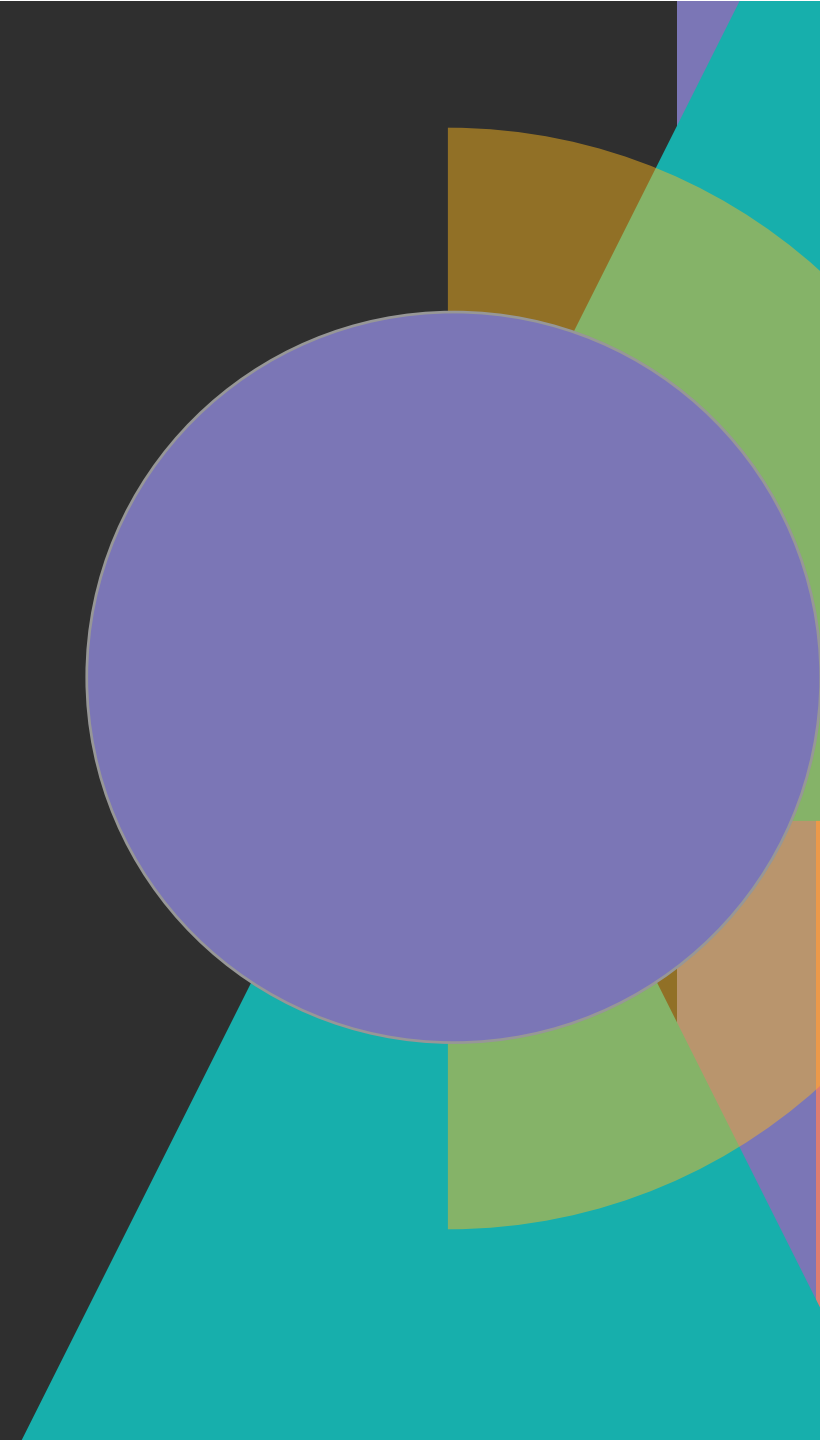


# Openwork – Quarterly Investment Update

March 2024



# Important information



This presentation is for adviser use only, and is based on our current understanding of taxation, legislation and HMRC practice, all of which are liable to change and subject to an individual's own circumstances.

Please remember that past performance is not a reliable indicator of future performance. The rate of growth of funds and any income from them cannot be guaranteed. **The value of an investment can go down as well as up and your client could get back less than they have put in.** PruFund funds aim to grow your client's money while smoothing their investment journey.

The PruFund range of funds all invest in Prudential's With-Profits Fund, which is one of the largest with-profits funds in the UK. However, there are differences across the range of PruFund funds in their objectives and mix of assets, and how PruFund delivers returns to investors when compared to other With-Profits business, which means the returns received by investors will vary by fund choice.

Prudential set Expected Growth Rates (EGR); these are the annualised rates your client's investment would normally grow at. The EGRs reflect our view of how we think each PruFund fund will perform over the long-term (up to 15 years). Each PruFund fund has its own EGR and your client's investments into a PruFund will normally grow daily by the relevant EGR. Although we take a long-term view, we do review the rates every three months to allow for any changes, which may mean a change in EGR on a quarterly basis, up or down. While the EGR reflects our long term view, we need to check that the fund is performing as expected - if not we may need to make an adjustment to your client's fund value, either up or down. There are limits which set out when an adjustment would be required. The value of your client's investment in a PruFund fund is based on the Smoothed Price, this is the unit price, which grows daily by the EGR. We compare the Smoothed Price against the Unsmoothed Price – which reflects the value of underlying assets. If these move too far away from one another we need to adjust the Smoothed Price to narrow the gap. This could be a price increase or a price decrease. In certain circumstances we might need to suspend the smoothing process for one or more of the PruFund funds.



## Disclaimer

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Prudential Portfolio Management Group Limited is not regulated or authorised by any regulator.

# M&G Wealth Platform

PruFund Growth & Cautious are now available via the M&G Wealth Platform



via ISA, JISA & SIPP

## SUPPORT SESSIONS AVAILABLE

### Platform Demo Sessions

For those currently not using the platform and want a high-level overview of the system.

**Registration link:**

<https://events.mandg.com/mandg-wealth-platform-demo-sessions-march-april>

12 March 2.00 - 2.30pm

28 March 10.00 – 10.30am

9 April 10.00 – 10.30am

25 April 10.00 – 10.30am

### Platform 'How to' Demo Sessions

For those familiar with the platform and ready to place business and want a walk through of some of the key processes.

**Registration link:**

<https://events.mandg.com/m-and-g-wealth-platform-how-to-system-demo-sessions>

5 March 2.00 – 2.45pm

11 March 10.00 – 10.45am

19 March 2.00 – 2.45pm

22 March 10.00 -10.45am

4 April 2.00 – 2.45pm

12 April 10.00 – 10.45am



# PruFund Quarterly Update – March 24

Catriona McNally

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## What we will cover

- EGRs
- UPAs
- Market context
- PruFund performance



## EGR decision

- Following the usual quarterly review; EGRs have been maintained for most versions of PruFund
- The exception is Euro versions of PruFund Growth and Cautious, which have reduced by 30bps and 50bps respectively



## Example EGRs

Onshore Bonds	EGR from 27 Nov 2023
PruFund Growth S2	6.40%
PruFund Cautious S2	5.80%

Trustee Investment Plan	EGR from 27 Nov 2023
PruFund Growth Ser A	7.70%
PruFund Cautious Ser A	7.00%

M&G Wealth Platform	EGR from 27 Nov 2023
Growth	7.70%
Cautious	7.00%



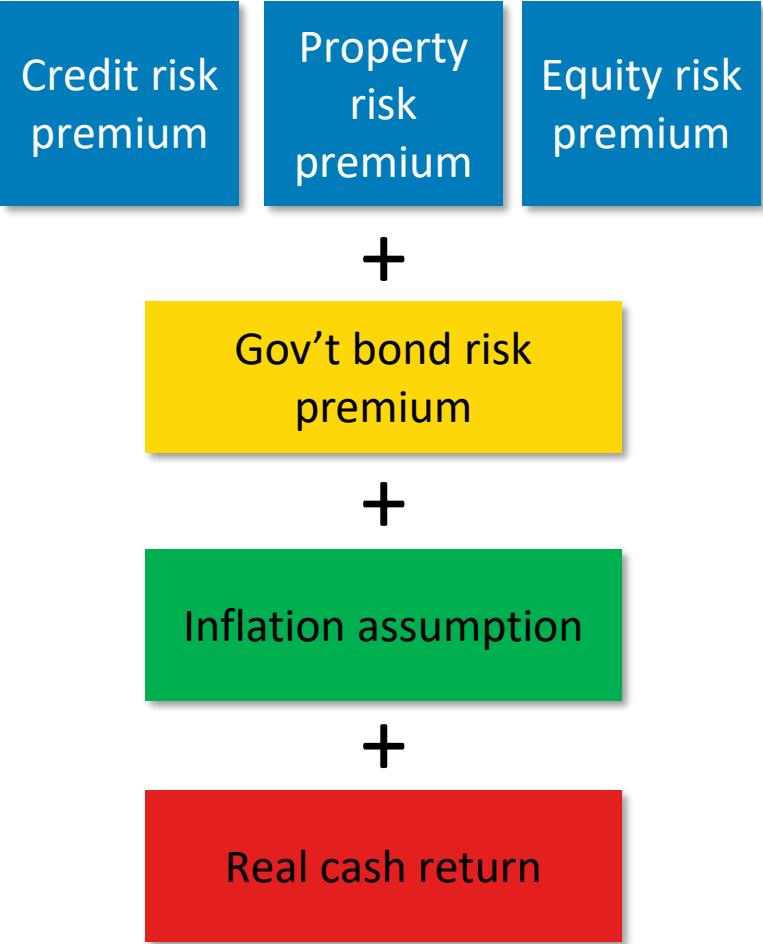
## A reminder of the EGR methodology

- The EGR is an estimate of the expected investment return over the long-term, at least 15 years
- Our in-house stochastic asset model is used to generate a distribution of possible future investment returns (having regard to the current asset mix in each fund) over a 15 year period
- It is preferable not to make frequent changes due to the long-term perspective

# A reminder of the EGR methodology

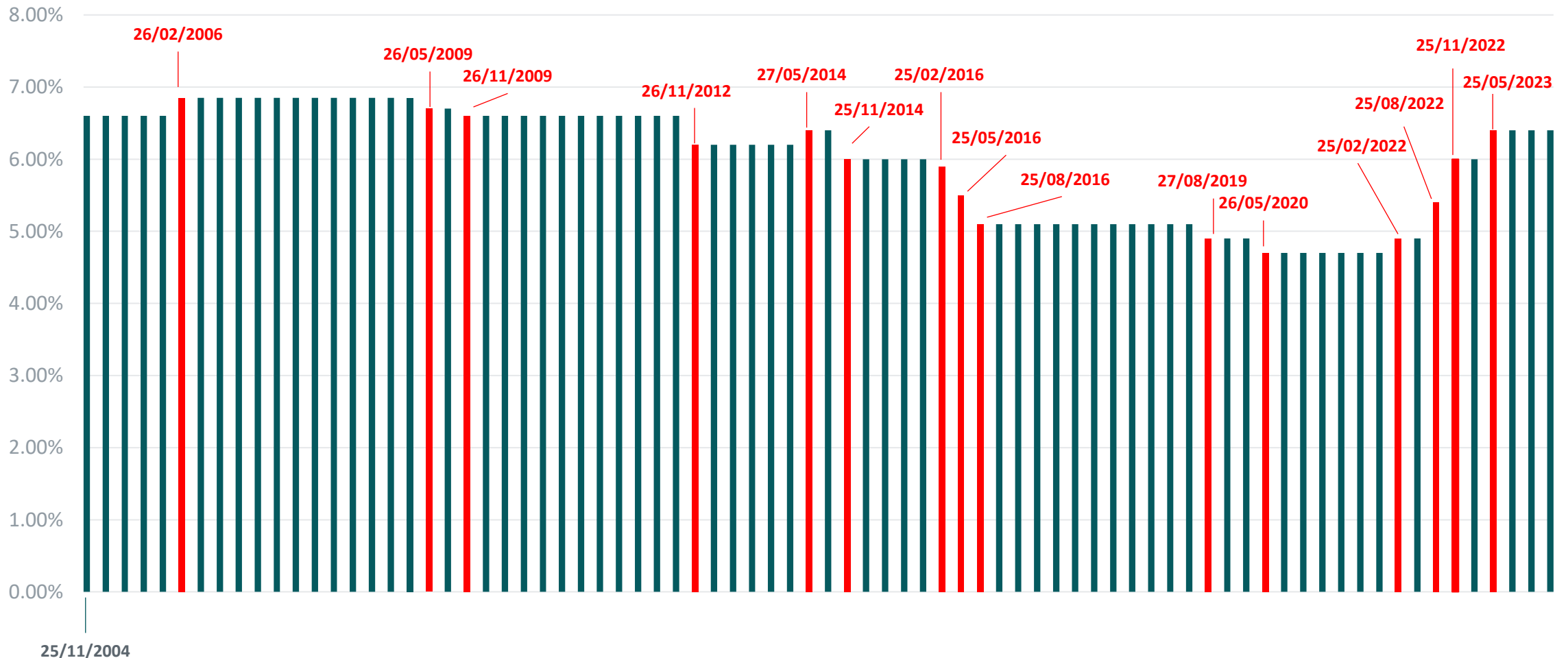
Fund	EGR from 27 Nov 2023
PruFund Growth Ser A	7.70%
PruFund Cautious Ser A	7.00%
PruFund Growth S2	6.40%
PruFund Cautious S2	5.80%

For full details of all EGRs: <https://www.pruadviser.co.uk/funds/prufund-egr>



# Preferable not to make frequent changes

15 changes of EGR over 78 individual quarterly review points



## EGRs – expectation and reality

Investment date	PruFund Growth EGR at outset	Return after 10 years
25/11/2004	6.60%	6.64%
25/11/2005	6.60%	6.21%
25/11/2006	6.85%	5.74%
25/11/2007	6.85%	5.56%
25/11/2008	6.85%	7.64%
25/11/2009	6.60%	7.20%
25/11/2010	6.60%	6.21%
25/11/2011	6.60%	6.64%
25/11/2012	6.20%	6.61%
25/11/2013	6.20%	6.03%

Figures are for PruFund Growth Fund held within PruFund Investment Plan. The PruFund figures include any additional investment expenses, but not any fund management, product or advice charges, so the amount an investor would get back would be less than shown here. Past performance is not a reliable indicator of future performance. **The value of an investment can go down as well as up.** Source: Prudential and FE Analytics



## Unit Price Adjustments (UPAs)

- UPAs reflect the actual past performance of each PruFund and the smoothing approach followed
- They are formulaic and non discretionary
- For S2, Series A, Series B and Series D; there is a Daily Smoothing Limit and a Quarterly Smoothing Limit
- For Series C, E and F; there is a Daily Smoothing Limit and a Monthly Smoothing Limit

# UPA position 27 Nov 2023

## Onshore Bonds – S2

PruFund version	Last negative UPA	UPA
Growth	25/08/2023	
Cautious	25/08/2023	

## Wealth Platform – Series F

PruFund version	Last negative UPA	UPA
Growth		
Cautious	25/10/2023	

## Pensions - Series A

PruFund version	Last negative UPA	UPA
Growth	25/08/2023	
Cautious	28/02/2023	
Risk Managed 1	25/08/2023	
Risk Managed 2	25/08/2023	
Risk Managed 3	25/08/2023	
Risk Managed 4	25/08/2023	

## UPAs – a reminder of what's required

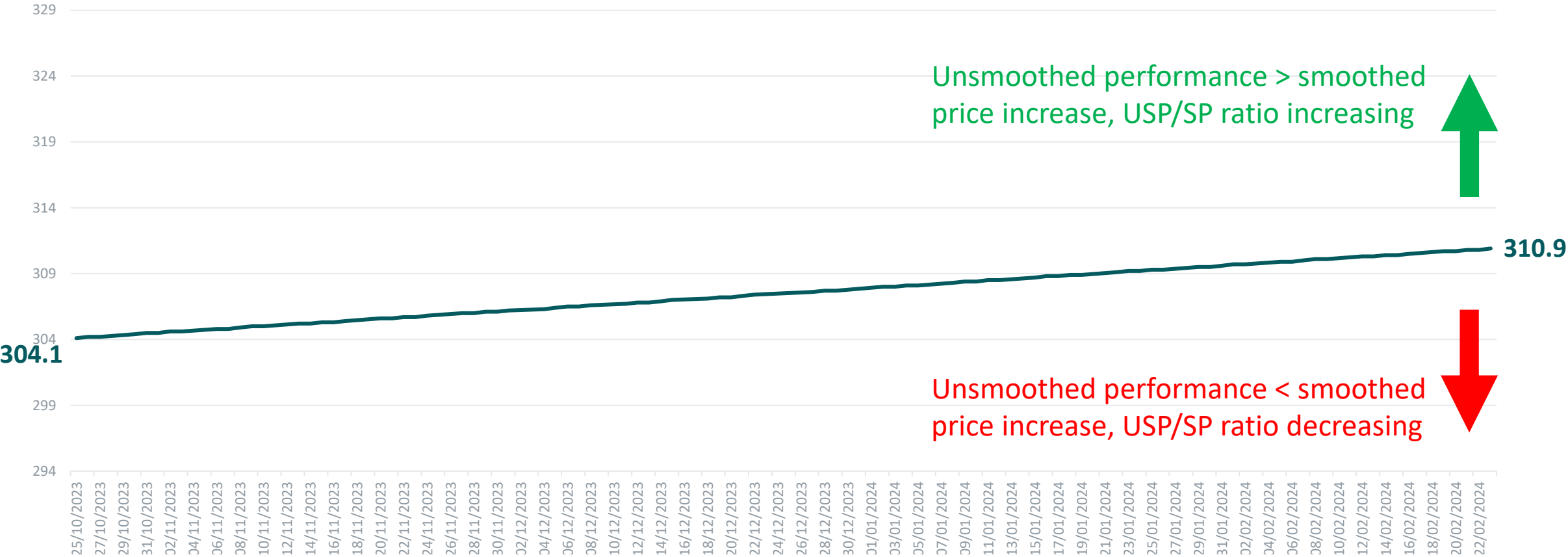
- To trigger a UPA for monthly versions in Feb 2024 requires movement in unsmoothed fund to at least equal:
  - growth in Smoothed Price (SP) as a result of EGR, *plus*
  - sufficient movement to make up difference from USP/SP start position and upper/lower smoothing limit of 4%/5%



## UPAs – a reminder of what's required

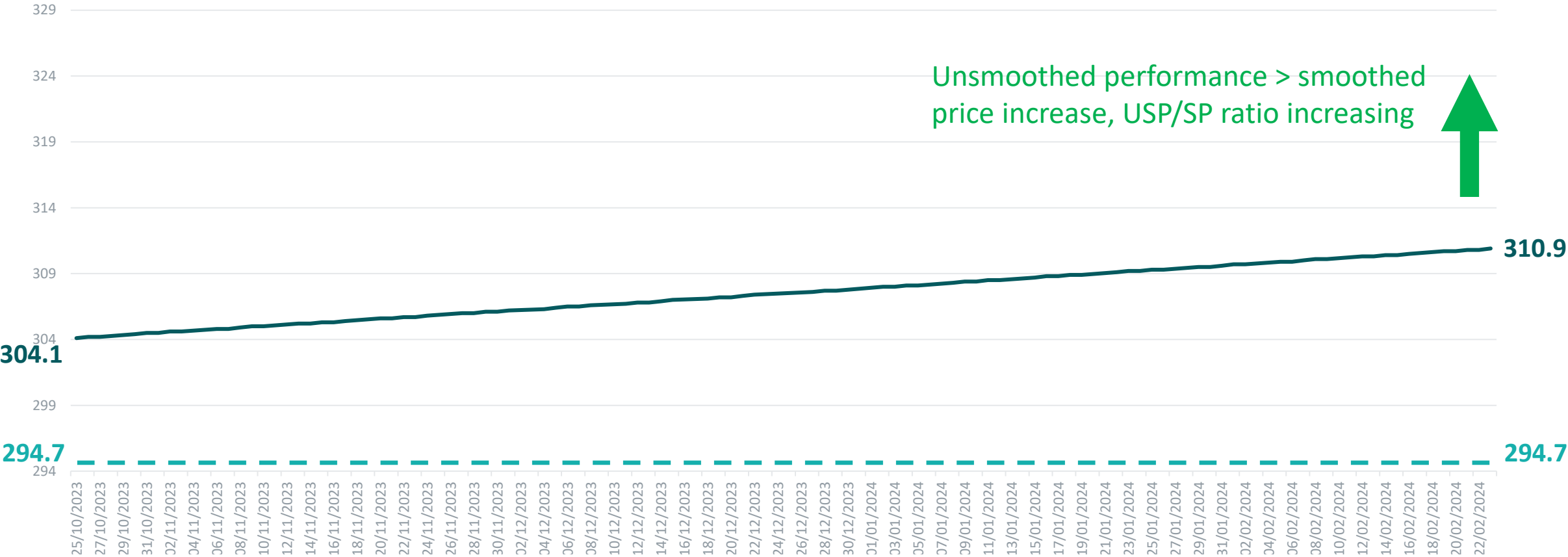
- Last UPA for PruFund Growth Ser E, in Oct 2023, was -2.98%
- This means the gap between Smoothed Price (SP) and Unsmoothed Price (USP) was 5.96%
- SP before the UPA was 313.40p
- After the UPA, the SP moved to 304.10p

# UPAs – a reminder of what’s required



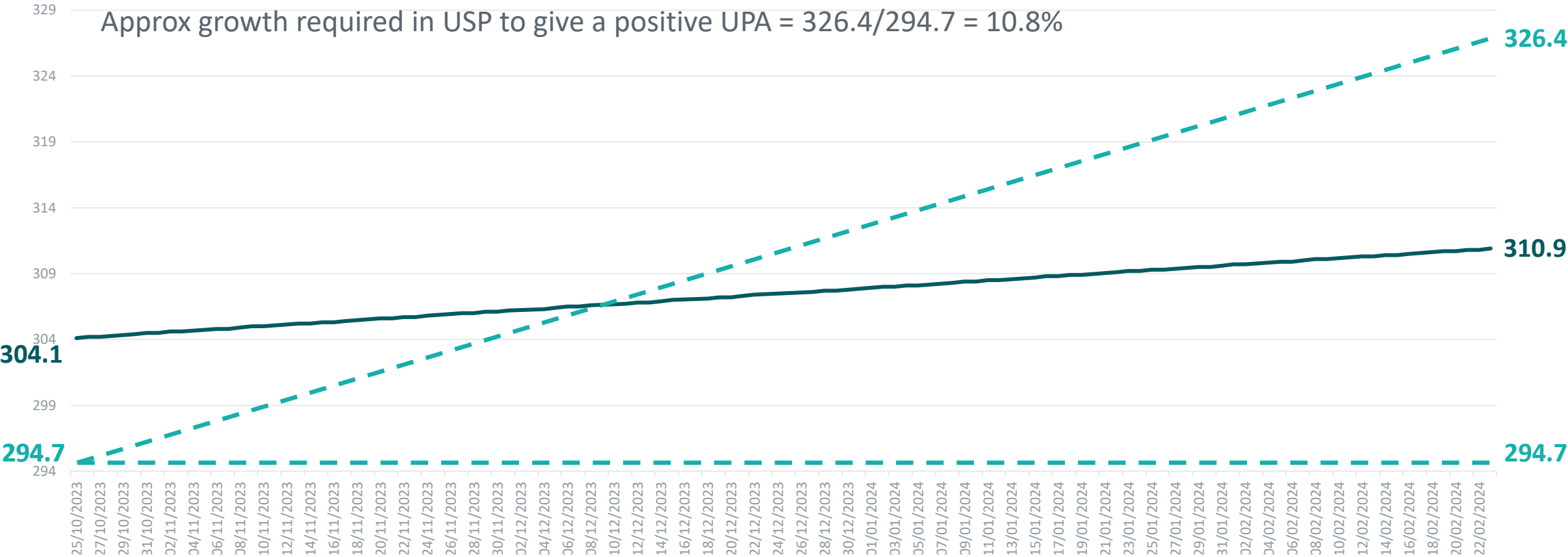
Figures are for PruFund Growth Fund Pn Series E and are for the period from 25 Oct 2023 to 23 Feb 2024. The PruFund figures include any additional investment expenses and fund management charges but not any product or advice charges, so the amount an investor would get back would be less than shown here. Past performance is not a reliable indicator of future performance. **The value of an investment can go down as well as up. Your clients may get back less than they have paid in.** Source: FE Analytics

# UPAs – a reminder of what’s required



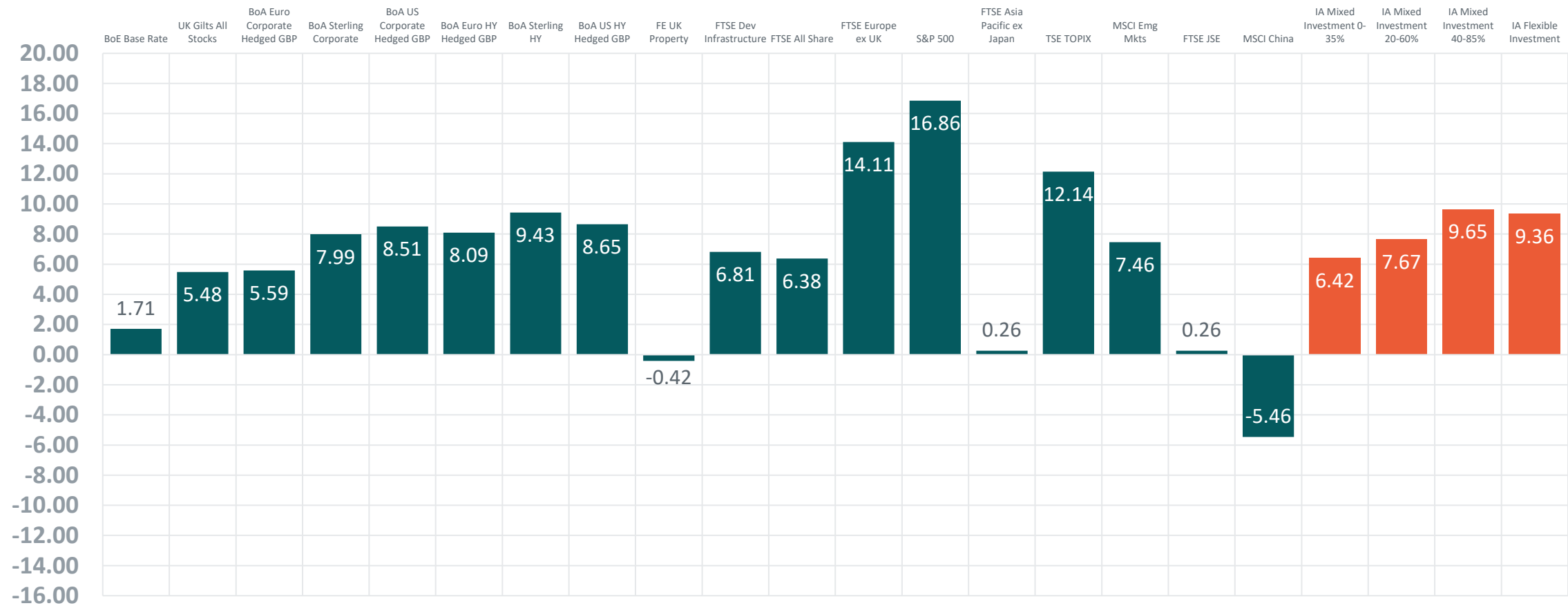
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# Performance of markets since 25 Oct 2023



Performance of various indices over period from 25 Oct 2023 to 25 Feb 2024. **The value of an investment can go down as well as up. Your clients may get back less than they have paid in.** Source: FE Analytics



# A quick review of 2023

This is for UK adviser use only

# Asset allocation is easy

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Top performing sector	North America 17.79%	Japan 15.66%	Global Emg Mkts 30.84%	UK Sm Comp 27.18%	Money Market 0.45%	UK Sm Comp 25.34%	Asia Pac ex Jpn 20.01%	North America 25.51%	Money Market 1.28%	North America 16.67%
	UK Gilts 14.52%	UK Sm Comp 14.86%	North America 29.31%	Asia Pac ex Jpn 25.34%	UK Gilts 0.25%	North America 24.41%	North America 16.17%	UK Sm Comp 22.92%	Asia Pac ex Jpn -6.87%	Europe ex UK 14.00%
	Property Other 13.12%	Europe ex UK 9.27%	Asia Pac ex Jpn 25.66%	Global Emg Mkts 24.43%	North America -1.37%	UK All Comp 22.34%	Global 15.27%	Property Other 22.51%	Japan -8.10%	Global 12.68%
	Stg Corp Bonds 9.83%	Property Other 5.46%	Japan 23.34%	Japan 17.93%	Stg Corp Bonds -2.22%	Global 21.92%	Japan 13.75%	Global 17.68%	Europe ex UK -9.02%	Japan 11.63%
	Asia Pac ex Jpn 9.47%	UK All Comp 4.86%	Global 23.33%	Europe ex UK 17.29%	Property Other -3.17%	Europe ex UK 20.33%	Global Emg Mkts 13.65%	UK All Comp 17.25%	UK All Comp -9.06%	Stg Corp Bonds 9.42%
Bottom performing sector	Global 7.09%	North America 4.18%	Europe ex UK 16.41%	Global 14.02%	Global -5.72%	Property Other 19.21%	Europe ex UK 10.28%	Europe ex UK 15.76%	North America -9.70%	UK All Comp 7.38%
	Global Emg Mkts 3.19%	Global 2.77%	UK Gilts 11.06%	UK All Comp 13.99%	Asia Pac ex Jpn -9.81%	Japan 17.22%	UK Gilts 9.01%	Japan 1.76%	Global -11.06%	Property Other 6.25%
	UK All Comp 0.64%	Money Market 0.07%	UK All Comp 10.82%	North America 10.53%	UK All Comp -11.10%	Global Emg Mkts 16.04%	Stg Corp Bonds 7.77%	Asia Pac ex Jpn 1.47%	Global Emg Mkts -12.21%	Money Market 4.74%
	Japan 0.62%	UK Gilts -0.26%	Stg Corp Bonds 9.08%	Property Other 6.93%	Japan -11.41%	Asia Pac ex Jpn 15.78%	UK Sm Comp 6.48%	Money Market -0.05%	Stg Corp Bonds -16.09%	Global Emg Mkts 4.31%
	Money Market 0.07%	Stg Corp Bonds -0.27%	Property Other 8.19%	Stg Corp Bonds 5.06%	UK Sm Comp -11.70%	Stg Corp Bonds 9.49%	Money Market 0.43%	Global Emg Mkts -0.46%	Property Other -19.01%	UK Gilts 4.01%
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	UK Sm Comp -1.65%	Global Emg Mkts -10.19%	Money Market 0.23%	Money Market 0.14%	Europe ex UK -12.16%	Money Market 0.73%	Property Other -7.27%	UK Gilts -5.38%	UK Sm Comp -25.17%	Asia Pac ex Jpn -1.01%

Source: Financial Express, January 2024. Total Return discrete calendar year performance table for selected sectors from Investment Association universe.

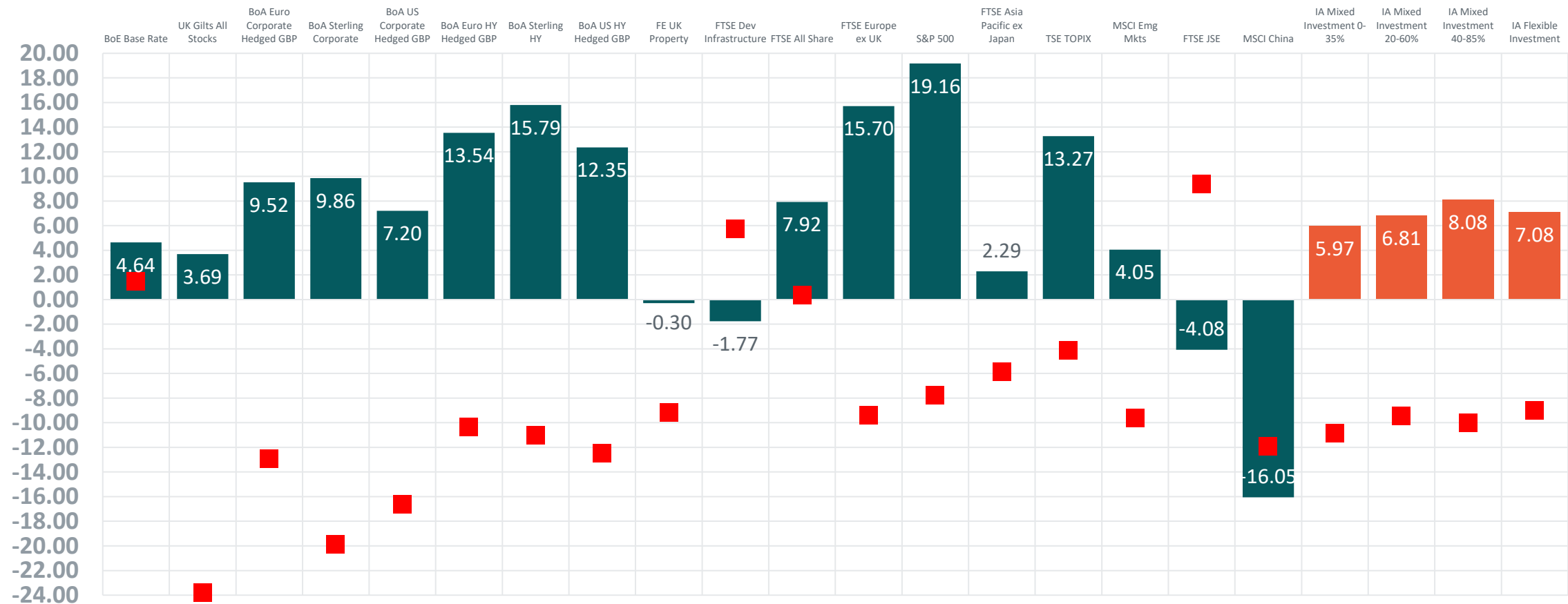
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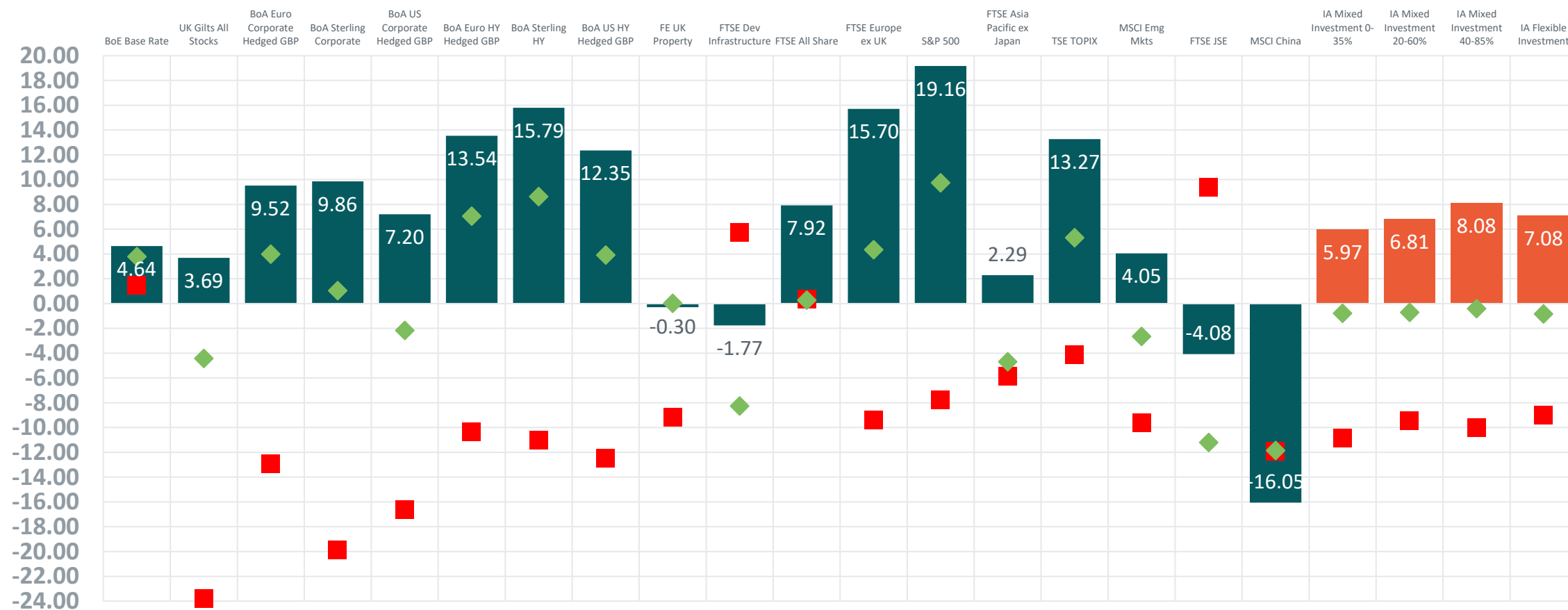


# 2022 vs. 2023



Performance of various indices over period from 31 Dec 2021 to 31 Dec 2023. Columns represent 2023 and red boxes represent 2022. **The value of an investment can go down as well as up. Your clients may get back less than they have paid in.** Source: FE Analytics

# 2022 vs. 2023 (full year and up to 31 Oct)



Performance of various indices over period from 31 Dec 2021 to 31 Dec 2023. Columns represent 2023, green diamonds represent period from 31 Dec 2022 to 31 Oct 2023 and red boxes represent 2022. **The value of an investment can go down as well as up. Your clients may get back less than they have paid in.** Source: FE Analytics

## Performance of selected markets since 31 Dec 2021

- S&P500 9.88%
- FTSE All Share 8.28%
- IA Mixed Investment 20-60% Shares -3.30%
- FTSE Actuaries UK conventional Gilts All Stocks -21.03%



# PruFund performance

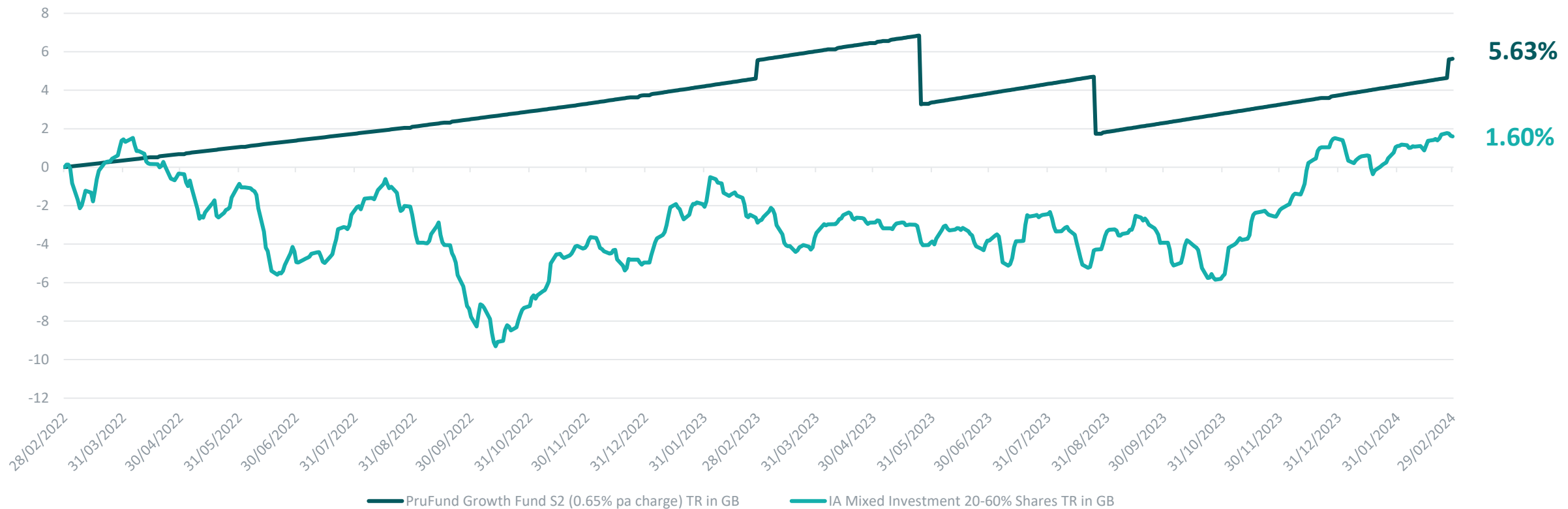
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# Performance of PruFund Growth – 1 year performance



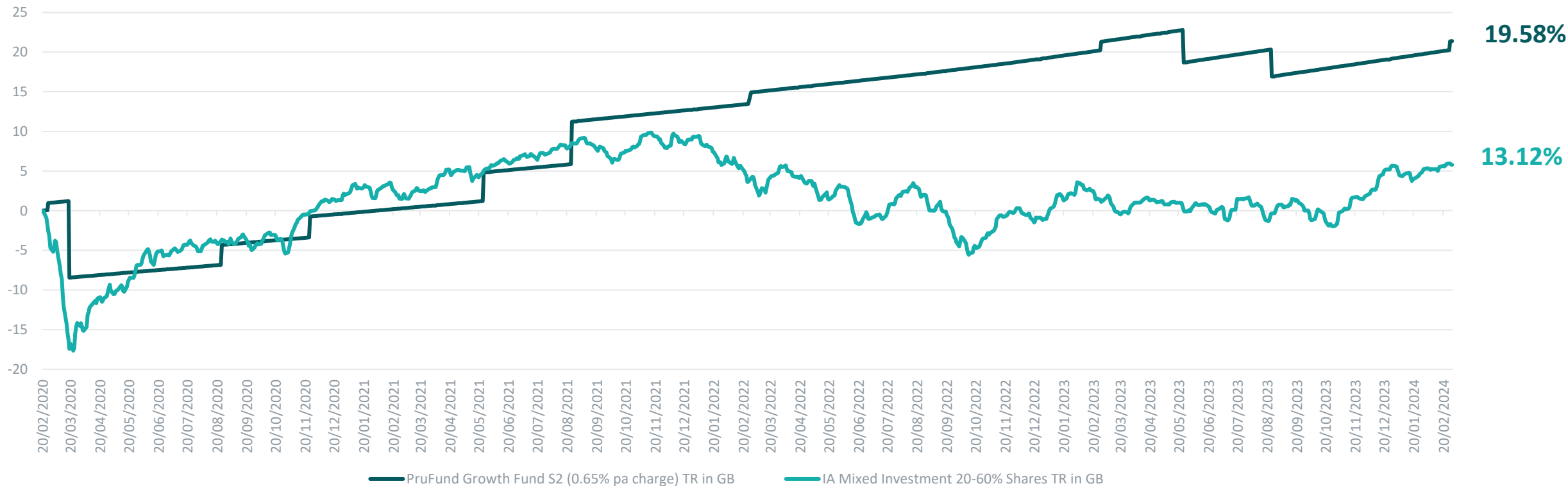
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# Performance of PruFund Growth – 2 year performance



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# Performance of PruFund Growth since market falls in 2020



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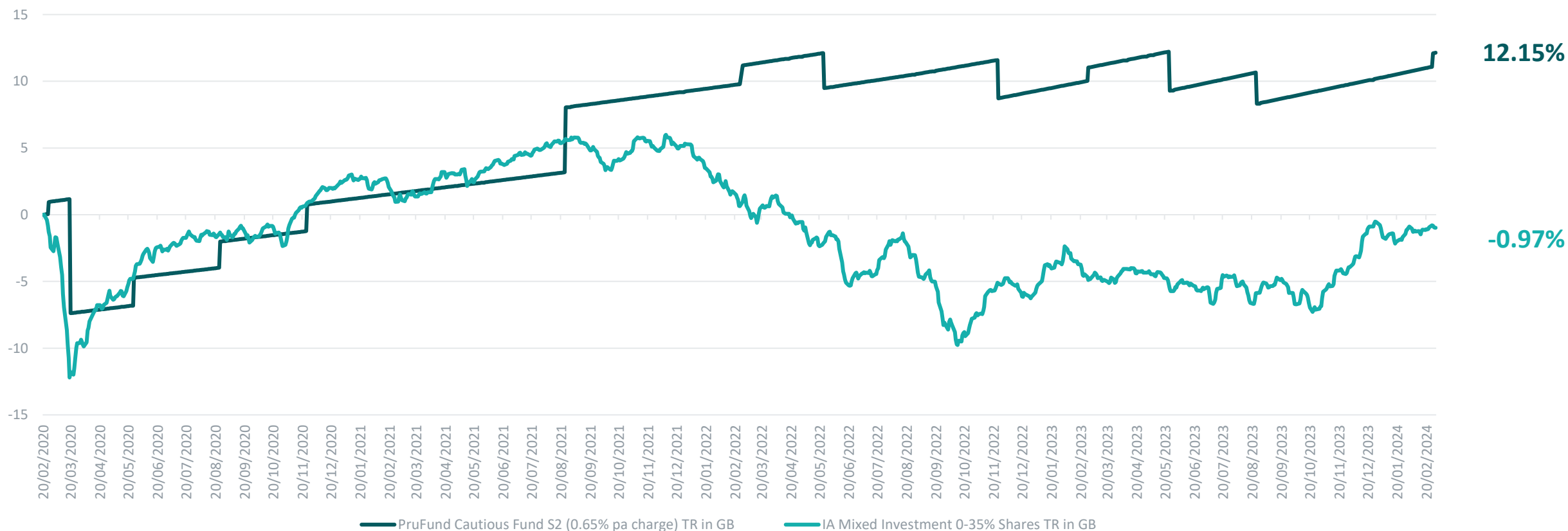
# Performance of PruFund Cautious – 1 year



Figures are for PruFund Cautious S2 and are for the period from 28 Feb 2023 to 29 Feb 2024. The PruFund figures include any additional investment expenses, but not any product or advice charges, so the amount an investor would get back would be less than shown here. Some, if not all, of the funds comprising the IA sector average are net of fund charges. Past performance is not a reliable indicator of future performance. **The value of an investment can go down as well as up. Your clients may get back less than they have paid in.** Source: FE Analytics



# Performance of PruFund Cautious since market falls in 2020



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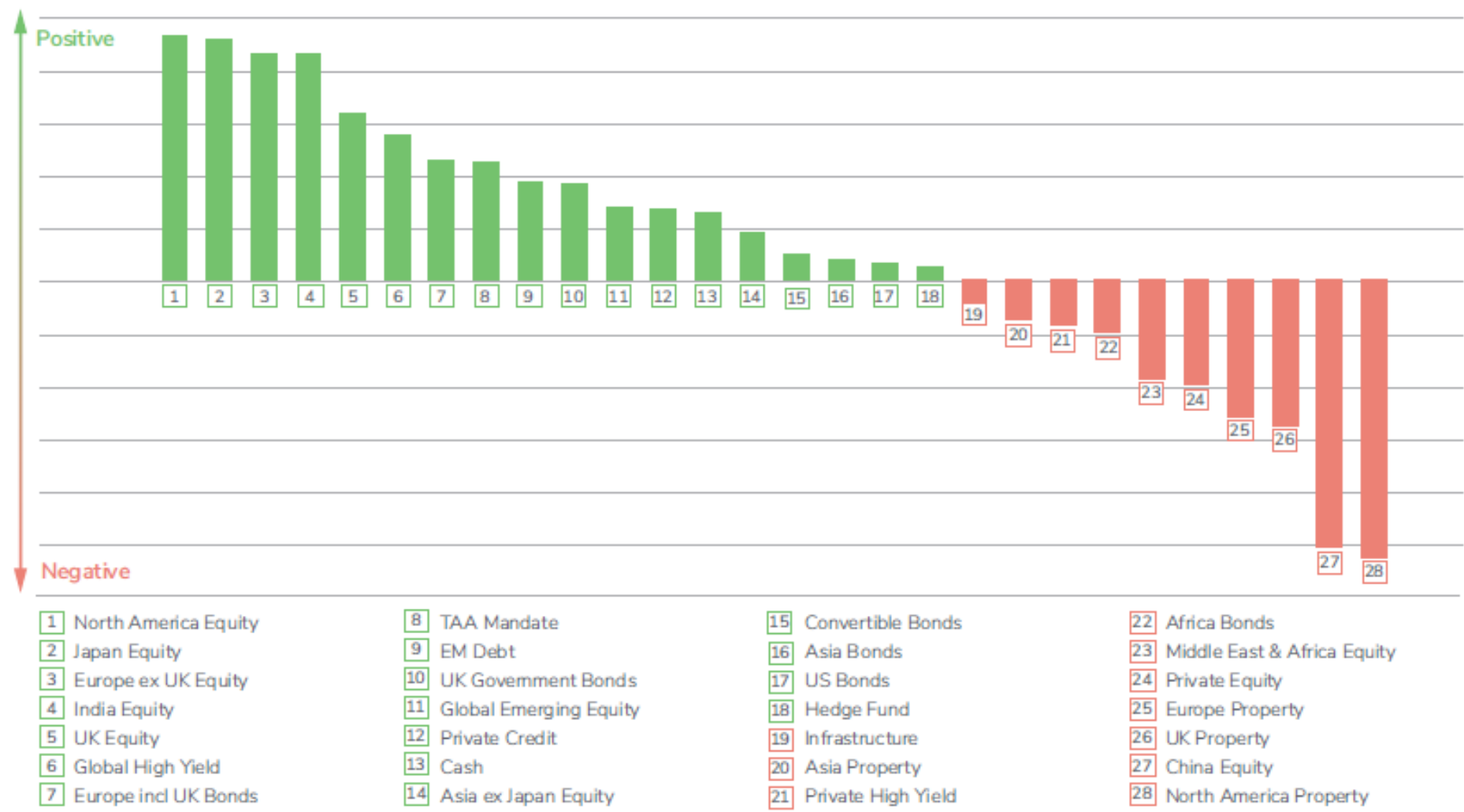


# T&IO Investment Outlook

Michael Watt, Investment Director  
M&G Treasury & Investment Office

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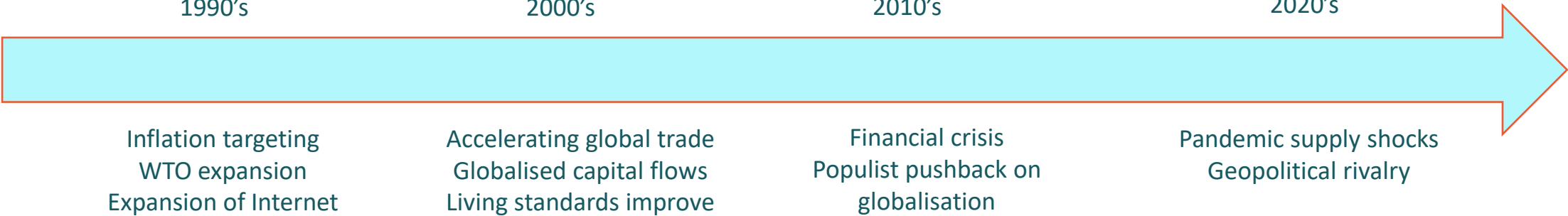
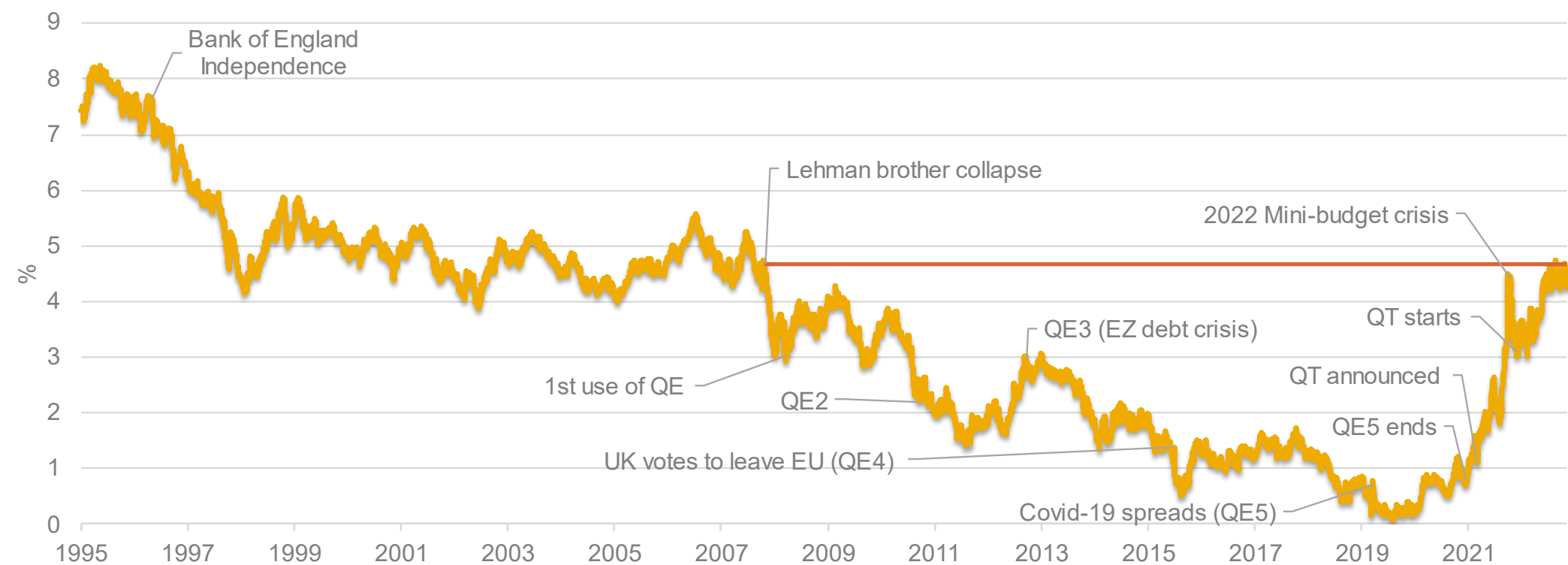
# PruFund Growth – 2023 asset class returns



Source: M&G Treasury & Investment Office (31.12.2023). The bar chart is designed to give some insight into how PruFund Growth underlying assets have performed. There are clear constraints around providing detailed ‘unsmoothed’ performance, and the graph provides information on some of the drivers and detractors of absolute returns for the period to 31 Dec 2023. **The value of an investment can go down as well as up. Your clients may get back less than they have paid in.**

# Several tailwinds created a benign structural backdrop

## Navigating the new regime



# Structural changes bring new challenges

...for policymakers and investors

Trade fragmentation



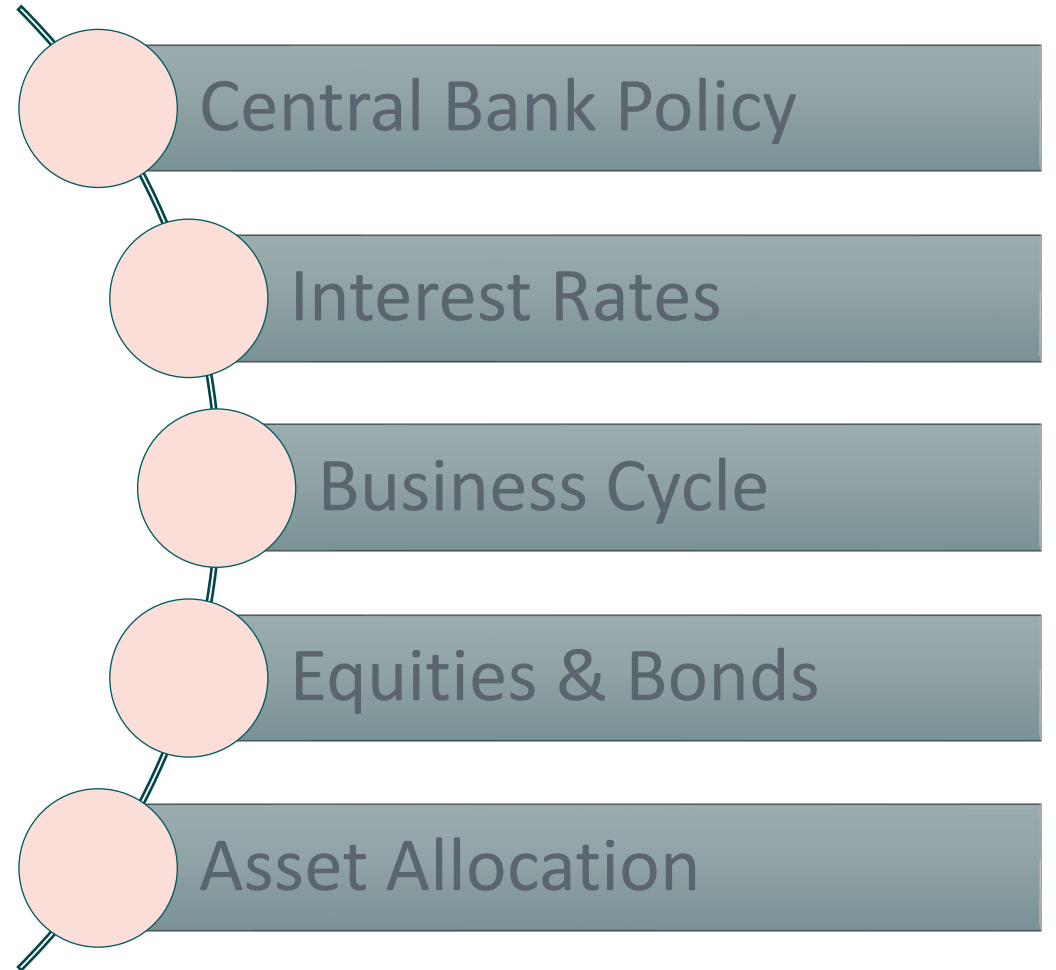
Peaking demographics



Geopolitical rivalry



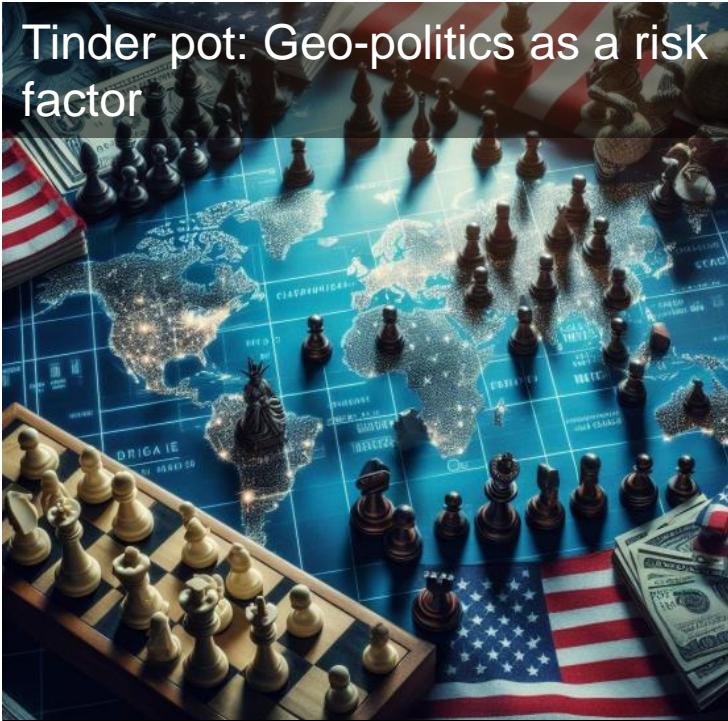
Climate concerns





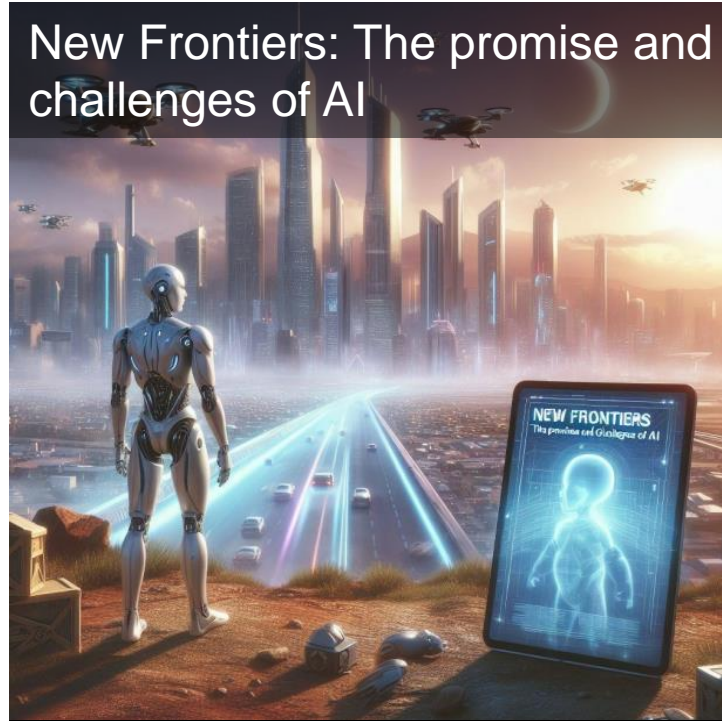
# Key themes for 2024 and Beyond

Tinder pot: Geo-politics as a risk factor



Geopolitical instability demands agility for a wider range of scenarios.

New Frontiers: The promise and challenges of AI



AI promises productivity growth, will this be met with resistance?

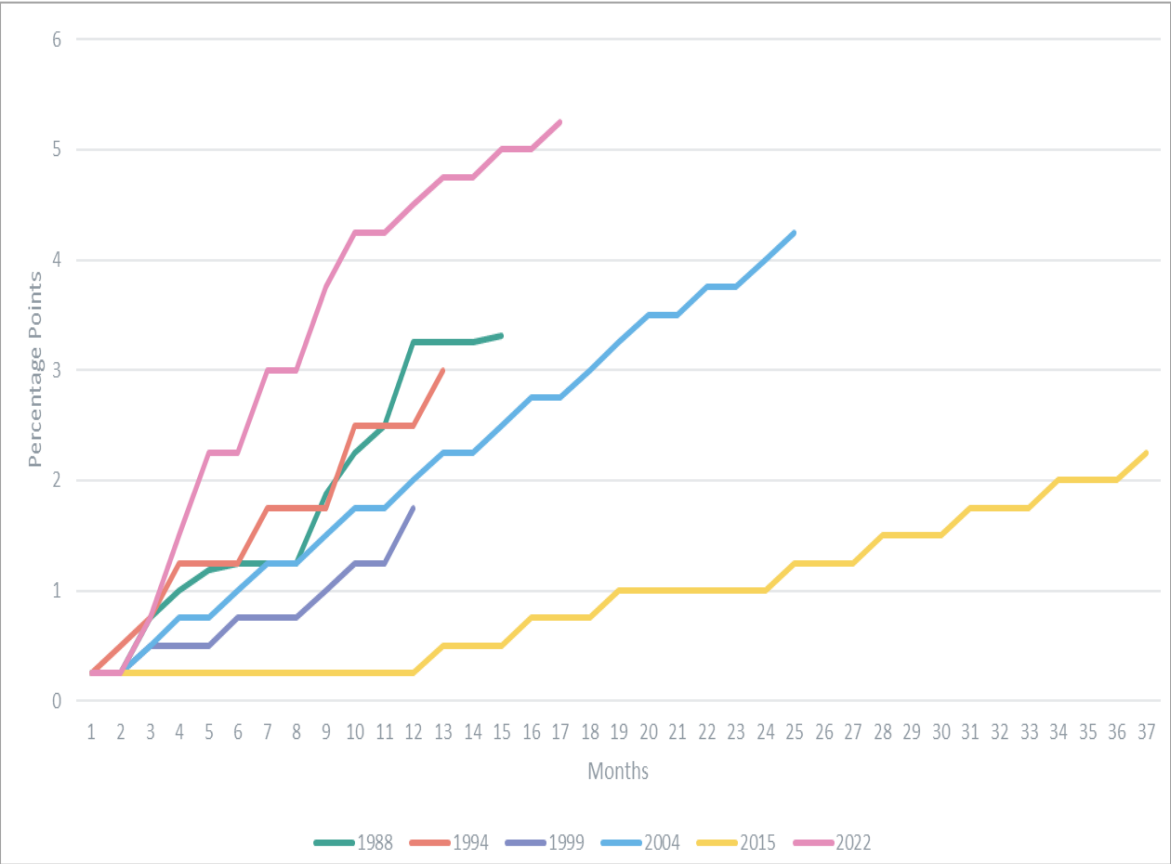
Economic Outlook: can a soft landing be achieved?



As inflation slows, varying economic cycles bring diversification opportunities.

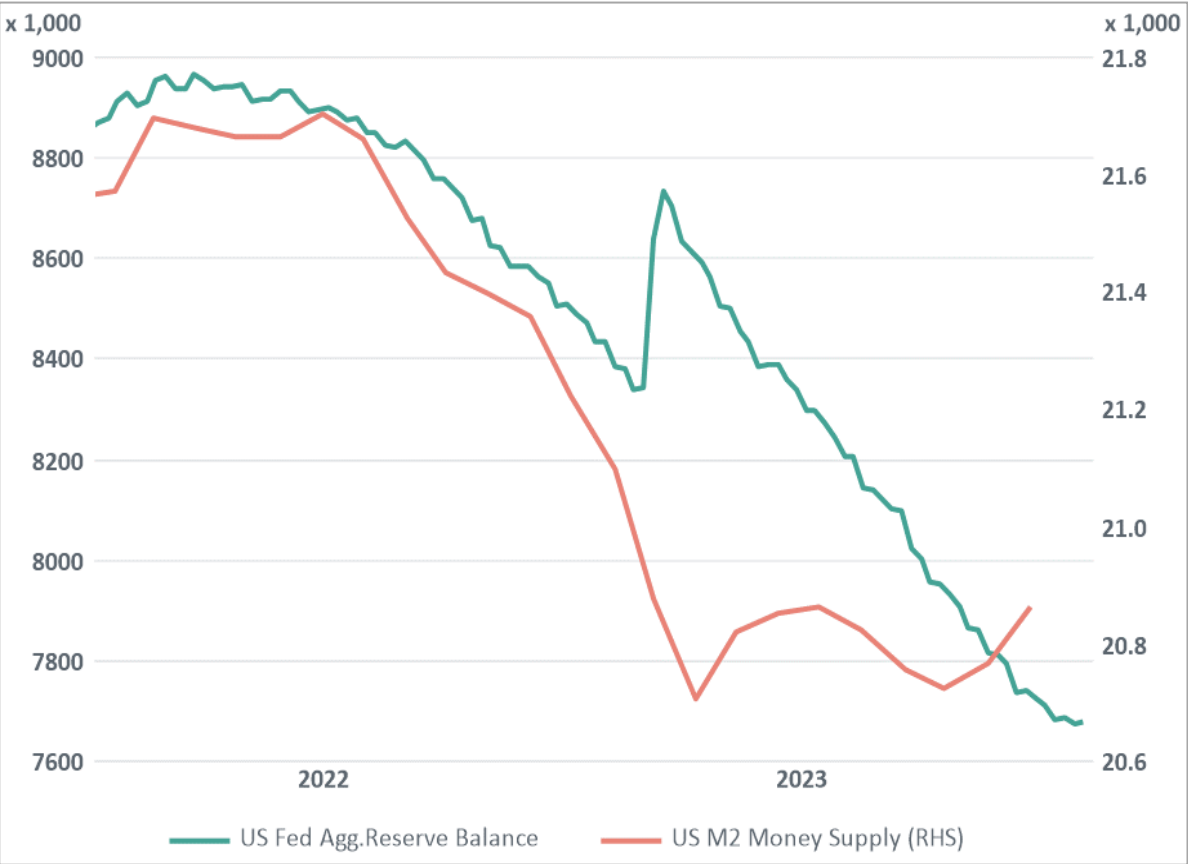
# Monetary tightening usually causes recessions

## US Cumulative rate hikes (1982-2023)



Source: LSEG Datastream & MAPM (M&G Investment Office). Jan 2024

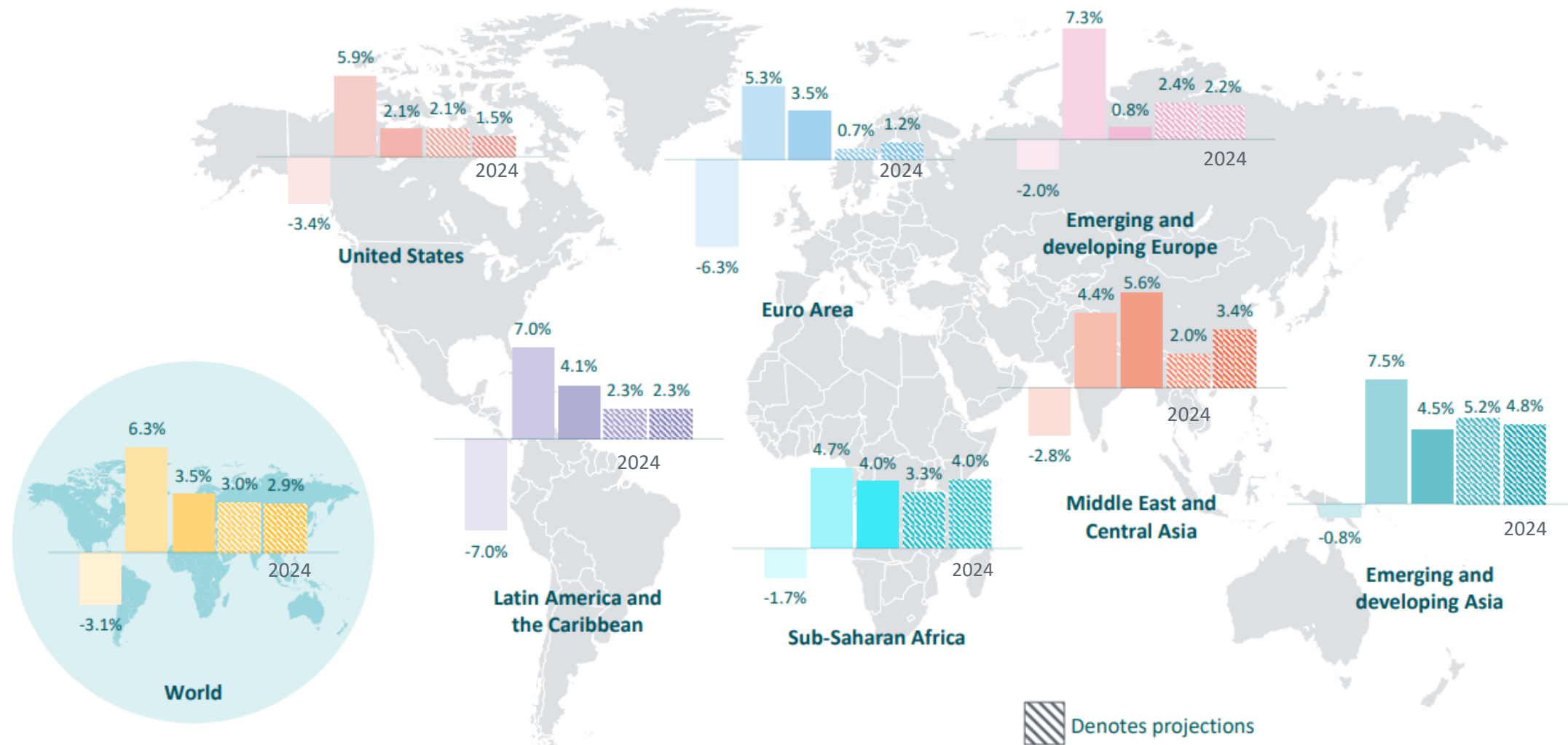
## US FED Aggregate deposits



Source: LSEG Datastream & MAPM (M&G Investment Office). 24.01.2024

# Global growth picture – IMF Projections (YoY) 2020-2024

A more de-synchronised world



Note: Order of bars for each group indicates (left to right): 2020, 2021 and 2022 actual, 2023 & 2024 projections  
Information is subject to change and is not a guarantee of future results.  
Source: M&G, IMF World Economic Outlook, October 2023 (latest data available)

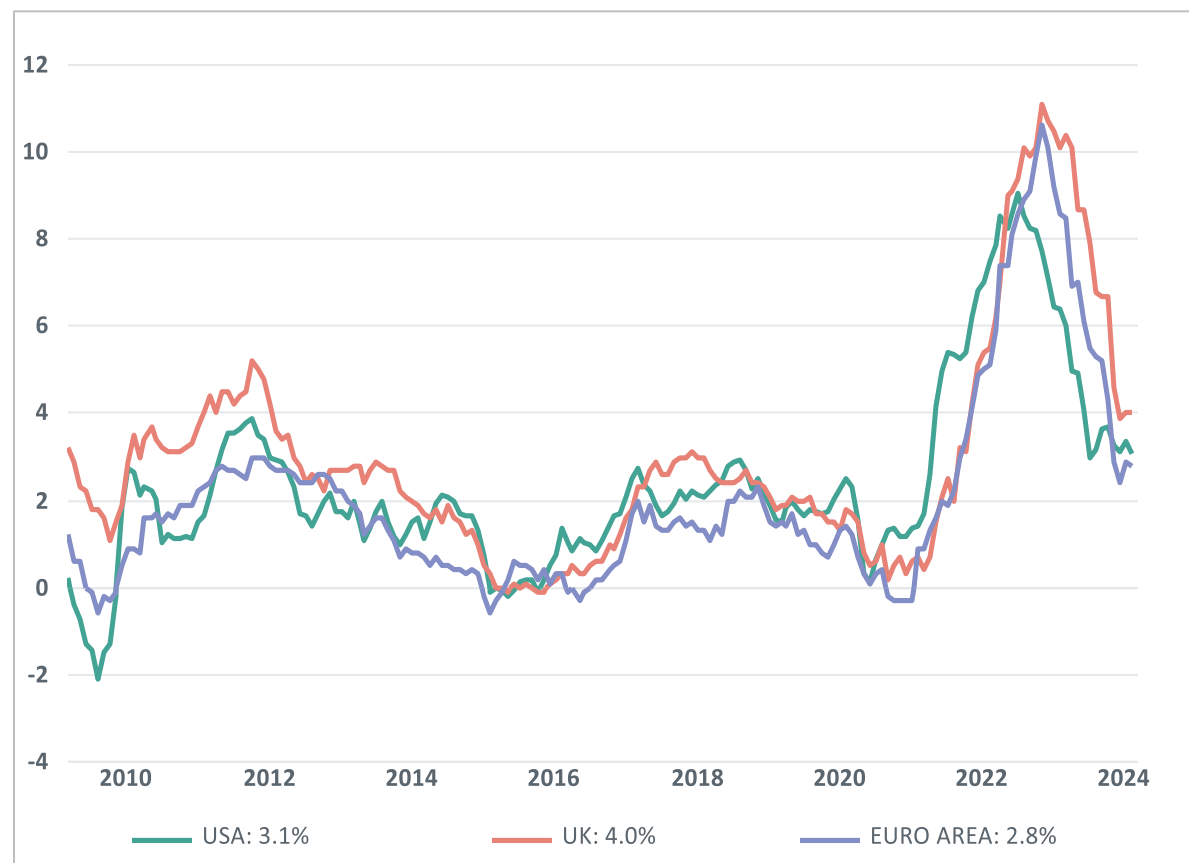
40

For adviser use only - Not for use with retail customers



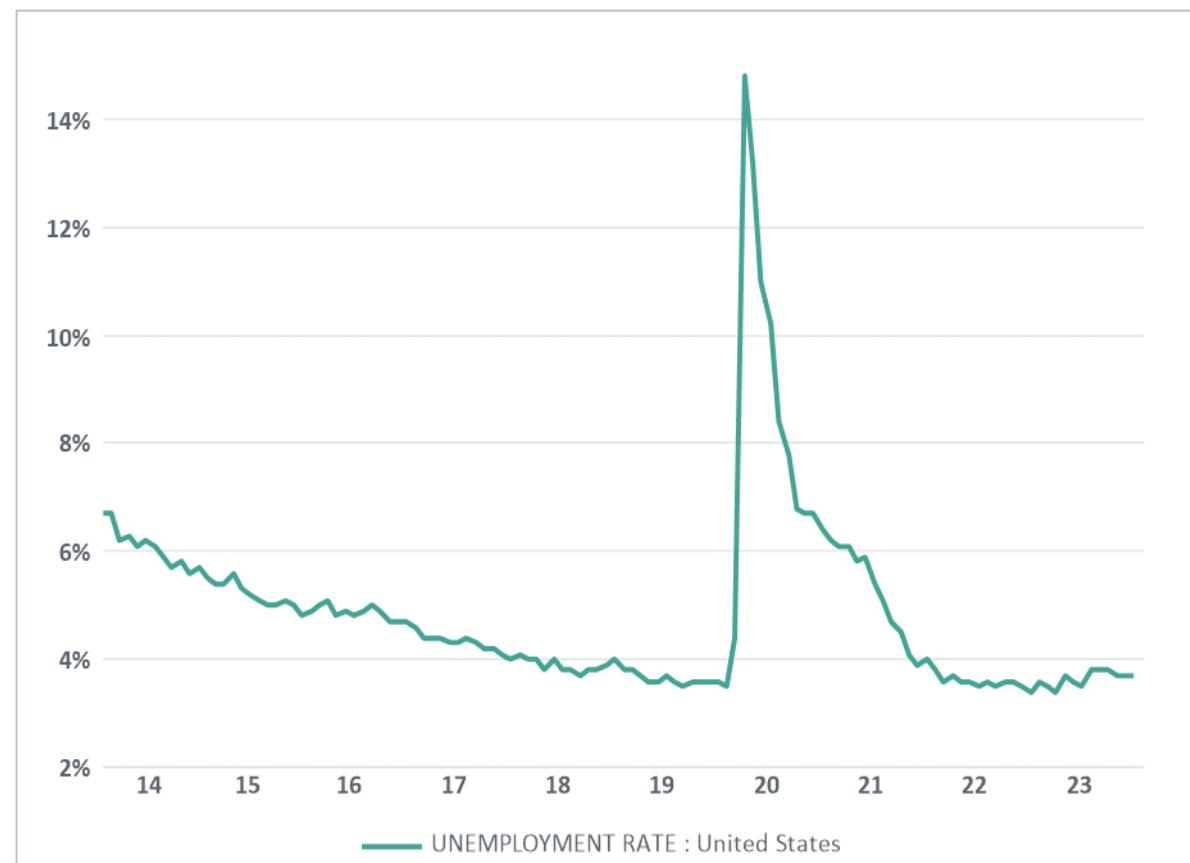
# Inflation on downward trend; Tight labour market

## Global Headline Inflation Rates (YoY%)



Source: LSEG Datastream & MAPM (Investment Office). Jan 2023

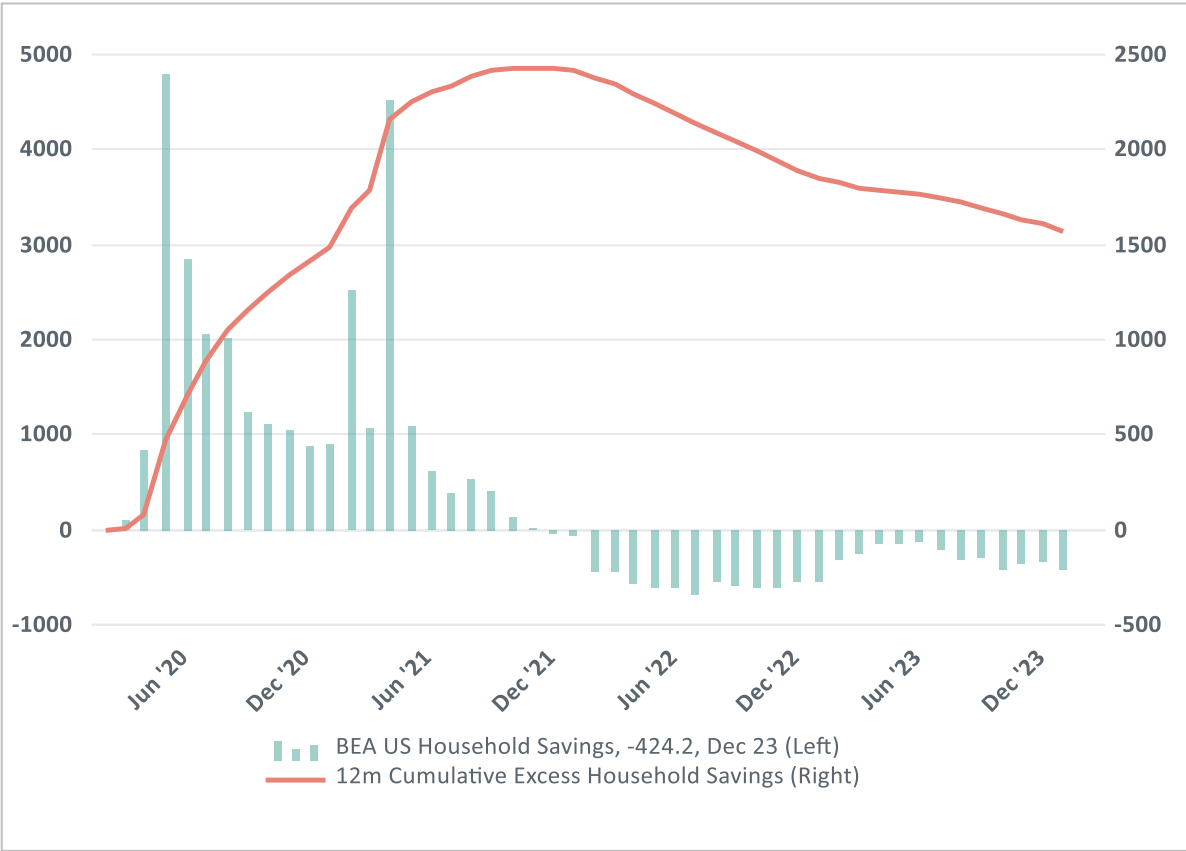
## US Unemployment



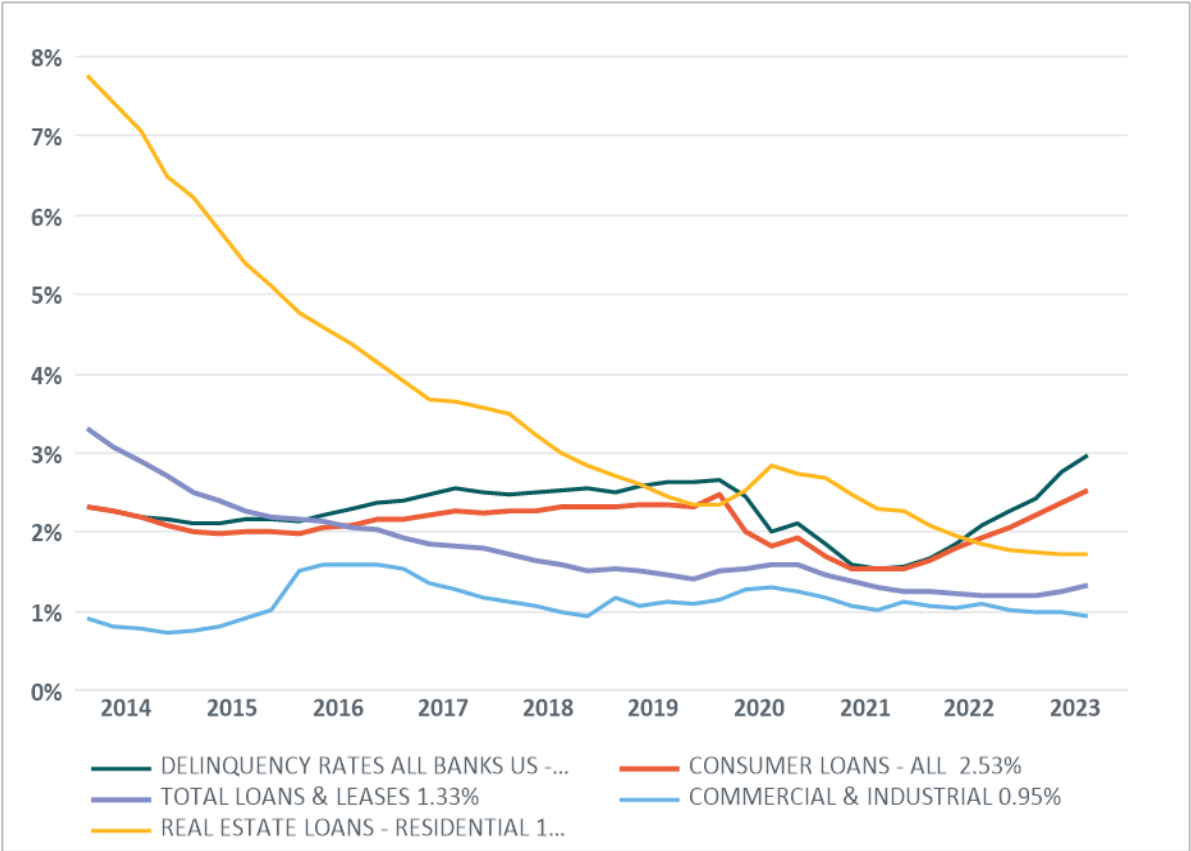
Source: LSEG Datastream & MAPM (Investment Office). Jan 2024

# Savings 'hangover' from COVID-19; Delinquencies on the rise

## US Household Excess\* Savings



## US Delinquencies

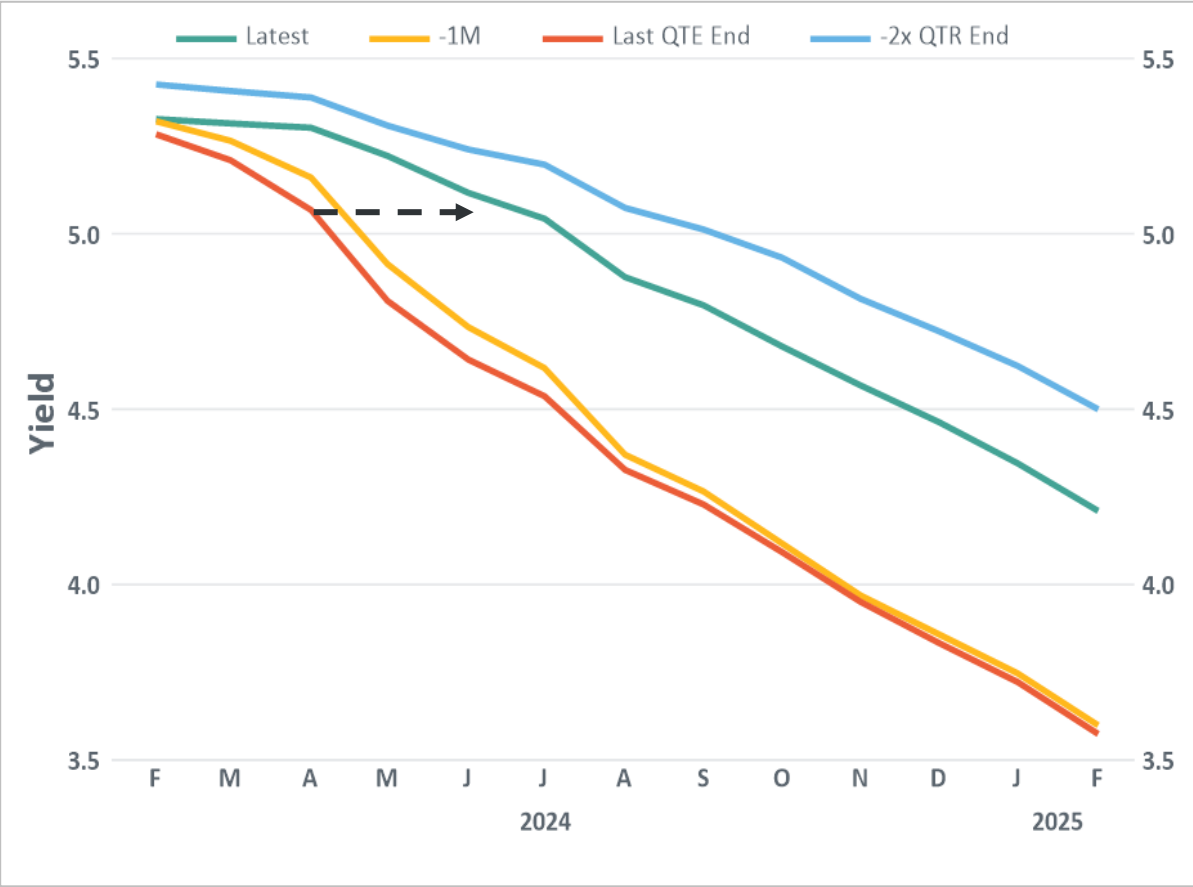


Source: LSEG Datastream & MAPM (Investment Office). March 2020 - Dec 2023  
\* Annualised Excess Savings. Latest savings rate less 2019 average nominal savings rate .

# Revaluation of fixed income yields

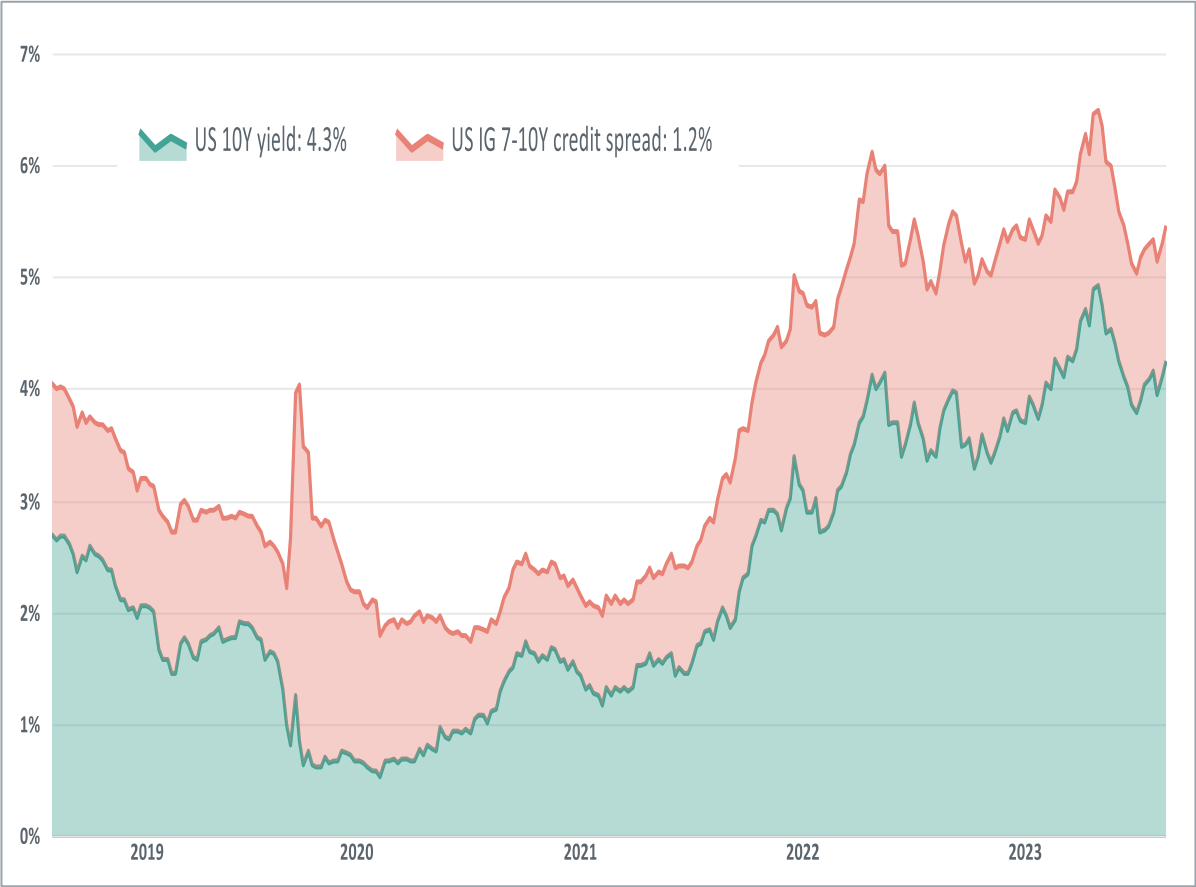
Risk asset yields more stable

## FED Fund Futures Forward Curve



Source: LSEG Datastream & MAPM (Investment Office). Feb 2024

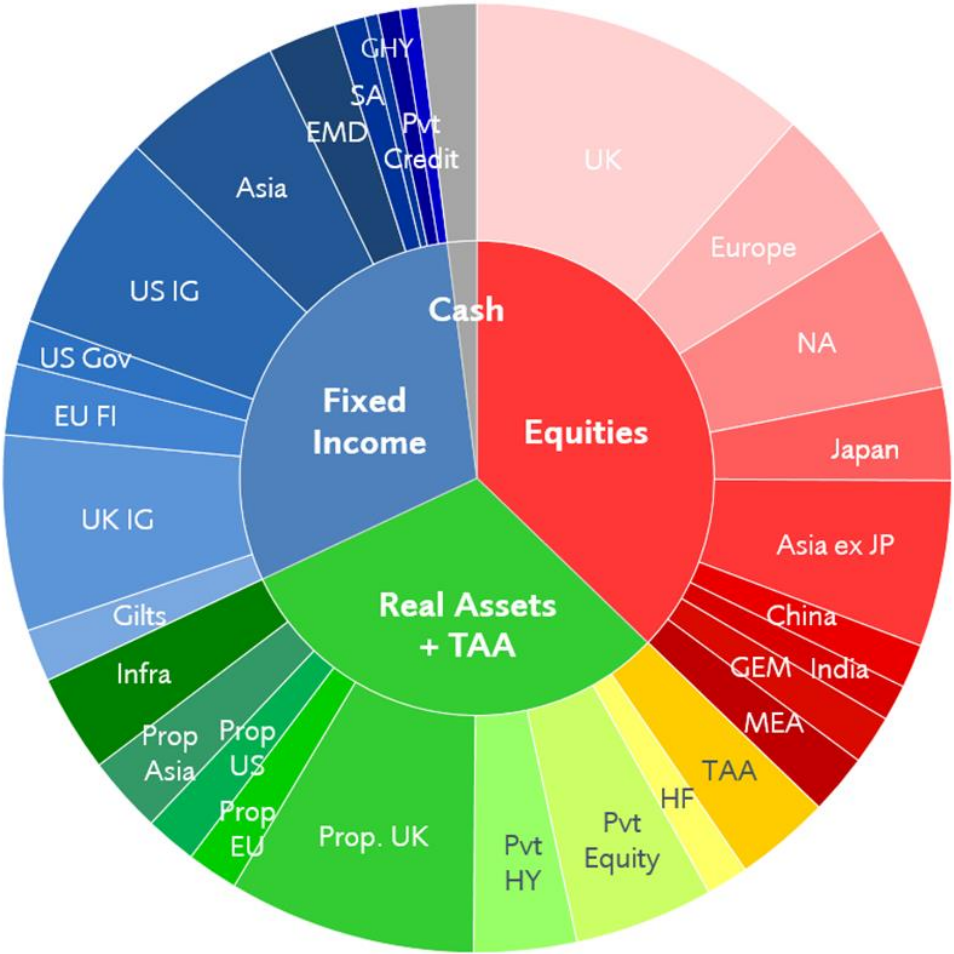
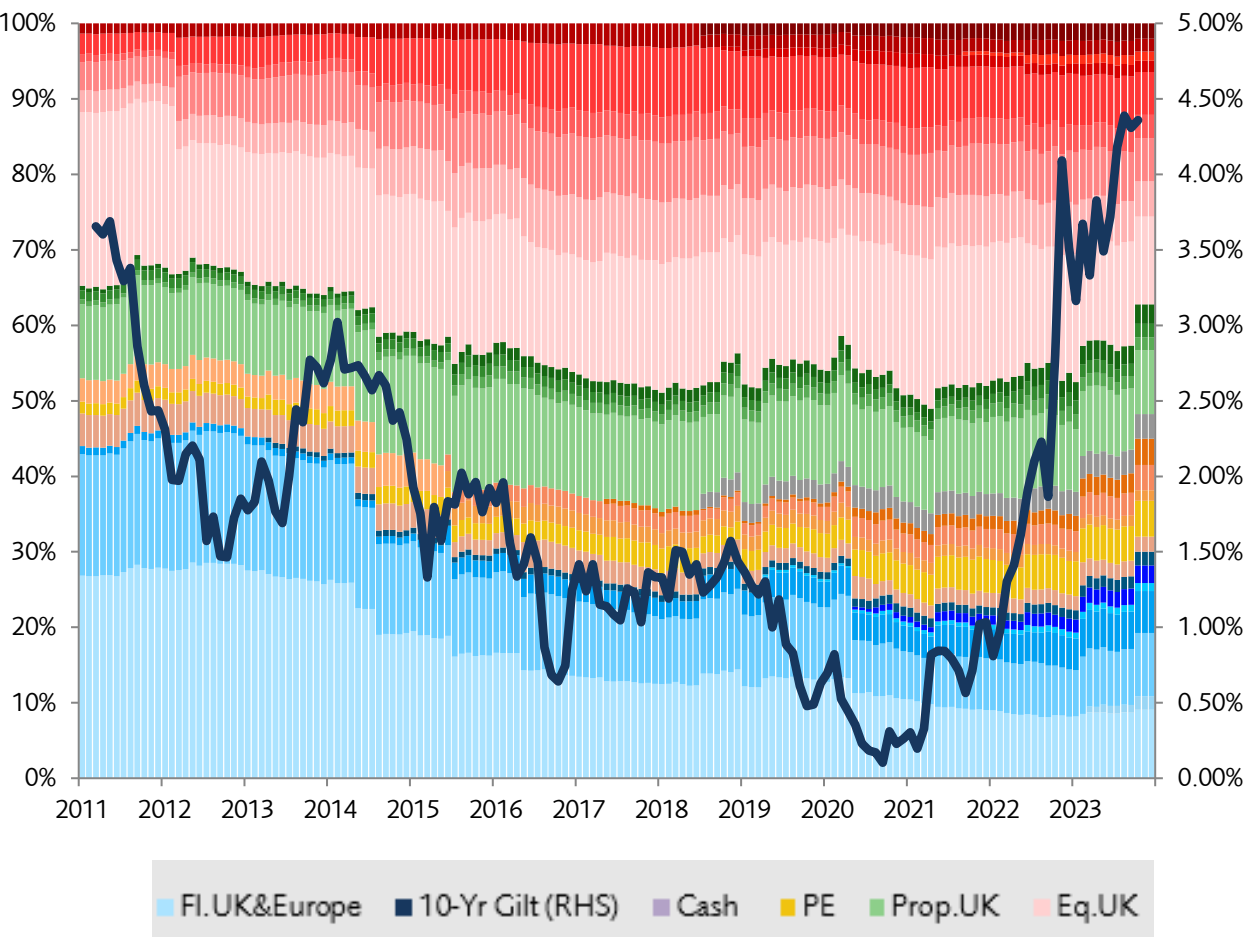
## UK IG Corporate Bond Yield



Source: LSEG Datastream & MAPM (Investment Office). 14.02.2024

# Investment implications – PruFund Growth SAA

## Medium term outlook

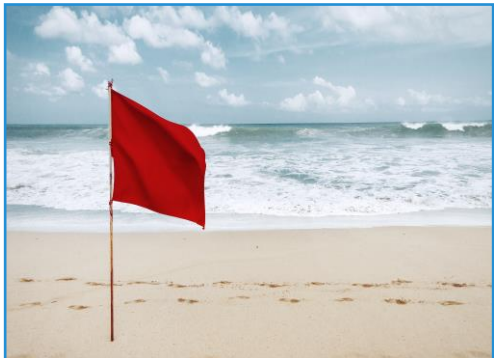
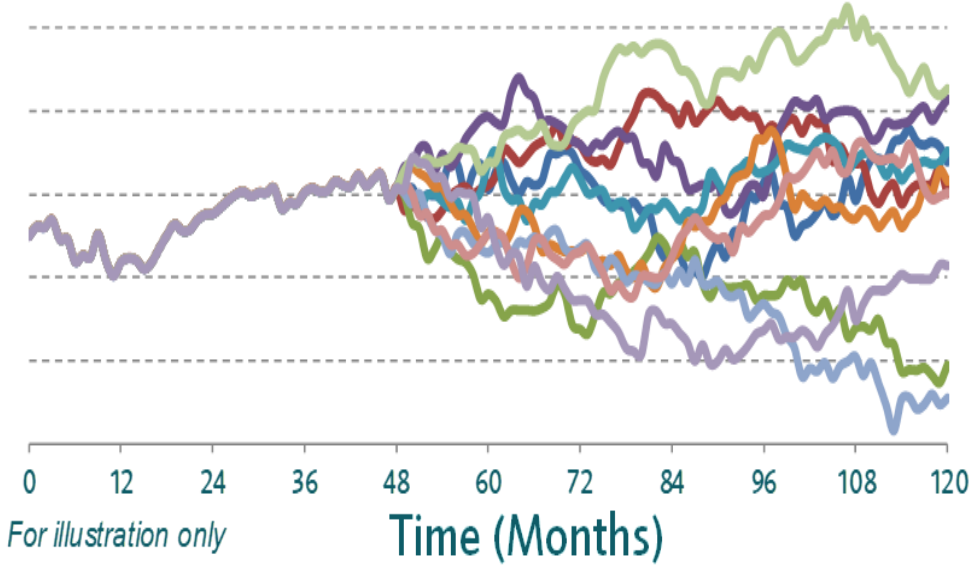


Source: Long Term Investment Strategy team. M&G Treasury & Investment Office. Jan 2024

# Scenarios to watch

Consistent with our “one past, many futures” ethos

## One Past, Many Futures...



Financial Stability – After the Tide Goes Out



Inflation Risk – getting more balanced?



Supply Chains – Fresh risks emerging



China – out of the woods?



Geopolitics – a shifting world order



El Niño – Turbulent start to 2024

# M&G Wealth Platform

PruFund Growth & Cautious are now available via the M&G Wealth Platform



via ISA, JISA & SIPP

## SUPPORT SESSIONS AVAILABLE

### Platform Demo Sessions

For those currently not using the platform and want a high-level overview of the system.

**Registration link:**

<https://events.mandg.com/mandg-wealth-platform-demo-sessions-march-april>

12 March 2.00 - 2.30pm

28 March 10.00 – 10.30am

9 April 10.00 – 10.30am

25 April 10.00 – 10.30am

### Platform 'How to' Demo Sessions

For those familiar with the platform and ready to place business and want a walk through of some of the key processes.

**Registration link:**

<https://events.mandg.com/m-and-g-wealth-platform-how-to-system-demo-sessions>

5 March 2.00 – 2.45pm

11 March 10.00 – 10.45am

19 March 2.00 – 2.45pm

22 March 10.00 -10.45am

4 April 2.00 – 2.45pm

12 April 10.00 – 10.45am

# Thanks for your time

If you would like any further information, or support, then please contact your  
Prudential Account Manager

