

# CAPITA

# PRUDENTIAL

## CF Prudential Investment Funds (1)

Annual Report and Financial Statements  
31 October 2016

CF Prudential Dynamic 0-30 Portfolio  
CF Prudential Dynamic 10-40 Portfolio  
CF Prudential Dynamic 20-55 Portfolio  
CF Prudential Dynamic 40-80 Portfolio  
CF Prudential Dynamic 60-100 Portfolio  
CF Prudential Dynamic Focused 0-30 Portfolio  
CF Prudential Dynamic Focused 10-40 Portfolio  
CF Prudential Dynamic Focused 20-55 Portfolio  
CF Prudential Dynamic Focused 40-80 Portfolio  
CF Prudential Dynamic Focused 60-100 Portfolio

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## CF PRUDENTIAL INVESTMENT FUNDS (1)

### ACD'S REPORT

FOR THE YEAR ENDED 31 OCTOBER 2016

#### AUTHORISED STATUS

CF Prudential Investment Funds (1) ('the Company') is an investment company with variable capital incorporated in England and Wales under registered number IC508 and authorised by the Financial Conduct Authority with effect from 8 February 2007. The Company has an unlimited duration.

The Company is a Non-UCITS Retail Scheme and the base currency of the Company and each sub-fund is Pounds Sterling.

Shareholders are not liable for the debts of the Company. Shareholders are not liable to make any further payment to the Company after they have paid the price on purchase of the shares.

The Alternative Investment Fund Manager ('AIFM') is the legal person appointed on behalf of the Company and which (through this appointment) is responsible for managing the Company in accordance with the AIFM Directive and The Alternative Investment Fund Managers Regulations 2013. This role is performed by the ACD and references to the ACD in this Annual Report and Financial Statements include the AIFM as applicable.

#### IMPORTANT INFORMATION

With effect from 16 July 2016, the fund accounting of the Company has changed from Capita Financial Administrators Limited to State Street Bank and Trust Company.

With effect from 21 July 2016, the address of the registrar has changed to Arlington Business Centre, Millshaw Park Lane, Leeds LS11 OPA, and the address for all correspondences to PO Box 384, Darlington DL1 9RZ.

Please be advised that Capita Financial Managers Limited will cease to produce and send the interim and annual short report to investors with immediate effect following a change in regulation.

The full set of annual and interim Report and Financial Statements will remain available to all investors on our website ([www.capitafinancial.com](http://www.capitafinancial.com)) and also upon request at our head office, 40 Dukes Place, London EC3A 7NH.

#### CROSS HOLDINGS

No sub-funds had holdings in any other sub-fund of the Company at the end of the year.

#### REMUNERATION POLICY

Capita Financial Managers Limited ('CFML') is committed to ensuring that its remuneration policies and practices are consistent with, and promote, sound and effective risk management. CFML's remuneration policy is designed to ensure that excessive risk taking is not encouraged by or within CFML including in respect of the risk profile of the Alternative Investment Funds ('AIFs') it operates, to manage the potential for conflicts of interest in relation to remuneration (having regard, inter alia, to its formal conflicts of interest policy) and to enable CFML to achieve and maintain a sound capital base.

CFML acts as the operator of both UCITS funds and AIFs.

CFML delegates portfolio management for the AIFs to various investment management firms. The portfolio managers' fees and expense for providing investment management services are paid by the ACD out of its own remuneration under the ACD agreement. The investment management firms make information on remuneration publicly available in accordance with the disclosure requirements of Pillar 3 of the Capital Requirements Directive. This disclosure is in respect of CFML activities (including activities performed by its sister company Capita Financial Administrators Limited ('CFAL') or by employees of that entity), and excludes activities undertaken by third party investment management firms. CFML staff do not perform duties in respect of particular AIFs, nor are they remunerated by reference to the performance of any individual AIF. Accordingly, the information below is for CFML as a whole. No attempt has been made to attribute remuneration to the Company itself.

Information on CFML's remuneration arrangements is collated annually, as part of its statutory accounts preparation processes. Accordingly, the information disclosed relates to the year ended 31 December 2015, being the most recent accounting period for which accounts have been prepared for CFML prior to the production of these accounts. As at 31 December 2015, CFML operated 94 UCITS and 56 AIFs, whose respective assets under management ('AuM') were £31,166 million and £10,688 million. This Company was valued at £1,301 million as at that date and represented 4.17% of CFML's total AuM and 12.17% of its AIF AuM.

The disclosure below represents that required under FUND 3.3.5 R (5) and (6) for funds subject to AIFMD obligations.

	Number of beneficiaries	Fixed £'000	Variable £'000	Total £'000
Total amount of remuneration paid by CFML for the year ended 31 December 2015	141	4,420	553	4,973
Total amount of remuneration paid to Senior Management for the year ended 31 December 2015	7	579	239	818
Total amount of remuneration paid to members of staff whose activities have a material impact on the risk profile of CFML's AIFs for the year ended 31 December 2015	11	774	83	857

#### SECURITIES FINANCING TRANSACTIONS

The Company has the ability to utilise Securities Financing Transactions (being transactions such as lending or borrowing of securities, repurchase or reverse repurchase transactions, buy-sell back or sell-buy back transactions, or margin lending transactions). No such transactions have been undertaken in the period covered by this report.

#### CAPITA FINANCIAL MANAGERS LIMITED

ACD of CF Prudential Investment Funds (1)

16 February 2017

## CF PRUDENTIAL INVESTMENT FUNDS (1) DIRECTOR'S STATEMENT

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook and the Investment Funds Sourcebook, as applicable, as issued and amended by the Financial Conduct Authority together with the relevant provisions of the Alternative Investment Fund Manager's Directive and modified by a direction given by the Financial Conduct Authority where the ACD has opted to provide a NURS KII Document, a Key Investor Information Document for Non-UCITS Retail Schemes.

N. BOYLING

CAPITA FINANCIAL MANAGERS LIMITED  
*ACD of CF Prudential Investment Funds (1)*  
16 February 2017

### STATEMENT OF ACD'S RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The ACD is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland with early application of Amendments to FRS 102 – Fair value hierarchy disclosure, issued in March 2016.

The Financial Conduct Authority's Collective Investment Schemes Sourcebook (the 'COLL Sourcebook') and the Investment Funds Sourcebook (the 'FUND Sourcebook'), as applicable, require the ACD to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company, comprising each of its sub-funds, and of the net revenue/expense and of the net capital gains/losses on the scheme property of the Company's sub-funds for that year. In preparing those financial statements, the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements in accordance with the requirements of the IA SORP; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The ACD is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company's sub-funds and to enable it to ensure that the financial statements comply with the COLL and FUND Sourcebooks. The ACD is also responsible for safeguarding the assets of the Company's sub-funds and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the ACD is aware:

- there is no relevant audit information of which the Company's Auditor is unaware; and
- the ACD has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the Auditor is aware of that information.

## CF PRUDENTIAL INVESTMENT FUNDS (1) STATEMENT OF DEPOSITARY'S RESPONSIBILITIES

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Company's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the ACD, are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

### REPORT OF THE DEPOSITARY FOR THE YEAR ENDED 31 OCTOBER 2016

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the ACD:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

NATIONAL WESTMINSTER BANK PLC  
Depositary of CF Prudential Investment Funds (1)  
16 February 2017

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CF PRUDENTIAL INVESTMENT FUNDS (1)

### OUR OPINION

In our opinion, CF Prudential Investment Funds (1)'s financial statements, (the 'financial statements of the Company'):

- give a true and fair view of the financial position of the Company and each of the sub-funds as at 31 October 2016 and of the net revenue and the net capital gains of the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

### WHAT WE HAVE AUDITED

CF Prudential Investment Funds (1) ('the Company') is an umbrella fund with a number of sub-funds. The financial statements of the Company, included within the Annual Report and Financial Statements (the 'Annual Report') comprise the financial statements of each of the sub-funds, which are prepared by Capita Financial Managers Limited (the 'Authorised Corporate Director'), and comprise for each of the sub-funds:

- the Balance Sheet as at 31 October 2016;
- the Statement of Total Return for the year then ended;
- the Statement of Change in Net Assets Attributable to Shareholders for the year then ended;
- the Summary of significant accounting policies and notes applicable to the financial statements of all sub-funds and Notes to the Financial Statements of individual sub-funds, which include other explanatory information; and
- the Distribution Tables.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the Investment Management Association (the 'Statement of Recommended Practice for UK Authorised Funds'), the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

In applying the financial reporting framework, the Authorised Corporate Director has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### OPINIONS ON MATTERS PRESCRIBED BY THE COLLECTIVE INVESTMENT SCHEMES SOURCEBOOK

In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## CF PRUDENTIAL INVESTMENT FUNDS (1)

*Independent Auditor's Report to the Shareholders of CF Prudential Investment Funds (1) (continued)*

### OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

#### PROPRIETY OF ACCOUNTING RECORDS AND INFORMATION AND EXPLANATIONS RECEIVED

Under the Collective Investment Schemes sourcebook we are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

#### OUR RESPONSIBILITIES AND THOSE OF THE AUTHORISED CORPORATE DIRECTOR

As explained more fully in the Authorised Corporate Director's Responsibilities Statement set out on pages 14 and 15, the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose.

We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's and each of the Company's sub-funds' circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Authorised Corporate Director; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PRICEWATERHOUSECOOPERS LLP  
*Chartered Accountants and Statutory Auditors*  
London  
16 February 2017

#### Notes:

The financial statements are published on [www.capitafinancial.com](http://www.capitafinancial.com) which is a website maintained by Capita Financial Managers Limited.

- a) The maintenance and integrity of the Capital Financial Managers Limited website is the responsibility of the Authorised Corporate Director; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## CF PRUDENTIAL INVESTMENT FUNDS (1)

### FINANCIAL STATEMENTS

#### ACCOUNTING POLICIES

AS AT 31 OCTOBER 2016

The principal accounting policies, which have been applied to the financial statements of the sub-funds in both the current and prior year, are set out below. These have been applied consistently across all sub-funds unless otherwise stated in the Notes to the Financial Statements of each sub-fund.

(a) *Basis of accounting*

The financial statements of each sub-fund have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland including early application of Amendments to FRS 102 – Fair value hierarchy disclosure, issued in March 2016. The financial statements have been prepared in accordance with the Statement of Recommended Practice ('SORP') for Financial Statements of UK Authorised Funds issued by the Investment Association ('IA') in May 2014. Previously, the requirements of the SORP issued by the IA in October 2010 were applied; there are no changes to the financial statements of the sub-funds on adoption of the new SORP and FRS 102, other than minor presentational amendments and additional disclosures in notes 11 to 14 of the sub-funds.

(b) *Recognition of revenue*

Dividends on quoted equities are recognised when the securities are quoted ex-dividend.

Distributions from collective investment schemes are recognised when the schemes are quoted ex-distribution. Equalisation returned with the distribution is deducted from the cost of the investment in the scheme and does not form part of the distributable revenue.

Reportable income from funds with 'Reporting Fund' status for UK tax purposes is recognised when the information is made available by the Reporting Fund.

Rebates of annual management charges (AMC rebates) from underlying investments are accounted for on an accruals basis and are recognised as revenue, or capital in line with the allocation of the annual management charge between capital and revenue of the underlying investments.

Interest on bank and other cash deposits is recognised on an accruals basis.

Revenue is recognised gross of any withholding taxes but excludes attributable tax credits.

(c) *Treatment of stock and special dividends*

The ordinary element of stock received in lieu of cash dividends is credited to capital in the first instance followed by a transfer to revenue of the cash equivalent being offered and this forms part of the distributable revenue of the Fund.

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue. Amounts recognised as capital are deducted from the cost of the investment. The tax accounting treatment follows the treatment of the principal amount.

(d) *Treatment of expenses*

All expenses, except for those relating to the purchase and sale of investments are charged initially against revenue.

(e) *Allocation of revenue and expenses to multiple share classes and sub-funds*

Any revenue or expense not directly attributable to a particular share class or sub-fund will normally be allocated pro-rata to the net assets of the relevant share classes and sub-funds, unless a different allocation method is more appropriate.

All share classes are ranked pari passu and have no particular rights or terms attached, including rights on winding up.

(f) *Taxation*

Corporation tax is provided at 20% on taxable revenue, after deduction of allowable expenses.

Offshore income gains, from funds without reporting status, are liable to corporation tax at 20% and any resulting charge is deducted from capital.

Where overseas tax has been deducted from overseas revenue that tax can, in some instances, be set off against the corporation tax payable by way of double tax relief and where this is the case the offset is reflected in the tax charge.

Deferred tax is provided using the liability method on all timing differences arising on the treatment of certain items for taxation and accounting purposes, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

(g) *Distribution policy*

Surplus revenue after taxation, as disclosed in the financial statements, after adjustment for items of a capital nature, is distributable to shareholders. Any deficit of revenue is deducted from capital.

Interim distributions may be made at the ACD's discretion. Final distributions are made in accordance with the COLL Sourcebook.

Distributions which have remained unclaimed by shareholders for more than six years are credited to the capital property of the sub-fund.

(h) *Basis of valuation of investments*

All investments are valued at their fair value as at close of business on 31 October 2016, being the last business day of the financial year.

Quoted investments are valued at fair value which generally is the bid price.

Collective investment schemes are valued at published bid prices for dual priced funds and at published prices for single priced funds.

(i) *Exchange rates*

The base and functional currency of the sub-funds is Pounds Sterling. Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting period are translated into sterling at the exchange rate prevailing at close of business on the last business day of the financial year.

## CF PRUDENTIAL INVESTMENT FUNDS (1)

*Financial Statements (continued)*

*Accounting Policies (continued)*

*As at 31 October 2016*

### (j) *Dilution adjustment*

The ACD may apply a dilution adjustment on the issue and redemption of shares if, in its opinion, the existing shareholders (for purchases) or remaining shareholders (for redemptions) might be adversely affected, and if in applying a dilution adjustment, so far as practicable, it is fair to all shareholders and potential shareholders. Typically the ACD will apply the dilution adjustment on each dealing day when there is either net sales or net redemptions. In specie transfers will not be taken into account when determining any dilution adjustment and any incoming portfolio will be valued on the same basis as each sub-fund is priced. When a dilution adjustment is not applied there may be a dilution of the assets of a sub-fund which may constrain the future growth of that sub-fund.

### (k) *Portfolio transaction costs*

Direct transaction costs may consist of fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Indirect transaction costs may be incurred on transactions in underlying schemes but these do not form part of the direct transaction costs disclosures. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The average portfolio dealing spread disclosed is the difference between the bid and offer prices of investments at the balance sheet date, including the effect of foreign exchange, expressed as a percentage of the value determined by reference to the offer price.

## CF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### ACD'S REPORT

FOR THE YEAR ENDED 31 OCTOBER 2016

### IMPORTANT INFORMATION

Refer to the 'Important Information' section on page 12.

### INVESTMENT OBJECTIVE AND POLICY

The CF Prudential Dynamic 0-30 Portfolio ('the Fund') aims to achieve long-term total return (the combination of income and growth of capital) by investing mainly in collective investment schemes. No more than 30% of the Fund will be invested in schemes whose predominant exposure is to equities.

The Fund is an actively managed portfolio investing mainly in collective investment schemes in order to provide a well diversified exposure to global fixed income and variable rate assets, cash, near cash, equities and/or immovable property. Typically the Fund will have a high exposure to lower risk assets such as fixed income assets, cash and near cash. Scheme selection is made on the basis of in depth initial and ongoing qualitative assessment of the fund managers and quantitative analysis of the collective investment schemes.

The Fund may also invest directly in other assets including transferable securities, other collective investment schemes, cash and near cash, deposits, warrants and money market instruments. Derivative instruments may be held directly for the purposes of efficient portfolio management only.

CAPITA FINANCIAL MANAGERS LIMITED

*ACD of CF Prudential Dynamic 0-30 Portfolio*

16 February 2017

## CF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

ACD's Report (continued)

For the year ended 31 October 2016

### PORTFOLIO MANAGER'S REPORT

Between 1 November 2015 and 31 October 2016 (the period in review) share classes 'R' Accumulation 8.72%<sup>1</sup> and 'P' Accumulation 9.0%<sup>1</sup> produced positive returns ahead of the 8.30%<sup>1</sup> sector average for IA Mixed Investment 0-35% Shares. Share class 'A' Accumulation at 8.25%<sup>1</sup> was slightly behind.

#### ECONOMIC OVERVIEW

Positions, and turning points, in business cycles typically form part of the analysis when constructing investment portfolios. Our analysis suggests that the US is in a mature phase of its expansion. As with the US, we believe that the UK is also in a maturing phase of its business cycle (although behind the US in terms of positioning) and that the economy is likely to slow sharply once the UK officially notifies the European Union ('EU') of its decision to leave the Union. By comparison, we think that the eurozone is approaching the mid-cycle expansion stage of the business cycle. Finally, in our opinion, Japan is probably in the later stages of its business cycle.

Growth in China has recently stabilised, due to policy support and strong credit growth. Economic growth is expected to start slowing, in the absence of further large stimulus. Of concern remains the high and growing level of debt, particularly on the part of Chinese corporates. Vulnerabilities will continue to rise as credit continues to grow. This is complicating the task of rebalancing the economy away from investment and towards consumption, the implementation of deeper structural reforms, and allowing market forces to play a greater role in determining the allocation of resources.

#### MARKET OVERVIEW

Having experienced a positive end to 2015, the early part of 2016 brought a remarkable turnaround in investor sentiment. In January 2016, many stockmarkets experienced their worst month for many years as renewed fears about a China-led global economic slowdown and a collapse in the oil price led to a retreat from risk assets. Investors then appeared to accept that a global recession was not as likely as feared and, when the oil price began to recover and central banks announced further action to boost growth, stockmarkets rallied strongly.

Despite several other events that could have unsettled investors including the UK referendum result, terrorist attacks and an attempted military coup in Turkey, investors have continued to focus on the support being given by policymakers.

Significant movements in currency markets also featured; sterling weakened against most other currencies, initially on the recognition that UK interest rates were unlikely to rise in the short term, but subsequently from the decision by the UK electorate to leave the EU.

#### UK

The FTSE All-Share had a strong 12 months, recovering from the lows of mid-February led by international energy and mining stocks, as oil and metal prices increased. The market also rebounded strongly from a short period of weakness following the UK referendum result in June supported by a decline in the pound that benefited the large number of multi-national businesses in the UK.

<sup>1</sup> Source: FE Analytics. The Portfolio Manager uses the IA Mixed Investment 0-35% Shares for comparison. No benchmark is required to be disclosed per the Prospectus.

The UK equity funds underperformed in challenging conditions for active fund managers. The Threadneedle UK Fund produced the best returns of the three underlying funds from 1 November to 31 October.

#### NORTH AMERICA

The S&P 500 produced a positive return over the period in review although US stockmarkets had their worst start to a new year for many years, with investors spooked by the slump in the oil price in January 2016. Concern that the economy could fall back into recession peaked in mid-February before bargain hunting among financial and energy stocks emerged. A rebound in the oil price and good economic data saw US shares recover. This prompted the US Federal Reserve ('the Fed') to confirm interest rate hikes would proceed cautiously. The continued actions of other central banks in keeping interest rates low has also helped keep investor sentiment generally positive.

Returns from the Schroder US Mid Cap Fund were ahead of the S&P 500 over the period in review.

#### EUROPE

Having pledged that it would not hesitate to act in support of the eurozone's economy, the European Central Bank ('ECB') took unexpectedly aggressive action in March. The main interest rate was reduced to zero, the deposit rate cut to -0.4% and the programme of asset purchases extended.

Most of Europe's stockmarkets declined over the period in local terms, though the strength of the euro against the pound meant that, in sterling terms, the losses were reduced or reversed. Concerns about the state of Italian banks hampered the country's stockmarket and concerns about Deutsche Bank grew following the imposition of a US\$14 billion fine from US authorities in late September.

Although strong in absolute terms, the performance of the Henderson European Selected Opportunities Fund lagged the benchmark index over the period in review.

#### JAPAN

Despite the government's package of measures to keep interest rates low, weaken the yen and encourage inflation, the Japanese economy remained under pressure. The Bank of Japan ('BoJ') took the unprecedented step of setting the main interest rate below zero, at -0.1%.

While this caused the yen to weaken in the short term, it then strengthened significantly over the period – regarded not only as a safe haven when other markets weakened, but also gaining relative to the US dollar when it became apparent US interest rates were not about to rise immediately. A strong yen tends to weigh on the Japanese stockmarket as it restricts the country's export competitiveness. Japanese shares were lower over the period in review despite a rallying in the third quarter.

The Schroder Tokyo Fund outperformed the benchmark between 1 November 2015 and 31 October 2016.

#### ASIA EX JAPAN

In common with other global stockmarkets, shares in Asia endured a turbulent first few months of 2016 having recovered towards the end of 2015. The Chinese stockmarket, the largest in the region, declined sharply early in the year as investors became increasingly concerned that the economy was stalling. In a surprise move, the authorities devalued the Chinese currency, alarming investors and sending shock waves around the world.

## CF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

*ACD's Report (continued)*

*Portfolio Manager's Report (continued)*

*For the year ended 31 October 2016*

### ASIA EX JAPAN (continued)

A general improvement in investor sentiment during the third quarter was reflected in higher prices for shares in the Asia Pacific region, particularly as economic data seemed to suggest that the Chinese economy was not slowing as much as had been feared.

Both the Stewart Investors Asia Pacific Leaders Fund and Fidelity Asia Fund produced strong returns. The Stewart Investors Fund also finished ahead of benchmark over the period in review.

### UK BONDS

UK interest rates and inflation remained low during the period. Weakness in the price of oil and other commodities notably contributed to subdued inflation, while signs that the global economy may be slowing supported the Bank of England's ('BoE') decision to keep interest rates unchanged. Fears of a global recession started to fade from around the middle of February, so gilt prices moderated and UK corporate bonds staged a solid rebound, especially in the final weeks of March.

The third quarter saw sustained demand for 'safe-haven' assets as the UK referendum result took financial markets by surprise. Expectations of interest rate increases were pushed out and indeed the BoE lowered interest rates to 0.25% in August. The extent of the accompanying bond-purchasing programme was greater than expected and kept demand for UK corporate and government bonds strong.

All five underlying corporate bond funds produced positive returns during the period in review although only Royal London and Fidelity outperformed the benchmark.

### UK PROPERTY

Even before the UK referendum on membership of the EU, the UK commercial property market had begun to cool, with both capital value and rental income growth slowing. In the two months after the 'Leave' vote, commercial property prices fell by around 4% in total. However, there are some early signs that prices are beginning to stabilise, not least because of solid demand for property assets from overseas buyers.

So far in 2016, capital values have declined by around 3%, with the steepest fall seen in the All Retail sector. Meanwhile, rental values for all UK commercial property have grown by just over 1% year-to-date, with All Industrials and All Offices recording the largest increases.

The M&G Property Portfolio and Aviva Investors Property Trust suffered from a surge of redemption requests following the referendum result. This had a negative effect on performance as both fund managers had to suspend trading and re-value underlying assets.

### EMERGING MARKETS

The end of 2015 was modestly positive for Emerging Markets overall. At the beginning of 2016 they suffered in an environment of risk aversion as investors considered the effect of a slowing global economy and lower oil prices.

However, Emerging Markets performed better than most developed markets over the third quarter and have now produced very strong returns to end October 2016. This has been driven by the higher prices for oil, and commodity prices and a weaker US dollar.

The M&G Global Emerging Markets Fund performed well and ahead of benchmark.

### POSITIONING

After a review of the long-term positioning of the portfolio in early 2016, adjustments were made to the equity exposure with the holding in the Henderson European Selected Opportunities Fund reduced and small positions taken in the Threadneedle American Fund, Schroders US Mid Cap Fund and Schroder Tokyo Fund to provide more diversification. The cash holding was also reduced with small incremental additions made to each of the corporate bond and high yield bond funds.

### OUTLOOK

Global growth is expected to remain subdued for several factors. These include the continuation of highly leveraged advanced and Emerging Markets (although some deleveraging has occurred post-2008 in advanced economies); the ongoing rebalancing in China which is resulting in a gradually slowing Chinese economy; a continued adjustment on the part of commodity producers to a decline in their terms of trade; geopolitical uncertainty across the globe; and a lack of structural reform in many economies that will act as a restraint on global growth, as these reforms take several years to bear fruit.

Monetary policy divergence is set to continue in the advanced economies, although it will remain very accommodative even once the Fed resumes its rate hiking cycle. The Fed is expected to hike once in December 2016, while the ECB, the BoJ and the BoE may ease policy further.

M&G INVESTMENT MANAGEMENT LIMITED

*Portfolio Manager*

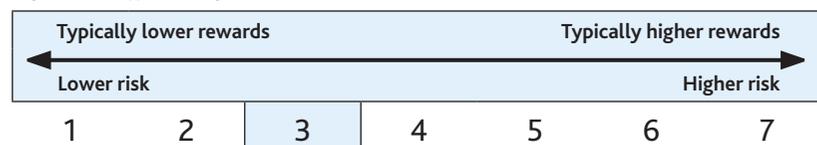
18 November 2016

## CF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

ACD's Report (continued)

### FUND INFORMATION

#### RISK AND REWARD PROFILE



This indicator shows how much a fund has risen and fallen in the past, and therefore how much a fund's returns have varied. It is a measure of a fund's volatility. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains. The lowest number on the scale does not mean that a fund is risk free.

The Fund has been classed as 3 because its volatility has been measured as medium to average.

Non-UCITS Retail Scheme (NURS): The Fund can be less diversified than UCITS schemes as it has higher investment limits for certain types of asset. It can also invest in assets which are not available to UCITS schemes. This can increase the potential rewards but can also increase risk.

This indicator is based on historical data and may not be a reliable indication of the future risk profile of this Fund.

The risk and reward profile shown is not guaranteed to remain the same and may shift over time.

Currency Risk: As the Fund invests indirectly in overseas securities, exchange rates movements may, when not hedged, cause the value of your investment to increase or decrease.

Credit Risk: Fixed interest securities are affected by trends in interest rates and inflation. If interest rates go up the value of capital may fall and vice versa. Inflation will also decrease the real value of capital. The value of a fixed interest security is also affected by its credit rating. Fixed interest securities with a higher yield also generally brings an increased risk of default on repayment by the issuer which could affect the income and capital of the Fund.

For full details of the Fund's risks, please see the Prospectus which may be obtained upon application and can be found on the ACD's website, [www.capitafinancial.com](http://www.capitafinancial.com), by following the link 'Fund Information'.

#### COMPARATIVE TABLES

Where the Fund has significant investment in collective investment schemes, the operating charges take account of the ongoing charges incurred in the underlying schemes, calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'A' Income shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	122.73	120.93	118.61
Return before operating charges*	12.36	6.70	7.21
Operating charges	(2.79)	(2.74)	(2.65)
Return after operating charges	9.57	3.96	4.56
Distributions	(1.97)	(2.16)	(2.24)
Closing net asset value per share	130.33	122.73	120.93
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	7.80%	3.27%	3.84%
<b>Other information</b>			
Closing net asset value (£'000)	603	2,020	3,080
Closing number of shares	462,457	1,645,494	2,546,645
Operating charges	2.26%	2.17%	2.19%
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	133.87	129.67	124.78
Lowest share price	118.28	121.44	117.65

## CF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

ACD's Report (continued)  
Fund Information (continued)

### COMPARATIVE TABLES (continued)

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'A' Accumulation shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	132.15	128.42	124.13
Return before operating charges*	13.34	7.10	7.38
Operating charges	(3.02)	(2.92)	(2.62)
Return after operating charges	10.32	4.18	4.76
Distributions	(2.11)	(2.27)	(2.34)
Retained distributions on accumulation shares	1.69	1.82	1.87
Closing net asset value per share	142.05	132.15	128.42
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	7.81%	3.25%	3.83%
<b>Other information</b>			
Closing net asset value (£'000)	7,534	19,592	28,871
Closing number of shares	5,303,624	14,825,877	22,481,210
Operating charges	2.26%	2.17%	2.19%
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	144.14	137.62	130.58
Lowest share price	127.37	128.98	123.08

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'C' Income shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	123.04	121.20	118.86
Return before operating charges*	12.55	6.76	7.27
Operating charges	(1.31)	(1.22)	(1.18)
Return after operating charges	11.24	5.54	6.09
Distributions	(3.56)	(3.70)	(3.75)
Closing net asset value per share	130.72	123.04	121.20
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	9.14%	4.57%	5.12%
<b>Other information</b>			
Closing net asset value (£'000)	23,159	19,920	20,863
Closing number of shares	17,716,895	16,189,837	17,213,474
Operating charges	1.04%	0.95%	0.97%
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	135.45	130.38	126.11
Lowest share price	118.93	121.75	118.03

## CF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

ACD's Report (continued)  
Fund Information (continued)

### COMPARATIVE TABLES (continued)

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 <sup>1</sup> (p/share)
<b>'P' Income shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	103.89	102.35	100.00
Return before operating charges*	10.59	5.67	6.34
Operating charges	(1.61)	(1.52)	(1.37)
Return after operating charges	8.98	4.15	4.97
Distributions	(2.50)	(2.61)	(2.62)
Closing net asset value per share	110.37	103.89	102.35
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	8.64%	4.05%	4.97%
<b>Other information</b>			
Closing net asset value (£'000)	4,065	2,740	1,268
Closing number of shares	3,683,074	2,637,442	1,239,133
Operating charges	1.51%	1.42%	1.40% <sup>2</sup>
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	114.11	109.77	106.11
Lowest share price	100.31	102.75	99.62

<sup>1</sup> From 15 November 2013.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 <sup>1</sup> (p/share)
<b>'P' Accumulation shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	108.09	104.46	100.00
Return before operating charges*	11.01	5.74	6.37
Operating charges	(1.67)	(1.57)	(1.39)
Return after operating charges	9.34	4.17	4.98
Distributions	(2.59)	(2.67)	(2.63)
Retained distributions on accumulation shares	2.07	2.13	2.11
Closing net asset value per share	116.91	108.09	104.46
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	8.64%	3.99%	4.98%
<b>Other information</b>			
Closing net asset value (£'000)	43,808	33,997	21,960
Closing number of shares	37,473,464	31,451,447	21,022,766
Operating charges	1.51%	1.42%	1.40% <sup>2</sup>
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	118.70	112.05	106.11
Lowest share price	104.37	104.86	99.61

<sup>1</sup> From 15 November 2013.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

## CF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

ACD's Report (continued)  
Fund Information (continued)

### COMPARATIVE TABLES (continued)

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'R' Accumulation shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	118.93	115.13	110.82
Return before operating charges*	12.07	6.34	6.73
Operating charges	(2.14)	(2.02)	(1.88)
Return after operating charges	9.93	4.32	4.85
Distributions	(2.53)	(2.61)	(2.68)
Retained distributions on accumulation shares	2.03	2.09	2.14
Closing net asset value per share	128.36	118.93	115.13
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	8.35%	3.75%	4.38%
<b>Other information</b>			
Closing net asset value (£'000)	5,639	4,493	7,761
Closing number of shares	4,393,306	3,778,163	6,741,368
Operating charges	1.76%	1.67%	1.68%
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	130.24	123.48	116.98
Lowest share price	114.77	115.63	109.94

### FUND PERFORMANCE TO 31 OCTOBER 2016 (%)

	1 year	3 years	5 years
CF Prudential Dynamic 0-30 Portfolio	8.25	14.36	32.38

The performance of the Fund is based on the published price per 'A' Accumulation share which includes reinvested income.

The performance of the Fund disclosed in the above table may differ from the 'Return after charges' disclosed in the Comparative Table due to the above performance being calculated on the latest published price prior to the period end, rather than the period end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 53 and 54.

#### RISK WARNING

An investment in an open-ended investment company should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

## CF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

ACD's Report (continued)

PORTFOLIO STATEMENT

AS AT 31 OCTOBER 2016

Holding	Portfolio of Investments	Value £'000	31.10.16 %
	EQUITY PORTFOLIOS – 18.86% (31.10.15 – 21.48%)		
238,466	CONTINENTAL EUROPE – 4.14% (31.10.15 – 8.22%) Henderson European Selected Opportunities Fund	3,513	4.14
	TOTAL CONTINENTAL EUROPE	3,513	4.14
472,670	UNITED KINGDOM – 6.16% (31.10.15 – 7.93%) Artemis Income Fund	1,755	2.07
53,197	AXA Framlington UK Select Opportunities Fund	1,649	1.94
1,419,809	Threadneedle UK Fund	1,820	2.15
	TOTAL UNITED KINGDOM	5,224	6.16
221,583	FAR EAST – 2.90% (31.10.15 – 3.53%) Fidelity Asia Fund	2,457	2.90
	TOTAL FAR EAST	2,457	2.90
327,594	JAPAN – 1.30% (31.10.15 – 0.00%) Schroder Tokyo Fund	1,103	1.30
	TOTAL JAPAN	1,103	1.30
1,078,963	UNITED STATES – 3.05% (31.10.15 – 0.00%) Threadneedle American Fund	2,585	3.05
	TOTAL UNITED STATES	2,585	3.05
401,180	EMERGING MARKETS – 1.31% (31.10.15 – 1.80%) M&G Global Emerging Markets Fund†	1,113	1.31
	TOTAL EMERGING MARKETS	1,113	1.31
	TOTAL EQUITY PORTFOLIOS	15,995	18.86
	EQUITY INVESTMENT INSTRUMENTS – 1.89% (31.10.15 – 0.00%)		
305,304	BBGI*	440	0.52
44,775	HarbourVest Global Private Equity*	481	0.57
21,505	HgCapital Trust*	308	0.36
143,170	NextEnergy Solar Fund*	154	0.18
206,190	Renewables Infrastructure*	221	0.26
	TOTAL EQUITY INVESTMENT INSTRUMENTS	1,604	1.89

Holding	Portfolio of Investments	Value £'000	31.10.16 %
	PROPERTY PORTFOLIOS – 8.71% (31.10.15 – 9.22%)		
2,302,025	Aviva Investors Property Trust	3,711	4.38
330,688	M&G Property Portfolio†	3,676	4.33
	TOTAL PROPERTY PORTFOLIOS	7,387	8.71
	BOND PORTFOLIOS – 68.46% (31.10.15 – 69.48%)		
1,772,321	Baillie Gifford High Yield Bond Fund	2,215	2.61
4,784,369	Fidelity MoneyBuilder Income Fund	8,392	9.90
4,830,464	Invesco Perpetual Corporate Bond Fund	9,362	11.04
3,710,842	Kames High Yield Bond Fund	4,461	5.26
4,882,392	Kames Investment Grade Bond Fund	8,317	9.80
3,338,966	M&G Global High Yield Bond Fund†	4,112	4.85
17,704,630	M&G Short Dated Corporate Bond Fund†	4,562	5.38
7,494,268	M&G Strategic Corporate Bond Fund†	8,373	9.87
8,058,002	Royal London Corporate Bond Fund	8,268	9.75
	TOTAL BOND PORTFOLIOS	58,062	68.46
	Portfolio of investments	83,048	97.92
	Net other assets	1,760	2.08
	Net assets	84,808	100.00

The investments have been valued in accordance with note (h) of the Accounting Policies and are collective investment schemes unless stated otherwise.

† Related party holding (see note 9).

\* Ordinary shares.

## CF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

ACD's Report (continued)

### SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 31 OCTOBER 2016

**Total purchases for the year £'000 (note 13)** **17,334**

<b>Major purchases</b>	<b>Cost £'000</b>
Threadneedle American Fund	2,498
Invesco Perpetual Corporate Bond Fund	1,590
Schroder Tokyo Fund	1,331
Henderson European Selected Opportunities Fund	1,215
Fidelity MoneyBuilder Income Fund	1,146
Fidelity Asia Fund	1,094
Schroder US Mid Cap Fund	900
Kames High Yield Bond Fund	886
M&G Strategic Corporate Bond Fund	818
M&G Global High Yield Bond Fund	815
Kames Investment Grade Bond Fund	719
Royal London Corporate Bond Fund	645
Baillie Gifford High Yield Bond Fund	507
HarbourVest Global Private Equity	488
BBGI	437
M&G Short Dated Corporate Bond Fund	400
Artemis Income Fund	398
Stewart Investors Asia Pacific Leaders Fund	310
HgCapital Trust	309
M&G Property Portfolio	291

The summary of material portfolio changes represents the 20 largest purchases during the year.

**Total sales for the year £'000 (note 13)** **23,430**

<b>Sales</b>	<b>Proceeds £'000</b>
M&G Short Dated Corporate Bond Fund	7,802
Henderson European Selected Opportunities Fund	4,716
Stewart Investors Asia Pacific Leaders Fund	2,019
Schroder US Mid Cap Fund	1,249
Artemis Income Fund	967
Aberdeen Emerging Markets Equity Fund	817
Fidelity Asia Fund	815
Schroder Tokyo Fund	783
AXA Framlington UK Select Opportunities Fund	683
Threadneedle American Fund	659
Fidelity MoneyBuilder Income Fund	562
Royal London Corporate Bond Fund	425
Invesco Perpetual Corporate Bond Fund	410
M&G Strategic Corporate Bond Fund	401
Kames Investment Grade Bond Fund	400
M&G Global High Yield Bond Fund	400
Threadneedle UK Fund	322

The summary of material portfolio changes represents all of the sales during the year.

CF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO  
FINANCIAL STATEMENTS  
STATEMENT OF TOTAL RETURN  
FOR THE YEAR ENDED 31 OCTOBER 2016

	Notes	£'000	31.10.16 £'000	£'000	31.10.15 £'000
Income:					
Net capital gains	2		4,864		1,181
Revenue	3	2,642		2,882	
Expenses	4	(672)		(821)	
Net revenue before taxation		1,970		2,061	
Taxation	5	(19)		(29)	
Net revenue after taxation			1,951		2,032
<b>Total return before distributions</b>			6,815		3,213
Distributions	6		(1,965)		(2,049)
<b>Change in net assets attributable to shareholders from investment activities</b>			4,850		1,164

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS  
FOR THE YEAR ENDED 31 OCTOBER 2016

	£'000	31.10.16 £'000	£'000	31.10.15 £'000
<b>Opening net assets attributable to shareholders</b>		82,762		83,803
Amounts receivable on issue of shares	12,227		12,696	
Amounts payable on cancellation of shares	(16,023)		(15,921)	
		(3,796)		(3,225)
Dilution adjustment		37		-
Change in net assets attributable to shareholders from investment activities		4,850		1,164
Retained distribution on Accumulation shares		955		1,020
<b>Closing net assets attributable to shareholders</b>		84,808		82,762

BALANCE SHEET  
AS AT 31 OCTOBER 2016

	Notes	31.10.16 £'000	31.10.15 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		83,048	82,912
<b>Current assets</b>			
Debtors	7	2,895	520
Cash and bank balances		1,500	602
<b>Total assets</b>		87,443	84,034
<b>LIABILITIES</b>			
<b>Provisions for liabilities</b>		(6)	-
<b>Creditors</b>			
Distribution payable		(975)	(969)
Other creditors	8	(1,654)	(303)
<b>Total liabilities</b>		(2,635)	(1,272)
<b>Net assets attributable to shareholders</b>		84,808	82,762

## CF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

Financial Statements (continued)

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 OCTOBER 2016

### 1. ACCOUNTING POLICIES

The accounting policies described on pages 20 to 22 have been applied to the financial statements of the Fund in the current and prior year. The additional accounting policies described below have also been applied to this Fund.

#### (a) Treatment of expenses

The Fund receives a rebate of the Annual Management Charge in relation to related party investments in the Fund. This is to eliminate double charging and, as such, is not a reduction in expenses suffered by shareholders.

#### (b) Distribution policy

The Fund has satisfied the qualifying investments test of Section 493 of the Corporation Taxes Act 2009, through the year. All distributions made are therefore made as interest distributions, will attract tax at 20% and will be accounted for on the shareholders' behalf to the HM Revenue & Customs.

### 2. NET CAPITAL GAINS

The net capital gains during the year comprise:

	31.10.16 £'000	31.10.15 £'000
Non-derivative securities	4,840	1,156
AMC rebates from underlying investments	24	25
Net capital gains	<u>4,864</u>	<u>1,181</u>

The net capital gains figure includes realised gains of £2,934 thousand and unrealised gains of £9,655 thousand (31.10.15 : includes realised gains of £714 thousand and unrealised gains of £7,750 thousand). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

### 3. REVENUE

	31.10.16 £'000	31.10.15 £'000
Non-taxable dividends	198	228
Taxable dividends	108	91
UK property income distributions	98	164
Unfranked interest	1,878	1,988
AMC rebates from underlying investments	360	410
Bank interest	–	1
Total revenue	<u>2,642</u>	<u>2,882</u>

### 4. EXPENSES

Payable to the ACD, associates of the ACD and agents of either of them:

Annual Management Charge	529	670
Administration fees	125	129
	<u>654</u>	<u>799</u>

Payable to the Depository, associates of the Depository and agents of either of them:

Depository's fees	7	8
Safe custody and other bank charges	–	1
	<u>7</u>	<u>9</u>

Other expenses:

FCA fee	1	–
Fees paid to auditor – audit	9	9
– tax services	1	4
	<u>11</u>	<u>13</u>

Total expenses	<u>672</u>	<u>821</u>
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The Portfolio Management fees and expenses (plus VAT thereon) for providing portfolio management services are paid by the ACD out of its remuneration.

### 5. TAXATION

a) Analysis of charge for the year

Corporation tax at 20%	20	33
Income tax offset	–	(18)
Irrecoverable income tax	–	18
Adjustments in respect of prior periods	(7)	(4)
Current tax charge	<u>13</u>	<u>29</u>

Deferred tax – origination and reversal of timing differences (note 5c)

	6	–
Total taxation (note 5b)	<u>19</u>	<u>29</u>

## CF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 5. TAXATION (continued)

#### b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.10.15 : 20%). The difference is explained below:

	31.10.16 £'000	31.10.15 £'000
Net revenue before taxation	1,970	2,061
Corporation tax at 20%	394	412
Effects of:		
Non-taxable dividends	(40)	(45)
AMC rebates taken to capital	5	5
Tax deductible interest distributions	(333)	(339)
Adjustments in respect of prior periods	(7)	(4)
Total tax charge (note 5a)	19	29
c) Deferred tax		
Provision at the start of the year	–	–
Deferred tax charge in the year (note 5a)	6	–
Provision at the end of the year	6	–

### 6. DISTRIBUTIONS

The distributions take account of revenue received on the issue of shares and revenue deducted on cancellations of shares, and comprise:

	31.10.16 £'000	31.10.15 £'000
Final	1,540	1,583
UK income tax withheld	390	406
	1,930	1,989
Add: Revenue deducted on cancellation of shares	172	201
Deduct: Revenue received on issue of shares	(137)	(141)
Net distributions for the year	1,965	2,049

Details of the distributions per share are set out in the table on pages 53 and 54.

### 6. DISTRIBUTIONS (continued)

Distributions represented by:

	31.10.16 £'000	31.10.15 £'000
Net revenue after taxation	1,951	2,032
Equalisation on conversions*	14	17
Net distributions for the year	1,965	2,049

\* Where an investor converts to a class with a higher income yield, the investor will receive an equalisation as if they had held the new class throughout the period from the last distribution to the conversion date. The yield differential at the point of conversion is an equalisation which will be offset by capital erosion for the converted investor.

### 7. DEBTORS

	31.10.16 £'000	31.10.15 £'000
Amounts receivable for issue of shares	198	54
Sales awaiting settlement	1,952	–
Accrued revenue:		
Non-taxable dividends	28	26
Taxable dividends	26	–
UK property income distributions	–	37
Unfranked interest	19	13
AMC rebates from underlying investments	97	70
	170	146
Taxation recoverable:		
Income tax	575	320
Total debtors	2,895	520

### 8. OTHER CREDITORS

	31.10.16 £'000	31.10.15 £'000
Amounts payable for cancellation of shares	69	211
Purchases awaiting settlement	1,495	–
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	47	53
Administration fees	12	10
	59	63

## CF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

	31.10.16 £'000	31.10.15 £'000
8. OTHER CREDITORS (continued)		
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	–	1
Taxation payable:		
Corporation tax	20	15
Other expenses	11	13
Total other creditors	<u>1,654</u>	<u>303</u>

### 9. RELATED PARTY TRANSACTIONS

Annual Management Charge and administration fees payable to Capita Financial Managers Limited ('the ACD') are disclosed in note 4 and amounts due at the year end are disclosed in note 8.

The aggregate monies received by the ACD through the issue of shares and paid on cancellation of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 40 and amounts due for the year are disclosed in notes 7 and 8.

Capita Financial Managers Limited and its associates (including other authorised investment funds managed by Capita Financial Managers Limited) held 314 (31.10.15 : nil) of the Fund's shares at the balance sheet date.

M&G Investment Management Limited and its associates (including other authorised investment funds managed by M&G Investment Management Limited) held 12,775,023 (31.10.15 : 13,934,001) of the Fund's shares at the balance sheet date.

As part of the investment strategy, the Fund may from time to time hold shares in other collective investment schemes managed by the same Portfolio Manager or for which Capita Financial Managers Limited is also the ACD. At the balance sheet date the value of the holdings were as follows:

	31.10.16 £'000	31.10.15 £'000
Portfolio Manager in common	<u>21,836</u>	<u>27,091</u>

### 10. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (31.10.15 : none).

### 11. SHARES IN ISSUE

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.40%	1.40%	0.18%
Opening shares in issue	1,645,494	14,825,877	16,189,837
Issues	36,514	618,579	4,113,797
Cancellations	(94,624)	(1,494,913)	(2,586,739)
Conversions	(1,124,927)	(8,645,919)	–
Closing shares in issue	<u>462,457</u>	<u>5,303,624</u>	<u>17,716,895</u>
	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.65%	0.65%	0.90%
Opening shares in issue	2,637,442	31,451,447	3,778,163
Issues	433,805	3,594,865	1,447,352
Cancellations	(715,341)	(8,098,094)	(861,197)
Conversions	1,327,168	10,525,246	28,988
Closing shares in issue	<u>3,683,074</u>	<u>37,473,464</u>	<u>4,393,306</u>

The closing net asset value and the closing net asset value per share, for each share class in issue at the balance sheet date, are given in the Fund Information.

### 12. RISK MANAGEMENT POLICIES

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for hedging purposes.

The main risks from the Fund's holding of financial instruments, together with the ACD's policy for managing these risks, are set out below:

The ACD has in place a Risk Management Policy and Procedures Document ('RMPPD') that sets out the risks that may impact a fund and how the ACD seeks, where appropriate, to manage, monitor and mitigate those risks, and in particular those risks associated with the use of derivatives. The RMPPD sets out both the framework and the risk mitigations operated by the ACD in managing the identified risks of the fund. The ACD requires that the appointed Portfolio Manager to the fund has in place its own governance structure, policies and procedures that are commensurate with its regulatory obligations and the risks posed by the fund managed.

## CF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 12. RISK MANAGEMENT POLICIES (continued)

#### i. Credit risk

Credit risk is the risk that a counterparty may be unable or unwilling to make a payment or fulfil contractual obligations. This may be in terms of an actual default or by deterioration in a counterparty's credit quality.

Credit risk is the risk that a counterparty may be unable or unwilling to make a payment or fulfil contractual obligations. This may be in terms of an actual default or by deterioration in a counterparty's credit quality.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. As part of its due diligence process, the ACD undertakes a review of the controls operated over counterparties by the Portfolio Manager, including initial and ongoing due diligence and business volumes placed with each counterparty. In cases which are dependent on the counterparty settling at the transaction's maturity date, the ACD has policies in place which set out the minimum credit quality expected of a market counterparty or deposit taker at the outset of the transaction.

#### ii. Interest rate risk

Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of interest rate changes. The value of fixed interest securities may be affected by changes in interest rates, either globally or locally. Changes in the rate of return in one asset class may influence the valuation basis of other classes. The amount of revenue receivable from floating rate investments and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates. Investment in collective investment schemes exposes the Fund to indirect interest rate risk to the extent that they invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

As the Fund is invested in underlying funds these funds may have exposure to bonds and to interest rate risk.

#### iii. Foreign currency risk

The income and capital value of the Fund's investments are denominated in sterling and, therefore, the financial statement are not subject to the risk of currency movements.

#### iv. Leverage

The ACD is required to calculate and monitor the level of leverage of the Fund, expressed as a ratio between the exposure of the Fund and its Net Asset Value, under both the gross and commitment methods (in accordance with articles 7 and 8 of The Alternative Investment Fund Managers Regulations 2013). For a fund with no borrowing or derivative usage the leverage ratio would be 1:1 under the commitment method. The gross method calculation excludes cash and cash equivalents which are highly liquid.

As at 31.10.16, leverage under the gross method was 0.98:1 and leverage under the commitment method was 1:1 (31.10.15 : 1:1 and 1:1 respectively).

#### v. Liquidity risk

The main liability of the Fund is the cancellation of any shares that investors want to sell. Investments may have to be sold to fund such cancellations should insufficient cash be held at the bank to meet this obligation.

### 12. RISK MANAGEMENT POLICIES (continued)

#### v. Liquidity risk (continued)

To reduce liquidity risk the Portfolio Manager will ensure that a substantial portion of the Fund's assets consist of cash and readily realisable investments.

All financial liabilities are payable in one year or less, or on demand.

#### vi. Market price risk

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds.

Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

#### vii. Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

#### viii. Derivatives

The Fund held no derivatives during the current or prior year.

## CF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 13. PORTFOLIO TRANSACTION COSTS

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
<b>31.10.16</b>				
Ordinary shares	218	–	–	218
Collective investment schemes	17,114	–	2	17,116
<b>Purchases total</b>	<b>17,332</b>	<b>–</b>	<b>2</b>	<b>17,334</b>
<i>Transaction cost % of purchases total</i>		–	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	23,430	–	–	23,430
<b>Sales total</b>	<b>23,430</b>	<b>–</b>	<b>–</b>	<b>23,430</b>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.16 is 0.43% (31.10.15 : 0.52%).

### 13. PORTFOLIO TRANSACTION COSTS (continued)

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
<b>31.10.15</b>				
Collective investment schemes	1,580	–	–	1,580
<b>Purchases total</b>	<b>1,580</b>	<b>–</b>	<b>–</b>	<b>1,580</b>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	5,271	–	–	5,271
<b>Sales total</b>	<b>5,271</b>	<b>–</b>	<b>–</b>	<b>5,271</b>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

## CF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 14. FAIR VALUE HIERARCHY

Investments are categorised into the following levels based on their fair value measurement:

Level 1: The unadjusted quoted price in an active market for identical assets that the Fund can access at the year end date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the assets.

Valuation technique	31.10.16 Assets £'000	31.10.15 Assets £'000
Level 1	1,604	–
Level 2	81,444	82,912
Level 3	–	–
Total portfolio of investments	83,048	82,912

### DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 OCTOBER 2016 – IN PENCE PER SHARE

#### EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares – the applicable distribution periods for each distribution are shown below). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes.

Group 2	Final
From	01.11.15
To	31.10.16

#### 'A' Income shares

Final	Gross Revenue	Income Tax	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	1.9705	0.3941	1.5764	–	1.5764	1.7316
Group 2	1.1669	0.2334	0.9335	0.6429	1.5764	1.7316

#### 'A' Accumulation shares

Final	Gross Revenue	Income Tax	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	2.1068	0.4214	1.6854	–	1.6854	1.8195
Group 2	0.7699	0.1540	0.6159	1.0695	1.6854	1.8195

#### 'C' Income shares

Final	Gross Revenue	Income Tax	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	3.5576	0.7115	2.8461	–	2.8461	2.9590
Group 2	1.5840	0.3168	1.2672	1.5789	2.8461	2.9590

#### 'P' Income shares

Final	Gross Revenue	Income Tax	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	2.4973	0.4995	1.9978	–	1.9978	2.0904
Group 2	1.3001	0.2600	1.0401	0.9577	1.9978	2.0904

## CF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

Financial Statements (continued)

Distribution Table (continued)

### 'P' Accumulation shares

Final	Gross Revenue	Income Tax	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	2.5908	0.5182	2.0726	–	2.0726	2.1330
Group 2	1.2023	0.2405	0.9618	1.1108	2.0726	2.1330

### 'R' Accumulation shares

Final	Gross Revenue	Income Tax	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	2.5335	0.5067	2.0268	–	2.0268	2.0872
Group 2	1.1620	0.2324	0.9296	1.0972	2.0268	2.0872

## CF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

ACD'S REPORT

FOR THE YEAR ENDED 31 OCTOBER 2016

### IMPORTANT INFORMATION

Refer to the 'Important Information' section on page 12.

### INVESTMENT OBJECTIVE AND POLICY

The CF Prudential Dynamic 10-40 Portfolio ('the Fund') aims to achieve long-term total return (the combination of income and growth of capital) by investing mainly in collective investment schemes. Between 10% and 40% of the Fund will be invested in schemes whose predominant exposure is to equities.

The Fund is an actively managed portfolio investing mainly in collective investment schemes in order to provide a well diversified exposure to global fixed income and variable rate assets, cash, near cash, equities and/or immovable property. Typically the Fund will have a bias towards lower risk assets such as fixed income assets and cash, but will always have some exposure to equities. Scheme selection is made on the basis of in depth initial and ongoing qualitative assessment of the fund managers and quantitative analysis of the collective investment schemes.

The Fund may also invest directly in other assets including transferable securities, other collective investment schemes, cash and near cash, deposits, warrants and money market instruments. Derivative instruments may be held directly for the purposes of efficient portfolio management only.

CAPITA FINANCIAL MANAGERS LIMITED  
ACD of CF Prudential Dynamic 10-40 Portfolio  
16 February 2017

## CF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

ACD's Report (continued)

For the year ended 31 October 2016

### PORTFOLIO MANAGER'S REPORT

Between 1 November 2015 and 31 October 2016 share classes 'A' Accumulation 8.87%<sup>1</sup>, 'R' Accumulation 9.32%<sup>1</sup> and 'P' Accumulation 9.5%<sup>1</sup> produced returns slightly behind the 9.8%<sup>1</sup> sector average for IA Mixed Investment 20-60% Shares.

#### ECONOMIC OVERVIEW

Positions, and turning points, in business cycles typically form part of the analysis when constructing investment portfolios. Our analysis suggests that the US is in a mature phase of its expansion. As with the US, we believe that the UK is also in a maturing phase of its business cycle (although behind the US in terms of positioning) and that the economy is likely to slow sharply once the UK officially notifies the European Union ('EU') of its decision to leave the Union. By comparison, we think that the eurozone is approaching the mid-cycle expansion stage of the business cycle. Finally, in our opinion, Japan is probably in the later stages of its business cycle.

Growth in China has recently stabilised, due to policy support and strong credit growth. Economic growth is expected to start slowing, in the absence of further large stimulus. Of concern remains the high and growing level of debt, particularly on the part of Chinese corporates. Vulnerabilities will continue to rise as credit continues to grow. This is complicating the task of rebalancing the economy away from investment and towards consumption, the implementation of deeper structural reforms, and allowing market forces to play a greater role in determining the allocation of resources.

#### MARKET OVERVIEW

Having experienced a positive end to 2015, the early part of 2016 brought a remarkable turnaround in investor sentiment. In January 2016, many stockmarkets experienced their worst month for many years as renewed fears about a China-led global economic slowdown and a collapse in the oil price led to a retreat from risk assets. Investors then appeared to accept that a global recession was not as likely as feared and, when the oil price began to recover and central banks announced further action to boost growth, stockmarkets rallied strongly.

Despite several other events that could have unsettled investors including the UK referendum result, terrorist attacks and an attempted military coup in Turkey investors have continued to focus on the support being given by policymakers.

Significant movements in currency markets also featured; sterling weakened against most other currencies, initially on the recognition that UK interest rates were unlikely to rise in the short term, but subsequently from the decision by the UK electorate to leave the EU.

#### UK

The FTSE All-Share had a strong 12 months, recovering from the lows of mid-February led by international energy and mining stocks, as oil and metal prices increased. The market also rebounded strongly from a short period of weakness following the UK referendum result in June supported by a decline in the pound that benefited the large number of multi-national businesses in the UK.

The UK equity funds underperformed in challenging conditions for active fund managers. The M&G Recovery Fund produced the best returns of the four underlying funds from 1 November to 31 October.

<sup>1</sup> Source: FE Analytics. The Portfolio Manager uses the IA Mixed Investment 20-60% Shares for comparison. No benchmark is required to be disclosed per the Prospectus.

#### NORTH AMERICA

The S&P 500 produced a positive return over the period in review although US stockmarkets had their worst start to a new year for many years, with investors spooked by the slump in the oil price in January 2016. Concern that the economy could fall back into recession peaked in mid-February before bargain hunting among financial and energy stocks emerged. A rebound in the oil price and good economic data saw US shares recover. This prompted the US Federal Reserve ('the Fed') to confirm interest rate hikes would proceed cautiously. The continued actions of other central banks in keeping interest rates low has also helped keep investor sentiment generally positive.

The absolute performance of the underlying funds was good. The Schroder US Mid Cap Fund outperformed the S&P 500 over the period in review with the Threadneedle American Fund lagging the benchmark.

#### EUROPE

Having pledged that it would not hesitate to act in support of the eurozone's economy, the European Central Bank ('ECB') took unexpectedly aggressive action in March. The main interest rate was reduced to zero, the deposit rate cut to -0.4% and the programme of asset purchases extended.

Most of Europe's stockmarkets declined over the period in local terms, though the strength of the euro against the pound meant that, in sterling terms, the losses were reduced or reversed. Concerns about the state of Italian banks hampered the country's stockmarket and concerns about Deutsche Bank grew following the imposition of a US\$14 billion fine from US authorities in late September.

The Henderson European Selected Opportunities Fund and Jupiter European Special Situations Fund both lagged the performance of the benchmark index over the 12 month period in review.

#### JAPAN

Despite the government's package of measures to keep interest rates low, weaken the yen and encourage inflation, the Japanese economy remained under pressure. The Bank of Japan ('BoJ') took the unprecedented step of setting the main interest rate below zero, at -0.1%.

While this caused the yen to weaken in the short term, it then strengthened significantly over the period – regarded not only as a safe haven when other markets weakened, but also gaining relative to the US dollar when it became apparent US interest rates were not about to rise immediately. A strong yen tends to weigh on the Japanese stockmarket as it restricts the country's export competitiveness. Japanese shares were lower over the period in review despite a rallying in the third quarter.

The Schroder Tokyo Fund outperformed the benchmark between 1 November 2015 and 31 October 2016.

#### ASIA EX JAPAN

In common with other global stockmarkets, shares in Asia endured a turbulent first few months of 2016 having recovered towards the end of 2015. The Chinese stockmarket, the largest in the region, declined sharply early in the year as investors became increasingly concerned that the economy was stalling. In a surprise move, the authorities devalued the Chinese currency, alarming investors and sending shock waves around the world.

## CF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

*ACD's Report (continued)*

*Portfolio Manager's Report (continued)*

*For the year ended 31 October 2016*

### ASIA EX JAPAN (continued)

A general improvement in investor sentiment during the third quarter was reflected in higher prices for shares in the Asia Pacific region, particularly as economic data seemed to suggest that the Chinese economy was not slowing as much as had been feared.

Both the Stewart Investors Asia Pacific Leaders Fund and Fidelity Asia Fund produced strong returns. The Stewart Investors Fund also finished ahead of benchmark over the period in review.

### UK BONDS

UK interest rates and inflation remained low during the period. Weakness in the price of oil and other commodities notably contributed to subdued inflation, while signs that the global economy may be slowing supported the Bank of England's ('BoE') decision to keep interest rates unchanged. Fears of a global recession started to fade from around the middle of February, so gilt prices moderated and UK corporate bonds staged a solid rebound, especially in the final weeks of March.

The third quarter saw sustained demand for 'safe-haven' assets as the UK referendum result took financial markets by surprise. Expectations of interest rate increases were pushed out and indeed the BoE lowered interest rates to 0.25% in August. The extent of the accompanying bond-purchasing programme was greater than expected and kept demand for UK corporate and government bonds strong.

All five underlying corporate bond funds produced positive returns during the period in review although only Royal London and Fidelity outperformed the benchmark.

### UK PROPERTY

Even before the UK referendum on membership of the EU, the UK commercial property market had begun to cool, with both capital value and rental income growth slowing. In the two months after the 'Leave' vote, commercial property prices fell by around 4% in total. However, there are some early signs that prices are beginning to stabilise, not least because of solid demand for property assets from overseas buyers.

So far in 2016, capital values have declined by around 3%, with the steepest fall seen in the All Retail sector. Meanwhile, rental values for all UK commercial property have grown by just over 1% year-to-date, with All Industrials and All Offices recording the largest increases.

The M&G Property Portfolio and Aviva Investors Property Trust suffered from a surge of redemption requests following the referendum result. This had a negative effect on performance as both fund managers had to suspend trading and re-value underlying assets.

### EMERGING MARKETS

The end of 2015 was modestly positive for Emerging Markets overall. At the beginning of 2016 they suffered in an environment of risk aversion as investors considered the effect of a slowing global economy and lower oil prices.

However, Emerging Markets performed better than most developed market over the third quarter and have now produced very strong returns to end October 2016. This has been driven by the higher prices for oil and commodity prices and a weaker US dollar.

The M&G Global Emerging Markets Fund performed well and ahead of benchmark.

### POSITIONING

After a review of the long-term positioning of the portfolio in early 2016, equity exposures were rebalanced with Europe, Emerging Markets and Japan holdings reduced and property increased. The cash holding was also reduced with small additions made to the corporate bond and high yield bond funds exposure.

The portfolio managers also took the decision to re-adjust the underlying fund positions such that they are equally weighted within each asset class.

### OUTLOOK

Global growth is expected to remain subdued for several factors. These include the continuation of highly leveraged advanced and Emerging Markets (although some deleveraging has occurred post-2008 in advanced economies); the ongoing rebalancing in China which is resulting in a gradually slowing Chinese economy; a continued adjustment on the part of commodity producers to a decline in their terms of trade; geopolitical uncertainty across the globe; and a lack of structural reform in many economies that will act as a restraint on global growth, as these reforms take several years to bear fruit.

Monetary policy divergence is set to continue in the advanced economies, although it will remain very accommodative even once the Fed resumes its rate hiking cycle. The Fed is expected to hike once in December 2016, while the ECB, the BoJ and the BoE may ease policy further.

### M&G INVESTMENT MANAGEMENT LIMITED

*Portfolio Manager*

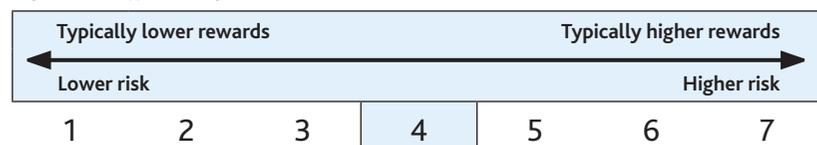
18 November 2016

## CF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

ACD's Report (continued)

### FUND INFORMATION

#### RISK AND REWARD PROFILE



This indicator shows how much a fund has risen and fallen in the past, and therefore how much a fund's returns have varied. It is a measure of a fund's volatility. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains. The lowest number on the scale does not mean that a fund is risk free.

The Fund has been classed as 4 because its volatility has been measured as average.

Non-UCITS Retail Scheme (NURS): The Fund can be less diversified than UCITS schemes as it has higher investment limits for certain types of asset. It can also invest in assets which are not available to UCITS schemes. This can increase the potential rewards but can also increase risk.

This indicator is based on historical data and may not be a reliable indication of the future risk profile of this Fund.

The risk and reward profile shown is not guaranteed to remain the same and may shift over time.

Currency Risk: As the Fund invests indirectly in overseas securities, exchange rates movements may, when not hedged, cause the value of your investment to increase or decrease.

Credit Risk: Fixed interest securities are affected by trends in interest rates and inflation. If interest rates go up the value of capital may fall and vice versa. Inflation will also decrease the real value of capital. The value of a fixed interest security is also affected by its credit rating. Fixed interest securities with a higher yield also generally brings an increased risk of default on repayment by the issuer which could affect the income and capital of the Fund.

For full details of the Fund's risks, please see the Prospectus which may be obtained upon application and can be found on the ACD's website, [www.capitafinancial.com](http://www.capitafinancial.com), by following the link 'Fund Information'.

#### COMPARATIVE TABLES

Where the Fund has significant investment in collective investment schemes, the operating charges take account of the ongoing charges incurred in the underlying schemes, calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'A' Income shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	129.29	125.87	123.43
Return before operating charges*	13.84	7.88	6.94
Operating charges	(2.94)	(2.90)	(2.82)
Return after operating charges	10.90	4.98	4.12
Distributions	(1.66)	(1.56)	(1.68)
Closing net asset value per share	138.53	129.29	125.87
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	8.43%	3.96%	3.34%
<b>Other information</b>			
Closing net asset value (£'000)	1,722	4,569	5,923
Closing number of shares	1,243,120	3,534,078	4,705,241
Operating charges	2.26%	2.21%	2.24%
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	141.74	137.09	130.59
Lowest share price	122.56	126.64	122.04

## CF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

ACD's Report (continued)  
Fund Information (continued)

### COMPARATIVE TABLES (continued)

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'A' Accumulation shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	138.10	132.87	128.58
Return before operating charges*	14.81	8.30	7.22
Operating charges	(3.15)	(3.07)	(2.93)
Return after operating charges	11.66	5.23	4.29
Distributions	(1.78)	(1.64)	(1.75)
Retained distributions on accumulation shares	1.78	1.64	1.75
Closing net asset value per share	149.76	138.10	132.87
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	8.44%	3.94%	3.34%
<b>Other information</b>			
Closing net asset value (£'000)	15,009	35,338	53,343
Closing number of shares	10,021,903	25,588,642	40,146,768
Operating charges	2.26%	2.21%	2.24%
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	151.40	144.78	136.03
Lowest share price	130.92	133.68	127.13

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'C' Income shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	129.77	126.32	123.87
Return before operating charges*	13.71	7.62	6.66
Operating charges	(1.37)	(1.31)	(1.28)
Return after operating charges	12.34	6.31	5.38
Distributions	(3.00)	(2.86)	(2.93)
Closing net asset value per share	139.11	129.77	126.32
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	9.51%	5.00%	4.34%
<b>Other information</b>			
Closing net asset value (£'000)	52,952	54,691	53,606
Closing number of shares	38,063,463	42,143,690	42,436,412
Operating charges	1.04%	0.99%	1.01%
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	143.65	138.17	132.16
Lowest share price	123.37	127.12	122.63

## CF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

ACD's Report (continued)  
Fund Information (continued)

### COMPARATIVE TABLES (continued)

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 <sup>1</sup> (p/share)
<b>'P' Income shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	105.16	102.37	100.00
Return before operating charges*	11.19	6.25	5.76
Operating charges	(1.62)	(1.56)	(1.40)
Return after operating charges	9.57	4.69	4.36
Distributions	(2.02)	(1.90)	(1.99)
Closing net asset value per share	112.71	105.16	102.37
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	9.10%	4.58%	4.36%
<b>Other information</b>			
Closing net asset value (£'000)	5,760	3,515	2,009
Closing number of shares	5,110,040	3,342,599	1,962,825
Operating charges	1.51%	1.46%	1.43% <sup>2</sup>
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	116.10	111.74	106.77
Lowest share price	99.86	103.01	99.34

<sup>1</sup> From 15 November 2013.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 <sup>1</sup> (p/share)
<b>'P' Accumulation shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	109.08	104.39	100.00
Return before operating charges*	11.62	6.29	5.80
Operating charges	(1.68)	(1.60)	(1.41)
Return after operating charges	9.94	4.69	4.39
Distributions	(2.09)	(1.94)	(2.00)
Retained distributions on accumulation shares	2.09	1.94	2.00
Closing net asset value per share	119.02	109.08	104.39
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	9.11%	4.49%	4.39%
<b>Other information</b>			
Closing net asset value (£'000)	92,165	76,443	43,398
Closing number of shares	77,434,344	70,078,654	41,572,995
Operating charges	1.51%	1.46%	1.43% <sup>2</sup>
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	120.42	113.87	106.77
Lowest share price	103.60	105.02	99.34

<sup>1</sup> From 15 November 2013.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

## CF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

ACD's Report (continued)  
Fund Information (continued)

### COMPARATIVE TABLES (continued)

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'R' Accumulation shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	122.60	117.52	113.27
Return before operating charges*	13.09	7.18	6.25
Operating charges	(2.20)	(2.10)	(2.00)
Return after operating charges	10.89	5.08	4.25
Distributions	(2.09)	(1.93)	(2.01)
Retained distributions on accumulation shares	2.09	1.93	2.01
Closing net asset value per share	133.49	122.60	117.52
* after direct transaction costs of:	-	-	-

### Performance

Return after charges	8.88%	4.32%	3.75%
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### Other information

Closing net asset value (£'000)	14,965	11,355	10,847
Closing number of shares	11,210,526	9,261,919	9,230,272
Operating charges	1.76%	1.71%	1.73%
Direct transaction costs	-	-	-

### Prices

Highest share price	134.99	128.15	120.25
Lowest share price	116.36	118.25	112.05

### FUND PERFORMANCE TO 31 OCTOBER 2016 (%)

	1 year	3 years	5 years
CF Prudential Dynamic 10-40 Portfolio	8.87	16.11	37.28

The performance of the Fund is based on the published price per 'A' Accumulation share which includes reinvested income.

The performance of the Fund disclosed in the above table may differ from the 'Return after charges' disclosed in the Comparative Table due to the above performance being calculated on the latest published price prior to the period end, rather than the period end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 84 and 85.

### RISK WARNING

An investment in an open-ended investment company should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

## CF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

ACD's Report (continued)

PORTFOLIO STATEMENT

AS AT 31 OCTOBER 2016

Holding	Portfolio of Investments	Value £'000	31.10.16 %
	EQUITY PORTFOLIOS – 29.56% (31.10.15 – 36.37%)		
	CONTINENTAL EUROPE – 5.34% (31.10.15 – 9.45%)		
410,215	Henderson European Selected Opportunities Fund	6,043	3.31
1,013,576	Jupiter European Special Situations Fund	3,708	2.03
	TOTAL CONTINENTAL EUROPE	9,751	5.34
	UNITED KINGDOM – 10.78% (31.10.15 – 8.51%)		
1,313,768	Artemis Income Fund	4,879	2.67
223,359	AXA Framlington UK Select Opportunities Fund	6,924	3.79
909,783	M&G Recovery Fund†	2,683	1.47
4,056,061	Threadneedle UK Fund	5,199	2.85
	TOTAL UNITED KINGDOM	19,685	10.78
	FAR EAST – 4.79% (31.10.15 – 5.15%)		
524,516	Fidelity Asia Fund	5,817	3.19
474,533	Stewart Investors Asia Pacific Leaders Fund	2,912	1.60
	TOTAL FAR EAST	8,729	4.79
	JAPAN – 2.69% (31.10.15 – 4.30%)		
1,459,520	Schroder Tokyo Fund	4,908	2.69
	TOTAL JAPAN	4,908	2.69
	UNITED STATES – 4.53% (31.10.15 – 5.35%)		
1,684,492	Schroder US Mid Cap Fund	2,163	1.18
2,555,699	Threadneedle American Fund	6,123	3.35
	TOTAL UNITED STATES	8,286	4.53
	EMERGING MARKETS – 1.43% (31.10.15 – 3.61%)		
942,947	M&G Global Emerging Markets Fund†	2,616	1.43
	TOTAL EMERGING MARKETS	2,616	1.43
	TOTAL EQUITY PORTFOLIOS	53,975	29.56

Holding	Portfolio of Investments	Value £'000	31.10.16 %
	EQUITY INVESTMENT INSTRUMENTS – 2.85% (31.10.15 – 0.00%)		
991,114	BBGI*	1,430	0.78
145,355	HarbourVest Global Private Equity*	1,563	0.86
69,813	HgCapital Trust*	1,000	0.55
464,775	NextEnergy Solar Fund*	500	0.27
669,352	Renewables Infrastructure*	718	0.39
	TOTAL EQUITY INVESTMENT INSTRUMENTS	5,211	2.85
	PROPERTY PORTFOLIOS – 12.03% (31.10.15 – 10.18%)		
5,329,679	Aviva Investors Property Trust	8,591	4.71
1,203,037	M&G Property Portfolio†	13,373	7.32
	TOTAL PROPERTY PORTFOLIOS	21,964	12.03
	BOND PORTFOLIOS – 53.69% (31.10.15 – 53.70%)		
3,573,517	Baillie Gifford High Yield Bond Fund	4,467	2.45
7,167,100	Fidelity MoneyBuilder Income Fund	12,571	6.90
7,598,430	Invesco Perpetual Corporate Bond Fund	14,727	8.07
9,268,327	Kames High Yield Bond Fund	11,142	6.10
7,409,758	Kames Investment Grade Bond Fund	12,621	6.91
6,357,251	M&G Global High Yield Bond Fund†	7,830	4.29
27,215,235	M&G Short Dated Corporate Bond Fund†	7,013	3.84
13,208,884	M&G Strategic Corporate Bond Fund†	14,758	8.08
12,552,878	Royal London Corporate Bond Fund	12,879	7.05
	TOTAL BOND PORTFOLIOS	98,008	53.69
	Portfolio of investments	179,158	98.13
	Net other assets	3,415	1.87
	Net assets	182,573	100.00

The investments have been valued in accordance with note (h) of the Accounting Policies and are collective investment schemes unless stated otherwise.

† Related party holding (see note 9).

\* Ordinary shares.

## CF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

ACD's Report (continued)

### SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 31 OCTOBER 2016

**Total purchases for the year £'000 (note 13)** **34,415**

Major purchases	Cost £'000
M&G Property Portfolio	4,849
AXA Framlington UK Select Opportunities Fund	3,334
Threadneedle American Fund	3,230
Invesco Perpetual Corporate Bond Fund	3,072
M&G Strategic Corporate Bond Fund	2,756
Schroder US Mid Cap Fund	1,962
M&G Short Dated Corporate Bond Fund	1,790
HarbourVest Global Private Equity	1,584
Royal London Corporate Bond Fund	1,462
BGGI	1,420
Jupiter European Special Situations Fund	1,409
HgCapital Trust	1,003
Kames Investment Grade Bond Fund	920
Fidelity Asia Fund	801
M&G Global Emerging Markets Fund	720
Renewables Infrastructure	709
Fidelity MoneyBuilder Income Fund	695
M&G Global High Yield Bond Fund	675
Artemis Income Fund	523
NextEnergy Solar Fund	501

The summary of material portfolio changes represents the 20 largest purchases during the year.

**Total sales for the year £'000 (note 13)** **56,522**

Sales	Proceeds £'000
M&G Short Dated Corporate Bond Fund	8,205
Threadneedle American Fund	5,433
Jupiter European Special Situations Fund	4,715
Schroder Tokyo Fund	4,397
Schroder US Mid Cap Fund	4,266
M&G Global Emerging Markets Fund	4,257
Stewart Investors Asia Pacific Leaders Fund	3,953
M&G Global High Yield Bond Fund	3,892
Henderson European Growth Fund	3,593
Henderson European Selected Opportunities Fund	2,691
Royal London Corporate Bond Fund	1,600
Aberdeen Emerging Markets Equity Fund	1,565
Kames Investment Grade Bond Fund	1,457
Fidelity Asia Fund	1,440
Fidelity MoneyBuilder Income Fund	1,243
Baillie Gifford High Yield Bond Fund	1,000
Artemis Income Fund	890
Invesco Perpetual Corporate Bond Fund	700
M&G Strategic Corporate Bond Fund	700
M&G Recovery Fund	525

The summary of material portfolio changes represents all of the sales during the year.

CF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO  
FINANCIAL STATEMENTS  
STATEMENT OF TOTAL RETURN  
FOR THE YEAR ENDED 31 OCTOBER 2016

	Notes	£'000	31.10.16 £'000	£'000	31.10.15 £'000
Income:					
Net capital gains	2		12,055		4,329
Revenue	3	5,555		5,487	
Expenses	4	(1,403)		(1,635)	
Net revenue before taxation		4,152		3,852	
Taxation	5	(715)		(700)	
Net revenue after taxation			3,437		3,152
<b>Total return before distributions</b>			15,492		7,481
Distributions	6		(3,450)		(3,195)
<b>Change in net assets attributable to shareholders from investment activities</b>			12,042		4,286

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS  
FOR THE YEAR ENDED 31 OCTOBER 2016

	£'000	31.10.16 £'000	£'000	31.10.15 £'000
<b>Opening net assets attributable to shareholders</b>		185,911		169,126
Amounts receivable on issue of shares	13,016		33,261	
Amounts payable on cancellation of shares	(30,452)		(22,718)	
		(17,436)		10,543
Dilution adjustment		24		–
Change in net assets attributable to shareholders from investment activities		12,042		4,286
Retained distributions on Accumulation shares		2,032		1,956
<b>Closing net assets attributable to shareholders</b>		182,573		185,911

BALANCE SHEET  
AS AT 31 OCTOBER 2016

	Notes	31.10.16 £'000	31.10.15 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		179,158	186,385
<b>Current assets</b>			
Debtors	7	7,313	982
Cash and bank balances		4,335	2,983
<b>Total assets</b>		190,806	190,350
<b>LIABILITIES</b>			
<b>Provisions for liabilities</b>		(23)	–
<b>Creditors</b>			
Bank overdrafts		–	(1,284)
Distribution payable		(1,264)	(1,322)
Other creditors	8	(6,946)	(1,833)
<b>Total liabilities</b>		(8,233)	(4,439)
<b>Net assets attributable to shareholders</b>		182,573	185,911

## CF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

Financial Statements (continued)

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 OCTOBER 2016

### 1. ACCOUNTING POLICIES

The accounting policies described on pages 20 to 22 have been applied to the financial statements of the Fund in the current and prior year. The additional accounting policy described below has also been applied to this Fund.

#### (a) Treatment of expenses

The Fund receives a rebate of the Annual Management Charge in relation to related party investments in the Fund. This is to eliminate double charging and, as such, is not a reduction in expenses suffered by shareholders.

	31.10.16 £'000	31.10.15 £'000
2. NET CAPITAL GAINS		
The net capital gains during the year comprise:		
Non-derivative securities	11,989	4,260
Transaction charges	–	1
AMC rebates from underlying investments	66	68
Net capital gains	<u>12,055</u>	<u>4,329</u>

The net capital gains figure includes realised gains of £9,789 thousand and unrealised gains of £23,224 thousand (31.10.15 : includes realised gains of £116 thousand and unrealised gains of £21,023 thousand). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

	31.10.16 £'000	31.10.15 £'000
3. REVENUE		
Non-taxable dividends	639	485
Taxable dividends	289	199
UK property income distributions	310	375
Unfranked interest	3,445	3,420
AMC rebates from underlying investments	872	1,002
Bank interest	–	6
Total revenue	<u>5,555</u>	<u>5,487</u>

### 4. EXPENSES

Payable to the ACD, associates of the ACD and agents of either of them:

Annual Management Charge	1,106	1,329
Administration fees	271	277
	<u>1,377</u>	<u>1,606</u>

	31.10.16 £'000	31.10.15 £'000
4. EXPENSES (continued)		
Payable to the Depository, associates of the Depository and agents of either of them:		
Depository's fees	15	15
Safe custody and other bank charges	1	1
	<u>16</u>	<u>16</u>
Other expenses:		
Fees paid to auditor – audit	9	9
– tax services	1	4
	<u>10</u>	<u>13</u>
Total expenses	<u>1,403</u>	<u>1,635</u>

The Portfolio Management fees and expenses (plus VAT thereon) for providing portfolio management services are paid by the ACD out of its remuneration.

	31.10.16 £'000	31.10.15 £'000
5. TAXATION		
a) Analysis of charge for the year		
Corporation tax at 20%	692	705
Income tax offset	–	(40)
Irrecoverable income tax	–	40
Adjustments in respect of prior periods	–	13
Current tax charge	<u>692</u>	<u>718</u>
Deferred tax – origination and reversal of timing differences (note 5c)	23	(18)
Total taxation (note 5b)	<u>715</u>	<u>700</u>

#### b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.10.15 : 20%). The difference is explained below:

	31.10.16 £'000	31.10.15 £'000
Net revenue before taxation	<u>4,152</u>	<u>3,852</u>
Corporation tax at 20%	830	770

## CF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

	31.10.16 £'000	31.10.15 £'000
5. TAXATION (continued)		
Effects of:		
Non-taxable dividends	(128)	(97)
Corporation tax: adjustment in respect of prior years	–	13
AMC rebates taken to capital	13	14
Total tax charge (note 5a)	<u>715</u>	<u>700</u>
c) Deferred tax		
Provision at the start of the year	–	18
Deferred tax charge in the year (note 5a)	23	(18)
Provision at the end of the year	<u>23</u>	<u>–</u>

### 6. DISTRIBUTIONS

The distributions take account of revenue received on the issue of shares and revenue deducted on cancellations of shares, and comprise:

	31.10.16 £'000	31.10.15 £'000
Final	<u>3,296</u>	<u>3,278</u>
	3,296	3,278
Add: Revenue deducted on cancellation of shares	319	271
Deduct: Revenue received on issue of shares	(165)	(354)
Net distributions for the year	<u>3,450</u>	<u>3,195</u>

Details of the distributions per share are set out in the table on pages 84 and 85.

	31.10.16 £'000	31.10.15 £'000
Distributions represented by:		
Net revenue after taxation	3,437	3,152
Allocations to capital:		
Tax relief from capital	13	14
Equalisation on conversions*	–	29
Net distributions for the year	<u>3,450</u>	<u>3,195</u>

\* Where an investor converts to a class with a higher income yield, the investor will receive an equalisation as if they had held the new class throughout the period from the last distribution to the conversion date. The yield differential at the point of conversion is an equalisation which will be offset by capital erosion for the converted investor.

	31.10.16 £'000	31.10.15 £'000
7. DEBTORS		
Amounts receivable for issue of shares	75	25
Sales awaiting settlement	6,189	–
Accrued revenue:		
Non-taxable dividends	83	60
Taxable dividends	94	–
UK property income distributions	–	98
Unfranked interest	47	42
AMC rebates from underlying investments	234	195
	458	395
Taxation recoverable:		
Income tax	591	562
Total debtors	<u>7,313</u>	<u>982</u>
8. OTHER CREDITORS		
Amounts payable for cancellation of shares	378	1,171
Purchases awaiting settlement	5,866	–
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	100	109
Administration fees	25	24
	125	133
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	2	1
Taxation payable:		
Corporation tax	562	515
Other expenses	13	13
Total other creditors	<u>6,946</u>	<u>1,833</u>
9. RELATED PARTY TRANSACTIONS		
Annual Management Charge and administration fees payable to Capita Financial Managers Limited ('the ACD') are disclosed in note 4 and amounts due at the year end are disclosed in note 8.		

## CF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 9. RELATED PARTY TRANSACTIONS (continued)

The aggregate monies received by the ACD through the issue of shares and paid on cancellation of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 72 and amounts due for the year are disclosed in notes 7 and 8.

Capita Financial Managers Limited and its associates (including other authorised investment funds managed by Capita Financial Managers Limited) held 50,136 (31.10.15 : 20,392) of the Fund's shares at the balance sheet date.

M&G Investment Management Limited and its associates (including other authorised investment funds managed by M&G Investment Management Limited) held 29,055,040 (31.10.15 : 34,374,836) of the Fund's shares at the balance sheet date.

A shareholder may be able to exercise significant influence over the financial and operating policies of the Fund and as such is deemed to be a related party. At the balance sheet date the following shareholder held in excess of 20% of the shares in issue of the Fund:

Prudential plc and its associates	20.31% (31.10.15 : 22.33%)
-----------------------------------	----------------------------

As part of the investment strategy, the Fund may from time to time hold shares in other collective investment schemes managed by the same Portfolio Manager or for which Capita Financial Managers Limited is also the ACD. At the balance sheet date the value of the holdings were as follows:

	31.10.16 £'000	31.10.15 £'000
Portfolio Manager in common	<u>48,273</u>	<u>53,400</u>

### 10. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (31.10.15: none).

### 11. SHARES IN ISSUE

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.40%	1.40%	0.18%
Opening shares in issue	3,534,078	25,588,642	42,143,690
Issues	14,801	125,491	3,217,324
Cancellations	(377,303)	(2,434,342)	(7,297,551)
Conversions	(1,928,456)	(13,257,888)	–
Closing shares in issue	<u>1,243,120</u>	<u>10,021,903</u>	<u>38,063,463</u>

### 11. SHARES IN ISSUE (continued)

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.65%	0.65%	0.90%
Opening shares in issue	3,342,599	70,078,654	9,261,919
Issues	426,783	3,418,081	3,440,223
Cancellations	(1,065,097)	(12,826,872)	(1,461,947)
Conversions	2,405,755	16,764,481	(29,669)
Closing shares in issue	<u>5,110,040</u>	<u>77,434,344</u>	<u>11,210,526</u>

The closing net asset value and the closing net asset value per share, for each share class in issue at the balance sheet date, are given in the Fund Information.

### 12. RISK MANAGEMENT POLICIES

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for hedging purposes.

The main risks from the Fund's holding of financial instruments, together with the ACD's policy for managing these risks, are set out below:

The ACD has in place a Risk Management Policy and Procedures Document ('RMPPD') that sets out the risks that may impact a fund and how the ACD seeks, where appropriate, to manage, monitor and mitigate those risks, and in particular those risks associated with the use of derivatives. The RMPPD sets out both the framework and the risk mitigations operated by the ACD in managing the identified risks of the fund. The ACD requires that the appointed Portfolio Manager to the fund has in place its own governance structure, policies and procedures that are commensurate with its regulatory obligations and the risks posed by the fund managed.

#### i. Credit risk

Credit risk is the risk that a counterparty may be unable or unwilling to make a payment or fulfil contractual obligations. This may be in terms of an actual default or by deterioration in a counterparty's credit quality.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. As part of its due diligence process, the ACD undertakes a review of the controls operated over counterparties by the Portfolio Manager, including initial and ongoing due diligence and business volumes placed with each counterparty. In cases which are dependent on the counterparty settling at the transaction's maturity date, the ACD has policies in place which set out the minimum credit quality expected of a market counterparty or deposit taker at the outset of the transaction.

## CF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 12. RISK MANAGEMENT POLICIES (continued)

#### ii. Interest rate risk

Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of interest rate changes. The value of fixed interest securities may be affected by changes in interest rates, either globally or locally. Changes in the rate of return in one asset class may influence the valuation basis of other classes. The amount of revenue receivable from floating rate investments and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates. Investment in collective investment schemes exposes the Fund to indirect interest rate risk to the extent that they invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

As the Fund is invested in underlying funds these funds may have exposure to bonds and to interest rate risk.

#### iii. Foreign currency risk

The income and capital value of the Fund's investments are denominated in sterling and, therefore, the financial statement are not subject to the risk of currency movements.

#### iv. Leverage

The ACD is required to calculate and monitor the level of leverage of the Fund, expressed as a ratio between the exposure of the Fund and its Net Asset Value, under both the gross and commitment methods (in accordance with articles 7 and 8 of The Alternative Investment Fund Managers Regulations 2013). For a fund with no borrowing or derivative usage the leverage ratio would be 1:1 under the commitment method. The gross method calculation excludes cash and cash equivalents which are highly liquid.

As at 31 October 2016, leverage under the gross method was 0.98:1 and leverage under the commitment method was 1:1 (31.10.15 : 1:1 and 1:1 respectively).

#### v. Liquidity risk

The main liability of the Fund is the cancellation of any shares that investors want to sell. Investments may have to be sold to fund such cancellations should insufficient cash be held at the bank to meet this obligation.

To reduce liquidity risk the Portfolio Manager will ensure that a substantial portion of the Fund's assets consist of cash and readily realisable investments.

All financial liabilities are payable in one year or less, or on demand.

#### vi. Market price risk

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds.

Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

### 12. RISK MANAGEMENT POLICIES (continued)

#### vii. Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

#### viii. Derivatives

The Fund held no derivatives during the current or prior year.

### 13. PORTFOLIO TRANSACTION COSTS

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
<b>31.10.16</b>				
Ordinary shares	709	–	–	709
Collective investment schemes	33,700	1	5	33,706
<b>Purchases total</b>	<b>34,409</b>	<b>1</b>	<b>5</b>	<b>34,415</b>
<b>Transaction cost % of purchases total</b>		–	0.01%	
<b>Transaction cost % of average NAV</b>		–	–	
Collective investment schemes	56,522	–	–	56,522
<b>Sales total</b>	<b>56,522</b>	<b>–</b>	<b>–</b>	<b>56,522</b>
<b>Transaction cost % of sales total</b>		–	–	
<b>Transaction cost % of average NAV</b>		–	–	

Average portfolio dealing spread at 31.10.16 is 0.53% (31.10.15 : 0.61%).

## CF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 13. PORTFOLIO TRANSACTION COSTS (continued)

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
<b>31.10.15</b>				
Collective investment schemes	13,271	–	–	13,271
<b>Purchases total</b>	<b>13,271</b>	<b>–</b>	<b>–</b>	<b>13,271</b>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	935	–	–	935
<b>Sales total</b>	<b>935</b>	<b>–</b>	<b>–</b>	<b>935</b>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

### 14. FAIR VALUE HIERARCHY

Investments are categorised into the following levels based on their fair value measurement:

Level 1: The unadjusted quoted price in an active market for identical assets that the Fund can access at the year end date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the assets.

Valuation technique	31.10.16 Assets £'000	31.10.15 Assets £'000
Level 1	5,211	–
Level 2	173,947	186,385
Level 3	–	–
Total portfolio of investments	<b>179,158</b>	<b>186,385</b>

## CF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

Financial Statements (continued)

### DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 OCTOBER 2016 – IN PENCE PER SHARE

#### EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares – the applicable distribution periods for each distribution are shown below). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes.

Group 2	Final
From	01.11.15
To	31.10.16

#### 'A' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	1.6554	–	1.6554	1.5630
Group 2	1.4921	0.1633	1.6554	1.5630

#### 'A' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	1.7798	–	1.7798	1.6398
Group 2	1.2401	0.5397	1.7798	1.6398

#### 'C' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	2.9966	–	2.9966	2.8554
Group 2	1.7759	1.2207	2.9966	2.8554

#### 'P' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	2.0158	–	2.0158	1.9011
Group 2	1.2130	0.8028	2.0158	1.9011

#### 'P' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	2.0903	–	2.0903	1.9371
Group 2	0.7884	1.3019	2.0903	1.9371

#### 'R' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	2.0911	–	2.0911	1.9313
Group 2	0.9028	1.1883	2.0911	1.9313

CF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO  
ACD'S REPORT  
FOR THE YEAR ENDED 31 OCTOBER 2016

IMPORTANT INFORMATION

Refer to the 'Important Information' section on page 12.

INVESTMENT OBJECTIVE AND POLICY

The CF Prudential Dynamic 20-55 Portfolio ('the Fund') aims to achieve long-term total return (the combination of income and growth of capital) by investing mainly in collective investment schemes. Between 20% and 55% of the Fund will be invested in schemes whose predominant exposure is to equities.

The Fund is an actively managed portfolio investing mainly in collective investment schemes in order to provide a well diversified exposure to global fixed income and variable rate assets, cash, near cash, equities and/or immovable property. From time to time, however, the Fund may have a high exposure to equities and/or fixed income assets. Scheme selection is made on the basis of in depth initial and ongoing qualitative assessment of the fund managers and quantitative analysis of the collective investment schemes.

The Fund may also invest directly in other assets including transferable securities, other collective investment schemes, cash and near cash, deposits, warrants and money market instruments. Derivative instruments may be held directly for the purposes of efficient portfolio management only.

CAPITA FINANCIAL MANAGERS LIMITED  
ACD of CF Prudential Dynamic 20-55 Portfolio  
16 February 2017

PORTFOLIO MANAGER'S REPORT

Between 1 November 2015 and 31 October 2016 share classes 'R' Accumulation 9.87%<sup>1</sup> and 'P' Accumulation 10.0%<sup>1</sup> produced positive returns ahead of the 9.8%<sup>1</sup> sector average for IA Mixed Investment 20-60% Shares. Share class 'A' Accumulation at 9.5%<sup>1</sup> was slightly behind.

ECONOMIC OVERVIEW

Positions, and turning points, in business cycles typically form part of the analysis when constructing investment portfolios. Our analysis suggests that the US is in a mature phase of its expansion. As with the US, we believe that the UK is also in a maturing phase of its business cycle (although behind the US in terms of positioning) and that the economy is likely to slow sharply once the UK officially notifies the European Union ('EU') of its decision to leave the Union. By comparison, we think that the eurozone is approaching the mid-cycle expansion stage of the business cycle. Finally, in our opinion, Japan is probably in the later stages of its business cycle.

Growth in China has recently stabilised, due to policy support and strong credit growth. Economic growth is expected to start slowing, in the absence of further large stimulus. Of concern remains the high and growing level of debt, particularly on the part of Chinese corporates. Vulnerabilities will continue to rise as credit continues to grow. This is complicating the task of rebalancing the economy away from investment and towards consumption, the implementation of deeper structural reforms, and allowing market forces to play a greater role in determining the allocation of resources.

MARKET OVERVIEW

Having experienced a positive end to 2015, the early part of 2016 brought a remarkable turnaround in investor sentiment. In January 2016, many stockmarkets experienced their worst month for many years as renewed fears about a China-led global economic slowdown and a collapse in the oil price led to a retreat from risk assets. Investors then appeared to accept that a global recession was not as likely as feared and, when the oil price began to recover and central banks announced further action to boost growth, stockmarkets rallied strongly.

Despite several other events that could have unsettled investors including the UK referendum result, terrorist attacks and an attempted military coup in Turkey investors have continued to focus on the support being given by policymakers.

Significant movements in currency markets also featured; sterling weakened against most other currencies, initially on the recognition that UK interest rates were unlikely to rise in the short term, but subsequently from the decision by the UK electorate to leave the EU.

UK

The FTSE All-Share had a strong 12 months, recovering from the lows of mid-February led by international energy and mining stocks, as oil and metal prices rebounded. The market also rebounded strongly from a short period of weakness following the UK referendum result in June supported by a decline in the pound that benefited the large number of multi-national businesses in the UK.

The UK equity funds underperformed in challenging conditions for active fund managers. The M&G Recovery Fund produced the best returns of the four underlying funds from 1 November to 31 October.

<sup>1</sup> Source: FE Analytics. The Portfolio Manager uses the IA Mixed Investment 20-60% Shares for comparison. No benchmark is required to be disclosed per the Prospectus.

## CF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

*ACD's Report (continued)*

*Portfolio Manager's Report (continued)*

*For the year ended 31 October 2016*

### NORTH AMERICA

The S&P 500 produced a positive return over the period in review although US stockmarkets had their worst start to a new year for many years, with investors spooked by the slump in the oil price in January 2016. Concern that the economy could fall back into recession peaked in mid-February before bargain hunting among financial and energy stocks emerged. A rebound in the oil price and good economic data saw US shares recover. This prompted the US Federal Reserve ('the Fed') to confirm interest rate hikes would proceed cautiously. The continued actions of other central banks in keeping interest rates low has also helped keep investor sentiment generally positive.

The absolute performance of the underlying funds was good. The Schroder US Mid Cap Fund outperformed the S&P 500 over the period in review with the Threadneedle American Fund lagging the benchmark.

### EUROPE

Having pledged that it would not hesitate to act in support of the eurozone's economy, the European Central Bank ('ECB') took unexpectedly aggressive action in March. The main interest rate was reduced to zero, the deposit rate cut to -0.4% and the programme of asset purchases extended.

Most of Europe's stockmarkets declined over the period in local terms, though the strength of the euro against the pound meant that, in sterling terms, the losses were reduced or reversed. Concerns about the state of Italian banks hampered the country's stockmarket and concerns about Deutsche Bank grew following the imposition of a US\$14 billion fine from US authorities in late September.

The Henderson European Selected Opportunities Fund and Jupiter European Special Situations Fund both lagged the performance of the benchmark index over the 12 month period in review.

### JAPAN

Despite the government's package of measures to keep interest rates low, weaken the yen and encourage inflation, the Japanese economy remained under pressure. The Bank of Japan ('BoJ') took the unprecedented step of setting the main interest rate below zero, at -0.1%.

While this caused the yen to weaken in the short term, it then strengthened significantly over the period – regarded not only as a safe haven when other markets weakened, but also gaining relative to the US dollar when it became apparent US interest rates were not about to rise immediately. A strong yen tends to weigh on the Japanese stockmarket as it restricts the country's export competitiveness. Japanese shares were lower over the period in review despite a rallying in the third quarter.

The Schroder Tokyo Fund outperformed the benchmark between 1 November 2015 and 31 October 2016.

### ASIA EX JAPAN

In common with other global stockmarkets, shares in Asia endured a turbulent first few months of 2016 having recovered towards the end of 2015. The Chinese stockmarket, the largest in the region, declined sharply early in the year as investors became increasingly concerned that the economy was stalling. In a surprise move, the authorities devalued the Chinese currency, alarming investors and sending shock waves around the world.

A general improvement in investor sentiment during the third quarter was reflected in higher prices for shares in the Asia Pacific region, particularly as economic data seemed to suggest that the Chinese economy was not slowing as much as had been feared.

Both the Stewart Investors Asia Pacific Leaders Fund and Fidelity Asia Fund produced strong returns. The Stewart Investors Fund also finished ahead of benchmark over the period in review.

### UK BONDS

UK interest rates and inflation remained low during the period. Weakness in the price of oil and other commodities notably contributed to subdued inflation, while signs that the global economy may be slowing supported the Bank of England's ('BoE') decision to keep interest rates unchanged. Fears of a global recession started to fade from around the middle of February, so gilt prices moderated and UK corporate bonds staged a solid rebound, especially in the final weeks of March.

The third quarter saw sustained demand for 'safe-haven' assets as the UK referendum result took financial markets by surprise. Expectations of interest rate increases were pushed out and indeed the BoE lowered interest rates to 0.25% in August. The extent of the accompanying bond-purchasing programme was greater than expected and kept demand for UK corporate and government bonds strong.

All five underlying corporate bond funds produced positive returns during the period in review although only Royal London and Fidelity outperformed the benchmark.

### UK PROPERTY

Even before the UK referendum on membership of the EU, the UK commercial property market had begun to cool, with both capital value and rental income growth slowing. In the two months after the 'Leave' vote, commercial property prices fell by around 4% in total. However, there are some early signs that prices are beginning to stabilise, not least because of solid demand for property assets from overseas buyers.

So far in 2016, capital values have declined by around 3%, with the steepest fall seen in the All Retail sector. Meanwhile, rental values for all UK commercial property have grown by just over 1% year-to-date, with All Industrials and All Offices recording the largest increases.

The M&G Property Portfolio and Aviva Investors Property Trust suffered from a surge of redemption requests following the referendum result. This had a negative effect on performance as both fund managers had to suspend trading and re-value underlying assets.

### EMERGING MARKETS

The end of 2015 was modestly positive for Emerging Markets overall. At the beginning of 2016 they suffered in an environment of risk aversion as investors considered the effect of a slowing global economy and lower oil prices.

However, Emerging Markets performed better than most developed market over the third quarter and have now produced very strong returns to end October 2016. This has been driven by the higher prices for oil and commodity prices and a weaker US dollar.

The M&G Global Emerging Markets Fund performed well and ahead of benchmark.

## CF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

ACD's Report (continued)

Portfolio Manager's Report (continued)

For the year ended 31 October 2016

### POSITIONING

After a review of the long-term positioning of the portfolio in early 2016, equity exposures were rebalanced with Europe, Emerging Markets and Japan holdings reduced and US, Asia and Property increased. The cash holding was also reduced with a small addition made to the corporate bond exposure.

The portfolio managers also took the decision to re-adjust the underlying fund positions such that they are equally weighted within each asset class.

### OUTLOOK

Global growth is expected to remain subdued for several factors. These include the continuation of highly leveraged advanced and Emerging Markets (although some deleveraging has occurred post-2008 in advanced economies); the ongoing rebalancing in China which is resulting in a gradually slowing Chinese economy; a continued adjustment on the part of commodity producers to a decline in their terms of trade; geopolitical uncertainty across the globe; and a lack of structural reform in many economies that will act as a restraint on global growth, as these reforms take several years to bear fruit.

Monetary policy divergence is set to continue in the advanced economies, although it will remain very accommodative even once the Fed resumes its rate hiking cycle. The Fed is expected to hike once in December 2016, while the ECB, the BoJ and the BoE may ease policy further.

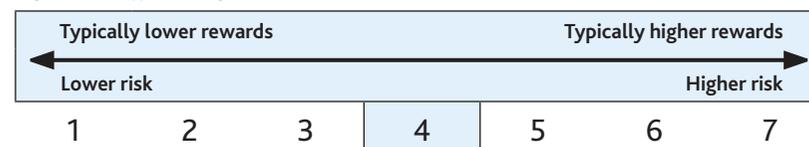
M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

18 November 2016

## FUND INFORMATION

### RISK AND REWARD PROFILE



This indicator shows how much a fund has risen and fallen in the past, and therefore how much a fund's returns have varied. It is a measure of a fund's volatility. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains. The lowest number on the scale does not mean that a fund is risk free.

The Fund has been classed as 4 because its volatility has been measured as average.

Non-UCITS Retail Scheme (NURS): The Fund can be less diversified than UCITS schemes as it has higher investment limits for certain types of asset. It can also invest in assets which are not available to UCITS schemes. This can increase the potential rewards but can also increase risk.

This indicator is based on historical data and may not be a reliable indication of the future risk profile of this Fund.

The risk and reward profile shown is not guaranteed to remain the same and may shift over time.

Currency Risk: As the Fund invests indirectly in overseas securities, exchange rates movements may, when not hedged, cause the value of your investment to increase or decrease.

Credit Risk: Fixed interest securities are affected by trends in interest rates and inflation. If interest rates go up the value of capital may fall and vice versa. Inflation will also decrease the real value of capital. The value of a fixed interest security is also affected by its credit rating. Fixed interest securities with a higher yield also generally brings an increased risk of default on repayment by the issuer which could affect the income and capital of the Fund.

For full details of the Fund's risks, please see the Prospectus which may be obtained upon application and can be found on the ACD's website, [www.capitafinancial.com](http://www.capitafinancial.com), by following the link 'Fund Information'.

## CF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

### COMPARATIVE TABLES

Where the Fund has significant investment in collective investment schemes, the operating charges take account of the ongoing charges incurred in the underlying schemes, calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'A' Income shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	134.20	129.94	127.96
Return before operating charges*	16.04	8.71	6.44
Operating charges	(3.12)	(3.07)	(2.94)
Return after operating charges	12.92	5.64	3.50
Distributions	(1.55)	(1.38)	(1.52)
Closing net asset value per share	145.57	134.20	129.94
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	9.63%	4.34%	2.74%
<b>Other information</b>			
Closing net asset value (£'000)	4,203	6,733	7,388
Closing number of shares	2,887,058	5,016,795	5,685,755
Operating charges	2.30%	2.26%	2.26%
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	148.74	143.71	135.55
Lowest share price	125.60	130.43	125.85

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'A' Accumulation shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	142.18	136.26	132.64
Return before operating charges*	16.98	9.14	6.66
Operating charges	(3.29)	(3.22)	(3.04)
Return after operating charges	13.69	5.92	3.62
Distributions	(1.64)	(1.44)	(1.58)
Retained distributions on accumulation shares	1.64	1.44	1.58
Closing net asset value per share	155.87	142.18	136.26
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	9.63%	4.34%	2.73%
<b>Other information</b>			
Closing net asset value (£'000)	17,277	44,867	67,601
Closing number of shares	11,084,492	31,556,180	49,609,893
Operating charges	2.30%	2.26%	2.26%
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	157.54	150.66	140.50
Lowest share price	133.07	136.78	130.46

## CF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

ACD's Report (continued)  
Fund Information (continued)

### COMPARATIVE TABLES (continued)

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'C' Income shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	134.61	130.32	128.33
Return before operating charges*	15.89	8.43	6.15
Operating charges	(1.48)	(1.41)	(1.35)
Return after operating charges	14.41	7.02	4.80
Distributions	(2.92)	(2.73)	(2.81)
Closing net asset value per share	146.10	134.61	130.32
* after direct transaction costs of:	–	–	–
<b>Performance</b>			
Return after charges	10.70%	5.39%	3.74%
<b>Other information</b>			
Closing net asset value (£'000)	82,545	83,423	84,001
Closing number of shares	56,499,465	61,973,907	64,455,739
Operating charges	1.08%	1.04%	1.03%
Direct transaction costs	–	–	–
<b>Prices</b>			
Highest share price	150.62	144.77	137.09
Lowest share price	126.34	131.15	126.55

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 <sup>1</sup> (p/share)
<b>'P' Income shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	105.24	102.02	100.00
Return before operating charges*	12.49	6.57	5.28
Operating charges	(1.66)	(1.61)	(1.44)
Return after operating charges	10.83	4.96	3.84
Distributions	(1.87)	(1.74)	(1.82)
Closing net asset value per share	114.20	105.24	102.02
* after direct transaction costs of:	–	–	–
<b>Performance</b>			
Return after charges	10.29%	4.86%	3.84%
<b>Other information</b>			
Closing net asset value (£'000)	6,784	4,320	2,360
Closing number of shares	5,940,687	4,105,497	2,313,243
Operating charges	1.55%	1.51%	1.46% <sup>2</sup>
Direct transaction costs	–	–	–
<b>Prices</b>			
Highest share price	117.49	113.10	106.97
Lowest share price	98.65	102.60	98.95

<sup>1</sup> From 15 November 2013.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

## CF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

ACD's Report (continued)  
Fund Information (continued)

### COMPARATIVE TABLES (continued)

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 <sup>1</sup> (p/share)
<b>'P' Accumulation shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	108.83	103.84	100.00
Return before operating charges*	12.92	6.63	5.28
Operating charges	(1.72)	(1.64)	(1.44)
Return after operating charges	11.20	4.99	3.84
Distributions	(1.92)	(1.76)	(1.82)
Retained distributions on accumulation shares	1.92	1.76	1.82
Closing net asset value per share	120.03	108.83	103.84
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	10.29%	4.81%	3.84%
<b>Other information</b>			
Closing net asset value (£'000)	115,684	92,995	45,790
Closing number of shares	96,377,902	85,447,076	44,097,694
Operating charges	1.55%	1.51%	1.46% <sup>2</sup>
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	121.48	115.07	106.97
Lowest share price	102.03	104.41	98.94

<sup>1</sup> From 15 November 2013.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'R' Accumulation shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	124.86	119.30	115.65
Return before operating charges*	14.89	7.76	5.70
Operating charges	(2.30)	(2.20)	(2.05)
Return after operating charges	12.59	5.56	3.65
Distributions	(1.95)	(1.76)	(1.85)
Retained distributions on accumulation shares	1.95	1.76	1.85
Closing net asset value per share	137.45	124.86	119.30
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	10.08%	4.66%	3.16%
<b>Other information</b>			
Closing net asset value (£'000)	25,992	13,218	19,623
Closing number of shares	18,910,457	10,586,236	16,448,715
Operating charges	1.80%	1.76%	1.75%
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	138.98	132.17	122.93
Lowest share price	116.98	119.94	113.88

## CF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

### FUND PERFORMANCE TO 31 OCTOBER 2016 (%)

	1 year	3 years	5 years
CF Prudential Dynamic 20-55 Portfolio	9.50	17.13	40.74

The performance of the Fund is based on the published price per 'A' Accumulation share which includes reinvested income.

The performance of the Fund disclosed in the above table may differ from the 'Return after charges' disclosed in the Comparative Table due to the above performance being calculated on the latest published price prior to the period end, rather than the period end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 116 and 117.

### RISK WARNING

An investment in an open-ended investment company should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

### PORTFOLIO STATEMENT AS AT 31 OCTOBER 2016

Holding	Portfolio of Investments	Value £'000	31.10.16 %
	EQUITY PORTFOLIOS – 41.49% (31.10.15 – 48.66%)		
	CONTINENTAL EUROPE – 7.53% (31.10.15 – 12.00%)		
770,592	Henderson European Selected Opportunities Fund	11,351	4.49
2,096,817	Jupiter European Special Situations Fund	7,671	3.04
	TOTAL CONTINENTAL EUROPE	19,022	7.53
	UNITED KINGDOM – 15.12% (31.10.15 – 11.53%)		
2,574,274	Artemis Income Fund	9,561	3.79
459,794	AXA Framlington UK Select Opportunities Fund	14,254	5.65
2,280,233	M&G Recovery Fund†	6,725	2.66
5,949,679	Threadneedle UK Fund	7,627	3.02
	TOTAL UNITED KINGDOM	38,167	15.12
	FAR EAST – 6.26% (31.10.15 – 6.42%)		
720,125	Fidelity Asia Fund	7,986	3.16
1,274,959	Stewart Investors Asia Pacific Leaders Fund	7,825	3.10
	TOTAL FAR EAST	15,811	6.26
	JAPAN – 3.55% (31.10.15 – 6.42%)		
2,970,120	Man GLG Japan CoreAlpha Fund	4,387	1.74
1,355,404	Schroder Tokyo Fund	4,558	1.81
	TOTAL JAPAN	8,945	3.55
	UNITED STATES – 6.54% (31.10.15 – 6.16%)		
2,873,258	Schroder US Mid Cap Fund	3,689	1.46
5,351,017	Threadneedle American Fund	12,819	5.08
	TOTAL UNITED STATES	16,508	6.54
	EMERGING MARKETS – 2.49% (31.10.15 – 6.13%)		
368,988	Aberdeen Emerging Markets Equity Fund	2,547	1.01
1,346,189	M&G Global Emerging Markets Fund†	3,735	1.48
	TOTAL EMERGING MARKETS	6,282	2.49
	TOTAL EQUITY PORTFOLIOS	104,735	41.49

## CF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

ACD's Report (continued)

Portfolio Statement (continued)

As at 31 October 2016

Holding	Portfolio of Investments	Value £'000	31.10.16 %
	EQUITY INVESTMENT INSTRUMENTS – 3.79% (31.10.15 – 0.00%)		
1,820,830	BBGI*	2,627	1.04
267,038	HarbourVest Global Private Equity*	2,871	1.14
128,258	HgCapital Trust*	1,837	0.73
853,864	NextEnergy Solar Fund*	918	0.36
1,229,707	Renewables Infrastructure*	1,319	0.52
	TOTAL EQUITY INVESTMENT INSTRUMENTS	9,572	3.79
	PROPERTY PORTFOLIOS – 14.66% (31.10.15 – 10.06%)		
7,067,030	Aviva Investors Property Trust	11,392	4.51
2,306,426	M&G Property Portfolio†	25,638	10.15
	TOTAL PROPERTY PORTFOLIOS	37,030	14.66
	BOND PORTFOLIOS – 39.11% (31.10.15 – 41.35%)		
12,795,863	Fidelity MoneyBuilder Income Fund	22,444	8.89
11,577,291	Invesco Perpetual Corporate Bond Fund	22,439	8.88
11,763,550	Kames High Yield Bond Fund	14,141	5.60
13,176,966	Kames Investment Grade Bond Fund	22,444	8.89
8,769,441	M&G Global High Yield Bond Fund†	10,800	4.28
25,103,952	M&G Short Dated Corporate Bond Fund†	6,469	2.56
14,379	M&G Strategic Corporate Bond Fund†	16	0.01
	TOTAL BOND PORTFOLIOS	98,753	39.11
	Portfolio of investments	250,090	99.05
	Net other assets	2,395	0.95
	Net assets	252,485	100.00

The investments have been valued in accordance with note (h) of the Accounting Policies and are collective investment schemes unless stated otherwise.

† Related party holding (see note 9).

\* Ordinary shares.

## SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 31 OCTOBER 2016

Total purchases for the year £'000 (note 13) **94,727**

Major purchases	Cost £'000
M&G Property Portfolio	15,635
Invesco Perpetual Corporate Bond Fund	13,120
Kames Investment Grade Bond Fund	12,264
Fidelity MoneyBuilder Income Fund	11,315
AXA Framlington UK Select Opportunities Fund	8,118
Threadneedle American Fund	6,004
Man GLG Japan CoreAlpha Fund	2,982
HarbourVest Global Private Equity	2,909
BBGI	2,608
Fidelity Asia Fund	2,500
Jupiter European Special Situations Fund	2,370
Stewart Investors Asia Pacific Leaders Fund	2,350
Artemis Income Fund	2,340
HgCapital Trust	1,842
M&G Short Dated Corporate Bond Fund	1,500
Renewables Infrastructure	1,303
Threadneedle UK Fund	1,200
Schroder US Mid Cap Fund	1,200
NextEnergy Solar Fund	921
M&G Strategic Corporate Bond Fund	781

The summary of material portfolio changes represents the 20 largest purchases during the year.

## CF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

ACD's Report (continued)

Summary of Material Portfolio Changes (continued)

For the year ended 31 October 2016

Total sales for the year £'000 (note 13)	113,551
Sales	Proceeds £'000
Schroder Tokyo Fund	12,150
M&G Strategic Corporate Bond Fund	12,064
Royal London Corporate Bond Fund	10,396
Kames High Yield Bond Fund	9,745
M&G Short Dated Corporate Bond Fund	8,093
M&G Global Emerging Markets Fund	6,470
Fidelity Asia Fund	6,298
Jupiter European Special Situations Fund	6,142
Baillie Gifford High Yield Bond Fund	5,962
Fidelity Asia Fund	5,889
Schroder US Mid Cap Fund	5,380
Stewart Investors Asia Pacific Leaders Fund	4,728
M&G Global Emerging Markets Fund	4,692
M&G Global High Yield Bond Fund	4,500
Artemis Income Fund	3,832
Threadneedle UK Fund	2,480
Invesco Perpetual Corporate Bond Fund	2,380
Henderson European Selected Opportunities Fund	1,200
Aberdeen Emerging Markets Equity Fund	1,150

The summary of material portfolio changes represents all of the sales during the year.

## FINANCIAL STATEMENTS

STATEMENT OF TOTAL RETURN

FOR THE YEAR ENDED 31 OCTOBER 2016

	Notes	£'000	31.10.16 £'000	£'000	31.10.15 £'000
Income:					
Net capital gains	2		19,736		7,175
Revenue	3	7,035		6,710	
Expenses	4	(1,850)		(2,095)	
Net revenue before taxation		5,185		4,615	
Taxation	5	(826)		(759)	
Net revenue after taxation			4,359		3,856
<b>Total return before distributions</b>			24,095		11,031
Distributions	6		(4,404)		(3,917)
<b>Change in net assets attributable to shareholders from investment activities</b>			19,691		7,114

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

FOR THE YEAR ENDED 31 OCTOBER 2016

	£'000	31.10.16 £'000	£'000	31.10.15 £'000
<b>Opening net assets attributable to shareholders</b>		245,556		226,763
Amounts receivable on issue of shares	27,011		37,078	
Amounts payable on cancellation of shares	(42,272)		(27,542)	
		(15,261)		9,536
Dilution adjustment		94		-
Change in net assets attributable to shareholders from investment activities		19,691		7,114
Retained distributions on Accumulation shares		2,405		2,143
<b>Closing net assets attributable to shareholders</b>		252,485		245,556

## CF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

Financial Statements (continued)

### BALANCE SHEET

AS AT 31 OCTOBER 2016

	Notes	31.10.16 £'000	31.10.15 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		250,090	245,720
<b>Current assets</b>			
Debtors	7	41,765	1,912
Cash and bank balances		3,104	1,087
<b>Total assets</b>		<u>294,959</u>	<u>248,719</u>
<b>LIABILITIES</b>			
<b>Provisions for liabilities</b>			
		(45)	–
<b>Creditors</b>			
Distribution payable		(1,803)	(1,834)
Other creditors	8	(40,626)	(1,329)
<b>Total liabilities</b>		<u>(42,474)</u>	<u>(3,163)</u>
<b>Net assets attributable to shareholders</b>		<u>252,485</u>	<u>245,556</u>

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 OCTOBER 2016

### 1. ACCOUNTING POLICIES

The accounting policies described on pages 20 to 22 have been applied to the financial statements of the Fund in the current and prior year. The additional accounting policy described below has also been applied to this Fund.

#### (a) Treatment of expenses

The Fund receives a rebate of the Annual Management Charge in relation to related party investments in the Fund. This is to eliminate double charging and, as such, is not a reduction in expenses suffered by shareholders.

	31.10.16 £'000	31.10.15 £'000
<b>2. NET CAPITAL GAINS</b>		
The net capital gains during the year comprise:		
Non-derivative securities	19,648	7,081
AMC rebates from underlying investments	88	94
<b>Net capital gains</b>	<u>19,736</u>	<u>7,175</u>

The net capital gains figure includes realised gains of £17,932 thousand and unrealised gains of £33,124 thousand (31.10.15 : includes realised gains of £901 thousand and unrealised gains of £31,408 thousand). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

	31.10.16 £'000	31.10.15 £'000
<b>3. REVENUE</b>		
Non-taxable dividends	1,142	867
Taxable dividends	456	266
UK property income distributions	514	488
Unfranked interest	3,603	3,637
AMC rebates from underlying investments	1,319	1,444
Bank interest	1	8
<b>Total revenue</b>	<u>7,035</u>	<u>6,710</u>
<b>4. EXPENSES</b>		
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	1,453	1,694
Administration fees	368	368
	<u>1,821</u>	<u>2,062</u>

## CF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

	31.10.16 £'000	31.10.15 £'000
4. EXPENSES (continued)		
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	18	19
Safe custody and other bank charges	–	1
	18	20
Other expenses:		
FCA fee	1	–
Fees paid to auditor – audit	9	9
– tax services	1	4
	11	13
Total expenses	<u>1,850</u>	<u>2,095</u>

The Portfolio Management fees and expenses (plus VAT thereon) for providing portfolio management services are paid by the ACD out of its remuneration.

	31.10.16 £'000	31.10.15 £'000
5. TAXATION		
a) Analysis of charge for the year		
Corporation tax at 20%	781	793
Income tax offset	–	(53)
Irrecoverable income tax	–	53
Adjustments in respect of prior periods	–	(10)
Current tax charge	<u>781</u>	<u>783</u>
Deferred tax – origination and reversal of timing differences (note 5c)	45	(24)
Total taxation (note 5b)	<u>826</u>	<u>759</u>

### b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.10.15 : 20%). The difference is explained below:

	31.10.16 £'000	31.10.15 £'000
Net revenue before taxation	<u>5,185</u>	<u>4,615</u>
Corporation tax at 20%	1,037	923

	31.10.16 £'000	31.10.15 £'000
5. TAXATION (continued)		
Effects of:		
Non-taxable dividends	(229)	(173)
Corporation tax: adjustment in respect of prior years	–	(10)
AMC rebates taken to capital	18	19
Total tax charge (note 5a)	<u>826</u>	<u>759</u>
c) Deferred tax		
Provision at the start of the year	–	24
Deferred tax charge in the year (note 5a)	45	(24)
Provision at the end of the year	<u>45</u>	<u>–</u>

### 6. DISTRIBUTIONS

The distributions take account of revenue received on the issue of shares and revenue deducted on cancellations of shares, and comprise:

	31.10.16 £'000	31.10.15 £'000
Final	<u>4,208</u>	<u>3,977</u>
	4,208	3,977
Add: Revenue deducted on cancellation of shares	412	268
Deduct: Revenue received on issue of shares	(216)	(328)
Net distributions for the year	<u>4,404</u>	<u>3,917</u>

Details of the distributions per share are set out in the table on pages 116 and 117.

## CF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

	31.10.16 £'000	31.10.15 £'000
6. DISTRIBUTIONS (continued)		
Distributions represented by:		
Net revenue after taxation	4,359	3,856
Allocations to capital:		
Tax relief from capital	18	19
Equalisation on conversions*	27	42
Net distributions for the year	<u>4,404</u>	<u>3,917</u>

\* Where an investor converts to a class with a higher income yield, the investor will receive an equalisation as if they had held the new class throughout the period from the last distribution to the conversion date. The yield differential at the point of conversion is an equalisation which will be offset by capital erosion for the converted investor.

	31.10.16 £'000	31.10.15 £'000
7. DEBTORS		
Amounts receivable for issue of shares	300	715
Sales awaiting settlement	40,098	–
Accrued revenue:		
Non-taxable dividends	128	102
Taxable dividends	178	–
UK property income distributions	–	127
Unfranked interest	62	62
AMC rebates from underlying investments	363	321
	731	612
Taxation recoverable:		
Income tax	636	585
Total debtors	<u>41,765</u>	<u>1,912</u>
8. OTHER CREDITORS		
Amounts payable for cancellation of shares	742	583
Purchases awaiting settlement	39,098	–

	31.10.16 £'000	31.10.15 £'000
8. OTHER CREDITORS (continued)		
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	126	137
Administration fees	32	31
	158	168
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	1	2
Taxation payable:		
Corporation tax	616	563
Other expenses	11	13
Total other creditors	<u>40,626</u>	<u>1,329</u>
9. RELATED PARTY TRANSACTIONS		

Annual Management Charge and administration fees payable to Capita Financial Managers Limited ('the ACD') are disclosed in note 4 and amounts due at the year end are disclosed in note 8.

The aggregate monies received by the ACD through the issue of shares and paid on cancellation of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 103 and amounts due for the year are disclosed in notes 7 and 8.

Capita Financial Managers Limited and its associates (including other authorised investment funds managed by Capita Financial Managers Limited) held 8,873 (31.10.15 : 38,952) of the Fund's shares at the balance sheet date.

M&G Investment Management Limited and its associates (including other authorised investment funds managed by M&G Investment Management Limited) held nil (31.10.15 : 44,172,068) of the Fund's shares at the balance sheet date.

A shareholder may be able to exercise significant influence over the financial and operating policies of the Fund and as such is deemed to be a related party. At the balance sheet date the following shareholder held in excess of 20% of the shares in issue of the Fund:

Prudential plc and its associates 0.00% (31.10.15 : 22.23%)

## CF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 9. RELATED PARTY TRANSACTIONS (continued)

As part of the investment strategy, the Fund may from time to time hold shares in other collective investment schemes managed by the same Portfolio Manager or for which Capita Financial Managers Limited is also the ACD. At the balance sheet date the value of the holdings were as follows:

	31.10.16 £'000	31.10.15 £'000
Portfolio Manager in common	<u>53,383</u>	<u>67,207</u>

### 10. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (31.10.15 : none).

### 11. SHARES IN ISSUE

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.40%	1.40%	0.18%
Opening shares in issue	5,016,795	31,556,180	61,973,907
Issues	184,559	341,089	3,986,733
Cancellations	(539,805)	(3,336,358)	(9,461,175)
Conversions	(1,774,491)	(17,476,419)	–
Closing shares in issue	<u>2,887,058</u>	<u>11,084,492</u>	<u>56,499,465</u>

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.65%	0.65%	0.90%
Opening shares in issue	4,105,497	85,447,076	10,586,236
Issues	819,992	4,446,235	12,005,573
Cancellations	(1,245,055)	(16,352,906)	(3,654,340)
Conversions	2,260,253	22,837,497	(27,012)
Closing shares in issue	<u>5,940,687</u>	<u>96,377,902</u>	<u>18,910,457</u>

The closing net asset value and the closing net asset value per share, for each share class in issue at the balance sheet date, are given in the Fund Information.

### 12. RISK MANAGEMENT POLICIES

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for hedging purposes.

The main risks from the Fund's holding of financial instruments, together with the ACD's policy for managing these risks, are set out below:

The ACD has in place a Risk Management Policy and Procedures Document ('RMPPD') that sets out the risks that may impact a fund and how the ACD seeks, where appropriate, to manage, monitor and mitigate those risks, and in particular those risks associated with the use of derivatives. The RMPPD sets out both the framework and the risk mitigations operated by the ACD in managing the identified risks of the fund. The ACD requires that the appointed Portfolio Manager to the fund has in place its own governance structure, policies and procedures that are commensurate with its regulatory obligations and the risks posed by the fund managed.

- i. *Credit risk*  
Credit risk is the risk that a counterparty may be unable or unwilling to make a payment or fulfil contractual obligations. This may be in terms of an actual default or by deterioration in a counterparty's credit quality.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. As part of its due diligence process, the ACD undertakes a review of the controls operated over counterparties by the Portfolio Manager, including initial and ongoing due diligence and business volumes placed with each counterparty. In cases which are dependent on the counterparty settling at the transaction's maturity date, the ACD has policies in place which set out the minimum credit quality expected of a market counterparty or deposit taker at the outset of the transaction.

- ii. *Interest rate risk*  
Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of interest rate changes. The value of fixed interest securities may be affected by changes in interest rates, either globally or locally. Changes in the rate of return in one asset class may influence the valuation basis of other classes. The amount of revenue receivable from floating rate investments and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates. Investment in collective investment schemes exposes the Fund to indirect interest rate risk to the extent that they invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

As the Fund is invested in underlying funds these funds may have exposure to bonds and to interest rate risk.

- iii. *Foreign currency risk*  
The income and capital value of the Fund's investments are denominated in sterling and, therefore, the financial statement are not subject to the risk of currency movements.

## CF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 12. RISK MANAGEMENT POLICIES (continued)

#### iv. Leverage

The ACD is required to calculate and monitor the level of leverage of the Fund, expressed as a ratio between the exposure of the Fund and its Net Asset Value, under both the gross and commitment methods (in accordance with articles 7 and 8 of The Alternative Investment Fund Managers Regulations 2013). For a fund with no borrowing or derivative usage the leverage ratio would be 1:1 under the commitment method. The gross method calculation excludes cash and cash equivalents which are highly liquid.

As at 31 October 2016, leverage under the gross method was 0.99:1 and leverage under the commitment method was 1:1 (31.10.15 : 1:1 and 1:1 respectively).

#### v. Liquidity risk

The main liability of the Fund is the cancellation of any shares that investors want to sell. Investments may have to be sold to fund such cancellations should insufficient cash be held at the bank to meet this obligation.

To reduce liquidity risk the Portfolio Manager will ensure that a substantial portion of the Fund's assets consist of cash and readily realisable investments.

All financial liabilities are payable in one year or less, or on demand.

#### vi. Market price risk

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds.

Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

#### vii. Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

#### viii. Derivatives

The Fund held no derivatives during the current or prior year.

### 13. PORTFOLIO TRANSACTION COSTS

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
<b>31.10.16</b>				
Ordinary shares	1,302	–	–	1,302
Collective investment schemes	93,414	2	9	93,425
<b>Purchases total</b>	<b>94,716</b>	<b>2</b>	<b>9</b>	<b>94,727</b>
<i>Transaction cost % of purchases total</i>		–	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	113,551	–	–	113,551
<b>Sales total</b>	<b>113,551</b>	<b>–</b>	<b>–</b>	<b>113,551</b>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.16 is 0.59% (31.10.15 : 0.62%).

## CF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 13. PORTFOLIO TRANSACTION COSTS (continued)

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
<b>31.10.15</b>				
Collective investment schemes	14,707	–	–	14,707
<b>Purchases total</b>	<b>14,707</b>	<b>–</b>	<b>–</b>	<b>14,707</b>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	3,250	–	–	3,250
<b>Sales total</b>	<b>3,250</b>	<b>–</b>	<b>–</b>	<b>3,250</b>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

### 14. FAIR VALUE HIERARCHY

Investments are categorised into the following levels based on their fair value measurement:

Level 1: The unadjusted quoted price in an active market for identical assets that the Fund can access at the year end date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the assets.

Valuation technique	31.10.16 Assets £'000	31.10.15 Assets £'000
Level 1	9,572	–
Level 2	240,518	245,720
Level 3	–	–
Total portfolio of investments	<b>250,090</b>	<b>245,720</b>

## CF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

Financial Statements (continued)

### DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 OCTOBER 2016 – IN PENCE PER SHARE

#### EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares – the applicable distribution periods for each distribution are shown below). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes.

Group 2	Final
From	01.11.15
To	31.10.16

#### 'A' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	1.5502	–	1.5502	1.3820
Group 2	1.2856	0.2646	1.5502	1.3820

#### 'A' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	1.6409	–	1.6409	1.4439
Group 2	0.8331	0.8078	1.6409	1.4439

#### 'C' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	2.9162	–	2.9162	2.7327
Group 2	2.7597	0.1565	2.9162	2.7327

#### 'P' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	1.8694	–	1.8694	1.7411
Group 2	1.1314	0.7380	1.8694	1.7411

#### 'P' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	1.9231	–	1.9231	1.7557
Group 2	0.9834	0.9397	1.9231	1.7557

#### 'R' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	1.9501	–	1.9501	1.7636
Group 2	1.0223	0.9278	1.9501	1.7636

CF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO  
ACD'S REPORT  
FOR THE YEAR ENDED 31 OCTOBER 2016

IMPORTANT INFORMATION

Refer to the 'Important Information' section on page 12.

INVESTMENT OBJECTIVE AND POLICY

The CF Prudential Dynamic 40-80 Portfolio ('the Fund') aims to achieve long-term total return (the combination of income and growth of capital) by investing mainly in collective investment schemes. Between 40% and 80% of the Fund will be invested in schemes whose predominant exposure is to equities.

The Fund is an actively managed portfolio investing mainly in collective investment schemes in order to provide a well diversified exposure to global equities, fixed income and variable rate assets, immovable property, cash and/or near cash. Typically the Fund will have a bias towards assets providing potential for growth, such as equities. Scheme selection is made on the basis of in depth initial and ongoing qualitative assessment of the fund managers and quantitative analysis of the collective investment schemes.

The Fund may also invest directly in other assets including transferable securities, other collective investment schemes, cash and near cash, deposits, warrants and money market instruments. Derivative instruments may be directly held for the purposes of efficient portfolio management only.

CAPITA FINANCIAL MANAGERS LIMITED  
ACD of CF Prudential Dynamic 40-80 Portfolio  
16 February 2017

PORTFOLIO MANAGER'S REPORT

Between 1 November 2015 and 31 October 2016 share classes 'A' Accumulation 10.87%<sup>1</sup>, 'R' Accumulation 11.24%<sup>1</sup> and 'P' Accumulation 11.4%<sup>1</sup> were behind the 12.4%<sup>1</sup> sector average for IA Mixed Investment 40-85% Shares.

ECONOMIC OVERVIEW

Positions, and turning points, in business cycles typically form part of the analysis when constructing investment portfolios. Our analysis suggests that the US is in a mature phase of its expansion. As with the US, we believe that the UK is also in a maturing phase of its business cycle (although behind the US in terms of positioning) and that the economy is likely to slow sharply once the UK officially notifies the European Union ('EU') of its decision to leave the Union. By comparison, we think that the eurozone is approaching the mid-cycle expansion stage of the business cycle. Finally, in our opinion, Japan is probably in the later stages of its business cycle.

Growth in China has recently stabilised, due to policy support and strong credit growth. Economic growth is expected to start slowing, in the absence of further large stimulus. Of concern remains the high and growing level of debt, particularly on the part of Chinese corporates. Vulnerabilities will continue to rise as credit continues to grow. This is complicating the task of rebalancing the economy away from investment and towards consumption, the implementation of deeper structural reforms, and allowing market forces to play a greater role in determining the allocation of resources.

MARKET OVERVIEW

Having experienced a positive end to 2015, the early part of 2016 brought a remarkable turnaround in investor sentiment. In January 2016, many stockmarkets experienced their worst month for many years as renewed fears about a China-led global economic slowdown and a collapse in the oil price led to a retreat from risk assets. Investors then appeared to accept that a global recession was not as likely as feared and, when the oil price began to recover and central banks announced further action to boost growth, stockmarkets rallied strongly.

Despite several other events that could have unsettled investors including the UK referendum result, terrorist attacks and an attempted military coup in Turkey investors have continued to focus on the support being given by policymakers.

Significant movements in currency markets also featured; sterling weakened against most other currencies, initially on the recognition that UK interest rates were unlikely to rise in the short term, but subsequently from the decision by the UK electorate to leave the EU.

UK

The FTSE All-Share had a strong 12 months, recovering from the lows of mid-February driven by a led by international energy and mining stocks, as oil and metal prices rebounded. The market also rebounded strongly from a short period of weakness following the UK referendum result in June supported by a decline in the pound that benefited the large number of multi-national businesses in the UK.

The UK equity funds underperformed in challenging conditions for active fund managers. The M&G Recovery Fund produced the best returns of the four underlying funds from 1 November to 31 October.

<sup>1</sup> Source: FE Analytics. The Portfolio Manager uses the IA Mixed Investment 40-85% Shares for comparison. No benchmark is required to be disclosed per the Prospectus.

## CF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

ACD's Report (continued)

Portfolio Manager's Report (continued)

For the year ended 31 October 2016

### NORTH AMERICA

The S&P 500 produced a positive return over the period in review although US stockmarkets had their worst start to a new year for many years, with investors spooked by the slump in the oil price in January 2016. Concern that the economy could fall back into recession peaked in mid-February before bargain hunting among financial and energy stocks emerged. A rebound in the oil price and good economic data saw US shares recover. This prompted the US Federal Reserve ('the Fed') to confirm interest rate hikes would proceed cautiously. The continued actions of other central banks in keeping interest rates low has also helped keep investor sentiment generally positive.

The absolute performance of the underlying funds was good. The Schroder US Mid Cap Fund outperformed the S&P 500 over the period in review with the Threadneedle American Fund lagging the benchmark.

### EUROPE

Having pledged that it would not hesitate to act in support of the eurozone's economy, the European Central Bank ('ECB') took unexpectedly aggressive action in March. The main interest rate was reduced to zero, the deposit rate cut to -0.4% and the programme of asset purchases extended.

Most of Europe's stockmarkets declined over the period in local terms, though the strength of the euro against the pound meant that, in sterling terms, the losses were reduced or reversed. Concerns about the state of Italian banks hampered the country's stockmarket and concerns about Deutsche Bank grew following the imposition of a US\$14 billion fine from US authorities in late September.

The Henderson European Growth Fund was the best performing over the twelve months generating returns above the Henderson European Selected Opportunities Fund and Jupiter European Special Situations Fund, both of which lagged the performance of the benchmark index.

### JAPAN

Despite the government's package of measures to keep interest rates low, weaken the yen and encourage inflation, the Japanese economy remained under pressure. The Bank of Japan ('BoJ') took the unprecedented step of setting the main interest rate below zero, at -0.1%.

While this caused the yen to weaken in the short term, it then strengthened significantly over the period – regarded not only as a safe haven when other markets weakened, but also gaining relative to the US dollar when it became apparent US interest rates were not about to rise immediately. A strong yen tends to weigh on the Japanese stockmarket as it restricts the country's export competitiveness. Japanese shares were lower over the period in review despite a rallying in the third quarter.

Performance of the Schroder Tokyo Fund was above benchmark while the Man GLG Japan Core Alpha Fund was below the TOPIX 100 over the twelve months from 1 November 2015.

### ASIA EX JAPAN

In common with other global stockmarkets, shares in Asia endured a turbulent first few months of 2016 having recovered towards the end of 2015. The Chinese stockmarket, the largest in the region, declined sharply early in the year as investors became increasingly concerned that the economy was stalling. In a surprise move, the authorities devalued the Chinese currency, alarming investors and sending shock waves around the world.

A general improvement in investor sentiment during the third quarter was reflected in higher prices for shares in the Asia Pacific region, particularly as economic data seemed to suggest that the Chinese economy was not slowing as much as had been feared.

Both the Stewart Investors Asia Pacific Leaders Fund and Fidelity Asia Fund produced strong returns. The Stewart Investors Fund also finished ahead of benchmark over the period in review.

### UK BONDS

UK interest rates and inflation remained low during the period. Weakness in the price of oil and other commodities notably contributed to subdued inflation, while signs that the global economy may be slowing supported the Bank of England's ('BoE') decision to keep interest rates unchanged. Fears of a global recession started to fade from around the middle of February, so gilt prices moderated and UK corporate bonds staged a solid rebound, especially in the final weeks of March.

The third quarter saw sustained demand for 'safe-haven' assets as the UK referendum result took financial markets by surprise. Expectations of interest rate increases were pushed out and indeed the BoE lowered interest rates to 0.25% in August. The extent of the accompanying bond-purchasing programme was greater than expected and kept demand for UK corporate and government bonds strong.

All five underlying corporate bond funds produced positive returns during the period in review although only Royal London and Fidelity outperformed the benchmark.

### UK PROPERTY

Even before the UK referendum on membership of the EU, the UK commercial property market had begun to cool, with both capital value and rental income growth slowing. In the two months after the 'Leave' vote, commercial property prices fell by around 4% in total. However, there are some early signs that prices are beginning to stabilise, not least because of solid demand for property assets from overseas buyers.

So far in 2016, capital values have declined by around 3%, with the steepest fall seen in the All Retail sector. Meanwhile, rental values for all UK commercial property have grown by just over 1% year-to-date, with All Industrials and All Offices recording the largest increases.

The M&G Property Portfolio and Aviva Investors Property Trust suffered from a surge of redemption requests following the referendum result. This had a negative effect on performance as both fund managers had to suspend trading and re-value underlying assets.

### EMERGING MARKETS

The end of 2015 was modestly positive for Emerging Markets overall. At the beginning of 2016 they suffered in an environment of risk aversion as investors considered the effect of a slowing global economy and lower oil prices.

However, Emerging Markets performed better than most developed market over the third quarter and have now produced very strong returns to end October 2016. This has been driven by the higher prices for oil and commodity prices and a weaker US dollar.

Whilst only small holdings both the Aberdeen Emerging Markets Equity Fund and M&G Global Emerging Markets Fund performed well.

## CF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

ACD's Report (continued)

Portfolio Manager's Report (continued)

For the year ended 31 October 2016

### POSITIONING

After a review of the long-term positioning of the portfolio early in 2016, equity exposures were rebalanced with Europe, Emerging Markets and Japan holdings reduced and UK equity and Property increased. The portfolio managers also took the decision to re-adjust the underlying fund positions such that they are equally weighted within each asset class.

### OUTLOOK

Global growth is expected to remain subdued for several factors. These include the continuation of highly leveraged advanced and Emerging Markets (although some deleveraging has occurred post-2008 in advanced economies); the ongoing rebalancing in China which is resulting in a gradually slowing Chinese economy; a continued adjustment on the part of commodity producers to a decline in their terms of trade; geopolitical uncertainty across the globe; and a lack of structural reform in many economies that will act as a restraint on global growth, as these reforms take several years to bear fruit.

Monetary policy divergence is set to continue in the advanced economies, although it will remain very accommodative even once the Fed resumes its rate hiking cycle. The Fed is expected to hike once in December 2016, while the ECB, the BoJ and the BoE may ease policy further.

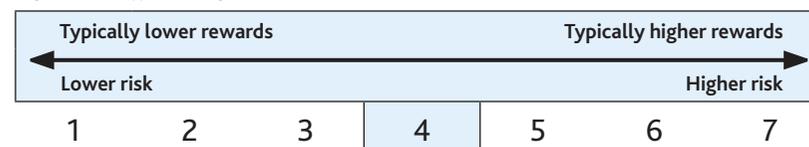
### M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

18 November 2016

## FUND INFORMATION

### RISK AND REWARD PROFILE



This indicator shows how much a fund has risen and fallen in the past, and therefore how much a fund's returns have varied. It is a measure of a fund's volatility. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains. The lowest number on the scale does not mean that a fund is risk free.

The Fund has been classed as 4 because its volatility has been measured as average.

Non-UCITS Retail Scheme (NURS): The Fund can be less diversified than UCITS schemes as it has higher investment limits for certain types of asset. It can also invest in assets which are not available to UCITS schemes. This can increase the potential rewards but can also increase risk.

This indicator is based on historical data and may not be a reliable indication of the future risk profile of this Fund.

The risk and reward profile shown is not guaranteed to remain the same and may shift over time.

Currency Risk: As the Fund invests indirectly in overseas securities, exchange rates movements may, when not hedged, cause the value of your investment to increase or decrease.

Credit Risk: Fixed interest securities are affected by trends in interest rates and inflation. If interest rates go up the value of capital may fall and vice versa. Inflation will also decrease the real value of capital. The value of a fixed interest security is also affected by its credit rating. Fixed interest securities with a higher yield also generally brings an increased risk of default on repayment by the issuer which could affect the income and capital of the Fund.

For full details of the Fund's risks, please see the Prospectus which may be obtained upon application and can be found on the ACD's website, [www.capitafinancial.com](http://www.capitafinancial.com), by following the link 'Fund Information'.

## CF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

### COMPARATIVE TABLES

Where the Fund has significant investment in collective investment schemes, the operating charges take account of the ongoing charges incurred in the underlying schemes, calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'A' Income shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	141.40	135.42	132.12
Return before operating charges*	18.88	10.37	7.51
Operating charges	(3.33)	(3.33)	(3.20)
Return after operating charges	15.55	7.04	4.31
Distributions	(1.41)	(1.06)	(1.01)
Closing net asset value per share	155.54	141.40	135.42
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	11.00%	5.20%	3.26%
<b>Other information</b>			
Closing net asset value (£'000)	1,732	3,741	4,761
Closing number of shares	1,113,714	2,645,698	3,515,753
Operating charges	2.33%	2.33%	2.39%
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	158.67	153.07	141.49
Lowest share price	130.89	135.12	129.12

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'A' Accumulation shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	146.82	139.54	135.13
Return before operating charges*	19.60	10.71	7.69
Operating charges	(3.45)	(3.43)	(3.28)
Return after operating charges	16.15	7.28	4.41
Distributions	(1.46)	(1.09)	(1.00)
Retained distributions on accumulation shares	1.46	1.09	1.00
Closing net asset value per share	162.97	146.82	139.54
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	11.00%	5.22%	3.26%
<b>Other information</b>			
Closing net asset value (£'000)	28,649	55,711	73,461
Closing number of shares	17,579,578	37,944,258	52,646,722
Operating charges	2.33%	2.33%	2.39%
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	164.73	157.65	144.71
Lowest share price	135.92	139.24	132.09

CF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

ACD's Report (continued)  
Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'C' Income shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	141.78	135.74	132.35
Return before operating charges*	18.72	10.09	7.21
Operating charges	(1.60)	(1.58)	(1.56)
Return after operating charges	17.12	8.51	5.65
Distributions	(2.84)	(2.47)	(2.26)
Closing net asset value per share	156.06	141.78	135.74
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	12.08%	6.27%	4.27%
<b>Other information</b>			
Closing net asset value (£'000)	92,117	92,487	89,151
Closing number of shares	59,024,741	65,234,803	65,676,564
Operating charges	1.11%	1.11%	1.16%
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	160.61	154.06	142.92
Lowest share price	131.60	135.64	129.76

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 <sup>1</sup> (p/share)
<b>'P' Income shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	107.26	102.85	100.00
Return before operating charges*	14.25	7.57	5.77
Operating charges	(1.73)	(1.71)	(1.56)
Return after operating charges	12.52	5.86	4.21
Distributions	(1.73)	(1.45)	(1.36)
Closing net asset value per share	118.05	107.26	102.85
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	11.67%	5.70%	4.21%
<b>Other information</b>			
Closing net asset value (£'000)	5,384	3,528	1,277
Closing number of shares	4,560,767	3,289,126	1,241,533
Operating charges	1.58%	1.58%	1.59% <sup>2</sup>
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	121.27	116.38	107.98
Lowest share price	99.45	102.68	98.22

<sup>1</sup> From 15 November 2013.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

## CF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

ACD's Report (continued)  
Fund Information (continued)

### COMPARATIVE TABLES (continued)

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 <sup>1</sup> (p/share)
<b>'P' Accumulation shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	110.10	104.21	100.00
Return before operating charges*	14.64	7.64	5.78
Operating charges	(1.77)	(1.75)	(1.57)
Return after operating charges	12.87	5.89	4.21
Distributions	(1.77)	(1.47)	(1.36)
Retained distributions on accumulation shares	1.77	1.47	1.36
Closing net asset value per share	122.97	110.10	104.21
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	11.69%	5.65%	4.21%
<b>Other information</b>			
Closing net asset value (£'000)	111,535	80,887	43,685
Closing number of shares	90,703,292	73,464,533	41,920,152
Operating charges	1.58%	1.58%	1.59% <sup>2</sup>
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	124.48	117.98	107.99
Lowest share price	102.10	104.05	98.22

<sup>1</sup> From 15 November 2013.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'R' Accumulation shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	129.05	122.26	118.74
Return before operating charges*	17.19	9.15	5.77
Operating charges	(2.41)	(2.36)	(2.25)
Return after operating charges	14.78	6.79	3.52
Distributions	(1.81)	(1.47)	(1.37)
Retained distributions on accumulation shares	1.81	1.47	1.37
Closing net asset value per share	143.83	129.05	122.26
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	11.45%	5.55%	2.96%
<b>Other information</b>			
Closing net asset value (£'000)	11,664	9,961	13,771
Closing number of shares	8,110,069	7,718,599	11,264,097
Operating charges	1.83%	1.83%	1.88%
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	145.46	138.38	126.72
Lowest share price	119.60	122.06	115.40

## CF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

### FUND PERFORMANCE TO 31 OCTOBER 2016 (%)

	1 year	3 years	5 years
CF Prudential Dynamic 40-80 Portfolio	10.87	20.05	46.76

The performance of the Fund is based on the published price per 'A' Accumulation share which includes reinvested income.

The performance of the Fund disclosed in the above table may differ from the 'Return after charges' disclosed in the Comparative Table due to the above performance being calculated on the latest published price prior to the period end, rather than the period end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 148 and 149.

### RISK WARNING

An investment in an open-ended investment company should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

### PORTFOLIO STATEMENT AS AT 31 OCTOBER 2016

Holding	Portfolio of Investments	Value £'000	31.10.16 %
	EQUITY PORTFOLIOS – 53.63% (31.10.15 – 62.76%)		
	CONTINENTAL EUROPE – 9.42% (31.10.15 – 12.19%)		
2,252,822	Henderson European Growth Fund	4,582	1.82
666,713	Henderson European Selected Opportunities Fund	9,821	3.91
2,529,881	Jupiter European Special Situations Fund	9,255	3.69
	<b>TOTAL CONTINENTAL EUROPE</b>	<b>23,658</b>	<b>9.42</b>
	UNITED KINGDOM – 19.83% (31.10.15 – 11.78%)		
3,089,345	Artemis Income Fund	11,474	4.57
424,083	AXA Framlington UK Select Opportunities Fund	13,146	5.24
4,427,024	M&G Recovery Fund†	13,056	5.20
9,440,501	Threadneedle UK Fund	12,102	4.82
	<b>TOTAL UNITED KINGDOM</b>	<b>49,778</b>	<b>19.83</b>
	FAR EAST – 8.83% (31.10.15 – 9.99%)		
1,304,565	Fidelity Asia Fund	14,468	5.76
1,255,202	Stewart Investors Asia Pacific Leaders Fund	7,703	3.07
	<b>TOTAL FAR EAST</b>	<b>22,171</b>	<b>8.83</b>
	JAPAN – 4.27% (31.10.15 – 10.22%)		
3,441,044	Man GLG Japan CoreAlpha Fund	5,082	2.02
1,679,597	Schroder Tokyo Fund	5,648	2.25
	<b>TOTAL JAPAN</b>	<b>10,730</b>	<b>4.27</b>
	UNITED STATES – 8.00% (31.10.15 – 10.72%)		
4,554,033	Schroder US Mid Cap Fund	5,847	2.33
5,939,226	Threadneedle American Fund	14,229	5.67
	<b>TOTAL UNITED STATES</b>	<b>20,076</b>	<b>8.00</b>
	EMERGING MARKETS – 3.28% (31.10.15 – 7.86%)		
683,806	Aberdeen Emerging Markets Equity Fund	4,721	1.88
1,270,968	M&G Global Emerging Markets Fund†	3,527	1.40
	<b>TOTAL EMERGING MARKETS</b>	<b>8,248</b>	<b>3.28</b>
	<b>TOTAL EQUITY PORTFOLIOS</b>	<b>134,661</b>	<b>53.63</b>

## CF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

ACD's Report (continued)

Portfolio Statement (continued)

As at 31 October 2016

Holding	Portfolio of Investments	Value £'000	31.10.16 %
	EQUITY INVESTMENT INSTRUMENTS – 4.73% (31.10.15 – 0.00%)		
2,261,624	BBGI*	3,262	1.30
331,685	HarbourVest Global Private Equity*	3,566	1.42
159,308	HgCapital Trust*	2,281	0.91
1,060,571	NextEnergy Solar Fund*	1,140	0.45
1,527,399	Renewables Infrastructure*	1,639	0.65
	TOTAL EQUITY INVESTMENT INSTRUMENTS	11,888	4.73
	PROPERTY PORTFOLIOS – 16.33% (31.10.15 – 10.07%)		
6,706,290	Aviva Investors Property Trust	10,811	4.31
2,715,007	M&G Property Portfolio†	30,179	12.02
	TOTAL PROPERTY PORTFOLIOS	40,990	16.33
	BOND PORTFOLIOS – 23.95% (31.10.15 – 26.84%)		
7,698,184	Fidelity MoneyBuilder Income Fund	13,503	5.38
6,965,324	Invesco Perpetual Corporate Bond Fund	13,500	5.38
9,608,711	Kames High Yield Bond Fund	11,551	4.60
7,927,693	Kames Investment Grade Bond Fund	13,503	5.38
4,567,114	M&G Global High Yield Bond Fund†	5,625	2.24
9,469,247	M&G Short Dated Corporate Bond Fund†	2,440	0.97
7,265	M&G Strategic Corporate Bond Fund†	8	–
	TOTAL BOND PORTFOLIOS	60,130	23.95
	Portfolio of investments	247,669	98.64
	Net other assets	3,412	1.36
	Net assets	251,081	100.00

The investments have been valued in accordance with note (h) of the Accounting Policies and are collective investment schemes unless stated otherwise.

† Related party holding (see note 10).

\* Ordinary shares.

## SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 31 OCTOBER 2016

Total purchases for the year £'000 (note 14) **103,978**

Major purchases	Cost £'000
M&G Property Portfolio	20,082
M&G Global High Yield Bond Fund	10,615
Invesco Perpetual Corporate Bond Fund	7,876
Kames Investment Grade Bond Fund	7,835
Fidelity MoneyBuilder Income Fund	7,762
Threadneedle American Fund	7,308
AXA Framlington UK Select Opportunities Fund	6,971
M&G Recovery Fund	6,500
Threadneedle UK Fund	4,972
HarbourVest Global Private Equity	3,614
BBGI	3,240
Artemis Income Fund	3,029
HgCapital Trust	2,288
Henderson European Growth Fund	2,041
Schroder US Mid Cap Fund	1,907
Renewables Infrastructure	1,618
Jupiter European Special Situations Fund	1,151
NextEnergy Solar Fund	1,144
Schroder Tokyo Fund	1,000
Stewart Investors Asia Pacific Leaders Fund	900

The summary of material portfolio changes represents the 20 largest purchases during the year.

## CF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

ACD's Report (continued)

Summary of Material Portfolio Changes (continued)

For the year ended 31 October 2016

Total sales for the year £'000 (note 14)	127,900
Major sales	Proceeds £'000
Schroder Tokyo Fund	12,980
Threadneedle American Fund	10,808
M&G Global Emerging Markets Fund	10,634
Baillie Gifford High Yield Bond Fund	9,592
Stewart Investors Asia Pacific Leaders Fund	8,700
Royal London Corporate Bond Fund	7,115
M&G Strategic Corporate Bond Fund	7,013
M&G Global High Yield Bond Fund	6,230
Kames High Yield Bond Fund	6,032
Schroder US Mid Cap Fund	5,993
Henderson European Growth Fund	5,680
M&G Investment Management Limited American Fund	5,360
Henderson European Selected Opportunities Fund	5,188
Man GLG Japan CoreAlpha Fund	4,556
Jupiter European Special Situations Fund	3,556
Aberdeen Emerging Markets Equity Fund	3,343
Fidelity Asia Fund	2,380
Fidelity MoneyBuilder Income Fund	2,369
Threadneedle UK Fund	2,180
M&G Short Dated Corporate Bond Fund	2,020

The summary of material portfolio changes represents the 20 largest sales during the year.

## FINANCIAL STATEMENTS

STATEMENT OF TOTAL RETURN

FOR THE YEAR ENDED 31 OCTOBER 2016

	Notes	£'000	31.10.16 £'000	£'000	31.10.15 £'000
Income:					
Net capital gains	2		23,218		9,771
Revenue	3	6,393		5,883	
Expenses	4	(1,833)		(2,109)	
Interest payable and similar charges	5	(1)		–	
Net revenue before taxation		4,559		3,774	
Taxation	6	(619)		(584)	
Net revenue after taxation			3,940		3,190
<b>Total return before distributions</b>			27,158		12,961
Distributions	7		(3,985)		(3,248)
<b>Change in net assets attributable to shareholders from investment activities</b>			23,173		9,713

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

FOR THE YEAR ENDED 31 OCTOBER 2016

	£'000	31.10.16 £'000	£'000	31.10.15 £'000
<b>Opening net assets attributable to shareholders</b>			246,315	226,106
Amounts receivable on issue of shares	13,404			32,705
Amounts payable on cancellation of shares	(33,873)			(23,818)
		(20,469)		8,887
Dilution adjustment		50		–
Change in net assets attributable to shareholders from investment activities		23,173		9,713
Retained distributions on Accumulation shares		2,012		1,609
<b>Closing net assets attributable to shareholders</b>		251,081		246,315

## CF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

Financial Statements (continued)

### BALANCE SHEET

AS AT 31 OCTOBER 2016

	Notes	31.10.16 £'000	31.10.15 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		247,669	245,509
<b>Current assets</b>			
Debtors	8	34,426	2,493
Cash and bank balances		2,646	2,311
<b>Total assets</b>		<u>284,741</u>	<u>250,313</u>
<b>LIABILITIES</b>			
<b>Provisions for liabilities</b>			
		(53)	–
<b>Creditors</b>			
Distribution payable		(1,770)	(1,688)
Other creditors	9	(31,837)	(2,310)
<b>Total liabilities</b>		<u>(33,660)</u>	<u>(3,998)</u>
<b>Net assets attributable to shareholders</b>		<u>251,081</u>	<u>246,315</u>

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 OCTOBER 2016

### 1. ACCOUNTING POLICIES

The accounting policies described on pages 20 to 22 have been applied to the financial statements of the Fund in the current and prior year. The additional accounting policy described below has also been applied to this Fund.

#### (a) Treatment of expenses

The Fund receives a rebate of the Annual Management Charge in relation to related party investments in the Fund. This is to eliminate double charging and, as such, is not a reduction in expenses suffered by shareholders.

	31.10.16 £'000	31.10.15 £'000
<b>2. NET CAPITAL GAINS</b>		
The net capital gains during the year comprise:		
Non-derivative securities	23,140	9,657
Transaction charges	–	1
AMC rebates from underlying investments	78	113
<b>Net capital gains</b>	<u>23,218</u>	<u>9,771</u>

The net capital gains figure includes realised gains of £22,195 thousand and unrealised gains of £40,414 thousand (31.10.15 : includes realised gains of £1,199 thousand and unrealised gains of £39,469 thousand). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

	31.10.16 £'000	31.10.15 £'000
<b>3. REVENUE</b>		
Non-taxable dividends	1,543	971
Taxable dividends	484	265
UK property income distributions	601	508
Unfranked interest	2,358	2,498
AMC rebates from underlying investments	1,406	1,634
Bank interest	1	7
<b>Total revenue</b>	<u>6,393</u>	<u>5,883</u>
<b>4. EXPENSES</b>		
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	1,439	1,706
Administration fees	365	370
	1,804	2,076

## CF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

	31.10.16 £'000	31.10.15 £'000
4. EXPENSES (continued)		
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	18	19
Safe custody and other bank charges	1	1
	19	20
Other expenses:		
Fees paid to auditor – audit	9	9
– tax services	1	4
	10	13
Total expenses	<u>1,833</u>	<u>2,109</u>

The Portfolio Management fees and expenses (plus VAT thereon) for providing portfolio management services are paid by the ACD out of its remuneration.

	31.10.16 £'000	31.10.15 £'000
5. INTEREST PAYABLE AND SIMILAR CHARGES		
Interest payable	1	–
Total interest payable and similar charges	<u>1</u>	<u>–</u>
6. TAXATION		
a) Analysis of charge for the year		
Corporation tax at 20%	566	608
Income tax offset	–	(53)
Irrecoverable income tax	–	53
Current tax charge	<u>566</u>	<u>608</u>
Deferred tax – origination and reversal of timing differences (note 6c)	53	(24)
Total taxation (note 6b)	<u>619</u>	<u>584</u>

## 6. TAXATION (continued)

### b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.10.15 : 20%). The difference is explained below:

	31.10.16 £'000	31.10.15 £'000
Net revenue before taxation	4,559	3,774
Corporation tax at 20%	912	755
Effects of:		
Non-taxable dividends	(309)	(194)
AMC rebates taken to capital	16	23
Total tax charge (note 6a)	<u>619</u>	<u>584</u>
c) Deferred tax		
Provision at the start of the year	–	24
Deferred tax charge in the year (note 6a)	53	(24)
Provision at the end of the year	<u>53</u>	<u>–</u>

## 7. DISTRIBUTIONS

The distributions take account of revenue received on the issue of shares and revenue deducted on cancellations of shares, and comprise:

	31.10.16 £'000	31.10.15 £'000
Final	3,782	3,297
	3,782	3,297
Add: Revenue deducted on cancellation of shares	295	191
Deduct: Revenue received on issue of shares	(92)	(240)
Net distributions for the year	<u>3,985</u>	<u>3,248</u>

Details of the distributions per share are set out in the table on pages 148 and 149.

## CF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

	31.10.16 £'000	31.10.15 £'000
7. DISTRIBUTIONS (continued)		
Distributions represented by:		
Net revenue after taxation	3,940	3,190
Allocations to capital:		
Tax relief from capital	16	23
Equalisation on conversions*	29	35
Net distributions for the year	<u>3,985</u>	<u>3,248</u>

\* Where an investor converts to a class with a higher income yield, the investor will receive an equalisation as if they had held the new class throughout the period from the last distribution to the conversion date. The yield differential at the point of conversion is an equalisation which will be offset by capital erosion for the converted investor.

	31.10.16 £'000	31.10.15 £'000
8. DEBTORS		
Amounts receivable for issue of shares	293	164
Sales awaiting settlement	32,772	1,200
Accrued revenue:		
Non-taxable dividends	193	99
Taxable dividends	210	–
UK property income distributions	–	134
Unfranked interest	50	76
AMC rebates from underlying investments	413	335
	866	644
Taxation recoverable:		
Income tax	495	485
Total debtors	<u>34,426</u>	<u>2,493</u>
9. OTHER CREDITORS		
Amounts payable for cancellation of shares	236	502
Purchases awaiting settlement	30,981	1,200

	31.10.16 £'000	31.10.15 £'000
9. OTHER CREDITORS (continued)		
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	124	138
Administration fees	39	31
	163	169
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	1	2
Taxation payable:		
Corporation tax	445	424
Other expenses	11	13
Total other creditors	<u>31,837</u>	<u>2,310</u>
10. RELATED PARTY TRANSACTIONS		

Annual Management Charge and administration fees payable to Capita Financial Managers Limited ('the ACD') are disclosed in note 4 and amounts due at the year end are disclosed in note 9.

The aggregate monies received by the ACD through the issue of shares and paid on cancellation of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 135 and amounts due for the year are disclosed in notes 8 and 9.

Capita Financial Managers Limited and its associates (including other authorised investment funds managed by Capita Financial Managers Limited) held 53,353 (31.10.15 : 18,776) of the Fund's shares at the balance sheet date.

M&G Investment Management Limited and its associates (including other authorised investment funds managed by M&G Investment Management Limited) held 32,541,064 (31.10.15 : 37,725,588) of the Fund's shares at the balance sheet date.

As part of the investment strategy, the Fund may from time to time hold shares in other collective investment schemes managed by the same Portfolio Manager or for which Capita Financial Managers Limited is also the ACD. At the balance sheet date the value of the holdings were as follows:

	31.10.16 £'000	31.10.15 £'000
Portfolio Manager in common	<u>54,835</u>	<u>49,515</u>

## CF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 11. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (31.10.15 : none).

### 12. SHARES IN ISSUE

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.40%	1.40%	0.18%
Opening shares in issue	2,645,698	37,944,258	65,234,803
Issues	9,484	723,612	3,046,674
Cancellations	(95,789)	(3,452,738)	(9,256,736)
Conversions	(1,445,679)	(17,635,554)	–
Closing shares in issue	1,113,714	17,579,578	59,024,741
Closing shares in issue	<u>1,113,714</u>	<u>17,579,578</u>	<u>59,024,741</u>
	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.65%	0.65%	0.90%
Opening shares in issue	3,289,126	73,464,533	7,718,599
Issues	400,344	5,005,890	1,580,792
Cancellations	(1,031,772)	(11,257,582)	(1,189,322)
Conversions	1,903,069	23,490,451	–
Closing shares in issue	<u>4,560,767</u>	<u>90,703,292</u>	<u>8,110,069</u>

The closing net asset value and the closing net asset value per share, for each share class in issue at the balance sheet date, are given in the Fund Information.

### 13. RISK MANAGEMENT POLICIES

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for hedging purposes.

### 13. RISK MANAGEMENT POLICIES (continued)

The main risks from the Fund's holding of financial instruments, together with the ACD's policy for managing these risks, are set out below:

The ACD has in place a Risk Management Policy and Procedures Document ('RMPPD') that sets out the risks that may impact a fund and how the ACD seeks, where appropriate, to manage, monitor and mitigate those risks, and in particular those risks associated with the use of derivatives. The RMPPD sets out both the framework and the risk mitigations operated by the ACD in managing the identified risks of the fund. The ACD requires that the appointed Portfolio Manager to the fund has in place its own governance structure, policies and procedures that are commensurate with its regulatory obligations and the risks posed by the fund managed.

#### i. Credit risk

Credit risk is the risk that a counterparty may be unable or unwilling to make a payment or fulfil contractual obligations. This may be in terms of an actual default or by deterioration in a counterparty's credit quality.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. As part of its due diligence process, the ACD undertakes a review of the controls operated over counterparties by the Portfolio Manager, including initial and ongoing due diligence and business volumes placed with each counterparty. In cases which are dependent on the counterparty settling at the transaction's maturity date, the ACD has policies in place which set out the minimum credit quality expected of a market counterparty or deposit taker at the outset of the transaction.

#### ii. Interest rate risk

Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of interest rate changes. The value of fixed interest securities may be affected by changes in interest rates, either globally or locally. Changes in the rate of return in one asset class may influence the valuation basis of other classes. The amount of revenue receivable from floating rate investments and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates. Investment in collective investment schemes exposes the Fund to indirect interest rate risk to the extent that they invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

As the Fund is invested in underlying funds these funds may have exposure to bonds and to interest rate risk.

#### iii. Foreign currency risk

The income and capital value of the Fund's investments are denominated in sterling and, therefore, the financial statement are not subject to the risk of currency movements.

#### iv. Leverage

The ACD is required to calculate and monitor the level of leverage of the Fund, expressed as a ratio between the exposure of the Fund and its Net Asset Value, under both the gross and commitment methods (in accordance with articles 7 and 8 of The Alternative Investment Fund Managers Regulations 2013). For a fund with no borrowing or derivative usage the leverage ratio would be 1:1 under the commitment method. The gross method calculation excludes cash and cash equivalents which are highly liquid.

## CF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 13. RISK MANAGEMENT POLICIES (continued)

#### iv. Leverage (continued)

As at 31.10.16, leverage under the gross method was 0.99:1 and leverage under the commitment method was 1:1 (31.10.15 : 1:1 and 1:1 respectively).

#### v. Liquidity risk

The main liability of the Fund is the cancellation of any shares that investors want to sell. Investments may have to be sold to fund such cancellations should insufficient cash be held at the bank to meet this obligation.

To reduce liquidity risk the Portfolio Manager will ensure that a substantial portion of the Fund's assets consist of cash and readily realisable investments.

All financial liabilities are payable in one year or less, or on demand.

#### vi. Market price risk

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds.

Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

#### vii. Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

#### viii. Derivatives

The Fund held no derivatives during the current or prior year.

### 14. PORTFOLIO TRANSACTION COSTS

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
<b>31.10.16</b>				
Ordinary shares	1,618	–	–	1,618
Collective investment schemes	102,346	3	11	102,360
<b>Purchases total</b>	<b>103,964</b>	<b>3</b>	<b>11</b>	<b>103,978</b>
<b>Transaction cost % of purchases total</b>		–	0.01%	
<b>Transaction cost % of average NAV</b>		–	–	
Collective investment schemes	127,900	–	–	127,900
<b>Sales total</b>	<b>127,900</b>	<b>–</b>	<b>–</b>	<b>127,900</b>
<b>Transaction cost % of sales total</b>		–	–	
<b>Transaction cost % of average NAV</b>		–	–	

Average portfolio dealing spread at 31.10.16 is 0.63% (31.10.15 : 0.63%).

## CF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 14. PORTFOLIO TRANSACTION COSTS (continued)

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
<b>31.10.15</b>				
Collective investment schemes	14,279	–	–	14,279
<b>Purchases total</b>	<b>14,279</b>	<b>–</b>	<b>–</b>	<b>14,279</b>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	6,300	–	–	6,300
<b>Sales total</b>	<b>6,300</b>	<b>–</b>	<b>–</b>	<b>6,300</b>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

### 15. FAIR VALUE HIERARCHY

Investments are categorised into the following levels based on their fair value measurement:

Level 1: The unadjusted quoted price in an active market for identical assets that the Fund can access at the year end date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the assets.

Valuation technique	31.10.16 Assets £'000	31.10.15 Assets £'000
Level 1	11,888	–
Level 2	235,781	245,509
Level 3	–	–
Total portfolio of investments	<b>247,669</b>	<b>245,509</b>

## CF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

Financial Statements (continued)

### DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 OCTOBER 2016 – IN PENCE PER SHARE

#### EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares – the applicable distribution periods for each distribution are shown below). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes.

Group 2	Final
From	01.11.15
To	31.10.16

#### 'A' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	1.4073	–	1.4073	1.0612
Group 2	1.0417	0.3656	1.4073	1.0612

#### 'A' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	1.4574	–	1.4574	1.0912
Group 2	0.8684	0.5890	1.4574	1.0912

#### 'C' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	2.8383	–	2.8383	2.4715
Group 2	2.8383	0.0000	2.8383	2.4715

#### 'P' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	1.7299	–	1.7299	1.4519
Group 2	1.3196	0.4103	1.7299	1.4519

#### 'P' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	1.7739	–	1.7739	1.4714
Group 2	0.9750	0.7989	1.7739	1.4714

#### 'R' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	1.8135	–	1.8135	1.4717
Group 2	0.8298	0.9837	1.8135	1.4717

CF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO  
ACD'S REPORT  
FOR THE YEAR ENDED 31 OCTOBER 2016

IMPORTANT INFORMATION

Refer to the 'Important Information' section on page 12.

INVESTMENT OBJECTIVE AND POLICY

The CF Prudential Dynamic 60-100 Portfolio ('the Fund') aims to achieve long-term total return (the combination of income and growth of capital) by investing mainly in collective investment schemes. Between 60% and 100% of the Fund will be invested in schemes whose predominant exposure is to equities.

The Fund is an actively managed portfolio investing in collective investment schemes in order to provide a well diversified exposure to global equities, fixed interest and variable rate assets, immovable property, cash and/or near cash. Typically the Fund will have a high exposure to assets providing potential for growth, such as equities. Scheme selection is made on the basis of in depth initial and ongoing qualitative assessment of the fund managers and quantitative analysis of the collective investment schemes.

The Fund may also invest directly in other assets including transferable securities, other collective investment schemes, cash and near cash, deposits, warrants and money market instruments. Derivative instruments may be held directly for the purposes of efficient portfolio management only.

CAPITA FINANCIAL MANAGERS LIMITED  
ACD of CF Prudential Dynamic 60-100 Portfolio  
16 February 2017

PORTFOLIO MANAGER'S REPORT

Between 1 November 2015 and 31 October 2016 share classes 'A' Accumulation 12.76%<sup>1</sup>, 'R' Accumulation 13.23%<sup>1</sup> and 'P' Accumulation 13.5%<sup>1</sup> were behind the IA Flexible Investment sector average of 13.8%<sup>1</sup>.

ECONOMIC OVERVIEW

Positions, and turning points, in business cycles typically form part of the analysis when constructing investment portfolios. Our analysis suggests that the US is in a mature phase of its expansion. As with the US, we believe that the UK is also in a maturing phase of its business cycle (although behind the US in terms of positioning) and that the economy is likely to slow sharply once the UK officially notifies the European Union ('EU') of its decision to leave the Union. By comparison, we think that the eurozone is approaching the mid-cycle expansion stage of the business cycle. Finally, in our opinion, Japan is probably in the later stages of its business cycle.

Growth in China has recently stabilised, due to policy support and strong credit growth. Economic growth is expected to start slowing, in the absence of further large stimulus. Of concern remains the high and growing level of debt, particularly on the part of Chinese corporates. Vulnerabilities will continue to rise as credit continues to grow. This is complicating the task of rebalancing the economy away from investment and towards consumption, the implementation of deeper structural reforms, and allowing market forces to play a greater role in determining the allocation of resources.

MARKET OVERVIEW

Having experienced a positive end to 2015, the early part of 2016 brought a remarkable turnaround in investor sentiment. In January 2016, many stockmarkets experienced their worst month for many years as renewed fears about a China-led global economic slowdown and a collapse in the oil price led to a retreat from risk assets. Investors then appeared to accept that a global recession was not as likely as feared and, when the oil price began to recover and central banks announced further action to boost growth, stockmarkets rallied strongly.

Despite several other events that could have unsettled investors including the UK referendum result, terrorist attacks and an attempted military coup in Turkey investors have continued to focus on the support being given by policymakers.

Significant movements in currency markets also featured; sterling weakened against most other currencies, initially on the recognition that UK interest rates were unlikely to rise in the short term, but subsequently from the decision by the UK electorate to leave the EU.

UK

The FTSE All-Share had a strong 12 months, recovering from the lows of mid-February driven by a led by international energy and mining stocks, as oil and metal prices rebounded. The market also rebounded strongly from a short period of weakness following the UK referendum result in June supported by a decline in the pound that benefited the large number of multi-national businesses in the UK.

The UK equity funds underperformed in challenging conditions for active fund managers. The M&G Recovery Fund produced the best returns of the four underlying funds from 1 November to 31 October.

<sup>1</sup> Source: FE Analytics. The Portfolio Manager uses the IA Flexible Investment for comparison. No benchmark is required to be disclosed per the Prospectus.

## CF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

ACD's Report (continued)

Portfolio Manager's Report (continued)

For the year ended 31 October 2016

### NORTH AMERICA

The S&P 500 produced a positive return over the period in review although US stockmarkets had their worst start to a new year for many years, with investors spooked by the slump in the oil price in January 2016. Concern that the economy could fall back into recession peaked in mid-February before bargain hunting among financial and energy stocks emerged. A rebound in the oil price and good economic data saw US shares recover. This prompted the US Federal Reserve ('the Fed') to confirm interest rate hikes would proceed cautiously. The continued actions of other central banks in keeping interest rates low has also helped keep investor sentiment generally positive.

The absolute performance of the underlying funds was good. The Schroder US Mid Cap Fund outperformed the S&P 500 over the period in review with the Threadneedle American Fund lagging the benchmark.

### EUROPE

Having pledged that it would not hesitate to act in support of the eurozone's economy, the European Central Bank ('ECB') took unexpectedly aggressive action in March. The main interest rate was reduced to zero, the deposit rate cut to -0.4% and the programme of asset purchases extended.

Most of Europe's stockmarkets declined over the period in local terms, though the strength of the euro against the pound meant that, in sterling terms, the losses were reduced or reversed. Concerns about the state of Italian banks hampered the country's stockmarket and concerns about Deutsche Bank grew following the imposition of a US\$14 billion fine from US authorities in late September.

The Henderson European Growth Fund was the best performing over the twelve months generating returns above the Henderson European Selected Opportunities Fund and Jupiter European Special Situations Fund, both of which lagged the performance of the benchmark index.

### JAPAN

Despite the government's package of measures to keep interest rates low, weaken the yen and encourage inflation, the Japanese economy remained under pressure. The Bank of Japan ('BoJ') took the unprecedented step of setting the main interest rate below zero, at -0.1%.

While this caused the yen to weaken in the short term, it then strengthened significantly over the period – regarded not only as a safe haven when other markets weakened, but also gaining relative to the US dollar when it became apparent US interest rates were not about to rise immediately. A strong yen tends to weigh on the Japanese stockmarket as it restricts the country's export competitiveness. Japanese shares were lower over the period in review despite rallying in the third quarter.

Performance of the Schroder Tokyo Fund was above benchmark while the Man GLG Japan Core Alpha Fund was below the TOPIX 100 over the twelve months from 1 November 2015.

### ASIA EX JAPAN

In common with other global stockmarkets, shares in Asia endured a turbulent first few months of 2016 having recovered towards the end of 2015. The Chinese stockmarket, the largest in the region, declined sharply early in the year as investors became increasingly concerned that the economy was stalling. In a surprise move, the authorities devalued the Chinese currency, alarming investors and sending shock waves around the world.

A general improvement in investor sentiment during the third quarter was reflected in higher prices for shares in the Asia Pacific region, particularly as economic data seemed to suggest that the Chinese economy was not slowing as much as had been feared.

Both the Stewart Investors Asia Pacific Leaders Fund and Fidelity Asia Fund produced strong returns. The Stewart Investors Fund also finished ahead of benchmark over the period in review.

### UK BONDS

UK interest rates and inflation remained low during the period. Weakness in the price of oil and other commodities notably contributed to subdued inflation, while signs that the global economy may be slowing supported the Bank of England's ('BoE') decision to keep interest rates unchanged. Fears of a global recession started to fade from around the middle of February, so gilt prices moderated and UK corporate bonds staged a solid rebound, especially in the final weeks of March.

The third quarter saw sustained demand for 'safe-haven' assets as the UK referendum result took financial markets by surprise. Expectations of interest rate increases were pushed out and indeed the BoE lowered interest rates to 0.25% in August. The extent of the accompanying bond-purchasing programme was greater than expected and kept demand for UK corporate and government bonds strong.

Both corporate bond funds produced positive returns during the period in review although only Fidelity outperformed the benchmark.

### UK PROPERTY

Even before the UK referendum on membership of the EU, the UK commercial property market had begun to cool, with both capital value and rental income growth slowing. In the two months after the 'Leave' vote, commercial property prices fell by around 4% in total. However, there are some early signs that prices are beginning to stabilise, not least because of solid demand for property assets from overseas buyers.

So far in 2016, capital values have declined by around 3%, with the steepest fall seen in the All Retail sector. Meanwhile, rental values for all UK commercial property have grown by just over 1% year-to-date, with All Industrials and All Offices recording the largest increases.

The M&G Property Portfolio and Aviva Investors Property Trust suffered from a surge of redemption requests following the referendum result. This had a negative effect on performance as both fund managers had to suspend trading and re-value underlying assets.

### EMERGING MARKETS

The end of 2015 was modestly positive for Emerging Markets overall. At the beginning of 2016 they suffered in an environment of risk aversion as investors considered the effect of a slowing global economy and lower oil prices.

However, Emerging Markets performed better than most developed market over the third quarter and have now produced very strong returns to end October 2016. This has been driven by the higher prices for oil and commodity prices and a weaker US dollar.

The Aberdeen Emerging Markets Equity Fund and M&G Global Emerging Markets Fund both performed well.

## CF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

ACD's Report (continued)

Portfolio Manager's Report (continued)

For the year ended 31 October 2016

### POSITIONING

After a review of the long-term positioning of the portfolio earlier in 2016, equity exposures were rebalanced with Europe, Emerging Markets and Japan holdings reduced and UK equity and Property increased. Small positions in the Fidelity Moneybuilder and Invesco Perpetual Corporate Bond Fund were added.

The portfolio managers also took the decision to re-adjust the underlying fund positions such that they were equally weighted within each asset class.

### OUTLOOK

Global growth is expected to remain subdued for several factors. These include the continuation of highly leveraged advanced and Emerging Markets (although some deleveraging has occurred post-2008 in advanced economies); the ongoing rebalancing in China which is resulting in a gradually slowing Chinese economy; a continued adjustment on the part of commodity producers to a decline in their terms of trade; geopolitical uncertainty across the globe; and a lack of structural reform in many economies that will act as a restraint on global growth, as these reforms take several years to bear fruit.

Monetary policy divergence is set to continue in the advanced economies, although it will remain very accommodative even once the Fed resumes its rate hiking cycle. The Fed is expected to hike once in December 2016, while the ECB, the BoJ and the BoE may ease policy further.

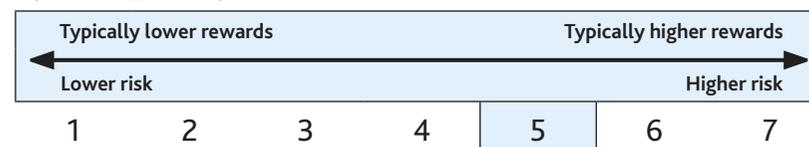
M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

18 November 2016

## FUND INFORMATION

### RISK AND REWARD PROFILE



This indicator shows how much a fund has risen and fallen in the past, and therefore how much a fund's returns have varied. It is a measure of a fund's volatility. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains. The lowest number on the scale does not mean that a fund is risk free.

The Fund has been classed as 5 because its volatility has been measured as above average.

Non-UCITS Retail Scheme (NURS): The Fund can be less diversified than UCITS schemes as it has higher investment limits for certain types of asset. It can also invest in assets which are not available to UCITS schemes. This can increase the potential rewards but can also increase risk.

This indicator is based on historical data and may not be a reliable indication of the future risk profile of this Fund.

The risk and reward profile shown is not guaranteed to remain the same and may shift over time.

Currency Risk: As the Fund invests indirectly in overseas securities, exchange rates movements may, when not hedged, cause the value of your investment to increase or decrease.

Credit Risk: Fixed interest securities are affected by trends in interest rates and inflation. If interest rates go up the value of capital may fall and vice versa. Inflation will also decrease the real value of capital. The value of a fixed interest security is also affected by its credit rating. Fixed interest securities with a higher yield also generally brings an increased risk of default on repayment by the issuer which could affect the income and capital of the Fund.

For full details of the Fund's risks, please see the Prospectus which may be obtained upon application and can be found on the ACD's website, [www.capitafinancial.com](http://www.capitafinancial.com), by following the link 'Fund Information'.

## CF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

### COMPARATIVE TABLES

Where the Fund has significant investment in collective investment schemes, the operating charges take account of the ongoing charges incurred in the underlying schemes, calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'A' Income shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	149.84	141.35	139.37
Return before operating charges*	21.92	12.73	5.94
Operating charges	(3.57)	(3.55)	(3.47)
Return after operating charges	18.35	9.18	2.47
Distributions	(1.05)	(0.69)	(0.49)
Closing net asset value per share	167.14	149.84	141.35
* after direct transaction costs of:	0.01	-	-
<b>Performance</b>			
Return after charges	12.25%	6.49%	1.77%
<b>Other information</b>			
Closing net asset value (£'000)	398	872	1,477
Closing number of shares	238,426	581,674	1,045,309
Operating charges	2.36%	2.39%	2.47%
Direct transaction costs	0.01%	-	-
<b>Prices</b>			
Highest share price	170.45	162.88	148.44
Lowest share price	136.66	141.53	134.90

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'A' Accumulation shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	152.76	143.44	140.96
Return before operating charges*	22.36	12.92	5.99
Operating charges	(3.64)	(3.60)	(3.51)
Return after operating charges	18.72	9.32	2.48
Distributions	(1.07)	(0.70)	(0.47)
Retained distributions on accumulation shares	1.07	0.70	0.47
Closing net asset value per share	171.48	152.76	143.44
* after direct transaction costs of:	0.01	-	-
<b>Performance</b>			
Return after charges	12.25%	6.50%	1.76%
<b>Other information</b>			
Closing net asset value (£'000)	10,753	20,075	23,542
Closing number of shares	6,270,764	13,140,980	16,412,886
Operating charges	2.36%	2.39%	2.47%
Direct transaction costs	0.01%	-	-
<b>Prices</b>			
Highest share price	173.82	165.27	150.11
Lowest share price	139.33	143.68	136.44

## CF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

ACD's Report (continued)  
Fund Information (continued)

### COMPARATIVE TABLES (continued)

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'C' Income shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	150.33	141.79	139.79
Return before operating charges*	21.83	12.45	5.67
Operating charges	(1.75)	(1.71)	(1.74)
Return after operating charges	20.08	10.74	3.93
Distributions	(2.58)	(2.20)	(1.93)
Closing net asset value per share	167.83	150.33	141.79
* after direct transaction costs of:	0.01	–	–
<b>Performance</b>			
Return after charges	13.36%	7.57%	2.81%
<b>Other information</b>			
Closing net asset value (£'000)	38,033	35,106	28,628
Closing number of shares	22,662,022	23,352,953	20,189,932
Operating charges	1.14%	1.17%	1.23%
Direct transaction costs	0.01%	–	–
<b>Prices</b>			
Highest share price	172.61	164.13	150.15
Lowest share price	137.50	142.18	135.66

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 <sup>1</sup> (p/share)
<b>'P' Income shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	107.90	102.00	100.00
Return before operating charges*	15.73	8.81	4.64
Operating charges	(1.76)	(1.74)	(1.61)
Return after operating charges	13.97	7.07	3.03
Distributions	(1.43)	(1.17)	(1.03)
Closing net asset value per share	120.44	107.90	102.00
* after direct transaction costs of:	0.01	–	–
<b>Performance</b>			
Return after charges	12.95%	6.93%	3.03%
<b>Other information</b>			
Closing net asset value (£'000)	1,793	1,470	666
Closing number of shares	1,488,306	1,362,232	653,235
Operating charges	1.61%	1.64%	1.64% <sup>2</sup>
Direct transaction costs	0.01%	–	–
<b>Prices</b>			
Highest share price	123.73	117.86	107.70
Lowest share price	98.58	102.20	97.50

<sup>1</sup> From 15 November 2013.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

## CF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

ACD's Report (continued)  
Fund Information (continued)

### COMPARATIVE TABLES (continued)

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 <sup>1</sup> (p/share)
<b>'P' Accumulation shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	110.14	103.03	100.00
Return before operating charges*	16.07	8.87	4.64
Operating charges	(1.81)	(1.76)	(1.61)
Return after operating charges	14.26	7.11	3.03
Distributions	(1.46)	(1.18)	(1.03)
Retained distributions on accumulation shares	1.46	1.18	1.03
Closing net asset value per share	124.40	110.14	103.03
* after direct transaction costs of:	0.01	-	-
<b>Performance</b>			
Return after charges	12.95%	6.90%	3.03%
<b>Other information</b>			
Closing net asset value (£'000)	39,528	27,148	16,050
Closing number of shares	31,775,418	24,649,483	15,578,009
Operating charges	1.61%	1.64%	1.64% <sup>2</sup>
Direct transaction costs	0.01%	-	-
<b>Prices</b>			
Highest share price	126.26	119.01	107.71
Lowest share price	100.62	103.24	97.50

<sup>1</sup> From 15 November 2013.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'R' Accumulation shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	132.80	124.31	121.62
Return before operating charges*	19.41	10.94	5.08
Operating charges	(2.52)	(2.45)	(2.39)
Return after operating charges	16.89	8.49	2.69
Distributions	(1.48)	(1.15)	(0.96)
Retained distributions on accumulation shares	1.48	1.15	0.96
Closing net asset value per share	149.69	132.80	124.31
* after direct transaction costs of:	0.01	-	-
<b>Performance</b>			
Return after charges	12.72%	6.83%	2.21%
<b>Other information</b>			
Closing net asset value (£'000)	4,921	4,355	3,495
Closing number of shares	3,287,548	3,279,098	2,811,259
Operating charges	1.86%	1.89%	1.95%
Direct transaction costs	0.01%	-	-
<b>Prices</b>			
Highest share price	151.76	143.46	129.98
Lowest share price	121.27	124.55	117.85

## CF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

### FUND PERFORMANCE TO 31 OCTOBER 2016 (%)

	1 year	3 years	5 years
CF Prudential Dynamic 60-100 Portfolio	12.76	21.18	49.86

The performance of the Fund is based on the published price per 'A' Accumulation share which includes reinvested income.

The performance of the Fund disclosed in the above table may differ from the 'Return after charges' disclosed in the Comparative Table due to the above performance being calculated on the latest published price prior to the period end, rather than the period end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 179 and 180.

### RISK WARNING

An investment in an open-ended investment company should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

### PORTFOLIO STATEMENT AS AT 31 OCTOBER 2016

Holding	Portfolio of Investments	Value £'000	31.10.16 %
	EQUITY PORTFOLIOS – 65.93% (31.10.15 – 79.48%)		
	CONTINENTAL EUROPE – 10.83% (31.10.15 – 17.59%)		
1,563,656	Henderson European Growth Fund	3,180	3.33
332,115	Henderson European Selected Opportunities Fund	4,892	5.13
619,281	Jupiter European Special Situations Fund	2,266	2.37
	<b>TOTAL CONTINENTAL EUROPE</b>	<b>10,338</b>	<b>10.83</b>
	UNITED KINGDOM – 24.69% (31.10.15 – 16.95%)		
1,431,569	Artemis Income Fund	5,317	5.58
205,567	AXA Framlington UK Select Opportunities Fund	6,373	6.68
2,165,527	M&G Recovery Fund†	6,387	6.69
4,274,484	Threadneedle UK Fund	5,479	5.74
	<b>TOTAL UNITED KINGDOM</b>	<b>23,556</b>	<b>24.69</b>
	FAR EAST – 11.18% (31.10.15 – 12.39%)		
609,553	Fidelity Asia Fund	6,760	7.08
637,476	Stewart Investors Asia Pacific Leaders Fund	3,912	4.10
	<b>TOTAL FAR EAST</b>	<b>10,672</b>	<b>11.18</b>
	JAPAN – 5.53% (31.10.15 – 12.32%)		
1,594,507	Man GLG Japan CoreAlpha Fund	2,355	2.47
868,793	Schroder Tokyo Fund	2,922	3.06
	<b>TOTAL JAPAN</b>	<b>5,277</b>	<b>5.53</b>
	UNITED STATES – 9.78% (31.10.15 – 12.11%)		
1,921,433	Schroder US Mid Cap Fund	2,467	2.59
2,865,757	Threadneedle American Fund	6,865	7.19
	<b>TOTAL UNITED STATES</b>	<b>9,332</b>	<b>9.78</b>
	EMERGING MARKETS – 3.92% (31.10.15 – 8.12%)		
367,678	Aberdeen Emerging Markets Equity Fund	2,538	2.66
435,005	M&G Global Emerging Markets Fund†	1,207	1.26
	<b>TOTAL EMERGING MARKETS</b>	<b>3,745</b>	<b>3.92</b>
	<b>TOTAL EQUITY PORTFOLIOS</b>	<b>62,920</b>	<b>65.93</b>

## CF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

ACD's Report (continued)

Portfolio Statement (continued)

As at 31 October 2016

Holding	Portfolio of Investments	Value £'000	31.10.16 %
	EQUITY INVESTMENT INSTRUMENTS – 5.74% (31.10.15 – 0.00%)		
1,042,381	BGI*	1,504	1.58
152,873	HarbourVest Global Private Equity*	1,643	1.72
73,424	HgCapital Trust*	1,051	1.10
488,815	NextEnergy Solar Fund*	526	0.55
703,977	Renewables Infrastructure*	755	0.79
	TOTAL EQUITY INVESTMENT INSTRUMENTS	5,479	5.74
	PROPERTY PORTFOLIOS – 17.71% (31.10.15 – 10.31%)		
2,491,374	Aviva Investors Property Trust	4,016	4.21
1,158,806	M&G Property Portfolio†	12,881	13.50
	TOTAL PROPERTY PORTFOLIOS	16,897	17.71
	BOND PORTFOLIOS – 9.68% (31.10.15 – 9.66%)		
3,073,487	Invesco Perpetual Corporate Bond Fund	5,957	6.24
2,726,404	Kames High Yield Bond Fund	3,278	3.44
	TOTAL BOND PORTFOLIOS	9,235	9.68
	Portfolio of investments	94,531	99.06
	Net other assets	895	0.94
	Net assets	95,426	100.00

The investments have been valued in accordance with note (h) of the Accounting Policies and are collective investment schemes unless stated otherwise.

† Related party holding (see note 9).

\* Ordinary shares.

## SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 31 OCTOBER 2016

**Total purchases for the year £'000 (note 13)** **35,421**

Purchases	Cost £'000
M&G Property Portfolio	9,316
Invesco Perpetual Corporate Bond Fund	5,851
Threadneedle American Fund	3,445
M&G Recovery Fund	2,450
AXA Framlington UK Select Opportunities Fund	2,349
HarbourVest Global Private Equity	1,666
Threadneedle UK Fund	1,590
Fidelity MoneyBuilder Income Fund	1,542
BGI	1,493
HgCapital Trust	1,055
Artemis Income Fund	1,000
Renewables Infrastructure	745
NextEnergy Solar Fund	527
Schroder US Mid Cap Fund	435
Henderson European Selected Opportunities Fund	432
Jupiter European Special Situations Fund	410
Schroder Tokyo Fund	410
Stewart Investors Asia Pacific Leaders Fund	386
Fidelity Asia Fund	319

**Total sales for the year £'000 (note 13)** **40,306**

Sales	Proceeds £'000
Schroder Tokyo Fund	5,494
M&G Global Emerging Markets Fund	4,235
Threadneedle American Fund	3,697
Jupiter European Special Situations Fund	3,538
Stewart Investors Asia Pacific Leaders Fund	3,488
Henderson European Growth Fund	3,090
Baillie Gifford High Yield Bond Fund	2,972
Schroder US Mid Cap Fund	2,593
Kames High Yield Bond Fund	2,355
M&G North American Dividend	2,026
Man GLG Japan CoreAlpha Fund	1,667
Fidelity MoneyBuilder Income Fund	1,666
Henderson European Selected Opportunities Fund	1,265
Fidelity Asia Fund	1,160
M&G Recovery Fund	690
Aberdeen Emerging Markets Equity Fund	370

The summary of material portfolio changes represents all of the purchases and sales during the year.

CF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO  
 FINANCIAL STATEMENTS  
 STATEMENT OF TOTAL RETURN  
 FOR THE YEAR ENDED 31 OCTOBER 2016

	Notes	£'000	31.10.16 £'000	£'000	31.10.15 £'000
Income:					
Net capital gains	2		10,054		4,194
Revenue	3	2,036		1,700	
Expenses	4	(680)		(725)	
Net revenue before taxation		1,356		975	
Taxation	5	(138)		(111)	
Net revenue after taxation			1,218		864
<b>Total return before distributions</b>			11,272		5,058
Distributions	6		(1,233)		(879)
<b>Change in net assets attributable to shareholders from investment activities</b>			10,039		4,179

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS  
 FOR THE YEAR ENDED 31 OCTOBER 2016

	£'000	31.10.16 £'000	£'000	31.10.15 £'000
<b>Opening net assets attributable to shareholders</b>		89,026		73,858
Amounts receivable on issue of shares	9,045		17,976	
Amounts payable on cancellation of shares	(13,318)		(7,408)	
		(4,273)		10,568
Dilution adjustment		54		–
Change in net assets attributable to shareholders from investment activities		10,039		4,179
Retained distributions on Accumulation shares		580		421
<b>Closing net assets attributable to shareholders</b>		95,426		89,026

BALANCE SHEET  
 AS AT 31 OCTOBER 2016

	Notes	31.10.16 £'000	31.10.15 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		94,531	88,536
<b>Current assets</b>			
Debtors	7	8,967	353
Cash and bank balances		210	991
<b>Total assets</b>		103,708	89,880
<b>LIABILITIES</b>			
<b>Provisions for liabilities</b>			
		(22)	–
<b>Creditors</b>			
Distribution payable		(608)	(533)
Other creditors	8	(7,652)	(321)
<b>Total liabilities</b>		(8,282)	(854)
<b>Net assets attributable to shareholders</b>		95,426	89,026

## CF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

Financial Statements (continued)

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 OCTOBER 2016

### 1. ACCOUNTING POLICIES

The accounting policies described on pages 20 to 22 have been applied to the financial statements of the Fund in the current and prior year. The additional accounting policy described below has also been applied to this Fund.

#### (a) Treatment of expenses

The Fund receives a rebate of the Annual Management Charge in relation to related party investments in the Fund. This is to eliminate double charging and, as such, is not a reduction in expenses suffered by shareholders.

	31.10.16 £'000	31.10.15 £'000
2. NET CAPITAL GAINS		
The net capital gains during the year comprise:		
Non-derivative securities	10,031	4,158
AMC rebates from underlying investments	23	36
Net capital gains	<u>10,054</u>	<u>4,194</u>

The net capital gains figure includes realised gains of £7,476 thousand and unrealised gains of £16,588 thousand (31.10.15 : includes realised gains of £0 thousand and unrealised gains of £14,033 thousand). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

	31.10.16 £'000	31.10.15 £'000
3. REVENUE		
Non-taxable dividends	689	416
Taxable dividends	194	90
UK property income distributions	239	177
Unfranked interest	347	391
AMC rebates from underlying investments	567	623
Bank interest	–	3
Total revenue	<u>2,036</u>	<u>1,700</u>

### 4. EXPENSES

Payable to the ACD, associates of the ACD and agents of either of them:

Annual Management Charge	526	577
Administration fees	136	126
	<u>662</u>	<u>703</u>

	31.10.16 £'000	31.10.15 £'000
4. EXPENSES (continued)		
Payable to the Depository, associates of the Depository and agents of either of them:		
Depository's fees	8	8
Safe custody and other bank charges	–	1
	8	9
Other expenses:		
Fees paid to auditor – audit	9	9
– tax services	1	4
	10	13
Total expenses	<u>680</u>	<u>725</u>

The Portfolio Management fees and expenses (plus VAT thereon) for providing portfolio management services are paid by the ACD out of its remuneration.

	31.10.16 £'000	31.10.15 £'000
5. TAXATION		
a) Analysis of charge for the year		
Corporation tax at 20%	116	127
Income tax offset	–	(18)
Irrecoverable income tax	–	10
Current tax charge	116	119
Deferred tax – origination and reversal of timing differences (note 5c)	22	(8)
Total taxation (note 5b)	<u>138</u>	<u>111</u>

#### b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.10.15 : 20%). The difference is explained below:

	31.10.16 £'000	31.10.15 £'000
Net revenue before taxation	1,356	975
Corporation tax at 20%	271	195

## CF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

	31.10.16 £'000	31.10.15 £'000
5. TAXATION (continued)		
Effects of:		
Non-taxable dividends	(138)	(83)
Irrecoverable income tax	–	(8)
AMC rebates taken to capital	5	7
Total tax charge (note 5a)	<u>138</u>	<u>111</u>
c) Deferred tax		
Provision at the start of the year	–	8
Deferred tax charge in the year (note 5a)	22	(8)
Provision at the end of the year	<u>22</u>	<u>–</u>

## 6. DISTRIBUTIONS

The distributions take account of revenue received on the issue of shares and revenue deducted on cancellations of shares, and comprise:

	31.10.16 £'000	31.10.15 £'000
Final	1,188	954
	<u>1,188</u>	<u>954</u>
Add: Revenue deducted on cancellation of shares	100	39
Deduct: Revenue received on issue of shares	(55)	(114)
Net distributions for the year	<u>1,233</u>	<u>879</u>

Details of the distributions per share are set out in the table on pages 179 and 180.

	31.10.16 £'000	31.10.15 £'000
6. DISTRIBUTIONS (continued)		
Distributions represented by:		
Net revenue after taxation	1,218	864
Allocations to capital:		
Tax relief from capital	5	7
Equalisation on conversions*	10	8
Net distributions for the year	<u>1,233</u>	<u>879</u>

\* Where an investor converts to a class with a higher income yield, the investor will receive an equalisation as if they had held the new class throughout the period from the last distribution to the conversion date. The yield differential at the point of conversion is an equalisation which will be offset by capital erosion for the converted investor.

	31.10.16 £'000	31.10.15 £'000
7. DEBTORS		
Amounts receivable for issue of shares	160	3
Sales awaiting settlement	8,422	–
Accrued revenue:		
Non-taxable dividends	87	42
Taxable dividends	90	–
UK property income distributions	–	49
Unfranked interest	15	24
AMC rebates from underlying investments	80	129
	<u>272</u>	<u>244</u>
Taxation recoverable:		
Income tax	113	106
Total debtors	<u>8,967</u>	<u>353</u>

## CF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

	31.10.16 £'000	31.10.15 £'000
8. OTHER CREDITORS		
Amounts payable for cancellation of shares	343	138
Purchases awaiting settlement	7,109	–
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	54	49
Administration fees	16	11
	70	60
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	1	1
Taxation payable:		
Corporation tax	116	109
Other expenses	13	13
Total other creditors	<u>7,652</u>	<u>321</u>

### 9. RELATED PARTY TRANSACTIONS

Annual Management Charge and administration fees payable to Capita Financial Managers Limited ('the ACD') are disclosed in note 4 and amounts due at the year end are disclosed in note 8.

The aggregate monies received by the ACD through the issue of shares and paid on cancellation of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 166 and amounts due for the year are disclosed in notes 7 and 8.

Capita Financial Managers Limited and its associates (including other authorised investment funds managed by Capita Financial Managers Limited) held 88,258 (31.10.15 : 26,518) of the Fund's shares at the balance sheet date.

M&G Investment Management Limited and its associates (including other authorised investment funds managed by M&G Investment Management Limited) held 8,936,850 (31.10.15 : 9,902,099) of the Fund's shares at the balance sheet date.

A shareholder may be able to exercise significant influence over the financial and operating policies of the Fund and as such is deemed to be a related party. At the balance sheet date the following shareholder held in excess of 20% of the shares in issue of the Fund:

HSBC plc and its associates 20.88% (31.10.15 : 20.48%)

### 9. RELATED PARTY TRANSACTIONS (continued)

As part of the investment strategy, the Fund may from time to time hold shares in other collective investment schemes managed by the same Portfolio Manager or for which Capita Financial Managers Limited is also the ACD. At the balance sheet date the value of the holdings were as follows:

	31.10.16 £'000	31.10.15 £'000
Portfolio Manager in common	<u>20,475</u>	<u>16,414</u>

### 10. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (31.10.15 : none).

### 11. SHARES IN ISSUE

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.40%	1.40%	0.18%
Opening shares in issue	581,674	13,140,980	23,352,953
Issues	92,999	329,755	2,169,193
Cancellations	(13,014)	(1,338,462)	(2,860,124)
Conversions	(423,233)	(5,861,509)	–
Closing shares in issue	<u>238,426</u>	<u>6,270,764</u>	<u>22,662,022</u>
	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.65%	0.65%	0.90%
Opening shares in issue	1,362,232	24,649,483	3,279,098
Issues	56,354	3,295,306	1,014,989
Cancellations	(517,240)	(4,377,052)	(932,510)
Conversions	586,960	8,207,681	(74,029)
Closing shares in issue	<u>1,488,306</u>	<u>31,775,418</u>	<u>3,287,548</u>

The closing net asset value and the closing net asset value per share, for each share class in issue at the balance sheet date, are given in the Fund Information.

## CF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 12. RISK MANAGEMENT POLICIES

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for hedging purposes.

The main risks from the Fund's holding of financial instruments, together with the ACD's policy for managing these risks, are set out below:

The ACD has in place a Risk Management Policy and Procedures Document ('RMPPD') that sets out the risks that may impact a fund and how the ACD seeks, where appropriate, to manage, monitor and mitigate those risks, and in particular those risks associated with the use of derivatives. The RMPPD sets out both the framework and the risk mitigations operated by the ACD in managing the identified risks of the fund. The ACD requires that the appointed Portfolio Manager to the fund has in place its own governance structure, policies and procedures that are commensurate with its regulatory obligations and the risks posed by the fund managed.

#### i. Credit risk

Credit risk is the risk that a counterparty may be unable or unwilling to make a payment or fulfil contractual obligations. This may be in terms of an actual default or by deterioration in a counterparty's credit quality.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. As part of its due diligence process, the ACD undertakes a review of the controls operated over counterparties by the Portfolio Manager, including initial and ongoing due diligence and business volumes placed with each counterparty. In cases which are dependent on the counterparty settling at the transaction's maturity date, the ACD has policies in place which set out the minimum credit quality expected of a market counterparty or deposit taker at the outset of the transaction.

#### ii. Interest rate risk

Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of interest rate changes. The value of fixed interest securities may be affected by changes in interest rates, either globally or locally. Changes in the rate of return in one asset class may influence the valuation basis of other classes. The amount of revenue receivable from floating rate investments and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates. Investment in collective investment schemes exposes the Fund to indirect interest rate risk to the extent that they invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

As the Fund is invested in underlying funds these funds may have exposure to bonds and to interest rate risk.

#### iii. Foreign currency risk

The income and capital value of the Fund's investments are denominated in sterling and, therefore, the financial statement are not subject to the risk of currency movements.

### 12. RISK MANAGEMENT POLICIES (continued)

#### iv. Leverage

The ACD is required to calculate and monitor the level of leverage of the Fund, expressed as a ratio between the exposure of the Fund and its Net Asset Value, under both the gross and commitment methods (in accordance with articles 7 and 8 of The Alternative Investment Fund Managers Regulations 2013). For a fund with no borrowing or derivative usage the leverage ratio would be 1:1 under the commitment method. The gross method calculation excludes cash and cash equivalents which are highly liquid.

As at 31.10.16, leverage under the gross method was 0.99:1 and leverage under the commitment method was 1:1 (31.10.15 : 0.99:1 and 1:1 respectively).

#### v. Liquidity risk

The main liability of the Fund is the cancellation of any shares that investors want to sell. Investments may have to be sold to fund such cancellations should insufficient cash be held at the bank to meet this obligation.

To reduce liquidity risk the Portfolio Manager will ensure that a substantial portion of the Fund's assets consist of cash and readily realisable investments.

All financial liabilities are payable in one year or less, or on demand.

#### vi. Market price risk

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds.

Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

#### vii. Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

#### viii. Derivatives

The Fund held no derivatives during the current or prior year.

## CF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 13. PORTFOLIO TRANSACTION COSTS

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
<b>31.10.16</b>				
Ordinary shares	746	–	–	746
Collective investment schemes	34,669	1	5	34,675
<b>Purchases total</b>	<b>35,415</b>	<b>1</b>	<b>5</b>	<b>35,421</b>
<i>Transaction cost % of purchases total</i>		–	0.01%	
<i>Transaction cost % of average NAV</i>		–	0.01%	
Collective investment schemes	40,306	–	–	40,306
<b>Sales total</b>	<b>40,306</b>	<b>–</b>	<b>–</b>	<b>40,306</b>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.16 is 0.66% (31.10.15 : 0.66%).

### 13. PORTFOLIO TRANSACTION COSTS (continued)

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
<b>31.10.15</b>				
Collective investment schemes	11,144	–	–	11,144
<b>Purchases total</b>	<b>11,144</b>	<b>–</b>	<b>–</b>	<b>11,144</b>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	–	–	–	–
<b>Sales total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

## CF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 14. FAIR VALUE HIERARCHY

Investments are categorised into the following levels based on their fair value measurement:

Level 1: The unadjusted quoted price in an active market for identical assets that the Fund can access at the year end date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the assets.

Valuation technique	31.10.16 Assets £'000	31.10.15 Assets £'000
Level 1	5,479	–
Level 2	89,052	88,536
Level 3	–	–
Total portfolio of investments	94,531	88,536

### DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 OCTOBER 2016 – IN PENCE PER SHARE

#### EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares – the applicable distribution periods for each distribution are shown below). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes.

Group 2	Final
From	01.11.15
To	31.10.16

#### 'A' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	1.0528	–	1.0528	0.6907
Group 2	0.7382	0.3146	1.0528	0.6907

#### 'A' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	1.0706	–	1.0706	0.7045
Group 2	0.7631	0.3075	1.0706	0.7045

#### 'C' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	2.5774	–	2.5774	2.1985
Group 2	1.5757	1.0017	2.5774	2.1985

#### 'P' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	1.4321	–	1.4321	1.1685
Group 2	0.8735	0.5586	1.4321	1.1685

## CF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

Financial Statements (continued)

Distribution Table (continued)

### 'P' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	1.4602	–	1.4602	1.1803
Group 2	0.8357	0.6245	1.4602	1.1803

### 'R' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	1.4847	–	1.4847	1.1514
Group 2	0.9311	0.5536	1.4847	1.1514

## CF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

ACD'S REPORT

FOR THE YEAR ENDED 31 OCTOBER 2016

### IMPORTANT INFORMATION

Refer to the 'Important Information' section on page 12.

### INVESTMENT OBJECTIVE AND POLICY

The CF Prudential Dynamic Focused 0-30 Portfolio ('the Fund') aims to achieve a long-term total return (the combination of income and growth of capital) by investing mainly in collective investment schemes. No more than 30% of the Fund will be invested in schemes whose predominant exposure is to equities.

The Fund invests in other funds which use active and passive management approaches in order to provide a well-diversified, indirect exposure to global fixed income and variable rate assets, cash, near cash, equities and/or immovable property. Typically, the Fund will have a higher exposure to lower risk assets such as fixed income assets, cash and near cash. The Fund will concentrate on delivering returns from the Portfolio Manager's asset allocation decisions and the selection of a focused range of funds and fund management groups (which may include other funds managed by the Portfolio Manager).

The Fund may also invest directly in other assets such as transferable securities, cash and near cash, deposits, warrants and money market instruments. Derivative instruments may be used for efficient portfolio management only.

CAPITA FINANCIAL MANAGERS LIMITED

ACD of CF Prudential Dynamic Focused 0-30 Portfolio

16 February 2017

## CF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

ACD's Report (continued)

For the year ended 31 October 2016

### PORTFOLIO MANAGER'S REPORT

Between 1 November 2015 and 31 October 2016 (the period in review) share classes 'A' Accumulation 12.11%<sup>1</sup>, 'R' Accumulation 12.57%<sup>1</sup> and 'P' Accumulation 12.8%<sup>1</sup> produced positive returns ahead of the 8.3%<sup>1</sup> sector average for IA Mixed Investment 0-35% Shares.

#### ECONOMIC OVERVIEW

Positions, and turning points, in business cycles typically form part of the analysis when constructing investment portfolios. Our analysis suggests that the US is in a mature phase of its expansion. As with the US, we believe that the UK is also in a maturing phase of its business cycle (although behind the US in terms of positioning) and that the economy is likely to slow sharply once the UK officially notifies the European Union ('EU') of its decision to leave the Union. By comparison, we think that the eurozone is approaching the mid-cycle expansion stage of the business cycle. Finally, in our opinion, Japan is probably in the later stages of its business cycle.

Growth in China has recently stabilised, due to policy support and strong credit growth. Economic growth is expected to start slowing, in the absence of further large stimulus. Of concern remains the high and growing level of debt, particularly on the part of Chinese corporates. Vulnerabilities will continue to rise as credit continues to grow. This is complicating the task of rebalancing the economy away from investment and towards consumption, the implementation of deeper structural reforms, and allowing market forces to play a greater role in determining the allocation of resources.

#### MARKET OVERVIEW

Having experienced a positive end to 2015, the early part of 2016 brought a remarkable turnaround in investor sentiment. In January 2016, many stockmarkets experienced their worst month for many years as renewed fears about a China-led global economic slowdown and a collapse in the oil price led to a retreat from risk assets. Investors then appeared to accept that a global recession was not as likely as feared and, when the oil price began to recover and central banks announced further action to boost growth, stockmarkets rallied strongly.

Despite several other events that could have unsettled investors including the UK referendum result, terrorist attacks and an attempted military coup in Turkey, investors have continued to focus on the support being given by policymakers.

Significant movements in currency markets also featured; sterling weakened against most other currencies, initially on the recognition that UK interest rates were unlikely to rise in the short term, but subsequently from the decision by the UK electorate to leave the EU.

#### UK EQUITIES

The FTSE All-Share Index had a strong 12 months, recovering from the lows of mid-February led by international energy and mining stocks, as oil and metal prices increased. The market also rebounded strongly from a short period of weakness following the UK referendum result in June supported by a decline in the pound that benefited the large number of multi-national businesses in the UK.

Returns from the Legal & General UK Index Trust were in line with the performance of the FTSE All-Share Index.

<sup>1</sup> Source: FE Analytics. The Portfolio Manager uses the IA Mixed Investment 0-35% Shares for comparison. No benchmark is required to be disclosed per the Prospectus.

#### NORTH AMERICA

The S&P 500 produced a positive return over the period in review although US stockmarkets had their worst start to a new year for many years, with investors spooked by the slump in the oil price in January 2016. Concern that the economy could fall back into recession peaked in mid-February before bargain hunting among financial and energy stocks emerged. A rebound in the oil price and good economic data saw US shares recover. This prompted the US Federal Reserve ('the Fed') to confirm interest rate hikes would proceed cautiously. The continued actions of other central banks in keeping interest rates low has also helped keep investor sentiment generally positive.

Returns from the Legal & General US Index Trust were in line with the performance of the FTSE USA Index.

#### EUROPE

Having pledged that it would not hesitate to act in support of the eurozone's economy, the European Central Bank ('ECB') took unexpectedly aggressive action in March. The main interest rate was reduced to zero, the deposit rate cut to -0.4% and the programme of asset purchases extended.

Most of Europe's stockmarkets declined over the period in local terms, though the strength of the euro against the pound meant that, in sterling terms, the losses were reduced or reversed. Concerns about the state of Italian banks hampered the country's stockmarket and concerns about Deutsche bank grew following the imposition of a US\$14 billion fine from US authorities in late September.

Returns from the Legal & General European Index Trust were in line with the performance of the FTSE World Europe ex UK Index.

#### JAPAN

Despite the government's package of measures to keep interest rates low, weaken the yen and encourage inflation, the Japanese economy remained under pressure. The Bank of Japan ('BoJ') took the unprecedented step of setting the main interest rate below zero, at -0.1%.

While this caused the yen to weaken in the short term, it then strengthened significantly over the period – regarded not only as a safe haven when other markets weakened, but also gaining relative to the US dollar when it became apparent US interest rates were not about to rise immediately. A strong yen tends to weigh on the Japanese stockmarket as it restricts the country's export competitiveness. Japanese shares were lower over the period in review despite a rallying in the third quarter.

Returns from the Legal & General Japan Index Trust were in line with the performance of the FTSE Japan Index.

#### ASIA EX JAPAN

In common with other global stockmarkets, shares in Asia endured a turbulent first few months of 2016 having recovered towards the end of 2015. The Chinese stockmarket, the largest in the region, declined sharply early in the year as investors became increasingly concerned that the economy was stalling. In a surprise move, the authorities devalued the Chinese currency, alarming investors and sending shock waves around the world.

A general improvement in investor sentiment during the third quarter was reflected in higher prices for shares in the Asia Pacific region, particularly as economic data seemed to suggest that the Chinese economy was not slowing as much as had been feared.

## CF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

*ACD's Report (continued)*

*Portfolio Manager's Report (continued)*

*For the year ended 31 October 2016*

### ASIA EX JAPAN (continued)

Returns from the Legal & General Pacific Index Trust were in line with the performance of the FTSE World Asia Pacific ex Japan Index.

### UK BONDS

UK interest rates and inflation remained low during the period. Weakness in the price of oil and other commodities notably contributed to subdued inflation, while signs that the global economy may be slowing supported the Bank of England's ('BoE') decision to keep interest rates unchanged. Fears of a global recession started to fade from around the middle of February, so gilt prices moderated and UK corporate bonds staged a solid rebound, especially in the final weeks of March.

The third quarter saw sustained demand for 'safe-haven' assets as the UK referendum result took financial markets by surprise. Expectations of interest rate increases were pushed out and indeed the BoE lowered interest rates to 0.25% in August. The extent of the accompanying bond-purchasing programme was greater than expected and kept demand for UK corporate and government bonds strong.

The M&G Strategic Corporate Bond Fund and M&G Corporate Bond Fund both produced positive returns over the period in review.

### INTERNATIONAL BONDS

With the uncertain outlook at the beginning of 2016, demand for global corporate bonds tended to weaken, and as a result, these assets initially delivered mixed returns. In contrast, demand for core government bonds, including those from the US and Germany, increased sharply as investors sought out 'safe-haven' assets.

The situation reversed from mid-February onwards as investor risk appetite returned, helped by the stabilisation in commodity prices. Corporate bonds experienced a solid rebound in the circumstances and high-yield bonds also rallied towards the end of the period in review.

The M&G European Corporate Bond Fund, M&G Global Convertibles Fund, M&G European Loan Fund and M&G Global High Yield Bond Fund all produced positive returns.

### UK PROPERTY

Even before the UK referendum on membership of the European Union, the UK commercial property market had begun to cool, with both capital value and rental income growth slowing. In the two months after the 'Leave' vote, commercial property prices fell by around 4% in total. However, there are some early signs that prices are beginning to stabilise, not least because of solid demand for property assets from overseas buyers.

So far in 2016, capital values have declined by around 3%, with the steepest fall seen in the All Retail sector. Meanwhile, rental values for all UK commercial property have grown by just over 1% year-to-date, with All Industrials and All Offices recording the largest increases.

The M&G Property Portfolio suffered from a surge of redemption requests following the referendum result. This had a negative effect on performance as the fund manager had to suspend trading and re-value underlying assets.

### EMERGING MARKETS

The end of 2015 was modestly positive for Emerging Markets overall. At the beginning of 2016 they suffered in an environment of risk aversion as investors considered the effect of a slowing global economy and lower oil prices.

However, Emerging Markets performed better than most developed markets over the third quarter and have now produced very strong returns to end October 2016. This has been driven by the higher prices for oil, and commodity prices and a weaker US dollar.

Returns from the Legal & General Global Emerging Markets Index Trust were in line with the performance of the FTSE All World Emerging Index.

### POSITIONING

Over the period, there have been no major changes to the overall portfolio structure which remains broadly diversified by asset class and geography with an overall bias to fixed income. Any transactions relate to ongoing trading in order to keep the portfolio in line with target positions, in accordance with the underlying mandate of the Fund.

### OUTLOOK

Global growth is expected to remain subdued for several factors. These include the continuation of highly leveraged advanced and Emerging Markets (although some deleveraging has occurred post-2008 in advanced economies); the ongoing rebalancing in China which is resulting in a gradually slowing Chinese economy; a continued adjustment on the part of commodity producers to a decline in their terms of trade; geopolitical uncertainty across the globe; and a lack of structural reform in many economies that will act as a restraint on global growth, as these reforms take several years to bear fruit.

Monetary policy divergence is set to continue in the advanced economies, although it will remain very accommodative even once the Fed resumes its rate hiking cycle. The Fed is expected to hike once in December 2016, while the ECB, the BoJ and the BoE may ease policy further.

M&G INVESTMENT MANAGEMENT LIMITED

*Portfolio Manager*

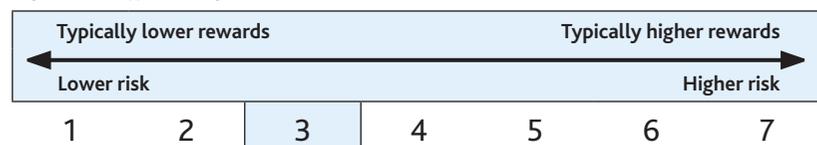
18 November 2016

## CF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

ACD's Report (continued)

### FUND INFORMATION

#### RISK AND REWARD PROFILE



This indicator shows how much a fund has risen and fallen in the past, and therefore how much a fund's returns have varied. It is a measure of a fund's volatility. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains. The lowest number on the scale does not mean that a fund is risk free.

The Fund has been classed as 3 because its volatility has been measured as medium to average.

Non-UCITS Retail Scheme (NURS): The Fund can be less diversified than UCITS schemes as it has higher investment limits for certain types of asset. It can also invest in assets which are not available to UCITS schemes. This can increase the potential rewards but can also increase risk.

This indicator is based on historical data and may not be a reliable indication of the future risk profile of this Fund.

The risk and reward profile shown is not guaranteed to remain the same and may shift over time.

Currency Risk: As the Fund invests indirectly in overseas securities, exchange rates movements may, when not hedged, cause the value of your investment to increase or decrease.

Credit Risk: Fixed interest securities are affected by trends in interest rates and inflation. If interest rates go up the value of capital may fall and vice versa. Inflation will also decrease the real value of capital. The value of a fixed interest security is also affected by its credit rating. Fixed interest securities with a higher yield also generally brings an increased risk of default on repayment by the issuer which could affect the income and capital of the Fund.

For full details of the Fund's risks, please see the Prospectus which may be obtained upon application and can be found on the ACD's website, [www.capitafinancial.com](http://www.capitafinancial.com), by following the link 'Fund Information'.

#### COMPARATIVE TABLES

Where the Fund has significant investment in collective investment schemes, the operating charges take account of the ongoing charges incurred in the underlying schemes, calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'A' Income shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	122.49	123.74	123.57
Return before operating charges*	16.53	3.35	4.96
Operating charges	(1.96)	(1.96)	(2.05)
Return after operating charges	14.57	1.39	2.91
Distributions	(2.29)	(2.64)	(2.74)
Closing net asset value per share	134.77	122.49	123.74
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	11.89%	1.12%	2.35%
<b>Other information</b>			
Closing net asset value (£'000)	310	1,907	3,025
Closing number of shares	230,163	1,556,959	2,444,379
Operating charges	1.58%	1.56%	1.64%
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	137.34	129.83	128.45
Lowest share price	119.61	121.90	121.94

## CF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

ACD's Report (continued)  
Fund Information (continued)

### COMPARATIVE TABLES (continued)

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'A' Accumulation shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	145.99	144.99	142.27
Return before operating charges*	19.74	3.91	5.71
Operating charges	(2.37)	(2.30)	(2.36)
Return after operating charges	17.37	1.61	3.35
Distributions	(2.76)	(3.08)	(3.15)
Retained distributions on accumulation shares	2.21	2.47	2.52
Closing net asset value per share	162.81	145.99	144.99
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	11.90%	1.11%	2.35%
<b>Other information</b>			
Closing net asset value (£'000)	10,150	22,374	33,338
Closing number of shares	6,233,932	15,325,078	22,993,727
Operating charges	1.58%	1.56%	1.64%
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	163.70	152.08	147.87
Lowest share price	142.59	142.83	140.43

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'C' Income shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	122.61	123.88	123.71
Return before operating charges*	16.70	3.34	4.99
Operating charges	(0.29)	(0.26)	(0.36)
Return after operating charges	16.41	3.08	4.63
Distributions	(4.09)	(4.35)	(4.46)
Closing net asset value per share	134.93	122.61	123.88
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	13.38%	2.49%	3.74%
<b>Other information</b>			
Closing net asset value (£'000)	176,753	187,326	202,083
Closing number of shares	130,997,628	152,781,499	163,127,405
Operating charges	0.23%	0.21%	0.29%
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	138.90	130.56	129.79
Lowest share price	120.10	123.25	122.20

## CF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

ACD's Report (continued)  
Fund Information (continued)

### COMPARATIVE TABLES (continued)

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 <sup>1</sup> (p/share)
<b>'P' Income shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	99.45	100.47	100.00
Return before operating charges*	13.54	2.71	4.22
Operating charges	(0.86)	(0.83)	(0.84)
Return after operating charges	12.68	1.88	3.38
Distributions	(2.70)	(2.90)	(2.91)
Closing net asset value per share	109.43	99.45	100.47
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	12.75%	1.87%	3.38%
<b>Other information</b>			
Closing net asset value (£'000)	3,956	3,014	2,591
Closing number of shares	3,615,077	3,030,903	2,578,469
Operating charges	0.83%	0.81%	0.86% <sup>2</sup>
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	112.31	105.67	104.77
Lowest share price	97.29	99.52	99.01

<sup>1</sup> From 15 November 2013.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 <sup>1</sup> (p/share)
<b>'P' Accumulation shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	104.11	102.84	100.00
Return before operating charges*	14.16	2.71	4.27
Operating charges	(0.90)	(0.85)	(0.84)
Return after operating charges	13.26	1.86	3.43
Distributions	(2.81)	(2.97)	(2.94)
Retained distributions on accumulation shares	2.25	2.38	2.35
Closing net asset value per share	116.81	104.11	102.84
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	12.74%	1.81%	3.43%
<b>Other information</b>			
Closing net asset value (£'000)	65,203	59,047	52,063
Closing number of shares	55,817,853	56,718,628	50,625,907
Operating charges	0.83%	0.81%	0.86% <sup>2</sup>
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	117.52	108.08	104.78
Lowest share price	101.85	101.80	99.01

<sup>1</sup> From 15 November 2013.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

## CF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

ACD's Report (continued)  
Fund Information (continued)

### COMPARATIVE TABLES (continued)

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'R' Accumulation shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	115.29	114.05	111.47
Return before operating charges*	15.67	3.08	4.47
Operating charges	(1.29)	(1.23)	(1.28)
Return after operating charges	14.38	1.85	3.19
Distributions	(2.81)	(3.02)	(3.05)
Retained distributions on accumulation shares	2.24	2.41	2.44
Closing net asset value per share	129.10	115.29	114.05
* after direct transaction costs of:	-	-	-

### Performance

Return after charges	12.47%	1.62%	2.86%
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### Other information

Closing net asset value (£'000)	14,931	12,462	8,644
Closing number of shares	11,565,725	10,809,455	7,579,396
Operating charges	1.08%	1.06%	1.14%
Direct transaction costs	-	-	-

### Prices

Highest share price	129.81	119.90	116.25
Lowest share price	112.73	112.75	110.06

### FUND PERFORMANCE TO 31 OCTOBER 2016 (%)

	1 year	3 years	5 years
CF Prudential Dynamic Focused 0-30 Portfolio	12.11	13.71	31.69

The performance of the Fund is based on the published price per 'A' Accumulation share which includes reinvested income.

The performance of the Fund disclosed in the above table may differ from the 'Return after charges' disclosed in the Comparative Table due to the above performance being calculated on the latest published price prior to the period end, rather than the period end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 210 and 211.

### RISK WARNING

An investment in an open-ended investment company should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

## CF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

ACD's Report (continued)

PORTFOLIO STATEMENT

AS AT 31 OCTOBER 2016

Holding	Portfolio of Investments	Value £'000	31.10.16 %
	EQUITY PORTFOLIOS – 18.63% (31.10.15 – 19.07%)		
13,758,754	UNITED KINGDOM – 7.62% (31.10.15 – 7.47%) Legal & General UK Index Trust	20,679	7.62
	TOTAL UNITED KINGDOM	20,679	7.62
	CONTINENTAL EUROPE – 3.13% (31.10.15 – 3.02%)		
3,372,038	Legal & General European Index Trust	8,494	3.13
	TOTAL CONTINENTAL EUROPE	8,494	3.13
	FAR EAST – 2.56% (31.10.15 – 3.08%)		
7,019,882	Legal & General Pacific Index Trust	6,946	2.56
	TOTAL FAR EAST	6,946	2.56
	JAPAN – 1.70% (31.10.15 – 1.35%)		
9,162,136	Legal & General Japan Index Trust	4,604	1.70
	TOTAL JAPAN	4,604	1.70
	UNITED STATES – 2.96% (31.10.15 – 3.16%)		
2,279,088	Legal & General US Index Trust	8,047	2.96
	TOTAL UNITED STATES	8,047	2.96
	EMERGING MARKETS – 0.66% (31.10.15 – 0.99%)		
3,360,911	Legal & General Global Emerging Markets Index Fund	1,784	0.66
	TOTAL EMERGING MARKETS	1,784	0.66
	TOTAL EQUITY PORTFOLIOS	50,554	18.63
	EQUITY INVESTMENT INSTRUMENTS – 3.09% (31.10.15 – 3.08%)		
972,328	BBGI*	1,403	0.52
1,280,000	Blue Capital Global Reinsurance Fund*	1,017	0.37
757,643	CATCo Reinsurance Opportunities Fund*	769	0.28
953,797	DP Aircraft I*	836	0.31
147,365	HarbourVest Global Private Equity*	1,584	0.58

Holding	Portfolio of Investments	Value £'000	31.10.16 %
	EQUITY INVESTMENT INSTRUMENTS – 3.09% (31.10.15 – 3.08%) (continued)		
69,220	HgCapital Trust*	991	0.37
738,816	NB Distressed Debt Investment Fund*	582	0.21
449,974	NextEnergy Solar Fund*	484	0.18
673,708	Renewables Infrastructure*	723	0.27
	TOTAL EQUITY INVESTMENT INSTRUMENTS	8,389	3.09
	PROPERTY PORTFOLIOS – 8.42% (31.10.15 – 10.15%)		
2,053,963	M&G Property Portfolio†	22,831	8.42
	TOTAL PROPERTY PORTFOLIOS	22,831	8.42
	BOND PORTFOLIOS – 70.53% (31.10.15 – 69.32%)		
109,970,464	M&G Corporate Bond Fund†	45,649	16.83
20,100,043	M&G European Corporate Bond Fund†	22,464	8.28
91,354	M&G European Loan Fund†	7,946	2.93
2,362,494	M&G Global Convertibles Fund†	5,256	1.94
8,201,399	M&G Global High Yield Bond Fund†	10,101	3.72
62,940,859	M&G Short Dated Corporate Bond Fund†	16,220	5.98
74,915,064	M&G Strategic Corporate Bond Fund†	83,703	30.85
	TOTAL BOND PORTFOLIOS	191,339	70.53
	Portfolio of investments	273,113	100.67
	Net other liabilities	(1,810)	(0.67)
	Net assets	271,303	100.00

The investments have been valued in accordance with note (h) of the Accounting Policies and are collective investment schemes unless stated otherwise.

† Related party holding (see note 10).

\* Ordinary shares.

## CF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

ACD's Report (continued)

### SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 31 OCTOBER 2016

**Total purchases for the year £'000 (note 14)** **24,779**

Purchases	Cost £'000
M&G Corporate Bond Fund	16,500
Legal & General US Index Trust	3,000
M&G Short Dated Corporate Bond Fund	1,700
HarbourVest Global Private Equity	1,327
Legal & General Japan Index Trust	1,100
Legal & General European Index Trust	826
M&G Strategic Corporate Bond Fund	231
M&G European Corporate Bond Fund	31
M&G Global High Yield Bond Fund	30
NextEnergy Solar Fund	20
Renewables Infrastructure	14

**Total sales for the year £'000 (note 14)** **70,748**

Sales	Proceeds £'000
M&G European Corporate Bond Fund	28,050
M&G Strategic Corporate Bond Fund	8,810
Legal & General US Index Trust	6,250
M&G Short Dated Corporate Bond Fund	6,213
Legal & General Pacific Index Trust	4,140
M&G Property Portfolio	3,850
Legal & General European Index Trust	2,200
Legal & General UK Index Trust	2,200
M&G Corporate Bond Fund	1,900
Legal & General Global Emerging Markets Index Fund	1,420
Legal & General Japan Index Trust	1,400
CATCo Reinsurance Opportunities Fund	1,140
NextEnergy Solar Fund	934
M&G Global Convertibles Fund	845
HgCapital Trust	547
BBGI	404
Renewables Infrastructure	281
NB Distressed Debt Investment Fund	145

The summary of material portfolio changes represents all of the purchases and sales during the year.

## FINANCIAL STATEMENTS

### STATEMENT OF TOTAL RETURN

FOR THE YEAR ENDED 31 OCTOBER 2016

	Notes	£'000	31.10.16 £'000	£'000	31.10.15 £'000
Income:					
Net capital gains/(losses)	2		26,021		(3,403)
Revenue	3	9,432		11,520	
Expenses	4	(1,135)		(1,398)	
Interest payable and similar charges	5	(2)		(2)	
Net revenue before taxation		8,295		10,120	
Taxation	6	(211)		(295)	
Net revenue after taxation			8,084		9,825
<b>Total return before distributions</b>			34,105		6,422
Distributions	7		(8,093)		(9,836)
<b>Change in net assets attributable to shareholders from investment activities</b>			26,012		(3,414)

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS FOR THE YEAR ENDED 31 OCTOBER 2016

	£'000	31.10.16 £'000	£'000	31.10.15 £'000
<b>Opening net assets attributable to shareholders</b>		286,130		301,744
Amounts receivable on issue of shares	13,535		35,532	
Amounts payable on cancellation of shares	(56,196)		(49,718)	
		(42,661)		(14,186)
Dilution adjustment		169		-
Change in net assets attributable to shareholders from investment activities		26,012		(3,414)
Retained distributions on Accumulation shares		1,653		1,986
<b>Closing net assets attributable to shareholders</b>		271,303		286,130

CF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

Financial Statements (continued)

BALANCE SHEET

AS AT 31 OCTOBER 2016

	Notes	31.10.16 £'000	31.10.15 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		273,113	290,761
<b>Current assets</b>			
Debtors	8	18,287	2,436
Cash and bank balances		3,289	2,061
<b>Total assets</b>		<u>294,689</u>	<u>295,258</u>
<b>LIABILITIES</b>			
<b>Provisions for liabilities</b>			
		(40)	–
<b>Creditors</b>			
Distribution payable		(5,987)	(7,391)
Other creditors	9	(17,359)	(1,737)
<b>Total liabilities</b>		<u>(23,386)</u>	<u>(9,128)</u>
<b>Net assets attributable to shareholders</b>		<u>271,303</u>	<u>286,130</u>

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 OCTOBER 2016

1. ACCOUNTING POLICIES

The accounting policies described on pages 20 to 22 have been applied to the financial statements of the Fund in the current and prior year. The additional accounting policies described below have also been applied to this Fund.

(a) *Treatment of expenses*

The Fund receives a rebate of the Annual Management Charge in relation to related party investments in the Fund. This is to eliminate double charging and, as such, is not a reduction in expenses suffered by shareholders.

(b) *Distribution policy*

The Fund has satisfied the qualifying investments test of Section 493 of the Corporation Taxes Act 2009, through the year. All distributions made are therefore made as interest distributions, will attract tax at 20% and will be accounted for on the shareholders' behalf to the HM Revenue & Customs.

	31.10.16 £'000	31.10.15 £'000
2. NET CAPITAL GAINS/(LOSSES)		
The net capital gains/(losses) during the year comprise:		
Non-derivative securities	25,835	(3,723)
AMC rebates from underlying investments	–	322
Currency gains/(losses)	186	(2)
<b>Net capital gains/(losses)</b>	<u>26,021</u>	<u>(3,403)</u>

The net capital gains/(losses) figure includes realised gains of £8,008 thousand and unrealised gains of £22,839 thousand (31.10.15 : includes realised gains of £10,733 thousand and unrealised gains of £4,821 thousand). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

	31.10.16 £'000	31.10.15 £'000
3. REVENUE		
Non-taxable dividends	1,420	3,233
Taxable dividends	473	12
UK property income distributions	641	1,172
Unfranked interest	4,698	5,155
AMC rebates from underlying investments	2,200	1,937
Bank interest	–	11
<b>Total revenue</b>	<u>9,432</u>	<u>11,520</u>

## CF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

	31.10.16 £'000	31.10.15 £'000
<b>4. EXPENSES</b>		
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	686	895
Administration fees	416	466
	1,102	1,361
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	20	24
Safe custody and other bank charges	1	–
	21	24
Other expenses:		
FCA fee	1	–
Fees paid to auditor – audit	9	9
– tax services	1	4
Legal and professional fees	1	–
	12	13
<b>Total expenses</b>	<b>1,135</b>	<b>1,398</b>

The Portfolio Management fees and expenses (plus VAT thereon) for providing portfolio management services are paid by the ACD out of its remuneration.

	31.10.16 £'000	31.10.15 £'000
<b>5. INTEREST PAYABLE AND SIMILAR CHARGES</b>		
Interest payable	2	2
<b>Total interest payable and similar charges</b>	<b>2</b>	<b>2</b>
<b>6. TAXATION</b>		
Corporation tax at 20%	128	234
Overseas tax	–	8
Adjustments in respect of prior periods	43	53
<b>Current tax charge</b>	<b>171</b>	<b>295</b>
Deferred tax – origination and reversal of timing differences (note 6c)	40	–
<b>Total taxation (note 6b)</b>	<b>211</b>	<b>295</b>

## 6. TAXATION (continued)

### b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.10.15 : 20%). The difference is explained below:

	31.10.16 £'000	31.10.15 £'000
Net revenue before taxation	8,295	10,120
Corporation tax at 20%	1,659	2,024
Effects of:		
Non-taxable dividends	(285)	(647)
Overseas tax expensed	–	8
Corporation tax: adjustment in respect of prior years	–	53
AMC rebates taken to capital	–	64
Tax deductible interest distributions	(1,206)	(1,207)
Adjustments in respect of prior periods	43	–
<b>Total tax charge (note 6a)</b>	<b>211</b>	<b>295</b>
<b>c) Deferred tax</b>		
Provision at the start of the year	–	–
Deferred tax charge in the year (note 6a)	40	–
<b>Provision at the end of the year</b>	<b>40</b>	<b>–</b>

## 7. DISTRIBUTIONS

The distributions take account of revenue received on the issue of shares and revenue deducted on cancellations of shares, and comprise:

	31.10.16 £'000	31.10.15 £'000
Final	6,023	7,412
UK income tax withheld	1,617	1,965
	7,640	9,377
Add: Revenue deducted on cancellation of shares	553	722
Deduct: Revenue received on issue of shares	(100)	(263)
<b>Net distributions for the year</b>	<b>8,093</b>	<b>9,836</b>

Details of the distributions per share are set out in the table on pages 210 and 211.

## CF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

	31.10.16 £'000	31.10.15 £'000
<b>7. DISTRIBUTIONS (continued)</b>		
Distributions represented by:		
Net revenue after taxation	8,084	9,825
Equalisation on conversions*	9	11
Net distributions for the year	<u>8,093</u>	<u>9,836</u>

\* Where an investor converts to a class with a higher income yield, the investor will receive an equalisation as if they had held the new class throughout the period from the last distribution to the conversion date. The yield differential at the point of conversion is an equalisation which will be offset by capital erosion for the converted investor.

	31.10.16 £'000	31.10.15 £'000
<b>8. DEBTORS</b>		
Amounts receivable for issue of shares	198	284
Sales awaiting settlement	16,500	243
Accrued revenue:		
Non-taxable dividends	663	669
Taxable dividends	232	–
UK property income distributions	–	286
Unfranked interest	226	374
AMC rebates from underlying investments	213	393
	1,334	1,722
Taxation recoverable:		
Income tax	255	187
Total debtors	<u>18,287</u>	<u>2,436</u>

<b>9. OTHER CREDITORS</b>		
Amounts payable for cancellation of shares	721	1,320
Purchases awaiting settlement	16,500	–
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	58	69
Administration fees	35	37
	93	106

	31.10.16 £'000	31.10.15 £'000
<b>9. OTHER CREDITORS (continued)</b>		
Amounts payable to the Depository, associates of the Depository and agents of either of them:		
Depository fees	1	2
Transaction charges	–	1
	1	3
Taxation payable:		
Corporation tax	33	295
Other expenses	11	13
Total other creditors	<u>17,359</u>	<u>1,737</u>

<b>10. RELATED PARTY TRANSACTIONS</b>	
Annual Management Charge and administration fees payable to Capita Financial Managers Limited ('the ACD') are disclosed in note 4 and amounts due at the year end are disclosed in note 9.	
The aggregate monies received by the ACD through the issue of shares and paid on cancellation of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 197 and amounts due for the year are disclosed in notes 8 and 9.	
Capita Financial Managers Limited and its associates (including other authorised investment funds managed by Capita Financial Managers Limited) held 86,181 (31.10.15 : 41,948) of the Fund's shares at the balance sheet date.	
M&G Investment Management Limited and its associates (including other authorised investment funds managed by M&G Investment Management Limited) held 130,997,378 (31.10.15 : 152,781,249) of the Fund's shares at the balance sheet date.	
A shareholder may be able to exercise significant influence over the financial and operating policies of the Fund and as such is deemed to be a related party. At the balance sheet date the following shareholder held in excess of 20% of the shares in issue of the Fund:	
Prudential plc and its associates	62.84% (31.10.15 : 63.60%)
As part of the investment strategy, the Fund may from time to time hold shares in other collective investment schemes managed by the same Portfolio Manager or for which Capita Financial Managers Limited is also the ACD. At the balance sheet date the value of the holdings were as follows:	

	31.10.16 £'000	31.10.15 £'000
Portfolio Manager in common	<u>214,170</u>	<u>227,381</u>

## CF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 11. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (31.10.15 : none).

### 12. SHARES IN ISSUE

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.35%	1.35%	0.00%
Opening shares in issue	1,556,959	15,325,078	152,781,499
Issues	10,276	185,688	6,921,809
Cancellations	(1,337,072)	(9,285,644)	(28,705,680)
Conversions	–	8,810	–
Closing shares in issue	<u>230,163</u>	<u>6,233,932</u>	<u>130,997,628</u>
	'P' Income	'P' Accumulation	'P' Accumulation
Annual Management Charge	0.60%	0.60%	0.85%
Opening shares in issue	3,030,903	56,718,628	10,809,455
Issues	320,264	1,976,348	2,593,963
Cancellations	220,882	(2,877,296)	(1,789,169)
Conversions	43,028	173	(48,524)
Closing shares in issue	<u>3,615,077</u>	<u>55,817,853</u>	<u>11,565,725</u>

The closing net asset value and the closing net asset value per share, for each share class in issue at the balance sheet date, are given in the Fund Information.

### 13. RISK MANAGEMENT POLICIES

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for hedging purposes.

### 13. RISK MANAGEMENT POLICIES (continued)

The main risks from the Fund's holding of financial instruments, together with the ACD's policy for managing these risks, are set out below:

The ACD has in place a Risk Management Policy and Procedures Document ('RMPPD') that sets out the risks that may impact a fund and how the ACD seeks, where appropriate, to manage, monitor and mitigate those risks, and in particular those risks associated with the use of derivatives. The RMPPD sets out both the framework and the risk mitigations operated by the ACD in managing the identified risks of the fund. The ACD requires that the appointed Portfolio Manager to the fund has in place its own governance structure, policies and procedures that are commensurate with its regulatory obligations and the risks posed by the fund managed.

#### i. Credit risk

Credit risk is the risk that a counterparty may be unable or unwilling to make a payment or fulfil contractual obligations. This may be in terms of an actual default or by deterioration in a counterparty's credit quality.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. As part of its due diligence process, the ACD undertakes a review of the controls operated over counterparties by the Portfolio Manager, including initial and ongoing due diligence and business volumes placed with each counterparty. In cases which are dependent on the counterparty settling at the transaction's maturity date, the ACD has policies in place which set out the minimum credit quality expected of a market counterparty or deposit taker at the outset of the transaction.

#### ii. Interest rate risk

Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of interest rate changes. The value of fixed interest securities may be affected by changes in interest rates, either globally or locally. Changes in the rate of return in one asset class may influence the valuation basis of other classes. The amount of revenue receivable from floating rate investments and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates. Investment in collective investment schemes exposes the Fund to indirect interest rate risk to the extent that they invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

As the Fund is invested in underlying funds these funds may have exposure to bonds and to interest rate risk.

#### iii. Foreign currency risk

Foreign currency risk is the risk that the sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the sterling equivalent value. Forward currency contracts are employed by the Portfolio Manager, where deemed appropriate, to mitigate the foreign exchange risk. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates.

A 5% change in the Pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £164 thousand on the net assets of the Fund (31.10.15 : £247 thousand).

## CF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 13. RISK MANAGEMENT POLICIES (continued)

#### iii. Foreign currency risk (continued)

The table below shows the direct foreign currency risk profile:

	31.10.16 £'000	31.10.15 £'000
Currency:		
US dollars	3,284	4,937
Pounds sterling	268,019	281,193
Net assets	<u>271,303</u>	<u>286,130</u>

#### iv. Leverage

The ACD is required to calculate and monitor the level of leverage of the Fund, expressed as a ratio between the exposure of the Fund and its Net Asset Value, under both the gross and commitment methods (in accordance with articles 7 and 8 of The Alternative Investment Fund Managers Regulations 2013). For a fund with no borrowing or derivative usage the leverage ratio would be 1:1 under the commitment method. The gross method calculation excludes cash and cash equivalents which are highly liquid.

As at 31.10.16, leverage under the gross method was 1.01:1 and leverage under the commitment method was 1:1 (31.10.15 : 1.02:1 and 1:1 respectively).

#### v. Liquidity risk

The main liability of the Fund is the cancellation of any shares that investors want to sell. Investments may have to be sold to fund such cancellations should insufficient cash be held at the bank to meet this obligation.

To reduce liquidity risk the Portfolio Manager will ensure that a substantial portion of the Fund's assets consist of cash and readily realisable investments.

All financial liabilities are payable in one year or less, or on demand.

#### vi. Market price risk

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds.

Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

#### vii. Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

### 13. RISK MANAGEMENT POLICIES (continued)

#### viii. Derivatives

The Fund held no derivatives during the current or prior year.

### 14. PORTFOLIO TRANSACTION COSTS

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
<b>31.10.16</b>				
Ordinary shares	14	–	–	14
Collective investment schemes	24,764	1	–	24,765
<b>Purchases total</b>	<u>24,778</u>	<u>1</u>	<u>–</u>	<u>24,779</u>
<b>Transaction cost % of purchases total</b>		–	–	
<b>Transaction cost % of average NAV</b>		–	–	
Ordinary shares	281	–	–	281
Collective investment schemes	70,467	–	–	70,467
<b>Sales total</b>	<u>70,748</u>	<u>–</u>	<u>–</u>	<u>70,748</u>
<b>Transaction cost % of sales total</b>		–	–	
<b>Transaction cost % of average NAV</b>		–	–	

Average portfolio dealing spread at 31.10.16 is 0.29% (31.10.15 : 0.57%).

## CF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 14. PORTFOLIO TRANSACTION COSTS (continued)

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
<b>31.10.15</b>				
Collective investment schemes	159,987	–	–	159,987
<b>Purchases total</b>	<b>159,987</b>	<b>–</b>	<b>–</b>	<b>159,987</b>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	173,107	(5)	–	173,102
<b>Sales total</b>	<b>173,107</b>	<b>(5)</b>	<b>–</b>	<b>173,102</b>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

### 15. FAIR VALUE HIERARCHY

Investments are categorised into the following levels based on their fair value measurement:

Level 1: The unadjusted quoted price in an active market for identical assets that the Fund can access at the year end date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the assets.

Valuation technique	31.10.16 Assets £'000	31.10.15 Assets £'000
Level 1	8,389	3,824
Level 2	264,724	286,937
Level 3	–	–
Total portfolio of investments	<b>273,113</b>	<b>290,761</b>

## CF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

Financial Statements (continued)

### DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 OCTOBER 2016 – IN PENCE PER SHARE

#### EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares – the applicable distribution periods for each distribution are shown below). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes.

Group 2	Final
From	01.11.15
To	31.10.16

#### 'A' Income shares

Final	Gross Revenue	Income Tax	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	2.2860	0.4572	1.8288	–	1.8288	2.1122
Group 2	2.2860	0.4572	1.8288	0.0000	1.8288	2.1122

#### 'A' Accumulation shares

Final	Gross Revenue	Income Tax	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	2.7590	0.5518	2.2072	–	2.2072	2.4658
Group 2	2.7590	0.5518	2.2072	0.0000	2.2072	2.4658

#### 'C' Income shares

Final	Gross Revenue	Income Tax	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	4.0918	0.8184	3.2734	–	3.2734	3.4838
Group 2	4.0918	0.8184	3.2734	0.0000	3.2734	3.4838

#### 'P' Income shares

Final	Gross Revenue	Income Tax	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	2.7008	0.5402	2.1606	–	2.1606	2.3232
Group 2	1.8735	0.3747	1.4988	0.6618	2.1606	2.3232

#### 'P' Accumulation shares

Final	Gross Revenue	Income Tax	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	2.8123	0.5625	2.2498	–	2.2498	2.3755
Group 2	1.5150	0.3030	1.2120	1.0378	2.2498	2.3755

#### 'R' Accumulation shares

Final	Gross Revenue	Income Tax	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	2.8054	0.5611	2.2443	–	2.2443	2.4147
Group 2	2.0050	0.4010	1.6040	0.6403	2.2443	2.4147

CF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO  
ACD'S REPORT  
FOR THE YEAR ENDED 31 OCTOBER 2016

IMPORTANT INFORMATION

Refer to the 'Important Information' section on page 12.

INVESTMENT OBJECTIVE AND POLICY

The CF Prudential Dynamic Focused 10-40 Portfolio ('the Fund') aims to achieve a long-term total return (the combination of income and growth of capital) by investing mainly in collective investment schemes. Between 10% and 40% of the Fund will be invested in schemes whose predominant exposure is to equities.

The Fund invests in other funds which use active and passive management approaches in order to provide a well-diversified, indirect exposure to global fixed income and variable rate assets, cash, near cash, equities and/or immovable property. Typically, the Fund will have a bias towards lower risk assets such as fixed income assets and cash but will always have some exposure to equities. The Fund will concentrate on delivering returns from the Portfolio Manager's asset allocation decisions and the selection of a focused range of funds and fund management groups (which may include other funds managed by the Portfolio Manager).

The Fund may also invest directly in other assets such as transferable securities, cash and near cash, deposits, warrants and money market instruments. Derivative instruments may be used for efficient portfolio management only.

CAPITA FINANCIAL MANAGERS LIMITED  
ACD of CF Prudential Dynamic Focused 10-40 Portfolio  
16 February 2017

PORTFOLIO MANAGER'S REPORT

Between 1 November 2015 and 31 October 2016 share classes 'A' Accumulation 12.2%<sup>1</sup>, 'R' Accumulation 12.49%<sup>1</sup> and 'P' Accumulation 12.73%<sup>1</sup> produced positive returns ahead of the 9.8%<sup>1</sup> sector average for IA Mixed Investment 20-60% Shares.

ECONOMIC OVERVIEW

Positions, and turning points, in business cycles typically form part of the analysis when constructing investment portfolios. Our analysis suggests that the US is in a mature phase of its expansion. As with the US, we believe that the UK is also in a maturing phase of its business cycle (although behind the US in terms of positioning) and that the economy is likely to slow sharply once the UK officially notifies the European Union ('EU') of its decision to leave the Union. By comparison, we think that the eurozone is approaching the mid-cycle expansion stage of the business cycle. Finally, in our opinion, Japan is probably in the later stages of its business cycle.

Growth in China has recently stabilised, due to policy support and strong credit growth. Economic growth is expected to start slowing, in the absence of further large stimulus. Of concern remains the high and growing level of debt, particularly on the part of Chinese corporates. Vulnerabilities will continue to rise as credit continues to grow. This is complicating the task of rebalancing the economy away from investment and towards consumption, the implementation of deeper structural reforms, and allowing market forces to play a greater role in determining the allocation of resources.

MARKET OVERVIEW

Having experienced a positive end to 2015, the early part of 2016 brought a remarkable turnaround in investor sentiment. In January 2016, many stockmarkets experienced their worst month for many years as renewed fears about a China-led global economic slowdown and a collapse in the oil price led to a retreat from risk assets. Investors then appeared to accept that a global recession was not as likely as feared and, when the oil price began to recover and central banks announced further action to boost growth, stockmarkets rallied strongly.

Despite several other events that could have unsettled investors including the UK referendum result, terrorist attacks and an attempted military coup in Turkey, investors have continued to focus on the support being given by policymakers.

Significant movements in currency markets also featured; sterling weakened against most other currencies, initially on the recognition that UK interest rates were unlikely to rise in the short term, but subsequently from the decision by the UK electorate to leave the EU.

UK

The FTSE All-Share had a strong 12 months, recovering from the lows of mid-February led by international energy and mining stocks, as oil and metal prices increased. The market also rebounded strongly from a short period of weakness following the UK referendum result in June supported by a decline in the pound that benefited the large number of multi-national businesses in the UK.

Returns from the Legal & General UK Index Trust were in line with the performance of the FTSE All-Share Index.

<sup>1</sup> Source: FE Analytics. The Portfolio Manager uses the IA Mixed Investment 20-60% Shares for comparison. No benchmark is required to be disclosed per the Prospectus.

## CF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

*ACD's Report (continued)*

*Portfolio Manager's Report (continued)*

*For the year ended 31 October 2016*

### NORTH AMERICA

The S&P 500 produced a positive return over the period in review although US stockmarkets had their worst start to a new year for many years, with investors spooked by the slump in the oil price in January 2016. Concern that the economy could fall back into recession peaked in mid-February before bargain hunting among financial and energy stocks emerged. A rebound in the oil price and good economic data saw US shares recover. This prompted the US Federal Reserve ('the Fed') to confirm interest rate hikes would proceed cautiously. The continued actions of other central banks in keeping interest rates low has also helped keep investor sentiment generally positive.

Returns from the Legal & General US Index Trust were in line with the performance of the FTSE USA Index.

### EUROPE

Having pledged that it would not hesitate to act in support of the eurozone's economy, the European Central Bank ('ECB') took unexpectedly aggressive action in March. The main interest rate was reduced to zero, the deposit rate cut to -0.4% and the programme of asset purchases extended.

Most of Europe's stockmarkets declined over the period in local terms, though the strength of the euro against the pound meant that, in sterling terms, the losses were reduced or reversed. Concerns about the state of Italian banks hampered the country's stockmarket and concerns about Deutsche Bank grew following the imposition of a US\$14 billion fine from US authorities in late September.

Returns from the Legal & General European Index Trust were in line with the performance of the FTSE World Europe ex UK Index.

### JAPAN

Despite the government's package of measures to keep interest rates low, weaken the yen and encourage inflation, the Japanese economy remained under pressure. The Bank of Japan ('BoJ') took the unprecedented step of setting the main interest rate below zero, at -0.1%.

While this caused the yen to weaken in the short term, it then strengthened significantly over the period – regarded not only as a safe haven when other markets weakened, but also gaining relative to the US dollar when it became apparent US interest rates were not about to rise immediately. A strong yen tends to weigh on the Japanese stockmarket as it restricts the country's export competitiveness. Japanese shares were lower over the period in review despite a rallying in the third quarter.

Returns from the Legal & General Japan Trust were in line with the performance of the FTSE Japan Index.

### ASIA EX JAPAN

In common with other global stockmarkets, shares in Asia endured a turbulent first few months of 2016 having recovered towards the end of 2015. The Chinese stockmarket, the largest in the region, declined sharply early in the year as investors became increasingly concerned that the economy was stalling. In a surprise move, the authorities devalued the Chinese currency, alarming investors and sending shock waves around the world.

A general improvement in investor sentiment during the third quarter was reflected in higher prices for shares in the Asia Pacific region, particularly as economic data seemed to suggest that the Chinese economy was not slowing as much as had been feared.

Returns from the Legal & General Pacific Index Trust were in line with the performance of the FTSE World Asia Pacific ex Japan Index.

### UK BONDS

UK interest rates and inflation remained low during the period. Weakness in the price of oil and other commodities notably contributed to subdued inflation, while signs that the global economy may be slowing supported the Bank of England's ('BoE') decision to keep interest rates unchanged. Fears of a global recession started to fade from around the middle of February, so gilt prices moderated and UK corporate bonds staged a solid rebound, especially in the final weeks of March.

The third quarter saw sustained demand for 'safe-haven' assets as the UK referendum result took financial markets by surprise. Expectations of interest rate increases were pushed out and indeed the BoE lowered interest rates to 0.25% in August. The extent of the accompanying bond-purchasing programme was greater than expected and kept demand for UK corporate and government bonds strong.

The M&G Strategic Corporate Bond Fund and M&G Corporate Bond Fund both produced positive returns over the period in review.

### INTERNATIONAL BONDS

With the uncertain outlook at the beginning of 2016, demand for global corporate bonds tended to weaken, and as a result, these assets initially delivered mixed returns. In contrast, demand for core government bonds, including those from the US and Germany, increased sharply as investors sought out 'safe-haven' assets.

The situation reversed from mid-February onwards as investor risk appetite returned, helped by the stabilisation in commodity prices. Corporate bonds experienced a solid rebound in the circumstances and high-yield bonds also rallied towards the end of the period in review.

The M&G European Corporate Bond Fund, M&G Global Convertibles Fund, M&G European Loan Fund and M&G Global High Yield Bond Fund all produced positive returns.

### UK PROPERTY

Even before the UK referendum on membership of the EU, the UK commercial property market had begun to cool, with both capital value and rental income growth slowing. In the two months after the 'Leave' vote, commercial property prices fell by around 4% in total. However, there are some early signs that prices are beginning to stabilise, not least because of solid demand for property assets from overseas buyers.

So far in 2016, capital values have declined by around 3%, with the steepest fall seen in the All Retail sector. Meanwhile, rental values for all UK commercial property have grown by just over 1% year-to-date, with All Industrials and All Offices recording the largest increases.

The M&G Property Portfolio suffered from a surge of redemption requests following the referendum result. This had a negative effect on performance as the fund manager had to suspend trading and re-value underlying assets.

### EMERGING MARKETS

The end of 2015 was modestly positive for Emerging Markets overall. At the beginning of 2016 they suffered in an environment of risk aversion as investors considered the effect of a slowing global economy and lower oil prices.

## CF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

ACD's Report (continued)

Portfolio Manager's Report (continued)

For the year ended 31 October 2016

### EMERGING MARKETS (continued)

However, Emerging Markets performed better than most developed markets over the third quarter and have now produced very strong returns to end October 2016. This has been driven by the higher prices for oil, and commodity prices and a weaker US dollar.

Returns from the Legal & General Global Emerging Markets Trust were in line with the performance of the FTSE All World Emerging Index.

### POSITIONING

Over the period, there have been no major changes to the overall portfolio structure which remains broadly diversified by asset class and geography with an overall bias to fixed income. Any transactions relate to ongoing trading in order to keep the portfolio in line with target positions, in accordance with the underlying mandate of the Fund.

### OUTLOOK

Global growth is expected to remain subdued for several factors. These include the continuation of highly leveraged advanced and Emerging Markets (although some deleveraging has occurred post-2008 in advanced economies); the ongoing rebalancing in China which is resulting in a gradually slowing Chinese economy; a continued adjustment on the part of commodity producers to a decline in their terms of trade; geopolitical uncertainty across the globe; and a lack of structural reform in many economies that will act as a restraint on global growth, as these reforms take several years to bear fruit.

Monetary policy divergence is set to continue in the advanced economies, although it will remain very accommodative even once the Fed resumes its rate hiking cycle. The Fed is expected to hike once in December 2016, while the ECB, the BoJ and the BoE may ease policy further.

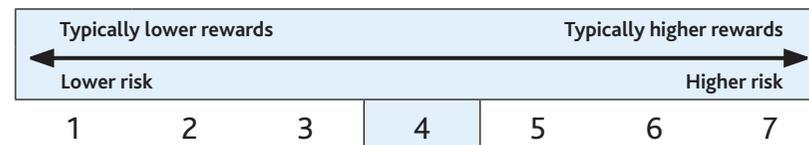
### M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

18 November 2016

## FUND INFORMATION

### RISK AND REWARD PROFILE



This indicator shows how much a fund has risen and fallen in the past, and therefore how much a fund's returns have varied. It is a measure of a fund's volatility. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains. The lowest number on the scale does not mean that a fund is risk free.

The Fund has been classed as 4 because its volatility has been measured as average.

Non-UCITS Retail Scheme (NURS): The Fund can be less diversified than UCITS schemes as it has higher investment limits for certain types of asset. It can also invest in assets which are not available to UCITS schemes. This can increase the potential rewards but can also increase risk.

As this Fund has less than 5 years' price history, this calculation incorporates the volatility of an appropriate benchmark index.

The risk and reward profile shown is not guaranteed to remain the same and may shift over time.

Currency Risk: As the Fund invests indirectly in overseas securities, exchange rates movements may, when not hedged, cause the value of your investment to increase or decrease.

Credit Risk: Fixed interest securities are affected by trends in interest rates and inflation. If interest rates go up the value of capital may fall and vice versa. Inflation will also decrease the real value of capital. The value of a fixed interest security is also affected by its credit rating. Fixed interest securities with a higher yield also generally brings an increased risk of default on repayment by the issuer which could affect the income and capital of the Fund.

For full details of the Fund's risks, please see the Prospectus which may be obtained upon application and can be found on the ACD's website, [www.capitafinancial.com](http://www.capitafinancial.com), by following the link 'Fund Information'.

## CF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

### COMPARATIVE TABLES

Where the Fund has significant investment in collective investment schemes, the operating charges take account of the ongoing charges incurred in the underlying schemes, calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

	31.10.16 (p/share)	31.10.15 <sup>1</sup> (p/share)
<b>'A' Income shares</b>		
<b>Change in net assets per share</b>		
Opening net asset value per share	100.11	100.00
Return before operating charges*	13.03	0.75
Operating charges	(1.64)	(0.24)
Return after operating charges	11.39	0.51
Distributions	(1.31)	(0.40)
Closing net asset value per share	110.19	100.11
* after direct transaction costs of:	–	–
<b>Performance</b>		
Return after charges	11.38%	0.51%
<b>Other information</b>		
Closing net asset value (£'000)	–	–
Closing number of shares	250	250
Operating charges	1.59%	1.56% <sup>2</sup>
Direct transaction costs	–	–
<b>Prices</b>		
Highest share price	112.34	100.73
Lowest share price	96.21	98.16

<sup>1</sup> From 9 September 2015.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

	31.10.16 (p/share)	31.10.15 <sup>1</sup> (p/share)
<b>'A' Accumulation shares</b>		
<b>Change in net assets per share</b>		
Opening net asset value per share	100.62	100.00
Return before operating charges*	13.41	0.86
Operating charges	(1.65)	(0.24)
Return after operating charges	11.76	0.62
Distributions	(1.60)	(0.52)
Retained distributions on accumulation shares	1.60	0.52
Closing net asset value per share	112.38	100.62
* after direct transaction costs of:	–	–
<b>Performance</b>		
Return after charges	11.69%	0.62%
<b>Other information</b>		
Closing net asset value (£'000)	–	–
Closing number of shares	250	250
Operating charges	1.59%	1.56% <sup>2</sup>
Direct transaction costs	–	–
<b>Prices</b>		
Highest share price	113.22	100.82
Lowest share price	96.89	98.17

<sup>1</sup> From 9 September 2015.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

## CF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

ACD's Report (continued)  
Fund Information (continued)

### COMPARATIVE TABLES (continued)

	31.10.16 (p/share)	31.10.15 <sup>1</sup> (p/share)
<b>'P' Income shares</b>		
<b>Change in net assets per share</b>		
Opening net asset value per share	100.11	100.00
Return before operating charges*	13.12	0.77
Operating charges	(0.87)	(0.12)
Return after operating charges	12.25	0.65
Distributions	(2.10)	(0.54)
Closing net asset value per share	110.26	100.11
* after direct transaction costs of:	-	-
<b>Performance</b>		
Return after charges	12.24%	0.65%
<b>Other information</b>		
Closing net asset value (£'000)	5,681	5,006
Closing number of shares	5,151,817	5,000,255
Operating charges	0.84%	0.81% <sup>2</sup>
Direct transaction costs	-	-
<b>Prices</b>		
Highest share price	113.19	100.86
Lowest share price	96.50	98.21

<sup>1</sup> From 9 September 2015.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

	31.10.16 (p/share)	31.10.15 <sup>1</sup> (p/share)
<b>'P' Accumulation shares</b>		
<b>Change in net assets per share</b>		
Opening net asset value per share	100.66	100.00
Return before operating charges*	13.24	0.76
Operating charges	(0.89)	(0.10)
Return after operating charges	12.35	0.66
Distributions	(2.12)	(0.55)
Retained distributions on accumulation shares	2.12	0.55
Closing net asset value per share	113.01	100.66
* after direct transaction costs of:	-	-
<b>Performance</b>		
Return after charges	12.27%	0.66%
<b>Other information</b>		
Closing net asset value (£'000)	648	3
Closing number of shares	573,785	3,092
Operating charges	0.84%	0.81% <sup>2</sup>
Direct transaction costs	-	-
<b>Prices</b>		
Highest share price	113.84	100.88
Lowest share price	97.04	98.22

<sup>1</sup> From 9 September 2015.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

## CF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

ACD's Report (continued)  
Fund Information (continued)

### COMPARATIVE TABLES (continued)

	31.10.16 (p/share)	31.10.15 <sup>1</sup> (p/share)
<b>'R' Accumulation shares</b>		
<b>Change in net assets per share</b>		
Opening net asset value per share	100.62	100.00
Return before operating charges*	13.25	0.76
Operating charges	(1.15)	(0.14)
Return after operating charges	12.10	0.62
Distributions	(1.91)	(0.52)
Retained distributions on accumulation shares	1.91	0.52
Closing net asset value per share	112.72	100.62
* after direct transaction costs of:	–	–
<b>Performance</b>		
Return after charges	12.03%	0.62%
<b>Other information</b>		
Closing net asset value (£'000)	5,912	750
Closing number of shares	5,244,239	745,172
Operating charges	1.09%	1.06% <sup>2</sup>
Direct transaction costs	–	–
<b>Prices</b>		
Highest share price	113.56	100.84
Lowest share price	96.94	98.20

<sup>1</sup> From 9 September 2015.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

### FUND PERFORMANCE TO 31 OCTOBER 2016 (%)

	1 year	Since launch*
CF Prudential Dynamic Focused 10-40 Portfolio	12.49	13.21

\* The Fund launched on 9 September 2015.

The performance of the Fund is based on the published price per 'A' Accumulation share which includes reinvested income.

The performance of the Fund disclosed in the above table may differ from the 'Return after charges' disclosed in the Comparative Table due to the above performance being calculated on the latest published price prior to the period end, rather than the period end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 240 and 241.

### RISK WARNING

An investment in an open-ended investment company should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

## CF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

ACD's Report (continued)

PORTFOLIO STATEMENT

AS AT 31 OCTOBER 2016

Holding	Portfolio of Investments	Value £'000	31.10.16 %
	EQUITY PORTFOLIOS – 32.63% (31.10.15 – 27.31%)		
885,872	UNITED KINGDOM – 10.88% (31.10.15 – 11.03%) Legal & General UK Index Trust	1,332	10.88
	TOTAL UNITED KINGDOM	1,332	10.88
223,252	CONTINENTAL EUROPE – 4.59% (31.10.15 – 3.92%) Legal & General European Index Trust	562	4.59
	TOTAL CONTINENTAL EUROPE	562	4.59
604,554	FAR EAST – 4.90% (31.10.15 – 3.99%) Legal & General Pacific Index Trust	598	4.90
	TOTAL FAR EAST	598	4.90
585,694	JAPAN – 2.40% (31.10.15 – 1.77%) Legal & General Japan Index Trust	294	2.40
	TOTAL JAPAN	294	2.40
165,135	UNITED STATES – 4.76% (31.10.15 – 4.10%) Legal & General US Index Trust	583	4.76
	TOTAL UNITED STATES	583	4.76
442,329	EMERGING MARKETS – 1.92% (31.10.15 – 1.28%) Legal & General Global Emerging Markets Index Fund	235	1.92
	TOTAL EMERGING MARKETS	235	1.92
	EQUITY INVESTMENT INSTRUMENTS – 3.18% (31.10.15 – 1.22%)		
63,359	BBGI*	91	0.75
41,732	CATCo Reinsurance Opportunities Fund*	42	0.34
20,722	DP Aircraft I*	18	0.15
9,445	HarbourVest Global Private Equity*	102	0.82
4,451	HgCapital Trust*	64	0.52
29,578	NextEnergy Solar Fund*	32	0.26
39,584	Renewables Infrastructure*	42	0.34
	TOTAL EQUITY INVESTMENT INSTRUMENTS	391	3.18
	TOTAL EQUITY PORTFOLIOS	3,995	32.63

Holding	Portfolio of Investments	Value £'000	31.10.16 %
	PROPERTY PORTFOLIOS – 9.48% (31.10.15 – 11.69%)		
104,366	M&G Property Portfolio†	1,160	9.48
	TOTAL PROPERTY PORTFOLIOS	1,160	9.48
	BOND PORTFOLIOS – 54.52% (31.10.15 – 48.81%)		
1,618,561	M&G Corporate Bond Fund†	672	5.49
732,097	M&G European Corporate Bond Fund†	818	6.68
3,317	M&G European Loan Fund†	289	2.36
84,626	M&G Global Convertibles Fund†	188	1.54
341,545	M&G Global High Yield Bond Fund†	421	3.44
2,367,439	M&G Short Dated Corporate Bond Fund†	610	4.98
3,289,928	M&G Strategic Corporate Bond Fund†	3,676	30.03
	TOTAL BOND PORTFOLIOS	6,674	54.52
	Portfolio of investments	11,829	96.63
	Net other assets	412	3.37
	Net assets	12,241	100.00

The investments have been valued in accordance with note (h) of the Accounting Policies and are collective investment schemes unless stated otherwise.

† Related party holding (see note 9).

\* Ordinary shares.

## CF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

ACD's Report (continued)

### SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 31 OCTOBER 2016

<b>Total purchases for the year £'000 (note 13)</b>		<b>6,417</b>
<b>Major purchases</b>	<b>Cost</b>	<b>£'000</b>
M&G Strategic Corporate Bond Fund	1,978	
M&G Corporate Bond Fund	670	
M&G Property Portfolio	615	
Legal & General UK Index Trust	597	
M&G European Corporate Bond Fund	458	
M&G Short Dated Corporate Bond Fund	393	
Legal & General European Index Trust	265	
Legal & General Pacific Index Trust	234	
Legal & General US Index Trust	223	
M&G Global High Yield Bond Fund	208	
M&G European Loan Fund	157	
Legal & General Japan Index Trust	126	
Legal & General Global Emerging Markets Index Fund	105	
HarbourVest Global Private Equity	103	
M&G Global Convertibles Fund	97	
BBGI	70	
Renewables Infrastructure	39	
CATCo Reinsurance Opportunities Fund	35	
NextEnergy Solar Fund	23	
DP Aircraft I	11	
<b>Total sales for the year £'000 (note 13)</b>	<b>668</b>	
<b>Sales</b>	<b>Proceeds</b>	<b>£'000</b>
M&G European Corporate Bond Fund	430	
M&G Short Dated Corporate Bond Fund	142	
M&G Strategic Corporate Bond Fund	65	
HarbourVest Global Private Equity	22	
HgCapital Trust	9	

The summary of material portfolio changes represents the 20 largest purchases and all of the sales during the year.

## FINANCIAL STATEMENTS

### STATEMENT OF TOTAL RETURN FOR THE YEAR ENDED 31 OCTOBER 2016

	<b>Notes</b>	<b>£'000</b>	<b>31.10.16</b>	<b>£'000</b>	<b>31.10.15*</b>
			<b>£'000</b>		<b>£'000</b>
Income:					
Net capital gains	2		970		8
Revenue	3	295		35	
Expenses	4	(80)		(5)	
Net revenue before taxation		215		30	
Taxation	5	(29)		(2)	
Net revenue after taxation			186		28
<b>Total return before distributions</b>			1,156		36
Distributions	6		(186)		(28)
<b>Change in net assets attributable to shareholders from investment activities</b>			970		8

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS FOR THE YEAR ENDED 31 OCTOBER 2016

	<b>£'000</b>	<b>31.10.16</b>	<b>£'000</b>	<b>31.10.15*</b>
		<b>£'000</b>		<b>£'000</b>
<b>Opening net assets attributable to shareholders</b>		5,759		–
Amounts receivable on issue of shares	6,106		5,747	
Amounts payable on cancellation of shares	(738)		–	
		5,368		5,747
Dilution adjustment		32		–
Change in net assets attributable to shareholders from investment activities		970		8
Retained distributions on Accumulation shares		112		4
<b>Closing net assets attributable to shareholders</b>		12,241		5,759

\* The comparative figures in the Statement of Total Return, Statement of Change in Net Assets Attributable to Shareholders and related notes are for the period from 9 September 2015 to 31 October 2015.

CF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

Financial Statements (continued)

BALANCE SHEET

AS AT 31 OCTOBER 2016

	Notes	31.10.16 £'000	31.10.15 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		11,829	5,057
<b>Current assets</b>			
Debtors	7	799	392
Cash and bank balances		500	343
<b>Total assets</b>		<u>13,128</u>	<u>5,792</u>
<b>LIABILITIES</b>			
<b>Provisions for liabilities</b>			
		(2)	–
<b>Creditors</b>			
Distribution payable		(108)	(27)
Other creditors	8	(777)	(6)
<b>Total liabilities</b>		<u>(887)</u>	<u>(33)</u>
<b>Net assets attributable to shareholders</b>		<u>12,241</u>	<u>5,759</u>

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 OCTOBER 2016

1. ACCOUNTING POLICIES

The accounting policies described on pages 20 to 22 have been applied to the financial statements of the Fund in the current year and prior period. The additional accounting policy described below has also been applied to this Fund.

(a) *Treatment of expenses*

The Fund receives a rebate of the Annual Management Charge in relation to related party investments in the Fund. This is to eliminate double charging and, as such, is not a reduction in expenses suffered by shareholders.

	31.10.16 £'000	For the period 09.09.15 to 31.10.15 £'000
2. NET CAPITAL GAINS		
The net capital gains during the year comprise:		
Non-derivative securities	971	8
Transaction charges	(1)	–
<b>Net capital gains</b>	<u>970</u>	<u>8</u>

The net capital gains figure includes realised gains of £96 thousand and unrealised gains of £883 thousand (31.10.15 : includes realised losses of £1 thousand and unrealised gains of £9 thousand). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior period.

	31.10.16 £'000	For the period 09.09.15 to 31.10.15 £'000
3. REVENUE		
Non-taxable dividends	76	19
Taxable dividends	16	–
UK property income distributions	28	7
Unfranked interest	108	4
AMC rebates from underlying investments	67	5
<b>Total revenue</b>	<u>295</u>	<u>35</u>

## CF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

	31.10.16 £'000	For the period 09.09.15 to 31.10.15 £'000
4. EXPENSES		
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	65	4
Administration fees	14	1
	79	5
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	1	–
Total expenses	<u>80</u>	<u>5</u>

The Portfolio Management fees and expenses (plus VAT thereon) for providing portfolio management services are paid by the ACD out of its remuneration.

The audit fee of £9 thousand (31.10.15 : £5 thousand) and tax fee of £1 thousand (31.10.15 : £4 thousand) are borne by the ACD.

	31.10.16 £'000	For the period 09.09.15 to 31.10.15 £'000
5. TAXATION		
a) Analysis of charge for the year		
Corporation tax at 20%	26	2
Adjustments in respect of prior periods	1	–
Current tax charge	<u>27</u>	<u>2</u>
Deferred tax – origination and reversal of timing differences (note 5c)	2	–
Total taxation (note 5b)	<u>29</u>	<u>2</u>

### 5. TAXATION (continued)

#### b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.10.15 : 20%). The difference is explained below:

	31.10.16 £'000	For the period 09.09.15 to 31.10.15 £'000
Net revenue before taxation	215	30
Corporation tax at 20%	43	6
Effects of:		
Non-taxable dividends	(15)	(4)
Adjustments in respect of prior periods	1	–
Total tax charge (note 5a)	<u>29</u>	<u>2</u>
c) Deferred tax		
Provision at the start of the year	–	–
Deferred tax charge in the year (note 5a)	2	–
Provision at the end of the year	<u>2</u>	<u>–</u>

### 6. DISTRIBUTIONS

The distributions take account of revenue received on the issue of shares and revenue deducted on cancellations of shares, and comprise:

	31.10.16 £'000	For the period 09.09.15 to 31.10.15 £'000
Final	220	31
	220	31
Add: Revenue deducted on cancellation of shares	9	–
Deduct: Revenue received on issue of shares	(43)	(3)
Net distributions for the year	<u>186</u>	<u>28</u>

Details of the distributions per share are set out in the table on pages 240 and 241.

## CF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

	31.10.16 £'000	31.10.15 £'000
<b>7. DEBTORS</b>		
Amounts receivable for issue of shares	276	360
Sales awaiting settlement	430	–
Accrued revenue:		
Non-taxable dividends	44	19
Taxable dividends	11	–
UK property income distributions	–	7
AMC rebates from underlying investments	8	5
	63	31
Taxation recoverable:		
Income tax	30	1
<b>Total debtors</b>	<b>799</b>	<b>392</b>
<b>8. OTHER CREDITORS</b>		
Amounts payable for cancellation of shares	10	–
Purchases awaiting settlement	732	–
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	7	3
Administration fees	2	1
	9	4
Taxation payable:		
Corporation tax	26	2
<b>Total other creditors</b>	<b>777</b>	<b>6</b>

### 9. RELATED PARTY TRANSACTIONS

Annual Management Charge and administration fees payable to Capita Financial Managers Limited ('the ACD') are disclosed in note 4 and amounts due at the year end are disclosed in note 8.

The aggregate monies received by the ACD through the issue of shares and paid on cancellation of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 227 and amounts due for the year are disclosed in notes 7 and 8.

Capita Financial Managers Limited and its associates (including other authorised investment funds managed by Capita Financial Managers Limited) held 30,432 (31.10.15 : 385) of the Fund's shares at the balance sheet date.

### 9. RELATED PARTY TRANSACTIONS (continued)

M&G Investment Management Limited and its associates (including other authorised investment funds managed by M&G Investment Management Limited) held 5,000,000 (31.10.15 : 5,000,000) of the Fund's shares at the balance sheet date.

A shareholder may be able to exercise significant influence over the financial and operating policies of the Fund and as such is deemed to be a related party. At the balance sheet date the following shareholder held in excess of 20% of the shares in issue of the Fund:

Prudential plc and its associates 45.58% (31.10.15 : 86.97%)

As part of the investment strategy, the Fund may from time to time hold shares in other collective investment schemes managed by the same Portfolio Manager or for which Capita Financial Managers Limited is also the ACD. At the balance sheet date the value of the holdings were as follows:

	31.10.16 £'000	31.10.15 £'000
Portfolio Manager in common	7,834	3,359

### 10. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (31.10.15 : none).

### 11. SHARES IN ISSUE

	'A' Income	'A' Accumulation	'P' Income
Annual Management Charge	1.35%	1.35%	0.60%
Opening shares in issue	250	250	5,000,255
Issues	–	–	232,235
Cancellations	–	–	(80,673)
<b>Closing shares in issue</b>	<b>250</b>	<b>250</b>	<b>5,151,817</b>

	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.60%	0.85%
Opening shares in issue	3,092	745,172
Issues	964,153	4,711,064
Cancellations	(393,460)	(211,997)
<b>Closing shares in issue</b>	<b>573,785</b>	<b>5,244,239</b>

## CF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 11. SHARES IN ISSUE (continued)

The closing net asset value and the closing net asset value per share, for each share class in issue at the balance sheet date, are given in the Fund Information.

### 12. RISK MANAGEMENT POLICIES

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for hedging purposes.

The main risks from the Fund's holding of financial instruments, together with the ACD's policy for managing these risks, are set out below:

The ACD has in place a Risk Management Policy and Procedures Document ('RMPPD') that sets out the risks that may impact a fund and how the ACD seeks, where appropriate, to manage, monitor and mitigate those risks, and in particular those risks associated with the use of derivatives. The RMPPD sets out both the framework and the risk mitigations operated by the ACD in managing the identified risks of the fund. The ACD requires that the appointed Portfolio Manager to the fund has in place its own governance structure, policies and procedures that are commensurate with its regulatory obligations and the risks posed by the fund managed.

#### i. Credit risk

Credit risk is the risk that a counterparty may be unable or unwilling to make a payment or fulfil contractual obligations. This may be in terms of an actual default or by deterioration in a counterparty's credit quality.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. As part of its due diligence process, the ACD undertakes a review of the controls operated over counterparties by the Portfolio Manager, including initial and ongoing due diligence and business volumes placed with each counterparty. In cases which are dependent on the counterparty settling at the transaction's maturity date, the ACD has policies in place which set out the minimum credit quality expected of a market counterparty or deposit taker at the outset of the transaction.

#### ii. Interest rate risk

Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of interest rate changes. The value of fixed interest securities may be affected by changes in interest rates, either globally or locally. Changes in the rate of return in one asset class may influence the valuation basis of other classes. The amount of revenue receivable from floating rate investments and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates. Investment in collective investment schemes exposes the Fund to indirect interest rate risk to the extent that they invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

As the Fund is invested in underlying funds these funds may have exposure to bonds and to interest rate risk.

### 12. RISK MANAGEMENT POLICIES (continued)

#### iii. Foreign currency risk

Foreign currency risk is the risk that the sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the sterling equivalent value. Forward currency contracts are employed by the Portfolio Manager, where deemed appropriate, to mitigate the foreign exchange risk. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates.

Where the Fund invests in non-sterling assets, the Portfolio Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

A 5% change in the Pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £3 thousand on the net assets of the Fund (31.10.15 : £1 thousand).

The table below shows the direct foreign currency risk profile:

	31.10.16 £'000	31.10.15 £'000
Currency:		
US dollars	61	29
Pounds sterling	12,180	5,730
	<hr/>	<hr/>
Net assets	12,241	5,759

#### iv. Leverage

The ACD is required to calculate and monitor the level of leverage of the Fund, expressed as a ratio between the exposure of the Fund and its Net Asset Value, under both the gross and commitment methods (in accordance with articles 7 and 8 of The Alternative Investment Fund Managers Regulations 2013). For a fund with no borrowing or derivative usage the leverage ratio would be 1:1 under the commitment method. The gross method calculation excludes cash and cash equivalents which are highly liquid.

As at 31.10.16, leverage under the gross method was 0.97:1 and leverage under the commitment method was 1:1 (31.10.15 : 0.88:1 and 1:1 respectively).

#### v. Liquidity risk

The main liability of the Fund is the cancellation of any shares that investors want to sell. Investments may have to be sold to fund such cancellations should insufficient cash be held at the bank to meet this obligation.

To reduce liquidity risk the Portfolio Manager will ensure that a substantial portion of the Fund's assets consist of cash and readily realisable investments.

All financial liabilities are payable in one year or less, or on demand.

## CF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 12. RISK MANAGEMENT POLICIES (continued)

#### vi. Market price risk

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds.

Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

#### vii. Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

#### viii. Derivatives

The Fund held no derivatives during the current year or prior period.

### 13. PORTFOLIO TRANSACTION COSTS

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
<b>31.10.16</b>				
Ordinary shares	50	–	–	50
Collective investment schemes	6,367	–	–	6,367
<b>Purchases total</b>	<b>6,417</b>	<b>–</b>	<b>–</b>	<b>6,417</b>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	668	–	–	668
<b>Sales total</b>	<b>668</b>	<b>–</b>	<b>–</b>	<b>668</b>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.16 is 0.35% (31.10.15 : 0.73%).

## CF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 13. PORTFOLIO TRANSACTION COSTS (continued)

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
<b>31.10.15</b>				
Collective investment schemes	5,146	–	–	5,146
<b>Purchases total</b>	<b>5,146</b>	<b>–</b>	<b>–</b>	<b>5,146</b>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	100	–	–	100
<b>Sales total</b>	<b>100</b>	<b>–</b>	<b>–</b>	<b>100</b>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

### 14. FAIR VALUE HIERARCHY

Investments are categorised into the following levels based on their fair value measurement:

Level 1: The unadjusted quoted price in an active market for identical assets that the Fund can access at the year end date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the assets.

Valuation technique	31.10.16 Assets £'000	31.10.15 Assets £'000
Level 1	391	70
Level 2	11,438	4,987
Level 3	–	–
Total portfolio of investments	<b>11,829</b>	<b>5,057</b>

### 15. SUBSEQUENT EVENTS

Since the balance sheet date of 31 October 2016, the net asset value of the Fund has risen by 23%, primarily due to issue of shares and market movement.

## CF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

Financial Statements (continued)

### DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 OCTOBER 2016 – IN PENCE PER SHARE

#### EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares – the applicable distribution periods for each distribution are shown below). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes.

Group 2	Final
From	01.11.15
To	31.10.16

#### 'A' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	1.3080	–	1.3080	0.3960
Group 2	1.3080	0.0000	1.3080	0.3960

#### 'A' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	1.6040	–	1.6040	0.5160
Group 2	1.6040	0.0000	1.6040	0.5160

#### 'P' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	2.0992	–	2.0992	0.5376
Group 2	2.0644	0.0348	2.0992	0.5376

#### 'P' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	2.1162	–	2.1162	0.5476
Group 2	0.9606	1.1556	2.1162	0.5476

#### 'R' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	1.9072	–	1.9072	0.5209
Group 2	1.3126	0.5946	1.9072	0.5209

CF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO  
ACD'S REPORT  
FOR THE YEAR ENDED 31 OCTOBER 2016

IMPORTANT INFORMATION

Refer to the 'Important Information' section on page 12.

INVESTMENT OBJECTIVE AND POLICY

The CF Prudential Dynamic Focused 20-55 Portfolio ('the Fund') aims to achieve a long-term total return (the combination of income and growth of capital) by investing mainly in collective investment schemes. Between 20% and 55% of the Fund will be invested in schemes whose predominant exposure is to equities.

The Fund invests in other funds which use active and passive management approaches in order to provide a well-diversified, indirect exposure to global fixed income and variable rate assets, cash, near cash, equities and/or immovable property. From time to time, however, the Fund may have a high exposure to equities and/or fixed income assets. The Fund will concentrate on delivering returns from the Portfolio Manager's asset allocation decisions and the selection of a focused range of funds and fund management groups (which may include other funds managed by the Portfolio Manager).

The Fund may also invest directly in other assets such as transferable securities, cash and near cash, deposits, warrants and money market instruments. Derivative instruments may be used for efficient portfolio management only.

CAPITA FINANCIAL MANAGERS LIMITED  
ACD of CF Prudential Dynamic Focused 20-55 Portfolio  
16 February 2017

PORTFOLIO MANAGER'S REPORT

Between 1 November 2015 and 31 October 2016 share classes 'A' Accumulation 13.55%<sup>1</sup>, 'R' Accumulation 14.01%<sup>1</sup> and 'P' Accumulation 14.3%<sup>1</sup> produced positive returns ahead of the 9.8%<sup>1</sup> sector average for IA Mixed Investment 20-60% Shares.

ECONOMIC OVERVIEW

Positions, and turning points, in business cycles typically form part of the analysis when constructing investment portfolios. Our analysis suggests that the US is in a mature phase of its expansion. As with the US, we believe that the UK is also in a maturing phase of its business cycle (although behind the US in terms of positioning) and that the economy is likely to slow sharply once the UK officially notifies the European Union ('EU') of its decision to leave the Union. By comparison, we think that the eurozone is approaching the mid-cycle expansion stage of the business cycle. Finally, in our opinion, Japan is probably in the later stages of its business cycle.

Growth in China has recently stabilised, due to policy support and strong credit growth. Economic growth is expected to start slowing, in the absence of further large stimulus. Of concern remains the high and growing level of debt, particularly on the part of Chinese corporates. Vulnerabilities will continue to rise as credit continues to grow. This is complicating the task of rebalancing the economy away from investment and towards consumption, the implementation of deeper structural reforms, and allowing market forces to play a greater role in determining the allocation of resources.

MARKET OVERVIEW

Having experienced a positive end to 2015, the early part of 2016 brought a remarkable turnaround in investor sentiment. In January 2016, many stockmarkets experienced their worst month for many years as renewed fears about a China-led global economic slowdown and a collapse in the oil price led to a retreat from risk assets. Investors then appeared to accept that a global recession was not as likely as feared and, when the oil price began to recover and central banks announced further action to boost growth, stockmarkets rallied strongly.

Despite several other events that could have unsettled investors including the UK referendum result, terrorist attacks and an attempted military coup in Turkey, investors have continued to focus on the support being given by policymakers.

Significant movements in currency markets also featured; sterling weakened against most other currencies, initially on the recognition that UK interest rates were unlikely to rise in the short term, but subsequently from the decision by the UK electorate to leave the EU.

UK

The FTSE All-Share had a strong 12 months, recovering from the lows of mid-February led by international energy and mining stocks, as oil and metal prices increased. The market also rebounded strongly from a short period of weakness following the UK referendum result in June supported by a decline in the pound that benefited the large number of multi-national businesses in the UK.

Returns from the Legal & General UK Index Trust were in line with the performance of the FTSE All-Share Index.

<sup>1</sup> Source: FE Analytics. The Portfolio Manager uses the IA Mixed Investment 20-60 Shares for comparison. No benchmark is required to be disclosed per the Prospectus.

## CF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

ACD's Report (continued)

Portfolio Manager's Report (continued)

For the year ended 31 October 2016

### NORTH AMERICA

The S&P 500 produced a positive return over the period in review although US stockmarkets had their worst start to a new year for many years, with investors spooked by the slump in the oil price in January 2016. Concern that the economy could fall back into recession peaked in mid-February before bargain hunting among financial and energy stocks emerged. A rebound in the oil price and good economic data saw US shares recover. This prompted the US Federal Reserve ('the Fed') to confirm interest rate hikes would proceed cautiously. The continued actions of other central banks in keeping interest rates low has also helped keep investor sentiment generally positive.

Returns from the Legal & General US Index Trust were in line with the performance of the FTSE USA Index.

### EUROPE

Having pledged that it would not hesitate to act in support of the eurozone's economy, the European Central Bank ('ECB') took unexpectedly aggressive action in March. The main interest rate was reduced to zero, the deposit rate cut to -0.4% and the programme of asset purchases extended.

Most of Europe's stockmarkets declined over the period in local terms, though the strength of the euro against the pound meant that, in sterling terms, the losses were reduced or reversed. Concerns about the state of Italian banks hampered the country's stockmarket and concerns about Deutsche Bank grew following the imposition of a US\$14 billion fine from US authorities in late September.

Returns from the Legal & General European Index Trust were in line with the performance of the FTSE World Europe ex UK Index.

### JAPAN

Despite the government's package of measures to keep interest rates low, weaken the yen and encourage inflation, the Japanese economy remained under pressure. The Bank of Japan ('BoJ') took the unprecedented step of setting the main interest rate below zero, at -0.1%.

While this caused the yen to weaken in the short term, it then strengthened significantly over the period – regarded not only as a safe haven when other markets weakened, but also gaining relative to the US dollar when it became apparent US interest rates were not about to rise immediately. A strong yen tends to weigh on the Japanese stockmarket as it restricts the country's export competitiveness. Japanese shares were lower over the period in review despite rallying in the third quarter.

Returns from the Legal & General Japan Index Trust were in line with the performance of the FTSE Japan Index.

### ASIA EX JAPAN

In common with other global stockmarkets, shares in Asia endured a turbulent first few months of 2016 having recovered towards the end of 2015. The Chinese stockmarket, the largest in the region, declined sharply early in the year as investors became increasingly concerned that the economy was stalling. In a surprise move, the authorities devalued the Chinese currency, alarming investors and sending shock waves around the world.

A general improvement in investor sentiment during the third quarter was reflected in higher prices for shares in the Asia Pacific region, particularly as economic data seemed to suggest that the Chinese economy was not slowing as much as had been feared.

Returns from the Legal & General Pacific Index Trust were in line with the performance of the FTSE World Asia Pacific ex Japan Index.

### UK BONDS

UK interest rates and inflation remained low during the period. Weakness in the price of oil and other commodities notably contributed to subdued inflation, while signs that the global economy may be slowing supported the Bank of England's ('BoE') decision to keep interest rates unchanged. Fears of a global recession started to fade from around the middle of February, so gilt prices moderated and UK corporate bonds staged a solid rebound, especially in the final weeks of March.

The third quarter saw sustained demand for 'safe-haven' assets as the UK referendum result took financial markets by surprise. Expectations of interest rate increases were pushed out and indeed the BoE lowered interest rates to 0.25% in August. The extent of the accompanying bond-purchasing programme was greater than expected and kept demand for UK corporate and government bonds strong.

The M&G Strategic Corporate Bond Fund produced a positive return over the period in review.

### INTERNATIONAL BONDS

With the uncertain outlook at the beginning of 2016, demand for global corporate bonds tended to weaken, and as a result, these assets initially delivered mixed returns. In contrast, demand for core government bonds, including those from the US and Germany, increased sharply as investors sought out 'safe-haven' assets.

The situation reversed from mid-February onwards as investor risk appetite returned, helped by the stabilisation in commodity prices. Corporate bonds experienced a solid rebound in the circumstances and high-yield bonds also rallied towards the end of the period in review.

The M&G European Corporate Bond Fund, M&G Global Convertibles Fund, M&G European Loan Fund and M&G Global High Yield Bond Fund all produced positive returns.

### UK PROPERTY

Even before the UK referendum on membership of the European Union, the UK commercial property market had begun to cool, with both capital value and rental income growth slowing. In the two months after the 'Leave' vote, commercial property prices fell by around 4% in total. However, there are some early signs that prices are beginning to stabilise, not least because of solid demand for property assets from overseas buyers.

So far in 2016, capital values have declined by around 3%, with the steepest fall seen in the All Retail sector. Meanwhile, rental values for all UK commercial property have grown by just over 1% year-to-date, with All Industrials and All Offices recording the largest increases.

The M&G Property Portfolio suffered from a surge of redemption requests following the referendum result. This had a negative effect on performance as the fund manager had to suspend trading and re-value underlying assets.

### EMERGING MARKETS

The end of 2015 was modestly positive for Emerging Markets overall. At the beginning of 2016 they suffered in an environment of risk aversion as investors considered the effect of a slowing global economy and lower oil prices.

## CF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

ACD's Report (continued)

Portfolio Manager's Report (continued)

For the year ended 31 October 2016

### EMERGING MARKETS (continued)

However, Emerging Markets performed better than most developed markets over the third quarter and have now produced very strong returns to end October 2016. This has been driven by the higher prices for oil, and commodity prices and a weaker US dollar.

Returns from the Legal & General Global Emerging Markets Index Fund were in line with the performance of the FTSE All World Emerging Index.

### POSITIONING

Over the period, there have been no major changes to the overall portfolio structure which remains broadly diversified by asset class and geography with a balanced exposure to equities and fixed income. Any transactions relate to ongoing trading in order to keep the portfolio in line with target positions, in accordance with the underlying mandate of the Fund.

### OUTLOOK

Global growth is expected to remain subdued for several factors. These include the continuation of highly leveraged advanced and Emerging Markets (although some deleveraging has occurred post-2008 in advanced economies); the ongoing rebalancing in China which is resulting in a gradually slowing Chinese economy; a continued adjustment on the part of commodity producers to a decline in their terms of trade; geopolitical uncertainty across the globe; and a lack of structural reform in many economies that will act as a restraint on global growth, as these reforms take several years to bear fruit.

Monetary policy divergence is set to continue in the advanced economies, although it will remain very accommodative even once the Fed resumes its rate hiking cycle. The Fed is expected to hike once in December 2016, while the ECB, the BoJ and the BoE may ease policy further.

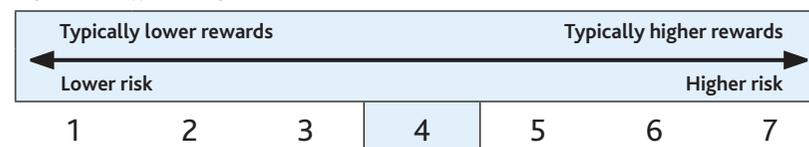
### M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

18 November 2016

## FUND INFORMATION

### RISK AND REWARD PROFILE



This indicator shows how much a fund has risen and fallen in the past, and therefore how much a fund's returns have varied. It is a measure of a fund's volatility. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains. The lowest number on the scale does not mean that a fund is risk free.

The Fund has been classed as 4 because its volatility has been measured as average.

Non-UCITS Retail Scheme (NURS): The Fund can be less diversified than UCITS schemes as it has higher investment limits for certain types of asset. It can also invest in assets which are not available to UCITS schemes. This can increase the potential rewards but can also increase risk.

This indicator is based on historical data and may not be a reliable indication of the future risk profile of this Fund.

The risk and reward profile shown is not guaranteed to remain the same and may shift over time.

Currency Risk: As the Fund invests indirectly in overseas securities, exchange rates movements may, when not hedged, cause the value of your investment to increase or decrease.

Credit Risk: Fixed interest securities are affected by trends in interest rates and inflation. If interest rates go up the value of capital may fall and vice versa. Inflation will also decrease the real value of capital. The value of a fixed interest security is also affected by its credit rating. Fixed interest securities with a higher yield also generally brings an increased risk of default on repayment by the issuer which could affect the income and capital of the Fund.

For full details of the Fund's risks, please see the Prospectus which may be obtained upon application and can be found on the ACD's website, [www.capitafinancial.com](http://www.capitafinancial.com), by following the link 'Fund Information'.

## CF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

### COMPARATIVE TABLES

Where the Fund has significant investment in collective investment schemes, the operating charges take account of the ongoing charges incurred in the underlying schemes, calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'A' Income shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	120.01	119.18	118.20
Return before operating charges*	17.05	5.37	5.02
Operating charges	(1.94)	(1.97)	(2.00)
Return after operating charges	15.11	3.40	3.02
Distributions	(1.54)	(2.57)	(2.04)
Closing net asset value per share	133.58	120.01	119.18
* after direct transaction costs of:	–	–	–
<b>Performance</b>			
Return after charges	12.59%	2.85%	2.55%
<b>Other information</b>			
Closing net asset value (£'000)	301	1,066	2,987
Closing number of shares	225,489	888,074	2,505,892
Operating charges	1.59%	1.59%	1.67%
Direct transaction costs	–	–	–
<b>Prices</b>			
Highest share price	136.28	130.22	124.05
Lowest share price	115.24	117.85	116.17

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'A' Accumulation shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	140.95	137.01	133.60
Return before operating charges*	20.09	6.19	5.67
Operating charges	(2.30)	(2.25)	(2.26)
Return after operating charges	17.79	3.94	3.41
Distributions	(2.14)	(3.00)	(2.30)
Retained distributions on accumulation shares	2.14	3.00	2.30
Closing net asset value per share	158.74	140.95	137.01
* after direct transaction costs of:	–	0.01	–
<b>Performance</b>			
Return after charges	12.62%	2.88%	2.55%
<b>Other information</b>			
Closing net asset value (£'000)	11,285	15,039	19,004
Closing number of shares	7,109,287	10,669,696	13,870,846
Operating charges	1.59%	1.59%	1.67%
Direct transaction costs	–	–	–
<b>Prices</b>			
Highest share price	159.98	149.46	140.20
Lowest share price	135.26	135.52	131.30

## CF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

ACD's Report (continued)  
Fund Information (continued)

### COMPARATIVE TABLES (continued)

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'C' Income shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	119.91	119.16	118.16
Return before operating charges*	16.85	5.02	4.69
Operating charges	(0.30)	(0.30)	(0.35)
Return after operating charges	16.55	4.72	4.34
Distributions	(3.24)	(3.97)	(3.34)
Closing net asset value per share	133.22	119.91	119.16
* after direct transaction costs of:	–	–	–
<b>Performance</b>			
Return after charges	13.80%	3.96%	3.67%
<b>Other information</b>			
Closing net asset value (£'000)	63,776	59,226	55,438
Closing number of shares	47,871,491	49,393,175	46,525,762
Operating charges	0.24%	0.24%	0.29%
Direct transaction costs	–	–	–
<b>Prices</b>			
Highest share price	137.64	130.60	125.16
Lowest share price	115.50	118.99	116.47

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 <sup>1</sup> (p/share)
<b>'P' Income shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	101.44	100.89	100.00
Return before operating charges*	14.36	4.30	3.99
Operating charges	(0.88)	(0.89)	(0.80)
Return after operating charges	13.48	3.41	3.19
Distributions	(2.23)	(2.86)	(2.30)
Closing net asset value per share	112.69	101.44	100.89
* after direct transaction costs of:	–	–	–
<b>Performance</b>			
Return after charges	13.29%	3.38%	3.19%
<b>Other information</b>			
Closing net asset value (£'000)	3,595	2,950	3,641
Closing number of shares	3,190,657	2,907,923	3,608,354
Operating charges	0.84%	0.84%	0.83% <sup>2</sup>
Direct transaction costs	–	–	–
<b>Prices</b>			
Highest share price	116.01	110.29	105.51
Lowest share price	97.70	100.23	98.45

<sup>1</sup> From 15 November 2013.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

## CF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

ACD's Report (continued)  
Fund Information (continued)

### COMPARATIVE TABLES (continued)

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 <sup>1</sup> (p/share)
<b>'P' Accumulation shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	106.66	103.20	100.00
Return before operating charges*	15.12	4.36	4.01
Operating charges	(0.92)	(0.90)	(0.81)
Return after operating charges	14.20	3.46	3.20
Distributions	(2.34)	(2.92)	(2.30)
Retained distributions on accumulation shares	2.34	2.92	2.30
Closing net asset value per share	120.86	106.66	103.20
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	13.31%	3.35%	3.20%
<b>Other information</b>			
Closing net asset value (£'000)	41,522	42,800	39,972
Closing number of shares	34,354,208	40,126,665	38,731,446
Operating charges	0.84%	0.84%	0.83% <sup>2</sup>
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	121.96	112.83	105.51
Lowest share price	102.71	102.49	98.45

<sup>1</sup> From 15 November 2013.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

	31.10.16 (p/share)	31.10.15 (p/share)	31.10.14 (p/share)
<b>'R' Accumulation shares</b>			
<b>Change in net assets per share</b>			
Opening net asset value per share	123.93	120.01	116.57
Return before operating charges*	17.61	5.25	4.78
Operating charges	(1.40)	(1.33)	(1.34)
Return after operating charges	16.21	3.92	3.44
Distributions	(2.49)	(3.16)	(2.48)
Retained distributions on accumulation shares	2.49	3.16	2.48
Closing net asset value per share	140.14	123.93	120.01
* after direct transaction costs of:	-	-	-
<b>Performance</b>			
Return after charges	13.08%	3.27%	2.95%
<b>Other information</b>			
Closing net asset value (£'000)	13,119	8,507	2,132
Closing number of shares	9,361,120	6,864,399	1,776,685
Operating charges	1.09%	1.09%	1.14%
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	141.30	131.13	122.74
Lowest share price	119.15	119.10	114.67

## CF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

### FUND PERFORMANCE TO 31 OCTOBER 2016 (%)

	1 year	3 years	5 years
CF Prudential Dynamic Focused 20-55 Portfolio	13.55	18.26	41.41

The performance of the Fund is based on the published price per 'A' Accumulation share which includes reinvested income.

The performance of the Fund disclosed in the above table may differ from the 'Return after charges' disclosed in the Comparative Table due to the above performance being calculated on the latest published price prior to the period end, rather than the period end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 272 and 273.

### RISK WARNING

An investment in an open-ended investment company should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

### PORTFOLIO STATEMENT AS AT 31 OCTOBER 2016

Holding	Portfolio of Investments	Value £'000	31.10.16 %
	EQUITY PORTFOLIOS – 41.64% (31.10.15 – 39.65%)		
	CONTINENTAL EUROPE – 6.86% (31.10.15 – 6.28%)		
3,640,744	Legal & General European Index Trust	9,171	6.86
	TOTAL CONTINENTAL EUROPE	9,171	6.86
	UNITED KINGDOM – 15.28% (31.10.15 – 15.54%)		
13,585,625	Legal & General UK Index Trust	20,419	15.28
	TOTAL UNITED KINGDOM	20,419	15.28
	FAR EAST – 6.61% (31.10.15 – 6.40%)		
8,921,262	Legal & General Pacific Index Trust	8,828	6.61
	TOTAL FAR EAST	8,828	6.61
	JAPAN – 3.28% (31.10.15 – 2.81%)		
8,716,977	Legal & General Japan Index Trust	4,380	3.28
	TOTAL JAPAN	4,380	3.28
	UNITED STATES – 6.92% (31.10.15 – 6.56%)		
2,618,023	Legal & General US Index Trust	9,244	6.92
	TOTAL UNITED STATES	9,244	6.92
	EMERGING MARKETS – 2.69% (31.10.15 – 2.06%)		
6,762,838	Legal & General Global Emerging Markets Index Fund	3,589	2.69
	TOTAL EMERGING MARKETS	3,589	2.69
	TOTAL EQUITY PORTFOLIOS	55,631	41.64
	EQUITY INVESTMENT INSTRUMENTS – 5.20% (31.10.15 – 2.68%)		
961,602	BBGi*	1,387	1.04
320,000	Blue Capital Global Reinsurance Fund*	254	0.19
712,910	CATCo Reinsurance Opportunities Fund*	724	0.54
1,007,254	DP Aircraft I*	883	0.66

## CF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

ACD's Report (continued)

Portfolio Statement (continued)

As at 31 October 2016

Holding	Portfolio of Investments	Value £'000	31.10.16 %
	EQUITY INVESTMENT INSTRUMENTS – 5.20% (31.10.15 – 2.68%) (continued)		
135,731	HarbourVest Global Private Equity*	1,459	1.09
65,209	HgCapital Trust*	934	0.70
212,083	NB Distressed Debt Investment Fund*	167	0.13
446,068	NextEnergy Solar Fund*	480	0.36
617,039	Renewables Infrastructure*	662	0.49
	<b>TOTAL EQUITY INVESTMENT INSTRUMENTS</b>	<b>6,950</b>	<b>5.20</b>
	PROPERTY PORTFOLIOS – 13.69% (31.10.15 – 15.40%)		
1,645,614	M&G Property Portfolio†	18,292	13.69
	<b>TOTAL PROPERTY PORTFOLIOS</b>	<b>18,292</b>	<b>13.69</b>
	BOND PORTFOLIOS – 39.50% (31.10.15 – 39.65%)		
5,221,157	M&G European Corporate Bond Fund†	5,835	4.37
26,867	M&G European Loan Fund†	2,337	1.75
491,203	M&G Global Convertibles Fund†	1,093	0.82
4,089,234	M&G Global High Yield Bond Fund†	5,036	3.77
17,291,012	M&G Short Dated Corporate Bond Fund†	4,456	3.33
30,439,875	M&G Strategic Corporate Bond Fund†	34,011	25.46
	<b>TOTAL BOND PORTFOLIOS</b>	<b>52,768</b>	<b>39.50</b>
	Portfolio of investments	133,641	100.03
	Net other liabilities	(43)	(0.03)
	<b>Net assets</b>	<b>133,598</b>	<b>100.00</b>

The investments have been valued in accordance with note (h) of the Accounting Policies and are collective investment schemes unless stated otherwise.

† Related party holding (see note 10).

\* Ordinary shares.

## SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 31 OCTOBER 2016

**Total purchases for the year £'000 (note 14)** **18,393**

Purchases	Cost £'000
M&G Strategic Corporate Bond Fund	5,502
M&G Short Dated Corporate Bond Fund	2,200
Legal & General UK Index Trust	1,530
HarbourVest Global Private Equity	1,407
M&G Property Portfolio	1,300
Legal & General European Index Trust	1,300
Legal & General Japan Index Trust	1,300
M&G European Corporate Bond Fund	1,030
Legal & General US Index Trust	930
BBGi	738
HgCapital Trust	441
Renewables Infrastructure	286
CATCo Reinsurance Opportunities Fund	175
NB Distressed Debt Investment Fund	171
M&G Global High Yield Bond Fund	71
NextEnergy Solar Fund	9
M&G Global Convertibles Fund	3

**Total sales for the year £'000 (note 14)** **24,663**

Sales	Proceeds £'000
M&G European Corporate Bond Fund	7,116
M&G Short Dated Corporate Bond Fund	3,273
Legal & General UK Index Trust	3,128
Legal & General US Index Trust	2,484
Legal & General Pacific Index Trust	2,056
Legal & General Japan Index Trust	1,559
Legal & General European Index Trust	1,528
M&G Property Portfolio	1,074
M&G Strategic Corporate Bond Fund	958
M&G Global Convertibles Fund	630
BBGi	240
HarbourVest Global Private Equity	224
NB Distressed Debt Investment Fund	219
NextEnergy Solar Fund	162
M&G Pan European Select Fund	12

The summary of material portfolio changes represents all of the purchases and sales during the year.

CF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO  
 FINANCIAL STATEMENTS  
 STATEMENT OF TOTAL RETURN  
 FOR THE YEAR ENDED 31 OCTOBER 2016

	Notes	£'000	31.10.16 £'000	£'000	31.10.15 £'000
Income:					
Net capital gains	2		13,467		592
Revenue	3	4,034		5,052	
Expenses	4	(741)		(813)	
Interest payable and similar charges	5	(2)		(1)	
Net revenue before taxation		3,291		4,238	
Taxation	6	(398)		(455)	
Net revenue after taxation			2,893		3,783
<b>Total return before distributions</b>			16,360		4,375
Distributions	7		(2,895)		(3,830)
<b>Change in net assets attributable to shareholders from investment activities</b>			13,465		545

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS  
 FOR THE YEAR ENDED 31 OCTOBER 2016

	£'000	31.10.16 £'000	£'000	31.10.15 £'000
<b>Opening net assets attributable to shareholders</b>		129,588		123,174
Amounts receivable on issue of shares	19,405		29,641	
Amounts payable on cancellation of shares	(30,161)		(25,479)	
		(10,756)		4,162
Dilution adjustment		113		-
Change in net assets attributable to shareholders from investment activities		13,465		545
Retained distributions on Accumulation shares		1,188		1,707
<b>Closing net assets attributable to shareholders</b>		133,598		129,588

BALANCE SHEET  
 AS AT 31 OCTOBER 2016

	Notes	31.10.16 £'000	31.10.15 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		133,641	126,197
<b>Current assets</b>			
Debtors	8	5,741	1,205
Cash and bank balances		1,384	5,366
<b>Total assets</b>		140,766	132,768
<b>LIABILITIES</b>			
<b>Provisions for liabilities</b>		(32)	-
<b>Creditors</b>			
Distribution payable		(1,626)	(2,067)
Other creditors	9	(5,510)	(1,113)
<b>Total liabilities</b>		(7,168)	(3,180)
<b>Net assets attributable to shareholders</b>		133,598	129,588

## CF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

Financial Statements (continued)

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 OCTOBER 2016

### 1. ACCOUNTING POLICIES

The accounting policies described on pages 20 to 22 have been applied to the financial statements of the Fund in the current and prior year. The additional accounting policy described below has also been applied to this Fund.

#### (a) Treatment of expenses

The Fund receives a rebate of the Annual Management Charge in relation to related party investments in the Fund. This is to eliminate double charging and, as such, is not a reduction in expenses suffered by shareholders.

	31.10.16 £'000	31.10.15 £'000
2. NET CAPITAL GAINS		
The net capital gains during the year comprise:		
Non-derivative securities	13,439	378
AMC rebates from underlying investments	–	213
Currency gains	28	1
Net capital gains	<u>13,467</u>	<u>592</u>

The net capital gains figure includes realised gains of £1,858 thousand and unrealised gains of £12,917 thousand (31.10.15 : includes realised gains of £4,948 thousand and unrealised gains of £1,304 thousand). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

	31.10.16 £'000	31.10.15 £'000
3. REVENUE		
Non-taxable dividends	1,303	2,216
Taxable dividends	269	7
UK property income distributions	483	611
Unfranked interest	1,220	1,417
AMC rebates from underlying investments	758	793
Bank interest	1	8
Total revenue	<u>4,034</u>	<u>5,052</u>

### 4. EXPENSES

Payable to the ACD, associates of the ACD and agents of either of them:

Annual Management Charge	524	589
Administration fees	193	199
	<u>717</u>	<u>788</u>

### 4. EXPENSES (continued)

Payable to the Depository, associates of the Depository and agents of either of them:

	31.10.16 £'000	31.10.15 £'000
Depository's fees	11	12
Safe custody and other bank charges	1	–
	<u>12</u>	<u>12</u>
Other expenses:		
FCA fee	1	–
Fees paid to auditor – audit	9	9
– tax services	1	4
Legal and professional fees	1	–
	<u>12</u>	<u>13</u>
Total expenses	<u>741</u>	<u>813</u>

The Portfolio Management fees and expenses (plus VAT thereon) for providing portfolio management services are paid by the ACD out of its remuneration.

	31.10.16 £'000	31.10.15 £'000
5. INTEREST PAYABLE AND SIMILAR CHARGES		
Interest payable	2	1
Total interest payable and similar charges	<u>2</u>	<u>1</u>
6. TAXATION		
a) Analysis of charge for the year		
Corporation tax at 20%	366	473
Income tax offset	–	(1)
Overseas tax	–	3
Irrecoverable income tax	–	1
Adjustments in respect of prior periods	–	5
Current tax charge	<u>366</u>	<u>481</u>
Deferred tax – origination and reversal of timing differences (note 6c)	32	(26)
Total taxation (note 6b)	<u>398</u>	<u>455</u>

## CF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 6. TAXATION (continued)

#### b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.10.15 : 20%). The difference is explained below:

	31.10.16 £'000	31.10.15 £'000
Net revenue before taxation	3,291	4,238
Corporation tax at 20%	658	848
Effects of:		
Non-taxable dividends	(260)	(444)
Overseas tax expensed	–	3
Corporation tax: adjustment in respect of prior years	–	5
AMC rebates taken to capital	–	43
Total tax charge (note 6a)	<u>398</u>	<u>455</u>
c) Deferred tax		
Provision at the start of the year	–	26
Deferred tax charge in the year (note 6a)	32	(26)
Provision at the end of the year	<u>32</u>	<u>–</u>

### 7. DISTRIBUTIONS

The distributions take account of revenue received on the issue of shares and revenue deducted on cancellations of shares, and comprise:

	31.10.16 £'000	31.10.15 £'000
Final	2,814	3,774
	<u>2,814</u>	<u>3,774</u>
Add: Revenue deducted on cancellation of shares	180	343
Deduct: Revenue received on issue of shares	(99)	(287)
Net distributions for the year	<u>2,895</u>	<u>3,830</u>

Details of the distributions per share are set out in the table on pages 272 and 273.

### 7. DISTRIBUTIONS (continued)

Distributions represented by:

	31.10.16 £'000	31.10.15 £'000
Net revenue after taxation	2,893	3,783
Allocations to capital:		
Tax relief from capital	–	43
Equalisation on conversions*	2	4
Net distributions for the year	<u>2,895</u>	<u>3,830</u>

\* Where an investor converts to a class with a higher income yield, the investor will receive an equalisation as if they had held the new class throughout the period from the last distribution to the conversion date. The yield differential at the point of conversion is an equalisation which will be offset by capital erosion for the converted investor.

### 8. DEBTORS

	31.10.16 £'000	31.10.15 £'000
Amounts receivable for issue of shares	54	191
Sales awaiting settlement	4,700	–
Accrued revenue:		
Non-taxable dividends	683	631
Taxable dividends	128	–
UK property income distributions	–	197
Unfranked interest	–	9
AMC rebates from underlying investments	90	139
	<u>901</u>	<u>976</u>
Taxation recoverable:		
Income tax	86	38
Total debtors	<u>5,741</u>	<u>1,205</u>

### 9. OTHER CREDITORS

Amounts payable for cancellation of shares	544	843
Purchases awaiting settlement	4,742	–

## CF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

	31.10.16 £'000	31.10.15 £'000
9. OTHER CREDITORS (continued)		
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	45	48
Administration fees	17	16
	62	64
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	1	1
Transaction charges	-	1
	1	2
Taxation payable:		
Corporation tax	150	191
Other expenses	11	13
Total other creditors	<u>5,510</u>	<u>1,113</u>

### 10. RELATED PARTY TRANSACTIONS

Annual Management Charge and administration fees payable to Capita Financial Managers Limited ('the ACD') are disclosed in note 4 and amounts due at the year end are disclosed in note 9.

The aggregate monies received by the ACD through the issue of shares and paid on cancellation of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 258 and amounts due for the year are disclosed in notes 8 and 9.

Capita Financial Managers Limited and its associates (including other authorised investment funds managed by Capita Financial Managers Limited) held 245,659 (31.10.15 : 36,419) of the Fund's shares at the balance sheet date.

M&G Investment Management Limited and its associates (including other authorised investment funds managed by M&G Investment Management Limited) held 44,447,286 (31.10.15 : 49,392,925) of the Fund's shares at the balance sheet date.

A shareholder may be able to exercise significant influence over the financial and operating policies of the Fund and as such is deemed to be a related party. At the balance sheet date the following shareholder held in excess of 20% of the shares in issue of the Fund:

Prudential plc and its associates 46.88% (31.10.15 : 44.56%)

### 10. RELATED PARTY TRANSACTIONS (continued)

As part of the investment strategy, the Fund may from time to time hold shares in other collective investment schemes managed by the same Portfolio Manager or for which Capita Financial Managers Limited is also the ACD. At the balance sheet date the value of the holdings were as follows:

	31.10.16 £'000	31.10.15 £'000
Portfolio Manager in common	<u>71,060</u>	<u>71,342</u>

### 11. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (31.10.15 : none).

### 12. SHARES IN ISSUE

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.35%	1.35%	0.00%
Opening shares in issue	888,074	10,669,696	49,393,175
Issues	83,821	175,330	8,914,673
Cancellations	(134,428)	(1,783,624)	(10,436,357)
Conversions	(611,978)	(1,952,115)	-
Closing shares in issue	<u>225,489</u>	<u>7,109,287</u>	<u>47,871,491</u>
	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.60%	0.60%	0.85%
Opening shares in issue	2,907,923	40,126,665	6,864,399
Issues	292,593	2,242,257	4,359,310
Cancellations	(732,342)	(10,638,078)	(1,820,300)
Conversions	722,483	2,623,364	(42,289)
Closing shares in issue	<u>3,190,657</u>	<u>34,354,208</u>	<u>9,361,120</u>

The closing net asset value and the closing net asset value per share, for each share class in issue at the balance sheet date, are given in the Fund Information.

## CF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 13. RISK MANAGEMENT POLICIES

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for hedging purposes.

The main risks from the Fund's holding of financial instruments, together with the ACD's policy for managing these risks, are set out below:

The ACD has in place a Risk Management Policy and Procedures Document ('RMPPD') that sets out the risks that may impact a fund and how the ACD seeks, where appropriate, to manage, monitor and mitigate those risks, and in particular those risks associated with the use of derivatives. The RMPPD sets out both the framework and the risk mitigations operated by the ACD in managing the identified risks of the fund. The ACD requires that the appointed Portfolio Manager to the fund has in place its own governance structure, policies and procedures that are commensurate with its regulatory obligations and the risks posed by the fund managed.

#### i. Credit risk

Credit risk is the risk that a counterparty may be unable or unwilling to make a payment or fulfil contractual obligations. This may be in terms of an actual default or by deterioration in a counterparty's credit quality.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. As part of its due diligence process, the ACD undertakes a review of the controls operated over counterparties by the Portfolio Manager, including initial and ongoing due diligence and business volumes placed with each counterparty. In cases which are dependent on the counterparty settling at the transaction's maturity date, the ACD has policies in place which set out the minimum credit quality expected of a market counterparty or deposit taker at the outset of the transaction.

#### ii. Interest rate risk

Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of interest rate changes. The value of fixed interest securities may be affected by changes in interest rates, either globally or locally. Changes in the rate of return in one asset class may influence the valuation basis of other classes. The amount of revenue receivable from floating rate investments and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates. Investment in collective investment schemes exposes the Fund to indirect interest rate risk to the extent that they invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

As the Fund is invested in underlying funds these funds may have exposure to bonds and to interest rate risk.

### 13. RISK MANAGEMENT POLICIES (continued)

#### iii. Foreign currency risk

Foreign currency risk is the risk that the sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the sterling equivalent value. Forward currency contracts are employed by the Portfolio Manager, where deemed appropriate, to mitigate the foreign exchange risk. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates.

Where the Fund invests in non-sterling assets, the Portfolio Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

A 5% change in the Pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £105 thousand on the net assets of the Fund (31.10.15 : £128 thousand).

The table below shows the direct foreign currency risk profile:

	31.10.16 £'000	31.10.15 £'000
Currency:		
US dollars	2,092	2,551
Pounds sterling	131,506	127,037
	<hr/>	<hr/>
Net assets	133,598	129,588

#### iv. Leverage

The ACD is required to calculate and monitor the level of leverage of the Fund, expressed as a ratio between the exposure of the Fund and its Net Asset Value, under both the gross and commitment methods (in accordance with articles 7 and 8 of The Alternative Investment Fund Managers Regulations 2013). For a fund with no borrowing or derivative usage the leverage ratio would be 1:1 under the commitment method. The gross method calculation excludes cash and cash equivalents which are highly liquid.

As at 31.10.16, leverage under the gross method was 1:1 and leverage under the commitment method was 1:1 (31.10.15 : 0.97:1 and 1:1 respectively).

#### v. Liquidity risk

The main liability of the Fund is the cancellation of any shares that investors want to sell. Investments may have to be sold to fund such cancellations should insufficient cash be held at the bank to meet this obligation.

To reduce liquidity risk the Portfolio Manager will ensure that a substantial portion of the Fund's assets consist of cash and readily realisable investments.

All financial liabilities are payable in one year or less, or on demand.

## CF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 13. RISK MANAGEMENT POLICIES (continued)

#### vi. Market price risk

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds.

Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

#### vii. Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

#### viii. Derivatives

The Fund held no derivatives during the current or prior year.

### 14. PORTFOLIO TRANSACTION COSTS

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
<b>31.10.16</b>				
Ordinary shares	286	–	–	286
Collective investment schemes	18,106	1	1	18,107
<b>Purchases total</b>	<b>18,392</b>	<b>1</b>	<b>1</b>	<b>18,393</b>
<i>Transaction cost % of purchases total</i>		0.01%	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	24,663	–	–	24,663
<b>Sales total</b>	<b>24,663</b>	<b>–</b>	<b>–</b>	<b>24,663</b>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.16 is 0.50% (31.10.15 : 0.62%).

## CF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 14. PORTFOLIO TRANSACTION COSTS (continued)

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
<b>31.10.15</b>				
Collective investment schemes	99,956	1	–	99,957
<b>Purchases total</b>	<u>99,956</u>	<u>1</u>	<u>–</u>	<u>99,957</u>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	97,992	(4)	–	97,988
<b>Sales total</b>	<u>97,992</u>	<u>(4)</u>	<u>–</u>	<u>97,988</u>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

### 15. FAIR VALUE HIERARCHY

Investments are categorised into the following levels based on their fair value measurement:

Level 1: The unadjusted quoted price in an active market for identical assets that the Fund can access at the year end date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the assets.

Valuation technique	31.10.16 Assets £'000	31.10.15 Assets £'000
Level 1	6,950	2,609
Level 2	126,691	123,588
Level 3	–	–
<b>Total portfolio of investments</b>	<u>133,641</u>	<u>126,197</u>

## CF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

Financial Statements (continued)

### DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 OCTOBER 2016 – IN PENCE PER SHARE

#### EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares – the applicable distribution periods for each distribution are shown below). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes.

Group 2	Final
From	01.11.15
To	31.10.16

#### 'A' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	1.5414	–	1.5414	2.5672
Group 2	1.5414	0.0000	1.5414	2.5672

#### 'A' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	2.1387	–	2.1387	3.0044
Group 2	0.8525	1.2862	2.1387	3.0044

#### 'C' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	3.2396	–	3.2396	3.9695
Group 2	3.2396	0.0000	3.2396	3.9695

#### 'P' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	2.2313	–	2.2313	2.8638
Group 2	1.9929	0.2384	2.2313	2.8638

#### 'P' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	2.3394	–	2.3394	2.9156
Group 2	1.7729	0.5665	2.3394	2.9156

#### 'R' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	2.4876	–	2.4876	3.1573
Group 2	1.9207	0.5669	2.4876	3.1573

CF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO  
ACD'S REPORT  
FOR THE YEAR ENDED 31 OCTOBER 2016

IMPORTANT INFORMATION

Refer to the 'Important Information' section on page 12.

INVESTMENT OBJECTIVE AND POLICY

The CF Prudential Dynamic Focused 40-80 Portfolio ('the Fund') aims to achieve a long-term total return (the combination of income and growth of capital) by investing mainly in collective investment schemes. Between 40% and 80% of the Fund will be invested in schemes whose predominant exposure is to equities.

The Fund invests in other funds which use active and passive management approaches in order to provide a well-diversified, indirect exposure to global fixed income and variable rate assets, cash, near cash, equities and/or immovable property. Typically the Fund will have a bias towards assets providing potential for growth, such as equities. The Fund will concentrate on delivering returns from the Portfolio Manager's asset allocation decisions and the selection of a focused range of funds and fund management groups (which may include other funds managed by the Portfolio Manager).

The Fund may also invest directly in other assets such as transferable securities, cash and near cash, deposits, warrants and money market instruments. Derivative instruments may be used for efficient portfolio management only.

CAPITA FINANCIAL MANAGERS LIMITED  
ACD of CF Prudential Dynamic Focused 40-80 Portfolio  
16 February 2017

PORTFOLIO MANAGER'S REPORT

Between 1 November 2015 and 31 October 2016 share classes 'A' Accumulation 14%<sup>1</sup>, 'R' Accumulation 14.49%<sup>1</sup> and 'P' Accumulation 14.72%<sup>1</sup> were ahead of the 12.4%<sup>1</sup> sector average for IA Mixed Investment 40-85% Shares.

ECONOMIC OVERVIEW

Positions, and turning points, in business cycles typically form part of the analysis when constructing investment portfolios. Our analysis suggests that the US is in a mature phase of its expansion. As with the US, we believe that the UK is also in a maturing phase of its business cycle (although behind the US in terms of positioning) and that the economy is likely to slow sharply once the UK officially notifies the European Union ('EU') of its decision to leave the Union. By comparison, we think that the eurozone is approaching the mid-cycle expansion stage of the business cycle. Finally, in our opinion, Japan is probably in the later stages of its business cycle.

Growth in China has recently stabilised, due to policy support and strong credit growth. Economic growth is expected to start slowing, in the absence of further large stimulus. Of concern remains the high and growing level of debt, particularly on the part of Chinese corporates. Vulnerabilities will continue to rise as credit continues to grow. This is complicating the task of rebalancing the economy away from investment and towards consumption, the implementation of deeper structural reforms, and allowing market forces to play a greater role in determining the allocation of resources.

MARKET OVERVIEW

Having experienced a positive end to 2015, the early part of 2016 brought a remarkable turnaround in investor sentiment. In January 2016, many stockmarkets experienced their worst month for many years as renewed fears about a China-led global economic slowdown and a collapse in the oil price led to a retreat from risk assets. Investors then appeared to accept that a global recession was not as likely as feared and, when the oil price began to recover and central banks announced further action to boost growth, stockmarkets rallied strongly.

Despite several other events that could have unsettled investors including the UK referendum result, terrorist attacks and an attempted military coup in Turkey, investors have continued to focus on the support being given by policymakers.

Significant movements in currency markets also featured; sterling weakened against most other currencies, initially on the recognition that UK interest rates were unlikely to rise in the short term, but subsequently from the decision by the UK electorate to leave the EU.

UK

The FTSE All-Share had a strong 12 months, recovering from the lows of mid-February led by international energy and mining stocks, as oil and metal prices increased. The market also rebounded strongly from a short period of weakness following the UK referendum result in June supported by a decline in the pound that benefited the large number of multi-national businesses in the UK.

Returns from the Legal & General UK Index Trust were in line with the performance of the FTSE All-Share Index.

<sup>1</sup> Source: FE Analytics. The Portfolio Manager uses the IA Mixed Investment 40-85% Shares for comparison. No benchmark is required to be disclosed per the Prospectus.

## CF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

ACD's Report (continued)

Portfolio Manager's Report (continued)

For the year ended 31 October 2016

### NORTH AMERICA

The S&P 500 produced a positive return over the period in review although US stockmarkets had their worst start to a new year for many years, with investors spooked by the slump in the oil price in January 2016. Concern that the economy could fall back into recession peaked in mid-February before bargain hunting among financial and energy stocks emerged. A rebound in the oil price and good economic data saw US shares recover. This prompted the US Federal Reserve ('the Fed') to confirm interest rate hikes would proceed cautiously. The continued actions of other central banks in keeping interest rates low has also helped keep investor sentiment generally positive.

Returns from the Legal & General US Index Trust were in line with the performance of the FTSE USA Index.

### EUROPE

Having pledged that it would not hesitate to act in support of the eurozone's economy, the European Central Bank ('ECB') took unexpectedly aggressive action in March. The main interest rate was reduced to zero, the deposit rate cut to -0.4% and the programme of asset purchases extended.

Most of Europe's stockmarkets declined over the period in local terms, though the strength of the euro against the pound meant that, in sterling terms, the losses were reduced or reversed. Concerns about the state of Italian banks hampered the country's stockmarket and concerns about Deutsche Bank grew following the imposition of a US\$14 billion fine from US authorities in late September.

Returns from the Legal & General European Index Trust were in line with the performance of the FTSE World Europe ex UK Index.

### JAPAN

Despite the government's package of measures to keep interest rates low, weaken the yen and encourage inflation, the Japanese economy remained under pressure. The Bank of Japan ('BoJ') took the unprecedented step of setting the main interest rate below zero, at -0.1%.

While this caused the yen to weaken in the short term, it then strengthened significantly over the period – regarded not only as a safe haven when other markets weakened, but also gaining relative to the US dollar when it became apparent US interest rates were not about to rise immediately. A strong yen tends to weigh on the Japanese stockmarket as it restricts the country's export competitiveness. Japanese shares were lower over the period in review despite rallying in the third quarter.

Returns from the Legal & General Japan Index Trust were in line with the performance of the FTSE Japan Index.

### ASIA EX JAPAN

In common with other global stockmarkets, shares in Asia endured a turbulent first few months of 2016 having recovered towards the end of 2015. The Chinese stockmarket, the largest in the region, declined sharply early in the year as investors became increasingly concerned that the economy was stalling. In a surprise move, the authorities devalued the Chinese currency, alarming investors and sending shock waves around the world.

A general improvement in investor sentiment during the third quarter was reflected in higher prices for shares in the Asia Pacific region, particularly as economic data seemed to suggest that the Chinese economy was not slowing as much as had been feared.

Returns from the Legal & General Pacific Index Trust were in line with the performance of the FTSE World Asia Pacific ex Japan Index.

### UK BONDS

UK interest rates and inflation remained low during the period. Weakness in the price of oil and other commodities notably contributed to subdued inflation, while signs that the global economy may be slowing supported the Bank of England's ('BoE') decision to keep interest rates unchanged. Fears of a global recession started to fade from around the middle of February, so gilt prices moderated and UK corporate bonds staged a solid rebound, especially in the final weeks of March.

The third quarter saw sustained demand for 'safe-haven' assets as the UK referendum result took financial markets by surprise. Expectations of interest rate increases were pushed out and indeed the BoE lowered interest rates to 0.25% in August. The extent of the accompanying bond-purchasing programme was greater than expected and kept demand for UK corporate and government bonds strong.

The M&G Strategic Corporate Bond Fund and M&G Corporate Bond Fund both produced positive returns over the period in review.

### INTERNATIONAL BONDS

With the uncertain outlook at the beginning of 2016, demand for global corporate bonds tended to weaken, and as a result, these assets initially delivered mixed returns. In contrast, demand for core government bonds, including those from the US and Germany, increased sharply as investors sought out 'safe-haven' assets.

The situation reversed from mid-February onwards as investor risk appetite returned, helped by the stabilisation in commodity prices. Corporate bonds experienced a solid rebound in the circumstances and high-yield bonds also rallied towards the end of the period in review.

The M&G European Corporate Bond Fund, M&G Global Convertibles Fund, M&G European Loan Fund and M&G Global High Yield Bond Fund all produced positive returns.

### UK PROPERTY

Even before the UK referendum on membership of the EU, the UK commercial property market had begun to cool, with both capital value and rental income growth slowing. In the two months after the 'Leave' vote, commercial property prices fell by around 4% in total. However, there are some early signs that prices are beginning to stabilise, not least because of solid demand for property assets from overseas buyers.

So far in 2016, capital values have declined by around 3%, with the steepest fall seen in the All Retail sector. Meanwhile, rental values for all UK commercial property have grown by just over 1% year-to-date, with All Industrials and All Offices recording the largest increases.

The M&G Property Portfolio suffered from a surge of redemption requests following the referendum result. This had a negative effect on performance as the fund manager had to suspend trading and re-value underlying assets.

### EMERGING MARKETS

The end of 2015 was modestly positive for Emerging Markets overall. At the beginning of 2016 they suffered in an environment of risk aversion as investors considered the effect of a slowing global economy and lower oil prices.

## CF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

ACD's Report (continued)

Portfolio Manager's Report (continued)

For the year ended 31 October 2016

### EMERGING MARKETS (continued)

However, Emerging Markets performed better than most developed markets over the third quarter and have now produced very strong returns to end October 2016. This has been driven by the higher prices for oil, and commodity prices and a weaker US dollar.

Returns from the Legal & General Global Emerging Markets Index Fund were in line with the performance of the FTSE All World Emerging Index.

### POSITIONING

Over the period, there have been no major changes to the overall portfolio structure which remains broadly diversified by asset class and geography with an overall bias to equities. Any transactions relate to ongoing trading in order to keep the portfolio in line with target positions, in accordance with the underlying mandate of the Fund.

### OUTLOOK

Global growth is expected to remain subdued for several factors. These include the continuation of highly leveraged advanced and Emerging Markets (although some deleveraging has occurred post-2008 in advanced economies); the ongoing rebalancing in China which is resulting in a gradually slowing Chinese economy; a continued adjustment on the part of commodity producers to a decline in their terms of trade; geopolitical uncertainty across the globe; and a lack of structural reform in many economies that will act as a restraint on global growth, as these reforms take several years to bear fruit.

Monetary policy divergence is set to continue in the advanced economies, although it will remain very accommodative even once the Fed resumes its rate hiking cycle. The Fed is expected to hike once in December 2016, while the ECB, the BoJ and the BoE may ease policy further.

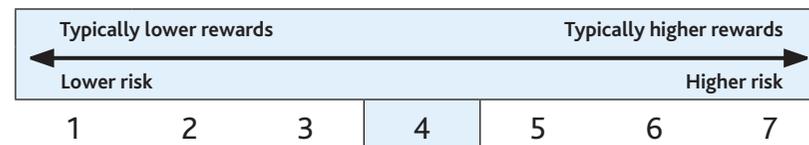
### M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

18 November 2016

## FUND INFORMATION

### RISK AND REWARD PROFILE



This indicator shows how much a fund has risen and fallen in the past, and therefore how much a fund's returns have varied. It is a measure of a fund's volatility. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains. The lowest number on the scale does not mean that a fund is risk free.

The Fund has been classed as 4 because its volatility has been measured as average.

Non-UCITS Retail Scheme (NURS): The Fund can be less diversified than UCITS schemes as it has higher investment limits for certain types of asset. It can also invest in assets which are not available to UCITS schemes. This can increase the potential rewards but can also increase risk.

As this Fund has less than 5 years' price history, this calculation incorporates the volatility of an appropriate benchmark index.

The risk and reward profile shown is not guaranteed to remain the same and may shift over time.

Currency Risk: As the Fund invests indirectly in overseas securities, exchange rates movements may, when not hedged, cause the value of your investment to increase or decrease.

Credit Risk: Fixed interest securities are affected by trends in interest rates and inflation. If interest rates go up the value of capital may fall and vice versa. Inflation will also decrease the real value of capital. The value of a fixed interest security is also affected by its credit rating. Fixed interest securities with a higher yield also generally brings an increased risk of default on repayment by the issuer which could affect the income and capital of the Fund.

For full details of the Fund's risks, please see the Prospectus which may be obtained upon application and can be found on the ACD's website, [www.capitafinancial.com](http://www.capitafinancial.com), by following the link 'Fund Information'.

## CF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

### COMPARATIVE TABLES

Where the Fund has significant investment in collective investment schemes, the operating charges take account of the ongoing charges incurred in the underlying schemes, calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

	31.10.16 (p/share)	31.10.15 <sup>1</sup> (p/share)
<b>'A' Income shares</b>		
<b>Change in net assets per share</b>		
Opening net asset value per share	100.65	100.00
Return before operating charges*	14.88	1.54
Operating charges	(1.64)	(0.22)
Return after operating charges	13.24	1.32
Distributions	(1.34)	(0.67)
Closing net asset value per share	112.55	100.65
* after direct transaction costs of:	–	–
<b>Performance</b>		
Return after charges	13.15%	1.32%
<b>Other information</b>		
Closing net asset value (£'000)	–	–
Closing number of shares	250	250
Operating charges	1.59%	1.58% <sup>2</sup>
Direct transaction costs	–	–
<b>Prices</b>		
Highest share price	117.52	101.62
Lowest share price	101.85	97.32

<sup>1</sup> From 9 September 2015.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

	31.10.16 (p/share)	31.10.15 <sup>1</sup> (p/share)
<b>'A' Accumulation shares</b>		
<b>Change in net assets per share</b>		
Opening net asset value per share	101.32	100.00
Return before operating charges*	15.16	1.56
Operating charges	(1.66)	(0.24)
Return after operating charges	13.50	1.32
Distributions	(1.44)	(0.69)
Retained distributions on accumulation shares	1.44	0.69
Closing net asset value per share	114.82	101.32
* after direct transaction costs of:	–	–
<b>Performance</b>		
Return after charges	13.32%	1.32%
<b>Other information</b>		
Closing net asset value (£'000)	–	–
Closing number of shares	250	250
Operating charges	1.59%	1.58% <sup>2</sup>
Direct transaction costs	–	–
<b>Prices</b>		
Highest share price	115.92	101.62
Lowest share price	95.11	97.31

<sup>1</sup> From 9 September 2015.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

## CF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

ACD's Report (continued)  
Fund Information (continued)

### COMPARATIVE TABLES (continued)

	31.10.16 (p/share)	31.10.15 <sup>1</sup> (p/share)
<b>'P' Income shares</b>		
<b>Change in net assets per share</b>		
Opening net asset value per share	100.65	100.00
Return before operating charges*	14.97	1.55
Operating charges	(0.87)	(0.12)
Return after operating charges	14.10	1.43
Distributions	(2.07)	(0.78)
Closing net asset value per share	112.68	100.65
* after direct transaction costs of:	-	-
<b>Performance</b>		
Return after charges	14.01%	1.43%
<b>Other information</b>		
Closing net asset value (£'000)	5,756	5,033
Closing number of shares	5,108,021	5,000,255
Operating charges	0.84%	0.83% <sup>2</sup>
Direct transaction costs	-	-
<b>Prices</b>		
Highest share price	115.82	101.73
Lowest share price	94.60	97.37

<sup>1</sup> From 9 September 2015.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

	31.10.16 (p/share)	31.10.15 <sup>1</sup> (p/share)
<b>'P' Accumulation shares</b>		
<b>Change in net assets per share</b>		
Opening net asset value per share	101.45	100.00
Return before operating charges*	15.15	1.57
Operating charges	(0.91)	(0.12)
Return after operating charges	14.24	1.45
Distributions	(2.10)	(0.80)
Retained distributions on accumulation shares	2.10	0.80
Closing net asset value per share	115.69	101.45
* after direct transaction costs of:	-	-
<b>Performance</b>		
Return after charges	14.04%	1.45%
<b>Other information</b>		
Closing net asset value (£'000)	2,673	4
Closing number of shares	2,310,195	3,874
Operating charges	0.84%	0.83% <sup>2</sup>
Direct transaction costs	-	-
<b>Prices</b>		
Highest share price	116.75	101.75
Lowest share price	95.36	97.39

<sup>1</sup> From 9 September 2015.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

## CF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

ACD's Report (continued)  
Fund Information (continued)

### COMPARATIVE TABLES (continued)

	31.10.16 (p/share)	31.10.15 <sup>1</sup> (p/share)
<b>'R' Accumulation shares</b>		
<b>Change in net assets per share</b>		
Opening net asset value per share	101.39	100.00
Return before operating charges*	15.16	1.54
Operating charges	(1.16)	(0.15)
Return after operating charges	14.00	1.39
Distributions	(1.86)	(0.76)
Retained distributions on accumulation shares	1.86	0.76
Closing net asset value per share	115.39	101.39
* after direct transaction costs of:	–	–
<b>Performance</b>		
Return after charges	13.81%	1.39%
<b>Other information</b>		
Closing net asset value (£'000)	1,709	254
Closing number of shares	1,481,209	250,416
Operating charges	1.09%	1.08% <sup>2</sup>
Direct transaction costs	–	–
<b>Prices</b>		
Highest share price	116.47	101.70
Lowest share price	95.25	97.36

<sup>1</sup> From 9 September 2015.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

### FUND PERFORMANCE TO 31 OCTOBER 2016 (%)

	1 year	Since launch
CF Prudential Dynamic Focused 40-80 Portfolio	14.49	16.12

The performance of the Fund is based on the published price per 'A' Accumulation share which includes reinvested income.

The performance of the Fund disclosed in the above table may differ from the 'Return after charges' disclosed in the Comparative Table due to the above performance being calculated on the latest published price prior to the period end, rather than the period end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 302 and 303.

#### RISK WARNING

An investment in an open-ended investment company should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

## CF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

ACD's Report (continued)

PORTFOLIO STATEMENT

AS AT 31 OCTOBER 2016

Holding	Portfolio of Investments	Value £'000	31.10.16 %
	EQUITY PORTFOLIOS – 54.17% (31.10.15 – 53.14%)		
358,832	CONTINENTAL EUROPE – 8.92% (31.10.15 – 8.66%) Legal & General European Index Trust	904	8.92
	TOTAL CONTINENTAL EUROPE	904	8.92
1,400,974	UNITED KINGDOM – 20.77% (31.10.15 – 20.45%) Legal & General UK Index Trust	2,106	20.77
	TOTAL UNITED KINGDOM	2,106	20.77
850,413	FAR EAST – 8.31% (31.10.15 – 7.84%) Legal & General Pacific Index Trust	842	8.31
	TOTAL FAR EAST	842	8.31
852,059	JAPAN – 4.22% (31.10.15 – 3.43%) Legal & General Japan Index Trust	428	4.22
	TOTAL JAPAN	428	4.22
254,726	UNITED STATES – 8.87% (31.10.15 – 8.05%) Legal & General US Index Trust	899	8.87
	TOTAL UNITED STATES	899	8.87
588,424	EMERGING MARKETS – 3.08% (31.10.15 – 2.54%) Legal & General Global Emerging Markets Index Fund	312	3.08
	TOTAL EMERGING MARKETS	312	3.08
	TOTAL EQUITY PORTFOLIOS	5,491	54.17
	EQUITY INVESTMENT INSTRUMENTS – 5.34% (31.10.15 – 2.17%)		
88,708	BBGI*	128	1.26
53,934	CATCo Reinsurance Opportunities Fund*	55	0.54
29,027	DP Aircraft I*	25	0.25
13,207	HarbourVest Global Private Equity*	142	1.40
6,226	HgCapital Trust*	89	0.88
34,846	NextEnergy Solar Fund*	38	0.37
60,335	Renewables Infrastructure*	65	0.64
	TOTAL EQUITY INVESTMENT INSTRUMENTS	542	5.34

Holding	Portfolio of Investments	Value £'000	31.10.16 %
	PROPERTY PORTFOLIOS – 12.50% (31.10.15 – 17.47%)		
113,987	M&G Property Portfolio†	1,267	12.50
	TOTAL PROPERTY PORTFOLIOS	1,267	12.50
	BOND PORTFOLIOS – 24.89% (31.10.15 – 25.74%)		
334,376	M&G Corporate Bond Fund†	139	1.37
346,379	M&G European Corporate Bond Fund†	387	3.82
1,496	M&G European Loan Fund†	130	1.28
38,456	M&G Global Convertibles Fund†	85	0.84
228,865	M&G Global High Yield Bond Fund†	282	2.78
543,118	M&G Short Dated Corporate Bond Fund†	140	1.38
1,217,951	M&G Strategic Corporate Bond Fund†	1,361	13.42
	TOTAL BOND PORTFOLIOS	2,524	24.89
	Portfolio of investments	9,824	96.90
	Net other assets	314	3.10
	Net assets	10,138	100.00

The investments have been valued in accordance with note (h) of the Accounting Policies and are collective investment schemes unless stated otherwise.

† Related party holding (see note 9).

\* Ordinary shares.

## CF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

ACD's Report (continued)

### SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 31 OCTOBER 2016

<b>Total purchases for the year £'000 (note 13)</b>	<b>4,446</b>
<b>Major purchases</b>	<b>Cost £'000</b>
Legal & General UK Index Trust	996
M&G Strategic Corporate Bond Fund	740
M&G Property Portfolio	477
Legal & General European Index Trust	337
Legal & General US Index Trust	292
Legal & General Japan Index Trust	231
Legal & General Pacific Index Trust	223
M&G Corporate Bond Fund	186
M&G European Corporate Bond Fund	168
HarbourVest Global Private Equity	137
M&G Global High Yield Bond Fund	127
Legal & General Global Emerging Markets Index Fund	107
BBI	96
M&G European Loan Fund	79
Renewables Infrastructure	60
M&G Short Dated Corporate Bond Fund	58
CATCo Reinsurance Opportunities Fund	45
M&G Global Convertibles Fund	45
NextEnergy Solar Fund	24
DP Aircraft I	14

**Total sales for the year £'000 (note 13)** **662**

<b>Sales</b>	<b>Proceeds £'000</b>
M&G Short Dated Corporate Bond Fund	170
Legal & General UK Index Trust	124
M&G Strategic Corporate Bond Fund	119
M&G European Corporate Bond Fund	100
Legal & General Japan Index Trust	65
M&G Corporate Bond Fund	43
HarbourVest Global Private Equity	21
HgCapital Trust	20

The summary of material portfolio changes represents the top 20 purchases and all of the sales during the year.

## FINANCIAL STATEMENTS

### STATEMENT OF TOTAL RETURN FOR THE YEAR ENDED 31 OCTOBER 2016

	Notes	£'000	31.10.16 £'000	£'000	31.10.15* £'000
Income:					
Net capital gains	2		952		37
Revenue	3	228		47	
Expenses	4	(59)		(5)	
Net revenue before taxation		169		42	
Taxation	5	(12)		(2)	
Net revenue after taxation			157		40
<b>Total return before distributions</b>			1,109		77
Distributions	6		(157)		(40)
<b>Change in net assets attributable to shareholders from investment activities</b>			952		37

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS FOR THE YEAR ENDED 31 OCTOBER 2016

	£'000	31.10.16 £'000	£'000	31.10.15* £'000
<b>Opening net assets attributable to shareholders</b>		5,291		–
Amounts receivable on issue of shares	4,129		5,252	
Amounts payable on cancellation of shares	(340)		–	
		3,789		5,252
Dilution adjustment		30		–
Change in net assets attributable to shareholders from investment activities		952		37
Retained distributions on Accumulation shares		76		2
<b>Closing net assets attributable to shareholders</b>		10,138		5,291

\* The comparative figures in the Statement of Total Return, Statement of Change in Net Assets Attributable to Shareholders and related notes are for the period from 9 September 2015 to 31 October 2015.

## CF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

Financial Statements (continued)

BALANCE SHEET

AS AT 31 OCTOBER 2016

	Notes	31.10.16 £'000	31.10.15 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		9,824	5,098
<b>Current assets</b>			
Debtors	7	285	69
Cash and bank balances		453	169
<b>Total assets</b>		<u>10,562</u>	<u>5,336</u>
<b>LIABILITIES</b>			
<b>Provisions for liabilities</b>			
		(2)	–
<b>Creditors</b>			
Distribution payable		(106)	(39)
Other creditors	8	(316)	(6)
<b>Total liabilities</b>		<u>(424)</u>	<u>(45)</u>
<b>Net assets attributable to shareholders</b>		<u>10,138</u>	<u>5,291</u>

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 OCTOBER 2016

### 1. ACCOUNTING POLICIES

The accounting policies described on pages 20 to 22 have been applied to the financial statements of the Fund in the current and prior year. The additional accounting policy described below has also been applied to this Fund.

#### (a) Treatment of expenses

The Fund receives a rebate of the Annual Management Charge in relation to related party investments in the Fund. This is to eliminate double charging and, as such, is not a reduction in expenses suffered by shareholders.

	31.10.16 £'000	For the period 09.09.15 to 31.10.15 £'000
<b>2. NET CAPITAL GAINS</b>		
The net capital gains during the year comprise:		
Non-derivative securities	950	37
Transaction charges	(1)	–
Currency gains	3	–
<b>Net capital gains</b>	<u>952</u>	<u>37</u>

The net capital gains figure includes realised gains of £43 thousand and unrealised gains of £946 thousand (31.10.15 : includes realised losses of £1 thousand and unrealised gains of £38 thousand). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

	31.10.16 £'000	For the period 09.09.15 to 31.10.15 £'000
<b>3. REVENUE</b>		
Non-taxable dividends	110	33
Taxable dividends	14	–
UK property income distributions	14	9
Unfranked interest	57	2
AMC rebates from underlying investments	33	3
<b>Total revenue</b>	<u>228</u>	<u>47</u>

## CF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

	31.10.16 £'000	For the period 09.09.15 to 31.10.15 £'000
4. EXPENSES		
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	47	4
Administration fees	11	1
	58	5
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	1	–
Total expenses	59	5

The Portfolio Management fees and expenses (plus VAT thereon) for providing portfolio management services are paid by the ACD out of its remuneration.

The audit fee of £9 thousand (31.10.15 : £5 thousand) and tax fee of £1 thousand (31.10.15 : £4 thousand) are borne by the ACD.

	31.10.16 £'000	For the period 09.09.15 to 31.10.15 £'000
5. TAXATION		
a) Analysis of charge for the year		
Corporation tax at 20%	10	2
Current tax charge	10	2
Deferred tax – origination and reversal of timing differences (note 5c)	2	–
Total taxation (note 5b)	12	2

### 5. TAXATION (continued)

#### b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.10.15 : 20%). The difference is explained below:

	31.10.16 £'000	For the period 09.09.15 to 31.10.15 £'000
Net revenue before taxation	169	42
Corporation tax at 20%	34	8
Effects of:		
Non-taxable dividends	(22)	(6)
Total tax charge (note 5a)	12	2
c) Deferred tax		
Provision at the start of the year	–	–
Deferred tax charge in the year (note 5a)	2	–
Provision at the end of the year	2	–

### 6. DISTRIBUTIONS

The distributions take account of revenue received on the issue of shares and revenue deducted on cancellations of shares, and comprise:

	31.10.16 £'000	For the period 09.09.15 to 31.10.15 £'000
Final	182	41
	182	41
Add: Revenue deducted on cancellation of shares	3	–
Deduct: Revenue received on issue of shares	(28)	(1)
Net distributions for the year	157	40

Details of the distributions per share are set out in the table on pages 302 and 303.

## CF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

	31.10.16 £'000	31.10.15 £'000
<b>7. DEBTORS</b>		
Amounts receivable for issue of shares	85	23
Sales awaiting settlement	100	–
Accrued revenue:		
Non-taxable dividends	65	33
Taxable dividends	10	–
UK property income distributions	–	9
Unfranked interest	2	–
AMC rebates from underlying investments	5	4
	82	46
Taxation recoverable:		
Income tax	18	–
<b>Total debtors</b>	<b>285</b>	<b>69</b>
<b>8. OTHER CREDITORS</b>		
Purchases awaiting settlement	300	–
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	5	3
Administration fees	1	1
	6	4
Taxation payable:		
Corporation tax	10	2
<b>Total other creditors</b>	<b>316</b>	<b>6</b>

### 9. RELATED PARTY TRANSACTIONS

Annual Management Charge and administration fees payable to Capita Financial Managers Limited ('the ACD') are disclosed in note 4 and amounts due at the year end are disclosed in note 8.

The aggregate monies received by the ACD through the issue of shares and paid on cancellation of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 289 and amounts due for the year are disclosed in notes 7 and 8.

Capita Financial Managers Limited and its associates (including other authorised investment funds managed by Capita Financial Managers Limited) held 3,144 (31.10.15 : nil) of the Fund's shares at the balance sheet date.

### 9. RELATED PARTY TRANSACTIONS (continued)

M&G Investment Management Limited and its associates (including other authorised investment funds managed by M&G Investment Management Limited) held 5,000,000 (31.10.15 : 5,000,000) of the Fund's shares at the balance sheet date.

A shareholder may be able to exercise significant influence over the financial and operating policies of the Fund and as such is deemed to be a related party. At the balance sheet date the following shareholder held in excess of 20% of the shares in issue of the Fund:

Prudential plc and its associates 56.18% (31.10.15 : 95.15%)

As part of the investment strategy, the Fund may from time to time hold shares in other collective investment schemes managed by the same Portfolio Manager or for which Capita Financial Managers Limited is also the ACD. At the balance sheet date the value of the holdings were as follows:

	31.10.16 £'000	31.10.15 £'000
Portfolio Manager in common	3,791	2,286

### 10. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (31.10.15 : none).

### 11. SHARES IN ISSUE

	'A' Income	'A' Accumulation	'P' Income
Annual Management Charge	1.35%	1.35%	0.60%
Opening shares in issue	250	250	5,000,255
Issues	–	–	111,227
Cancellations	–	–	(3,461)
<b>Closing shares in issue</b>	<b>250</b>	<b>250</b>	<b>5,108,021</b>
		'P' Accumulation	'R' Accumulation
Annual Management Charge		0.60%	0.85%
Opening shares in issue		3,874	250,416
Issues		2,514,144	1,336,968
Cancellations		(207,823)	(106,175)
<b>Closing shares in issue</b>		<b>2,310,195</b>	<b>1,481,209</b>

## CF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 11. SHARES IN ISSUE (continued)

The closing net asset value and the closing net asset value per share, for each share class in issue at the balance sheet date, are given in the Fund Information.

### 12. RISK MANAGEMENT POLICIES

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for hedging purposes.

The main risks from the Fund's holding of financial instruments, together with the ACD's policy for managing these risks, are set out below:

The ACD has in place a Risk Management Policy and Procedures Document ('RMPPD') that sets out the risks that may impact a fund and how the ACD seeks, where appropriate, to manage, monitor and mitigate those risks, and in particular those risks associated with the use of derivatives. The RMPPD sets out both the framework and the risk mitigations operated by the ACD in managing the identified risks of the fund. The ACD requires that the appointed Portfolio Manager to the fund has in place its own governance structure, policies and procedures that are commensurate with its regulatory obligations and the risks posed by the fund managed.

#### i. Credit risk

Credit risk is the risk that a counterparty may be unable or unwilling to make a payment or fulfil contractual obligations. This may be in terms of an actual default or by deterioration in a counterparty's credit quality.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. As part of its due diligence process, the ACD undertakes a review of the controls operated over counterparties by the Portfolio Manager, including initial and ongoing due diligence and business volumes placed with each counterparty. In cases which are dependent on the counterparty settling at the transaction's maturity date, the ACD has policies in place which set out the minimum credit quality expected of a market counterparty or deposit taker at the outset of the transaction.

#### ii. Interest rate risk

Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of interest rate changes. The value of fixed interest securities may be affected by changes in interest rates, either globally or locally. Changes in the rate of return in one asset class may influence the valuation basis of other classes. The amount of revenue receivable from floating rate investments and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates. Investment in collective investment schemes exposes the Fund to indirect interest rate risk to the extent that they invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

As the Fund is invested in underlying funds these funds may have exposure to bonds and to interest rate risk.

### 12. RISK MANAGEMENT POLICIES (continued)

#### iii. Foreign currency risk

Foreign currency risk is the risk that the sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the sterling equivalent value. Forward currency contracts are employed by the Portfolio Manager, where deemed appropriate, to mitigate the foreign exchange risk. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates.

Where the Fund invests in non-sterling assets, the Portfolio Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

A 5% change in the Pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £4 thousand on the net assets of the Fund (31.10.15 : £2 thousand).

The table below shows the direct foreign currency risk profile:

	31.10.16 £'000	31.10.15 £'000
Currency:		
US dollars	81	49
Pounds sterling	10,057	5,242
	<hr/>	<hr/>
Net assets	10,138	5,291

#### iv. Leverage

The ACD is required to calculate and monitor the level of leverage of the Fund, expressed as a ratio between the exposure of the Fund and its Net Asset Value, under both the gross and commitment methods (in accordance with articles 7 and 8 of The Alternative Investment Fund Managers Regulations 2013). For a fund with no borrowing or derivative usage the leverage ratio would be 1:1 under the commitment method. The gross method calculation excludes cash and cash equivalents which are highly liquid.

As at 31.10.16, leverage under the gross method was 0.97:1 and leverage under the commitment method was 1:1 (31.10.15 : 0.96:1 and 1:1 respectively).

#### v. Liquidity risk

The main liability of the Fund is the cancellation of any shares that investors want to sell. Investments may have to be sold to fund such cancellations should insufficient cash be held at the bank to meet this obligation.

To reduce liquidity risk the Portfolio Manager will ensure that a substantial portion of the Fund's assets consist of cash and readily realisable investments.

All financial liabilities are payable in one year or less, or on demand.

## CF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 12. RISK MANAGEMENT POLICIES (continued)

#### vi. Market price risk

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds.

Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

#### vii. Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

#### viii. Derivatives

The Fund held no derivatives during the current year or prior period.

### 13. PORTFOLIO TRANSACTION COSTS

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
<b>31.10.16</b>				
Ordinary shares	74	–	–	74
Collective investment schemes	4,372	–	–	4,372
<b>Purchases total</b>	<b>4,446</b>	<b>–</b>	<b>–</b>	<b>4,446</b>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	662	–	–	662
<b>Sales total</b>	<b>662</b>	<b>–</b>	<b>–</b>	<b>662</b>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.16 is 0.53% (31.10.15 : 1.00%).

## CF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 13. PORTFOLIO TRANSACTION COSTS (continued)

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
<b>31.10.15</b>				
Collective investment schemes	5,109	–	–	5,109
<b>Purchases total</b>	<b>5,109</b>	<b>–</b>	<b>–</b>	<b>5,109</b>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	49	–	–	49
<b>Sales total</b>	<b>49</b>	<b>–</b>	<b>–</b>	<b>49</b>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

### 14. FAIR VALUE HIERARCHY

Investments are categorised into the following levels based on their fair value measurement:

Level 1: The unadjusted quoted price in an active market for identical assets that the Fund can access at the year end date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the assets.

Valuation technique	31.10.16 Assets £'000	31.10.15 Assets £'000
Level 1	542	115
Level 2	9,282	4,983
Level 3	–	–
Total portfolio of investments	<b>9,824</b>	<b>5,098</b>

### 15. SUBSEQUENT EVENTS

Since the balance sheet date of 31 October 2016, the net asset value of the Fund has risen by 24%, primarily due to issue of shares and market movement.

## CF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

Financial Statements (continued)

### DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 OCTOBER 2016 – IN PENCE PER SHARE

#### EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares – the applicable distribution periods for each distribution are shown below). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes.

Group 2	Final
From	01.11.15
To	31.10.16

#### 'A' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	1.3360	–	1.3360	0.6720
Group 2	1.3360	0.0000	1.3360	0.6720

#### 'A' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	1.4440	–	1.4440	0.6920
Group 2	1.4440	0.0000	1.4440	0.6920

#### 'P' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	2.0700	–	2.0700	0.7780
Group 2	1.9261	0.1439	2.0700	0.7780

#### 'P' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	2.1036	–	2.1036	0.7993
Group 2	1.2684	0.8352	2.1036	0.7993

#### 'R' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	1.8561	–	1.8561	0.7638
Group 2	1.3767	0.4794	1.8561	0.7638

CF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO  
ACD'S REPORT  
FOR THE YEAR ENDED 31 OCTOBER 2016

IMPORTANT INFORMATION

Refer to the 'Important Information' section on page 12.

INVESTMENT OBJECTIVE AND POLICY

The CF Prudential Dynamic Focused 60-100 Portfolio ('the Fund') aims to achieve a long-term total return (the combination of income and growth of capital) by investing mainly in collective investment schemes. Between 60% and 100% of the Fund will be invested in schemes whose predominant exposure is to equities.

The Fund invests in other funds which use active and passive management approaches in order to provide a well-diversified, indirect exposure to global fixed income and variable rate assets, cash, near cash, equities and/or immovable property. Typically the Fund will have a high exposure towards assets providing potential for growth, such as equities. The Fund will concentrate on delivering returns from the Portfolio Manager's asset allocation decisions and the selection of a focused range of funds and fund management groups (which may include other funds managed by the Portfolio Manager).

The Fund may also invest directly in other assets such as transferable securities, cash and near cash, deposits, warrants and money market instruments. Derivative instruments may be used for efficient portfolio management only.

CAPITA FINANCIAL MANAGERS LIMITED  
ACD of CF Prudential Dynamic Focused 60-100 Portfolio  
16 February 2017

PORTFOLIO MANAGER'S REPORT

Between 1 November 2015 and 31 October 2016 share classes 'A' Accumulation 16.3%<sup>1</sup>, 'R' Accumulation 16.87%<sup>1</sup> and 'P' Accumulation 17.21%<sup>1</sup> were ahead of the 13.8%<sup>1</sup> sector average for IA Flexible Investment.

ECONOMIC OVERVIEW

Positions, and turning points, in business cycles typically form part of the analysis when constructing investment portfolios. Our analysis suggests that the US is in a mature phase of its expansion. As with the US, we believe that the UK is also in a maturing phase of its business cycle (although behind the US in terms of positioning) and that the economy is likely to slow sharply once the UK officially notifies the European Union ('EU') of its decision to leave the Union. By comparison, we think that the eurozone is approaching the mid-cycle expansion stage of the business cycle. Finally, in our opinion, Japan is probably in the later stages of its business cycle.

Growth in China has recently stabilised, due to policy support and strong credit growth. Economic growth is expected to start slowing, in the absence of further large stimulus. Of concern remains the high and growing level of debt, particularly on the part of Chinese corporates. Vulnerabilities will continue to rise as credit continues to grow. This is complicating the task of rebalancing the economy away from investment and towards consumption, the implementation of deeper structural reforms, and allowing market forces to play a greater role in determining the allocation of resources.

MARKET OVERVIEW

Having experienced a positive end to 2015, the early part of 2016 brought a remarkable turnaround in investor sentiment. In January 2016, many stockmarkets experienced their worst month for many years as renewed fears about a China-led global economic slowdown and a collapse in the oil price led to a retreat from risk assets. Investors then appeared to accept that a global recession was not as likely as feared and, when the oil price began to recover and central banks announced further action to boost growth, stockmarkets rallied strongly.

Despite several other events that could have unsettled investors including the UK referendum result, terrorist attacks and an attempted military coup in Turkey, investors have continued to focus on the support being given by policymakers.

Significant movements in currency markets also featured; sterling weakened against most other currencies, initially on the recognition that UK interest rates were unlikely to rise in the short term, but subsequently from the decision by the UK electorate to leave the EU.

UK

The FTSE All-Share had a strong 12 months, recovering from the lows of mid-February led by international energy and mining stocks, as oil and metal prices increased. The market also rebounded strongly from a short period of weakness following the UK referendum result in June supported by a decline in the pound that benefited the large number of multi-national businesses in the UK.

Returns from the Legal & General UK Index Trust were in line with the performance of the FTSE All-Share Index.

<sup>1</sup> Source: FE Analytics. The Portfolio Manager uses the IA Flexible Investment Shares for comparison. No benchmark is required to be disclosed per the Prospectus.

## CF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

ACD's Report (continued)

Portfolio Manager's Report (continued)

For the year ended 31 October 2016

### NORTH AMERICA

The S&P 500 produced a positive return over the period in review although US stockmarkets had their worst start to a new year for many years, with investors spooked by the slump in the oil price in January 2016. Concern that the economy could fall back into recession peaked in mid-February before bargain hunting among financial and energy stocks emerged. A rebound in the oil price and good economic data saw US shares recover. This prompted the US Federal Reserve ('the Fed') to confirm interest rate hikes would proceed cautiously. The continued actions of other central banks in keeping interest rates low has also helped keep investor sentiment generally positive.

Returns from the Legal & General US Index Trust were in line with the performance of the FTSE USA Index.

### EUROPE

Having pledged that it would not hesitate to act in support of the eurozone's economy, the European Central Bank ('ECB') took unexpectedly aggressive action in March. The main interest rate was reduced to zero, the deposit rate cut to -0.4% and the programme of asset purchases extended.

Most of Europe's stockmarkets declined over the period in local terms, though the strength of the euro against the pound meant that, in sterling terms, the losses were reduced or reversed. Concerns about the state of Italian banks hampered the country's stockmarket and concerns about Deutsche Bank grew following the imposition of a US\$14 billion fine from US authorities in late September.

Returns from the Legal & General European Index Trust were in line with the performance of the FTSE World Europe ex UK Index.

### JAPAN

Despite the government's package of measures to keep interest rates low, weaken the yen and encourage inflation, the Japanese economy remained under pressure. The Bank of Japan ('BoJ') took the unprecedented step of setting the main interest rate below zero, at -0.1%.

While this caused the yen to weaken in the short term, it then strengthened significantly over the period – regarded not only as a safe haven when other markets weakened, but also gaining relative to the US dollar when it became apparent US interest rates were not about to rise immediately. A strong yen tends to weigh on the Japanese stockmarket as it restricts the country's export competitiveness. Japanese shares were lower over the period in review despite rallying in the third quarter.

Returns from the Legal & General Japan Index Trust were in line with the performance of the FTSE Japan Index.

### ASIA EX JAPAN

In common with other global stockmarkets, shares in Asia endured a turbulent first few months of 2016 having recovered towards the end of 2015. The Chinese stockmarket, the largest in the region, declined sharply early in the year as investors became increasingly concerned that the economy was stalling. In a surprise move, the authorities devalued the Chinese currency, alarming investors and sending shock waves around the world.

A general improvement in investor sentiment during the third quarter was reflected in higher prices for shares in the Asia Pacific region, particularly as economic data seemed to suggest that the Chinese economy was not slowing as much as had been feared.

Returns from the Legal & General Pacific Index Trust were in line with the performance of the FTSE World Asia Pacific ex Japan Index.

### UK BONDS

UK interest rates and inflation remained low during the period. Weakness in the price of oil and other commodities notably contributed to subdued inflation, while signs that the global economy may be slowing supported the Bank of England's ('BoE') decision to keep interest rates unchanged. Fears of a global recession started to fade from around the middle of February, so gilt prices moderated and UK corporate bonds staged a solid rebound, especially in the final weeks of March.

The third quarter saw sustained demand for 'safe-haven' assets as the UK referendum result took financial markets by surprise. Expectations of interest rate increases were pushed out and indeed the BoE lowered interest rates to 0.25% in August. The extent of the accompanying bond-purchasing programme was greater than expected and kept demand for UK corporate and government bonds strong.

The M&G Strategic Corporate Bond Fund and M&G Corporate Bond Fund both produced positive returns over the period in review.

### INTERNATIONAL BONDS

With the uncertain outlook at the beginning of 2016, demand for global corporate bonds tended to weaken, and as a result, these assets initially delivered mixed returns. In contrast, demand for core government bonds, including those from the US and Germany, increased sharply as investors sought out 'safe-haven' assets.

The situation reversed from mid-February onwards as investor risk appetite returned, helped by the stabilisation in commodity prices. Corporate bonds experienced a solid rebound in the circumstances and high-yield bonds also rallied towards the end of the period in review.

The M&G European Corporate Bond Fund, M&G Global Convertibles Fund, M&G European Loan Fund and M&G Global High Yield Bond Fund all produced positive returns.

### UK PROPERTY

Even before the UK referendum on membership of the EU, the UK commercial property market had begun to cool, with both capital value and rental income growth slowing. In the two months after the 'Leave' vote, commercial property prices fell by around 4% in total. However, there are some early signs that prices are beginning to stabilise, not least because of solid demand for property assets from overseas buyers.

So far in 2016, capital values have declined by around 3%, with the steepest fall seen in the All Retail sector. Meanwhile, rental values for all UK commercial property have grown by just over 1% year-to-date, with All Industrials and All Offices recording the largest increases.

The M&G Property Portfolio suffered from a surge of redemption requests following the referendum result. This had a negative effect on performance as the fund manager had to suspend trading and re-value underlying assets.

### EMERGING MARKETS

The end of 2015 was modestly positive for emerging markets overall. At the beginning of 2016 they suffered in an environment of risk aversion as investors considered the effect of a slowing global economy and lower oil prices.

## CF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

ACD's Report (continued)

Portfolio Manager's Report (continued)

For the year ended 31 October 2016

### EMERGING MARKETS (continued)

However, Emerging Markets performed better than most developed markets over the third quarter and have now produced very strong returns to end October 2016. This has been driven by the higher prices for oil, and commodity prices and a weaker US dollar.

Returns from the Legal & General Global Emerging Markets Index Fund were in line with the performance of the FTSE All World Emerging Index.

### POSITIONING

Over the period, there have been no major changes to the overall portfolio structure which remains broadly diversified by asset class and geography with an overall bias to equities. Any transactions relate to ongoing trading in order to keep the portfolio in line with target positions, in accordance with the underlying mandate of the Fund.

### OUTLOOK

Global growth is expected to remain subdued for several factors. These include the continuation of highly leveraged advanced and Emerging Markets (although some deleveraging has occurred post-2008 in advanced economies); the ongoing rebalancing in China which is resulting in a gradually slowing Chinese economy; a continued adjustment on the part of commodity producers to a decline in their terms of trade; geopolitical uncertainty across the globe; and a lack of structural reform in many economies that will act as a restraint on global growth, as these reforms take several years to bear fruit.

Monetary policy divergence is set to continue in the advanced economies, although it will remain very accommodative even once the Fed resumes its rate hiking cycle. The Fed is expected to hike once in December 2016, while the ECB, the BoJ and the BoE may ease policy further.

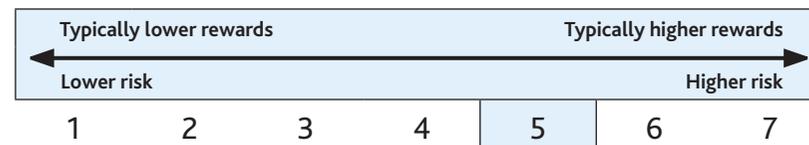
### M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

18 November 2016

## FUND INFORMATION

### RISK AND REWARD PROFILE



This indicator shows how much a fund has risen and fallen in the past, and therefore how much a fund's returns have varied. It is a measure of a fund's volatility. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains. The lowest number on the scale does not mean that a fund is risk free.

The Fund has been classed as 5 because its volatility has been measured as above average.

Non-UCITS Retail Scheme (NURS): The Fund can be less diversified than UCITS schemes as it has higher investment limits for certain types of asset. It can also invest in assets which are not available to UCITS schemes. This can increase the potential rewards but can also increase risk.

As this Fund has less than 5 years' price history, this calculation incorporates the volatility of an appropriate benchmark index.

The risk and reward profile shown is not guaranteed to remain the same and may shift over time.

Currency Risk: As the Fund invests indirectly in overseas securities, exchange rates movements may, when not hedged, cause the value of your investment to increase or decrease.

Credit Risk: Fixed interest securities are affected by trends in interest rates and inflation. If interest rates go up the value of capital may fall and vice versa. Inflation will also decrease the real value of capital. The value of a fixed interest security is also affected by its credit rating. Fixed interest securities with a higher yield also generally brings an increased risk of default on repayment by the issuer which could affect the income and capital of the Fund.

For full details of the Fund's risks, please see the Prospectus which may be obtained upon application and can be found on the ACD's website, [www.capitafinancial.com](http://www.capitafinancial.com), by following the link 'Fund Information'.

## CF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

### COMPARATIVE TABLES

Where the Fund has significant investment in collective investment schemes, the operating charges take account of the ongoing charges incurred in the underlying schemes, calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

	31.10.16 (p/share)	31.10.15 <sup>1</sup> (p/share)
<b>'A' Income shares</b>		
<b>Change in net assets per share</b>		
Opening net asset value per share	101.00	100.00
Return before operating charges*	16.66	2.21
Operating charges	(1.71)	(0.41)
Return after operating charges	14.95	1.80
Distributions	(1.05)	(0.80)
Closing net asset value per share	114.90	101.00
* after direct transaction costs of:	–	–
<b>Performance</b>		
Return after charges	14.80%	1.80%
<b>Other information</b>		
Closing net asset value (£'000)	–	–
Closing number of shares	250	250
Operating charges	1.64%	1.59% <sup>2</sup>
Direct transaction costs	–	–
<b>Prices</b>		
Highest share price	117.35	102.23
Lowest share price	93.77	96.83

<sup>1</sup> From 9 September 2015.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

	31.10.16 (p/share)	31.10.15 <sup>1</sup> (p/share)
<b>'A' Accumulation shares</b>		
<b>Change in net assets per share</b>		
Opening net asset value per share	101.85	100.00
Return before operating charges*	16.90	2.26
Operating charges	(1.72)	(0.41)
Return after operating charges	15.18	1.85
Distributions	(1.30)	(0.84)
Retained distributions on accumulation shares	1.30	0.84
Closing net asset value per share	117.03	101.85
* after direct transaction costs of:	–	–
<b>Performance</b>		
Return after charges	14.90%	1.85%
<b>Other information</b>		
Closing net asset value (£'000)	–	–
Closing number of shares	250	250
Operating charges	1.64%	1.59% <sup>2</sup>
Direct transaction costs	–	–
<b>Prices</b>		
Highest share price	118.52	102.24
Lowest share price	94.60	96.82

<sup>1</sup> From 9 September 2015.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

## CF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

ACD's Report (continued)  
Fund Information (continued)

### COMPARATIVE TABLES (continued)

	31.10.16 (p/share)	31.10.15 <sup>1</sup> (p/share)
<b>'P' Income shares</b>		
<b>Change in net assets per share</b>		
Opening net asset value per share	101.01	100.00
Return before operating charges*	16.81	2.05
Operating charges	(0.93)	(0.12)
Return after operating charges	15.88	1.93
Distributions	(1.91)	(0.92)
Closing net asset value per share	114.98	101.01
* after direct transaction costs of:	-	-
<b>Performance</b>		
Return after charges	15.72%	1.93%
<b>Other information</b>		
Closing net asset value (£'000)	5,754	5,051
Closing number of shares	5,003,210	5,000,255
Operating charges	0.89%	0.84% <sup>2</sup>
Direct transaction costs	-	-
<b>Prices</b>		
Highest share price	118.23	102.33
Lowest share price	93.97	96.87

<sup>1</sup> From 9 September 2015.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

	31.10.16 (p/share)	31.10.15 <sup>1</sup> (p/share)
<b>'P' Accumulation shares</b>		
<b>Change in net assets per share</b>		
Opening net asset value per share	101.95	100.00
Return before operating charges*	17.14	1.96
Operating charges	(0.99)	(0.01)
Return after operating charges	16.15	1.95
Distributions	(2.01)	(0.94)
Retained distributions on accumulation shares	2.01	0.94
Closing net asset value per share	118.10	101.95
* after direct transaction costs of:	-	-
<b>Performance</b>		
Return after charges	15.84%	1.95%
<b>Other information</b>		
Closing net asset value (£'000)	493	-
Closing number of shares	417,726	255
Operating charges	0.89%	0.84% <sup>2</sup>
Direct transaction costs	-	-
<b>Prices</b>		
Highest share price	119.42	102.35
Lowest share price	94.91	96.88

<sup>1</sup> From 9 September 2015.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

## CF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

ACD's Report (continued)  
Fund Information (continued)

### COMPARATIVE TABLES (continued)

	31.10.16 (p/share)	31.10.15 <sup>1</sup> (p/share)
<b>'R' Accumulation shares</b>		
<b>Change in net assets per share</b>		
Opening net asset value per share	101.89	100.00
Return before operating charges*	17.01	2.04
Operating charges	(1.21)	(0.15)
Return after operating charges	15.80	1.89
Distributions	(1.72)	(0.90)
Retained distributions on accumulation shares	1.72	0.90
Closing net asset value per share	117.69	101.89
* after direct transaction costs of:	–	–
<b>Performance</b>		
Return after charges	15.51%	1.89%
<b>Other information</b>		
Closing net asset value (£'000)	688	126
Closing number of shares	584,531	123,731
Operating charges	1.14%	1.09% <sup>2</sup>
Direct transaction costs	–	–
<b>Prices</b>		
Highest share price	119.03	102.30
Lowest share price	94.74	96.86

<sup>1</sup> From 9 September 2015.

<sup>2</sup> Annualised figure due to share class being launched less than 1 year.

### FUND PERFORMANCE TO 31 OCTOBER 2016 (%)

	1 year	Since launch*
CF Prudential Dynamic Focused 60-100 Portfolio	16.87	17.84

\* The Fund launched on 9 September 2015.

The performance of the Fund is based on the published price per 'A' Accumulation share which includes reinvested income.

The performance of the Fund disclosed in the above table may differ from the 'Return after charges' disclosed in the Comparative Table due to the above performance being calculated on the latest published price prior to the period end, rather than the period end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 332 and 333.

### RISK WARNING

An investment in an open-ended investment company should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

## CF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

ACD's Report (continued)

PORTFOLIO STATEMENT

AS AT 31 OCTOBER 2016

Holding	Portfolio of Investments	Value £'000	31.10.16 %
	EQUITY PORTFOLIOS – 68.72% (31.10.15 – 67.40%)		
257,182	CONTINENTAL EUROPE – 9.34% (31.10.15 – 10.76%) Legal & General European Index Trust	648	9.34
	TOTAL CONTINENTAL EUROPE	648	9.34
1,159,074	UNITED KINGDOM – 25.12% (31.10.15 – 25.19%) Legal & General UK Index Trust	1,742	25.12
	TOTAL UNITED KINGDOM	1,742	25.12
677,530	FAR EAST – 9.66% (31.10.15 – 9.97%) Legal & General Pacific Index Trust	670	9.66
	TOTAL FAR EAST	670	9.66
599,965	JAPAN – 4.35% (31.10.15 – 5.37%) Legal & General Japan Index Trust	301	4.35
	TOTAL JAPAN	301	4.35
197,488	UNITED STATES – 10.05% (31.10.15 – 10.24%) Legal & General US Index Trust	697	10.05
	TOTAL UNITED STATES	697	10.05
414,901	EMERGING MARKETS – 3.17% (31.10.15 – 3.22%) Legal & General Global Emerging Markets Index Fund	220	3.17
	TOTAL EMERGING MARKETS	220	3.17
	EQUITY INVESTMENT INSTRUMENTS – 7.03% (31.10.15 – 2.65%)		
73,004	BBGI*	105	1.51
65,050	CATCo Reinsurance Opportunities Fund*	66	0.95
33,905	DP Aircraft I*	30	0.43
11,256	HarbourVest Global Private Equity*	121	1.74
5,290	HgCapital Trust*	76	1.10
34,914	NextEnergy Solar Fund*	38	0.55
48,177	Renewables Infrastructure*	52	0.75
	TOTAL EQUITY INVESTMENT INSTRUMENTS	488	7.03
	TOTAL EQUITY PORTFOLIOS	4,766	68.72

Holding	Portfolio of Investments	Value £'000	31.10.16 %
	PROPERTY PORTFOLIOS – 20.26% (31.10.15 – 19.41%)		
126,379	M&G Property Portfolio†	1,405	20.26
	TOTAL PROPERTY PORTFOLIOS	1,405	20.26
	BOND PORTFOLIOS – 10.10% (31.10.15 – 10.72%)		
158,339	M&G Corporate Bond Fund†	66	0.95
92,847	M&G European Corporate Bond Fund†	104	1.50
300	M&G European Loan Fund†	26	0.37
6,803	M&G Global Convertibles Fund†	15	0.22
87,689	M&G Global High Yield Bond Fund†	108	1.56
80,661	M&G Short Dated Corporate Bond Fund†	21	0.30
322,617	M&G Strategic Corporate Bond Fund†	360	5.20
	TOTAL BOND PORTFOLIOS	700	10.10
	Portfolio of investments	6,871	99.08
	Net other assets	64	0.92
	Net assets	6,935	100.00

The investments have been valued in accordance with note (h) of the Accounting Policies and are collective investment schemes unless stated otherwise.

† Related party holding (see note 9).

\* Ordinary shares.

## CF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

ACD's Report (continued)

### SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 31 OCTOBER 2016

**Total purchases for the year £'000 (note 13)** **3,528**

Purchases	Cost £'000
Legal & General UK Index Trust	957
M&G Property Portfolio	528
Legal & General European Index Trust	311
M&G Strategic Corporate Bond Fund	276
Legal & General Pacific Index Trust	247
Legal & General US Index Trust	241
Legal & General Japan Index Trust	187
HarbourVest Global Private Equity	121
M&G Short Dated Corporate Bond Fund	120
M&G Corporate Bond Fund	109
M&G Global High Yield Bond Fund	74
BBGI	69
M&G European Corporate Bond Fund	64
Legal & General Global Emerging Markets Index Fund	62
CATCo Reinsurance Opportunities Fund	55
Renewables Infrastructure	47
NextEnergy Solar Fund	44
DP Aircraft I	16

**Total sales for the year £'000 (note 13)** **2,588**

Sales	Proceeds £'000
Legal & General UK Index Trust	693
Legal & General European Index Trust	331
Legal & General Pacific Index Trust	299
Legal & General US Index Trust	262
Legal & General Japan Index Trust	261
M&G Short Dated Corporate Bond Fund	204
M&G Strategic Corporate Bond Fund	198
Legal & General Global Emerging Markets Index Fund	80
M&G Corporate Bond Fund	80
HgCapital Trust	47
M&G European Corporate Bond Fund	45
M&G Global High Yield Bond Fund	40
HarbourVest Global Private Equity	24
NextEnergy Solar Fund	24

The summary of material portfolio changes represents all of the purchases and sales during the year.

## FINANCIAL STATEMENTS

### STATEMENT OF TOTAL RETURN FOR THE YEAR ENDED 31 OCTOBER 2016

	Notes	£'000	31.10.16 £'000	£'000	31.10.15* £'000
Income:					
Net capital gains	2		917		52
Revenue	3	171		54	
Expenses	4	(49)		(5)	
Net revenue before taxation		122		49	
Taxation	5	(4)		(2)	
Net revenue after taxation			118		47
<b>Total return before distributions</b>			1,035		99
Distributions	6		(118)		(47)
<b>Change in net assets attributable to shareholders from investment activities</b>			917		52

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS FOR THE YEAR ENDED 31 OCTOBER 2016

	£'000	31.10.16 £'000	£'000	31.10.15* £'000
<b>Opening net assets attributable to shareholders</b>		5,177		–
Amounts receivable on issue of shares	3,171		5,133	
Amounts payable on cancellation of shares	(2,384)		(9)	
		787		5,124
Dilution adjustment		35		–
Change in net assets attributable to shareholders from investment activities		917		52
Retained distributions on Accumulation shares		19		1
<b>Closing net assets attributable to shareholders</b>		6,935		5,177

\* The comparative figures in the Statement of Total Return, Statement of Change in Net Assets Attributable to Shareholders and related notes are for the period from 9 September 2015 to 31 October 2015.

CF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

Financial Statements (continued)

BALANCE SHEET

AS AT 31 OCTOBER 2016

	Notes	31.10.16 £'000	31.10.15 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		6,871	5,049
<b>Current assets</b>			
Debtors	7	114	53
Cash and bank balances		159	127
<b>Total assets</b>		<u>7,144</u>	<u>5,229</u>
<b>LIABILITIES</b>			
<b>Provisions for liabilities</b>			
		(2)	–
<b>Creditors</b>			
Bank overdrafts		–	(1)
Distribution payable		(95)	(46)
Other creditors	8	(112)	(5)
<b>Total liabilities</b>		<u>(209)</u>	<u>(52)</u>
<b>Net assets attributable to shareholders</b>		<u>6,935</u>	<u>5,177</u>

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 OCTOBER 2016

1. ACCOUNTING POLICIES

The accounting policies described on pages 20 to 22 have been applied to the financial statements of the Fund in the current and prior year. The additional accounting policy described below has also been applied to this Fund.

(a) *Treatment of expenses*

The Fund receives a rebate of the Annual Management Charge in relation to related party investments in the Fund. This is to eliminate double charging and, as such, is not a reduction in expenses suffered by shareholders.

2. NET CAPITAL GAINS

The net capital gains during the year comprise:

	31.10.16 £'000	For the period 09.09.15 to 31.10.15 £'000
Non-derivative securities	917	52
<b>Net capital gains</b>	<u>917</u>	<u>52</u>

The net capital gains figure includes realised gains of £274 thousand and unrealised gains of £695 thousand (31.10.15 : includes realised gains of £nil and unrealised gains of £52 thousand). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

3. REVENUE

	31.10.16 £'000	For the period 09.09.15 to 31.10.15 £'000
Non-taxable dividends	98	40
Taxable dividends	13	–
UK property income distributions	23	10
Unfranked interest	18	1
AMC rebates from underlying investments	19	3
<b>Total revenue</b>	<u>171</u>	<u>54</u>

4. EXPENSES

Payable to the ACD, associates of the ACD and agents of either of them:

Annual Management Charge	38	4
Administration fees	10	1
	<u>48</u>	<u>5</u>

## CF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

	31.10.16 £'000	For the period 09.09.15 to 31.10.15 £'000
4. EXPENSES (continued)		
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	1	–
	<u>1</u>	<u>–</u>
Total expenses	<u>49</u>	<u>5</u>

The Portfolio Management fees and expenses (plus VAT thereon) for providing portfolio management services are paid by the ACD out of its remuneration.

The audit fee of £9 thousand (31.10.15 : £5 thousand) and tax fee of £1 thousand (31.10.15 : £4 thousand) are borne by the ACD.

	31.10.16 £'000	For the period 09.09.15 to 31.10.15 £'000
5. TAXATION		
a) Analysis of charge for the year		
Corporation tax at 20%	2	2
Current tax charge	2	2
Deferred tax – origination and reversal of timing differences (note 5c)	2	–
Total taxation (note 5b)	<u>4</u>	<u>2</u>

b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.10.15 : 20%). The difference is explained below:

	31.10.16 £'000	For the period 09.09.15 to 31.10.15 £'000
Net revenue before taxation	122	49
Corporation tax at 20%	24	10

	31.10.16 £'000	For the period 09.09.15 to 31.10.15 £'000
5. TAXATION (continued)		
Effects of:		
Non-taxable dividends	(20)	(8)
Total tax charge (note 5a)	<u>4</u>	<u>2</u>
c) Deferred tax		
Provision at the start of the year	–	–
Deferred tax charge in the year (note 5a)	2	–
Provision at the end of the year	<u>2</u>	<u>–</u>

## 6. DISTRIBUTIONS

The distributions take account of revenue received on the issue of shares and revenue deducted on cancellations of shares, and comprise:

	31.10.16 £'000	For the period 09.09.15 to 31.10.15 £'000
Final	114	47
	<u>114</u>	<u>47</u>
Add: Revenue deducted on cancellation of shares	21	–
Deduct: Revenue received on issue of shares	(17)	–
Net distributions for the year	<u>118</u>	<u>47</u>

Details of the distributions per share are set out in the table on pages 332 and 333.

## CF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

	31.10.16 £'000	31.10.15 £'000
<b>7. DEBTORS</b>		
Sales awaiting settlement	35	–
Accrued revenue:		
Non-taxable dividends	53	40
Taxable dividends	9	–
UK property income distributions	–	10
Unfranked interest	1	–
AMC rebates from underlying investments	3	3
	66	53
Taxation recoverable:		
Income tax	13	–
<b>Total debtors</b>	<u>114</u>	<u>53</u>
<b>8. OTHER CREDITORS</b>		
Purchases awaiting settlement	105	–
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	4	2
Administration fees	1	1
	5	3
Taxation payable:		
Corporation tax	2	2
<b>Total other creditors</b>	<u>112</u>	<u>5</u>

### 9. RELATED PARTY TRANSACTIONS

Annual Management Charge and administration fees payable to Capita Financial Managers Limited ('the ACD') are disclosed in note 4 and amounts due at the year end are disclosed in note 8.

The aggregate monies received by the ACD through the issue of shares and paid on cancellation of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 319 and amounts due for the year are disclosed in notes 7 and 8.

Capita Financial Managers Limited and its associates (including other authorised investment funds managed by Capita Financial Managers Limited) held 2,778 (31.10.15 : nil) of the Fund's shares at the balance sheet date.

M&G Investment Management Limited and its associates (including other authorised investment funds managed by M&G Investment Management Limited) held 5,000,000 (31.10.15 : 5,000,000) of the Fund's shares at the balance sheet date.

### 9. RELATED PARTY TRANSACTIONS (continued)

A shareholder may be able to exercise significant influence over the financial and operating policies of the Fund and as such is deemed to be a related party. At the balance sheet date the following shareholder held in excess of 20% of the shares in issue of the Fund:

Prudential plc and its associates 83.25% (31.10.15 : 97.57%)

As part of the investment strategy, the Fund may from time to time hold shares in other collective investment schemes managed by the same Portfolio Manager or for which Capita Financial Managers Limited is also the ACD. At the balance sheet date the value of the holdings were as follows:

	31.10.16 £'000	31.10.15 £'000
Portfolio Manager in common	<u>2,105</u>	<u>1,560</u>

### 10. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (31.10.15 : none).

### 11. SHARES IN ISSUE

	'A' Income	'A' Accumulation	'P' Income
Annual Management Charge	1.35%	1.35%	0.60%
Opening shares in issue	250	250	5,000,255
Issues	–	–	2,955
Cancellations	–	–	–
<b>Closing shares in issue</b>	<u>250</u>	<u>250</u>	<u>5,003,210</u>

	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.60%	0.85%
Opening shares in issue	255	123,731
Issues	2,522,153	510,740
Cancellations	(2,104,682)	(49,940)
<b>Closing shares in issue</b>	<u>417,726</u>	<u>584,531</u>

The closing net asset value and the closing net asset value per share, for each share class in issue at the balance sheet date, are given in the Fund Information.

## CF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 12. RISK MANAGEMENT POLICIES

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for hedging purposes.

The main risks from the Fund's holding of financial instruments, together with the ACD's policy for managing these risks, are set out below:

The ACD has in place a Risk Management Policy and Procedures Document ('RMPPD') that sets out the risks that may impact a fund and how the ACD seeks, where appropriate, to manage, monitor and mitigate those risks, and in particular those risks associated with the use of derivatives. The RMPPD sets out both the framework and the risk mitigations operated by the ACD in managing the identified risks of the fund. The ACD requires that the appointed Portfolio Manager to the fund has in place its own governance structure, policies and procedures that are commensurate with its regulatory obligations and the risks posed by the fund managed.

#### i. Credit risk

Credit risk is the risk that a counterparty may be unable or unwilling to make a payment or fulfil contractual obligations. This may be in terms of an actual default or by deterioration in a counterparty's credit quality.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. As part of its due diligence process, the ACD undertakes a review of the controls operated over counterparties by the Portfolio Manager, including initial and ongoing due diligence and business volumes placed with each counterparty. In cases which are dependent on the counterparty settling at the transaction's maturity date, the ACD has policies in place which set out the minimum credit quality expected of a market counterparty or deposit taker at the outset of the transaction.

#### ii. Interest rate risk

Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of interest rate changes. The value of fixed interest securities may be affected by changes in interest rates, either globally or locally. Changes in the rate of return in one asset class may influence the valuation basis of other classes. The amount of revenue receivable from floating rate investments and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates. Investment in collective investment schemes exposes the Fund to indirect interest rate risk to the extent that they invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

As the Fund is invested in underlying funds these funds may have exposure to bonds and to interest rate risk.

### 12. RISK MANAGEMENT POLICIES (continued)

#### iii. Foreign currency risk

Foreign currency risk is the risk that the sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the sterling equivalent value. Forward currency contracts are employed by the Portfolio Manager, where deemed appropriate, to mitigate the foreign exchange risk. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates.

Where the Fund invests in non-sterling assets, the Portfolio Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

A 5% change in the Pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £5 thousand on the net assets of the Fund (31.10.15 : £3 thousand).

The table below shows the direct foreign currency risk profile:

	31.10.16 £'000	31.10.15 £'000
Currency:		
US dollars	97	58
Pounds sterling	6,838	5,119
	<hr/>	<hr/>
Net assets	6,935	5,177

#### iv. Leverage

The ACD is required to calculate and monitor the level of leverage of the Fund, expressed as a ratio between the exposure of the Fund and its Net Asset Value, under both the gross and commitment methods (in accordance with articles 7 and 8 of The Alternative Investment Fund Managers Regulations 2013). For a fund with no borrowing or derivative usage the leverage ratio would be 1:1 under the commitment method. The gross method calculation excludes cash and cash equivalents which are highly liquid.

As at 31 October 2016, leverage under the gross method was 0.99:1 and leverage under the commitment method was 1:1 (30.10.15 : 0.98:1 and 1:1 respectively).

#### v. Liquidity risk

The main liability of the Fund is the cancellation of any shares that investors want to sell. Investments may have to be sold to fund such cancellations should insufficient cash be held at the bank to meet this obligation.

To reduce liquidity risk the Portfolio Manager will ensure that a substantial portion of the Fund's assets consist of cash and readily realisable investments.

All financial liabilities are payable in one year or less, or on demand.

## CF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 12. RISK MANAGEMENT POLICIES (continued)

#### vi. Market price risk

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds.

Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

#### vii. Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

#### viii. Derivatives

The Fund held no derivatives during the current year or prior period.

### 13. PORTFOLIO TRANSACTION COSTS

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
<b>31.10.16</b>				
Ordinary shares	64	–	–	64
Collective investment schemes	3,464	–	–	3,464
<b>Purchases total</b>	<b>3,528</b>	<b>–</b>	<b>–</b>	<b>3,528</b>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	2,588	–	–	2,588
<b>Sales total</b>	<b>2,588</b>	<b>–</b>	<b>–</b>	<b>2,588</b>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.16 is 0.74% (31.10.15 : 1.10%).

## CF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2016

### 13. PORTFOLIO TRANSACTION COSTS (continued)

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
<b>31.10.15</b>				
Collective investment schemes	5,111	–	–	5,111
<b>Purchases total</b>	<b>5,111</b>	<b>–</b>	<b>–</b>	<b>5,111</b>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	115	–	–	115
<b>Sales total</b>	<b>115</b>	<b>–</b>	<b>–</b>	<b>115</b>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

### 14. FAIR VALUE HIERARCHY

Investments are categorised into the following levels based on their fair value measurement:

Level 1: The unadjusted quoted price in an active market for identical assets that the Fund can access at the year end date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the assets.

Valuation technique	31.10.16 Assets £'000	31.10.15 Assets £'000
Level 1	488	137
Level 2	6,383	4,912
Level 3	–	–
Total portfolio of investments	<b>6,871</b>	<b>5,049</b>

### 15. SUBSEQUENT EVENTS

Since the balance sheet date of 31 October 2016, the net asset value of the Fund has risen by 26%, primarily due to issue of shares and market movement.

## CF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

Financial Statements (continued)

### DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 OCTOBER 2016 – IN PENCE PER SHARE

#### EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares – the applicable distribution periods for each distribution are shown below). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes.

Group 2	Final
From	01.11.15
To	31.10.16

#### 'A' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	1.0520	–	1.0520	0.8000
Group 2	1.0520	0.0000	1.0520	0.8000

#### 'A' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	1.3040	–	1.3040	0.8440
Group 2	1.3040	0.0000	1.3040	0.8440

#### 'P' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.16	Paid 31.12.15
Group 1	1.9064	–	1.9064	0.9158
Group 2	0.0000	1.9064	1.9064	0.9158

#### 'P' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	2.0050	–	2.0050	0.9411
Group 2	2.0050	0.0000	2.0050	0.9411

#### 'R' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.16	Allocated 31.12.15
Group 1	1.7181	–	1.7181	0.9014
Group 2	1.3284	0.3897	1.7181	0.9014

## GENERAL INFORMATION

### STRUCTURE OF THE COMPANY

The Company is structured as an umbrella company, in that different sub-funds may be established from time to time by the ACD with the approval of the Financial Conduct Authority and the agreement of the Depositary. On the introduction of any new sub-fund or class, a revised Prospectus will be prepared setting out the relevant details of each sub-fund or class.

The assets of each sub-fund will be treated as separate from those of every other sub-fund and will be invested in accordance with the investment objective and investment policy applicable to that sub-fund. The sub-funds which are currently available are:

CF Prudential Dynamic 0-30 Portfolio  
CF Prudential Dynamic 10-40 Portfolio  
CF Prudential Dynamic 20-55 Portfolio  
CF Prudential Dynamic 40-80 Portfolio  
CF Prudential Dynamic 60-100 Portfolio  
CF Prudential Dynamic Focused 0-30 Portfolio  
CF Prudential Dynamic Focused 10-40 Portfolio  
CF Prudential Dynamic Focused 20-55 Portfolio  
CF Prudential Dynamic Focused 40-80 Portfolio  
CF Prudential Dynamic Focused 60-100 Portfolio

In the future there may be other sub-funds of the Company.

### VALUATION POINT

The valuation point of each sub-fund is 12.00 noon (London time) on each business day. Valuations may be made at other times under the terms contained within the Prospectus.

### BUYING AND SELLING SHARES

The ACD will accept orders to deal in the shares on normal business days between 8.30am and 5.30pm (London time) and transactions will be effected at prices determined by the following valuation. Instructions to buy or sell shares may be either in writing to: PO Box 384, Darlington DL1 9RZ or by telephone on 0344 335 8936.

### PRICES

The prices of all shares are published on the website of the ACD: [www.capitafinancial.com](http://www.capitafinancial.com). The prices of shares may also be obtained by calling 0344 335 8936 during the ACD's normal business hours.

### OTHER INFORMATION

The Instrument of Incorporation, Prospectus, Key Investor Information Document and the most recent interim and annual reports may be inspected at the office of the ACD which is also the Head Office. Copies of these may be obtained upon application and, excepting the Instrument of Incorporation, can be found on the ACD's website, [www.capitafinancial.com](http://www.capitafinancial.com), by following the link 'Fund Information'.

Shareholders who have any complaints about the operation of the Company should contact the ACD or the Depositary in the first instance. In the event that a shareholder finds the response unsatisfactory they may make their complaint direct to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

### DATA PROTECTION ACT

Shareholders' names will be added to a mailing list which may be used by the ACD, its associates or third parties to inform investors of other products by sending details of such products. Shareholders who do not want to receive such details should write to the ACD requesting their removal from any such mailing list.



