A Guide to TUC Stakeholder Pension Scheme Fund Options

Part of the Civil Service Partnership Pension Account Fund Options

Key Features Appendix for the
Prudential Stakeholder Pension Plan

TUC | Civil Service Pensions

PRUDENTIAL

A Guide to TUC Stakeholder Pension Scheme Fund Options

Key Features Appendix for the Prudential Stakeholder Pension Plan

The way in which your pension savings grow over the years will have a major impact on your future retirement plans. The income that you ultimately receive will depend on such factors as the contributions made and the funds in which they are invested.

This booklet is here to provide you with useful and important information to help you decide which funds you would like to invest in.

The areas we begin with are:

- How do I understand Risk?
- What terms are used?
- What type of assets do I favour?
- How does Lifestyling work?

Then we show you:

- What funds are available?
- Fund descriptions

And finally we have provided you with:

- Important Information
- A glossary of investment terms
- Benchmarks explained

Prudential is committed to providing a broad range of investment funds from Prudential M&G, our UK and European fund management business, and if applicable, other leading fund managers. These funds have been specifically selected for your scheme by your employer or trustee and offer a varied choice for you.

Your Key Features document contains all the main features, benefits and risks of the Plan. It is important that you read this document before making a decision. As this is an investment-based product the value of your investment can go down as well as up. The value can even fall below the amount you invested.

Further information

To get unit price information for all managed funds made available through Prudential, simply log on to www.pru.co.uk/funds/series and choose the Prudential Corporate Pensions (Series 3) link.

For detailed information on a fund please visit www.pru.co.uk/factsheets and choose the (Series 3) button.

We reserve the right to make changes at any time to the funds we make available, subject to certain restrictions, we will write to you if this effects you. We may also introduce new funds.

To find out about changes to our range of funds, please go to www.pru.co.uk/factsheets/corporate_pension_fund_updates/

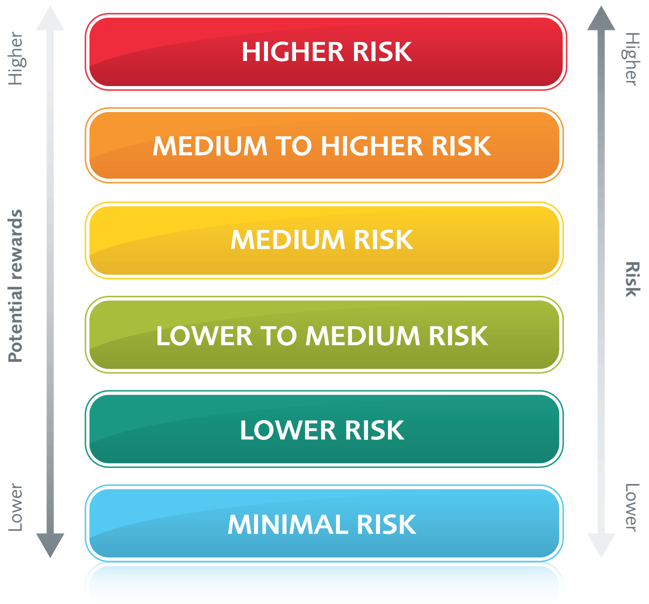
Please note that information on past performance or prices for non-Prudential (or external) managed funds obtained from sources other than Prudential can be calculated on a different basis, therefore they may not be applicable to your investment.

How do I understand risk?

Trying to understand and evaluate the level of risk you are willing to take with your investment is a difficult task. Understanding some of the risks that an investment could be exposed to can help you assess how much risk you are willing to take.

Growth from your investment can't usually be achieved without exposure to some risk. Being too cautious can also put your investment at risk, for example it may not grow as quickly enough to keep up to inflation, so getting the balance right is key to meeting your own objectives.

To help you choose the right fund for you we have given each fund a risk rating.



These risk ratings have been developed by Prudential to help provide an indication of a fund's potential level of risk and reward based on the type of assets which may be held within the fund. Prudential will keep the risk ratings under regular review and as such they may be subject to change in the future. We therefore recommend that before making any decisions about fund choice you understand the appropriate risk rating.

What terms are used?

To help you understand the fund options available and the terms used, here is some information that you may find useful. Explanations of other terms you may come across are included in the 'Glossary of Investment Terms' section at the back of this booklet.

Equities

Also known as shares or stocks, these represent a share of the ownership of a company. Shares give two potential benefits – the share price increases 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.

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 corporate or government bonds or money market instruments.

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.

Corporate Bond

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.

The return achieved from a Corporate Bond is a combination of the interest payments and any change in the value of the bond.

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 British Government, for example, are called gilts. A fixed interest bond pays the purchaser of the bond a fixed rate of interest, in addition to repaying the initial sum on a specified later date.

On the whole, investing in bonds is seen as lower-risk than investing in equities. Gilts are very low-risk as, to date, no British government has ever failed to pay back money owed to investors. 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.

Gilt

A bond issued by the British Government.

An index-linked gilt is where the regular interest payments made to the purchaser of the bond increase in line with inflation.

Government Bond

Loans to a 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. These work in much the same way as Corporate Bonds, but they are loans to the Government instead of to companies. The return achieved from a government bond is a combination of the interest payments and any change in the value of the bond.

Money Market Instruments

These include bank deposits, certificates of deposits, fixed interest securities or floating rate notes. The return achieved from money market instruments is a combination of interest and any changes in the value of the instruments.

Multi-Asset

A fund that invests in a range of assets, such as equities, bonds and property. By investing in a range of assets the fund is not relying on the performance of assets of the same type. This helps to provide diversification of risk.

Property

Direct investment in property (such retail, office and industrial properties). The return achieved from investing in property is a combination of rental income and growth in the value of the property.

As the actual value of a property is what someone is prepared to pay for it and as commercial property 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.

In addition, cash could remain uninvested as property can be difficult to buy quickly, leading to lower returns than expected. Rental income is also not guaranteed. Defaulted rent and unoccupied properties could reduce returns.

As commercial properties can be difficult to buy and sell quickly the manager of a Property Fund may have to delay customers withdrawing money from the fund until they can sell some of the buildings the fund invests in. 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.

Deposits

Money that is placed with banks, building societies and other organisations to earn interest.

Passive or active

The funds available to you are either actively or passively managed.

Passively managed fund

Aims to match or track the performance of an index or indices, such as the FTSE All-Share Index.

Actively managed fund

The fund manager uses their expertise to decide which equities or bonds, for example, to invest in to try and beat the returns of an index or indices (this is known as outperforming).

Volatility Risk – events in financial markets cause the value of investments to rise and fall, also known as volatility.

Inflation Risk – the risk that the value of investments doesn't grow quickly enough to keep up with inflation.

Pension Conversion Risk – your pension fund will be used to purchase an annuity, which will provide you with an income. The income you eventually receive will depend on the value of your pension fund and the cost of purchasing an annuity. This creates the risk that the value of your pension fund does not move in line with the cost of purchasing an annuity.

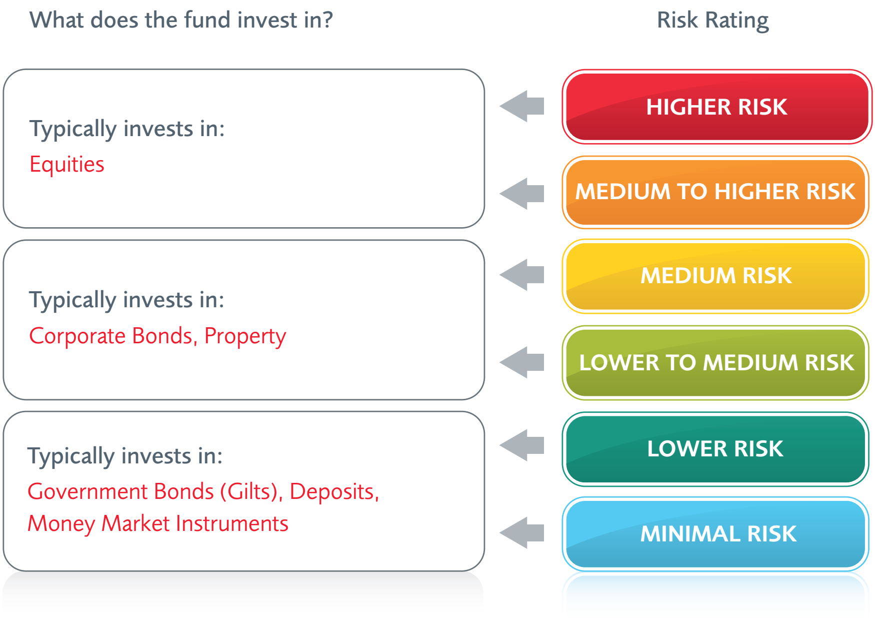
Exchange Rate Risk – changes in exchange rates may cause the sterling values of overseas investments to rise or fall.

Some of these funds are more risky than others so how do you decide which fund or funds are most suitable for you?

One rule of thumb is that the more risk you take, the greater the potential return – but also the greater the potential loss.

What type of assets do you favour?

You can choose to spread your investment across assets to reflect your own attitude to risk. For example, more cautious investors are likely to have more exposure to gilts (Government Bonds) and corporate bonds. More adventurous investors are likely to have a greater proportion of their investment in property and equities.



What is diversification:

If you invest entirely in one asset area, then the value of your entire portfolio will be subject to the changes in the performance of that type of asset. To help manage this risk, you could consider spreading the risk by investing in several assets or sectors. This protects your investment from feeling the full effects from a fall in value of one asset area.

To help you decide, it's useful to ask yourself some questions:

- What is your attitude to risk?
  – *How much you get back from your investment and the degree of risk you are prepared to take are linked.*

- How many years do you have before you retire?
  – *Higher rated funds offer the best potential for achieving above-average returns over the long term. This could apply to those with 15 years or more to retirement.*

- Do you want to invest in a less risky fund as you get closer to retirement?
  – *The closer you are to retirement, funds with a risk rating of Medium and above may not be suitable for you. Although they carry the potential for short term gains, they also have the potential for short-term losses.*

- How would you react if the stock market went down and your plan value reduced?
  – *Any investor should be prepared for periods where investments may fall in value, but by remaining invested gives an opportunity for investments to perform well over the longer term.*

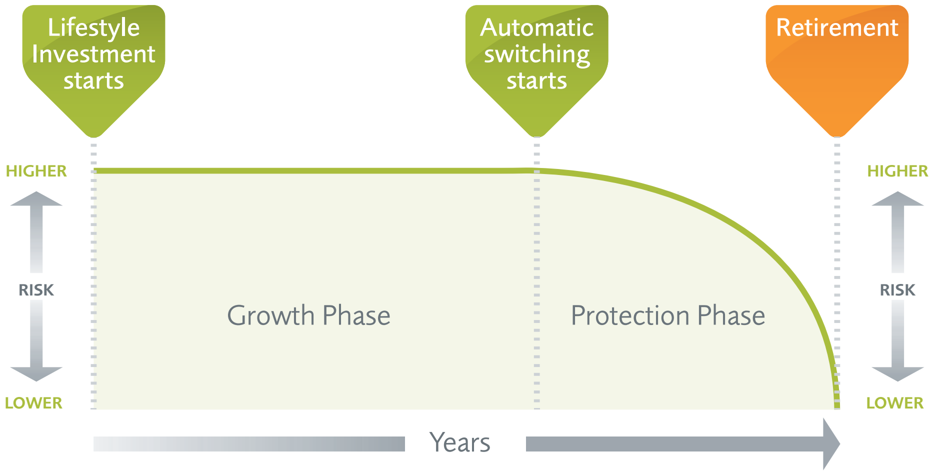
- How much income are you aiming to receive from your Plan?
  – *The funds you select, and the degree of risk you are prepared to take, will be key in trying to achieve the level of income you are aiming for.*

You should review your attitude to risk regularly, this can help identify any changes required to keep your investments on track and in line with your investment objectives.

How does Lifestyling work?

Lifestyling is an investment option that is basically made up of 2 phases. The first phase (or "growth" phase) is where you aim to grow the size of your pension fund, typically by investing in higher risk funds. In the second phase (or "protection" phase) your investments are switched automatically, into lower risk funds which reduce the pension conversion risk and protect the value of your pension fund.

The graph below demonstrates how lifestyle works.



The switches between funds are designed so that the investment in each fund within the lifestyle option is maintained at the fixed proportions set out for each lifestyle.

The point where your fund value will start automatic switching will be dependant on the Lifestyle Option you choose. Details will be shown in the Funds available section.

If you choose a Lifestyle Option, all of your payments will be made into that option and you will not be able to select any other investment funds or Lifestyle Options if available. You can switch all of your savings out of this option at any time.

The switches between the funds are automatically done and free of charge. Prudential reserve the right to change the terms of the lifestyle option. Details of the funds used for investment in your Lifestyle Option are detailed within the Available Funds section.

What funds are available?

In this section you will find details of all the funds for you to invest in, the default fund and also the lifestyle options available.

Further detail covering the objectives of the funds and where they invest can be found later in this booklet in the 'Fund descriptions' section.

Fund Name	Asset Class	Active/Passive	Charges each year %
Higher Risk – These are specialist equity funds that focus on set geographical regions or a particular type of share e.g. shares of smaller companies or those that conform to certain criteria.			
Prudential UK Smaller Companies Fund	Equities	Active	0.70
BlackRock Aquila UK Equity Index Fund	Equities	Passive	0.70
Standard Life Pension Ethical Fund	Multi-Asset	Active	0.70
Standard Life Pension UK Equity Select Fund	Equities	Active	0.70
Medium to Higher Risk – These funds offer a diverse geographical spread of equity investment. The funds within this category will have greater overseas exposure and underlying volatility than the 'medium' sector.			
Prudential Overseas Equity Passive Fund	Equities	Passive	0.70
Prudential Long Term Growth Fund	Equities	Passive	0.70
BlackRock Aquila (60:40) Global Equity Index Fund	Equities	Passive	0.70
Medium Risk – These funds are predominantly multi-asset funds with a higher weighting in equities. The property Fund itself is also in this category.			
Prudential Discretionary Fund	Multi-Asset	Active	0.70
Prudential Property Fund	Property	Active	0.70
Lower to Medium Risk – Some of these funds invest in fixed interest securities, predominantly corporate bonds, with higher yielding corporate bonds placed towards the top end of this range as they carry higher default risk. The other funds in this category invest in a wide range of assets which help to provide diversification.			
Prudential Corporate Bond Fund	Corporate Bond	Active	0.70

What funds are available? (continued)

Fund Name	Asset Class	Active/Passive	Charges each year %
Lower Risk – These funds may invest in fixed interest securities including gilts, index-linked gilts and an element of corporate bonds. These types of investment are generally recognised as lower risk.			
Prudential Pre-Retirement Fund	Government and Corporate Bonds	Combination of Active & Passive	0.70
Prudential Index-Linked Fund	Government Bond	Active	0.70
Minimal Risk – These funds may invest in a combination of deposits, money market instruments and other types of interest bearing securities.			
Prudential Cash Fund	Deposits	Active	0.70

Default Fund

You can choose to invest your payments into your plan's Default Fund. The Default Fund for your plan is Lifestyle Option – Bespoke. It is the responsibility of your Employer to select the Default Fund with the guidance from their adviser.

This fund doesn't represent a recommendation on behalf of Prudential and you should consider and choose funds to suit your needs.

Lifestyle Option

Lifestyle Option – Bespoke

Please note that the funds change automatically and monthly throughout the year to achieve the pre-set proportions.

The graph above shows you what funds are included in the lifestyle option, where you are initially invested and how the proportions invested in each fund move year on year to retirement. You will find more information on Lifestyling in the 'How does Lifestyling work?' section.

Risk rating	Charges per year
Prudential Long Term Growth Fund – **Medium to Higher** Prudential Pre-Retirement Fund – **Lower** Prudential Cash Fund – **Minimal**	Charges will depend on which funds your money is invested in and when the charge is calculated.

Fund descriptions

Fund Name and Manager	Objective
Higher Risk	
Prudential UK Smaller Companies Fund Prudential	The investment strategy of the fund is to purchase units in the M&G PP UK Smaller Companies Fund. This fund invests in the shares of smaller UK companies which are outside the FTSE 350 Index. The fund is actively managed against its benchmark of the FTSE Smaller Companies (ex-Investment Trusts) Index. Extensive use is made of in-house research resources to identify stocks and the well diversified portfolio reflects the prudent approach adopted by this fund. Performance Objective: To outperform the benchmark by 2% per year (before charges) over rolling 3 year periods.
BlackRock Aquila UK Equity Index Fund BlackRock	The investment strategy of the fund is to purchase units in the BlackRock Aquila UK Equity Index Fund. This fund invests in the shares of UK companies with the aim of achieving a return that is consistent with the return of the FTSE All-Share Index. Performance Objective: To match the performance of the FTSE All-Share Index.
Standard Life Pension Ethical Fund Standard Life	The investment strategy of the fund is to provide long term growth by investing in a diversified portfolio of assets (including equities and corporate bonds) that meet a strict set of ethical criteria determined by Standard Life's Ethical Committee. The fund can invest in both UK and overseas assets and it will predominantly invest in equities. The ethical criteria may be amended from time to time if considered appropriate. The fund manager will exclude companies which fail to meet the ethical criteria whilst seeking to include companies whose business activities are regarded as making a positive contribution to society. Performance Objective: To provide long term growth.
Standard Life Pension UK Equity Select Fund Standard Life	The investment strategy of the fund is to provide long term growth by investing predominately in the shares of large and medium sized companies listed on the UK stock market. Performance Objective: To provide long term growth.

Fund Name and Manager	Objective
Medium to Higher Risk	
Prudential Overseas Equity Passive Fund Prudential	The investment strategy of the fund is to invest in all the major overseas equity markets. Most of the fund is passively managed with a benchmark mix of regional market indices using fixed weights broadly reflecting each region's Gross Domestic Product. Tracking is achieved by the fund replicating the holdings of the larger companies in each region's index plus holding a carefully modelled stratified sample of the remainder of the companies in each index. The strategic split between the regions may alter periodically to reflect changing economic and market conditions. Performance objective: To match the performance of the benchmark as closely as possible.
Prudential Long Term Growth Fund Prudential	The investment strategy of the fund is to purchase units in the M&G PP Long Term Growth Fund. This fund invests in the shares of companies around the world with about 50% invested in the UK and 50% overseas, roughly in proportion to each region's economic importance. The fund is passively managed with a benchmark of 50% tracking the FTSE All-Share Index and 50% tracking a mix of overseas regional market indices using fixed weights broadly reflecting each region's Gross Domestic Product. The split between UK and overseas equities and between overseas regions may alter from time to time to reflect changing economic and market conditions. Performance Objective: To match the performance of the benchmark as closely as possible.
BlackRock Aquila (60:40) Global Equity Index Fund BlackRock	The investment strategy of the fund is to purchase units in the BlackRock Aquila (60:40) Global Equity Index Fund. This fund invests primarily in UK and overseas equities. The fund has approximately 60% invested in the shares of UK companies. The remaining 40% is invested in overseas companies split between the US, Europe ex-UK and the Far East. The fund aims to provide returns consistent with the markets in which it invests. Performance Objective: To match the performance of the benchmark (a mix of FTSE indices).

Fund descriptions (continued)

Fund Name and Manager	Objective
Medium Risk	
Prudential Discretionary Fund Prudential	The investment strategy of the fund is to purchase units in the M&G PP Discretionary Fund. This fund aims to provide a traditional balanced approach to investment, holding a mix of UK and overseas shares, bonds, property and cash. The fund is actively managed against its benchmark of the BNY Mellon CAPS Balanced Pooled Fund Median. The significant numbers of stocks held in all areas reflect the prudent approach adopted by this fund. Both active stock selection and asset allocation are used to add value. Performance Objective: To outperform the benchmark by 1.15% – 1.4% per year (before charges) over rolling 3 year periods.
Prudential Property Fund Prudential	The investment strategy of the fund is to purchase units in the M&G PP Property Fund. This fund invests directly in commercial property in the UK, including retail, office and industrial properties and provides returns through a combination of rental income and capital growth. At times the fund may have significant levels of cash (short term deposits) in advance of purchasing or following the sale of property. This may lead to lower than expected returns. The fund is actively managed against its benchmark, the IPD UK Pooled Property Fund All Balanced Index. Performance Objective: To outperform the benchmark by 0.5% per year (net of charges) over rolling 3 year periods.
Lower to Medium Risk	
Prudential Corporate Bond Fund Prudential	The investment strategy of the fund is to purchase units in the M&G PP All Stocks Corporate Bond Fund. This fund invests mainly in high quality Sterling corporate bonds across the range of maturities. The fund is actively managed against its performance benchmark of the iBoxx Sterling Non-Gilts Index. The fund may also hold British government gilts and derivatives (such as options and swaps) together with limited amounts of non-sterling and high yield corporate bonds where this may prove beneficial in the shorter term. Performance Objective: To outperform the benchmark by 0.80% per year (before charges) over rolling 3 year periods.

Fund Name and Manager	Objective
Lower Risk	
Prudential Pre-Retirement Fund Prudential	The investment strategy of the fund is to purchase units in the M&G PP Pre-Retirement Fund. This fund invests in long-dated bonds split equally between passively managed British government gilts and actively managed UK corporate bonds. The fund's benchmark is 50% tracking movements in the FTSE British Government Over 15 Years Gilt Index and 50% aiming to outperform the iBoxx Sterling Over 15 Years Non-Gilts Index. The split between government and corporate bonds may alter from time to time to reflect changing economic and market conditions. Performance Objective: To match the performance of the benchmark as closely as possible.
Prudential Index-Linked Fund Prudential	The investment strategy of the fund is to purchase units in the M&G PP Index-Linked Fund. This fund invests mainly in British Government index-linked gilts, typically with over five years to maturity. The fund is actively managed against its benchmark of the FTSE British Government Over 5 Years Index-Linked All Stocks Index. The fund can also invest in index-linked corporate bonds and overseas index-linked government bonds. The values of any overseas holdings are protected from short-term exchange rate movements by hedging. Performance Objective: To outperform the benchmark by 0.75% per year (before charges) over rolling 3 year periods.
Minimal Risk	
Prudential Cash Fund Prudential	The investment strategy of the fund is to purchase units in the M&G PP Cash Fund. This fund aims to provide a return consistent with investing in interest bearing deposits and/or short-term UK Government bonds. The fund is actively managed with the aim of beating its benchmark of the London Interbank 7 Day Deposit rate. Performance Objective: To beat the London Interbank 7 Day Deposit rate.

Important Information

- The unit-linked investment funds have a single price, based on the valuation of the assets held by the fund.
- The unit-linked investment funds are "forward priced". This means that the unit price you receive is the next available price after you have invested. For example for funds managed by Prudential M&G money received on a Monday will buys units at the unit price applicable at close of business on the same day.
- There is a short time lag between money being received, passing through our administration and accounting systems and then buying units in the underlying fund. This is known as a fund's dealing cycle and varies between fund managers. The dealing cycle can be several days.
- When switching between different unit-linked investment funds, the sale of existing units and the purchase of new units will not normally take place on the same date. There will be a lead-time involved in making unit prices available and where external companies are involved this lead-time may be longer than for funds managed by Prudential M&G. The prices of units can go up or down during that time: this is a risk to you. The exact time lapse between sale and purchase will depend on the investment funds involved in the switch. Please see the 'Important information' section on the factsheet, available from www.pru.co.uk/factsheets or speak to your pensions department. No interest is due for the period between the sale and purchase of units.
- For any fund, there may be a delay in buying, selling or switching of units. These delays will only apply in exceptional circumstances and we will let you know if they apply to you. There may, for example, be circumstances outside our control which prevent us from acting upon an instruction to buy, sell or switch units. For example, where, due to restrictions imposed by an external fund manager, we are unable to sell units in an externally-managed fund. Equally we may need to delay acting upon an instruction where we believe that to do otherwise the remaining investors in the fund would suffer an unfair reduction in the value of their investment in the fund, or would suffer some other form of unfair treatment.

- Other than in very exceptional circumstances we would not expect delays to be longer than six months in the case of units held by funds that invest in property and land, or which hold units in funds that invest in property and land, and one month in the case of units in other funds.
- While we will not delay buying, selling or switching units for longer than reasonably required, we cannot guarantee that we will never delay acting upon your instructions beyond the timescales set out above.
- If we do delay, we will use the unit prices that apply on the day we actually sell, buy or switch units after the delay has ended, unless, again, we believe that in the particular circumstances that would not be fair to investors in general.

› When switching an existing investment to the Lifestyle Option, the total value of your fund will be switched automatically.

› We reserve the right to make changes at any time to the funds we make available, subject to certain restrictions. We may also introduce new funds. To find out about changes to our range of funds, please go to www.pru.co.uk/factsheets/corporate_pension_fund_updates/

› Our charges may vary in the future and may be higher than they are now. We will write to you if this effects you.

Can I change my mind?

You can switch your money between unit-linked funds at any time. We won't charge you for this. If this changes in the future we will let you know.

Glossary of investment terms

This glossary is a high-level guide to some of the investment terms used in the Guide to Fund Options and our fund factsheets. It is not intended to be a definitive reference document and you should consider contacting a financial adviser for further assistance where necessary.

Alternative Assets – These are alternatives to assets such as Equities, Corporate Bonds and Property. Examples of alternative assets include commodities, infrastructure and private equity.

Deposits – Money that is invested with banks, building societies and other organisations to earn interest.

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

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.

Commodities – These are raw materials and foodstuffs that can be divided into 5 main categories: Agriculturals (e.g. wheat and potatoes), Softs (e.g. coffee and cocoa), Precious Metals (e.g. gold and silver), Non-Ferrous Metals (e.g. copper and lead) and Energies (e.g. oil and gas).

Corporate Bond – 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.

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 – Also known as shares or stocks, these represent a share of the ownership of a company. Shares give two potential benefits – the share price increases 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.

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.

Floating Rate Notes (FRNs) – 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.

GDP (Gross Domestic Product) – A measure of the value of all goods and services produced in an economy in a year.

Gilt – A bond issued by the British Government.

Government Bond – Loans to a 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.

A short-term Government Bond is a Bond with a repayment period of twelve months or less.

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. Currency hedging is a specific example of hedging where the fund manager tries to protect an existing or anticipated position from an unwanted move in exchange rates.

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.

High Yield Bond – This is a bond that generally has a low (or "non-investment grade") credit rating and which offers higher interest payments than a bond with a higher credit rating due to the increased risk of default by the company issuing the bond. It can also be known as a "junk" bond.

High Yielding Shares – This is a share that pays a high dividend relative to its share price.

Index-Linked Bond – These are similar to fixed interest securities but the payments are normally increased by a price index e.g. for UK Government index-linked bonds, payments are increased in line with the UK Retail Price Index.

Investment Grade – A credit rating given to a Government or Corporate bond that indicates that the agency giving the rating (e.g. Standard & Poors) believes that the issuer has a relatively low risk of default. Bonds with credit ratings of AAA, AA, A or BBB are considered investment grade. Low rated bonds with ratings of BB or below are often called High Yield or Junk Bonds.

Liquidity – This is how quickly an asset, such as equities, corporate bonds or property, can be traded within a market and turned into cash.

London Interbank Bid Rate (LIBID) – This is the interest rate at which banks bid for cash deposits from each other.

London Interbank Offered Rate (LIBOR) – This is the interest rate that 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.

Market Capitalisation – This is the total value of a company's issued securities at their current market prices. This figure should include all the different types of security issued by the company, such as shares and bonds, but is often used in relation to the equity or stock market capitalisation. The market capitalisation of a company is the market price per share multiplied by the number of shares in issue. Companies are often referred to as large cap (an abbreviation for large market capitalisation), mid cap (an abbreviation for a medium-sized company by market capitalisation) or small cap (an abbreviation for small market capitalisation).

Maturity – This is the length of time until an asset becomes due for repayment. For example with a Corporate Bond this is the length of time until the initial sum is repaid.

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.

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.

Private Equity – This is money invested in private companies (those companies that are not publicly traded on a stock exchange, such as the London Stock Exchange) or which is used to buyout publicly traded companies in order to make them private companies.

Property – Investment in commercial property such as offices, shops and industrial premises.

Repurchase Agreements (also known as Repo) – An agreement in which one party sells securities to another party and agrees to repurchase those securities on a specified later date at a specified price.

Shares – See Equities.

Unit – This represents a right of interest in the fund's assets.

Benchmarks

The following is a high-level guide to some of the indices against which the funds available from Prudential compare or benchmark their performance. The use of these benchmarks should not suggest that they sponsor, endorse, or promote this product and are not in any way connected to it.

An index measures the value, and the movement in value, of a particular group of investments (for example, the FTSE 100 Index tracks the movement in share price of the 100 largest companies on the London Stock Exchange). An index is used to compare (or benchmark) a fund's performance.

BNY Mellon CAPS Pooled Fund Survey – This survey groups together into sectors (such as UK Equity or Global Equity) the performance of funds within those sectors.

FTSE A British Government All Stocks Index – This index consists of British Government bonds across all maturities.

FTSE A British Government Over 5 Years Index-Linked Index – This index consists of British Government index-linked bonds with more than 5 years to maturity.

FTSE A British Government Over 15 Years Gilt Index – This index consists of British Government bonds with 15 years or more to maturity.

FTSE 100 Index – This index consists of the shares of the 100 largest companies by market capitalisation listed on the London Stock Exchange.

FTSE World Index – This index consists of the shares of large and mid-sized companies, based on their market capitalisation, worldwide.

FTSE All-Share Index – This index consists of the shares of all companies listed on the London Stock Exchange.

FTSE World (ex-UK) Index – This index consists of the shares of companies worldwide, excluding the shares of companies listed on the London Stock Exchange.

FTSE World Europe (ex-UK) Index – This index consists of the shares of companies listed on European Stock Exchanges, excluding the shares of companies listed on the London Stock Exchange.

FTSE World Japan Index – This index consists of the shares of companies listed on the Japanese Stock Exchange.

FTSE All World Developed North America Index – This index consists of the shares of companies listed on stock exchanges in North America.

FTSE World Asia Pacific (ex-Japan) Index – This index consists of the shares of companies listed on stock exchanges in the Asia Pacific region, excluding the shares of companies listed on the Japanese Stock Exchange.

FTSE Smaller Companies (ex-Investment Trusts) Index – This index consists of the shares of companies that are outside of the FTSE 350 Index (the FTSE 350 Index consists of the 350 largest companies by market capitalisation listed on the London Stock Exchange).

FTSE Regional Indices – These indices consist of the shares of companies listed on the Stock Exchanges within each region.

iBoxx Sterling Over 15 Years Non-Gilt Index – This index consists of Corporate Bonds with 15 years or more to maturity.

iBoxx Sterling Non-Gilt Index – This index consists of Corporate Bonds.

IPD UK Pooled Property Fund All Balanced Index – Provided by Investment Property Databank (IPD), this index consists of UK pooled property funds. A pooled fund is a way of pooling investments together as part of a single investment fund.

London Interbank 7-Day Deposit Rate – This is the interest rate at which banks bid for 7-day cash deposits from each other.

MSCI Regional Indices – These indices measure the performance of stock markets in different regions of the world.

MSCI World Index – This index measures the performance of stock markets in over 20 developed nations.

Salomon World Government Bond (ex-UK) Index – This index consists of Bonds issued by Governments across the world, excluding British Government Bonds.

Notes

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