

Investment update

PruFund Growth

March 2024

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

This report is for client use, for further information on PruFund please visit pru.co.uk or speak with your financial adviser.

Contents (Quick Navigation)

Market update from M&G Treasury and Investment Office (T&IO)	3	Underlying Asset Class Performance	13
PruFund Growth February 2024 Investment Summary	4	PruFund Growth Asset Allocation and Peer Comparison	14
Fund Performance (Retirement Account)	8	PruFund Growth Holdings	15
Fund Performance (Prudential ISA)	9	PruFund Growth Holdings continued	16
Fund Performance (Prudential Investment Plan)	10	Underlying building blocks	20
Fund Performance (Trustee Investment Plan)	11	Long Term Investment Strategy	24
Fund Performance (International Portfolio Bond)	12	PruFund Growth case studies	25
		Glossary	26

Contents (Quick Navigation)	Page Number	Information as at
Market update from M&G Treasury and Investment Office (T&IO)	3	22 March 2024
PruFund Growth February 2024 Investment Summary	4	29 February 2024
Fund Performance (Retirement Account)	8	29 February 2024
Fund Performance (Prudential ISA)	9	29 February 2024
Fund Performance (Prudential Investment Plan)	10	29 February 2024
Fund Performance (Trustee Investment Plan)	11	29 February 2024
Fund Performance (International Portfolio Bond)	12	29 February 2024
Underlying Asset Class Performance	13	31 January 2024
PruFund Growth Asset Allocation and Peer Comparison	14	31 January 2024
PruFund Growth Holdings	15	31 January 2024
PruFund Growth Holdings continued	16	29 February 2024
Underlying building blocks	20	29 February 2024
Long Term Investment Strategy	24	31 December 2023
PruFund Growth case studies	25	
Glossary	26	

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

As at 22 March 2024



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Markets have experienced another strong week, driven in part by growing confidence that monetary policy loosening is on the horizon, following a number of central bank announcements this week which struck a dovish tone with investors.

The Federal Reserve kept their policy rates unchanged, with Chair Jerome Powell contesting that recent inflation readings above expectations had not changed the underlying story of price pressures gradually easing in the US. The Fed interestingly noted that, while their cutting cycle has not yet begun, they still expect to make three cuts to borrowing costs this year and upgraded their outlook for economic growth. Similarly, the Bank of England (who also kept interest rates unchanged this week) noted that they were moving towards the point where they can start cutting rates, with Governor Andrew Bailey suggesting two to three cuts through 2024 was a “reasonable” expectation. This announcement came after the UK’s Consumer Price Inflation (CPI) reported at 3.4% for February; a reduction from 4.0% in January and lower than the 3.5% analysts expected. The Suisse National Bank were the first Developed Market central bank to begin rate cuts this week; reducing their policy rate by 0.25% to 1.50%.

In other data, Purchasing Manager Index (PMI)’s (a measure of financial activity) were mixed for Europe, but strong for the US and UK. US initial jobless claims were once again strong, with 210,000 filing for unemployment benefits last week, lower than expected and again showing the continued tightness in the US labour market. Lastly, UK retail sales performed better than expected, providing another boost in a positive week for UK macro-economic data.

Outlook

With growing evidence of softening prices, 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, with the prospect of a soft landing more likely. However, other regions, including the Eurozone, face more challenging conditions which could lead to diverging rate cutting cycles and opportunities in relative value trades.

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 Growth February 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.

Introduction of a new active US Equity mandate within PruFunds

This month we wanted to talk about US Equity allocations, and our shift of some exposure to a RAFI Index which also has stronger ESG credentials relative to the broader index. This is an extension of our work with BlackRock who have already built a range of ESG optimised solutions for most of the major equity positions within PruFunds.

As part of the March 2023 Strategic Asset Allocation Review, and in order to reduce concentration risk, a proposal to shift a portion of the US equity allocation to the Research Affiliates Fundamental Index (RAFI) Weighted Index, away from the market-cap weighted S&P 500, was approved.

We believe this will help maintain a well-diversified exposure to US equities. Its fundamental focus is expected to do well in the current environment with higher inflation and interest rates. The US Equity market has been dominated by a handful of large cap stocks in recent years, due to several structural and cyclical factors, including technological disruption, passive equity ownership and a low global growth environment. The largest 7 constituents of the S&P 500 now constitute around 30% of the market value of the entire index.

The RAFI index is constructed using the following methodology:

Company selection – The top 1,000 companies ranked on sales, cash flow, dividends and book value are selected for inclusion in the index. The approach ensures companies that are large but that also have depressed valuations are not excluded.

Constituent weighting – Companies within the index are set based on companies relative weight on fundamental measures.

The T&IO ESG exclusion policy is also applied and we leverage BlackRock's bespoke ESG scoring methodology and the resource of their systematic equity team to create a solution that will likely broadly replicate the broader benchmark returns whilst also aiming to generate better outcomes from an ESG perspective.

We believe the sector make up of this mandate has a more stable composition versus cap-weighted indexes and is closer to the weights of these sectors in the broader economy.

Monthly Developments

The UK's final Composite Purchasing Managers Index (PMI) reading in February rose minimally to 53.0, after services PMI's fell to 53.8 from 54.3 last month. Despite this revision, UK service providers saw a steady rise in business activity driven by increases to new orders and modest rises in employment levels. Manufacturing PMI's final reading of 47.5 rose from January's 47.3 however remains in contraction for the 19th consecutive month following continued cost pressures in input costs and disruptions in the red sea to new export business.

The US economy grew by 3.3% in Q4, vs 2.0% expected by economists. Higher wages from a tight labour market drove strong consumer spending. The final Composite number for February expanded **to 52.5 from 52.3 last month**, with services PMIs at 52.3 weaker than January's 52.5 reading while manufacturing PMIs revised higher at 52.2 compared to 50.7. US nonfarm payroll employment data this month exceeded expectations again of an 200,000 increase, adding 257,000 jobs. Unemployment rates rose to 3.9% from 3.7% last month the highest in two years.

In Europe, final Composite PMI numbers edged up from 47.9 to 49.2. Final manufacturing PMI's compared with January's 10-month high of 46.6 at 46.5, despite a continued reduction in factory employment levels. Services rose to 50.2 up from 48.4 as both service input costs and selling prices rose.

In China Caixin Manufacturing PMIs rose to 50.9 from 50.8, following the fourth straight month of growth in factory activity, as foreign sales grew for the first time in seven months. Factory activity levels also grew for the third consecutive month. The services PMI decreased to 52.5 in February from 52.7. China's economy is expected to slow from circa 5% in 2023 to 4.6% in 2024 given the continued challenges 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%. Noting that the ECB are making good progress towards their inflation target, with 3 to 4 cuts expected over the course of the year.

Inflation

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

UK inflation fell sharply in February to 3.4%, more than the 3.5% forecast by economists and to its lowest rate since September 2021. Core Consumer Price Index (CPI) which strips out volatile food and energy prices, fell from 5.1% to 4.5% this month. Falling restaurant and hotel, recreation and culture and miscellaneous good prices all

contributed. Market speculation is that the BoE will begin cutting interest rates in June 2024 provided inflation continues to fall. UK unemployment increased by 0.1% to 3.9% and Gross Domestic Product (GDP) grew by 0.2% month on month (m/m) for January, ending the technical recession. However, the weakening labour market and continued softening of inflation should provide a stronger argument for the BoE hiking cycle to end sooner than their US counterparts.

In the US, inflation rose unexpectedly to 3.2%, from 3.1% in February, above an expected 3.1% rise. Core CPI inflation year on year (y/y) eased to 3.8% and to its lowest reading since September 2021. Headline CPI ticked up to +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 2.6%** from 2.8% in February as energy prices declined while services inflation remained steady. France and Germany reported lower inflation rates falling to 3.0% from 3.1% in France and to 2.5% from 2.9% in Germany. Many economists are predicting rate cuts by the ECB in the second quarter of 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 February 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 February. The S&P 500 was up 5.17% and Nasdaq gained 6.2%. All eleven sectors in the S&P 500 notched positive gains led by Consumer Discretionary (7.9%) and Industrial (7.2%) while Utilities made the smallest gains (1.1%).

UK equities were flat in February, despite disappointing GDP releases. During the month, industrials, financials and consumer discretionary sectors led the gains but at an overall level, UK equities lagged global peers such as the US and Europe.

Japanese equities were up in February. The Nikkei 225 reaching 39,000 for the first time, recording an all-time high increasing 7.9% over the month. This has been led by better corporate financial performances, a weak yen – drawing in overseas investors and a flurry of stock buy backs. China's struggling performance has enticed investors looking for Asian exposure. The 2024 outlook for Japanese equities looks positive with potential corporate governance improvements and the shift from deflation to inflation.

Fixed Income

UK government bond prices fell in February, with the UK 10-year gilt yield closing at 4.14% up from 3.84% at the start of the month.

US 10-year treasury yields were up to 4.25% from 3.99% over February, as investors continue to grapple with assessing the fair value of bonds. Strong labour market data and the dovish monetary policy outlook from the Fed provided a boost for bond markets over the month.

Investment grade credit spreads remained subdued. Movements in corporate bond spreads over the month tightened.

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 raises £350 million across senior vehicle and junior real estate loan funds

M&G has secured commitments of £200 million, £100 million, £25 million and £25 million respectively from institutional investors, through which it will issue loans in the UK and Continental Europe.

Forming part of a wider £1 billion fund raise, seeking "attractive risk adjusted" returns from real estate credit investments by combining capital from both funds we hope to provide financing solutions for borrowers. Dan Riches, Director at M&G Real Estate Capital Europe highlighted "we are providing a one-stop shop for borrowers who are often focused on having a single point of execution and the total cost of the loan, now the borrower only sees one blended price".

"Rising interest rates have contributed to a reduction in property valuations, providing investors accessing this asset class now with lower debt bases and subsequently greater downside protection and preservation of capital".

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)

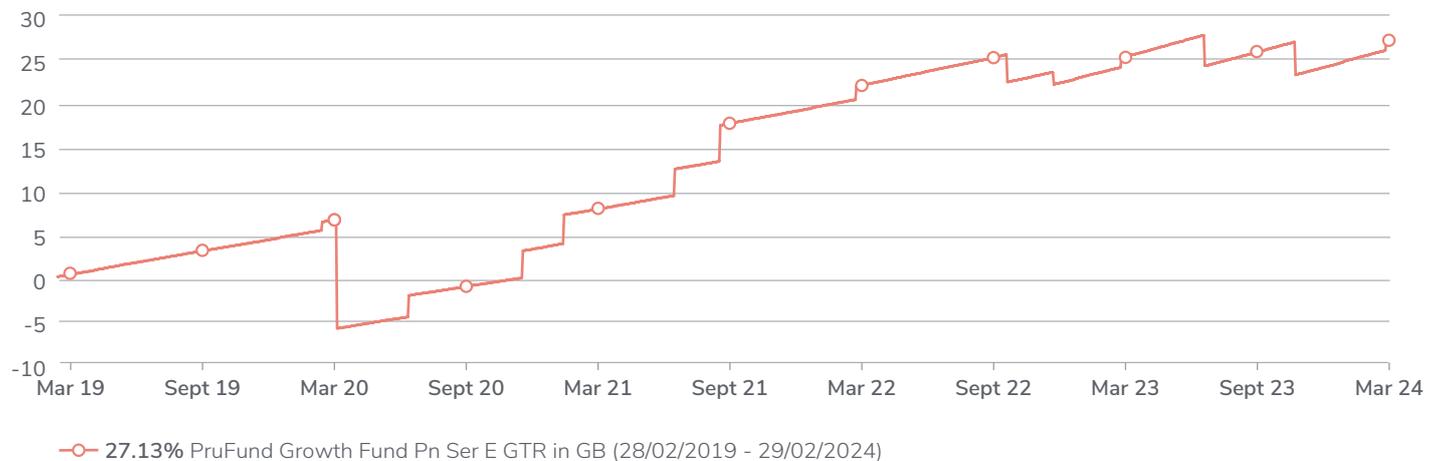
Performance

	28/02/2019 to 29/02/2020	29/02/2020 to 28/02/2021	28/02/2021 to 28/02/2022	28/02/2022 to 28/02/2023	28/02/2023 to 29/02/2024
Fund	6.32%	1.18%	13.25%	2.69%	1.62%

Annualised performance

	1 Year to 29/02/2024	3 Years to 29/02/2024	5 Years to 29/02/2024
Fund	1.62%	5.72%	4.92%

Performance since 28 February 2019 (as at 29 February 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)

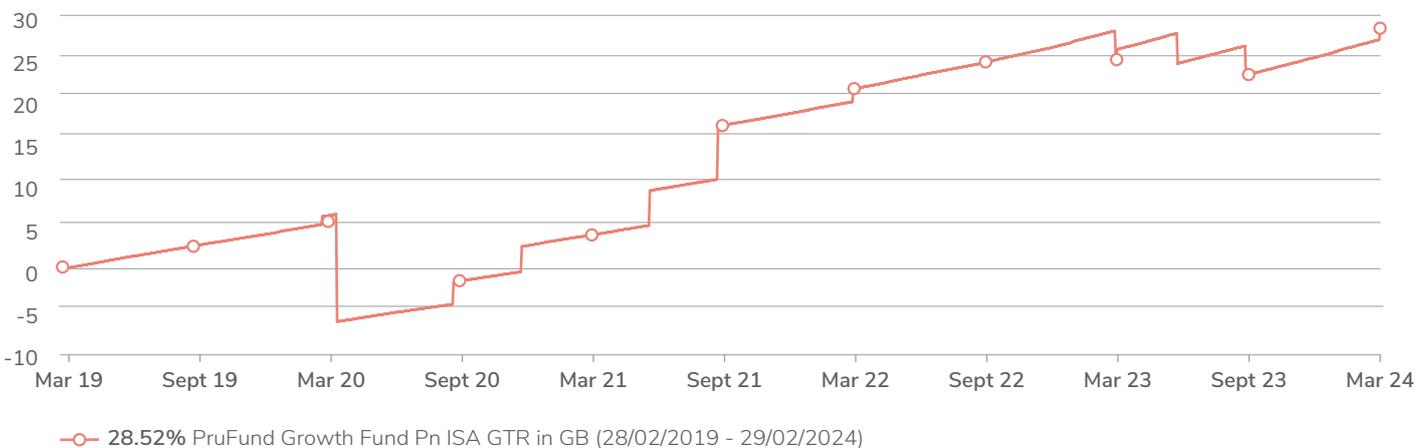
Performance

	28/02/2019 to 29/02/2020	29/02/2020 to 28/02/2021	28/02/2021 to 28/02/2022	28/02/2022 to 28/02/2023	28/02/2023 to 29/02/2024
Fund	6.29%	-2.16%	16.78%	3.84%	1.91%

Annualised performance

	1 Year to 29/02/2024	3 Years to 29/02/2024	5 Years to 29/02/2024
Fund	1.91%	7.31%	5.15%

Performance since 28 February 2019 (as at 29 February 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)

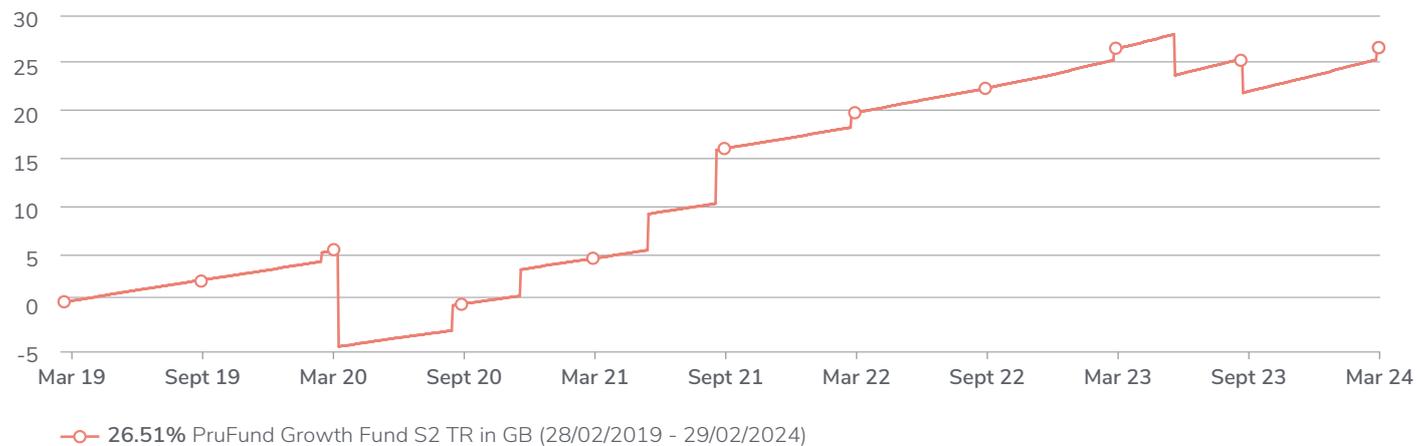
Performance

	28/02/2019 to 29/02/2020	29/02/2020 to 28/02/2021	28/02/2021 to 28/02/2022	28/02/2022 to 28/02/2023	28/02/2023 to 29/02/2024
Fund	5.25%	-0.72%	14.61%	5.56%	0.06%

Annualised performance

	1 Year to 29/02/2024	3 Years to 29/02/2024	5 Years to 29/02/2024
Fund	0.06%	6.58%	4.82%

Performance since 28 February 2019 (as at 29 February 2024)



Source of performance data: FE fundinfo.



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Fund Performance (Trustee Investment Plan)

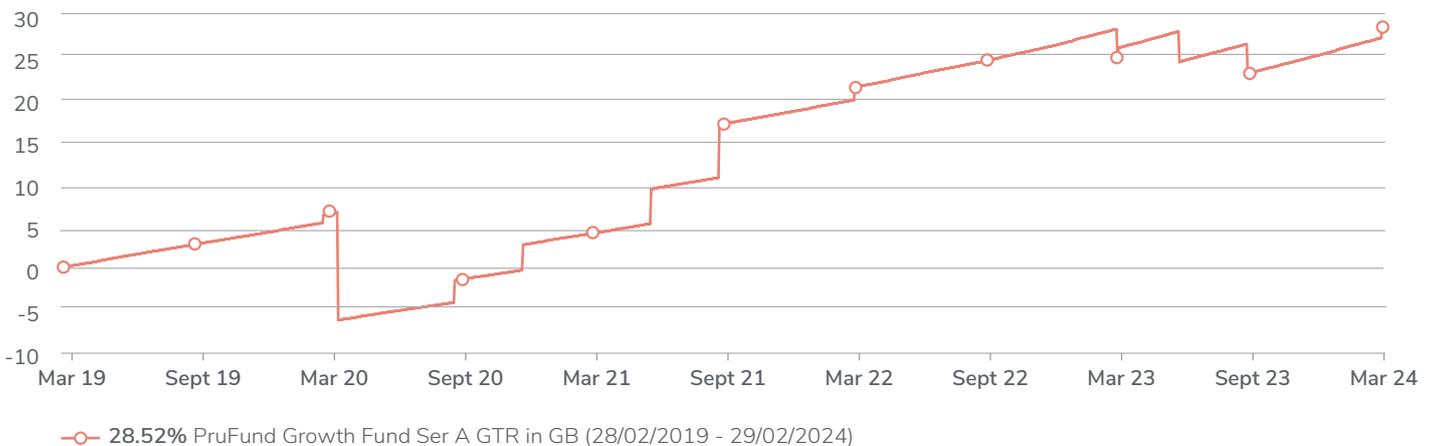
Performance

	28/02/2019 to 29/02/2020	29/02/2020 to 28/02/2021	28/02/2021 to 28/02/2022	28/02/2022 to 28/02/2023	28/02/2023 to 29/02/2024
Fund	6.29%	-2.16%	16.78%	3.84%	1.91%

Annualised performance

	1 Year to 29/02/2024	3 Years to 29/02/2024	5 Years to 29/02/2024
Fund	1.91%	7.31%	5.15%

Performance since 28 February 2019 (as at 29 February 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

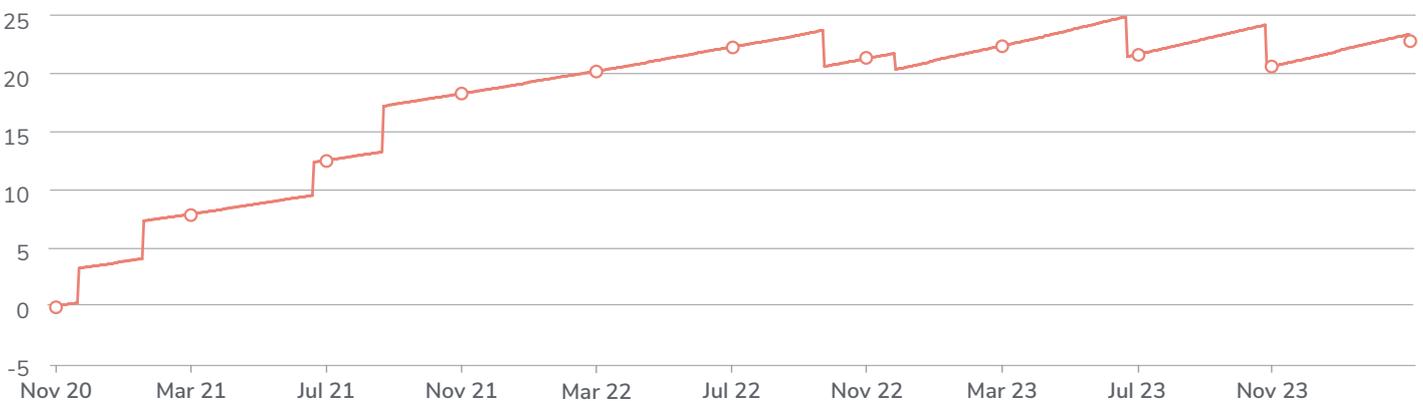
	28/02/2019 to 29/02/2020	29/02/2020 to 28/02/2021	28/02/2021 to 28/02/2022	28/02/2022 to 28/02/2023	28/02/2023 to 29/02/2024
Fund	N/A	N/A	11.50%	1.83%	0.83%

Annualised performance

	1 Year to 29/02/2024	3 Years to 29/02/2024	5 Years to 29/02/2024
Fund	0.83%	4.61%	N/A

Performance not available for the period 28.02.2019 – 28.02.2021 because the PruFund Growth (Sterling) Series C fund did not launch until 02.11.2020

Performance since 02 November 2020 (as at 29 February 2024)



—○— 23.46% PruFund Growth (Sterling) Series C in GB (28/02/2020 – 29/02/2024)

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.](#)

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Underlying Asset Class Performance

The bar graph below is designed to give some insight in to how PruFund Growth 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 January 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.

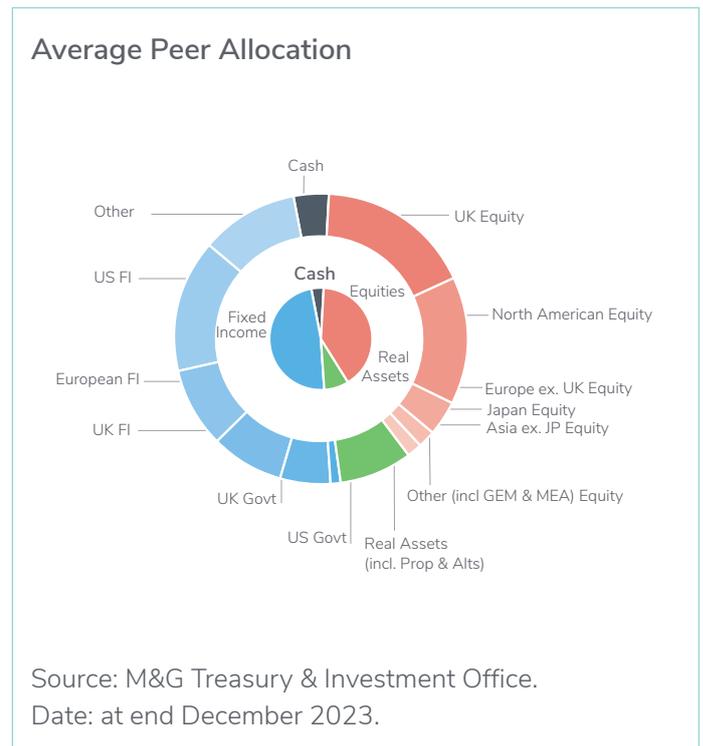
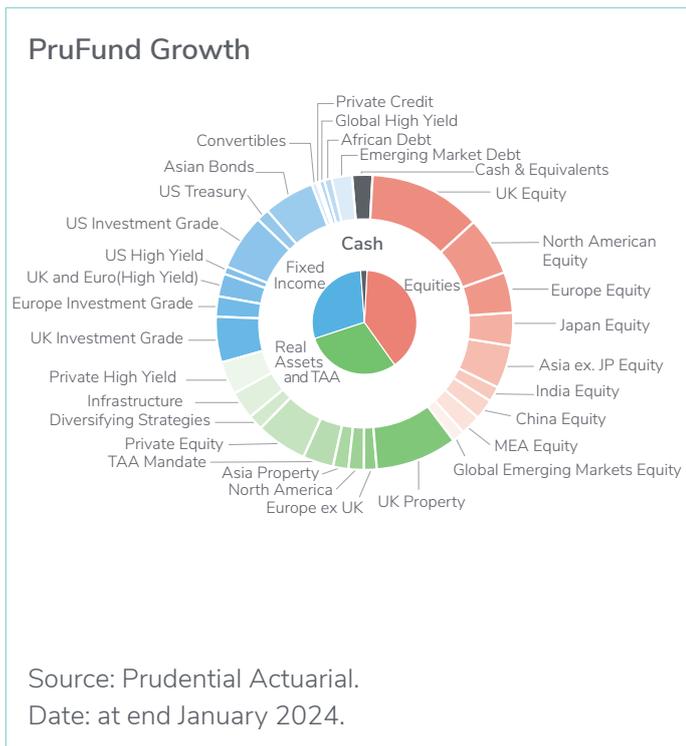
Key points:

- Most major equity and bond markets positive but a mixed year as disappointing data from China has dampened the initial enthusiasm around the re-opening after the pandemic
- Specialist investments and real assets seeing lower valuations feeding through, particularly in UK property

Source of performance data: M&G Performance teams.

PruFund Growth Asset Allocation and Peer Comparison

We have produced the pie charts below to provide an insight into the current asset class exposures for PruFund Growth. 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-20-60 sector. Specific percentage exposures are shown on the following page.



! 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 20-60% shares sector.

PruFund Growth 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 Growth 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	12.30%
North American Equity	6.30%
European Equity	4.60%
Japanese Equity	3.60%
Asia ex. Japan Equity	4.60%
India Equity	1.80%
China Equity	2.20%
Middle East and Africa Equity	2.10%
Global Emerging Markets Equity	1.60%
Total Equity	39.10%
UK Property	8.70%
Europe ex. UK Property	1.50%
North America Property	1.50%
Asia Property	1.90%
Total Property	13.60%
Cash	2.10%
TAA Mandate	3.20%
Private Equity	5.60%

Asset	Strategic Asset Allocation
Diversifying Strategies	1.60%
Infrastructure	3.20%
Private High Yield	3.40%
Total Real Assets and Alternatives	13.80%
UK (Investment Grade)	5.00%
Europe (Investment Grade)	2.40%
UK and Euro (High Yield)	2.60%
US High Yield	0.60%
US (Investment Grade and High Yield)	6.10%
US Treasury	1.50%
Asian Bonds	5.50%
Convertibles	0.60%
Private Credit	0.30%
Global High Yield	0.50%
African Debt	0.90%
Emerging Market Debt	2.20%
Total Fixed Income	28.20%

Source: Prudential Actuarial January 2024.

PruFund Growth 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 29 February 2024.

UK Equity	2.67%
AstraZeneca plc	
HSBC Holdings plc	
Unilever plc	
BP plc	
RELX plc	
BAE Systems plc	
Diageo plc	
Compass Group plc	
National Grid plc	
Rolls Royce Holdings	

North American (inc Canada) Equity	1.63%
Microsoft Corporation	
Nvidia Corporation	
Apple Inc.	
Amazon.com Inc.	
Alphabet Inc.	
AI Smart US	
Meta Platforms Inc.	
JPMorgan Chase & Co	
Mastercard Inc.	
Salesforce Inc.	

European Equity excluding UK	1.67%
M&G European Sustained Paris Aligned Fund	
Shell plc	
Siemens AG	
Novo Nordisk A/S	
Total Energies SE	
SAP SE	
Mondi plc	
UBS Group AG	
Allianz SE	
CaixaBank SA	

Asia & GEM Equity ex. Japan, China & India	2.25%
Taiwan Semiconductor Manufacturing Company Ltd.	
Samsung Electronics Ltd.	
Rio Tinto plc	
AIA Group Ltd.	
BHP Group Ltd.	
DBS Group Holdings Ltd.	
Sun Hung Kai Properties Ltd.	
Hyundai Motor Co	
KB Financial Group Inc.	
Pacific Basin Shipping Ltd.	

Japan Equity	1.10%
Toyota Motor Corporation	
Mitsui & Co Ltd.	
Seven & I Holdings Co Ltd.	
Hitachi Ltd.	
Nippon Telegraph and Telephone Corporation	
Orix Corporation	
Honda Motor Co Ltd.	
Mitsubishi UFJ Financial Group Inc.	
Sony Group Corp	
Toyota Industries Corporation	

Africa Equity	1.11%
Delta Corporation Ltd. (Zimbabwe)	
Anglo American plc	
Naspers Ltd.	
Firststrand Ltd.	
Standard Bank Group Ltd.	
Gold Fields Ltd.	
Capitec Bank Holdings Ltd.	
MTN Group Ltd.	
Bid Corporation Ltd.	
Nedbank Group Ltd.	

China Equity	1.15%
Tencent Holdings Ltd.	
Alibaba Group Holding Ltd.	
JD.COM Inc.	
Yangzijiang Shipbuilding Holdings Ltd.	
China Merchants Bank Co Ltd.	
KE Holdings Inc.	
China Construction Bank Corp	
Weichai Power Co Ltd.	
Boc Hong Kong Holdings Ltd.	
H World Group Ltd.	

India Equity	1.08%
Housing Development Finance Corporation Ltd.	
Reliance Industries Ltd.	
Infosys Ltd.	
Axis Bank Ltd.	
TATA Consultancy Services Ltd.	
ICICI Bank Ltd.	
Larsen and Toubro Ltd.	
Trustroot Internet Private Limited	
Sun Pharmaceutical Industries Ltd.	
Bharat Electronics Ltd.	

Fixed Income

Source: M&G Treasury and Investment Office.

Date: at 29 February 2024.

US Fixed Income	4.56%
United States Treasury	
US High Yield	
Bank of America Corp	
Goldman Sachs Group Inc.	
JPMorgan Chase & Co	
Wells Fargo and Company	
Morgan Stanley	
Verizon Communications Inc.	
Citigroup Inc.	
Comcast Corporation	

European including UK Fixed Income	1.79%
United Kingdom of Great Britain & Northern Ireland	
UK Conventional Gilts	
KFW	
HSBC Holdings plc	
Lloyds Bank plc	
BNP Paribas SA	
Banque Federative Du Credit Mutuel SA	
Electricite De France SA	
Santander UK Group Holdings	
Nationwide Building Society	

Asian Fixed Income	3.55%
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.

Property (Global)
40 Leadenhall Street (Development) – Office
Project King Industrial Portfolio – Industrial
Investment into Residential Fund
The London Fruit & Wool Exchange – Office
Avon Hse 360/366 Oxford St – Retail
Prudential Real Estate Limited Partnership (collective fund exposure)
138-142 Holborn – Office
The Haymarket (Development) – Office
St Edward Homes Partnership – Residential
Heathrow Corporate Park (Warehouse)

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

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)	M&G UK Investment Grade Mandate	Active	Internal
Europe (Investment Grade)	M&G European Investment Grade Mandate		
UK & Euro (High Yield)	M&G Collateral Fixed Income Mandate M&G European/UK High Yield Mandate		
US (IG & HY)	M&G US Total Return Fixed Income Mandate	Active	Internal
US Treasury	M&G US Short Dated Fixed Income Mandate M&G US Treasuries Mandate		
Asian Fixed Income	M&G (Lux) Asian Corporate Bond Fund M&G (Lux) Asian Local Bond Fund Manulife China Bond Fund		
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

PruFund Growth invests into over 200 property assets globally. The majority are directly held assets or joint ventures, although some exposures are via collectives/indirect funds, which themselves invest in 100s of underlying properties.

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	Life Fund Property Portfolio (Mixture of global directly held assets, Core Balanced Collectives and Sector Specialist Collectives).	Active	Internal
Europe Property	Life Fund Property Portfolio (Mixture of global directly held assets, Core Balanced Collectives and Sector Specialist Collectives).	Active	Internal
North America Property	Life Fund Property Portfolio (Mixture of global directly held assets, Core Balanced Collectives and Sector Specialist Collectives).	Active	Internal (and indirectly external)
Asia Property	Life Fund Property Portfolio (Mixture of global directly held assets, Core Balanced Collectives and Sector Specialist Collectives).	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 Sustainable Loan Fund M&G Corporate Credit Opportunities Fund	Active	Internal

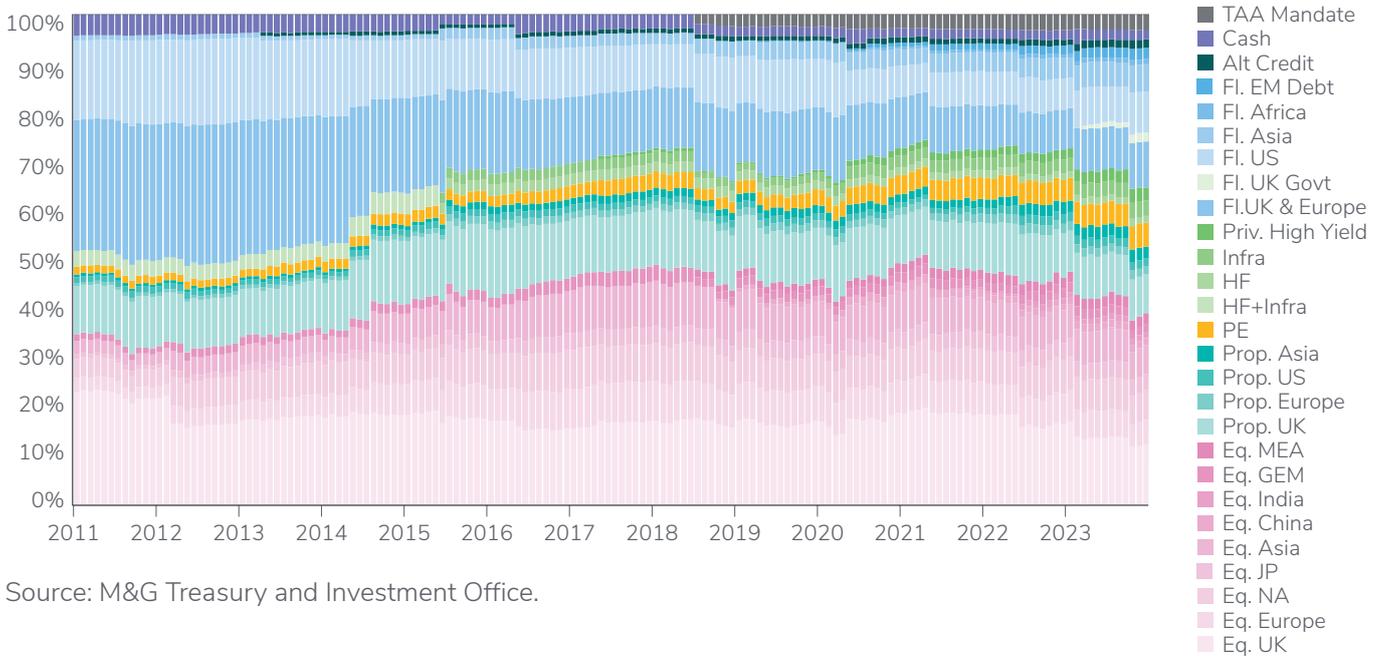
Cash and TAA Mandate building blocks

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 29 February 2024.

Long Term Investment Strategy

Evolution of Strategic Asset Allocation (SAA)



The sand chart shows how strategic asset allocation has evolved over time for the With-Profits Fund.

PruFund Growth sits within this pool of assets and will have subtle asset allocation nuances and though not exactly the same, the chart provides a close representation.

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 Growth case studies

Below is a snapshot of some of the investments held in the PruFund Growth 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 its 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 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 put their money together to enable them to buy a wider range of investments, thereby spreading the risk of volatility.

PruFund Growth – an investment product within our With-Profits Fund which aims to maximise growth 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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