Pru
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Investment update

PruFund Cautious

April 2024

A monthly investment update with the latest information on the PruFund Cautious Fund.

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or speak with your financial adviser.

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Market update from M&G Treasury and Investment Office (T&IO)

As at 26 April 2024

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A volatile week for risk assets, where negative sentiment in bond markets due to further evidence that inflation and growth were still more elevated than forecasts anticipated earlier in the year, were more than offset by good earnings results and helped markets climb the wall of worry, ending up higher for the week.

With over 200 companies in the S&P 500 having reported so far, the picture was encouraging. Big technology companies such as Alphabet and Microsoft keep delivering earnings and sales forecast beats, with their capital spend on Artificial Intelligence (AI) seemingly paying off. Surging cloud revenue, fuelled in part by AI services, led to robust growth. Even though Tesla's results weren't positive, the stock rallied after announcements that it would continue to look into manufacturing a cheaper entry level mass market vehicle. Meta was one company that suffered this week, as slowing sales coupled with a commitment to spend more on AI led investors to think that the company was behind the curve in the AI race. Boeing was also punished after its' credit downgrade and faster than anticipated cash burn.

In macro news, the Bank of Japan stayed pat on its' tightening cycle, as the latest inflation print came in materially below expectations and prior readings, at 1.8% for the year to April. This led to the Japanese Yen depreciating even further, breaching 156 to the US dollar in Friday trading, levels not seen since the early nineties. The US however, showed that its' inflation battle was far from won when evidence of sticky prices cast doubt on the ability of the central bank to start cutting rates later this year. Core quarterly Personal Consumption Expenditure (PCE) inflation rose to 3.7% ahead of expectations, even though Gross Domestic Product (GDP) was reported lower than the prior reading, all of which leading to a year-to-date high in US yields, touching 4.7% in the 10 year treasury bond.

Outlook

Central banks may be in a position to ease monetary policy in the second half of 2024 but employment, activity and inflation data over the next few months will be critical to the evolution of their thinking. The US economy continues to look strong, but other regions, including the Eurozone, face more challenging conditions. This could lead to diverging rate cutting cycles and opportunities in relative value trades. Geopolitical developments could further impact investor sentiment and central bank actions, with potential knock-on effects for oil prices and inflation.

Expected Growth Rate

The expected growth rate (EGR) is central to how we manage the fund. Reviewed quarterly, the EGR sets out the annualised rate we think the portfolio will grow at.

PruFund Cautious March 2024 Investment Summary

Commentary reflects the general views of individual fund managers and should not be taken as a recommendation or advice as to how any specific market is likely to perform.

The key talking points this month.

A more diversified US exposure within PruFunds

This month we wanted to talk about the US and the broad level of exposure we have.

We have noted that peers often allocate more to US equity but it is easy to overlook the opportunities in several other asset classes.

It is well known that around 70% of returns within the S&P 500 this year have been driven by the Magnificent Seven firms (Alphabet, Meta, Nvidia, Apple, Microsoft, Amazon, Tesla), demonstrating the very high current level of concentration risk within the US market. These firms now constitute around 30% of the market value of the entire index.

Many readers will know we're strong believers in broad diversification so aim to hold exposure across various asset classes within the US, including Equities, Fixed Income, Property and Alternatives (see p15).

Our equity holding of 39.4% in PruFund Growth and 19.6% in PruFund Cautious includes all the of stocks named above.

Across Fixed Income over 7% is held in US corporate bonds while a further 1.5% is allocated to Treasuries. Our Convertibles and Global High Yield allocations also hold over 50% in the US.

Alternatives has a high weighting to the US with over 40% of the overall exposure.

Within PruFunds we also have a Tactical Asset Allocation (TAA) mandate that allows M&G to underweight/overweight specific asset classes.

So in summary, total exposure to US assets totals over 20% across PruFund Growth which represents a significant investment in to the world's largest economy.

Monthly Developments

Economic Activity

The **UK's final Composite Purchasing Managers' Index (PMI) reading in March dropped minimally to 52.8, after services PMI's fell** to 53.1 from 53.8 last month marking the slowest expansion in four months. Despite this moderation, UK service providers saw steady business and consumer spending and modest rises in employment levels, despite elevated borrowing costs. Manufacturing PMI's final reading of 50.3 rose from February's 47.5, marking the first expansion in manufacturing activity since July 2022 as both output and new orders increased following year-long downturns.

The US economy grew by 1.6% in Q1, vs 2.4% expected by economists. Higher wages from a tight labour market drove strong consumer spending. The final Composite number for March expanded to **52.2 albeit lower than 52.5 last month**, with services PMIs at 51.7 weaker than February's 52.3 reading. Manufacturing PMIs revised lower at 51.9 compared to 52.2. US nonfarm payroll employment data exceeded expectations again this month with an additional 303,000 jobs compared to estimates of a 200,000 increase. Unemployment rates remained at 3.9%, the highest in two years.

In Europe final Composite PMI numbers edged up from 49.2 to 50.3. Final manufacturing PMI's fell to a three-month low of 46.1 from 46.5, following a continued reduction in factory employment levels. Services rose to 51.5 up from 50.2 as firms recorded an increase in new business for the first time in nine months. Business confidence has improved to its strongest level since February 2023.

In China Caixin Manufacturing PMIs rose to 51.1 from 50.9, following the fifth straight month of growth in factory activity, as foreign and domestic sales grew. Factory activity levels also grew for the third consecutive month. The services PMIs were flat remaining at 52.5, export orders rose to their highest level in eight months, marking the 14th consecutive month of expansion. China's economy grew stronger than expected in Q1 by 5.3% surpassing the 4.6% estimate from economists following robust growth in high-tech manufacturing. Challenges remain in the country's real estate sector.

Monetary policy

The Bank of England (BoE) held rates at their highest level in 16 years at 5.25%. The Monetary Policy Committee (MPC) split 8/1 in favour of holding rates at current levels. Investors have lowered expectations for cuts until Mays BoE meeting after news that UK inflation was lower in February. The UK economy ended its technical recession with a 0.1% quarter-on-quarter rise in Q1 forecast by the BoE. Economic data remains mixed with retail sales data and wage growth both rebounding in recent months.

The US Federal Reserve voted unanimously to hold interest rates for the fifth successive time, in line with market expectations at 5.25%-5.50%. The Federal Reserve stating that central banks "can and will begin" easing rates this year, with rate cuts not expected to start until mid-way through 2024. The path to a soft landing may yet be complicated adding inflation was still on a "sometimes a bumpy road towards 2%".

The **European Central Bank (ECB) continued to hold interest rates too**, leaving the deposit rate **at its record high of** 4% and refinancing rate at 4.5% and noted that the ECB are making good progress towards their inflation target, sending a strong signal that it would consider cutting rates at its next meeting in June.

Inflation

Inflation figures slowed this month. There are still signs inflation remains sticky, given tight labour market conditions and continued geopolitical tensions.

UK inflation eased slightly less than expected in March to 3.2% from 3.4%, but above the 3.1% forecast by economists. Core Consumer Price Index (CPI) which strips out volatile food and energy prices, fell from 4.5% to 4.2% this month the lowest since December 2021, primarily driven by falling food prices, while restaurant and hotel, recreation and culture and miscellaneous good prices all contributed. Market speculation is that the BoE will begin cutting interest rates in either September or November 2024 provided inflation continues to fall. UK unemployment increased by 0.3% to 4.2% the highest level in six months, and GDP grew by 0.1% month on month (m/m) for February.

In the US, inflation rose unexpectedly for a second straight month to 3.5%, from 3.2% in March, above an expected 3.4% rise. Core CPI inflation year on year (y/y) held at 3.8% remaining its lowest reading since September 2021. Headline CPI stayed at +0.4% m/m and in annual terms at 3.1% as energy prices fell much less than expected while food, shelter and used car and truck costs softened.

In Europe, **Eurozone inflation fell** to 2.4% from 2.6% in March as energy prices declined while services inflation remained steady. France and Germany reported lower inflation rates falling to 2.3% from 3.0% in France and to 2.2% from 2.5% in Germany. Many economists are predicting rate cuts by the ECB in June 2024.

China moved back into inflationary territory this month. CPI rose by +0.7% in annual terms in February, higher than the predicted +0.3%. It marks the first month of inflation since August 2023 due to robust spending during the Lunar new year holiday. Non-food price accelerated sharply by 1.1% as food price inflation edged lower at its slowest pace in eight months.

Equity markets

Equity markets had another positive month in March following growing expectation that interest rates have peaked.

At a regional level, the S&P 500, Euro Stoxx 600 and Nikkei 225 all rose to record levels. Most equity markets ended the month up across developed markets. Emerging market equities made gains +5.4% with signs that negative sentiment around China may have peaked. Gains were broad-based at a sector level, financial services outperformed, and the tech and industrial sectors made further gains, while the strongest pullbacks came in healthcare and utilities.

Key movers in equities

US equities set new records again in March. The S&P 500 was up 3.1% and Nasdaq gained 1.2%. Energy (9.79%) and Basic materials (8.25%) led the gains while Healthcare (-5.30%) and Technology (-2.64%) sectors detracted over the month.

UK equities were positive in March, despite disappointing GDP releases. During the month, energy, financials and materials sectors led the gains.

Japanese equities continued their strong start to 2024, the Nikkei 225 reaching 41,000 for the first time, recording an all-time high increasing 3.1% over the month. Energy (19.54%), Financial Services (13.32%) and Utilities (8.10%) led the gains with Healthcare the only sector underperforming. China's struggling performance has enticed investors looking for Asian exposure, as the 2024 outlook for Japanese equities continues to look positive, with potential corporate governance improvements and the recent shift seen from deflation to inflation.

Fixed Income

UK government bond prices rose in March, with the UK 10-year gilt yield closing at 3.89%, down from 4.05% at the start of the month.

US 10-year treasury yields were flat at 4.20% from 4.19% over March, as investors continue to grapple with assessing the fair value of bonds. Strong economic data and worries over sticky inflation are causing investors to reassess the level of cuts to interest rates this year, fuelling weakness in US government bonds.

Investment grade credit spreads remained subdued. Movements in corporate bond spreads over the month tightened. As in prior months, the asset class continues to provide historically elevated levels of yield.

Property

A number of longer-term themes remain within Property markets.

We continue to see headwinds as property markets adjust to the higher interest rate environment.

Global real estate markets have experienced volatility since mid-2022 due to sharp rises in global interest rates. The UK has experienced significant valuation falls ahead of other markets, but recently we have seen signs of recovery as policy rates have been kept on hold and inflation pressures ease.

As challenges to the real estate sector are worked through in the coming quarters, both winners and losers will likely emerge. Some investors may suffer – notably those who have been overleveraged and now face refinancing risks, or those who have been overly exposed to weaker/riskier property. However, others should be able to take advantage of opportunities to acquire mispriced assets.

We continue to see value in real estate to help mitigate some inflation risk over the longer term.

UK

Recent UK direct real estate data show continued declines in capital values reflecting the impact of higher interest rates.

Industrial and residential sectors have remained resilient in recent months, with the bulk of erosion in capital values now likely to have been recorded. The office sector remains under pressure and is still experiencing capital value declines. Most sales remain in new builds as existing homeowners remain locked into lower interest rate mortgages.

Our real estate teams remain cautiously optimistic that the market is at an inflexion point although further macro shocks cannot be ruled out which could result in further downward pressure on valuations.

North America

The North American market has fallen significantly in recent months and there is potentially further to go before it gets to fair value. A lot of the noise is related to the office sector where vacancy rates have risen as post-Covid occupancy levels remain stubbornly lower than in other developed regions. Residential sales have continued to struggle amid rising house prices. Meanwhile, retail has showed surprising strength recently amidst solid retail sales and retailer expansion, though broader economic headwinds remain a clear threat to the sector.

Europe

European real estate has also been declining over recent months, albeit by less than the UK. Property valuations have continued to feel the downward pressure, though the pace of these has slowed and strong rental growth has continued to limit value falls. The office sectors high quality assets are generally performing well, and residential rents are continuing to rise ahead of trend.

Asia

The outlook for Asia appears more positive given the region's better growth prospects. The spread between direct and listed real estate is far narrower than the other regions discussed, which effectively means investor sentiment is better. Looking ahead, subdued economic conditions, weak global exports and rising cost of living could impact near-term occupier demand and the rental outlook, although prime sustainable assets in core locations will likely remain resilient.

M&G Real Estate announces the redevelopment of the Ribbon – it's 80,000 sq. ft West End office scheme on the corner of Oxford Street and Wells Street

M&G has made a significant step in its commitment to deliver assets of scale in prime locations, with the approval of this redevelopment. The Ribbon's position aligns seamlessly with the evolving needs of today's office occupiers seeking quality spaces in desirable locations.

The Ribbon will blend modern design and with respect for the area's rich heritage and a commitment to responsible development. The scheme will target NABERs 5*, WELL Platinum, BREEAM Outstanding and SMART Enabled certifications.

Who are M&G Real Estate?

M&G's real estate finance team is one of the largest alternative lenders in Europe with an international client base spanning the UK, Europe and Asia, and is part of a total £74bn of assets under management, as of June 2023.

Fund Performance (Retirement Account)

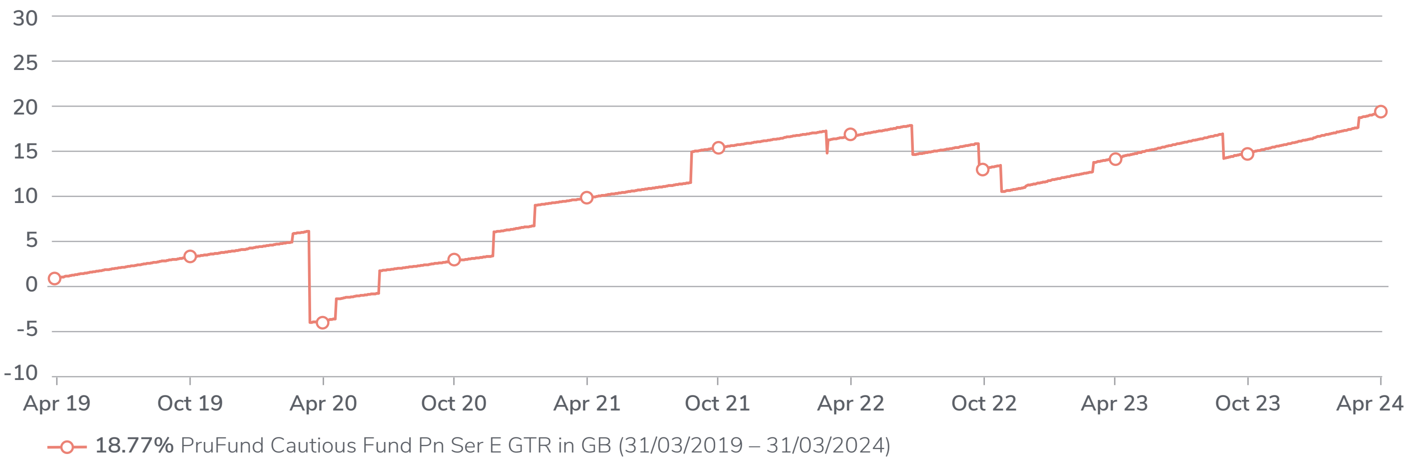
Performance

	31/03/2019 to 31/03/2020	31/03/2020 to 31/03/2021	31/03/2021 to 31/03/2022	31/03/2022 to 31/03/2023	31/03/2023 to 31/03/2024
Fund	-4.78%	14.58%	6.46%	-2.15%	4.49%

Annualised performance

	1 Year to 31/03/2024	3 Years to 31/03/2024	5 Years to 31/03/2024
Fund	4.49%	2.87%	3.50%

Performance since 31 March 2019 (as at 31 March 2024)



Source of performance data: FE fundinfo.

To find out more on the funds objectives, risk profile and performance, **view the PruFund fund factsheets for our range of pension funds.**

We can't predict the future, past performance isn't a guide to future performance. The figures shown are intended only to demonstrate performance history of the fund, after allowing for the impact of fund charges and further costs, but take no account of product charges. Charges and further costs may vary in the future and may be higher than they are now. Fund performance is based upon the movement of the daily price and is shown as total return in GBP with gross income reinvested.

The value of your investment can go down as well as up so you might get back less than you put in. For the PruFund range of funds, what you receive will depend on the value of the underlying investments, the Expected Growth Rates as set by the Prudential Directors, our charges and the smoothing process.

Fund Performance (Prudential ISA)

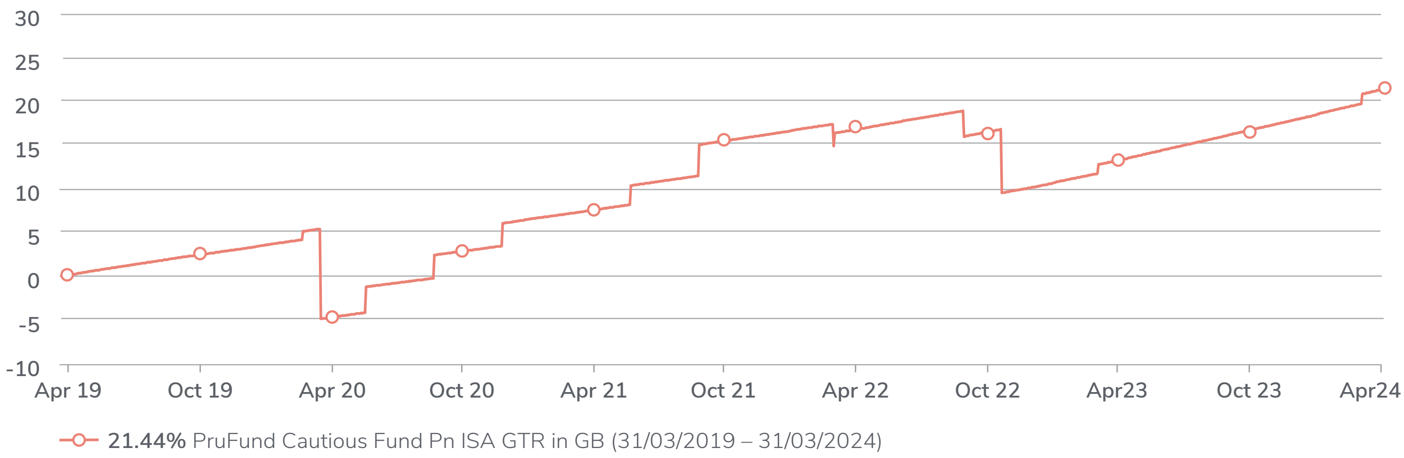
Performance

	31/03/2019 to 31/03/2020	31/03/2020 to 31/03/2021	31/03/2021 to 31/03/2022	31/03/2022 to 31/03/2023	31/03/2023 to 31/03/2024
Fund	-4.74%	12.89%	8.61%	-2.99%	7.18%

Annualised performance

	1 Year to 31/03/2024	3 Years to 31/03/2024	5 Years to 31/03/2024
Fund	7.18%	4.14%	3.96%

Performance since 31 March 2019 (as at 31 March 2024)



Source of performance data: FE fundinfo.

To find out more on the funds objectives, risk profile and performance, **view the PruFund fund factsheets for our range of ISA funds.**

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Fund Performance (Prudential Investment Plan)

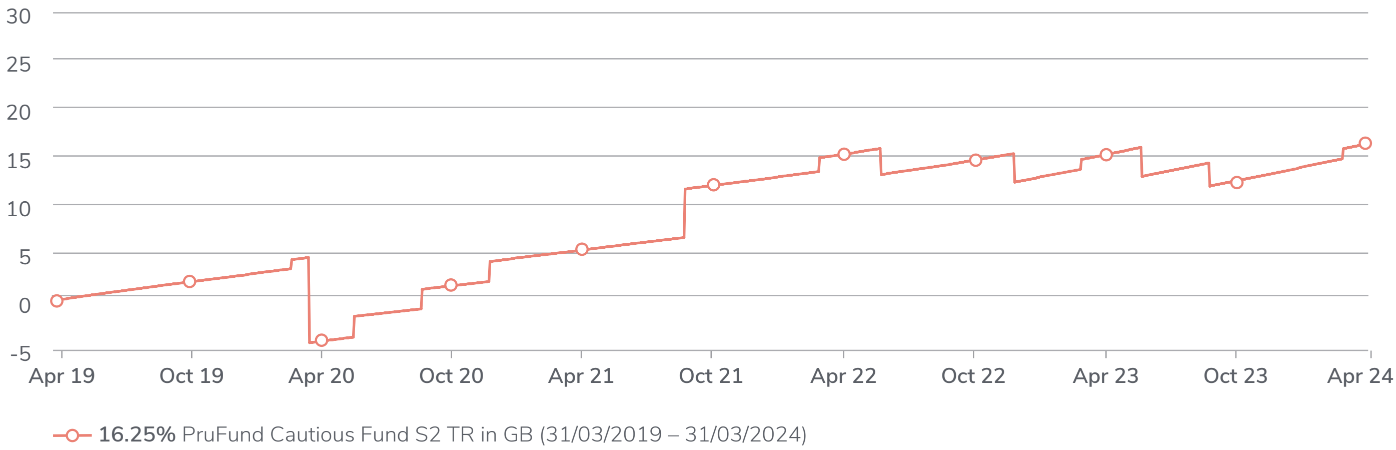
Performance

	31/03/2019 to 31/03/2020	31/03/2020 to 31/03/2021	31/03/2021 to 31/03/2022	31/03/2022 to 31/03/2023	31/03/2023 to 31/03/2024
Fund	-4.24%	9.88%	9.47%	-0.06%	0.99%

Annualised performance

	1 Year to 31/03/2024	3 Years to 31/03/2024	5 Years to 31/03/2024
Fund	0.99%	3.38%	3.06%

Performance since 31 March 2019 (as at 31 March 2024)



Source of performance data: FE fundinfo.

To find out more on the funds objectives, risk profile and performance, **view the PruFund fund factsheets for our range of life funds.**

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Fund Performance (Trustee Investment Plan)

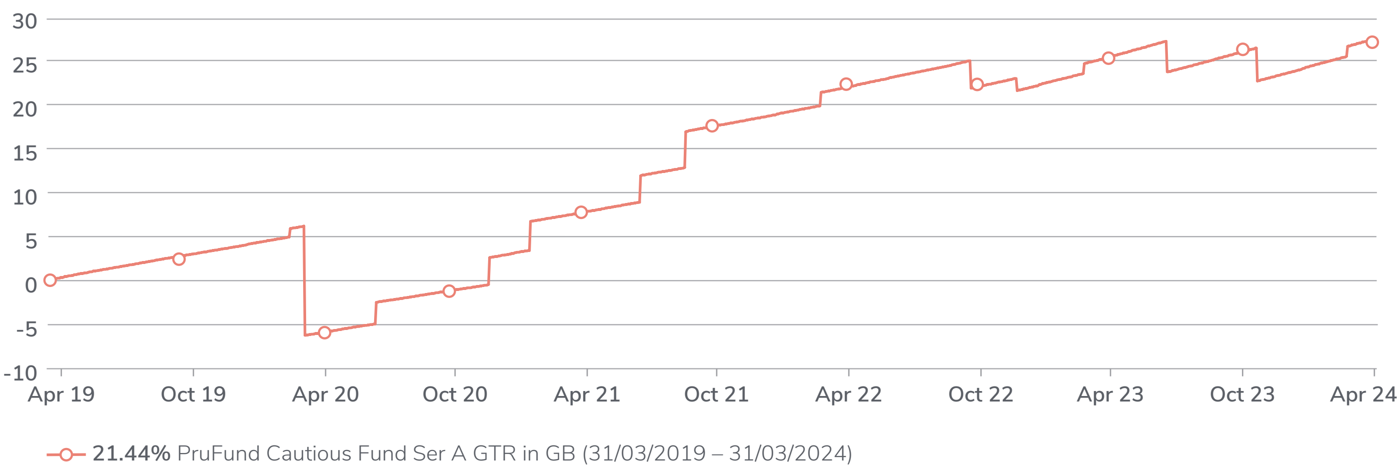
Performance

	31/03/2019 to 31/03/2020	31/03/2020 to 31/03/2021	31/03/2021 to 31/03/2022	31/03/2022 to 31/03/2023	31/03/2023 to 31/03/2024
Fund	-4.74%	12.89%	8.61%	-2.99%	7.18%

Annualised performance

	1 Year to 31/03/2024	3 Years to 31/03/2024	5 Years to 31/03/2024
Fund	7.18%	4.14%	3.96%

Performance since 31 March 2019 (as at 31 March 2024)



Source of performance data: FE fundinfo.

To find out more on the funds objectives, risk profile and performance, **view the PruFund fund factsheets for our range of pension funds**.

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Fund Performance (International Portfolio Bond)

Performance

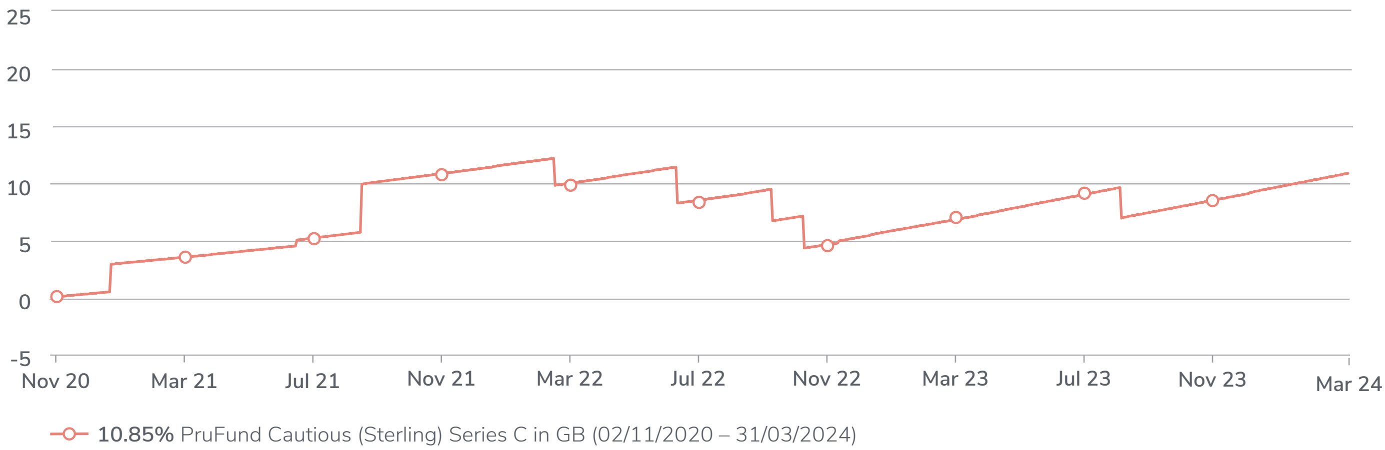
	31/03/2019 to 31/03/2020	31/03/2020 to 31/03/2021	31/03/2021 to 31/03/2022	31/03/2022 to 31/03/2023	31/03/2023 to 31/03/2024
Fund	N/A	N/A	6.32%	-2.93%	3.58%

Annualised performance

	1 Year to 31/03/2024	3 Years to 31/03/2024	5 Years to 31/03/2024
Fund	3.58%	2.25%	N/A

Performance not available for the period 31.03.2019 – 31.03.2021 because the PruFund Growth (Sterling) Series C fund did not launch until 02.11.2020.

Performance since 02 November 2020 (as at 31 March 2024)



Source of performance data: FE fundinfo.

To find out more on the funds objectives, risk profile and performance, **view the PruFund fund factsheets for our range of international funds.**

We can't predict the future, past performance isn't a guide to future performance. The figures shown are intended only to demonstrate performance history of the fund, after allowing for the impact of fund charges and further costs, but take no account of product charges. Charges and further costs may vary in the future and may be higher than they are now. Fund performance is based upon the movement of the daily price and is shown as total return in GBP with gross income reinvested.

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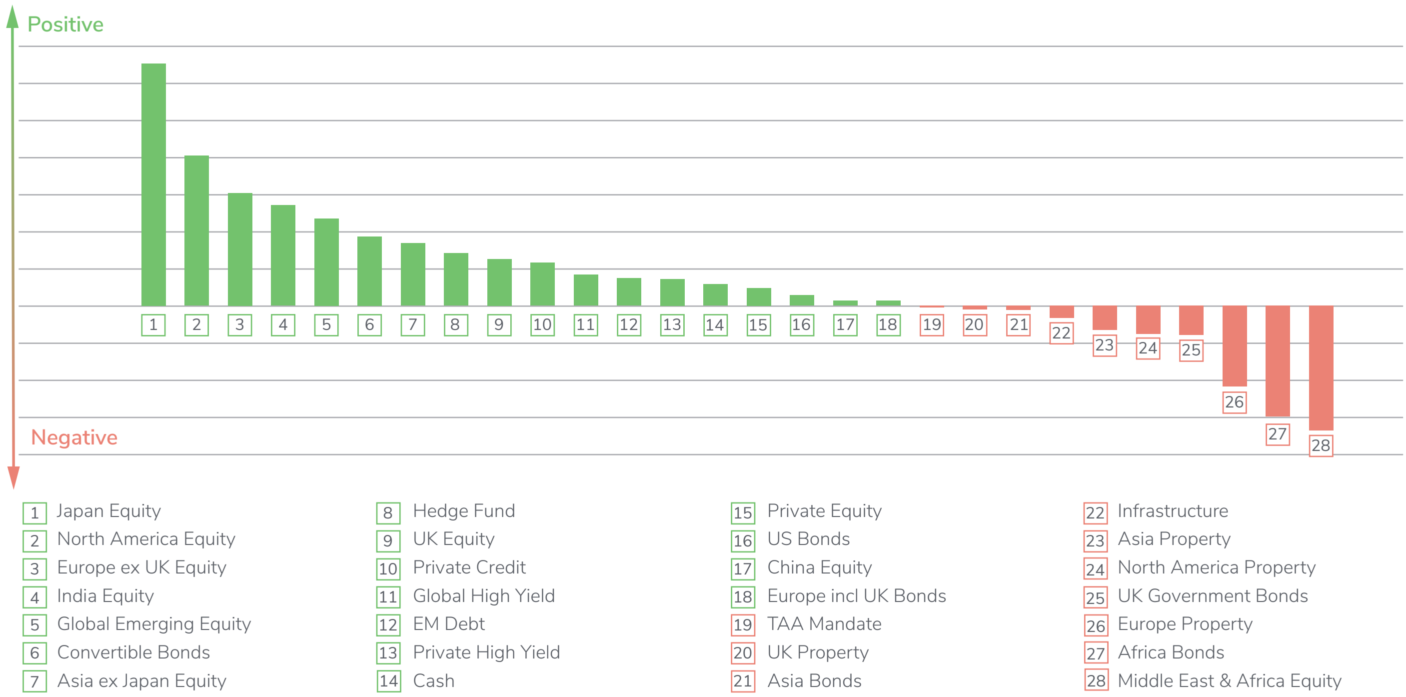
Underlying Asset Class Performance

The bar graph below is designed to give some insight in to how PruFund Cautious assets have performed.

There are clear constraints around providing detailed ‘unsmoothed’ performance but we hope the graphic below at least gives some insight in to the drivers and detractors of absolute returns for the period in review.

Year to date returns per asset class as at 31 March 2024



! Asset allocations are regularly reviewed and may vary from time to time, but will always be consistent with the fund objective. We can’t predict the future, past performance isn’t a guide to future performance. Returns in GBP and do not reflect any currency hedging within overseas Fixed Income.

Key points:

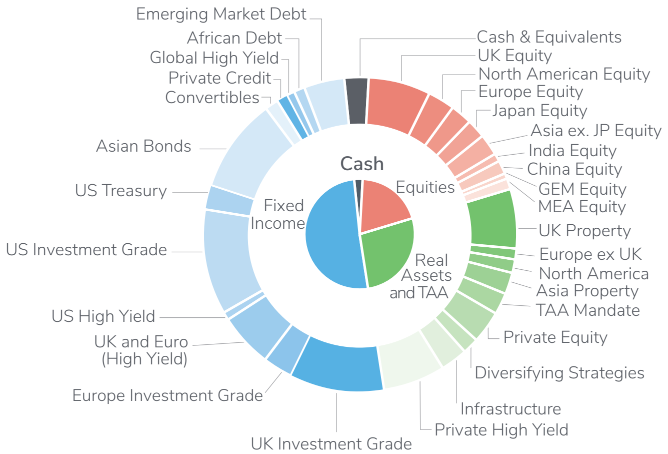
- Most major equity and bond markets were mixed over Q1 2024. China equities have lagged global peers as continued concerns about weakness in the property sector remains.
- Specialist investments and real assets seeing lower valuations feeding through, particularly in UK commercial property. There are tentative signs that negativity has fed through into UK valuations.

Source of performance data: M&G Performance teams.

PruFund Cautious Asset Allocation and Peer Comparison

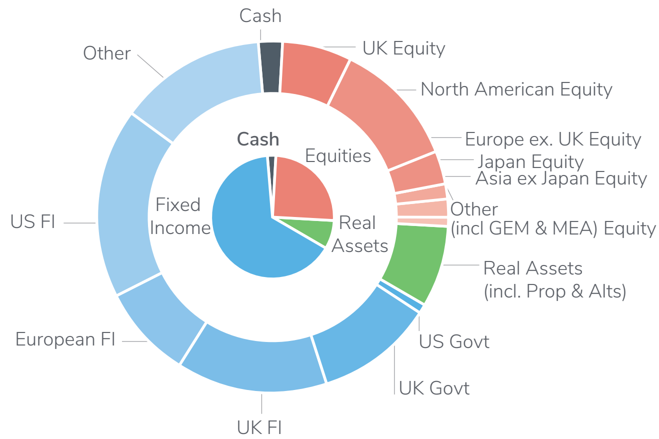
We have produced the pie charts below to provide an insight into the current asset class exposures for PruFund Cautious. At the same time we thought it would be helpful to give some context to this by showing the aggregate asset allocation of the 20 largest funds in the IA mixed-0-35 sector. Specific percentage exposures are shown on the following page.

PruFund Cautious



Source: Prudential Actuarial.
Date: at end February 2024.

Average Peer Allocation



Source: M&G Treasury & Investment Office.
Date: at end December 2023.

Asset allocations are regularly reviewed and may vary from time to time, but will always be consistent with the fund objective.

Key points:

- **Equities:** similar weight to peers but higher diversification. Lower exposure to US but higher exposure to Asian equities
- **Fixed income:** lower weight and more emphasis on high real yield regions and private credit
- **Real assets:** diversified across asset classes and regions. Property remains a key diversifying asset

Source: M&G Treasury & Investment Office peer asset allocation data from Financial Express. Data not available for two of the peers. Allocation data sourced from Financial Express data and individual fund factsheets where latest data available. Granularity of the data varies significantly between different funds and where relevant, proxies used to estimate the allocation between different geographies. Peers are made up of the top 20 funds by Assets Under Management (AUM) from the IA Mixed 0-35% shares sector.

PruFund Cautious Holdings

The data shown provides a representation of the top ten holdings in the main With Profits pool of assets and hence is broadly reflective of what a client investing in PruFund Cautious holds. Holdings are regularly reviewed by the M&G Treasury and Investment Office (T&IO) and may vary from time to time, but will always be consistent with the fund's objective.

Main asset class exposures

Asset	Strategic Asset Allocation
UK Equity	6.60%
North American Equity	2.80%
European Equity	2.20%
Japan Equity	1.90%
Asia ex. Japan Equity	2.10%
India Equity	1.00%
China Equity	1.20%
Global Emerging Markets Equity	0.80%
Middle East and Africa Equity	1.00%
Total Equity	**19.60%**
UK Property	6.00%
Europe ex. UK Property	1.30%
North America Property	1.30%
Asia Property	2.10%
Total Property	**10.70%**
Cash	**2.30%**
TAA Mandate	**2.30%**
Private Equity	3.40%

Asset	Strategic Asset Allocation
Diversifying Strategies	1.60%
Infrastructure	2.80%
Private High Yield	6.30%
Total Real Assets and Alternatives	**14.10%**
UK (Investment Grade)	9.90%
Europe (Investment Grade)	3.10%
UK and Euro (High Yield)	5.40%
US High Yield	1.00%
US (Investment Grade and High Yield)	10.70%
US Treasury	2.60%
Asian Bonds	9.60%
Convertibles	1.30%
Private Credit	1.20%
Global High Yield	0.80%
African Debt	1.20%
Emerging Market Debt	4.20%
Total Fixed Income	**51.00%**

Source: Prudential Actuarial February 2024.

PruFund Cautious Holdings continued

The tables below show the total percentage of each particular asset class's top 10 holdings in order of largest holding.

Equities

Source: M&G Treasury and Investment Office.
Date: at 31 March 2024.

UK Equity	1.58%
AstraZeneca plc	
HSBC Holdings plc	
Unilever plc	
BP plc	
BAE Systems plc	
RELX plc	
Diageo plc	
Compass Group plc	
National Grid plc	
Rolls Royce Holdings	

North American (inc Canada) Equity	0.57%
Microsoft Corporation	
Apple Inc.	
Alphabet Inc.	
Amazon.com Inc.	
Nvidia Corporation	
JPMorgan Chase & Co	
Meta Platforms Inc.	
Exxon Mobil Corp	
Johnson and Johnson	
Wells Fargo and Company	

European Equity excluding UK	0.88%
M&G European Sustained Paris Aligned Fund	
Shell plc	
Novo Nordisk A/S	
Total Energies SE	
Siemens AG	
SAP SE	
UBS Group AG	
Allianz SE	
Mondi plc	
Bank of Ireland Group plc	

Asia & GEM Equity ex. Japan, China & India	1.09%
Taiwan Semiconductor Manufacturing Company Ltd.	
Samsung Electronics Co Ltd.	
Rio Tinto plc	
AIA Group Ltd.	
DBS Group Holdings Ltd.	
BHP Group Ltd.	
KB Financial Group Inc.	
Hyundai Motor Co	
SK Hynix Inc.	
Sun Hung Kai Properties Ltd.	

Japan Equity	0.50%
Toyota Motor Corporation	
Mitsui & Co Ltd.	
Seven & I Holdings Ltd.	
Hitachi Ltd.	
Nippon Telegraph and Telephone Corporation	
Orix Corporation	
Mitsubishi Estate Co Ltd.	
Honda Motor Co Ltd.	
Toyota Industries Corporation	
Mitsubishi UFJ Financial Group Inc.	

Africa Equity	0.58%
Delta Corporation Ltd. (Zimbabwe)	
Naspers Ltd.	
Anglo American plc	
Firstrand Ltd.	
Gold Fields Ltd.	
Standard Bank Group Ltd.	
Capitec Bank Holdings Ltd.	
Endeavour Mining plc	
MTN Group Ltd.	
Bid Corporation Ltd.	

China Equity	0.60%
Tencent Holdings Ltd.	
JD.COM Inc.	
Alibaba Group Holding Ltd.	
China Merchants Bank Co Ltd.	
KE Holdings Inc.	
Yangzijiang Shipbuilding Holdings Ltd.	
China Construction Bank Corp	
BYD Co Ltd.	
Weichai Power Co Ltd.	
Boc Hong Kong Holdings Ltd.	

India Equity	0.54%
Housing Development Finance Corporation Ltd.	
Reliance Industries Ltd.	
Infosys Ltd.	
Axis Bank Ltd.	
ICICI Bank Ltd.	
Tata Consultancy Services Ltd.	
Larsen and Toubro Ltd.	
Sun Pharmaceutical Industries Ltd.	
Trustroot Internet Private Limited	
Power Grid Corporation of India Ltd.	

Fixed Income

Source: M&G Treasury and Investment Office.
Date: at 31 March 2024.

US Fixed Income	6.70%
United States Treasury	
US High Yield	
Bank of America Corp	
Goldman Sachs Group Inc.	
JPMorgan Chase & Co	
Wells Fargo and Company	
Morgan Stanley	
Citigroup Inc.	
Verizon Communications Inc.	
Comcast Corporation	

European including UK Fixed Income	3.89%
M&G European Loan Fund	
United Kingdom of Great Britain and Northern Ireland	
UK Conventional Gilts	
KFW	
HSBC Holdings plc	
Lloyds Bank plc	
Electricite De France SA	
Banque Federative Du Credit Mutuel SA	
BNP Paribas SA	
Nationwide Building Society	

Asian Fixed Income	5.76%
Korea (Republic of)	
Indonesia (Republic of)	
Malaysia (Government)	
India (Republic of)	
Philippines (Republic of)	
Thailand Kingdom of (Government)	
Singapore (Republic of)	
China Peoples Republic of (Government)	
Philippine Government Bond	
CP ALL PCL	

Property

Source: M&G Treasury and Investment Office.
Date: at 31 December 2023.

PruFund Cautious invests in a variety of core collective global vehicles of which have exposure to a variety of underlying properties as shown within the building blocks table. The largest holding is held within the Prudential Real Estate Limited Partnership (PRELP) vehicle which gains PruFund Cautious' exposure to UK property. The PRELP top ten holdings are as per the below with the % in reference to the weighting within PRELP.

Property (Global)
The Arena Mollison Avenue – Industrial
Selly Oak Shopping Park – Supermarket
232/247 Tottenham Court Road – Office
Lockton House Clarendon Road – Office
Riverside Retail Park – Retail Warehouse
36 Queen Street – Office
Lake View House – Distribution Warehouse
Unit 7000 Magna Park – Distribution Warehouse
The Garage – Residential
Chaco – Residential

Underlying building blocks

Equity building blocks

Equity portfolios continue to evolve and are globally diversified across all the major developed and emerging markets, with Indian, African and Chinese equities added in recent years as direct country allocations as we see them as important emerging/frontier economies. The broad exposure to Asia is a differentiator and represent the 2nd largest equity position.

Holdings are predominantly large cap stocks although specific smaller cap exposure has been added to regions like the US, Europe and Japan. Active management is favoured but will use passive when appropriate.

A balanced approach is taken regarding investment styles (growth, value, etc) to try and benefit from different market conditions.

A large percentage is held in bespoke/customised pools of assets or internal funds where T&IO work with the fund managers to set guidelines, objectives and risk parameters and can also ensure that each fund manager's ESG beliefs and policies align with our own.

Asset	Fund Name	Investment Style	Internally or Externally managed
UK Equity	M&G UK Absolute Return Fund M&G (ACS) UK Listed Mid Cap Equity Fund M&G (ACS) BlackRock UK All Share Index Fund M&G (ACS) BlackRock UK 200 Index Fund	Active Active Index Enhanced Index Enhanced/ evenly weighted	Internal Internal External External
Europe excluding UK Equity	M&G (Lux) European ex UK Equity Fund M&G (Lux) Pan-European Smaller Companies Fund M&G (Lux) BlackRock Europe ex UK Equity Fund M&G European Sustainable Paris Aligned Fund	Active Active Index Enhanced Active	Internal Internal External Internal
US Equity	M&G (ACS) BlackRock US Equity Fund M&G (ACS) BlackRock US Equity RAFI Fund M&G (ACS) Granahan US Small Cap Growth Fund M&G (ACS) Earnest Partners US Small Cap Value Fund M&G (ACS) Manulife US Equity Fund M&G (ACS) BlackRock Canada Index Fund M&G (ACS) William Blair US Large Cap Equity Fund M&G (ACS) MFS US Large Cap Equity Fund	Index Enhanced Index Enhanced Active Active Active Index Enhanced Active Active	External
Japan Equity	M&G (ACS) Japan Equity Fund M&G (ACS) Japan Smaller Companies Fund	Active	Internal
Asia ex. Japan Equity	M&G APAC ex Japan Equity Mandate	Active	Internal
China Equity	M&G (ACS) China Equity Fund M&G (ACS) Value Partners China Equity Fund M&G (ACS) Matthews Asia China Equity Fund	Active	Internal External External
Global Emerging Markets Equity	M&G Funds (1) GSAM Global Emerging Market Equity Fund M&G Funds (1) MFS Global Emerging Markets Equity Fund M&G Funds (1) Lazard Global Emerging Markets Equity Fund	Active	External
Indian Equity	M&G India Equity Mandate	Active	Internal
Middle East and Africa Equity	M&G South Africa Equity Fund M&G Africa Equity Fund	Active	Internal

Fixed income building blocks

Fixed income portfolios are diversified by region and across public and private markets. New asset classes have been added as markets have evolved. Developed market corporate bonds have reduced over time as positions in higher yielding Asian and Emerging Market bonds have increased and investment in Private Credit has slowly grown, leveraging the strength of specialist teams in M&G. This will continue to grow through new and future investments via M&G Catalyst.

As with areas like property and equities, a large percentage of assets are held in segregated mandates and internal vehicles although some pooled vehicles are used, Eastspring Asian Bonds and M&G Emerging Market Debt for example. The use of internal mandates and vehicles is advantageous as underlying fund managers work solely with T&IO, there are no other retail or institutional investors, and T&IO can work with the managers to set investment objectives and appropriate risk controls like stock and sector limits.

Asset	Fund Name	Investment Style	Internally or Externally managed
UK (Investment Grade) Europe (Investment Grade) UK & Euro (High Yield) European Leveraged Loans	M&G UK Investment Grade Mandate M&G European Investment Grade Mandate M&G Collateral Fixed Income Mandate M&G European/UK High Yield Mandate	Active	Internal
US (IG & HY) US Treasury	M&G US Total Return Fixed Income Mandate M&G US Short Dated Fixed Income Mandate M&G US Treasuries Mandate	Active	Internal
Asian Fixed Income	M&G (Lux) Asian Corporate Bond Fund M&G (Lux) Asian Local Bond Fund Manulife China Bond Fund	Active	Internal Internal External
Convertibles	M&G Global Convertibles Fund	Active	Internal
Lower Risk Private Credit	M&G Catalyst – Credit Fund Selection of M&G Private Credit Funds Global Micro and SME Finance Fund (responsAbility)	Active	Internal
Global High Yield	M&G Global High Yield Fund	Active	Internal
African Debt	M&G Pan-African Bond Fund	Active	Internal
Emerging Market Debt	M&G Emerging Market Debt Fund	Active	Internal
UK Government	M&G Gilt Mandate	Active	Internal

Property building blocks

The key differentiators and strengths of the property portfolios include the resource and expertise within M&G Real Estate, the global exposure to high quality assets, the use of segregated pools of assets or large-scale institutional funds to best capture opportunities, active management, the ability to invest in development projects and the ongoing work to enhance the 'environmental' credentials of portfolios.

Asset	Fund Name	Investment Style	Internally or Externally managed
UK Property	Prudential Real Estate Limited Partnership (PRELP)	Active	Internal
Europe Property	M&G European Property Fund (Core-Balanced Collective)	Active	Internal
North America Property	Morgan Stanley Prime (Core-Balanced Collective) Directly held Assets	Active Active	External Internal
Asia Property	M&G Asia Property Fund (Core-Balanced Collective) Sector Specialist Collectives within Prudential Australian Property Trust	Active	Internal

Alternatives building blocks

The alternatives market is vast and complex, straddling private equity, hedge funds, infrastructure and private high yield, but the M&G teams can capture opportunities wherever they arise, leveraging a network of contacts and expertise across the globe.

Investments are typically in the private markets, which are less liquid than the public equity markets, but often offer enhanced returns. Each opportunity is assessed in terms of risk and reward and would expect to pick up an illiquidity premium.

Some asset classes bring enhanced returns over traditional markets, for example private equity is expected to deliver 2-3% per annum over listed equity markets. Diversifying strategies like music royalties, offer returns not linked to broader markets. Infrastructure investments are attractive due to the stable long-term income streams that are often inflation-linked. This stable return profile can also be lowly correlated to public markets.

All new managers are ESG assessed pre-investment and continually monitored, and investments will often be held for many years making them ideal for the PruFund range of funds.

Asset	Fund Name	Investment Style	Internally or Externally managed
Private Equity	M&G Private Equity Mandate M&G Crossover Mandate	Active	Internal
Diversifying Strategies	M&G Diversifying Strategies Mandate	Active	Internal
Infrastructure	M&G Infrastructure Mandate Future of Foods Asia II (responsAbility) Sustainable Food LATAM I (responsAbility) Infracapital Capital Fund IV	Active	Internal
Private High Yield	M&G Catalyst – Capital Fund Selection of M&G Private High Yield Funds M&G European Loan Fund M&G Corporate Credit Fund	Active	Internal

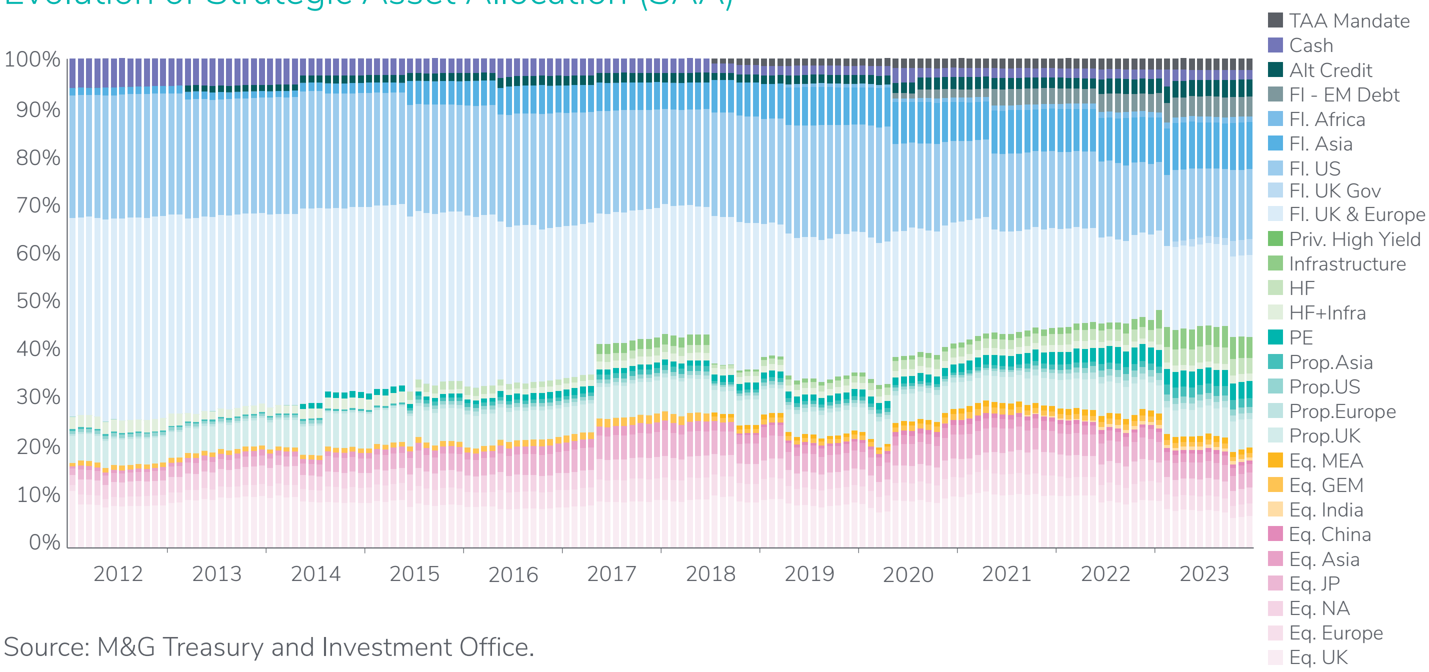
Cash and TAA Mandate building blocks

Asset	Fund Name	Investment Style	Internally or Externally managed
Cash	M&G Cash Fund	Active	Internal
TAA Mandate	M&G Episode Strategies	Active	Internal

Source of underlying holdings data: M&G Treasury and Investment Office as at 31 March 2024.

Long Term Investment Strategy

Evolution of Strategic Asset Allocation (SAA)



Source: M&G Treasury and Investment Office.

The sand chart shows how strategic asset allocation has evolved over time for the PruFund Cautious Fund.

Portfolio positions are reviewed at least annually and can evolve as our views on capital markets do. Positions are generally adjusted incrementally. As long-term investors T&IO views will rarely deviate too dramatically, so you will see the gradual shift in individual asset class positions. We see this as a strength of our philosophy, clearly if too many poor investment decisions were made, too many adjustments may have been required.

The sand chart shines a light on level of diversification, as evidenced by the number of asset classes in portfolios. T&IO has a long track record of adding new asset classes to multi asset portfolios, although individual allocations are sometimes fairly modest. In totality, the exposure to areas like property, alternatives and specialist areas of the fixed income markets (e.g, Asian bonds, Private High Yield, African bonds) are meaningful and differentiate PruFund portfolios.

The large exposure to property has been a long-term source of strong risk-adjusted returns and is another differentiator over other retail focused products.

Finally it is important to remember that any new asset classes are added for specific reasons. The strategists will have worked with teams across M&G plc, to understand the drivers of the returns, the diversification benefits and the relevant risk/credit premia. New investments are there to enhance portfolios not just add another line to the SAA tables.

PruFund Cautious case studies

Below is a snapshot of some of the investments held in the PruFund Cautious fund and which mandate they sit in, giving you a bit more insight into how your money is invested. These won't change every month unless there's a significant update to give you, but we will review every 3 to 4 months to highlight more examples.

Fund/mandate	Investment/company description
M&G Catalyst	**Boston Metal**, a company that aims to scale and commercialise it's green steel technology in the US, has developed a steel-making process less carbon intensive and more energy efficient than traditional methods. They also make high value metals from materials previously considered to be waste.
M&G Catalyst	**NoTraffic** is a road traffic management platform used by city and town transport authorities to reduce congestion, CO2 emissions and accidents. Using AI assisted proprietary software and smart sensors placed on existing traffic signals, responds to traffic flows and mobility in any given area, instantaneously.
M&G Catalyst	**Biobest** is a leader in the fast-growing sector of biological pesticides, which decompose naturally into the soil. Their products allow crop farmers to avoid damage to biodiversity, soil, water supply and public health from chemical pesticides and fertilisers and help address the problem of increased pest resistance to chemicals.
M&G Catalyst	**SkyCell AG** are a Swiss-based technology firm seeking to change the face of global pharmaceutical supply chains by developing more sustainable ways of transporting medicines, whilst also reducing waste and minimising CO2 emissions.
Future of Food Asia II	A **ResponsAbility fund** that invests in fast growing companies in agriculture value chains, promoting sustainable practices and healthy food in Asia to deliver attractive financial returns and high impact.
Sustainable Food LATAM I	A **ResponsAbility fund** that provides financing to medium-sized companies operating in the value chains of fresh fruits and vegetables within Latin America. The strategy will provide financing to companies with proven earnings and attractive business models that can also be leaders from a sustainable perspective.
Infracapital Greenfield Partners II	**Zenobe Energy** is a leading owner and operator of battery storage in the UK. Provides battery storage plants for the electricity grid and provides batteries and infrastructure solutions to bus fleets and industrial customers.
M&G Asian Property Fund	Acquired the **Minato Mirai Center (MMC) Building** in Yokohama, Japan for more than Y100 billion/ US$700 million. A 21-storey prime-grade office, benefitting from direct underground access to the subway station providing convenient access to the Tokyo Central Business District. The MMC holds a 5-star CASBEE (Comprehensive Assessment System for Built Environment Efficiency) rating – the highest recognition of ESG performance available.
Direct UK property portfolio	Acquired the **40 Leadenhall** building with a total commitment of c£900m. Located in prime Central London location, the building is expected to be 30% more environmentally efficient than current regulatory standards.
Ridgewood Water and Strategic Infrastructure Fund II	First investment is the development of a new water treatment facility in Florida for a municipality that is suffering from sewage spills during storms and general underinvestment in their infrastructure. Once built, investors benefit from a 30-year contract with the local government.

Glossary

Alternatives – investments which don't fall into the conventional asset categories of public equity, fixed income, property and cash. These may include private equity, hedge funds and direct investment in infrastructure.

Assets – items that are owned by an individual such as property and investments. Money in a bank or building society account is known as a liquid asset. Assets may also be held in a fund.

Diversification – spreading your investments to help reduce the risk within your portfolio.

Equities – another name for shares in a company. The Prudential With-Profits Fund holds public equities, which are listed on a stock market, and private equity, which are shares in unlisted private companies.

Fixed Income – assets which pay a set level of interest to investors. These include bonds issued by companies and governments.

Mandate – A mandate is a discrete legal agreement between two parties: the fund manager and the financial institution (client). The agreement outlines how the client's funds will be managed. This includes the investment strategy, investment guidelines, risk controls, management fees etc.

Pooled Investment – investments such as unit trusts, where a number of people out their money together to enable them to buy a wider range of investments, thereby spreading the risk of volatility.

PruFund Cautious – an investment product within our With-Profits Fund that aims for steady and consistent growth over the medium to long-term over 5-10 years or more.

Property – in the context of 'Property' as a type of asset, investment is usually in commercial property such as offices, shops and industrial premises.

Return – a measure of performance. It is the total of the increase in value and any income received over a given period, expressed as a percentage.

Strategic Asset Allocation (SAA) – strategic asset allocation is a long term asset allocation approach, commensurate to the investor's risk profile and financial goals.

Treasury and Investment Office – part of the Prudential Assurance Company which looks after the investments of the With-Profits Fund.

Tactical Asset Allocation (TAA) – an investment style in which the three primary asset classes (stocks, bonds and cash) are actively balanced and adjusted, to maximize portfolio returns while keeping market risk to a minimum.

Volatility – a measure of how much an investment's price is likely to fluctuate during a set period of time.

Further information

If you're looking for more information then please speak to your Financial Adviser. You can refer to the relevant Key Features Document and Funds Guides for more details on our range of funds available from your Financial Adviser.

If you would like to find out more information on the PruFund range of funds, please see:
mandg.com/pru/customer/en-gb/funds/investment-fund-range/prufund

pru.co.uk

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