



MODEL PORTFOLIO SERVICE

Due Diligence guide for the
Hybrid Portfolios

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Past performance is not a reliable indicator of future performance. The value of an investment can go down as well as up and your client may get back less than they've paid in.

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Executive summary

The M&G Wealth Investments MPS (Model Portfolio Service) offers three different investment styles: Passive, Hybrid and Global ESG Themes. 'ESG' stands for environment, social and governance. This document covers the Hybrid MPS, which is a range of five risk-managed portfolios that aim to deliver competitive returns. The portfolios are designed for investors who want a diversified mix of asset classes and regions.

To build and manage the portfolios, we leverage M&G plc's investment capabilities in investing, asset allocation, fund research, and portfolio management. This document covers the investment processes.

M&G Wealth Investments is part of M&G plc. M&G plc's purpose is to help people manage and grow their savings and investments, responsibly.

This document has been prepared for information only and does not contain or constitute investment advice or recommendation and is accurate at the time of issue.

Why use the M&G Wealth Investments Model Portfolio Service (MPS)?

Investment management responsibilities take a lot of time, and rightly so, as it's incredibly important. Not only are there increasing regulatory pressures, markets change rapidly and it takes time to do the research to keep on top of everything.

Using the M&G Wealth Investments MPS allows advisers to let go of the day-to-day underlying investment management responsibilities, giving them to our investment professionals. We take care of the portfolio management, asset allocation, fund research, and risk monitoring required to deliver the aims of the portfolios. This means advisers can have more time for building relationships with their clients and delivering financial planning services.

We offer three different MPS ranges with different investment styles: Passive, Hybrid and Global ESG Themes.

This document covers the Hybrid portfolios.

What are the Hybrid portfolios?

Hybrid is a range of five risk-managed portfolios, with the following characteristics:

Blend of active and passive investments

The portfolio is invested in passive and active funds. Actively managed investment funds predominantly employ fundamental investment analysis to achieve their objectives. Passively managed investment funds typically track a market index or specific area of the market. M&G Wealth Investments determines which passive and active funds are used, taking into account the potential to generate returns and fund costs.

Invested regionally

The majority of the portfolio is invested in funds that hold equities and bonds from specific regions, such as a US equity fund or European corporate bond fund. This means the active fund managers used within the portfolio are focused on selecting companies within a specific country or region.

What is the target market?

What type of investor is this suitable for?

The portfolios are suitable for retail investors through various wrappers, including ISAs, Pensions, General Investment Account (GIA) or Investment Bonds.

How much knowledge and experience does your client have?

Based on the standard definitions of types of investors included in the European Financial Management Association, the target market includes Basic Investors, Informed Investors and Advanced Investors. Advisers are responsible for assessing the suitability of the portfolios for their clients given their capacity to bear losses; risk tolerance; and objectives and needs. We've based the following table on the standard definitions of types of investors included in the European Financial Management Association.

Type	Definition
Basic Investor	<ul style="list-style-type: none">• Basic knowledge of how investments work• Can make decisions based on regulated and authorised documents or with the right advice• No experience of the financial industry• Usually a first-time investor
Informed Investor	<ul style="list-style-type: none">• Average knowledge of how investments work• Can make an informed decision based on regulated and authorised documents or with their own knowledge• Understands specific factors or risks• Some experience of the financial industry
Advanced Investor	<ul style="list-style-type: none">• Good knowledge of how investments work• Good financial industry experience• Has access to professional investment advice

What is your client's capacity to lose capital?

The portfolio can be offered to clients who are able to accept a limited fall in capital depending on their attitude to risk and those that are able to lose unlimited capital. The portfolio management service does not have any capital guarantees.

Negative target market

- The portfolio should not be offered to clients that do not have capacity to absorb a loss.

What is your client's risk appetite?

The client must be happy to accept some degree of investment risk. There are five different risk profiles offered in the Hybrid portfolio range which can be matched to the client's attitude to risk. See the equity ranges and volatility ceilings in the 'Investment Objectives' section of this document.

Negative target market

- The portfolio should not be offered to clients who are not prepared to accept some degree of investment risk.

How does this portfolio management service meet your client's objectives and needs?

The portfolio is designed for capital growth. However, M&G Wealth Investments recognises that advisers may utilise the portfolios in scenarios where clients are taking regular income from capital (decumulation). In these cases, advisers should consider the impact of Sequence of Returns Risk for clients. Sequence of Returns Risk is the risk created by the order in which portfolios generate weak or strong years of performance for clients that are withdrawing funds. If portfolio returns are weak and unsustainably high income is withdrawn, this can affect the long-term value of the portfolio and its ability to meet future income needs. It affects investors who are relying on their portfolios for an income, and particularly investors in the 'decumulation' phase.

It is expected that clients would have an investment time horizon of least five years or more.

Negative target market

- The portfolios are not designed for the preservation of capital.
- The portfolios are not suitable for investors seeking a 'smoothed', 'absolute' or 'guaranteed' return.
- The portfolios are not suitable for clients who have an investment time horizon of less than five years.
- The portfolios are not suitable for clients who require a proportion of their portfolio to be held as cash for liquidity purposes.

How do clients invest in this product?

The portfolio management service is only available to retail clients with investment advice. The portfolios are held on a platform recommended by an adviser to the end client. The direct contractual relationship is between M&G Wealth Investments MPS and the adviser, who is treated as a professional client under MiFID. The underlying retail client is not the client of M&G Wealth Investments MPS.

Negative target market

- The portfolios are not available to clients who do not have a financial adviser.

Is your client vulnerable?

Advisers should consider within their initial and ongoing suitability processes whether a customer displays characteristics of vulnerability or their personal circumstances make them especially susceptible to harm, as this may impact the appropriateness of the chosen portfolio.

What we believe gives the M&G Wealth Investments MPS offering the edge

Size and scale

M&G Wealth Investments is part of M&G plc, one of the UK's leading savings and investment companies, with £344 billion of assets under management (as at 31 March 2023). We aim to leverage the knowledge, experience and buying power of M&G plc to deliver good outcomes for clients.

Choice of portfolios and risk profiles to suit clients' needs

A choice of five actively managed multi-asset portfolios, each with their own risk profile. The Hybrid range enables advisers to use an investment strategy that suits the client's attitude to risk and reward.

Investment expertise and resource

The model portfolios will draw on M&G plc's expertise in asset allocation, manager research and investment risk oversight. These resources are used as inputs for a dedicated M&G Wealth investments team to build portfolios specifically for the MPS market.

Global reach

Access to the expertise of other M&G plc investment companies, such as M&G Investments and a global network of contacts at high quality external investment companies.

Diversified strategy

We invest in multiple asset classes and regions. We believe diversified portfolios will have a better chance of delivering in difficult markets.

Robust risk management

We have risk limits in place for the level of volatility and how much we can tactically deviate from the strategic asset allocation. Our portfolios are also reviewed on a regular basis by an independent risk team.

Longevity of process

The strategic asset allocation process developed by the M&G Treasury and Investment Office has been in place for nearly 20 years and is used by the M&G Wealth Investments Model Portfolio Service.

Operational infrastructure

Investment teams are supported by experienced operations, compliance and risk monitoring teams.

Robust fund research

We leverage the expertise of the M&G Treasury and Investment Office Manager Oversight team. M&G plc's scale gives us access to all aspects of a fund manager's business. With more information, we are better able to evaluate if what fund managers say is really what they do.

The investment process

We believe it's wise for most investors to hold a portfolio constructed from a wide range of assets, implemented with diverse managers. We aim to keep costs low and have a robust risk management framework in place. We leverage M&G plc's wide ranging investment capabilities in long term asset allocation, fund research, and risk analysis to deliver for our customers. Several teams feed into the investment process at different stages. They carry out clearly defined roles whilst also working closely together to ensure the smooth running of the portfolios.

The M&G Wealth Investment Committee oversees the investments services offered by M&G Wealth Investments MPS. The committee members are responsible for setting the investment process, evaluating risk and monitoring performance.

The investment process can be broken down into five areas:

- Strategic asset allocation
- Tactical asset allocation
- Fund selection and manager oversight
- Portfolio management
- Investment Risk Oversight.

Strategic Asset Allocation (SAA)

The Long-Term Investment Strategy team (LTIS) develops the asset allocation for the MPS, based on the investment objectives, available asset classes, liquidity requirements, and cost constraints. This team is part of M&G's Treasury and Investment Office (T&IO).

The process for creating the Strategic Asset Allocation is:

The team produce a set of capital market assumptions for future expected returns, volatility and correlation of different asset classes. This is completed with historical data, forward-looking analysis, and internal and external research.

ESG factors are fed into the volatility and return expectations and asset class risk/return profiles through two main channels. These are:

- Sensitivity analysis – Portfolio exposures to ESG factors are assessed in terms of physical, transition and litigation risks.
- Country Risk Categorisation – This framework includes environmental, social and governance factors.

The LTIS team then use a proprietary Economic Scenario Generator 'GeneSIS' to carry out stochastic modelling based on these assumptions, and develop a recommended asset allocation. The asset allocation takes views on markets, based on what regions and asset classes are expected to deliver growth.

The asset allocation is regularly reviewed to consider material changes in volatility or growth prospects, as well as whether new asset classes should be included.

Tactical asset allocation

The M&G Wealth investments team adjusts the asset allocation in portfolios on a short-term basis to take advantage of situations where the team believes assets are mispriced. These short-term adjustments are the 'tactical' asset allocation component.

The M&G Wealth investments team has a time horizon of six months to one year for tactical views, although market movements will determine how long a position is maintained in portfolios.

The team can set views in three areas:

1. Equities vs. fixed income
2. Relative views in equities, such as regions or sectors
3. Relative views in fixed income, such as the duration, credit quality or region.

The M&G Wealth investments team considers the four factors below when making tactical decisions. The relative importance of each one will vary depending on the nature of the decision. For example, an asset's ability to provide diversification would be more important in situations where increased volatility was expected in markets.

- momentum
- sentiment
- valuation
- diversification.

Fund selection and manager oversight

The Manager Oversight team within M&G's Treasury and Investment Office (T&IO) recommends the investment funds for the M&G Wealth Investments MPS.

The fund selection process combines quantitative factors, including measures of performance and holdings analysis, with qualitative analysis focused on the business, people, process, philosophy and infrastructure. The initial and ongoing due diligence processes also incorporate assessment and challenge of the manager's ESG investment policies, practices and ambitions.

The team monitors the fund managers through formal regular reviews. The team analyses the key risks within each underlying fund, such as exposure to a single stock, sector or country, which helps to understand drivers and detractors of performance at any given time.

Portfolio management

The M&G Wealth investments team is responsible for portfolio construction and ongoing portfolio management.

To build portfolios, the team brings together the Strategic Asset Allocation, Tactical Asset Allocation, preferred fund managers, portfolio risk limits and cost budget. These factors are considered when selecting the funds and exact allocations within each portfolio. Portfolios are rebalanced quarterly. The team reviews the overall exposure to different regions, sectors, asset classes and companies to ensure that the portfolio positioning is aligned with strategy.

The M&G Wealth investments team is responsible for the ongoing portfolio management and risk monitoring. The team monitors performance of the individual funds and their contribution to the overall portfolio performance. Each portfolio has a set of defined risk limits for the equity exposure, volatility and permitted deviation from the Strategic Asset Allocation. The M&G Wealth investments team is responsible for managing portfolios within those limits.

Investment risk oversight

The portfolios are reviewed on a regular basis by an independent risk team within M&G plc. This provides challenge to the M&G Wealth investments team, and helps to build more robust portfolios.

Meet some of the team behind the scenes



Shanti Kelemen
Chief Investment Officer
M&G Wealth

Shanti joined M&G Wealth Investments in November 2021 as Chief Investment Officer. She is responsible for the development and ongoing management of discretionary investment solutions offered by M&G Wealth Investments. Prior to joining M&G, she worked in private banking for 10 years. She held the role of Investment Director at Brown Shipley, with responsibilities for communicating investment views, improving investment processes and integrating acquired businesses. Whilst working at Coutts, she was a director on the portfolio management team, and managed multi-asset advisory and discretionary portfolios. She is a regular guest on BBC's Radio 4 Today and Wake Up to Money programmes. She holds a PCIAM qualification and a Masters in Management from the London School of Economics.



Parit Jakhria
Director of Long-Term Investment Strategy
M&G Treasury and Investment Office

Parit is responsible for the long term investment strategy at the M&G Investment Office which includes Strategic Asset Allocation for circa £152 billion (as at 31 December 2022) of multi-asset and annuity funds, as well as providing client advice on hedging and product design. He has held this role since 2010. He is also responsible for providing economic capital market views and scenarios to M&G Group for business planning and regulatory requirements, which includes the development and maintenance of M&G's in-house stochastic economic scenario generator. Prior to joining the Treasury and Investment Office, Parit undertook a variety of roles within the Prudential Group across Risk, Finance and Actuarial functions which culminated in the overall responsibility for the production of the Prudential UK's regulatory capital requirements. He graduated with a Masters in MORSE from Warwick University, covering mathematics, operational research, statistics and economics. Post-graduation, he has qualified as a Fellow of the Institute of Actuaries as well as a CFA Charter holder. He has also played an active role for the Actuarial profession, in reviewing the Actuarial Syllabus, being part of the Finance and Investment Board and previously Chair of the Finance and Investment Research Committee.



Ciaran Mulligan

Co-Head Treasury and Investment Office

Ciaran joined the company in May 2015 and co-heads the Treasury & Investment Office, having previously led the Manager Oversight team. Prior to joining, Ciaran worked at Buck Consultants investment consultancy as Head of Global Research, and was Head of Research and Portfolio Manager for Fixed Income Strategies at Investment Solutions (part of the Alexander Forbes group).

Asset allocation

SAA Level 1 – Asset class diversification

The Hybrid MPS uses an asset allocation that was developed specifically for this range of model portfolios. M&G Wealth Investments takes views in the asset allocation, with the goal of delivering long-term performance. For example, as of the date of publication, we favour Asia within equity markets.

The Investment Team reviews the alignment of the model portfolio to the strategic asset allocation on a regular basis. In normal market conditions, the asset allocation of the model portfolios will be close to the weights listed below. There will be differences in the weights of each asset class and these can be caused by:

- Daily market movements impacting the value of investments
- The tactical views implemented by the investment team
- A fund manager investing in an asset class that differs from the high-level classification of the fund. For example, an emerging market equity fund manager could choose to invest in a Chinese company that is listed on a US stock exchange. This might be classified as a US equity, rather than an emerging market equity.

The following table shows the strategic asset allocation by asset class, as at November 2023.

Strategic asset allocation by asset class

SAA Level 1	Hybrid portfolio 1	Hybrid portfolio 2	Hybrid portfolio 3	Hybrid portfolio 4	Hybrid portfolio 5
Asset class	SAA weight %	SAA weight %	SAA weight %	SAA weight %	SAA weight %
UK Equity	2.25	5.5	7.5	11.75	14
Europe ex UK Equity	2	4.5	6.25	9.5	11.75
North America Equity	2.75	6.25	8.5	13	15.5
Japan Equity	1	2.5	3.25	5.25	6.25
Asia ex Japan Equity	1.5	5.5	7.25	11.25	13.75
China Equity	1	1.25	1.5	2.25	3
India Equity	1	1	1.25	1.75	2.25
Emerging Market Equity	1	2.5	4	6.25	7.5
Total Equity	12.5	29	39.5	61	74

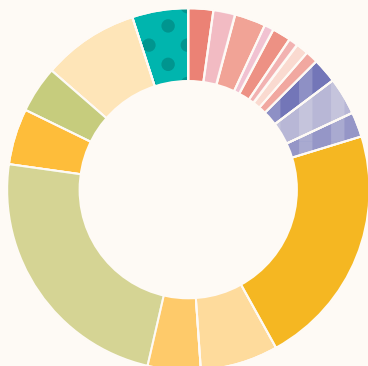
SAA Level 1	Hybrid portfolio 1	Hybrid portfolio 2	Hybrid portfolio 3	Hybrid portfolio 4	Hybrid portfolio 5
Global Property	2.25	2.75	3.5	4.5	4.75
Listed Infrastructure Equity	3.5	4	4.5	6	6.5
Absolute Return	2.25	2.75	3.5	4.5	4.75
Total Alternatives	8	9.5	11.5	15	16
UK Investment Grade	21.5	15.75	12	5.25	2.5
European Investment Grade	7	5	3.75	1.25	0
UK Government Bonds	4.75	3.5	2.75	1.5	1
US Investment Grade	23.5	17	13	5.75	2.5
US Government Bonds	5	3.75	2.75	1.5	1
Global High Yield	4.25	4.5	4	2.25	0
Emerging Market Debt	8.5	9	8.25	4.5	1
Total Fixed Income	74.5	58.5	46.5	22	8
Cash	5	3	2.5	2	2
Total Cash	5	3	2.5	2	2

SAA Level 2 – Globally diversified

The following charts give an indication of the globally diversified spread of investments for MPS Hybrid range of portfolios 1-5, as at November 2023.

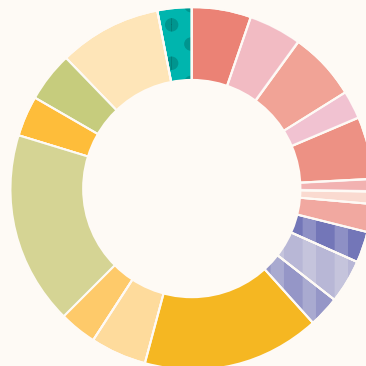
The tactical asset allocation views are set by the M&G Wealth Investment team and may vary from time to time. The overall risk of the portfolios are monitored to ensure that they align with the investment objective. The Strategic Asset Allocation (SAA) is developed by the Long Term Investment Strategy Team within M&G's Treasury and Investment Office.

Hybrid portfolio 1



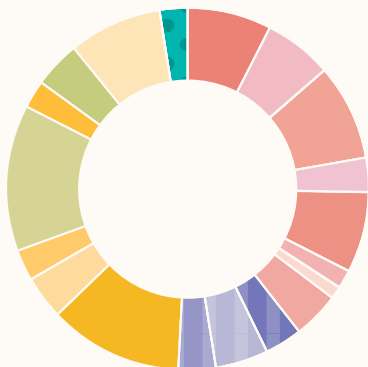
UK equity 2.25%	UK investment grade 21.5%
Europe ex UK equity 2%	European investment grade 7%
North America equity 2.75%	UK government bonds 4.75%
Japan equity 1%	US investment grade 23.5%
Asia ex Japan equity 1.5%	US government bonds 5%
China equity 1%	Global high yield 4.25%
India equity 1%	Emerging market debt 8.5%
Emerging market equity 1%	Cash 5%
Global property 2.25%	
Listed infrastructure equity 3.5%	
Absolute return 2.25%	

Hybrid portfolio 2



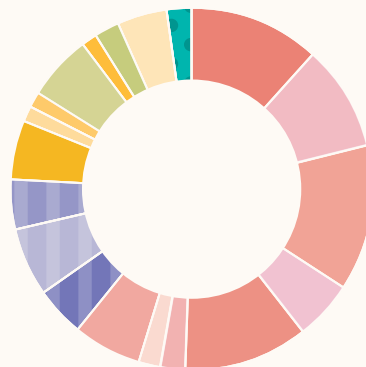
UK equity 5.5%	UK investment grade 15.75%
Europe ex UK equity 4.5%	European investment grade 5%
North America equity 6.25%	UK government bonds 3.5%
Japan equity 2.5%	US investment grade 17%
Asia ex Japan equity 5.5%	US government bonds 3.75%
China equity 1.25%	Global high yield 4.5%
India equity 1%	Emerging market debt 9%
Emerging market equity 2.5%	Cash 3%
Global property 2.75%	
Listed infrastructure equity 4%	
Absolute return 2.75%	

Hybrid portfolio 3



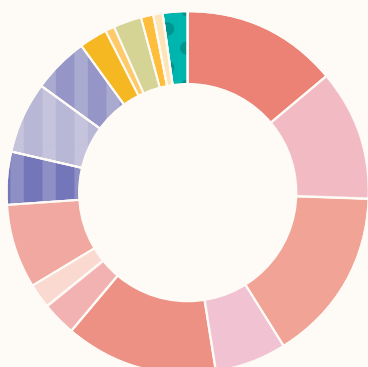
UK equity 7.5%	UK investment grade 12%
Europe ex UK equity 6.25%	European investment grade 3.75%
North America equity 8.5%	UK government bonds 2.75%
Japan equity 3.25%	US investment grade 13%
Asia ex Japan equity 7.25%	US government bonds 2.75%
China equity 1.5%	Global high yield 4%
India equity 1.25%	Emerging market debt 8.25%
Emerging market equity 4%	Cash 2.5%
Global property 3.5%	
Listed infrastructure equity 4.5%	
Absolute return 3.5%	

Hybrid portfolio 4



UK equity 11.75%	UK investment grade 5.25%
Europe ex UK equity 9.5%	European investment grade 1.25%
North America equity 13%	UK government bonds 1.5%
Japan equity 5.25%	US investment grade 5.75%
Asia ex Japan equity 11.25%	US government bonds 1.5%
China equity 2.25%	Global high yield 2.25%
India equity 1.75%	Emerging market debt 4.5%
Emerging market equity 6.25%	Cash 2%
Global property 4.5%	
Listed infrastructure equity 6%	
Absolute return 4.5%	

Hybrid portfolio 5



UK equity 14%	Global property 4.75%
Europe ex UK equity 11.75%	Listed infrastructure equity 6.5%
North America equity 15.5%	Absolute return 4.75%
Japan equity 6.25%	UK investment grade 2.5%
Asia ex Japan equity 13.75%	UK government bonds 1%
China equity 3%	US investment grade 2.5%
India equity 2.25%	US government bonds 1%
Emerging market equity 7.5%	Emerging market debt 1%
	Cash 2%

Fund selection

The funds used within the Hybrid portfolios all have their distinct strengths and roles to play. The funds were selected following quantitative screening of the fund investment universe and face-to-face due diligence covering managers' investment processes. A selection of the underlying funds is detailed below.

Example Equity funds

Lindsell Train UK Equity Fund

This fund aims to deliver long-term growth by investing in high-quality UK companies that have stood the test of time and generate healthy cashflows. These companies are normally longstanding businesses with characteristics that are hard to copy, such as strong brands and heritage. The fund manager has a strong track record of performance.

Lazard European Alpha Fund

This is a European Equity fund that has a 'value' bias. This strategy is focused on finding companies with sustainable financial returns and attractive valuations. The portfolio is concentrated and consists of 45-60 'best ideas', whilst ensuring sufficient diversification across sectors and countries. The primary risk consideration is monitoring the portfolio's exposure to stock specific risk. The majority of returns are generated through stock selection.

M&G Japan Fund

This fund offers balanced exposure to the Japanese market, with a focus on bottom-up stock selection. The managers focus on quality companies that the team know well and have researched for several years. The portfolio has a bias towards value, and uses a benchmark-aware approach to stock-picking that allows stock selection to drive alpha. The fund is a concentrated portfolio (circa 44) therefore is expected to be volatile at times.

M&G Asia Fund

This fund is an actively managed Asian equity strategy. It invests in the shares of companies, across any sector and of any size, that are based, or do most of their business, in Asia Pacific (excluding Japan). The investment strategy focuses on the future profitability, valuation and the system of rules, practices and processes by which a company is managed. The fund manager seeks to identify companies which are, in his opinion at the time of investment, undervalued.

Goldman Sachs Emerging Markets Equity Portfolio

This is an actively managed, unconstrained portfolio typically holding between 100 and 150 companies. The investment strategy focuses on stocks in emerging markets that are trading at a discount, but have the potential to generate strong returns. It is differentiated from the benchmark through its bias to mid and small-cap stocks. It also has substantial off-benchmark exposure resulting in an active share in excess of 65%.

Example Alternative and Fixed Income funds

First Sentier Global Listed Infrastructure Fund

The fund aims to deliver income and capital growth over the medium to long term by investing in shares of companies that are involved in infrastructure globally. The infrastructure sector includes utilities (eg, water and electricity), highways, railways, airport services, oil/gas storage and transportation. The team's investment strategy is founded on the principle of stewardship, allocating capital to what it believes are quality companies with sound growth prospects and strong management teams.

Federated Hermes SDG Engagement High Yield Credit Fund

The fund invests in global high yield bonds – at least 80% of invested securities are sub-Investment Grade. The fund manager considers how the underlying company manages Environmental, Social and Governance (ESG) factors. The fund benefits from the longevity of its Co-heads, a strong credit team, and support by the Lead Engager, who interacts with management teams regarding their ESG risks and opportunities. The fund has a robust systematic research process which covers both financial and ESG data.

Exclusions

Based on their individual policies, fund managers will look to enforce a minimum standard of exclusions.

For example they'll aim to exclude things like controversial weapons and companies that violate the United Nations Global Compact on human rights and anti-corruption.

Platform availability

The Hybrid portfolio range is available on 13 platforms.

The Hybrid portfolios invest in mutual funds.

The list below shows platform availability:

- Advance by Embark
- Quilter
- Nucleus
- Aviva
- Aegon Retirement Choices (ARC)
- Aegon Platform (previously Cofunds)
- M&G Wealth Platform
- Wealthtime (Novia)
- Transact
- Scottish Widows (previously Embark)
- Fidelity Adviser Solutions
- abrdn Wrap
- LV

This table shows the funds used in the Hybrid MPS as at November 2023, their asset class, and whether the funds are actively or passively managed.

Asset class	Fund name	Active/ Passive
UK Equities	Fidelity – Index UK	Passive
UK Equities	LS Lindsell Train UK Equity Fund	Active
UK Equities	M&G Dividend Fund	Active
Europe ex UK Equities	HSBC – European Index Fund	Passive
Europe ex UK Equities	Lazard European Alpha Fund	Active
North America Equities	iShares North American Equity Index Fund	Passive
North America Equities	Vanguard Global Small-Cap Index Fund	Passive
Japan Equities	Fidelity – Index Japan Fund	Passive
Japan Equities	M&G Japan Fund	Active
Asia ex Japan Equities	iShares Pacific ex Japan equity Index Fund	Passive
Asia ex Japan Equities	M&G Asia Fund	Active
China Equities	Matthews China Fund	Active
India Equities	Franklin India Fund	Active
Emerging Market Equities	Lazard Emerging Markets Fund	Active
Emerging Market Equities	Goldman Sachs Emerging Markets Equity Portfolio	Active
Global Property	iShares Environment & Low Carbon Tilt Real Estate Index Fund	Passive
Listed Infrastructure Equity	First Sentier Global Listed Infrastructure Fund	Active
Absolute Return	TM Fulcrum Diversified Core Absolute Return Fund	Active

Asset class	Fund name	Active/ Passive
UK Investment Grade	L&G – Sterling Corporate Bond Index Fund	Passive
UK Investment Grade	Royal London Ethical Bond Fund	Active
Europe Investment Grade	Vanguard Euro Investment Grade Bond Index Hedged Fund	Passive
UK Government	iShares UK Gilts All Stocks Index Fund	Passive
UK Government	L&G All Stocks Index Linked Gilt Index	Passive
US Investment Grade	Vanguard US Investment Grade Credit Index Hedged	Passive
US Investment Grade	PIMCO GIS US Investment Grade Corporate Bonds Fund	Active
US Investment Grade	PIMCO US Total Return Bond Institutional Hedged	Active
US Government Bonds	Vanguard US Government Bond Index Fund Hedged	Passive
Global High Yield Bonds	Federated Hermes SDG Engagement High Yield Credit Fund	Active
Emerging Market Bonds	M&G Emerging Markets Bond Fund	Active
Money Market	Vanguard Sterling Money Market Fund	Passive

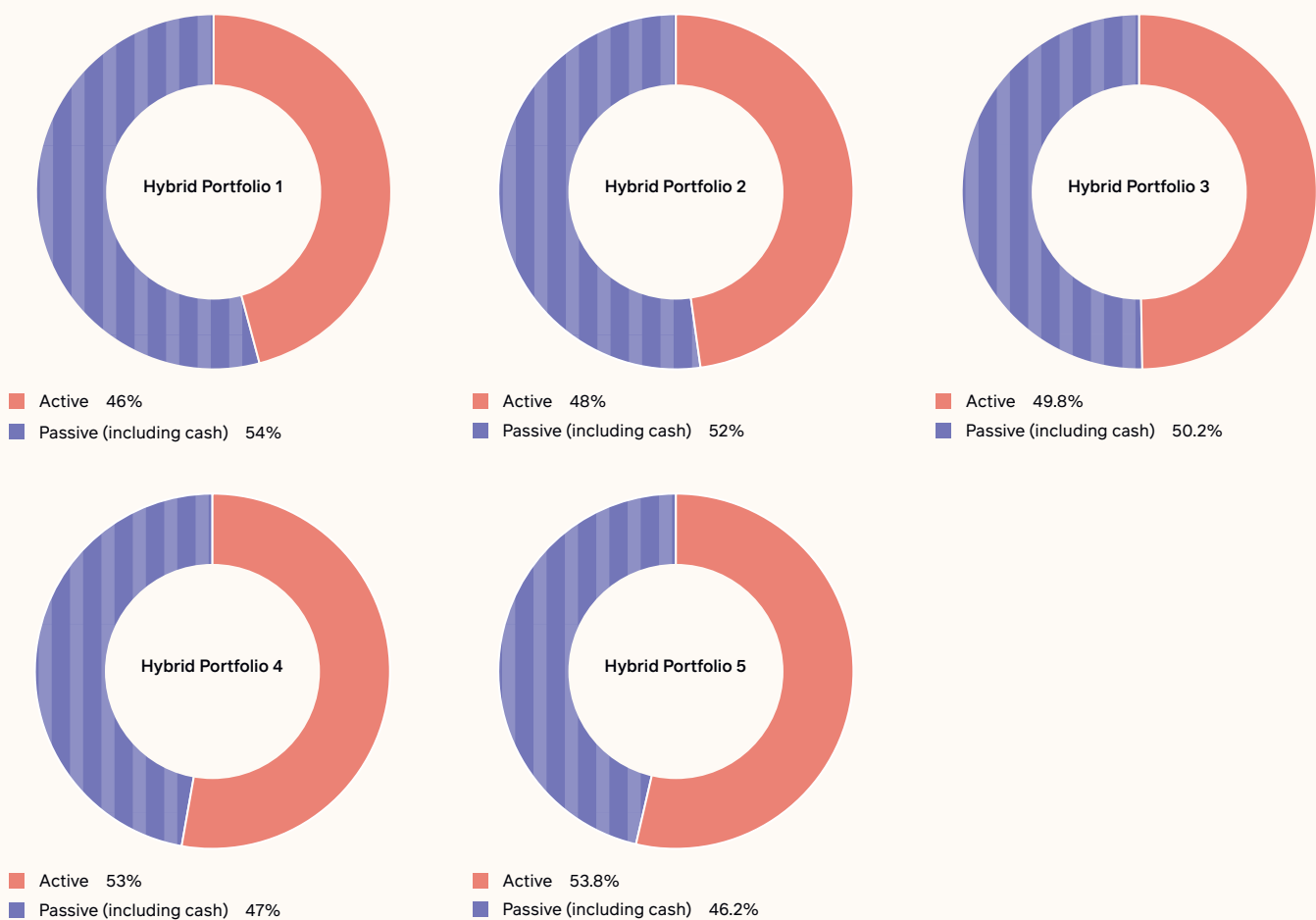
Costs and charges

Costs and charges may vary in the future. As at November 2023, the costs for the Hybrid range were as below. The product costs will vary over time, in response to changes in the funds used within the portfolio and the tactical asset allocation of the portfolio. The product costs may also vary based on the fund share classes available on different platforms. The product costs represent the ongoing charging figure for the funds. This does not include transaction costs incurred within the platform.

Hybrid range	Hybrid Portfolio 1	Hybrid Portfolio 2	Hybrid Portfolio 3	Hybrid Portfolio 4	Hybrid Portfolio 5
Reference codes	H-MP1, HF-MP1	H-MP2, HF-MP2	H-MP3, HF-MP3	H-MP4, HF-MP4	H-MP5, HF-MP5
Product costs	0.36%	0.39%	0.41%	0.45%	0.47%
M&G Wealth management fee	0.15%	0.15%	0.15%	0.15%	0.15%
Total cost	0.51%	0.54%	0.56%	0.60%	0.62%

The split of active and passive funds used within the portfolios is below. This is correct as at November 2023, and will vary over time as preferred funds and tactical asset allocation views change. The different proportions of active and passive split can impact the cost.

Active-passive split for Hybrid Portfolios 1-5



Investment objectives

Investment objective for the Hybrid range, portfolios 1-5

The investment objective is to achieve a total return (the combination of income and growth of capital) by investing in a mix of assets from around the world, whilst aiming to limit the average volatility per annum over rolling five-year periods. The portfolio gives exposure to equity markets through a diversified range of investments.

Equity exposure varies by portfolio, with the likely ranges highlighted below.

The time horizon for the strategy is five years or more.

The portfolio will be invested in a mix of actively and passively managed investment funds. Active funds predominantly employ fundamental investment analysis to achieve their objectives. Passive funds typically track a market index or specific area of the market to achieve their objectives.

Hybrid range	Portfolio 1	Portfolio 2	Portfolio 3	Portfolio 4	Portfolio 5
Reference codes	H-MP1 HF-MP1	H-MP2 HF-MP2	H-MP3 HF-MP3	H-MP4 HF-MP4	H-MP5 HF-MP5
Volatility ceiling	9% pa	10% pa	12% pa	17% pa	19% pa
Equity ranges	Limited exposure	Moderate exposure	Medium exposure	Significant exposure	Significant exposure
Min-Max	10-30%	30-50%	40-60%	65%-85%	75%-95%

Appendix

Appendix 1 Supporting documentation

Additional supporting documents links:

- [Sustainability report](#) from M&G plc
- M&G Wealth Investments [Model Portfolios Service web page](#).

Appendix 2 Risk profiling

M&G Wealth Investments has worked with a number of risk profiling companies to assess our MPS Hybrid range and reports are available from the following:

- Distribution Technology
- Defaqto
- Finametrica
- Oxford Risk
- E-Value.

Appendix 3 Business Resilience and Recovery

M&G plc's Business Resilience and Recovery approach includes:

Business resilience

- M&G plc has documented plans to allow appropriate responses to interruptions to business as usual at a departmental level. Plans are maintained by department managers for localised incidents. An annual assurance programme is in place, with results reported to the Operational Resilience Forum (ORF).
- M&G plc has a wider Operational Resilience programme in flight to implement heightened resilience capabilities for the business services that are most important to our customers.

IT disaster recovery

- M&G plc plans for loss of data centre or failure of critical enterprise architecture or applications. Detailed plans are maintained by relevant Technology teams.

Incident management

- M&G plc implements a defined framework by which actual or potential disruptions are identified, escalated and managed. This is supported by an annual exercising schedule.

Third party oversight

- M&G plc has identified its critical dependencies on third parties and manages these through a rigorous review and assessment programme, undertaking due diligence around operational resilience, business and IT recoverability.

Pandemic response

- M&G plc has established effective measures to mitigate any potential disruption from future pandemic scenarios. These measures are an extension of the firm's well-established Business Resilience programme.

Appendix 4 Proposition Development Framework

M&G Wealth Investments has a Propositional Development Framework which is designed to consider the requirements of FCA PROD rules and guidance. It is overseen and challenged by committees and individuals with delegated authority. Oversight occurs throughout the development cycle to make sure we develop and review our services in a consistent and well-controlled way.

The framework includes the following steps:

1. **Imagine/Create** – initial ideas generated.
2. **Proposition Design** – designed with input from across our business including our customer committee, customer insights team and proposition governance committee.
3. **Solution Design and Development** – we use an iterative approach, adopting agile development and market testing. We continuously loop back to check that our solution meets the target customer requirements.
4. **Deliver** – this is where we build the solution and get it ready for implementation.
5. **Launch** – we assess readiness and create a plan for after the launch.
6. **Manage/Run** – we review what we're delivering and challenge ourselves to continually deliver good customer outcomes, in a manner that's aligned with our firm's strategy.

Once a service or product is launched, we use an ongoing Product Lifecycle Management (PLM) framework to ensure it remains fit for purpose. This process is designed to:

- Ensure our services meet the identified needs, characteristics and objectives of customers in the target market.
- Make certain that our services do not adversely affect groups of customers in the target market, including groups with characteristics of vulnerability and those in vulnerable circumstances, either temporarily or on an ongoing basis.
- Consider whether a service has features that could risk harm for any group of customers.
- Assess how distributors are provided relevant information, including, where appropriate, sales information.
- Evaluate the level of testing and consumer research that support our Product Development Process and Product Lifecycle Management assessments.
- Analyse management information and any dependences.
- Review comparison and benchmarking information for our services.

Appendix 5 Service Value Assessment

M&G Wealth Investments publishes a Service Value Assessment (the 'Assessment') for the Hybrid Range on an annual basis. The Assessment is designed to help you to see whether M&G Wealth Investments is delivering value for customers. It covers the quality of the service, whether the service is competitively priced and long-term investment performance. You can view the most recent Assessment on our [website](#).

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