

All statistics from M&G internal sources as at 30.09.20, unless indicated otherwise.

Fund description

The fund provides a multi-asset approach to investment, holding a mix of UK and overseas company shares, bonds, property, cash plus listed alternative assets through other M&G PP funds or direct holdings. It is actively managed against an internal benchmark asset allocation set by the M&G Treasury & Investment Office. It is a 'fund of funds' where both active stock selection, within the underlying sector funds, and asset allocation decisions are used to add value. Derivative instruments may be used for efficient portfolio management.

Performance objective

To outperform the internal composite benchmark by 1.15%-1.40% per annum, gross of fees, on a rolling three-year basis.

Key facts

Style	Active Multi-Asset
Portfolio manager	M&G Treasury & Investment Office
Benchmark*	Mix of asset class indices set by T&IO
Comparator	ABI Pensions Mixed 40-85% Shares sector median
Underlying sector funds	18
Fund size	£616.57m
Current bid/offer spread	0.67%
Offer price	£1,560.85
AMC/OCE†	0.40%/0.06%

* 26% FTSE All-Share Index, 10.4% FTSE World North America Index; 10.4% FTSE World Europe (ex-UK) Index; 4.6% FTSE Japan Index; 10.4% FTSE All World Asia Pacific ex-Japan Index; 3.2% MSCI Emerging Markets Index; 7.5% PPL Property Fund 1 month gross return; 2.5% Merrill Lynch Global High Yield Index; 2.0% London Interbank 7 Day Deposit Rate; 10.9% iBoxx Sterling Non-Gilts Index; 8.1% Barclays US Aggregate Bond Index (GBP), 2.8% Asia Internal Composite, 1.2% Merrill Lynch Euro Corporate Bond Index (GBP).

† AMC - annual management charge; OCE - other charges and expenses.

Performance

Percentage change in bid price since 1 Jan 2020, offer price prior to 1 Jan 2020 (net of fees)

12 months to end of September	2020	2019	2018	2017	2016
Fund	-4.7	2.7	7.0	14.4	20.0
Benchmark	-1.2	6.0	6.2	10.7	n/a
Comparator	-1.7	-2.1	4.4	5.1	8.9

	Qtr	1 yr	3 yrs*	5 yrs*
Fund	0.6	-4.7	1.5	7.5
Benchmark	0.9	-1.2	3.6	n/a
Comparator	1.7	-1.7	2.3	6.2

* Annualised

Past performance is not a guide to future performance. The value and income from the fund's assets will go down as well as up. This will cause the value of your investment to fall as well as rise. There is no guarantee that the fund will achieve its objective and you may get back less than you originally invested.

The fund can be exposed to different currencies. Movements in currency exchange rates may adversely affect the value of your investments.

Performance and attribution

- The third quarter saw the continuation of central bank stimulus and fiscal support from governments across developed and emerging markets. Most equity markets gained, although performance diverged among the different markets. Global stimulus measures continued to support credit spreads, which tightened further in the quarter. Meanwhile, cases of the coronavirus have increased and so far global authorities have instigated less harsh lockdowns than during the first wave.

- The fund gained in the quarter but was behind the benchmark and the peer group. Most major equity markets advanced over the three-month period, although to a lesser extent than in the previous quarter. Emerging and Pacific markets and the US led the way, while Japan and Europe produced modest gains, all in sterling terms. In contrast, the UK declined. Stock selection helped relative performance in the UK, but held back relative returns in other regional markets.
- In terms of the fixed income component of the fund, relative performance was supported by funds with a higher exposure to credit spreads; global high yield outperformed Asian corporate bonds, which in turn outperformed European, UK and US investment grade. Meanwhile, in a low interest rate environment, duration assets such as the Long Dated Corporate Bond Fund struggled.

Strategy

- The recent rebound in economic activity appears to be petering out as consumers hold on to savings, while waiting for indications of a more certain outlook and the reality of major job losses once government support programmes end. The economic scars of the crisis are likely to be long lasting while the structural impacts on consumer and corporate behaviour have yet to become clear. Nevertheless, there are a handful of bright spots, including China, where industrial output has already returned to its pre-COVID-19 trend levels.
- Against a backdrop of a fast-moving programme of lockdowns across the globe, the fund management team is taking a relatively cautious approach and they retain a neutral position in equities. Towards the end of the quarter, the team reduced the overweight position in high yield credit, as they felt that most of the potential advantages had already been realised. At the same time, they reduced the underweight position in investment grade credit, which had been used as funding for the high yield position. The team retains a small overweight position in high yield credit; in their opinion, with interest rates at very low levels, investors are likely to be encouraged to take more risk in order to generate income.
- Meanwhile, central bank policy remains supportive, with the US Federal Reserve clearly stating that rates will be held at low levels until 2023. In Europe, a proposed €750 billion recovery fund for the European Union is expected to be authorised by the end of the year. It is likely that policymakers and central banks will continue to provide stimulus and assistance until there are signs that the economy can support itself.

Fund holdings

	(% of fund)
M&G PP UK Equity Fund	26.0
M&G PP Europe Equity Fund	10.4
M&G PP North America Equity Fund	10.4
Eastspring US Corporate Bond Fund	8.5
M&G PP UK Property Fund	7.2
M&G PP Pacific Markets ex-Japan Equity Fund	6.7
M&G PP Japan Equity Fund	4.7
M&G PP Long Dated Corporate Bond Fund	4.2
M&G PP Total Return Credit Investment Fund	4.1
M&G PP Pacific Markets ex-Japan Equity Passive Fund	3.8
M&G PP Global Emerging Markets Fund	3.2
M&G PP Global High Yield Bond Fund	2.7
M&G PP All Stocks Corporate Bond Fund	2.6
Eastspring Asia Local Bond Fund	2.1
Alternative Assets	1.3
M&G European Credit Investment Fund	1.1
Eastspring Asia Dollar Bond Fund	0.8
M&G PP Cash Fund (including cash at bank)	0.2

Please note that the data may not always add up to 100.0% due to rounding.

Risk rating

Minimal Lower Lower to Medium **Medium** Medium to Higher Higher

What type of funds are in this risk category? These funds may invest in multi-asset strategies with a higher weighting in equities, while funds investing mainly in property and, currently, government bonds (such as UK Gilts) are also in this category.

M&G Investments Pooled Pensions

M&G Investments Pooled Pensions manage a full range of funds on both an active and passive basis for defined benefit and defined contribution clients. We believe that the quality of client service is an important part of our overall pooled fund service.

Our team of Directors is responsible for all aspects of our relationships with individual clients, including regular attendance at trustee meetings to present performance and investment strategy.

Client Directors

Lian Golton	020 3977 1666	Equities.Client.Team@mandg.co.uk
Orla Haughey	020 3977 3638	Equities.Client.Team@mandg.co.uk
Alec Spooner	020 3977 2505	Equities.Client.Team@mandg.co.uk

For security purposes and to improve the quality of our service, we may record and monitor telephone calls.

Please note that information contained within an email cannot be guaranteed as secure. We advise that you do not include any sensitive information when corresponding with M&G in this way.

For scheme members

If you require further information about your pension please talk to your sponsoring employer.

For all general enquiries and administration please contact The Bank of New York Mellon Asset Servicing - Customer Services Desk on 0344 892 1812.

Regulatory and technical information

Usage

- This factsheet is intended for trustees, sponsors, advisers and “defined contribution” members of occupational pension schemes and personal pensions invested in M&G Pooled Pensions fund range.
- This factsheet reports upon the investment management of the fund during the quarter.
- There is no guarantee the fund objective will be achieved.

Advice

- This factsheet is provided for information purposes only. Any changes to your investment arrangements should be discussed with your advisers.
- The commentary in this factsheet reflects the general views of M&G and should not be taken as a recommendation or advice as to how a specific market or fund is likely to perform.

Performance

- Performance is measured on a bid price to bid price basis since 1 Jan 2020, offer price to offer price prior to 1 Jan 2020 (net of fees).
- The annual management charges are deducted before the unit prices are set and hence before the net performance figures shown here are calculated.
- To obtain unit price information for all funds in the M&G Pooled Pensions fund range, Pension Schemes can log on to www.mandg.co.uk/institutions/resource-centre/pooledfundprices/

Fund availability

- Not all of the funds available may be used by your scheme.
- If you are in any doubt as to which M&G funds are applicable to you, please contact your personnel or pensions department as appropriate.

How are fund prices calculated?

- M&G Pooled Pensions funds operate on a “single swinging” price basis. Although we create both bid and offer prices for each dealing day, the basis on which units in the fund are transacted is dependent upon the cash flow into/out of the fund on any day. If the fund has net positive cash flow on the day then it will be priced on an offer basis. If the fund has net negative cash flow on the day then it will be priced on a bid basis.
- The annual management charges are deducted from the fund before the unit prices are calculated.
- M&G Pooled Pensions funds are “forward” priced, which means that the unit price is set after money is invested. Money is invested on a “T+0” dealing cycle, which means that money received before 12.00 will be invested by close of business that day and the unit price applicable for that “valuation date” would be published by 12.00 on the following day.

What is the risk rating?

- Risk ratings have been developed by Prudential to help provide an indication of a fund’s potential level of risk and reward based on the type of assets which may be held by the fund. Other companies may use different descriptions and as such these risk ratings should not be considered as generic across the fund management industry.
- We regularly review our fund risk ratings, so they may change in the future. If, in our view, there is a material change in the fund’s level of risk, for example due to a significant change to the assets held by the fund or in the way the fund is managed, we will provide information on the new risk rating. We recommend that you make sure you understand the risk rating of any fund before you invest.
- You should also consider discussing your decision and the appropriateness of a fund’s risk rating with an adviser.

Glossary

For definitions of the investment terminology used within this document please see the glossary at: www.mandg.co.uk/investor/help-centre/glossary

M&G Financial Services Limited, which is authorised and regulated by the Financial Conduct Authority in the UK. M&G Pooled Pension funds are provided under an insurance contract issued by Prudential Pensions Limited and Prudential Pensions Limited has appointed M&G Financial Services Limited as a distributor of its products. The registered office of both companies is 10 Fenchurch Avenue, London EC3M 5AG. Both companies are registered in England and Wales under numbers 923891 and 992726 respectively. **OCT 20/60069**