

# A step-by-step guide to the PruFund smoothing process

For investments into PruFund funds held in: Prudential Investment Plan, Prudential ISA \*, Prudential International Investment Bond, Flexible Retirement Plan and Trustee Investment Plan

## Features of the smoothing process

The PruFund funds aim to grow your money over the medium to long-term (5 to 10 years or more) while protecting you from some of the extreme short-term ups and downs of direct stockmarket investments by using an established smoothing process.

The value of an investment can go down as well as up and you may get back less than you have paid in.

This example shows an investment being made into the PruFund Growth Fund:



This is a simplified example of how the process works and is for illustrative purposes only. It is not representative of any particular time period or investment performance.

## Step 1

### PruFund Account (holding account)

- When you invest in one of our PruFund funds, your money will be put into a 'holding account' where it will stay until the next quarter date. Please refer to Step 2 'Expected Growth Rates' on page 2 for more information on the quarter dates.
- While your money is in a holding account, it increases daily in line with the Expected Growth Rate applicable to that account (see the section on the next page for more details on the Expected Growth Rates). During this time, we apply product charges but the investment will not be subject to any smoothing adjustments, Unit Price Resets or suspension of smoothing. There is an associated PruFund Account (holding account) for each fund in the PruFund fund range.
- At the next quarter date, your money will be transferred from that holding account to your chosen PruFund fund. Your holding account buys units in your chosen PruFund fund at the price that applies on that day.
- If you invest on a quarter date, you would normally be invested in a holding account until the next quarter date. However, if you invest on a quarter date in a PruFund fund in Prudential ISA your money will be transferred into your chosen PruFund fund on that day.

### Holding Account Example



For details of the smoothed and unsmoothed price, see the section "Unit Price Adjustment – Daily Monitoring" on page 3.

### Changed your mind?

Once your investment is in a holding account you can't change your mind about which fund to invest in until the end of the holding account period. However, you can cancel your investment if you are still in the cancellation period. See your Key Features document for more information on this.

\* Prudential ISA is provided by Link Financial Investments Limited, who is the ISA Plan Manager.

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## Step 2

### Expected Growth Rate

On each quarter date, Prudential sets an "Expected Growth Rate (EGR)" for each PruFund fund based on our expectations of the long-term investment return on the assets of the PruFund funds. We publish EGRs on [pru.co.uk/investments/investment-fund-range/prufund-range](https://www.pru.co.uk/investments/investment-fund-range/prufund-range) and we continuously monitor them to ensure they reflect up-to-date forecasts. The PruFund quarter dates are:



(or the next working day if the quarter date is a weekend or Bank Holiday).

The unit price for each fund will normally change daily in line with the appropriate EGR. For example, if the unit price of a PruFund fund was 100p at the start of the investment and the EGR was 6%, then after one year the unit price would be 106p. This assumes the EGR remains at 6% for the year and there are no Unit Price Adjustments, Unit Price Resets or suspension of smoothing (see Unit Price Adjustments – Daily Monitoring on page 3, Unit Price Resets on page 6 and Suspending smoothing on page 6 for more information).

## Step 3

### Unit Price Adjustment – Daily Monitoring

Every day, for each PruFund fund, we monitor two things:

- the unit price, which we refer to as the "smoothed price", which normally increases each day by the EGR, and
- the "unsmoothed price", which is the value of the underlying fund divided by the total number of units.

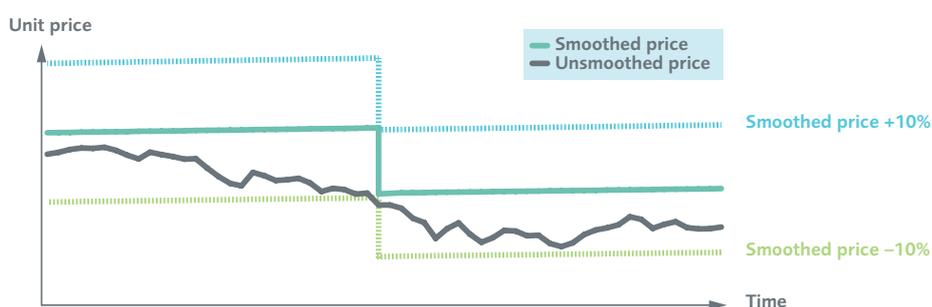
Every day, the smoothing process checks the gap between the smoothed price and the unsmoothed price. For this purpose, the gap is calculated **using both**:

- 1 the unsmoothed price **and**,
- 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, that we may choose to vary from time to time and that may differ across the range of PruFund funds), we'll adjust the smoothed price straight away, to reduce the gap to the value of the **Gap After Adjustment** for the relevant fund.

#### An example of Unit Price Adjustment – Daily Monitoring

In this example, we have reflected the relevant smoothing limits applicable to the PruFund Growth Fund.



The **Gap After Adjustment** is the specified gap (shown as a percentage of the unsmoothed price) between the smoothed and unsmoothed price immediately after the smoothed price has been adjusted, as a result of the **Daily Smoothing Limit** being met or exceeded. We may choose to vary this percentage from time to time and it may differ across the range of PruFund funds.

In this example, we have adjusted the smoothed price for the PruFund Growth Fund in line with its daily smoothing limit of 10% to reduce the gap between the smoothed price and the unsmoothed price to 2.5% of the unsmoothed price.

This is a simplified example of how the process works and assumes that for the unsmoothed price, the five-working-day rolling average rule has also been breached. It's for illustrative purposes only. It's not representative of any particular time period or investment performance. Its sole aim is to show how smoothing works.

Please note, the Daily Smoothing Limit and the Gap After Adjustment will vary by fund. For a summary of the current relevant smoothing limits, please see page 5 and for full details of the current values that apply to each fund, please see the brochure 'Your With-Profits Plan – a guide to how we manage the fund (PruFund range of funds)' reference WPGB0031.

#### Want to know more?

For this example, for the PruFund Growth Fund, if the smoothed price was 100p and the unsmoothed price 112p, there would be a gap of 12% (based on the smoothed price). We'd then increase the smoothed price to 109.2p, which is 2.5% below 112p.

Similarly, if the smoothed price was 100p and the unsmoothed price 88p, there would be a gap of 12% in the other direction. We'd then reduce the smoothed price to 90.2p, which is 2.5% above 88p.

If the gap is less than the Daily Smoothing Limit for the relevant fund (in this example for the PruFund Growth Fund, 10%) the smoothed price normally remains as it is.

#### Looking for the unsmoothed price?

We don't publish the unsmoothed price. This avoids speculation over possible smoothed price adjustments and helps protect investors in the PruFund funds.

This is a simplified example of how the process works and assumes that the five-working-day rolling average rule has also been breached. It's for illustrative purposes only. It's not representative of any particular time period or investment performance. Its sole aim is to show how smoothing works.

Please note, the Daily Smoothing Limit and the Gap After Adjustment will vary by fund. For a summary of the current relevant smoothing limits, please see page 5 and for full details of the current values that apply to each fund, please see the brochure 'Your With-Profits Plan – a guide to how we manage the fund (PruFund range of funds)' reference WPGB0031.



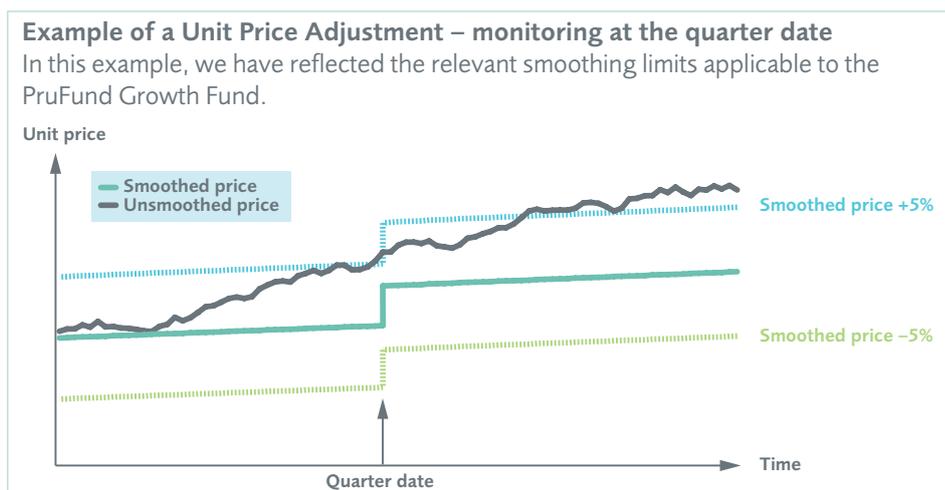
## Step 4

### Unit Price Adjustment – Monitoring at the quarter date

In addition to monitoring the PruFund fund unit prices on a daily basis, we apply further monitoring of the unit prices at each quarter date. See Section "Expected Growth Rate" on page 2 for more information on the PruFund quarter dates.

On each quarter date, if there is a gap which is equal to or more than the **Quarterly Smoothing Limit**, when we compare the unsmoothed and smoothed prices for that day, we will reduce the gap by half by adjusting the smoothed price. Where necessary, we will repeat this process until the gap is less than the **Quarterly Smoothing Limit**.

This is a specified limit, shown as a percentage of the smoothed price, that we may choose to vary from time to time and that may differ across the range of PruFund funds. After any change, the unit price will continue to increase by the Expected Growth Rate.



In this example, we have adjusted the smoothed price for the PruFund Growth Fund in line with its quarterly smoothing limit of 5% to reduce the gap between the smoothed price and the unsmoothed price by half. Only on the PruFund quarter dates do we compare the smoothed price against the unsmoothed price to check if there is a 5% gap; however, for simplicity we have shown the +5 and – 5% lines on every day.

This is a simplified example of how the process works. It's for illustrative purposes only. It's not representative of any particular time period or investment performance. Its sole aim is to show how smoothing works.

Please note, the Quarterly Smoothing Limit and the Gap After Adjustment will vary by fund. For a summary of the current relevant smoothing limits, please see page 5 and for full details of the current values that apply to each fund, please see the brochure 'Your With-Profits Plan – a guide to how we manage the fund (PruFund range of funds)' reference WPGB0031.

#### Want to know more?

For this example, for the PruFund Growth Fund, if, at the quarter date, the smoothed price was 100p and the unsmoothed price 94p, there would be a gap of 6%. We'd then reduce the smoothed price to 97p, which reduces the gap by half.

Similarly, if, at the quarter date, the smoothed price was 100p and the unsmoothed price 108p, there would be a gap of 8% in the other direction. We'd then increase the smoothed price to 104p.

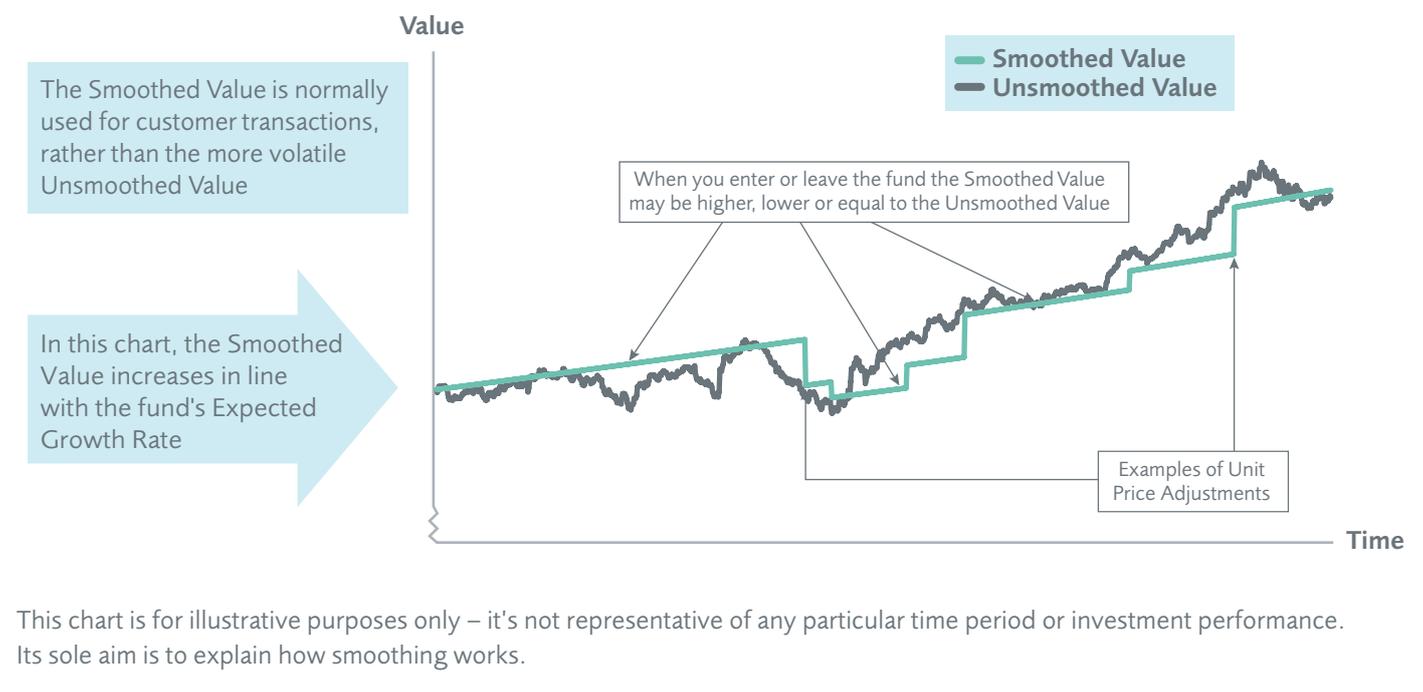


This is a simplified example of how the process works. It's for illustrative purposes only. It's not representative of any particular time period or investment performance. Its sole aim is to show how smoothing works.

Please note, the Quarterly Smoothing Limit and the Gap After Adjustment will vary by fund. For a summary of the current relevant smoothing limits, please see page 5 and for full details of the current values that apply to each fund, please see the brochure 'Your With-Profits Plan – a guide to how we manage the fund (PruFund range of funds)' reference WPGB0031.

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## An example of how the PruFund smoothing process works



## Current smoothing limits

The individual funds included in the PruFund range of funds, and their current smoothing limits, are:

PruFund Funds	Quarterly Smoothing Limit	Daily Smoothing Limit	Gap After Adjustment (applies to daily smoothing limit only)
PruFund Growth Fund	5.0%	10.0%	2.5%
PruFund Cautious Fund	4.0%	8.0%	2.0%
PruFund Risk Managed 1 Fund	4.0%	8.0%	2.0%
PruFund Risk Managed 2 Fund	4.0%	8.0%	2.0%
PruFund Risk Managed 3 Fund	5.0%	10.0%	2.5%
PruFund Risk Managed 4 Fund	5.0%	10.0%	2.5%
PruFund Risk Managed 5 Fund	5.0%	10.0%	2.5%

For more information on the smoothing limits for all individual funds included in the PruFund range of funds please see '**Your With-Profits Plan – a guide to how we manage the fund, (PruFund range of funds)**'.

# Important information on the PruFund smoothing process

## Unit Price Reset

We may decide to reset the smoothed price of a PruFund fund on a particular day, to protect the With-Profits Fund.

If we decide to reset, the smoothed price of the affected fund would be adjusted to be the same value as the unsmoothed price on that working day. That adjusted smoothed price will then continue to grow in line with the Expected Growth Rate from the working day after this reset of the smoothed price. This is referred to as a Unit Price Reset.

## Suspending smoothing

There may be occasions where we have to suspend the smoothing process for one or more PruFund funds for a period of consecutive days, to protect our 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.

## Switching out of a PruFund fund

Switches out of the PruFund funds will normally be made 28 days after the request is received and will use the unit prices on the 28th day.

For full details of switching out of PruFund funds, refer to the relevant Key Features Document.

## Withdrawals

There may be a delay for full or partial withdrawals from a PruFund fund. Please refer to your product specific Key Features document for details of the delay period that may apply.

## Want to know more?

The PruFund range of funds invest in Prudential's With-Profits Fund.

For Prudential Investment Plan, Prudential ISA, Flexible Retirement Plan and Trustee Investment Plan, please refer to "Your With-Profits Plan – a guide to how we manage the fund (PruFund range of funds)" reference WPGB0031 for more information. For Prudential International Investment Bond, please refer to brochure reference IPBB10049.

You can also refer to the relevant Key Features Document and Funds Guide for more details on our range of funds. These are available from your financial adviser and from [pru.co.uk/existing-customers](https://www.pru.co.uk/existing-customers) for key features and [pru.co.uk/funds/guides](https://www.pru.co.uk/funds/guides) for fund guides.

The value of an investment can go down as well as up and you may get back less than you paid in. For the range of PruFund funds, what you receive will depend on the value of the underlying investments, the Expected Growth Rates as set by the Prudential Directors, our charges, the smoothing process, if there is a guarantee and when you take your money out. The capital guarantee, if applicable, is applied at the end of the guarantee term specified in your personal illustration document.

The guarantees we provide are backed by the Prudential Assurance Company Limited (PAC) With-Profits Fund. We do not use a third party to back our guarantees.



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