

# LF Prudential Investment Funds (1)

(Formerly CF Prudential Investment Funds (1))

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2018

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**LF Prudential Dynamic 0-30 Portfolio**  
(Formerly CF Prudential Dynamic 0-30 Portfolio)

**LF Prudential Dynamic 10-40 Portfolio**  
(Formerly CF Prudential Dynamic 10-40 Portfolio)

**LF Prudential Dynamic 20-55 Portfolio**  
(Formerly CF Prudential Dynamic 20-55 Portfolio)

**LF Prudential Dynamic 40-80 Portfolio**  
(Formerly CF Prudential Dynamic 40-80 Portfolio)

**LF Prudential Dynamic 60-100 Portfolio**  
(Formerly CF Prudential Dynamic 60-100 Portfolio)

**LF Prudential Dynamic Focused 0-30 Portfolio**  
(Formerly CF Prudential Dynamic Focused 0-30 Portfolio)

**LF Prudential Dynamic Focused 10-40 Portfolio**  
(Formerly CF Prudential Dynamic Focused 10-40 Portfolio)

**LF Prudential Dynamic Focused 20-55 Portfolio**  
(Formerly CF Prudential Dynamic Focused 20-55 Portfolio)

**LF Prudential Dynamic Focused 40-80 Portfolio**  
(Formerly CF Prudential Dynamic Focused 40-80 Portfolio)

**LF Prudential Dynamic Focused 60-100 Portfolio**  
(Formerly CF Prudential Dynamic Focused 60-100 Portfolio)

## AUTHORISED CORPORATE DIRECTOR ('ACD') AND ALTERNATIVE INVESTMENT FUND MANAGER ('AIFM')

---

### LINK FUND SOLUTIONS LIMITED

Head Office:  
6th Floor  
65 Gresham Street  
London EC2V 7NQ  
Telephone: 0870 607 2555  
Fax: 0870 607 2550  
Email: [investorservices@linkgroup.co.uk](mailto:investorservices@linkgroup.co.uk)  
(Authorised and regulated by the Financial Conduct Authority)

## DIRECTORS OF THE ACD

---

C. Addenbrooke  
N. Boyling  
B. Hammond  
P. Hugh-Smith  
K.J. Midl  
A.J. Stuart (appointed 15 November 2017)

## PORTFOLIO MANAGER

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### M&G INVESTMENT MANAGEMENT LIMITED

Laurence Pountney Hill  
London EC4R 0HH  
(Authorised and regulated by the Financial Conduct Authority)

## DEPOSITARY

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### NATWEST TRUSTEE AND DEPOSITARY SERVICES LIMITED

250 Bishopsgate  
London EC2M 4AA  
(Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority)

## CUSTODIAN AND FUND ACCOUNTANT

---

### STATE STREET BANK AND TRUST COMPANY

20 Churchill Place  
Canary Wharf  
London E14 5HJ  
(Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority)

## REGISTRAR

---

### LINK FUND ADMINISTRATORS LIMITED

Customer Service Centre:  
Arlington Business Centre  
Millshaw Park Lane  
Leeds LS11 0PA  
Telephone: 0345 922 0044  
Fax: 0113 224 6001  
(Authorised and regulated by the Financial Conduct Authority)

## INDEPENDENT AUDITOR

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### ERNST & YOUNG LLP

25 Churchill Place  
Canary Wharf  
London E14 5EY

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## ACD'S REPORT

for the year ended 31 October 2018

### Authorised Status

LF 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 Authorised Corporate Director ('ACD') and references to the ACD in this Annual Report and Financial Statements include the AIFM as applicable.

### Important Information

As a result of the completion of the acquisition of Capita Financial Managers Limited by Link Administration Holdings Limited on 3 November 2017, the name of the ACD has changed to Link Fund Solutions Limited. Additionally, the Registrar of the Company has changed its name from Capita Financial Administrators Limited to Link Fund Administrators Limited and the trading name for the ACD and Administrator has also changed from Capita Asset Services to Link Asset Services.

With effect from 18 December 2017, the new name of the ACD is reflected in the name of the Company and its sub-funds as follows:

- CF Prudential Investment Funds (1) changed to LF Prudential Investment Funds (1);
- CF Prudential Dynamic 0-30 Portfolio changed to LF Prudential Dynamic 0-30 Portfolio;
- CF Prudential Dynamic 10-40 Portfolio changed to LF Prudential Dynamic 10-40 Portfolio;
- CF Prudential Dynamic 20-55 Portfolio changed to LF Prudential Dynamic 20-55 Portfolio;
- CF Prudential Dynamic 40-80 Portfolio changed to LF Prudential Dynamic 40-80 Portfolio;
- CF Prudential Dynamic 60-100 Portfolio changed to LF Prudential Dynamic 60-100 Portfolio;
- CF Prudential Dynamic Focused 0-30 Portfolio changed to LF Prudential Dynamic Focused 0-30 Portfolio;
- CF Prudential Dynamic Focused 10-40 Portfolio changed to LF Prudential Dynamic Focused 10-40 Portfolio;
- CF Prudential Dynamic Focused 20-55 Portfolio changed to LF Prudential Dynamic Focused 20-55 Portfolio;
- CF Prudential Dynamic Focused 40-80 Portfolio changed to LF Prudential Dynamic Focused 40-80 Portfolio; and
- CF Prudential Dynamic Focused 60-100 Portfolio changed to LF Prudential Dynamic Focused 60-100 Portfolio.

## ACD'S REPORT *continued*

### Important Information *continued*

On 17 April 2018, a new share class 'C' Income was launched in the LF Prudential Dynamic Focused 10-40 Portfolio, LF Prudential Dynamic Focused 40-80 Portfolio and the LF Prudential Dynamic Focused 60-100 Portfolio.

With effect from 29 October 2018, the following Trustee changes were made:

- Name change from National Westminster Bank Plc to Natwest Trustee and Depositary Services Limited; and
- Registered office address changed to 250 Bishopgate, London EC2M 4AA.

Following a meeting of shareholders, with effect from 21 January 2019 the following changes were made to the funds:

- The investment objective and policy of the funds was changed. The funds were managed on the basis that they invest in a specified range of equities (company shares). These limits have been removed and the funds are now managed with the aim of limiting the level of volatility (i.e. the amount by which the Fund's value goes up or down) over the long term (i.e. at least 5 years).
- The names of the funds were changed to reflect the change in the Investment Objectives of the funds.
- The "Dynamic" funds previously invested in a wide range of active funds managed by different fund management companies. The funds now invest in a more focused range of lower cost funds, including funds available from within the Prudential group.
- The "Dynamic Focused" funds previously invested in a mix of active or passively managed funds. To reduce costs the funds now invest at least 70% in passive funds.
- The annual management charge was reduced.

### Cross Holdings

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

### Remuneration Policy

Link Fund Solutions Limited ('LFSL') is committed to ensuring that its remuneration policies and practices are consistent with, and promote, sound and effective risk management. LFSL's remuneration policy is designed to ensure that excessive risk taking is not encouraged by or within LFSL 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 LFSL to achieve and maintain a sound capital base.

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

LFSL 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

## ACD'S REPORT *continued*

### Remuneration Policy *continued*

publicly available in accordance with the disclosure requirements of Pillar 3 of the Capital Requirements Directive. This disclosure is in respect of LFSL activities (including activities performed by its sister company Link Fund Administrators Limited ('LFAL') or by employees of that entity), and excludes activities undertaken by third party investment management firms. LFSL 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 LFSL as a whole. No attempt has been made to attribute remuneration to the Company itself.

Information on LFSL'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 2017, being the most recent accounting period for which accounts have been prepared for LFSL prior to the production of these accounts. As at 31 December 2017, LFSL operated 95 UCITS and 59 AIFs, whose respective assets under management ('AuM') were £41,425 million and £16,780 million. This Company was valued at £1,408 million as at that date and represented 2.42% of LFSL's total AuM and 8.39% 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 LFSL for the financial year to 31 December 2017	188	5,497	633	6,130
Total amount of remuneration paid to members of staff whose activities have a material impact on the risk profile of the funds for the financial year to 31 December 2017				
Senior management (including all Board members)	6	551	132	683
Staff engaged in control functions	4	310	–	310
Risk takers and other identified staff	15	995	19	1,014
Any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers	–	–	–	–

## **ACD'S REPORT** *continued*

### **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.

### **LINK FUND SOLUTIONS LIMITED**

ACD of LF Prudential Investment Funds (1)

*20 February 2019*

## 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**

**LINK FUND SOLUTIONS LIMITED**

ACD of LF Prudential Investment Funds (1)

*20 February 2019*

## 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.

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.

## 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 and, from 22 July 2014, the Investment Funds 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 summarised 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, 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 Alternative Investment Fund Manager ('the AIFM'), 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 Scheme documents and Regulations in relation to the investment and borrowing powers applicable to the Company.

## REPORT OF THE DEPOSITARY

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 AIFM:

- (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.

### NATWEST TRUSTEE AND DEPOSITARY SERVICES LIMITED

Depositary of LF Prudential Investment Funds (1)  
20 February 2019

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LF PRUDENTIAL INVESTMENT FUNDS (1)

### Opinion

We have audited the financial statements of LF Prudential Investment Funds (1) ('the Company') for the year ended 31 October 2018 which comprise the Statement of Total Return and Statement of Change in Net Assets Attributable to Shareholders together with the Balance Sheet for each of the Company's sub-funds, the accounting policies of the Company, the related notes for each sub-fund and the Distribution Table, including a summary of significant accounting policies. 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) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company comprising each of its sub-funds as at 31 October 2018 and of the net revenue and the net capital losses on the scheme property of the Company comprising each of its sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting standard applicable in the UK and Republic of Ireland'.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions Relating to Going Concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the ACD's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the ACD has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LF PRUDENTIAL INVESTMENT FUNDS (1) *continued***

### **Other Information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The ACD is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on Other Matters Prescribed by the Rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority**

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Instrument of Incorporation;
- the information given in the ACD's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records.

### **Matters on Which We Are Required to Report by Exception**

We have nothing to report in respect of the following matter in relation to which the Collective Investment Schemes Sourcebook of the Financial Conduct Authority rules requires us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LF PRUDENTIAL INVESTMENT FUNDS (1) *continued***

### **Responsibilities of Authorised Corporate Director (ACD)**

As explained more fully in the ACD's Responsibilities Statement set out on page 17, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the ACD determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the ACD is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the ACD either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of Our Report**

This report is made solely to the Company's members, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**ERNST & YOUNG LLP**

Statutory Auditor

London

20 February 2019

## ACCOUNTING AND DISTRIBUTION POLICIES

for the year ended 31 October 2018

### 1. Accounting Policies

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. 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, as amended.

#### (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.

The treatment of the income on derivative contracts is dependant upon the nature of the transaction. To determine whether the returns should be treated as capital or revenue the motive and circumstances of the transaction are used. Where positions are undertaken to protect or enhance capital, the returns are recognised in net capital gains; similarly where positions are taken to generate or protect revenue, the returns are included within net revenue before taxation. Where positions generate total returns it will generally be appropriate to apportion such returns between capital and revenue to properly reflect the nature of the transaction.

#### (C) TREATMENT OF EXPENSES

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

## ACCOUNTING AND DISTRIBUTION POLICIES *continued*

### (D) 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.

### (E) 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.

### (F) BASIS OF VALUATION OF INVESTMENTS

All investments are valued at their fair value as at close of business on the last business day of the financial year.

Quoted investments are valued at fair value which generally is the bid price, excluding any accrued interest in the case of debt securities. Accrued interest on debt securities is included in revenue.

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

### (G) 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.

### (H) DILUTION LEVY

The ACD may require a dilution levy on the purchase and redemption of shares if, in its opinion, the existing shareholders (for purchases) or remaining shareholders (for redemptions) might otherwise be adversely affected. For example, the dilution levy may be charged in the following circumstances: where the scheme property of a

## ACCOUNTING AND DISTRIBUTION POLICIES *continued*

sub-fund is in continual decline; on a sub-fund experiencing large levels of net purchases relative to its size; on 'large deals' (typically being a purchase or redemption of shares to a size exceeding 5% of the Net Asset Value of the relevant sub-fund); in any case where the ACD is of the opinion that the interests of existing or remaining shareholders require the imposition of a dilution levy.

### (I) 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.

## 2. Distribution Policies

Surplus revenue after expenses and 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. 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. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of any distribution.

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 sub-funds.

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.

## **LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO ACD'S REPORT**

for the year ended 31 October 2018

### **Important Information**

Refer to the 'Important Information' section on pages 12 and 13.

### **Investment Objective and Policy**

The LF 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.

### **LINK FUND SOLUTIONS LIMITED**

ACD of LF Prudential Dynamic 0-30 Portfolio

*20 February 2019*

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2018

Between 1 November 2017 and 31 October 2018 (the period in review) share class R (Acc) -1.07%<sup>1</sup>, was in line with the sector average for IA Mixed Investment 0-35%<sup>1</sup> Shares. Share class P (Acc) -0.78%<sup>1</sup>, was ahead. Share class A (Acc) -1.58%<sup>1</sup> was behind the -1.14%<sup>1</sup> sector average.

#### Economic Overview

An escalating trade war between the US and China was very much at the forefront of investors' minds towards the end of the period in review. Despite the prospects of import duties being applied to a significant volume of products both from China into the US and vice versa, so far at least, economic growth in both countries remains resilient. For the latest quarter available (to end-June 2018) the US economy grew by an annualised 4.2%, while China's grew by 6.7%. On the other hand, the eurozone disappointed and the economy within the single currency area expanded at a slower rate than in the first quarter of 2018. During the third quarter, monetary policy was tightened in the US and UK (interest rates were raised by a quarter point in both countries). In contrast, central banks in Japan and the eurozone remain committed to maintaining loose monetary policies for the time being.

#### Market Overview

2018 began strongly for most stockmarkets; many reached record highs before falling sharply, seemingly on concern about US inflation. Investors were then buffeted by unsettling factors, including potential interest rate increases, political uncertainty in the US, growing trade tensions and possible regulatory changes for leading technology companies.

October was a very challenging month for equity markets. The S&P 500 had its worst month since 2011 falling almost 7%. The FTSE All Share was down over 5% and in other regions the Euro Stoxx 50 fell 7% and the Nikkei 225 around 9%.

There were several factors at play that may have caused this sharp change in investor sentiment over the month including continued US and China trade tensions, Brexit, the health of the Italian economy and concerns that earnings growth may have peaked.

At this stage of the economic cycle volatility is to be expected but behind the headlines the global economy is still growing, albeit at a slower rate and Q3 earnings season has been positive.

#### UK

It was a disappointing period for UK company shares. Having reached record highs in Q2 2018, both the FTSE 100 and the FTSE 250 indices ended the period in review lower. As expected, the Bank of England raised interest rates in August by a quarter of a point to 0.75%. UK employment is at a record high, and with limited spare

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

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

capacity, real wages are picking up. Encouragingly, economic growth accelerated in the second quarter compared to the first three months of the year. Brexit uncertainty remains at the forefront of investors' minds and contributed to sterling's decline over the quarter, although the currency stabilised by the end of September.

The Artemis Income, AXA Framlington UK Select Opportunities and Investec UK Alpha funds all lagged the FTSE All Share from 1 November 2017 to 31 October 2018.

#### North America

Aside from February and March the US stockmarket had enjoyed a strong year up until October, with both the S&P 500 Index and the technology-heavy NASDAQ Composite reaching all-time highs before suffering heavy losses towards the end of the period in review. Company earnings for the quarter ending June 2018 were well received by investors; however, interestingly, the fortunes of some of the largest technology-related companies began to diverge. Notably, electronic consumer goods giant Apple became the first company to reach to a market capitalisation of one trillion dollars, whereas the share price of social media company Facebook fell on concerns over slowing user and advertising growth.

Returns from the Threadneedle American fund were strong in absolute terms but behind the S&P 500 over the period in review.

#### Europe

Share prices started 2018 strongly before succumbing to fears about higher US interest rates, a potential trade war and sharp falls in the share prices of technology groups. After a better Q2, performance of European stockmarkets was disappointing in the third quarter, with company shares facing several headwinds. Meanwhile, banking shares were volatile on worries over their exposure to the Turkish economy. Economic growth in the eurozone also disappointed, with gross domestic product increasing by its weakest rate in two years. Weak economic data supports the view that the European Central Bank will be patient in winding down its crisis-era monetary support.

The Henderson European Selected Opportunities fund produced a negative return and was behind the index over the period in review.

#### Japan

Having reached its highest level for 26 years in January 2018, the Japanese stockmarket fell back very sharply during the rest of the first quarter of 2018 and ended with a significant decline, in yen terms. After modest gains in Q2 2018, Japanese shares made solid gains in the third quarter, performing particularly well in September, before a very poor October irradiated these gains.

The Schroder Tokyo fund produced a negative return and underperformed the benchmark between 1 November 2017 and 31 October 2018.

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

#### Asia ex Japan

The first few months of 2018 were negative for the Asia Pacific region as a whole, with investors focussing on the ramifications of a trade war between the US and China. This theme continued over the rest of the period in review. As the US and China proposed additional tariffs on each other's products, investors worried about the impact on the global economy. Rising interest rates in the US and the continued appreciation of the US dollar also dampened investor sentiment towards Asian assets.

The Fidelity Asia fund produced a negative return albeit marginally ahead of the benchmark over the period in review.

#### UK and Global Bonds

Early in 2018 higher US wage growth had raised concerns about increased inflationary pressures, which caused a sharp sell-off in US Treasuries. As risk aversion built up later in Q1, government bonds benefited from their safe haven status, meaning that the yields on bonds issued by Japan and Germany returned to remarkably low, or even negative, levels. Similarly in Q2 political turmoil in Italy also led to a rally in gilts and other perceived safe haven assets.

UK government bonds (gilts) declined over the third quarter of 2018 as higher-than-expected inflation readings and some robust economic data helped push 10-year yields above 1.6% for the first time since February 2018. Meanwhile, the Bank of England raised interest rates from 0.5% to 0.75%, although the widely anticipated move had limited market impact. UK corporate bonds held up relatively well as improved investor sentiment helped support valuations.

The Royal London Corporate Bond and Fidelity MoneyBuilder Income funds finished slightly ahead of the sector average. The Invesco Perpetual Corporate Bond, Kames Investment Grade Bond and M&G Strategic Corporate Bond funds were slightly behind.

In high yield, the Kames High Yield Bond and M&G Global High Yield Bond funds produced small negative returns. The BlackRock Euro Corporate Bond fund was flat over the period in review.

#### UK Property

During the period in review UK commercial property generated a reasonably strong total return; however, gains are more modest compared to the same period in 2017. Capital value and rental value growth continue to be strongest in Industrials, driven by demand for well-located fulfilment centres and smaller distribution units. Conversely, capital values continue to fall in the Retail sector, reflecting the challenging trading environment.

The M&G Property Portfolio and Legal & General UK Property fund were two of the stronger performers across portfolios during the period in review.

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

#### Emerging Markets

There was a wide disparity of returns in the first months of 2018. Africa, Asia and the Middle East declined, while Latin America rallied. Emerging market stocks continued to come under pressure towards the end of the period in review as a crisis in Turkey, fears of a global trade war and a rising US dollar dampened investor sentiment. The trade dispute between the US and China continued to escalate and as the US raised interest rates again and the dollar appreciated, investors' enthusiasm for emerging market assets weakened.

The M&G Global Emerging Markets fund produced a negative return but was ahead of the benchmark.

#### Alternatives

Overall performance of the alternatives holdings was positive over the period in review. Several holdings, HgCapital, The Renewables Infrastructure Group and BBGI posted double digit returns.

#### Positioning

Aside from day to day portfolio management activities there were no significant changes to the underlying portfolios, although following the market falls in early February and October the funds took or maintained overweight positions in developed market equities on the basis that fundamentals were still strong, and the move down had been episodic. This proved profitable in February and the recent overweight position is still held as at the time of writing.

In May, the portfolio manager took small positions in Italian Banks as he thought the market reaction to the political situation was overdone and a good entry point for a sector with improving fundamentals, and which has underperformed the broader European market for several years.

Shares in UniCredit and Intesa Sanpaolo were acquired as these 2 stocks represent 80% of the Italian Banking index.

#### Outlook

Global growth is now diverging but aggregate growth is still positive, albeit slower than at the beginning of the year. The US Federal Reserve continues to lead the interest rate tightening cycle but will reach a crucial point in the next 18 months. Inflation is receiving a boost from oil prices but that could fade into next year if prices stay at current levels.

#### M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager  
15 November 2018

## LF 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.

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.

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 average yield tend to be less liquid and have a lower credit rating. Investment in 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.

The Fund may also invest indirectly in property. Property investments may be harder to buy and sell than other asset types.

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

The value of investments, and the income from them, will fluctuate. This will cause the Fund price to fall as well as rise and you may not get back what you originally invested.

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.linkfundsolutions.co.uk](http://www.linkfundsolutions.co.uk), by following the link 'Fund Information'.

## LF PRUDENTIAL DYNAMIC 0-30 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.

#### 'A' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	135.63	130.33	122.73
Return before operating charges*	0.59	10.13	12.36
Operating charges	(2.96)	(2.85)	(2.79)
Return after operating charges	(2.37)	7.28	9.57
Distributions <sup>1</sup>	(1.23)	(1.98)	(1.97)
Closing net asset value per share	132.03	135.63	130.33
* after direct transaction costs of:	0.01	–	–

#### PERFORMANCE

Return after charges	(1.75)%	5.59%	7.80%
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#### OTHER INFORMATION

Closing net asset value (£'000)	557	660	603
Closing number of shares	421,765	486,875	462,457
Operating charges	2.18% <sup>2</sup>	2.12%	2.26%
Direct transaction costs	–	–	–

#### PRICES

Highest share price	137.65	138.15	133.87
Lowest share price	132.79	128.19	118.28

<sup>1</sup> All interest distributions payable after 6 April 2017 will be paid gross.

<sup>2</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	149.98	142.05	132.15
Return before operating charges*	0.65	11.02	13.34
Operating charges	(3.27)	(3.09)	(3.02)
Return after operating charges	(2.62)	7.93	10.32
Distributions <sup>1</sup>	(1.35)	(2.16)	(2.11)
Retained distributions on accumulation shares	1.35	2.16	1.69
Closing net asset value per share	147.36	149.98	142.05
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(1.75)%	5.58%	7.81%
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##### OTHER INFORMATION

Closing net asset value (£'000)	5,357	6,088	7,534
Closing number of shares	3,635,526	4,059,087	5,303,624
Operating charges	2.18% <sup>2</sup>	2.12%	2.26%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	152.16	150.53	144.14
Lowest share price	146.84	139.70	127.37

<sup>1</sup> All interest distributions payable after 6 April 2017 will be paid gross.

<sup>2</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	136.07	130.72	123.04
Return before operating charges*	0.57	10.20	12.55
Operating charges	(1.32)	(1.22)	(1.31)
Return after operating charges	(0.75)	8.98	11.24
Distributions <sup>1</sup>	(2.90)	(3.63)	(3.56)
Closing net asset value per share	132.42	136.07	130.72
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(0.55)%	6.87%	9.14%
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##### OTHER INFORMATION

Closing net asset value (£'000)	22,613	25,236	23,159
Closing number of shares	17,076,579	18,546,597	17,716,895
Operating charges	0.96% <sup>2</sup>	0.90%	1.04%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	139.03	139.93	135.45
Lowest share price	134.76	128.70	118.93

<sup>1</sup> All interest distributions payable after 6 April 2017 will be paid gross.

<sup>2</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'P' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	114.88	110.37	103.89
Return before operating charges*	0.49	8.60	10.59
Operating charges	(1.65)	(1.56)	(1.61)
Return after operating charges	(1.16)	7.04	8.98
Distributions <sup>1</sup>	(1.91)	(2.53)	(2.50)
Closing net asset value per share	111.81	114.88	110.37
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(1.01)%	6.38%	8.64%
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##### OTHER INFORMATION

Closing net asset value (£'000)	4,342	4,295	4,065
Closing number of shares	3,883,325	3,738,665	3,683,074
Operating charges	1.43% <sup>2</sup>	1.37%	1.51%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	117.04	117.78	114.11
Lowest share price	113.27	108.62	100.31

<sup>1</sup> All interest distributions payable after 6 April 2017 will be paid gross.

<sup>2</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'P' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	124.35	116.91	108.09
Return before operating charges*	0.53	9.10	11.01
Operating charges	(1.78)	(1.66)	(1.67)
Return after operating charges	(1.25)	7.44	9.34
Distributions <sup>1</sup>	(2.06)	(2.68)	(2.59)
Retained distributions on accumulation shares	2.06	2.68	2.07
Closing net asset value per share	123.10	124.35	116.91
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(1.01)%	6.36%	8.64%
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##### OTHER INFORMATION

Closing net asset value (£'000)	51,216	47,247	43,808
Closing number of shares	41,606,447	37,993,906	37,473,464
Operating charges	1.43% <sup>2</sup>	1.37%	1.51%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	126.67	124.73	118.70
Lowest share price	122.61	115.08	104.37

<sup>1</sup> All interest distributions payable after 6 April 2017 will be paid gross.

<sup>2</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'R' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	136.19	128.36	118.93
Return before operating charges*	0.58	9.98	12.07
Operating charges	(2.29)	(2.15)	(2.14)
Return after operating charges	(1.71)	7.83	9.93
Distributions <sup>1</sup>	(1.91)	(2.60)	(2.53)
Retained distributions on accumulation shares	1.91	2.60	2.03
Closing net asset value per share	134.48	136.19	128.36
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(1.26)%	6.10%	8.35%
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##### OTHER INFORMATION

Closing net asset value (£'000)	8,360	6,995	5,639
Closing number of shares	6,216,515	5,136,127	4,393,306
Operating charges	1.68% <sup>2</sup>	1.62%	1.76%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	138.40	136.60	130.24
Lowest share price	133.97	126.29	114.77

<sup>1</sup> All interest distributions payable after 6 April 2017 will be paid gross.

<sup>2</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Fund Performance to 31 October 2018 (%)

	1 year	3 years	5 years
LF Prudential Dynamic 0-30 Portfolio	(1.58)	11.75	18.07

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 year end, rather than the year end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 55 and 56.

#### 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.

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
	EQUITY PORTFOLIOS – 18.97% (31.10.17 – 19.77%)		
	CONTINENTAL EUROPE – 2.99% (31.10.17 – 3.41%)		
174,385	Henderson European Selected Opportunities	2,761	2.99
	TOTAL CONTINENTAL EUROPE	2,761	2.99
	UNITED KINGDOM – 7.56% (31.10.17 – 7.46%)		
409,905	Artemis Income	1,672	1.81
37,566	AXA Framlington UK Select Opportunities	1,243	1.35
3,042,797	Investec UK Alpha	3,884	4.20
59,788	M&G Recovery <sup>1</sup>	189	0.20
	TOTAL UNITED KINGDOM	6,988	7.56
	ASIA EX JAPAN – 2.83% (31.10.17 – 3.30%)		
219,123	Fidelity Asia	2,616	2.83
	TOTAL ASIA EX JAPAN	2,616	2.83
	JAPAN – 1.44% (31.10.17 – 1.58%)		
373,673	Schroder Tokyo	1,329	1.44
	TOTAL JAPAN	1,329	1.44
	NORTH AMERICA – 3.24% (31.10.17 – 3.07%)		
987,123	Threadneedle American	2,996	3.24
	TOTAL NORTH AMERICA	2,996	3.24
	EMERGING MARKETS – 0.91% (31.10.17 – 0.95%)		
295,844	M&G Global Emerging Markets <sup>1</sup>	842	0.91
	TOTAL EMERGING MARKETS	842	0.91
	TOTAL EQUITY PORTFOLIOS	17,532	18.97

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
	EQUITY INVESTMENT INSTRUMENTS – 4.57% (31.10.17 – 2.46%)		
313,908	BBGI	472	0.51
188,356	BioPharma Credit	153	0.18
147,535	Blue Capital Alternative Income	78	0.08
17,300	Boussard & Gavaudan	268	0.29
150,437	DP Aircraft I	120	0.13
46,896	HarbourVest Global Private Equity	640	0.69
11,960	HgCapital	234	0.25
513,160	Intesa Sanpaolo <sup>2</sup>	889	0.96
111,036	NB Distressed Debt Investment	83	0.09
152,263	NextEnergy Solar	167	0.18
196,851	Renewables Infrastructure	224	0.24
89,621	UniCredit <sup>2</sup>	899	0.97
	TOTAL EQUITY INVESTMENT INSTRUMENTS	4,227	4.57
	PROPERTY PORTFOLIOS – 8.52% (31.10.17 – 8.39%)		
3,203,450	Legal & General UK Property	2,896	3.13
421,471	M&G Property Portfolio <sup>1</sup>	4,976	5.39
	TOTAL PROPERTY PORTFOLIOS	7,872	8.52
	BOND PORTFOLIOS – 66.14% (31.10.17 – 69.81%)		
761,439	BlackRock Euro Corporate Bond	7,950	8.60
4,731,942	Fidelity MoneyBuilder Income	8,513	9.21
4,331,816	Invesco Perpetual Corporate Bond	8,685	9.38
2,069,075	Kames High Yield Bond	2,607	2.82
4,984,237	Kames Investment Grade Bond	8,816	9.54
1,915,020	M&G Global High Yield Bond <sup>1</sup>	2,491	2.69
16,468,029	M&G Short Dated Corporate Bond <sup>1</sup>	4,204	4.55
7,675,808	M&G Strategic Corporate Bond <sup>1</sup>	8,867	9.59
3,025	Merrill Lynch AQR Global Relative Value	323	0.35
8,507,503	Royal London Corporate Bond	8,695	9.41
	TOTAL BOND PORTFOLIOS	61,151	66.14

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
	Portfolio of investments	90,782	98.20
	Net other assets	1,663	1.80
	Net assets	<u>92,445</u>	<u>100.00</u>

The investments have been valued in accordance with note 1(F) of the Accounting Policies and are collective investment schemes unless stated otherwise.

<sup>1</sup> Related party holding (see note 11).

<sup>2</sup> Ordinary shares.

**LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO**  
**ACD'S REPORT** *continued*  
**SUMMARY OF MATERIAL PORTFOLIO CHANGES**  
for the year ended 31 October 2018

Total purchases for the year £'000 (note 15)	12,098	Total sales for the year £'000 (note 15)	11,012
	Cost £'000		Proceeds £'000
Major purchases		Major sales	
M&G Property Portfolio	1,378	Euro Stoxx 50 Index Futures March 2018	1,422
M&G Short Dated Corporate Bond	1,370	S&P 500 E Mini Futures March 2018	1,403
Euro Stoxx 50 Index Futures March 2018	1,357	Legal & General UK Property	1,159
S&P 500 E Mini Futures March 2018	1,330	Invesco Perpetual Corporate Bond	1,007
Intesa Sanpaolo	1,114	Schroder Tokyo	620
UniCredit	1,098	Fidelity MoneyBuilder Income	503
Investec UK Alpha	773	M&G Property Portfolio	328
Schroder Tokyo	556	Fidelity Asia	300
Royal London Corporate Bond	460	Henderson European Selected	
Kames Investment Grade Bond	460	Opportunities	275
		Artemis Income	270

In addition to above, purchases totalling £145,716,000 and sales totalling £145,716,000 were made in short term investments during the year.

Purchases and sales of Futures have been included at the value of their exposure.

The summary of material portfolio changes represents the 10 largest purchases and sales during the year.

**LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO  
FINANCIAL STATEMENTS  
STATEMENT OF TOTAL RETURN**

for the year ended 31 October 2018

	Notes	£'000	31.10.18 £'000	£'000	31.10.17 £'000
<b>Income:</b>					
Net capital (losses)/gains	3		(2,500)		3,400
Revenue	4	2,308		2,664	
Expenses	5	(703)		(668)	
Net revenue before taxation		1,605		1,996	
Taxation	6	(47)		(21)	
Net revenue after taxation			1,558		1,975
<b>Total return before distributions</b>			(942)		5,375
Distributions	7		(1,558)		(1,979)
<b>Change in net assets attributable to shareholders from investment activities</b>			(2,500)		3,396

**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS**

for the year ended 31 October 2018

	£'000	31.10.18 £'000	£'000	31.10.17 £'000
<b>Opening net assets attributable to shareholders</b>		90,521		84,808
Amounts receivable on issue of shares	15,243		13,357	
Amounts payable on redemption of shares	(11,845)		(12,278)	
		3,398		1,079
Change in net assets attributable to shareholders from investment activities		(2,500)		3,396
Retained distributions on Accumulation shares		1,026		1,238
<b>Closing net assets attributable to shareholders</b>		92,445		90,521

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### BALANCE SHEET

as at 31 October 2018

	Notes	31.10.18 £'000	31.10.17 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		90,782	90,914
<b>Current assets</b>			
Debtors	8	633	411
Cash and bank balances	9	4,583	342
<b>Total assets</b>		<u>95,998</u>	<u>91,667</u>
<b>LIABILITIES</b>			
<b>Provisions for liabilities</b>			
		(7)	(3)
<b>Creditors</b>			
Distribution payable	10	(575)	(778)
Other creditors	10	(2,971)	(365)
<b>Total liabilities</b>		<u>(3,553)</u>	<u>(1,146)</u>
<b>Net assets attributable to shareholders</b>		<u>92,445</u>	<u>90,521</u>

**LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO**  
**FINANCIAL STATEMENTS** *continued*  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 October 2018

**1. Accounting Policies**

The accounting policies described on pages 22 to 24 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. Distribution Policies**

The distribution policies described on page 24 have been applied to the financial statements of the Fund in the current and prior year. The additional distribution policy described below has also been applied to the Fund.

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 gross interest distributions. Prior to 6 April 2017, all interest distributions payable by the Fund attracted tax at 20%, and were accounted for on the shareholders' behalf to HM Revenue and Customs.

**3. Net Capital (Losses)/Gains**

The net capital (losses)/gains during the year comprise:

	31.10.18 £'000	31.10.17 £'000
Non-derivative securities	(2,670)	3,380
Derivative contracts	133	–
Transaction charges	–	(1)
AMC rebates from underlying investments	33	20
Currency gains	4	1
Net capital (losses)/gains	<u>(2,500)</u>	<u>3,400</u>

The net capital (losses)/gains figure includes realised gains of £770,000 and unrealised gains of £7,590,000 (31.10.17: includes realised gains of £2,143,000 and unrealised gains of £10,893,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 4. Revenue

	31.10.18 £'000	31.10.17 £'000
Non-taxable dividends	267	293
Taxable dividends	–	97
UK property income distributions	219	119
Unfranked interest	1,513	1,741
AMC rebates from underlying investments	308	412
Bank interest	1	2
Total revenue	<u>2,308</u>	<u>2,664</u>

#### 5. Expenses

	31.10.18 £'000	31.10.17 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	551	521
Administration fees	138	130
	689	651
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	8	8
Other expenses:		
Audit fees	6	9
Total expenses	<u>703</u>	<u>668</u>

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

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 6. Taxation

	31.10.18 £'000	31.10.17 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	44	24
Current tax charge	44	24
Deferred tax – origination and reversal of timing differences (note 6c)	3	(3)
Total taxation (note 6b)	47	21

#### 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%) (31.10.17: 20%). The difference is explained below:

	31.10.18 £'000	31.10.17 £'000
Net revenue before taxation	1,605	1,996
Corporation tax at 20%	321	399
Effects of:		
Non-taxable dividends	(54)	(59)
Rebated capital expenses deductible for tax purposes	7	4
Tax deductible interest distributions	(227)	(323)
Total tax charge (note 6a)	47	21
c) Deferred tax		
Provision at the start of the year	3	6
Deferred tax charge in the year (note 6a)	3	(3)
Provision at the end of the year	6	3

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 7. Distributions

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

	31.10.18 £'000	31.10.17 £'000
Final	1,601	2,016
	<u>1,601</u>	<u>2,016</u>
Add: Revenue deducted on redemption of shares	116	160
Deduct: Revenue received on issue of shares	(159)	(197)
Net distribution for the year	<u>1,558</u>	<u>1,979</u>

Details of the distributions per share are set out in the table on pages 55 and 56.

	31.10.18 £'000	31.10.17 £'000
Distributions represented by:		
Net revenue after taxation	1,558	1,975
Equalisation on conversions <sup>1</sup>	–	4
Net distribution for the year	<u>1,558</u>	<u>1,979</u>

<sup>1</sup> 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.

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 8. Debtors

	31.10.18 £'000	31.10.17 £'000
Amounts receivable for issue of shares	494	202
Sales awaiting settlement	–	2
Accrued revenue:		
Non-taxable dividends	19	8
Taxable dividends	–	15
UK property income distributions	26	–
Unfranked interest	1	–
AMC rebates from underlying investments	70	46
	116	69
Taxation recoverable:		
Income tax	23	138
Total debtors	633	411

#### 9. Cash and Bank Balances

	31.10.18 £'000	31.10.17 £'000
Bank balances	4,583	342
Total cash and bank balances	4,583	342

#### 10. Creditors

	31.10.18 £'000	31.10.17 £'000
Distribution payable	575	778
<b>Other Creditors</b>		
Amounts payable for redemption of shares	107	273
Purchases awaiting settlement	2,753	–

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

	31.10.18 £'000	31.10.17 £'000
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	47	45
Administration fees	12	12
	59	57
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	1	1
Taxation payable:		
Corporation tax	44	24
Other expenses	7	10
Total other creditors	<u>2,971</u>	<u>365</u>

#### 11. Related Party Transactions

Annual Management Charge and administration fees payable to Link Fund Solutions Limited ('the ACD') are disclosed in note 5 and amounts due at the year end are disclosed in note 10.

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 42 and amounts due at the year end are disclosed in notes 8 and 10.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions or its associates) held 3,046 (31.10.17: 2,799) 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 11,268,629 (31.10.17: 11,947,787) of the Fund's shares at the balance sheet date.

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

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 Link Fund Solutions Limited is also the ACD. At the balance sheet date the value of the holdings were as follows:

	31.10.18 £'000	31.10.17 £'000
Portfolio Manager in common	21,569	21,322

### 12. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.17: none).

### 13. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.40%	1.40%	0.18%
Opening shares in issue	486,875	4,059,087	18,546,597
Issues	50,174	403,794	871,150
Redemptions	(58,661)	(827,355)	(2,341,168)
Conversions	(56,623)	–	–
Closing shares in issue	421,765	3,635,526	17,076,579

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.65%	0.65%	0.90%
Opening shares in issue	3,738,665	37,993,906	5,136,127
Issues	927,952	7,450,390	2,309,073
Redemptions	(850,039)	(3,837,849)	(1,228,685)
Conversions	66,747	–	–
Closing shares in issue	3,883,325	41,606,447	6,216,515

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 14. 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 Efficient Portfolio Management (including 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.

##### (A) 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.

##### (B) 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.

The Fund invests in collective investment schemes and as such does not have any significant direct exposure to interest rate risk. The Fund may indirectly be exposed to interest rate risk through its investment in collective investment schemes. As the Fund has no direct exposure to interest rate risk, no interest rate risk table or sensitivity analysis has been presented.

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### (C) 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. 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.

#### (D) 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 31.10.18, leverage under the gross method was 0.98:1 and leverage under the commitment method was 1:1 (31.10.17: 1:1 and 1:1 respectively).

#### (E) LIQUIDITY RISK

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions 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.

#### (F) 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.

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £4,539,000 (31.10.17: £4,546,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

The Fund held no derivatives of a material nature during the current or prior year.

#### 15. Portfolio Transaction Costs

31.10.18	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	2,244	1	2	2,247
Collective investment schemes	7,164	–	–	7,164
Purchases total	<u>9,408</u>	<u>1</u>	<u>2</u>	<u>9,411</u>
<i>Transaction cost % of purchases total</i>		0.01%	0.02%	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	8,187	–	–	8,187
Sales total	<u>8,187</u>	<u>–</u>	<u>–</u>	<u>8,187</u>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.18 is 0.21% (31.10.17: 0.27%).

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

31.10.17	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	286	–	–	286
Collective investment schemes	29,733	–	–	29,733
Purchases total	<u>30,019</u>	<u>–</u>	<u>–</u>	<u>30,019</u>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	80	–	–	80
Collective investment schemes	26,873	–	–	26,873
Sales total	<u>26,953</u>	<u>–</u>	<u>–</u>	<u>26,953</u>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

### 16. Fair Value Hierarchy

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

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within Level 1;

**Level 3:** Valuation techniques using unobservable inputs.

31.10.18	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	<u>16,820</u>	<u>73,884</u>	<u>78</u>	<u>90,782</u>
31.10.17	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	<u>2,231</u>	<u>88,683</u>	<u>–</u>	<u>90,914</u>

## LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE

for the year ended 31 October 2018 – 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	01.11.17
To	31.10.18

#### 'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	1.2309	–	1.2309	1.9770
Group 2	1.2309	0.0000	1.2309	1.9770

#### 'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	1.3542	–	1.3542	2.1611
Group 2	0.4709	0.8833	1.3542	2.1611

#### 'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	2.9008	–	2.9008	3.6316
Group 2	1.7932	1.1076	2.9008	3.6316

#### 'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	1.9075	–	1.9075	2.5287
Group 2	0.7794	1.1281	1.9075	2.5287

**LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO**  
**FINANCIAL STATEMENTS** *continued*  
**DISTRIBUTION TABLE** *continued*

'P' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	2.0615	–	2.0615	2.6758
Group 2	0.7256	1.3359	2.0615	2.6758

'R' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	1.9124	–	1.9124	2.6037
Group 2	0.5357	1.3767	1.9124	2.6037

## **LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO ACD'S REPORT**

for the year ended 31 October 2018

### **Important Information**

Refer to the 'Important Information' section on pages 12 and 13.

### **Investment Objective and Policy**

The LF 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.

### **LINK FUND SOLUTIONS LIMITED**

ACD of LF Prudential Dynamic 10-40 Portfolio

*20 February 2019*

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2018

Between 1 November 2017 and 31 October 2018 (the period in review) share classes, R (Acc) -1.90%<sup>1</sup>, P (Acc) -1.70%<sup>1</sup> and A (Acc) -2.28%<sup>1</sup> produced returns behind the 1.74%<sup>1</sup> sector average for IA Mixed Investment 20-60% Shares.

#### Economic Overview

An escalating trade war between the US and China was very much at the forefront of investors' minds towards the end of the period in review. Despite the prospects of import duties being applied to a significant volume of products both from China into the US and vice versa, so far at least, economic growth in both countries remains resilient. For the latest quarter available (to end-June 2018) the US economy grew by an annualised 4.2%, while China's grew by 6.7%. On the other hand, the eurozone disappointed and the economy within the single currency area expanded at a slower rate than in the first quarter of 2018. During the third quarter, monetary policy was tightened in the US and UK (interest rates were raised by a quarter point in both countries). In contrast, central banks in Japan and the eurozone remain committed to maintaining loose monetary policies for the time being.

#### Market Overview

2018 began strongly for most stockmarkets; many reached record highs before falling sharply, seemingly on concern about US inflation. Investors were then buffeted by unsettling factors, including potential interest rate increases, political uncertainty in the US, growing trade tensions and possible regulatory changes for leading technology companies.

October was a very challenging month for equity markets. The S&P 500 had its worst month since 2011 falling almost 7%. The FTSE All Share was down over 5% and in other regions the Euro Stoxx 50 fell 7% and the Nikkei 224 around 9%.

There were several factors at play that may have caused this sharp change in investor sentiment over the month including continued US and China trade tensions, Brexit, the health of the Italian economy and concerns that earnings growth may have peaked.

At this stage of the economic cycle volatility is to be expected but behind the headlines the global economy is still growing, albeit at a slower rate and Q3 earnings season has been positive.

#### UK

It was a disappointing period for UK company shares. Having reached record highs in Q2 2018, both the FTSE 100 and the FTSE 250 indices ended the period in review lower. As expected, the Bank of England raised interest rates in August by a quarter of a point to 0.75%. UK employment is at a record high, and with limited spare

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

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

capacity, real wages are picking up. Encouragingly, economic growth accelerated in the second quarter compared to the first three months of the year. Brexit uncertainty remains at the forefront of investors' minds and contributed to sterling's decline over the quarter, although the currency stabilised by the end of September.

The Artemis Income, AXA Framlington UK Select Opportunities and Investec UK Alpha funds all lagged the FTSE All Share from 1 November 2017 to 31 October 2018.

#### North America

Aside from February and March the US stockmarket had enjoyed a strong year up until October, with both the S&P 500 Index and the technology-heavy NASDAQ Composite reaching all-time highs before suffering heavy losses towards the end of the period in review. Company earnings for the quarter ending June 2018 were well received by investors; however, interestingly, the fortunes of some of the largest technology-related companies began to diverge. Notably, electronic consumer goods giant Apple became the first company to reach to a market capitalisation of one trillion dollars, whereas the share price of social media company Facebook fell on concerns over slowing user and advertising growth.

Returns from the Threadneedle American fund were strong in absolute terms but behind the S&P 500 over the period in review. The Schroder US Mid Cap fund also produced a positive return that was behind benchmark.

#### Europe

Share prices started 2018 strongly before succumbing to fears about higher US interest rates, a potential trade war and sharp falls in the share prices of technology groups. After a better Q2, performance of European stockmarkets was disappointing in the third quarter, with company shares facing several headwinds. Meanwhile, banking shares were volatile on worries over their exposure to the Turkish economy. Economic growth in the eurozone also disappointed, with gross domestic product increasing by its weakest rate in two years. Weak economic data supports the view that the European Central Bank will be patient in winding down its crisis-era monetary support.

The Henderson European Selected Opportunities fund produced a negative return and was behind the index over the period in review as was the Jupiter European Special Situations fund.

#### Japan

Having reached its highest level for 26 years in January 2018, the Japanese stockmarket fell back very sharply during the rest of the first quarter of 2018 and ended with a significant decline, in yen terms. After modest gains in Q2 2018, Japanese shares made solid gains in the third quarter, performing particularly well in September, before a very poor October irradiated these gains.

The Schroder Tokyo fund produced a negative return and underperformed the benchmark between 1 November 2017 and 31 October 2018. The Man GLG Japan CoreAlpha fund had a better year, producing a small positive return which was ahead of the index.

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

#### Asia ex Japan

The first few months of 2018 were negative for the Asia Pacific region as a whole, with investors focussing on the ramifications of a trade war between the US and China. This theme continued over the rest of the period in review. As the US and China proposed additional tariffs on each other's products, investors worried about the impact on the global economy. Rising interest rates in the US and the continued appreciation of the US dollar also dampened investor sentiment towards Asian assets.

The Fidelity Asia and Investec Asian Equity funds both produced negative returns albeit marginally ahead of the benchmark over the period in review.

#### UK and Global Bonds

Early in 2018 higher US wage growth had raised concerns about increased inflationary pressures, which caused a sharp sell-off in US Treasuries. As risk aversion built up later in Q1, government bonds benefited from their safe haven status, meaning that the yields on bonds issued by Japan and Germany returned to remarkably low, or even negative, levels. Similarly in Q2 political turmoil in Italy also led to a rally in gilts and other perceived safe haven assets.

UK government bonds (gilts) declined over the third quarter of 2018 as higher-than-expected inflation readings and some robust economic data helped push 10-year yields above 1.6% for the first time since February 2018. Meanwhile, the Bank of England raised interest rates from 0.5% to 0.75%, although the widely anticipated move had limited market impact. UK corporate bonds held up relatively well as improved investor sentiment helped support valuations.

The Royal London Corporate Bond and Fidelity MoneyBuilder Income funds finished slightly ahead of the sector average. The Invesco Perpetual Corporate Bond, Kames Investment Grade Bond and M&G Strategic Corporate Bond funds were slightly behind.

In high yield, the Kames High Yield Bond and M&G Global High Yield Bond funds produced small negative returns. The BlackRock Euro Corporate Bond Fund was flat over the period in review.

#### UK Property

During the period in review UK commercial property generated a reasonably strong total return; however, gains are more modest compared to the same period in 2017. Capital value and rental value growth continue to be strongest in Industrials, driven by demand for well-located fulfilment centres and smaller distribution units. Conversely, capital values continue to fall in the Retail sector, reflecting the challenging trading environment.

The M&G Property Portfolio and Legal & General UK Property Fund were two of the stronger performers across portfolios during the period in review.

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

#### Emerging Markets

There was a wide disparity of returns in the first months of 2018. Africa, Asia and the Middle East declined, while Latin America rallied. Emerging market stocks continued to come under pressure towards the end of the period in review as a crisis in Turkey, fears of a global trade war and a rising US dollar dampened investor sentiment. The trade dispute between the US and China continued to escalate and as the US raised interest rates again and the dollar appreciated, investors' enthusiasm for emerging market assets weakened.

The M&G Global Emerging Markets Fund produced a negative return but was ahead of the benchmark.

#### Alternatives

Overall performance of the alternatives holdings was positive over the period in review. Several holdings, HgCapital, The Renewables Infrastructure Group and BBGI posted double digit returns.

#### Positioning

Aside from day to day portfolio management activities there were no significant changes to the underlying portfolios, although following the market falls in early February and October the funds took or maintained overweight positions in developed market equities on the basis that fundamentals were still strong, and the move down had been episodic. This proved profitable in February and the recent overweight position is still held as at the time of writing.

In May, the portfolio manager took small positions in Italian Banks as he thought the market reaction to the political situation was overdone and a good entry point for a sector with improving fundamentals, and which has underperformed the broader European market for several years.

Shares in UniCredit and Intesa Sanpaolo were acquired as these 2 stocks represent 80% of the Italian Banking index.

#### Outlook

Global growth is now diverging but aggregate growth is still positive, albeit slower than at the beginning of the year. The US Federal Reserve continues to lead the interest rate tightening cycle but will reach a crucial point in the next 18 months. Inflation is receiving a boost from oil prices but that could fade into next year if prices stay at current levels.

#### M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager  
15 November 2018

## LF 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 3 because its volatility has been measured as medium to average.

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.

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 average yield tend to be less liquid and have a lower credit rating. Investment in 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.

The Fund may also invest indirectly in property. Property investments may be harder to buy and sell than other asset types.

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

The value of investments, and the income from them, will fluctuate. This will cause the Fund price to fall as well as rise and you may not get back what you originally invested.

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.linkfundsolutions.co.uk](http://www.linkfundsolutions.co.uk), by following the link 'Fund Information'.

## LF PRUDENTIAL DYNAMIC 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.

#### 'A' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	145.92	138.53	129.29
Return before operating charges*	0.34	12.15	13.84
Operating charges	(3.23)	(3.10)	(2.94)
Return after operating charges	(2.89)	9.05	10.90
Distributions	(1.19)	(1.66)	(1.66)
Closing net asset value per share	141.84	145.92	138.53
* after direct transaction costs of:	0.01	–	–

#### PERFORMANCE

Return after charges	(1.98)%	6.53%	8.43%
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#### OTHER INFORMATION

Closing net asset value (£'000)	1,594	1,800	1,722
Closing number of shares	1,123,463	1,233,396	1,243,120
Operating charges	2.22% <sup>1</sup>	2.16%	2.26%
Direct transaction costs	–	–	–

#### PRICES

Highest share price	148.53	147.94	141.74
Lowest share price	142.24	135.81	122.56

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	159.53	149.76	138.10
Return before operating charges*	0.38	13.12	14.81
Operating charges	(3.53)	(3.35)	(3.15)
Return after operating charges	(3.15)	9.77	11.66
Distributions	(1.30)	(1.79)	(1.78)
Retained distributions on accumulation shares	1.30	1.79	1.78
Closing net asset value per share	156.38	159.53	149.76
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(1.97)%	6.52%	8.44%
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##### OTHER INFORMATION

Closing net asset value (£'000)	12,753	14,129	15,009
Closing number of shares	8,155,311	8,856,794	10,021,903
Operating charges	2.22% <sup>1</sup>	2.16%	2.26%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	162.36	159.90	151.40
Lowest share price	155.50	146.81	130.92

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	146.57	139.11	129.77
Return before operating charges*	(0.01)	11.86	13.71
Operating charges	(1.48)	(1.36)	(1.37)
Return after operating charges	(1.49)	10.50	12.34
Distributions	(2.64)	(3.04)	(3.00)
Closing net asset value per share	142.44	146.57	139.11
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(1.01)%	7.55%	9.51%
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##### OTHER INFORMATION

Closing net asset value (£'000)	47,382	53,899	52,952
Closing number of shares	33,265,271	36,772,617	38,063,463
Operating charges	1.00% <sup>1</sup>	0.94%	1.04%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	150.19	149.95	143.65
Lowest share price	144.25	136.51	123.37

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'P' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	118.75	112.71	105.16
Return before operating charges*	0.09	9.72	11.19
Operating charges	(1.75)	(1.65)	(1.62)
Return after operating charges	(1.66)	8.07	9.57
Distributions	(1.69)	(2.03)	(2.02)
Closing net asset value per share	115.40	118.75	112.71
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(1.40)%	7.16%	9.10%
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##### OTHER INFORMATION

Closing net asset value (£'000)	5,566	5,555	5,760
Closing number of shares	4,822,795	4,678,096	5,110,040
Operating charges	1.47% <sup>1</sup>	1.41%	1.51%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	121.45	121.18	116.10
Lowest share price	116.43	110.56	99.86

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'P' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	127.54	119.02	109.08
Return before operating charges*	0.11	10.26	11.62
Operating charges	(1.88)	(1.74)	(1.68)
Return after operating charges	(1.77)	8.52	9.94
Distributions	(1.82)	(2.15)	(2.09)
Retained distributions on accumulation shares	1.82	2.15	2.09
Closing net asset value per share	125.77	127.54	119.02
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(1.39)%	7.16%	9.11%
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##### OTHER INFORMATION

Closing net asset value (£'000)	95,727	96,346	92,165
Closing number of shares	76,115,053	75,541,300	77,434,344
Operating charges	1.47% <sup>1</sup>	1.41%	1.51%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	130.39	127.92	120.42
Lowest share price	125.06	116.75	103.60

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'R' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	142.76	133.49	122.60
Return before operating charges*	0.21	11.57	13.09
Operating charges	(2.47)	(2.30)	(2.20)
Return after operating charges	(2.26)	9.27	10.89
Distributions	(1.74)	(2.14)	(2.09)
Retained distributions on accumulation shares	1.74	2.14	2.09
Closing net asset value per share	140.50	142.76	133.49
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(1.58)%	6.94%	8.88%
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##### OTHER INFORMATION

Closing net asset value (£'000)	15,939	15,619	14,965
Closing number of shares	11,344,755	10,940,272	11,210,526
Operating charges	1.72% <sup>1</sup>	1.66%	1.76%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	145.65	143.12	134.99
Lowest share price	139.71	130.92	116.36

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Fund Performance to 31 October 2018 (%)

	1 year	3 years	5 years
LF Prudential Dynamic 10-40 Portfolio	(2.28)	13.10	20.62

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 year end, rather than the year end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 87 and 88.

#### 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.

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
	EQUITY PORTFOLIOS – 29.10% (31.10.17 – 29.32%)		
	CONTINENTAL EUROPE – 4.60% (31.10.17 – 4.77%)		
251,779	Henderson European Selected Opportunities	3,986	2.23
1,110,026	Jupiter European Special Situations	4,248	2.37
	TOTAL CONTINENTAL EUROPE	<u>8,234</u>	<u>4.60</u>
	UNITED KINGDOM – 11.64% (31.10.17 – 11.68%)		
1,184,863	Artemis Income	4,833	2.69
175,871	AXA Framlington UK Select Opportunities	5,819	3.25
7,381,678	Investec UK Alpha	9,423	5.27
243,544	M&G Recovery <sup>1</sup>	768	0.43
	TOTAL UNITED KINGDOM	<u>20,843</u>	<u>11.64</u>
	ASIA EX JAPAN – 4.54% (31.10.17 – 4.59%)		
348,926	Fidelity Asia	4,166	2.33
209,850	Investec Asian Equity	3,958	2.21
	TOTAL ASIA EX JAPAN	<u>8,124</u>	<u>4.54</u>
	JAPAN – 2.08% (31.10.17 – 2.17%)		
1,162,571	MAN GLG Japan CoreAlpha	1,910	1.07
508,725	Schroder Tokyo	1,810	1.01
	TOTAL JAPAN	<u>3,720</u>	<u>2.08</u>
	NORTH AMERICA – 4.89% (31.10.17 – 4.57%)		
1,430,487	Schroder US Mid Cap	2,054	1.15
2,204,397	Threadneedle American	6,690	3.74
	TOTAL NORTH AMERICA	<u>8,744</u>	<u>4.89</u>
	EMERGING MARKETS – 1.35% (31.10.17 – 1.54%)		
849,201	M&G Global Emerging Markets <sup>1</sup>	2,418	1.35
	TOTAL EMERGING MARKETS	<u>2,418</u>	<u>1.35</u>
	TOTAL EQUITY PORTFOLIOS	<u>52,083</u>	<u>29.10</u>

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
	EQUITY INVESTMENT INSTRUMENTS – 6.10% (31.10.17 – 3.73%)		
925,981	BBGI	1,394	0.78
562,556	BioPharma Credit	458	0.26
474,050	Blue Capital Alternative Income	250	0.14
51,200	Boussard & Gavaudan	794	0.44
466,885	DP Aircraft I	373	0.21
138,351	HarbourVest Global Private Equity	1,887	1.06
36,881	HgCapital	723	0.40
1,024,991	Intesa Sanpaolo <sup>2</sup>	1,775	0.99
339,799	NB Distressed Debt Investment	254	0.14
480,396	NextEnergy Solar	528	0.30
603,589	Renewables Infrastructure	686	0.38
179,078	UniCredit <sup>2</sup>	1,796	1.00
	TOTAL EQUITY INVESTMENT INSTRUMENTS	10,918	6.10
	PROPERTY PORTFOLIOS – 12.26% (31.10.17 – 12.07%)		
8,695,812	Legal & General UK Property	7,860	4.39
1,191,870	M&G Property Portfolio <sup>1</sup>	14,072	7.87
	TOTAL PROPERTY PORTFOLIOS	21,932	12.26
	BOND PORTFOLIOS – 51.63% (31.10.17 – 54.86%)		
1,137,340	BlackRock Euro Corporate Bond	11,874	6.62
7,278,144	Fidelity MoneyBuilder Income	13,093	7.32
6,459,770	Invesco Perpetual Corporate Bond	12,952	7.24
4,070,183	Kames High Yield Bond	5,129	2.87
7,093,948	Kames Investment Grade Bond	12,547	7.01
3,782,038	M&G Global High Yield Bond <sup>1</sup>	4,920	2.75
20,647,536	M&G Short Dated Corporate Bond <sup>1</sup>	5,271	2.94
11,132,424	M&G Strategic Corporate Bond <sup>1</sup>	12,860	7.19
8,795	Merrill Lynch AQR Global Relative Value	940	0.52
12,552,878	Royal London Corporate Bond	12,829	7.17
	TOTAL BOND PORTFOLIOS	92,415	51.63

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
	Portfolio of investments	177,348	99.10
	Net other assets	1,613	0.90
	Net assets	178,961	100.00

The investments have been valued in accordance with note 1(F) of the Accounting Policies and are collective investment schemes unless stated otherwise.

<sup>1</sup> Related party holding (see note 12).

<sup>2</sup> Ordinary shares.

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 October 2018

Total purchases for the year £'000 (note 16)	18,670	Total sales for the year £'000 (note 16)	25,803
	Cost		Proceeds
<b>Major purchases</b>	<b>£'000</b>	<b>Major sales</b>	<b>£'000</b>
M&G Short Dated Corporate Bond	2,951	M&G Short Dated Corporate Bond	4,560
Euro Stoxx 50 Index Futures March 2018	2,803	Euro Stoxx 50 Index Futures March 2018	2,937
S&P 500 E Mini Futures March 2018	2,755	S&P 500 E Mini Futures March 2018	2,907
Intesa Sanpaolo	2,229	M&G Strategic Corporate Bond	2,435
UniCredit	2,197	Invesco Perpetual Corporate Bond	2,299
Investec UK Alpha	2,020	AXA Framlington UK Select Opportunities	1,718
M&G Property Portfolio	875	Legal & General UK Property	1,569
Boussard & Gavaudan Holding	856	M&G Property Portfolio	1,023
Merrill Lynch AQR Global Relative Value	557	BlackRock Euro Corporate Bond	904
Fidelity Asia	451	Fidelity MoneyBuilder Income	741

In addition to above, purchases totalling £133,457 and sales totalling £129,954 were made in short term investments during the year.

Purchases and sales of Futures have been included at the value of their exposure.

The summary of material portfolio changes represents the 10 largest purchases and sales during the year.

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO FINANCIAL STATEMENTS STATEMENT OF TOTAL RETURN

for the year ended 31 October 2018

	Notes	£'000	31.10.18 £'000	£'000	31.10.17 £'000
Income:					
Net capital (losses)/gains	3		(5,259)		9,589
Revenue	4	4,595		5,337	
Expenses	5	(1,412)		(1,410)	
Interest payable and similar charges	6	(1)		–	
Net revenue before taxation		3,182		3,927	
Taxation	7	(437)		(671)	
Net revenue after taxation			2,745		3,256
<b>Total return before distributions</b>			(2,514)		12,845
Distributions	8		(2,706)		(3,317)
<b>Change in net assets attributable to shareholders from investment activities</b>			(5,220)		9,528

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2018

	£'000	31.10.18 £'000	£'000	31.10.17 £'000
<b>Opening net assets attributable to shareholders</b>		187,348		182,573
Amounts receivable on issue of shares	17,826		15,250	
Amounts payable on redemption of shares	(22,679)		(22,018)	
		(4,853)		(6,768)
Change in net assets attributable to shareholders from investment activities		(5,220)		9,528
Retained distributions on Accumulation shares		1,686		2,015
<b>Closing net assets attributable to shareholders</b>		178,961		187,348

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

#### BALANCE SHEET

as at 31 October 2018

	Notes	31.10.18 £'000	31.10.17 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		177,348	187,315
<b>Current assets</b>			
Debtors	9	357	1,618
Cash and bank balances	10	7,207	790
<b>Total assets</b>		<u>184,912</u>	<u>189,723</u>
<b>LIABILITIES</b>			
<b>Provisions for liabilities</b>			
		(18)	(65)
<b>Creditors</b>			
Distribution payable	11	(974)	(1,234)
Other creditors	11	(4,959)	(1,076)
<b>Total liabilities</b>		<u>(5,951)</u>	<u>(2,375)</u>
<b>Net assets attributable to shareholders</b>		<u>178,961</u>	<u>187,348</u>

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2018

#### 1. Accounting Policies

The accounting policies described on pages 22 to 24 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. Distribution Policies

The distribution policies described on page 24 have been applied to the financial statements of the Fund in the current and prior year.

#### 3. Net Capital (Losses)/Gains

The net capital (losses)/gains during the year comprise:

	31.10.18 £'000	31.10.17 £'000
Non-derivative securities	(5,609)	9,546
Derivative contracts	275	–
Transaction charges	–	(1)
AMC rebates from underlying investments	66	44
Currency gains	9	–
Net capital (losses)/gains	<u>(5,259)</u>	<u>9,589</u>

The net capital (losses)/gains figure includes realised gains of £1,841,000 and unrealised gains of £17,158,000 (31.10.17: includes realised gains of £8,446,000 and unrealised gains of £24,324,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 4. Revenue

	31.10.18 £'000	31.10.17 £'000
Non-taxable dividends	805	875
Taxable dividends	–	206
UK property income distributions	642	434
Unfranked interest	2,497	2,950
AMC rebates from underlying investments	650	872
Bank interest	1	–
Total revenue	<u>4,595</u>	<u>5,337</u>

#### 5. Expenses

	31.10.18 £'000	31.10.17 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	1,112	1,107
Administration fees	278	277
	1,390	1,384
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	16	16
Other expenses:		
Audit fees	6	10
Total expenses	<u>1,412</u>	<u>1,410</u>

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

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 6. Interest Payable and Similar Charges

	31.10.18 £'000	31.10.17 £'000
Interest payable	1	–
Total interest payable and similar charges	1	–

#### 7. Taxation

	31.10.18 £'000	31.10.17 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	483	629
Adjustments in respect of prior periods	1	–
Current tax charge	484	629
Deferred tax – origination and reversal of timing differences (note 7c)	(47)	42
Total taxation (note 7b)	437	671

#### 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%) (31.10.17: 20%). The difference is explained below:

	31.10.18 £'000	31.10.17 £'000
Net revenue before taxation	3,182	3,927
Corporation tax at 20%	636	785
Effects of:		
Non-taxable dividends	(161)	(175)
Capital income subject to taxation	(52)	52
Rebated capital expenses deductible for tax purposes	13	9
Corporation tax: adjustment in respect of prior years	1	–
Total tax charge (note 7a)	437	671

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

	31.10.18 £'000	31.10.17 £'000
c) Deferred tax		
Provision at the start of the year	65	23
Deferred tax charge in the year (note 7a)	(47)	42
Provision at the end of the year	18	65

## 8. Distributions

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

	31.10.18 £'000	31.10.17 £'000
Final	2,660	3,249
	2,660	3,249
Add: Revenue deducted on redemption of shares	189	222
Deduct: Revenue received on issue of shares	(143)	(154)
Net distribution for the year	2,706	3,317

Details of the distributions per share are set out in the table on pages 87 and 88.

	31.10.18 £'000	31.10.17 £'000
Distributions represented by:		
Net revenue after taxation	2,745	3,256
Allocations to capital:		
Tax relief to/from capital	(39)	61
Net distribution for the year	2,706	3,317

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 9. Debtors

	31.10.18 £'000	31.10.17 £'000
Amounts receivable for issue of shares	19	229
Sales awaiting settlement	–	952
Accrued revenue:		
Non-taxable dividends	52	27
Taxable dividends	–	54
UK property income distributions	74	–
Unfranked interest	3	–
AMC rebates from underlying investments	147	100
	276	181
Taxation recoverable:		
Income tax	62	256
Total debtors	357	1,618

#### 10. Cash and Bank Balances

	31.10.18 £'000	31.10.17 £'000
Bank balances	7,207	790
Total cash and bank balances	7,207	790

#### 11. Creditors

	31.10.18 £'000	31.10.17 £'000
Distribution payable	974	1,234
<b>Other Creditors</b>		
Amounts payable for redemption of shares	402	481
Purchases awaiting settlement	4,209	–

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

	31.10.18 £'000	31.10.17 £'000
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	93	96
Administration fees	23	24
	116	120
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	1	1
Taxation payable:		
Corporation tax	223	463
Other expenses	8	11
Total other creditors	<u>4,959</u>	<u>1,076</u>

## 12. Related Party Transactions

Annual Management Charge and administration fees payable to Link Fund Solutions Limited ('the ACD') are disclosed in note 5 and amounts due at the year end are disclosed in note 11.

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 74 and amounts due at the year end are disclosed in notes 9 and 11.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions or its associates) held 95,754 (31.10.17: 77,925) 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 24,962,510 (31.10.17: 27,247,090) 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.

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

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 Link Fund Solutions Limited is also the ACD. At the balance sheet date the value of the holdings were as follows:

	31.10.18 £'000	31.10.17 £'000
Portfolio Manager in common	40,309	45,062

### 13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.17: none).

### 14. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.40%	1.40%	0.18%
Opening shares in issue	1,233,396	8,856,794	36,772,617
Issues	3,887	328,430	2,049,935
Redemptions	(113,820)	(1,029,913)	(5,557,281)
Conversions	—	—	—
Closing shares in issue	1,123,463	8,155,311	33,265,271

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.65%	0.65%	0.90%
Opening shares in issue	4,678,096	75,541,300	10,940,272
Issues	916,773	7,610,719	2,459,827
Redemptions	(772,074)	(7,036,966)	(2,055,344)
Conversions	—	—	—
Closing shares in issue	4,822,795	76,115,053	11,344,755

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 15. 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 Efficient Portfolio Management (including 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.

##### (A) 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.

##### (B) 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.

The Fund invests in collective investment schemes and as such does not have any significant direct exposure to interest rate risk. The Fund may indirectly be exposed to interest rate risk through its investment in collective investment schemes. As the Fund has no direct exposure to interest rate risk, no interest rate risk table or sensitivity analysis has been presented.

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### (C) 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. 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.

#### (D) 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 31.10.18, leverage under the gross method was 0.99:1 and leverage under the commitment method was 1:1 (31.10.17: 1:1 and 1:1 respectively).

#### (E) LIQUIDITY RISK

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions 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.

#### (F) 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.

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £8,867,000 (31.10.17: £9,366,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

The Fund held no derivatives of a material nature during the current or prior year.

#### 16. Portfolio Transaction Costs

31.10.18	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	4,498	2	4	4,504
Collective investment schemes	8,607	1	–	8,608
Purchases total	<u>13,105</u>	<u>3</u>	<u>4</u>	<u>13,112</u>
<i>Transaction cost % of purchases total</i>		0.02%	0.03%	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	<u>19,960</u>	<u>(1)</u>	<u>–</u>	<u>19,959</u>
Sales total	<u>19,960</u>	<u>(1)</u>	<u>–</u>	<u>19,959</u>
<i>Transaction cost % of sales total</i>		0.01%	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.18 is 0.30% (31.10.17: 0.34%).

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

31.10.17	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	922	–	–	922
Collective investment schemes	65,986	–	–	65,986
Purchases total	<u>66,908</u>	<u>–</u>	<u>–</u>	<u>66,908</u>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	276	–	–	276
Collective investment schemes	70,758	–	–	70,758
Sales total	<u>71,034</u>	<u>–</u>	<u>–</u>	<u>71,034</u>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

### 17. Fair Value Hierarchy

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

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within Level 1;

**Level 3:** Valuation techniques using unobservable inputs.

31.10.18	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	<u>33,643</u>	<u>143,455</u>	<u>250</u>	<u>177,348</u>
31.10.17	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	<u>6,990</u>	<u>180,325</u>	<u>–</u>	<u>187,315</u>

## LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE

for the year ended 31 October 2018 – 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	01.11.17
To	31.10.18

#### 'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	1.1933	–	1.1933	1.6570
Group 2	0.2325	0.9608	1.1933	1.6570

#### 'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	1.3045	–	1.3045	1.7878
Group 2	0.7436	0.5609	1.3045	1.7878

#### 'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	2.6425	–	2.6425	3.0422
Group 2	2.2057	0.4368	2.6425	3.0422

#### 'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	1.6904	–	1.6904	2.0337
Group 2	0.7969	0.8935	1.6904	2.0337

**LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO**  
**FINANCIAL STATEMENTS** *continued*  
**DISTRIBUTION TABLE** *continued*

'P' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	1.8151	–	1.8151	2.1479
Group 2	0.6182	1.1969	1.8151	2.1479

'R' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	1.7429	–	1.7429	2.1360
Group 2	0.8716	0.8713	1.7429	2.1360

## **LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO ACD'S REPORT**

for the year ended 31 October 2018

### **Important Information**

Refer to the 'Important Information' section on pages 12 and 13.

### **Investment Objective and Policy**

The LF 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.

### **LINK FUND SOLUTIONS LIMITED**

ACD of LF Prudential Dynamic 20-55 Portfolio

*20 February 2019*

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2018

Between 1 November 2017 and 31 October 2018 (the period in review) share classes, R (Acc) -2.43%<sup>1</sup>, P (Acc) -2.34%<sup>1</sup> and A (Acc) -2.79%<sup>1</sup> produced returns behind the -1.74%<sup>1</sup> sector average for IA Mixed Investment 20-60% Shares.

#### Economic Overview

An escalating trade war between the US and China was very much at the forefront of investors' minds towards the end of the period in review. Despite the prospects of import duties being applied to a significant volume of products both from China into the US and vice versa, so far at least, economic growth in both countries remains resilient. For the latest quarter available (to end-June 2018) the US economy grew by an annualised 4.2%, while China's grew by 6.7%. On the other hand, the eurozone disappointed and the economy within the single currency area expanded at a slower rate than in the first quarter of 2018. During the third quarter, monetary policy was tightened in the US and UK (interest rates were raised by a quarter point in both countries). In contrast, central banks in Japan and the eurozone remain committed to maintaining loose monetary policies for the time being.

#### Market Overview

2018 began strongly for most stockmarkets; many reached record highs before falling sharply, seemingly on concern about US inflation. Investors were then buffeted by unsettling factors, including potential interest rate increases, political uncertainty in the US, growing trade tensions and possible regulatory changes for leading technology companies.

October was a very challenging month for equity markets. The S&P 500 had its worst month since 2011 falling almost 7%. The FTSE All Share was down over 5% and in other regions the Euro Stoxx 50 fell 7% and the Nikkei 224 around 9%.

There were several factors at play that may have caused this sharp change in investor sentiment over the month including continued US and China trade tensions, Brexit, the health of the Italian economy and concerns that earnings growth may have peaked.

At this stage of the economic cycle volatility is to be expected but behind the headlines the global economy is still growing, albeit at a slower rate and Q3 earnings season has been positive.

#### UK

It was a disappointing period for UK company shares. Having reached record highs in Q2 2018, both the FTSE 100 and the FTSE 250 indices ended the period in review lower. As expected, the Bank of England raised interest rates in August by a quarter of a point to 0.75%. UK employment is at a record high, and with limited spare

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

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

capacity, real wages are picking up. Encouragingly, economic growth accelerated in the second quarter compared to the first three months of the year. Brexit uncertainty remains at the forefront of investors' minds and contributed to sterling's decline over the quarter, although the currency stabilised by the end of September.

The Artemis Income, AXA Framlington UK Select Opportunities and Investec UK Alpha funds all lagged the FTSE All Share from 1 November 2017 to 31 October 2018.

#### North America

Aside from February and March the US stockmarket had enjoyed a strong year up until October, with both the S&P 500 Index and the technology-heavy NASDAQ Composite reaching all-time highs before suffering heavy losses towards the end of the period in review. Company earnings for the quarter ending June 2018 were well received by investors; however, interestingly, the fortunes of some of the largest technology-related companies began to diverge. Notably, electronic consumer goods giant Apple became the first company to reach to a market capitalisation of one trillion dollars, whereas the share price of social media company Facebook fell on concerns over slowing user and advertising growth.

Returns from the Threadneedle American fund were strong in absolute terms but behind the S&P 500 over the period in review. The Schroder US Mid Cap fund also produced a positive return that was behind benchmark.

#### Europe

Share prices started 2018 strongly before succumbing to fears about higher US interest rates, a potential trade war and sharp falls in the share prices of technology groups. After a better Q2, performance of European stockmarkets was disappointing in the third quarter, with company shares facing several headwinds. Meanwhile, banking shares were volatile on worries over their exposure to the Turkish economy. Economic growth in the eurozone also disappointed, with gross domestic product increasing by its weakest rate in two years. Weak economic data supports the view that the European Central Bank will be patient in winding down its crisis-era monetary support.

The Henderson European Selected Opportunities fund produced a negative return and was behind the index over the period in review as was the Jupiter European Special Situations fund.

#### Japan

Having reached its highest level for 26 years in January 2018, the Japanese stockmarket fell back very sharply during the rest of the first quarter of 2018 and ended with a significant decline, in yen terms. After modest gains in Q2 2018, Japanese shares made solid gains in the third quarter, performing particularly well in September, before a very poor October irradiated these gains.

The Schroder Tokyo fund produced a negative return and underperformed the benchmark between 1 November 2017 and 31 October 2018. The Man GLG Japan CoreAlpha fund had a better year, producing a small positive return which was ahead of the index.

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

#### Asia ex Japan

The first few months of 2018 were negative for the Asia Pacific region as a whole, with investors focussing on the ramifications of a trade war between the US and China. This theme continued over the rest of the period in review. As the US and China proposed additional tariffs on each other's products, investors worried about the impact on the global economy. Rising interest rates in the US and the continued appreciation of the US dollar also dampened investor sentiment towards Asian assets.

The Fidelity Asia and Investec Asian Equity funds both produced negative returns albeit marginally ahead of the benchmark over the period in review.

#### UK and Global Bonds

Early in 2018 higher US wage growth had raised concerns about increased inflationary pressures, which caused a sharp sell-off in US Treasuries. As risk aversion built up later in Q1, government bonds benefited from their safe haven status, meaning that the yields on bonds issued by Japan and Germany returned to remarkably low, or even negative, levels. Similarly in Q2 political turmoil in Italy also led to a rally in gilts and other perceived safe haven assets.

UK government bonds (gilts) declined over the third quarter of 2018 as higher-than-expected inflation readings and some robust economic data helped push 10-year yields above 1.6% for the first time since February 2018. Meanwhile, the Bank of England raised interest rates from 0.5% to 0.75%, although the widely anticipated move had limited market impact. UK corporate bonds held up relatively well as improved investor sentiment helped support valuations.

The Fidelity MoneyBuilder Income fund finished slightly ahead of the sector average. The Invesco Perpetual Corporate Bond and Kames Investment Grade Bond funds were slightly behind.

In high yield, the Kames High Yield Bond fund produced a small negative return. The BlackRock Euro Corporate Bond fund was flat over the period in review.

#### UK Property

During the period in review UK commercial property generated a reasonably strong total return; however, gains are more modest compared to the same period in 2017. Capital value and rental value growth continue to be strongest in Industrials, driven by demand for well-located fulfilment centres and smaller distribution units. Conversely, capital values continue to fall in the Retail sector, reflecting the challenging trading environment.

The M&G Property Portfolio and Legal & General UK Property fund were two of the stronger performers across portfolios during the period in review.

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

#### Emerging Markets

There was a wide disparity of returns in the first months of 2018. Africa, Asia and the Middle East declined, while Latin America rallied. Emerging market stocks continued to come under pressure towards the end of the period in review as a crisis in Turkey, fears of a global trade war and a rising US dollar dampened investor sentiment. The trade dispute between the US and China continued to escalate and as the US raised interest rates again and the dollar appreciated, investors' enthusiasm for emerging market assets weakened.

The M&G Global Emerging Markets fund produced a negative return but was ahead of the benchmark.

#### Alternatives

Overall performance of the alternatives holdings was positive over the period in review. Several holdings, HgCapital, The Renewables Infrastructure Group and BBGI posted double digit returns.

#### Positioning

Aside from day to day portfolio management activities there were no significant changes to the underlying portfolios, although following the market falls in early February and October the funds took or maintained overweight positions in developed market equities on the basis that fundamentals were still strong, and the move down had been episodic. This proved profitable in February and the recent overweight position is still held as at the time of writing.

In May, the portfolio manager took small positions in Italian Banks as he thought the market reaction to the political situation was overdone and a good entry point for a sector with improving fundamentals, and which has underperformed the broader European market for several years.

Shares in UniCredit and Intesa Sanpaolo were acquired as these 2 stocks represent 80% of the Italian Banking index.

#### Outlook

Global growth is now diverging but aggregate growth is still positive, albeit slower than at the beginning of the year. The US Federal Reserve continues to lead the interest rate tightening cycle but will reach a crucial point in the next 18 months. Inflation is receiving a boost from oil prices but that could fade into next year if prices stay at current levels.

#### M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

15 November 2018

## LF PRUDENTIAL DYNAMIC 20-55 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.

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.

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 average yield tend to be less liquid and have a lower credit rating. Investment in 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.

The Fund may also invest indirectly in property. Property investments may be harder to buy and sell than other asset types.

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

The value of investments, and the income from them, will fluctuate. This will cause the Fund price to fall as well as rise and you may not get back what you originally invested.

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.linkfundsolutions.co.uk](http://www.linkfundsolutions.co.uk), by following the link 'Fund Information'.

## LF 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.

#### 'A' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	155.47	145.57	134.20
Return before operating charges*	0.36	14.73	16.04
Operating charges	(3.57)	(3.42)	(3.12)
Return after operating charges	(3.21)	11.31	12.92
Distributions	(1.11)	(1.41)	(1.55)
Closing net asset value per share	151.15	155.47	145.57
* after direct transaction costs of:	0.01	0.04	–

#### PERFORMANCE

Return after charges	(2.06)%	7.77%	9.63%
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#### OTHER INFORMATION

Closing net asset value (£'000)	1,831	3,568	4,203
Closing number of shares	1,211,022	2,294,898	2,887,058
Operating charges	2.28% <sup>1</sup>	2.26%	2.30%
Direct transaction costs	–	0.03%	–

#### PRICES

Highest share price	159.40	157.26	148.74
Lowest share price	151.05	142.42	125.60

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	167.97	155.87	142.18
Return before operating charges*	0.40	15.77	16.98
Operating charges	(3.85)	(3.67)	(3.29)
Return after operating charges	(3.45)	12.10	13.69
Distributions	(1.21)	(1.51)	(1.64)
Retained distributions on accumulation shares	1.21	1.51	1.64
Closing net asset value per share	164.52	167.97	155.87
* after direct transaction costs of:	0.01	0.04	–

##### PERFORMANCE

Return after charges	(2.05)%	7.76%	9.63%
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##### OTHER INFORMATION

Closing net asset value (£'000)	12,119	15,226	17,277
Closing number of shares	7,366,825	9,064,829	11,084,492
Operating charges	2.28% <sup>1</sup>	2.26%	2.30%
Direct transaction costs	–	0.03%	–

##### PRICES

Highest share price	172.16	168.33	157.54
Lowest share price	163.20	152.50	133.07

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	156.09	146.10	134.61
Return before operating charges*	(0.05)	14.49	15.89
Operating charges	(1.67)	(1.59)	(1.48)
Return after operating charges	(1.72)	12.90	14.41
Distributions	(2.66)	(2.91)	(2.92)
Closing net asset value per share	151.71	156.09	146.10
* after direct transaction costs of:	0.01	0.04	–

##### PERFORMANCE

Return after charges	(1.10)%	8.83%	10.70%
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##### OTHER INFORMATION

Closing net asset value (£'000)	74,027	83,905	82,545
Closing number of shares	48,794,905	53,755,204	56,499,465
Operating charges	1.06% <sup>1</sup>	1.04%	1.08%
Direct transaction costs	–	0.03%	–

##### PRICES

Highest share price	161.32	159.37	150.62
Lowest share price	153.13	143.08	126.34

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'P' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	121.99	114.20	105.24
Return before operating charges*	0.09	11.41	12.49
Operating charges	(1.88)	(1.80)	(1.66)
Return after operating charges	(1.79)	9.61	10.83
Distributions	(1.62)	(1.82)	(1.87)
Closing net asset value per share	118.58	121.99	114.20
* after direct transaction costs of:	0.01	0.03	–

##### PERFORMANCE

Return after charges	(1.47)%	8.42%	10.29%
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##### OTHER INFORMATION

Closing net asset value (£'000)	7,266	7,521	6,784
Closing number of shares	6,127,224	6,165,273	5,940,687
Operating charges	1.53% <sup>1</sup>	1.51%	1.55%
Direct transaction costs	–	0.03%	–

##### PRICES

Highest share price	125.86	124.27	117.49
Lowest share price	119.24	111.79	98.65

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'P' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	130.14	120.03	108.83
Return before operating charges*	0.10	12.00	12.92
Operating charges	(2.01)	(1.89)	(1.72)
Return after operating charges	(1.91)	10.11	11.20
Distributions	(1.73)	(1.92)	(1.92)
Retained distributions on accumulation shares	1.73	1.92	1.92
Closing net asset value per share	128.23	130.14	120.03
* after direct transaction costs of:	0.01	0.03	–

##### PERFORMANCE

Return after charges	(1.47)%	8.42%	10.29%
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##### OTHER INFORMATION

Closing net asset value (£'000)	121,388	124,066	115,684
Closing number of shares	94,664,765	95,333,063	96,377,902
Operating charges	1.53% <sup>1</sup>	1.51%	1.55%
Direct transaction costs	–	0.03%	–

##### PRICES

Highest share price	134.22	130.58	121.48
Lowest share price	127.20	117.50	102.03

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'R' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	148.72	137.45	124.86
Return before operating charges*	0.19	13.79	14.89
Operating charges	(2.66)	(2.52)	(2.30)
Return after operating charges	(2.47)	11.27	12.59
Distributions	(1.67)	(1.90)	(1.95)
Retained distributions on accumulation shares	1.67	1.90	1.95
Closing net asset value per share	146.25	148.72	137.45
* after direct transaction costs of:	0.01	0.04	–

##### PERFORMANCE

Return after charges	(1.66)%	8.20%	10.08%
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##### OTHER INFORMATION

Closing net asset value (£'000)	12,151	11,318	25,992
Closing number of shares	8,308,515	7,609,979	18,910,457
Operating charges	1.78% <sup>1</sup>	1.76%	1.80%
Direct transaction costs	–	0.03%	–

##### PRICES

Highest share price	153.00	149.09	138.98
Lowest share price	145.08	134.52	116.98

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Fund Performance to 31 October 2018 (%)

	1 year	3 years	5 years
LF Prudential Dynamic 20-55 Portfolio	(2.79)	14.77	22.77

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 year end, rather than the year end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 119 and 120.

#### 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.

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
	EQUITY PORTFOLIOS – 40.13% (31.10.17 – 40.90%)		
	CONTINENTAL EUROPE – 6.28% (31.10.17 – 6.22%)		
702,351	Henderson European Selected Opportunities	11,118	4.86
849,868	Jupiter European Special Situations	3,253	1.42
	TOTAL CONTINENTAL EUROPE	<u>14,371</u>	<u>6.28</u>
	UNITED KINGDOM – 16.03% (31.10.17 – 15.94%)		
1,803,298	Artemis Income	7,355	3.21
369,497	AXA Framlington UK Select Opportunities	12,227	5.34
12,863,877	Investec UK Alpha	16,421	7.18
217,041	M&G Recovery <sup>1</sup>	684	0.30
	TOTAL UNITED KINGDOM	<u>36,687</u>	<u>16.03</u>
	ASIA EX JAPAN – 6.27% (31.10.17 – 7.14%)		
584,663	Fidelity Asia	6,981	3.05
390,237	Investec Asian Equity	7,360	3.22
	TOTAL ASIA EX JAPAN	<u>14,341</u>	<u>6.27</u>
	JAPAN – 2.90% (31.10.17 – 2.93%)		
1,564,486	MAN GLG Japan CoreAlpha	2,570	1.12
1,143,045	Schroder Tokyo	4,066	1.78
	TOTAL JAPAN	<u>6,636</u>	<u>2.90</u>
	NORTH AMERICA – 6.70% (31.10.17 – 6.54%)		
2,873,258	Schroder US Mid Cap	4,126	1.80
3,694,045	Threadneedle American	11,211	4.90
	TOTAL NORTH AMERICA	<u>15,337</u>	<u>6.70</u>
	EMERGING MARKETS – 1.95% (31.10.17 – 2.13%)		
97,195	Aberdeen Emerging Markets Equity	614	0.27
1,346,189	M&G Global Emerging Markets <sup>1</sup>	3,833	1.68
	TOTAL EMERGING MARKETS	<u>4,447</u>	<u>1.95</u>
	TOTAL EQUITY PORTFOLIOS	<u>91,819</u>	<u>40.13</u>

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
	EQUITY INVESTMENT INSTRUMENTS – 7.51% (31.10.17 – 4.96%)		
1,575,703	BBGI	2,371	1.04
970,597	BioPharma Credit	790	0.35
819,485	Blue Capital Alternative Income	433	0.19
87,200	Boussard & Gavaudan	1,354	0.60
817,083	DP Aircraft I	652	0.28
235,585	HarbourVest Global Private Equity	3,214	1.41
63,420	HgCapital	1,243	0.54
1,320,719	Intesa Sanpaolo <sup>2</sup>	2,287	1.00
592,583	NB Distressed Debt Investment	443	0.19
841,196	NextEnergy Solar	925	0.40
1,016,133	Renewables Infrastructure	1,154	0.50
230,769	UniCredit <sup>2</sup>	2,315	1.01
	TOTAL EQUITY INVESTMENT INSTRUMENTS	17,181	7.51
	PROPERTY PORTFOLIOS – 15.08% (31.10.17 – 14.83%)		
13,436,801	Legal & General UK Property	12,146	5.31
1,892,424	M&G Property Portfolio <sup>1</sup>	22,342	9.77
	TOTAL PROPERTY PORTFOLIOS	34,488	15.08
	BOND PORTFOLIOS – 37.05% (31.10.17 – 38.92%)		
1,029,704	BlackRock Euro Corporate Bond	10,750	4.70
10,645,577	Fidelity MoneyBuilder Income	19,151	8.37
9,288,329	Invesco Perpetual Corporate Bond	18,623	8.14
9,030,510	Kames High Yield Bond	11,379	4.97
10,802,621	Kames Investment Grade Bond	19,107	8.35
16,273,836	M&G Short Dated Corporate Bond <sup>1</sup>	4,155	1.82
14,976	Merrill Lynch AQR Global Relative Value	1,600	0.70
	TOTAL BOND PORTFOLIOS	84,765	37.05

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
	Portfolio of investments	228,253	99.77
	Net other assets	<u>529</u>	<u>0.23</u>
	Net assets	<u>228,782</u>	<u>100.00</u>

The investments have been valued in accordance with note 1(F) of the Accounting Policies and are collective investment schemes unless stated otherwise.

<sup>1</sup> Related party holding (see note 12).

<sup>2</sup> Ordinary shares.

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 October 2018

Total purchases for the year £'000 (note 16)	24,390	Total sales for the year £'000 (note 16)	37,187
	Cost		Proceeds
<b>Major purchases</b>	<b>£'000</b>	<b>Major sales</b>	<b>£'000</b>
M&G Short Dated Corporate Bond	3,696	Euro Stoxx 50 Index Futures March 2018	3,834
Euro Stoxx 50 Index Futures March 2018	3,658	S&P 500 E Mini Futures March 2018	3,809
S&P 500 E Mini Futures March 2018	3,610	M&G Short Dated Corporate Bond	3,590
Intesa Sanpaolo	2,873	Invesco Perpetual Corporate Bond	3,371
UniCredit	2,832	M&G Property Portfolio	3,084
Investec UK Alpha	2,219	Fidelity MoneyBuilder Income	2,620
Boussard & Gavaudan	1,458	Kames Investment Grade Bond	2,242
Merrill Lynch AQR Global Relative Value	961	AXA Framlington UK Select Opportunities	2,164
M&G Recovery	712	Fidelity Asia	1,723
Investec Asian Equity	668	Threadneedle American	1,708

In addition to the above, purchases totalling £114,848,000 and sales totalling £114,848,000 were made in short term investments during the year.

Purchases and sales of Futures have been included at the value of their exposure.

The summary of material portfolio changes represents the 10 largest purchases and sales during the year.

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO FINANCIAL STATEMENTS STATEMENT OF TOTAL RETURN

for the year ended 31 October 2018

	Notes	£'000	31.10.18 £'000	£'000	31.10.17 £'000
Income:					
Net capital (losses)/gains	3		(6,719)		16,555
Revenue	4	5,595		6,484	
Expenses	5	(1,716)		(1,853)	
Interest payable and similar charges	6	(1)		(1)	
Net revenue before taxation		3,878		4,630	
Taxation	7	(450)		(692)	
Net revenue after taxation			3,428		3,938
<b>Total return before distributions</b>			(3,291)		20,493
Distributions	8		(3,368)		(4,039)
<b>Change in net assets attributable to shareholders from investment activities</b>			(6,659)		16,454

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2018

	£'000	31.10.18 £'000	£'000	31.10.17 £'000
<b>Opening net assets attributable to shareholders</b>		245,604		252,485
Amounts receivable on issue of shares	20,161		18,354	
Amounts payable on redemption of shares	(32,186)		(43,798)	
		(12,025)		(25,444)
Change in net assets attributable to shareholders from investment activities		(6,659)		16,454
Retained distributions on Accumulation shares		1,862		2,109
<b>Closing net assets attributable to shareholders</b>		228,782		245,604

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

#### BALANCE SHEET

as at 31 October 2018

	Notes	31.10.18 £'000	31.10.17 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		228,253	244,648
<b>Current assets</b>			
Debtors	9	707	3,170
Cash and bank balances	10	6,157	711
<b>Total assets</b>		<u>235,117</u>	<u>248,529</u>
<b>LIABILITIES</b>			
<b>Provisions for liabilities</b>			
		(30)	(105)
<b>Creditors</b>			
Distribution payable	11	(1,413)	(1,709)
Other creditors	11	(4,892)	(1,111)
<b>Total liabilities</b>		<u>(6,335)</u>	<u>(2,925)</u>
<b>Net assets attributable to shareholders</b>		<u>228,782</u>	<u>245,604</u>

**LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO**  
**FINANCIAL STATEMENTS** *continued*  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 October 2018

**1. Accounting Policies**

The accounting policies described on pages 22 to 24 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. Distribution Policies**

The distribution policies described on page 24 have been applied to the financial statements of the Fund in the current and prior year.

**3. Net Capital (Losses)/Gains**

The net capital (losses)/gains during the year comprise:

	31.10.18 £'000	31.10.17 £'000
Non-derivative securities	(7,201)	16,490
Derivative contracts	359	–
Transaction charges	(1)	(1)
AMC rebates from underlying investments	108	83
Currency gains/(losses)	16	(17)
Net capital (losses)/gains	<u>(6,719)</u>	<u>16,555</u>

The net capital (losses)/gains figure includes realised gains of £3,490,000 and unrealised gains of £24,086,000 (31.10.17: includes realised gains of £15,195,000 and unrealised gains of £34,402,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 4. Revenue

	31.10.18 £'000	31.10.17 £'000
Non-taxable dividends	1,336	1,658
Taxable dividends	–	114
UK property income distributions	1,037	950
Unfranked interest	2,359	2,603
AMC rebates from underlying investments	862	1,159
Bank interest	1	–
Total revenue	<u>5,595</u>	<u>6,484</u>

#### 5. Expenses

	31.10.18 £'000	31.10.17 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	1,330	1,446
Administration fees	361	377
	1,691	1,823
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	19	21
Other expenses:		
Audit fees	6	9
Total expenses	<u>1,716</u>	<u>1,853</u>

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

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 6. Interest Payable and Similar Charges

	31.10.18 £'000	31.10.17 £'000
Interest payable	1	1
Total interest payable and similar charges	1	1

#### 7. Taxation

	31.10.18 £'000	31.10.17 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	524	632
Adjustments in respect of prior periods	1	–
Current tax charge	525	632
Deferred tax – origination and reversal of timing differences (note 7c)	(75)	60
Total taxation (note 7b)	450	692

#### 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%) (31.10.17: 20%). The difference is explained below:

	31.10.18 £'000	31.10.17 £'000
Net revenue before taxation	3,878	4,630
Corporation tax at 20%	776	926
Effects of:		
Non-taxable dividends	(267)	(332)
Capital income subject to taxation	(81)	81
Rebated capital expenses deductible for tax purposes	21	–
Corporation tax: adjustment in respect of prior years	1	–
AMC rebates taken to capital	–	17
Total tax charge (note 7a)	450	692

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

	31.10.18 £'000	31.10.17 £'000
c) Deferred tax		
Provision at the start of the year	105	45
Deferred tax charge in the year (note 7a)	(75)	60
Provision at the end of the year	30	105

## 8. Distributions

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

	31.10.18 £'000	31.10.17 £'000
Final	3,275	3,818
	3,275	3,818
Add: Revenue deducted on redemption of shares	223	374
Deduct: Revenue received on issue of shares	(130)	(153)
Net distribution for the year	3,368	4,039

Details of the distributions per share are set out in the table on pages 119 and 120.

	31.10.18 £'000	31.10.17 £'000
Distributions represented by:		
Net revenue after taxation	3,428	3,938
Allocations to capital:		
Tax relief to/from capital	(60)	98
Equalisation on conversions <sup>1</sup>	–	3
Net distribution for the year	3,368	4,039

<sup>1</sup> 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.

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 9. Debtors

	31.10.18 £'000	31.10.17 £'000
Amounts receivable for issue of shares	205	138
Sales awaiting settlement	–	2,487
Accrued revenue:		
Non-taxable dividends	85	50
UK property income distributions	118	119
Unfranked interest	4	2
AMC rebates from underlying investments	200	138
	407	309
Taxation recoverable:		
Income tax	95	236
Total debtors	<u>707</u>	<u>3,170</u>

#### 10. Cash and Bank Balances

	31.10.18 £'000	31.10.17 £'000
Bank balances	<u>6,157</u>	<u>711</u>
Total cash and bank balances	<u>6,157</u>	<u>711</u>

#### 11. Creditors

	31.10.18 £'000	31.10.17 £'000
Distribution payable	<u>1,413</u>	<u>1,709</u>
<b>Other Creditors</b>		
Amounts payable for redemption of shares	474	541
Purchases awaiting settlement	4,033	–

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

	31.10.18 £'000	31.10.17 £'000
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	109	117
Administration fees	30	31
	139	148
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	1	2
Taxation payable:		
Corporation tax	237	410
Other expenses	8	10
Total other creditors	4,892	1,111

## 12. Related Party Transactions

Annual Management Charge and administration fees payable to Link Fund Solutions Limited ('the ACD') are disclosed in note 5 and amounts due at the year end are disclosed in note 11.

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 106 and amounts due at the year end are disclosed in notes 9 and 11.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions or its associates) held 97,150 (31.10.17: 69,890) 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 34,847,842 (31.10.17: 36,896,623) 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	20.93% (31.10.17: 21.18%)
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## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

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 Link Fund Solutions Limited is also the ACD. At the balance sheet date the value of the holdings were as follows:

	31.10.18 £'000	31.10.17 £'000
Portfolio Manager in common	31,014	33,027

### 13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.17: none).

### 14. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.40%	1.40%	0.18%
Opening shares in issue	2,294,898	9,064,829	53,755,204
Issues	15,965	353,449	2,613,176
Redemptions	(1,095,542)	(2,045,172)	(7,573,475)
Conversions	(4,299)	(6,281)	–
Closing shares in issue	1,211,022	7,366,825	48,794,905

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.65%	0.65%	0.90%
Opening shares in issue	6,165,273	95,333,063	7,609,979
Issues	972,037	8,285,892	2,305,751
Redemptions	(1,010,091)	(9,015,763)	(1,607,168)
Conversions	5	61,573	(47)
Closing shares in issue	6,127,224	94,664,765	8,308,515

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 15. 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 Efficient Portfolio Management (including 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.

##### (A) 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.

##### (B) 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.

The Fund invests in collective investment schemes and as such does not have any significant direct exposure to interest rate risk. The Fund may indirectly be exposed to interest rate risk through its investment in collective investment schemes. As the Fund has no direct exposure to interest rate risk, no interest rate risk table or sensitivity analysis has been presented.

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### (C) 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. 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.

#### (D) 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 31.10.18, leverage under the gross method was 1:1 and leverage under the commitment method was 1:1 (31.10.17: 1:1 and 1:1 respectively).

#### (E) LIQUIDITY RISK

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions 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.

#### (F) 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.

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £11,413,000 (31.10.17: £12,232,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

The Fund held no derivatives of a material nature during the current or prior year.

### 16. Portfolio Transaction Costs

31.10.18	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	5,791	3	6	5,800
Collective investment schemes	11,320	1	–	11,321
Purchases total	<u>17,111</u>	<u>4</u>	<u>6</u>	<u>17,121</u>
<i>Transaction cost % of purchases total</i>		0.02%	0.04%	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	29,544	(1)	–	29,543
Sales total	<u>29,544</u>	<u>(1)</u>	<u>–</u>	<u>29,543</u>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.18 is 0.36% (31.10.17: 0.36%).

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

31.10.17	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	1,705	–	–	1,705
Collective investment schemes	87,132	–	–	87,132
Purchases total	<u>88,837</u>	<u>–</u>	<u>–</u>	<u>88,837</u>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	608	–	–	608
Collective investment schemes	113,801	(1)	(62)	113,738
Sales total	<u>114,409</u>	<u>(1)</u>	<u>(62)</u>	<u>114,346</u>
<i>Transaction cost % of sales total</i>		–	0.05%	
<i>Transaction cost % of average NAV</i>		–	0.03%	

### 17. Fair Value Hierarchy

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

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within Level 1;

**Level 3:** Valuation techniques using unobservable inputs.

31.10.18	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	<u>52,821</u>	<u>174,999</u>	<u>433</u>	<u>228,253</u>
31.10.17	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	<u>12,178</u>	<u>232,470</u>	<u>–</u>	<u>244,648</u>

## LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE

for the year ended 31 October 2018 – 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	01.11.17
To	31.10.18

#### 'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	1.1142	–	1.1142	1.4085
Group 2	0.5386	0.5756	1.1142	1.4085

#### 'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	1.2077	–	1.2077	1.5080
Group 2	0.6516	0.5561	1.2077	1.5080

#### 'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	2.6646	–	2.6646	2.9094
Group 2	2.6646	0.0000	2.6646	2.9094

#### 'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	1.6187	–	1.6187	1.8245
Group 2	0.6960	0.9227	1.6187	1.8245

**LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO**  
**FINANCIAL STATEMENTS** *continued*  
**DISTRIBUTION TABLE** *continued*

'P' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	1.7266	–	1.7266	1.9174
Group 2	0.8018	0.9248	1.7266	1.9174

'R' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	1.6717	–	1.6717	1.9020
Group 2	0.7755	0.8962	1.6717	1.9020

## **LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO ACD'S REPORT**

for the year ended 31 October 2018

### **Important Information**

Refer to the 'Important Information' section on pages 12 and 13.

### **Investment Objective and Policy**

The LF 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.

### **LINK FUND SOLUTIONS LIMITED**

ACD of LF Prudential Dynamic 40-80 Portfolio

*20 February 2019*

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2018

Between 1 November 2017 and 31 October 2018 (the period in review) share classes, R (Acc) -2.87%<sup>1</sup>, A (Acc) 3.20%<sup>1</sup> and P (Acc) 2.77%<sup>1</sup> produced returns behind the -1.51%<sup>1</sup> sector average for IA Mixed Investment 40-85% Shares.

#### Economic Overview

An escalating trade war between the US and China was very much at the forefront of investors' minds towards the end of the period in review. Despite the prospects of import duties being applied to a significant volume of products both from China into the US and vice versa, so far at least, economic growth in both countries remains resilient. For the latest quarter available (to end-June 2018) the US economy grew by an annualised 4.2%, while China's grew by 6.7%. On the other hand, the eurozone disappointed and the economy within the single currency area expanded at a slower rate than in the first quarter of 2018. During the third quarter, monetary policy was tightened in the US and UK (interest rates were raised by a quarter point in both countries). In contrast, central banks in Japan and the eurozone remain committed to maintaining loose monetary policies for the time being.

#### Market Overview

2018 began strongly for most stockmarkets; many reached record highs before falling sharply, seemingly on concern about US inflation. Investors were then buffeted by unsettling factors, including potential interest rate increases, political uncertainty in the US, growing trade tensions and possible regulatory changes for leading technology companies.

October was a very challenging month for equity markets. The S&P 500 had its worst month since 2011 falling almost 7%. The FTSE All Share was down over 5% and in other regions the Euro Stoxx 50 fell 7% and the Nikkei 224 around 9%.

There were several factors at play that may have caused this sharp change in investor sentiment over the month including continued US and China trade tensions, Brexit, the health of the Italian economy and concerns that earnings growth may have peaked.

At this stage of the economic cycle volatility is to be expected but behind the headlines the global economy is still growing, albeit at a slower rate and Q3 earnings season has been positive.

#### UK

It was a disappointing period for UK company shares. Having reached record highs in Q2 2018, both the FTSE 100 and the FTSE 250 indices ended the period in review lower. As expected, the Bank of England raised interest rates in August by a quarter of a point to 0.75%. UK employment is at a record high, and with limited spare

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

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

capacity, real wages are picking up. Encouragingly, economic growth accelerated in the second quarter compared to the first three months of the year. Brexit uncertainty remains at the forefront of investors' minds and contributed to sterling's decline over the quarter, although the currency stabilised by the end of September.

The Artemis Income, AXA Framlington UK Select Opportunities, M&G Recovery and Investec UK Alpha funds all lagged the FTSE All Share from 1 November 2017 to 31 October 2018.

#### North America

Aside from February and March the US stockmarket had enjoyed a strong year up until October, with both the S&P 500 Index and the technology-heavy NASDAQ Composite reaching all-time highs before suffering heavy losses towards the end of the period in review. Company earnings for the quarter ending June 2018 were well received by investors; however, interestingly, the fortunes of some of the largest technology-related companies began to diverge. Notably, electronic consumer goods giant Apple became the first company to reach to a market capitalisation of one trillion dollars, whereas the share price of social media company Facebook fell on concerns over slowing user and advertising growth.

Returns from the Threadneedle American fund were strong in absolute terms but behind the S&P 500 over the period in review. The Schroder US Mid Cap fund also produced a positive return that was behind benchmark.

#### Europe

Share prices started 2018 strongly before succumbing to fears about higher US interest rates, a potential trade war and sharp falls in the share prices of technology groups. After a better Q2, performance of European stockmarkets was disappointing in the third quarter, with company shares facing several headwinds. Meanwhile, banking shares were volatile on worries over their exposure to the Turkish economy. Economic growth in the eurozone also disappointed, with gross domestic product increasing by its weakest rate in two years. Weak economic data supports the view that the European Central Bank will be patient in winding down its crisis-era monetary support.

The Henderson European Selected Opportunities fund produced a negative return and was behind the index over the period in review as was the Jupiter European Special Situations fund.

#### Japan

Having reached its highest level for 26 years in January 2018, the Japanese stockmarket fell back very sharply during the rest of the first quarter of 2018 and ended with a significant decline, in yen terms. After modest gains in Q2 2018, Japanese shares made solid gains in the third quarter, performing particularly well in September, before a very poor October irradiated these gains.

The Schroder Tokyo fund produced a negative return and underperformed the benchmark between 1 November 2017 and 31 October 2018. The Man GLG Japan CoreAlpha fund had a better year, producing a small positive return which was ahead of the index.

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

#### Asia ex Japan

The first few months of 2018 were negative for the Asia Pacific region as a whole, with investors focussing on the ramifications of a trade war between the US and China. This theme continued over the rest of the period in review. As the US and China proposed additional tariffs on each other's products, investors worried about the impact on the global economy. Rising interest rates in the US and the continued appreciation of the US dollar also dampened investor sentiment towards Asian assets.

The Fidelity Asia and Investec Asian Equity funds both produced negative returns albeit marginally ahead of the benchmark over the period in review.

#### UK and Global Bonds

Early in 2018 higher US wage growth had raised concerns about increased inflationary pressures, which caused a sharp sell-off in US Treasuries. As risk aversion built up later in Q1, government bonds benefited from their safe haven status, meaning that the yields on bonds issued by Japan and Germany returned to remarkably low, or even negative, levels. Similarly in Q2 political turmoil in Italy also led to a rally in gilts and other perceived safe haven assets.

UK government bonds (gilts) declined over the third quarter of 2018 as higher-than-expected inflation readings and some robust economic data helped push 10-year yields above 1.6% for the first time since February 2018. Meanwhile, the Bank of England raised interest rates from 0.5% to 0.75%, although the widely anticipated move had limited market impact. UK corporate bonds held up relatively well as improved investor sentiment helped support valuations.

The Fidelity MoneyBuilder Income fund finished slightly ahead of the sector average. The Invesco Perpetual Corporate Bond and Kames Investment Grade Bond funds were slightly behind.

In high yield, the Kames High Yield Bond fund produced a small negative return. The BlackRock Euro Corporate Bond fund was flat over the period in review.

#### UK Property

During the period in review UK commercial property generated a reasonably strong total return; however, gains are more modest compared to the same period in 2017. Capital value and rental value growth continue to be strongest in Industrials, driven by demand for well-located fulfilment centres and smaller distribution units. Conversely, capital values continue to fall in the Retail sector, reflecting the challenging trading environment.

The M&G Property Portfolio and Legal & General UK Property fund were two of the stronger performers across portfolios during the period in review.

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

#### Emerging Markets

There was a wide disparity of returns in the first months of 2018. Africa, Asia and the Middle East declined, while Latin America rallied. Emerging market stocks continued to come under pressure towards the end of the period in review as a crisis in Turkey, fears of a global trade war and a rising US dollar dampened investor sentiment. The trade dispute between the US and China continued to escalate and as the US raised interest rates again and the dollar appreciated, investors' enthusiasm for emerging market assets weakened.

The M&G Global Emerging Markets fund produced a negative return but was ahead of the benchmark. The Aberdeen Emerging Markets Equity fund finished behind benchmark.

#### Alternatives

Overall performance of the alternatives holdings was positive over the period in review. Several holdings, HgCapital, Renewables Infrastructure and BBGI posted double digit returns.

#### Positioning

Aside from day to day portfolio management activities there were no significant changes to the underlying portfolios, although following the market falls in early February and October the funds took or maintained overweight positions in developed market equities on the basis that fundamentals were still strong, and the move down had been episodic. This proved profitable in February and the recent overweight position is still held as at the time of writing.

In May, the portfolio manager took small positions in Italian Banks as he thought the market reaction to the political situation was overdone and a good entry point for a sector with improving fundamentals, and which has underperformed the broader European market for several years.

Shares in UniCredit and Intesa Sanpaolo were acquired as these 2 stocks represent 80% of the Italian Banking index.

#### Outlook

Global growth is now diverging but aggregate growth is still positive, albeit slower than at the beginning of the year. The US Federal Reserve continues to lead the interest rate tightening cycle but will reach a crucial point in the next 18 months. Inflation is receiving a boost from oil prices but that could fade into next year if prices stay at current levels.

#### M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager  
15 November 2018

## LF PRUDENTIAL DYNAMIC 40-80 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.

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.

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 average yield tend to be less liquid and have a lower credit rating. Investment in 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.

The Fund may also invest indirectly in property. Property investments may be harder to buy and sell than other asset types.

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

The value of investments, and the income from them, will fluctuate. This will cause the fund price to fall as well as rise and you may not get back what you originally invested.

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.linkfundsolutions.co.uk](http://www.linkfundsolutions.co.uk), by following the link 'Fund Information'.

## LF 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.

#### 'A' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	168.05	155.54	141.40
Return before operating charges*	0.11	17.54	18.88
Operating charges	(3.87)	(3.73)	(3.33)
Return after operating charges	(3.76)	13.81	15.55
Distributions	(1.13)	(1.30)	(1.41)
Closing net asset value per share	163.16	168.05	155.54
* after direct transaction costs of:	0.01	–	–

#### PERFORMANCE

Return after charges	(2.24)%	8.88%	11.00%
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#### OTHER INFORMATION

Closing net asset value (£'000)	1,156	1,053	1,732
Closing number of shares	708,803	626,738	1,113,714
Operating charges	2.29% <sup>1</sup>	2.30%	2.33%
Direct transaction costs	0.01%	–	–

#### PRICES

Highest share price	174.00	170.18	158.67
Lowest share price	162.50	151.66	130.89

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	177.44	162.97	146.82
Return before operating charges*	0.14	18.39	19.60
Operating charges	(4.10)	(3.92)	(3.45)
Return after operating charges	(3.96)	14.47	16.15
Distributions	(1.19)	(1.36)	(1.46)
Retained distributions on accumulation shares	1.19	1.36	1.46
Closing net asset value per share	173.48	177.44	162.97
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(2.23)%	8.88%	11.00%
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##### OTHER INFORMATION

Closing net asset value (£'000)	18,585	22,222	28,649
Closing number of shares	10,713,213	12,523,549	17,579,578
Operating charges	2.29% <sup>1</sup>	2.30%	2.33%
Direct transaction costs	0.01%	–	–

##### PRICES

Highest share price	183.67	178.27	164.73
Lowest share price	171.58	158.90	135.92

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	168.69	156.06	141.78
Return before operating charges*	(0.34)	17.31	18.72
Operating charges	(1.83)	(1.77)	(1.60)
Return after operating charges	(2.17)	15.54	17.12
Distributions	(2.80)	(2.91)	(2.84)
Closing net asset value per share	163.72	168.69	156.06
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(1.29)%	9.96%	12.08%
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##### OTHER INFORMATION

Closing net asset value (£'000)	83,337	92,352	92,117
Closing number of shares	50,903,425	54,746,557	59,024,741
Operating charges	1.07% <sup>1</sup>	1.08%	1.11%
Direct transaction costs	0.01%	–	–

##### PRICES

Highest share price	175.97	172.35	160.61
Lowest share price	164.70	152.32	131.60

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'P' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	127.59	118.05	107.26
Return before operating charges*	(0.13)	13.19	14.25
Operating charges	(1.99)	(1.92)	(1.73)
Return after operating charges	(2.12)	11.27	12.52
Distributions	(1.63)	(1.73)	(1.73)
Closing net asset value per share	123.84	127.59	118.05
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(1.66)%	9.55%	11.67%
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##### OTHER INFORMATION

Closing net asset value (£'000)	6,133	6,567	5,384
Closing number of shares	4,952,105	5,146,294	4,560,767
Operating charges	1.54% <sup>1</sup>	1.55%	1.58%
Direct transaction costs	0.01%	–	–

##### PRICES

Highest share price	132.91	130.11	121.27
Lowest share price	124.11	115.18	99.45

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'P' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	134.70	122.97	110.10
Return before operating charges*	(0.14)	13.73	14.64
Operating charges	(2.10)	(2.00)	(1.77)
Return after operating charges	(2.24)	11.73	12.87
Distributions	(1.72)	(1.81)	(1.77)
Retained distributions on accumulation shares	1.72	1.81	1.77
Closing net asset value per share	132.46	134.70	122.97
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(1.66)%	9.54%	11.69%
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##### OTHER INFORMATION

Closing net asset value (£'000)	129,978	122,155	111,535
Closing number of shares	98,125,280	90,684,203	90,703,292
Operating charges	1.54% <sup>1</sup>	1.55%	1.58%
Direct transaction costs	0.01%	–	–

##### PRICES

Highest share price	140.28	135.49	124.48
Lowest share price	131.03	119.97	102.10

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'R' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	157.23	143.83	129.05
Return before operating charges*	(0.08)	16.12	17.19
Operating charges	(2.84)	(2.72)	(2.41)
Return after operating charges	(2.92)	13.40	14.78
Distributions	(1.69)	(1.81)	(1.81)
Retained distributions on accumulation shares	1.69	1.81	1.81
Closing net asset value per share	154.31	157.23	143.83
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(1.86)%	9.32%	11.45%
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##### OTHER INFORMATION

Closing net asset value (£'000)	13,380	13,257	11,664
Closing number of shares	8,670,674	8,431,010	8,110,069
Operating charges	1.79% <sup>1</sup>	1.80%	1.83%
Direct transaction costs	0.01%	–	–

##### PRICES

Highest share price	163.34	158.02	145.46
Lowest share price	152.64	140.29	119.60

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Fund Performance to 31 October 2018 (%)

	1 year	3 years	5 years
LF Prudential Dynamic 40-80 Portfolio	(3.20)	16.95	26.62

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 year end, rather than the year end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 151 and 152.

#### 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.

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
	EQUITY PORTFOLIOS – 51.77% (31.10.17 – 52.74%)		
	CONTINENTAL EUROPE – 8.17% (31.10.17 – 8.16%)		
781,277	Henderson European Selected Opportunities	12,368	4.90
2,159,003	Jupiter European Special Situations	8,263	3.27
	TOTAL CONTINENTAL EUROPE	20,631	8.17
	UNITED KINGDOM – 20.66% (31.10.17 – 20.44%)		
2,301,042	Artemis Income	9,385	3.72
387,216	AXA Framlington UK Select Opportunities	12,813	5.07
14,673,360	Investec UK Alpha	18,731	7.41
3,572,768	M&G Recovery <sup>1</sup>	11,264	4.46
	TOTAL UNITED KINGDOM	52,193	20.66
	ASIA EX JAPAN – 8.13% (31.10.17 – 8.77%)		
851,538	Fidelity Asia	10,167	4.03
549,619	Investec Asian Equity	10,366	4.10
	TOTAL ASIA EX JAPAN	20,533	8.13
	JAPAN – 3.68% (31.10.17 – 3.99%)		
2,672,932	MAN GLG Japan CoreAlpha	4,391	1.74
1,376,933	Schroder Tokyo	4,898	1.94
	TOTAL JAPAN	9,289	3.68
	NORTH AMERICA – 8.58% (31.10.17 – 8.37%)		
3,715,077	Schroder US Mid Cap	5,335	2.11
5,378,767	Threadneedle American	16,324	6.47
	TOTAL NORTH AMERICA	21,659	8.58
	EMERGING MARKETS – 2.55% (31.10.17 – 3.01%)		
617,614	Aberdeen Emerging Markets Equity	3,901	1.54
893,737	M&G Global Emerging Markets <sup>1</sup>	2,545	1.01
	TOTAL EMERGING MARKETS	6,446	2.55
	TOTAL EQUITY PORTFOLIOS	130,751	51.77

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
	EQUITY INVESTMENT INSTRUMENTS – 8.75% (31.10.17 – 6.20%)		
2,172,537	BBGI	3,270	1.29
1,324,720	BioPharma Credit	1,078	0.43
1,093,355	Blue Capital Alternative Income	577	0.23
120,100	Boussard & Gavaudan	1,864	0.74
1,064,459	DP Aircraft I	850	0.34
324,504	HarbourVest Global Private Equity	4,426	1.75
85,597	HgCapital	1,678	0.66
1,434,583	Intesa Sanpaolo <sup>2</sup>	2,484	0.98
778,512	NB Distressed Debt Investment	582	0.23
1,095,283	NextEnergy Solar	1,205	0.48
1,381,511	Renewables Infrastructure	1,569	0.62
250,622	UniCredit <sup>2</sup>	2,514	1.00
	TOTAL EQUITY INVESTMENT INSTRUMENTS	22,097	8.75
	PROPERTY PORTFOLIOS – 16.90% (31.10.17 – 16.41%)		
15,190,314	Legal & General UK Property	13,731	5.44
2,452,529	M&G Property Portfolio <sup>1</sup>	28,955	11.46
	TOTAL PROPERTY PORTFOLIOS	42,686	16.90
	BOND PORTFOLIOS – 22.34% (31.10.17 – 24.86%)		
688,886	BlackRock Euro Corporate Bond	7,192	2.85
6,574,755	Fidelity MoneyBuilder Income	11,828	4.68
5,967,536	Invesco Perpetual Corporate Bond	11,965	4.74
7,301,325	Kames High Yield Bond	9,200	3.64
7,004,483	Kames Investment Grade Bond	12,389	4.90
6,444,462	M&G Short Dated Corporate Bond <sup>1</sup>	1,645	0.65
20,691	Merrill Lynch AQR Global Relative Value	2,211	0.88
	TOTAL BOND PORTFOLIOS	56,430	22.34

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
	Portfolio of investments	251,964	99.76
	Net other assets	605	0.24
	Net assets	<u>252,569</u>	<u>100.00</u>

The investments have been valued in accordance with note 1(F) of the Accounting Policies and are collective investment schemes unless stated otherwise.

<sup>1</sup> Related party holding (see note 12).

<sup>2</sup> Ordinary shares.

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 October 2018

Total purchases for the year £'000 (note 16)	38,436	Total sales for the year £'000 (note 16)	39,507
Major purchases	Cost £'000	Major sales	Proceeds £'000
Investec UK Alpha	5,328	Euro Stoxx 50 Index Futures March 2018	4,020
Euro Stoxx 50 Index Futures March 2018	3,835	S&P 500 E Mini Futures March 2018	4,009
S&P 500 E Mini Futures March 2018	3,800	Fidelity MoneyBuilder Income	3,556
Intesa Sanpaolo	3,119	M&G Property Portfolio	3,203
UniCredit	3,074	Kames Investment Grade Bond	3,188
M&G Short Dated Corporate Bond	2,848	M&G Short Dated Corporate Bond	3,036
Boussard & Gavaudan Holding	2,007	Artemis Income	2,845
Henderson European Selected Opportunities	1,835	Invesco Perpetual Corporate Bond	2,008
Legal & General UK Property	1,726	M&G Recovery	1,625
Kames Investment Grade Bond	1,548	Investec Asian Equity	1,470

Purchases and sales of Futures have been included at the value of their exposure.

The summary of material portfolio changes represents the 10 largest purchases and sales during the year.

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO FINANCIAL STATEMENTS STATEMENT OF TOTAL RETURN

for the year ended 31 October 2018

	Notes	£'000	31.10.18 £'000	£'000	31.10.17 £'000
Income:					
Net capital (losses)/gains	3		(7,873)		19,590
Revenue	4	5,763		6,034	
Expenses	5	(1,864)		(1,872)	
Interest payable and similar charges	6	(4)		–	
Net revenue before taxation		3,895		4,162	
Taxation	7	(333)		(575)	
Net revenue after taxation			3,562		3,587
<b>Total return before distributions</b>			(4,311)		23,177
Distributions	8		(3,469)		(3,740)
<b>Change in net assets attributable to shareholders from investment activities</b>			(7,780)		19,437

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2018

	£'000	31.10.18 £'000	£'000	31.10.17 £'000
<b>Opening net assets attributable to shareholders</b>		257,606		251,081
Amounts receivable on issue of shares	25,838		20,146	
Amounts payable on redemption of shares	(25,060)		(35,019)	
		778		(14,873)
Change in net assets attributable to shareholders from investment activities		(7,780)		19,437
Retained distributions on Accumulation shares		1,965		1,961
<b>Closing net assets attributable to shareholders</b>		252,569		257,606

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

#### BALANCE SHEET

as at 31 October 2018

	Notes	31.10.18 £'000	31.10.17 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		251,964	258,169
<b>Current assets</b>			
Debtors	9	708	995
Cash and bank balances	10	6,871	1,007
<b>Total assets</b>		<u>259,543</u>	<u>260,171</u>
<b>LIABILITIES</b>			
<b>Provisions for liabilities</b>			
		(39)	(143)
<b>Creditors</b>			
Distribution payable	11	(1,514)	(1,690)
Other creditors	11	(5,421)	(732)
<b>Total liabilities</b>		<u>(6,974)</u>	<u>(2,565)</u>
<b>Net assets attributable to shareholders</b>		<u>252,569</u>	<u>257,606</u>

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2018

#### 1. Accounting Policies

The accounting policies described on pages 22 to 24 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. Distribution Policies

The distribution policies described on page 24 have been applied to the financial statements of the Fund in the current and prior year.

#### 3. Net Capital (Losses)/Gains

The net capital (losses)/gains during the year comprise:

	31.10.18 £'000	31.10.17 £'000
Non-derivative securities	(8,362)	19,525
Derivative contracts	378	–
Transaction charges	(1)	(1)
AMC rebates from underlying investments	93	63
Currency gains	19	3
Net capital (losses)/gains	<u>(7,873)</u>	<u>19,590</u>

The net capital (losses)/gains figure includes realised gains of £4,297,000 and unrealised gains of £32,096,000 (31.10.17: includes realised gains of £15,584,000 and unrealised gains of £44,358,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 4. Revenue

	31.10.18 £'000	31.10.17 £'000
Non-taxable dividends	1,775	1,907
Taxable dividends	–	212
UK property income distributions	791	979
Unfranked interest	2,095	1,650
AMC rebates from underlying investments	1,095	1,285
Bank interest	7	–
HMRC interest	–	1
Total revenue	<u>5,763</u>	<u>6,034</u>

#### 5. Expenses

	31.10.18 £'000	31.10.17 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	1,449	1,462
Administration fees	388	381
	1,837	1,843
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	20	20
Safe custody and other bank charges	1	–
	21	20
Other expenses:		
Audit fees	6	9
Total expenses	<u>1,864</u>	<u>1,872</u>

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

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 6. Interest Payable and Similar Charges

	31.10.18 £'000	31.10.17 £'000
Interest payable	4	–
Total interest payable and similar charges	4	–

#### 7. Taxation

	31.10.18 £'000	31.10.17 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	435	485
Adjustments in respect of prior periods	2	–
Current tax charge	437	485
Deferred tax – origination and reversal of timing differences (note 7c)	(104)	90
Total taxation (note 7b)	333	575

#### 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%) (31.10.17: 20%). The difference is explained below:

	31.10.18 £'000	31.10.17 £'000
Net revenue before taxation	3,895	4,162
Corporation tax at 20%	779	832
Effects of:		
Non-taxable dividends	(355)	(381)
Income tax: adjustment in respect of prior years	2	–
AMC rebates taken to capital	19	13
Offshore capital gains subject to taxation	(112)	111
Total tax charge (note 7a)	333	575

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

	31.10.18 £'000	31.10.17 £'000
c) Deferred tax		
Provision at the start of the year	143	53
Deferred tax charge in the year (note 7a)	(104)	90
Provision at the end of the year	39	143

## 8. Distributions

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

	31.10.18 £'000	31.10.17 £'000
Final	3,479	3,651
	3,479	3,651
Add: Revenue deducted on redemption of shares	156	238
Deduct: Revenue received on issue of shares	(166)	(149)
Net distribution for the year	3,469	3,740

Details of the distributions per share are set out in the table on pages 151 and 152.

	31.10.18 £'000	31.10.17 £'000
Distributions represented by:		
Net revenue after taxation	3,562	3,587
Allocations to capital:		
Tax relief to/from capital	(93)	124
Equalisation on conversions <sup>1</sup>	–	29
Net distribution for the year	3,469	3,740

<sup>1</sup> 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.

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 9. Debtors

	31.10.18 £'000	31.10.17 £'000
Amounts receivable for issue of shares	72	390
Sales awaiting settlement	–	13
Accrued revenue:		
Non-taxable dividends	112	70
Taxable dividends	–	124
UK property income distributions	156	–
Unfranked interest	6	–
AMC rebates from underlying investments	252	190
	526	384
Taxation recoverable:		
Income tax	110	208
Total debtors	708	995

#### 10. Cash and Bank Balances

	31.10.18 £'000	31.10.17 £'000
Bank balances	6,871	1,007
Total cash and bank balances	6,871	1,007

#### 11. Creditors

	31.10.18 £'000	31.10.17 £'000
Distribution payable	1,514	1,690
<b>Other Creditors</b>		
Amounts payable for redemption of shares	444	220
Purchases awaiting settlement	4,599	–

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

	31.10.18 £'000	31.10.17 £'000
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	123	123
Administration fees	33	33
	156	156
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	2	2
Taxation payable:		
Corporation tax	212	344
Other expenses	8	10
Total other creditors	<u>5,421</u>	<u>732</u>

## 12. Related Party Transactions

Annual Management Charge and administration fees payable to Link Fund Solutions Limited ('the ACD') are disclosed in note 5 and amounts due at the year end are disclosed in note 11.

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 138 and amounts due at the year end are disclosed in notes 9 and 11.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions or its associates) held 60,672 (31.10.17: 52,541) 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 29,227,664 (31.10.17: 30,326,358) of the Fund's shares at the balance sheet date.

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

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 Link Fund Solutions Limited is also the ACD. At the balance sheet date the value of the holdings were as follows:

	31.10.18 £'000	31.10.17 £'000
Portfolio Manager in common	44,409	49,104

### 13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.17: none).

### 14. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.40%	1.40%	0.18%
Opening shares in issue	626,738	12,523,549	54,746,557
Issues	127,300	343,278	2,521,351
Redemptions	(45,235)	(2,048,188)	(6,364,483)
Conversions	–	(105,426)	–
Closing shares in issue	<u>708,803</u>	<u>10,713,213</u>	<u>50,903,425</u>

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.65%	0.65%	0.90%
Opening shares in issue	5,146,294	90,684,203	8,431,010
Issues	704,997	12,828,395	1,520,349
Redemptions	(956,214)	(5,556,401)	(1,207,971)
Conversions	57,028	169,083	(72,714)
Closing shares in issue	<u>4,952,105</u>	<u>98,125,280</u>	<u>8,670,674</u>

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 15. 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 Efficient Portfolio Management (including 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.

##### (A) 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.

##### (B) 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.

The Fund invests in collective investment schemes and as such does not have any significant direct exposure to interest rate risk. The Fund may indirectly be exposed to interest rate risk through its investment in collective investment schemes. As the Fund has no direct exposure to interest rate risk, no interest rate risk table or sensitivity analysis has been presented.

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### (C) 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. 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.

#### (D) 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 31.10.18, leverage under the gross method was 1:1 and leverage under the commitment method was 1:1 (31.10.17: 1:1 and 1:1 respectively).

#### (E) LIQUIDITY RISK

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions 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.

#### (F) 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.

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £12,598,000 (31.10.17: £12,908,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

The Fund held no derivatives of a material nature during the current or prior year.

### 16. Portfolio Transaction Costs

31.10.18	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	6,367	4	6	6,377
Collective investment schemes	24,415	9	–	24,424
Purchases total	<u>30,782</u>	<u>13</u>	<u>6</u>	<u>30,801</u>
<i>Transaction cost % of purchases total</i>		<i>0.04%</i>	<i>0.02%</i>	
<i>Transaction cost % of average NAV</i>		<i>0.01%</i>	<i>–</i>	
Collective investment schemes	31,479	(1)	–	31,478
Sales total	<u>31,479</u>	<u>(1)</u>	<u>–</u>	<u>31,478</u>
<i>Transaction cost % of sales total</i>		<i>–</i>	<i>–</i>	
<i>Transaction cost % of average NAV</i>		<i>–</i>	<i>–</i>	

Average portfolio dealing spread at 31.10.18 is 0.39% (31.10.17: 0.36%).

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

31.10.17	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	2,107	–	–	2,107
Collective investment schemes	79,768	–	–	79,768
Purchases total	<u>81,875</u>	<u>–</u>	<u>–</u>	<u>81,875</u>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	628	–	–	628
Collective investment schemes	93,161	(1)	–	93,160
Sales total	<u>93,789</u>	<u>(1)</u>	<u>–</u>	<u>93,788</u>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

### 17. Fair Value Hierarchy

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

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within Level 1;

**Level 3:** Valuation techniques using unobservable inputs.

31.10.18	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	<u>57,756</u>	<u>193,631</u>	<u>577</u>	<u>251,964</u>
31.10.17	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	<u>15,972</u>	<u>242,197</u>	<u>–</u>	<u>258,169</u>

## LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE

for the year ended 31 October 2018 – 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	01.11.17
To	31.10.18

#### 'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	1.1282	–	1.1282	1.2997
Group 2	0.4158	0.7124	1.1282	1.2997

#### 'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	1.1881	–	1.1881	1.3622
Group 2	0.7854	0.4027	1.1881	1.3622

#### 'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	2.8004	–	2.8004	2.9100
Group 2	2.8004	0.0000	2.8004	2.9100

#### 'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	1.6323	–	1.6323	1.7341
Group 2	0.7408	0.8915	1.6323	1.7341

**LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO**  
**FINANCIAL STATEMENTS** *continued*  
**DISTRIBUTION TABLE** *continued*

'P' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	1.7229	–	1.7229	1.8060
Group 2	0.8124	0.9105	1.7229	1.8060

'R' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	1.6909	–	1.6909	1.8080
Group 2	0.8145	0.8764	1.6909	1.8080

## **LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO ACD'S REPORT**

for the year ended 31 October 2018

### **Important Information**

Refer to the 'Important Information' section on pages 12 and 13.

### **Investment Objective and Policy**

The LF 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.

### **LINK FUND SOLUTIONS LIMITED**

ACD of LF Prudential Dynamic 60-100 Portfolio

*20 February 2019*

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2018

Between 1 November 2017 and 31 October 2018 (the period in review) share classes, R (Acc) -2.84%<sup>1</sup>, P (Acc) -2.54%<sup>1</sup> and A (Acc) -3.25%<sup>1</sup> produced returns behind the -1.72%<sup>1</sup> sector average for IA Flexible Investment sector.

#### Economic Overview

An escalating trade war between the US and China was very much at the forefront of investors' minds towards the end of the period in review. Despite the prospects of import duties being applied to a significant volume of products both from China into the US and vice versa, so far at least, economic growth in both countries remains resilient. For the latest quarter available (to end-June 2018) the US economy grew by an annualised 4.2%, while China's grew by 6.7%. On the other hand, the eurozone disappointed and the economy within the single currency area expanded at a slower rate than in the first quarter of 2018. During the third quarter, monetary policy was tightened in the US and UK (interest rates were raised by a quarter point in both countries). In contrast, central banks in Japan and the eurozone remain committed to maintaining loose monetary policies for the time being.

#### Market Overview

2018 began strongly for most stockmarkets; many reached record highs before falling sharply, seemingly on concern about US inflation. Investors were then buffeted by unsettling factors, including potential interest rate increases, political uncertainty in the US, growing trade tensions and possible regulatory changes for leading technology companies.

October was a very challenging month for equity markets. The S&P 500 had its worst month since 2011 falling almost 7%. The FTSE All Share was down over 5% and in other regions the Euro Stoxx 50 fell 7% and the Nikkei 225 around 9%.

There were several factors at play that may have caused this sharp change in investor sentiment over the month including continued US and China trade tensions, Brexit, the health of the Italian economy and concerns that earnings growth may have peaked.

At this stage of the economic cycle volatility is to be expected but behind the headlines the global economy is still growing, albeit at a slower rate and Q3 earnings season has been positive.

#### UK

It was a disappointing period for UK company shares. Having reached record highs in Q2 2018, both the FTSE 100 and the FTSE 250 indices ended the period in review lower. As expected, the Bank of England raised interest rates in August by a quarter of a point to 0.75%. UK employment is at a record high, and with limited spare

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

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

capacity, real wages are picking up. Encouragingly, economic growth accelerated in the second quarter compared to the first three months of the year. Brexit uncertainty remains at the forefront of investors' minds and contributed to sterling's decline over the quarter, although the currency stabilised by the end of September.

The Artemis Income, AXA Framlington UK Select Opportunities, M&G Recovery and Investec UK Alpha funds all lagged the FTSE All Share from 1 November 2017 to 31 October 2018.

#### North America

Aside from February and March the US stockmarket had enjoyed a strong year up until October, with both the S&P 500 Index and the technology-heavy NASDAQ Composite reaching all-time highs before suffering heavy losses towards the end of the period in review. Company earnings for the quarter ending June 2018 were well received by investors; however, interestingly, the fortunes of some of the largest technology-related companies began to diverge. Notably, electronic consumer goods giant Apple became the first company to reach to a market capitalisation of one trillion dollars, whereas the share price of social media company Facebook fell on concerns over slowing user and advertising growth.

Returns from the Threadneedle American fund were strong in absolute terms but behind the S&P 500 over the period in review. The Schroder US Mid Cap fund also produced a positive return that was behind benchmark.

#### Europe

Share prices started 2018 strongly before succumbing to fears about higher US interest rates, a potential trade war and sharp falls in the share prices of technology groups. After a better Q2, performance of European stockmarkets was disappointing in the third quarter, with company shares facing several headwinds. Meanwhile, banking shares were volatile on worries over their exposure to the Turkish economy. Economic growth in the eurozone also disappointed, with gross domestic product increasing by its weakest rate in two years. Weak economic data supports the view that the European Central Bank will be patient in winding down its crisis-era monetary support.

The Henderson European Selected Opportunities and Henderson European Growth funds produced negative returns and were behind the index over the period in review as was the Jupiter European Special Situations fund.

#### Japan

Having reached its highest level for 26 years in January 2018, the Japanese stockmarket fell back very sharply during the rest of the first quarter of 2018 and ended with a significant decline, in yen terms. After modest gains in Q2 2018, Japanese shares made solid gains in the third quarter, performing particularly well in September, before a very poor October irradiated these gains.

The Schroder Tokyo fund produced a negative return and underperformed the benchmark between 1 November 2017 and 31 October 2018. The Man GLG Japan CoreAlpha fund had a better year, producing a small positive return which was ahead of the index.

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

#### Asia ex Japan

The first few months of 2018 were negative for the Asia Pacific region as a whole, with investors focussing on the ramifications of a trade war between the US and China. This theme continued over the rest of the period in review. As the US and China proposed additional tariffs on each other's products, investors worried about the impact on the global economy. Rising interest rates in the US and the continued appreciation of the US dollar also dampened investor sentiment towards Asian assets.

The Fidelity Asia and Investec Asian Equity funds both produced negative returns albeit marginally ahead of the benchmark over the period in review.

#### UK and Global Bonds

Early in 2018 higher US wage growth had raised concerns about increased inflationary pressures, which caused a sharp sell-off in US Treasuries. As risk aversion built up later in Q1, government bonds benefited from their safe haven status, meaning that the yields on bonds issued by Japan and Germany returned to remarkably low, or even negative, levels. Similarly in Q2 political turmoil in Italy also led to a rally in gilts and other perceived safe haven assets.

UK government bonds (gilts) declined over the third quarter of 2018 as higher-than-expected inflation readings and some robust economic data helped push 10-year yields above 1.6% for the first time since February 2018. Meanwhile, the Bank of England raised interest rates from 0.5% to 0.75%, although the widely anticipated move had limited market impact. UK corporate bonds held up relatively well as improved investor sentiment helped support valuations.

The Invesco Perpetual Corporate Bond fund was slightly behind the sector average. In high yield, the Kames High Yield Bond fund produced a small negative return and the BlackRock Euro Corporate Bond fund was flat over the period in review.

#### UK Property

During the period in review UK commercial property generated a reasonably strong total return; however, gains are more modest compared to the same period in 2017. Capital value and rental value growth continue to be strongest in Industrials, driven by demand for well-located fulfilment centres and smaller distribution units. Conversely, capital values continue to fall in the Retail sector, reflecting the challenging trading environment.

The M&G Property Portfolio and Legal & General UK Property fund were two of the stronger performers across portfolios during the period in review.

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

#### Emerging Markets

There was a wide disparity of returns in the first months of 2018. Africa, Asia and the Middle East declined, while Latin America rallied. Emerging market stocks continued to come under pressure towards the end of the period in review as a crisis in Turkey, fears of a global trade war and a rising US dollar dampened investor sentiment. The trade dispute between the US and China continued to escalate and as the US raised interest rates again and the dollar appreciated, investors' enthusiasm for emerging market assets weakened.

The M&G Global Emerging Markets fund produced a negative return but was ahead of the benchmark. The Aberdeen Emerging Markets Equity fund finished behind benchmark.

#### Alternatives

Overall performance of the alternatives holdings was positive over the period in review. Several holdings, HgCapital, The Renewables Infrastructure Group and BBGI posted double digit returns.

#### Positioning

Aside from day to day portfolio management activities there were no significant changes to the underlying portfolios, although following the market falls in early February and October the funds took or maintained overweight positions in developed market equities on the basis that fundamentals were still strong, and the move down had been episodic. This proved profitable in February and the recent overweight position is still held as at the time of writing.

In May, the portfolio manager took small positions in Italian Banks as he thought the market reaction to the political situation was overdone and a good entry point for a sector with improving fundamentals, and which has underperformed the broader European market for several years.

Shares in UniCredit and Intesa Sanpaolo were acquired as these 2 stocks represent 80% of the Italian Banking index.

#### Outlook

Global growth is now diverging but aggregate growth is still positive, albeit slower than at the beginning of the year. The US Federal Reserve continues to lead the interest rate tightening cycle but will reach a crucial point in the next 18 months. Inflation is receiving a boost from oil prices but that could fade into next year if prices stay at current levels.

#### M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager  
15 November 2018

## LF PRUDENTIAL DYNAMIC 60-100 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.

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.

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 average yield tend to be less liquid and have a lower credit rating. Investment in 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.

The Fund may also invest indirectly in property. Property investments may be harder to buy and sell than other asset types.

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

The value of investments, and the income from them, will fluctuate. This will cause the fund price to fall as well as rise and you may not get back what you originally invested.

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.linkfundsolutions.co.uk](http://www.linkfundsolutions.co.uk), by following the link 'Fund Information'.

## LF 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.

#### 'A' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	183.43	167.14	149.84
Return before operating charges*	(0.54)	21.68	21.92
Operating charges	(4.32)	(4.14)	(3.57)
Return after operating charges	(4.86)	17.54	18.35
Distributions	(1.02)	(1.25)	(1.05)
Closing net asset value per share	177.55	183.43	167.14
* after direct transaction costs of:	0.02	–	0.01

#### PERFORMANCE

Return after charges	(2.65)%	10.49%	12.25%
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#### OTHER INFORMATION

Closing net asset value (£'000)	209	276	398
Closing number of shares	117,996	150,778	238,426
Operating charges	2.33% <sup>1</sup>	2.36%	2.36%
Direct transaction costs	0.01%	–	0.01%

#### PRICES

Highest share price	191.08	185.41	170.45
Lowest share price	176.53	162.51	136.66

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	189.47	171.48	152.76
Return before operating charges*	(0.56)	22.25	22.36
Operating charges	(4.45)	(4.26)	(3.64)
Return after operating charges	(5.01)	17.99	18.72
Distributions	(1.05)	(1.28)	(1.07)
Retained distributions on accumulation shares	1.05	1.28	1.07
Closing net asset value per share	184.46	189.47	171.48
* after direct transaction costs of:	0.02	–	0.01

##### PERFORMANCE

Return after charges	(2.64)%	10.49%	12.25%
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##### OTHER INFORMATION

Closing net asset value (£'000)	7,253	8,218	10,753
Closing number of shares	3,931,963	4,337,284	6,270,764
Operating charges	2.33% <sup>1</sup>	2.36%	2.36%
Direct transaction costs	0.01%	–	0.01%

##### PRICES

Highest share price	197.41	190.26	173.82
Lowest share price	182.35	166.73	139.33

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	184.27	167.83	150.33
Return before operating charges*	(1.05)	21.45	21.83
Operating charges	(2.07)	(2.03)	(1.75)
Return after operating charges	(3.12)	19.42	20.08
Distributions	(2.85)	(2.98)	(2.58)
Closing net asset value per share	178.30	184.27	167.83
* after direct transaction costs of:	0.02	–	0.01

##### PERFORMANCE

Return after charges	(1.69)%	11.57%	13.36%
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##### OTHER INFORMATION

Closing net asset value (£'000)	31,578	36,443	38,033
Closing number of shares	17,710,403	19,776,735	22,662,022
Operating charges	1.11% <sup>1</sup>	1.14%	1.14%
Direct transaction costs	0.01%	–	0.01%

##### PRICES

Highest share price	193.42	188.00	172.61
Lowest share price	178.75	163.34	137.50

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'P' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	132.23	120.44	107.90
Return before operating charges*	(0.61)	15.50	15.73
Operating charges	(2.12)	(2.05)	(1.76)
Return after operating charges	(2.73)	13.45	13.97
Distributions	(1.54)	(1.66)	(1.43)
Closing net asset value per share	127.96	132.23	120.44
* after direct transaction costs of:	0.01	–	0.01

##### PERFORMANCE

Return after charges	(2.06)%	11.17%	12.95%
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##### OTHER INFORMATION

Closing net asset value (£'000)	1,686	2,022	1,793
Closing number of shares	1,317,815	1,529,334	1,488,306
Operating charges	1.58% <sup>1</sup>	1.61%	1.61%
Direct transaction costs	0.01%	–	0.01%

##### PRICES

Highest share price	138.65	134.68	123.73
Lowest share price	128.01	117.18	98.58

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'P' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	138.29	124.40	110.14
Return before operating charges*	(0.65)	16.01	16.07
Operating charges	(2.21)	(2.12)	(1.81)
Return after operating charges	(2.86)	13.89	14.26
Distributions	(1.61)	(1.72)	(1.46)
Retained distributions on accumulation shares	1.61	1.72	1.46
Closing net asset value per share	135.43	138.29	124.40
* after direct transaction costs of:	0.01	–	0.01

##### PERFORMANCE

Return after charges	(2.07)%	11.17%	12.95%
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##### OTHER INFORMATION

Closing net asset value (£'000)	58,162	51,915	39,528
Closing number of shares	42,945,145	37,541,468	31,775,418
Operating charges	1.58% <sup>1</sup>	1.61%	1.61%
Direct transaction costs	0.01%	–	0.01%

##### PRICES

Highest share price	144.94	139.05	126.26
Lowest share price	133.87	121.02	100.62

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'R' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	166.06	149.69	132.80
Return before operating charges*	(0.68)	19.31	19.41
Operating charges	(3.07)	(2.94)	(2.52)
Return after operating charges	(3.75)	16.37	16.89
Distributions	(1.60)	(1.75)	(1.48)
Retained distributions on accumulation shares	1.60	1.75	1.48
Closing net asset value per share	162.31	166.06	149.69
* after direct transaction costs of:	0.02	–	0.01

##### PERFORMANCE

Return after charges	(2.26)%	10.94%	12.72%
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##### OTHER INFORMATION

Closing net asset value (£'000)	6,395	6,164	4,921
Closing number of shares	3,940,183	3,711,896	3,287,548
Operating charges	1.83% <sup>1</sup>	1.86%	1.86%
Direct transaction costs	0.01%	–	0.01%

##### PRICES

Highest share price	173.60	166.80	151.76
Lowest share price	160.45	145.61	121.27

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Fund Performance to 31 October 2018 (%)

	1 year	3 years	5 years
LF Prudential Dynamic 60-100 Portfolio	(3.25)	20.35	29.33

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 year end, rather than the year end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 183 and 184.

#### 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.

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
	EQUITY PORTFOLIOS – 64.17% (31.10.17 – 65.63%)		
	CONTINENTAL EUROPE – 10.12% (31.10.17 – 10.39%)		
1,289,620	Henderson European Growth	2,821	2.68
345,116	Henderson European Selected Opportunities	5,463	5.19
619,281	Jupiter European Special Situations	2,370	2.25
	TOTAL CONTINENTAL EUROPE	<u>10,654</u>	<u>10.12</u>
	UNITED KINGDOM – 25.57% (31.10.17 – 25.74%)		
1,210,312	Artemis Income	4,937	4.69
184,771	AXA Framlington UK Select Opportunities	6,114	5.81
6,620,011	Investec UK Alpha	8,450	8.02
2,354,512	M&G Recovery <sup>1</sup>	7,423	7.05
	TOTAL UNITED KINGDOM	<u>26,924</u>	<u>25.57</u>
	ASIA EX JAPAN – 10.23% (31.10.17 – 10.85%)		
444,537	Fidelity Asia	5,308	5.04
289,908	Investec Asian Equity	5,467	5.19
	TOTAL ASIA EX JAPAN	<u>10,775</u>	<u>10.23</u>
	JAPAN – 4.66% (31.10.17 – 4.68%)		
1,620,753	MAN GLG Japan CoreAlpha	2,663	2.53
629,324	Schroder Tokyo	2,238	2.13
	TOTAL JAPAN	<u>4,901</u>	<u>4.66</u>
	NORTH AMERICA – 10.47% (31.10.17 – 10.52%)		
1,933,474	Schroder US Mid Cap	2,777	2.64
2,716,482	Threadneedle American	8,244	7.83
	TOTAL NORTH AMERICA	<u>11,021</u>	<u>10.47</u>

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
	EMERGING MARKETS – 3.12% (31.10.17 – 3.35%)		
398,512	Aberdeen Emerging Markets Equity	2,517	2.39
268,210	M&G Global Emerging Markets <sup>1</sup>	764	0.73
	TOTAL EMERGING MARKETS	3,281	3.12
	TOTAL EQUITY PORTFOLIOS	67,556	64.17
	EQUITY INVESTMENT INSTRUMENTS – 10.07% (31.10.17 – 7.42%)		
1,076,741	BBGI	1,621	1.54
672,750	BioPharma Credit	548	0.52
512,705	Blue Capital Alternative Income	271	0.26
59,600	Boussard & Gavaudan	924	0.88
539,890	DP Aircraft I	431	0.41
160,973	HarbourVest Global Private Equity	2,196	2.08
42,950	HgCapital	842	0.80
602,166	Intesa Sanpaolo <sup>2</sup>	1,043	0.99
381,174	NB Distressed Debt Investment	285	0.27
533,801	NextEnergy Solar	587	0.56
703,366	Renewables Infrastructure	799	0.76
105,210	UniCredit <sup>2</sup>	1,055	1.00
	TOTAL EQUITY INVESTMENT INSTRUMENTS	10,602	10.07
	PROPERTY PORTFOLIOS – 17.87% (31.10.17 – 17.20%)		
6,259,647	Legal & General UK Property	5,658	5.37
1,114,312	M&G Property Portfolio <sup>1</sup>	13,156	12.50
	TOTAL PROPERTY PORTFOLIOS	18,814	17.87
	BOND PORTFOLIOS – 7.89% (31.10.17 – 10.28%)		
116,871	BlackRock Euro Corporate Bond	1,220	1.16
2,137,529	Invesco Perpetual Corporate Bond	4,286	4.07
1,358,170	Kames High Yield Bond	1,711	1.62
10,219	Merrill Lynch AQR Global Relative Value	1,092	1.04
	TOTAL BOND PORTFOLIOS	8,309	7.89

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
	Portfolio of investments	105,281	100.00
	Net other liabilities	<u>2</u>	<u>–</u>
	Net assets	<u>105,283</u>	<u>100.00</u>

The investments have been valued in accordance with note 1(F) of the Accounting Policies and are collective investment schemes unless stated otherwise.

<sup>1</sup> Related party holding (see note 12).

<sup>2</sup> Ordinary shares.

**LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO**  
**ACD'S REPORT** *continued*  
**SUMMARY OF MATERIAL PORTFOLIO CHANGES**  
for the year ended 31 October 2018

Total purchases for the year £'000 (note 16)	20,350	Total sales for the year £'000 (note 16)	17,875
	Cost		Proceeds
<b>Major purchases</b>	<b>£'000</b>	<b>Major sales</b>	<b>£'000</b>
Invesco Perpetual Corporate Bond	3,239	Invesco Perpetual Corporate Bond	5,126
Investec UK Alpha	2,681	M&G Property Portfolio	1,700
Euro Stoxx 50 Index Futures March 2018	1,564	Euro Stoxx 50 Index Futures March 2018	1,639
S&P 500 E-Mini Index Futures March 2018	1,520	S&P 500 E-Mini Index Futures March 2018	1,604
Legal & General UK Property	1,421	Investec UK Alpha	987
Intesa Sanpaolo	1,310	Artemis Income	956
UniCredit	1,291	Schroder US Mid Cap	885
Boussard & Gavaudan	996	AXA Framlington UK Select Opportunities	661
M&G Recovery	957	Merrill Lynch AQR Global Relative Value	651
Investec Asian Equity	947	Investec Asian Equity	572

Purchases and sales of Futures have been included at the value of their exposure.

The summary of material portfolio changes represents the 10 largest purchases and sales during the year.

**LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO  
FINANCIAL STATEMENTS  
STATEMENT OF TOTAL RETURN**

for the year ended 31 October 2018

	Notes	£'000	31.10.18 £'000	£'000	31.10.17 £'000
Income:					
Net capital (losses)/gains	3		(3,555)		9,278
Revenue	4	2,208		2,228	
Expenses	5	(785)		(734)	
Interest payable and similar charges	6	(2)		(1)	
Net revenue before taxation		1,421		1,493	
Taxation	7	(59)		(171)	
Net revenue after taxation			1,362		1,322
<b>Total return before distributions</b>			(2,193)		10,600
Distributions	8		(1,312)		(1,392)
<b>Change in net assets attributable to shareholders from investment activities</b>			(3,505)		9,208

**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS**

for the year ended 31 October 2018

	£'000	31.10.18 £'000	£'000	31.10.17 £'000
<b>Opening net assets attributable to shareholders</b>		105,038		95,426
Amounts receivable on issue of shares	17,357		14,186	
Amounts payable on redemption of shares	(14,404)		(14,546)	
		2,953		(360)
Change in net assets attributable to shareholders from investment activities		(3,505)		9,208
Retained distributions on Accumulation shares		797		764
<b>Closing net assets attributable to shareholders</b>		105,283		105,038

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

#### BALANCE SHEET

as at 31 October 2018

	Notes	31.10.18 £'000	31.10.17 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>		105,281	105,494
Investments			
<b>Current assets</b>			
Debtors	9	865	560
Cash and bank balances	10	1,320	113
<b>Total assets</b>		<u>107,466</u>	<u>106,167</u>
<b>LIABILITIES</b>			
<b>Provisions for liabilities</b>		(18)	(68)
<b>Creditors</b>			
Distribution payable	11	(527)	(617)
Other creditors	11	(1,638)	(444)
<b>Total liabilities</b>		<u>(2,183)</u>	<u>(1,129)</u>
<b>Net assets attributable to shareholders</b>		<u>105,283</u>	<u>105,038</u>

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2018

#### 1. Accounting Policies

The accounting policies described on pages 22 to 24 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. Distribution Policies

The distribution policies described on page 24 have been applied to the financial statements of the Fund in the current and prior year.

#### 3. Net Capital (Losses)/Gains

The net capital (losses)/gains during the year comprise:

	31.10.18 £'000	31.10.17 £'000
Non-derivative securities	(3,734)	9,265
Derivative contracts	153	–
Transaction charges	(1)	(1)
AMC rebates from underlying investments	23	13
Currency gains	4	1
Net capital (losses)/gains	<u>(3,555)</u>	<u>9,278</u>

The net capital (losses)/gains figure includes realised gains of £1,591,000 and unrealised gains of £14,982,000 (31.10.17: includes realised gains of £5,704,000 and unrealised gains of £20,150,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 4. Revenue

	31.10.18 £'000	31.10.17 £'000
Non-taxable dividends	875	923
Taxable dividends	–	75
UK property income distributions	550	418
Unfranked interest	290	295
AMC rebates from underlying investments	493	517
Total revenue	<u>2,208</u>	<u>2,228</u>

#### 5. Expenses

	31.10.18 £'000	31.10.17 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	608	566
Administration fees	161	150
	769	716
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	10	9
Other expenses:		
Audit fees	6	9
Total expenses	<u>785</u>	<u>734</u>

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

#### 6. Interest Payable and Similar Charges

	31.10.18 £'000	31.10.17 £'000
Interest payable	2	1
Total interest payable and similar charges	<u>2</u>	<u>1</u>

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 7. Taxation

	31.10.18 £'000	31.10.17 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	109	125
Adjustments in respect of prior periods	1	–
Current tax charge	110	125
Deferred tax – origination and reversal of timing differences (note 7c)	(51)	46
Total taxation (note 7b)	59	171

#### 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%) (31.10.17: 20%). The difference is explained below:

	31.10.18 £'000	31.10.17 £'000
Net revenue before taxation	1,421	1,493
Corporation tax at 20%	284	299
Effects of:		
Non-taxable dividends	(176)	(185)
Capital income subject to taxation	(55)	55
Corporation tax: adjustment in respect of prior years	1	–
AMC rebates taken to capital	5	2
Total tax charge (note 7a)	59	171

#### c) Deferred tax

Provision at the start of the year	68	22
Deferred tax charge in the year (note 7a)	(51)	46
Provision at the end of the year	17	68

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 8. Distributions

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

	31.10.18 £'000	31.10.17 £'000
Final	1,324	1,381
	<u>1,324</u>	<u>1,381</u>
Add: Revenue deducted on redemption of shares	80	98
Deduct: Revenue received on issue of shares	<u>(92)</u>	<u>(87)</u>
Net distribution for the year	<u>1,312</u>	<u>1,392</u>

Details of the distributions per share are set out in the table on pages 183 and 184.

	31.10.18 £'000	31.10.17 £'000
Distributions represented by:		
Net revenue after taxation	1,362	1,322
Allocations to capital:		
Tax relief to/from capital	(50)	57
Equalisation on conversions <sup>1</sup>	<u>–</u>	<u>13</u>
Net distribution for the year	<u>1,312</u>	<u>1,392</u>

<sup>1</sup> 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.

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 9. Debtors

	31.10.18 £'000	31.10.17 £'000
Amounts receivable for issue of shares	525	328
Sales awaiting settlement	–	8
Accrued revenue:		
Non-taxable dividends	115	30
Taxable dividends	–	55
UK property income distributions	71	–
Unfranked interest	3	–
AMC rebates from underlying investments	103	77
	292	162
Taxation recoverable:		
Income tax	48	62
Total debtors	865	560

#### 10. Cash and Bank Balances

	31.10.18 £'000	31.10.17 £'000
Bank balances	1,320	113
Total cash and bank balances	1,320	113

#### 11. Creditors

	31.10.18 £'000	31.10.17 £'000
Distribution payable	527	617
<b>Other Creditors</b>		
Amounts payable for redemption of shares	52	138
Purchases awaiting settlement	1,444	106

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

	31.10.18 £'000	31.10.17 £'000
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	52	50
Administration fees	14	13
	66	63
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	1	1
Taxation payable:		
Corporation tax	67	125
Other expenses	8	11
Total other creditors	<u>1,638</u>	<u>444</u>

## 12. Related Party Transactions

Annual Management Charge and administration fees payable to Link Fund Solutions Limited ('the ACD') are disclosed in note 5 and amounts due at the year end are disclosed in note 11.

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 170 and amounts due at the year end are disclosed in notes 9 and 11.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions or its associates) held 176,967 (31.10.17: 119,288) 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 8,560,454 (31.10.17: 8,538,042) 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 no shareholder held in excess of 20% of the shares in issue of the Fund.

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

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 Link Fund Solutions Limited is also the ACD. At the balance sheet date the value of the holdings were as follows:

	31.10.18 £'000	31.10.17 £'000
Portfolio Manager in common	21,343	21,908

### 13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.17: none).

### 14. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.40%	1.40%	0.18%
Opening shares in issue	150,778	4,337,284	19,776,735
Issues	3,204	503,745	1,884,128
Redemptions	(35,986)	(860,989)	(3,950,460)
Conversions	–	(48,077)	–
Closing shares in issue	117,996	3,931,963	17,710,403

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.65%	0.65%	0.90%
Opening shares in issue	1,529,334	37,541,468	3,711,896
Issues	290,732	7,994,721	836,374
Redemptions	(502,251)	(2,670,300)	(596,720)
Conversions	–	79,256	(11,367)
Closing shares in issue	1,317,815	42,945,145	3,940,183

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 15. 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 Efficient Portfolio Management (including 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.

##### (A) 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.

##### (B) 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.

The Fund invests in collective investment schemes and as such does not have any significant direct exposure to interest rate risk. The Fund may indirectly be exposed to interest rate risk through its investment in collective investment schemes. As the Fund has no direct exposure to interest rate risk, no interest rate risk table or sensitivity analysis has been presented.

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### (C) 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. 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.

#### (D) 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 31.10.18, leverage under the gross method was 1:1 and leverage under the commitment method was 1:1 (31.10.17: 1:1 and 1:1 respectively).

#### (E) LIQUIDITY RISK

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions 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.

#### (F) 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.

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £5,264,000 (31.10.17: £5,275,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

The Fund held no derivatives of a material nature during the current or prior year.

#### 16. Portfolio Transaction Costs

31.10.18	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	2,725	1	3	2,729
Collective investment schemes	14,531	1	5	14,537
Purchases total	<u>17,256</u>	<u>2</u>	<u>8</u>	<u>17,266</u>
<i>Transaction cost % of purchases total</i>		0.01%	0.05%	
<i>Transaction cost % of average NAV</i>		–	0.01%	
Collective investment schemes	14,633	(1)	–	14,632
Sales total	<u>14,633</u>	<u>(1)</u>	<u>–</u>	<u>14,632</u>
<i>Transaction cost % of sales total</i>		0.01%	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.18 is 0.40% (31.10.17: 0.36%).

## LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

31.10.17	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	987	–	–	987
Collective investment schemes	33,577	–	–	33,577
Purchases total	<u>34,564</u>	<u>–</u>	<u>–</u>	<u>34,564</u>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	226	–	–	226
Collective investment schemes	33,602	–	–	33,602
Sales total	<u>33,828</u>	<u>–</u>	<u>–</u>	<u>33,828</u>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

### 17. Fair Value Hierarchy

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

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within Level 1;

**Level 3:** Valuation techniques using unobservable inputs.

31.10.18	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	<u>22,889</u>	<u>82,121</u>	<u>271</u>	<u>105,281</u>
31.10.17	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	<u>7,805</u>	<u>97,689</u>	<u>–</u>	<u>105,494</u>

**LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO**  
**FINANCIAL STATEMENTS** *continued*  
**DISTRIBUTION TABLE**

for the year ended 31 October 2018 – 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	01.11.17
To	31.10.18

**'A' INCOME SHARES**

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	1.0206	–	1.0206	1.2478
Group 2	0.6061	0.4145	1.0206	1.2478

**'A' ACCUMULATION SHARES**

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	1.0549	–	1.0549	1.2767
Group 2	0.5012	0.5537	1.0549	1.2767

**'C' INCOME SHARES**

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	2.8522	–	2.8522	2.9789
Group 2	2.8522	0.0000	2.8522	2.9789

**'P' INCOME SHARES**

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	1.5417	–	1.5417	1.6607
Group 2	0.7441	0.7976	1.5417	1.6607

**LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO**  
**FINANCIAL STATEMENTS** *continued*  
**DISTRIBUTION TABLE** *continued*

'P' ACCUMULATION SHARES

<b>Final</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocation 31.12.18</b>	<b>Allocated 31.12.17</b>
Group 1	1.6135	–	1.6135	1.7151
Group 2	0.8570	0.7565	1.6135	1.7151

'R' ACCUMULATION SHARES

<b>Final</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocation 31.12.18</b>	<b>Allocated 31.12.17</b>
Group 1	1.5983	–	1.5983	1.7460
Group 2	0.8742	0.7241	1.5983	1.7460

## **LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO ACD'S REPORT**

for the year ended 31 October 2018

### **Important Information**

Refer to the 'Important Information' section on pages 12 and 13.

### **Investment Objective and Policy**

The LF 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.

### **LINK FUND SOLUTIONS LIMITED**

ACD of Prudential Dynamic Focused 0-30 Portfolio  
*20 February 2019*

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2018

Between 1 November 2017 and 31 October 2018 (the period in review) share classes R (Acc) -1.10%<sup>1</sup> and P (Acc) -0.90%<sup>1</sup> produced negative returns, albeit ahead of the -1.14%<sup>1</sup> sector average for IA Mixed Investment 0-35% Shares. Share class A (Acc) -1.51%<sup>1</sup> lagged the sector average.

#### Economic Overview

An escalating trade war between the US and China was very much at the forefront of investors' minds towards the end of the period in review. Despite the prospects of import duties being applied to a significant volume of products both from China into the US and vice versa, so far at least, economic growth in both countries remains resilient. For the latest quarter available (to end-June 2018) the US economy grew by an annualised 4.2%, while China's grew by 6.7%. On the other hand, the eurozone disappointed and the economy within the single currency area expanded at a slower rate than in the first quarter of 2018. During the third quarter, monetary policy was tightened in the US and UK (interest rates were raised by a quarter point in both countries). In contrast, central banks in Japan and the eurozone remain committed to maintaining loose monetary policies for the time being.

#### Market Overview

2018 began strongly for most stockmarkets; many reached record highs before falling sharply, seemingly on concern about US inflation. Investors were then buffeted by unsettling factors, including potential interest rate increases, political uncertainty in the US, growing trade tensions and possible regulatory changes for leading technology companies.

October was a very challenging month for equity markets. The S&P 500 had its worst month since 2011 falling almost 7%. The FTSE All Share was down over 5% and in other regions the Euro Stoxx 50 fell 7% and the Nikkei 224 around 9%.

There were several factors at play that may have caused this sharp change in investor sentiment over the month including continued US and China trade tensions, Brexit, the health of the Italian economy and concerns that earnings growth may have peaked.

At this stage of the economic cycle volatility is to be expected but behind the headlines the global economy is still growing, albeit at a slower rate and Q3 earnings season has been positive.

#### UK

It was a disappointing period for UK company shares. Having reached record highs in Q2 2018, both the FTSE 100 and the FTSE 250 indices ended the period in review lower. As expected, the Bank of England raised interest rates in August by a quarter of a point to 0.75%. UK employment is at a record high, and with limited spare

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

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

capacity, real wages are picking up. Encouragingly, economic growth accelerated in the second quarter compared to the first three months of the year. Brexit uncertainty remains at the forefront of investors' minds and contributed to sterling's decline over the quarter, although the currency stabilised by the end of September.

Returns from the Legal & General UK Index Trust were in line with the performance of the FTSE All-Share index.

#### North America

Aside from February and March the US stockmarket had enjoyed a strong year up until October, with both the S&P 500 Index and the technology-heavy NASDAQ Composite reaching all-time highs before suffering heavy losses towards the end of the period in review. Company earnings for the quarter ending June 2018 were well received by investors; however, interestingly, the fortunes of some of the largest technology-related companies began to diverge. Notably, electronic consumer goods giant Apple became the first company to reach to a market capitalisation of one trillion dollars, whereas the share price of social media company Facebook fell on concerns over slowing user and advertising growth.

Returns from the Legal & General US Index Trust were in line with the performance of the FTSE USA index.

#### Europe

Share prices started 2018 strongly before succumbing to fears about higher US interest rates, a potential trade war and sharp falls in the share prices of technology groups. After a better Q2, performance of European stockmarkets was disappointing in the third quarter, with company shares facing several headwinds. Meanwhile, banking shares were volatile on worries over their exposure to the Turkish economy. Economic growth in the eurozone also disappointed, with gross domestic product increasing by its weakest rate in two years. Weak economic data supports the view that the European Central Bank will be patient in winding down its crisis-era monetary support.

Returns from the Legal & General European Index Trust were in line with the performance of the FTSE World Europe ex UK index.

#### Japan

Having reached its highest level for 26 years in January 2018, the Japanese stockmarket fell back very sharply during the rest of the first quarter of 2018 and ended with a significant decline, in yen terms. After modest gains in Q2 2018, Japanese shares made solid gains in the third quarter, performing particularly well in September, before a very poor October irradiated these gains.

Returns from the Legal & General Japan Index Trust were in line with the performance of the FTSE Japan index.

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

#### Asia ex Japan

The first few months of 2018 were negative for the Asia Pacific region as a whole, with investors focussing on the ramifications of a trade war between the US and China. This theme continued over the rest of the period in review. As the US and China proposed additional tariffs on each other's products, investors worried about the impact on the global economy. Rising interest rates in the US and the continued appreciation of the US dollar also dampened investor sentiment towards Asian assets.

Returns from the Legal & General Pacific Index Trust were in line with the performance of the FTSE World Asia Pacific ex Japan index.

#### UK and Global Bonds

Early in 2018 higher US wage growth had raised concerns about increased inflationary pressures, which caused a sharp sell-off in US Treasuries. As risk aversion built up later in Q1, government bonds benefited from their safe haven status, meaning that the yields on bonds issued by Japan and Germany returned to remarkably low, or even negative, levels. Similarly in Q2 political turmoil in Italy also led to a rally in gilts and other perceived safe haven assets.

UK government bonds (gilts) declined over the third quarter of 2018 as higher-than-expected inflation readings and some robust economic data helped push 10-year yields above 1.6% for the first time since February 2018. Meanwhile, the Bank of England raised interest rates from 0.5% to 0.75%, although the widely anticipated move had limited market impact. UK corporate bonds held up relatively well as improved investor sentiment helped support valuations.

The M&G Strategic Corporate Bond, M&G Corporate Bond, M&G Global High Yield Bond, M&G European Corporate Bond and M&G Global Convertibles funds all produced negative returns over the period in review. The M&G European Loan fund was marginally positive.

#### UK Property

During the period in review UK commercial property generated a reasonably strong total return; however, gains are more modest compared to the same period in 2017. Capital value and rental value growth continue to be strongest in Industrials, driven by demand for well-located fulfilment centres and smaller distribution units. Conversely, capital values continue to fall in the Retail sector, reflecting the challenging trading environment.

The performance of the M&G Property Portfolio continues to be positive.

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

#### Emerging Markets

There was a wide disparity of returns in the first months of 2018. Africa, Asia and the Middle East declined, while Latin America rallied. Emerging market stocks continued to come under pressure towards the end of the period in review as a crisis in Turkey, fears of a global trade war and a rising US dollar dampened investor sentiment. The trade dispute between the US and China continued to escalate and as the US raised interest rates again and the dollar appreciated, investors' enthusiasm for emerging market assets weakened.

Returns from the Legal & General Global Emerging Markets Index Trust were in line with the performance of the FTSE All World Emerging index.

#### Alternatives

Overall performance of the alternatives holdings was positive over the period in review. Several holdings, HgCapital, The Renewables Infrastructure Group and BBGI posted double digit returns.

#### Positioning

Aside from day to day portfolio management activities there were no significant changes to the underlying portfolios, although following the market falls in early February and October the funds took or maintained overweight positions in developed market equities on the basis that fundamentals were still strong, and the move down had been episodic. This proved profitable in February and the recent overweight position is still held as at the time of writing.

In May, the portfolio manager took small positions in Italian Banks as he thought the market reaction to the political situation was overdone and a good entry point for a sector with improving fundamentals, and which has underperformed the broader European market for several years.

Shares in UniCredit and Intesa Sanpaolo were acquired as these 2 stocks represent 80% of the Italian Banking index.

#### Outlook

Global growth is now diverging but aggregate growth is still positive, albeit slower than at the beginning of the year. The US Federal Reserve continues to lead the interest rate tightening cycle but will reach a crucial point in the next 18 months. Inflation is receiving a boost from oil prices but that could fade into next year if prices stay at current levels.

#### M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager  
15 November 2018

## LF 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.

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.

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 average yield tend to be less liquid and have a lower credit rating. Investments in 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.

The Fund may also invest indirectly in property. Property investments may be harder to buy and sell than other asset types.

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

The value of investments, and the income from them, will fluctuate. This will cause the fund price to fall as well as rise and you may not get back what you originally invested.

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.linkfundsolutions.co.uk](http://www.linkfundsolutions.co.uk), by following the link 'Fund Information'.

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 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.

#### 'A' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	139.33	134.77	122.49
Return before operating charges*	0.37	9.42	16.53
Operating charges	(2.23)	(2.21)	(1.96)
Return after operating charges	(1.86)	7.21	14.57
Distributions <sup>1</sup>	(2.25)	(2.65)	(2.29)
Closing net asset value per share	135.22	139.33	134.77
* after direct transaction costs of:	0.01	–	–

#### PERFORMANCE

Return after charges	(1.33)%	5.35%	11.89%
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#### OTHER INFORMATION

Closing net asset value (£'000)	303	314	310
Closing number of shares	224,141	225,437	230,163
Operating charges	1.60% <sup>2</sup>	1.60%	1.58%
Direct transaction costs	–	–	–

#### PRICES

Highest share price	141.28	142.17	137.34
Lowest share price	136.83	131.68	119.61

<sup>1</sup> All interest distributions payable after 6 April 2017 will be paid gross.

<sup>2</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	171.53	162.81	145.99
Return before operating charges*	0.46	11.39	19.74
Operating charges	(2.75)	(2.67)	(2.37)
Return after operating charges	(2.29)	8.72	17.37
Distributions <sup>1</sup>	(2.78)	(3.21)	(2.76)
Retained distributions on accumulation shares	2.78	3.21	2.21
Closing net asset value per share	169.24	171.53	162.81
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(1.34)%	5.36%	11.90%
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##### OTHER INFORMATION

Closing net asset value (£'000)	7,838	8,881	10,150
Closing number of shares	4,631,026	5,177,861	6,233,932
Operating charges	1.60% <sup>2</sup>	1.60%	1.58%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	173.83	171.75	163.70
Lowest share price	168.45	159.06	142.59

<sup>1</sup> All interest distributions payable after 6 April 2017 will be paid gross.

<sup>2</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	139.53	134.93	122.61
Return before operating charges*	0.36	9.50	16.70
Operating charges	(0.35)	(0.35)	(0.29)
Return after operating charges	0.01	9.15	16.41
Distributions <sup>1</sup>	(4.17)	(4.55)	(4.09)
Closing net asset value per share	135.37	139.53	134.93
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	0.01%	6.78%	13.38%
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##### OTHER INFORMATION

Closing net asset value (£'000)	156,867	171,075	176,753
Closing number of shares	115,880,365	122,612,020	130,997,628
Operating charges	0.25% <sup>2</sup>	0.25%	0.23%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	142.89	144.21	138.90
Lowest share price	137.93	132.01	120.10

<sup>1</sup> All interest distributions payable after 6 April 2017 will be paid gross.

<sup>2</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'P' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	113.13	109.43	99.45
Return before operating charges*	0.30	7.66	13.54
Operating charges	(0.96)	(0.96)	(0.86)
Return after operating charges	(0.66)	6.70	12.68
Distributions <sup>1</sup>	(2.69)	(3.00)	(2.70)
Closing net asset value per share	109.78	113.13	109.43
* after direct transaction costs of:	–	–	–

##### PERFORMANCE

Return after charges	(0.59)%	6.12%	12.75%
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##### OTHER INFORMATION

Closing net asset value (£'000)	6,393	5,370	3,956
Closing number of shares	5,824,023	4,746,330	3,615,077
Operating charges	0.85% <sup>2</sup>	0.85%	0.83%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	115.35	116.40	112.31
Lowest share price	111.57	107.00	97.29

<sup>1</sup> All interest distributions payable after 6 April 2017 will be paid gross.

<sup>2</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'P' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	123.99	116.81	104.11
Return before operating charges*	0.31	8.20	14.16
Operating charges	(1.05)	(1.02)	(0.90)
Return after operating charges	(0.74)	7.18	13.26
Distributions <sup>1</sup>	(2.94)	(3.21)	(2.81)
Retained distributions on accumulation shares	2.94	3.21	2.25
Closing net asset value per share	123.25	123.99	116.81
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(0.60)%	6.15%	12.74%
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##### OTHER INFORMATION

Closing net asset value (£'000)	111,821	69,303	65,203
Closing number of shares	90,726,089	55,893,928	55,817,853
Operating charges	0.85% <sup>2</sup>	0.85%	0.83%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	126.40	124.22	117.52
Lowest share price	122.28	114.21	101.85

<sup>1</sup> All interest distributions payable after 6 April 2017 will be paid gross.

<sup>2</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'R' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	136.68	129.10	115.29
Return before operating charges*	0.37	9.04	15.67
Operating charges	(1.51)	(1.46)	(1.29)
Return after operating charges	(1.14)	7.58	14.38
Distributions <sup>1</sup>	(2.90)	(3.21)	(2.81)
Retained distributions on accumulation shares	2.90	3.21	2.24
Closing net asset value per share	135.54	136.68	129.10
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(0.83)%	5.87%	12.47%
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##### OTHER INFORMATION

Closing net asset value (£'000)	18,831	17,793	14,931
Closing number of shares	13,893,193	13,017,368	11,565,725
Operating charges	1.10% <sup>2</sup>	1.10%	1.08%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	139.06	136.88	129.81
Lowest share price	134.67	126.18	112.73

<sup>1</sup> All interest distributions payable after 6 April 2017 will be paid gross.

<sup>2</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

**LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO**  
**ACD'S REPORT** *continued*  
**FUND INFORMATION** *continued*

**Fund Performance to 31 October 2018 (%)**

	1 year	3 years	5 years
LF Prudential Dynamic Focused 0-30 Portfolio	(1.51)	16.29	17.96

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 year end, rather than the year end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 214 and 215.

**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.

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
	EQUITY PORTFOLIOS – 19.24% (31.10.17 – 19.23%)		
	UNITED KINGDOM – 7.67% (31.10.17 – 7.39%)		
14,869,006	Legal & General UK Index	23,166	7.67
	TOTAL UNITED KINGDOM	23,166	7.67
	CONTINENTAL EUROPE – 3.03% (31.10.17 – 3.31%)		
3,429,870	Legal & General European Index	9,154	3.03
	TOTAL CONTINENTAL EUROPE	9,154	3.03
	ASIA EX JAPAN – 2.91% (31.10.17 – 3.23%)		
8,813,022	Legal & General Pacific Index	8,800	2.91
	TOTAL ASIA EX JAPAN	8,800	2.91
	JAPAN – 1.45% (31.10.17 – 1.38%)		
8,375,320	Legal & General Japan Index	4,391	1.45
	TOTAL JAPAN	4,391	1.45
	NORTH AMERICA – 3.26% (31.10.17 – 2.98%)		
2,294,204	Legal & General US Index	9,847	3.26
	TOTAL NORTH AMERICA	9,847	3.26
	EMERGING MARKETS – 0.92% (31.10.17 – 0.94%)		
5,345,417	Legal & General Global Emerging Markets Index	2,771	0.92
	TOTAL EMERGING MARKETS	2,771	0.92
	TOTAL EQUITY PORTFOLIOS	58,129	19.24
	EQUITY INVESTMENT INSTRUMENTS – 4.62% (31.10.17 – 2.53%)		
1,057,398	BBGI	1,591	0.53
610,760	BioPharma Credit	497	0.16
460,040	Blue Capital Alternative Income	243	0.08
58,300	Boussard & Gavaudan	905	0.30
474,648	DP Aircraft I	379	0.13

**LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO****ACD'S REPORT** *continued***PORTFOLIO STATEMENT** *continued*

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
157,669	HarbourVest Global Private Equity	2,151	0.71
38,397	HgCapital	753	0.25
1,717,104	Intesa Sanpaolo <sup>2</sup>	2,973	0.98
348,305	NB Distressed Debt Investment	260	0.09
478,120	NextEnergy Solar	526	0.17
623,600	Renewables Infrastructure	708	0.23
298,665	UniCredit <sup>2</sup>	2,996	0.99
	TOTAL EQUITY INVESTMENT INSTRUMENTS	<u>13,982</u>	<u>4.62</u>
	PROPERTY PORTFOLIOS – 8.79% (31.10.17 – 9.03%)		
2,249,644	M&G Property Portfolio <sup>1</sup>	26,560	8.79
	TOTAL PROPERTY PORTFOLIOS	<u>26,560</u>	<u>8.79</u>
	BOND PORTFOLIOS – 67.48% (31.10.17 – 69.99%)		
116,030,822	M&G Corporate Bond <sup>1</sup>	46,250	15.31
23,534,408	M&G European Corporate Bond <sup>1</sup>	26,281	8.70
91,727	M&G European Loan <sup>1</sup>	8,069	2.67
2,165,029	M&G Global Convertibles <sup>1</sup>	4,626	1.53
6,931,268	M&G Global High Yield Bond <sup>1</sup>	9,016	2.98
63,198,225	M&G Short Dated Corporate Bond <sup>1</sup>	16,135	5.34
79,965,643	M&G Strategic Corporate Bond <sup>1</sup>	92,376	30.58
10,426	Merrill Lynch AQR Global Relative Value	1,114	0.37
	TOTAL BOND PORTFOLIOS	<u>203,867</u>	<u>67.48</u>
	Portfolio of investments	302,538	100.16
	Net other liabilities	<u>(485)</u>	<u>(0.16)</u>
	Net assets	<u>302,053</u>	<u>100.00</u>

The investments have been valued in accordance with note 1(F) of the Accounting Policies and are collective investment schemes unless stated otherwise.

<sup>1</sup> Related party holding (see note 11).

<sup>2</sup> Ordinary shares.

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

### ACD'S REPORT *continued*

#### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 October 2018

Total purchases for the year £'000 (note 15)	53,755	Total sales for the year £'000 (note 15)	19,085
	Cost £'000		Proceeds £'000
Major purchases		Major sales	
M&G Strategic Corporate Bond	11,640	Euro Stoxx 50 Index Futures March 2018	4,483
M&G Corporate Bond	4,571	S&P 500 E Mini Futures March 2018	4,410
Euro Stoxx 50 Index Futures March 2018	4,278	M&G Strategic Corporate Bond	4,173
Legal & General UK Index	4,213	M&G Short Dated Corporate Bond	1,329
S&P 500 E Mini Futures March 2018	4,180	Legal & General US Index	1,116
M&G European Corporate Bond	4,023	M&G Corporate Bond	923
Intesa Sanpaolo	3,718	Legal & General Global Emerging Markets Index	719
UniCredit	3,652	M&G European Loan	545
M&G Short Dated Corporate Bond	2,550	Merrill Lynch AQR Global Relative Value	420
Legal & General US Index	1,996	CATCo Reinsurance Opportunities	249

In addition to above, purchases totalling £939,411 and sales totalling £941,716 were made in short term investments during the year.

Purchases and sales of Futures have been included at the value of their exposure.

The summary of material portfolio changes represents the 10 largest purchases and sales during the year.

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO FINANCIAL STATEMENTS

### STATEMENT OF TOTAL RETURN

for the year ended 31 October 2018

	Notes	£'000	31.10.18 £'000	£'000	31.10.17 £'000
Income:					
Net capital (losses)/gains	3		(9,067)		9,111
Revenue	4	9,337		9,551	
Expenses	5	(1,321)		(1,139)	
Net revenue before taxation		8,016		8,412	
Taxation	6	(151)		(135)	
Net revenue after taxation			7,865		8,277
<b>Total return before distributions</b>			(1,202)		17,388
Distributions	7		(7,865)		(8,278)
<b>Change in net assets attributable to shareholders from investment activities</b>			(9,067)		9,110

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2018

	£'000	31.10.18 £'000	£'000	31.10.17 £'000
<b>Opening net assets attributable to shareholders</b>		272,736		271,303
Amounts receivable on issue of shares	62,813		24,822	
Amounts payable on redemption of shares	(27,627)		(34,876)	
		35,186		(10,054)
Change in net assets attributable to shareholders from investment activities		(9,067)		9,110
Retained distributions on Accumulation shares		3,197		2,377
Unclaimed distributions		1		–
<b>Closing net assets attributable to shareholders</b>		302,053		272,736

**LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO**  
**FINANCIAL STATEMENTS** *continued*

**BALANCE SHEET**

as at 31 October 2018

	Notes	31.10.18 £'000	31.10.17 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		302,538	274,867
<b>Current assets</b>			
Debtors	8	3,444	2,040
Cash and bank balances	9	8,461	2,264
<b>Total assets</b>		<u>314,443</u>	<u>279,171</u>
<b>LIABILITIES</b>			
<b>Provisions for liabilities</b>			
		(36)	(25)
<b>Creditors</b>			
Distribution payable	10	(4,992)	(5,733)
Other creditors	10	(7,362)	(677)
<b>Total liabilities</b>		<u>(12,390)</u>	<u>(6,435)</u>
<b>Net assets attributable to shareholders</b>		<u>302,053</u>	<u>272,736</u>

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2018

#### 1. Accounting Policies

The accounting policies described on pages 22 to 24 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. Distribution Policies

The distribution policies described on page 24 have been applied to the financial statements of the Fund in the current and prior year. The additional distribution policy described below has also been applied to this Fund.

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 gross interest distributions. Prior to 6 April 2017, all interest distributions payable by the Fund attracted tax at 20%, and were accounted for on the shareholders' behalf to HM Revenue and Customs.

#### 3. Net Capital (Losses)/Gains

The net capital (losses)/gains during the year comprise:

	31.10.18 £'000	31.10.17 £'000
Non-derivative securities	(10,031)	9,106
Derivative contracts	418	–
Transaction charges	(1)	(1)
AMC rebates from underlying investments	533	–
Currency gains	13	6
Initial charge reimbursement	1	–
Net capital (losses)/gains	<u>(9,067)</u>	<u>9,111</u>

The net capital (losses)/gains figure includes realised gains of £874,000 and unrealised gains of £19,031,000 (31.10.17: includes realised gains of £2,447,000 and unrealised gains of £29,504,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 4. Revenue

	31.10.18 £'000	31.10.17 £'000
Non-taxable dividends	2,013	1,792
Taxable dividends	230	41
UK property income distributions	750	873
Unfranked interest	4,707	4,760
AMC rebates from underlying investments	1,637	2,085
Total revenue	<u>9,337</u>	<u>9,551</u>

#### 5. Expenses

	31.10.18 £'000	31.10.17 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	853	696
Administration fees	439	412
	1,292	1,108
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	22	22
Safe custody and other bank charges	1	–
	23	22
Other expenses:		
Audit fees	6	9
Total expenses	<u>1,321</u>	<u>1,139</u>

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

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 6. Taxation

	31.10.18 £'000	31.10.17 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	139	150
Adjustments in respect of prior periods	1	–
Current tax charge	140	150
Deferred tax – origination and reversal of timing differences (note 6c)	11	(15)
Total taxation (note 6b)	151	135

#### 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%) (31.10.17: 20%). The difference is explained below:

	31.10.18 £'000	31.10.17 £'000
Net revenue before taxation	8,016	8,412
Corporation tax at 20%	1,603	1,682
Effects of:		
Non-taxable dividends	(403)	(358)
Rebated capital expenses deductible for tax purposes	107	–
Tax deductible interest distributions	(1,157)	(1,189)
Adjustments in respect of prior periods	1	–
Total tax charge (note 6a)	151	135

#### c) Deferred tax

Provision at the start of the year	25	40
Deferred tax charge in the year (note 6a)	11	(15)
Provision at the end of the year	36	25

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 7. Distributions

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

	31.10.18 £'000	31.10.17 £'000
Final	8,189	8,110
	<u>8,189</u>	<u>8,110</u>
Add: Revenue deducted on redemption of shares	421	457
Deduct: Revenue received on issue of shares	(745)	(289)
Net distribution for the year	<u>7,865</u>	<u>8,278</u>

Details of the distributions per share are set out in the table on pages 214 and 215.

	31.10.18 £'000	31.10.17 £'000
Distributions represented by:		
Net revenue after taxation	7,865	8,277
Equalisation on conversions <sup>1</sup>	—	1
Net distribution for the year	<u>7,865</u>	<u>8,278</u>

<sup>1</sup> 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.

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 8. Debtors

	31.10.18 £'000	31.10.17 £'000
Amounts receivable for issue of shares	218	634
Sales awaiting settlement	1,538	6
Accrued revenue:		
Non-taxable dividends	853	633
UK property income distributions	140	122
Unfranked interest	424	403
AMC rebates from underlying investments	236	242
	1,653	1,400
Taxation recoverable:		
Income tax	35	–
Total debtors	<u>3,444</u>	<u>2,040</u>

#### 9. Cash and Bank Balances

	31.10.18 £'000	31.10.17 £'000
Bank balances	8,461	2,264
Total cash and bank balances	<u>8,461</u>	<u>2,264</u>

#### 10. Creditors

	31.10.18 £'000	31.10.17 £'000
Distribution payable	<u>4,922</u>	<u>5,733</u>
<b>Other Creditors</b>		
Amounts payable for redemption of shares	1,938	497
Purchases awaiting settlement	5,213	–

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

	31.10.18 £'000	31.10.17 £'000
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	84	61
Administration fees	39	35
	123	96
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	2	2
Taxation payable:		
Corporation tax	78	73
Other expenses	8	9
Total other creditors	<u>7,362</u>	<u>677</u>

### 11. Related Party Transactions

Annual Management Charge and administration fees payable to Link Fund Solutions Limited ('the ACD') are disclosed in note 5 and amounts due at the year end are disclosed in note 10.

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 201 and amounts due at the year end are disclosed in notes 8 and 10.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions or its associates) held 183,899 (31.10.17: 134,948) 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 115,880,115 (31.10.17: 122,611,770) 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 50.13% (31.10.17: 60.80%)

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

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 Link Fund Solutions Limited is also the ACD. At the balance sheet date the value of the holdings were as follows:

	31.10.18 £'000	31.10.17 £'000
Portfolio Manager in common	229,313	214,187

### 12. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.17: none).

### 13. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.35%	1.35%	0.00%
Opening shares in issue	225,437	5,177,861	122,612,020
Issues	16,689	290,949	5,649,142
Redemptions	(17,985)	(837,784)	(12,380,797)
Conversions	—	—	—
Closing shares in issue	224,141	4,631,026	115,880,365

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.60%	0.60%	0.85%
Opening shares in issue	4,746,330	55,893,928	13,017,368
Issues	1,757,140	39,486,392	2,816,098
Redemptions	(678,843)	(4,675,465)	(1,921,462)
Conversions	(604)	21,234	(18,811)
Closing shares in issue	5,824,023	90,726,089	13,893,193

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 14. 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 Efficient Portfolio Management (including 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.

##### (A) 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.

##### (B) 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.

The Fund invests in collective investment schemes and as such does not have any significant direct exposure to interest rate risk. The Fund may indirectly be exposed to interest rate risk through its investment in collective investment schemes. As the Fund has no direct exposure to interest rate risk, no interest rate risk table or sensitivity analysis has been presented.

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### (C) 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. 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.

#### (D) 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 31.10.18, leverage under the gross method was 1:1 and leverage under the commitment method was 1:1 (31.10.17: 1.01:1 and 1:1 respectively).

#### (E) LIQUIDITY RISK

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions 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.

#### (F) 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.

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £15,127,000 (31.10.17: £13,743,000). A 5% decrease would have an equal and opposite effect.

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### (G) DERIVATIVES

The Fund held no derivatives of a material nature during the current or prior year.

#### 15. Portfolio Transaction Costs

31.10.18	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	7,456	4	7	7,467
Collective investment schemes	37,829	1	–	37,830
Purchases total	<u>45,285</u>	<u>5</u>	<u>7</u>	<u>45,297</u>
<i>Transaction cost % of purchases total</i>		0.01%	0.02%	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	–	–	–	–
Collective investment schemes	10,191	–	–	10,191
Sales total	<u>10,191</u>	<u>–</u>	<u>–</u>	<u>10,191</u>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.18 is 0.09% (31.10.17: 0.18%).

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

31.10.17	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	470	–	–	470
Collective investment schemes	9,298	–	–	9,298
Purchases total	<u>9,768</u>	<u>–</u>	<u>–</u>	<u>9,768</u>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	651	–	–	651
Collective investment schemes	19,053	–	–	19,053
Sales total	<u>19,704</u>	<u>–</u>	<u>–</u>	<u>19,704</u>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

### 16. Fair Value Hierarchy

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

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within Level 1;

**Level 3:** Valuation techniques using unobservable inputs.

31.10.18	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	<u>13,213</u>	<u>289,082</u>	<u>243</u>	<u>302,538</u>
31.10.17	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	<u>6,904</u>	<u>267,963</u>	<u>–</u>	<u>274,867</u>

## LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE

for the year ended 31 October 2018 – 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	01.11.17
To	31.10.18

#### 'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	2.2527	–	2.2527	2.6521
Group 2	1.2276	1.0251	2.2527	2.6521

#### 'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	2.7750	–	2.7750	3.2066
Group 2	1.6309	1.1441	2.7750	3.2066

#### 'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	4.1687	–	4.1687	4.5541
Group 2	4.1687	0.0000	4.1687	4.5541

#### 'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	2.6863	–	2.6863	3.0005
Group 2	1.4575	1.2288	2.6863	3.0005

**LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO**  
**FINANCIAL STATEMENTS** *continued*  
**DISTRIBUTION TABLE** *continued*

'P' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	2.9373	–	2.9373	3.2090
Group 2	1.4262	1.5111	2.9373	3.2090

'R' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	2.9001	–	2.9001	3.2077
Group 2	1.6008	1.2993	2.9001	3.2077

## **LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO ACD'S REPORT**

for the year ended 31 October 2018

### **Important Information**

Refer to the 'Important Information' section on pages 12 and 13.

### **Investment Objective and Policy**

The LF 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.

### **LINK FUND SOLUTIONS LIMITED**

ACD of LF Prudential Dynamic Focused 10-40 Portfolio  
*20 February 2019*

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2018

Between 1 November 2017 and 31 October 2018 (the period in review) share classes R (Acc) -1.08%<sup>1</sup>, P (Acc) -0.89%<sup>1</sup> and A (Acc) -1.39%<sup>1</sup> produced negative returns but were ahead of the -1.74%<sup>1</sup> sector average for the IA Mixed Investment 20-60% Shares.

#### Economic Overview

An escalating trade war between the US and China was very much at the forefront of investors' minds towards the end of the period in review. Despite the prospects of import duties being applied to a significant volume of products both from China into the US and vice versa, so far at least, economic growth in both countries remains resilient. For the latest quarter available (to end-June 2018) the US economy grew by an annualised 4.2%, while China's grew by 6.7%. On the other hand, the eurozone disappointed and the economy within the single currency area expanded at a slower rate than in the first quarter of 2018. During the third quarter, monetary policy was tightened in the US and UK (interest rates were raised by a quarter point in both countries). In contrast, central banks in Japan and the eurozone remain committed to maintaining loose monetary policies for the time being.

#### Market Overview

2018 began strongly for most stockmarkets; many reached record highs before falling sharply, seemingly on concern about US inflation. Investors were then buffeted by unsettling factors, including potential interest rate increases, political uncertainty in the US, growing trade tensions and possible regulatory changes for leading technology companies.

October was a very challenging month for equity markets. The S&P 500 had its worst month since 2011 falling almost 7%. The FTSE All Share was down over 5% and in other regions the Euro Stoxx 50 fell 7% and the Nikkei 224 around 9%.

There were several factors at play that may have caused this sharp change in investor sentiment over the month including continued US and China trade tensions, Brexit, the health of the Italian economy and concerns that earnings growth may have peaked.

At this stage of the economic cycle volatility is to be expected but behind the headlines the global economy is still growing, albeit at a slower rate and Q3 earnings season has been positive.

#### UK

It was a disappointing period for UK company shares. Having reached record highs in Q2 2018, both the FTSE 100 and the FTSE 250 indices ended the period in review lower. As expected, the Bank of England raised interest rates in August by a quarter of a point to 0.75%. UK employment is at a record high, and with limited spare

<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.

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

capacity, real wages are picking up. Encouragingly, economic growth accelerated in the second quarter compared to the first three months of the year. Brexit uncertainty remains at the forefront of investors' minds and contributed to sterling's decline over the quarter, although the currency stabilised by the end of September.

Returns from the Legal & General UK Index Trust were in line with the performance of the FTSE All-Share index.

#### North America

Aside from February and March the US stockmarket had enjoyed a strong year up until October, with both the S&P 500 Index and the technology-heavy NASDAQ Composite reaching all-time highs before suffering heavy losses towards the end of the period in review. Company earnings for the quarter ending June 2018 were well received by investors; however, interestingly, the fortunes of some of the largest technology-related companies began to diverge. Notably, electronic consumer goods giant Apple became the first company to reach to a market capitalisation of one trillion dollars, whereas the share price of social media company Facebook fell on concerns over slowing user and advertising growth.

Returns from the Legal & General US Index Trust were in line with the performance of the FTSE USA index.

#### Europe

Share prices started 2018 strongly before succumbing to fears about higher US interest rates, a potential trade war and sharp falls in the share prices of technology groups. After a better Q2, performance of European stockmarkets was disappointing in the third quarter, with company shares facing several headwinds. Meanwhile, banking shares were volatile on worries over their exposure to the Turkish economy. Economic growth in the eurozone also disappointed, with gross domestic product increasing by its weakest rate in two years. Weak economic data supports the view that the European Central Bank will be patient in winding down its crisis-era monetary support.

Returns from the Legal & General European Index Trust were in line with the performance of the FTSE World Europe ex UK index.

#### Japan

Having reached its highest level for 26 years in January 2018, the Japanese stockmarket fell back very sharply during the rest of the first quarter of 2018 and ended with a significant decline, in yen terms. After modest gains in Q2 2018, Japanese shares made solid gains in the third quarter, performing particularly well in September, before a very poor October irradiated these gains.

Returns from the Legal & General Japan Index Trust were in line with the performance of the FTSE Japan index.

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

#### Asia ex Japan

The first few months of 2018 were negative for the Asia Pacific region as a whole, with investors focussing on the ramifications of a trade war between the US and China. This theme continued over the rest of the period in review. As the US and China proposed additional tariffs on each other's products, investors worried about the impact on the global economy. Rising interest rates in the US and the continued appreciation of the US dollar also dampened investor sentiment towards Asian assets.

Returns from the Legal & General Pacific Index Trust were in line with the performance of the FTSE World Asia Pacific ex Japan index.

#### UK and Global Bonds

Early in 2018 higher US wage growth had raised concerns about increased inflationary pressures, which caused a sharp sell-off in US Treasuries. As risk aversion built up later in Q1, government bonds benefited from their safe haven status, meaning that the yields on bonds issued by Japan and Germany returned to remarkably low, or even negative, levels. Similarly in Q2 political turmoil in Italy also led to a rally in gilts and other perceived safe haven assets.

UK government bonds (gilts) declined over the third quarter of 2018 as higher-than-expected inflation readings and some robust economic data helped push 10-year yields above 1.6% for the first time since February 2018. Meanwhile, the Bank of England raised interest rates from 0.5% to 0.75%, although the widely anticipated move had limited market impact. UK corporate bonds held up relatively well as improved investor sentiment helped support valuations.

The M&G Strategic Corporate Bond, M&G Corporate Bond, M&G Global High Yield Bond, M&G European Corporate Bond and M&G Global Convertibles funds all produced negative returns over the period in review. The M&G European Loan fund was marginally positive.

#### UK Property

During the period in review UK commercial property generated a reasonably strong total return; however, gains are more modest compared to the same period in 2017. Capital value and rental value growth continue to be strongest in Industrials, driven by demand for well-located fulfilment centres and smaller distribution units. Conversely, capital values continue to fall in the Retail sector, reflecting the challenging trading environment.

The performance of the M&G Property Portfolio continues to be positive.

#### Emerging Markets

There was a wide disparity of returns in the first months of 2018. Africa, Asia and the Middle East declined, while Latin America rallied. Emerging market stocks continued to come under pressure towards the end of the period in review as a crisis in Turkey, fears of a global trade war and a rising US dollar dampened investor sentiment. The trade dispute between the US and China continued to escalate and as the US raised interest rates again and the dollar appreciated, investors' enthusiasm for emerging market assets weakened.

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

Returns from the Legal & General Global Emerging Markets Index Trust were in line with the performance of the FTSE All World Emerging index.

#### Alternatives

Overall performance of the alternatives holdings was positive over the period in review. Several holdings, HgCapital, The Renewables Infrastructure Group and BBGI posted double digit returns.

#### Positioning

Aside from day to day portfolio management activities there were no significant changes to the underlying portfolios, although following the market falls in early February and October the funds took or maintained overweight positions in developed market equities on the basis that fundamentals were still strong, and the move down had been episodic. This proved profitable in February and the recent overweight position is still held as at the time of writing.

In May, the portfolio manager took small positions in Italian Banks as he thought the market reaction to the political situation was overdone and a good entry point for a sector with improving fundamentals, and which has underperformed the broader European market for several years.

Shares in UniCredit and Intesa Sanpaolo were acquired as these 2 stocks represent 80% of the Italian Banking index.

#### Outlook

Global growth is now diverging but aggregate growth is still positive, albeit slower than at the beginning of the year. The US Federal Reserve continues to lead the interest rate tightening cycle but will reach a crucial point in the next 18 months. Inflation is receiving a boost from oil prices but that could fade into next year if prices stay at current levels.

#### M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager  
15 November 2018

## LF PRUDENTIAL DYNAMIC FOCUSED 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.

During the year the indicator changed from 4 to 3. The Fund has been classed as 3 because its volatility has been measured as below average.

As this Fund has less than 5 years' price history, this calculation incorporates the volatility of an appropriate benchmark index.

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.

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 average yield tend to be less liquid and have a lower credit rating. Investment in 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.

The Fund may also invest indirectly in property. Property investments may be harder to buy and sell than other asset types.

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

The value of investments and the income from them, will fluctuate. This will cause the Fund price to fall as well as rise and you may not get back what you originally invested.

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.linkfundsolutions.co.uk](http://www.linkfundsolutions.co.uk), by following the link 'Fund Information'.

## LF 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.

#### 'A' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	115.31	110.19	100.11
Return before operating charges*	0.86	9.13	13.03
Operating charges	(1.89)	(1.84)	(1.64)
Return after operating charges	(1.03)	7.29	11.39
Distributions	(2.13)	(2.17)	(1.31)
Closing net asset value per share	112.15	115.31	110.19
* after direct transaction costs of:	0.01	–	–

#### PERFORMANCE

Return after charges	(0.89)%	6.62%	11.38%
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#### OTHER INFORMATION

Closing net asset value (£'000)	–	–	–
Closing number of shares	250	250	250
Operating charges	1.63% <sup>1</sup>	1.62%	1.59%
Direct transaction costs	0.01%	–	–

#### PRICES

Highest share price	118.06	117.86	112.34
Lowest share price	113.07	107.65	96.21

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	119.57	112.38	100.62
Return before operating charges*	0.42	9.09	13.41
Operating charges	(1.97)	(1.90)	(1.65)
Return after operating charges	(1.55)	7.19	11.76
Distributions	(1.66)	(1.91)	(1.60)
Retained distributions on accumulation shares	1.66	1.91	1.60
Closing net asset value per share	118.02	119.57	112.38
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(1.30)%	6.40%	11.69%
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##### OTHER INFORMATION

Closing net asset value (£'000)	5	5	–
Closing number of shares	4,361	4,361	250
Operating charges	1.63% <sup>1</sup>	1.62%	1.59%
Direct transaction costs	0.01%	–	–

##### PRICES

Highest share price	121.98	119.94	113.22
Lowest share price	117.04	109.82	96.89

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18' pence per share
Opening net asset value per share	100.00
Return before operating charges*	0.82
Operating charges	(0.15)
Return after operating charges	0.67
Distributions	(1.40)
Closing net asset value per share	99.27
* after direct transaction costs of:	0.01

##### PERFORMANCE

Return after charges	0.67%
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##### OTHER INFORMATION

Closing net asset value (£'000)	10
Closing number of shares	10,071
Operating charges	0.28% <sup>2,3</sup>
Direct transaction costs	0.01%

##### PRICES

Highest share price	103.71
Lowest share price	100.00

<sup>1</sup> From 17 April 2018.

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

<sup>3</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'P' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	115.50	110.26	100.11
Return before operating charges*	0.20	8.58	13.12
Operating charges	(1.02)	(0.99)	(0.87)
Return after operating charges	(0.82)	7.59	12.25
Distributions	(2.30)	(2.35)	(2.10)
Closing net asset value per share	112.38	115.50	110.26
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(0.71)%	6.88%	12.24%
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##### OTHER INFORMATION

Closing net asset value (£'000)	6,684	6,280	5,681
Closing number of shares	5,947,803	5,437,561	5,151,817
Operating charges	0.88% <sup>1</sup>	0.87%	0.84%
Direct transaction costs	0.01%	–	–

##### PRICES

Highest share price	118.29	118.10	113.19
Lowest share price	113.31	107.75	96.50

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'P' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	120.79	113.01	100.66
Return before operating charges*	0.22	8.80	13.24
Operating charges	(1.06)	(1.02)	(0.89)
Return after operating charges	(0.84)	7.78	12.35
Distributions	(2.41)	(2.41)	(2.12)
Retained distributions on accumulation shares	2.41	2.41	2.12
Closing net asset value per share	119.95	120.79	113.01
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(0.70)%	6.88%	12.27%
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##### OTHER INFORMATION

Closing net asset value (£'000)	14,200	7,408	648
Closing number of shares	11,838,124	6,132,407	573,785
Operating charges	0.88% <sup>1</sup>	0.87%	0.84%
Direct transaction costs	0.01%	–	–

##### PRICES

Highest share price	123.72	121.05	113.84
Lowest share price	118.51	110.45	97.04

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'R' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	120.24	112.72	100.62
Return before operating charges*	0.28	8.82	13.25
Operating charges	(1.36)	(1.30)	(1.15)
Return after operating charges	(1.08)	7.52	12.10
Distributions	(2.15)	(2.17)	(1.91)
Retained distributions on accumulation shares	2.15	2.17	1.91
Closing net asset value per share	119.16	120.24	112.72
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(0.90)%	6.67%	12.03%
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##### OTHER INFORMATION

Closing net asset value (£'000)	16,530	14,120	5,912
Closing number of shares	13,872,374	11,743,112	5,244,239
Operating charges	1.13% <sup>1</sup>	1.12%	1.09%
Direct transaction costs	0.01%	–	–

##### PRICES

Highest share price	122.96	120.51	113.56
Lowest share price	117.87	110.15	96.94

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Fund Performance to 31 October 2018 (%)

	1 year	3 years	Since launch <sup>1</sup>
LF Prudential Dynamic Focused 10-40 Portfolio	(1.39)	17.13	17.86

<sup>1</sup> 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 year end, rather than the year end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 244 and 245.

#### 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.

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
	EQUITY PORTFOLIOS – 29.20% (31.10.17 – 33.05%)		
	UNITED KINGDOM – 11.66% (31.10.17 – 11.30%)		
2,800,661	Legal & General UK Index	4,363	11.66
	TOTAL UNITED KINGDOM	<u>4,363</u>	<u>11.66</u>
	CONTINENTAL EUROPE – 4.61% (31.10.17 – 4.46%)		
646,406	Legal & General European Index	1,725	4.61
	TOTAL CONTINENTAL EUROPE	<u>1,725</u>	<u>4.61</u>
	ASIA EX JAPAN – 4.57% (31.10.17 – 4.83%)		
1,711,368	Legal & General Pacific Index	1,709	4.57
	TOTAL ASIA EX JAPAN	<u>1,709</u>	<u>4.57</u>
	JAPAN – 2.02% (31.10.17 – 2.41%)		
1,440,610	Legal & General Japan Index	755	2.02
	TOTAL JAPAN	<u>755</u>	<u>2.02</u>
	NORTH AMERICA – 4.86% (31.10.17 – 4.53%)		
424,126	Legal & General US Index	1,820	4.86
	TOTAL NORTH AMERICA	<u>1,820</u>	<u>4.86</u>
	EMERGING MARKETS – 1.48% (31.10.17 – 1.65%)		
1,070,015	Legal & General Global Emerging Markets Index	555	1.48
	TOTAL EMERGING MARKETS	<u>555</u>	<u>1.48</u>
	TOTAL EQUITY PORTFOLIOS	<u>10,927</u>	<u>29.20</u>
	EQUITY INVESTMENT INSTRUMENTS – 6.04% (31.10.17 – 3.87%)		
214,775	BBGI	323	0.86
116,911	BioPharma Credit	95	0.25
58,845	Blue Capital Alternative Income	31	0.08
11,500	Boussard & Gavaudan	179	0.48
83,002	DP Aircraft I	66	0.18
31,298	HarbourVest Global Private Equity	427	1.14

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
7,333	HgCapital	144	0.39
201,296	Intesa Sanpaolo <sup>2</sup>	349	0.93
75,586	NB Distressed Debt Investment	56	0.15
97,299	NextEnergy Solar	107	0.29
116,049	Renewables Infrastructure	132	0.35
34,974	UniCredit <sup>2</sup>	351	0.94
	TOTAL EQUITY INVESTMENT INSTRUMENTS	<u>2,260</u>	<u>6.04</u>
	PROPERTY PORTFOLIOS – 12.19% (31.10.17 – 11.62%)		
386,366	M&G Property Portfolio <sup>1</sup>	4,562	12.19
	TOTAL PROPERTY PORTFOLIOS	<u>4,562</u>	<u>12.19</u>
	BOND PORTFOLIOS – 50.79% (31.10.17 – 53.20%)		
4,754,446	M&G Corporate Bond <sup>1</sup>	1,895	5.06
2,201,733	M&G European Corporate Bond <sup>1</sup>	2,459	6.57
8,262	M&G European Loan <sup>1</sup>	727	1.94
179,921	M&G Global Convertibles <sup>1</sup>	384	1.03
1,020,957	M&G Global High Yield Bond <sup>1</sup>	1,328	3.55
4,432,553	M&G Short Dated Corporate Bond <sup>1</sup>	1,132	3.03
9,398,931	M&G Strategic Corporate Bond <sup>1</sup>	10,858	29.01
2,089	Merrill Lynch AQR Global Relative Value	223	0.60
	TOTAL BOND PORTFOLIOS	<u>19,006</u>	<u>50.79</u>
	Portfolio of investments	36,755	98.20
	Net other assets	674	1.80
	Net assets	<u>37,429</u>	<u>100.00</u>

The investments have been valued in accordance with note 1(F) of the Accounting Policies and are collective investment schemes unless stated otherwise.

<sup>1</sup> Related party holding (see note 11).

<sup>2</sup> Ordinary shares.

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### ACD'S REPORT *continued*

### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 October 2018

Total purchases for the year £'000 (note 15)	11,912	Total sales for the year £'000 (note 15)	1,555
	Cost £'000		Proceeds £'000
Major purchases		Major sales	
M&G Strategic Corporate Bond	3,025	S&P 500 E Mini Futures March 2018	501
Legal & General UK Index	1,832	Euro Stoxx 50 Index Futures March 2018	495
M&G Property Portfolio	1,271	Legal & General UK Index	402
M&G European Corporate Bond	798	M&G Short Dated Corporate Bond	333
Legal & General European Index	791	M&G Corporate Bond	199
M&G Corporate Bond	619	Legal & General European Index	171
Legal & General Pacific Index	520	M&G Strategic Corporate Bond	167
S&P 500 E Mini Futures March 2018	475	M&G European Loan	80
Euro Stoxx 50 Index Futures March 2018	472	Merrill Lynch AQR Global Relative Value	46
Intesa Sanpaolo	434	HarbourVest Global Private Equity	38

Purchases and Sales of Futures have been included as the value of their exposure.

The summary of material portfolio changes represents the 10 largest purchases and sales during the year.

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO FINANCIAL STATEMENTS

### STATEMENT OF TOTAL RETURN

for the year ended 31 October 2018

	Notes	£'000	31.10.18 £'000	£'000	31.10.17 £'000
Income:					
Net capital (losses)/gains	3		(972)		846
Revenue	4	1,019		603	
Expenses	5	(291)		(166)	
Net revenue before taxation		728		437	
Taxation	6	(91)		(48)	
Net revenue after taxation			637		389
<b>Total return before distributions</b>			(335)		1,235
Distributions	7		(645)		(389)
<b>Change in net assets attributable to shareholders from investment activities</b>			(980)		846

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2018

	£'000	31.10.18 £'000	£'000	31.10.17 £'000
<b>Opening net assets attributable to shareholders</b>		27,813		12,241
Amounts receivable on issue of shares	14,075		15,456	
Amounts payable on redemption of shares	(4,063)		(1,133)	
		10,012		14,323
Change in net assets attributable to shareholders from investment activities		(980)		846
Retained distributions on Accumulation shares		584		403
<b>Closing net assets attributable to shareholders</b>		37,429		27,813

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

#### BALANCE SHEET

as at 31 October 2018

	Notes	31.10.18 £'000	31.10.17 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		36,755	27,221
<b>Current assets</b>			
Debtors	8	660	508
Cash and bank balances	9	1,670	551
<b>Total assets</b>		<u>39,085</u>	<u>28,280</u>
<b>LIABILITIES</b>			
<b>Provisions for liabilities</b>			
		(6)	(3)
<b>Creditors</b>			
Distribution payable	10	(137)	(128)
Other creditors	10	(1,513)	(336)
<b>Total liabilities</b>		<u>(1,656)</u>	<u>(467)</u>
<b>Net assets attributable to shareholders</b>		<u>37,429</u>	<u>27,813</u>

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2018

#### 1. Accounting Policies

The accounting policies described on pages 22 to 24 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. Distribution Policies

The distribution policies described on page 24 have been applied to the financial statements of the Fund in the current and prior year.

#### 3. Net Capital (Losses)/Gains

The net capital (losses)/gains during the year comprise:

	31.10.18 £'000	31.10.17 £'000
Non-derivative securities	(1,060)	847
Derivative contracts	47	–
Transaction charges	(1)	(1)
AMC rebates from underlying investments	41	–
Currency gains	1	–
Net capital (losses)/gains	<u>(972)</u>	<u>846</u>

The net capital (losses)/gains figure includes realised losses of £33,000 and unrealised gains of £742,000 (31.10.17: includes realised gains of £9,000 and unrealised gains of £1,721,000). The realised losses on investments in the current year include amounts previously recognised as unrealised losses in the prior year.

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 4. Revenue

	31.10.18 £'000	31.10.17 £'000
Non-taxable dividends	314	195
Taxable dividends	5	18
UK property income distributions	127	53
Unfranked interest	393	212
AMC rebates from underlying investments	179	125
Bank interest	1	–
Total revenue	<u>1,019</u>	<u>603</u>

#### 5. Expenses

	31.10.18 £'000	31.10.17 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	238	136
Administration fees	50	28
	288	164
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	3	2
Total expenses	<u>291</u>	<u>166</u>

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

The audit fee of £8,000 (31.10.17: £8,000) and tax fee of £nil (31.10.17: £nil) are borne by the ACD.

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 6. Taxation

	31.10.18 £'000	31.10.17 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	88	47
Current tax charge	88	47
Deferred tax – origination and reversal of timing differences (note 6c)	3	1
Total taxation (note 6b)	91	48

#### 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%) (31.10.17: 20%). The difference is explained below:

	31.10.18 £'000	31.10.17 £'000
Net revenue before taxation	728	437
Corporation tax at 20%	146	87
Effects of:		
Non-taxable dividends	(63)	(39)
Rebated capital expenses deductible for tax purposes	8	–
Total tax charge (note 6a)	91	48

#### c) Deferred tax

Provision at the start of the year	3	2
Deferred tax charge in the year (note 6a)	3	1
Provision at the end of the year	6	3

#### 7. Distributions

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

	31.10.18 £'000	31.10.17 £'000
Final	721	531
	721	531

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

	31.10.18 £'000	31.10.17 £'000
Add: Revenue deducted on redemption of shares	37	7
Deduct: Revenue received on issue of shares	(113)	(149)
Net distribution for the year	<u>645</u>	<u>389</u>

Details of the distributions per share are set out in the table on pages 244 and 245.

#### 8. Debtors

	31.10.18 £'000	31.10.17 £'000
Amounts receivable for issue of shares	415	344
Sales awaiting settlement	–	1
Accrued revenue:		
Non-taxable dividends	141	95
Taxable dividends	–	12
UK property income distributions	23	–
Unfranked interest	31	14
AMC rebates from underlying investments	25	20
	220	141
Taxation recoverable:		
Income tax	25	22
Total debtors	<u>660</u>	<u>508</u>

#### 9. Cash and Bank Balances

	31.10.18 £'000	31.10.17 £'000
Bank balances	<u>1,670</u>	<u>551</u>
Total cash and bank balances	<u>1,670</u>	<u>551</u>

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 10. Creditors

	31.10.18 £'000	31.10.17 £'000
Distribution payable	137	128
<b>Other Creditors</b>		
Amounts payable for redemption of shares	140	29
Purchases awaiting settlement	1,258	239
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	22	17
Administration fees	5	3
	27	20
Taxation payable:		
Corporation tax	88	47
Other expenses	–	1
Total other creditors	1,513	336

#### 11. Related Party Transactions

Annual Management Charge and administration fees payable to Link Fund Solutions Limited ('the ACD') are disclosed in note 5 and amounts due at the year end are disclosed in note 10.

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 232 and amounts due at the year end are disclosed in notes 8 and 10.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions or its associates) held 130,141 (31.10.17: 76,071) 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 5,009,821 (31.10.17: 5,000,000) of the Fund's shares at the balance sheet date.

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

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 no shareholder held in excess of 20% of the shares in issue of the Fund.

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 Link Fund Solutions Limited is also the ACD. At the balance sheet date the value of the holdings were as follows:

	31.10.18 £'000	31.10.17 £'000
Portfolio Manager in common	23,344	17,803

### 12. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.17: none).

### 13. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.35%	1.35%	–
Opening shares in issue	250	4,361	–
Issues	–	7,118	10,071
Redemptions	–	(7,118)	–
Conversions	–	–	–
Closing shares in issue	250	4,361	10,071

  

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.60%	0.60%	0.85%
Opening shares in issue	5,437,561	6,132,407	11,743,112
Issues	602,974	6,539,838	4,593,729
Redemptions	(92,732)	(834,121)	(2,464,467)
Conversions	–	–	–
Closing shares in issue	5,947,803	11,838,124	13,872,374

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 14. 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 Efficient Portfolio Management (including 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.

##### (A) 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.

##### (B) 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.

The Fund invests in collective investment schemes and as such does not have any significant direct exposure to interest rate risk. The Fund may indirectly be exposed to interest rate risk through its investment in collective investment schemes. As the Fund has no direct exposure to interest rate risk, no interest rate risk table or sensitivity analysis has been presented.

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### (C) 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. 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.

#### (D) 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 31.10.18, leverage under the gross method was 0.98:1 and leverage under the commitment method was 1:1 (31.10.17: 0.98:1 and 1:1 respectively).

#### (E) LIQUIDITY RISK

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions 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.

#### (F) 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.

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £1,838,000 (31.10.17: £1,361,000). A 5% decrease would have an equal and opposite effect.

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### (G) DERIVATIVES

The Fund held no derivatives of a material nature during the current or prior year.

#### 15. Portfolio Transaction Costs

31.10.18	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	902	1	1	904
Collective investment schemes	11,008	–	–	11,008
Purchases total	<u>11,910</u>	<u>1</u>	<u>1</u>	<u>11,912</u>
<i>Transaction cost % of purchases total</i>		<i>0.01%</i>	<i>0.01%</i>	
<i>Transaction cost % of average NAV</i>		<i>–</i>	<i>0.01%</i>	
Collective investment schemes	1,555	–	–	1,555
Sales total	<u>1,555</u>	<u>–</u>	<u>–</u>	<u>1,555</u>
<i>Transaction cost % of sales total</i>		<i>–</i>	<i>–</i>	
<i>Transaction cost % of average NAV</i>		<i>–</i>	<i>–</i>	

Average portfolio dealing spread at 31.10.18 is 0.15% (31.10.17: 0.15%).

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
<b>31.10.17</b>				
Ordinary shares	140	–	–	140
Collective investment schemes	14,522	–	–	14,522
Purchases total	<u>14,662</u>	<u>–</u>	<u>–</u>	<u>14,662</u>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	235	–	–	235
Sales total	<u>235</u>	<u>–</u>	<u>–</u>	<u>235</u>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

### 16. Fair Value Hierarchy

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

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within Level 1;

**Level 3:** Valuation techniques using unobservable inputs.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>31.10.18</b>				
Investment assets	<u>2,122</u>	<u>34,602</u>	<u>31</u>	<u>36,755</u>
<b>31.10.17</b>				
Investment assets	<u>1,076</u>	<u>26,145</u>	<u>–</u>	<u>27,221</u>

## LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE

for the year ended 31 October 2018 – 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	01.11.17
To	31.10.18

#### 'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	2.1280	–	2.1280	2.1720
Group 2	2.1280	0.0000	2.1280	2.1720

#### 'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	1.6638	–	1.6638	1.9062
Group 2	0.9847	0.6791	1.6638	1.9062

#### 'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18
Group 1	1.3965	–	1.3965
Group 2	0.9485	0.4480	1.3965

#### 'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	2.3010	–	2.3010	2.3497
Group 2	0.9959	1.3051	2.3010	2.3497

**LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO**  
**FINANCIAL STATEMENTS** *continued*  
**DISTRIBUTION TABLE** *continued*

'P' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	2.4096	–	2.4096	2.4145
Group 2	1.3762	1.0334	2.4096	2.4145

'R' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	2.1519	–	2.1519	2.1701
Group 2	1.3414	0.8105	2.1519	2.1701

## **LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO ACD'S REPORT**

for the year ended 31 October 2018

### **Important Information**

Refer to the 'Important Information' section on pages 12 and 13.

### **Investment Objective and Policy**

The LF 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.

### **LINK FUND SOLUTIONS LIMITED**

ACD of LF Prudential Dynamic Focused 20-55 Portfolio  
*20 February 2019*

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2018

Between 1 November 2017 and 31 October 2018 (the period in review) share classes R (Acc) -1.51%<sup>1</sup> and P (Acc) -1.39%<sup>1</sup> produced returns ahead of the -1.74%<sup>1</sup> sector average for IA Mixed Investment 20-60% Shares. Share class A (Acc) -1.86%<sup>1</sup> lagged slightly.

#### Economic Overview

An escalating trade war between the US and China was very much at the forefront of investors' minds towards the end of the period in review. Despite the prospects of import duties being applied to a significant volume of products both from China into the US and vice versa, so far at least, economic growth in both countries remains resilient. For the latest quarter available (to end-June 2018) the US economy grew by an annualised 4.2%, while China's grew by 6.7%. On the other hand, the eurozone disappointed and the economy within the single currency area expanded at a slower rate than in the first quarter of 2018. During the third quarter, monetary policy was tightened in the US and UK (interest rates were raised by a quarter point in both countries). In contrast, central banks in Japan and the eurozone remain committed to maintaining loose monetary policies for the time being.

#### Market Overview

2018 began strongly for most stockmarkets; many reached record highs before falling sharply, seemingly on concern about US inflation. Investors were then buffeted by unsettling factors, including potential interest rate increases, political uncertainty in the US, growing trade tensions and possible regulatory changes for leading technology companies.

October was a very challenging month for equity markets. The S&P 500 had its worst month since 2011 falling almost 7%. The FTSE All Share was down over 5% and in other regions the Euro Stoxx 50 fell 7% and the Nikkei 224 around 9%.

There were several factors at play that may have caused this sharp change in investor sentiment over the month including continued US and China trade tensions, Brexit, the health of the Italian economy and concerns that earnings growth may have peaked.

At this stage of the economic cycle volatility is to be expected but behind the headlines the global economy is still growing, albeit at a slower rate and Q3 earnings season has been positive.

#### UK

It was a disappointing period for UK company shares. Having reached record highs in Q2 2018, both the FTSE 100 and the FTSE 250 indices ended the period in review lower. As expected, the Bank of England raised interest rates in August by a quarter of a point to 0.75%. UK employment is at a record high, and with limited spare

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

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

capacity, real wages are picking up. Encouragingly, economic growth accelerated in the second quarter compared to the first three months of the year. Brexit uncertainty remains at the forefront of investors' minds and contributed to sterling's decline over the quarter, although the currency stabilised by the end of September.

Returns from the Legal & General UK Index Trust were in line with the performance of the FTSE All-Share index.

#### North America

Aside from February and March the US stockmarket had enjoyed a strong year up until October, with both the S&P 500 Index and the technology-heavy NASDAQ Composite reaching all-time highs before suffering heavy losses towards the end of the period in review. Company earnings for the quarter ending June 2018 were well received by investors; however, interestingly, the fortunes of some of the largest technology-related companies began to diverge. Notably, electronic consumer goods giant Apple became the first company to reach to a market capitalisation of one trillion dollars, whereas the share price of social media company Facebook fell on concerns over slowing user and advertising growth.

Returns from the Legal & General US Index Trust were in line with the performance of the FTSE USA index.

#### Europe

Share prices started 2018 strongly before succumbing to fears about higher US interest rates, a potential trade war and sharp falls in the share prices of technology groups. After a better Q2, performance of European stockmarkets was disappointing in the third quarter, with company shares facing several headwinds. Meanwhile, banking shares were volatile on worries over their exposure to the Turkish economy. Economic growth in the eurozone also disappointed, with gross domestic product increasing by its weakest rate in two years. Weak economic data supports the view that the European Central Bank will be patient in winding down its crisis-era monetary support.

Returns from the Legal & General European Index Trust were in line with the performance of the FTSE World Europe ex UK index.

#### Japan

Having reached its highest level for 26 years in January 2018, the Japanese stockmarket fell back very sharply during the rest of the first quarter of 2018 and ended with a significant decline, in yen terms. After modest gains in Q2 2018, Japanese shares made solid gains in the third quarter, performing particularly well in September, before a very poor October irradiated these gains.

Returns from the Legal & General Japan Index Trust were in line with the performance of the FTSE Japan index.

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

#### Asia ex Japan

The first few months of 2018 were negative for the Asia Pacific region as a whole, with investors focussing on the ramifications of a trade war between the US and China. This theme continued over the rest of the period in review. As the US and China proposed additional tariffs on each other's products, investors worried about the impact on the global economy. Rising interest rates in the US and the continued appreciation of the US dollar also dampened investor sentiment towards Asian assets.

Returns from the Legal & General Pacific Index Trust were in line with the performance of the FTSE World Asia Pacific ex Japan index.

#### UK and Global Bonds

Early in 2018 higher US wage growth had raised concerns about increased inflationary pressures, which caused a sharp sell-off in US Treasuries. As risk aversion built up later in Q1, government bonds benefited from their safe haven status, meaning that the yields on bonds issued by Japan and Germany returned to remarkably low, or even negative, levels. Similarly in Q2 political turmoil in Italy also led to a rally in gilts and other perceived safe haven assets.

UK government bonds (gilts) declined over the third quarter of 2018 as higher-than-expected inflation readings and some robust economic data helped push 10-year yields above 1.6% for the first time since February 2018. Meanwhile, the Bank of England raised interest rates from 0.5% to 0.75%, although the widely anticipated move had limited market impact. UK corporate bonds held up relatively well as improved investor sentiment helped support valuations.

The M&G Strategic Corporate Bond, M&G Global High Yield Bond, M&G European Corporate Bond and M&G Global Convertibles funds all produced small negative returns over the period in review. The M&G European Loan fund was marginally positive.

#### UK Property

During the period in review UK commercial property generated a reasonably strong total return; however, gains are more modest compared to the same period in 2017. Capital value and rental value growth continue to be strongest in Industrials, driven by demand for well-located fulfilment centres and smaller distribution units. Conversely, capital values continue to fall in the Retail sector, reflecting the challenging trading environment.

The performance of the M&G Property Portfolio continues to be positive.

#### Emerging Markets

There was a wide disparity of returns in the first months of 2018. Africa, Asia and the Middle East declined, while Latin America rallied. Emerging market stocks continued to come under pressure towards the end of the period in review as a crisis in Turkey, fears of a global trade war and a rising US dollar dampened investor sentiment. The trade dispute between the US and China continued to escalate and as the US raised interest rates again and the dollar appreciated, investors' enthusiasm for emerging market assets weakened.

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

Returns from the Legal & General Global Emerging Markets Index Trust were in line with the performance of the FTSE All World Emerging index.

#### Alternatives

Overall performance of the alternatives holdings was positive over the period in review. Several holdings, HgCapital, The Renewables Infrastructure Group and BBGI posted double digit returns.

#### Positioning

Aside from day to day portfolio management activities there were no significant changes to the underlying portfolios, although following the market falls in early February and October the funds took or maintained overweight positions in developed market equities on the basis that fundamentals were still strong, and the move down had been episodic. This proved profitable in February and the recent overweight position is still held as at the time of writing.

In May, the portfolio manager took small positions in Italian Banks as he thought the market reaction to the political situation was overdone and a good entry point for a sector with improving fundamentals, and which has underperformed the broader European market for several years.

Shares in UniCredit and Intesa Sanpaolo were acquired as these 2 stocks represent 80% of the Italian Banking index.

#### Outlook

Global growth is now diverging but aggregate growth is still positive, albeit slower than at the beginning of the year. The US Federal Reserve continues to lead the interest rate tightening cycle but will reach a crucial point in the next 18 months. Inflation is receiving a boost from oil prices but that could fade into next year if prices stay at current levels.

#### M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager  
15 November 2018

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 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.

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.

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 average yield tend to be less liquid and have a lower credit rating. Investment in 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.

The Fund may also invest indirectly in property. Property investments may be harder to buy and sell than other asset types.

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

The value of investments, and the income from them, will fluctuate. This will cause the fund price to fall as well as rise and you may not get back what you originally invested.

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.linkfundsolutions.co.uk](http://www.linkfundsolutions.co.uk), by following the link 'Fund Information'.

## LF 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.

#### 'A' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	141.31	133.58	120.01
Return before operating charges*	0.68	12.31	17.05
Operating charges	(2.32)	(2.27)	(1.94)
Return after operating charges	(1.64)	10.04	15.11
Distributions	(2.31)	(2.31)	(1.54)
Closing net asset value per share	137.36	141.31	133.58
* after direct transaction costs of:	0.01	–	–

#### PERFORMANCE

Return after charges	(1.16)%	7.52%	12.59%
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#### OTHER INFORMATION

Closing net asset value (£'000)	272	332	301
Closing number of shares	198,000	235,096	225,489
Operating charges	1.63% <sup>1</sup>	1.64%	1.59%
Direct transaction costs	0.01%	–	–

#### PRICES

Highest share price	145.36	144.06	136.28
Lowest share price	137.67	130.41	115.24

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	170.67	158.74	140.95
Return before operating charges*	0.68	14.63	20.09
Operating charges	(2.79)	(2.70)	(2.30)
Return after operating charges	(2.11)	11.93	17.79
Distributions	(2.66)	(2.75)	(2.14)
Retained distributions on accumulation shares	2.66	2.75	2.14
Closing net asset value per share	168.56	170.67	158.74
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(1.24)%	7.52%	12.62%
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##### OTHER INFORMATION

Closing net asset value (£'000)	9,892	10,601	11,285
Closing number of shares	5,868,494	6,211,459	7,109,287
Operating charges	1.63% <sup>1</sup>	1.64%	1.59%
Direct transaction costs	0.01%	–	–

##### PRICES

Highest share price	175.43	171.06	159.98
Lowest share price	166.27	154.98	135.26

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	140.98	133.22	119.91
Return before operating charges*	0.17	11.98	16.85
Operating charges	(0.40)	(0.40)	(0.30)
Return after operating charges	(0.23)	11.58	16.55
Distributions	(3.75)	(3.82)	(3.24)
Closing net asset value per share	137.00	140.98	133.22
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(0.16)%	8.69%	13.80%
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##### OTHER INFORMATION

Closing net asset value (£'000)	66,770	68,019	63,776
Closing number of shares	48,737,926	48,248,285	47,871,491
Operating charges	0.28% <sup>1</sup>	0.29%	0.24%
Direct transaction costs	0.01%	–	–

##### PRICES

Highest share price	146.28	145.23	137.64
Lowest share price	137.94	130.19	115.50

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'P' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	119.23	112.69	101.44
Return before operating charges*	0.30	10.24	14.36
Operating charges	(1.06)	(1.04)	(0.88)
Return after operating charges	(0.76)	9.20	13.48
Distributions	(2.59)	(2.66)	(2.23)
Closing net asset value per share	115.88	119.23	112.69
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(0.64)%	8.16%	13.29%
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##### OTHER INFORMATION

Closing net asset value (£'000)	5,362	4,681	3,595
Closing number of shares	4,627,027	3,925,710	3,190,657
Operating charges	0.88% <sup>1</sup>	0.89%	0.84%
Direct transaction costs	0.01%	–	–

##### PRICES

Highest share price	123.35	122.37	116.01
Lowest share price	116.44	110.07	97.70

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'P' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	130.73	120.86	106.66
Return before operating charges*	0.33	10.99	15.12
Operating charges	(1.16)	(1.12)	(0.92)
Return after operating charges	(0.83)	9.87	14.20
Distributions	(2.84)	(2.86)	(2.34)
Retained distributions on accumulation shares	2.84	2.86	2.34
Closing net asset value per share	129.90	130.73	120.86
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(0.63)%	8.17%	13.31%
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##### OTHER INFORMATION

Closing net asset value (£'000)	74,306	53,898	41,522
Closing number of shares	57,202,108	41,227,361	34,354,208
Operating charges	0.88% <sup>1</sup>	0.89%	0.84%
Direct transaction costs	0.01%	–	–

##### PRICES

Highest share price	135.17	131.17	121.96
Lowest share price	127.68	118.06	102.71

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'R' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	151.28	140.14	123.93
Return before operating charges*	0.45	12.80	17.61
Operating charges	(1.72)	(1.66)	(1.40)
Return after operating charges	(1.27)	11.14	16.21
Distributions	(2.97)	(3.02)	(2.49)
Retained distributions on accumulation shares	2.97	3.02	2.49
Closing net asset value per share	150.01	151.28	140.14
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(0.84)%	7.95%	13.08%
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##### OTHER INFORMATION

Closing net asset value (£'000)	24,266	19,926	13,119
Closing number of shares	16,175,576	13,171,964	9,361,120
Operating charges	1.13% <sup>1</sup>	1.14%	1.09%
Direct transaction costs	0.01%	–	–

##### PRICES

Highest share price	156.06	151.68	141.30
Lowest share price	147.62	136.87	119.15

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

**LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO**  
**ACD'S REPORT** *continued*  
**FUND INFORMATION** *continued*

**Fund Performance to 31 October 2018 (%)**

	1 year	3 years	5 years
LF Prudential Dynamic Focused 20-55 Portfolio	(1.86)	19.78	24.75

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 year end, rather than the year end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 275 and 276.

**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.

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
	EQUITY PORTFOLIOS – 40.45% (31.10.17 – 40.56%)		
	CONTINENTAL EUROPE – 6.35% (31.10.17 – 6.56%)		
4,301,610	Legal & General European Index	11,481	6.35
	TOTAL CONTINENTAL EUROPE	11,481	6.35
	UNITED KINGDOM – 16.09% (31.10.17 – 15.83%)		
18,683,885	Legal & General UK Index	29,110	16.09
	TOTAL UNITED KINGDOM	29,110	16.09
	ASIA EX JAPAN – 6.39% (31.10.17 – 6.60%)		
11,566,048	Legal & General Pacific Index	11,549	6.39
	TOTAL ASIA EX JAPAN	11,549	6.39
	JAPAN – 2.85% (31.10.17 – 2.95%)		
9,850,590	Legal & General Japan Index	5,165	2.85
	TOTAL JAPAN	5,165	2.85
	NORTH AMERICA – 6.80% (31.10.17 – 6.32%)		
2,864,727	Legal & General US Index	12,295	6.80
	TOTAL NORTH AMERICA	12,295	6.80
	EMERGING MARKETS – 1.97% (31.10.17 – 2.30%)		
6,877,852	Legal & General Global Emerging Markets Index	3,565	1.97
	TOTAL EMERGING MARKETS	3,565	1.97
	TOTAL EQUITY PORTFOLIOS	73,165	40.45
	EQUITY INVESTMENT INSTRUMENTS – 7.25% (31.10.17 – 4.87%)		
1,241,783	BBGI	1,869	1.03
747,199	BioPharma Credit	608	0.34
546,860	Blue Capital Alternative Income	289	0.16
68,600	Boussard & Gavaudan	1,064	0.59
563,054	DP Aircraft I	450	0.25
185,352	HarbourVest Global Private Equity	2,528	1.40

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
47,201	HgCapital	925	0.51
1,020,061	Intesa Sanpaolo <sup>2</sup>	1,766	0.98
416,369	NB Distressed Debt Investment	311	0.17
597,852	NextEnergy Solar	658	0.36
757,576	Renewables Infrastructure	861	0.48
177,453	UniCredit <sup>2</sup>	1,780	0.98
	TOTAL EQUITY INVESTMENT INSTRUMENTS	<u>13,109</u>	<u>7.25</u>
	PROPERTY PORTFOLIOS – 14.96% (31.10.17 – 14.23%)		
2,291,121	M&G Property Portfolio <sup>1</sup>	27,050	14.96
	TOTAL PROPERTY PORTFOLIOS	<u>27,050</u>	<u>14.96</u>
	BOND PORTFOLIOS – 36.02% (31.10.17 – 40.10%)		
7,521,575	M&G European Corporate Bond <sup>1</sup>	8,399	4.64
28,083	M&G European Loan <sup>1</sup>	2,471	1.37
630,492	M&G Global Convertibles <sup>1</sup>	1,347	0.74
4,730,429	M&G Global High Yield Bond <sup>1</sup>	6,153	3.40
10,713,144	M&G Short Dated Corporate Bond <sup>1</sup>	2,735	1.51
37,044,105	M&G Strategic Corporate Bond <sup>1</sup>	42,793	23.66
11,767	Merrill Lynch AQR Global Relative Value	1,258	0.70
	TOTAL BOND PORTFOLIOS	<u>65,156</u>	<u>36.02</u>
	Portfolio of investments	178,480	98.68
	Net other assets	2,388	1.32
	Net assets	<u>180,868</u>	<u>100.00</u>

The investments have been valued in accordance with note 1(F) of the Accounting Policies and are collective investment schemes unless stated otherwise.

<sup>1</sup> Related party holding (see note 11).

<sup>2</sup> Ordinary shares.

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### ACD'S REPORT *continued*

### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 October 2018

Total purchases for the year £'000 (note 15)	44,963	Total sales for the year £'000 (note 15)	19,443
	Cost £'000		Proceeds £'000
Major purchases		Major sales	
Legal & General UK Index	7,856	M&G Short Dated Corporate Bond	4,323
M&G Strategic Corporate Bond	7,133	M&G Strategic Corporate Bond	3,716
M&G Property Portfolio	4,260	S&P 500 E Mini Futures March 2018	2,706
Legal & General Pacific Index	2,906	Euro Stoxx 50 Index Futures March 2018	2,690
Euro Stoxx 50 Index Futures March 2018	2,567	Legal & General UK Index	2,165
S&P 500 E Mini Futures March 2018	2,565	Legal & General US Index	779
Intesa Sanpaolo	2,213	Legal & General Pacific Index	696
Legal & General European Index	2,190	Merrill Lynch AQR Global Relative Value	554
UniCredit	2,173	M&G European Loan	550
Legal & General US Index	2,033	HarbourVest Global Private Equity	323

Purchases and sales of Futures have been included at the value of their exposure.

The summary of material portfolio changes represents the 10 largest purchases and sales during the year.

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO FINANCIAL STATEMENTS

### STATEMENT OF TOTAL RETURN

for the year ended 31 October 2018

	Notes	£'000	31.10.18 £'000	£'000	31.10.17 £'000
Income:					
Net capital (losses)/gains	3		(5,156)		8,090
Revenue	4	5,583		4,801	
Expenses	5	(1,061)		(834)	
Net revenue before taxation		4,522		3,967	
Taxation	6	(463)		(395)	
Net revenue after taxation			4,059		3,572
<b>Total return before distributions</b>			(1,097)		11,662
Distributions	7		(4,091)		(3,574)
<b>Change in net assets attributable to shareholders from investment activities</b>			(5,188)		8,088

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2018

	£'000	31.10.18 £'000	£'000	31.10.17 £'000
<b>Opening net assets attributable to shareholders</b>		157,457		133,598
Amounts receivable on issue of shares	43,266		33,343	
Amounts payable on redemption of shares	(16,928)		(19,318)	
		26,338		14,025
Change in net assets attributable to shareholders from investment activities		(5,188)		8,088
Retained distributions on Accumulation shares		2,261		1,746
<b>Closing net assets attributable to shareholders</b>		180,868		157,457

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

#### BALANCE SHEET

as at 31 October 2018

	Notes	31.10.18 £'000	31.10.17 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		178,480	157,077
<b>Current assets</b>			
Debtors	8	2,233	1,763
Cash and bank balances	9	7,632	1,221
<b>Total assets</b>		<u>188,345</u>	<u>160,061</u>
<b>LIABILITIES</b>			
<b>Provisions for liabilities</b>			
		(36)	(22)
<b>Creditors</b>			
Distribution payable	10	(1,952)	(1,955)
Other creditors	10	(5,489)	(627)
<b>Total liabilities</b>		<u>(7,477)</u>	<u>(2,604)</u>
<b>Net assets attributable to shareholders</b>		<u>180,868</u>	<u>157,457</u>

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2018

#### 1. Accounting Policies

The accounting policies described on pages 22 to 24 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. Distribution Policies

The distribution policies described on page 24 have been applied to the financial statements of the Fund in the current and prior year.

#### 3. Net Capital (Losses)/Gains

The net capital (losses)/gains during the year comprise:

	31.10.18 £'000	31.10.17 £'000
Non-derivative securities	(5,581)	8,092
Derivative contracts	254	–
Transaction charges	(1)	(1)
AMC rebates from underlying investments	164	–
Currency gains/(losses)	8	(1)
Net capital (losses)/gains	<u>(5,156)</u>	<u>8,090</u>

The net capital (losses)/gains figure includes realised gains of £812,000 and unrealised gains of £13,767,000 (31.10.17: includes realised gains of £1,110,000 and unrealised gains of £19,898,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 4. Revenue

	31.10.18 £'000	31.10.17 £'000
Non-taxable dividends	2,375	1,992
Taxable dividends	–	28
UK property income distributions	803	637
Unfranked interest	1,570	1,298
AMC rebates from underlying investments	834	846
Bank interest	1	–
Total revenue	<u>5,583</u>	<u>4,801</u>

#### 5. Expenses

	31.10.18 £'000	31.10.17 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	774	592
Administration fees	265	219
	1,039	811
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	15	14
Safe custody and other bank charges	1	–
	16	14
Other expenses:		
Audit fees	6	9
Total expenses	<u>1,061</u>	<u>834</u>

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

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 6. Taxation

	31.10.18 £'000	31.10.17 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	449	405
Adjustments in respect of prior periods	1	–
Current tax charge	451	405
Deferred tax – origination and reversal of timing differences (note 6c)	13	(10)
Total taxation (note 6b)	463	395

#### 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%) (31.10.17: 20%). The difference is explained below:

	31.10.18 £'000	31.10.17 £'000
Net revenue before taxation	4,522	3,967
Corporation tax at 20%	904	793
Effects of:		
Non-taxable dividends	(475)	(398)
Rebated capital expenses deductible for tax purposes	33	–
Corporation tax: adjustment in respect of prior years	1	–
Total tax charge (note 6a)	463	395

#### c) Deferred tax

Provision at the start of the year	22	32
Deferred tax charge in the year (note 6a)	14	(10)
Provision at the end of the year	36	22

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 7. Distributions

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

	31.10.18 £'000	31.10.17 £'000
Final	4,213	3,701
	<u>4,213</u>	<u>3,701</u>
Add: Revenue deducted on redemption of shares	176	176
Deduct: Revenue received on issue of shares	(298)	(303)
Net distribution for the year	<u>4,091</u>	<u>3,574</u>

Details of the distributions per share are set out in the table on pages 275 and 276.

	31.10.18 £'000	31.10.17 £'000
Distributions represented by:		
Net revenue after taxation	4,058	3,572
Allocations to capital:		
Tax relief to/from capital	33	–
Equalisation on conversions <sup>1</sup>	–	2
Net distribution for the year	<u>4,091</u>	<u>3,574</u>

<sup>1</sup> 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.

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 8. Debtors

	31.10.18 £'000	31.10.17 £'000
Amounts receivable for issue of shares	889	725
Sales awaiting settlement	–	7
Accrued revenue:		
Non-taxable dividends	975	775
Taxable dividends	–	105
UK property income distributions	143	–
Unfranked interest	85	–
AMC rebates from underlying investments	105	129
	1,308	1,009
Taxation recoverable:		
Income tax	36	22
Total debtors	<u>2,233</u>	<u>1,763</u>

#### 9. Cash and Bank Balances

	31.10.18 £'000	31.10.17 £'000
Bank balances	7,632	1,221
Total cash and bank balances	<u>7,632</u>	<u>1,221</u>

#### 10. Creditors

	31.10.18 £'000	31.10.17 £'000
Distribution payable	<u>1,952</u>	<u>1,955</u>
<b>Other Creditors</b>		
Amounts payable for redemption of shares	358	339
Purchases awaiting settlement	4,777	–

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

	31.10.18 £'000	31.10.17 £'000
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	70	56
Administration fees	23	20
	93	76
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	1	1
Taxation payable:		
Corporation tax	252	201
Other expenses	8	10
Total other creditors	<u>5,489</u>	<u>627</u>

### 11. Related Party Transactions

Annual Management Charge and administration fees payable to Link Fund Solutions Limited ('the ACD') are disclosed in note 5 and amounts due at the year end are disclosed in note 10.

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 262 and amounts due at the year end are disclosed in notes 8 and 10.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions or its associates) held 431,308 (31.10.17: 345,265) 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 48,737,676 (31.10.17: 48,248,035) 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	26.95% (31.10.17: 42.69%)
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## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

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 Link Fund Solutions Limited is also the ACD. At the balance sheet date the value of the holdings were as follows:

	31.10.18 £'000	31.10.17 £'000
Portfolio Manager in common	90,948	84,127

### 12. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.17: none).

### 13. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.35%	1.35%	–
Opening shares in issue	235,096	6,211,459	48,248,285
Issues	47,252	166,251	7,584,395
Redemptions	(84,348)	(509,216)	(7,094,754)
Conversions	–	–	–
Closing shares in issue	198,000	5,868,494	48,737,926

  

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.60%	0.60%	0.85%
Opening shares in issue	3,925,710	41,227,361	13,171,964
Issues	1,045,315	19,075,901	4,043,742
Redemptions	(343,998)	(2,856,904)	(1,251,746)
Conversions	–	(244,250)	211,616
Closing shares in issue	4,627,027	57,202,108	16,175,576

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 14. 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 Efficient Portfolio Management (including 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.

##### (A) 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.

##### (B) 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.

The Fund invests in collective investment schemes and as such does not have any significant direct exposure to interest rate risk. The Fund may indirectly be exposed to interest rate risk through its investment in collective investment schemes. As the Fund has no direct exposure to interest rate risk, no interest rate risk table or sensitivity analysis has been presented.

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### (C) 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. 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.

#### (D) 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 31.10.18, leverage under the gross method was 0.99:1 and leverage under the commitment method was 1:1 (31.10.17: 1:1 and 1:1 respectively).

#### (E) LIQUIDITY RISK

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions 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.

#### (F) 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.

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £8,924,000 (31.10.17: £7,854,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

The Fund held no derivatives of a material nature during the current or prior year.

### 15. Portfolio Transaction Costs

31.10.18	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	4,584	2	4	4,590
Collective investment schemes	35,239	1	1	35,241
Purchases total	<u>39,823</u>	<u>3</u>	<u>5</u>	<u>39,831</u>
<i>Transaction cost % of purchases total</i>		0.01%	0.01%	
<i>Transaction cost % of average NAV</i>		–	0.01%	
Ordinary shares	–	–	–	–
Collective investment schemes	14,047	1	–	14,048
Sales total	<u>14,047</u>	<u>1</u>	<u>–</u>	<u>14,048</u>
<i>Transaction cost % of sales total</i>		0.01%	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.18 is 0.20% (31.10.17: 0.08%).

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

31.10.17	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	573	–	–	573
Collective investment schemes	18,686	1	–	18,687
Purchases total	<u>19,259</u>	<u>1</u>	<u>–</u>	<u>19,260</u>
<i>Transaction cost % of purchases total</i>		<i>0.01%</i>	–	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	608	–	–	608
Collective investment schemes	4,356	–	–	4,356
Sales total	<u>4,964</u>	<u>–</u>	<u>–</u>	<u>4,964</u>
<i>Transaction cost % of sales total</i>		<i>0.01%</i>	–	
<i>Transaction cost % of average NAV</i>		–	–	

### 16. Fair Value Hierarchy

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

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within Level 1;

**Level 3:** Valuation techniques using unobservable inputs.

31.10.18	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	<u>12,162</u>	<u>166,029</u>	<u>289</u>	<u>178,480</u>
31.10.17	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	<u>7,676</u>	<u>149,401</u>	<u>–</u>	<u>157,077</u>

## LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE

for the year ended 31 October 2018 – 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	01.11.17
To	31.10.18

#### 'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	2.2061	–	2.2061	2.3145
Group 2	2.2061	0.0000	2.2061	2.3145

#### 'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	2.6595	–	2.6595	2.7477
Group 2	1.7958	0.8637	2.6595	2.7477

#### 'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	3.7507	–	3.7507	3.8229
Group 2	3.1688	0.5819	3.7507	3.8229

#### 'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	2.5888	–	2.5888	2.6644
Group 2	1.6428	0.9460	2.5888	2.6644

**LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO**  
**FINANCIAL STATEMENTS** *continued*  
**DISTRIBUTION TABLE** *continued*

'P' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	2.8380	–	2.8380	2.8570
Group 2	1.9172	0.9208	2.8380	2.8570

'R' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	2.9743	–	2.9743	3.0169
Group 2	1.8383	1.1360	2.9743	3.0169

## **LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO ACD'S REPORT**

for the year ended 31 October 2018

### **Important Information**

Refer to the 'Important Information' section on pages 12 and 13.

### **Investment Objective and Policy**

The LF 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.

### **LINK FUND SOLUTIONS LIMITED**

ACD of LF Prudential Dynamic Focused 40-80 Portfolio  
*20 February 2019*

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2018

Between 1 November 2017 and 31 October 2018 (the period in review) share classes R (Acc) -1.40%<sup>1</sup> and P (Acc) -1.20%<sup>1</sup> produced returns ahead of the -1.51%<sup>1</sup> sector average for IA Mixed Investment 40-85% Shares. The A (Acc) share class was behind the sector average returning -1.79%<sup>1</sup>.

#### Economic Overview

An escalating trade war between the US and China was very much at the forefront of investors' minds towards the end of the period in review. Despite the prospects of import duties being applied to a significant volume of products both from China into the US and vice versa, so far at least, economic growth in both countries remains resilient. For the latest quarter available (to end-June 2018) the US economy grew by an annualised 4.2%, while China's grew by 6.7%. On the other hand, the eurozone disappointed and the economy within the single currency area expanded at a slower rate than in the first quarter of 2018. During the third quarter, monetary policy was tightened in the US and UK (interest rates were raised by a quarter point in both countries). In contrast, central banks in Japan and the eurozone remain committed to maintaining loose monetary policies for the time being.

#### Market Overview

2018 began strongly for most stockmarkets; many reached record highs before falling sharply, seemingly on concern about US inflation. Investors were then buffeted by unsettling factors, including potential interest rate increases, political uncertainty in the US, growing trade tensions and possible regulatory changes for leading technology companies.

October was a very challenging month for equity markets. The S&P 500 had its worst month since 2011 falling almost 7%. The FTSE All Share was down over 5% and in other regions the Euro Stoxx 50 fell 7% and the Nikkei 224 around 9%.

There were several factors at play that may have caused this sharp change in investor sentiment over the month including continued US and China trade tensions, Brexit, the health of the Italian economy and concerns that earnings growth may have peaked.

At this stage of the economic cycle volatility is to be expected but behind the headlines the global economy is still growing, albeit at a slower rate and Q3 earnings season has been positive.

#### UK

It was a disappointing period for UK company shares. Having reached record highs in Q2 2018, both the FTSE 100 and the FTSE 250 indices ended the period in review lower. As expected, the Bank of England raised interest rates in August by a quarter of a point to 0.75%. UK employment is at a record high, and with limited spare

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

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

capacity, real wages are picking up. Encouragingly, economic growth accelerated in the second quarter compared to the first three months of the year. Brexit uncertainty remains at the forefront of investors' minds and contributed to sterling's decline over the quarter, although the currency stabilised by the end of September.

Returns from the Legal & General UK Index Trust were in line with the performance of the FTSE All-Share index.

#### North America

Aside from February and March the US stockmarket had enjoyed a strong year up until October, with both the S&P 500 Index and the technology-heavy NASDAQ Composite reaching all-time highs before suffering heavy losses towards the end of the period in review. Company earnings for the quarter ending June 2018 were well received by investors; however, interestingly, the fortunes of some of the largest technology-related companies began to diverge. Notably, electronic consumer goods giant Apple became the first company to reach to a market capitalisation of one trillion dollars, whereas the share price of social media company Facebook fell on concerns over slowing user and advertising growth.

Returns from the Legal & General US Index Trust were in line with the performance of the FTSE USA index.

#### Europe

Share prices started 2018 strongly before succumbing to fears about higher US interest rates, a potential trade war and sharp falls in the share prices of technology groups. After a better Q2, performance of European stockmarkets was disappointing in the third quarter, with company shares facing several headwinds. Meanwhile, banking shares were volatile on worries over their exposure to the Turkish economy. Economic growth in the eurozone also disappointed, with gross domestic product increasing by its weakest rate in two years. Weak economic data supports the view that the European Central Bank will be patient in winding down its crisis-era monetary support.

Returns from the Legal & General European Index Trust were in line with the performance of the FTSE World Europe ex UK index.

#### Japan

Having reached its highest level for 26 years in January 2018, the Japanese stockmarket fell back very sharply during the rest of the first quarter of 2018 and ended with a significant decline, in yen terms. After modest gains in Q2 2018, Japanese shares made solid gains in the third quarter, performing particularly well in September, before a very poor October irradiated these gains.

Returns from the Legal & General Japan Index Trust were in line with the performance of the FTSE Japan index.

## **LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO**

### **ACD'S REPORT** *continued*

### **PORTFOLIO MANAGER'S REPORT** *continued*

#### **Asia ex Japan**

The first few months of 2018 were negative for the Asia Pacific region as a whole, with investors focussing on the ramifications of a trade war between the US and China. This theme continued over the rest of the period in review. As the US and China proposed additional tariffs on each other's products, investors worried about the impact on the global economy. Rising interest rates in the US and the continued appreciation of the US dollar also dampened investor sentiment towards Asian assets.

Returns from the Legal & General Pacific Index Trust were in line with the performance of the FTSE World Asia Pacific ex Japan index.

#### **UK and Global Bonds**

Early in 2018 higher US wage growth had raised concerns about increased inflationary pressures, which caused a sharp sell-off in US Treasuries. As risk aversion built up later in Q1, government bonds benefited from their safe haven status, meaning that the yields on bonds issued by Japan and Germany returned to remarkably low, or even negative, levels. Similarly in Q2 political turmoil in Italy also led to a rally in gilts and other perceived safe haven assets.

UK government bonds (gilts) declined over the third quarter of 2018 as higher-than-expected inflation readings and some robust economic data helped push 10-year yields above 1.6% for the first time since February 2018. Meanwhile, the Bank of England raised interest rates from 0.5% to 0.75%, although the widely anticipated move had limited market impact. UK corporate bonds held up relatively well as improved investor sentiment helped support valuations.

The M&G Strategic Corporate Bond, M&G Global High Yield Bond, M&G European Corporate Bond and M&G Global Convertibles funds all produced small negative returns over the period in review. The M&G European Loan fund was marginally positive.

#### **UK Property**

During the period in review UK commercial property generated a reasonably strong total return; however, gains are more modest compared to the same period in 2017. Capital value and rental value growth continue to be strongest in Industrials, driven by demand for well-located fulfilment centres and smaller distribution units. Conversely, capital values continue to fall in the Retail sector, reflecting the challenging trading environment.

The performance of the M&G Property Portfolio continues to be positive.

#### **Emerging Markets**

There was a wide disparity of returns in the first months of 2018. Africa, Asia and the Middle East declined, while Latin America rallied. Emerging market stocks continued to come under pressure towards the end of the period in review as a crisis in Turkey, fears of a global trade war and a rising US dollar dampened investor sentiment. The trade dispute between the US and China continued to escalate and as the US raised interest rates again and the dollar appreciated, investors' enthusiasm for emerging market assets weakened.

## **LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO**

### **ACD'S REPORT** *continued*

### **PORTFOLIO MANAGER'S REPORT** *continued*

Returns from the Legal & General Global Emerging Markets Index Trust were in line with the performance of the FTSE All World Emerging index.

#### **Alternatives**

Overall performance of the alternatives holdings was positive over the period in review. Several holdings, HgCapital, The Renewables Infrastructure Group and BBGI posted double digit returns.

#### **Positioning**

Aside from day to day portfolio management activities there were no significant changes to the underlying portfolios, although following the market falls in early February and October the funds took or maintained overweight positions in developed market equities on the basis that fundamentals were still strong, and the move down had been episodic. This proved profitable in February and the recent overweight position is still held as at the time of writing.

In May, the portfolio manager took small positions in Italian Banks as he thought the market reaction to the political situation was overdone and a good entry point for a sector with improving fundamentals, and which has underperformed the broader European market for several years.

Shares in UniCredit and Intesa Sanpaolo were acquired as these 2 stocks represent 80% of the Italian Banking index.

#### **Outlook**

Global growth is now diverging but aggregate growth is still positive, albeit slower than at the beginning of the year. The US Federal Reserve continues to lead the interest rate tightening cycle but will reach a crucial point in the next 18 months. Inflation is receiving a boost from oil prices but that could fade into next year if prices stay at current levels.

#### **M&G INVESTMENT MANAGEMENT LIMITED**

Portfolio Manager  
15 November 2018

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 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.

As this Fund has less than 5 years' price history, this calculation incorporates the volatility of an appropriate benchmark index.

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.

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 average yield tend to be less liquid and have a lower credit rating. Investment in 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.

The fund may also invest indirectly in property. Property investments may be harder to buy and sell than other asset types.

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

The value of investments, and the income from them, will fluctuate. This will cause the Fund price to fall as well as rise and you may not get back what you originally invested.

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.linkfundsolutions.co.uk](http://www.linkfundsolutions.co.uk), by following the link 'Fund Information'.

## LF 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.

#### 'A' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	120.41	112.55	100.65
Return before operating charges*	0.71	11.53	14.88
Operating charges	(1.98)	(1.97)	(1.64)
Return after operating charges	(1.27)	9.56	13.24
Distributions	(1.74)	(1.70)	(1.34)
Closing net asset value per share	117.40	120.41	112.55
* after direct transaction costs of:	0.01	–	–

#### PERFORMANCE

Return after charges	(1.06)%	8.49%	13.15%
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#### OTHER INFORMATION

Closing net asset value (£'000)	5	4	–
Closing number of shares	3,656	3,656	250
Operating charges	1.64% <sup>1</sup>	1.65%	1.59%
Direct transaction costs	0.01%	–	–

#### PRICES

Highest share price	125.08	122.69	117.52
Lowest share price	117.09	109.40	101.85

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	124.58	114.82	101.32
Return before operating charges*	0.72	11.72	15.16
Operating charges	(2.04)	(1.96)	(1.66)
Return after operating charges	(1.32)	9.76	13.50
Distributions	(1.83)	(1.75)	(1.44)
Retained distributions on accumulation shares	1.83	1.75	1.44
Closing net asset value per share	123.26	124.58	114.82
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(1.06)%	8.50%	13.32%
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##### OTHER INFORMATION

Closing net asset value (£'000)	22	2	–
Closing number of shares	18,044	1,463	250
Operating charges	1.64% <sup>1</sup>	1.65%	1.59%
Direct transaction costs	0.01%	–	–

##### PRICES

Highest share price	129.38	125.14	115.92
Lowest share price	121.10	111.61	95.11

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 <sup>1</sup> pence per share
Opening net asset value per share	100.00
Return before operating charges*	1.58
Operating charges	(0.16)
Return after operating charges	1.42
Distributions	(1.63)
Closing net asset value per share	99.79
* after direct transaction costs of:	0.01

##### PERFORMANCE

Return after charges	1.42%
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##### OTHER INFORMATION

Closing net asset value (£'000)	10
Closing number of shares	9,917
Operating charges <sup>2,3</sup>	0.29% <sup>2,3</sup>
Direct transaction costs	0.01%

##### PRICES

Highest share price	105.96
Lowest share price	100.00

<sup>1</sup> From 17 April 2018.

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

<sup>3</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'P' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	120.62	112.68	100.65
Return before operating charges*	0.52	11.41	14.97
Operating charges	(1.08)	(1.06)	(0.87)
Return after operating charges	(0.56)	10.35	14.10
Distributions	(2.48)	(2.41)	(2.07)
Closing net asset value per share	117.58	120.62	112.68
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(0.47)%	9.19%	14.01%
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##### OTHER INFORMATION

Closing net asset value (£'000)	6,620	6,401	5,756
Closing number of shares	5,630,948	5,306,724	5,108,021
Operating charges	0.89% <sup>1</sup>	0.90%	0.84%
Direct transaction costs	0.01%	–	–

##### PRICES

Highest share price	125.84	123.55	115.82
Lowest share price	117.54	109.60	94.60

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'P' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	126.31	115.69	101.45
Return before operating charges*	0.54	11.71	15.15
Operating charges	(1.13)	(1.09)	(0.91)
Return after operating charges	(0.59)	10.62	14.24
Distributions	(2.60)	(2.47)	(2.10)
Retained distributions on accumulation shares	2.60	2.47	2.10
Closing net asset value per share	125.72	126.31	115.69
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(0.47)%	9.18%	14.04%
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##### OTHER INFORMATION

Closing net asset value (£'000)	22,534	12,491	2,673
Closing number of shares	17,923,911	9,888,775	2,310,195
Operating charges	0.89% <sup>1</sup>	0.90%	0.84%
Direct transaction costs	0.01%	–	–

##### PRICES

Highest share price	131.74	126.82	116.75
Lowest share price	123.05	112.52	95.36

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'R' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	125.73	115.39	101.39
Return before operating charges*	0.60	11.73	15.16
Operating charges	(1.44)	(1.39)	(1.16)
Return after operating charges	(0.84)	10.34	14.00
Distributions	(2.33)	(2.22)	(1.86)
Retained distributions on accumulation shares	2.33	2.22	1.86
Closing net asset value per share	124.89	125.73	115.39
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(0.67)%	8.96%	13.81%
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##### OTHER INFORMATION

Closing net asset value (£'000)	7,750	4,360	1,709
Closing number of shares	6,205,444	3,467,456	1,481,209
Operating charges	1.14% <sup>1</sup>	1.15%	1.09%
Direct transaction costs	0.01%	–	–

##### PRICES

Highest share price	130.95	126.26	116.47
Lowest share price	122.40	112.21	95.25

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

**LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO**  
**ACD'S REPORT** *continued*  
**FUND INFORMATION** *continued*

**Fund Performance to 31 October 2018 (%)**

	1 year	3 years	Since launch <sup>1</sup>
LF Prudential Dynamic Focused 40-80 Portfolio	(1.79)	21.07	22.69

<sup>1</sup> 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 year end, rather than the year end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 305 and 306.

**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.

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
	EQUITY PORTFOLIOS – 51.89% (31.10.17 – 51.63%)		
	CONTINENTAL EUROPE – 8.19% (31.10.17 – 7.99%)		
1,134,007	Legal & General European Index	3,027	8.19
	TOTAL CONTINENTAL EUROPE	3,027	8.19
	UNITED KINGDOM – 20.67% (31.10.17 – 19.98%)		
4,899,995	Legal & General UK Index	7,634	20.67
	TOTAL UNITED KINGDOM	7,634	20.67
	ASIA EX JAPAN – 8.16% (31.10.17 – 8.66%)		
3,019,404	Legal & General Pacific Index	3,015	8.16
	TOTAL ASIA EX JAPAN	3,015	8.16
	JAPAN – 3.62% (31.10.17 – 4.02%)		
2,550,858	Legal & General Japan Index	1,337	3.62
	TOTAL JAPAN	1,337	3.62
	NORTH AMERICA – 8.62% (31.10.17 – 7.86%)		
742,175	Legal & General US Index	3,185	8.62
	TOTAL NORTH AMERICA	3,185	8.62
	EMERGING MARKETS – 2.63% (31.10.17 – 3.12%)		
1,872,617	Legal & General Global Emerging Markets Index	971	2.63
	TOTAL EMERGING MARKETS	971	2.63
	TOTAL EQUITY PORTFOLIOS	19,169	51.89
	EQUITY INVESTMENT INSTRUMENTS – 8.98% (31.10.17 – 6.46%)		
366,511	BBGI	552	1.49
197,582	BioPharma Credit	161	0.44
84,660	Blue Capital Alternative Income	45	0.12
19,400	Boussard & Gavaudan	301	0.81
136,815	DP Aircraft I	109	0.29

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
51,913	HarbourVest Global Private Equity	708	1.92
11,959	HgCapital	234	0.63
204,267	Intesa Sanpaolo <sup>2</sup>	354	0.96
114,416	NB Distressed Debt Investment	85	0.23
166,031	NextEnergy Solar	183	0.50
202,364	Renewables Infrastructure	230	0.62
35,618	UniCredit <sup>2</sup>	357	0.97
	TOTAL EQUITY INVESTMENT INSTRUMENTS	3,319	8.98
	PROPERTY PORTFOLIOS – 17.00% (31.10.17 – 16.15%)		
531,810	M&G Property Portfolio <sup>1</sup>	6,279	17.00
	TOTAL PROPERTY PORTFOLIOS	6,279	17.00
	BOND PORTFOLIOS – 21.51% (31.10.17 – 25.20%)		
929,826	M&G European Corporate Bond <sup>1</sup>	1,038	2.81
2,691	M&G European Loan <sup>1</sup>	237	0.64
64,358	M&G Global Convertibles <sup>1</sup>	138	0.38
741,975	M&G Global High Yield Bond <sup>1</sup>	965	2.61
435,023	M&G Short Dated Corporate Bond <sup>1</sup>	111	0.30
4,401,633	M&G Strategic Corporate Bond <sup>1</sup>	5,085	13.77
3,462	Merrill Lynch AQR Global Relative Value	370	1.00
	TOTAL BOND PORTFOLIOS	7,944	21.51
	Portfolio of investments	36,711	99.38
	Net other assets	230	0.62
	Net assets	36,941	100.00

The investments have been valued in accordance with note 1(F) of the Accounting Policies and are collective investment schemes unless stated otherwise.

<sup>1</sup> Related party holding (see note 11).

<sup>2</sup> Ordinary shares.

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

### ACD'S REPORT *continued*

### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 October 2018

Total purchases for the year £'000 (note 15)	16,770	Total sales for the year £'000 (note 15)	2,160
	Cost		Proceeds
<b>Major purchases</b>	<b>£'000</b>	<b>Major sales</b>	<b>£'000</b>
Legal & General UK Index	3,717	M&G Short Dated Corporate Bond	1,291
M&G Property Portfolio	2,404	Euro Stoxx 50 Index Futures March 2018	433
M&G Strategic Corporate Bond	1,867	S&P 500 E Mini Futures March 2018	401
Legal & General European Index	1,569	Legal & General UK Index	309
Legal & General Pacific Index	1,276	M&G Strategic Corporate Bond	193
Legal & General US Index	1,176	Legal & General European Index	147
M&G Short Dated Corporate Bond	934	M&G European Loan	105
M&G European Corporate Bond	495	Legal & General US Index	55
Legal & General Japan Index	453	CATCo Reinsurance Opportunities	46
Intesa Sanpaolo	440	NB Distressed Debt Investment	9

In addition to above, purchases totalling £27,153,000 and sales totalling £27,153,000 were made in short term investments during the year.

Sales of Futures have been included at the value of their exposure.

The summary of material portfolio changes represents the 10 largest purchases and sales during the year.

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO FINANCIAL STATEMENTS

### STATEMENT OF TOTAL RETURN

for the year ended 31 October 2018

	Notes	£'000	31.10.18 £'000	£'000	31.10.17 £'000
Income:					
Net capital (losses)/gains	3		(1,017)		1,013
Revenue	4	966		505	
Expenses	5	(254)		(130)	
Net revenue before taxation		712		375	
Taxation	6	(38)		(18)	
Net revenue after taxation			674		357
<b>Total return before distributions</b>			(343)		1,370
Distributions	7		(681)		(357)
<b>Change in net assets attributable to shareholders from investment activities</b>			(1,024)		1,013

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2018

	£'000	31.10.18 £'000	£'000	31.10.17 £'000
<b>Opening net assets attributable to shareholders</b>		23,258		10,138
Amounts receivable on issue of shares	16,198		12,529	
Amounts payable on redemption of shares	(2,101)		(743)	
		14,097		11,786
Change in net assets attributable to shareholders from investment activities		(1,024)		1,013
Retained distributions on Accumulation shares		610		321
<b>Closing net assets attributable to shareholders</b>		36,941		23,258

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

#### BALANCE SHEET

as at 31 October 2018

	Notes	31.10.18 £'000	31.10.17 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		36,711	23,127
<b>Current assets</b>			
Debtors	8	690	365
Cash and bank balances	9	117	269
<b>Total assets</b>		<u>37,518</u>	<u>23,761</u>
<b>LIABILITIES</b>			
<b>Provisions for liabilities</b>			
		(8)	(4)
<b>Creditors</b>			
Distribution payable	10	(140)	(128)
Other creditors	10	(429)	(371)
<b>Total liabilities</b>		<u>(577)</u>	<u>(503)</u>
<b>Net assets attributable to shareholders</b>		<u>36,941</u>	<u>23,258</u>

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2018

#### 1. Accounting Policies

The accounting policies described on page 23 to 25 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. Distribution Policies

The distribution policies described on page 24 have been applied to the financial statements of the Fund in the current and prior year.

#### 3. Net Capital (Losses)/Gains

The net capital (losses)/gains during the year comprise:

	31.10.18 £'000	31.10.17 £'000
Non-derivative securities	(1,090)	1,014
Derivative contracts	39	–
Transaction charges	(1)	(1)
AMC rebates from underlying investments	33	–
Currency gains	2	–
Net capital (losses)/gains	<u>(1,017)</u>	<u>1,013</u>

The net capital (losses)/gains figure includes realised gains of £3,000 and unrealised gains of £850,000 (31.10.17: includes realised gains of £58,000 and unrealised gains of £1,902,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 4. Revenue

	31.10.18 £'000	31.10.17 £'000
Non-taxable dividends	553	287
Taxable dividends	–	11
UK property income distributions	151	61
Unfranked interest	160	77
AMC rebates from underlying investments	101	69
Bank interest	1	–
Total revenue	<u>966</u>	<u>505</u>

#### 5. Expenses

	31.10.18 £'000	31.10.17 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	203	104
Administration fees	47	24
	250	128
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	3	2
Safe custody and other bank charges	1	–
	4	2
Total expenses	<u>254</u>	<u>130</u>

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

The audit fee of £6,000 (31.10.17: £8,000) and tax fee of £nil (31.10.17: £1,000) are borne by the ACD.

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 6. Taxation

	31.10.18 £'000	31.10.17 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	34	16
Current tax charge	34	16
Deferred tax – origination and reversal of timing differences (note 6c)	4	2
Total taxation (note 6b)	38	18

#### 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%) (31.10.17: 20%). The difference is explained below:

	31.10.18 £'000	31.10.17 £'000
Net revenue before taxation	712	375
Corporation tax at 20%	142	75
Effects of:		
Non-taxable dividends	(111)	(57)
Rebated capital expenses deductible for tax purposes	7	–
Total tax charge (note 6a)	38	18

#### c) Deferred tax

Provision at the start of the year	4	2
Deferred tax charge in the year (note 6a)	4	2
Provision at the end of the year	8	4

#### 7. Distributions

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

	31.10.18 £'000	31.10.17 £'000
Final	750	449
	750	449

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

	31.10.18 £'000	31.10.17 £'000
Add: Revenue deducted on redemption of shares	24	7
Deduct: Revenue received on issue of shares	(93)	(99)
Net distribution for the year	<u>681</u>	<u>357</u>

Details of the distributions per share are set out in the table on pages 305 and 306.

	31.10.18 £'000	31.10.17 £'000
Distributions represented by:		
Net revenue after taxation	674	357
Allocations to capital:		
Tax relief to/from capital	7	–
Net distribution for the year	<u>681</u>	<u>357</u>

## 8. Debtors

	31.10.18 £'000	31.10.17 £'000
Amounts receivable for issue of shares	78	174
Sales awaiting settlement	256	2
Accrued revenue:		
Non-taxable dividends	274	142
Taxable dividends	–	14
UK property income distributions	33	–
Unfranked interest	1	–
AMC rebates from underlying investments	16	14
	<u>324</u>	<u>170</u>
Taxation recoverable:		
Income tax	32	19
Total debtors	<u>690</u>	<u>365</u>

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 9. Cash and Bank Balances

	31.10.18 £'000	31.10.17 £'000
Bank balances	117	269
Total cash and bank balances	117	269

#### 10. Creditors

	31.10.18 £'000	31.10.17 £'000
Distribution payable	140	128
<b>Other Creditors</b>		
Amounts payable for redemption of shares	113	–
Purchases awaiting settlement	256	339
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	21	12
Administration fees	5	3
	26	15
Taxation payable:		
Corporation tax	34	16
Other expenses	–	1
Total other creditors	429	371

#### 11. Related Party Transactions

Annual Management Charge and administration fees payable to Link Fund Solutions Limited ('the ACD') are disclosed in note 5 and amounts due at the year end are disclosed in note 10.

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 293 and amounts due at the year end are disclosed in notes 8 and 10.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions or its associates) held 102,505 (31.10.17: 14,991) 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 5,009,667 (31.10.17: 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 no shareholder held in excess of 20% of the shares in issue of the Fund.

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 Link Fund Solutions Limited is also the ACD. At the balance sheet date the value of the holdings were as follows:

	31.10.18 £'000	31.10.17 £'000
Portfolio Manager in common	13,853	9,305

## 12. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.17: none).

## 13. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.35%	1.35%	–
Opening shares in issue	3,656	1,463	–
Issues	–	21,419	9,917
Redemptions	–	(4,838)	–
Closing shares in issue	3,656	18,044	9,917

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

	‘P’ Income	‘P’ Accumulation	‘R’ Accumulation
Annual Management Charge	0.60%	0.60%	0.85%
Opening shares in issue	5,306,724	9,888,775	3,467,456
Issues	345,446	9,409,060	3,021,550
Redemptions	<u>(21,222)</u>	<u>(1,373,924)</u>	<u>(283,562)</u>
Closing shares in issue	<u>5,630,948</u>	<u>17,923,911</u>	<u>6,205,444</u>

#### 14. 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 Efficient Portfolio Management (including 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.

##### (A) 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.

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### (B) 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.

The Fund invests in collective investment schemes and as such does not have any significant direct exposure to interest rate risk. The Fund may indirectly be exposed to interest rate risk through its investment in collective investment schemes. As the Fund has no direct exposure to interest rate risk, no interest rate risk table or sensitivity analysis has been presented.

#### (C) 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. 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.

#### (D) 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 31.10.18, leverage under the gross method was 0.99:1 and leverage under the commitment method was 1:1 (31.10.17: 0:99 and 1:1 respectively).

#### (E) LIQUIDITY RISK

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions 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.

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### (F) 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.

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £1,836,000 (31.10.17: £1,156,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

The Fund held no derivatives of a material nature during the current or prior year.

### 15. Portfolio Transaction Costs

31.10.18	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	992	–	1	993
Collective investment schemes	15,775	1	1	15,777
Purchases total	<u>16,767</u>	<u>1</u>	<u>2</u>	<u>16,770</u>
<i>Transaction cost % of purchases total</i>		0.01%	0.01%	
<i>Transaction cost % of average NAV</i>		–	0.01%	
Collective investment schemes	2,160	–	–	2,160
Sales total	<u>2,160</u>	<u>–</u>	<u>–</u>	<u>2,160</u>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.18 is 0.25% (31.10.17: 0.26%).

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
<b>31.10.17</b>				
Ordinary shares	191	–	–	191
Collective investment schemes	12,793	–	–	12,793
Purchases total	<u>12,984</u>	<u>–</u>	<u>–</u>	<u>12,984</u>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	715	–	–	715
Sales total	<u>715</u>	<u>–</u>	<u>–</u>	<u>715</u>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

## 16. Fair Value Hierarchy

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

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within Level 1;

**Level 3:** Valuation techniques using unobservable inputs.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>31.10.18</b>				
Investment assets	<u>3,091</u>	<u>33,575</u>	<u>45</u>	<u>36,711</u>
<b>31.10.17</b>				
Investment assets	<u>1,502</u>	<u>21,625</u>	<u>–</u>	<u>23,127</u>

## LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE

for the year ended 31 October 2018 – 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	01.11.17
To	31.10.18

#### 'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	1.7379	–	1.7379	1.7004
Group 2	1.7379	0.0000	1.7379	1.7004

#### 'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
1.6988	1.8338	–	1.8338	1.7517
1.3228	1.5712	0.2626	1.8338	1.7517

#### 'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18
Group 1	1.6275	–	1.6275
Group 2	1.2515	0.3760	1.6275

#### 'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	2.4763	–	2.4763	2.4066
Group 2	1.5214	0.9549	2.4763	2.4066

**LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO**  
**FINANCIAL STATEMENTS** *continued*  
**DISTRIBUTION TABLE** *continued*

'P' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	2.5951	–	2.5951	2.4725
Group 2	1.9828	0.6123	2.5951	2.4725

'R' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	2.3298	–	2.3298	2.2240
Group 2	1.4749	0.8549	2.3298	2.2240

## **LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO ACD'S REPORT**

for the year ended 31 October 2018

### **Important Information**

Refer to the 'Important Information' section on pages 12 and 13.

### **Investment Objective and Policy**

The LF 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.

### **LINK FUND SOLUTIONS LIMITED**

ACD of LF Prudential Dynamic Focused 60-100 Portfolio  
*20 February 2019*

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2018

Between 1 November 2017 and 31 October 2018 (the period in review) share classes R (Acc) -1.40%<sup>1</sup> and P (Acc) -1.20%<sup>1</sup> and produced returns ahead of the -1.72%<sup>1</sup> sector average for IA Flexible Investment. Share class A (Acc) returned -1.77%<sup>1</sup>.

#### Economic Overview

An escalating trade war between the US and China was very much at the forefront of investors' minds towards the end of the period in review. Despite the prospects of import duties being applied to a significant volume of products both from China into the US and vice versa, so far at least, economic growth in both countries remains resilient. For the latest quarter available (to end-June 2018) the US economy grew by an annualised 4.2%, while China's grew by 6.7%. On the other hand, the eurozone disappointed and the economy within the single currency area expanded at a slower rate than in the first quarter of 2018. During the third quarter, monetary policy was tightened in the US and UK (interest rates were raised by a quarter point in both countries). In contrast, central banks in Japan and the eurozone remain committed to maintaining loose monetary policies for the time being.

#### Market Overview

2018 began strongly for most stockmarkets; many reached record highs before falling sharply, seemingly on concern about US inflation. Investors were then buffeted by unsettling factors, including potential interest rate increases, political uncertainty in the US, growing trade tensions and possible regulatory changes for leading technology companies.

October was a very challenging month for equity markets. The S&P 500 had its worst month since 2011 falling almost 7%. The FTSE All Share was down over 5% and in other regions the Euro Stoxx 50 fell 7% and the Nikkei 224 around 9%.

There were several factors at play that may have caused this sharp change in investor sentiment over the month including continued US and China trade tensions, Brexit, the health of the Italian economy and concerns that earnings growth may have peaked.

At this stage of the economic cycle volatility is to be expected but behind the headlines the global economy is still growing, albeit at a slower rate and Q3 earnings season has been positive.

#### UK

It was a disappointing period for UK company shares. Having reached record highs in Q2 2018, both the FTSE 100 and the FTSE 250 indices ended the period in review lower. As expected, the Bank of England raised interest rates in August by a quarter of a point to 0.75%. UK employment is at a record high, and with limited spare

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

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

capacity, real wages are picking up. Encouragingly, economic growth accelerated in the second quarter compared to the first three months of the year. Brexit uncertainty remains at the forefront of investors' minds and contributed to sterling's decline over the quarter, although the currency stabilised by the end of September.

Returns from the Legal & General UK Index Trust were in line with the performance of the FTSE All-Share index.

#### North America

Aside from February and March the US stockmarket had enjoyed a strong year up until October, with both the S&P 500 Index and the technology-heavy NASDAQ Composite reaching all-time highs before suffering heavy losses towards the end of the period in review. Company earnings for the quarter ending June 2018 were well received by investors; however, interestingly, the fortunes of some of the largest technology-related companies began to diverge. Notably, electronic consumer goods giant Apple became the first company to reach to a market capitalisation of one trillion dollars, whereas the share price of social media company Facebook fell on concerns over slowing user and advertising growth.

Returns from the Legal & General US Index Trust were in line with the performance of the FTSE USA index.

#### Europe

Share prices started 2018 strongly before succumbing to fears about higher US interest rates, a potential trade war and sharp falls in the share prices of technology groups. After a better Q2, performance of European stockmarkets was disappointing in the third quarter, with company shares facing several headwinds. Meanwhile, banking shares were volatile on worries over their exposure to the Turkish economy. Economic growth in the eurozone also disappointed, with gross domestic product increasing by its weakest rate in two years. Weak economic data supports the view that the European Central Bank will be patient in winding down its crisis-era monetary support.

Returns from the Legal & General European Index Trust were in line with the performance of the FTSE World Europe ex UK index.

#### Japan

Having reached its highest level for 26 years in January 2018, the Japanese stockmarket fell back very sharply during the rest of the first quarter of 2018 and ended with a significant decline, in yen terms. After modest gains in Q2 2018, Japanese shares made solid gains in the third quarter, performing particularly well in September, before a very poor October irradiated these gains.

Returns from the Legal & General Japan Index Trust were in line with the performance of the FTSE Japan index.

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

#### Asia ex Japan

The first few months of 2018 were negative for the Asia Pacific region as a whole, with investors focussing on the ramifications of a trade war between the US and China. This theme continued over the rest of the period in review. As the US and China proposed additional tariffs on each other's products, investors worried about the impact on the global economy. Rising interest rates in the US and the continued appreciation of the US dollar also dampened investor sentiment towards Asian assets.

Returns from the Legal & General Pacific Index Trust were in line with the performance of the FTSE World Asia Pacific ex Japan index.

#### UK and Global Bonds

Early in 2018 higher US wage growth had raised concerns about increased inflationary pressures, which caused a sharp sell-off in US Treasuries. As risk aversion built up later in Q1, government bonds benefited from their safe haven status, meaning that the yields on bonds issued by Japan and Germany returned to remarkably low, or even negative, levels. Similarly in Q2 political turmoil in Italy also led to a rally in gilts and other perceived safe haven assets.

UK government bonds (gilts) declined over the third quarter of 2018 as higher-than-expected inflation readings and some robust economic data helped push 10-year yields above 1.6% for the first time since February 2018. Meanwhile, the Bank of England raised interest rates from 0.5% to 0.75%, although the widely anticipated move had limited market impact. UK corporate bonds held up relatively well as improved investor sentiment helped support valuations.

The M&G Strategic Corporate Bond, M&G Global High Yield Bond, M&G European Corporate Bond and M&G Global Convertibles funds all produced small negative returns over the period in review.

#### UK Property

During the period in review UK commercial property generated a reasonably strong total return; however, gains are more modest compared to the same period in 2017. Capital value and rental value growth continue to be strongest in Industrials, driven by demand for well-located fulfilment centres and smaller distribution units. Conversely, capital values continue to fall in the Retail sector, reflecting the challenging trading environment.

The performance of the M&G Property Portfolio continues to be positive.

#### Emerging Markets

There was a wide disparity of returns in the first months of 2018. Africa, Asia and the Middle East declined, while Latin America rallied. Emerging market stocks continued to come under pressure towards the end of the period in review as a crisis in Turkey, fears of a global trade war and a rising US dollar dampened investor sentiment. The trade dispute between the US and China continued to escalate and as the US raised interest rates again and the dollar appreciated, investors' enthusiasm for emerging market assets weakened.

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

Returns from the Legal & General Global Emerging Markets Index Trust were in line with the performance of the FTSE All World Emerging index.

#### Alternatives

Overall performance of the alternatives holdings was positive over the period in review. Several holdings, HgCapital, The Renewables Infrastructure Group and BBGI posted double digit returns.

#### Positioning

Aside from day to day portfolio management activities there were no significant changes to the underlying portfolios, although following the market falls in early February and October the funds took or maintained overweight positions in developed market equities on the basis that fundamentals were still strong, and the move down had been episodic. This proved profitable in February and the recent overweight position is still held as at the time of writing.

In May, the portfolio manager took small positions in Italian Banks as he thought the market reaction to the political situation was overdone and a good entry point for a sector with improving fundamentals, and which has underperformed the broader European market for several years.

Shares in UniCredit and Intesa Sanpaolo were acquired as these 2 stocks represent 80% of the Italian Banking index.

#### Outlook

Global growth is now diverging but aggregate growth is still positive, albeit slower than at the beginning of the year. The US Federal Reserve continues to lead the interest rate tightening cycle but will reach a crucial point in the next 18 months. Inflation is receiving a boost from oil prices but that could fade into next year if prices stay at current levels.

#### M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager  
15 November 2018

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 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 the volatility has been measured as average.

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

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.

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 average yield tend to be less liquid and have a lower credit rating. Investment in 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.

The Fund may also invest indirectly in property. Property investments may be harder to buy and sell than other asset types.

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

The value of investments, and the income from them, will fluctuate. This will cause the fund price to fall as well as rise and you may not get back what you originally invested.

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.linkfundsolutions.co.uk](http://www.linkfundsolutions.co.uk), by following the link 'Fund Information'.

## LF 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.

#### 'A' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	124.60	114.90	101.00
Return before operating charges*	0.98	13.53	16.66
Operating charges	(2.02)	(1.99)	(1.71)
Return after operating charges	(1.04)	11.54	14.95
Distributions	(1.93)	(1.84)	(1.05)
Closing net asset value per share	121.63	124.60	114.90
* after direct transaction costs of:	0.01	–	–

#### PERFORMANCE

Return after charges	(0.84)%	10.04%	14.80%
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#### OTHER INFORMATION

Closing net asset value (£'000)	3	–	–
Closing number of shares	2,431	250	250
Operating charges	1.62% <sup>1</sup>	1.65%	1.64%
Direct transaction costs	0.01%	0.01%	–

#### PRICES

Highest share price	130.74	127.11	117.35
Lowest share price	120.69	111.98	93.77

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	128.72	117.03	101.85
Return before operating charges*	1.02	13.73	16.90
Operating charges	(2.10)	(2.04)	(1.72)
Return after operating charges	(1.08)	11.69	15.18
Distributions	(1.89)	(1.73)	(1.30)
Retained distributions on accumulation shares	1.89	1.73	1.30
Closing net asset value per share	127.64	128.72	117.03
* after direct transaction costs of:	0.01	-	-

##### PERFORMANCE

Return after charges	(0.84)%	9.99%	14.90%
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##### OTHER INFORMATION

Closing net asset value (£'000)	4	3	-
Closing number of shares	3,136	1,770	250
Operating charges	1.62% <sup>1</sup>	1.65%	1.64%
Direct transaction costs	0.01%	0.01%	-

##### PRICES

Highest share price	135.15	129.52	118.52
Lowest share price	124.74	114.13	94.60

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 <sup>1</sup> pence per share
Opening net asset value per share	100.00
Return before operating charges*	2.06
Operating charges	(0.16)
Return after operating charges	1.90
Distributions	(1.72)
Closing net asset value per share	100.18
* after direct transaction costs of:	0.01

##### PERFORMANCE

Return after charges	1.90%
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##### OTHER INFORMATION

Closing net asset value (£'000)	10
Closing number of shares	9,829
Operating charges <sup>2,3</sup>	0.28%
Direct transaction costs	0.01%

##### PRICES

Highest share price	107.30
Lowest share price	99.98

<sup>1</sup> From 17 April 2018.

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

<sup>3</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'P' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	124.80	114.98	101.01
Return before operating charges*	0.80	13.32	16.81
Operating charges	(1.13)	(1.09)	(0.93)
Return after operating charges	(0.33)	12.23	15.88
Distributions	(2.54)	(2.41)	(1.91)
Closing net asset value per share	121.93	124.80	114.98
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(0.27)%	10.64%	15.72%
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##### OTHER INFORMATION

Closing net asset value (£'000)	6,765	6,538	5,754
Closing number of shares	5,548,399	5,238,915	5,003,210
Operating charges	0.89% <sup>1</sup>	0.90%	0.89%
Direct transaction costs	0.01%	0.01%	–

##### PRICES

Highest share price	131.55	127.91	118.23
Lowest share price	121.18	112.13	93.97

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'P' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	130.65	118.10	101.95
Return before operating charges*	0.82	13.68	17.14
Operating charges	(1.17)	(1.13)	(0.99)
Return after operating charges	(0.35)	12.55	16.15
Distributions	(2.66)	(2.48)	(2.01)
Retained distributions on accumulation shares	2.66	2.48	2.01
Closing net asset value per share	130.30	130.65	118.10
* after direct transaction costs of:	0.01	-	-

##### PERFORMANCE

Return after charges	(0.27)%	10.63%	15.84%
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##### OTHER INFORMATION

Closing net asset value (£'000)	18,676	11,668	493
Closing number of shares	14,333,726	8,930,803	417,726
Operating charges	0.89% <sup>1</sup>	0.90%	0.89%
Direct transaction costs	0.01%	0.01%	-

##### PRICES

Highest share price	137.66	131.32	119.42
Lowest share price	126.81	115.17	94.91

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'R' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.18 pence per share	31.10.17 pence per share	31.10.16 pence per share
Opening net asset value per share	129.94	117.69	101.89
Return before operating charges*	0.88	13.68	17.01
Operating charges	(1.49)	(1.43)	(1.21)
Return after operating charges	(0.61)	12.25	15.80
Distributions	(2.40)	(2.22)	(1.72)
Retained distributions on accumulation shares	2.40	2.22	1.72
Closing net asset value per share	129.33	129.94	117.69
* after direct transaction costs of:	0.01	-	-

##### PERFORMANCE

Return after charges	(0.47)%	10.41%	15.51%
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##### OTHER INFORMATION

Closing net asset value (£'000)	4,650	2,104	688
Closing number of shares	3,595,186	1,619,288	584,531
Operating charges	1.14% <sup>1</sup>	1.15%	1.14%
Direct transaction costs	0.01%	0.01%	-

##### PRICES

Highest share price	136.72	130.63	119.03
Lowest share price	126.03	114.75	94.74

<sup>1</sup> The figure differs to the estimated Ongoing Charges Figure reported for the purposes of the Key Investor Information Document due to the changes effective 21 January 2019 as mentioned in the Important Information section on pages 12 and 13.

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Fund Performance to 31 October 2018 (%)

	1 year	3 years	Since launch <sup>1</sup>
LF Prudential Dynamic Focused 60-100 Portfolio	(1.77)	25.95	26.94

<sup>1</sup> 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 year end, rather than the year end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 335 and 336.

#### 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.

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
	EQUITY PORTFOLIOS – 63.97% (31.10.17 – 64.61%)		
	CONTINENTAL EUROPE – 10.16% (31.10.17 – 10.38%)		
1,146,573	Legal & General European Index	3,060	10.16
	TOTAL CONTINENTAL EUROPE	3,060	10.16
	UNITED KINGDOM – 25.51% (31.10.17 – 25.23%)		
4,930,561	Legal & General UK Index	7,682	25.51
	TOTAL UNITED KINGDOM	7,682	25.51
	ASIA EX JAPAN – 10.13% (31.10.17 – 10.38%)		
3,054,188	Legal & General Pacific Index	3,050	10.13
	TOTAL ASIA EX JAPAN	3,050	10.13
	JAPAN – 4.56% (31.10.17 – 4.85%)		
2,617,624	Legal & General Japan Index	1,372	4.56
	TOTAL JAPAN	1,372	4.56
	NORTH AMERICA – 10.50% (31.10.17 – 10.21%)		
736,875	Legal & General US Index	3,163	10.50
	TOTAL NORTH AMERICA	3,163	10.50
	EMERGING MARKETS – 3.11% (31.10.17 – 3.56%)		
1,808,234	Legal & General Global Emerging Markets Index	937	3.11
	TOTAL EMERGING MARKETS	937	3.11
	TOTAL EQUITY PORTFOLIOS	19,264	63.97
	EQUITY INVESTMENT INSTRUMENTS – 10.04% (31.10.17 – 7.05%)		
332,992	BBGI	501	1.66
187,841	BioPharma Credit	153	0.51
80,465	Blue Capital Alternative Income	43	0.14
17,900	Boussard & Gavaudan	278	0.92
124,505	DP Aircraft I	99	0.33

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 October 2018

Holding	Portfolio of Investments	Value £'000	31.10.18 %
50,683	HarbourVest Global Private Equity	691	2.30
11,374	HgCapital	223	0.74
160,037	Intesa Sanpaolo <sup>2</sup>	277	0.92
103,022	NB Distressed Debt Investment	77	0.26
160,890	NextEnergy Solar	177	0.59
196,168	Renewables Infrastructure	223	0.74
27,834	UniCredit <sup>2</sup>	279	0.93
	TOTAL EQUITY INVESTMENT INSTRUMENTS	<u>3,021</u>	<u>10.04</u>
	PROPERTY PORTFOLIOS – 17.52% (31.10.17 – 17.10%)		
446,738	M&G Property Portfolio <sup>1</sup>	<u>5,274</u>	<u>17.52</u>
	TOTAL PROPERTY PORTFOLIOS	<u>5,274</u>	<u>17.52</u>
	BOND PORTFOLIOS – 7.48% (31.10.17 – 10.88%)		
268,874	M&G European Corporate Bond <sup>1</sup>	300	1.00
5,009	M&G Global Convertibles <sup>1</sup>	11	0.04
238,426	M&G Global High Yield Bond <sup>1</sup>	310	1.03
1,143,227	M&G Strategic Corporate Bond <sup>1</sup>	1,321	4.39
2,881	Merrill Lynch AQR Global Relative Value	308	1.02
	TOTAL BOND PORTFOLIOS	<u>2,250</u>	<u>7.48</u>
	Portfolio of investments	29,809	99.01
	Net other assets	<u>299</u>	<u>0.99</u>
	Net assets	<u>30,108</u>	<u>100.00</u>

The investments have been valued in accordance with note 1(F) of the Accounting Policies and are collective investment schemes unless stated otherwise.

<sup>1</sup> Related party holding (see note 11).

<sup>2</sup> Ordinary shares.

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### ACD'S REPORT *continued*

#### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 October 2018

Total purchases for the year £'000 (note 15)	14,345	Total sales for the year £'000 (note 15)	3,948
Major purchases	Cost £'000	Major sales	Proceeds £'000
Legal & General UK Index	3,580	M&G Strategic Corporate Bond	1,094
M&G Property Portfolio	1,964	Legal & General UK Index	613
Legal & General European Index	1,490	Euro Stoxx 50 Index Futures March 2018	340
Legal & General Pacific Index	1,430	S&P 500 E Mini Futures March 2018	301
M&G Strategic Corporate Bond	1,230	Legal & General European Index	292
Legal & General US Index	1,023	M&G Property Portfolio	262
Legal & General Japan Index	555	Legal & General Pacific Index	226
Legal & General Global Emerging Markets Index	423	Legal & General US Index	178
Intesa Sanpaolo	344	Legal & General Japan Index	130
UniCredit	339	M&G European Loan	122

In addition to above, purchases totalling £9,201,000 and sales totalling £9,201,000 were made in short term investments during the year.

Sales of Futures have been included at the value of their exposure.

The summary of material portfolio changes represents the 10 largest purchases and sales during the year.

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO FINANCIAL STATEMENTS

### STATEMENT OF TOTAL RETURN

for the year ended 31 October 2018

	Notes	£'000	31.10.18 £'000	£'000	31.10.17 £'000
Income:					
Net capital (losses)/gains	3		(761)		883
Revenue	4	731		382	
Expenses	5	(194)		(96)	
Net revenue before taxation		537		286	
Taxation	6	(9)		(4)	
Net revenue after taxation			528		282
<b>Total return before distributions</b>			(233)		1,165
Distributions	7		(533)		(282)
<b>Change in net assets attributable to shareholders from investment activities</b>			(766)		883

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2018

	£'000	31.10.18 £'000	£'000	31.10.17 £'000
<b>Opening net assets attributable to shareholders</b>		20,313		6,935
Amounts receivable on issue of shares	13,674		13,006	
Amounts payable on redemption of shares	(3,582)		(769)	
		10,092		12,237
Change in net assets attributable to shareholders from investment activities		(766)		883
Retained distributions on Accumulation shares		469		258
<b>Closing net assets attributable to shareholders</b>		30,108		20,313

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

#### BALANCE SHEET

as at 31 October 2018

	Notes	31.10.18 £'000	31.10.17 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		29,809	20,239
<b>Current assets</b>			
Debtors	8	486	326
Cash and bank balances	9	178	234
<b>Total assets</b>		<u>30,473</u>	<u>20,799</u>
<b>LIABILITIES</b>			
<b>Provisions for liabilities</b>			
		(6)	(2)
<b>Creditors</b>			
Distribution payable	10	(141)	(126)
Other creditors	10	(218)	(358)
<b>Total liabilities</b>		<u>(365)</u>	<u>(486)</u>
<b>Net assets attributable to shareholders</b>		<u>30,108</u>	<u>20,313</u>

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2018

#### 1. Accounting Policies

The accounting policies described on pages 22 to 24 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. Distribution Policies

The distribution policies described on page 24 have been applied to the financial statements of the Fund in the current and prior year.

#### 3. Net Capital (Losses)/Gains

The net capital (losses)/gains during the year comprise:

	31.10.18 £'000	31.10.17 £'000
Non-derivative securities	(815)	884
Derivative contracts	30	–
Transaction charges	(1)	(1)
AMC rebates from underlying investments	25	–
Net capital (losses)/gains	<u>(761)</u>	<u>883</u>

The net capital (losses)/gains figure includes realised gains of £202,000 and unrealised gains of £580,000 (31.10.17: includes realised gains of £12,000 and unrealised gains of £1,567,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 4. Revenue

	31.10.18 £'000	31.10.17 £'000
Non-taxable dividends	516	265
Taxable dividends	2	(11)
UK property income distributions	119	67
Unfranked interest	51	26
AMC rebates from underlying investments	43	35
Total revenue	<u>731</u>	<u>382</u>

#### 5. Expenses

	31.10.18 £'000	31.10.17 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	155	77
Administration fees	37	18
	192	95
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	2	1
Total expenses	<u>194</u>	<u>96</u>

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

The audit fees of £6,000 (31.10.17: £8,000) and tax fee of £nil (31.10.17: £nil) are borne by the ACD.

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 6. Taxation

	31.10.18 £'000	31.10.17 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	5	4
Current tax charge	5	4
Deferred tax – origination and reversal of timing differences (note 6c)	4	–
Total taxation (note 6b)	9	4

#### 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%) (31.10.17: 20%). The difference is explained below:

	31.10.18 £'000	31.10.17 £'000
Net revenue before taxation	537	286
Corporation tax at 20%	107	57
Effects of:		
Non-taxable dividends	(103)	(53)
Rebated capital expenses deductible for tax purposes	5	–
Total tax charge (note 6a)	9	4
c) Deferred tax		
Provision at the start of the year	2	2
Deferred tax charge in the year (note 6a)	4	–
Provision at the end of the year	6	2

#### 7. Distributions

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

	31.10.18 £'000	31.10.17 £'000
Final	610	384
	610	384

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

	31.10.18 £'000	31.10.17 £'000
Add: Revenue deducted on redemption of shares	18	7
Deduct: Revenue received on issue of shares	(95)	(109)
Net distribution for the year	<u>533</u>	<u>282</u>

Details of the distributions per share are set out in the table on pages 335 and 336.

	31.10.18 £'000	31.10.17 £'000
Distributions represented by:		
Net revenue after taxation	528	–
Allocations to capital:		
Tax relief to/from capital	5	–
Net distribution for the year	<u>533</u>	<u>–</u>

## 8. Debtors

	31.10.18 £'000	31.10.17 £'000
Amounts receivable for issue of shares	157	150
Sales awaiting settlement	3	1
Accrued revenue:		
Non-taxable dividends	263	139
UK property income distributions	26	15
Unfranked interest	1	–
AMC rebates to/from underlying investments	9	9
	299	163
Taxation recoverable:		
Income tax	27	12
Total debtors	<u>486</u>	<u>326</u>

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### 9. Cash and Bank Balances

	31.10.18 £'000	31.10.17 £'000
Bank balances	178	234
Total cash and bank balances	178	234

#### 10. Creditors

	31.10.18 £'000	31.10.17 £'000
Distribution payable	141	126
<b>Other Creditors</b>		
Amounts payable for redemption of shares	1	2
Purchases awaiting settlement	192	338
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	16	10
Administration fees	4	2
	20	12
Taxation payable:		
Corporation tax payable	5	4
Other expenses	–	2
Total other creditors	218	358

#### 11. Related Party Transactions

Annual Management Charge and administration fees payable to Link Fund Solutions Limited ('the ACD') are disclosed in note 5 and amounts due at the year end are disclosed in note 10.

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 323 and amounts due at the year end are disclosed in notes 8 and 10.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions or its associates) held 34,338 (31.10.17: 13,799) 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 5,009,579 (31.10.17: 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 21.33% (31.10.17: 31.66%)

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 Link Fund Solutions Limited is also the ACD. At the balance sheet date the value of the holdings were as follows:

	31.10.18 £'000	31.10.17 £'000
Portfolio Manager in common	7,216	5,384

### 12. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.17: none).

### 13. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.35%	1.35%	–
Opening shares in issue	250	1,770	–
Issues	2,375	1,478	9,829
Redemptions	(194)	(112)	–
Closing shares in issue	2,431	3,136	9,829

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

	‘P’ Income	‘P’ Accumulation	‘R’ Accumulation
Annual Management Charge	0.60%	0.60%	0.85%
Opening shares in issue	5,238,915	8,930,803	1,619,288
Issues	331,593	7,932,855	2,143,346
Redemptions	<u>(22,109)</u>	<u>(2,529,932)</u>	<u>(167,448)</u>
Closing shares in issue	<u>5,548,399</u>	<u>14,333,726</u>	<u>3,595,186</u>

#### 14. 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 Efficient Portfolio Management (including 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.

##### (A) 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.

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### (B) 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.

The Fund invests in collective investment schemes and as such does not have any significant direct exposure to interest rate risk. The Fund may indirectly be exposed to interest rate risk through its investment in collective investment schemes. As the Fund has no direct exposure to interest rate risk, no interest rate risk table or sensitivity analysis has been presented.

#### (C) 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. 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.

#### (D) 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 31.10.18, leverage under the gross method was 0.99:1 and leverage under the commitment method was 1:1 (31.10.17: 1:1 and 1:1 respectively).

#### (E) LIQUIDITY RISK

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions 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.

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

#### (F) 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.

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £1,490,000 (31.10.17: £1,012,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

The Fund held no derivatives of a material nature during the current or prior year.

### 15. Portfolio Transaction Costs

31.10.18	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	796	1	1	798
Collective investment schemes	12,938	–	–	12,938
Purchases total	<u>13,734</u>	<u>1</u>	<u>1</u>	<u>13,736</u>
<i>Transaction cost % of purchases total</i>		<i>0.01%</i>	<i>0.01%</i>	
<i>Transaction cost % of average NAV</i>		<i>–</i>	<i>0.01%</i>	
Collective investment schemes	3,307	–	–	3,307
Sales total	<u>3,307</u>	<u>–</u>	<u>–</u>	<u>3,307</u>
<i>Transaction cost % of sales total</i>		<i>–</i>	<i>–</i>	
<i>Transaction cost % of average NAV</i>		<i>–</i>	<i>–</i>	

Average portfolio dealing spread at 31.10.18 is 0.30% (31.10.17: 0.32%).

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2018

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
<b>31.10.17</b>				
Ordinary shares	186	–	–	186
Collective investment schemes	13,040	–	–	13,040
Purchases total	<u>13,226</u>	<u>–</u>	<u>–</u>	<u>13,226</u>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	717	–	–	717
Sales total	<u>717</u>	<u>–</u>	<u>–</u>	<u>717</u>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

### 16. Fair Value Hierarchy

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

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within Level 1;

**Level 3:** Valuation techniques using unobservable inputs.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>31.10.18</b>				
Investment assets	<u>2,801</u>	<u>26,965</u>	<u>43</u>	<u>29,809</u>
<b>31.10.17</b>				
Investment assets	<u>1,431</u>	<u>18,808</u>	<u>–</u>	<u>20,239</u>

## LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE

for the year ended 31 October 2018 – 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	01.11.17
To	31.10.18

#### 'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	1.9291	–	1.9291	1.8400
Group 2	1.4631	0.4660	1.9291	1.8400

#### 'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	1.8852	–	1.8852	1.7268
Group 2	1.4621	0.4231	1.8852	1.7268

#### 'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18
Group 1	1.7162	–	1.7162
Group 2	1.3882	0.3280	1.7162

#### 'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.18	Paid 31.12.17
Group 1	2.5360	–	2.5360	2.4052
Group 2	1.7957	0.7403	2.5360	2.4052

**LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO**  
**FINANCIAL STATEMENTS** *continued*  
**DISTRIBUTION TABLE** *continued*

'P' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	2.6625	–	2.6625	2.4843
Group 2	1.7183	0.9442	2.6625	2.4843

'R' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.18	Allocated 31.12.17
Group 1	2.3968	–	2.3968	2.2158
Group 2	1.6267	0.7701	2.3968	2.2158

## 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:

- LF Prudential Dynamic 0-30 Portfolio
- LF Prudential Dynamic 10-40 Portfolio
- LF Prudential Dynamic 20-55 Portfolio
- LF Prudential Dynamic 40-80 Portfolio
- LF Prudential Dynamic 60-100 Portfolio
- LF Prudential Dynamic Focused 0-30 Portfolio
- LF Prudential Dynamic Focused 10-40 Portfolio
- LF Prudential Dynamic Focused 20-55 Portfolio
- LF Prudential Dynamic Focused 40-80 Portfolio
- LF 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.linkfundsolutions.co.uk](http://www.linkfundsolutions.co.uk). The prices of shares may also be obtained by calling 0344 335 8936 during the ACD's normal business hours.

## **GENERAL INFORMATION** *continued*

### **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.linkfundsolutions.co.uk](http://www.linkfundsolutions.co.uk), 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 Exchange Tower, 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.





 6th Floor, 65 Gresham Street, London EC2V 7NQ

 0870 607 2555

 0870 607 2550

 [linkfundsolutions.co.uk](http://linkfundsolutions.co.uk)

Part of **Link Group**