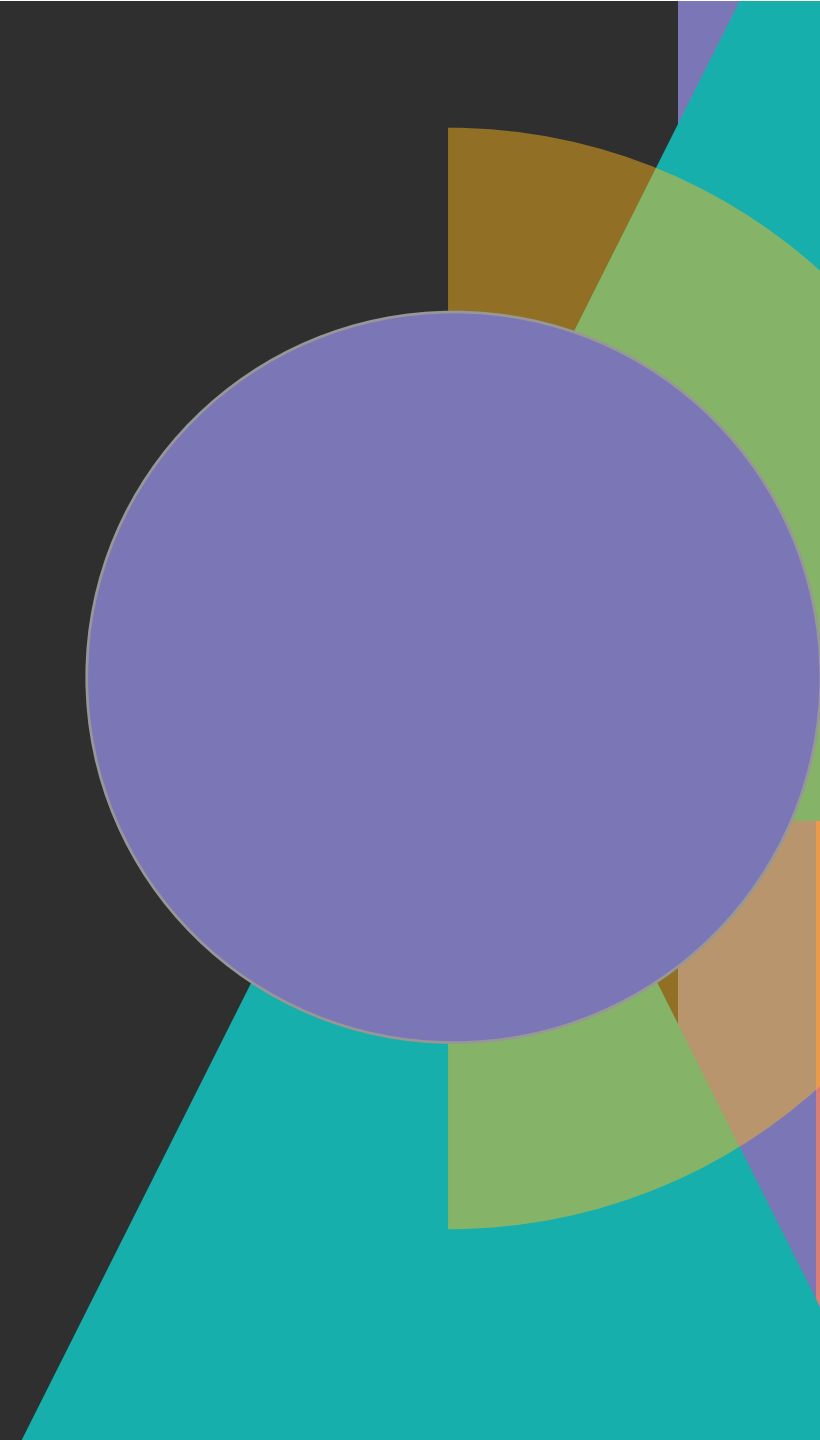




Multi-Asset Solutions Quarterly Update

10 April 2024



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Agenda

1

Introduction

2

Performance
Review

3

US Equities: Do
Valuations Matter?

4

The Case for
Asia

5

Q&A

Speakers

- Shanti Kelemen, Chief Investment Officer, M&G Wealth
- Phil Butler, Portfolio Manager, M&G Treasury and Investment Office
- George Rolls, Investment Specialist, M&G Investments - Asia

Learning Objectives

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

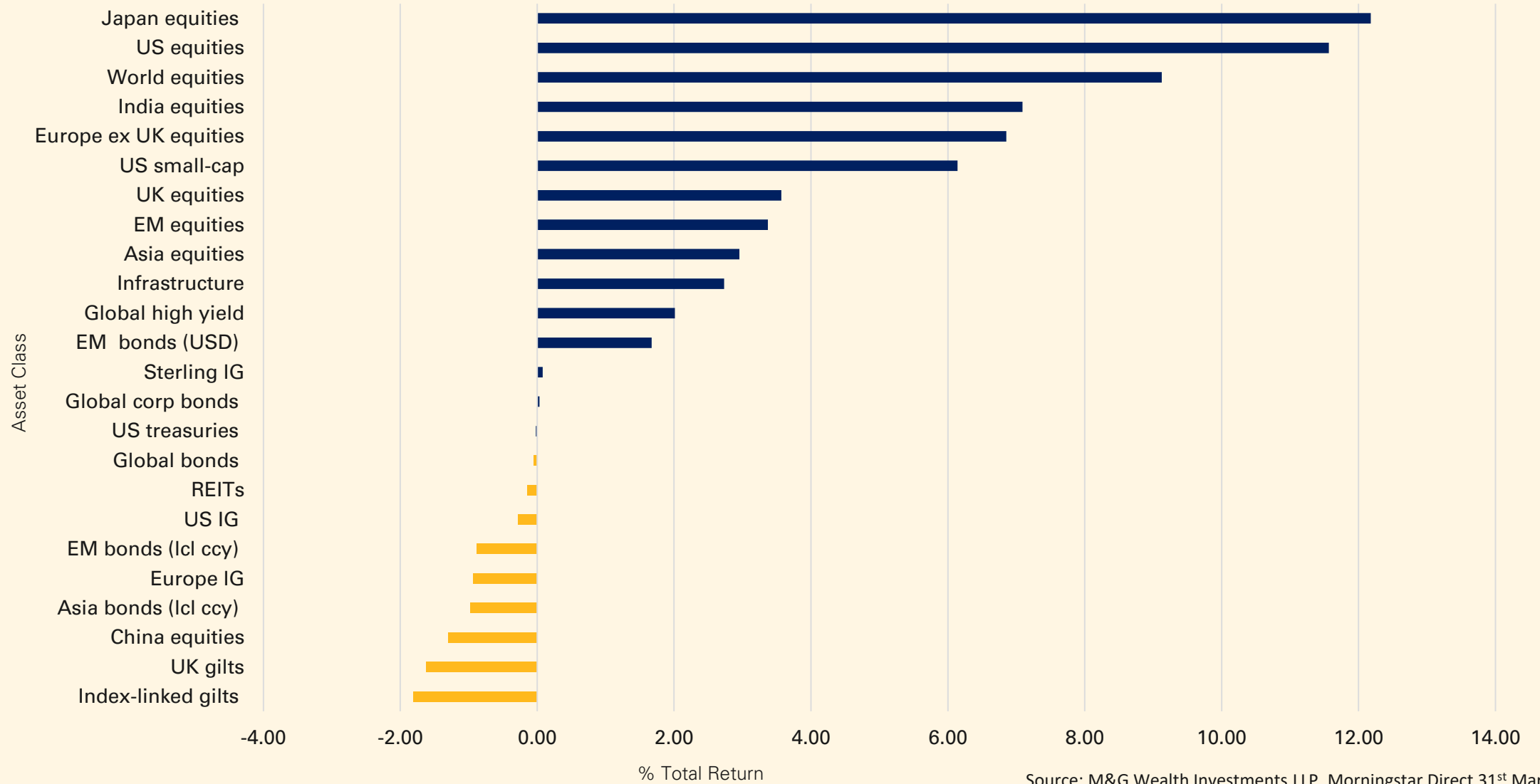
Describe how current market conditions could be influencing current portfolio positioning

Explain Asia and Emerging Market equities and why these areas are potentially undervalued

Performance Review



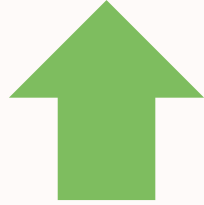
Asset class returns, year-to-date



Source: M&G Wealth Investments LLP, Morningstar Direct 31st March 2024.

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Key Performance Drivers



- Within equities, the strategies benefited from Japan, Europe and India exposure
- High yield was the best performer within fixed income



- Having more in UK/Asia and less in US detracted from performance
- Government and investment grades bonds fell slightly, as expectations for interest rate cuts were push back to later in 2024
- Listed Alternatives continue to be weaker than equities

Model Portfolio Performance – Passive

- In Q1, fixed income performance was mixed with weaker performance from government and corporate bonds. This was counterbalanced by good performance from emerging market bonds and high yield bonds.
- Within equities, having more in Asia and less in US contributed to underperformance vs. peers. This also drove most of the underperformance over 1 year for some models.
- Longer term returns remain strong.

	3m (%)	6m (%)	1yr (%)	3yr (ann) (%)	5yr (ann) (%)
MPS Passive 1	0.85	7.13	6.15	1.04	6.49
Sector: IA Mixed Investment 0-35% Shares	1.5	7.21	5.85	-0.21	6.1
MPS Passive 2	1.83	8.09	7.59	2.64	7.25
Sector: IA Mixed Investment 20-60% Shares	2.49	8.28	7.71	1.75	6.97
MPS Passive 3	2.49	8.69	8.43	3.94	7.88
Sector: IA Mixed Investment 20-60% Shares	2.49	8.28	7.71	1.75	6.97
MPS Passive 4	3.88	9.95	10.14	5.38	8.75
Sector: IA Mixed Investment 40 - 85% Shares	4.17	10.18	10.16	3.43	8.36
MPS Passive 5	4.5	10.47	10.86	6.08	9.28
Sector: IA Mixed Investment 40 - 85% Shares	4.17	10.18	10.16	3.43	8.36

The value of investments will fluctuate, which will cause values to fall as well as rise and investors may not get back the original amount invested. The figures refer to the past and past performance is not a reliable indicator of future results. The performance figures are calculated in FE Analytics based on a standard model and may not reflect the performance of individual customer portfolios. The calculation includes all underlying fund charges. The investment management, platform, wrapper and advice fees are excluded. The IA Sector indices include the underlying fund costs and investment management fees. Platform and advice fees are not included.

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

Model Portfolio Performance - Hybrid

	3m (%)	6m (%)	1yr (%)	3yr (ann) (%)	5yr (ann) (%)
MPS Hybrid 1	0.9	7.36	6.19	1.13	6.63
Sector: IA Mixed Investment 0-35% Shares	1.5	7.21	5.85	-0.21	6.1
MPS Hybrid 2	1.89	8.14	7.53	2.54	7.49
Sector: IA Mixed Investment 20-60% Shares	2.49	8.28	7.71	1.75	6.97
MPS Hybrid 3	2.47	8.4	8.12	3.44	8.16
Sector: IA Mixed Investment 20-60% Shares	2.49	8.28	7.71	1.75	6.97
MPS Hybrid 4	3.77	9.11	9.25	4.17	9.12
Sector: IA Mixed Investment 40 - 85% Shares	4.17	10.18	10.16	3.43	8.36
MPS Hybrid 5	4.42	9.17	9.56	4.3	9.91
Sector: IA Mixed Investment 40 - 85% Shares	4.17	10.18	10.16	3.43	8.36

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

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Model Portfolio Performance – Global ESG Themes

- ESG style bias has driven the underperformance of some models over the past year. The models have more in smaller companies and the healthcare sector and less in energy and larger companies.
- The models were launched in April 2022, and will hit their two year anniversary this month.

	3m (%)	6m (%)	1yr (%)	3yr (ann) (%)	5yr (ann) (%)
MPS GESGT 1	1.27	8.34	6.64		
Sector: IA Mixed Investment 0-35% Shares	1.5	7.21	5.85		
MPS GESGT 2	2.14	9.17	7.39		
Sector: IA Mixed Investment 20-60% Shares	2.49	8.28	7.71		
MPS GESGT 3	2.62	9.56	7.76		
Sector: IA Mixed Investment 20-60% Shares	2.49	8.28	7.71		
MPS GESGT 4	3.14	9.94	8.05		
Sector: IA Mixed Investment 40-85% Shares	4.17	10.18	10.16		
MPS GESGT 5	3.69	10.31	8.43		
Sector: IA Mixed Investment 40-85% Shares	4.17	10.18	10.16		

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

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Risk Managed Passive Performance

- Lower equity exposure and higher real asset weightings (which were negative in Q1) held back total returns.
- Over the medium term (3-5 year):
 - Having more in UK, Asia and emerging market equities has resulted in underperformance vs. peers.
 - Lower risk models have performed well, due to having more in EMD and GHY which outperformed global bonds in this period.

	3m	6m	1yr	3yr	5yr	10yr
LF Prudential Risk Managed Passive 1 P Acc in GB	1.01	7.73	6.76	-0.05	2.01	3.18
Sector : IA Mixed Investment 0 - 35% Shares TR in GB	1.50	7.21	5.85	-0.21	1.45	2.47
LF Prudential Risk Managed Passive 2 P Acc in GB	1.28	7.88	6.91	0.48	2.68	
Sector : IA Mixed Investment 20 - 60% Shares TR in GB	2.49	8.28	7.71	1.75	3.22	3.81
LF Prudential Risk Managed Passive 3 P Acc in GB	1.89	8.36	7.77	1.66	3.64	4.57
Sector : IA Mixed Investment 20 - 60% Shares TR in GB	2.49	8.28	7.71	1.75	3.22	3.81
LF Prudential Risk Managed Passive 4 P Acc in GB	2.52	8.80	8.48	2.70	4.66	
Sector : IA Mixed Investment 40 - 85% Shares TR in GB	4.17	10.18	10.16	3.43	5.18	5.54
LF Prudential Risk Managed Passive 5 P Acc in GB	3.20	9.37	9.35	3.87	5.72	
Sector : IA Flexible Investment TR in GB	4.48	9.99	10.08	3.50	5.63	5.86

Source: FE Analytics (bid to bid), M&G Treasury and Investment Office (MAPM), 28th March 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.

Risk Managed Active Performance

	3m	6m	1yr	3yr	5yr	10yr
LF Prudential Risk Managed Active 1 P Acc in GB	0.72	6.77	5.73	-0.31	2.02	3.12
Sector : IA Mixed Investment 0 - 35% Shares TR in GB	1.50	7.21	5.85	-0.21	1.45	2.47
LF Prudential Risk Managed Active 2 P Acc in GB	0.59	6.79	4.79	0.01	2.34	3.53
Sector : IA Mixed Investment 20 - 60% Shares TR in GB	2.49	8.28	7.71	1.75	3.22	3.81
LF Prudential Risk Managed Active 3 P Acc in GB	1.60	7.13	5.51	0.88	2.93	4.10
Sector : IA Mixed Investment 20 - 60% Shares TR in GB	2.49	8.28	7.71	1.75	3.22	3.81
LF Prudential Risk Managed Active 4 P Acc in GB	1.69	7.49	6.26	1.89	3.70	4.89
Sector : IA Mixed Investment 40 - 85% Shares TR in GB	4.17	10.18	10.16	3.43	5.18	5.54
LF Prudential Risk Managed Active 5 P Acc in GB	2.13	7.82	6.98	2.57	4.33	5.47
Sector : IA Flexible Investment TR in GB	4.48	9.99	10.08	3.50	5.63	5.86

Source: FE Analytics (bid to bid), M&G Treasury and Investment Office (MAPM), 28th March 2024.

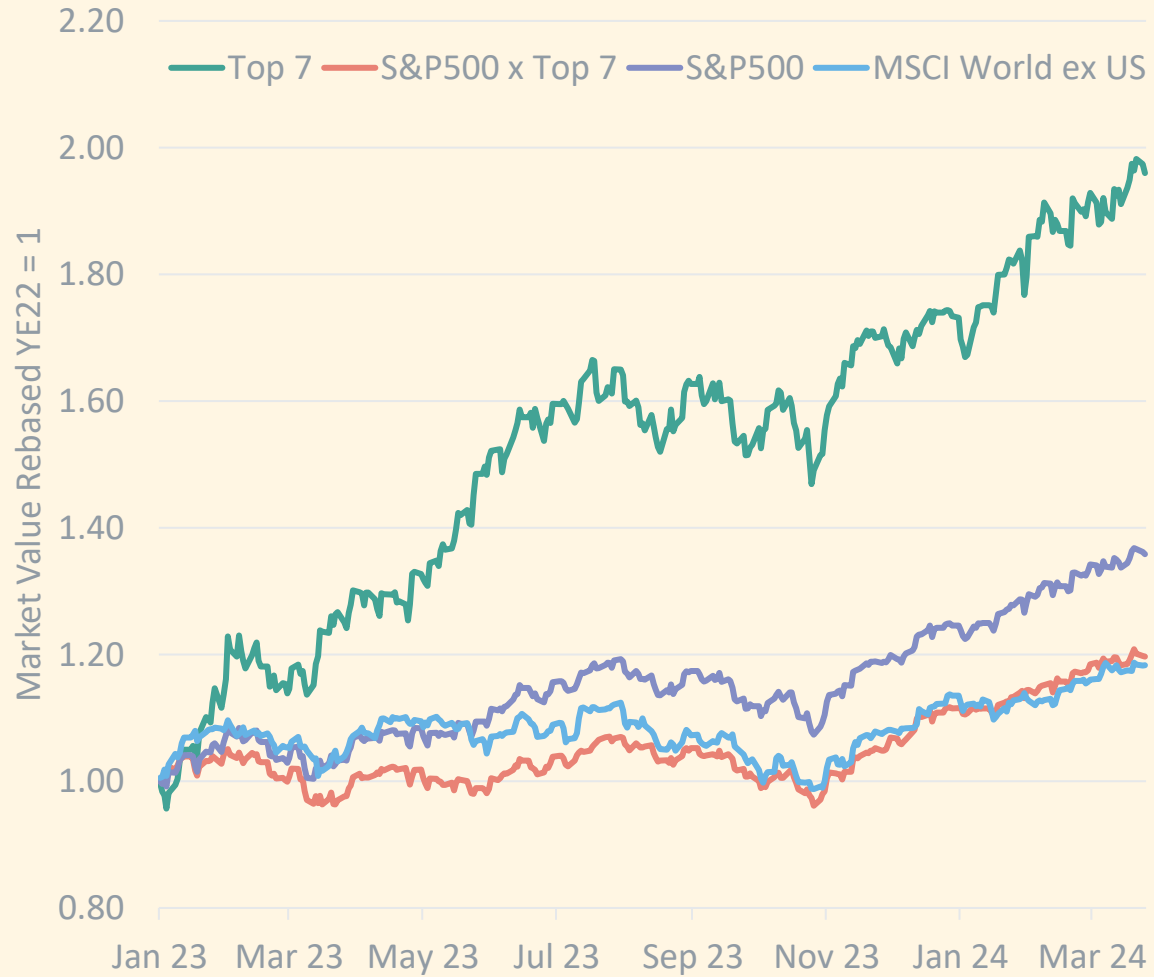
The table shows the annualised performance of each fund in the LF Prudential Risk Managed Active range versus its relevant IA sector average. Outperformance for the fund is indicated by the green boxes.

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The background features a series of thin, parallel diagonal lines on the left side, transitioning into a large, bold yellow arrow pointing upwards and to the right. Below the arrow, there are overlapping geometric shapes in shades of olive green, teal, and salmon, set against a dark grey background.

US Equities: Do Valuations Matter?

Digging into US exceptionalism



Source: LSEG Datastream, Bloomberg and LTIS calculations. The figures refer to the past and past performance is not a reliable indicator of future results.

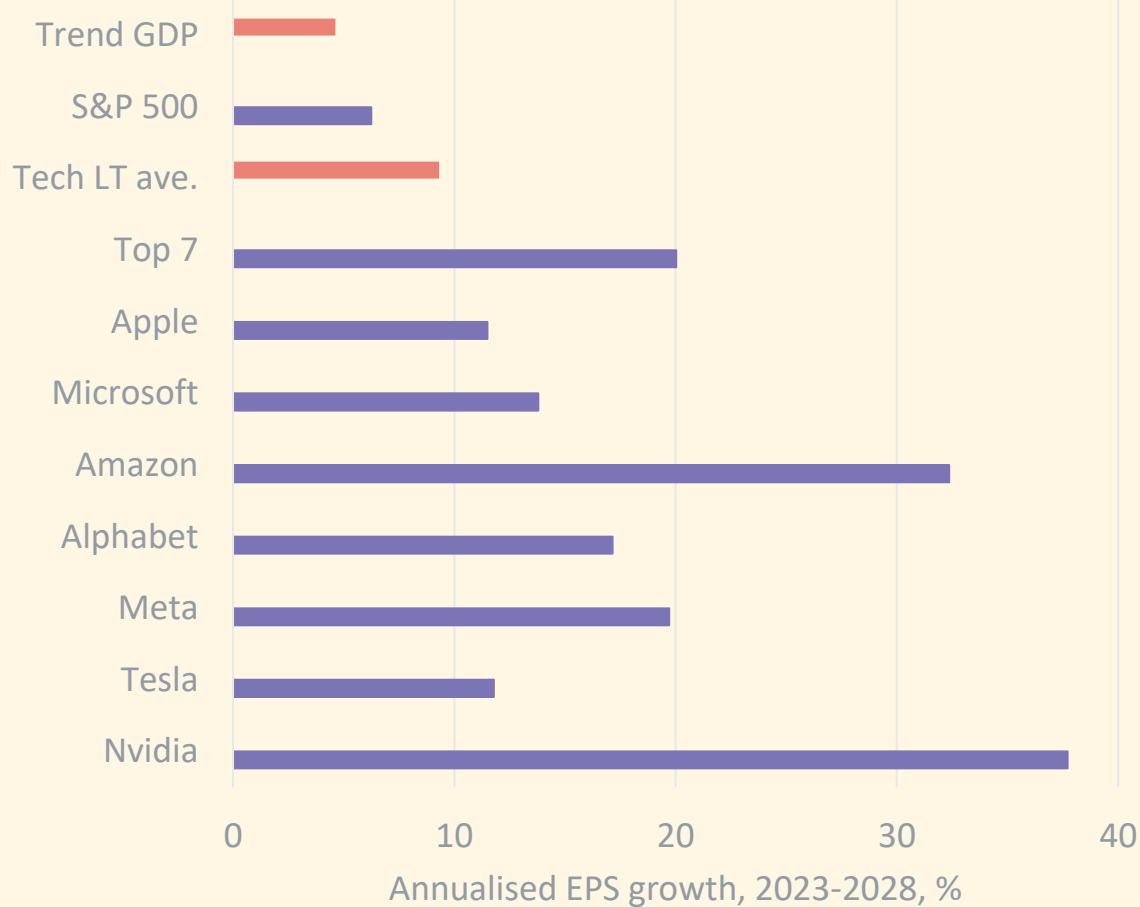
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Valuation perspectives

Valuations are not extreme versus history

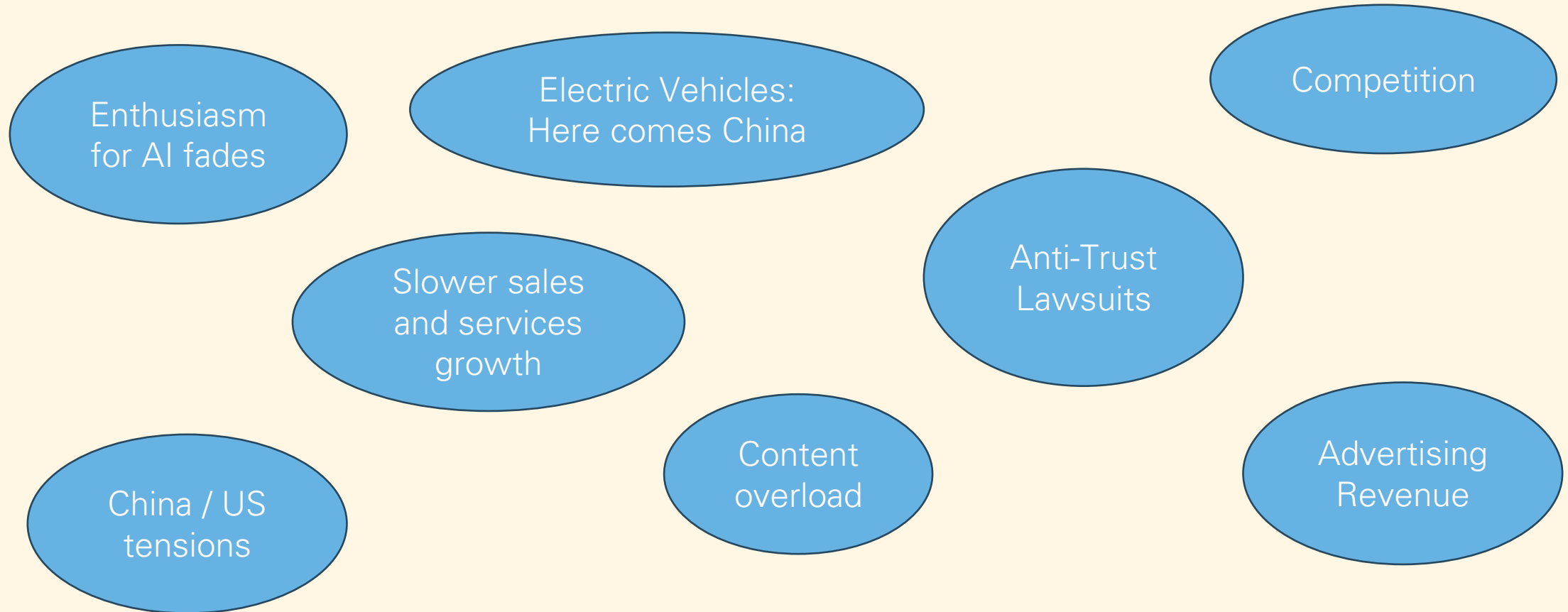


... but they rely on strong earnings growth assumptions



Source: LSEG Datastream, Bloomberg and LTIS calculations. The figures refer to the past and past performance is not a reliable indicator of future results.

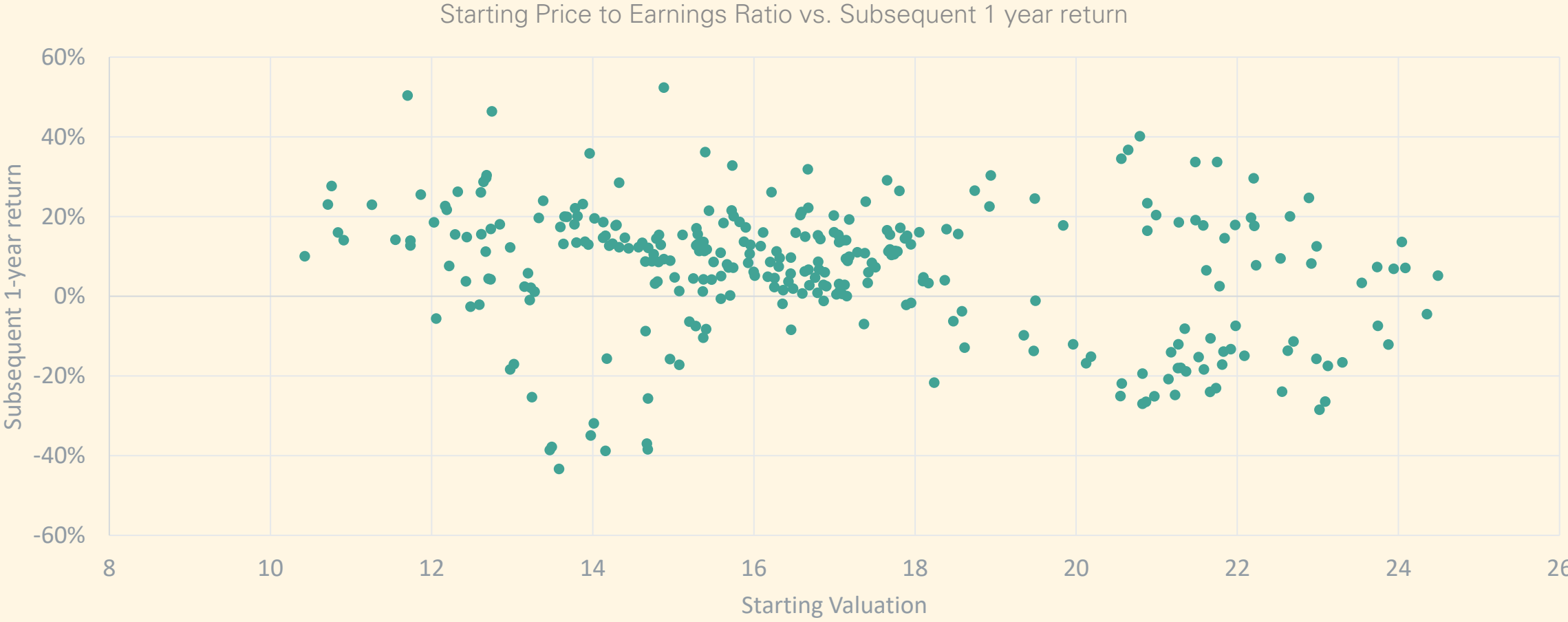
Big companies, big risks



What's the impact?

A 20% fall in the collective 'mag-7' stock prices would reduce the S&P 500 Index performance by circa 6.6%

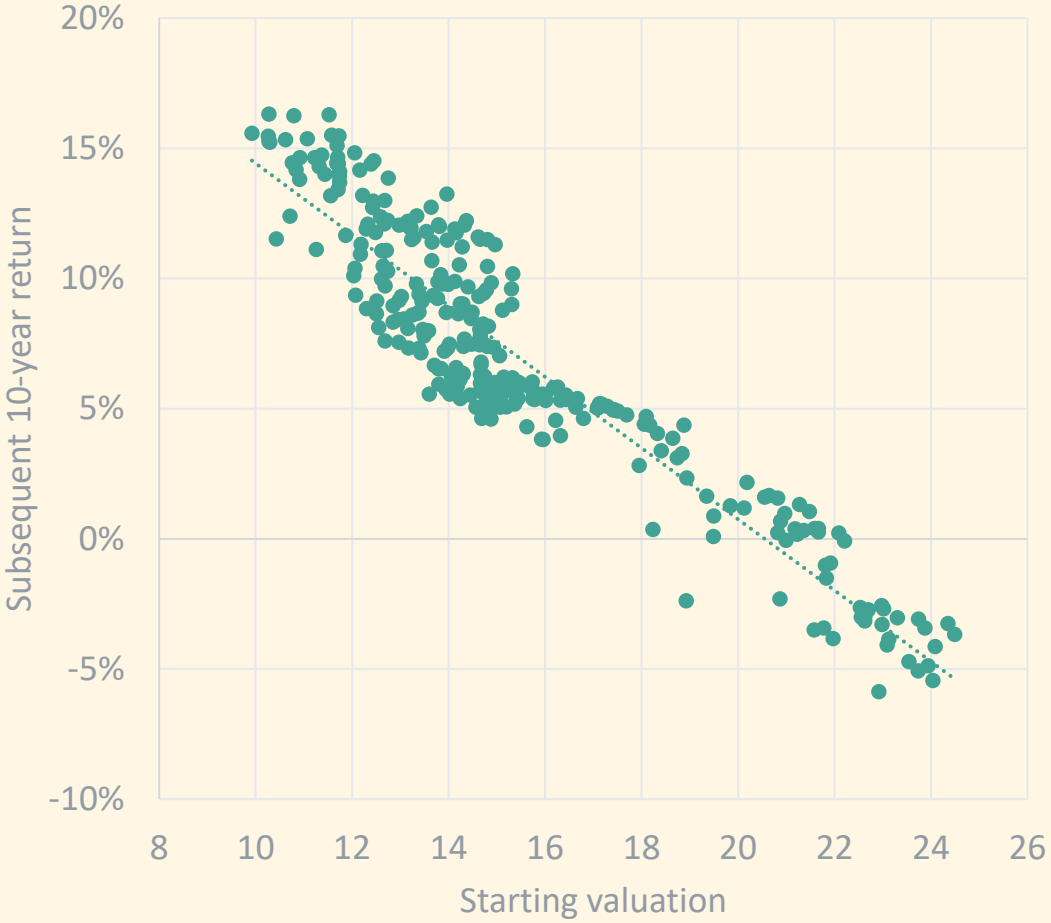
Do Valuations Matter? Not really in the short term



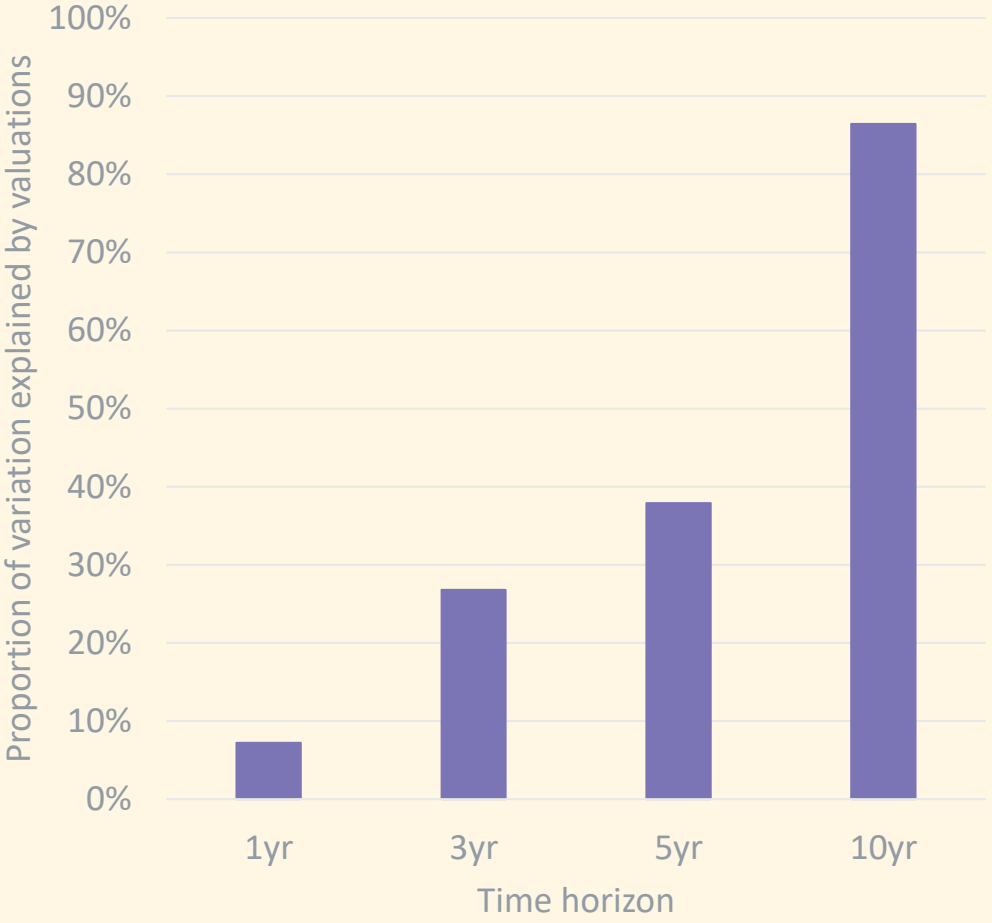
Data: Inflation-adjusted total returns for S&P 500 Index and Price-Earnings ratio using 12-month forward earnings estimates taken from IBES consensus, December 1988 – February 2024. Source: LSEG Datastream and LTIS calculations. The figures refer to the past and past performance is not a reliable indicator of future results.

Do Valuations Matter? Yes, over the long term

Starting Price to Earnings Ratio vs. Subsequent 10 year return



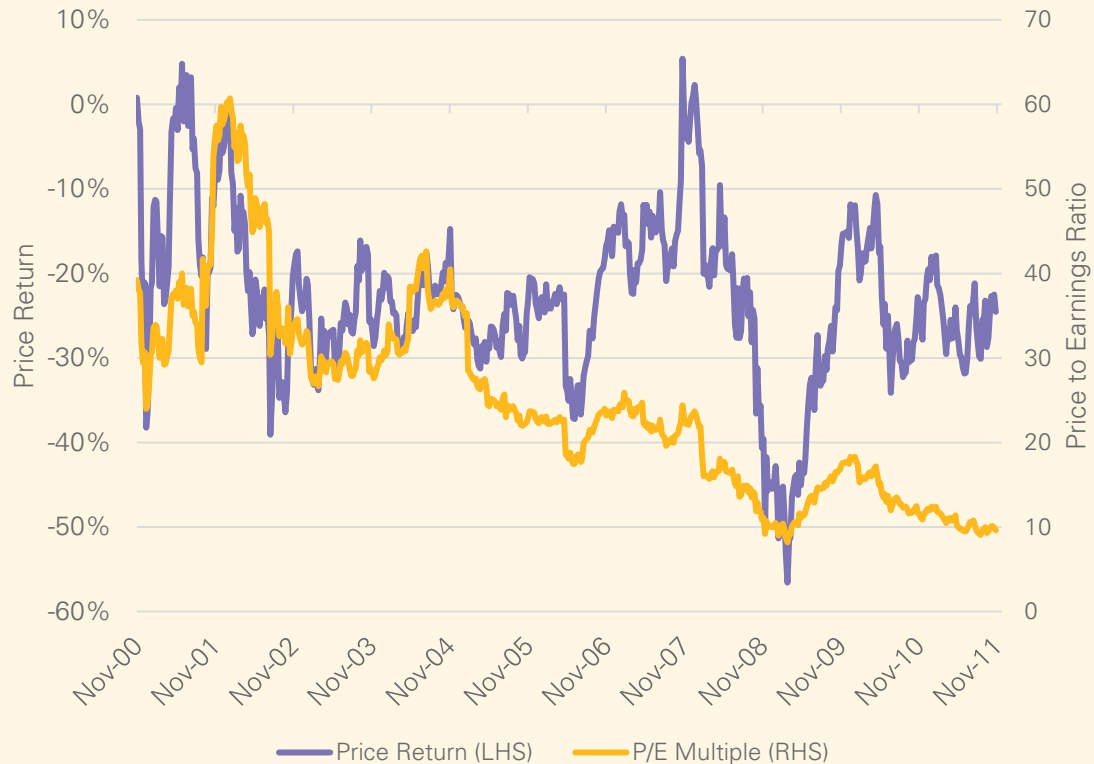
Variation in return explained by valuation



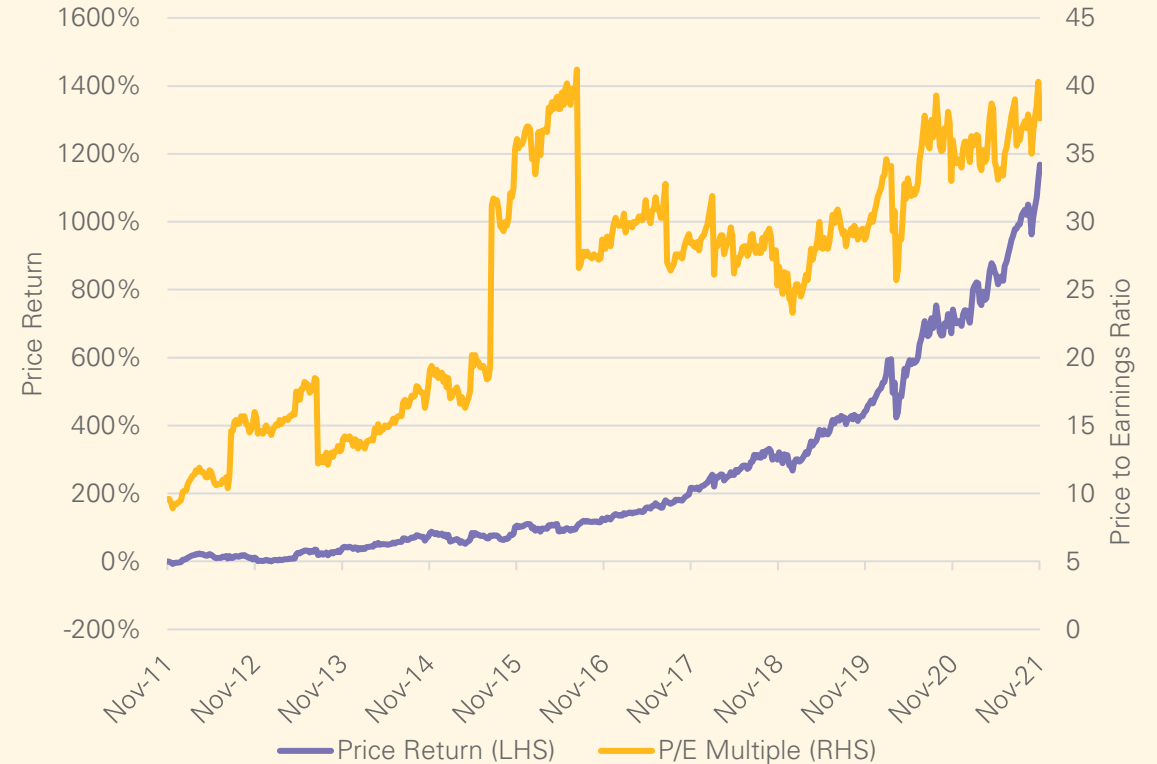
Data: Inflation-adjusted total returns for S&P 500 Index and Price-Earnings ratio using 12-month forward earnings estimates taken from IBES consensus, December 1988 – February 2024. Source: LSEG Datastream and LTIS calculations. The figures refer to the past and past performance is not a reliable indicator of future results.

Do Valuations Matter? Individual Company Example

Price Return: -24.5%
P/E Change: 38.8 to 9.6
EPS Growth: 207.2%



Price Return: 1168.2%
P/E Change: 9.6 to 37.0
EPS Growth: 202.5%



Data: Price Return is in US dollars. EPS stands for "Earnings per share". The figures refer to the past and past performance is not a reliable indicator of future results. Source: LSEG Datastream and M&G Wealth Investments LLP calculations.

Global diversification remains key

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Key	
KO -3%	CH +106%	AU +24%	KO +76%	CH +74%	IN +75%	JP -3%	IN +74%	KO +32%	US +3%	HK +23%	US +30%	IN +38%	JP +15%	CN +49%	KO +36%	US +2%	US +26%	KO +42%	CN +31%	AU +7%	US +19%	US	US
IN -5%	IN +74%	KO +19%	IN +51%	IN +28%	CH +61%	US -13%	EM +59%	IN +25%	UK -3%	IN +19%	EU +24%	US +21%	US +7%	AU +34%	CH +33%	IN -3%	CN +24%	CH +27%	IN +30%	HK +5%	IN +19%	China	CH
CH -6%	EM +41%	EM +17%	EM +50%	HK +23%	HK +50%	CN -24%	AU +57%	EM +23%	AU -10%	EU +17%	JP +24%	CH +15%	EU +5%	US +34%	IN +29%	HK -5%	EU +21%	EM +15%	US +30%	IN +4%	KO +17%	Europe	EU
AU -9%	CN +40%	CN +15%	CN +45%	EU +20%	EM +37%	EU -26%	CH +53%	HK +23%	KO -11%	KO +17%	UK +21%	HK +10%	HK +2%	EM +33%	EM +26%	AU -7%	UK +19%	US +15%	UK +18%	UK +0%	EU +16%	Japan	JP
EM -15%	AU +35%	HK +15%	JP +39%	UK +17%	KO +32%	UK -30%	KO +51%	CN +22%	CN -11%	CH +17%	HK +7%	CN +9%	IN +1%	KO +30%	HK +25%	JP -8%	AU +19%	IN +13%	EU +18%	CN 0%	JP +15%	Hong Kong	HK
JP -19%	EU +30%	EU +14%	AU +32%	EM +16%	CN +29%	HK -30%	HK +45%	JP +19%	EU -15%	AU +16%	CN +4%	EM +4%	UK +1%	JP +25%	EU +17%	EM -9%	CH +19%	JP +13%	AU +11%	JP -5%	CN +9%	India	IN
CN -21%	HK +26%	UK +13%	CH +29%	AU +16%	AU +28%	AU -32%	CN +39%	AU +19%	JP -15%	EM +13%	AU +3%	AU +3%	CH -1%	HK +24%	UK +13%	EU -9%	JP +17%	EU +8%	JP +4%	US -8%	UK +8%	UK	UK
UK -23%	UK +21%	IN +10%	EU +25%	CN +5%	EU +16%	CH -34%	UK +30%	US +19%	HK -17%	UK +12%	CH +2%	JP +1%	KO -1%	CH +22%	JP +13%	UK -9%	EM +14%	AU +8%	EM -1%	EU -9%	AU +7%	Canada	CN
EU -27%	KO +21%	JP +7%	HK +25%	US +2%	UK +5%	EM -35%	EU +22%	UK +15%	CH -17%	US +11%	KO +1%	UK +1%	AU -4%	EU +21%	US +11%	CN -10%	KO +8%	HK +4%	HK -3%	EM -10%	EM +4%	Korea	KO
HK -27%	JP +20%	US +3%	UK +22%	KO +1%	US +4%	KO -36%	US +13%	CH +11%	EM -18%	JP +6%	EM -4%	EU -1%	EM -10%	IN +20%	AU +10%	CH -14%	HK +7%	CN +3%	KO -6%	CH -12%	CH -17%	Australia	AU
US -30%	US +16%	CH -13%	US +17%	JP -5%	JP -6%	IN -49%	JP -5%	EU +7%	IN -36%	CN +5%	IN -7%	KO -5%	CN -19%	UK +17%	CN +7%	KO -16%	IN +2%	UK -10%	CH -20%	KO -20%	HK -18%	EM	EM

Source: Annual total returns for various country benchmarks, in GBP unhedged. LSEG Datastream and LTIS calculations.

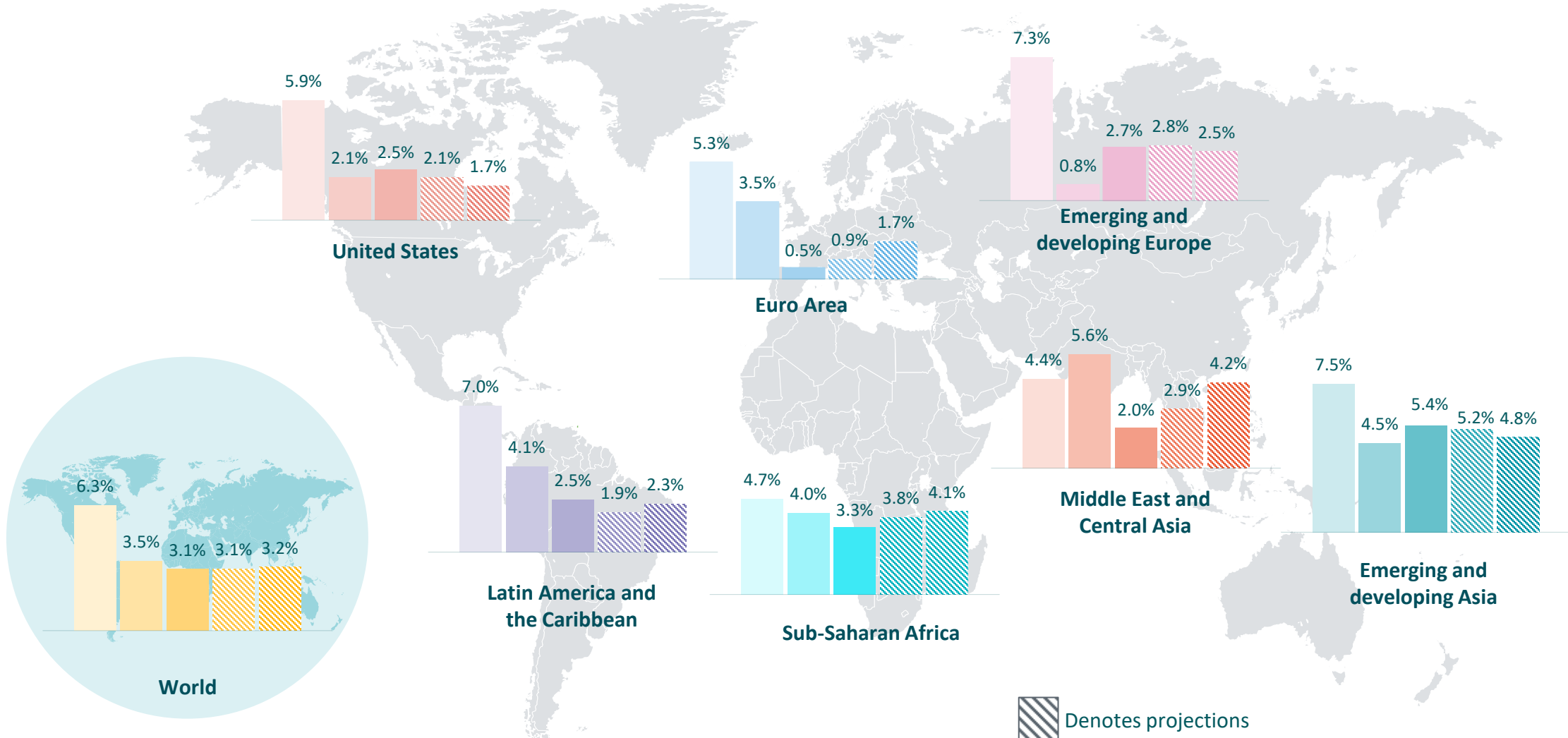
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The case for Asia



Global growth picture

Overview of the World Economic Outlook Projections (YoY) 2021 – 2025



Note: Order of bars for each group indicates (left to right): 2021, 2022 and 2023 actual, 2024 and 2025 projections

Information is subject to change and is not a guarantee of future results.

Source: M&G, IMF World Economic Outlook , January 2024 (latest data available).

China stocks vs. S&P 500 Index

From base to now

Past performance is not a guide to future performance

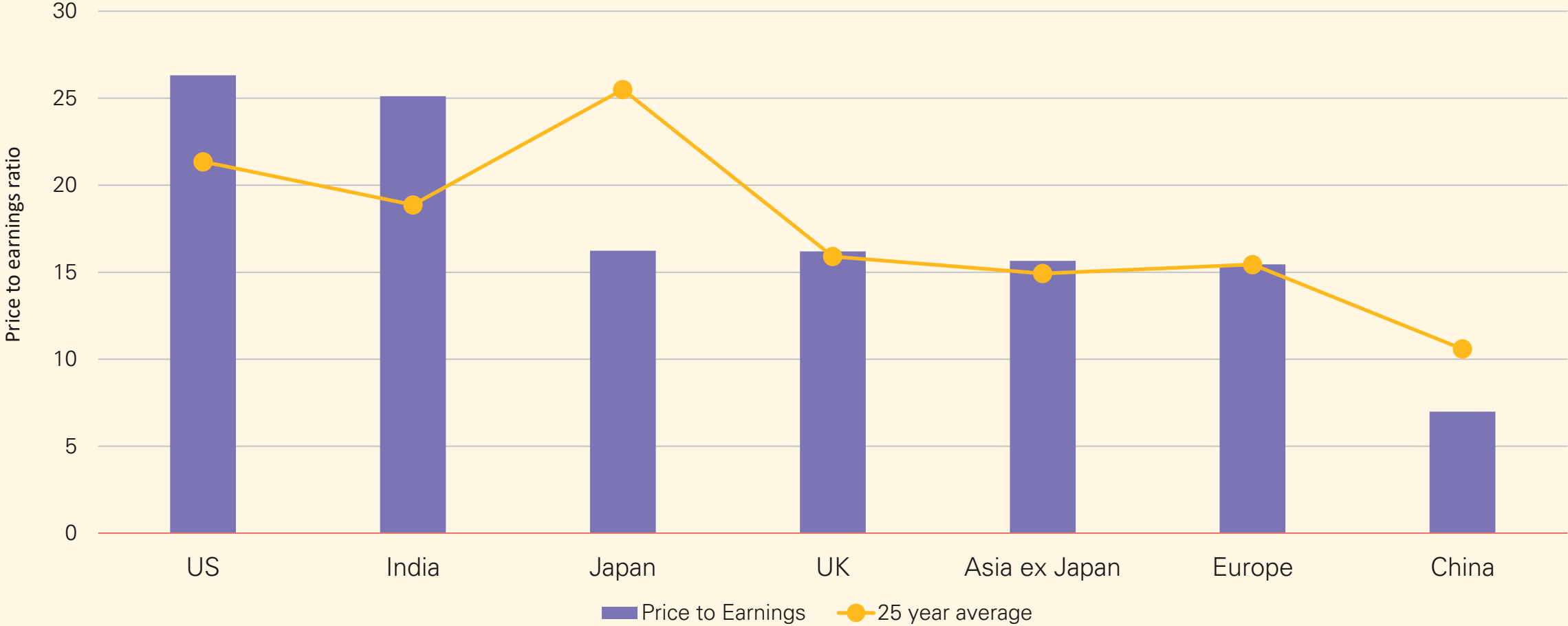


Source: Refinitiv DataStream, MSCI, S&P, April 2024

Global valuations

Now vs long run averages

Past performance is not a guide to future performance



Source: Refinitiv DataStream, April 2024

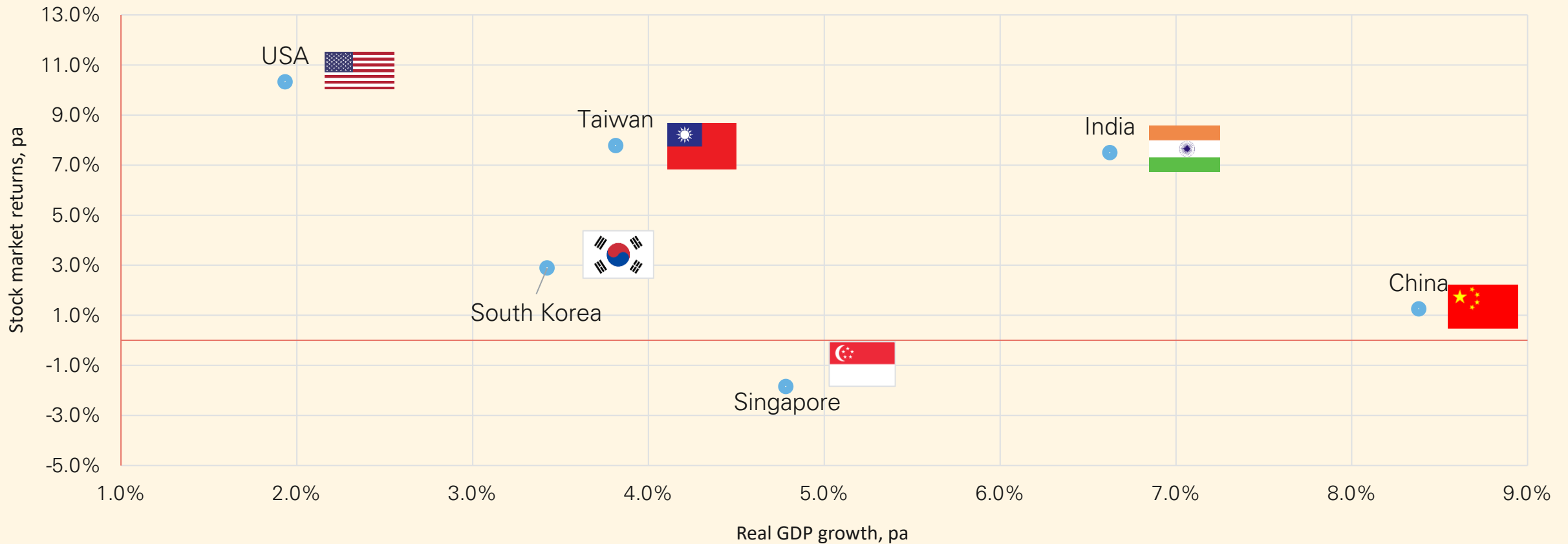
Value creation, not economic growth, drives markets

High GDP growth did not translate into stock market returns...

Past performance is not a guide to future performance

Real GDP growth and annualised returns* (2002 – 2022)

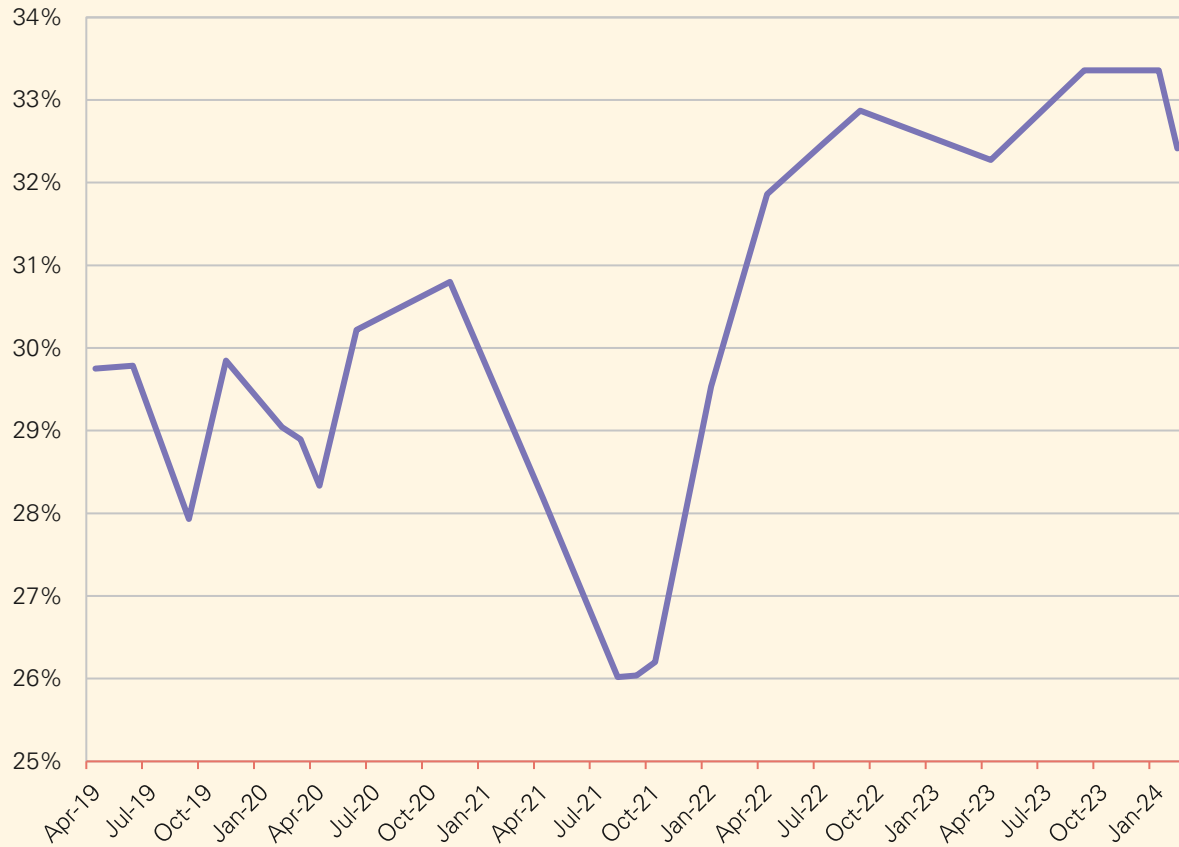
Corporate discipline to drive returns in next cycle



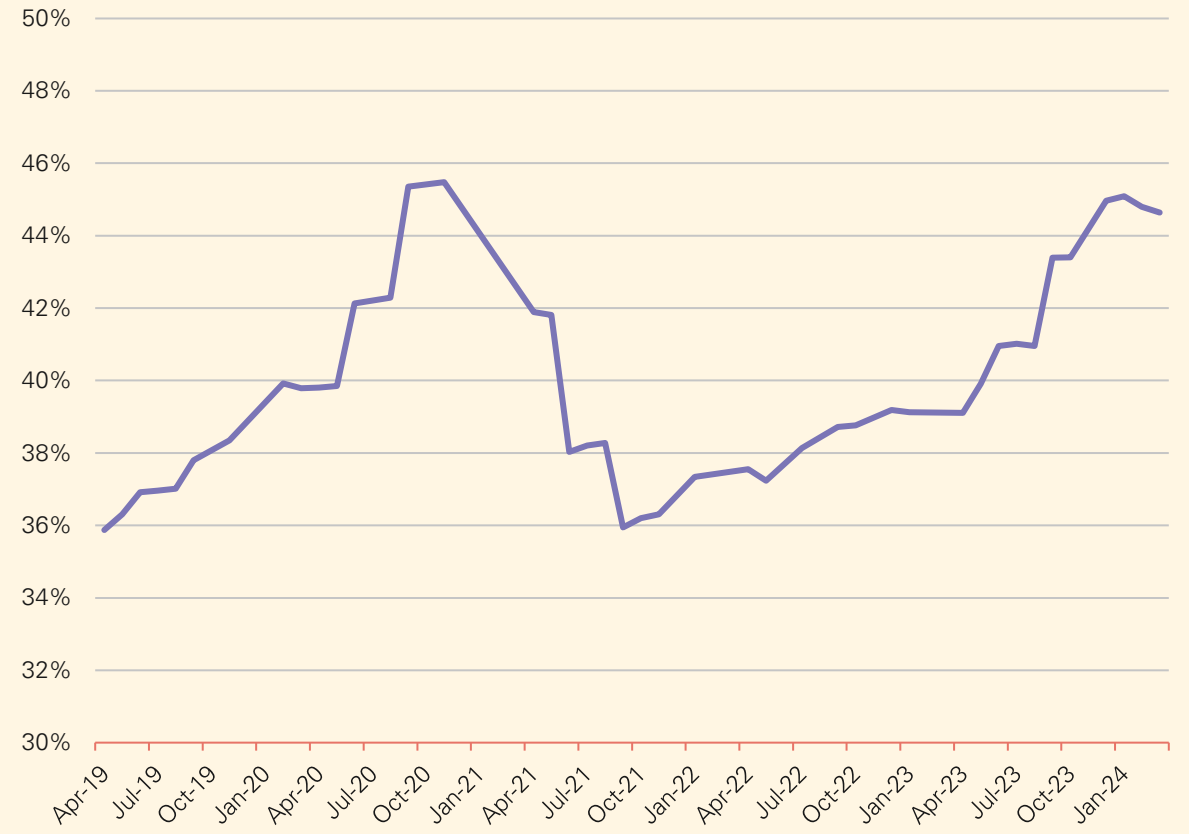
Source: MSCI, IMF, Refinitiv Datastream, January 2023 *All country returns are MSCI index returns except USA which uses S&P500 as a proxy

Overall capital allocation is improving...

China dividend payout ratio as % of net income attributable to common shareholders:

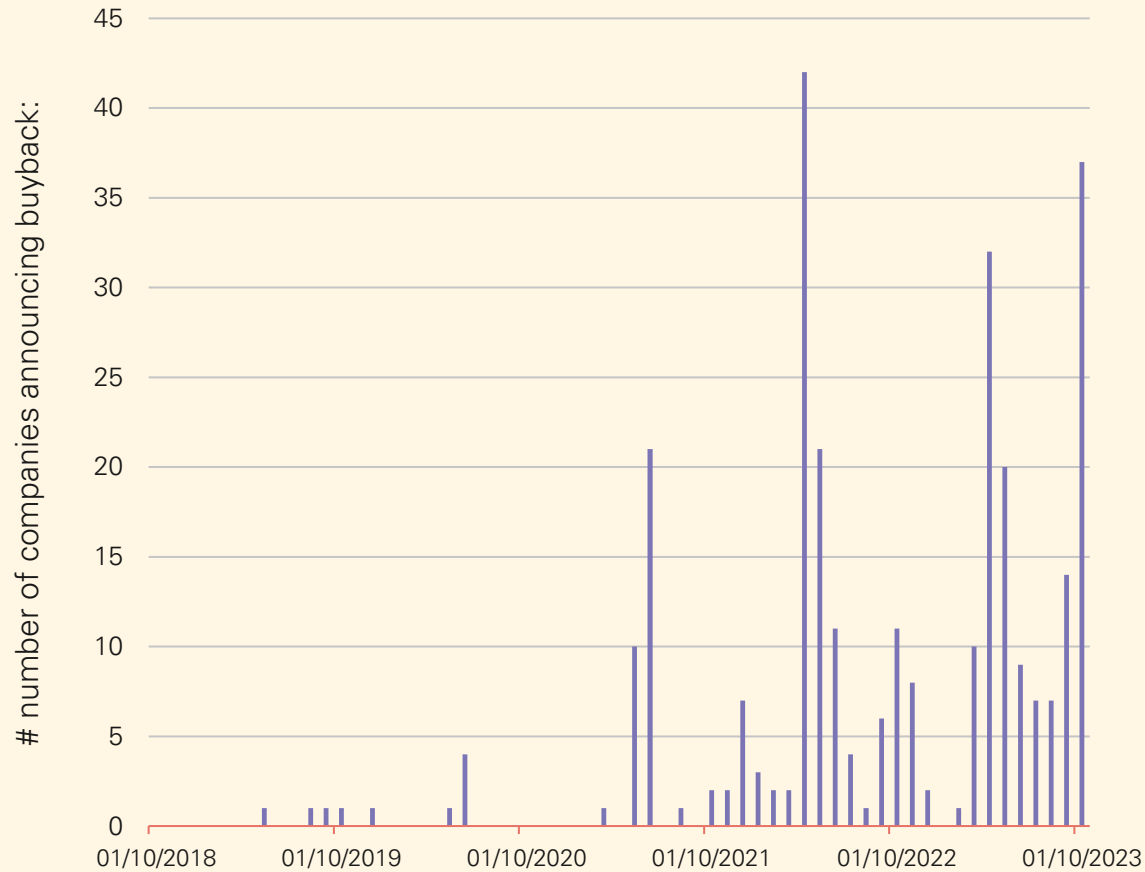


Asia ex Japan dividend payout ratio as % of net income attributable to common shareholders:

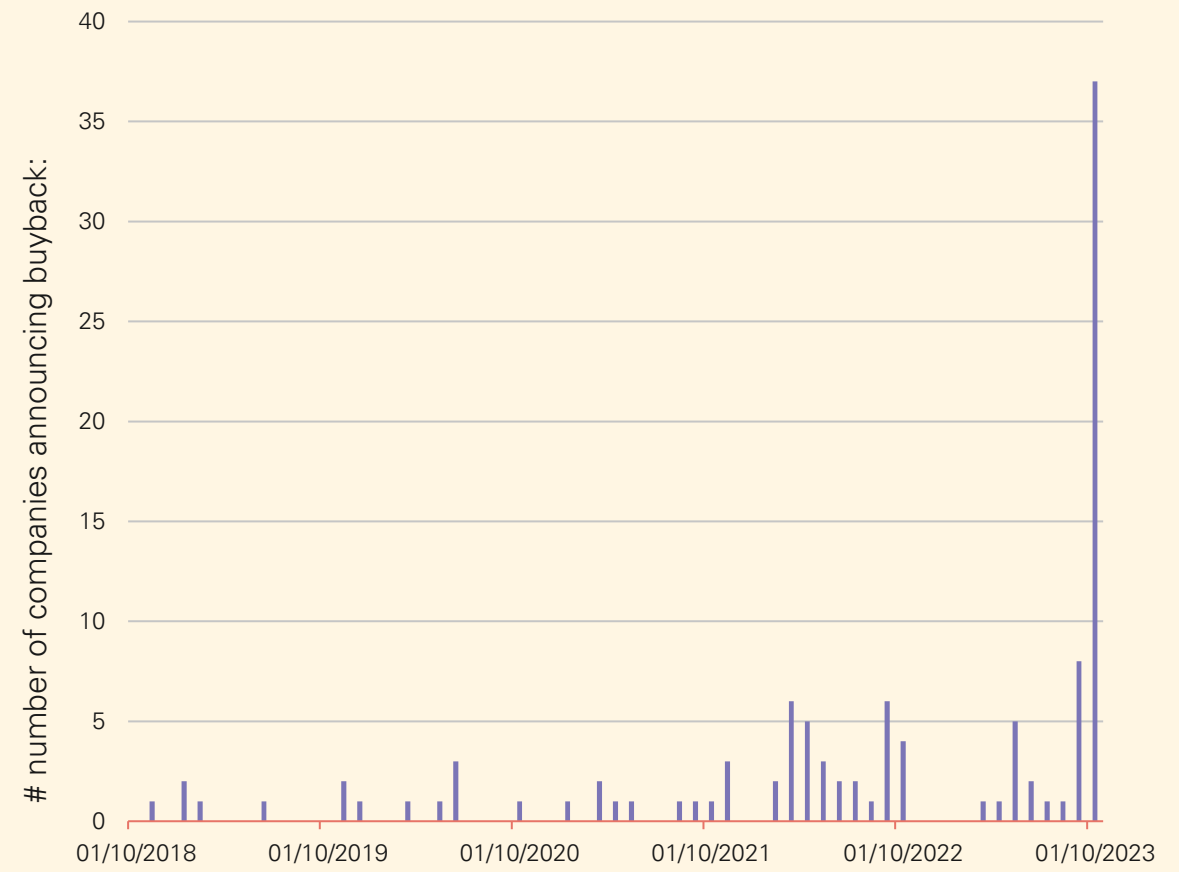


...also evidenced by a pronounced increase in buybacks

Monthly # companies announcing latest buyback – HSCI index:



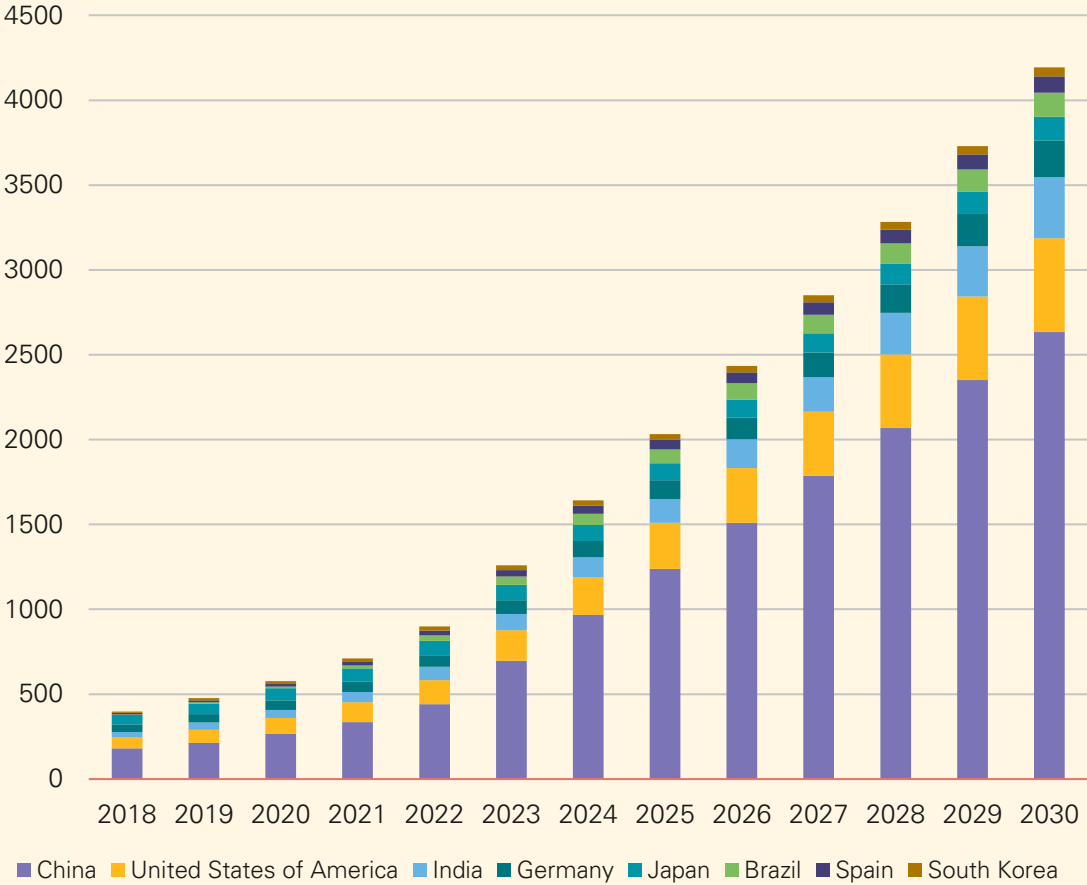
Monthly # companies announcing latest buyback – CSI300 index:



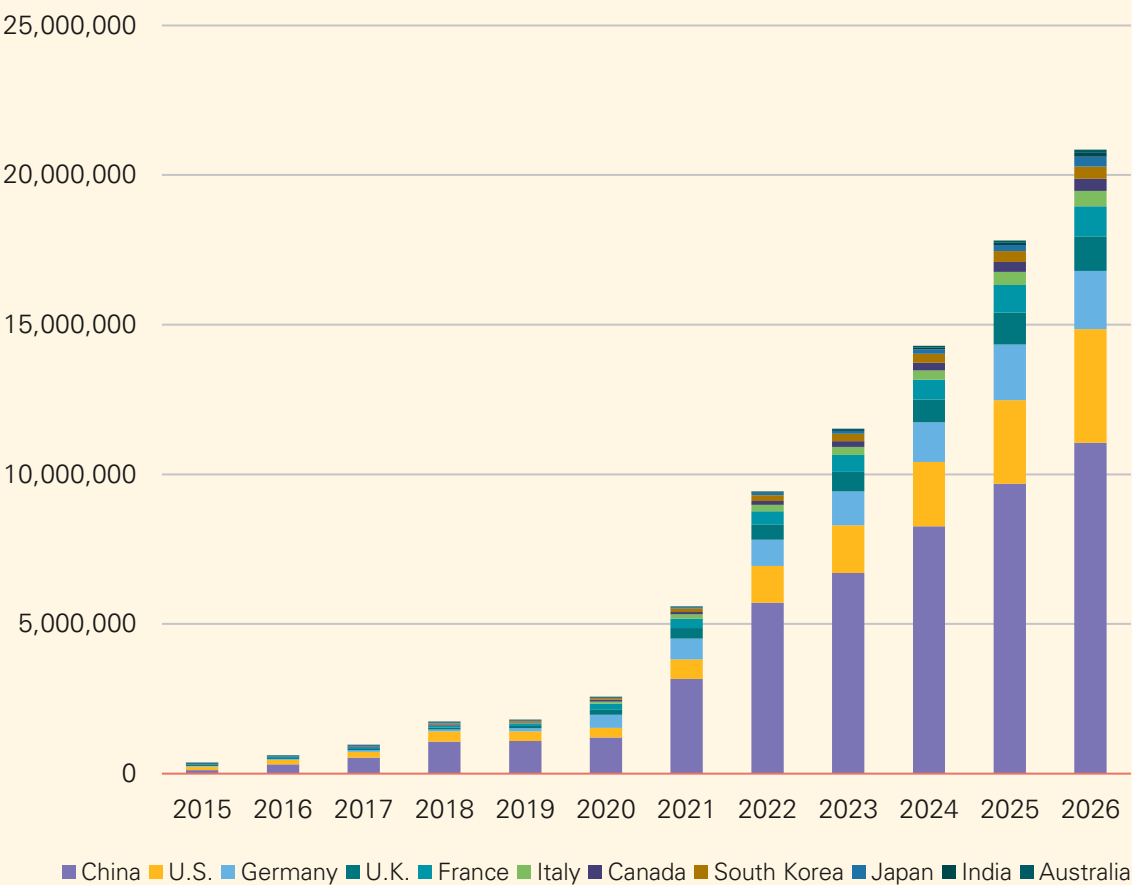
From part of the problem to part of the solution

China's energy transition plan

Solar capacity forecast value GWh (forecast):



Electric Vehicle Fleet (forecast):



China is the clear global leader in solar capacity and electric vehicle adoption

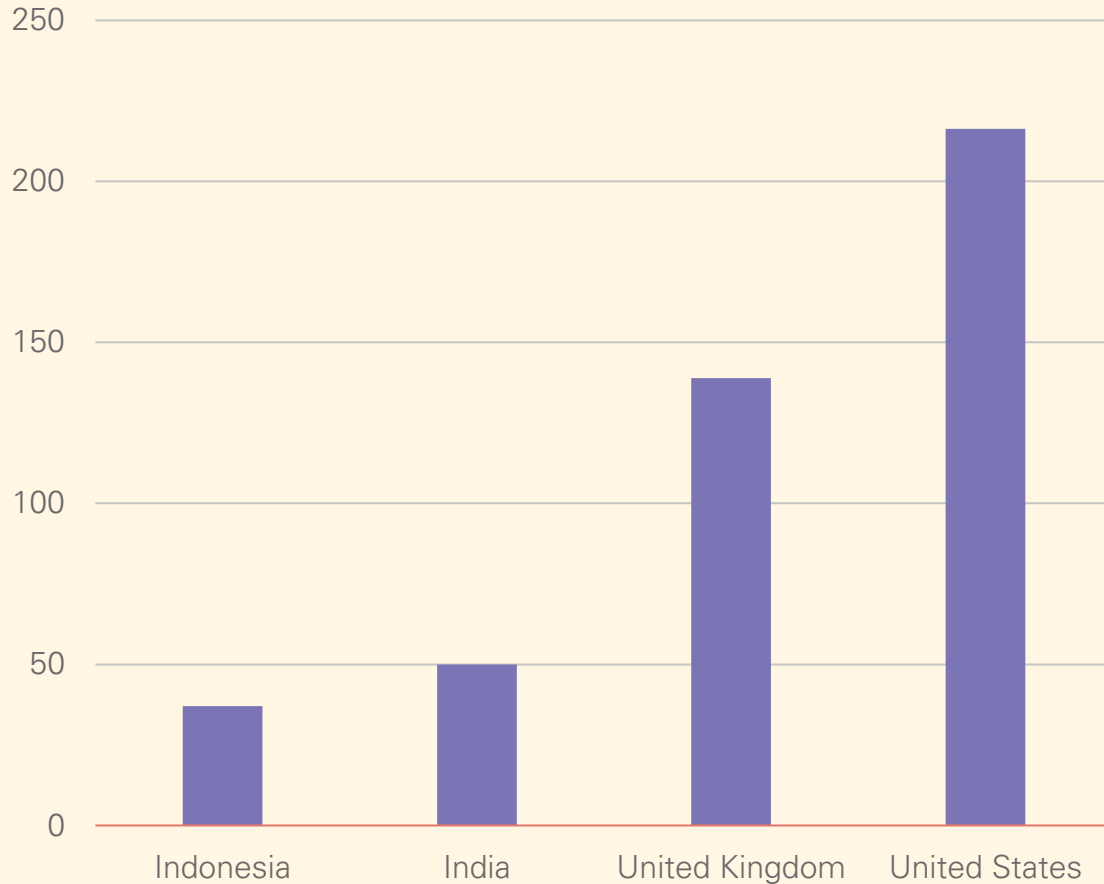
Source: Bloomberg, January 2024

India and Indonesia

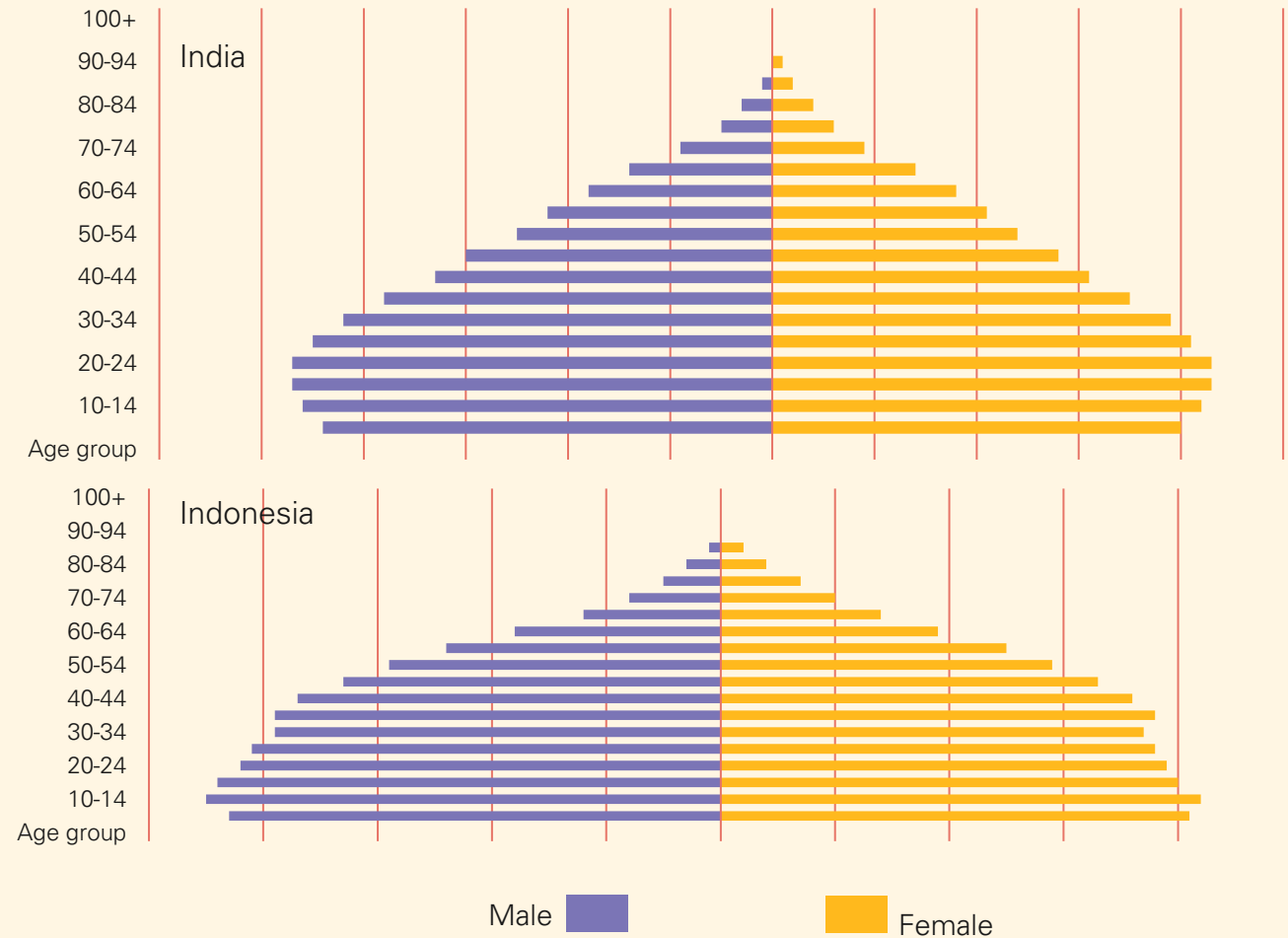
Domestic credit to private sector (% GDP) & demographics



Domestic credit to private sector (% of GDP) – India & Indonesia:



Current population pyramid – India & Indonesia:



Products & Services Overview

M&G's Treasury & Investment Office sets the strategic asset allocation and building blocks for each product or service. Similar themes and views are present in each offering.

PruFund

- Pooled fund with smoothed prices
- Can buy/sell once a month
- Significant exposure to private/illiquid assets
- ESG approach available (PruFund Planet)

Risk Managed Funds

- Pooled fund
- Can buy/sell each day at current market prices
- Passive and Active funds available

Model Portfolio Service

- Client owns individual funds that make up the model
- Can buy/sell each day at current market prices
- Passive, active and ESG services available

Thanks for your time

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





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