

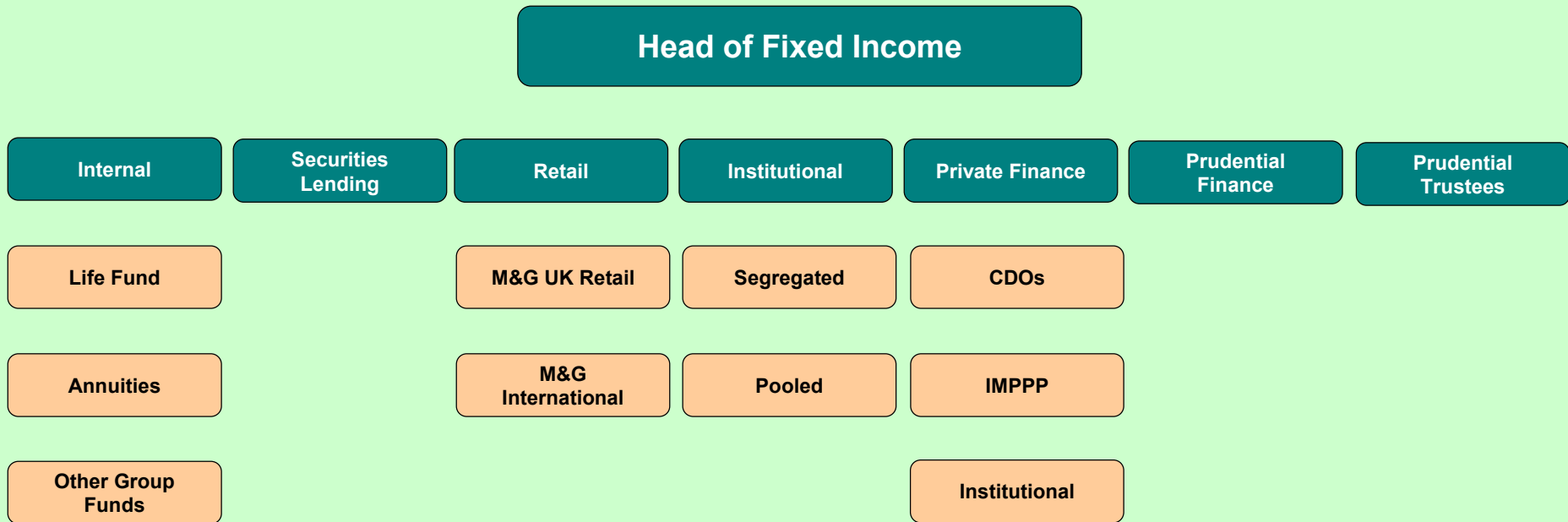
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# Agenda

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<b>9:05 - 9:30</b>	<b>Overview</b>	<b>Michael McLintock</b>
<b>9:30 - 10:00</b>	<b>Finance</b>	<b>Philip Johnson</b>
<b>10:00 - 10:30</b>	<b>UK Retail</b>	<b>Gary Shaughnessy</b>
	<b><i>Break</i></b>	
<b>10:45 - 11:00</b>	<b>Equities and International</b>	<b>Michael McLintock</b>
<b>11:00 - 11:15</b>	<b>Property</b>	<b>Martin Moore</b>
<b>11:15 - 11:45</b>	<b>Fixed Income</b>	<b>Simon Pilcher</b>
<b>11:45 - 12:00</b>	<b>Conclusion and Q&amp;A</b>	<b>Michael McLintock</b>

# Fixed Income structure



# Agenda

## Head of Fixed Income

Internal

Securities  
Lending

Retail

Institutional

Private Finance

Prudential  
Finance

Prudential  
Trustees

Life Fund

M&G UK Retail

Segregated

CDOs

Annuities

M&G  
International

Pooled

IMPPP

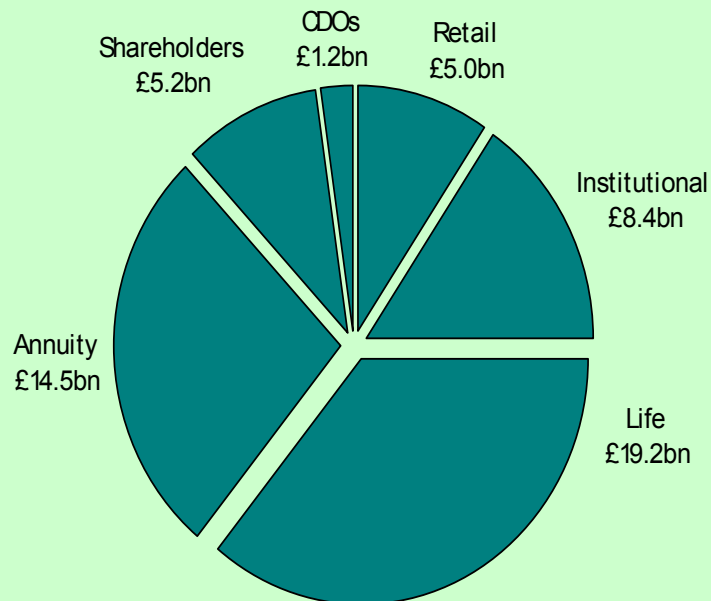
Other Group  
Funds

Institutional

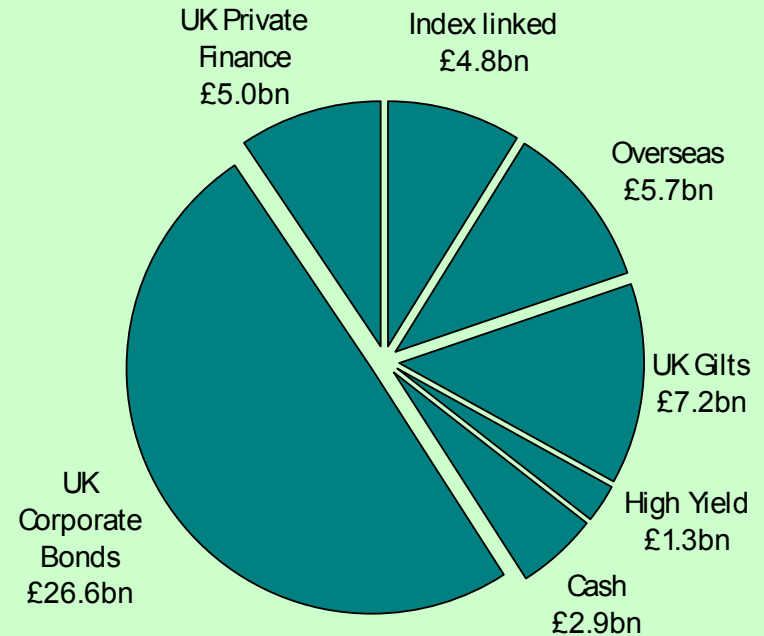
# Fixed Income Funds Under Management

Q3 2003 breakdown of fixed income client base: £53.4bn total\*

## By client type



## By asset class



\* Source: Prudential M&G (as at 30.09.03)  
Funds managed from the UK

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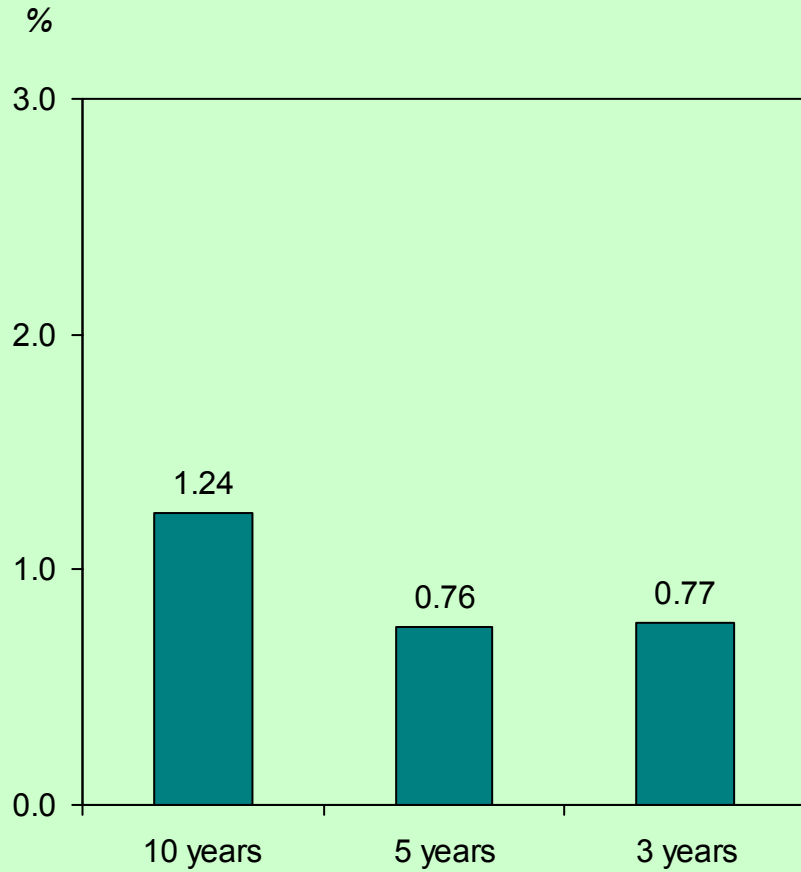
IMPPP

Other Group  
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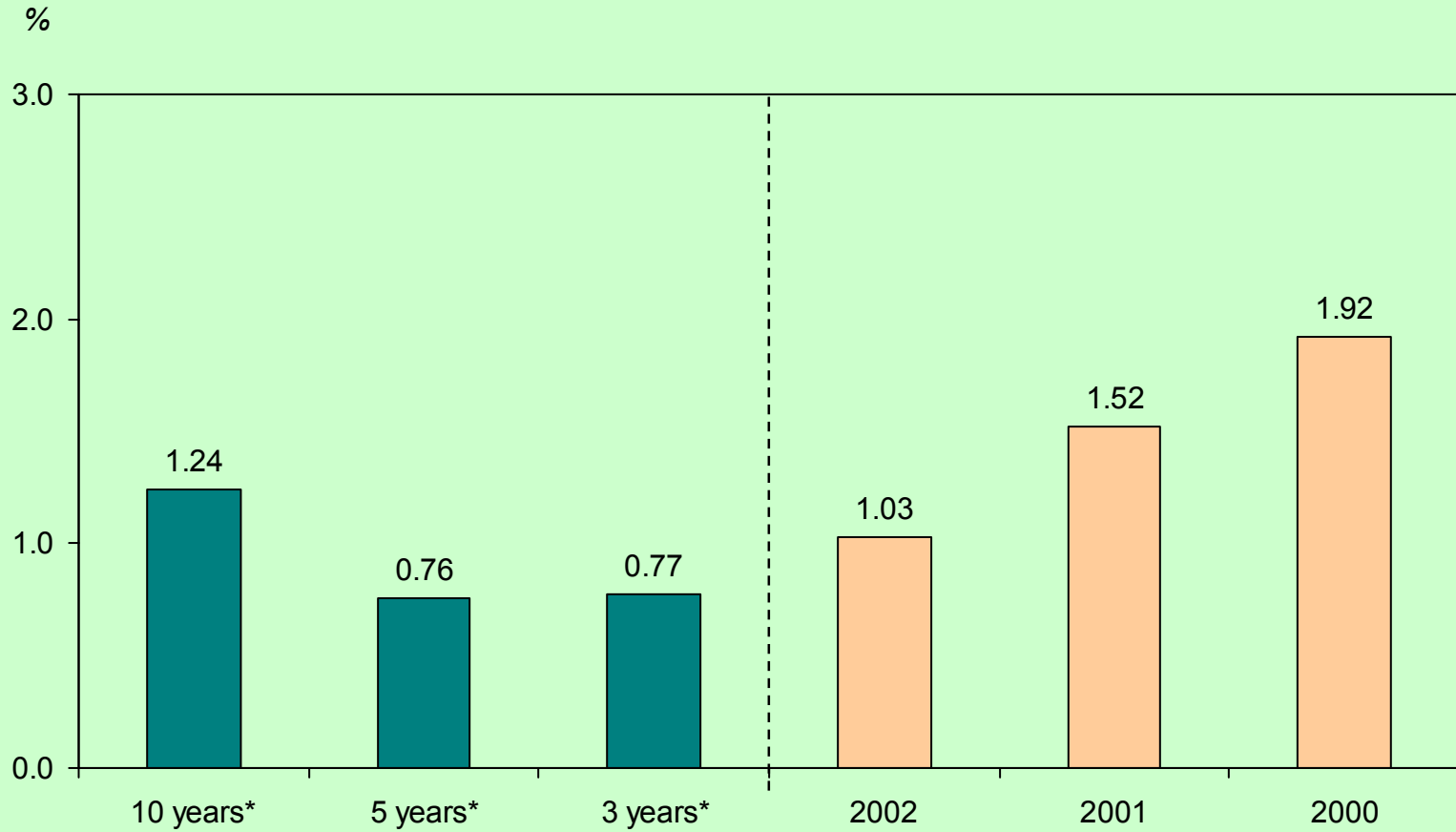
# PAC With Profit Life Fund

Performance relative to benchmark



# PAC With Profit Life Fund

Performance relative to benchmark



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# Investment Management for Annuities

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- Segregated portfolios with cashflow matching strategy
- Incentivised to:
  - Minimise capital needs from mis-matching
  - Maximise new business margins and volumes
  - Minimise credit losses and maximise profitability of in-force business
- Close working relationship with sales, actuarial, etc especially for bulks
- History of innovation, especially in areas of inflation-linked liabilities

# Agenda



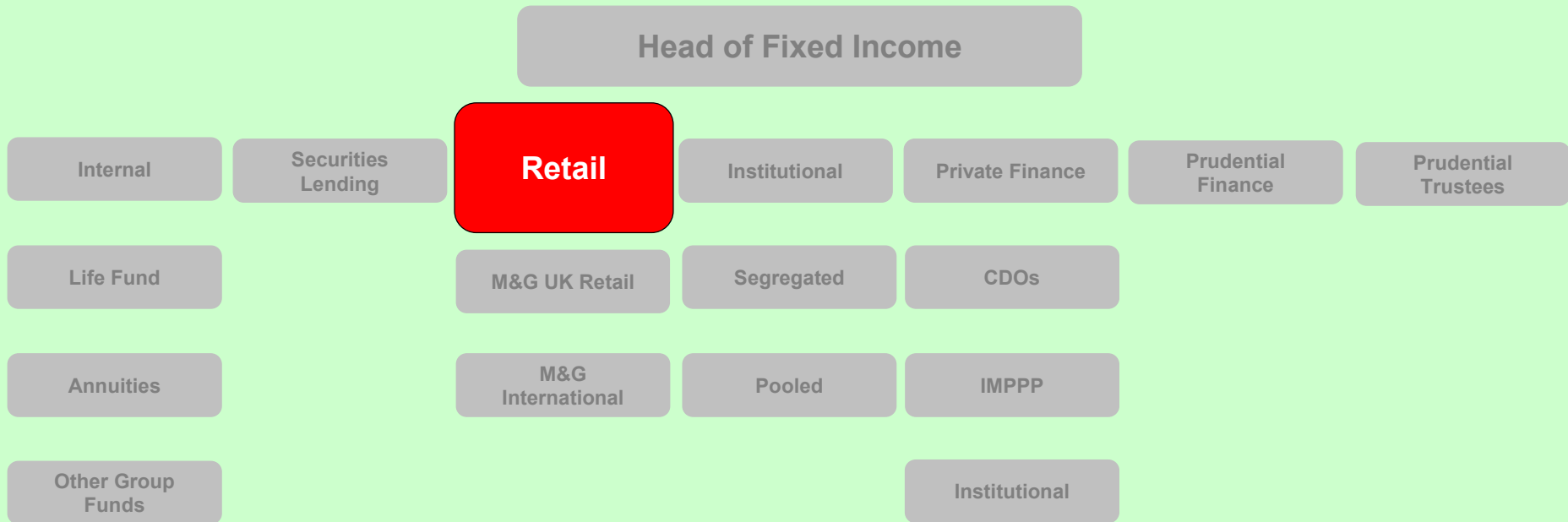
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# Securities Lending

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- Unlock value of large, stable portfolios and improve market liquidity
- Focus business through key counterparties who are actively managed and benefit from wider dealing relationship with M&G
- Develop business in less over-supplied markets
  - Asian equities
  - High yield
- Ensure product range is attractive
  - Core market participant
  - Collateral flexibility

# Agenda

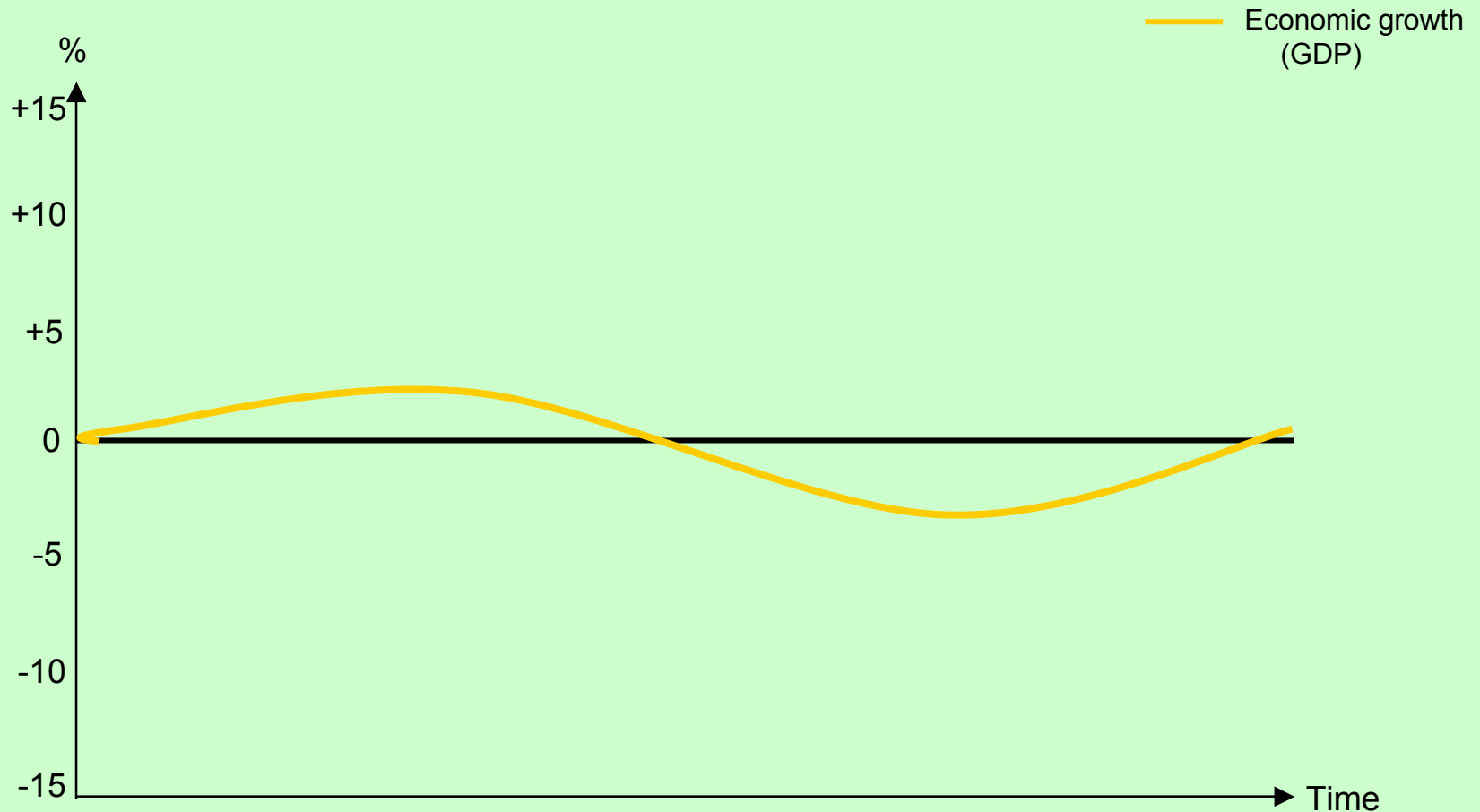


Video

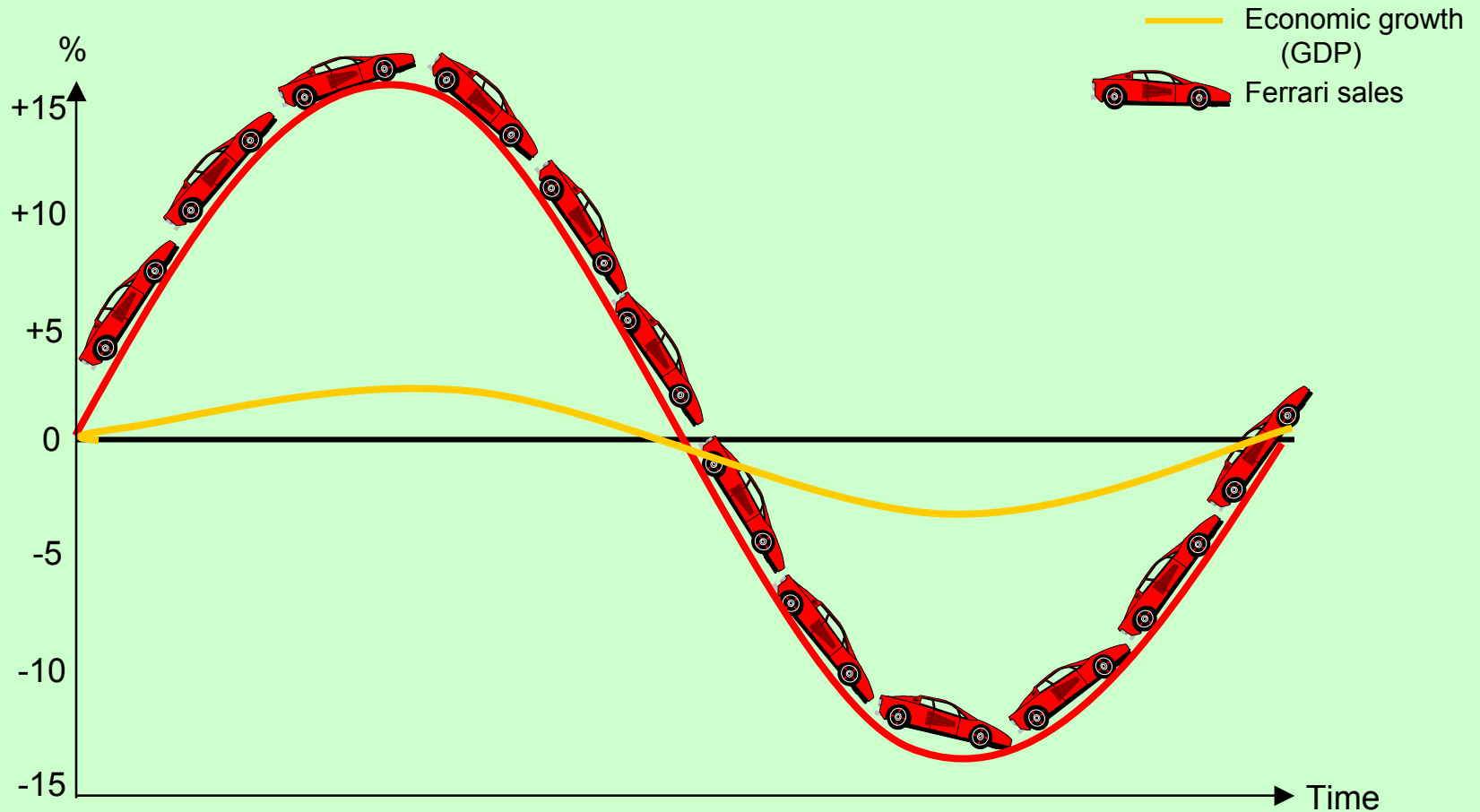
Carlsberg advert



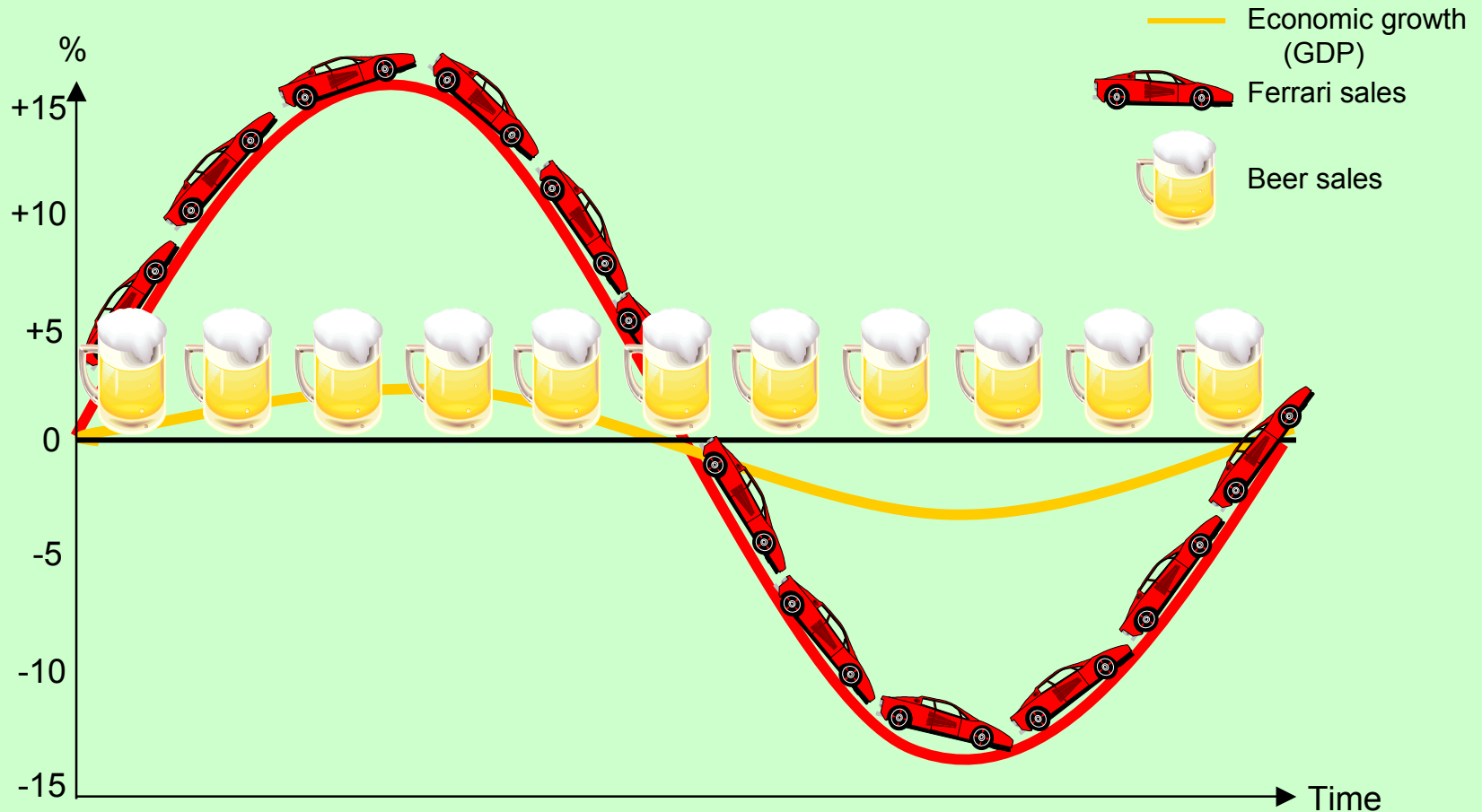
# How do Carlsberg's products react to the economic cycle?



# How do Carlsberg's products react to the economic cycle?



# How do Carlsberg's products react to the economic cycle?



High yield fund managers like stable, cash producing - **boring** - companies



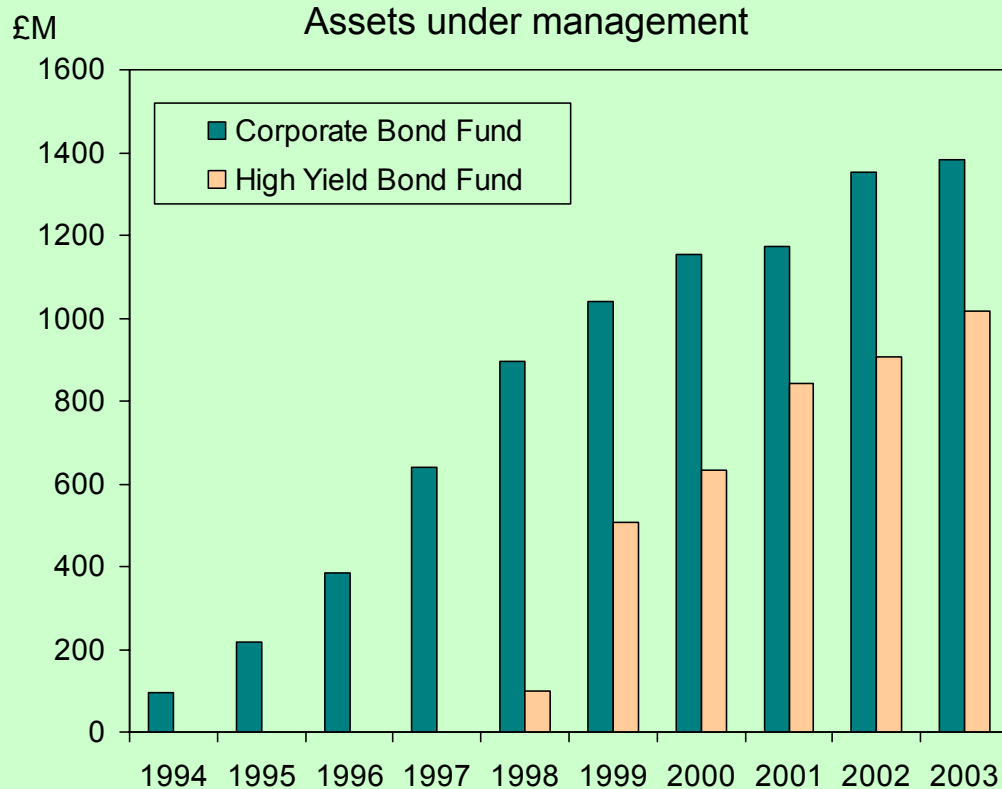
# 55,000 pints drunk every hour in the UK



- The world's 5th largest brewer
- Sold in over 140 countries worldwide
- 3/4 of beer sold via pubs and clubs, 1/4 through off licences
- Bond is guaranteed by Carlsberg breweries and Orkla (a Norwegian grocer)
- Not rated by Moodys or S&P (didn't want to pay for ratings). **But M&G rates this bond BBB**

Is Carlsberg the sort of company we should lend money to?

# Leading Fixed Income manager in retail market



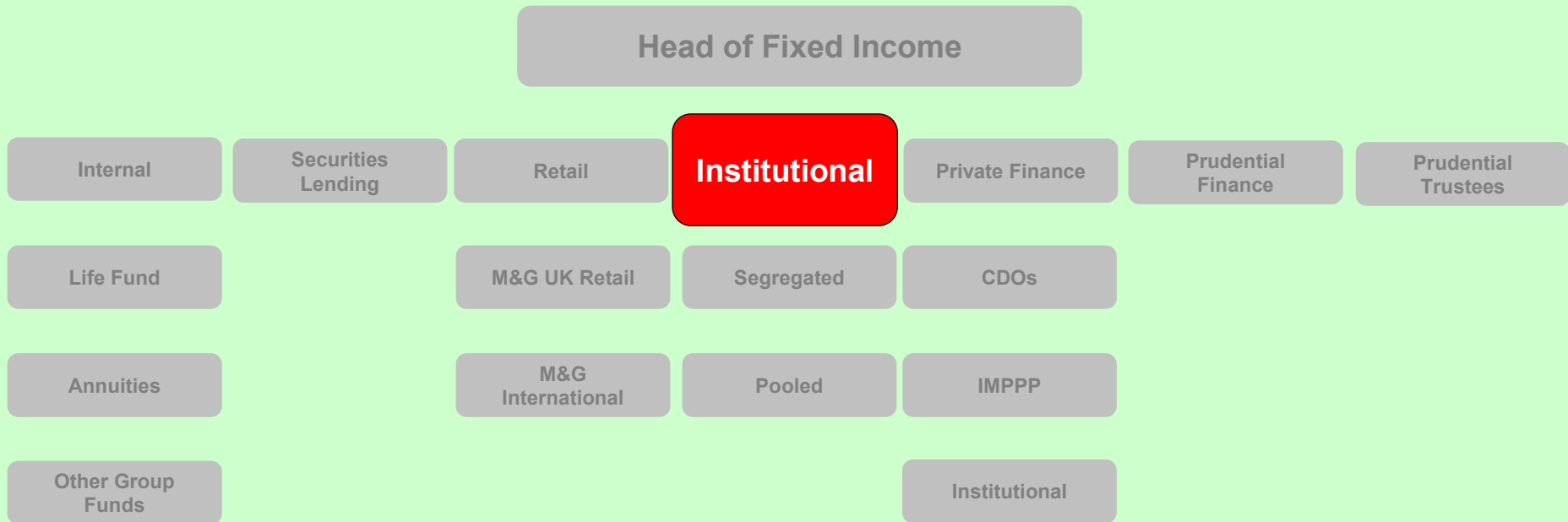
- A history of innovation

- Launched first pure corporate bond fund (1994)
- Launched first high yield bond fund (1998)

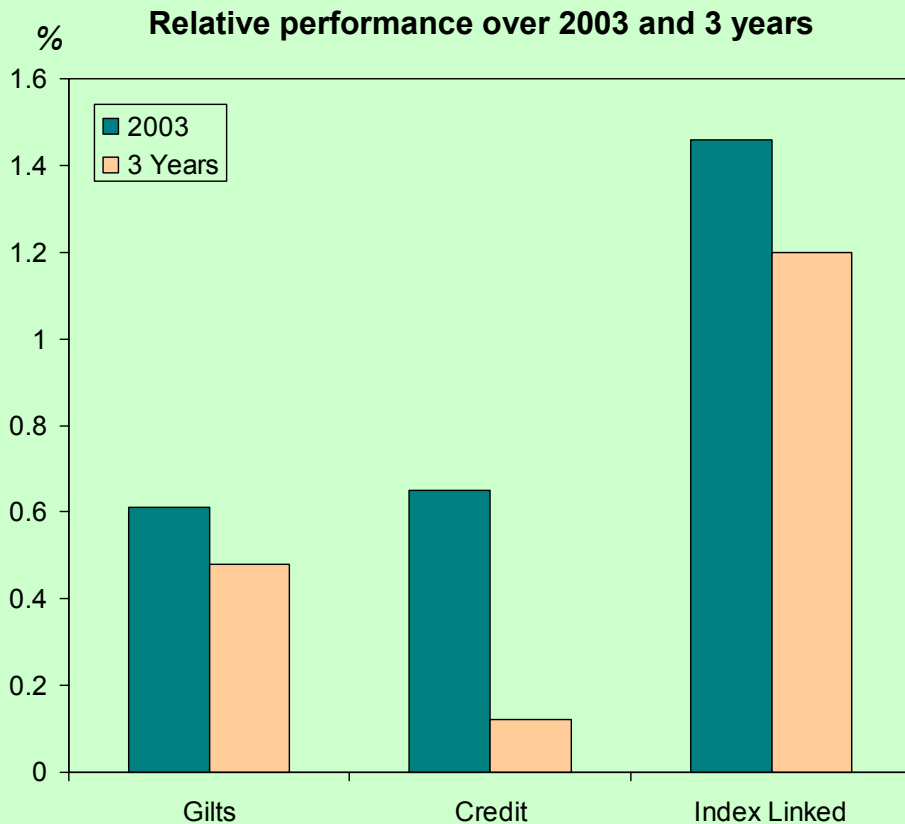
- Richard Woolnough hired to manage

- M&G Corporate Bond Fund
- New M&G Strategic Corporate Bond Fund

# Agenda



# Institutional Business



- Focused on areas of competitive advantage

- Segregated fixed income

- Credit
- Inflation
- Liability matched

- Pooled products

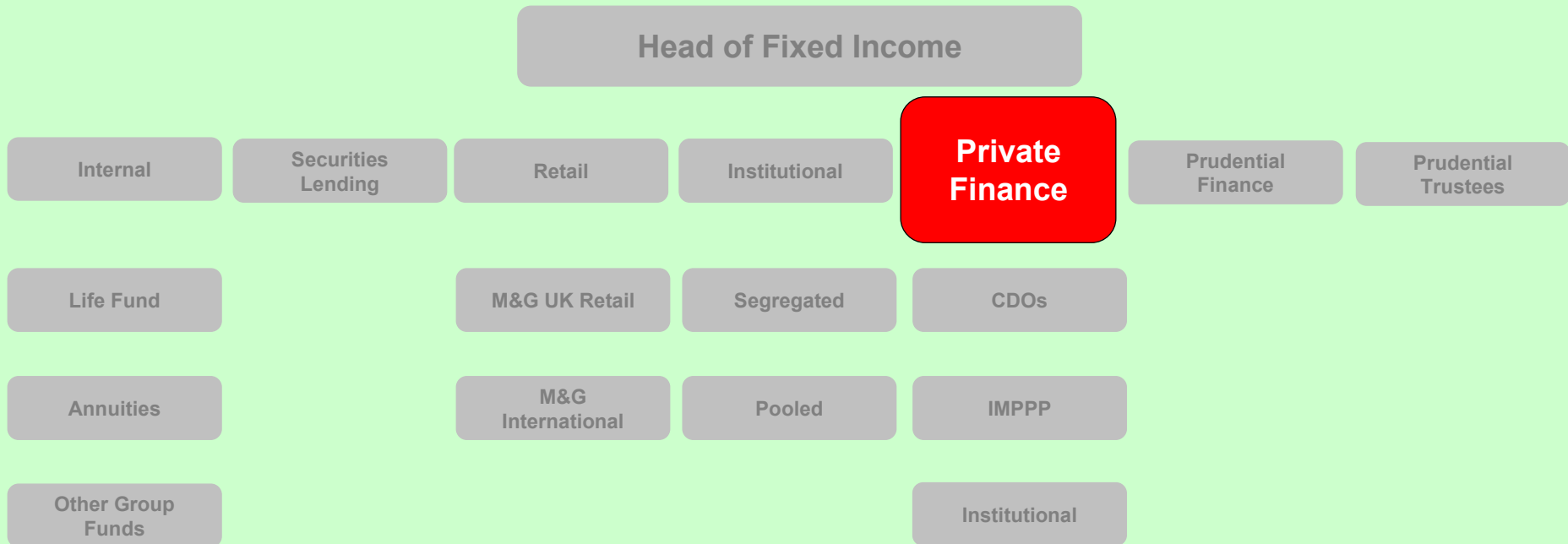
- Strong investment performance
- Significant new business wins

2002 + £1,430m

2003 + £512m (to date)

- Now targeting Netherlands and Germany

# Fixed Income structure



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# Private Finance

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- Only European CDO manager with clean track record across multiple asset classes
  - First £ investment-grade CDO
  - First € investment-grade arbitrage CDO
  - Successful leveraged loan and mezzanine CLO
  - Reverse enquiry for ABS CDOs
  - First European manager to be rated by Fitch
- Leading position ensures
  - Improved terms from investment banks
  - Low capital commitment (£3m)
  - Attractive revenues (£4m per annum)
  - Sustainable franchise

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# Private Finance (cont)

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- Unique focus on private debt
  - Strong record for life and annuity funds
  - Now developing products for institutional market
- A series of 'firsts'
  - First European pension fund mandate for leveraged loans
  - First UK pension fund for private corporate debt
  - First fund investing in equity from projects in operating phase

# Fixed Income structure





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# Prudential Finance

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- Manage the Group's banking relationships including core debt issuance, commercial paper programmes and back-up liquidity facilities
- Advise Group companies on capital market solutions and facilitate cost effective execution of same
- Capitalise on Group's position with investment banks for Group's benefit:
  - Enabling Annuities to write business profitably
  - Early participation in asset backed security, ensuring excellent allocation for M&G clients
  - Issue of medium term notes for equity linked product distributed in Asia

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# Prudential Finance (cont)

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- High capital velocity
  - Capital required £10m
- Minimal interest rate risk
- No foreign exchange risk
- Very conservative appetite for credit risk
- Transactions benefit M&G clients and other Prudential entities

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# M&G Fixed Income

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- Unrivalled credit expertise
- Infrastructure established to service life fund and annuity clients, now supporting high growth areas
- Dynamic and innovative, leading market change
- Closely integrated with rest of Prudential's business