benefits of doing so. Collective Investment Schemes, OEICs, Unit Trusts, Mutual funds, usually either target geographic regions (like emerging market countries) or specific themes (like technology or property).

Convertible Bonds (can also be called Deferred Equity) – these are corporate bonds that are exchangeable for a set number of another form of investment (for example, common shares) at a pre-stated price. Convertible bonds typically pay a lower income than is normally available from common bonds.

Corporate Bonds – these are loans to companies where the purchaser of the corporate bond lends money to the company in return for regular interest payments and the promise that the initial sum will be repaid on a specified later date.

Default Risk – this is the possibility that the issuer of a bond will be unable to make payments when they are due.

Derivatives – these cover products such as futures and options which are generally an arrangement to buy or sell a standard quantity of a specified asset

on a fixed future date at a price agreed today. Also considered to be a financial instrument whose value is dependent upon the value of an underlying asset.

Equities – these are also known as shares or stocks and represents a share of the ownership of a company. Shares give two potential benefits – the share prices increase as the value of the company increases and regular payments, known as dividends, may be made to shareholders based on how well the company is doing.

Eurobonds – a Eurobond is an international bond that is denominated in a currency not native to the country where it is issued. It can be categorized according to the currency in which it is issued. For example, a British company may issue a Eurobond in Germany, denominating it in U.S. dollars.

Exchange-Traded Fund – this is an investment vehicle the units of which are traded on a stock exchange. An exchange traded funds can hold a range of assets such as stocks, bonds or even commodities. Most track an index, such as the FTSE ALL share or the S&P 500.

Fixed Interest Securities – these are more commonly known as "bonds" and 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.

Floating Rate Notes – these are basically short-term loans to financial organisations, such as banks, under which the investor receives interest payments from that financial organisation. At the end of an agreed period the financial organisation has to repay the loan. The interest payment rates are linked to a specified “floating” rate typically the London Interbank Offered Rate (LIBOR). This means that interest rate payments may go up or down.

Forwards Contract (or Forwards) – these are agreements between two parties to buy or sell an asset at a fixed future date for a price determined at the time of dealing.

Government Bonds – these are loans to the government where the purchaser of the government bond lends money to the government in return for regular interest payments and the promise that the initial sum will be repaid on a specified later date.

Government Sovereign Bond – is a government debt issued in a foreign currency.

Hedging – a strategy employed in order to reduce or mitigate risk. Hedging involves making an offsetting transaction in one market in order to protect against possible losses in another.

Hedged Back to Sterling – this is a specific example of hedging where the trader is trying to protect an existing or anticipated position from an unwanted move in sterling exchange rates.

Index-Linked Securities – are similar to fixed interest securities but the payments out are normally increased by a price index e.g. for UK government index-linked securities, payments out are increased in line with the UK Retail Price Index.

Investment Grade – a credit rating given to a government or corporate bond that indicates that the agency giving the rating (e.g. Standard & Poors) believes that the issuer has a relatively low risk of default. Bonds with credit ratings of AAA, AA, A or BBB are considered investment grade. Low rated bonds with ratings of BB or below are often called Junk Bonds.

LIBOR (London Interbank Offered Rate) – this is the interest rate that London banks charge when lending money to one another over a short period of time. LIBOR is often used as a benchmark when setting other short term interest rates.

Money Market Investments – are defined as cash and near cash such as bank deposits, certificates of deposits, fixed interest securities or floating rate notes, with, where applicable, a maturity date of under a year.

OEIC – this is an Open Ended Investment Company, which is the British version of a European SICAV (Societe D’investissement a Capital variable) or Irish VCIC (Variable Capital Investment Company). Like all open collective Investment Schemes, an OEIC has no fixed amount of capital.

The total value of the OEIC is equally divided into shares which will vary in price and in the number issued. Each time that new money is invested, new shares or units are created to match the prevailing share price; each time shares are redeemed, the assets sold match the prevailing share price.

Options – legal agreements that give the holder the right (but not the obligation) to buy or sell the underlying asset at an expiration date, at a price determined at the time of dealing.

Permanent Interest Bearing Shares (usually referred to as PIBS) – these are fixed-interest securities issued by building societies. Building societies use them in the way public limited companies would use preference shares (see above). Although similar to bonds, PIBS typically exist as long as their issuer does. They typically offer better interest rates than bonds although unlike bonds have no fixed redemption date and so redemption value will be determined by market values at the time of sale.

PIBS are not covered by UK government compensation schemes. If the building society is in financial distress, amounts are paid to holders of PIBS only after depositors.

Preference Shares (also called Preferred Stock or Preferred Shares) – these are shares in a company which give their holders an entitlement to a fixed dividend payment and may or may not carry voting rights. These are a “higher ranking” stock than common stock and usually have specific rights attached to them.

Preference shares mean that the holder may get preferred treatment over common share holders – and carry a dividend that is paid out prior to dividends to common share holders. In the event of bankruptcy preferred share holders will be paid out from assets before common share holders and after debt holders.

Primary Industry – the industrial sector of an economy involved in the extraction and collection of natural resources, such as copper and timber, as well as by activities such as farming and fishing. A company in a primary industry can also be involved in turning natural resources into products. Primary industries tends to make up a larger portion of the economy of developing countries than they do for developed countries.

Qualified Investor Scheme (QIS) – A qualified investor scheme is essentially a mixed asset type of scheme where different types of permitted asset may be included as part of the scheme property, depending on the investment objectives and policy of that scheme and within any restrictions in the rules.

Regulated – This means the portfolio or fund has to conform to the regulations laid down by the financial authority it is trading in (i.e. the FSA in the UK), financial service providers and markets.

Secondary Industry – the industrial sector of an economy that produces finished, usable products. Unlike a primary industry, which collects and produces raw materials for manufacture, a secondary industry makes products that are more likely to be consumed by individuals. Examples of secondary industry divisions include automobile manufacturing, steel production and telecommunications.

Shares – see Equities.

Short-Term Government Bonds – for the purposes of determining assets which the Prudential Cash Funds can invest in these are defined as government bonds with a repayment period of twelve months or less.

Smaller Companies – companies quoted on a recognised exchange that have a market worth below that of blue chip companies. In the UK, smaller companies are typically defined as those with market capitalisations below the top 350 companies in the FTSE All Share Index.

Transferable Securities – this is a descriptor given to a type of financial security which is traded on capital markets. The term is probably most commonly known and used in association with UCITS in UK and Europe (examples would be UCITS/depository receipts/some types of warrants).

Undertakings for Collective Investment in Transferable Securities (UCITS) – these are collective investments which can be sold across national borders within the EU having complied with regulations on investments and administration.

Unregulated – this means the portfolio or fund does not need to conform to regulations.

Warrants – a warrant is a security that entitles the holder to buy shares in the issuing company at a specified price and within a certain time frame.

Warrants are freely transferable and traded on major exchanges. Their value will go up or down as the price of the shares to which they relate goes up or down.



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