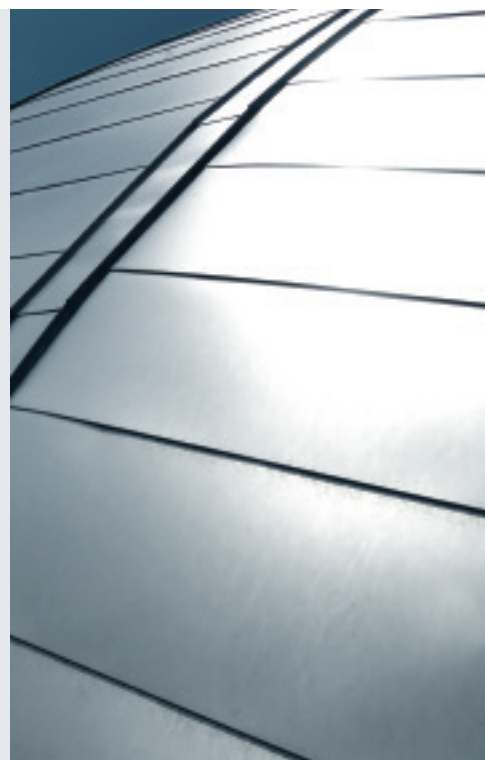


Your guide to investing in the
PruFund Range of Funds

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This guide explains the main points of investing in the PruFund Range of Funds. If, after reading it, you still feel unclear on anything, you should consult your Financial Adviser. Please remember you may be charged for any financial advice you're given.



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.

➤ What is the PruFund Range of Funds?

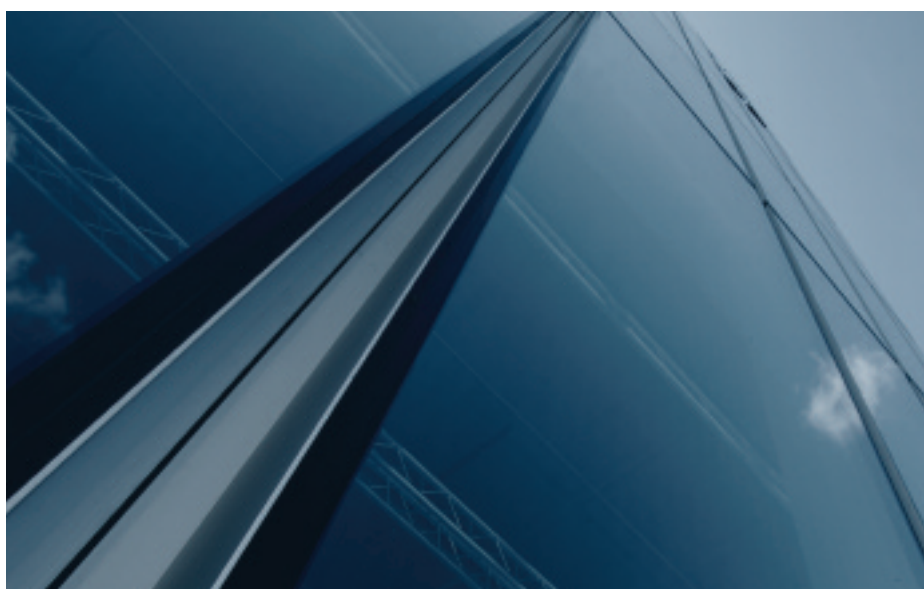
The PruFund Range of Funds is a collection of funds available for investment. There are:

- three PruFund Growth Funds: Sterling, Euro and US Dollar,
- three PruFund Cautious Funds: Sterling, Euro and US Dollar, and
- a number of PruFund Protected Funds, also in Sterling, Euro and US Dollar.

When you invest in any of the PruFund Range of Funds, your investment is pooled with other investors' money in part of the long-term fund of The Prudential Assurance Company Ltd (PAC), 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.

The DCPSF invests in a mix of assets such as shares, property, fixed interest securities and cash deposits. Within each of these types, it has many different holdings, both in the UK and abroad.

This wide diversity helps to spread risk. If one holding, or one market, falls in value, it may be balanced by another that is rising, so the overall effect of the fall on the fund could be lessened. Over the longer term this should help to steady the performance.



The PruFund Growth Funds and PruFund Cautious Funds have different investment objectives and a different asset mix.

The Growth Funds aim to provide long-term returns above inflation and will usually have a bias towards shares and property.

The Cautious Funds aim for steady and consistent growth through a more cautious investment approach that focuses on fixed interest securities and cash. Within each group of funds, the asset mix will also differ between the three currency versions.

The return on your investment in any of the PruFund Range of Funds will be influenced by the performance of the assets held. Initially it will be determined by the Expected Growth Rate and in addition there is a special "smoothing" mechanism. This is explained in the next section.

The value of your investment in the PruFund Range of Funds may fluctuate and there could be times when you may not get back the full amount of your original investment. What you get back will depend on the value of the underlying fund assets, the smoothing process, whether you have selected one of the PruFund Protected Funds and when you take your money out.

The PruFund Protected Funds offer a range of guarantees. This is explained in "What is the PruFund guarantee?" on page 7.

Where there is any reference to investing in a PruFund Protected Fund throughout this document, it only relates to taking out a new bond as top-ups or switches in to the PruFund Protected Funds are not allowed. If you would like any more information, please speak to your Financial Adviser.

➤ How do these funds work?

When you make an investment into one of the funds, your money is used to buy units in the fund. PAC sets the price of units on a daily basis.

With a typical unit-linked fund, the unit price is directly related to the value of the assets held in the fund. This will fluctuate from day to day with market movements. With the PruFund Range of Funds, the assets held will fluctuate in value in just the same way, but PAC aims to smooth these fluctuations by using a formula to set the unit price.

The Expected Growth Rate

To start with, PAC sets an Expected Growth Rate for each fund. This is based on the annual growth rate that PAC expects the funds to achieve over the longer term.

The Expected Growth Rates are published online on our website (www.pru.co.uk) and PAC reviews them each quarter on set dates, known as the PruFund Quarter Dates. These are:

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

or the next valid working day.

As the Expected Growth Rates are based on a view of the long-term prospects for the funds, they would not normally be changed frequently. However, PAC monitors them to make sure they reflect its most up to date forecasts.

Normally, the unit price for each fund will increase daily in line with its Expected Growth Rate. This gives you the return on your investment. In addition, the unit price may be adjusted up or down in line with the smoothing formula.

Smoothing

The smoothing process is designed to reduce the effect of market fluctuations while taking account of the actual value of the assets in each fund. So every day, for each fund, PAC monitors two things:

- the unit price, which we refer to as the "smoothed price", and
- the "unsmoothed price", which is the "real" value of units in the fund – the total value of all the assets held divided by the number of units.

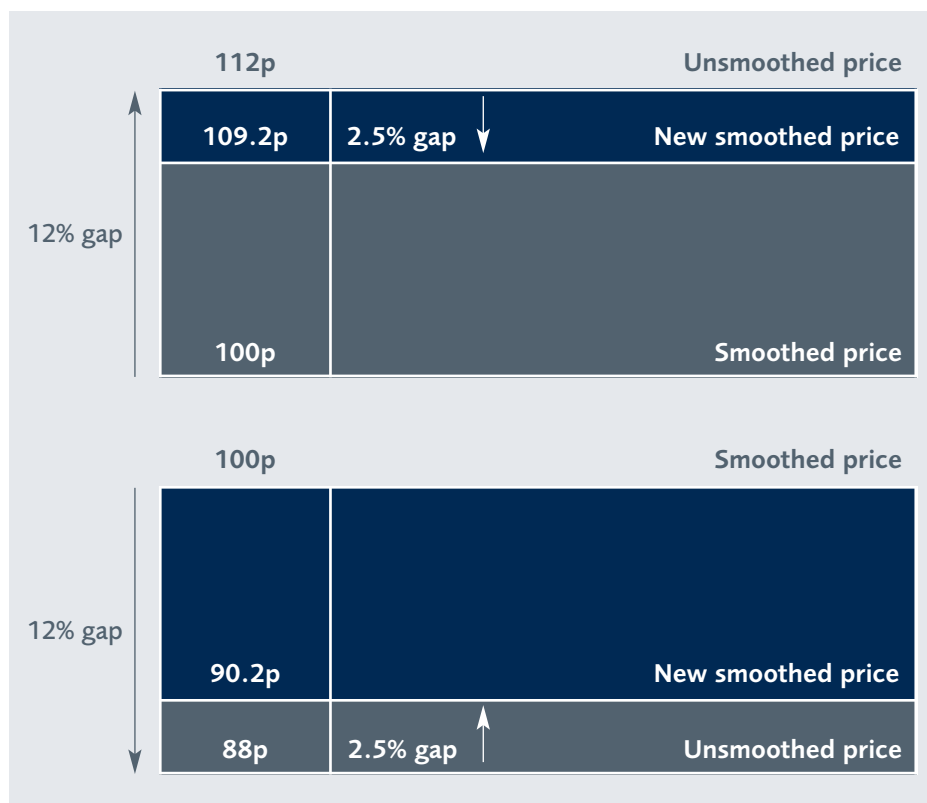
PAC checks the gap between these, comparing the smoothed price with both the daily unsmoothed price and the average over the latest period of five working days.

If at any time this gap (based on both these calculations) is 10% or more of the smoothed price, in either direction, PAC will immediately adjust the smoothed price to bring it to within 2.5% of the unsmoothed price.

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). PAC would 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 was 88p, 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.

Examples



If the gap is less than 10%, the smoothed price normally remains as it is. However, at each PruFund Quarter Date, when the Expected Growth Rate is set, PAC does a further check.

If the gap at this time is 5% or more of the smoothed price, PAC will adjust the smoothed price up or down to reduce the gap by half. If necessary, this will be done more than once, until the gap is less than 5%.

After any change in the unit price, it will continue to increase by the Expected Growth Rate as usual.

We don't publish the unsmoothed price, to prevent any speculation that could disadvantage investors in the fund.

Suspension of smoothing

There are certain situations when smoothing may be suspended.

This will happen if:

- there are large movements over a year: if the balance between new investments and investments being cashed in or switched is more than 10% of the current smoothed fund value;
- there are very large movements in a month: if the balance between new investments and investments being cashed in or switched, measured over the past 30 days and then annualised (ie multiplied by 12), is more than 25% of the current smoothed fund value; or
- PAC thinks it is necessary to protect the fund or policyholders.

In this case, the value of your investment will rise or fall in line with the unsmoothed price until smoothing starts again.

This could mean that the value of your investment fluctuates more than usual, although the diversity of the fund will help to reduce volatility. PAC will resume the smoothing process when appropriate, subject to a minimum suspension period of 30 days.

Any suspension of smoothing on one fund would not affect funds of different currencies or investment objectives within the PruFund Range.

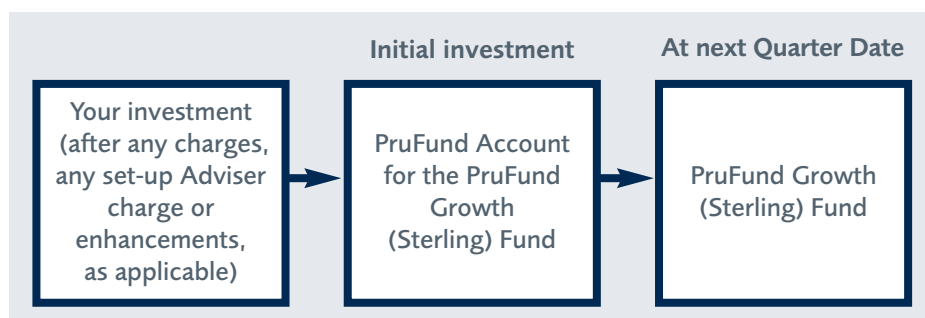
➤ How do I invest?

Initial investment

If you choose to invest in one of the PruFund Range of Funds, we will initially put your money (after any charges, set-up Adviser charge or enhancements, as applicable) into a PruFund Account. It will then be transferred into your chosen fund at the next PruFund Quarter Date.

There is a PruFund Account corresponding to each of the funds in the PruFund Range. While your money is in the relevant Account, it will earn a return at the same Expected Growth Rate that applies to the fund you have chosen. Normal charges will also apply. The PruFund Accounts are not subject to the smoothing process and equally will not be affected if there is any suspension of smoothing.

At the PruFund Quarter Date, the value of your holding in the PruFund Account will be used to buy units in the fund you have chosen, at the unit price that applies on that day. For example, if you chose to invest in the PruFund Growth (Sterling) Fund, this is what would happen:



Once your money has gone into the PruFund Account it will automatically be transferred into the corresponding PruFund Growth Fund, PruFund Cautious Fund or PruFund Protected Fund at the next PruFund Quarter Date. You will not be able to change your mind during this time (other than if you cancel your bond).

Switching in

If you switch money into one of the PruFund Growth or PruFund Cautious Funds, it will first go into the corresponding PruFund Account in just the same way as for an initial investment. It will then be transferred into your chosen fund on the next PruFund Quarter Date, at the unit price that applies on that day. The exception is that, if you switch from a PruFund Protected Fund to a PruFund non-protected fund of the same type and currency, it will go straight into the new fund rather than via the PruFund Account.

You can never switch into a PruFund Protected Fund. If you invest in one of these funds at the start of your bond and subsequently switch out, you will not be able to switch back into it.

If you request a switch into any of the PruFund Growth or PruFund Cautious Funds, you cannot retract it. As before, once your money has gone into the corresponding PruFund Account, it will automatically be transferred into the fund at the next PruFund Quarter Date. You can, of course, switch it out again after that, if you wish. Switching out is covered in "What if I decide to take my money out?" on page 9.

Additional investments

If you make a top-up investment into your bond, you can select one of the PruFund Growth Funds or one of the PruFund Cautious Funds, but you cannot make a top-up into any of the PruFund Protected Funds, even if you already hold that fund. Any top-up investment into a PruFund Growth or PruFund Cautious Fund will first go into the corresponding PruFund Account in the same way as an initial investment.

Within the same bond, you can never hold more than one fund from each of these groups: the PruFund Growth Funds, the PruFund Cautious Funds and the PruFund Protected Funds. For example, if you have a holding in the PruFund Growth (Sterling) Fund, you cannot make a top-up investment, or a switch from another fund, into the PruFund Growth (US Dollar) Fund. You may switch from the Sterling Fund into the US Dollar Fund, but only if you switch your entire holding.

➤ What is the PruFund Guarantee?

The PruFund Protected Funds offer a range of guarantees that takes effect on the relevant anniversary of your bond. You can find the current terms available and the charges in our leaflet "The PruFund Range of Funds: Guarantee options". Your Financial Adviser will be able to give you a copy.

The guarantee will apply on the Guarantee Date. This is the anniversary on which the guarantee applies and depends on the choice available to you when you apply for your bond.

For example, for a ten year guarantee, your Guarantee Date will be the tenth anniversary of the date on which your bond starts. So if your bond starts on 9 May 2013, the Guarantee Date will be 9 May 2023.

Please note that the guarantee will only apply on the Guarantee Date. If you switch completely out of the fund, or cash in your bond, before then, the guarantee will not apply.

When you invest in a PruFund Protected fund you will also have a Guaranteed Minimum Fund. We set this at the start of your bond. For more information see your Personal Illustration or speak to your Financial Adviser.

At the Guarantee Date, if the value of the units you hold in the fund is less than your Guaranteed Minimum Fund, we will add units to bring it up to the amount guaranteed.

We will then switch all the units you hold in the PruFund Protected Fund, including any we have added, into the equivalent non-protected fund of the same currency. For example, if you were invested in the PruFund Protected Growth (Sterling) Fund, we would switch your units into the PruFund Growth (Sterling) Fund.

The exception is if you already hold the non-protected fund in a different currency. In this case we would switch units into the fund you already hold. For example, if, as above, you were invested in the PruFund Protected Growth (Sterling) Fund and you also had an investment in the PruFund Growth (Euro) Fund, we would switch your units into the PruFund Growth (Euro) Fund.

Where the switch is made into a fund of the same currency – such as Sterling to Sterling, in the first example above – it will go straight into the fund. If it is a different currency – such as Sterling to Euro in the second example – it will go first into the corresponding PruFund Account. It will then be automatically transferred into the appropriate fund at the next PruFund Quarter Date.

In all cases, switches will be made automatically and will not count towards your free switches for that 12-month period.

During the 28 days following the Guarantee Date, you can choose either of the following options:

- you can keep your holding in the PruFund Cautious Fund or the PruFund Growth Fund, or
- you can switch all the units out of that fund into any other fund of your choice. In this case, the switch will not be subject to the usual 28-day delay on PruFund switches (as explained on page 9).

We will write to you in advance of the Guarantee Date to remind you of these options and of the value of your Guaranteed Minimum Fund.

Where the Guaranteed Minimum Fund becomes effective, it will be expressed in the currency of the relevant fund – Sterling, Euro or US Dollar. If you decide to cash in your bond at the Guarantee Date and you are taking the proceeds in a different currency, your payment may be affected by exchange rate movements.

There are some special rules which apply to the PruFund Protected Funds.

- You cannot switch into any of the funds at any time:
 - if you don't choose one at the start of your bond and you then want to invest in one, you would have to start a new bond;
 - if you do choose one of the funds at the start of your bond, but later switch any money out of it, you cannot later switch back into it.
- You cannot make top-up investments into any of the funds.

➤ What affects the returns on the PruFund Range of Funds?

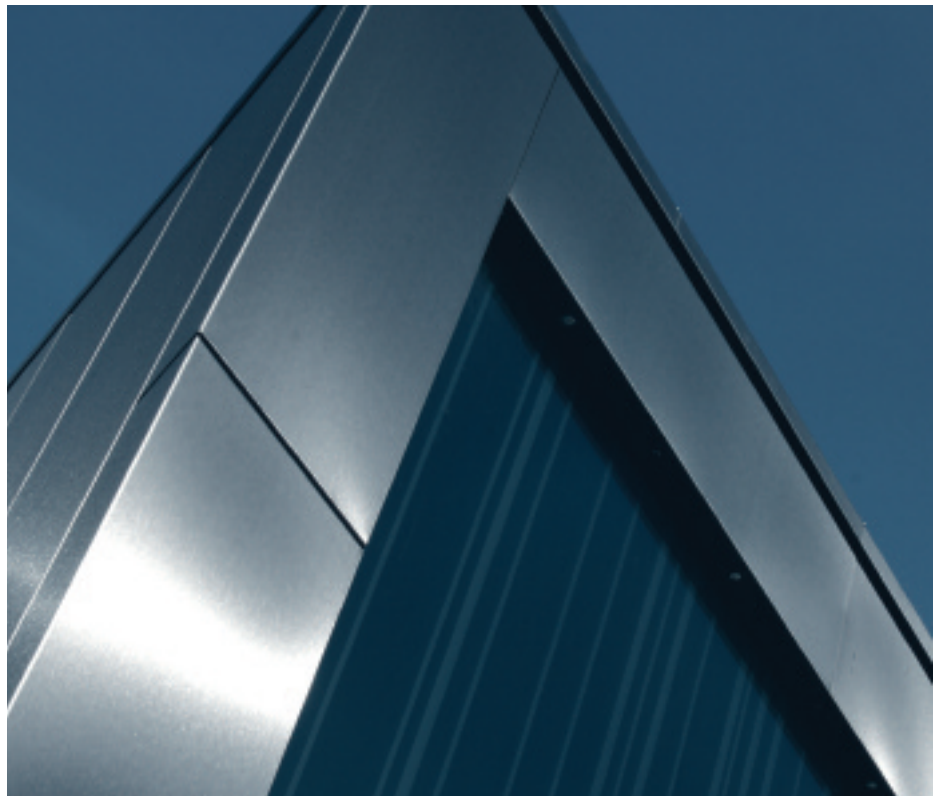
One influence on returns is the investment performance. As explained on page 3, each of the funds invests in a number of different asset types. The overall performance will depend on how these various assets perform and the asset allocation – how the fund is proportioned between them.

Over time, the relative performance of the different assets will vary and so the ideal mix to meet each fund's objective may change. Our expert fund managers will review the asset allocation of each fund in the light of their expectations.

They also take the risk level into account. Assets which have the potential to give the highest returns also tend to be the most risky. So the aim will always be to achieve the best possible return, subject to an appropriate level of risk for each particular fund.

The effect of investment performance will normally be tempered by the smoothing process. As explained on page 4, this aims to help to reduce the ups and downs of market movements – the smoothed price should generally fluctuate less than the true value of the assets in the fund.

Charges will also have an effect on returns. They are taken by cancelling units in your plan. You can find details of all our charges in your Key Features document, personal illustration where applicable and Statement of Charges.



› What if I decide to take my money out?

Because of the special nature of the PruFund Range of Funds, there are some particular conditions that apply to switching out or making withdrawals.

If any regular or one-off withdrawals are deducted from a PruFund Protected Fund (including any ad hoc and ongoing Adviser charges as applicable), the Guaranteed Minimum Fund will be reduced proportionately.

Switches out of any of the funds will be subject to a 28-day delay. The unit price we will use will be the one that applies on the day the switch is made, which means it may be different – higher or lower – from the unit price on the day that you request the switch. If you make a partial withdrawal from your bond, or cash it in completely, there may be a discretionary 28-day delay.

There are some exceptions as shown below. We've used the PruFund Protected Cautious Funds and the PruFund Cautious Funds in these examples but the same rules will apply for the PruFund Protected Growth Funds and the PruFund Growth Funds.

- › If you switch from a PruFund Protected Cautious Fund to a PruFund Cautious Fund of the same currency – for instance, if you switch from the PruFund Protected Cautious (Sterling) Fund to the PruFund Cautious (Sterling) Fund
- › Automatic switches out of the PruFund Protected Cautious Fund at the Guarantee Date
- › If you switch fully out of the PruFund Cautious Fund and PruFund Cautious Account in the 28 days following the Guarantee Date, where part or all of your holding has been automatically switched from the PruFund Protected Cautious Fund

In these cases, the 28-day delay will not apply.

If you switch more than one fund at the same time and the 28-day delay applies to some funds but not others, the transaction will be done in two stages: on Day 1, for any switches not subject to the delay, and on Day 29, for any that are.

We will carry out your switching instructions as follows.

1. Any switches between funds within the PruFund Range that are not subject to a 28-day delay (as outlined above) will be done first, on Day 1.

2. Any switches out of a fund not in the PruFund Range will be done next, also on Day 1. The proceeds will be invested into your new choice of funds in the proportions you have asked for.
3. Any switches from funds in the PruFund Range that are subject to the 28-day delay will be done on Day 29. The proceeds will "top up" the investments already made under step 2.

For full details of how switches are carried out, please see your Contract Conditions.

In any quarter (that is, between any two PruFund Quarter Dates), you can make only one switch request into or out of any fund in the PruFund Range.

Once you have requested a switch out of any of the funds, you cannot change your mind. You may, however, select a different fund to switch into, as long as it is not another fund in the PruFund Range.

If you choose to invest in one of the PruFund Protected Funds, there are two important points you should note:

- › If you take any money out of the fund, whether as part of a switch or as a withdrawal, your Guaranteed Minimum Fund will be reduced proportionately.
- › You can never switch into these funds, so if you switch out, wholly or partly, you will not be able to switch back in at a later date.

➤ Where can I find out more?



This guide provides a summary of how the PruFund Range of Funds work and how you can invest in them. You should read it in conjunction with your Key Features document, which gives you more information about your bond and the investment choices. You can also find further information in the Contract Conditions.

If you have any questions, you should speak to your Financial Adviser. You can also contact us as explained opposite.

➤ How to contact us

We are here to help you at any time. To contact us, you can:

Write to:	Prudential International Assurance plc, Montague House, Adelaide Road, Dublin 2, Ireland
Telephone on:	+ 353 1 476 5000 (9am – 5.30pm GMT Monday to Friday) Calls may be monitored or recorded for security, quality purposes, staff training and dispute resolution.
E-mail us at:	prudentialinternational@prudential.co.uk

Full terms and conditions of Prudential International products are available on request.



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.