Prudential
Cautious Growth Portfolio (OEIC)

INFORMATION ONLY

OLD BROAD STREET RESEARCH LTD

Key Information	
Fund Manager	Prudential
Launch Date	22 January 2010
Fund Size	£48m

Classification	
Sector	Cautious Managed

Investment Objective & Methodology

The fund aims to deliver a risk and return profile consistent with an investor who is looking for growth but remains cautious by nature. It does so by actively managing an appropriate asset allocation model and fund selection criteria consistent with an investor of this type. The fund may be suitable for investors looking for some growth potential on their investment, through broadly equal exposure to equity-based funds and bond funds. Between 20% and 55% of the Fund will be invested in schemes whose predominant exposure is to equities. Distribution Technology has analysed the Prudential Portfolio funds in order to confirm the appropriate risk classification according to their Dynamic Planner software. The Cautious Growth Portfolio currently falls within Risk Level 5 however this could be subject to change over time. In practice, Prudential's current expectations are that the long-term volatility could fall between 10-17.5%.

The objective of the Prudential Dynamic Portfolio funds is to consistently conform to specific risk profiles utilising the asset allocation capabilities of Prudential's Portfolio Management Group (PMG) and the fund research and portfolio construction skills of Old Broad Street Research (OBSR).

Prudential believes that matching a client's risk profile to an appropriate investment portfolio is a vital part of an intermediary's advice process and the Dynamic Portfolios are risk rated in order that they can be mapped to the adviser's choice of risk questionnaire.

The Dynamic Portfolios are managed by PMG together with advice from OBSR. PMG are responsible for the overall asset allocation while OBSR provide advice on populating and blending the funds which sit within the broad asset classes detailed below.

The PMG are the in-house investment strategists and 'manager of managers' for Prudential in the UK. They are independent of the various underlying asset management businesses within the Prudential Group. They are a team of more than 20 economists, investment strategists, analysts and mathematicians who are specialists in different areas of the investment world. The team has been together for a considerable amount of time and come from a range of investment backgrounds.

The PMG has the flexibility to implement asset allocation positions within given ranges and this could result in some movement of the broad asset mix of each of the portfolios over time. At all times PMG will determine the portfolio asset allocation exposures to be consistent with their stated objectives and risk appetites. Significant changes to the asset mixes are implemented in conjunction with OBSR to ensure that the selection of underlying funds is consistent with the asset allocation of PMG and vice versa.

OBSR provide PMG with advice on fund selection and the blending of funds within the Dynamic Portfolios based on the broad asset classes. OBSR will seek to add value where appropriate by introducing tilts at an investment style and market capitalisation level. Funds will be selected from the PruSelect range of funds however for the asset classes of property and cash, funds managed by Prudential may be utilised. Only actively managed funds will be selected within the Dynamic Portfolios.

Asset Allocation (as at 31 December 2010)

Equity	54.1%
Property	9.0%
Non Government Bonds	30.1%
Cash & Money Market	6.9%

PruSelect Range

The Dynamic Portfolios are predominantly populated from the funds in the PruSelect guided architecture range. The PruSelect range comprises circa 100 funds which have been selected by OBSR in an unconstrained fashion to meet the needs of clients and to satisfy most requirements through all stages of the economic cycle. OBSR is responsible for the maintenance and governance of the PruSelect range to ensure it remains relevant for advisers.

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