



23 February 2021

M&G PLC WITH-PROFITS FUND HELPS PROTECT POLICYHOLDERS FROM INVESTMENT MARKET VOLATILITY IN 2020

Around 2 million customers to share an expected total bonus of £2 billion

M&G plc today announced that the £87.3 billion With-Profits Fund¹ of the Prudential Assurance Company, a wholly-owned subsidiary, returned 1.7% over the 12 months to the end of 2020.

On the basis of that performance, coupled with the financial strength of the overall fund built up over many decades, around 2 million savers are set to benefit from an expected total bonus of £2 billion. *(For full details of the 2021 With-Profits Bonus Declaration, please visit our website <https://www.pru.co.uk/existing-customers/bonus-declaration>).*

When setting bonuses, Prudential aims to smooth some of the extreme highs and lows of investment performance by holding back some returns in good years to support bonus rates in years where returns are lower.

A history of strong performance

In what was a highly unusual year for global investment markets, the Fund returned a positive return of 1.7% in the 12 months to the end of 2020 before taxes and charges. This compares with a -11.5% return from the FTSE 100 Index² over the same period, not allowing for any management fees. And over the 10 years to the end of 2020, returns on the same basis were 94.5% and 60.2% respectively. These results demonstrate the short and longer-term benefits of diversification and investing globally in a range of different asset types.

What this means for different types of With-Profits customers

- A single premium of £10,000 invested in PAC With-Profits Bond (Flexible Investment Plan) in 2010 will be worth £16,294 in 2020, representing an annualised return of 5.0%.
- A PAC personal pension customer who has contributed £200 (gross) a month for 10 years (£24,000 in total) and is retiring on 1 May 2021 will have a fund value of £29,568.

What is the With-Profits Fund?

The Fund aims to offer customers returns that balance the extreme highs and lows of short-term investment performance, through investing in a global portfolio of mixed assets and through the payment of bonuses, which help to 'smooth' pay-outs from year-to-year.

While not impacted directly by this bonus distribution, the overall performance of the Fund also benefits the company's hugely successful PruFund range.



What is smoothing?

We apply smoothing in setting bonus rates with the aim of balancing some of the extreme highs and lows of short-term investment performance in order to provide a more stable return. This is done by holding back some of the investment returns in good years with the aim of using this to support bonus rates in the years where the investment returns are lower.

Smoothing offers some protection against bad market conditions. It will not stop the value of a savings plan reducing if investment returns have been low.

What the Fund is invested in – the asset mix as at 31 December 2020

Asset	%
UK Equities (listed)	19.6
Overseas Equities (listed)	30.1
Property	13.2
Alternative Assets	7.1
Corporate Bonds	24.7
Cash & Receivables	5.3
Total	100

David Macmillan, chief customer and distribution officer at M&G plc, said: “In what was a highly-unusual year for global investment markets, the Prudential With-Profits Fund finished strongly, highlighting the benefits to our customers of investing in a multi-asset, globally-diversified fund.

“Being the largest and one of the financially-strongest With-Profits Funds in the UK allows us to be long-term investors in a very wide range of assets and individual companies.

“Our recent announcement that the With-Profits Fund is to invest up to £5 billion into privately-owned enterprises working to create a more sustainable world is just one of the ways we’re meeting increasing customer demand to help them to manage and grow their savings so they can live the life they want, while making the world a little better along the way.”

-ENDS-



Media enquiries:

Louise Bryans

Louise.bryans@prudential.co.uk

020 8162 4592
/07733315139

Notes to editors:

1. M&G plc's With-Profits Fund has total assets under management of £136 billion, as at 30 June 2020. The main asset pool, which is relevant to the largest book of with-profits customers, is valued at £87.3 billion and earned 1.7% over the 12 months to the end of 2020.
2. Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2018. FTSE Russell is a trading name of certain of the LSE Group companies. e.g., "FTSE®" "Russell®", "FTSE Russell®", "MTS®", "FTSE4Good®", "ICB®", "Mergent®", "The Yield Book®," are a trade mark(s) of the relevant LSE Group companies and are used by any other LSE Group company under license. "TMX®" is a trade mark of TSX, Inc. and used by the LSE Group under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

About M&G plc

M&G plc is an international savings and investments business, managing money for both individual savers and institutional investors in 28 markets. As at 30 June 2020, we had £339 billion of assets under management and administration, around 5 million retail customers and more than 800 institutional clients.

With a heritage dating back more than 170 years, M&G plc has a long history of innovation in savings and investments, combining asset management and insurance expertise to offer a wide range of solutions. We serve our savings and insurance customers under the Prudential brand in the UK and Europe and for asset management in South Africa, and under the M&G Investments brand for asset management clients globally.