

Fund Guide

Prudential Personal Pension

Introduction to this guide

We know that choosing which fund may be best for you isn't easy – there are many options and everyone's different so there's no 'one way' to invest.

So we offer a range of options to help you meet your investment goals.

We've produced this guide to help you and your financial adviser understand more about our funds.

If there's information or terminology included that you'd like to discuss, then please contact your financial adviser.

The funds in this guide are available to most investors in our Prudential Personal Pension product.

There are a number of important issues to think about around availability of the funds within this guide. You should speak to your financial adviser for more information. Or you can call us on 0800 000 000. 8am to 6pm Monday to Friday. We might record your calls to make sure our service is up to standard.

Some important notes we'd like you to read:

- We'd like everyone to find it easy to deal with us. Please let us know if you need information about our plans and services in a different format.
- All our literature is available in audio, large print or braille versions. If you would like one of these please contact us on 0345 640 2000 and we'll send these out to you.
- The types of assets a fund invests in will have a significant effect on its performance. Generally, the higher the potential returns, the higher the risk.
- A fund's name isn't indicative of the risk it may take.
- The information in this guide is correct as at 30 June 2019, unless another date is shown.
- This guide doesn't take account of current market conditions or other short-term fund specific changes. Up to date information on each fund can be found at pru.co.uk/funds
- All views are Prudential's.
- For important decisions it's always good to talk to experts who can help you, that's why we recommend that you discuss fund selection with your financial adviser.

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Potential reward and risk

Asset class risk types

Learn more about asset classes and their risk

You should read this section to find out more about the different types of assets, or types of things funds invest in, and the risks that they have.

We've included this as later in the guide we'll show which asset types and associated risks are applicable to different funds we offer.

Funds can invest in different types of assets. There are many types of risks but generally, the higher the potential returns, the higher the risk.

Some funds can invest in more than one asset type to try to reduce the risk of losing money. So, they're not relying on the performance of an individual asset or assets of the same type. We call this diversification.

See pages 14 to 15 for how the following asset class risk types relate to individual funds.

Equity

Equities and 'shares' are the same thing. When a fund buys a share, it's investing in a company and, in exchange, receives a share of the ownership of that company. Shares give two potential investment benefits:

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

Over the longer-term, equities can offer greater growth potential than many other asset types. But the value of equities can go down and up 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 (we'll talk about these later in this section). The financial results of other companies and general stock market and economic conditions can all affect a company's share price, and as a result the value of any fund investing in that company.

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

Fixed Interest and Index-Linked Securities

Fixed interest securities, or "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 prices index. For example, for UK government index-linked securities, payments out go up in line with the UK Retail Prices Index.

On the whole, investing in government or corporate bonds is seen as lower-risk than investing in equities. The British Government has never failed to make interest or principal payments on gilts as they fall due. (Source: Debt Management Office, June 2019).

However, it's possible for a government bond to default. And with corporate bonds there's a risk that the company may not be able to repay its loan or that it may default on its interest payments.

You can reduce the risks related to investing in bonds if you invest through a bond fund. When a fund manager selects a range of bonds, you're less reliant on the performance of any one company or government. If the fund reinvests the bond income it generates it can provide attractive levels of growth. But there's 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 the value of any fund investing in them.

Where a fund could be exposed to these types of risk, we've rated the fund as having a risk type of "Fixed Interest".

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 go up and tenants may pay rent to the owners of the building.

Investment in property can be done directly (eg owning physical property) or indirectly (eg owning shares in a property company as part of a diversified range of assets).

The return from investing in property is a combination of rental income and changes in the value of the property; which is generally a matter of a valuer's opinion rather than fact. Property can be considered to be lower risk than equities, but higher risk than bonds over the long-term.

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. It may take a number of months to sell commercial property.

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 can change from time to time. This can affect the value of a fund invested in commercial property, with the value possibly fluctuating significantly.

All of this means there are 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's necessary for properties to be sold at reduced prices.
- There may be delays removing your money from the fund if property is proving difficult to sell.
- Property fund valuations may change periodically, upwards or downwards.
- Rental income isn't 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.
- In some circumstances we may suspend one or more of our Property funds to protect the interests of our investors. If this happens we'll write to investors to let them know.

Where a fund could be exposed to these risks, we've 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 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.

Where a proportion of a fund is invested in non-Sterling assets, we've 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 could have these types of risk, we've rated it as having a risk type of "Smaller Companies and Developing Markets".

Financial Instruments

Fund managers can use several financial arrangements with the aim of improving 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.

Derivatives usually rely on a counterparty – the person or company with which the fund manager has made the agreement about future deals. If the counterparty gets into financial difficulty, 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's 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's a higher risk of capital loss.

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

Alternative Investments

These include non-traditional, complex or specialist investments such as hedge funds, private equity and complex derivative based strategies. Alternative investments can be more difficult to value and can take longer to buy or sell.

Where a fund could be exposed to these types of risk, we've rated it as having a risk type of "Alternative Investments".

Other

We've 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

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

Ethical funds are restricted from investment in certain companies and asset types 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 don't have these restrictions.

Small number of holdings

The fund may have investment concentrated in relatively few individual assets. So, 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.

Low risk 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're 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. If this happens, 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.

Protected/guaranteed funds

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've rated it as having a risk type of "Other".

Further information

If you're looking for more information on these risks then please speak to your financial adviser.

Potential reward and risk

Potential Reward and Risk Indicator

Learn how we rate the risk of the funds

We've included this so you can understand what the different numbers next to each fund, in the next few pages, mean.

Investing is about balancing the risk you're 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 goes up so does the level of risk. On pages 14 to 15 you can see how these potential reward and risk indicator numbers relate to our funds.

Some key things to think about:

- The value of your investment can go down as well as up so you might get back less than you put in.
- We've developed these rating categories to help provide an indication of the potential level of reward and risk that's attributable to a fund based on the type of assets which may be held within the fund.
- These risk rating categories shouldn't be considered generic to the fund management industry as other companies might use different descriptions.

- We regularly review these risk rating categories and so they might change in the future.
- We may amend a risk rating as a result of a material change in our view of the level of risk for fund. For example due to a significant change to the assets held by the fund or in the way the fund is managed. If we do this, we'll provide information on the new risk rating.
- We strongly recommend that before making any fund choice you ensure you understand the appropriate risk ratings. You'll find helpful information in this fund guide, along with further information, at pru.co.uk/funds

For details of material fund changes please visit pru.co.uk/fundchanges

Information is normally shown for one year.

You should also consider discussing your decision with your financial adviser. It's important to also note 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.

The information included in this guide is correct as at 30 June 2019, unless another date is shown.

Potential Reward and Risk Indicator

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

* Types of Fund

These are mostly 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 suggested description for a grouping of similar sectors. The only exception to this is "With-Profits" which isn't classified by the ABI. Where a fund is classified by the ABI then we'll use the sector it's in as a starting point to think about its appropriate position in the scale above. But please note that each fund is considered individually and membership of an ABI sector doesn't automatically imply a particular potential reward and risk indicator number.

Further information

If you're looking for more information, including the latest version of this fund guide and details of changes to our funds, then please visit pru.co.uk/funds. You'll also find an explanation of each of the ABI sector classifications on pru.co.uk/abi

Fund information

Explanations we think you should read

Learn about what can impact on your fund value and about charges and costs

This section can help you understand a bit more about the factors that can impact on funds and what we mean by fund charges and further costs.

Unit Pricing Basis for Unit-Linked Funds

When we determine the basis to be used for calculating the unit price, it's important to think about how much money is either going into or is being taken out of either Prudential's fund or the underlying investment. The unit price is then used to determine the value of individual policyholders' investments in the fund.

If more money is being paid into the fund than is being taken out, then the fund will need to purchase assets. If this is the case then the amount that's needed to buy assets for the fund (i.e. the purchase price) will be more relevant than the amount obtained for selling the assets (i.e. the sale price) in determining the unit price of the fund.

If more money is being taken out of the fund than is being paid in then the fund will need to sell assets. If this is the case, the sale price of the underlying assets will be more relevant when calculating the unit price.

Sales prices are generally lower than purchase prices. The size of the difference depends on the cost of either purchasing or selling the assets the fund invests in. These costs tend to be largest for funds investing in property,

smaller companies and developing markets so will have the largest impact on the change in price. If there's a switch from a purchase price to a sales price then the unit price could reduce. If there's a switch from a sales price to a purchase price then the unit price could go up. In both cases the movement in price can be frequent, significant and will happen straight away.

You can find details of how we manage our Unit-Linked funds at pru.co.uk/ppfm/ul

You'll also find there a shortened customer friendly version, our "Customer Guide", which explains briefly:

- how the Prudential unit-linked funds work.
- our current approach to managing them.
- the standards and practices we use to manage the funds.

Principally, this Customer Guide will explain:

- the nature and extent of the decisions we take to manage the funds, and
- how we treat customers and shareholders fairly.

The Fund Value

The value of your investment can go down as well as up so you might get back less than you put in.

For investments in the With-Profits Fund, the value of the plan depends on how much profit the fund makes and how we decide to distribute it. If you're unsure how the With-Profits Fund works, please speak to a financial adviser.

How Funds Invest

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

Fund Charges and Further Costs

Annual Management Charge

We take an Annual Management Charge (AMC) for looking after your investment, from each of the funds you invest in. Any further costs shown are expenses which are borne by the fund. Together they add up to the Yearly Total (%). These are shown on pages 14 to 15.

For most funds we calculate the AMC daily and take it monthly from your plan by cancelling units. We calculate the charge for the With-Profits Fund differently.

The annual charge, further costs and charges to cover the cost of guarantees, are already taken into account when we calculate the bonus rates for our With-Profits Fund. To find out more about the charges for this fund, please refer to your Key Features Document and other plan documentation, including your annual statement or speak to your financial adviser.

Further costs

In addition to our annual charges, there may be further costs incurred. Where these are applicable, they're paid for by the fund and will impact on the overall performance. Some examples of what these further costs might include are shown below. These aren't listed in order of importance, they won't necessarily apply to all funds, and this isn't an exhaustive list.

Name	What this means	Where applicable, are they included in the further costs figures we show in this fund guide and/or illustration?
Miscellaneous fund administration fees and costs	There can be a number of different administration fees and costs associated with funds. These can include, for example, audit fees, custody fees, infrastructure costs, registrar fees, regulatory fees, stock lending fees, and trustee fees.	No, for unit-linked funds*. Yes, for the With-Profits fund.
Performance fees	In some funds the fund managers are paid a fee depending on how they perform.	No, but if they're applicable they will impact on the performance of a fund.
Property expenses	For funds that invest in property, either directly (i.e. the fund owning physical property) or indirectly (i.e. owning units in a property fund or shares in a property company) there are costs incurred for managing these properties. These can include costs for development, maintenance, oversight and renovation of the properties held, collecting rents, and managing tenants, as well as running costs that cannot be passed onto tenants.	No, for unit-linked funds*, unless they're for property investments that are managed by M&G, which are disclosed. Yes, for the With-Profits fund.
Transaction costs	When a fund manager trades the investments in a fund (for example, makes a decision to sell one holding and buy another) there are associated costs, for example taxes.	No, but if they're applicable they will impact on the performance of a fund.

* Currently these are rebated back by Prudential to the fund, so they won't impact the fund performance, and aren't disclosed. We reserve the right to not rebate them in the future.

Further costs might be incurred by a Prudential fund or, where it's applicable, any fund our fund invests in (see the 'Investment strategy' for information on where a fund might invest).

Fund charges and further costs may vary in future and they may be higher than they are now. We'll write to you if an AMC goes up for a fund you are invested in, unless the change in the AMC we quote is part of the expected function of that fund (for example our With-Profits fund – see your Key Features Document for more information). As it's normal for further costs to vary over time we won't contact you when they change. If fund charges and further costs exceed the return earned, the fund will go down in value.

The further costs listed in this guide are indicative, based on the current levels of costs, and are correct as at 30 June 2019.

Your illustration will show the AMC and further costs applicable to your chosen fund(s).

Further Information

If the taxation treatment of the funds changes, we reserve the right to change the arrangements for the investment of the underlying assets of the fund.

You should consider that the effect of inflation would be to reduce what you could buy in the future with your pension. If investment returns are sufficiently low, inflation could cancel out returns that you make on your pension investment.

If you have any questions about this product, your fund choice or the fund charges and further costs applicable then we recommend you speak to your financial adviser.

For any fund, there may be a delay in buying, selling or switching of units. These delays will only apply in exceptional circumstances. We wouldn't expect delays to be longer than six months for units that invest in property or land and one month for units that invest in other funds. However, we can't guarantee that we'll never delay longer than these timescales. If these delays apply to you, we'll let you know.

The Prudential Assurance Company Limited (PACL) and other UK authorised and regulated firms in the Prudential Group are covered by the Financial Services Compensation Scheme. You may be able to make a claim if Prudential is unable to meet its financial obligations. But it's important to know that any compensation will depend on your eligibility, the type of financial product or service involved, the funds selected (if applicable) and the circumstances of the claim.

Find out more about Prudential and the FSCS at: pru.co.uk/about_us/fscs or you can call the FSCS on 0800678 1100.

Fund information

Funds, ABI sectors, asset class risk types, risk indicators & fund charges and further costs

Learn about the funds available to you

We've included this information to help you quickly see the range of funds we offer and the risks they have.

Funds	Association of British Insurers (ABI) Sector	Asset Class Risk Types								Potential reward and risk indicator	Fund Charges and Further Costs		
		Equities	Fixed Interest	Property	Currency	Smaller Companies and Developing Markets	Financial Instruments	Alternative Investments	Other		Annual Management Charge (%)	Further Costs (%)	Yearly Total (%)
Prudential Cash	Deposit & Treasury		✓						✓	1	1.00	0.00	1.00
Prudential Equity	UK All Companies	✓								6	1.00	0.00	1.00
Prudential European	Europe ex UK Equities	✓			✓					6	1.00	0.00	1.00
Prudential International	Global Equities	✓			✓					6	1.00	0.00	1.00
Prudential Invesco Income	UK All Companies	✓			✓	✓	✓		✓	6	1.25	0.00	1.25
Prudential Invesco Managed Growth	Flexible Investment	✓	✓		✓	✓	✓		✓	5	1.25	0.00	1.25
Prudential Japanese	Japan Equities	✓			✓					6	1.00	0.00	1.00
Prudential M&G Corporate Bond	Sterling Corporate Bond		✓							2	1.00	0.00	1.00
Prudential M&G Dividend	UK Equity Income	✓								6	1.25	0.00	1.25
Prudential M&G Gilt & Fixed Interest Income	UK Gilts		✓							4	1.00	0.00	1.00

Funds	Association of British Insurers (ABI) Sector	Asset Class Risk Types								Potential reward and risk indicator	Fund Charges and Further Costs		
		Equities	Fixed Interest	Property	Currency	Smaller Companies and Developing Markets	Financial Instruments	Alternative Investments	Other		Annual Management Charge (%)	Further Costs (%)	Yearly Total (%)
Prudential M&G Managed Growth	Global Equities	✓			✓					6	1.25	0.00	1.25
Prudential M&G Property Portfolio	UK Direct Property			✓						4	1.00	1.16	2.16
Prudential M&G Smaller Companies	UK Smaller Companies	✓				✓				6	1.00	0.00	1.00
Prudential Managed	Mixed Investment 40-85% Shares	✓	✓		✓					4	1.00	0.07	1.07
Prudential North American	North America Equities	✓			✓					6	1.00	0.00	1.00
Prudential Pacific Markets	Asia Pacific ex Japan Equities	✓			✓	✓				6	1.00	0.00	1.00
Prudential With-Profits	Unclassified	✓	✓	✓	✓	✓	✓	✓	✓	3	**	0.24	N/A

** The annual charge of this fund and charges to cover the cost of guarantees are already taken into account when we calculate the bonus rates for our With-Profits Fund. To find out more about the charges for this fund please refer to your Key Features Document and other plan documentation, including your annual statement.

Further information

If you're looking for more information on these funds, for example fact sheets, then visit pru.co.uk/funds

You'll also find an explanation of each of the ABI sector classifications on pru.co.uk/abi

Fund information

Investment strategies

Learn about the investment strategies of our funds

We've included this information so you can understand what each of the funds aim to do and where your money might be invested.

The following funds have been selected and made available to you by Prudential.

The choice of funds covers a range of different assets and types of funds which could be right for you at different times. Some of the funds are managed by Prudential whilst others are managed by external fund managers.

The following funds are all Prudential pension funds. For the externally managed funds the Prudential fund will invest in the fund manager's own fund or collective investment scheme, as explained in the following investment strategies, unless otherwise stated.

Prudential Cash

The investment strategy of the fund is to provide a return consistent with investing in interest bearing deposits and/or short-term UK government bonds.

Prudential Equity

The investment strategy of the fund is to purchase units in the LF Prudential UK Growth Qualified Investor Scheme Fund. That fund aims to achieve capital growth over the longer term from a range of mostly UK securities (up to 20% of the property of the Trust may be invested overseas).

Prudential European

The investment strategy of the fund is to purchase units in the LF Prudential European Qualified Investor Scheme Fund. That fund aims to achieve capital growth through investment in a range of European (excluding UK) securities, mainly equities.

Prudential International

The investment strategy of the fund is to provide long term capital growth by investing mainly in a spread of equity markets throughout the world, predominantly through collectives managed by Prudential Group companies.

Prudential Invesco Income

The investment strategy of the fund is to purchase units in the Invesco Income Fund (UK). That fund aims to achieve a reasonable level of income together with capital growth by investing primarily in shares of companies listed in the UK, with the balance invested internationally.

Prudential Invesco Managed Growth

The investment strategy of the fund is to purchase units in the Invesco Managed Growth Fund (UK). That fund aims to achieve capital growth from a portfolio primarily of Qualifying Funds. In pursuing this objective, the fund managers may include investments that they consider appropriate which include transferable securities, money market instruments, warrants, collective investment schemes, deposits and other permitted investments and transactions.

Prudential Japanese

The investment strategy of the fund is to purchase units in LF Prudential Japanese Qualified Investor Scheme Fund. That fund aims to achieve long-term capital growth through investment in a range of Japanese securities.

Prudential M&G Corporate Bond

The investment strategy of the fund is to purchase units in the M&G Corporate Bond Fund. That fund aims to provide income and capital growth. At least 70% of the fund is invested in sterling-denominated corporate debt instruments. The fund's exposure to corporate debt may be gained through the use of derivatives. Derivatives may also be used for efficient portfolio management. Any currency exposures within the fund may be managed by currency hedges into sterling. The fund may also invest in collective investment schemes, other transferable securities and other debt instruments (including corporate debt and government and public securities denominated in any currency), cash, near cash, other money market securities, warrants and other derivative instruments.

Prudential M&G Dividend

The investment strategy of the fund is to purchase units in the M&G Dividend Fund. That fund invests mainly in a range of UK equities with the aim of achieving a steadily increasing income stream. The fund will target a yield higher than that of the FTSE All-Share Index. Subject to this, the aim will be to maximise total return (the combination of income and growth of capital).

Prudential M&G Gilt & Fixed Interest Income

The investment strategy of the fund is to purchase units in the M&G Gilt & Fixed Interest Income Fund. The fund aims to provide income and capital growth. At least 70% of the fund is invested in short, medium or long-dated gilts according to the fund manager's view at any given moment of the likely course of interest rates and trend of the gilt market. The fund's exposure to gilts may be gained through the use of derivatives. Derivatives may also be used for efficient portfolio management. The fund may also invest in collective investment schemes, other transferable securities, other debt instruments, cash, near cash, other money market securities, warrants and other derivative instruments.

Prudential M&G Managed Growth

The investment strategy of the fund is to purchase units in the M&G Managed Growth Fund. The fund aims to deliver a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of a composite index comprising 85% global equities and 15% global bonds, over any five-year period. The fund is a multi-asset fund that invests at least 70% of its assets in other collective investment schemes in order to gain exposure to assets from anywhere in the world, including equities, fixed income, convertibles, cash, or near cash. The fund may also invest directly in these assets. In aggregate, the fund will invest at least 70% of its assets in equities, either directly or via collective investment schemes. Derivatives may be used for investment purposes, efficient portfolio management and hedging.

Prudential M&G Property Portfolio

The investment strategy of the fund is to purchase units in the M&G Property Portfolio. That fund aims to carry on Property Investment Business and to manage cash raised from investors for investment in the Property Investment Business. In so doing, the fund aims to maximise long term total return (the combination of income and growth of capital) through investment mainly in commercial property.

Prudential M&G Smaller Companies

The investment strategy of the fund is to purchase units in M&G Smaller Companies Fund. That fund aims to deliver a higher total return (the combination of capital growth and income) than the Numis Smaller Companies Index (excluding Investment Companies), net of the Ongoing Charge Figure, over any five year period.

At least 80% of the fund is invested in the UK smaller companies. These are UK listed companies which, at the initial time of purchases, are:

- in the bottom 10% (by market capitalisation) of the FTSE All-Share Index, or
- in the Numis Smaller Companies Index (excluding Investment Companies), or
- listed on the Alternative Investment Market.

The fund may also invest in collective investment schemes and other transferable securities. Cash and near cash may be held for ancillary purposes and derivatives, including warrants, may be used for efficient portfolio management and hedging purposes.

Prudential Managed

The investment strategy of the fund is to provide medium to long-term growth (the combination of income and growth of capital) by investing mainly in a broad spread of Prudential's investment-linked funds and collective investment schemes. The fund will typically have exposure to a range of asset types, including UK and overseas equities, fixed interest and commercial property.

Prudential North American

The investment strategy of the fund is to purchase units in the LF Prudential North American Qualified Investor Scheme Fund. That fund aims to achieve long-term capital growth by investing in North American securities.

Prudential Pacific Markets

The investment strategy of the fund is to purchase units in the LF Prudential Pacific Markets Trust. That trust aims to produce capital growth through investment of at least 80% of the property of the Scheme in eastern markets excluding Japan. Investment will primarily be in major markets such as Australia, Hong Kong, Singapore and Thailand, but to a lesser extent this Scheme may invest in emerging markets such as The Philippines, Taiwan and South Korea.

Prudential With-Profits*

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.

* The fund aims to protect investors against some of the ups and downs of investment performance using “smoothing” mechanisms. There are currently two types of bonuses:

Regular bonus

This is added during the term of your Plan. When we decide the rates of regular bonus, one of the main things we consider is the return we expect our investments to earn in future. We hold back some of this return with the aim of paying a proportion of the proceeds as final bonuses. We can change the rate of future regular bonus at any time without prior notice. We don't guarantee that a regular bonus will be added each year, but once added to your Plan it increases the guaranteed minimum payout – this is a minimum amount we guarantee you'll get back if you move out of our fund at particular times, for example on normal retirement date for pensions, or if you die.

Final bonus

This is an additional bonus, which we expect to pay when you take money from your Plan. If the investment return has been low over the lifetime of your plan, a final bonus may not be paid. Final bonus may vary and is not guaranteed.

If all, or any part of your Plan is invested in the With-Profits Fund, and the pension is transferred, switched to another fund or early retirement is taken, we may apply an adjustment called a Market Value Reduction (MVR). If an MVR applies you may not receive any final bonus, or the full value of the regular bonus and you may even get back less than you had invested. But the amount you get back from your Plan won't be less than the current market value of the assets underlying your Plan. MVRs are designed to protect investors not taking their money out of the Fund.

Full details of our current practice of applying an MVR can be found in the Key Features Document and “MVR – a clear explanation” (document reference PRUS6165).

Further information

If you're looking for more information on these funds then visit pru.co.uk/funds

Lifestyle Options

Lifestyling is an investment strategy that aims to allow funds to grow, then as you get closer to taking your benefits, automatically switch into funds that generally have lower risk profiles. To begin with all your contributions would be invested in a fund with a higher risk profile. Then 10 years before your Selected Retirement Date, we'll gradually start to move your money into funds that generally have a lower risk profile. The switches are free of charge.

Lifestyle option	Objective	Where does the fund invest?	Risk rating
Lifetime Investment Profile targeting retirement options	Aims to achieve long-term growth, but with automatic switching into funds appropriate if you're not sure what to do just yet.	Initially in your choice of funds then between 10 and 5 years before your Selected Retirement Date (SRD) your investments are automatically switched at monthly intervals, to a mix of your funds and the Prudential Managed and Prudential M&G Gilt & Fixed Interest Income funds. Over the final 5 years the investment is switched into a mixture of the Prudential Managed, Prudential M&G Gilt & Fixed Interest Income and Prudential Cash funds.	This will vary depending on the funds you choose for growth and the mix of those and defensive phase funds at any given time.
Lifetime Investment Profile targeting an annuity	Aims to achieve long-term growth, but with automatic switching into funds appropriate if you're planning to buy a guaranteed income for life (also known as an annuity).	Initially in your choice of funds then between 10 and 5 years before your Selected Retirement Date (SRD) your investments are automatically switched at monthly intervals, to a mix of your funds and the Prudential M&G Gilt & Fixed Interest Income Fund. Over the final 5 years the investment is switched into a mixture of the Prudential M&G Gilt & Fixed Interest Income and Prudential Cash funds.	This will vary depending on the funds you choose for growth and the mix of those and defensive phase funds at any given time.
Lifetime Investment Profile targeting 100% cash	Aims to achieve long-term growth, but with automatic switching into funds appropriate if you're planning to take one or more cash lump sums.	Initially in your choice of funds then between 10 and 4 years before your Selected Retirement Date (SRD) your investments are automatically switched at monthly intervals, to a mix of your funds and the Prudential Managed and Prudential M&G Gilt & Fixed Interest Income funds. Over the final 4 years the investment continues to switch until it is all in the Prudential Cash Fund at SRD.	This will vary depending on the funds you choose for growth and the mix of those and defensive phase funds at any given time.
Lifetime Investment Profile targeting drawdown	Aims to achieve long-term growth, but with automatic switching into funds appropriate if you're planning to take a flexible income while the remainder of the pension pot stays invested.	Initially in your choice of funds then between 10 years and your Selected Retirement Date (SRD) your investments are automatically switched at monthly intervals, to a mix of your funds and the Prudential Managed and M&G Gilt & Fixed Interest Income funds. At SRD the investment will be invested in the Prudential Managed and Prudential M&G Gilt & Fixed Interest Income funds.	This will vary depending on the funds you choose for growth and the mix of those and defensive phase at any given time.

The risk profile of funds can be judged in different ways and may change. Our lifestyling options, from time-to-time, may not match to our Prudential risk ratings, in terms of the movement from higher to lower risk, as our Prudential risk ratings may change.

Prudential reserves the right to change the terms of the lifestyle option, subject to certain restrictions in respect of existing investments in the lifestyle option. When switching an existing investment to the lifestyle option, 100% of the savings invested (excluding savings invested in the With-Profits Fund) will automatically be switched. Completion of an additional form will be required to authorise the switch of savings from the With-Profits Fund to the lifestyle option. Prudential reserves the right to withdraw or change the funds available at any time, subject to certain restrictions. New funds may also be made available.

To find out more about the advantages and disadvantages of lifestyling please visit pru.co.uk/lifestyling

Some useful investment terms

Learn about some tricky investment related words

You should read this section to find out what some of the more technical terms in this guide mean. We've included this information in case there's wording that you're unsure of.

This is a high-level guide to some useful investment terms. It's not meant to cover every term you may come across. Please speak to your financial adviser if you need help or want to know more about terms used around investments.

“Blue Chip” Companies

Companies which are large, and considered to be reputable and financially sound.

Bonds (and Fixed Interest Securities)

All bonds are really just IOUs that promise to pay an amount of money on a specified date and pay a fixed rate of interest along the way. Companies and governments can issue bonds, when they want to raise money. Bonds issued by companies are called corporate bonds. Bonds issued by the UK government are called gilts and those issued by the US government are called treasury bonds.

Collective Investment Schemes

A way of pooling investment with others within a single investment fund. Once you've joined the scheme, you can have access to a wider range of investments than if you were investing individually. You'll also share the costs and benefits. Collective Investment Schemes, OEICs, Unit Trusts, Mutual funds, usually either target investments in geographic regions (like emerging market countries) or specific themes (like technology or property).

Corporate Bonds

Loans to companies where the buyer of the corporate bond lends money in return for regular interest payments and the promise that the initial sum will be repaid on a specified later date.

Derivatives

These refer to products such as futures and options which are generally an arrangement between different parties to buy or sell a standard quantity of a specified asset on a fixed future date at a price agreed today.

Equities

Equities are also known as shares or stocks. They are a share of the ownership of a company. Shares have two potential benefits. Firstly, the share price goes up as the value of the company goes up. Also, regular payments, called dividends, may be made to the owner of the share. These are based on how well the company is doing.

Financial Times Stock Exchange (FTSE)

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Floating Rate Notes

Short-term loans to financial companies, such as banks. The investor receives interest payments, and at the end of an agreed period the company has to repay the loan. The interest payment rates are linked to a specified “floating” rate, usually the London Interbank Offered Rate (LIBOR). This means that interest rate payments may go up or down.

Government Bonds

Loans to the government where the buyer of the government bond lends money to the government. In return, they get regular interest payments and the promise that the initial sum will be repaid on a specified later date.

Hedging

A way of trying to reduce or limit risk. Hedging involves making a deal in one market in order to try to protect against possible losses in another. Often used by Hedge Funds.

Index-Linked Securities

Are similar to fixed interest securities but the payments to the investor are normally increased in line with a measure of inflation.

Investment Grade

An agency (e.g. Standard and Poors) can give a rating to a corporate or government bond. The rating indicates the agency believes that the bond issuer has a relatively low risk of not paying what it owes the buyer of the bond. 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)

The interest rate that London banks charge when they lend money to each other over a short period of time. It's often used as a benchmark by companies like banks when setting other short term interest rates.

Money Market Investments

These are cash and investments similar to cash such as bank deposits, certificates of deposits, fixed interest securities or floating rate notes. They usually have a life of less than a year.

OEIC

An open collective investment scheme. Like all such 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. When you invest new money, new shares or units are created to match the share price. When you take money out (redeem your shares), the assets are sold at the share price.

Preference Shares (also called Preferred Stock or Preferred Shares)

Shares in a company which give their holders a right to a fixed dividend payment. Some carry voting rights.

If you hold preference shares, you may get preferential treatment over common shareholders. You'll get a dividend before them and, in the event of bankruptcy, you'll be paid from company assets before common shareholders (but after debt holders).

Shares

See Equities.

Smaller Companies

Companies that you can find on a recognised exchange that have lower value than blue chip companies. In the UK, smaller companies are usually defined as those with market values below the top 350 companies in the FTSE All Share Index.

Undertakings for Collective Investment in Transferable Securities (UCITS)

Collective investments, such as OEICs and SICAVs, which can be sold across national borders within the EU.

Units/Unit Linked

Unit linked funds are divided into units and the investors hold a number of units representing the money they have invested. The price of units changes daily to reflect the value of the assets held in the fund and so the investor's fund value at any point depends on the price of the units.

Further information

If you're looking for more information then please speak to your financial adviser.