



M&G Investments

Michael McLintock and Grant Speirs

Agenda

M&G Group strategic overview

Michael McLintock

M&G's results and the industry

Grant Speirs

Business outlook and summary

Michael McLintock

About M&G

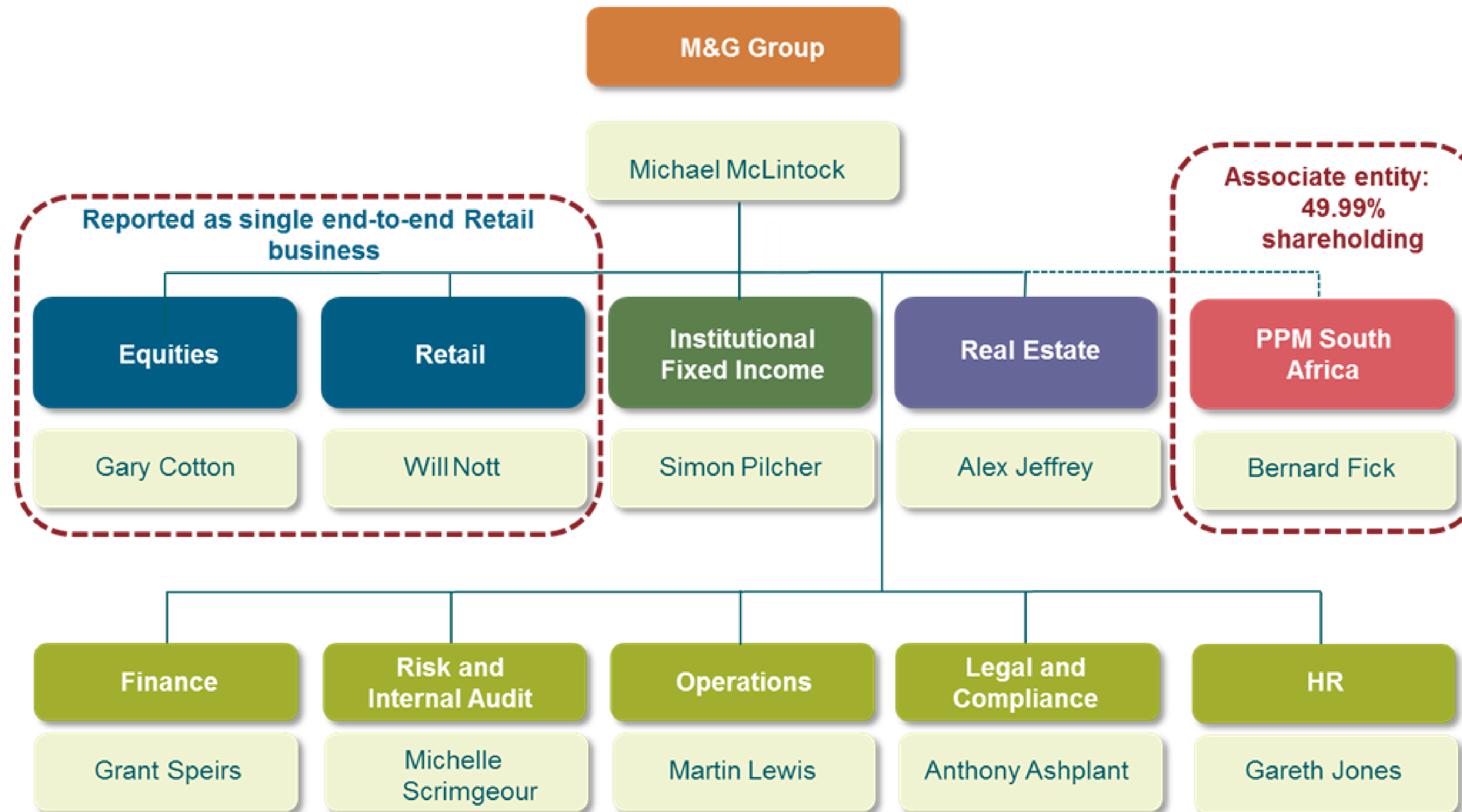
An investment-led organisation

- Leading international asset manager known for its long term, investment-led approach
- Active not passive
- Today we manage £242.2bn in equities, multi asset, fixed income, real estate and cash for clients across Europe and Asia
- We employ over 1,800 people based in 17 operations internationally

Note: Data as at 30 September 2013

Source: M&G management information

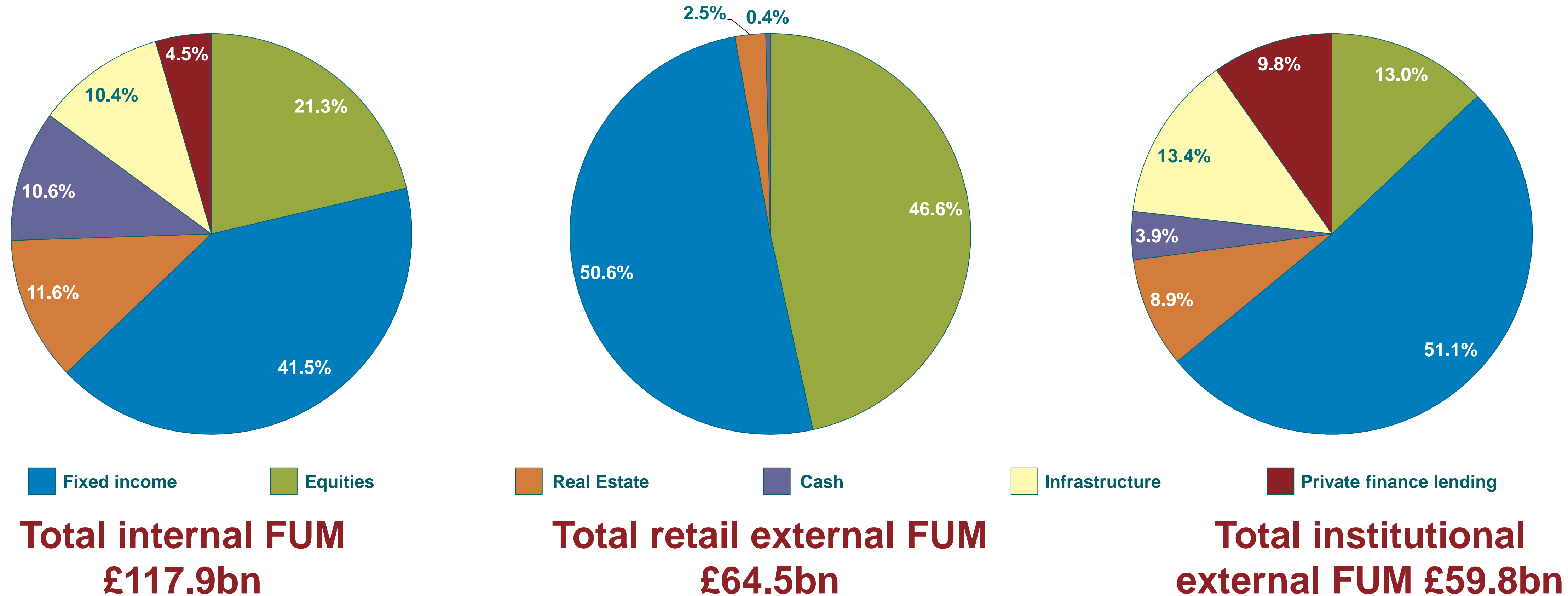
M&G Group business structure



Devolved business structure with centralised support

M&G's investment expertise: diversified across all the principal asset classes

M&G Group funds under management by client type and asset class (%)



Note: Data as at 30 September 2013
 Source: M&G management information

M&G's strategic priorities



M&G's recent awards



Financial News Awards 2013 and European Pensions Awards 2013

Real Estate Manager, Fixed Income Manager and Investment Manager of the Year



European Funds Trophy Grand
Prix 2013
*Best European Asset Manager**



Morningstar OBSR Honours
*Outstanding Investment
House 2010, 2011 and 2012*

Investment Week's Fund
Manager of the Year
Awards 2013
*Outstanding Industry
Contribution award*

Our strong investment performance and expertise has been recognised by independent authorities within the industry

* In the 41 to 70 rated funds category Source: M&G management information

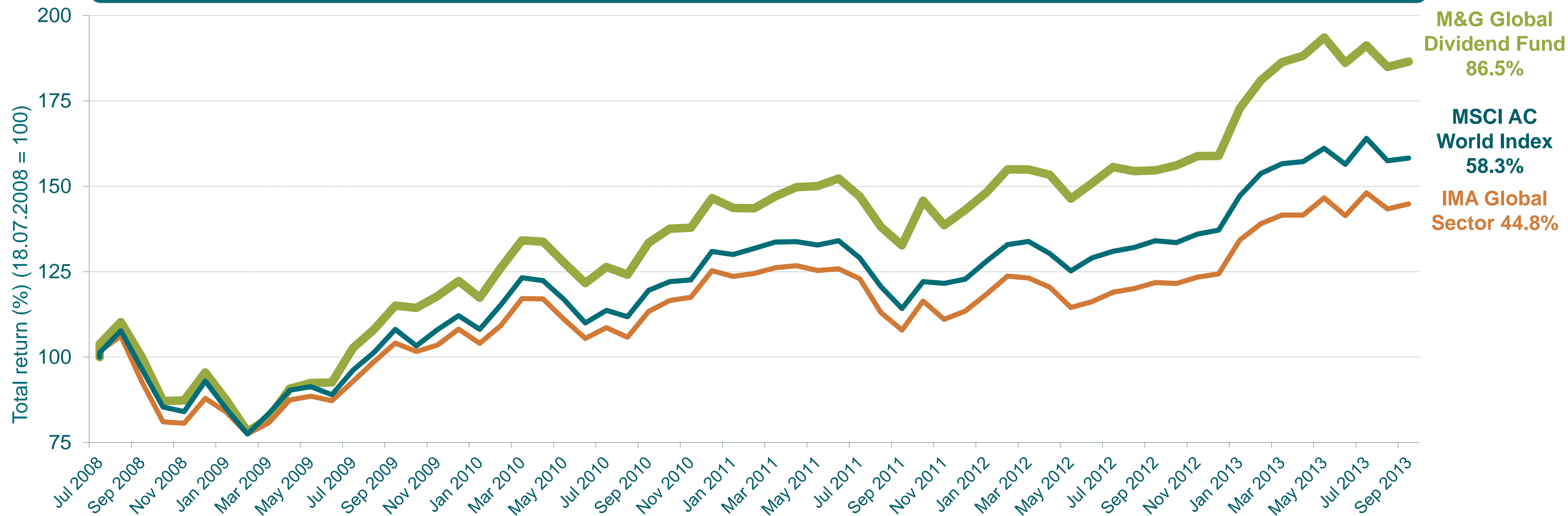
Two important qualities for which M&G is well known

1. A history of innovative investment ideas which meet client needs
2. A proven ability to convert these ideas into significant fund flows

It is these qualities in combination that make M&G distinctive

M&G Global Dividend Fund: dividend growth from global equity

M&G Global Dividend Fund investment performance, since inception 18 July 2008 – 30 September 2013 (%)



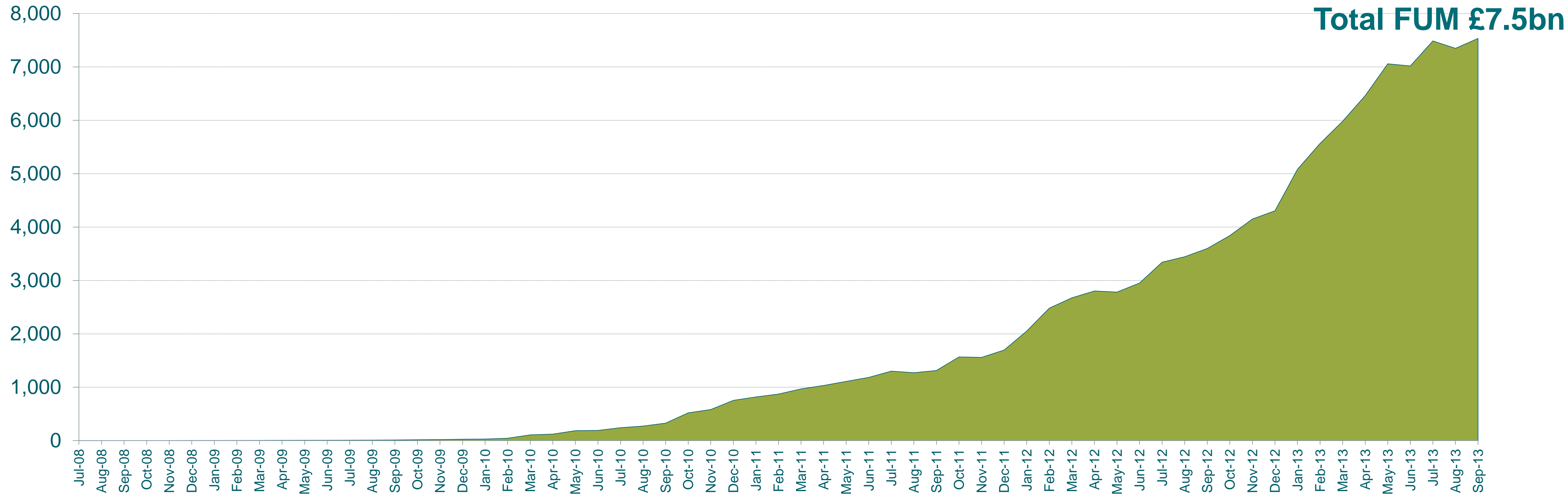
Consistent track record of investment outperformance

Note: Fund launched 18 July 2008

Source: Morningstar, Inc.UK database, 30 September 2013. Figures in GBP, bid to bid, basic rate taxpayer

Commercial success of the M&G Global Dividend Fund

M&G Global Dividend FUM, July 2008 – September 2013 (£m)



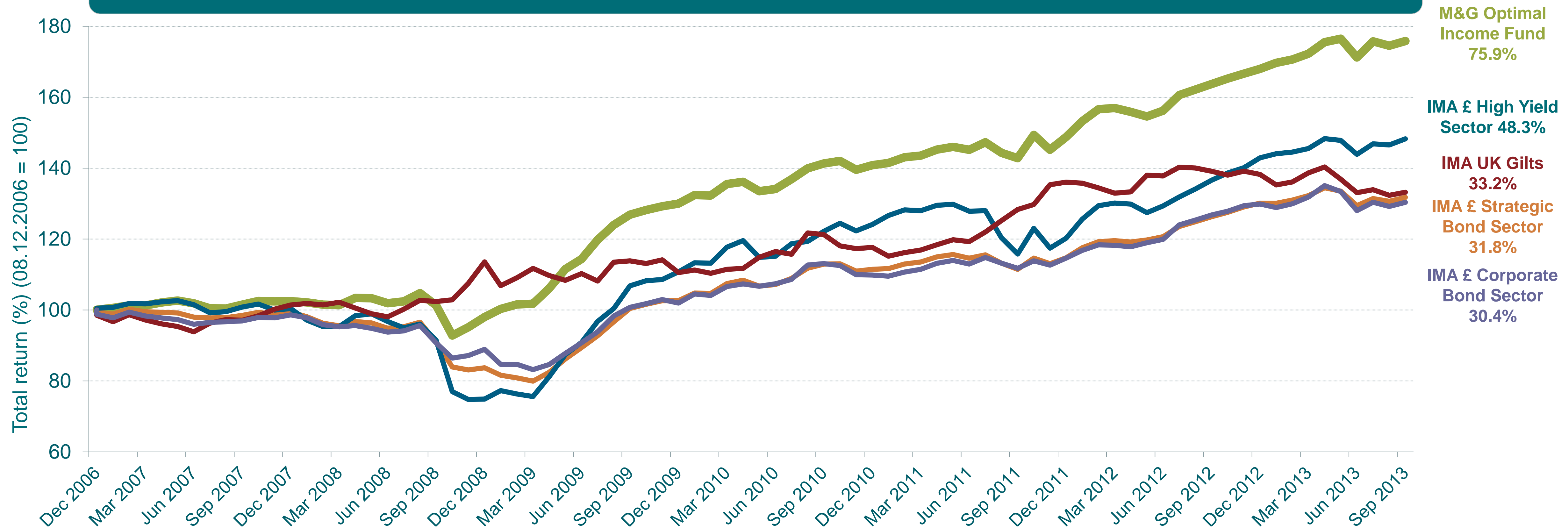
Exceptional asset gathering track record

Note: Fund launched 18 July 2008

Source: M&G management information

M&G Optimal Income Fund: UK's first fully flexible global bond fund

M&G Optimal Income Fund investment performance, since inception 8 December 2006 – 30 September 2013 (%)



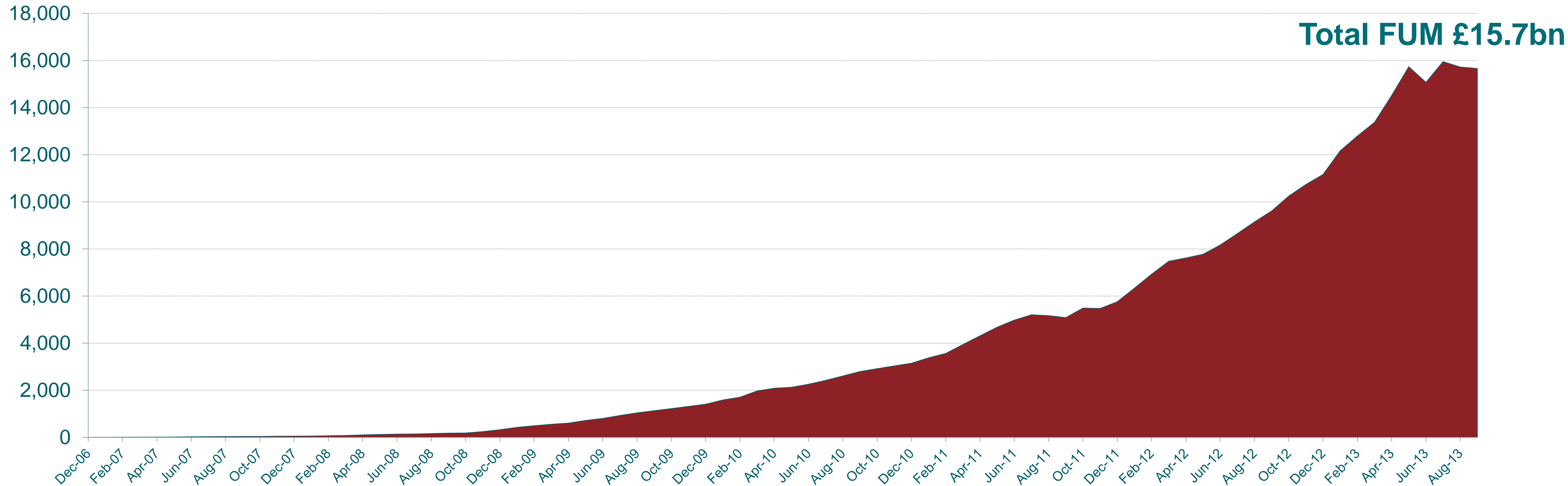
One of the best performing bond funds since launch

Note: Fund launched 8 December 2006

Source: Morningstar, Inc.UK database, 30 September 2013. Figures in GBP, bid to bid, basic rate taxpayer

Commercial success of the M&G Optimal Income Fund

M&G Optimal Income FUM, December 2006 – September 2013 (£m)



Exceptional asset gathering track record

Note: Fund launched 8 December 2006

Source: M&G management information

M&G Secured Property Income Fund: innovative investment approach offering long term inflation linked income from physical property assets

- Attractive long term returns delivered through the extensive and longstanding collaboration between our institutional Fixed Income and Real Estate investment teams
- Best performing and fastest growing fund in the entire AREF / IPD UK Quarterly Property Fund Index over the past 5 years
- 5 year total return of 9.4% p.a. and a compelling real return of 6.5% p.a. over UK RPI*

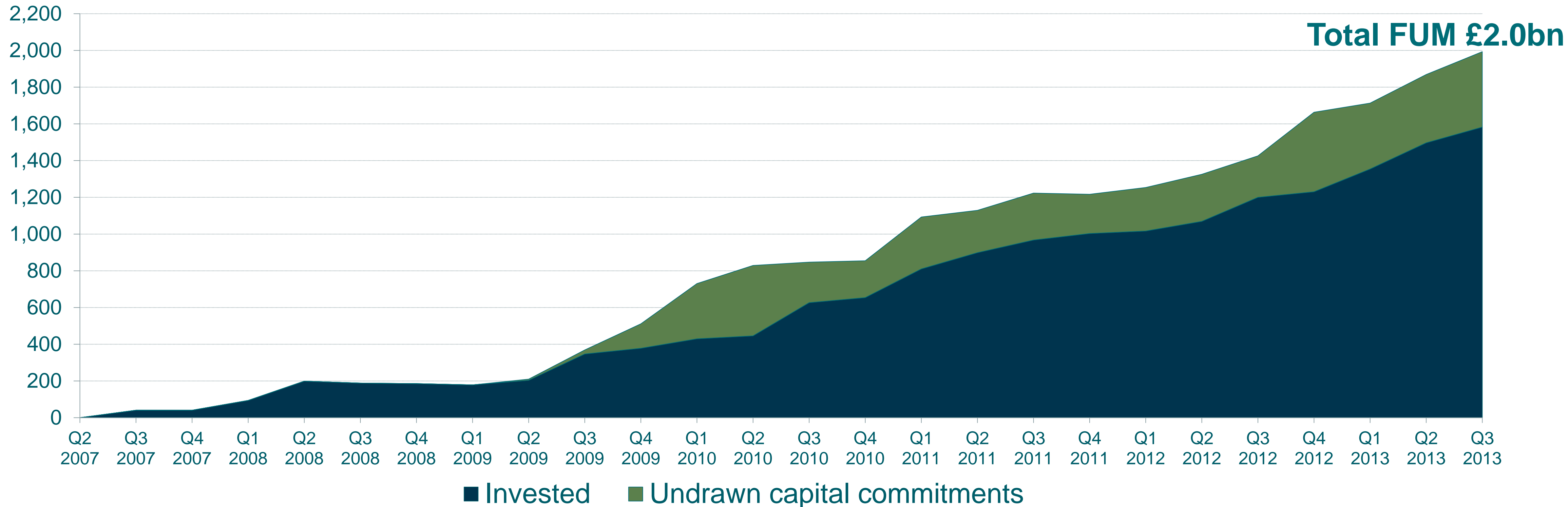
* Annualised returns as at 30 September 2013

Note: The Fund returns are quoted on a Net of Fees basis

Source: M&G management information

M&G Secured Property Income Fund: record YTD 2013 with completion on transactions with a value of over £600m

M&G Secured Property Income Fund capital raised and invested, since inception August 2007 – September 2013 (£m)



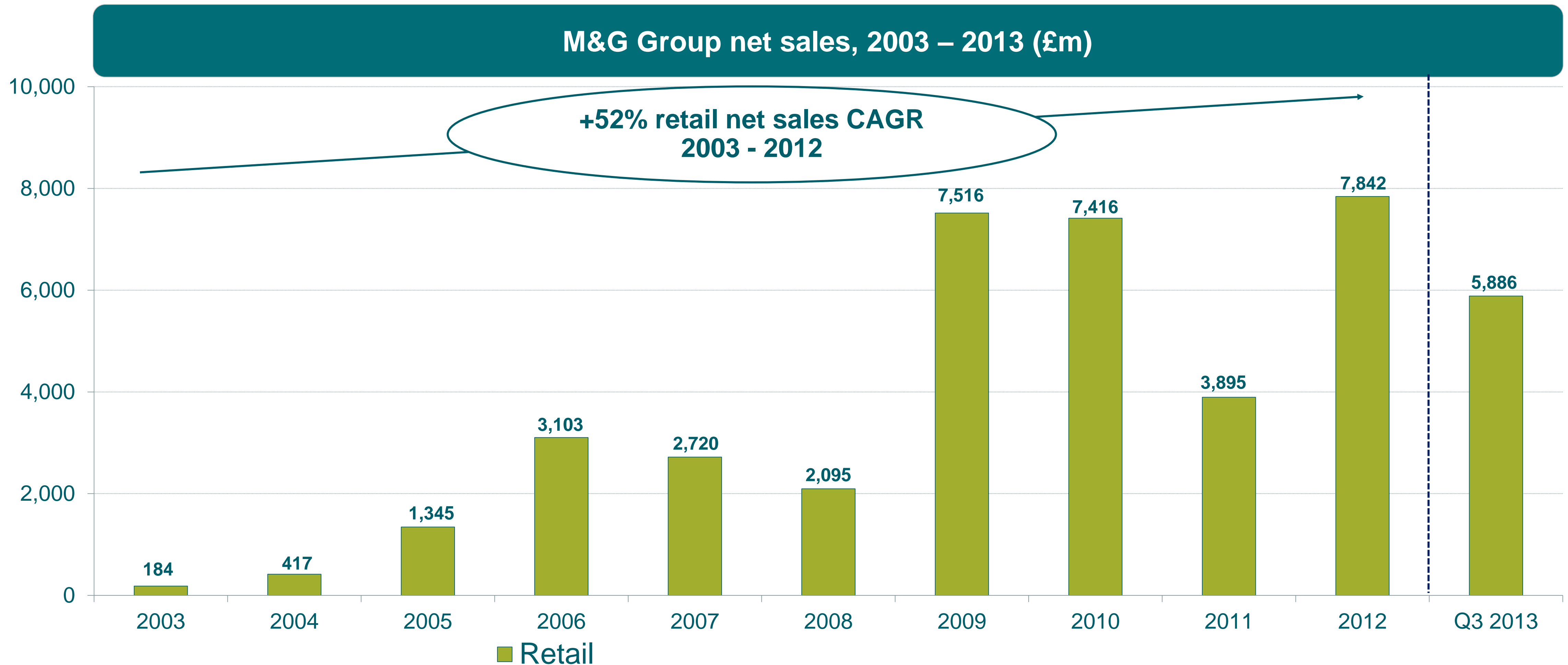
Strong track record of capital raising and deployment

Note: The Fund's inception date is 1 August 2007
 Source: M&G management information

How the fund management model works

- **Maximising the long term stock of profitable funds under management**
- The amount of money that you are successful in attracting in any single year has a very limited effect on that year's profits. It is the consistent winning of net new business over a period of years that maximises the stock of funds and therefore the business' exposure to rising markets
- It follows from this that the retention of existing assets is just as important as gross new business flows

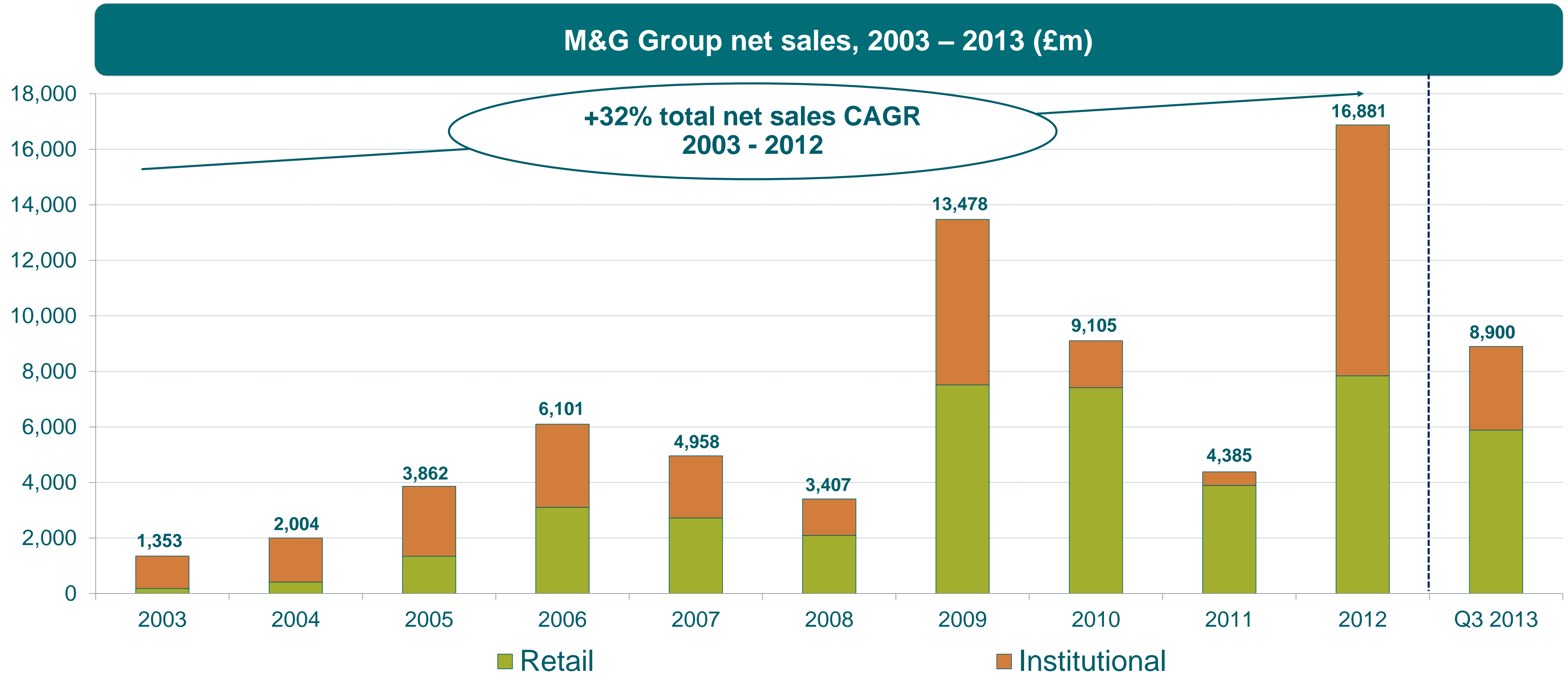
A history of successful asset accumulation



Note: From 2012 onwards, PPMSA results are recorded on a proportional basis

Source: M&G management information

A history of successful asset accumulation

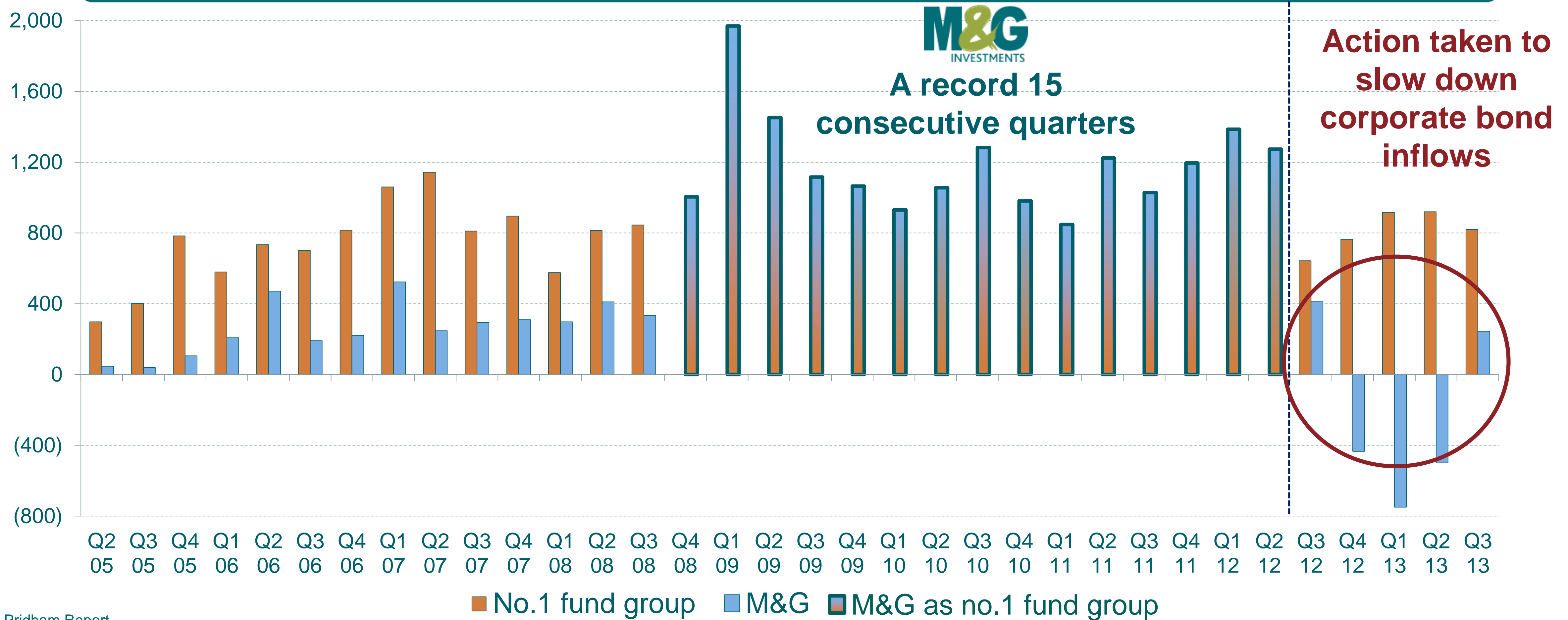


Note: From 2012 onwards, PPMSA results are recorded on a proportional basis

Source: M&G management information

An unprecedented 15 consecutive quarters as the no.1 fund group for UK retail net sales

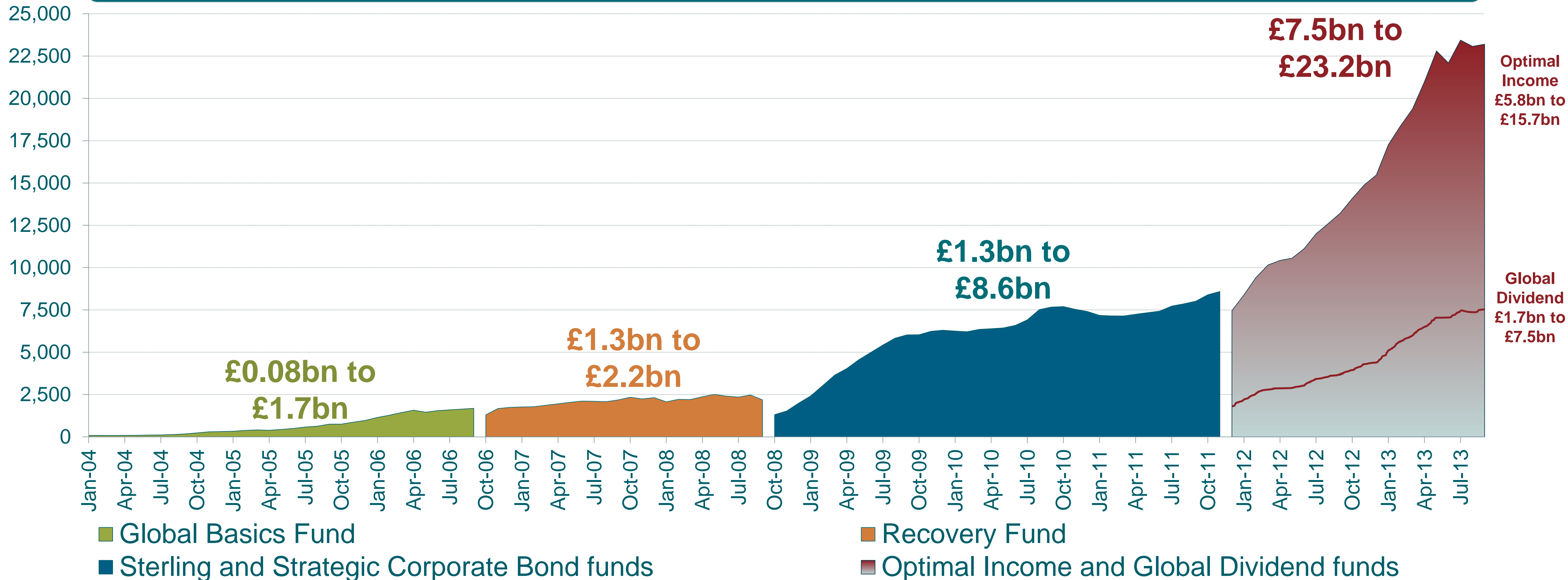
Number one fund group for quarterly UK retail net sales, Q2 2005 – Q3 2013 (£m)



Source: Pridham Report

A succession of blockbuster funds which has not been normal by industry experience

Phases of growth in FUM of M&G's leading retail funds, January 2004 – September 2013 (£m)



Source: M&G management information

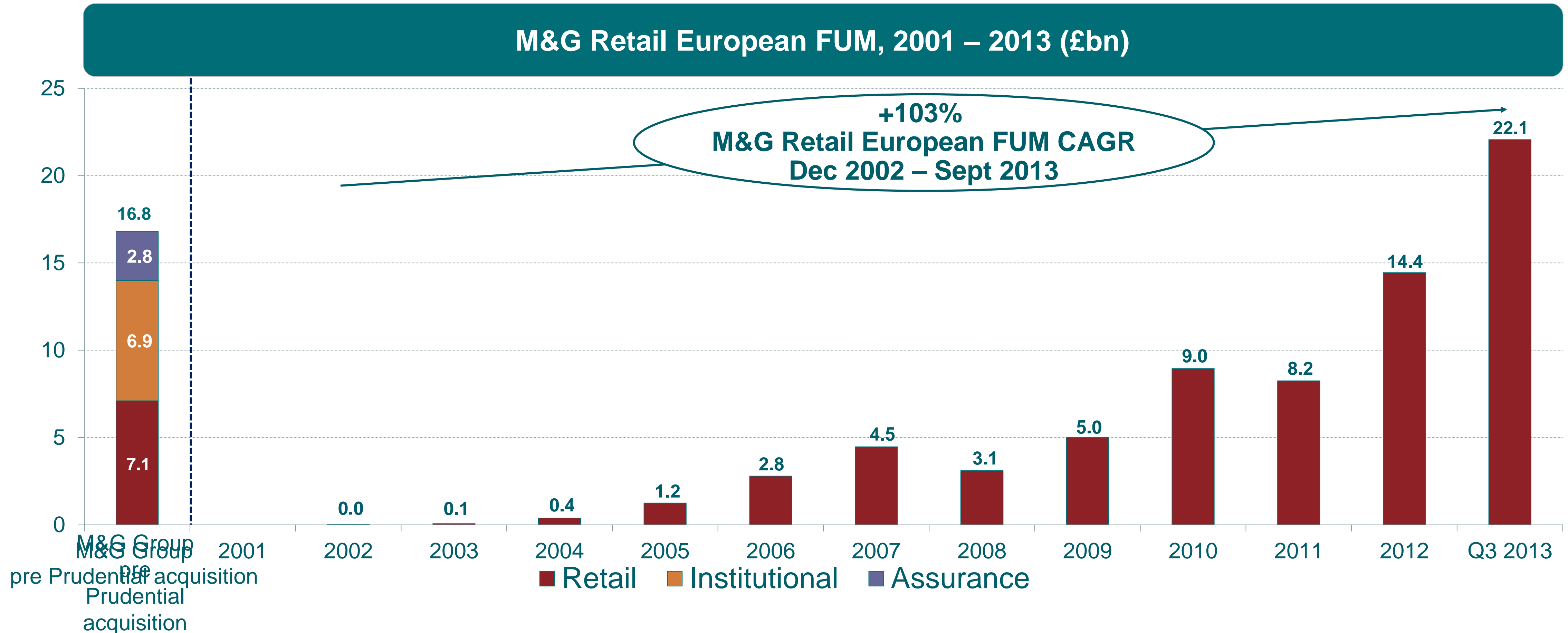
UK: Retail Distribution Review

- An evolving environment
- Greater transparency places fees in the spotlight
- If you have:
 - performance
 - products
 - brand
 - market positionbehind you, you can better withstand any fee pressure

Too early to draw any conclusions

Geographical diversification: the European growth story so far

Exceptional long term asset growth track record



Developing a European retail business that is now 1.3 times the size of the whole M&G Group pre the acquisition by Prudential

Source: M&G management information

M&G's market presence in Europe

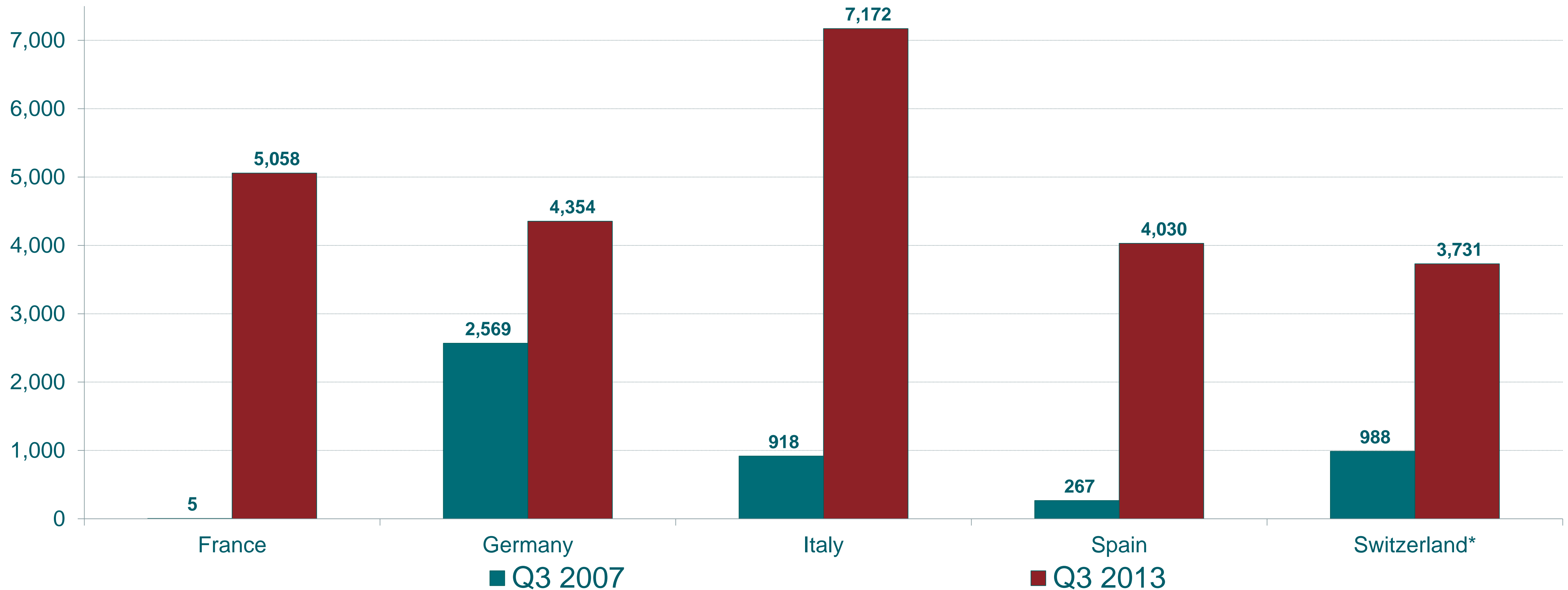
Coverage of all the major European markets

- Single UK-domiciled OEIC platform; most other fund groups operate both Luxembourg or Dublin based SICAVs plus UK onshore fund ranges
- Scalable and cost effective business model: locally based sales teams supported by the London hub
- This structure enabled M&G to protect its business and people during the downturn



Strong growth in assets from across a number of our leading European markets

Growth of M&G Retail FUM across some of our leading European markets, Q3 2007 and Q3 2013 (€m)



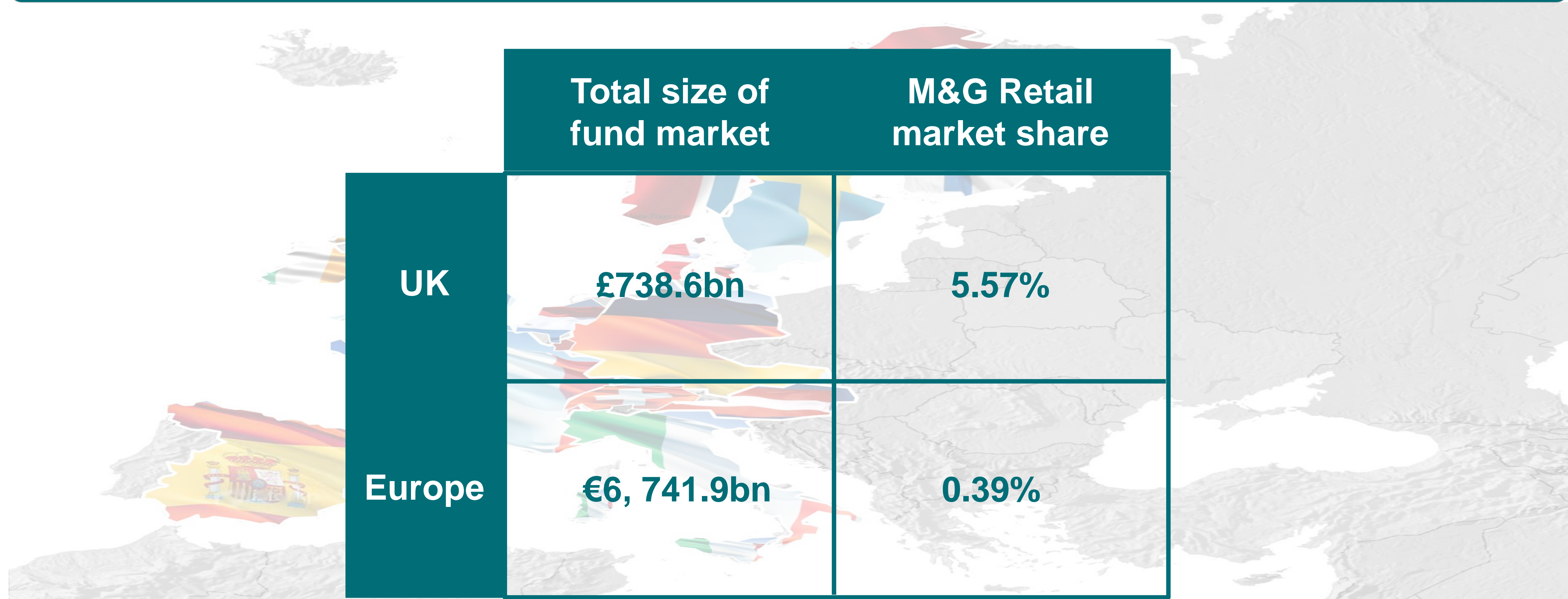
* Also includes assets from Luxembourg channel

Source: M&G management information

Looking forward: Europe remains a huge opportunity

Opportunities for M&G's retail business even without underlying market growth

M&G's retail market share by FUM in the UK and Europe, end September 2013



Note: European market is defined as funds flagged as fund market "Europe" or "International" in Lipper FMI FundFile. A proportion of International FUM may be sourced outside of Europe

Source: M&G management information

Looking forward: Europe remains a huge opportunity

Factors supporting M&G's ongoing expansion into Europe

- Diminishing regulatory barriers and the success of UCITS as a European and global savings vehicle (UCITS are trusted)
- The trend towards greater use of open architecture across the continental European retail market, traditionally a bancassurance-dominated structure, is well-established
- Demographic and economic development trends point to the need for a higher levels of savings

Positive long term prospects for the industry

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M&G's results and the industry

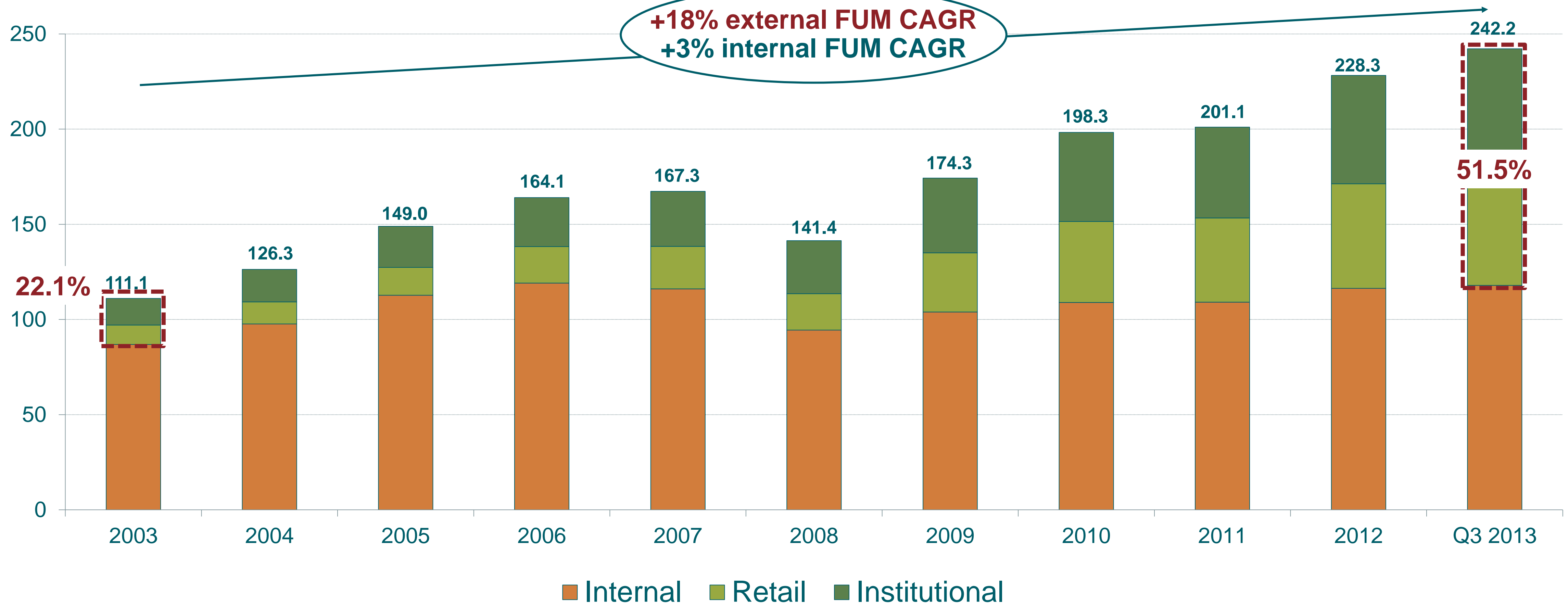
Grant Speirs

Business outlook and summary

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Transformation of M&G's funds under management

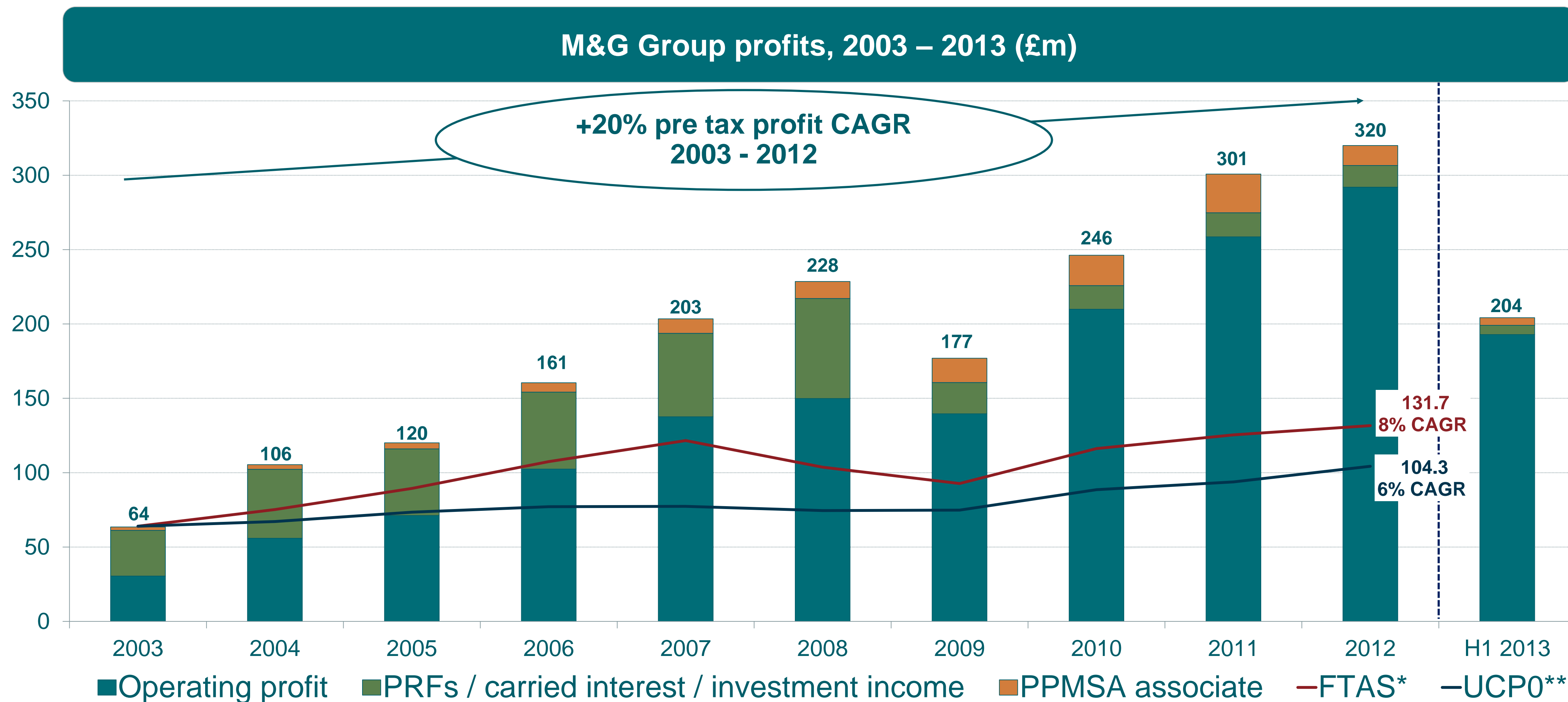
M&G Group funds under management, 2003 – Q3 2013 (£bn)



Note: From 2012 onwards, PPMSA results are recorded on a proportional basis

Source: M&G management information

Achieving record profit levels



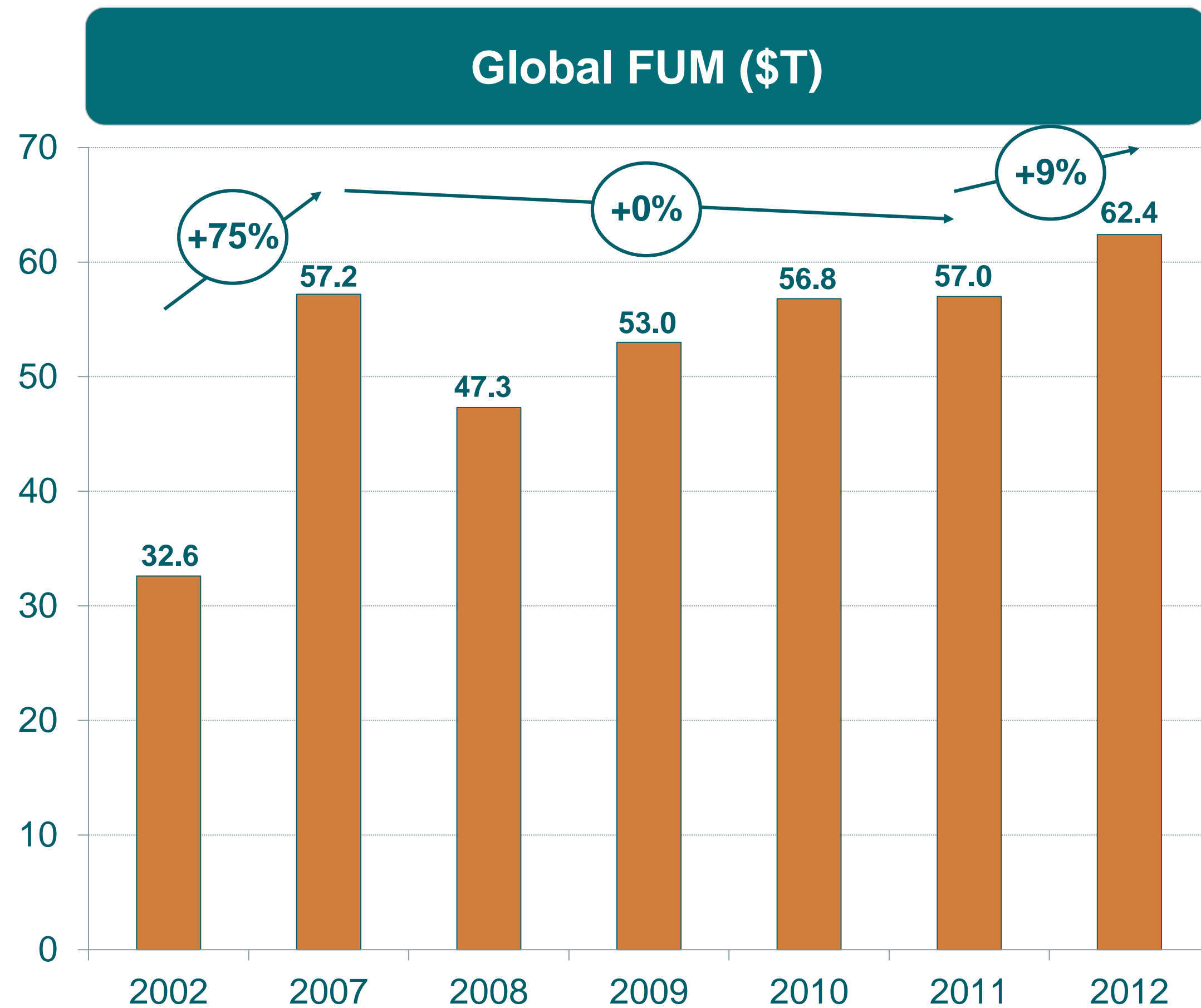
* YoY change in FY weighted effective average index level for the FTSE All Share total return index rebased to 2003 pre tax profit of £64.0m

** YoY change in FY weighted effective average index levels for the Merrill Lynch Sterling Corporate and Collateralised All Stock total return index rebased to 2003 pre tax profit of £64.0m

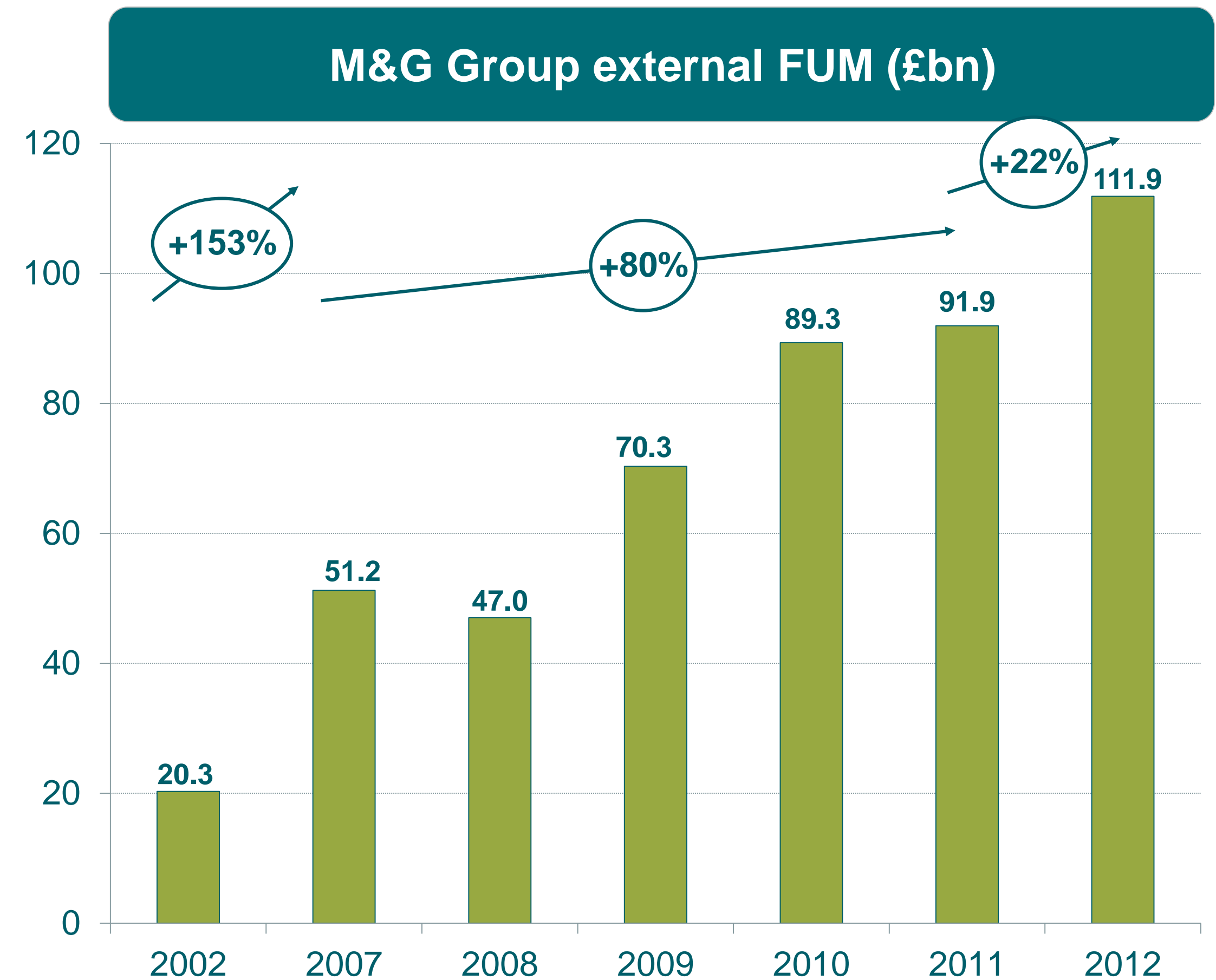
Note: From 2012 onwards, PPMSA results are recorded on a proportional basis. Profits from 2003 onwards have been restated on the same basis for comparative purposes

Source: M&G management information

M&G and the industry: differing asset growth experiences



Global FUM grew 9% in 2012 to \$62.4T

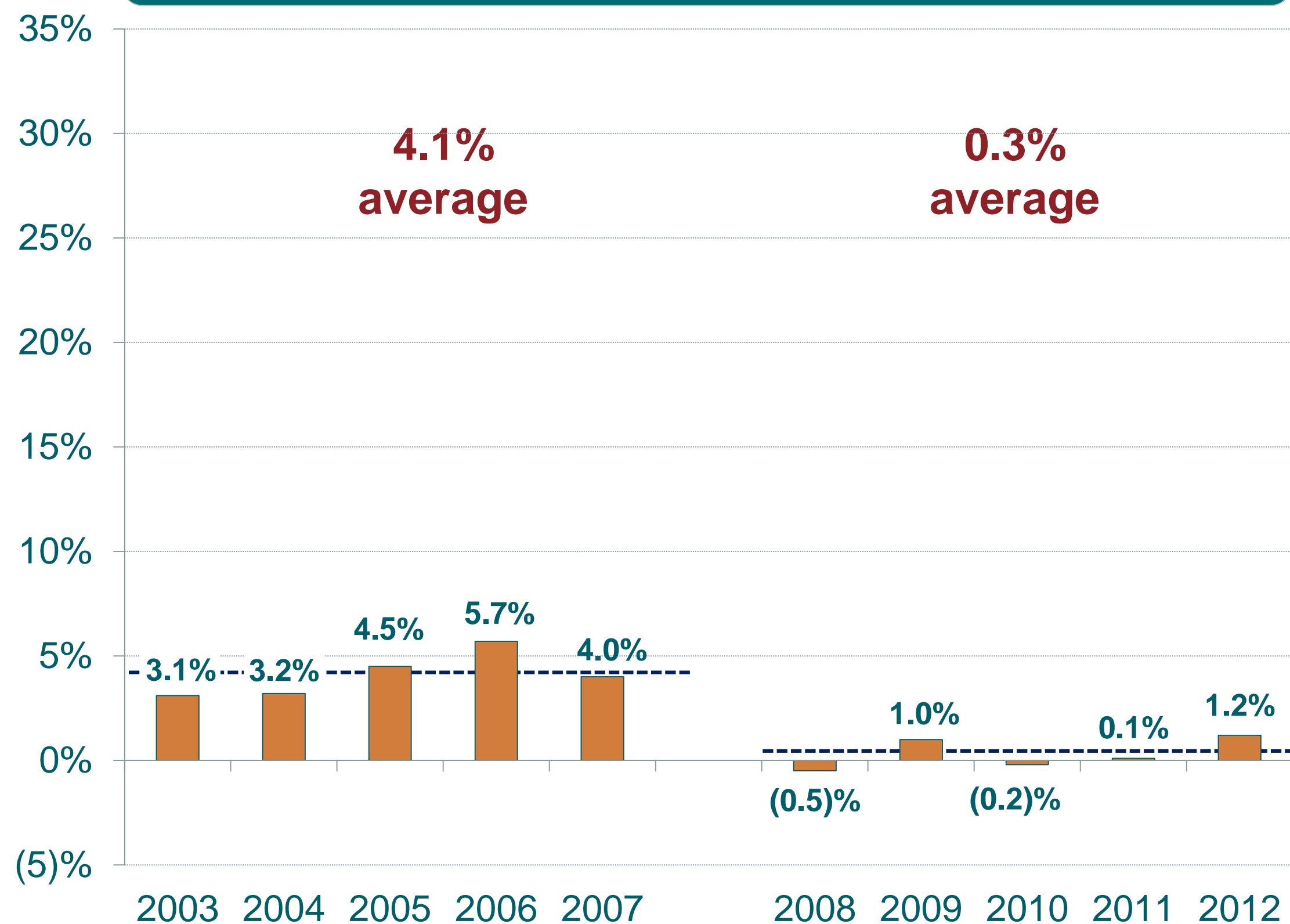


M&G external FUM grew 22% in 2012 to £111.9bn

Source: BCG Global Asset Management Market Sizing Database 2013; BCG Global Asset Management Benchmarking Database 2013; M&G management information

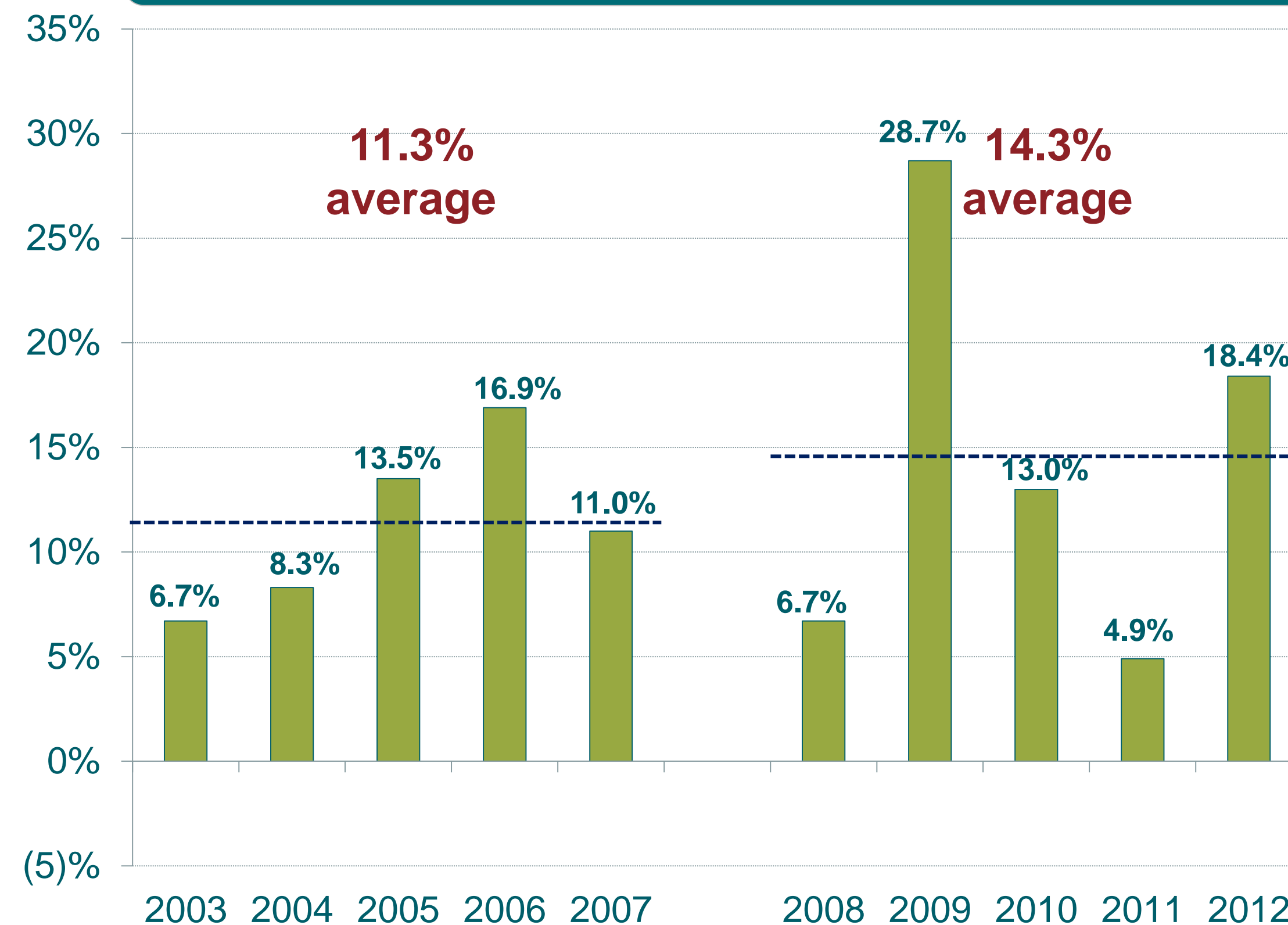
M&G has consistently benefited from strong net inflows

Average industry net flows (% of opening FUM)



Industry net flows at highest level since 2007

M&G Group net flows (% of opening FUM)

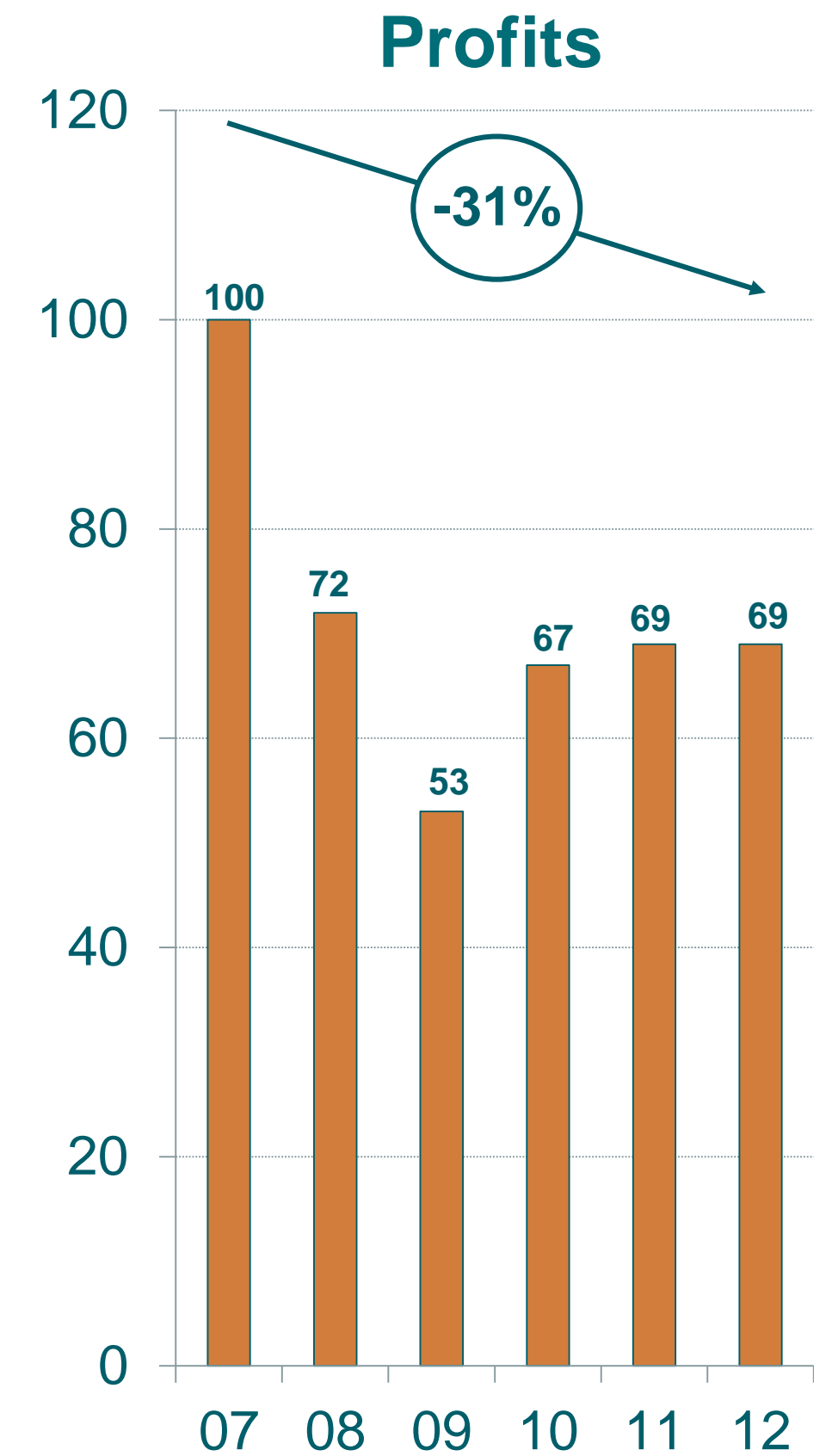
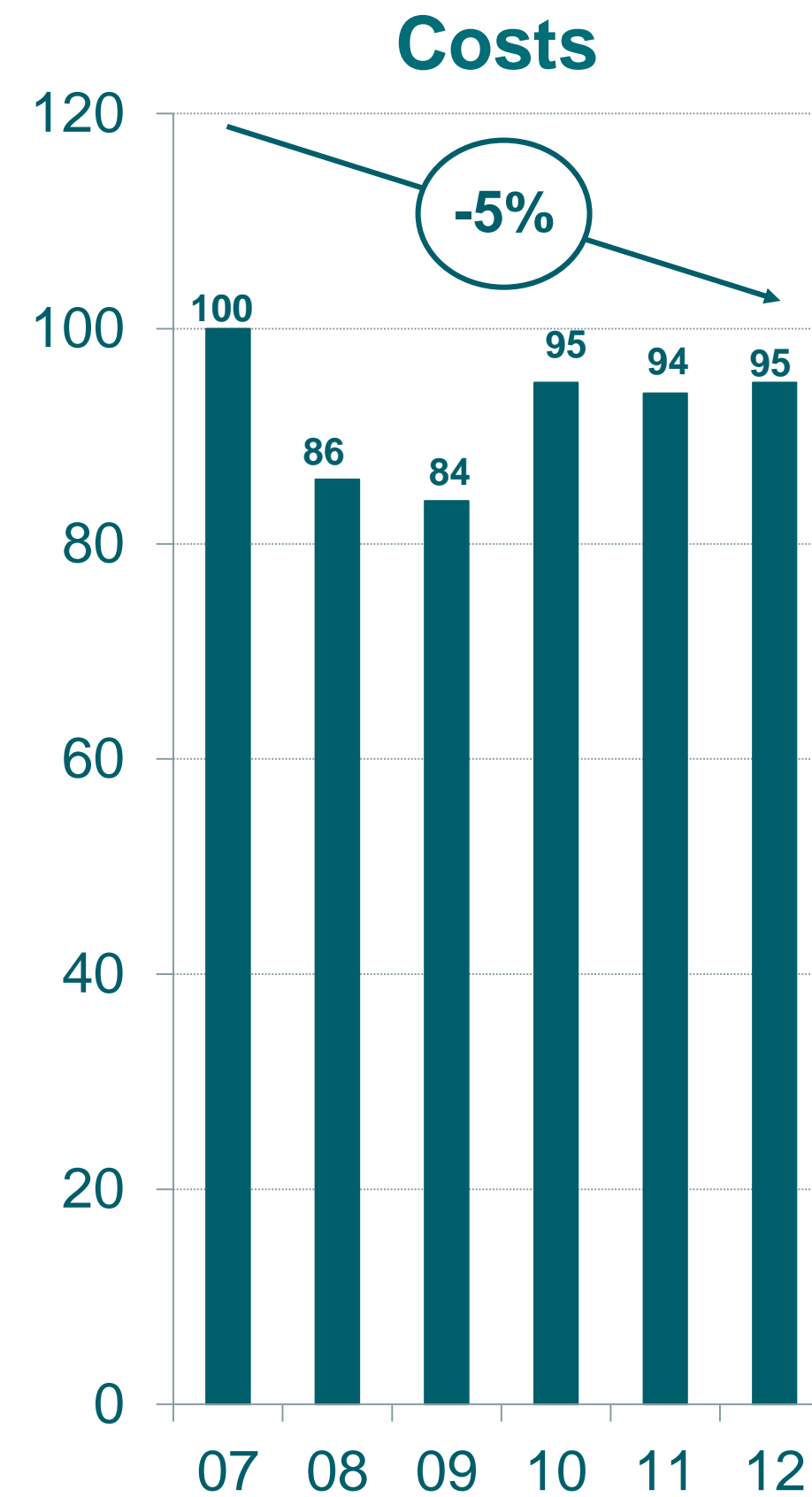
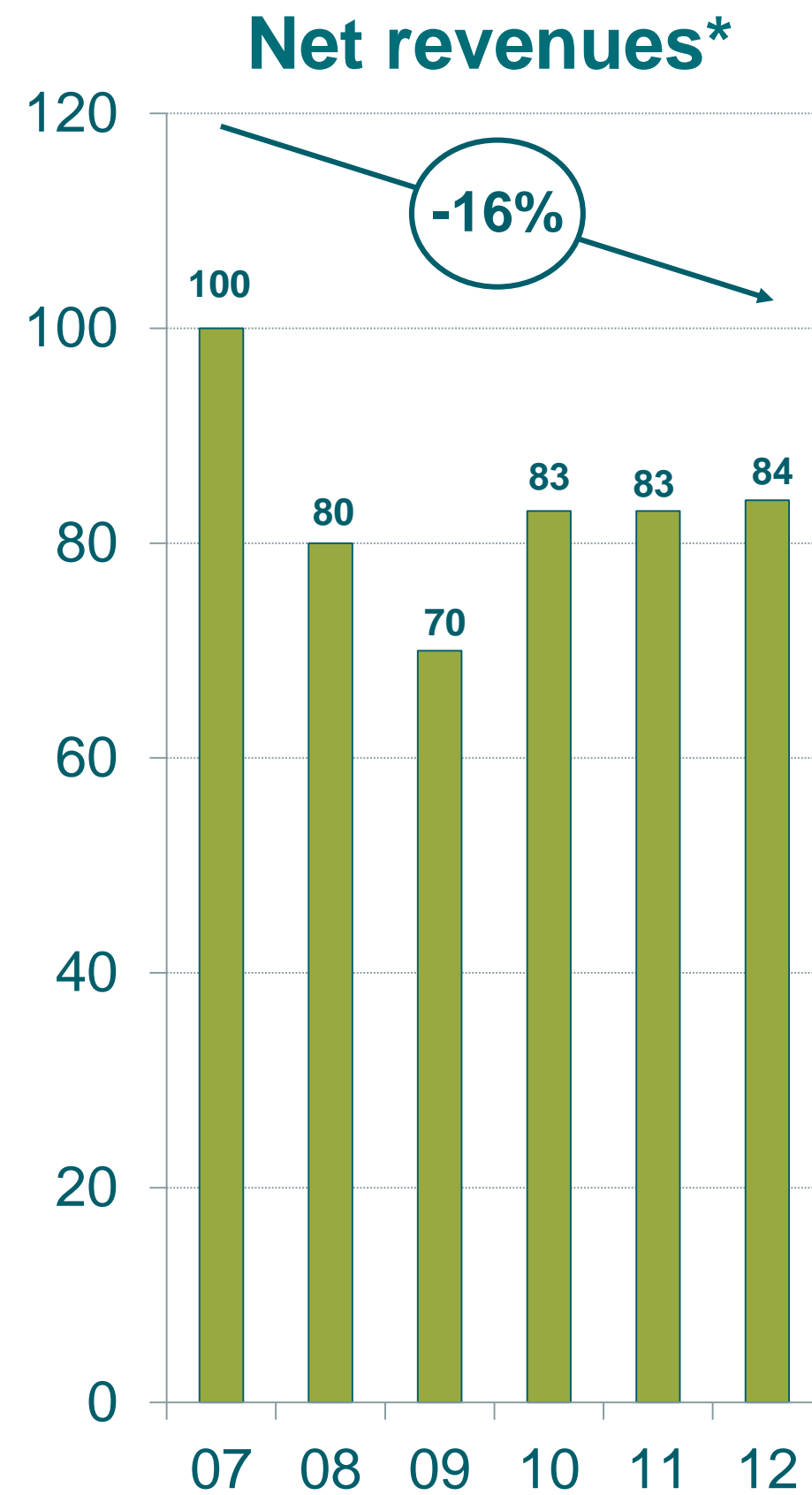
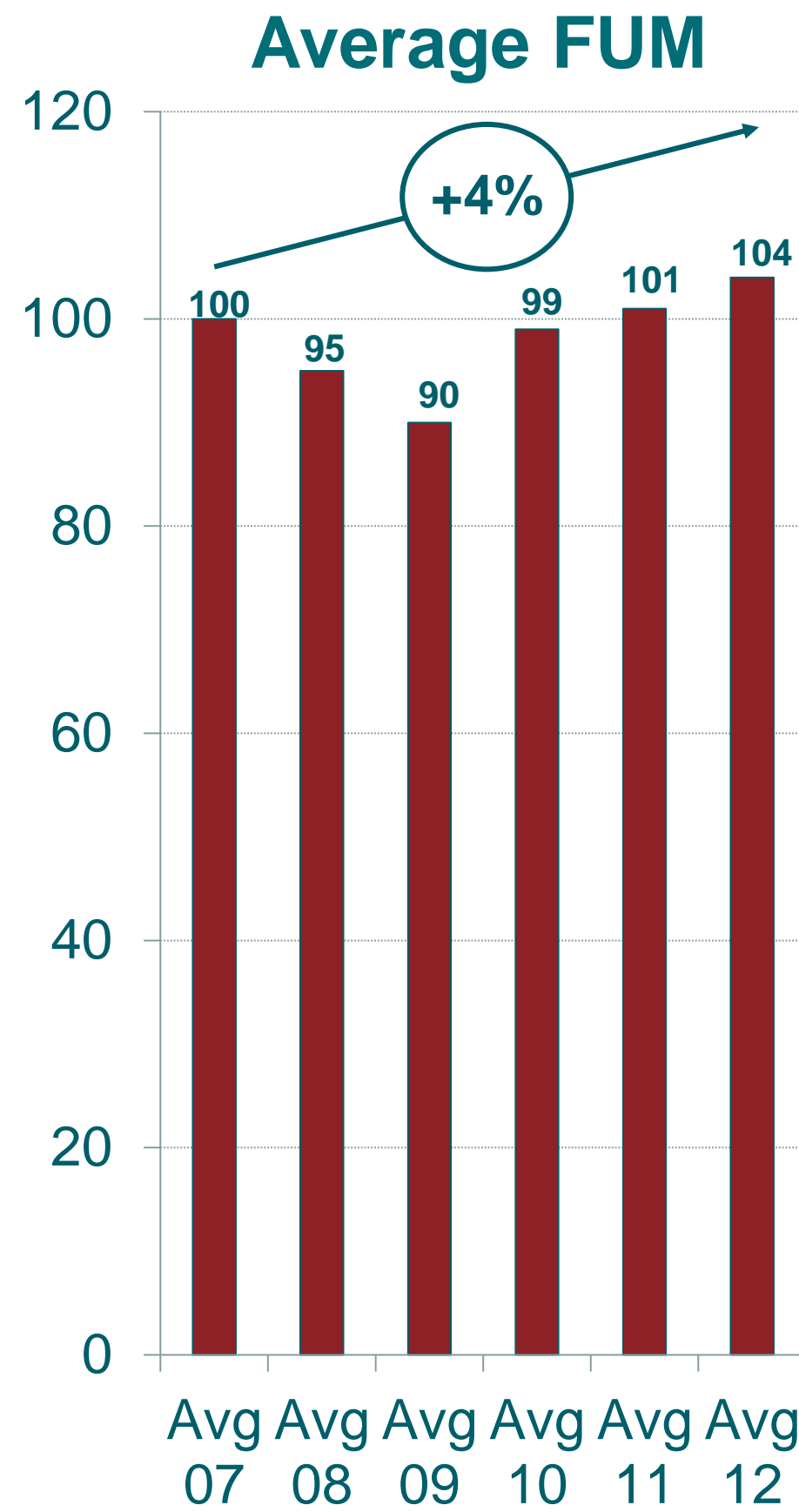


M&G: accumulating new business over the long term

Source: BCG Global Asset Management Market Sizing Database 2013; BCG Global Asset Management Benchmarking Database 2013; M&G management information

The European fund management experience

Evolution of key economics for European players

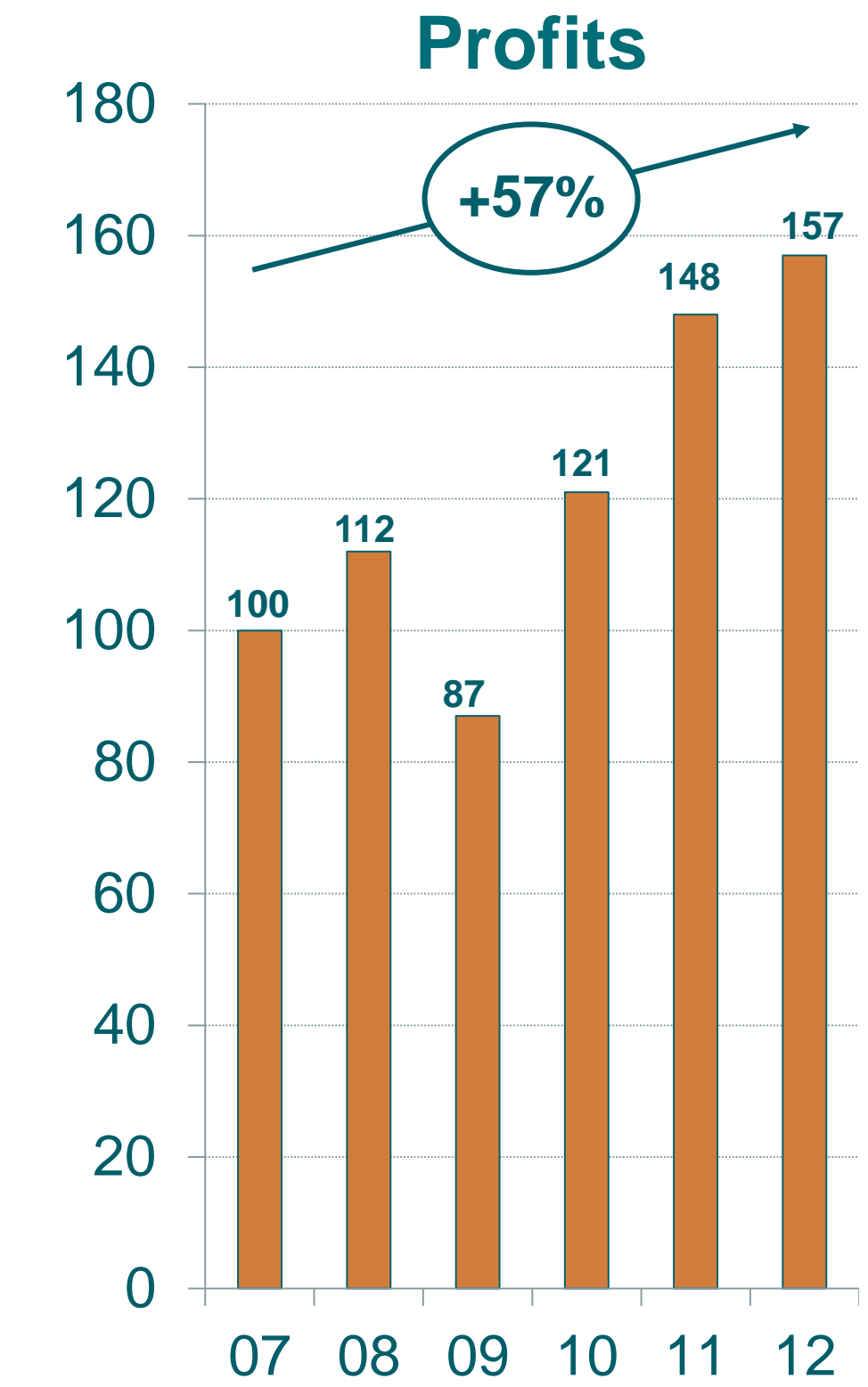
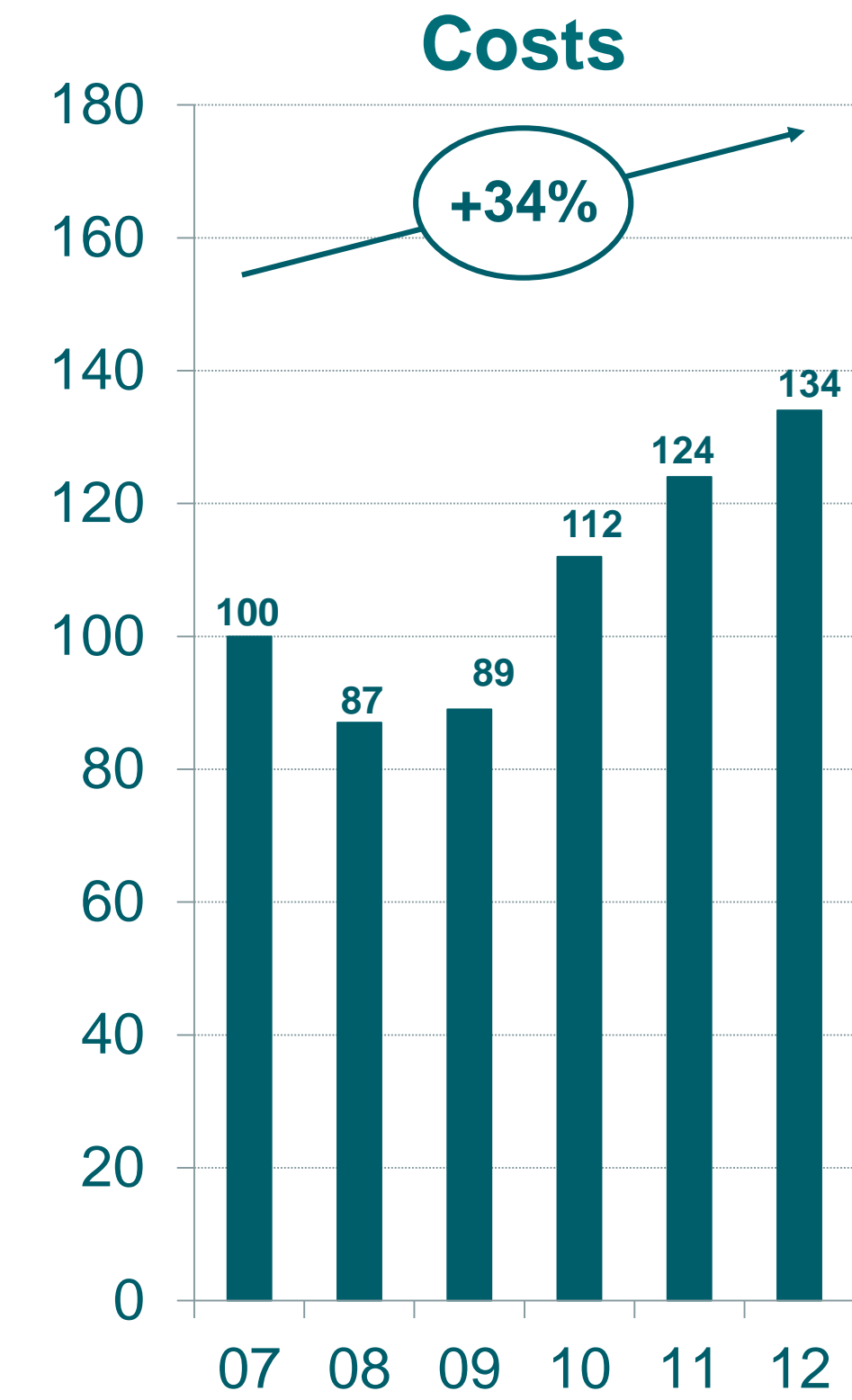
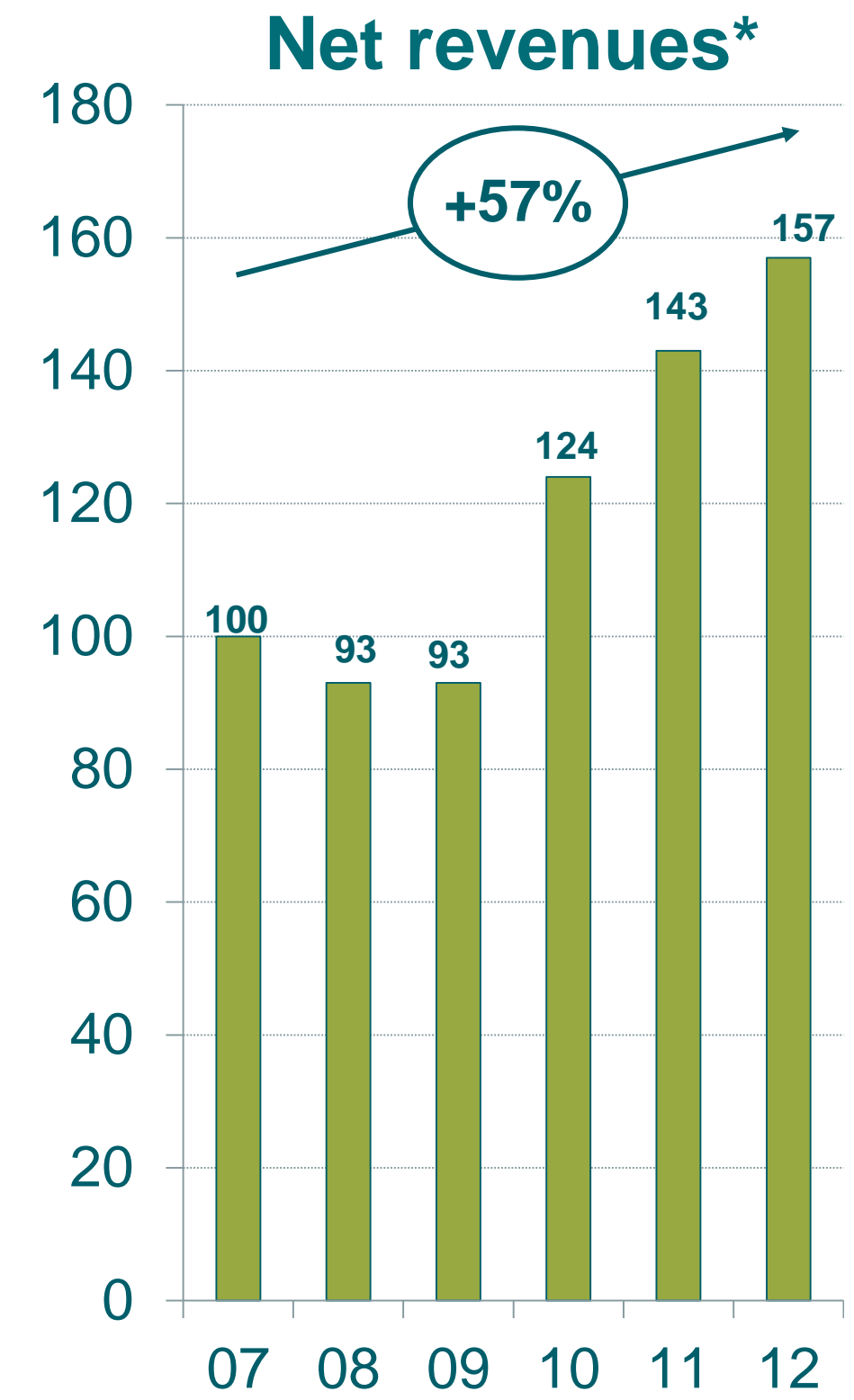
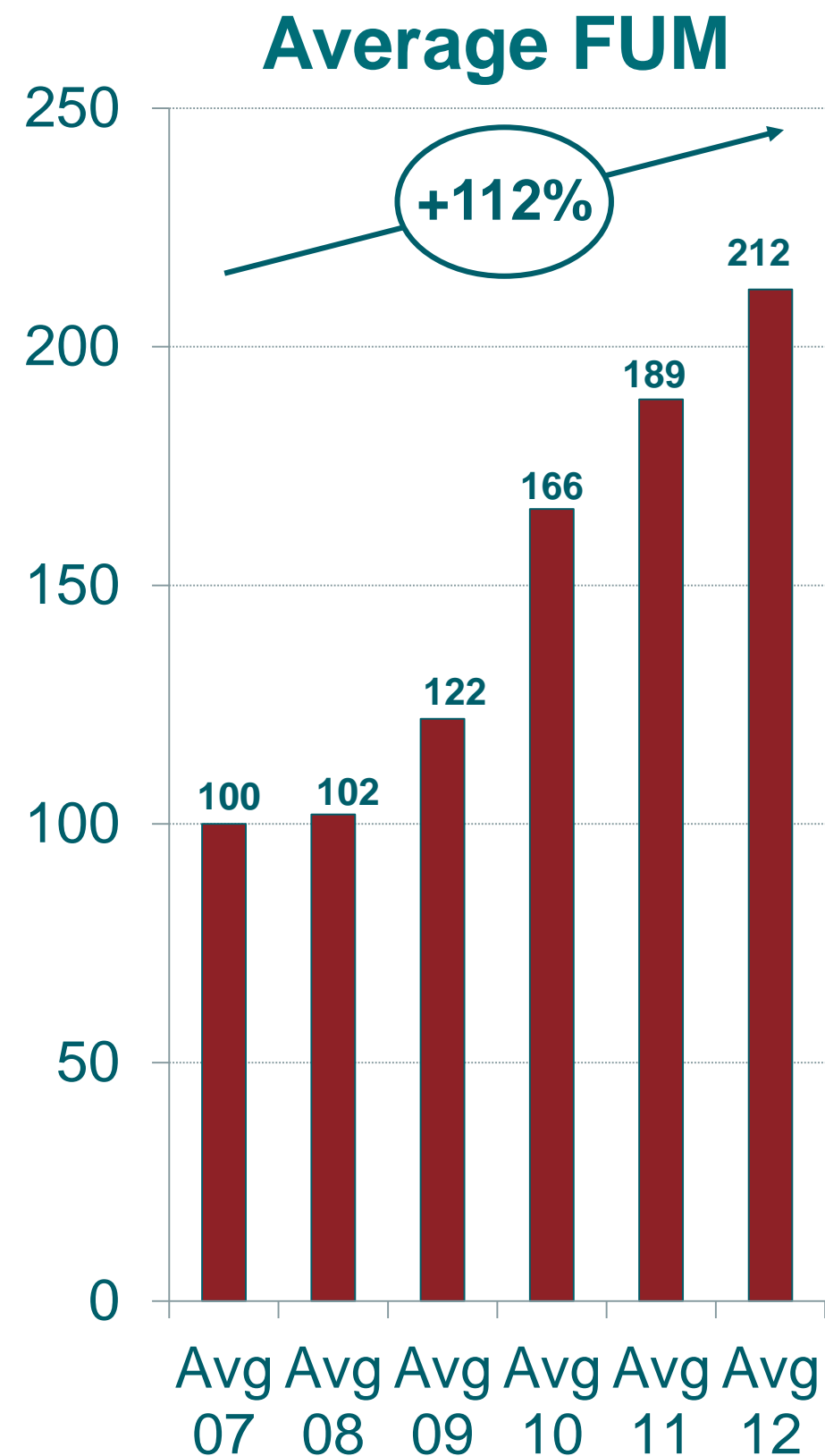


* Net revenues are management fees net of distribution costs

Source: BCG Global Asset Management Market Sizing Database 2013; BCG Global Asset Management Benchmarking Database 2013

M&G's experience

Evolution of key economics for M&G



European peers: **+4%**

-16%

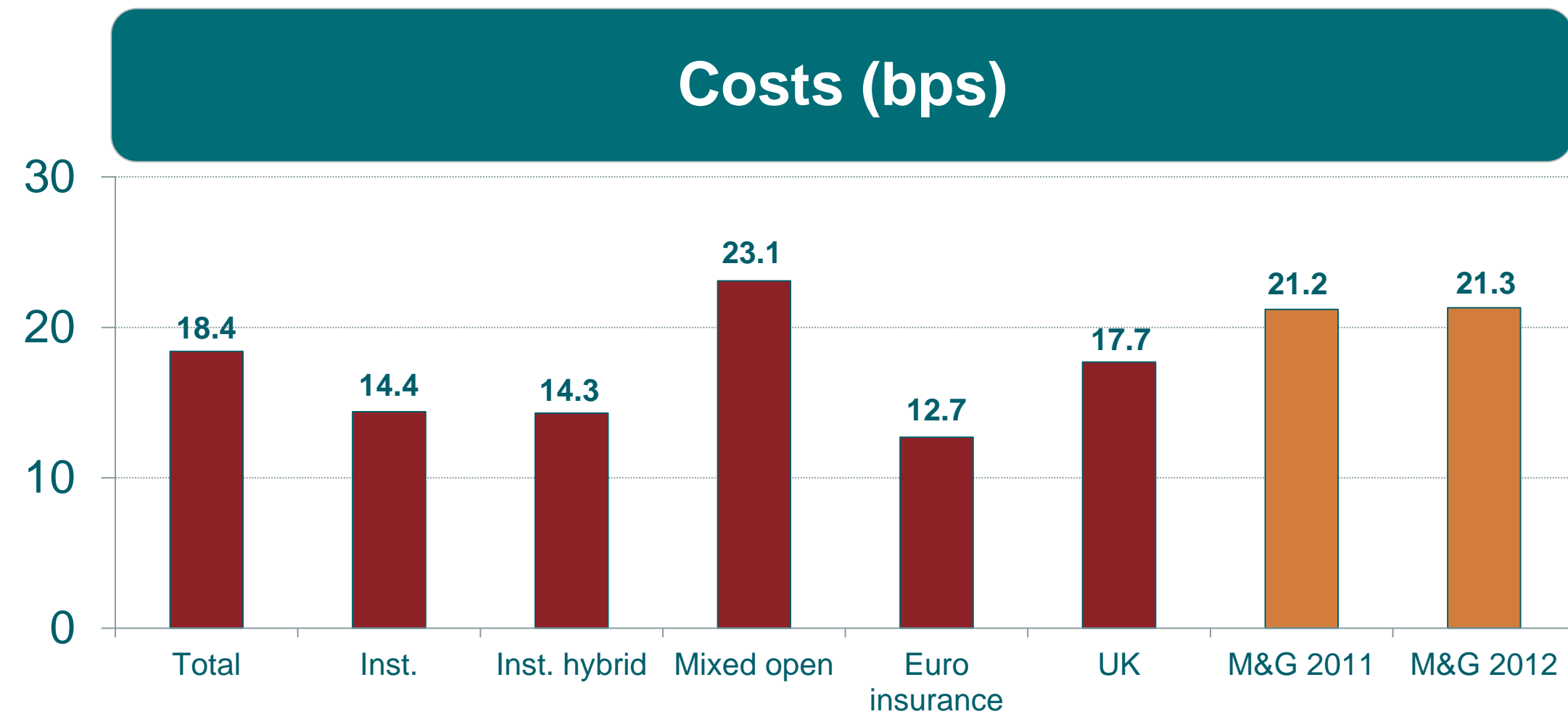
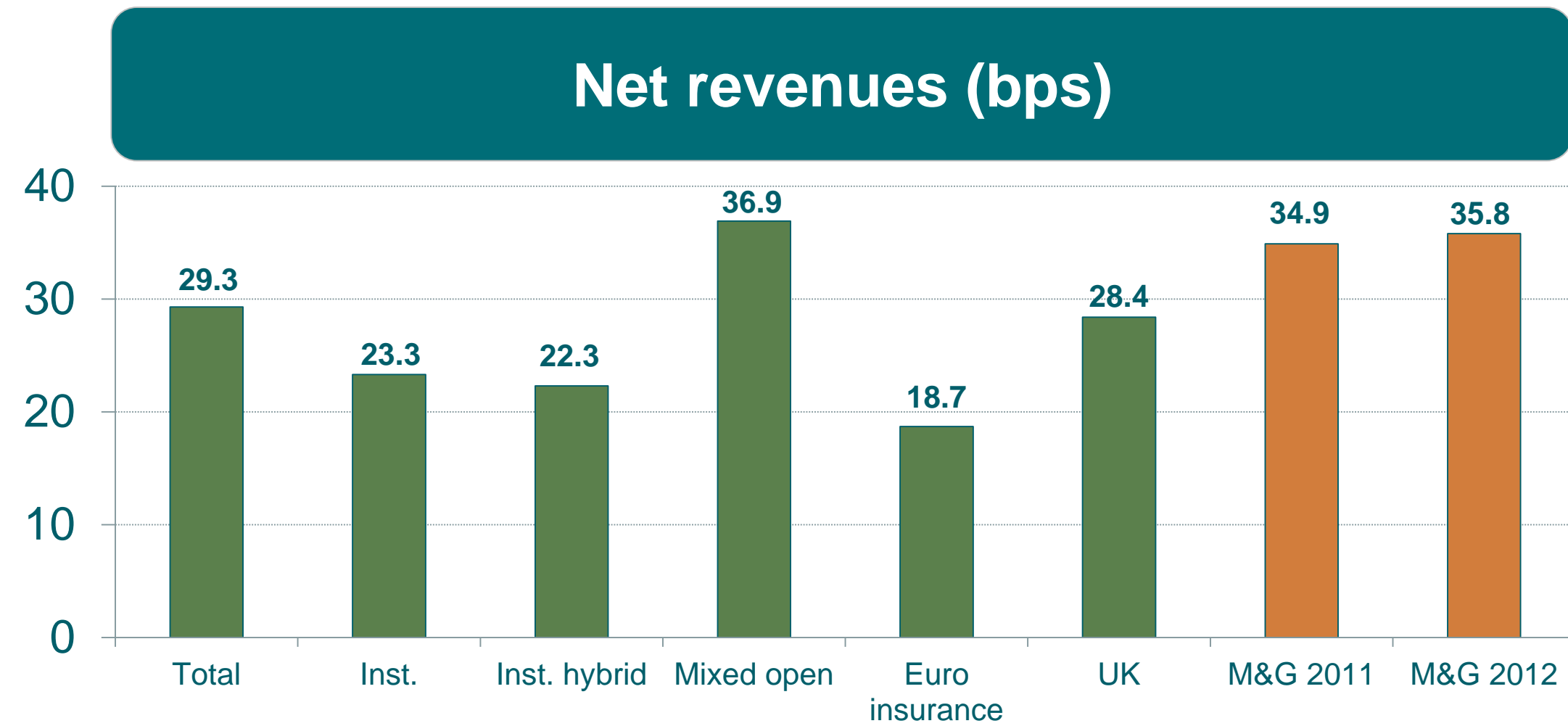
-5%

-31%

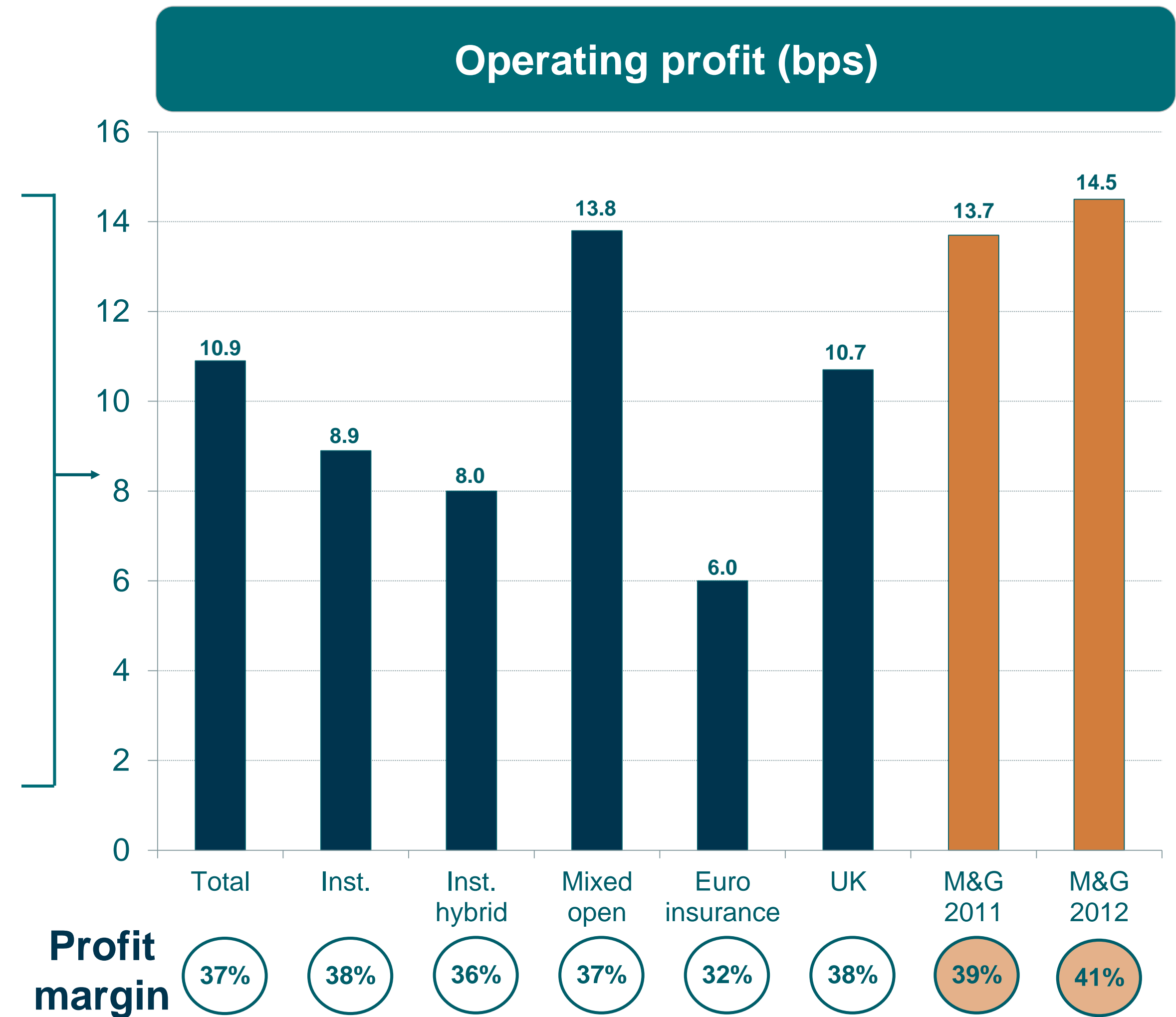
* Net revenues exclude PRFs, carried interest and investment income

Source: BCG Global Asset Management Market Sizing Database 2013; BCG Global Asset Management Benchmarking Database 2013; M&G management information

M&G has favourable key metrics compared to its peers



Source: BCG Global Asset Management Benchmarking Database 2013; M&G management information



**Past performance is not a guide to
future performance**

M&G's results have been the exception, not the industry norm

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Summary

- Full impact of RDR is yet to be determined
- RDR and other regulatory initiatives are potentially raising the barriers to entry
- M&G's net sales experience in the retail market during the period 2009 – 2013 was exceptional. It is to be expected that net sales going forward will drop back to a more normal run rate
- Growth in size and complexity of the business brings extra costs as we must invest in people, systems and office premises to support a bigger business

M&G's position

- Very strong domestic position
- Well placed for continued European growth
- Diversified asset and client base
- Growth of the business over the past decade has been achieved notwithstanding a wide variety of market conditions

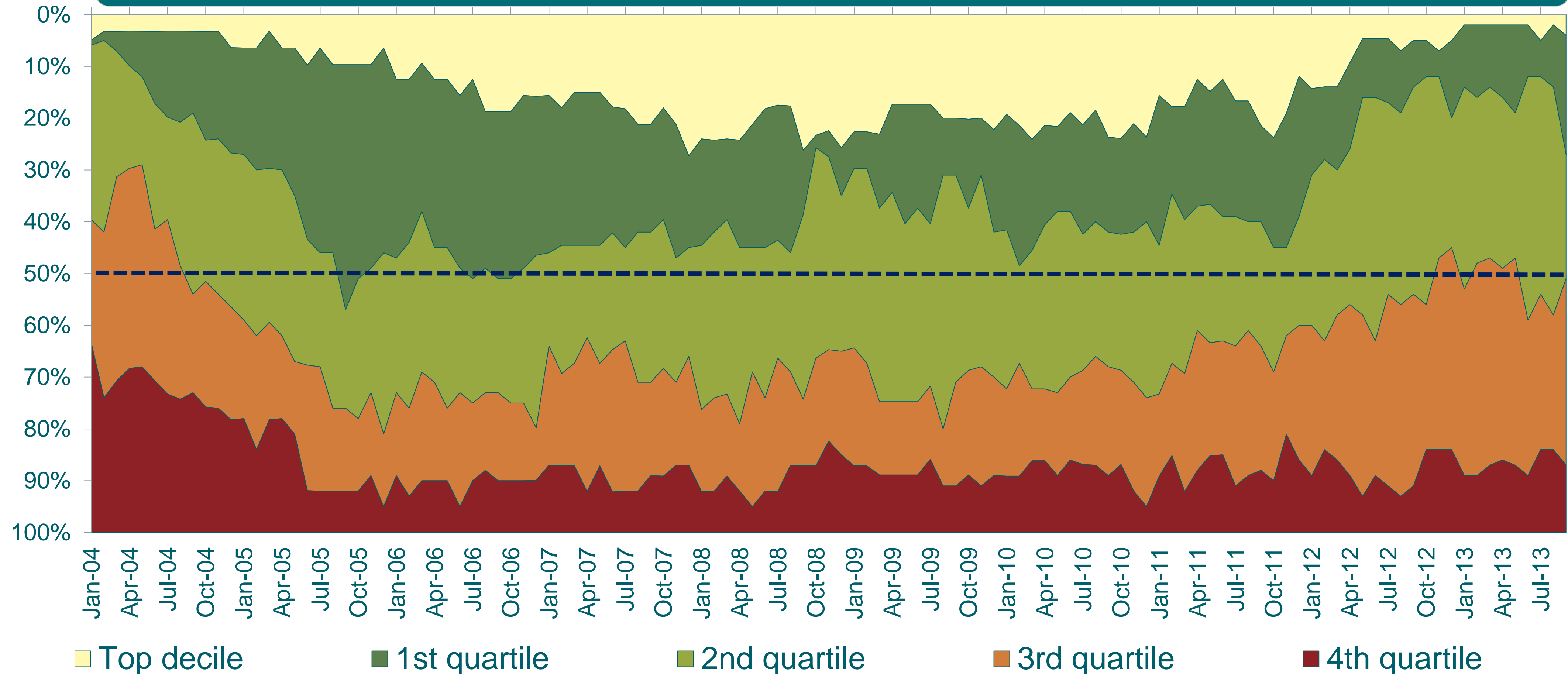
Q&A

Appendix

M&G's strategic priorities: *performance*

Investment performance is fundamental to success

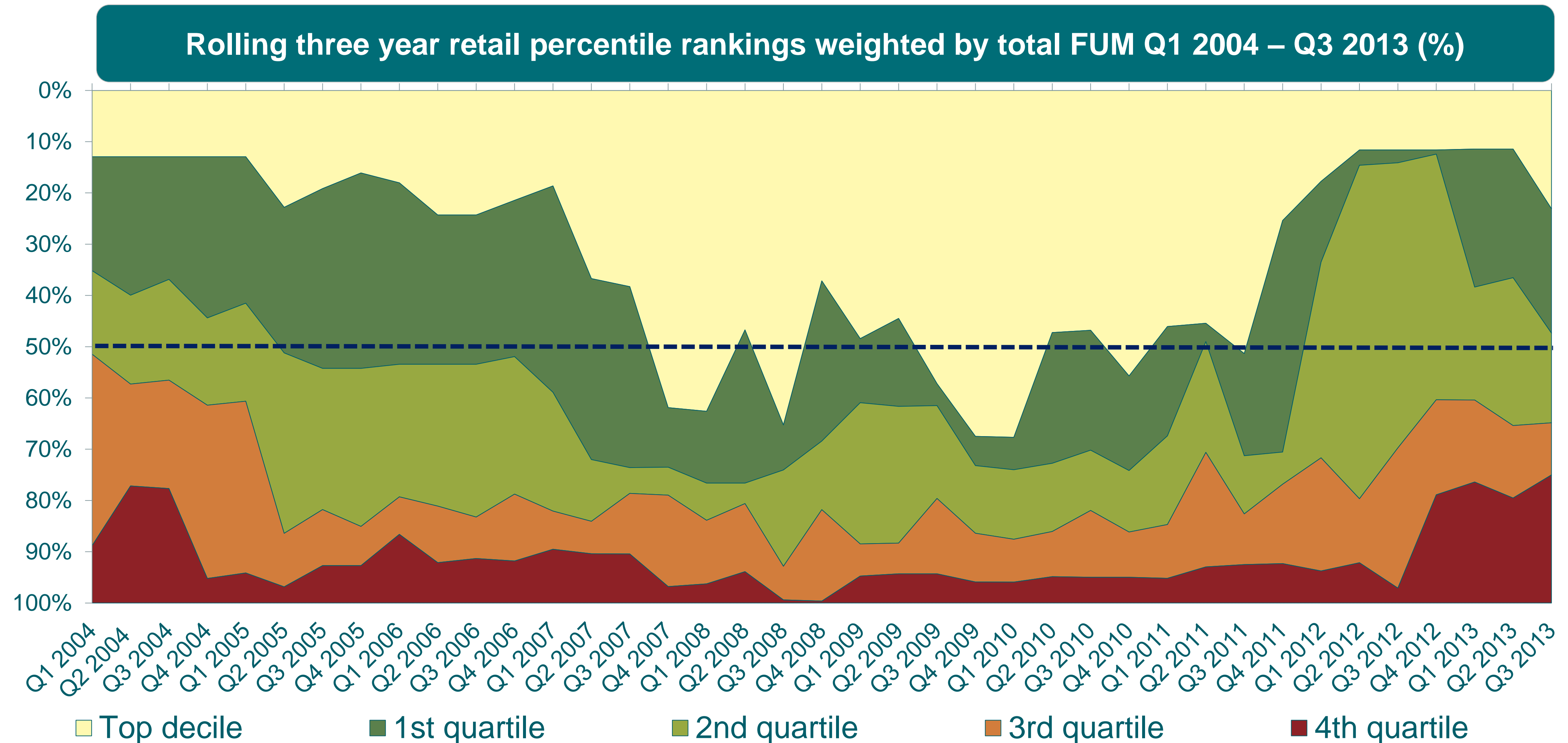
Rolling three year retail percentile rankings weighted by number of funds, Dec 2003 – Sep 2013 (%)



Source: Morningstar Inc. (UK database) as at 30 September 2013. Figures in GBP, bid to bid, net income reinvested. Quartile rankings based on ranking of the funds within their respective IMA or Morningstar sectors; M&G management information

M&G's strategic priorities: *performance*

Investment performance is fundamental to success



Source: Morningstar Inc. (UK database) as at 30 September 2013. Figures in GBP, bid to bid, net income reinvested. Quartile rankings based on ranking of the funds within their respective IMA or Morningstar sectors; M&G management information. FUM data based on total FUM as at 30 September 2013

M&G's strategic priorities: *performance*

Investment performance is fundamental to success

Excellent institutional investment performance:

- 100% of externally managed institutional fixed income mandates outperforming or meeting benchmark over three years
- M&G Real Estate has delivered an average return of 0.5% p.a. above benchmark for the Pru UK Life Fund since 1981 (earliest date records are available)

Source: M&G management information

Focused approach to launch into Asia

Same principles as applied to the launch of M&G into Europe

- Long term strategic initiative
- Focus on two Asian markets: Hong Kong and Singapore
- Leveraging off our existing global private bank clients
- M&G is operating on a cross-border basis only
 - Maintaining our single UK-domiciled OEIC platform
- Targeting mass retail money is not part of our medium term strategy

BCG global asset management benchmarking survey: segmentation of peer groups based on business models

Segmentation of benchmarking study participants

Institutional FUM (% of total FUM)	> 67%	Institutional captive	Institutional hybrid	Institutional open
	35 – 75%	Mixed captive	Mixed hybrid	Mixed open
	< 40%	Retail captive	Retail hybrid	Retail open
		> 75%	50 – 75%	< 50%
		Captive FUM (% of total FUM)		

M&G belongs in the institutional hybrid peer group based on its total FUM* but since it has high retail third-party revenue realisation it also benchmarked against the mixed open peer group as well

Two key drivers: share of institutional FUM vs. retail FUM and of captive vs. external third-party assets

Source: BCG Global Asset Management Benchmarking Database 2013; M&G management information excluding PPMSA FUM

End
