

**(Review period 12 months to December 2011)**

**John Monaghan, Analyst at S&P Capital IQ Fund Research, prepared and is responsible for this report; the Grading Committee is responsible for the grading.**

*The following report is based on information taken direct from the group either via interview or as a written document and augmented by information in the public domain. The sources of performance data are provided within the report. All opinions are our own.*



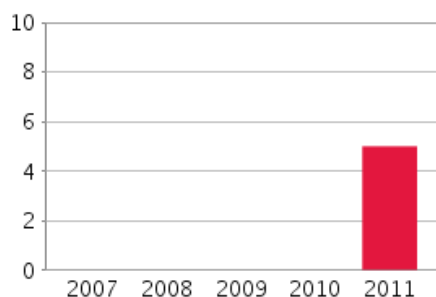
Latest grade issued February 2012

**Performance statistics**

	Launch
Fund share class	9.9%
S&P Capital IQ peer median	8.9%
Fund share class rank	120/317

Note: returns are cumulative

**Calendar-year decile ranks**



Decile ranking in discrete annual periods. First decile shown as rank 10, second decile as rank nine with tenth decile as rank one.

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**Fund Research opinion (February 2012)**

Key to this fund's long-term success is the output of Prudential's portfolio management group (PMG) - the team responsible for setting the asset allocation which this mandate follows. With over 25 investment professionals, the PMG is well-resourced and is split into three sub-teams that focus on financial modelling, risk oversight and portfolio management. Named fund manager Matthew Williams, who like a number of his colleagues within the PMG has over 20 years' investment experience, sits within the latter group and is responsible for portfolio implementation within this fund's well-defined parameters. This product sits in the middle of a range of five funds - equity exposure ranges from 20% to 55%.

Although asset allocation is considered to be the primary source of return, advice on the selection of the underlying holdings within this unfettered fund-of-funds is provided by Old Broad Street Research (OBSR). OBSR's team provides the recommended holdings using research from their fund ratings analysis blending different managers' styles as appropriate. However, we do not have a track record of the team's success in advising on products such as this.

Cumulative performance since launch is 100bps ahead of the peer median. Reducing equity exposure during the summer and then increasing the allocation before year end made a positive contribution to returns during 2011.

The strength and depth of the resources available within the PMG and the ongoing input from OBSR support the fund's S&P Capital IQ Silver grading.

**Fund manager & team**

The PMG is a team of over 25 investment professionals led by John Betteridge. It comprises three elements: portfolio management, financial modelling and risk/oversight. Matthew Williams is part of the portfolio management team of eight that takes some input from the M&G strategy group of five global market strategists and has at least two meetings a month to discuss asset allocation and adjust the models. Assets managed by the PMG are in excess of £125bn, with more than £100bn in multi-asset mandates.

Williams has specific responsibility for implementing asset allocation in onshore retail Prudential multi-asset funds.

Matthew Williams - mathematics (University of York), began his career in 1989 as a bond manager at Morley, before moving to Prudential in 1991. He became a member of the portfolio management group in 2000.

## Management style

This multi-asset fund-of-funds is run for long-term total return. Within the range of five dynamic portfolios, this fund has a moderate risk profile - equity exposure is between 20% and 55%.

Asset allocation is determined in a team-driven fashion by the PMG, with additional input from M&G's hedge fund strategists. Team members agree asset allocation targets for each fund; the named manager is responsible for implementation. Most of the added value from the PMG team comes from active allocation changes, which follow the team's asset class valuation model.

OBSR makes recommendations to the PMG, taking into account the risk profile of the funds and the correlation between portfolios. All recommended funds undergo qualitative research and analysis by the OBSR research team. Fund ideas are discussed with Matthew Williams to obtain the right fund to match the PMG's asset allocation decision. Most of the recommended funds are rated by OBSR. The exceptions are property funds, which are just monitored. M&G funds may be recommended and held in the portfolio in line with any UK-domiciled fund.

Limited use is made of funds-of-hedge-funds and other alternative asset classes.

## Portfolio & performance analysis (January 2012)

Since its January 2010 launch, the fund has delivered a 9.9% cumulative return to end-December 2011, 100bps ahead of the median fund within our asset allocation GBP neutral peer group.

Overall, asset allocation has remained reasonably consistent. The most significant move to date was the exit of gilts and overseas government bonds in March 2010. The team's view remains unchanged: with yields at current levels, the risk/reward profile is unattractive. During 2011 the decision to reduce equities ahead of the market weakness in the summer months proved well-timed, as was the move to add back at attractive levels at the beginning of the fourth quarter.

At review, the equity component accounted for 51.7% of the £110m in assets. Within this, fund selection (which remains the responsibility of OBSR) favoured experienced managers with successful track records across a variety of market conditions. Exposure to the UK and Europe (both 14.2%) was split across three funds in each. Two holdings each were allocated to the US (6.5%) and Asia (6%). Japan (5.8%) and emerging markets (4.9%) held one fund each.

At 24.7%, investment grade corporate bonds are the largest component of the portfolio and comprised five evenly weighted positions. Holdings include Fidelity Moneybuilder, Investec Strategic Bond and in-house offering M&G Strategic Corporate Bond. The M&G High Interest fund (4.1%) - a portfolio of FRNs - is held as an alternative to cash, while property remains at just under 9%. The balance (10%) is in UK high yield plays.



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## Investment style

	Value	Blend	Growth
Large-cap			
Mid-cap			
Small-cap			

## Fund profile

<b>ISIN</b>	GB00B55GVW64
<b>Launch date</b>	January 2010
<b>Fund owner</b>	Prudential
<b>Fund manager/adviser</b>	Prudential
<b>Named portfolio manager/adviser(s)</b>	Matthew Williams (since launch)
<b>Location</b>	London
<b>Sector</b>	asset allocation
<b>Peer group</b>	asset allocation neutral in GBP
<b>Fund benchmark</b>	IMA Mixed Asset 20%-60%
<b>Fund size</b>	£109.9m (January 2012)
<b>No. of holdings</b>	23
<b>% in top 10</b>	-
<b>Turnover ratio (%)</b>	N/A
<b>Contact group</b>	0800 072 6159 or www.pruifa.co.uk

Source: Prudential

## Calendar-year performance

	2007		2008		2009		2010		Year to 30/12/2011	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund share class	-		-		-		-		-3.1	174/322
Median	2.6		-15.4		17.3		11.0		-2.6	

Fund benchmark: IMA Mixed Asset 20%-60%  
Share class screened: GB00B55GVW64 (A Acc)

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## Grading Process

To qualify for an interview and potential grading, a fund must have a minimum two-year performance track record (three years for funds-of-hedge-funds). New funds, funds with less than two years' performance record and specialist funds can be analysed and included providing independent verifiable performance data is supplied.

The starting point for a grading is an initial quantitative screen based on performance data obtained from Lipper Inc or elsewhere. For long-only funds, discrete annual performance comparisons are made, as opposed to cumulative returns over a three-year period. Relative performance of funds within each sector is ranked by decile.

This quantitative screen captures approximately the top 20% of funds in each sector, depending on the size of the sector. For funds-of-hedge-funds the screen is based on the fund's risk/reward objective.

For more information on the fund grading process please visit our website at [www.funds-info.standardandpoors.com](http://www.funds-info.standardandpoors.com).

## Symbols and Definitions

### Grading bands for long-only funds

<b>Platinum</b>	The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
<b>Gold</b>	The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
<b>Silver</b>	The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
<b>Bronze</b>	A previously graded fund where a newly appointed fund manager or team does not yet have the required 12 months' relevant investment management experience.

### Fund-of-hedge-funds / Absolute return / Specialist fund gradings

<b>Platinum</b>	The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
<b>Gold</b>	The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
<b>Silver</b>	The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
<b>Bronze</b>	A previously graded fund where a newly appointed fund manager or team does not yet have the required 12 months' relevant investment management experience.

### Grading bands for Ucits III flexible beta funds and fund-of-hedge-funds

<b>Platinum</b>	The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
<b>Gold</b>	The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
<b>Silver</b>	The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
<b>Bronze</b>	A previously graded fund where a newly appointed fund manager or team does not yet have the required 12 months' relevant investment management experience.

### Applicable to all fund types

<b>Grading On Hold</b>	A grading is placed On Hold when a significant change occurs at the fund manager or fund management team level and S&P Capital IQ has not yet had the opportunity to evaluate the impact on the qualitative appraisal.
<b>Grading Removed</b>	A previously rated fund is classified Grading Removed when a significant change occurs at the fund manager or fund management team level sufficient for the fund to no longer meet the standards to achieve a grading.
<b>LTG recognition</b>	A long-term grading (LTG) denotes a fund that has achieved an S&P Capital IQ fund grading at Platinum, Gold or Silver level in each of the last five consecutive years.

### Bond gradings

<b>V</b>	Bond fund volatility gradings of V1 to V6 reflect S&P Capital IQ's current opinion of a fund's sensitivity to changing market conditions. A volatility grading evaluates a fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For the V1 to V4 categories, risk is considered relative to a portfolio composed of government securities denominated in the base currency of the fund.
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### Absolute return gradings

<b>N</b>	The N grading is S&P Capital IQ's indication of a fund's potential capital stability in normal markets. It is a qualitative grading but is based on annualised weekly downside deviation. N1 is the most stable, and N9 the least stable grading.
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