

An introduction to

# The PruFund range of funds

For investments in:

- Prudential Investment Plan
- Prudential ISA
- Prudential International Investment Bond
- Prudential Trustee Investment Plan
- Prudential Flexible Retirement Plan

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# Prudential – a proud history of managing money

## Key market dates

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### 1848

Prudential founded in 1848 in Hatton Garden, London.

### 1881

Prudential becomes a limited liability company.

### 1949

'The Man from the Pru' advertising campaign launched.

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### 1986

Acquisition of Jackson National Life in the US.

### 1992

Black Wednesday. British Government forced to withdraw from the Exchange Rate Mechanism.

### 1994

Prudential Corporation Asia is formed to develop existing and new business in Asia.

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### 1998

Prudential celebrates its 150th anniversary.

### 1999

Prudential acquires M&G, pioneer of unit trusts in the UK and a leading provider of investment products.

### 1999

Collapse of the IT bubble.

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### 2000

Prudential plc is listed on the New York Stock Exchange.

### 2004

Prudential launches its innovative PruFund investment – PruFund Growth Fund.

### 2008

Prudential introduces a protected fund option for PruFund.

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### 2011

Prudential launches a range of Risk Managed PruFund funds.

### 2011

Prudential launches a choice of guarantee terms for PruFund funds.

### 2014

PruFund celebrates its 10th birthday.

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### 2016

UK announces 'Brexit' from the European Union.

### 2017

£35.9 billion is invested in the PruFund range of funds (as at the end of December 2017).

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# Balancing risk and potential reward

Keeping all your savings in a deposit account or cash investment is secure and may be easy to access.

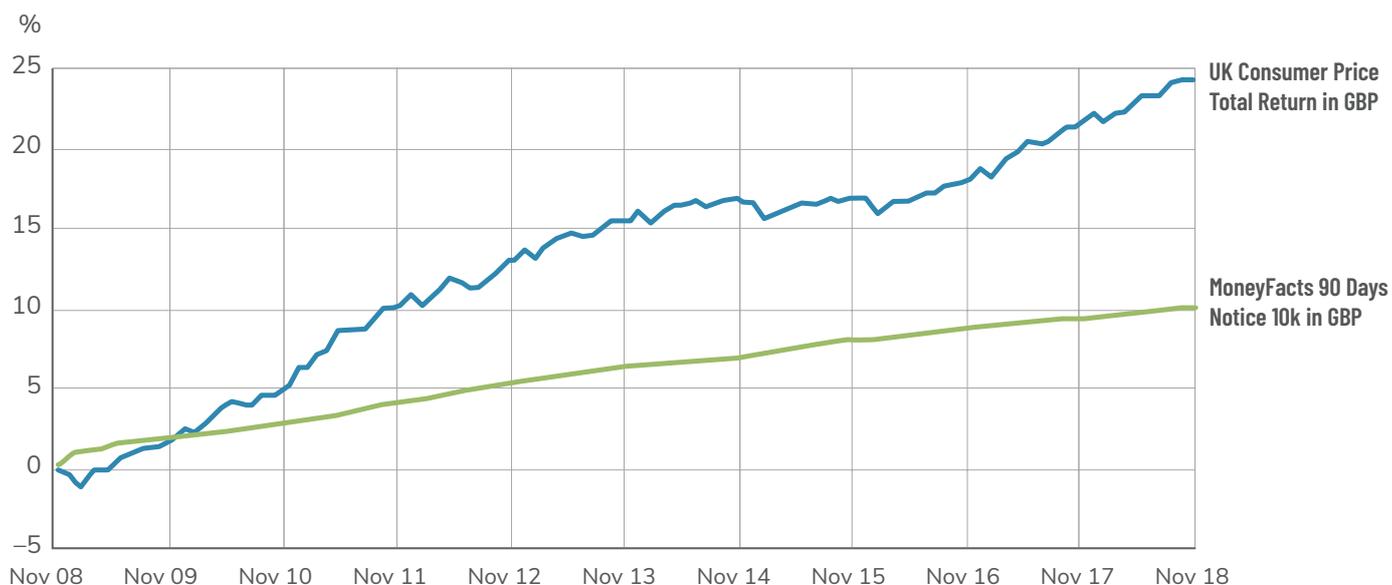
Of course a high-interest deposit account is a sensible home for what you might call your 'ready' or 'emergency cash'. The offer of instant access, knowing your capital is safe, has great appeal. And it's always a good idea to have a cash safety net to help with any unexpected emergencies.

Also, it's worth considering your capacity for loss. This means your ability to absorb falls in the value of your savings or investment. Would any loss have a detrimental effect on your standard of living? It's important to take this into account when balancing risk and potential reward.

However, over and above emergency cash, you may want to think about your plans for the future.

As long as you have enough to cover any unexpected emergencies, it might be timely to look at whether your money is in the best place for your long-term investment aims. These may include planning for university fees, property deposit, a family wedding or retirement planning.

## Deposit accounts compared to inflation



The graph shows the returns from 15/10/2008 to 01/11/2018 for £10,000 in the MoneyFacts 90 Days Notice (net of all charges and taxes); the UK Consumer Prices Index is shown for the same period. Both are expressed in Pounds Sterling. Please note past performance is not a reliable indicator of future performance. **The value of your investment can go down as well as up and you may not get back the amount you put in.**

Source: Financial Express as at 04/12/2018.

## Inflation eats away at the buying power

If inflation is higher than the rate of return from savings or investments, it will eat away at the buying power of your money. The overall result is simply that at the end of the investment term, you could buy less with your money than you would have been able to do at the beginning.

## The effect of inflation on a deposit account

The graph below shows the performance of deposit accounts (as represented by MoneyFacts 90 Days Notice) compared to inflation over time. We have used the Consumer Prices Index (CPI) to represent inflation. The CPI tracks changes in the cost of a fixed basket of goods over time. MoneyFacts is an organisation that produces data to help compare financial products. MoneyFacts 90 Days Notice is an index showing returns on 90-day notice deposit accounts.

## Direct investment in equities, property and other investment types could provide attractive returns, but at what risk?

### Concerned about investment falls?

Direct investment in equities, property and other investment types gives you access to potentially higher returns than savings in a deposit account and may build your money over the medium to long term (5 to 10 years or more). However, investment performance can fall, which then means the value of your investment could drop too. This is a level of risk that many may not be comfortable with.

### The risk of getting your investment timing wrong

No-one can confidently predict when a stockmarket fall will happen. If you're unfortunate enough for it to occur just before you need to cash in your investment, you could find the overall returns disappointing.

The graph below shows an example of the rises and falls of the UK stockmarket over time. So, for example if you bought at a high point circled in yellow below and were able to sell at the higher point circled in pink below, you could potentially have gained some investment growth. But if you sold at the point circled in blue below, you would have lost some of your money.

Here's an example of the volatility of an equity-based investment over time:



This is an example of how an equity-based investment can rise and fall over time. The graph shows the performance of the FTSE100 Index from 28/11/2008 to 30/11/2018. Source: Financial Express as at 04/12/2018. **Past performance is not a reliable indicator of future performance.**

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**The value of an investment can fall as well as rise and you may not get back the full value of your original investment.**

# PruFund funds can provide an alternative

Investing is essentially about balancing your capacity for loss (ability to absorb falls in the value of an investment), alongside your attitude to risk (the level of risk willing to be taken in return for potential reward). Here's a summary of the features of the PruFund funds:

- The PruFund range of funds are with-profits investments which spread your money across a range of asset types. Importantly, they also have a smoothing process designed to protect investors against some of the extreme ups and downs of short-term investment performance associated with the underlying assets.
- A spread of diversified investments – so you are not fully exposed to dramatic falls in one investment area.
- Access to a wide range of investments – including some which individual investors may not be able to access directly.
- An established smoothing process to help protect you from some of the day-to-day fluctuations associated with direct investment. However, on occasion this smoothing process can be subject to a Unit Price Reset or be suspended. Please refer to page 9 for more details on the PruFund smoothing process.
- Actively managed by skilled experts in asset allocation – the Prudential Portfolio Management Group.
- A choice of funds to help suit different attitudes for risk.
- PruFund Guarantees – available when you invest in selected PruFund funds. You can secure the value of some or all of your capital at a set date (known as the Guaranteed Date). There is an additional charge associated with this guarantee.

**The value of an investment can fall as well as rise and you may not get back the full value of your original investment.**

# How do PruFund funds work?

Your money is pooled together with that of other investors within your chosen fund, and used to buy a large spread of different types of investments (often described as asset classes).

## How we manage your money

The PruFund funds are managed by the Prudential Portfolio Management Group Limited (PPMG). PPMG are our in-house investment strategists for the Prudential Group in the UK. They are a team of over 80, including economists, mathematicians and analysts who specialise in different areas of the investment world. They monitor and review the performance of each fund management specialist around the world.

## Reducing risk by investing in a diversified mix of asset classes

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. This means that while you won't benefit from the full upside of any potential stockmarket rises you won't suffer from the full effects of any downfalls either.

PruFund funds are invested in the Prudential With-Profits Fund, which is the largest with-profits fund in the UK. It is worth approximately £103bn as at 31 December 2017 which means we can buy a wide range of assets which may not be possible for someone to buy directly. However, there are differences across the range of PruFund funds in their objectives and mix of assets, and how PruFund delivers returns to investors when compared to other With-Profits business. This means the returns received by investors will vary by fund choice.

PruFund funds are multi-asset funds which means you get access to a wide range of assets, across different asset types and countries. This allows you to spread the risk of investment.

This diversification aims to balance the performance of the various different assets, so "your eggs aren't all in one basket". In essence this aims to offset poor performance in one asset type with good performance in another.

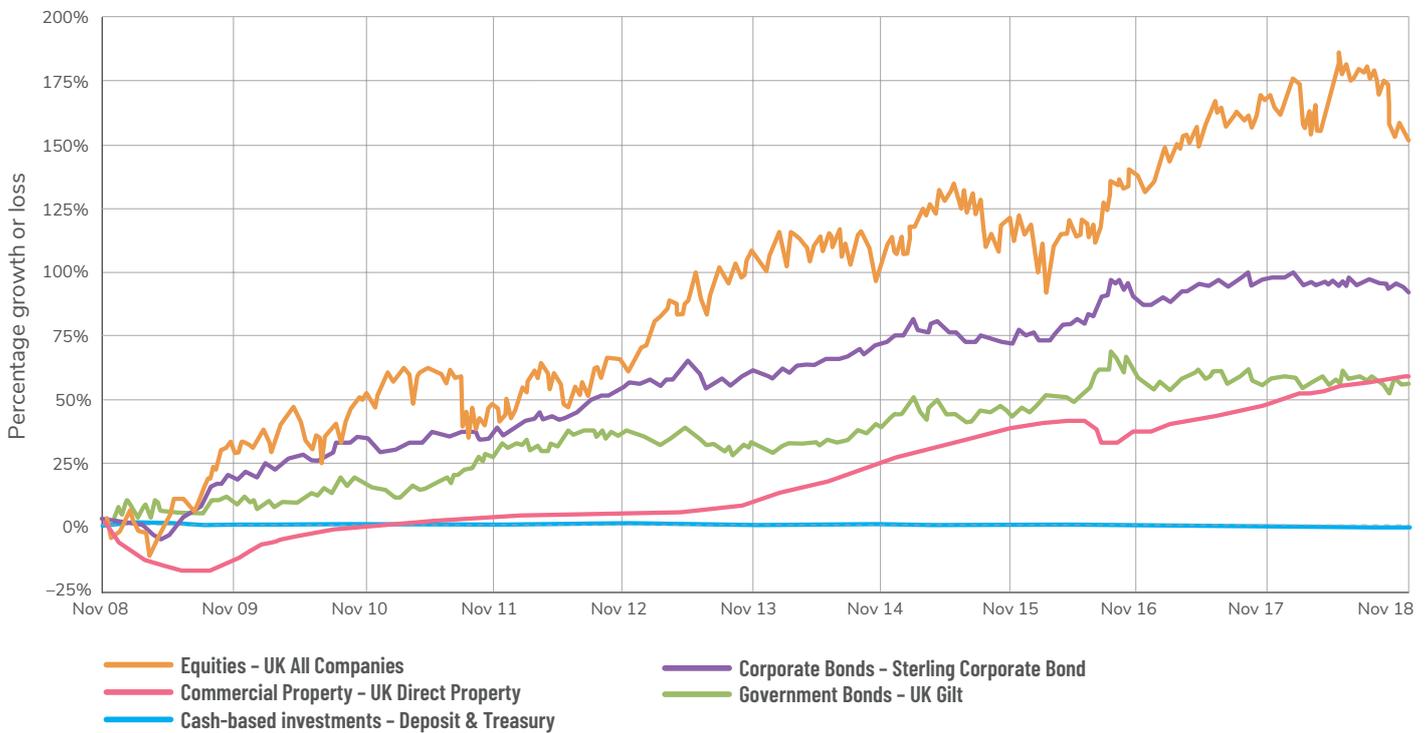
### Investing money can be rewarding, but it's not without risk...

- The value of an investment can go down as well as up. You could get back less than you have paid in.
- Charges will reduce the value of the investment and they may increase in the future.
- Withdrawals from the fund can exhaust the investment. Therefore it's important to try to ensure that invested money needs to last for as long as is intended.
- Inflation will affect the buying power of the money you get back.
- We may apply a Unit Price Reset on a particular day to one or more PruFund funds or we may have to suspend the PruFund smoothing process. Please see page 10 for more information.

The graph below demonstrates the volatile behaviour of single asset classes over a 10-year period. When one asset class is performing well, another may be performing less well, and their relative positions could be reversed in future years.

We demonstrate the single asset classes using an Association of British Insurers (ABI) classification system that means similar types of funds are grouped together. This is called a sector average.

### The volatile behaviour of single asset classes over 10 years



The graph shows the returns from 31/10/2008 to 30/11/2018 for sector averages from the ABI. These figures are net of fund tax. **Please note past performance is not a reliable indicator of future performance.**

Source: Financial Express as at 04/12/2018.

For more information on the terms used as part of the graph above, refer to the glossary on pages 18-19.

# What is the PruFund smoothing process and how does it work?

## The Smoothing Process

The PruFund range of funds has an established smoothing process which uses Expected Growth Rates (EGRs) and, where required, Unit Price Adjustments (UPAs), to deliver a smoothed investment journey.

The aim of the smoothing process is to provide you with some protection from the extreme short-term ups and downs of direct investment. The smoothing process sets out an EGR for each PruFund fund and then compares that rate to how each fund is actually performing, making adjustments where necessary.



(or the next working day if the quarter date falls on a weekend or a Bank Holiday)

## Unit Price Adjustment (UPA)

While the EGR reflects our long-term view, we need to check that the fund is performing as expected – if it's not, we may need to make an adjustment to your fund value, either up or down. There are limits which set out when an adjustment would be required.

The value of your investment in a PruFund fund is based on the Smoothed Price. This is the unit price, which grows daily by the EGR. We compare the Smoothed Price against the Unsmoothed Price – which reflects the value of underlying assets. If these move too far away from one another we need to adjust the Smoothed Price to narrow the gap. This could be a price increase or a price decrease.

We use threshold tests to check the Smoothed Price against the Unsmoothed Price on a daily basis and on a quarterly basis. For more information on monitoring the unit price on a daily and quarterly basis, refer to 'A step by step guide to the PruFund smoothing process', reference GENM92301, available from your financial adviser.

## Expected Growth Rate (EGR)

Prudential sets EGRs; 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 your investments in a PruFund will normally grow daily by the relevant EGR. Although we take a long-term view, we do review the rates every three months to allow for any changes, which may mean a change in EGR on a quarterly basis, up or down. The PruFund quarter dates are:

## What happens when I first invest?

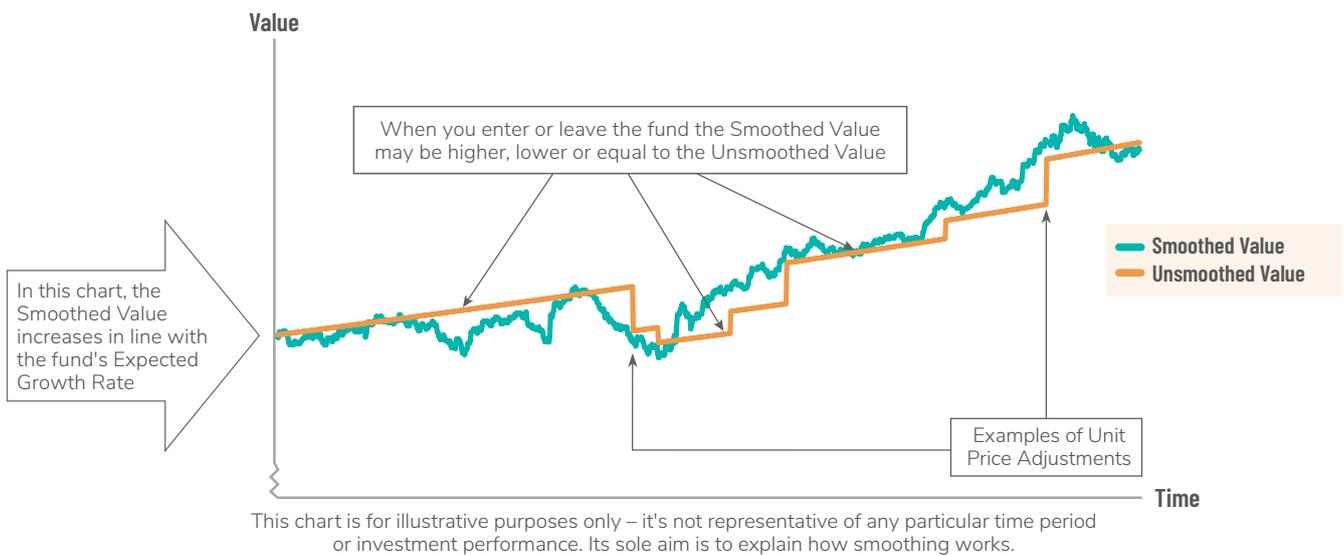
Your investment is initially invested in a holding fund called a PruFund Account, where it will increase daily in line with the EGR applicable to that account. During this time product charges will be applied, but the investment will not be subject to any smoothing adjustments (UPAs), Unit Price Resets, or suspension of smoothing, before it is switched into your chosen fund at the next quarter date.

Once invested in your chosen fund, the EGR will be applied daily to the unit price of your fund over the duration of the quarter.

The graph on the next page shows an example of the PruFund smoothing process.

Combined with the spread of investments in the well-diversified funds, the smoothing process means that the risks associated with a PruFund investment can be lower than those found from investing directly in one asset class, such as equities.

## An illustration of how PruFund smoothing works



## 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.

## Suspension of 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. When this happens, the smoothed process for the affected fund(s) is set to the unsmoothed price for each day until the smoothing process is reinstated. Please see the brochure 'Your With-Profits Plan – a guide to how we manage the fund (PruFund range of funds)' reference WPGB0031 for more information.

Full details of how the PruFund smoothing process works, including when and by how much we will adjust the smoothed prices of the PruFund funds, along with some examples, can be found in 'A step by step guide to the PruFund smoothing process', reference GENM92301, available from your financial adviser.

## Moving out of PruFund

You can leave a PruFund fund at any time. There is no fixed term, but there is a 28-day delay if you are moving out of a PruFund to another fund. Currently there is no delay on moving out of PruFund if you are leaving the product, but we could introduce one if we needed to do so to protect all those within the fund.

# PruFund Expected Growth Rates

The tables below show the Expected Growth Rates (EGRs) for our range of PruFund Funds from 25 February 2019 to 27 May 2019. The EGRs are shown gross of investment, product and advice charges. These charges will reduce the EGRs shown below. For more information on charges, please speak to your financial adviser.

We publish EGRs on [pru.co.uk/investments/investment-fund-range/prufund-range](http://pru.co.uk/investments/investment-fund-range/prufund-range)

## Prudential Investment Plan

PruFund Protected Growth Fund/PruFund Growth Fund	5.1% p.a.
PruFund Protected Cautious Fund/PruFund Cautious Fund	4.5% p.a.
PruFund Risk Managed 1 Fund	4.1% p.a.
PruFund Risk Managed 2 Fund	4.5% p.a.
PruFund Risk Managed 3 Fund	5.0% p.a.
PruFund Risk Managed 4 Fund	5.3% p.a.
PruFund Risk Managed 5 Fund	5.6% p.a.

## Prudential ISA/Trustee Investment Plan/Flexible Retirement Plan

PruFund Protected Growth Pension Fund*/PruFund Growth Pension/ISA Fund	6.2% p.a.
PruFund Protected Cautious Pension Fund*/PruFund Cautious Pension/ISA Fund	5.5% p.a.
PruFund Risk Managed 1 Fund/ISA Fund	5.1% p.a.
PruFund Risk Managed 2 Fund /ISA Fund	5.5% p.a.
PruFund Risk Managed 3 Fund /ISA Fund	6.1% p.a.
PruFund Risk Managed 4 Fund /ISA Fund	6.3% p.a.
PruFund Risk Managed 5 Fund/ISA Fund	6.5% p.a.

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

\*The PruFund Protected Funds are not available on the Prudential ISA

## Prudential International Investment Bond

PruFund Protected Growth (Sterling) Fund/PruFund Growth (Sterling) Fund	6.2% p.a.
PruFund Protected Growth (Euro) Fund/PruFund Growth (Euro) Fund	5.3% p.a.
PruFund Protected Growth (US Dollar) Fund/PruFund Growth (US Dollar) Fund	6.6% p.a.
PruFund Protected Cautious (Sterling) Fund/PruFund Cautious (Sterling) Fund	5.5% p.a.
PruFund Protected Cautious (Euro) Fund/PruFund Cautious (Euro) Fund	4.8% p.a.
PruFund Protected Cautious (US Dollar) Fund/PruFund Cautious (US Dollar) Fund	6.0% p.a.

The value of an investment can go down as well as up and the value in the future may be less than the amount invested. For the range of PruFund funds, what you receive will depend on the following:

- The value of the underlying investments, Expected Growth Rates (set by Prudential Directors), our charges, the smoothing process, if there is a guarantee and when you take your money out.
- The guarantee, if applicable, is applied at the end of the guarantee term specified in your personal illustration document.

# PruFund guarantees – helping to protect your investment

When investing or saving for retirement, many customers want the potential for both growth and a degree of security against losing money – our PruFund Funds with guarantees offer these features.

A PruFund Protected Fund guarantee means you can ensure that at the end of your selected guarantee term, your fund value will be worth at least the amount you invested, less any adviser charges, switches and withdrawals that have been made.

## How our guarantees work

Currently, guarantees are available for both the PruFund Protected Cautious Fund and PruFund Protected Growth Fund, where the guarantee will only apply at the end of the selected guarantee term (the Guarantee Date). The guarantee term has a charge which is payable throughout the term. PruFund guarantees are not available through the Prudential ISA.

When you invest in a PruFund Protected Fund, we calculate the 'Guaranteed Fund Value' (GFV). This will be the amount of money invested in the fund. This value will be reduced proportionately for any ongoing or ad hoc adviser charges, withdrawals or switches out between the time of investment and the Guarantee Date. We'll show the Guaranteed Fund Value on your regular statements.

## What happens at the Guarantee Date?

At your guarantee date the value of your investment in the PruFund Protected Fund will be reviewed against the guaranteed value. If, at the guarantee date, the value of your investment is below the guaranteed value, we will increase the value of your fund to the guaranteed value. If, at the guaranteed date, the value of your investment is higher than the guaranteed value, then the guarantee will not apply.

On the guarantee date, after any necessary changes, your investment will be switched into the relevant non-PruFund Protected Fund and both the guarantee and charge will no longer apply.

Please see your product specific Key Features for further details.

The PruFund Protected Funds are not available on Prudential ISA.

# What else do I need to know about PruFund funds?

## PruFund funds available by product

The PruFund funds are available through a number of Prudential and Prudential International products. Please speak to your financial adviser about which PruFund funds and products might be suitable for your needs.

Prudential products	Prudential Investment Plan	Prudential ISA	Prudential Flexible Retirement Plan/ Prudential Trustee Investment Plan
PruFund range of funds available (please note there are other external funds available on these products).	PruFund Cautious Fund PruFund Growth Fund PruFund Risk Managed 1 Fund PruFund Risk Managed 2 Fund PruFund Risk Managed 3 Fund PruFund Risk Managed 4 Fund PruFund Risk Managed 5 Fund	PruFund Cautious Pension/ ISA Fund PruFund Growth Pension/ ISA Fund PruFund Risk Managed 1 Fund/ ISA Fund PruFund Risk Managed 2 Fund/ ISA Fund PruFund Risk Managed 3 Fund/ ISA Fund PruFund Risk Managed 4 Fund/ ISA Fund	PruFund Cautious Pension/ ISA Fund PruFund Growth Pension/ ISA Fund PruFund Risk Managed 1 Fund/ ISA Fund PruFund Risk Managed 2 Fund/ ISA Fund PruFund Risk Managed 3 Fund/ ISA Fund PruFund Risk Managed 4 Fund/ ISA Fund
Guarantees available on:	PruFund Protected Cautious Fund PruFund Protected Growth Fund	N/A	PruFund Protected Cautious Pension Fund PruFund Protected Growth Pension Fund

## Prudential International Investment Bond

PruFund Cautious (Sterling) Fund PruFund Cautious (Euro) Fund PruFund Cautious (US Dollar) Fund PruFund Protected Cautious (Sterling) Fund PruFund Protected Cautious (Euro) Fund PruFund Protected Cautious (US Dollar) Fund	PruFund Growth (Sterling) Fund PruFund Growth (Euro) Fund PruFund Growth (US Dollar) Fund PruFund Protected Growth (Sterling) Fund PruFund Protected Growth (Euro) Fund PruFund Protected Growth (US Dollar) Fund
<b>For past performance details of these funds, please speak to your financial adviser.</b>	

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

The Prudential Investment Plan invests in 'Life' funds. The Flexible Retirement Plan, the Trustee Investment Plan and the Prudential ISA invest in the 'Pension/ISA' funds. The fund objectives and asset mixes of the individual Life and Pension/ISA funds are the same. The Prudential International Investment Plan invests in 'International' funds. We apply the smoothing process for each PruFund individually.

## PruFund funds' objectives

For details of the pension fund objectives for each PruFund fund, read the fund guides available from [pru.co.uk/funds/guides](https://pru.co.uk/funds/guides)

For details of the fund objectives for Prudential ISA, Prudential Investment Plan and Prudential International Investment Bond, read the Key Information Documents and corresponding Investment Option Documents available from [pru.co.uk/investments/investment-fund-range/ProductLibrary](https://pru.co.uk/investments/investment-fund-range/ProductLibrary)

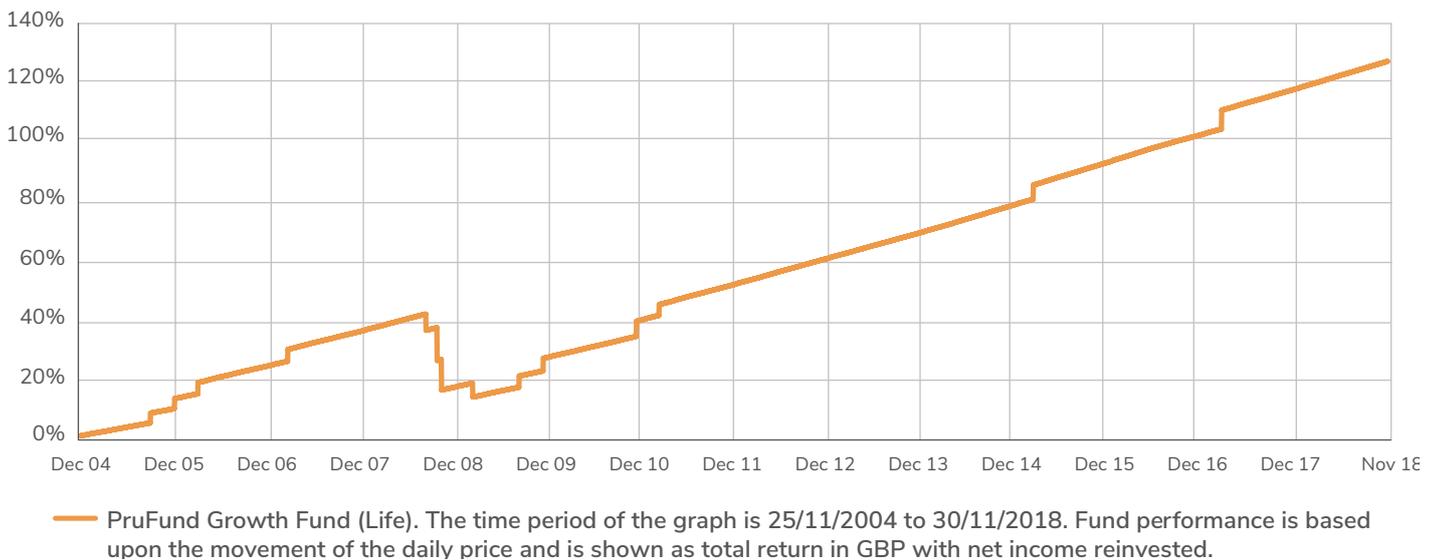
# How have the PruFund funds performed?

The graphs below and on pages 15 and 16 show how some of our PruFund funds have grown since launch. Source of data for graphs on pages 14, 15 and 16: Financial Express as at 04/12/2018.

**Please remember that past performance is not a reliable indicator of future performance. The value of your investment can go down as well as up and you may not get back the amount you put in.** The figures shown are intended only to demonstrate performance history of the fund over the period shown. They include a representative fund charge of 0.65% p.a. and any further costs. They take no account of product or advice charges. The application of charges and further costs will impact the overall performance. Please also note that our charges and any further costs may vary in the future and may be higher than they are now. Performance is shown on a bid to bid price basis.

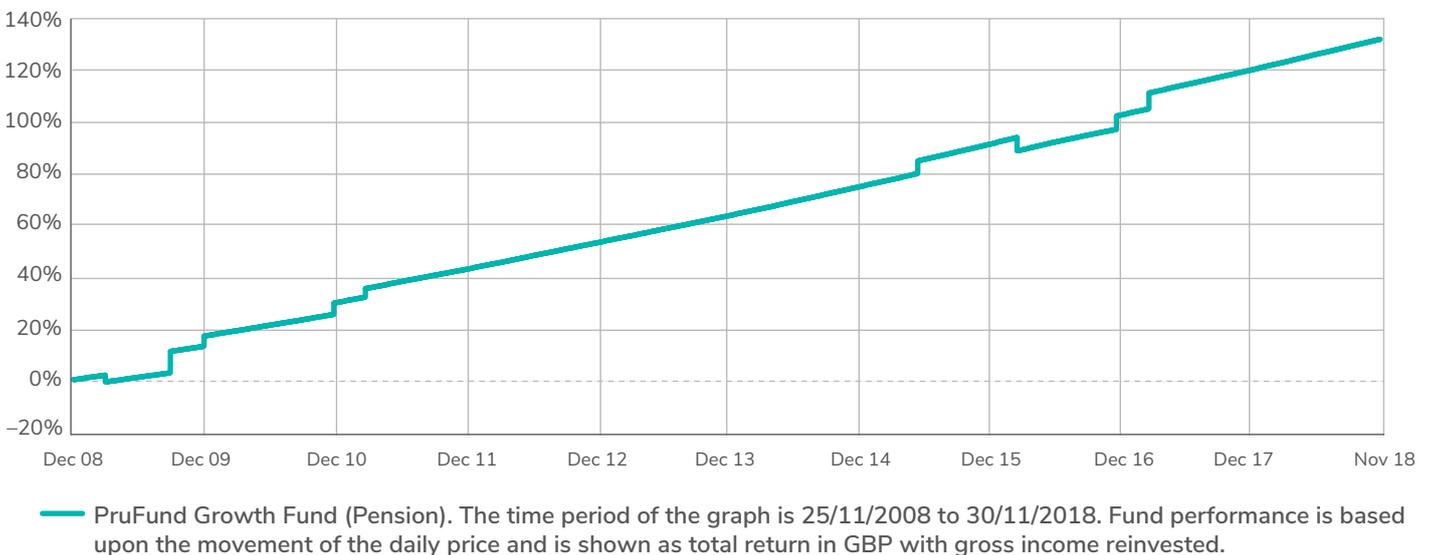
## PruFund Growth Fund (Life)

The life version is net of fund tax and available on Prudential Investment Plan, our onshore bond.



## PruFund Growth Pension/ISA Fund

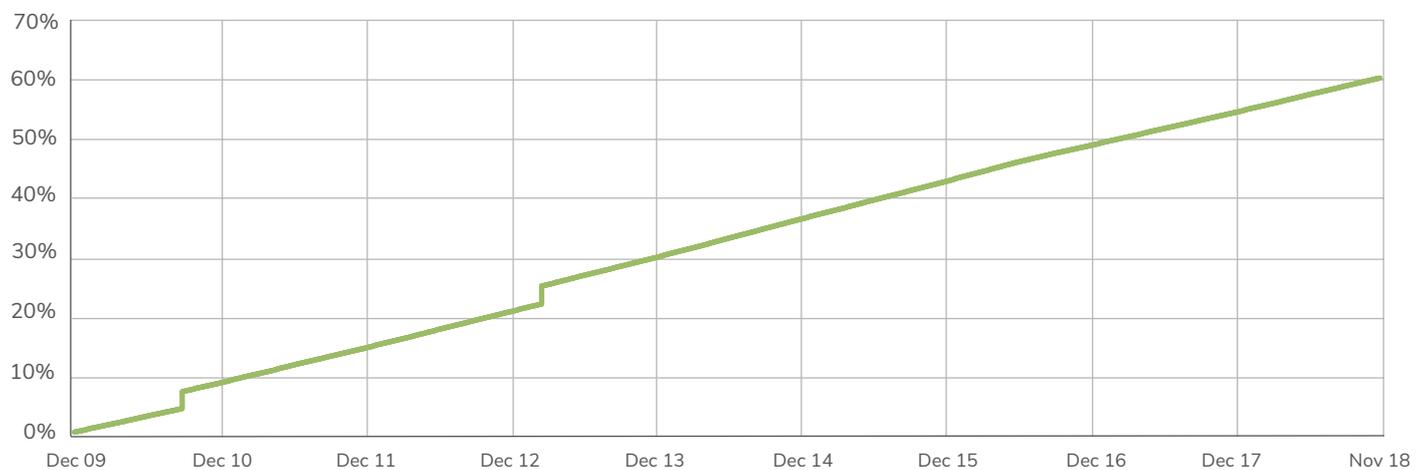
The pension version is gross of fund tax and available on our pension and ISA products.



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### PruFund Cautious Fund (Life)

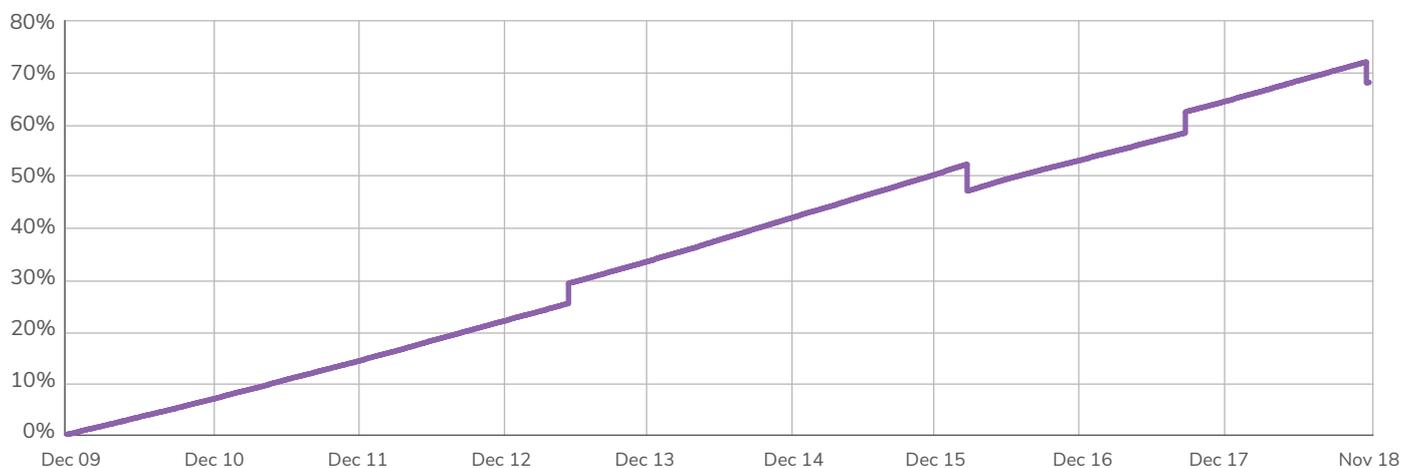
The life version is net of fund tax and available on Prudential Investment Plan, our onshore bond.



— PruFund Cautious Fund (Life). The time period of the graph is 25/11/2009 to 30/11/2018. Fund performance is based upon the movement of the daily price and is shown as total return in GBP with net income reinvested.

### PruFund Cautious Pension/ISA Fund

The pension version is gross of fund tax and available on our pension and ISA products.

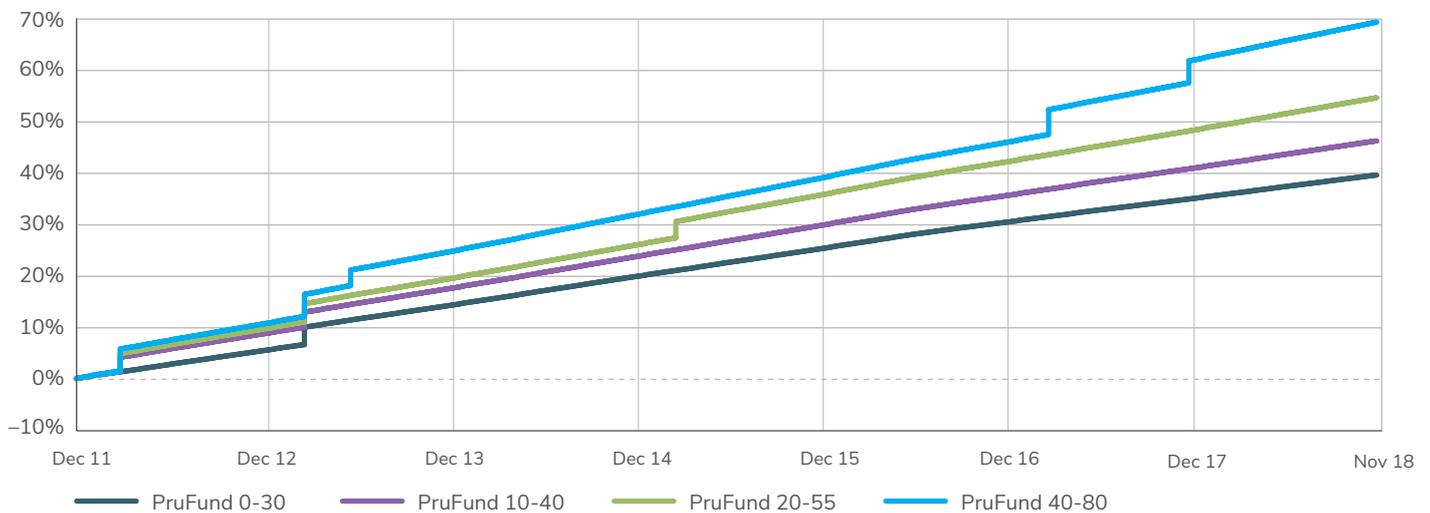


— PruFund Cautious Fund (Pension). The time period of the graph is 25/11/2009 to 30/11/2018. Fund performance is based upon the movement of the daily price and is shown as total return in GBP with gross income reinvested.

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### PruFund Risk Managed Funds (Life)

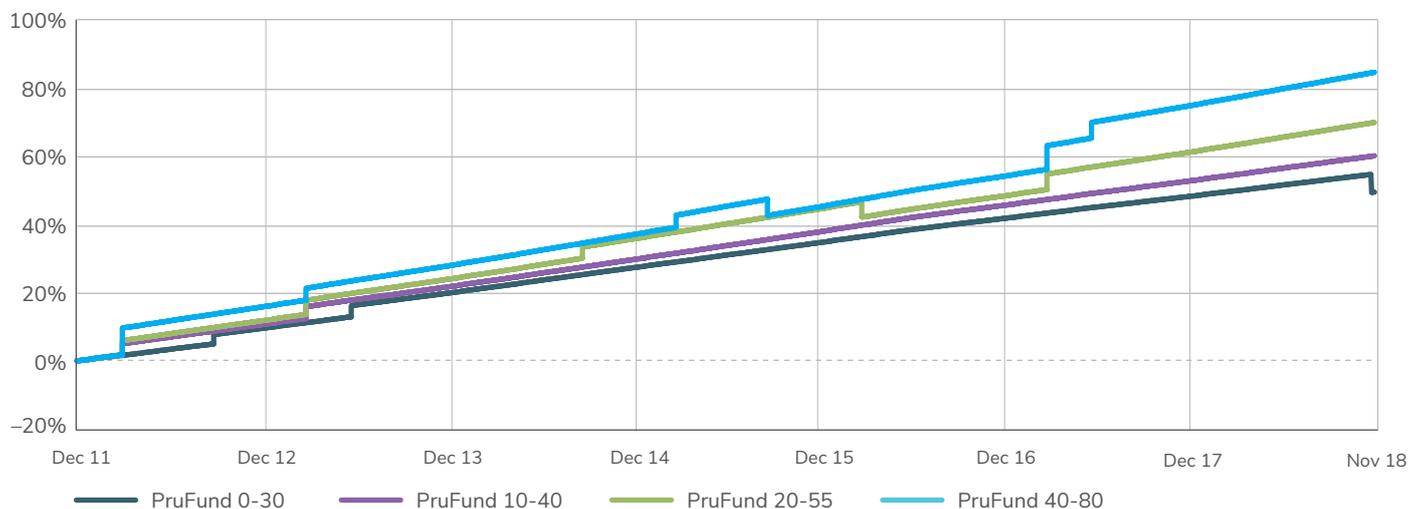
The life version is net of fund tax and available on Prudential Investment Plan, our onshore bond.



The time period of the graph is 25/11/2011 to 30/11/2018. Fund performance is based upon the movement of the daily price and is shown as total return in GBP with net income reinvested.

### PruFund Risk Managed Pension/ISA Funds

The pension version is gross of fund tax and available on our pension and ISA products.



The time period of the graph is 25/11/2011 to 30/11/2018. Fund performance is based upon the movement of the daily price and is shown as total return in GBP with net income reinvested.

# More information

Please refer to 'Your With-Profits Plan – a guide to how we manage the fund (PruFund range of funds)' reference WPGGB0031 for more information. You can also refer to the relevant Key Features Document and Funds Guides for more details on our range of funds. Our fund guides are available from [pru.co.uk/funds/guides](https://pru.co.uk/funds/guides) and Key Features are available from [pru.co.uk/existing-customers](https://pru.co.uk/existing-customers).

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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 guarantee, if applicable, is applied at the end of the guarantee term specified in your personal illustration document.

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

# How to contact us

	Customer service telephone number	Write to us at	Visit us at
<b>Prudential Investment Plan</b>	0345 640 1000 (Monday-Friday, 8am-6pm)  Calls may be monitored or recorded for quality and security purposes.	Prudential Lancing BN15 8GB	<a href="http://pru.co.uk">pru.co.uk</a>
<b>Prudential ISA</b>	0344 335 8936 (Monday-Friday (excluding Bank Holidays) 8.30am-5.30pm)  Calls may be monitored or recorded for quality and security purposes.	Link Financial Investments Limited PO Box 384 Darlington DL1 9RZ	<a href="http://pru.co.uk">pru.co.uk</a>
<b>Prudential International Investment Bond</b>	+ 353 1 476 5000 (Monday-Friday, 9am-5.30pm)  Calls may be monitored or recorded for security, quality purposes, staff training and dispute resolution. Please note that making international calls may cost you more than making calls to UK numbers.	Prudential International Montague House Adelaide Road Dublin 2 Ireland	<a href="http://pru.co.uk/international">pru.co.uk/ international</a>
<b>Trustee Investment Plan</b>	0808 100 3429 (Monday-Friday, 9am-5pm)  Calls may be monitored or recorded for quality and security purposes.	Prudential Lancing BN15 8GB	<a href="http://pru.co.uk">pru.co.uk</a>
<b>Flexible Retirement Plan</b>	0345 640 2000 (Monday-Friday, 8am-6pm)  Calls may be monitored or recorded for quality and security purposes.	Prudential Lancing BN15 8GB	<a href="http://pru.co.uk">pru.co.uk</a>

# Glossary

## Active management

The traditional investment approach where fund managers actively build and change a portfolio of assets (eg stocks and shares) in order to take advantage of what they believe are the best opportunities.

## Alternative Assets

Alternative forms of investment can encompass a wide range of unconventional investments. In addition to direct investments in works of art and other collectables, such as coins and stamps, there is an expanding range of funds being offered to investors that invest in commodities, with themes that include agriculture, infrastructure and alternative energy.

## Assets

Items that are owned by an individual such as property and investments. Money in a bank or building society account is known as a liquid asset. Assets may also be held in a fund.

## Bond

Lower to medium-risk loans to the government or companies that pay you a fixed rate of interest.

## Capital growth

Any money you receive in addition to the capital you've invested when you cash in your investment.

## Commodities

These are raw materials and foodstuffs that can be divided into five main categories: Agriculturals (eg wheat and potatoes), Softs (eg coffee and cocoa), Precious Metals (eg gold and silver), Non-Ferrous Metals (eg copper and lead) and Energies (eg oil and gas).

## Corporate Bond

A loan to a company that earns you income in the form of interest. (See also Bond.)

## CPI (Consumer Prices Index)

Measures the prices of a fixed 'basket of goods' bought by a typical consumer. Used as a measurement of inflation.

## Deposit Account

A savings account from a bank or building society that pays interest on the amount of money held in it.

## Diversification

Spreading your investments to help reduce the risk within your portfolio.

## Equities

Another name for shares held in a company or companies.

## Fixed Interest Securities

More commonly known as 'bonds' these 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.

## FTSE100

An index of the share prices of the 100 largest companies (by market capitalisation) in the UK.

## Fund Manager

An individual who is employed by a company to manage money. It is a fund manager's aim to buy shares or other assets such as property or bonds that they believe will increase in value or provide a level of income.

## 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 PruFund Investment Date (the 25th of each month, or the next working day if the 25th falls on a weekend or bank holiday). While your money is in a holding account, it increases daily in line with the Expected Growth Rate applicable to that account. 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 holding account for each PruFund fund.

## Index-linked

The linking of a payment such as a pension to an inflation index – for example the Retail Prices Index (RPI) – with the aim of keeping pace with inflation.

## Inflation

The rate of increase in the price of commodity products over time. This can affect the buying power of investments when cashed in at a future date.

## Managed Fund

Usually a fund choice within a unit-linked policy. Managed funds are generally made up of units from a wide spread of other specialist funds or investments, thereby spreading the risk of volatility.

## Money Market Instruments

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.

## Pooled Investment

Investments such as unit trusts, where a number of people put their money together to enable them to buy a wider range of investments, thereby spreading the risk of volatility.

## Property

In the context of 'Property' as a type of asset, investment is usually in commercial property such as offices, shops and industrial premises.

## Return

A measure of performance. It is the total of the increase in value and any income received over a given period, expressed as a percentage.

## Shares

See Equities.

## Stockmarket

A place where shares or other securities are bought and sold, eg the London Stock Exchange.

## Volatility

A measure of how much an investment's price is likely to fluctuate during a set period of time.

## With-Profits Fund

Essentially a fund made up of shares, property, cash and fixed interest securities, which usually carries a medium risk. The products that use with-profits are typically regular and single premium savings plans and pensions. With-profits funds pool policyholders' investments, and the returns are smoothed to help reduce the volatility associated with direct equity investments.



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