



PRUDENTIAL
INVESTMENT MANAGERS

Becoming



M&G
Investments

Q&A

Changes in shareholding
and new global identity for
Prudential Investment Managers

What is happening?

Following our announcement in March 2021, M&G has completed its purchase of a further stake in Prudential Portfolio Managers (South Africa) (Pty) Ltd (“Prudential”), our Southern Africa holding company, to return to a position of majority shareholder. At the same time, Prudential staff voted in favour of following their rights, and in a parallel and cash-funded transaction acquired a further stake in our business. We have received approvals from the necessary regulatory authorities for all of the related transactions, and the transaction concluded on 9 July 2021.

Prudential Investment Managers will be changing our identity to M&G Investments in order to align with that of our parent company, creating a single global investment brand. We will be transitioning to the new name and branding before the end of 2021.

What are the transaction details?

M&G plc, the London listed global financial services firm, increased its ownership in Prudential by 0.13%, from 49.99% to 50.12%, returning to a position of majority shareholder. It is important to note that our UK-based founding shareholders have been our largest shareholders since the inception of the South African business in 1994.

The Prudential Staff Investment Company (PSI), in a parallel cash-funded transaction, raised its shareholding in Prudential from 28.01% to 28.08%.

Thesele Group, Prudential’s black empowerment partner for the past 14 years, sold a small portion of their shares, decreasing their shareholding from 22.0% to 21.8%, to facilitate the above transactions. The small sale by Thesele did not impact our BBBEE rating - in fact at the end of July we received our first-ever FSC Level 1 rating.

New Ownership Structure



As at July 2021

Why change Prudential's name to M&G Investments?

Prudential looks forward to being a more integral part of M&G's global investment management operations, which already span centres in London, Chicago, Singapore and Paris. It is our belief that global reach and coverage is essential to any investment management firm aiming to provide its clients with the best possible investment outcomes.

We have historically been somewhat of an anomaly in the M&G group as the only investment management operation trading as "Prudential". Within M&G, all other investment management businesses use the "M&G Investments" name – and only the insurance-wrapped savings operations in the UK and Europe use "Prudential" under the new "Pru" branding.

As we more closely align with our international colleagues across various areas of our business, it makes sense to adopt the M&G Investments single global investment management identity.

What does our name change involve?

The name change to M&G Investments will involve:

- Changing company names throughout the Prudential Southern Africa group, including subsidiaries in Namibia. For example, our main investment management company, Prudential Investment Managers (South Africa) (Pty) Ltd, is in the process of being renamed MandG Investment Managers (Pty) Ltd.
- Changing the names of all our institutional investment capabilities. For example, the "Prudential Core Equity" institutional proposition will change to "M&G Core Equity".
- Renaming our South Africa and Irish-domiciled unit trust funds to M&G. See the [Appendix](#) for the full list of proposed unit trust name changes.
- Changing our website and email domains, from prudential.co.za, to mandg.co.za (in South Africa) and from prudential.com.na to mandg.com.na (in Namibia).



What about the “Lady Prudence” logo?

Prudential’s logo featuring the face of “Lady Prudence” will be replaced by the M&G Investments logo, as shown above.

When will the changes happen?

We will be phasing in these changes before the end of 2021, subject to regulatory approvals.

Is Prudential changing the way it manages client funds?

No, the ownership and identity changes have no impact on the way Prudential’s unit trust funds or institutional mandates are managed. Our consistent investment process and philosophy remain the same.

M&G and Prudential share a similar fundamental and valuation-based active investment process. Our close collaboration, specifically in areas like global asset allocation, has already benefitted our clients for many years. In an increasingly globalised investment universe, we expect our global expertise and greater knowledge-sharing across M&G investment teams across the globe, to further enhance our clients’ investment outcomes.

What is the impact on Prudential’s investment team and management structure?

Our local investment team and management structure remain unchanged. We continue to have teams of experienced portfolio managers working on each of our funds, backed by a team of analysts focusing on specific sectors and companies.

Our management structure also stays the same, retaining a fairly flat hierarchy.

What about our focus on consistency?

Even though we are changing our name to M&G, we will maintain the same focus on consistency in our investment management process and philosophy, as well as in all our operations. This does not change. We will still be associating ourselves closely with “consistency” as the best way to describe what we do. “Invest in consistency” is our new tag line.

M&G and Prudential share a similar fundamental and valuation-based active investment process. Our close collaboration, specifically in areas like global asset allocation, has already benefitted our clients for many years. As such we are confident that “consistency” will remain a core part of our approach.

What are the benefits for clients of Prudential becoming more integrated with the global M&G Investments group?



Successful investing these days requires **global expertise** with a global perspective. This is because return opportunities come from myriad sources and opportunities that can best be identified by teams of experts who combine their knowledge to deliver outperformance for clients. Therefore having M&G's **global scale and presence** will improve our ability to help our clients achieve their investment objectives.



Working more closely with M&G will give our **clients access to global best investment ideas and solutions that have proven to be successful.** This includes broad global investment themes that South Africans may not have previously been able to access, and cutting-edge, technology-driven solutions. Examples are areas as diverse as:

- Artificial Intelligence or machine-learning-driven funds that process large quantities of data much more efficiently and expediently than analysts could do on their own;
- Different types of sustainability- and impact-focused funds;
- Investment funds targeting global listed and unlisted infrastructure and credit opportunities, etc.



Working with M&G gives us **larger scale to make a more meaningful impact through ESG investing**, where we can influence company policies to a greater extent. We have already begun collaborating with ESG specialist teams within M&G in our engagements with

large carbon-emitters, towards a transition to cleaner energy solutions.



Working within the M&G Investment group offers excellent opportunities for **international knowledge exchange** for our colleagues who are able to live in Cape Town, but can now work closely alongside colleagues in London, Chicago, Paris or Singapore.



The companies listed on the JSE increasingly derive their earnings globally. In addition, South Africans have greater scope to invest offshore due to the higher offshore allowances permitted by the SARB. It remains our intent to provide a comprehensive (albeit focussed) **local and offshore range of investment capabilities** to our clients.



Our alignment with M&G's **global best practice standards** will allow us to benchmark ourselves against the best businesses in the world in areas such as client service, technology and governance practices, which we expect will be beneficial to our clients. As subsidiary of a UK-based financial services firm, we are indirectly subject to the relevant regulatory oversight under the UK's Financial Conduct Authority (FCA), in addition to being directly regulated by South Africa's FSCA and Prudential Authority. Our **controls frameworks**, internal audit, compliance and risk functions therefore must meet global best practice standards.



Our South African business can more easily access M&G's global scale and resulting opportunities for implementing lower-cost administrative solutions and best-of-breed technologies that should **help reduce costs** for our clients.

What is the impact on Prudential's approach to ESG Investing?

We will retain our same integrated approach to analysing ESG factors when making our investment decisions. We expect M&G's global experience, scale and influence to add value to our approach given their strong focus on sustainability and commitment to upholding social and environmental values, as evidenced by solutions like the M&G range of Planet+ funds offered in the UK and Europe, and the M&G Climate Solutions Fund.

M&G plc is a founding signatory of the Net Zero Asset Manager initiative, aiming to have Net Zero carbon emissions across all investments managed by 2050.

Has Prudential's B-BBEE rating changed due to M&G's higher shareholding?

No, the small change in M&G's ownership has no impact on Prudential's B-BBEE rating. In fact, at the end of July 2021 we received our first-ever Level 1 B-BBEE scorecard rating.

The total black ownership of our business has increased steadily over recent years, mainly due to increased black staff ownership and is currently approximately 31.4%. If the strategic holding by M&G plc is excluded, 63% of our South Africa-resident shareholder base is currently black-owned, collectively by Thesele Group and Prudential's black staff. See Prudential's latest [scorecard](#).

What is the motivation for M&G's increased ownership in Prudential Southern Africa?

Following the de-merger of M&G plc from life assurer Prudential plc in 2019, and M&G plc's separate listing on the London Stock Exchange,

M&G is now a publicly listed and dedicated international savings and investment business offering both investment management services and insurance-wrapped savings solutions across many international countries and regions.

M&G has realised its ambitions of establishing an independent global investment management operation, with centres of expertise focused on the UK, Europe, the US and Asia. It was therefore a logical step forward for M&G to seek closer ties with Prudential Southern Africa, as the successful and experienced investment manager that it has owned since 1994, in order to extend its investment expertise into Africa and other emerging markets.

Over the years, a series of corporate actions at Prudential has supported local economic transformation and allowed staff to become indirect shareholders in the local business. As a result, Prudential moved from being a wholly-owned subsidiary of M&G to an associate business of M&G in 2012. Before the recent increase in ownership M&G held a 49.99% stake in Prudential. This increased to 50.12% as of July 2021, again making Prudential a subsidiary of M&G.

No other shareholding transactions affecting Prudential are currently envisaged.

See [Appendix](#) for a timeline of the ownership of Prudential Southern Africa.

Will local clients have access to M&G international funds?

South African investors already have access to M&G Investments' international fund management teams who manage the global portions of all our local multi-asset funds, as well as some of the sub-funds under the Irish-domiciled Prudential Global Funds ICAV. These Prudential Global Funds are fully approved under Section 65 of the Collective Investment Schemes Act (CISCA) for distribution in South Africa. Our global rand-denominated feeder funds also feed into the Prudential Global Funds range, and these are therefore available to South African clients, both in rand-denominated feeder-fund format, or for direct offshore investment into the US dollar-denominated Irish-domiciled funds. Importantly, the Prudential Global Funds were all designed by Prudential South Africa, in collaboration with M&G, to ensure they are appropriate for our South African clients' needs and relevant regulations.

In addition to the Prudential Global Funds' range, M&G offers an extensive range of international investment capabilities, both via segregated mandates and through pooled investment portfolios. These cover most traditional investment markets and regions across all listed asset classes. M&G also has deep experience in private (unlisted) assets such as unlisted credit, direct real estate and private equity. Across both listed and private assets the group is increasingly focussed on working with global clients on ESG-centric, positive impact and climate-focused solutions. We are excited by the opportunity to work with our local clients who express an interest in any of these specialist international capabilities.

The M&G group's UK-, Singapore- and Luxembourg-domiciled collective investment schemes are not currently approved for distribution in South Africa under Section 65 of

CISCA. Most of these funds were designed for specific regional clients' needs. We do not intend applying for blanket local Section 65 approval to distribute these M&G international funds. We will, however, consider doing so on a case-by-case basis, if we believe a specific fund is appropriate for our South African clients and regulatory environment, and where there is demand for a specific capability that our Prudential Global Fund range does not already cover.

For more information view [Our Funds](#).

Will there be changes to governance structures at Prudential South Africa?

The changes in shareholding will have no direct impact on our local governance structures. Our local board of directors (which includes nominees from all three shareholders, as well as independent non-executive directors) will continue to exercise its governance responsibilities in accordance with local laws and regulations. The Board's formal sub-committees continue to be responsible for their respective oversight functions:

- Audit, Risk and Compliance Committee
- Social, Ethics and Transformation Committee
- Remuneration Committee

In addition to the local governance structures, we also remain subject to the M&G plc Group governance framework and oversight. As part of a UK-domiciled financial services firm, we are indirectly subject to the relevant regulatory oversight under the UK's Financial Conduct Authority (FCA), in addition to our local regulators. Our controls frameworks, internal audit, compliance and risk functions therefore must meet global best practice standards.

For more information view [our Boards](#)

Prudential SA unit trust (Rand-denominated)	Proposed new unit trust name
Prudential 2.5% Target Income Fund	M&G 2.5% Target Income Fund
Prudential 5% Target Income Fund	M&G 5% Target Income Fund
Prudential 7% Target Income Fund	M&G 7% Target Income Fund
Prudential Africa Equity Fund	M&G Africa Equity Fund
Prudential Balanced Fund	M&G Balanced Fund
Prudential Corporate Bond Fund	M&G Corporate Bond Fund
Prudential Dividend Maximiser Fund	M&G Dividend Maximiser Fund
Prudential Enhanced Income Fund	M&G Enhanced Income Fund
Prudential Enhanced SA Property Tracker Fund	M&G Enhanced SA Property Tracker Fund
Prudential Equity Fund	M&G Equity Fund
Prudential Global Balanced Feeder Fund	M&G Global Balanced Feeder Fund
Prudential Global Bond Feeder Fund	M&G Global Bond Feeder Fund
Prudential Global Equity Feeder Fund	M&G Global Equity Feeder Fund
Prudential Global Inflation Plus Feeder Fund	M&G Global Inflation Plus Feeder Fund
Prudential High Interest Fund	M&G High Interest Fund
Prudential High Yield Bond Fund	M&G High Yield Bond Fund
Prudential Income Fund	M&G Income Fund
Prudential Inflation Plus Fund	M&G Inflation Plus Fund
Prudential Money Market Fund	M&G Money Market Fund
Prudential Pan African Bond Fund	M&G Pan African Bond Fund
Prudential Property Fund	M&G Property Fund
Prudential SA Equity Fund	M&G SA Equity Fund

Namibia Unit Trusts (N\$ denominated)**Proposed new unit trust name**

Prudential Namibian Balanced Fund

M&G Namibian Balanced Fund

Prudential Namibian Enhanced Income Fund

M&G Namibian Enhanced Income Fund

Prudential Namibian Inflation Plus Fund

M&G Namibian Inflation Plus Fund

Prudential Namibian Money Market Fund

M&G Namibian Money Market Fund

Offshore Unit Trusts (US\$ denominated)**Proposed new unit trust name**

Prudential Global Balanced Fund

M&G Global Balanced Fund

Prudential Global Bond Fund

M&G Global Bond Fund

Prudential Global Equity Fund

M&G Global Equity Fund

Prudential Global Fixed Income Fund

M&G Global Fixed Income Fund

Prudential Global Inflation Plus Fund

M&G Global Inflation Plus Fund

Prudential Global Property Fund

M&G Global Property Fund

*These changes are subject to approval by various regulatory bodies in the funds' relevant home jurisdictions.

Who is M&G?

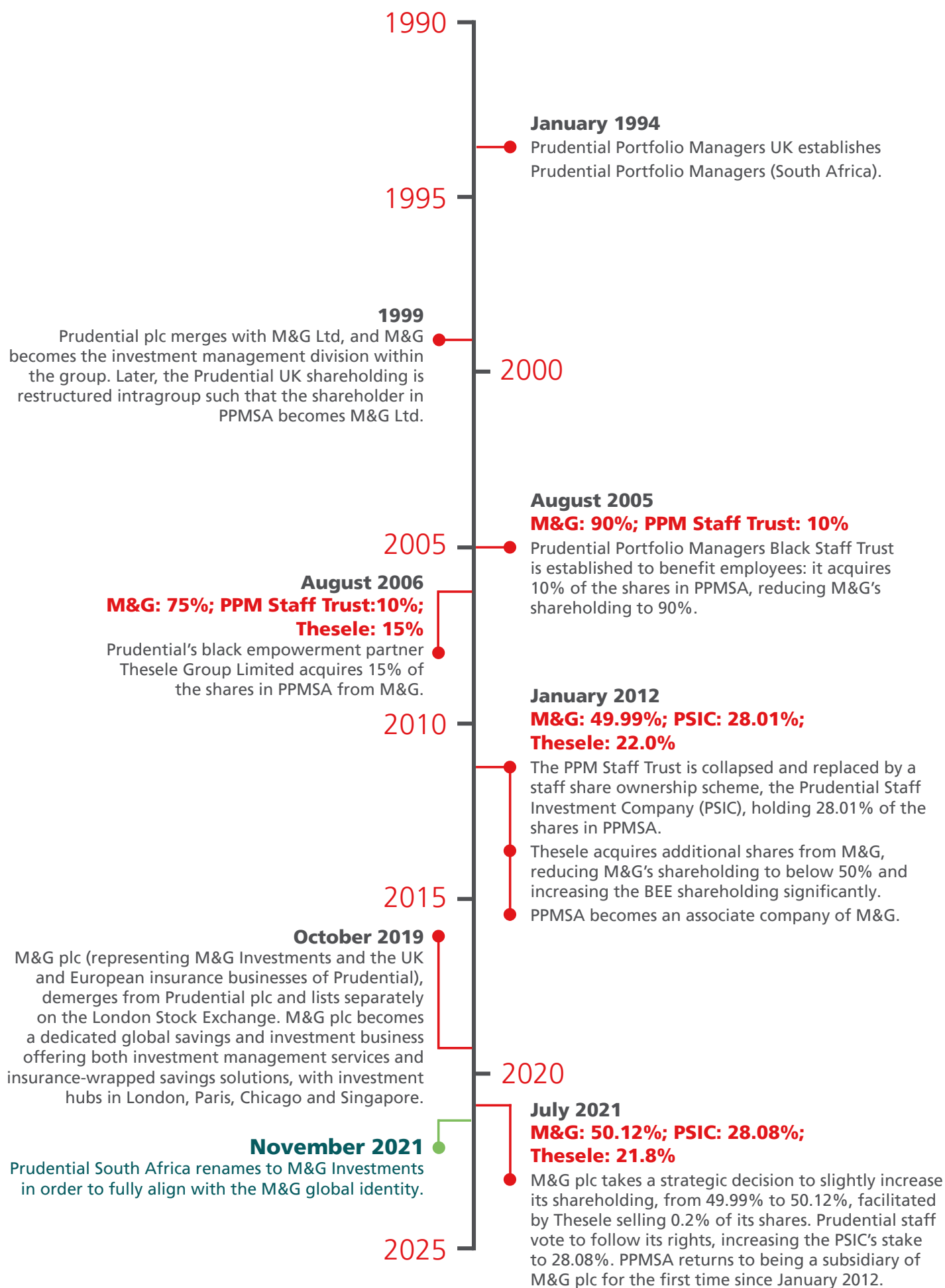
M&G was founded under its original name of 'Municipal and General Securities' in 1901 as the financial arm of a British engineering company. M&G revolutionised British finance in 1931 when it launched the first mutual fund (unit trust) for the UK general public.

Since that time the firm has concentrated on the management of investment funds. In 1999, UK-listed life insurer Prudential plc (with significant operations in Asia, the US and the UK) bought M&G and the two groups merged under the Prudential banner. Shortly thereafter, ownership of the Prudential South Africa business moved from Prudential plc to M&G Investments (which was now a wholly-owned subsidiary of Prudential plc), in order to align the SA business with the investment management division in the group.

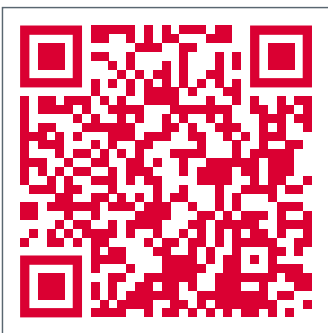
On 21 October 2019, M&G plc demerged from Prudential plc and listed separately on the London Stock Exchange. M&G Investments, the asset management division within M&G plc and the direct shareholder in Prudential South Africa, manages investment funds for its retail and institutional clients. Prudential Southern Africa no longer has any formal ties to Prudential plc, which is now focussed on Asian and African insurance operations, as well its own Asia-based investment management operation, EastSpring Investments.

Overleaf is a timeline of Prudential South Africa's changing ownership.

PRUDENTIAL SOUTH AFRICA OWNERSHIP HISTORY



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Prudential Portfolio Managers (South Africa) (Pty) Ltd is a Southern African based financial services group and consists of:

- Prudential Investment Managers (South Africa) (Pty) Ltd, an approved discretionary Financial Services Provider in terms of the Financial Advisory and Intermediary Services Act.
- Prudential Portfolio Managers (South Africa) Life Ltd an approved linked long-term insurer in terms of Insurance Act.
- Prudential Portfolio Managers Unit Trusts Limited, an approved Management Company in terms of the Collective Investment Schemes Control Act.
- Prudential Portfolio Managers (Namibia) (Pty) Ltd, an approved Investment Manager in terms of the Namibian Stock Exchange Control Act
- Prudential (Namibia) Unit Trusts Limited, an approved Management Company in terms of the Namibian Unit Trusts Control Act.

Click [here](#) to read our legal notice and disclaimer.