Fund Guide

Prudence Inheritance Bond

Formerly Wealth Preservation Bond
This fund guide includes a list of funds that are available with our Prudence Inheritance Bond (formerly Wealth Preservation Bond).

This product is split into two parts.

Capital Fund
Part of your investment buys Capital units in the Prudential Prudence Inheritance Capital Fund. These are held under the Whole of Life plan which is held in trust for your beneficiaries. The Whole of Life plan does not have a cash in value at any time. It will only pay out on death, and has no value at any other time.

Income Fund
Part of your investment buys Income units in the Prudential Prudence Inheritance Income Fund. They’re held under the Endowment Plan and provide you with access to any income earned on the underlying investments which can be paid out to you as regular distributions. Currently you can receive regular payments of up to 5% each year of the original investment into the Endowment Plan without creating an immediate tax bill.* Any ongoing adviser charge payments are included with the 5% limit. If you don’t use any or all this allowance in any year, the unused portion can be carried forward to future years until you have received 100% of your original investment into the Endowment Plan.

Distributions are paid every three months on 1 March, 1 June, 1 September and 1 December. We issue payments at the start of the month but it may take a few days for the money to reach your bank account. You don’t need to take these distributions, you can either cap these distributions at 5% each year and then re-invest the remainder in a choice of our unit-linked funds, or you can choose to redirect all the distributions into a choice of our unit-linked funds. You can choose up to three funds which are listed in this guide.

* This information is based on our understanding of current taxation, legislation and practice all of which are liable to change without notice. The impact of taxation (and any tax reliefs) depends on individual circumstances.
Some important notes we’d like you to read:

- The value of your investment can go down as well as up and isn’t guaranteed. Your beneficiaries may get back less than you put in.
- 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 own.
- 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.
- If there is information in this document that you’d like to discuss, then please contact your financial adviser.

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Where to find information in this guide

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’d like one of these please contact us on 0345 640 2000 and we’ll send these out to you.
Funds that are open to new and existing investors

You’ll find Key Information Documents for Prudence Inheritance Bond Endowment policy and Whole of Life policy, as well as Investment Option Documents for each of the funds that are open to new investors, at pru.co.uk/pro-docs/PIB

These documents include information such as:
- Investment objective
- Risk indicator
- Performance scenarios

For the funds listed below, it’s very important that you read the relevant Prudence Inheritance Bond Key Information Document and appropriate fund Investment Option Document(s) before making an investment decision.

Fund choice

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 Life funds. For the externally managed funds the Prudential fund will invest in the fund manager’s own fund or collective investment scheme.

<table>
<thead>
<tr>
<th>Fund Name</th>
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<tbody>
<tr>
<td>Prudential Cash</td>
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<tr>
<td>Prudential Equity</td>
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<tr>
<td>Prudential European</td>
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<tr>
<td>Prudential International</td>
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<tr>
<td>Prudential Invesco Managed Growth*</td>
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<tr>
<td>Prudential Japanese</td>
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<tr>
<td>Prudential M&amp;G Corporate Bond</td>
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<tr>
<td>Prudential M&amp;G Dividend*</td>
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<tr>
<td>Prudential M&amp;G Episode Growth</td>
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<tr>
<td>Prudential M&amp;G Gilt &amp; Fixed Interest</td>
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<tr>
<td>Prudential M&amp;G Index Tracker*</td>
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<tr>
<td>Prudential M&amp;G Index-Linked Bond</td>
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<tr>
<td>Prudential M&amp;G Managed Growth*</td>
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<tr>
<td>Prudential M&amp;G Property Portfolio</td>
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<td>Prudential Managed</td>
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<tr>
<td>Prudential North American</td>
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<tr>
<td>Prudential Pacific Markets</td>
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<tr>
<td>Prudential Prudence Inheritance Capital</td>
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</tbody>
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* Available only to plans taken out after 1st January 1999.
Fund charges and further costs

**Annual Management Charge**

The funds shown on page 4, each have an applicable Key Information Document and Investment Option Document. These include the following ongoing costs information:

- Portfolio transaction costs – The impact of the costs of buying and selling underlying investments.

- Other ongoing costs – The impact of the costs that a fund manager takes each year for managing your investments.

In those documents the ‘Other ongoing costs’ shown include the Annual Management Charge (AMC) and, where applicable, further costs that may also apply. Further explanations on what these are follow on this and the next page.

We take an 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.

If the AMC exceeds the return earned, the fund will go down in value. In general the AMC is taken by the deduction each day of 1/365th of the applicable AMC, from the relevant unit-linked fund.
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.

<table>
<thead>
<tr>
<th>Name</th>
<th>What this means</th>
<th>Where applicable, are they included in the further costs figures we show in your fund guide and/or illustration?</th>
<th>If they’re applicable, then where would they appear in a Key Information Document or Investment Option Document?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miscellaneous fund administration fees and costs</td>
<td>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.</td>
<td>Yes.</td>
<td>In ‘Other ongoing costs’.</td>
</tr>
<tr>
<td>Performance fees</td>
<td>In some funds the fund managers are paid a fee depending on how they perform.</td>
<td>No, but if they’re applicable they will impact on the performance of a fund.</td>
<td>In ‘Performance fees’.</td>
</tr>
<tr>
<td>Property expenses</td>
<td>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.</td>
<td>Yes.</td>
<td>In ‘Other ongoing costs’.</td>
</tr>
<tr>
<td>Transaction costs</td>
<td>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.</td>
<td>No, but if they’re applicable they will impact on the performance of a fund.</td>
<td>In ‘Portfolio transaction costs’.</td>
</tr>
</tbody>
</table>

Further costs might be incurred by a Prudential fund or, where it’s applicable, any fund our fund invests in.
An Investment Option Document together with your illustration will include information on fund charges and further costs applicable to your chosen fund(s).

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’re invested in. 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.

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.

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).

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 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 is 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 Guide”, which explains briefly how the Prudential unit-linked funds work and our current approach to managing them. It explains the standards and practices we use to manage the funds. Principally the guide will explain:

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

If you have any questions about this product, your fund choice or the charges 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 (FSCS). 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 investment 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 0800 678 1100.

To find out more

For more information on the above, please refer to your Policy Provisions.

For the funds listed on page 4, it’s very important that you read both the Key Information Document and relevant fund Investment Option Document(s) before making an investment decision.
Some useful investment terms

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 is 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.

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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.

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.