

# PruFund Planet

Due Diligence

Fund Panel document

1 July 2021

Past performance is not a reliable indicator of future performance. The value of an investment can go down as well as up and your client may get back less than they've paid in.

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The PruFund range of funds are multi-asset arrangements and as such should be regarded as a medium to long term investment.

PruFund Planet funds are part of the Prudential With-Profits fund.

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## Executive Summary

PruFund Planet is a range of five funds, each with their own risk profile, that seek to deliver positive environmental and societal outcomes, with similar\* returns, cost and volatility to our existing PruFund ranges. They are globally diversified across equities, fixed income, property and alternatives and predominantly invest in underlying funds that are not present in our existing PruFund ranges.

We've leveraged experience and heritage across M&G in ESG research and investing, asset allocation, manager selection, portfolio management and smoothing. We use the same team and processes that back the £56bn PruFund range of funds (as at 31 December 2020). The modelling that drives the strategic asset allocation across the portfolios is proprietary and has been developed over nearly 20 years. The scale and experience within M&G Treasury and Investment Office (T&IO), our in-house team of investment experts, allows creation of bespoke funds built around our ESG criteria and asset allocation.

## What is PruFund Planet?

PruFund Planet is a range of five funds, each with their own risk profile, that seek to deliver positive environmental and societal outcomes, with similar returns, cost and volatility to our existing PruFund ranges\*.

### What is the target market?

For clients who want to know their savings are creating positive outcomes for the environment & society, but also want a smoothed investment experience.

### How do we intend to achieve this?

With the flexibility to invest across our broad spectrum of positive outcomes (i.e. responsible, sustainable and impact) and with access to a globally diverse range of private and public markets, across multiple asset classes and regions; PruFund Planet looks to manage ESG risks, pursue ESG opportunities and create high impact solutions that contribute to pressing social or environmental issues. Importantly, M&G Treasury & Investment Office (T&IO) believe no financial trade-off is required in order to achieve these goals.

PruFund Planet uses and benefits from the same core foundational processes and skills that support our existing PruFund funds namely;

- An established smoothing process, Expected Growth Rates (EGRs) and Unit Price Adjustments (UPAs)\*
- Strategic asset allocation (SAA) determined by the T&IO Long Term Investment Strategy Team
- Mandate design, manager selection and oversight performed by the T&IO Investment Manager Oversight Team
- Portfolio management conducted by the T&IO Multi Asset Portfolio Management Team (MAPM).

\*Please note: Whilst similarities exist, there is no guarantee that Expected Growth Rates (EGRs) will be the same as our existing PruFund funds nor will the frequency, depth or timing of any Unit Price Adjustments (UPAs) be the same either. PruFund Planet is aiming to generate differentiated investment outcomes to the existing PruFunds. Whilst it features a very similar asset allocation at the broad asset class level, it will predominantly invest in underlying funds that are not present in our existing PruFund ranges.

## PruFund Planet and our spectrum of positive outcomes

Investing has historically emphasised two ends of an investment spectrum – traditional investing to maximise profits; and philanthropy to achieve social and environmental good. PruFund Planet looks to take advantage of the investment opportunities that exist across the spectrum, to invest client money whilst aiming to create positive outcomes and competitive financial returns.

Alongside its financial objectives, our existing PruFund range is focused on responsible investing such as avoidance of harms via exclusions and mitigating ESG risks.

PruFund Planet’s differentiator is that it goes further by not only integrating responsible investing, but also investing in ESG opportunities and seeking to address societal and environmental challenges, often for under-served or disadvantaged groups, whilst aiming to generate competitive returns. These terms are defined in the following diagram.

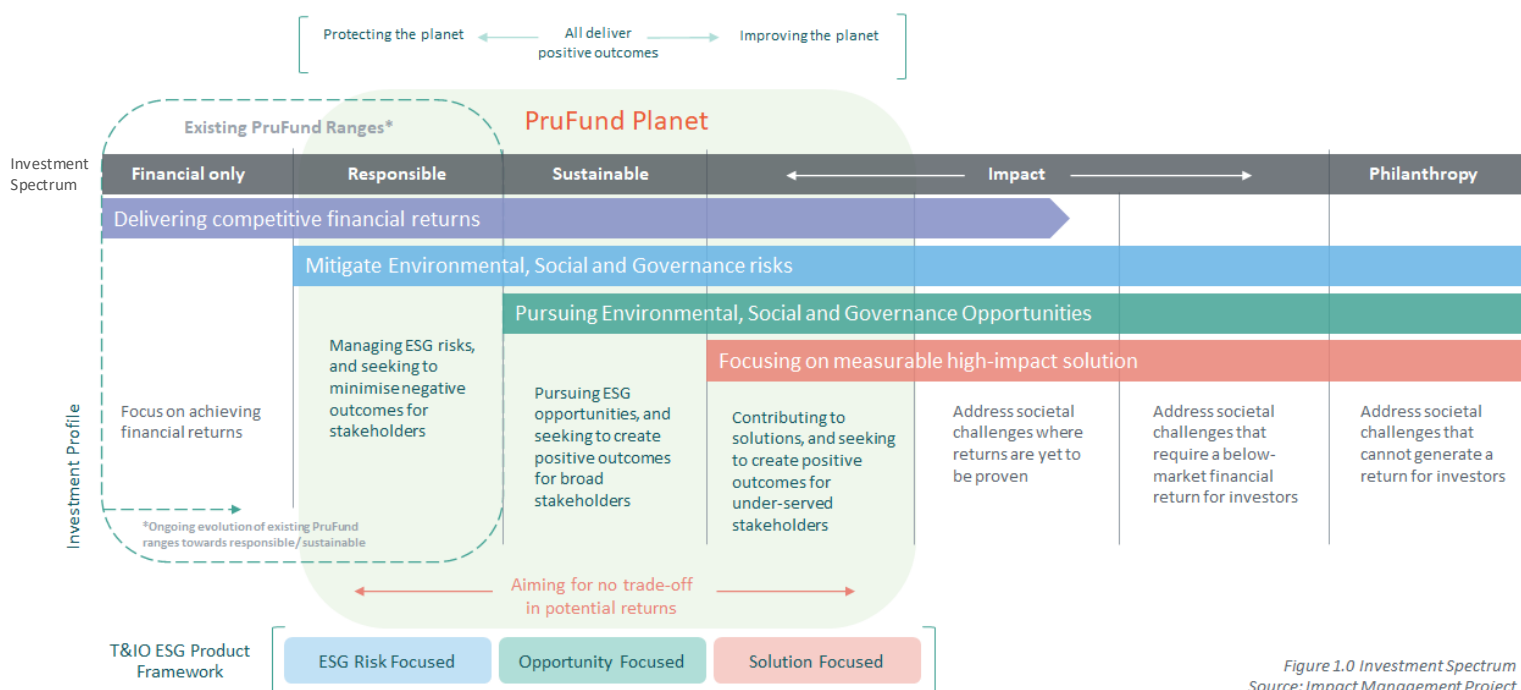


Figure 1.0 Investment Spectrum  
Source: Impact Management Project

## The T&IO ESG Product Framework

The T&IO ESG Product Framework has been developed to classify the underlying funds and is used as part of the investment manager selection and ongoing due diligence. Primarily informed by the Impact Management Project’s (IMP)\* framework as the basis of the fund categorisation methodology; investments are assessed based on the intention of each strategy relating to three types of outcome.

The three outcome categories below are not a hierarchy of ‘doing good’; each contribute to a more sustainable world. They represent the increase in intent to create positive outcomes and the scope to do so for under-served or disadvantaged groups or stakeholders. The three categories are; ESG Risk-Focused, Opportunity Focused and Solution Focused, illustrated by the diagram below.

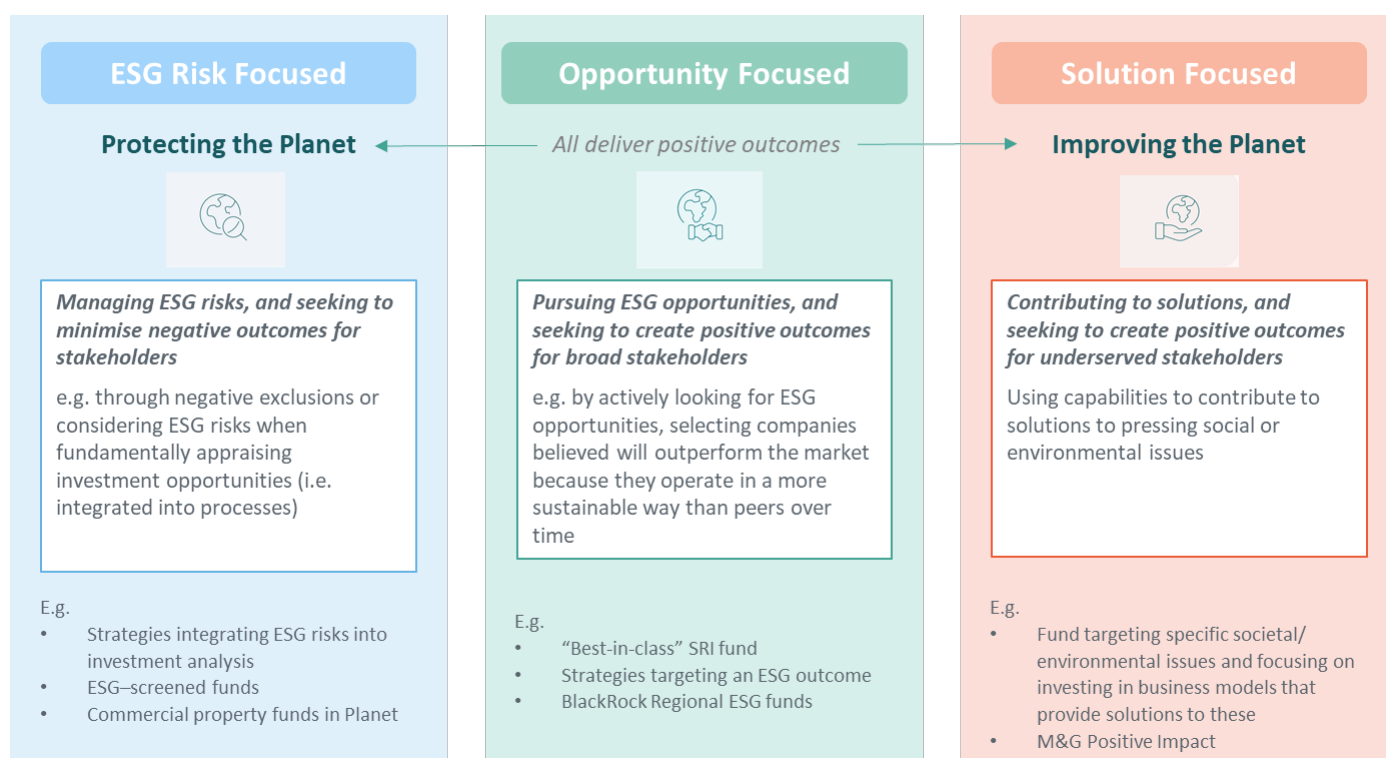


Figure 1.1: T&IO ESG Product Framework

\*IMP is established as a pillar of best practice for impact management and is used across both the market and by other teams in M&G plc.

## Oversight approach

The top-down oversight approach involves the T&IO Investment Manager Oversight Team assessing each underlying fund within the PruFund Planet range, against our ESG framework. The process for determining how underlying funds align to the three categorisations is shown in the decision tree below.

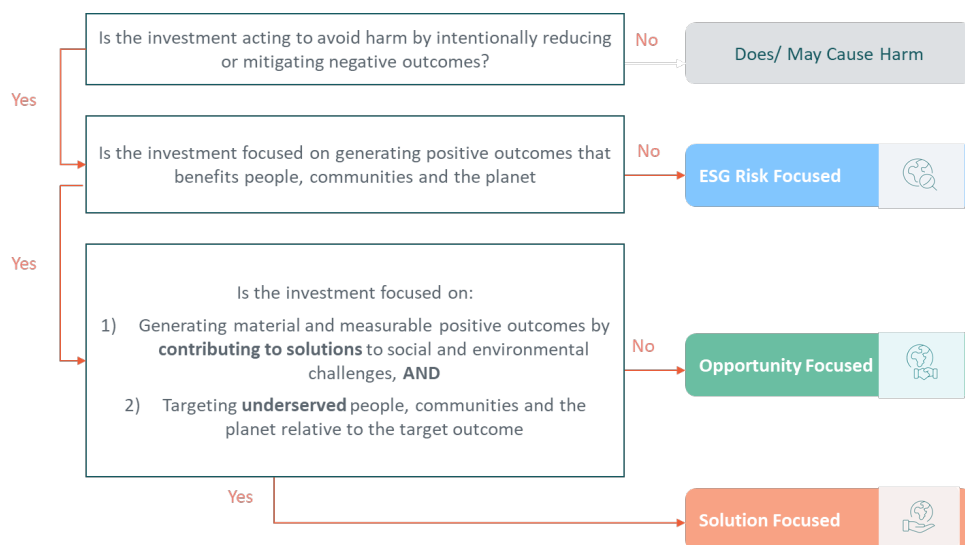


Figure 1.2 Determining the categorisation of an investment - Source: Impact Management Project

We believe it’s important to combine our top-down approach with a bottom-up view. The T&IO Investment Manager Oversight team do this by assessing a sample of each portfolio manager’s holdings on an annual basis as part of ongoing investment due diligence, or more frequently if required.

This ensures that each portfolio manager is held accountable to the intentionality and scope of the outcomes that their investment approach suggests.

T&IO use the framework below to assess holdings against each of the impact dimensions as referred to by the Impact Management Project (see figure 1.0). Sampling will be part of investment due diligence and will be based on the below framework of how to assess each stock.

The IMP reached global consensus that impact can be measured across five dimensions: What, Who, How Much, Contribution and Risk

Impact dimension	Impact questions each dimension seeks to answer
<input type="checkbox"/> What	<ul style="list-style-type: none"> <li>•What outcome is occurring in the period?</li> <li>•Is the outcome positive or negative?</li> <li>•How important is the outcome to the people (or planet) experiencing them?</li> </ul>
<input type="radio"/> Who	<ul style="list-style-type: none"> <li>•Who experiences the outcome?</li> <li>•How underserved are the affected stakeholders in relation to the outcome?</li> </ul>
<input type="checkbox"/> How Much	<ul style="list-style-type: none"> <li>•How much of the outcome is occurring - across scale, depth and duration?</li> </ul>
<input type="checkbox"/> Contribution	<ul style="list-style-type: none"> <li>•Would this change likely have happened anyway?</li> </ul>
<input type="checkbox"/> Risk	<ul style="list-style-type: none"> <li>•What is the risk to people and planet that impact does not occur as expected?</li> </ul>

Figure 1.3 Bottom up assessment – ongoing due diligence  
Source: Impact Management Project



## Fund Names

There are five portfolios, each with its own risk profile. They are all part of the Prudential With-Profits fund.

The five fund names are:

- PruFund Planet 1
- PruFund Planet 2
- PruFund Planet 3
- PruFund Planet 4
- PruFund Planet 5

## Asset Allocation

Consistent with the existing PruFund ranges, SAA continues to be performed by the T&IO Long Term Investment Strategy Team (LTIS).

Each of the five PruFund Planet funds has a distinctive asset allocation, Level 1 SAA and Level 2 SAA is shown below and provides an ‘asset type colour key’ for the tables that follow in this document.

*The following tables give an indication of the spread of investments for PruFund Planet as at 26/07/21, the launch date of the funds. Asset allocations 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.*

Level 1 SAA - Asset type	PruFund Planet 1	PruFund Planet 2	PruFund Planet 3	PruFund Planet 4	PruFund Planet 5
Equity	16.6%	28.1%	39.8%	52.7%	67.0%
Property	7.0%	9.2%	11.2%	12.0%	12.9%
Alternatives	4.0%	5.1%	6.1%	7.1%	8.1%
TAA	1.5%	1.8%	2.0%	2.3%	2.5%
Fixed Income	66.7%	52.7%	38.5%	24.3%	8.5%
Cash	4.3%	3.3%	2.5%	1.8%	1.0%
	100.0%	100.0%	100.0%	100.0%	100.0%

Level 2 SAA		PruFund Planet 1	PruFund Planet 2	PruFund Planet 3	PruFund Planet 4	PruFund Planet 5
Equity	<b>Total equity</b>	<b>16.60%</b>	<b>28.05%</b>	<b>39.75%</b>	<b>52.70%</b>	<b>67.00%</b>
	UK	6.38%	10.77%	15.27%	20.24%	25.73%
	North America	3.33%	5.63%	7.98%	10.58%	13.45%
	Europe ex UK	1.76%	2.97%	4.20%	5.57%	7.09%
	Japan	1.07%	1.80%	2.55%	3.38%	4.30%
	Asia ex Japan	3.00%	5.08%	7.19%	9.54%	12.12%
	GEM	1.07%	1.80%	2.56%	3.39%	4.31%
Property	<b>Total Property</b>	<b>7.00%</b>	<b>9.20%</b>	<b>11.20%</b>	<b>11.95%</b>	<b>12.90%</b>
	Property UK	5.04%	6.62%	8.06%	8.60%	9.29%
	Property Europe	0.98%	1.29%	1.57%	1.67%	1.81%
	Property Asia	0.98%	1.29%	1.57%	1.67%	1.81%
Fixed Income	<b>Total Fixed Income</b>	<b>66.65%</b>	<b>52.70%</b>	<b>38.50%</b>	<b>24.30%</b>	<b>8.50%</b>
	Global High Yield	5.00%	4.61%	3.85%	2.73%	1.06%
	Emerging Market Debt	3.50%	3.23%	2.70%	1.91%	0.74%
	Sustainable Loans	1.50%	1.38%	1.16%	0.82%	0.32%
	Core Public Credit	46.66%	34.26%	23.10%	13.37%	4.25%
	Core Private Credit	10.00%	9.22%	7.70%	5.47%	2.13%
Alternatives	Private Equity, Real Assets	4.00%	5.05%	6.05%	7.05%	8.10%
TAA	Sustainable TAA	1.50%	1.75%	2.00%	2.25%	2.50%
Cash	Cash	4.25%	3.25%	2.50%	1.75%	1.00%

## Underlying fund alignment

Aligning each of the underlying funds into one of the three categorisations results in the following percentage allocations to each of the PruFund Planet funds:-

Fund name	T&IO ESG Product Framework		
	<i>ESG Risk Focused</i>	<i>Opportunity Focused</i>	<i>Solution Focused</i>
PruFundPlanet 1	9%	27%	64%
PruFundPlanet 2	10%	33%	58%
PruFundPlanet 3	10%	38%	52%
PruFundPlanet 4	10%	42%	47%
PruFundPlanet 5	10%	47%	43%

The following table shows which of the three categories each individual fund aligns to:-

Asset type	Underlying funds	<i>ESG Risk Focused</i>	<i>Opportunity Focused</i>	<i>Solution Focused</i>
Equity	BlackRock ESG Regional Total Allocation			
	UK		Y	
	North American		Y	
	Europe ex UK		Y	
	Japan		Y	
	Asia ex Japan		Y	
	GEM		Y	
	M&G Positive Impact			Y
	Targeted Thematic Equities Total Allocation			
	M&G Better Health			Y
	Wellington Climate Strategies			Y
	Pictet Global Environmental Opportunities			Y
	RobecoSAM Sustainable Water			Y
	RobecoSAM Gender Equality Impact			Y
Property	M&G Prudential Real Estate Limited Partnership	Y		
	M&G European Property	Y		
	M&G Asian Property	Y		
	M&G Residential		Y	
	M&G Shared Ownership			Y
Alternatives	Private Equity, Real Assets			Y
TAA	Sustainable TAA		Y	
Fixed Income	M&G ESG Global High Yield		Y	
	M&G ESG Emerging Market Credit		Y	
	M&G Sustainable Loans		Y	
	Core Public Credit Total Allocation			
	Wellington Impact Bond			Y
	Eastspring Sustainable Asia Bonds		Y	
	Private Credit Total Allocation			
	Catalyst			Y
	M&G Impact Financing			Y
Cash	Cash	Y		

## Underlying fund selection

The diverse range of underlying funds used within PruFund Planet all have their distinct strengths and role to play. Some strategies have been created specifically for PruFund Planet, to enable T&IO to maintain and adjust the SAA appropriately and also to meet the ESG criteria. A selection of the underlying funds are: -

### BlackRock Regional ESG Optimised Equity

M&G Treasury and Investment Office (T&IO) have worked with BlackRock to create six regional building blocks which will allow them to run their regional SAA process aiming for an ESG uplift whilst seeking to reflect the risk and return characteristics of the benchmark without sacrificing financial returns. The strategy will:

- take the T&IO's parent index i.e. the index typically utilised as part of the SAA process
- apply the T&IO ESG exclusion policy
- leverage BlackRock's bespoke ESG scoring methodology.

The strategy uses BlackRock's systematic equity dedicated portfolio management team to build an optimised portfolio that provides better ESG scores while targeting only a c.1% tracking error to the parent index.

The funds therefore generate financial returns that are broadly in line with the parent index but with significant ESG enhancement. They access best-in-class systematic equity management from BlackRock and are bespoke to M&G in that they are built to our ESG policy exclusions and can be updated should there be any changes.

### Core Positive Impact

The **M&G Positive Impact strategy** is a concentrated portfolio of global stocks, making long-term investments in companies that aim to generate a positive societal and/or environmental impact alongside a financial return, using a disciplined stock selection process. Both sustainability and impact considerations are fundamental in determining the investment universe and assessing business models, while engagement with companies is a key element of the investment strategy.

M&G's proprietary impact investing framework, characterised by the 'triple I' approach to identifying impactful investments (Impact, Intention, Investment), helps this strategy stand out as focusing on genuine impact.

### Targeted Thematic Impact

A number of high quality managers have been partnered with for their distinct expertise in delivering thematic strategies that target secular trends and add to the overall intentionality of PruFund Planet.

- **RobecoSAM Sustainable Water Fund** is grounded on the conviction that companies tilted towards structural growth trends with sustainable business practices are more successful in the long run; specifically, the strategy invests globally in companies offering products and services that address the challenges related to the quantity, quality and allocation of water.
- **RobecoSAM Gender Equality Impact Fund** is a fundamental, bottom-up and concentrated equity strategy, focused on investing in companies that are leaders in promoting gender diversity and an equitable workplace. In managing the strategy, Robeco looks beyond simply the number of women at board level to assess workplace equality, considering aspects such as equal pay practices, female representation at all levels of the

organisation and employee well-being programmes.

- **Wellington Climate Strategies Fund** is a concentrated portfolio of global stocks, making long-term investments in companies that are directly addressing environmental sustainability. The Fund aims to invest in companies with at least 50% of revenues either tied to climate mitigation or adaptation and its fundamental, bottom up investment process focuses on a company's ability to deliver a 'double bottom line' by evaluating its environmental stewardship (sustainability return) and its capital stewardship (investment return).
- **Pictet Global Environmental Opportunities Fund** focuses on identifying innovative and disruptive environmental business models, with the belief that over the long-term, companies with the strongest environmental credentials that also provide solutions to help reverse ecological damage and increase resource efficiency will be most successful.
- **M&G Better Health Fund** is a concentrated portfolio of global stocks, making long-term investments in companies that deliver solutions that save lives or positively impact the health and well-being of society alongside a financial return, using a disciplined stock selection process. The strategy has a holistic interpretation of 'better health', seeking to invest in solutions across a number of industries and sectors and not just restricted to healthcare.

## M&G Property

The core property exposures invest in direct property to form an actively managed portfolio of well-diversified real estate assets with attractive income yields, across the UK, Europe and mature Asia Pacific markets respectively. These are M&G European Property (MEP), M&G Asian Property (MAP) and M&G Prudential Real Estate Limited Partnership (PRELP). These are complemented by M&G's Residential and Shared Ownership funds, which help people such as those on lower incomes and vital key workers gain access to the housing market, thereby directly helping fulfil a social need.

## M&G Alternatives

The Alternatives allocation within the portfolio aims to channel capital into sustainable businesses that actively contribute to solutions for global challenges facing the planet and population, whilst achieving attractive financial returns. These are bespoke mandates that are being launched specifically for PruFund Planet, incorporating private equity and real assets, managed by M&G's market-leading private assets franchise. During the initial months, whilst we look to deploy in illiquid alternatives we will ensure that we remain in line with our SAA by investing in suitable liquid opportunities that are already held within PruFund. These are;

- M&G Prudential Real Estate Limited Partnership (PRELP), a diversified portfolio of commercial property which provides real assets characteristics such as dampening portfolio volatility and holds a Green Star from the Global Real Estate Sustainability Benchmark (GRESB)
- EcoFin US Renewables Infrastructure Trust PLC, a listed investment trust focused on renewable energy and sustainable infrastructure assets, focusing on sectors such as solar, wind, battery storage, biomass, hydroelectric and microgrids, plus water and waste-water and other related renewable assets sectors.

## Sustainable Tactical Asset Allocation (TAA)

Managed by the M&G Multi Asset Investment Business team (MIB), the discretionary macro strategy aims to achieve cash-plus returns through tactical asset allocation with an additional focus on ESG and sustainability. This will be implemented via a basket of ESG friendly stocks which will mirror the broader market indices, effectively "tilting"

the strategic asset allocation towards either fixed income or equity (or cash) depending on a shorter-term view of global markets.

## M&G Fixed Income Funds

Supported by M&G's long-running expertise in fixed income, the M&G ESG High Yield Fund, M&G ESG Emerging Markets Fund and M&G Sustainable Loans Fund go beyond exclusions-based investing; negative screens are applied to remove companies involved in ethically questionable industries and positive screens are applied to ensure the selection of high ranking ESG securities.

In private markets, the core allocation is to M&G's Catalyst proposition, which seeks to create a positive impact for people, communities and the planet, alongside achieving attractive financial returns. Catalyst has a particular focus on investing in businesses or platforms that help communities which are underserved by traditional sources of capital.

This is complemented by the M&G Impact Financing Fund (IFF) which invests in private or illiquid fixed income assets that offer positive environmental or social returns as well as financial returns to investors. IFF will provide investors with the opportunity to invest in projects and companies that make a positive contribution to creating sustainable, resilient and inclusive economies and societies.

## Wellington Impact Bond

Driven by fundamental research, this strategy seeks to outperform global fixed income markets by investing in the debt of companies, governments and organisations whose core businesses aim to address some of the world's major social and environmental challenges. The team believes that there is no systematic screening process that can reliably capture impact issuers, and therefore rely on their bottom-up process to identify opportunities meeting their high standards of materiality, additionality and measurability.

A bespoke version of this existing strategy has been built specifically for PruFund Planet, taking into account the required SAA and our ESG exclusions.

## Asian Fixed Income

The Eastspring Asia Sustainable Bond Fund is supported by bottom-up credit selection, the strategy seeks to invest in a range of Asian governments, corporates and supnationals that are well positioned to take advantage of ESG opportunities, whilst minimising ESG risks.

In particular, the team evaluates the issuer's preparedness to deal with the ESG risks they face; this includes a range of key topics such as shifts to renewable energy, diversity policies and anti-corruption and bribery policies.

## Cash

The M&G ESG Aware Money Market Cash mandate seeks to preserve capital, provide access to liquidity and yield in line with money market rates, while also delivering on environmental and societal benefits. All instruments must meet the criteria of a list of exclusions in line with the M&G Investments and T&IO ESG frameworks, as well as aiming to outperform other comparable assets in ESG terms based on the ESG credentials of the issuer or the guarantor.

## Exclusions

PruFund Planet applies ESG restrictions based on the individual policies of the fund managers employed for each strategy, which are aligned in principle with T&IO's ESG Policy. Where T&IO have investment control over the vehicle (i.e. it's not a commingled fund containing other investors), PruFund Planet will also apply the T&IO ESG Policy exclusions for further alignment. For more details about T&IO's ESG policy see the Appendix 3. The following table indicates which elements of these policies apply to each underlying fund.

Asset type	Underlying funds	T&IO ESG policy	M&G Investments ESG policy	External Fund Manager ESG Policy
Equity	<b>BlackRock ESG Regional Total Allocation</b>			
	UK	Y	Y	
	North American	Y	Y	
	Europe ex UK	Y	Y	
	Japan	Y	Y	
	Asia ex Japan	Y	Y	
	GEM	Y	Y	
	M&G Positive Impact		Y	
	<b>Targeted Thematic Equities Total Allocation</b>			
	M&G Better Health		Y	
	Wellington Climate Strategies			Y
	Pictet Global Environmental Opportunities			Y
	RobecoSAM Sustainable Water			Y
	RobecoSAM Gender Equality Impact			Y
Property	M&G Prudential Real Estate Limited Partnership		Y (RE bespoke)	
	M&G European Property		Y (RE bespoke)	
	M&G Asian Property		Y (RE bespoke)	
	M&G Residential		Y (RE bespoke)	
	M&G Shared Ownership		Y (RE bespoke)	
Alternatives	Private Equity, Real Assets	Y	Y	
TAA	Sustainable TAA		Y	
Fixed Income	M&G ESG Global High Yield		Y	
	M&G ESG Emerging Market Credit		Y	
	M&G Sustainable Loans		Y	
	Core Public Credit Total Allocation			
	Wellington Global Impact Bond	Y	Y	
	Eastspring Sustainable Asia Bonds			Y
	Private Credit Total Allocation			
	Catalyst	Y	Y	
	M&G Impact Financing		Y	
Cash	Cash	Y	Y	

The sectors covered by these policies can be detailed as follows. It is important to remember that whilst some funds may not have explicit restrictions, by virtue of their investment strategy they are still unlikely to invest in these sectors.

		Exclusion Sectors					
Asset type	Underlying Funds	Coal	UNGC Violators	Controversial Weapons	Tobacco	Adult Entertainment	Gambling
Equity	<b>BlackRock ESG Regional Total Allocation</b>						
	UK	Y	Y	Y	Y	Y	Y
	North American	Y	Y	Y	Y	Y	Y
	Europe ex UK	Y	Y	Y	Y	Y	Y
	Japan	Y	Y	Y	Y	Y	Y
	Asia ex Japan	Y	Y	Y	Y	Y	Y
	Global Emerging Markets	Y	Y	Y	Y	Y	Y
	<b>M&amp;G Positive Impact</b>	Y	Y	Y	Y	Y	Y
	<b>Targeted Thematic Equities Total Allocation</b>						
	M&G Better Health	Y	Y	Y	Y	Y	Y
	Wellington Climate Strategies						
	Pictet Global Environmental Opportunities			Y			
	RobecoSAM Sustainable Water	Y	Y	Y	Y	Y	Y
RobecoSAM Gender Equality Impact	Y	Y	Y	Y	Y	Y	
Property	M&G Prudential Real Estate Limited Partnership			Y			
	M&G European Property			Y			
	M&G Asian Property			Y			
	M&G Residential			Y			
	M&G Shared Ownership			Y			
Alternatives	Private Equity, Real Assets	Y	Y	Y	Y	Y	Y
TAA	Sustainable TAA	Y	Y	Y	Y	Y	Y
Fixed Income	M&G ESG Global High Yield	Y	Y	Y	Y	Y	Y
	M&G ESG Emerging Market Credit	Y	Y	Y	Y	Y	Y
	M&G Sustainable Loans	Y	Y	Y	Y	Y	Y
	Core Public Credit Total Allocation						
	Wellington Global Impact Bond	Y	Y	Y	Y	Y	Y
	Eastspring Sustainable Asia Bonds	Y	Y	Y	Y		
	Private Credit Total Allocation						
	Catalyst	Y	Y	Y	Y	Y	Y
M&G Impact Financing	Y	Y	Y	Y	Y	Y	
Cash	Cash	Y	Y	Y	Y	Y	Y



## How do Risk Managed PruFunds and PruFund Planet funds differ?

Please note that although EGRs and UPAs can be the same, over time they can differ between PruFunds and PruFund Planet funds.

	Risk Managed PruFunds 1-5					PruFund Planet funds 1-5				
<b>EGRs For Retirement Account Series E (correct as at 26/07/21)</b>	1	2	3	4	5	1	2	3	4	5
	4.30%	4.80%	5.30%	5.70%	6.00%	4.30%	4.80%	5.30%	5.70%	6.00%
<b>Smoothing process</b>	Uses our established smoothing process					Uses our established smoothing process				
<b>Strategic Asset Allocation Management</b>	Long Term Investment Strategy Team					Long Term Investment Strategy Team				
<b>Tactical Asset Allocation Management</b>	M&G Multi-Asset Investment Business – TAA Mandate					M&G Multi-Asset Investment Business – invests directly in M&G Sustainable Multi Asset Fund. Follows a similar strategy as existing PruFunds TAA mandate, with an additional focus on ESG and sustainability.				
<b>Manager Oversight</b>	Investment Manager Oversight Team (IMOT)					Investment Manager Oversight Team (IMOT)				
<b>Portfolio Management</b>	Multi-Asset Portfolio Management Team					Multi-Asset Portfolio Management Team				
<b>Implementation</b>	Collectives/fund-based investments and direct investments, segregated mandates					Collectives/fund-based investments				
<b>Exclusions</b>	<p>Risk Managed PruFunds apply the M&amp;G T&amp;IO ESG Policy where possible, alongside the internal or external underlying manager’s own ESG policy.</p> <p>M&amp;G plc’s company-wide exclusions on controversial weapons, coal and United Nations Global Compact violators (UNGC – which focuses on anti-corruption, human rights and labour standards).</p>					<p>PruFund Planet applies the M&amp;G T&amp;IO ESG Policy where possible, alongside the internal or external underlying manager’s own ESG policy.</p> <p>Many of the internal M&amp;G funds form part of M&amp;G’s Planet+ range of funds, which in addition to company-wide exclusions on controversial weapons, coal and United Nations Global Compact violators (UNGC - which focuses on anti-corruption, human rights and labour standards), also encompass tobacco, adult entertainment and gambling.</p> <p>This does not mean that there will be zero exposure to these sectors for all underlying funds, as in some instances this is restricted to revenue thresholds. It is important to note that whilst some funds may not have explicit restrictions, by virtue of their investment</p>				

		strategy they are unlikely to invest in names in the previously mentioned sectors.
<b>T&amp;IO ESG Product Framework</b>	<p>Majority of assets within ESG Risk Focused category, mainly focused on responsible investing i.e., avoidance of harms via exclusions and mitigating ESG risks.</p> <p><i>(With some scope to include Opportunity or Solution Focused investments where appropriate)</i></p>	<p>Majority of assets within ESG Opportunity or Solution Focused investments - investing in ESG opportunities and seeking to address societal and environmental challenges, often for under-served or disadvantaged groups, that aim to generate competitive financial returns.</p>
<b>Volatility Ceilings</b>	<p>Risk Managed PruFund 1 - 9%</p> <p>Risk Managed PruFund 2 - 10%</p> <p>Risk Managed PruFund 3 - 12%</p> <p>Risk Managed PruFund 4 - 14.5%</p> <p>Risk Managed PruFund 5 - 17%</p>	<p>PruFund Planet 1 - 9%</p> <p>PruFund Planet 2 - 10%</p> <p>PruFund Planet 3 - 12%</p> <p>PruFund Planet 4 - 14.5%</p> <p>PruFund Planet 5 - 17%</p>
<b>Number of Portfolios</b>	5	5

The proposed Level 2 SAA for the PruFund Planet funds is similar to the Level 2 SAA for the Risk Managed PruFunds, with two key differences being;

- A slight increase in the allocation to the Alternatives, funded from the Property allocation, which has been done to achieve higher allocation to Solution Focused strategies as per the T&IO ESG Product Framework.
- An increase in the overall level of US equity exposure, as currently the global impact and targeted impact strategies have a bias towards the US. Over time this is likely to moderate slightly in favour of UK equities.

The following tables give an indication of the spread of investments for Risk Managed PruFunds and PruFund Planet funds as at 26/07/21. Asset allocations 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.

Risk Managed PruFunds Level 2 SAA		Risk Managed PruFunds 1	Risk Managed PruFunds 2	Risk Managed PruFunds 3	Risk Managed PruFunds 4	Risk Managed PruFunds 5
Equity	<b>Total equity</b>	<b>16.60%</b>	<b>28.05%</b>	<b>39.74%</b>	<b>52.70%</b>	<b>67.00%</b>
	UK	6.39%	10.80%	15.30%	20.29%	25.79%
	Europe ex UK	2.28%	3.86%	5.47%	7.25%	9.21%
	North America	2.32%	3.93%	5.56%	7.38%	9.38%
	Japan	1.25%	2.10%	2.98%	3.95%	5.02%
	Asia ex Japan	2.45%	4.14%	5.86%	7.78%	9.88%
	China	0.58%	0.98%	1.39%	1.84%	2.35%
	India	0.17%	0.28%	0.40%	0.53%	0.67%
	Global Emerging Markets	0.58%	0.98%	1.39%	1.84%	2.35%
	Middle East and Africa	0.58%	0.98%	1.39%	1.84%	2.35%
Property	<b>Total Property</b>	<b>8.00%</b>	<b>10.45%</b>	<b>12.70%</b>	<b>13.95%</b>	<b>15.40%</b>
	UK	5.44%	7.11%	8.64%	9.49%	10.47%
	Europe ex UK	0.88%	1.15%	1.40%	1.53%	1.69%
	North America	0.72%	0.94%	1.14%	1.26%	1.39%
	Asia	0.90%	1.25%	1.52%	1.67%	1.85%
Fixed Income	<b>Total Fixed Income</b>	<b>66.66%</b>	<b>52.70%</b>	<b>38.50%</b>	<b>24.30%</b>	<b>8.51%</b>
	Europe Inc UK	25.00%	19.76%	14.44%	9.11%	3.19%
	IS	18.00%	14.24%	10.40%	6.55%	2.29%
	Asia	10.00%	7.91%	5.77%	3.65%	1.28%
	Convertible Bonds - Global	1.33%	1.05%	0.77%	0.49%	0.17%
	Bridge Loans	1.00%	0.79%	0.58%	0.36%	0.13%
	Private High Yield	5.67%	4.48%	3.27%	2.07%	0.72%
	Global High Yield	0.83%	0.66%	0.48%	0.30%	0.11%
	Africa	1.33%	1.05%	0.77%	0.49%	0.17%
	EM Debt	2.17%	1.71%	1.25%	0.79%	0.28%
	Development Finance	1.33%	1.05%	0.77%	0.49%	0.17%
Alternatives	2.99%	3.80%	4.56%	5.05%	5.59%	
TAA	1.50%	1.75%	2.00%	2.25%	2.50%	
Cash	4.25%	3.25%	2.50%	1.75%	1.00%	

PruFund Planet Funds Level 2 SAA		PruFund Planet 1	PruFund Planet 2	PruFund Planet 3	PruFund Planet 4	PruFund Planet 5
Equity	<b>Total equity</b>	<b>16.60%</b>	<b>28.05%</b>	<b>39.75%</b>	<b>52.70%</b>	<b>67.00%</b>
	UK	6.38%	10.77%	15.27%	20.24%	25.73%
	North America	3.33%	5.63%	7.98%	10.58%	13.45%
	Europe ex UK	1.76%	2.97%	4.20%	5.57%	7.09%
	Japan	1.07%	1.80%	2.55%	3.38%	4.30%
	Asia ex Japan	3.00%	5.08%	7.19%	9.54%	12.12%
	GEM	1.07%	1.80%	2.56%	3.39%	4.31%
Property	<b>Total Property</b>	<b>7.00%</b>	<b>9.20%</b>	<b>11.20%</b>	<b>11.95%</b>	<b>12.90%</b>
	Property UK	5.04%	6.62%	8.06%	8.60%	9.29%
	Property Europe	0.98%	1.29%	1.57%	1.67%	1.81%
	Property Asia	0.98%	1.29%	1.57%	1.67%	1.81%
Fixed Income	<b>Total Fixed Income</b>	<b>66.65%</b>	<b>52.70%</b>	<b>38.50%</b>	<b>24.30%</b>	<b>8.50%</b>
	Global High Yield	5.00%	4.61%	3.85%	2.73%	1.06%
	Emerging Market Debt	3.50%	3.23%	2.70%	1.91%	0.74%
	Sustainable Loans	1.50%	1.38%	1.16%	0.82%	0.32%
	Core Public Credit	46.66%	34.26%	23.10%	13.37%	4.25%
	Core Private Credit	10.00%	9.22%	7.70%	5.47%	2.13%
Alternatives	Private Equity, Real Assets	4.00%	5.05%	6.05%	7.05%	8.10%
TAA	Sustainable TAA	1.50%	1.75%	2.00%	2.25%	2.50%
Cash	Cash	4.25%	3.25%	2.50%	1.75%	1.00%

## Cost and Charges

Costs and charges may vary in the future.

	Annual Management Charge (AMC) %	Ongoing Charges and Expenses (OCE)
PruFund Planet 1	0.65%	0.18%
PruFund Planet 2	0.65%	0.21%
PruFund Planet 3	0.65%	0.23%
PruFund Planet 4	0.65%	0.25%
PruFund Planet 5	0.65%	0.26%

## How we manage money

### M&G Treasury and Investment Office (T&IO)

The M&G Treasury and Investment Office is our team of in-house investment strategists and ‘manager of managers’ for Prudential in the UK. They are independent of the various underlying asset management businesses within M&G plc and responsible for approximately £177bn AUM, as at 31 December 2020, across a range of multi-asset investment solutions and other Prudential products.

Several teams within T&IO feed into the investment process at each stage. They carry out clearly defined roles whilst also working very closely together to ensure the smooth running of the portfolios.

- Long Term Investment Strategy (LTIS)
- Multi Asset Portfolio Management (MAPM)
- Manager Oversight
- Risk and Compliance

### Investment process

The investment process can be broken down into four areas:

- Strategic asset allocation
- Tactical asset allocation
- Fund selection and manager oversight
- Portfolio management

### Strategic Asset Allocation (SAA)

The LTIS team sets the risk tolerance and asset allocation for our funds determining the optimal SAA, subject to relevant cost constraints, structural and regulatory considerations.

The team produce a set of Capital Market Assumptions (CMAs), based on historical data, ex-ante analysis, internal and external research, for the expected returns, volatilities and correlations of the various asset classes within the fund ranges.

LTIS then use a proprietary Economic Scenario Generator 'GeneSIS' to carry our stochastic modelling based on these assumptions, which involves mapping out a full range of possible future asset allocations.

Both ESG and non-ESG factors are fed into the CMAs and asset class risk/return profiles, which are in turn factored into how capital is allocated.

The SAAs are determined using the following principles:

- Customer outcomes: focus on customer outcomes and ensure that there’s a design framework that maps the expected customer outcomes to the fund objectives in an efficient manner.

- Tailored risk appetite: all client portfolios have specific outcomes. This means that all portfolios have a bespoke SAA that is designed for their needs.
- Efficient risks and returns: a given risk appetite enables T&IO to choose an asset allocation based on the analysis of the risk return trade-off of portfolios relative to the “efficient frontier” derived from the medium-to-longer-term views of returns, volatility and correlations.
- Consistency across fund ranges: within the stated objectives and risk appetite, the aim is to ensure a consistent SAA across funds with similar risk appetite/ other similar funds.
- Other constraints: our investment strategy is also optimised along other constraints as required by clients. For example, cost and liquidity.
- ESG factors are also integrated into the SAA process through three main channels. These are:
  - Sensitivity analysis – portfolio exposures to ESG factors assessed in terms of physical, transition and litigation risks
  - Country Risk Categorisation – framework extended in 2019 to add environmental factors alongside existing social and governance factors
  - Benchmark construction – analysis to understand the distribution of ESG factor exposures within benchmarks

## Fund Selection and Manager Oversight

The T&IO Manager Oversight team has created a rigorous set of procedures to underpin the selection, ongoing monitoring and management of the various underlying investments.

Funds throughout the portfolios have been selected on the basis of a robust due diligence process that combines quantitative factors, including measures of performance and holdings analysis, with qualitative analysis focused on the business, people, process, philosophy and infrastructure. Their initial and ongoing due diligence processes also incorporate assessment and challenge of manager's ESG investment policies and practices and ambitions. In this way, we ensure the managers we award mandates to are aligned with T&IO values and ambitions.

The team also monitors the suitability of all underlying fund managers through a robust process of formal regular reviews.

The investment philosophy and process applied can provide several advantages:

- Analysis of key risks within each underlying fund – single stock, sector and country exposures – helps us understand drivers and detractors of performance at any given time.
- Accessibility and greater transparency – provides greater depth of research.
- Greater control over portfolio construction in some cases, exemplified by the bespoke vehicles that BlackRock and Wellington have built for PruFund Planet, which align to T&IO's preferred SAA and ESG criteria.
- Closer view of markets through constant interaction – better information flow from managers that can assist short and long-term thinking.
- Can be selective – T&IO assess both internal and external strategies and has selected a number of high quality external managers for specialist allocations within PruFund Planet, for example in both equity and fixed income exposures. T&IO have also worked with the internal manager to create bespoke solutions such as M&G Better Health.

## Portfolio Management

Portfolio management responsibilities can be divided into the following areas:

- Keeping the funds in shape – ensure the portfolios are managed in line with target exposures and limits while minimising cost and risk, adhere to agreed target TAA positions, and manage cash-flows and other fund dynamics
- Adjusting portfolios – ensure changes in SAA are implemented effectively and efficiently
- Operational management – prepare and review trade instructions to minimise operational errors
- Reviews and monitoring – review on an ongoing basis exposures, risks and performance
- Cash flow management – manage and report to ensure that to ensure inflows are allocated appropriately across portfolios and outflows can be covered in stressed scenarios.

## Risk and Compliance

The business operates within a ‘three lines of defence’ risk management model. Its role and purpose is to challenge risks effectively and proactively add value through providing advice, oversight and guidance to support the delivery of customers’ long-term needs.

First line of defence (Portfolio and risk management)

- Identifies risks that could threaten the achievement of business objectives.
- Assesses and manages these risks in accordance with M&G’s policies, standards and risk appetite.
- Ensures the effective design and maintenance of processes together with the implementation of appropriate controls over these processes.
- Identifies and promptly escalates significant emerging risk issues.
- Reports operational incidents in line with the operational risk standards.

Second line of defence (Risk and Compliance oversight and challenge)

- Assists the Board with the formulation and subsequent communication of M&G’s appetite for risk, risk management plans, risk policies and limits.
- Oversees and objectively challenges the identification, measurement, management, monitoring and reporting of risks.
- Analyses risk information and producing risk reports for relevant risk committees.
- Develops and supports the implementation of M&G’s risk policies, standards and risk appetite.

Third line of defence (Audit and independent assurance)

- Provides independent assurance on the design, effectiveness and implementation of the overall system of internal control, including risk management.



## What makes Prudential different?

- **Brand** - the Prudential brand is one of the most recognisable in the UK
- **Size** - PruFund Planet funds are part of the Prudential With-Profits fund, one of the UK's largest investment funds, which in turn is part of M&G Plc, one of the UK's leading savings and investment companies.
- **Scale** - T&IO creates SAA for over £100bn in multi-asset insurance portfolios primarily for UK retail investors and manages around £177bn in total as at 31 December 2020.
- **Differentiated** - the core focus of T&IO is asset allocation. All stock selection decisions are outsourced to high class internal and external managers
- **Resource** - T&IO is over 40-strong with expertise across SAA, TAA, manager selection and portfolio management
- **Global reach** - T&IO has access to the expertise of other M&G plc investment companies, such as M&G Investments and M&G Real Estate, and a global network of contacts at high quality external investment companies with experience in ESG
- **Operational infrastructure** - investment teams are supported by experienced information, compliance and risk monitoring teams
- **Longevity of process** - at the core of any asset allocation decision is a process that has been in place for nearly 20 years
- **Demonstrable success** - the PruFund range, launched over 15 years ago, provides clear evidence of an approach that produces returns that meet investor expectations over long periods. There is no guarantee that PruFund Planet funds will perform in the same way.
- **Robust fund research** - both ranges leverage off the resource and expertise of the T&IO Manager Oversight team
- **Alternatives** - one of the largest investors in alternatives in the UK.

## Appendix

### Appendix 1 Fund Objectives

Fund name	Investment Objective
PruFund Planet 1	<p>The fund aims to achieve a total return from income and capital over the long term (at least 5-10 years). It also aims to deliver positive environmental and societal outcomes in addition to financial returns. There are three categories of outcome;</p> <ol style="list-style-type: none"> <li>1. Mitigating Environmental, Social and Governance risks and minimising negative outcomes</li> <li>2. Pursuing Environmental, Social and Governance opportunities</li> <li>3. Investing in positive outcomes for disadvantaged groups or stakeholders.</li> </ol> <p>PruFund Planet funds are invested in a range of equities, bonds, property, alternative investments and cash. This gives you the advantage of a well-balanced mix of investments with some smoothing of investment returns.</p> <p>The fund aims to limit the fluctuations (volatility) your investment experiences, after allowing for smoothing, to 9% per annum. There is no guarantee the fund will achieve its objective of managing the volatility to the target level.</p>

Fund name	Investment Objective
PruFund Planet 2	<p>The fund aims to achieve a total return from income and capital over the long term (at least 5-10 years). It also aims to deliver positive environmental and societal outcomes in addition to financial returns. There are three categories of outcome;</p> <ol style="list-style-type: none"> <li>1. Mitigating Environmental, Social and Governance risks and minimising negative outcomes</li> <li>2. Pursuing Environmental, Social and Governance opportunities</li> <li>3. Investing in positive outcomes for disadvantaged groups or stakeholders.</li> </ol> <p>PruFund Planet funds are invested in a range of equities, bonds, property, alternative investments and cash. This gives you the advantage of a well-balanced mix of investments with some smoothing of investment returns.</p> <p>The fund aims to limit the fluctuations (volatility) your investment experiences, after allowing for smoothing, to 10% per annum. There is no guarantee the fund will achieve its objective of managing the volatility to the target level.</p>

Fund name	Investment Objective
PruFund Planet 3	<p>The fund aims to achieve a total return from income and capital over the long term (at least 5-10 years). It also aims to deliver positive environmental and societal outcomes in addition to financial returns. There are three categories of outcome;</p> <ol style="list-style-type: none"> <li>1. Mitigating Environmental, Social and Governance risks and minimising negative outcomes</li> <li>2. Pursuing Environmental, Social and Governance opportunities</li> <li>3. Investing in positive outcomes for disadvantaged groups or stakeholders.</li> </ol> <p>PruFund Planet funds are invested in a range of equities, bonds, property, alternative investments and cash. This gives you the advantage of a well-balanced mix of investments with some smoothing of investment returns.</p> <p>The fund aims to limit the fluctuations (volatility) your investment experiences, after allowing for smoothing, to 12% per annum. There is no guarantee the fund will achieve its objective of managing the volatility to the target level.</p>

Fund name	Investment Objective
PruFund Planet 4	<p>The fund aims to achieve a total return from income and capital over the long term (at least 5-10 years). It also aims to deliver positive environmental and societal outcomes in addition to financial returns. There are three categories of outcome;</p> <ol style="list-style-type: none"> <li>1. Mitigating Environmental, Social and Governance risks and minimising negative outcomes</li> <li>2. Pursuing Environmental, Social and Governance opportunities</li> <li>3. Investing in positive outcomes for disadvantaged groups or stakeholders.</li> </ol> <p>PruFund Planet funds are invested in a range of equities, bonds, property, alternative investments and cash. This gives you the advantage of a well-balanced mix of investments with some smoothing of investment returns.</p> <p>The fund aims to limit the fluctuations (volatility) your investment experiences, after allowing for smoothing, to 14.5% per annum. There is no guarantee the fund will achieve its objective of managing the volatility to the target level.</p>

Fund name	Investment Objective
PruFund Planet 5	<p>The fund aims to achieve a total return from income and capital over the long term (at least 5-10 years). It also aims to deliver positive environmental and societal outcomes in addition to financial returns. There are three categories of outcome;</p> <ol style="list-style-type: none"> <li>1. Mitigating Environmental, Social and Governance risks and minimising negative outcomes</li> <li>2. Pursuing Environmental, Social and Governance opportunities</li> <li>3. Investing in positive outcomes for disadvantaged groups or stakeholders.</li> </ol> <p>PruFund Planet funds are invested in a range of equities, bonds, property, alternative investments and cash. This gives you the advantage of a well-balanced mix of investments with some smoothing of investment returns.</p> <p>The fund aims to limit the fluctuations (volatility) your investment experiences, after allowing for smoothing, to 17% per annum. There is no guarantee the fund will achieve its objective of managing the volatility to the target level.</p>

## Appendix 2 – SEDOL & ISIN Codes for each share class

Fund Name	SEDOL	ISIN
Prudential PruFund Planet 1 Account Series E	BN7BX30	GB00BN7BX309
Prudential PruFund Planet 1 Fund Series E	BN7BX41	GB00BN7BX416
Prudential PruFund Planet 2 Account Series E	BN7BX52	GB00BN7BX523
Prudential PruFund Planet 2 Fund Series E	BN7BX63	GB00BN7BX630
Prudential PruFund Planet 3 Account Series E	BN7BX74	GB00BN7BX747
Prudential PruFund Planet 3 Fund Series E	BN7BX85	GB00BN7BX853
Prudential PruFund Planet 4 Account Series E	BN7BX96	GB00BN7BX960
Prudential PruFund Planet 4 Fund Series E	BN7BxB8	GB00BN7BxB83
Prudential PruFund Planet 5 Account Series E	BN7BXC9	GB00BN7BXC90
Prudential PruFund Planet 5 Fund Series E	BN7BXD0	GB00BN7BXD08

## Appendix 3 – Supporting Documentation

Additional supporting documents links:

1. [AKG Financial Strength Assessment](#) of Prudential
2. [Principles and Practices](#) of Financial Management
3. [Sustainability report](#) from M&G plc
4. [ESG policy adviser](#) Q&A document
5. [Overview of PruFund range of funds](#)

## Appendix 4 – Risk Profiling

M&G aim to achieve risk ratings from the same providers that are currently utilised for the PruFund ranges. These discussions are ongoing and this document will be updated in due course.

PruFunds are currently risk-rated by the following providers:

- Distribution Technology
- Defaqto Engage
- Finametrica
- Capita Synaptic.

## Appendix 5 – Business Continuity / Disaster Recovery (DR)

M&G maintains a Business Continuity Management programme which includes:

- Documented Business Continuity and Recovery plans to identify the dependencies on key systems, third parties and individuals along with mitigating controls
- Office recovery sites and remote working capability to allow critical processes to continue following the loss of a primary site
- Secondary data centres to recover internally hosted systems following the loss of a primary data centre
- Data from internally hosted critical systems replicated in real-time to our secondary data centre using SAN (Storage Area Network) synchronous replication and Data Guard replication.
- An ongoing assurance programme to review the continuity and recovery arrangements of key third party suppliers
- Incident management procedures for managing disruption to critical processes when unexpected events occur
- A regular testing programme to prove the adequacy of recovery plans and our recovery arrangements.
- A Director of Operational Resilience and a corporate Head of Resilience and Recovery who are responsible for ensuring that the resilience programme is maintained and enhanced in line with regulatory requirements, as well as best practice.