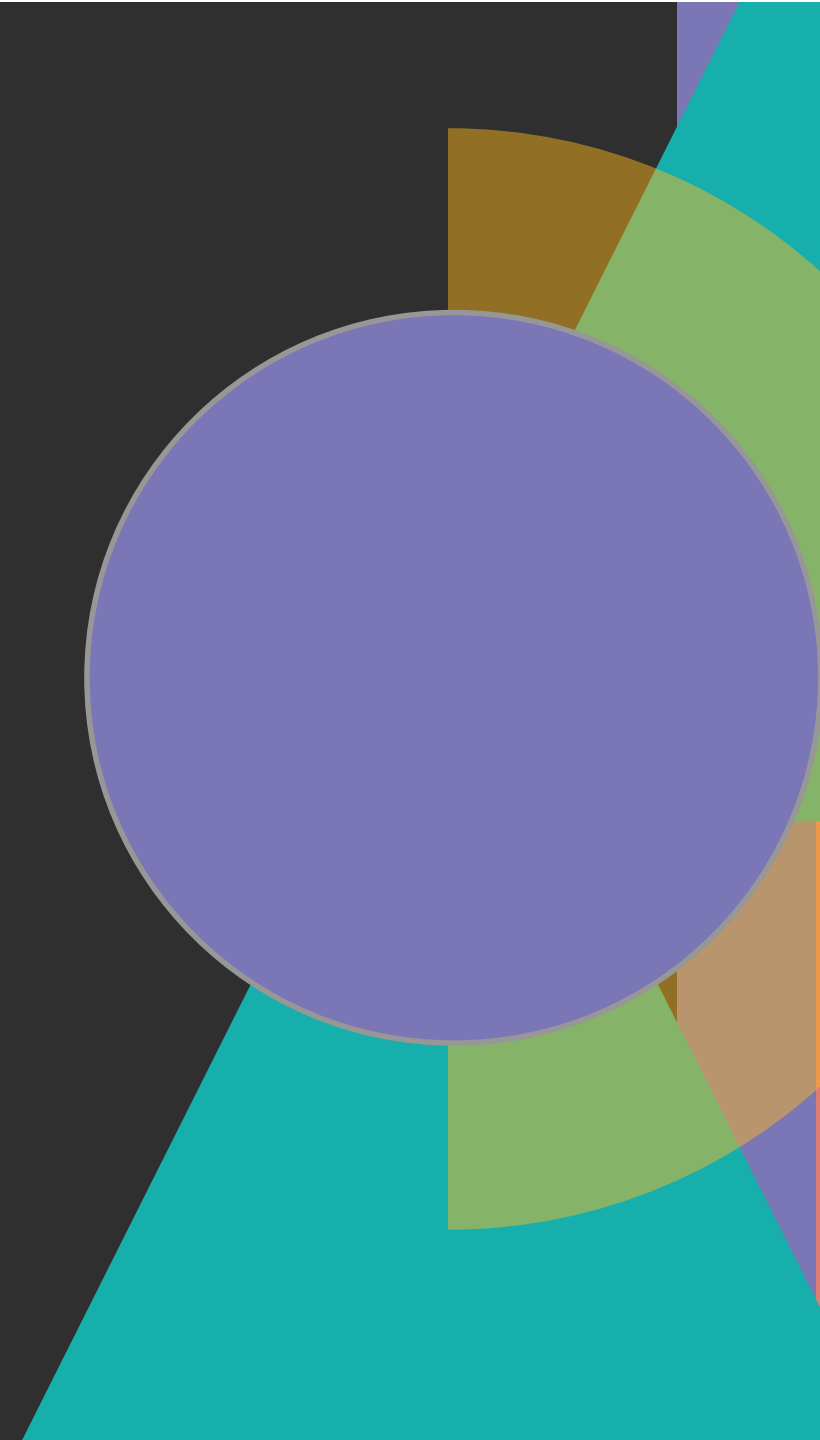


 M&G wealth

Market Insights with M&G Wealth

26 October 2023



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Agenda

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markets

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Cash

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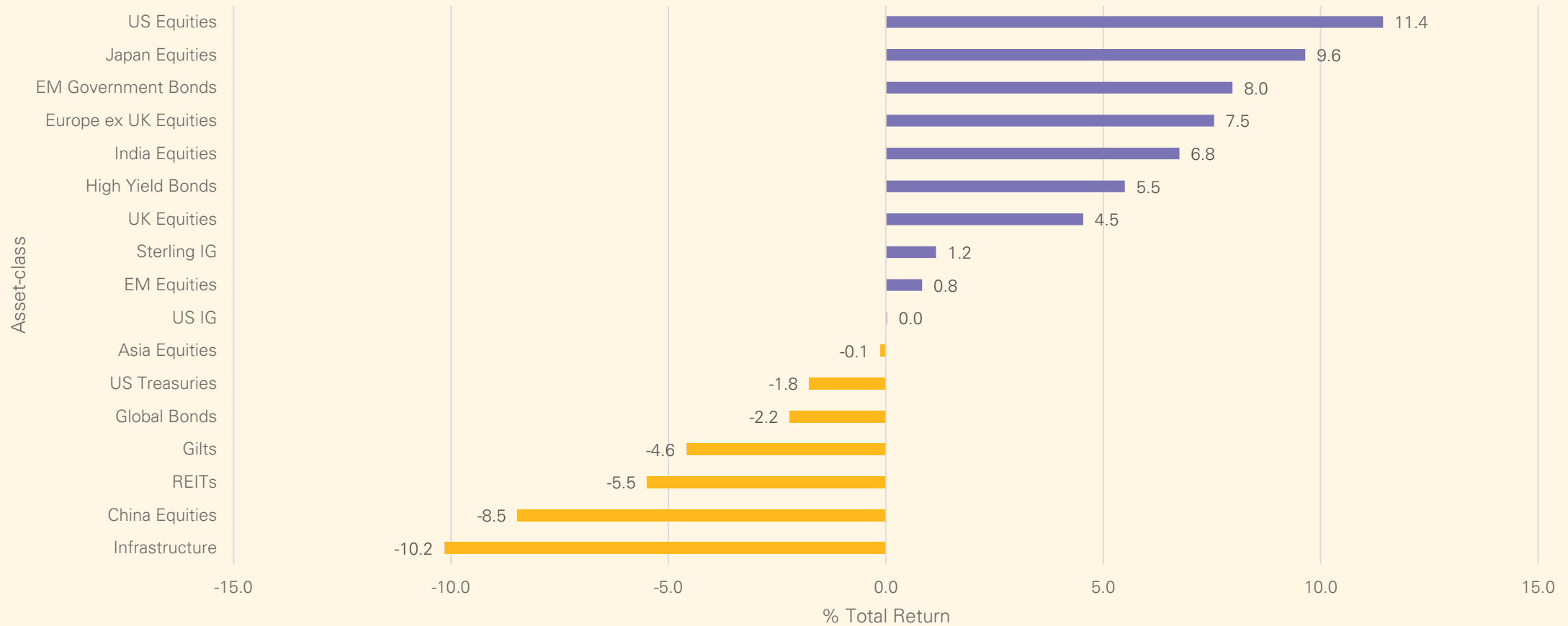
- Michael Watt, Investment Director, Treasury & Investment Office
- Alastair Clark, Portfolio Manager, M&G Wealth



Regime
Change &
fixed income

2023 so far – bonds have lagged equities again

Year to date returns per asset class as at 30th September

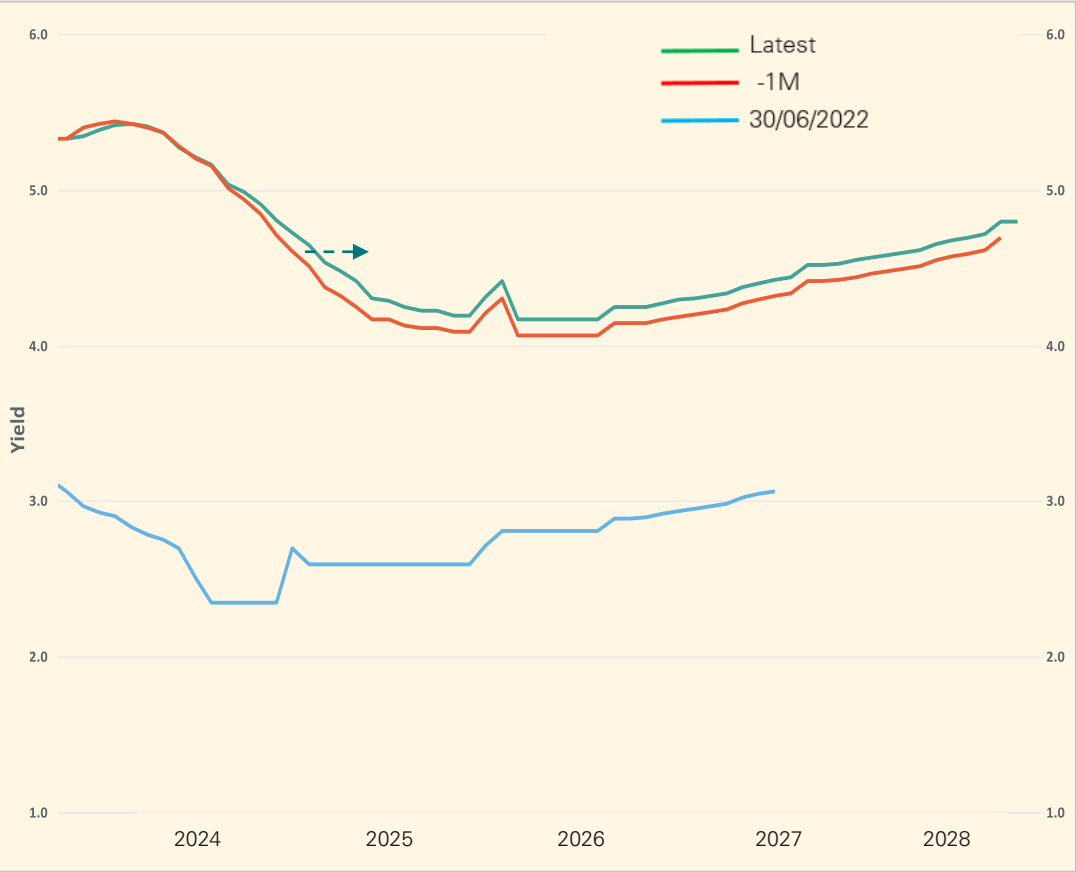


Source: FactSet, data to 30/09/2023, equity returns in GBP, bond returns are hedged

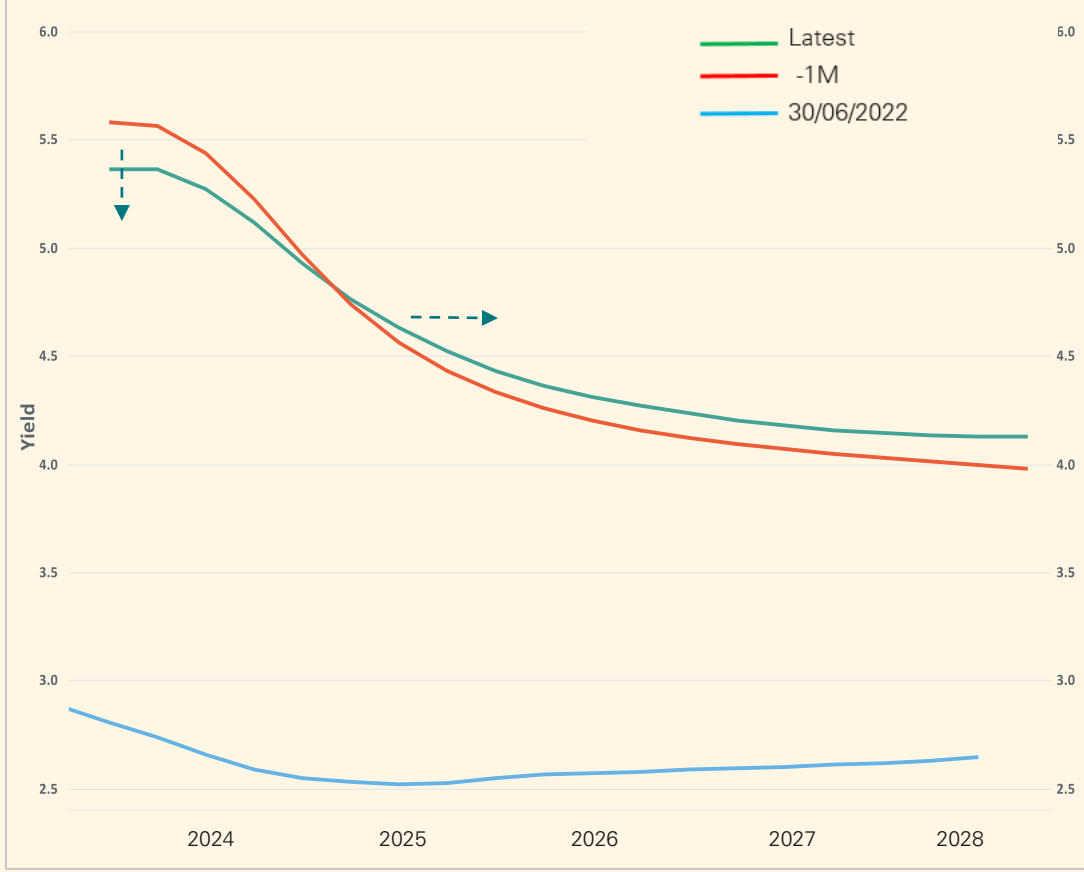
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Central banks 'pause' in September

FED Fund Futures Forward Curve



UK Futures Forward Curve



Source: LSEG Datastream & M&G Treasury and Investment Office, Multi Asset Portfolio Management Team (MAPM) as at 17.10.2023

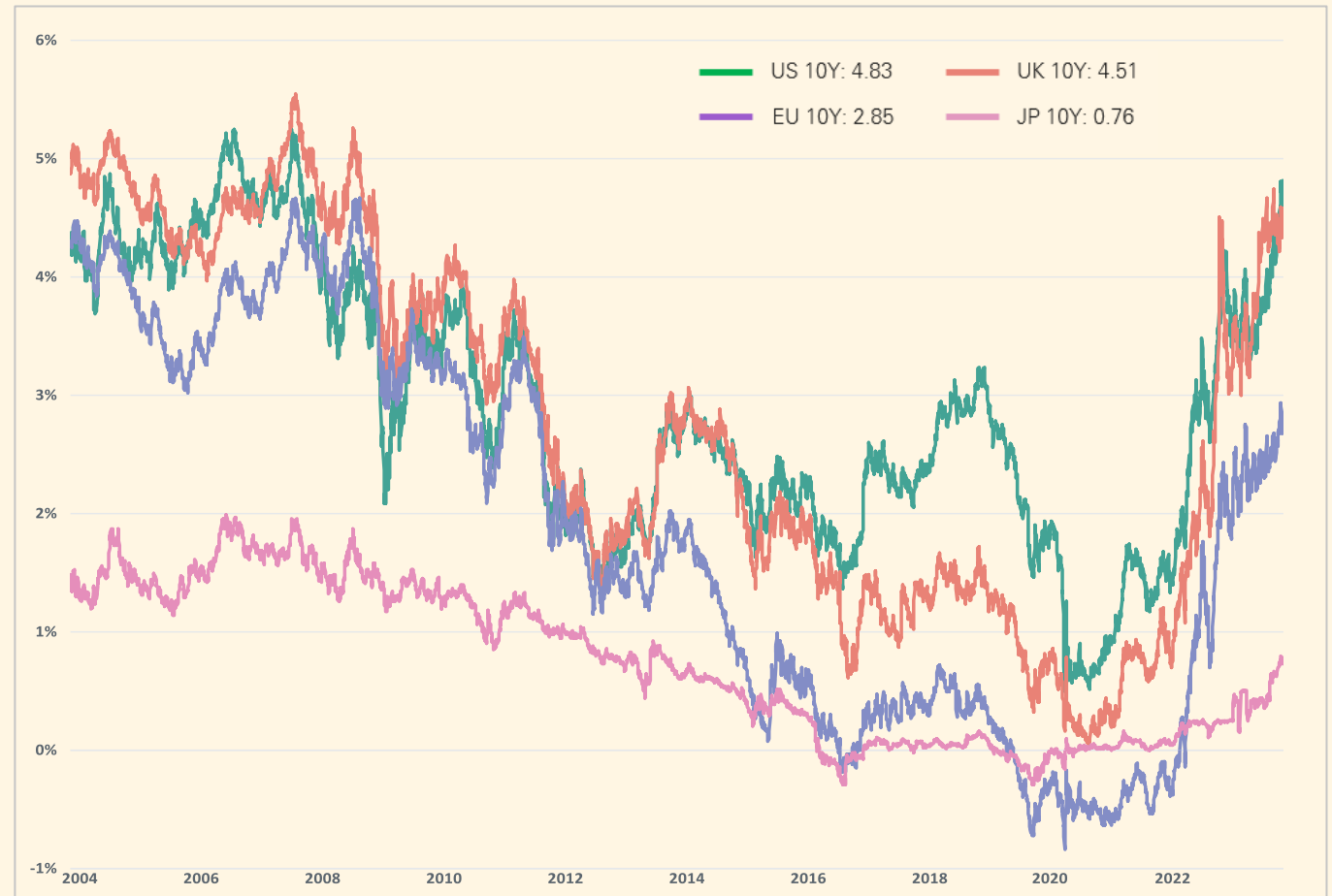
Source: LSEG Datastream & M&G Treasury and Investment Office, Multi Asset Portfolio Management (MAPM) team as at 17.10.2023

Cyclical highs in 10-year yields

Longer-dated bond yields have moved higher again – Factors at play:

- Resilience in economic data suggesting economies may be able to withstand higher rates.
- Investors need to be compensated for more government borrowing
- And less demand from Central Banks

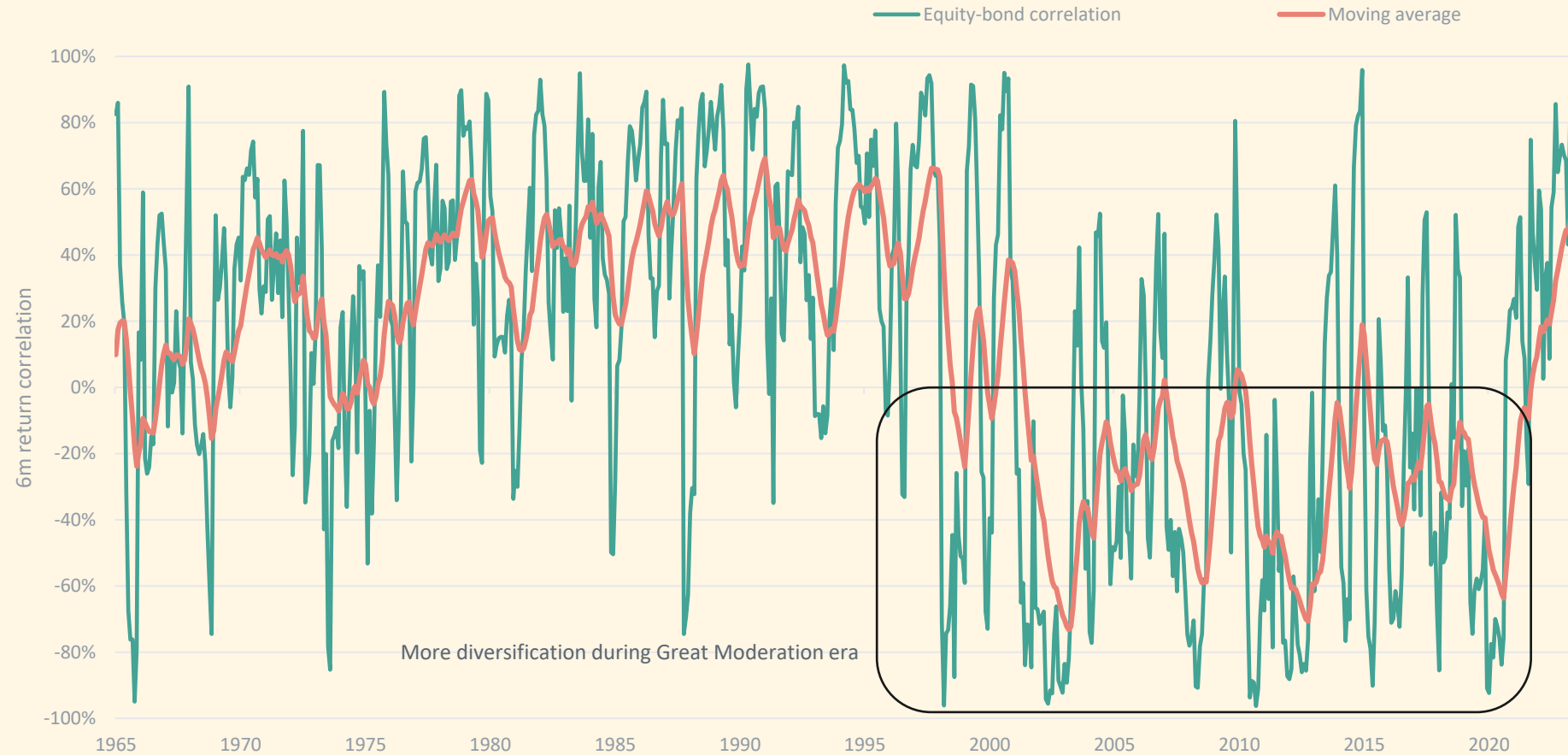
10-year government bond yields



Source: LSEG Datastream & M&G Treasury and Investment Office, Multi-Asset Portfolio Management (MAPM) Team as at 17.10.2023

Fading diversification

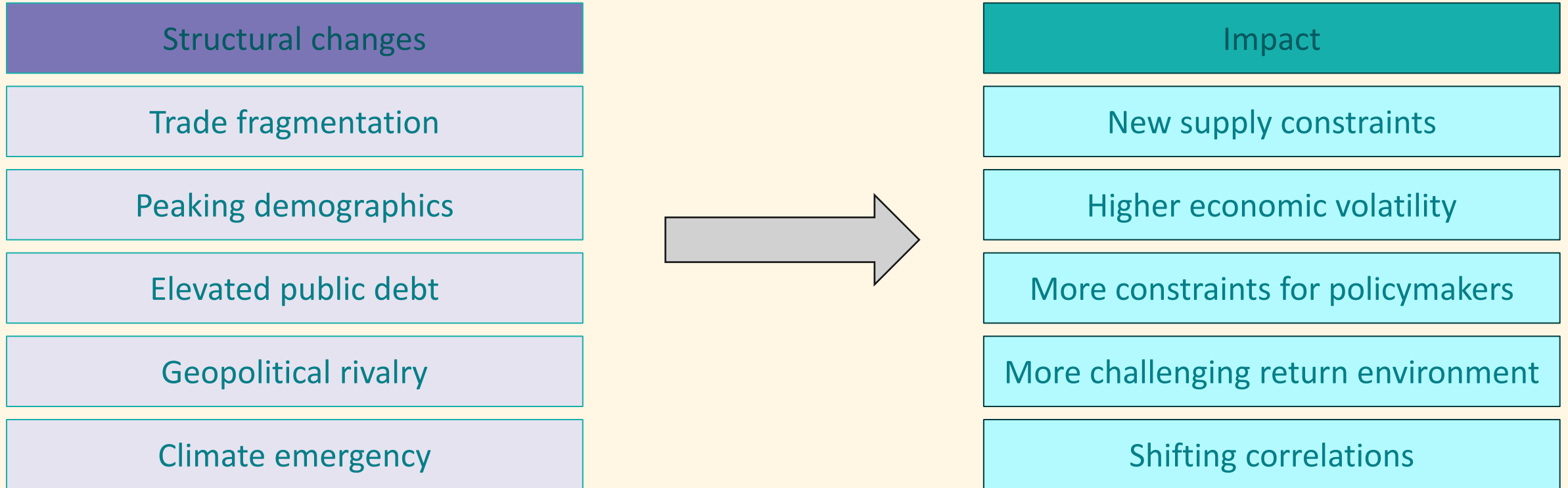
Equity-Bond correlation



Source: Datastream & M&G Treasury & Investment Office, Long Term Investment Strategy (LTIS) Team , Calculations as at 31st July 2023. Correlations between monthly returns for S&P 500 and US Treasuries.

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New challenges for policymakers and investors



Fading diversification impacting volatility

Annualised monthly return volatility on 60:40 portfolio



Source: Datastream & M&G Treasury and Investment Office, Long Term Investment Strategy Team (LTIS) Calculations as at 31st July 2023. Correlations between monthly returns for S&P 500 and US Treasuries.

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Dynamic Asset Allocation

Key Changes

Alternatives



Fixed Income



Equities



Global Real Estate (New)



Listed Infrastructure



Absolute Return



UK Gilts (New)



Global High Yield



Emerging Market Debt



India (New)



UK



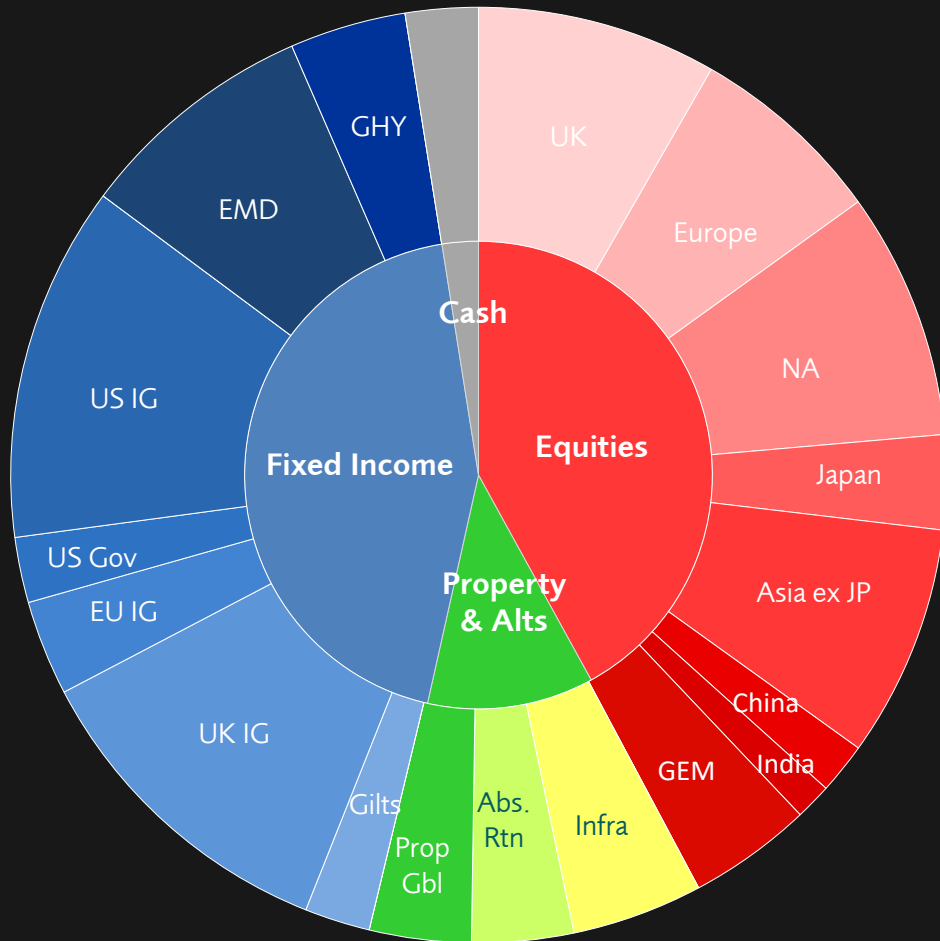
Emerging Markets



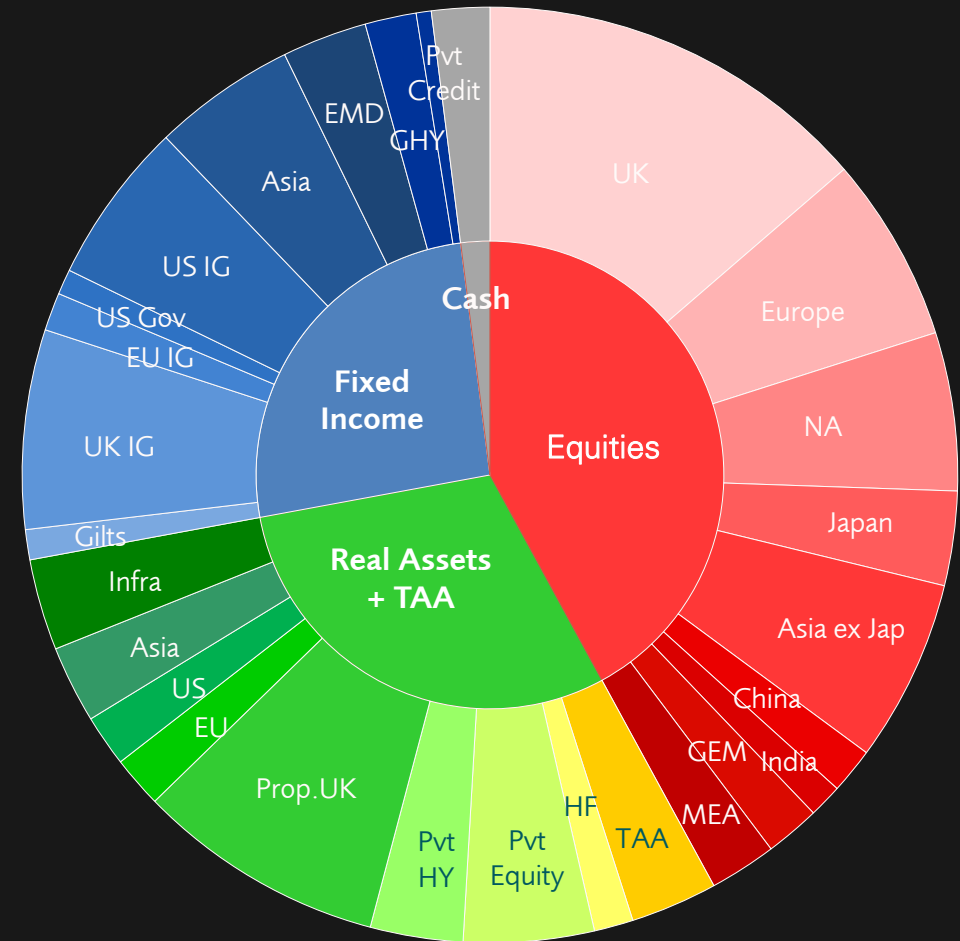
2023 Strategic Asset Allocation

A forward looking approach

MPS Hybrid 3



PruFund Growth



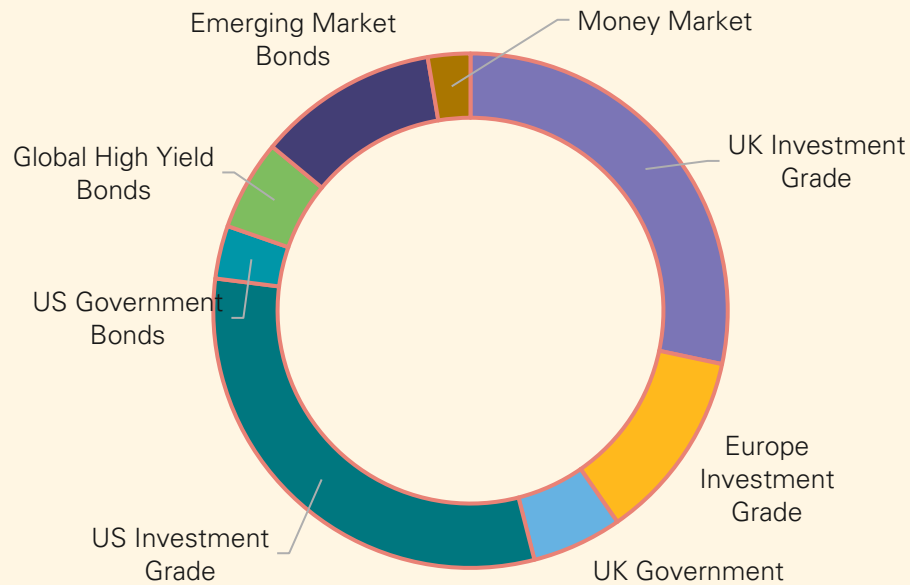


Our approach
to Fixed
Income

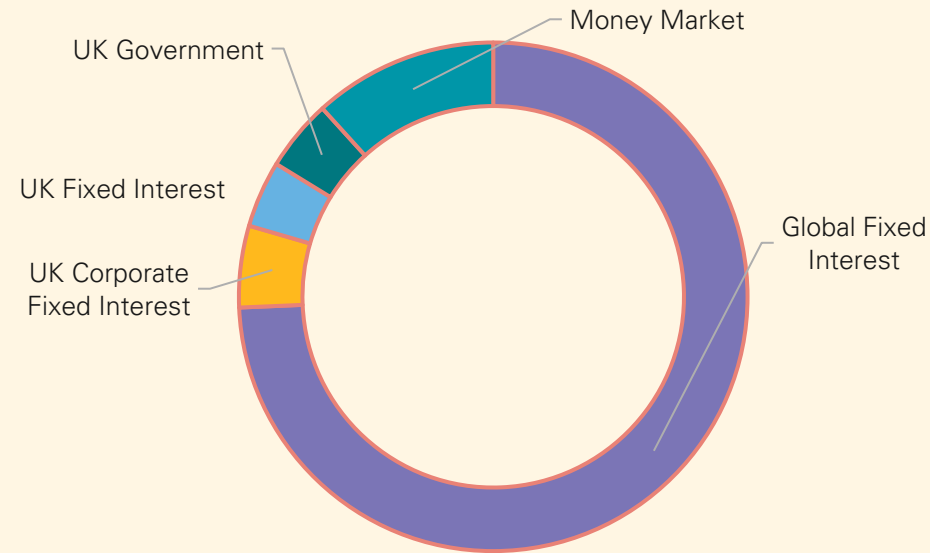
Fixed Income – M&G Wealth vs Peers

- Specific regional asset allocation driven by M&G Treasury and Investment Office
- Inflation and policy differs regionally e.g. UK vs US and DM vs EM; this creates dispersion across fixed income asset-classes
- Greater diversification and risk reduction

M&G Wealth Investments MPS - Hybrid Fixed Income Asset Allocation



Investment Association Sectors Mixed Inv. 0-35%- Fixed Income Asset Allocation

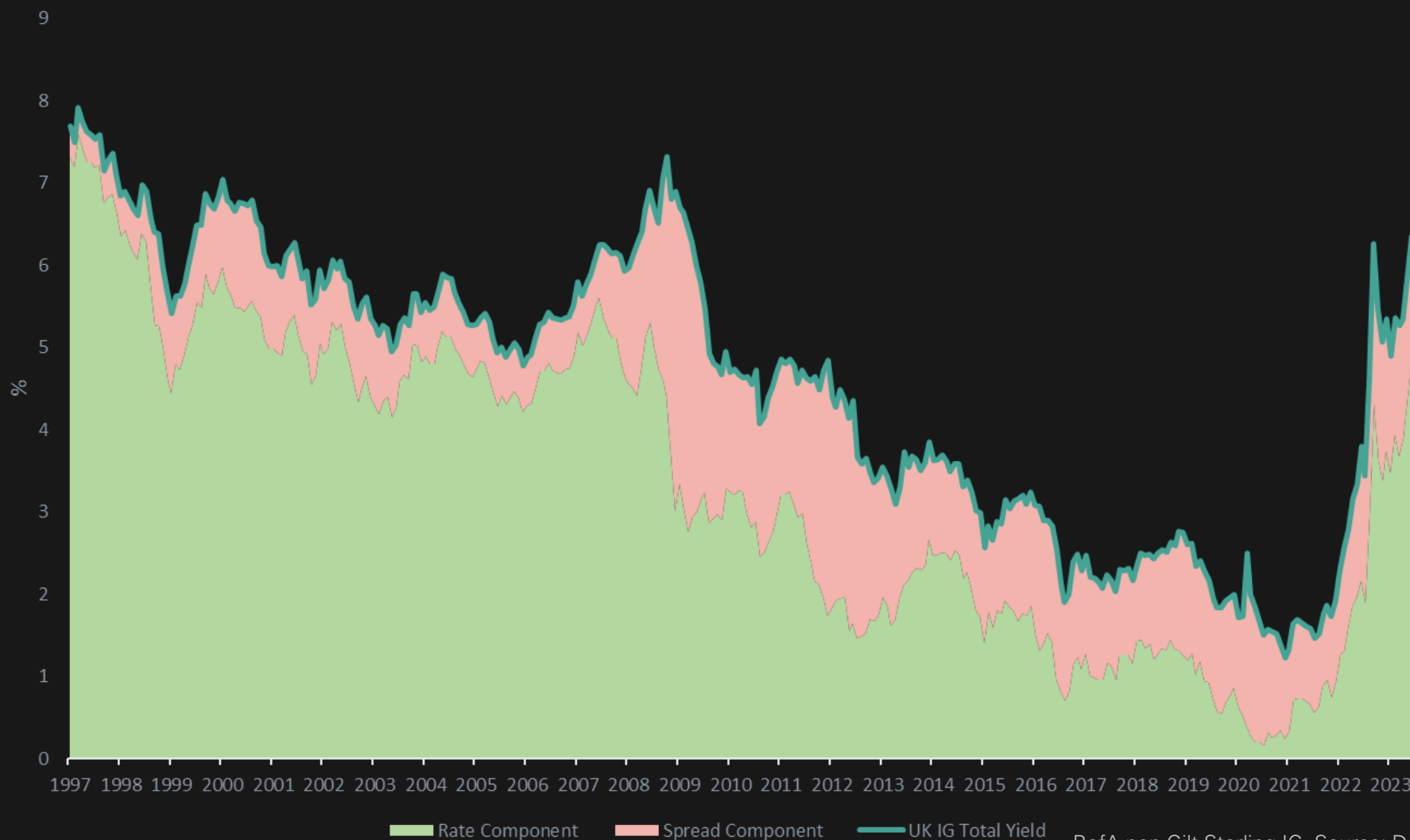


Global Fixed Interest could be for example:

- US, Japan, Canada Government or related debt
- US, Japan, Canada Corporate Debt

Corporate bonds provide natural diversification

Different drivers through the economic cycle



Rate Component Spread Component UK IG Total Yield

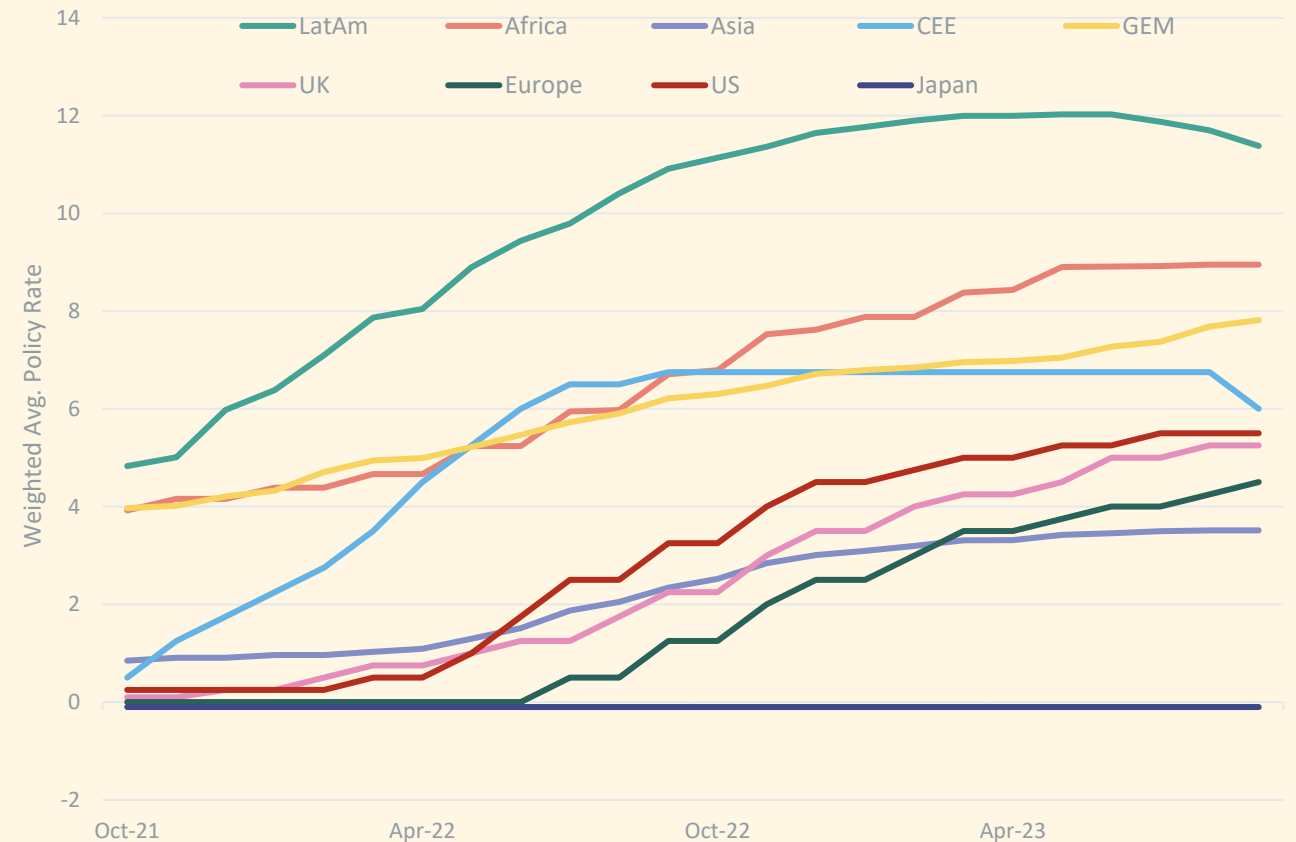
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BofA non-Gilt Sterling IG. Source: Datastream & M&G Treasury & Investment Office, Long Term Investment Strategy (LTIS) Team. 30.09.2023

More diversification and 'levers to pull'

- Strong credibility around EM Central Banks.
- Key EM economies have either benefited from commodity price inflation or experienced lower levels of inflation.
- There is a diverging monetary policy back-drop
- And positive real yields.

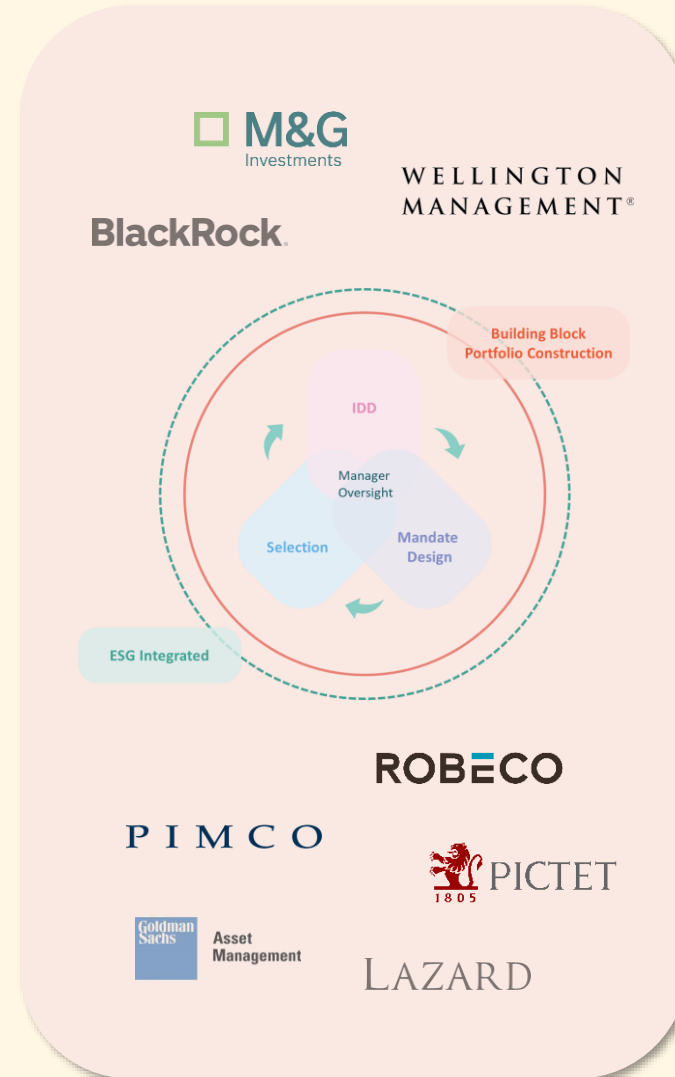
LATAM & CEE take lead on easing of monetary policy



Source: Datastream 09/10/2023. Weighted average policy rate refers to LTIS portfolio weights to the countries composing the regions. For Europe we use the ECB short term Repo rate. Within LatAm we exclude Argentina and Uruguay that make up <10% of the portfolio. CEE policy rate is represented by Poland alone.

Granular allocation means better expertise

Asset Class	Sub Asset Class	SAA Weight %
Equity	UK	10.00
	Europe ex UK	7.00
	North America	8.75
	Japan	3.50
	Asia ex Japan	8.75
	China	1.75
	Global Emerging	5.25
		45.00
Alternatives	Listed Equity	5.25
	Absolute return	5.25
		10.50
EBR Assets		55.50
Fixed Income	Europe including UK	14.00
	UK Investment Grade	10.50
	European Investment Grade	3.50
	US	13.25
	US Investment Grade	11.25
	US Government	2.00
	Asia	-
	Global High Yield	5.00
	EM Debt	9.75
		42.00
	Cash and Receivables	Cash
		2.50
Non-EBR Assets		44.50

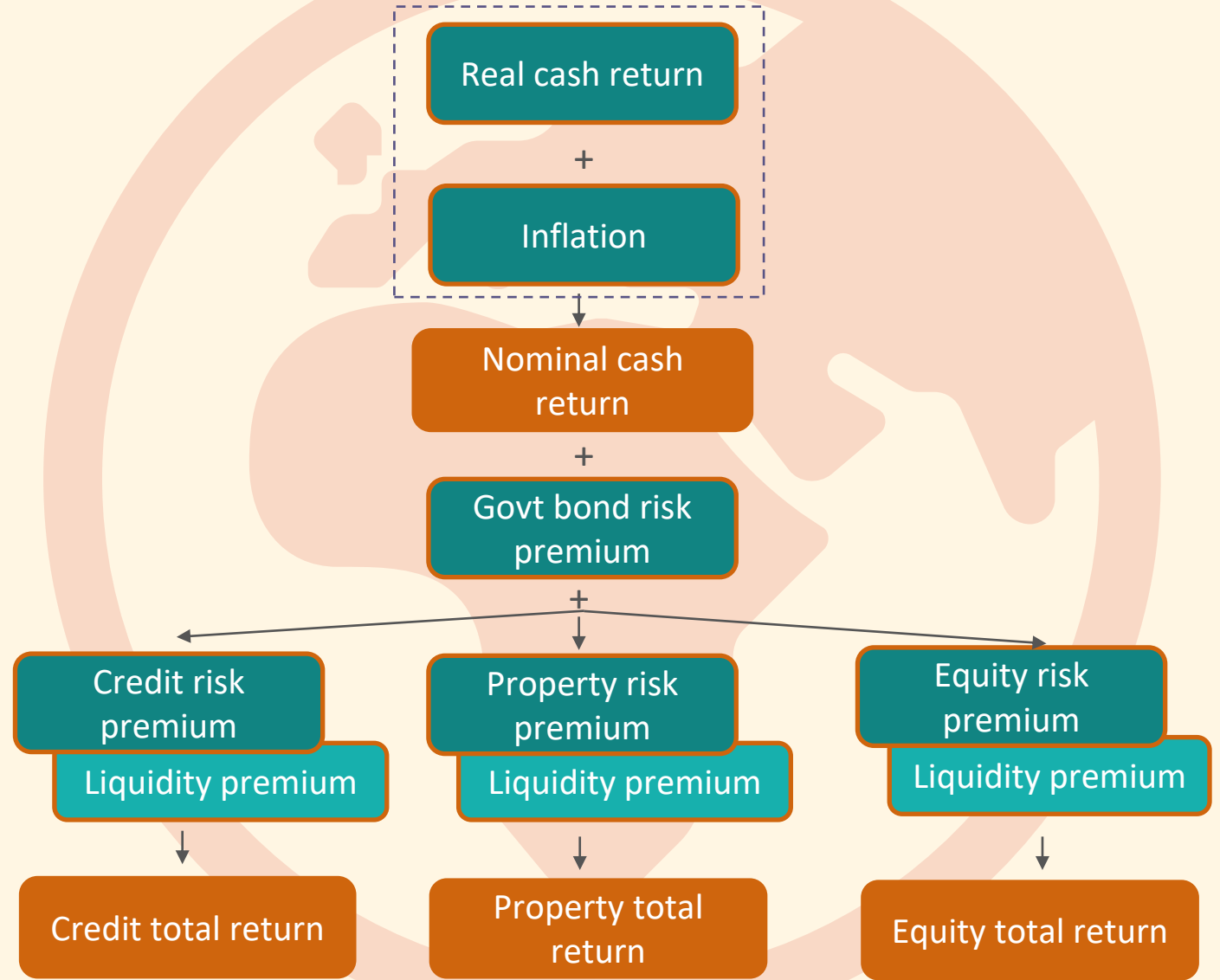
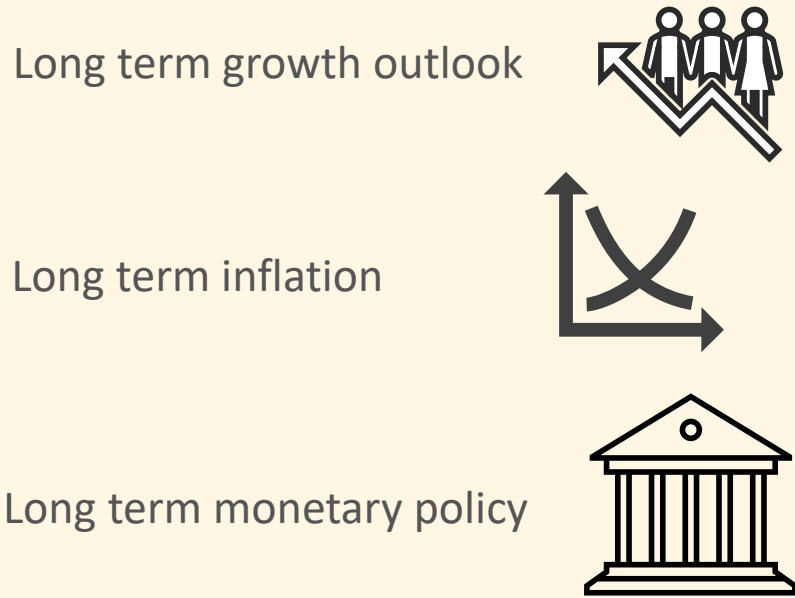


Indicative asset allocation and selection of underlying managers.



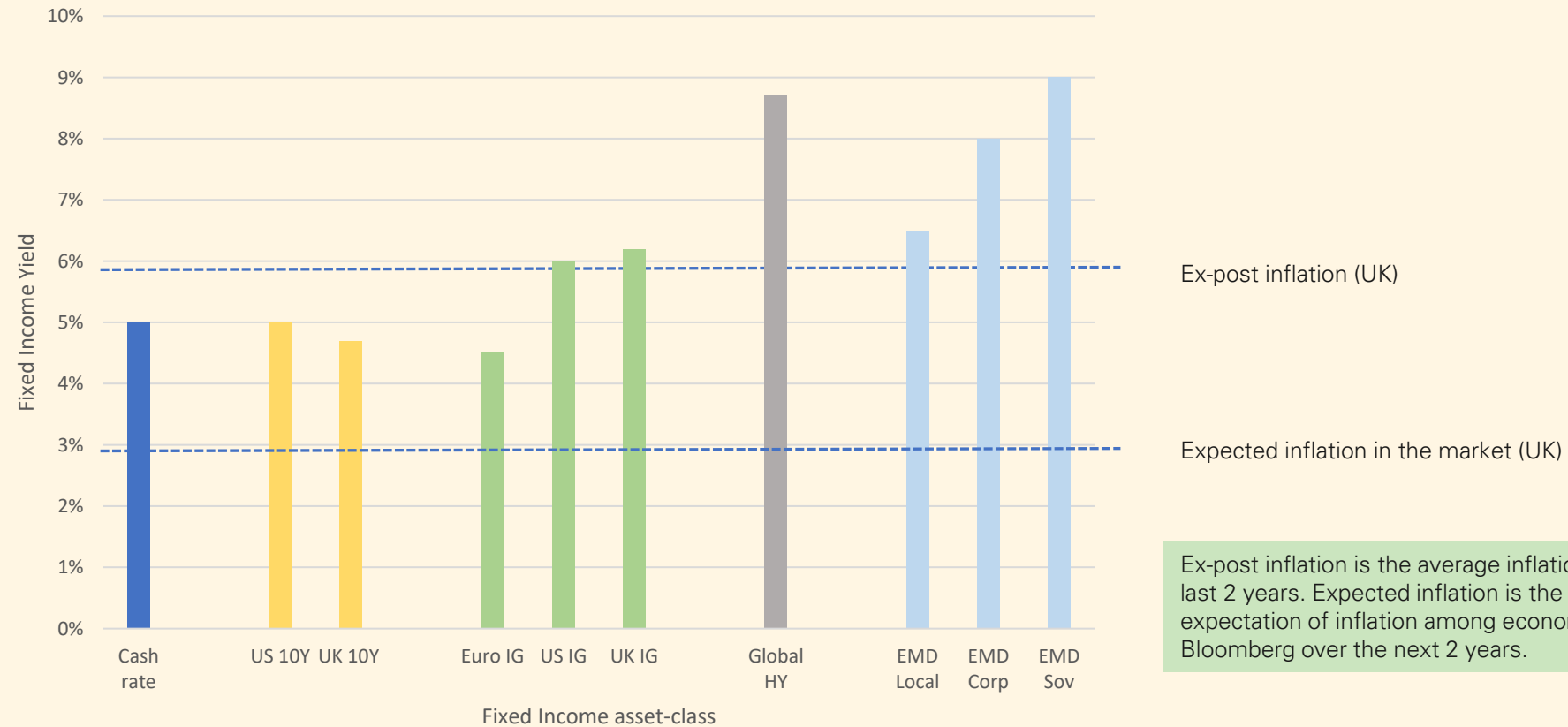
Fixed Income and Cash

Return Assumptions



Bonds are back in town!

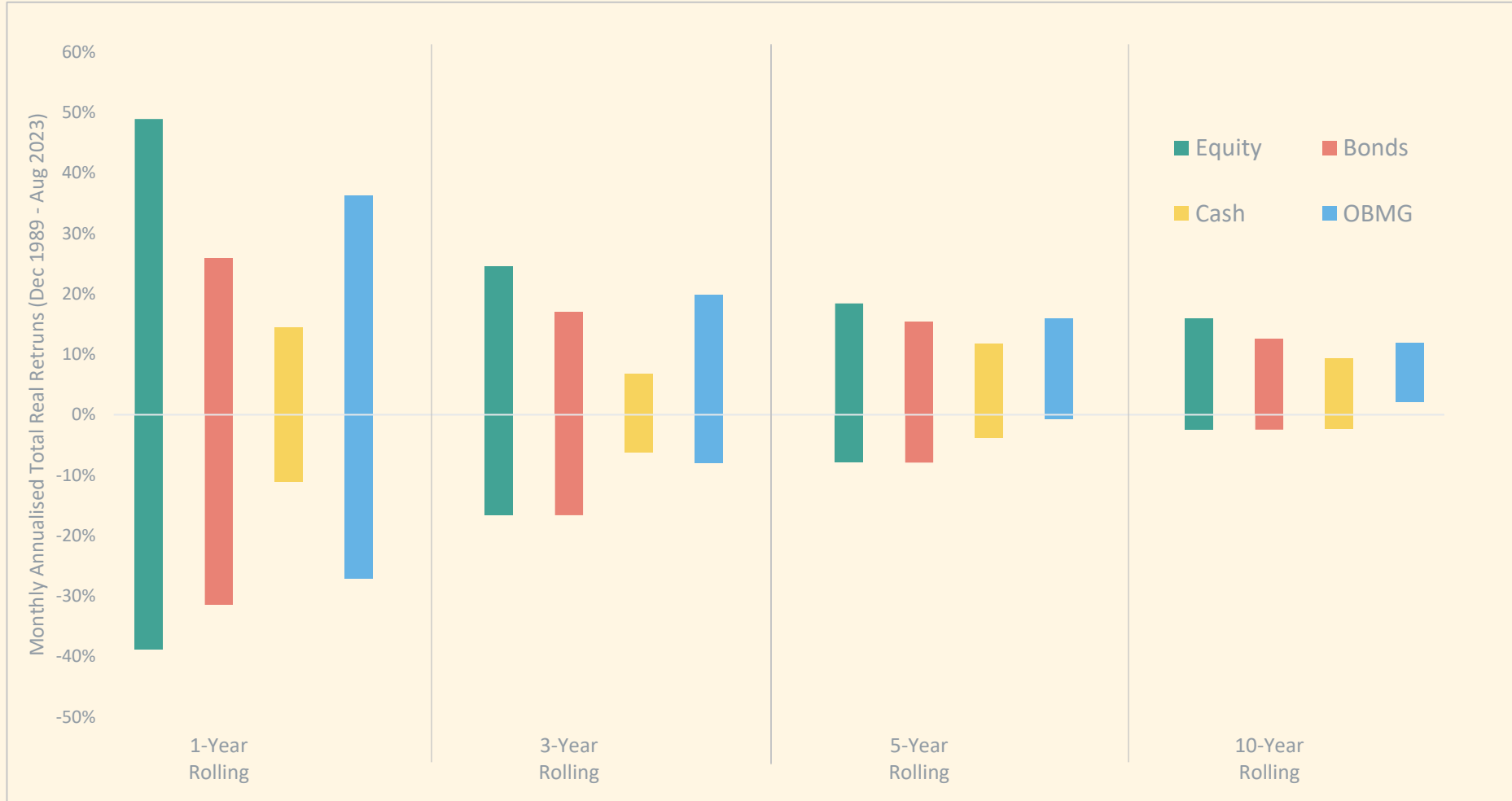
Cash rate, fixed income yields and expected inflation



Source: FactSet, 20/20/2023

Time in the market brings assurance

Favourable starting point for valuations



Source: Datastream. 31.08.2023. Month end values: Equity (FTSE All-Share), Bonds (UK Benchmark 10 Year Datastream Gov't Index), Cash (JP Morgan 3-Month UK Cash Index), Inflation (ONS Consumer Price Index). OBMG represents Prudential WP Asset Share. The 1-Year Rolling reflects the maximum and minimum real returns experienced from two month ends 1 year apart since December 1989. Rolling 3,5 & 10-year show CAGR required to have made the maximum or minimum real returns in between two month ends 3,5, and 10 years apart respectively. Past performance does not guarantee future performance.

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)

PruFolio

- 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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