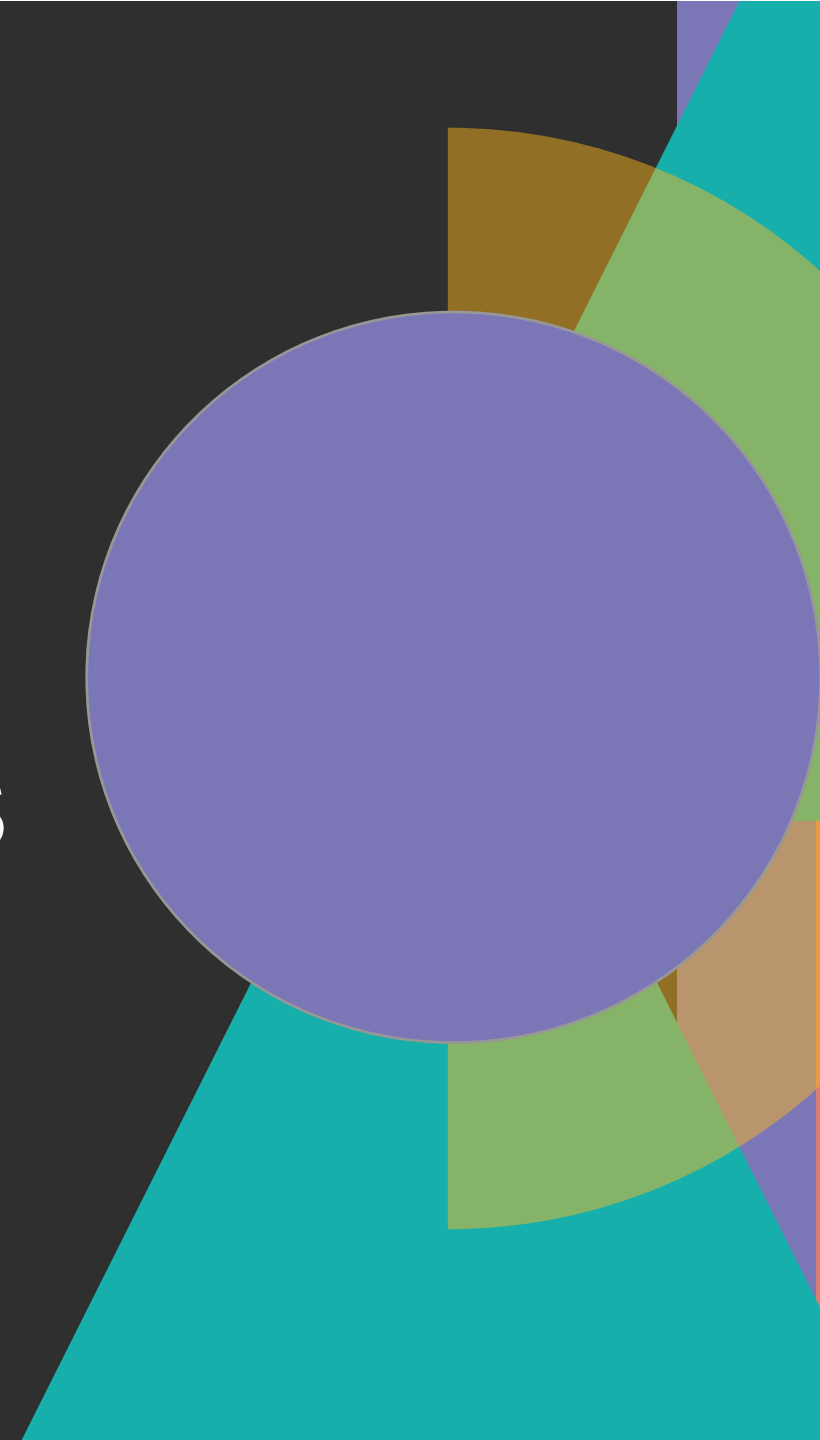




T&IO Quarterly Update & investment building blocks

27 November 2023

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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.

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PruFund Quarterly Update - Nov 2023

Paul Fidell



What we will cover

- EGRs
- UPAs
- Market context
- PruFund performance



EGR decision

- Following the usual quarterly review; EGRs have been maintained

Example EGRs

Product	Fund	EGR from 27 Nov 2023
Onshore Bond	PruFund Growth S2	6.40%
	PruFund Cautious S2	5.80%
ISA	PruFund Growth Pn ISA	7.70%
	PruFund Cautious Pn ISA	7.00%
Pension	PruFund Growth Pn Ser E	7.70%
	PruFund Cautious Pn Ser E	7.00%
Offshore Bond	PruFund Growth EUR Ser B	6.90%
	PruFund Cautious EUR Ser B	6.20%
	PruFund Growth USD Ser B	7.00%
	PruFund Cautious USD Ser B	6.40%

Example EGRs

Product	Fund	EGR from 27 Nov 2023
ISA/Pension	PruFund Risk Managed 1	6.50%
	PruFund Risk Managed 2	6.90%
	PruFund Risk Managed 3	7.40%
	PruFund Risk Managed 4	7.70%
	PruFund Risk Managed 5	8.00%

Product	Fund	EGR from 27 Nov 2023
ISA/Pension	PruFund Planet 1	6.50%
	PruFund Planet 2	6.90%
	PruFund Planet 3	7.40%
	PruFund Planet 4	7.70%
	PruFund Planet 5	8.00%

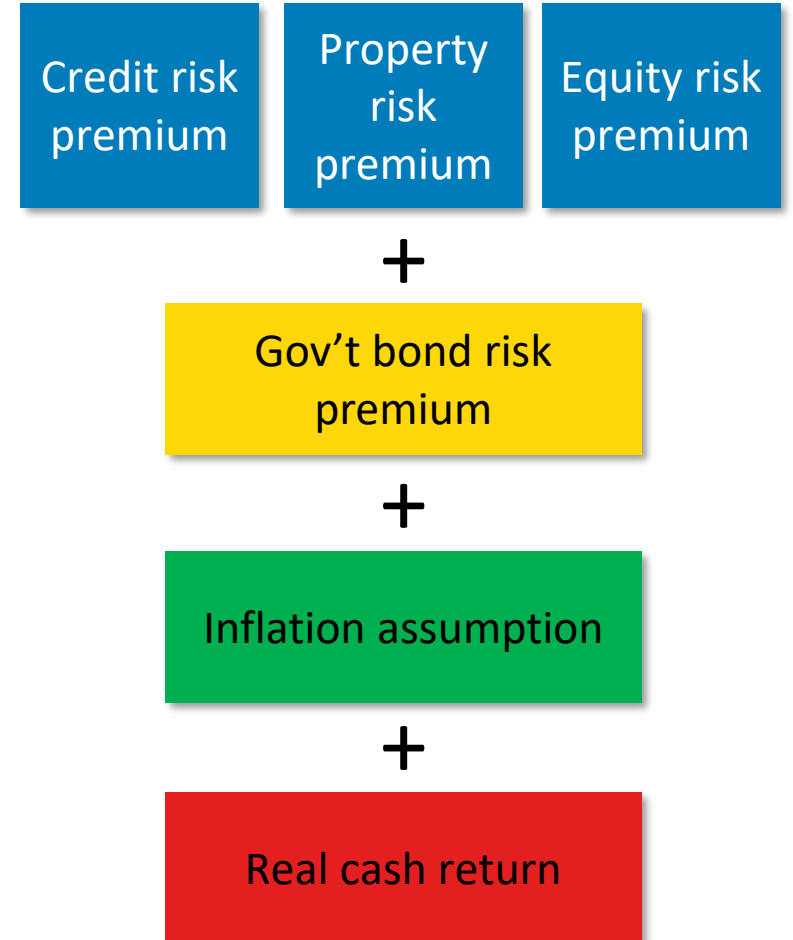
A reminder of the EGR methodology

- 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

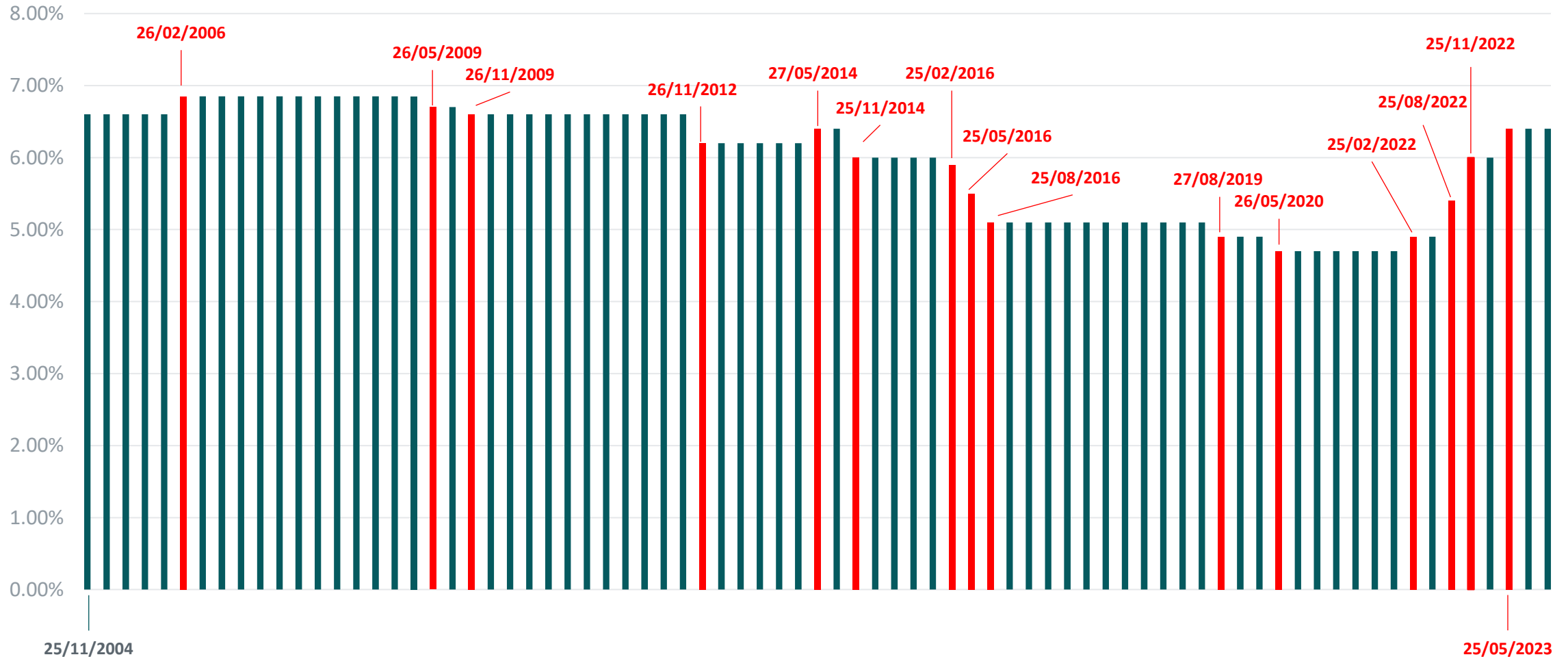
Fund	EGR from 27 Nov 2023
PruFund Growth GBP Ser B	7.70%
PruFund Cautious GBP Ser B	7.00%
PruFund Growth EUR Ser B	6.90%
PruFund Cautious EUR Ser B	6.20%
PruFund Growth USD Ser B	7.00%
PruFund Cautious USD Ser B	6.40%

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 77 individual quarterly review points



Source: <https://www.pruadviser.co.uk/funds/prufund-egr/pfip/> Chart shows EGRs for PruFund Growth Fund held within PruFund Investment Plan since launch 25 Nov 2004

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EGRs and the market context

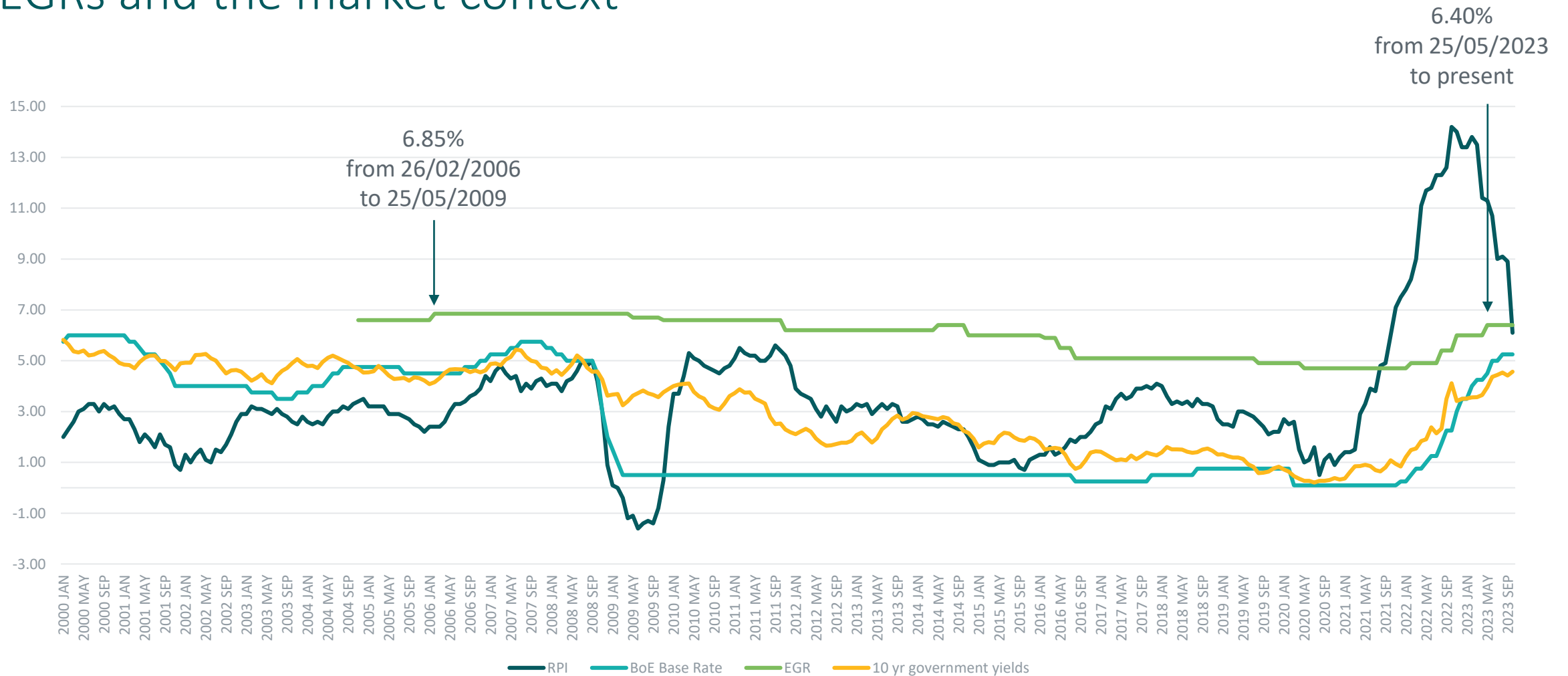


Chart shows RPI percentage change over 12 months, Bank of England Base Rate, UK 10-year government bond yield and PruFund Investment Plan EGR using monthly data points from Jan 1990 to Oct 2023. Source: <https://www.ons.gov.uk/economy/inflationandpriceindices#timeseries>, <https://www.mandg.com/pru/adviser/en-gb/funds/prufund-range/egr-and-upa/prufund-investment-plan>, <https://fred.stlouisfed.org> and <https://www.bankofengland.co.uk/boeapps/database/Bank-Rate.asp>

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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

ISAs - 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	
Risk Managed 5	25/08/2023	

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	

UPA position 27 Nov 2023

Pensions - Series D

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	
Risk Managed 5	25/08/2023	

UPA position 27 Nov 2023

Onshore Bonds – S2

PruFund version	Last negative UPA	UPA
Growth	25/08/2023	
Cautious	25/08/2023	
Risk Managed 1	25/08/2023	
Risk Managed 2	25/08/2023	
Risk Managed 3	25/08/2023	
Risk Managed 4	25/08/2023	
Risk Managed 5	25/08/2023	

Offshore Bonds – Series B

PruFund version	Last negative UPA	UPA
Growth (£)	25/08/2023	
Cautious (£)	18/10/2022	
Growth (US\$)	25/11/2022	
Cautious (US\$)	25/11/2022	
Growth (€)	17/10/2022	
Cautious (€)	25/11/2022	

UPA position 27 Nov 2023

Retirement Account – Series E

PruFund version	Last negative UPA	UPA
Growth	25/10 /2023	
Cautious	25/08/2023	
Risk Managed 1	25/08/2023	
Risk Managed 2	25/10/2023	
Risk Managed 3	25/08/2023	
Risk Managed 4	25/10/2023	
Risk Managed 5	25/08/2023	

Offshore – Series C

PruFund version	Last negative UPA	UPA
Growth	25/10/2023	
Cautious	25/08/2023	
Risk Managed 1	25/08/2023	
Risk Managed 2	25/10/2023	
Risk Managed 3	25/08/2023	
Risk Managed 4	25/10/2023	
Risk Managed 5	25/08/2023	

UPA position 27 Nov 2023

Planet – Series E

PruFund version	Last negative UPA	UPA
Planet 1	25/08/2023	
Planet 2	25/10/2023	
Planet 3	25/08/2023	
Planet 4	25/08/2023	
Planet 5	25/10/2023	

Planet – Series C

PruFund version	Last negative UPA	UPA
Planet 1	25/08/2023	
Planet 2	25/10/2023	
Planet 3	25/08/2023	
Planet 4	25/08/2023	
Planet 5	25/10/2023	

UPA position 27 Nov 2023

Wealth Platform – Series F

PruFund version	Last negative UPA	UPA
Planet 1	25/08/2023	
Planet 2	25/10/2023	
Planet 3	25/08/2023	
Planet 4	25/08/2023	
Planet 5	25/10/2023	

Wealth Platform - Series F

PruFund version	Last negative UPA	UPA
Growth		
Cautious	25/10/2023	
Risk Managed 1	25/10/2023	
Risk Managed 2	25/10/2023	
Risk Managed 3		
Risk Managed 4		
Risk Managed 5		

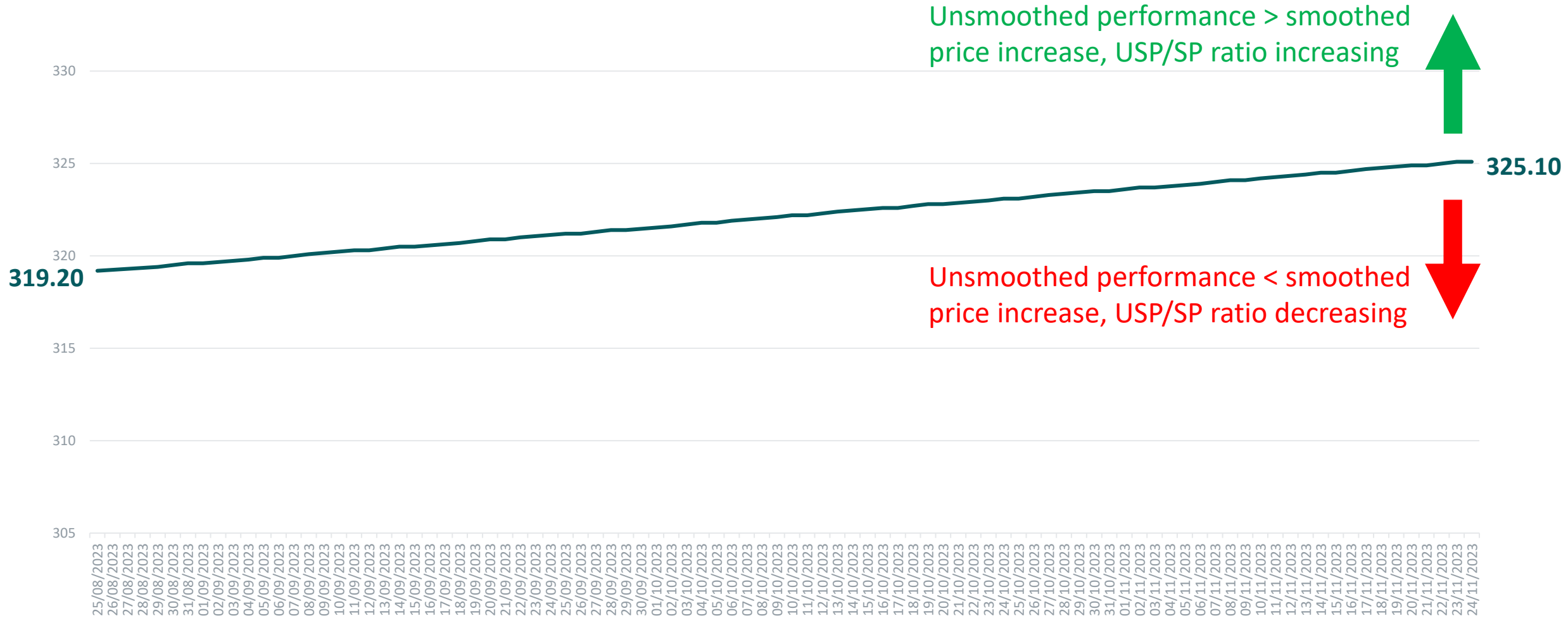
UPAs – a reminder of what's required

- To trigger a UPA for quarterly versions in Nov 2023 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 In Aug 2023 and upper/lower smoothing limit of 4%/5%

UPAs – a reminder of what's required

- Last UPA for PruFund Growth Pn ISA, in Aug 2023, was -2.80%
- This means the gap between Smoothed Price (SP) and Unsmoothed Price (USP) was 5.60%
- SP before the UPA was 328.30p
- After the UPA, the SP moved to 319.20p

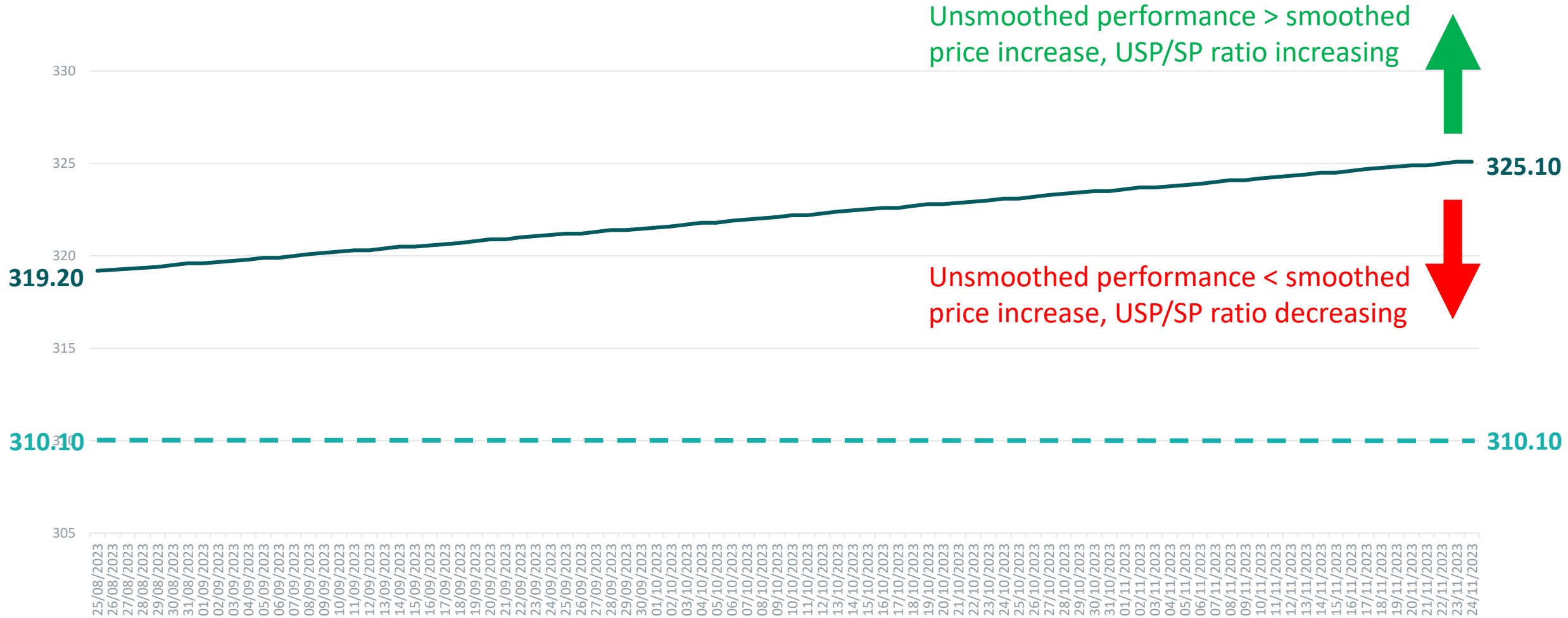
UPAs – a reminder of what's required



Figures are for PruFund Growth Fund Pn ISA and are for the period from 25 Aug 2023 to 24 Nov 2023. 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. Your clients may get back less than they have paid in. Source: FE Analytics

UPAs – a reminder of what’s required

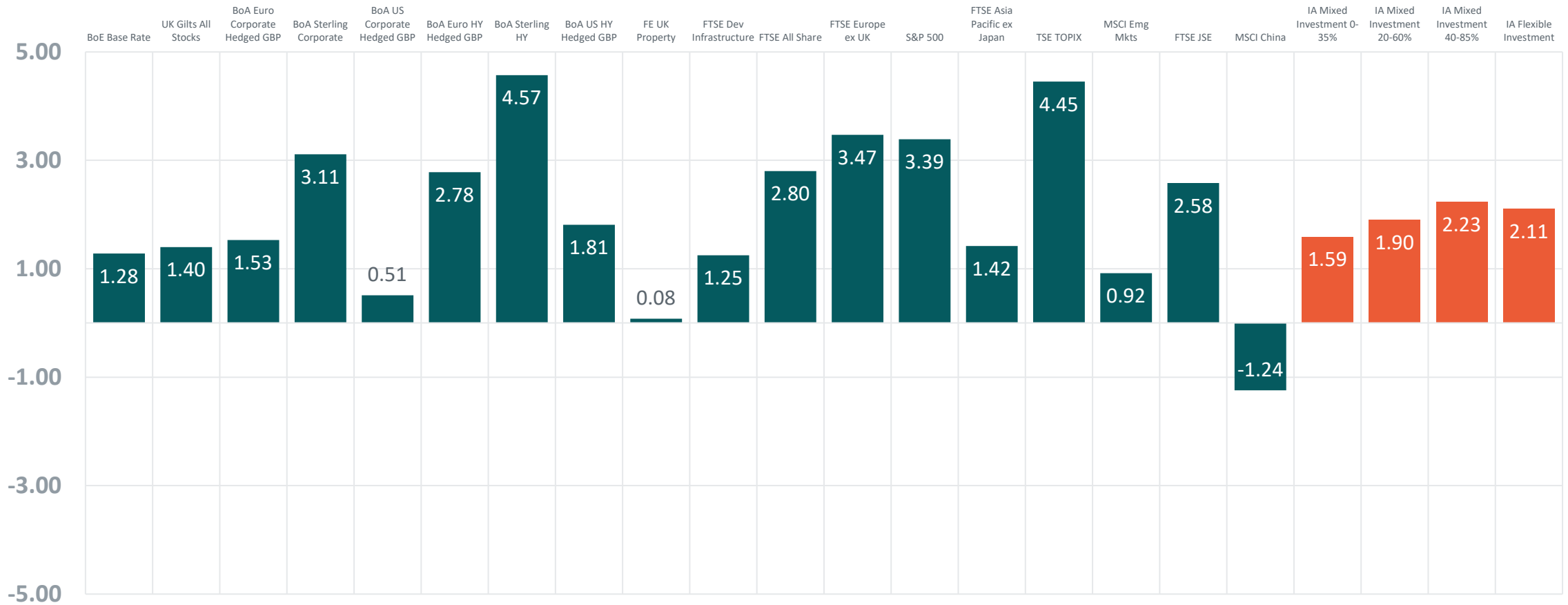


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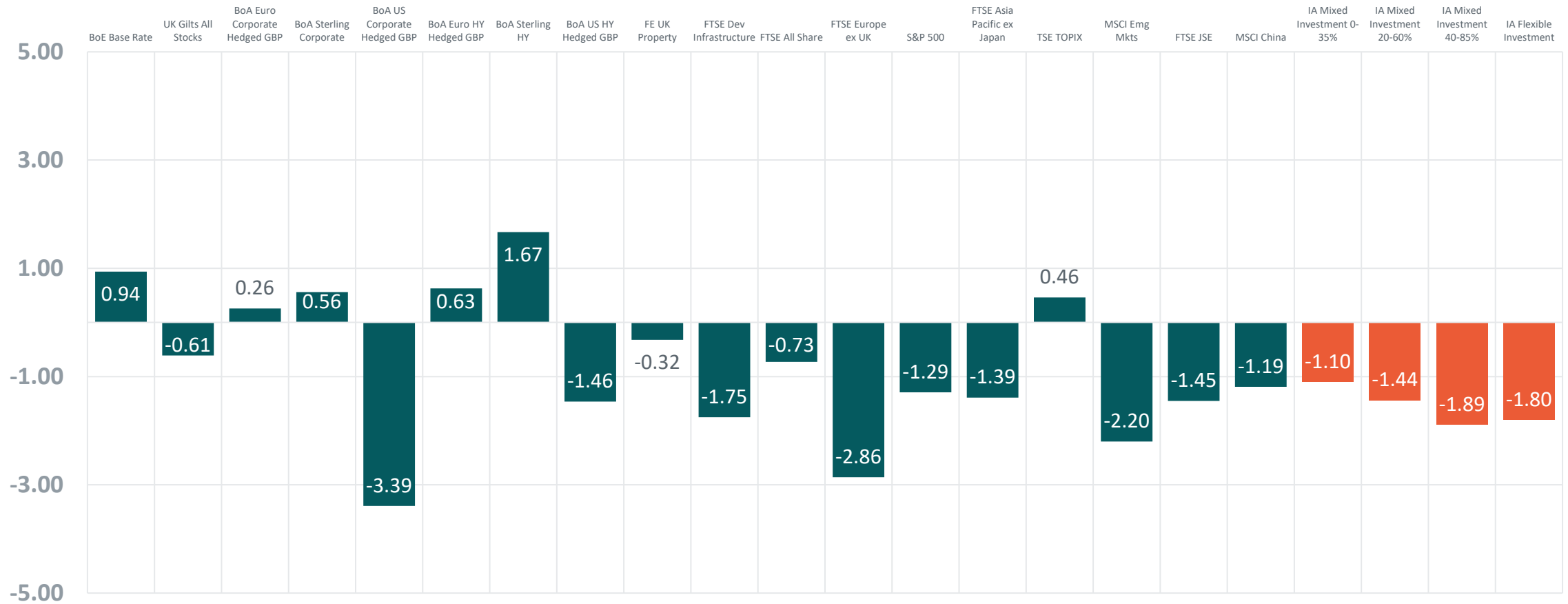
Performance of markets since 25 Aug 2023



Performance of various indices in GBP over period from 25 Aug 2023 to 26 Nov 2023. **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

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Performance of markets since 25 Aug 2023 to 31 Oct 2023



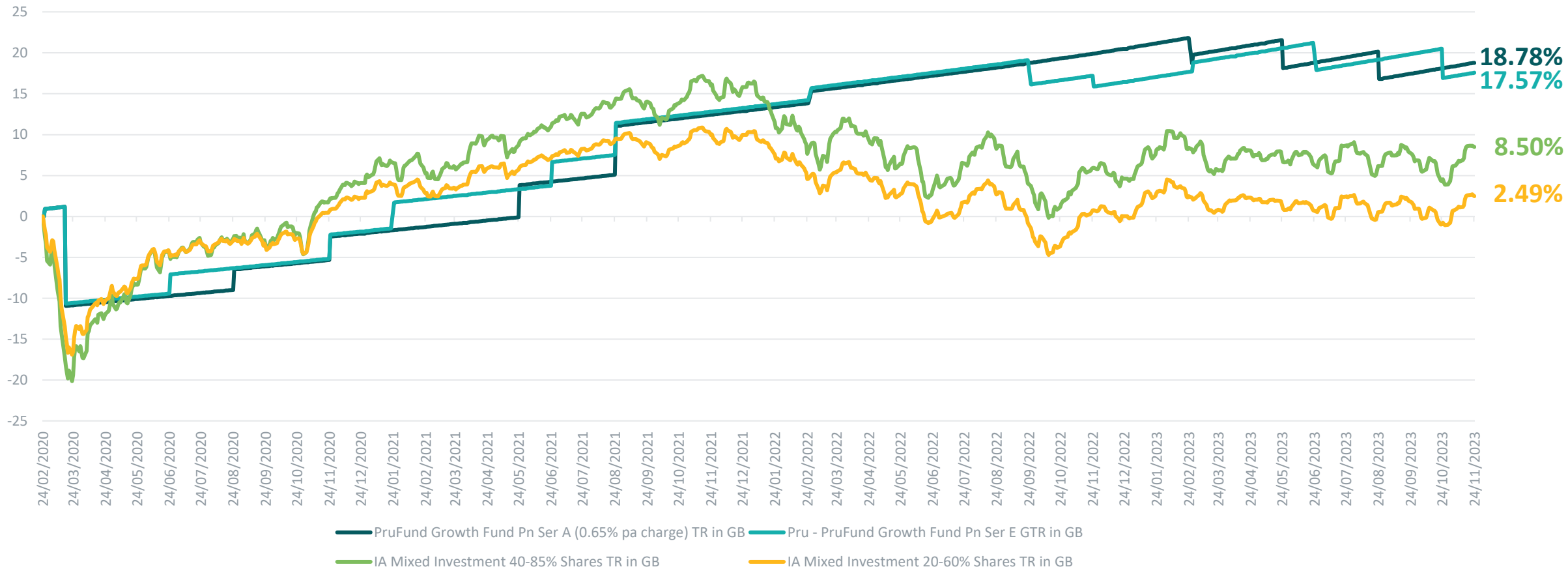
Performance of various indices in GBP over period from 25 Aug 2023 to 31 Oct 2023. **The value of an investment can go down as well as up. Your clients may get back less than they have paid in.** Source: FE Analytics

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PruFund performance

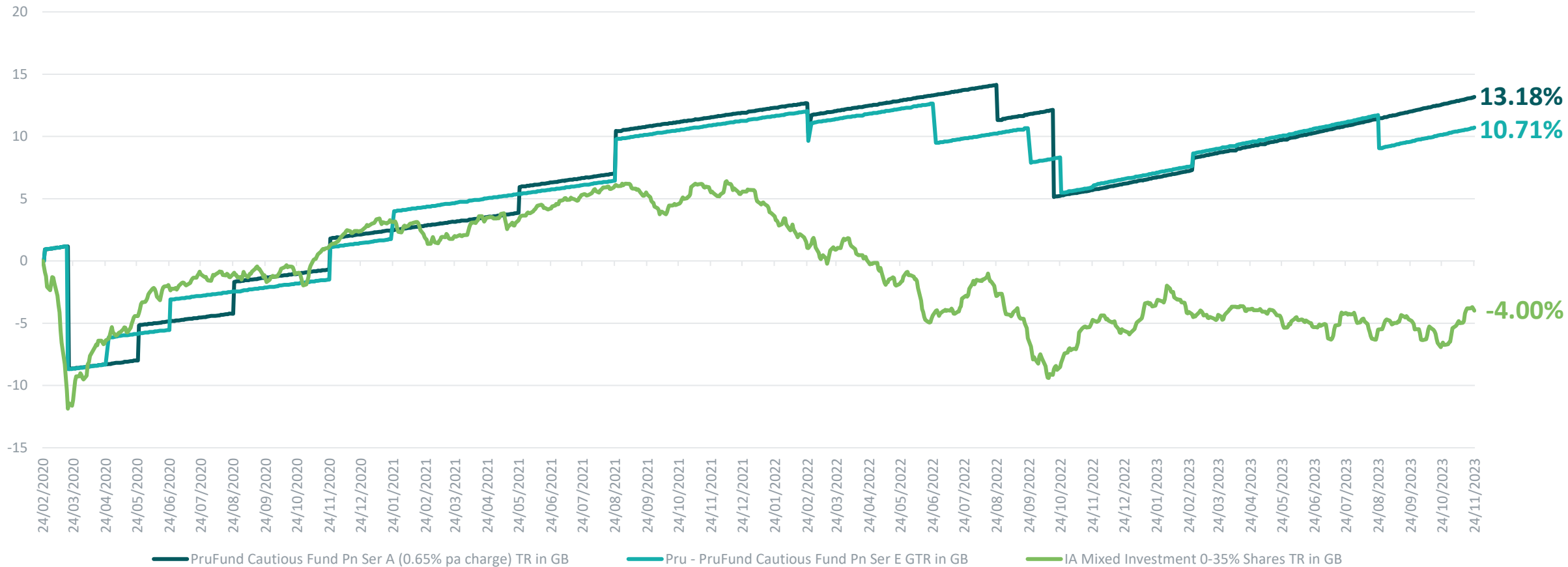
Performance of PruFund Growth since market falls in 2020



Figures are for PruFund Growth Pn Series A and Series E and are for the period from 24 Feb 2020 to 26 Nov 2023. 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. For PruFund Growth Pn Ser A only, the figures include a representative fund management charge of 0.65% pa. 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.** Source: FE Analytics

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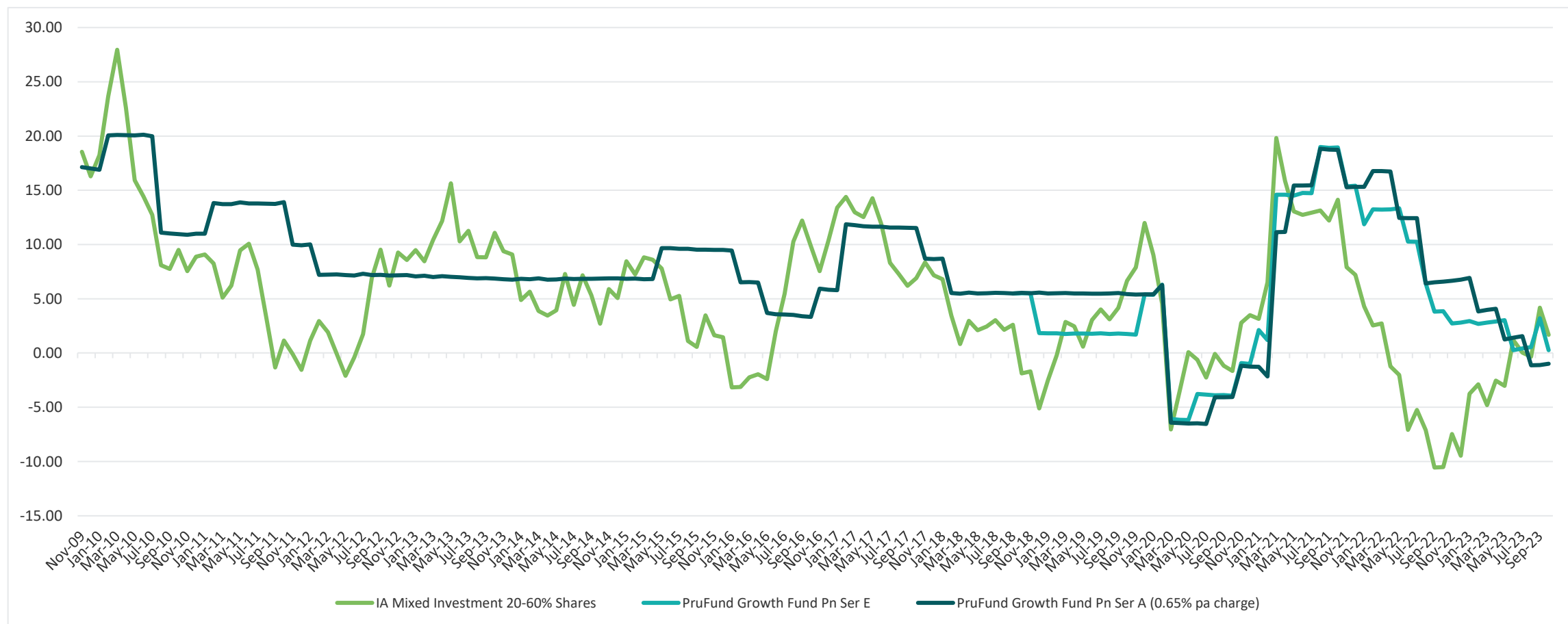
Performance of PruFund Cautious since market falls in 2020



Figures are for PruFund Cautious Pn Series A and Series E and are for the period from 24 Feb 2020 to 26 Nov 2023. 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. For PruFund Cautious Pn Ser A only, the figures include a representative fund management charge of 0.65% pa. 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.** Source: FE Analytics

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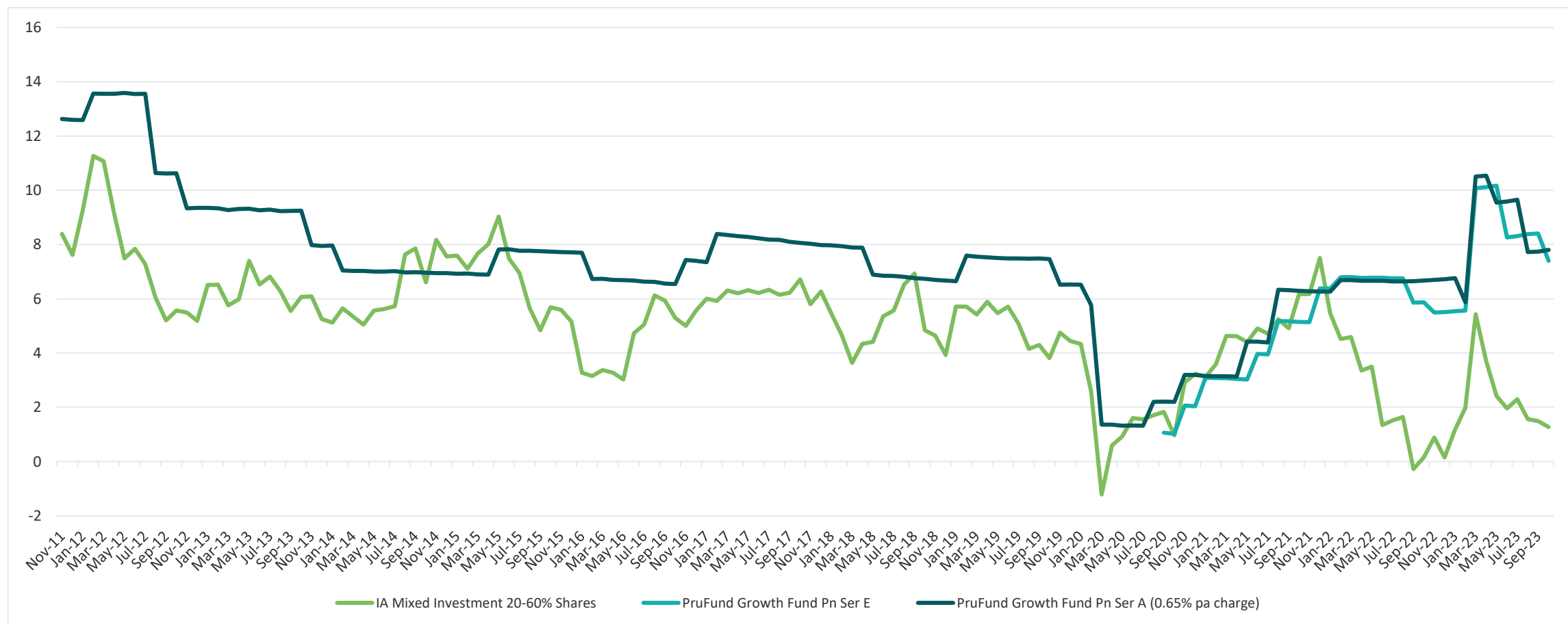
PruFund Growth vs IA Mixed Investment 20-60% Shares – rolling 1-year performance to month end



The chart shows the rolling 1-year performance to end month to 31 Oct 2023 for PruFund Growth Pn Ser A, PruFund Growth Pn Ser E and the IA Mixed Investment 20-60% Shares sector. The PruFund figures include a representative fund management charge of 0.65% (for Ser A only) and 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 and date – FE Analytics.

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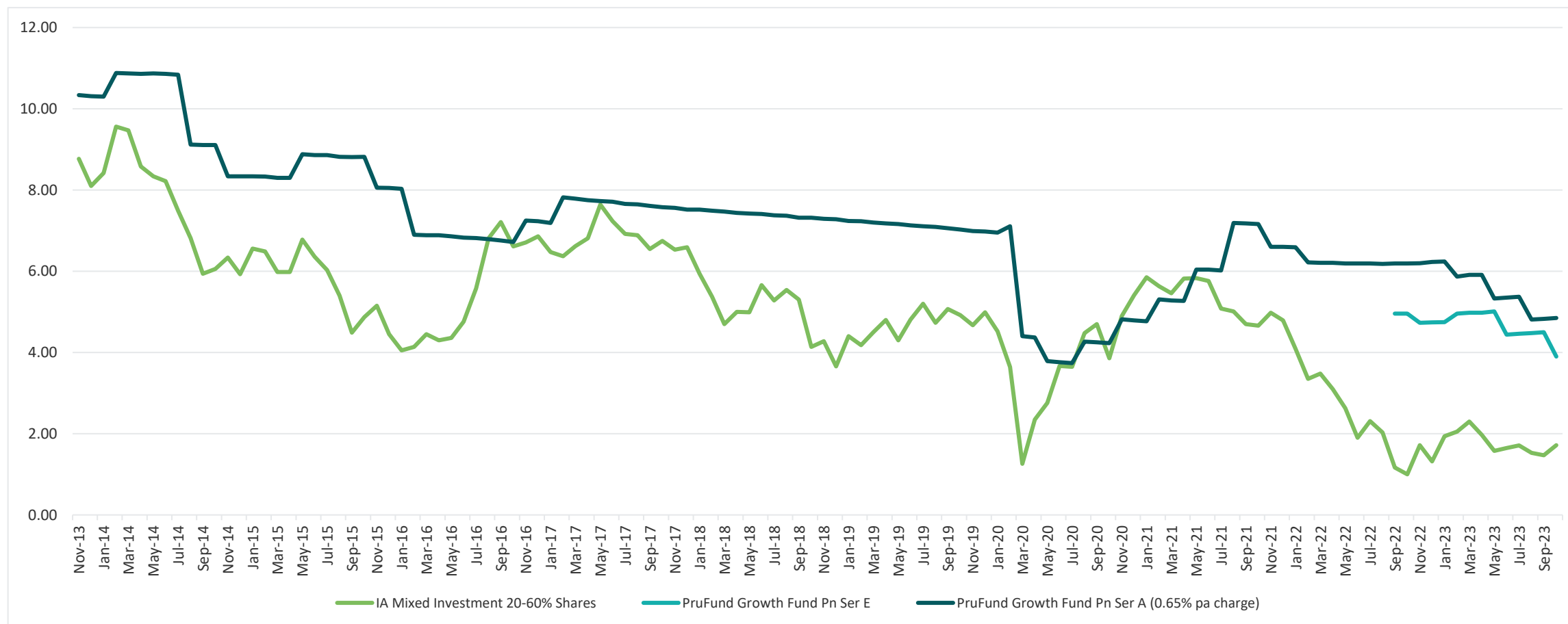
PruFund Growth vs IA Mixed Investment 20-60% Shares – rolling 3-year performance to month end



The chart shows the rolling 3-year performance to end month to 31 Oct 2023 for PruFund Growth Pn Ser A, PruFund Growth Pn Ser E and the IA Mixed Investment 20-60% Shares sector. The PruFund figures include a representative fund management charge of 0.65% (for Ser A only) and 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 and date – FE Analytics.

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PruFund Growth vs IA Mixed Investment 20-60% Shares – rolling 5-year performance to month end

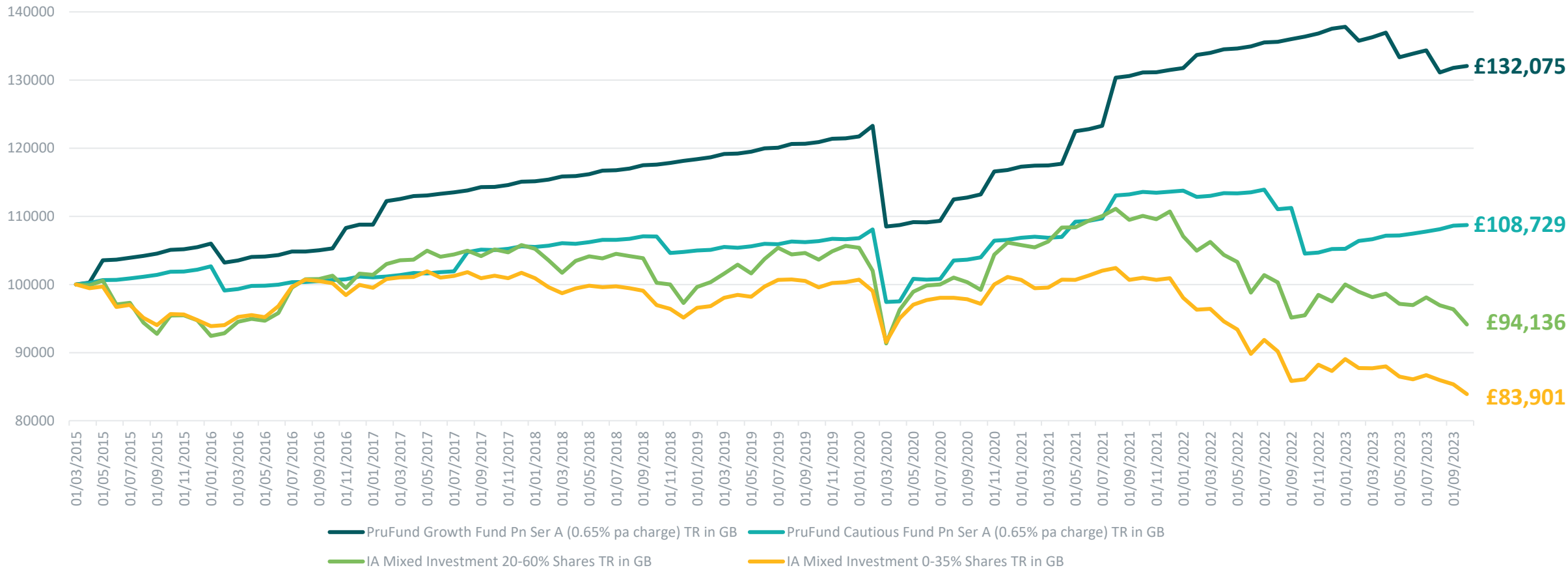


The chart shows the rolling 5-year performance to end month to 31 Oct 2023 for PruFund Growth Pn Ser A, PruFund Growth Pn Ser E and the IA Mixed Investment 20-60% Shares sector. The PruFund figures include a representative fund management charge of 0.65% (for Ser A only) and any additional investment 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 and date – FE Analytics.

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The impact of withdrawals

Total withdrawals - £25,750



Figures are for PruFund Cautious Pn Ser A and PruFund Growth Pn Ser A and are from 31 Mar 2015 to 31 Oct 2023. Initial investment of £100,000 and withdrawals of £250 per month taken at the end of the month. The PruFund figures include a representative annual charge of 0.65% and 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 averages are net of fund charges. This example represents a typical situation. It is not related to any particular individual and does not recommend that course of action. 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 For UK adviser use only – not for use with clients

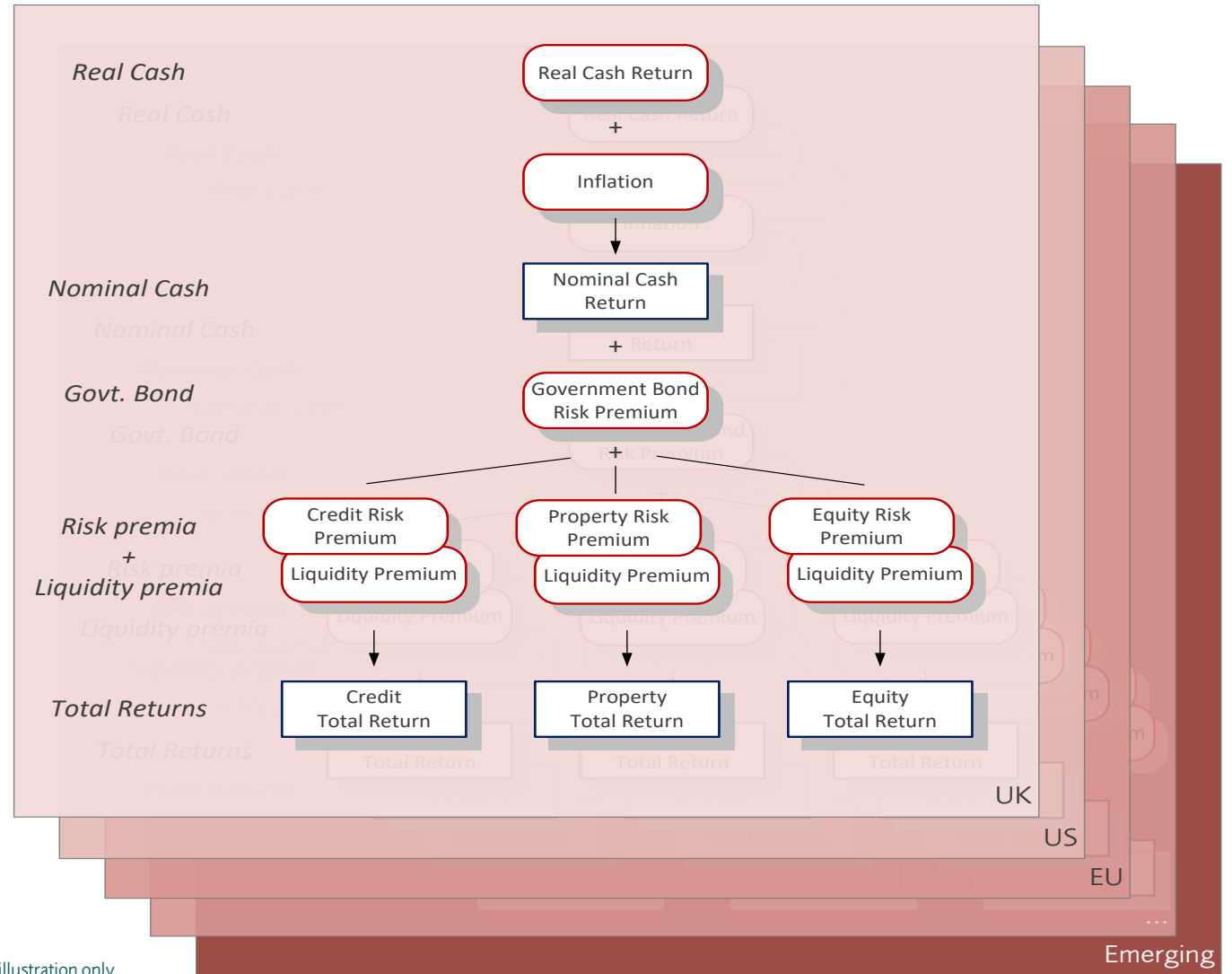


2023 Q4 SAA review

Building blocks framework

A systematic and coherent view of asset class universe

- The framework is based on the principle that investors face a risk-return trade-off when choosing assets.
- Key driving factor is the economic growth model.
- This is combined with a building blocks framework, that considers the structural components of asset class returns, which includes real rates, inflation, risk premia (credit, equity, etc.) as well as illiquidity premia.
- Our views evolve over time to reflect the forward looking capital markets and economic landscape.



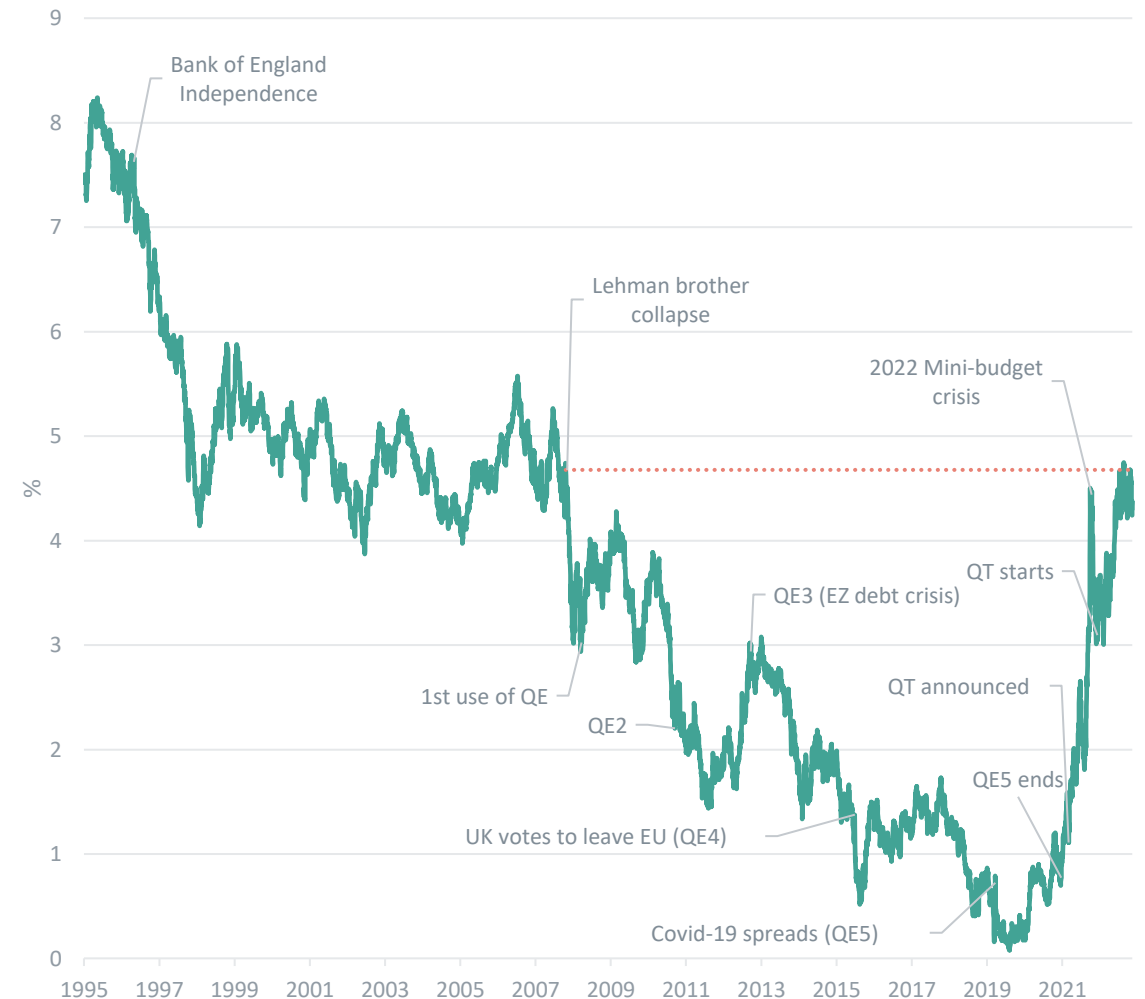
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Key Investment Strategy Changes

Bringing forward future strategic asset allocation review in response to yields reaching 15-year high

- **Bond yields made fresh cyclical highs** in October after almost 30 years in a steady downward trend – levels not seen since the onset of the GFC.
- **Quantitative easing (QE)** was introduced as yields approached the lower bound, in an attempt to further loosen financial conditions.
- The onset of the pandemic brought about a marked shift, as QE combined with sizeable government deficits and supply constraint, led to a revival of inflationary pressure.
- **Unclear where trend inflation will ultimately settle** (though inflation readings have begun to abate this year).
- The apparent resilience of economies has led a repricing of the outlook for interest rates to **remain higher for longer**.
- But monetary policy acts with long and variable lags – we may yet see a more pronounced cyclical impact from the sharpest tightening in 40 years.
- And with real yields now rising into firmly positive territory, valuations in developed market fixed income are substantially normalized, leading us to recommend a material **shift into fixed income**, away from equity markets.

A 15-year round trip



Above: UK 10-Year Treasury Yields ; Source: Datastream

2023 Q4 Strategic Asset Allocation (SAA) Review

Further shift from equities into fixed income whilst maintaining real assets exposure

Context and Rationale

- 2023 saw a shift in dynamics from central banks leading to a meaningful rebalancing of fixed income levels relative to equities in the March 2023 SAA for the main With-Profits funds
- Since then, **developed market yields have reached levels not seen since 2007**
- As we look ahead, we are **likely closer to the end of the journey with higher policy rates**. Markets however have a view that interest rates will remain **higher for longer**.
- Not clear if the equity markets pricing has fully allowed for the yield changes.
- There are still **signs that core inflation remains sticky** and recent geopolitical events a further indication that inflation/inflation volatility will be a feature for the foreseeable future.
- The deterioration in geopolitical stability and the recent events in the Middle East prompted us to bring forward allocation changes already under consideration.

PruFund Growth

Asset Class	Current Benchmarks	Proposed Benchmarks
Equity	41.30	37.20
Property	14.60	14.60
Alternatives	12.80	13.00
TAA Mandate	3.20	3.30
Fixed Income	26.00	30.00
Cash	2.10	2.00

PruFund Cautious

Asset Class	Current Benchmarks	Proposed Benchmarks
Equity	21.80	19.30
Property	10.60	10.60
Alternatives	13.20	13.60
TAA Mandate	2.40	2.40
Fixed Income	49.90	52.20
Cash	2.10	2.00

Source, Long Term Investment Strategy team, Treasury and Investment Office as at November 2023

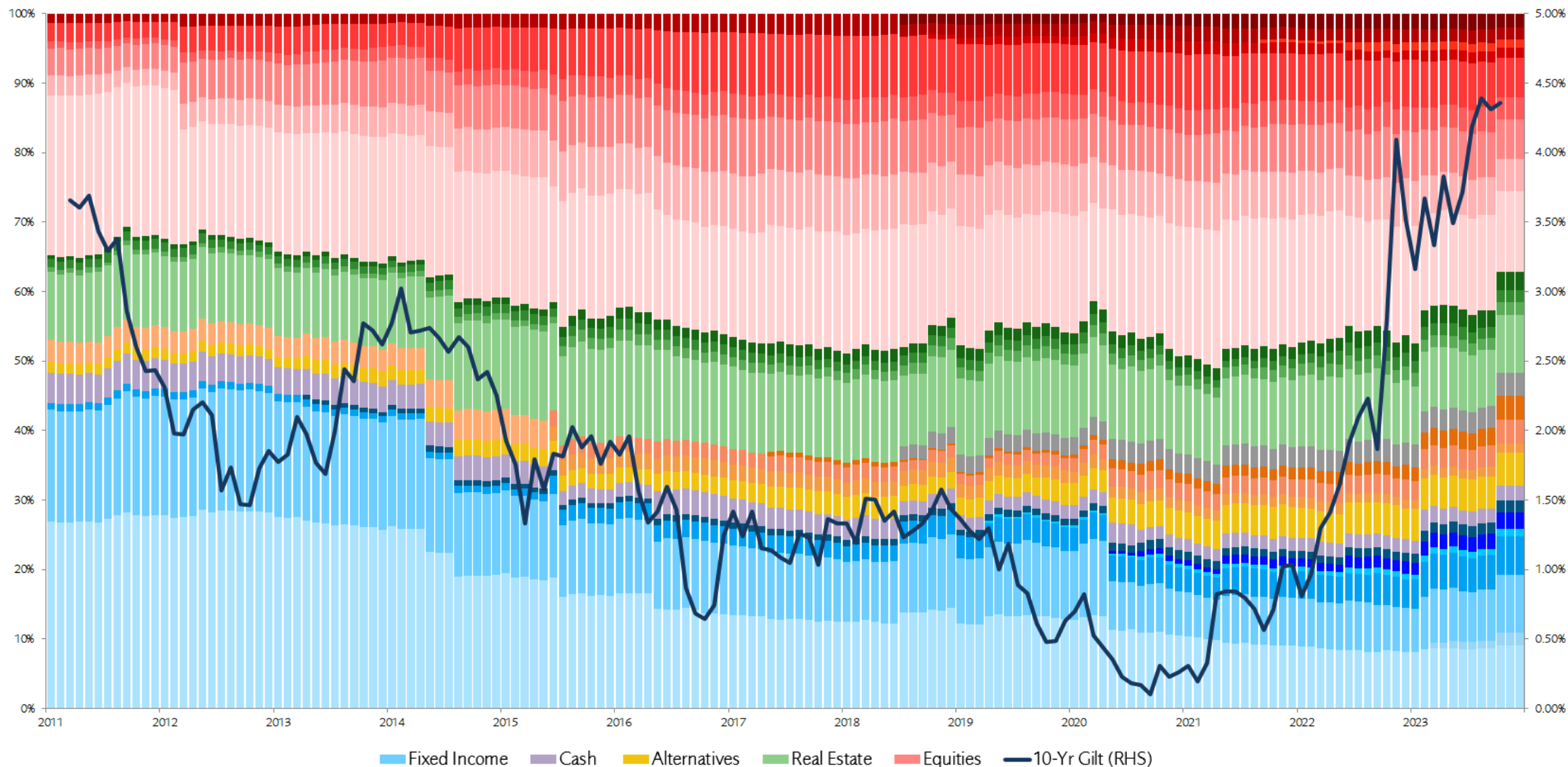
2023 Q4 Strategic Asset Allocation (SAA)

Where has this been implemented?

Fund	SAA implementation completed
PruFund Growth	Yes
PruFund Cautious	Yes
Risk Managed PruFund 1-5	Yes
MPS ranges	Yes
PruFund Planet 1-5	By 1 st December
Risk Managed Active 1-5	By 1 st December
Risk Managed Passive 1-5	By 1 st December

The Strategic Asset Allocation has always been dynamic

A key factor has been a response to a material move in bond yields moving from the extreme lows post GFC



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The World in 2024

- In the early 1990's, the end of the Cold War and pre-eminence of Western liberal democracy was said to signal the "end of history"
- A period of "Great Moderation" followed, as the global economy underwent a major increase in cross-border trade, connected by the expansion of the internet; trend growth increased, and inflation fell
- But there has been plenty of history made in recent years, and 2023 has been no different, as we continue to navigate an environment in which many structural forces seem to be shifting at once
- October offered a fresh reminder that we are a long way from the torpor of the low interest rate environment that preceded the global pandemic, as yields reached levels not seen since the global financial crisis
- Separately, the tragic eruption of conflict in the Middle East provided a further reminder that the geo-political environment is extremely fragile, with the hegemony of the US fading
- Both instances are symptomatic of the fluid environment, and the signs of regime change we have observed in recent years
- This leads us to think especially hard about the possible next steps for the global economy and capital markets
- In our assessment, the new landscape for asset class valuations, and the increase in economic volatility, warrant a further reappraisal of asset allocations for multi asset portfolios

	Previous Regime	New Regime?
Structural Factors	<ul style="list-style-type: none"> • Rising globalisation • Growing labour pool • Reduced pricing power • Stable geopolitics 	<ul style="list-style-type: none"> • Peaking demographics • The promise of AI • Trade retrenchment • Geo-political tensions/rivalry • Elevated debt levels • Climate deterioration
Impacts	<ul style="list-style-type: none"> • Disinflation • Higher trend growth • Falling yields • Negative equity-bond correlation 	<ul style="list-style-type: none"> • Higher, more volatile inflation • Lower trend growth (with pockets of high growth) • Higher yield volatility • Positive equity-bond correlation
Investment implications	<ul style="list-style-type: none"> • Valuation tailwind from falling yields • Accommodative backdrop for passive 60:40 portfolio 	<ul style="list-style-type: none"> • Inflation mitigation needed • More granular diversification across asset class, geography and sectors required

Get in touch with your usual contact if you need further help.





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