

LF Prudential Investment Funds (1)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2021



LF Prudential Risk Managed Active 1

LF Prudential Risk Managed Active 2

LF Prudential Risk Managed Active 3

LF Prudential Risk Managed Active 4

LF Prudential Risk Managed Active 5

LF Prudential Risk Managed Passive Fund 1

LF Prudential Risk Managed Passive Fund 2

LF Prudential Risk Managed Passive Fund 3

LF Prudential Risk Managed Passive Fund 4

LF Prudential Risk Managed Passive Fund 5

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

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(Authorised and regulated by the Financial Conduct Authority)

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C. Addenbrooke (retired 2 February 2022)
N. Boyling
B. Hammond
K.J. Midl
A.G. Reid (appointed 4 January 2021)
A.J. Stenning (resigned 11 February 2021)
A.J. Stuart
E.E. Tracey (appointed 4 January 2021)

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CUSTODIAN AND FUND ACCOUNTANT

STATE STREET BANK AND TRUST COMPANY

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REGISTRAR

LINK FUND ADMINISTRATORS LIMITED

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INDEPENDENT AUDITOR

ERNST & YOUNG LLP

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ACD'S REPORT

for the year ended 31 October 2021

Authorised Status

LF Prudential Investment Funds (1) ('the Company') is an investment company with variable capital incorporated in England and Wales under registered number IC000508 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 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.

ACD's Statement

COVID-19

The outbreak of COVID-19, declared by the World Health Organisation as a pandemic on 11 March 2020, caused significant disruption to business and economic activity which was reflected in the fluctuations seen in the global stock markets. In the period since its initial emergence and the global recognition of the seriousness of the pandemic, there were sharp declines in asset prices. As various national governments sought to provide financial support and stimulus to their economies and after the initial success of the global responses to constrain the spread of COVID-19, there followed a period of recovery, which effectively continued despite second and third waves effecting many countries. The continuation of the global recovery since March 2020 has been maintained, in part by the development of effective vaccines which are now being used to immunise populations around the world, and various governments' financial stimulus packages. However, whilst effective vaccines are now in use, their long term effectiveness have yet to be determined, and as governments, society and business learn to operate in the post COVID-19 world there still continues to be an element of uncertainty as to the future. How this will translate into future asset pricing is not clear but it must be recognised that there will remain for a period of time fragility in the markets and it is reasonably foreseeable that periods of instability will emerge in the coming months.

Important Information

With effect from 1 January 2022, audit fees and all expenses of the auditor have started to be charged to LF Prudential Risk Managed Passive Fund 2, LF Prudential Risk Managed Passive Fund 4 and LF Prudential Risk Managed Passive Fund 5.

ACD'S REPORT *continued*

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.

None of LFSL's staff receives remuneration based on the performance of any individual fund.

LFSL acts as the operator of both UK 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 may 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 solely for 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 30 June 2021, being the most recent accounting period which accounts have been prepared for LFSL prior to the production of these accounts. As at 30 June 2021, LFSL operated 92 UK UCITS and 111 AIFs, whose respective assets under management ('AuM') were £40,022 million and £49,171 million. The Company was valued at £2,715 million as at that date and represented 3.04% of LFSL's total AuM and 5.52% of its AIF AuM.

ACD'S REPORT *continued*

Remuneration Policy *continued*

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

2021	Number of beneficiaries	Fixed £'000	Variable £'000	Total £'000
Total amount of remuneration paid by LFSL for the financial year to 30 June 2021	177	7,903	395	8,298
Total amount of remuneration paid to members of staff whose activities have a material impact on the risk profile of the funds for the financial year to 30 June 2021				
Senior management (including all Board members)	8	736	175	911
Staff engaged in control functions	7	521	–	521
Risk takers and other identified staff	19	1,579	118	1,697
Any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers	–	–	–	–

LFSL's remuneration arrangement includes fixed salaries, contributory pension arrangements and certain other benefits, and the potential for discretionary bonuses. The amount available for payment of discretionary bonuses is dependent on satisfactory performance by LFSL, and the Link Group as a whole, rather than the performance of any individual fund. Bonuses may then be paid to staff to reflect their contribution to LFSL's success. The precise metrics used will vary by function, but consideration is given to both qualitative and quantitative measures.

Further details can be found at: <https://www.linkfundsolutions.co.uk/investor-information/policies/>.

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.

ACD'S REPORT *continued*

Value Assessment

In accordance with current Financial Conduct Authority rules, the ACD is required to carry out an annual assessment on whether the Company provides value to investors. The outcome of the latest assessment is available on the ACD's website.

LINK FUND SOLUTIONS LIMITED

ACD of LF Prudential Investment Funds (1)
24 February 2022

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)

24 February 2022

STATEMENT OF ACD'S RESPONSIBILITIES

The Collective Investment Schemes Sourcebook published by the Financial Conduct Authority ('the COLL Sourcebook') and the Investment Funds Sourcebook (the 'FUND Sourcebook'), as applicable, requires the ACD to prepare financial statements for each annual accounting year which give a true and fair view of the financial position of the Company, comprising each of its sub-funds and of the net revenue/expense and net capital gains/losses on the property of the Company's sub-funds for the year.

In preparing the financial statements the ACD is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- following UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*;
- complying with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Association in May 2014;
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- assessing the Company and its sub-funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to liquidate the Company or its sub-funds or to cease operations, or have no realistic alternative but to do so;
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- taking reasonable steps for the prevention and detection of fraud and irregularities.

The ACD is responsible for the management of the Company in accordance with its Instrument of Incorporation, the Prospectus, the COLL and FUND Sourcebook.

STATEMENT OF DEPOSITARY'S RESPONSIBILITIES

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook and, from 22 July 2014, the Investment Funds Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Company's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as summarised below.

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

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

The Depositary must ensure that:

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

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

REPORT OF THE DEPOSITARY

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

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

NATWEST TRUSTEE AND DEPOSITARY SERVICES LIMITED

Depositary of LF Prudential Investment Funds (1)

24 February 2022

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 2021, which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Shareholders, the Balance Sheet, the related notes and the Distribution Tables for each of the Company's sub-funds, and the accounting and distribution policies of the Company set out on pages 23 to 26, which include a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 2021 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.

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 Financial Reporting Council's (FRC) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions Relating to Going Concern

In auditing the financial statements of the Company, we have concluded that the ACD's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the ACD with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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

Other Information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The ACD is responsible for the other information contained within the Annual Report.

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.

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 this gives rise to a material misstatement in the financial statements themselves. 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 ('the FCA')

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; and
- there is nothing to indicate that adequate accounting records have not been kept or that the financial statements are not in agreement with those records; and
- 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.

Matters on Which We Are Required to Report by Exception

We have nothing to report in respect of the following matter in relation to which the Collective Investment Schemes Sourcebook of the Financial Conduct Authority 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 the ACD

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

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

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 wind up or terminate 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.

Explanation as to What Extent the Audit was Considered Capable of Detecting Irregularities, Including Fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are United Kingdom Accounting Standards (UK GAAP), including FRS 102, the Investment Management Association Statement of Recommended Practice (the 'IMA SORP'), the FCA Collective Investment Schemes Sourcebook, the Company's Instrument of Incorporation and the Prospectus.
- We understood how the Company is complying with those frameworks through discussions with the ACD and the Company's administrators and a review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override, specifically management's propensity to influence revenue and amounts available for distribution. We identified a fraud risk with respect to the incomplete or inaccurate income recognition through incorrect classification of special dividends and the resulting impact to amounts available for distribution. We tested the appropriateness of management's classification of material special dividends as either a capital or revenue return.

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

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the ACD with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Company.

Due to the regulated nature of the Company, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities to identify non-compliance with the applicable laws and regulations.

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

Use of Our Report

This report is made solely to the Company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

ERNST & YOUNG LLP

Statutory Auditor

Edinburgh

24 February 2022

ACCOUNTING AND DISTRIBUTION POLICIES

for the year ended 31 October 2021

1. Accounting Policies

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

(A) BASIS OF ACCOUNTING

The financial statements of each sub-fund have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The financial statements have been prepared in accordance with the Statement of Recommended Practice ('SORP') for Financial Statements of UK Authorised Funds issued by the Investment Association ('IA') in May 2014, as amended.

These financial statements are prepared on a going concern basis. The ACD has made an assessment of each sub-fund's ability to continue as a going concern, and is satisfied they have the resources to continue in business for the foreseeable future and is not aware of any material uncertainties that may cast significant doubt on this assessment. This assessment is made as at the date of issue of these financial statements, covering the subsequent 12 months, and considers liquidity, declines in global capital markets, known redemption levels, expense projections, key service provider's operational resilience, and the impact of COVID-19. The ACD also considered each sub-fund's continued ability to meet ongoing costs, and is satisfied they have the resources to meet these costs and to continue in business.

(B) RECOGNITION OF REVENUE

Dividends on quoted equities and preference shares 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.

Revenue received from tax transparent funds 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.

ACCOUNTING AND DISTRIBUTION POLICIES *continued*

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

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 EXPENSES

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

Expenses incurred by tax transparent funds are recognised when the information is made available by the reporting fund.

(D) ALLOCATION OF REVENUE AND EXPENSES TO MULTIPLE SHARE CLASSES AND SUB-FUNDS

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

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

(E) TAXATION

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

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

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

Taxation incurred by tax transparent funds is recognised when the information is made available by the reporting fund.

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.

ACCOUNTING AND DISTRIBUTION POLICIES *continued*

(F) BASIS OF VALUATION OF INVESTMENTS

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

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

Collective investment schemes are valued at published bid prices for dual priced funds and at published prices for single priced funds. The value of revenue and expenses on tax transparent investments are recognized within the respective sub-fund and therefore excluded from the valuation price.

Structured products for which a price can only be obtained from the issuer are valued at the fair value per the issuer and the value is confirmed by an independent price provider by reference to the terms as defined in the term sheet of the structured product.

The market value of over the counter (OTC) derivatives is determined based on valuation pricing models which take into account relevant market inputs as well as the time values, liquidity and volatility factors underlying the positions.

Futures contracts are valued at the unrealised gain or loss between the cost of entering the contract and its value at the balance sheet date.

(G) EXCHANGE RATES

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

(H) DILUTION LEVY

The ACD may require a dilution levy on the purchase and redemption of shares if, in its opinion, the existing shareholders (for purchases) or remaining shareholders (for redemptions) might otherwise be adversely affected. For example, the dilution levy may be charged in the following circumstances: where the scheme property of a sub-fund is in continual decline; on a sub-fund experiencing large levels of net purchases relative to its size; on 'large deals' (typically being a purchase or redemption of shares to a size exceeding 5% of the Net Asset Value of the relevant sub-fund); in any case where the ACD is of the opinion that the interests of existing or remaining shareholders require the imposition of a dilution levy.

(I) PORTFOLIO TRANSACTION COSTS

Direct transaction costs may consist of fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Indirect transaction costs may be incurred on transactions in underlying schemes but these do not form part of the direct transaction costs

ACCOUNTING AND DISTRIBUTION POLICIES *continued*

disclosures. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The average portfolio dealing spread disclosed is the difference between the bid and offer prices of investments at the balance sheet date, including the effect of foreign exchange, expressed as a percentage of the value determined by reference to the offer price.

2. Distribution Policies

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

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

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

The ordinary element of stock received in lieu of cash dividends is credited to capital in the first instance followed by a transfer to revenue of the cash equivalent being offered and this forms part of the distributable revenue of the Fund. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of any distribution.

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

LF PRUDENTIAL RISK MANAGED ACTIVE 1 ACD'S REPORT

for the year ended 31 October 2021

Investment Objective and Policy

The LF Prudential Risk Managed Active 1 ('the Fund') aims to achieve long-term (in excess of 5 years) total return (the combination of income and growth of capital) by investing in a mix of assets from around the world and aims to limit the average volatility per annum over rolling 5 year periods to 9%.

There is no guarantee the objective will be achieved over any time period and the actual volatility, at any time, may be higher or lower than 9%. Capital invested is at risk.

The Fund aims to achieve its objective through investing at least 70% in actively managed collective investment schemes. The Fund has a flexible investment approach with the freedom to invest in different types of assets to meet its objective. The Portfolio Manager will use in-depth research to forecast the expected change in value and risk of the different types of assets over a forward-looking 15-year period. This analysis is then used to work out the mix of assets (the 'target strategic asset allocation') to invest in to achieve the Fund's objective. The Portfolio Manager will review the target strategic asset allocation on an ongoing basis.

Based on the target strategic asset allocation, the Portfolio Manager constructs an actively managed portfolio to provide diversified, indirect exposure to global fixed income and variable rate assets, cash (including money market funds and near cash), equities and/or immovable property.

The Fund will have a high exposure to lower risk assets such as fixed income assets and cash. The Portfolio Manager will adjust the asset allocation on an ongoing basis to reflect changes in the target strategic asset allocation and to take advantage of tactical investment opportunities.

The Portfolio Manager will select collective investment schemes to invest in from a focused range of funds and fund management groups (which may include other funds managed by the ACD, Portfolio Manager and their associates).

The Fund may also invest directly in equities, equity related instruments (e.g. warrants), fixed income and cash or near cash. It may also invest in alternative investments (e.g. infrastructure, private equity, alternative credit and hedge funds). Derivative instruments may also be used for the purposes of efficient portfolio management.

Other Information: The Fund's objective to stay within its specified risk profile may restrict the types and proportions of the assets it holds and limit the potential gains and losses.

LF PRUDENTIAL RISK MANAGED ACTIVE 1

ACD'S REPORT *continued*

Benchmark

The Fund's comparator benchmark is the IA Mixed Investment 0-35% shares sector.

The Fund's performance may be compared against the IA Mixed Investment 0-35% shares sector. The ACD believes that this is an appropriate comparator for the Fund given the investment objective and policy of the Fund. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics.

LINK FUND SOLUTIONS LIMITED

ACD of LF Prudential Risk Managed Active 1

24 February 2022

LF PRUDENTIAL RISK MANAGED ACTIVE 1

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2021

Between 1 November 2020 and 31 October 2021 share classes R (Acc) 7.29%¹, P (Acc) 7.53%¹ and A (Acc) 7.32%¹ produced returns ahead of the 6.76%² sector average for IA Mixed Investment 0-35% Shares.

Market Overview

Several themes drove returns over the period in review.

Early on, US politics influenced markets with President Biden's election seen as a positive although towards the end of 2020 sentiment was dominated by positive news on COVID-19 vaccines. Pfizer's press release of better-than-expected preliminary results on its vaccine development led to one of the largest one-day rotation trades in recent times.

AstraZeneca also followed with positive news regarding its COVID-19 vaccine trials. Co-developed with Oxford University, the vaccine, which showed efficacy of up to 90% and did not require complex refrigeration.

In the early part of 2021, the major story was the activity in fixed income markets, driven by inflation concerns, as many mainstream government bonds sold off, led by US Treasuries. Investors became fearful that the US Federal Reserve may eventually have to act a lot earlier than anticipated to stifle inflation given a massive extra stimulus package, the third in the US since the pandemic.

The majority of world stockmarkets registered solid gains from March to end June, buoyed by the widespread rollout of vaccination programmes which aided the reopening of economies. Investment returns among European shares were particularly strong as vaccination take-up in the region accelerated following a slow start.

Fixed income markets were also higher in Q2 2021 as central banks dampened speculation they would be withdrawing stimulus measures soon, and many investors seemed to shrug off global inflation fears.

Global economic growth remained buoyant during the third quarter, as much of the world continued to resume economic activities following the rollout of COVID-19 vaccines internationally. While most economic data was strong, much of the developed world appears to be at or just past the peak rate of growth, according to recent global business surveys.

A difficult September caused most major stockmarkets to either fall flat or dip into negative territory for the quarter, as a variety of fears weighed on investors' minds. In China, power supply shortages and doubts over the health of the property sector upset investor appetite in the region, contributing to underperformance from emerging market shares and bonds more broadly.

Inflation remained elevated in the US, UK and some emerging market economies but was relatively more contained in other advanced economies.

¹ Source: FE Analytics.

² Source: Morningstar Direct.

LF PRUDENTIAL RISK MANAGED ACTIVE 1

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

Positioning

The portfolio manager also continued to assess markets and reposition portfolios as the teams' shorter term 'tactical' views evolve.

In May the global equity overweight position was halved. This had been equally split across US, UK, European, Japanese, Asian, and Chinese equities. The overweight positions in Asia and China were removed completely to moderate but not remove the cyclical bias.

The team retained a small overweight to Emerging Market Debt, offering superior yield relative to US Investment Grade, where they had moved underweight.

In early July, with equities having performed well and with a bit more uncertainty on the outlook for inflation and interest rates, the tactical positions across equities and fixed income were all removed. A diversifying overweight to alternatives has been maintained.

This decision also coincided with the summer trading months, which tend to see much lower volumes traded as markets pause for a holiday break.

The portfolio manager feels the Fund is well positioned to deploy capital where and when opportunities present themselves.

Outlook

The portfolio manager continues to assess the prospects for markets.

A key question that remains is whether in the face of softer growth, central banks will have the desire and the inflation leeway to continue with stimulus rather than to take steps to unwind it. The recent rise in government bond yields suggests that markets expect monetary policy to tighten sooner rather than later, but after several false dawns in recent history, investors will continue to pay attention to the volatile macro landscape for insights into the state of the global economy and to determine the actions that central banks are likely to take.

The end of September reminded us of the volatility that comes with a potential change in direction of monetary policy, but global rates are still at low absolute and accommodative levels compared to history.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

15 November 2021

LF PRUDENTIAL RISK MANAGED ACTIVE 1

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 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.

The Fund targets a risk level of 1 which is a level of risk relative to the 4 other funds in the range. The risk and reward profile scale above is calculated differently. The two measures are not comparable. The lowest number on the scale does not mean that a fund is risk free.

Currency Risk: As the Fund can be exposed to different currencies, changes in exchange rates may decrease the value of your investment.

Credit Risk: The value of a bond may be affected by its credit rating, the lower the rating the higher the risk of the issuer not paying interest or repaying the loan.

Property Fund Investment Risk: Property funds can become illiquid increasing the risk that a position cannot be sold in a timely manner or at a reasonable price.

Counterparty Risk: The failure of a firm involved in a transaction with the Fund or providing services to the Fund may expose the Fund to financial loss.

Derivatives Risk: A derivative may not perform as expected and may create losses greater than its cost.

Changes in Interest Rate Risk: A rise in interest rates generally causes bond prices to fall.

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.

LF PRUDENTIAL RISK MANAGED ACTIVE 1

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables

Where the Fund has significant investment in collective investment schemes, exchange-traded funds and similar products, the operating charges figure takes 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. Following regulatory changes, the operating charges figure also takes account of the ongoing charges incurred in closed end underlying schemes calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

'A' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	138.52	138.35	132.03
Return before operating charges*	11.58	2.76	10.31
Operating charges	(1.19)	(1.19)	(1.59)
Return after operating charges	10.39	1.57	8.72
Distributions	(2.47)	(1.40)	(2.40)
Closing net asset value per share	146.44	138.52	138.35
* after direct transaction costs of:	0.01	–	–

PERFORMANCE

Return after charges	7.50%	1.14%	6.60%
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OTHER INFORMATION

Closing net asset value (£'000)	821	580	599
Closing number of shares	560,464	418,595	433,162
Operating charges	0.81%	0.86%	1.17%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	151.18	142.59	141.65
Lowest share price	138.88	123.02	129.09

LF PRUDENTIAL RISK MANAGED ACTIVE 1

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	158.89	157.09	147.36
Return before operating charges*	13.31	3.15	11.52
Operating charges	(1.36)	(1.35)	(1.79)
Return after operating charges	11.95	1.80	9.73
Distributions	(2.83)	(1.60)	(2.67)
Retained distributions on accumulation shares	2.83	1.60	2.67
Closing net asset value per share	170.84	158.89	157.09
* after direct transaction costs of:	0.02	–	0.01

PERFORMANCE

Return after charges	7.52%	1.15%	6.60%
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OTHER INFORMATION

Closing net asset value (£'000)	4,671	4,217	4,708
Closing number of shares	2,733,909	2,654,274	2,996,742
Operating charges	0.81%	0.86%	1.18%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	173.36	161.77	158.02
Lowest share price	159.27	139.61	144.10

LF PRUDENTIAL RISK MANAGED ACTIVE 1

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	138.98	138.80	132.42
Return before operating charges*	11.67	2.79	10.40
Operating charges	(0.10)	(0.17)	(0.45)
Return after operating charges	11.57	2.62	9.95
Distributions	(3.58)	(2.44)	(3.57)
Closing net asset value per share	146.97	138.98	138.80
* after direct transaction costs of:	0.01	–	0.01

PERFORMANCE

Return after charges	8.33%	1.89%	7.51%
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OTHER INFORMATION

Closing net asset value (£'000)	21,142	21,117	20,861
Closing number of shares	14,384,714	15,194,052	15,030,250
Operating charges	0.07%	0.12%	0.33%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	152.61	143.36	143.16
Lowest share price	139.34	123.77	129.71

LF PRUDENTIAL RISK MANAGED ACTIVE 1

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'P' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	117.23	117.18	111.81
Return before operating charges*	9.85	2.24	8.76
Operating charges	(0.70)	(0.70)	(0.94)
Return after operating charges	9.15	1.54	7.82
Distributions	(2.40)	(1.49)	(2.45)
Closing net asset value per share	123.98	117.23	117.18
* after direct transaction costs of:	0.01	–	–

PERFORMANCE

Return after charges	7.81%	1.31%	6.99%
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OTHER INFORMATION

Closing net asset value (£'000)	4,992	4,892	4,273
Closing number of shares	4,026,888	4,172,769	3,646,110
Operating charges	0.56%	0.61%	0.81%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	128.29	120.94	120.44
Lowest share price	117.59	104.29	109.44

LF PRUDENTIAL RISK MANAGED ACTIVE 1

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'P' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	133.53	131.70	123.10
Return before operating charges*	11.21	2.63	9.63
Operating charges	(0.79)	(0.80)	(1.03)
Return after operating charges	10.42	1.83	8.60
Distributions	(2.74)	(1.67)	(2.69)
Retained distributions on accumulation shares	2.74	1.67	2.69
Closing net asset value per share	143.95	133.53	131.70
* after direct transaction costs of:	0.01	–	–

PERFORMANCE

Return after charges	7.80%	1.39%	6.99%
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OTHER INFORMATION

Closing net asset value (£'000)	90,391	77,209	64,107
Closing number of shares	62,795,324	57,820,728	48,676,790
Operating charges	0.56%	0.61%	0.81%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	146.08	135.85	132.57
Lowest share price	133.93	117.19	120.52

LF PRUDENTIAL RISK MANAGED ACTIVE 1

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'R' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	145.13	143.52	134.48
Return before operating charges*	12.16	2.84	10.51
Operating charges	(1.24)	(1.23)	(1.47)
Return after operating charges	10.92	1.61	9.04
Distributions	(2.59)	(1.46)	(2.59)
Retained distributions on accumulation shares	2.59	1.46	2.59
Closing net asset value per share	156.05	145.13	143.52
* after direct transaction costs of:	0.01	–	0.01

PERFORMANCE

Return after charges	7.52%	1.12%	6.72%
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OTHER INFORMATION

Closing net asset value (£'000)	13,836	12,363	11,023
Closing number of shares	8,866,433	8,518,728	7,680,911
Operating charges	0.81%	0.86%	1.06%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	158.37	147.88	144.45
Lowest share price	145.50	127.60	131.61

LF PRUDENTIAL RISK MANAGED ACTIVE 1

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 31 October 2021 (%)

	1 year	3 years	5 years
LF Prudential Risk Managed Active 1	7.53	17.01	22.58
IA Mixed Investment 0-35% shares sector ¹	6.76	13.56	16.71

¹ Source: Morningstar Direct.

The performance of the Fund is based on the published price per 'P' 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 60 and 61.

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 RISK MANAGED ACTIVE 1

ACD'S REPORT *continued*

PORTFOLIO STATEMENT

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	EQUITY PORTFOLIOS – 15.86% (31.10.20 – 14.78%)		
	CONTINENTAL EUROPE – 2.29% (31.10.20 – 1.85%)		
785,335	M&G (LUX) Europe Ex UK Equity ¹	827	0.61
1,176,345	M&G (LUX) Europe Ex UK Equity NPV ¹	1,221	0.90
42,820	M&G European Select ¹	1,053	0.78
	TOTAL CONTINENTAL EUROPE	3,101	2.29
	UNITED KINGDOM – 6.37% (31.10.20 – 5.48%)		
2,459,621	M&G (ACS) UK 200 Index ¹	2,800	2.06
2,463,540	M&G (ACS) UK All Share Index ¹	2,816	2.07
1,292,383	M&G (ACS) UK Listed Equity ¹	1,501	1.10
345,610	M&G (ACS) UK Listed Smaller Companies ¹	438	0.32
360,117	M&G Recovery ¹	1,114	0.82
	TOTAL UNITED KINGDOM	8,669	6.37
	JAPAN – 3.74% (31.10.20 – 0.85%)		
1,113,491	M&G (ACS) Japan Equity ¹	1,284	0.95
3,874,910	M&G Asia Pacific Ex Japan ¹	3,789	2.79
	TOTAL JAPAN	5,073	3.74
	NORTH AMERICA – 2.26% (31.10.20 – 2.00%)		
1,267,348	M&G (ACS) BlackRock US Equity ¹	1,343	0.99
51,297	M&G North American Value ¹	1,729	1.27
	TOTAL NORTH AMERICA	3,042	2.26
	EMERGING MARKETS – 1.20% (31.10.20 – 4.60%)		
7,882	Eastspring Developed and Emerging Asia Equity	106	0.08
35,963	Eastspring Emerging Asia Equity	486	0.36
303,873	M&G (ACS) China ¹	277	0.20

LF PRUDENTIAL RISK MANAGED ACTIVE 1

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
239,613	M&G (ACS) China Equity ¹	216	0.16
151,951	M&G GSAM Global Emerging Markets Equity ¹	149	0.11
392,911	M&G Securities Mutual Fund ¹	395	0.29
	TOTAL EMERGING MARKETS	1,629	1.20
	TOTAL EQUITY PORTFOLIOS	21,514	15.86
	EQUITY INVESTMENT INSTRUMENTS – 2.48% (31.10.20 – 3.45%)		
193,187	BBGI ²	333	0.25
6,083	BH Macro ²	217	0.16
589,261	BioPharma Credit ²	416	0.31
147,535	Blue Capital Alternative Income ^{2,3}	1	–
18,064	Boussard & Gavaudan ²	350	0.26
271,537	DP Aircraft I ²	3	–
343,099	Ecofin US Renewables Infrastructure Trust ²	243	0.18
27,687	HarbourVest Global Private Equity ²	684	0.50
57,861	HgCapital ²	223	0.16
127,453	NB Distressed Debt Investment ²	53	0.04
156,184	NextEnergy Solar ²	156	0.11
6,766	Princess Private Equity ²	78	0.06
107,601	Renewables Infrastructure ²	143	0.11
169,460	Round Hill Music Royalty ²	130	0.10
286,825	SDCL Energy Efficiency Income ²	326	0.24
	TOTAL EQUITY INVESTMENT INSTRUMENTS	3,356	2.48
	PROPERTY PORTFOLIOS – 3.62% (31.10.20 – 3.35%)		
222,542	iShares UK Property	1,426	1.05
2,754,312	Legal & General UK Property	2,840	2.09
51,827	M&G Property Portfolio ¹	652	0.48
	TOTAL PROPERTY PORTFOLIOS	4,918	3.62

LF PRUDENTIAL RISK MANAGED ACTIVE 1

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	BOND PORTFOLIOS – 68.80% (31.10.20 – 69.59%)		
193,686	Eastspring Asian Bond	2,193	1.61
807,266	Eastspring Asian Local Bond	7,069	5.20
1,576,609	Eastspring US Corporate Bond	19,284	14.19
1,235,474	M&G Credit Income Investment Trust ¹	1,211	0.89
2,657,006	M&G Emerging Markets Bond ¹	2,808	2.07
105,516	M&G European Credit Investment ¹	12,291	9.05
900,132	M&G Global Convertibles ¹	2,359	1.74
4,142,668	M&G Global High Yield Bond ¹	6,038	4.44
12,932,559	M&G Short Dated Corporate Bond ¹	3,346	2.46
1,005	M&G Sterling Investment Grade Corporate Bond ¹	1	–
13,856,418	M&G Strategic Corporate Bond ¹	18,351	13.51
16,888,963	Royal London Corporate Bond	18,527	13.64
	TOTAL BOND PORTFOLIOS	3,356	2.48
	FUTURES – (0.02)% (31.10.20 – (0.21)%) ⁴		
12	EURO STOXX 50 Index Futures December 2021	9	0.01
9	FTSE 100 Index Futures December 2021	16	0.01
2	FTSE China A50 Index Futures November 2021	–	–
16	FTSE/JSE Top 40 Index Futures December 2021	20	0.01
2	S&P 500 E Mini Index Futures December 2021	8	0.01
4	TOPIX Index Futures December 2021	(13)	(0.01)
33	US Treasury Note 10 Year Futures December 2021	(64)	(0.05)
	TOTAL FUTURES	(24)	(0.02)

LF PRUDENTIAL RISK MANAGED ACTIVE 1

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	Portfolio of investments ⁵	123,272	90.74
	Net other assets	12,581	9.26
	Net assets	135,853	100.00

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

¹ Related party holding (see note 12).

² Closed end fund.

³ Delisted security.

⁴ Counterparty: JPMorgan.

⁵ Includes investment liabilities.

LF PRUDENTIAL RISK MANAGED ACTIVE 1

ACD'S REPORT *continued*

SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 October 2021

Total purchases for the year £'000 (note 16)	28,704	Total sales for the year £'000 (note 16)	22,816
	Cost £'000		Proceeds £'000
Major purchases		Major sales	
M&G Asia Pacific Ex Japan	3,818	Eastspring Developed and Emerging Asia Equity	5,359
US Treasury Note 10 Year Futures March 2021	3,220	US Treasury Note 10 Year Futures September 2021	3,320
EURO STOXX 50 Index Futures December 2021	3,208	US Treasury Note 10 Year Futures June 2021	3,011
US Treasury Note 10 Year Futures September 2021	3,194	US Treasury Note 10 Year Futures March 2021	2,995
US Treasury Note 10 Year Futures June 2021	3,065	US Treasury Note 10 Year Futures December 2020	2,924
Royal London Corporate Bond	2,199	M&G UK Select	2,693
Eastspring US Corporate Bond	2,180	FTSE 100 Index Futures December 2020	1,889
M&G Strategic Corporate Bond	2,017	LF Prudential North American QIS	1,793
FTSE 100 Index Futures March 2021	1,680	FTSE 100 Index Futures March 2021	1,729
EURO STOXX 50 Index Futures March 2021	1,586	EURO STOXX 50 Index Futures March 2021	1,644

In addition to the above, purchases totalling £2,013,981,000 and sales totalling £2,004,676,000 were made in short term investments during the year.

Purchases and sales of Futures have been included at the value of their exposure and are not included in the total purchases and sales figures above.

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

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS

STATEMENT OF TOTAL RETURN

for the year ended 31 October 2021

	Notes	£'000	31.10.21 £'000	£'000	31.10.20 £'000
Income:					
Net capital gains	3		7,006		99
Revenue	4	3,278		2,041	
Expenses	5	(622)		(520)	
Interest payable and similar charges	6	(2)		(4)	
Net revenue before taxation		2,654		1,517	
Taxation	7	(66)		(17)	
Net revenue after taxation			2,588		1,500
Total return before distributions			9,594		1,599
Distributions	8		(2,629)		(1,500)
Change in net assets attributable to shareholders from investment activities			6,965		99

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2021

	£'000	31.10.21 £'000	£'000	31.10.20 £'000
Opening net assets attributable to shareholders		120,378		105,571
Amounts receivable on issue of shares	23,028		25,133	
Amounts payable on redemption of shares	(16,544)		(11,555)	
		6,484		13,578
Change in net assets attributable to shareholders from investment activities		6,965		99
Retained distributions on Accumulation shares		2,026		1,130
Closing net assets attributable to shareholders		135,853		120,378

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 October 2021

	Notes	31.10.21 £'000	31.10.20 £'000
ASSETS			
Fixed assets			
Investments		123,349	109,752
Current assets			
Debtors	9	3,419	1,024
Cash and cash equivalents	10	10,319	10,530
Total assets		<u>137,087</u>	<u>121,306</u>
LIABILITIES			
Investment liabilities		(77)	(262)
Provisions for liabilities		–	(1)
Creditors			
Distribution payable	11	(626)	(439)
Other creditors	11	(531)	(226)
Total liabilities		<u>(1,234)</u>	<u>(928)</u>
Net assets attributable to shareholders		<u>135,853</u>	<u>120,378</u>

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2021

1. Accounting Policies

The accounting policies described on pages 23 to 26 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 26 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:

	31.10.21 £'000	31.10.20 £'000
Non-derivative securities	5,835	3
Derivative contracts	1,136	(15)
Transaction charges	(2)	(2)
AMC rebates from underlying investments	80	77
Currency (losses)/gains	(41)	38
Broker's commission on futures	(2)	(2)
Net capital gains	<u>7,006</u>	<u>99</u>

The net capital gains figure includes realised gains of £3,588,000 and unrealised gains of £7,681,000 (31.10.20: includes realised gains of £687,000 and unrealised gains of £4,339,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

Where realised gains/losses include gains/losses arising in previous periods, a corresponding loss/gain is included in unrealised gains/losses.

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

4. Revenue

	31.10.21 £'000	31.10.20 £'000
Non-taxable dividends	372	349
Taxable dividends	886	2
UK property income distributions	87	86
Unfranked interest	1,324	1,277
AMC rebates from underlying investments	308	327
Revenue from tax transparent funds	301	–
Total revenue	3,278	2,041

5. Expenses

	31.10.21 £'000	31.10.20 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	588	501
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	12	10
Safe custody and other bank charges	8	1
	20	11
Other expenses:		
Audit fees	11	8
Expenses from tax transparent funds	3	–
	14	8
Total expenses	622	520

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

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

6. Interest Payable and Similar Charges

	31.10.21 £'000	31.10.20 £'000
Interest payable	2	2
Futures interest payable	–	2
Total interest payable and similar charges	2	4

7. Taxation

	31.10.21 £'000	31.10.20 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	34	34
Corporation tax: adjustment in respect of prior years	25	–
Tax incurred on tax transparent funds	8	–
Current tax charge	67	34
Deferred tax – origination and reversal of timing differences (note 7c)	(1)	(17)
Total taxation (note 7b)	66	17

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%) (31.10.20: 20%). The difference is explained below:

	31.10.21 £'000	31.10.20 £'000
Net revenue before taxation	2,654	1,517
Corporation tax at 20%	531	303

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	31.10.21 £'000	31.10.20 £'000
Effects of:		
Non-taxable dividends	(133)	(70)
Capital income subject to taxation	–	(16)
Rebated capital expenses deductible for tax purposes	16	16
Tax incurred on tax transparent funds	8	–
Corporation tax: adjustment in respect of prior years	25	–
Tax deductible interest distributions	(381)	(216)
Total tax charge (note 7a)	66	17
c) Deferred tax		
Provision at the start of the year	1	18
Deferred tax charge in the year (note 7a)	(1)	(17)
Provision at the end of the year	–	1

8. Distributions

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

	31.10.21 £'000	31.10.20 £'000
Final	2,651	1,569
	2,651	1,569
Add: Revenue deducted on redemption of shares	149	93
Deduct: Revenue received on issue of shares	(172)	(162)
Net distribution for the year	2,628	1,500

Details of the distributions per share are set out in the table on pages 60 and 61.

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	31.10.21 £'000	31.10.20 £'000
Distributions represented by:		
Net revenue after taxation	2,588	1,500
Allocations to capital:		
Tax relief from capital	41	–
Net distribution for the year	2,629	1,500

9. Debtors

	31.10.21 £'000	31.10.20 £'000
Amounts receivable for issue of shares	142	661
Sales awaiting settlement	2,407	–
Accrued revenue:		
Non-taxable dividends	–	1
UK property income distributions	–	4
Unfranked interest	–	12
AMC rebates from underlying investments	540	333
Revenue from tax transparent funds	314	–
	854	350
Taxation recoverable:		
Income tax	16	13
Total debtors	3,419	1,024

10. Cash and Cash Equivalents

	31.10.21 £'000	31.10.20 £'000
Bank balances	10,094	9,875
Margin account	225	655
Total cash and cash equivalents	10,319	10,530

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

11. Creditors

	31.10.21 £'000	31.10.20 £'000
Distribution payable	626	439
Other Creditors		
Amounts payable for redemption of shares	348	140
Purchases awaiting settlement	51	–
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	49	43
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	1	1
Safe custody and other bank charges	1	–
	2	1
Taxation payable:		
Corporation tax	60	34
Tax incurred on tax transparent funds	8	–
	68	34
Other expenses	10	8
Expenses from tax transparent funds	3	–
Total other creditors	531	226

12. Related Party Transactions

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

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

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 44 and amounts due at the year end are disclosed in notes 9 and 11.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions or its associates) held 20,221 (31.10.20: 11,289) 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 9,882,205 (31.10.20: 10,683,177) 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 was as follows:

	31.10.21 £'000	31.10.20 £'000
Portfolio Manager in common	68,009	47,736
Portfolio Manager and ACD in common	—	5,097

13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.20: none).

14. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	0.74%	0.74%	0.00%
Opening shares in issue	418,595	2,654,274	15,194,052
Issues	149,409	434,984	1,648,281
Redemptions	(7,540)	(355,348)	(2,457,619)
Closing shares in issue	560,464	2,733,909	14,384,714

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.49%	0.49%	0.74%
Opening shares in issue	4,172,769	57,820,728	8,518,728
Issues	815,316	10,929,232	2,135,488
Redemptions	(961,197)	(5,954,636)	(1,787,783)
Closing shares in issue	<u>4,026,888</u>	<u>62,795,324</u>	<u>8,866,433</u>

15. Risk Management Policies

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

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

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

(A) CREDIT RISK

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

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

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

There were futures contracts held at the balance sheet date. Details of the individual contracts are disclosed separately in the Portfolio Statement and the total position by counterparty at the balance sheet date was as follows:

31.10.21 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	(24)	–

31.10.20 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	(2)	–
NatWest	(260)	–

(B) INTEREST RATE RISK

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

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

(C) FOREIGN CURRENCY RISK

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

Where the Fund invests in non-Sterling assets, the Portfolio Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

The table below shows the direct foreign currency risk profile:

	31.10.21 £'000	31.10.20 £'000
Currency:		
Euro currency	621	709
Japanese yen	72	55
South African rand	224	109
US dollars	9,943	13,267
Total foreign currency exposure	10,860	14,140
Pounds sterling	124,993	106,238
Net assets	135,853	120,378

A 5% change in the pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £543,000 on the net assets of the Fund (31.10.20: £707,000).

(D) LEVERAGE

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

As at 31.10.21, leverage under the gross method was 0.91:1 and leverage under the commitment method was 1:1 (31.10.20: 0.91:1 and 1:1 respectively).

(E) LIQUIDITY RISK

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions should insufficient cash be held at the bank to meet this obligation. The ACD monitors the liquidity profile of the Fund daily.

In assessing the liquidity profile of the Fund, the ACD assesses how much of the Fund can be realised in one and five days, under normal and stressed market conditions, and the impact this would have on the overall subsequent liquidity profile.

In assessing the liquidity of a company's shares, the ACD utilises the lower of the 5 and 20 day average market volume of that company's shares. An in depth review takes place by assessing the liquidity profile of the Fund against a 25% market participation of the average daily volume.

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

Based on this analysis 76.44% of the portfolio can be liquidated within 5 days and 77.24% within 21 working days (31.10.20: 81.60% within 5 days and 82.06% within 30 days). Given this and the ACD's understanding of the investor base, it is considered that the liquidity profile of the Fund is appropriate.

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

(F) MARKET PRICE RISK

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

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

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £6,164,000 (31.10.20: £5,475,000). A 5% decrease would have an equal and opposite effect.

(G) DERIVATIVES

The economic exposure of futures derivative contracts is equal to the market value. The value of the exposure and the related counterparty are disclosed in the Portfolio of Investments.

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

16. Portfolio Transaction Costs

31.10.21	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	317	–	–	317
Collective investment schemes	28,379	1	7	28,387
Purchases total	28,696	1	7	28,704
<i>Transaction cost % of purchases total</i>		–	0.02%	
<i>Transaction cost % of average NAV</i>		–	0.01%	
Ordinary shares	321	–	–	321
Collective investment schemes	22,496	(1)	–	22,495
Sales total	22,817	(1)	–	22,816
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.21 is 0.27% (31.10.20: 0.16%).

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

31.10.20	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	248	–	1	249
Collective investment schemes	29,944	1	1	29,946
Purchases total	30,192	1	2	30,195
<i>Transaction cost % of purchases total</i>		–	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	620	–	–	620
Collective investment schemes	17,143	–	–	17,143
Sales total	17,763	–	–	17,763
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

The collective investment schemes include closed end funds.

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

17. Fair Value Hierarchy

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

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

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

Level 3: Valuation techniques using unobservable inputs (see note 1(F) of the Accounting Policies).

31.10.21	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	6,045	117,303	1	123,349
Investment liabilities	(77)	—	—	(77)

31.10.20	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	5,026	104,721	5	109,752
Investment liabilities	(262)	—	—	(262)

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE

for the year ended 31 October 2021 – 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	01.11.20
To	31.10.21

'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	2.4687	–	2.4687	1.4042
Group 2	0.3224	2.1463	2.4687	1.4042

'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	2.8304	–	2.8304	1.5964
Group 2	1.1239	1.7065	2.8304	1.5964

'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	3.5812	–	3.5812	2.4386
Group 2	2.5618	1.0194	3.5812	2.4386

'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	2.4036	–	2.4036	1.4866
Group 2	1.3003	1.1033	2.4036	1.4866

LF PRUDENTIAL RISK MANAGED ACTIVE 1
FINANCIAL STATEMENTS *continued*
DISTRIBUTION TABLE *continued*

'P' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	2.7375	–	2.7375	1.6672
Group 2	1.6497	1.0878	2.7375	1.6672

'R' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	2.5860	–	2.5860	1.4556
Group 2	1.7672	0.8188	2.5860	1.4556

LF PRUDENTIAL RISK MANAGED ACTIVE 2 ACD'S REPORT

for the year ended 31 October 2021

Investment Objective and Policy

The LF Prudential Risk Managed Active 2 ('the Fund') aims to achieve long-term (in excess of 5 years) total return (the combination of income and growth of capital) by investing in a mix of assets from around the world and aims to limit the average volatility per annum over rolling 5 year periods to 10%.

There is no guarantee the objective will be achieved over any time period and the actual volatility, at any time, may be higher or lower than 10%. Capital invested is at risk.

The Fund aims to achieve its objective through investing at least 70% in actively managed collective investment schemes. The Fund has a flexible investment approach with the freedom to invest in different types of assets to meet its objective. The Portfolio Manager will use in-depth research to forecast the expected change in value and risk of the different types of assets over a forward-looking 15-year period. This analysis is then used to work out the mix of assets (the 'target strategic asset allocation') to invest in to achieve the Fund's objective. The Portfolio Manager will review the target strategic asset allocation on an ongoing basis.

Based on the target strategic asset allocation, the Portfolio Manager constructs an actively managed portfolio to provide diversified, indirect exposure to global fixed income and variable rate assets, cash (including money market funds and near cash), equities and/or immovable property.

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 Portfolio Manager will adjust the asset allocation on an ongoing basis to reflect changes in the target strategic asset allocation and to take advantage of tactical investment opportunities.

The Portfolio Manager will select collective investment schemes to invest in from a focused range of funds and fund management groups (which may include other funds managed by the ACD, Portfolio Manager and their associates).

The Fund may also invest directly in equities, equity related instruments (e.g. warrants), fixed income and cash or near cash. It may also invest in alternative investments (e.g. infrastructure, private equity, alternative credit and hedge funds). Derivative instruments may also be used for the purposes of efficient portfolio management.

Other Information: The Fund's objective to stay within its specified risk profile may restrict the types and proportions of the assets it holds and limit the potential gains and losses.

LF PRUDENTIAL RISK MANAGED ACTIVE 2

ACD'S REPORT *continued*

Benchmark

The Fund's comparator benchmark is the IA Mixed Investment 20-60% shares sector.

The Fund's performance may be compared against the IA Mixed Investment 20-60% shares sector. The ACD believes that this is an appropriate comparator for the Fund given the investment objective and policy of the Fund. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics.

LINK FUND SOLUTIONS LIMITED

ACD of LF Prudential Risk Managed Active 2

24 February 2022

LF PRUDENTIAL RISK MANAGED ACTIVE 2

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2021

Between 1 November 2020 to 31 October 2021 share classes R (Acc) 10.37%¹, P (Acc) 10.55%¹ and A (Acc) 10.40%¹ produced returns that were behind the 13.25%² sector average for the IA Mixed Investment 20-60% Shares Sector.

Market Overview

Several themes drove returns over the period in review.

Early on, US politics influenced markets with President Biden's election seen as a positive although towards the end of 2020 sentiment was dominated by positive news on COVID-19 vaccines. Pfizer's press release of better-than-expected preliminary results on its vaccine development led to one of the largest one-day rotation trades in recent times.

AstraZeneca also followed with positive news regarding its COVID-19 vaccine trials. Co-developed with Oxford University, the vaccine, which showed efficacy of up to 90% and did not require complex refrigeration.

In the early part of 2021, the major story was the activity in fixed income markets, driven by inflation concerns, as many mainstream government bonds sold off, led by US Treasuries. Investors became fearful that the US Federal Reserve may eventually have to act a lot earlier than anticipated to stifle inflation given a massive extra stimulus package, the third in the US since the pandemic.

The majority of world stockmarkets registered solid gains from March to end June, buoyed by the widespread rollout of vaccination programmes which aided the reopening of economies. Investment returns among European shares were particularly strong as vaccination take-up in the region accelerated following a slow start.

Fixed income markets were also higher in Q2 2021 as central banks dampened speculation they would be withdrawing stimulus measures soon, and many investors seemed to shrug off global inflation fears.

Global economic growth remained buoyant during the third quarter, as much of the world continued to resume economic activities following the rollout of COVID-19 vaccines internationally. While most economic data was strong, much of the developed world appears to be at or just past the peak rate of growth, according to recent global business surveys.

A difficult September caused most major stockmarkets to either fall flat or dip into negative territory for the quarter, as a variety of fears weighed on investors' minds. In China, power supply shortages and doubts over the health of the property sector upset investor appetite in the region, contributing to underperformance from emerging market shares and bonds more broadly.

Inflation remained elevated in the US, UK and some emerging market economies but was relatively more contained in other advanced economies.

¹ Source: FE Analytics.

² Source: Morningstar Direct.

LF PRUDENTIAL RISK MANAGED ACTIVE 2

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

Positioning

The portfolio manager also continued to assess markets and reposition portfolios as the teams' shorter term 'tactical' views evolve.

In May the global equity overweight position was halved. This had been equally split across US, UK, European, Japanese, Asian, and Chinese equities. The overweight positions in Asia and China were removed completely to moderate but not remove the cyclical bias.

The team retained a small overweight to Emerging Market Debt, offering superior yield relative to US Investment Grade, where they had moved underweight.

In early July, with equities having performed well and with a bit more uncertainty on the outlook for inflation and interest rates, the tactical positions across equities and fixed income were all removed. A diversifying overweight to alternatives has been maintained.

This decision also coincided with the summer trading months, which tend to see much lower volumes traded as markets pause for a holiday break.

The portfolio manager feels the Fund is well positioned to deploy capital where and when opportunities present themselves.

Outlook

The portfolio manager continues to assess the prospects for markets.

A key question that remains is whether in the face of softer growth, central banks will have the desire and the inflation leeway to continue with stimulus rather than to take steps to unwind it. The recent rise in government bond yields suggests that markets expect monetary policy to tighten sooner rather than later, but after several false dawns in recent history, investors will continue to pay attention to the volatile macro landscape for insights into the state of the global economy and to determine the actions that central banks are likely to take.

The end of September reminded us of the volatility that comes with a potential change in direction of monetary policy, but global rates are still at low absolute and accommodative levels compared to history.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

15 November 2021

LF PRUDENTIAL RISK MANAGED ACTIVE 2

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 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.

The Fund targets a risk level of 2 which is a level of risk relative to the 4 other funds in the range. The risk and reward profile scale above is calculated differently. The two measures are not comparable. The lowest number on the scale does not mean that a fund is risk free.

Currency Risk: As the Fund can be exposed to different currencies, changes in the exchange rate may decrease the value of your investment.

Credit Risk: The value of a bond may be affected by its credit rating, the lower the rating the higher the risk of the issuer not paying interest or repaying the loan.

Property Fund Investment Risk: Property funds can become illiquid increasing the risk that a position cannot be sold in a timely manner or at a reasonable price.

Counterparty Risk: The failure of a firm involved in a transaction with the Fund or providing services to the Fund may expose the Fund to financial loss.

Derivative Risk: A derivative may not perform as expected and may create losses greater than its cost.

Changes in Interest Rate Risk: A rise in interest rates generally causes bond prices to fall.

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.

LF PRUDENTIAL RISK MANAGED ACTIVE 2

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables

Where the Fund has significant investment in collective investment schemes, exchange-traded funds and similar products, the operating charges figure takes 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. Following regulatory changes, the operating charges figure also takes account of the ongoing charges incurred in closed end underlying schemes calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

'A' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	146.36	148.46	141.84
Return before operating charges*	16.60	0.58	10.63
Operating charges	(1.23)	(1.26)	(1.74)
Return after operating charges	15.37	(0.68)	8.89
Distributions	(2.41)	(1.42)	(2.27)
Closing net asset value per share	159.32	146.36	148.46
* after direct transaction costs of:	0.01	–	–

PERFORMANCE

Return after charges	10.50%	(0.45)%	6.27%
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OTHER INFORMATION

Closing net asset value (£'000)	1,299	1,235	1,375
Closing number of shares	815,479	844,034	926,273
Operating charges	0.78%	0.86%	1.19%
Direct transaction costs	–	–	–

PRICES

Highest share price	164.51	153.29	152.33
Lowest share price	146.78	128.87	137.88

LF PRUDENTIAL RISK MANAGED ACTIVE 2

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	165.42	166.17	156.38
Return before operating charges*	18.75	0.65	11.67
Operating charges	(1.39)	(1.40)	(1.88)
Return after operating charges	17.36	(0.75)	9.79
Distributions	(2.72)	(1.59)	(2.50)
Retained distributions on accumulation shares	2.72	1.59	2.50
Closing net asset value per share	182.78	165.42	166.17
* after direct transaction costs of:	0.02	—	0.01

PERFORMANCE

Return after charges	10.49%	(0.45)%	6.26%
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OTHER INFORMATION

Closing net asset value (£'000)	11,405	10,076	10,449
Closing number of shares	6,239,894	6,091,166	6,288,183
Operating charges	0.78%	0.85%	1.17%
Direct transaction costs	—	—	—

PRICES

Highest share price	185.89	171.55	167.91
Lowest share price	165.86	144.25	152.04

LF PRUDENTIAL RISK MANAGED ACTIVE 2

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	147.00	149.10	142.44
Return before operating charges*	16.45	0.38	10.39
Operating charges	(0.06)	(0.18)	(0.45)
Return after operating charges	16.39	0.20	9.94
Distributions	(3.37)	(2.30)	(3.28)
Closing net asset value per share	160.02	147.00	149.10
* after direct transaction costs of:	0.01	—	—

PERFORMANCE

Return after charges	11.15%	0.13%	6.98%
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OTHER INFORMATION

Closing net asset value (£'000)	69,794	67,694	72,063
Closing number of shares	43,615,333	46,050,671	48,331,331
Operating charges	0.04%	0.12%	0.31%
Direct transaction costs	—	—	—

PRICES

Highest share price	166.06	154.22	153.76
Lowest share price	147.42	129.73	138.66

LF PRUDENTIAL RISK MANAGED ACTIVE 2

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'P' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	119.10	120.79	115.40
Return before operating charges*	13.46	0.42	8.57
Operating charges	(0.68)	(0.72)	(0.99)
Return after operating charges	12.78	(0.30)	7.58
Distributions	(2.22)	(1.39)	(2.19)
Closing net asset value per share	129.66	119.10	120.79
* after direct transaction costs of:	0.01	—	—

PERFORMANCE

Return after charges	10.73%	(0.25)%	6.57%
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OTHER INFORMATION

Closing net asset value (£'000)	8,295	6,617	5,893
Closing number of shares	6,397,973	5,555,466	4,878,345
Operating charges	0.53%	0.60%	0.83%
Direct transaction costs	—	—	—

PRICES

Highest share price	134.22	124.91	124.34
Lowest share price	119.55	104.93	112.28

LF PRUDENTIAL RISK MANAGED ACTIVE 2

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'P' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	133.71	134.04	125.77
Return before operating charges*	15.11	0.46	9.33
Operating charges	(0.77)	(0.79)	(1.06)
Return after operating charges	14.34	(0.33)	8.27
Distributions	(2.49)	(1.55)	(2.39)
Retained distributions on accumulation shares	2.49	1.55	2.39
Closing net asset value per share	148.05	133.71	134.04
* after direct transaction costs of:	0.01	—	—

PERFORMANCE

Return after charges	10.72%	(0.25)%	6.58%
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OTHER INFORMATION

Closing net asset value (£'000)	202,555	158,641	115,411
Closing number of shares	136,818,131	118,649,636	86,102,231
Operating charges	0.53%	0.60%	0.82%
Direct transaction costs	—	—	—

PRICES

Highest share price	150.61	138.56	135.46
Lowest share price	134.16	116.44	122.40

LF PRUDENTIAL RISK MANAGED ACTIVE 2

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'R' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	148.77	149.44	140.50
Return before operating charges*	16.87	0.58	10.52
Operating charges	(1.25)	(1.25)	(1.58)
Return after operating charges	15.62	(0.67)	8.94
Distributions	(2.45)	(1.43)	(2.38)
Retained distributions on accumulation shares	2.45	1.43	2.38
Closing net asset value per share	164.39	148.77	149.44
* after direct transaction costs of:	0.01	—	—

PERFORMANCE

Return after charges	10.50%	(0.45)%	6.36%
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OTHER INFORMATION

Closing net asset value (£'000)	33,724	25,357	21,604
Closing number of shares	20,514,276	17,044,730	14,456,888
Operating charges	0.78%	0.85%	1.09%
Direct transaction costs	—	—	—

PRICES

Highest share price	167.22	154.31	151.03
Lowest share price	149.20	129.72	136.69

LF PRUDENTIAL RISK MANAGED ACTIVE 2

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 31 October 2021 (%)

	1 year	3 years	5 years
LF Prudential Risk Managed Active 2	10.55	18.42	24.49
IA Mixed Investment 20-60% shares sector ¹	13.25	18.67	24.54

¹ Source: Morningstar Direct.

The performance of the Fund is based on the published price per 'P' 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 95 and 96.

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 RISK MANAGED ACTIVE 2

ACD'S REPORT *continued*

PORTFOLIO STATEMENT

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	EQUITY PORTFOLIOS – 23.30% (31.10.20 – 23.52%)		
	CONTINENTAL EUROPE – 3.75% (31.10.20 – 3.35%)		
3,092,933	M&G (LUX) Europe Ex UK Equity ¹	3,258	1.00
4,321,198	M&G (LUX) Europe Ex UK Equity NPV ¹	4,486	1.37
184,338	M&G European Select ¹	4,533	1.38
	TOTAL CONTINENTAL EUROPE	12,277	3.75
	UNITED KINGDOM – 10.05% (31.10.20 – 8.48%)		
9,304,488	M&G (ACS) UK 200 Index ¹	10,592	3.24
9,389,847	M&G (ACS) UK All Share Index ¹	10,734	3.28
4,835,989	M&G (ACS) UK Listed Equity ¹	5,618	1.72
1,315,303	M&G (ACS) UK Listed Smaller Companies ¹	1,669	0.51
1,371,010	M&G Recovery ¹	4,242	1.30
	TOTAL UNITED KINGDOM	32,855	10.05
	ASIA EX JAPAN – 4.43% (31.10.20 – 5.10%)		
29,285	Eastspring Developed and Emerging Asia Equity	396	0.12
14,406,046	M&G Asia Pacific Ex Japan ¹	14,086	4.31
	TOTAL ASIA EX JAPAN	14,482	4.43
	JAPAN – 1.73% (31.10.20 – 1.58%)		
4,918,331	M&G (ACS) Japan Equity ¹	5,672	1.73
	TOTAL JAPAN	5,672	1.73
	NORTH AMERICA – 3.27% (31.10.20 – 3.18%)		
4,593,792	M&G (ACS) BlackRock US Equity ¹	4,867	1.49
172,919	M&G North American Value ¹	5,828	1.78
	TOTAL NORTH AMERICA	10,695	3.27

LF PRUDENTIAL RISK MANAGED ACTIVE 2

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	EMERGING MARKETS – 1.72% (31.10.20 – 1.83%)		
123,940	Eastspring Emerging Asia Equity	1,674	0.51
881,202	M&G (ACS) China ¹	803	0.25
1,088,049	M&G (ACS) China Equity ¹	982	0.30
522,919	M&G GSAM Global Emerging Markets Equity ¹	512	0.16
1,642,930	M&G Securities Mutual Fund ¹	1,652	0.50
	TOTAL EMERGING MARKETS	5,623	1.72
	TOTAL EQUITY PORTFOLIOS	81,104	24.95
	EQUITY INVESTMENT INSTRUMENTS – 2.99% (31.10.20 – 4.26%)		
584,152	BBGI ²	1,007	0.31
17,483	BH Macro ²	624	0.19
1,704,913	BioPharma Credit ²	1,205	0.37
474,050	Blue Capital Alternative Income ^{2,3}	2	–
53,654	Boussard & Gavaudan ²	1,039	0.32
629,385	DP Aircraft I ²	7	–
974,433	Ecofin US Renewables Infrastructure Trust ²	691	0.21
81,381	HarbourVest Global Private Equity ²	2,010	0.61
171,107	HgCapital ²	660	0.20
300,186	NB Distressed Debt Investment ²	124	0.04
456,739	NextEnergy Solar ²	455	0.14
20,079	Princess Private Equity ²	231	0.07
314,400	Renewables Infrastructure ²	416	0.13
488,456	Round Hill Music Royalty ²	374	0.11
839,383	SDCL Energy Efficiency Income ²	953	0.29
	TOTAL EQUITY INVESTMENT INSTRUMENTS	9,798	2.99
	PROPERTY PORTFOLIOS – 4.58% (31.10.20 – 4.07%)		
805,223	iShares UK Property	5,161	1.58
6,582,799	Legal & General UK Property	6,787	2.07
241,404	M&G Property Portfolio ¹	3,038	0.93
	TOTAL PROPERTY PORTFOLIOS	14,986	4.58

LF PRUDENTIAL RISK MANAGED ACTIVE 2

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	BOND PORTFOLIOS – 56.95% (31.10.20 – 57.73%)		
438,678	Eastspring Asian Bond	4,968	1.52
1,574,887	Eastspring Asian Local Bond	13,792	4.22
3,069,886	Eastspring US Corporate Bond	37,548	11.48
2,331,166	M&G Credit Income Investment Trust ^{1,2}	2,284	0.70
6,039,249	M&G Emerging Markets Bond ¹	6,383	1.95
202,417	M&G European Credit Investment ¹	23,577	7.21
1,770,897	M&G Global Convertibles ¹	4,641	1.42
11,209,875	M&G Global High Yield Bond ¹	16,338	4.99
17,143,574	M&G Short Dated Corporate Bond ¹	4,435	1.35
1,318,614	M&G Sterling Investment Grade Corporate Bond ¹	1,307	0.40
26,794,547	M&G Strategic Corporate Bond ¹	35,487	10.85
32,369,186	Royal London Corporate Bond	35,509	10.86
	TOTAL BOND PORTFOLIOS	186,269	56.95
	FUTURES – 0.02% (31.10.20 – (0.26)%) ⁴		
24	EURO STOXX 50 Index Futures December 2021	18	0.01
25	FTSE 100 Index Futures December 2021	49	0.01
6	FTSE China A50 Index Futures November 2021	(1)	–
65	FTSE/JSE Top 40 Futures December 2021	82	0.03
13	S&P 500 E Mini Index Futures December 2021	54	0.02
9	TOPIX Index Futures December 2021	(29)	(0.01)
65	US Treasury Note 10 Year Futures December 2021	(127)	(0.04)
	TOTAL FUTURES	46	0.02

LF PRUDENTIAL RISK MANAGED ACTIVE 2

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	Portfolio of investments ⁵	292,703	89.49
	Net other assets	34,369	10.51
	Net assets	327,072	100.00

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

¹ Related party holding (see note 12).

² Closed end fund.

³ Delisted security.

⁴ Counterparty: JPMorgan.

⁵ Includes investment liabilities.

LF PRUDENTIAL RISK MANAGED ACTIVE 2

ACD'S REPORT *continued*

SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 October 2021

Total purchases for the year £'000 (note 16)	93,653	Total sales for the year £'000 (note 16)	66,956
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
M&G Asia Pacific Ex Japan	14,194	Eastspring Developed and Emerging Asia	
FTSE 100 Index Futures March 2021	6,462	Equity	18,133
US Treasury Note 10 Year Futures March 2021	6,329	M&G UK Select	9,604
US Treasury Note 10 Year Futures December 2021	6,319	FTSE 100 Index Futures December 2020	7,144
US Treasury Note 10 Year Futures September 2021	6,304	FTSE 100 Index Futures March 2021	6,607
US Treasury Note 10 Year Futures June 2021	5,942	US Treasury Note 10 Year Futures September 2021	6,542
Eastspring US Corporate Bond	5,780	US Treasury Note 10 Year Futures March 2021	5,893
M&G (ACS) UK 200 Index	5,655	US Treasury Note 10 Year Futures June 2021	5,837
Royal London Corporate Bond	5,577	US Treasury Note 10 Year Futures December 2020	5,639
M&G Strategic Corporate Bond	5,537	LF Prudential North American QIS	5,414
		Eastspring Emerging Asia Equity	4,350

In addition to the above, purchases totalling £5,549,590,000 and sales totalling £5,552,191,000 were made in short term investments during the year.

Purchases and sales of Futures have been included at the value of their exposure and are not included in the total purchases and sales figures above.

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

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS

STATEMENT OF TOTAL RETURN

for the year ended 31 October 2021

	Notes	£'000	31.10.21 £'000	£'000	31.10.20 £'000
Income:					
Net capital gains/(losses)	3		24,199		(3,290)
Revenue	4	7,688		4,528	
Expenses	5	(1,323)		(997)	
Interest payable and similar charges	6	(7)		(7)	
Net revenue before taxation		6,358		3,524	
Taxation	7	(956)		(457)	
Net revenue after taxation			5,402		3,067
Total return before distributions			29,601		(223)
Distributions	8		(5,530)		(3,052)
Change in net assets attributable to shareholders from investment activities			24,071		(3,275)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2021

	£'000	31.10.21 £'000	£'000	31.10.20 £'000
Opening net assets attributable to shareholders		269,620		226,795
Amounts receivable on issue of shares	50,014		59,661	
Amounts payable on redemption of shares	(20,714)		(15,740)	
		29,300		43,921
Change in net assets attributable to shareholders from investment activities		24,071		(3,275)
Retained distributions on Accumulation shares		4,081		2,179
Closing net assets attributable to shareholders		327,072		269,620

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 October 2021

	Notes	31.10.21 £'000	31.10.20 £'000
ASSETS			
Fixed assets			
Investments		292,860	241,520
Current assets			
Debtors	9	9,148	2,127
Cash and cash equivalents	10	54,159	28,434
Total assets		<u>356,167</u>	<u>272,081</u>
LIABILITIES			
Investment liabilities		(157)	(701)
Provisions for liabilities		–	(5)
Creditors			
Distribution payable	11	(1,632)	(1,149)
Other creditors	11	(27,306)	(606)
Total liabilities		<u>(29,095)</u>	<u>(2,461)</u>
Net assets attributable to shareholders		<u>327,072</u>	<u>269,620</u>

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2021

1. Accounting Policies

The accounting policies described on pages 23 to 26 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 26 have been applied to the financial statements of the Fund in the current and prior year.

3. Net Capital Gains/(Losses)

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

	31.10.21 £'000	31.10.20 £'000
Non-derivative securities	20,403	(3,336)
Derivative contracts	3,720	(154)
Transaction charges	(2)	(2)
AMC rebates from underlying investments	154	142
Currency (losses)/gains	(70)	65
Broker's commission on futures	(6)	(5)
Net capital gains/(losses)	24,199	(3,290)

The net capital gains/(losses) figure includes realised gains of £10,575,000 and unrealised gains of £16,272,000 (31.10.20: includes realised gains of £1,658,000 and unrealised gains of £2,794,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

Where realised gains/losses include gains/losses arising in previous periods, a corresponding loss/gain is included in unrealised gains/losses.

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

4. Revenue

	31.10.21 £'000	31.10.20 £'000
Non-taxable dividends	1,284	1,161
Taxable dividends	1,668	6
UK property income distributions	237	263
Unfranked interest	2,675	2,371
AMC rebates from underlying investments	707	726
Revenue from tax transparent funds	1,113	–
Broker interest	4	1
Total revenue	7,688	4,528

5. Expenses

	31.10.21 £'000	31.10.20 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	1,268	968
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	23	19
Safe custody and other bank charges	9	2
	32	21
Other expenses:		
Audit fees	11	8
Expenses from tax transparent funds	12	–
	23	8
Total expenses	1,323	997

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

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

6. Interest Payable and Similar Charges

	31.10.21 £'000	31.10.20 £'000
Interest payable	5	2
Futures interest payable	2	5
Total interest payable and similar charges	7	7

7. Taxation

	31.10.21 £'000	31.10.20 £'000
a) Analysis of charge for the year		
Corporation tax	834	506
Corporation tax: adjustment in respect of prior years	97	–
Tax incurred on tax transparent funds	30	–
Current tax charge	961	506
Deferred tax – origination and reversal of timing differences (note 7c)	(5)	(49)
Total taxation (note 7b)	956	457

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%) (31.10.20: 20%). The difference is explained below:

	31.10.21 £'000	31.10.20 £'000
Net revenue before taxation	6,358	3,524
Corporation tax at 20%	1,272	705
Effects of:		
Non-taxable dividends	(474)	(232)
Capital income subject to taxation	–	(44)
Rebated capital expenses deductible for tax purposes	31	28
Corporation tax: adjustment in respect of prior years	97	–
Tax incurred on tax transparent funds	30	–
Total tax charge (note 7a)	956	457

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	31.10.21 £'000	31.10.20 £'000
c) Deferred tax		
Provision at the start of the year	5	54
Deferred tax charge in the year (note 7a)	(5)	(49)
Provision at the end of the year	—	5

8. Distributions

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

	31.10.21 £'000	31.10.20 £'000
Final	5,713	3,328
	5,713	3,328
Add: Revenue deducted on redemption of shares	149	112
Deduct: Revenue received on issue of shares	(332)	(388)
Net distribution for the year	5,530	3,052

Details of the distributions per share are set out in the table on pages 95 and 96.

	31.10.21 £'000	31.10.20 £'000
Distributions represented by:		
Net revenue after taxation	5,402	3,067
Allocations to capital:		
Tax relief from/(to) capital	128	(15)
Net distribution for the year	5,530	3,052

9. Debtors

	31.10.21 £'000	31.10.20 £'000
Amounts receivable for issue of shares	431	1,422

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	31.10.21 £'000	31.10.20 £'000
Sales awaiting settlement	6,432	–
Accrued revenue:		
Non-taxable dividends	–	6
UK property income distributions	–	21
Unfranked interest	–	16
AMC rebates from underlying investments	1,041	628
Revenue from tax transparent funds	1,205	–
	2,246	671
Taxation recoverable:		
Income tax	39	34
Total debtors	9,148	2,127

10. Cash and Cash Equivalents

	31.10.21 £'000	31.10.20 £'000
Bank balances	53,589	26,485
Margin account	570	1,949
Total cash and cash equivalents	54,159	28,434

11. Creditors

	31.10.21 £'000	31.10.20 £'000
Distribution payable	1,632	1,149
Other Creditors		
Amounts payable for redemption of shares	330	238
Purchases awaiting settlement	26,190	–

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	31.10.21 £'000	31.10.20 £'000
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	109	88
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	2	2
Safe custody and other bank charges	1	–
	3	2
Taxation payable:		
Corporation tax	618	270
Tax incurred on tax transparent funds	34	–
	652	270
Other expenses	9	8
Expenses from tax transparent funds	13	–
Total other creditors	27,306	606

12. Related Party Transactions

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

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 79 and amounts due at the year end are disclosed in notes 9 and 11.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions or its associates) held 180,893 (31.10.20: 148,984) 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 36,513,668 (31.10.20: 38,957,104) of the Fund's shares at the balance sheet date.

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

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 shareholders held in excess of 20% of the shares in issue of the Fund:

Allfunds Nominee Limited	31.79% (31.10.20: 23.83%)
Prudential plc and its associates	17.03% (31.10.20: 20.06%)

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 was as follows:

	31.10.21 £'000	31.10.20 £'000
Portfolio Manager in common	177,024	102,732
Portfolio Manager and ACD in common	—	18,085

13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.20: none).

14. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	0.74%	0.74%	0.00%
Opening shares in issue	844,034	6,091,166	46,050,671
Issues	2,573	1,041,069	2,491,774
Redemptions	(31,128)	(892,341)	(4,927,112)
Closing shares in issue	815,479	6,239,894	43,615,333

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.49%	0.49%	0.74%
Opening shares in issue	5,555,466	118,649,636	17,044,730
Issues	1,367,851	23,865,353	4,936,983
Redemptions	(525,344)	(5,696,858)	(1,467,437)
Closing shares in issue	<u>6,397,973</u>	<u>136,818,131</u>	<u>20,514,276</u>

15. Risk Management Policies

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

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

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

(A) CREDIT RISK

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

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

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

There were futures contracts held at the balance sheet date. Details of the individual contracts are disclosed separately in the Portfolio Statement and the total position by counterparty at the balance sheet date was as follows:

31.10.21 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	46	–

31.10.20 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	(8)	–
NatWest	(693)	–

(B) INTEREST RATE RISK

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

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

(C) FOREIGN CURRENCY RISK

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

Where the Fund invests in non-Sterling assets, the Portfolio Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

The table below shows the direct foreign currency risk profile:

	31.10.21 £'000	31.10.20 £'000
Currency:		
Euro currency	1,691	1,756
Japanese yen	143	(71)
South African rand	507	323
US dollars	25,225	36,112
Total foreign currency exposure	27,566	38,120
Pounds sterling	299,506	231,500
Net assets	327,072	269,620

A 5% change in the pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £1,378,000 on the net assets of the Fund (31.10.20: £1,906,000).

(D) LEVERAGE

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

As at 31.10.21, leverage under the gross method was 0.89:1 and leverage under the commitment method was 1:1 (31.10.20: 0.89:1 and 1:1 respectively).

(E) LIQUIDITY RISK

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions should insufficient cash be held at the bank to meet this obligation. The ACD monitors the liquidity profile of the Fund daily.

In assessing the liquidity profile of the Fund, the ACD assesses how much of the Fund can be realised in one and five days, under normal and stressed market conditions, and the impact this would have on the overall subsequent liquidity profile.

In assessing the liquidity of a company's shares, the ACD utilises the lower of the 5 and 20 day average market volume of that company's shares. An in depth review takes place by assessing the liquidity profile of the Fund against a 25% market participation of the average daily volume.

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

Based on this analysis 69.27% of the portfolio can be liquidated within 5 days and 70.33% within 21 working days (31.10.20: 80.14% within 5 days and 80.15% within 30 days). Given this and the ACD's understanding of the investor base, it is considered that the liquidity profile of the Fund is appropriate.

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

(F) MARKET PRICE RISK

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

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

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £14,635,000 (31.10.20: £12,041,000). A 5% decrease would have an equal and opposite effect.

(G) DERIVATIVES

The economic exposure of futures derivative contracts is equal to the market value. The value of the exposure and the related counterparty are disclosed in the Portfolio of Investments.

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

16. Portfolio Transaction Costs

31.10.21	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	904	—	—	904
Collective investment schemes	92,731	3	15	92,749
Purchases total	93,635	3	15	93,653
<i>Transaction cost % of purchases total</i>		—	0.02%	
<i>Transaction cost % of average NAV</i>		—	—	
Ordinary shares	845	—	—	845
Collective investment schemes	66,114	(3)	—	66,111
Sales total	66,959	(3)	—	66,956
<i>Transaction cost % of sales total</i>		—	—	
<i>Transaction cost % of average NAV</i>		—	—	

Average portfolio dealing spread at 31.10.21 is 0.35% (31.10.20: 0.18%).

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

31.10.20	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	810	–	2	812
Collective investment schemes	73,314	1	4	73,319
Purchases total	74,124	1	6	74,131
<i>Transaction cost % of purchases total</i>		–	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	1,193	–	–	1,193
Collective investment schemes	30,041	(1)	–	30,040
Sales total	31,234	(1)	–	31,233
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

The collective investment schemes include closed end funds.

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

17. Fair Value Hierarchy

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

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

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

Level 3: Valuation techniques using unobservable inputs (see note 1(F) of the Accounting Policies).

31.10.21	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	17,444	275,414	2	292,860
Investment liabilities	(157)	—	—	(157)

31.10.20	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	13,415	228,090	15	241,520
Investment liabilities	(701)	—	—	(701)

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE

for the year ended 31 October 2021 – 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	01.11.20
To	31.10.21

'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	2.4065	–	2.4065	1.4197
Group 2	2.2077	0.1988	2.4065	1.4197

'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	2.7195	–	2.7195	1.5874
Group 2	1.2865	1.4330	2.7195	1.5874

'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	3.3716	–	3.3716	2.3001
Group 2	2.2843	1.0873	3.3716	2.3001

'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	2.2203	–	2.2203	1.3938
Group 2	1.6112	0.6091	2.2203	1.3938

LF PRUDENTIAL RISK MANAGED ACTIVE 2
FINANCIAL STATEMENTS *continued*
DISTRIBUTION TABLE *continued*

'P' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	2.4918	–	2.4918	1.5493
Group 2	1.5256	0.9662	2.4918	1.5493

'R' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	2.4459	–	2.4459	1.4299
Group 2	1.3283	1.1176	2.4459	1.4299

LF PRUDENTIAL RISK MANAGED ACTIVE 3 ACD'S REPORT

for the year ended 31 October 2021

Investment Objective and Policy

The LF Prudential Risk Managed Active 3 ('the Fund') aims to achieve long-term (in excess of 5 years) total return (the combination of income and growth of capital) by investing in a mix of assets from around the world and aims to limit the average volatility per annum over rolling 5 year periods to 12%.

There is no guarantee the objective will be achieved over any time period and the actual volatility, at any time, may be higher or lower than 12%. Capital invested is at risk.

The Fund aims to achieve its objective through investing at least 70% in actively managed collective investment schemes. The Fund has a flexible investment approach with the freedom to invest in different types of assets to meet its objective. The Portfolio Manager will use in-depth research to forecast the expected change in value and risk of the different types of assets over a forward-looking 15-year period. This analysis is then used to work out the mix of assets (the 'target strategic asset allocation') to invest in to achieve the Fund's objective. The Portfolio Manager will review the target strategic asset allocation on an ongoing basis.

Based on the target strategic asset allocation, the Portfolio Manager constructs an actively managed portfolio to provide diversified, indirect exposure to global fixed income and variable rate assets, cash (including money market funds and near cash), equities and/or immovable property.

The Fund will be balanced between lower risk assets, such as fixed income assets and cash, and higher risk assets, such as equities. From time to time, however, the Fund may have a higher exposure to either higher risk or lower risk assets with the aim of meeting the Fund's objective. The Portfolio Manager will adjust the asset allocation on an ongoing basis to reflect changes in the target strategic asset allocation and to take advantage of tactical investment opportunities.

The Portfolio Manager will select collective investment schemes to invest in from a focused range of funds and fund management groups (which may include other funds managed by the ACD, Portfolio Manager and their associates).

The Fund may also invest directly in equities, equity related instruments (e.g. warrants), fixed income and cash or near cash. It may also invest in alternative investments (e.g. infrastructure, private equity, alternative credit and hedge funds). Derivative instruments may also be used for the purposes of efficient portfolio management.

Other Information: The Fund's objective to stay within its specified risk profile may restrict the types and proportions of the assets it holds and limit the potential gains and losses.

LF PRUDENTIAL RISK MANAGED ACTIVE 3

ACD'S REPORT *continued*

Benchmark

The Fund's comparator benchmark is the IA Mixed Investment 20-60% shares sector.

The Fund's performance may be compared against the IA Mixed Investment 20-60% shares sector. The ACD believes that this is an appropriate comparator for the Fund given the investment objective and policy of the Fund. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics.

LINK FUND SOLUTIONS LIMITED

ACD of LF Prudential Risk Managed Active 3

24 February 2022

LF PRUDENTIAL RISK MANAGED ACTIVE 3

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2021

Between 1 November 2020 to 31 October 2021 share classes R (Acc) 14.09%¹, A (Acc) 14.09%¹ and P (Acc) 14.32%¹ produced returns similar to the 13.25%² sector average for IA Mixed Investment 20-60% Shares Sector.

Market Overview

Several themes drove returns over the period in review.

Early on, US politics influenced markets with President Biden's election seen as a positive although towards the end of 2020 sentiment was dominated by positive news on COVID-19 vaccines. Pfizer's press release of better-than-expected preliminary results on its vaccine development led to one of the largest one-day rotation trades in recent times.

AstraZeneca also followed with positive news regarding its COVID-19 vaccine trials. Co-developed with Oxford University, the vaccine, which showed efficacy of up to 90% and did not require complex refrigeration.

In the early part of 2021, the major story was the activity in fixed income markets, driven by inflation concerns, as many mainstream government bonds sold off, led by US Treasuries. Investors became fearful that the US Federal Reserve may eventually have to act a lot earlier than anticipated to stifle inflation given a massive extra stimulus package, the third in the US since the pandemic.

The majority of world stockmarkets registered solid gains from March to end June, buoyed by the widespread rollout of vaccination programmes which aided the reopening of economies. Investment returns among European shares were particularly strong as vaccination take-up in the region accelerated following a slow start.

Fixed income markets were also higher in Q2 2021 as central banks dampened speculation they would be withdrawing stimulus measures soon, and many investors seemed to shrug off global inflation fears.

Global economic growth remained buoyant during the third quarter, as much of the world continued to resume economic activities following the rollout of COVID-19 vaccines internationally. While most economic data was strong, much of the developed world appears to be at or just past the peak rate of growth, according to recent global business surveys.

A difficult September caused most major stockmarkets to either fall flat or dip into negative territory for the quarter, as a variety of fears weighed on investors' minds. In China, power supply shortages and doubts over the health of the property sector upset investor appetite in the region, contributing to underperformance from emerging market shares and bonds more broadly.

Inflation remained elevated in the US, UK and some emerging market economies but was relatively more contained in other advanced economies.

¹ Source: FE Analytics.

² Source: Morningstar Direct.

LF PRUDENTIAL RISK MANAGED ACTIVE 3

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

Positioning

The portfolio manager also continued to assess markets and reposition portfolios as the teams' shorter term 'tactical' views evolve.

In May the global equity overweight position was halved. This had been equally split across US, UK, European, Japanese, Asian, and Chinese equities. The overweight positions in Asia and China were removed completely to moderate but not remove the cyclical bias.

The team retained a small overweight to Emerging Market Debt, offering superior yield relative to US Investment Grade, where they had moved underweight.

In early July, with equities having performed well and with a bit more uncertainty on the outlook for inflation and interest rates, the tactical positions across equities and fixed income were all removed. A diversifying overweight to alternatives has been maintained.

This decision also coincided with the summer trading months, which tend to see much lower volumes traded as markets pause for a holiday break.

The portfolio manager feels the Fund is well positioned to deploy capital where and when opportunities present themselves.

Outlook

The portfolio manager continues to assess the prospects for markets.

A key question that remains is whether in the face of softer growth, central banks will have the desire and the inflation leeway to continue with stimulus rather than to take steps to unwind it. The recent rise in government bond yields suggests that markets expect monetary policy to tighten sooner rather than later, but after several false dawns in recent history, investors will continue to pay attention to the volatile macro landscape for insights into the state of the global economy and to determine the actions that central banks are likely to take.

The end of September reminded us of the volatility that comes with a potential change in direction of monetary policy, but global rates are still at low absolute and accommodative levels compared to history.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

15 November 2021

LF PRUDENTIAL RISK MANAGED ACTIVE 3

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 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.

The Fund targets a risk level of 3 which is a level of risk relative to the 4 other funds in the range. The risk and reward profile scale above is calculated differently. The two measures are not comparable. The lowest number on the scale does not mean that a fund is risk free.

Currency Risk: As the Fund can be exposed to different currencies, changes in the exchange rate may decrease the value of your investment.

Credit Risk: The value of a bond may be affected by its credit rating, the lower the rating the higher the risk of the issuer not paying interest or repaying the loan.

Property Fund Investment Risk: Property funds can become illiquid increasing the risk that a position cannot be sold in a timely manner or at a reasonable price.

Counterparty Risk: The failure of a firm involved in a transaction with the Fund or providing services to the Fund may expose the Fund to financial loss.

Derivative Risk: A derivative may not perform as expected and may create losses greater than its cost.

Changes in Interest Rate Risk: A rise in interest rates generally causes bond prices to fall.

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.

LF PRUDENTIAL RISK MANAGED ACTIVE 3

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables

Where the Fund has significant investment in collective investment schemes, exchange-traded funds and similar products, the operating charges figure takes 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. Following regulatory changes, the operating charges figure also takes account of the ongoing charges incurred in closed end underlying schemes calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

'A' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	153.06	158.05	151.15
Return before operating charges*	22.62	(2.03)	11.07
Operating charges	(1.37)	(1.33)	(1.90)
Return after operating charges	21.25	(3.36)	9.17
Distributions	(2.64)	(1.63)	(2.27)
Closing net asset value per share	171.67	153.06	158.05
* after direct transaction costs of:	0.02	0.01	–

PERFORMANCE

Return after charges	13.88%	(2.13)%	6.06%
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OTHER INFORMATION

Closing net asset value (£'000)	1,578	1,337	1,543
Closing number of shares	919,435	873,634	976,520
Operating charges	0.81%	0.86%	1.22%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	177.24	164.21	163.10
Lowest share price	153.34	134.07	146.97

LF PRUDENTIAL RISK MANAGED ACTIVE 3

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	170.79	174.50	164.52
Return before operating charges*	25.24	(2.24)	12.05
Operating charges	(1.53)	(1.47)	(2.07)
Return after operating charges	23.71	(3.71)	9.98
Distributions	(2.95)	(1.80)	(2.47)
Retained distributions on accumulation shares	2.95	1.80	2.47
Closing net asset value per share	194.50	170.79	174.50
* after direct transaction costs of:	0.02	0.01	0.01

PERFORMANCE

Return after charges	13.88%	(2.13)%	6.07%
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OTHER INFORMATION

Closing net asset value (£'000)	11,635	10,299	10,992
Closing number of shares	5,982,077	6,030,148	6,299,239
Operating charges	0.81%	0.86%	1.22%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	197.69	181.23	177.45
Lowest share price	171.11	147.96	159.93

LF PRUDENTIAL RISK MANAGED ACTIVE 3

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	153.64	158.66	151.71
Return before operating charges*	22.47	(2.27)	10.89
Operating charges	(0.10)	(0.19)	(0.58)
Return after operating charges	22.37	(2.46)	10.31
Distributions	(3.67)	(2.56)	(3.36)
Closing net asset value per share	172.34	153.64	158.66
* after direct transaction costs of:	0.02	0.01	0.01

PERFORMANCE

Return after charges	14.56%	(1.55)%	6.79%
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OTHER INFORMATION

Closing net asset value (£'000)	99,078	87,171	94,549
Closing number of shares	57,491,424	56,736,598	59,593,138
Operating charges	0.06%	0.12%	0.37%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	178.81	165.05	164.55
Lowest share price	153.93	134.89	147.72

LF PRUDENTIAL RISK MANAGED ACTIVE 3

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'P' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	120.09	124.01	118.58
Return before operating charges*	17.70	(1.66)	8.62
Operating charges	(0.75)	(0.74)	(1.04)
Return after operating charges	16.95	(2.40)	7.58
Distributions	(2.34)	(1.52)	(2.15)
Closing net asset value per share	134.70	120.09	124.01
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	14.11%	(1.94)%	6.39%
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OTHER INFORMATION

Closing net asset value (£'000)	10,767	9,396	9,460
Closing number of shares	7,992,800	7,824,056	7,628,716
Operating charges	0.56%	0.61%	0.85%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	139.47	129.06	128.42
Lowest share price	120.31	105.43	115.49

LF PRUDENTIAL RISK MANAGED ACTIVE 3

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'P' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	133.80	136.42	128.23
Return before operating charges*	19.71	(1.81)	9.33
Operating charges	(0.83)	(0.81)	(1.14)
Return after operating charges	18.88	(2.62)	8.19
Distributions	(2.61)	(1.68)	(2.32)
Retained distributions on accumulation shares	2.61	1.68	2.32
Closing net asset value per share	152.68	133.80	136.42
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	14.11%	(1.92)%	6.39%
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OTHER INFORMATION

Closing net asset value (£'000)	279,782	201,851	165,983
Closing number of shares	183,243,739	150,862,344	121,667,901
Operating charges	0.56%	0.61%	0.86%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	155.32	141.93	138.83
Lowest share price	134.05	115.93	124.91

LF PRUDENTIAL RISK MANAGED ACTIVE 3

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'R' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	151.98	155.28	146.25
Return before operating charges*	22.46	(2.00)	10.69
Operating charges	(1.36)	(1.30)	(1.66)
Return after operating charges	21.10	(3.30)	9.03
Distributions	(2.62)	(1.61)	(2.35)
Retained distributions on accumulation shares	2.62	1.61	2.35
Closing net asset value per share	173.08	151.98	155.28
* after direct transaction costs of:	0.02	0.01	–

PERFORMANCE

Return after charges	13.88%	(2.13)%	6.17%
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OTHER INFORMATION

Closing net asset value (£'000)	33,308	23,967	18,384
Closing number of shares	19,243,836	15,768,869	11,839,111
Operating charges	0.81%	0.86%	1.10%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	175.99	161.34	157.96
Lowest share price	152.27	131.73	142.32

LF PRUDENTIAL RISK MANAGED ACTIVE 3

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 31 October 2021 (%)

	1 year	3 years	5 years
LF Prudential Risk Managed Active 3	14.32	20.45	27.77
IA Mixed Investment 20-60% shares sector ¹	13.25	18.67	24.54

¹ Source: Morningstar Direct.

The performance of the Fund is based on the published price per 'P' 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 130 and 131.

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 RISK MANAGED ACTIVE 3

ACD'S REPORT *continued*

PORTFOLIO STATEMENT

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	EQUITY PORTFOLIOS – 34.95% (31.10.20 – 33.89%)		
	CONTINENTAL EUROPE – 5.25% (31.10.20 – 4.88%)		
5,624,824	M&G (LUX) Europe Ex UK Equity ¹	5,925	1.36
8,921,001	M&G (LUX) Europe Ex UK Equity NPV ¹	9,262	2.12
313,344	M&G European Select ¹	7,705	1.77
	TOTAL CONTINENTAL EUROPE	22,892	5.25
	UNITED KINGDOM – 13.94% (31.10.20 – 12.20%)		
16,524,733	M&G (ACS) UK 200 Index ¹	18,812	4.31
16,705,485	M&G (ACS) UK All Share Index ¹	19,097	4.38
8,388,950	M&G (ACS) UK Listed Equity ¹	9,746	2.23
2,424,039	M&G (ACS) UK Listed Smaller Companies ¹	3,075	0.71
3,259,730	M&G Recovery ¹	10,086	2.31
	TOTAL UNITED KINGDOM	60,816	13.94
	ASIA EX JAPAN – 6.06% (31.10.20 – 6.99%)		
53,622	Eastspring Developed and Emerging Asia Equity	724	0.17
26,288,148	M&G Asia Pacific Ex Japan ¹	25,704	5.89
	TOTAL ASIA EX JAPAN	26,428	6.06
	JAPAN – 2.55% (31.10.20 – 2.40%)		
9,625,472	M&G (ACS) Japan Equity ¹	11,100	2.55
	TOTAL JAPAN	11,100	2.55
	NORTH AMERICA – 4.81% (31.10.20 – 4.83%)		
9,544,164	M&G (ACS) BlackRock US Equity ¹	10,113	2.32
322,500	M&G North American Value ¹	10,869	2.49
	TOTAL NORTH AMERICA	20,982	4.81

LF PRUDENTIAL RISK MANAGED ACTIVE 3

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	EMERGING MARKETS – 2.34% (31.10.20 – 2.59%)		
215,948	Eastspring Emerging Asia Equity	2,916	0.67
1,769,146	M&G (ACS) China ¹	1,613	0.37
1,751,426	M&G (ACS) China Equity ¹	1,581	0.36
989,403	M&G GSAM Global Emerging Markets Equity ¹	968	0.22
3,118,437	M&G Securities Mutual Fund ¹	3,137	0.72
	TOTAL EMERGING MARKETS	10,215	2.34
	TOTAL EQUITY PORTFOLIOS	152,433	34.95
	EQUITY INVESTMENT INSTRUMENTS – 3.45% (31.10.20 – 5.77%)		
879,118	BBGI ²	1,516	0.35
27,086	BH Macro ²	967	0.22
2,649,629	BioPharma Credit ²	1,872	0.43
819,485	Blue Capital Alternative Income ^{2,3}	4	–
82,718	Boussard & Gavaudan ²	1,601	0.37
1,087,483	DP Aircraft I ²	12	–
1,422,255	Ecofin US Renewables Infrastructure Trust ²	1,009	0.23
126,406	HarbourVest Global Private Equity ²	3,122	0.72
265,557	HgCapital ²	1,025	0.24
450,602	NB Distressed Debt Investment ²	186	0.04
707,212	NextEnergy Solar ²	704	0.16
31,183	Princess Private Equity ²	359	0.08
486,864	Renewables Infrastructure ²	645	0.15
56,589	Round Hill Music 'C' ²	41	0.01
703,620	Round Hill Music Royalty ²	539	0.12
1,276,772	SDCL Energy Efficiency Income ²	1,449	0.33
	TOTAL EQUITY INVESTMENT INSTRUMENTS	15,051	3.45

LF PRUDENTIAL RISK MANAGED ACTIVE 3

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	PROPERTY PORTFOLIOS – 5.42% (31.10.20 – 5.19%)		
1,145,959	iShares UK Property	7,344	1.68
11,561,951	Legal & General UK Property	11,920	2.73
348,368	M&G Property Portfolio ¹	4,385	1.01
	TOTAL PROPERTY PORTFOLIOS	23,649	5.42
	BOND PORTFOLIOS – 44.68% (31.10.20 – 46.23%)		
434,194	Eastspring Asian Bond	4,917	1.13
1,713,694	Eastspring Asian Local Bond	15,007	3.44
3,100,758	Eastspring US Corporate Bond	37,925	8.70
2,298,453	M&G Credit Income Investment Trust ^{1,2}	2,252	0.52
7,604,119	M&G Emerging Markets Bond ¹	8,037	1.84
203,492	M&G European Credit Investment ¹	23,703	5.43
1,805,067	M&G Global Convertibles ¹	4,730	1.08
14,784,089	M&G Global High Yield Bond ¹	21,548	4.94
11,706,770	M&G Short Dated Corporate Bond ¹	3,029	0.69
2,008,747	M&G Sterling Investment Corporate Bond ¹	1,991	0.46
27,044,462	M&G Strategic Corporate Bond ¹	35,818	8.21
32,751,700	Royal London Corporate Bond	35,929	8.24
	TOTAL BOND PORTFOLIOS	194,886	44.68
	FUTURES – 0.04% (31.10.20 – (0.28)%) ⁴		
32	EURO STOXX 50 Index Futures December 2021	23	0.01
39	FTSE 100 Index Futures December 2021	79	0.02
15	FTSE China A50 Index Futures November 2021	(3)	–
118	FTSE/JSE Top 40 Futures December 2021	150	0.03
17	S&P 500 E Mini Index Futures December 2021	70	0.02
10	TOPIX Index Futures December 2021	(33)	(0.01)
67	US Treasury Note 10 Year Futures December 2021	(131)	(0.03)
	TOTAL FUTURES	155	0.04

LF PRUDENTIAL RISK MANAGED ACTIVE 3

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	Portfolio of investments ⁵	386,174	88.54
	Net other assets	49,974	11.46
	Net assets	436,148	100.00

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

¹ Related party holding (see note 12).

² Closed end fund.

³ Delisted security.

⁴ Counterparty: JPMorgan.

⁵ Includes investment liabilities.

LF PRUDENTIAL RISK MANAGED ACTIVE 3

ACD'S REPORT *continued*

SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 October 2021

Total purchases for the year £'000 (note 16)	151,135	Total sales for the year £'000 (note 16)	107,407
	Cost £'000		Proceeds £'000
Major purchases		Major sales	
M&G Asia Pacific Ex Japan	25,899	Eastspring Developed and Emerging Asia Equity	32,177
M&G (ACS) UK 200 Index	9,824	M&G UK Select	16,289
M&G (ACS) UK All Share Index	9,583	FTSE 100 Index Futures December	10,427
Eastspring US Corporate Bond	8,041	LF Prudential North American QIS	9,527
FTSE 100 Index Futures March 2021	7,368	Eastspring Emerging Asia Equity	8,055
Royal London Corporate Bond	7,195	FTSE 100 Index Futures March 2021	7,663
M&G (ACS) BlackRock US Equity	6,985	US Treasury Note 10 Year Futures September 2021	6,737
M&G Strategic Corporate Bond	6,562	US Treasury Note 10 Year Futures June 2021	5,935
US Treasury Note 10 Year Futures December 2021	6,514	US Treasury Note 10 Year Futures March 2021	5,796
US Treasury Note 10 Year Futures September 2021	6,505	US Treasury Note 10 Year Futures December 2020	5,743

In addition to the above, purchases totalling £7,079,502,000 and sales totalling £7,069,706,000 were made in short term investments during the year.

Purchases and sales of Futures have been included at the value of their exposure and are not included in the total purchases and sales figures above.

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

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS

STATEMENT OF TOTAL RETURN

for the year ended 31 October 2021

	Notes	£'000	31.10.21 £'000	£'000	31.10.20 £'000
Income:					
Net capital gains/(losses)	3		40,811		(10,232)
Revenue	4	9,812		6,040	
Expenses	5	(1,638)		(1,241)	
Interest payable and similar charges	6	(4)		(11)	
Net revenue before taxation		8,170		4,788	
Taxation	7	(918)		(482)	
Net revenue after taxation			7,252		4,306
Total return before distributions			48,063		(5,926)
Distributions	8		(7,283)		(4,250)
Change in net assets attributable to shareholders from investment activities			40,780		(10,176)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2021

	£'000	31.10.21 £'000	£'000	31.10.20 £'000
Opening net assets attributable to shareholders		334,021		300,911
Amounts receivable on issue of shares	75,705		59,303	
Amounts payable on redemption of shares	(19,818)		(18,913)	
		55,887		40,390
Change in net assets attributable to shareholders from investment activities		40,780		(10,176)
Retained distributions on Accumulation shares		5,460		2,896
Closing net assets attributable to shareholders		436,148		334,021

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 October 2021

	Notes	31.10.21 £'000	31.10.20 £'000
ASSETS			
Fixed assets			
Investments		386,341	301,969
Current assets			
Debtors	9	16,437	2,047
Cash and cash equivalents	10	73,179	33,128
Total assets		<u>475,957</u>	<u>337,144</u>
LIABILITIES			
Investment liabilities		(167)	(950)
Provisions for liabilities		–	(7)
Creditors			
Distribution payable	11	(2,324)	(1,586)
Other creditors	11	(37,318)	(580)
Total liabilities		<u>(39,809)</u>	<u>(3,123)</u>
Net assets attributable to shareholders		<u>436,148</u>	<u>334,021</u>

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2021

1. Accounting Policies

The accounting policies described on pages 23 to 26 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 26 have been applied to the financial statements of the Fund in the current and prior year.

3. Net Capital Gains/(Losses)

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

	31.10.21 £'000	31.10.20 £'000
Non-derivative securities	35,528	(9,042)
Derivative contracts	5,217	(1,335)
Transaction charges	(2)	(2)
AMC rebates from underlying investments	150	147
Currency (losses)/gains	(73)	8
Broker's commission on futures	(9)	(8)
Net capital gains/(losses)	40,811	(10,232)

The net capital gains/(losses) figure includes realised gains of £17,304,000 and unrealised gains of £19,308,000 (31.10.20: includes realised gains of £420,000 and unrealised losses of £4,060,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

Where realised gains/losses include gains/losses arising in previous periods, a corresponding loss/gain is included in unrealised gains/losses.

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

4. Revenue

	31.10.21 £'000	31.10.20 £'000
Non-taxable dividends	2,109	2,098
Taxable dividends	1,604	13
UK property income distributions	397	426
Unfranked interest	2,863	2,539
AMC rebates from underlying investments	884	962
Bank interest	–	2
Revenue from tax transparent funds	1,950	–
Broker interest	5	–
Total revenue	9,812	6,040

5. Expenses

	31.10.21 £'000	31.10.20 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	1,569	1,207
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	28	24
Safe custody and other bank charges	9	2
	37	26
Other expenses:		
Audit fees	11	8
Expenses from tax transparent funds	21	–
	32	8
Total expenses	1,638	1,241

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

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

6. Interest Payable and Similar Charges

	31.10.21 £'000	31.10.20 £'000
Interest payable	4	4
Futures interest payable	–	7
Total interest payable and similar charges	4	11

7. Taxation

	31.10.21 £'000	31.10.20 £'000
a) Analysis of charge for the year		
Corporation tax	869	574
Tax incurred on tax transparent funds	56	–
Current tax charge	925	574
Deferred tax – origination and reversal of timing differences (note 7c)	(7)	(92)
Total taxation (note 7b)	918	482

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%) (31.10.20: 20%). The difference is explained below:

	31.10.21 £'000	31.10.20 £'000
Net revenue before taxation	8,170	4,788
Corporation tax at 20%	1,634	958

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	31.10.21 £'000	31.10.20 £'000
Effects of:		
Non-taxable dividends	(802)	(420)
Capital income subject to taxation	—	(85)
Rebated capital expenses deductible for tax purposes	30	29
Tax incurred on tax transparent funds	56	—
Total tax charge (note 7a)	918	482
c) Deferred tax		
Provision at the start of the year	7	99
Deferred tax charge in the year (note 7a)	(7)	(92)
Provision at the end of the year	—	7

8. Distributions

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

	31.10.21 £'000	31.10.20 £'000
Final	7,783	4,482
	7,783	4,482
Add: Revenue deducted on redemption of shares	144	156
Deduct: Revenue received on issue of shares	(644)	(388)
Net distribution for the year	7,283	4,250

Details of the distributions per share are set out in the table on pages 130 and 131.

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	31.10.21 £'000	31.10.20 £'000
Distributions represented by:		
Net revenue after taxation	7,252	4,306
Allocations to capital:		
Tax relief from/(to) capital	31	(56)
Net distribution for the year	<u>7,283</u>	<u>4,250</u>

9. Debtors

	31.10.21 £'000	31.10.20 £'000
Amounts receivable for issue of shares	1,029	1,104
Sales awaiting settlement	11,807	–
Accrued revenue:		
Non-taxable dividends	–	9
UK property income distributions	–	29
Unfranked interest	9	11
AMC rebates from underlying investments	1,331	835
Revenue from tax transparent funds	2,193	–
	<u>3,533</u>	<u>884</u>
Taxation recoverable:		
Income tax	68	59
Total debtors	<u>16,437</u>	<u>2,047</u>

10. Cash and Cash Equivalents

	31.10.21 £'000	31.10.20 £'000
Bank balances	72,419	30,539
Margin account	760	2,589
Total cash and cash equivalents	<u>73,179</u>	<u>33,128</u>

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

11. Creditors

	31.10.21 £'000	31.10.20 £'000
Distribution payable	2,324	1,586
Other Creditors		
Amounts payable for redemption of shares	209	160
Purchases awaiting settlement	36,366	–
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	139	108
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	2	2
Safe custody and other bank charges	2	–
	4	2
Taxation payable:		
Corporation tax	502	302
Expenses from tax transparent funds	24	–
	526	302
Other expenses	10	8
Tax incurred on tax transparent funds	64	–
Total other creditors	37,318	580

12. Related Party Transactions

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

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

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 114 and amounts due at the year end are disclosed in notes 9 and 11.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions or its associates) held 126,456 (31.10.20: 93,653) 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 45,376,081 (31.10.20: 45,621,611) 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:

Allfunds Nominee Limited 33.90% (31.10.20: 24.50%)

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 was as follows:

	31.10.21 £'000	31.10.20 £'000
Portfolio Manager in common	254,286	122,068
Portfolio Manager and ACD in common	—	33,895

13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.20: none).

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

14. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	0.74%	0.74%	0.00%
Opening shares in issue	873,634	6,030,148	56,736,598
Issues	79,968	652,912	5,710,345
Redemptions	(34,167)	(662,767)	(4,955,519)
Conversions	–	(38,216)	–
Closing shares in issue	<u>919,435</u>	<u>5,982,077</u>	<u>57,491,424</u>

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.49%	0.49%	0.74%
Opening shares in issue	7,824,056	150,862,344	15,768,869
Issues	1,464,355	36,176,515	5,127,400
Redemptions	(1,295,611)	(3,923,177)	(1,582,401)
Conversions	–	128,057	(70,032)
Closing shares in issue	<u>7,992,800</u>	<u>183,243,739</u>	<u>19,243,836</u>

15. Risk Management Policies

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

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

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

LF PRUDENTIAL RISK MANAGED ACTIVE 3**FINANCIAL STATEMENTS** *continued***NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 October 2021

(A) CREDIT RISK

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

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

There were futures contracts held at the balance sheet date. Details of the individual contracts are disclosed separately in the Portfolio Statement and the total position by counterparty at the balance sheet date was as follows:

31.10.21 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	155	–
31.10.20 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	(13)	–
NatWest	(937)	–

(B) INTEREST RATE RISK

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

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

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

(C) FOREIGN CURRENCY RISK

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

Where the Fund invests in non-Sterling assets, the Portfolio Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

The table below shows the foreign currency risk profile at the balance sheet date:

	31.10.21 £'000	31.10.20 £'000
Currency:		
Euro currency	2,493	2,496
Japanese yen	193	191
South African rand	320	316
US dollars	30,910	53,788
Total foreign currency exposure	33,916	56,791
Pounds sterling	402,232	277,320
Total net assets	436,148	334,021

A 5% change in the pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £1,696,000 on the net assets of the Fund (31.10.20: £2,840,000).

(D) LEVERAGE

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

As at 31.10.21, leverage under the gross method was 0.89:1 and leverage under the commitment method was 1:1 (31.10.20: 0.9:1 and 1:1 respectively).

(E) LIQUIDITY RISK

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions should insufficient cash be held at the bank to meet this obligation. The ACD monitors the liquidity profile of the Fund daily.

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

In assessing the liquidity profile of the Fund, the ACD assesses how much of the Fund can be realised in one and five days, under normal and stressed market conditions, and the impact this would have on the overall subsequent liquidity profile.

In assessing the liquidity of a company's shares, the ACD utilises the lower of the 5 and 20 day average market volume of that company's shares. An in depth review takes place by assessing the liquidity profile of the Fund against a 25% market participation of the average daily volume.

Based on this analysis 62.59% of the portfolio can be liquidated within 5 days and 63.70% within 21 working days (31.10.20: 75.79% within 5 days and 77.13% within 30 days). Given this and the ACD's understanding of the investor base, it is considered that the liquidity profile of the Fund is appropriate.

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

(F) MARKET PRICE RISK

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

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

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £19,309,000 (31.10.20: £15,051,000). A 5% decrease would have an equal and opposite effect.

(G) DERIVATIVES

The economic exposure of futures derivative contracts is equal to the market value. The value of the exposure and the related counterparty are disclosed in the Portfolio of Investments.

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

16. Portfolio Transaction Costs

31.10.21	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	1,326	–	–	1,326
Collective investment schemes	149,788	4	17	149,809
Purchases total	151,114	4	17	151,135
<i>Transaction cost % of purchases total</i>		–	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	1,109	–	–	1,109
Collective investment schemes	106,303	(5)	–	106,298
Sales total	107,412	(5)	–	107,407
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.21 is 0.45% (31.10.20: 0.24%).

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

31.10.20	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	972	–	2	974
Collective investment schemes	80,630	2	5	80,637
Purchases total	81,602	2	7	81,611
<i>Transaction cost % of purchases total</i>		–	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	1,768	(1)	–	1,767
Collective investment schemes	43,850	(1)	–	43,849
Sales total	45,618	(2)	–	45,616
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

The collective investment schemes include closed end funds.

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

17. Fair Value Hierarchy

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

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

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

Level 3: Valuation techniques using unobservable inputs (see note 1(F) of the Accounting Policies).

31.10.21	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	24,965	361,372	4	386,341
Investment liabilities	(167)	—	—	(167)

31.10.20	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	19,444	282,499	26	301,969
Investment liabilities	(950)	—	—	(950)

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE

for the year ended 31 October 2021 – 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	01.11.20
To	31.10.21

'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	2.6443	–	2.6443	1.6255
Group 2	0.3655	2.2788	2.6443	1.6255

'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	2.9482	–	2.9482	1.7995
Group 2	2.2326	0.7156	2.9482	1.7995

'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	3.6739	–	3.6739	2.5608
Group 2	1.3026	2.3713	3.6739	2.5608

'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	2.3438	–	2.3438	1.5240
Group 2	1.1664	1.1774	2.3438	1.5240

LF PRUDENTIAL RISK MANAGED ACTIVE 3
FINANCIAL STATEMENTS *continued*
DISTRIBUTION TABLE *continued*

'P' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	2.6080	–	2.6080	1.6796
Group 2	1.4754	1.1326	2.6080	1.6796

'R' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	2.6200	–	2.6200	1.6052
Group 2	1.4467	1.1733	2.6200	1.6052

LF PRUDENTIAL RISK MANAGED ACTIVE 4 ACD'S REPORT

for the year ended 31 October 2021

Investment Objective and Policy

The LF Prudential Risk Managed Active 4 ('the Fund') aims to achieve long-term (in excess of 5 years) total return (the combination of income and growth of capital) by investing in a mix of assets from around the world and aims to limit the average volatility per annum over rolling 5 year periods to 14.5%.

There is no guarantee the objective will be achieved over any time period and the actual volatility, at any time, may be higher or lower than 14.5%. Capital invested is at risk.

The Fund aims to achieve its objective through investing at least 70% in actively managed collective investment schemes. The Fund has a flexible investment approach with the freedom to invest in different types of assets to meet its objective. The Portfolio Manager will use in-depth research to forecast the expected change in value and risk of the different types of assets over a forward-looking 15-year period. This analysis is then used to work out the mix of assets (the 'target strategic asset allocation') to invest in to achieve the Fund's objective. The Portfolio Manager will review the target strategic asset allocation on an ongoing basis.

Based on the target strategic asset allocation, the Portfolio Manager constructs an actively managed portfolio to provide diversified, indirect exposure to global fixed income and variable rate assets, cash (including money market funds and near cash), equities and/or immovable property.

The Fund will have a bias towards higher risk assets, such as equities. The Portfolio Manager will adjust the asset allocation on an ongoing basis to reflect changes in the target strategic asset allocation and to take advantage of tactical investment opportunities.

The Portfolio Manager will select collective investment schemes to invest in from a focused range of funds and fund management groups (which may include other funds managed by the ACD, Portfolio Manager and their associates).

The Fund may also invest directly in equities, equity related instruments (e.g. warrants), fixed income and cash or near cash. It may also invest in alternative investments (e.g. infrastructure, private equity, alternative credit and hedge funds). Derivative instruments may also be used for the purposes of efficient portfolio management.

Other Information: The Fund's objective to stay within its specified risk profile may restrict the types and proportions of the assets it holds and limit the potential gains and losses.

LF PRUDENTIAL RISK MANAGED ACTIVE 4

ACD'S REPORT *continued*

Benchmark

The Fund's comparator benchmark is the IA Mixed Investment 40-85% shares sector.

The Fund's performance may be compared against the IA Mixed Investment 40-85% shares sector. The ACD believes that this is an appropriate comparator for the Fund given the investment objective and policy of the Fund. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics.

LINK FUND SOLUTIONS LIMITED

ACD of LF Prudential Risk Managed Active 4

24 February 2022

LF PRUDENTIAL RISK MANAGED ACTIVE 4

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2021

Between 1 November 2020 and 31 October 2021 share classes R (Acc) 18.26%¹, P (Acc) 18.59%¹ and A (Acc) 18.19%¹ produced returns behind the 19.94%² sector average for IA Mixed Investment 40-85% Shares.

Market Overview

Several themes drove returns over the period in review.

Early on, US politics influenced markets with President Biden's election seen as a positive although towards the end of 2020 sentiment was dominated by positive news on COVID-19 vaccines. Pfizer's press release of better-than-expected preliminary results on its vaccine development led to one of the largest one-day rotation trades in recent times.

AstraZeneca also followed with positive news regarding its COVID-19 vaccine trials. Co-developed with Oxford University, the vaccine, which showed efficacy of up to 90% and did not require complex refrigeration.

In the early part of 2021, the major story was the activity in fixed income markets, driven by inflation concerns, as many mainstream government bonds sold off, led by US Treasuries. Investors became fearful that the US Federal Reserve may eventually have to act a lot earlier than anticipated to stifle inflation given a massive extra stimulus package, the third in the US since the pandemic.

The majority of world stockmarkets registered solid gains from March to end June, buoyed by the widespread rollout of vaccination programmes which aided the reopening of economies. Investment returns among European shares were particularly strong as vaccination take-up in the region accelerated following a slow start.

Fixed income markets were also higher in Q2 2021 as central banks dampened speculation they would be withdrawing stimulus measures soon, and many investors seemed to shrug off global inflation fears.

Global economic growth remained buoyant during the third quarter, as much of the world continued to resume economic activities following the rollout of COVID-19 vaccines internationally. While most economic data was strong, much of the developed world appears to be at or just past the peak rate of growth, according to recent global business surveys.

A difficult September caused most major stockmarkets to either fall flat or dip into negative territory for the quarter, as a variety of fears weighed on investors' minds. In China, power supply shortages and doubts over the health of the property sector upset investor appetite in the region, contributing to underperformance from emerging market shares and bonds more broadly.

Inflation remained elevated in the US, UK and some emerging market economies but was relatively more contained in other advanced economies.

¹ Source: FE Analytics.

² Source: Morningstar Direct.

LF PRUDENTIAL RISK MANAGED ACTIVE 4

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

Positioning

The portfolio manager also continued to assess markets and reposition portfolios as the teams' shorter term 'tactical' views evolve.

In May the global equity overweight position was halved. This had been equally split across US, UK, European, Japanese, Asian, and Chinese equities. The overweight positions in Asia and China were removed completely to moderate but not remove the cyclical bias.

The team retained a small overweight to Emerging Market Debt, offering superior yield relative to US Investment Grade, where they had moved underweight.

In early July, with equities having performed well and with a bit more uncertainty on the outlook for inflation and interest rates, the tactical positions across equities and fixed income were all removed. A diversifying overweight to alternatives has been maintained.

This decision also coincided with the summer trading months, which tend to see much lower volumes traded as markets pause for a holiday break.

The portfolio manager feels the Fund is well positioned to deploy capital where and when opportunities present themselves.

Outlook

The portfolio manager continues to assess the prospects for markets.

A key question that remains is whether in the face of softer growth, central banks will have the desire and the inflation leeway to continue with stimulus rather than to take steps to unwind it. The recent rise in government bond yields suggests that markets expect monetary policy to tighten sooner rather than later, but after several false dawns in recent history, investors will continue to pay attention to the volatile macro landscape for insights into the state of the global economy and to determine the actions that central banks are likely to take.

The end of September reminded us of the volatility that comes with a potential change in direction of monetary policy, but global rates are still at low absolute and accommodative levels compared to history.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

15 November 2021

LF PRUDENTIAL RISK MANAGED ACTIVE 4

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.

During the year the indicators for the 'P' Income, 'P' Accumulation and 'R' Accumulation share classes 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.

The Fund targets a risk level of 4 which is a level of risk relative to the 4 other funds in the range. The risk and reward profile scale above is calculated differently. The two measures are not comparable. The lowest number on the scale does not mean that a fund is risk free.

Currency Risk: As the Fund can be exposed to different currencies, changes in the exchange rate may decrease the value of your investment.

Credit Risk: The value of a bond may be affected by its credit rating, the lower the rating the higher the risk of the issuer not paying interest or repaying the loan.

Property Fund Investment Risk: Property funds can become illiquid increasing the risk that a position cannot be sold in a timely manner or at a reasonable price.

Counterparty Risk: The failure of a firm involved in a transaction with the Fund or providing services to the Fund may expose the Fund to financial loss.

Derivative Risk: A derivative may not perform as expected and may create losses greater than its cost.

Changes in Interest Rate Risk: A rise in interest rates generally causes bond prices to fall.

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.

LF PRUDENTIAL RISK MANAGED ACTIVE 4

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables

Where the Fund has significant investment in collective investment schemes, exchange-traded funds and similar products, the operating charges figure takes 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. Following regulatory changes, the operating charges figure also takes account of the ongoing charges incurred in closed end underlying schemes calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

'A' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	161.71	170.37	163.16
Return before operating charges*	30.05	(5.26)	11.53
Operating charges	(1.45)	(1.41)	(2.05)
Return after operating charges	28.60	(6.67)	9.48
Distributions	(3.06)	(1.99)	(2.27)
Closing net asset value per share	187.25	161.71	170.37
* after direct transaction costs of:	0.02	0.01	0.01

PERFORMANCE

Return after charges	17.69%	(3.92)%	5.81%
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OTHER INFORMATION

Closing net asset value (£'000)	1,275	850	1,100
Closing number of shares	680,729	525,502	645,831
Operating charges	0.79%	0.86%	1.22%
Direct transaction costs	0.01%	—	—

PRICES

Highest share price	193.88	178.28	176.88
Lowest share price	162.09	140.36	157.31

LF PRUDENTIAL RISK MANAGED ACTIVE 4

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	176.36	183.56	173.48
Return before operating charges*	32.72	(5.66)	12.28
Operating charges	(1.58)	(1.54)	(2.20)
Return after operating charges	31.14	(7.20)	10.08
Distributions	(3.34)	(2.14)	(2.41)
Retained distributions on accumulation shares	3.34	2.14	2.41
Closing net asset value per share	207.50	176.36	183.56
* after direct transaction costs of:	0.02	0.01	0.01

PERFORMANCE

Return after charges	17.66%	(3.92)%	5.81%
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OTHER INFORMATION

Closing net asset value (£'000)	12,568	12,535	15,451
Closing number of shares	6,056,779	7,107,962	8,417,774
Operating charges	0.79%	0.86%	1.23%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	211.37	192.02	188.02
Lowest share price	176.78	151.23	167.29

LF PRUDENTIAL RISK MANAGED ACTIVE 4

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	162.28	170.98	163.72
Return before operating charges*	29.91	(5.52)	11.32
Operating charges	(0.09)	(0.20)	(0.63)
Return after operating charges	29.82	(5.72)	10.69
Distributions	(4.18)	(2.98)	(3.43)
Closing net asset value per share	187.92	162.28	170.98
* after direct transaction costs of:	0.02	0.01	0.01

PERFORMANCE

Return after charges	18.38%	(3.35)%	6.53%
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OTHER INFORMATION

Closing net asset value (£'000)	116,881	99,286	81,228
Closing number of shares	62,197,988	61,180,581	47,506,878
Operating charges	0.05%	0.12%	0.37%
Direct transaction costs	0.01%	—	—

PRICES

Highest share price	195.55	179.15	178.42
Lowest share price	162.68	141.18	158.09

LF PRUDENTIAL RISK MANAGED ACTIVE 4

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'P' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	122.70	129.34	123.84
Return before operating charges*	22.74	(4.84)	8.70
Operating charges	(0.75)	(0.04)	(1.10)
Return after operating charges	21.99	(4.88)	7.60
Distributions	(2.61)	(1.76)	(2.10)
Closing net asset value per share	142.08	122.70	129.34
* after direct transaction costs of:	0.01	–	–

PERFORMANCE

Return after charges	17.92%	(3.77)%	6.14%
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OTHER INFORMATION

Closing net asset value (£'000)	7,559	6,374	7,291
Closing number of shares	5,320,026	5,194,665	5,636,978
Operating charges	0.54%	0.61%	0.86%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	147.58	135.59	134.78
Lowest share price	122.99	106.62	119.52

LF PRUDENTIAL RISK MANAGED ACTIVE 4

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'P' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	135.37	140.60	132.46
Return before operating charges*	25.09	11.39	9.32
Operating charges	(0.83)	(16.62)	(1.18)
Return after operating charges	24.26	(5.23)	8.14
Distributions	(2.88)	(1.92)	(2.24)
Retained distributions on accumulation shares	2.88	1.92	2.24
Closing net asset value per share	159.63	135.37	140.60
* after direct transaction costs of:	0.01	0.09	–

PERFORMANCE

Return after charges	17.92%	(3.72)%	6.15%
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OTHER INFORMATION

Closing net asset value (£'000)	190,509	147,404	142,604
Closing number of shares	119,346,041	108,890,354	101,426,763
Operating charges	0.54%	0.61%	0.86%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	162.74	147.35	144.13
Lowest share price	135.70	115.91	127.88

LF PRUDENTIAL RISK MANAGED ACTIVE 4

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'R' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	157.06	163.45	154.31
Return before operating charges*	29.19	(5.03)	10.91
Operating charges	(1.41)	(1.36)	(1.77)
Return after operating charges	27.78	(6.39)	9.14
Distributions	(2.97)	(1.91)	(2.29)
Retained distributions on accumulation shares	2.97	1.91	2.29
Closing net asset value per share	184.84	157.06	163.45
* after direct transaction costs of:	0.02	0.01	–

PERFORMANCE

Return after charges	17.69%	(3.91)%	5.92%
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OTHER INFORMATION

Closing net asset value (£'000)	22,470	15,098	15,060
Closing number of shares	12,156,710	9,612,724	9,213,445
Operating charges	0.79%	0.86%	1.11%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	188.34	171.08	167.51
Lowest share price	157.44	134.66	148.92

LF PRUDENTIAL RISK MANAGED ACTIVE 4

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 31 October 2021 (%)

	1 year	3 years	5 years
LF Prudential Risk Managed Active 4	18.59	22.32	30.59
IA Mixed Investment 40-85% shares sector ¹	19.94	28.87	39.33

¹ Source: Morningstar Direct.

The performance of the Fund is based on the published price per 'P' 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 165 and 166.

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 RISK MANAGED ACTIVE 4

ACD'S REPORT *continued*

PORTFOLIO STATEMENT

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	EQUITY PORTFOLIOS – 46.45% (31.10.20 – 44.20%)		
	CONTINENTAL EUROPE – 7.08% (31.10.20 – 6.19%)		
6,082,023	M&G (LUX) Europe Ex UK Equity ¹	6,407	1.82
9,444,978	M&G (LUX) Europe Ex UK Equity NPV ¹	9,806	2.79
352,469	M&G European Select ¹	8,667	2.47
	TOTAL CONTINENTAL EUROPE	24,880	7.08
	UNITED KINGDOM – 18.63% (31.10.20 – 16.05%)		
18,406,242	M&G (ACS) UK 200 Index ¹	20,953	5.97
18,804,342	M&G (ACS) UK All Share Index ¹	21,496	6.12
9,374,769	M&G (ACS) UK Listed Equity ¹	10,891	3.10
2,535,371	M&G (ACS) UK Listed Smaller Companies ¹	3,216	0.92
2,860,819	M&G Recovery ¹	8,852	2.52
	TOTAL UNITED KINGDOM	65,408	18.63
	ASIA EX JAPAN – 7.93% (31.10.20 – 9.15%)		
56,499	Eastspring Developed and Emerging Asia Equity	763	0.22
27,692,629	M&G Asia Pacific Ex Japan ¹	27,077	7.71
	TOTAL ASIA EX JAPAN	27,840	7.93
	JAPAN – 3.38% (31.10.20 – 3.38%)		
10,290,550	M&G (ACS) Japan Equity ¹	11,867	3.38
	TOTAL JAPAN	11,867	3.38
	NORTH AMERICA – 6.37% (31.10.20 – 6.14%)		
10,966,242	M&G (ACS) BlackRock US Equity ¹	11,620	3.31
318,979	M&G North American Value ¹	10,750	3.06
	TOTAL NORTH AMERICA	22,370	6.37

LF PRUDENTIAL RISK MANAGED ACTIVE 4

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	EMERGING MARKETS – 3.06% (31.10.20 – 3.29%)		
226,489	Eastspring Emerging Asia Equity	2,975	0.85
1,854,751	M&G (ACS) China ¹	1,691	0.48
1,839,267	M&G (ACS) China Equity ¹	1,660	0.47
810,184	M&G GSAM Global Emerging Markets Equity ¹	793	0.23
3,593,272	M&G MFS Global Emerging Markets Equity ¹	3,614	1.03
	TOTAL EMERGING MARKETS	10,733	3.06
	TOTAL EQUITY PORTFOLIOS	163,098	16.45
	EQUITY INVESTMENT INSTRUMENTS – 3.81% (31.10.20 – 5.64%)		
799,514	BBGI ²	1,378	0.39
23,856	BH Macro ²	852	0.24
2,553,643	BioPharma Credit ²	1,635	0.48
1,093,355	Blue Capital Alternative Income ^{2,3}	5	–
74,484	Boussard & Gavaudan ²	1,416	0.40
1,064,459	DP Aircraft I ²	12	–
1,342,457	Ecofin US Renewables Infrastructure Trust ²	952	0.27
122,596	HarbourVest Global Private Equity ²	2,717	0.77
231,497	HgCapital ²	894	0.25
537,548	NB Distressed Debt Investment ²	222	0.06
627,643	NextEnergy Solar ²	625	0.18
27,164	Princess Private Equity ²	312	0.09
432,092	Renewables Infrastructure ²	572	0.16
666,411	Round Hill Music Royalty ²	510	0.15
1,211,693	SDCL Energy Efficiency Income ²	1,304	0.37
	TOTAL EQUITY INVESTMENT INSTRUMENTS	13,406	3.81
	PROPERTY PORTFOLIOS – 5.99% (31.10.20 – 5.87%)		
801,811	iShares UK Property	5,139	1.46
12,319,313	Legal & General UK Property	12,701	3.62
254,843	M&G Property Portfolio ¹	3,208	0.91
	TOTAL PROPERTY PORTFOLIOS	21,048	5.99

LF PRUDENTIAL RISK MANAGED ACTIVE 4

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	BOND PORTFOLIOS – 32.60% (31.10.20 – 33.92%)		
265,855	Eastspring Asian Bond	3,011	0.86
1,015,496	Eastspring Asian Local Bond	8,893	2.53
1,746,273	Eastspring US Corporate Bond	21,359	6.08
1,321,852	M&G Credit Income Investment Trust ¹	1,295	0.37
5,893,229	M&G Emerging Markets Bond ¹	6,228	1.77
117,298	M&G European Credit Investment ¹	13,663	3.89
1,031,212	M&G Global Convertibles ¹	2,702	0.77
10,735,002	M&G Global High Yield Bond ¹	15,646	4.46
1,556,651	M&G Sterling Investment Grade Corporate Bond ¹	1,543	0.44
15,205,121	M&G Strategic Corporate Bond ¹	20,138	5.73
18,255,247	Royal London Corporate Bond	20,026	5.70
	TOTAL BOND PORTFOLIOS	114,504	32.60
	FUTURES – 0.04% (31.10.20 – (0.41)%) ⁴		
15	S&P 500 E Mini Index Futures December 2021	62	0.02
40	US Treasury Note 10 Year Futures December 2021	(78)	(0.02)
29	FTSE 100 Index Futures December 2021	52	0.01
12	EURO STOXX 50 Index Futures December 2021	9	–
8	TOPIX Index Futures December 2021	(26)	(0.01)
123	FTSE/JSE Top 40 Futures December 2021	156	0.04
15	FTSE China A50 Index Futures November 2021	(3)	–
	TOTAL FUTURES	172	0.04

LF PRUDENTIAL RISK MANAGED ACTIVE 4

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	Portfolio of investments ⁵	312,228	88.89
	Net other assets	39,034	11.11
	Net assets	351,262	100.00

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

¹ Related party holding (see note 12).

² Closed end fund.

³ Delisted security.

⁴ Counterparty: JPMorgan.

⁵ Includes investment liabilities.

LF PRUDENTIAL RISK MANAGED ACTIVE 4

ACD'S REPORT *continued*

SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 October 2021

Total purchases for the year £'000 (note 16)	137,327	Total sales for the year £'000 (note 16)	120,191
	Cost £'000		Proceeds £'000
Major purchases		Major sales	
M&G Asia Pacific Ex Japan	27,254	Eastspring Developed and Emerging Asia Equity	35,375
M&G (ACS) UK 200 Index	11,225	M&G UK Select	18,796
M&G (ACS) UK All Share Index	11,210	FTSE 100 Index Futures March 2021	11,594
M&G (ACS) BlackRock US Equity	8,343	LF Prudential North American QIS	9,644
FTSE 100 Index Futures March 2021	8,276	FTSE 100 Index Futures March 2021	8,501
M&G UK Listed Equity	5,355	Eastspring Emerging Asia Equity	8,314
EURO STOXX 50 Index Futures June 2021	5,055	EURO STOXX 50 Index Futures June 2021	5,333
EURO STOXX 50 Index Futures March 2021	4,914	M&G Recovery	5,260
M&G (ACS) China Equity	4,876	EURO STOXX 50 Index Futures March 2021	5,135
FTSE China A50 Index Futures December 2020	4,702	EURO STOXX 50 Index Futures December 2020	5,117

In addition to the above, purchases totalling £5,933,577,000 and sales totalling £5,910,390,000 were made in short term investments during the year.

Purchases and sales of Futures have been included at the value of their exposure and are not included in the total purchases and sales figures above.

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

LF PRUDENTIAL RISK MANAGED ACTIVE 4

FINANCIAL STATEMENTS

STATEMENT OF TOTAL RETURN

for the year ended 31 October 2021

	Notes	£'000	31.10.21 £'000	£'000	31.10.20 £'000
Income:					
Net capital gains/(losses)	3		44,417		(14,721)
Revenue	4	8,276		5,336	
Expenses	5	(1,215)		(1,012)	
Interest payable and similar charges	6	(4)		(7)	
Net revenue before taxation		7,057		4,317	
Taxation	7	(762)		(297)	
Net revenue after taxation			6,295		4,020
Total return before distributions			50,712		(10,701)
Distributions	8		(6,440)		(3,944)
Change in net assets attributable to shareholders from investment activities			44,272		(14,645)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2021

	£'000	31.10.21 £'000	£'000	31.10.20 £'000
Opening net assets attributable to shareholders		281,547		262,734
Amounts receivable on issue of shares	49,592		55,028	
Amounts payable on redemption of shares	(28,144)		(23,993)	
		21,448		31,035
Change in net assets attributable to shareholders from investment activities		44,272		(14,645)
Retained distributions on Accumulation shares		3,995		2,422
Unclaimed distributions		—		1
Closing net assets attributable to shareholders		351,262		281,547

LF PRUDENTIAL RISK MANAGED ACTIVE 4
FINANCIAL STATEMENTS *continued*
BALANCE SHEET
as at 31 October 2021

	Notes	31.10.21 £'000	31.10.20 £'000
ASSETS			
Fixed assets			
Investments		312,335	252,358
Current assets			
Debtors	9	15,800	1,019
Cash and cash equivalents	10	27,417	32,051
Total assets		<u>355,552</u>	<u>285,428</u>
LIABILITIES			
Investment liabilities		(107)	(1,150)
Provisions for liabilities		–	(6)
Creditors			
Distribution payable	11	(2,760)	(1,925)
Other creditors	11	(1,423)	(800)
Total liabilities		<u>(4,290)</u>	<u>(3,881)</u>
Net assets attributable to shareholders		<u>351,262</u>	<u>281,547</u>

LF PRUDENTIAL RISK MANAGED ACTIVE 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2021

1. Accounting Policies

The accounting policies described on pages 23 to 26 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 26 have been applied to the financial statements of the Fund in the current and prior year.

3. Net Capital Gains/(Losses)

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

	31.10.21 £'000	31.10.20 £'000
Non-derivative securities	38,756	(13,445)
Derivative contracts	5,638	(1,372)
Transaction charges	(2)	(2)
AMC rebates from underlying investments	89	76
Currency (losses)/gains	(55)	29
Broker's commission on futures	(9)	(7)
Net capital gains/(losses)	44,417	(14,721)

The net capital gains/(losses) figure includes realised gains of £18,485,000 and unrealised gains of £17,374,000 (31.10.20: includes realised gains of £244,000 and unrealised losses of £8,480,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

Where realised gains/losses include gains/losses arising in previous periods, a corresponding loss/gain is included in unrealised gains/losses.

LF PRUDENTIAL RISK MANAGED ACTIVE 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

4. Revenue

	31.10.21 £'000	31.10.20 £'000
Non-taxable dividends	2,189	2,453
Taxable dividends	986	17
UK property income distributions	394	399
Unfranked interest	1,861	1,632
AMC rebates from underlying investments	697	834
Bank interest	–	1
Revenue from tax transparent funds	2,143	–
Broker interest	6	–
Total revenue	8,276	5,336

5. Expenses

	31.10.21 £'000	31.10.20 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	1,148	982
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	24	20
Safe custody and other bank charges	9	2
	33	22
Other expenses:		
Audit fees	11	8
Expenses from tax transparent funds	23	–
	34	8
Total expenses	1,215	1,012

LF PRUDENTIAL RISK MANAGED ACTIVE 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

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

6. Interest Payable and Similar Charges

	31.10.21 £'000	31.10.20 £'000
Interest payable	4	2
Future interest payable	–	5
Total interest payable and similar charges	4	7

7. Taxation

	31.10.21 £'000	31.10.20 £'000
a) Analysis of charge for the year		
Corporation tax	578	404
Corporation tax – adjustment in respect of prior years	128	–
Tax incurred on tax transparent funds	61	–
Current tax charge	767	404
Deferred tax – origination and reversal of timing differences (note 7c)	(5)	(107)
Total taxation (note 7b)	762	297

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%) (31.10.20: 20%). The difference is explained below:

	31.10.21 £'000	31.10.20 £'000
Net revenue before taxation	7,057	4,317
Corporation tax at 20%	1,411	863

LF PRUDENTIAL RISK MANAGED ACTIVE 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	31.10.21 £'000	31.10.20 £'000
Effects of:		
Non-taxable dividends	(856)	(490)
Capital income subject to taxation	–	(91)
Rebated capital expenses deductible for tax purposes	18	15
Corporation tax: adjustment in respect of prior years	128	–
Tax incurred on tax transparent funds	61	–
Total tax charge (note 7a)	<u>762</u>	<u>297</u>
c) Deferred tax		
Provision at the start of the year	6	113
Deferred tax charge in the year (note 7a)	<u>(6)</u>	<u>(107)</u>
Provision at the end of the year	<u>–</u>	<u>6</u>

8. Distributions

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

	31.10.21 £'000	31.10.20 £'000
Final	<u>6,755</u>	<u>4,347</u>
	6,755	4,347
Add: Revenue deducted on redemption of shares	224	248
Deduct: Revenue received on issue of shares	<u>(539)</u>	<u>(651)</u>
Net distribution for the year	<u>6,440</u>	<u>3,944</u>

Details of the distributions per share are set out in the table on pages 165 and 166.

LF PRUDENTIAL RISK MANAGED ACTIVE 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	31.10.21 £'000	31.10.20 £'000
Distributions represented by:		
Net revenue after taxation	6,295	4,020
Allocations to capital:		
Tax relief from/(to) capital	145	(77)
Equalisation on conversions ¹	—	1
Net distribution for the year	6,440	3,944

9. Debtors

	31.10.21 £'000	31.10.20 £'000
Amounts receivable for issue of shares	526	197
Sales awaiting settlement	11,662	—
Accrued revenue:		
Non-taxable dividends	—	6
UK property income distributions	—	22
AMC rebates from underlying investments	1,119	732
Revenue from tax transparent funds	2,422	—
	3,541	760
Taxation recoverable:		
Income tax	71	62
Total debtors	15,800	1,019

¹ Where an investor converts to a class with a higher income yield, the investor will receive an equalisation as if they had held the new class throughout the period from the last distribution to the conversion date. The yield differential at the point of conversion is an equalisation which will be offset by capital erosion for the converted investor.

LF PRUDENTIAL RISK MANAGED ACTIVE 4
FINANCIAL STATEMENTS *continued*
NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31 October 2021

10. Cash and Cash Equivalents

	31.10.21 £'000	31.10.20 £'000
Bank balances	26,828	28,722
Margin account	589	3,329
Total cash and cash equivalents	27,417	32,051

11. Creditors

	31.10.21 £'000	31.10.20 £'000
Distribution payable	2,760	1,925
Other Creditors		
Amounts payable for redemption of shares	461	496
Purchases awaiting settlement	360	–
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	98	81
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	2	2
Safe custody and other bank charges	2	–
	4	2
Taxation payable:		
Corporation tax	395	213
Tax incurred on tax transparent funds	70	–
	465	213
Other expenses	9	8

LF PRUDENTIAL RISK MANAGED ACTIVE 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	31.10.21 £'000	31.10.20 £'000
Expenses from tax transparent funds	26	–
Total other creditors	1,423	800

12. Related Party Transactions

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

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 149 and amounts due at the year end are disclosed in notes 9 and 11.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions or its associates) held 42,161 (31.10.20: 28,218) 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 39,742,656 (31.10.20: 43,200,962) 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 19.31% (31.10.20: 22.44%)

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 was as follows:

	31.10.21 £'000	31.10.20 £'000
Portfolio Manager in common	223,783	97,057
Portfolio Manager and ACD in common	–	35,548

13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.20: none).

LF PRUDENTIAL RISK MANAGED ACTIVE 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

14. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	0.74%	0.74%	0.00%
Opening shares in issue	525,502	7,107,962	61,180,581
Issues	191,243	154,612	9,465,159
Redemptions	(36,016)	(1,205,795)	(8,447,752)
Closing shares in issue	<u>680,729</u>	<u>6,056,779</u>	<u>62,197,988</u>
	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.49%	0.49%	0.74%
Opening shares in issue	5,194,665	108,890,354	9,612,724
Issues	719,070	15,920,682	3,326,530
Redemptions	(593,709)	(5,464,995)	(782,544)
Closing shares in issue	<u>5,320,026</u>	<u>119,346,041</u>	<u>12,156,710</u>

15. Risk Management Policies

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

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

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

LF PRUDENTIAL RISK MANAGED ACTIVE 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

(A) CREDIT RISK

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

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

There were futures contracts held at the balance sheet date. Details of the individual contracts are disclosed separately in the Portfolio Statement and the total position by counterparty at the balance sheet date was as follows:

31.10.21 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	172	–

31.10.20 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	(15)	–
NatWest	(1,135)	–

(B) INTEREST RATE RISK

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

LF PRUDENTIAL RISK MANAGED ACTIVE 4**FINANCIAL STATEMENTS** *continued***NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 October 2021

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

(C) FOREIGN CURRENCY RISK

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

Where the Fund invests in non-Sterling assets, the Portfolio Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

The table below shows the direct foreign currency risk profile:

	31.10.21 £'000	31.10.20 £'000
Currency:		
Euro currency	2,117	2,424
Japanese yen	171	180
South African rand	667	370
US dollars	24,983	54,533
Total foreign currency exposure	27,938	57,507
Pounds sterling	323,324	224,040
Total net assets	351,262	281,547

A 5% change in the pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £1,397,000 on the net assets of the Fund (31.10.20: £2,875,000).

(D) LEVERAGE

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

As at 31.10.21, leverage under the gross method was 0.89:1 and leverage under the commitment method was 1:1 (31.10.20: 0.89:1 and 1:1 respectively).

LF PRUDENTIAL RISK MANAGED ACTIVE 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

(E) LIQUIDITY RISK

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions should insufficient cash be held at the bank to meet this obligation. The ACD monitors the liquidity profile of the Fund daily.

In assessing the liquidity profile of the Fund, the ACD assesses how much of the Fund can be realised in one and five days, under normal and stressed market conditions, and the impact this would have on the overall subsequent liquidity profile.

In assessing the liquidity of a company's shares, the ACD utilises the lower of the 5 and 20 day average market volume of that company's shares. An in depth review takes place by assessing the liquidity profile of the Fund against a 25% market participation of the average daily volume.

Based on this analysis 55.03% of the portfolio can be liquidated within 5 days and 56.27% within 21 working days (31.10.20: 76.01% within 5 days and 76.01% within 30 days). Given this and the ACD's understanding of the investor base, it is considered that the liquidity profile of the Fund is appropriate.

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

(F) MARKET PRICE RISK

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

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

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £15,611,000 (31.10.20: £12,560,000). A 5% decrease would have an equal and opposite effect.

(G) DERIVATIVES

The economic exposure of futures derivative contracts is equal to the market value. The value of the exposure and the related counterparty are disclosed in the Portfolio of Investments.

LF PRUDENTIAL RISK MANAGED ACTIVE 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

16. Portfolio Transaction Costs

31.10.21	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	1,244	–	–	1,244
Collective investment schemes	136,068	3	12	136,083
Purchases total	<u>137,312</u>	<u>3</u>	<u>12</u>	<u>137,327</u>
<i>Transaction cost % of purchases total</i>		–	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	1,749	–	–	1,749
Collective investment schemes	118,447	(5)	–	118,442
Sales total	<u>120,196</u>	<u>(5)</u>	<u>–</u>	<u>120,191</u>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.21 is 0.57% (31.10.20: 0.30%).

LF PRUDENTIAL RISK MANAGED ACTIVE 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

31.10.20	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	875	–	2	877
Collective investment schemes	66,451	1	4	66,456
Purchases total	67,326	1	6	67,333
<i>Transaction cost % of purchases total</i>		–	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	1,607	(1)	–	1,606
Collective investment schemes	48,453	(1)	–	48,452
Sales total	50,060	(2)	–	50,058
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

The collective investment schemes include closed end funds.

LF PRUDENTIAL RISK MANAGED ACTIVE 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

17. Fair Value Hierarchy

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

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

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

Level 3: Valuation techniques using unobservable inputs (see note 1(F) of the Accounting Policies).

31.10.21	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	20,114	292,216	5	312,335
Investment liabilities	(107)	—	—	(107)

31.10.20	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	17,972	234,351	35	252,358
Investment liabilities	(1,150)	—	—	(1,150)

LF PRUDENTIAL RISK MANAGED ACTIVE 4

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE

for the year ended 31 October 2021 – 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	01.11.20
To	31.10.21

'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	3.0594	–	3.0594	1.9856
Group 2	1.1725	1.8869	3.0594	1.9856

'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	3.3372	–	3.3372	2.1393
Group 2	2.0455	1.2917	3.3372	2.1393

'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	4.1808	–	4.1808	2.9805
Group 2	0.9365	3.2443	4.1808	2.9805

'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	2.6070	–	2.6070	1.7611
Group 2	1.4730	1.1340	2.6070	1.7611

LF PRUDENTIAL RISK MANAGED ACTIVE 4
FINANCIAL STATEMENTS *continued*
DISTRIBUTION TABLE *continued*

'P' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	2.8756	–	2.8756	1.9164
Group 2	1.8160	1.0596	2.8756	1.9164

'R' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	2.9729	–	2.9729	1.9064
Group 2	1.5685	1.4044	2.9729	1.9064

LF PRUDENTIAL RISK MANAGED ACTIVE 5 ACD'S REPORT

for the year ended 31 October 2021

Investment Objective and Policy

The LF Prudential Risk Managed Active 5 ('the Fund') aims to achieve long-term (in excess of 5 years) total return (the combination of income and growth of capital) by investing in a mix of assets from around the world and aims to limit the average volatility per annum over rolling 5 year periods to 17%.

There is no guarantee the objective will be achieved over any time period and the actual volatility, at any time, may be higher or lower than 17%. Capital invested is at risk.

The Fund aims to achieve its objective through investing at least 70% in actively managed collective investment schemes. The Fund has a flexible investment approach with the freedom to invest in different types of assets to meet its objective. The Portfolio Manager will use in-depth research to forecast the expected change in value and risk of the different types of assets over a forward-looking 15-year period. This analysis is then used to work out the mix of assets (the 'target strategic asset allocation') to invest in to achieve the Fund's objective. The Portfolio Manager will review the target strategic asset allocation on an ongoing basis.

Based on the target strategic asset allocation, the Portfolio Manager constructs an actively managed portfolio to provide diversified, indirect exposure to global fixed income and variable rate assets, cash (including money market funds and near cash), equities and/or immovable property.

The Fund will have a high exposure towards higher risk assets, such as equities. The Portfolio Manager will adjust the asset allocation on an ongoing basis to reflect changes in the target strategic asset allocation and to take advantage of tactical investment opportunities.

The Portfolio Manager will select collective investment schemes to invest in from a focused range of funds and fund management groups (which may include other funds managed by the ACD, Portfolio Manager and their associates).

The Fund may also invest directly in equities, equity related instruments (e.g. warrants), fixed income and cash or near cash. It may also invest in alternative investments (e.g. infrastructure, private equity, alternative credit and hedge funds). Derivative instruments may also be used for the purposes of efficient portfolio management.

Other Information: The Fund's objective to stay within its specified risk profile may restrict the types and proportions of the assets it holds and limit the potential gains and losses.

LF PRUDENTIAL RISK MANAGED ACTIVE 5

ACD'S REPORT *continued*

Benchmark

The Fund's comparator benchmark is the IA Flexible Investment shares sector.

The Fund's performance may be compared against the IA Flexible Investment shares sector. The ACD believes that this is an appropriate comparator for the Fund given the investment objective and policy of the Fund. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics.

LINK FUND SOLUTIONS LIMITED

ACD of LF Prudential Risk Managed Active 5

24 February 2022

LF PRUDENTIAL RISK MANAGED ACTIVE 5

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2021

Between 1 November 2020 to 31 October 2021 share classes R (Acc) 21.41%¹, P (Acc) 21.67%¹ and A (Acc) 21.42%¹ produced returns ahead of the 21.06%² sector average for IA Flexible Investment Shares Sector.

Market Overview

Several themes drove returns over the period in review.

Early on, US politics influenced markets with President Biden's election seen as a positive although towards the end of 2020 sentiment was dominated by positive news on COVID-19 vaccines. Pfizer's press release of better-than-expected preliminary results on its vaccine development led to one of the largest one-day rotation trades in recent times.

AstraZeneca also followed with positive news regarding its COVID-19 vaccine trials. Co-developed with Oxford University, the vaccine, which showed efficacy of up to 90% and did not require complex refrigeration.

In the early part of 2021, the major story was the activity in fixed income markets, driven by inflation concerns, as many mainstream government bonds sold off, led by US Treasuries. Investors became fearful that the US Federal Reserve may eventually have to act a lot earlier than anticipated to stifle inflation given a massive extra stimulus package, the third in the US since the pandemic.

The majority of world stockmarkets registered solid gains from March to end June, buoyed by the widespread rollout of vaccination programmes which aided the reopening of economies. Investment returns among European shares were particularly strong as vaccination take-up in the region accelerated following a slow start.

Fixed income markets were also higher in Q2 2021 as central banks dampened speculation they would be withdrawing stimulus measures soon, and many investors seemed to shrug off global inflation fears.

Global economic growth remained buoyant during the third quarter, as much of the world continued to resume economic activities following the rollout of COVID-19 vaccines internationally. While most economic data was strong, much of the developed world appears to be at or just past the peak rate of growth, according to recent global business surveys.

A difficult September caused most major stockmarkets to either fall flat or dip into negative territory for the quarter, as a variety of fears weighed on investors' minds. In China, power supply shortages and doubts over the health of the property sector upset investor appetite in the region, contributing to underperformance from emerging market shares and bonds more broadly.

Inflation remained elevated in the US, UK and some emerging market economies but was relatively more contained in other advanced economies.

¹ Source: FE Analytics.

² Source: Morningstar Direct.

LF PRUDENTIAL RISK MANAGED ACTIVE 5

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

Positioning

The portfolio manager also continued to assess markets and reposition portfolios as the teams' shorter term 'tactical' views evolve.

In May the global equity overweight position was halved. This had been equally split across US, UK, European, Japanese, Asian, and Chinese equities. The overweight positions in Asia and China were removed completely to moderate but not remove the cyclical bias.

The team retained a small overweight to Emerging Market Debt, offering superior yield relative to US Investment Grade, where they had moved underweight.

In early July, with equities having performed well and with a bit more uncertainty on the outlook for inflation and interest rates, the tactical positions across equities and fixed income were all removed. A diversifying overweight to alternatives has been maintained.

This decision also coincided with the summer trading months, which tend to see much lower volumes traded as markets pause for a holiday break.

The portfolio manager feels the the Fund is well positioned to deploy capital where and when opportunities present themselves.

Outlook

The portfolio manager continues to assess the prospects for markets.

A key question that remains is whether in the face of softer growth, central banks will have the desire and the inflation leeway to continue with stimulus rather than to take steps to unwind it. The recent rise in government bond yields suggests that markets expect monetary policy to tighten sooner rather than later, but after several false dawns in recent history, investors will continue to pay attention to the volatile macro landscape for insights into the state of the global economy and to determine the actions that central banks are likely to take.

The end of September reminded us of the volatility that comes with a potential change in direction of monetary policy, but global rates are still at low absolute and accommodative levels compared to history.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

15 November 2021

LF PRUDENTIAL RISK MANAGED ACTIVE 5

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

The Fund targets a risk level of 5 which is a level of risk relative to the 4 other funds in the range. The risk and reward profile scale above is calculated differently. The two measures are not comparable. The lowest number on the scale does not mean that a fund is risk free.

Currency Risk: As the Fund can be exposed to different currencies, changes in the exchange rate may decrease the value of your investment.

Credit Risk: The value of a bond may be affected by its credit rating, the lower the rating the higher the risk of the issuer not paying interest or repaying the loan.

Property Fund Investment Risk: Property funds can become illiquid increasing the risk that a position cannot be sold in a timely manner or at a reasonable price.

Counterparty Risk: The failure of a firm involved in a transaction with the Fund or providing services to the Fund may expose the Fund to financial loss.

Derivative Risk: A derivative may not perform as expected and may create losses greater than its cost.

Changes in Interest Rate Risk: A rise in interest rates generally causes bond prices to fall.

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.

LF PRUDENTIAL RISK MANAGED ACTIVE 5

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables

Where the Fund has significant investment in collective investment schemes, exchange-traded funds and similar products, the operating charges figure takes 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. Following regulatory changes, the operating charges figure also takes account of the ongoing charges incurred in closed end underlying schemes calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

'A' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	172.53	185.37	177.55
Return before operating charges*	38.60	(9.05)	12.33
Operating charges	(1.69)	(1.55)	(2.29)
Return after operating charges	36.91	(10.60)	10.04
Distributions	(3.49)	(2.24)	(2.22)
Closing net asset value per share	205.95	172.53	185.37
* after direct transaction costs of:	0.02	0.01	–

PERFORMANCE

Return after charges	21.40%	(5.72)%	5.66%
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OTHER INFORMATION

Closing net asset value (£'000)	225	178	188
Closing number of shares	109,098	103,508	101,626
Operating charges	0.84%	0.87%	1.25%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	213.62	195.26	193.13
Lowest share price	173.35	148.14	170.32

LF PRUDENTIAL RISK MANAGED ACTIVE 5

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	183.77	194.90	184.46
Return before operating charges*	41.09	(9.50)	12.78
Operating charges	(1.80)	(1.63)	(2.34)
Return after operating charges	39.29	(11.13)	10.44
Distributions	(3.72)	(2.37)	(2.31)
Retained distributions on accumulation shares	3.72	2.37	2.31
Closing net asset value per share	223.06	183.77	194.90
* after direct transaction costs of:	0.02	0.01	–

PERFORMANCE

Return after charges	21.38%	(5.71)%	5.66%
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OTHER INFORMATION

Closing net asset value (£'000)	6,301	5,749	7,089
Closing number of shares	2,824,786	3,128,586	3,637,237
Operating charges	0.84%	0.87%	1.23%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	227.54	205.32	200.66
Lowest share price	184.66	155.76	177.00

LF PRUDENTIAL RISK MANAGED ACTIVE 5

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	173.24	186.17	178.30
Return before operating charges*	38.51	(9.37)	12.05
Operating charges	(0.20)	(0.23)	(0.70)
Return after operating charges	38.31	(9.60)	11.35
Distributions	(4.72)	(3.33)	(3.48)
Closing net asset value per share	206.83	173.24	186.17
* after direct transaction costs of:	0.02	0.01	–

PERFORMANCE

Return after charges	22.12%	(5.16)%	6.36%
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OTHER INFORMATION

Closing net asset value (£'000)	42,437	36,459	31,754
Closing number of shares	20,518,190	21,044,828	17,056,931
Operating charges	0.10%	0.13%	0.38%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	215.61	196.37	194.96
Lowest share price	174.09	149.13	117.29

LF PRUDENTIAL RISK MANAGED ACTIVE 5

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'P' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	124.34	133.61	127.96
Return before operating charges*	27.76	(6.59)	8.78
Operating charges	(0.86)	(0.80)	(1.15)
Return after operating charges	26.90	(7.39)	7.63
Distributions	(2.81)	(1.88)	(1.98)
Closing net asset value per share	148.43	124.34	133.61
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	21.64%	(5.53)%	5.96%
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OTHER INFORMATION

Closing net asset value (£'000)	1,575	1,664	1,882
Closing number of shares	1,061,102	1,338,103	1,408,274
Operating charges	0.59%	0.62%	0.87%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	154.50	141.06	139.56
Lowest share price	125.19	106.83	122.86

LF PRUDENTIAL RISK MANAGED ACTIVE 5

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'P' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	135.58	143.53	135.43
Return before operating charges*	30.28	(7.09)	9.32
Operating charges	(0.93)	(0.86)	(1.22)
Return after operating charges	29.35	(7.95)	8.10
Distributions	(3.07)	(2.02)	(2.10)
Retained distributions on accumulation shares	3.07	2.02	2.10
Closing net asset value per share	164.93	135.58	143.53
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	21.65%	(5.54)%	5.98%
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OTHER INFORMATION

Closing net asset value (£'000)	79,309	65,565	67,590
Closing number of shares	48,085,264	48,357,761	47,091,908
Operating charges	0.59%	0.62%	0.87%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	168.38	151.46	147.69
Lowest share price	136.44	114.78	130.08

LF PRUDENTIAL RISK MANAGED ACTIVE 5

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'R' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	161.86	171.67	162.31
Return before operating charges*	36.23	(8.37)	11.24
Operating charges	(1.59)	(1.44)	(1.88)
Return after operating charges	34.64	(9.81)	9.36
Distributions	(3.28)	(2.07)	(2.18)
Retained distributions on accumulation shares	3.28	2.07	2.18
Closing net asset value per share	196.50	161.86	171.67
* after direct transaction costs of:	0.02	0.01	–

PERFORMANCE

Return after charges	21.40%	(5.71)%	5.77%
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OTHER INFORMATION

Closing net asset value (£'000)	11,191	7,915	7,573
Closing number of shares	5,695,426	4,890,339	4,411,780
Operating charges	0.84%	0.87%	1.12%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	200.47	180.90	176.73
Lowest share price	162.71	137.19	155.85

LF PRUDENTIAL RISK MANAGED ACTIVE 5

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 31 October 2021 (%)

	1 year	3 years	5 years
LF Prudential Risk Managed Active 5	21.67	22.63	32.65
IA Flexible Investment shares sector ¹	21.06	31.24	41.83

¹ Source: Morningstar Direct.

The performance of the Fund is based on the published price per 'P' 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 200 and 201.

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 RISK MANAGED ACTIVE 5

ACD'S REPORT *continued*

PORTFOLIO STATEMENT

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	EQUITY PORTFOLIOS – 57.87% (31.10.20 – 56.88%)		
	CONTINENTAL EUROPE – 8.67% (31.10.20 – 8.36%)		
3,080,650	M&G (LUX) Europe Ex UK Equity ¹	3,245	2.30
4,520,673	M&G (LUX) Europe Ex UK Equity NPV ¹	4,693	3.33
174,434	M&G European Select ¹	4,289	3.04
	TOTAL CONTINENTAL EUROPE	12,227	8.67
	UNITED KINGDOM – 22.86% (31.10.20 – 20.20%)		
9,144,309	M&G (ACS) UK 200 Index ¹	10,410	7.38
9,337,757	M&G (ACS) UK All Share Index ¹	10,675	7.57
4,798,069	M&G (ACS) UK Listed Equity ¹	5,574	3.95
1,260,275	M&G (ACS) UK Listed Smaller Companies ¹	1,598	1.13
1,288,875	M&G Recovery ¹	3,988	2.83
	TOTAL UNITED KINGDOM	32,245	22.86
	ASIA EX JAPAN – 9.80% (31.10.20 – 11.35%)		
28,630	Eastspring Developed and Emerging Asia Equity	387	0.27
13,749,780	M&G Asia Pacific Ex Japan ¹	13,444	9.53
	TOTAL ASIA EX JAPAN	13,831	9.80
	JAPAN – 4.27% (31.10.20 – 4.36%)		
5,220,598	M&G (ACS) Japan Equity ¹	6,020	4.27
	TOTAL JAPAN	6,020	4.27
	NORTH AMERICA – 8.46% (31.10.20 – 8.49%)		
6,097,256	M&G (ACS) BlackRock US Equity ¹	6,461	4.58
162,224	M&G North American Value ¹	5,467	3.88
	TOTAL NORTH AMERICA	11,928	8.46

LF PRUDENTIAL RISK MANAGED ACTIVE 5

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	EMERGING MARKETS – 3.81% (31.10.20 – 4.12%)		
121,131	Eastspring Emerging Asia Equity	1,636	1.16
946,589	M&G (ACS) China ¹	863	0.61
938,393	M&G (ACS) China Equity ¹	847	0.60
423,885	M&G GSAM Global Emerging Markets Equity ¹	414	0.29
1,609,715	M&G MFS Global Emerging Markets Equity ¹	1,619	1.15
	TOTAL EMERGING MARKETS	5,379	3.81
	TOTAL EQUITY PORTFOLIOS	81,630	57.87
	EQUITY INVESTMENT INSTRUMENTS – 4.20% (31.10.20 – 6.29%)		
347,310	BBGI ²	599	0.42
10,519	BH Macro ²	376	0.27
1,057,940	BioPharma Credit ²	748	0.53
512,705	Blue Capital Alternative Income ^{2,3}	3	–
31,878	Boussard & Gavaudan ²	617	0.44
539,890	DP Aircraft I ²	6	–
617,136	Ecofin US Renewables Infrastructure Trust ²	438	0.31
47,674	HarbourVest Global Private Equity ²	1,178	0.84
100,516	HgCapital ²	388	0.27
247,094	NB Distressed Debt Investment ²	102	0.07
273,539	NextEnergy Solar ²	272	0.19
11,772	Princess Private Equity ²	135	0.10
188,325	Renewables Infrastructure ²	249	0.18
293,870	Round Hill Music Royalty ²	225	0.16
521,410	SDCL Energy Efficiency Income ²	592	0.42
	TOTAL EQUITY INVESTMENT INSTRUMENTS	5,928	4.20
	PROPERTY PORTFOLIOS – 6.52% (31.10.20 – 6.73%)		
227,005	iShares UK Property	1,455	1.03
5,956,235	Legal & General UK Property	6,141	4.35
127,492	M&G Property Portfolio ¹	1,604	1.14
	TOTAL PROPERTY PORTFOLIOS	9,200	6.52

LF PRUDENTIAL RISK MANAGED ACTIVE 5

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	BOND PORTFOLIOS – 20.40% (31.10.20 – 21.23%)		
75,134	Eastspring Asian Bond	851	0.60
246,195	Eastspring Asian Local Bond	2,156	1.53
405,497	Eastspring US Corporate Bond	4,960	3.52
328,082	M&G Credit Income Investment Trust ¹	322	0.23
1,930,569	M&G Emerging Markets Bond ¹	2,040	1.45
26,714	M&G European Credit Investment ¹	3,112	2.21
260,474	M&G Global Convertibles ¹	683	0.48
3,199,017	M&G Global High Yield Bond ¹	4,663	3.31
214,087	M&G Sterling Investment Grade Corporate Bond ¹	212	0.15
3,688,589	M&G Strategic Corporate Bond ¹	4,885	3.46
4,446,309	Royal London Corporate Bond	4,878	3.46
	TOTAL BOND PORTFOLIOS	28,762	20.40
	FUTURES – 0.07% (31.10.20 – (0.40)%) ⁴		
10	EURO STOXX 50 Index Futures December 2021	7	–
16	FTSE 100 Index Futures December 2021	28	0.02
7	FTSE China A50 Index Futures November 2021	(1)	–
62	FTSE/JSE Top 40 Index Futures December 2021	79	0.06
3	S&P 500 E Mini Index Futures December 2021	12	0.01
4	TOPIX Index Futures December 2021	(13)	(0.01)
10	US Treasury Note 10 Year Futures December 2021	(20)	(0.01)
	TOTAL FUTURES	92	0.07

LF PRUDENTIAL RISK MANAGED ACTIVE 5

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	Portfolio of investments ⁵	125,612	89.06
	Net other assets	15,426	10.94
	Net assets	141,038	100.00

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

¹ Related party holding (see note 12).

² Closed end fund.

³ Delisted security.

⁴ Counterparty: JPMorgan.

⁵ Includes investment liabilities.

LF PRUDENTIAL RISK MANAGED ACTIVE 5

ACD'S REPORT *continued*

SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 October 2021

Total purchases for the year £'000 (note 16)	62,334	Total sales for the year £'000 (note 16)	65,793
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
M&G Asia Pacific Ex Japan	13,533	Eastspring Developed and Emerging Asia Equity	17,916
M&G (ACS) UK 200 Index	5,552	M&G UK Select	9,791
M&G (ACS) UK All Share Index	5,536	LF Prudential North American QIS	5,996
M&G (ACS) BlackRock US Equity	4,499	FTSE 100 Index Futures December 2020	5,895
FTSE 100 Index Futures March 2021	4,009	Eastspring Emerging Asia Equity	4,377
M&G (ACS) UK Listed Equity	2,816	FTSE 100 Index Futures March 2021	4,162
FTSE 100 Index Futures June 2021	2,500	M&G Recovery	4,085
M&G (ACS) China Equity	2,368	FTSE 100 Index Futures June 2021	2,628
FTSE China A50 Index Futures December 2020	2,283	FTSE China A50 Index Futures December 2020	2,313
FTSE 100 Index Futures September 2021	2,053	FTSE China A50 Index Futures November 2020	2,288

In addition to the above, purchases totalling £2,107,207,000 and sales totalling £2,114,119,000 were made in short term investments during the year.

Purchases and sales of Futures have been included at the value of their exposure and are not included in the total purchases and sales figures above.

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

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS

STATEMENT OF TOTAL RETURN

for the year ended 31 October 2021

	Notes	£'000	31.10.21 £'000	£'000	31.10.20 £'000
Income:					
Net capital gains/(losses)	3		22,654		(8,537)
Revenue	4	3,458		2,373	
Expenses	5	(550)		(466)	
Interest payable and similar charges	6	(2)		(3)	
Net revenue before taxation		2,906		1,904	
Taxation	7	(258)		(73)	
Net revenue after taxation			2,648		1,831
Total return before distributions			25,302		(6,706)
Distributions	8		(2,727)		(1,787)
Change in net assets attributable to shareholders from investment activities			22,575		(8,493)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2021

	£'000	31.10.21 £'000	£'000	31.10.20 £'000
Opening net assets attributable to shareholders		117,530		116,076
Amounts receivable on issue of shares	16,757		20,971	
Amounts payable on redemption of shares	(17,591)		(12,178)	
		(834)		8,793
Change in net assets attributable to shareholders from investment activities		22,575		(8,493)
Retained distributions on Accumulation shares		1,767		1,154
Closing net assets attributable to shareholders		141,038		117,530

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 October 2021

	Notes	31.10.21 £'000	31.10.20 £'000
ASSETS			
Fixed assets			
Investments		125,646	107,105
Current assets			
Debtors	9	7,700	515
Cash and cash equivalents	10	17,785	11,793
Total assets		<u>151,131</u>	<u>119,413</u>
LIABILITIES			
Investment liabilities		(34)	(474)
Provisions for liabilities		–	(3)
Creditors			
Distribution payable	11	(1,003)	(729)
Other creditors	11	(9,056)	(677)
Total liabilities		<u>(10,093)</u>	<u>(1,883)</u>
Net assets attributable to shareholders		<u>141,038</u>	<u>117,530</u>

LF PRUDENTIAL RISK MANAGED ACTIVE 5 **FINANCIAL STATEMENTS** *continued* **NOTES TO THE FINANCIAL STATEMENTS** for the year ended 31 October 2021

1. Accounting Policies

The accounting policies described on pages 23 to 26 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 26 have been applied to the financial statements of the Fund in the current and prior year.

3. Net Capital Gains/(Losses)

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

	31.10.21 £'000	31.10.20 £'000
Non-derivative securities	20,377	(7,904)
Derivative contracts	2,308	(631)
Transaction charges	(2)	(2)
AMC rebates from underlying investments	24	24
Currency losses	(49)	(24)
Broker's commission on futures	(4)	–
Net capital gains/(losses)	22,654	(8,537)

The net capital gains/(losses) figure includes realised gains of £9,585,000 and unrealised gains of £7,382,000 (31.10.20: includes realised losses of £369,000 and unrealised losses of £5,669,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

Where realised gains/losses include gains/losses arising in previous periods, a corresponding loss/gain is included in unrealised gains/losses.

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

4. Revenue

	31.10.21 £'000	31.10.20 £'000
Non-taxable dividends	1,110	1,319
Taxable dividends	252	9
UK property income distributions	192	196
Unfranked interest	538	484
AMC rebates from underlying investments	272	365
Revenue from tax transparent funds	1,091	–
Broker interest	3	–
Total revenue	3,458	2,373

5. Expenses

	31.10.21 £'000	31.10.20 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	507	446
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	12	10
Safe custody and other bank charges	8	2
	20	12
Other expenses:		
Audit fees	11	8
Expenses from tax transparent funds	12	–
	23	8
Total expenses	550	466

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

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

6. Interest Payable and Similar Charges

	31.10.21 £'000	31.10.20 £'000
Interest payable	2	1
Future interest payable	–	2
Total interest payable and similar charges	2	3

7. Taxation

	31.10.21 £'000	31.10.20 £'000
a) Analysis of charge for the year		
Corporation tax	154	131
Adjustments in respect of prior periods	75	–
Tax incurred on tax transparent funds	32	–
Current tax charge	261	131
Deferred tax – origination and reversal of timing differences (note 7c)	(3)	(58)
Total taxation (note 7b)	258	73

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%) (31.10.20: 20%). The difference is explained below:

	31.10.21 £'000	31.10.20 £'000
Net revenue before taxation	2,906	1,904
Corporation tax at 20%	581	381
Effects of:		
Non-taxable dividends	(435)	(264)
Rebated capital expenses deductible for tax purposes	5	(49)
Tax incurred on tax transparent funds	32	5
Corporation tax: adjustment in respect of prior years	75	–
Total tax charge (note 7a)	258	73

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	31.10.21 £'000	31.10.20 £'000
c) Deferred tax		
Provision at the start of the year	3	61
Deferred tax charge in the year (note 7a)	(3)	(58)
Provision at the end of the year	—	3

8. Distributions

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

	31.10.21 £'000	31.10.20 £'000
Final	2,770	1,883
	2,770	1,883
Add: Revenue deducted on redemption of shares	129	121
Deduct: Revenue received on issue of shares	(172)	(217)
Net distribution for the year	2,727	1,787

Details of the distributions per share are set out in the table on pages 200 and 201.

	31.10.21 £'000	31.10.20 £'000
Distributions represented by:		
Net revenue after taxation	2,648	1,831
Allocations to capital:		
Tax relief from/(to) capital	79	(44)
Net distribution for the year	2,727	1,787

9. Debtors

	31.10.21 £'000	31.10.20 £'000
Amounts receivable for issue of shares	265	148

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	31.10.21 £'000	31.10.20 £'000
Sales awaiting settlement	5,715	–
Accrued revenue:		
Non-taxable dividends	–	3
UK property income distributions	–	11
AMC rebates from underlying investments	472	323
Revenue from tax transparent funds	1,214	–
	1,686	337
Taxation recoverable:		
Income tax	34	30
Total debtors	7,700	515

10. Cash and Cash Equivalents

	31.10.21 £'000	31.10.20 £'000
Bank balances	17,525	10,453
Margin account	260	1,340
Total cash and cash equivalents	17,785	11,793

11. Creditors

	31.10.21 £'000	31.10.20 £'000
Distribution payable	1,003	729
Other Creditors		
Amounts payable for redemption of shares	282	558
Purchases awaiting settlement	8,562	–

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	31.10.21 £'000	31.10.20 £'000
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	42	37
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	1	1
Safe custody and other bank charges	1	–
	2	1
Taxation payable:		
Corporation tax	110	73
Tax incurred on tax transparent funds	35	–
	145	73
Other expenses	10	8
Expenses from tax transparent funds	13	–
Total other creditors	9,056	677

12. Related Party Transactions

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

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 184 and amounts due at the year end are disclosed in notes 9 and 11.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions or its associates) held 360,195 (31.10.20: 296,044) of the Fund's shares at the balance sheet date.

M&G Investment Management Limited and its associates (including other authorised investment funds managed by M&G Investment Management Limited) held 12,023,814 (31.10.20: 12,805,378) of the Fund's shares at the balance sheet date.

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

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:

Allfunds Nominee Limited 24.17% (31.10.20: 22.79%)

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 was as follows:

	31.10.21 £'000	31.10.20 £'000
Portfolio Manager in common	97,128	39,252
Portfolio Manager and ACD in common	—	19,368

13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.20: none).

14. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	0.74%	0.74%	0.00%
Opening shares in issue	103,508	3,128,586	21,044,828
Issues	8,458	297,874	2,855,760
Redemptions	(2,868)	(601,674)	(3,382,398)
Closing shares in issue	109,098	2,824,786	20,518,190

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.49%	0.49%	0.74%
Opening shares in issue	1,338,103	48,357,761	4,890,339
Issues	96,055	4,987,070	1,169,914
Redemptions	(373,056)	(5,259,567)	(364,827)
Closing shares in issue	1,061,102	48,085,264	5,695,426

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

15. Risk Management Policies

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

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

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

(A) CREDIT RISK

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

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

There were futures contracts held at the balance sheet date. Details of the individual contracts are disclosed separately in the Portfolio Statement and the total position by counterparty at the balance sheet date was as follows:

31.10.21 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	92	—

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

31.10.20 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	(7)	–
NatWest	(467)	–

(B) INTEREST RATE RISK

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

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

(C) FOREIGN CURRENCY RISK

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

Where the Fund invests in non-Sterling assets, the Portfolio Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

The table below shows the direct foreign currency risk profile:

	31.10.21 £'000	31.10.20 £'000
Currency:		
Euro currency	940	1,088
Japanese yen	85	56
South African rand	160	195
US dollar	10,146	26,453
Total foreign currency exposure	11,331	27,792
Pounds sterling	129,707	89,738
Net assets	141,038	117,530

A 5% change in the pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £567,000 on the net assets of the Fund (31.10.20: £1,390,000).

(D) LEVERAGE

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

As at 31.10.21, leverage under the gross method was 0.89:1 and leverage under the commitment method was 1:1 (31.10.20: 0.91:1 and 1:1 respectively).

(E) LIQUIDITY RISK

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions should insufficient cash be held at the bank to meet this obligation. The ACD monitors the liquidity profile of the Fund daily.

In assessing the liquidity profile of the Fund, the ACD assesses how much of the Fund can be realised in one and five days, under normal and stressed market conditions, and the impact this would have on the overall subsequent liquidity profile.

In assessing the liquidity of a company's shares, the ACD utilises the lower of the 5 and 20 day average market volume of that company's shares. An in depth review takes place by assessing the liquidity profile of the Fund against a 25% market participation of the average daily volume.

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

Based on this analysis 48.97% of the portfolio can be liquidated within 5 days and 49.73% within 21 working days (31.10.20: 73.31% within 5 days and 74.15% within 30 days). Given this and the ACD's understanding of the investor base, it is considered that the liquidity profile of the Fund is appropriate.

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

(F) MARKET PRICE RISK

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

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

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £6,281,000 (31.10.20: £5,332,000). A 5% decrease would have an equal and opposite effect.

(G) DERIVATIVES

The economic exposure of futures derivative contracts is equal to the market value. The value of the exposure and the related counterparty are disclosed in the Portfolio of Investments.

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

16. Portfolio Transaction Costs

31.10.21	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	573	–	–	573
Collective investment schemes	61,756	1	4	61,761
Purchases total	62,329	1	4	62,334
<i>Transaction cost % of purchases total</i>		–	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	544	–	–	544
Collective investment schemes	65,251	(2)	–	65,249
Sales total	65,795	(2)	–	65,793
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.21 is 0.69% (31.10.20: 0.34%).

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

31.10.20	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	367	–	1	368
Collective investment schemes	24,292	–	2	24,294
Purchases total	24,659	–	3	24,662
<i>Transaction cost % of purchases total</i>		–	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	713	–	–	713
Collective investment schemes	19,881	(1)	–	19,880
Sales total	20,594	(1)	–	20,593
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

The collective investment schemes include closed end funds.

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

17. Fair Value Hierarchy

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

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

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

Level 3: Valuation techniques using unobservable inputs (see note 1(F) of the Accounting Policies).

31.10.21	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	7,828	117,815	3	125,646
Investment liabilities	(34)	—	—	(34)

31.10.20	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	8,275	98,813	17	107,105
Investment liabilities	(474)	—	—	(474)

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE

for the year ended 31 October 2021 – 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	01.11.20
To	31.10.21

'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	3.4936	–	3.4936	2.2386
Group 2	1.8445	1.6491	3.4936	2.2386

'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	3.7214	–	3.7214	2.3678
Group 2	3.3473	0.3741	3.7214	2.3678

'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	4.7231	–	4.7231	3.3312
Group 2	1.4301	3.2930	4.7231	3.3312

'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	2.8145	–	2.8145	1.8833
Group 2	1.2035	1.6110	2.8145	1.8833

LF PRUDENTIAL RISK MANAGED ACTIVE 5
FINANCIAL STATEMENTS *continued*
DISTRIBUTION TABLE *continued*

'P' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	3.0683	–	3.0683	2.0239
Group 2	1.8931	1.1752	3.0683	2.0239

'R' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	3.2782	–	3.2782	2.0722
Group 2	2.1724	1.1058	3.2782	2.0722

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1 ACD'S REPORT

for the year ended 31 October 2021

Investment Objective and Policy

The LF Prudential Risk Managed Passive Fund 1 ('the Fund') aims to achieve long-term (in excess of 5 years) total return (the combination of income and growth of capital) by investing in a mix of assets from around the world and aims to limit the average volatility per annum over rolling 5 year periods to 9%.

There is no guarantee the objective will be achieved over any time period and the actual volatility, at any time, may be higher or lower than 9%. Capital invested is at risk.

The Fund aims to achieve its objective through investing at least 70% in passive collective investment schemes (e.g. funds which track an index). The Fund has a flexible investment approach with the freedom to invest in different types of assets to meet its objective. The Portfolio Manager will use in-depth research to forecast the expected change in value and risk of the different types of assets over a forward-looking 15-year period. This analysis is then used to work out the mix of assets (the 'target strategic asset allocation') to invest in to achieve the Fund's objective. The Portfolio Manager will review the target strategic asset allocation on an ongoing basis.

Based on the target strategic asset allocation, the Portfolio Manager constructs an actively managed portfolio to provide diversified, indirect exposure to global fixed income and variable rate assets, cash (including money market funds and near cash), equities and/or immovable property.

The Fund will have a high exposure to lower risk assets such as fixed income assets and cash. The Portfolio Manager will adjust the asset allocation on an ongoing basis to reflect changes in the target strategic asset allocation and to take advantage of tactical investment opportunities.

The Portfolio Manager will select collective investment schemes to invest in from a focused range of funds and fund management groups (which may include other funds managed by the ACD, Portfolio Manager and their associates).

The Fund may also invest directly in equities, equity related instruments (e.g. warrants), fixed income and cash or near cash. It may also invest in alternative investments (e.g. infrastructure, private equity, alternative credit and hedge funds). Derivative instruments may also be used for the purposes of efficient portfolio management.

Other Information: The Fund's objective to stay within its specified risk profile may restrict the types and proportions of the assets it holds and limit the potential gains and losses.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

ACD'S REPORT *continued*

Benchmark

The Fund's comparator benchmark is the IA Mixed Investment 0-35% shares sector.

The Fund's performance may be compared against the IA Mixed Investment 0-35% shares sector. The ACD believes that this is an appropriate comparator for the Fund given the investment objective and policy of the Fund. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics.

LINK FUND SOLUTIONS LIMITED

ACD of LF Prudential Risk Managed Passive Fund 1

24 February 2022

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2021

Between 1 November 2020 and 31 October 2021 share classes R (Acc) 5.71%¹, A (Acc) 5.61%¹ and P (Acc) 6.02%¹ produced returns behind the sector average return of 6.76%² for IA Mixed Investment 0-35% Shares Sector.

Market Overview

Several themes drove returns over the period in review.

Early on, US politics influenced markets with President Biden's election seen as a positive although towards the end of 2020 sentiment was dominated by positive news on COVID-19 vaccines. Pfizer's press release of better-than-expected preliminary results on its vaccine development led to one of the largest one-day rotation trades in recent times.

AstraZeneca also followed with positive news regarding its COVID-19 vaccine trials. Co-developed with Oxford University, the vaccine, which showed efficacy of up to 90% and did not require complex refrigeration.

In the early part of 2021, the major story was the activity in fixed income markets, driven by inflation concerns, as many mainstream government bonds sold off, led by US Treasuries. Investors became fearful that the US Federal Reserve may eventually have to act a lot earlier than anticipated to stifle inflation given a massive extra stimulus package, the third in the US since the pandemic.

The majority of world stockmarkets registered solid gains from March to end June, buoyed by the widespread rollout of vaccination programmes which aided the reopening of economies. Investment returns among European shares were particularly strong as vaccination take-up in the region accelerated following a slow start.

Fixed income markets were also higher in Q2 2021 as central banks dampened speculation they would be withdrawing stimulus measures soon, and many investors seemed to shrug off global inflation fears.

Global economic growth remained buoyant during the third quarter, as much of the world continued to resume economic activities following the rollout of COVID-19 vaccines internationally. While most economic data was strong, much of the developed world appears to be at or just past the peak rate of growth, according to recent global business surveys.

A difficult September caused most major stockmarkets to either fall flat or dip into negative territory for the quarter, as a variety of fears weighed on investors' minds. In China, power supply shortages and doubts over the health of the property sector upset investor appetite in the region, contributing to underperformance from emerging market shares and bonds more broadly.

Inflation remained elevated in the US, UK and some emerging market economies but was relatively more contained in other advanced economies.

¹ Source: FE Analytics.

² Source: Morningstar Direct.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

Positioning

The portfolio manager also continued to assess markets and reposition portfolios as the teams' shorter term 'tactical' views evolve.

In May the global equity overweight position was halved. This had been equally split across US, UK, European, Japanese, Asian, and Chinese equities. The overweight positions in Asia and China were removed completely to moderate but not remove the cyclical bias.

The team retained a small overweight to Emerging Market Debt, offering superior yield relative to US Investment Grade, where they had moved underweight.

In early July, with equities having performed well and with a bit more uncertainty on the outlook for inflation and interest rates, the tactical positions across equities and fixed income were all removed. A diversifying overweight to alternatives has been maintained.

This decision also coincided with the summer trading months, which tend to see much lower volumes traded as markets pause for a holiday break.

The portfolio manager feels the Fund is well positioned to deploy capital where and when opportunities present themselves.

Outlook

The portfolio manager continues to assess the prospects for markets.

A key question that remains is whether in the face of softer growth, central banks will have the desire and the inflation leeway to continue with stimulus rather than to take steps to unwind it. The recent rise in government bond yields suggests that markets expect monetary policy to tighten sooner rather than later, but after several false dawns in recent history, investors will continue to pay attention to the volatile macro landscape for insights into the state of the global economy and to determine the actions that central banks are likely to take.

The end of September reminded us of the volatility that comes with a potential change in direction of monetary policy, but global rates are still at low absolute and accommodative levels compared to history.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

15 November 2021

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

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 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.

The Fund targets a risk level of 1 which is a level of risk relative to the 4 other funds in the range. The risk and reward profile scale above is calculated differently. The two measures are not comparable. The lowest number on the scale does not mean that a fund is risk free.

Currency Risk: As the Fund can be exposed to different currencies, changes in exchange rates may decrease the value of your investment.

Credit Risk: The value of a bond may be affected by its credit rating, the lower the rating the higher the risk of the issuer not paying interest or repaying the loan.

Property Fund Investment Risk: Property funds can become illiquid increasing the risk that a position cannot be sold in a timely manner or at a reasonable price.

Counterparty Risk: The failure of a firm involved in a transaction with the Fund or providing services to the Fund may expose the Fund to financial loss.

Derivatives Risk: A derivative may not perform as expected and may create losses greater than its cost.

Changes in Interest Rate Risk: A rise in interest rates generally causes bond prices to fall.

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.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables

Where the Fund has significant investment in collective investment schemes, exchange-traded funds and similar products, the operating charges figure takes 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. Following regulatory changes, the operating charges figure also takes account of the ongoing charges incurred in closed end underlying schemes calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

'A' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	142.33	140.42	135.22
Return before operating charges*	8.67	4.37	8.84
Operating charges	(0.80)	(0.79)	(1.07)
Return after operating charges	(0.82)	3.58	7.77
Distributions	(1.60)	(1.67)	(2.57)
Closing net asset value per share	148.60	142.33	140.42
* after direct transaction costs of:	0.01	–	–

PERFORMANCE

Return after charges	5.53%	2.55%	5.75%
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OTHER INFORMATION

Closing net asset value (£'000)	192	190	185
Closing number of shares	129,070	133,580	131,409
Operating charges	0.54%	0.56%	0.77%
Direct transaction costs	–	–	–

PRICES

Highest share price	153.24	147.59	146.49
Lowest share price	142.89	125.95	132.18

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	183.43	178.90	169.24
Return before operating charges*	11.18	5.54	10.98
Operating charges	(1.04)	(1.01)	(1.32)
Return after operating charges	10.14	4.53	9.66
Distributions	(2.06)	(2.12)	(3.19)
Retained distributions on accumulation shares	2.06	2.12	3.19
Closing net asset value per share	193.57	183.43	178.90
* after direct transaction costs of:	0.01	–	–

PERFORMANCE

Return after charges	5.53%	2.53%	5.71%
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OTHER INFORMATION

Closing net asset value (£'000)	8,917	8,072	7,638
Closing number of shares	4,606,630	4,400,650	4,269,527
Operating charges	0.54%	0.56%	0.76%
Direct transaction costs	–	–	–

PRICES

Highest share price	197.38	187.96	183.26
Lowest share price	184.14	160.48	165.73

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	142.49	140.57	135.37
Return before operating charges*	8.69	4.39	8.81
Operating charges	(0.09)	(0.11)	(0.11)
Return after operating charges	8.60	4.28	8.70
Distributions	(2.33)	(2.36)	(3.50)
Closing net asset value per share	148.76	142.49	140.57
* after direct transaction costs of:	0.01	—	—

PERFORMANCE

Return after charges	6.04%	3.05%	6.43%
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OTHER INFORMATION

Closing net asset value (£'000)	142,839	146,566	150,260
Closing number of shares	96,017,352	102,860,648	106,894,445
Operating charges	0.06%	0.08%	0.08%
Direct transaction costs	—	—	—

PRICES

Highest share price	154.05	148.37	147.47
Lowest share price	143.06	126.35	132.60

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'P' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	115.56	113.99	109.78
Return before operating charges*	7.06	3.57	7.57
Operating charges	(0.36)	(0.36)	(0.88)
Return after operating charges	6.70	3.21	6.69
Distributions	(1.61)	(1.64)	(2.48)
Closing net asset value per share	120.65	115.56	113.99
* after direct transaction costs of:	—	—	—

PERFORMANCE

Return after charges	5.80%	2.82%	6.10%
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OTHER INFORMATION

Closing net asset value (£'000)	9,909	7,584	6,937
Closing number of shares	8,212,970	6,563,274	6,085,800
Operating charges	0.30%	0.31%	0.39%
Direct transaction costs	—	—	—

PRICES

Highest share price	124.82	120.21	119.42
Lowest share price	116.15	102.36	107.43

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'P' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	134.44	130.77	123.25
Return before operating charges*	8.21	4.08	8.02
Operating charges	(0.42)	(0.41)	(0.50)
Return after operating charges	7.79	3.67	7.52
Distributions	(1.87)	(1.87)	(2.79)
Retained distributions on accumulation shares	1.87	1.87	2.79
Closing net asset value per share	142.23	134.44	130.77
* after direct transaction costs of:	0.01	—	—

PERFORMANCE

Return after charges	5.79%	2.81%	6.10%
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OTHER INFORMATION

Closing net asset value (£'000)	169,829	127,914	102,315
Closing number of shares	119,408,070	95,148,111	78,241,121
Operating charges	0.30%	0.31%	0.39%
Direct transaction costs	—	—	—

PRICES

Highest share price	145.13	137.85	134.02
Lowest share price	135.11	117.42	120.85

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'R' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	147.10	143.45	135.54
Return before operating charges*	8.97	4.46	8.79
Operating charges	(0.83)	(0.81)	(0.88)
Return after operating charges	8.14	3.65	7.91
Distributions	(1.66)	(1.71)	(2.72)
Retained distributions on accumulation shares	1.66	1.71	2.72
Closing net asset value per share	155.24	147.10	143.45
* after direct transaction costs of:	0.01	—	—

PERFORMANCE

Return after charges	5.53%	2.54%	5.84%
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OTHER INFORMATION

Closing net asset value (£'000)	25,175	20,997	20,852
Closing number of shares	16,217,243	14,273,782	14,536,443
Operating charges	0.54%	0.56%	0.63%
Direct transaction costs	—	—	—

PRICES

Highest share price	158.39	150.81	147.04
Lowest share price	147.77	128.69	132.83

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 31 October 2021 (%)

	1 year	3 years	5 years
LF Prudential Risk Managed Passive Fund 1	6.02	16.14	22.29
IA Mixed Investment 0-35% shares sector ¹	6.76	13.56	16.71

¹ Source: Morningstar Direct.

The performance of the Fund is based on the published price per 'P' 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 233 and 234.

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 RISK MANAGED PASSIVE FUND 1

ACD'S REPORT *continued*

PORTFOLIO STATEMENT

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	EQUITY PORTFOLIOS – 21.62% (31.10.20 – 20.31%)		
	CONTINENTAL EUROPE – 3.10% (31.10.20 – 2.71%)		
3,148,003	Legal & General European Index	11,034	3.10
	TOTAL CONTINENTAL EUROPE	11,034	3.10
	UNITED KINGDOM – 8.25% (31.10.20 – 7.49%)		
10,940,161	iShares UK Equity Index	21,869	6.13
4,626,035	Legal & General UK Index	7,568	2.12
	TOTAL UNITED KINGDOM	29,437	8.25
	ASIA EX JAPAN – 3.99% (31.10.20 – 4.24%)		
6,117,039	iShares Pacific ex Japan Equity Index	14,234	3.99
	TOTAL ASIA EX JAPAN	14,234	3.99
	JAPAN – 1.62% (31.10.20 – 1.59%)		
2,315,309	iShares Japan Equity Index	5,788	1.62
	TOTAL JAPAN	5,788	1.62
	NORTH AMERICA – 2.72% (31.10.20 – 2.81%)		
2,190,888	iShares US Equity Index	9,714	2.72
1,000	M&G (ACS) BlackRock US Equity ¹	1	–
	TOTAL NORTH AMERICA	9,714	2.72
	EMERGING MARKETS – 1.94% (31.10.20 – 1.47%)		
2,877,090	iShares Emerging Markets Equity Index	5,294	1.49
799,396	M&G (ACS) China ¹	729	0.20
988,619	M&G (ACS) China Equity ¹	892	0.25
	TOTAL EMERGING MARKETS	6,915	1.94
	TOTAL EQUITY PORTFOLIOS	77,122	21.62

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	EQUITY INVESTMENT INSTRUMENTS – 1.64% (31.10.20 – 2.44%)		
354,147	BBGI ²	611	0.17
9,823	BH Macro ²	351	0.10
1,047,102	BioPharma Credit ²	740	0.21
460,040	Blue Capital Alternative Income ^{2,3}	2	–
31,863	Boussard & Gavaudan ²	617	0.17
506,848	DP Aircraft I ²	6	–
631,755	Ecofin US Renewables Infrastructure Trust ²	448	0.13
48,038	HarbourVest Global Private Equity ²	1,187	0.33
94,752	HgCapital ²	366	0.10
266,337	NB Distressed Debt Investment ²	110	0.03
260,406	NextEnergy Solar ²	259	0.07
11,082	Princess Private Equity ²	127	0.04
179,317	Renewables Infrastructure ²	237	0.07
275,694	Round Hill Music Royalty ²	211	0.06
510,219	SDCL Energy Efficiency Income ²	579	0.16
	TOTAL EQUITY INVESTMENT INSTRUMENTS	5,852	1.64
	PROPERTY PORTFOLIOS – 0.00% (31.10.20 – 0.49%)	–	–
	BOND PORTFOLIOS – 67.03% (31.10.20 – 69.93%)		
57,944,743	iShares Corporate Bond Index	92,480	25.91
2,752,760	iShares Euro Investment Grade Corporate Bond Index	29,909	8.38
6,372,904	iShares US Corporate Bond Index	60,487	16.95
1,661,857	iShares USD Treasury Bond	8,417	2.36
6,848,063	M&G Emerging Markets Bond ¹	7,238	2.03
6,750,100	M&G European Corporate Bond ¹	7,543	2.11
7,305,851	M&G Global High Yield Bond ¹	10,648	2.98
1,005	M&G Sterling Investment Grade Corporate Bond ¹	1	–
17,011,448	M&G Strategic Corporate Bond ¹	22,530	6.31
	TOTAL BOND PORTFOLIOS	239,252	67.03

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	FUTURES – 0.06% (31.10.20 – (0.18)%) ⁴		
44	EURO STOXX 50 Index Futures December 2021	46	0.01
27	FTSE 100 Index Futures December 2021	62	0.02
6	FTSE China A50 Index Futures November 2021	(1)	–
52	FTSE/JSE Top 40 Index Futures December 2021	66	0.02
11	S&P 500 E Mini Index Futures December 2021	34	0.01
7	TOPIX Index Futures December 2021	(16)	–
	TOTAL FUTURES	191	0.06
	Portfolio of investments ⁵	322,418	90.35
	Net other assets	34,443	9.65
	Net assets	356,861	100.00

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

¹ Related party holding (see note 12).

² Closed end fund.

³ Delisted security.

⁴ Counterparty: JPMorgan.

⁵ Includes investment liabilities.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

ACD'S REPORT *continued*

SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 October 2021

Total purchases for the year £'000 (note 16)	55,070	Total sales for the year £'000 (note 16)	36,928
	Cost £'000		Proceeds £'000
Major purchases		Major sales	
iShares Corporate Bond Index	15,626	Legal & General UK Index	7,502
iShares US Corporate Bond Index	11,302	M&G Strategic Corporate Bond	4,985
iShares UK Equity Index	5,645	iShares Pacific ex Japan Equity Index	4,775
iShares Euro Investment Grade Corporate Bond Index	5,369	FTSE 100 Index Futures December 2020	4,415
FTSE 100 Index Futures March 2021	4,138	FTSE 100 Index Futures March 2021	4,345
EURO STOXX 50 Index Futures March 2021	3,586	EURO STOXX 50 Index Futures March 2021	3,732
FTSE China A50 Index Futures February 2021	3,414	EURO STOXX 50 Index Futures June 2021	3,548
EURO STOXX 50 Index Futures June 2021	3,327	FTSE China A50 Index Futures February 2021	3,507
FTSE 100 Index Futures June 2021	3,297	S&P 500 E Mini Index Futures December 2020	3,443
FTSE China A50 Index Futures January 2021	3,144	FTSE China A50 Index Futures January 2021	3,416

In addition to the above, purchases totalling £5,154,544,000 and sales totalling £5,154,538,000 were made in short term investments during the year.

Purchases and sales of Futures have been included at the value of their exposure and are not included in the total purchases and sales figures above.

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

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

FINANCIAL STATEMENTS

STATEMENT OF TOTAL RETURN

for the year ended 31 October 2021

	Notes	£'000	31.10.21 £'000	£'000	31.10.20 £'000
Income:					
Net capital gains	3		13,397		3,371
Revenue	4	5,427		4,974	
Expenses	5	(570)		(441)	
Interest payable and similar charges	6	(4)		(13)	
Net revenue before taxation		4,853		4,520	
Taxation	7	(2)		—	
Net revenue after taxation			4,851		4,520
Total return before distributions			18,248		7,891
Distributions	8		(4,851)		(4,520)
Change in net assets attributable to shareholders from investment activities			13,397		3,371

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2021

	£'000	31.10.21 £'000	£'000	31.10.20 £'000
Opening net assets attributable to shareholders		311,323		288,187
Amounts receivable on issue of shares	57,820		43,627	
Amounts payable on redemption of shares	(28,274)		(25,982)	
		29,546		17,645
Change in net assets attributable to shareholders from investment activities		13,397		3,371
Retained distributions on Accumulation shares		2,595		2,120
Closing net assets attributable to shareholders		356,861		311,323

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 October 2021

	Notes	31.10.21 £'000	31.10.20 £'000
ASSETS			
Fixed assets			
Investments		322,435	290,051
Current assets			
Debtors	9	7,163	570
Cash and cash equivalents	10	34,936	23,999
Total assets		<u>364,534</u>	<u>314,620</u>
LIABILITIES			
Investment liabilities		(17)	(545)
Creditors			
Distribution payable	11	(2,371)	(2,539)
Other creditors	11	(5,285)	(213)
Total liabilities		<u>(7,673)</u>	<u>3,297</u>
Net assets attributable to shareholders		<u>356,861</u>	<u>311,323</u>

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2021

1. Accounting Policies

The accounting policies described on pages 23 to 26 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 26 have been applied to the financial statements of the Fund in the current and prior year.

The Fund has satisfied the qualifying investments test of Section 493 of the Corporation Taxes Act 2009, throughout the year. All distribution made are therefore made as gross interest distributions.

3. Net Capital Gains

The net capital gains during the year comprise:

	31.10.21 £'000	31.10.20 £'000
Non-derivative securities	9,853	3,541
Derivative contracts	3,599	(95)
Transaction charges	(2)	(2)
AMC rebates from underlying investments	–	(53)
Currency losses	(46)	(16)
Broker's commission on futures	(7)	(4)
Net capital gains	13,397	3,371

The net capital gains figure includes realised gains of £7,286,000 and unrealised gains of £18,994,000 (31.10.20: includes realised gains of £2,689,000 and unrealised gains of £12,874,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

Where realised gains/losses include gains/losses arising in previous periods, a corresponding loss/gain is included in unrealised gains/losses.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

4. Revenue

	31.10.21 £'000	31.10.20 £'000
Non-taxable dividends	1,934	1,672
Taxable dividends	70	121
Unfranked interest	2,990	2,597
AMC rebates from underlying investments	406	582
Bank interest	4	2
Revenue from tax transparent funds	21	–
Broker interest	2	–
Total revenue	5,427	4,974

5. Expenses

	31.10.21 £'000	31.10.20 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	524	409
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	25	22
Safe custody and other bank charges	9	2
	34	24
Other expenses:		
Audit fees	11	8
Expenses from tax transparent funds	1	–
	12	8
Total expenses	570	441

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

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

6. Interest Payable and Similar Charges

	31.10.21 £'000	31.10.20 £'000
Interest payable	4	7
Futures interest payable	—	6
Total interest payable and similar charges	4	13

7. Taxation

	31.10.21 £'000	31.10.20 £'000
a) Analysis of charge for the year		
Tax incurred on tax transparent funds	2	—
Current tax charge	2	—
Deferred tax – origination and reversal of timing differences (note 7c)	—	—
Total taxation (note 7b)	2	—

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%) (31.10.20: 20%). The difference is explained below:

	31.10.21 £'000	31.10.20 £'000
Net revenue before taxation	4,853	4,520
Corporation tax at 20%	971	904
Effects of:		
Non-taxable dividends	(391)	(334)
Rebated capital expenses deductible for tax purposes	—	(11)
Tax incurred on tax transparent funds	2	—
Tax deductible interest distributions	(580)	(559)
Total tax charge (note 7a)	2	—

c) Deferred tax

There was no deferred tax charge in the current or prior year.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

8. Distributions

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

	31.10.21 £'000	31.10.20 £'000
Final	4,966	4,659
	<u>4,966</u>	<u>4,659</u>
Add: Revenue deducted on redemption of shares	159	158
Deduct: Revenue received on issue of shares	(274)	(297)
Net distribution for the year	<u>4,851</u>	<u>4,520</u>

Details of the distributions per share are set out in the table on pages 233 and 234.

9. Debtors

	31.10.21 £'000	31.10.20 £'000
Amounts receivable for issue of shares	828	259
Sales awaiting settlement	6,096	–
Accrued revenue:		
Non-taxable dividends	166	200
AMC rebates from underlying investments	–	61
Revenue from tax transparent funds	23	–
	<u>189</u>	<u>261</u>
Taxation recoverable:		
Income tax	–	4
Corporation tax	50	46
	<u>50</u>	<u>50</u>
Total debtors	<u>7,163</u>	<u>570</u>

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

10. Cash and Cash Equivalents

	31.10.21 £'000	31.10.20 £'000
Bank balances	34,567	22,394
Margin account	369	1,605
Total cash and cash equivalents	34,936	23,999

11. Creditors

	31.10.21 £'000	31.10.20 £'000
Distribution payable	2,371	2,539
Other Creditors		
Amounts payable for redemption of shares	812	166
Purchases awaiting settlement	4,384	–
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	46	37
AMC rebates from underlying investments	28	–
	74	37
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	2	2
Safe custody and other bank charges	2	–
	4	2
Taxation payable:		
Expenses from tax transparent funds	2	–
Other expenses	9	8
Total other creditors	5,285	213

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

12. Related Party Transactions

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

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 218 and amounts due at the year end are disclosed in notes 9 and 11.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions or its associates) held 107,360 (31.10.20: 147,176) 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 96,017,102 (31.10.20: 102,860,399) 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 39.26% (31.10.20: 46.05%)

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 was as follows:

	31.10.21 £'000	31.10.20 £'000
Portfolio Manager in common	49,582	49,631

13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.20: none).

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

14. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	0.48%	0.48%	0.00%
Opening shares in issue	133,580	4,400,650	102,860,648
Issues	467	692,362	4,900,714
Redemptions	(4,977)	(479,364)	(11,744,010)
Conversions	–	(7,018)	–
Closing shares in issue	<u>129,070</u>	<u>4,606,630</u>	<u>96,017,352</u>

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.23%	0.23%	0.48%
Opening shares in issue	6,563,274	95,148,111	14,273,782
Issues	2,473,404	28,802,137	3,586,994
Redemptions	(835,981)	(4,545,114)	(1,639,913)
Conversions	12,273	2,936	(3,620)
Closing shares in issue	<u>8,212,970</u>	<u>119,408,070</u>	<u>16,217,243</u>

15. Risk Management Policies

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

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

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

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

(A) CREDIT RISK

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

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

There were futures contracts held at the balance sheet date. Details of the individual contracts are disclosed separately in the Portfolio Statement and the total position by counterparty at the balance sheet date was as follows:

31.10.21 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	191	–

31.10.20 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	(8)	–
NatWest	(537)	–

(B) INTEREST RATE RISK

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

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

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

(C) FOREIGN CURRENCY RISK

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

Where the Fund invests in non-Sterling assets, the Portfolio Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

The table below shows the direct foreign currency risk profile:

	31.10.21 £'000	31.10.20 £'000
Currency:		
Euro currency	92,468	83,165
Japanese yen	160	165
South African rand	371	338
US dollars	2,110	1,148
Total foreign currency exposure	95,110	84,816
Pounds sterling	261,752	226,507
Total net assets	356,861	311,323

A 5% change in the pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £4,755,000 on the net assets of the Fund (31.10.20: £4,241,000).

(D) LEVERAGE

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

As at 31.10.21, leverage under the gross method was 0.9:1 and leverage under the commitment method was 1:1 (31.10.20: 0.93:1 and 1:1 respectively).

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

(E) LIQUIDITY RISK

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions should insufficient cash be held at the bank to meet this obligation. The ACD monitors the liquidity profile of the Fund daily.

In assessing the liquidity profile of the Fund, the ACD assesses how much of the Fund can be realised in one and five days, under normal and stressed market conditions, and the impact this would have on the overall subsequent liquidity profile.

In assessing the liquidity of a company's shares, the ACD utilises the lower of the 5 and 20 day average market volume of that company's shares. An in depth review takes place by assessing the liquidity profile of the Fund against a 25% market participation of the average daily volume.

Based on this analysis 82.36% of the portfolio can be liquidated within 5 days and 82.43% within 21 working days (31.10.20: 78.82%% within 5 days and 79.14%% within 30 days). Given this and the ACD's understanding of the investor base, it is considered that the liquidity profile of the Fund is appropriate.

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

(F) MARKET PRICE RISK

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

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

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £16,121,000 (31.10.20: £14,475,000). A 5% decrease would have an equal and opposite effect.

(G) DERIVATIVES

The economic exposure of futures derivative contracts is equal to the market value. The value of the exposure and the related counterparty are disclosed in the Portfolio of Investments.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

16. Portfolio Transaction Costs

31.10.21	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	584	—	—	584
Collective investment schemes	54,483	1	2	54,486
Purchases total	55,067	1	2	55,070
<i>Transaction cost % of purchases total</i>		—	—	
<i>Transaction cost % of average NAV</i>		—	—	
Ordinary shares	558	—	—	558
Collective investment schemes	36,373	(3)	—	36,370
Sales total	36,931	(3)	—	36,928
<i>Transaction cost % of sales total</i>		0.01%	—	
<i>Transaction cost % of average NAV</i>		—	—	

Average portfolio dealing spread at 31.10.21 is 0.24% (31.10.20: 0.30%).

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

31.10.20	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	310	–	1	311
Collective investment schemes	71,383	2	2	71,387
Purchases total	<u>71,693</u>	<u>2</u>	<u>3</u>	<u>71,698</u>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	1,595	(1)	–	1,594
Collective investment schemes	52,780	(1)	–	52,779
Sales total	<u>54,375</u>	<u>(2)</u>	<u>–</u>	<u>54,373</u>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

The collective investment schemes include closed end funds.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

17. Fair Value Hierarchy

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

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

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

Level 3: Valuation techniques using unobservable inputs (see note 1(F) of the Accounting Policies).

31.10.21	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	14,474	307,959	2	322,435
Investment liabilities	(17)	—	—	(17)

31.10.20	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	17,079	272,957	15	290,051
Investment liabilities	(545)	—	—	(545)

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE

for the year ended 31 October 2021 – 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	01.11.20
To	31.10.21

'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	1.6037	–	1.6037	1.6707
Group 2	1.5825	0.0212	1.6037	1.6707

'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	2.0631	–	2.0631	2.1231
Group 2	1.3306	0.7325	2.0631	2.1231

'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	2.3295	–	2.3295	2.3615
Group 2	1.9728	0.3567	2.3295	2.3615

'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	1.6080	–	1.6080	1.6424
Group 2	0.7589	0.8491	1.6080	1.6424

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE *continued*

'P' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	1.8692	–	1.8692	1.8739
Group 2	1.1788	0.6904	1.8692	1.8739

'R' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	1.6562	–	1.6562	1.7072
Group 2	1.0039	0.6523	1.6562	1.7072

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2 ACD'S REPORT

for the year ended 31 October 2021

Important Information

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

Investment Objective and Policy

The LF Prudential Risk Managed Passive Fund 2 ('the Fund') aims to achieve long-term (in excess of 5 years) total return (the combination of income and growth of capital) by investing in a mix of assets from around the world and aims to limit the average volatility per annum over rolling 5 year periods to 10%.

There is no guarantee the objective will be achieved over any time period and the actual volatility, at any time, may be higher or lower than 10%. Capital invested is at risk.

The Fund aims to achieve its objective through investing at least 70% in passive collective investment schemes (e.g. funds which track an index). The Fund has a flexible investment approach with the freedom to invest in different types of assets to meet its objective. The Portfolio Manager will use in-depth research to forecast the expected change in value and risk of the different types of assets over a forward-looking 15-year period. This analysis is then used to work out the mix of assets (the 'target strategic asset allocation') to invest in to achieve the Fund's objective. The Portfolio Manager will review the target strategic asset allocation on an ongoing basis.

Based on the target strategic asset allocation, the Portfolio Manager constructs an actively managed portfolio to provide diversified, indirect exposure to global fixed income and variable rate assets, cash (including money market funds and near cash), equities and/or immovable property.

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 Portfolio Manager will adjust the asset allocation on an ongoing basis to reflect changes in the target strategic asset allocation and to take advantage of tactical investment opportunities.

The Portfolio Manager will select collective investment schemes to invest in from a focused range of funds and fund management groups (which may include other funds managed by the ACD, Portfolio Manager and their associates).

The Fund may also invest directly in equities, equity related instruments (e.g. warrants), fixed income and cash or near cash. It may also invest in alternative investments (e.g. infrastructure, private equity, alternative credit and hedge funds). Derivative instruments may also be used for the purposes of efficient portfolio management.

Other Information: The Fund's objective to stay within its specified risk profile may restrict the types and proportions of the assets it holds and limit the potential gains and losses.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

ACD'S REPORT *continued*

Benchmark

The Fund's comparator benchmark is the IA Mixed Investment 20-60% shares sector.

The Fund's performance may be compared against the IA Mixed Investment 20-60% shares sector. The ACD believes that this is an appropriate comparator for the Fund given the investment objective and policy of the Fund. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics.

LINK FUND SOLUTIONS LIMITED

ACD of LF Prudential Risk Managed Passive Fund 2

24 February 2022

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2021

Between 30 October 2020 and 29 October 2021 share classes R (Acc) 8.17%¹, P (Acc) 8.39%¹ and A (Acc) 8.18%¹ produced returns that were behind the 13.25%² sector average for the IA Mixed Investment 20-60% Shares Sector.

Market Overview

Several themes drove returns over the period in review.

Early on, US politics influenced markets with President Biden's election seen as a positive although towards the end of 2020 sentiment was dominated by positive news on COVID-19 vaccines. Pfizer's' press release of better-than-expected preliminary results on its vaccine development led to one of the largest one-day rotation trades in recent times.

AstraZeneca also followed with positive news regarding its COVID-19 vaccine trials. Co-developed with Oxford University, the vaccine, which showed efficacy of up to 90% and did not require complex refrigeration.

In the early part of 2021, the major story was the activity in fixed income markets, driven by inflation concerns, as many mainstream government bonds sold off, led by US Treasuries. Investors became fearful that the US Federal Reserve may eventually have to act a lot earlier than anticipated to stifle inflation given a massive extra stimulus package, the third in the US since the pandemic.

The majority of world stockmarkets registered solid gains from March to end June, buoyed by the widespread rollout of vaccination programmes which aided the reopening of economies. Investment returns among European shares were particularly strong as vaccination take-up in the region accelerated following a slow start.

Fixed income markets were also higher in Q2 2021 as central banks dampened speculation they would be withdrawing stimulus measures soon, and many investors seemed to shrug off global inflation fears.

Global economic growth remained buoyant during the third quarter, as much of the world continued to resume economic activities following the rollout of COVID-19 vaccines internationally. While most economic data was strong, much of the developed world appears to be at or just past the peak rate of growth, according to recent global business surveys.

A difficult September caused most major stockmarkets to either fall flat or dip into negative territory for the quarter, as a variety of fears weighed on investors' minds. In China, power supply shortages and doubts over the health of the property sector upset investor appetite in the region, contributing to underperformance from emerging market shares and bonds more broadly.

Inflation remained elevated in the US, UK and some emerging market economies but was relatively more contained in other advanced economies.

¹ Source: FE Analytics.

² Source: Morningstar Direct.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

Positioning

The portfolio manager also continued to assess markets and reposition portfolios as the teams' shorter term 'tactical' views evolve.

In May the global equity overweight position was halved. This had been equally split across US, UK, European, Japanese, Asian, and Chinese equities. The overweight positions in Asia and China were removed completely to moderate but not remove the cyclical bias.

The team retained a small overweight to Emerging Market Debt, offering superior yield relative to US Investment Grade, where they had moved underweight.

In early July, with equities having performed well and with a bit more uncertainty on the outlook for inflation and interest rates, the tactical positions across equities and fixed income were all removed. A diversifying overweight to alternatives has been maintained.

This decision also coincided with the summer trading months, which tend to see much lower volumes traded as markets pause for a holiday break.

The portfolio manager feels the Fund is well positioned to deploy capital where and when opportunities present themselves.

Outlook

The portfolio manager continues to assess the prospects for markets.

A key question that remains is whether in the face of softer growth, central banks will have the desire and the inflation leeway to continue with stimulus rather than to take steps to unwind it. The recent rise in government bond yields suggests that markets expect monetary policy to tighten sooner rather than later, but after several false dawns in recent history, investors will continue to pay attention to the volatile macro landscape for insights into the state of the global economy and to determine the actions that central banks are likely to take.

The end of September reminded us of the volatility that comes with a potential change in direction of monetary policy, but global rates are still at low absolute and accommodative levels compared to history.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

15 November 2021

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

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 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.

The Fund targets a risk level of 2 which is a level of risk relative to the 4 other funds in the range. The risk and reward profile scale above is calculated differently. The two measures are not comparable. The lowest number on the scale does not mean that a fund is risk free.

Currency Risk: As the Fund can be exposed to different currencies, changes in exchange rates may decrease the value of your investment.

Credit Risk: The value of a bond may be affected by its credit rating, the lower the rating the higher the risk of the issuer not paying interest or repaying the loan.

Property Fund Investment Risk: Property funds can become illiquid increasing the risk that a position cannot be sold in a timely manner or at a reasonable price.

Counterparty Risk: The failure of a firm involved in a transaction with the Fund or providing services to the Fund may expose the Fund to financial loss.

Derivatives Risk: A derivative may not perform as expected and may create losses greater than its cost.

Changes in Interest Rate Risk: A rise in interest rates generally causes bond prices to fall.

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.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables

Where the Fund has significant investment in collective investment schemes, exchange-traded funds and similar products, the operating charges figure takes 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. Following regulatory changes, the operating charges figure also takes account of the ongoing charges incurred in closed end underlying schemes calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

'A' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	117.74	117.23	112.15
Return before operating charges*	10.63	2.70	7.71
Operating charges	(0.67)	(0.65)	(0.81)
Return after operating charges	9.96	2.05	6.90
Distributions	(1.62)	(1.54)	(1.82)
Closing net asset value per share	126.08	117.74	117.23
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	8.46%	1.75%	6.16%
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OTHER INFORMATION

Closing net asset value (£'000)	–	–	–
Closing number of shares	250	250	250
Operating charges	0.53%	0.55%	0.69%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	130.71	123.06	122.20
Lowest share price	118.71	103.92	109.17

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	127.34	125.45	118.02
Return before operating charges*	11.25	2.57	8.28
Operating charges	(0.71)	(0.68)	(0.85)
Return after operating charges	10.54	1.89	7.43
Distributions	(1.35)	(1.29)	(2.00)
Retained distributions on accumulation shares	1.35	1.29	2.00
Closing net asset value per share	137.88	127.34	125.45
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	8.28%	1.51%	6.29%
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OTHER INFORMATION

Closing net asset value (£'000)	342	128	21
Closing number of shares	247,622	100,053	17,023
Operating charges	0.53%	0.55%	0.69%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	140.63	131.06	128.57
Lowest share price	128.00	110.83	115.05

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	104.45	103.93	99.27
Return before operating charges*	9.11	2.07	7.03
Operating charges	(0.06)	(0.07)	(0.14)
Return after operating charges	9.05	2.00	6.89
Distributions	(1.54)	(1.48)	(2.23)
Closing net asset value per share	111.96	104.45	103.93
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	8.66%	1.92%	6.94%
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OTHER INFORMATION

Closing net asset value (£'000)	9,760	3,801	1,022
Closing number of shares	8,717,157	3,639,546	983,376
Operating charges	0.05%	0.07%	0.14%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	115.57	108.81	108.56
Lowest share price	104.84	91.84	96.84

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'P' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	118.17	117.64	112.38
Return before operating charges*	10.40	2.34	8.03
Operating charges	(0.35)	(0.35)	(0.53)
Return after operating charges	10.05	1.99	7.50
Distributions	(1.51)	(1.46)	(2.24)
Closing net asset value per share	126.71	118.17	117.64
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	8.50%	1.69%	6.67%
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OTHER INFORMATION

Closing net asset value (£'000)	12,661	6,644	3,139
Closing number of shares	9,992,283	5,622,387	2,668,501
Operating charges	0.28%	0.30%	0.45%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	130.71	123.10	122.78
Lowest share price	118.76	103.99	109.54

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'P' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	130.15	127.96	119.95
Return before operating charges*	11.44	2.57	8.53
Operating charges	(0.39)	(0.38)	(0.52)
Return after operating charges	11.05	2.19	8.01
Distributions	(1.66)	(1.59)	(2.39)
Retained distributions on accumulation shares	1.66	1.59	2.39
Closing net asset value per share	141.20	130.15	127.96
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	8.49%	1.71%	6.68%
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OTHER INFORMATION

Closing net asset value (£'000)	225,236	107,773	47,275
Closing number of shares	159,513,783	82,807,685	36,944,580
Operating charges	0.28%	0.30%	0.42%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	143.93	133.89	131.05
Lowest share price	130.78	113.11	117.04

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'R' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	128.78	126.86	119.16
Return before operating charges*	11.39	2.62	8.55
Operating charges	(0.73)	(0.70)	(0.85)
Return after operating charges	10.66	1.92	7.70
Distributions	(1.37)	(1.33)	(2.12)
Retained distributions on accumulation shares	1.37	1.33	2.12
Closing net asset value per share	139.44	128.78	126.86
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	8.28%	1.51%	6.46%
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OTHER INFORMATION

Closing net asset value (£'000)	33,792	23,477	19,020
Closing number of shares	24,233,686	18,229,520	14,993,715
Operating charges	0.53%	0.55%	0.70%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	142.19	132.52	130.00
Lowest share price	129.42	112.06	116.23

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 31 October 2021 (%)

	1 year	3 years	5 years
LF Prudential Risk Managed Passive Fund 2	8.39	18.48	24.93
IA Mixed Investment 20-60% shares sector ¹	13.25	18.67	24.54

¹ Source: Morningstar Direct.

The performance of the Fund is based on the published price per 'P' 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 267 and 268.

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 RISK MANAGED PASSIVE FUND 2

ACD'S REPORT *continued*

PORTFOLIO STATEMENT

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	EQUITY PORTFOLIOS – 30.15% (31.10.20 – 27.15%)		
	CONTINENTAL EUROPE – 4.33% (31.10.20 – 3.36%)		
3,477,812	Legal & General European Index	12,190	4.33
	TOTAL CONTINENTAL EUROPE	12,190	4.33
	UNITED KINGDOM – 11.66% (31.10.20 – 10.13%)		
14,682,385	iShares UK Equity Index	29,350	10.42
2,139,192	Legal & General UK Index	3,500	1.24
	TOTAL UNITED KINGDOM	32,850	11.66
	ASIA EX JAPAN – 5.51% (31.10.20 – 5.80%)		
6,677,693	iShares Pacific ex Japan Equity Index	15,539	5.51
	TOTAL ASIA EX JAPAN	15,539	5.51
	JAPAN – 2.14% (31.10.20 – 2.15%)		
2,408,248	iShares Japan Equity Index	6,020	2.14
	TOTAL JAPAN	6,020	2.14
	NORTH AMERICA – 4.17% (31.10.20 – 3.64%)		
2,488,108	iShares US Equity Index	11,032	3.91
703,969	M&G (ACS) BlackRock US Equity ¹	746	0.26
	TOTAL NORTH AMERICA	11,778	4.17
	EMERGING MARKETS – 2.60% (31.10.20 – 2.07%)		
3,070,245	iShares Emerging Markets Equity Index	5,649	2.01
920,001	M&G (ACS) China ¹	839	0.30
917,579	M&G (ACS) China Equity ¹	828	0.29
	TOTAL EMERGING MARKETS	7,316	2.60
	TOTAL EQUITY PORTFOLIOS	84,947	30.15

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	EQUITY INVESTMENT INSTRUMENTS – 1.88% (31.10.20 – 2.81%)		
335,900	BBGI Global Infrastructure ²	579	0.21
9,320	BH Macro ²	333	0.12
957,136	BioPharma Credit ²	676	0.24
58,845	Blue Capital Alternative Income ^{2,3}	–	–
29,697	Boussard & Gavaudan ²	575	0.20
154,902	DP Aircraft I ²	2	–
392,996	Ecofin US Renewables Infrastructure Trust ²	279	0.10
46,105	HarbourVest Global Private Equity ²	1,139	0.40
93,160	HgCapital ²	359	0.13
47,034	NB Distressed Debt Investment ²	19	0.01
239,851	NextEnergy Solar ²	239	0.09
10,888	Princess Private Equity ²	125	0.04
165,115	Renewables Infrastructure ²	219	0.08
178,940	Round Hill Music Royalty ²	137	0.05
83,762	Round Hill Music Royalty 'C' ²	61	0.02
476,140	SDCL Energy Efficiency Income ²	540	0.19
	TOTAL EQUITY INVESTMENT INSTRUMENTS	5,282	1.88
	PROPERTY PORTFOLIOS – 0.00% (31.10.20 – 0.44%)	–	–
	BOND PORTFOLIOS – 57.08% (31.10.20 – 60.11%)		
37,924,978	iShares Corporate Bond Index	60,528	21.48
1,822,590	iShares Euro Investment Grade Corporate Bond Index	19,803	7.03
4,250,467	iShares US Corporate Bond Index	40,343	14.32
1,099,004	iShares USD Treasury Bond	5,567	1.97
5,194,589	M&G Emerging Markets Bond ¹	5,490	1.95
4,351,091	M&G European Corporate Bond ¹	4,862	1.72
6,020,805	M&G Global High Yield Bond ¹	8,775	3.11
1,005	M&G Sterling Investment Grade Corporate Bond ¹	1	–
11,694,619	M&G Strategic Corporate Bond ¹	15,488	5.50
	TOTAL BOND PORTFOLIOS	160,857	57.08

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	FUTURES – 0.06% (31.10.20 – (0.29)%) ⁴		
44	EURO STOXX 50 Index Futures December 2021	44	0.01
27	FTSE 100 Index Futures December 2021	57	0.02
9	FTSE China A50 Index Futures November 2021	(2)	–
61	FTSE/JSE Top 40 Futures December 2021	78	0.03
7	S&P 500 E Mini Index Futures December 2021	27	0.01
10	TOPIX Index Futures December 2021	(26)	(0.01)
	TOTAL FUTURES	178	0.06
	Portfolio of investments ⁵	252,010	89.43
	Net other assets	29,781	10.57
	Net assets	281,791	100.00

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

¹ Related party holding (see note 12).

² Closed end fund.

³ Delisted security.

⁴ Counterparty: JPMorgan.

⁵ Includes investment liabilities.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

ACD'S REPORT *continued*

SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 October 2021

Total purchases for the year £'000 (note 16)	120,567	Total sales for the year £'000 (note 16)	7,722
	Cost £'000		Proceeds £'000
Major purchases		Major sales	
iShares Corporate Bond Index	30,598	FTSE 100 Index Futures March 2021	4,846
iShares US Corporate Bond Index	20,789	FTSE 100 Index Futures December 2020	4,168
iShares UK Equity Index	13,463	EURO STOXX 50 Index Futures March 2021	4,091
iShares Euro Investment Grade Corporate Bond Index	10,308	FTSE 100 Index Futures June 2021	3,531
iShares Pacific ex Japan Equity Index	6,451	EURO STOXX 50 Index Futures June 2021	3,225
Legal & General European Index	5,672	EURO STOXX 50 Index Futures December 2020	2,869
M&G Strategic Corporate Bond	5,306	S&P 500 E Mini Index Futures December 2020	2,619
FTSE 100 Index Futures March 2021	4,741	S&P 500 E Mini Index Futures March 2021	2,264
EURO STOXX 50 Index Futures March 2021	3,937	S&P 500 E Mini Index Futures June 2021	2,250
M&G Global High Yield Bond	3,835	EURO STOXX 50 Index Futures September 2021	2,219

In addition to the above, purchases totalling £3,739,320,000 and sales totalling £3,698,222,000 were made in short term investments during the year.

Purchases and sales of Futures have been included at the value of their exposure and are not included in the total purchases and sales figures above.

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

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

FINANCIAL STATEMENTS

STATEMENT OF TOTAL RETURN

for the year ended 31 October 2021

	Notes	£'000	31.10.21 £'000	£'000	31.10.20 £'000
Income:					
Net capital gains	3		10,763		225
Revenue	4	3,513		1,755	
Expenses	5	(584)		(297)	
Interest payable and similar charges	6	(1)		(5)	
Net revenue before taxation		2,928		1,453	
Taxation	7	(256)		(135)	
Net revenue after taxation			2,672		1,318
Total return before distributions			13,435		1,543
Distributions	8		(2,672)		(1,317)
Change in net assets attributable to shareholders from investment activities			10,763		226

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2021

	£'000	31.10.21 £'000	£'000	31.10.20 £'000
Opening net assets attributable to shareholders		141,823		70,477
Amounts receivable on issue of shares	130,608		73,551	
Amounts payable on redemption of shares	(4,387)		(3,990)	
		126,221		69,561
Change in net assets attributable to shareholders from investment activities		10,763		226
Retained distributions on Accumulation shares		2,984		1,559
Closing net assets attributable to shareholders		281,791		141,823

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 October 2021

	Notes	31.10.21 £'000	31.10.20 £'000
ASSETS			
Fixed assets			
Investments		252,038	128,372
Current assets			
Debtors	9	2,099	2,288
Cash and cash equivalents	10	28,546	12,845
Total assets		<u>282,683</u>	<u>143,505</u>
LIABILITIES			
Investment liabilities		(28)	(415)
Creditors			
Distribution payable	11	(285)	(136)
Other creditors	11	(579)	(1,131)
Total liabilities		<u>(892)</u>	<u>(1,682)</u>
Net assets attributable to shareholders		<u>281,791</u>	<u>141,823</u>

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2021

1. Accounting Policies

The accounting policies described on pages 23 to 26 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 26 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:

	31.10.21 £'000	31.10.20 £'000
Non-derivative securities	7,871	683
Derivative contracts	2,937	(461)
Transaction charges	(3)	(2)
AMC rebates from underlying investments	—	(5)
Currency (losses)/gains	(37)	12
Broker's commission on futures	(5)	(2)
Net capital gains	10,763	225

The net capital gains figure includes realised gains of £2,947,000 and unrealised gains of £9,492,000 (31.10.20: includes realised gains of £176,000 and unrealised gains of £1,668,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

Where realised gains/losses include gains/losses arising in previous periods, a corresponding loss/gain is included in unrealised gains/losses.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

4. Revenue

	31.10.21 £'000	31.10.20 £'000
Non-taxable dividends	1,637	774
Taxable dividends	40	39
Unfranked interest	1,593	770
AMC rebates from underlying investments	222	171
Bank interest	–	1
Revenue from tax transparent funds	21	–
Total revenue	3,513	1,755

5. Expenses

	31.10.21 £'000	31.10.20 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	557	286
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	17	9
Safe custody and other bank charges	9	2
	26	11
Other expenses:		
Expenses from tax transparent funds	1	–
Total expenses	584	297

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

The audit fees of £7,950 are borne by the ACD (31.10.20: £7,750).

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

6. Interest Payable and Similar Charges

	31.10.21 £'000	31.10.20 £'000
Interest payable	3	2
Futures interest payable	(2)	3
Total interest payable and similar charges	1	5

7. Taxation

	31.10.21 £'000	31.10.20 £'000
a) Analysis of charge for the year		
Corporation tax	254	135
Tax incurred on tax transparent funds	2	–
Current tax charge	256	135
Deferred tax – origination and reversal of timing differences (note 7c)	–	–
Total taxation (note 7b)	256	135

b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.10.20: 20%). The difference is explained below:

	31.10.21 £'000	31.10.20 £'000
Net revenue before taxation	2,928	1,453
Corporation tax at 20%	586	291
Effects of:		
Non-taxable dividends	(332)	(155)
Rebated capital expenses deductible for tax purposes	–	(1)
Tax incurred on tax transparent funds	2	–
Total tax charge (note 7a)	256	135

c) Deferred tax

There was no deferred tax charge in the current or prior year.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

8. Distributions

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

	31.10.21 £'000	31.10.20 £'000
Final	3,269	1,695
	<u>3,269</u>	<u>1,695</u>
Add: Revenue deducted on redemption of shares	23	23
Deduct: Revenue received on issue of shares	(620)	(401)
Net distribution for the year	<u>2,672</u>	<u>1,317</u>

Details of the distributions per share are set out in the table on pages 267 and 268.

	31.10.21 £'000	31.10.20 £'000
Distributions represented by:		
Net revenue after taxation	2,672	1,318
Allocations to capital:		
Tax relief to capital	–	(1)
Net distribution for the year	<u>2,672</u>	<u>1,317</u>

9. Debtors

	31.10.21 £'000	31.10.20 £'000
Amounts receivable for issue of shares	1,117	2,208
Sales awaiting settlement	888	–

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	31.10.21 £'000	31.10.20 £'000
Accrued revenue:		
Non-taxable dividends	67	58
AMC rebates from underlying investments	–	20
Revenue from tax transparent funds	27	–
	94	78
Taxation recoverable:		
Income tax	–	2
Total debtors	2,099	2,288

10. Cash and Cash Equivalents

	31.10.21 £'000	31.10.20 £'000
Bank balances	28,159	11,741
Margin account	387	1,104
Total cash and cash equivalents	28,546	12,845

11. Creditors

	31.10.21 £'000	31.10.20 £'000
Distribution payable	285	136
Other Creditors		
Amounts payable for redemption of shares	244	21
Purchases awaiting settlement	–	943

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	31.10.21 £'000	31.10.20 £'000
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	55	31
AMC rebates from underlying investments	19	–
	74	31
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	2	1
Safe custody and other bank charges	2	–
	4	1
Taxation payable:		
Corporation tax	254	135
Tax incurred on tax transparent funds	2	–
	256	135
Expenses from tax transparent funds	1	–
Total other creditors	579	1,131

12. Related Party Transactions

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

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 251 and amounts due at the year end are disclosed in notes 9 and 11.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions or its associates) held 175,970 (31.10.20: 151,066) 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 8,716,907 (31.10.20: 3,639,296) of the Fund's shares at the balance sheet date.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

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:

Allfunds Nominee Limited 48.09% (31.10.20: 46.61%)

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 was as follows:

	31.10.21 £'000	31.10.20 £'000
Portfolio Manager in common	37,029	20,171

13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.20: none).

14. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	0.48%	0.48%	0.00%
Opening shares in issue	250	100,053	3,639,546
Issues	–	230,599	5,282,472
Redemptions	–	(83,029)	(204,861)
Closing shares in issue	250	247,622	8,717,157

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.23%	0.23%	0.48%
Opening shares in issue	5,622,387	82,807,685	18,229,520
Issues	5,093,871	77,437,305	7,539,065
Redemptions	(723,975)	(731,206)	(1,534,900)
Closing shares in issue	9,992,283	159,513,783	24,233,686

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

15. Risk Management Policies

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

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

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

(A) CREDIT RISK

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

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

There were futures contracts held at the balance sheet date. Details of the individual contracts are disclosed separately in the Portfolio Statement and the total position by counterparty at the balance sheet date was as follows:

31.10.21 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	178	–

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

31.10.20 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	(5)	–
NatWest	(410)	–

(B) INTEREST RATE RISK

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

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

(C) FOREIGN CURRENCY RISK

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

Where the Fund invests in non-Sterling assets, the Portfolio Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2**FINANCIAL STATEMENTS** *continued***NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 October 2021

The table below shows the direct foreign currency risk profile:

	31.10.21 £'000	31.10.20 £'000
Currency:		
Euro currency	61,565	32,215
Japanese yen	98	71
South African rand	438	178
US dollars	1,777	553
Total foreign currency exposure	63,878	33,017
Pounds sterling	217,913	108,806
Net assets	281,791	141,823

A 5% change in the pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £3,194,000 on the net assets of the Fund (31.10.20: £1,651,000).

(D) LEVERAGE

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

As at 31.10.21, leverage under the gross method was 0.89:1 and leverage under the commitment method was 1:1 (31.10.20: 0.9:1 and 1:1 respectively).

(E) LIQUIDITY RISK

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions should insufficient cash be held at the bank to meet this obligation. The ACD monitors the liquidity profile of the Fund daily.

In assessing the liquidity profile of the Fund, the ACD assesses how much of the Fund can be realised in one and five days, under normal and stressed market conditions, and the impact this would have on the overall subsequent liquidity profile.

In assessing the liquidity of a company's shares, the ACD utilises the lower of the 5 and 20 day average market volume of that company's shares. An in depth review takes place by assessing the liquidity profile of the Fund against a 25% market participation of the average daily volume.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

Based on this analysis 84.47% of the portfolio can be liquidated within 5 days and 84.56% within 21 working days (31.10.20: 80.43% within 5 days and 80.80% within 30 days). Given this and the ACD's understanding of the investor base, it is considered that the liquidity profile of the Fund is appropriate.

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

(F) MARKET PRICE RISK

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

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

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £12,601,000 (31.10.20: £6,398,000). A 5% decrease would have an equal and opposite effect.

(G) DERIVATIVES

The economic exposure of futures derivative contracts is equal to the market value. The value of the exposure and the related counterparty are disclosed in the Portfolio of Investments.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

16. Portfolio Transaction Costs

31.10.21	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	503	–	1	504
Collective investment schemes	120,058	2	3	120,063
Purchases total	<u>120,561</u>	<u>2</u>	<u>4</u>	<u>120,567</u>
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	245	–	–	245
Collective investment schemes	<u>7,475</u>	<u>2</u>	<u>–</u>	<u>7,477</u>
Sales total	<u>7,720</u>	<u>2</u>	<u>–</u>	<u>7,722</u>
<i>Transaction cost % of sales total</i>		0.03%	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.21 is 0.25% (31.10.20: 0.32%).

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

31.10.20	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	336	–	1	337
Collective investment schemes	72,364	1	2	72,367
Purchases total	72,700	1	3	72,704
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	374	–	–	374
Collective investment schemes	9,075	–	–	9,075
Sales total	9,449	–	–	9,449
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

The collective investment schemes include closed end funds.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

17. Fair Value Hierarchy

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

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

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

Level 3: Valuation techniques using unobservable inputs (see note 1(F) of the Accounting Policies).

31.10.21	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	11,055	240,983	–	252,038
Investment liabilities	(28)	–	–	(28)

31.10.20	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	7,689	120,681	2	128,372
Investment liabilities	(415)	–	–	(415)

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE

for the year ended 31 October 2021 – 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	01.11.20
To	31.10.21

'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	1.6240	–	1.6240	1.5440
Group 2	1.6240	0.0000	1.6240	1.5440

'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	1.3539	–	1.3539	1.2892
Group 2	0.7527	0.6012	1.3539	1.2892

'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	1.5394	–	1.5394	1.4784
Group 2	0.7661	0.7733	1.5394	1.4784

'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	1.5082	–	1.5082	1.4606
Group 2	0.9093	0.5989	1.5082	1.4606

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE *continued*

'P' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	1.6611	–	1.6611	1.5886
Group 2	0.9981	0.6630	1.6611	1.5886

'R' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	1.3673	–	1.3673	1.3287
Group 2	0.8097	0.5576	1.3673	1.3287

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3 ACD'S REPORT

for the year ended 31 October 2021

Investment Objective and Policy

The LF Prudential Risk Managed Passive Fund 3 ('the Fund') aims to achieve long-term (in excess of 5 years) total return (the combination of income and growth of capital) by investing in a mix of assets from around the world and aims to limit the average volatility per annum over rolling 5 year periods to 12%.

There is no guarantee the objective will be achieved over any time period and the actual volatility, at any time, may be higher or lower than 12%. Capital invested is at risk.

The Fund aims to achieve its objective through investing at least 70% in passive collective investment schemes (e.g. funds which track an index). The Fund has a flexible investment approach with the freedom to invest in different types of assets to meet its objective. The Portfolio Manager will use in-depth research to forecast the expected change in value and risk of the different types of assets over a forward-looking 15-year period. This analysis is then used to work out the mix of assets (the 'target strategic asset allocation') to invest in to achieve the Fund's objective. The Portfolio Manager will review the target strategic asset allocation on an ongoing basis.

Based on the target strategic asset allocation, the Portfolio Manager constructs an actively managed portfolio to provide diversified, indirect exposure to global fixed income and variable rate assets, cash (including money market funds and near cash), equities and/or immovable property.

The Fund will be balanced between lower risk assets, such as fixed income assets and cash, and higher risk assets, such as equities. From time to time, however, the Fund may have a higher exposure to either higher risk or lower risk assets with the aim of meeting the Fund's objective. The Portfolio Manager will adjust the asset allocation on an ongoing basis to reflect changes in the target strategic asset allocation and to take advantage of tactical investment opportunities.

The Portfolio Manager will select collective investment schemes to invest in from a focused range of funds and fund management groups (which may include other funds managed by the ACD, Portfolio Manager and their associates).

The Fund may also invest directly in equities, equity related instruments (e.g. warrants), fixed income and cash or near cash. It may also invest in alternative investments (e.g. infrastructure, private equity, alternative credit and hedge funds). Derivative instruments may also be used for the purposes of efficient portfolio management.

Other Information: The Fund's objective to stay within its specified risk profile may restrict the types and proportions of the assets it holds and limit the potential gains and losses.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

ACD'S REPORT *continued*

Benchmark

The Fund's comparator benchmark is the IA Mixed Investment 20-60% shares sector.

The Fund's performance may be compared against the IA Mixed Investment 20-60% shares sector. The ACD believes that this is an appropriate comparator for the Fund given the investment objective and policy of the Fund. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics.

LINK FUND SOLUTIONS LIMITED

ACD of LF Prudential Risk Managed Passive Fund 3

24 February 2022

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2021

Between 1 November 2020 and 31 October 2021 share classes R (Acc) 11.66%¹, P (Acc) 11.88%¹ and A (Acc) 11.66%¹ produced returns behind the 13.25%² sector average for IA Mixed Investment 20-60% Shares.

Market Overview

Several themes drove returns over the period in review.

Early on, US politics influenced markets with President Biden's election seen as a positive although towards the end of 2020 sentiment was dominated by positive news on COVID-19 vaccines. Pfizer's press release of better-than-expected preliminary results on its vaccine development led to one of the largest one-day rotation trades in recent times.

AstraZeneca also followed with positive news regarding its COVID-19 vaccine trials. Co-developed with Oxford University, the vaccine, which showed efficacy of up to 90% and did not require complex refrigeration.

In the early part of 2021, the major story was the activity in fixed income markets, driven by inflation concerns, as many mainstream government bonds sold off, led by US Treasuries. Investors became fearful that the US Federal Reserve may eventually have to act a lot earlier than anticipated to stifle inflation given a massive extra stimulus package, the third in the US since the pandemic.

The majority of world stockmarkets registered solid gains from March to end June, buoyed by the widespread rollout of vaccination programmes which aided the reopening of economies. Investment returns among European shares were particularly strong as vaccination take-up in the region accelerated following a slow start.

Fixed income markets were also higher in Q2 2021 as central banks dampened speculation they would be withdrawing stimulus measures soon, and many investors seemed to shrug off global inflation fears.

Global economic growth remained buoyant during the third quarter, as much of the world continued to resume economic activities following the rollout of COVID-19 vaccines internationally. While most economic data was strong, much of the developed world appears to be at or just past the peak rate of growth, according to recent global business surveys.

A difficult September caused most major stockmarkets to either fall flat or dip into negative territory for the quarter, as a variety of fears weighed on investors' minds. In China, power supply shortages and doubts over the health of the property sector upset investor appetite in the region, contributing to underperformance from emerging market shares and bonds more broadly.

Inflation remained elevated in the US, UK and some emerging market economies but was relatively more contained in other advanced economies.

¹ Source: FE Analytics.

² Source: Morningstar Direct.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

Positioning

The portfolio manager also continued to assess markets and reposition portfolios as the teams' shorter term 'tactical' views evolve.

In May the global equity overweight position was halved. This had been equally split across US, UK, European, Japanese, Asian, and Chinese equities. The overweight positions in Asia and China were removed completely to moderate but not remove the cyclical bias.

The team retained a small overweight to Emerging Market Debt, offering superior yield relative to US Investment Grade, where they had moved underweight.

In early July, with equities having performed well and with a bit more uncertainty on the outlook for inflation and interest rates, the tactical positions across equities and fixed income were all removed. A diversifying overweight to alternatives has been maintained.

This decision also coincided with the summer trading months, which tend to see much lower volumes traded as markets pause for a holiday break.

The portfolio manager feels the Fund is well positioned to deploy capital where and when opportunities present themselves.

Outlook

The portfolio manager continues to assess the prospects for markets.

A key question that remains is whether in the face of softer growth, central banks will have the desire and the inflation leeway to continue with stimulus rather than to take steps to unwind it. The recent rise in government bond yields suggests that markets expect monetary policy to tighten sooner rather than later, but after several false dawns in recent history, investors will continue to pay attention to the volatile macro landscape for insights into the state of the global economy and to determine the actions that central banks are likely to take.

The end of September reminded us of the volatility that comes with a potential change in direction of monetary policy, but global rates are still at low absolute and accommodative levels compared to history.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

15 November 2021

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

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 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.

The Fund targets a risk level of 3 which is a level of risk relative to the 4 other funds in the range. The risk and reward profile scale above is calculated differently. The two measures are not comparable. The lowest number on the scale does not mean that a fund is risk free.

Currency Risk: As the Fund can be exposed to different currencies, changes in the exchange rate may decrease the value of your investment.

Credit Risk: The value of a bond may be affected by its credit rating, the lower the rating the higher the risk of the issuer not paying interest or repaying the loan.

Property Fund Investment Risk: Property funds can become illiquid increasing the risk that a position cannot be sold in a timely manner or at a reasonable price.

Counterparty Risk: The failure of a firm involved in a transaction with the Fund or providing services to the Fund may expose the Fund to financial loss.

Derivative Risk: A derivative may not perform as expected and may create losses greater than its cost.

Changes in Interest Rate Risk: A rise in interest rates generally causes bond prices to fall.

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.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables

Where the Fund has significant investment in collective investment schemes, exchange-traded funds and similar products, the operating charges figure takes 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. Following regulatory changes, the operating charges figure also takes account of the ongoing charges incurred in closed end underlying schemes calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

'A' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	142.28	143.53	137.36
Return before operating charges*	17.67	1.39	9.97
Operating charges	(0.85)	(0.83)	(1.16)
Return after operating charges	16.82	0.56	8.81
Distributions	(1.86)	(1.81)	(2.64)
Closing net asset value per share	157.24	142.28	143.53
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	11.82%	0.39%	6.42%
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OTHER INFORMATION

Closing net asset value (£'000)	399	278	204
Closing number of shares	253,653	195,301	142,571
Operating charges	0.55%	0.58%	0.82%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	162.03	149.37	150.37
Lowest share price	142.94	123.87	133.37

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	180.09	179.39	168.56
Return before operating charges*	22.36	1.74	12.19
Operating charges	(1.08)	(1.04)	(1.36)
Return after operating charges	21.28	0.70	10.83
Distributions	(2.35)	(2.27)	(3.24)
Retained distributions on accumulation shares	2.35	2.27	3.24
Closing net asset value per share	201.37	180.09	179.39
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	11.82%	0.39%	6.43%
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OTHER INFORMATION

Closing net asset value (£'000)	11,375	8,849	10,185
Closing number of shares	5,648,923	4,913,893	5,677,611
Operating charges	0.55%	0.58%	0.78%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	204.92	186.56	184.41
Lowest share price	180.79	154.69	163.69

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	141.92	143.16	137.00
Return before operating charges*	17.50	1.26	9.72
Operating charges	(0.11)	(0.14)	(0.16)
Return after operating charges	17.39	1.12	9.56
Distributions	(2.45)	(2.36)	(3.40)
Closing net asset value per share	156.86	141.92	143.16
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	12.26%	0.78%	6.98%
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OTHER INFORMATION

Closing net asset value (£'000)	97,707	74,400	69,291
Closing number of shares	62,289,192	52,423,828	48,399,611
Operating charges	0.07%	0.10%	0.11%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	162.20	149.18	150.67
Lowest share price	142.62	123.78	133.28

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'P' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	120.04	121.08	115.88
Return before operating charges*	14.85	1.13	8.27
Operating charges	(0.39)	(0.40)	(0.49)
Return after operating charges	14.46	0.73	7.78
Distributions	(1.83)	(1.77)	(2.58)
Closing net asset value per share	132.67	120.04	121.08
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	12.05%	0.60%	6.71%
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OTHER INFORMATION

Closing net asset value (£'000)	21,610	11,985	8,296
Closing number of shares	16,287,851	9,984,309	6,851,594
Operating charges	0.30%	0.33%	0.41%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	137.07	126.20	127.28
Lowest share price	120.72	104.70	112.74

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'P' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	139.48	138.66	129.90
Return before operating charges*	17.26	1.28	9.31
Operating charges	(0.46)	(0.46)	(0.55)
Return after operating charges	16.80	0.82	8.76
Distributions	(2.13)	(2.02)	(2.89)
Retained distributions on accumulation shares	2.13	2.02	2.89
Closing net asset value per share	156.28	139.48	138.66
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	12.04%	0.59%	6.74%
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OTHER INFORMATION

Closing net asset value (£'000)	390,753	208,599	139,149
Closing number of shares	250,036,221	149,558,267	100,354,859
Operating charges	0.30%	0.33%	0.41%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	159.15	144.42	142.62
Lowest share price	140.18	119.81	126.42

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'R' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	160.42	159.80	150.01
Return before operating charges*	19.92	1.54	10.83
Operating charges	(0.96)	(0.92)	(1.04)
Return after operating charges	18.96	0.62	9.79
Distributions	(2.09)	(2.02)	(3.02)
Retained distributions on accumulation shares	2.09	2.02	3.02
Closing net asset value per share	179.38	160.42	159.80
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	11.82%	0.39%	6.53%
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OTHER INFORMATION

Closing net asset value (£'000)	52,343	33,689	27,543
Closing number of shares	29,179,891	21,000,329	17,236,484
Operating charges	0.55%	0.58%	0.67%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	182.61	166.25	164.33
Lowest share price	161.12	137.86	145.84

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 31 October 2021 (%)

	1 year	3 years	5 years
LF Prudential Risk Managed Passive Fund 3	11.88	21.46	29.68
IA Mixed Investment 20-60% shares sector ¹	13.25	18.67	24.54

¹ Source: Morningstar Direct.

The performance of the Fund is based on the published price per 'P' 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 301 and 302.

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 RISK MANAGED PASSIVE FUND 3

ACD'S REPORT *continued*

PORTFOLIO STATEMENT

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	EQUITY PORTFOLIOS – 40.88% (31.10.20 – 38.33%)		
	CONTINENTAL EUROPE – 5.91% (31.10.20 – 5.46%)		
9,682,019	Legal & General European Index	33,935	5.91
	TOTAL CONTINENTAL EUROPE	33,935	5.91
	UNITED KINGDOM – 15.91% (31.10.20 – 14.10%)		
33,190,761	iShares UK Equity Index	66,348	11.56
15,264,414	Legal & General UK Index	24,973	4.35
	TOTAL UNITED KINGDOM	91,321	15.91
	ASIA EX JAPAN – 7.30% (31.10.20 – 7.65%)		
18,013,259	iShares Pacific ex Japan Equity Index	41,917	7.30
	TOTAL ASIA EX JAPAN	41,917	7.30
	JAPAN – 2.78% (31.10.20 – 2.96%)		
6,380,104	iShares Japan Equity Index	15,950	2.78
	TOTAL JAPAN	15,950	2.78
	NORTH AMERICA – 5.45% (31.10.20 – 5.36%)		
6,659,501	iShares US Equity Index	29,528	5.14
1,662,278	M&G (ACS) BlackRock US Equity ¹	1,761	0.31
	TOTAL NORTH AMERICA	31,289	5.45
	EMERGING MARKETS – 3.53% (31.10.20 – 2.80%)		
8,482,933	iShares Emerging Markets Equity Index	15,609	2.72
2,557,893	M&G (ACS) China ¹	2,332	0.41
2,546,655	M&G (ACS) China Equity ¹	2,298	0.40
	TOTAL EMERGING MARKETS	20,239	3.53
	TOTAL EQUITY PORTFOLIOS	234,651	40.88

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	EQUITY INVESTMENT INSTRUMENTS – 2.17% (31.10.20 – 3.51%)		
800,792	BBGI ²	1,381	0.24
21,363	BH Macro ²	763	0.13
2,234,527	BioPharma Credit ²	1,579	0.27
546,860	Blue Capital Alternative Income ^{2,3}	3	–
67,698	Boussard & Gavaudan ²	1,311	0.23
652,954	DP Aircraft I ²	7	–
1,070,398	Ecofin US Renewables Infrastructure Trust ²	759	0.13
108,265	HarbourVest Global Private Equity ²	2,674	0.47
213,480	HgCapital ²	824	0.14
261,440	NB Distressed Debt Investment ²	108	0.02
561,015	NextEnergy Solar ²	559	0.10
25,052	Princess Private Equity ²	288	0.05
386,211	Renewables Infrastructure ²	511	0.09
456,081	Round Hill Music Royalty ²	349	0.06
146,054	Round Hill Music Royalty 'C' ²	106	0.02
1,131,906	SDCL Energy Efficiency Income ²	1,285	0.22
	TOTAL EQUITY INVESTMENT INSTRUMENTS	12,507	2.17
	PROPERTY PORTFOLIOS – 0.00% (31.10.20 – 0.48%)	–	–
	BOND PORTFOLIOS – 47.27% (31.10.20 – 50.05%)		
62,981,450	iShares Corporate Bond Index	100,518	17.51
2,992,432	iShares Euro Investment Grade Corporate Bond Index	32,513	5.66
6,959,622	iShares US Corporate Bond Index	66,056	11.50
1,881,951	iShares USD Treasury Bond	9,532	1.66
10,754,419	M&G Emerging Markets Bond ¹	11,367	1.98
7,300,676	M&G European Corporate Bond ¹	8,158	1.42
12,467,316	M&G Global High Yield Bond ¹	18,171	3.17
1,005	M&G Sterling Investment Grade Corporate Bond ¹	1	–
18,961,715	M&G Strategic Corporate Bond ¹	25,113	4.37
	TOTAL BOND PORTFOLIOS	271,429	47.27

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	FUTURES – 0.06% (31.10.20 – (0.29)%) ⁴		
89	EURO STOXX 50 Index Futures December 2021	65	0.01
48	FTSE 100 Index Futures December 2021	85	0.01
23	FTSE China A50 Index Futures November 2021	(4)	–
168	FTSE/JSE Top 40 Index Futures December 2021	213	0.04
20	S&P 500 E Mini Index Futures December 2021	83	0.01
30	TOPIX Index Futures December 2021	(78)	(0.01)
	TOTAL FUTURES	364	0.06
	Portfolio of investments ⁵	518,951	90.38
	Net other assets	55,236	9.62
	Net assets	574,187	100.00

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

¹ Related party holding (see note 12).

² Closed end fund.

³ Delisted security.

⁴ Counterparty: JPMorgan.

⁵ Includes investment liabilities.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

ACD'S REPORT *continued*

SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 October 2021

Total purchases for the year £'000 (note 16)	192,132	Total sales for the year £'000 (note 16)	21,485
	Cost £'000		Proceeds £'000
Major purchases		Major sales	
iShares Corporate Bond Index	41,413	FTSE 100 Index Futures March 2021	11,583
iShares UK Equity Index	29,304	FTSE 100 Index Futures December 2020	11,332
iShares US Corporate Bond Index	27,984	FTSE 100 Index Futures June 2021	8,209
iShares Euro Investment Grade Corporate Bond Index	13,925	EURO STOXX 50 Index Futures June 2021	8,143
iShares Pacific ex Japan Equity Index	12,920	EURO STOXX 50 Index Futures March 2021	7,719
Legal & General European Index	9,571	S&P 500 E Mini Index Futures June 2021	6,452
M&G Strategic Corporate Bond	6,648	FTSE China A50 Index Futures February 2021	5,833
M&G Global High Yield Bond	6,319	FTSE China A50 Index Futures January 2021	5,689
M&G Emerging Markets Bond	6,304	S&P 500 E Mini Index Futures March 2021	5,670
iShares Emerging Markets Equity Index	5,244	S&P 500 E Mini Index Futures December 2020	5,532

In addition to the above, purchases totalling £8,335,648,000 and sales totalling £8,287,862,000 were made in short term investments during the year.

Purchases and sales of Futures have been included at the value of their exposure and are not included in the total purchases and sales figures above.

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

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS

STATEMENT OF TOTAL RETURN

for the year ended 31 October 2021

	Notes	£'000	31.10.21 £'000	£'000	31.10.20 £'000
Income:					
Net capital gains/(losses)	3		37,197		(3,291)
Revenue	4	8,431		5,664	
Expenses	5	(1,051)		(660)	
Interest payable and similar charges	6	(8)		(14)	
Net revenue before taxation		7,372		4,990	
Taxation	7	(503)		(369)	
Net revenue after taxation			6,869		4,621
Total return before distributions			44,066		1,330
Distributions	8		(6,869)		(4,617)
Change in net assets attributable to shareholders from investment activities			37,197		(3,287)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2021

	£'000	31.10.21 £'000	£'000	31.10.20 £'000
Opening net assets attributable to shareholders		337,800		254,668
Amounts receivable on issue of shares	205,352		100,419	
Amounts payable on redemption of shares	(12,225)		(17,560)	
		193,127		82,859
Change in net assets attributable to shareholders from investment activities		37,197		(3,287)
Retained distributions on Accumulation shares		6,063		3,560
Closing net assets attributable to shareholders		574,187		337,800

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 October 2021

	Notes	31.10.21 £'000	31.10.20 £'000
ASSETS			
Fixed assets			
Investments		519,033	312,028
Current assets			
Debtors	9	5,624	1,358
Cash and cash equivalents	10	52,677	27,606
Total assets		<u>577,334</u>	<u>340,992</u>
LIABILITIES			
Investment liabilities		(82)	(965)
Creditors			
Distribution payable	11	(1,832)	(1,418)
Other creditors	11	(1,233)	(809)
Total liabilities		<u>(3,147)</u>	<u>(3,192)</u>
Net assets attributable to shareholders		<u>574,187</u>	<u>337,800</u>

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2021

1. Accounting Policies

The accounting policies described on pages 23 to 26 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 26 have been applied to the financial statements of the Fund in the current and prior year.

3. Net Capital Gains/(Losses)

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

	31.10.21 £'000	31.10.20 £'000
Non-derivative securities	29,846	(1,860)
Derivative contracts	7,458	(1,351)
Transaction charges	(3)	(3)
AMC rebates from underlying investments	—	(22)
Currency losses	(90)	(48)
Broker's commission on futures	(14)	(7)
Net capital gains/(losses)	37,197	(3,291)

The net capital gains/(losses) figure includes realised gains of £8,395,000 and unrealised gains of £35,076,000 (31.10.20: includes realised gains of £986,000 and unrealised gains of £6,257,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

Where realised gains/losses include gains/losses arising in previous periods, a corresponding loss/gain is included in unrealised gains/losses.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

4. Revenue

	31.10.21 £'000	31.10.20 £'000
Non-taxable dividends	4,823	3,124
Taxable dividends	68	108
Unfranked interest	3,046	1,986
AMC rebates from underlying investments	426	442
Bank interest	–	4
Revenue from tax transparent funds	59	–
Broker interest	9	–
Total revenue	8,431	5,664

5. Expenses

	31.10.21 £'000	31.10.20 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	998	628
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	32	22
Safe custody and other bank charges	9	2
	41	24
Other expenses:		
Audit fees	11	8
Expenses from tax transparent funds	1	–
	12	8
Total expenses	1,051	660

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

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

6. Interest Payable and Similar Charges

	31.10.21 £'000	31.10.20 £'000
Interest payable	4	5
Futures interest payable	4	9
Total interest payable and similar charges	8	14

7. Taxation

	31.10.21 £'000	31.10.20 £'000
a) Analysis of charge for the year		
Corporation tax	498	369
Tax incurred on tax transparent funds	5	–
Current tax charge	503	369
Deferred tax – origination and reversal of timing differences (note 7c)	–	–
Total taxation (note 7b)	503	369

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%) (31.10.20: 20%). The difference is explained below:

	31.10.21 £'000	31.10.20 £'000
Net revenue before taxation	7,372	4,990
Corporation tax at 20%	1,474	998
Effects of:		
Non-taxable dividends	(976)	(625)
Rebated capital expenses deductible for tax purposes	–	(4)
Tax incurred on tax transparent funds	5	–
Total tax charge (note 7a)	503	369

c) Deferred tax

There was no deferred tax charge in the current or prior year.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

8. Distributions

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

	31.10.21 £'000	31.10.20 £'000
Final	7,894	4,978
	<u>7,894</u>	<u>4,978</u>
Add: Revenue deducted on redemption of shares	72	124
Deduct: Revenue received on issue of shares	<u>(1,097)</u>	<u>(485)</u>
Net distribution for the year	<u>6,869</u>	<u>4,617</u>

Details of the distributions per share are set out in the table on pages 301 and 302.

	31.10.21 £'000	31.10.20 £'000
Distributions represented by:		
Net revenue after taxation	6,869	4,621
Allocations to capital:		
Tax relief to capital	<u>—</u>	<u>(4)</u>
Net distribution for the year	<u>6,869</u>	<u>4,617</u>

9. Debtors

	31.10.21 £'000	31.10.20 £'000
Amounts receivable for issue of shares	2,872	942
Sales awaiting settlement	2,198	—
Accrued revenue:		
Non-taxable dividends	480	363
AMC rebates from underlying investments	—	46
Revenue from tax transparent funds	74	—
	<u>554</u>	<u>409</u>

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	31.10.21 £'000	31.10.20 £'000
Taxation recoverable:		
Income tax	—	7
Total debtors	5,624	1,358

10. Cash and Cash Equivalents

	31.10.21 £'000	31.10.20 £'000
Bank balances	51,723	24,636
Margin account	954	2,970
Total cash and cash equivalents	52,677	27,606

11. Creditors

	31.10.21 £'000	31.10.20 £'000
Distribution payable	1,832	1,418
Other Creditors		
Amounts payable for redemption of shares	237	531
Purchases awaiting settlement	562	—
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	98	60
AMC rebates from underlying investments	27	—
	125	60

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	31.10.21 £'000	31.10.20 £'000
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	3	2
Transaction charges	1	–
Safe custody and other bank charges	2	–
	6	2
Taxation payable:		
Corporation tax	286	208
Tax incurred on tax transparent funds	6	–
	292	208
Other expenses	9	8
Expenses from tax transparent funds	2	–
Total other creditors	1,233	809

12. Related Party Transactions

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

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 285 and amounts due at the year end are disclosed in notes 9 and 11.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions or its associates) held 319,130 (31.10.20: 537,504) 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 62,288,942 (31.10.20: 52,423,578) of the Fund's shares at the balance sheet date.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

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 shareholders held in excess of 20% of the shares in issue of the Fund:

Allfunds Nominee Limited	36.75% (31.10.20: 29.05%)
Prudential plc and its associates	17.13% (31.10.20: 22.02%)

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 was as follows:

	31.10.21 £'000	31.10.20 £'000
Portfolio Manager in common	69,201	41,868

13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.20: none).

14. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	0.48%	0.48%	0.00%
Opening shares in issue	195,301	4,913,893	52,423,828
Issues	80,038	1,171,634	14,827,510
Redemptions	(21,686)	(436,604)	(4,962,146)
Conversions	—	—	—
Closing shares in issue	253,653	5,648,923	62,289,192

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.23%	0.23%	0.48%
Opening shares in issue	9,984,309	149,558,267	21,000,329
Issues	7,399,345	101,019,346	9,011,968
Redemptions	(1,100,327)	(546,544)	(868,403)
Conversions	4,524	5,152	35,997
Closing shares in issue	<u>16,287,851</u>	<u>250,036,221</u>	<u>29,179,891</u>

15. Risk Management Policies

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

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

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

(A) CREDIT RISK

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

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

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

There were futures contracts held at the balance sheet date. Details of the individual contracts are disclosed separately in the Portfolio Statement and the total position by counterparty at the balance sheet date was as follows:

31.10.21 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	364	–

31.10.20 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	(15)	–
NatWest	(950)	–

(B) INTEREST RATE RISK

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

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

(C) FOREIGN CURRENCY RISK

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

Where the Fund invests in non-Sterling assets, the Portfolio Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

The table below shows the foreign currency risk profile at the balance sheet date:

	31.10.21 £'000	31.10.20 £'000
Currency:		
Euro currency	101,522	62,901
Japanese yen	189	230
South African rand	1,136	330
US dollars	3,847	2,240
Total foreign currency exposure	106,694	65,701
Pounds sterling	467,493	272,099
Total net assets	574,187	337,800

A 5% change in the pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £5,335,000 on the net assets of the Fund (31.10.20: £3,285,000).

(D) LEVERAGE

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

As at 31.10.21, leverage under the gross method was 0.9:1 and leverage under the commitment method was 1:1 (31.10.20: 0.92:1 and 1:1 respectively).

(E) LIQUIDITY RISK

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions should insufficient cash be held at the bank to meet this obligation. The ACD monitors the liquidity profile of the Fund daily.

In assessing the liquidity profile of the Fund, the ACD assesses how much of the Fund can be realised in one and five days, under normal and stressed market conditions, and the impact this would have on the overall subsequent liquidity profile.

In assessing the liquidity of a company's shares, the ACD utilises the lower of the 5 and 20 day average market volume of that company's shares. An in depth review takes place by assessing the liquidity profile of the Fund against a 25% market participation of the average daily volume.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

Based on this analysis 86.80% of the portfolio can be liquidated within 5 days and 87.00% within 21 working days (31.10.20: 82.46% within 5 days and 82.47% within 30 days). Given this and the ACD's understanding of the investor base, it is considered that the liquidity profile of the Fund is appropriate.

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

(F) MARKET PRICE RISK

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

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

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £25,948,000 (31.10.20: £15,553,000). A 5% decrease would have an equal and opposite effect.

(G) DERIVATIVES

The economic exposure of futures derivative contracts is equal to the market value. The value of the exposure and the related counterparty are disclosed in the Portfolio of Investments.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

16. Portfolio Transaction Costs

31.10.21	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	1,281	–	1	1,282
Collective investment schemes	190,840	3	7	190,850
Purchases total	192,121	3	8	192,132
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	1,429	–	–	1,429
Collective investment schemes	20,060	(4)	–	20,056
Sales total	21,489	(4)	–	21,485
<i>Transaction cost % of sales total</i>		0.02%	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.21 is 0.25% (31.10.20: 0.33%).

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

31.10.20	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	730	–	2	732
Collective investment schemes	116,802	2	4	116,808
Purchases total	<u>117,532</u>	<u>2</u>	<u>6</u>	<u>117,540</u>
<i>Transaction cost % of purchases total</i>		–	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	1,402	(1)	–	1,401
Collective investment schemes	39,655	(1)	–	39,654
Sales total	<u>41,057</u>	<u>(2)</u>	<u>–</u>	<u>41,055</u>
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

The collective investment schemes include closed end funds.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

17. Fair Value Hierarchy

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

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

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

Level 3: Valuation techniques using unobservable inputs (see note 1(F) of the Accounting Policies).

31.10.21	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	22,482	496,548	3	519,033
Investment liabilities	(82)	—	—	(82)
31.10.20	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	19,739	292,271	18	312,028
Investment liabilities	(965)	—	—	(965)

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE

for the year ended 31 October 2021 – 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	01.11.20
To	31.10.21

'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	1.8570	–	1.8570	1.8096
Group 2	1.0790	0.7780	1.8570	1.8096

'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	2.3487	–	2.3487	2.2747
Group 2	1.5933	0.7554	2.3487	2.2747

'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	2.4539	–	2.4539	2.3620
Group 2	1.6674	0.7865	2.4539	2.3620

'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	1.8320	–	1.8320	1.7679
Group 2	1.1445	0.6875	1.8320	1.7679

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE *continued*

'P' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	2.1274	–	2.1274	2.0224
Group 2	1.2860	0.8414	2.1274	2.0224

'R' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	2.0930	–	2.0930	2.0157
Group 2	1.2443	0.8487	2.0930	2.0157

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4 ACD'S REPORT

for the year ended 31 October 2021

Important Information

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

Investment Objective and Policy

The LF Prudential Risk Managed Passive Fund 4 ('the Fund') aims to achieve long-term (in excess of 5 years) total return (the combination of income and growth of capital) by investing in a mix of assets from around the world and aims to limit the average volatility per annum over rolling 5 year periods to 14.5%.

There is no guarantee the objective will be achieved over any time period and the actual volatility, at any time, may be higher or lower than 14.5%. Capital invested is at risk.

The Fund aims to achieve its objective through investing at least 70% in passive collective investment schemes (e.g. funds which track an index). The Fund has a flexible investment approach with the freedom to invest in different types of assets to meet its objective. The Portfolio Manager will use in-depth research to forecast the expected change in value and risk of the different types of assets over a forward-looking 15-year period. This analysis is then used to work out the mix of assets (the 'target strategic asset allocation') to invest in to achieve the Fund's objective. The Portfolio Manager will review the target strategic asset allocation on an ongoing basis.

Based on the target strategic asset allocation, the Portfolio Manager constructs an actively managed portfolio to provide diversified, indirect exposure to global fixed income and variable rate assets, cash (including money market funds and near cash), equities and/or immovable property.

The Fund will have a bias towards higher risk assets, such as equities. The Portfolio Manager will adjust the asset allocation on an ongoing basis to reflect changes in the target strategic asset allocation and to take advantage of tactical investment opportunities.

The Portfolio Manager will select collective investment schemes to invest in from a focused range of funds and fund management groups (which may include other funds managed by the ACD, Portfolio Manager and their associates).

The Fund may also invest directly in equities, equity related instruments (e.g. warrants), fixed income and cash or near cash. It may also invest in alternative investments (e.g. infrastructure, private equity, alternative credit and hedge funds). Derivative instruments may also be used for the purposes of efficient portfolio management.

Other Information: The Fund's objective to stay within its specified risk profile may restrict the types and proportions of the assets it holds and limit the potential gains and losses.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

ACD'S REPORT *continued*

Benchmark

The Fund's comparator benchmark is the IA Mixed Investment 40-85% shares sector.

The Fund's performance may be compared against the IA Mixed Investment 40-85% shares sector. The ACD believes that this is an appropriate comparator for the Fund given the investment objective and policy of the Fund. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics.

LINK FUND SOLUTIONS LIMITED

ACD of LF Prudential Risk Managed Passive Fund 4

24 February 2022

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2021

Between 1 November 2020 and 31 October 2021 share classes R (Acc) 15.32%¹, P (Acc) 15.55%¹ and A (Acc) 15.32%¹ produced returns behind the 19.94%² sector average for IA Mixed Investment 40-85% Shares Sector.

Market Overview

Several themes drove returns over the period in review.

Early on, US politics influenced markets with President Biden's election seen as a positive although towards the end of 2020 sentiment was dominated by positive news on COVID-19 vaccines. Pfizer's press release of better-than-expected preliminary results on its vaccine development led to one of the largest one-day rotation trades in recent times.

AstraZeneca also followed with positive news regarding its COVID-19 vaccine trials. Co-developed with Oxford University, the vaccine, which showed efficacy of up to 90% and did not require complex refrigeration.

In the early part of 2021, the major story was the activity in fixed income markets, driven by inflation concerns, as many mainstream government bonds sold off, led by US Treasuries. Investors became fearful that the US Federal Reserve may eventually have to act a lot earlier than anticipated to stifle inflation given a massive extra stimulus package, the third in the US since the pandemic.

The majority of world stockmarkets registered solid gains from March to end June, buoyed by the widespread rollout of vaccination programmes which aided the reopening of economies. Investment returns among European shares were particularly strong as vaccination take-up in the region accelerated following a slow start.

Fixed income markets were also higher in Q2 2021 as central banks dampened speculation they would be withdrawing stimulus measures soon, and many investors seemed to shrug off global inflation fears.

Global economic growth remained buoyant during the third quarter, as much of the world continued to resume economic activities following the rollout of COVID-19 vaccines internationally. While most economic data was strong, much of the developed world appears to be at or just past the peak rate of growth, according to recent global business surveys.

A difficult September caused most major stockmarkets to either fall flat or dip into negative territory for the quarter, as a variety of fears weighed on investors' minds. In China, power supply shortages and doubts over the health of the property sector upset investor appetite in the region, contributing to underperformance from emerging market shares and bonds more broadly.

Inflation remained elevated in the US, UK and some emerging market economies but was relatively more contained in other advanced economies.

¹ Source: FE Analytics.

² Source: Morningstar Direct.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

Positioning

The portfolio manager also continued to assess markets and reposition portfolios as the teams' shorter term 'tactical' views evolve.

In May the global equity overweight position was halved. This had been equally split across US, UK, European, Japanese, Asian, and Chinese equities. The overweight positions in Asia and China were removed completely to moderate but not remove the cyclical bias.

The team retained a small overweight to Emerging Market Debt, offering superior yield relative to US Investment Grade, where they had moved underweight.

In early July, with equities having performed well and with a bit more uncertainty on the outlook for inflation and interest rates, the tactical positions across equities and fixed income were all removed. A diversifying overweight to alternatives has been maintained.

This decision also coincided with the summer trading months, which tend to see much lower volumes traded as markets pause for a holiday break.

The portfolio manager feels the Fund is well positioned to deploy capital where and when opportunities present themselves.

Outlook

The portfolio manager continues to assess the prospects for markets.

A key question that remains is whether in the face of softer growth, central banks will have the desire and the inflation leeway to continue with stimulus rather than to take steps to unwind it. The recent rise in government bond yields suggests that markets expect monetary policy to tighten sooner rather than later, but after several false dawns in recent history, investors will continue to pay attention to the volatile macro landscape for insights into the state of the global economy and to determine the actions that central banks are likely to take.

The end of September reminded us of the volatility that comes with a potential change in direction of monetary policy, but global rates are still at low absolute and accommodative levels compared to history.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

15 November 2021

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

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 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.

The Fund targets a risk level of 4 which is a level of risk relative to the 4 other funds in the range. The risk and reward profile scale above is calculated differently. The two measures are not comparable. The lowest number on the scale does not mean that a fund is risk free.

Currency Risk: As the Fund can be exposed to different currencies, changes in exchange rates may decrease the value of your investment.

Credit Risk: The value of a bond may be affected by its credit rating, the lower the rating the higher the risk of the issuer not paying interest or repaying the loan.

Property Fund Investment Risk: Property funds can become illiquid increasing the risk that a position cannot be sold in a timely manner or at a reasonable price.

Counterparty Risk: The failure of a firm involved in a transaction with the Fund or providing services to the Fund may expose the Fund to financial loss.

Derivatives Risk: A derivative may not perform as expected and may create losses greater than its cost.

Changes in Interest Rate Risk: A rise in interest rates generally causes bond prices to fall.

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.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables

Where the Fund has significant investment in collective investment schemes, exchange-traded funds and similar products, the operating charges figure takes 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. Following regulatory changes, the operating charges figure also takes account of the ongoing charges incurred in closed end underlying schemes calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

'A' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	120.51	123.81	117.40
Return before operating charges*	19.80	(0.55)	9.45
Operating charges	(0.74)	(0.70)	(0.93)
Return after operating charges	19.06	(1.25)	8.52
Distributions	(2.13)	(2.05)	(2.11)
Closing net asset value per share	137.44	120.51	123.81
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	15.82%	(1.01)%	7.26%
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OTHER INFORMATION

Closing net asset value (£'000)	–	–	1
Closing number of shares	250	250	250
Operating charges	0.55%	0.57%	0.76%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	142.28	129.78	129.87
Lowest share price	121.30	104.16	113.66

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	130.62	132.23	123.26
Return before operating charges*	21.07	(0.88)	9.94
Operating charges	(0.81)	(0.73)	(0.97)
Return after operating charges	20.26	(1.61)	8.97
Distributions	(1.86)	(1.75)	(2.29)
Retained distributions on accumulation shares	1.86	1.75	2.29
Closing net asset value per share	150.88	130.62	132.23
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	15.51%	(1.22)%	7.28%
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OTHER INFORMATION

Closing net asset value (£'000)	134	175	52
Closing number of shares	88,702	133,758	39,319
Operating charges	0.55%	0.57%	0.76%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	153.61	138.59	136.31
Lowest share price	131.34	111.20	119.40

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	102.50	105.20	99.79
Return before operating charges*	16.42	(0.78)	7.95
Operating charges	(0.08)	(0.09)	(0.14)
Return after operating charges	16.34	(0.87)	7.81
Distributions	(1.90)	(1.83)	(2.40)
Closing net asset value per share	116.94	102.50	105.20
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	15.94%	(0.83)%	7.83%
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OTHER INFORMATION

Closing net asset value (£'000)	10,119	2,354	1,763
Closing number of shares	8,653,710	2,296,850	1,675,970
Operating charges	0.07%	0.09%	0.13%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	120.72	110.14	110.60
Lowest share price	102.86	88.40	96.54

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'P' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	120.76	123.94	117.58
Return before operating charges*	19.42	(0.84)	9.44
Operating charges	(0.41)	(0.39)	(0.54)
Return after operating charges	19.01	(1.23)	8.90
Distributions	(1.99)	(1.95)	(2.54)
Closing net asset value per share	137.78	120.76	123.94
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	15.74%	(0.99)%	7.57%
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OTHER INFORMATION

Closing net asset value (£'000)	6,976	2,281	3,498
Closing number of shares	5,063,072	1,888,575	2,822,255
Operating charges	0.30%	0.32%	0.44%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	142.27	129.96	130.32
Lowest share price	121.43	104.31	113.91

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'P' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	133.89	135.26	125.72
Return before operating charges*	21.51	(0.94)	10.09
Operating charges	(0.45)	(0.43)	(0.55)
Return after operating charges	21.06	(1.37)	9.54
Distributions	(2.21)	(2.11)	(2.72)
Retained distributions on accumulation shares	2.21	2.11	2.72
Closing net asset value per share	154.95	133.89	135.26
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	15.73%	(1.01)%	7.59%
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OTHER INFORMATION

Closing net asset value (£'000)	156,318	71,962	48,039
Closing number of shares	100,880,214	53,746,630	35,515,269
Operating charges	0.30%	0.32%	0.42%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	157.67	141.79	139.32
Lowest share price	134.58	113.80	121.86

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'R' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	132.48	134.10	124.89
Return before operating charges*	21.35	(0.87)	10.09
Operating charges	(0.81)	(0.75)	(0.88)
Return after operating charges	20.54	(1.62)	9.21
Distributions	(1.88)	(1.83)	(2.44)
Retained distributions on accumulation shares	1.88	1.83	2.44
Closing net asset value per share	153.02	132.48	134.10
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	15.50%	(1.21)%	7.37%
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OTHER INFORMATION

Closing net asset value (£'000)	17,510	11,736	10,100
Closing number of shares	11,442,950	8,858,767	7,532,741
Operating charges	0.55%	0.57%	0.68%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	155.77	140.53	138.22
Lowest share price	133.18	112.75	121.04

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 31 October 2021 (%)

	1 year	3 years	5 years
LF Prudential Risk Managed Passive Fund 4	15.55	24.38	33.67
IA Mixed Investment 40-85% shares sector ¹	19.94	28.87	39.33

¹ Source: Morningstar Direct.

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

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

Details of the distributions per share for the year are shown in the Distribution Table on pages 335 and 336.

RISK WARNING

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

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

ACD'S REPORT *continued*

PORTFOLIO STATEMENT

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	EQUITY PORTFOLIOS – 52.55% (31.10.20 – 47.87%)		
	CONTINENTAL EUROPE – 7.57% (31.10.20 – 6.74%)		
4,125,099	Legal & General European Index	14,458	7.57
	TOTAL CONTINENTAL EUROPE	14,458	7.57
	UNITED KINGDOM – 20.25% (31.10.20 – 17.35%)		
16,059,997	iShares UK Equity Index	32,104	16.80
4,034,035	Legal & General UK Index	6,600	3.45
	TOTAL UNITED KINGDOM	38,704	20.25
	ASIA EX JAPAN – 9.35% (31.10.20 – 9.66%)		
7,673,652	iShares Pacific ex Japan Equity Index	17,857	9.35
	TOTAL ASIA EX JAPAN	17,857	9.35
	JAPAN – 3.86% (31.10.20 – 3.82%)		
2,951,524	iShares Japan Equity Index	7,379	3.86
	TOTAL JAPAN	7,379	3.86
	NORTH AMERICA – 7.12% (31.10.20 – 6.81%)		
2,741,356	iShares US Equity Index	12,155	6.36
1,369,542	M&G (ACS) BlackRock US Equity ¹	1,451	0.76
	TOTAL NORTH AMERICA	13,606	7.12
	EMERGING MARKETS – 4.40% (31.10.20 – 3.49%)		
3,561,111	iShares Emerging Markets Equity Index	6,552	3.43
1,013,194	M&G (ACS) China ¹	924	0.48
1,028,603	M&G (ACS) China Equity ¹	928	0.49
	TOTAL EMERGING MARKETS	8,404	4.40
	TOTAL EQUITY PORTFOLIOS	100,408	52.55

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	EQUITY INVESTMENT INSTRUMENTS – 2.27% (31.10.20 – 3.67%)		
280,143	BBGI ²	483	0.25
7,631	BH Macro ²	272	0.14
817,570	BioPharma Credit ²	578	0.30
84,660	Blue Capital Alternative Income ^{2,3}	–	–
24,298	Boussard & Gavaudan ²	470	0.25
182,515	DP Aircraft I ²	2	–
308,723	Ecofin US Renewables Infrastructure Trust ²	219	0.11
36,781	HarbourVest Global Private Equity ²	908	0.48
75,833	HgCapital ²	293	0.15
65,944	NB Distressed Debt Investment ²	27	0.01
197,422	NextEnergy Solar ²	197	0.10
8,881	Princess Private Equity ²	102	0.05
135,923	Renewables Infrastructure ²	180	0.10
140,233	Round Hill Music Royalty ²	107	0.06
76,322	Round Hill Music Royalty 'C' ²	55	0.03
396,396	SDCL Energy Efficiency Income ²	450	0.24
	TOTAL EQUITY INVESTMENT INSTRUMENTS	4,343	2.27
	PROPERTY PORTFOLIOS – 0.00% (31.10.20 – 0.48%)	–	–
	BOND PORTFOLIOS – 35.90% (31.10.20 – 38.38%)		
15,559,463	iShares Corporate Bond Index	24,833	13.00
729,111	iShares Euro Investment Grade Corporate Bond Index	7,922	4.15
1,706,358	iShares US Corporate Bond Index	16,196	8.48
466,281	iShares USD Treasury Bond	2,362	1.24
3,493,674	M&G Emerging Markets Bond Fund ¹	3,692	1.93
1,783,779	M&G European Corporate Bond ¹	1,993	1.04
3,648,847	M&G Global High Yield Bond ¹	5,318	2.78
1,005	M&G Sterling Investment Grade Corporate Bond ¹	1	–
4,723,282	M&G Strategic Corporate Bond ¹	6,256	3.28
	TOTAL BOND PORTFOLIOS	68,573	35.90

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	FUTURES – 0.08% (31.10.20 – (0.40)%) ⁴		
35	EURO STOXX 50 Index Futures December 2021	26	0.01
18	FTSE 100 Index Futures December 2021	38	0.02
13	FTSE China A50 Futures November 2021	(2)	–
69	FTSE/JSE Top 40 Futures December 2021	88	0.05
6	S&P 500 E Mini Index Futures December 2021	25	0.01
7	TOPIX Index Futures December 2021	(23)	(0.01)
	TOTAL FUTURES	152	0.08
	Portfolio of investments ⁵	173,476	90.80
	Net other assets	17,581	9.20
	Net assets	191,057	100.00

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

¹ Related party holding (see note 12).

² Closed end fund.

³ Delisted security.

⁴ Counterparty: JPMorgan.

⁵ Includes investment liabilities.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

ACD'S REPORT *continued*

SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 October 2021

Total purchases for the year £'000 (note 16)	87,757	Total sales for the year £'000 (note 16)	7,490
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
iShares UK Equity Index	18,480	Legal & General UK Index	1,522
iShares Corporate Bond Index	13,000	iShares Pacific ex Japan Equity Index	1,294
iShares US Corporate Bond Index	8,866	HarbourVest Global Private Equity	541
iShares Pacific ex Japan Equity Index	8,513	M&G Emerging Markets Bond Fund	488
Legal & General European Index	6,421	iShares USD Treasury Bond	486
iShares Euro Investment Grade Corporate Bond Index	4,650	iShares UK Property	473
iShares Japan Equity Index	3,651	iShares Euro Investment Grade Corporate Bond Index	397
iShares US Equity Index	3,552	HgCapital	311
iShares Emerging Markets Equity Index	3,187	M&G (ACS) China Equity	295
M&G Strategic Corporate Bond	2,854	BH Macro	270

In addition to the above, purchases totalling £2,788,269,000 and sales totalling £2,758,962,000 were made in short term investments during the year.

Purchases and sales of Futures have been included at the value of their exposure and are not included in the total purchases and sales figures above.

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

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

FINANCIAL STATEMENTS

STATEMENT OF TOTAL RETURN

for the year ended 31 October 2021

	Notes	£'000	31.10.21 £'000	£'000	31.10.20 £'000
Income:					
Net capital gains/(losses)	3		13,804		(2,028)
Revenue	4	2,660		1,512	
Expenses	5	(370)		(208)	
Interest payable and similar charges	6	(2)		(3)	
Net revenue before taxation		2,288		1,301	
Taxation	7	(98)		(60)	
Net revenue after taxation			2,190		1,241
Total return before distributions			15,994		(787)
Distributions	8		(2,190)		(1,240)
Change in net assets attributable to shareholders from investment activities			13,804		(2,027)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2021

	£'000	31.10.21 £'000	£'000	31.10.20 £'000
Opening net assets attributable to shareholders		88,508		63,453
Amounts receivable on issue of shares	92,071		33,596	
Amounts payable on redemption of shares	(5,768)		(7,811)	
		86,303		25,785
Change in net assets attributable to shareholders from investment activities		13,804		(2,027)
Retained distributions on Accumulation shares		2,442		1,297
Closing net assets attributable to shareholders		191,057		88,508

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 October 2021

	Notes	31.10.21 £'000	31.10.20 £'000
ASSETS			
Fixed assets			
Investments		173,501	80,002
Current assets			
Debtors	9	1,867	7,809
Cash and cash equivalents	10	30,366	8,114
Total assets		<u>205,734</u>	<u>95,925</u>
LIABILITIES			
Investment liabilities		(25)	(346)
Creditors			
Bank overdrafts		(14,187)	–
Distribution payable	11	(265)	(79)
Other creditors	11	(200)	(6,992)
Total liabilities		<u>(14,677)</u>	<u>(7,417)</u>
Net assets attributable to shareholders		<u>191,057</u>	<u>88,508</u>

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2021

1. Accounting Policies

The accounting policies described on pages 23 to 26 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 26 have been applied to the financial statements of the Fund in the current and prior year.

3. Net Capital Gains/(Losses)

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

	31.10.21 £'000	31.10.20 £'000
Non-derivative securities	11,134	(1,476)
Derivative contracts	2,688	(538)
Transaction charges	(3)	(2)
AMC rebates from underlying investments	—	(5)
Currency losses	(11)	(5)
Broker's commission on futures	(4)	(2)
Net capital gains/(losses)	13,804	(2,028)

The net capital gains/(losses) figure includes realised gains of £2,872,000 and unrealised gains of £10,908,000 (31.10.20: includes realised gains of £141,000 and unrealised losses of £31,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

Where realised gains/losses include gains/losses arising in previous periods, a corresponding loss/gain is included in unrealised gains/losses.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

4. Revenue

	31.10.21 £'000	31.10.20 £'000
Non-taxable dividends	1,782	998
Taxable dividends	17	25
Unfranked interest	732	398
AMC rebates from underlying investments	103	91
Revenue from tax transparent funds	24	–
Broker interest	2	–
Total revenue	2,660	1,512

5. Expenses

	31.10.21 £'000	31.10.20 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	348	199
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	12	7
Safe custody and other bank charges	9	2
	21	9
Other expenses:		
Expenses from tax transparent funds	1	–
Total expenses	370	208

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

The audit fees of £7,950 are borne by the ACD (31.10.20: £7,750).

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

6. Interest Payable and Similar Charges

	31.10.21 £'000	31.10.20 £'000
Interest payable	2	1
Futures interest payable	–	2
Total interest payable and similar charges	2	3

7. Taxation

	31.10.21 £'000	31.10.20 £'000
a) Analysis of charge for the year		
Corporation tax	96	60
Tax incurred on tax transparent funds	2	–
Current tax charge	98	60
Deferred tax – origination and reversal of timing differences (note 7c)	–	–
Total taxation (note 7b)	98	60

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%) (31.10.20: 20%). The difference is explained below:

	31.10.21 £'000	31.10.20 £'000
Net revenue before taxation	2,288	1,301
Corporation tax at 20%	458	260
Effects of:		
Non-taxable dividends	(362)	(199)
Other non-taxable revenue	–	(1)
Tax incurred on tax transparent funds	2	–
Total tax charge (note 7a)	98	60

c) Deferred tax

There was no deferred tax charge in the current or prior year.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

8. Distributions

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

	31.10.21 £'000	31.10.20 £'000
Final	2,707	1,376
	<u>2,707</u>	<u>1,376</u>
Add: Revenue deducted on redemption of shares	38	39
Deduct: Revenue received on issue of shares	(555)	(175)
Net distribution for the year	<u>2,190</u>	<u>1,240</u>

Details of the distributions per share are set out in the table on pages 335 and 336.

	31.10.21 £'000	31.10.20 £'000
Distributions represented by:		
Net revenue after taxation	2,190	1,241
Allocations to capital:		
Tax relief to capital	—	(1)
Net distribution for the year	<u>2,190</u>	<u>1,240</u>

9. Debtors

	31.10.21 £'000	31.10.20 £'000
Amounts receivable for issue of shares	990	1,085
Sales awaiting settlement	717	6,607
Accrued revenue:		
Non-taxable dividends	127	106
AMC rebates from underlying investments	—	9
Revenue from tax transparent funds	33	—
	<u>160</u>	<u>115</u>

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	31.10.21 £'000	31.10.20 £'000
Taxation recoverable:		
Income tax	–	2
Total debtors	1,867	7,809

10. Cash and Cash Equivalents

	31.10.21 £'000	31.10.20 £'000
Bank balances	30,029	7,092
Margin account	337	1,022
Total cash and cash equivalents	30,366	8,114
Bank overdrafts	14,187	–
Total bank overdrafts	14,187	–

11. Creditors

	31.10.21 £'000	31.10.20 £'000
Distribution payable	265	79
Other Creditors		
Amounts payable for redemption of shares	55	81
Purchases awaiting settlement	–	6,831
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	36	19
AMC rebates from underlying investments	5	–
	41	19

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	31.10.21 £'000	31.10.20 £'000
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	1	1
Transaction charges	1	–
Safe custody and other bank charges	2	–
	4	1
Other expenses:		
Expenses from tax transparent funds	1	–
Taxation payable:		
Corporation tax	96	60
Tax incurred on tax transparent funds	3	–
	99	60
Total other creditors	200	6,992

12. Related Party Transactions

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

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 319 and amounts due at the year end are disclosed in notes 9 and 11.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions or its associates) held 371,157 (31.10.20: 363,783) 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 8,653,460 (31.10.20: 2,296,600) 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 shareholders held in excess of 20% of the shares in issue of the Fund:

Allfunds Nominee Limited	37.14% (31.10.20: 38.38%)
FNZ (UK) Nominees Limited	15.21% (31.10.20: 20.57%)

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

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 was as follows:

	31.10.21 £'000	31.10.20 £'000
Portfolio Manager in common	20,563	8,679

13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.20: none).

14. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	0.48%	0.48%	0.00%
Opening shares in issue	250	133,758	2,296,850
Issues	—	54,161	6,818,440
Redemptions	—	(99,216)	(461,580)
Closing shares in issue	250	88,702	8,653,710

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.23%	0.23%	0.48%
Opening shares in issue	1,888,575	53,746,630	8,858,767
Issues	3,317,275	49,579,055	3,475,713
Redemptions	(142,778)	(2,445,471)	(891,529)
Closing shares in issue	5,063,072	100,880,214	11,442,950

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

15. Risk Management Policies

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

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

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

(A) CREDIT RISK

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

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

There were futures contracts held at the balance sheet date. Details of the individual contracts are disclosed separately in the Portfolio Statement and the total position by counterparty at the balance sheet date was as follows:

31.10.21 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	152	–

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

31.10.20 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	(5)	–
NatWest	(341)	–

(B) INTEREST RATE RISK

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

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

(C) FOREIGN CURRENCY RISK

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

Where the Fund invests in non-Sterling assets, the Portfolio Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

The table below shows the foreign currency risk profile at the balance sheet date:

	31.10.21 £'000	31.10.20 £'000
Currency:		
Euro currency	24,926	12,560
Japanese yen	110	49
South African rand	365	112
US dollars	1,358	583
Total foreign currency exposure	26,759	13,304
Pounds sterling	164,298	75,204
Total net assets	191,057	88,508

A 5% change in the pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £1,338,000 on the net assets of the Fund (31.10.20: £665,000).

(D) LEVERAGE

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

As at 31.10.21, leverage under the gross method was 0.91:1 and leverage under the commitment method was 1:1 (31.10.20: 0.92:1 and 1:1 respectively).

(E) LIQUIDITY RISK

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions should insufficient cash be held at the bank to meet this obligation. The ACD monitors the liquidity profile of the Fund daily.

In assessing the liquidity profile of the Fund, the ACD assesses how much of the Fund can be realised in one and five days, under normal and stressed market conditions, and the impact this would have on the overall subsequent liquidity profile.

In assessing the liquidity of a company's shares, the ACD utilises the lower of the 5 and 20 day average market volume of that company's shares. An in depth review takes place by assessing the liquidity profile of the Fund against a 25% market participation of the average daily volume.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

Based on this analysis 89.36% of the portfolio can be liquidated within 5 days and 89.50% within 21 working days (31.10.20: 84.80% within 5 days and 85.30% within 30 days). Given this and the ACD's understanding of the investor base, it is considered that the liquidity profile of the Fund is appropriate.

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

(F) MARKET PRICE RISK

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

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

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £8,674,000 (31.10.20: £3,983,000). A 5% decrease would have an equal and opposite effect.

(G) DERIVATIVES

The economic exposure of futures derivative contracts is equal to the market value. The value of the exposure and the related counterparty are disclosed in the Portfolio of Investments.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

16. Portfolio Transaction Costs

31.10.21	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	424	–	1	425
Collective investment schemes	87,328	1	3	87,332
Purchases total	87,752	1	4	87,757
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	199	–	–	199
Collective investment schemes	7,292	(1)	–	7,291
Sales total	7,491	(1)	–	7,490
<i>Transaction cost % of sales total</i>		0.01%	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.21 is 0.27% (31.10.20: 0.35%).

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

31.10.20	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	196	–	1	197
Collective investment schemes	31,974	1	1	31,976
Purchases total	32,170	1	2	32,173
<i>Transaction cost % of purchases total</i>		–	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	357	–	–	357
Collective investment schemes	10,724	–	–	10,724
Sales total	11,081	–	–	11,081
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

The collective investment schemes include closed end funds.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

17. Fair Value Hierarchy

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

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

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

Level 3: Valuation techniques using unobservable inputs (see note 1(F) of the Accounting Policies).

31.10.21	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	6,882	166,619	–	173,501
Investment liabilities	(25)	–	–	(25)

31.10.20	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	4,952	75,047	3	80,002
Investment liabilities	(346)	–	–	(346)

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE

for the year ended 31 October 2021 – 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	01.11.20
To	31.10.21

'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	2.1320	–	2.1320	2.0520
Group 2	2.1320	0.0000	2.1320	2.0520

'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	1.8594	–	1.8594	1.7504
Group 2	1.3555	0.5039	1.8594	1.7504

'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	1.8990	–	1.8990	1.8329
Group 2	1.0527	0.8463	1.8990	1.8329

'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	1.9880	–	1.9880	1.9452
Group 2	1.1733	0.8147	1.9880	1.9452

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE *continued*

'P' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	2.2056	–	2.2056	2.1070
Group 2	1.3014	0.9042	2.2056	2.1070

'R' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	1.8844	–	1.8844	1.8290
Group 2	1.2211	0.6633	1.8844	1.8290

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5 ACD'S REPORT

for the year ended 31 October 2021

Important Information

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

Investment Objective and Policy

The LF Prudential Risk Managed Passive Fund 5 ('the Fund') aims to achieve long-term (in excess of 5 years) total return (the combination of income and growth of capital) by investing in a mix of assets from around the world and aims to limit the average volatility per annum over rolling 5 year periods to 17%.

There is no guarantee the objective will be achieved over any time period and the actual volatility, at any time, may be higher or lower than 17%. Capital invested is at risk.

The Fund aims to achieve its objective through investing at least 70% in passive collective investment schemes (e.g. funds which track an index). The Fund has a flexible investment approach with the freedom to invest in different types of assets to meet its objective. The Portfolio Manager will use in-depth research to forecast the expected change in value and risk of the different types of assets over a forward-looking 15-year period. This analysis is then used to work out the mix of assets (the 'target strategic asset allocation') to invest in to achieve the Fund's objective. The Portfolio Manager will review the target strategic asset allocation on an ongoing basis.

Based on the target strategic asset allocation, the Portfolio Manager constructs an actively managed portfolio to provide diversified, indirect exposure to global fixed income and variable rate assets, cash (including money market funds and near cash), equities and/or immovable property.

The Fund will have a high exposure towards higher risk assets, such as equities. The Portfolio Manager will adjust the asset allocation on an ongoing basis to reflect changes in the target strategic asset allocation and to take advantage of tactical investment opportunities.

The Portfolio Manager will select collective investment schemes to invest in from a focused range of funds and fund management groups (which may include other funds managed by the ACD, Portfolio Manager and their associates).

The Fund may also invest directly in equities, equity related instruments (e.g. warrants), fixed income and cash or near cash. It may also invest in alternative investments (e.g. infrastructure, private equity, alternative credit and hedge funds). Derivative instruments may also be used for the purposes of efficient portfolio management.

Other Information: The Fund's objective to stay within its specified risk profile may restrict the types and proportions of the assets it holds and limit the potential gains and losses.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

ACD'S REPORT *continued*

Benchmark

The Fund's comparator benchmark is the IA Flexible Investment shares sector.

The Fund's performance may be compared against the IA Flexible Investment shares sector. The ACD believes that this is an appropriate comparator for the Fund given the investment objective and policy of the Fund. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics.

LINK FUND SOLUTIONS LIMITED

ACD of LF Prudential Risk Managed Passive Fund 5

24 February 2022

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2021

Between 1 November 2020 and 31 October 2021 share classes R (Acc) 19.35%¹, A (Acc) 19.35%¹ and P (Acc) 19.60%¹ produced returns behind the 21.06%² sector average for IA Flexible Investment Shares Sector.

Market Overview

Several themes drove returns over the period in review.

Early on, US politics influenced markets with President Biden's election seen as a positive although towards the end of 2020 sentiment was dominated by positive news on COVID-19 vaccines. Pfizer's press release of better-than-expected preliminary results on its vaccine development led to one of the largest one-day rotation trades in recent times.

AstraZeneca also followed with positive news regarding its COVID-19 vaccine trials. Co-developed with Oxford University, the vaccine, which showed efficacy of up to 90% and did not require complex refrigeration.

In the early part of 2021, the major story was the activity in fixed income markets, driven by inflation concerns, as many mainstream government bonds sold off, led by US Treasuries. Investors became fearful that the US Federal Reserve may eventually have to act a lot earlier than anticipated to stifle inflation given a massive extra stimulus package, the third in the US since the pandemic.

The majority of world stock markets registered solid gains from March to end June, buoyed by the widespread rollout of vaccination programmes which aided the reopening of economies. Investment returns among European shares were particularly strong as vaccination take-up in the region accelerated following a slow start.

Fixed income markets were also higher in Q2 2021 as central banks dampened speculation they would be withdrawing stimulus measures soon, and many investors seemed to shrug off global inflation fears.

Global economic growth remained buoyant during the third quarter, as much of the world continued to resume economic activities following the rollout of COVID-19 vaccines internationally. While most economic data was strong, much of the developed world appears to be at or just past the peak rate of growth, according to recent global business surveys.

A difficult September caused most major stockmarkets to either fall flat or dip into negative territory for the quarter, as a variety of fears weighed on investors' minds. In China, power supply shortages and doubts over the health of the property sector upset investor appetite in the region, contributing to underperformance from emerging market shares and bonds more broadly.

Inflation remained elevated in the US, UK and some emerging market economies but was relatively more contained in other advanced economies.

¹ Source: FE Analytics.

² Source: Morningstar Direct.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

Positioning

The portfolio manager also continued to assess markets and reposition portfolios as the teams' shorter term 'tactical' views evolve.

In May the global equity overweight position was halved. This had been equally split across US, UK, European, Japanese, Asian, and Chinese equities. The overweight positions in Asia and China were removed completely to moderate but not remove the cyclical bias.

The team retained a small overweight to Emerging Market Debt, offering superior yield relative to US Investment Grade, where they had moved underweight.

In early July, with equities having performed well and with a bit more uncertainty on the outlook for inflation and interest rates, the tactical positions across equities and fixed income were all removed. A diversifying overweight to alternatives has been maintained.

This decision also coincided with the summer trading months, which tend to see much lower volumes traded as markets pause for a holiday break.

The portfolio manager feels the Fund is well positioned to deploy capital where and when opportunities present themselves.

Outlook

The portfolio manager continues to assess the prospects for markets.

A key question that remains is whether in the face of softer growth, central banks will have the desire and the inflation leeway to continue with stimulus rather than to take steps to unwind it. The recent rise in government bond yields suggests that markets expect monetary policy to tighten sooner rather than later, but after several false dawns in recent history, investors will continue to pay attention to the volatile macro landscape for insights into the state of the global economy and to determine the actions that central banks are likely to take.

The end of September reminded us of the volatility that comes with a potential change in direction of monetary policy, but global rates are still at low absolute and accommodative levels compared to history.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

15 November 2021

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

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 Fund has been classed as 5 because the volatility has been measured as above 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.

The Fund targets a risk level of 5 which is a level of risk relative to the 4 other funds in the range. The risk and reward profile scale above is calculated differently. The two measures are not comparable. The lowest number on the scale does not mean that a fund is risk free.

Currency Risk: As the Fund can be exposed to different currencies, changes in exchange rates may decrease the value of your investment.

Credit Risk: The value of a bond may be affected by its credit rating, the lower the rating the higher the risk of the issuer not paying interest or repaying the loan.

Property Fund Investment Risk: Property funds can become illiquid increasing the risk that a position cannot be sold in a timely manner or at a reasonable price.

Counterparty Risk: The failure of a firm involved in a transaction with the Fund or providing services to the Fund may expose the Fund to financial loss.

Derivatives Risk: A derivative may not perform as expected and may create losses greater than its cost.

Changes in Interest Rate Risk: A rise in interest rates generally causes bond prices to fall.

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.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables

Where the Fund has significant investment in collective investment schemes, exchange-traded funds and similar products, the operating charges figure takes 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. Following regulatory changes, the operating charges figure also takes account of the ongoing charges incurred in closed end underlying schemes calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

'A' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	123.43	128.34	121.63
Return before operating charges*	24.96	(2.29)	10.00
Operating charges	(0.78)	(0.72)	(0.91)
Return after operating charges	24.18	(3.01)	9.09
Distributions	(2.07)	(1.90)	(2.38)
Closing net asset value per share	145.54	123.43	128.34
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	19.59%	(2.35)%	7.48%
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OTHER INFORMATION

Closing net asset value (£'000)	14	215	6
Closing number of shares	9,294	174,348	4,809
Operating charges	0.55%	0.58%	0.72%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	150.23	135.60	135.23
Lowest share price	124.11	105.06	117.14

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	134.00	137.21	127.64
Return before operating charges*	27.11	(2.44)	10.57
Operating charges	(0.85)	(0.77)	(1.00)
Return after operating charges	26.26	(3.21)	9.57
Distributions	(2.25)	(2.02)	(2.48)
Retained distributions on accumulation shares	2.25	2.02	2.48
Closing net asset value per share	160.26	134.00	137.21
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	19.60%	(2.34)%	7.50%
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OTHER INFORMATION

Closing net asset value (£'000)	168	161	6
Closing number of shares	105,042	120,306	4,494
Operating charges	0.55%	0.58%	0.75%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	163.06	145.07	142.03
Lowest share price	134.81	112.34	123.08

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	101.67	105.73	100.18
Return before operating charges*	20.45	(1.99)	8.17
Operating charges	(0.08)	(0.10)	(0.11)
Return after operating charges	20.37	(2.09)	8.06
Distributions	(2.16)	(1.97)	(2.51)
Closing net asset value per share	119.88	101.67	105.73
* after direct transaction costs of:	0.01	–	–

PERFORMANCE

Return after charges	20.04%	(1.98)%	8.05%
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OTHER INFORMATION

Closing net asset value (£'000)	9,634	3,205	1,891
Closing number of shares	8,036,555	3,152,183	1,787,944
Operating charges	0.07%	0.10%	0.11%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	123.80	111.54	111.60
Lowest share price	101.99	86.70	96.43

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'P' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	123.80	128.69	121.93
Return before operating charges*	25.00	(2.31)	10.01
Operating charges	(0.43)	(0.42)	(0.52)
Return after operating charges	24.57	(2.73)	9.49
Distributions	(2.37)	(2.16)	(2.73)
Closing net asset value per share	146.00	123.80	128.69
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	19.85%	(2.12)%	7.78%
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OTHER INFORMATION

Closing net asset value (£'000)	2,330	1,466	5,533
Closing number of shares	1,595,800	1,184,345	4,299,529
Operating charges	0.30%	0.33%	0.41%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	150.90	136.06	135.92
Lowest share price	124.53	105.42	117.59

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'P' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	137.43	140.47	130.30
Return before operating charges*	27.73	(2.59)	10.71
Operating charges	(0.47)	(0.45)	(0.54)
Return after operating charges	27.26	(3.04)	10.17
Distributions	(2.63)	(2.37)	(2.92)
Retained distributions on accumulation shares	2.63	2.37	2.92
Closing net asset value per share	164.69	137.43	140.47
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	19.84%	(2.16)%	7.81%
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OTHER INFORMATION

Closing net asset value (£'000)	94,443	52,886	32,770
Closing number of shares	57,347,326	38,481,321	23,329,609
Operating charges	0.30%	0.33%	0.40%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	167.41	148.45	145.21
Lowest share price	138.17	115.10	125.72

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'R' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.10.21 pence per share	31.10.20 pence per share	31.10.19 pence per share
Opening net asset value per share	135.89	139.15	129.33
Return before operating charges*	27.46	(2.47)	10.71
Operating charges	(0.86)	(0.79)	(0.89)
Return after operating charges	26.60	(3.26)	9.82
Distributions	(2.28)	(2.07)	(2.63)
Retained distributions on accumulation shares	2.28	2.07	2.63
Closing net asset value per share	162.49	135.89	139.15
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	19.57%	(2.34)%	7.59%
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OTHER INFORMATION

Closing net asset value (£'000)	10,896	6,590	6,251
Closing number of shares	6,705,488	4,849,805	4,491,835
Operating charges	0.55%	0.58%	0.66%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	165.25	147.01	143.94
Lowest share price	136.61	113.93	124.76

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 31 October 2021 (%)

	1 year	3 years	5 years
LF Prudential Risk Managed Passive Fund 5	19.60	27.73	39.87
IA Flexible Investment shares sector ¹	21.06	31.24	41.83

¹ Source: Morningstar Direct.

The performance of the Fund is based on the published price per 'P' 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 368 and 369.

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 RISK MANAGED PASSIVE FUND 5

ACD'S REPORT *continued*

PORTFOLIO STATEMENT

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	EQUITY PORTFOLIOS – 63.53% (31.10.20 – 59.66%)		
	CONTINENTAL EUROPE – 9.06% (31.10.20 – 8.56%)		
3,036,845	Legal & General European Index	10,644	9.06
	TOTAL CONTINENTAL EUROPE	10,644	9.06
	UNITED KINGDOM – 24.53% (31.10.20 – 21.86%)		
10,848,737	iShares UK Equity Index	21,686	18.46
4,359,939	Legal & General UK Index	7,133	6.07
	TOTAL UNITED KINGDOM	28,819	24.53
	ASIA EX JAPAN – 11.26% (31.10.20 – 11.74%)		
5,683,529	iShares Pacific ex Japan Equity Index	13,226	11.26
	TOTAL ASIA EX JAPAN	13,226	11.26
	JAPAN – 4.80% (31.10.20 – 4.72%)		
2,255,800	iShares Japan Equity Index	5,640	4.80
	TOTAL JAPAN	5,640	4.80
	NORTH AMERICA – 8.48% (31.10.20 – 8.46%)		
2,011,974	iShares US Equity Index	8,921	7.59
986,864	M&G (ACS) BlackRock US Equity ¹	1,045	0.89
	TOTAL NORTH AMERICA	9,966	8.48
	EMERGING MARKETS – 5.40% (31.10.20 – 4.31%)		
2,651,395	iShares Emerging Markets Equity Index	4,879	4.15
808,842	M&G (ACS) China ¹	737	0.63
805,160	M&G (ACS) China Equity ¹	727	0.62
	TOTAL EMERGING MARKETS	6,343	5.40
	TOTAL EQUITY PORTFOLIOS	74,638	63.53

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	EQUITY INVESTMENT INSTRUMENTS – 2.48% (31.10.20 – 4.03%)		
184,752	BBGI ²	318	0.27
4,972	BH Macro ²	178	0.15
533,584	BioPharma Credit ²	377	0.32
80,465	Blue Capital Alternative Income ^{2,3}	–	–
16,928	Boussard & Gavaudan ²	328	0.28
140,205	DP Aircraft I ²	2	–
236,078	Ecofin US Renewables Infrastructure Trust ²	167	0.14
24,982	HarbourVest Global Private Equity ²	617	0.53
49,189	HgCapital ²	190	0.16
57,081	NB Distressed Debt Investment ²	24	0.02
129,019	NextEnergy Solar ²	128	0.11
5,775	Princess Private Equity ²	66	0.06
88,805	Renewables Infrastructure ²	118	0.10
99,884	Round Hill Music Royalty ²	76	0.06
41,476	Round Hill Music Royalty 'C' ²	30	0.02
268,837	SDCL Energy Efficiency Income ²	305	0.26
	TOTAL EQUITY INVESTMENT INSTRUMENTS	2,924	2.48
	PROPERTY PORTFOLIOS – 0.00% (31.10.20 – 0.48%)	–	–
	BOND PORTFOLIOS – 24.78% (31.10.20 – 26.35%)		
6,385,325	iShares Corporate Bond Index	10,191	8.67
306,750	iShares Euro Investment Grade Corporate Bond Index	3,333	2.84
687,350	iShares US Corporate Bond Index	6,524	5.55
191,261	iShares USD Treasury Bond	969	0.82
1,929,939	M&G Emerging Markets Bond ¹	2,040	1.74
684,062	M&G European Corporate Bond ¹	764	0.65
1,776,305	M&G Global High Yield Bond ¹	2,589	2.20
1,005	M&G Sterling Investment Grade Corporate Bond ¹	1	–
2,045,816	M&G Strategic Corporate Bond ¹	2,709	2.31
	TOTAL BOND PORTFOLIOS	29,120	24.78

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2021

Holding	Portfolio of Investments	Value £'000	31.10.21 %
	FUTURES – 0.12% (31.10.20 – (0.43)%) ⁴		
30	EURO STOXX 50 Index Futures December 2021	22	0.02
13	FTSE 100 Index Futures December 2021	23	0.02
8	FTSE China A50 Index Futures November 2021	(1)	–
53	FTSE/JSE Top 40 Index Futures December 2021	67	0.06
6	S&P 500 E Mini Index Futures December 2021	30	0.03
4	TOPIX Index Futures December 2021	(13)	(0.01)
	TOTAL FUTURES	128	0.12
	Portfolio of investments ⁵	106,810	90.91
	Net other assets	10,675	9.09
	Net assets	117,485	100.00

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

¹ Related party holding (see note 12).

² Closed end fund.

³ Delisted security.

⁴ Counterparty: JPMorgan.

⁵ Includes investment liabilities.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

ACD'S REPORT *continued*

SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 October 2021

Total purchases for the year £'000 (note 16)	43,459	Total sales for the year £'000 (note 16)	6,715
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
iShares UK Equity Index	10,635	FTSE 100 Index Futures June 2021	3,578
iShares Pacific ex Japan Equity Index	4,570	FTSE 100 Index Futures March 2021	3,362
iShares Corporate Bond Index	4,558	FTSE 100 Index Futures December 2020	2,997
FTSE 100 Index Futures June 2021	3,478	EURO STOXX 50 Index Futures June 2021	2,513
Legal & General European Index	3,325	EURO STOXX 50 Index Futures March 2021	1,955
FTSE 100 Index Futures March 2021	3,243	FTSE 100 Index Futures September 2021	1,891
iShares US Corporate Bond Index	3,153	S&P 500 E Mini Index Futures September	
EURO STOXX 50 Index Futures June 2021	2,376	2021	1,768
iShares Japan Equity Index	2,266	FTSE/JSE Top 40 Index Futures September	
iShares Euro Investment Grade Corporate		2021	1,577
Bond Index	2,091	EURO STOXX 50 Index Futures September	
		2021	1,520
		S&P 500 E Mini Index Futures June 2021	1,503

In addition to the above, purchases totalling £1,850,102,000 and sales totalling £1,832,049,000 were made in short term investments during the year.

Purchases and sales of Futures have been included at the value of their exposure and are not included in the total purchases and sales figures above.

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

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS

STATEMENT OF TOTAL RETURN

for the year ended 31 October 2021

	Notes	£'000	31.10.21 £'000	£'000	31.10.20 £'000
Income:					
Net capital gains/(losses)	3		12,285		(1,970)
Revenue	4	1,895		1,165	
Expenses	5	(239)		(147)	
Interest payable and similar charges	6	(1)		(3)	
Net revenue before taxation		1,655		1,015	
Taxation	7	(39)		(24)	
Net revenue after taxation			1,616		991
Total return before distributions			13,901		(979)
Distributions	8		(1,616)		(990)
Change in net assets attributable to shareholders from investment activities			12,285		(1,969)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2021

	£'000	31.10.21 £'000	£'000	31.10.20 £'000
Opening net assets attributable to shareholders		64,523		46,457
Amounts receivable on issue of shares	45,491		27,330	
Amounts payable on redemption of shares	(6,476)		(8,308)	
		39,015		19,022
Change in net assets attributable to shareholders from investment activities		12,285		(1,969)
Retained distributions on Accumulation shares		1,662		1,013
Closing net assets attributable to shareholders		117,485		64,523

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 October 2021

	Notes	31.10.21 £'000	31.10.20 £'000
ASSETS			
Fixed assets			
Investments		106,824	58,400
Current assets			
Debtors	9	2,075	5,305
Cash and cash equivalents	10	8,878	6,310
Total assets		<u>117,777</u>	<u>70,015</u>
LIABILITIES			
Investment liabilities		(14)	(279)
Creditors			
Distribution payable	11	(211)	(91)
Other creditors	11	(67)	(5,122)
Total liabilities		<u>(292)</u>	<u>(5,492)</u>
Net assets attributable to shareholders		<u>117,485</u>	<u>64,523</u>

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2021

1. Accounting Policies

The accounting policies described on pages 23 to 26 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 26 have been applied to the financial statements of the Fund in the current and prior year.

3. Net Capital Gains/(Losses)

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

	31.10.21 £'000	31.10.20 £'000
Non-derivative securities	10,235	(1,728)
Derivative contracts	2,079	(242)
Transaction charges	(3)	(2)
AMC rebates from underlying investments	—	(3)
Currency (losses)/gains	(23)	7
Broker's commission on futures	(3)	(2)
Net capital gains/(losses)	12,285	(1,970)

The net capital gains/(losses) figure includes realised gains of £2,311,000 and unrealised gains of £9,263,000 (31.10.20: includes realised gains of £334,000 and unrealised losses of £717,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

Where realised gains/losses include gains/losses arising in previous periods, a corresponding loss/gain is included in unrealised gains/losses.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

4. Revenue

	31.10.21 £'000	31.10.20 £'000
Non-taxable dividends	1,449	889
Taxable dividends	7	17
Unfranked interest	367	208
AMC rebates from underlying investments	51	51
Revenue from tax transparent funds	19	–
Broker interest	2	–
Total revenue	1,895	1,165

5. Expenses

	31.10.21 £'000	31.10.20 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	221	140
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	8	5
Safe custody and other bank charges	9	2
	17	7
Other expenses:		
Expenses from tax transparent funds	1	–
Total expenses	239	147

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

The audit fees of £7,950 are borne by the ACD (31.10.20: £7,750).

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

6. Interest Payable and Similar Charges

	31.10.21 £'000	31.10.20 £'000
Interest payable	1	1
Futures interest payable	–	2
Total interest payable and similar charges	1	3

7. Taxation

	31.10.21 £'000	31.10.20 £'000
a) Analysis of charge for the year		
Corporation tax	37	24
Tax incurred on tax transparent funds	2	–
Current tax charge	39	24
Deferred tax – origination and reversal of timing differences (note 7c)	–	–
Total taxation (note 7b)	39	24

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%) (31.10.20: 20%). The difference is explained below:

	31.10.21 £'000	31.10.20 £'000
Net revenue before taxation	1,655	1,015
Corporation tax at 20%	331	203
Effects of:		
Non-taxable dividends	(294)	(178)
Rebated capital expenses deductible for tax purposes	–	(1)
Tax incurred on tax transparent funds	2	–
Total tax charge (note 7a)	39	24

c) Deferred tax

There was no deferred tax charge in the current or prior year.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

8. Distributions

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

	31.10.21 £'000	31.10.20 £'000
Final	1,873	1,104
	<u>1,873</u>	<u>1,104</u>
Add: Revenue deducted on redemption of shares	45	25
Deduct: Revenue received on issue of shares	<u>(302)</u>	<u>(139)</u>
Net distribution for the year	<u>1,616</u>	<u>990</u>

Details of the distributions per share are set out in the table on pages 368 and 369.

	31.10.21 £'000	31.10.20 £'000
Distributions represented by:		
Net revenue after taxation	1,616	991
Allocations to capital:		
Tax relief to capital	<u>—</u>	<u>(1)</u>
Net distribution for the year	<u>1,616</u>	<u>990</u>

9. Debtors

	31.10.21 £'000	31.10.20 £'000
Amounts receivable for issue of shares	1,371	137
Sales awaiting settlement	537	5,054
Accrued revenue:		
Non-taxable dividends	141	107
AMC rebates from underlying investments	—	5
Revenue from tax transparent funds	26	—
	<u>167</u>	<u>112</u>

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	31.10.21 £'000	31.10.20 £'000
Taxation recoverable:		
Income tax	–	2
Total debtors	2,075	5,305

10. Cash and Cash Equivalents

	31.10.21 £'000	31.10.20 £'000
Bank balances	8,622	5,512
Margin account	256	798
Total cash and cash equivalents	8,878	6,310

11. Creditors

	31.10.21 £'000	31.10.20 £'000
Distribution payable	211	91
Other Creditors		
Amounts payable for redemption of shares	1	30
Purchases awaiting settlement	–	5,054
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	22	13
AMC rebates from underlying investments	1	–
	23	13

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

	31.10.21 £'000	31.10.20 £'000
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	1	1
Transaction charges	1	–
Safe custody and other bank charges	1	–
	3	1
Taxation payable:		
Corporation tax	37	24
Tax incurred on tax transparent funds	2	–
	39	24
Expenses from tax transparent funds	1	–
Total other creditors	67	5,122

12. Related Party Transactions

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

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 353 and amounts due at the year end are disclosed in notes 9 and 11.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions or its associates) held 74,237 (31.10.20: 72,531) 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 8,036,305 (31.10.20: 3,151,933) 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:

Allfunds Nominee Limited 40.45% (31.10.20: 44.00%)

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

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 was as follows:

	31.10.21 £'000	31.10.20 £'000
Portfolio Manager in common	10,612	4,711

13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.20: none).

14. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	0.48%	0.48%	–
Opening shares in issue	174,348	120,306	3,152,183
Issues	2,758	35,711	5,315,971
Redemptions	(167,812)	(50,975)	(431,599)
Closing shares in issue	9,294	105,042	8,036,555

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.23%	0.23%	0.48%
Opening shares in issue	1,184,345	38,481,321	4,849,805
Issues	583,517	21,555,229	2,588,718
Redemptions	(172,062)	(2,689,224)	(733,035)
Closing shares in issue	1,595,800	57,347,326	6,705,488

15. Risk Management Policies

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

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

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

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

(A) CREDIT RISK

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

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

There were futures contracts held at the balance sheet date. Details of the individual contracts are disclosed separately in the Portfolio Statement and the total position by counterparty at the balance sheet date was as follows:

31.10.21 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	128	–
31.10.20 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	(4)	–
NatWest	(275)	–

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

(B) INTEREST RATE RISK

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

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

(C) FOREIGN CURRENCY RISK

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

Where the Fund invests in non-Sterling assets, the Portfolio Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

The table below shows the direct foreign currency risk profile:

	31.10.21 £'000	31.10.20 £'000
Currency:		
Euro currency	10,439	6,231
Japanese yen	51	49
South African rand	186	104
US dollar	918	396
Total foreign currency exposure	11,594	6,780
Pounds sterling	105,891	57,743
Net assets	117,485	64,523

A 5% change in the pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £580,000 on the net assets of the Fund (31.10.20: £339,000).

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

(D) LEVERAGE

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

As at 31.10.21, leverage under the gross method was 0.91:1 and leverage under the commitment method was 1:1 (31.10.20: 0.9:1 and 1:1 respectively).

(E) LIQUIDITY RISK

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions should insufficient cash be held at the bank to meet this obligation. The ACD monitors the liquidity profile of the Fund daily.

In assessing the liquidity profile of the Fund, the ACD assesses how much of the Fund can be realised in one and five days, under normal and stressed market conditions, and the impact this would have on the overall subsequent liquidity profile.

In assessing the liquidity of a company's shares, the ACD utilises the lower of the 5 and 20 day average market volume of that company's shares. An in depth review takes place by assessing the liquidity profile of the Fund against a 25% market participation of the average daily volume.

Based on this analysis 91.82% of the portfolio can be liquidated within 5 days and 92.04% within 21 working days (31.10.20: 87.08% within 5 days and 87.62% within 30 days). Given this and the ACD's understanding of the investor base, it is considered that the liquidity profile of the Fund is appropriate.

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

(F) MARKET PRICE RISK

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

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

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £5,341,000 (31.10.20: £2,906,000). A 5% decrease would have an equal and opposite effect.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

(G) DERIVATIVES

The economic exposure of futures derivative contracts is equal to the market value. The value of the exposure and the related counterparty are disclosed in the Portfolio of Investments.

16. Portfolio Transaction Costs

31.10.21	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	290	—	—	290
Collective investment schemes	43,166	1	2	43,169
Purchases total	43,456	1	2	43,459
<i>Transaction cost % of purchases total</i>		—	—	
<i>Transaction cost % of average NAV</i>		—	—	
Ordinary shares	310	—	—	310
Collective investment schemes	6,406	(1)	—	6,405
Sales total	6,716	(1)	—	6,715
<i>Transaction cost % of sales total</i>		0.01%	—	
<i>Transaction cost % of average NAV</i>		—	—	

Average portfolio dealing spread at 31.10.21 is 0.27% (31.10.20: 0.38%).

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

31.10.20	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	179	–	–	179
Collective investment schemes	23,967	1	1	23,969
Purchases total	24,146	1	1	24,148
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	280	–	–	280
Collective investment schemes	7,900	–	–	7,900
Sales total	8,180	–	–	8,180
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

The collective investment schemes include closed end funds.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2021

17. Fair Value Hierarchy

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

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

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

Level 3: Valuation techniques using unobservable inputs (see note 1(F) of the Accounting Policies).

31.10.21	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	4,035	102,789	—	106,824
Investment liabilities	(14)	—	—	(14)

31.10.20	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	3,591	54,806	3	58,400
Investment liabilities	(279)	—	—	(279)

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE

for the year ended 31 October 2021 – 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	01.11.20
To	31.10.21

'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	2.0673	–	2.0673	1.8956
Group 2	1.4812	0.5861	2.0673	1.8956

'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	2.2549	–	2.2549	2.0200
Group 2	2.1826	0.0723	2.2549	2.0200

'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	2.1594	–	2.1594	1.9678
Group 2	1.2848	0.8746	2.1594	1.9678

'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	2.3661	–	2.3661	2.1554
Group 2	1.7233	0.6428	2.3661	2.1554

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE *continued*

'P' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	2.6266	–	2.6266	2.3654
Group 2	1.5567	1.0699	2.6266	2.3654

'R' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.21	Allocated 31.12.20
Group 1	2.2825	–	2.2825	2.0727
Group 2	1.4674	0.8151	2.2825	2.0727

GENERAL INFORMATION

Share Capital

The minimum share capital of the Company is £100 and the maximum is £250,000,000,000.

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. 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 Risk Managed Active 1
- LF Prudential Risk Managed Active 2
- LF Prudential Risk Managed Active 3
- LF Prudential Risk Managed Active 4
- LF Prudential Risk Managed Active 5
- LF Prudential Risk Managed Passive Fund 1
- LF Prudential Risk Managed Passive Fund 2
- LF Prudential Risk Managed Passive Fund 3
- LF Prudential Risk Managed Passive Fund 4
- LF Prudential Risk Managed Passive Fund 5

In the future there may be other sub-funds of the Company.

Classes of Shares

The Instrument of Incorporation allows income and accumulation shares to be issued.

Holders of income shares are entitled to be paid the distributable income attributed to such shares on any relevant interim and annual allocation dates.

Holders of accumulation shares are not entitled to be paid the income attributed to such shares, but that income is automatically transferred to (and retained as part of) the capital assets of the sub-fund on the relevant interim and/ or annual accounting dates. This is reflected in the price of an accumulation share.

Valuation Point

The current valuation point of each of the Company's sub-funds is 12.00 noon (London time) on each business day. Valuations may be made at other times under the terms contained within the Prospectus.

GENERAL INFORMATION *continued*

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 every dealing day 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 Documents 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.

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.



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