

Funds guide

Your international unit-linked funds guide

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› International unit-linked fund guide

In this funds guide you will find information on the funds available through the following products:

Product
Flexible Life Plan
Flexible Protection Bond
Prudence Portfolio Bond (top-ups only)
Long Term Care Bond (investment top-ups only)
Personal Investment Bond (top-ups only)
Flexible Critical Illness Plan (top-ups only)

It's very important that you clearly understand the risks associated with any fund you may wish to invest in. This guide aims to help you and your Financial Adviser understand the potential reward and risk associated with each of our funds.

We would recommend that you discuss fund selection with your Financial Adviser.



For information on fund available through our International Prudence Bond please refer to the International Prudence Bond funds guide (INVB5260).

› Using this funds guide – potential reward and risk

The assets of a fund will have a significant effect on the performance of your investment.

Generally, the higher the potential reward, the higher the risk.

To help you and your Financial Adviser assess the potential level of reward and risk of our funds we've included in this guide:

- › **Risk types** – information on the risks applicable with different types of assets
- › **Association of British Insurers (ABI) sector definitions** – details on industry recognised fund categories
- › **Potential reward and risk indicator** – a Prudential International view on the potential reward and risk that different asset types might offer.

Pages 5 to 10 give more information about each of these categories. From pages 12 to 13 we've indicated what these mean for each of our funds.

Please remember that the name of a fund is not indicative of the risk that it may take.

Please note

The information in this guide aims to help you and your Financial Adviser understand the potential level of reward and risk for the funds that we offer. However, these are Prudential International views based on the type of assets which may be held within each fund.

The information in this guide may not take account of current market conditions or other short-term fund specific changes. Up to date information on each of our funds can be found on www.pru.co.uk/funds/

› Risk types

We have categorised these risks in line with the major asset types and investment styles used. There are many types of risk and when assessing funds we have grouped some that are not covered by the main headings as "Other". Generally, the higher the potential reward, the higher the risk.

To try to reduce the risk of losing money many funds hold a broad range of different types of assets. This means that you are not relying on the performance of an individual asset, nor of assets of the same type. This practice is known as diversification.

Equity

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 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 below). 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.

Where a fund invests significantly in equities, we have rated the fund as having a risk type of "Equity".

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 Prices Index.

On the whole, investing in bonds is seen as lower-risk than investing in equities. Gilts are very low-risk. To date, no UK government has ever failed to pay back money owed to investors. 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 you invest through a bond fund. Where a fund manager selects a range of bonds, you are 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 you might not get back the amount you invest and the income you receive is neither fixed or 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.

Where a fund is exposed to this risk, we have rated the fund as having a risk type of "Fixed interest".

➤ Risk types – continued

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 money from the fund if property cannot be sold.
- Property fund valuations may be revisited 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.

Where a fund is exposed to these risks, we have rated the fund as having a risk type of "Property".

Currency risk and overseas investments

Overseas investments allow you to take advantage of the growth potential of global markets, but currency changes can affect their value. Because the value of overseas investments is converted from the overseas currency into the local currency of the fund (Sterling, Euro or US Dollars), the local currency value can fall if the overseas currency weakens against the local currency of the fund, independently of the performance of the asset itself.

Where a significant proportion of a fund is invested in assets outside the local currency of the fund, we have rated the fund as having a risk type of "Currency".

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 investment.

Where a fund has these types of risk, we have rated it as having a risk type of "Smaller companies and developing markets".

Financial instruments

There are several financial arrangements that fund managers can use to improve fund performance. Some of the most common are:

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. This type of investment may carry a higher risk of capital loss than funds investing in other assets. Sometimes in the event of a counterparty to a derivative (the party with which the fund manager has made the agreement about future deals) being in financial difficulties, it may be difficult to obtain a price for valuations or for the investment manager to dispose of the asset – that creates risk to the value of the fund. There is a risk of capital loss in the event of the counterparty to the derivative becoming insolvent or suffering other financial difficulties. In such circumstances the derivative may have no value.

Geared assets: Funds that are geared or borrow assets or which use short-selling are likely to be more volatile than other funds and there is a higher risk of capital loss.

Where a fund could be exposed to these types of risk, we have rated it as having a risk type of "Financial instruments".

Other

We have rated a number of funds as having a risk type of "Other".

- In addition to the risks and characteristics of the individual asset types, specialist investments have other features that are unique to where they invest.

Specialist funds invest in particular markets or geographical areas. Because they invest in a smaller range of asset types, they tend to be more risky than non-specialist funds, but can deliver greater returns.

- Ethical funds are restricted from investment in certain companies due to the criteria used to select investments for the fund. This may mean that the returns from the fund are more volatile than funds which do not have these restrictions.
- The fund's investments may be concentrated in relatively few individual assets. Therefore, returns from the fund can be significantly influenced by the performance of a small number of individual holdings and may be more volatile than funds with a wider spread of underlying assets.
- Some funds keep a proportion of your money in cash deposits and other money market investments. Over the long-term, money market investments usually offer the lowest risk of all asset types but also the lowest potential returns. Some funds hold money market investments because they are aiming for security more than substantial growth. Others hold just enough in cash deposits to make sure money is available for customer withdrawals. Over the long term, money market investments can be a low risk asset type but may also produce low returns compared to other asset types.

A money market investment is at risk if any of the banks, building societies or other financial institutions with whom the fund's money is deposited becomes insolvent or suffers other financial difficulties. In such circumstances, the money deposited with that institution may not be returned in full. Some money market investments will be affected if interest rates rise, leading to a drop in value of any fund holding them.
- Some funds may offer some form of protection from downside risks for which there will be a charge and which will normally have an impact on long-term returns. The protection may be provided through the use of derivative contracts and this may give rise to counterparty risk and liquidity problems. The provision of the guarantees may result in a significant proportion of the fund being invested in cash and other lower risk investments.

Where a fund could be exposed to these types of risk, we have rated it as having a risk type of "Other".

➤ Association of British Insurers (ABI) – sector definitions

The Association of British Insurers (ABI) is a trade body that represents the insurance industry in the UK. It maintains ranges of investment fund sectors to facilitate comparisons between similar funds. These sectors allow Financial Advisers and investors to make like-for-like comparisons between funds which invest in, or can potentially invest in, broadly comparable assets.

Offshore funds are not normally included in ABI sectors. However, for the purposes of this guide, we have matched each of our funds against an ABI sector, to help indicate in broad terms the type of asset that may be held by that fund.

Europe including UK Equities

- Funds which invest at least 80% of their assets in equities quoted on UK and European stock markets.
- Not to include funds which would otherwise qualify for a UK Equity sector.
- Europe includes all countries in the FTSE World Europe/MSCI Europe indices.

Flexible Investment

The funds in this sector are expected to have a range of different investments. However, the fund manager has significant flexibility over what to invest in. There is no minimum or maximum requirement for investment in company shares (equities) and there is scope for funds to have a high proportion of shares. The manager is accorded a significant degree of discretion over asset allocation and is allowed to invest up to 100% in equities at their discretion.

- No minimum equity requirement
- No minimum fixed income or cash requirement
- No minimum currency requirement.

Global Equities

- Funds which invest at least 80% of their assets in equities.
- Funds must be invested in more than one equity region.
- Not to include funds which would otherwise qualify for the Global Emerging Markets Equity sector.

Mixed Investments 0-35% Shares *

Funds in this sector are required to have a range of different investments. Up to 35% of the fund can be invested in company shares (equities). At least 45% of the fund

must be in fixed income investments (for example, corporate and Government bonds) and/or "cash" investments. "Cash" can include investments such as current account cash, short-term fixed income investments and certificates of deposit.

- Maximum 35% equity exposure (including convertibles)
- No minimum equity requirement
- Minimum 45% investment grade fixed income and cash
- Minimum 80% investment in established market currencies (US Dollar, Sterling & Euro) of which 40% must be Sterling
- Sterling requirement includes assets hedged back to Sterling.

Mixed Investments 20-60% Shares *

Funds in this sector are required to have a range of different investments. The fund must have between 20% and 60% invested in company shares (equities). At least 30% of the fund must be in fixed income investments (for example, corporate and Government bonds) and/or "cash" investments "Cash" can include investments such as current account cash, short-term fixed income investments and certificates of deposit.

- Maximum 60% equity exposure (including convertibles)
- Minimum 20% equity exposure
- Minimum 30% fixed income and cash
- Minimum 60% investment in established market currencies (US Dollar, Sterling & Euro) of which 30% must be Sterling
- Sterling requirement includes assets hedged back to Sterling.

Mixed Investments 40-85% Shares*

Funds in this sector are required to have a range of different investments. However, there is scope for funds to have a high proportion in company shares (equities). The fund must have between 40% and 85% invested in company shares.

- › Maximum 85% equity exposure (including convertibles)
- › Minimum 40% equity exposure
- › No minimum fixed income or cash requirement
- › Minimum 50% investment in established market currencies (US Dollar, Sterling & Euro) of which 25% must be Sterling
- › Sterling requirement includes assets hedged back to Sterling.

* These sectors are not designed to reflect the risk of funds. The names of the sectors reflect the maximum and minimum amount of a fund that can be invested in shares. Fund managers may often invest at or near the maximum amount in shares. Mixed investment funds can hold a range of different investments in addition to shares (for example corporate bonds, property and cash) and may adopt a range of different investment strategies. To understand more about how your fund is invested and its risk profile, contact your Financial Adviser. The sectors group funds that are broadly similar (on the basis of their shares content) for comparison purposes. To give fund managers flexibility, the criteria for each sector overlap so a fund may sometimes meet the requirements for more than one sector. UK shares are investments in companies quoted on the UK stock market. Overseas shares are investments in companies quoted on non-UK stock markets.

Money Market

- › Funds which invest at least 95% of their assets in Sterling (or hedged back to Sterling) money market instruments.
- › Money market instruments are defined as cash and near cash, such as bank deposits, certificates of deposit, and fixed interest securities or floating rate notes.

North America Equities

- › Funds which invest at least 80% of their assets in equities quoted on United States and Canadian stock markets.

UK All Companies

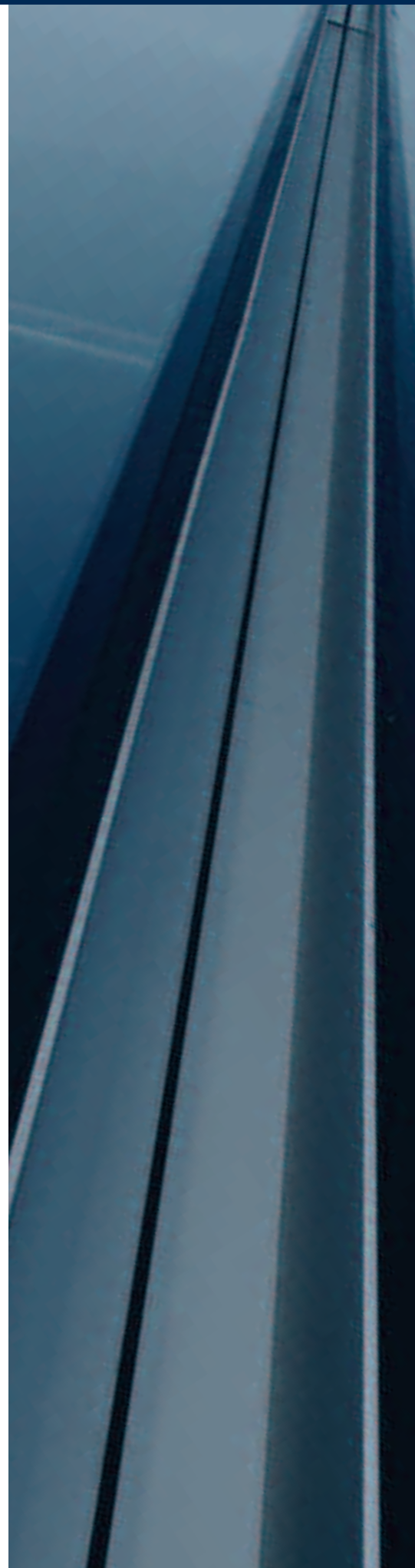
- › Funds which invest at least 80% of their assets in equities quoted on the UK stock market.
- › Funds have the primary objective of achieving capital growth or total return.

UK Equity Income

- › Funds which invest at least 80% of their assets in equities quoted on the UK stock market.
- › Net of tax yield on the underlying portfolio of at least 110% of the FTSE All-Share yield.

UK Gilts

- › Funds that invest at least 95% of their assets in:
 - UK government securities (gilts)
 - UK government backed securities
 - Sterling denominated (or hedged back to Sterling) AAA rated, overseas government backed securities.
- › At least 80% of the fund must be invested in UK government securities (gilts).



➤ Potential reward and risk indicator

Investing is about balancing the risk you are comfortable with alongside the potential rewards that you want to achieve. Your attitude to investment risk is personal to you and may change in the future.

The table opposite can help illustrate this concept. It's not exhaustive, but covers a wide range of funds and investments and shows the general principle that, as the level for potential higher returns increases so does the level of risk. The following pages indicate how this relates to our funds.

The value of our funds may fluctuate. You may not get back the full amount of your investment.

These risk rating categories have been developed by Prudential International to help provide an indication of the potential level of risk and reward that is attributable to a fund based on the type of assets which may be held within the fund. Other companies may use different descriptions so these risk rating categories should not be considered as generic to the fund management industry.

Prudential International will keep the risk rating categories under regular review and they may be subject to change in the future. Where a risk rating is amended as a result of a material change in our view of the level of risk for the fund, for example due to a significant change to the assets held by the fund or in the way the fund is managed, information will be provided on the new risk rating. We recommend that before making any fund choice in the future you ensure you understand the appropriate risk ratings at that time.

Potential reward and risk indicator		Types of fund*
6	Higher	Single Country Equity Funds, International Equity Funds, Specialist Funds
5	Potential Rewards	Flexible Investment Global Property Funds
4		Mixed Investments 40-85% Shares Direct Property Funds Global High Yield Funds
3		Mixed Investments 20-60% Shares Distribution Managed Funds Sterling High Yield Funds Global Fixed Interest Funds
2	Lower	Mixed Investments 0-35% Shares Sterling Fixed Interest Funds Corporate Bond Funds Protected/Guaranteed Funds
1		Deposit & Treasury Funds Money Market Funds

* These are predominantly based on sector classifications by the Association of British Insurers (ABI). The description used may match an individual ABI sector name or be a Prudential International suggested description for a grouping of similar sectors.

Offshore funds are not normally included in ABI sectors. However, for the purposes of this guide, we have matched each of our funds against an ABI sector, where one is appropriate, to help indicate in broad terms the type of asset that may be held by that fund.

You will find this information in our Fund Guides, along with further information, at www.pru.co.uk/funds. You should also consider discussing your decision with your Financial Adviser. It is important to note also that your adviser may make their own assessment of the risk rating

of funds when considering your needs and objectives, and this may differ from Prudential's own internal assessment. Your adviser may charge you for advice.

The information included in this guide is correct as at January 2012.

› Fund information

Important explanations

› Overseas investments

For the funds which can invest in stocks or shares, not all the assets will be denominated in the local currency of the fund and the value of each of the funds could therefore be affected by prevailing exchange rates. Changes in the rate of exchange between currencies may cause the value of your investment to go down or up.

› The fund value

The value of an investment may fluctuate and is therefore not guaranteed. You may not get back the full amount of your investment.

› How funds invest

Some of the Prudential International funds listed in this guide may gain all or part of their investment exposure by investing in collective investment vehicles (e.g. unit trusts, Open Ended Investment Companies (OEICs)), derivatives or other investment vehicles, for which the aims and underlying assets are consistent with the objectives of the fund. These Prudential International funds may hold an element of cash due to the short delay between new investments being received by the Prudential International fund and being placed in the underlying investment(s), and this may have an impact on the performance of the Prudential International fund when compared to the underlying investment(s).

› Fund charges

Annual Management Charge

We take an Annual Management Charge (AMC) from each of the funds you invest in.

If the AMC exceeds the return earned, the fund will go down in value.

In general the AMC is taken by the deduction of 1/365th of the AMC applicable to each particular unit linked fund each day.

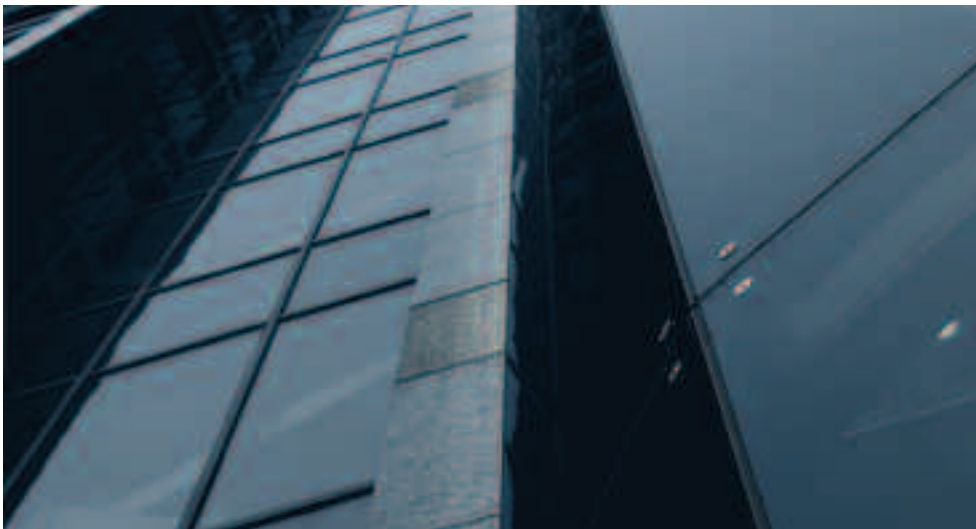
Additional fund charges

Within the funds, additional expenses will be incurred in relation to trading and holding assets and on any underlying unit trust or OEIC holdings.

Charges may vary in future and may be higher than they are now.

If you are in any doubt about this product option, your fund choice or the charges applicable then we recommend you speak to your Financial Adviser.

Details of these charges are on page 13.



For any fund, there may be a delay in buying, selling or switching of units. These delays will only apply in exceptional circumstances and if this applies to you, we will let you know. For more information, please refer to your Contract Conditions which you can get from your Financial Adviser.

➤ Funds, ABI sectors, risk types, reward and risk indicator, Annual Management Charges and additional unit trust/OEIC expenses (correct as at January 2012)

Prudential International Life Funds	Association of British Insurers (ABI) Sector			
		Equity	Fixed interest	Property
Fund choice				
Adventurous Managed (Sterling) Fund (£)	Global Equities	X		
Adventurous Managed (US Dollar) Fund (\$)	Global Equities	X		
Balanced Managed (Sterling) Fund (£)	Mixed Investment 40-85% Shares	X	X	
Balanced Managed (US Dollar) Fund (\$)	Mixed Investment 20-60% Shares	X	X	
Conservative Managed (Sterling) Fund (£)	Mixed Investment 0-35% Shares	X		
Conservative Managed (US Dollar) Fund (\$)	Mixed Investment 0-35% Shares	X		
Corporate Bond Fund (£)	UK Gilts		X	
Euro Deposit Fund (€)	Money Market			
Euro Tracker Fund (€)	Europe including UK Equities	X		
Invesco Perpetual Managed Fund (£)	Flexible Investment	X		
Invesco Perpetual UK Equity Fund (£)	UK Equity Income	X		
Managed Tracker Fund (£)	Flexible Investment	X	X	X
Newton Managed Fund (£)	Flexible Investment	X	X	
Newton UK Equity Income Fund (£)	UK Equity Income	X		
UK Deposit Fund (£)	Money Market			
UK Equity Fund (£)	UK All Companies	X		
UK Fixed Interest Fund (£)	UK Gilts		X	
UK Index Tracker Fund (£)	UK All Companies	X		
US Dollar Deposit Fund (\$)	Money Market			
US Index Tracker Fund (\$)	North America Equities	X		

† Where the funds invest in underlying unit trusts/OEICs, additional expenses will be incurred. These are shown above where applicable. In addition Stamp
The funds shown above are not available for top-ups to the Building Society Bond, although it is currently possible to convert to the funds above after at least

Risk Types						
Currency	Smaller companies and developing markets	Financial instruments	Other	Potential reward and risk indicator	Annual Management Charge	Additional unit trust/ OEIC expense [†]
X				6	1.75%	0.00%
X				6	1.75%	0.05%
				4	1.75%	0.05%
X				3	1.75%	0.05%
X			X	2	1.75%	0.10%
X				2	1.75%	0.00%
X			X	2	2.00%	0.15%
			X	1	1.50%	0.00%
X				6	1.75%	0.15%
X				5	2.10%	0.25%
X	X	X	X	6	1.60%	0.20%
X			X	5	1.65%	0.05%
X		X	X	5	1.95%	0.05%
		X		6	1.95%	0.05%
			X	1	1.50%	0.00%
				6	1.75%	0.00%
				2	1.75%	0.15%
				6	1.75%	0.00%
			X	1	1.50%	0.00%
				6	1.75%	0.05%

Duty Reserve Tax may be deducted on relevant transactions.

12 months of an investment being made. The Building Society Bond is not available for new business.

› Fund choice

The following funds are all Prudential International life funds.

Adventurous Managed (Sterling)	
Objective	The fund aims to generate long term appreciation through capital growth and reinvestment of income.
Fund investments	The fund invests in a portfolio of international equities. Growth opportunities may be pursued through significant weightings in individual market sectors. The Fund is denominated in Sterling.
Adventurous Managed (US Dollar) Fund	
Objective	The fund aims to generate long term appreciation through capital growth and reinvestment of income.
Fund investments	The fund invests in a portfolio of international equities. Growth opportunities may be pursued through significant weightings in individual market sectors. The Fund is denominated in US Dollars.
Balanced Managed (Sterling) Fund	
Objective	The Fund aims to maximise long-term growth (the combination of income and growth of capital).
Fund investments	The Fund will invest in a balanced portfolio of fixed interest instruments and international equities. The Fund is denominated in Sterling.
Balanced Managed (US Dollar) Fund	
Objective	The Fund aims to maximise total long-term growth (the combination of income and growth of capital).
Fund investments	The Fund will invest in a balanced portfolio of fixed interest instruments and international equities. The Fund is denominated in US Dollars.
Conservative Managed (Sterling) Fund	
Objective	The fund aims to generate long term appreciation through capital growth and reinvestment of income, controlling the risk to capital preservation by seeking potential for growth through exposure to international equity markets.
Fund investments	The fund invests in a low risk portfolio weighted towards Sterling denominated fixed interest and cash instruments.
Conservative Managed (US Dollar) Fund	
Objective	The fund aims to generate long term appreciation through capital growth and reinvestment of income, controlling the risk to capital preservation by seeking potential for growth through exposure to international equity markets.
Fund investments	The fund invests in a low risk portfolio weighted towards US Dollar denominated fixed interest and cash instruments.
Corporate Bond Fund	
Objective	The fund aims to maximise total long-term return in sterling from capital and net income.
Fund investments	The fund invests in a portfolio consisting wholly or mainly of bonds issued by UK companies.

Euro Deposit Fund	
Objective	The Fund aims to produce a competitive yield consistent with the cautious risk nature of the Fund. Returns from this Fund will be higher when interest rates are high and lower when interest rates are low.
Fund investments	The Fund can invest in Euro denominated interest-bearing deposits and high quality short-term fixed interest issues, pooling the cash of investors to achieve Fund objectives.
Euro Tracker Fund	
Objective	The Fund aims to track the performance of the Eurotop 100 Index as closely as possible.
Fund investments	The Eurotop 100 Index includes 100 leading European companies, covering all the major European stock markets. The Fund is denominated in Euro.
Invesco Perpetual Managed Fund*	
Objective	The Fund aims to achieve capital growth over the long-term by investing mainly in equity type securities.
Fund investments	The majority of the equity exposure of the Fund will be in the UK. Up to 15% of the underlying funds may be invested in collective investment schemes which invest in non-equity type securities.
Invesco Perpetual UK Equity Fund*	
Objective	The Fund aims to achieve a rising level of income and capital growth in the UK.
Fund investments	The Fund is invested mainly in shares of UK companies with the balance invested internationally. It may include other investments that the fund manager considers appropriate.
Managed Tracker Fund	
Objective	The fund aims to produce long-term capital growth by tracking a range of UK and international indices.
Fund investments	The manager will aim to replicate the geographical and asset split of a typical managed fund.

* The Prudential International Invesco Perpetual Managed Fund invests in Invesco Perpetual's own range of underlying unit trusts. The Prudential International Invesco Perpetual UK Equity Fund invests directly in Invesco Perpetual's own Income Fund investment company with variable capital (ICVC).

› Fund choice – continued

Newton Managed Fund*	
Objective	This Fund aims to provide total long-term growth (the combination of income and growth of capital) by investing mainly in a diversified portfolio of UK and international equities with the option of holding up to 15% in bonds and cash.
Fund investments	The Fund invests in UK and overseas equities, cash and UK bonds. The bond and cash holding will be used to reduce the volatility of returns that can be incurred in uncertain or turbulent market conditions.
Newton UK Equity Income Fund*	
Objective	The Fund is managed for total long-term growth, while aiming to provide a rising income which is automatically reinvested.
Fund investments	The Fund invests predominantly in UK equities, making limited use of bonds and cash. The portfolio concentrates on high-yielding equities which exhibit strong cash flow and dividend growth.
UK Deposit Fund	
Objective	The Fund aims to produce a competitive yield consistent with the cautious risk nature of the Fund. Returns from this Fund will be higher when interest rates are high and lower when interest rates are low.
Fund investments	The Fund can invest in Sterling denominated interest-bearing deposits and high quality short-term fixed interest issues, pooling the cash of investors to achieve Fund objectives.
UK Equity Fund	
Objective	The fund aims to produce long-term growth – from capital appreciation and investment of income – from a portfolio of equity holdings listed on the London Stock Exchange, both blue chip and smaller capitalisation stocks.
Fund investments	The fund invests directly in the UK equity market. It offers investment in a broad spread of well researched and carefully selected UK shares.
UK Fixed Interest Fund	
Objective	The fund aims to generate long term appreciation through capital growth and reinvestment of income.
Fund investments	The fund invests in a low risk portfolio of quality Sterling denominated fixed interest investments. Opportunities for enhanced returns may be taken from time to time through modest holdings in international bonds.

* These are Prudential International funds that are managed on our behalf by the fund management group stated. They should not be confused with the same or similarly named funds or unit trusts offered independently by the fund management group.

UK Index Tracker Fund	
Objective	The fund aims to track the performance of the FTSE 100 Share Index as closely as possible and is denominated in UK Sterling.
Fund investments	The FTSE 100 comprises the 100 largest companies traded on the London Stock Exchange, many of which are household names. It covers all sectors of the UK market, from banks and insurance companies to industrial groups.
US Dollar Deposit Fund	
Objective	The Fund aims to produce a competitive yield consistent with the cautious risk nature of the Fund. Returns from this Fund will be higher when interest rates are high and lower when interest rates are low.
Fund investments	The Fund can invest in US Dollar denominated interest-bearing deposits and high quality short-term fixed interest issues, pooling the cash of investors to achieve Fund objectives.
US Index Tracker Fund	
Objective	The fund aims to track the performance of the S&P index covering the 500 leading corporations in the US which are traded on Wall Street.
Fund investments	The S&P index covers all sectors of the US economy and is the index most widely used by analysts, who prefer it to other indices that include fewer stocks (e.g. the Dow Jones Index).



For more information on a particular fund please speak to your Financial Adviser.

› Glossary of investment terms

This glossary is a high-level guide to some of the technical terminology that may appear in our funds guide. It is not intended to be a definitive reference document and you should contact your adviser for further assistance where necessary.

Basic materials sector

A category of stocks covering companies involved with the discovery, development and processing of raw materials. The basic materials sector includes the mining and refining of metals, chemical producers and forestry products.

"Blue chip" companies

These are large, reputable companies which are thought to be financially sound.

Bonds

See Fixed interest securities.

"Boutique managed" funds

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.

Closed ended funds

This describes a collective investment scheme which has a limited number of shares (or units). The shares are then traded on an exchange or directly through the fund manager to create a secondary market subject to market forces.

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 and mutual funds usually target either 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 represents 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.

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 categorised according to the currency in which it is issued. For example, a British company may issue a Eurobond in Germany, denominating it in US Dollars.

Exchange-traded fund

This is an investment vehicle whose units are traded on a stock exchange. An exchange traded fund can hold a range of assets such as stocks, bonds or even commodities. Most track an index, such as the FTSE All-Share or the S&P 500.

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.

Forward 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.

Hedged back to sterling

This is a specific example of hedging where the trader is trying to protect an existing or anticipated position from an unwanted move in sterling exchange rates.

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 Prices Index.

› Glossary of investment terms – continued

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 à Capital Variable) or Irish VCIC (Variable Capital Investment Company). Like all open-ended 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.

Options

Legal agreements that give the holder the right (but not the obligation) to buy or sell the underlying asset at an expiration date, at a price determined at the time of dealing.

Permanent Interest Bearing Shares (usually referred to as PIBS)

These are fixed-interest securities issued by building societies. Building societies use them in the way public limited companies would use preference shares (see above). Although similar to bonds, PIBS typically exist as long as their issuer does. They typically offer better interest rates than bonds although, unlike bonds, have no fixed redemption date and so the redemption value will be determined by market values at the time of sale.

PIBS are not covered by UK government compensation schemes. If the building society is in financial distress, amounts are paid to holders of PIBS only after depositors.

Preference shares (also called preferred stock or preferred shares)

These are shares in a company which give their holders an entitlement to a fixed dividend payment and may or may not carry voting rights. These are a "higher ranking" stock than common stock and usually have specific rights attached to them.

Preference shares mean that the holder may get preferred treatment over common share holders – and carry a dividend that is paid out prior to dividends to common share holders. In the event of bankruptcy preferred share holders will be paid out from assets before common share holders and after debt holders.

Primary industry

The industrial sector of an economy involved in the extraction and collection of natural resources, such as copper and timber, as well as by activities such as farming and fishing. A company in a primary industry can also be involved in turning natural resources into products. Primary industries tend to make up a larger portion of the economy of developing countries than they do for developed countries.

Regulated

This means the portfolio or fund has to conform to the regulations laid down by the financial authority in the country it is trading in (i.e. the FSA in the UK), financial service providers and markets.

Secondary industry

The industrial sector of an economy that produces finished, usable products. Unlike a primary industry, which collects and produces raw materials for manufacture, a secondary industry makes products that are more likely to be consumed by individuals. Examples of secondary industry divisions include automobile manufacturing, steel production and telecommunications.

Shares

See Equities.

Short-term government bonds

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

Smaller companies

Companies quoted on a recognised exchange that have a market worth below that of blue chip companies. In the UK, smaller companies are typically defined as those with market capitalisations below the top 350 companies in the FTSE All-Share Index.

Transferable securities

This is a descriptor given to a type of financial security which is traded on capital markets. The term is probably most commonly known and used in association with UCITS in UK and Europe (examples would be UCITS/depository receipts/some types of warrants).

Undertakings for Collective Investment in Transferable Securities (UCITS)

These are collective investments which can be sold across national borders within the EU having complied with regulations on investments and administration.

Unregulated

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

Warrants

A warrant is a security that entitles the holder to buy shares in the issuing company at a specified price and within a certain time frame.

Warrants are freely transferable and traded on major exchanges. Their value will go up or down as the price of the shares to which they relate goes up or down.



Notes





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