

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 risk and potential reward of each fund, their investment aims and information on fund charges and further costs. 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:

- We'd like everyone to find it easy to deal with us. Please let us know if you need information about our plans and services in a different format.
- All our literature is available in audio, large print or braille versions. If you would like one of these please contact us on 0345 640 2000 and we'll send these out to you.
- 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 30 June 2020, 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.

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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 extreme short-term highs and lows 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 fall or rise.

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'd 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 where available. New guarantees on PruFund are currently not available.

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'd 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 so you might get back less than 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 charges and further costs

Annual Management Charge

We take an Annual Management Charge (AMC) for looking after your investment, 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. Any further costs shown are expenses which are borne by the fund.

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

Compensation

The Prudential Assurance Company Limited (PACL) is covered by the Financial Services Compensation Scheme (FSCS). If we get into financial difficulties, you may be able to make a claim. The FSCS is an independent body set up by Government to provide compensation for people where their authorised financial services provider gets into financial difficulties and becomes unable, or unlikely to be able, to pay claims against it. This circumstance is referred to as being 'in default'.

Losses, which may result from poor investment performance, are not covered by the FSCS.

Where does FSCS protection apply?

There is FSCS coverage if PACL is 'in default'.

- PACL is the operator of the Prudential Retirement Account, so if PACL defaults as operator of the personal pension plan you are protected up to £85,000.
- If you hold the Prudential PruFund funds in the Prudential Retirement Account, then they're protected up to 100% in the event of PACL being 'in default'.

Any further FSCS cover depends on where you invest.

- A collective fund (often called an Open Ended Investment Company or OEIC) – These funds are protected up to £85,000 per person per firm 'in default'.
- Stocks & shares investments (Stocktrade) – Fully protected up to £85,000 per person, per firm 'in default'.
- Cash Account (HSBC) – Fully protected up to £85,000 per person, per deposit group.

You can find out more information on the FSCS at pru.co.uk/fscs, or you can call us.

Information is also available from the Financial Services Compensation Scheme.

Visit their website: fscs.org.uk

Or write to: The Financial Services Compensation Scheme, PO Box 300, Mitcheldean GL17 1DY.

Or call the FSCS: Telephone 0800 678 1100.

Where FSCS coverage does not apply, then other factors can come in.

As explained in the 'Where does FSCS protection apply?' section, the FSCS doesn't cover every situation.

But, where FSCS protection does not apply, there are other factors that could help if the worst happened and a provider was 'in default'. For example, the use of custodians or depositories to provide protection for fund assets, where there is separate legal ownership of assets and legal entities that aren't liable for any losses of a fund manager. In so doing, the intention is that the underlying fund will not be liable for any losses the underlying fund management company incurs.

PACL would aim to recover any money invested in an underlying fund where the fund manager has been declared 'in default', but PACL would not be liable for any loss incurred from the default of the non-PACL fund manager.

Further costs

In addition to our annual charges, there may be further costs incurred. Where these are applicable, they're paid for by the fund and will impact on the overall performance. Some examples of what these further costs might include are shown below. These aren't listed in order of importance, they won't necessarily apply to all funds, and this isn't an exhaustive list.

| Name | What this means | Where applicable, are they included in the further costs figures we show in this fund guide and/or illustration? |
|--|--|--|
| Miscellaneous fund administration fees and costs | There can be a number of different administration fees and costs associated with funds. These can include, for example, audit fees, custody fees, infrastructure costs, registrar fees, regulatory fees, stock lending fees, and trustee fees. | Yes. |
| Performance fees | In some funds the fund managers are paid a fee depending on how they perform. | No, but if they're applicable they will impact on the performance of a fund. |
| Property expenses | 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 costs incurred for managing these properties. These can include costs for development, maintenance, oversight and renovation of the properties held, collecting rents, and managing tenants, as well as running costs that cannot be passed onto tenants. | Yes. |
| Transaction costs | When a fund manager trades the investments in a fund (for example, makes a decision to sell one holding and buy another) there are associated costs, for example taxes. | No, but if they're applicable they will impact on the performance of a fund. |

Further costs might be incurred by a Prudential fund or, where it's applicable, any fund our fund invests in (see the 'Investment aims' for information on where a fund might invest).

Fund charges and further costs may vary in future and they may be higher than they are now. We'll write to you if an AMC goes up for a fund you're invested in. As it's normal for further costs to vary over time we won't contact you when they change. If fund charges and further costs exceed the return earned, the fund will go down in value.

The further costs listed in this guide are indicative, based on the current levels of costs, and are correct as at 30 January 2020 unless otherwise stated.

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 fund charges and further costs 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

Risk and potential reward

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 on the next page 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 9 you can see how these risk and potential reward indicator numbers relate to our PruFund Funds.

Some key considerations

- The value of your investment can go down as well as up so you might get back less than 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.

Risk and potential reward 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 risk and potential reward indicator number.

** With-Profits Funds

PruFund Funds invest in our With-Profits Fund and some appear in a lower or higher risk and potential reward indicator category. This is because of the different asset mix that applies to each PruFund Fund. Please refer to the specific PruFund risk and potential reward indicator on page 9.

Available funds

| Prudential Retirement Account Funds | Risk and Potential Reward Indicator | Asset Class Risk Types | | | | | | | | Fund Charges and Further Costs | | |
|-------------------------------------|-------------------------------------|------------------------|----------------|----------|----------|--|-----------------------|-------------------------|-------|--------------------------------|-------------------|------------------|
| | | 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 | 0.12 | 0.77 |
| Prudential PruFund Risk Managed 3 | 3 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0.65 | 0.14 | 0.79 |
| Prudential PruFund Risk Managed 4 | 4 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0.65 | 0.16 | 0.81 |
| Prudential PruFund Risk Managed 5 | 5 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0.65 | 0.17 | 0.82 |
| Prudential PruFund Cautious | 2 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0.65 | 0.08 | 0.73 |
| Prudential PruFund Growth | 3 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0.65 | 0.18 | 0.83 |

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

Objective: 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') your investment experiences, after allowing for smoothing, to 9% per annum 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

Objective: 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') your investment experiences, after allowing for smoothing, to 10% per annum 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

Objective: 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') your investment experiences, after allowing for smoothing, to 12% per annum 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

Objective: 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') your investment experiences, after allowing for smoothing, to 14.5% per annum 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

Objective: 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') your investment experiences, after allowing for smoothing, to 17% per annum 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

Objective: 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 we may occasionally move outside this range to meet the fund objectives.

Prudential PruFund Growth

Objective: 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/funds. Your financial adviser can also discuss these and other investment options with you.

Some useful investment terms

Learn about some investment related terms

This is a high-level guide to some useful investment terms. It's not meant to cover every term you may come across and you may not find each item in the glossary within this guide. 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 moves as the value of the company changes. 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, which may go up or down, and at the end of an agreed period the company has to repay the loan.

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.

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.

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 shareholders. You'll get a dividend before them and, in the event of bankruptcy, you'll be paid from company assets before common shareholders (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](https://www.pru.co.uk)

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