PRUDENTIAL

Fund Guide

Shropshire County Pension Fund
Local Government AVC Scheme

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Local Government AVC Scheme

The pension fund that you build up to provide for your retirement will depend on factors including the amount of contributions put in and what funds they are invested in.

This booklet provides useful and important information to help you decide which funds you would like to invest in.

The initial areas to consider are:

- How do I understand investment risk?
- What type of investments do I favour?
- Fund charges and further costs
- Further costs

Followed by:

- What funds are available?
- How does Lifestyling work?
- Fund descriptions

Finally we provide:

- Other important information
- Further information
- A glossary of some investment terms

Prudential is committed to providing a broad range of funds. These funds have been selected for your scheme by your trustee or employer and should offer a varied choice for you. If you are unsure as to the suitability of a fund, you may wish to seek financial advice.

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 and you may not get back the amount invested.

The information included in this guide is correct at the time of production, July 2020.

Where to find some more information

You can find details of how we manage our unit-linked funds at **www.pru.co.uk/ppfm/ul/**

You will also find there a shortened version, our "Customer Guide", which explains briefly how the Prudential unit-linked funds work, our current approach to managing them, and 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

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 affects you. We may also introduce new funds from time to time.

To get up-to-date information on the funds we make available, including changes to funds, please visit **www.pru.co.uk/funds/prudential-corporate-pension-factsheets/**

How do I understand investment risk?

Trying to understand and decide on the level of risk you are willing to take with your investment can be 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.

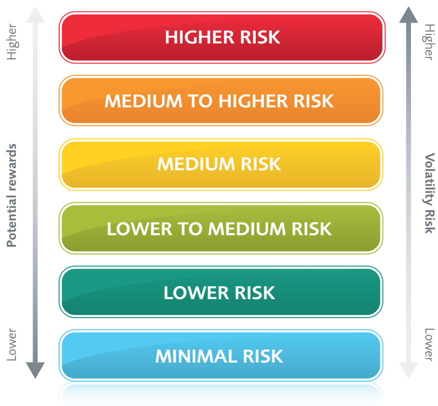
Growth from your investment can't be achieved without exposure to some risk. Being too cautious can also put your investment at risk, for example it may not grow enough to keep up with inflation (the rising cost of everyday goods and services), so getting the balance right is key to meeting your own objectives.

Some 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 over the long-term – but also the greater the potential loss.

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

Important points to understand about Prudential's risk ratings.

- Our risk ratings are based on our expectation of future volatility (the chance of short-term fluctuations up and down in the value of a fund). They do not take into account other types of investment risks you may face such as the effects of inflation.
- Risk ratings are reviewed by Prudential and may change in the future.



Volatility Risk – the chance of short-term fluctuations up and down in the value of funds, as events in financial markets cause the value of investments to rise and fall. While this can happen at any time, we believe it is likely to be most important when you're planning changes to your funds or close to taking your benefits.

These risk ratings have been developed by Prudential. Our explanations of each of these risk categories can be found in the 'What funds are available?' section.

Other companies may use different descriptions and as such these risk rating categories should not be considered as generic to the fund management industry. We recommend that before making any fund choice you ensure you understand the risk rating and relate that to your personal circumstances before making a decision.

It is important to understand the risks involved. You need to consider the amount of risk you are taking against the potential performance of the fund. The value of investments can go down as well as up. You could get back less than you invest.

In addition to Volatility Risk, other risks you may face (shown alphabetically) include:

Conversion Risk – when you retire, there is a risk that the amount of income you can buy with your pension savings will fall.

Default Risk – the risk that a company or government may not honour payments due to an investor.

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

Inflation Risk – the risk that the value of investments doesn't grow enough to keep up with inflation and so the buying power of your pension savings is eroded. We believe this risk is likely to be important to you most of the time.

Liquidity Risk – some assets can be more difficult to value and can take longer to buy or sell.

Manager Risk – the risk that an investment manager may fail to meet the objectives set for a fund.

You need to balance the importance of each of these risks to you. While inflation is likely to be important throughout, volatility and conversion risks may become even more important as you approach retirement.

There are other risks that might be applicable to you at different times as you save for and take your retirement benefits. For more information on these, please speak to a financial adviser.

What type of investments do I favour?

You can choose to spread your investment across assets to reflect your own attitude to risk.

What does the fund invest in?	Risk Rating
Typically invests more in: Equities	HIGHER RISK MEDIUM TO HIGHER RISK
Typically invests more in: Corporate Bonds, Government Bonds (Gilts), Multi-Asset, Property	MEDIUM RISK LOWER TO MEDIUM RISK
Typically invests more in: Deposits, Money Market Instruments	LOWER RISK MINIMAL RISK

What is diversification?

If you invest entirely in one type of asset or region of the world, then the value of all your pension savings will be subject to the changes in the performance of that type of asset or region. To help manage this risk, you could consider choosing funds that spread the risk by investing:

- in several assets, e.g. Equities, Bonds and Property, either through a number of funds or with a Multi-Asset fund
- by geography, e.g. different countries and regions

This approach, known as diversification, may help protect your investment from feeling the full effects from a fall in value of one asset area. However, there may be occasions when most types of investments fall in value. It should be noted too that diversification means your investment may not feel the full effects of a rise in value of any one asset.

Fund charges and further costs

When you invest your retirement savings in a fund there are charges and costs. Further information on what these are for the funds available to you, are shown later in this guide.

We take an Annual Management Charge (AMC) for looking after your investment, from each of the funds you invest in. AMCs may vary in the future and 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 the With-Profits fund – see your Key Features document for more information).

In addition to our AMC, there may be further costs incurred. Where these are applicable, they are paid for by the fund and will impact on the overall performance. We've included more information on further costs on the next page. As it's normal for further costs to vary over time, we won't contact you when they change.

This is the total of the Annual Management Charge and further costs.

The name of the fund these charges and costs are applicable to.

Fund Name	Annual Management Charge (%)	Further Costs (%)	Yearly Total (%)
An Example Fund	***0.75***	***0.18***	***0.93***
What this means in money terms based on savings of £10,000.	*£75*	*£18*	*£93*

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 that means	Where appropriate, are they included in the further costs figures we show in this fund guide?
Miscellaneous fund administration fees and costs	There can be a number of different administration fees associated with funds. These can include, for example, audit fees, custody fees, infrastructure costs, registrar fees, regulatory fees, transaction related custody fees and trustee fees.	No, for unit-linked funds*, apart from transaction related custody fees. Yes, for the With-Profits fund (if an option for your scheme).
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.	Yes.
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, for unit-linked funds, 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 'Objective' for information on where a fund might invest).

The further costs listed in this guide are indicative, based on the current levels of costs, and are correct as at July 2020.

What funds are available?

In this section you will find details of the funds you can invest in. Where available, you can choose a combination of up to a maximum of 10 funds from the funds listed.

The funds are separated by risk rating as explained in the earlier 'How do I understand investment risk?' section. We set these risk ratings for all our funds to help you choose the most appropriate funds for your needs and circumstances.

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

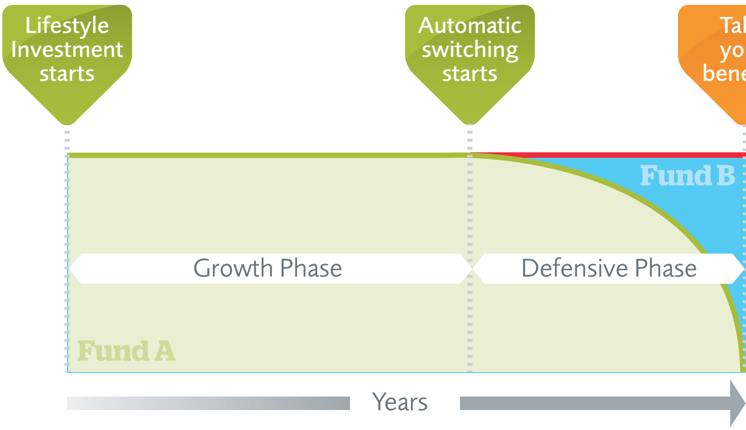
Fund Name	Fund Charges and Further Costs		
	Annual Management Charge (%)	Further Costs (%)	Yearly Total (%)
Higher Risk – These are specialist equity funds that focus on set geographical regions or a particular type of share e.g. shares of smaller companies or those that conform to certain criteria.			
Prudential UK Equity Fund	0.65	0.01	0.66
Prudential UK Equity Passive Fund	0.55	0.01	0.56
Medium to Higher Risk – These funds offer a diverse geographical spread of equity investment or have multi-asset strategies with a specialist focus (e.g ethical). The equity funds within this category will have greater overseas exposure and underlying volatility than the 'medium risk' sector.			
Baillie Gifford Global Stewardship Fund (previously known as the Baillie Gifford Global Select Fund)	0.90	0.00	0.90
BlackRock Aquila World (ex-UK) Equity Index Fund	0.63	0.00	0.63
HSBC Islamic Global Equity Index Fund	0.80	0.00	0.80
Prudential Dynamic Global Equity Passive Fund	0.54	0.00	0.54
Prudential Positive Impact Fund	0.65	0.00	0.65
Medium Risk – These funds may invest in multi-asset strategies with a higher weighting in equities (or with significant derivative use), while funds investing mainly in property, high yield or government bonds (such as UK Gilts) are also in this category.			
Prudential Discretionary Fund	0.65	0.03	0.68
Prudential Index-Linked Fund	0.65	0.01	0.66
Prudential Long-Term Gilt Passive Fund	0.55	0.01	0.56
Prudential UK Property Fund	0.65	0.53	1.18

Fund Name	Fund Charges and Further Costs		
	Annual Management Charge (%)	Further Costs (%)	Yearly Total (%)
Lower to Medium Risk – These funds may invest in corporate bonds or multi-asset strategies with a higher weighting in corporate bonds (and other comparable strategies).			
Prudential All Stocks Corporate Bond Fund	0.65	0.01	0.66
Prudential Fixed Interest Fund	0.65	0.01	0.66
Minimal Risk – These funds may invest in a combination of deposits, money market instruments and other types of interest bearing securities.			
Prudential Cash Fund	0.55	0.00	0.55

How does Lifestyling work?

Lifestyling

Lifestyling aims to provide long term growth with automatic switching of your money into different funds as you get closer to taking your benefits. Lifestyling is an investment option that is basically made up of two phases. The first "growth" phase is where the aim is to grow the size of your pension savings, typically by investing in funds which aim to grow faster than inflation. In the second "defensive" phase your investments are switched automatically, into funds that could help reduce the risk of short-term falls in the value of the pension savings you've built up.



How/when are Lifestyle switches made?

The switches between funds, shown by funds A and B in the example above, are designed so that the investment in each fund within the lifestyle option is maintained at the fixed proportions set out in the 'Lifestyle option' section. The funds being used, their risk ratings and the point where your fund value will start automatic switching, will be dependent on the lifestyle option you choose. If you choose a lifestyle option, all your payments will be made into that option and you will not be able to select any other funds or lifestyle option. You can switch all your pension savings out of this option at any time.

The switches between the funds are automatically done and are normally free of charge. However, there may be a cost to you if the switch is from a fund where the, generally lower, selling price applies that day to a fund where the, generally higher, buying price applies on the day the switch is completed. Prudential reserves the right to change the terms of the lifestyle option.

What happens if I change my retirement plans?

If you change the date that you intend to take your benefits it's important that you let us know so that we can amend your lifestyle option accordingly.

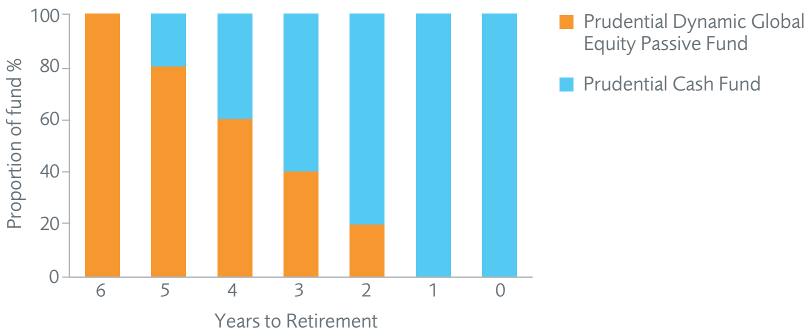
More information on Lifestyling

Details of the funds used for investment in your lifestyle option are detailed within the 'Fund description' section later in this guide.

For further details of the advantages and disadvantages of lifestyling please visit **www.pru.co.uk/lifestyling/**

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 Dynamic Global Equity Passive Fund – **Medium to Higher** Prudential Cash Fund – **Minimal**	Charges will depend on which funds your money is invested in and when the charge is calculated.

This lifestyle option could be for those intending to take their pension as a single or series of cash lump sums. At retirement, you'll need to consider whether by taking cash you will have sufficient income to meet your needs.

Lifestyle option names may be descriptive in nature. Some, for example, are similar to Prudential Risk Rating names. However, it is important to note, that lifestyle options are not risk rated by Prudential.

Closed funds

The following list shows funds that are now closed to new members. Members who are already invested in these funds can continue to invest and make additional payments.

Fund Name	Fund Charges and Further Costs			Date Closed
	Annual Management Charge (%)	Further Costs (%)	Yearly Total (%)	
Prudential Deposit Fund	N/A*	0.00	N/A	31/05/2017
Prudential Global Equity Fund	0.65	0.01	0.66	09/11/2015
Prudential International Equity Fund	0.65	0.01	0.66	09/11/2015
Prudential With-Profits Fund	†	0.18	†	09/11/2015

† For further information on the Prudential With-Profits Fund please see 'Other important information'.

* For further information on the Prudential Deposit Fund please see the 'Fund descriptions' section.

Fund descriptions

All of the available funds are Prudential funds managed on our behalf by the fund manager stated. These funds should not be confused with the same or similarly named fund offered independently by this fund manager.

Fund Name and Manager	Asset Class, Active or Passive	Objective
Higher Risk		
Prudential UK Equity Fund Prudential	Equities, Active	Objective: The investment strategy of the fund is to purchase units in the M&G PP UK Equity Fund – the underlying fund. Underlying Fund Objective: The fund invests, via other M&G PP funds, in the shares of UK companies. The fund is actively managed against its benchmark, the FTSE All-Share Index. It is a "fund of funds" holding units in several more specialised UK equity funds giving access to a variety of methods for generating investment returns in differing market conditions. Performance Objective: To outperform the benchmark by 0.75%-1.0% a year (before charges) on a rolling three year basis.
Prudential UK Equity Passive Fund Prudential	Equities, Passive	Objective: The investment strategy of the fund is to purchase units in the M&G PP UK Equity Passive Fund – the underlying fund. Underlying Fund Objective: The fund invests in the shares of UK companies. The fund is passively managed against its benchmark, the FTSE All-Share Index. The fund tracks the index by holding all of the companies which make up the FTSE 100 Index, together with a representative sample of the remainder of the companies in the All-Share Index. Performance Objective: To match the performance of the benchmark as closely as possible.

Fund Name and Manager	Asset Class, Active or Passive	Objective
Medium to Higher Risk		
Baillie Gifford Global Stewardship Fund (previously known as the Baillie Gifford Global Select Fund) Baillie Gifford	Equities, Active	Objective: The investment strategy of the Prudential Baillie Gifford Global Stewardship Fund is to purchase units in the Baillie Gifford Global Stewardship fund-the underlying fund. Underlying Fund Objective: The objective the fund is to outperform (after deduction of costs) the MSCI AC World Index, as stated in Sterling, by at least 2% per annum over rolling five-year periods. The fund will invest at least 90% in shares of companies anywhere in the world. Investments will be made in shares of companies which, in the investment manager's opinion, demonstrate long-term growth prospects and good stewardship. By stewardship, the investment manager refers to the long-term management of companies in the interests of all stakeholders. This includes not only environmental, social and governance issues faced by a company, but also issues such as the long-term strategic direction, capital allocation and the strength of the corporate culture. The underlying fund will be actively managed and will invest in companies of any size and in any sector. To the extent that the underlying fund is not fully invested in shares, the fund may also invest in other transferable securities of companies anywhere in the world, money market instruments, deposits and cash. The underlying fund may not invest in or otherwise use derivatives.
BlackRock Aquila World (ex-UK) Equity Index Fund BlackRock	Equities, Passive	Objective: The investment strategy of the fund is to purchase units in the BlackRock Aquila Life World (ex-UK) Equity Index Fund – the underlying fund. Underlying Fund Objective: The fund invests in the shares of overseas companies, according to market capitalisation weightings. Within each of those markets, the fund aims to generate returns consistent with those of each country's primary share market. The fund aims to achieve a return in line with the FTSE All-World Developed ex-UK Index.

Fund descriptions (continued)

Fund Name and Manager	Asset Class, Active or Passive	Objective
HSBC Islamic Global Equity Index Fund HSBC	Equities, Passive	Objective: The investment strategy of the fund is to purchase units in the HSBC Islamic Global Equity Index Fund – the underlying fund. Underlying Fund Objective: The fund aims to create long term appreciation of capital through investment in a diversified portfolio of securities as defined by a relevant world index, which meets Islamic investment principles as interpreted and laid down by fund manager's Shariah Committee and provided to the fund manager's Board of Directors. For further details on the Shariah principles, please refer to the section "Investment Policy of the Sub-Funds" found in the underlying fund's prospectus.
Prudential Dynamic Global Equity Passive Fund Prudential	Equities, Passive	The fund aims to deliver long term (more than five years) growth by investing in underlying funds, offered by M&G plc and/or external fund managers, that track UK and overseas equities. The regional asset allocation is actively managed against an internal benchmark set by the M&G Treasury & Investment Office.
Prudential Positive Impact Fund Prudential	Equities, Active	The investment strategy of the fund is to purchase units in the M&G PP Positive Impact fund (the underlying fund). Underlying fund objective: The investment strategy of the fund is to purchase units in the M&G Positive Impact Fund, an M&G OEIC. That fund aims to provide a combination of capital growth and income, that is higher than the MSCI ACWI Index over any five-year period, net of the Ongoing Charge Figure. At least 80% of the fund is invested in the shares of companies from anywhere in the world (including emerging markets), across any sector and of any size. The fund usually holds shares in fewer than 40 companies. The fund invests over the long term in companies that make a positive social and/or environmental impact alongside a financial return. Sustainability and impact considerations are fundamental in the stock selection process. The fund embraces the United Nations Sustainable Development Goals framework and invests in a range of companies focused on areas including climate action, pollution reduction, education and working conditions. Derivatives may be used to manage risks, reduce costs and to manage the impact of changes in currency exchange rates on the fund's investments.

Fund Name and Manager	Asset Class, Active or Passive	Objective
Prudential Global Equity Fund Prudential	Equities, Active	Objective: The investment strategy of the fund is to purchase units in the M&G PP Global Equity Fund – the underlying fund. Underlying Fund Objective: The fund provides an all-equity approach to investment, holding a 60% UK equity and 40% mix of overseas company shares. For the overseas shares the fund is actively managed against an internal composite benchmark asset allocation set by the M&G Treasury & Investment Office (T&IO). It is a "fund of funds" where both active stock selection, within the underlying sector funds, and asset allocation decisions are used to add value. Performance Objective: To outperform the internal composite benchmark by 1.0% a year (before charges) on a rolling three year basis.
Prudential International Equity Fund Prudential	Equities, Active	Objective: The investment strategy of the fund is to purchase units in the M&G PP International Equity Fund – the underlying fund. Underlying Fund Objective: The fund invests, via other M&G PP funds, in the shares of overseas companies. It is actively managed against an internal composite benchmark asset allocation set by the M&G Treasury & Investment Office (T&IO). It is a "fund of funds" where both active stock selection, within the underlying sector funds, and asset allocation decisions are used to add value. Performance Objective: To outperform the internal composite benchmark by 1.0% a year (before charges) on a rolling three year basis.
Medium Risk		
Prudential Discretionary Fund Prudential	Multi-Asset, Active	Objective: The investment strategy of the fund is to purchase units in the M&G PP Discretionary Fund – the underlying fund. Underlying Fund Objective: The fund provides a multi-asset approach to investment, holding a mix of UK and overseas company shares, bonds, property, cash plus listed alternative assets through other M&G PP funds or direct holdings. It is actively managed against an internal benchmark asset allocation set by the M&G Treasury & Investment Office (T&IO). It is a "fund of funds" where both active stock selection, within the underlying sector funds, and asset allocation decisions are used to add value. Performance Objective: To outperform the internal composite benchmark by 1.15% – 1.40% a year (before charges) on a rolling three year basis.

Fund descriptions (continued)

Fund Name and Manager	Asset Class, Active or Passive	Objective
Prudential Index-Linked Fund Prudential	Government Bond, Active	Objective: The investment strategy of the fund is to purchase units in the M&G PP Index-Linked Fund – the underlying fund. Underlying Fund Objective: The fund invests mainly in UK Government index-linked gilts, typically with over five years to maturity. The fund is actively managed against its benchmark, the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index. The fund can also invest in corporate bonds, overseas government bonds and fixed interest gilts. Exposure to short-term exchange rate movements from any overseas holdings is mitigated by hedging. Performance Objective: To outperform the benchmark by 0.75% a year (before charges) on a rolling three year basis.
Prudential Long-Term Gilt Passive Fund Prudential	Government Bond, Passive	Objective: The investment strategy of the fund is to purchase units in the M&G PP Long-Term Gilt Passive Fund – the underlying fund. Underlying Fund Objective: The fund invests in UK Government gilts with over 15 years to maturity. The fund is passively managed against its benchmark, the FTSE Actuaries UK Conventional Gilts Over 15 Years Index. Tracking this index is achieved by fully replicating the stocks in the index. Performance Objective: To match the performance of the benchmark as closely as possible.
Prudential UK Property Fund Prudential	Property, Active	Objective: The investment strategy of the fund is to buy units in the M&G PP UK Property Fund – the underlying fund. Underlying Fund Objective: The fund invests in the M&G UK Property Fund ("UKPF"), an open-ended Luxembourg FCP investing solely in UK property assets, including the retail, office, industrial and alternative sectors. The UKPF is actively managed against its IPD benchmark, seeking to deliver returns through a combination of rental income and capital growth. At times the fund may have significant levels of short term cash deposits in advance of purchasing units in the UKPF. This may lead to lower than expected returns. Performance Objective: To outperform the benchmark by 1.05% per year (gross of annual management charges) over rolling 3-year periods.

Fund Name and Manager	Asset Class, Active or Passive	Objective
Lower to Medium Risk		
Prudential All Stocks Corporate Bond Fund Prudential	Corporate Bond, Active	Objective: The investment strategy of the fund is to purchase units in the M&G PP All Stocks Corporate Bond Fund – the underlying fund. Underlying Fund Objective: The fund invests mainly in high quality Sterling corporate bonds across the range of maturities. The fund is actively managed against its benchmark, the iBoxx Sterling Non-Gilts Index. The fund may also hold UK government gilts and limited amounts of high yield and hedged non-sterling corporate bonds. Derivative instruments may be used for efficient portfolio fund management. Performance Objective: To outperform the benchmark by 0.80% a year (before charges) on a rolling three year basis.
Prudential Fixed Interest Fund Prudential	Government Bond, Active	Objective: The investment strategy of the fund is to purchase units in the M&G PP Fixed Interest Fund – the underlying fund. Underlying Fund Objective: The fund invests mainly in UK government gilts. The fund is actively managed against its benchmark, the FTSE Actuaries UK Conventional Gilts All Stocks Index. The fund can also invest in overseas government bonds and corporate bonds issued by UK and overseas companies and institutions. Exposure to short-term exchange rate movements from any overseas holdings is mitigated by hedging. Performance Objective: To outperform the benchmark by 0.75% a year (before charges) on a rolling three year basis.
Prudential With-Profits Fund Prudential	Multi-Asset, Active	The fund offers the prospect of competitive long-term real returns whilst smoothing the peaks and troughs of day-to-day market movements. Investment returns are passed to policyholders through bonuses. The fund is invested in a diversified portfolio of UK and overseas shares, bonds, property and cash. A significant proportion of the fund is invested in shares and property which can be expected to produce attractive long term returns, but the return on these assets can be volatile and so the fund is actively managed to optimise the returns while controlling risk.

Fund descriptions (continued)

Fund Name and Manager	Asset Class, Active or Passive	Objective
Minimal Risk		
Prudential Cash Fund Prudential	Deposits, Active	Objective: The investment strategy of the fund is to purchase units in the M&G PP Cash Fund – the underlying fund. Underlying Fund Objective: The fund invests in both secured (reverse repurchase agreements) and unsecured interest bearing deposits, as well as short-term UK Government bonds and Certificates of Deposit. It is actively managed against its benchmark, the London Interbank LIBID 7 Day Deposit rate. Performance Objective: To outperform the benchmark before charges on a rolling three year basis.
Prudential Deposit Fund Prudential	N/A, Active	The current practice, which we can review at any time, is to set and declare the interest rate on the first of each month, in line with the Bank of England base rate. Any interest is declared monthly and there are no explicit charges. The assets of this fund are part of the With-Profits Fund which is a multi-asset fund. The capital you hold in the Prudential Deposit Fund will not decrease.

Other important information

With-Profits

Charges on With-Profits business depend on the performance of the With-Profits Fund and, in particular, the investment returns achieved and expenses incurred. Over time, if investment returns are higher, then the charges would be expected to be higher, and if investment returns are lower, the charges would be expected to be lower. An indication of the current estimated level of the annual charge can be found in your Key Features Document or, for existing investors, your Annual Benefits Statement.

There is a charge to pay for all the guarantees the With-Profits Fund supports. That charge isn't included in this guide but you'll find information on this, and further information on With-Profits, in your Key Features document. The annual charge, further costs, and charges to cover the cost of these guarantees, are already taken into account when we calculate the bonus rates for our With-Profits Fund. If you move money out of the With-Profits Fund a Market Value Reduction (MVR) may be applied, which would cause the value of your savings to fall. MVRs are meant to make sure all investors get a fair return based on the earnings of the With-Profits Fund over the period their payments have been invested and remaining investors don't suffer unfairly because others have sold their stake. For more information, please see our 'MVR – a clear explanation' document, reference PRUS6165 at **www.pru.co.uk/pdf/PRUS6165.pdf**

For With-Profits investments, the rate of future bonuses cannot be guaranteed. Final bonus may vary and is not guaranteed. For investments in the With-Profits Fund, the value of the Policy depends on how much profit the Fund makes and how we decide to distribute that profit. Policyholders usually receive their shares of any profits as bonuses but we may use other methods to distribute profits.

For further information on With-Profits please refer to your Key Features Document or visit **www.pru.co.uk/funds/ppfm/**

Switching between funds

- When switching between different unit-linked 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. 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 funds involved in the switch. 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 will protect remaining investors in the fund from suffering an unfair reduction in the value of their investment in the fund or some other form of unfair treatment.
  - Other than in very exceptional circumstances we would not expect delays to be longer than six months for investments 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 from a unit-linked fund to a lifestyle option, the total value of your fund will be switched automatically to that lifestyle option.
- 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 funds or lifestyle option. You can switch all of your savings out of this option at any time.

Changes to our funds

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/corporate-pension-fund-updates/**

Can I change my mind?

You can switch your money between funds at any time. We won't charge you for this though, as noted earlier, there is a risk to you as the prices of units can go up or down during the lead-time involved in making those prices available. If this changes in the future we will let you know. For further information please see the earlier 'Switching between funds' section.

Further information

How funds invest

Some of the Prudential funds listed in this guide may invest in 'underlying' funds or other investment vehicles. Have a look at a fund's objective and that will tell you where it invests – including if that's in an underlying fund or funds.

If the Prudential fund is investing in just one underlying fund then it's what's known as a 'mirror' fund, as the performance of the Prudential fund broadly aims to reflect the performance of the underlying fund it invests in. The performance of our Prudential fund, compared to what it's invested in won't be exactly the same. The differences between the underlying fund and our fund can be due to:

- additional charges,
- cash management (needed to help people to enter and leave our fund when they want),
- tax,
- timing of investments (this is known as a fund's dealing cycle, it varies between managers and can be several days).

Some background information on how our funds work

- Funds are legal arrangements which pool together the contributions of numerous individuals (such as members of schemes like you) to collectively buy assets like shares and bonds. These funds are then divided into units of equal value. In return for their contributions, each individual receives ownership of their share of the fund in the form of these units.
- Funds – known as 'unit-linked' funds – have a single price, based on the valuation of the assets held by the fund. Each unit will have this price.
- The unit-linked funds are "forward priced". This means that the unit price you receive is the next available price after you have invested money in or taken money out of a fund.
- When calculating the unit price of a fund it is important to consider how much money is either going into or being taken out of 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 purchase price (or "offer" price as it is sometimes known) will be relevant 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 so a switch from a purchase price to a sales price will result in a lower unit price. Conversely, a switch from a sales price to a purchase price will result in a higher unit price.

  In both cases the movement in unit price can be significant and will occur immediately.

  This is known as a "single swinging price". It is done to protect the interests of those customers who remain in the fund and means that the costs of buying and selling assets are borne by those customers who are trading in and out of the fund. The difference between the purchase and sales price reflects these costs which tend to be largest for funds investing in property, smaller companies and developing markets. The costs can include stockbroker commission and withholding taxes (such as stamp duty in the UK) and are outside Prudential's control.

  It also means that, whenever you switch funds, there may be an investment cost to you if you switch from a fund where the sales price applies that day to a fund where the purchase price applies on the day the switch is completed.

Find out more

- You can find more details of how we manage our unit-linked funds at **www.pru.co.uk/ppfm/ul/**

  You will also find there a shortened version, our "Customer Guide", which explains briefly how the Prudential unit-linked funds work, our current approach to managing them, and the standards and practices we use to manage the funds.

Compensation

The Prudential Assurance Company Limited (PACL) is covered by the Financial Services Compensation Scheme (FSCS). If we get into financial difficulties, you may be able to make a claim. The FSCS is an independent body set up by Government to provide compensation for people where their authorised financial services provider gets into financial difficulties and becomes unable, or unlikely to be able, to pay claims against it. This circumstance is referred to as being 'in default'.

Losses, which may result from poor investment performance, are not covered by the FSCS.

Where does FSCS protection apply?

There is full FSCS coverage if PACL is 'in default'.

- Your pension is protected up to 100% of the value of your claim.
- Any funds you choose to hold in your pension will be included in the value of your claim in the event that PACL is declared 'in default'.
- If you hold the Prudential With-Profits Fund or Deposit Fund (if an option for your scheme) in your pension, they are protected 100% in the event of the default of PACL.

All the other funds we offer, apart from those mentioned above, are unit-linked, and invest in other funds managed by non-PACL fund managers. FSCS cover does not apply if the non-PACL fund manager were to be 'in default'.

- There is no FSCS cover for unit-linked funds investing with non-PACL fund managers if that manager were to be 'in default'.
- See 'How funds invest' for further information on these types of fund (often called 'mirror' funds).

You can find out more information on the FSCS at **www.pru.co.uk/fscs**, or you can call us.

Information is also available from the Financial Services Compensation Scheme.

Visit their website: **www.fscs.org.uk**

Or write to: The Financial Services Compensation Scheme, PO Box 300, Mitcheldean GL17 1DY

Or call the FSCS: Telephone: 0800 678 1100

Where FSCS coverage does not apply, then other factors can come in

As explained in the 'Where does FSCS protection apply?' section, the FSCS doesn't cover every situation. For example unit-linked funds that invest in the funds of non-PACL fund managers (often called 'mirror' funds).

But, where FSCS protection does not apply, there are other factors that could help if the worst happened and a provider was 'in default'. For example, the use of custodians or depositories to provide protection for fund assets, where there is separate legal ownership of assets and legal entities that aren't liable for any losses of a fund manager. In so doing, the intention is that the underlying fund will not be liable for any losses the underlying fund management company incurs.

PACL would aim to recover any money invested in an underlying fund where the fund manager has been declared 'in default', but PACL would not be liable for any loss incurred from the default of the non-PACL fund manager.

A glossary of some investment terms

This glossary 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 more traditional assets such as Equities, Bonds and Property. These can range from hedge funds and venture capital to fine wines, rare stamps and other collectibles. Due to their nature some of these assets can be difficult to value and to trade.

Bonds – These are loans or IOUs issued by companies or by governments in order to raise money. Bonds issued by companies are called corporate bonds while those issued by governments are generally known as government bonds. Bonds issued by the UK Government are known as Gilts.

Bonds can provide fixed or index-linked amounts of income based on their initial price, in addition to repaying that initial sum on a specified later date. The market value and the interest rate on a bond can both go down and up. On the whole, over the longer-term, investing in bonds is considered to be lower-risk than investing in equities.

Certificates of Deposit – These are a money market investments that are generally issued by banks. A certificate of deposit usually pays interest (which can vary) and entitles the bearer to receive a set interest rate up until a set maturity date and can be issued in any currency or denomination.

Collective Investment Schemes – A way of pooling investment with others as part of a single investment fund, such as those offered here by Prudential. 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 categories such as: 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).

Custodian – A, normally large and reputable, financial institution that holds customers' securities for safekeeping in order to minimise the risk of their theft or loss. A custodian holds securities and other assets in electronic or physical form.

Depository – A depositary can be appointed to a fund to safekeep the assets of the fund (whether by taking them into custody, or record-keeping and verifying title of them) and oversee the affairs of the fund to ensure that it complies with obligations outlined in relevant laws and the fund's constitutional documents.

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

Deposits can be considered to be minimal risk, but there are exceptional circumstances where they can fall in value.

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.

Equities – Also known as shares or stocks, these represent a share of the ownership of a company. Shares can provide regular payments, known as dividends, and share price changes as the value of the company changes.

Over the longer term, equities can offer greater growth potential than many other asset types. But the value of equities can go up and down a lot and tend to carry a higher risk than corporate or government bonds or money market instruments.

Hedging – Aims to reduce the risk of an asset. Currency hedging is a specific example – where an investment is 'hedged back to sterling' a fund manager is trying to protect that investment from an unwanted move in sterling exchange rates. Whilst hedging can reduce potential risk it also reduces potential returns.

High Yield Bond – This is a type of bond that offers higher interest payments due to the increased risk of default by the company issuing the bond. It can also be known as a "junk" bond. These bonds will have low credit ratings of BB or below.

Investment Grade – A credit rating given to a government or corporate bond that indicates that the agency giving the rating 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.

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.

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 – These include bank deposits, certificates of deposits or fixed interest securities.

The return achieved from money market instruments is a combination of interest and any changes in the value of the instruments.

Money market instruments can be considered to be very low risk, but there are circumstances where they can fall in value.

Multi-Asset – A fund that invests in a range of assets, such as equities, bonds, property and alternative assets, is known as a Multi-Asset fund. 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.

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.

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

- **Passively managed fund** – Aims to track the movements of an index or indices, such as the FTSE 100*. It is not possible for a passively managed fund to track its benchmark exactly because of the costs it incurs buying and selling its underlying assets. The managers of the fund tend to have lower expenses than active fund managers, and the charges to investors therefore also tend to be lower.
- **Actively managed fund** – Active funds are those that are managed with the aim of generating returns greater than the market, as measured by a benchmark or an index.

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 retail, office and industrial properties). This can be done either by investing directly (eg owning physical property) or indirectly (eg owning shares in a property company as part of a diversified range of assets). The return achieved 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. It should also be noted that property can be difficult to sell, which can delay withdrawing money from a fund that invests in property. Property can be considered to be lower risk than equities, but higher risk than bonds over the long-term.

Prospectus – The legal document which sets out what a fund's investment objectives are and how it will operate. It is provided by the managers of the funds Prudential invest in.

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.

Smaller Companies – Companies quoted on a recognised exchange that have a market worth below that of the largest companies. In the UK, smaller companies are typically defined as those with market capitalisations below the 350 largest companies.

Tracking error – This is the extent to which a fund's return differs from that of its benchmark.

Transferable Securities – These are assets which are traded on capital markets. The term is probably most commonly known and used in association with Undertakings for Collective Investments in Transferable Securities (UCITS) in UK and Europe. Examples include depositary receipts and some types of warrants which are derivatives giving the right to buy or sell assets like equities at a set price on or before a future date.

Unit – Unit-linked investment funds are divided into units of equal value. When investing, an individual's contribution is used to buy units. The value of these units will fall or rise in line with the underlying investments.

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