

Agenda

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

Perceptions of fund management industry

“In the 1990s even a monkey couldn't fail”

“We've been shell shocked for the last three years”

“We sold dreams and delivered nightmares”

“Around 60 percent of firms in London are loss making on a run-rate basis”

“We all know what should be done, but don't have the will to do it. There are usually 1000 reasons why we shouldn't do the right thing”

“We are a Cinderella industry, with no obvious cost pressures other than the ones that weak management can't resist”

“This is not a well managed industry. It has no future unless it is”

“Nothing fundamentally different is happening; everyone is praying for the markets to recover. I have no faith in business leaders to do anything else”

“For two years, CEOs were deluding themselves that this was just a blip. They have had a rude awakening”

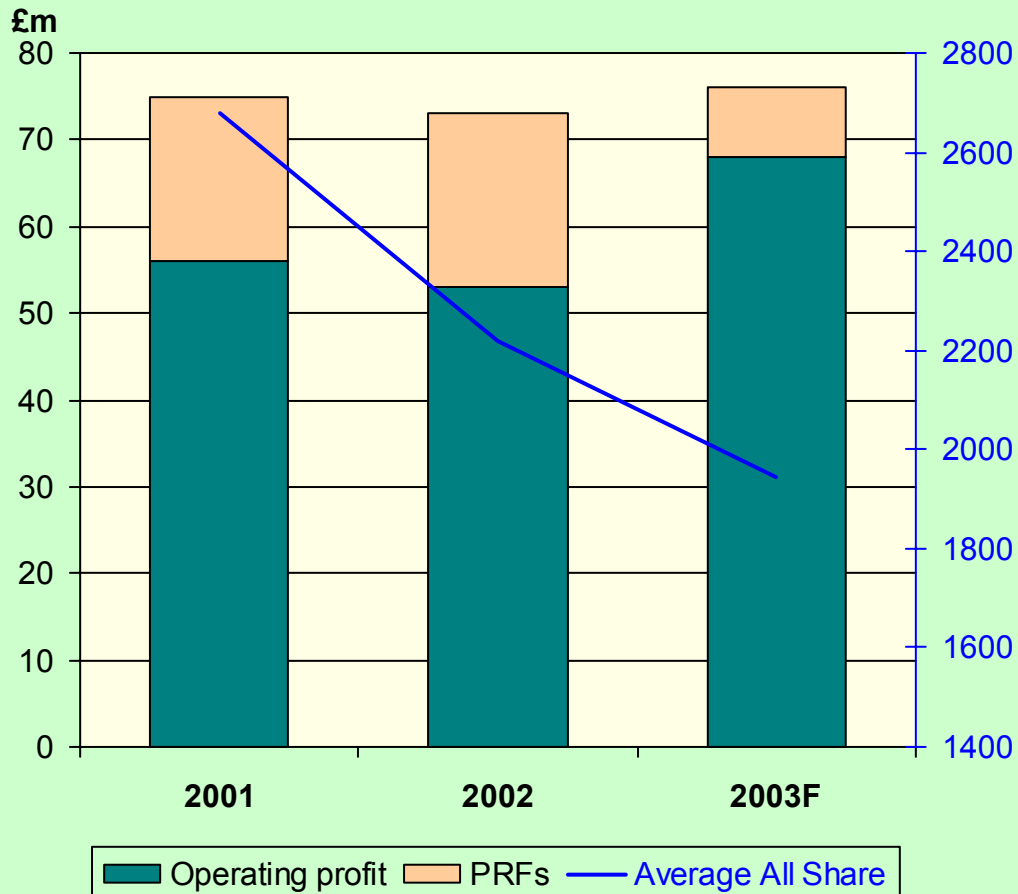
M&G

Strategy

To deliver profitable growth to our shareholder through
operating in markets where we have a leading position
and competitive advantage

M&G results

Robust profitability performance



- Average market level down 27%
- Profits before tax up 1%
- Underlying profits before performance related fees up 21%

M&G

Scale

- Third largest fund manager in the UK
- Own 2.5% of the UK stock market
- The largest fixed income manager in the UK
- Largest institutional property investor in the UK
- Top 3 retail fund manager
- Second most profitable fund manager in the UK

M&G

Four key strategic decisions

1. Integration of PPM / M&G and focus on sole location
2. Exit of institutional equity and balanced business
3. Creation of flexible and responsive business unit structure
4. Extension of internal capabilities to external clients

1. Location and integration



- Successful integration of PPM and M&G
- Shunned global mantra

2. Institutional exit

| Top 20 groups @ 31.12.99 | £m |
|------------------------------|----------|
| 1. Mercury | 65,817 |
| 2. Schroder | 64,700 |
| 3. Legal & General | 59,884 |
| 4. Phillips & Drew | 39,698 |
| 5. Barclays Global Investors | 35,657 |
| 6. Deutsche | 34,142 |
| 7. Gartmore | c.29,000 |
| 8. Goldman Sachs | 25,597 |
| 9. Scudder Threadneedle | 18,076 |
| 10. Fidelity | 12,783 |
| 11. Henderson | 10,916 |
| 12. Foreign & Colonial | 10,819 |
| 13. Capital | 9,430 |
| 14. Prudential | 8,922 |
| 15. Baillie Gifford | 8,570 |
| 16. JP Morgan | 7,714 |
| 17. Fleming | 6,361 |
| 18. Baring | 6,352 |
| 19. Newton | 6,252 |
| 20. M&G | 6,076 |

- Disposed of segregated balanced and equity business in 2000
 - FUM of £12bn
 - Income of £21m
- Reasons for exit
 - Sub-scale
 - Loss making
 - DB moving to DC
 - Balanced moving to specialist
- Retained £3bn of specialist fixed income funds

3. Structure

Flexible and responsive business structure

M&G Limited

**Fixed
Income**

UK Retail

Equities

International

Property

Ventures

**South
Africa**

Group Operations

Structure

Objectives

- Delegate responsibility
- Improve accountability
- Increase ownership and motivation
- Stimulate new initiatives

Key successes

- Rapid response to changing market conditions
- Prudential Finance
- Outsourcing retail administration
- Brand positioning

4. Extension of internal capabilities

20% of our profits come from businesses that did not exist in 1999

Internal clients provide huge scale and stability

Market leading capabilities developed to meet their needs

Innovative client allows us to build track records



Building external businesses with higher margins

A major growth opportunity

Summary

- A professionally run business
- Clear strategy for profitable growth
- Strong decision-making record
- Market leading scale and capabilities for profitable growth