

# M&G Prudential

## John Foley

Chief Executive  
M&G Prudential

## Clare Bousfield

Chief Financial Officer  
M&G Prudential

# M&GPrudential

John Foley – Chief Executive

Singapore, 15 November 2018



## M&GPRUDENTIAL

a business focused on excellence in active investment and customer solutions



### FOUNDED

2017 

1931 

1848 



### GEOGRAPHY

**28**  
COUNTRIES



### AUM

£ **334** bn  
(9M 2018)



### HEADQUARTERS

  
**LONDON**

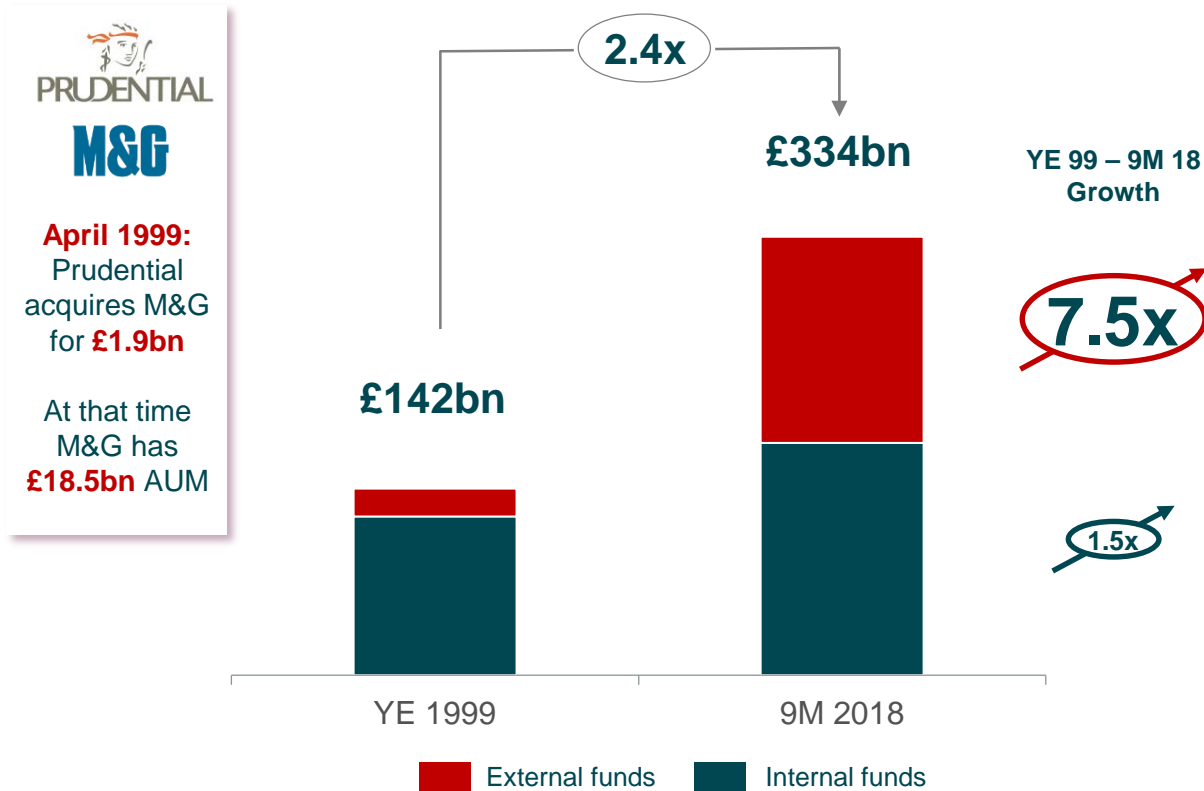


### CUSTOMERS

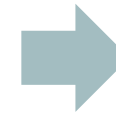
retail  
wholesale  
institutional

# Track record of success built by two complementary businesses

## Growth of M&G Prudential AUM



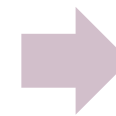
**One of the largest multi-asset retail funds in Europe<sup>1</sup>**  
managed by M&G and PPMG



**#1 active fixed income manager in UK<sup>2</sup>**  
successful build-out from annuities business



**One of the largest private credit investors in the world**  
investment expertise and track record



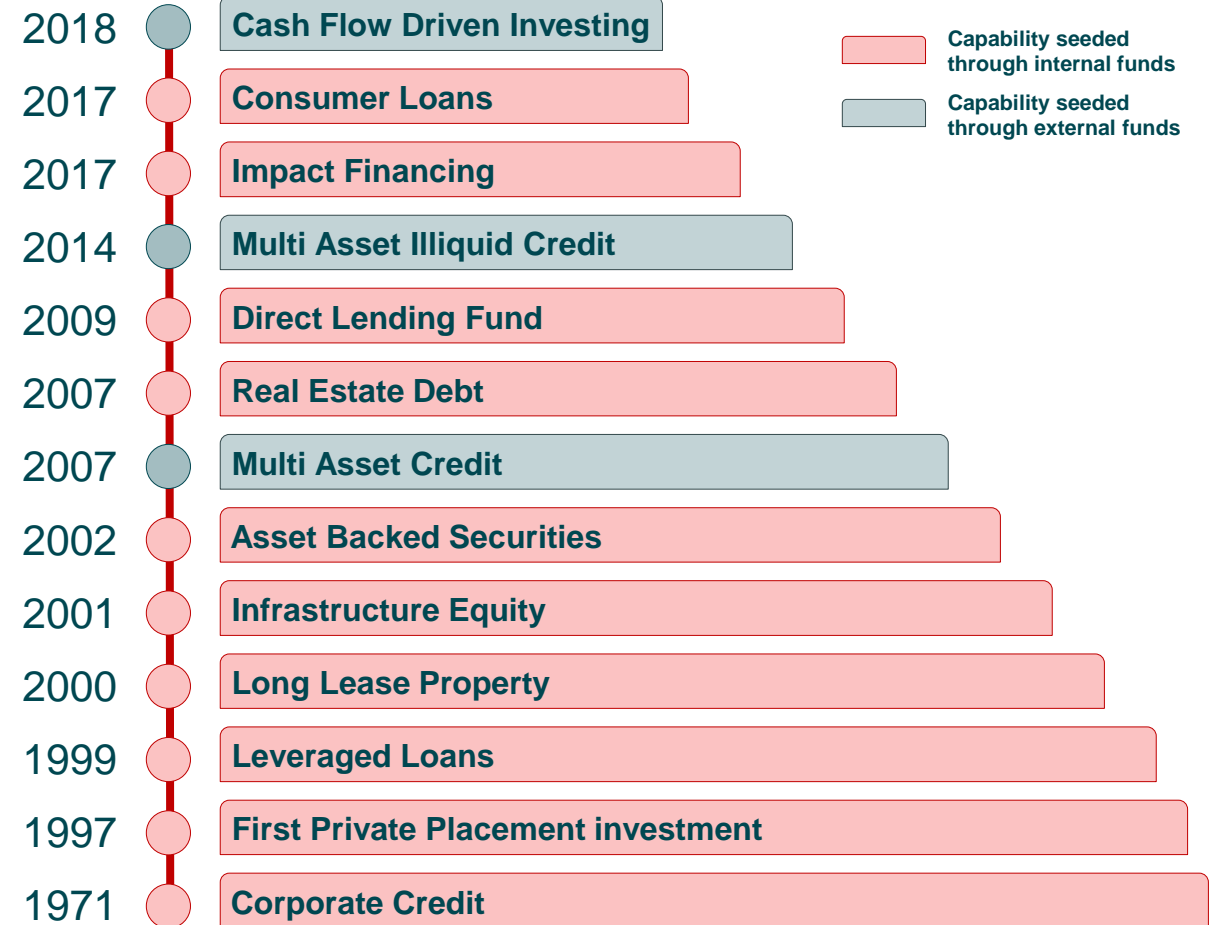
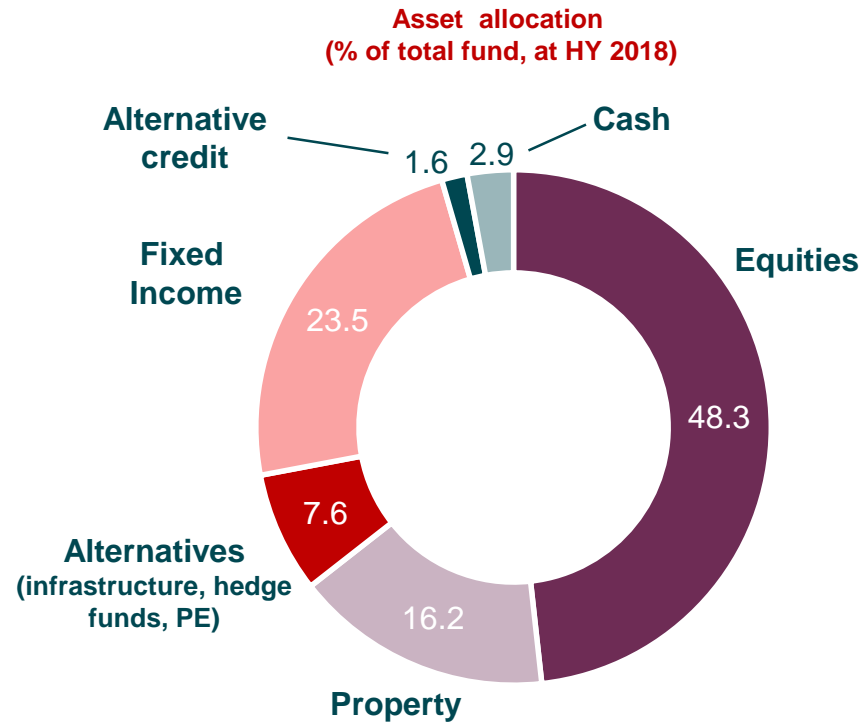
**A leading solutions provider with international growth**  
PruFund in the UK; retail growth in Europe, institutional growth internationally

1. M&G Prudential analysis comparing our largest with-profits fund (OBMG, £81bn) with all other European with-profits and multi-asset funds  
2. M&G is the largest active manager for fixed income by AUM in the UK based on Investment Association data; "active" definition excluding passives, overseas funds and funds of funds

# Track record of seeding asset management capabilities using internal and external funds

## £130bn+ With-Profits Fund

- ➔ One of the largest multi-asset funds in Europe
- ➔ c25% invested in private assets / illiquids



# Competitive advantages unrivalled in our peer group

M&GPRUDENTIAL

## Differentiated investment capability

1

Strength in less  
commoditisable segments

**£56bn** of private assets  
under management

Valued propositions driving  
fees and persistency

M&GPRUDENTIAL

## Customer solutions focus

2

With-profits, multi-asset,  
institutional

PruFund: a leading retail  
investment solution in the UK  
with **£43bn** AUM

With-profits fund with  
**£130bn+** AUM

M&GPRUDENTIAL

## Strong distribution with international growth

3

Retail, wholesale and  
institutional

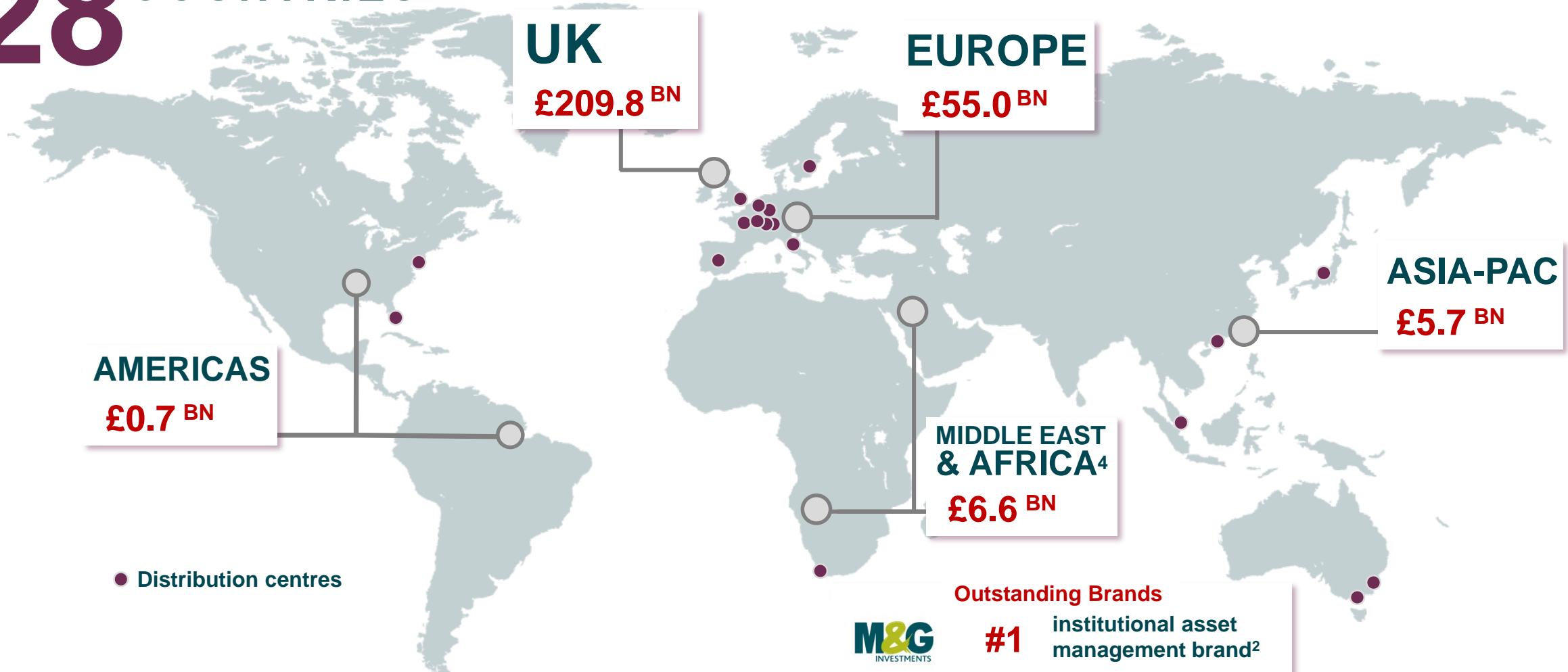
In **28** countries with  
international growth

Multi-channel breadth and depth  
in UK and Europe

**2** outstanding brands

# Growing international footprint with two outstanding brands<sup>1</sup>

## 28 COUNTRIES



**Outstanding Brands**

	<b>#1</b>	institutional asset management brand <sup>2</sup>
	<b>#1</b>	rated for long-term returns for customers <sup>3</sup>

1. AUM as at 9M 2018). Relates to M&G managed AUM only  
 2. Edelman Asset Management Brand Index, 2017  
 3. Watermelon Research, brand tracking survey of c2000 UK resident adults, H1 2018, rated first equal UK life and pensions brand  
 4. Assets from Prudential Investment Managers South Africa are recorded on a proportional basis in line with M&G's 49.99% associate shareholding

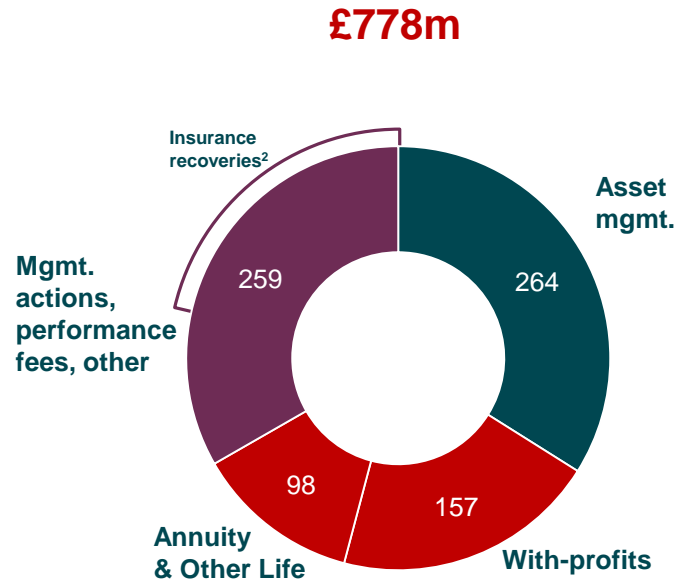


# Diversified earnings profile: a resilient platform for independence and growth

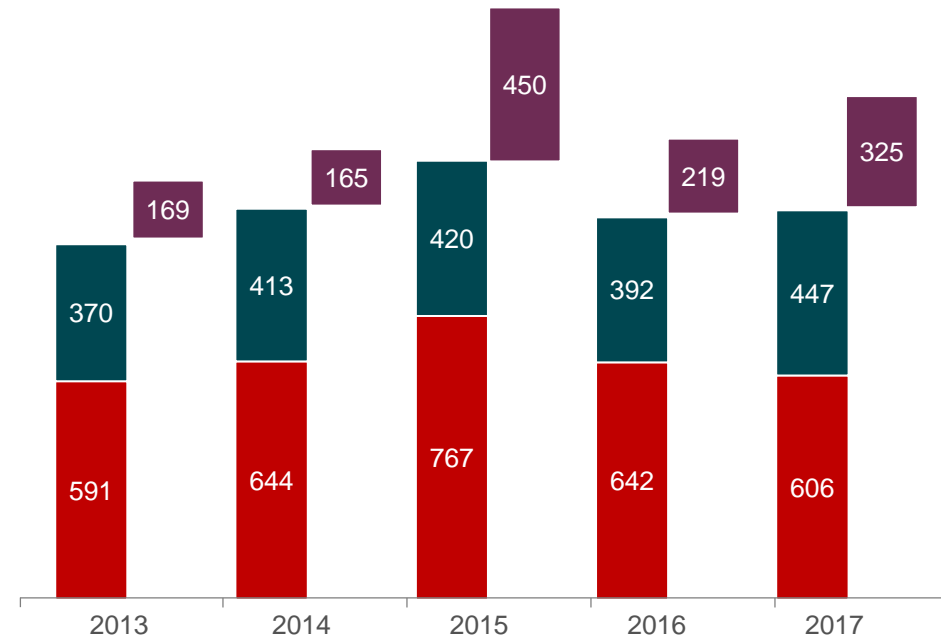
## Diversified Earnings Profile

## Capital profile

H1 18 IFRS Operating Profit, £m<sup>1</sup>



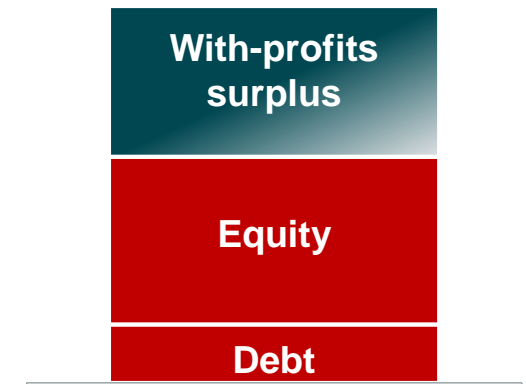
IFRS Operating Profit by Source, £m<sup>3</sup>



Illustrative

Expectation of M&G Prudential holding around **£3.5 billion** of subordinated debt

Expectation of M&G Prudential shareholder Solvency II ratio of **170%**



1. For HY18 new business annuity profits are included in Management Actions, Performance Fees and Other as this business is no longer core business. For prior years, new business annuity profits have been included within core Prudential UK&E business  
 2. Insurance recoveries of £166m costs associated with undertaking a review of past annuity sales  
 3. In November 2014 the Group disposed of its 25% interest in PruHealth and PruProtect. The IFRS profits from this business are included in the 2013 and 2014 results above ( £11m in 2013 and £23m in 2014)



# Combination of global trends and competitive advantages create an immense opportunity for M&G Prudential

## Global Opportunities

Retirement Opportunity

Retirement assets outside US and Asia (US\$)<sup>1</sup>

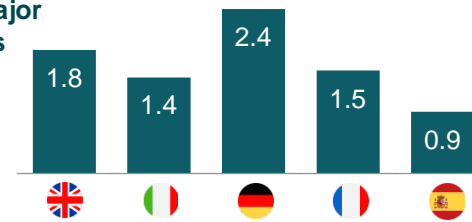
**\$11.5trn**

DB and DC pension assets

**62%** fall in UK annuities market since pensions freedoms<sup>2</sup>

“One Step out of Cash”

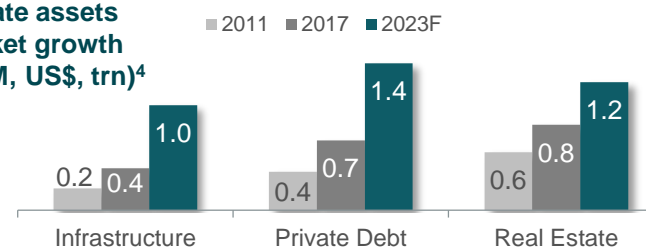
Household cash deposits in major EU economies (€ trn)<sup>3</sup>



**€10trn+** EU household cash deposits

Private Assets

Private assets market growth (AUM, US\$, trn)<sup>4</sup>



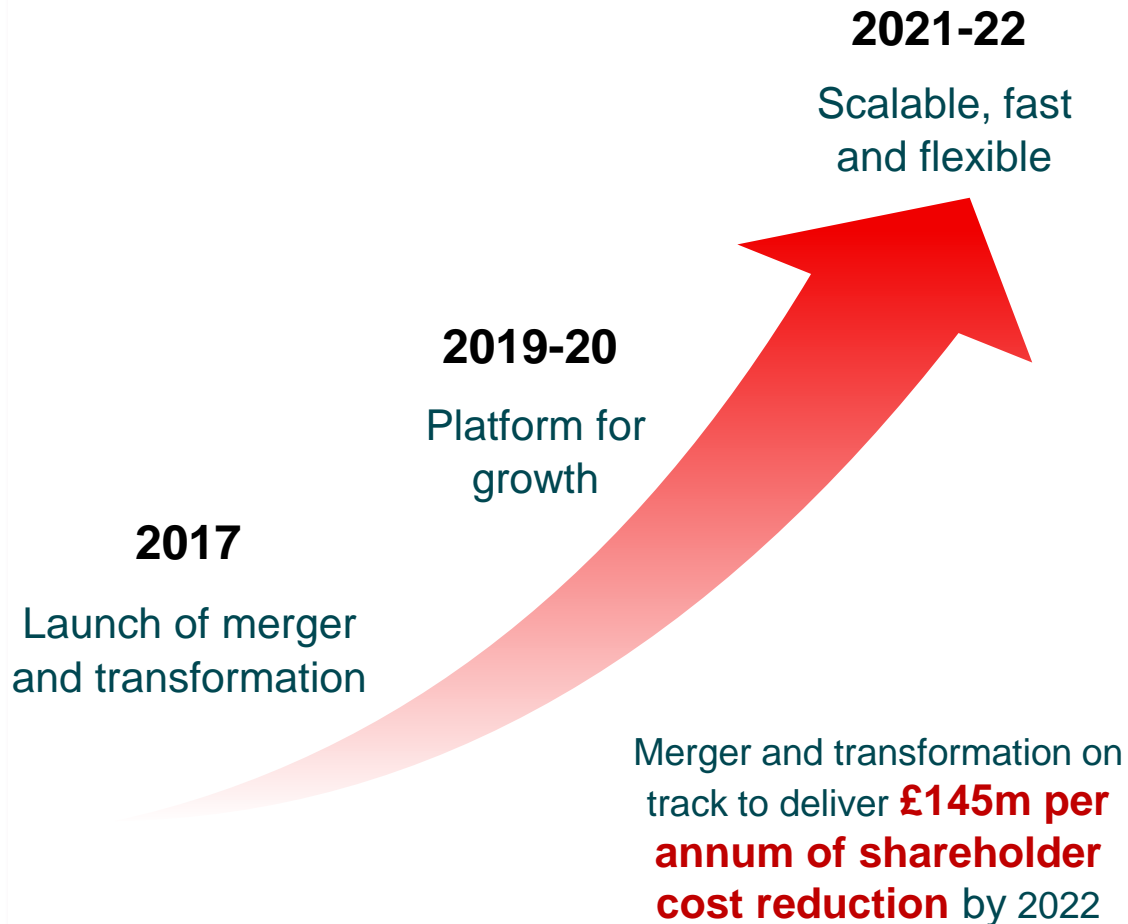
**+89%** growth in private assets AUM 2017-2023

**M&G PRUDENTIAL**  
Competitive advantages unrivalled in our peer group

- Differentiated investment capability**  
Strength in less commoditisable segments  
**£56bn** of private assets under management  
Valued propositions driving fees and persistency
- Customer solutions focus**  
With-profits, multi-asset, institutional  
PruFund: a leading retail investment solution in the UK with **£43bn** AUM  
With-profits fund with **£130bn+** AUM
- Strong distribution with international growth**  
Retail, wholesale and institutional  
in **28** countries with international growth  
Multi-channel breadth and depth in UK and Europe  
**2** outstanding brands

1. Thinking Ahead Institute, Willis Towers Watson, Global Pension Assets Study 2018  
2. 2013-2017, individual annuities only, ABI  
3. Household deposit data from Eurostat  
4. Preqin, Future of Alternatives Report 2018

## Ambition



- ✓ a competitively advantaged business
- ✓ competing in the right segments
- ✓ a strong track record
- ✓ international growth
- ✓ diversified and resilient earnings
- ✓ transforming to be truly customer-centric

# Investor Conference

**Clare Bousfield CFO**



Singapore, 15 November 2018

# Getting to know our business

Three areas of our company we want you to know more about

## Our achievements to date...

## ... Growth opportunities



### 1. With-Profits fund

#### One of the largest retail multi-asset funds in Europe<sup>1</sup>

With-Profits total Funds under Management reached £134bn in H1-2018, up £16bn over the last 18 months<sup>2</sup>



Extend PruFund distribution to new client segments and geographies



### 2. Platform

#### Fastest growing advised platform in the UK<sup>3</sup>

We launched our digital platform in Q4-2016 and have reached over £10bn AuA in under 21 months



Continue broadening range of wrappers and investment solutions



### 3. Private Assets

#### £56bn of Private Assets AuM

Of which £28bn from external clients, making us one of the largest private credit investors in the world<sup>4</sup>



Expand sourcing capabilities across geographies and asset classes

1) M&G Prudential analysis comparing our largest With-Profits fund (OBMG, £81bn) with all other European With-Profits and multi-asset funds;

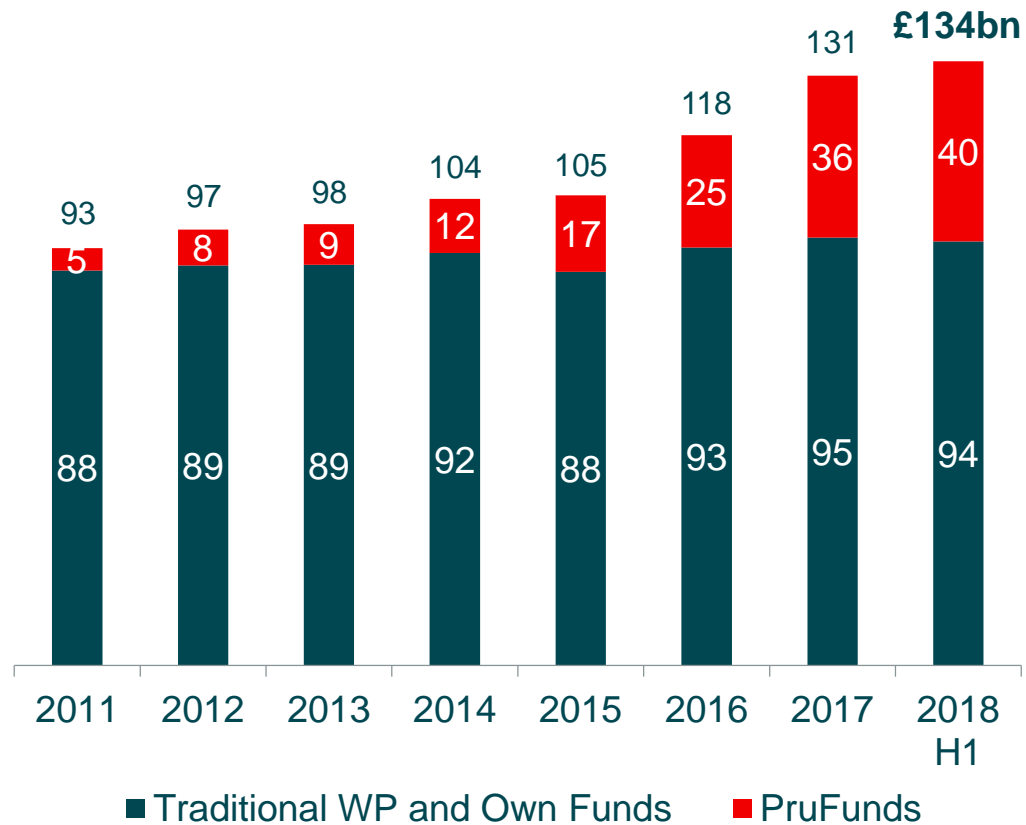
2) From December 2016 to June 2018; 3) According to the H1 2018 UK Advised Platform Market data from Platform;

4) According to the PDI 50, the annual ranking of Private Debt Investors – Rankings are based on capital raised over the last 5 years

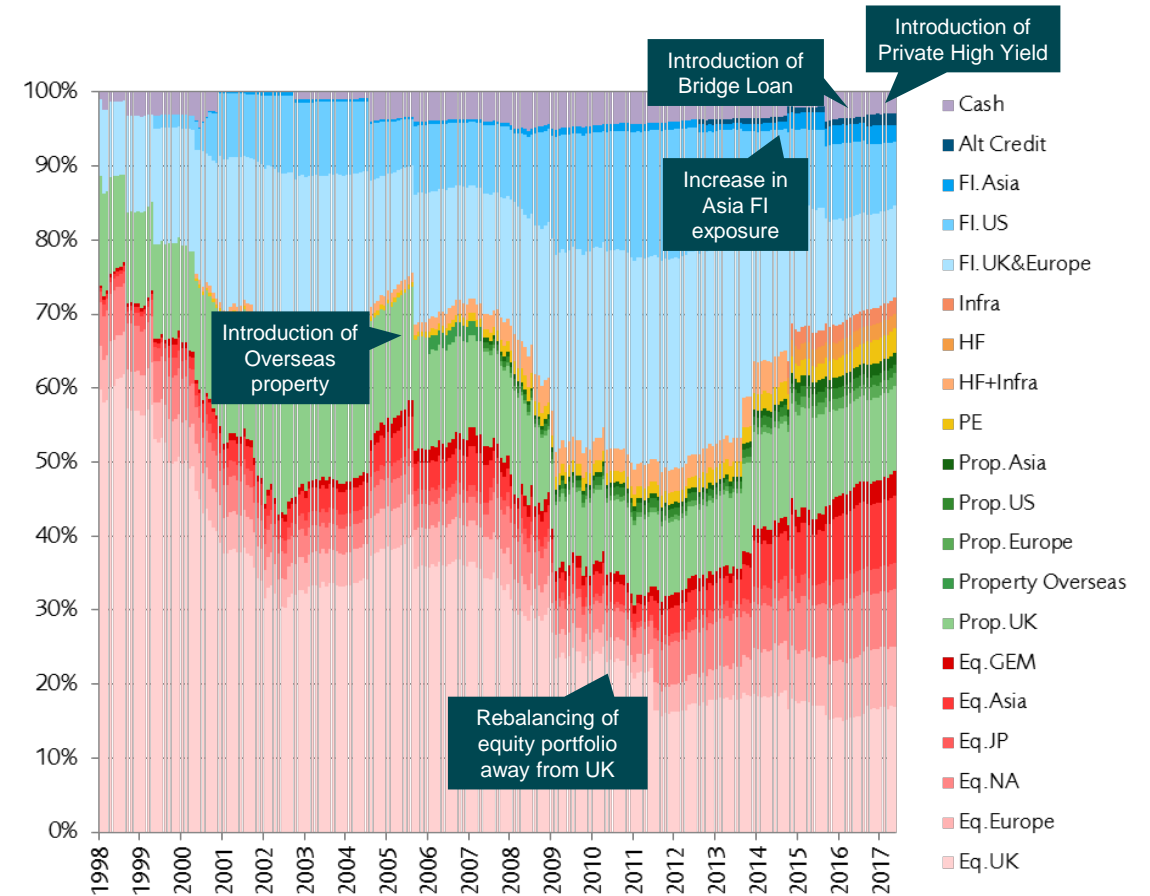
# Our With-Profits fund, launched in 1848, now totals £134bn FuM

90%+ of assets are managed in-house benefitting from our investment innovation

## Total With-Profits FuM growth (£bn)



## Strategic Asset Allocation evolution over time<sup>1</sup>

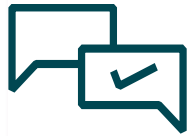


1) Illustrates Strategic Asset Allocation for OBMG, the largest With-Profit sub-fund which accounts for £81bn AuM as of end of H1 2018

# PruFund's success is due to its ability to address customer needs

Clear offering, capital growth and lower volatility are at the core of our proposition

## What customers want...



... a product that is **easy to understand...**



## What PruFund gives them...

A single, simple **Expected Growth Rate (EGR)** specific to the wrapper and investment profile chosen



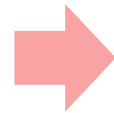
... that delivers value-for-money in the shape of **investment returns...**



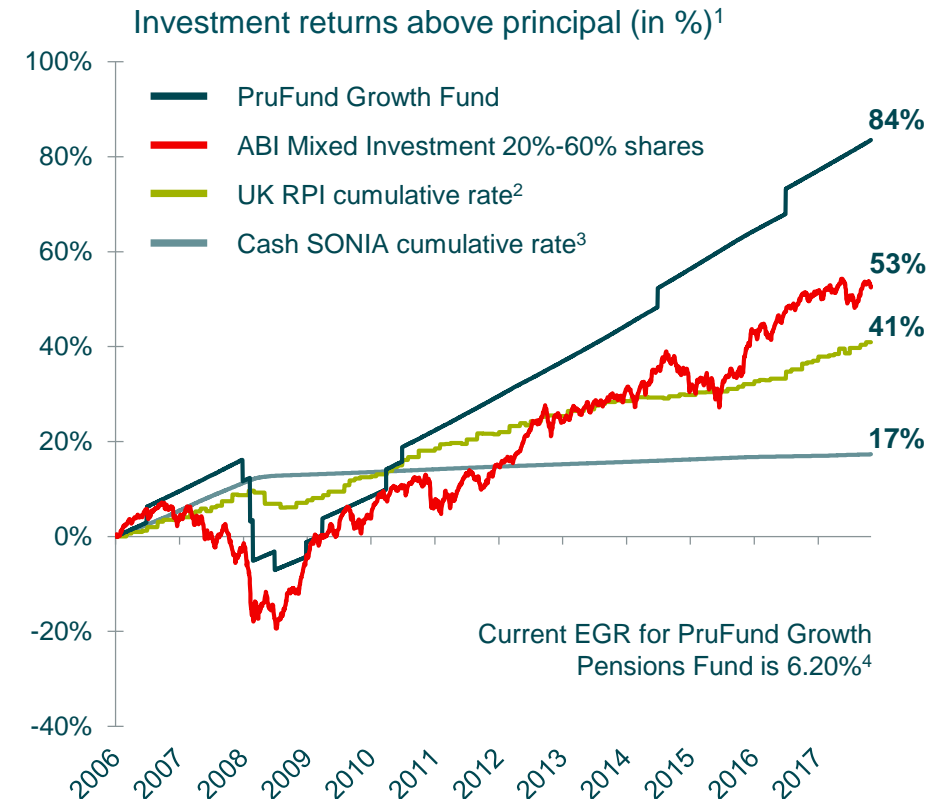
Institutional quality, diversified and **unconstrained asset allocation** delivering smoothed returns



... while **reducing the volatility** they are exposed to



A **pooling mechanism** protecting customers from short term marginal market movements



1) Performance between Sep-2006 to Jun-2018 – Performance for both PruFund Growth fund and ABI Mixed Investment is net of charges  
2) Retail Price Index; 3) Sterling Overnight Index Average; 4) Illustrative EGR as of October 2018, gross of all product charges (including Annual Management Charges) and tax

### Customers

- ➔ Invest initial saving and / or retirement pot into the fund
- ➔ Investment grows in line with an Expected Growth Rate (EGR). EGR is adjusted for significant market movements
- ➔ Annual Management Charge including investment fund fee is deducted from the investment
- ➔ Withdraw either in part or in full when they need to

### With-Profits fund

- ➔ Receives the actual investment returns and accrues the Expected Growth Rate to customers
- ➔ Receives the difference between the Annual Management Charge and the expenses incurred
- ➔ Pays the shareholder transfer at point of customers' withdrawal

### Shareholders

- ➔ Receive shareholder transfer from With-Profits fund at point of customers' withdrawal
- ➔ The amount is  $\frac{1}{9}$ <sup>th</sup> of the value created for the customer – the difference between the amount withdrawn and the amount invested<sup>1</sup>

1) In case the claim value is less than the initial premium, the shareholder transfer will be correspondingly negative for  $\frac{1}{9}$ th of the loss



# With-profits expected to generate sustained and growing cash stream

In-force book delivers stable returns while today's new business embeds growth

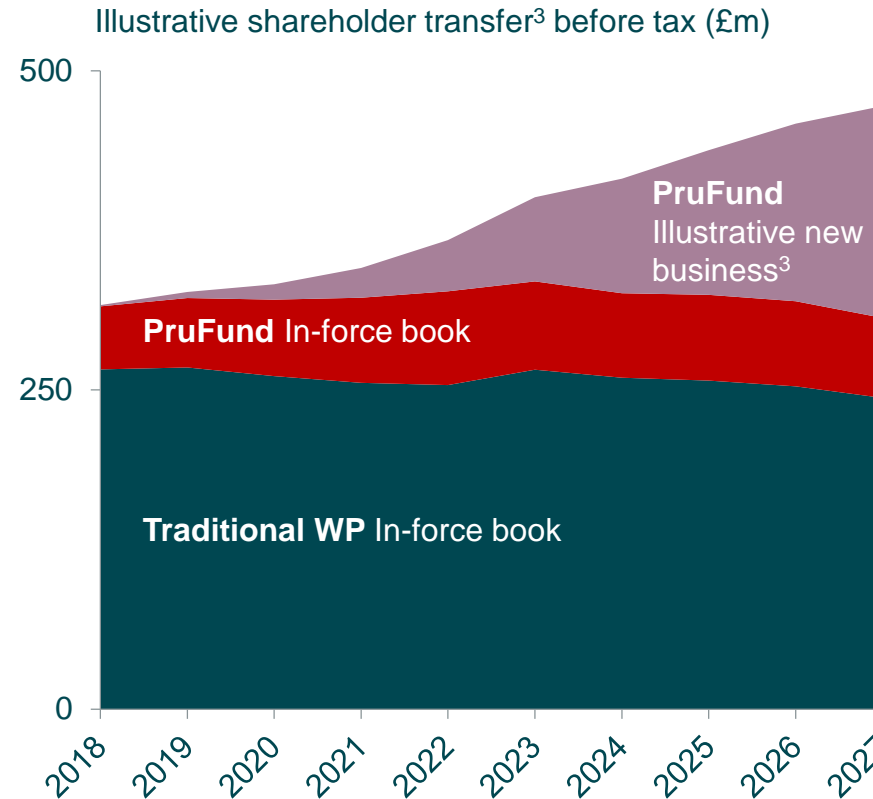
## Cash generation and IFRS profit coincide

### PruFund

PruFund is a 90:10 product where shareholders accrue **1/9<sup>th</sup> of the smoothed investment returns** realised by PruFund customer; i.e. EGR<sup>1</sup> which has traditionally been 5%-6% p.a.

### Traditional With-Profits

Also a 90:10<sup>2</sup> product  
Shareholders are still entitled to the 1/9<sup>th</sup> investment returns equivalent, but this is distributed through both **annual and final bonuses**



## New business strain

PruFund is a capital efficient proposition with a **small shareholder new business capital strain of c.1% of AuM** on a Solvency II basis

**PruFund strain is lower than most products** and payback time is significantly faster<sup>4</sup>

1) Expected Growth Rate  
2) With the exception of the Scottish Amicable Insurance Fund and Defined Charge Participating Sub-Fund which are written as 100:0  
3) Illustrative shareholder transfer profile; for illustrative purposes only, assumes sales for the 2018-27 period are in line with 2017 volumes  
4) New Business strain is correlated to market interest rates and decreases as the rates increase

# Getting to know our business

Three areas of our company we want you to know more about

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Continue broadening range of wrappers and investment solutions



### 3. Private Assets

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Expand sourcing capabilities across geographies and asset classes

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# We launched our digital platform in September 2016

Current focus is on expanding range of wrappers and investment available

## Our core platform today...

**£10.3bn**

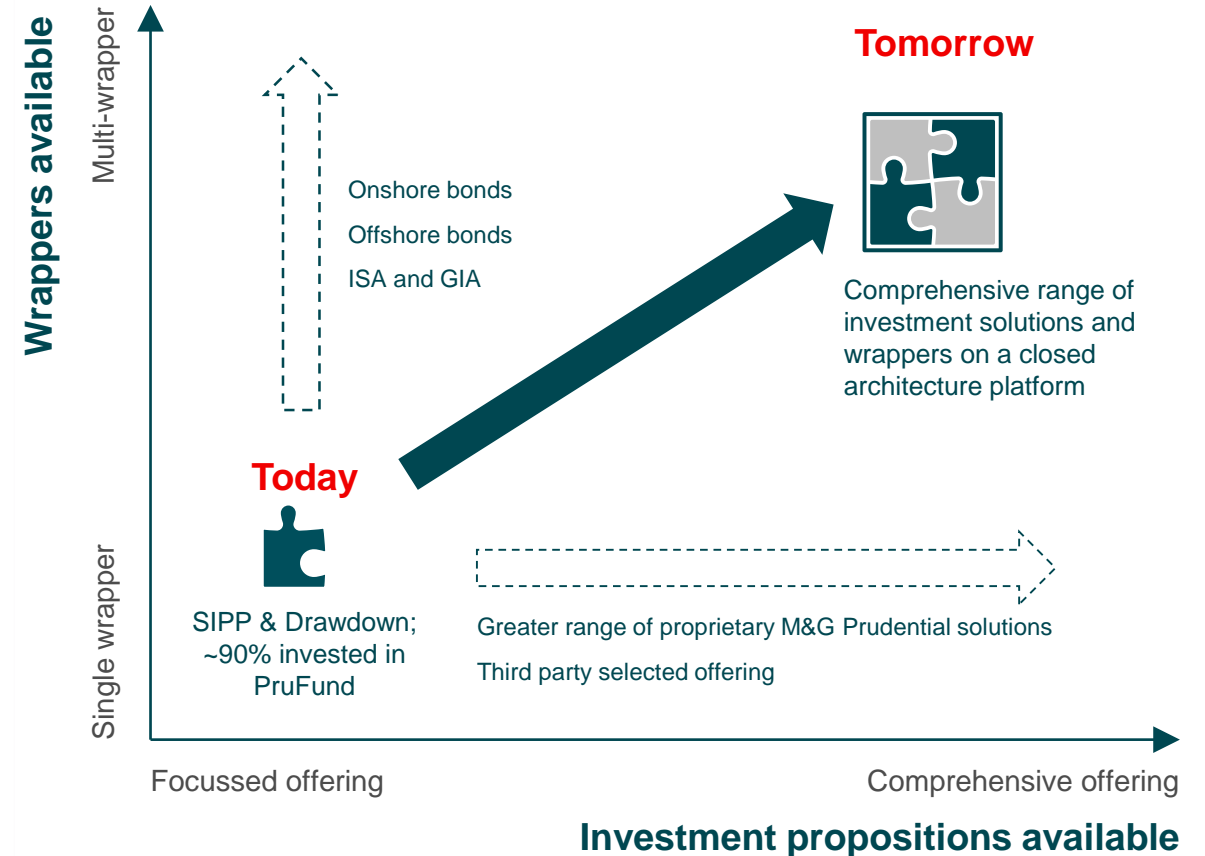
Asset Under  
Administration<sup>1</sup>

**66,000**

SIPP & Drawdown  
Customers<sup>1</sup>

- ➔ Fast growing, digital platform foundation launched in September 2016
- ➔ Customer & adviser access to pension and drawdown products
- ➔ Proprietary investments focusing on M&G Prudential solutions with selected external offerings
- ➔ Investing to transform the experience for customer, advisers and employees while reducing cost to serve

## ... What are working on for our customers



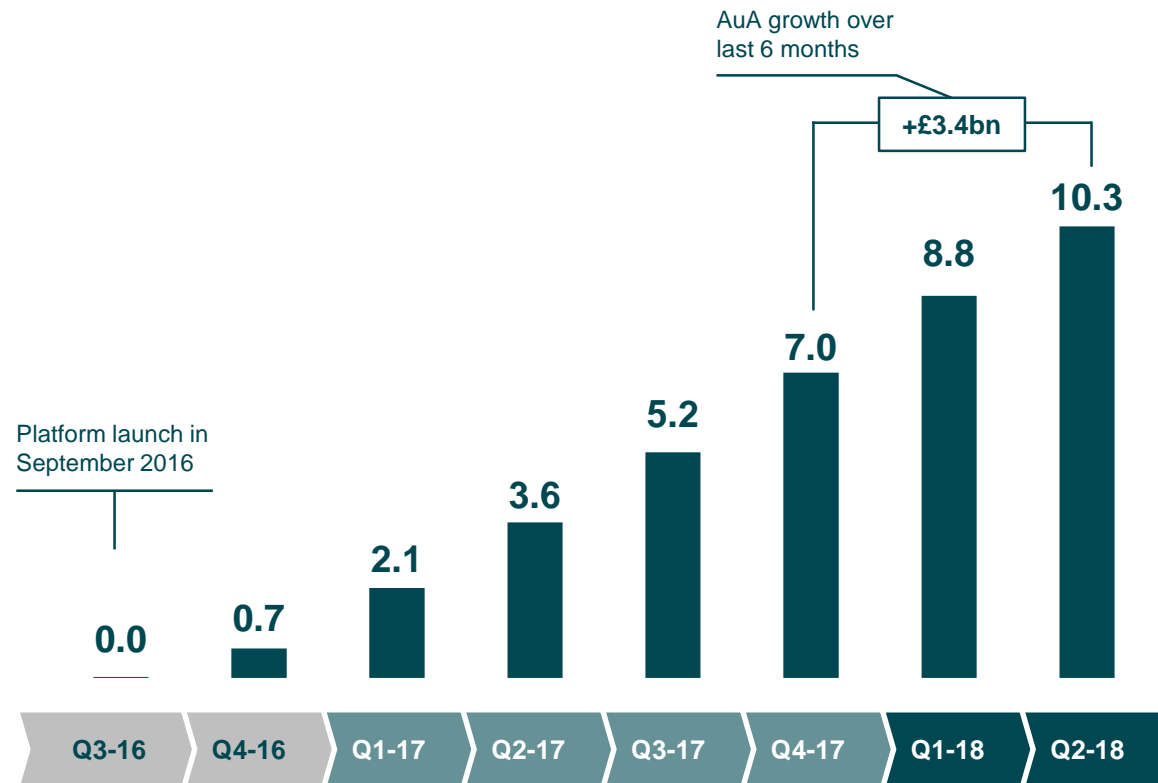
1) As at end June 2018

# Fastest growing platform in the UK over H1 2018

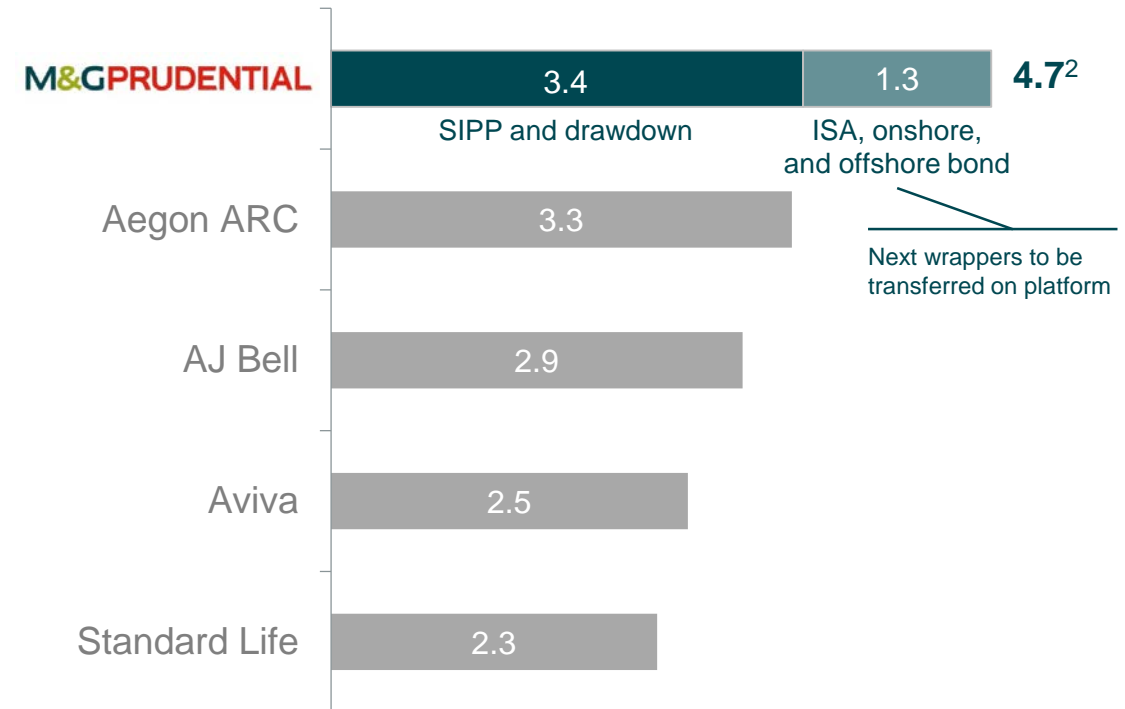
Strength of proposition brought £10bn+ AuA in less than 2 years

## AuA on platform since launch (£bn)

*New sales only, no existing volumes have been transferred to platform*



## UK Advised Platforms growth – H1 2018<sup>1</sup> (£bn)



*Total movement for the market +£24.7bn<sup>3</sup>*

*M&G Prudential AuA growth was equivalent to c.20%<sup>4</sup> of the UK advised platform market growth in H1-2018*

1) Source: Platform and M&G Prudential data;  
 2) Includes both PruFund and non-PruFund products open for new business (excludes flows on legacy products not on platform);  
 3) Platform market data which excludes M&G Prudential volumes; 4) Includes ISA, onshore, and offshore bonds net flows not yet on platform

## Comprehensive value chain



### Multi-channel participation

- ➔ Appeals to a broad range of intermediaries
- ➔ PFP advisers – for existing and new customers
- ➔ Plans to build on existing direct capabilities

### Unrivalled manufacturing capability

- ➔ Pension wrappers on platform
- ➔ Plans to move ISA, GIA and bonds on platform
- ➔ Smoothing and guarantees via PruFund

### Expert proprietary investment management

- ➔ Wide range of wholesale M&G products and highly diversified global management capabilities
- ➔ Offering good value-for-money investment solutions to customers

**c.7,500** IFA & Wealth managers engaged with every year

**Top 10** advice business with 343 own advisers<sup>2</sup>

**£3.4bn** added to platform in the last 6 months<sup>1</sup>

**25%** of PruFund total assets already on platform<sup>1</sup>

**c.90%** of AuA are managed by M&G or other Prudential plc asset managers<sup>3</sup>

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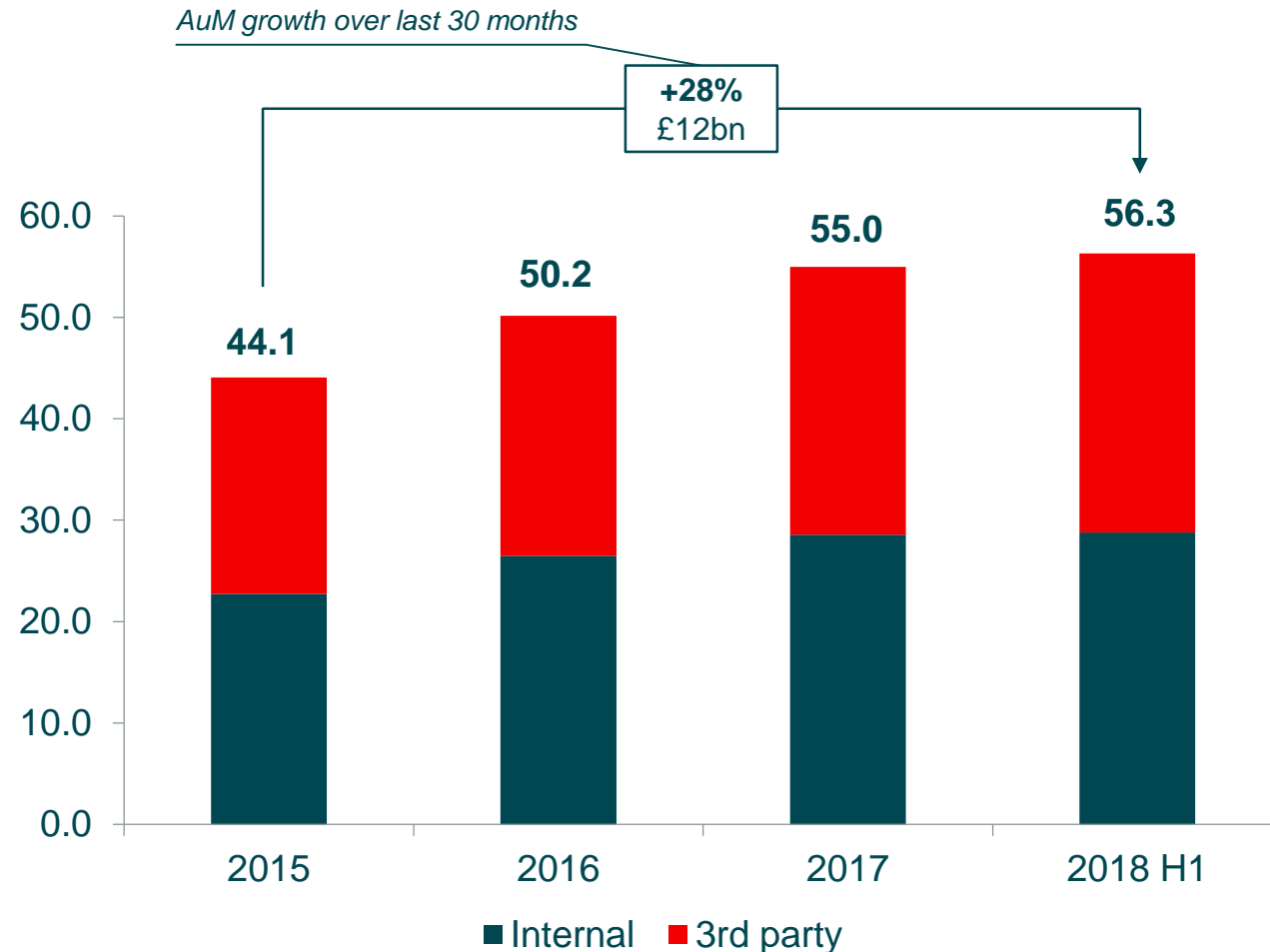
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# We offer our clients a broad range of Private Assets capabilities

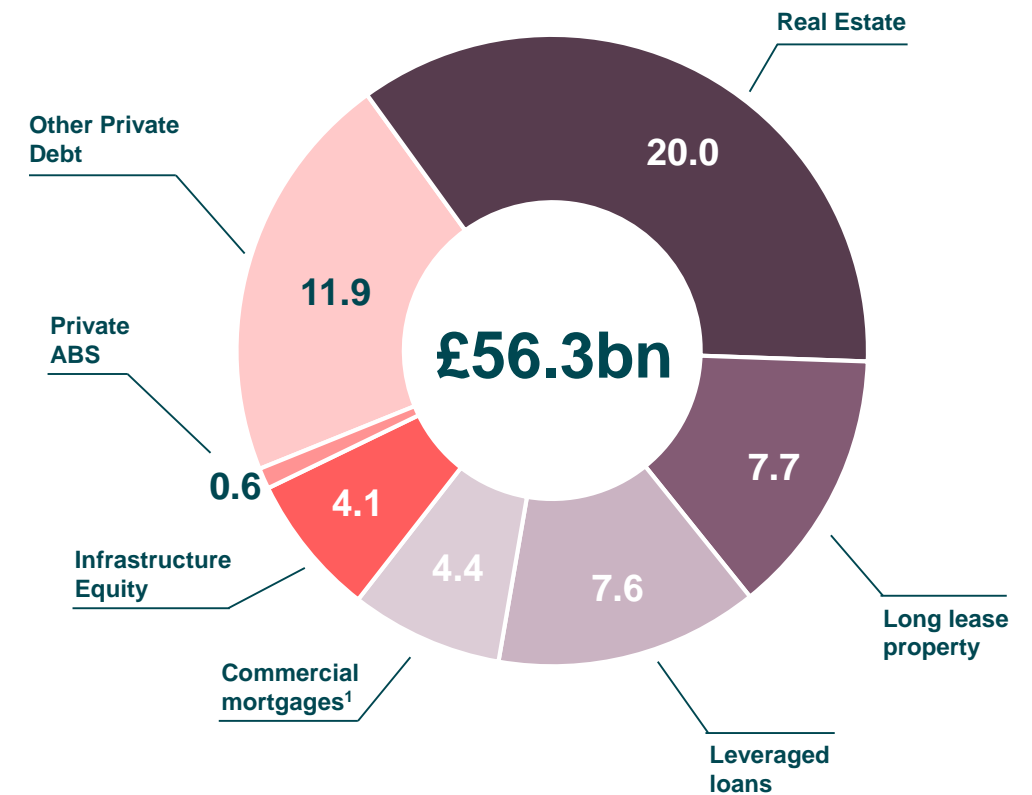
Private Assets AuM have now reached £56bn, up by more than 25% since 2015

## Private Assets AuM growth (£bn)



1. Commercial mortgages includes some property related private debt

## Composition of Private Assets AuM

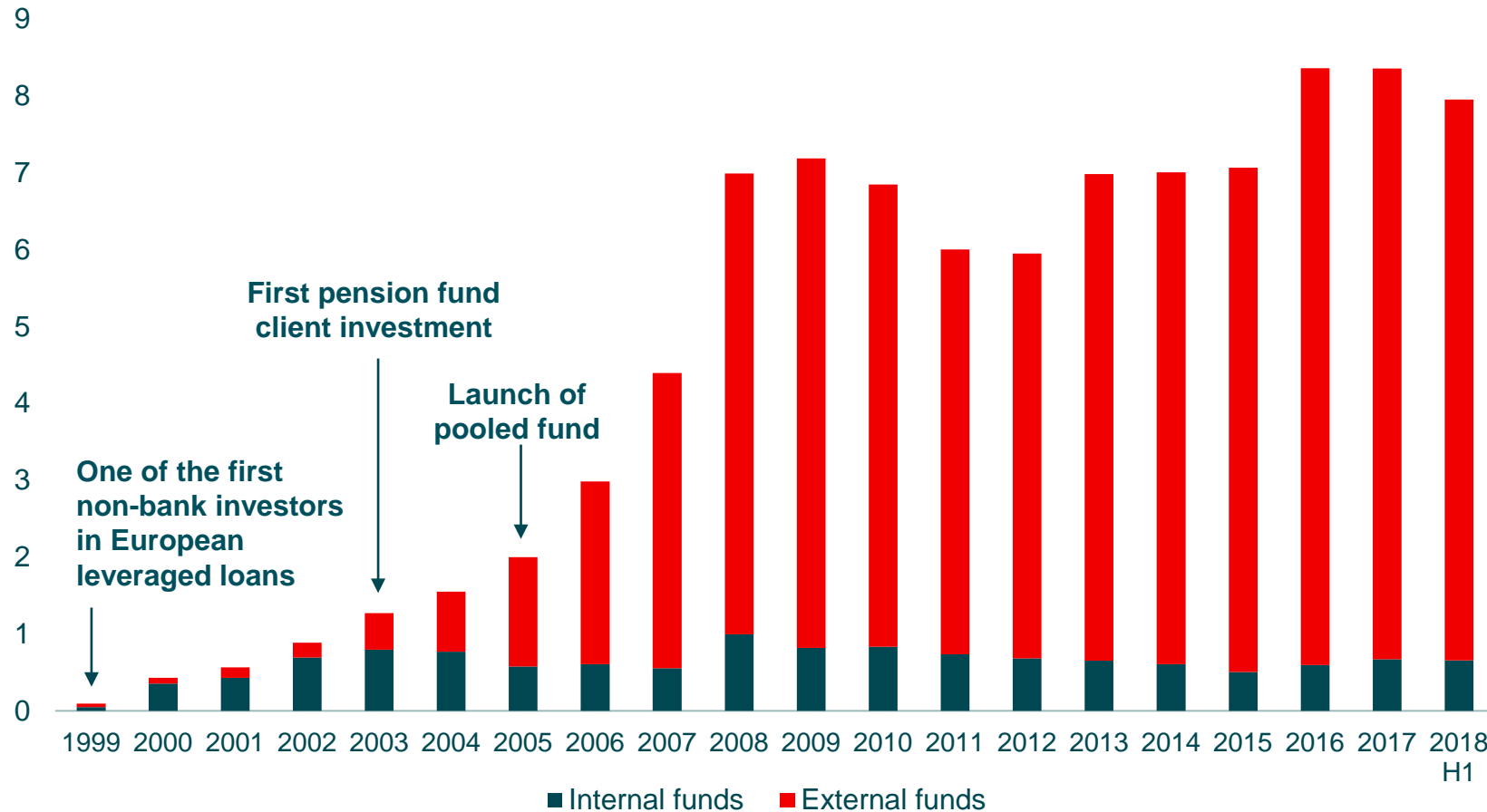




# Example of capability building: Leveraged loans

One of the longest-standing and largest active loan managers in Europe

## Leveraged Loans AuM (£bn)



- One of the first non-bank investors in the asset class, initially seeded by WP fund money
- Development of capability and track record attracted third-party money
- Now a leader in the field, serving over 200 clients, with c. £8bn AuM (primarily external)<sup>1</sup>

1) Includes all holdings in the portfolio; i.e. cash, Floating Rate Notes and Fx considerations  
Source: M&G 30 June 2018. M&G figures are shown on a nominal basis plus committed capital

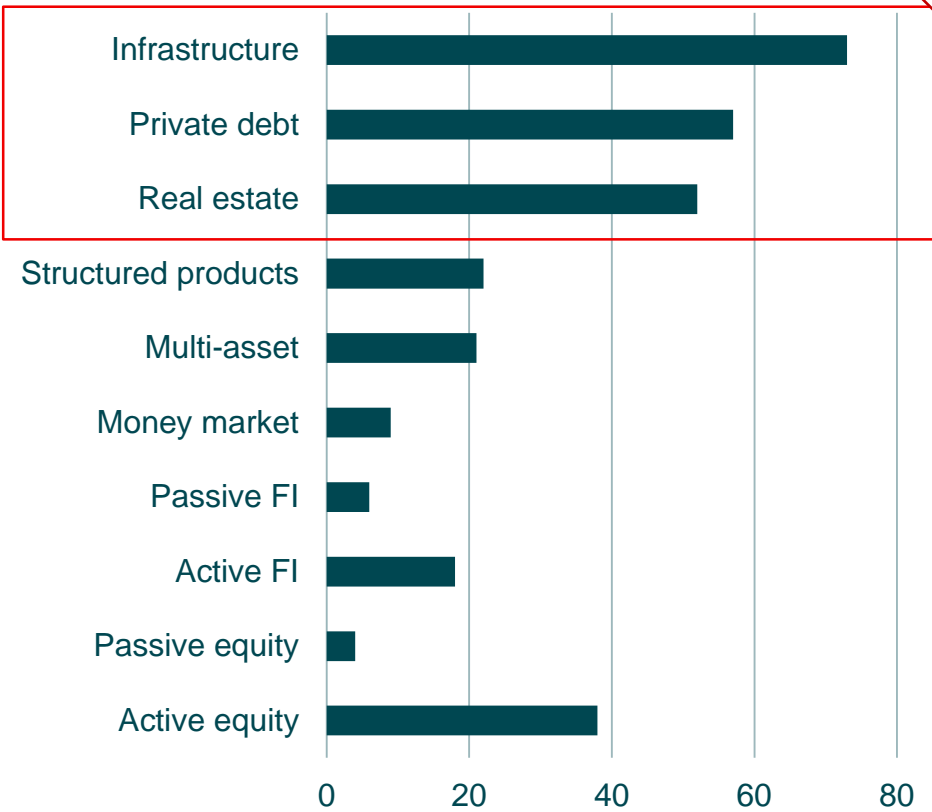
# Private Assets are high value and long tenure products

Attractive economic model of Private Assets

## Institutional fees<sup>1</sup>

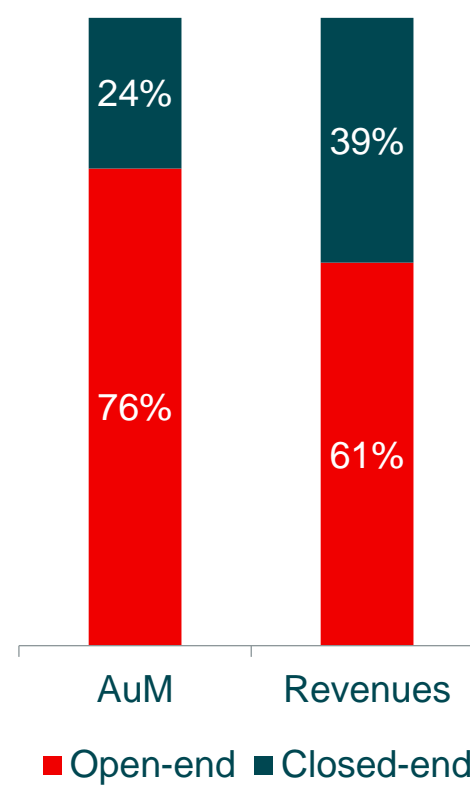
Average market fees<sup>1</sup>

Fees by asset class (bps / AuM)



## Private Assets tenure

M&G Prudential data



Tenure

11 years<sup>2</sup>

7 years<sup>3</sup>

Closed-end funds life at inception (% split by AuM)

Less than 10 years	35%
Between 10-15 years	40%
Greater than 15 years	25%

1) Source is BCG 2018 Global Asset Management Benchmarking Database; data refers to average institutional third-party fees around the world (infrastructure fees are for UK players only)  
 2) Median tenure M&G Prudential closed-end funds; 3) Average tenure for DB and DC institutional clients as per Casey Quirk Distribution Benchmarking Study

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