

PruFund Range of Funds (UK/Non-UK)

For investments in:

International Prudence Bond

Prudential International Investment Bond

Available through our International Prudence Bond (IPB) and Prudential International Investment Bond (PIIB), the PruFund Range of Funds aim to grow your money over the medium to long term, whilst protecting you from some of the short-term ups and downs of direct investments by using a unique smoothing process.



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
- three PruFund Protected Cautious Funds: Sterling, Euro and US Dollar
- three PruFund Protected Growth Funds: Sterling, Euro and US Dollar (PIIB only)

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 reinsurance arrangement which means that all of the benefits payable from our funds are provided by PAC.

Managed by experts

The PruFund funds are managed by the Prudential Portfolio Management Group Limited (PPMG). PPMG are our in-house investment strategists and "manager of managers" for the Prudential Group in the UK. They are a team of about 90, 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. PPMG manages around £156 billion across a growing range of highly competitive multi-asset investment solutions and annuities on behalf of Prudential UK and Europe.

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

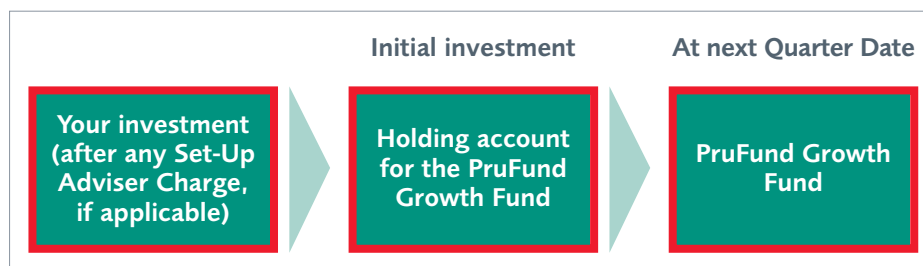
Features of the PruFund smoothing process

The PruFund funds aim to grow your money over the medium to long term, whilst protecting you from some of the short-term ups and downs of direct investments by using a unique smoothing process.

Step 1 – PruFund Account (holding account)

- When you invest in one of our PruFund funds, your money will be put into a 'holding account' where it will stay until the next quarter date. Please refer to the section "Unit Price Adjustment (UPA) – Monitoring at the quarter date" on page 5 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 page 5 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:



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, Prudential sets an "Expected Growth Rate (EGR)" for each PruFund fund based on our expectations of the long-term investment return on the assets of the PruFund funds. We publish EGRs on www.pru.co.uk and we continuously monitor them to ensure they reflect up-to-date forecasts. The PruFund quarter dates are:



(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, we 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*:

- the unsmoothed price *and*,
- a five-working-day rolling average of the unsmoothed price.

If at any time this gap is 10% or more, in either direction, we'll immediately adjust the smoothed price to reduce the gap to 2.5%.

Want to know more?

For example, if the smoothed price was 100p and the unsmoothed price 112p, there would be a gap of 12% (based on the smoothed price). We'd then increase the smoothed price to 109.2p, which is 2.5% below 112p.

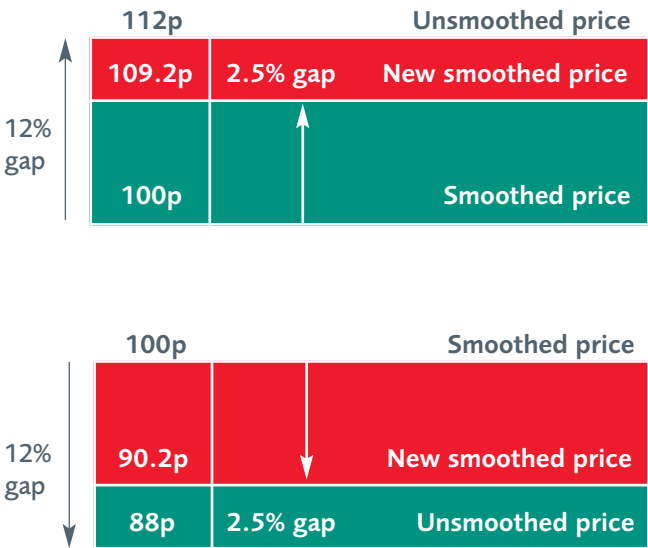
Similarly, if the smoothed price was 100p and the unsmoothed price 88p, there would be a gap of 12% in the other direction. We'd then reduce the smoothed price to 90.2p, which is 2.5% above 88p.

If the gap is less than 10%, the smoothed price normally remains as it is.

Looking for the unsmoothed price?

We do not publish the unsmoothed price. 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

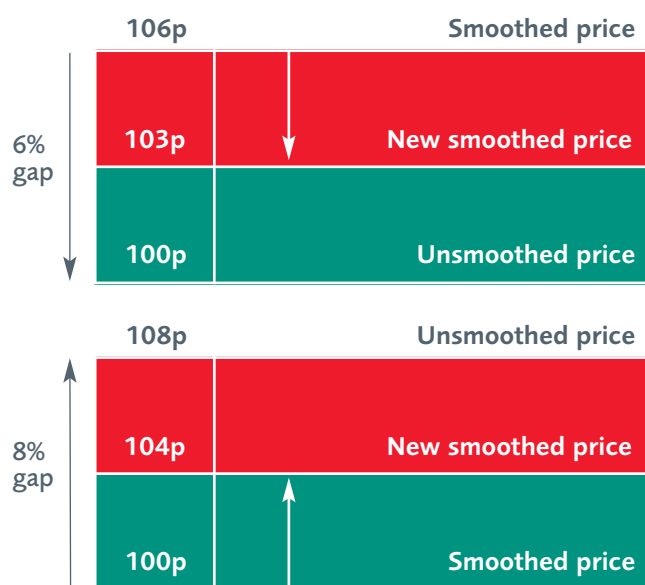
In addition to monitoring the PruFund fund unit prices on a daily basis, we apply further monitoring of the unit prices at each quarter date. See Section "Expected Growth Rate" on page 3 for more information on the PruFund quarter dates.

On each quarter date if there is a gap of 5% or more when we compare the smoothed price to the unsmoothed price for that day, we adjust the smoothed price to reduce the gap by half. If necessary, we'll do this more than once, until the gap is less than 5%. After any change, the unit price will continue to increase by the Expected Growth Rate.

Want to know more?

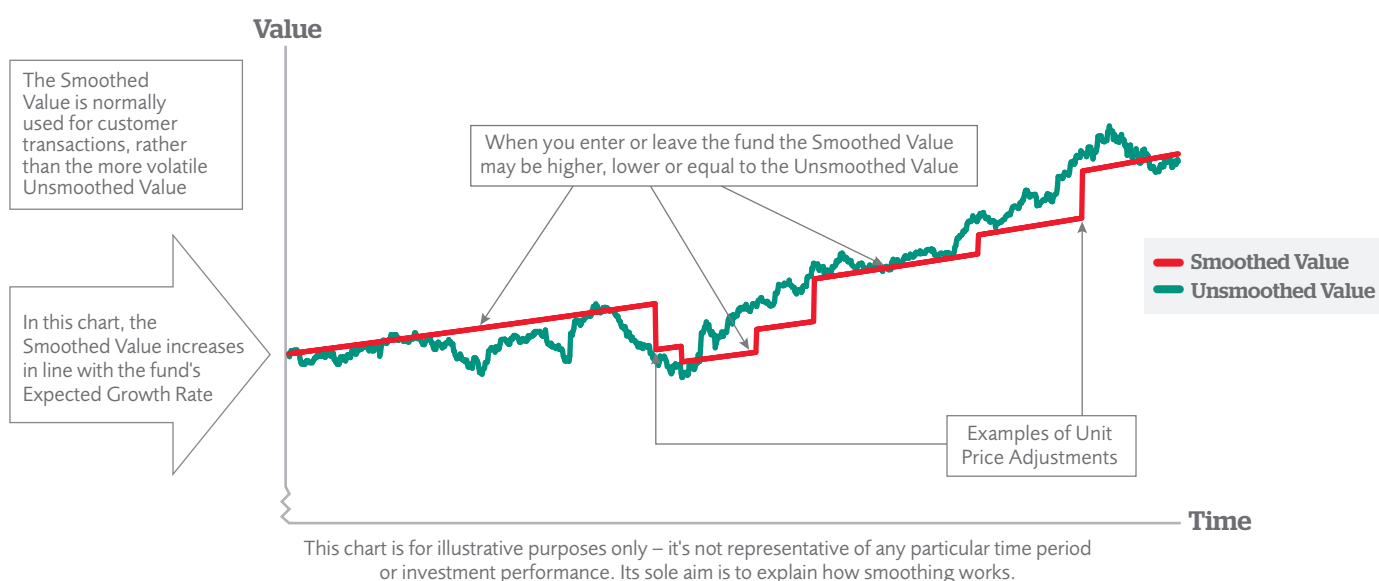
For example if, at the quarter date, the smoothed price was 106p and the unsmoothed price 100p, there would be a gap of 6%. We'd then reduce the smoothed price to 103p, which reduces the gap by half.

Similarly, if, at the quarter date, the smoothed price was 100p and the unsmoothed price 108p, there would be a gap of 8% in the other direction. We'd then increase the smoothed price to 104p.



This is a simplified example of how the process works. 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.

An example of how the PruFund smoothing process works



Important information on the PruFund smoothing process

Suspending smoothing

There may be occasions where we have to suspend the smoothing process for one or more PruFund funds, to protect our With-Profits Fund and the clients invested in it. We may also suspend the smoothing process if unusually large volumes of money enter or leave the funds. 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.

This means your investment will be exposed to the extreme short-term ups and downs of direct stockmarket investment.

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

You can switch from a PruFund Protected fund to a corresponding non-protected fund, for example PruFund Protected Cautious Fund to the PruFund Cautious Fund. The switch will be processed when we receive the request.

For Prudential International Investment Bond, the switch from a PruFund Protected Fund to a corresponding non-protected fund must be of the same currency.

All other switches out of the PruFund funds will 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 your product specific 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 guide to investing in the PruFund ranges 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 the value in the future may be less than the amount invested. 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 (see the next section on "PruFund guarantee" for more information about guarantees). The guarantee, if applicable, is applied at the end of the guarantee term specified in your personal illustration document.

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.

PruFund guarantee

If you choose a PruFund Protected Fund, you may be able to select a guarantee term, where the Fund ensures that at the end of the guarantee term, it will be worth at least the amount you invested, adjusted for any charges, withdrawals or switches out.

We regularly review the guarantees available on the Protected PruFunds and as a result, we can remove, change or suspend the guarantees that we offer. This will only affect new guarantees; we won't change guarantees already in force.

For more information you can read the 'PruFund Range of Funds: Guarantee Options' flyers – IPBS10167 for IPB or PIIBS10011 for PIIB.

The guarantee will only apply at end of the guarantee term (the Guarantee Date) and has a specific charge which is payable for the whole of the guarantee term.

Although the investment is designed to be held for the medium to long-term, if you decide to move your money out before the Guarantee Date or leave the money in the plan beyond that date, the guarantee will no longer apply. We will stop taking the charge for the guarantee in these situations.

Investing with Prudential International

Prudential International is part of the Prudential group. Here are some highlights of the Prudential Group:

For over 168 years, Prudential have protected the interests of their policyholders and shareholders

Prudential is a highly respected brand

Prudential has £509 billion assets under management (as at end December 2016)

Prudential has 24 million customers worldwide today (as at December 2016)

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 Prudential Group, we have additional group standards to comply with.

Prudential International is subject to the risk-sensitive solvency framework required under European Solvency II Directives (Solvency II) as implemented by the Central Bank of Ireland. We maintain a strong Solvency II surplus, which represents the aggregated capital (own funds) held by the company less the solvency capital requirements.

As an EU domiciled insurance company we comply with the requirements of EU law which is transposed into Irish law. In addition, the Central Bank of Ireland has implemented Corporate Governance Requirements for Insurance Undertakings, which enhances the arrangements that an insurance company must have in place. We operate a robust corporate governance environment to meet this requirement.



www.prudential-international.com

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.