The Prudential Target Income Funds

Regular withdrawals made easy

Photo: Jadav "Molai" Payeng, the Forest Man of India

CONSISTENCY IS THE ONLY CURRENCY THAT MATTERS.™

PRUDENTIAL
INVESTMENT MANAGERS
25 YEARS

Being able to draw a regular income from your investment should be a simple and stress-free undertaking, without having to worry about how your investment and asset allocation are being managed.

Prudential's range of Target Income Funds is designed with exactly that in mind. Each unit trust fund is specifically managed to return a certain level of income, all the while growing your capital over time.

THE FUND RANGE

PRUDENTIAL 2.5% TARGET INCOME FUND

PRUDENTIAL 5% TARGET INCOME FUND

PRUDENTIAL 7% TARGET INCOME FUND

Indicates interactive button

How do the funds work?

The primary objective of the Target Income Funds is to target an annual income return of either 2.5%, 5% or 7% (depending on which fund you choose), with a secondary focus on capital growth.

Each fund invests in a well-diversified and flexible mix of local and offshore asset classes, similar to that of a multi-asset fund. One of the benefits of the Target Income Funds is that they do not have to comply with the investment limits of Regulation 28, for example the limits on exposure to offshore, listed property and equity assets. By following this approach our fund managers have greater flexibility to optimally structure each fund's underlying holdings, which are carefully selected based on their assessment of which assets are best suited to meet the funds' objectives.

How are the funds managed?

We manage all of our funds on a strict valuation-based process. This essentially means that we aim to buy assets when their valuations are trading below their long-term fair value, and aim to sell them once they reach fair value or higher. In addition, the assets within our Target Income Funds are selected based on their ability to produce the targeted income return for each fund. Our decisions are centred on known facts and fundamental analysis – we don't try to forecast the future. We follow a team-based approach when making investment decisions. Our team of highly experienced and qualified investment professionals have been working together for many years, with all of our 'buy and sell' decisions made collectively.

The offshore assets within our funds are managed by a large and experienced team at M&G Prudential, our parent company based in London. Prudential South Africa forms part of the broader Prudential plc group, one of the world's leading insurance and financial services companies. We have direct access to some of the latest technology and highly-experienced investment professionals from around the world, who we work very closely with in terms of sharing ideas, information and research. This long-established coordinated approach provides our clients with exceptional international expertise.

We believe that the consistent application of our philosophy and process will lead to sustainable investment performance for our clients over time.

Proof of the success of this approach is that Prudential was recognised by Morningstar as South Africa's Best Fund House with a Large Fund Range in 2016, 2017 and 2018 (more information is available upon request).

How do the funds differ?

The typical asset allocation in each of the Target Income Funds will necessarily differ because of the different income targets to be achieved.

If you consider the 2.5% Target Income Fund, for example, this is a relatively low income target to achieve for clients. Because less income is required, our fund managers are able to invest a higher proportion of the portfolio into growth assets like equities and listed property, both domestic and offshore. These assets, while being higher risk, are better positioned to deliver higher returns with moderate levels of income over the long term. Fixed-income assets (such as bonds and cash), meanwhile, would typically have less weighting in the 2.5% Target Income Fund than its counterparts.

The table below provides an overview of the main differences in asset allocation between each income option.

	TARGET INCOME FUND		
	2.5%	5.0%	7.0%
Exposure to growth assets	High	Medium	Low
Exposure to income assets	Low	Medium	High

Prudential Target Income Funds Snapshot

PRUDENTIAL INCOME FUNDS

RETURN VOLATILITY		Low - Medium risk	Medium risk	Medium - High risk
FUND NAME		PRUDENTIAL 7% TARGET INCOME FUND	PRUDENTIAL 5% TARGET INCOME FUND	PRUDENTIAL 2.5% TARGET INCOME FUND
CATEGORY/SECTOR		Unclassified	Unclassified	Unclassified
RISK PROFILE		Low/Medium	Medium	Medium/High
BENCHMARK		7% Income return p.a.	5% Income return p.a.	2.5% Income return p.a.
FUND OBJECTIVE		The primary objective is to target an annual income return of 7%, with a secondary objective of growing capital invested.	The primary objective is to target an annual income return of 5%, with a secondary objective of growing capital invested.	The primary objective is to target an annual income return of 2.5%, with a secondary objective of growing capital invested.
ANNUAL INVESTMENT MANAGEMENT FEE	#Amount of total fee payable to Financial Adviser	0.00%	0.00%	0.00%
	Total	0.85%	1.00%	1.15%
MAXIMUM INITIAL FINANCIAL ADVISER FEE (IF APPLICABLE)		3.00%*	3.00%*	3.00%*
DISTRIBUTION FREQUENCY		Quarterly	Quarterly	Quarterly
MINIMUM INVESTMENT AMOUNT		R100 000 lump sum	R100 000 lump sum	R100 000 lump sum

Included in Annual Management Fee

* Within the Prudential Living Annuity the maximum initial adviser fee is 1.5% and the maximum ongoing adviser fee is 1.0%.

How much does it cost?

Prudential does not charge any initial or exit fees. The only fee that we charge is an annual asset management fee which ranges from between 0.85% - 1.15% (excluding VAT) depending on the Prudential Target Income Fund that you choose to invest in.

If you have a financial adviser, you can negotiate the fee that you pay them of up to the following limits:

- **Prudential Living Annuity** – a maximum of 1.5% initial adviser fee and a maximum of 1.0% ongoing adviser fee across all of the Target Income Funds (all amounts exclude VAT).
- **Prudential Discretionary Unit Trust Investment** – a maximum of 3.0% initial adviser fee across all of the Target Income Funds. Ongoing adviser fees are not applicable (all amounts exclude VAT).

Adviser fees are paid via the regular repurchases of units from the investment.

What are the risks?

Each of the income options are managed to meet their investment objectives while mitigating the potential for capital loss. The below table shows the potential risks applicable to each option.

	TARGET INCOME FUND		
	2.5%	5.0%	7.0%
Risk of not achieving targeted income return	Low	Medium	High
Risk of real value of capital being eroded after income payments	Low	Medium	High
Likely volatility of total returns	High	Medium	Low

What is the minimum investment amount?

The minimum lump sum investment amount is **R100,000**. Unlike our other unit trust funds, debit orders are not offered within our suite of Target Income Funds.

What is the maximum amount I can drawdown?

While there are no drawdown limits when investing in the Target Income Funds via our discretionary unit trust investments, the maximum drawdown limit within the Prudential Living Annuity is 17.5%. When selecting your income option, it's important to remember the way in which the funds are structured and the income level that each fund seeks to achieve. To get the most out of each fund, we strongly recommend that your drawdown be either the same or less than the targeted income amount indicated in the objective of each fund.

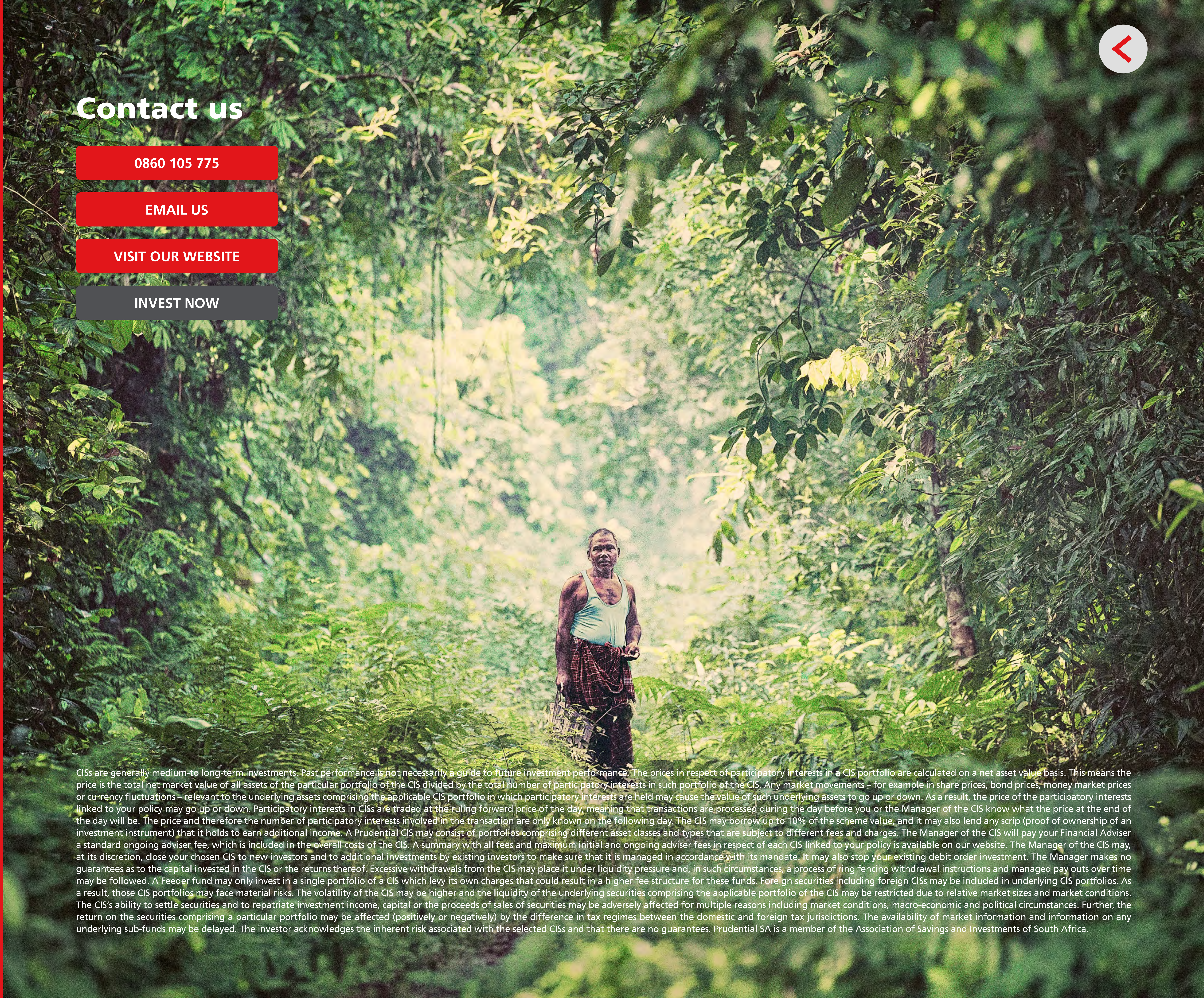
How do I invest?

The Prudential Target Income Funds are available as a discretionary unit trust investment as well as within the Prudential Living Annuity.

For more information, please visit our website or contact our client services.

INVEST NOW

FORMS AND DOWNLOADS



Contact us

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