

LF Prudential Investment Funds (1)

(Formerly CF Prudential Investment Funds (1))

Annual Report and Financial Statements

31 October 2017

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)



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LF PRUDENTIAL INVESTMENT FUNDS (1)

ACD'S REPORT

FOR THE YEAR ENDED 31 OCTOBER 2017

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 ACD and references to the ACD in this Annual Report and Financial Statements include the AIFM as applicable.

IMPORTANT INFORMATION

All interest distributions payable after 6 April 2017 will be paid gross. 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.

With effect from 1 November 2016, the auditor of the Company changed from PricewaterhouseCoopers LLP to Ernst & Young LLP.

With effect from 16 October 2017, the address of the ACD has changed to 6th Floor, 65 Gresham Street, London EC2V 7NQ.

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 Focused 0-30 Portfolio changed to LF Prudential Dynamic Focused 0-30 Portfolio;
- CF Prudential Dynamic 10-40 Portfolio changed to LF Prudential Dynamic 10-40 Portfolio;
- CF Prudential Dynamic Focused 10-40 Portfolio changed to LF Prudential Dynamic Focused 10-40 Portfolio;
- CF Prudential Dynamic 40-80 Portfolio changed to LF Prudential Dynamic 40-80 Portfolio;

- CF Prudential Dynamic Focused 40-80 Portfolio changed to LF Prudential Dynamic Focused 40-80 Portfolio;
- CF Prudential Dynamic 20-55 Portfolio changed to LF Prudential Dynamic 20-55 Portfolio;
- CF Prudential Dynamic Focused 20-55 Portfolio changed to LF Prudential Dynamic Focused 20-55 Portfolio;
- CF Prudential Dynamic 60-100 Portfolio changed to LF Prudential Dynamic 60-100 Portfolio; and
- CF Prudential Dynamic Focused 60-100 Portfolio changed to LF Prudential Dynamic Focused 60-100 Portfolio.

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 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 2016, 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 2016, LFSL operated 95 UCITS and 48 AIFs, whose respective assets under management ('AuM') were £36,846 million and £12,587 million. This Company was valued at £1,387 million as at that date and represented 2.81% of LFSL's total AuM and 11.02% of its AIF AuM.

LF PRUDENTIAL INVESTMENT FUNDS (1)

ACD's Report (continued)

For the year ended 31 October 2017

REMUNERATION POLICY (continued)

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 year ended 31 December 2016	131	4,488	401	4,889
Total amount of remuneration paid to Senior Management for the year ended 31 December 2016	6	590	164	754
Total amount of remuneration paid to members of staff whose activities have a material impact on the risk profile of LFSL's AIFs for the year ended 31 December 2016	13	849	83	932

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 2018

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 2018

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

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

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

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

LF PRUDENTIAL INVESTMENT FUNDS (1)

Statement of ACD's Responsibilities in Relation to the Financial Statements (continued)

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

FOR THE YEAR ENDED 31 OCTOBER 2017

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.

NATIONAL WESTMINSTER BANK PLC
Depositary of LF Prudential Investment Funds (1)
20 February 2018

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS 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 2017 which comprise the Statement of Total Return and Statement of Changes 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 Tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 2017 and of the net revenue and the net capital gains 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.

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.

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.

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 follow 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.

RESPONSIBILITIES OF AUTHORISED CORPORATE DIRECTOR (ACD)

As explained more fully in the ACD's responsibilities statement set out on pages 15 and 16, 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.

ERNST & YOUNG LLP
Statutory Auditor
London
20 February 2018

ACCOUNTING AND DISTRIBUTION POLICES

AS AT 31 OCTOBER 2017

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 including early application of Amendments to FRS 102 – Fair value hierarchy disclosure, issued in March 2016. The financial statements have been prepared in accordance with the Statement of Recommended Practice ('SORP') for Financial Statements of UK Authorised Funds issued by the Investment Association ('IA') in May 2014.

(b) Recognition of revenue

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

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

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

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

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

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

(c) Treatment of stock and special dividends

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

(d) 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.

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

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

LF PRUDENTIAL INVESTMENT FUNDS (1)

Accounting and Distribution Policies (continued)

As at 31 October 2017

1. ACCOUNTING POLICIES *(continued)*

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

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

(f) *Taxation*

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

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

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

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

(g) *Basis of valuation of investments*

All investments are valued at their fair value as at the close of business on 31 October 2017, being 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.

(h) *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.

(i) *Dilution adjustment*

The ACD may require a dilution adjustment 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 adjustment may be charged in the following circumstances: where the scheme property of a sub-fund is in continual decline; where a sub-fund is 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 adjustment.

1. ACCOUNTING POLICIES *(continued)*

(j) *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 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.

LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO
ACD'S REPORT
FOR THE YEAR ENDED 31 OCTOBER 2017

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 2018

PORTFOLIO MANAGER'S REPORT

Between 1 November 2016 and 31 October 2017 (the period in review) share classes, R (Accumulation) 5.39%¹, P (Accumulation) 6.12%¹ and A (Accumulation) 4.90%¹ produced positive returns ahead of the 4.18%¹ sector average for IA Mixed Investment 0-35% Shares.

ECONOMIC OVERVIEW

Economic data released during the end of the period in review seemed to signal a continuation of a global recovery in almost all regions. This is being witnessed in the readings of economic activity, unemployment and company profits. This improvement in the economic outlook has prompted central bankers to consider the withdrawal of emergency measures, such as record low interest rates and asset purchases to curb any increase in inflation.

For example, the US is widely expected to hike interest rates again in December 2017. For the moment, however, inflation remains generally subdued. In the currency markets, sterling strengthened relative to the US dollar and Japanese yen, towards the end of the period in review but was weak compared to the euro. Greater economic activity, especially in China, supported demand for basic resources and many commodity prices, including oil, rallied.

MARKET OVERVIEW

Rather than focus on geopolitical concerns, such as heightened rhetoric about North Korea and the effect of hurricanes, investors seemed prepared to consider the general improvement in global economic activity. Better economic data and robust company earnings were reflected in higher demand for equities, and many stockmarkets finished the end of the period in review, at their highest levels for several years.

UK

Although the negotiations over the UK's withdrawal from the European Union continue to drag on, policymakers at the Bank of England have raised the prospect of higher interest rates, encouraged by the slow but steady improvement in the economy and a pick-up in inflation.

Towards the end of the period in review potentially higher rates meant sterling strengthened and caused the FTSE 100 Index, which contains many multinational companies, to underperform the more domestically oriented FTSE 250 Index of medium-sized companies. Both indices did, however, touch record highs. The general economic improvement boosted basic materials companies, while the higher oil price supported the share prices of oil and gas producers.

The AXA Framlington UK Select Opportunities fund, Artemis Income fund and Investec UK Alpha fund produced returns ahead of the FTSE All-Share Index from 1 November 2016 to 31 October 2017.

NORTH AMERICA

Investors were encouraged by better-than expected company profits and jobs data, with further buying being prompted by hopes of tax reform. US stockmarkets continued to rally despite President Trump engaging in several bouts of warlike rhetoric with the leader of North Korea, and southern states being hit by severe weather. Towards the end of the period in review, the broad S&P 500 Index stood at a record high, having enjoyed an eighth successive quarter of gains.

Returns from the Threadneedle American fund were ahead of the S&P 500 over the period in review.

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

LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

ACD's Report (continued)

Portfolio Manager's Report (continued)

For the year ended 31 October 2017

EUROPE

Stronger-than-expected growth in the European economy underpinned the returns from the region's stockmarkets. The European Central Bank joined the chorus of policymakers signalling a readiness to withdraw the emergency asset-purchase programme introduced to combat the global financial crisis. The persistent rise of the euro against other currencies led some investors to question whether exports may come under pressure, while the entry of a far-right political party into the German parliament caused further uncertainty. A stronger euro boosted the returns from eurozone assets to UK investors.

The Henderson European Selected Opportunities fund produced a positive return albeit behind the index over the period in review.

JAPAN

The Japanese stockmarket declined during the summer, as rising geopolitical tension led investors to buy the country's currency, which is seen as a safe haven. This weighed on the demand for shares of the exporters that dominate the economy. However, this was reversed in September, as fears of conflict eased and the yen weakened, enabling Japanese shares to enjoy the largest monthly gain of 2017 so far. Sentiment was also supported by higher inflation, which boosted optimism about the health of the economy. When viewed in sterling terms, the returns were lower, due to the decrease in the value of the yen relative to sterling over the quarter.

The Schroder Tokyo fund outperformed the benchmark between 1 November 2016 and 31 October 2017.

ASIA EX JAPAN

Company shares in the Asia Pacific region were among the best performers during the first part of 2017, helped by a decline in the US dollar against most other currencies. The apparent stability of the economy in China, a major trading partner of most countries in the region, was another supportive factor. The Indian stockmarket was a particularly strong performer after election success for the ruling party, and the prospect of tax reform enabled the rupee to strengthen further.

Despite the aggressive action taken by North Korea, which brought an equally aggressive response from President Trump, the third quarter of 2017 was positive for the Asia Pacific region as a whole. While the South Korean market declined, the fall was relatively modest as investors seemed to take the view that the tension was nothing new.

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

UK AND GLOBAL BONDS

The governor of the Bank of England has signalled that the withdrawal of economic stimulus is likely to be appropriate in the coming months. The pound appreciated relative to the US dollar during the third quarter despite there being little clarity as to the outcome of the protracted negotiations over Brexit. Sterling was, however, down a little in comparison to the euro. It appears that the decision to leave the European Union is now being reflected in economic data, with the decline in sterling since the referendum result and uncertainty over government policy contributing to higher inflation and a slowdown in economic growth.

The synchronised improvement in global economic data has encouraged the world's central bankers to consider withdrawing the emergency policy measures that were introduced to boost economic activity.

All five underlying corporate bond funds produced positive returns during the period in review. Only the Royal London Corporate Bond fund was behind the sector average. The Kames High Yield Bond fund and M&G Global High Yield Bond fund produced positive returns and the BlackRock Euro Corporate Bond fund was added to the portfolios in October 2017.

UK PROPERTY

Despite the outcome of the June general election and the ongoing uncertainty surrounding Brexit, UK commercial property capital values continued to grow. Total returns from the asset class are being driven by both growth in capital values and stable rental income. The overall resilience of UK commercial property is encouraging, and is due in part to buying by overseas investors following the decline in sterling.

The performance of the M&G Property Portfolio continues to be positive although behind the peer group. The Aviva Investors UK Property trust was replaced by the Legal & General UK Property fund towards the end of the period in review.

EMERGING MARKETS

The performance of Emerging Markets was generally positive. More recently significant strength in several South American, eastern European and Asian markets have overcome pockets of weakness, such as Greece. Brazil experienced a particularly robust rally, helped by higher commodity prices, better economic data and a rejection of corruption allegations directed at the president. The Chinese stockmarket also rose, boosted by healthy economic signals, while the Russian market rallied with the price of oil and other natural resources. The Greek stockmarket lagged due to the continuation of the country's economic worries and concerns over the level of debt.

The M&G Global Emerging Markets fund produced a positive return although it lagged the benchmark.

ALTERNATIVES

The holdings have generally performed well, although investments in Insurance Linked Securities ('ILS') weighed on performance during August and September as three major hurricanes passed through the US and Caribbean, causing large catastrophe losses for CATCo Reinsurance Opportunities fund and Blue Capital Alternative Income fund. Despite these losses, ILS adds diversifying and uncorrelated returns to the portfolio and, looking forward, these events have made the asset class more attractive due to expected re-pricing of risk and higher premiums.

POSITIONING

The key investment activity over the period in review was the addition of a number of holdings across private equity, hedge funds and infrastructure. These were added to provide further diversification.

The Legal & General UK Property fund replaced the Aviva Investors UK Property fund and the BlackRock Euro Corporate Bond fund was added to diversify the corporate bond holdings.

OUTLOOK

Global growth has strengthened since the fourth quarter of 2016, driven in particular by strong performance in the eurozone, a return to growth in most commodity producing economies and the Chinese authorities' prioritisation of growth and stability over reform. Growth has also become more broad-based, with manufacturing and trade performing well, alongside services. Moreover, previous worries about falling commodity prices, deflation and restrictive fiscal policies have been somewhat alleviated.

LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

ACD's Report (continued)
Portfolio Manager's Report (continued)
For the year ended 31 October 2017

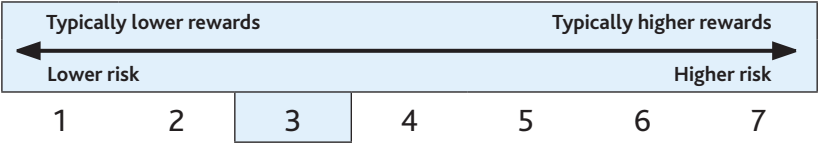
OUTLOOK (continued)

Forward looking survey data remain at healthy levels and are in general signalling solid global growth going forward. The expectation is, therefore, for solid growth in coming quarters, although it will be somewhat restrained by a lack of synchronicity in the business cycles of the major advanced and emerging economies.

M&G INVESTMENT MANAGEMENT LIMITED
Portfolio Manager
20 November 2017

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. 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.

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

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, 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.

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'A' Income shares			
Change in net assets per share			
Opening net asset value per share	130.33	122.73	120.93
Return before operating charges*	10.13	12.36	6.70
Operating charges	(2.85)	(2.79)	(2.74)
Return after operating charges	7.28	9.57	3.96
Distributions ¹	(1.98)	(1.97)	(2.16)
Closing net asset value per share	135.63	130.33	122.73
* after direct transaction costs of:	–	–	–

Performance

Return after charges	5.59%	7.80%	3.27%
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Other Information

Closing net asset value (£'000)	660	603	2,020
Closing number of shares	486,875	462,457	1,645,494
Operating charges	2.12%	2.26%	2.17%
Direct transaction costs	–	–	–

Prices

Highest share price	138.15	133.87	129.67
Lowest share price	128.19	118.28	121.44

¹ All interest distributions payable after 6 April 2017 will be paid gross.

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'A' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	142.05	132.15	128.42
Return before operating charges*	11.02	13.34	7.10
Operating charges	(3.09)	(3.02)	(2.92)
Return after operating charges	7.93	10.32	4.18
Distributions ¹	(2.16)	(2.11)	(2.27)
Retained distributions on accumulation shares	2.16	1.69	1.82
Closing net asset value per share	149.98	142.05	132.15
* after direct transaction costs of:	–	–	–

Performance

Return after charges	5.58%	7.81%	3.25%
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Other Information

Closing net asset value (£'000)	6,088	7,534	19,592
Closing number of shares	4,059,087	5,303,624	14,825,877
Operating charges	2.12%	2.26%	2.17%
Direct transaction costs	–	–	–

Prices

Highest share price	150.53	144.14	137.62
Lowest share price	139.70	127.37	128.98

¹ All interest distributions payable after 6 April 2017 will be paid gross.

LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'C' Income shares			
Change in net assets per share			
Opening net asset value per share	130.72	123.04	121.20
Return before operating charges*	10.20	12.55	6.76
Operating charges	(1.22)	(1.31)	(1.22)
Return after operating charges	8.98	11.24	5.54
Distributions ¹	(3.63)	(3.56)	(3.70)
Closing net asset value per share	136.07	130.72	123.04
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	6.87%	9.14%	4.57%
Other Information			
Closing net asset value (£'000)	25,236	23,159	19,920
Closing number of shares	18,546,597	17,716,895	16,189,837
Operating charges	0.90%	1.04%	0.95%
Direct transaction costs	–	–	–
Prices			
Highest share price	139.93	135.45	130.38
Lowest share price	128.70	118.93	121.75

¹ All interest distributions payable after 6 April 2017 will be paid gross.

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'P' Income shares			
Change in net assets per share			
Opening net asset value per share	110.37	103.89	102.35
Return before operating charges*	8.60	10.59	5.67
Operating charges	(1.56)	(1.61)	(1.52)
Return after operating charges	7.04	8.98	4.15
Distributions ¹	(2.53)	(2.50)	(2.61)
Closing net asset value per share	114.88	110.37	103.89
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	6.38%	8.64%	4.05%
Other Information			
Closing net asset value (£'000)	4,295	4,065	2,740
Closing number of shares	3,738,665	3,683,074	2,637,442
Operating charges	1.37%	1.51%	1.42%
Direct transaction costs	–	–	–
Prices			
Highest share price	117.78	114.11	109.77
Lowest share price	108.62	100.31	102.75

¹ All interest distributions payable after 6 April 2017 will be paid gross.

LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'P' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	116.91	108.09	104.46
Return before operating charges*	9.10	11.01	5.74
Operating charges	(1.66)	(1.67)	(1.57)
Return after operating charges	7.44	9.34	4.17
Distributions ¹	(2.68)	(2.59)	(2.67)
Retained distributions on accumulation shares	2.68	2.07	2.13
Closing net asset value per share	124.35	116.91	108.09
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	6.36%	8.64%	3.99%
Other Information			
Closing net asset value (£'000)	47,247	43,808	33,997
Closing number of shares	37,993,906	37,473,464	31,451,447
Operating charges	1.37%	1.51%	1.42%
Direct transaction costs	–	–	–
Prices			
Highest share price	124.73	118.70	112.05
Lowest share price	115.08	104.37	104.86

¹ All interest distributions payable after 6 April 2017 will be paid gross.

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'R' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	128.36	118.93	115.13
Return before operating charges*	9.98	12.07	6.34
Operating charges	(2.15)	(2.14)	(2.02)
Return after operating charges	7.83	9.93	4.32
Distributions ¹	(2.60)	(2.53)	(2.61)
Retained distributions on accumulation shares	2.60	2.03	2.09
Closing net asset value per share	136.19	128.36	118.93
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	6.10%	8.35%	3.75%
Other Information			
Closing net asset value (£'000)	6,995	5,639	4,493
Closing number of shares	5,136,127	4,393,306	3,778,163
Operating charges	1.62%	1.76%	1.67%
Direct transaction costs	–	–	–
Prices			
Highest share price	136.60	130.24	123.48
Lowest share price	126.29	114.77	115.63

¹ All interest distributions payable after 6 April 2017 will be paid gross.

LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

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

FUND PERFORMANCE TO 31 OCTOBER 2017 (%)

	1 year	3 years	5 years
LF Prudential Dynamic 0-30 Portfolio	4.90	16.51	29.18

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 54 and 55.

RISK WARNING

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

PORTFOLIO STATEMENT AS AT 31 OCTOBER 2017

Holding	Portfolio of Investments	Value £'000	31.10.17 %
	EQUITY PORTFOLIOS – 19.77% (31.10.16 – 18.86%)		
182,212	CONTINENTAL EUROPE – 3.41% (31.10.16 – 4.14%) Henderson European Selected Opportunities Fund	3,087	3.41
	TOTAL CONTINENTAL EUROPE	3,087	3.41
472,670	UNITED KINGDOM – 7.46% (31.10.16 – 6.16%) Artemis Income Fund	1,990	2.20
37,566	AXA Framlington UK Select Opportunities Fund	1,327	1.46
2,603,354	Investec UK Alpha Fund	3,437	3.80
	TOTAL UNITED KINGDOM	6,754	7.46
221,583	FAR EAST – 3.30% (31.10.16 – 2.90%) Fidelity Asia Fund	2,985	3.30
	TOTAL FAR EAST	2,985	3.30
392,404	JAPAN – 1.58% (31.10.16 – 1.30%) Schroder Tokyo Fund	1,432	1.58
	TOTAL JAPAN	1,432	1.58
987,123	UNITED STATES – 3.07% (31.10.16 – 3.05%) Threadneedle American Fund	2,780	3.07
	TOTAL UNITED STATES	2,780	3.07
280,171	EMERGING MARKETS – 0.95% (31.10.16 – 1.31%) M&G Global Emerging Markets Fund†	858	0.95
	TOTAL EMERGING MARKETS	858	0.95
	TOTAL EQUITY PORTFOLIOS	17,896	19.77
	EQUITY INVESTMENT INSTRUMENTS – 2.46% (31.10.16 – 1.89%)		
341,634	BBGI	487	0.54
151,984	BioPharma Credit	125	0.14
147,535	Blue Capital Alternative Income Fund	83	0.09
132,201	CATCo Reinsurance Opportunities Fund	103	0.11
144,337	DP Aircraft I	117	0.13
51,196	HarbourVest Global Private Equity	656	0.73

LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

ACD's Report (continued)

Portfolio Statement (continued)

As at 31 October 2017

Holding	Portfolio of Investments	Value £'000	31.10.17 %
	EQUITY INVESTMENT INSTRUMENTS – 2.46% (31.10.16 – 1.89%) (continued)		
14,160	HgCapital Trust	247	0.27
102,203	NB Distressed Debt Investment Fund	67	0.07
145,599	NextEnergy Solar Fund	163	0.18
168,708	Renewables Infrastructure	183	0.20
	TOTAL EQUITY INVESTMENT INSTRUMENTS	2,231	2.46
	PROPERTY PORTFOLIOS – 8.39% (31.10.16 – 8.71%)		
4,534,573	Legal & General UK Property Fund	3,797	4.19
330,688	M&G Property Portfolio†	3,801	4.20
	TOTAL PROPERTY PORTFOLIOS	7,598	8.39
	BOND PORTFOLIOS – 69.81% (31.10.16 – 68.46%)		
758,052	BlackRock Euro Corporate Bond Fund	7,891	8.72
4,784,369	Fidelity MoneyBuilder Income Fund	8,655	9.56
4,830,464	Invesco Perpetual Corporate Bond Fund	9,750	10.77
2,069,075	Kames High Yield Bond Fund	2,627	2.90
4,882,392	Kames Investment Grade Bond Fund	8,732	9.65
1,702,130	M&G Global High Yield Bond Fund†	2,266	2.50
20,800,710	M&G Short Dated Corporate Bond Fund†	5,396	5.96
7,675,808	M&G Strategic Corporate Bond Fund†	9,001	9.94
3,041	Merrill Lynch AQR Global Relative Value Fund	402	0.45
8,058,002	Royal London Corporate Bond Fund	8,469	9.36
	TOTAL BOND PORTFOLIOS	63,189	69.81
	Portfolio of investments	90,914	100.43
	Net other liabilities	(393)	(0.43)
	Net assets	90,521	100.00

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

† Related party holding (see note 10).

SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 31 OCTOBER 2017

Total purchases for the year £'000 (note 14) **30,019**

Major purchases	Cost £'000
M&G Short Dated Corporate Bond Fund	9,044
BlackRock Euro Corporate Bond Fund	7,861
Legal & General UK Property Fund	3,968
Aviva Investors UK Property Fund	3,605
Investec UK Alpha Fund	3,111
M&G Strategic Corporate Bond Fund	741
Merrill Lynch AQR Global Relative Value Fund	387
Schroder Tokyo Fund	236
Threadneedle American Fund	209
CATCo Reinsurance Opportunities Fund	184
DP Aircraft I	139
BioPharma Credit	122
Blue Capital Global Reinsurance Fund	118
HarbourVest Global Private Equity	80
BBGI	52
NB Distressed Debt Investment Fund	45
Renewables Infrastructure	26
Threadneedle UK Fund	24
NB Distressed Debt Investment Fund (extinct 23/2/17)	24
M&G Global High Yield Bond Fund	15

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

LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

ACD's Report (continued)

Summary of Material Portfolio Changes (continued)

For the year ended 31 October 2017

Total sales for the year £'000 (note 14) **26,953**

Major sales	Proceeds £'000
M&G Short Dated Corporate Bond Fund	8,260
Aviva Investors UK Property Fund	3,967
Aviva Investors Property Trust	3,605
Baillie Gifford High Yield Bond Fund	2,246
M&G Global High Yield Bond Fund	2,080
Kames High Yield Bond Fund	2,000
Threadneedle UK Fund	1,898
Henderson European Selected Opportunities Fund	850
AXA Framlington UK Select Opportunities Fund	518
M&G Strategic Corporate Bond Fund	512
Threadneedle American Fund	428
M&G Global Emerging Markets Fund	338
HgCapital Trust	113
Renewables Infrastructure	66
CATCo Reinsurance Opportunities Fund	39
DP Aircraft I	13
NextEnergy Solar Fund	8
NB Distressed Debt Investment Fund	6
NB Distressed Debt Investment Fund (extinct 5/9/17)	4
NB Distressed Debt Investment Fund (extinct 23/2/17)	2

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

FINANCIAL STATEMENTS

STATEMENT OF TOTAL RETURN

FOR THE YEAR ENDED 31 OCTOBER 2017

	Notes	£'000	31.10.17 £'000	£'000	31.10.16 £'000
Income:					
Net capital gains	3		3,400		4,864
Revenue	4	2,664		2,642	
Expenses	5	(668)		(672)	
Net revenue before taxation		1,996		1,970	
Taxation	6	(21)		(19)	
Net revenue after taxation			1,975		1,951
Total return before distributions			5,375		6,815
Distributions	7		(1,979)		(1,965)
Change in net assets attributable to shareholders from investment activities			3,396		4,850

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

FOR THE YEAR ENDED 31 OCTOBER 2017

	£'000	31.10.17 £'000	£'000	31.10.16 £'000
Opening net assets attributable to shareholders		84,808		82,762
Amounts receivable on issue of shares	13,357		12,227	
Amounts payable on redemption of shares	(12,278)		(16,023)	
		1,079		(3,796)
Dilution adjustment		–		37
Change in net assets attributable to shareholders from investment activities		3,396		4,850
Retained distributions on Accumulation shares		1,238		955
Closing net assets attributable to shareholders		90,521		84,808

LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

Financial Statements (continued)

BALANCE SHEET

AS AT 31 OCTOBER 2017

	Notes	31.10.17 £'000	31.10.16 £'000
ASSETS			
Fixed assets			
Investments		90,914	83,048
Current assets			
Debtors	8	411	2,895
Cash and bank balances		342	1,500
Total assets		<u>91,667</u>	<u>87,443</u>
LIABILITIES			
Provisions for liabilities			
		(3)	(6)
Creditors			
Distribution payable		(778)	(975)
Other creditors	9	(365)	(1,654)
Total liabilities		<u>(1,146)</u>	<u>(2,635)</u>
Net assets attributable to shareholders		<u>90,521</u>	<u>84,808</u>

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 OCTOBER 2017

1. ACCOUNTING POLICIES

The accounting policies described on pages 21 to 23 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 23 have been applied to the financial statements of the Fund in the current and prior year. The additional distribution policies have 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.

	31.10.17 £'000	31.10.16 £'000
3. NET CAPITAL GAINS		
The net capital gains during the year comprise:		
Non-derivative securities	3,380	4,840
Transaction charges	(1)	–
AMC rebates from underlying investments	20	24
Currency gains	1	–
Net capital gains	<u>3,400</u>	<u>4,864</u>

The net capital gains figure includes realised gains of £2,143,000 and unrealised gains of £10,893,000 (31.10.16 : includes realised gains of £2,934,000 and unrealised gains of £9,655,000). 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)

As at 31 October 2017

	31.10.17 £'000	31.10.16 £'000
4. REVENUE		
Non-taxable dividends	293	198
Taxable dividends	97	108
UK property income distributions	119	98
Unfranked interest	1,741	1,878
AMC rebates from underlying investments	412	360
Bank interest	2	–
Total revenue	2,664	2,642
5. EXPENSES		
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	521	529
Administration fees	130	125
	651	654
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	8	7
Other expenses:		
FCA fee	–	1
Fees paid to auditor – audit	9	9
– tax services	–	1
	9	11
Total expenses	668	672

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

	31.10.17 £'000	31.10.16 £'000
6. TAXATION		
a) Analysis of charge for the year		
Corporation tax at 20%	24	20
Adjustments in respect of prior periods	–	(7)
Current tax charge	24	13

	31.10.17 £'000	31.10.16 £'000
6. TAXATION (continued)		
Deferred tax – origination and reversal of timing differences (note 6c)	(3)	6
Total taxation (note 6b)	21	19

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%) (31.10.16 : 20%). The difference is explained below:

	31.10.17 £'000	31.10.16 £'000
Net revenue before taxation	1,996	1,970
Corporation tax at 20%	399	394
Effects of:		
Non-taxable dividends	(59)	(40)
AMC rebates taken to capital	4	5
Tax deductible interest distributions	(323)	(333)
Adjustments in respect of prior periods	–	(7)
Total tax charge (note 6a)	21	19
c) Deferred tax		
Provision at the start of the year	6	–
Deferred tax charge in the year (note 6a)	(3)	6
Provision at the end of the year	3	6

7. DISTRIBUTIONS

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

	31.10.17 £'000	31.10.16 £'000
Final	2,016	1,540
UK income tax withheld	–	390
	2,016	1,930

LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

	31.10.17 £'000	31.10.16 £'000
7. DISTRIBUTIONS (continued)		
Add: Revenue deducted on redemption of shares	160	172
Deduct: Revenue received on issue of shares	(197)	(137)
Net distributions for the year	<u>1,979</u>	<u>1,965</u>

Details of the distributions per share are set out in the table on pages 54 and 55.

	31.10.17 £'000	31.10.16 £'000
Distributions represented by:		
Net revenue after taxation	1,975	1,951
Equalisation on conversions*	4	14
Net distributions for the year	<u>1,979</u>	<u>1,965</u>

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

	31.10.17 £'000	31.10.16 £'000
8. DEBTORS		
Amounts receivable for issue of shares	202	198
Sales awaiting settlement	2	1,952
Accrued revenue:		
Non-taxable dividends	8	28
Taxable dividends	15	26
Unfranked interest	–	19
AMC rebates from underlying investments	46	97
	69	170
Taxation recoverable:		
Income tax	138	575
Total debtors	<u>411</u>	<u>2,895</u>

	31.10.17 £'000	31.10.16 £'000
9. OTHER CREDITORS		
Amounts payable for redemption of shares	273	69
Purchases awaiting settlement	–	1,495
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	45	47
Administration fees	12	12
	57	59
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	1	–
Taxation payable:		
Corporation tax	24	20
Other expenses	10	11
Total other creditors	<u>365</u>	<u>1,654</u>

10. 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 9.

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 41 and amounts due at the year end are disclosed in notes 8 and 9.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 2,799 (31.10.16 : 314) 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 11,947,787 (31.10.16 : 12,775,023) of the Fund's shares at the balance sheet date.

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

	31.10.17 £'000	31.10.16 £'000
Portfolio Manager in common	<u>21,322</u>	<u>21,836</u>

LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

11. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (31.10.16 : none).

12. SHARES IN ISSUE

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.40%	1.40%	0.18%
Opening shares in issue	462,457	5,303,624	17,716,895
Issues	89,503	389,028	2,835,755
Redemptions	(65,085)	(1,157,507)	(2,006,053)
Conversions	–	(476,058)	–
Closing shares in issue	<u>486,875</u>	<u>4,059,087</u>	<u>18,546,597</u>
	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.65%	0.65%	0.90%
Opening shares in issue	3,683,074	37,473,464	4,393,306
Issues	688,127	5,191,895	1,437,138
Redemptions	(632,536)	(5,158,242)	(774,504)
Conversions	–	486,789	80,187
Closing shares in issue	<u>3,738,665</u>	<u>37,993,906</u>	<u>5,136,127</u>

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

13. RISK MANAGEMENT POLICIES

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

13. RISK MANAGEMENT POLICIES (continued)

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

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

i. Credit risk

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

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

ii. Interest rate risk

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

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

iii. Foreign currency risk

Foreign currency risk is the risk that the sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the sterling equivalent value. 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.

LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

13. RISK MANAGEMENT POLICIES (continued)

iv. Leverage

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

As at 31.10.17, leverage under the gross method was 1:1 and leverage under the commitment method was 1:1 (31.10.16 : 0.98:1 and 1:1 respectively).

v. 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.

vi. Market price risk

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

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

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £4,546,000 (31.10.16 : £4,152,000). A 5% decrease would have an equal and opposite effect.

vii. Fair value of financial assets and financial liabilities

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

viii. Derivatives

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

14. PORTFOLIO TRANSACTION COSTS

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

Average portfolio dealing spread at 31.10.17 is 0.27% (31.10.16 : 0.43%).

LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

14. PORTFOLIO TRANSACTION COSTS (continued)

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

15. FAIR VALUE HIERARCHY

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

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

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.17				
Investment Assets	2,231	88,683	–	90,914

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.16				
Investment Assets	1,604	81,444	–	83,048

LF PRUDENTIAL DYNAMIC 0-30 PORTFOLIO

Financial Statements (continued)

DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 OCTOBER 2017 – 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	01.11.16
To	31.10.17

'A' Income shares

Final	Gross Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	1.9770	–	1.9770	1.5764
Group 2	0.6967	1.2803	1.9770	1.5764

'A' Accumulation shares

Final	Gross Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	2.1611	–	2.1611	1.6854
Group 2	0.6581	1.5030	2.1611	1.6854

'C' Income shares

Final	Gross Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	3.6316	–	3.6316	2.8461
Group 2	1.9701	1.6615	3.6316	2.8461

'P' Income shares

Final	Gross Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	2.5287	–	2.5287	1.9978
Group 2	0.9463	1.5824	2.5287	1.9978

'P' Accumulation shares

Final	Gross Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	2.6758	–	2.6758	2.0726
Group 2	0.8562	1.8196	2.6758	2.0726

'R' Accumulation shares

Final	Gross Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	2.6037	–	2.6037	2.0268
Group 2	0.7314	1.8723	2.6037	2.0268

All interest distributions payable after 6 April 2017 will be paid gross. 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.

LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO
ACD'S REPORT
FOR THE YEAR ENDED 31 OCTOBER 2017

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 2018

PORTFOLIO MANAGER'S REPORT

Between 1 November 2016 and 31 October 2017 (the period in review) share classes, R (Accumulation) 6.74%¹, P (Accumulation) 6.96%¹ and A (Accumulation) 6.32%¹ produced positive returns albeit behind the 6.84%¹ sector average for IA Mixed Investment 20-60% Shares.

ECONOMIC OVERVIEW

Economic data released during the end of the period in review seemed to signal a continuation of a global recovery in almost all regions. This is being witnessed in the readings of economic activity, unemployment and company profits. This improvement in the economic outlook has prompted central bankers to consider the withdrawal of emergency measures, such as record low interest rates and asset purchases to curb any increase in inflation.

For example, the US is widely expected to hike interest rates again in December 2017. For the moment, however, inflation remains generally subdued. In the currency markets, sterling strengthened relative to the US dollar and Japanese yen, towards the end of the period in review but was weak compared to the euro. Greater economic activity, especially in China, supported demand for basic resources and many commodity prices, including oil, rallied.

MARKET OVERVIEW

Rather than focus on geopolitical concerns, such as heightened rhetoric about North Korea and the effect of hurricanes, investors seemed prepared to consider the general improvement in global economic activity. Better economic data and robust company earnings were reflected in higher demand for equities, and many stockmarkets finished the end of the period in review, at their highest levels for several years.

UK

Although the negotiations over the UK's withdrawal from the European Union continue to drag on, policymakers at the Bank of England have raised the prospect of higher interest rates, encouraged by the slow but steady improvement in the economy and a pick-up in inflation.

Towards the end of the period in review potentially higher rates meant sterling strengthened and caused the FTSE 100 Index, which contains many multinational companies, to underperform the more domestically oriented FTSE 250 Index of medium-sized companies. Both indices did, however, touch record highs. The general economic improvement boosted basic materials companies, while the higher oil price supported the share prices of oil and gas producers.

The AXA Framlington UK Select Opportunities fund, Artemis Income fund and Investec UK Alpha fund produced returns ahead of the FTSE All-Share Index from 1 November 2016 to 31 October 2017.

¹ 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 10-40 PORTFOLIO

ACD's Report (continued)

Portfolio Manager's Report (continued)

For the year ended 31 October 2017

NORTH AMERICA

Investors were encouraged by better-than expected company profits and jobs data, with further buying being prompted by hopes of tax reform. US stockmarkets continued to rally despite President Trump engaging in several bouts of warlike rhetoric with the leader of North Korea, and southern states being hit by severe weather. Towards the end of the period in review, the broad S&P 500 Index stood at a record high, having enjoyed an eighth successive quarter of gains.

Returns from the Threadneedle American fund were ahead of the S&P 500 Index over the period in review. The Schroder US Mid Cap fund also produced positive performance but did lag the Russell 2500 Index.

EUROPE

Stronger-than-expected growth in the European economy underpinned the returns from the region's stockmarkets. The European Central Bank joined the chorus of policymakers signalling a readiness to withdraw the emergency asset-purchase programme introduced to combat the global financial crisis. The persistent rise of the euro against other currencies led some investors to question whether exports may come under pressure, while the entry of a far-right political party into the German parliament caused further uncertainty. A stronger euro boosted the returns from eurozone assets to UK investors.

The Henderson European Selected Opportunities fund produced a positive return albeit behind the index over the period in review. The Jupiter European Special Situations fund also lagged the index.

JAPAN

The Japanese stockmarket declined during the summer, as rising geopolitical tension led investors to buy the country's currency, which is seen as a safe haven. This weighed on the demand for shares of the exporters that dominate the economy. However, this was reversed in September, as fears of conflict eased and the yen weakened, enabling Japanese shares to enjoy the largest monthly gain of 2017 so far. Sentiment was also supported by higher inflation, which boosted optimism about the health of the economy. When viewed in sterling terms, the returns were lower, due to the decrease in the value of the yen relative to sterling over the quarter.

The Schroder Tokyo fund and Man GLG Japan CoreAlpha fund both outperformed the benchmark between 1 November 2016 and 31 October 2017.

ASIA EX JAPAN

Company shares in the Asia Pacific region were among the best performers during the first part of 2017, helped by a decline in the US dollar against most other currencies. The apparent stability of the economy in China, a major trading partner of most countries in the region, was another supportive factor. The Indian stockmarket was a particularly strong performer after election success for the ruling party, and the prospect of tax reform enabled the rupee to strengthen further.

Despite the aggressive action taken by North Korea, which brought an equally aggressive response from President Trump, the third quarter of 2017 was positive for the Asia Pacific region as a whole. While the South Korean market declined, the fall was relatively modest as investors seemed to take the view that the tension was nothing new.

The Fidelity Asia fund and Investec Asian Equity fund produced returns ahead of the benchmark over the period in review.

UK AND GLOBAL BONDS

The governor of the Bank of England has signalled that the withdrawal of economic stimulus is likely to be appropriate in the coming months. The pound appreciated relative to the US dollar during the third quarter despite there being little clarity as to the outcome of the protracted negotiations over Brexit. Sterling was, however, down a little in comparison to the euro. It appears that the decision to leave the European Union is now being reflected in economic data, with the decline in sterling since the referendum result and uncertainty over government policy contributing to higher inflation and a slowdown in economic growth.

The synchronised improvement in global economic data has encouraged the world's central bankers to consider withdrawing the emergency policy measures that were introduced to boost economic activity.

All five underlying corporate bond funds produced positive returns during the period in review. Only the Royal London Corporate Bond fund was behind the sector average. The Kames High Yield Bond fund and M&G Global High Yield Bond fund also produced positive returns. The BlackRock Euro Corporate Bond fund was added to the portfolios in October 2017.

UK PROPERTY

Despite the outcome of the June general election and the ongoing uncertainty surrounding Brexit, UK commercial property capital values continued to grow. Total returns from the asset class are being driven by both growth in capital values and stable rental income. The overall resilience of UK commercial property is encouraging, and is due in part to buying by overseas investors following the decline in sterling.

The performance of the M&G Property Portfolio continues to be positive although behind the peer group. The Aviva Investors UK Property trust was replaced by the Legal & General UK Property fund towards the end of the period in review.

EMERGING MARKETS

The performance of Emerging Markets was generally positive. More recently significant strength in several South American, eastern European and Asian markets have overcome pockets of weakness, such as Greece. Brazil experienced a particularly robust rally, helped by higher commodity prices, better economic data and a rejection of corruption allegations directed at the president. The Chinese stockmarket also rose, boosted by healthy economic signals, while the Russian market rallied with the price of oil and other natural resources. The Greek stockmarket lagged due to the continuation of the country's economic worries and concerns over the level of debt.

The M&G Global Emerging Markets fund produced a positive return although it lagged the benchmark.

ALTERNATIVES

The holdings have generally performed well, although investments in Insurance Linked Securities ('ILS') weighed on performance during August and September as three major hurricanes passed through the US and Caribbean, causing large catastrophe losses for CATCo Reinsurance Opportunities fund and Blue Capital Alternative Income fund. Despite these losses, ILS adds diversifying and uncorrelated returns to the portfolio and, looking forward, these events have made the asset class more attractive due to expected re-pricing of risk and higher premiums.

LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

ACD's Report (continued)
Portfolio Manager's Report (continued)
For the year ended 31 October 2017

POSITIONING

The key investment activity over the period in review was the addition of a number of holdings across private equity, hedge funds and infrastructure. These were added to provide further diversification.

The Legal & General UK Property fund replaced the Aviva Investors UK Property fund and the BlackRock Euro Corporate Bond fund was added to diversify the corporate bond holdings.

OUTLOOK

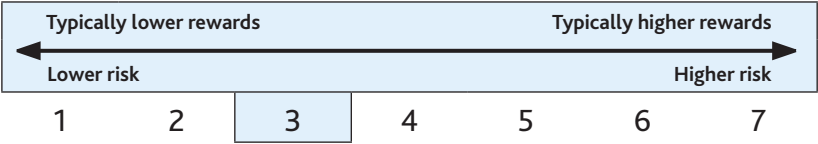
Global growth has strengthened since the fourth quarter of 2016, driven in particular by strong performance in the eurozone, a return to growth in most commodity producing economies and the Chinese authorities' prioritisation of growth and stability over reform. Growth has also become more broad-based, with manufacturing and trade performing well, alongside services. Moreover, previous worries about falling commodity prices, deflation and restrictive fiscal policies have been somewhat alleviated.

Forward looking survey data remain at healthy levels and are in general signalling solid global growth going forward. The expectation is, therefore, for solid growth in coming quarters, although it will be somewhat restrained by a lack of synchronicity in the business cycles of the major advanced and emerging economies.

M&G INVESTMENT MANAGEMENT LIMITED
Portfolio Manager
20 November 2017

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 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.

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.

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

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, 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.

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'A' Income shares			
Change in net assets per share			
Opening net asset value per share	138.53	129.29	125.87
Return before operating charges*	12.15	13.84	7.88
Operating charges	(3.10)	(2.94)	(2.90)
Return after operating charges	9.05	10.90	4.98
Distributions	(1.66)	(1.66)	(1.56)
Closing net asset value per share	145.92	138.53	129.29
* after direct transaction costs of:	–	–	–

Performance

Return after charges	6.53%	8.43%	3.96%
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Other Information

Closing net asset value (£'000)	1,800	1,722	4,569
Closing number of shares	1,233,396	1,243,120	3,534,078
Operating charges	2.16%	2.26%	2.21%
Direct transaction costs	–	–	–

Prices

Highest share price	147.94	141.74	137.09
Lowest share price	135.81	122.56	126.64

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'A' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	149.76	138.10	132.87
Return before operating charges*	13.12	14.81	8.30
Operating charges	(3.35)	(3.15)	(3.07)
Return after operating charges	9.77	11.66	5.23
Distributions	(1.79)	(1.78)	(1.64)
Retained distributions on accumulation shares	1.79	1.78	1.64
Closing net asset value per share	159.53	149.76	138.10
* after direct transaction costs of:	–	–	–

Performance

Return after charges	6.52%	8.44%	3.94%
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Other Information

Closing net asset value (£'000)	14,129	15,009	35,338
Closing number of shares	8,856,794	10,021,903	25,588,642
Operating charges	2.16%	2.26%	2.21%
Direct transaction costs	–	–	–

Prices

Highest share price	159.90	151.40	144.78
Lowest share price	146.81	130.92	133.68

LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'C' Income shares			
Change in net assets per share			
Opening net asset value per share	139.11	129.77	126.32
Return before operating charges*	11.86	13.71	7.62
Operating charges	(1.36)	(1.37)	(1.31)
Return after operating charges	10.50	12.34	6.31
Distributions	(3.04)	(3.00)	(2.86)
Closing net asset value per share	146.57	139.11	129.77
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	7.55%	9.51%	5.00%
Other Information			
Closing net asset value (£'000)	53,899	52,952	54,691
Closing number of shares	36,772,617	38,063,463	42,143,690
Operating charges	0.94%	1.04%	0.99%
Direct transaction costs	–	–	–
Prices			
Highest share price	149.95	143.65	138.17
Lowest share price	136.51	123.37	127.12

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'P' Income shares			
Change in net assets per share			
Opening net asset value per share	112.71	105.16	102.37
Return before operating charges*	9.72	11.19	6.25
Operating charges	(1.65)	(1.62)	(1.56)
Return after operating charges	8.07	9.57	4.69
Distributions	(2.03)	(2.02)	(1.90)
Closing net asset value per share	118.75	112.71	105.16
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	7.16%	9.10%	4.58%
Other Information			
Closing net asset value (£'000)	5,555	5,760	3,515
Closing number of shares	4,678,096	5,110,040	3,342,599
Operating charges	1.41%	1.51%	1.46%
Direct transaction costs	–	–	–
Prices			
Highest share price	121.18	116.10	111.74
Lowest share price	110.56	99.86	103.01

LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'P' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	119.02	109.08	104.39
Return before operating charges*	10.26	11.62	6.29
Operating charges	(1.74)	(1.68)	(1.60)
Return after operating charges	8.52	9.94	4.69
Distributions	(2.15)	(2.09)	(1.94)
Retained distributions on accumulation shares	2.15	2.09	1.94
Closing net asset value per share	127.54	119.02	109.08
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	7.16%	9.11%	4.49%
Other Information			
Closing net asset value (£'000)	96,346	92,165	76,443
Closing number of shares	75,541,300	77,434,344	70,078,654
Operating charges	1.41%	1.51%	1.46%
Direct transaction costs	–	–	–
Prices			
Highest share price	127.92	120.42	113.87
Lowest share price	116.75	103.60	105.02

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'R' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	133.49	122.60	117.52
Return before operating charges*	11.57	13.09	7.18
Operating charges	(2.30)	(2.20)	(2.10)
Return after operating charges	9.27	10.89	5.08
Distributions	(2.14)	(2.09)	(1.93)
Retained distributions on accumulation shares	2.14	2.09	1.93
Closing net asset value per share	142.76	133.49	122.60
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	6.94%	8.88%	4.32%
Other Information			
Closing net asset value (£'000)	15,619	14,965	11,355
Closing number of shares	10,940,272	11,210,526	9,261,919
Operating charges	1.66%	1.76%	1.71%
Direct transaction costs	–	–	–
Prices			
Highest share price	143.12	134.99	128.15
Lowest share price	130.92	116.36	118.25

LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

FUND PERFORMANCE TO 31 OCTOBER 2017 (%)

	1 year	3 years	5 years
LF Prudential Dynamic 10-40 Portfolio	6.32	19.24	36.34

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.

PORTFOLIO STATEMENT

AS AT 31 OCTOBER 2017

Holding	Portfolio of Investments	Value £'000	31.10.17 %
	EQUITY PORTFOLIOS – 29.32% (31.10.16 – 29.56%)		
	CONTINENTAL EUROPE – 4.77% (31.10.16 – 5.34%)		
271,749	Henderson European Selected Opportunities Fund	4,603	2.46
1,013,576	Jupiter European Special Situations Fund	4,326	2.31
	TOTAL CONTINENTAL EUROPE	8,929	4.77
	UNITED KINGDOM – 11.68% (31.10.16 – 10.78%)		
1,313,768	Artemis Income Fund	5,532	2.95
223,359	AXA Framlington UK Select Opportunities Fund	7,889	4.21
5,799,767	Investec UK Alpha Fund	7,657	4.09
243,544	M&G Recovery Fund†	803	0.43
	TOTAL UNITED KINGDOM	21,881	11.68
	FAR EAST – 4.59% (31.10.16 – 4.79%)		
311,530	Fidelity Asia Fund	4,196	2.24
209,850	Investec Asian Equity Fund	4,409	2.35
	TOTAL FAR EAST	8,605	4.59
	JAPAN – 2.17% (31.10.16 – 2.69%)		
1,162,571	Man GLG Japan CoreAlpha Fund	1,908	1.02
589,631	Schroder Tokyo Fund	2,152	1.15
	TOTAL JAPAN	4,060	2.17
	UNITED STATES – 4.57% (31.10.16 – 4.53%)		
1,684,492	Schroder US Mid Cap Fund	2,362	1.26
2,204,397	Threadneedle American Fund	6,209	3.31
	TOTAL UNITED STATES	8,571	4.57
	EMERGING MARKETS – 1.54% (31.10.16 – 1.43%)		
942,947	M&G Global Emerging Markets Fund†	2,887	1.54
	TOTAL EMERGING MARKETS	2,887	1.54
	TOTAL EQUITY PORTFOLIOS	54,933	29.32

LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

ACD's Report (continued)

Portfolio Statement (continued)

As at 31 October 2017

Holding	Portfolio of Investments	Value £'000	31.10.17 %
	EQUITY INVESTMENT INSTRUMENTS – 3.73% (31.10.16 – 2.85%)		
1,057,210	BBGI	1,507	0.80
490,729	BioPharma Credit	403	0.22
474,050	Blue Capital Alternative Income Fund	268	0.14
325,416	CATCo Reinsurance Opportunities Fund	252	0.14
445,385	DP Aircraft I	362	0.19
162,251	HarbourVest Global Private Equity	2,078	1.11
46,081	HgCapital Trust	803	0.43
320,174	NB Distressed Debt Investment Fund	209	0.11
459,371	NextEnergy Solar Fund	514	0.27
545,647	Renewables Infrastructure	594	0.32
	TOTAL EQUITY INVESTMENT INSTRUMENTS	6,990	3.73
	PROPERTY PORTFOLIOS – 12.07% (31.10.16 – 12.03%)		
10,496,993	Legal & General UK Property Fund	8,790	4.69
1,203,037	M&G Property Portfolio†	13,829	7.38
	TOTAL PROPERTY PORTFOLIOS	22,619	12.07
	BOND PORTFOLIOS – 54.86% (31.10.16 – 53.69%)		
1,201,736	BlackRock Euro Corporate Bond Fund	12,510	6.68
7,691,985	Fidelity MoneyBuilder Income Fund	13,915	7.43
7,598,430	Invesco Perpetual Corporate Bond Fund	15,337	8.19
4,507,204	Kames High Yield Bond Fund	5,722	3.05
7,409,758	Kames Investment Grade Bond Fund	13,253	7.07
3,782,038	M&G Global High Yield Bond Fund†	5,034	2.69
26,994,904	M&G Short Dated Corporate Bond Fund†	7,002	3.74
13,224,431	M&G Strategic Corporate Bond Fund†	15,507	8.28
9,829	Merrill Lynch AQR Global Relative Value Fund	1,300	0.69
12,552,878	Royal London Corporate Bond Fund	13,193	7.04
	TOTAL BOND PORTFOLIOS	102,773	54.86

	Value £'000	31.10.17 %
Portfolio of investments	187,315	99.98
Net other assets	33	0.02
Net assets	<u>187,348</u>	<u>100.00</u>

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

† Related party holding (see note 10).

LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

ACD's Report (continued)

SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 31 OCTOBER 2017

Total purchases for the year £'000 (note 14) **66,908**

Major purchases	Cost £'000
M&G Short Dated Corporate Bond Fund	13,880
BlackRock Euro Corporate Bond Fund	12,462
Legal & General UK Property Fund	9,186
Aviva Investors UK Property Fund	8,544
Investec UK Alpha Fund	6,861
Investec Asian Equity Fund	5,098
Investec Asia Pacific Ex Japan Fund	4,261
Man GLG Japan CoreAlpha Fund	1,845
Merrill Lynch AQR Global Relative Value Fund	1,251
Fidelity MoneyBuilder Income Fund	907
CATCo Reinsurance Opportunities Fund	594
DP Aircraft I	449
BioPharma Credit	393
Blue Capital Alternative Income Fund	378
HarbourVest Global Private Equity	211
NB Distressed Debt Investment Fund	146
BBGI	95
Renewables Infrastructure	81
NB Distressed Debt Investment Fund (extinct 23/2/2017)	78
Threadneedle UK Fund	70

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

Total sales for the year £'000 (note 14) **71,034**

Major sales	Proceeds £'000
M&G Short Dated Corporate Bond Fund	13,986
Aviva Investors UK Property Fund	9,185
Aviva Investors Property Trust	8,544
Kames High Yield Bond Fund	5,800
Threadneedle UK Fund	5,422
Investec Asia Pacific Ex Japan Fund	5,119
Baillie Gifford High Yield Bond Fund	4,509
M&G Global High Yield Bond Fund	3,280
Schroder Tokyo Fund	2,953
First State Stewart Investors Asia Pacific Leaders Fund	2,799
Fidelity Asia Fund	2,406
M&G Recovery Fund	2,108
Henderson European Selected Opportunities Fund	2,100
Investec Asian Equity Fund	947
Threadneedle American Fund	930
HgCapital Trust	364
CATCo Reinsurance Opportunities Fund	239
Renewables Infrastructure	215
DP Aircraft I	61
NextEnergy Solar Fund	28

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

LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO
FINANCIAL STATEMENTS
STATEMENT OF TOTAL RETURN
FOR THE YEAR ENDED 31 OCTOBER 2017

	Notes	£'000	31.10.17 £'000	£'000	31.10.16 £'000
Income:					
Net capital gains	3		9,589		12,055
Revenue	4	5,337		5,555	
Expenses	5	(1,410)		(1,403)	
Net revenue before taxation		3,927		4,152	
Taxation	6	(671)		(715)	
Net revenue after taxation			3,256		3,437
Total return before distributions			12,845		15,492
Distributions	7		(3,317)		(3,450)
Change in net assets attributable to shareholders from investment activities			9,528		12,042

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS
FOR THE YEAR ENDED 31 OCTOBER 2017

	£'000	31.10.17 £'000	£'000	31.10.16 £'000
Opening net assets attributable to shareholders		182,573		185,911
Amounts receivable on issue of shares	15,250		13,016	
Amounts payable on redemption of shares	(22,018)		(30,452)	
		(6,768)		(17,436)
Dilution adjustment		–		24
Change in net assets attributable to shareholders from investment activities		9,528		12,042
Retained distributions on Accumulation shares		2,015		2,032
Closing net assets attributable to shareholders		187,348		182,573

BALANCE SHEET
AS AT 31 OCTOBER 2017

	Notes	31.10.17 £'000	31.10.16 £'000
ASSETS			
Fixed assets			
Investments		187,315	179,158
Current assets			
Debtors	8	1,618	7,313
Cash and bank balances		790	4,335
Total assets		189,723	190,806
LIABILITIES			
Provisions for liabilities		(65)	(23)
Creditors			
Distribution payable		(1,234)	(1,264)
Other creditors	9	(1,076)	(6,946)
Total liabilities		(2,375)	(8,233)
Net assets attributable to shareholders		187,348	182,573

LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

Financial Statements (continued)

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 OCTOBER 2017

1. ACCOUNTING POLICIES

The accounting policies described on pages 21 to 23 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 23 have been applied to the financial statements of the Fund in the current and prior year.

3. NET CAPITAL GAINS

The net capital gains during the year comprise:

	31.10.17 £'000	31.10.16 £'000
Non-derivative securities	9,546	11,989
Transaction charges	(1)	–
AMC rebates from underlying investments	44	66
Net capital gains	<u>9,589</u>	<u>12,055</u>

The net capital gains figure includes realised gains of £8,446,000 and unrealised gains of £24,324,000 (31.10.16 : includes realised gains of £9,789,000 and unrealised gains of £23,224,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

4. REVENUE

	31.10.17 £'000	31.10.16 £'000
Non-taxable dividends	875	639
Taxable dividends	206	289
UK property income distributions	434	310
Unfranked interest	2,950	3,445
AMC rebates from underlying investments	872	872
Total revenue	<u>5,337</u>	<u>5,555</u>

5. EXPENSES

Payable to the ACD, associates of the ACD and agents of either of them:
Annual Management Charge
Administration fees

	31.10.17 £'000	31.10.16 £'000
Annual Management Charge	1,107	1,106
Administration fees	277	271
	<u>1,384</u>	<u>1,377</u>

Payable to the Depositary, associates of the Depositary and agents of either of them:
Depositary's fees
Safe custody and other bank charges

	31.10.17 £'000	31.10.16 £'000
Depositary's fees	16	15
Safe custody and other bank charges	–	1
	<u>16</u>	<u>16</u>

Other expenses:

Fees paid to auditor – audit
– tax services

	31.10.17 £'000	31.10.16 £'000
Fees paid to auditor – audit	10	9
– tax services	–	1
	<u>10</u>	<u>10</u>

Total expenses

	31.10.17 £'000	31.10.16 £'000
Total expenses	<u>1,410</u>	<u>1,403</u>

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

6. TAXATION

a) Analysis of charge for the year
Corporation tax at 20%

	31.10.17 £'000	31.10.16 £'000
Corporation tax at 20%	629	692
Current tax charge	<u>629</u>	<u>692</u>

Deferred tax – origination and reversal of timing differences (note 6c)

	31.10.17 £'000	31.10.16 £'000
Deferred tax – origination and reversal of timing differences (note 6c)	42	23

Total taxation (note 6b)

	31.10.17 £'000	31.10.16 £'000
Total taxation (note 6b)	<u>671</u>	<u>715</u>

b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.10.16 : 20%). The difference is explained below:

	31.10.17 £'000	31.10.16 £'000
Net revenue before taxation	<u>3,927</u>	<u>4,152</u>
Corporation tax at 20%	785	830

LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

	31.10.17 £'000	31.10.16 £'000
6. TAXATION (continued)		
Effects of:		
Non-taxable dividends	(175)	(128)
Offshore capital gains subject to taxation	52	–
Rebated capital expenses deductible for tax purposes	9	13
Total tax charge (note 6a)	671	715
c) Deferred tax		
Provision at the start of the year	23	–
Deferred tax charge in the year (note 6a)	42	23
Provision at the end of the year	65	23

7. DISTRIBUTIONS

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

	31.10.17 £'000	31.10.16 £'000
Final	3,249	3,296
	3,249	3,296
Add: Revenue deducted on redemption of shares	222	319
Deduct: Revenue received on issue of shares	(154)	(165)
Net distributions for the year	3,317	3,450

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

	31.10.17 £'000	31.10.16 £'000
Distributions represented by:		
Net revenue after taxation	3,256	3,437
Allocations to capital:		
Tax relief from capital	61	13
Net distributions for the year	3,317	3,450

	31.10.17 £'000	31.10.16 £'000
8. DEBTORS		
Amounts receivable for issue of shares	229	75
Sales awaiting settlement	952	6,189
Accrued revenue:		
Non-taxable dividends	27	83
Taxable dividends	54	94
Unfranked interest	–	47
AMC rebates from underlying investments	100	234
	181	458
Taxation recoverable:		
Income tax	256	591
Total debtors	1,618	7,313
9. OTHER CREDITORS		
Amounts payable for redemption of shares	481	378
Purchases awaiting settlement	–	5,866
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	96	100
Administration fees	24	25
	120	125
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	1	2
Taxation payable:		
Corporation tax	463	562
Other expenses	11	13
Total other creditors	1,076	6,946

LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

10. 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 9.

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 8 and 9.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 77,925 (31.10.16 : 50,136) 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 27,247,090 (31.10.16 : 29,055,040) 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 shareholders 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:

	31.10.17 £'000	31.10.16 £'000
Portfolio Manager in common	45,062	48,273

11. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (31.10.16 : none).

12. SHARES IN ISSUE

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.40%	1.40%	0.18%
Opening shares in issue	1,243,120	10,021,903	38,063,463
Issues	44,105	575,848	2,695,890
Redemptions	(53,829)	(1,640,277)	(3,986,736)
Conversions	–	(100,680)	–
Closing shares in issue	1,233,396	8,856,794	36,772,617

12. SHARES IN ISSUE (continued)

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.65%	0.65%	0.90%
Opening shares in issue	5,110,040	77,434,344	11,210,526
Issues	492,106	5,964,691	1,871,858
Redemptions	(924,050)	(8,029,538)	(2,101,418)
Conversions	–	171,803	(40,694)
Closing shares in issue	4,678,096	75,541,300	10,940,272

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

13. RISK MANAGEMENT POLICIES

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

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

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

i. Credit risk

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

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

LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

13. RISK MANAGEMENT POLICIES (*continued*)

ii. *Interest rate risk*

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

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

iii. *Foreign currency risk*

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.

iv. *Leverage*

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

As at 31.10.17, leverage under the gross method was 1:1 and leverage under the commitment method was 1:1 (31.10.16 : 0.98:1 and 1:1 respectively).

v. *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.

vi. *Market price risk*

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

13. RISK MANAGEMENT POLICIES (*continued*)

vi. *Market price risk (continued)*

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 £9,366,000 (31.10.16 : £8,958,000). A 5% decrease would have an equal and opposite effect.

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

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

viii. *Derivatives*

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

LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

14. PORTFOLIO TRANSACTION COSTS

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

Average portfolio dealing spread at 31.10.17 is 0.34% (31.10.16 : 0.53%).

14. PORTFOLIO TRANSACTION COSTS (continued)

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

LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

15. FAIR VALUE HIERARCHY

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

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

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.17				
Investment Assets	<u>6,990</u>	<u>180,325</u>	<u>–</u>	<u>187,315</u>
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.16				
Investment Assets	<u>5,211</u>	<u>173,947</u>	<u>–</u>	<u>179,158</u>

DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 OCTOBER 2017 – 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	01.11.16
To	31.10.17

'A' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	1.6570	–	1.6570	1.6554
Group 2	0.8356	0.8214	1.6570	1.6554

'A' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	1.7878	–	1.7878	1.7798
Group 2	1.1149	0.6729	1.7878	1.7798

'C' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	3.0422	–	3.0422	2.9966
Group 2	1.8525	1.1897	3.0422	2.9966

'P' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	2.0337	–	2.0337	2.0158
Group 2	0.9827	1.0510	2.0337	2.0158

LF PRUDENTIAL DYNAMIC 10-40 PORTFOLIO

Financial Statements (continued)

Distribution Table (continued)

'P' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	2.1479	–	2.1479	2.0903
Group 2	0.9447	1.2032	2.1479	2.0903

'R' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	2.1360	–	2.1360	2.0911
Group 2	0.7498	1.3862	2.1360	2.0911

LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

ACD'S REPORT

FOR THE YEAR ENDED 31 OCTOBER 2017

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 2018

LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

ACD's Report (continued)

For the year ended 31 October 2017

PORTFOLIO MANAGER'S REPORT

Between 1 November 2016 and 31 October 2017 (the period in review) share classes, R (Accumulation) 8.30%¹, P (Accumulation) 8.62%¹ and A (Accumulation) 7.82%¹ produced returns ahead of the 6.84%¹ sector average for IA Mixed Investment 20-60% Shares.

ECONOMIC OVERVIEW

Economic data released during the end of the period in review seemed to signal a continuation of a global recovery in almost all regions. This is being witnessed in the readings of economic activity, unemployment and company profits. This improvement in the economic outlook has prompted central bankers to consider the withdrawal of emergency measures, such as record low interest rates and asset purchases to curb any increase in inflation.

For example, the US is widely expected to hike interest rates again in December 2017. For the moment, however, inflation remains generally subdued. In the currency markets, sterling strengthened relative to the US dollar and Japanese yen, towards the end of the period in review but was weak compared to the euro. Greater economic activity, especially in China, supported demand for basic resources and many commodity prices, including oil, rallied.

MARKET OVERVIEW

Rather than focus on geopolitical concerns, such as heightened rhetoric about North Korea and the effect of hurricanes, investors seemed prepared to consider the general improvement in global economic activity. Better economic data and robust company earnings were reflected in higher demand for equities, and many stockmarkets finished the end of the period in review, at their highest levels for several years.

UK

Although the negotiations over the UK's withdrawal from the European Union continue to drag on, policymakers at the Bank of England have raised the prospect of higher interest rates, encouraged by the slow but steady improvement in the economy and a pick-up in inflation.

Towards the end of the period in review potentially higher rates meant sterling strengthened and caused the FTSE 100 Index, which contains many multinational companies, to underperform the more domestically oriented FTSE 250 Index of medium-sized companies. Both indices did, however, touch record highs. The general economic improvement boosted basic materials companies, while the higher oil price supported the share prices of oil and gas producers.

The AXA Framlington UK Select Opportunities fund, Artemis Income fund and Investec UK Alpha fund produced returns ahead of the FTSE All-Share Index from 1 November 2016 to 31 October 2017.

NORTH AMERICA

Investors were encouraged by better-than expected company profits and jobs data, with further buying being prompted by hopes of tax reform. US stockmarkets continued to rally despite President Trump engaging in several bouts of warlike rhetoric with the leader of North Korea, and southern states being hit by severe weather. Towards the end of the period in review, the broad S&P 500 Index stood at a record high, having enjoyed an eighth successive quarter of gains.

Returns from the Threadneedle American fund were ahead of the S&P 500 Index over the period in review. The Schroder US Mid Cap fund also produced positive performance but did lag the Russell 2500 Index.

¹ 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.

EUROPE

Stronger-than-expected growth in the European economy underpinned the returns from the region's stockmarkets. The European Central Bank joined the chorus of policymakers signalling a readiness to withdraw the emergency asset-purchase programme introduced to combat the global financial crisis. The persistent rise of the euro against other currencies led some investors to question whether exports may come under pressure, while the entry of a far-right political party into the German parliament caused further uncertainty. A stronger euro boosted the returns from eurozone assets to UK investors.

The Henderson European Selected Opportunities fund produced a positive return albeit behind the index over the period in review. The Jupiter European Special Situations fund also lagged the index.

JAPAN

The Japanese stockmarket declined during the summer, as rising geopolitical tension led investors to buy the country's currency, which is seen as a safe haven. This weighed on the demand for shares of the exporters that dominate the economy. However, this was reversed in September, as fears of conflict eased and the yen weakened, enabling Japanese shares to enjoy the largest monthly gain of 2017 so far. Sentiment was also supported by higher inflation, which boosted optimism about the health of the economy. When viewed in sterling terms, the returns were lower, due to the decrease in the value of the yen relative to sterling over the quarter.

The Schroder Tokyo fund and Man GLG Japan CoreAlpha fund both outperformed the benchmark between 1 November 2016 and 31 October 2017.

ASIA EX JAPAN

Company shares in the Asia Pacific region were among the best performers during the first part of 2017, helped by a decline in the US dollar against most other currencies. The apparent stability of the economy in China, a major trading partner of most countries in the region, was another supportive factor. The Indian stockmarket was a particularly strong performer after election success for the ruling party, and the prospect of tax reform enabled the rupee to strengthen further.

Despite the aggressive action taken by North Korea, which brought an equally aggressive response from President Trump, the third quarter of 2017 was positive for the Asia Pacific region as a whole. While the South Korean market declined, the fall was relatively modest as investors seemed to take the view that the tension was nothing new.

The Fidelity Asia fund and Investec Asian Equity fund produced returns ahead of the benchmark over the period in review.

UK AND GLOBAL BONDS

The governor of the Bank of England has signalled that the withdrawal of economic stimulus is likely to be appropriate in the coming months. The pound appreciated relative to the US dollar during the third quarter despite there being little clarity as to the outcome of the protracted negotiations over Brexit. Sterling was, however, down a little in comparison to the euro. It appears that the decision to leave the European Union is now being reflected in economic data, with the decline in sterling since the referendum result and uncertainty over government policy contributing to higher inflation and a slowdown in economic growth.

LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

ACD's Report (continued)

Portfolio Manager's Report (continued)

For the year ended 31 October 2017

UK AND GLOBAL BONDS *(continued)*

The synchronised improvement in global economic data has encouraged the world's central bankers to consider withdrawing the emergency policy measures that were introduced to boost economic activity.

All three underlying corporate bond funds produced positive returns during the period in review. The Kames High Yield Bond fund also produced positive returns. The BlackRock Euro Corporate Bond fund was added to the portfolios in October 2017.

UK PROPERTY

Despite the outcome of the June general election and the ongoing uncertainty surrounding Brexit, UK commercial property capital values continued to grow. Total returns from the asset class are being driven by both growth in capital values and stable rental income. The overall resilience of UK commercial property is encouraging, and is due in part to buying by overseas investors following the decline in sterling.

The performance of the M&G Property Portfolio continues to be positive although behind the peer group. The Aviva Investor UK Property trust was replaced by the Legal & General UK Property fund towards the end of the period in review.

EMERGING MARKETS

The performance of Emerging Markets was generally positive. More recently significant strength in several South American, eastern European and Asian markets have overcome pockets of weakness, such as Greece. Brazil experienced a particularly robust rally, helped by higher commodity prices, better economic data and a rejection of corruption allegations directed at the president. The Chinese stockmarket also rose, boosted by healthy economic signals, while the Russian market rallied with the price of oil and other natural resources. The Greek stockmarket lagged due to the continuation of the country's economic worries and concerns over the level of debt.

The M&G Global Emerging Markets fund and Aberdeen Emerging Markets Equity fund produced positive returns albeit behind the benchmark.

ALTERNATIVES

The holdings have generally performed well, although investments in Insurance Linked Securities ('ILS') weighed on performance during August and September as three major hurricanes passed through the US and Caribbean, causing large catastrophe losses for CATCo Reinsurance Opportunities fund and Blue Capital Alternative Income fund. Despite these losses, ILS adds diversifying and uncorrelated returns to the portfolio and, looking forward, these events have made the asset class more attractive due to expected re-pricing of risk and higher premiums.

POSITIONING

The key investment activity over the period in review was the addition of a number of holdings across private equity, hedge funds and infrastructure. These were added to provide further diversification.

The Legal & General UK Property fund replaced the Aviva Investors UK Property trust and the BlackRock Euro Corporate Bond fund was added to diversify the corporate bond holdings.

OUTLOOK

Global growth has strengthened since the fourth quarter of 2016, driven in particular by strong performance in the eurozone, a return to growth in most commodity producing economies and the Chinese authorities' prioritisation of growth and stability over reform. Growth has also become more broad-based, with manufacturing and trade performing well, alongside services. Moreover, previous worries about falling commodity prices, deflation and restrictive fiscal policies have been somewhat alleviated.

Forward looking survey data remain at healthy levels and are in general signalling solid global growth going forward. The expectation is, therefore, for solid growth in coming quarters, although it will be somewhat restrained by a lack of synchronicity in the business cycles of the major advanced and emerging economies.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

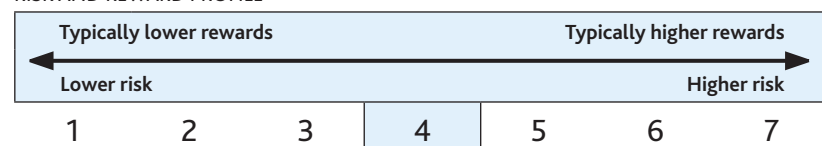
20 November 2017

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. 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.

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.

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

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, by following the link 'Fund Information'.

COMPARATIVE TABLES

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

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'A' Income shares			
Change in net assets per share			
Opening net asset value per share	145.57	134.20	129.94
Return before operating charges*	14.73	16.04	8.71
Operating charges	(3.42)	(3.12)	(3.07)
Return after operating charges	11.31	12.92	5.64
Distributions	(1.41)	(1.55)	(1.38)
Closing net asset value per share	155.47	145.57	134.20
* after direct transaction costs of:	0.04	–	–
Performance			
Return after charges	7.77%	9.63%	4.34%
Other Information			
Closing net asset value (£'000)	3,568	4,203	6,733
Closing number of shares	2,294,898	2,887,058	5,016,795
Operating charges	2.26%	2.30%	2.26%
Direct transaction costs	0.03%	–	–
Prices			
Highest share price	157.26	148.74	143.71
Lowest share price	142.42	125.60	130.43

LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'A' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	155.87	142.18	136.26
Return before operating charges*	15.77	16.98	9.14
Operating charges	(3.67)	(3.29)	(3.22)
Return after operating charges	12.10	13.69	5.92
Distributions	(1.51)	(1.64)	(1.44)
Retained distributions on accumulation shares	1.51	1.64	1.44
Closing net asset value per share	167.97	155.87	142.18
* after direct transaction costs of:	0.04	–	–
Performance			
Return after charges	7.76%	9.63%	4.34%
Other Information			
Closing net asset value (£'000)	15,226	17,277	44,867
Closing number of shares	9,064,829	11,084,492	31,556,180
Operating charges	2.26%	2.30%	2.26%
Direct transaction costs	0.03%	–	–
Prices			
Highest share price	168.33	157.54	150.66
Lowest share price	152.50	133.07	136.78

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'C' Income shares			
Change in net assets per share			
Opening net asset value per share	146.10	134.61	130.32
Return before operating charges*	14.49	15.89	8.43
Operating charges	(1.59)	(1.48)	(1.41)
Return after operating charges	12.90	14.41	7.02
Distributions	(2.91)	(2.92)	(2.73)
Closing net asset value per share	156.09	146.10	134.61
* after direct transaction costs of:	0.04	–	–
Performance			
Return after charges	8.83%	10.70%	5.39%
Other Information			
Closing net asset value (£'000)	83,905	82,545	83,423
Closing number of shares	53,755,204	56,499,465	61,973,907
Operating charges	1.04%	1.08%	1.04%
Direct transaction costs	0.03%	–	–
Prices			
Highest share price	159.37	150.62	144.77
Lowest share price	143.08	126.34	131.15

LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'P' Income shares			
Change in net assets per share			
Opening net asset value per share	114.20	105.24	102.02
Return before operating charges*	11.41	12.49	6.57
Operating charges	(1.80)	(1.66)	(1.61)
Return after operating charges	9.61	10.83	4.96
Distributions	(1.82)	(1.87)	(1.74)
Closing net asset value per share	121.99	114.20	105.24
* after direct transaction costs of:	0.03	–	–
Performance			
Return after charges	8.42%	10.29%	4.86%
Other Information			
Closing net asset value (£'000)	7,521	6,784	4,320
Closing number of shares	6,165,273	5,940,687	4,105,497
Operating charges	1.51%	1.55%	1.51%
Direct transaction costs	0.03%	–	–
Prices			
Highest share price	124.27	117.49	113.10
Lowest share price	111.79	98.65	102.60

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'P' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	120.03	108.83	103.84
Return before operating charges*	12.00	12.92	6.63
Operating charges	(1.89)	(1.72)	(1.64)
Return after operating charges	10.11	11.20	4.99
Distributions	(1.92)	(1.92)	(1.76)
Retained distributions on accumulation shares	1.92	1.92	1.76
Closing net asset value per share	130.14	120.03	108.83
* after direct transaction costs of:	0.03	–	–
Performance			
Return after charges	8.42%	10.29%	4.81%
Other Information			
Closing net asset value (£'000)	124,066	115,684	92,995
Closing number of shares	95,333,063	96,377,902	85,447,076
Operating charges	1.51%	1.55%	1.51%
Direct transaction costs	0.03%	–	–
Prices			
Highest share price	130.58	121.48	115.07
Lowest share price	117.50	102.03	104.41

LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'R' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	137.45	124.86	119.30
Return before operating charges*	13.79	14.89	7.76
Operating charges	(2.52)	(2.30)	(2.20)
Return after operating charges	11.27	12.59	5.56
Distributions	(1.90)	(1.95)	(1.76)
Retained distributions on accumulation shares	1.90	1.95	1.76
Closing net asset value per share	148.72	137.45	124.86
* after direct transaction costs of:	0.04	–	–
Performance			
Return after charges	8.20%	10.08%	4.66%
Other Information			
Closing net asset value (£'000)	11,318	25,992	13,218
Closing number of shares	7,609,979	18,910,457	10,586,236
Operating charges	1.76%	1.80%	1.76%
Direct transaction costs	0.03%	–	–
Prices			
Highest share price	149.09	138.98	132.17
Lowest share price	134.52	116.98	119.94

FUND PERFORMANCE TO 31 OCTOBER 2017 (%)

	1 year	3 years	5 years
LF Prudential Dynamic 20-55 Portfolio	7.82	23.52	42.35

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 2017

Holding	Portfolio of Investments	Value £'000	31.10.17 %
	EQUITY PORTFOLIOS – 40.90% (31.10.16 – 41.49%)		
	CONTINENTAL EUROPE – 6.22% (31.10.16 – 7.53%)		
687,687	Henderson European Selected Opportunities Fund	11,649	4.74
849,868	Jupiter European Special Situations Fund	3,628	1.48
	TOTAL CONTINENTAL EUROPE	15,277	6.22
	UNITED KINGDOM – 15.94% (31.10.16 – 15.12%)		
2,037,594	Artemis Income Fund	8,580	3.49
429,302	AXA Framlington UK Select Opportunities Fund	15,163	6.18
11,659,709	Investec UK Alpha Fund	15,394	6.27
	TOTAL UNITED KINGDOM	39,137	15.94
	FAR EAST – 7.14% (31.10.16 – 6.26%)		
679,489	Fidelity Asia Fund	9,153	3.73
398,900	Investec Asian Equity Fund	8,381	3.41
	TOTAL FAR EAST	17,534	7.14
	JAPAN – 2.93% (31.10.16 – 3.55%)		
1,564,486	Man GLG Japan CoreAlpha Fund	2,567	1.04
1,271,546	Schroder Tokyo Fund	4,640	1.89
	TOTAL JAPAN	7,207	2.93
	UNITED STATES – 6.54% (31.10.16 – 6.54%)		
2,873,258	Schroder US Mid Cap Fund	4,028	1.64
4,269,421	Threadneedle American Fund	12,025	4.90
	TOTAL UNITED STATES	16,053	6.54
	EMERGING MARKETS – 2.13% (31.10.16 – 2.49%)		
151,572	Aberdeen Emerging Markets Equity Fund	1,114	0.45
1,346,189	M&G Global Emerging Markets Fund†	4,121	1.68
	TOTAL EMERGING MARKETS	5,235	2.13
	TOTAL EQUITY PORTFOLIOS	100,443	40.90

Holding	Portfolio of Investments	Value £'000	31.10.17 %
	EQUITY INVESTMENT INSTRUMENTS – 4.96% (31.10.16 – 3.79%)		
1,828,733	BBGI	2,606	1.06
905,572	BioPharma Credit	742	0.30
819,485	Blue Capital Alternative Income Fund	463	0.19
569,540	CATCo Reinsurance Opportunities Fund	442	0.18
778,983	DP Aircraft I	634	0.26
284,385	HarbourVest Global Private Equity	3,643	1.48
77,120	HgCapital Trust	1,343	0.55
556,570	NB Distressed Debt Investment Fund	363	0.15
804,379	NextEnergy Solar Fund	901	0.37
956,470	Renewables Infrastructure	1,041	0.42
	TOTAL EQUITY INVESTMENT INSTRUMENTS	12,178	4.96
	PROPERTY PORTFOLIOS – 14.83% (31.10.16 – 14.66%)		
13,918,395	Legal & General UK Property Fund	11,655	4.75
2,153,927	M&G Property Portfolio†	24,761	10.08
	TOTAL PROPERTY PORTFOLIOS	36,416	14.83
	BOND PORTFOLIOS – 38.92% (31.10.16 – 39.11%)		
1,114,272	BlackRock Euro Corporate Bond Fund	11,600	4.72
12,110,499	Fidelity MoneyBuilder Income Fund	21,908	8.92
10,962,519	Invesco Perpetual Corporate Bond Fund	22,128	9.01
9,411,649	Kames High Yield Bond Fund	11,948	4.86
12,072,292	Kames Investment Grade Bond Fund	21,592	8.79
15,983,827	M&G Short Dated Corporate Bond Fund†	4,145	1.69
17,315	Merrill Lynch AQR Global Relative Value Fund	2,290	0.93
	TOTAL BOND PORTFOLIOS	95,611	38.92
	Portfolio of investments	244,648	99.61
	Net other assets	956	0.39
	Net assets	245,604	100.00

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

† Related party holding (see note 11).

LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

ACD's Report (continued)

SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 31 OCTOBER 2017

Total purchases for the year £'000 (note 15) **88,837**

Major purchases	Cost £'000
M&G Short Dated Corporate Bond Fund	15,284
Investec UK Alpha Fund	13,891
Legal & General UK Property Fund	12,180
BlackRock Euro Corporate Bond Fund	11,555
Aviva Investors UK Property Fund	11,284
Investec Asian Equity Fund	7,978
Investec Asia Pacific Ex Japan Fund	7,497
AXA Framlington UK Select Opportunities Fund	5,000
Fidelity Asia Fund	1,500
CATCo Reinsurance Opportunities Fund	1,095
DP Aircraft I	829
Schroder Tokyo Fund	740
BioPharma Credit	724
Blue Capital Alternative Income Fund	704
NB Distressed Debt Investment Fund	271
HarbourVest Global Private Equity	236
BBGI	182
Renewables Infrastructure	152
NB Distressed Debt Investment Fund (extinct 23/2/17)	145
Threadneedle American Fund	103

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

Total sales for the year £'000 (note 15) **114,346**

Major sales	Proceeds £'000
M&G Short Dated Corporate Bond Fund	17,680
Aviva Investors UK Property Fund	12,179
Aviva Investors Property Fund	11,284
M&G Global High Yield Bond Fund	11,101
Investec Asia Pacific Ex Japan Fund	9,022
Threadneedle American Fund	7,954
Stewart Investors Asia Pacific Leaders Fund	7,521
M&G Recovery Fund	7,174
Jupiter European Special Situations Fund	4,786
Kames High Yield Bond Fund	2,906
Threadneedle American Fund	2,785
Artemis Income Fund	2,218
Man GLG Japan CoreAlpha Fund	2,200
Fidelity Asia Fund	2,044
Kames Investment Grade Bond Fund	1,983
M&G Property Portfolio	1,725
Aberdeen Emerging Markets Equity Fund	1,548
Henderson European Selected Opportunities Fund	1,290
Invesco Perpetual Corporate Bond Fund	1,239
Fidelity MoneyBuilder Income Fund	1,238

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

LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO
FINANCIAL STATEMENTS
STATEMENT OF TOTAL RETURN
FOR THE YEAR ENDED 31 OCTOBER 2017

	Notes	£'000	31.10.17 £'000	£'000	31.10.16 £'000
Income:					
Net capital gains	3		16,555		19,736
Revenue	4	6,484		7,035	
Expenses	5	(1,853)		(1,850)	
Interest payable and similar charges	6	(1)		–	
Net revenue before taxation		4,630		5,185	
Taxation	7	(692)		(826)	
Net revenue after taxation			3,938		4,359
Total return before distributions			20,493		24,095
Distributions	8		(4,039)		(4,404)
Change in net assets attributable to shareholders from investment activities			16,454		19,691

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS
FOR THE YEAR ENDED 31 OCTOBER 2017

	£'000	31.10.17 £'000	£'000	31.10.16 £'000
Opening net assets attributable to shareholders		252,485		245,556
Amounts receivable on issue of shares	18,354		27,011	
Amounts payable on redemption of shares	(43,798)		(42,272)	
		(25,444)		(15,261)
Dilution adjustment		–		94
Change in net assets attributable to shareholders from investment activities		16,454		19,691
Retained distributions on Accumulation shares		2,109		2,405
Closing net assets attributable to shareholders		245,604		252,485

BALANCE SHEET
AS AT 31 OCTOBER 2017

	Notes	31.10.17 £'000	31.10.16 £'000
ASSETS			
Fixed assets			
Investments		244,648	250,090
Current assets			
Debtors	9	3,170	41,765
Cash and bank balances		711	3,104
Total assets		248,529	294,959
LIABILITIES			
Provisions for liabilities		(105)	(45)
Creditors			
Distribution payable		(1,709)	(1,803)
Other creditors	10	(1,111)	(40,626)
Total liabilities		(2,925)	(42,474)
Net assets attributable to shareholders		245,604	252,485

LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

Financial Statements (continued)

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 OCTOBER 2017

1. ACCOUNTING POLICIES

The accounting policies described on pages 21 to 23 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 23 have been applied to the financial statements of the Fund in the current and prior year.

3. NET CAPITAL GAINS

The net capital gains during the year comprise:

	31.10.17 £'000	31.10.16 £'000
Non-derivative securities	16,490	19,648
Transaction charges	(1)	–
AMC rebates from underlying investments	83	88
Currency losses	(17)	–
Net capital gains	16,555	19,736

The net capital gains figure includes realised gains of £15,195,000 and unrealised gains of £34,402,000 (31.10.16 : includes realised gains of £17,932,000 and unrealised gains of £33,124,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

4. REVENUE

	31.10.17 £'000	31.10.16 £'000
Non-taxable dividends	1,658	1,142
Taxable dividends	114	456
UK property income distributions	950	514
Unfranked interest	2,603	3,603
AMC rebates from underlying investments	1,159	1,319
Bank interest	–	1
Total revenue	6,484	7,035

5. EXPENSES

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

	31.10.17 £'000	31.10.16 £'000
Annual Management Charge	1,446	1,453
Administration fees	377	368
	1,823	1,821

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

Depositary's fees	21	18
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Other expenses:

FCA fee	–	1
Fees paid to auditor – audit	9	9
– tax services	–	1
	9	11

Total expenses	1,853	1,850
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The Portfolio Management fees and expenses (plus VAT thereon) for providing portfolio management services are paid by the ACD out of its remuneration.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	31.10.17 £'000	31.10.16 £'000
Interest payable	1	–
Total interest payable and similar charges	1	–

7. TAXATION

a) Analysis of charge for the year		
Corporation tax at 20%	632	781
Current tax charge	632	781
Deferred tax – origination and reversal of timing differences (note 7c)	60	45
Total taxation (note 7b)	692	826

LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

7. TAXATION (continued)

b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.10.16 : 20%). The difference is explained below:

	31.10.17 £'000	31.10.16 £'000
Net revenue before taxation	4,630	5,185
Corporation tax at 20%	926	1,037
Effects of:		
Non-taxable dividends	(332)	(229)
AMC rebates taken to capital	17	18
Offshore capital gains subject to taxation	81	–
Total tax charge (note 7a)	692	826
c) Deferred tax		
Provision at the start of the year	45	–
Deferred tax charge in the year (note 7a)	60	45
Provision at the end of the year	105	45

8. DISTRIBUTIONS

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

	31.10.17 £'000	31.10.16 £'000
Final	3,818	4,208
	3,818	4,208
Add: Revenue deducted on redemption of shares	374	412
Deduct: Revenue received on issue of shares	(153)	(216)
Net distributions for the year	4,039	4,404

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

8. DISTRIBUTIONS (continued)

Distributions represented by:

	31.10.17 £'000	31.10.16 £'000
Net revenue after taxation	3,938	4,359
Allocations to capital:		
Tax relief from capital	98	18
Equalisation on conversions*	3	27
Net distributions for the year	4,039	4,404

* 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.

9. DEBTORS

	31.10.17 £'000	31.10.16 £'000
Amounts receivable for issue of shares	138	300
Sales awaiting settlement	2,487	40,098
Accrued revenue:		
Non-taxable dividends	50	128
Taxable dividends	–	178
UK property income distributions	119	–
Unfranked interest	2	62
AMC rebates from underlying investments	138	363
	309	731
Taxation recoverable:		
Income tax	236	636
Total debtors	3,170	41,765

10. OTHER CREDITORS

	31.10.17 £'000	31.10.16 £'000
Amounts payable for redemption of shares	541	742
Purchases awaiting settlement	–	39,098

LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

	31.10.17 £'000	31.10.16 £'000
10. OTHER CREDITORS (continued)		
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	117	126
Administration fees	31	32
	148	158
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	2	1
Taxation payable:		
Corporation tax	410	616
Other expenses	10	11
Total other creditors	1,111	40,626

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 9.

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 10.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 69,890 (31.10.16 : 8,873) 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 36,896,623 (31.10.16 : £nil) 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 21.18% (31.10.16 : 0.00%)

11. RELATED PARTY TRANSACTIONS (continued)

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

	31.10.17 £'000	31.10.16 £'000
Portfolio Manager in common	33,027	53,383

12. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (31.10.16 : none).

13. SHARES IN ISSUE

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.40%	1.40%	0.18%
Opening shares in issue	2,887,058	11,084,492	56,499,465
Issues	48,860	339,646	4,059,166
Redemptions	(392,547)	(2,077,369)	(6,803,427)
Conversions	(248,473)	(281,940)	–
Closing shares in issue	2,294,898	9,064,829	53,755,204
	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.65%	0.65%	0.90%
Opening shares in issue	5,940,687	96,377,902	18,910,457
Issues	751,590	6,674,536	1,705,350
Redemptions	(916,002)	(8,153,482)	(12,883,469)
Conversions	388,998	434,107	(122,359)
Closing shares in issue	6,165,273	95,333,063	7,609,979

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

LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

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 or hedging purposes.

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

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

i. Credit risk

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

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

ii. Interest rate risk

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

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

14. RISK MANAGEMENT POLICIES (continued)

iii. Foreign currency risk

Foreign currency risk is the risk that the sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the sterling equivalent value. 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.

iv. Leverage

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

As at 31.10.17, leverage under the gross method was 1:1 and leverage under the commitment method was 1:1 (31.10.16 : 0.99:1 and 1:1 respectively).

v. 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.

vi. Market price risk

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

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

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £12,232,000 (31.10.16 : £12,505,000). A 5% decrease would have an equal and opposite effect.

LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

14. RISK MANAGEMENT POLICIES (continued)

vii. Fair value of financial assets and financial liabilities

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

viii. Derivatives

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

15. PORTFOLIO TRANSACTION COSTS

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

Average portfolio dealing spread at 31.10.17 is 0.36% (31.10.16 : 0.59%).

15. PORTFOLIO TRANSACTION COSTS (continued)

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

LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

16. FAIR VALUE HIERARCHY

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

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

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.17				
Investment Assets	<u>12,178</u>	<u>232,470</u>	<u>–</u>	<u>244,648</u>
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.16				
Investment Assets	<u>9,572</u>	<u>240,518</u>	<u>–</u>	<u>250,090</u>

DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 OCTOBER 2017 – 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	01.11.16
To	31.10.17

'A' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	1.4085	–	1.4085	1.5502
Group 2	0.8074	0.6011	1.4085	1.5502

'A' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	1.5080	–	1.5080	1.6409
Group 2	0.7919	0.7161	1.5080	1.6409

'C' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	2.9094	–	2.9094	2.9162
Group 2	2.5621	0.3473	2.9094	2.9162

'P' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	1.8245	–	1.8245	1.8694
Group 2	0.6423	1.1822	1.8245	1.8694

LF PRUDENTIAL DYNAMIC 20-55 PORTFOLIO

Financial Statements (continued)

Distribution Table (continued)

'P' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	1.9174	–	1.9174	1.9231
Group 2	0.8251	1.0923	1.9174	1.9231

'R' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	1.9020	–	1.9020	1.9501
Group 2	1.0004	0.9016	1.9020	1.9501

LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

ACD'S REPORT

FOR THE YEAR ENDED 31 OCTOBER 2017

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 held directly for the purposes of efficient portfolio management only.

LINK FUND SOLUTIONS LIMITED

ACD of LF Prudential Dynamic 40-80 Portfolio

20 February 2018

LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

ACD's Report (continued)

For the year ended 31 October 2017

PORTFOLIO MANAGER'S REPORT

Between 1 November 2016 and 31 October 2017 (the period in review) share classes, R (Accumulation) 9.48%¹ and A (Accumulation) 8.97%¹ produced returns behind the 9.71%¹ sector average for IA Mixed Investment 40-85% Shares. The P (Accumulation) share class was ahead at 9.80%¹.

ECONOMIC OVERVIEW

Economic data released during the end of the period in review seemed to signal a continuation of a global recovery in almost all regions. This is being witnessed in the readings of economic activity, unemployment and company profits. This improvement in the economic outlook has prompted central bankers to consider the withdrawal of emergency measures, such as record low interest rates and asset purchases to curb any increase in inflation.

For example, the US is widely expected to hike interest rates again in December 2017. For the moment, however, inflation remains generally subdued. In the currency markets, sterling strengthened relative to the US dollar and Japanese yen, towards the end of the period in review but was weak compared to the euro. Greater economic activity, especially in China, supported demand for basic resources and many commodity prices, including oil, rallied.

MARKET OVERVIEW

Rather than focus on geopolitical concerns, such as heightened rhetoric about North Korea and the effect of hurricanes, investors seemed prepared to consider the general improvement in global economic activity. Better economic data and robust company earnings were reflected in higher demand for equities, and many stockmarkets finished the end of the period in review, at their highest levels for several years.

UK

Although the negotiations over the UK's withdrawal from the European Union continue to drag on, policymakers at the Bank of England have raised the prospect of higher interest rates, encouraged by the slow but steady improvement in the economy and a pick-up in inflation.

Towards the end of the period in review potentially higher rates meant sterling strengthened and caused the FTSE 100 Index, which contains many multinational companies, to underperform the more domestically oriented FTSE 250 Index of medium-sized companies. Both indices did, however, touch record highs. The general economic improvement boosted basic materials companies, while the higher oil price supported the share prices of oil and gas producers.

The AXA Framlington UK Select Opportunities fund, Artemis Income fund and Investec UK Alpha fund produced returns ahead of the FTSE All-Share Index from 1 November 2016 to 31 October 2017. The M&G Recovery fund lagged the FTSE All-Share Index.

NORTH AMERICA

Investors were encouraged by better-than expected company profits and jobs data, with further buying being prompted by hopes of tax reform. US stockmarkets continued to rally despite President Trump engaging in several bouts of warlike rhetoric with the leader of North Korea, and southern states being hit by severe weather. Towards the end of the period in review, the broad S&P 500 Index stood at a record high, having enjoyed an eighth successive quarter of gains.

Returns from the Threadneedle American fund were ahead of the S&P 500 Index over the period in review. The Schroder US Mid Cap fund also produced positive performance but did lag the Russell 2500 Index.

EUROPE

Stronger-than-expected growth in the European economy underpinned the returns from the region's stockmarkets. The European Central Bank joined the chorus of policymakers signalling a readiness to withdraw the emergency asset-purchase programme introduced to combat the global financial crisis. The persistent rise of the euro against other currencies led some investors to question whether exports may come under pressure, while the entry of a far-right political party into the German parliament caused further uncertainty. A stronger euro boosted the returns from eurozone assets to UK investors.

The Henderson European Selected Opportunities fund produced a positive return albeit behind the index over the period in review. The Jupiter European Special Situations fund also lagged the index.

JAPAN

The Japanese stockmarket declined during the summer, as rising geopolitical tension led investors to buy the country's currency, which is seen as a safe haven. This weighed on the demand for shares of the exporters that dominate the economy. However, this was reversed in September, as fears of conflict eased and the yen weakened, enabling Japanese shares to enjoy the largest monthly gain of 2017 so far. Sentiment was also supported by higher inflation, which boosted optimism about the health of the economy. When viewed in sterling terms, the returns were lower, due to the decrease in the value of the yen relative to sterling over the quarter.

The Schroder Tokyo fund and Man GLG Japan CoreAlpha fund both outperformed the benchmark between 1 November 2016 and 31 October 2017.

ASIA EX JAPAN

Company shares in the Asia Pacific region were among the best performers during the first part of 2017, helped by a decline in the US dollar against most other currencies. The apparent stability of the economy in China, a major trading partner of most countries in the region, was another supportive factor. The Indian stockmarket was a particularly strong performer after election success for the ruling party, and the prospect of tax reform enabled the rupee to strengthen further.

Despite the aggressive action taken by North Korea, which brought an equally aggressive response from President Trump, the third quarter of 2017 was positive for the Asia Pacific region as a whole. While the South Korean market declined, the fall was relatively modest as investors seemed to take the view that the tension was nothing new.

The Fidelity Asia fund and Investec Asian Equity fund produced returns ahead of the benchmark over the period in review.

UK AND GLOBAL BONDS

The governor of the Bank of England has signalled that the withdrawal of economic stimulus is likely to be appropriate in the coming months. The pound appreciated relative to the US dollar during the third quarter despite there being little clarity as to the outcome of the protracted

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

LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

ACD's Report (continued)

Portfolio Manager's Report (continued)

For the year ended 31 October 2017

UK AND GLOBAL BONDS *(continued)*

negotiations over Brexit. Sterling was, however, down a little in comparison to the euro. It appears that the decision to leave the European Union is now being reflected in economic data, with the decline in sterling since the referendum result and uncertainty over government policy contributing to higher inflation and a slowdown in economic growth.

The synchronised improvement in global economic data has encouraged the world's central bankers to consider withdrawing the emergency policy measures that were introduced to boost economic activity.

All three underlying corporate bond funds produced positive returns during the period in review. The Kames High Yield Bond fund also produced positive returns. The BlackRock Euro Corporate Bond fund was added to the portfolios in October 2017.

UK PROPERTY

Despite the outcome of the June general election and the ongoing uncertainty surrounding Brexit, UK commercial property capital values continued to grow. Total returns from the asset class are being driven by both growth in capital values and stable rental income. The overall resilience of UK commercial property is encouraging, and is due in part to buying by overseas investors following the decline in sterling.

The performance of the M&G Property Portfolio continues to be positive although behind the peer group. The Aviva Investors UK Property trust was replaced by the Legal & General UK Property fund towards the end of the period in review.

EMERGING MARKETS

The performance of Emerging Markets was generally positive. More recently significant strength in several South American, eastern European and Asian markets have overcome pockets of weakness, such as Greece. Brazil experienced a particularly robust rally, helped by higher commodity prices, better economic data and a rejection of corruption allegations directed at the president. The Chinese stockmarket also rose, boosted by healthy economic signals, while the Russian market rallied with the price of oil and other natural resources. The Greek stockmarket lagged due to the continuation of the country's economic worries and concerns over the level of debt.

The M&G Global Emerging Markets fund and Aberdeen Emerging Markets Equity fund produced positive returns albeit behind the benchmark.

ALTERNATIVES

The holdings have generally performed well, although investments in Insurance Linked Securities ('ILS') weighed on performance during August and September as three major hurricanes passed through the US and Caribbean, causing large catastrophe losses for CATCo Reinsurance Opportunities fund and Blue Capital Alternative Income fund. Despite these losses, ILS adds diversifying and uncorrelated returns to the portfolio and, looking forward, these events have made the asset class more attractive due to expected re-pricing of risk and higher premiums.

POSITIONING

The key investment activity over the period in review was the addition of a number of holdings across private equity, hedge funds and infrastructure. These were added to provide further diversification.

The Legal & General UK Property fund replaced the Aviva Investors UK Property trust and the BlackRock Euro Corporate Bond fund was added to diversify the corporate bond holdings.

OUTLOOK

Global growth has strengthened since the fourth quarter of 2016, driven in particular by strong performance in the eurozone, a return to growth in most commodity producing economies and the Chinese authorities' prioritisation of growth and stability over reform. Growth has also become more broad-based, with manufacturing and trade performing well, alongside services. Moreover, previous worries about falling commodity prices, deflation and restrictive fiscal policies have been somewhat alleviated.

Forward looking survey data remain at healthy levels and are in general signalling solid global growth going forward. The expectation is, therefore, for solid growth in coming quarters, although it will be somewhat restrained by a lack of synchronicity in the business cycles of the major advanced and emerging economies.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

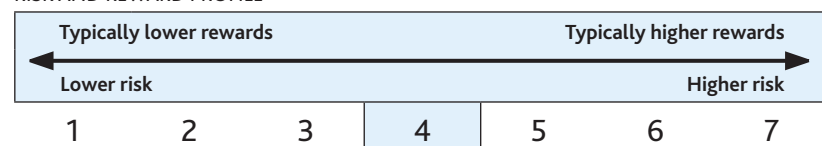
20 November 2017

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. Fixed interest securities with a higher yield also generally brings an increased risk.

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

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.

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

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, by following the link 'Fund Information'.

COMPARATIVE TABLES

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

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'A' Income shares			
Change in net assets per share			
Opening net asset value per share	155.54	141.40	135.42
Return before operating charges*	17.54	18.88	10.37
Operating charges	(3.73)	(3.33)	(3.33)
Return after operating charges	13.81	15.55	7.04
Distributions	(1.30)	(1.41)	(1.06)
Closing net asset value per share	168.05	155.54	141.40
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	8.88%	11.00%	5.20%
Other Information			
Closing net asset value (£'000)	1,053	1,732	3,741
Closing number of shares	626,738	1,113,714	2,645,698
Operating charges	2.30%	2.33%	2.33%
Direct transaction costs	–	–	–
Prices			
Highest share price	170.18	158.67	153.07
Lowest share price	151.66	130.89	135.12

LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'A' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	162.97	146.82	139.54
Return before operating charges*	18.39	19.60	10.71
Operating charges	(3.92)	(3.45)	(3.43)
Return after operating charges	14.47	16.15	7.28
Distributions	(1.36)	(1.46)	(1.09)
Retained distributions on accumulation shares	1.36	1.46	1.09
Closing net asset value per share	177.44	162.97	146.82
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	8.88%	11.00%	5.22%
Other Information			
Closing net asset value (£'000)	22,222	28,649	55,711
Closing number of shares	12,523,549	17,579,578	37,944,258
Operating charges	2.30%	2.33%	2.33%
Direct transaction costs	–	–	–
Prices			
Highest share price	178.27	164.73	157.65
Lowest share price	158.90	135.92	139.24

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'C' Income shares			
Change in net assets per share			
Opening net asset value per share	156.06	141.78	135.74
Return before operating charges*	17.31	18.72	10.09
Operating charges	(1.77)	(1.60)	(1.58)
Return after operating charges	15.54	17.12	8.51
Distributions	(2.91)	(2.84)	(2.47)
Closing net asset value per share	168.69	156.06	141.78
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	9.96%	12.08%	6.27%
Other Information			
Closing net asset value (£'000)	92,352	92,117	92,487
Closing number of shares	54,746,557	59,024,741	65,234,803
Operating charges	1.08%	1.11%	1.11%
Direct transaction costs	–	–	–
Prices			
Highest share price	172.35	160.61	154.06
Lowest share price	152.32	131.60	135.64

LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'P' Income shares			
Change in net assets per share			
Opening net asset value per share	118.05	107.26	102.85
Return before operating charges*	13.19	14.25	7.57
Operating charges	(1.92)	(1.73)	(1.71)
Return after operating charges	11.27	12.52	5.86
Distributions	(1.73)	(1.73)	(1.45)
Closing net asset value per share	127.59	118.05	107.26
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	9.55%	11.67%	5.70%
Other Information			
Closing net asset value (£'000)	6,567	5,384	3,528
Closing number of shares	5,146,294	4,560,767	3,289,126
Operating charges	1.55%	1.58%	1.58%
Direct transaction costs	–	–	–
Prices			
Highest share price	130.11	121.27	116.38
Lowest share price	115.18	99.45	102.68

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'P' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	122.97	110.10	104.21
Return before operating charges*	13.73	14.64	7.64
Operating charges	(2.00)	(1.77)	(1.75)
Return after operating charges	11.73	12.87	5.89
Distributions	(1.81)	(1.77)	(1.47)
Retained distributions on accumulation shares	1.81	1.77	1.47
Closing net asset value per share	134.70	122.97	110.10
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	9.54%	11.69%	5.65%
Other Information			
Closing net asset value (£'000)	122,155	111,535	80,887
Closing number of shares	90,684,203	90,703,292	73,464,533
Operating charges	1.55%	1.58%	1.58%
Direct transaction costs	–	–	–
Prices			
Highest share price	135.49	124.48	117.98
Lowest share price	119.97	102.10	104.05

LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'R' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	143.83	129.05	122.26
Return before operating charges*	16.12	17.19	9.15
Operating charges	(2.72)	(2.41)	(2.36)
Return after operating charges	13.40	14.78	6.79
Distributions	(1.81)	(1.81)	(1.47)
Retained distributions on accumulation shares	1.81	1.81	1.47
Closing net asset value per share	157.23	143.83	129.05
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	9.32%	11.45%	5.55%
Other Information			
Closing net asset value (£'000)	13,257	11,664	9,961
Closing number of shares	8,431,010	8,110,069	7,718,599
Operating charges	1.80%	1.83%	1.83%
Direct transaction costs	–	–	–
Prices			
Highest share price	158.02	145.46	138.38
Lowest share price	140.29	119.60	122.06

FUND PERFORMANCE TO 31 OCTOBER 2017 (%)

	1 year	3 years	5 years
LF Prudential Dynamic 40-80 Portfolio	8.97	27.46	51.35

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 2017

Holding	Portfolio of Investments	Value £'000	31.10.17 %
	EQUITY PORTFOLIOS – 52.74% (31.10.16 – 53.63%)		
	CONTINENTAL EUROPE – 8.16% (31.10.16 – 9.42%)		
666,713	Henderson European Selected Opportunities Fund	11,294	4.38
2,282,997	Jupiter European Special Situations Fund	9,745	3.78
	TOTAL CONTINENTAL EUROPE	21,039	8.16
	UNITED KINGDOM – 20.44% (31.10.16 – 19.83%)		
2,781,067	Artemis Income Fund	11,710	4.55
387,216	AXA Framlington UK Select Opportunities Fund	13,676	5.31
10,587,801	Investec UK Alpha Fund	13,979	5.43
4,027,288	M&G Recovery Fund†	13,280	5.15
	TOTAL UNITED KINGDOM	52,645	20.44
	FAR EAST – 8.77% (31.10.16 – 8.83%)		
824,765	Fidelity Asia Fund	11,110	4.31
547,450	Investec Asian Equity Fund	11,502	4.46
	TOTAL FAR EAST	22,612	8.77
	JAPAN – 3.99% (31.10.16 – 4.27%)		
3,204,466	Man GLG Japan CoreAlpha Fund	5,259	2.04
1,376,933	Schroder Tokyo Fund	5,024	1.95
	TOTAL JAPAN	10,283	3.99
	UNITED STATES – 8.37% (31.10.16 – 8.00%)		
4,554,033	Schroder US Mid Cap Fund	6,384	2.48
5,385,066	Threadneedle American Fund	15,168	5.89
	TOTAL UNITED STATES	21,552	8.37
	EMERGING MARKETS – 3.01% (31.10.16 – 3.28%)		
683,806	Aberdeen Emerging Markets Equity Fund	5,026	1.95
893,737	M&G Global Emerging Markets Fund†	2,736	1.06
	TOTAL EMERGING MARKETS	7,762	3.01
	TOTAL EQUITY PORTFOLIOS	135,893	52.74

Holding	Portfolio of Investments	Value £'000	31.10.17 %
	EQUITY INVESTMENT INSTRUMENTS – 6.20% (31.10.16 – 4.73%)		
2,411,606	BBGI	3,437	1.33
1,122,251	BioPharma Credit	921	0.36
1,093,355	Blue Capital Alternative Income Fund	617	0.24
745,318	CATCo Reinsurance Opportunities Fund	578	0.22
1,020,059	DP Aircraft I	830	0.32
371,604	HarbourVest Global Private Equity	4,760	1.85
105,097	HgCapital Trust	1,831	0.71
725,756	NB Distressed Debt Investment Fund	473	0.18
1,047,344	NextEnergy Solar Fund	1,173	0.46
1,242,683	Renewables Infrastructure	1,352	0.53
	TOTAL EQUITY INVESTMENT INSTRUMENTS	15,972	6.20
	PROPERTY PORTFOLIOS – 16.41% (31.10.16 – 16.33%)		
13,207,985	Legal & General UK Property Fund	11,060	4.29
2,715,007	M&G Property Portfolio†	31,210	12.12
	TOTAL PROPERTY PORTFOLIOS	42,270	16.41
	BOND PORTFOLIOS – 24.86% (31.10.16 – 23.95%)		
707,329	BlackRock Euro Corporate Bond Fund	7,363	2.86
7,698,184	Fidelity MoneyBuilder Income Fund	13,926	5.41
6,965,324	Invesco Perpetual Corporate Bond Fund	14,059	5.46
7,613,964	Kames High Yield Bond Fund	9,666	3.75
7,927,693	Kames Investment Grade Bond Fund	14,179	5.50
7,237,979	M&G Short Dated Corporate Bond Fund†	1,878	0.73
22,408	Merrill Lynch AQR Global Relative Value Fund	2,963	1.15
	TOTAL BOND PORTFOLIOS	64,034	24.86
	Portfolio of investments	258,169	100.22
	Net other liabilities	(563)	(0.22)
	Net assets	257,606	100.00

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

† Related party holding (see note 11).

LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

ACD's Report (continued)

SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 31 OCTOBER 2017

Total purchases for the year £'000 (note 15) **81,875**

Major purchases	Cost £'000
Investec UK Alpha Fund	12,501
Legal & General UK Property Fund	11,558
Investec Asian Equity Fund	10,949
Aviva Investors UK Property Fund	10,626
Investec Asia Ex Japan Fund	10,306
M&G Short Dated Corporate Bond Fund	9,218
BlackRock Euro Corporate Bond Fund	7,335
Merrill Lynch AQR Global Relative Value Fund	2,851
CATCo Reinsurance Opportunities Fund	1,360
DP Aircraft I	1,030
BioPharma Credit	898
Blue Capital Alternative Income Fund	873
Man GLG Japan CoreAlpha Fund	625
HarbourVest Global Private Equity	498
NB Distressed Debt Investment (extinct 26/6/17)	333
BBGI	215
NB Distressed Debt Investment (extinct 23/2/17)	179
Renewables Infrastructure	179
Threadneedle UK Fund	164
NB Distressed Debt Investment Fund	71

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

Total sales for the year £'000 (note 15) **93,788**

Major sales	Proceeds £'000
Investec Asia Ex Japan Fund	12,266
Aviva Investors UK Property Fund	11,557
Aviva Investors Property Trust	10,626
M&G Short Dated Corporate Bond Fund	9,821
Threadneedle UK Fund	7,620
Stewart Investors Asia Pacific Leaders Fund	7,405
Threadneedle American Fund	6,500
M&G Global High Yield Bond Fund	5,748
Fidelity Asia Fund	5,365
Henderson European Growth Fund	4,506
Kames High Yield Bond Fund	2,430
Artemis Income Fund	1,280
M&G Recovery Fund	1,268
AXA Framlington UK Select Opportunities Fund	1,200
Jupiter European Special Situations Fund	1,028
Schroder Tokyo Fund	1,000
M&G Global Emerging Markets Fund	1,000
Man GLG Japan CoreAlpha Fund	1,000
HgCapital Trust	831
CATCo Reinsurance Opportunities Fund	549

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

LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO
FINANCIAL STATEMENTS
STATEMENT OF TOTAL RETURN
FOR THE YEAR ENDED 31 OCTOBER 2017

	Notes	£'000	31.10.17 £'000	£'000	31.10.16 £'000
Income:					
Net capital gains	3		19,590		23,218
Revenue	4	6,034		6,393	
Expenses	5	(1,872)		(1,833)	
Interest payable and similar charges	6	–		(1)	
Net revenue before taxation		4,162		4,559	
Taxation	7	(575)		(619)	
Net revenue after taxation			3,587		3,940
Total return before distributions			23,177		27,158
Distributions	8		(3,740)		(3,985)
Change in net assets attributable to shareholders from investment activities			19,437		23,173

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS
FOR THE YEAR ENDED 31 OCTOBER 2017

	£'000	31.10.17 £'000	£'000	31.10.16 £'000
Opening net assets attributable to shareholders		251,081		246,315
Amounts receivable on issue of shares	20,146		13,404	
Amounts payable on redemption of shares	(35,019)		(33,873)	
		(14,873)		(20,469)
Dilution adjustment		–		50
Change in net assets attributable to shareholders from investment activities		19,437		23,173
Retained distributions on Accumulation shares		1,961		2,012
Closing net assets attributable to shareholders		257,606		251,081

BALANCE SHEET
AS AT 31 OCTOBER 2017

	Notes	31.10.17 £'000	31.10.16 £'000
ASSETS			
Fixed assets			
Investments		258,169	247,669
Current assets			
Debtors	9	995	34,426
Cash and bank balances		1,007	2,646
Total assets		260,171	284,741
LIABILITIES			
Provisions for liabilities		(143)	(53)
Creditors			
Distribution payable		(1,690)	(1,770)
Other creditors	10	(732)	(31,837)
Total liabilities		(2,565)	(33,660)
Net assets attributable to shareholders		257,606	251,081

LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

Financial Statements (continued)

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 OCTOBER 2017

1. ACCOUNTING POLICIES

The accounting policies described on pages 21 to 23 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 23 have been applied to the financial statements of the Fund in the current and prior year.

3. NET CAPITAL GAINS

The net capital gains during the year comprise:

	31.10.17 £'000	31.10.16 £'000
Non-derivative securities	19,525	23,140
Transaction charges	(1)	–
AMC rebates from underlying investments	63	78
Currency gains	3	–
Net capital gains	19,590	23,218

The net capital gains figure includes realised gains of £15,584,000 and unrealised gains of £44,358,000 (31.10.16 : includes realised gains of £22,195,000 and unrealised gains of £40,414,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

4. REVENUE

	31.10.17 £'000	31.10.16 £'000
Non-taxable dividends	1,907	1,543
Taxable dividends	212	484
UK property income distributions	979	601
Unfranked interest	1,650	2,358
AMC rebates from underlying investments	1,285	1,406
Bank interest	–	1
HMRC interest	1	–
Total revenue	6,034	6,393

5. EXPENSES

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

	31.10.17 £'000	31.10.16 £'000
Annual Management Charge	1,462	1,439
Administration fees	381	365
	1,843	1,804

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

	31.10.17 £'000	31.10.16 £'000
Depositary's fees	20	18
Safe custody and other bank charges	–	1
	20	19

Other expenses

	31.10.17 £'000	31.10.16 £'000
Fees paid to auditor – audit	9	9
– tax services	–	1
	9	10

Total expenses	1,872	1,833
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The Portfolio Management fees and expenses (plus VAT thereon) for providing portfolio management services are paid by the ACD out of its remuneration.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	31.10.17 £'000	31.10.16 £'000
Interest payable	–	1
Total interest payable and similar charges	–	1

7. TAXATION

	31.10.17 £'000	31.10.16 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	485	566
Current tax charge	485	566
Deferred tax – origination and reversal of timing differences (note 7c)	90	53
Total taxation (note 7b)	575	619

LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

7. TAXATION (continued)

b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.10.16 : 20%). The difference is explained below:

	31.10.17 £'000	31.10.16 £'000
Net revenue before taxation	4,162	4,559
Corporation tax at 20%	832	912
Effects of:		
Non-taxable dividends	(381)	(309)
AMC rebates taken to capital	13	16
Offshore capital gains subject to taxation	111	–
Total tax charge (note 7a)	575	619
c) Deferred tax		
Provision at the start of the year	53	–
Deferred tax charge in the year (note 7a)	90	53
Provision at the end of the year	143	53

8. DISTRIBUTIONS

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

	31.10.17 £'000	31.10.16 £'000
Final	3,651	3,782
	3,651	3,782
Add: Revenue deducted on redemption of shares	238	295
Deduct: Revenue received on issue of shares	(149)	(92)
Net distributions for the year	3,740	3,985

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

8. DISTRIBUTIONS (continued)

Distributions represented by:

Net revenue after taxation	3,587	3,940
Allocations to capital:		
Tax relief from capital	124	16
Equalisation on conversions*	29	29
Net distributions for the year	3,740	3,985

* 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.

9. DEBTORS

	31.10.17 £'000	31.10.16 £'000
Amounts receivable for issue of shares	390	293
Sales awaiting settlement	13	32,772
Accrued revenue:		
Non-taxable dividends	70	193
Taxable dividends	124	210
Unfranked interest	–	50
AMC rebates from underlying investments	190	413
	384	866
Taxation recoverable:		
Income tax	208	495
Total debtors	995	34,426

10. OTHER CREDITORS

Amounts payable for redemption of shares	220	236
Purchases awaiting settlement	–	30,981

LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

	31.10.17 £'000	31.10.16 £'000
10. OTHER CREDITORS (continued)		
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	123	124
Administration fees	33	39
	156	163
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	2	1
Taxation payable:		
Corporation tax	344	445
Other expenses	10	11
Total other creditors	732	31,837

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 138 and amounts due at the year end are disclosed in notes 9 and 10.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 52,541 (31.10.16 : 53,353) 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 30,326,358 (31.10.16 : 32,541,064) of the Fund's shares at the balance sheet date.

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

	31.10.17 £'000	31.10.16 £'000
Portfolio Manager in common	49,104	54,835

12. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (31.10.16 : none).

13. SHARES IN ISSUE

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.40%	1.40%	0.18%
Opening shares in issue	1,113,714	17,579,578	59,024,741
Issues	23,056	877,549	4,543,938
Redemptions	(75,014)	(2,679,730)	(8,822,122)
Conversions	(435,018)	(3,253,848)	–
Closing shares in issue	626,738	12,523,549	54,746,557
	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.65%	0.65%	0.90%
Opening shares in issue	4,560,767	90,703,292	8,110,069
Issues	721,798	6,007,106	1,780,277
Redemptions	(766,011)	(10,358,860)	(1,375,394)
Conversions	629,740	4,332,665	(83,942)
Closing shares in issue	5,146,294	90,684,203	8,431,010

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

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 or hedging purposes.

LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

14. RISK MANAGEMENT POLICIES (continued)

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

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

i. Credit risk

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

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

ii. Interest rate risk

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

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

iii. Foreign currency risk

Foreign currency risk is the risk that the sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the sterling equivalent value. 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.

14. RISK MANAGEMENT POLICIES (continued)

iv. Leverage

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

As at 31.10.17, leverage under the gross method was 1:1 and leverage under the commitment method was 1:1 (31.10.16 : 0.99:1 and 1:1 respectively).

v. 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.

vi. Market price risk

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

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

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £12,908,000 (31.10.16 : £12,383,000). A 5% decrease would have an equal and opposite effect.

vii. Fair value of financial assets and financial liabilities

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

viii. Derivatives

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

LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

15. PORTFOLIO TRANSACTION COSTS

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

Average portfolio dealing spread at 31.10.17 is 0.36% (31.10.16 : 0.63%).

15. PORTFOLIO TRANSACTION COSTS (continued)

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

LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

16. FAIR VALUE HIERARCHY

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

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

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.17				
Investment Assets	<u>15,972</u>	<u>242,197</u>	<u>–</u>	<u>258,169</u>
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.16				
Investment Assets	<u>11,888</u>	<u>235,781</u>	<u>–</u>	<u>247,669</u>

DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 OCTOBER 2017 – 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	01.11.16
To	31.10.17

'A' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	1.2997	–	1.2997	1.4073
Group 2	0.8134	0.4863	1.2997	1.4073

'A' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	1.3622	–	1.3622	1.4574
Group 2	1.0028	0.3594	1.3622	1.4574

'C' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	2.9100	–	2.9100	2.8383
Group 2	2.9100	0.0000	2.9100	2.8383

'P' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	1.7341	–	1.7341	1.7299
Group 2	0.8603	0.8738	1.7341	1.7299

LF PRUDENTIAL DYNAMIC 40-80 PORTFOLIO

Financial Statements (continued)

Distribution Table (continued)

'P' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	1.8060	–	1.8060	1.7739
Group 2	0.8774	0.9286	1.8060	1.7739

'R' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	1.8080	–	1.8080	1.8135
Group 2	0.8282	0.9798	1.8080	1.8135

LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

ACD'S REPORT

FOR THE YEAR ENDED 31 OCTOBER 2017

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 2018

LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

ACD's Report (continued)

For the year ended 31 October 2017

PORTFOLIO MANAGER'S REPORT

Between 1 November 2016 and 31 October 2017 (the period in review) share classes, R (Accumulation) 10.75%¹, P (Accumulation) 10.99%¹ and A (Accumulation) 10.31%¹ produced returns ahead of the 9.52%¹ sector average for IA Flexible Investment sector.

ECONOMIC OVERVIEW

Economic data released during the end of the period in review seemed to signal a continuation of a global recovery in almost all regions. This is being witnessed in the readings of economic activity, unemployment and company profits. This improvement in the economic outlook has prompted central bankers to consider the withdrawal of emergency measures, such as record low interest rates and asset purchases to curb any increase in inflation.

For example, the US is widely expected to hike interest rates again in December 2017. For the moment, however, inflation remains generally subdued. In the currency markets, sterling strengthened relative to the US dollar and Japanese yen, towards the end of the period in review but was weak compared to the euro. Greater economic activity, especially in China, supported demand for basic resources and many commodity prices, including oil, rallied.

MARKET OVERVIEW

Rather than focus on geopolitical concerns, such as heightened rhetoric about North Korea and the effect of hurricanes, investors seemed prepared to consider the general improvement in global economic activity. Better economic data and robust company earnings were reflected in higher demand for equities, and many stockmarkets finished the end of the period in review, at their highest levels for several years.

UK

Although the negotiations over the UK's withdrawal from the European Union continue to drag on, policymakers at the Bank of England have raised the prospect of higher interest rates, encouraged by the slow but steady improvement in the economy and a pick-up in inflation.

Towards the end of the period in review potentially higher rates meant sterling strengthened and caused the FTSE 100 Index, which contains many multinational companies, to underperform the more domestically oriented FTSE 250 Index of medium-sized companies. Both indices did, however, touch record highs. The general economic improvement boosted basic materials companies, while the higher oil price supported the share prices of oil and gas producers.

The AXA Framlington UK Select Opportunities fund, Artemis Income fund and Investec UK Alpha fund produced returns ahead of the FTSE All-Share Index from 1 November 2016 to 31 October 2017. The M&G Recovery fund lagged the FTSE All-Share Index.

NORTH AMERICA

Investors were encouraged by better-than expected company profits and jobs data, with further buying being prompted by hopes of tax reform. US stockmarkets continued to rally despite President Trump engaging in several bouts of warlike rhetoric with the leader of North Korea, and southern states being hit by severe weather. Towards the end of the period in review, the broad S&P 500 Index stood at a record high, having enjoyed an eighth successive quarter of gains.

Returns from the Threadneedle American fund were ahead of the S&P 500 Index over the period in review. The Schroder US Mid Cap fund also produced positive performance but did lag the Russell 2500 Index.

EUROPE

Stronger-than-expected growth in the European economy underpinned the returns from the region's stockmarkets. The European Central Bank joined the chorus of policymakers signalling a readiness to withdraw the emergency asset-purchase programme introduced to combat the global financial crisis. The persistent rise of the euro against other currencies led some investors to question whether exports may come under pressure, while the entry of a far-right political party into the German parliament caused further uncertainty. A stronger euro boosted the returns from eurozone assets to UK investors.

The Henderson European Growth fund, Jupiter European Special Situations fund and Henderson European Selected Opportunities fund all lagged the index despite posting strong absolute returns.

JAPAN

The Japanese stockmarket declined during the summer, as rising geopolitical tension led investors to buy the country's currency, which is seen as a safe haven. This weighed on the demand for shares of the exporters that dominate the economy. However, this was reversed in September, as fears of conflict eased and the yen weakened, enabling Japanese shares to enjoy the largest monthly gain of 2017 so far. Sentiment was also supported by higher inflation, which boosted optimism about the health of the economy. When viewed in sterling terms, the returns were lower, due to the decrease in the value of the yen relative to sterling over the quarter.

The Schroder Tokyo fund and Man GLG Japan CoreAlpha fund both outperformed the benchmark between 1 November 2016 and 31 October 2017.

ASIA EX JAPAN

Company shares in the Asia Pacific region were among the best performers during the first part of 2017, helped by a decline in the US dollar against most other currencies. The apparent stability of the economy in China, a major trading partner of most countries in the region, was another supportive factor. The Indian stockmarket was a particularly strong performer after election success for the ruling party, and the prospect of tax reform enabled the rupee to strengthen further.

Despite the aggressive action taken by North Korea, which brought an equally aggressive response from President Trump, the third quarter of 2017 was positive for the Asia Pacific region as a whole. While the South Korean market declined, the fall was relatively modest as investors seemed to take the view that the tension was nothing new.

The Fidelity Asia fund and Investec Asian Equity fund produced returns ahead of the benchmark over the period in review.

UK AND GLOBAL BONDS

The governor of the Bank of England has signalled that the withdrawal of economic stimulus is likely to be appropriate in the coming months. The pound appreciated relative to the US dollar during the third quarter despite there being little clarity as to the outcome of the protracted

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

LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

ACD's Report (continued)

Portfolio Manager's Report (continued)

For the year ended 31 October 2017

UK AND GLOBAL BONDS *(continued)*

negotiations over Brexit. Sterling was, however, down a little in comparison to the euro. It appears that the decision to leave the European Union is now being reflected in economic data, with the decline in sterling since the referendum result and uncertainty over government policy contributing to higher inflation and a slowdown in economic growth.

The synchronised improvement in global economic data has encouraged the world's central bankers to consider withdrawing the emergency policy measures that were introduced to boost economic activity.

The Invesco Perpetual Corporate Bond fund produced positive returns during the period in review. The Kames High Yield Bond fund also produced positive returns. The BlackRock Euro Corporate Bond fund was added to the portfolios in October 2017.

UK PROPERTY

Despite the outcome of the June general election and the ongoing uncertainty surrounding Brexit, UK commercial property capital values continued to grow. Total returns from the asset class are being driven by both growth in capital values and stable rental income. The overall resilience of UK commercial property is encouraging, and is due in part to buying by overseas investors following the decline in sterling.

The performance of the M&G Property Portfolio continues to be positive although behind the peer group. The Aviva Investor UK Property trust was replaced by the Legal & General UK Property fund towards the end of the period in review.

EMERGING MARKETS

The performance of Emerging Markets was generally positive. More recently significant strength in several South American, eastern European and Asian markets have overcome pockets of weakness, such as Greece. Brazil experienced a particularly robust rally, helped by higher commodity prices, better economic data and a rejection of corruption allegations directed at the president. The Chinese stockmarket also rose, boosted by healthy economic signals, while the Russian market rallied with the price of oil and other natural resources. The Greek stockmarket lagged due to the continuation of the country's economic worries and concerns over the level of debt.

The M&G Global Emerging Markets fund and Aberdeen Emerging Markets Equity fund produced positive returns albeit behind the benchmark.

ALTERNATIVES

The holdings have generally performed well, although investments in Insurance Linked Securities ('ILS') weighed on performance during August and September as three major hurricanes passed through the US and Caribbean, causing large catastrophe losses for CATCo Reinsurance Opportunities fund and Blue Capital Alternative Income fund. Despite these losses, ILS adds diversifying and uncorrelated returns to the portfolio and, looking forward, these events have made the asset class more attractive due to expected re-pricing of risk and higher premiums.

POSITIONING

The key investment activity over the period in review was the addition of a number of holdings across private equity, hedge funds and infrastructure. These were added to provide further diversification.

The Legal & General UK Property fund replaced the Aviva Investor UK Property trust and the BlackRock Euro Corporate Bond fund was added to diversify the corporate bond holdings.

OUTLOOK

Global growth has strengthened since the fourth quarter of 2016, driven in particular by strong performance in the eurozone, a return to growth in most commodity producing economies and the Chinese authorities' prioritisation of growth and stability over reform. Growth has also become more broad-based, with manufacturing and trade performing well, alongside services. Moreover, previous worries about falling commodity prices, deflation and restrictive fiscal policies have been somewhat alleviated.

Forward looking survey data remain at healthy levels and are in general signalling solid global growth going forward. The expectation is, therefore, for solid growth in coming quarters, although it will be somewhat restrained by a lack of synchronicity in the business cycles of the major advanced and emerging economies.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

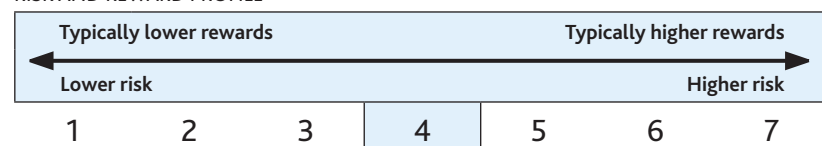
20 November 2017

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.

During the year the indicator changed from 5 to 4. 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. 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.

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.

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

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, by following the link 'Fund Information'.

COMPARATIVE TABLES

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

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'A' Income shares			
Change in net assets per share			
Opening net asset value per share	167.14	149.84	141.35
Return before operating charges*	21.68	21.92	12.73
Operating charges	(4.14)	(3.57)	(3.55)
Return after operating charges	17.54	18.35	9.18
Distributions	(1.25)	(1.05)	(0.69)
Closing net asset value per share	183.43	167.14	149.84
* after direct transaction costs of:	–	0.01	–
Performance			
Return after charges	10.49%	12.25%	6.49%
Other Information			
Closing net asset value (£'000)	276	398	872
Closing number of shares	150,778	238,426	581,674
Operating charges	2.36%	2.36%	2.39%
Direct transaction costs	–	0.01%	–
Prices			
Highest share price	185.41	170.45	162.88
Lowest share price	162.51	136.66	141.53

LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'A' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	171.48	152.76	143.44
Return before operating charges*	22.25	22.36	12.92
Operating charges	(4.26)	(3.64)	(3.60)
Return after operating charges	17.99	18.72	9.32
Distributions	(1.28)	(1.07)	(0.70)
Retained distributions on accumulation shares	1.28	1.07	0.70
Closing net asset value per share	189.47	171.48	152.76
* after direct transaction costs of:	–	0.01	–
Performance			
Return after charges	10.49%	12.25%	6.50%
Other Information			
Closing net asset value (£'000)	8,218	10,753	20,075
Closing number of shares	4,337,284	6,270,764	13,140,980
Operating charges	2.36%	2.36%	2.39%
Direct transaction costs	–	0.01%	–
Prices			
Highest share price	190.26	173.82	165.27
Lowest share price	166.73	139.33	143.68

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'C' Income shares			
Change in net assets per share			
Opening net asset value per share	167.83	150.33	141.79
Return before operating charges*	21.45	21.83	12.45
Operating charges	(2.03)	(1.75)	(1.71)
Return after operating charges	19.42	20.08	10.74
Distributions	(2.98)	(2.58)	(2.20)
Closing net asset value per share	184.27	167.83	150.33
* after direct transaction costs of:	–	0.01	–
Performance			
Return after charges	11.57%	13.36%	7.57%
Other Information			
Closing net asset value (£'000)	36,443	38,033	35,106
Closing number of shares	19,776,735	22,662,022	23,352,953
Operating charges	1.14%	1.14%	1.17%
Direct transaction costs	–	0.01%	–
Prices			
Highest share price	188.00	172.61	164.13
Lowest share price	163.34	137.50	142.18

LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'P' Income shares			
Change in net assets per share			
Opening net asset value per share	120.44	107.90	102.00
Return before operating charges*	15.50	15.73	8.81
Operating charges	(2.05)	(1.76)	(1.74)
Return after operating charges	13.45	13.97	7.07
Distributions	(1.66)	(1.43)	(1.17)
Closing net asset value per share	132.23	120.44	107.90
* after direct transaction costs of:	–	0.01	–
Performance			
Return after charges	11.17%	12.95%	6.93%
Other Information			
Closing net asset value (£'000)	2,022	1,793	1,470
Closing number of shares	1,529,334	1,488,306	1,362,232
Operating charges	1.61%	1.61%	1.64%
Direct transaction costs	–	0.01%	–
Prices			
Highest share price	134.68	123.73	117.86
Lowest share price	117.18	98.58	102.20

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'P' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	124.40	110.14	103.03
Return before operating charges*	16.01	16.07	8.87
Operating charges	(2.12)	(1.81)	(1.76)
Return after operating charges	13.89	14.26	7.11
Distributions	(1.72)	(1.46)	(1.18)
Retained distributions on accumulation shares	1.72	1.46	1.18
Closing net asset value per share	138.29	124.40	110.14
* after direct transaction costs of:	–	0.01	–
Performance			
Return after charges	11.17%	12.95%	6.90%
Other Information			
Closing net asset value (£'000)	51,915	39,528	27,148
Closing number of shares	37,541,468	31,775,418	24,649,483
Operating charges	1.61%	1.61%	1.64%
Direct transaction costs	–	0.01%	–
Prices			
Highest share price	139.05	126.26	119.01
Lowest share price	121.02	100.62	103.24

LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'R' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	149.69	132.80	124.31
Return before operating charges*	19.31	19.41	10.94
Operating charges	(2.94)	(2.52)	(2.45)
Return after operating charges	16.37	16.89	8.49
Distributions	(1.75)	(1.48)	(1.15)
Retained distributions on accumulation shares	1.75	1.48	1.15
Closing net asset value per share	166.06	149.69	132.80
* after direct transaction costs of:	–	0.01	–
Performance			
Return after charges	10.94%	12.72%	6.83%
Other Information			
Closing net asset value (£'000)	6,164	4,921	4,355
Closing number of shares	3,711,896	3,287,548	3,279,098
Operating charges	1.86%	1.86%	1.89%
Direct transaction costs	–	0.01%	–
Prices			
Highest share price	166.80	151.76	143.46
Lowest share price	145.61	121.27	124.55

FUND PERFORMANCE TO 31 OCTOBER 2017 (%)

	1 year	3 years	5 years
LF Prudential Dynamic 60-100 Portfolio	10.31	32.04	59.30

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 2017

Holding	Portfolio of Investments	Value £'000	31.10.17 %
	EQUITY PORTFOLIOS – 65.63% (31.10.16 – 65.93%)		
	CONTINENTAL EUROPE – 10.39% (31.10.16 – 10.83%)		
1,083,478	Henderson European Growth Fund	2,638	2.51
332,115	Henderson European Selected Opportunities Fund	5,626	5.36
619,281	Jupiter European Special Situations Fund	2,643	2.52
	TOTAL CONTINENTAL EUROPE	10,907	10.39
	UNITED KINGDOM – 25.74% (31.10.16 – 24.69%)		
1,431,569	Artemis Income Fund	6,028	5.74
202,670	AXA Framlington UK Select Opportunities Fund	7,158	6.81
5,314,569	Investec UK Alpha Fund	7,017	6.68
2,071,929	M&G Recovery Fund†	6,832	6.51
	TOTAL UNITED KINGDOM	27,035	25.74
	FAR EAST – 10.85% (31.10.16 – 11.18%)		
426,400	Fidelity Asia Fund	5,744	5.47
268,850	Investec Asian Equity Fund	5,648	5.38
	TOTAL FAR EAST	11,392	10.85
	JAPAN – 4.68% (31.10.16 – 5.53%)		
1,594,507	Man GLG Japan CoreAlpha Fund	2,617	2.49
629,324	Schroder Tokyo Fund	2,296	2.19
	TOTAL JAPAN	4,913	4.68
	UNITED STATES – 10.52% (31.10.16 – 9.78%)		
2,128,687	Schroder US Mid Cap Fund	2,984	2.84
2,865,757	Threadneedle American Fund	8,072	7.68
	TOTAL UNITED STATES	11,056	10.52
	EMERGING MARKETS – 3.35% (31.10.16 – 3.92%)		
367,678	Aberdeen Emerging Markets Equity Fund	2,703	2.57
268,210	M&G Global Emerging Markets Fund†	821	0.78
	TOTAL EMERGING MARKETS	3,524	3.35
	TOTAL EQUITY PORTFOLIOS	68,827	65.63

Holding	Portfolio of Investments	Value £'000	31.10.17 %
	EQUITY INVESTMENT INSTRUMENTS – 7.42% (31.10.16 – 5.74%)		
1,193,006	BBGI	1,700	1.62
529,719	BioPharma Credit	435	0.41
512,705	Blue Capital Alternative Income Fund	290	0.28
446,472	CATCo Reinsurance Opportunities Fund	346	0.33
539,890	DP Aircraft I	439	0.42
179,773	HarbourVest Global Private Equity	2,303	2.19
49,150	HgCapital Trust	856	0.81
353,601	NB Distressed Debt Investment Fund	230	0.22
510,438	NextEnergy Solar Fund	572	0.54
582,726	Renewables Infrastructure	634	0.60
	TOTAL EQUITY INVESTMENT INSTRUMENTS	7,805	7.42
	PROPERTY PORTFOLIOS – 17.20% (31.10.16 – 17.71%)		
4,907,459	Legal & General UK Property Fund	4,110	3.92
1,213,644	M&G Property Portfolio†	13,951	13.28
	TOTAL PROPERTY PORTFOLIOS	18,061	17.20
	BOND PORTFOLIOS – 10.28% (31.10.16 – 9.68%)		
112,151	BlackRock Euro Corporate Bond Fund	1,168	1.11
3,073,487	Invesco Perpetual Corporate Bond Fund	6,204	5.91
1,358,170	Kames High Yield Bond Fund	1,724	1.64
1,172,821	M&G Short Dated Corporate Bond Fund†	304	0.29
10,595	Merrill Lynch AQR Global Relative Value Fund	1,401	1.33
	TOTAL BOND PORTFOLIOS	10,801	10.28
	Portfolio of investments	105,494	100.43
	Net other liabilities	(456)	(100.43)
	Net assets	105,038	100.00

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

† Related party holding (see note 11).

LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

ACD's Report (continued)

SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 31 OCTOBER 2017

Total purchases for the year £'000 (note 15) **34,564**

Major purchases	Cost £'000
Investec UK Alpha Fund	6,320
Investec Asian Equity Fund	5,377
Investec Asia Pacific Ex Japan Fund	4,919
Legal & General UK Property Fund	4,295
Aviva Investors UK Property Fund	4,054
M&G Short Dated Corporate Bond Fund	2,235
Merrill Lynch AQR Global Relative Value Fund	1,348
BlackRock Euro Corporate Bond Fund	1,163
M&G Property Portfolio	622
CATCo Reinsurance Opportunities Fund	620
AXA Framlington UK Select Opportunities Fund	521
DP Aircraft I	469
Schroder Tokyo Fund	465
BioPharma Credit	424
Blue Capital Global Reinsurance Fund	409
HarbourVest Global Private Equity	336
Schroder US Mid Cap Fund	280
BBGI	217
NB Distressed Debt Investment Fund (extinct 26/7/17)	157
Renewables Infrastructure	94

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

Total sales for the year £'000 (note 15) **33,828**

Major sales	Proceeds £'000
Investec Asia Pacific Ex Japan Fund	5,921
Threadneedle UK Fund	5,714
Aviva Investors UK Property Fund	4,294
Aviva Investors Property Trust	4,054
Stewart Investors Asia Pacific Leaders Fund	3,761
Fidelity Asia Fund	2,078
M&G Short Dated Corporate Bond Fund	1,930
Kames High Yield Bond Fund	1,655
Schroder Tokyo Fund	1,260
Henderson European Growth Fund	1,000
AXA Framlington UK Select Opportunities Fund	612
M&G Global Emerging Markets Fund	480
HgCapital Trust	372
M&G Recovery Fund	300
Renewables Infrastructure	226
CATCo Reinsurance Opportunities Fund	131
NB Distressed Debt Investment Fund (extinct 26/7/17)	21
NB Distressed Debt Investment Fund (extinct 5/9/17)	13
NB Distressed Debt Investment Fund (extinct 23/2/17)	5
NB Distressed Debt Investment Fund (extinct 7/12/16)	1

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

LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO
FINANCIAL STATEMENTS
STATEMENT OF TOTAL RETURN
FOR THE YEAR ENDED 31 OCTOBER 2017

	Notes	£'000	31.10.17 £'000	£'000	31.10.16 £'000
Income:					
Net capital gains	3		9,278		10,054
Revenue	4	2,228		2,036	
Expenses	5	(734)		(680)	
Interest payable and similar charges	6	(1)		–	
Net revenue before taxation		1,493		1,356	
Taxation	7	(171)		(138)	
Net revenue after taxation			1,322		1,218
Total return before distributions			10,600		11,272
Distributions	8		(1,392)		(1,233)
Change in net assets attributable to shareholders from investment activities			9,208		10,039

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS
FOR THE YEAR ENDED 31 OCTOBER 2017

	£'000	31.10.17 £'000	£'000	31.10.16 £'000
Opening net assets attributable to shareholders		95,426		89,026
Amounts receivable on issue of shares	14,186		9,045	
Amounts payable on redemption of shares	(14,546)		(13,318)	
		(360)		(4,273)
Dilution adjustment		–		54
Change in net assets attributable to shareholders from investment activities		9,208		10,039
Retained distributions on Accumulation shares		764		580
Closing net assets attributable to shareholders		105,038		95,426

BALANCE SHEET
AS AT 31 OCTOBER 2017

	Notes	31.10.17 £'000	31.10.16 £'000
ASSETS			
Fixed assets			
Investments		105,494	94,531
Current assets			
Debtors	9	560	8,967
Cash and bank balances		113	210
Total assets		106,167	103,708
LIABILITIES			
Provisions for liabilities		(68)	(22)
Creditors			
Distribution payable		(617)	(608)
Other creditors	10	(444)	(7,652)
Total liabilities		(1,129)	(8,282)
Net assets attributable to shareholders		105,038	95,426

LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

Financial Statements (continued)

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 OCTOBER 2017

1. ACCOUNTING POLICIES

The accounting policies described on pages 21 to 23 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 23 have been applied to the financial statements of the Fund in the current and prior year.

3. NET CAPITAL GAINS

The net capital gains during the year comprise:

	31.10.17 £'000	31.10.16 £'000
Non-derivative securities	9,265	10,031
Transaction charges	(1)	–
AMC rebates from underlying investments	13	23
Currency gains	1	–
Net capital gains	9,278	10,054

The net capital gains figure includes realised gains of £5,704,000 and unrealised gains of £20,150,000 (31.10.16 : includes realised gains of £7,476,000 and unrealised gains of £16,588,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

4. REVENUE

	31.10.17 £'000	31.10.16 £'000
Non-taxable dividends	923	689
Taxable dividends	75	194
UK property income distributions	418	239
Unfranked interest	295	347
AMC rebates from underlying investments	517	567
Total revenue	2,228	2,036

5. EXPENSES

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

Annual Management Charge	566	526
Administration fees	150	136
	716	662

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

Depositary's fees	9	8
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Other expenses:

Fees paid to auditor – audit	9	9
– tax services	–	1
	9	10

Total expenses	734	680
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The Portfolio Management fees and expenses (plus VAT thereon) for providing portfolio management services are paid by the ACD out of its remuneration.

6. INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable	1	–
Total interest payable and similar charges	1	–

7. TAXATION

a) Analysis of charge for the year

Corporation tax at 20%	125	116
Current tax charge	125	116

Deferred tax – origination and reversal of timing differences (note 7c)

	46	22
Total taxation (note 7b)	171	138

LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

7. TAXATION (continued)

b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.10.16 : 20%). The difference is explained below:

	31.10.17 £'000	31.10.16 £'000
Net revenue before taxation	1,493	1,356
Corporation tax at 20%	299	271
Effects of:		
Non-taxable dividends	(185)	(138)
Offshore capital gains subject to taxation	55	–
AMC rebates taken to capital	2	5
Total tax charge (note 7a)	171	138
c) Deferred tax		
Provision at the start of the year	22	–
Deferred tax charge in the year (note 7a)	46	22
Provision at the end of the year	68	22

8. DISTRIBUTIONS

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

	31.10.17 £'000	31.10.16 £'000
Final	1,381	1,188
	1,381	1,188
Add: Revenue deducted on redemption of shares	98	100
Deduct: Revenue received on issue of shares	(87)	(55)
Net distribution for the year	1,392	1,233

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

8. DISTRIBUTIONS (continued)

Distributions represented by:

Net revenue after taxation	1,322	1,218
Allocations to capital:		
Tax relief from capital	57	5
Equalisation on conversions*	13	10
Net distributions for the year	1,392	1,233

* 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.

9. DEBTORS

	31.10.17 £'000	31.10.16 £'000
Amounts receivable for issue of shares	328	160
Sales awaiting settlement	8	8,422
Accrued revenue:		
Non-taxable dividends	30	87
Taxable dividends	55	90
Unfranked interest	–	15
AMC rebates from underlying investments	77	80
	162	272
Taxation recoverable:		
Income tax	62	113
Total debtors	560	8,967

10. OTHER CREDITORS

Amounts payable for redemption of shares	138	343
Purchases awaiting settlement	106	7,109

LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

	31.10.17 £'000	31.10.16 £'000
10. OTHER CREDITORS (continued)		
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	50	54
Administration fees	13	16
	63	70
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	1	1
Taxation payable:		
Corporation tax	125	116
Other expenses	11	13
Total other creditors	444	7,652

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 170 and amounts due at the year end are disclosed in notes 9 and 10.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 119,288 (31.10.16 : 88,258) 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 8,538,042 (31.10.16 : 8,936,850) 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:

	31.10.17 £'000	31.10.16 £'000
Portfolio Manager in common	21,908	20,475

12. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (31.10.16 : none).

13. SHARES IN ISSUE

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.40%	1.40%	0.18%
Opening shares in issue	238,426	6,270,764	22,662,022
Issues	11,679	373,470	1,456,384
Redemptions	(99,327)	(834,909)	(4,341,671)
Conversions	–	(1,472,041)	–
Closing shares in issue	150,778	4,337,284	19,776,735
	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.65%	0.65%	0.90%
Opening shares in issue	1,488,306	31,775,418	3,287,548
Issues	468,559	6,683,699	1,025,131
Redemptions	(427,531)	(2,969,396)	(571,114)
Conversions	–	2,051,747	(29,669)
Closing shares in issue	1,529,334	37,541,468	3,711,896

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 or 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.

LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

14. RISK MANAGEMENT POLICIES (continued)

i. Credit risk

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

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

ii. Interest rate risk

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

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

iii. Foreign currency risk

Foreign currency risk is the risk that the sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the sterling equivalent value. 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.

iv. Leverage

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

As at 31.10.17, leverage under the gross method was 1:1 and leverage under the commitment method was 1:1 (31.10.16 : 0.99:1 and 1:1 respectively).

14. RISK MANAGEMENT POLICIES (continued)

v. 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.

vi. Market price risk

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

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

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £5,275,000 (31.10.16 : £4,727,000). A 5% decrease would have an equal and opposite effect.

vii. Fair value of financial assets and financial liabilities

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

viii. Derivatives

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

LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

15. PORTFOLIO TRANSACTION COSTS

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

Average portfolio dealing spread at 31.10.17 is 0.36% (31.10.16 : 0.66%).

15. PORTFOLIO TRANSACTION COSTS (continued)

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

LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

16. FAIR VALUE HIERARCHY

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

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

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.17				
Investment Assets	<u>7,805</u>	<u>97,689</u>	<u>–</u>	<u>105,494</u>
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.16				
Investment Assets	<u>5,479</u>	<u>89,052</u>	<u>–</u>	<u>94,531</u>

DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 OCTOBER 2017 – 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	01.11.16
To	31.10.17

'A' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	1.2478	–	1.2478	1.0528
Group 2	0.7966	0.4512	1.2478	1.0528

'A' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	1.2767	–	1.2767	1.0706
Group 2	0.9719	0.3048	1.2767	1.0706

'C' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	2.9789	–	2.9789	2.5774
Group 2	2.2696	0.7093	2.9789	2.5774

'P' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	1.6607	–	1.6607	1.4321
Group 2	0.9660	0.6947	1.6607	1.4321

LF PRUDENTIAL DYNAMIC 60-100 PORTFOLIO

Financial Statements (continued)

Distribution Table (continued)

'P' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	1.7151	–	1.7151	1.4602
Group 2	0.9195	0.7956	1.7151	1.4602

'R' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	1.7460	–	1.7460	1.4847
Group 2	0.8452	0.9008	1.7460	1.4847

LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

ACD'S REPORT

FOR THE YEAR ENDED 31 OCTOBER 2017

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 LF Prudential Dynamic Focused 0-30 Portfolio

20 February 2018

LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

ACD's Report (continued)

For the year ended 31 October 2017

PORTFOLIO MANAGER'S REPORT

Between 1 November 2016 and 31 October 2017 (the period in review) share classes R (Accumulation) 5.94%¹, P (Accumulation) 6.26%¹ and A (Accumulation) 5.33%¹ produced positive returns ahead of the 4.18%¹ sector average for IA Mixed Investment 0-35% Shares.

ECONOMIC OVERVIEW

Economic data released during the end of the period in review seemed to signal a continuation of a global recovery in almost all regions. This is being witnessed in the readings of economic activity, unemployment and company profits. This improvement in the economic outlook has prompted central bankers to consider the withdrawal of emergency measures, such as record low interest rates and asset purchases to curb any increase in inflation.

For example, the US is widely expected to hike interest rates again in December 2017. For the moment, however, inflation remains generally subdued. In the currency markets, sterling strengthened relative to the US dollar and Japanese yen, towards the end of the period in review but was weak compared to the euro. Greater economic activity, especially in China, supported demand for basic resources and many commodity prices, including oil, rallied.

MARKET OVERVIEW

Rather than focus on geopolitical concerns, such as heightened rhetoric about North Korea and the effect of hurricanes, investors seemed prepared to consider the general improvement in global economic activity. Better economic data and robust company earnings were reflected in higher demand for equities, and many stockmarkets finished the end of the period in review, at their highest levels for several years.

UK EQUITIES

Although the negotiations over the UK's withdrawal from the European Union continue to drag on, policymakers at the Bank of England have raised the prospect of higher interest rates, encouraged by the slow but steady improvement in the economy and a pick-up in inflation.

Towards the end of the period in review potentially higher rates meant sterling strengthened and caused the FTSE 100 Index, which contains many multinational companies, to underperform the more domestically oriented FTSE 250 Index of medium-sized companies. Both indices did, however, touch record highs. The general economic improvement boosted basic materials companies, while the higher oil price supported the share prices of oil and gas producers.

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

NORTH AMERICA

Investors were encouraged by better-than expected company profits and jobs data, with further buying being prompted by hopes of tax reform. US stockmarkets continued to rally despite President Trump engaging in several bouts of warlike rhetoric with the leader of North Korea, and southern states being hit by severe weather. Towards the end of the period in review, the broad S&P 500 Index stood at a record high, having enjoyed an eighth successive quarter of gains.

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

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

EUROPE

Stronger-than-expected growth in the European economy underpinned the returns from the region's stockmarkets. The European Central Bank joined the chorus of policymakers signalling a readiness to withdraw the emergency asset-purchase programme introduced to combat the global financial crisis. The persistent rise of the euro against other currencies led some investors to question whether exports may come under pressure, while the entry of a far-right political party into the German parliament caused further uncertainty. A stronger euro boosted the returns from eurozone assets to UK investors.

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

JAPAN

The Japanese stockmarket declined during the summer, as rising geopolitical tension led investors to buy the country's currency, which is seen as a safe haven. This weighed on the demand for shares of the exporters that dominate the economy. However, this was reversed in September, as fears of conflict eased and the yen weakened, enabling Japanese shares to enjoy the largest monthly gain of 2017 so far. Sentiment was also supported by higher inflation, which boosted optimism about the health of the economy. When viewed in sterling terms, the returns were lower, due to the decrease in the value of the yen relative to sterling over the quarter.

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

ASIA EX JAPAN

Company shares in the Asia Pacific region were among the best performers during the first part of 2017, helped by a decline in the US dollar against most other currencies. The apparent stability of the economy in China, a major trading partner of most countries in the region, was another supportive factor. The Indian stockmarket was a particularly strong performer after election success for the ruling party, and the prospect of tax reform enabled the rupee to strengthen further.

Despite the aggressive action taken by North Korea, which brought an equally aggressive response from President Trump, the third quarter of 2017 was positive for the Asia Pacific region as a whole. While the South Korean market declined, the fall was relatively modest as investors seemed to take the view that the tension was nothing new.

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

The governor of the Bank of England has signalled that the withdrawal of economic stimulus is likely to be appropriate in the coming months. The pound appreciated relative to the US dollar during the third quarter despite there being little clarity as to the outcome of the protracted negotiations over Brexit. Sterling was, however, down a little in comparison to the euro. It appears that the decision to leave the European Union is now being reflected in economic data, with the decline in sterling since the referendum result and uncertainty over government policy contributing to higher inflation and a slowdown in economic growth.

The synchronised improvement in global economic data has encouraged the world's central bankers to consider withdrawing the emergency policy measures that were introduced to boost economic activity.

LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

ACD's Report (continued)

Portfolio Manager's Report (continued)

For the year ended 31 October 2017

UK AND GLOBAL BONDS *(continued)*

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

UK PROPERTY

Despite the outcome of the June general election and the ongoing uncertainty surrounding Brexit, UK commercial property capital values continued to grow. Total returns from the asset class are being driven by both growth in capital values and stable rental income. The overall resilience of UK commercial property is encouraging, and is due in part to buying by overseas investors following the decline in sterling.

The performance of the M&G Property Portfolio continues to be positive although behind the peer group.

EMERGING MARKETS

The performance of Emerging Markets was generally positive. More recently significant strength in several South American, eastern European and Asian markets have overcome pockets of weakness, such as Greece. Brazil experienced a particularly robust rally, helped by higher commodity prices, better economic data and a rejection of corruption allegations directed at the president. The Chinese stockmarket also rose, boosted by healthy economic signals, while the Russian market rallied with the price of oil and other natural resources. The Greek stockmarket lagged due to the continuation of the country's economic worries and concerns over the level of debt.

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

ALTERNATIVES

The holdings have generally performed well, although investments in Insurance Linked Securities ('ILS') weighed on performance during August and September as three major hurricanes passed through the US and Caribbean, causing large catastrophe losses for CATCo Reinsurance Opportunities fund and Blue Capital Alternative Income fund. Despite these losses, ILS adds diversifying and uncorrelated returns to the portfolio and, looking forward, these events have made the asset class more attractive due to expected re-pricing of risk and higher premiums.

POSITIONING

Aside from day to day portfolio management activities there were no significant changes to the underlying portfolios.

OUTLOOK

Global growth has strengthened since the fourth quarter of 2016, driven in particular by strong performance in the eurozone, a return to growth in most commodity producing economies and the Chinese authorities' prioritisation of growth and stability over reform. Growth has also become more broad-based, with manufacturing and trade performing well, alongside services. Moreover, previous worries about falling commodity prices, deflation and restrictive fiscal policies have been somewhat alleviated.

Forward looking survey data remain at healthy levels and are in general signalling solid global growth going forward. The expectation is, therefore, for solid growth in coming quarters, although it will be somewhat restrained by a lack of synchronicity in the business cycles of the major advanced and emerging economies.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

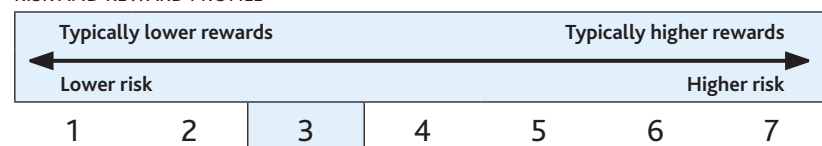
20 November 2017

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. 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.

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

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, by following the link 'Fund Information'.

COMPARATIVE TABLES

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

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'A' Income shares			
Change in net assets per share			
Opening net asset value per share	134.77	122.49	123.74
Return before operating charges*	9.42	16.53	3.35
Operating charges	(2.21)	(1.96)	(1.96)
Return after operating charges	7.21	14.57	1.39
Distributions ¹	(2.65)	(2.29)	(2.64)
Closing net asset value per share	139.33	134.77	122.49
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	5.35%	11.89%	1.12%
Other Information			
Closing net asset value (£'000)	314	310	1,907
Closing number of shares	225,437	230,163	1,556,959
Operating charges	1.60%	1.58%	1.56%
Direct transaction costs	–	–	–
Prices			
Highest share price	142.17	137.34	129.83
Lowest share price	131.68	119.61	121.90

¹ All interest distributions payable after 6 April 2017 will be paid gross.

LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'A' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	162.81	145.99	144.99
Return before operating charges*	11.39	19.74	3.91
Operating charges	(2.67)	(2.37)	(2.30)
Return after operating charges	8.72	17.37	1.61
Distributions ¹	(3.21)	(2.76)	(3.08)
Retained distributions on accumulation shares	3.21	2.21	2.47
Closing net asset value per share	171.53	162.81	145.99
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	5.36%	11.90%	1.11%
Other Information			
Closing net asset value (£'000)	8,881	10,150	22,374
Closing number of shares	5,177,861	6,233,932	15,325,078
Operating charges	1.60%	1.58%	1.56%
Direct transaction costs	–	–	–
Prices			
Highest share price	171.75	163.70	152.08
Lowest share price	159.06	142.59	142.83

¹ All interest distributions payable after 6 April 2017 will be paid gross.

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'C' Income shares			
Change in net assets per share			
Opening net asset value per share	134.93	122.61	123.88
Return before operating charges*	9.50	16.70	3.34
Operating charges	(0.35)	(0.29)	(0.26)
Return after operating charges	9.15	16.41	3.08
Distributions ¹	(4.55)	(4.09)	(4.35)
Closing net asset value per share	139.53	134.93	122.61
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	6.78%	13.38%	2.49%
Other Information			
Closing net asset value (£'000)	171,075	176,753	187,326
Closing number of shares	122,612,020	130,997,628	152,781,499
Operating charges	0.25%	0.23%	0.21%
Direct transaction costs	–	–	–
Prices			
Highest share price	144.21	138.90	130.56
Lowest share price	132.01	120.10	123.25

¹ All interest distributions payable after 6 April 2017 will be paid gross.

LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'P' Income shares			
Change in net assets per share			
Opening net asset value per share	109.43	99.45	100.47
Return before operating charges*	7.66	13.54	2.71
Operating charges	(0.96)	(0.86)	(0.83)
Return after operating charges	6.70	12.68	1.88
Distributions ¹	(3.00)	(2.70)	(2.90)
Closing net asset value per share	113.13	109.43	99.45
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	6.12%	12.75%	1.87%
Other Information			
Closing net asset value (£'000)	5,370	3,956	3,014
Closing number of shares	4,746,330	3,615,077	3,030,903
Operating charges	0.85%	0.83%	0.81%
Direct transaction costs	–	–	–
Prices			
Highest share price	116.40	112.31	105.67
Lowest share price	107.00	97.29	99.52

¹ All interest distributions payable after 6 April 2017 will be paid gross.

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'P' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	116.81	104.11	102.84
Return before operating charges*	8.20	14.16	2.71
Operating charges	(1.02)	(0.90)	(0.85)
Return after operating charges	7.18	13.26	1.86
Distributions ¹	(3.21)	(2.81)	(2.97)
Retained distributions on accumulation shares	3.21	2.25	2.38
Closing net asset value per share	123.99	116.81	104.11
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	6.15%	12.74%	1.81%
Other Information			
Closing net asset value (£'000)	69,303	65,203	59,047
Closing number of shares	55,893,928	55,817,853	56,718,628
Operating charges	0.85%	0.83%	0.81%
Direct transaction costs	–	–	–
Prices			
Highest share price	124.22	117.52	108.08
Lowest share price	114.21	101.85	101.80

¹ All interest distributions payable after 6 April 2017 will be paid gross.

LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'R' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	129.10	115.29	114.05
Return before operating charges*	9.04	15.67	3.08
Operating charges	(1.46)	(1.29)	(1.23)
Return after operating charges	7.58	14.38	1.85
Distributions ¹	(3.21)	(2.81)	(3.02)
Retained distributions on accumulation shares	3.21	2.24	2.41
Closing net asset value per share	136.68	129.10	115.29
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	5.87%	12.47%	1.62%
Other Information			
Closing net asset value (£'000)	17,793	14,931	12,462
Closing number of shares	13,017,368	11,565,725	10,809,455
Operating charges	1.10%	1.08%	1.06%
Direct transaction costs	–	–	–
Prices			
Highest share price	136.88	129.81	119.90
Lowest share price	126.18	112.73	112.75

¹ All interest distributions payable after 6 April 2017 will be paid gross.

FUND PERFORMANCE TO 31 OCTOBER 2017 (%)

	1 year	3 years	5 years
LF Prudential Dynamic Focused 0-30 Portfolio	5.33	17.58	29.93

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 215 and 216.

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 2017

Holding	Portfolio of Investments	Value £'000	31.10.17 %
	EQUITY PORTFOLIOS – 19.23% (31.10.16 – 18.63%)		
12,279,047	UNITED KINGDOM – 7.39% (31.10.16 – 7.62%) Legal & General UK Index Trust	20,162	7.39
	TOTAL UNITED KINGDOM	20,162	7.39
	CONTINENTAL EUROPE – 3.31% (31.10.16 – 3.13%)		
3,084,847	Legal & General European Index Trust	9,029	3.31
	TOTAL CONTINENTAL EUROPE	9,029	3.31
	FAR EAST – 3.23% (31.10.16 – 2.56%)		
8,038,169	Legal & General Pacific Index Trust	8,818	3.23
	TOTAL FAR EAST	8,818	3.23
	JAPAN – 1.38% (31.10.16 – 1.70%)		
6,945,287	Legal & General Japan Index Trust	3,750	1.38
	TOTAL JAPAN	3,750	1.38
	UNITED STATES – 2.98% (31.10.16 – 2.96%)		
2,072,461	Legal & General US Index Trust	8,132	2.98
	TOTAL UNITED STATES	8,132	2.98
	EMERGING MARKETS – 0.94% (31.10.16 – 0.66%)		
4,404,934	Legal & General Global Emerging Markets Index Fund	2,554	0.94
	TOTAL EMERGING MARKETS	2,554	0.94
	TOTAL EQUITY PORTFOLIOS	52,445	19.23
	EQUITY INVESTMENT INSTRUMENTS – 2.53% (31.10.16 – 3.09%)		
1,047,877	BBGI	1,493	0.55
486,813	BioPharma Credit	400	0.15
460,040	Blue Capital Alternative Income Fund	260	0.09
320,147	CATCo Reinsurance Opportunities Fund	248	0.09
458,548	DP Aircraft I	373	0.14
159,469	HarbourVest Global Private Equity	2,043	0.75

Holding	Portfolio of Investments	Value £'000	31.10.17 %
	EQUITY INVESTMENT INSTRUMENTS – 2.53% (31.10.16 – 3.09%) (continued)		
45,797	HgCapital Trust	798	0.29
311,285	NB Distressed Debt Investment Fund	203	0.07
442,120	NextEnergy Solar Fund	495	0.18
543,532	Renewables Infrastructure	591	0.22
	TOTAL EQUITY INVESTMENT INSTRUMENTS	6,904	2.53
	PROPERTY PORTFOLIOS – 9.03% (31.10.16 – 8.42%)		
2,143,035	M&G Property Portfolio†	24,635	9.03
	TOTAL PROPERTY PORTFOLIOS	24,635	9.03
	BOND PORTFOLIOS – 69.99% (31.10.16 – 70.53%)		
107,266,031	M&G Corporate Bond Fund†	44,505	16.32
19,963,487	M&G European Corporate Bond Fund†	22,595	8.28
91,354	M&G European Loan Fund†	8,047	2.95
2,165,029	M&G Global Convertibles Fund†	4,789	1.76
6,135,181	M&G Global High Yield Bond Fund†	8,167	2.99
58,553,805	M&G Short Dated Corporate Bond Fund†	15,189	5.57
73,563,275	M&G Strategic Corporate Bond Fund†	86,260	31.63
10,066	Merrill Lynch AQR Global Relative Value Fund	1,331	0.49
	TOTAL BOND PORTFOLIOS	190,883	69.99
	Portfolio of investments	274,867	100.78
	Net other liabilities	(2,131)	(0.78)
	Net assets	272,736	100.00

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

† Related party holding (see note 11).

LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

ACD's Report (continued)

SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 31 OCTOBER 2017

Total purchases for the year £'000 (note 15) **9,768**

Purchases	Cost £'000
M&G Short Dated Corporate Bond Fund	3,438
M&G European Corporate Bond Fund	1,398
Merrill Lynch AQR Global Relative Value Fund	1,268
Legal & General Pacific Index Trust	1,058
M&G Property Portfolio	1,000
Legal & General Global Emerging Markets Index Fund	600
BioPharma Credit	389
BBI	190
HarbourVest Global Private Equity	151
M&G Strategic Corporate Bond Fund	110
Renewables Infrastructure	81
M&G Global High Yield Bond Fund	40
NextEnergy Solar Fund	24
M&G Global Convertibles Fund	18
NB Distressed Debt Investment Fund	3

In addition to above, purchases totalling £340,886,000 were made in short term investments during the year.

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

Total sales for the year £'000 (note 15) **19,704**

Major sales	Proceeds £'000
M&G Short Dated Corporate Bond Fund	4,581
M&G Global High Yield Bond Fund	2,660
Legal & General UK Index Trust	2,315
M&G European Corporate Bond Fund	1,661
M&G Strategic Corporate Bond Fund	1,625
M&G Corporate Bond Fund	1,141
Legal & General Japan Index Trust	1,100
Legal & General European Index Trust	834
Legal & General US Index Trust	792
Blue Capital Alternative Income Fund	653
M&G Global Convertibles Fund	454
DP Aircraft I	429
CATCo Reinsurance Opportunities Fund	426
HgCapital Trust	359
Renewables Infrastructure	222
NB Distressed Debt Investment Fund	156
NB Distressed Debt Investment (extinct 7/12/16)	141
BBI	85
NextEnergy Solar Fund	34
NB Distressed Debt Investment (extinct 23/2/17)	22

In addition to above, sales totalling £34,211,000 were made in short term investments during the year.

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

LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO
FINANCIAL STATEMENTS
STATEMENT OF TOTAL RETURN
FOR THE YEAR ENDED 31 OCTOBER 2017

	Notes	£'000	31.10.17 £'000	£'000	31.10.16 £'000
Income:					
Net capital gains	3		9,111		26,021
Revenue	4	9,551		9,432	
Expenses	5	(1,139)		(1,135)	
Interest payable and similar charges	6	–		(2)	
Net revenue before taxation		8,412		8,295	
Taxation	7	(135)		(211)	
Net revenue after taxation			8,277		8,084
Total return before distributions			17,388		34,105
Distributions	8		(8,278)		(8,093)
Change in net assets attributable to shareholders from investment activities			9,110		26,012

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS
FOR THE YEAR ENDED 31 OCTOBER 2017

	£'000	31.10.17 £'000	£'000	31.10.16 £'000
Opening net assets attributable to shareholders		271,303		286,130
Amounts receivable on issue of shares	24,822		13,535	
Amounts payable on redemption of shares	(34,876)		(56,196)	
		(10,054)		(42,661)
Dilution adjustment		–		169
Change in net assets attributable to shareholders from investment activities		9,110		26,012
Retained distributions on Accumulation shares		2,377		1,653
Closing net assets attributable to shareholders		272,736		271,303

BALANCE SHEET
AS AT 31 OCTOBER 2017

	Notes	31.10.17 £'000	31.10.16 £'000
ASSETS			
Fixed assets			
Investments		274,867	273,113
Current assets			
Debtors	9	2,040	18,287
Cash and bank balances		2,264	3,289
Total assets		279,171	294,689
LIABILITIES			
Provisions for liabilities		(25)	(40)
Creditors			
Distribution payable		(5,733)	(5,987)
Other creditors	10	(677)	(17,359)
Total liabilities		(6,435)	(23,386)
Net assets attributable to shareholders		272,736	271,303

LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

Financial Statements (continued)

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 OCTOBER 2017

1. ACCOUNTING POLICIES

The accounting policies described on pages 21 to 23 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 23 have been applied to the financial statements of the Fund in the current and prior year. The additional distribution policies have 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.

	31.10.17 £'000	31.10.16 £'000
3. NET CAPITAL GAINS		
The net capital gains during the year comprise:		
Non-derivative securities	9,106	25,835
Transaction charges	(1)	–
Currency gains	6	186
Net capital gains	9,111	26,021

The net capital gains figure includes realised gains of £2,447,000 and unrealised gains of £29,504,000 (31.10.16 : includes realised gains of £8,008,000 and unrealised gains of £22,839,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

	31.10.17 £'000	31.10.16 £'000
4. REVENUE		
Non-taxable dividends	1,792	1,420
Taxable dividends	41	473
UK property income distributions	873	641
Unfranked interest	4,760	4,698
AMC rebates from underlying investments	2,085	2,200
Total revenue	9,551	9,432
5. EXPENSES		
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	696	686
Administration fees	412	416
	1,108	1,102
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	22	20
Safe custody and other bank charges	–	1
	22	21
Other expenses:		
FCA fee	–	1
Fees paid to auditor – audit	9	9
– tax services	–	1
Legal and professional fees	–	1
	9	12
Total expenses	1,139	1,135

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

	31.10.17 £'000	31.10.16 £'000
6. INTEREST PAYABLE AND SIMILAR CHARGES		
Interest payable	–	2
Total interest payable and similar charges	–	2

LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

	31.10.17 £'000	31.10.16 £'000
7. TAXATION		
a) Analysis of charge for the year		
Corporation tax at 20%	150	128
Adjustments in respect of prior periods	–	43
Current tax charge	150	171
Deferred tax – origination and reversal of timing differences (note 7c)	(15)	40
Total taxation (note 7b)	135	211
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%) (31.10.16 : 20%). The difference is explained below:		
	31.10.17 £'000	31.10.16 £'000
Net revenue before taxation	8,412	8,295
Corporation tax at 20%	1,682	1,659
Effects of:		
Non-taxable dividends	(358)	(285)
Tax deductible interest distributions	(1,189)	(1,206)
Adjustments in respect of prior periods	–	43
Total tax charge (note 7a)	135	211
c) Deferred tax		
Provision at the start of the year	40	–
Deferred tax charge in the year (note 7a)	(15)	40
Provision at the end of the year	(25)	40
8. DISTRIBUTIONS		
The distributions take account of revenue received on the issue of shares and revenue deducted on redemption of shares, and comprise:		
	31.10.17 £'000	31.10.16 £'000
Final	8,110	6,023
UK income tax withheld	–	1,617
	8,110	7,640

	31.10.17 £'000	31.10.16 £'000
8. DISTRIBUTIONS (continued)		
Add: Revenue deducted on redemption of shares	457	553
Deduct: Revenue received on issue of shares	(289)	(100)
Net distributions for the year	8,278	8,093
Details of the distributions per share are set out in the table on pages 215 and 216.		
	31.10.17 £'000	31.10.16 £'000
Distributions represented by:		
Net revenue after taxation	8,277	8,084
Equalisation on conversions*	1	9
Net distributions for the year	8,278	8,093
* Where an investor converts to a class with a higher income yield, the investor will receive an equalisation as if they had held the new class throughout the period from the last distribution to the conversion date. The yield differential at the point of conversion is an equalisation which will be offset by capital erosion for the converted investor.		
	31.10.17 £'000	31.10.16 £'000
9. DEBTORS		
Amounts receivable for issue of shares	634	198
Sales awaiting settlement	6	16,500
Accrued revenue:		
Non-taxable dividends	633	663
Taxable dividends	–	232
UK property income distributions	122	–
Unfranked interest	403	226
AMC rebates from underlying investments	242	213
	1,400	1,334
Income tax	–	255
Total debtors	2,040	18,287

LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

	31.10.17 £'000	31.10.16 £'000
10. OTHER CREDITORS		
Amounts payable on redemption of shares	497	721
Purchases awaiting settlement	–	16,500
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	61	58
Administration fees	35	35
	96	93
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	2	1
Taxation payable:		
Corporation tax payable	73	33
Other expenses	9	11
Total other creditors	677	17,359

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 202 and amounts due at the year end are disclosed in notes 9 and 10.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 134,948 (31.10.16 : 86,181) 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 122,611,770 (31.10.16 : 130,997,378) 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 60.80% (31.10.16 : 62.84%)

11. RELATED PARTY TRANSACTIONS (continued)

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

	31.10.17 £'000	31.10.16 £'000
Portfolio Manager in common	214,187	214,170

12. SHARES IN ISSUE

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.35%	1.35%	–
Opening shares in issue	230,163	6,233,932	130,997,628
Issues	8,505	119,321	7,548,244
Redemptions	(13,231)	(1,066,186)	(15,933,852)
Conversions	–	(109,206)	–
Closing shares in issue	225,437	5,177,861	122,612,020

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.60%	0.60%	0.85%
Opening shares in issue	3,615,077	55,817,853	11,565,725
Issues	1,556,627	7,008,268	3,304,248
Redemptions	(468,989)	(7,143,303)	(1,761,612)
Conversions	43,615	211,110	(90,993)
Closing shares in issue	4,746,330	55,893,928	13,017,368

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

13. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (31.10.16 : none).

LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

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 or hedging purposes.

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

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

i. Credit risk

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

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

ii. Interest rate risk

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

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

14. RISK MANAGEMENT POLICIES *(continued)*

iii. Foreign currency risk

Foreign currency risk is the risk that the sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the sterling equivalent value. 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.

iv. Leverage

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

As at 31.10.17, leverage under the gross method was 1.01:1 and leverage under the commitment method was 1:1 (31.10.16 : 1.01:1 and 1:1 respectively).

v. 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.

vi. Market price risk

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

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

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £13,743,000 (31.10.16 : £13,656,000). 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)

As at 31 October 2017

14. RISK MANAGEMENT POLICIES (continued)

vii. Fair value of financial assets and financial liabilities

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

viii. Derivatives

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

15. PORTFOLIO TRANSACTION COSTS

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
31.10.17				
Ordinary shares	470	–	–	470
Collective investment schemes	9,298	–	–	9,298
Purchases total	9,768	–	–	9,768
<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	19,704	–	–	19,704
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.17 is 0.18% (31.10.16 : 0.29%).

15. PORTFOLIO TRANSACTION COSTS (continued)

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
31.10.16				
Ordinary shares	14	–	–	14
Collective investment schemes	24,764	1	–	24,765
Purchases total	24,778	1	–	24,779
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	281	–	–	281
Collective investment schemes	70,467	–	–	70,467
Sales total	70,748	–	–	70,748
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

16. FAIR VALUE HIERARCHY

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

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

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.17				
Investment Assets	<u>6,904</u>	<u>267,963</u>	<u>–</u>	<u>274,867</u>
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.16				
Investment Assets	<u>8,389</u>	<u>264,724</u>	<u>–</u>	<u>273,113</u>

DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 OCTOBER 2017 – 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	01.11.16
To	31.10.17

'A' Income shares

Final	Gross Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	2.6521	–	2.6521	1.8288
Group 2	1.2559	1.3962	2.6521	1.8288

'A' Accumulation shares

Final	Gross Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	3.2066	–	3.2066	2.2072
Group 2	2.7171	0.4895	3.2066	2.2072

'C' Income shares

Final	Gross Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	4.5541	–	4.5541	3.2734
Group 2	3.5793	0.9748	4.5541	3.2734

'P' Income shares

Final	Gross Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	3.0005	–	3.0005	2.1606
Group 2	1.3695	1.6310	3.0005	2.1606

LF PRUDENTIAL DYNAMIC FOCUSED 0-30 PORTFOLIO

Financial Statements (continued)

Distribution Table (continued)

'P' Accumulation shares

Final	Gross Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	3.2090	–	3.2090	2.2498
Group 2	1.6358	1.5732	3.2090	2.2498

'R' Accumulation shares

Final	Gross Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	3.2077	–	3.2077	2.2443
Group 2	1.6256	1.5821	3.2077	2.2443

All interest distributions payable after 6 April 2017 will be paid gross. 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.

LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

ACD'S REPORT

FOR THE YEAR ENDED 31 OCTOBER 2017

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 2018

LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

ACD's Report (continued)

For the year ended 31 October 2017

PORTFOLIO MANAGER'S REPORT

Between 1 November 2016 and 31 October 2017 (the period in review) share classes R (Accumulation) 6.17%¹, P (Accumulation) 6.40%¹ and A (Accumulation) 5.88%¹ produced positive returns but behind the 6.84%¹ sector average for IA Mixed Investment 20-60% Shares.

ECONOMIC OVERVIEW

Economic data released during the end of the period in review seemed to signal a continuation of a global recovery in almost all regions. This is being witnessed in the readings of economic activity, unemployment and company profits. This improvement in the economic outlook has prompted central bankers to consider the withdrawal of emergency measures, such as record low interest rates and asset purchases to curb any increase in inflation.

For example, the US is widely expected to hike interest rates again in December 2017. For the moment, however, inflation remains generally subdued. In the currency markets, sterling strengthened relative to the US dollar and Japanese yen, towards the end of the period in review but was weak compared to the euro. Greater economic activity, especially in China, supported demand for basic resources and many commodity prices, including oil, rallied.

MARKET OVERVIEW

Rather than focus on geopolitical concerns, such as heightened rhetoric about North Korea and the effect of hurricanes, investors seemed prepared to consider the general improvement in global economic activity. Better economic data and robust company earnings were reflected in higher demand for equities, and many stockmarkets finished the end of the period in review, at their highest levels for several years.

UK EQUITIES

Although the negotiations over the UK's withdrawal from the European Union continue to drag on, policymakers at the Bank of England have raised the prospect of higher interest rates, encouraged by the slow but steady improvement in the economy and a pick-up in inflation.

Towards the end of the period in review potentially higher rates meant sterling strengthened and caused the FTSE 100 Index, which contains many multinational companies, to underperform the more domestically oriented FTSE 250 Index of medium-sized companies. Both indices did, however, touch record highs. The general economic improvement boosted basic materials companies, while the higher oil price supported the share prices of oil and gas producers.

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

NORTH AMERICA

Investors were encouraged by better-than expected company profits and jobs data, with further buying being prompted by hopes of tax reform. US stockmarkets continued to rally despite President Trump engaging in several bouts of warlike rhetoric with the leader of North Korea, and southern states being hit by severe weather. Towards the end of the period in review, the broad S&P 500 Index stood at a record high, having enjoyed an eighth successive quarter of gains.

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

¹ 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.

EUROPE

Stronger-than-expected growth in the European economy underpinned the returns from the region's stockmarkets. The European Central Bank joined the chorus of policymakers signalling a readiness to withdraw the emergency asset-purchase programme introduced to combat the global financial crisis. The persistent rise of the euro against other currencies led some investors to question whether exports may come under pressure, while the entry of a far-right political party into the German parliament caused further uncertainty. A stronger euro boosted the returns from eurozone assets to UK investors.

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

JAPAN

The Japanese stockmarket declined during the summer, as rising geopolitical tension led investors to buy the country's currency, which is seen as a safe haven. This weighed on the demand for shares of the exporters that dominate the economy. However, this was reversed in September, as fears of conflict eased and the yen weakened, enabling Japanese shares to enjoy the largest monthly gain of 2017 so far. Sentiment was also supported by higher inflation, which boosted optimism about the health of the economy. When viewed in sterling terms, the returns were lower, due to the decrease in the value of the yen relative to sterling over the quarter.

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

ASIA EX JAPAN

Company shares in the Asia Pacific region were among the best performers during the first part of 2017, helped by a decline in the US dollar against most other currencies. The apparent stability of the economy in China, a major trading partner of most countries in the region, was another supportive factor. The Indian stockmarket was a particularly strong performer after election success for the ruling party, and the prospect of tax reform enabled the rupee to strengthen further.

Despite the aggressive action taken by North Korea, which brought an equally aggressive response from President Trump, the third quarter of 2017 was positive for the Asia Pacific region as a whole. While the South Korean market declined, the fall was relatively modest as investors seemed to take the view that the tension was nothing new.

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

The governor of the Bank of England has signalled that the withdrawal of economic stimulus is likely to be appropriate in the coming months. The pound appreciated relative to the US dollar during the third quarter despite there being little clarity as to the outcome of the protracted negotiations over Brexit. Sterling was, however, down a little in comparison to the euro. It appears that the decision to leave the European Union is now being reflected in economic data, with the decline in sterling since the referendum result and uncertainty over government policy contributing to higher inflation and a slowdown in economic growth.

The synchronised improvement in global economic data has encouraged the world's central bankers to consider withdrawing the emergency policy measures that were introduced to boost economic activity.

LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

ACD's Report (continued)

Portfolio Manager's Report (continued)

For the year ended 31 October 2017

UK AND GLOBAL BONDS *(continued)*

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

UK PROPERTY

Despite the outcome of the June general election and the ongoing uncertainty surrounding Brexit, UK commercial property capital values continued to grow. Total returns from the asset class are being driven by both growth in capital values and stable rental income. The overall resilience of UK commercial property is encouraging, and is due in part to buying by overseas investors following the decline in sterling.

The performance of the M&G Property Portfolio continues to be positive although behind the peer group.

EMERGING MARKETS

The performance of Emerging Markets was generally positive. More recently significant strength in several South American, eastern European and Asian markets have overcome pockets of weakness, such as Greece. Brazil experienced a particularly robust rally, helped by higher commodity prices, better economic data and a rejection of corruption allegations directed at the president. The Chinese stockmarket also rose, boosted by healthy economic signals, while the Russian market rallied with the price of oil and other natural resources. The Greek stockmarket lagged due to the continuation of the country's economic worries and concerns over the level of debt.

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

ALTERNATIVES

The holdings have generally performed well, although investments in Insurance Linked Securities ('ILS') weighed on performance during August and September as three major hurricanes passed through the US and Caribbean, causing large catastrophe losses for CATCo Reinsurance Opportunities fund and Blue Capital Alternative Income fund. Despite these losses, ILS adds diversifying and uncorrelated returns to the portfolio and, looking forward, these events have made the asset class more attractive due to expected re-pricing of risk and higher premiums.

POSITIONING

Aside from day to day portfolio management activities there were no significant changes to the underlying portfolios.

OUTLOOK

Global growth has strengthened since the fourth quarter of 2016, driven in particular by strong performance in the eurozone, a return to growth in most commodity producing economies and the Chinese authorities' prioritisation of growth and stability over reform. Growth has also become more broad-based, with manufacturing and trade performing well, alongside services. Moreover, previous worries about falling commodity prices, deflation and restrictive fiscal policies have been somewhat alleviated.

Forward looking survey data remain at healthy levels and are in general signalling solid global growth going forward. The expectation is, therefore, for solid growth in coming quarters, although it will be somewhat restrained by a lack of synchronicity in the business cycles of the major advanced and emerging economies.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

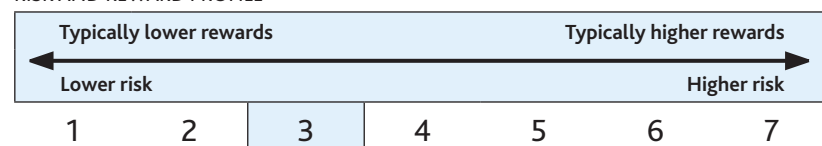
20 November 2017

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 medium to 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. 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.

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

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, by following the link 'Fund Information'.

COMPARATIVE TABLES

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

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 ¹ (p/share)
'A' Income shares			
Change in net assets per share			
Opening net asset value per share	110.19	100.11	100.00
Return before operating charges*	9.13	13.03	0.75
Operating charges	(1.84)	(1.64)	(0.24)
Return after operating charges	7.29	11.39	0.51
Distributions	(2.17)	(1.31)	(0.40)
Closing net asset value per share	115.31	110.19	100.11
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	6.62%	11.38%	0.51%
Other Information			
Closing net asset value (£'000)	–	–	–
Closing number of shares	250	250	250
Operating charges	1.62%	1.59%	1.56% ²
Direct transaction costs	–	–	–
Prices			
Highest share price	117.86	112.34	100.73
Lowest share price	107.65	96.21	98.16

¹ From 9 September 2015.

² Annualised figure due to share class being launched less than 1 year.

LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 ¹ (p/share)
'A' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	112.38	100.62	100.00
Return before operating charges*	9.09	13.41	0.86
Operating charges	(1.90)	(1.65)	(0.24)
Return after operating charges	7.19	11.76	0.62
Distributions	(1.91)	(1.60)	(0.52)
Retained distributions on accumulation shares	1.91	1.60	0.52
Closing net asset value per share	119.57	112.38	100.62
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	6.40%	11.69%	0.62%
Other Information			
Closing net asset value (£'000)	5	–	–
Closing number of shares	4,361	250	250
Operating charges	1.62%	1.59%	1.56% ²
Direct transaction costs	–	–	–
Prices			
Highest share price	119.94	113.22	100.82
Lowest share price	109.82	96.89	98.17

¹ From 9 September 2015.

² Annualised figure due to share class being launched less than 1 year.

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 ¹ (p/share)
'P' Income shares			
Change in net assets per share			
Opening net asset value per share	110.26	100.11	100.00
Return before operating charges*	8.58	13.12	0.77
Operating charges	(0.99)	(0.87)	(0.12)
Return after operating charges	7.59	12.25	0.65
Distributions	(2.35)	(2.10)	(0.54)
Closing net asset value per share	115.50	110.26	100.11
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	6.88%	12.24%	0.65%
Other Information			
Closing net asset value (£'000)	6,280	5,681	5,006
Closing number of shares	5,437,561	5,151,817	5,000,255
Operating charges	0.87%	0.84%	0.81% ²
Direct transaction costs	–	–	–
Prices			
Highest share price	118.10	113.19	100.86
Lowest share price	107.75	96.50	98.21

¹ From 9 September 2015.

² Annualised figure due to share class being launched less than 1 year.

LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 ¹ (p/share)
'P' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	113.01	100.66	100.00
Return before operating charges*	8.80	13.24	0.76
Operating charges	(1.02)	(0.89)	(0.10)
Return after operating charges	7.78	12.35	0.66
Distributions	(2.41)	(2.12)	(0.55)
Retained distributions on accumulation shares	2.41	2.12	0.55
Closing net asset value per share	120.79	113.01	100.66
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	6.88%	12.27%	0.66%
Other Information			
Closing net asset value (£'000)	7,408	648	3
Closing number of shares	6,132,407	573,785	3,092
Operating charges	0.87%	0.84%	0.81% ²
Direct transaction costs	–	–	–
Prices			
Highest share price	121.05	113.84	100.88
Lowest share price	110.45	97.04	98.22

¹ From 9 September 2015.

² Annualised figure due to share class being launched less than 1 year.

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 ¹ (p/share)
'R' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	112.72	100.62	100.00
Return before operating charges*	8.82	13.25	0.76
Operating charges	(1.30)	(1.15)	(0.14)
Return after operating charges	7.52	12.10	0.62
Distributions	(2.17)	(1.91)	(0.52)
Retained distributions on accumulation shares	2.17	1.91	0.52
Closing net asset value per share	120.24	112.72	100.62
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	6.67%	12.03%	0.62%
Other Information			
Closing net asset value (£'000)	14,120	5,912	750
Closing number of shares	11,743,112	5,244,239	745,172
Operating charges	1.12%	1.09%	1.06% ²
Direct transaction costs	–	–	–
Prices			
Highest share price	120.51	113.56	100.84
Lowest share price	110.15	96.94	98.20

¹ From 9 September 2015.

² Annualised figure due to share class being launched less than 1 year.

LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

FUND PERFORMANCE TO 31 OCTOBER 2017 (%)

	1 year	Since launch*
LF Prudential Dynamic Focused 10-40 Portfolio	5.88	19.52

* 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.

PORTFOLIO STATEMENT AS AT 31 OCTOBER 2017

Holding	Portfolio of Investments	Value £'000	31.10.17 %
	EQUITY PORTFOLIOS – 33.05% (31.10.16 – 32.63%)		
1,914,508	UNITED KINGDOM – 11.30% (31.10.16 – 10.88%) Legal & General UK Index Trust	3,144	11.30
	TOTAL UNITED KINGDOM	3,144	11.30
424,030	CONTINENTAL EUROPE – 4.46% (31.10.16 – 4.59%) Legal & General European Index Trust	1,241	4.46
	TOTAL CONTINENTAL EUROPE	1,241	4.46
1,224,010	FAR EAST – 4.83% (31.10.16 – 4.90%) Legal & General Pacific Index Trust	1,343	4.83
	TOTAL FAR EAST	1,343	4.83
1,241,255	JAPAN – 2.41% (31.10.16 – 2.40%) Legal & General Japan Index Trust	670	2.41
	TOTAL JAPAN	670	2.41
320,915	UNITED STATES – 4.53% (31.10.16 – 4.76%) Legal & General US Index Trust	1,259	4.53
	TOTAL UNITED STATES	1,259	4.53
793,662	EMERGING MARKETS – 1.65% (31.10.16 – 1.92%) Legal & General Global Emerging Markets Index Fund	460	1.65
	TOTAL EMERGING MARKETS	460	1.65
	EQUITY INVESTMENT INSTRUMENTS – 3.87% (31.10.16 – 3.18%)		
173,490	BBGI	247	0.89
60,819	BioPharma Credit	50	0.18
58,845	Blue Capital Alternative Income Fund	33	0.12
41,386	CATCo Reinsurance Opportunities Fund	32	0.12
64,602	DP Aircraft I	53	0.19
25,598	HarbourVest Global Private Equity	328	1.18
6,433	HgCapital Trust	112	0.40

LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

ACD's Report (continued)

Portfolio Statement (continued)

As at 31 October 2017

Holding	Portfolio of Investments	Value £'000	31.10.17 %
	EQUITY INVESTMENT INSTRUMENTS – 3.87% (31.10.16 – 3.18%) (continued)		
73,594	NB Distressed Debt Investment Fund	48	0.17
67,722	NextEnergy Solar Fund	76	0.27
89,547	Renewables Infrastructure	97	0.35
	TOTAL EQUITY INVESTMENT INSTRUMENTS	1,076	3.87
	TOTAL EQUITY PORTFOLIOS	9,193	33.05
	PROPERTY PORTFOLIOS – 11.62% (31.10.16 – 9.48%)		
281,055	M&G Property Portfolio†	3,231	11.62
	TOTAL PROPERTY PORTFOLIOS	3,231	11.62
	BOND PORTFOLIOS – 53.20% (31.10.16 – 54.52%)		
3,732,293	M&G Corporate Bond Fund†	1,550	5.57
1,492,431	M&G European Corporate Bond Fund†	1,689	6.07
6,691	M&G European Loan Fund†	589	2.12
147,256	M&G Global Convertibles Fund†	326	1.17
768,354	M&G Global High Yield Bond Fund†	1,023	3.68
4,799,810	M&G Short Dated Corporate Bond Fund†	1,245	4.48
6,950,789	M&G Strategic Corporate Bond Fund†	8,150	29.30
1,705	Merrill Lynch AQR Global Relative Value Fund	225	0.81
	TOTAL BOND PORTFOLIOS	14,797	53.20
	Portfolio of investments	27,221	97.87
	Net other assets	592	2.13
	Net assets	27,813	100.00

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

† Related party holding (see note 10).

SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 31 OCTOBER 2017

Total purchases for the year £'000 (note 14) **14,662**

Major purchases	Cost £'000
M&G Strategic Corporate Bond Fund	4,219
M&G Property Portfolio	1,992
Legal & General UK Index Trust	1,664
M&G Corporate Bond Fund	1,299
M&G Short Dated Corporate Bond Fund	810
Legal & General Pacific Index Trust	658
Legal & General US Index Trust	592
Legal & General European Index Trust	590
M&G Global High Yield Bond Fund	554
M&G European Corporate Bond Fund	400
Legal & General Japan Index Trust	338
M&G European Loan Fund	299
Merrill Lynch AQR Global Relative Value Fund	218
HarbourVest Global Private Equity	202
Legal & General Global Emerging Markets Index Fund	199
BBGI	159
M&G Global Convertibles Fund	139
Renewables Infrastructure	54
BioPharma Credit	49
Blue Capital Alternative Income Fund	47

Total sales for the year £'000 (note 14) **235**

Sales	Proceeds £'000
M&G Short Dated Corporate Bond Fund	181
Legal & General European Index Trust	38
CATCo Reinsurance Opportunities Fund	13
NB Distressed Debt Investment Fund	2
NB Distressed Debt Investment Fund (extinct 5/9/17)	1

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

LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO
FINANCIAL STATEMENTS
STATEMENT OF TOTAL RETURN
FOR THE YEAR ENDED 31 OCTOBER 2017

	Notes	£'000	31.10.17 £'000	£'000	31.10.16 £'000
Income:					
Net capital gains	3		846		970
Revenue	4	603		295	
Expenses	5	(166)		(80)	
Net revenue before taxation		437		215	
Taxation	6	(48)		(29)	
Net revenue after taxation			389		186
Total return before distributions			1,235		1,156
Distributions	7		(389)		(186)
Change in net assets attributable to shareholders from investment activities			846		970

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS
FOR THE YEAR ENDED 31 OCTOBER 2017

	£'000	31.10.17 £'000	£'000	31.10.16 £'000
Opening net assets attributable to shareholders		12,241		5,759
Amounts receivable on issue of shares	15,456		6,106	
Amounts payable on redemption of shares	(1,133)		(738)	
		14,323		5,368
Dilution adjustment		–		32
Change in net assets attributable to shareholders from investment activities		846		970
Retained distributions on Accumulation shares		403		112
Closing net assets attributable to shareholders		27,813		12,241

BALANCE SHEET
AS AT 31 OCTOBER 2017

	Notes	31.10.17 £'000	31.10.16 £'000
ASSETS			
Fixed assets			
Investments		27,221	11,829
Current assets			
Debtors	8	508	799
Cash and bank balances		551	500
Total assets		28,280	13,128
LIABILITIES			
Provisions for liabilities		(3)	(2)
Creditors			
Distribution payable		(128)	(108)
Other creditors	9	(336)	(777)
Total liabilities		(467)	(887)
Net assets attributable to shareholders		27,813	12,241

LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

Financial Statements (continued)

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 OCTOBER 2017

1. ACCOUNTING POLICIES

The accounting policies described on pages 21 to 23 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 23 have been applied to the financial statements of the Fund in the current and prior year.

	31.10.17 £'000	31.10.16 £'000
3. NET CAPITAL GAINS		
The net capital gains during the year comprise:		
Non-derivative securities	847	971
Transaction charges	(1)	(1)
Net capital gains	<u>846</u>	<u>970</u>

The net capital gains figure includes realised gains of £9,000 and unrealised gains of £1,721,000 (31.10.16 : includes realised gains of £96,000 and unrealised gains of £883,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

	31.10.17 £'000	31.10.16 £'000
4. REVENUE		
Non-taxable dividends	195	76
Taxable dividends	18	16
UK property income distributions	53	28
Unfranked interest	212	108
AMC rebates from underlying investments	125	67
Total revenue	<u>603</u>	<u>295</u>

	31.10.17 £'000	31.10.16 £'000
5. EXPENSES		
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	136	65
Administration fees	28	14
	<u>164</u>	<u>79</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	2	1
Total expenses	<u>166</u>	<u>80</u>

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

The audit fee of £8,000 (31.10.16 : £9,000) and tax fee of £nil (31.10.16 : £1,000) are borne by the ACD.

	31.10.17 £'000	31.10.16 £'000
6. TAXATION		
a) Analysis of charge for the year		
Corporation tax at 20%	47	26
Adjustments in respect of prior periods	–	1
Current tax charge	<u>47</u>	<u>27</u>
Deferred tax – origination and reversal of timing differences (note 6c)	1	2
Total taxation (note 6b)	<u>48</u>	<u>29</u>

b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.10.16 : 20%). The difference is explained below:

	31.10.17 £'000	31.10.16 £'000
Net revenue before taxation	<u>437</u>	<u>215</u>
Corporation tax at 20%	87	43

LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

	31.10.17 £'000	31.10.16 £'000
5. TAXATION (continued)		
Effects of:		
Non-taxable dividends	(39)	(15)
Adjustments in respect of prior periods	–	1
Total tax charge (note 6a)	48	29
c) Deferred tax		
Provision at the start of the year	2	–
Deferred tax charge in the year (note 6a)	1	2
Provision at the end of the year	3	2

7. DISTRIBUTIONS

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

	31.10.17 £'000	31.10.16 £'000
Final	531	220
	531	220
Add: Revenue deducted on redemption of shares	7	9
Deduct: Revenue received on issue of shares	(149)	(43)
Net distributions for the year	389	186

Details of the distributions per share are set out in the table on pages 244 and 245.

	31.10.17 £'000	31.10.16 £'000
8. DEBTORS		
Amounts receivable for issue of shares	344	276
Sales awaiting settlement	1	430
Accrued revenue:		
Non-taxable dividends	95	44
Taxable dividends	12	11
Unfranked interest	14	–
AMC rebates from underlying investments	20	8
	141	63

	31.10.17 £'000	31.10.16 £'000
8. DEBTORS (continued)		
Taxation recoverable:		
Income tax	22	30
Total debtors	508	799
9. OTHER CREDITORS		
Amounts payable for redemption of shares	29	10
Purchases awaiting settlement	239	732
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	17	7
Administration fees	3	2
	20	9
Taxation payable:		
Corporation tax payable	47	26
Other expenses	1	–
Total other creditors	336	777

10. 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 9.

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 9.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions or its associates) held 76,071 (31.10.16 : 30,432) of the Fund's shares at the balance sheet date.

M&G Investment Management Limited and its associates (including other authorised investment funds managed by M&G Investment Management Limited) held 5,000,000 (31.10.16 : 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 21.44% (31.10.16 : 45.58%)

LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

10. RELATED PARTY TRANSACTIONS (continued)

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

	31.10.17 £'000	31.10.16 £'000
Portfolio Manager in common	17,803	7,834

11. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (31.10.16 : none).

12. SHARES IN ISSUE

	'A' Income	'A' Accumulation	'P' Income
Annual Management Charge	1.35%	1.35%	0.60%
Opening shares in issue	250	250	5,151,817
Issues	–	4,111	369,715
Redemptions	–	–	(83,971)
Closing shares in issue	250	4,361	5,437,561
	'P' Accumulation	'R' Accumulation	
Annual Management Charge	0.60%	0.85%	
Opening shares in issue	573,785	5,244,239	
Issues	5,712,022	7,253,144	
Redemptions	(153,400)	(754,271)	
Closing shares in issue	6,132,407	11,743,112	

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

13. RISK MANAGEMENT POLICIES

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

13. RISK MANAGEMENT POLICIES (continued)

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

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

i. Credit risk

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

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

ii. Interest rate risk

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

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

iii. Foreign currency risk

Foreign currency risk is the risk that the sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the sterling equivalent value. 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.

LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

13. RISK MANAGEMENT POLICIES (continued)

iv. Leverage

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

As at 31.10.17, leverage under the gross method was 0.98:1 and leverage under the commitment method was 1:1 (31.10.16 : 0.97:1 and 1:1 respectively).

v. 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.

vi. Market price risk

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

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

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £1,361,000 (31.10.16 : £591,000). A 5% decrease would have an equal and opposite effect.

vii. Fair value of financial assets and financial liabilities

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

viii. Derivatives

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

14. PORTFOLIO TRANSACTION COSTS

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
31.10.17				
Ordinary shares	140	–	–	140
Collective investment schemes	14,522	–	–	14,522
Purchases total	14,662	–	–	14,662
Transaction cost % of purchases total		–	–	
Transaction cost % of average NAV		–	–	
Collective investment schemes	235	–	–	235
Sales total	235	–	–	235
Transaction cost % of sales total		–	–	
Transaction cost % of average NAV		–	–	

Average portfolio dealing spread at 31.10.17 is 0.15% (31.10.16 : 0.35%).

LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

14. PORTFOLIO TRANSACTION COSTS (continued)

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
31.10.16				
Ordinary shares	50	–	–	50
Collective investment schemes	6,367	–	–	6,367
Purchases total	6,417	–	–	6,417
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	668	–	–	668
Sales total	668	–	–	668
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

15. FAIR VALUE HIERARCHY

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

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

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.17				

Investment Assets	1,076	26,145	–	27,221
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	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.16				
Investment Assets	391	11,438	–	11,829

LF PRUDENTIAL DYNAMIC FOCUSED 10-40 PORTFOLIO

Financial Statements (continued)

DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 OCTOBER 2017 – 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	01.11.16
To	31.10.17

'A' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	2.1720	–	2.1720	1.3080
Group 2	2.1720	0.0000	2.1720	1.3080

'A' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	1.9062	–	1.9062	1.6040
Group 2	1.3342	0.5720	1.9062	1.6040

'P' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	2.3497	–	2.3497	2.0992
Group 2	0.9284	1.4213	2.3497	2.0992

'P' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	2.4145	–	2.4145	2.1162
Group 2	1.2872	1.1273	2.4145	2.1162

'R' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	2.1701	–	2.1701	1.9072
Group 2	1.0832	1.0869	2.1701	1.9072

LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO
ACD'S REPORT
FOR THE YEAR ENDED 31 OCTOBER 2017

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 2018

PORTFOLIO MANAGER'S REPORT

Between 1 November 2016 and 31 October 2017 (the period in review) share classes R (Accumulation) 7.97%¹, P (Accumulation) 8.27%¹ and A (Accumulation) 7.48%¹ produced positive returns ahead of the 6.84%¹ sector average for IA Mixed Investment 20-60% Shares.

ECONOMIC OVERVIEW

Economic data released during the end of the period in review seemed to signal a continuation of a global recovery in almost all regions. This is being witnessed in the readings of economic activity, unemployment and company profits. This improvement in the economic outlook has prompted central bankers to consider the withdrawal of emergency measures, such as record low interest rates and asset purchases to curb any increase in inflation.

For example, the US is widely expected to hike interest rates again in December 2017. For the moment, however, inflation remains generally subdued. In the currency markets, sterling strengthened relative to the US dollar and Japanese yen, towards the end of the period in review but was weak compared to the euro. Greater economic activity, especially in China, supported demand for basic resources and many commodity prices, including oil, rallied.

MARKET OVERVIEW

Rather than focus on geopolitical concerns, such as heightened rhetoric about North Korea and the effect of hurricanes, investors seemed prepared to consider the general improvement in global economic activity. Better economic data and robust company earnings were reflected in higher demand for equities, and many stockmarkets finished the end of the period in review, at their highest levels for several years.

UK EQUITIES

Although the negotiations over the UK's withdrawal from the European Union continue to drag on, policymakers at the Bank of England have raised the prospect of higher interest rates, encouraged by the slow but steady improvement in the economy and a pick-up in inflation.

Towards the end of the period in review potentially higher rates meant sterling strengthened and caused the FTSE 100 Index, which contains many multinational companies, to underperform the more domestically oriented FTSE 250 Index of medium-sized companies. Both indices did, however, touch record highs. The general economic improvement boosted basic materials companies, while the higher oil price supported the share prices of oil and gas producers.

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

NORTH AMERICA

Investors were encouraged by better-than expected company profits and jobs data, with further buying being prompted by hopes of tax reform. US stockmarkets continued to rally despite President Trump engaging in several bouts of warlike rhetoric with the leader of North Korea, and southern states being hit by severe weather. Towards the end of the period in review, the broad S&P 500 Index stood at a record high, having enjoyed an eighth successive quarter of gains.

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

¹ 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 20-55 PORTFOLIO

ACD's Report (continued)

Portfolio Manager's Report (continued)

For the year ended 31 October 2017

EUROPE

Stronger-than-expected growth in the European economy underpinned the returns from the region's stockmarkets. The European Central Bank joined the chorus of policymakers signalling a readiness to withdraw the emergency asset-purchase programme introduced to combat the global financial crisis. The persistent rise of the euro against other currencies led some investors to question whether exports may come under pressure, while the entry of a far-right political party into the German parliament caused further uncertainty. A stronger euro boosted the returns from eurozone assets to UK investors.

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

JAPAN

The Japanese stockmarket declined during the summer, as rising geopolitical tension led investors to buy the country's currency, which is seen as a safe haven. This weighed on the demand for shares of the exporters that dominate the economy. However, this was reversed in September, as fears of conflict eased and the yen weakened, enabling Japanese shares to enjoy the largest monthly gain of 2017 so far. Sentiment was also supported by higher inflation, which boosted optimism about the health of the economy. When viewed in sterling terms, the returns were lower, due to the decrease in the value of the yen relative to sterling over the quarter.

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

ASIA EX JAPAN

Company shares in the Asia Pacific region were among the best performers during the first part of 2017, helped by a decline in the US dollar against most other currencies. The apparent stability of the economy in China, a major trading partner of most countries in the region, was another supportive factor. The Indian stockmarket was a particularly strong performer after election success for the ruling party, and the prospect of tax reform enabled the rupee to strengthen further.

Despite the aggressive action taken by North Korea, which brought an equally aggressive response from President Trump, the third quarter of 2017 was positive for the Asia Pacific region as a whole. While the South Korean market declined, the fall was relatively modest as investors seemed to take the view that the tension was nothing new.

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

The governor of the Bank of England has signalled that the withdrawal of economic stimulus is likely to be appropriate in the coming months. The pound appreciated relative to the US dollar during the third quarter despite there being little clarity as to the outcome of the protracted negotiations over Brexit. Sterling was, however, down a little in comparison to the euro. It appears that the decision to leave the European Union is now being reflected in economic data, with the decline in sterling since the referendum result and uncertainty over government policy contributing to higher inflation and a slowdown in economic growth.

The synchronised improvement in global economic data has encouraged the world's central bankers to consider withdrawing the emergency policy measures that were introduced to boost economic activity.

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

UK PROPERTY

Despite the outcome of the June general election and the ongoing uncertainty surrounding Brexit, UK commercial property capital values continued to grow. Total returns from the asset class are being driven by both growth in capital values and stable rental income. The overall resilience of UK commercial property is encouraging, and is due in part to buying by overseas investors following the decline in sterling.

The performance of the M&G Property Portfolio continues to be positive although behind the peer group.

EMERGING MARKETS

The performance of Emerging Markets was generally positive. More recently significant strength in several South American, eastern European and Asian markets have overcome pockets of weakness, such as Greece. Brazil experienced a particularly robust rally, helped by higher commodity prices, better economic data and a rejection of corruption allegations directed at the president. The Chinese stockmarket also rose, boosted by healthy economic signals, while the Russian market rallied with the price of oil and other natural resources. The Greek stockmarket lagged due to the continuation of the country's economic worries and concerns over the level of debt.

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

ALTERNATIVES

The holdings have generally performed well, although investments in Insurance Linked Securities ('ILS') weighed on performance during August and September as three major hurricanes passed through the US and Caribbean, causing large catastrophe losses for CATCo Reinsurance Opportunities fund and Blue Capital Alternative Income fund. Despite these losses, ILS adds diversifying and uncorrelated returns to the portfolio and, looking forward, these events have made the asset class more attractive due to expected re-pricing of risk and higher premiums.

POSITIONING

Aside from day to day portfolio management activities there were no significant changes to the underlying portfolios.

OUTLOOK

Global growth has strengthened since the fourth quarter of 2016, driven in particular by strong performance in the eurozone, a return to growth in most commodity producing economies and the Chinese authorities' prioritisation of growth and stability over reform. Growth has also become more broad-based, with manufacturing and trade performing well, alongside services. Moreover, previous worries about falling commodity prices, deflation and restrictive fiscal policies have been somewhat alleviated.

LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

ACD's Report (continued)
Portfolio Manager's Report (continued)
For the year ended 31 October 2017

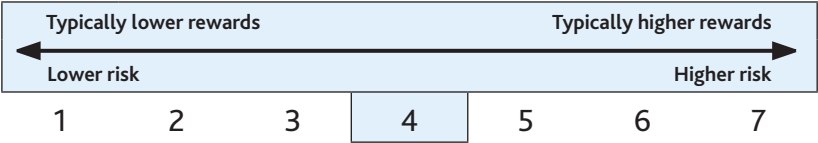
OUTLOOK (continued)

Forward looking survey data remain at healthy levels and are in general signalling solid global growth going forward. The expectation is, therefore, for solid growth in coming quarters, although it will be somewhat restrained by a lack of synchronicity in the business cycles of the major advanced and emerging economies.

M&G INVESTMENT MANAGEMENT LIMITED
Portfolio Manager
20 November 2017

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. 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.

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.

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

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, 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.

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'A' Income shares			
Change in net assets per share			
Opening net asset value per share	133.58	120.01	119.18
Return before operating charges*	12.31	17.05	5.37
Operating charges	(2.27)	(1.94)	(1.97)
Return after operating charges	10.04	15.11	3.40
Distributions	(2.31)	(1.54)	(2.57)
Closing net asset value per share	141.31	133.58	120.01
* after direct transaction costs of:	–	–	–

Performance

Return after charges	7.52%	12.59%	2.85%
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Other Information

Closing net asset value (£'000)	332	301	1,066
Closing number of shares	235,096	225,489	888,074
Operating charges	1.64%	1.59%	1.59%
Direct transaction costs	–	–	–

Prices

Highest share price	144.06	136.28	130.22
Lowest share price	130.41	115.24	117.85

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'A' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	158.74	140.95	137.01
Return before operating charges*	14.63	20.09	6.19
Operating charges	(2.70)	(2.30)	(2.25)
Return after operating charges	11.93	17.79	3.94
Distributions	(2.75)	(2.14)	(3.00)
Retained distributions on accumulation shares	2.75	2.14	3.00
Closing net asset value per share	170.67	158.74	140.95
* after direct transaction costs of:	–	–	0.01

Performance

Return after charges	7.52%	12.62%	2.88%
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Other Information

Closing net asset value (£'000)	10,601	11,285	15,039
Closing number of shares	6,211,459	7,109,287	10,669,696
Operating charges	1.64%	1.59%	1.59%
Direct transaction costs	–	–	–

Prices

Highest share price	171.06	159.98	149.46
Lowest share price	154.98	135.26	135.52

LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'C' Income shares			
Change in net assets per share			
Opening net asset value per share	133.22	119.91	119.16
Return before operating charges*	11.98	16.85	5.02
Operating charges	(0.40)	(0.30)	(0.30)
Return after operating charges	11.58	16.55	4.72
Distributions	(3.82)	(3.24)	(3.97)
Closing net asset value per share	140.98	133.22	119.91
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	8.69%	13.80%	3.96%
Other Information			
Closing net asset value (£'000)	68,019	63,776	59,226
Closing number of shares	48,248,285	47,871,491	49,393,175
Operating charges	0.29%	0.24%	0.24%
Direct transaction costs	–	–	–
Prices			
Highest share price	145.23	137.64	130.60
Lowest share price	130.19	115.50	118.99

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'P' Income shares			
Change in net assets per share			
Opening net asset value per share	112.69	101.44	100.89
Return before operating charges*	10.24	14.36	4.30
Operating charges	(1.04)	(0.88)	(0.89)
Return after operating charges	9.20	13.48	3.41
Distributions	(2.66)	(2.23)	(2.86)
Closing net asset value per share	119.23	112.69	101.44
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	8.16%	13.29%	3.38%
Other Information			
Closing net asset value (£'000)	4,681	3,595	2,950
Closing number of shares	3,925,710	3,190,657	2,907,923
Operating charges	0.89%	0.84%	0.84%
Direct transaction costs	–	–	–
Prices			
Highest share price	122.37	116.01	110.29
Lowest share price	110.07	97.70	100.23

LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'P' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	120.86	106.66	103.20
Return before operating charges*	10.99	15.12	4.36
Operating charges	(1.12)	(0.92)	(0.90)
Return after operating charges	9.87	14.20	3.46
Distributions	(2.86)	(2.34)	(2.92)
Retained distributions on accumulation shares	2.86	2.34	2.92
Closing net asset value per share	130.73	120.86	106.66
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	8.17%	13.31%	3.35%
Other Information			
Closing net asset value (£'000)	53,898	41,522	42,800
Closing number of shares	41,227,361	34,354,208	40,126,665
Operating charges	0.89%	0.84%	0.84%
Direct transaction costs	–	–	–
Prices			
Highest share price	131.17	121.96	112.83
Lowest share price	118.06	102.71	102.49

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 (p/share)
'R' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	140.14	123.93	120.01
Return before operating charges*	12.80	17.61	5.25
Operating charges	(1.66)	(1.40)	(1.33)
Return after operating charges	11.14	16.21	3.92
Distributions	(3.02)	(2.49)	(3.16)
Retained distributions on accumulation shares	3.02	2.49	3.16
Closing net asset value per share	151.28	140.14	123.93
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	7.95%	13.08%	3.27%
Other Information			
Closing net asset value (£'000)	19,926	13,119	8,507
Closing number of shares	13,171,964	9,361,120	6,864,399
Operating charges	1.14%	1.09%	1.09%
Direct transaction costs	–	–	–
Prices			
Highest share price	151.68	141.30	131.13
Lowest share price	136.87	119.15	119.10

LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

FUND PERFORMANCE TO 31 OCTOBER 2017 (%)

	1 year	3 years	5 years
LF Prudential Dynamic Focused 20-55 Portfolio	7.48	24.68	43.85

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.

PORTFOLIO STATEMENT

AS AT 31 OCTOBER 2017

Holding	Portfolio of Investments	Value £'000	31.10.17 %
	EQUITY PORTFOLIOS – 40.56% (31.10.16 – 41.64%)		
3,528,127	CONTINENTAL EUROPE – 6.56% (31.10.16 – 6.86%) Legal & General European Index Trust	10,327	6.56
	TOTAL CONTINENTAL EUROPE	10,327	6.56
15,181,520	UNITED KINGDOM – 15.83% (31.10.16 – 15.28%) Legal & General UK Index Trust	24,928	15.83
	TOTAL UNITED KINGDOM	24,928	15.83
9,466,980	FAR EAST – 6.60% (31.10.16 – 6.61%) Legal & General Pacific Index Trust	10,385	6.60
	TOTAL FAR EAST	10,385	6.60
8,592,999	JAPAN – 2.95% (31.10.16 – 3.28%) Legal & General Japan Index Trust	4,640	2.95
	TOTAL JAPAN	4,640	2.95
2,536,140	UNITED STATES – 6.32% (31.10.16 – 6.92%) Legal & General US Index Trust	9,952	6.32
	TOTAL UNITED STATES	9,952	6.32
6,248,700	EMERGING MARKETS – 2.30% (31.10.16 – 2.69%) Legal & General Global Emerging Markets Index Fund	3,622	2.30
	TOTAL EMERGING MARKETS	3,622	2.30
	TOTAL EQUITY PORTFOLIOS	63,854	40.56
	EQUITY INVESTMENT INSTRUMENTS – 4.87% (31.10.16 – 5.20%)		
1,191,413	BBCI	1,698	1.08
517,495	BioPharma Credit	425	0.27
546,860	Blue Capital Alternative Income Fund	309	0.20
374,124	CATCo Reinsurance Opportunities Fund	290	0.18
499,454	DP Aircraft I	406	0.26
176,252	HarbourVest Global Private Equity	2,258	1.43
47,801	HgCapital Trust	833	0.53

LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

ACD's Report (continued)

Portfolio Statement (continued)

As at 31 October 2017

Holding	Portfolio of Investments	Value £'000	31.10.17 %
	EQUITY INVESTMENT INSTRUMENTS – 4.87% (31.10.16 – 5.20%) (continued)		
352,081	NB Distressed Debt Investment Fund	229	0.14
501,636	NextEnergy Solar Fund	562	0.36
612,220	Renewables Infrastructure	666	0.42
	TOTAL EQUITY INVESTMENT INSTRUMENTS	7,676	4.87
	PROPERTY PORTFOLIOS – 14.23% (31.10.16 – 13.69%)		
1,949,401	M&G Property Portfolio†	22,409	14.23
	TOTAL PROPERTY PORTFOLIOS	22,409	14.23
	BOND PORTFOLIOS – 40.10% (31.10.16 – 39.50%)		
6,216,728	M&G European Corporate Bond Fund†	7,036	4.47
26,867	M&G European Loan Fund†	2,367	1.50
630,492	M&G Global Convertibles Fund†	1,394	0.89
4,105,664	M&G Global High Yield Bond Fund†	5,465	3.47
20,801,153	M&G Short Dated Corporate Bond Fund†	5,396	3.43
34,163,169	M&G Strategic Corporate Bond Fund†	40,060	25.44
10,744	Merrill Lynch AQR Global Relative Value Fund	1,420	0.90
	TOTAL BOND PORTFOLIOS	63,138	40.10
	Portfolio of investments	157,077	99.76
	Net other assets	380	0.24
	Net assets	157,457	100.00

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

† Related party holding (see note 11).

SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 31 OCTOBER 2017

Total purchases for the year £'000 (note 15) **19,260**

Major purchases	Cost £'000
M&G Strategic Corporate Bond Fund	4,281
M&G Property Portfolio	3,398
Legal & General UK Index Trust	3,162
Merrill Lynch AQR Global Relative Value Fund	1,356
M&G European Corporate Bond Fund	1,095
Legal & General US Index Trust	972
M&G Short Dated Corporate Bond Fund	900
Legal & General Pacific Index Trust	567
Legal & General Japan Index Trust	532
HarbourVest Global Private Equity	504
Legal & General European Index Trust	434
Legal & General Global Emerging Markets Index Fund	434
BioPharma Credit	414
BBGI	325
M&G Global Convertibles Fund	308
Blue Capital Alternative Income Fund	181
Renewables Infrastructure	159
NextEnergy Solar Fund	61
NB Distressed Debt Investment Fund	59
NB Distressed Debt Investment Fund (extinct 23/2/17)	53

Total sales for the year £'000 (note 15) **4,964**

Sales	Proceeds £'000
Legal & General US Index Trust	1,220
Legal & General European Index Trust	700
Legal & General Global Emerging Markets Index Fund	665
Legal & General Japan Index Trust	577
Legal & General UK Index Trust	550
DP Aircraft I	442
CATCo Reinsurance Opportunities Fund	320
HgCapital Trust	267
Renewables Infrastructure	166
NB Distressed Debt Investment Fund	23
NB Distressed Debt Investment Fund (extinct 5/9/17)	14
NB Distressed Debt Investment Fund (extinct 23/2/17)	11
NB Distressed Debt Investment Fund (extinct 7/12/16)	9

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

LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO
FINANCIAL STATEMENTS
STATEMENT OF TOTAL RETURN
FOR THE YEAR ENDED 31 OCTOBER 2017

	Notes	£'000	31.10.17 £'000	£'000	31.10.16 £'000
Income:					
Net capital gains	3		8,090		13,467
Revenue	4	4,801		4,034	
Expenses	5	(834)		(741)	
Interest payable and similar charges	6	–		(2)	
Net revenue before taxation		3,967		3,291	
Taxation	7	(395)		(398)	
Net revenue after taxation			3,572		2,893
Total return before distributions			11,662		16,360
Distributions	8		(3,574)		(2,895)
Change in net assets attributable to shareholders from investment activities			8,088		13,465

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS
FOR THE YEAR ENDED 31 OCTOBER 2017

	£'000	31.10.17 £'000	£'000	31.10.16 £'000
Opening net assets attributable to shareholders		133,598		129,588
Amounts receivable on issue of shares	33,343		19,405	
Amounts payable on redemption of shares	(19,318)		(30,161)	
		14,025		(10,756)
Dilution adjustment		–		113
Change in net assets attributable to shareholders from investment activities		8,088		13,465
Retained distributions on Accumulation shares		1,746		1,188
Closing net assets attributable to shareholders		157,457		133,598

BALANCE SHEET
AS AT 31 OCTOBER 2017

	Notes	31.10.17 £'000	31.10.16 £'000
ASSETS			
Fixed assets			
Investments		157,077	133,641
Current assets			
Debtors	9	1,763	5,741
Cash and bank balances		1,221	1,384
Total assets		160,061	140,766
LIABILITIES			
Provisions for liabilities		(22)	(32)
Creditors			
Distribution payable		(1,955)	(1,626)
Other creditors	10	(627)	(5,510)
Total liabilities		(2,604)	(7,168)
Net assets attributable to shareholders		157,457	133,598

LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

Financial Statements (continued)

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 OCTOBER 2017

1. ACCOUNTING POLICIES

The accounting policies described on pages 21 to 23 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 23 have been applied to the financial statements of the Fund in the current and prior year.

3. NET CAPITAL GAINS

The net capital gains during the year comprise:

	31.10.17 £'000	31.10.16 £'000
Non-derivative securities	8,092	13,439
Transaction charges	(1)	–
Currency (losses)/gains	(1)	28
Net capital gains	8,090	13,467

The net capital gains figure includes realised gains of £1,110,000 and unrealised gains of £19,898,000 (31.10.16 : includes realised gains of £1,858,000 and unrealised gains of £12,917,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

4. REVENUE

	31.10.17 £'000	31.10.16 £'000
Non-taxable dividends	1,992	1,303
Taxable dividends	28	269
UK property income distributions	637	483
Unfranked interest	1,298	1,220
AMC rebates from underlying investments	846	758
Bank interest	–	1
Total revenue	4,801	4,034

5. EXPENSES

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

	31.10.17 £'000	31.10.16 £'000
Annual Management Charge	592	524
Administration fees	219	193
	811	717

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

	31.10.17 £'000	31.10.16 £'000
Depositary's fees	14	11
Safe custody and other bank charges	–	1
	14	12

Other expenses:

	31.10.17 £'000	31.10.16 £'000
FCA fee	–	1
Fees paid to auditor – audit	9	9
– tax services	–	1
Legal and professional fees	–	1
	9	12

	31.10.17 £'000	31.10.16 £'000
Total expenses	834	741

The Portfolio Management 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

	31.10.17 £'000	31.10.16 £'000
Interest payable	–	2
Total interest payable and similar charges	–	2

7. TAXATION

	31.10.17 £'000	31.10.16 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	405	366
Current tax charge	405	366
Deferred tax – origination and reversal of timing differences (note 7c)	(10)	32
Total taxation (note 7b)	395	398

LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

7. TAXATION (continued)

b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.10.16 : 20%). The difference is explained below:

	31.10.17 £'000	31.10.16 £'000
Net revenue before taxation	3,967	3,291
Corporation tax at 20%	793	658
Effects of:		
Non-taxable dividends	(398)	(260)
Total tax charge (note 7a)	395	398
c) Deferred tax		
Provision at the start of the year	32	–
Deferred tax charge in the year (note 7a)	(10)	32
Provision at the end of the year	22	32

8. DISTRIBUTIONS

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

	31.10.17 £'000	31.10.16 £'000
Final	3,701	2,814
	3,701	2,814
Add: Revenue deducted on redemption of shares	176	180
Deduct: Revenue received on issue of shares	(303)	(99)
Net distributions for the year	3,574	2,895

Details of the distributions per share are set out in the table on pages 275 and 276.

8. DISTRIBUTIONS (continued)

	31.10.17 £'000	31.10.16 £'000
Distributions represented by:		
Net revenue after taxation	3,572	2,893
Equalisation on conversions*	2	2
Net distributions for the year	3,574	2,895

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

	31.10.17 £'000	31.10.16 £'000
9. DEBTORS		
Amounts receivable for issue of shares	725	54
Sales awaiting settlement	7	4,700
Accrued revenue:		
Non-taxable dividends	775	683
Taxable dividends	105	128
AMC rebates from underlying investments	129	90
	1,009	901
Taxation recoverable:		
Income tax	22	86
Total debtors	1,763	5,741

10. OTHER CREDITORS

Amounts payable for redemption of shares	339	544
Purchases awaiting settlement	–	4,742
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	56	45
Administration fees	20	17
	76	62

LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

	31.10.17 £'000	31.10.16 £'000
10. OTHER CREDITORS (continued)		
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	1	1
Taxation payable:		
Corporation tax payable	201	150
Other expenses	10	11
Total other creditors	<u>627</u>	<u>5,510</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 9 and 10.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 345,265 (31.10.16 : 245,659) 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 48,248,035 (31.10.16 : 44,447,286) 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 42.69% (31.10.16 : 46.88%)

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:

	31.10.17 £'000	31.10.16 £'000
Portfolio Manager in common	<u>84,127</u>	<u>71,060</u>

12. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (31.10.16 : none).

13. SHARES IN ISSUE

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	1.35%	1.35%	–
Opening shares in issue	225,489	7,109,287	47,871,491
Issues	54,699	528,427	7,646,802
Redemptions	(45,092)	(1,130,751)	(7,270,008)
Conversions	–	(295,504)	–
Closing shares in issue	<u>235,096</u>	<u>6,211,459</u>	<u>48,248,285</u>
	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.60%	0.60%	0.85%
Opening shares in issue	3,190,657	34,354,208	9,361,120
Issues	1,321,649	11,084,625	4,563,757
Redemptions	(663,431)	(4,537,719)	(742,842)
Conversions	76,835	326,247	(10,071)
Closing shares in issue	<u>3,925,710</u>	<u>41,227,361</u>	<u>13,171,964</u>

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

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 or hedging purposes.

LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

14. RISK MANAGEMENT POLICIES (continued)

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

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

i. Credit risk

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

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

ii. Interest rate risk

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

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

iii. Foreign currency risk

Foreign currency risk is the risk that the sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the sterling equivalent value. 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.

14. RISK MANAGEMENT POLICIES (continued)

iv. Leverage

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

As at 31.10.17, leverage under the gross method was 1:1 and leverage under the commitment method was 1:1 (31.10.16 : 1:1 and 1:1 respectively).

v. 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.

vi. Market price risk

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

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

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £7,854,000 (31.10.16 : £6,682,000). A 5% decrease would have an equal and opposite effect.

vii. Fair value of financial assets and financial liabilities

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

viii. Derivatives

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

LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

15. PORTFOLIO TRANSACTION COSTS

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
31.10.17				
Ordinary shares	573	–	–	573
Collective investment schemes	18,686	1	–	18,687
Purchases total	19,259	1	–	19,260
<i>Transaction cost % of purchases total</i>		0.01%	–	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	608	–	–	608
Collective investment schemes	4,356	–	–	4,356
Sales total	4,964	–	–	4,964
<i>Transaction cost % of sales total</i>		0.01%	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.17 is 0.08% (31.10.16 : 0.50%).

15. PORTFOLIO TRANSACTION COSTS (continued)

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
31.10.16				
Ordinary shares	286	–	–	286
Collective investment schemes	18,106	1	1	18,108
Purchases total	18,392	1	1	18,394
<i>Transaction cost % of purchases total</i>		0.01%	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	24,663	–	–	24,663
Sales total	24,663	–	–	24,663
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

16. FAIR VALUE HIERARCHY

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

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

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.17				
Investment Assets	<u>7,676</u>	<u>149,401</u>	<u>–</u>	<u>157,077</u>
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.16				
Investment Assets	<u>6,950</u>	<u>126,691</u>	<u>–</u>	<u>133,641</u>

DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 OCTOBER 2017 – 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	01.11.16
To	31.10.17

'A' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	2.3145	–	2.3145	1.5414
Group 2	1.4080	0.9065	2.3145	1.5414

'A' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	2.7477	–	2.7477	2.1387
Group 2	1.7164	1.0313	2.7477	2.1387

'C' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	3.8229	–	3.8229	3.2396
Group 2	3.0512	0.7717	3.8229	3.2396

'P' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	2.6644	–	2.6644	2.2313
Group 2	1.4472	1.2172	2.6644	2.2313

LF PRUDENTIAL DYNAMIC FOCUSED 20-55 PORTFOLIO

Financial Statements (continued)

Distribution Table (continued)

'P' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	2.8570	–	2.8570	2.3394
Group 2	1.6891	1.1679	2.8570	2.3394

'R' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	3.0169	–	3.0169	2.4876
Group 2	1.5748	1.4421	3.0169	2.4876

LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

ACD'S REPORT

FOR THE YEAR ENDED 31 OCTOBER 2017

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 2018

LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

ACD's Report (continued)

For the year ended 31 October 2017

PORTFOLIO MANAGER'S REPORT

Between 1 November 2016 and 31 October 2017 (the period in review) share classes R (Accumulation) 8.56%¹, P (Accumulation) 8.77%¹ and A (Accumulation) 8.11%¹ produced positive returns albeit behind the 9.71%¹ sector average for IA Mixed Investment 40-85% Shares.

ECONOMIC OVERVIEW

Economic data released during the end of the period in review seemed to signal a continuation of a global recovery in almost all regions. This is being witnessed in the readings of economic activity, unemployment and company profits. This improvement in the economic outlook has prompted central bankers to consider the withdrawal of emergency measures, such as record low interest rates and asset purchases to curb any increase in inflation.

For example, the US is widely expected to hike interest rates again in December 2017. For the moment, however, inflation remains generally subdued. In the currency markets, sterling strengthened relative to the US dollar and Japanese yen, towards the end of the period in review but was weak compared to the euro. Greater economic activity, especially in China, supported demand for basic resources and many commodity prices, including oil, rallied.

MARKET OVERVIEW

Rather than focus on geopolitical concerns, such as heightened rhetoric about North Korea and the effect of hurricanes, investors seemed prepared to consider the general improvement in global economic activity. Better economic data and robust company earnings were reflected in higher demand for equities, and many stockmarkets finished the end of the period in review, at their highest levels for several years.

UK EQUITIES

Although the negotiations over the UK's withdrawal from the European Union continue to drag on, policymakers at the Bank of England have raised the prospect of higher interest rates, encouraged by the slow but steady improvement in the economy and a pick-up in inflation.

Towards the end of the period in review potentially higher rates meant sterling strengthened and caused the FTSE 100 Index, which contains many multinational companies, to underperform the more domestically oriented FTSE 250 Index of medium-sized companies. Both indices did, however, touch record highs. The general economic improvement boosted basic materials companies, while the higher oil price supported the share prices of oil and gas producers.

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

NORTH AMERICA

Investors were encouraged by better-than expected company profits and jobs data, with further buying being prompted by hopes of tax reform. US stockmarkets continued to rally despite President Trump engaging in several bouts of warlike rhetoric with the leader of North Korea, and southern states being hit by severe weather. Towards the end of the period in review, the broad S&P 500 Index stood at a record high, having enjoyed an eighth successive quarter of gains.

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

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

EUROPE

Stronger-than-expected growth in the European economy underpinned the returns from the region's stockmarkets. The European Central Bank joined the chorus of policymakers signalling a readiness to withdraw the emergency asset-purchase programme introduced to combat the global financial crisis. The persistent rise of the euro against other currencies led some investors to question whether exports may come under pressure, while the entry of a far-right political party into the German parliament caused further uncertainty. A stronger euro boosted the returns from eurozone assets to UK investors.

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

JAPAN

The Japanese stockmarket declined during the summer, as rising geopolitical tension led investors to buy the country's currency, which is seen as a safe haven. This weighed on the demand for shares of the exporters that dominate the economy. However, this was reversed in September, as fears of conflict eased and the yen weakened, enabling Japanese shares to enjoy the largest monthly gain of 2017 so far. Sentiment was also supported by higher inflation, which boosted optimism about the health of the economy. When viewed in sterling terms, the returns were lower, due to the decrease in the value of the yen relative to sterling over the quarter.

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

ASIA EX JAPAN

Company shares in the Asia Pacific region were among the best performers during the first part of 2017, helped by a decline in the US dollar against most other currencies. The apparent stability of the economy in China, a major trading partner of most countries in the region, was another supportive factor. The Indian stockmarket was a particularly strong performer after election success for the ruling party, and the prospect of tax reform enabled the rupee to strengthen further.

Despite the aggressive action taken by North Korea, which brought an equally aggressive response from President Trump, the third quarter of 2017 was positive for the Asia Pacific region as a whole. While the South Korean market declined, the fall was relatively modest as investors seemed to take the view that the tension was nothing new.

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

The governor of the Bank of England has signalled that the withdrawal of economic stimulus is likely to be appropriate in the coming months. The pound appreciated relative to the US dollar during the third quarter despite there being little clarity as to the outcome of the protracted negotiations over Brexit. Sterling was, however, down a little in comparison to the euro. It appears that the decision to leave the European Union is now being reflected in economic data, with the decline in sterling since the referendum result and uncertainty over government policy contributing to higher inflation and a slowdown in economic growth.

The synchronised improvement in global economic data has encouraged the world's central bankers to consider withdrawing the emergency policy measures that were introduced to boost economic activity.

LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

ACD's Report (continued)

Portfolio Manager's Report (continued)

For the year ended 31 October 2017

UK AND GLOBAL BONDS *(continued)*

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

UK PROPERTY

Despite the outcome of the June general election and the ongoing uncertainty surrounding Brexit, UK commercial property capital values continued to grow. Total returns from the asset class are being driven by both growth in capital values and stable rental income. The overall resilience of UK commercial property is encouraging, and is due in part to buying by overseas investors following the decline in sterling.

The performance of the M&G Property Portfolio continues to be positive although behind the peer group.

EMERGING MARKETS

The performance of Emerging Markets was generally positive. More recently significant strength in several South American, eastern European and Asian markets have overcome pockets of weakness, such as Greece. Brazil experienced a particularly robust rally, helped by higher commodity prices, better economic data and a rejection of corruption allegations directed at the president. The Chinese stockmarket also rose, boosted by healthy economic signals, while the Russian market rallied with the price of oil and other natural resources. The Greek stockmarket lagged due to the continuation of the country's economic worries and concerns over the level of debt.

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

ALTERNATIVES

The holdings have generally performed well, although investments in Insurance Linked Securities ('ILS') weighed on performance during August and September as three major hurricanes passed through the US and Caribbean, causing large catastrophe losses for CATCo Reinsurance Opportunities fund and Blue Capital Alternative Income fund. Despite these losses, ILS adds diversifying and uncorrelated returns to the portfolio and, looking forward, these events have made the asset class more attractive due to expected re-pricing of risk and higher premiums.

POSITIONING

Aside from day to day portfolio management activities there were no significant changes to the underlying portfolios.

OUTLOOK

Global growth has strengthened since the fourth quarter of 2016, driven in particular by strong performance in the eurozone, a return to growth in most commodity producing economies and the Chinese authorities' prioritisation of growth and stability over reform. Growth has also become more broad-based, with manufacturing and trade performing well, alongside services. Moreover, previous worries about falling commodity prices, deflation and restrictive fiscal policies have been somewhat alleviated.

Forward looking survey data remain at healthy levels and are in general signalling solid global growth going forward. The expectation is, therefore, for solid growth in coming quarters, although it will be somewhat restrained by a lack of synchronicity in the business cycles of the major advanced and emerging economies.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

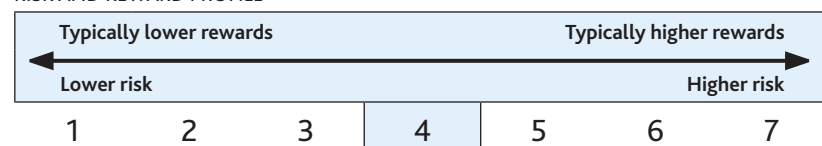
20 November 2017

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. 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.

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

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, by following the link 'Fund Information'.

COMPARATIVE TABLES

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

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 ¹ (p/share)
'A' Income shares			
Change in net assets per share			
Opening net asset value per share	112.55	100.65	100.00
Return before operating charges*	11.53	14.88	1.54
Operating charges	(1.97)	(1.64)	(0.22)
Return after operating charges	9.56	13.24	1.32
Distributions	(1.70)	(1.34)	(0.67)
Closing net asset value per share	120.41	112.55	100.65
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	8.49%	13.15%	1.32%
Other Information			
Closing net asset value (£'000)	4	–	–
Closing number of shares	3,656	250	250
Operating charges	1.65%	1.59%	1.58% ²
Direct transaction costs	–	–	–
Prices			
Highest share price	122.69	117.52	101.62
Lowest share price	109.40	101.85	97.32

¹ From 9 September 2015.

² Annualised figure due to share class being launched less than 1 year.

LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 ¹ (p/share)
'A' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	114.82	101.32	100.00
Return before operating charges*	11.72	15.16	1.56
Operating charges	(1.96)	(1.66)	(0.24)
Return after operating charges	9.76	13.50	1.32
Distributions	(1.75)	(1.44)	(0.69)
Retained distributions on accumulation shares	1.75	1.44	0.69
Closing net asset value per share	124.58	114.82	101.32
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	8.50%	13.32%	1.32%
Other Information			
Closing net asset value (£'000)	2	–	–
Closing number of shares	1,463	250	250
Operating charges	1.65%	1.59%	1.58% ²
Direct transaction costs	–	–	–
Prices			
Highest share price	125.14	115.92	101.62
Lowest share price	111.61	95.11	97.31

¹ From 9 September 2015.

² Annualised figure due to share class being launched less than 1 year.

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 ¹ (p/share)
'P' Income shares			
Change in net assets per share			
Opening net asset value per share	112.68	100.65	100.00
Return before operating charges*	11.41	14.97	1.55
Operating charges	(1.06)	(0.87)	(0.12)
Return after operating charges	10.35	14.10	1.43
Distributions	(2.41)	(2.07)	(0.78)
Closing net asset value per share	120.62	112.68	100.65
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	9.19%	14.01%	1.43%
Other Information			
Closing net asset value (£'000)	6,401	5,756	5,033
Closing number of shares	5,306,724	5,108,021	5,000,255
Operating charges	0.90%	0.84%	0.83% ²
Direct transaction costs	–	–	–
Prices			
Highest share price	123.55	115.82	101.73
Lowest share price	109.60	94.60	97.37

¹ From 9 September 2015.

² Annualised figure due to share class being launched less than 1 year.

LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 ¹ (p/share)
'P' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	115.69	101.45	100.00
Return before operating charges*	11.71	15.15	1.57
Operating charges	(1.09)	(0.91)	(0.12)
Return after operating charges	10.62	14.24	1.45
Distributions	(2.47)	(2.10)	(0.80)
Retained distributions on accumulation shares	2.47	2.10	0.80
Closing net asset value per share	126.31	115.69	101.45
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	9.18%	14.04%	1.45%
Other Information			
Closing net asset value (£'000)	12,491	2,673	4
Closing number of shares	9,888,775	2,310,195	3,874
Operating charges	0.90%	0.84%	0.83% ²
Direct transaction costs	–	–	–
Prices			
Highest share price	126.82	116.75	101.75
Lowest share price	112.52	95.36	97.39

¹ From 9 September 2015.

² Annualised figure due to share class being launched less than 1 year.

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 ¹ (p/share)
'R' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	115.39	101.39	100.00
Return before operating charges*	11.73	15.16	1.54
Operating charges	(1.39)	(1.16)	(0.15)
Return after operating charges	10.34	14.00	1.39
Distributions	(2.22)	(1.86)	(0.76)
Retained distributions on accumulation shares	2.22	1.86	0.76
Closing net asset value per share	125.73	115.39	101.39
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	8.96%	13.81%	1.39%
Other Information			
Closing net asset value (£'000)	4,360	1,709	254
Closing number of shares	3,467,456	1,481,209	250,416
Operating charges	1.15%	1.09%	1.08% ²
Direct transaction costs	–	–	–
Prices			
Highest share price	126.26	116.47	101.70
Lowest share price	112.21	95.25	97.36

¹ From 9 September 2015.

² Annualised figure due to share class being launched less than 1 year.

LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

FUND PERFORMANCE TO 31 OCTOBER 2017 (%)

	1 year	Since launch*
LF Prudential Dynamic Focused 40-80 Portfolio	8.11	24.92

* 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 304 and 305.

RISK WARNING

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

PORTFOLIO STATEMENT AS AT 31 OCTOBER 2017

Holding	Portfolio of Investments	Value £'000	31.10.17 %
	EQUITY PORTFOLIOS – 51.63% (31.10.16 – 54.17%)		
634,992	CONTINENTAL EUROPE – 7.99% (31.10.16 – 8.92%) Legal & General European Index Trust	1,859	7.99
	TOTAL CONTINENTAL EUROPE	1,859	7.99
2,829,980	UNITED KINGDOM – 19.98% (31.10.16 – 20.77%) Legal & General UK Index Trust	4,647	19.98
	TOTAL UNITED KINGDOM	4,647	19.98
1,834,982	FAR EAST – 8.66% (31.10.16 – 8.31%) Legal & General Pacific Index Trust	2,013	8.66
	TOTAL FAR EAST	2,013	8.66
1,732,558	JAPAN – 4.02% (31.10.16 – 4.22%) Legal & General Japan Index Trust	936	4.02
	TOTAL JAPAN	936	4.02
465,534	UNITED STATES – 7.86% (31.10.16 – 8.87%) Legal & General US Index Trust	1,827	7.86
	TOTAL UNITED STATES	1,827	7.86
1,250,055	EMERGING MARKETS – 3.12% (31.10.16 – 3.08%) Legal & General Global Emerging Markets Index Fund	725	3.12
	TOTAL EMERGING MARKETS	725	3.12
	TOTAL EQUITY PORTFOLIOS	12,007	51.63
	EQUITY INVESTMENT INSTRUMENTS – 6.46% (31.10.16 – 5.34%)		
240,846	BGI	343	1.47
86,657	BioPharma Credit	71	0.32
84,660	Blue Capital Alternative Income Fund	48	0.21
59,628	CATCo Reinsurance Opportunities Fund	46	0.20
92,215	DP Aircraft I	75	0.32
35,413	HarbourVest Global Private Equity	454	1.95
8,859	HgCapital Trust	154	0.66

LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

ACD's Report (continued)

Portfolio Statement (continued)

As at 31 October 2017

Holding	Portfolio of Investments	Value £'000	31.10.17 %
	EQUITY INVESTMENT INSTRUMENTS – 6.46% (31.10.16 – 5.34%) (continued)		
104,631	NB Distressed Debt Investment Fund	68	0.29
96,763	NextEnergy Solar Fund	108	0.46
124,217	Renewables Infrastructure	135	0.58
	TOTAL EQUITY INVESTMENT INSTRUMENTS	1,502	6.46
	PROPERTY PORTFOLIOS – 16.15% (31.10.16 – 12.50%)		
326,779	M&G Property Portfolio†	3,756	16.15
	TOTAL PROPERTY PORTFOLIOS	3,756	16.15
	BOND PORTFOLIOS – 25.20% (31.10.16 – 24.89%)		
491,304	M&G European Corporate Bond Fund†	556	2.39
2,718	M&G European Loan Fund†	239	1.03
64,358	M&G Global Convertibles Fund†	142	0.61
486,369	M&G Global High Yield Bond Fund†	647	2.78
1,838,213	M&G Short Dated Corporate Bond Fund†	477	2.05
2,974,590	M&G Strategic Corporate Bond Fund†	3,488	15.00
2,364	Merrill Lynch AQR Global Relative Value Fund	313	1.34
	TOTAL BOND PORTFOLIOS	5,862	25.20
	Portfolio of investments	23,127	99.44
	Net other assets	131	0.56
	Net assets	23,258	100.00

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

† Related party holding (see note 10).

SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 31 OCTOBER 2017

Total purchases for the year £'000 (note 14) **12,984**

Major purchases	Cost £'000
M&G Property Portfolio	2,398
Legal & General UK Index Trust	2,319
M&G Strategic Corporate Bond Fund	2,013
Legal & General Pacific Index Trust	1,042
Legal & General European Index Trust	940
Legal & General US Index Trust	797
M&G Short Dated Corporate Bond Fund	531
Legal & General Japan Index Trust	514
Legal & General Global Emerging Markets Index Fund	447
M&G Global High Yield Bond Fund	339
Merrill Lynch AQR Global Relative Value Fund	301
HarbourVest Global Private Equity	276
BBGI	219
M&G European Corporate Bond Fund	209
M&G European Loan Fund	108
BioPharma Credit	70
NextEnergy Solar Fund	70
Renewables Infrastructure	69
Blue Capital Alternative Income Fund	67
M&G Global Convertibles Fund	57

Total sales for the year £'000 (note 14) **715**

Sales	Proceeds £'000
M&G Short Dated Corporate Bond Fund	195
Legal & General European Index Trust	174
M&G Corporate Bond Fund	139
Legal & General Global Emerging Markets Index Fund	74
Legal & General Japan Index Trust	60
M&G European Corporate Bond Fund	50
CATCo Reinsurance Opportunities Fund	18
NB Distressed Debt Investment Fund	2
NB Distressed Debt Investment (extinct 5/9/17)	2
NB Distressed Debt Investment (extinct 23/2/17)	1

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

LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO
FINANCIAL STATEMENTS
STATEMENT OF TOTAL RETURN
FOR THE YEAR ENDED 31 OCTOBER 2017

	Notes	£'000	31.10.17 £'000	£'000	31.10.16 £'000
Income:					
Net capital gains	3		1,013		952
Revenue	4	505		228	
Expenses	5	(130)		(59)	
Net revenue before taxation		375		169	
Taxation	6	(18)		(12)	
Net revenue after taxation			357		157
Total return before distributions			1,370		1,109
Distributions	7		(357)		(157)
Change in net assets attributable to shareholders from investment activities			1,013		952

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS
FOR THE YEAR ENDED 31 OCTOBER 2017

	£'000	31.10.17 £'000	£'000	31.10.16 £'000
Opening net assets attributable to shareholders		10,138		5,291
Amounts receivable on issue of shares	12,529		4,129	
Amounts payable on redemption of shares	(743)		(340)	
		11,786		3,789
Dilution adjustment		–		30
Change in net assets attributable to shareholders from investment activities		1,013		952
Retained distributions on Accumulation shares		321		76
Closing net assets attributable to shareholders		23,258		10,138

BALANCE SHEET
AS AT 31 OCTOBER 2017

	Notes	31.10.17 £'000	31.10.16 £'000
ASSETS			
Fixed assets			
Investments		23,127	9,824
Current assets			
Debtors	8	365	285
Cash and bank balances		269	453
Total assets		23,761	10,562
LIABILITIES			
Provisions for liabilities		(4)	(2)
Creditors			
Distribution payable		(128)	(106)
Other creditors	9	(371)	(316)
Total liabilities		(503)	(424)
Net assets attributable to shareholders		23,258	10,138

LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

Financial Statements (continued)

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 OCTOBER 2017

1. ACCOUNTING POLICIES

The accounting policies described on pages 21 to 23 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 23 have been applied to the financial statements of the Fund in the current and prior year.

3. NET CAPITAL GAINS

The net capital gains during the year comprise:

	31.10.17 £'000	31.10.16 £'000
Non-derivative securities	1,014	950
Transaction charges	(1)	(1)
Currency gains	–	3
Net capital gains	<u>1,013</u>	<u>952</u>

The net capital gains figure includes realised gains of £58,000 and unrealised gains of £1,902,000 (31.10.16 : includes realised gains of £43,000 and unrealised gains of £946,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

4. REVENUE

	31.10.17 £'000	31.10.16 £'000
Non-taxable dividends	287	110
Taxable dividends	11	14
UK property income distributions	61	14
Unfranked interest	77	57
AMC rebates from underlying investments	69	33
Total revenue	<u>505</u>	<u>228</u>

5. EXPENSES

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

	31.10.17 £'000	31.10.16 £'000
Annual Management Charge	104	47
Administration fees	24	11
	<u>128</u>	<u>58</u>

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

	31.10.17 £'000	31.10.16 £'000
Depositary's fees	2	1
Total expenses	<u>130</u>	<u>59</u>

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

The audit fee of £8,000 (31.10.16 : £9,000) and tax fee of £1,000 (31.10.16 : £1,000) are borne by the ACD.

6. TAXATION

a) Analysis of charge for the year

	31.10.17 £'000	31.10.16 £'000
Corporation tax at 20%	16	10
Current tax charge	<u>16</u>	<u>10</u>
Deferred tax – origination and reversal of timing differences (note 6c)	2	2
Total taxation (note 6b)	<u>18</u>	<u>12</u>

b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.10.16 : 20%). The difference is explained below:

	31.10.17 £'000	31.10.16 £'000
Net revenue before taxation	<u>375</u>	<u>169</u>
Corporation tax at 20%	75	34

LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

	31.10.17 £'000	31.10.16 £'000
6. TAXATION (continued)		
Effects of:		
Non-taxable dividends	(57)	(22)
Total tax charge (note 6a)	18	12
c) Deferred tax		
Provision at the start of the year	2	–
Deferred tax charge in the year (note 6a)	2	2
Provision at the end of the year	4	2

7. DISTRIBUTIONS

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

	31.10.17 £'000	31.10.16 £'000
Final	449	182
	449	182
Add: Revenue deducted on redemption of shares	7	3
Deduct: Revenue received on issue of shares	(99)	(28)
Net distributions for the year	357	157

Details of the distributions per share are set out in the table on pages 304 and 305.

	31.10.17 £'000	31.10.16 £'000
8. DEBTORS		
Amounts receivable for issue of shares	174	85
Sales awaiting settlement	2	100
Accrued revenue:		
Non-taxable dividends	142	65
Taxable dividends	14	10
Unfranked interest	–	2
AMC rebates from underlying investments	14	5
	170	82

	31.10.17 £'000	31.10.16 £'000
8. DEBTORS (continued)		
Taxation recoverable:		
Income tax	19	18
Total debtors	365	285
9. OTHER CREDITORS		
Purchases awaiting settlement	339	300
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	12	5
Administration fees	3	1
	15	6
Taxation payable:		
Corporation tax payable	16	10
Other expenses	1	–
Total other creditors	371	316

10. 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 9.

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 292 and amounts due at the year end are disclosed in notes 8 and 9.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 14,991 (31.10.16 : 3,144) of the Fund's shares at the balance sheet date.

M&G Investment Management Limited and its associates (including other authorised investment funds managed by M&G Investment Management Limited) held 5,000,000 (31.10.16 : 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 26.78% (31.10.16 : 56.18%)

LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

10. RELATED PARTY TRANSACTIONS (continued)

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

	31.10.17 £'000	31.10.16 £'000
Portfolio Manager in common	9,305	3,791

11. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (31.10.16 : none).

12. SHARES IN ISSUE

	'A' Income	'A' Accumulation	'P' Income
Annual Management Charge	1.35%	1.35%	0.60%
Opening shares in issue	250	250	5,108,021
Issues	3,406	1,213	253,112
Redemptions	–	–	(54,409)
Closing shares in issue	3,656	1,463	5,306,724
	'P' Accumulation	'R' Accumulation	
Annual Management Charge	0.60%	0.85%	
Opening shares in issue	2,310,195	1,481,209	
Issues	7,917,264	2,208,629	
Redemptions	(338,684)	(222,382)	
Closing shares in issue	9,888,775	3,467,456	

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

13. RISK MANAGEMENT POLICIES

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

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

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

i. Credit risk

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

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

ii. Interest rate risk

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

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

iii. Foreign currency risk

Foreign currency risk is the risk that the sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the sterling equivalent value. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates.

LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

13. RISK MANAGEMENT POLICIES (continued)

iii. Foreign currency risk (continued)

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.

iv. Leverage

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

As at 31.10.17, leverage under the gross method was 0:99 and leverage under the commitment method was 1:1 (31.10.16 : 0.97:1 and 1:1 respectively).

v. 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.

vi. Market price risk

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

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

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £1,156,000 (31.10.16 : £491,000). A 5% decrease would have an equal and opposite effect.

vii. Fair value of financial assets and financial liabilities

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

viii. Derivatives

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

14. PORTFOLIO TRANSACTION COSTS

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
31.10.17				
Ordinary shares	191	–	–	191
Collective investment schemes	12,793	–	–	12,793
Purchases total	12,984	–	–	12,984
Transaction cost % of purchases total		–	–	
Transaction cost % of average NAV		–	–	
Collective investment schemes	715	–	–	715
Sales total	715	–	–	715
Transaction cost % of sales total		–	–	
Transaction cost % of average NAV		–	–	

Average portfolio dealing spread at 31.10.17 is 0.26% (31.10.16 : 0.53%).

LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

14. PORTFOLIO TRANSACTION COSTS (continued)

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
31.10.16				
Ordinary shares	74	–	–	74
Collective investment schemes	4,372	–	–	4,372
Purchases total	4,446	–	–	4,446
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	662	–	–	662
Sales total	662	–	–	662
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

15. FAIR VALUE HIERARCHY

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

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

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.17				
Investment Assets	1,502	21,625	–	23,127
31.10.16				
Investment Assets	542	9,282	–	9,824

16. SUBSEQUENT EVENTS

Since the balance sheet date of 31 October 2017, the net asset value of the Fund has risen by 22%, primarily due to issue of shares and market movements.

LF PRUDENTIAL DYNAMIC FOCUSED 40-80 PORTFOLIO

Financial Statements (continued)

DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 OCTOBER 2017 – 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	01.11.16
To	31.10.17

'A' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	1.7004	–	1.7004	1.3360
Group 2	1.3765	0.3239	1.7004	1.3360

'A' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	1.7517	–	1.7517	1.4440
Group 2	0.6132	1.1385	1.7517	1.4440

'P' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	2.4066	–	2.4066	2.0700
Group 2	1.3297	1.0769	2.4066	2.0700

'P' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	2.4725	–	2.4725	2.1036
Group 2	1.5183	0.9542	2.4725	2.1036

'R' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	2.2240	–	2.2240	1.8561
Group 2	1.3415	0.8825	2.2240	1.8561

LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO
ACD'S REPORT
FOR THE YEAR ENDED 31 OCTOBER 2017

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 2018

PORTFOLIO MANAGER'S REPORT

Between 1 November 2016 and 31 October 2017 (the period in review) share classes R (Accumulation) 10.62%¹, P (Accumulation) 10.83%¹ and A (Accumulation) 10.23%¹ produced positive returns ahead of the 9.52%¹ sector average for IA Flexible Investment.

ECONOMIC OVERVIEW

Economic data released during the end of the period in review seemed to signal a continuation of a global recovery in almost all regions. This is being witnessed in the readings of economic activity, unemployment and company profits. This improvement in the economic outlook has prompted central bankers to consider the withdrawal of emergency measures, such as record low interest rates and asset purchases to curb any increase in inflation.

For example, the US is widely expected to hike interest rates again in December 2017. For the moment, however, inflation remains generally subdued. In the currency markets, sterling strengthened relative to the US dollar and Japanese yen, towards the end of the period in review but was weak compared to the euro. Greater economic activity, especially in China, supported demand for basic resources and many commodity prices, including oil, rallied.

MARKET OVERVIEW

Rather than focus on geopolitical concerns, such as heightened rhetoric about North Korea and the effect of hurricanes, investors seemed prepared to consider the general improvement in global economic activity. Better economic data and robust company earnings were reflected in higher demand for equities, and many stockmarkets finished the end of the period in review, at their highest levels for several years.

UK EQUITIES

Although the negotiations over the UK's withdrawal from the European Union continue to drag on, policymakers at the Bank of England have raised the prospect of higher interest rates, encouraged by the slow but steady improvement in the economy and a pick-up in inflation.

Towards the end of the period in review potentially higher rates meant sterling strengthened and caused the FTSE 100 Index, which contains many multinational companies, to underperform the more domestically oriented FTSE 250 Index of medium-sized companies. Both indices did, however, touch record highs. The general economic improvement boosted basic materials companies, while the higher oil price supported the share prices of oil and gas producers.

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

NORTH AMERICA

Investors were encouraged by better-than expected company profits and jobs data, with further buying being prompted by hopes of tax reform. US stockmarkets continued to rally despite President Trump engaging in several bouts of warlike rhetoric with the leader of North Korea, and southern states being hit by severe weather. Towards the end of the period in review, the broad S&P 500 Index stood at a record high, having enjoyed an eighth successive quarter of gains.

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

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

LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

ACD's Report (continued)

Portfolio Manager's Report (continued)

For the year ended 31 October 2017

EUROPE

Stronger-than-expected growth in the European economy underpinned the returns from the region's stockmarkets. The European Central Bank joined the chorus of policymakers signalling a readiness to withdraw the emergency asset-purchase programme introduced to combat the global financial crisis. The persistent rise of the euro against other currencies led some investors to question whether exports may come under pressure, while the entry of a far-right political party into the German parliament caused further uncertainty. A stronger euro boosted the returns from eurozone assets to UK investors.

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

JAPAN

The Japanese stockmarket declined during the summer, as rising geopolitical tension led investors to buy the country's currency, which is seen as a safe haven. This weighed on the demand for shares of the exporters that dominate the economy. However, this was reversed in September, as fears of conflict eased and the yen weakened, enabling Japanese shares to enjoy the largest monthly gain of 2017 so far. Sentiment was also supported by higher inflation, which boosted optimism about the health of the economy. When viewed in sterling terms, the returns were lower, due to the decrease in the value of the yen relative to sterling over the quarter.

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

ASIA EX JAPAN

Company shares in the Asia Pacific region were among the best performers during the first part of 2017, helped by a decline in the US dollar against most other currencies. The apparent stability of the economy in China, a major trading partner of most countries in the region, was another supportive factor. The Indian stockmarket was a particularly strong performer after election success for the ruling party, and the prospect of tax reform enabled the rupee to strengthen further.

Despite the aggressive action taken by North Korea, which brought an equally aggressive response from President Trump, the third quarter of 2017 was positive for the Asia Pacific region as a whole. While the South Korean market declined, the fall was relatively modest as investors seemed to take the view that the tension was nothing new.

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

The governor of the Bank of England has signalled that the withdrawal of economic stimulus is likely to be appropriate in the coming months. The pound appreciated relative to the US dollar during the third quarter despite there being little clarity as to the outcome of the protracted negotiations over Brexit. Sterling was, however, down a little in comparison to the euro. It appears that the decision to leave the European Union is now being reflected in economic data, with the decline in sterling since the referendum result and uncertainty over government policy contributing to higher inflation and a slowdown in economic growth.

The synchronised improvement in global economic data has encouraged the world's central bankers to consider withdrawing the emergency policy measures that were introduced to boost economic activity.

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

UK PROPERTY

Despite the outcome of the June general election and the ongoing uncertainty surrounding Brexit, UK commercial property capital values continued to grow. Total returns from the asset class are being driven by both growth in capital values and stable rental income. The overall resilience of UK commercial property is encouraging, and is due in part to buying by overseas investors following the decline in sterling.

The performance of the M&G Property Portfolio continues to be positive although behind the peer group.

EMERGING MARKETS

The performance of Emerging Markets was generally positive. More recently significant strength in several South American, eastern European and Asian markets have overcome pockets of weakness, such as Greece. Brazil experienced a particularly robust rally, helped by higher commodity prices, better economic data and a rejection of corruption allegations directed at the president. The Chinese stockmarket also rose, boosted by healthy economic signals, while the Russian market rallied with the price of oil and other natural resources. The Greek stockmarket lagged due to the continuation of the country's economic worries and concerns over the level of debt.

Returns from the LGIM Global Emerging Markets Index trust were in line with the performance of the FTSE All World Emerging Index.

ALTERNATIVES

The holdings have generally performed well, although investments in Insurance Linked Securities ('ILS') weighed on performance during August and September as three major hurricanes passed through the US and Caribbean, causing large catastrophe losses for CATCo Reinsurance Opportunities fund and Blue Capital Alternative Income fund. Despite these losses, ILS adds diversifying and uncorrelated returns to the portfolio and, looking forward, these events have made the asset class more attractive due to expected re-pricing of risk and higher premiums.

POSITIONING

Aside from day to day portfolio management activities there were no significant changes to the underlying portfolios.

OUTLOOK

Global growth has strengthened since the fourth quarter of 2016, driven in particular by strong performance in the eurozone, a return to growth in most commodity producing economies and the Chinese authorities' prioritisation of growth and stability over reform. Growth has also become more broad-based, with manufacturing and trade performing well, alongside services. Moreover, previous worries about falling commodity prices, deflation and restrictive fiscal policies have been somewhat alleviated.

LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

ACD's Report (continued)
Portfolio Manager's Report (continued)
For the year ended 31 October 2017

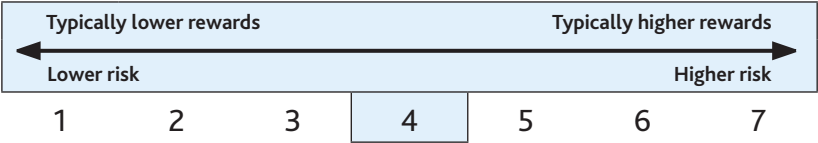
OUTLOOK (continued)

Forward looking survey data remain at healthy levels and are in general signalling solid global growth going forward. The expectation is, therefore, for solid growth in coming quarters, although it will be somewhat restrained by a lack of synchronicity in the business cycles of the major advanced and emerging economies.

M&G INVESTMENT MANAGEMENT LIMITED
Portfolio Manager
20 November 2017

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 5 to 4. The Fund has been classed as 4 because the 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. 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.

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.

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

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, 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.

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 ¹ (p/share)
'A' Income shares			
Change in net assets per share			
Opening net asset value per share	114.90	101.00	100.00
Return before operating charges*	13.53	16.66	2.21
Operating charges	(1.99)	(1.71)	(0.41)
Return after operating charges	11.54	14.95	1.80
Distributions	(1.84)	(1.05)	(0.80)
Closing net asset value per share	124.60	114.90	101.00
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	10.04%	14.80%	1.80%
Other Information			
Closing net asset value (£'000)	–	–	–
Closing number of shares	250	250	250
Operating charges	1.65%	1.64%	1.59% ²
Direct transaction costs	0.01%	–	–
Prices			
Highest share price	127.11	117.35	102.23
Lowest share price	111.98	93.77	96.83

¹ From 9 September 2015.

² Annualised figure due to share class being launched less than 1 year.

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 ¹ (p/share)
'A' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	117.03	101.85	100.00
Return before operating charges*	13.73	16.90	2.26
Operating charges	(2.04)	(1.72)	(0.41)
Return after operating charges	11.69	15.18	1.85
Distributions	(1.73)	(1.30)	(0.84)
Retained distributions on accumulation shares	1.73	1.30	0.84
Closing net asset value per share	128.72	117.03	101.85
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	9.99%	14.90%	1.85%
Other Information			
Closing net asset value (£'000)	3	–	–
Closing number of shares	1,770	250	250
Operating charges	1.65%	1.64%	1.59% ²
Direct transaction costs	0.01%	–	–
Prices			
Highest share price	129.52	118.52	102.24
Lowest share price	114.13	94.60	96.82

¹ From 9 September 2015.

² Annualised figure due to share class being launched less than 1 year.

LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 ¹ (p/share)
'P' Income shares			
Change in net assets per share			
Opening net asset value per share	114.98	101.01	100.00
Return before operating charges*	13.32	16.81	2.05
Operating charges	(1.09)	(0.93)	(0.12)
Return after operating charges	12.23	15.88	1.93
Distributions	(2.41)	(1.91)	(0.92)
Closing net asset value per share	124.80	114.98	101.01
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	10.64%	15.72%	1.93%
Other Information			
Closing net asset value (£'000)	6,538	5,754	5,051
Closing number of shares	5,238,915	5,003,210	5,000,255
Operating charges	0.90%	0.89%	0.84% ²
Direct transaction costs	0.01%	–	–
Prices			
Highest share price	127.91	118.23	102.33
Lowest share price	112.13	93.97	96.87

¹ From 9 September 2015.

² Annualised figure due to share class being launched less than 1 year.

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 ¹ (p/share)
'P' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	118.10	101.95	100.00
Return before operating charges*	13.68	17.14	1.96
Operating charges	(1.13)	(0.99)	(0.01)
Return after operating charges	12.55	16.15	1.95
Distributions	(2.48)	(2.01)	(0.94)
Retained distributions on accumulation shares	2.48	2.01	0.94
Closing net asset value per share	130.65	118.10	101.95
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	10.63%	15.84%	1.95%
Other Information			
Closing net asset value (£'000)	11,668	493	–
Closing number of shares	8,930,803	417,726	255
Operating charges	0.90%	0.89%	0.84% ²
Direct transaction costs	0.01%	–	–
Prices			
Highest share price	131.32	119.42	102.35
Lowest share price	115.17	94.91	96.88

¹ From 9 September 2015.

² Annualised figure due to share class being launched less than 1 year.

LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.10.17 (p/share)	31.10.16 (p/share)	31.10.15 ¹ (p/share)
'R' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	117.69	101.89	100.00
Return before operating charges*	13.68	17.01	2.04
Operating charges	(1.43)	(1.21)	(0.15)
Return after operating charges	12.25	15.80	1.89
Distributions	(2.22)	(1.72)	(0.90)
Retained distributions on accumulation shares	2.22	1.72	0.90
Closing net asset value per share	129.94	117.69	101.89
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	10.41%	15.51%	1.89%
Other Information			
Closing net asset value (£'000)	2,104	688	126
Closing number of shares	1,619,288	584,531	123,731
Operating charges	1.15%	1.14%	1.09% ²
Direct transaction costs	0.01%	–	–
Prices			
Highest share price	130.63	119.03	102.30
Lowest share price	114.75	94.74	96.86

¹ From 9 September 2015.

² Annualised figure due to share class being launched less than 1 year.

FUND PERFORMANCE TO 31 OCTOBER 2017 (%)

	1 year	Since launch*
LF Prudential Dynamic Focused 60-100 Portfolio	10.23	29.23

* 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 333 and 334.

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 2017

Holding	Portfolio of Investments	Value £'000	31.10.17 %
	EQUITY PORTFOLIOS – 71.66% (31.10.16 – 68.72%)		
720,254	CONTINENTAL EUROPE – 10.38% (31.10.16 – 9.34%) Legal & General European Index Trust	2,108	10.38
	TOTAL CONTINENTAL EUROPE	2,108	10.38
3,120,936	UNITED KINGDOM – 25.23% (31.10.16 – 25.12%) Legal & General UK Index Trust	5,125	25.23
	TOTAL UNITED KINGDOM	5,125	25.23
1,921,657	FAR EAST – 10.38% (31.10.16 – 9.66%) Legal & General Pacific Index Trust	2,108	10.38
	TOTAL FAR EAST	2,108	10.38
1,825,710	JAPAN – 4.85% (31.10.16 – 4.35%) Legal & General Japan Index Trust	986	4.85
	TOTAL JAPAN	986	4.85
528,282	UNITED STATES – 10.21% (31.10.16 – 10.05%) Legal & General US Index Trust	2,073	10.21
	TOTAL UNITED STATES	2,073	10.21
1,249,354	EMERGING MARKETS – 3.56% (31.10.16 – 3.17%) Legal & General Global Emerging Markets Index Fund	724	3.56
	TOTAL EMERGING MARKETS	724	3.56
	EQUITY INVESTMENT INSTRUMENTS – 7.05% (31.10.16 – 7.03%) (continued)		
230,901	BBGI	329	1.62
82,437	BioPharma Credit	67	0.33
80,465	Blue Capital Alternative Income Fund	45	0.22
56,414	CATCo Reinsurance Opportunities Fund	44	0.22
86,005	DP Aircraft I	70	0.34
33,983	HarbourVest Global Private Equity	435	2.14
8,474	HgCapital Trust	148	0.73

Holding	Portfolio of Investments	Value £'000	31.10.17 %
	EQUITY INVESTMENT INSTRUMENTS – 7.05% (31.10.16 – 7.03%) (continued)		
95,713	NB Distressed Debt Investment Fund	62	0.31
89,950	NextEnergy Solar Fund	101	0.50
119,123	Renewables Infrastructure	130	0.64
	TOTAL EQUITY INVESTMENT INSTRUMENTS	1,431	7.05
	TOTAL EQUITY PORTFOLIOS	14,555	71.66
	PROPERTY PORTFOLIOS – 17.10% (31.10.16 – 20.26%)		
302,123	M&G Property Portfolio†	3,473	17.10
	TOTAL PROPERTY PORTFOLIOS	3,473	17.10
	BOND PORTFOLIOS – 10.88% (31.10.16 – 10.10%)		
186,956	M&G European Corporate Bond Fund†	212	1.04
943	M&G European Loan Fund†	83	0.41
24,902	M&G Global Convertibles Fund†	55	0.27
198,684	M&G Global High Yield Bond Fund†	265	1.30
344,849	M&G Short Dated Corporate Bond Fund†	89	0.44
1,029,567	M&G Strategic Corporate Bond Fund†	1,207	5.94
2,268	Merrill Lynch AQR Global Relative Value Fund	300	1.48
	TOTAL BOND PORTFOLIOS	2,211	10.88
	Portfolio of investments	20,239	99.64
	Net other assets	74	0.36
	Net assets	20,313	100.00

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

† Related party holding (see note 10).

LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

ACD's Report (continued)

SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 31 OCTOBER 2017

Total purchases for the year £'000 (note 14) **13,226**

Major purchases	Cost £'000
Legal & General UK Index Trust	3,183
M&G Property Portfolio	2,174
Legal & General European Index Trust	1,380
Legal & General Pacific Index Trust	1,314
Legal & General US Index Trust	1,286
M&G Strategic Corporate Bond Fund	815
Legal & General Japan Index Trust	632
Legal & General Global Emerging Markets Index Fund	462
M&G Short Dated Corporate Bond Fund	375
Merrill Lynch AQR Global Relative Value Fund	290
HarbourVest Global Private Equity	284
BBGI	227
M&G Global High Yield Bond Fund	148
M&G European Corporate Bond Fund	106
Renewables Infrastructure	76
BioPharma Credit	66
Blue Capital Alternative Income Fund	64
NextEnergy Solar Fund	63
M&G European Loan Fund	57
HgCapital Trust	50

In addition to above, purchases totalling £2,600,000 were made in short term investments during the year.

Total sales for the year £'000 (note 14) **717**

Sales	Proceeds £'000
M&G Short Dated Corporate Bond Fund	306
M&G Property Portfolio	180
Legal & General European Index Trust	107
M&G Corporate Bond Fund	66
Legal & General US Index Trust	28
CATCo Reinsurance Opportunities Fund	27
NB Distressed Debt Investment Fund (extinct 24/6/17)	2
NB Distressed Debt Investment Fund (extinct 5/9/17)	1

In addition to above, sales totalling £2,600,000 were made in short term investments during the year.

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

FINANCIAL STATEMENTS

STATEMENT OF TOTAL RETURN

FOR THE YEAR ENDED 31 OCTOBER 2017

	Notes	£'000	31.10.17 £'000	£'000	31.10.16 £'000
Income:					
Net capital gains	3		883		917
Revenue	4	382		171	
Expenses	5	(96)		(49)	
Net revenue before taxation		286		122	
Taxation	6	(4)		(4)	
Net revenue after taxation			282		118
Total return before distributions			1,165		1,035
Distributions	7		(282)		(118)
Change in net assets attributable to shareholders from investment activities			883		917

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS FOR THE YEAR ENDED 31 OCTOBER 2017

	£'000	31.10.17 £'000	£'000	31.10.16 £'000
Opening net assets attributable to shareholders		6,935		5,177
Amounts receivable on issue of shares	13,006		3,171	
Amounts payable on redemption of shares	(769)		(2,384)	
		12,237		787
Dilution adjustment		–		35
Change in net assets attributable to shareholders from investment activities		883		917
Retained distributions on Accumulation shares		258		19
Closing net assets attributable to shareholders		20,313		6,935

LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

Financial Statements (continued)

BALANCE SHEET

AS AT 31 OCTOBER 2017

	Notes	31.10.17 £'000	31.10.16 £'000
ASSETS			
Fixed assets			
Investments		20,239	6,871
Current assets			
Debtors	8	326	114
Cash and bank balances		234	159
Total assets		<u>20,799</u>	<u>7,144</u>
LIABILITIES			
Provisions for liabilities			
		(2)	(2)
Creditors			
Distribution payable		(126)	(95)
Other creditors	9	(358)	(112)
Total liabilities		<u>(486)</u>	<u>(209)</u>
Net assets attributable to shareholders		<u>20,313</u>	<u>6,935</u>

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 OCTOBER 2017

1. ACCOUNTING POLICIES

The accounting policies described on pages 21 to 23 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 23 have been applied to the financial statements of the Fund in the current and prior year.

	31.10.17 £'000	31.10.16 £'000
3. NET CAPITAL GAINS		
The net capital gains during the year comprise:		
Non-derivative securities	884	917
Transaction charges	(1)	-
Net capital gains	<u>883</u>	<u>917</u>

The net capital gains figure includes realised gains of £12,000 and unrealised gains of £1,567,000 (31.10.16 : includes realised gains of £274,000 and unrealised gains of £695,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

	31.10.17 £'000	31.10.16 £'000
4. REVENUE		
Non-taxable dividends	265	98
Taxable dividends	(11)	13
UK property income distributions	67	23
Unfranked interest	26	18
AMC rebates from underlying investments	35	19
Total revenue	<u>382</u>	<u>171</u>

LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

	31.10.17 £'000	31.10.16 £'000
5. EXPENSES		
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	77	38
Administration fees	18	10
	95	48
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	1	1
Total expenses	96	49

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

The audit fee of £8,000 (31.10.16 : £8,000) and tax fee of £nil (31.10.16 : £1,000) are borne by the ACD.

	31.10.17 £'000	31.10.16 £'000
6. TAXATION		
a) Analysis of charge for the year		
Corporation tax at 20%	4	2
Current tax charge	4	2
Deferred tax – origination and reversal of timing differences (note 6c)	–	2
Total taxation (note 6b)	4	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%) (31.10.16 : 20%). The difference is explained below:

	31.10.17 £'000	31.10.16 £'000
Net revenue before taxation	286	122
Corporation tax at 20%	57	24

	31.10.17 £'000	31.10.16 £'000
6. TAXATION (continued)		
Effects of:		
Non-taxable dividends	(53)	(20)
Total tax charge (note 6a)	4	4
c) Deferred tax		
Provision at the start of the year	2	–
Deferred tax charge in the year (note 6a)	–	2
Provision at the end of the year	2	2

7. DISTRIBUTIONS

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

	31.10.17 £'000	31.10.16 £'000
Final	384	114
	384	114
Add: Revenue deducted on redemption of shares	7	21
Deduct: Revenue received on issue of shares	(109)	(17)
Net distributions for the year	282	118

Details of the distributions per share are set out in the table on pages 333 and 334.

	31.10.17 £'000	31.10.16 £'000
8. DEBTORS		
Amounts receivable for issue of shares	150	–
Sales awaiting settlement	1	35
Accrued revenue:		
Non-taxable dividends	139	53
Taxable dividends	–	9
UK property income distributions	15	–
Unfranked interest	–	1
AMC rebates from underlying investments	9	3
	163	66

LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

	31.10.17 £'000	31.10.16 £'000
8. DEBTORS (continued)		
Taxation recoverable:		
Income tax	12	13
Total debtors	326	114
9. OTHER CREDITORS		
Amounts payable for redemption of shares	2	–
Purchases awaiting settlement	338	105
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	10	4
Administration fees	2	1
	12	5
Taxation payable:		
Corporation tax payable	4	2
Other expenses	2	–
Total other creditors	358	112

10. 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 9.

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 321 and amounts due at the year end are disclosed in notes 8 and 9.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 13,799 (31.10.16 : 2,778) of the Fund's shares at the balance sheet date.

M&G Investment Management Limited and its associates (including other authorised investment funds managed by M&G Investment Management Limited) held 5,000,000 (31.10.16 : 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 31.66% (31.10.16 : 83.25%)

10. RELATED PARTY TRANSACTIONS (continued)

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

	31.10.17 £'000	31.10.16 £'000
Portfolio Manager in common	5,384	2,105

11. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (31.10.16 : none).

12. SHARES IN ISSUE

	'A' Income	'A' Accumulation	'P' Income
Annual Management Charge	1.35%	1.35%	0.60%
Opening shares in issue	250	250	5,003,210
Issues	–	1,520	244,494
Redemptions	–	–	(8,789)
Conversion	–	–	–
Closing shares in issue	250	1,770	5,238,915

	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.60%	0.85%
Opening shares in issue	417,726	584,531
Issues	8,987,267	1,168,417
Redemptions	(474,190)	(133,660)
Conversion	–	–
Closing shares in issue	8,930,803	1,619,288

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

LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

13. RISK MANAGEMENT POLICIES

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

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

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

i. Credit risk

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

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

ii. Interest rate risk

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

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

13. RISK MANAGEMENT POLICIES *(continued)*

iii. Foreign currency risk

Foreign currency risk is the risk that the sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the sterling equivalent value. 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.

iv. Leverage

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

As at 31.10.17, leverage under the gross method was 1:1 and leverage under the commitment method was 1:1 (31.10.16 : 0.99:1 and 1:1 respectively).

v. 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.

vi. Market price risk

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

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

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £1,012,000 (31.10.16 : £344,000). A 5% decrease would have an equal and opposite effect.

LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

13. RISK MANAGEMENT POLICIES (continued)

vii. Fair value of financial assets and financial liabilities

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

viii. Derivatives

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

14. PORTFOLIO TRANSACTION COSTS

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
31.10.17				
Ordinary shares	186	–	–	186
Collective investment schemes	13,040	–	–	13,040
Purchases total	13,226	–	–	13,226
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	717	–	–	717
Sales total	717	–	–	717
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.17 is 0.32% (31.10.16 : 0.74%).

14. PORTFOLIO TRANSACTION COSTS (continued)

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
31.10.16				
Ordinary shares	64	–	–	64
Collective investment schemes	3,464	–	–	3,464
Purchases total	3,528	–	–	3,528
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	2,588	–	–	2,588
Sales total	2,588	–	–	2,588
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 October 2017

15. FAIR VALUE HIERARCHY

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

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

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.17				
Investment Assets	<u>1,431</u>	<u>18,808</u>	<u>–</u>	<u>20,239</u>
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.16				
Investment Assets	<u>488</u>	<u>6,383</u>	<u>–</u>	<u>6,871</u>

DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 OCTOBER 2017 – 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	01.11.16
To	31.10.17

'A' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	1.8400	–	1.8400	1.0520
Group 2	1.8400	0.0000	1.8400	1.0520

'A' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	1.7268	–	1.7268	1.3040
Group 2	1.4657	0.2611	1.7268	1.3040

'P' Income shares

Final	Net Revenue	Equalisation	Payable 31.12.17	Paid 31.12.16
Group 1	2.4052	–	2.4052	1.9064
Group 2	2.0704	0.3348	2.4052	1.9064

'P' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	2.4843	–	2.4843	2.0050
Group 2	1.4265	1.0578	2.4843	2.0050

LF PRUDENTIAL DYNAMIC FOCUSED 60-100 PORTFOLIO

Financial Statements (continued)

Distribution Table (continued)

'R' Accumulation shares

Final	Net Revenue	Equalisation	Allocation 31.12.17	Allocated 31.12.16
Group 1	2.2158	–	2.2158	1.7181
Group 2	1.3506	0.8652	2.2158	1.7181

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. The prices of shares may also be obtained by calling 0344 335 8936 during the ACD's normal business hours.

OTHER INFORMATION

The Instrument of Incorporation, Prospectus, Key Investor Information Document and the most recent interim and annual reports may be inspected at the office of the ACD which is also the Head Office. Copies of these may be obtained upon application and, excepting the Instrument of Incorporation, can be found on the ACD's website, www.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.

