

PruFund Fund Guide

Prudential Retirement Account

Introduction to this guide

This fund guide provides details of the PruFund Funds available in the Prudential Retirement Account. This includes the potential reward and risk of each fund, their investment aims and information on fund costs and charges. For more information about our funds visit our website pru.co.uk/funds

The Prudential Retirement Account offers more investment choice than just our PruFund Funds. Those choices include Risk Managed Active and Risk Managed Passive funds, as well as a range of fund options from leading fund managers. The full range of investment options can be found at pru.co.uk/retirement-account

Some important notes we'd like you to read:

- The types of assets a fund invests in will have a significant effect on its performance. Generally, the higher the potential returns, the higher the risk.
- A fund's name isn't indicative of the risk it may take.
- The information in this guide is correct as at January 2019, unless otherwise stated.
- This guide doesn't take account of current market conditions or other short-term fund specific changes. Up to date information on each fund can be found at pru.co.uk/funds
- All views are Prudential's.
- For important decisions it's always good to talk to experts who can help you, that's why we recommend that you discuss fund selection with your financial adviser.

Investing in PruFunds	4
Potential reward and risk	6
Available funds	8
Investment aims	9
Some useful investment terms	10

Investing in PruFunds

How do the PruFund Funds work?

Prudential's PruFund Funds are invested in our With-Profits Fund. There are significant differences in the asset mixes and objectives of each fund, and in the way returns are calculated compared to other With-Profits Fund investments.

The PruFund range of 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 short-term ups and downs of direct stockmarket investments by using an established smoothing process. This process aims to give you a more stable rate of growth than you would get if you were directly exposed to the daily changes in the fund's underlying investment performance. However, the value of your investment can go down as well as up. You could get back less than you invested.

We may decide to reset the smoothed price (referred to elsewhere as the unit 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 in other literature.

There may also 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. When this happens the smoothed price for the affected fund(s) is set to the unsmoothed price for each day until we reinstate the smoothing process.

Prudential set Expected Growth Rates (EGR); these are the annualised rates your investment would normally grow at. The EGRs reflect our view of how we think each PruFund fund will perform over the long-term (up to 15 years). Each PruFund fund has its own EGR and investments into a PruFund will normally grow daily by the relevant EGR. EGRs are reviewed every 3 months, when they could rise or fall.

Although we use a long term view of performance to set EGRs, we also have to take into account shorter-term performance.

On a daily basis, if the shorter-term performance differs too much from our current Expected Growth Rate, we would have to amend the value of your fund up or down to ensure we are not returning too much or too little. We call these Unit Price Adjustments.

There are two types of guarantees available. Capital guarantee and Minimum Income Guarantee (MIG) which may be offered on the PruFund Cautious Fund and the PruFund Growth Fund for an additional charge.

There's more detailed information about how the PruFund Funds work in Your With-Profits Plan – a guide to how we manage the Fund, and the Prudential Retirement Account Client Guide. Both can be found in the 'More information' tab at pru.co.uk/retirement-account

Moving money in

We move money into our PruFund range of Funds only on the PruFund investment dates: the 25th of each month (or the next working day, if the date is not a working day).

Between PruFund investment dates, we keep money waiting to be invested in a holding account where your fund will grow at the Expected Growth Rate of the PruFund you've chosen.

Moving money out

When you switch out of a PruFund Fund there is a 28-day waiting period after we receive your instruction, then we make the sale using the unit price applicable at the end of the waiting period. There are some exceptions to this which are detailed in the Terms & Conditions.

When you withdraw money from a PruFund Fund (other than by a switch), we may apply a 28-day waiting period and use the unit price applicable at the end of the waiting period, but we won't apply this to:

- taking out tax-free cash
- regular payments already being made from your PruFund
- the sale of units due to your death

For more details, please refer to your Key Features Document.

Also, for any fund, there may be a separate delay in buying, selling or switching of units. These delays will only apply in exceptional circumstances.

We would not expect delays to be longer than one month. However we cannot guarantee that we will never delay longer than this timescale. If a delay applies to you, we will let you know.

There's more information in the Terms & Conditions that we send when you take out your account. You can ask us for a copy at any time.

Further information

The Fund Value

The value of your investment can go down as well as up and so you may not get back the amount you put in.

For the PruFund Range of Funds what you receive will depend upon the value of the underlying investments, the Expected Growth Rates as set by the Prudential Directors, our charges, the smoothing process, whether you have chosen a guarantee and when you take your money out.

For more information on guarantee options please see Guarantees available on PruFund investments in the Prudential Retirement Account. This can be found at pru.co.uk/retirement-account

Effect of inflation

You should also consider that the effect of inflation may reduce what you could buy in the future with your pension. If inflation is high it could cancel out returns that you make on your pension investment.

Fund costs and charges

We take an Annual Management Charge (AMC) from each of the funds you invest in. The charge is taken by the deduction of 1/365th of the applicable AMC from the fund each day.

You won't see this as a separate charge on your statement as it's factored into the daily price for the PruFund Funds.

In addition to our AMC, there are further costs which impact the overall performance of the fund. All other costs, excluding dealing costs as explained in the first bullet below, are included in the further costs figures on page 8 of this fund guide. Examples of these further costs include:

- When a fund manager trades the investments in your fund (for example, makes a decision to sell one holding and buy another) there are associated costs, for example taxes, which the fund pays. These are not included in the further costs figures on page 8. They are paid for out of the overall performance of the fund.
- For funds that invest in property, either directly (i.e. the fund owning physical property) or indirectly (i.e. owning units in a property fund or shares in a property company) there are additional costs incurred for the development, maintenance, operation and renovation of the properties held. These costs are known as property expenses, and are paid for out of the overall performance of the fund.

Costs and charges may vary in future and they may be higher than they are now. If fund costs and charges exceed the return earned, the fund will go down in value.

The fund costs and charges listed in this guide are indicative, based on the current levels of costs, and are correct as at 21 January 2019.

Information on product charges can be found in your Key Features Document.

If the taxation treatment of the funds changes, we reserve the right to change the arrangements for the investment of the underlying assets of the funds.

If you're in any doubt about this product option, your fund choice or the charges applicable then we recommend you speak to your financial adviser.

Further information

Please refer to your Key Features Document, Your With-Profits Plan – a guide to how we manage the Fund – PruFund range of funds, Guarantees available on PruFund investments and the Terms & Conditions. These can be found in the 'overview' and 'investing' tabs at pru.co.uk/retirement-account

Potential reward and risk

Investing is about balancing the risk you're comfortable with against the potential rewards that you want to achieve. Your attitude to investment risk is personal to you and may change in the future. Prudential gives each fund a risk rating – known as a Risk Indicator – of between 1 and 6 (1 is lower risk and 6 is higher risk). Generally, lower risk has the potential for a lower reward and higher risk the potential for higher reward.

The table opposite can help illustrate this concept. It's not exhaustive, but covers a wide range of funds and investments and shows the general principle that, as the level for potential higher rewards increases so does the level of risk. On page 8 you can see how these potential reward and risk indicator numbers relate to our PruFund Funds.

Some key considerations

- The value of your investment can go down as well as up and so you may not get back the amount you put in.
- Risk Indicators have been developed by Prudential to give you a guide to the potential level of risk and reward for each PruFund based on the assets which may be held within it.
- Other companies may use different descriptions, so these risk rating categories should not be considered generic to the fund management industry.
- Prudential will keep the risk rating categories under regular review, so they may change in the future.
- Where a risk rating is amended as a result of a material change in our view of the level of risk for the fund, for example due to a significant change to the assets held by the fund or in the way the fund is managed, information will be provided on the new risk rating.
- The name of the fund is not an indicator of the level of risk involved with it.
- Past performance is not a guide to future performance.
- Before making any fund choice in the future, we strongly recommend that you make sure you understand the appropriate PruFund Fund risk ratings at that time. These will be found in our PruFund Fund Guide in the 'available options' section at pru.co.uk/retirement-account, along with further information, at pru.co.uk/funds

For further details of recent fund changes then please visit pru.co.uk/funds/changes

Please speak to your adviser to determine how to meet your investment goals and your attitude to risk. Your attitude to risk is personal to you and may change over time. Your adviser may make their own assessment of a fund's risk rating.

Potential reward and risk indicator

		Types of Fund*			
6	Higher	Single Country Equity Funds, International Equity Funds	Higher		
5		Flexible Investment Funds, Global Property Funds			
4	Potential Rewards	Mixed Investment 40-85% Shares Funds, Direct Property Funds, Global High Yield Funds	Risks		
3		Mixed Investment 20-60% Shares Funds, Distribution Managed Funds, Sterling High Yield Funds, Global Fixed Interest Funds, With-Profits Funds**			
2		Mixed Investment 0-35% Shares Funds, Sterling Fixed Interest Funds, Corporate Bond Funds, Protected/Guaranteed Funds			
1	Lower	Deposit & Treasury Funds, Money Market Funds	Lower		

* Types of Fund

These are mostly based on sector classifications by the Association of British Insurers (ABI). The description used may match an individual ABI sector name or be a Prudential suggested description for a grouping of similar sectors. The only exception to this is "With-Profits" which isn't classified by the ABI. Where a fund is classified by the ABI then we'll use the sector it's in as a starting point to think about its appropriate position in the scale above. But please note that each fund is considered individually and membership of an ABI sector doesn't automatically imply a particular potential reward and risk indicator number.

** With-Profits Funds

PruFund Funds invest in our With-Profits Fund and some appear in a lower or higher potential reward and risk indicator category. This is because of the different asset mix that applies to each PruFund Fund. Please refer to the specific PruFund potential reward and risk indicator on page 8.

Available funds

Prudential Retirement Account Funds	Potential Reward and Risk Indicator	Asset Class Risk Types								Fund Costs and Charges		
		Equities	Fixed Interest	Property	Currency	Smaller Companies and Developing Markets	Financial Instruments	Alternative Investments	Other	Annual Management Charge (%)	Further Costs (%)	Yearly Total (%)
Prudential PruFund Risk Managed 1*	2	✓	✓	✓	✓	✓	✓	✓	✓	0.65	0.10	0.75
Prudential PruFund Risk Managed 2*	3	✓	✓	✓	✓	✓	✓	✓	✓	0.65	0.14	0.79
Prudential PruFund Risk Managed 3*	3	✓	✓	✓	✓	✓	✓	✓	✓	0.65	0.17	0.82
Prudential PruFund Risk Managed 4*	4	✓	✓	✓	✓	✓	✓	✓	✓	0.65	0.19	0.84
Prudential PruFund Risk Managed 5*	5	✓	✓	✓	✓	✓	✓	✓	✓	0.65	0.21	0.86
Prudential PruFund Cautious*	2	✓	✓	✓	✓	✓	✓	✓	✓	0.65	0.07	0.72
Prudential PruFund Growth*	3	✓	✓	✓	✓	✓	✓	✓	✓	0.65	0.14	0.79

* For consistency and transparency we will show the Yearly Totals including property expenses, where applicable. Property expenses capture all expenses associated with the management and operation of the property portfolio, that are unable to be charged onto tenants.

Asset class risk types

Funds can invest in different 'asset types' with each asset type having its own level of risk. While there are many types of risk, generally the higher the potential returns, the higher the risk.

PruFunds invest in a variety of different asset types to try to reduce the impact on the performance of one kind of asset. This is known as diversification.

You will find more information and definitions for each of the risk types by visiting pru.co.uk/risktypes

Fund information

The Prudential Retirement Account uses both the Series D and Series E versions of the PruFund funds. You will be in Series D if you were invested in a PruFund fund on or before 25 August 2017, and you will be in Series E if you invest or switch into a PruFund fund after 25 August 2017. You can find information on both Series D and E, including daily prices and fact sheets, at pru.co.uk/retirement-account

Investment aims

This section includes information on the investment aims of the PruFund range of funds. This should help you to understand each of the fund's aims and where your money will be invested.

Prudential PruFund Risk Managed 1

The Prudential PruFund Risk Managed 1 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') your investment experiences, after allowing for smoothing, to 9% over the medium to long term. There is no guarantee that the Fund will achieve its objective of managing the volatility to the target level.

Prudential PruFund Risk Managed 2

The Prudential PruFund Risk Managed 2 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') your investment experiences, after allowing for smoothing, to 10% over the medium to long term. There is no guarantee that the Fund will achieve its objective of managing the volatility to the target level.

Prudential PruFund Risk Managed 3

The Prudential PruFund Risk Managed 3 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') your investment experiences, after allowing for smoothing, to 12% over the medium to long term. There is no guarantee that the Fund will achieve its objective of managing the volatility to the target level.

Prudential PruFund Risk Managed 4

The Prudential PruFund Risk Managed 4 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') your investment experiences, after allowing for smoothing, to 14.5% over the medium to long term. There is no guarantee that the Fund will achieve its objective of managing the volatility to the target level.

PruFund Risk Managed 5

The Prudential PruFund Risk Managed 5 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') your investment experiences, after allowing for smoothing, to 17% over the medium to long term. There is no guarantee that the Fund will achieve its objective of managing the volatility to the target level.

Prudential PruFund Cautious

The fund aims for steady and consistent growth through a cautious approach to investing. The fund currently invests around 75% in a well-diversified portfolio of fixed-interest securities and holdings of cash and money market instruments. The balance is invested in UK and international shares, property and alternative assets.

Prudential 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.

Further information

More information on these funds can be found at pru.co.uk/PRA/investments

Your financial adviser can also discuss these and other investment options with you.

Some useful investment terms

Learn about some tricky investment related words

You should read this section to find out what some of the more technical terms in this guide mean. We've included this information in case there's wording that you're unsure of.

This is a high-level guide to some useful investment terms. It's not meant to cover every term you may come across. Please speak to your financial adviser if you need help or want to know more about terms used around investments.

“Blue Chip” Companies

These are large, reputable companies which are thought to be financially sound.

Bonds (and Fixed Interest Securities)

All bonds are really just IOUs that promise to pay an amount of money on a specified date and pay a fixed rate of interest along the way. Companies and governments can issue bonds, when they want to raise money. Bonds issued by companies are called corporate bonds. Bonds issued by the UK government are called gilts and those issued by the US government are called treasury bonds.

Collective Investment Schemes

A way of pooling investment with others within a single investment fund. Once you've joined the scheme, you can have access to a wider range of investments than if you were investing individually. You'll also share the costs and benefits. Collective Investment Schemes, OEICs, Unit Trusts, Mutual funds, usually either target investments in geographic regions (like emerging market countries) or specific themes (like technology or property).

Corporate Bonds

Loans to companies where the buyer of the corporate bond lends money in return for regular interest payments and the promise that the initial sum will be repaid on a specified later date.

Derivatives

These refer to products such as futures and options which are generally an arrangement between different parties to buy or sell a standard quantity of a specified asset on a fixed future date at a price agreed today.

Equities

Equities are also known as shares or stocks. They are a share of the ownership of a company. Shares have two potential benefits. Firstly, the share price goes up as the value of the company goes up. Also, regular payments, called dividends, may be made to the owner of the share. These are based on how well the company is doing.

Financial Times Stock Exchange (FTSE)

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Floating Rate Notes

Short-term loans to financial companies, such as banks. The investor receives interest payments, and at the end of an agreed period the company has to repay the loan. The interest payment rates are linked to a specified “floating” rate, usually the London Interbank Offered Rate (LIBOR). This means that interest rate payments may go up or down.

Government Bonds

Loans to the government where the buyer of the government bond lends money to the government. In return, they get regular interest payments and the promise that the initial sum will be repaid on a specified later date.

Hedging

A way of trying to reduce or limit risk. Hedging involves making a deal in one market in order to try to protect against possible losses in another. Often used by Hedge Funds.

Index-Linked Securities

Are similar to fixed interest securities but the payments to the investor are normally increased in line with a measure of inflation.

Investment Grade

An agency(e.g. Standard and Poors) can give a rating to a corporate or government bond. The rating indicates the agency believes that the bond issuer has a relatively low risk of not paying what it owes the buyer of the bond. Bonds with credit ratings of AAA, AA, A or BBB are considered investment grade. Low rated bonds with ratings of BB or below are often called Junk Bonds.

LIBOR (London Interbank Offered Rate)

The interest rate that London banks charge when they lend money to each other over a short period of time. It's often used as a benchmark by companies like banks when setting other short term interest rates.

Money Market Investments

These are cash and investments similar to cash such as bank deposits, certificates of deposits, fixed interest securities or floating rate notes. They usually have a life of less than a year.

OEIC (Open Ended Investment Company)

An open collective investment scheme. Like all such schemes, an OEIC has no fixed amount of capital. The total value of the OEIC is equally divided into shares which will vary in price and in the number issued. When you invest new money, new shares or units are created to match the share price. When you take money out (redeem your shares), the assets are sold at the share price. An Open Ended Investment Company is a British version of a European SICAV (Société d'Investissement a Capital Variable) or Irish VCIC (Variable Capital Investment Company).

Preference Shares (also called Preferred Stock or Preferred Shares)

Shares in a company which give their holders a right to a fixed dividend payment. Some carry voting rights.

If you hold preference shares, you may get preferential treatment over common share holders. You'll get a dividend before them and, in the event of bankruptcy, you'll be paid from company assets before common share holders (but after debt holders).

Shares

See Equities.

Smaller Companies

Companies that you can find on a recognised exchange that have lower value than blue chip companies. In the UK, smaller companies are usually defined as those with market values below the top 350 companies in the FTSE All Share Index.

Undertakings for Collective Investment in Transferable Securities (UCITS)

Collective investments, such as OEICs and SICAVs, which can be sold across national borders within the EU.

Units/Unit Linked

Unit linked funds are divided into units and the investors hold a number of units equivalent to the money they have invested. The price of units changes daily to reflect the value of the assets held in the fund and so the investor's fund value at any point depends on the price of the units.

If you're looking for more information then please speak to your financial adviser.

pru.co.uk

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