Your Prudential With-Profits Plan is a medium to long term investment that:

- combines your money with money from other with-profits planholders
- invests in our With-Profits Fund
- gives you the advantages of a well balanced mix of investments with some smoothing of investment returns.

Our investment strategy aims to secure the highest total return over the time you have your Plan, consistent with the objectives of the individual PruFund Fund, while maintaining an acceptable level of risk to our Fund.

Aims of this guide

This guide explains briefly how our With-Profits Fund works and our current approach to managing it. Please keep this guide in a safe place, along with your other Plan documents, as you might find it useful:

- when you get your yearly statement,
- if you get an illustration of what you might get back from your Plan,
- if you’d like to discuss your Plan with a financial adviser.

This guide applies to plans investing in the PruFund range of funds. We have detailed the individual funds included in this range applicable to the plans covered by this guide, in the table on page seven.

You might get similar guides if you have more than one type of with-profits plan.

Further Information

You can find more detailed, technical information about how we manage our Fund in our Principles and Practices of Financial Management (PPFM) document, which is available on our website: pru.co.uk/ppfm

You can find the most up-to-date version of this guide, together with a summary of notable past or upcoming changes to our Principles and Practices of Financial Management, on our website.

Glossary

We’ve put terms in bold and explained what they mean in the glossary on page six.

This guide doesn’t apply to the PruFund (Pricing Series D or E) range of funds – Prudential Retirement Account business. If this guide doesn’t apply to your product and you’d like a copy of the guide that does, please see our website or give us a call on 0800 000 000.
What’s a with-profits plan?
It’s a plan that shares in the profits of a with-profits fund.
When you take money from your investment in our With-Profits Fund, the difference between the value of the units withdrawn and the investment you made to buy them (less our charges) represents your share of the profits of our Fund.
We aim to grow your money invested in our With-Profits Fund over the medium to long term.

How does our With-Profits Fund work?
We combine and invest money from all of our planholders in our With-Profits Fund. The Fund has a wide range of investment types which we generally refer to as assets.
Investment performance usually has the biggest effect on the value of your Plan. You can find more detail on the factors that might affect the value of your Plan on page four.

Why do we have a smoothing process?
Like most stockmarket based investments, the value of the underlying funds change daily, sometimes increasing and sometimes decreasing. We use a smoothing process that aims to reduce the impact of these movements over the short term.
The PruFund range of funds has an established smoothing process which uses Expected Growth Rates, and where necessary, Unit Price Adjustments, to deliver smoothed returns, and provide some protection from some of the extreme short-term ups and downs of direct stockmarket investment.

What’s the Expected Growth Rate and how do we decide it?
The Expected Growth Rates are the annualised rates which we’ll normally apply daily to the unit price of the funds. The Prudential Directors set these every three months (quarterly). They’ll take into account the investment returns that they expect the assets of the funds to earn over the long term (up to 15 years). We’ll publish these for each product, every three months (on the quarter dates) on our website: pru.co.uk/egr
Your investment will normally change in line with this growth rate on a daily basis, through the price of the units you hold (known as the unit price).

What happens when you first invest?
Every time you invest, your money will buy units in the corresponding “fixed rate” account(s) before we move it into your chosen fund(s) on the next PruFund quarter date. Please note that for Prudential ISA planholders, any units bought on a quarter date will be switched on that same day. The quarter dates are:
• 25 February
• 25 May
• 25 August
• 25 November
or the next working day if the quarter date is a weekend or a public holiday.
When your money is in the fixed rate account and waiting for us to move it into your chosen fund on the next (or for Prudential ISA planholders, the same if applicable) PruFund quarter date, it’ll grow at the Expected Growth Rate that we’ll have set for the fund you’ve chosen. Charges to the plan will apply as normal during this period, but any smoothing adjustments, Unit Price Resets, or suspension of smoothing won’t apply.

What’s the smoothing process?
When we’re talking about prices and describing the smoothing process, we use the terms smoothed and unsmoothed:
• The smoothed price – which we also call the unit price, increases by the Expected Growth Rate as explained above. We publish this price.
• The unsmoothed price – which we work out by dividing the value of the underlying fund by the total number of units. We don’t publish this price.

How we smooth
Every day, the smoothing process checks the gap between the smoothed price and unsmoothed price. For this purpose, we calculate the gap using both the unsmoothed price and a five working day rolling average of the unsmoothed price. If the gap is ever equal to or more than the Daily Smoothing Limit, we’ll adjust the smoothed price straight away, to reduce the gap to the value of the Gap After Adjustment for the relevant fund.
In addition, on each quarter date if there is a gap which is equal to or more than the Quarterly Smoothing Limit, when we compare the unsmoothed and smoothed prices for that day, we will reduce the gap by half by adjusting the smoothed price. Where necessary, we will repeat this process until the gap is less than the Quarterly Smoothing Limit.
Any adjustments we make to the smoothed price can be down or up, depending on whether it’s above or below the unsmoothed price.

Please note, the Daily Smoothing Limit, Quarterly Smoothing Limit and the Gap After Adjustment will vary by fund. The current values that apply to each fund can be found in the table on page seven.

The smoothed price after any adjustment we make will increase at the Expected Growth Rate for the quarter. The unsmoothed price is not published. This protects investors by avoiding speculation over possible smoothed price adjustments.

Can we reset the smoothed price?

We may decide to reset the smoothed price of a PruFund fund on a particular day, to protect the With-Profits Fund. If we decide to reset, the smoothed price of the affected fund would be adjusted to be the same value as the unsmoothed price on that working day. That adjusted smoothed price will then continue to grow in line with the Expected Growth Rate from the working day after this reset of the smoothed price. This is referred to as a Unit Price Reset in other literature.

Can we suspend smoothing?

There may be occasions where we have to suspend the smoothing process for one or more PruFund funds for a period of consecutive days, to protect our With-Profits Fund. When this happens the smoothed price for the affected fund(s) is set to the unsmoothed price for each day until we reinstate the smoothing process.

Please note that the relevant PruFund Pension Fund and PruFund ISA Fund of the same name, which might be listed separately elsewhere, are in fact the same Fund, and therefore share pricing, smoothing, Unit Price Reset, and “suspension of smoothing” criteria and outcomes.

If you’d like more information, please see your terms and conditions. Prudential ISA planholders should see the Master Insurance Agreement – Customer version.

Is the payout guaranteed?

There is no fixed payout amount, as a result of the pricing and smoothing mechanisms used for the PruFund range of funds (see “What’s the smoothing process?” above). The value of your investment can go down as well as up so you might get back less than you put in. For example, if investment returns on your Plan were less than the charges. However, you could have selected certain product options, which do guarantee a minimum amount you’ll get back from your Plan – please see your product literature for details of these and their relevant charges, where these are available through your chosen product.
What affects the value of your Plan?
We aim to be fair to all with-profits planholders by balancing the interests of:

- holders of different types of plan
- planholders starting plans at different times
- planholders remaining in our Fund and those leaving our Fund
- our shareholders.

There are many factors that affect the amount you get back from your Plan. These include:

a) Investment performance
This usually has the biggest impact on the payout from your Plan. It depends on several things, including how much of the funds we invest in the different types of asset.

The main asset types are:

- company shares
- property
- fixed interest securities
- deposits.

We invest in a wide mix of these assets in both the UK and abroad.

Over time, the relative performance of different types of asset varies a lot. So our expert fund managers might change the asset mix with the aim of maximising the returns for a given risk profile.

b) Smoothing
Smoothing, which is explained on pages two and three, limits the immediate effect of ups and downs in investment markets on what you’ll get back from your Plan.

c) Charges and costs
We aim to keep the costs of running the business as low as possible and to allocate the costs fairly across all planholders.

However, if our costs are higher than we expected, this might affect the value of your Plan.

The Annual Management Charge is taken by cancelling units in your Plan.

Your Key Features Document will give you more information about the charges and costs that apply to your Plan.

d) Cost of guarantees and smoothing
Our charges include an amount to pay for the guarantees and smoothing you get.

e) Transfers to our shareholders
Transfers are made to our shareholders, who are entitled to one ninth of any increase in the value of each plan’s holding in the PruFund funds. These transfers are already funded from the charges taken from your Plan.

f) Tax
Any tax we have to pay on our With-Profits Fund will reduce what you get back from your Plan by allowing for it in the Expected Growth Rate where applicable.

We charge tax in a way that is fair across all of our Funds. Investment returns earned over the lifetime of a plan allow for the effects of tax, including an allowance for unrealised gains.

Currently, there’s no UK tax payable by our Fund on assets backing pensions or ISA business, although this might change in the future.

This information is based on our understanding of current taxation, legislation and HM Revenue & Customs practice, all of which are liable to change without notice. You might need to pay tax depending on your individual circumstances. Tax rules can also change in the future.

g) Other business risks
Other risks that might affect the value of your Plan include:

- operational risks, such as changes in regulatory requirements or taxation.

We regularly review risk levels to make sure they’re acceptable to our Fund.
What if you decide to move out of these funds?

You might decide to take money from your Plan for one of the following reasons:

• to retire,
• to switch to another type of fund,
• to transfer your investment to another company, or
• to cash in your Plan.

If you take money from some types of plan in the first few years of an investment, other than regular withdrawals, we might ask you to pay a surrender charge. If you’d like more information on whether a surrender charge could apply to your Plan, have a look at the Key Features Document we gave you when your Plan started.

Any units we cancel as a result of switches, transfers or withdrawals from the PruFund Range of Funds may be subject to a delay of up to 28 days from the date of receipt of a request to cancel units. We’ll use the unit price on the final day of the delayed period as the price of the units for these purposes.

If you’re considering moving out of the With-Profits Fund you might want to speak to a financial adviser.

What’s an inherited estate?

As a long-established life assurance company, our With-Profits Fund contains an amount of money in excess of the amount we expect to pay out to existing planholders. This is known as the inherited estate. It has built up over many years from a number of sources and it provides working capital to support current and future business.

How we use the inherited estate

This capital lets you benefit from smoothing and guarantees where applicable. And it gives us more flexibility to invest in a wide range of assets.

We’re also required by regulation to hold a substantial amount of capital in our With-Profits Fund. This lets us demonstrate, at all times, that our Fund is solvent and able to meet its obligations to all planholders. The inherited estate provides this solvency capital.

There are no plans to distribute our With-Profits Fund’s inherited estate to planholders or Prudential shareholders, other than as required as part of the normal smoothing process or to meet guarantees.

When managing our With-Profits Fund we aren’t generally required to take account of any current planholders’ interest in the prospect of a distribution (or a greater distribution) from Prudential’s inherited estate to planholders. We have no current intention of closing our With-Profits Fund to new business, but if it did close, the inherited estate would still be needed to support existing business.

Where can you find out more?

If you’d like more information about your investment in our With-Profits Fund please call us on 0800 000 000 or speak to a financial adviser. If you are a Prudential ISA customer, please call 0344 335 8936. We’re open from 8.30am to 5.30pm Monday to Friday (excluding Bank Holidays). If you don’t have a financial adviser and would like to know more about financial advice you can find out more information on our website: pru.co.uk/financial-advice/

We put this guide together as a summary of how our With-Profits Fund works for the funds listed on page seven. However, because we’ve kept it as short as possible, we’ve only given you the most important information.

We need to let you know that without all details you’ll not have a complete picture. If you do need a detailed technical guide to how we manage our With-Profits business, please refer to our Principles and Practices of Financial Management (PPFM). Investors in the PruFund Growth funds might also find our Asset Mix and Investment Returns document useful. You can find these on our website. If you’d prefer a printed version, please let us know.

In the event of any conflict between this guide and the PPFM, the PPFM will take precedence.

The Money Advice Service

The Money Advice Service gives general information about with-profits funds in the Consumer section on their website: moneyadviceservice.org.uk/en/articles/with-profits-funds
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>company shares</strong></td>
<td>an investment that represents part ownership of a company. Shares are also known as equities.</td>
</tr>
<tr>
<td><strong>Daily Smoothing Limit</strong></td>
<td>a specified limit (shown as a percentage of the smoothed price), which we may choose to vary from time to time and that may differ across the range of PruFund funds. Please see the table on page seven for the current values.</td>
</tr>
<tr>
<td><strong>deposits</strong></td>
<td>cash and other short-term investments, typically low risk loans.</td>
</tr>
<tr>
<td><strong>fixed interest securities</strong></td>
<td>loans to governments and companies that pay a predetermined rate of interest.</td>
</tr>
<tr>
<td><strong>Gap After Adjustment</strong></td>
<td>the specified gap (shown as a percentage of the unsmoothed price), between the smoothed price and the unsmoothed price immediately after the smoothed price has been adjusted as a result of the Daily Smoothing Limit being met or exceeded. We may choose to vary this percentage from time to time and it may differ across the range of PruFund funds. Please see the table on the next page for the current values.</td>
</tr>
<tr>
<td><strong>inherited estate</strong></td>
<td>amount of money built up over time in a with-profits fund, which is in excess of the amount needed to meet expected commitments to current policyholders/planholders.</td>
</tr>
<tr>
<td><strong>planholder/with-profits planholder</strong></td>
<td>a person that holds a Prudential With-Profits policy or plan.</td>
</tr>
<tr>
<td><strong>property</strong></td>
<td>an investment in commercial property such as offices, shops, and industrial premises.</td>
</tr>
<tr>
<td><strong>Quarterly Smoothing Limit</strong></td>
<td>a specified limit (shown as a percentage of the smoothed price), which we may choose to vary from time to time and that may differ across the range of PruFund funds. Please see the table on page seven for the current values.</td>
</tr>
<tr>
<td><strong>shareholder</strong></td>
<td>a person or group that owns one or more shares in Prudential companies. The owner of a share owns a small part of Prudential.</td>
</tr>
<tr>
<td><strong>smoothing</strong></td>
<td>adjusting returns for some of the extreme ups and downs of short-term investment performance to provide a more stable return.</td>
</tr>
<tr>
<td><strong>solvency capital</strong></td>
<td>funds that allow Prudential to demonstrate that our With-Profits Fund is solvent and able to meet its obligations to planholders even if it were to suffer significant losses.</td>
</tr>
<tr>
<td><strong>Unit Price Reset</strong></td>
<td>means that the unit price (also called the smoothed price) of the affected PruFund would be adjusted to be the same value as the relevant unsmoothed price on that working day. That adjusted unit price would then continue to grow in line with the relevant Expected Growth Rate from the next working day.</td>
</tr>
<tr>
<td><strong>With-Profits Fund</strong></td>
<td>The With-Profits Fund is the fund where Prudential’s with-profits business is written. With-Profits planholders can share in the profits of the With-Profits Fund through discretionary distributions.</td>
</tr>
</tbody>
</table>
The individual funds included in the PruFund range of funds applicable to the plans covered by this guide, and their current smoothing limits, are:

<table>
<thead>
<tr>
<th>PruFund Funds</th>
<th>Quarterly Smoothing Limit</th>
<th>Daily Smoothing Limit</th>
<th>Gap After Adjustment (applies to daily smoothing limit only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PruFund Growth Fund</td>
<td>5.0%</td>
<td>10.0%</td>
<td>2.5%</td>
</tr>
<tr>
<td>PruFund Growth Pension/ISA Fund</td>
<td>5.0%</td>
<td>10.0%</td>
<td>2.5%</td>
</tr>
<tr>
<td>PruFund Protected Growth Fund</td>
<td>5.0%</td>
<td>10.0%</td>
<td>2.5%</td>
</tr>
<tr>
<td>PruFund Protected Growth Pension Fund</td>
<td>5.0%</td>
<td>10.0%</td>
<td>2.5%</td>
</tr>
<tr>
<td>PruFund Growth &amp; Income Fund</td>
<td>5.0%</td>
<td>10.0%</td>
<td>2.5%</td>
</tr>
<tr>
<td>PruFund Cautious Fund</td>
<td>4.0%</td>
<td>8.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>PruFund Cautious Pension/ISA Fund</td>
<td>4.0%</td>
<td>8.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>PruFund Protected Cautious Fund</td>
<td>4.0%</td>
<td>8.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>PruFund Protected Cautious Pension Fund</td>
<td>4.0%</td>
<td>8.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>PruFund Risk Managed 1 Fund</td>
<td>4.0%</td>
<td>8.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>PruFund Risk Managed 1 Pension/ISA Fund</td>
<td>4.0%</td>
<td>8.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>PruFund Risk Managed 2 Fund</td>
<td>4.0%</td>
<td>8.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>PruFund Risk Managed 2 Pension/ISA Fund</td>
<td>4.0%</td>
<td>8.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>PruFund Risk Managed 3 Fund</td>
<td>5.0%</td>
<td>10.0%</td>
<td>2.5%</td>
</tr>
<tr>
<td>PruFund Risk Managed 3 Pension/ISA Fund</td>
<td>5.0%</td>
<td>10.0%</td>
<td>2.5%</td>
</tr>
<tr>
<td>PruFund Risk Managed 4 Fund</td>
<td>5.0%</td>
<td>10.0%</td>
<td>2.5%</td>
</tr>
<tr>
<td>PruFund Risk Managed 4 Pension/ISA Fund</td>
<td>5.0%</td>
<td>10.0%</td>
<td>2.5%</td>
</tr>
<tr>
<td>PruFund Risk Managed 5 Fund</td>
<td>5.0%</td>
<td>10.0%</td>
<td>2.5%</td>
</tr>
<tr>
<td>PruFund Risk Managed 5 Fund Pension/ISA Fund</td>
<td>5.0%</td>
<td>10.0%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

The relevant PruFund Pension Fund and PruFund ISA Fund of the same name, which might be listed separately elsewhere, are in fact the same Fund.