M&G wealth

PruFund Monthly Update and T&IO SAA Update

25 June 2024

Important information

This presentation is for adviser use only, and is based on our current understanding of taxation, legislation and HMRC practice, all of which are liable to change and subject to an individual's own circumstances.

The rate of growth of funds and any income from them cannot be guaranteed. The value of an investment can go down as well as up and your client could get back less than they have put in. PruFund funds aim to grow your client's money while smoothing their investment journey.

The PruFund range of funds all invest in Prudential's With-Profits Fund, which is one of the largest with-profits funds in the UK. However, there are differences across the range of PruFund funds in their objectives and mix of assets, and how PruFund delivers returns to investors when compared to other With-Profits business, which means the returns received by investors will vary by fund choice.

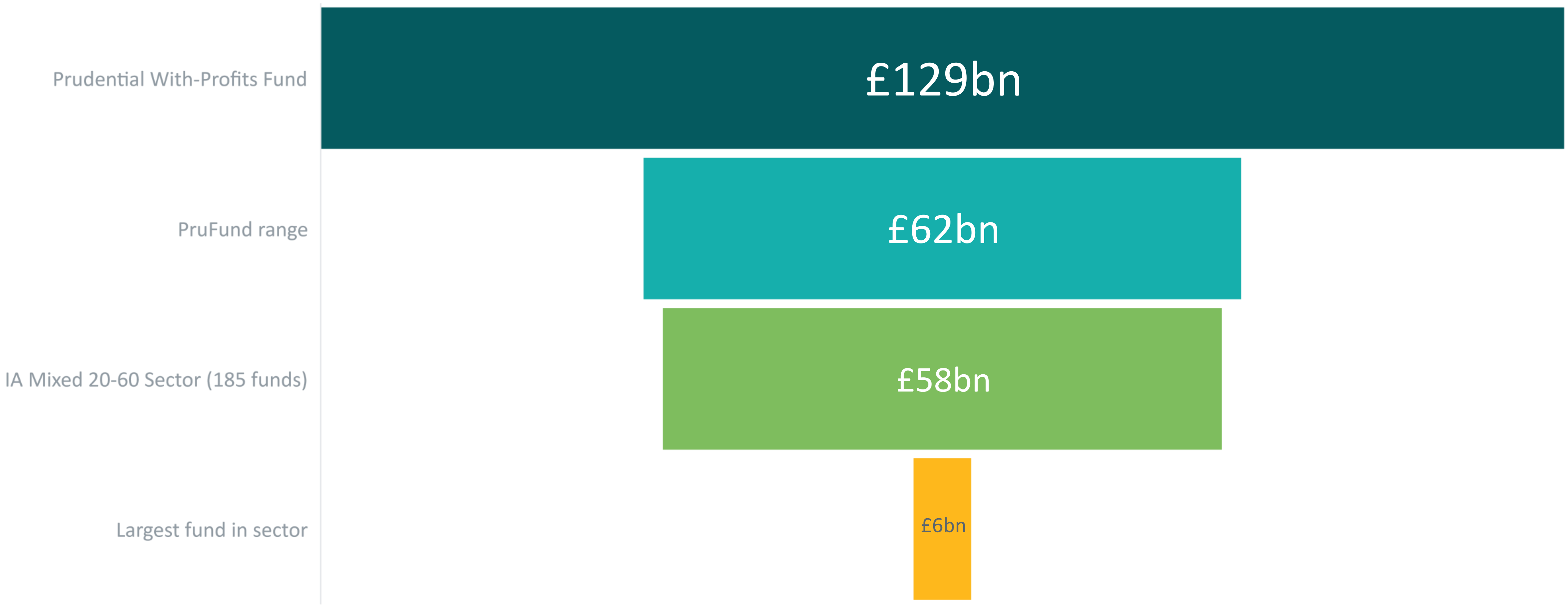
Prudential set Expected Growth Rates (EGR); these are the annualised rates your client's investment would normally grow at. The EGRs reflect our view of how we think each PruFund fund will perform over the long-term (up to 15 years). Each PruFund fund has its own EGR and your client's investments into a PruFund will normally grow daily by the relevant EGR. Although we take a long-term view, we do review the rates every three months to allow for any changes, which may mean a change in EGR on a quarterly basis, up or down. While the EGR reflects our long term view, we need to check that the fund is performing as expected - if not we may need to make an adjustment to your client's fund value, either up or down. There are limits which set out when an adjustment would be required. The value of your client's investment in a PruFund fund is based on the Smoothed Price, this is the unit price, which grows daily by the EGR. We compare the Smoothed Price against the Unsmoothed Price – which reflects the value of underlying assets. If these move too far away from one another we need to adjust the Smoothed Price to narrow the gap. This could be a price increase or a price decrease. In certain circumstances we might need to suspend the smoothing process for one or more of the PruFund funds.

PruFund – Target market information

The PruFund funds aim to:

- grow your client’s money over the medium to long term (5 to 10 years or more)
- protect customers from some of the short-term ups and downs of direct stock market investments by using an established smoothing process

Size isn't everything, or is it?



Source: For Prudential figures https://www.mandg.com/dam/pru/shared/documents/en/pruf100222103.pdf For IA sector figures, source is FE Analytics as at 25 Jun 2024.

What we will cover

- UPAs
- Market context
- PruFund performance

Unit Price Adjustments (UPAs)

- UPAs reflect the actual past performance of each PruFund and the smoothing approach followed
- They are formulaic and non discretionary
- For S2, Series A, Series B and Series D; there is a Daily Smoothing Limit and a Quarterly Smoothing Limit
- For Series C, E and F; there is a Daily Smoothing Limit and a Monthly Smoothing Limit

UPA position 25 June 2024

Retirement Account – Series E

PruFund version	Last negative UPA	UPA
Growth	25/10/2023	
Cautious	25/08/2023	
Risk Managed 1	25/08/2023	
Risk Managed 2	25/10/2023	
Risk Managed 3	25/08/2023	
Risk Managed 4	25/10/2023	
Risk Managed 5	25/08/2023	

Offshore – Series C

PruFund version	Last negative UPA	UPA
Growth	25/10/2023	
Cautious	25/08/2023	
Risk Managed 1	25/08/2023	
Risk Managed 2	25/10/2023	
Risk Managed 3	25/08/2023	
Risk Managed 4	25/10/2023	
Risk Managed 5	25/08/2023	

Source: Prudential. Full details at https://www.mandg.com/pru/adviser/en-gb/funds/prufund-range

UPA position 25 June 2024

Planet – Series E

PruFund version	Last negative UPA	UPA
Planet 1	25/08/2023	
Planet 2	25/10/2023	
Planet 3	25/08/2023	
Planet 4	25/08/2023	
Planet 5	25/10/2023	

Planet – Series C

PruFund version	Last negative UPA	UPA
Planet 1	25/08/2023	
Planet 2	25/10/2023	
Planet 3	25/08/2023	
Planet 4	25/08/2023	
Planet 5	25/10/2023	

Source: Prudential. Full details at https://www.mandg.com/pru/adviser/en-gb/funds/prufund-range

UPA position 25 June 2024

Wealth Platform – Series F

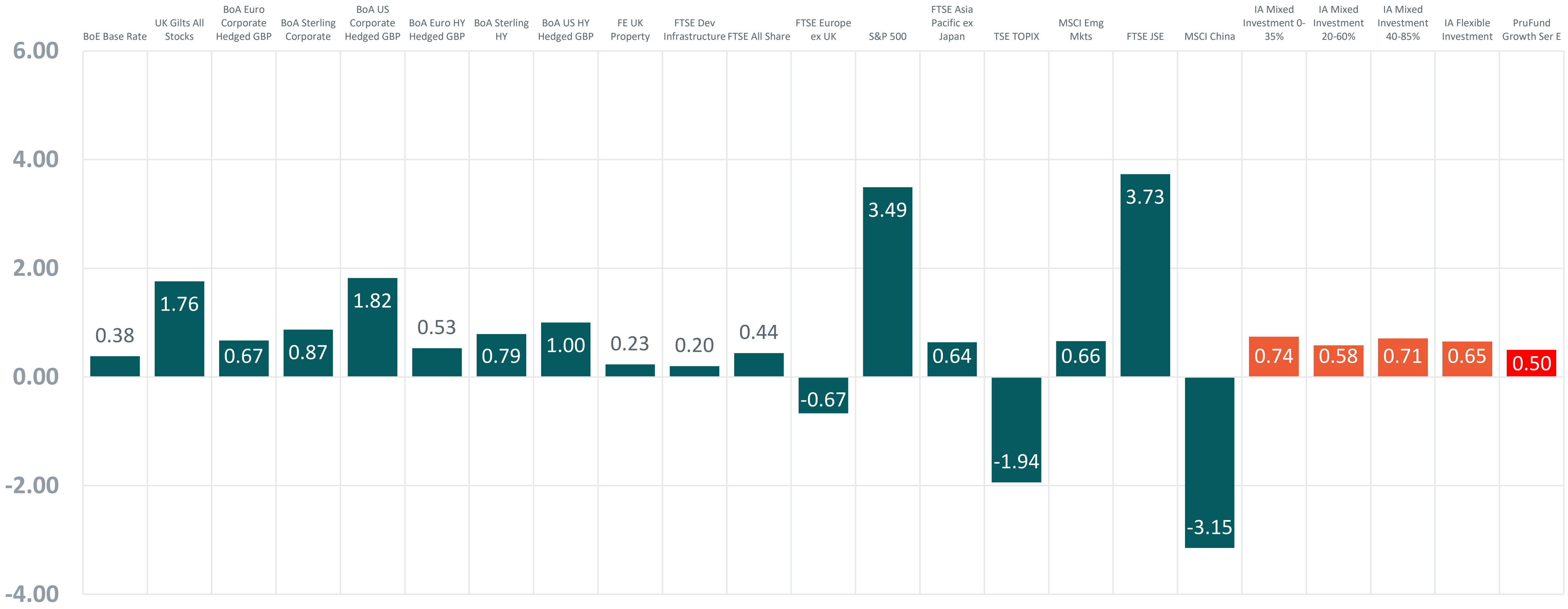
PruFund version	Last negative UPA	UPA
Planet 1	25/08/2023	
Planet 2	25/10/2023	
Planet 3	25/08/2023	
Planet 4	25/08/2023	
Planet 5	25/10/2023	

Wealth Platform - Series F

PruFund version	Last negative UPA	UPA
Growth		
Cautious	25/10/2023	
Risk Managed 1	25/10/2023	
Risk Managed 2	25/10/2023	
Risk Managed 3		
Risk Managed 4		
Risk Managed 5		

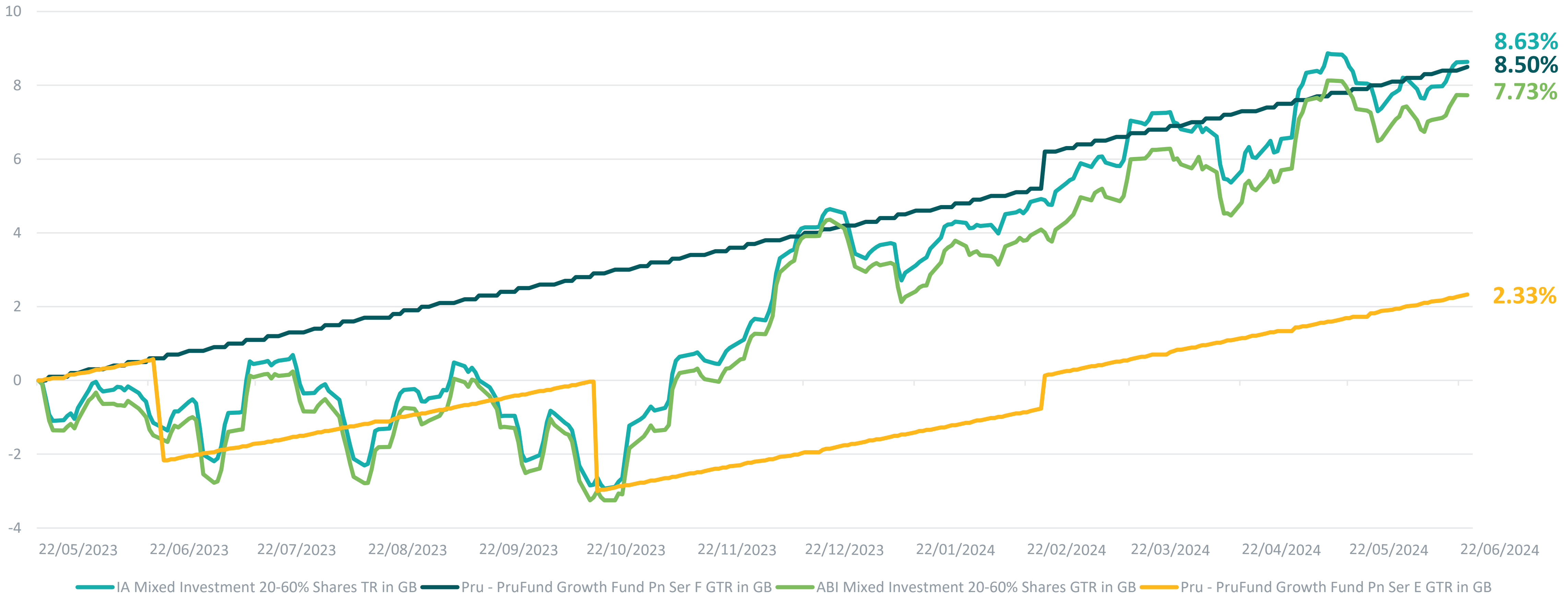
Source: Prudential. Full details at https://www.mandg.com/pru/adviser/en-gb/funds/prufund-range

Performance of markets since 28 May 2024



Performance of PruFund Growth Ser E and various indices in GBP over period from 28 May 2024 to 25 June 2024. The PruFund figures include any additional investment expenses and fund management charges but not any product or advice charges, so the amount an investor would get back would be less than shown here. **The value of an investment can go down as well as up. Your clients may get back less than they have paid in.** Source: FE Analytics

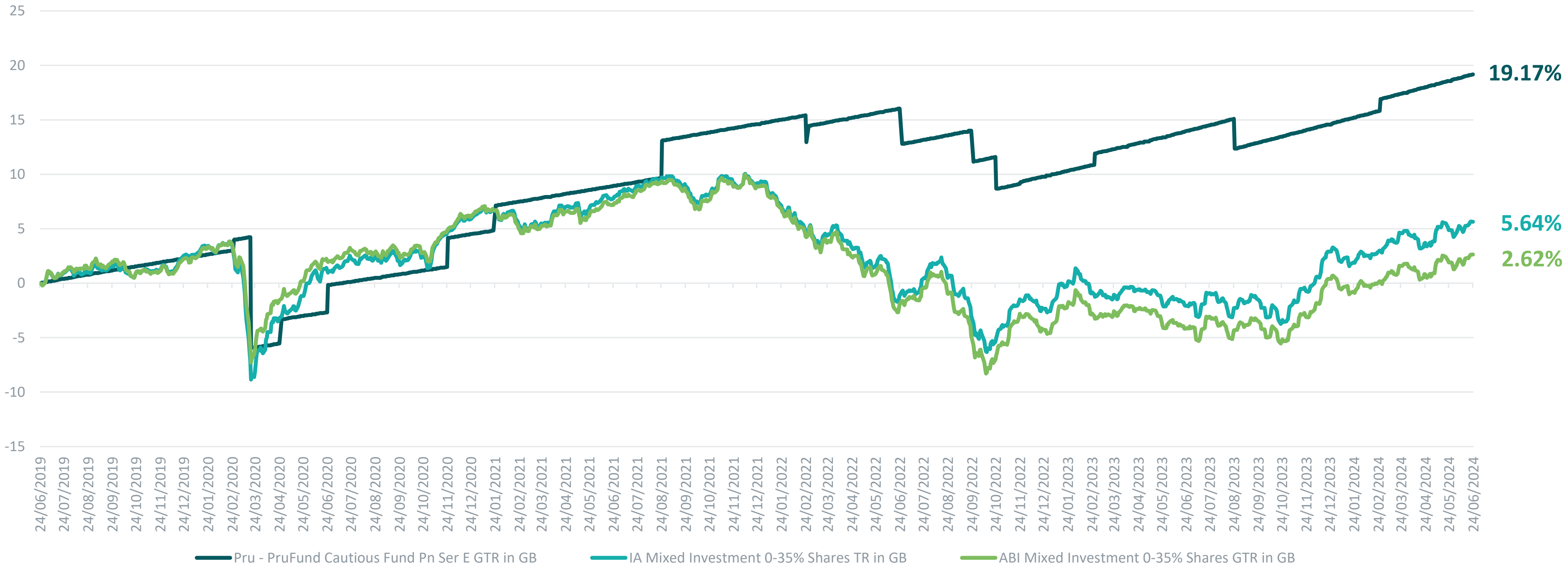
Performance of PruFund Growth Ser E and Ser F – past 12 months



Figures are for PruFund Growth Pn Ser E and Ser F for the period from 22 May 2023 to 25 Jun 2024. The PruFund figures include any additional investment expenses, but not any product or advice charges, so the amount an investor would get back would be less than shown here. Some, if not all, of the funds comprising the IA and ABI sector averages are net of fund charges. Past performance is not a reliable indicator of future performance. **The value of an investment can go down as well as up. Your clients may get back less than they have paid in.** Source: FE Analytics

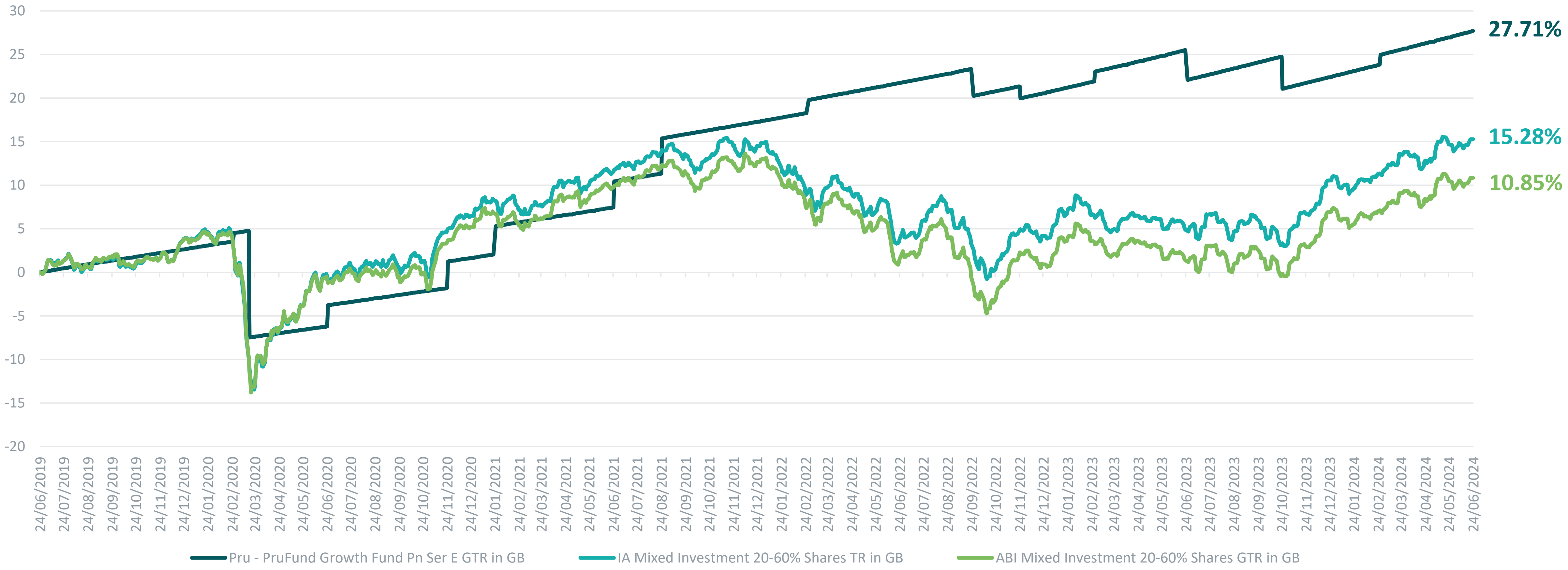
PruFund performance - accumulation

Performance of PruFund Cautious – 5 yrs



Figures are for PruFund Cautious Pn Ser E and are for the period from 24 Jun 2019 to 24 Jun 2024. The PruFund figures include any additional investment expenses, but not any product or advice charges, so the amount an investor would get back would be less than shown here. Some, if not all, of the funds comprising the IA and ABI sector averages are net of fund charges. Past performance is not a reliable indicator of future performance. **The value of an investment can go down as well as up. Your clients may get back less than they have paid in.** Source: FE Analytics

Performance of PruFund Growth – 5 yrs



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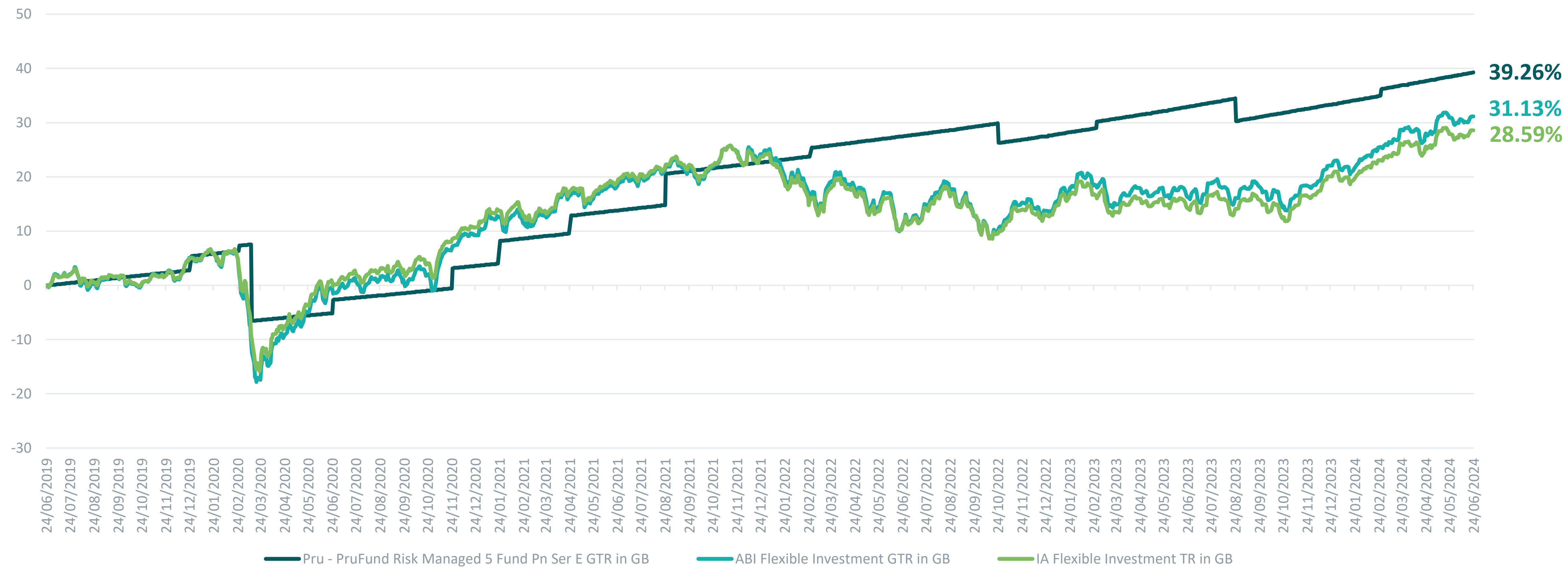
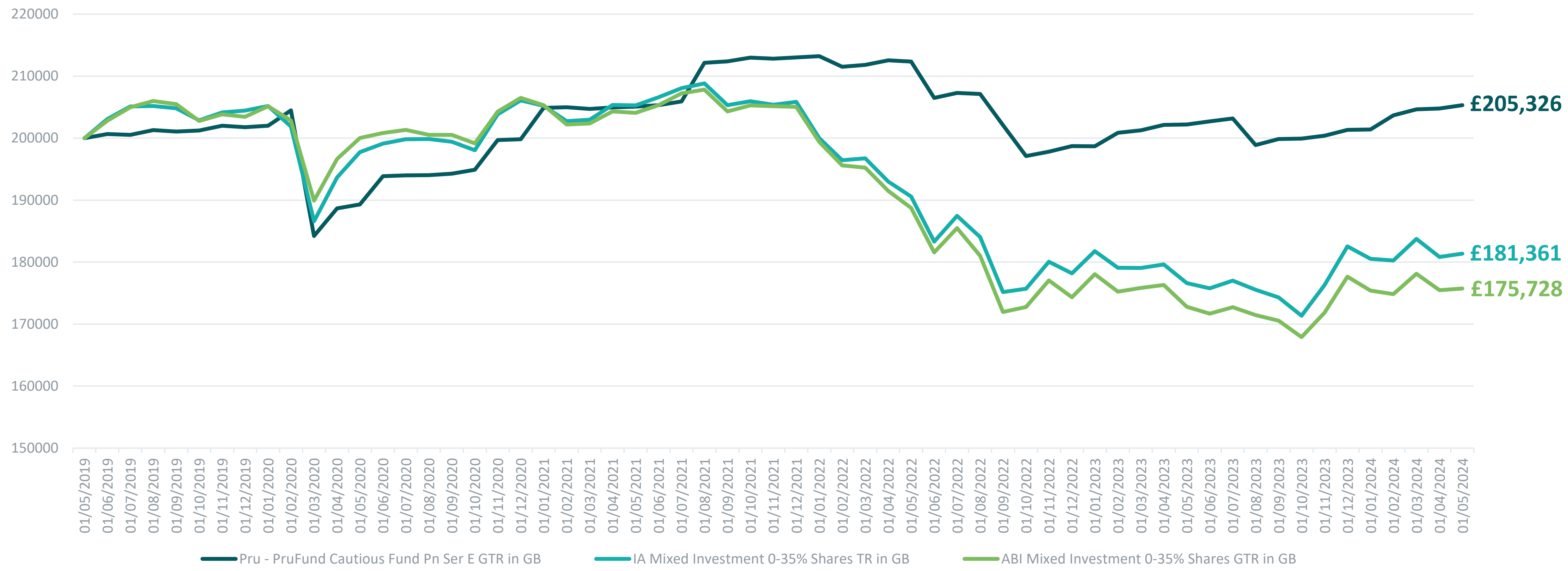
Performance of PruFund Risk Managed 5 – 5yrs



Figures are for PruFund Risk Managed 5 Pn Ser E and are for the period from 24 Jun 2019 to 24 Jun 2024. The PruFund figures include any additional investment expenses, but not any product or advice charges, so the amount an investor would get back would be less than shown here. Some, if not all, of the funds comprising the IA and ABI sector averages are net of fund charges. Past performance is not a reliable indicator of future performance. **The value of an investment can go down as well as up. Your clients may get back less than they have paid in.** Source: FE Analytics

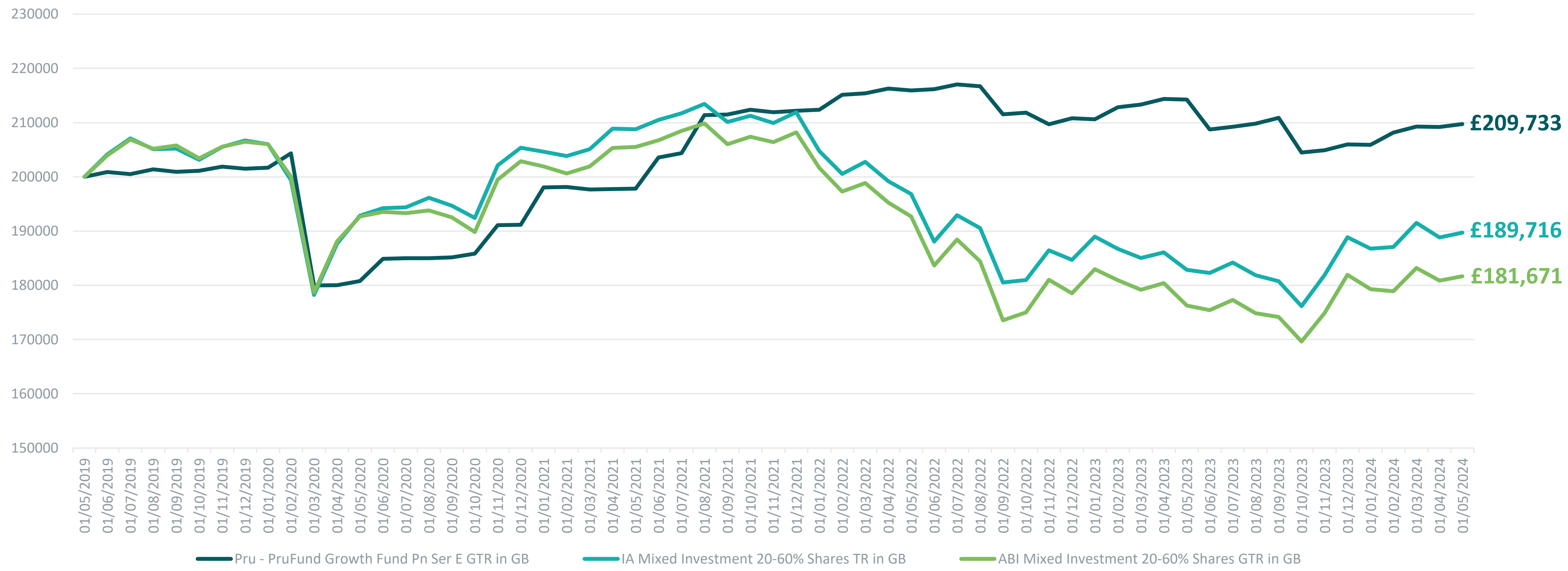
PruFund performance - decumulation

Performance of PruFund Cautious with 3% withdrawals – 5 yrs



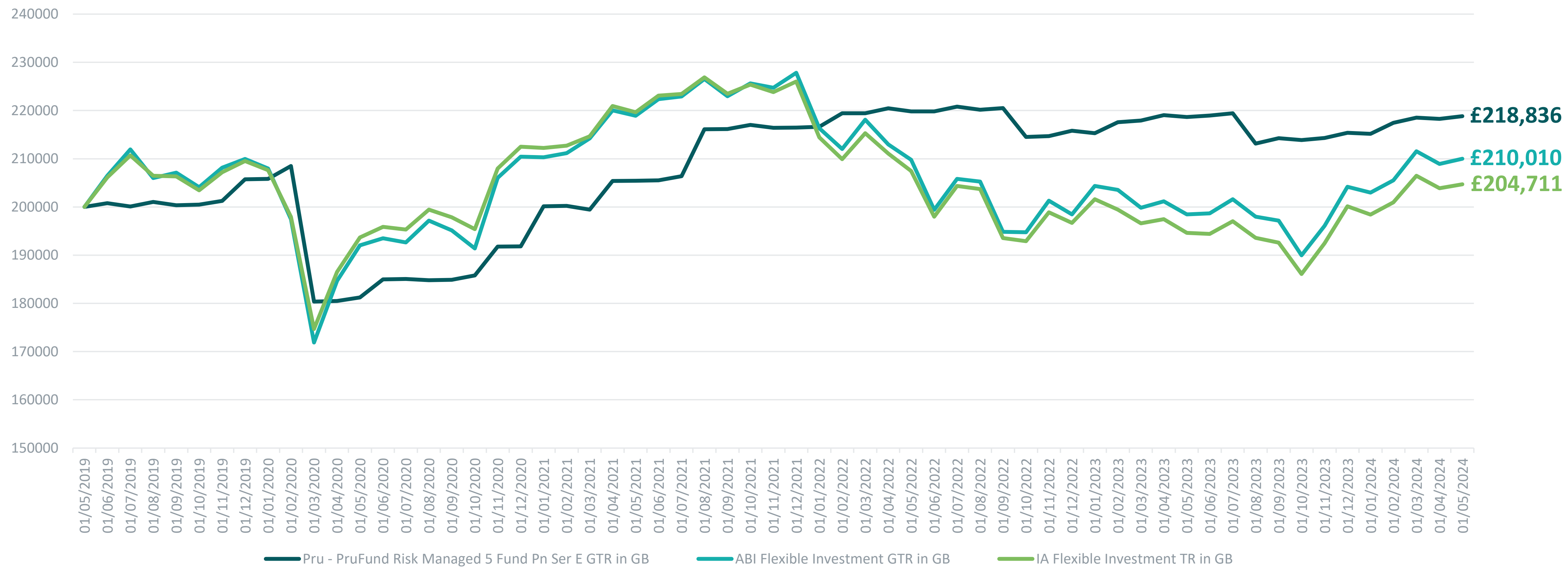
Figures are for PruFund Cautious Pn Ser E and are for the period from 31 May 2019 to 31 May 2024. The initial investment is £200,000 and regular withdrawals of £500.00 are taken at the end of each month. The PruFund figures include any additional investment expenses, but not any product or advice charges, so the amount an investor would get back would be less than shown here. Some, if not all, of the funds comprising the IA and ABI sector averages are net of fund charges. Past performance is not a reliable indicator of future performance. **The value of an investment can go down as well as up. Your clients may get back less than they have paid in.** Source: FE Analytics

Performance of PruFund Growth with 4% withdrawals – 5 yrs



Figures are for PruFund Growth Pn Ser E and are for the period from 31 May 2019 to 31 May 2024. The initial investment is £200,000 and regular withdrawals of £666.67 are taken at the end of each month. The PruFund figures include any additional investment expenses, but not any product or advice charges, so the amount an investor would get back would be less than shown here. Some, if not all, of the funds comprising the IA and ABI sector averages are net of fund charges. Past performance is not a reliable indicator of future performance. **The value of an investment can go down as well as up. Your clients may get back less than they have paid in.** Source: FE Analytics

Performance of PruFund Risk Managed 5 with 5% withdrawals – 5yrs



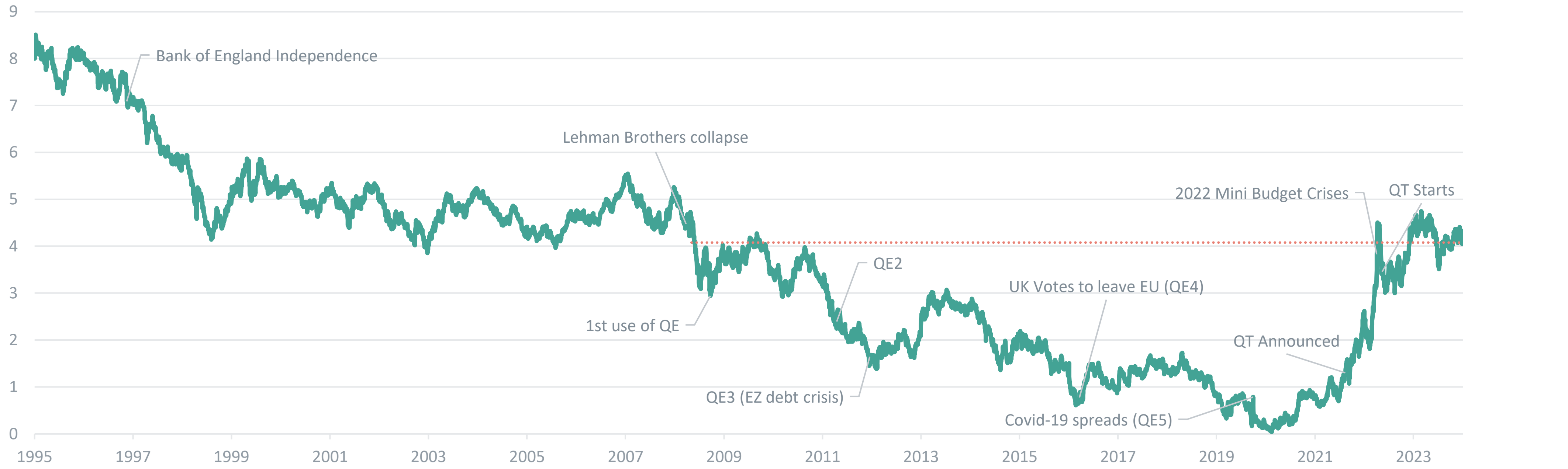
Figures are for PruFund Risk Managed 5 Pn Ser E and are for the period from 31 May 2019 to 31 May 2024. The initial investment is £200,000 and regular withdrawals of £833.33 are taken at the end of each month. The PruFund figures include any additional investment expenses, but not any product or advice charges, so the amount an investor would get back would be less than shown here. Some, if not all, of the funds comprising the IA and ABI sector averages are net of fund charges. Past performance is not a reliable indicator of future performance. **The value of an investment can go down as well as up. Your clients may get back less than they have paid in.** Source: FE Analytics

Economic Outlook

The Great Moderation, pre Covid

Several tailwinds created a benign structural backdrop

1990’s	2000’s	2010’s	2020’s
Inflation targeting WTO expansion Expanding use of internet	Accelerating global trade Convergence of living standards Globalised capital flows	Financial crisis Populist pushback on globalisation	Pandemic supply shocks Geo-political rivalry Growing climate risk



Data to 21 June 2024

Above: UK 10-Year Treasury Yields ; Source: Datastream

Structural changes bring new challenges for policymakers and investors

Trade fragmentation

Peaking demographics

Geopolitical rivalry

Climate concerns

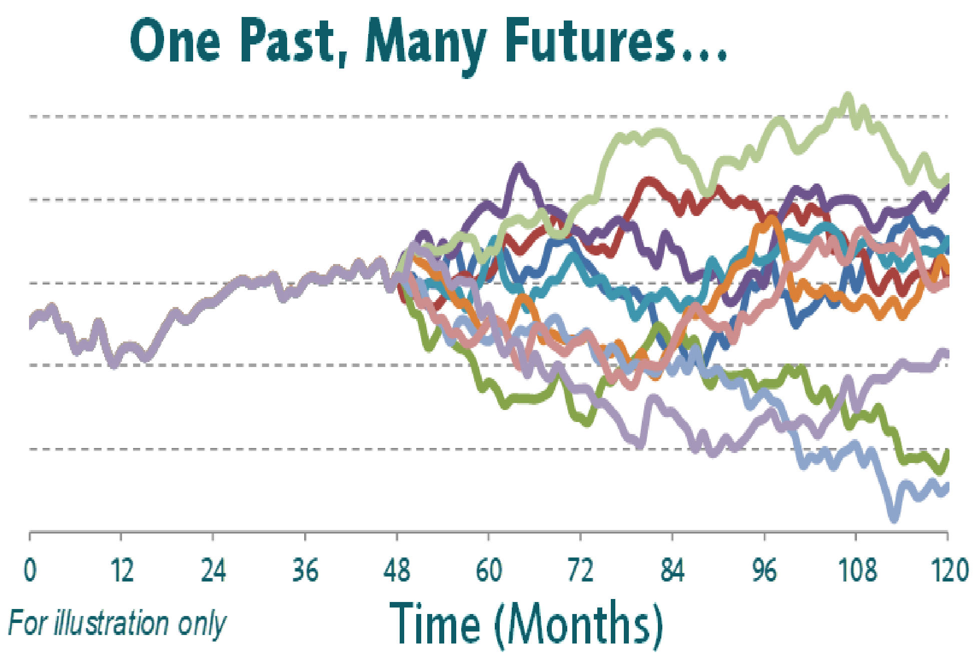
Impact
New supply constraints
Higher economic volatility
More constraints for policymakers
More challenging return environment
Shifting correlations

Regime changes pre and post Covid

Aspect	21st century Pre Covid	Post Covid
Central bank policy	Mainly focused on stimulating growth, including low interest rates and use of quantitative easing (inflation not deemed to be a concern).	Central banks need to strike a balance between inflation and growth objectives. Higher interest rates, quantitative tightening, greater focus on inflation
Business cycle	Longer, globally synchronised	Shorter, less clear and globally divergent
Interest rates	Historically low interest rates	Higher interest rates, but equilibrium yet to be determined
Equities and Bonds	For most of the 21st century, central bank intervention in times of stress has led to a negative correlation between bonds and equity, leading to natural diversification in portfolios.	Unexpected inflation can negatively affect both bond and equity markets, which results in higher correlations in some scenarios. Thus investors need to work much harder to create a diversified portfolio.
Asset allocation	Focusing on broader themes and economic cycle changes	Still needs to focus on themes, may need to be more nimble with shorter business cycles. Regional levers and geographical diversification become more critical.

Scenarios to watch

Consistent with our “one past, many futures” ethos




Financial Stability – After the Tide Goes Out


Inflation Risk – getting more balanced?


Supply Chains – Fresh risks emerging


China – out of the woods?


Geopolitics – a shifting world order


El Niño – Turbulent start to 2024

Key themes for 2024 and Beyond

Economic Outlook: can a soft landing be achieved?

As inflation slows, varying economic cycles bring diversification opportunities.

New Frontiers: The promise and challenges of AI

AI promises productivity growth, will this be met with resistance?

Tinder pot: Geo-politics as a risk factor

Geopolitical instability demands agility for a wider range of scenarios.

Strategic Asset Allocation

Evolution of the With-Profits Life Fund (OBMG)

Constantly evolving & diversified fund adds value

UK Equities
Significant move from UK to global regions (2012)

Asian FI
Material increase (2015)

Private Credit
Key increase, using internal expertise (2016-2018)

Risk Reduction
Stretched valuations (2018)

Risk Increase
Attractive valuations (Jan 2019)

Risk Reduction
Based on stage of economic cycle (June 2019)

US Treasuries
Added as defensive holding (June 2019)

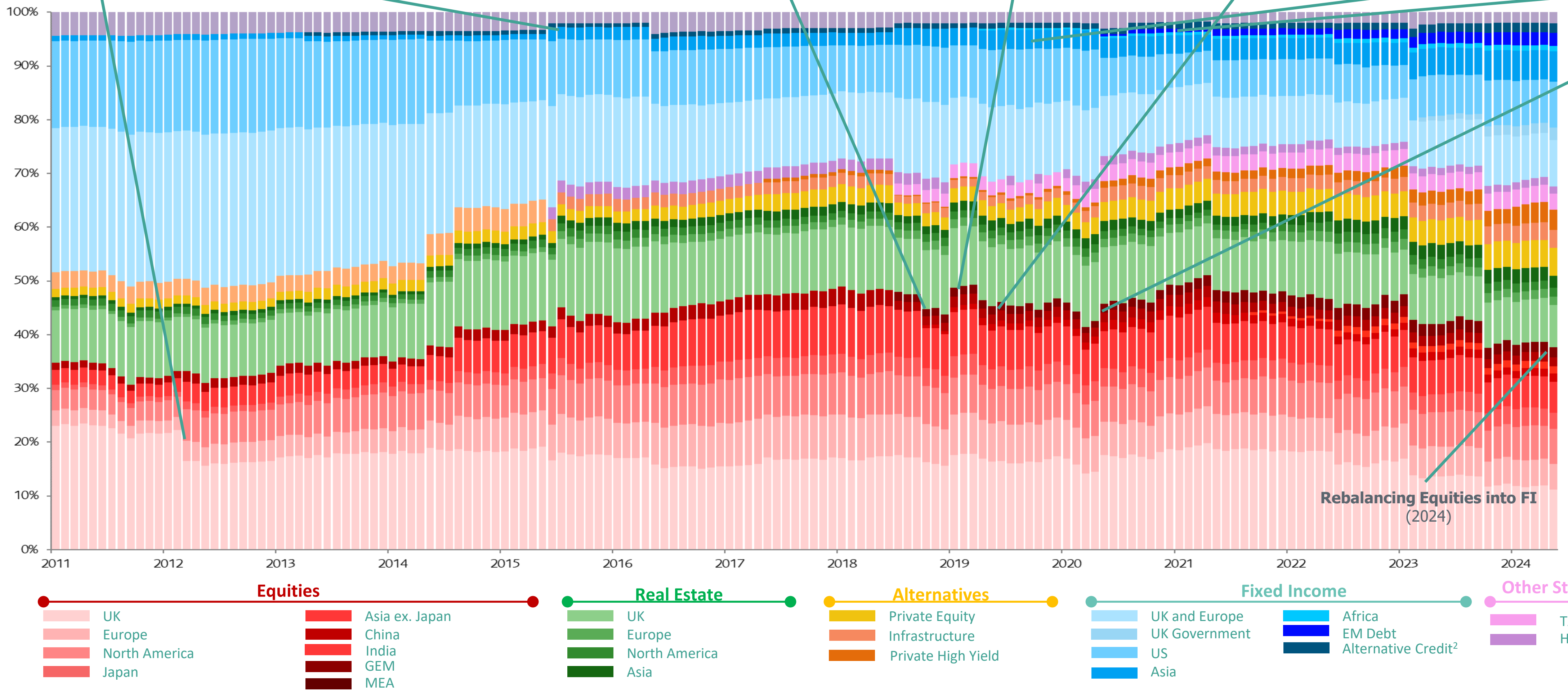
EM Debt
Material increase building on Asian & African debt (2020)

COVID-19 SAA
Increase in risk overall due to valuations (March 2020)

Inflation
Material increase in Real Assets (June 2021)

Risk Reduction
(March 2022)

Shift towards FI
Attractive valuations. Material shift from Equity to FI (2023)



1. Tactical Asset Allocation mandate; 2. Includes: Convertibles, Bridge Loans, Global High-Yield

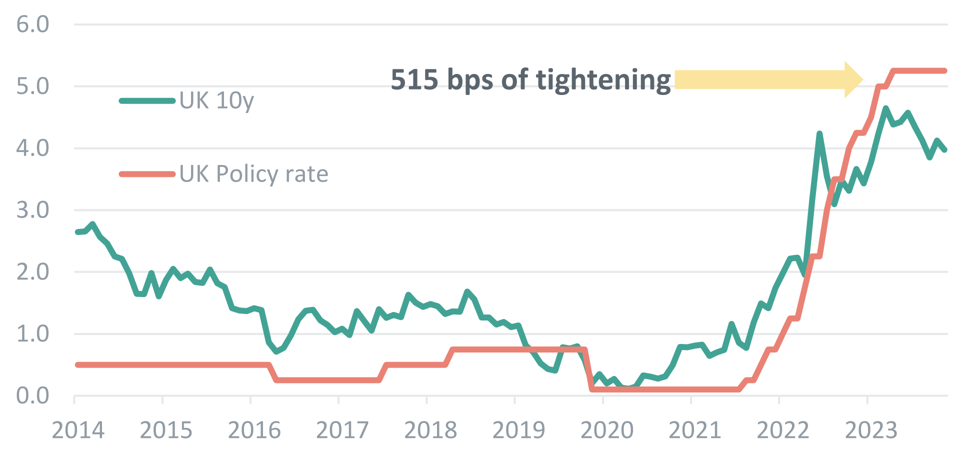
Source: End of the month allocation as of 31/5/2024 for OBMG (PruFund Growth fund). Source: LTIS

Overview and Capital Markets Update

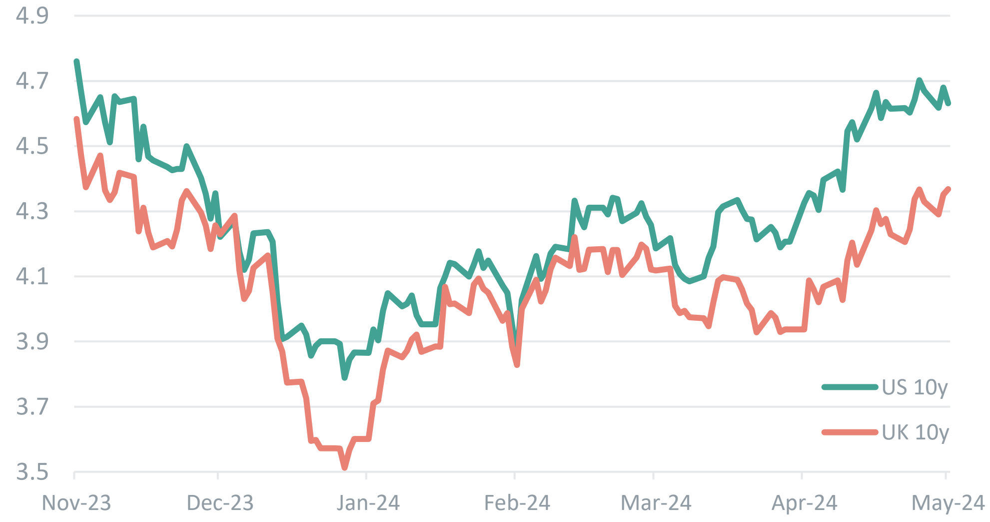
- The Q4 2023 SAA review (effective 1st Nov 2023) allowed for the significant tightening seen over the prior 18 months, resulting in a meaningful rebalancing of fixed income levels relative to equities
- Since then,
  - Inflation has abated but remained more stubborn compared to market expectations
  - Bond yields, having initially priced in aggressive easing and declined, have since returned to broadly the same levels in November 2023
  - Credit spreads have further tightened. Equity markets on average have climbed higher, but have been driven by diverse sources
- As a result, the 2024 SAA has broadly similar shape from a Level 1 perspective and focuses on the Level 2 and Level 3 adjustments.
- There is no change to portfolio volatility compared to the October 2023; 10.6% and 8.5% for OBMG and OBPC, within the limits of 12.5% and 9.0% respectively, as measured on a long term ex-ante basis. This allows for TIO's view on the current economic cycle and capital market valuations, and provides a margin to take advantage of future opportunities.

	OBMG			OBPC		
	2023 Oct SAA	Current Drifted BM*	Proposed 2024 SAA	2023 Oct SAA	Current Drifted BM*	Proposed 2024 SAA
Equity	37.2%	38.7%	**37.2%**	19.3%	20.4%	**19.3%**
Real Assets	26.1%	26.4%	**26.4%**	22.5%	23.4%	**22.7%**
Other Strategies	4.7%	4.6%	**4.4%**	4.1%	4.0%	**4.0%**
Fixed Income	30.0%	28.4%	**30.0%**	52.2%	50.2%	**52.0%**
Cash	2.0%	1.9%	**2.0%**	2.0%	2.0%	**2.0%**

UK policy rate and bond yield



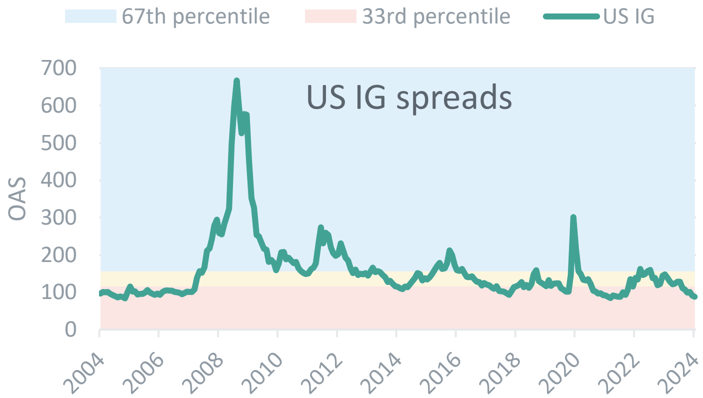
10y government bond yields

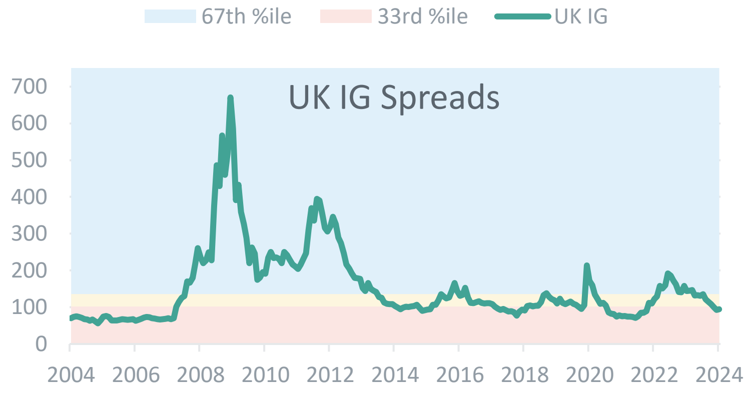


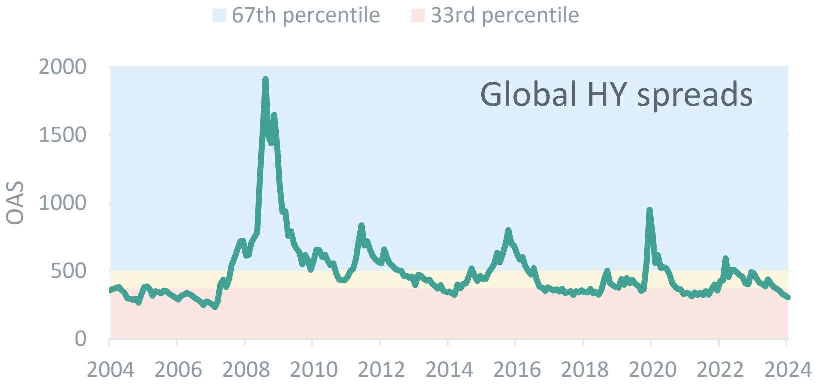
Source: LSEG, as at 8th May 2024

2024 With Profits asset share funds SAA – Rebalancing Equities into Fixed Income

Fixed Income changes







UK & US Govt Bond	A combination of spread tightness and attractive absolute level of yields. Also highly liquid, should further attractive investment opportunities present themselves in the next 12-18 months.
Convertibles	Convertibles offer downside protection through their credit characteristics. However, unlike traditional bonds their returns are not capped.
Asian Fixed Income	Continued positive view, based on valuation metrics. Note that the exposure is diversified over 15 regions.
UK & Europe IG	Spreads are somewhat on the tight side, but not as extreme as US credit. No change as a % of portfolio, slight reduction as a % of fixed income.
EM Debt / African Debt	No change.
Private Credit	Slight preference towards Private High Yield over Private Credit in the prevailing environment, from a risk-return as well as deployment perspective.
US IG, Global high Yields	The credit spreads are particularly tight compared to history, especially for US credit. This suggests that spreads are already reflecting an extremely resilient economy, and the current environment may not offer the most attractive entry points.

Charts datasource: Datastream and LTIS calculations, as at 6 May 2024

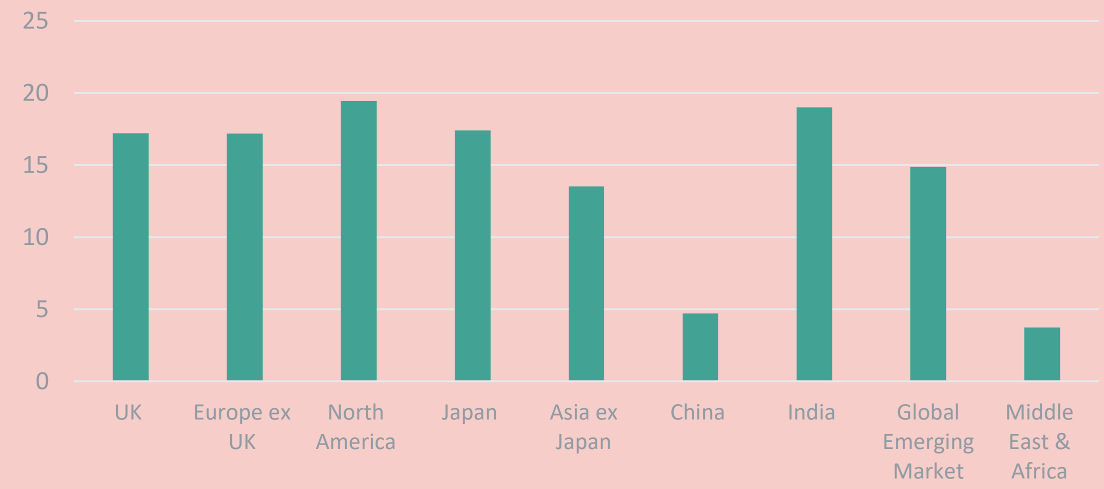
2024 With Profits asset share funds SAA – Rebalancing Equities into Fixed Income

Equities and Real Assets changes

Equities (profit taking and geographical rebalancing)

- The main factors influencing equity Level 2 include a combination of profit taking for regions that have performed particularly well since the 2023 Q4 SAA.
- Two additional considerations – forward looking valuations and improved exposure to US with the inclusion of a RAFI vehicle.
- On a forward-looking basis, risk premia implied from earnings yields are now less depressed (though tightest in India and S&P 500). Asia and EM equity valuations appear around fair value, with a large discount apparent in China.
- Whilst US valuations versus international peers are elevated, this is less of a factor with the RAFI Index, which weights constituents on fundamental factors (incl. sales & cashflows). This allowed an increase to US as a % of equities.

Equity market performance (%) since the last SAA (1st Nov 2023)



Charts datasource: Datastream and LTIS calculations, as at 6 May 2024

Real Assets (economic environment and implications)

- The new environment of sticky inflation and higher rates have several implications for allocations to private markets: *inflation linkage, stricter discipline around leverage and refinancing and stability of portfolio returns over shorter economic cycles.*
- On balance, we have kept the top-level allocation to real assets broadly similar.
- However, we envisage more opportunity to secure better IRRs in Private Equity and Private High Yields compared to Real Estate where the focus is tilted towards better optimization and efficiency gains in the asset book given the current environment.

Fixed Income Recalibrating the compass

Going beyond equities and bonds for diversification

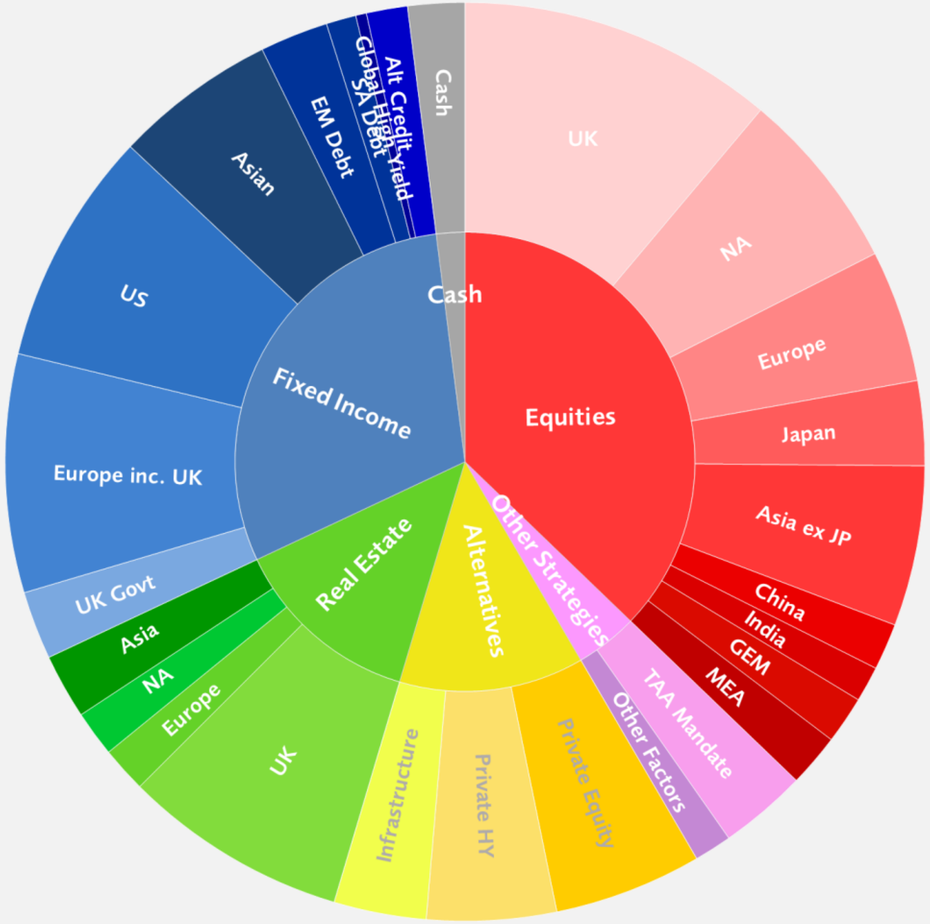
Geographical diversity remains key in a multi-polar world

Shorter economic cycles

2024 With Profits asset share funds SAA review

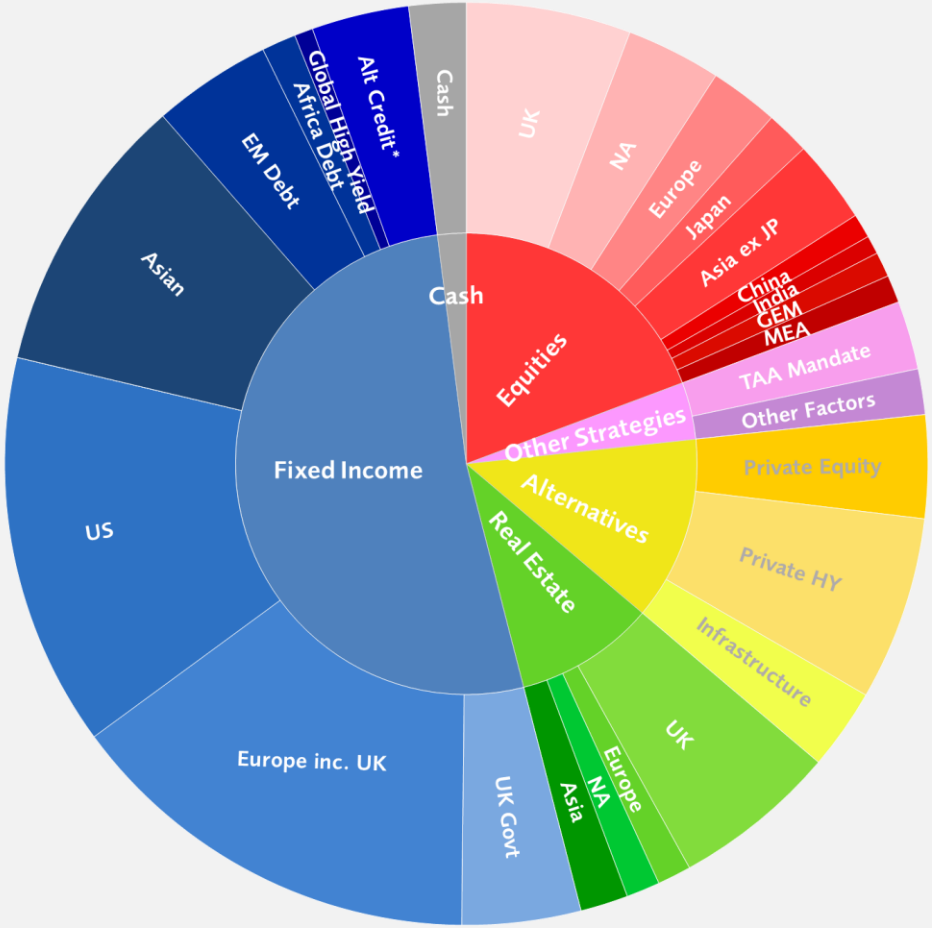
Rebalancing Equity into Fixed Income

PruFund Growth Fund (OBMG) SAA 2024



Source: End of the month allocation as of 01/6/2024 for OBMG (PruFund Growth fund). Source: LTIS

PruFund Cautious Fund (OBPC) SAA 2024



Source: End of the month allocation as of 01/6/2024 for OBPC (PruFund Cautious fund). Source: LTIS

In case question asked on ‘Other Strategies’

Capital Market Returns

Core factors

- Growth (Global)
- Emerging Market Growth
- Inflation
- Interest Rate
- Credit
- Illiquidity

Core Factors

with relative valuations over time explains 90-95% of the capital market returns.

Secondary Factors

- Volatility premia
- Time series factors – e.g. cross-asset momentum
- Bubbles – episodic opportunities
- Small cap
- Idiosyncratic
- Flexible for other strategies

Clear Threshold for Inclusion

1. Ability to generate returns
2. Compatibility with existing portfolio (i.e. is it additive)
3. Understanding of what economic periods this strategy performs best and worst in
4. [Asset class checklist, as required]

QUESTIONS

Thanks for your time

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