

# Fund Guide

Prudential International Investment Bond  
International Prudence Bond

# Introduction to this guide

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

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

We've produced this guide to help you and your financial adviser understand more about our funds. If there is information or terminology included that you would like to discuss, then please contact your financial adviser.

The funds in this guide are available to most investors in the following products (Please see the 'availability' column in section B 'Fund information' for more detail):

- Prudential International Investment Bond
- International Prudence Bond

## Where to find information in this guide



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### Some important notes we'd like you to read:

- 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 at 23 January 2017, unless an alternative date is stated.
- 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](http://pru.co.uk/funds)
- All views are Prudential's.
- The value of our funds may go down as well as up. You may not get back the full amount of your investment.
- 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.



# Potential reward and risk

## Asset class risk types

### This section

You should read this section to find out more about the different types of assets funds invest in and the risks that they have. We've included this as later in the guide we'll show which asset types and associated risks are applicable to different funds we offer.

Funds can invest in different types of assets. Here we explain the risks of each.

There are many types of risks but generally, the higher the potential returns, the higher the risk.

Some funds can invest in more than one asset type to try to reduce the risk of losing money. This means they are not relying on the performance of an individual asset or assets of the same type. This is known as diversification.

See pages 10 to 14 for how the following asset class risk types relate to individual funds.

### Equity

Equities are commonly known as "shares". When a fund buys a company share, it is investing in a company and, in exchange, receives a share of the ownership of that company. Shares give two potential investment benefits:

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

Over the longer-term, equities can offer greater growth potential than many other asset types. But, the value of equities can go up and down a lot. Funds investing in equities tend to carry a higher risk of capital loss than funds investing in fixed interest securities or money market investments (see below). The financial results of other companies and general stock market and economic conditions can all affect a company's share price, and consequently the value of any fund investing in that company.

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

### Fixed Interest and Index-Linked Securities

Fixed interest securities, more commonly known as "bonds", are loans issued by companies or by governments in order to raise money. Bonds issued by companies are called Corporate Bonds, those issued by the UK government are often called Gilts or UK Government bonds and those issued by the US government are called Treasury Bonds. In effect all bonds are IOUs that promise to pay you a sum on a specified date and pay a fixed rate of interest along the way.

Index-linked securities are similar but the payments out are normally increased by a prices index e.g. for UK government index-linked securities, payments out are increased in line with the UK Retail Prices Index.

On the whole, investing in Government or Corporate bonds is seen as lower-risk than investing in equities. The British Government has never failed to make interest or principal payments on gilts as they fall due. (Source: Debt Management Office, January 2017). However, it is possible for a government bond to default. But with corporate bonds there is a risk that the company may not be able to repay its loan or that it may default on its interest payments.

The risks related to investing in bonds can be reduced if you invest through a bond fund. Where a fund manager selects a range of bonds, you are less reliant on the performance of any one company or government. If bond income generated is reinvested by the fund, bond funds can be used to provide attractive levels of growth. However, there is a risk you might not get back the amount you invest and the income you receive is neither fixed or guaranteed.

Corporate and Government bonds are sensitive to interest rate trends. An increase in interest rates is likely to reduce their value, and hence the value of any fund investing in them.

Where a fund is exposed to these types of risk, we have rated the fund as having a risk type of "Fixed Interest".



# Potential reward and risk

## Asset class risk types (continued)

### Commercial Property

Commercial property investment generally means the fund is sharing in the returns from the ownership of some buildings (for example, offices and shopping centres). The value of the property may increase and tenants may pay rent to the owners of the building.

Investment in property 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. Property can be considered to be lower risk than equities, but higher risk than bonds over the long-term.

However, commercial properties can be difficult to buy and sell quickly. Fund managers may have to delay withdrawal of money by customers from a property fund until they can sell some of the buildings the fund invests in. It may take a number of months to sell commercial property.

The actual value of a property is what someone is prepared to pay for it – an actual sale value. As sales are infrequent, interim valuations are based on a valuer's opinion and may be revised up or down from time to time. This can affect the value of a fund invested in commercial property, with the value possibly fluctuating significantly.

All of this means there are a number of risks for funds investing in property:

- Cash could remain uninvested as property assets can be difficult to buy, leading to lower returns than expected.
- The value of the fund may be reduced if a large number of withdrawals are requested and it is necessary for properties to be sold at reduced prices.
- There may be delays removing your money from the fund if property is proving difficult to sell.
- Property fund valuations may be revised periodically, upwards or downwards.
- Rental income is not guaranteed. Defaulted rent and unoccupied properties could reduce returns.
- If the size of the fund falls significantly, the fund may have to hold fewer properties, and this reduced diversification may lead to an increase in risk.
- In some circumstances we may suspend one or more of our Property Funds to protect the interests of our investors. If this happens we will write to investors to let them know.

Where a fund is exposed to these risks, we have rated the fund as having a risk type of "Property".

### Currency Risk and Non-UK Investments

Non-UK investments allow you to take advantage of the growth potential of global markets, but currency changes can affect their value.

Because the value of non-UK investments is converted from the non-UK currency into the local currency of the fund (Sterling, Euros or US Dollars), the local currency fund value can fall if the non-UK currency weakens against the local currency of the fund, independently of the performance of the asset itself.

Where a significant proportion of a fund is invested in assets outside the local currency of the fund, we have rated the fund as having a risk type of "Currency".

There is no currency risk where the overseas investment is in the same currency as the fund currency (e.g. the Euro fund investing in Italian equities).

### Smaller Companies and Developing Markets

In comparison to larger companies, shares of smaller companies may be harder to trade and short-term performance may be more volatile. There may also be more chance the companies will become insolvent. Funds which invest in small companies can have volatile returns and a greater risk of capital loss.

Some investments are in markets which are less developed than the UK market. In such markets, the ability to trade, and the safe keeping of assets on behalf of the fund, and especially regulation may all be poorer than in well developed markets. This means increased risk for your investment.

Where a fund has these types of risk, we have rated it as having a risk type of "Smaller Companies and Developing Markets".

### Financial Instruments

There are several financial arrangements that fund managers can use with the aim of improving fund performance. Some of the most common are:

**Derivatives:** These cover products such as futures and options which are generally an arrangement to buy or sell a standard quantity of a specified asset on a fixed future date at a price agreed today. This type of investment may carry a higher risk of capital loss than funds investing in other assets. Sometimes in the event of a counterparty to a derivative (the party with which the fund manager has made the agreement about future deals) being in financial difficulties, it may be difficult to obtain a price for valuations or for the investment manager to dispose of the



asset – that creates risk to the value of the fund. There is a risk of capital loss in the event of the counterparty to the derivative becoming insolvent or suffering other financial difficulties. In such circumstances the derivative may have no value.

**Geared Assets:** Funds that are geared or borrow assets or which use short-selling are likely to be more volatile than other funds and there is a higher risk of capital loss.

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

## Alternative Investments

Alternative Investments includes non-traditional, complex or specialist investments. Examples include hedge funds, private equity and complex derivative based strategies. Alternative investments can be less liquid than traditional assets. They can be more difficult to value and can take longer to buy or sell.

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

## Other

We have rated a number of funds as having a risk type of "Other".

- In addition to the risks and characteristics of the individual asset types, specialist investments have other features that are unique to where they invest.

Specialist funds invest in particular markets or geographical areas. Because they invest in a smaller range of asset types, they tend to be more risky than non-specialist funds, but can deliver greater returns.

- Ethical funds are restricted from investment in certain companies and asset types due to the criteria used to select investments for the fund. This may mean that the returns from the fund are more volatile than funds which do not have these restrictions.

- The fund may have investment concentrated in relatively few individual assets. Therefore, returns from the fund can be significantly influenced by the performance of a small number of individual holdings and may be more volatile than funds with a wider spread of underlying assets.

- Some funds keep a proportion of your money in cash deposits and other money market investments. Over the long-term, money market investments usually offer the lowest risk of all asset types but also the lowest potential returns. Some funds hold money market investments because they are aiming for security more than substantial growth. Others hold just enough in cash deposits to make sure money is available for customer withdrawals. Over the long term, money market investments can be a low risk asset type but may also produce low returns compared to other asset types.

A money market investment is at risk if any of the banks, building societies or other financial institutions with whom the fund's money is deposited becomes insolvent or suffers other financial difficulties. In such circumstances, the money deposited with that institution may not be returned in full. Some money market investments will be affected if interest rates rise, leading to a drop in value of any fund holding them.

- Some funds may offer some form of protection from downside risks for which there will be a charge and which will normally have an impact on long-term returns. The protection may be provided through the use of derivative contracts and this may give rise to counterparty risk and liquidity problems. The provision of the guarantees may result in a significant proportion of the fund being invested in cash and other lower risk investments.

Where a fund could be exposed to these types of risk, we have rated it as having a risk type of "Other".

## Further information

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



## Potential reward and risk

### Potential reward and risk indicator

#### This section

You should read this section to find out about how we rate the risk of the funds.

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

Investing is about balancing the risk you are comfortable with alongside the potential rewards that you want to achieve. Your attitude to investment risk is personal to you and may change in the future.

The table opposite can help illustrate this concept. It's not exhaustive, but covers a wide range of funds and investments and shows the general principle that, as the level for potential higher returns increases so does the level of risk. On pages 10 to 14 you can see how these Potential reward and risk indicator numbers relate to our funds.

Some key considerations:

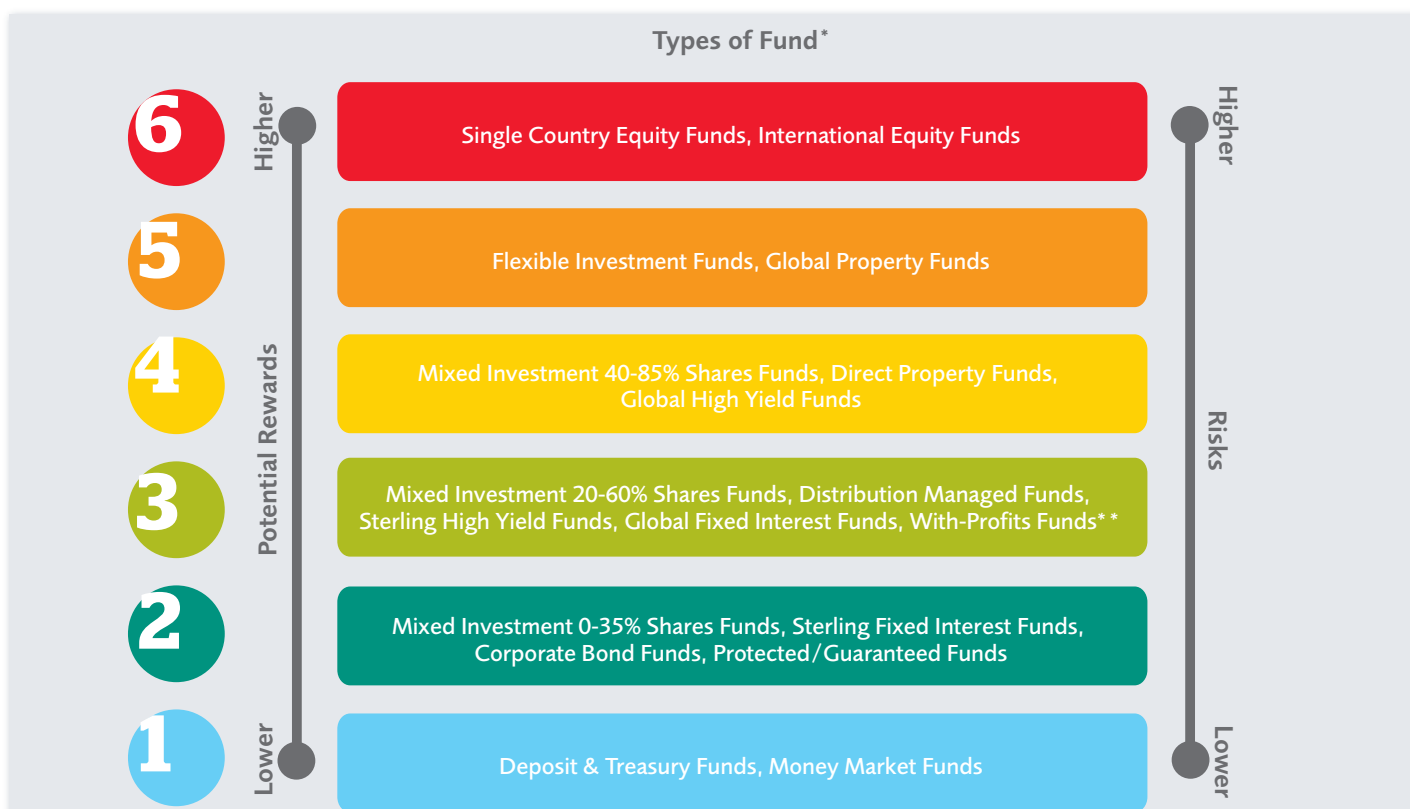
- The value of our funds may go down as well as up. You may not get back the full amount of your investment.
- For investments in the Prudential Assurance Company (PAC) With-Profits range of funds, the value of the policy depends on the profits made by the With-Profits Fund of The Prudential Assurance Company Limited and how these profits are distributed.
- These risk rating categories have been developed by Prudential International to help provide an indication of the potential level of reward and risk that is attributable to a fund based on the type of assets which may be held within the fund.

- Other companies may use different descriptions and as such these risk rating categories should not be considered as generic to the fund management industry.
- Prudential International will keep the risk rating categories under regular review and as such they may be subject to change in the future.
- Where a risk rating is amended as a result of a material change in our view of the level of risk for the fund, for example due to a significant change to the assets held by the fund or in the way the fund is managed, information will be provided on the new risk rating.
- We strongly recommend that before making any fund choice you ensure you understand the appropriate risk ratings. You will find this information in our fund guides.

You should also consider discussing your decision with your financial adviser. It is important to also note that your adviser may make their own assessment of the risk rating of funds when considering your needs and objectives, and this may differ from Prudential's own internal assessment.

The information included in this guide is correct as at 23 January 2017, unless an alternative date is stated.

## Potential reward and risk indicator



### \* Types of Fund

These are predominantly based on sector classifications by the Association of British Insurers (ABI). The description used may match an individual ABI sector name or be a Prudential International suggested description for a grouping of similar sectors. The only exception to this is "With-Profits" which is not classified by the ABI. Where a fund is classified by the ABI then we will use the sector it is in as a starting point to consider its appropriate position in the scale above, however each fund is considered individually and membership of an ABI sector does not automatically imply a particular potential reward and risk indicator number.

Prudential International funds are not normally included in ABI sectors. However, for the purposes of this guide, we have matched each of our unit-linked funds against an ABI sector, where one is appropriate, to help indicate in broad terms the type of asset that may be held by that fund.

\*\* PruFund funds invest in the PAC With-Profits Fund and appear in a lower or higher potential reward and risk indicator category. This is because of the different asset mix that applies to each PruFund fund. Please refer to the specific PruFund potential reward and risk indicator on pages 10 and 11.

## Further information

You will find an explanation of each of the ABI sector classifications on [pru.co.uk/abi](https://pru.co.uk/abi).



# Fund information

## Important explanations

### This section

You should read this section to help you understand a bit more about the factors that can impact on funds and what we mean by fund charges.

We include this information to help you have a wider understanding of what can impact on your fund value and the charges we take.

### Non-UK investments

For the funds which can invest in stocks or shares, not all the assets will be denominated in the local currency of the fund and the value of each of the funds could therefore be affected by prevailing exchange rates. Changes in the rate of exchange between currencies may cause the value of your investment to go down or up.

### The fund value

The value of an investment can go down as well as up and the value in future may be less than the amount invested.

For investments in the PAC With-Profits range of funds, the value of the Policy depends on the profits made by the With-Profits Fund of The Prudential Assurance Company Limited and how these profits are distributed.

For the PruFund range of funds, what you receive will depend upon the value of the underlying investments, the Expected Growth Rates set by the Prudential Directors having regard to the expected long term investment returns on the assets of the funds, the smoothing process, whether you have chosen a Protected fund and when you take your money out.

### 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 (e.g. Unit Trusts, Open Ended Investment Companies (OEICs)), derivatives or other investment vehicles, for which the aims and underlying assets are consistent with the

objectives of the fund. These Prudential International funds may hold an element of cash due to the short delay between new investments being received by the Prudential International Fund and being placed in the underlying investment(s), and this may have an impact on the performance of the Prudential International Fund when compared to the underlying investment(s).

### Fund charges

#### Annual Management Charge

We take an Annual Management Charge (AMC) from each of the funds you invest in. These are shown on pages 10 to 14.

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 Annual Management Charge, from the relevant investment-linked fund.

This differs slightly for With-Profits and PruFund.

The annual charge is already taken into account when we calculate the bonus rates for the PAC With-Profits range of funds. For the PruFund range of funds, the AMC is taken by the monthly cancellation of units from each investment.

The PruFund Protected Cautious and PruFund Protected Growth Funds differ from the PruFund Cautious and PruFund Growth Funds as they provide a guarantee, where available. Any available guarantee will have an additional charge that isn't included in the AMC shown. Please refer to The PruFund Range of Funds: Guarantee options for more information.



### Additional Fund Charges for Unit-Linked Funds

In addition to our management charges, there are further costs which impact the overall performance of the fund. All other charges, excluding dealing costs, as explained in the paragraph below, are shown on pages 10 to 14.

When a fund manager trades the investments in your fund (for example, makes a decision to sell one holding and buy another) there are associated costs, for example taxes, which the fund pays. These costs are paid for out of the overall performance of the fund and are not included in the Additional Charge section on pages 10 to 14.

For funds that invest directly or indirectly in property there are additional costs incurred for the development, maintenance, operation and renovation of the properties held. These costs are known as property expenses, and are paid for out of the overall performance of the fund. These costs are included in the Additional Charge section on pages 10 to 14.

All charges may vary in future and may be higher than they are now.

The fund charges listed in this guide are correct as at 23 January 2017.

### 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 are in any doubt about this product, your fund choice or the charges applicable then we recommend you speak to your financial adviser.

You can find details of how we manage our Unit-Linked funds at [pru.co.uk/ppfm/ul](http://pru.co.uk/ppfm/ul). You will also find there a shortened customer friendly version, our "Customer Guide", which explains briefly how the Prudential unit-linked funds work, our current approach to managing them, 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

For any fund, there may be a delay in buying, selling or switching of units. These delays will only apply in exceptional circumstances. We would not 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 cannot guarantee that we will never delay longer than these timescales. If these delays apply to you, we will let you know.

### Further information

For more information on the above, please refer to your Contract Conditions which you can get from your financial adviser.



## Fund information

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

### This section

You should read this section for a list of the funds that we may have available for you.  
We include this information to help you quickly see the range of funds we offer and the risks they have.

Funds	Association of British Insurers (ABI) Sector	Asset Class Risk Types									Fund Charges (%)		
		Equity	Fixed Interest	Property	Currency	Smaller Companies and Developing Markets	Financial Instruments	Alternative Investments	Other	Potential reward and risk indicator	Base AMC	Additional Charges	Total Charges
Multi-Asset Funds (see pages 15 to 16 for more information)													
Managed Defensive (Euro) Fund	Mixed Investment 0-35% Shares	✓	✓	✓	✓			✓	✓	2	1.40	0.10	1.50
Managed Defensive (USD) Fund	Mixed Investment 0-35% Shares	✓	✓	✓	✓			✓	✓	2	1.40	0.10	1.50
PAC US Dollar With-Profits Fund	Unclassified	✓	✓	✓	✓	✓	✓	✓	✓	3	1.20	0.00	1.20
PAC Euro With-Profits Fund	Unclassified	✓	✓	✓	✓	✓	✓	✓	✓	3	1.20	0.00	1.20
PAC Sterling With-Profits Fund	Unclassified	✓	✓	✓	✓	✓	✓	✓	✓	3	1.20	0.00	1.20
PruFund Cautious (Euro) Fund	Unclassified	✓	✓	✓	✓	✓	✓	✓	✓	2	1.20	0.00	1.20
PruFund Cautious (Sterling) Fund	Unclassified	✓	✓	✓	✓	✓	✓	✓	✓	2	1.20	0.00	1.20
PruFund Cautious (US Dollar) Fund	Unclassified	✓	✓	✓	✓	✓	✓	✓	✓	2	1.20	0.00	1.20
PruFund Growth (Euro) Fund	Unclassified	✓	✓	✓	✓	✓	✓	✓	✓	3	1.20	0.00	1.20
PruFund Growth (Sterling) Fund	Unclassified	✓	✓	✓	✓	✓	✓	✓	✓	3	1.20	0.00	1.20
PruFund Growth (US Dollar) Fund	Unclassified	✓	✓	✓	✓	✓	✓	✓	✓	3	1.20	0.00	1.20
PruFund Protected Cautious (Euro) Fund *	Unclassified	✓	✓	✓	✓	✓	✓	✓	✓	2	1.20	0.00	1.20
PruFund Protected Cautious (Sterling) Fund *	Unclassified	✓	✓	✓	✓	✓	✓	✓	✓	2	1.20	0.00	1.20
PruFund Protected Cautious (US Dollar) Fund*	Unclassified	✓	✓	✓	✓	✓	✓	✓	✓	2	1.20	0.00	1.20

\* This fund is only available when you take out your bond (or when your bond starts).

Funds	Association of British Insurers (ABI) Sector	Asset Class Risk Types									Fund Charges (%)		
		Equity	Fixed Interest	Property	Currency	Smaller Companies and Developing Markets	Financial Instruments	Alternative Investments	Other	Potential reward and risk indicator	Base AMC	Additional Charges	Total Charges
<b>Multi-Asset Funds (see pages 15 to 16 for more information)</b>													
PruFund Protected Growth (Euro) Fund *	Unclassified	✓	✓	✓	✓	✓	✓	✓	✓	3	1.20	0.00	1.20
PruFund Protected Growth (Sterling) Fund *	Unclassified	✓	✓	✓	✓	✓	✓	✓	✓	3	1.20	0.00	1.20
PruFund Protected Growth (US Dollar) Fund *	Unclassified	✓	✓	✓	✓	✓	✓	✓	✓	3	1.20	0.00	1.20
<b>Dynamic Focused Portfolios ** (see page 17 for more information)</b>													
Dynamic Focused 0-30 Portfolio (previously known as Managed Defensive (Sterling) Fund)	Mixed Investment 0-35% Shares	✓	✓	✓	✓			✓	✓	2	1.35	0.20	1.55
Dynamic Focused 20-55 Portfolio (previously known as Cautious Managed Growth)	Mixed Investment 20-60% Shares	✓	✓	✓	✓		✓	✓	✓	3	1.35	0.25	1.60
<b>Dynamic Portfolios ** (see pages 17 and 18 for more information)</b>													
Dynamic 0-30 Portfolio (previously known as Defensive Portfolio)	Mixed Investment 0-35% Shares	✓	✓	✓	✓	✓				2	1.30	1.05	2.35
Dynamic 10-40 Portfolio (previously known as Cautious Portfolio)	Mixed Investment 20-60% Shares	✓	✓	✓	✓	✓				3	1.30	0.85	2.15
Dynamic 20-55 Portfolio (previously known as Cautious Growth Portfolio)	Mixed Investment 20-60% Shares	✓	✓	✓	✓	✓				3	1.30	0.90	2.20

\* This fund is only available when you take out your bond (or when your bond starts).

\*\* Each portfolio is a single fund choice, although each portfolio will invest in a number of underlying funds.



## Fund information

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

Funds	Association of British Insurers (ABI) Sector	Asset Class Risk Types									Fund Charges (%)		
		Equity	Fixed Interest	Property	Currency	Smaller Companies and Developing Markets	Financial Instruments	Alternative Investments	Other	Potential reward and risk indicator	Base AMC	Additional Charges	Total Charges
Dynamic Portfolios* * (see pages 17 and 18 for more information)													
Dynamic 40-80 Portfolio (previously known as Balanced Portfolio)	Mixed Investment 40-85% Shares	✓	✓	✓	✓	✓				4	1.30	1.15	2.45
Dynamic 60-100 Portfolio (previously known as Adventurous Portfolio)	Flexible Investment	✓	✓	✓	✓	✓				5	1.30	1.20	2.50
Additional Fund Choice (see 19 to 23 for more information)													
Balanced Managed (Sterling) Fund	Mixed Investment 40-85% Shares	✓	✓							4	1.20	0.05	1.25
Balanced Managed (US Dollar) Fund	Mixed Investment 20-60% Shares	✓	✓		✓					3	1.20	0.05	1.25
Baring Hong Kong China (US Dollar) Fund	Global Emerging Markets Equities	✓					✓			6	1.70	0.55	2.25
Deferred Distribution (Euro) Fund	Distribution Funds	✓	✓	✓	✓				✓	3	1.30	0.10	1.40
Deferred Distribution (Sterling) Fund	Distribution Funds	✓	✓	✓					✓	3	1.30	0.10	1.40
Deferred Distribution (US Dollar) Fund	Distribution Funds	✓	✓	✓	✓				✓	3	1.30	0.10	1.40
Equity Fund	UK All Companies	✓								6	1.20	0.00	1.20
Euro Deposit Fund	Money Market								✓	1	0.95	0.00	0.95
European Fund	Europe ex UK Equities	✓			✓					6	1.20	0.05	1.25
European Index Tracker Fund	Europe ex UK Equities	✓			✓					6	1.20	0.00	1.20
Fidelity Euro Balanced (Euro) Fund	Mixed Investment 20-60% Shares	✓	✓		✓					3	1.58	0.40	1.98
Fidelity Global Focus (US Dollar) Fund	Global Equities	✓			✓		✓			6	1.90	0.45	2.35
Fidelity Global Focus (GBP) Fund	Global Equities	✓			✓					6	1.90	0.20	2.10

\*\* Each portfolio is a single fund choice, although each portfolio will invest in a number of underlying funds.

Funds	Association of British Insurers (ABI) Sector	Asset Class Risk Types									Fund Charges (%)		
		Equity	Fixed Interest	Property	Currency	Smaller Companies and Developing Markets	Financial Instruments	Alternative Investments	Other	Potential reward and risk indicator	Base AMC	Additional Charges	Total Charges
<b>Additional Fund Choice (see 19 to 23 for more information)</b>													
HSBC Amanah Global Equity Index (US Dollar) Fund	Global Equities	✓			✓		✓			6	1.33	0.40	1.73
HSBC Chinese Equity (US Dollar) Fund	Global Emerging Markets Equities	✓			✓					6	1.70	0.40	2.10
HSBC Indian Equity (US Dollar) Fund	Global Emerging Markets Equities	✓								6	1.70	0.40	2.10
Invesco Perpetual Income Fund	UK All Companies	✓			✓	✓	✓		✓	6	1.55	0.15	1.70
Invesco Perpetual Managed Growth Fund	Flexible Investment	✓	✓		✓	✓	✓		✓	5	1.45	0.30	1.75
M&G Asian Fund	Asia Pacific ex Japan Equities	✓					✓			6	1.35	0.10	1.45
M&G Corporate Bond Fund	Sterling Corporate Bond		✓							2	1.30	0.00	1.30
M&G Dividend Fund	UK Equity Income	✓								6	1.30	0.00	1.30
M&G Episode Allocation Fund	Mixed Investment 20-60% Shares	✓	✓	✓	✓	✓			✓	3	1.30	0.10	1.40
M&G Episode Growth Fund	Mixed Investment 40-85% Shares	✓	✓	✓	✓		✓			4	1.30	0.15	1.45
M&G Gilt & Fixed Interest Income Fund	UK Gilts		✓		✓					4	1.30	0.00	1.30
M&G Global High Yield Bond	Sterling High Yield		✓		✓				✓	3	1.30	0.00	1.30
M&G Global Select Fund	Global Equities	✓			✓		✓			6	1.35	0.00	1.35
M&G Managed Growth Fund	Global Equities	✓			✓					6	1.30	0.05	1.35
M&G Property Fund***^	UK Direct Property			✓						4	1.60	0.50	2.10
Mellon Global Bond (US Dollar) Portfolio	Global Fixed Interest		✓				✓			3	1.45	0.15	1.60

\*\*\* For consistency and transparency we show the Total Charges including property expenses. Property expenses capture all expenses associated with the management and operation of the property portfolio, that are unable to be charged onto tenants.

^ You should look upon your investment in property as being long-term. There are large costs when buying and selling property. The allowance for these costs amongst other factors can lead to short-term falls in the price of units in the Property Fund. The value of property is generally a matter of a valuer's opinion rather than fact. Under certain circumstances, in the interest of other investors, we reserve the right to defer any early encashment or switch between funds. Please see your Contract Conditions for full details.





## Fund information

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

Funds	Association of British Insurers (ABI) Sector	Asset Class Risk Types									Fund Charges (%)		
		Equity	Fixed Interest	Property	Currency	Smaller Companies and Developing Markets	Financial Instruments	Alternative Investments	Other	Potential reward and risk indicator	Base AMC	Additional Charges	Total Charges
Additional Fund Choice (see 19 to 23 for more information)													
Morgan Stanley European Property (Euro) Fund^	Global Property			✓	✓		✓			5	1.70	0.25	1.95
North America Fund	North America Equities	✓			✓					6	1.20	0.00	1.20
UK Deposit Fund	Money Market								✓	1	0.95	0.00	0.95
US Dollar Deposit Fund	Money Market								✓	1	0.95	0.00	0.95

<sup>^</sup> You should look upon your investment in property as being long-term. There are large costs when buying and selling property. The allowance for these costs amongst other factors can lead to short-term falls in the price of units in the Property Fund. The value of property is generally a matter of a valuer's opinion rather than fact. Under certain circumstances, in the interest of other investors, we reserve the right to defer any early encashment or switch between funds. Please see your Contract Conditions for full details.

### Further information

You will find an explanation of each of the ABI sector classifications on [pru.co.uk/abi](http://pru.co.uk/abi).



# Fund information

## Investment strategies

### This section

You should read this section to find out the investment strategies of our different funds. We've included this information so you can understand what each of the funds aim to do and where your money might be invested.

Multi-Asset funds work by spreading your money across a number of different types of assets. These can include a number of investment options, such as company shares (equities), fixed interest bonds, cash and property – from both the UK and abroad.

By investing in a number of different assets the fund manager aims to balance the risk that is being taken. So if one asset is falling in value then another may be increasing. Of course there could be times when all the assets in the fund are either rising or falling in value depending on the market conditions at that time.

The following are examples of Multi-Asset funds we offer.

#### Managed Defensive (Euro) Fund

**Objective:** The fund aims to achieve long-term growth from a mixture of income and capital whilst seeking to limit the level of capital volatility.

**Fund Investments:** The Fund can invest in a range of assets, predominantly denominated in Euros.

#### Managed Defensive (USD) Fund

**Objective:** The fund aims to achieve long-term growth from a mixture of income and capital whilst seeking to limit the level of capital volatility.

**Fund Investments:** The fund can invest in a range of assets, predominantly denominated in US Dollars.

#### PAC US Dollar With-Profits Fund<sup>1</sup>

**Objective:** The fund aims to maximise growth over the medium to long term while helping to smooth the peaks and troughs of investment performance.

**Fund Investments:** The fund currently invests in US and international equities, property, fixed interest securities, index-linked securities and other specialist investments.

#### PAC Euro With-Profits Fund<sup>1</sup>

**Objective:** The fund aims to maximise growth over the medium to long term while helping to smooth the peaks and troughs of investment performance.

**Fund Investments:** The fund currently invests in European and international equities, property, fixed interest securities, index-linked securities and other specialist investments.

#### PAC Sterling With-Profits Fund<sup>1</sup>

**Objective:** The fund aims to maximise growth over the medium to long term while helping to smooth the peaks and troughs of investment performance.

**Fund Investments:** The fund currently invests in UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments.

<sup>1</sup> Investments in the PAC With-Profits Funds and the PruFund range of funds are backed by assets in the With-Profits Fund of The Prudential Assurance Company Ltd, through a reinsurance agreement. These funds aim to protect investors against some of the ups and downs of investment performance using "smoothing" mechanisms. However, there are significant differences in the way this is done for the PAC With-Profits range of funds and for the PruFund range of funds. Please refer to Your guide to investing in With-Profits and Your guide to investing in the PruFund Range of Funds for more information.



## Fund information

### Investment strategies (continued)

#### **PruFund Cautious (Euro) Fund<sup>1</sup> and PruFund Protected Cautious (Euro) Fund<sup>1, 2</sup>**

**Objective:** The fund aims for steady and consistent growth through a cautious approach to investing.

**Fund Investments:** The fund invests around 70% in a well-diversified portfolio of European and International fixed interest securities and holdings of cash and money market instruments. The balance is invested in equities, property and alternative assets.

#### **PruFund Cautious (Sterling) Fund<sup>1</sup> and PruFund Protected Cautious (Sterling) Fund<sup>1, 2</sup>**

**Objective:** The fund aims for steady and consistent growth through a cautious approach to investing.

**Fund Investments:** The fund invests around 70% in a well-diversified portfolio of UK and international fixed interest securities and holdings of cash and money market instruments. The balance is invested in equities, property and alternative assets.

#### **PruFund Cautious (US Dollar) Fund<sup>1</sup> and PruFund Protected Cautious (US Dollar) Fund<sup>1, 2</sup>**

**Objective:** The fund aims for steady and consistent growth through a cautious approach to investing.

**Fund Investments:** The fund invests around 70% in a well-diversified portfolio of US and International fixed interest securities and holdings of cash and money market instruments. The balance is invested in equities, property and alternative assets.

#### **PruFund Growth (Euro) Fund<sup>1</sup> and PruFund Protected Growth (Euro) Fund<sup>1, 2</sup>**

**Objective:** The fund aims to maximise growth over the medium to long term while helping to smooth the peaks and troughs of investment performance.

**Fund Investments:** The fund currently invests in European and international equities, property, fixed interest securities, index-linked securities and other specialist investments.

#### **PruFund Growth (Sterling) Fund<sup>1</sup> and PruFund Protected Growth (Sterling) Fund<sup>1, 2</sup>**

**Objective:** The fund aims to maximise growth over the medium to long term while helping to smooth the peaks and troughs of investment performance.

**Fund Investments:** The fund currently invests in UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments.

#### **PruFund Growth (US Dollar) Fund<sup>1</sup> and PruFund Protected Growth (US Dollar) Fund<sup>1, 2</sup>**

**Objective:** The fund aims to maximise growth over the medium to long term while helping to smooth the peaks and troughs of investment performance.

**Fund Investments:** The fund currently invests in US and international equities, property, fixed interest securities, index-linked securities and other specialist investments.

<sup>1</sup> Investments in the PAC With-Profits Funds and the PruFund range of funds are backed by assets in the With-Profits Fund of The Prudential Assurance Company Ltd, through a reinsurance agreement. These funds aim to protect investors against some of the ups and downs of investment performance using "smoothing" mechanisms. However, there are significant differences in the way this is done for the PAC With-Profits range of funds and for the PruFund range of funds. Please refer to Your guide to investing in With- Profits and Your guide to investing in the PruFund Range of Funds for more information.

<sup>2</sup> The PruFund Protected funds include a guarantee which takes effect on a selected anniversary of your bond. On your chosen Guarantee Date your fund will have a value equal to at least the value of the fund holding at the start of the investment, after a proportional reduction for any regular or one-off withdrawals. There is an additional annual charge for the guarantee. The charge is taken monthly but it is expressed as an annual percentage of fund. The charge is taken by unit cancellation monthly in arrears. More details of charges can be found in The PruFund Range of Funds: Guarantee options, which your Financial Adviser can give you. This fund is only available when you take out your bond (or when your bond starts).

### Dynamic Focused 0-30 Portfolio

**Objective:** The fund aims to achieve a long-term total return (the combination of income and growth of capital) by investing mainly in collective investment schemes.

**Fund Investments:** The fund may invest globally either directly or via other collective investment schemes in assets including transferable securities, debt instruments, money market instruments, cash, near cash, deposits, equities, and indirectly in property. The Fund will invest no more than 30% of the portfolio in equities.

### Dynamic Focused 20-55 Portfolio

**Objective:** The fund aims to deliver long term total return (the combination of income and growth of capital) by investing mainly in collective investment schemes.

**Fund Investments:** The fund may invest globally either directly or via collective investment schemes into various assets including transferable securities, debt instruments, money market instruments, cash, near cash, deposits, equities, and indirectly in property. The fund will invest between 20% and 55% of the portfolio in equities.

### Dynamic 0-30 Portfolio

**Objective:** This fund aims to achieve long term total return (the combination of income and growth of capital) by investing mainly in collective investment schemes. No more than 30% of the fund will be invested in schemes whose predominant exposure is to equities.

**Fund Investments:** The fund is an actively managed portfolio investing mainly in collective investment schemes in order to provide a well-diversified exposure to global fixed income assets, cash, near cash, equities and/or property. Typically the fund will have a high exposure to assets such as fixed income assets, cash and near cash. The fund may also invest directly in other assets including transferable securities, cash and near cash, deposits, warrants and money market instruments. The fund may also invest indirectly in property.

### Dynamic 10-40 Portfolio

**Objective:** This fund aims to achieve long term total return (the combination of income and growth of capital) by investing mainly in collective investment schemes. Between 10% and 40% of the fund will be invested in schemes whose predominant exposure is to equities.

**Fund Investments:** The fund is an actively managed portfolio investing mainly in collective investment schemes in order to provide a well-diversified exposure to global fixed income assets, cash, near cash, equities and/or property. Typically the fund will have a high exposure to assets such as fixed income assets, cash and near cash. The fund may also invest directly in other assets including transferable securities, cash and near cash, deposits, warrants and money market instruments. The fund may also invest indirectly in property.

### Dynamic 20-55 Portfolio

**Objective:** This fund aims to achieve long term total return (the combination of income and growth of capital) by investing mainly in collective investment schemes. Between 20% and 55% of the fund will be invested in schemes whose predominant exposure is to equities.

**Fund Investments:** The fund is an actively managed portfolio investing mainly in collective investment schemes in order to provide a well-diversified exposure to global fixed income assets, cash, near cash, equities and/or property. From time to time, however, the fund may have a high exposure to equities and/or fixed income assets. The fund may also invest directly in other assets including transferable securities, cash and near cash, deposits, warrants and money market instruments. The fund may also invest indirectly in property.



## Fund information

### Investment strategies (continued)

#### Dynamic 40-80 Portfolio

**Objective:** This fund aims to achieve long term total return (the combination of income and growth of capital) by investing mainly in collective investment schemes. Between 40% and 80% of the fund will be invested in schemes whose predominant exposure is to equities.

**Fund Investments:** The fund is an actively managed portfolio investing mainly in collective investment schemes in order to provide a well-diversified exposure to global equities, fixed income assets, property, cash and/or near cash. Typically the fund will have a bias towards assets providing potential growth, such as equities. The fund may also invest directly in other assets including transferable securities, cash and near cash, deposits, warrants and money market instruments. The fund may also invest indirectly in property.

#### Dynamic 60-100 Portfolio

**Objective:** This fund aims to achieve long term total return (the combination of income and growth of capital) by investing mainly in collective investment schemes. Between 60% and 100% of the fund will be invested in schemes whose predominant exposure is to equities.

**Fund Investments:** The fund is an actively managed portfolio investing mainly in collective investment schemes in order to provide a well-diversified exposure to global equities, fixed income assets, property, cash and/or near cash. Typically the fund will have a bias towards assets providing potential growth, such as equities. The fund may also invest directly in other assets including transferable securities, cash and near cash, deposits, warrants and money market instruments. The fund may also invest indirectly in property.



## Additional Fund Choice

The funds in this category have been selected and made available to you by Prudential International.

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 International whilst others are managed by external fund managers. These funds offer additional choice.

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

### Balanced Managed (Sterling) Fund

**Objective:** The fund aims to maximise long-term growth (the combination of income and growth of capital).

**Fund Investments:** The fund will invest in a balanced portfolio of fixed interest instruments and international equities. The fund is denominated in Sterling.

### Balanced Managed (US Dollar) Fund

**Objective:** The fund aims to maximise total long-term growth (the combination of income and growth of capital).

**Fund Investments:** The fund will invest in a balanced portfolio of fixed interest instruments and international equities. The fund is denominated in US Dollars.

### Baring Hong Kong China (US Dollar) Fund

**Objective:** The fund aims to achieve long-term capital growth. The fund will hold investments mainly in Hong Kong and China.

**Fund Investments:** The managers may also invest in companies incorporated in Taiwan or quoted on the Taiwan stock exchange or in companies that have a significant proportion of their assets or other interests in Taiwan. The fund is denominated in US Dollars.

### Deferred Distribution (Euro) Fund

**Objective:** The fund aims to deliver capital growth together with reinvested income over the longer term.

**Fund Investments:** The fund primarily invests in equities, bonds, property and cash. These assets are predominantly denominated in Euros.

### Deferred Distribution (Sterling) Fund

**Objective:** The fund aims to deliver capital growth together with reinvested income over the longer term.

**Fund Investments:** The fund primarily invests in equities, bonds, property and cash. These assets are predominantly denominated in Sterling.

### Deferred Distribution (US Dollar) Fund

**Objective:** The fund aims to deliver capital growth together with reinvested income over the longer term.

**Fund Investments:** The fund primarily invests in equities, bonds, property and cash. These assets are predominantly denominated in US Dollars.

### Equity Fund

**Objective:** The fund aims to achieve long-term capital growth by investing in a portfolio of mainly UK securities.

**Fund Investments:** Up to 20% of the portfolio may also be invested overseas for diversification purposes.



## Fund information

### Investment strategies (continued)

#### Euro Deposit Fund

**Objective:** The fund aims to produce a competitive yield consistent with the cautious risk nature of the fund. Returns from this fund will be higher when interest rates are high and lower when interest rates are low.

**Fund Investments:** Can invest in Euro denominated interest-bearing deposits and high quality short-term fixed interest issues, pooling the cash of investors to achieve fund objectives.

#### European Fund

**Objective:** The fund aims to achieve long-term capital growth through investment in a portfolio of European shares, excluding the UK.

**Fund Investments:** The fund invests in the shares of continental companies quoted on the major stockmarkets of Europe. It aims to invest in those companies or sectors that offer superior value as a result of a lower stockmarket valuation, given their trading prospects.

#### European Index Tracker Fund

**Objective:** The investment strategy of the fund is to purchase units in the Legal & General European Index Trust. That fund aims to provide growth by tracking the performance of the FTSE World Europe ex UK Index.

**Fund Investments:** The fund will invest almost entirely in company shares. The fund's investments will closely match those that make up the Index. The Index consists of a broad spread of European company shares (excluding UK companies). The fund is denominated in Euro.

This is the objective of this fund from 17 February 2017.

#### Fidelity Euro Balanced (Euro) Fund

**Objective:** The fund aims to achieve long-term growth of both capital and income.

**Fund Investments:** The fund invests in a diversified portfolio of equities, bonds and ancillary cash. The equities and bonds are issued in those countries which are members of the European Monetary Union (EMU) and primarily denominated in Euros or the national currency of an EMU member country. The fund is denominated in Euros.

#### Fidelity Global Focus (US Dollar) Fund

**Objective:** The fund aims to achieve long-term capital growth.

**Fund Investments:** The fund will hold a portfolio primarily invested in shares across the world's stock markets and is denominated in US Dollars. The manager is free to select any company regardless of size, industry or location and will concentrate the fund's investments in a more limited number of companies and therefore the resulting portfolio will be less diversified.

#### Fidelity Global Focus (GBP) Fund

**Objective:** The investment strategy of the fund is to purchase units in the Fidelity Global Focus Fund. That fund aims to achieve long term capital growth from a diversified portfolio primarily made up of the shares of companies from around the world.

**Fund Investments:** In terms of geographical split, the portfolio is invested broadly in relation to the relative sizes and attractiveness of world equity markets. Within the portfolio there is a bias towards the larger quoted companies in each market, but the manager is not restricted in this regard, or in terms of the industrial or geographical split of the portfolio.

### HSBC Amanah Global Equity Index (US Dollar) Fund

**Objective:** The fund aims to create long-term appreciation of capital through investment in a well-diversified portfolio of equities listed worldwide in a manner that is consistent with the principles of Shariah Law.

**Fund Investments:** Investors will have access to the equity markets with daily liquidity and high standard of compliance with Islamic principles. The fund is denominated in US Dollars.

### HSBC Chinese Equity (US Dollar) Fund

**Objective:** This is a growth-oriented fund using a top-down analysis approach, in combination with bottom-up research by fund managers and analysts.

**Fund Investments:** The fund invests in companies with significant operations in mainland China. The fund will typically invest in large, liquid companies and the fund is denominated in US Dollars.

### HSBC Indian Equity (US Dollar) Fund

**Objective:** This is a growth-oriented fund using a top-down analysis approach, in combination with bottom-up research by fund managers and analysts.

**Fund Investments:** The fund invests in Indian equities listed on local exchanges or those available on international depository receipts. The fund will typically invest in large, liquid companies and the fund is denominated in US Dollars.

### Invesco Perpetual Income Fund

**Objective:** The investment strategy of the fund is to purchase units in the Invesco Perpetual Income Fund. That fund aims to achieve a reasonable level of income, together with capital growth.

**Fund Investments:** The fund intends to invest primarily in companies listed in the UK, with the balance invested internationally. In pursuing this objective, the fund managers may include investments that they consider appropriate which include transferable securities, money market instruments, warrants, collective investment schemes, deposits and other permitted investments and transactions as detailed in the prospectus.

### Invesco Perpetual Managed Growth Fund

**Objective:** The fund aims to achieve capital growth from a portfolio primarily of Qualifying Funds.

**Fund Investments:** In pursuing this objective, the fund managers may include investments that they consider appropriate which include transferable securities, money market instruments, warrants, collective investment schemes, deposits and other permitted investments and transactions.

### M&G Asian Fund

**Objective:** The sole objective of the fund is capital growth. Income is not a consideration when investments are selected.

**Fund Investments:** The fund invests wholly or predominantly in a wide range of South East Asian (including Australasian) securities. The fund will not however invest in Japanese securities.

### M&G Corporate Bond Fund

**Objective:** The fund aims to achieve higher returns than would be available from similar gilts by investing in sterling denominated, fixed and variable rate securities, including corporate bonds and debentures.

**Fund Investments:** The fund may also invest in other collective investment schemes and directly in securities, fixed income assets, warrants, money market instruments, deposits, cash, near cash, and derivatives for the purposes of efficient portfolio management. Currency exposures will be managed through the use of currency hedges.



## Fund information

### Investment strategies (continued)

#### M&G Dividend Fund

**Objective:** The aim of the fund is to maximise total return (the combination of income and growth of capital).

**Fund Investments:** The fund invests mainly in a range of UK equities with the aim of achieving a steadily increasing income stream. The target yield is higher than that of the FTSE All-Share Index but this may vary in the shorter term.

#### M&G Episode Allocation Fund

**Objective:** The fund aims to maximise total return (the combination of income and growth of capital) through investment in a diversified range of asset types. Subject to this, the fund aims to grow income in the long term.

**Fund Investments:** The fund invests in transferable securities, fixed income assets (including, but not limited to, corporate bonds and government and public securities), warrants, money market instruments, deposits, cash and near cash. Exposure to these assets, and to property, may be gained via collective investment schemes and derivatives (including equity index futures, currency forwards, interest rate swaps and other liquid derivatives). The fund will invest no more than 60% of the portfolio in equities. Derivatives may also be used for efficient portfolio management purposes.

#### M&G Episode Growth Fund

**Objective:** The fund aims to maximise total return (the combination of income and growth of capital).

**Fund Investments:** The fund invests in transferable securities, fixed income assets (including, but not limited to, corporate bonds and government and public securities), warrants, money market instruments, deposits, cash and near cash. Exposure to these assets, and to property, may be gained via collective investment schemes and derivatives (including equity index futures, currency forwards, interest rate swaps and other liquid derivatives). The fund will invest a minimum of 50% in collective investment schemes. Derivatives may also be used for efficient portfolio management purposes.

#### M&G Gilt & Fixed Interest Income Fund

**Objective:** The fund aims to provide a high and secure income with stability of capital by investing in short, medium or long dated government stocks. A proportion of the fund may be invested in dated debenture or loan stocks. The fund's strategy focuses on long-term issues.

**Fund Investments:** The fund will invest in government and other public securities issued or guaranteed by the government of the United Kingdom. The fund may also invest in corporate bonds if the fund manager considers they provide good relative value.

#### M&G Global Select Fund

**Objective:** The fund invests mainly in a range of global equities.

**Fund Investments:** The fund will invest globally (including the UK) in the equities of companies across a wide range of geographies, sectors and market capitalisations. Income is of secondary importance to capital growth when investments are selected. The fund may at any time be concentrated in a limited number of equities.

#### M&G Global High Yield Bond

**Objective:** The fund aims to maximise total return whilst providing a high level of income by investing in higher yielding corporate debt obligations. It may also include gilts and securities in other European currencies, US Dollars or Yen if the fund manager deems them appropriate investments.

**Fund Investments:** The fund invests predominantly in corporate bonds and debentures, with some holdings in government bonds. The fund tends to be biased towards investing in bonds issued by medium-sized or rapidly-growing companies.

### **M&G Managed Growth Fund**

**Objective:** The fund is an actively managed fund which aims to achieve long term capital growth by investing in authorised collective investment schemes.

**Fund Investments:** For the purposes of diversification and efficient portfolio management the fund may also invest directly in securities, fixed income assets, warrants, money market instruments, deposits, cash, near cash, and derivatives.

### **M&G Property Fund<sup>3</sup>**

**Objective:** The fund aims to maximise long-term total return, through direct investment in commercial property.

**Fund Investments:** The fund will be diversified across different commercial property sectors (such as retail, offices and industrial). There is likely to be an emphasis on property located in the UK.

### **Mellon Global Bond (US Dollar) Portfolio**

**Objective:** The fund aims to maximise total returns from income and capital growth.

**Fund Investments:** The fund aims to maximise total returns from income and capital growth by investing in international sovereign, government, agency, corporate, bank and asset backed debt and debt related securities. Derivatives may also be used for efficient portfolio management purposes.

### **Morgan Stanley European Property (Euro) Fund**

**Objective:** The fund aims for long-term capital appreciation, as measured in Euros.

**Fund Investments:** The fund invests in Euro denominated equity securities of companies in the European property industry.

### **North America Fund**

**Objective:** The fund aims to achieve long-term capital growth by a combination of capital appreciation and income reinvestment.

**Fund Investments:** The fund invests in a portfolio consisting wholly, or mainly, of the shares of companies that are listed in, or have major operations based in, the United States. It focuses on companies or sectors that are trading on attractive stockmarket valuations.

### **UK Deposit Fund**

**Objective:** The fund aims to produce a competitive yield consistent with the cautious risk nature of the fund. Returns from this fund will be higher when interest rates are high and lower when interest rates are low.

**Fund Investments:** Can invest in Sterling denominated interest-bearing deposits and high quality short-term fixed interest issues, pooling the cash of investors to achieve fund objectives.

### **US Dollar Deposit Fund**

**Objective:** The fund aims to produce a competitive yield consistent with the cautious risk nature of the fund. Returns from this fund will be higher when interest rates are high and lower when interest rates are low.

**Fund Investments:** Can invest in US Dollar denominated interest-bearing deposits and high quality short-term fixed interest issues, pooling the cash of investors to achieve fund objectives.

<sup>3</sup> You should look upon your investment in property as being long term. There are large costs when we buy and sell property. The allowance for these costs amongst other factors can lead to short-term falls in the price of units in the Property Fund. The value of property is generally a matter of a valuer's opinion rather than fact. Under certain circumstances, in the interest of other investors, we reserve the right to defer any early encashment or switch between funds. Please see your Contract Conditions for full details.





# Glossary of some investment terms

## This section

You should read this section for information on what some of the more technical terms in this guide mean. We've included this information in case there is wording that you are unsure of.

This glossary is a high-level guide to some technical terminology. It is not intended to be a definitive reference document and you should contact your adviser for further assistance where necessary.

### Basic Materials Sector

A category of stocks covering companies involved with the discovery, development and processing of raw materials. The basic materials sector includes the mining and refining of metals, chemical producers and forestry products.

### "Blue Chip" Companies

These are large, reputable companies which are thought to be financially sound.

### Bonds

See Fixed Interest Securities.

### "Boutique Managed" Funds

Investment funds that are specialised in some way either through the expertise needed to manage the portfolio or because it has an unusual theme or a collection of funds under one house. These "boutique" funds are typically offered by smaller, specialist firms as opposed to large investment management companies.

### Broad Investment Grade

This is a term used to describe a listing of bonds and fixed income instruments on an index. It is used to measure the overall value of a collective group of bonds and represents the characteristics of these types of securities. It is a grading level that can be used by certain types of funds for determining assets that are suitable for investment into a fund.

### Certificates of Deposit

A certificate issued by a bank to a person depositing money for a specified length of time at a specified rate of interest. 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.

### Closed Ended Funds

This describes a collective investment scheme which has a limited number of shares (or units). The shares are then traded on an exchange or directly through the fund manager to create a secondary market subject to market forces.

### Collective Investment Schemes

A way of pooling investment with others as part of a single investment fund. This allows investors to participate in a wider range of investments than would normally be feasible if investing individually and to share the costs and benefits of doing so. Collective Investment Schemes, OEICs, Unit Trusts, Mutual funds, usually either target geographic regions (like emerging market countries) or specific themes (like technology or property).

### Convertible Bonds (can also be called Deferred Equity)

These are corporate bonds that are exchangeable for a set number of another form of investment (for example, common shares) at a pre-stated price. Convertible bonds typically pay a lower income than is normally available from common bonds.

### Corporate Bonds

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

## Default Risk

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

## 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.

## Dilution Levy

This is a type of charge, which may be applied to a fund to cover the cost of either buying assets (where more people are investing in the fund than leaving) or selling assets (where more people are leaving the fund than investing).

## Equities

These are also known as shares or stocks and represent a share of the ownership of a company. Shares give two potential benefits – the share prices increase as the value of the company increases and regular payments, known as dividends, may be made to shareholders based on how well the company is doing.

## Eurobonds

A Eurobond is an international bond that is denominated in a currency not native to the country where it is issued. It can be categorised according to the currency in which it is issued. For example, a British company may issue a Eurobond in Germany, denominating it in U.S. dollars.

## Exchange-Traded Fund

This is an investment vehicle the units of which are traded on a stock exchange. An exchange traded fund can hold a range of assets such as stocks, bonds or even commodities. Most track an index, such as the FTSE All share or the S&P 500.

## Financial Times Stock Exchange (FTSE)

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## Fixed Interest Securities

These are more commonly known as "bonds" and are loans issued by companies or by governments in order to raise money. Bonds issued by companies are called corporate bonds, those issued by the UK government are called gilts and those issued by the US government are called treasury bonds. In effect all bonds are IOUs that promise to pay a sum on a specified date and pay a fixed rate of interest along the way.

## Floating Rate Notes

These are basically short-term loans to financial organisations, such as banks, under which the investor receives interest payments from that financial organisation. At the end of an agreed period the financial organisation has to repay the loan. The interest payment rates are linked to a specified "floating" rate typically the London Interbank Offered Rate (LIBOR). This means that interest rate payments may go up or down.

## Forwards Contract (or Forwards)

These are agreements between two parties to buy or sell an asset at a fixed future date for a price determined at the time of dealing.

## Government Bonds

These are loans to the government where the purchaser of the government bond lends money to the government in return for regular interest payments and the promise that the initial sum will be repaid on a specified later date.

## Government Sovereign Bond

Is a government debt issued in a foreign currency

## Hedging

A strategy employed in order to reduce or mitigate risk. Hedging involves making an offsetting transaction in one market in order to protect against possible losses in another.

## Hedged Back to Sterling

This is a specific example of hedging where the trader is trying to protect an existing or anticipated position from an unwanted move in sterling exchange rates.



## Glossary of some investment terms (continued)

### Index-Linked Securities

Are similar to fixed interest securities but the payments out are normally increased by a prices index e.g. for UK government index-linked securities, payments out are increased in line with the UK Retail Prices Index.

### Investment Grade

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

### LIBOR (London Interbank Offered Rate)

This is the interest rate that London banks charge when lending money to one another over a short period of time. LIBOR is often used as a benchmark when setting other short term interest rates.

### Money Market Investments

Are defined as cash and near cash such as bank deposits, certificates of deposits, fixed interest securities or floating rate notes, with, where applicable, a maturity date of under a year.

### OEIC

This is an Open Ended Investment Company, which is the British version of a European SICAV (Société d'Investissement à Capital Variable) or Irish VCIC (Variable Capital Investment Company). Like all open collective Investment 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. Each time that new money is invested, new shares or units are created to match the prevailing share price; each time shares are redeemed, the assets sold match the prevailing share price.

### Permanent Interest Bearing Shares (usually referred to as PIBS)

These are fixed-interest securities issued by building societies. Building societies use them in the way public limited companies would use preference shares (see below). Although similar to bonds, PIBS typically exist as long as their issuer does. They typically offer better interest rates than bonds although unlike bonds have no fixed redemption date and so redemption value will be determined by market values at the time of sale.

PIBS are not covered by UK government compensation schemes. If the building society is in financial distress, amounts are paid to holders of PIBS only after depositors.

### Preference Shares (also called Preferred Stock or Preferred Shares)

These are shares in a company which give their holders an entitlement to a fixed dividend payment and may or may not carry voting rights. These are a "higher ranking" stock than common stock and usually have specific rights attached to them.

Preference shares mean that the holder may get preferred treatment over common share holders – and carry a dividend that is paid out prior to dividends to common share holders. In the event of bankruptcy preferred share holders will be paid out from assets before common share holders and after debt holders.

### Primary Industry

The industrial sector of an economy involved in the extraction and collection of natural resources, such as copper and timber, as well as by activities such as farming and fishing. A company in a primary industry can also be involved in turning natural resources into products. Primary industries tends to make up a larger portion of the economy of developing countries than they do for developed countries.

## Qualified Investor Scheme (QIS)

A qualified investor scheme is essentially a mixed asset type of scheme where different types of permitted asset may be included as part of the scheme property, depending on the investment objectives and policy of that scheme and within any restrictions in the rules.

## Regulated

This means the portfolio or fund has to conform to the regulations laid down by the financial authority of the country it is trading in (i.e. in the UK, the FCA aims to protect the investor and provides structure around the products, financial services providers and markets).

## Reverse Repurchase Agreement

A Reverse Repurchase Agreement is a legal contract with a bank, under which securities are purchased (for example, UK Government Bonds or Gilts) from the bank, with an agreement to sell them back to the same bank at a higher price at a specific date in the future.

## Secondary Industry

The industrial sector of an economy that produces finished, usable products. Unlike a primary industry, which collects and produces raw materials for manufacture, a secondary industry makes products that are more likely to be consumed by individuals. Examples of secondary industry divisions include automobile manufacturing, steel production and telecommunications.

## Shares

See Equities.

## Short-Term Government Bonds

For the purposes of determining assets which the Prudential Cash Funds can invest in these are defined as government bonds with a repayment period of twelve months or less.

## Smaller Companies

Companies quoted on a recognised exchange that have a market worth below that of blue chip companies. In the UK, smaller companies are typically defined as those with market capitalisations below the top 350 companies in the FTSE All Share Index.

## Transferable Securities

A type of financial security which is traded on capital markets. The term is probably most commonly known and used in association with UCITS in UK and Europe (examples would be UCITS/depositary receipts/some types of warrants).

## Undertakings for Collective Investment in Transferable Securities (UCITS)

These are collective investments which can be sold across national borders within the EU having complied with regulations on investments and administration. These include OEICs and SICAVs.

## Unregulated

This means the portfolio or fund does not need to conform to regulations.

## Warrants

A warrant is a security that entitles the holder to buy shares in the issuing company at a specified price and within a certain time frame.

Warrants are freely transferable and traded on major exchanges. Their value will go up or down as the price of the shares to which they relate goes up or down.

## Further information

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

