

(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

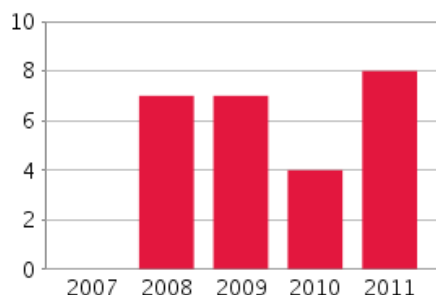
	Three years
Fund share class	24.5%
S&P Capital IQ peer median	22.2%
Fund share class rank	37/107

Note: returns are cumulative

Risk characteristics

	Three years
Worst month (%)	-2.8
Volatility	5.8

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.

Given that asset allocation is considered to be the primary source of alpha, limited deviation is permitted from the target weighting within each asset class. This product has a bias to income and has a maximum equity exposure limit of 35%. Although it is an unfettered fund-of-funds, the majority of the underlying holdings are either Prudential or M&G products where the PMG has oversight responsibilities and therefore conducts deep-level due diligence. External holdings or ETFs may be held where an in-house product is unavailable. Prudential also offers a range of products for investors wishing to gain exposure to the PMG's asset allocation through a range of primarily externally managed funds.

Cumulative returns since launch have been reasonably robust. The fund performed particularly well in 2011, as the decisions to reduce equities in the summer and increase the allocation towards year end both added value.

The fund retains its 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 growth of income and capital with a bias towards income. Equity exposure is limited to 35%, while the combination of equity and property investments may be up to 45%.

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

Most funds selected are Prudential and M&G funds, given the greater transparency and lower costs. However, Matthew Williams does have the flexibility to invest in third-party funds and individual stocks. Internal managers go through an intensive, regular review process lasting a couple of days. In addition, quarterly reviews occur.

External funds or ETFs are held when cheaper, if an external manager is expected to generate a higher return after fees, or if there are no suitable internal funds. Limited use is made of funds-of-hedge-funds and other alternative asset classes.

Portfolio & performance analysis (January 2012)

On a cumulative basis, the fund's returns are reasonably robust. On a three-year view, performance is within the top third of the S&P peer group, over 2 percentage points ahead of the median (24.5% versus 22.2%).

In 2009, returns were strong during the initial market rally from March. Matthews Williams reduced equity exposure and, although this was initially reinvested into corporate debt, the result was a more subdued relative performance. Performance in 2010 was weaker and the fund lagged the competition by around 100bps.

Strong returns were seen in 2011, as the team made two key asset allocation moves that were very well timed. As market volatility increased in February and March, the decision to reduce equity exposure (both UK and overseas) was beneficial, as was the call to increase exposure to the asset class in October. Cash and corporate bonds were reduced to fund the move.

At review, the fund had a 21% exposure to equities - representing a 14% underweight from the fund's maximum permitted allocation. Around 8% was held in sole UK and European holdings (PUTL UK growth and M&G Pan European funds). A small allocation remained to Asia (3% in PUTL Pacific Markets trust) and 1.6% was held in a GEM index tracker. The US and Japan were both zero-weighted.

Within the bond portion, high yield bonds have been gradually increased over the year. The team viewed them favourably in comparison to gilts and overseas government issues - the former have not been held since early 2010, while the latter were exited at the end of 2008.

Property has remained consistently weighted at around 9% over the year, as have alternatives (currently at 3.6%).



Latest grade issued February 2012

Investment style

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

Fund profile

ISIN	GB00B1P9ZN61
Launch date	February 2007
Fund owner	Prudential
Fund manager/adviser	Prudential
Named portfolio manager/adviser(s)	Matthew Williams (since launch)
Location	London
Sector	asset allocation
Peer group	asset allocation defensive in GBP
Fund benchmark	IMA Mixed Investment 20%-60% peer group
Fund size	£187m (January 2012)
No. of holdings	19
% in top 10	-
Turnover ratio (%)	N/A
Contact group	0800 072 6159 or www.pru.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	26/74	14.4	38/107	7.2	103/154	1.5	35/174
Median	2.3		-10.1		11.8		8.3		-0.9	

Fund benchmark: IMA Mixed Investment 20%-60% peer group
Share class screened: GB00B1P9ZN61 (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.

Symbols and Definitions

Grading bands for long-only funds

Platinum	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.
Gold	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.
Silver	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.
Bronze	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

Platinum	The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
Gold	The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
Silver	The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
Bronze	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

Platinum	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.
Gold	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.
Silver	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.
Bronze	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

Grading On Hold	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.
Grading Removed	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.
LTG recognition	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

V	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

N	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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