This is just for UK advisers – it's not for use with clients.

Pru
part of M&G plc

# Key Information

# Prudential's PruFund Funds

In giving your client advice, you will have carefully considered their financial circumstances, financial needs, priorities and risk profile. These factors will determine what recommendations you make.

The following information sets out key facts about our PruFund funds.

These paragraphs are suitable for UK residents only.

Further details of any of Prudential's PruFund funds or other multi-asset funds are available on request. Please ask your Account Manager or access the following:

Funds homepage:
**pruadviser.co.uk/funds/**

PruFunds homepage:
**pruadviser.co.uk/funds/prufund/**

# Prudential's multi-asset fund management

The following paragraphs are designed to provide your client with multi-asset investment information.

The M&G Treasury and Investment Office (T&IO) is our team of in-house investment strategists and manager of managers. A large and well-resourced multi-asset team, they are responsible for the performance and direction of a number of funds, including the management of the underlying assets for the UK's largest With-Profits Fund, as well as the PruFund range of funds.

It's T&IO who are responsible for the strategic allocation of all underlying assets in our funds, in addition to full manager oversight and selection. They are also responsible for ensuring the risk characteristics of each portfolio meet given objectives over time. Stock selection is then carried out by fund managers chosen for their prowess in specific asset classes.

T&IO has great strength in depth with a team that includes investment professionals with expertise in capital market research, investment strategy design, liability management, derivatives and portfolio management.

T&IO have close relationships with high quality internal teams such as M&G Investments, M&G Alternatives and M&G Real Estate as well as access to a large network of external fund managers.

T&IO manages over £177 billion (as at 31 December 2020).

*Correct as at December 2020*

# Prudential's PruFund funds

## Generic Features of the PruFund Funds:

The PruFund funds aim to grow your client's money over the medium to long-term (5 to 10 years or more) whilst protecting them from some the extreme short-term ups and downs of direct stockmarket investments by using an established smoothing process. This means that while they won't benefit from the full upside of any potential stockmarket rises they 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 in the UK. It is worth approximately £117.9bn (31 December 2020), which means it has great buying power. However there are differences in their mix of assets, objectives, and how they deliver returns to investors, compared to the With-Profits Fund.

PruFund funds are multi asset funds which means your client gains access to a wide range of assets, across different asset types and countries. This allows them to spread the risk of investment.

The diversification of the PruFund funds aims to balance the performance of the various different assets – your client's eggs aren't all in one basket. In essence this diversification aims to offset poor performance in one asset type by good performance in another.

The following italicised paragraphs need to all be used together to give your client a full understanding of the Fund they are, or would be invested in.

- *UK and global exposure to investments with holdings in a number of different types of assets (including company shares, fixed income bonds, property and cash) offering excellent diversification.*
- Offers investment in a globally diversified multi-billion pound fund. PruFund funds invest in Prudential's With-Profits Fund. The range of PruFund funds all differ in how they deliver returns when compared to other With-Profits business. The returns received will vary depending on fund choice as each of the PruFund funds vary in objectives and mix of assets.
- *PruFunds offer an established smoothing process which is designed to help protect an investment from some of the daily ups and downs your client might associate with a direct investment.*

The process uses Expected Growth Rates (EGRs), and where required, Unit Price Adjustments, to deliver smoothed returns, and aims to provide protection from the extreme short-term ups and downs of direct stockmarket investment.

Prudential set EGRs ; these are the annualised rates your client's investment would normally change in line with. 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 EGRs and your client's investments into a PruFund will normally change on a daily basis in line with the relevant EGRs. 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.

### Points your client should be aware of:

- We may decide to reset the unit price of a PruFund fund to the unsmoothed price on a particular day. A unit price reset means that the unit price of the affected PruFund would be adjusted to be the same value as the relevant unsmoothed price on that working day. That adjusted unit price would then continue to grow in line with the relevant Expected Growth Rate from the next working day.
- We'd only reset the unit price like this, to protect the With-Profits Fund.
- 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 price for the affected fund(s) is set to the unsmoothed price for each day until we reinstate the smoothing process.

**Note for Users:**
Please refer to Your With-Profits Plan – A guide to how we manage PruFund (document reference WPGB0031 for more information).

# PruFunds and Protected PruFund Objectives

There are a range of PruFund funds designed to suit different attitudes to risk and reward. They are designed for those wishing to invest for 5 to 10 years or more. There are the five Risk Managed PruFund funds and also the PruFund Growth and Cautious funds, the latter two include some guarantee options, where available (at an additional charge).

The value of an investment can go down as well as up and the value in the future may be less than the amount your client invested. For the range of PruFund funds, what your client receives will depend on the value of the underlying investments, the Expected Growth Rates as set by the Prudential Directors, our charges, the smoothing process, if there is a guarantee and when your client takes their money out. The capital guarantee, if applicable, is applied at the end of the guarantee term specified in your client's personal illustration document.

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

## Objectives for Life and Pension Funds:

### 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.

### PruFund Protected Funds

There are optional guarantees, where available, which are offered on the PruFund Cautious Fund and the PruFund Growth Fund for an additional charge. These are called PruFund Protected funds. If your client selects a PruFund Protected fund, they will be able to choose, where available, from a range of guarantee terms. This provides a guarantee that their investment will be worth at least a minimum amount at the end of the guarantee term. The choice of guarantee terms available may be different for each fund. Of course, we can't offer this guarantee for free – where available, it comes with a charge that is payable throughout the term of the guarantee.

For more information please see the relevant key features documents.

# Risk Managed PruFund Objectives

The Risk Managed PruFunds can spread your client's money over a range of different assets; they use our PruFund established smoothing process and, as we offer five, give your client and you as an adviser a choice of funds that target different levels of volatility and therefore potential return for your client's investment.

## Objectives for Life and Pension Funds:

### 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.

### Prudential 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.

# Current Factsheet Links

### Funds Library Tool

fundslibrary.co.uk/FundsLibrary.BrandedTools/Pru/FundCentral/Life

### PruFunds homepage

pruadviser.co.uk/funds/prufund/

### Fund Literature homepage

pruadviser.co.uk/knowledge-literature/

# Consideration of Risks

The following are some of the generic risk considerations for different types of assets. These relate to the general types of assets that the PruFund fund(s) may hold. Details of the current fund asset allocations can be found on **fundslibrary.co.uk/FundsLibrary.BrandedTools/Pru/FundCentral**

Different funds invest in different types of assets. Generally, the higher the potential returns, the higher the risk. Some funds may invest in more than one asset type to try and reduce the risk of losing money. This means that an investor is not relying on the performance of an individual asset or assets of the same type. This investment approach is known as diversification.

## Equities

Equities are commonly known as "shares". When a fund buys a company share, it is investing in a company and, in exchange, receives a share of the ownership of that company. Shares give two potential investment benefits:

- share prices may increase as the value of the company increases
- companies pay dividends – regular payments made to shareholders based on how well the company is doing.

Over the longer-term, equities are considered by many investment experts to offer greater growth potential than many other asset types. But over the short term, the value of equities can go up and down a lot. Funds investing in equities tend to carry a higher risk of capital loss than funds investing in fixed interest securities or money market investments (see the next column). The financial results of other companies and general stock market and economic conditions can all affect a company's share price, and consequently the value of any fund investing in that company.

## Fixed Interest and Index-Linked Securities

Fixed interest securities, more commonly known as "bonds", 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 often called Gilts or UK Government bonds and those issued by the US government are called Treasury Bonds. In effect all bonds are IOUs that promise to pay you a sum on a specified date and pay a fixed rate of interest along the way. Index-linked securities are similar 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.

On the whole, investing in bonds is seen as lower-risk than investing in equities. But with corporate bonds there is a risk that the company may not be able to repay its loan or that it may default on its interest payments.

The risks related to investing in bonds can be reduced if your client invests through a bond fund. Where a fund manager selects a range of bonds, your client is less reliant on the performance of any one company or government. If bond income generated is reinvested by the fund, bond funds can be used to provide attractive levels of growth. However, there is a risk your client might not get back the amount they invested and the income they receive is neither fixed nor guaranteed.

Corporate and Government bonds are sensitive to interest rate trends. An increase in interest rates is likely to reduce their value, and hence the value of any fund investing in them.

## Commercial Property

Commercial property investment generally means the fund is sharing in the returns from the ownership of some buildings (for example, offices and shopping centres). The value of the property may increase and tenants may pay rent to the owners of the building.

However, commercial properties can be difficult to buy and sell quickly. Fund managers may have to delay withdrawal of money by customers from a property fund until they can sell some of the buildings the fund invests in.

The actual value of a property is what someone is prepared to pay for it – an actual sale value. As sales are infrequent, interim valuations are based on a valuer's opinion and may be revised up or down from time to time. This can affect the value of a fund invested in commercial property, with the value possibly fluctuating significantly.

This leads to a number of risks for funds investing in property:

- Cash could remain uninvested as property assets can be difficult to buy, leading to lower returns than expected.
- The value of the fund may be reduced if a large number of withdrawals are requested and it is necessary for properties to be sold at reduced prices.
- There may be delays removing your client's money from the fund if property cannot be sold.
- Property fund valuations may be revised periodically, upwards or downwards.
- Rental income is not guaranteed. Defaulted rent and unoccupied properties could reduce returns.
- If the size of the fund falls significantly, the fund may have to hold fewer properties, and this reduced diversification may lead to an increase in risk.

## Currency Risk and Overseas Investments

Overseas investments allow your client to take advantage of the growth potential of markets outside of the UK, but currency changes can affect the value of overseas investments. Because the value of overseas investments is converted from local currency into pounds (Sterling), the Sterling value can fall if the local currency weakens against Sterling, independent of the performance of the asset itself.

## Smaller Companies and Developing Markets

In comparison to larger companies, shares of smaller companies may be harder to trade and short-term performance may be more volatile. There may also be more chance the companies will become insolvent. Funds which invest in small companies can have volatile returns and a greater risk of capital loss. Some investments are in markets which are less developed than the UK market. In such markets, the ability to trade, and the safe keeping of assets on behalf of the fund, and especially regulation may all be poorer than in well developed markets. This means increased risk for your client's investment.

## Alternative Investments

Alternative Investments includes non-traditional, complex or specialist investments. Examples include hedge funds, private equity and complex derivative based strategies. Alternative investments can be less liquid than traditional assets.

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