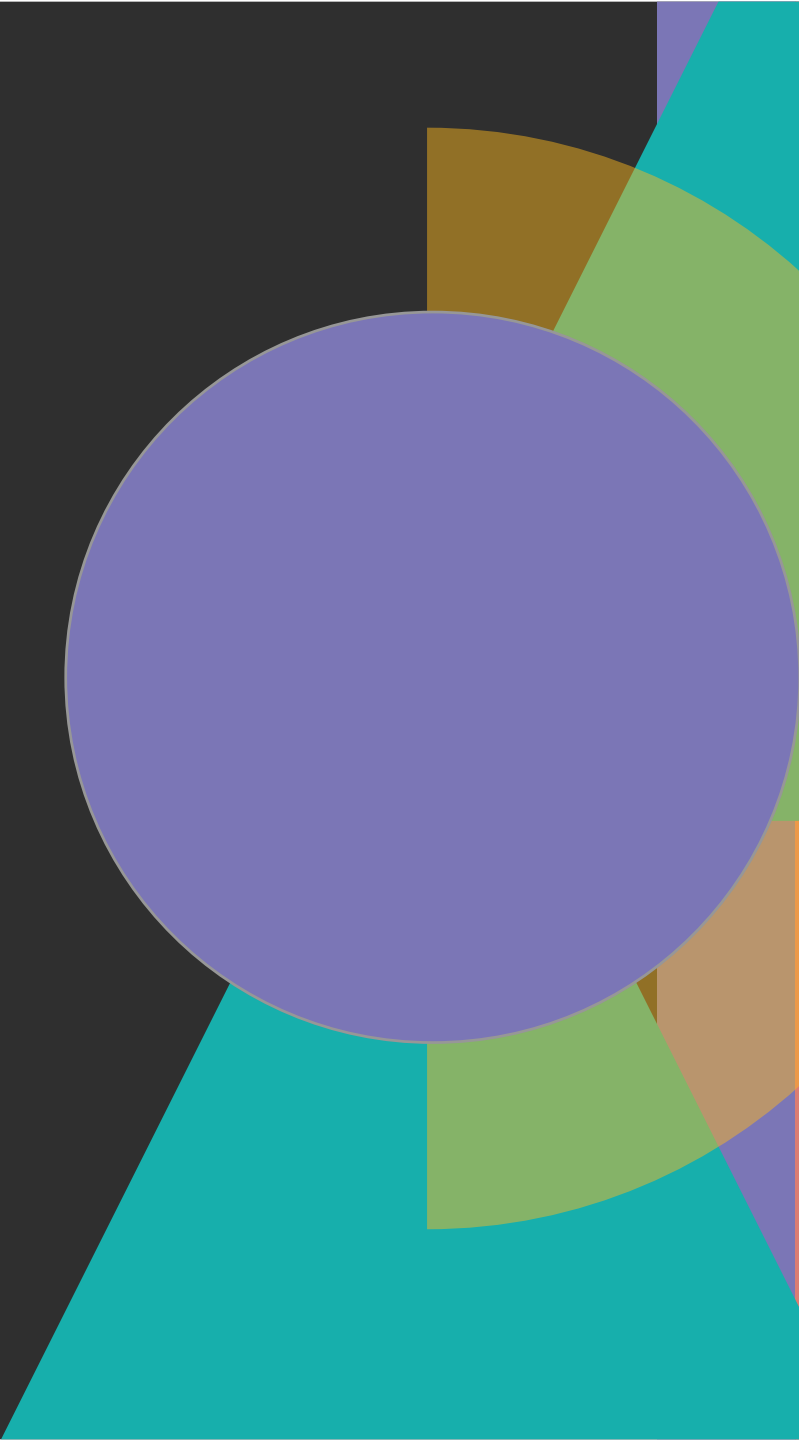




Multi-Asset Solutions January Quarterly Update

29 January 2025



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Agenda

1

Introduction

2

Performance
Review

3

Building a Central
Investment
Proposition

4

2025 Market
Outlook

5

Q&A

Speakers

- Shanti Kelemen, Chief Investment Officer, M&G Wealth Investments
- Jon Baker, Managing Director, QuantQual Investment Consultants
- Ben Troke, Senior Investment Strategist, M&G Treasury & Investment Office

Learning Objectives

By the end of this session, you will be able to:

Outline key considerations and best practices for building a central investment proposition

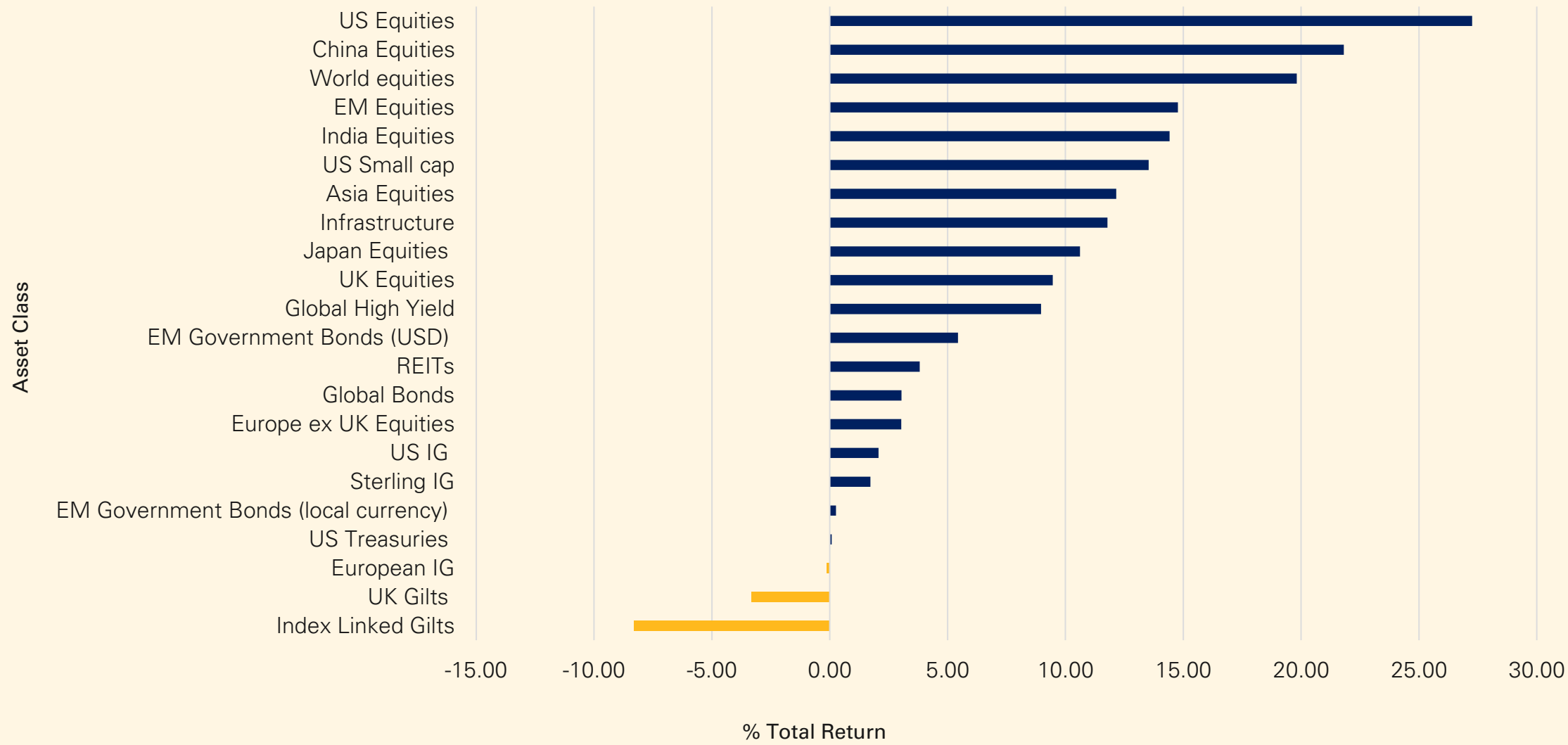
Identify key political and financial events that may influence markets in 2025

Describe how government debt levels can influence economies and interest rates.

Performance Review



Asset class returns, 2024



Source: M&G Wealth Investments LLP, Morningstar Direct 31st December 2024. Total return quoted in GBP.
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2024 by the numbers

\$3.3
trillion

\$102
trillion

2 billion

1.5 C

233k

\$77
billion

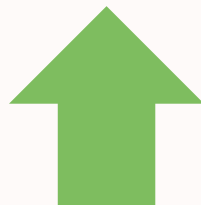
- Eligible voters in elections
- Deaths from conflicts
- Global public debt
- US duties collected on imports
- Nvidia's market capitalisation
- Rise in global average surface temperature

2024: What we read

The most used words in Reuters intraday headlines between 1st January and 31st December 2024, spanning 47k+ articles.



Key Performance Drivers, Q4 2024



- The models have more in high yield and emerging market bonds, which have outperformed developed market government bonds.
- Sterling weakness benefitted international equity returns.



- Having less in the US and more in Europe, Asia and emerging market equities vs peers was a detractor.
- Portfolios with lower equity weighting relative to benchmark detracted as equities outperformed bonds over the quarter.

Performance vs benchmark in 2024 was driven by the equity weight relative to the benchmark, as equities significantly outperformed bonds.

Model Portfolio Performance – Hybrid & Passive

- In Q4, relative performance was driven by equity allocations as equities outperformed bonds (which we hedge to GBP).
- Within fixed income, having more in high yield bonds and emerging market bonds benefited returns as both outperformed developed market government bonds.
- Within equities, holding less in the US and more in Europe, Asia and emerging market equities detracted from performance.
- Longer term returns remain strong.

Performance (to end of December 2024)

		3 months (%)		6 months (%)		1 year (%)		3 years (ann.) (%)		5 years (ann.) (%)		10 years (ann.) (%)	
Fund	Benchmark	MPS	Rel	MPS	Rel	MPS	Rel	MPS	Rel	MPS	Rel	MPS	Rel
MPS Passive 1	IA Mixed Investment 0-35% Shares TR	-0.64	-0.42	2.34	0.11	3.67	-0.75	0.19	0.65	1.69	0.64	3.25	0.88
MPS Passive 2	IA Mixed Investment 20-60% Shares TR	0.05	-0.01	2.60	0.26	5.41	-0.66	1.30	0.45	3.08	0.46	4.67	0.92
MPS Passive 3	IA Mixed Investment 20-60% Shares TR	0.56	0.5	2.81	0.47	6.62	0.55	2.30	1.45	4.33	1.71	5.83	2.08
MPS Passive 4	IA Mixed Investment 40 - 85% Shares TR	1.11	-0.12	3.03	0.14	8.00	-0.98	3.22	1.28	4.95	0.59		
MPS Passive 5	IA Mixed Investment 40 - 85% Shares TR	1.6	0.37	3.20	0.31	9.21	0.23	4.05	2.11	5.51	1.15	6.78	1.24
MPS Passive 6	IA Mixed Investment 40 - 85% Shares TR	2.14	0.91	3.38	0.49	10.42	1.44	4.80	2.86	5.78	1.42	7.28	1.74
MPS Hybrid 1	IA Mixed Investment 0-35% Shares TR	-0.77	-0.55	2.48	0.25	3.94	-0.48	0.45	0.91	1.76	0.71	3.20	0.83
MPS Hybrid 2	IA Mixed Investment 20-60% Shares TR	-0.06	-0.12	2.82	0.48	5.80	-0.27	1.42	0.57	3.13	0.51	4.54	0.79
MPS Hybrid 3	IA Mixed Investment 20-60% Shares TR	0.4	0.34	2.98	0.64	6.84	0.77	2.02	1.17	4.19	1.57	5.61	1.86
MPS Hybrid 4	IA Mixed Investment 40 - 85% Shares TR	0.9	-0.33	3.28	0.39	8.22	-0.76	2.59	0.65	4.71	0.35		
MPS Hybrid 5	IA Mixed Investment 40 - 85% Shares TR	1.41	0.18	3.48	0.59	9.48	0.50	3.12	1.18	5.20	0.84	6.52	0.98
MPS Hybrid 6	IA Mixed Investment 40 - 85% Shares TR	2.05	0.82	3.75	0.86	10.90	1.92	3.36	1.42	5.34	0.98	6.91	1.37

While M&G Wealth Investments LLP has taken reasonable steps in the preparation of the performance figures, we can't accept responsibility for any errors, omissions, or actions taken based on the information. The performance figures are calculated in FE Fundinfo based on a standard model and may not reflect the performance of individual customer portfolios. The calculation includes all underlying fund charges and investment management fees. The platform, wrapper and advice fees are excluded. The IA sectors index represents the average returns of a wide range of mixed asset funds, with broadly similar equity content. The schedule contains simulated past performance (prior to 17 January 2025) for Passive 4 and Hybrid 4. The figures we've shown for those portfolios are an example of how they may have performed. All other figures are actual past performance. We can't predict the future. Past performance isn't a guide to future performance.

Source: FE Analytics, M&G Wealth Investments LLP, 31st December 2024.

Model Portfolio Performance – Global ESG Themes

- The models have more in global bonds and less in UK government bonds than other MPS models which has helped performance.
- The thematic equity funds have underperformed global equities.

Performance (to end of December 2024)

		3 months (%)		6 months (%)		1 year (%)		2 years (ann.) (%)		3 years (ann.) (%)		5 years (ann.) (%)	
		MPS	Rel	MPS	Rel	MPS	Rel	MPS	Rel	MPS	Rel	MPS	Rel
MPS GESGT 1	IA Mixed Investment 0-35% Shares TR	-1.03	-0.81	2.56	0.33	4.15	-0.27	5.83	0.65				
MPS GESGT 2	IA Mixed Investment 20-60% Shares TR	-0.88	-0.94	2.37	0.03	5.08	-0.99	6.25	-0.18				
MPS GESGT 3	IA Mixed Investment 20-60% Shares TR	-0.87	-0.93	2.19	-0.15	5.50	-0.57	6.40	-0.03				
MPS GESGT 4	IA Mixed Investment 40 - 85% Shares TR	-0.74	-1.97	2.08	-0.81	6.13	-2.85	6.60	-1.91				
MPS GESGT 5	IA Mixed Investment 40 - 85% Shares TR	-0.78	-2.01	1.82	-1.07	6.57	-2.41	6.74	-1.77				

While M&G Wealth Investments LLP has taken reasonable steps in the preparation of the performance figures, we can't accept responsibility for any errors, omissions, or actions taken based on the information. The performance figures are calculated in FE Fundinfo based on a standard model and may not reflect the performance of individual customer portfolios. The calculation includes all underlying fund charges and investment management fees. The platform, wrapper and advice fees are excluded. The IA sectors index represents the average returns of a wide range of mixed asset funds, with broadly similar equity content. The figures we've shown for those portfolios are an example of how they may have performed. All other figures are actual past performance. We can't predict the future. Past performance isn't a guide to future performance.

Source: FE Analytics, M&G Wealth Investments LLP, 31st December 2024.

Risk Managed Funds Performance

- Lower allocations to US equities in favour of Asia equities, UK equities and REITs detracted from total returns.
- Over the medium term (3-5 year):
 - Having more in UK, Asia and emerging market equities has resulted in underperformance in the portfolios vs. peers.
 - Lower risk models have performed well, due to having more in emerging market and high yield bonds, which outperformed global bonds in this period.

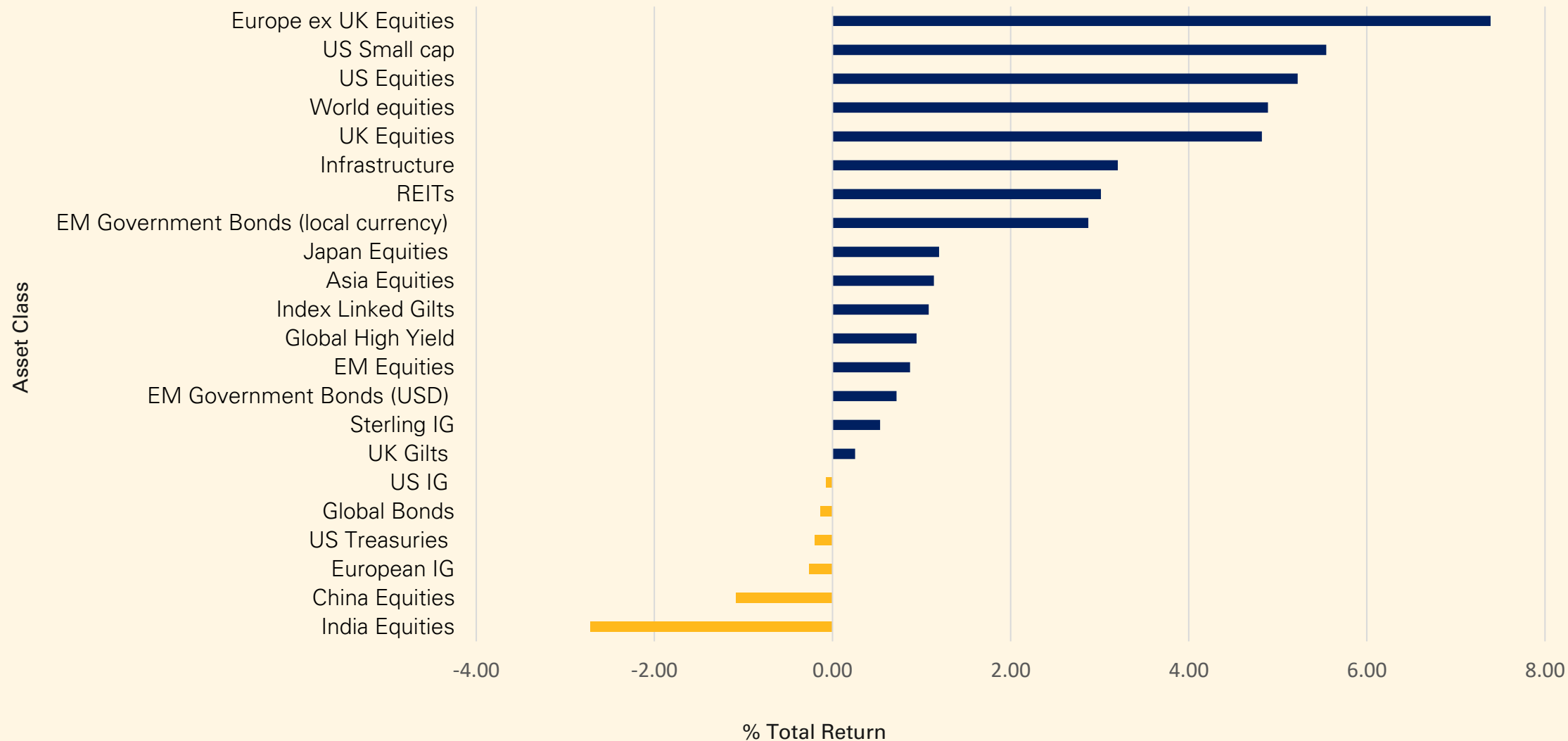
Performance (to end of December 2024)

Fund	Benchmark	3 months (%)		6 months (%)		1 year (%)		3 years (ann.) (%)		5 years (ann.) (%)		10 years (ann.) (%)	
		MPS	Rel	MPS	Rel	MPS	Rel	MPS	Rel	MPS	Rel	MPS	Rel
RM Passive 1	IA Mixed Investment 0-35% Shares TR	-0.75	-0.53	2.48	0.25	4.19	-0.23	-0.12	0.34	1.47	0.42	3.19	0.82
RM Passive 2	IA Mixed Investment 20-60% Shares TR	-0.68	-0.74	2.43	0.09	4.67	-1.40	0.28	-0.57	2.03	-0.59		
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RM Passive 4	IA Mixed Investment 40 - 85% Shares TR	-0.38	-1.61	2.80	-0.09	7.11	-1.87	2.24	0.30	3.78	-0.58		
RM Passive 5	IA Flexible Investment TR	-0.21	-2.11	2.94	-0.03	8.36	-1.06	3.06	0.90	4.85	0.02		
RM Active 1	IA Mixed Investment 0-35% Shares TR	-0.50	-0.28	2.71	0.48	3.90	-0.52	-0.26	0.20	1.41	0.36	3.03	0.66
RM Active 2	IA Mixed Investment 20-60% Shares TR	-0.78	-0.84	2.64	0.30	4.46	-1.61	-0.02	-0.87	1.79	-0.83	3.37	-0.38
RM Active 3	IA Mixed Investment 20-60% Shares TR	-0.42	-0.48	3.13	0.79	6.09	0.02	0.73	-0.12	2.48	-0.14	4.01	0.26
RM Active 4	IA Mixed Investment 40 - 85% Shares TR	-0.25	-1.48	3.43	0.54	6.83	-2.15	1.59	-0.35	3.29	-1.07	4.72	-0.82
RM Active 5	IA Flexible Investment TR	-0.21	-2.11	3.60	0.63	7.81	-1.61	2.18	0.02	4.02	-0.81	5.40	-0.43

Source: FE Analytics (bid to bid), M&G Treasury and Investment Office (MAPM), 31st December 2024.

The table shows the annualised performance of each fund in the LF Prudential Risk Managed Passive range versus its relevant IA sector average. Outperformance for the fund is indicated by the green boxes.

Asset class returns, year-to-date



Source: M&G Wealth Investments LLP, Morningstar Direct 23rd January 2025. Total return quoted in GBP.
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Building a Central Investment Proposition



Consumer Duty – *Your Duty*

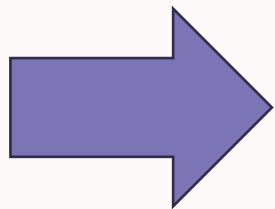
Putting the Services back into Financial Services

Greater need is to focus on your core value:

- Finding new clients and servicing existing clients
- Building relationships and delivering good advice
- Delivering better outcomes

Your Value Proposition:

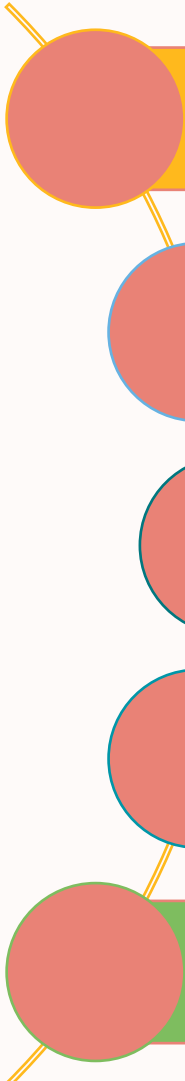
- Spend more quality time with clients
- Communicate more effectively
- Align with Consumer Duty requirements



Example of good practice: Engaging with clients in later life stages, including involving next of kin in financial planning.

What a good CIP should look like

More of a flexible framework than a rigid process



A Centralised Investment Proposition ('CIP') is a framework which enables advisers to more efficiently determine suitable investment solutions for their clients.

It is a streamlined approach to provide a range of potential solutions for clients with the same broad needs.

Funds, MPS and other solutions to consider include Fully active growth, Blended active/passive growth, Passive growth, Natural income, and ESG portfolios.

Consistently applied investment beliefs are very important.

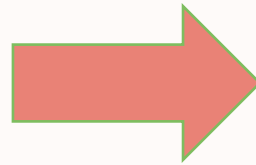
The CIP preferred solutions are not right for all clients, so there should be an exception process where required by the client's circumstances and objectives.

Investment Environment

In a post quantitative-easing world

These views often stem from the unique investment environment of 2008–2022, marked by:

- Low inflation and interest rates,
- Quantitative easing,
- Benign geopolitics,
- Globalization and
- An unusually long bull market.



We now find ourselves in a vastly different investment environment, characterised by:

- Higher inflation and interest rates,
- Quantitative tightening,
- Geopolitical tension, and
- De-Globalisation

Focus on Value, not Cost

We are cost-conscious but cheap doesn't always equate to good value

We evaluate investments and services based on:

- The quality and expertise of the team
- Risk management processes
- Long-term and potential returns
- Service standards
- Consistency of performance

We evaluate the standards outlined above and assess their alignment with the associated fees

Key Considerations

When Selecting Investment Partners

- Consistency of performance (beyond short-term results).
- Value for money.
- Team structure and expertise.
- Key person risk.
- Idea generation within the team.
- Risk management processes.
- Level of service and reporting.
- Support and partnership credentials.
- Stability of the company and investment team.

"It's the fish that John West rejects that makes John West the best."

Challenges Ahead

CRP – Thematic Review

Separation of CIPs and CRPs: A critical focus area for firms.

Regulatory Emphasis: Recent thematic review highlights the importance of distinct CRPs, likely to become a regulatory requirement.

Prepared Clients: Our clients already have CRPs alongside CIPs, ensuring readiness and compliance.

Streamlined Operations: We manage the groundwork and regulatory preparation, allowing clients to focus on their business.

Call to Action: If you haven't separated your CIP and CRP yet, now is the time to act.

Benefits: Ensures compliance and enhances your service offering.

Summary

- Your CIP needs a range of investment solutions.
- Have regular, documented CIP reviews.
- Ensure clear documentation of considerations and amendments, to a CIP whether implemented or not.
- Do what you do best and outsource the rest.

2025 Outlook

The background features a light gray field with a large triangular area on the left filled with fine, parallel gray lines. On the right side, there is a series of overlapping geometric shapes: a large yellow triangle pointing upwards, a smaller olive green triangle below it, a red triangle to the right of the olive one, and a small teal triangle at the bottom left of the red one. A dark gray vertical bar is located on the far right edge.

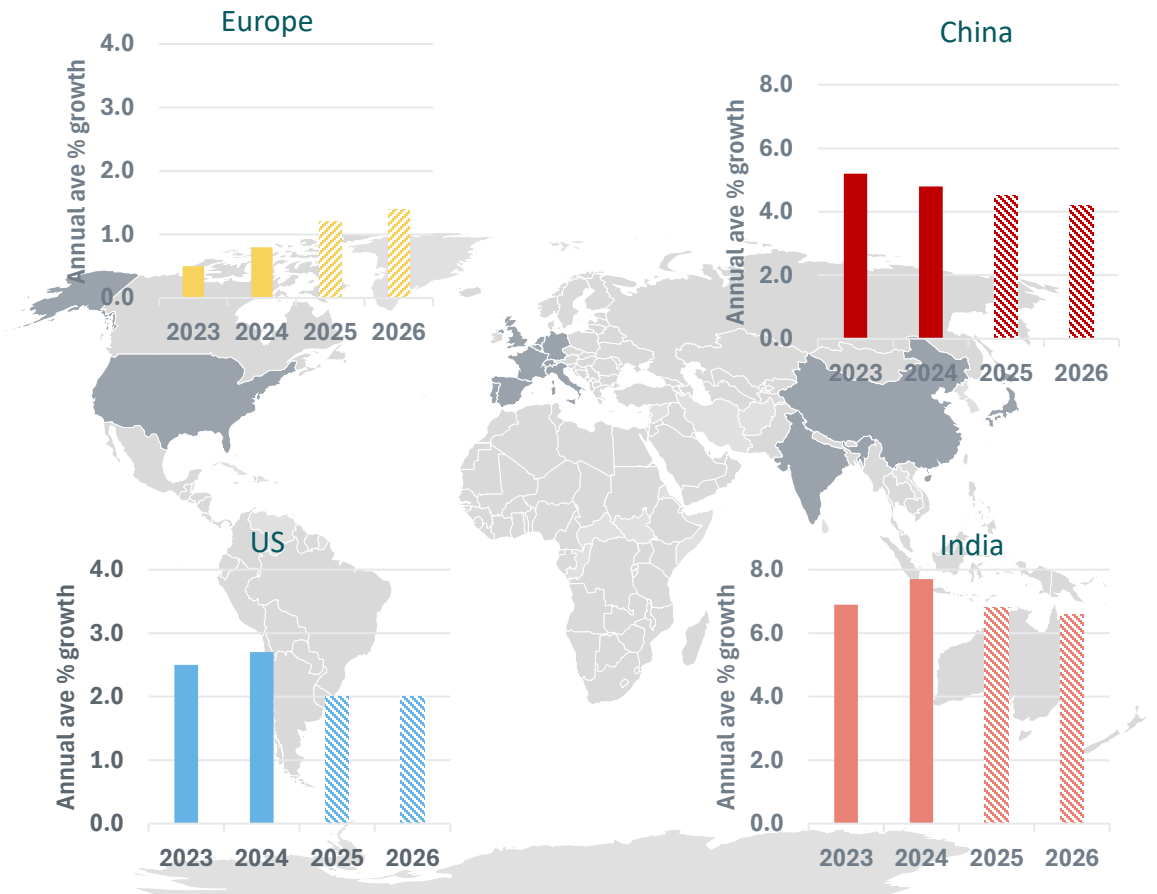
The World Ahead

Key Questions for 2025

1. What next for interest rates?
2. What will the US election mean for the world?
3. Will geopolitical risks flare up again?
4. Will AI spur a new wave of growth?



Consensus growth expectations remain robust



Source: LSEG, as of end November 2024

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What next for interest rates?

Where will interest rates settle?

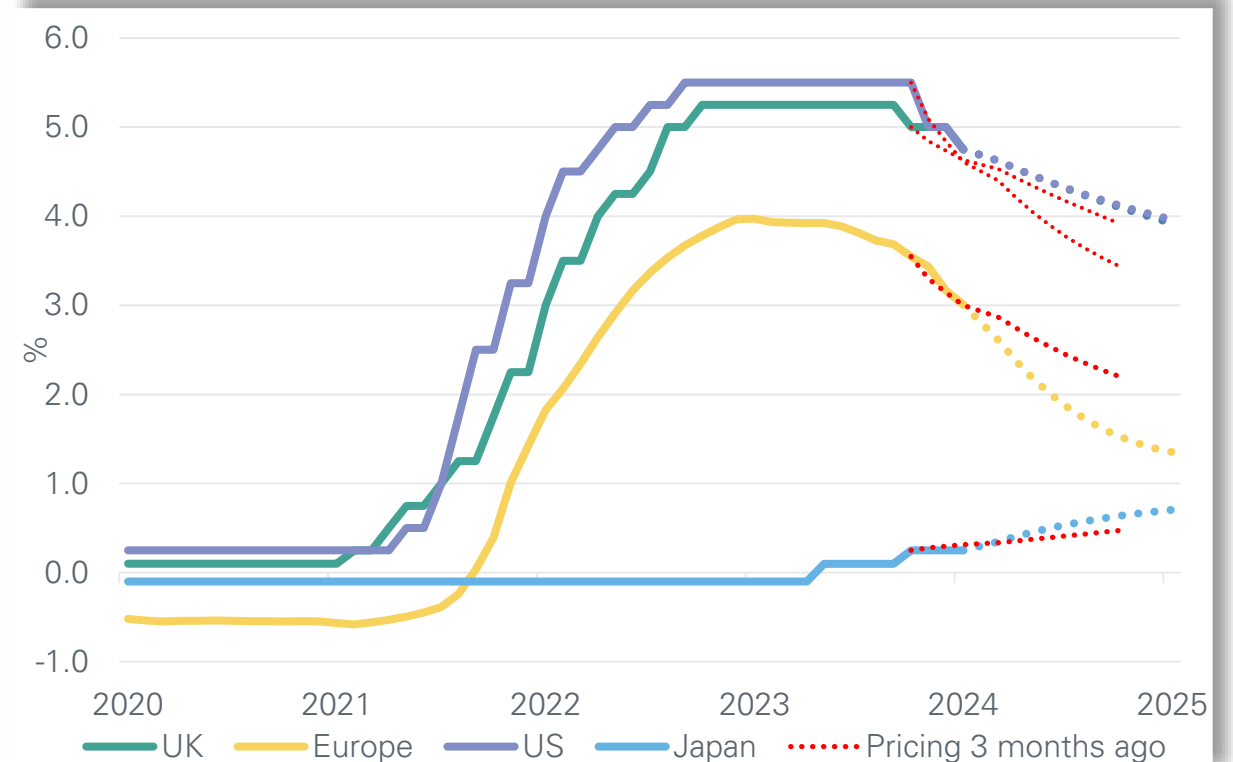
- More existing borrowing should refinance at higher rates, giving central banks further evidence on what level of interest rates is sustainable over the long term.

Will government deficits dominate the policy agenda?

- Stretched public finances may put upward pressure on bond yields.
- Keeping financing costs under control may place pressure on central banks to act in support.
- This dynamic could set up a tension between the two pillars of economic policy, place an upward bias on inflation again.

*Expectations for policy
rates remain volatile*

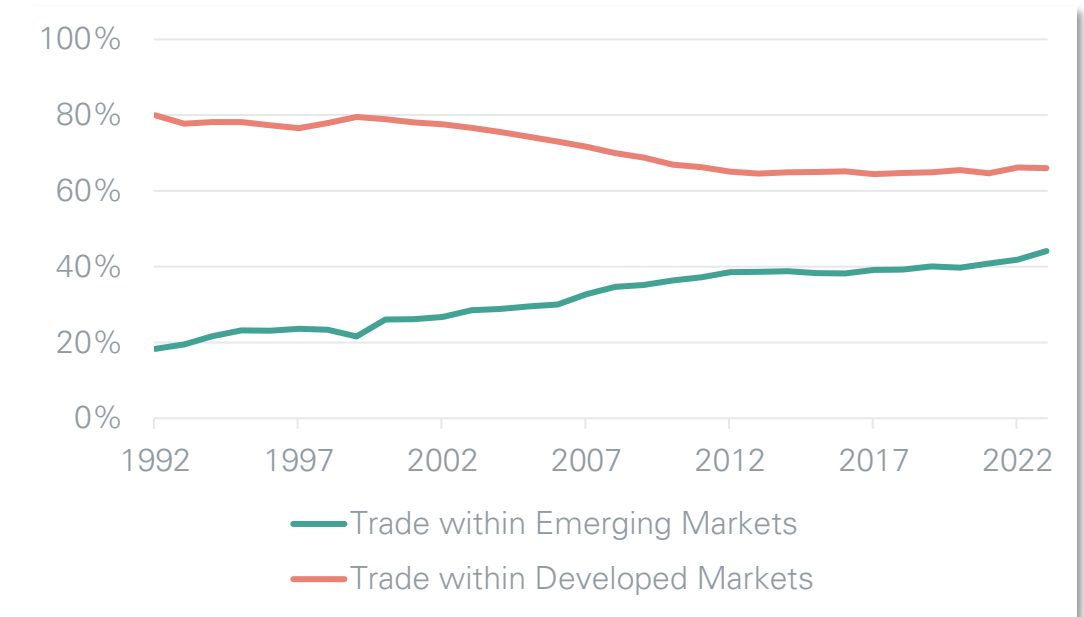
Market-implied path for central bank policy rates



What will US protectionism mean for the World?

- Supply chains have changed significantly since Trump's last term in office.
- It may be harder to target specific trade partners such as China with tariffs.
- Any tariff policy will likely inflict pain on the US economy as well. Estimates of tariff impacts from the 2018-19 trade spat suggest around 0.8% of GDP impact on China, but also a 0.6% impact on the US as well.
- Chinese policymakers appear to be holding back on stimulus announcements and may wait to see what direction the US takes before acting more forcefully.

The Global South is becoming increasingly self-reliant



*"Trade wars are good,
and easy to win"*

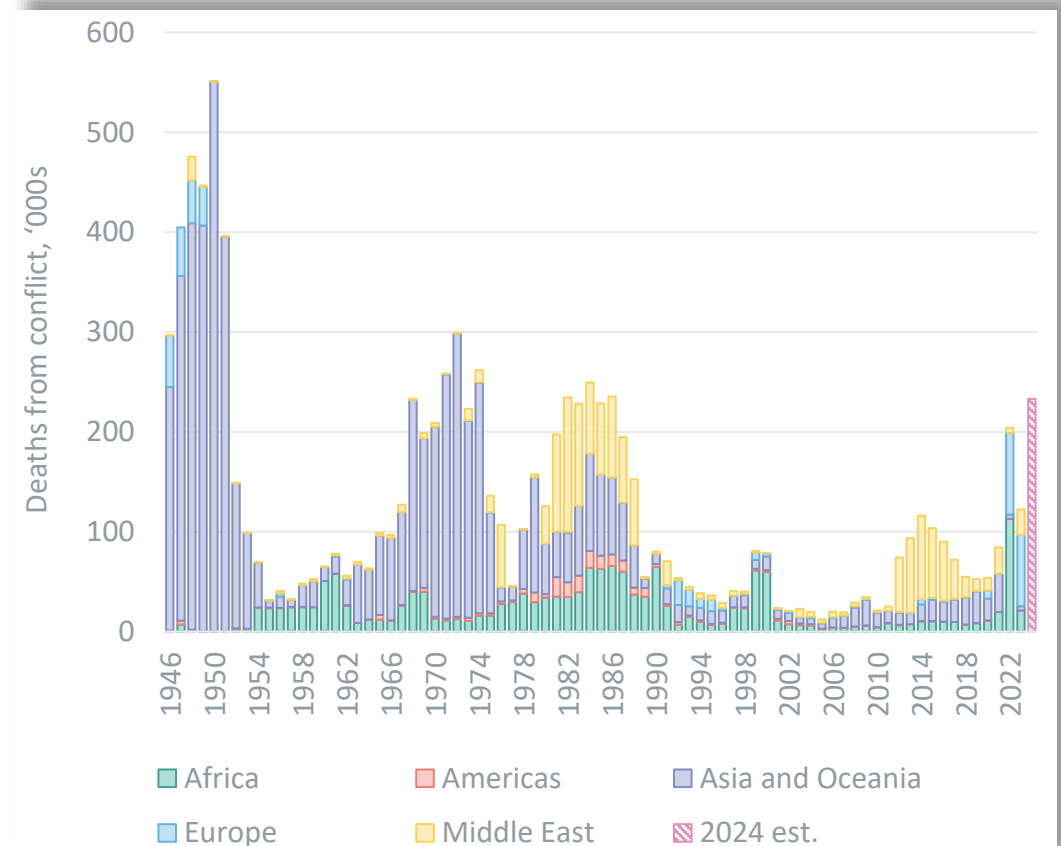
Donald Trump, US president

Will geopolitical risks abate or flare up again?

- Geopolitical tensions have remained elevated, however, the global economy and capital markets have adapted to this new baseline.
- Disruptions to supply chains have so far been kept under control, with companies working to improve resilience by diversifying suppliers.
- New alliances are also being forged, allowing targeted countries to find ways around sanctions.
- Investors will need to remain alert to geopolitical developments and follow a disciplined framework to assess the ultimate economic implications.

Despite conflicts, global economic impacts were muted in 2024

Global conflicts remain elevated



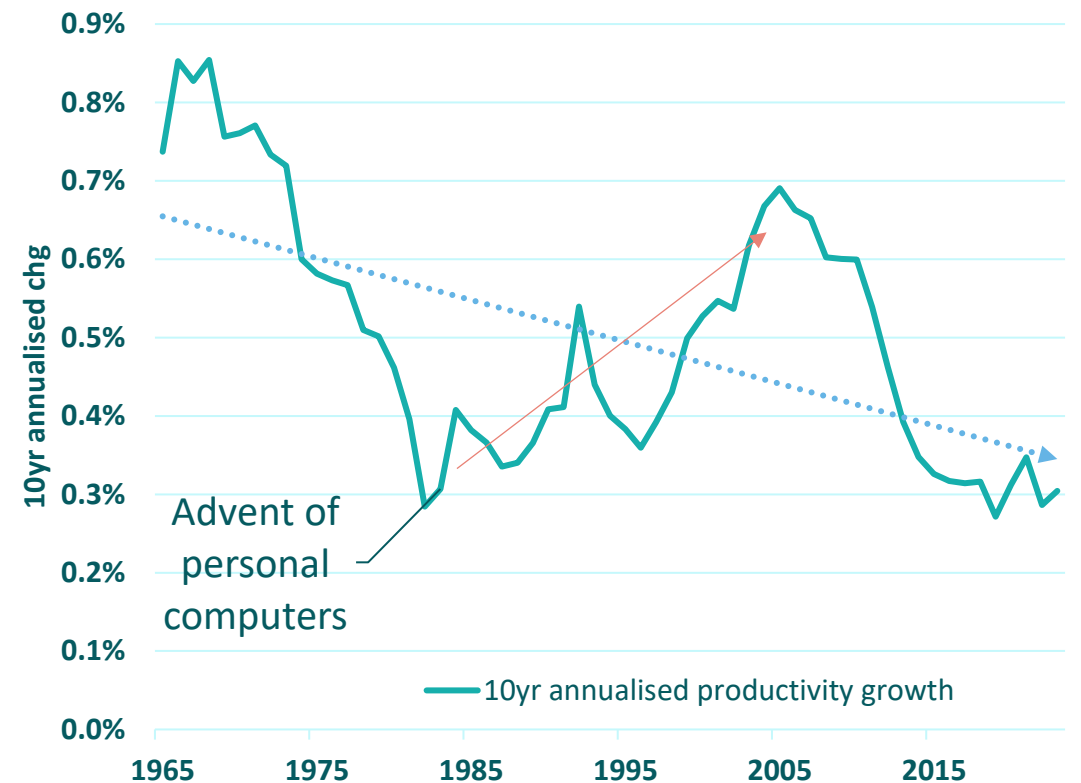
Source: World Bank & ACLED Conflict Index, as of end November 2024

Will AI spur growth?

- Evidence from previous technological leaps suggests that impacts can be over-estimated in the short-term, whilst the long-term impact is often under-estimated.
- Technology firms are seeing strong growth in capital investment as they race to position for high adoption.
- Revenue and earnings growth expectations continue to point to double-digit growth rates for these companies, and this has been largely reflected in valuations.
- Successful adoption could introduce a new period of productivity growth and sustain already elevated profit margins.

***Adoption of AI has mostly been
for personal use so far***

Can AI sustain a productivity pickup in the wider economy?



Investment implications

Benefits from our current positioning

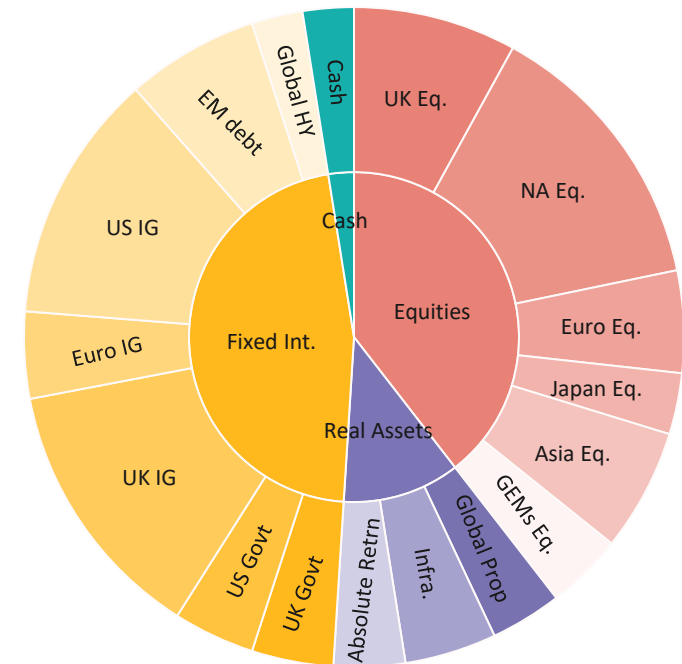
1 Fading competition from cash: Cash has been underperforming multi-asset portfolios and as interest rates fall such temptations may anyway recede.

2 Diversification remains key to ensure robustness: Given ongoing uncertainties, high diversification (and diversified sources of growth) is still valuable when surprises inevitably emerge.

3 Real asset exposures: Inflation is not extinct by any means. Thus, our allocation to real assets remains a valuable driver for robust returns.

4 Regionally diversified exposures still beneficial: In fragmented environment, dispersion and benefits of diversification are likely to remain high, as global economic cycles remain shorter and more asynchronous.

MPS Hybrid 3 Strategic Asset Allocation



As at 31/12/2024.

Source: Treasury & Investment Office.

Investment Solutions

PruFund Range

from Prudential

Choice of 16 multi-asset funds:

- PruFund Growth
 - PruFund Cautious
 - Risk Managed PruFunds
 - PruFund Planet
-

Cautious to medium risk investors.

Those looking for a smoother journey from their investment.

Close to retirement / in decumulation.

Available on the M&G Wealth Platform and through packaged retirement and investment products (both onshore and offshore).

Risk-Managed Range

from Prudential

Choice of two ranges:

- Risk Managed Active Range
 - Risk Managed Passive Range
-

Accumulation and decumulation.

A lower cost solution actively managed.

Use as either stand alone or as part of a portfolio.

Available on platforms, and through packaged retirement and investment products.

Model Portfolio Service

From M&G Wealth Investments

Three portfolio ranges:

- Passive
 - Hybrid
 - Global ESG Themes
-

Complete solution for those advisers looking to outsource their investment proposition.

For both accumulation and decumulation.

Blend with existing CIP to help achieve more diversification and lower volatility.

Available on platforms.

FEEDBACK FORM

The background of the image is composed of three distinct geometric regions. The top-left region is a solid teal color. The bottom-right region is a solid salmon or light red color. A diagonal band of dark grey or charcoal color runs from the bottom-left towards the top-right, separating the teal and salmon areas.

QUESTION
TIME



Thanks for your time

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

