

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt about the action to be taken you should consult a person who is appropriately authorised under the Financial Services and Markets Act 2000 and who specialises in advising on investments of the type referred to in this document.

**PROPOSALS IN RELATION TO  
LF PRUDENTIAL DYNAMIC 10 - 40 PORTFOLIO  
A SUB-FUND OF  
LF PRUDENTIAL INVESTMENT FUNDS (1)**

This document contains Notice of a Meeting of Shareholders. The Meeting is to be held at the offices of Link Fund Solutions Limited, 65 Gresham Street, London EC2V 7NQ at 10:30 a.m. on 11 December 2018.

A Form of Proxy for use in connection with the Meeting is enclosed with this Circular. You are requested to complete and return the enclosed Form of Proxy in accordance with the accompanying instructions as soon as possible and in any event so as to arrive at least 48 hours before the time fixed for the Meeting. Completing a Form of Proxy will not preclude you from attending and voting at the meeting in person, if you wish to do so.

## GLOSSARY OF TERMS USED IN THIS DOCUMENT

<b>ACD</b>	Link Fund Solutions Limited, as authorised corporate director of the Company;
<b>Circular</b>	this document dated 22 November 2018;
<b>Company</b>	LF Prudential Investment Funds (1), an open-ended investment company incorporated with limited liability and registered in England and Wales under registered number IC000508;
<b>Depository</b>	NatWest Trustee and Depository Services Limited, as depository of the Company;
<b>Effective Date</b>	on 21 January 2019 or such subsequent date and time as may be agreed in writing between the ACD and the Depository;
<b>Extraordinary Resolution</b>	the extraordinary resolution to be proposed at the Meeting which must be approved by a majority of 75% of votes validly cast at the Meeting in order for the proposed changes to be effected;
<b>Form of Direction</b>	the form of direction for use by those Shareholders in respect of the Shareholders' Meeting who hold their Shares through an ISA ;
<b>Fund</b>	LF Prudential Dynamic 10 - 40 Portfolio, a sub-fund of the Company;
<b>FCA</b>	Financial Conduct Authority;
<b>Instrument</b>	instrument of incorporation of the Company;
<b>ISA</b>	an Individual Savings Account;
<b>Meeting</b>	the meeting of shareholders of the Fund to be held at 10:30 a.m. on 11 December 2018 to consider and vote on the proposed changes;
<b>Portfolio Manager</b>	M&G Investment Management Limited, as portfolio manager of the Company;
<b>Prospectus</b>	the current prospectus of the Company.
<b>Shareholder</b>	the person or persons entered in the register as the shareholder or shareholders of Shares; and
<b>Shares</b>	shares in the Fund.

## TIMETABLE FOR THE PROPOSED CHANGES

<b>Event</b>	<b>Date</b>
Qualification date for the purposes of Shareholder voting	21 November 2018
Last time for receipt of Forms of Proxy	10:30 a.m. on 7 December 2018
Last time for receipt of Forms of Direction	10:30 a.m. on 7 December 2018
Meeting of Shareholders in the Fund	10:30 a.m. on 11 December 2018
Effective date of the proposed changes (if the Extraordinary Resolution is passed, subject to the conditions set out in this Notice)	21 January 2019

### **Action to be taken**

**Whether or not you intend to be present at the Meeting please complete and return the enclosed Form of Proxy at Appendix 5 in the pre-paid envelope, to arrive not later than 10:30 a.m. on 7 December 2018. Completion of the form will not prevent you attending and voting at the Meeting in person.**

**ISA investors are urged to complete and return a Form of Direction to their ISA plan manager. ISA investors do not need to return a Form of Proxy.**

## LETTER TO SHAREHOLDERS

To all Shareholders in: LF Prudential Dynamic 10 - 40 Portfolio  
(a sub-fund of LF Prudential Investment Funds (1))

22 November 2018

Dear Shareholder

### **Proposed changes to LF Prudential Dynamic 10 - 40 Portfolio (the “Fund”)**

We, Link Fund Solutions Limited (the “ACD”) are writing to you as a Shareholder in the Fund to inform you of our proposal to make certain changes to the Fund. Some of these changes require your approval. The purpose of this document is to set out the reasons behind the proposed changes and to seek your approval for some of these changes.

The terms used in this document are defined in the Glossary on page 1.

### **The proposal**

The Fund sits within a range of five funds (the “Fund Range”) which have varying levels of exposure to equities (company shares). Each fund has an equity range which is set out in the fund name; typically the higher the exposure that a fund can have to equities, the higher the level of risk. Funds which are exposed to higher levels of risk have the potential for greater gains, but also the potential for greater losses.

The intention of using an equity range was to manage the level of risk that each fund could have. However, following detailed analysis, the Portfolio Manager has concluded that solely using an equity range does not always enable them to target a pre-determined level of risk. For example, in periods where equity markets are more volatile than normal, being restricted by an equity range could cause the funds to be subject to a higher level of risk than is intended. Similarly in periods where equity markets are less volatile than normal, the fund risk level may be lower than intended.

Therefore, following discussions with the Portfolio Manager, we are proposing to make changes to the investment objectives and policies of the Fund Range. This will not change the target risk level of the Fund but will enable the Portfolio Manager to manage the Fund to a specified level of risk and not constrain the level of exposure to equities.

Details of the changes we are proposing and which ones you need to vote on are set out below.

#### **1. Change to the Fund’s investment objective and policy**

The Fund is currently managed on the basis that it will invest between 10% and 40% in equities.

We are proposing to remove these limits and instead manage the Fund with the aim of limiting the volatility (i.e. the amount by which the Fund's value goes up or down) over the long term to 10%. We consider "long term" in this context to mean at least 5 years. This means that the actual volatility the fund experiences may be more or less than the target of 10% at any time but over a 5 year period the Portfolio Manager aims to limit average volatility to 10%. This change will also enable the Fund to invest a higher (or lower) percentage in equities than is currently permitted.

A comparison of the existing and proposed investment objective and policy for the Fund is set out in Appendix 1.

## **2. Investment in other funds**

The Portfolio Manager historically invested in a wide range of active funds managed by different fund management companies. Following a review by the Portfolio Manager, they have concluded that the Fund Range can achieve cost savings by investing in a more focused range of funds without impacting the ability of the Portfolio Manager to meet the Fund's investment objective. Within the Prudential group there are a number of actively managed funds that the Portfolio Manager has determined would be appropriate investments for the fund but at a lower cost. Funds that are run by different management companies may still be used in addition to those run by Prudential group entities. The Portfolio Manager's fund analysis will therefore take these reduced charges into account along with potential investment returns when considering which are the best funds for investment.

### **Effect of the proposed changes to the Fund**

Our overall aim is to drive better investment outcomes for new and existing shareholders. We believe that the changes we propose will help deliver better returns, provide greater clarity and deliver cost benefits for new and existing shareholders.

### **Costs**

The Portfolio Manager will pay any costs associated with these changes apart from rebalancing costs as set out in the "Fee Changes and Rebalancing Costs" section below.

### **Shareholder Approval**

The details of the various consents and acknowledgements in relation to the proposed changes from the ACD, Depositary and the FCA are set out in Appendix 2, along with a list of the documents relating to the Fund which are available for inspection before the Meeting.

The proposed changes can only proceed if Shareholders vote in favour by an Extraordinary Resolution at the Meeting. The procedure for the Meeting of shareholders is set out in Appendix 3.

The Extraordinary Resolution is set out in the Notice of Meeting at Appendix 4.

### **Information to holders of a Prudential ISA**

If you invest through the Prudential ISA you will need to complete a Form of Direction to instruct the ISA plan manager how to vote on your behalf.

### **Cessation of payment of legacy trail commission**

The ACD currently makes commission payments from its annual management charge to certain investment advisors and platform service providers in relation to historic sales of the Fund - this is known as "legacy trail commission".

If the proposed change to the Fund is approved, the ACD will cease to pay this commission from the Effective Date. You should consider whether this cessation will have an impact on fee or service arrangements with your investment adviser or platform service provider.

### **Action to be taken**

Please complete and return the enclosed Form of Proxy at Appendix 5 in the pre-paid envelope provided to arrive no later than 10:30 a.m. on 7 December 2018.

Even if you wish to vote against the proposal, we urge you to return your completed Form of Proxy in order that your view is known to us.

**The pre-paid envelope provided should be used to return your Form of Proxy only and should not be used to provide us with dealing instructions or for general correspondence.** Please contact us at our usual business address, telephone number or website for any other matters.

You are welcome to attend the Meeting and vote in person although you may only vote at the Meeting in respect of Shares which you hold directly. Completion and return of the Form of Proxy will not preclude you from attending and (in respect of Shares you hold directly) voting at the Meeting in person if you so wish.

### **Conditions**

The ACD is proposing to make similar changes to the other funds in the Fund Range. A shareholder meeting will therefore be held for each fund in the Fund Range to approve those changes.

The proposed changes to the Fund Range (including the changes to the Fund set out herein) will only take effect if the shareholders in each fund in the Fund Range vote in favour of the changes. If a proposal is rejected by any fund in the Fund Range then no changes will be made to the Fund or any other fund in the Fund Range.

If the proposed changes are approved by the required majority of shareholders in each fund they will be implemented on the Effective Date. The required majority is not less than 75% of the votes cast.

### **Other changes to the Fund**

If the proposals are approved in accordance with the “Conditions” section above, the following additional changes, which do not require a shareholder vote, will be made to the Fund and will take effect on the Effective Date:

**a) Change to the Fund’s Name**

If the proposal to change the investment objective and policy is approved each fund in the Fund Range will have a different volatility target and the name of each fund will reflect the relative risk of each fund when compared against the other funds in the Fund Range.

Each of the funds’ names will have a number between 1 and 5, where 1 will indicate the fund in the Fund Range with the lowest risk and 5 will indicate the fund in the Fund Range with the highest risk.

The Fund’s new name will be the **LF Prudential Risk Managed Active 2**.

The name reflects the risk level of the fund relative to the other funds in the Fund Range. The word “Active” is used to demonstrate that the fund mainly invests in other funds that are actively managed (rather than passively managed, i.e. funds which track an index).

Investors should note that the numbers used reflect the relative risk against the other funds in the Fund Range. They do not reflect the actual level of risk and are not intended to match the risk and reward profile number in the Key Investor Information Document. The value of your investment can go down as well as up and you may get back less than you invest.

**b) Fee Changes and Rebalancing Costs**

The annual management charge (“**AMC**”) the ACD receives for managing the Fund will be reduced. As a result of the change to the AMC and the use of lower cost funds, the Ongoing Charges Figure (“**OCF**”) is also expected to reduce. The table below shows a comparison of the current AMC and OCF for each share class and the AMC and estimated OCF from the Effective Date. Please note that the rates are expressed as a percentage of the net asset value of the Fund.

Share Class	Current AMC	AMC payable from the Effective Date	Current OCF	Estimated OCF from the Effective Date
P	0.65%	0.49%	1.49%	0.56%
C	0.18%	0.00%	1.02%	0.07%
R	0.90%	0.74%	1.74%	0.81%
A	1.40%	0.74%	2.24%	0.81%

With effect from the Effective Date, no Initial Charge will be payable on the Class A and Class R Shares.

Delivering the price benefits to shareholders and the use of lower cost funds will involve significant changes to the portfolio. The costs of rebalancing the portfolio are expected to be incurred over a 6 month period following the Effective Date and will be paid out of the scheme property of the Fund. This 6 month period enables the Portfolio Manager to utilise the shareholder flow (i.e. money invested

in and taken out of the Fund) when rebalancing the portfolio, thereby reducing trading costs and to buy and sell assets at opportune times.

Whilst the ultimate cost may vary, these costs are expected to be approximately £716,270 in total. For an investor holding an investment of £10,000, this would equate to a rebalancing cost of approximately £39 or 0.39%.

Investors should note that as the fees being charged to the Fund will also be reducing, from the Effective Date this will reduce the impact of the rebalancing costs.

Based on our assumptions we expect that by the end of month 2, following the Effective Date, the reduction in costs will have offset the cost to investors of rebalancing the portfolio. This means that if you sell all or part of your investment after the Effective Date but before the end of month 2 following the Effective Date you may suffer a loss as a result of this change.

Please note that the actual costs of rebalancing may be higher than we expect and the cost savings may be less, therefore the actual point at which the costs to investors of rebalancing the portfolio may be longer.

#### **Further information**

You can switch to another LF fund at any time free of charge by following the process set out in the Prospectus. Details of other available LF funds are on the ACD's website: <http://www.linkfundsolutions.co.uk/>. Please note that a switch of shares in one fund for shares in any other fund may incur a liability to capital gains tax depending on your personal circumstances. If you are unsure, please consult your financial adviser.

If you have any questions about the proposed changes or require any further information, please contact us Monday to Friday between 9.00am and 5.00pm on 0344 335 8936 or email us at [investorservices@linkgroup.co.uk](mailto:investorservices@linkgroup.co.uk). We may record and monitor calls. Call charges may vary.

Yours faithfully



**Karl Midl**  
**Director**

**For and on behalf of**  
**Link Fund Solutions Limited**



## APPENDIX 1

### A COMPARISON OF THE FUND BEFORE AND AFTER THE PROPOSED CHANGES

The following is a comparison highlighting the proposed changes to the investment objective and policy. Any parts in the “After” column highlighted in **bold** text have changed from the before column.

	<b>Before</b>	<b>After</b>
<b>Investment Objective</b>	<p>The Sub-fund aims to achieve long-term total return (the combination of income and growth of capital) by investing mainly in collective investment schemes. Between 10% and 40% of the Sub-fund will be invested in schemes whose predominant exposure is to equities.</p>	<p>The Sub-fund aims to achieve long-term (in excess of 5 years) total return (the combination of income and growth of capital) by investing in a mix of assets from around the world and aims to limit volatility over rolling 5 year periods to 10%.</p> <p>There is no guarantee that the volatility target will be met and at any time the actual volatility may be higher or lower than the long term target.</p>
<b>Investment Policy</b>	<p>The Sub-fund is an actively managed portfolio investing mainly in collective investment schemes in order to provide a well-diversified exposure to global fixed income and variable rate assets, cash, near cash, equities and / or immovable property. Typically the Sub-fund will have a bias towards lower risk assets such as fixed income assets and cash, but will always have some exposure to equities. Scheme selection is made on the basis of in depth initial and ongoing qualitative assessment of the fund managers and quantitative analysis of the collective investment schemes.</p> <p>The Sub-fund may also invest directly in other assets including transferable securities, other collective investment schemes, cash and near cash, deposits, warrants and money market instruments. Derivative instruments may be held directly for the purposes of efficient portfolio management only.</p>	<p>The Sub-fund aims to achieve its objective through investing at least 70% in actively managed collective investment schemes. The Sub-fund has a flexible investment approach with the freedom to invest in different types of assets to meet its objective. The Portfolio Manager will use in-depth research to forecast the expected change in value and risk of the different types of assets over a forward-looking 15-year period. This analysis is then used to work out the mix of assets (the “target strategic asset allocation”) to invest in to achieve the Sub-fund’s objective. The Portfolio Manager will review the target strategic asset allocation on an ongoing basis.</p> <p>Based on the target strategic asset allocation, the Portfolio Manager constructs an actively managed portfolio to provide diversified, indirect exposure to global fixed income and variable rate assets, cash (including money market funds and near cash), equities and/or immovable property.</p> <p>The Sub-fund will have a bias towards lower risk assets such as fixed income assets and cash but will always have some exposure to</p>

		<p>equities. The Portfolio Manager will adjust the asset allocation on an ongoing basis to reflect changes in the target strategic asset allocation and to take advantage of tactical investment opportunities.</p> <p>The Portfolio Manager will select collective investment schemes to invest in from a focused range of funds and fund management groups (which may include other funds managed by the ACD, Portfolio Manager and their associates).</p> <p>The Sub-fund may also invest directly in equities, equity related instruments (e.g. warrants), fixed income and cash or near cash. It may also invest in alternative investments (e.g. infrastructure, private equity, alternative credit and hedge funds). Derivative instruments may also be used for the purposes of efficient portfolio management.</p> <p>The Sub-fund's objective to stay within its specified risk profile may restrict the types and proportions of the assets it holds and limit the potential gains and losses.</p>
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## **APPENDIX 2**

### **FORMALITIES**

#### **ACD**

Link Fund Solutions Limited, as authorised corporate director of the Company, confirms that in its opinion, the change to the investment objective and policy of the Company is not likely to result in any material prejudice to the interests of the Company.

#### **Depositary**

In accordance with normal practice, the Depositary, while expressing no opinion on the merits of the proposed changes and not having been responsible for the preparation of this document, has informed the ACD that it considers that the proposed changes are in an appropriate form to be placed before Shareholders in the Fund for their consideration.

The Depositary has also informed the ACD that it consents to the references made to it in this document in the form and context in which they appear.

#### **Financial Conduct Authority**

The FCA has been informed of the changes proposed in this document and has confirmed that implementation of them will not affect the ongoing authorisation of the Company as an authorised scheme under the Financial Services and Markets Act 2000.

#### **Documents**

Copies of the following documents will be available for inspection at the offices of the ACD during normal business hours on weekdays (excluding bank holidays) from the date hereof until the date of the Meeting or of any adjourned meeting (and will also be available at the Meeting and any adjourned meeting):

1. an amended Instrument reflecting the proposed changes;
2. the Prospectus prospectively amended to reflect the proposed changes;
3. an amended Key Investor Information Document for each share class of the Fund;
4. the confirmations and acknowledgements from the Depositary and the FCA referred to above; and
5. the latest annual and half yearly report and accounts for the Fund.

## APPENDIX 3

### PROCEDURE FOR MEETING

A Notice of a Meeting of Shareholders setting out the Extraordinary Resolution to approve the proposed changes is set out in Appendix 4.

The quorum for the Meeting is two Shareholders, present in person or by proxy.

The Depositary has appointed Joy Doran (or failing her any other duly authorised representative of the ACD agreed with the Depositary) to be chairman of the Meeting.

The resolution will be proposed as an "Extraordinary Resolution" and must be carried by a majority in favour of not less than 75% of the total number of votes cast at the Meeting. Persons who are Shareholders on 21 November 2018, but excluding persons who are known to the ACD not to be Shareholders at the time of the Meeting, are entitled to vote and be counted in the quorum.

Once passed, an Extraordinary Resolution is binding on all Shareholders, whether or not they voted in favour of it, or voted at all.

The ACD is only entitled to be counted in the quorum and vote at the Meeting in respect of Shares which it holds on behalf of or jointly with a person who, if they were the sole registered Shareholder, would be entitled to vote and from whom the ACD has received voting instructions.

Associates of the ACD are entitled to be counted in a quorum. They may vote at the Meeting in respect of shares which they hold on behalf of or jointly with a person who, if they were the registered holder, would be entitled to vote and from whom they have received voting instructions.

In view of the importance of the proposed changes, the chairman of the Meeting will order a poll to be taken in respect of the Extraordinary Resolution. On a poll, each Shareholder may vote either in person or by proxy. The voting rights attached to each Share are such proportion of the voting rights attached to all the Shares in issue in the Fund that the price of the Share bears to the aggregate price(s) of all the Shares in issue at the date 21 November 2018.

A Shareholder entitled to more than one vote on a poll need not, if they vote, use all their votes or cast all the votes they use in the same way.

## APPENDIX 4

### LF PRUDENTIAL DYNAMIC 10 - 40 PORTFOLIO NOTICE OF MEETING

**NOTICE IS HEREBY GIVEN** that a Meeting of shareholders of LF Prudential Dynamic 10 - 40 Portfolio (the “Fund”), will be held at the offices of Link Fund Solutions, 65 Gresham Street, London EC2V 7NQ on 11 December 2018 at 10:30 a.m. to consider and vote on the following resolution which will be proposed as an **EXTRAORDINARY RESOLUTION**:

**THAT** the investment objective and policy of the Fund be amended in the manner described in a Circular dated 22 November 2018 and addressed by Link Fund Solutions Limited to shareholders in the Fund.

**For and on behalf of**

**LINK FUND SOLUTIONS LIMITED**

**as ACD of LF Prudential Investment Funds (1)**

**Date: 22 November 2018**

#### NOTES:

- (1) To be passed, an Extraordinary Resolution must be carried by a majority in favour of not less than 75% of the total votes cast at the Meeting.
- (2) A shareholder entitled to attend and vote may appoint a proxy, who need not be another shareholder, to attend and vote instead of them. To be valid, Forms of Proxy and the power of attorney or other authority (if any) under which they are signed (or a notarially certified copy thereof) must be deposited with Link Fund Solutions Limited, using the pre-paid envelope provided not later than 10:30 a.m. on 7 December 2018.
- (3) On a poll, votes may be given personally or by proxy, and the voting rights attached to each share shall be such proportion of the voting rights attached to all of the shares (and fractions of a share) in issue as the price of the share (and fractions of a share) bears to the aggregate price(s) of all the shares (and fractions of a share) in issue on the date 21 November 2018.
- (4) The quorum for the Meeting is two shareholders present in person or by proxy. If a quorum is not present within fifteen minutes after the time appointed for the Meeting, the Meeting will be adjourned to a date and time at least seven days later. Notices will be given of the adjourned meeting and if at such adjourned meeting a quorum is not present within 15 minutes from the time appointed for the meeting, one person entitled to be counted in a quorum at the meeting shall be a quorum.
- (5) In notes 1 to 4 above the expression “shareholder” means persons who were shareholders in the Fund on the date 21 November 2018 but excluding persons who are known to Link Fund Solutions Limited not to be shareholders in the Fund at the time of the Meeting and the expression “shareholder” should be construed accordingly.



[Column N – Corr Address Mailing Name]  
 [Column P – Investor Address Line1]  
 [Column Q – Investor Address Line2]  
 [Column R – Investor Address Line3]  
 [Column S – Investor Address Line4]  
 [Column T – Investor Address Line5]  
 [Column U – Investor Post Code]  
 [Column I - Investor code]

**APPENDIX 5**  
**LF PRUDENTIAL DYNAMIC 10 - 40 PORTFOLIO**  
**FORM OF PROXY**

This Form of Proxy is for use in connection with the Meeting to be held at 10:30 a.m. on 11 December 2018 as set out in the Notice dated 22 November 2018 and at any adjournment of that meeting.

Name: .....

Address: .....  
 .....

Account number: .....

Number of Existing Units held: .....

I/We being a shareholder/s/\* of the above mentioned Fund hereby appoint the chairman of the Meeting

or .....  
 (see Note 1) to act as my/our proxy at the Meeting to be held at 10:30 a.m. on 11 December 2018 (and at any adjournment thereof) and to attend and vote on a poll for me/us and in my/our name(s) on the extraordinary resolution set out in the Circular dated 22 November 2018 as indicated below.

(\* please delete as necessary)

**EXTRAORDINARY RESOLUTION**

**THAT** the investment objective and policy of the Fund be amended in the manner described in a Circular dated 22 November 2018 and addressed by Link Fund Solutions Limited to shareholders in the Fund.

(see Note 2)

**FOR**

**AGAINST**

Signature: .....

Dated.....

## Notes

1. If you wish to appoint someone other than the chairman of the Meeting, please delete “the chairman of the Meeting or” and insert in the place provided the name and address of your appointee. A proxy need not be a shareholder but must attend the meeting or any adjourned meeting in person to represent you. The amendment must be initialled.
2. Please indicate with a **CROSS** in the appropriate box how you wish your votes to be cast in respect of the extraordinary resolution. If you do not complete an appropriate box, your proxy will vote or abstain at his discretion. If you are acting as a nominee holder of shares and you wish your vote to be split, please indicate in each box how many shares are being voted for the extraordinary resolution and how many are being voted against the extraordinary resolution.
3. In the case of a corporate body, this Form of Proxy must be executed under seal or under the hand of an officer or attorney authorised in writing to sign on its behalf.
4. In the case of joint shareholders, any such shareholder may sign but, in the event of more than one tendering votes, the votes of the shareholder whose name stands first in the register will be accepted to the exclusion of the others.
5. To be valid, this Form of Proxy must be completed and, together with any power of attorney or other authority under which it is signed (or a copy thereof certified by a solicitor), must be lodged at the offices of the ACD for the purposes of this Meeting **not less than 48 hours before the time of the Meeting** or any adjourned meeting.
6. Appointing a proxy does not preclude you from attending and voting in person at the Meeting or any adjournment thereof.
7. To allow effective constitution of the Extraordinary General Meeting, if it is apparent to the chairman that no shareholders will be present in person or by proxy other than by proxy in the chairman's favour, then the chairman may appoint a substitute to act as proxy in his stead for any shareholder, provided that such substitute proxy shall vote on the same basis as the chairman.