



A quick guide to The PruFund Smoothing Process

The PruFund Range of Funds have a diversified mix of assets which helps to reduce investment volatility over the longer term. In addition, these funds benefit from a transparent smoothing formula and this summary guide helps to outline the steps involved in this process.

This guide applies to the following products and PruFund Range of Funds.

Product	Funds
Flexible Investment Plan Prudential Investment Plan	PruFund 0-30 Fund PruFund 10-40 Fund PruFund 20-55 Fund PruFund 40-80 Fund PruFund Protected Growth Fund PruFund Protected Cautious Fund PruFund Growth Fund PruFund Cautious Fund
Trustee Investment Plan Flexible Retirement Plan	PruFund 0-30 Pension Fund PruFund 10-40 Pension Fund PruFund 20-55 Pension Fund PruFund 40-80 Pension Fund PruFund Protected Growth Pension Fund PruFund Protected Cautious Pension Fund PruFund Growth Pension Fund PruFund Cautious Fund

Step 1

Your client's investment will initially be invested in a holding fund called a PruFund Account and switched to your client's chosen fund on the next PruFund Quarter Date. While the investment is in a PruFund Account, it increases daily in line with the Expected Growth Rate (EGR) applicable to that Account. During this time, product charges will be applied, but the investment will not be subject to any smoothing adjustments or suspension of smoothing. There is an associated PruFund Account for each fund in the PruFund Range of Funds.

Step 2

For any particular fund, the EGR is the annualised rate which will be applied daily to increase the unit price of that fund. The EGRs are set quarterly by the Prudential Assurance Company (PAC) Ltd Directors, having regard to the expected long-term investment returns on the assets of the fund.

Step 3

The quarter start dates are:

- › 25 February
 - › 25 May
 - › 25 August
 - › 25 November
- (or the next working day)

Step 4

The aim of the smoothing process is to reduce the impact of short-term market movements by using an automated process to smooth investment returns. This is in addition to the smoothing provided by the diverse asset mix.

Step 5

In this process we use the terms "smoothed" and "unsmoothed" when referring to the unit prices of each fund.

- › The unit price is known as the **smoothed price** which normally increases daily at the EGR rate.
- › The **unsmoothed price** is the value of the investments in each fund, divided by the total number of units in that fund.
- › To protect investors, we will not disclose the unsmoothed price to avoid speculation over potential price adjustments.

Step 6

The difference between these prices is checked on a daily basis. If the unsmoothed price differs from the smoothed price by 10% or more, based on both the actual unsmoothed price and a 5-day rolling average of the unsmoothed price, then the smoothed price will be adjusted immediately to reduce this difference to 2.5%.

Step 7

At the quarter date, if the unsmoothed price differs from the smoothed price by 5% or more, either above or below, then the smoothed price is moved 50% of the way to the unsmoothed price. If necessary, this adjustment is repeated until the gap is within 5%.

Step 8

Adjustments could be up or down, depending on whether the smoothed price is too far above or below the unsmoothed price.

After any adjustments have been made, the smoothed price will continue to increase at the EGR for the quarter.

Step 9

In certain circumstances, the smoothing process may be temporarily suspended in order to protect the With-Profits Fund and the clients invested in it. This can happen independently for each fund in the PruFund Range of Funds. The individual funds' performance is not a deciding factor in whether the smoothing process is applied, or not, to that fund. Large values of investments coming into or out of a fund (when investors invest or cash-in) could mean your client's investment wouldn't be smoothed by the process described in the steps above.

For more information on the **PruFund Range of Funds**, please contact your **Prudential Account Manager**.



www.pruadviser.co.uk

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