

# Fund Update for the Prudential (ex M&G) Range of life funds

October 2021

# Six monthly investment report for the period 1 April 2021 to 30 September 2021

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## Who is the report for?

This report is intended for customers who hold life plans with Prudential. These plans were originally taken out with M&G and transferred to Scottish Amicable Life in December 2000 and Prudential in 2002.

## What is this report for?

The purpose of this document is to provide an insight on investment markets and funds over the period, and is provided for information purposes only.

It should not be considered as financial advice.

Any change to your investment arrangements should be discussed with an adviser.

## Important

Please remember that past performance is not a reliable indicator of future performance. The commentary in this report reflects the general views of the individual fund manager and should not be taken as a recommendation or advice as to how a specific market or fund is likely to perform.

The value of your investment can go down as well as up so you might not get back the amount you put in.

What you get back will depend on the fund chosen and how it performs and is not guaranteed.

All information is shown as at 31 October 2021 unless otherwise stated.

## For up-to-date performance information

Simply log on to [pru.co.uk/funds](https://pru.co.uk/funds) and:

- choose "Fund Prices, info and tools"
- select Life Funds
- Filter on Plan/Product
- select Former M&G Life Plans

## The funds we offer might change

It's our policy to review the aims and objective of the products we offer, on a continual basis, in light of prevailing market conditions.

We may at some point in the future close, amend or merge any of the funds currently available in order to satisfy our customers' investment needs.

If this happens and your plan is linked to one of these funds we will write to you to let you know what we propose to do.

# M&G's view of the market

## 1 April 2021 to 30 September 2021

Global stockmarkets gained over the six months under review as the rollout of COVID-19 vaccinations gathered pace, leading many countries to ease restrictions and economic activity to accelerate. However, the economic recovery appears to be increasingly uneven, and fragile among some countries, with many experiencing a variety of challenges. These include renewed virus outbreaks, varying vaccination take-up rates, supply chain blockages and constrained energy markets.

Inflation has surged during the period in the US and other developed nations, driven by strong post-lockdown demand and shortages of some raw materials. Central banks initially sought to reassure investors that although inflation was rising it was probably temporary and there would be no immediate tightening of monetary policy. Most monetary easing policies from the world's major central banks were left in place, boosting economic conditions for businesses and consumers.

However, in September, signs of more persistent inflation and increasingly hawkish tones from central bankers prompted concerns of earlier-than-anticipated monetary policy tightening and interest rate hikes. Increased supply chain issues also weighed on investor sentiment at this time.

Much of the period was positive for the majority of fixed income markets due to expectations of no dramatic changes to central bank activity. However, increased concerns about tightening of monetary policy subsequently dampened investor appetite for government and corporate debt. The government bond sell-off towards the end of the period particularly affected UK gilts, as many investors speculated the Bank of England would be the first major central bank to raise interest rates.

Against this backdrop, global commodity markets continued to reflect rebounding demand for raw materials and the price of oil increased dramatically over the six months.

There is a risk that a rapid inflationary environment could derail the global recovery, as could the possibility of new COVID variants. However, a gradual, multi-speed return to growth remains likely until higher levels of vaccine penetration across economies occur. In particular, working through localised supply-chain bottlenecks to meet growing demand will be key to support a steady return to growth.

# Fund Charges and Further Costs

## Annual Management Charge

We take an Annual Management Charge (AMC) for looking after your investment, from each of the funds you invest in. Any further costs shown are expenses which are borne by the fund. Together they add up to the Yearly Total (%). These are shown on the next page. We might change our charges in future.

In general, the AMC is taken by the deduction each day of 1/365th of the applicable Annual Management Charge from the relevant investment-linked fund.

## Further Costs

In addition to our annual charges, there may be further costs incurred. Where these are applicable, they're paid for by the fund and will impact on the overall performance.

Some examples of what these further costs might include are shown below. These aren't listed in order of importance, they won't necessarily apply to all funds, and this isn't an exhaustive list.

Name	What this means	Where appropriate, are they included in the further costs figures we show in this guide?
Miscellaneous fund administration fees and costs	There can be a number of different administration fees and costs associated with funds. These can include, for example, audit fees, custody fees, infrastructure costs, registrar fees, regulatory fees, stock lending fees, and trustee fees.	Yes.
Performance fees	In some funds the fund managers are paid a fee depending on how they perform.	No, but if they're applicable they will impact on the performance of a fund.
Property expenses	For funds that invest in property, either directly (i.e. the fund owning physical property) or indirectly (i.e. owning units in a property fund or shares in a property company) there are costs incurred for managing these properties. These can include costs for development, maintenance, oversight and renovation of the properties held, collecting rents, and managing tenants, as well as running costs that cannot be passed onto tenants.	Yes.
Transaction costs	When a fund manager trades the investments in a fund (for example, makes a decision to sell one holding and buy another) there are associated costs, for example taxes.	No, but if they're applicable they will impact on the performance of a fund.

Further costs might be incurred by a Prudential fund or, where it's applicable, any fund our fund invests in (see the 'Investment strategies' for information on where a fund might invest).

<b>Fund Name</b>	<b>Annual Management Charge (%)</b>	<b>Further Costs (%)</b>	<b>Yearly Total (%)</b>
Pru Asia Pacific Fund	1.00	0.09	1.09
Pru Cash Fund	1.00	0.00	1.00
Pru Dividend Fund	1.00	0.01	1.01
Pru High Yield Distribution Fund	1.00	0.01	1.01
Pru Income and Growth Fund	1.00	0.03	1.03
Pru International Fund	1.00	0.05	1.05
Pru Japan Fund	1.00	0.01	1.01
Pru M&G Corporate Bond Fund	1.00	0.02	1.02
Pru M&G Corporate Bond Distribution Fund	1.00	0.01	1.01
Pru M&G European Select Fund	1.00	0.01	1.01
Pru M&G Gilt & Fixed Interest Income Fund	1.00	0.02	1.02
Pru M&G Global Sustain Paris Aligned	1.00	0.01	1.01
Pru M&G Global Themes Fund	1.00	0.01	1.01
Pru M&G Managed Growth Fund	1.50	0.01	1.51
Pru M&G Property Portfolio Fund	1.00	0.80	1.80
Pru M&G Recovery Fund	1.00	0.01	1.01
Pru M&G UK Income Distribution Fund	1.00	0.01	1.01
Pru M&G UK Select Fund	1.00	0.01	1.01
Pru Managed Fund	1.00	0.09	1.09
Pru Managed Income A Fund	1.50	0.01	1.51
Pru Managed Income B Fund	1.50	0.01	1.51
Pru Managed Income C Fund	1.50	0.01	1.51
Pru UK Equity Fund	1.00	0.02	1.02
Pru US Equity Fund	1.00	0.02	1.02

Your illustration (if applicable) will show the AMC and further costs applicable to your chosen fund(s).

Fund charges and further costs may vary in future and they may be higher than they are now. We'll write to you if an AMC goes up for a fund you're invested in. As it's normal for further costs to vary over time we won't contact you when they change. If fund charges and further costs exceed the return earned, the fund will go down in value.

The further costs listed in this guide are indicative, based on the current levels of costs, and are correct at October 2021, unless another date is shown.

# Investment strategies of life funds (ex M&G)

## Pru Asia Pacific Fund

Objective: The investment strategy of the fund is to purchase units in the M&G Funds (1) – Asia Pacific (ex Japan) Equity fund – the underlying fund. Underlying Fund Objective: The sub-fund aims to provide a higher total return (capital growth plus income), net of the Ongoing Charge Figure, than the FTSE Custom Asia Pacific ex Japan Country Capped Index over any three-year period.

## Pru Cash Fund

Objective: The investment strategy of the fund is to purchase units in the M&G PP Cash Fund – the underlying fund. Underlying Fund Objective: The fund invests in both secured (reverse repurchase agreements) and unsecured interest bearing deposits, as well as short-term UK Government bonds and Certificates of Deposit. It is actively managed against its benchmark, the Sterling Overnight Index Average 1 Week.

## Pru Dividend Fund

Objective: The investment strategy of the fund is to purchase units in the M&G Dividend Fund – the underlying fund. Underlying Fund Objective: The fund invests mainly in a range of UK equities with the aim of achieving a steadily increasing income stream. The fund will target a yield higher than that of the FTSE All-Share Index. Subject to this, the aim will be to maximise total return (the combination of income and growth of capital).

## Pru High Yield Distribution Fund

Objective: The investment strategy of the fund is to provide an above-average income. The fund is based on distribution units whereby the net income is used to increase the number of units allocated. The fund invests mainly in UK equities and sterling denominated Corporate Bonds via collective investment schemes.

## Pru Income and Growth Fund

Objective: The investment strategy of the fund is to provide a combination of income and capital growth by investing in a mixed portfolio of mainly UK and overseas equities, sterling Denominated Corporate Bonds and Gilts. The fund is an actively managed fund of funds, investing in collective investment schemes. The fund may also hold cash deposits depending on the investment conditions.

## Pru International Fund

Objective: The investment strategy of the fund is to provide medium to long term growth (5 to 10 years or more) by investing mainly in a spread of equity markets throughout the world, predominantly through collective investment schemes.

## Pru Japan Fund

Objective: The investment strategy of the fund is to purchase units in the M&G Japan Fund – the underlying fund. Underlying Fund Objective: The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of the MSCI Japan Index over any five-year period. At least 80% of the fund is invested directly in equity securities and equity related securities of companies across any sectors and market capitalisations that are incorporated, domiciled, or do most of their business in Japan. The fund usually holds a concentrated portfolio of fewer than 50 companies. The fund may also invest other transferable securities directly and via collective investment schemes (including funds managed by M&G). The fund may also hold cash and near cash for liquidity purposes. Derivatives may be used for efficient portfolio management and hedging.

## Pru M&G Corporate Bond Fund

Objective: The investment strategy of the fund is to purchase units in the M&G Corporate Bond Fund – the underlying fund. Underlying Fund Objective: The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than the average return of the IA £ Corporate Bond Sector over any five-year period. At least 70% of the fund is

invested, directly or indirectly through derivatives, in investment grade corporate debt securities including investment grade Asset-Backed Securities. These securities can be issued by companies from anywhere in the world, including Emerging Markets. These securities are denominated in sterling or hedged back to sterling.

Other investments may include:

- debt securities issued or guaranteed by governments and their agencies, public authorities, quasi-sovereigns and supranational bodies and denominated in any currency;
- below investment grade and unrated debt securities;
- below investment grade and unrated asset-Backed Securities; and
- other transferable securities, cash, and near cash, directly or via collective investment schemes (including funds managed by M&G).

Investments in Asset-Backed Securities are limited to 20% of the fund. The fund aims to hedge any non-sterling assets to sterling. Derivatives may be used for investment purposes, Efficient Portfolio Management and hedging.

## Pru M&G Corporate Bond Distribution Fund

Objective: The investment strategy of the fund is to purchase units in the M&G Corporate Bond Fund – the underlying fund. Underlying Fund Objective: The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than the average return of the IA £ Corporate Bond Sector over any five-year period. At least 70% of the fund is invested, directly or indirectly through derivatives, in investment grade corporate debt securities including investment grade Asset-Backed Securities. These securities can be issued by companies from anywhere in the world, including Emerging Markets. These securities are denominated in sterling or hedged back to sterling.

Other investments may include:

- debt securities issued or guaranteed by governments and their agencies, public authorities, quasi-sovereigns and supranational bodies and denominated in any currency;
- below investment grade and unrated debt securities;
- below investment grade and unrated asset-Backed Securities; and
- other transferable securities, cash, and near cash, directly or via collective investment schemes (including funds managed by M&G).

Investments in Asset-Backed Securities are limited to 20% of the fund. The fund aims to hedge any non-sterling assets to sterling. Derivatives may be used for investment purposes, Efficient Portfolio Management and hedging.

## Pru M&G European Select Fund

Objective: The investment strategy of the fund is to purchase units in the M&G European Select Fund – the underlying fund. Underlying Fund Objective: The fund aims to provide a combination of capital growth and income, net of the Ongoing Charge Figure, that is higher than the FTSE World Europe ex UK Index over any five-year period.

## Pru M&G Gilt & Fixed Interest Income Fund

Objective: The investment strategy of the fund is to purchase units in the M&G Gilt & Fixed Interest Income Fund – the underlying fund. Underlying Fund Objective: The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of the FTSE UK Conventional Gilts All Stocks Index over any five-year period. At least 70% of the fund is invested, directly or indirectly through derivatives, in investment grade short, medium and long-dated gilts. These securities

are issued or guaranteed by the UK government, and denominated in sterling. Other investments may include transferable securities, cash, and near cash, directly or via collective investment schemes (including funds managed by M&G). Derivatives may be used for investment purposes, efficient portfolio management and hedging.

## Pru M&G Global Sustain Paris Aligned

Objective: The investment strategy of the fund is to purchase units in the M&G Global Sustain Paris Aligned Fund – the underlying fund. Underlying Fund Objective: The fund has two aims:

- To provide a higher total return (capital growth plus income), net of the Ongoing Charge Figure, than that of the MSCI World Index over any five-year period; and
- To invest in companies that contribute towards the Paris Agreement climate change goal. At least 80% of the fund is invested directly in equity securities and equity-related securities of companies across any sector and market capitalisation that are domiciled in any country, including Emerging Markets. The fund has a concentrated portfolio and usually holds fewer than 40 companies. The fund invests in securities that meet the ESG Criteria and Sustainability Criteria.

The following types of exclusions apply to the fund's direct investments:

- Norms-based exclusions: investments that are assessed to be in breach of commonly accepted standards of behaviour related to human rights, labour rights, environment and anti-corruption
- Sector-based and/or values-based exclusions: investments and/or sectors exposed to business activities that are assessed to be damaging to human health, societal wellbeing, the environment, or otherwise assessed to be misaligned with the fund's sector-based and/or values-based criteria.
- Other exclusions: investments assessed to be otherwise in conflict with the ESG Criteria and Sustainability Criteria.

## Pru M&G Global Themes Fund

Objective: The investment strategy of the fund is to purchase units in the M&G Global Themes Fund – the underlying fund. Underlying Fund Objective: The fund aims to provide a higher total return (the combination of capital growth and income) than that of the MSCI ACWI Index over any five-year period. The fund will invest at least 80% of its Net Asset Value in the equity securities of companies across any sectors and market capitalisations that are domiciled in any country, including emerging markets. The fund

may also invest in collective investment schemes, other transferable securities and may hold cash for liquidity purposes. Derivatives may be used for efficient portfolio management.

## Pru M&G Managed Growth Fund

Objective: The investment strategy of the fund is to purchase units in the M&G Managed Growth Fund – the underlying fund. Underlying Fund Objective: The fund aims to provide a higher total return (the combination of capital growth and income) net of the Ongoing Charge Figure, than the average return of the IA Flexible Investment Sector over any five-year period.

## Pru M&G Property Portfolio Fund

Objective: The investment strategy of the fund is to purchase units in the M&G Property Portfolio. Underlying Fund Objective: The investment objective of the fund is to carry on Property Investment Business and to manage cash raised from investors for investment in the Property Investment Business. In doing so, the Fund aims to provide a higher total return (capital growth plus income), net of the Ongoing Charge Figure and Property Expense Ratio, than the average return of the IA UK Direct Property Sector over any five-year period. At least 70% of the fund

is invested directly in a diversified portfolio of commercial property in the UK. This may be reduced to 60%, if it is considered prudent for liquidity management.

The fund may also invest in other property related assets such as:

- other types of property, including residential property;
- property of any type outside the UK;
- funds (including funds managed by M&G); and
- transferable securities (such as shares and bonds); and money market instruments.

For liquidity management, the fund may invest in cash; near cash; money market instruments; and government bonds, directly, or via funds (including funds managed by M&G). Derivatives may be used for investment purposes, efficient portfolio management and hedging

## Pru M&G Recovery Fund

Objective: The investment strategy of the fund is to purchase units in the M&G Recovery Fund – the underlying fund. Underlying Fund Objective: The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of the FTSE All-Share Index over any five-year period. At least 80% of the fund is invested directly in

equity securities and equity-related securities of companies across any sectors and market capitalisations that are incorporated, domiciled, listed or do most of their business in the United Kingdom. The fund may also invest in other transferable securities directly and via collective investment schemes (including funds managed by M&G). The fund may also hold cash for liquidity purposes. Derivatives may be used for efficient portfolio management and hedging

## Pru M&G UK Income Distribution Fund

Objective: The investment strategy of the fund is to purchase units in the M&G UK Income Distribution Fund – the underlying fund.

Underlying Fund Objective: The Fund aims to provide:

- a higher annual yield than the FTSE All-Share Index;
- an income stream that increases annually; and
- a higher total return (capital growth plus income), net of the Ongoing Charge Figure, than a composite index\* over any five year period.

\* 70% FTSE All-Share Index and 30% FTSE Actuarial UK Conventional Gilts All Stocks Index.

## Pru M&G UK Select Fund

Objective: The investment strategy of the fund is to purchase units in the M&G UK Select Fund – the underlying fund. Underlying Fund Objective: The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of the FTSE All Share Index over any five-year period. At least 80% of the fund is invested directly in equity securities and equity-related securities of companies across any sectors and market capitalisations, that are incorporated, domiciled, listed or do most of their business in the United Kingdom. The fund usually holds a concentrated portfolio of fewer than 50 companies. The fund may also invest in other transferable securities directly and via collective investment schemes (including funds managed by M&G). The fund may also hold cash for liquidity purposes. Derivatives may be used for efficient portfolio management and hedging.

## Pru Managed Fund

Objective: The investment strategy of the fund is to provide medium to long-term growth (the combination of income and growth of capital) by investing mainly in a broad spread of collective investment schemes. The fund will typically have exposure to a range of asset types, including UK and overseas equities, fixed interest and commercial property.

## Pru Managed Income Fund A

Objective: The investment strategy of the fund is to purchase units in the M&G Episode Growth Fund – the underlying fund. Underlying Fund Objective: The fund aims to provide a higher total return (the combination of capital growth and income) net of the Ongoing Charge Figure, than the average return of the IA Mixed Investment 40-85% Shares Sector over any five-year period.

## Pru Managed Income Fund B

Objective: The investment strategy of the fund is to purchase units in the M&G Episode Growth Fund – the underlying fund. Underlying Fund Objective: The fund aims to provide a higher total return (the combination of capital growth and income) net of the Ongoing Charge Figure, than the average return of the IA Mixed Investment 40-85% Shares Sector over any five-year period.

## Pru Managed Income Fund C

Objective: The investment strategy of the fund is to purchase units in the M&G Episode Growth Fund – the underlying fund. Underlying Fund Objective: The fund aims to provide a higher total return (the combination of capital growth and income) net of the Ongoing Charge Figure, than the average return of the IA Mixed Investment 40-85% Shares Sector over any five-year period.

## Pru UK Equity Fund

Objective: The investment strategy of the fund is to purchase shares in UK companies via other M&G funds. It is a “fund of funds” holding units in several more specialised UK equity funds to give access to a variety of methods for generating investment returns in differing market conditions.

## Pru US Equity Fund

Objective: The investment strategy of the fund is to purchase units in the M&G (ACS) BlackRock Optimised US Equity Fund – the underlying fund. Underlying Fund Objective: The Sub-Fund aims to reflect the risk and return characteristics of the S&P 500 Index gross of the Ongoing Charges Figure. The Sub-Investment Manager uses a structured and systematic, bottom-up stock selection process to build a portfolio with similar risk-return characteristics as the Index in order to meet the Sub-Fund's investment objective; in addition the Sub-Investment Manager aims to maximise the Sub-Fund's ESG characteristics by overweighting its investments in securities which score well against the Sub-Investment Manager's ESG research framework, and underweighting the securities which score less well.

# Further information

For any other plan and fund information, please contact

Prudential Customer Services Department  
Lancing  
BN15 8GB

Tel: 0800 000 000

Calls may be monitored and recorded for quality and security purposes.

Opening hours: 8am-6pm Monday to Friday

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