PruFund Range of Funds (UK/Non-UK)
For investments in:
International Prudence Bond
Prudential International Investment Bond
The PruFund Range of Funds are available through our International Prudence Bond (IPB) and Prudential International Investment Bond (PIIB).

This leaflet highlights some of the key reasons to consider the PruFund Range of Funds as part of your IPB and PIIB investment plans.

The PruFund Range of Funds
The PruFund Range of Funds is a collection of multi-asset funds available for investment. There are:

➢ three PruFund Growth Funds: Sterling, Euro and US Dollar
➢ three PruFund Cautious Funds: Sterling, Euro and US Dollar

When you invest in the PruFund Range of Funds, your investment is pooled with other investors’ money in part of The Prudential Assurance Company Ltd (PAC) With-Profits Fund, called the Defined Charge Participating Sub-Fund (DCPSF). This takes place through a reassurance arrangement which means that all of the benefits payable from the PruFund Range of Funds are provided by PAC.

Managed by experts
The PruFund funds are managed by the M&G Treasury and Investment Office (T&IO). T&IO are our in-house investment strategists and “manager of managers” for the M&G Group in the UK. They are a large team, which includes economists, mathematicians and analysts who specialise in different areas of the investment world. They monitor and review the performance of each fund management specialist around the world. T&IO manages over £175 billion* across a growing range of highly competitive multi-asset investment solutions and annuities on behalf of Prudential UK and Europe.

* as at 30 June 2019

Important:
This guide covers investment in the PruFund Range of Funds via our Prudential International Investment Bond and International Prudence Bond. It's important to remember that the Prudential International Investment Bond is only available to UK based customers and the International Prudence Bond is only available to customers outside the UK.

Your capital is at risk and you may get back less than you originally invested
Features of the PruFund smoothing process

The PruFund range of funds aim to grow your money over the medium to long term (5 to 10 years or more), while protecting you from some of the short-term ups and downs of direct stockmarket investments by using an established smoothing process. This means that while you won’t benefit from the full upside of any potential stockmarket rises you won’t suffer from the full effects of any downfalls either. In certain circumstances PAC might need to suspend the smoothing process for one or more of the PruFund funds.

Step 1 – PruFund Account (holding account)

When you invest in one of the PruFund funds, your money will be put into a ‘holding account’ where it will stay until the next quarter date. Please refer to Step 2 – Expected Growth Rate for more information on the quarter dates.

While your money is in a holding account, it increases daily in line with the Expected Growth Rate (see step 2 for more details on Expected Growth Rates) applicable to that account. During this time, we apply product charges but the investment will not be subject to any smoothing adjustments or suspension of smoothing. There is an associated PruFund Account (holding account) for each fund in the PruFund fund range.

At the next quarter date, your money will be transferred from that holding account to your chosen PruFund fund. Your holding account buys units in your chosen PruFund fund at the price that applies on that day.

If you invest on a quarter date, you would normally be invested in a holding account until the next quarter date.

This example shows an investment being made into the PruFund Growth Fund:

<table>
<thead>
<tr>
<th>Your investment (after any Set-Up Adviser Charge, if applicable)</th>
<th>Initial investment</th>
<th>At next Quarter Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holding account for the PruFund Growth Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PruFund Growth Fund</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This is a simplified example of how the process works and is for illustrative purposes only. It is not representative of any particular time period or investment performance.

Changed your mind?

Once your investment is in a holding account you can’t change your mind about which fund to invest in until the end of the holding account period. You can however, cancel your investment if you are still in the cancellation period. See your Key Features document for more information on this.

Step 2 – Expected Growth Rate

On each quarter date, the Prudential Directors set an “Expected Growth Rate (EGR)” for each PruFund fund based on their expectations of the long-term investment return on the assets of the PruFund funds. PAC will publish the EGR’s for each product, every three months (on the quarter dates) on: www.pru.co.uk/egr

The PruFund quarter dates are:

- 25 February
- 25 May
- 25 August
- 25 November

(or the next working day if the quarter date is a weekend or Bank Holiday).

The unit price for each fund will normally increase daily in line with the appropriate EGR. For example, if the unit price of a PruFund fund was 100p at the start of the investment and the EGR was 6%, then after one year the unit price would be 106p. This assumes the EGR remains at 6% for the year and there are no Unit Price Adjustments or suspension of smoothing (see Unit Price Adjustment – Daily Monitoring on page 4 and Suspending smoothing on page 6 for more information).
Step 3 – Unit Price Adjustment – Daily Monitoring
Every day, for each PruFund fund, PAC monitor two things:

- the unit price, which we refer to as the “smoothed price”, which normally increases each day by the EGR, and
- the “unsmoothed price”, which is the value the underlying fund divided by the total number of units.

Every day, the smoothing process checks the gap between the smoothed price and the unsmoothed price. For this purpose, the gap is calculated using both:

1. the unsmoothed price and
2. a five-working-day rolling average of the unsmoothed price.

If at any time this gap is equal to or more than the Daily Smoothing Limit, in either direction, PAC will immediately adjust the smoothed price to reduce the gap to the value of the Gap After Adjustment for the relevant fund. After any change, the unit price will continue to increase by the Expected Growth Rate for the quarter.

Please note, the Daily Smoothing Limit and the Gap After Adjustment will vary by fund. The current values that apply to each fund can be found in ‘Your With-Profits Bond – a guide to how we manage the Fund (PruFund range of funds)’, reference IPBB10049, on www.pru.co.uk

Want to know more?
For example, if the smoothed price was 100p, the unsmoothed price was 112p, the Daily Smoothing Limit was 10% and the Gap After Adjustment was 2.5%, this would mean there would be a gap of 12% (based on the smoothed price). PAC would then increase the smoothed price to 109.2p, which is 2.5% below 112p.

Similarly, if the smoothed price was 100p, the unsmoothed price was 88p, the Daily Smoothing Limit was 10% and the Gap After Adjustment was 2.5%, this would mean there would be a gap of 12% in the other direction. PAC would then reduce the smoothed price to 90.2p, which is 2.5% above 88p.

If the gap is less than the Daily Smoothing Limit, in either direction, the smoothed price normally remains as it is.

This example is based on a Daily Smoothing Limit of 10% and a Gap After Adjustment of 2.5%. However the current values that apply to each fund can be found in ‘Your With-Profits Bond – a guide to how we manage the Fund (PruFund range of funds)’, reference IPBB10049, on www.pru.co.uk

Looking for the unsmoothed price?
The unsmoothed price is not published. This avoids speculation over possible smoothed price adjustments and helps protect investors in the PruFund funds.

This is a simplified example of how the process works and assumes that the five-working-day rolling average rule has also been breached. It is for illustrative purposes only. It is not representative of any particular time period or investment performance. Its sole aim is to show how smoothing works.
**Step 4 – Unit Price Adjustment – Monitoring at the quarter date**

In addition to monitoring the PruFund fund unit prices on a daily basis, PAC apply further monitoring of the unit prices at each quarter date. See Section “Expected Growth Rate” on page 3 for more information on the PruFund quarter dates.

On each quarter date if there is a gap which is equal to or more than the Quarterly Smoothing Limit, in either direction, when PAC compare the smoothed price to the unsmoothed price for that day, PAC will adjust the smoothed price to reduce the gap by half. If necessary, this process will be repeated until the gap is less than the Quarterly Smoothing Limit. After any change, the unit price will continue to increase by the Expected Growth Rate.

Please note, the Quarterly Smoothing Limit will vary by fund. The current values that apply to each fund can be found in ‘Your With-Profits Bond – a guide to how we manage the Fund (PruFund range of funds)’, reference IPBB10049, on [www.pru.co.uk](http://www.pru.co.uk)

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**Want to know more?**

For example if, at the quarter date, the smoothed price was 100p, the unsmoothed price was 94p and the Quarterly Smoothing Limit was 5%, there would be a gap of 6%. PAC would then reduce the smoothed price to 97p, which reduces the gap by half.

Similarly, if, at the quarter date, the smoothed price was 100p, the unsmoothed price was 108p and the Quarterly Smoothing Limit was 5%, there would be a gap of 8% in the other direction. PAC would then increase the smoothed price to 104p, which reduces the gap by half.

This example is based on a Quarterly Smoothing Limit of 5%. However the current values that apply to each fund can be found in ‘Your With-Profits Bond – a guide to how we manage the Fund (PruFund range of funds)’, reference IPBB10049, on [www.pru.co.uk](http://www.pru.co.uk)

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**An example of how the PruFund smoothing process works**

The Smoothed Value is normally used for customer transactions, rather than the more volatile Unsmoothed Value

In this chart, the Smoothed Value increases in line with the fund’s Expected Growth Rate

When you enter or leave the fund the Smoothed Value may be higher, lower or equal to the Unsmoothed Value

This chart is for illustrative purposes only – it’s not representative of any particular time period or investment performance. Its sole aim is to explain how smoothing works.
Important information on the PruFund smoothing process

Unit Price Reset
PAC may decide to reset the smoothed price of a PruFund on a particular day, to protect the PAC With-Profits Fund.

If PAC 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 continue to grow in line with the EGR from the working day after this reset of the smoothed price.

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

How do I find out about PruFund funds’ past performance?
Full details of the past performance of the PruFund fund range are available from your financial adviser or from www.pru.co.uk/funds

Past performance is not a reliable indicator of future performance.

Switching out of a PruFund fund
Switches out of the PruFund funds will normally be made 28 days after the request is received and will use the unit prices on the 28th day.

For full details of switching out of PruFund funds, refer to the relevant Key Features Document.

Withdrawals
There may be a delay for full or partial withdrawals from a PruFund fund. Please refer to your product specific Key Features document for details of the delay period that may apply.

Want to know more?
Please refer to “Your With-Profits Bond – a guide to how we manage the Fund (PruFund range of funds)” reference IPPB10049 for more information. You can also refer to your product specific Key Features Document and Funds Guide for more details on our range of funds. These are available from your financial adviser and from www.pru.co.uk

The value of an investment can go down as well as up and you may get back less than you paid in. For the range of PruFund funds, what you receive will depend on the value of the underlying investments, the Expected Growth Rates as set by the Prudential Directors, our charges, the smoothing process, if there is a guarantee and when you take your money out. The capital guarantee, if applicable, is applied at the end of the guarantee term specified in your personal illustration document.

Where available, the guarantees we provide through our PruFund Protected Funds are backed by the Prudential Assurance Company Limited (PAC) With-Profits Fund. We do not use a third party to back our guarantees. Please note that the PruFund Protected Funds are currently suspended and are not open to new investments.

Security of Dublin base
Prudential International is based in Dublin which is a location with a strict legal and regulatory environment. The company is subject to European Law, having to comply with all European directives and regulations and to meet European solvency capital requirements. As part of the M&G plc, we have additional group standards to comply with.
The registered office of Prudential International is in Ireland at Montague House, Adelaide Road, Dublin 2. Prudential International is a marketing name of Prudential International Assurance plc. Registration No. 209956. Telephone number +353 1 476 5000. If the Company should become unable to meet its liabilities, the Financial Services Compensation Scheme will protect eligible policyholders habitually resident in the UK when their contract starts, with effect from 1 December 2001. This protection does not extend to externally-linked investments. Prudential International Assurance plc is authorised by the Central Bank of Ireland and is subject to limited regulation by the Financial Conduct Authority for UK business. Details on the extent of our regulation by the Financial Conduct Authority are available from us on request.