

Quarterly Update

Prudential Risk Managed Passive range

30 September 2020

This is a quarterly update for the Prudential Risk Managed Passive range. The information in this guide is correct as at 30 September 2020, unless another date is stated.

This document is designed for financial advisers to discuss with their clients. If you are not a financial adviser and there is information or terminology included that you would like to discuss, then please contact your financial adviser. You can find an independent financial adviser at unbiased.co.uk

The Prudential Risk Managed Passive range are a range of multi-asset funds that work by spreading an investor's money across a number of different types of assets. Those could include, for example, company shares (equities), fixed interest bonds, cash and property – from both the UK and abroad.

By investing in a number of different assets, the fund manager aims to balance the risk that is being taken. So if one asset is falling in value then another may be increasing. Of course, there could be times when all the assets in the fund are either rising or falling in value depending on the market conditions at that time. An important point to remember is that the value of your investment can go down as well as up and you may not get back the amount you put in.

To invest in those different asset types the portfolios can use a mixture of active and passive management approaches. That means:

- Active management – The fund manager actively seeks to identify investment opportunities that might produce better returns than the broader market.
- Passive management – The fund manager seeks to track a market return using a relatively low-cost approach.

For more information on how our Risk Managed Passive range is managed please ask your financial adviser for a copy of 'An introduction to the Risk Managed Passive range'.

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Prudential Risk Managed Passive range – availability

It's possible to invest in the Prudential Risk Managed Passive range through a number of products, and, as an OEIC, from a range of fund “platforms” such as Cofunds, Fidelity FundsNetwork, Transact and more.

	Prudential Retirement Account	OEIC	ISA*	Prudential Investment Plan	Flexible Retirement Plan (Personal Pension & Drawdown)	Trustee Investment Plan	Prudential International Investment Bond
Risk Managed Passive 1	✓	✓	✓	✓	✓	✓	✓
Risk Managed Passive 2	✓	✓	✓	✓			
Risk Managed Passive 3	✓	✓	✓	✓	✓		✓
Risk Managed Passive 4	✓	✓	✓	✓			
Risk Managed Passive 5	✓	✓	✓	✓			

* The Prudential ISA is provided by Link Financial Investments Limited, the ISA Plan Manager. Link Financial Investments Limited is responsible for all the regulatory and legal aspects of the ISA and the provision of customer services.

This Quarterly Update describes the asset allocations and fund aims of the Open Ended Investment Company (OEIC) versions of these funds. This fund type is distinguished from the Unit-Linked versions, that invest exclusively in the OEIC funds, by the prefix 'LF' in their full name as in 'LF Risk Managed Passive 1' for example.

If you invest or hold these funds in a Pension, Life or International policy you may have the Unit-Linked version that doesn't have the 'LF' prefix. Instead it will simply say 'Prudential' (for Pension and Life funds) as in 'Prudential Risk Managed Passive 1' for example. International funds will have the prefix 'PIA' in their title.

The Unit-Linked versions generally have a slightly larger proportion of their holdings in cash and may have different charging and taxation costs. This will mean their investment performance will be different to their OEIC equivalent.

Your product literature will help you identify which version of the fund you may hold. Or alternatively ask your financial adviser for more information.

M&G Treasury & Investment Office (T&IO) – market update*

- T&IO are our in-house investment strategists and “manager of managers”
- They are a well-resourced team that includes experienced investment professionals with specialist expertise in capital markets research, investment strategy design, liability management, and portfolio management.
- T&IO are a well-established team who are entrusted with the day to day asset allocation decisions for £170 billion of policyholders’ money as at end June 2020.

In this section T&IO give their thoughts on current market conditions. This commentary reflects the general views of T&IO and should not be taken as recommendation or advice as how any specific market is likely to perform. This commentary is directed at financial advisers so it may contain language that you may be unfamiliar with. Please speak with your financial adviser who will be able to help.

Economic view

The global economy continued to recover strongly during the third quarter of 2020 after many developed countries suffered their biggest falls in quarterly GDP on record in the second quarter as the COVID-19 pandemic took hold. In the UK for example, GDP fell by -19.8%, reflecting the severity of the lockdown measures taken to reduce transmission of the virus. Global economic activity data for the summer months rebounded as restrictions were eased and most economies were allowed to reopen. Governments and central banks from across the world remained supportive towards the needs of businesses and consumers. However, despite positive news surrounding potential vaccines and better treatment outcomes, a resurgence of virus cases in the US and Europe scuppered any hope of a rapid return to normality for the global economy. The majority of stockmarkets continued to rise following the remarkable rebound in performance seen in the second quarter, immediately after March’s COVID-19-induced sell-off. Global technology companies were once again some of the best performing shares in the period, reflecting the world’s growing reliance on their products and services during the pandemic.

The economic picture remains uncertain with global economic growth falling significantly in 2020. However, we continue to believe that there are long-term opportunities available for the careful investor.

* M&G Investment Management Ltd (MAGIM), part of the M&G plc Group, are the investment managers for the Risk Managed Passive range. They make the fund selections and asset allocations adjustments recommended by T&IO.

Equities

The UK lagged the major regional equity markets in the third quarter as confidence at home was mainly undermined by concerns about Brexit, the withdrawal of £38 billion of dividends in the first half of the year and a resurgence of COVID-19 cases. A smaller technology sector than its global peers, especially the US, acted as a further drag. US stockmarkets enjoyed another strongly positive quarter as investor sentiment recovered from the pandemic-induced panic experienced in March, although weakness in September pared back some of the gains. As businesses reopened, improving economic data, together with support from the Federal Reserve, led to sharp rallies in July and August, with gains led by the technology sector. European equities ended the third quarter flat as the post-coronavirus stockmarket rebound lost momentum. Overall, stockmarkets in Japan & Asia Pacific ex Japan continued to recover in the third quarter. China's stockmarket advanced amid signs the country's economic recovery was gaining momentum. Share prices in South Korea and Taiwan performed well too.

Our view remains that a broadly diversified portfolio of equities can benefit overall returns over the long-term.

Fixed Interest

UK government bonds (gilts) delivered slightly negative returns in the third quarter of 2020. This was mainly driven by a sharp rise in gilt yields in August as the post-COVID rebound in financial markets saw investors rotate into riskier

assets, such as corporate bonds and equities. However, gilts were able to recover part of these losses in September as renewed fears of further COVID-19 lockdowns, as well as political uncertainty around Brexit and the upcoming US presidential election, helped push yields lower. In international government bond markets, yields on 10-year US Treasuries fell to a historic low of 0.5% in early August, before edging up to 0.7% at the end of September. The 10-year German bund yields remained in negative territory.

Over the long-term, we continue to favour corporate bonds over government bonds.

Property

UK commercial property capital values fell in July and August (September data was not available at the time of writing) according to property consultant CBRE. However, including rental income UK commercial property recorded a small positive return. The UK economy continued to recover in the third quarter as the COVID-19 lockdown was eased with fiscal measures providing support. Industrials was the only sector to report capital growth in July and August. On the other hand, Retail capital values continued to fall significantly – a trend which began at the start of 2018 – driven by the continued growth of e-commerce and the failure of some traditional retailers. Capital values in the Office sector also fell.

We continue to invest in property. The asset class offers solid income streams and a good degree of diversification.

Overview

At the end of September the portfolio manager remained neutral in the equity space. The small overweight to global high yield has now been moved to neutral following further spread tightening. UK and European investment grade bonds remain a small underweight and correspondingly the cash position remains neutral to slightly positive. The portfolio manager has also taken a small position in UK REITs across all portfolios, seeking to benefit from the large disparity in current share prices and the value of underlying assets.

Risk Managed Passive 1

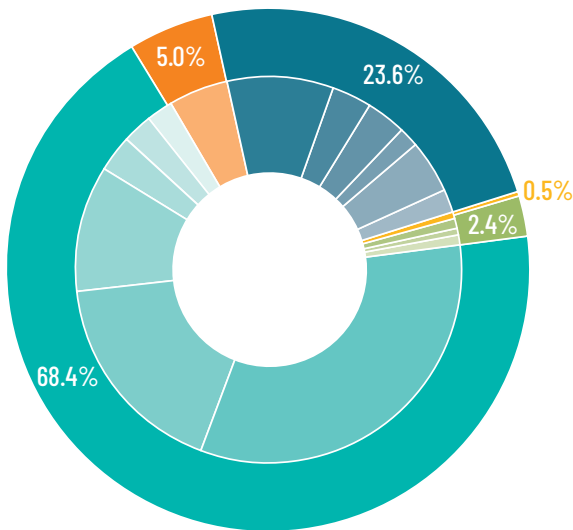
Portfolio Information, as at 30 September 2020, for the collective fund (an Open Ended Investment Company or OEIC)

Fund Size: £314,177,625

Objective

To achieve long-term (in excess of 5 years) total return (the combination of income and growth of capital) by investing in a mix of assets from around the world and aims to limit the average volatility (the amount by which the fund's value increases or decreases), per annum over rolling 5 year periods to 9%. There is no guarantee that the objective will be met over any time period and at any time the actual volatility may be higher or lower than 9%. You may get back less than you invest.

Asset Allocation (%)



23.6%	Equities
9.0%	UK Equity
3.3%	European Equity
3.3%	US Equity
1.8%	Japan Equity
4.4%	Asian Equity
1.9%	Emerging Markets Equity
0.5%	Property
2.4%	Alternative Assets
0.9%	Infrastructure
0.5%	Hedge Fund
1.0%	Private Equity
68.4%	Bonds
32.8%	UK Investment Grade Bonds
17.4%	US Investment Grade Bonds
10.6%	European Investment Grade Bonds
3.0%	High Yield Bonds
2.6%	US Government Bonds
2.1%	Emerging Market Bonds
5.0%	Cash

Top Ten Holdings %

1	ISHARES UK CORP BD IDX FND IEH ACC	24.3%	6	L&G UK INDEX C DISTR	4.1%
2	ISHR US CORP BND IDX FLX EU AC HDG	17.4%	7	ISHARES PAC EX JAP EQTY INDX FND I	4.0%
3	M&G STRATEGIC CORP BOND GBP A ACC	8.5%	8	ISHARES UK EQTY INDX FND IEH	3.8%
4	ISHR EU IG CO BD IDX(IE) FLX EU AC	8.4%	9	M&G GBL HIGH YIELD BOND GBP X ACC	3.0%
5	ROYAL BANK OF CANADA GB	7.3%	10	L&G EUROPEAN INDEX C DISTR	2.9%

Source: T&IO. Asset allocations are regularly reviewed and may vary from time to time, but will always be consistent with the fund objective. These positions can also be impacted by cash flows in and out of the portfolio. Please note that the data may not always add up to 100.0% due to rounding.

Risk Managed Passive 2

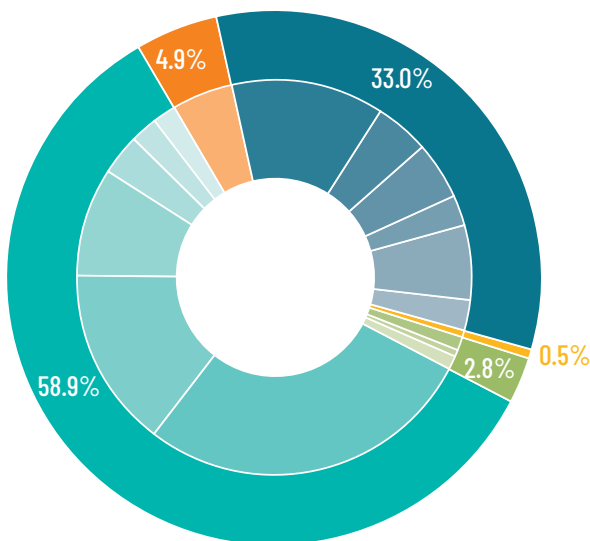
Portfolio Information, as at 30 September 2020, for the collective fund (an Open Ended Investment Company or OEIC)

Fund Size: £135,282,165

Objective

To achieve long-term (in excess of 5 years) total return (the combination of income and growth of capital) by investing in a mix of assets from around the world and aims to limit the average volatility (the amount by which the fund's value increases or decreases), per annum over rolling 5 year periods to 10%. There is no guarantee that the objective will be met over any time period and at any time the actual volatility may be higher or lower than 10%. You may get back less than you invest.

Asset Allocation (%)



33.0%	Equities
12.6%	UK Equity
4.6%	European Equity
4.5%	US Equity
2.6%	Japan Equity
6.1%	Asian Equity
2.6%	Emerging Markets Equity
0.5%	Property
2.8%	Alternative Assets
1.1%	Infrastructure
0.6%	Hedge Fund
1.1%	Private Equity
58.9%	Bonds
27.9%	UK Investment Grade Bonds
14.7%	US Investment Grade Bonds
8.9%	European Investment Grade Bonds
3.2%	High Yield Bonds
2.2%	US Government Bonds
2.0%	Emerging Market Bonds
4.9%	Cash

Top Ten Holdings %

1	ISHARES UK CORP BD IDX FND IEH ACC	20.6%	6	ISHR EU IG CO BD IDX(IE) FLX EU AC	7.2%
2	ISHR US CORP BND IDX FLX EU AC HDG	14.7%	7	ISHARES PAC EX JAP EQTY INDX FND I	5.5%
3	BRED BANQUE POPULAIRE GB	7.9%	8	ISHARES US EQTY INDX FND IEH	3.8%
4	ISHARES UK EQTY INDX FND IEH	7.9%	9	L&G EUROPEAN INDEX C DISTR	3.7%
5	M&G STRATEGIC CORP BOND GBP A ACC	7.3%	10	M&G GBL HIGH YIELD BOND GBP X ACC	3.2%

Source: T&IO. Asset allocations are regularly reviewed and may vary from time to time, but will always be consistent with the fund objective. These positions can also be impacted by cash flows in and out of the portfolio. Please note that the data may not always add up to 100.0% due to rounding.

Risk Managed Passive 3

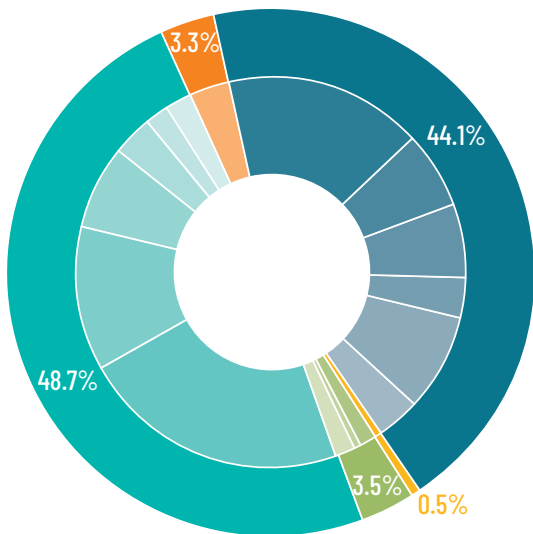
Portfolio Information, as at 30 September 2020, for the collective fund (an Open Ended Investment Company or OEIC)

Fund Size: £339,660,967

Objective

To achieve long-term (in excess of 5 years) total return (the combination of income and growth of capital) by investing in a mix of assets from around the world and aims to limit the average volatility (the amount by which the fund's value increases or decreases), per annum over rolling 5 year periods to 12%. There is no guarantee that the objective will be met over any time period and at any time the actual volatility may be higher or lower than 12%. You may get back less than you invest.

Asset Allocation (%)



44.1%	Equities
16.7%	UK Equity
6.3%	European Equity
6.0%	US Equity
3.4%	Japan Equity
8.2%	Asian Equity
3.5%	Emerging Markets Equity
0.5%	Property
3.5%	Alternative Assets
1.3%	Infrastructure
0.8%	Hedge Fund
1.4%	Private Equity
48.7%	Bonds
22.4%	UK Investment Grade Bonds
11.9%	US Investment Grade Bonds
7.2%	European Investment Grade Bonds
3.3%	High Yield Bonds
1.9%	US Government Bonds
2.1%	Emerging Market Bonds
3.3%	Cash

Top Ten Holdings %

1	ISHARES UK CORP BD IDX FND IEH ACC	17.0%	6	L&G UK INDEX C DISTR	6.9%
2	ISHR US CORP BND IDX FLX EU AC HDG	11.9%	7	L&G EUROPEAN INDEX C DISTR	5.8%
3	ISHARES UK EQTY INDX FND IEH	7.9%	8	ISHR EU IG CO BD IDX(IE) FLX EU AC	5.7%
4	ISHARES PAC EX JAP EQTY INDX FND I	7.4%	9	ISHARES US EQTY INDX FND IEH	5.5%
5	ROYAL BANK OF CANADA GB	7.1%	10	M&G STRATEGIC CORP BOND GBP A ACC	5.4%

Source: T&IO. Asset allocations are regularly reviewed and may vary from time to time, but will always be consistent with the fund objective. These positions can also be impacted by cash flows in and out of the portfolio. Please note that the data may not always add up to 100.0% due to rounding.

Risk Managed Passive 4

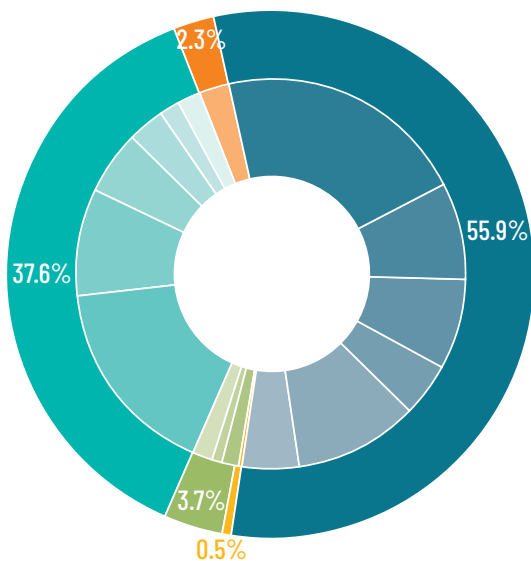
Portfolio Information, as at 30 September 2020, for the collective fund (an Open Ended Investment Company or OEIC)

Fund Size: £87,041,531

Objective

To achieve long-term (in excess of 5 years) total return (the combination of income and growth of capital) by investing in a mix of assets from around the world and aims to limit the average volatility (the amount by which the fund's value increases or decreases), per annum over rolling 5 year periods to 14.5%. There is no guarantee that the objective will be met over any time period and at any time the actual volatility may be higher or lower than 14.5%. You may get back less than you invest.

Asset Allocation (%)



55.9%	Equities
21.1%	UK Equity
8.0%	European Equity
7.6%	US Equity
4.3%	Japan Equity
10.4%	Asian Equity
4.5%	Emerging Markets Equity
0.5%	Property
3.7%	Alternative Assets
1.4%	Infrastructure
0.8%	Hedge Fund
1.5%	Private Equity
37.6%	Bonds
16.9%	UK Investment Grade Bonds
8.9%	US Investment Grade Bonds
5.3%	European Investment Grade Bonds
3.0%	High Yield Bonds
1.5%	US Government Bonds
2.1%	Emerging Market Bonds
2.3%	Cash

Top Ten Holdings %

1	ISHARES UK CORP BD IDX FND IEH ACC	13.1%	6	L&G EUROPEAN INDEX C DISTR	7.3%
2	ISHARES UK EQTY INDX FND IEH	10.9%	7	ISHARES US EQTY INDX FND IEH	7.1%
3	ISHARES PAC EX JAP EQTY INDX FND I	9.4%	8	BRED BANQUE POPULAIRE GB	6.3%
4	ISHR US CORP BND IDX FLX EU AC HDG	8.9%	9	ISHR EU IG CO BD IDX(IE) FLX EU AC	4.2%
5	L&G UK INDEX C DISTR	7.8%	10	ISHARES JAPAN EQTY INDX FND IEH	4.1%

Source: T&IO. Asset allocations are regularly reviewed and may vary from time to time, but will always be consistent with the fund objective. These positions can also be impacted by cash flows in and out of the portfolio. Please note that the data may not always add up to 100.0% due to rounding.

Risk Managed Passive 5

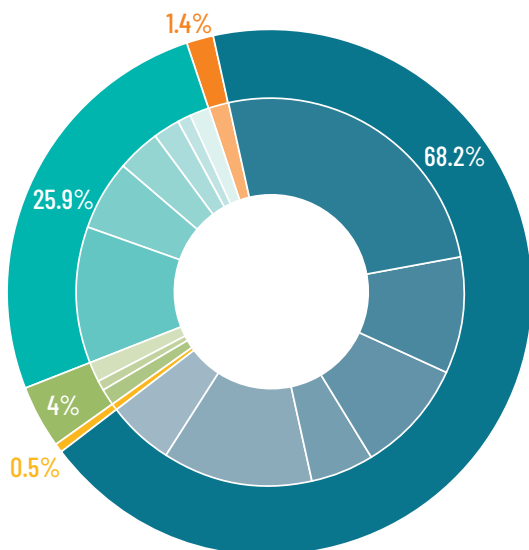
Portfolio Information, as at 30 September 2020, for the collective fund (an Open Ended Investment Company or OEIC)

Fund Size: £64,466,954

Objective

To achieve long-term (in excess of 5 years) total return (the combination of income and growth of capital) by investing in a mix of assets from around the world and aims to limit the average volatility (the amount by which the fund's value increases or decreases), per annum over rolling 5 year periods to 17%. There is no guarantee that the objective will be met over any time period and at any time the actual volatility may be higher or lower than 17%. You may get back less than you invest.

Asset Allocation (%)



68.2%	Equities
25.7%	UK Equity
9.8%	European Equity
9.3%	US Equity
5.3%	Japan Equity
12.6%	Asian Equity
5.5%	Emerging Markets Equity
0.5%	Property
4.0%	Alternative Assets
1.5%	Infrastructure
0.9%	Hedge Fund
1.6%	Private Equity
25.9%	Bonds
11.3%	UK Investment Grade Bonds
5.9%	US Investment Grade Bonds
3.5%	European Investment Grade Bonds
2.3%	High Yield Bonds
1.1%	US Government Bonds
1.8%	Emerging Market Bonds
1.4%	Cash

Top Ten Holdings %

1	ISHARES UK EQTY INDX FND IEH	12.4%	6	ISHARES US EQTY INDX FND IEH	8.7%
2	ISHARES PAC EX JAP EQTY INDX FND I	11.3%	7	BRED BANQUE POPULAIRE GB	6.3%
3	L&G UK INDEX C DISTR	10.6%	8	ISHR US CORP BND IDX FLX EU AC HDG	5.9%
4	L&G EUROPEAN INDEX C DISTR	9.2%	9	ISHARES JAPAN EQTY INDX FND IEH	4.9%
5	ISHARES UK CORP BD IDX FND IEH ACC	9.1%	10	ISHARES EM EQTY INDX IEH	4.2%

Source: T&IO. Asset allocations are regularly reviewed and may vary from time to time, but will always be consistent with the fund objective. These positions can also be impacted by cash flows in and out of the portfolio. Please note that the data may not always add up to 100.0% due to rounding.

Performance

All figures sourced from Financial Express. Please note that all performance figures for Prudential Funds are net of Annual Management Charge (AMC) and other fund charges where applicable. They take no account of any product charges that may or may not be applicable. Any product charges will have the effect of reducing the figures shown below.

Performance figures can vary between each of these funds due to different taxation rules and fund level charges. The Life, Pension and Prudential International funds can also hold an element of cash due to the short delay between new investments being received by these funds and being placed in the underlying OEIC portfolio fund, and this may also have an impact on the performance of these funds when compared to the underlying OEIC fund.

OEIC Funds	30/09/19 - 30/09/20 (%)	30/09/18 - 30/09/19 (%)	30/09/17 - 30/09/18 (%)	30/09/16 - 30/09/17 (%)	30/09/15 - 30/09/16 (%)
LF Prudential Risk Managed Passive 1	1.2	5.2	1.3	3.3	9.9
LF Prudential Risk Managed Passive 2	-0.6	4.6	1.8	5.2	11.7
LF Prudential Risk Managed Passive 3	-1.9	3.8	2.6	7.2	13.0
LF Prudential Risk Managed Passive 4	-3.8	2.9	4.0	8.3	14.9
LF Prudential Risk Managed Passive 5	-4.9	1.4	5.3	9.6	16.6

The figures above are bid to bid with net income reinvested. Annualised (Income fund).

Pension Funds	30/09/19 - 30/09/20 (%)	30/09/18 - 30/09/19 (%)	30/09/17 - 30/09/18 (%)	30/09/16 - 30/09/17 (%)	30/09/15 - 30/09/16 (%)
Pru Risk Managed Passive 1	1.4	5.9	2.4	5.4	14.6
Pru Risk Managed Passive 3	-0.1	5.6	3.9	6.8	16.1

The figures above are bid to bid with gross income reinvested. Annualised. Series A fund.

Life Funds	30/09/19 - 30/09/20 (%)	30/09/18 - 30/09/19 (%)	30/09/17 - 30/09/18 (%)	30/09/16 - 30/09/17 (%)	30/09/15 - 30/09/16 (%)
Pru Risk Managed Passive 1	1.0	4.6	1.5	4.0	11.4
Pru Risk Managed Passive 2	1.2	3.8	N/A	N/A	N/A
Pru Risk Managed Passive 3	-0.1	4.8	3.5	6.6	13.9
Pru Risk Managed Passive 4	-0.3	4.2	N/A	N/A	N/A
Pru Risk Managed Passive 5	-2.3	3.6	N/A	N/A	N/A

The figures above are bid to bid with net income reinvested. Annualised. Series 2 fund.

International Funds	30/09/19 - 30/09/20 (%)	30/09/18 - 30/09/19 (%)	30/09/17 - 30/09/18 (%)	30/09/16 - 30/09/17 (%)	30/09/15 - 30/09/16 (%)
PIA Risk Managed Passive 1	1.5	5.8	1.9	5.0	14.1
PIA Risk Managed Passive 3	-0.4	4.9	3.4	6.4	15.7

The figures above are bid to bid in sterling with gross income reinvested. Annualised. Series B fund.

We can't predict the future. Past performance isn't a guide to future performance. The value of your investment can go down as well as up so you might get back less than you put in.

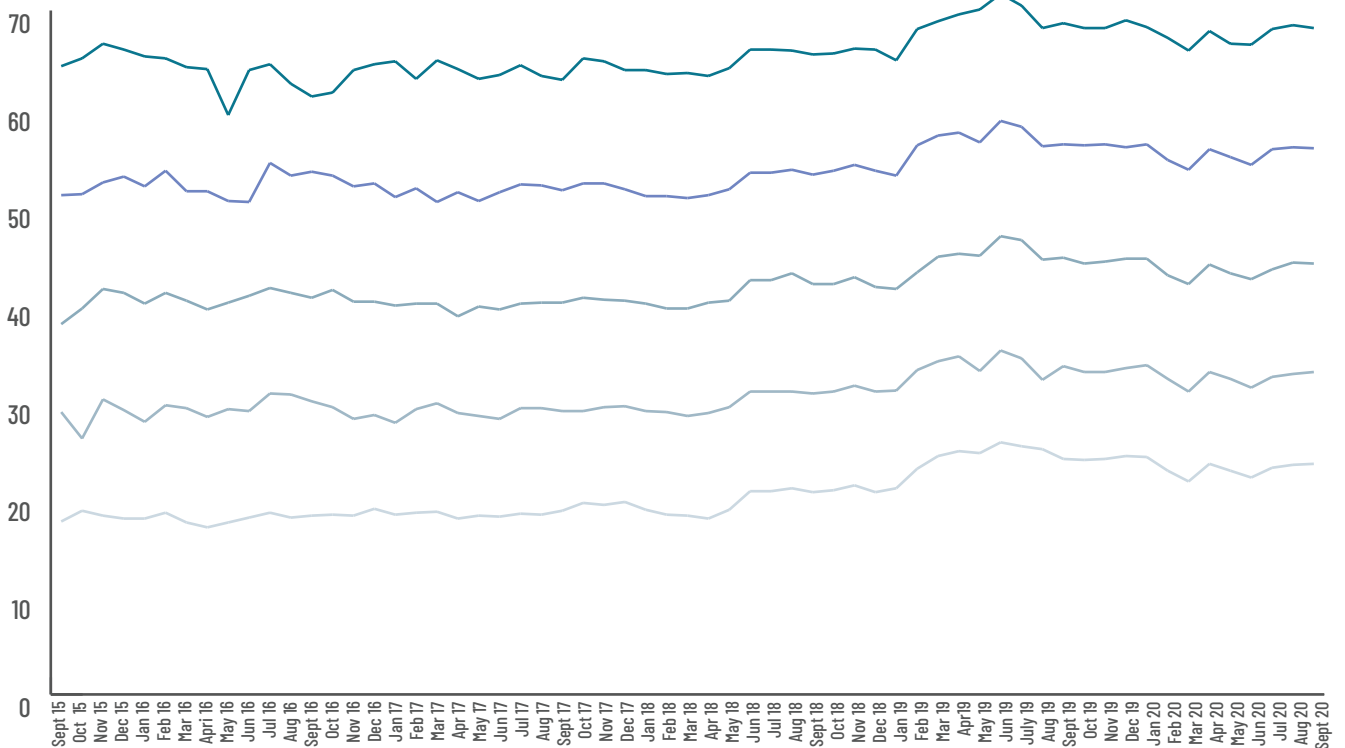
Equity Content

Our Risk Managed Passive funds can invest in different ranges of allowable equity content as indicated in each funds' name and investment policy.

The graph below demonstrates the changing amounts held in equities. The reason for illustrating this is that equities tend to be one of the riskier assets to invest in compared to bonds and money market investments. The portfolios therefore contain different proportions of higher and lower risk assets to target different goals and needs. They follow the general principle that, as the potential for higher returns increases so does the risk.

The graph below shows the equity exposure for each of the portfolio funds, illustrating the highest and lowest point of equity exposure, at the end of each month, from the end of September 2015 until the end of September 2020. The equity content of the funds may change, over time.

Equity exposure (%)



- LF Risk Managed Passive 5
- LF Risk Managed Passive 2
- LF Risk Managed Passive 4
- LF Risk Managed Passive 1
- LF Risk Managed Passive 3

Glossary

This glossary is a high-level guide to some technical terminology. It is not intended to be a definitive reference document.

Alternative Assets

These may include non-traditional, complex or specialist investments. Examples include hedge funds, private equity and complex derivative based strategies.

Bonds

See Fixed Interest Securities.

“Boutique Managed”

Investment funds that are specialised in some way either through the expertise needed to manage the portfolio or because it has an unusual theme or a collection of funds under one house. These “boutique” funds are typically offered by smaller, specialist firms as opposed to large investment management companies.

Broad Investment Grade

This is a term used to describe a listing of bonds and fixed income instruments on an index. It is used to measure the overall value of a collective group of bonds and represents the characteristics of these types of securities. It is a grading level that can be used by certain types of funds for determining assets that are suitable for investment into a fund.

Certificates of Deposit

These are money market investments that are generally issued by banks against a security. A certificate of deposit usually pays interest (which can vary) and entitles the bearer to receive a set interest rate up until a set maturity date and can be issued in any currency or denomination.

Collective Investment Schemes

A way of pooling investment with others as part of a single investment fund. This allows investors to participate in a wider range of investments than would normally be feasible if investing individually and to share the costs and benefits of doing so. Collective Investment Schemes, OEICs, Unit Trusts, Mutual funds, usually either target geographic regions (like emerging market countries) or specific themes (like technology or property).

Convertible Bonds (can also be called Deferred Equity)

These are corporate bonds that are exchangeable for a set number of another form of investment (for example, common shares) at a pre-stated price. Convertible bonds typically pay a lower income than is normally available from common bonds.

Corporate Bonds

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

Default Risk

This is the possibility that the issuer of a bond will be unable to make payments when they are due.

Derivatives

These cover products such as futures and options which are generally an arrangement to buy or sell a standard quantity of a specified asset on a fixed future date at a price agreed today. Also considered to be a financial instrument whose value is dependent upon the value of an underlying asset.

Equities

These are also known as shares or stocks and represent a share of the ownership of a company. Shares give two potential benefits – the share prices increase as the value of the company increases and regular payments, known as dividends, may be made to shareholders based on how well the company is doing. However, share prices can also go down, therefore there may not be dividends.

Eurobonds

A Eurobond is an international bond that is denominated in a currency not native to the country where it is issued. It can be categorized according to the currency in which it is issued. For example, a British company may issue a Eurobond in Germany, denominating it in U.S. dollars.

Fixed Interest Securities

These are more commonly known as “bonds” and are loans issued by companies or by governments in order to raise money. Bonds issued by companies are called corporate bonds, those issued by the UK government are called gilts and those issued by the US government are called treasury bonds. In effect all bonds are IOUs that promise to pay a sum on a specified date and pay a fixed rate of interest along the way.

Floating Rate Notes

These are basically short-term loans to financial organisations, such as banks, under which the investor receives interest payments from that financial organisation. At the end of an agreed period the financial organisation has to repay the loan. The interest payment rates are linked to a specified “floating” rate typically the London Interbank Offered Rate (LIBOR). This means that interest rate payments may go up or down.

Forwards Contract (or Forwards)

These are agreements between two parties to buy or sell an asset at a fixed future date for a price determined at the time of dealing.

Government Bonds

These are loans to the government where the purchaser of the government bond lends money to the government in return for regular interest payments and the promise that the initial sum will be repaid on a specified later date.

Government Sovereign Bond

Is a government debt issued in a foreign currency.

Hedging

A strategy employed in order to reduce or mitigate risk. Hedging involves making an offsetting transaction in one market in order to protect against possible losses in another.

Index-Linked Securities

Are similar to fixed interest securities but the payments out are normally increased by a price index e.g. for UK government index-linked securities, payments out are increased in line with the UK Retail Price Index.

Investment Grade

A credit rating given to a government or corporate bond that indicates that the agency giving the rating (e.g. Standard & Poors) believes that the issuer has a relatively low risk of default. 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)

This is the interest rate that London banks charge when lending money to one another over a short period of time. LIBOR is often used as a benchmark when setting other short term interest rates.

Money Market Investments

Are defined as cash and near cash such as bank deposits, certificates of deposits, fixed interest securities or floating rate notes, with, where applicable, a maturity date of under a year.

OEIC

This is an Open Ended Investment Company, which is the British version of a European SICAV (Société d'Investissement a Capital Variable) or Irish VCIC (Variable Capital Investment Company). Like all open collective Investment 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. Each time that new money is invested, new shares or units are created to match the prevailing share price; each time shares are redeemed, the assets sold match the prevailing share price.

Qualified Investor Scheme (QIS)

A qualified investor scheme is essentially a mixed asset type of scheme where different types of permitted asset may be included as part of the scheme property, depending on the investment objectives and policy of that scheme and within any restrictions in the rules.

Regulated

This means the portfolio or fund has to conform to the regulations laid down by the financial authority of the country it is trading in (i.e. in the UK, the FCA protects the investor and provides structure around the products, financial services providers and markets).

Shares

See Equities.

Short-Term Government Bonds

For the purposes of determining assets which the Prudential Cash Funds can invest in these are defined as government bonds with a repayment period of twelve months or less.

Unregulated

This means the portfolio or fund does not need to conform to regulations.

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