Pru
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Investment update

PruFund Cautious

December 2022

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

This report is for client use, for further information on PruFund please visit pru.co.uk or speak with your financial adviser.

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

As at 16 December 2022

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Market and Economic Review

After the tumult experienced in 2022, where the spike in inflation caught all of the central bank community off guard and subsequently led to rapid tightening, we are seemingly at a crossroads. Inflation in the US and UK may have peaked and may provide central banks with some breathing room in the ratcheting higher of interest rates and quantitative tightening, which has been the major cause in the de-rating of risk assets and government bonds this year.

Equity markets traded in a rangebound fashion until the eagerly awaited US inflation number was released on Tuesday afternoon. With a headline number of 7.1% year on year, the lowest since December 2021 and core inflation also lower than consensus, there was a rally in treasuries as investors believed that this might lead to a less hawkish stance from the Federal Reserve. The equity market however lost the sharp gains experienced post the print, perhaps to see for certain what the Fed Chair Jerome Powell would message after the FOMC meeting on Wednesday. Sure enough, he kept to the script from the November meeting, increasing rates by 0.5% to 4.25% as he had telegraphed previously and reiterated that the job of tackling inflation still has "a ways to go" and that he wouldn't think about cutting rates until inflation was moving to the 2.0% target in a sustained way. This was interpreted as more hawkish than expected and markets mildly sold off. Closer to home, the ECB also re-iterated their determination to quell inflation with President Christine Lagarde stating that markets should expect increases of 50 basis points for a period of time. However, the Bank of England had two of its policy makers vote for rates to stay unchanged highlighting the thought that conditions are already tight enough to bring inflation back to the target. Governor Andrew Bailey was quick to impress that risks to inflation were still tilted to the upside and that they also remain committed to the 2.0% target.

Although markets were driven by these key data points, there were other releases which were also important and could provide clues to the path of economic growth going forward. UK data was mixed with month on month GDP beating consensus with a 0.5% print for October and manufacturing production grew by 0.7% for the same period, beating estimates of flat growth. UK retail sales fell by 0.4% for the month versus expectations of a 0.3% increase. The US had more downbeat news with New York and Philadelphia manufacturing indices showing larger contractions for December than the prior month and retail sales/industrial production also showing signs of weakness.

Data from China showed that retail sales in November fell by 5.9% year on year, materially lower than forecasts. This was during the peak Zero-COVID lockdown period, so the reading isn't as dour as one might think. Since then however, authorities have significantly loosened rules on containing the virus and mobility measures show a marked increase in traffic of all kinds as the economy attempts to return to normal. There is a caveat to this positive development, as there are risks of a significant wave of infections that could deter business and economic activity, as we saw in the West when the initial wave swept across nations. Something to watch but a positive base case assumption with respect to economic growth. This anxiety played out in equity markets where Chinese, European and US equities relative performance fluctuated in response to the data releases highlighted above.

To help level the playing field between European and non European manufacturers, the EU Commission reached a tentative agreement in Brussels on Tuesday, that would allow the bloc to place tariffs on imports from outside the EU that don't meet the same stringent standards on emissions that domestic companies have to abide by.

After the bumper crop of central bank meetings and data this week, economic releases, combined with liquidity will start to tail off ahead of the Christmas holiday period. Multi Asset Portfolio Management (MAPM) will continue to analyse the Q4 earnings season and macro data with earnest in the New Year.

Outlook

The core theme for investors remains central banks' attitudes towards the task of bringing down inflation using monetary policy tools, without excessively tightening conditions and driving economies into severe recession. Markets currently price in a mild contraction in economic activity but remain very sensitive to each month's inflation print as well as the trajectory of corporate earnings growth. The ongoing economic side effects of the war in Ukraine, and the supply chains scars caused by COVID-19, provide additional complexity and uncertainty in the calibration of monetary policy. An additional variable is China's uneven path out of its Zero-COVID strategy, against a backdrop of rising cases.

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 so during August and November raised the Expected Growth Rate (EGR) for the fund.

PruFund Cautious November 2022 Investment Summary

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.

The key talking points this month.

The November UK Budget

The Autumn Budget Statement outlined many austerity measures, including lowering the threshold for the top rate of tax, an extended windfall tax on oil and gas companies, a temporary levy on electricity generators and the introduction of road tax for electric vehicles. There will be widespread spending cuts but defence budgets will be maintained, and schools and NHS funding will increase materially over the next two years. The Office for Budget Responsibility (OBR) estimates that the UK is now in recession and predicts that the economy will shrink by 1.4% in 2023 with inflation remaining elevated, around 7.4%.

It is fair to stay the muted response by markets to this Budget Statement suggests it was a bit more credible than the one announced in September.

What are the numbers telling us about economic activity?

UK economic activity remained in contraction, according to November Flash PMIs (Purchasing Managers Index). The composite flash PMI edged up from 48.2 in October to 48.3, beating expectations of 47.5.

The Euro Area composite PMI nudged up from 47.3 in October to 47.8 in November, beating expectation for a fall to 47.0. However, **November marks the fifth month the index has been in contraction (i.e. below 50)**.

The US manufacturing PMI stood at 47.7 vs a flash reading of 47.6. **The ISM manufacturing PMI showed manufacturing activity contracted for the first time in 2.5 years in November**.

PMI's are important as they are a leading indicator of overall economic activity. Recent numbers currently point to a contraction, albeit with no nasty surprises to the downside.

Monetary policy

The current **Fed Fund target range is at 3.75-4.00%, after increasing it by 75bps in November**, forward guidance from Fed Chair, Jerome Powell, suggested slower increments in the future but a higher peak rate destination of 4.75-5.00%.

The Bank of England, at its November MPC meeting, **voted by a majority of 7-2 to increase Bank Rate by 75bps to 3.00% in line with expectations** and marking the largest increment in the UK bank rate in this tightening cycle so far.

The **ECB voted to raise rates in line with expectations by 75 bps in October**, increasing the deposit rate to 1.50%, the refinancing rate to 2.00% and the marginal lending facility rate to 2.25%.

As **these changes were widely anticipated they did not affect market sentiment**, indeed November was a good months for investors.

Inflation

US CPI inflation in October stood at 0.4%m/m (month on month) unchanged from last month that also reported inflation at 0.4%m/m. **On an annual basis CPI stood at 7.7% y/y (year on year) down from 8.2% y/y last month** and is the smallest 12-month increased since January 2022.

Euro area inflation eased in November running at 10.0% y/y down from 10.6% last month below market expectations for a slowdown to 10.4% y/y. When filtering out food and energy prices, inflation remained elevated at 6.6% in November up from 6.4% last month.

UK CPI inflation stood at 2.0% m/m in October above the 0.5%m/m increase last month driven by a higher energy price cap level. **On an annual basis inflation is at 11.1% y/y in October up from 10.1% y/y last month**.

As has been the case all year, all eyes are on inflation data and its direction of travel. This will continue to be the key theme in to 2023.

Equity markets

A positive month for most of the major equity markets.

Chinese equities experienced a substantial recovery and Asian and emerging market benchmarks also gained strongly over the month, helped by the recovery in China. This will have benefited PruFund portfolios with their structural tilts towards these regions, albeit China is still a laggard when looking at year to date numbers.

Conversely, our **Indian equity portfolio** had the lowest (positive return) in November but leads the way so far in 2022, with double digit positive returns so far.

At a sectoral level, the **biggest gainers were basic materials, consumer staples and industrials**. The broad exposure across regions and sectors within PruFunds means equity portfolios will have very meaningful allocations to these sectors as well.

While recent weeks have been more positive we are mindful that metrics **like earnings estimate revisions continued to be negative**, led by downgrades in the US and emerging markets, which tells us that investors believe many companies face challenges as we move in to 2023.

Fixed Income

Fixed Income markets also made solid gains over the month, helped by both falling bond yields and narrowing credit spreads. This was also broad based **with our UK and European, Asian, African, Emerging Market and African all producing positive returns**.

Underlying this performance, there have been **strong inflows into corporate bond funds**, led by both US and EU investment grade.

A key metric that our strategists monitor is **Interest Coverage**, a ratio used to measure the ability of a company to pay debt on time. Broadly, **this remains at healthy levels but has started to edge lower as earnings slow interest costs pick up**. This is reflective of increased costs, issuance remains depressed year-to-date.

This is not a surprise and with most corporate bond markets suffering heavy losses up until recent weeks due to concerns over slowing economic growth and potential recessions, you could argue that a lot of negativity is now priced in, although it would be naïve to suggest that there could not be further challenges over the next few quarters.

Property

In the UK, we are seeing **downward pressure on valuations which will likely continue**, as higher interest rates have effectively reduced the spread between the risk free rate (a 10 year gilt) and **property yields. This suggests that property values need to fall, meaning forward looking yields will rise**.

Most listed property vehicles, like Real Estate Investment Trusts (REITs), have had a challenging year and this is often treated as a leading indicator for private/direct markets so **the downward pressure on valuations has been anticipated**.

This repricing will present challenges in the short term but will also create new investment opportunities. It will also be about **survival of the fittest, the highest quality assets and ESG credentials** and we believe the PruFund Growth UK property portfolio offers both.

For example, we have already seen a big divergence in returns from high quality office assets with ESG credentials and older assets that are often in need of a refurb. **ESG is very important consideration in property and M&G Real Estate have very strong credentials in this area**.

From a PruFund perspective, the large office development in Leadenhall is 40% pre-let to two tenants and interest is healthy for the rest of the space. You may have heard that all of the **office space in the Haymarket development is now fully pre-let**, which is good news

As always, diversification will be important and teams across the business have work hard over several years to reduce reliance on UK property and not only **build regional exposures across Asia, Europe and the US but also across different sectors like residential**.

So in short, there could be headwinds in 2023 but we believe the quality of our portfolios and the global diversity may help shield us from the worst.

New Investments

A quieter month in November with no significant additions to portfolios.

Fund Performance (Retirement Account)

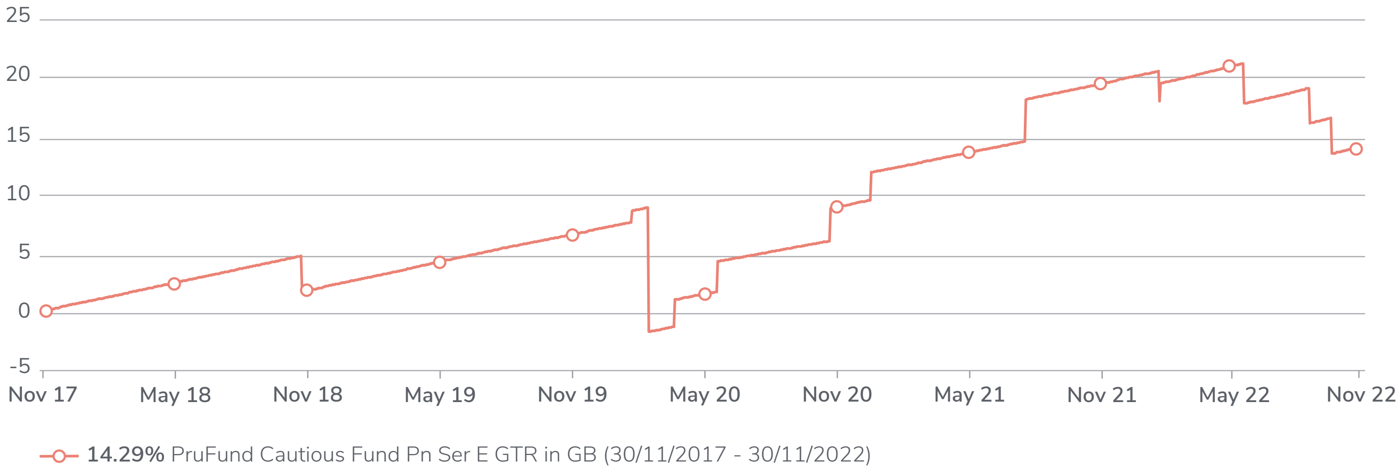
Performance – to last month end

	30/11/2017 to 30/11/2018	30/11/2018 to 30/11/2019	30/11/2019 to 30/11/2020	30/11/2020 to 30/11/2021	30/11/2021 to 30/11/2022
Fund	1.78%	4.68%	2.21%	9.69%	-4.32%

Annualised performance

	1 Year to 30/11/2022	3 Years to 30/11/2022	5 Years to 30/11/2022
Fund	-4.32%	2.37%	2.71%

Performance since 30 November 2017 (as at 30 November 2022)



Source of performance data: FE fundinfo.

To find out more on the funds objectives, risk profile and performance, **view the PruFund fund factsheets for our range of pension funds.**

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 investment can go down as well as up so you might get back less than you put in. For the PruFund range of funds, what you 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)

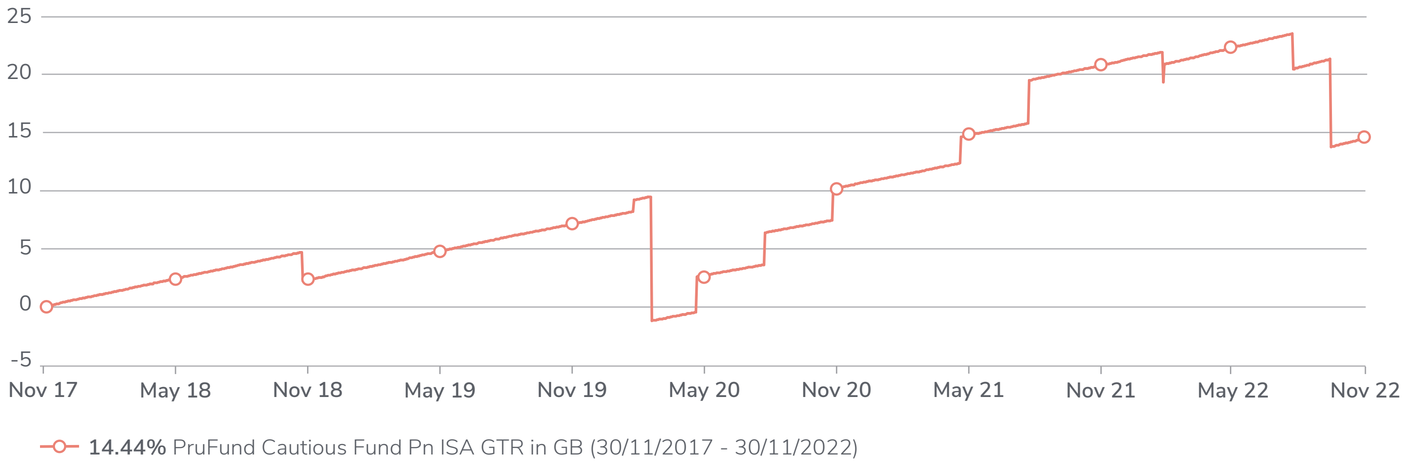
Performance – to last month end

	30/11/2017 to 30/11/2018	30/11/2018 to 30/11/2019	30/11/2019 to 30/11/2020	30/11/2020 to 30/11/2021	30/11/2021 to 30/11/2022
Fund	2.26%	4.68%	2.93%	9.57%	-5.21%

Annualised performance

	1 Year to 30/11/2022	3 Years to 30/11/2022	5 Years to 30/11/2022
Fund	-5.21%	2.25%	2.73%

Performance since 30 November 2017 (as at 30 November 2022)



Source of performance data: FE fundinfo.

To find out more on the funds objectives, risk profile and performance, **view the PruFund fund factsheets for our range of ISA funds.**

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)

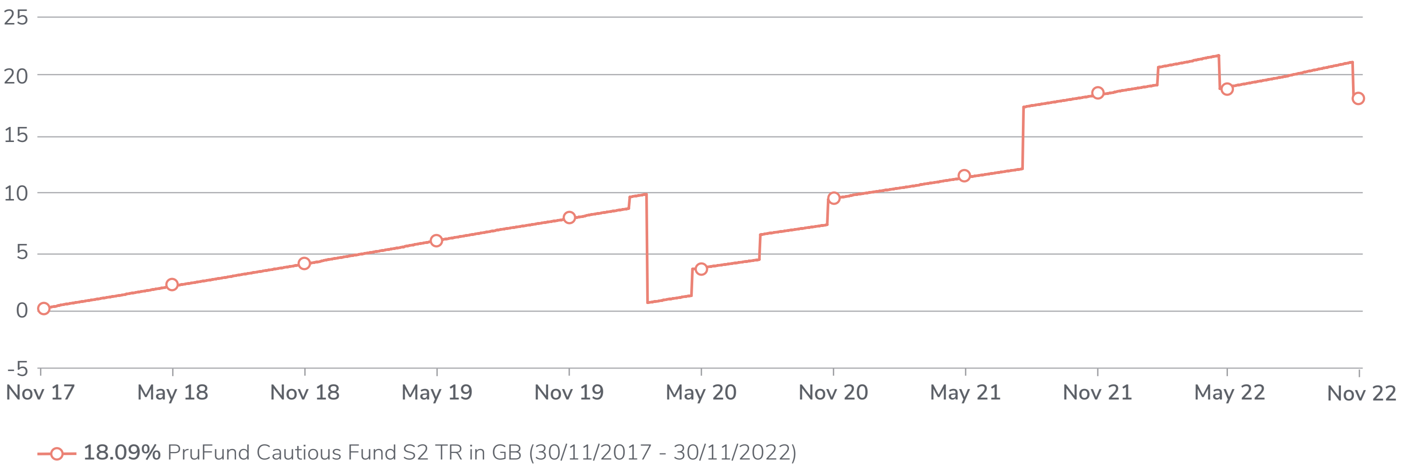
Performance – to last month end

	30/11/2017 to 30/11/2018	30/11/2018 to 30/11/2019	30/11/2019 to 30/11/2020	30/11/2020 to 30/11/2021	30/11/2021 to 30/11/2022
Fund	3.82%	3.73%	1.61%	8.08%	-0.14%

Annualised performance

	1 Year to 30/11/2022	3 Years to 30/11/2022	5 Years to 30/11/2022
Fund	-0.14%	3.12%	3.38%

Performance since 30 November 2017 (as at 30 November 2022)



Source of performance data: FE fundinfo.

To find out more on the funds objectives, risk profile and performance, **view the PruFund fund factsheets for our range of life funds.**

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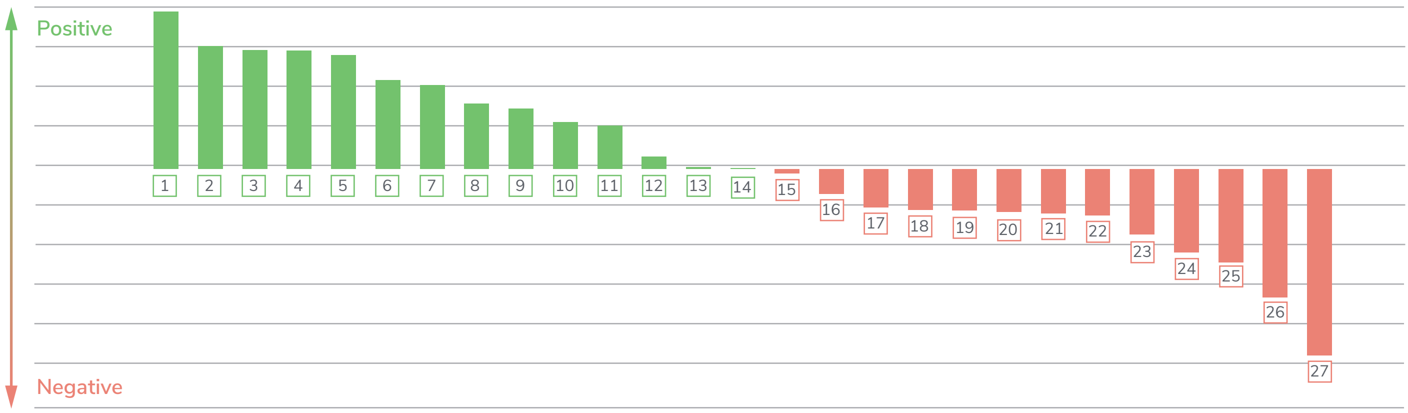
Underlying Asset Class Performance

The bar graph below is designed to give some insight in to how PruFund Cautious 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 31 October 2022



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

! 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. Returns in GBP and do not reflect any currency hedging within overseas Fixed Income.

Key points:

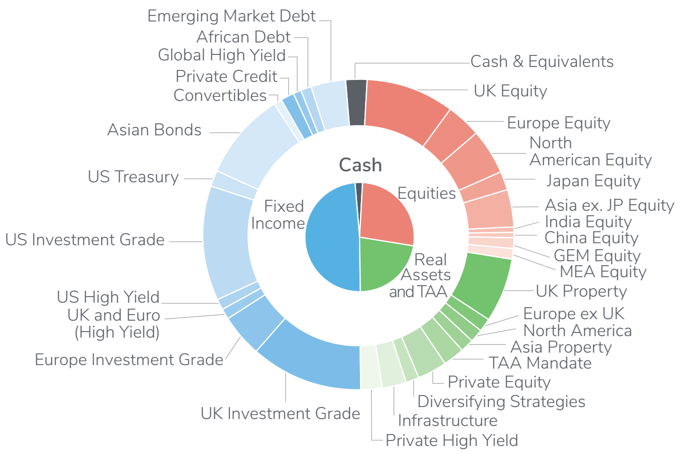
- Diversification has proven to be helpful in a very challenging year
- Most major equity and bond markets negative year to date, Indian and African equities are rare bright spots in public markets and the returns from US Bonds are in Sterling terms due to the hedging in place
- Specialist investments and real assets generating small positive returns

Source of performance data: M&G Performance teams.

PruFund Cautious Asset Allocation and Peer Comparison

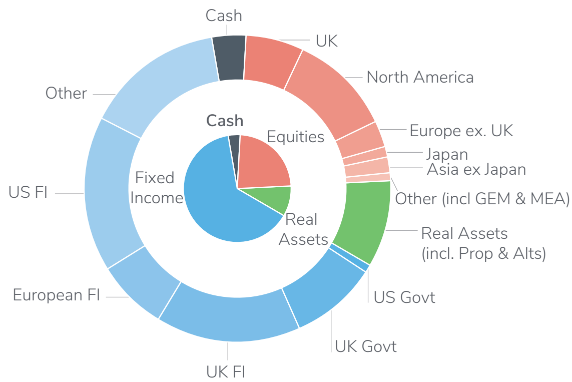
We have produced the pie charts below to provide an insight into the current asset class exposures for PruFund Cautious. At the same time we thought it would be helpful to give some context to this by showing the aggregate asset allocation of the 20 largest funds in the IA mixed-0-35 sector. Specific percentage exposures are shown on the following page.

PruFund Cautious



Source: Prudential Actuarial
Date: at end October 2022.

Average Peer Allocation



Source: M&G Treasury & Investment Office.
Date: at end September 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 Assets Under Management (AUM) from the IA Mixed 0-35% shares sector.

PruFund Cautious 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 Cautious 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 (%)
UK Equity	9.20%
European Equity	3.70%
North American Equity	4.60%
Japan Equity	2.00%
Asia ex. Japan Equity	3.90%
India Equity	0.70%
China Equity	0.60%
Global Emerging Markets Equity	1.00%
Middle East and Africa Equity	1.20%
Total Equity	**26.90%**
UK Property	6.50%
Europe ex UK property	1.40%
North America Property	1.40%
Asia Property	1.40%
Total Property	**10.70%**
Cash	**2.00%**
TAA Mandate	**2.30%**
Private Equity	3.10%

Asset	Strategic Asset Allocation (%)
Diversifying Strategies	1.30%
Infrastructure	2.50%
Private High Yield	2.20%
Total Real Assets and Alternatives	**9.10%**
UK (Investment Grade)	11.60%
Europe (Investment Grade)	4.50%
UK and Euro (High Yield)	1.10%
US High Yield	1.10%
US (Investment Grade and High Yield)	11.90%
US Treasury	1.80%
Asian Bonds	9.10%
Convertibles	1.00%
Private Credit	1.30%
Global High Yield	0.70%
African Debt	1.20%
Emerging Market Debt	3.70%
Total Fixed Income	**49.0%**

Source: Prudential Actuarial October 2022.

PruFund Cautious Holdings continued

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

Equities

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

UK Equities	2.39%
AstraZeneca plc	
Unilever plc	
BP plc	
HSBC Holdings plc	
Diageo plc	
GSK plc	
National Grid plc	
3I Group plc	
London Stock Exchange Group plc	
RELX plc	

North American (inc Canada) Equities	0.82%
Apple Inc	
Microsoft Corporation	
Alphabet Inc.	
Amazon.com Inc.	
Johnson & Johnson	
ExxonMobil Corporation	
Tesla Inc	
Nvidia Corporation	
Cenovus Energy Inc	
Royal Bank of Canada	

European Equities excluding UK	1.37%
Shell plc	
Shelbourne Bidco Limited	
Novartis AG	
Total Energies SE	
Roche Holding AG	
Siemens AG	
CRH plc	
Koninklijke Ahold Delhaize NV	
Sanofi SA	
SAP SE	

Asia & GEM Equities ex. Japan, China & India	1.49%
Taiwan Semiconductor Manufacturing Company Ltd.	
Samsung Electrics Ltd.	
Rio Tinto plc	
AIA Group Ltd.	
DBS Group Holdings Ltd.	
BHP Group Ltd.	
Sun Hung Kai Properties Ltd.	
Antofagasta plc	
KB Financial Group Inc.	
Bank Rakyat Indonesia (Persero) TBK	

Japan Equity	0.48%
Toyota Motor Corporation	
Hitachi Ltd	
Mitsui & Co Ltd.	
Sony Group Corp	
Nippon Telegraph and Telephone Corporation	
Honda Motor Co Ltd.	
Mitsui Fudosan Co Ltd.	
Orix Corporation	
Credit Saison Co Ltd.	
Recruit Holdings Co Ltd.	

Africa Equities	1.41%
PIMSA South Africa Unit Trust (Collective fund exposure)	
Delta Corporation Ltd. (Zimbabwe)	
Anglo American plc.	
Simbisa Brands Ltd.	
Innscor Africa Ltd.	
Nedbank Group Ltd.	
Clicks Group Ltd.	
African Rainbow Minerals Ltd.	
Transaction Capital Ltd.	
ABSA Group Ltd.	

China Equities	0.66%
Tencent Holdings Ltd.	
JD.COM Inc.	
Alibaba Group Holding Ltd.	
China Construction Bank Corporation (CCB)	
Yangzijang Shipbuilding Holdings Ltd.	
Weichai Power Co Ltd.	
Ping An Insurance Group Co of China Ltd.	
H World Group Ltd.	
Hutchmed China Ltd.	
Cosco Shipping Ports Ltd.	

India Equities	0.73%
Housing Development Finance Corporation Ltd	
Reliance Industries Ltd.	
Axis Bank Ltd.	
Tata Consultancy Services Ltd.	
Infosys Ltd.	
Maruti Suzuk India Ltd.	
ICICI Bank Ltd.	
Tech Mahindra Ltd.	
Bharti Airtel Ltd.	
Larsen & Toubro Ltd.	

Fixed Income

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

European including UK Fixed Income	2.86%
M&G European Loan Fund	
HSBC Holdings plc	
KFW	
Lloyds Bank plc.	
UK Conventional Gilts	
Banque Federative Du Credit Mutuel SA	
Electricite de France SA	
AA Bond Co Ltd	
Nationwide Building Society	
Santander UK Group Holdings plc	

US Fixed Income	5.16%
United States Treasury	
Bank of America Corporation	
Goldmans Sachs Group Inc.	
JPMorgan Chase & Co	
Morgan Stanley	
Wells Fargo & Company	
Citigroup Inc	
Verizon Communications Inc.	
Comcast Corporation	
AT&T INC	

Asian Fixed Income	4.30%
Indonesia (Republic of)	
Eastspring Investments China Bond Fund (collective fund exposure)	
Korea (Republic of)	
Philippines (Republic of)	
Malaysia (Government)	
Singapore (Republic of)	
India (Republic of)	
Thailand (Kingdom of, Government)	
China Peoples Republic of (Government)	
Sun Hung Kai Properties (Capital Market) Ltd.	

Alternatives

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

Private Equity	2.27%
Global Funds-of-Funds	
European Technology Buyout Fund	
US Co-investment Fund 1	
US Fund-of-Finds	
US Co-investment Fund 2	
Special Situations Fund	
GP Stakes Fund	
US Co-investment Fund 3	
Asian Special Situations Fund	
Global Distressed Dept Fund	

Diversifying Strategies	1.19%
Global Macro Hedge Fund 1	
Market Neutral Hedge Fund	
Global Marco Hedge Fund 2	
Credit Long/SHort Hedge Fund	
Healthcare Long/Short Hedge Fund	
Moderate Net Hedge Fund	
Global Macro Commodities Hedge Fund	
Event Driven/Multi Strategy Hedge Fund	
Music Royalties Fund	
Insurance Linked Security Fund	

Real Assets	1.91%
Global Diverified Co-investment Fund	
Global Brownfield Infrastructure Fund	
UK PFI Infrastructure Fund 1	
Global Energy Efficiency Infrastructure Fund	
Global Greenfield Infrastructure Fund	
UK PFI Infrastructure Fund 2	
European Brownfield Renewable Infrastructure Fund	
Global Diversified Core/Core+ Infrastructure Fund 2	

Property

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

Property (Global)	10.97%
M&G European Property Fund (collective fund exposure)	
M&G Asia Property Fund (collective fund exposure)	
The Arena Mollison Avenue – Industrial	
232/247 Tottenham Court Road – Office	
Selly Oak Shopping Park – Supermarket	
Morgan Stanley Prime – Office	
36 Queen Street – Office	
Lake House View – Distribution Warehouse	
Brackmills Central Units 1-32 – Industrial	
Riverside Retail Park – Retail Warehouse	

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	Fund Name	Investment Style	Internally or Externally managed
UK Equity	M&G (ACS) UK Listed Equity Fund	Active	External
	M&G (ACS) UK Listed Mid Cap Equity Fund	Active	Internal
	M&G (ACS) BlackRock UK All Share Index Fund	Passive	External
	M&G (ACS) BlackRock UK 200 Index Fund	Passive (evenly weighted)	External
Europe excluding UK Equity	M&G (Lux) European ex UK Equity Fund	Active	Internal
	M&G (Lux) Pan-European Smaller Companies Fund	Active	Internal
	M&G (Lux) BlackRock Europe ex UK Equity Fund	Passive	Internal
US Equity	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) BlackRock Canada Index Fund	Passive	Internal
Japan Equity	M&G (ACS) Japan Equity Fund	Active	Internal
	M&G (ACS) Japan Smaller Companies Fund	Active	Internal
Asia ex. Japan Equity	M&G APAC ex Japan Equity Mandate	Active	Internal
China Equity	M&G (ACS) Value Partners China Equity Fund	Active	External
	M&G (ACS) China Equity Fund	Index Enhanced	Internal
Global Emerging Markets Equity	M&G Funds (1) GSAM Global Emerging Market Equity Fund	Active	External
	M&G Funds (1) MFS Global Emerging Markets Equity Fund	Active	External
	M&G Funds (1) Invesco Global Emerging Markets Equity Fund	Active	External
	M&G Funds (1) Lazard Global Emerging Markets Equity Fund	Active	External
Indian Equity	M&G India Equity Mandate	Active	Internal
Middle East and Africa Equity	M&G South Africa Unit Trust	Active	Internal
	M&G South Africa Equity Fund	Active	Internal

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	Fund Name	Investment Style	Internally or Externally managed
UK (Investment Grade)	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 Leveraged loans	M&G European/UK High Yield Mandate	Active	Internal
	M&G European Leveraged Loans Mandate	Active	Internal
US (IG & HY)	M&G US Total Return Fixed Income Mandate M&G US Short Dated Fixed Income Mandate	Active Active	Internal Internal
US Treasury	M&G US Treasuries Mandate	Active	Internal
Asian Fixed Income	ESI Local Currency Asian Bond Fund ESI Hard Currency Asian Bond Fund ESI High Yield Asian Bond Fund ESI China Bond Fund	Active Active Active Active	External External External External
Convertibles	M&G Global Convertibles Fund	Active	Internal
Lower Risk Private Credit	M&G Catalyst – Lower Risk M&G Private Asset Fund (PAF)	Active Active	Internal Internal
Global High Yield	M&G Global High Yield Fund	Active	Internal
African Debt	M&G South Africa Pan-African Bond Fund	Active	Internal
Emerging Market Debt	M&G Emerging Market Debt Fund	Active	Internal

Property building blocks

PruFund Cautious 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	Fund Name	Investment Style	Internally or Externally managed
UK Property	Prudential Real Estate Limited Partnership (PRELP)	Active	Internal
Europe Property	M&G European Property Fund (Core-Balanced Collective)	Active	Internal
North America Property	Morgan Stanley Prime (Core-Balanced Collective) Directly held Assets	Active Active	Internal External
Asia Property	M&G Asia Property Fund (Core-Balanced Collective) Sector Specialist Collectives within Prudential Australian Property Trust	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	Fund Name	Investment Style	Internally or Externally managed
Private Equity	Portfolio of Private Equity	Active	Internal
Diversifying Strategies	Portfolio of Diversifying Strategies	Active	Internal
Infrastructure	Portfolio of Infrastructure	Active	Internal
Private High Yield	M&G Catalyst – High Yield M&G Private Asset Fund (PAF)	Active Active	Internal Internal
TAA Mandate	M&G Episode Strategies	Active	Internal

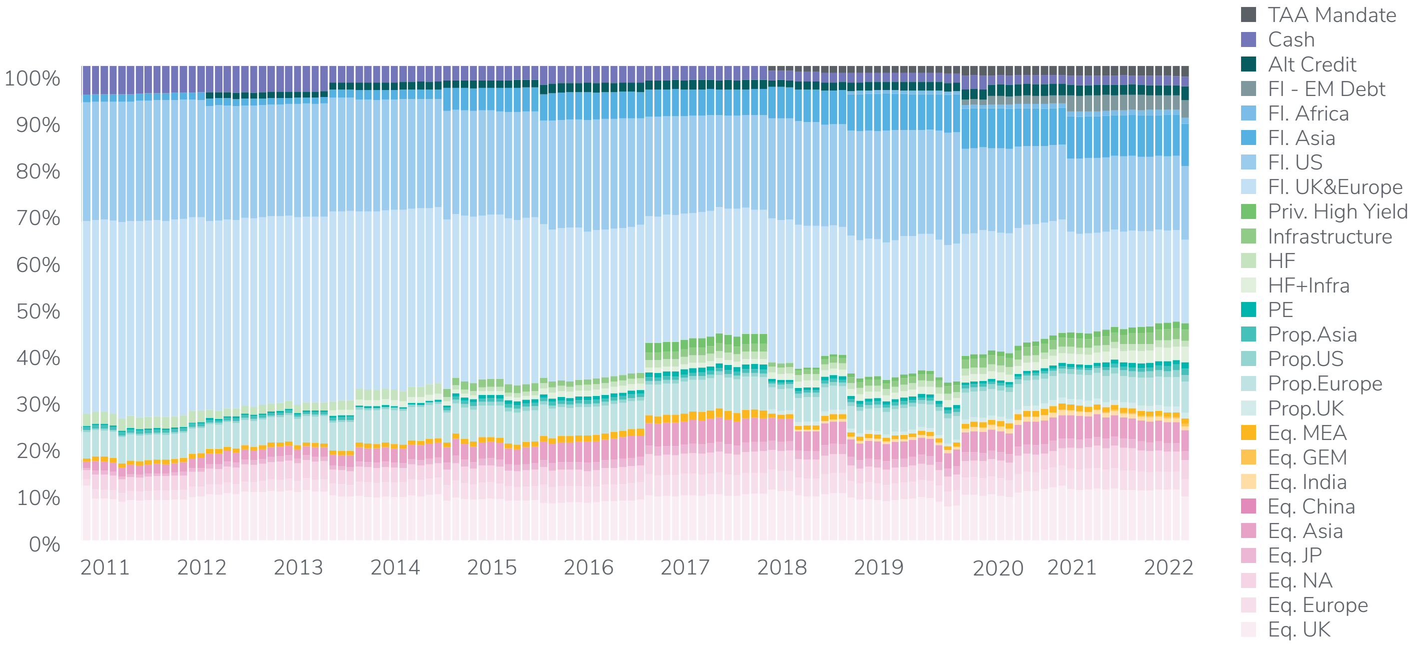
Cash and TAA Mandate building blocks

Asset	Fund Name	Investment Style	Internally or Externally managed
Cash	M&G Cash Fund	Active	Internal
TAA Mandate	M&G Episode Strategies	Active	Internal

Source of underlying holdings data: M&G Treasury and Investment Office as at 30 November 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 PruFund Cautious Fund.

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.

Glossary

Alternatives – investments which don't fall into the conventional asset categories of public equity, fixed income, property and cash. These may include private equity, hedge funds and direct investment in infrastructure.

Assets – items that are owned by an individual such as property and investments. Money in a bank or building society account is known as a liquid asset. Assets may also be held in a fund.

Diversification – spreading your investments to help reduce the risk within your portfolio.

Equities – another name for shares in a company. The Prudential With-Profits Fund holds public equities, which are listed on a stock market, and private equity, which are shares in unlisted private companies.

Fixed Income – assets which pay a set level of interest to investors. These include bonds issued by companies and governments.

Pooled Investment – investments such as unit trusts, where a number of people out their money together to enable them to buy a wider range of investments, thereby spreading the risk of volatility.

PruFund Cautious – an investment product within our With-Profits Fund that aims for steady and consistent growth over the medium to long-term over 5-10 years or more.

Property – in the context of 'Property' as a type of asset, investment is usually in commercial property such as offices, shops and industrial premises.

Return – a measure of performance. It is the total of the increase in value and any income received over a given period, expressed as a percentage.

Strategic Asset Allocation (SAA) – strategic asset allocation is a long term asset allocation approach, commensurate to the investor's risk profile and financial goals.

Treasury and Investment Office – part of the Prudential Assurance Company which looks after the investments of the With-Profits Fund.

Tactical Asset Allocation (TAA) – an investment style in which the three primary asset classes (stocks,bonds and cash) are actively balanced and adjusted, to maximize portfolio returns while keeping market risk to a minimum.

Volatility – a measure of how much an investment's price is likely to fluctuate during a set period of time.

Further information

If you're looking for more information then please speak to your Financial Adviser. You can refer to the relevant Key Features Document and Funds Guides for more details on our range of funds available from your Financial Adviser.

If you would like to find out more information on the PruFund range of funds, please see:
mandg.com/pru/customer/en-gb/funds/investment-fund-range/prufund

pru.co.uk

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