

Your guide to investing in the PruFund Range of Funds



Contents

Important:

This guide covers investment in the PruFund Range of Funds via our Prudential International Investment Bond and International Prudence Bond.

The Prudential International Investment Bond is only available to UK-based customers and the International Prudence Bond is only available to customers outside the UK.

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This guide provides a summary of how the PruFund Range of Funds work and how you can invest in them. You should read this along with your **Key Features Document**, which gives you more information about your bond and investment choices. For more information and details of the investment and charging please take a look at our **Contract Conditions**.

If you are unsure about anything in this document please contact your financial adviser or you can give us a call using the contact details on the last page. We have highlighted relevant documents you may find useful if you are looking for more detail on specific points.

Important Information

The PruFund Protected Funds are currently unavailable to new investments.

What is the PruFund Range of Funds?

They are a collection of funds available for investment. There are:

- three PruFund Growth Funds: Sterling, Euro and US Dollar,
- three PruFund Cautious Funds: Sterling, Euro and US Dollar, and
- a number of PruFund Protected Funds, also in Sterling, Euro and US Dollar.

When you invest in any of the PruFund Range of Funds, your investment is put together with other investors' money in part of The Prudential Assurance Company Ltd (PAC) long-term fund, called the Defined Charge Participating Sub-Fund (DCPSF). This is through a reinsurance arrangement which means that all of the benefits payable from our funds are provided by PAC.

The DCPSF invests in a mix of assets such as:

- shares,
- property,
- fixed interest securities, and
- cash deposits.

Within each of these types, there are many different holdings, both in the UK and abroad.

This varied mix helps to spread risk. If one holding or market is falling in value this can be balanced by another that is rising. This will reduce the overall impact and help steady the fund in future.

The PruFund Growth Funds and PruFund Cautious Funds have different investment objectives and a different asset mix.

The Growth Funds aim to provide long-term, 10 year or more, returns above inflation and will usually lean towards shares and property.

The Cautious Funds aim for steady and consistent growth through a more cautious investment approach that focuses on fixed interest securities and cash. The PruFund Growth and PruFund Cautious Funds are denominated in Sterling, Euro or US Dollar. Within each group of funds, the asset mix will also differ between the three currency versions.

The value of your investment in the PruFund Range of Funds can go down as well as up and you may not get back what you put in.

What you get back will depend on:

- the value of the underlying fund assets,
- the Expected Growth Rates as set by the Prudential Directors,
- our charges,
- the smoothing process,
- if you have chosen one of the PruFund Protected Funds and,
- when you take your money out.

How do these funds work?

When you make an investment into one of these funds, your money is used to buy units in the fund. The Prudential Assurance Company sets the price of units on a daily basis.

With a typical Unit-Linked Fund, the unit price is directly related to the value of the assets held in the fund. This can go down and up on a day to day basis due to market movements, transactions by the fund manager which incur transaction costs and other fund charges, for example, fund administration charges. The assets in the PruFund Funds can go down and up in the same way but The Prudential Assurance Company aims to smooth these out by using a formula to set the unit price.

The Smoothing Process

The PruFund range of funds has a proven 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.

The Expected Growth Rate

As part of the smoothing process, Prudential set Expected Growth Rates (EGR); these are the annualised rates your investment would normally grow at. They are reviewed every 3 months, when they could rise or fall.

They are set quarterly by the Prudential Directors, having regard to the investment returns expected to be earned on the assets of the funds over the long-term (up to 15 years).

They are published every quarter for each product on our website: www.pru.co.uk.

The PruFund Quarter Dates are:

- 25 February
- 25 May
- 25 August
- 25 November

or the next valid working day.

Your investment will normally benefit from this growth rate on a daily basis, through an increase in the price of the units you hold (known as the unit price).

Unit Price Adjustment (UPA)

While the EGR reflects our long term, 10 years or more view, PAC need to check that the fund is performing as expected – if it's not, they 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.

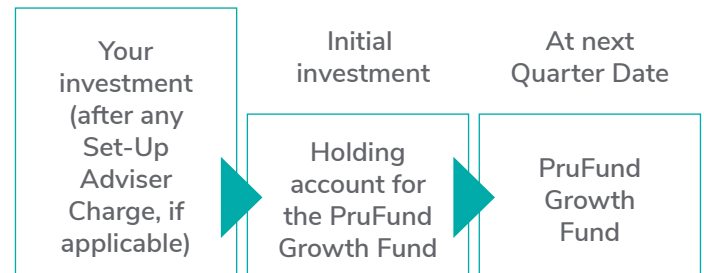
The value of your investment in a PruFund fund is based on the Smoothed Price, this is the unit price, which grows daily by the EGR. PAC compare the Smoothed Price against the Unsmoothed Price – which reflects the value of underlying assets. If these move too far away from one another PAC will need to adjust the Smoothed Price to narrow the gap. This could be a price increase or a price decrease. PAC 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, please look to '**Your With-Profits Bond – a guide to how we manage the Fund (PruFund range of funds)**', on www.pru.co.uk, or '**PruFund range of Funds (UK/Non-UK)**' is available from your financial adviser.

The Holding Account

- When you invest in one of our PruFund funds, your money will be put into a 'holding account' where it will stay until the next quarter date.
- 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 or suspension of smoothing. There is an associated PruFund Account (holding account) for each fund in the PruFund fund range.
- At the next quarter date, your money will be transferred from that holding account to your chosen PruFund fund. Your holding account buys units in your chosen PruFund fund at the price that applies on that day.
- If you invest on a quarter date, you would normally be invested in a holding account until the next quarter date.

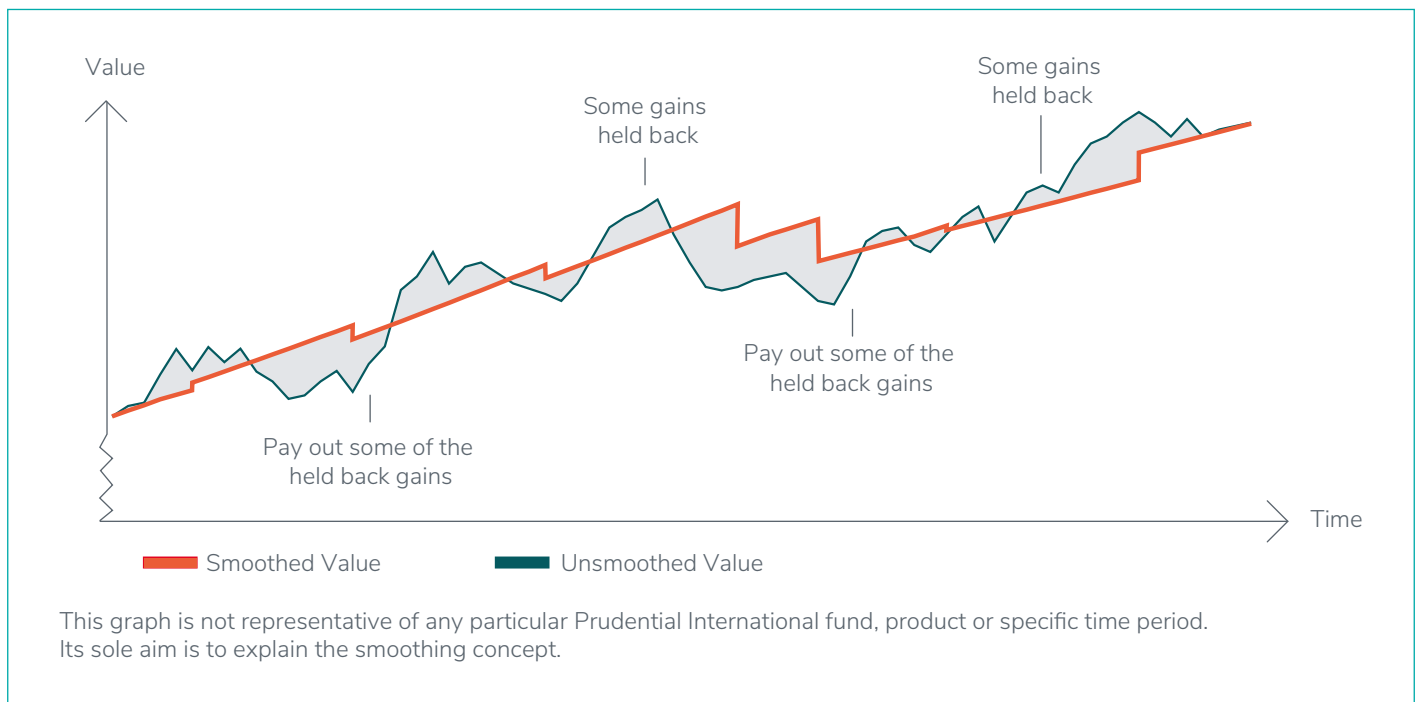
This example shows an investment being made into the PruFund Growth Fund:



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



The chart shows how smoothing can work.



Unit Price Reset

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

If PAC 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 continue to grow in line with the EGR from the working day following the reset of the smoothed price.

Suspension of smoothing

There may be occasions where PAC have to suspend the smoothing process for one or more PruFund funds for a period of consecutive working days, to Protect the PAC With Profits Fund. When this happens, the smoothed price for the affected fund(s) is set to the unsmoothed price for each working day until the smoothing process is reinstated.

Any suspension of smoothing on one fund would not affect funds of different currencies or investment objectives within the PruFund Range.

What is the PruFund Guarantee?

Important Information

The PruFund Protected Funds are currently unavailable to new investments.

The PruFund Protected Funds offer a range of guarantees that starts on the anniversary of your bond.

The guarantee will apply on the Guarantee Date. This is the anniversary on which the guarantee applies and depends on the choice available to you when you apply for your bond.

For example, if you choose a 10 year guarantee, your Guarantee Date will be the tenth anniversary of the date on which your bond starts. So if your bond starts on 9 May 2019, the Guarantee Date will be 9 May 2029.

Please note that the guarantee will only apply on the Guarantee Date. If you decide to switch completely out of the fund, or cash in your bond, before the Guarantee Date, the guarantee will not apply.

When you invest in a PruFund Protected fund you will also have a Guaranteed Minimum Fund. We set this at the start of your bond. If you would like more information see your **Personal Illustration** or speak to your financial adviser.

At the Guarantee Date, if the value of the units you hold in the fund is less than your Guaranteed Minimum Fund, we will add units to bring it up to the amount guaranteed.

We will then switch all the units you hold in the PruFund Protected Fund, including any we have added, into the equivalent non-protected fund of the same currency.

The exception is if you already hold the non-protected fund in a different currency. In this case we would switch units into the fund you already hold.

Example 1

If you were invested in the PruFund Protected Growth (Sterling) Fund, we would switch your units into the PruFund Growth (Sterling) Fund.

The exception is if you already hold the non-protected fund in a different currency. In this case we would switch units into the fund you already hold.

Example 2

If as above, you were invested in the PruFund Protected Growth (Sterling) Fund and you also had an investment in the PruFund Growth (Euro) Fund, we would switch your units into the PruFund Growth (Euro) Fund.

Where the switch is made into a fund of the same currency – such as Sterling to Sterling, in Example 1 – it will go straight into the fund. If it is a different currency – such as Sterling to Euro in Example 2 – it will go first into the corresponding PruFund Account. It will then be automatically transferred into the appropriate fund at the next PruFund Quarter Date.

Please note: switching between funds denominated in different currencies does expose you to exchange rate risk.

In all cases, switches will be made automatically and will not count towards your free switches for that 12-month period.

During the 28 days following the Guarantee Date, you can choose either of the following options:

- you can keep your holding in the PruFund Cautious Fund or the PruFund Growth Fund, or
- you can switch all the units out of that fund into any other fund of your choice. In this case, the switch will not be subject to the usual 28-day delay on PruFund switches, for more information please look at the 'What if I decide to take my money out?' section.

We will write to you before your Guarantee Date to remind you of these options and of the value of your Guaranteed Minimum Fund.

Where the Guaranteed Minimum Fund becomes effective, it will be expressed in the currency of the relevant fund:

- Sterling,
- Euro, or
- US Dollar.

If you decide to cash in your bond at the Guarantee Date and you are taking the proceeds in a different currency, your payment may be subject to exchange rate fluctuations when payment is taken.

Special rules apply to the PruFund Protected Funds, these are:

- You cannot switch into any of the funds at any time:
 - if you don't choose one at the start of your bond and you then want to invest in one, you would have to start a new bond;
 - if you do choose one of the funds at the start of your bond, but later switch any money out of it, you cannot later switch back into it.
- You cannot make top-up investments into any of the funds.

What affects the returns on the PruFund Range of Funds?

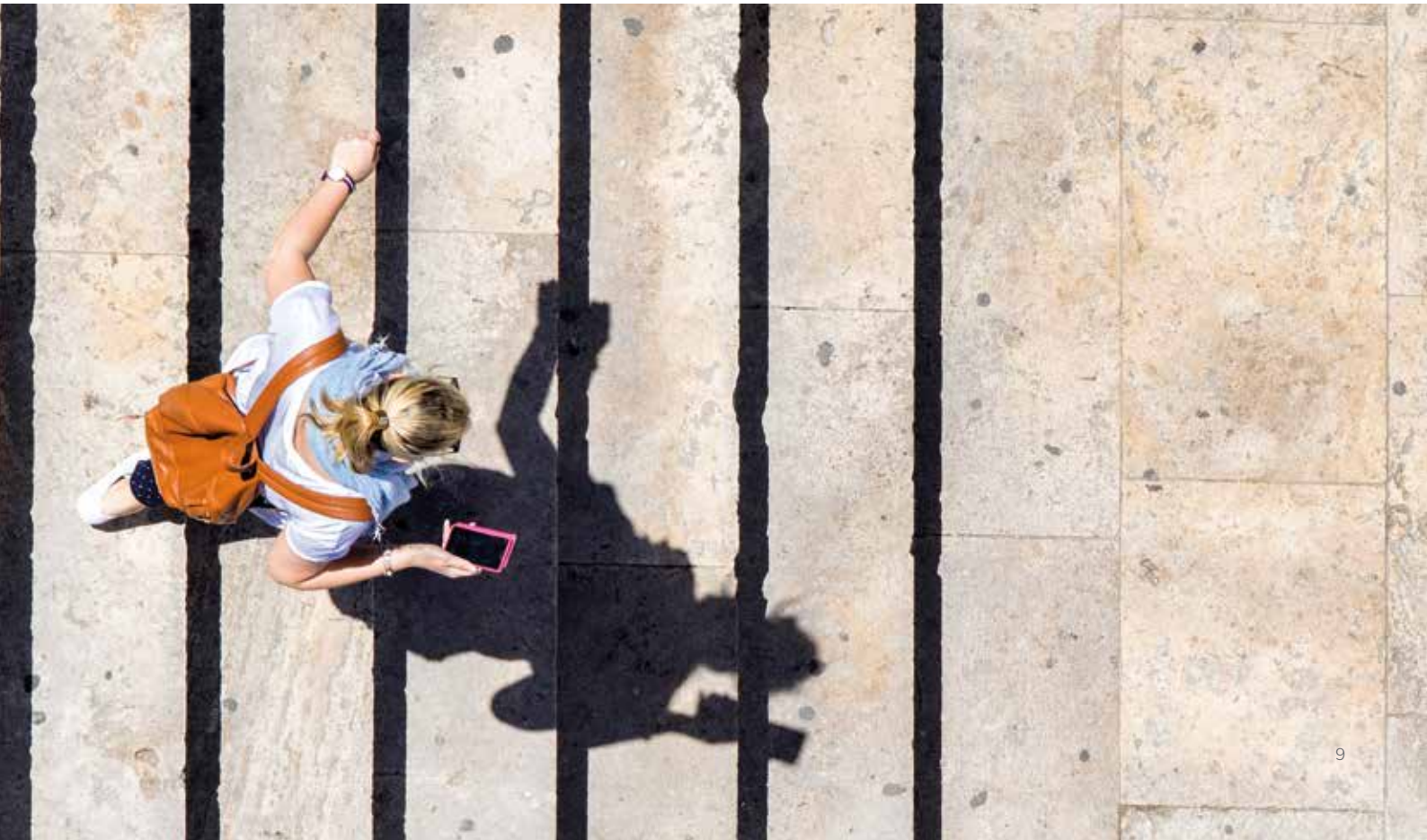
One influence on returns is the investment performance. Each one of the funds invests in a number of different asset types. The overall performance will depend on how these various assets perform and the asset allocation – how the fund is proportioned between them.

The performance of different assets can change overtime which might mean that we need to adjust the funds objective. But, our expert fund managers will ensure these are reviewed and changed appropriately.

They also take the risk level into account. Assets which have the potential to give the highest returns also tend to be the most risky. So the aim will always be to achieve the best possible return, subject to an appropriate level of risk for each particular fund. For more information please look at the **Fund Guide**.

The effect of investment performance will normally be lessened by the smoothing process. As we explained in the section 'How do these funds work', this aims to help reduce the ups and downs of market conditions – the smoothed price should generally fluctuate less than the true value of the assets in the fund.

Charges will also have an effect on returns. They are taken by cancelling units in your plan. You can find more details of all the charges and costs in your **Key Features Document, Personal Illustration** where applicable and **Statement of Charges**.



What if I decide to take my money out?

Due to the special nature of the PruFund Range of Funds, there are some particular conditions that apply to switching out or making withdrawals.

If any regular or one-off withdrawals are deducted from a PruFund Protected Fund (including any ad hoc and ongoing Adviser charges as applicable), the Guaranteed Minimum Fund will be reduced proportionately.

Switches out of any of the funds will be subject to a 28-day delay. The unit price we will use will be the one that applies on the day the switch is made, which means it may be different – higher or lower – from the unit price on the day that you request the switch. If you make a partial withdrawal from your bond, or cash it in completely, there may be a discretionary 28-day delay.

Exceptions

There are some exceptions as shown below. We've used the PruFund Protected Cautious Funds and the PruFund Cautious Funds in these examples but the same rules will apply for the PruFund Protected Growth Funds and the PruFund Growth Funds.

- If you switch from a PruFund Protected Cautious Fund to a PruFund Cautious Fund of the same currency – for instance, if you switch from the PruFund Protected Cautious (Sterling) Fund to the PruFund Cautious (Sterling) Fund
- Automatic switches out of the PruFund Protected Cautious Fund at the Guarantee Date
- If you switch fully out of the PruFund Cautious Fund and PruFund Cautious Account in the 28 days following the Guarantee Date, where part or all of your holding has been automatically switched from the PruFund Protected Cautious Fund

In these cases, the 28-day delay will not apply.

If you switch more than one fund at the same time and the 28-day delay applies to some funds but not others, the transaction will be done in two stages: on Day 1, for any switches not subject to the delay, and on Day 29, for any that are.

We will carry out your switching instructions as follows.

1. Any switches between funds within the PruFund Range that are not subject to a 28-day delay (as outlined above) will be done first, on Day 1.
2. Any switches out of a fund not in the PruFund Range will be done next, also on Day 1. The proceeds will be invested into your new choice of funds in the proportions you have asked for.
3. Any switches from funds in the PruFund Range that are subject to the 28-day delay will be done on Day 29. The proceeds will "top up" the investments already made under step 2.

For full details of how switches are made, please see your **Contract Conditions**.

In any quarter (that is, between any two PruFund Quarter Dates), you can make only one switch request into or out of any fund in the PruFund Range.

Once you have requested a switch out of any of the funds, you cannot change your mind. You may, however, select a different fund to switch into, as long as it is not another fund in the PruFund Range.

If you are invested in one of the PruFund Protected Funds, there are two important points you should note:

- If you take any money out of the fund, whether as part of a switch or as a withdrawal, your Guaranteed Minimum Fund will be reduced proportionately.
- You can never switch into these funds, so if you switch out, wholly or partly, you will not be able to switch back in at a later date.

Get in touch

We are always here to help you when you need it



Write to us:

Prudential International Assurance plc, Montague House, Adelaide Road, Dublin 2, Ireland



Give us a ring:

+ 353 1 476 5000 (8:30pm – 6pm GMT Monday to Friday)

We might record your call for training and quality purposes



Send us an email:

prudentialinternational@prudential.co.uk

If you would like full terms and conditions of Prudential International products please let us know.

www.prudential-international.com

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