defaqto

Q&A PruFund range

March 2023

Sponsor

Pru

part of M&G plc

Contents

Introduction

Prudential has commissioned Defaqto to carry out an independent fact-based review of the PruFund proposition. This has been done in the format of a Q&A report.

This Q&A report considers the use of the PruFund range within the products where it is available – pensions, bonds and ISAs. The objective of this review is to provide advisers with the processes and information they should be considering when assessing the suitability of the PruFund range.

While some of the questions are specific to the make-up of the PruFund range, many can equally be applied by advisers when carrying out due diligence research on other funds and investment solutions, and also gauging their potential suitability for clients.

The Q&A report was conducted using Prudential's full suite of adviser and client-facing marketing literature. Defaqto has also had access to senior representatives of Prudential.

This Q&A report represents Defaqto's understanding of the investment process, terms and conditions of the PruFund range, along with our comments on the key features and attributes of this proposition. It does not represent a recommendation to invest in the PruFund range, and Defaqto encourages advisers to conduct their own suitability and due diligence processes before selecting this fund solution, or any other, for their clients.

Richard Hulbert
Insight Consultant (Wealth)

Patrick Norwood
Investment Consultant

The questions posed by Defaqto are:

1. What type of funds are they?
2. What are the aims of the PruFunds and how have they performed?
3. Who are the team behind the PruFunds?
4. What are the key due diligence points?
5. What is the investment process behind the PruFunds?
6. Are ESG factors considered in the management of the PruFunds?
7. How do the PruFunds work?
8. How can the PruFunds be accessed?
9. What are the charges?
10. When considering quality and suitability, how can the PruFunds be approached and compared?

Acronyms

The main acronyms used in this document are:

AUM	Assets under management
CBI	Central Bank of Ireland
EGR	Expected growth rate
ESG	Environmental, social and governance
FSCS	Financial Services Compensation Scheme
IA	Investment Association
IGC	Independent Governance Committee
ISA	Individual savings account
LCR	Liquidity coverage ratio
LTIS	Long-Term Investment Strategy
MIB	Macro Investment Business
OEIC	Open-ended investment company
PAC	Prudential Assurance Company
PPP	Personal pension plan
PRI	Principles of Responsible Investment
QSL	Quarterly smoothing limit
SAA	Strategic asset allocation
SCR	Solvency Capital Requirement
SIPP	Self-invested personal pension
TAA	Tactical asset allocation
T&IO	Treasury & Investment Office
TIP	Trustee investment plan
TVaR	Tail Value at Risk
UPA	Unit price adjustments
UPR	Unit price resets

Background

Market backdrop

Mainstream asset classes generally posted negative returns over 2022 (in sterling terms). This includes all the main equity regions as well as gilts, UK corporate bonds and global fixed income. Last year was in fact the first year for some time that saw both equities and bonds fall – when equities fell heavily in the 2008 Global Financial Crisis and in the 2000–2002 'tech bubble' bonds rose.

Rising inflation, increases in interest rates and fears of recession, together with the war in Ukraine, were on investors' minds throughout most of last year. As a result, the above asset classes fell over the first nine months of 2022. Over the final quarter of 2022, however, equities across most of the main regions and bonds saw positive returns, as inflation showed some signs of easing. This has largely continued into the first weeks of 2023.

Sterling fell over the first nine months of 2022 on concerns over the UK economy generally and the September mini-budget and its unfunded tax-cuts in particular. The US dollar, meanwhile, performed strongly, due to expectations of further rate increases from the Fed but also due to its 'safe haven' status. As a result, sterling hit record lows against the dollar in late September, almost reaching parity. Since then, however, it has gained versus the dollar but fallen against the euro.

Regulatory update

In October 2022 the FCA unveiled various new measures to tackle 'greenwashing' in its consultation on Sustainability Disclosure Requirements. The new proposals aim to redefine how terms like ESG (environmental, social and governance), 'green' and 'sustainable' can be used, in order to protect consumers and improve trust in sustainable investment products. Following a consultation which ended in late January, final rules are expected by the end of H1 2023.

The FCA has, though, confirmed that there will be three sustainable category labels:

1. Sustainable focus

For products investing in assets that are environmentally or socially sustainable

2. Sustainable improvers

For products investing in assets to improve environmental or social sustainability over time, including in response to the stewardship influence of the firm

3. Sustainable impact

For products investing in solutions to environmental or social problems to achieve positive, measurable real-world impact

Defaqto ESG Reviews

A few years ago Defaqto started producing ESG Reviews covering funds and model portfolios. The aim of these documents, written after at least one detailed meeting with the fund management firm, is to help advisers and their clients distinguish between the various ESG offerings in the market. Aspects they consider include:

- The ESG policy of the fund as well as evidence as to whether or not the fund is following that policy
- The fund's levels of ESG integration
- The manager's voting and engagement policies and records
- The team and wider ESG resources behind the fund
- The fund's alignment to the UN Sustainable Development Goals

Accumulation versus decumulation investing

As has been well documented previously by Defaqto and others, both the order of returns and their volatility are important in the decumulation phase, ie when regular income is being taken from a fund.

Poor returns early in the decumulation phase, along with higher volatility, are more likely to lead to an investor exhausting their capital, and therefore income, earlier in their retirement. This is because once income is taken and spent in the early years there is no longer the chance to recoup the loss on that part of the investment through higher returns in later years.

This risk of poor returns earlier in the investment period rather than later is known as sequencing risk.

In the accumulation stage, however, the order of returns does not matter as regular income is not being taken from the investment. An accumulation process has a focus on maximising expected returns for a given level of total return volatility.

In the decumulation stage, on the other hand, the following variables need to be considered:

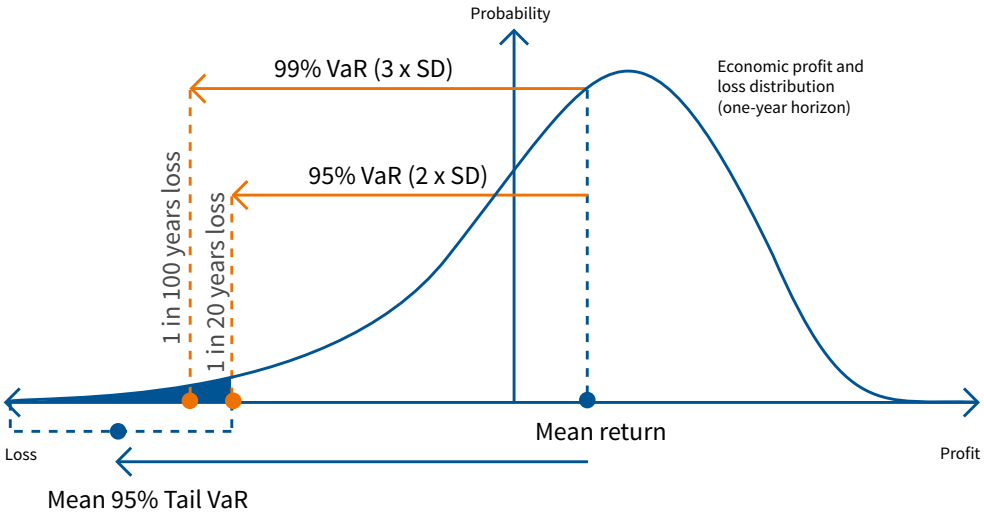
- Initial investment amount
- Withdrawal amount – the amount the client wishes to take from the fund on a regular basis
- Duration – the length of time over which the investor wishes to withdraw the withdrawal amount with a predefined percentage of certainty
- Sequencing risk
- Residual capital (at the end of the duration)

How Defaqto views the decumulation process

Defaqto's decumulation process focuses on achieving the longest duration, with 95% certainty, for given levels of withdrawal and sequencing risk.

Defaqto's proxy for sequencing risk is the one-year 95% Tail Value at Risk (TVaR). This is the average of the worst 5% of the fund's returns over a one-year period (with this worst 5% being represented by the blue area in Figure 1).

Figure 1: Tail Value at Risk



Defaqto risk assessment – accumulation

Defaqto's accumulation Risk Ratings allow advisers to assess multi-asset funds in terms of their risk and hence suitability for each client in the accumulation stage of their investment cycle. Each rating corresponds to an accumulation Defaqto Risk Profile from 1 to 10 (with the risk profile based on an individual's attitude to risk, capacity for loss and required return), where 10 is the most risky and 1 is the least risky.

These accumulation Risk Ratings are reached by:

- Looking at the fund's projected volatility (standard deviation) using its asset allocation (both SAA and TAA) and assumptions for the future returns, volatilities and co-movements of the asset classes it holds
- Consultation with the manager of the fund

The risk level of each fund is mapped onto a scale of volatility bands, where 10 is the riskiest and 1 is the least risky, to give the fund its Defaqto Risk Rating.

Defaqto risk assessment – decumulation

Defaqto has more recently created a workflow which enables advisers to extract their client's decumulation mandate and find suitable multi-asset funds to meet that mandate.

A fund will be mapped onto one of three different sequencing risk levels – low, medium or high – and this mapping is reached by:

- Looking at the fund's historic returns, in particular the worst one-year return performance since inception, where past returns' data is available and relevant
- Looking at the fund's projected TVaR (at the 95% level) using its asset allocation and assumptions for the future returns, volatilities and co-movements of the asset classes it holds

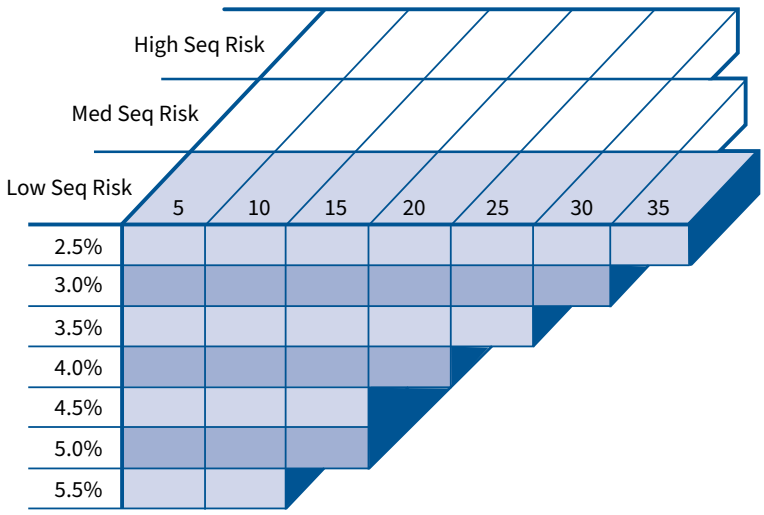
The highest of the forecast TVaR and the worst one-year historic return is used to assign an initial sequencing risk to the fund, and the final sequencing risk is agreed after discussion with the manager.

The level of sequencing risk is then used in conjunction with the fund's strategic asset allocation (SAA), tactical asset allocation (TAA) and costs, together with projections from a stochastic model, to determine which income drawdown mandates the fund can meet.

This analysis is completed for both nominal and real (inflation adjusted) income and is illustrated in Figure 2 for a fund with low sequencing risk. Withdrawal rate is on the vertical axis and duration in years is on the horizontal axis.

It should be emphasised that this is just a conceptual diagram and is not meant to represent actual possible withdrawal rates for any sequencing risk or duration.

Figure 2: Illustration of longest possible durations (at the 95% level) for various different withdrawal rates, for a low sequencing risk fund



This is then matched with client mandates in Defaqto's advice workflow – the fund is only available for clients in income drawdown scenarios where the portfolio can achieve the client mandate with 95% certainty. In Figure 2, a duration of 15 years would be possible (with 95% confidence) with a withdrawal rate of 4.5%, but a duration of 20 years would be highly unlikely with that withdrawal rate.

1. What type of funds are they?

The Risk Managed PruFund range consists of five multi-asset portfolios, with expected risk and return increasing through the fund 'family'. The number at the end of the name of the fund indicates the relative risk position, with 5 offering the highest potential risk and return, and 1 the lowest.

Sitting alongside this range are the PruFund Cautious and PruFund Growth funds. In parallel with the Risk Managed PruFund range, Prudential also offers the Risk Managed Active and Risk Managed Passive fund families. Each of these contains five funds as well, with expected risk and return increasing through the range. All of these 10 funds form the PruFolio fund family.

All of the PruFolio funds aim to achieve long-term total returns (ie providing a combination of income and growth of capital) by investing mainly in collective investments. All three ranges manage risk by limiting the volatility of each fund to be at or below a certain level. The funds in the Risk Managed PruFund range plus PruFund Cautious and PruFund Growth also involve some smoothing (see Q7).

Another key difference between the PruFunds and the Risk Managed Active and Passive funds is that the PruFunds are only available via product wrappers (see Q8 for details) whereas the Risk Managed Active and Passive funds are also available as collective investments – open-ended investment companies (OEICs) – on various fund platforms. Accessibility is covered in more detail in Q8. There are over 60 PruFunds in total, for the different product wrappers and in some cases with different currency and series within each wrapper (see Table 23 in Appendix 2).

Defaqto risk assessment

Accumulation

Table 1 shows where the various PruFunds sit in comparison to each other and on the Defaqto risk assessment tool for accumulation.

Table 1: Defaqto risk ratings

High Risk

Risk Rating	Fund	
10		
9		
8		
7		
6	Risk Managed PruFund / PruFund Planet 5	
5	Risk Managed PruFund / PruFund Planet 4	PruFund Growth
4	Risk Managed PruFund / PruFund Planet 3	
3	Risk Managed PruFund / PruFund Planet 2	PruFund Cautious
2	Risk Managed PruFund / PruFund Planet 1	
1		

Low Risk

Source: Defaqto, February 2023

Decumulation

In the case of Defaqto's decumulation risk ratings, all of the PruFunds are categorised as low sequencing risk, with the exception of Risk Managed PruFund 4 and 5 and PruFund Planet 4 and 5, which have been mapped as medium sequencing risk (see 'Defaqto risk assessment – decumulation' section above for more detail on this process).

2. What are the aims of the PruFunds and how have they performed?

Aims and objectives

The objective of each PruFund is shown in Table 2.

Table 2: PruFund objectives

Fund	Objective
PruFund Cautious	The fund aims for steady and consistent growth over the medium to long term (5 to 10 years or more) through a cautious approach to investing. The fund invests in UK and international equities, property, fixed interest securities, index-linked securities, cash and other specialist investments. The fund will aim to invest 50–75% in fixed interest securities, index-linked securities and cash, although may occasionally move outside this range to meet the fund objectives.
PruFund Growth	The fund aims to maximise growth over the medium to long term by investing in shares, property, fixed interest and other investments. The fund currently invests in UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments.
Risk Managed PruFund 1	The fund aims to achieve long-term total return (the combination of income and growth of capital). The fund is actively managed and aims to limit the fluctuations ('volatility') of the investment experience, after allowing for smoothing, to 9% per annum over the medium to long term.
Risk Managed PruFund 2	The fund aims to achieve long-term total return (the combination of income and growth of capital). The fund is actively managed and aims to limit the fluctuations ('volatility') of the investment experience, after allowing for smoothing, to 10% per annum over the medium to long term.
Risk Managed PruFund 3	The fund aims to achieve long-term total return (the combination of income and growth of capital). The fund is actively managed and aims to limit the fluctuations ('volatility') of the investment experience, after allowing for smoothing, to 12% per annum over the medium to long term.
Risk Managed PruFund 4	The fund aims to achieve long-term total return (the combination of income and growth of capital). The fund is actively managed and aims to limit the fluctuations ('volatility') of the investment experience, after allowing for smoothing, to 14.5% per annum over the medium to long term.
Risk Managed PruFund 5	The fund aims to achieve long-term total return (the combination of income and growth of capital). The fund is actively managed and aims to limit the fluctuations ('volatility') of the investment experience, after allowing for smoothing, to 17% per annum over the medium to long term.

Source: Defaqto, February 2023

In 2021 Prudential launched the PruFund Planet range (see Q6), which consists of five risk managed funds with the same volatility objectives as the Risk Managed 1–5 funds above but with additional objectives.

The funds aim to deliver positive environmental and societal outcomes in addition to financial returns.

There are three categories of outcome:

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

Source: Prudential

Sequence and inflation risk

As already discussed, both the order of returns and their volatility are important in the decumulation phase. Poor returns early in the decumulation phase, along with higher volatility, are more likely to lead to an investor exhausting their capital and income earlier in their retirement.

In addition, those taking income from their savings will need both the investment and the income it produces to increase by at least the rate of inflation each year in order to maintain the buying power of their money. As a result, some form of protection against inflation in a person's investments will be critically important to avoid a decrease in their standard of living in retirement.

Therefore, funds that have very low volatility yet still contain a significant proportion of asset classes with higher expected returns will be most effective in terms of reducing both sequencing and inflation risk.

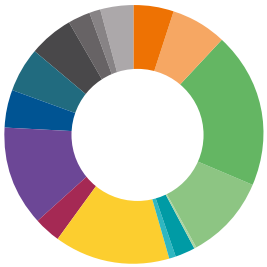
The PruFunds:

- employ the price smoothing mechanism described in Q7 and illustrated later in Figures 4 to 7
- have volatility ceilings
- are diversified across a range of asset classes

These – especially the smoothing mechanism – will lessen their volatility.

In the Risk Managed PruFund 3 (the fund in the middle of the risk range and shown in Figure 3), 33% of the portfolio is invested in equities, which have been shown to be the highest returning mainstream asset class over long historical periods, and a further 14% in property, which is also seen by many as a 'growth asset'. These should help to mitigate the risk of inflation.

Figure 3: Risk Managed PruFund 3 asset allocation



Cash	5.1%	Private Equity	3.5%
UK Corporate Bonds	6.9%	UK Equity	12.6%
Global (ex-UK) Fixed Income	19.6%	Europe (ex-UK) Equity	4.7%
High Yield Debt	10.4%	North American Equity	5.5%
Senior Loans	0.4%	Asia Pacific (ex-Japan) Equity	5.4%
Infrastructure	2.4%	Japan Equity	2.8%
Hedge Funds	1.0%	Emerging Market Equity	1.6%
Property	14.2%	Other	3.9%

Source: Prudential (but using Defaqto asset classes), 31 December 2022

Performance

Figures 4 to 7 show the performance of the various PruFunds against the appropriate Investment Association (IA) sector and, in the cases of the higher risk funds, versus the FTSE All Share index as well. Risk Managed PruFund 5 is relatively new, so its performance is not shown.

Figure 4: PruFund Cautious and IA Mixed Investment 0-35% Shares performance

30/12/2011 - 30/12/2022 Data from FE fundinfo 2023

Figure 5: PruFund Growth, IA Mixed Investment 20-60% Shares and FTSE All Share performance

30/12/2011 - 30/12/2022 Data from FE fundinfo 2023

Figure 6: Risk Managed PruFund 1, Risk Managed PruFund 2 and IA Mixed Investment 0-35% Shares performance

30/12/2011 - 30/12/2022 Data from FE fundinfo 2023

Figure 7: Risk Managed PruFund 3, Risk Managed PruFund 4, IA Mixed Investment 20-60% Shares and FTSE All Share performance

30/12/2011 - 30/12/2022 Data from FE fundinfo 2023

ESG

Many studies have shown that, over the medium term (last 3–5 years), ESG funds as a whole have outperformed their non-ESG equivalents or the broad index.

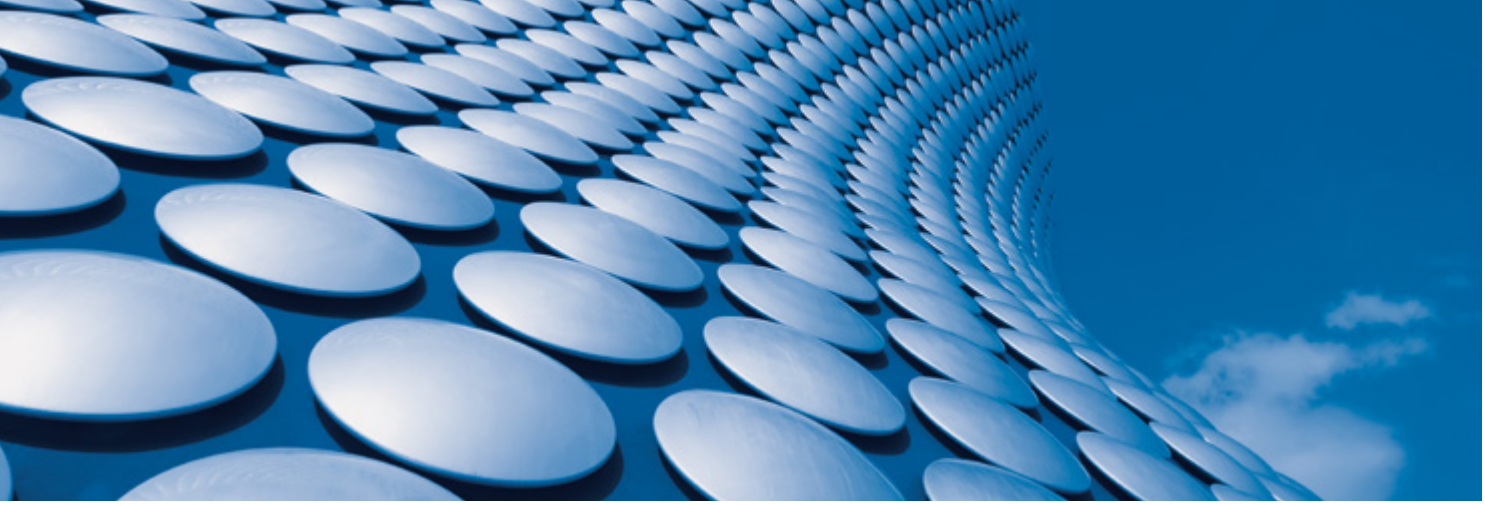
Over 2022, however, this reversed, with the majority of ESG funds having underperformed. One reason for this is that many ESG funds follow more of a 'growth' style of investing rather than 'value'.

Growth significantly outperformed value over the 10 or so years up to and including Covid-19. In the last 12–18 months, however, value managers and indices have outperformed their growth equivalents. In particular, sectors such as technology, which many ESG funds were overweight in, saw large selloffs in 2022. In addition, oil and gas, which ESG funds tend not to hold, rallied as a consequence of the war in Ukraine and resulting energy crisis.

It should be noted that the above explanation refers to equities, as this is the largest asset class held by ESG funds by far. Also, as mentioned, performance is for ESG funds as a whole – there are many different types of ESG fund with different aims and investment processes, hence there is much dispersion of performance across these funds.

Prudential Investment Plan Onshore Bond

From 3rd March 2023 Prudential have introduced a 10-year capital guarantee on the PruFund Cautious Fund at a cost of 0.35% p.a for the Prudential Investment Plan



3. Who are the team behind the PruFunds?

The M&G Treasury & Investment Office (T&IO) is the in-house investment strategist and 'manager of managers' for Prudential Assurance Company (PAC) in the UK.

They are independent of the various underlying asset management businesses within the group. T&IO is responsible for approximately £159 billion AUM, as at 30 June 2022, across a range of multi-asset investment solutions and other PAC products.

T&IO includes investment professionals with expertise in capital market research, investment strategy design, liability management, derivatives and portfolio management.

T&IO is responsible for the strategic allocation of all Prudential multi-asset funds, in addition to selecting and overseeing all underlying fund managers. They are also responsible for ensuring that the risk characteristics of each portfolio meet given objectives over time. Stock selection is then carried out by internal and external fund managers chosen for their strengths in specific asset classes.

Long-Term Investment Strategy (LTIS)	Portfolio Management	Manager Oversight

LTIS consists of 11* people with economic and/or quantitative backgrounds, and Manager Oversight comprises 9* individuals.

There are 5* Portfolio Managers and 4* Portfolio Analysts behind the multi-asset portfolios and funds of funds overseen by the T&IO.

(*as at end 2022)

4. What are the key due diligence points?

Advisers are expected to carry out due diligence on the providers who offer the products into which they plan to invest their clients' money. This is required on an initial and ongoing basis.

Target market

This information is provided to help not only with suitability but also with data reporting as required under MiFID II, PROD, the New Consumer Duty and the anticipated Value for Money rules. Advisers who have categorised their clients using the same methodology will gain the most from this. Figure 8 summarises the target markets for the PruFund range and Prudential products.

Figure 8: Target markets for the PruFund range and Prudential products

	PruFund	Pru ISA	Pru Retirement Account	Pru Trustee Investment Plan	Pru Inheritance Bond	Pru Investment Plan	Pru Onshore Portfolio Bond	Pru International Investment Bond	Pru International Investment Portfolio	Pru International Portfolio Bond
Distribution channels										
Execution only	Yes	No	No	No	No	No	No	No	No	No
Non-advised/ Guided	Yes	No	No	No	No	No	No	No	No	No
Advised	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Portfolio Management	No	No	No	No	No	No	No	No	No	No
Target client type										
Retail	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Professional	No	No	No	Yes	No	Yes	No	No	No	No
Eligible counterparty	No	No	No	No	No	No	No	No	No	No
Knowledge/experience										
Basic	Yes	Yes	Yes	No	No	Yes	No	Yes	No	No
Informed	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Advanced	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Ability to bear loss										
Zero	No	No	No	No	No	No	No	No	No	No
Limited loss	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No guarantees	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
More than 100%	No	No	No	No	No	No	No	No	No	No
Needs and objectives										
Capital preservation	No	No	No	No	No	No	No	No	No	No
Capital growth	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Income	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Investment time horizon										
Under 1 year	No	No	No	No	No	No	No	No	No	No
1-2 years	No	No	No	No	No	No	No	No	No	No
3-4 years	No	No	No	No	No	No	No	No	No	No
5 years or more	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Source: Defaqto, October 2022

Yes No

Service ratings

While advisers would be encouraged to consider their own experience, an independent service survey may also help to understand how a provider is likely to perform in key areas of service for them and their client.

Each year between July and October, Defaqto carries out a service satisfaction survey for pensions and investment bonds asking advisers for their views on the services they have received from providers.

The survey is split into different categories from new business to existing business aspects of service. The total then translates to an overall service rating of Gold or Silver, or not rated where their service scores did not meet the minimum required or they received an insufficient number of responses.

Table 3 shows the service ratings for Prudential for their pensions and investment bonds.

Table 3: Service ratings

Provider	Product	2023
Prudential	Investment bonds	defaqto 2023 GOLD Investment Bond Service
	Pensions	defaqto 2023 SILVER Pension Service
Prudential International	Investment bonds	defaqto 2023 SILVER Investment Bond Service

Source: Defaqto, February 2023

The Prudential is currently implementing several improvements to their service. This includes the addition of Bravura technology (not for Indivudal Savings Account (ISA)), which introduces a straight through, paperless, online experience for many investors and their advisers.

Financial strength

Financial strength is seen by many advisers as one of the key areas of due diligence when assessing the safety and security of their client's investment with a particular provider.

Although the Financial Services Compensation Scheme (FSCS) is in existence to protect clients' investments to a given level in the event of an institution ceasing to trade, the adviser may also want to consider the impact on the service they will be able to provide their client in the event of any issues with a provider.

AKG is an actuarially based organisation specialising in the provision of independent ratings to the financial services industry.

AKG ratings measure the financial strength of life and pension providers, though some consideration is also given to the commitment to a market and the wider parent ownership structure. These ratings are quite different from those issued by Moody's, Fitch and Standard & Poor's, which are credit ratings.

In January 2023 AKG rated the individual trading divisions of Prudential as set out in Table 4.

Table 4: AKG ratings

Provider	Wrapper	Product	AKG rating
Prudential	Personal pension/SIPP	Prudential Retirement Account	A
	Trustee investment plan	Prudential Trustee Investment Plan	
	Prudential ISA	Prudential ISA	
	Onshore bond	Prudential Investment Plan	
Prudential International	International bond	Prudential International Investment Bond	B+
		Prudential International Investment Portfolio	B+
		Prudential International Portfolio Bond	B+

Source: AKG Financial Analytics Ltd, January 2023

FSCS protection for international bonds post-Brexit

Brexit was always going to create potential issues in the international bond market. In late December 2020, a deal was finalised with relatively little time for providers to understand the impacts on their products and the clients invested in them from January 2021 when the new rules came in.

Prudential International Assurance, through whom the International Portfolio Bond is offered, has a UK branch and therefore is authorised in its own right. However, what has become clear is that the FSCS is no longer available to those clients who purchase an international bond post the UK leaving the EU. Those who already held a bond prior to this are still covered.

As this protection is no longer available, advisers will want to understand more about the providers they are recommending to their clients to purchase products. Considerations include how secure they are, and what other solutions they have in place which would help to offer some peace of mind.

Prudential International Assurance has been entirely owned by PAC since 1992, which in turn is owned by M&G. Prudential has been operational since 1848 and, combined with M&G, had £348.9bn in assets under management and advice (11 August 2022).

Prudential International Assurance is regulated in Ireland by the Central Bank of Ireland (CBI) and must comply with the solvency II framework brought in by the European Commission in the early 2000s. This includes regular reporting to the bank in relation to its financial strength and ongoing oversight and inspections by the CBI itself.

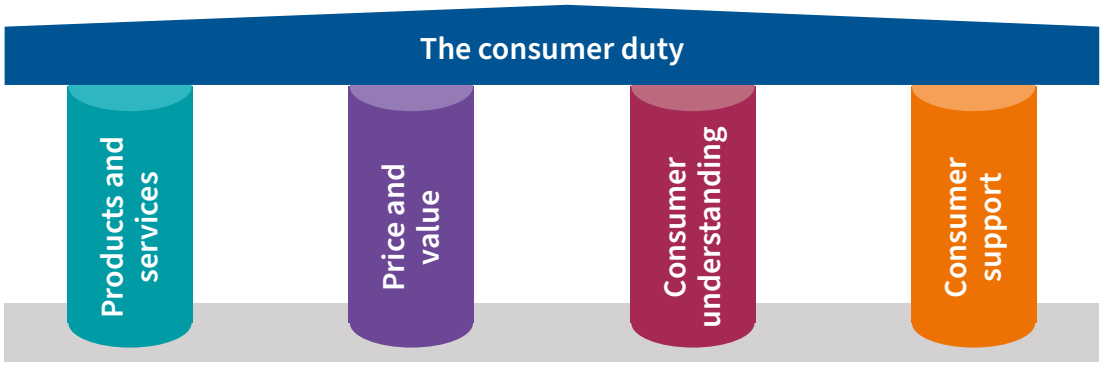
If wind-up were to take place, Irish law means policyholders take absolute precedence over other creditors and the costs of the liquidator are first met by non-policyholders.

Prudential International Assurance is required to hold capital (known as a Solvency Capital Requirement (SCR)) in addition to the assets it holds to meet its liabilities to policyholders. At the end of June 2021, their solvency cover was 214% of SCR.

PruFunds and the Consumer Duty rules

In this section we look at the four pillars of consumer duty (Figure 9) and how the PruFunds can help advisers meet their obligations under the new Consumer Duty rules.

Figure 9: Four pillars of Consumer Duty rules



A full explanation of each point can be found in the FCA final guidance paper 22/5. We have selected some of the key points in the 121-page paper to highlight the requirements the Prudential is working under so that advisers can identify how the PruFunds can help them meet the same expectations.

Products and services

The rules require firms to ensure each product or service is designed:

- to meet the identified needs, characteristics and objectives of customers in the identified target market
- so that it does not adversely affect groups of customers in the target market, including groups with characteristics of vulnerability
- to avoid causing foreseeable harm to customers in the target market

This means that those advisers who have segmented their clients using the same categories as the Prudential will find initial and ongoing suitability is much easier to evidence as their objectives are aligned (refer back to Figure 8).

Price and value

In order to assess if a product or service provides value, firms must consider at least the following:

- the nature of the product or service, including the benefits that will be provided or may reasonably be expected and their qualities
- any limitations that are part of the product or service (eg limitations on scope of cover for insurance products)
- the expected total price customers will pay, including all applicable fees and charges over the lifetime of the relationship between customers and firms

While the appropriateness of price and level of value provided are somewhat client specific and therefore subjective assessments, the FCA places a requirement on providers to be competitive (not the cheapest) on an ongoing basis.

In addition, the choice of smoothed funds, of which the PruFunds range is one, is small and so making comparisons is relatively easy and therefore we anticipate the duty to make this sector competitive.

Consumer understanding

The FCA expects firms to adopt good practices that generally enhance the clarity of communications. This will support consumers in making effective decisions by selecting products that help them pursue their financial objectives. For example, communications can be more effective when they meet the following points:

Layering | **Engaging** | **Relevant** | **Simple** | **Well timed**

This means that where there is target market compatibility, advisers should have confidence in using the PruFunds literature and tools with their clients. Advisers may have to seek more personal (tailored) communications where they are working with vulnerable clients.

Consumer support

The FCA's consumer support outcome rules set overarching requirements in relation to the support firms provide to their customers. They should be read in conjunction with other rules that cover specific elements of the servicing of customers, such as our Dispute resolution: Complaints (DISP) rules.

FCA rules require firms to:

- design and deliver support that meets the needs of customers, including those with characteristics of vulnerability
- ensure that customers can use their products as reasonably anticipated
- ensure they include appropriate friction in customer journeys to mitigate the risk of harm and give customers sufficient opportunity to understand and assess their options, including any risks
- ensure that customers do not face unreasonable barriers (including unreasonable additional costs) during the lifecycle of a product or service
- monitor the quality of the support they are offering, looking for evidence that may indicate areas where they fall short of the outcome, and act promptly to address these
- ensure they do not disadvantage particular groups of customers, including those with characteristics of vulnerability

Again, this means that where there is target market compatibility, advisers should have confidence in using the PruFunds consumer support for their clients. It is sensible, however, for advisers to overlay their own experience of providers and seek impartial guidance on the quality of a provider service, such as the Defaqto Service Ratings highlighted earlier in this section.

5. What is the investment process behind the PruFunds?

The process can be broken down into six sections:

Strategic asset allocation (SAA)	**Tactical asset allocation (TAA)**	**Fund and mandate selection and manager oversight**
Portfolio management	**Risk management**	**Liquidity management**

Strategic asset allocation

The LTIS team recommends the SAA for each portfolio. As part of this they develop their own capital market assumptions for the expected returns, volatilities and correlations of the various asset classes covered.

They then use an in-house economic scenario generator, 'GeneSIS', to carry out stochastic modelling based on these assumptions, which involves mapping out a full range of possible future asset allocations.

The SAAs are determined from these potential portfolios using the following principles:

- **Customer outcomes** – ensuring that expected client outcomes are mapped to the fund's objectives
- **Tailored risk appetite** – that all portfolios have a bespoke SAA that is designed for their specific needs, with any particular constraints being taken into account
- **Efficient risks and returns** – for a given risk appetite, T&IO chooses an asset allocation that generates the highest return
- **Consistency across fund ranges** – within the stated fund objectives and risk appetite, ensuring a consistent SAA across funds with a similar risk appetite and other similar funds
- **Other constraints** – reviewing any other constraints, such as cost and liquidity

The capital market assumptions underlying the SAA allow for each of the ESG factors in the country risk categorisation system and, as such, are allowed for in the risk–return budgeting. Equally, if not more important, there is an overall policy around exclusions as well as ESG factors used within bottom-up stock selection by the delegated managers.

Tactical asset allocation (TAA)

The Macro Investment Business (MIB) within M&G plc is responsible for the TAA decisions within the PruFunds. The CIO, Dave Fishwick, has run a TAA mandate for Prudential since 1999.

The strategy employed within the TAA mandate is based on two key beliefs:

1. that investors are consistently surprised by markets
2. that they are consistently prone to overreacting to these surprises

In practice, if MIB believes a sell-off in equity markets has been driven by investor fear but fundamentals are still strong, they will view this as a strong buy signal. The team describes these scenarios as 'episodes' which can be short-lived or last for several years. Alongside this 'behavioural' approach MIB also has a long-standing valuation framework which helps the team assess and understand the long-term value of an asset class before any investment is made.

The team generally implements their strategy through taking more macro long/short positions in regional market indices and bonds. However, if they feel that a specific sector looks particularly over/undervalued then they will take a position.

Fund and mandate selection and manager oversight

Fund selection is carried out across the PruFunds by the Manager Oversight team within the T&IO. The team ensures the continued suitability of the underlying managers and assesses whether the mandates and funds held in Prudential's multi-asset portfolios are performing in line with expectations and are therefore suitable for continued investment.

The due diligence process combines quantitative factors, including measures of performance and holdings analysis, with qualitative analysis focused on the business, people, philosophy and process associated with the fund and the fund management team.

The process operates at various different levels:

- **Monthly monitoring** – where the underlying managers' key holdings and exposures are reviewed, and a performance and attribution analysis is generated
- **Quarterly strategy and performance review** – the managers are met in person or by video, with each submitting a Data Request Book prior to this quarterly meeting that provides the manager's own performance data, risk metrics, market outlook, attribution and ESG considerations
- **Ongoing investment due diligence** – the Manager Oversight team conducts onsite meetings with all of the underlying managers, covering investment activity and performance; interaction within and between the various investment teams; and other functions such as risk and operations

Their initial and ongoing due diligence processes now incorporate assessment and challenge of each manager's ESG and sustainability policies, intentions and how these inform the investment decisions. In this way, the team ensures the underlying managers are aligned with Prudential's own values and ambitions in terms of their ESG philosophy and processes.

Portfolio management

Portfolio management responsibilities can be split into the following areas:

- **Keeping the funds in shape** – ensuring the portfolios are managed in line with target exposures and limits while minimising cost and risk, and managing cash flows and other fund dynamics
- **Implementation** – ensuring changes in the SAA are implemented effectively and efficiently
- **Operational management** – preparing and reviewing trade instructions to minimise operational errors
- **Portfolio monitoring** – reviewing on an ongoing basis exposures, risks and performance in conjunction with the T&IO Risk and Manager Oversight sub-teams
- **Liquidity** – managing and reporting on liquidity to ensure that outflows can be covered in stressed scenarios

Risk management

The Risk and Compliance function operates with three lines of defence. Its role and purpose is to challenge risks effectively and proactively as well as to add value by providing enhanced business insights to support the delivery of customers' long-term needs.

Within this model risk is considered from many different perspectives, for example:

- **Investment risk** – the impact that market movements can have on the portfolio and the risk of failing to meet stated performance objectives
- **Credit risk** – where counterparties could potentially default, or fixed income portfolios become overexposed to a single issuer
- **Liquidity risk** – portfolios are stressed and a liquidity coverage ratio (LCR), which is the amount of highly liquid assets held by financial institutions to meet short-term obligations, is reported

This liquidity analysis is particularly important as the fund invests fairly heavily in alternative assets, which can have lower liquidity profiles than many more traditional asset classes. For example, the funds can hold private equity, infrastructure, hedge funds and alternative credit.

Finally, there is a team responsible for monitoring operational risk, which is the risk of failure within investment processes, including people or anything from systems malfunction to fraud or inputting errors (these all qualify as operational risk).

Liquidity management

The LCR refers to an assessment of the amount of liquid assets held by financial institutions to meet short-term obligations, with a figure above 100% demonstrating strong liquidity.

The Prudential With-Profit Life Fund has a different structure and investment process/philosophy to most other multi-asset and single strategy funds, with a long-term investment outlook which drives the fund's SAA as well as the nature and type of the clients/customers who invest in the fund.

With the longer-term outlook, Prudential is able to invest not only in the traditional public listed asset classes but also in private and illiquid assets such as property and diversifying strategies/alternatives. This means that it will be difficult to compare the liquidity of the fund versus others that people may invest in.

Prudential is required to hold an amount of liquid assets, such as equity, cash, gilts or corporate debt, equal to or greater than their cash and collateral outflows under stressed conditions. Prudential produces stresses over multiple time periods – 1 month, 3 months, 6 months and 1 year, to check that liquid assets are sufficient to cover outflows in adverse market conditions.

These calculations are formally carried out each quarter. The most recent results from Prudential have LCRs well in excess of 100%. These results are reported into the Executive Investment Oversight Committee and Executive Risk Committee.

Other teams and committees are also involved in monitoring and assessing liquidity:

- T&IO portfolio management teams monitor asset/risk exposures and liquidity of underlying funds on a day-to-day basis
- In addition, in forming its advice to the PAC Board, the independent With-Profits Committee considers any significant changes to the risk or investment profile of the fund, including the management of material illiquid risk and PAC's obligations in relation to strategic investments

6. Are ESG factors considered in the management of the PruFunds?

An important aspect of how Prudential manages the PruFunds is the integration of ESG factors into investment decisions, which they believe can help better manage risks and generate sustainable, long-term returns for customers.

ESG considerations have been embedded in many of the underlying investment processes for the PruFund range for a number of years.

Listed company

M&G plc is embedding ESG across everything they do, from the way they manage assets to how they operate as a business. They look to embody the behaviours and practices that enable their business to operate sustainably over the long term. As long-term investors, they believe that ESG factors should be considered in addition to and alongside the more traditional financial metrics – companies which capture and embed ESG opportunities and risks into their strategy are more likely to be successful.

M&G plc has identified two ESG priorities of Climate Change and Diversity and Inclusion, given their importance for the long-term sustainability of all businesses and society as a whole. They aim to be net zero carbon as a corporate entity by 2030.[1] Further, they aim to achieve 40% female and 20% ethnicity representation in their leadership[2] by 2025. M&G plc has joined the Powering Past Coal Alliance and announced the M&G plc position on thermal coal, which places restrictions on coal-related investments and seeks to support the phasing out of the use of thermal coal by 2030 in OECD and EU countries, and by 2040 in the rest of the world.

Asset owner policies

PAC is now a signatory to the UN Principles of Responsible Investment (PRI) and the UK Stewardship Code as an asset owner.

PAC aims to achieve net zero carbon emissions across assets under management and administration by 2050, of which the PruFund range is a material part, in line with the Net Zero Asset Owners Alliance.

M&G's T&IO is also evolving their asset owner policies to reflect the importance of ESG factors in mandate design, manager selection and oversight – functions performed by the Manager Oversight team.

The scale of the PruFunds allows the team to use segregated mandates to apply a variety of implementation techniques for their ESG views, up to and including exclusion of certain stocks or sectors from portfolios.

The Asset Owner policy currently prohibits investment in certain companies linked to the development or distribution of particular controversial weapons, including internationally banned biological and chemical weapons, non-detectable fragments, depleted uranium munitions, cluster munitions and anti-personnel mines. This policy also extends to companies found to have aided in breaches of the nuclear non-proliferation treaty.

Other positions are in the implementation phase, including an exclusionary thermal coal policy and a UN Global Compact Violators policy. This could be broadened to other sectors or companies based on evolving ESG views or may include the setting of specific targets to manage certain exposures.

[1] Includes Greenhouse Gas Protocol Scope 1 and 2 emissions and a minimum of 66% of upstream Scope 3 emissions (categories 1 to 8).

[2] In this context, 'leadership' refers to members of the Executive Committee and their direct reports.

Asset managers

The PruFunds are managed by several internal and external managers, of whom 97% are signatories to the UN PRI.

M&G's T&IO looks to the asset managers they select to:

1. engage with companies as active owners that help foster a more sustainable economy
2. participate in voting on key issues such as climate
3. ensure that ESG is integrated into their investment processes

The majority of PruFund assets are managed by M&G, whose Responsible Investment team provides issuer and sector specific ESG risk and opportunity analysis and education on sustainability themes to portfolio managers and analysts. They also lead on company engagement on a cross-asset class basis.

The PruFund Planet range

In July 2021, the PruFund Planet range was launched in Prudential's Retirement Account wrapper. It is expected that the range will be included in Prudential's other tax wrappers in due course.

PruFund Planet is a range of five funds, each with its own risk profile, which seek to deliver positive environmental and societal outcomes, with similar expected longer-term returns, cost and volatility to the existing PruFund ranges. They are globally diversified across equities, fixed income, property and alternatives, and predominantly invest in underlying funds that are not present in Prudential's existing PruFund ranges.

M&G plc has leveraged existing experience across the business in ESG research and investing, asset allocation, manager selection, portfolio management and smoothing. Prudential uses the same team and processes that back the existing PruFund range of funds (£59bn as of 30 June 2022). The modelling that drives the SAA across the portfolios is proprietary and has been developed over nearly 20 years.

What is the target market?

The target market is those clients who want to know that their savings are creating positive outcomes for the environment and society but who also want a smoothed investment experience.

How is this going to be achieved?

With the flexibility to invest across a broad spectrum of positive outcomes (ie responsible, sustainable and impact), and with access to a globally diverse range of private and public markets, across multiple asset classes and regions, PruFund Planet looks to manage ESG risks, pursue ESG opportunities and create high impact solutions that contribute to pressing social or environmental issues.

Importantly, T&IO believes no financial trade-off is required in order to achieve these goals. PruFund Planet uses and benefits from the same core foundational processes and skills that support Prudential's existing PruFund range, namely:

- An established smoothing process, expected growth rates (EGRs) and unit price adjustments (UPAs)
- SAA determined by the LTIS Team
- Mandate design, manager selection and oversight performed by the Manager Oversight Team
- Portfolio management conducted by the T&IO Multi-Asset Portfolio Management Team

At the outset EGRs are set at the same level as the PruFund Risk Managed range, though there is no guarantee that EGRs will be the same as the existing PruFund funds in the future; neither will the frequency, depth or timing of any UPAs be the same. PruFund Planet is aiming to generate differentiated investment outcomes to the existing PruFunds. While it features a very similar asset allocation at the broad asset class level, it will predominantly invest in underlying funds that are not present in the existing PruFund ranges.

Alongside its financial objectives, the existing PruFund range is focused on responsible investing, such as avoidance of harms via exclusions and mitigating ESG risks. PruFund Planet's differentiator is that it goes further by not only integrating responsible investing but also investing in ESG opportunities and seeking to address societal and environmental challenges, often for underserved or disadvantaged groups, while aiming to generate competitive returns. This is illustrated in Figures 10 and 11.

Figure 10: PruFund Planet on the impact economy spectrum

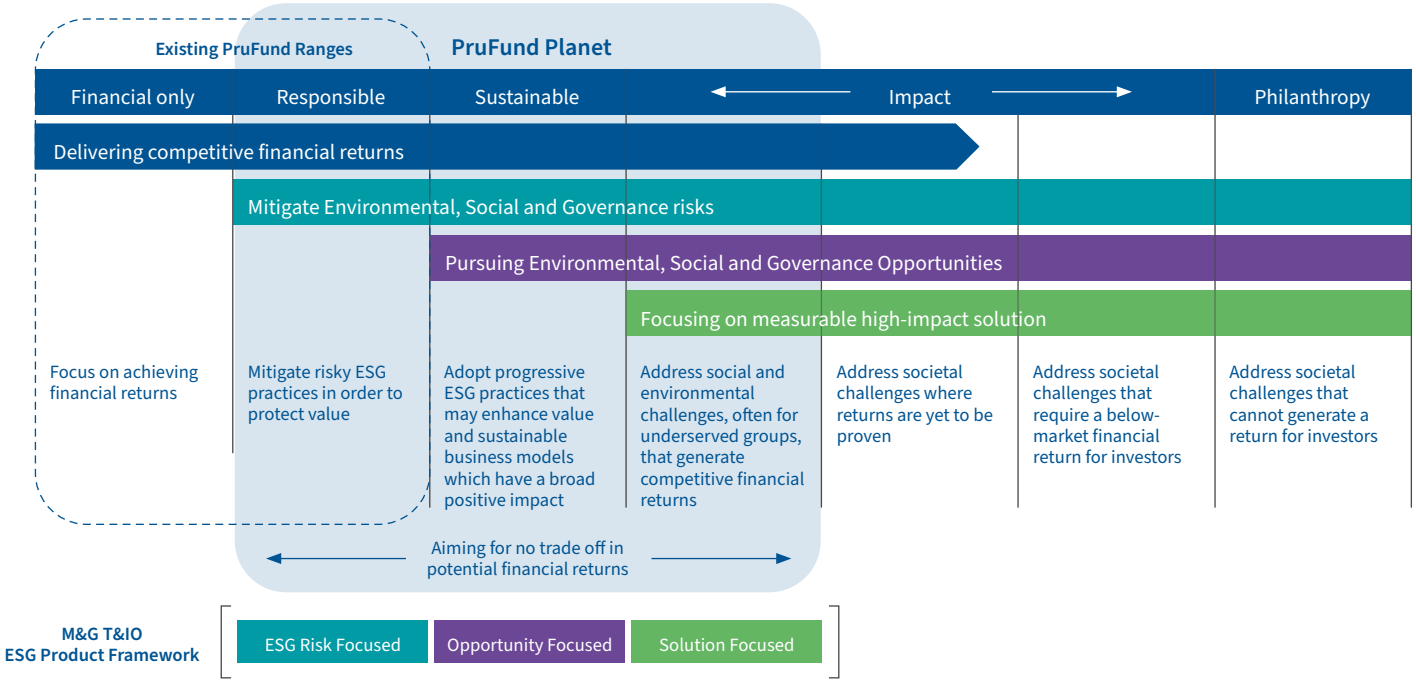
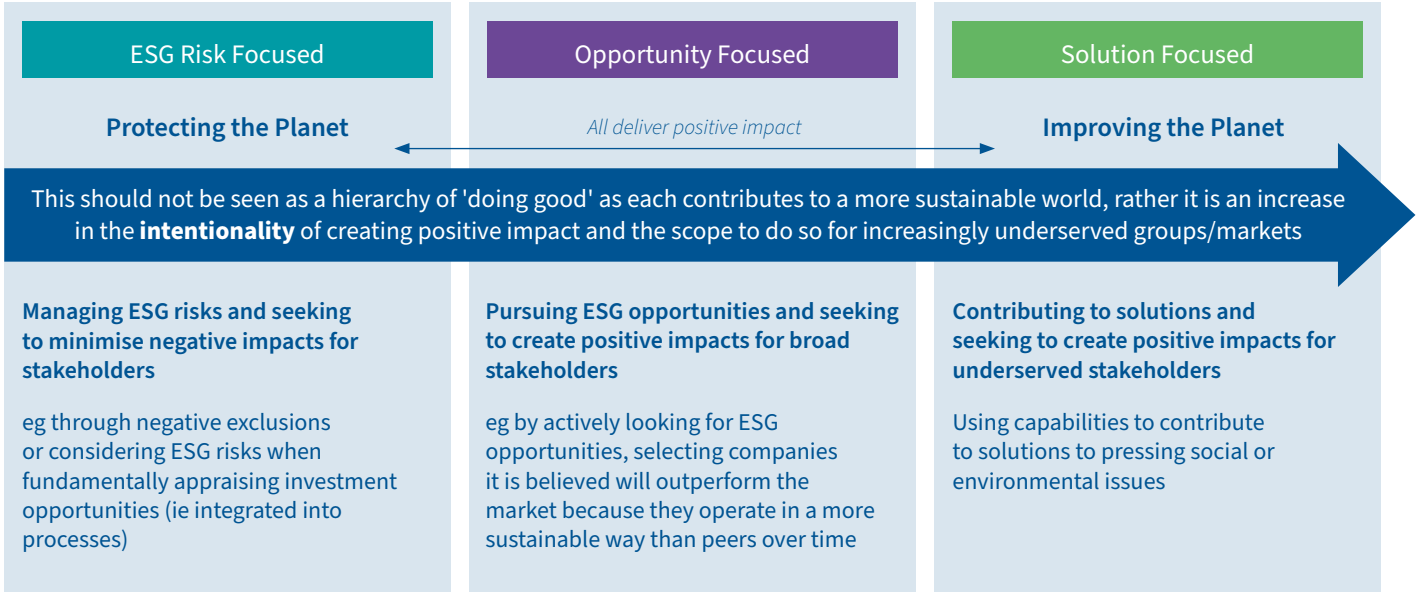


Figure 11: The Framework



The main differences and similarities between the existing PruFund ranges and PruFund Planet are summarised in Table 5.

Table 5: Comparison between the existing PruFund ranges and PruFund Planet

		PruFund Growth/ Cautious	Risk Managed PruFund	PruFund Planet
Range of funds		No – stand alone	Yes – 1–5	Yes – 1–5
EGRs		Yes	Yes	Yes
Smoothing process		Quarterly & monthly	Quarterly & monthly	Monthly
Long Term Investment Strategy Team – SAA		Yes	Yes	Yes
M&G Multi-Asset Investment Business – TAA Mandate		Yes	Yes	Yes + M&G Sustainable Multi Asset Fund
Investment Manager Oversight Team (IMOT)		Yes	Yes	Yes
Multi-Asset Portfolio Management Team		Yes	Yes	Yes
Implementation	**Collectives**	Yes	Yes	Yes
	Fund based investments	Yes	Yes	Yes
	Direct investments	Yes	Yes	No
	Segregated mandates	Yes	Yes	Yes
UN exclusions		Yes	Yes	Yes
Sector screens	**Coal**	No	No	Yes
	Controversial weapons	Yes	Yes	Yes
	Tobacco	No	No	Yes
	Adult entertainment	No	No	Yes
	Gambling	No	No	Yes
ESG screens		Yes	Yes	Yes
ESG engagement		Yes	Yes	Yes
Sustainable/Impact		No	No	Yes
Volatility ceilings		No	Yes	Yes
Tax wrapper availability		Onshore/offshore bond, pension and ISA	Onshore/offshore bond, pension and ISA	Offshore bond, Pension - Retirement Account and M&G Wealth Platform

Source: Prudential, February 2023

Asset allocation

The latest asset allocation for each of the five PruFund Planet funds along with the asset allocation of the corresponding PruFunds are shown in Tables 6 and 7.

Table 6: PruFund Planet SAAs

Asset type	PruFund Planet 1	PruFund Planet 2	PruFund Planet 3	PruFund Planet 4	PruFund Planet 5
Equity	14.5%	25.4%	36.2%	47.8%	60.9%
Property	9.3%	11.2%	12.7%	13.6%	14.7%
Alternatives	9.0%	9.0%	8.9%	8.6%	8.0%
Fixed income	60.7%	48.8%	37.0%	25.1%	12.0%
Cash	6.5%	5.6%	5.2%	4.9%	4.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Prudential, end December 2022

Note: Table 6 gives an indication of the spread of investments for PruFund Planet as of 31 December 2022. Asset allocations are regularly reviewed by T&IO and may vary from time to time but will always be consistent with the fund's objective.

Table 7: Risk Managed PruFund SAAs

Asset type	Risk Managed PruFund 1	Risk Managed PruFund 2	Risk Managed PruFund 3	Risk Managed PruFund 4	Risk Managed PruFund 5
Equity	13.0%	22.9%	32.6%	43.2%	55.0%
Property	10.3%	12.4%	14.2%	15.4%	16.4%
Alternatives	4.9%	5.9%	6.9%	8.1%	9.5%
Fixed income	60.4%	50.5%	37.3%	23.4%	8.2%
Cash	6.3%	5.6%	5.1%	4.8%	4.3%
Other	1.5%	2.7%	3.9%	5.1%	6.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Prudential, end December 2022

Defaqto ESG Reviews

Defaqto has produced ESG Reviews covering each of the five PruFund Planet funds.

7. How do the PruFunds work?

The smoothing process

The smoothing process referred to in Q1 and Q2 is discussed in more detail here.

Every day, for each PruFund, Prudential monitors two things:

1. The unit price, which they refer to as the 'smoothed price', which normally increases each day by the EGR
2. The 'unsmoothed price', which is the value of the underlying fund divided by the total number of units

Every day the smoothing process checks the gap between the smoothed price and unsmoothed price. For this purpose, the gap is calculated using both:

1. The unsmoothed price
2. A five-working-day rolling average of the unsmoothed price

If the gap is ever equal to or more than the daily smoothing limit (a specified limit, shown as a percentage of the smoothed price, which Prudential may choose to vary from time to time and which may differ across the range of PruFund funds), Prudential will adjust the smoothed price straight away, to reduce the gap to the value of the 'gap after adjustment' for the relevant fund.

For example, on Risk Managed PruFund 3, if the unsmoothed price differs from the smoothed price by 10% or more, based on both the actual unsmoothed price and a five-day rolling average of the unsmoothed price, then the smoothed price will be adjusted immediately to reduce this difference to 2.5%. The smoothed price will then continue to increase at the EGR after any adjustments have been made. Some of the other funds have an 8% check.

In addition to monitoring the unit prices daily, Prudential applies further monitoring of the unit prices at each quarter date. On each quarter date, if there is a gap that is equal to or greater than the quarterly smoothing limit (QSL) when Prudential compares the unsmoothed and smoothed prices for that day, they will reduce the gap by half by adjusting the smoothed price. Where necessary they will repeat this process until the gap is less than the QSL. Some versions of the PruFunds have monthly rather than quarterly smoothing.

The quarterly and monthly limits are 50% of the daily check limits. So, for funds which have a 10% daily check, the QSL is 5%, whereas for those funds which have an 8% daily check, the figure is 4%.

Unit price resets

Prudential may decide to reset the smoothed price of one or more PruFund funds on a particular day, to protect the With-Profits Fund. In the case of a unit price reset (UPR), the smoothed price of the affected fund would be adjusted to the same value as the unsmoothed price on that working day. This adjusted smoothed price will then continue to grow in line with the EGR from the working day after this reset. A UPR was applied to the PruFund range on 25 August 2021.

Suspension of smoothing

There may be occasions when Prudential must suspend the smoothing process for one or more PruFund funds for a period of consecutive days, to protect the With-Profits Fund and the clients invested in it. When this happens, the smoothed price for the affected fund(s) is set to the unsmoothed price for each day, until the smoothing process is reinstated.

September 2022 pricing error

It should be noted that in September 2022 there was a clerical error in the calculation of the unsmoothed prices. As a result, price adjustments were applied incorrectly. The error related to a specific asset class and each PruFund version holds that asset in different amounts, therefore the subsequent correction figures were different for each version.

Prudential stated that, once identified, the error was resolved quickly (in the unsmoothed price) and they will make sure no client is worse off as a result of this error and all clients will be put back in the position they would have been if the error had not occurred.

Full details and updates can be found here Prufund Pricing Correction | PruAdviser (mandg.com)

Expected growth rates

The expected growth rates (EGRs) for the PruFunds within some of the various product wrappers are shown in Table 8. A blank figure indicates the fund is not available within the product.

Table 8: Expected growth rates

	Pru ISA	Pru Retirement Account	Pru Trustee Investment Plan	Pru Inheritance Bond	Prudential International Portfolio Bond	Prudential Investment Plan
Risk Managed PruFund 1	6.1%	6.1%	6.1%		6.1%	5.0%
Risk Managed PruFund 2	6.5%	6.5%	6.5%		6.5%	5.4%
Risk Managed PruFund 3	7.0%	7.0%	7.0%		7.0%	5.7%
Risk Managed PruFund 4	7.2%	7.2%	7.2%		7.2%	6.0%
Risk Managed PruFund 5	7.5%	7.5%			7.5%	6.4%
PruFund Cautious (Sterling)	6.6%	6.6%	6.6%	6.6%	6.6%	5.4%
PruFund Growth (Sterling)	7.3%	7.3%	7.3%	7.3%	7.3%	6.0%
PruFund Planet 1		6.1%			6.1%	
PruFund Planet 2		6.5%			6.5%	
PruFund Planet 3		7.0%			7.0%	
PruFund Planet 4		7.2%			7.2%	
PruFund Planet 5		7.5%			7.5%	

Source: Prudential, 25 November 2022

8. How can the PruFunds be accessed?

The PruFunds are available through the various Prudential products as listed in Table 9.

Table 9: Accessing the PruFund range through Prudential products.

	Prudential Retirement Account	Prudential Trustee Investment Plan	Prudential ISA	Prudential Investment Plan	Prudential International Investment Bond	Prudential International Portfolio Bond
Risk Managed PruFund 1	Yes	Yes	Yes	Yes	No	Yes
Risk Managed PruFund 2	Yes	Yes	Yes	Yes	No	Yes
Risk Managed PruFund 3	Yes	Yes	Yes	Yes	No	Yes
Risk Managed PruFund 4	Yes	Yes	Yes	Yes	No	Yes
Risk Managed PruFund 5	Yes	No	Yes	Yes	No	Yes
PruFund Cautious	Yes	Yes	Yes	Yes	Yes	Yes
PruFund Growth	Yes	Yes	Yes	Yes	Yes	Yes
PruFund Planet 1	Yes	No	No	No	No	Yes
PruFund Planet 2	Yes	No	No	No	No	Yes
PruFund Planet 3	Yes	No	No	No	No	Yes
PruFund Planet 4	Yes	No	No	No	No	Yes
PruFund Planet 5	Yes	No	No	No	No	Yes

Source: Prudential, October 2022

Yes No

Accumulation and decumulation support

The majority of the PruFund range is available on the Prudential Retirement Account.

The funds, as illustrated, can be used through multiple tax wrappers and therefore this allows them to be used in holistic financial planning using a multi-product approach. This allows for a consistent investment strategy to be employed across more than one product type to support multiple goals and needs, if required.

The PruFund range is available through multiple third-party SIPP wrappers. Advisers should check with their preferred SIPP provider whether these funds are available.

Table 10 details where the Prudential products can be found through Defaqto Engage, as well as the minimum eligibility criteria.

Table 10: Prudential products and their location on Defaqto Engage

Provider	Product	Location on Engage	Minimum single investment	Minimum monthly contribution
Prudential	ISA	Investment ISA	£500	£50
	Retirement Account	PPP SIPP PPP transfer Income drawdown	£0	£0
	Trustee Investment Plan	Trustee Investment Plan	£20,000	Not permitted
	Investment Plan	Unit Linked Bond Onshore With-Profits Bond	£10,000	Not permitted
Prudential International	Investment Bond	International Bond	£20,000	Not permitted
	Portfolio Bond			

Source: Prudential, August 2021

Online proposition

There are a wide range of online servicing options available for the product and details can be found at www.pruadviser.co.uk/online-services

Tools and calculators

A wide range of tools and calculators including the retirement modeller and the tax relief modeller can be found at PruAdviser Tool and Calculators.

9. What are the charges?

Annual management charge (AMC)

This is deducted from the annual return.

Further costs

These can include, for example, maintenance costs for property investments and costs associated with investing in infrastructure, such as utilities, transport and renewable energy. These costs can vary over time.

Adviser charging

It is important to understand the adviser charging terms available through each product provider.

The key points for Prudential products are:

- Set-up charges for single premium pensions will be paid as a percentage or as a specified monetary amount. For regular premiums, it can be paid as a percentage of each gross regular premium paid. For onshore and international bonds, it is taken pre-investment of the contribution either as a percentage or a specified monetary amount, meaning there is no risk of the adviser charge accounting for, or impacting upon, the 5% tax deferrable allowance. There is no set-up fee for the ISA.
- Ongoing charges can be paid as a percentage or a specified monetary amount for pensions, onshore and international bonds. There is no charge for the ISA.
- Frequency of charges can be monthly or annually, where charged.
- Ad hoc charges can be paid as a percentage or a specified monetary amount.

Wrapper and fund charges

While the PruFund range has one of the longest longevity records, this does come with a little inconvenience due to the legacy systems involved.

Understanding the total cost experience and reduction in yield can take a little time. But it is time well spent as it is important to appraise the charges levied at the product and fund level and any additions or discounts that will be applied.

You will now find a single page summary of the product and fund charges for each Prudential solution that provides access to some or all of the PruFunds range.

They have been calculated assuming that a PruFund is used on a nil adviser fee basis. This is an important consideration because, in certain circumstances, adviser fees can reduce the value invested, impacting any discount or reward applied. Ultimately, this can result in the investor paying slightly higher charges.

Prudential Retirement Account

Within the Prudential Retirement Account, both a product and an annual management charge (AMC) are charged and need to be added together.

The product charge is based on the value held in the Prudential Retirement Account and table 11 shows the rates payable:

Table 11: Prudential Retirement Account – Product charges

Value of PruFund holdings in Prudential Retirement Account	Product Charge
Under £100,000	0.300%
£100,000 to £249,999	0.200%
£250,000 to £499,999	0.150%
£500,000 to £749,999	0.150%
£750,000 to £999,999	0.125%
£1,000,000+	0.100%

Source: Prudential, 22 November 2022

NOTE: The product charge is factored into the return on investment. This means advisers should not deduct the product charge in a reduction in yield assessment as it is built into the fund performance.

The standard PruFund Annual Management Charge (AMC) is 0.80%.

To this must be added transactional costs to covers items including maintenance costs for property investments and costs associated with investing in infrastructure, such as utilities. These costs can vary over time and table 12 explains the current transactional costs being applied and the overall AMC payable.

Table 12: Prudential Retirement Account – Charges

PruFund	AMC	Transactional costs	Overall
PruFund Risk Managed 1	0.80%	0.18%	0.98%
PruFund Risk Managed 2	0.80%	0.19%	0.99%
PruFund Risk Managed 3	0.80%	0.21%	1.01%
PruFund Risk Managed 4	0.80%	0.22%	1.02%
PruFund Risk Managed 5	0.80%	0.23%	1.03%
PruFund Cautious (Sterling)	0.80%	0.17%	0.97%
PruFund Cautious (Euro)	Not available		
PruFund Cautious (Dollar)			
PruFund Growth (Sterling)	0.80%	0.24%	1.04%
PruFund Growth (Euro)	Not available		
PruFund Growth (Dollar)			
PruFund Planet 1	0.80%	0.30%	1.10%
PruFund Planet 2	0.80%	0.32%	1.12%
PruFund Planet 3	0.80%	0.34%	1.14%
PruFund Planet 4	0.80%	0.36%	1.16%
PruFund Planet 5	0.80%	0.37%	1.17%

Source: Prudential, February 2023

A discount may be applied to the AMC resulting in the percentages shown in Table 13 becoming payable. The discount is based on the combined value held in PruFunds within the Prudential Retirement Account.

Table 13: Prudential Retirement Account – Discounted effective AMCs

Value of PruFund holdings in Prudential Retirement Account	Effective AMC
Under £100,000	0.300%
£100,000 to £249,999	0.200%
£250,000 to £499,999	0.150%
£500,000 to £749,999	0.150%
£750,000 to £999,999	0.125%
£1,000,000+	0.100%

Source: Prudential Retirement Account fast facts, February 2023

Prudential Trustee Investment Plan

Within the Prudential Trustee Investment Plan, the standard PruFund Annual Management Charge (AMC) is 1.45%

To this must be added transactional costs to covers items including maintenance costs for property investments and costs associated with investing in infrastructure, such as utilities. These costs can vary over time and table 14 explains the current transactional costs being applied and the overall AMC payable.

Table 14: Prudential Trustee Investment Plan – Charges

PruFund	AMC	Transactional costs	Overall
PruFund Risk Managed 1	1.45%	0.18%	1.63%
PruFund Risk Managed 2	1.45%	0.19%	1.64%
PruFund Risk Managed 3	1.45%	0.21%	1.66%
PruFund Risk Managed 4	1.45%	0.22%	1.67%
PruFund Risk Managed 5	Not available		
PruFund Cautious (Sterling)	1.45%	0.17%	1.62%
PruFund Cautious (Euro)	Not available		
PruFund Cautious (Dollar)			
PruFund Growth (Sterling)	1.45%	0.24%	1.69%
PruFund Growth (Euro)	Not available		
PruFund Growth (Dollar)			
PruFund Planet 1	Not available		
PruFund Planet 2			
PruFund Planet 3			
PruFund Planet 4			
PruFund Planet 5			

Source: Prudential, February 2023

A discount may be applied to the AMC resulting in the percentages shown in Table 15 becoming payable. The discount is based on the combined value held in PruFunds within the Prudential Trustee Investment Plan.

Table 15: Prudential Trustee Investment Plan – Discounted effective AMCs

Value of PruFund holdings in Prudential Trustee Investment Plan	Effective AMC
Under £100,000	1.100%
£100,000 to £149,999	1.050%
£150,000 to £249,999	1.000%
£250,000 to £499,999	0.975%
£500,000 to £749,999	0.950%
£750,000 to £999,999	0.925%
£1,000,000+	0.900%

Source: Prudential Trustee Investment Plan key facts, February 2023

Prudential ISA

Within the Prudential ISA, the standard PruFund Annual Management Charge (AMC) is 1.10%.

To this must be added transactional costs to covers items including maintenance costs for property investments and costs associated with investing in infrastructure, such as utilities. These costs can vary over time and table 16 explains the current transactional costs being applied and the overall AMC payable.

Table 16: Prudential ISA – Charges

PruFund	AMC	Transactional costs	Overall
PruFund Risk Managed 1	1.10%	0.18%	1.28%
PruFund Risk Managed 2	1.10%	0.19%	1.29%
PruFund Risk Managed 3	1.10%	0.21%	1.31%
PruFund Risk Managed 4	1.10%	0.22%	1.32%
PruFund Risk Managed 5	1.10%	0.23%	1.33%
PruFund Cautious (Sterling)	1.10%	0.17%	1.27%
PruFund Cautious (Euro)	Not available		
PruFund Cautious (Dollar)			
PruFund Growth (Sterling)	1.10%	0.24%	1.34%
PruFund Growth (Euro)	Not available		
PruFund Growth (Dollar)			
PruFund Planet 1	Not available		
PruFund Planet 2			
PruFund Planet 3			
PruFund Planet 4			
PruFund Planet 5			

Source: Prudential, February 2023

A discount may be applied to the AMC resulting in the percentages shown in Table 17 becoming payable. The discount is based on the combined value held in PruFunds within the Prudential ISA.

Table 17: Prudential ISA – Charges

Value of PruFund holdings in Prudential ISA	Effective AMC
Under £100,000	1.100%
£100,000 to £249,999	1.050%
£250,000 to £499,999	1.000%
£500,000 to £749,999	0.950%
£750,000 to £999,999	0.925%
£1,000,000+	0.900%

Source: Prudential ISA fast facts, February 2023

Prudential Investment Plan

Within the Prudential Investment Plan, the standard PruFund Annual Management Charge (AMC) is 1.35%.

To this must be added transactional costs to covers items including maintenance costs for property investments and costs associated with investing in infrastructure, such as utilities. These costs can vary over time and table 18 explains the current transactional costs being applied and the overall AMC payable.

Table 18: Prudential Investment Plan – Charges

PruFund	AMC	Transactional costs	Overall
PruFund Risk Managed 1	1.35%	0.14%	1.49%
PruFund Risk Managed 2	1.35%	0.15%	1.50%
PruFund Risk Managed 3	1.35%	0.17%	1.52%
PruFund Risk Managed 4	1.35%	0.17%	1.52%
PruFund Risk Managed 5	1.35%	0.18%	1.53%
PruFund Cautious (Sterling)	1.35%	0.14%	1.49%
PruFund Cautious (Euro)	Not available		
PruFund Cautious (Dollar)			
PruFund Growth (Sterling)	1.35%	0.20%	1.55%
PruFund Growth (Euro)	Not available		
PruFund Growth (Dollar)			
PruFund Planet 1	Not available		
PruFund Planet 2			
PruFund Planet 3			
PruFund Planet 4			
PruFund Planet 5			

Source: Prudential, February 2023

A discount may be applied to the AMC resulting in the percentages shown in Table 19 becoming payable. The discount is based on the combined value held in PruFunds within the Prudential Investment Plan..

Table 19: Prudential Investment Plan – Discounted effective AMCs

Value of PruFund holdings in Prudential Investment Plan	Effective AMC
Under £24,999	1.050%
£25,000 to £49,999	1.000%
£50,000 to £99,999	0.950%
£100,000 to £249,999	0.900%
£250,000 to £499,999	0.875%
£500,000 to £999,999	0.850%
£1,000,000 to £1,749,999	0.825%
£1,750,000 to £2,999,999	0.800%
£3,000,000+	0.775%

Source: Prudential Investment Plan fast facts, February 2023

Prudential International Investment Bond

Within the Prudential International Investment Bond, the standard PruFund Annual Management Charge (AMC) is 1.20%.

To this must be added transactional costs to covers items including maintenance costs for property investments and costs associated with investing in infrastructure, such as utilities. These costs can vary over time and table 20 explains the current transactional costs being applied and the overall AMC payable.

Table 20: Prudential International Investment Bond – Charges

PruFund	AMC	Transactional costs	Overall
PruFund Risk Managed 1	Not available		
PruFund Risk Managed 2			
PruFund Risk Managed 3			
PruFund Risk Managed 4			
PruFund Risk Managed 5			
PruFund Cautious (Sterling)	1.20%	0.24%	1.44%
PruFund Cautious (Euro)	1.20%	0.13%	1.33%
PruFund Cautious (Dollar)	1.20%	0.08%	1.28%
PruFund Growth (Sterling)	1.20%	0.17%	1.37%
PruFund Growth (Euro)	1.20%	0.08%	1.28%
PruFund Growth (Dollar)	1.20%	0.05%	1.25%
PruFund Planet 1	Not available		
PruFund Planet 2			
PruFund Planet 3			
PruFund Planet 4			
PruFund Planet 5			

Source: Prudential, February 2023

An annual investment reward may be credited on the anniversary date where a client has invested at least £50,000. The rate at which this is credited is based on the amount invested and it is applied to the amount of that investment remaining in the bond. It is payable for full years only. There is no credit if the bond ends between anniversaries. The current reward detailed in table 21.

Table 21: Prudential International Investment Bond – Annual investment reward

Total GBP Premium	Total USD Premium	Total EUR Premium	Annual rate of reward expressed as a percentage of the bond value
£20,000 to £49,999	$35,000 to $74,999	€25,000 to €62,499	0.00%
£50,000 to £149,999	$75,000 to $224,999	€62,500 to €187,499	0.15%
£150,000+	$225,000+	€187,500	0.25%

Source: Prudential International Investment Bond fast facts, February 2023

Prudential International Portfolio Bond

Within the Prudential International Portfolio Bond, both a product and an annual management charge (AMC) are charged and need to be added together.

The product charge is based on the value held in the Prudential International Portfolio Bond and table 22 shows the rates payable:

Table 22: Prudential International Portfolio Bond – Product charges

Value of PruFund holdings in Prudential International Portfolio Bond	Product Charge
Under £50,000	0.450%
£50,000 to £149,999	0.400%
£150,000 to £749,999	0.300%
£750,000 to £999,999	0.275%
£1,000,000+	0.250%

Source: Prudential, Prudential International Portfolio Bond key features

Within the Prudential International Investment Bond, the standard PruFund Annual Management Charge (AMC) is 0.65%.

To this must be added transactional costs to covers items including maintenance costs for property investments and costs associated with investing in infrastructure, such as utilities. These costs can vary over time and table 23 explains the current transactional costs being applied and the overall AMC payable.

Table 23: Prudential International Portfolio Bond – Charges

PruFund	AMC	Transactional costs	Overall
PruFund Risk Managed 1	0.65%	0.18%	0.83%
PruFund Risk Managed 2	0.65%	0.19%	0.84%
PruFund Risk Managed 3	0.65%	0.21%	0.86%
PruFund Risk Managed 4	0.65%	0.22%	0.87%
PruFund Risk Managed 5	0.65%	0.23%	0.88%
PruFund Cautious (Sterling)	0.65%	0.17%	0.82%
PruFund Cautious (Euro)	Not available		
PruFund Cautious (Dollar)			
PruFund Growth (Sterling)	0.65%	0.24%	0.89%
PruFund Growth (Euro)	Not available		
PruFund Growth (Dollar)			
PruFund Planet 1	0.65%	0.30%	0.95%
PruFund Planet 2	0.65%	0.32%	0.97%
PruFund Planet 3	0.65%	0.34%	0.99%
PruFund Planet 4	0.65%	0.36%	1.01%
PruFund Planet 5	0.65%	0.37%	1.02%

Source: Prudential, February 2023

The New Consumer Duty and Value for Money rules

Both the New Consumer Duty and the forthcoming Value for Money rules require providers and advisers alike to evidence value for money at the initial sale, on an ongoing basis, and at exit.

The consumer duty requires a 'fair value' assessment, which is a combination of charges and costs, plus the quality of service. The 'value for money' in essence requires a fair value assessment, plus investment performance and ESG.

The specific rules can be found within the relevant COBS sections of the FCA website.

Charges and costs	Quality of service	Investment performance

The Prudential Independent Governance Committee (IGC) monitors these factors and is responsible for assessing value for money across the entire product range.

Advisers who have segmented their clients using the industry standard target market categories (Figure 8) will not only find it easier to match their client to the appropriate Prudential product and PruFund, but will also be able to evidence value for money. This is because the Prudential IGC will have done much of the hard work and will be reporting using the same target market categories.

10. When considering quality and suitability, how can the PruFunds be approached and compared?

Quality

The Risk Managed PruFund and Planet families do not receive Diamond Ratings from Defaqto. This is because these funds are set up as life and pension funds. Also, their smoothing would make their risk-adjusted returns incomparable with all the other funds in the rating peer group.

However, these funds can still be considered and compared to other funds in terms of aspects such as the business and team behind the funds plus the underlying investment process. In this respect, we believe their strengths include:

- A large and experienced investment/research team that has a long heritage in running multi-asset funds, together with a financially strong parent company behind them
- A proprietary investment process that has been in place for a long time
- Both the asset allocation and fund manager selection/oversight are done in-house

Suitability

With these ranges covering the 2–6 Defaqto Risk Ratings for accumulation (on a scale of 1 to 10) in which many investors will tend to sit in terms of their attitude to risk, it is worth noting that it is possible for the client to remain in this same family of funds and just move up or down the risk scale if their needs and risk preferences change.

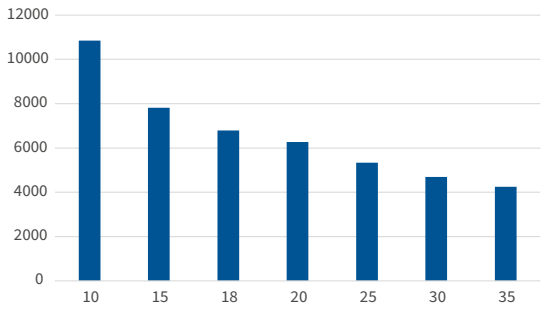
For the adviser, the benefit of this is that there is a reduced amount of due diligence to carry out in terms of finding a new proposition, as the majority of work will have been done at the start when researching the market and selecting the range. Also, there will be less need for in-depth explanations to the client when changing fund as the underlying approach will be the same.

In terms of decumulation and income drawdown, the various PruFunds sit in either Defaqto's Low or Medium Sequencing Risk profiles. Appendix 1 shows projections for the greatest possible withdrawal rate (with a 95% level of confidence) for each fund for different levels of duration. These projections use a stochastic model and are based on each fund's asset allocation and charges.

Appendix 1

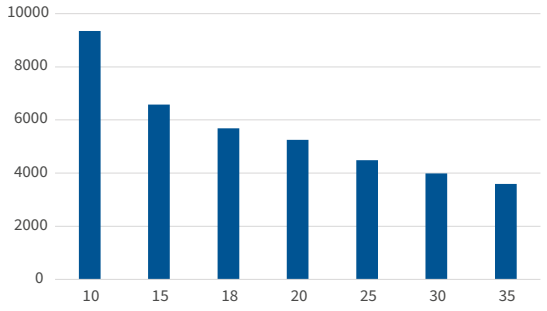
Sustainable withdrawal rates by duration for a selection of the PruFunds, based on an initial investment of £100,000, are shown in Figures 12 to 17.

Figure 12: Risk Managed PruFund 1, nominal withdrawal rate



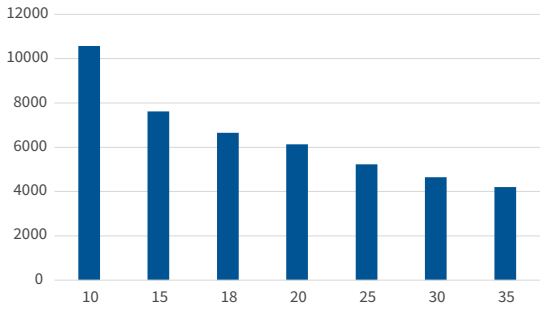
Source: Defaqto, 30 November 2022

Figure 13: Risk Managed PruFund 5, nominal withdrawal rate



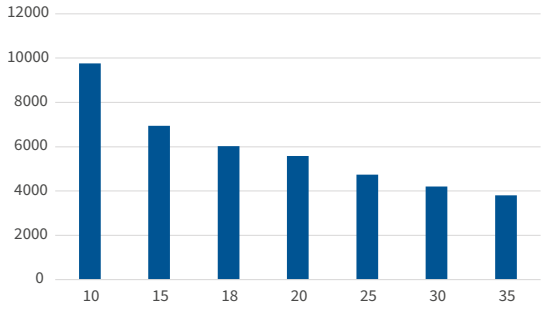
Source: Defaqto, 30 November 2022

Figure 14: PruFund Cautious, nominal withdrawal rate



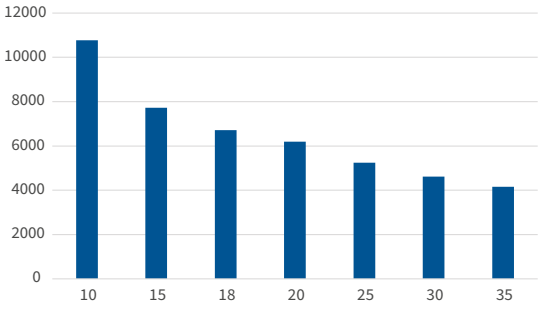
Source: Defaqto, 30 November 2022

Figure 15: PruFund Growth, nominal withdrawal rate



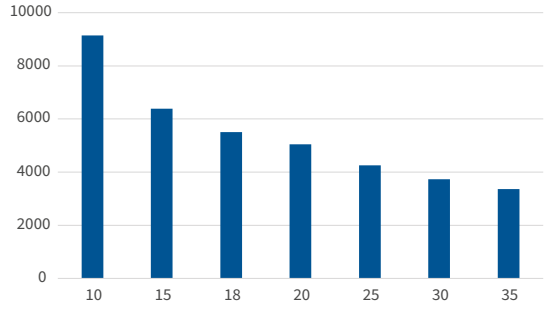
Source: Defaqto, 30 November 2022

Figure 16: PruFund Planet 1, nominal withdrawal rate



Source: Defaqto, 30 November 2022

Figure 17: PruFund Planet 5, nominal withdrawal rate



Source: Defaqto, 30 November 2022

Appendix 2

Table 23: All PruFund variants and launch dates

Product	Fund name	Launch date
International Investment Bond	PIA PruFund Cautious Fund EUR Series B in GB	25 November 2009
	PIA PruFund Cautious Fund GBP Series B in GB	
	PIA PruFund Cautious Fund USD Series B in GB	
	PIA PruFund Growth Fund EUR Series B in GB	25 November 2008
	PIA PruFund Growth Fund GBP SeriesB in GB	
	PIA PruFund Growth Fund USD Series B in GB	
International Portfolio Bond	PIA PruFund Cautious (Sterling) Series C in GB	2 November 2020
	PIA PruFund Growth (Sterling) Series C in GB	
	PIA PruFund Risk Managed 1 (Sterling) Series C in GB	
	PIA PruFund Risk Managed 2 (Sterling) Series C in GB	
	PIA PruFund Risk Managed 3 (Sterling) Series C in GB	
	PIA PruFund Risk Managed 4 (Sterling) Series C in GB	
	PIA PruFund Risk Managed 5 (Sterling) Series C in GB	
	PIA PruFund Planet 1 (Sterling) Series C in GB	25 November 2021
	PIA PruFund Planet 2 (Sterling) Series C in GB	
	PIA PruFund Planet 3 (Sterling) Series C in GB	
	PIA PruFund Planet 4 (Sterling) Series C in GB	
	PIA PruFund Planet 5 (Sterling) Series C in GB	
ISA	Pru PruFund Cautious Fund Pension ISA GTR in GB	26 February 2015
	Pru PruFund Growth Fund Pension ISA GTR in GB	
	Pru PruFund Risk Managed 1 Fund Pension ISA GTR in GB	
	Pru PruFund Risk Managed 2 Fund Pension ISA GTR in GB	
	Pru PruFund Risk Managed 3 Fund Pension ISA GTR in GB	
	Pru PruFund Risk Managed 4 Fund Pension ISA GTR in GB	
	Pru PruFund Risk Managed 5 Fund Pension ISA GTR in GB	28 May 2019
Flexible Retirement Plan/TIP	Pru PruFund Cautious Fund Pension Series A GTR in GB	25 November 2009
	Pru PruFund Growth Fund Pension Series A GTR in GB	25 November 2008
	Pru PruFund Risk Managed 1 Fund Pension Series A GTR in GB	25 November 2011
	Pru PruFund Risk Managed 2 Fund Pension Series A GTR in GB	
	Pru PruFund Risk Managed 3 Fund Pension Series A GTR in GB	
	Pru PruFund Risk Managed 4 Fund Pension Series A GTR in GB	

Product	Fund name	Launch date
Retirement Account	Pru Prudential PruFund Planet 1 Pension Series E GTR in GB	25 August 2021
	Pru Prudential PruFund Planet 2 Pension Series E GTR in GB	
	Pru Prudential PruFund Planet 3 Pension Series E GTR in GB	
	Pru Prudential PruFund Planet 4 Pension Series E GTR in GB	
	Pru Prudential PruFund Planet 5 Pension Series E GTR in GB	
	Pru PruFund Cautious Fund Pension Series D GTR in GB	1 August 2016
	Pru PruFund Cautious Fund Pension Series E GTR in GB	25 September 2017
	Pru PruFund Growth Fund Pension Series D GTR in GB	1 August 2016
	Pru PruFund Growth Fund Pension Series E GTR in GB	25 September 2017
	Pru PruFund Risk Managed 1 Fund Pension Series D GTR in GB	1 August 2016
	Pru PruFund Risk Managed 1 Fund Pension Series E GTR in GB	25 September 2017
	Pru PruFund Risk Managed 2 Fund Pension Series D GTR in GB	1 August 2016
	Pru PruFund Risk Managed 2 Fund Pension Series E GTR in GB	25 September 2017
	Pru PruFund Risk Managed 3 Fund Pension Series D GTR in GB	1 August 2016
	Pru PruFund Risk Managed 3 Fund Pension Series E GTR in GB	25 September 2017
	Pru PruFund Risk Managed 4 Fund Pension Series D GTR in GB	1 August 2016
	Pru PruFund Risk Managed 4 Fund Pension Series E GTR in GB	25 September 2017
	Pru PruFund Risk Managed 5 Fund Pension Series E GTR in GB	21 January 2019
	Pru PruFund Cautious Fund Series 2 in GB	25 November 2009
	Pru PruFund Growth Fund Series 2 in GB	25 November 2008
	Pru PruFund Risk Managed 1 Fund Series 2 in GB	25 November 2011
	Pru PruFund Risk Managed 2 Fund Series 2 in GB	
	Pru PruFund Risk Managed 3 Fund Series 2 in GB	
	Pru PruFund Risk Managed 4 Fund Series 2 in GB	
	Pru PruFund Risk Managed 5 Series 2 in GB	21 January 2019
Wealth Platform	Pru PruFund Planet 1 Pension Series F GTR in GB	30 May 2022
	Pru PruFund Planet 2 Pension Series F GTR in GB	
	Pru PruFund Planet 3 Pension Series F GTR in GB	
	Pru PruFund Planet 4 Pension Series F GTR in GB	
	Pru PruFund Planet 5 Pension Series F GTR in GB	

Source: Prudential, February 2023

Send us your feedback

Your feedback is extremely important to us and we would be grateful if, after reading this publication, you would take a few minutes to complete a short survey. Your answers will be treated in the strictest confidence and the results of this will help the development of future publications.

The survey can be accessed at:

www.snapsurveys.com/wh/s.asp?k=144610976149

About Defaqto

Defaqto is a leading financial information, ratings and fintech business, helping financial institutions and consumers make better informed decisions.

Our experts research, collect and continuously assess over 43,000 financial products. Our process is extremely robust and is driven by over 60 specialist analysts who have unparalleled knowledge of financial products, services and funds in the market. Our independent fund and product information helps banks, insurers and fund managers with designing and promoting their propositions.

Defaqto Ratings

Star Ratings assess the quality and comprehensiveness of the features and benefits for products in general insurance, banking, protection and wealth sectors. They can be viewed in any Star rated product area and added to any research.

Diamond Ratings help segment the funds and portfolios available in each sector because they indicate, at a glance, where funds, fund families and DFMs sit in the market, based on both performance and a range of key attributes, including competitiveness in areas such as cost, scale and manager longevity. You can use them as a filter criterion or use them for fund or DFM comparison.

Service Ratings provide advisers with a simple and unbiased assessment of provider service. Based on advisers' perceptions of the service they receive, providers are rated Gold and Silver.

Risk Ratings use the projected volatility of a fund using asset allocation and historic volatility, based on observed standard deviations, to map a fund to a Defaqto Risk Profile. Risk Profile 10 indicates highest risk and Risk Profile 1 represents lowest risk.

Income Risk Ratings are unique to the market, comparing fund objectives, asset allocations, income and capital volatilities, and maximum drawdown. The Ratings are mapped to four Income Risk Profiles based on the income required and the level of risk. They are: capital preservation, low income volatility, medium income volatility, high income volatility.

Income Drawdown Ratings use the fund's asset allocation and historic returns to assess the levels of sustainable income it can deliver over a given duration and the likely residual value at the end of the agreed term.

Defaqto Reviews

In response to the growing requirement for advisers to have access to ESG data and fund/DFM research, Defaqto ESG Reviews provide an invaluable resource to assist in assessing funds and DFM MPS from an ESG point of view. With a mixture of qualitative and quantitative data provided in a standard format in Defaqto Engage, advisers can cut through the complexity of ESG to ensure suitable advice.

Also available to advisers through Defaqto's end-to-end financial planning tool, Engage, Defaqto Fund Reviews combine detailed quantitative and qualitative data to produce an in-depth report on not just fund families but also single funds. These can also be used by fund managers to provide more information to advisers beyond the fund factsheet or KIID.

Expert financial planning with no loose ends

defaqto engage

Defaqto Engage

Tidy up the loose ends of multiple financial planning software.

Defaqto Engage is our end-to-end financial planning software solution enabling advisers to manage their financial planning process all in one place.

A third of advisers use six different pieces of software to carry out their routine financial planning work.* That's six different things to learn and pay for. Running a disjointed advice process is inefficient, costly and increases the margin for error.

One process from risk profiling to suitability report writing. Whether your clients are investing for growth or to generate an income, Defaqto Engage can help you capture your client's risk profile, conduct investment research, produce suitability reports and oversee client reviews from one piece of financial planning software.

Benefits

- **Save time** – consistent use of client data and profiling saves time doing research, suitability reports and client reviews
- **Save money** – one vs multiple systems check
- **Better client outcomes** – from a robust and consistent methodology
- **More robust compliance** – demonstrate a consistent, repeatable advice process

Additional modules available

Pension Switching – Analyse defined contribution pension switch scenarios

CIC Compare – Compare current and historic CIC contracts to establish which policy has the superior CI definitions

To find out more about Defaqto's Engage and book a demo, click here.

You can also call us on 01844 295 546 or email us at sales@defaqto.com

*2019 Defaqto Adviser survey of 200 advisers, representative of all advisers in the UK

This is just for UK advisers –
it's not for use with clients.

Pru
part of M&G plc

Steady returns? PruFund aims for nothing less.

A combination of an established smoothing process, global diversification and fund management expertise.

PruFund funds aim to grow your client's money while giving them a smoothed investment experience.

Discover the PruFund range of funds

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

Please contact your Defaqto Account Manager
or call us on 01844 295 546

defaqto.com/advisers