

## PRULink Asian Multi-Asset Fund (GBP-Hedged)

All data is as of 1 August 2019 unless otherwise stated

Features of Fund	
Investment Objective	<p><b>PRULink</b> Asian Multi-Asset Fund (GBP-Hedged) (“the Fund”) aims to maximise long-term returns through investing primarily into a portfolio of Asian assets including equities, equity-related securities, fixed income securities, deposits, currencies, derivatives or any other financial instruments directly, and/or indirectly through the use of any funds such as <b>PRULink</b> Funds, collective investment schemes or exchange traded funds.</p>
Investment Strategy & Approach	<p>The Fund seeks to invest primarily in investment funds [Target Fund(s)] to achieve the investment objective. The Target Fund(s) will be monitored to assess the performance, processes, styles and positioning. The allocation to, or the Target Fund(s) may change if it is deemed unsuitable to meet the Fund’s objectives.</p> <p>The Fund may hedge up to 100% of foreign currency exposure using derivatives (e.g. currency forward).</p> <p><i>Note: Refer to additional disclosure for details of the Target Fund(s).</i></p>
Asset Allocation	<p>The Fund invests up to 100% of the Fund’s NAV in the Target Fund(s) determined by the Fund Manager. The balance of the Fund’s NAV will be invested in liquid assets.</p>
Performance Benchmark	<p>The benchmark may vary based on the underlying Target Fund(s). At inception, the benchmark is:</p> <p>50% MSCI AC Asia Pacific ex-Japan + 50% JP Morgan Asia Credit Index</p> <p><i>For more information on benchmark kindly refer to <a href="http://www.msci.com">www.msci.com</a> and <a href="http://www.jpmorganindices.com/indices/listing">www.jpmorganindices.com/indices/listing</a></i></p>
Fund Manager	<p>Prudential Assurance Malaysia Berhad (107655-U)</p>

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### Fees & Charges

Fund Management Charge	Up to 1.50%* p.a.  *The actual investment charge charged for PRULink Asian Multi-Asset Fund (GBP-Hedged) will depend on the asset allocation of the fund, which will range from 1.00% for allocation fixed income securities, to 1.50% for allocation to other assets. The actual investment charge will be determined on a monthly basis and will be revised whenever the proportion of fund allocated to fixed income securities shift by more than 10% since the investment charge was last determined.
Other Charge, if any	Nil

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### Fund Performance

PRULink Asian Multi-Asset Fund (GBP-Hedged) is a new fund. There is no historical performance yet.

**Notice: Past performance is not an indication of its future performance. This is strictly the performance of the investment / underlying funds, and not the returns earned on the actual premiums paid of the investment-linked insurance product.**

Basis of calculation of past performance:

$$= \left( \frac{\text{Net Asset Value at the end of Year } n}{\text{Net Asset Value at the end of Year } n - 1} - 1 \right) \%$$

### Additional Disclosure for PRULink Asian Multi-Asset Fund (GBP-Hedged)

At inception, the Fund will invest into Schroder Asian Income Class GBP Hedged A Dis ("Target Fund") which is managed by Schroder Investment Management (Singapore) Ltd.

The Target Fund will actively allocate between Asian equities, Asian fixed income securities, cash and other permissible investments to achieve its objective. The Target Fund will use a cyclical approach to asset allocation where the asset mix will be adjusted according to the four phases of the economic cycle – recovery, expansion, slowdown and recession – based on a combination of fundamental and quantitative factors such as asset class valuation, macroeconomic data and liquidity. Cash will be treated as a separate asset class and will be deployed if necessary to limit downside risk during adverse market conditions.

The Target Fund will also perform active security selection for its investments in Asian equities, Asian fixed income and other permissible investments. For the Asian equities portfolio, the Target Fund intends to focus on companies that are able to create true shareholder value, have a strong and stable earnings stream and have a strong sustainable dividend yield. For the Asian fixed income portfolio, the Target Fund intends to select securities that deliver attractive yield and capital growth taking into account both fundamental and technical views such as valuation, demand/supply conditions and liquidity. The Target Fund may invest up to 10% of its assets in China A-Shares through the Stock Connect.

The Target Fund will also manage the impact of interest rate movements on the value of the portfolio.

The fund performance for the underlying Schroder Asian Income Class GBP Hedged A Dis as at 31 December 2018 is as follows:

Year	2018	2017	2016
Net Performance	-5.28%	8.00%	-1.80%*

\*Fund Performance is from fund launch date until year end of the same year (non-annualised return).

*Note: The above return is for the Target Fund (GBP Hedged A Dis) which is denominated in GBP.*

*Source: Schroder Investment Management as of 31 December 2018*

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Management fees may be charged at the Fund and/or Target Fund(s) level. Please note that you will be charged a maximum of 1.50% p.a., being the combined annual fund management charge at the Fund and Target Fund(s) levels. In addition, the Fund may incur hedging cost when derivatives (e.g. currency forward) are used for hedging purpose.

Target Fund(s) with investment strategies to invest in Exchange Traded Funds (“ETF”) or other Collective Investment Schemes may incur additional expenses at the Target Fund(s) level which is taken as part of the investment strategy considerations to deliver the fund performance.

### **Investment Risks for PRULink Asian Multi-Asset Fund (GBP-Hedged)**

The Fund is subjected to investment risks including the possible loss of the principal amount invested. The value of the units may fall as well as rise. In addition, the Fund is subjected to specific risk including and not limiting to:

#### **General Risks when Investing in the Fund**

##### **Market Risk**

Market risk refers to potential losses that may arise from adverse changes in the market conditions. Market conditions are generally, affected by, amongst others, economic and political stability. If the market which the Fund invests in suffers a downturn or instability due to adverse economic or political conditions, this may adversely impact the market prices of the investments of the Fund.

##### **Liquidity Risk**

Liquidity risk refers to two scenarios. The first scenario is where an investment cannot be sold due to unavailability of a buyer for that investment. The second scenario is where the investment is thinly traded. Should the investments in the Target Fund(s) be thinly traded, this may cause the Fund to dispose the investment at an unfavorable price in the market and may adversely affect investor’s investment. This risk may be mitigated through stringent security selection process.

##### **Inflation Risk**

This refers to the likelihood that an investor’s investments do not keep pace with inflation, thus, resulting in the investor’s decreasing purchasing power even though the investment in monetary terms may have increased.

##### **Interest Rate Risk**

Interest rate risk is a general risk affecting conventional funds. This is so even though conventional funds only invest in investments that are in accordance with the mandate. The reason for this is because a high level of interest rates will inevitably affect corporate profits and this will have an impact on the value of both equity and debt securities. This risk is crucial in a bond fund since a bond portfolio management depends on forecasting interest rate movements. Prices of bonds move inversely to interest rate movements therefore as interest rates rise, the prices of bond decrease and vice versa. Furthermore, bonds with longer maturity and lower profit rates are more susceptible to interest rate movements.

##### **Credit / Default Risk**

Bonds are subject to credit / default risk in the event that the issuer of the instrument is faced with financial difficulties, which may decrease their credit worthiness. This in turn may lead to a default in the payment of principal and interest.

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## **Risk of Non-Compliance**

This risk arises from non-compliance with laws, rules and regulations, prescribed practices and the management company's internal policies and procedures, for example, due to oversight by the management company. Such non-compliance may force the management company to sell down securities of the Fund at a loss to rectify the non-compliance and in turn may adversely affect the value of investors' investment in the Fund. To mitigate this risk, the Fund Manager has put in place internal controls to ensure its continuous compliance with laws, rules and regulations, prescribed practices and the Fund Manager's internal policies and procedures.

## **Concentration Risk**

This is the risk of a fund focusing a greater portion of its assets in a smaller selection of investments. The fall in price of a particular equity and / or fixed income investment will have a greater impact on the funds and thus greater losses. This risk may be minimized by the manager conducting even more rigorous fundamental analysis before investing in each security.

## **Management Company Risk**

The performance of the Fund depends on the experience, expertise and knowledge of the management company. Should there be lack of any of the above qualities by the management company, it may adversely affect the performance of the Fund.

## **Currency Risk**

The Fund is denominated in GBP, while the Target Fund(s) may be denominated in other currencies. The performance of the Fund may be affected by movements in the exchange rate between the GBP and the Target Fund(s)'s denominated currency. Where applicable, a currency hedging instrument or a currency hedged class of the Target Fund(s) may be used to minimise currency risk.

## **Derivatives Risk**

Derivatives (e.g. currency forward) may potentially be used to hedge against any risk that may be derived from investing in the Target Fund(s), such as, but not limited to, currency risk. The Fund may hedge up to 100% of foreign currency exposure using derivatives (e.g. currency forward).

## **Portfolio Risk**

The Fund is intended for investors who can accept the risks associated with investing primarily in the securities of the type held in the Fund. Investments in equities will be subject to the risks associated with equity and equity-related securities, including fluctuations in market prices, adverse issuer or market information and the fact that equity and equity-related interests are subordinate in the right of payment to other corporate securities, including debt securities. Likewise, investments in fixed income securities will be subjected to the risks associated with debt securities including credit and interest rate risk, and the additional risks associated with high-yield debt securities, loan participations and derivative securities. In addition, investors should be aware of the risks associated with the active management techniques that are expected to be employed by the Fund.

## **Specific Risks when Investing in the Target Fund(s) or its Sub-Fund(s) (collectively to be known as "Target Fund(s)")**

### **Security Risk**

Adverse price movements of a particular security invested by the Target Fund(s) may adversely affect the Target Fund(s)'s net asset value. The Target Fund Manager(s) strives to mitigate the impact of a particular security risk through portfolio diversification, which will help spread the element of risk.

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## **Fund Management of Target Fund(s) Risk**

While the Fund Manager will exercise due skill and care in selecting the Target Fund(s), it does not have control over the management of the Target Fund(s) and there is no guarantee that the investment objectives will be met. This may result in policyholders suffering losses in their investments in the Target Fund(s).

The Target Fund(s) may change its objectives and become inconsistent with the objective of the Fund. In such instances, the Fund Manager will replace the Target Fund(s) with another collective investment scheme which the Fund Manager considers to be more appropriate in meeting the objective of the Fund.

## **Errors in Calculation of the Net Asset Value of the Target Fund(s)'s Risk**

There is a possibility there are errors in calculation of the net asset value of the Target Fund(s). In the event such errors occur, the net asset value of the Target Fund(s) will be affected hence, the Target Fund(s) will comply with the rules set forth in the relevant regulatory provisions applicable to the Target Fund(s). Compensation, if any, paid by the Target Fund(s) (subject to the laws of the jurisdiction in which such Target Fund(s) is domiciled), will be credited to the Fund as and when compensation is received.

In view of the foregoing, policyholders must be aware that there are circumstances where neither the Target Fund(s) nor the Fund Manager will be bound to compensate final beneficial owners.

## **Liquidity Risk**

Liquidity risk here refers to two scenarios. The first scenario is where the allocated liquidity of the Target Fund(s) is insufficient to meet redemption needs. The second scenario is where the Target Fund(s) is thinly traded. Should the investments in the Target Fund(s) be thinly traded, this may cause the Target Fund(s) to dispose the investment at an unfavorable price in the market and may adversely affect investors' investment. This risk may be mitigated through stringent security selection process.

## **Countries or Foreign Securities Risk**

This risk is associated with investments in securities listed or domiciled in countries other than the country of domicile. Any changes in the economic fundamentals, social and political stability, uncertainty or changes in countries' official currencies, currency movements and foreign investments policies in these countries may increase the volatility in asset values, liquidity and default risk which may have an impact on the prices of the securities that the Target Fund(s) invests in and consequently may affect the net asset value of the Target Fund(s).

Investments in certain markets may be restricted or controlled. In some countries, direct investments in securities may be prohibited and restricted due to regulatory requirements. These limitations may increase transaction costs and adversely affect a security's liquidity and the price in connection with the security.

The Target Fund Manager(s) will monitor and observe the developments in these countries where assets of the Target Fund(s) are allocated. In addition, the Target Fund Manager(s) will also employ a systematic investment process, which includes regular review, to manage and mitigate this risk.

## **Currency Risk**

The Target Fund(s)'s underlying investments may be denominated in their local currency, which may differ from the Target Fund(s)'s currency of denomination. The performance of the Target Fund(s) may be affected by movements in the exchange rate between the local currency of its underlying investments and the Target Fund(s)'s denominated currency.

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## Charges to Capital Risk

The Target Fund(s)'s charges and expenses are taken from the capital, in whole or in part, resulting in possible constraint of capital growth.

## Restrictions on Foreign Investment

Some countries prohibit or impose substantial restrictions on investments by foreign entities. There may also be instances where a purchase order subsequently fails because the permissible allocation to foreign investors has been filled, depriving the Target Fund(s) of the ability to make its desired investment at the time.

## Derivatives Risk

The Target Fund Manager(s) may invest in derivatives which will be subject to risks. While the judicious use of derivatives by professional investment managers can be beneficial, derivatives involve risks different from, and, in some cases, greater than, the risks presented by more traditional securities investments. Some of the risks associated with derivatives are market risk, management risk, credit risk, liquidity risk and leverage risk. Investments in derivatives may require the deposit or initial margin and additional margin on short notice if the market moves against the investment positions. If no provision is made for the required margin within the prescribed time, the investment may be liquidated at a loss. Therefore, it is essential that such investments in derivatives are monitored closely.

The Target Fund Manager(s) has the necessary controls for investments in derivatives and have in place systems to monitor the derivative positions for the Target Fund(s). The Target Fund Manager(s) does not intend to use derivatives transactions for speculation or leverage but may use them for efficient portfolio management and/or risk management. Currency risk is simply one of the market risks which the fund will be exposed to and can be hedged using derivatives such as FX forwards/futures. Often the underlying currency risk may be taken on as a result of buying an underlying equity or bond. If the Target Fund Manager(s) does not want to also take the currency risk associated with these underlying assets, the Target Fund(s) may use Forward Foreign Exchange contracts to hedge any currency risk derived from holdings of non-base currency positions. Essentially this use of currency forwards is to hedge currency risk in the Target Fund(s).

## Risks Associated with Investments via Stock Connect

The relevant rules and regulations on Stock Connect are subject to change which may have potential retrospective effect. The Stock Connect is subject to quota limitations. Where a suspension in the trading through the programme is effected, the Target Fund's ability to invest in China A Shares or access the PRC market through the programme will be adversely affected. In such event, the Target Fund's ability to achieve its investment objective could be negatively affected.

*The above should not be considered to be an exhausted list of the risks which potential policyholders should consider before investing in the Fund. Potential policyholders should be aware that an investment in the Fund may be exposed to other risks of exceptional nature from time to time.*

## Risk Management

### Forecasting Risk

Potential risks are taken into consideration in the process of sector allocation and stock selection based on analysis on various key factors such as economic conditions, liquidity, qualitative and quantitative aspects of the securities.



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## System Control

Risk parameters are set internally for each fund, depending on client's risk profile. These risk parameters include limits of issuer bet, group issuer, sector rating and issue size of the securities held in the portfolio.

A front-end office system is in place to monitor portfolio risks, serving as an auto filter for any limitations or breaches.

## Other Information

<ul style="list-style-type: none"><li>• Target Market</li></ul>	<p>This Fund is suitable for Policyholders who:</p> <ul style="list-style-type: none"><li>• Are seeking high capital appreciation over a long-term investment horizon.</li><li>• Have moderate to high risk tolerance.</li></ul>
<ul style="list-style-type: none"><li>• Basis &amp; Frequency of Unit Valuation</li></ul>	<ul style="list-style-type: none"><li>• Unit pricing is done daily.</li><li>• The Unit Price of this Fund on any Valuation Date shall be equal to the fund value divided by the number of units in issue on Valuation Date.</li><li>• The Fund Value is the value of all the assets of a particular <b>PRULink</b> Global Fund after the deduction of expenses for managing, acquiring, maintaining and valuing the assets of that Fund, tax or other statutory levy incurred by the Company on investment income or capital gains on the assets of the Fund and any accrued or anticipated income.</li><li>• The Company shall value the various <b>PRULink</b> Global Funds at the close of each business day (Valuation Date). However, as the value of the <b>PRULink</b> Global Funds' investments in various shares, fixed interest securities and money market instruments at the close of a particular Valuation Date will only be known a business day later, the determination by the Company of the Unit Price of a <b>PRULink</b> Global Fund in respect of a particular Valuation Date shall only be conducted and made known to the Assured 2 business days later (T + 2).</li><li>• To recoup the cost of acquiring and disposing of assets, a transaction cost adjustment may be made to the fund value to recover any amount which this Fund had already paid or reasonably expects to pay for the creation or cancellation of units.</li></ul>
<ul style="list-style-type: none"><li>• Exceptional Circumstances</li></ul>	<ul style="list-style-type: none"><li>• The Company shall not be bound to redeem and convert on any Valuation Day more than 10% of any <b>PRULink</b> Global Fund outstanding on such Valuation Day.</li><li>• The Company reserves the right in exceptional circumstances (for example, when there is an unusually high volume of sale of investments within a short period) to defer the switching or withdrawal of Units and the surrender of the Policy for a period not exceeding six (6) months from the date of application.</li><li>• The Company may suspend unit pricing and policy transaction if any of the exchanges in which the fund is invested is temporarily suspended for trading. In such event, notice for suspension may be published and may be communicated to the Assured upon any request for top-up, switching, redemption or withdrawal to/from any such <b>PRULink</b> Global Fund.</li></ul> <p><i>The list of exceptional circumstances above are not exhaustive, please refer to your policy document for further details.</i></p>