This is just for UK advisers – it's not for use with clients.

Investment update

PruFund Growth

September 2022

A monthly investment update with the latest information on the PruFund Growth Fund.

Commentary reflects the general views of individual fund managers and should not be taken as a recommendation or advice as to how any specific market is likely to perform.

Contents

Fund Performance (Retirement Account)

Performance – to last month end

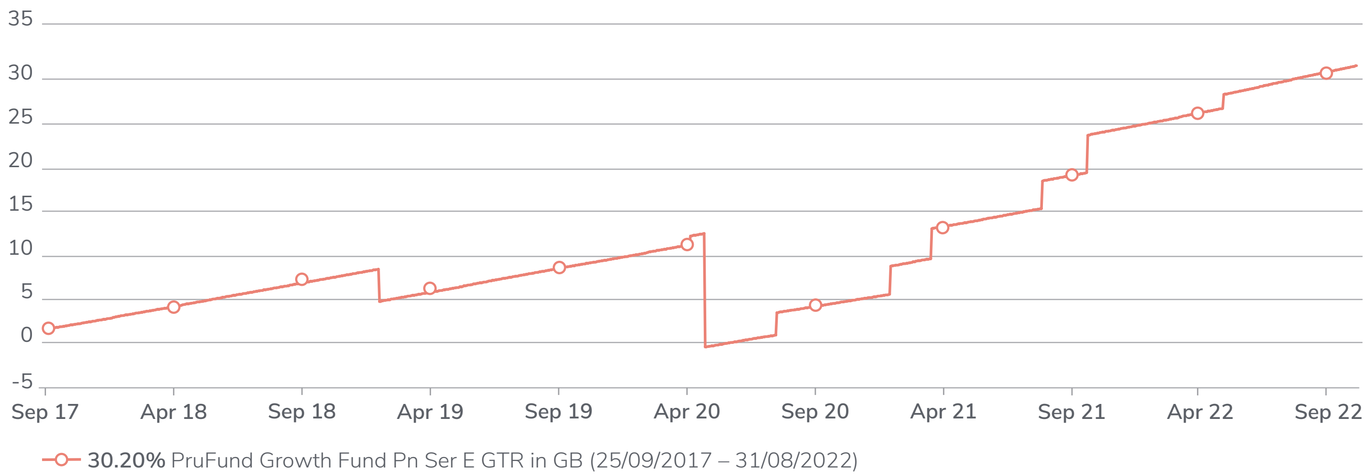
	31/08/2017 to 31/08/2018	31/08/2018 to 31/08/2019	31/08/2019 to 31/08/2020	31/08/2020 to 31/08/2021	31/08/2021 to 31/08/2022
Fund	n/a	1.77%	-3.90%	18.99%	6.41%

Performance not available for the period 31.08.2017 – 31.08.2018 because the PruFund Growth Series E Pension units did not launch until 25.09.2017

Annualised performance

	1 Year to 31/08/2022	3 Years to 31/08/2022	5 Years to 31/08/2022
Fund	6.41%	6.76%	n/a

Performance since 25 September 2017 (as at 31 August 2022)



Source of performance data: FE fundinfo.

We can't predict the future, Past performance isn't a guide to future performance. The figures shown are intended only to demonstrate performance history of the fund, after allowing for the impact of fund charges and further costs, but take no account of product charges. Charges and further costs may vary in the future and may be higher than they are now. Fund performance is based upon the movement of the daily price and is shown as total return in GBP with gross income reinvested.

The value of your clients investment can go down as well as up so they might get back less than they put in. For the PruFund range of funds, what they receive will depend on the value of the underlying investments, the Expected Growth Rates as set by the Prudential Directors, our charges and the smoothing process.

Fund Performance (Prudential ISA)

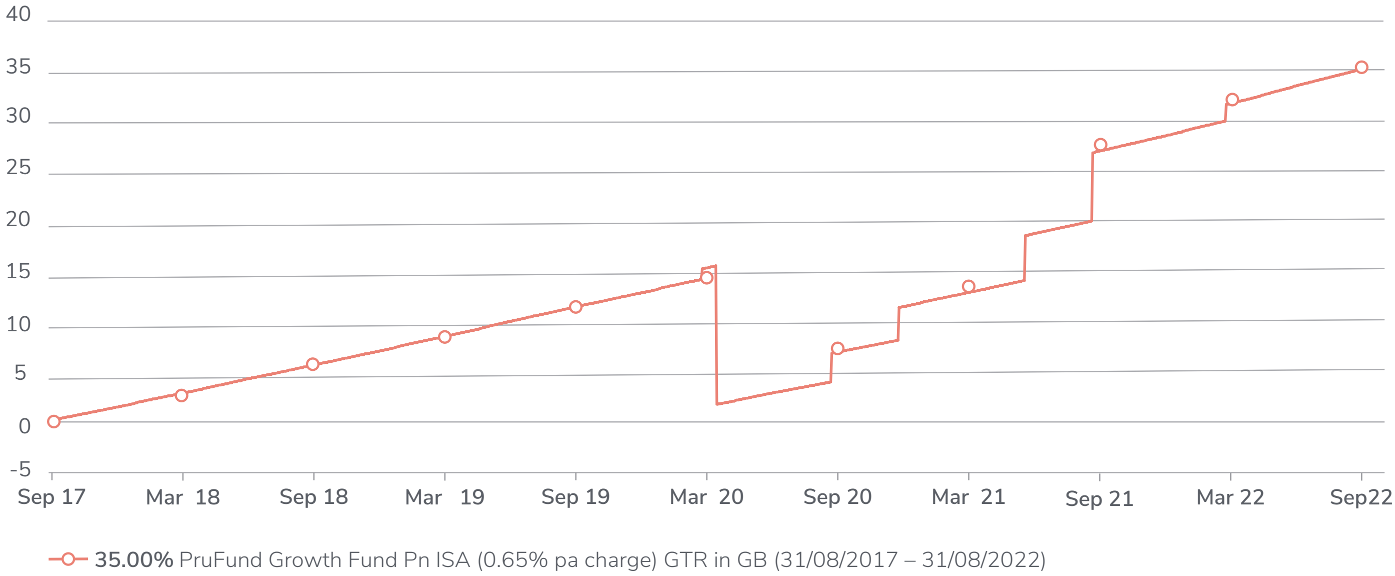
Performance – to last month end

	31/08/2017 to 31/08/2018	31/08/2018 to 31/08/2019	31/08/2019 to 31/08/2020	31/08/2020 to 31/08/2021	31/08/2021 to 31/08/2022
Fund	5.52%	5.49%	-4.09%	18.84%	6.41%

Annualised performance

	1 Year to 31/08/2022	3 Years to 31/08/2022	5 Years to 31/08/2022
Fund	6.41%	6.64%	6.19%

Performance since 31 August 2017 (as at 31 August 2022)



Source of performance data: FE fundinfo.

The figures are intended only to demonstrate performance history of the fund over the period shown. The PruFund Funds include a representative fund charge of 0.65% pa and any further costs. They take no account of product or advice charges. The application of charges and any further costs will impact the overall performance. Please also note that our charges and any further costs may vary in the future and may be higher than they are now.

Fund Performance (Prudential Investment Plan)

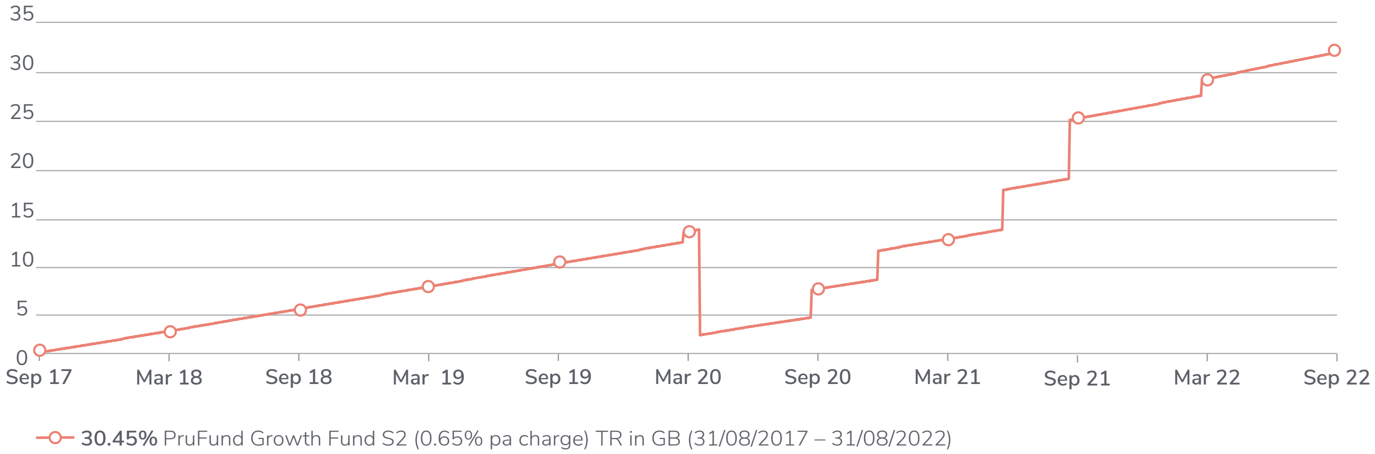
Performance – to last month end

	31/08/2017 to 31/08/2018	31/08/2018 to 31/08/2019	31/08/2019 to 31/08/2020	31/08/2020 to 31/08/2021	31/08/2021 to 31/08/2022
Fund	4.41%	4.40%	-2.38%	16.28%	5.43%

Annualised performance

	1 Year to 31/08/2022	3 Years to 31/08/2022	5 Years to 31/08/2022
Fund	5.43%	6.17%	5.46%

Performance since 31 August 2017 (as at 31 August 2022)



Source of performance data: FE fundinfo.

The figures are intended only to demonstrate performance history of the fund over the period shown. The PruFund Funds include a representative fund charge of 0.65% pa and any further costs. They take no account of product or advice charges. The application of charges and any further costs will impact the overall performance. Please also note that our charges and any further costs may vary in the future and may be higher than they are now.

Market update from M&G Treasury and Investment Office (T&IO)

As at 31 August 2022

The views expressed herein are subject to change without notice. Neither T&IO, nor any of its associates, nor any director, or employee accepts any liability for any loss arising directly or indirectly from any use of this document. The value of investments and any income from them may go down as well as up and are not guaranteed. Investors may get back less than the original amount invested and past performance information is not a guide to future performance

Market and Economic Review

The market's recent optimism about less aggressive interest rate hikes faded away in August as the world's central banks reiterated their commitment to bring inflation back under control. Against this backdrop bond yields increased and equity markets fell.

Speaking at the annual Jackson Hole symposium, Fed Chair Jay Powell said that "restoring price stability will take some time and requires using our tools forcefully to bring demand and supply into better balance." This "hawkish stance" from the Fed ended the markets hopes of a more modest tightening of interest policy and as a result the US dollar strengthened, bond yields rose and equities fell. The US 10-year Treasury yield having fallen to 2.6% at the end of July, rose sharply to end August at 3.2%.

European bond and equity markets also came under pressure amid ongoing concerns about inflation. These concerns were stoked by Russia's decision to turn off the NordStream gas pipeline at the end of the month. The dependency of the German economy on Russian gas was highlighted in the economic data released over the month. While service led economies in the Eurozone have rebounded as the world has opened up post Covid, the German economy has lagged. Data released in August showed economic growth of 0.1% for Germany in Q2 2022.

UK equity and bond markets came under pressure. Political uncertainty weighed on the bond market leading to Gilts underperforming most other government bonds. 10-year yields increased from 1.86% to 2.80% with the Bank of England raising the Bank Rate by a further 0.5%.

Emerging market equities bucked the trend and delivered a small positive return over the month. The best performing country was Turkey, which surprised the market by cutting interest rates by 100bps during the month.

Outlook

Over the past month, Central Banks have made their focus on bringing down the rate of inflation clear. Medium term market pricing continues to suggest an expectation that inflation will eventually fall back, though markets are pricing in an increasing risk that this is at the cost of a contraction in output. The economic side effects of the war in Ukraine, and the supply chain scars caused by COVID-19, provide additional complexity and uncertainty in the calibration of monetary policy. Indeed, in our view, these factors mean that the risks to inflation remain skewed to the upside.

One of our takeaways from recent central bank activity that was underpinned at Jackson Hole is that the period of monetary policy asymmetry (gradual tightening and aggressive easing) that we have lived through over recent decades has ended. With the central banks no longer providing the backstop to markets, the positive correlations we have seen in both bond and equity markets could persist. This in our view has important implications for multi-asset allocation and suggests a greater focus on a balanced portfolio across a range of risk factors.

Expected Growth Rate

The expected growth rate (EGR) is central to how we manage the fund. Reviewed quarterly, the EGR sets out the annualised rate we think the portfolio will grow at.

As outlined elsewhere in this report, the components that we use to help determine the EGR have increased in value over recent months: First, inflation has increased and in our view is likely to remain elevated as short and medium-term factors continue to exert upward pressure on prices. Second, government bond yields have risen as central banks have tightened policy in response to higher inflation. Finally, the rise in bond yields has increased risk premiums across both bond and equity markets. When considering the expected return, we need to balance these positive factors against the likelihood of an economic slowdown arising from increases in rates. Taking all of these factors into account we anticipate higher potential asset class returns and during August raised the **Expected Growth Rate (EGR)** for the fund.

Monthly Asset Class Commentary

As at 31 August 2022

Property

Property represents around 15% of the fund and the size and scale of PruFund Growth, enables it to be able invest and hold direct property. This includes investments in large high quality development projects such as 40 Leadenhall – a 900,000 square foot development in the City of London. By region the fund's largest allocation is to the UK property market.

Geopolitical events dominated the second quarter of 2022. The disruption to supply chains has heightened inflation and raised concerns about economic growth. As inflation has risen to the top of investors agendas, there has been a renewed focus on sectors and assets that can help to mitigate against rising prices.

Against the global headwinds the UK real estate sector remained relatively robust. However, UK investment activity decelerated in Q2, with investors beginning to re-assess pricing, as the spread between property and bonds narrowed. As such, higher yielding sectors such as retail are now beginning to appear more attractive. Whilst industrials have underpinned market performance in previous quarters, there are signs that this trend is beginning to moderate, with the retail warehouse sub-sector overtaking a industrials in three-month total returns to May.

In Europe, real estate had a positive start to the year, with investment transactions totalling a very strong €157bn in H1 2022 according to CBRE. However, the rising cost of debt and increasing uncertainty has since curbed this momentum, with volumes in Q2 dropping by 9% (year on year), to around €71bn. As elsewhere in the world, pricing is starting to adjust across all sectors and the ECB's recent 125bps increases in interest rates are likely to put upwards pressure on property yields in the region.

In Asia, Prime office leasing demand remained healthy, as occupiers sought higher quality space. Physical office occupancy has also improved with the relaxation of social restrictions across the major Asia Pacific cities. Occupancies in the logistics sector have strengthened further in Q2, thus bolstering rental growth.

In the US, the property market has started to show signs of cooling from pandemic highs. The NCREIF index saw quarterly property returns easing to 3.2%, the weakest performance in 12 months. Industrials eased the most but still outperformed the other sectors, decelerating from 11% in Q1, to 5.9% in Q2. Multi-family (residential real estate with multiple family units) followed with performance of 3.9%, while the retail and office sectors returned performance of 1.7% and 0.6%, respectively.

* *Due to the nature of property markets it would be difficult to collate all data on a monthly basis so comments provided will generally have a three-month lag.*

Equity

The largest asset allocation in PruFund Growth is to global equity markets. Around 45% of the portfolio is currently held in equities with the largest geographical exposure the UK. The portfolio also has significant equity exposure in the US, European and Asia markets as well as smaller holdings in emerging market equities that include the Middle East and Africa.

The equity market's recent optimism that slowing economic growth might limit interest rate hikes was dashed as central banks reaffirmed their commitment to tackling inflation. As a higher interest rate environment was priced in developed market equities came under pressure.

US equities came under pressure as the US Federal Reserve Chair, Jerome Powell spoke at the Central Bank symposium in Jackson Hole. Reiterating the Fed's commitment to tackling inflation, Powell acknowledged that while higher interest rates, slower growth, and softer labour market conditions will bring down inflation, they will also bring some pain to households and businesses. However, these are the unfortunate costs of reducing inflation and a failure to restore price stability would mean far greater pain. At a sector level, the weakest areas of the market were Information Technology, Healthcare and Real Estate. Given the ongoing disruption to supply from the war in Ukraine, energy stocks held up well.

The UK equity market was similarly negatively impacted by expectations of higher interest rates. Banks, whose revenues typically benefit from a higher interest rate environment and energy companies held up reasonably well. However, consumer focused areas of the market came under pressure as concerns over the household costs increased. This was underlined by the consumer confidence figures. A survey by the GfK showed confidence to deteriorated further over the month and is now at its lowest level since the 1970s. Its consumer confidence index fell to – 44. This follows a previous record low in July 2022 of – 41.

Asian equity markets were lower as the more hawkish tone from the US Federal Reserve weighed on sentiment. However, India was once again the stand-out performer delivering positive returns. Equity markets in the country benefitted from better economic data including lower than expected inflation. This helped to raise expectations that the Reserve Bank of India may not need to hike interest rates as aggressively in future.

Looking at emerging equity markets more broadly, indices outperformed their developed market counterparts delivering a small positive return. The best performing market was Turkey, where the central bank cut interest rates by 100bps despite inflation running at 80%. Other markets delivering positive returns included Brazil, Chile and Thailand.

New holdings are shown on pages 14 and 15.

Fixed Income

Just over 20% of the fund is held in fixed income. Within this allocation the largest allocation is to developed market investment grade corporate bonds. There are further smaller allocations held in emerging market debt, high yield and private credit.

The reaffirming of central bank commitment to tackling inflation was keenly felt in government bond markets. Corporate bonds were also dragged lower, however, emerging market corporates delivered modest positive returns.

In the UK the Gilt market experienced its biggest sell off in nearly 30 years. The 10-year Gilt yield increased from 1.86% to 2.80%. Concerns centred around both the likely increase in interest rates from the Bank of England as well as the anticipated increase in borrowing following the now confirmed win in the Conservative Party leadership contest for Liz Truss.

The US treasury market also repriced as Fed Chair, Jerome Powell reiterated the Fed's commitment to tackling inflation at the annual Jackson Hole symposium. His comments challenged the recent market narrative that policy rates will not need to be hiked as much because inflation had peaked. This idea had seemingly been given further credence by Augusts inflation data, which was much lower than expected. As the market repriced, 10-year US Treasuries increased from 2.7% at the end of July to 3.2% at the end of August. 2 year Treasuries increased from 2.9% to 3.5%.

Also speaking at the symposium was ECB board member, Isabel Schnabel. Drawing on hard lessons learnt in the 1970's, she cautioned that central banks should not pause at the first sign of a potential turn in inflationary pressures. Policymakers should instead signal their strong determination to bring inflation back to target quickly. Because if the public thinks the central bank have abandoned the fight prematurely, we risk a much sharper correction down the road if inflation becomes entrenched.

The rise in government bond yields had a negative impact on corporate bond markets with returns negative across all major markets. Emerging market corporates and European high yield were the best performing areas of market.

Alternatives

Private equity had a mixed first quarter following the sell-off in equity markets with a rotation out of growth stocks in January, followed by general market weakness as Russia invaded Ukraine.

Within infrastructure, the surge in energy prices caused by the conflict continues to generate positive sentiment toward the renewable energy sector. Given that both Russia and Ukraine are important agricultural exporters, the conflict has also led to severe price increase across agricultural commodities. Our existing agriculture portfolio remains reasonably shielded from the current conflict, and is in fact expected to benefit from higher prices.

Our emerging markets macro hedge fund exposure struggled during Q1 owing to exposure to Russia and Ukraine. However, this has been offset by our developed market exposure where managers have been able to capture the move higher in yields.

* *Any comments relating to private assets within the portfolio will be lagged due to the time taken to collate performance numbers, but some comments have been provided based on performance of listed holdings.*

Further examples of recent alternative investments include:

- **Revelstoke Capital partners Fund III –** Revelstoke's focus is on the healthcare sector in North America, with an in house team of specialists involved in deal origination, execution and value creation planning for portfolio companies. Investments in previous Revelstoke funds have included veterinarian practices and physical therapy clinics.
- **Kilcoy Global Foods –** Kilcoy Global Foods is a food solutions provider operating in China, Australia and the US, focusing on beef and other high quality animal proteins. It is currently the largest beef and pork supplier to Shake Shack in Asia, as well as the largest supplier of fish and other seafoods to McDonald's China
- **Ridgewood Water and Strategic Infrastructure Fund II –** First investment is the development of a new water treatment facility in Florida for a municipality that is suffering from sewage spills during storms and general underinvestment in their infrastructure Once built, investors benefit from a 30 year contract with the local government.
- **True Green Capital Fund IV –** True Green will develop and build distributed solar plants across U S, providing higher expected returns than traditional utility connected solar. The scale achieved by True Green, in a segment that is inherently small and difficult to access, is unique. On site or local power generation is critical to facilitating the energy transition but remains an underinvested part of the market.
- **Solum Partners II –** Solum is an agriculture General Partner focused on creating market leading, vertically integrated businesses in high value crops. The General Partner has a strong sustainability component to its strategy and intends to build sustainable farming businesses through improving production techniques and implementing technology within its businesses.

Focus on M&G Catalyst

The Catalyst team have recently announced several new investments and we have summarised a couple below.

Storegga

Storegga is a UK based climate technology company that is pioneering carbon removal and reduction solutions for a net zero world. They are the only independent, pure play (non-oil/gas) company that is currently working on a Carbon Capture Storage project in the UK.

We invested in the business via a secondary round in May 2021. The business benefits from a strong and global investor base in form of financial and strategic investors including GIC, Mitsui, Macquarie, SNAM and M&G.

Storegga is currently developing the UK's largest under-sea storage site in the North Sea and is one of the four clusters identified by the UK government to help meet its 2050 net zero targets. Given its deep expertise in storage engineering, Storegga is also developing other adjacent carbon sequestration capabilities in Direct Air Capture "DAC" and Carbon Capture as a Service "CCaaS".

There is a massive unmet need that exists when serving the planet through carbon capture and storage. Catalyst's investment in Storegga is addressing climate change directly by removing greenhouse gas emissions and contributing towards the UK & Scotland's net zero targets.

UBQ Materials

In December 2021, M&G catalyst invested in the leading developer of climate-positive thermoplastic, UBQ Materials. This was part of a $170m funding round, led by TPG's global impact investing platform.

The company helps to divert unsorted household waste from landfill, turning this into low carbon recyclable thermoplastic. It has global roll-out potential and customers already include Mercedes-Benz, Mainetti and Arcos Dorados (the world's largest franchisee of McDonald's restaurants across Latin America).

As part of the due diligence process, including external providers, we worked with our public equity analyst specialising in the sector who was able to add valuable insight and an informed comparison to other Cleantech offerings.

As a Certified B Corporation, UBQ measures and reports on its impact. As such, the team felt this deal could be rated a C3 in the IMP+ACT framework. This is because it successfully addresses the massive, highly complex problem of landfill waste and Catalyst will help grow the under supplied capital market for dealing with this.

Greencore Construction

The Catalyst team recently acquired a majority stake in Greencore Construction, an Oxford-based housebuilder whose energy efficient homes lock up more carbon than is emitted over their lifetime, including during construction. This is made possible by Greencore's innovative bio-based panel technology which is extremely thermally efficient.

Due to the modular nature of the panels and low capex of factory set-up, we believe operations to be highly scalable and are excited to help the company grow.

This is another Impact investment, rated C4* under the Impact management Project's Impact Asset Classification. Greencore helps to address the climate footprint of UK housebuilding, with the potential to transform sustainability standards across the country.

In the evaluation of this opportunity, Catalyst worked with the M&G Real Estate Residential team to help assess the credibility of Greencore's offering. They believe the sustainability credentials of Greencore's product are market leading, and plan to invest £500m in sustainable new developments, in partnership with Greencore.

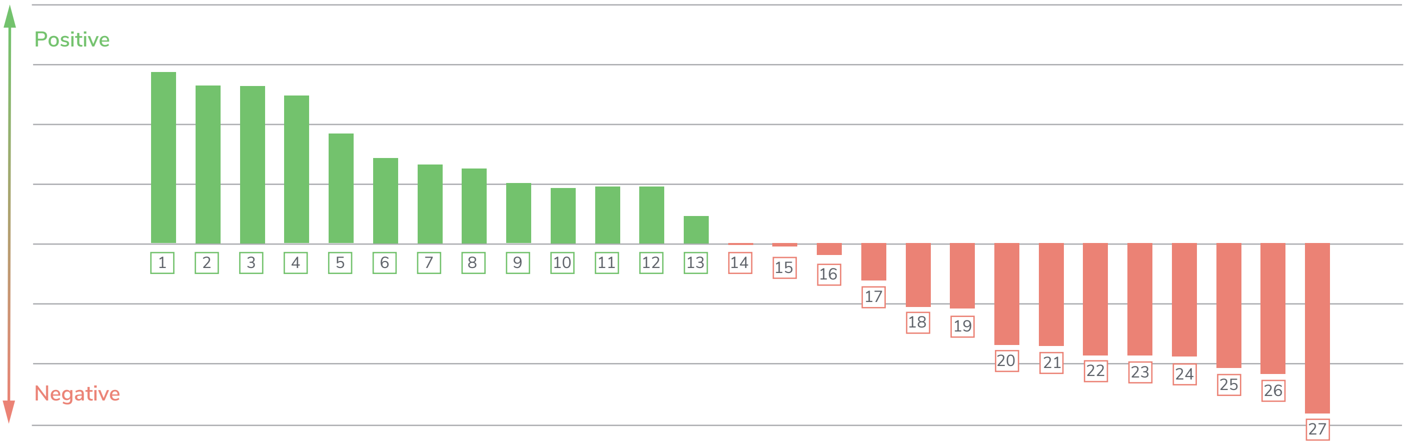
* *A C4 rating means that this is a company that is contributing to solutions for underserved peoples, communities and the planet. From an investor perspective the 4 rating means that we [are] actively engaging and helping to grow new undersupplied capital markets*

Underlying Asset Class Performance

The bar graph below is designed to give advisers some insight in to how PruFund Growth assets have performed.

There are clear constraints around providing detailed 'unsmoothed' performance but we hope the graphic below at least gives some insight in to the drivers and detractors of absolute returns for the period in review.

Year to date returns per asset class as at 30 June 2022



1 Infrastructure
2 Private Equity
3 Asia Property
4 TAA Mandate
5 UK Property
6 North America Property
7 Private Credit
8 Private High Yield
9 Africa Bonds
10 Middle East & Africa Equity
11 Europe Property
12 Hedge Fund
13 Cash
14 Asia ex Japan Equity
15 China Equity
16 US Bonds
17 Asia Bonds
18 Japan Equity
19 India Equity
20 EM Debt
21 Europe incl UK Bonds
22 UK Equity
23 Europe ex UK Equity
24 Convertible Bonds
25 Global Emerging Equity
26 North America Equity
27 Global High Yield

Asset allocations are regularly reviewed and may vary from time to time, but will always be consistent with the fund objective. We can't predict the future, past performance isn't a guide to future performance.

Key points:

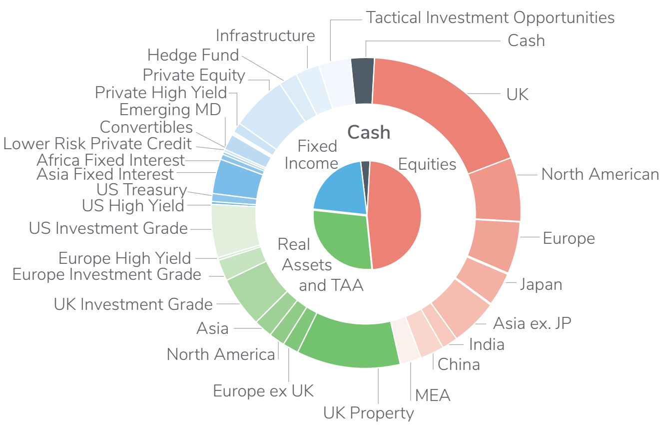
- Diversification helping in challenging markets
- Most major equity and bond markets negative year to date
- Specialist investments and real assets generating small positive returns

Source of performance data: M&G Treasury and Investment Office.

PruFund Growth Asset Allocation and Peer Comparison

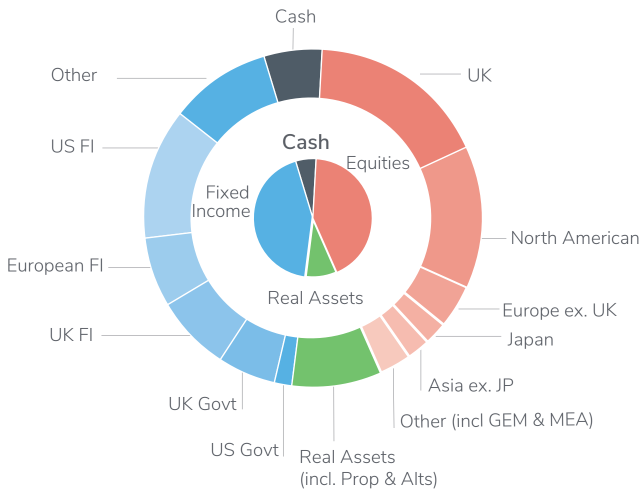
We have produced the pie charts below to provide an insight into the current asset class exposures for PruFund Growth. At the same time we thought it would be helpful to give some context to this by showing the aggregate asset allocation of the 20 largest funds in the IA mixed-20-60 sector. Specific percentage exposures are shown on the following page.

PruFund Growth



Source: M&G Treasury & Investment Office.
Date: at end July 2022.

Average Peer Allocation



Source: M&G Treasury & Investment Office.
Date: at end June 2022.

Asset allocations are regularly reviewed and may vary from time to time, but will always be consistent with the fund objective.

Key points:

- **Equities:** similar weight to peers but higher diversification. Lower exposure to US but higher exposure to Asian equities
- **Fixed income:** lower weight and more emphasis on high real yield regions and private credit
- **Real assets:** diversified across asset classes and regions. Property remains a key diversifying asset

* Source: M&G Treasury & Investment Office peer asset allocation data from Financial Express. Data not available for two of the peers. Allocation data sourced from Financial Express data and individual fund factsheets where latest data available. Granularity of the data varies significantly between different funds and where relevant, proxies used to estimate the allocation between different geographies. Peers are made up of the top 20 funds by AUM from the IA Mixed 20-60% shares sector.

PruFund Growth Holdings

The data shown provides a representation of the top ten holdings in the main With Profits pool of assets and hence is broadly reflective of what a client investing in PruFund Growth holds. Holdings are regularly reviewed by the M&G Treasury and Investment Office (T&IO) and may vary from time to time, but will always be consistent with the fund's objective.

Main asset class exposures

Asset	Strategic Asset Allocation (%)	Asset	Strategic Asset Allocation (%)
UK Equity	18.40	Private Equity	5.80
European Equity	5.60	Diversifying Strategies	1.80
North America Equity	6.70	Infrastructure	2.60
Japan Equity	3.60	Private High Yield	1.20
Asia ex. Japan Equity	5.00	**Total Alternatives**	**11.40**
India Equity	1.80	UK (Investment Grade)	5.30
China Equity	2.40	Europe (Investment Grade)	2.10
Global Emerging Markets Equity	0.00	UK and Euro (High Yield)	0.50
Middle East and Africa Equity	2.30	US (Investment Grade and High Yield)	5.30
Total Equity	**45.80**	US Treasury	0.80
UK Property	10.80	Asian Bonds	3.50
Europe ex UK Property	1.60	Convertibles	0.40
North America Property	1.60	Private Credit	0.20
Asia Property	2.00	Global High Yield	0.30
Total Property	**16.00**	African Debt	0.70
Cash	**2.50**	Emerging Market Debt	1.50
TAA Mandate	**3.20**	**Total Fixed Income**	**20.60**

Source: Prudential Actuarial 31 July 2022

PruFund Growth Holdings continued

The tables below show the total percentage of each particular asset class's top 10 holdings.

Equities

Source: M&G Treasury and Investment Office.
Date: at 31 August 2022.

UK Equities	3.34%
AstraZeneca plc	0.67%
HSBC Holdings plc	0.47%
BP plc	0.42%
Unilever plc	0.40%
Diageo plc	0.35%
GSK plc	0.28%
National Grid plc	0.22%
3I Group plc	0.19%
RELX plc	0.18%
Compass Group plc	0.17%

North American (inc Canada) Equities	1.49%
Apple Inc	0.35%
Microsoft Corporation	0.32%
Alphabet Inc.	0.19%
Amazon.com Inc.	0.15%
Telsa Inc	0.10%
Cenovus Energy Inc	0.09%
Johnson & Johnson	0.08%
Coca-Cola Co	0.08%
Pepsico Inc	0.07%
Exxon Mobile Corporation	0.07%

European Equities excluding UK	1.89%
Shell plc	0.58%
Novartis AG	0.23%
Total Energies SE	0.21%
Roche Holding AG	0.18%
UPM-Kymmene OYJ	0.14%
Koninklijke Ahold Delhaize NV	0.13%
CRH plc	0.12%
Siemens AG	0.11%
Bank of Ireland Group plc	0.11%
Sanofi SA	0.10%

Asia & GEM Equities ex. Japan, China & India	2.42%
Taiwan Semiconductor Manufacturing Company Ltd.	0.61%
Samsung Electrics Ltd.	0.44%
Rio Tinto plc	0.33%
AIA Group Ltd.	0.25%
DBS Group Holdings Ltd.	0.15%
Sun Hung Kai Properties Ltd.	0.14%
BHP Group Ltd.	0.14%
SK HYNIX Inc	0.14%
Bank Rakyat Indonesia (Persero) TBK	0.11%
Bank Mandiri (Persero) TBK PT	0.11%

Japan Equity	1.01%
Toyota Motor Corporation	0.16%
Hitachi Ltd.	0.12%
Honda Motor Co Ltd.	0.11%
Sony Group Corp	0.10%
Nippon Telegraph and Telephone Corporation	0.10%
Mitsui & Co Ltd.	0.10%
Nintendo Co Ltd.	0.09%
Mitsui Fudosan Co Ltd.	0.08%
Credit Saison Co Ltd.	0.08%
ORIX Corporation	0.07%

Africa Equities	2.29%
PIMSA South Africa Unit Trust (Collective fund exposure)	1.90%
Delta Corporation Ltd. (Zimbabwe)	0.14%
Innscor Africa Ltd.	0.09%
Simbisa Brands ltd.	0.08%
Anglo American plc.	0.04%
Endeavour Mining plc.	0.02%
ABSA Group Ltd.	0.01%
Nedbank Group Ltd.	0.01%
MTN Group Ltd.	0.01%
Clicks Group Ltd.	0.00%

China Equities	1.15%
Tencent Holdings Ltd.	0.25%
Alibaba Group Holding Ltd.	0.16%
JD.COM Inc.	0.16%
China Construction Bank Corporation (CCB)	0.13%
Ping An Insurance Group Co of China Ltd	0.08%
H World Group Ltd	0.08%
Weichai Power Co Ltd.	0.08%
Kweichow Moutai Co Ltd.	0.07%
Yangzijiang Shipbuilding Holdings Ltd.	0.07%
Hutchmed China Ltd.	0.06%

India Equities	1.19%
Housing Development Finance Corporation Ltd	0.28%
Reliance Industries Ltd.	0.21%
Axis Bank Ltd.	0.13%
Tata Consultancy Services Ltd.	0.12%
Infosys Ltd.	0.10%
Maruti Suzuki India Ltd.	0.10%
ICICI Bank Ltd.	0.08%
Tech Mahindra Ltd.	0.05%
Think & Learn Pvt	0.05%
Bharti Airtel Ltd.	0.04%

Fixed Income

Source: M&G Treasury and Investment Office.
Date: at 31 August 2022.

European including UK Fixed Income	**0.89%**
UK Conventional Gilts	0.21%
HSBC Holdings plc	0.11%
KFW	0.10%
Lloyds Bank plc.	0.08%
Electricite de France SA	0.08%
United Kingdom of Great Britain & Northern Ireland (Government)	0.08%
BNP Paribas	0.06%
M&G Sustainable European Credit Investment Fund	0.06%
AA Bond Co Ltd.	0.06%
Barclays plc	0.06%

US Fixed Income	**2.57%**
United States Treasury	1.24%
Bank of America Corporation	0.25%
Goldmans Sachs Group Inc	0.20%
JPMorgan Chase & Co	0.18%
Morgan Stanley	0.16%
Wells Fargo and Company	0.16%
Citigroup Inc	0.12%
Verizon Communications Inc	0.10%
CVS Health Corporation	0.09%
Comcast Corporation	0.08%

Asian Fixed Income	**1.99%**
Indonesia (Republic of)	0.37%
Eastspring Investments China Bond Fund (collective fund exposure)	0.33%
Korea (Republic of)	0.29%
Philippines (Republic of)	0.23%
India (Republic of)	0.20%
Malaysia (Government)	0.19%
Thailand (Kingdom of, Government)	0.15%
Singapore (Republic of)	0.15%
China Peoples Republic of (Government)	0.04%
Sun Hung Kai Properties (Capital Market) Ltd.	0.04%

Alternatives

Source: M&G Treasury and Investment Office.
Date: at 30 June 2022.

Private Equity	3.15%
US Co-investment Fund 1	1.01%
US Fund-of-Funds	0.95%
US Co-investment Fund 2	0.35%
China Mid Cap Venture Fund	0.15%
GP Stakes Fund	0.15%
European Buyout Fund	0.14%
European Mid Cap Buyout Fund	0.14%
US Co-investment Fund 3	0.12%
Global Mega Cap Buyout Fund	0.11%
Special Situations Fund	0.10%

Diversifying Strategies	1.07%
Market Neutral Hedge Fund	0.15%
Global Macro Hedge Fund 1	0.14%
Special Situations Fund	0.12%
Global Macro Hedge Fund 2	0.12%
Credit Long/Short Hedge Fund	0.10%
Brand Royalties Fund	0.09%
Moderate Net Hedge Fund	0.09%
Music Royalties Fund	0.09%
Event Driven/ Multi-Strategy Hedge Fund	0.08%
Healthcare Long/Short Hedge Fund	0.08%

Infrastructure	1.75%
Global Diversified Co-investment Fund	0.32%
European Greenfield Infrastructure Fund	0.26%
Global Diversified Core/Core+ Infrastructure Fund 1	0.23%
European Brownfield Infrastructure Fund	0.18%
Global Greenfield Infrastructure Fund	0.17%
UK PFI Infrastructure Fund 1	0.16%
UK PFI Infrastructure Fund 2	0.16%
Global Diversified Core/Core+ Infrastructure Fund 2	0.11%
UK PFI Infrastructure Fund 3	0.09%
European Brownfield Renewable Infrastructure Fund	0.08%

Property

Source: M&G Treasury and Investment Office.
Date: at 30 June 2022.

Property (Global)	6.55%
M&G Asia Property Fund (collective fund exposure)	1.64%
M&G European Property Fund (collective fund exposure)	1.01%
40 Leadenhall Street (Development) – Office	0.72%
Garden State Plaza, New Jersey – Retail	0.64%
Project King Industrial Portfolio	0.57%
The London Fruit & Wool Exchange – Office	0.45%
Prudential Real Estate Limited Partnership (collective fund exposure)	0.41%
138 – 142 Holborn – office	0.38%
M&G UK Residential Property Fund (collective fund exposure)	0.37%
201 Mission St, San Francisco – office	0.36%

Source of holdings data: M&G Treasury & Investment Office.

Underlying building blocks

Equity building blocks

Equity portfolios continue to evolve and are globally diversified across all the major developed and emerging markets, with Indian, African and Chinese equities added in recent years as direct country allocations as we see them as important emerging/frontier economies. The broad exposure to Asia is a differentiator and represent the 2nd largest equity position.

Holdings are predominantly large cap stocks although specific smaller cap exposure has been added to regions like the US. Active management is favoured but will use passive when appropriate.

A balanced approach is taken regarding investment styles (growth, value, etc) to try and benefit from different market conditions.

A large percentage is held in bespoke/customised pools of assets or internal funds where T&IO work with the fund managers to set guidelines, objectives and risk parameters and can also ensure that each fund manager's ESG beliefs and policies align with our own.

Asset	Strategic Asset Allocation	Fund Name	Investment Style	Internally or Externally managed
UK Equity	2 x segregated mandate 2 x bespoke mandates	M&G UK Absolute Return Fund	Active	Internal
		M&G (ACS) UK Listed Mid Cap Equity Fund	Active	Internal
		M&G (ACS) Blackrock UK All Share Index Fund	Index Enhanced	External
		BlackRock UK 200 Passive Segregated Mandate	Index Enhanced/ evenly weighted	External
Europe excluding UK Equity	3 x bespoke mandates	M&G (Lux) European Active Fund	Active	Internal
		M&G (Lux) European Small Cap Fund	Active	Internal
		M&G (Lux) European Passive Fund	Passive	Internal
US Equity	4 x bespoke mandates	M&G (ACS) BlackRock US Equity Fund	Index Enhanced	External
		M&G (ACS) Granahan US Small Cap Growth Fund	Active	External
		M&G (ACS) Earnest Partners US Small Cap Value Fund	Active	External
		M&G (ACS) Canada Index Fund	Passive	Internal
Japan Equity	2 x bespoke mandates	M&G (ACS) Japan Equity Fund	Active	Internal
		M&G (ACS) Japanese Smaller Companies Fund	Active	Internal
Asia ex. Japan Equity	1 x segregated mandate	M&G APAC ex Japan Equity Mandate	Active	Internal
China Equity	2 x bespoke mandates	M&G (ACS) Value Partners China Equity Fund	Active	External
		M&G (ACS) China Equity Fund	Index Enhanced	Internal

Asset	Strategic Asset Allocation	Fund Name	Investment Style	Internally or Externally managed
Global Emerging Markets Equity	4 x bespoke mandates	M&G (GSAM) Global Emerging Market Equity Fund	Active	External
		M&G (MFS) Global Emerging Markets Equity Fund	Active	External
		M&G (INVESCO) Global Emerging Markets Equity Fund	Active	External
		M&G (LAZARD) Global Emerging Markets Equity Fund	Active	External
Indian Equity	1 x segregated mandate	M&G India Equity Mandate	Active	Internal
Middle East and Africa Equity	2 x pooled funds	M&G South Africa South Africa Unit Trust	Active	Internal
		ESI (M&G South Africa) Africa Equity Fund	Active	Internal

- **Segregated mandates** – With Profits Fund (inc PruFund) assets that are held directly e.g. UK equity and UK property
- **Bespoke mandates** – assets are held in fund structures created for the With Profits Fund (inc PruFund) e.g. the various ACS vehicles
- **Pooled mandates** – existing vehicles used where the With Profits Fund (inc PruFund) is investing alongside others e.g. M&G European Property Fund, M&G Asian Property Fund and Eastspring Asian bond funds

Fixed income building blocks

Fixed income portfolios are diversified by region and across public and private markets. New asset classes have been added as markets have evolved. A core feature is the low exposure to developed market government bonds that currently offer negative real yields. Developed market corporate bonds have reduced over time as positions in higher yielding Asian and Emerging Market bonds have increased and investment in Private Credit has slowly grown, leveraging the strength of specialist teams in M&G. This will continue to grow through new and future investments via M&G Catalyst.

As with areas like property and equities, a large percentage of assets are held in segregated mandates and /internal vehicles although some pooled vehicles are used, Eastspring Asian Bonds and M&G Emerging Market Debt for example. The use of internal mandates and vehicles is advantageous as underlying fund managers work solely with T&IO, there are no other retail or institutional investors, and T&IO can work with the managers to set investment objectives and appropriate risk controls like stock and sector limits.

Asset	Strategic Asset Allocation	Fund Name	Investment Style	Internally or Externally managed
UK (Investment Grade)	4 x segregated mandates 1 x bespoke mandate	M&G UK Investment Grade Mandate	Active	Internal
Europe (Investment Grade)		M&G European Investment Grade Mandate	Active	Internal
UK & Euro (High Yield)		M&G Collateral Fixed Income Mandate	Active	Internal
European Levereraged loans		M&G European/UK High Yield Mandate	Active	Internal
		M&G European Leveraged Loans Mandate	Active	Internal
US (IG & HY)	3 x segregated mandates	M&G US Total Return Fixed Income Mandate	Active	Internal
US Treasury		M&G US Short Dated Fixed Income Mandate	Active	Internal
		M&G US Treasuries Mandate	Active	Internal
Asian Fixed Income	4 x pooled funds	ESI Local Currency Asian Bond Fund	Active	External
		ESI Hard Currency Asian Bond Fund	Active	External
		ESI High Yield Asian Bond Fund	Active	External
		ESI China Bond Fund	Active	External
Convertibles	1 x segregated mandate	M&G Global Convertibles Fund	Active	Internal
Lower Risk Private Credit	1 x bespoke mandate 1 x segregated mandate	M&G Catalyst – Credit Fund	Active	Internal
		M&G Private Asset Fund (PAF)	Active	Internal

Asset	Strategic Asset Allocation	Fund Name	Investment Style	Internally or Externally managed
Global High Yield	1 x pooled fund	M&G Global High Yield Fund	Active	Internal
African Debt	1 x pooled fund	M&G South Africa Pan-African Bond Fund	Active	Internal
Emerging Market Debt	1 x pooled fund	M&G Emerging Market Debt Fund	Active	Internal

Property building blocks

PruFund Growth invests into over 200 property assets globally. The majority are directly held assets or joint ventures, although some exposures are via collectives/ indirect funds, which themselves invest in 100s of underlying properties.

The key differentiators and strengths of the property portfolios include the resource and expertise within M&G Real Estate, the global exposure to high quality assets, the use of segregated pools of assets or large-scale institutional funds to best capture opportunities, active management, the ability to invest in development projects and the ongoing work to enhance the 'environmental' credentials of portfolios.

Asset	Strategic Asset Allocation	Fund Name	Investment Style	Internally or Externally managed
UK Property	1 x segregated mandate	M&G UK Direct Property	Active	Internal
Europe Property	1 x pooled fund	M&G European Property Fund	Active	Internal
North America Property	1 x segregated mandate	M&G US Direct Property	Active	Internal
Asia Property	1 x pooled fund	M&G Asia Property Fund	Active	Internal

Alternatives building blocks

The alternatives market is vast and complex, straddling private equity, hedge funds and infrastructure, but the M&G Alternatives team can capture opportunities wherever they arise, leveraging a network of contacts and expertise across the globe.

Investments are typically in the private markets, which are less liquid than the public equity markets, but often offer enhanced returns. Each opportunity is assessed in terms of risk and reward and would expect to pick up an illiquidity premium.

Some asset classes bring enhanced returns over traditional markets, for example private equity is expected to deliver 2-3% per annum over listed equity markets. The team will also look for true diversifying strategies like music royalties, where returns are not linked to broader markets. Infrastructure investments are attractive due to the stable long-term income streams that are often inflation-linked. This stable return profile can also be lowly correlated to public markets.

All new managers are ESG assessed pre-investment and continually monitored, and investments will often be held for many years making them ideal for the PruFund range of funds.

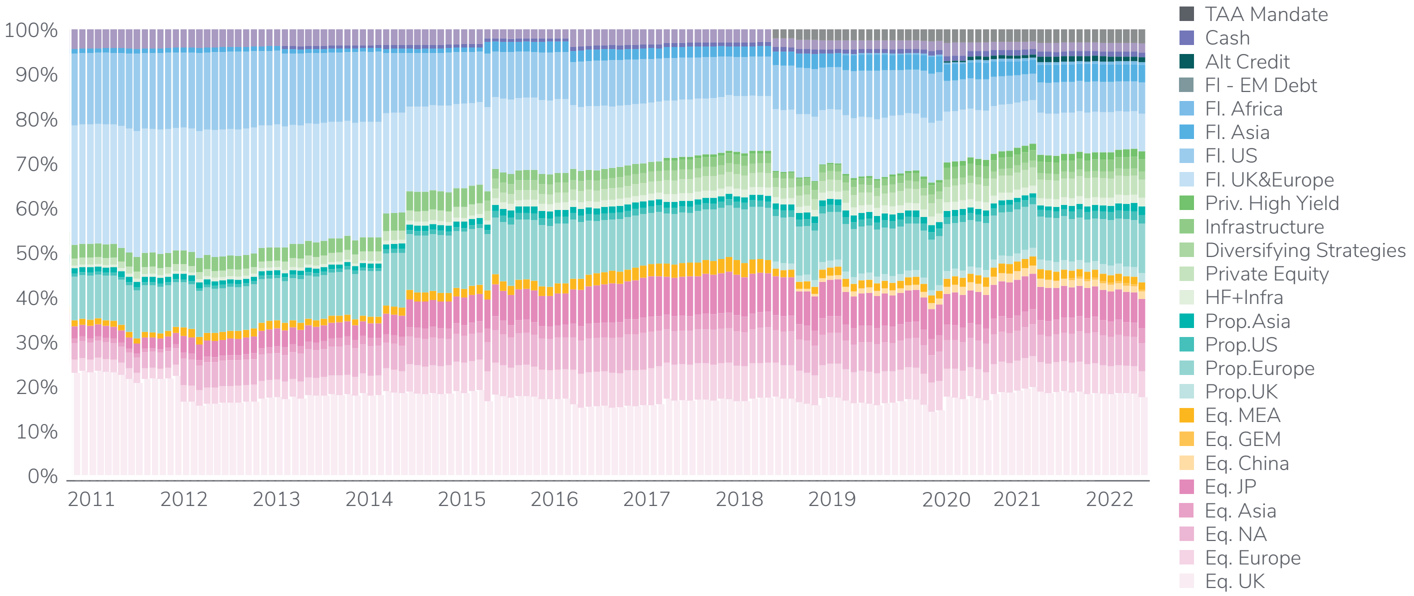
Asset	Strategic Asset Allocation	Fund Name	Investment Style	Internally or Externally managed
Private Equity	1 x segregated mandate	Portfolio of Private Equity	Active	Internal
Hedge Funds	1 x segregated mandate	Portfolio of Hedge Funds	Active	Internal
Infrastructure	1 x segregated mandate	Portfolio of Infrastructure	Active	Internal
Private High Yield	1 x bespoke mandate 1 x segregated mandate	M&G Catalyst – Capital Fund	Active	Internal
		M&G Private Asset Fund (PAF)	Active	Internal

Asset	Strategic Asset Allocation	Fund Name	Investment Style	Internally or Externally managed
TAA Mandate	1 x segregated mandate 1 x pooled fund	M&G Episode Strategies	Active	Internal
Cash	1 x segregated mandate	M&G Cash Fund	Active	Internal

Source of underlying holdings data: M&G Treasury and Investment Office as at 31 August 2022

Long Term Investment Strategy

Evolution of Strategic Asset Allocation (SAA)



The sand chart shows how strategic asset allocation has evolved over time for the With Profits fund.

PruFund Growth sits within this pool of assets and will have subtle asset allocation nuances and though not exactly the same, the chart provides a close representation.

Portfolio positions are reviewed at least annually and can evolve as our views on capital markets do. Positions are generally adjusted incrementally. As long-term investors T&IO views will rarely deviate too dramatically, so you will see the gradual shift in individual asset class positions. We see this as a strength of our philosophy, clearly if too many poor investment decisions were made, too many adjustments may have been required.

The sand chart shines a light on level of diversification, as evidenced by the number of asset classes in portfolios. T&IO has a long track record of adding new asset classes to multi asset portfolios, although individual allocations are sometimes fairly modest. In totality, the exposure to areas like property, alternatives and specialist areas of the fixed income markets (e.g, Asian bonds, Private High Yield, African bonds) are meaningful and differentiate PruFund portfolios.

The large exposure to property has been a long-term source of strong risk-adjusted returns and is another differentiator over other retail focused products.

Finally it is important to remember that any new asset classes are added for specific reasons. The strategists will have worked with teams across M&G plc, to understand the drivers of the returns, the diversification benefits and the relevant risk/credit premia. New investments are there to enhance portfolios not just add another line to the SAA tables.

If you would like to find out more information on the PruFund range of funds, please see:
pruadviser.co.uk/funds/prufund/

pruadviser.co.uk

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