

M&G RAISES €1.5 BILLION FROM PENSION FUNDS FOR ABS STRATEGY

- ***European institutional investors diversifying for security and yield***

London, 5 October 2015 – M&G Investments, a leading international asset manager, has raised €1.5 billion since March 2015 for a variety of European asset backed securities (“ABS”) strategies, targeting investment opportunities resulting from the European Central Bank’s (“ECB”) bond buying programme.

The capital raised is predominantly from pension fund clients in the UK, the Netherlands and Nordics, as investors seek both yield and security in the current low rate environment.

The ECB announced late last year that it is buying large volumes of euro-denominated ABS through its quantitative easing programme, which is intended to boost economic growth in the euro area by lowering the cost of borrowing for companies and households.

Patrick Janssen, ABS portfolio manager at M&G, says: “The ECB’s €500 billion bond buying programme of European ABS and covered bonds is significantly compressing the spreads and returns on covered bonds in particular but only very selectively on some parts of the euro ABS market, especially in the Dutch residential mortgage-backed securities. One year on the ECB has only purchased €12.8bn of ABS, well below anticipated levels.

“Investment opportunities and relative value can be found mostly in bonds that fall outside the scope of the ECB’s buying programme. The UK RMBS market is currently trading at a more attractive level versus other markets than at any point since the onset of the financial crisis, particularly compared to riskier Italian, Portuguese and Spanish RMBS. We are also finding attractive assets within Northern Europe as a decent level of supply is providing more favorable pricing conditions compared to other parts of the market.”

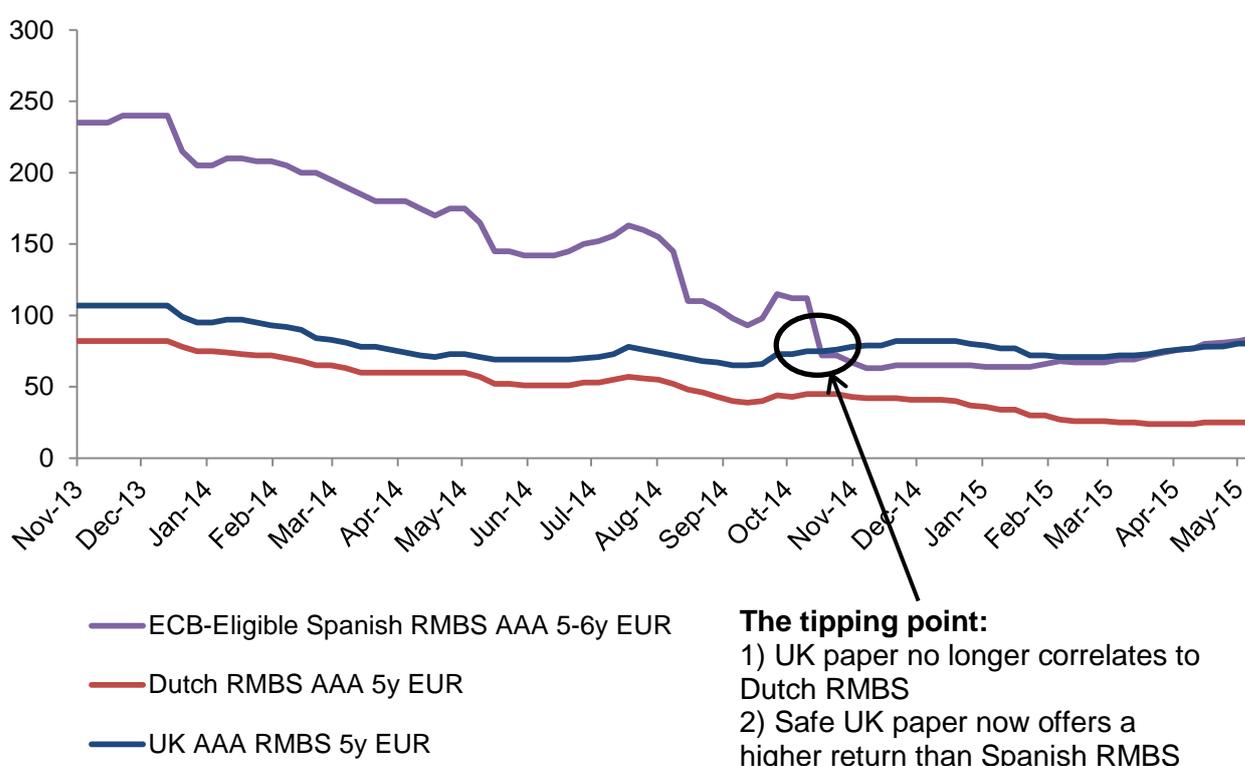
James King, ABS portfolio manager at M&G, says: “Interest in the European ABS market is improving and creating investment opportunities for pension fund and institutional investors. ABS offers floating rate returns, some of the highest levels of security available in the credit markets, diversification from government and corporate bonds and frequent cases of exceptional value.

“ABS has typically been under-represented in an institutional investor’s portfolio but following the resilience of the asset class in Europe during the wake of the financial crisis, we are seeing an uptick in investors wanting to understand more about the role ABS can play. This high-grade ABS strategy, providing both yield and security, has been particularly popular with clients in the UK, the Netherlands and Nordic regions.”

The strategy, currently overweight in high grade Northern European and UK securities, invests across Europe.

ABS are created by aggregating and repackaging pools of assets including consumer loans, residential and commercial mortgages and commercial loans. According to the latest available data, since 2007 the European ABS market (this includes all asset types, ratings and jurisdictions, including Greece and Ireland) has performed well against the U.S. market, with cumulative defaults of 1.5 per cent in Europe compared to nearly 20 per cent in the U.S. Consumer ABS have performed particularly well, with a cumulative default rate of 0.05 per cent over the same period*.

The most attractive relative value in UK RMBS ever? **



In our view UK RMBS is trading at the most attractive levels versus other markets than at any point since the onset of the financial crisis. A diversified AAA rated portfolio can yield over Libor+1% net and an AA-rated portfolio can yield over Libor+2% net

M&G is one of the most active participants in the European ABS market with around €21 billion currently invested, €5 billion of which is in pure ABS strategies.

-ENDS-

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Notes to Editors

***Source: S&P, 2014**

**** Source: JP Morgan & M&G data, 2015**

About M&G

M&G is an international active asset manager, investing on behalf of individuals and institutions for over 80 years. At 30 June 2015 the firm manages over £256 billion of assets through a wide range of investment strategies across equities, fixed income, real estate and multi asset.

Headquartered in London, M&G employs over 1,900 people worldwide operating from offices across Europe and Asia.

M&G is the investment arm of Prudential Plc in the UK and Europe.

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