

LF Prudential Investment Funds (1)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2022



LF Prudential Risk Managed Active 1

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LF Prudential Risk Managed Passive Fund 1

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LF Prudential Risk Managed Passive Fund 5

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and regulated by the Financial Conduct Authority
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ACD'S REPORT

for the year ended 31 October 2022

Authorised Status

LF Prudential Investment Funds (I) ('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

Economic Uncertainty

The outbreak of COVID-19 in March 2020 caused significant disruption to business and economic activity, which was reflected in the fluctuations seen in the global stock markets for an extended period. However, after various national governments provided financial support and stimulus to their economies, combined with the development of effective vaccines to immunise populations, society and businesses are learning to operate in the post COVID-19 world which led to a recovery in asset prices.

In the first quarter of 2022, the geopolitical situation came into sharp focus, culminating in February 2022 with Russia's incursion into Ukraine, a position which continues to evolve. The consequences of this, combined with other factors, led to significant disruption to the global supply chains and soaring energy and commodity prices, leading to a significant increase in inflation in many countries. To curb the increase in global inflation, many nations' central banks have been increasing interest rates, a process which is expected to continue until inflation is brought under control. What is not clear at this time is whether the combination of high inflation and increasing interest rates will culminate in a global recession. With this level of uncertainty, it is reasonably foreseeable, that markets may see further periods of instability and consequently volatility in asset pricing.

Important Information

With effect from 1 January 2022, audit fees and all expenses of the auditor have started to be charged to the 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*

Important Information *continued*

With effect from 1 December 2022, the Depositary, Custodian, Fund Accountant and Tax Agent of the Company changed to The Bank of New York Mellon (International) Limited.

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 funds to various investment management firms. The portfolio managers' fees and expenses 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 applicable to them. 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 funds, nor are they remunerated by reference to the performance of any individual fund. 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 2022, being the most recent accounting period for which accounts have been prepared by LFSL prior to the production of these accounts. As at 30 June 2022, LFSL operated 91 UK UCITS and 105 AIFs, whose respective assets under management ('AuM') were £37,814 million and £44,462 million. The Company was valued at £2,770 million as at that date and represented 3.37% of LFSL's total AuM and 6.23% of its AIF AuM.

ACD'S REPORT *continued*

Remuneration Policy *continued*

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

2022	Number of beneficiaries	Fixed £'000	Variable £'000	Total £'000
Total amount of remuneration paid by LFSL for the financial year to 30 June 2022	183	8,711	618	9,329
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 2022				
Senior management (including all Board members)	7	878	205	1,083
Staff engaged in control functions	7	666	52	718
Risk takers and other identified staff	22	1,577	150	1,727
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 vary by function, but consideration is given to both qualitative and quantitative measures.

Further details can be found at: <https://www.linkfundsolutions.co.uk/media/gjcdba2w/lfs-explanation-of-compliance-with-remuneration-code.pdf>.

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)

28 February 2023

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 (I)

28 February 2023

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 wind up 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.

From 1 December 2022 Depositary has changed to

THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED

NATWEST TRUSTEE AND DEPOSITARY SERVICES LIMITED

Depositary of LF Prudential Investment Funds (I)

28 February 2023

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF PRUDENTIAL INVESTMENT FUNDS (I)

Opinion

We have audited the financial statements of LF Prudential Investment Funds (I) ('the Company') for the year ended 31 October 2022, 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 comprising for each sub-fund, and the accounting and distribution policies of the Company set out on pages 24 to 27 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 2022 and of the net revenue and the net capital losses on the scheme property of the Company comprising each of its sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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, we have concluded that the Authorised Corporate Director's ('the ACD') 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 twelve 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 FCA 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 FCA requires us to report to you if, in our opinion:

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

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

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.

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 Generally Accepted Accounting Practice (UK GAAP), the Investment Management Association's Statement of Recommended Practice (the 'IMA SORP'), the FCA Collective Investment Schemes Sourcebook, the OEIC Regulations, 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 administrator and a review of the Company's documented policies and procedures.

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

- 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.
- 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
28 February 2023

ACCOUNTING AND DISTRIBUTION POLICIES

for the year ended 31 October 2022

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 and key service provider's operational resilience. 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.

ACCOUNTING AND DISTRIBUTION POLICIES *continued*

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

(F) BASIS OF VALUATION OF INVESTMENTS

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

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

Collective investment schemes are valued at published bid prices for dual priced funds and at published prices for single priced funds. The value of revenue and expenses on tax transparent investments are recognised 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.

ACCOUNTING AND DISTRIBUTION POLICIES *continued*

(I) PORTFOLIO TRANSACTION COSTS

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

2. Distribution Policies

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

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

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

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

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 2022

Important Information

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

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

28 February 2023

LF PRUDENTIAL RISK MANAGED ACTIVE 1

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2022

Between 01 November 2021 and 31 October 2022 (the period in review) share classes R (Acc) -13.19% P (Acc) -12.94% and A (Acc) -13.21% produced returns behind the -11.16% sector average for IA Mixed Investment 0-35% shares sector.

Market Overview

It was an extremely challenging period in review as high inflation, aggressive monetary policy and slowing economic growth proved challenging for all asset classes.

In January, most Central Banks had either started raising interest rates or were about to, as higher inflation had been persistent since the pandemic, in part because of China's zero COVID policy. So, 2022 was always going to be a challenging year for government bonds, as they are particularly sensitive to interest rate changes.

Things took a rapid turn for the worse towards the end of February, with Russia's invasion of Ukraine. This had a profound effect on the supplies of several important goods like grain, for example. It also became clear that gas supplies to Europe were going to reduce significantly, in turn driving up the price of a vital source of energy for most of Europe.

So, a major inflationary shock was added to an already inflationary environment. This was terrible news for government bond markets, that are usually seen as 'safe haven' assets in times of market stress.

At the same time, doubts around continuing economic growth led to a broad-based sell off in most equity markets, except South Africa and India.

In the UK, the disastrous 'mini budget' in September caused a sharp sell-off in domestic assets, particularly government and corporate bonds, to the extent that the Bank of England had to intervene to restore stability to markets.

Activity

Several adjustments were made to the Fund following the annual review of the strategic asset allocation in September. Below is a summary of the main changes.

- UK equity reduced to allow increased allocations to US, Japan, Asia, China and India
- Developed market fixed income reduced, particularly European investment grade
- Asia and Emerging markets bonds increased to add more exposure to higher 'real' yields and countries with different monetary and fiscal regimes
- European and Asian property exposure increased to add further diversification
- Private equity and hedge funds reduced and infrastructure increased due to the inflation linked properties

LF PRUDENTIAL RISK MANAGED ACTIVE 1

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

Tactical Positioning

At the end of the period in review the portfolio manager had a small overweight to equities via a 50/50 US/China blend and alternatives. The overweight positions are funded through a fixed income underweight.

Outlook

The core theme for investors is central banks' attitudes towards the task of bringing down the rate of inflation, attempting to navigate a slowdown in economic growth whilst avoiding a harsh recession. Markets have started to price in a milder drawback in economic activity but continue to keenly watch incoming inflation data and the third quarter earnings season, which has so far been broadly positive. The ongoing economic side effects of the war in Ukraine, and the supply chains scars caused by COVID-19, provide additional complexity and uncertainty in the calibration of monetary policy.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

5 December 2022

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 lowest number on the scale does not mean that a fund is risk free.

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

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

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

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.

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	146.44	138.52	138.35
Return before operating charges*	(18.29)	11.58	2.76
Operating charges	(1.15)	(1.19)	(1.19)
Return after operating charges	(19.44)	10.39	1.57
Distributions	(2.18)	(2.47)	(1.40)
Closing net asset value per share	124.82	146.44	138.52
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	(13.27)%	7.50%	1.14%
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OTHER INFORMATION

Closing net asset value (£'000)	581	821	580
Closing number of shares	465,760	560,464	418,595
Operating charges	0.82%	0.81%	0.86%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	148.56	151.18	142.59
Lowest share price	125.01	138.88	123.02

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	170.84	158.89	157.09
Return before operating charges*	(21.33)	13.31	3.15
Operating charges	(1.34)	(1.36)	(1.35)
Return after operating charges	(22.67)	11.95	1.80
Distributions	(2.55)	(2.83)	(1.60)
Retained distributions on accumulation shares	2.55	2.83	1.60
Closing net asset value per share	148.17	170.84	158.89
* after direct transaction costs of:	0.01	0.02	–

PERFORMANCE

Return after charges	(13.27)%	7.52%	1.15%
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OTHER INFORMATION

Closing net asset value (£'000)	3,219	4,671	4,217
Closing number of shares	2,172,484	2,733,909	2,654,274
Operating charges	0.82%	0.81%	0.86%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	173.22	173.36	161.77
Lowest share price	145.85	159.27	139.61

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	146.97	138.98	138.80
Return before operating charges*	(18.45)	11.67	2.79
Operating charges	(0.11)	(0.10)	(0.17)
Return after operating charges	(18.56)	11.57	2.62
Distributions	(3.24)	(3.58)	(2.44)
Closing net asset value per share	125.17	146.97	138.98
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	(12.63)%	8.33%	1.89%
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OTHER INFORMATION

Closing net asset value (£'000)	16,441	21,142	21,117
Closing number of shares	13,135,010	14,384,714	15,194,052
Operating charges	0.08%	0.07%	0.12%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	149.15	152.61	143.66
Lowest share price	126.36	139.34	123.77

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	123.98	117.23	117.18
Return before operating charges*	(15.51)	9.85	2.24
Operating charges	(0.68)	(0.70)	(0.70)
Return after operating charges	(16.19)	9.15	1.54
Distributions	(2.15)	(2.40)	(1.49)
Closing net asset value per share	105.64	123.98	117.23
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	(13.06)%	7.81%	1.31%
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OTHER INFORMATION

Closing net asset value (£'000)	3,279	4,992	4,892
Closing number of shares	3,103,798	4,026,888	4,172,769
Operating charges	0.57%	0.56%	0.61%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	125.82	128.29	120.94
Lowest share price	106.09	117.59	104.29

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	143.95	133.53	131.70
Return before operating charges*	(18.02)	11.21	2.63
Operating charges	(0.78)	(0.79)	(0.80)
Return after operating charges	(18.80)	10.42	1.83
Distributions	(2.49)	(2.74)	(1.67)
Retained distributions on accumulation shares	2.49	2.74	1.67
Closing net asset value per share	125.15	143.95	133.53
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	(13.06)%	7.80%	1.39%
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OTHER INFORMATION

Closing net asset value (£'000)	70,024	90,391	77,209
Closing number of shares	55,949,844	62,795,324	57,820,728
Operating charges	0.57%	0.56%	0.61%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	146.04	146.08	135.85
Lowest share price	123.18	133.93	117.19

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	156.05	145.13	143.52
Return before operating charges*	(19.49)	12.16	2.84
Operating charges	(1.21)	(1.24)	(1.23)
Return after operating charges	(20.70)	10.92	1.61
Distributions	(2.33)	(2.59)	(1.46)
Retained distributions on accumulation shares	2.33	2.59	1.46
Closing net asset value per share	135.35	156.05	145.13
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	(13.26)%	7.52%	1.12%
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OTHER INFORMATION

Closing net asset value (£'000)	9,717	13,836	12,363
Closing number of shares	7,178,722	8,866,433	8,518,728
Operating charges	0.81%	0.81%	0.86%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	158.25	158.37	147.88
Lowest share price	133.23	145.50	127.60

LF PRUDENTIAL RISK MANAGED ACTIVE 1

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 31 October 2022 (%)

	1 year	3 years	5 years
LF Prudential Risk Managed Active 1	(12.94)	(4.74)	1.08
IA Mixed Investment 0-35% shares sector ¹	(11.16)	(4.76)	(0.46)

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 59 and 60.

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 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
	EQUITY PORTFOLIOS – 15.26% (31.10.21 – 15.86%)		
	CONTINENTAL EUROPE – 2.21% (31.10.21 – 2.29%)		
552,780	M&G (LUX) Europe Ex UK Equity ¹	509	0.49
1,520,141	M&G (LUX) Europe Ex UK Equity NPV ¹	1,551	1.50
310,142	M&G (LUX) Pan European Sustain Paris Aligned ¹	231	0.22
	TOTAL CONTINENTAL EUROPE	2,291	2.21
	UNITED KINGDOM – 5.50% (31.10.21 – 6.37%)		
2,032,943	M&G (ACS) BlackRock UK All Share Equity ¹	1,930	1.87
2,320,082	M&G (ACS) UK 200 Index ¹	2,148	2.08
1,002,098	M&G (ACS) UK Listed Equity ¹	1,068	1.03
280,570	M&G (ACS) UK Listed Smaller Companies ¹	263	0.25
108,350	M&G Recovery ¹	281	0.27
	TOTAL UNITED KINGDOM	5,690	5.50
	ASIA EX JAPAN – 2.58% (31.10.21 – 2.79%) ⁵		
2,882,427	M&G Asia Pacific Ex Japan ¹	2,663	2.58
	TOTAL ASIA EX JAPAN	2,663	2.58
	JAPAN – 1.12% (31.10.21 – 0.95%) ⁵		
1,021,024	M&G (ACS) Japan Equity ¹	1,095	1.06
60,654	M&G (ACS) Japan Smaller Companies ¹	61	0.06
	TOTAL JAPAN	1,156	1.12
	NORTH AMERICA – 2.35% (31.10.21 – 2.26%)		
1,349,548	M&G (ACS) BlackRock US Equity ¹	1,425	1.38
118,673	M&G (ACS) Earnest Partners US ¹	138	0.13
123,055	M&G (ACS) Granahan US Small Capital Growth ¹	130	0.13
19,249	M&G North American Value ¹	735	0.71
	TOTAL NORTH AMERICA	2,428	2.35
	EMERGING MARKETS – 1.50% (31.10.21 – 1.20%)		
42,297	iShares MSCI India	267	0.26
515,157	M&G (ACS) China ¹	313	0.31
548,382	M&G (ACS) China Equity ¹	312	0.30
321,269	M&G GSAM Global Emerging Markets Equity ¹	218	0.21

LF PRUDENTIAL RISK MANAGED ACTIVE 1

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
70,547	M&G Invesco Global Emerging Markets ¹	52	0.05
123,956	M&G Lazard Global Emerging Markets Equity ¹	109	0.11
326,218	M&G MFS Global Emerging Markets Equity ¹	271	0.26
	TOTAL EMERGING MARKETS	1,542	1.50
	TOTAL EQUITY PORTFOLIOS	15,770	15.26
	EQUITY INVESTMENT INSTRUMENTS – 2.00% (31.10.21 – 2.48%)		
158,878	BBGI ²	252	0.24
3,267	BH Macro ²	152	0.15
124,949	BioPharma Credit ²	104	0.10
8,132	Boussard & Gavaudan ²	154	0.15
310,452	DP Aircraft I ²	11	0.01
188,505	Ecofin US Renewables Infrastructure Trust ²	139	0.13
13,116	HarbourVest Global Private Equity ²	283	0.27
35,754	HgCapital ²	124	0.12
127,453	NB Distressed Debt Investment ²	50	0.05
178,153	NextEnergy Solar ²	191	0.18
7,276	Pantheon Infrastructure ²	7	0.01
20,605	Petershill Partners ²	41	0.04
5,191	Princess Private Equity ²	42	0.04
131,530	Renewables Infrastructure ²	170	0.17
175,758	Round Hill Music Royalty ²	115	0.11
238,658	SDCL Energy Efficiency Income ²	240	0.23
	TOTAL EQUITY INVESTMENT INSTRUMENTS	2,075	2.00
	PROPERTY PORTFOLIOS – 4.83% (31.10.21 – 3.62%)		
58,276	iShares Asia Property Yield	1,042	1.01
24,241	iShares European Property Yield	530	0.52
2,512,312	Legal & General UK Property	2,630	2.55
62,195	M&G Property Portfolio ¹	776	0.75
	TOTAL PROPERTY PORTFOLIOS	4,978	4.83
	BOND PORTFOLIOS – 67.84% (31.10.21 – 68.80%)		
363,852	Eastspring Asian Bond	3,105	3.01
1,114,064	Eastspring Asian Local Bond	9,394	9.10
1,513,145	Eastspring US Corporate Bond	14,985	14.51

LF PRUDENTIAL RISK MANAGED ACTIVE 1

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
1,235,474	M&G Credit Income Investment Trust ^{1,2}	1,075	1.04
4,533,271	M&G Emerging Markets Bond ¹	4,635	4.49
45,724	M&G European Credit Investment ¹	4,585	4.44
640,372	M&G Global Convertibles ¹	1,587	1.54
2,734,814	M&G Global High Yield Bond ¹	3,414	3.31
32,978,508	M&G Sterling Investment Grade Corporate Bond ¹	27,258	26.40
	TOTAL BOND PORTFOLIOS	70,038	67.84
	FUTURES – (0.22)% (31.10.21 – (0.02)%) ³		
4	EURO STOXX 50 Index Futures December 2022	(1)	–
5	FTSE 100 Index Futures December 2022	(15)	(0.01)
39	FTSE China A50 Index Futures November 2022	(22)	(0.02)
27	FTSE/JSE Top 40 Futures December 2022	(37)	(0.04)
3	S&P 500 E Mini Index Futures December 2022	(18)	(0.02)
1	TOPIX Index Futures December 2022	1	–
26	US Treasury Note 10 Year Futures December 2022	(134)	(0.13)
	TOTAL FUTURES	(226)	(0.22)
	Portfolio of investments ⁴	92,635	89.71
	Net other assets	10,626	10.29
	Net assets	103,261	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 Counterparty: JPMorgan.

⁴ Includes investment liabilities.

⁵ The comparative figures have been restated to match current year presentation. M&G Asia Pacific Ex Japan has been reclassified from Japan to Asia Ex Japan.

LF PRUDENTIAL RISK MANAGED ACTIVE 1

ACD'S REPORT *continued*

SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 October 2022

Total purchases for the year £'000 (note 16)		Total sales for the year £'000 (note 16)	
		Cost	Proceeds
Major purchases	£'000	Major sales	£'000
M&G Sterling Investment Grade		Royal London Corporate Bond Fund	18,411
Corporate Bond	35,018	M&G Strategic Corporate Bond Fund	16,905
Eastspring Asian Local Bond	4,013	M&G European Credit Investment	6,305
US Treasury Note 10 Year Futures March 2022	3,289	M&G Short Dated Corporate Bond	3,223
US Treasury Note 10 Year Futures September 2022	2,797	US Treasury Note 10 Year Futures December 2022	3,211
US Treasury Note 10 Year Futures June 2022	2,787	US Treasury Note 10 Year Futures March 2022	3,161
M&G Emerging Markets Bond	2,648	M&G Sterling Investment Grade Corporate Bond	3,068
US Treasury Note 10 Year Futures December 2022	2,605	US Treasury Note 10 Year Futures June 2022	2,903
Eastspring Asian Bond	1,765	US Treasury Note 10 Year Futures September 2022	2,875
S&P 500 E Mini Index Futures March 2022	1,385	Eastspring US Corporate Bond	1,988
FTSE 100 Index Futures March 2022	1,354		

In addition to the above, purchases totalling £1,656,801,000 and sales totalling £1,959,961,000 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 2022

	Notes	£'000	31.10.22 £'000	£'000	31.10.21 £'000
Income:					
Net capital (losses)/gains	3		(18,590)		7,006
Revenue	4	2,849		3,278	
Expenses	5	(574)		(622)	
Interest payable and similar charges	6	(3)		(2)	
Net revenue before taxation		2,272		2,654	
Taxation	7	(38)		(66)	
Net revenue after taxation			2,234		2,588
Total return before distributions			(16,356)		9,594
Distributions	8		(2,233)		(2,629)
Change in net assets attributable to shareholders from investment activities			(18,589)		6,965

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2022

	£'000	31.10.22 £'000	£'000	31.10.21 £'000
Opening net assets attributable to shareholders		135,853		120,378
Amounts receivable on issue of shares	9,703		23,028	
Amounts payable on redemption of shares	(25,324)		(16,544)	
		(15,621)		6,484
Change in net assets attributable to shareholders from investment activities		(18,589)		6,965
Retained distributions on Accumulation shares		1,618		2,026
Closing net assets attributable to shareholders		103,261		135,853

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 October 2022

	Notes	31.10.22 £'000	31.10.21 £'000
ASSETS			
Fixed assets			
Investments		92,862	123,349
Current assets			
Debtors	9	1,351	3,419
Cash and cash equivalents	10	10,414	10,319
Total assets		<u>104,627</u>	<u>137,087</u>
LIABILITIES			
Investment liabilities		(227)	(77)
Creditors			
Distribution payable	11	(503)	(626)
Other creditors	11	(636)	(531)
Total liabilities		<u>(1,366)</u>	<u>(1,234)</u>
Net assets attributable to shareholders		<u>103,261</u>	<u>135,853</u>

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2022

1. Accounting Policies

The accounting policies described on pages 24 to 27 have been applied to the financial statements of the Fund in the current and prior year.

2. Distribution Policies

The distribution policies described on page 27 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, through the year. All distributions made are therefore made as gross interest distributions.

3. Net Capital (Losses)/Gains

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

	31.10.22 £'000	31.10.21 £'000
Non-derivative securities	(17,933)	5,835
Derivative contracts	(802)	1,136
Transaction charges	(2)	(2)
AMC rebates from underlying investments	14	80
Currency gains/(losses)	136	(41)
Broker's commission on futures	(3)	(2)
Net capital (losses)/gains	(18,590)	7,006

The net capital (losses)/gains figure includes realised gains of £472,000 and unrealised losses of £11,390,000 (31.10.21: includes realised gains of £3,588,000 and unrealised gains of £7,681,000). 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 2022

4. Revenue

	31.10.22 £'000	31.10.21 £'000
Non-taxable dividends	230	372
Taxable dividends	985	886
UK property income distributions	101	87
Unfranked interest	866	1,324
AMC rebates from underlying investments	189	308
Bank interest	1	–
Derivatives income	4	–
Revenue from tax transparent funds	473	301
Total revenue	2,849	3,278

5. Expenses

	31.10.22 £'000	31.10.21 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	539	588
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	11	12
Safe custody and other bank charges	9	8
	20	20
Other expenses:		
Audit fees	10	11
Expenses from tax transparent funds	5	3
	15	14
Total expenses	574	622

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 2022

6. Interest Payable and Similar Charges

	31.10.22 £'000	31.10.21 £'000
Interest payable	3	2
Total interest payable and similar charges	3	2

7. Taxation

	31.10.22 £'000	31.10.21 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	23	34
Adjustments in respect of prior periods	(4)	25
Tax incurred on tax transparent funds	19	8
Current tax charge	38	67
Deferred tax – origination and reversal of timing differences (note 7c)	–	(1)
Total taxation (note 7b)	38	66

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%) (31.10.21: 20%). The difference is explained below:

	31.10.22 £'000	31.10.21 £'000
Net revenue before taxation	2,272	2,654
Corporation tax at 20%	454	531
Effects of:		
Non-taxable dividends	(138)	(133)
Rebated capital expenses deductible for tax purposes	3	16
Corporation tax: adjustment in respect of prior years	(4)	25
Tax incurred on tax transparent funds	19	8
Tax deductible interest distributions	(296)	(381)
Total tax charge (note 7a)	38	66

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

	31.10.22 £'000	31.10.21 £'000
c) Deferred tax		
Provision at the start of the year	–	1
Deferred tax charge in the year (note 7a)	–	(1)
Provision at the end of the year	–	–

8. Distributions

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

	31.10.22 £'000	31.10.21 £'000
Final	2,121	2,651
	2,121	2,651
Add: Revenue deducted on redemption of shares	184	150
Deduct: Revenue received on issue of shares	(72)	(172)
Net distribution for the year	2,233	2,629

Details of the distributions per share are set out in the table on pages 59 and 60.

	31.10.22 £'000	31.10.21 £'000
Distributions represented by:		
Net revenue after taxation	2,234	2,588
Allocations to capital:		
Tax relief from capital	(1)	41
Net distribution for the year	2,233	2,629

9. Debtors

	31.10.22 £'000	31.10.21 £'000
Amounts receivable for issue of shares	223	142
Sales awaiting settlement	366	2,407

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

	31.10.22 £'000	31.10.21 £'000
Accrued revenue:		
Unfranked interest	7	–
AMC rebates from underlying investments	459	540
Revenue from tax transparent funds	280	314
	746	854
Taxation recoverable:		
Income tax	16	16
Total debtors	1,351	3,419

10. Cash and Cash Equivalents

	31.10.22 £'000	31.10.21 £'000
Bank balances	9,996	10,094
Margin account	418	225
Total cash and cash equivalents	10,414	10,319

11. Creditors

	31.10.22 £'000	31.10.21 £'000
Distribution payable	503	626
Other Creditors		
Amounts payable for redemption of shares	83	348
Purchases awaiting settlement	458	51
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	39	49

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

	31.10.22 £'000	31.10.21 £'000
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	1	1
Transaction charges	1	–
Safe custody and other bank charges	3	1
	5	2
Taxation payable:		
Corporation tax	23	60
Tax incurred on tax transparent funds	15	8
	38	68
Other expenses	10	10
Expenses from tax transparent funds	3	3
Total other creditors	636	531

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 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 1,464 (31.10.21: 20,221) 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 8,894,279 (31.10.21: 9,882,205) 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	22.08% (31.10.21: 17.22%)
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LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

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:

	31.10.22 £'000	31.10.21 £'000
Portfolio Manager in common	58,833	68,009

13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.21: none).

14. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	0.74%	0.74%	0.00%
Opening shares in issue	560,464	2,733,909	14,384,714
Issues	34,880	257,538	804,366
Redemptions	(129,584)	(805,704)	(2,054,070)
Conversions	–	(13,259)	–
Closing shares in issue	465,760	2,172,484	13,135,010

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.49%	0.49%	0.74%
Opening shares in issue	4,026,888	62,795,324	8,866,433
Issues	93,129	4,822,897	944,796
Redemptions	(1,016,219)	(12,956,981)	(1,458,035)
Conversions	–	1,288,604	(1,174,472)
Closing shares in issue	3,103,798	55,949,844	7,178,722

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

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:

31.10.22 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	(226)	–

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

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

(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 2022

The table below shows the direct foreign currency risk profile:

	31.10.22 £'000	31.10.21 £'000
Currency:		
Euro currency	555	621
Japanese yen	89	72
South African rand	237	224
US dollars	9,880	9,943
Total foreign currency exposure	10,761	10,860
Pounds sterling	92,500	124,993
Net assets	103,261	135,853

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 £538,000 on the net assets of the Fund (31.10.21: £543,000).

(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 31.10.22, leverage under the gross method was 0.90:1 and leverage under the commitment method was 1:1 (31.10.21: 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 2022

Based on this analysis 92.28% of the portfolio can be liquidated within 5 days and 93.13% within 21 working days (31.10.21: 76.44% within 5 days and 77.24% within 21 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 £4,632,000 (31.10.21: £6,164,000). 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 2022

16. Portfolio Transaction Costs

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
31.10.22				
Ordinary shares	243	–	1	244
Collective investment schemes	52,886	1	1	52,888
Purchases total	53,129	1	2	53,132
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	351	–	–	351
Collective investment schemes	67,177	(1)	–	67,176
Sales total	67,528	(1)	–	67,527
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.22 is 0.43% (31.10.21: 0.27%).

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
31.10.21				
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>		–	–	

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

The collective investment schemes include closed end funds.

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).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.22				
Investment assets	4,990	87,872	–	92,862
Investment liabilities	(227)	–	–	(227)

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

18. Subsequent Events

Since the balance sheet date the price of each of the Fund's share classes has moved as follows:

Share class	Balance sheet date	22.02.23	Movement
'A' Accumulation	148.42	156.45	5.41%
'P' Accumulation	125.44	132.28	5.45%
'R' Accumulation	135.60	142.92	5.40%

The increase in the prices is primarily due to favourable market conditions. These accounts were approved on 28 February 2023.

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE

for the year ended 31 October 2022 – 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	01.11.21
To	31.10.22

'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	2.1843	–	2.1843	2.4687
Group 2	1.7991	0.3852	2.1843	2.4687

'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	2.5487	–	2.5487	2.8304
Group 2	1.7470	0.8017	2.5487	2.8304

'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	3.2439	–	3.2439	3.5812
Group 2	3.2439	0.0000	3.2439	3.5812

'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	2.1486	–	2.1486	2.4036
Group 2	1.4911	0.6575	2.1486	2.4036

LF PRUDENTIAL RISK MANAGED ACTIVE 1

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE *continued*

‘P’ ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	2.4949	–	2.4949	2.7375
Group 2	1.4671	1.0278	2.4949	2.7375

‘R’ ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	2.3273	–	2.3273	2.5860
Group 2	1.4713	0.8560	2.3273	2.5860

LF PRUDENTIAL RISK MANAGED ACTIVE 2 ACD'S REPORT

for the year ended 31 October 2022

Important Information

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

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

28 February 2023

LF PRUDENTIAL RISK MANAGED ACTIVE 2

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2022

Between 01 November 2021 and 31 October 2022 (the period in review) share classes R (Acc) -12.65%, P (Acc) -12.44% and A (Acc) -12.68% produced returns that were behind the -10.69% sector average for the IA Mixed Investment 20-60% shares sector.

Market Overview

It was an extremely challenging period in review as high inflation, aggressive monetary policy and slowing economic growth proved challenging for all asset classes.

In January, most Central Banks had either started raising interest rates or were about to, as higher inflation had been persistent since the pandemic, in part because of China's zero COVID policy. So, 2022 was always going to be a challenging year for government bonds, as they are particularly sensitive to interest rate changes.

Things took a rapid turn for the worse towards the end of February, with Russia's invasion of Ukraine. This had a profound effect on the supplies of several important goods like grain, for example. It also became clear that gas supplies to Europe were going to reduce significantly, in turn driving up the price of a vital source of energy for most of Europe.

So, a major inflationary shock was added to an already inflationary environment. This was terrible news for government bond markets, that are usually seen as 'safe haven' assets in times of market stress.

At the same time, doubts around continuing economic growth led to a broad-based sell off in most equity markets, except South Africa and India.

In the UK, the disastrous 'mini budget' in September caused a sharp sell-off in domestic assets, particularly government and corporate bonds, to the extent that the Bank of England had to intervene to restore stability to markets.

Activity

Several adjustments were made to the Fund following the annual review of the strategic asset allocation in September. Below is a summary of the main changes.

- UK equity reduced to allow increased allocations to US, Japan, Asia, China and India
- Developed market fixed income reduced, particularly European investment grade
- Asia and Emerging markets bonds increased to add more exposure to higher 'real' yields and countries with different monetary and fiscal regimes
- European and Asian property exposure increased to add further diversification
- Private equity and hedge funds reduced and infrastructure increased due to the inflation linked properties

LF PRUDENTIAL RISK MANAGED ACTIVE 2

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

Tactical Positioning

At the end of the period in review the portfolio manager had a small overweight to equities via a 50/50 US/China blend and alternatives. The overweight positions are funded through a fixed income underweight.

Outlook

The core theme for investors is central banks' attitudes towards the task of bringing down the rate of inflation, attempting to navigate a slowdown in economic growth whilst avoiding a harsh recession. Markets have started to price in a milder drawback in economic activity but continue to keenly watch incoming inflation data and the third quarter earnings season, which has so far been broadly positive. The ongoing economic side effects of the war in Ukraine, and the supply chains scars caused by COVID-19, provide additional complexity and uncertainty in the calibration of monetary policy.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

5 December 2022

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 lowest number on the scale does not mean that a fund is risk free.

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

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

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

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.

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	159.32	146.36	148.46
Return before operating charges*	(18.84)	16.60	0.58
Operating charges	(1.27)	(1.23)	(1.26)
Return after operating charges	(20.11)	15.37	(0.68)
Distributions	(2.21)	(2.41)	(1.42)
Closing net asset value per share	137.00	159.32	146.36
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	(12.62)%	10.50%	(0.45)%
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OTHER INFORMATION

Closing net asset value (£'000)	1,054	1,299	1,235
Closing number of shares	768,937	815,479	844,034
Operating charges	0.83%	0.78%	0.86%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	162.22	164.51	153.29
Lowest share price	137.24	146.78	128.87

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	182.78	165.42	166.17
Return before operating charges*	(21.60)	18.75	0.65
Operating charges	(1.46)	(1.39)	(1.40)
Return after operating charges	(23.06)	17.36	(0.75)
Distributions	(2.54)	(2.72)	(1.59)
Retained distributions on accumulation shares	2.54	2.72	1.59
Closing net asset value per share	159.72	182.78	165.42
* after direct transaction costs of:	0.01	0.02	–

PERFORMANCE

Return after charges	(12.62)%	10.49%	(0.45)%
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OTHER INFORMATION

Closing net asset value (£'000)	8,526	11,405	10,076
Closing number of shares	5,337,987	6,239,894	6,091,166
Operating charges	0.83%	0.78%	0.85%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	186.05	185.89	171.55
Lowest share price	157.45	165.86	144.25

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	160.02	147.00	149.10
Return before operating charges*	(19.21)	16.45	0.38
Operating charges	(0.14)	(0.06)	(0.18)
Return after operating charges	(19.35)	16.39	0.20
Distributions	(3.14)	(3.37)	(2.30)
Closing net asset value per share	137.53	160.02	147.00
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	(12.09)%	11.15%	0.13%
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OTHER INFORMATION

Closing net asset value (£'000)	57,161	69,794	67,694
Closing number of shares	41,563,330	43,615,333	46,050,671
Operating charges	0.09%	0.04%	0.12%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	162.98	166.06	154.22
Lowest share price	138.63	147.42	129.73

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	129.66	119.10	120.79
Return before operating charges*	(15.42)	13.46	0.42
Operating charges	(0.73)	(0.68)	(0.72)
Return after operating charges	(16.15)	12.78	(0.30)
Distributions	(2.05)	(2.22)	(1.39)
Closing net asset value per share	111.46	129.66	119.10
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	(12.45)%	10.73%	(0.25)%
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OTHER INFORMATION

Closing net asset value (£'000)	6,183	8,295	6,617
Closing number of shares	5,547,100	6,397,973	5,555,466
Operating charges	0.58%	0.53%	0.60%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	132.14	134.22	124.91
Lowest share price	111.89	119.55	104.93

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	148.05	133.71	134.04
Return before operating charges*	(17.60)	15.11	0.46
Operating charges	(0.83)	(0.77)	(0.79)
Return after operating charges	(18.43)	14.34	(0.33)
Distributions	(2.34)	(2.49)	(1.55)
Retained distributions on accumulation shares	2.34	2.49	1.55
Closing net asset value per share	129.62	148.05	133.71
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	(12.45)%	10.72%	(0.25)%
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OTHER INFORMATION

Closing net asset value (£'000)	170,207	202,555	158,641
Closing number of shares	131,313,446	136,818,131	118,649,636
Operating charges	0.58%	0.53%	0.60%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	150.80	150.61	138.56
Lowest share price	127.76	134.16	116.44

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	164.39	148.77	149.44
Return before operating charges*	(19.43)	16.87	0.58
Operating charges	(1.31)	(1.25)	(1.25)
Return after operating charges	(20.74)	15.62	(0.67)
Distributions	(2.28)	(2.45)	(1.43)
Retained distributions on accumulation shares	2.28	2.45	1.43
Closing net asset value per share	143.65	164.39	148.77
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	(12.62)%	10.50%	(0.45)%
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OTHER INFORMATION

Closing net asset value (£'000)	29,850	33,724	25,357
Closing number of shares	20,780,359	20,514,276	17,044,730
Operating charges	0.83%	0.78%	0.85%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	167.36	167.22	154.31
Lowest share price	141.60	149.20	129.72

LF PRUDENTIAL RISK MANAGED ACTIVE 2

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 31 October 2022 (%)

	1 year	3 years	5 years
LF Prudential Risk Managed Active 2	(12.44)	(3.20)	1.91
IA Mixed Investment 20–60% shares sector ¹	(10.69)	(0.62)	4.03

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 92 and 93.

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 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
	EQUITY PORTFOLIOS – 25.73% (31.10.21 – 23.30%)		
	CONTINENTAL EUROPE – 3.74% (31.10.21 – 3.75%)		
2,461,296	M&G (LUX) Europe Ex UK Equity ¹	2,265	0.83
6,769,404	M&G (LUX) Europe Ex UK Equity NPV ¹	6,908	2.53
1,380,376	M&G (LUX) Pan European Sustain Paris Aligned ¹	1,029	0.38
	TOTAL CONTINENTAL EUROPE	10,202	3.74
	UNITED KINGDOM – 9.37% (31.10.21 – 10.05%)		
9,159,696	M&G (ACS) BlackRock UK All Share Equity ¹	8,694	3.18
10,454,531	M&G (ACS) UK 200 Index ¹	9,679	3.55
4,480,109	M&G (ACS) UK Listed Equity ¹	4,777	1.75
1,248,811	M&G (ACS) UK Listed Smaller Companies ¹	1,172	0.43
483,685	M&G Recovery ¹	1,254	0.46
	TOTAL UNITED KINGDOM	25,576	9.37
	ASIA EX JAPAN – 4.34% (31.10.21 – 4.43%)		
12,827,996	M&G Asia Pacific Ex Japan ¹	11,852	4.34
	TOTAL ASIA EX JAPAN	11,852	4.34
	JAPAN – 1.94% (31.10.21 – 1.73%)		
4,670,720	M&G (ACS) Japan Equity ¹	5,007	1.83
299,467	M&G (ACS) Japan Smaller Companies ¹	302	0.11
	TOTAL JAPAN	5,309	1.94
	NORTH AMERICA – 3.82% (31.10.21 – 3.27%)		
6,010,948	M&G (ACS) BlackRock US Equity ¹	6,347	2.33
506,425	M&G (ACS) Earnest Partners US ¹	586	0.21
505,521	M&G (ACS) Granahan US Small Capital Growth ¹	535	0.20
77,443	M&G North American Value ¹	2,958	1.08
	TOTAL NORTH AMERICA	10,426	3.82
	EMERGING MARKETS – 2.52% (31.10.21 – 1.72%)		
188,802	iShares MSCI India	1,191	0.44
2,306,095	M&G (ACS) China ¹	1,402	0.51
2,453,958	M&G (ACS) China Equity ¹	1,397	0.51
1,518,148	M&G GSAM Global Emerging Markets Equity ¹	1,030	0.38

LF PRUDENTIAL RISK MANAGED ACTIVE 2

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
287,069	M&G Invesco Global Emerging Markets ¹	213	0.08
278,246	M&G Lazard Global Emerging Markets Equity ¹	243	0.09
1,682,168	M&G MFS Global Emerging Markets Equity ¹	1,398	0.51
	TOTAL EMERGING MARKETS	6,874	2.52
	TOTAL EQUITY PORTFOLIOS	70,239	25.73
	EQUITY INVESTMENT INSTRUMENTS – 2.53% (31.10.21 – 2.99%)		
535,138	BBGI ²	849	0.31
11,007	BH Macro ²	514	0.19
419,009	BioPharma Credit ²	349	0.13
26,960	Boussard & Gavaudan ²	509	0.19
719,584	DP Aircraft I ²	25	0.01
577,971	Ecofin US Renewables Infrastructure Trust ²	427	0.16
45,606	HarbourVest Global Private Equity ²	983	0.36
124,513	HgCapital ²	432	0.16
300,186	NB Distressed Debt Investment ²	117	0.04
600,059	NextEnergy Solar ²	643	0.23
24,667	Pantheon Infrastructure ²	23	0.01
69,100	Petershill Partners ²	137	0.05
17,974	Princess Private Equity ²	147	0.05
443,023	Renewables Infrastructure ²	574	0.21
551,972	Round Hill Music Royalty ²	362	0.13
808,630	SDCL Energy Efficiency Income ²	812	0.30
	TOTAL EQUITY INVESTMENT INSTRUMENTS	6,903	2.53
	PROPERTY PORTFOLIOS – 6.01% (31.10.21 – 4.58%)		
209,371	iShares Asia Property Yield	3,745	1.37
84,674	iShares European Property Yield	1,850	0.68
7,946,799	Legal & General UK Property	8,320	3.05
198,651	M&G Property Portfolio ¹	2,478	0.91
	TOTAL PROPERTY PORTFOLIOS	16,393	6.01
	BOND PORTFOLIOS – 56.04% (31.10.21 – 56.95%)		
872,513	Eastspring Asian Bond	7,446	2.73
2,672,825	Eastspring Asian Local Bond	22,539	8.26
3,063,821	Eastspring US Corporate Bond	30,341	11.11

LF PRUDENTIAL RISK MANAGED ACTIVE 2

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
2,331,166	M&G Credit Income Investment Trust ^{1,2}	2,028	0.74
10,755,696	M&G Emerging Markets Bond ¹	10,998	4.03
86,083	M&G European Credit Investment ¹	8,632	3.16
1,409,827	M&G Global Convertibles ¹	3,493	1.28
9,128,248	M&G Global High Yield Bond ¹	11,395	4.17
67,914,646	M&G Sterling Investment Grade Corporate Bond ¹	56,134	20.56
	TOTAL BOND PORTFOLIOS	153,006	56.04
	FUTURES – (0.23)% (31.10.21 – 0.02%) ³		
19	EURO STOXX 50 Index Futures December 2022	(3)	–
20	FTSE 100 Index Futures December 2022	(62)	(0.02)
109	FTSE China A50 Index Futures November 2022	(62)	(0.02)
121	FTSE/JSE Top 40 Futures December 2022	(167)	(0.06)
10	S&P 500 E Mini Index Futures December 2022	(61)	(0.02)
3	TOPIX Index Futures December 2022	4	–
58	US Treasury Note 10 Year Futures December 2022	(283)	(0.11)
	TOTAL FUTURES	(634)	(0.23)
	Portfolio of investments ⁴	245,907	90.08
	Net other assets	27,074	9.92
	Net assets	272,981	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 Counterparty: JPMorgan.

⁴ Includes investment liabilities.

LF PRUDENTIAL RISK MANAGED ACTIVE 2

ACD'S REPORT *continued*

SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 October 2022

Total purchases for the year £'000 (note 16)	126,628	Total sales for the year £'000 (note 16)	135,817
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
M&G Sterling Investment Grade		Royal London Corporate Bond Fund	35,287
Corporate Bond	68,342	M&G Strategic Corporate Bond Fund	32,645
Eastspring Asian Local Bond	10,684	M&G European Credit Investment	13,068
US Treasury Note 10 Year Futures March 2022	6,870	US Treasury Note 10 Year Futures March 2022	6,601
US Treasury Note 10 Year Futures September 2022	6,076	US Treasury Note 10 Year Futures December 2021	6,326
US Treasury Note 10 Year Futures June 2022	5,945	US Treasury Note 10 Year Futures September 2022	6,244
US Treasury Note 10 Year Futures December 2022	5,830	US Treasury Note 10 Year Futures June 2022	6,192
M&G Emerging Markets Bond	5,535	FTSE 100 Index Futures March 2022	5,373
FTSE 100 Index Futures March 2022	5,280	FTSE/JSE Top 40 Futures March 2022	4,984
FTSE/JSE Top 40 Futures March 2022	4,825	FTSE/JSE Top 40 Futures December 2021	4,812
M&G (LUX) Europe Ex UK Equity NPV	4,733		

In addition to the above, purchases totalling £5,053,505,000 and sales totalling £5,079,720,000 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 2022

	Notes	£'000	31.10.22 £'000	£'000	31.10.21 £'000
Income:					
Net capital (losses)/gains	3		(45,283)		24,199
Revenue	4	7,472		7,688	
Expenses	5	(1,367)		(1,323)	
Interest payable and similar charges	6	(7)		(7)	
Net revenue before taxation		6,098		6,358	
Taxation	7	(794)		(956)	
Net revenue after taxation			5,304		5,402
Total return before distributions			(39,979)		29,601
Distributions	8		(5,309)		(5,530)
Change in net assets attributable to shareholders from investment activities			(45,288)		24,071

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2022

	£'000	31.10.22 £'000	£'000	31.10.21 £'000
Opening net assets attributable to shareholders		327,072		269,620
Amounts receivable on issue of shares	34,069		50,014	
Amounts payable on redemption of shares	(46,560)		(20,714)	
		(12,491)		29,300
Change in net assets attributable to shareholders from investment activities		(45,288)		24,071
Retained distributions on Accumulation shares		3,688		4,081
Closing net assets attributable to shareholders		272,981		327,072

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 October 2022

	Notes	31.10.22 £'000	31.10.21 £'000
ASSETS			
Fixed assets			
Investments		246,545	292,860
Current assets			
Debtors	9	3,101	9,148
Cash and cash equivalents	10	27,713	54,159
Total assets		<u>277,359</u>	<u>356,167</u>
LIABILITIES			
Investment liabilities		(638)	(157)
Creditors			
Distribution payable	11	(1,438)	(1,632)
Other creditors	11	(2,302)	(27,306)
Total liabilities		<u>(4,378)</u>	<u>(29,095)</u>
Net assets attributable to shareholders		<u>272,981</u>	<u>327,072</u>

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2022

1. Accounting Policies

The accounting policies described on pages 24 to 27 have been applied to the financial statements of the Fund in the current and prior year.

2. Distribution Policies

The distribution policies described on page 27 have been applied to the financial statements of the Fund in the current and prior year.

3. Net Capital (Losses)/Gains

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

	31.10.22 £'000	31.10.21 £'000
Non-derivative securities	(43,611)	20,403
Derivative contracts	(1,951)	3,720
Transaction charges	–	(2)
AMC rebates from underlying investments	20	154
Currency gains/(losses)	267	(70)
Broker's commission on futures	(8)	(6)
Net capital (losses)/gains	(45,283)	24,199

The net capital (losses)/gains figure includes realised gains of £778,000 and unrealised losses of £29,801,000 (31.10.21: includes realised gains of £10,575,000 and unrealised gains of £16,272,000). 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 2022

4. Revenue

	31.10.22 £'000	31.10.21 £'000
Non-taxable dividends	688	1,284
Taxable dividends	2,030	1,668
UK property income distributions	317	237
Unfranked interest	2,079	2,675
AMC rebates from underlying investments	467	707
Bank interest	1	–
Revenue from tax transparent funds	1,874	1,113
Broker interest	16	4
Total revenue	7,472	7,688

5. Expenses

	31.10.22 £'000	31.10.21 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	1,303	1,268
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	23	23
Safe custody and other bank charges	9	9
	32	32
Other expenses:		
Audit fees	10	11
Expenses from tax transparent funds	22	12
	32	23
Total expenses	1,367	1,323

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 2022

6. Interest Payable and Similar Charges

	31.10.22 £'000	31.10.21 £'000
Interest payable	7	5
Futures interest payable	–	2
Total interest payable and similar charges	7	7

7. Taxation

	31.10.22 £'000	31.10.21 £'000
a) Analysis of charge for the year		
Corporation tax	722	834
Corporation tax: adjustments in respect of prior years	–	97
Tax incurred on tax transparent funds	72	30
Current tax charge	794	961
Deferred tax – origination and reversal of timing differences (note 7c)	–	(5)
Total taxation (note 7b)	794	956

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%) (31.10.21: 20%). The difference is explained below:

	31.10.22 £'000	31.10.21 £'000
Net revenue before taxation	6,098	6,358
Corporation tax at 20%	1,220	1,272
Effects of:		
Non-taxable dividends	(502)	(474)
Rebated capital expenses deductible for tax purposes	4	31
Corporation tax: adjustment in respect of prior years	–	97
Tax incurred on tax transparent funds	72	30
Total tax charge (note 7a)	794	956

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

	31.10.22 £'000	31.10.21 £'000
c) Deferred tax		
Provision at the start of the year	–	5
Deferred tax charge in the year (note 7a)	–	(5)
Provision at the end of the year	–	–

8. Distributions

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

	31.10.22 £'000	31.10.21 £'000
Final	5,126	5,713
	5,126	5,713
Add: Revenue deducted on redemption of shares	365	149
Deduct: Revenue received on issue of shares	(182)	(332)
Net distribution for the year	5,309	5,530

Details of the distributions per share are set out in the table on pages 92 and 93.

	31.10.22 £'000	31.10.21 £'000
Distributions represented by:		
Net revenue after taxation	5,304	5,402
Allocations to capital:		
Tax relief from capital	4	128
Equalisation on conversions ¹	1	–
Net distribution for the year	5,309	5,530

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 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

9. Debtors

	31.10.22 £'000	31.10.21 £'000
Amounts receivable for issue of shares	163	431
Sales awaiting settlement	699	6,432
Accrued revenue:		
Unfranked interest	22	–
Revenue from derivative contracts	3	–
AMC rebates from underlying investments	909	1,041
Revenue from tax transparent funds	1,254	1,205
	2,188	2,246
Taxation recoverable:		
Income tax	51	39
Total debtors	3,101	9,148

10. Cash and Cash Equivalents

	31.10.22 £'000	31.10.21 £'000
Bank balances	26,356	53,589
Margin account	1,357	570
Total cash and cash equivalents	27,713	54,159

11. Creditors

	31.10.22 £'000	31.10.21 £'000
Distribution payable	1,438	1,632
Other Creditors		
Amounts payable for redemption of shares	499	330
Purchases awaiting settlement	1,083	26,190

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

	31.10.22 £'000	31.10.21 £'000
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	99	109
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	2	2
Transaction charges	1	–
Safe custody and other bank charges	3	1
	6	3
Taxation payable:		
Corporation tax	523	618
Tax incurred on tax transparent funds	68	34
	591	652
Other expenses	10	9
Expenses from tax transparent funds	14	13
Total other creditors	2,302	27,306

12. Related Party Transactions

The Annual Management Charge and administration fees 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 77 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 165,739 (31.10.21: 180,893) of the Fund's shares at the balance sheet date.

M&G Investment Management Limited and its associates (including other authorised investment funds managed by M&G Investment Management Limited) held 32,385,798 (31.10.21: 36,513,668) 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 2022

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 36.13% (31.10.21: 31.79%)

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:

	31.10.22 £'000	31.10.21 £'000
Portfolio Manager in common	164,206	177,024

13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.21: none).

14. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	0.74%	0.74%	0.00%
Opening shares in issue	815,479	6,239,894	43,615,333
Issues	15,494	348,960	6,693,226
Redemptions	(62,036)	(1,177,984)	(8,745,229)
Conversions	–	(72,883)	–
Closing shares in issue	768,937	5,337,987	41,563,330

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.49%	0.49%	0.74%
Opening shares in issue	6,397,973	136,818,131	20,514,276
Issues	621,741	10,980,802	4,136,405
Redemptions	(1,472,614)	(18,147,921)	(2,453,242)
Conversions	–	1,662,434	(1,417,080)
Closing shares in issue	5,547,100	131,313,446	20,780,359

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

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:

31.10.22 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	(634)	–

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

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

(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 2022

The table below shows the direct foreign currency risk profile:

	31.10.22 £'000	31.10.21 £'000
Currency:		
Euro currency	1,388	1,691
Japanese yen	193	143
South African rand	852	507
US dollar	25,042	25,225
Total foreign currency exposure	27,475	27,566
Pounds sterling	245,506	299,506
Net assets	272,981	327,072

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 £1,374,000 on the net assets of the Fund (31.10.21: £1,378,000).

(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 31.10.22, leverage under the gross method was 0.90:1 and leverage under the commitment method was 1:1 (31.10.21: 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 2022

Based on this analysis 92.72% of the portfolio can be liquidated within 5 days and 93.46% within 21 working days (31.10.21: 69.27% within 5 days and 70.33% within 21 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 £12,295,000 (31.10.21: £14,635,000). 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 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 2022

16. Portfolio Transaction Costs

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
31.10.22				
Ordinary shares	818	–	4	822
Collective investment schemes	125,799	4	3	125,806
Purchases total	126,617	4	7	126,628
<i>Transaction cost % of purchases total</i>		–	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	944	–	–	944
Collective investment schemes	134,878	(5)	–	134,873
Sales total	135,822	(5)	–	135,817
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.22 is 0.44% (31.10.21: 0.35%).

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
31.10.21				
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>		–	–	

LF PRUDENTIAL RISK MANAGED ACTIVE 2
FINANCIAL STATEMENTS *continued*
NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31 October 2022

The collective investment schemes include closed end funds.

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).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.22				
Investment assets	15,721	230,824	–	246,545
Investment liabilities	(638)	–	–	(638)

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

18. Subsequent Events

Since the balance sheet date the price of each of the Fund's share classes has moved as follows:

Share class	Balance sheet date	22.02.23	Movement
'A' Income	139.43	146.63	5.16%
'A' Accumulation	159.92	170.92	6.88%
'P' Accumulation	129.88	138.85	6.91%
'R' Accumulation	143.86	153.73	6.86%

The increase in the prices is primarily due to favourable market conditions. These accounts were approved on 28 February 2023.

LF PRUDENTIAL RISK MANAGED ACTIVE 2

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE

for the year ended 31 October 2022 – 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	01.11.21
To	31.10.22

'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	2.2131	–	2.2131	2.4065
Group 2	1.5347	0.6784	2.2131	2.4065

'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	2.5384	–	2.5384	2.7195
Group 2	1.6733	0.8651	2.5384	2.7195

'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	3.1439	–	3.1439	3.3716
Group 2	2.5777	0.5662	3.1439	3.3716

'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	2.0535	–	2.0535	2.2203
Group 2	1.2130	0.8405	2.0535	2.2203

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

‘P’ ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	2.3441	–	2.3441	2.4918
Group 2	1.4036	0.9405	2.3441	2.4918

‘R’ ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	2.2835	–	2.2835	2.4459
Group 2	1.4375	0.8460	2.2835	2.4459

LF PRUDENTIAL RISK MANAGED ACTIVE 3 ACD'S REPORT

for the year ended 31 October 2022

Important Information

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

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

28 February 2023

LF PRUDENTIAL RISK MANAGED ACTIVE 3

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2022

Between 01 November 2021 and 31 October 2022 (the period in review) share classes R (Acc) -12.18%, A (Acc) -12.19% and P (Acc) -12.00% produced returns behind the -10.69% sector average for IA Mixed Investment 20-60% shares sector.

Market Overview

It was an extremely challenging period in review as high inflation, aggressive monetary policy and slowing economic growth proved challenging for all asset classes.

In January, most Central Banks had either started raising interest rates or were about to, as higher inflation had been persistent since the pandemic, in part because of China's zero COVID policy. So, 2022 was always going to be a challenging year for government bonds, as they are particularly sensitive to interest rate changes.

Things took a rapid turn for the worse towards the end of February, with Russia's invasion of Ukraine. This had a profound effect on the supplies of several important goods like grain, for example. It also became clear that gas supplies to Europe were going to reduce significantly, in turn driving up the price of a vital source of energy for most of Europe.

So, a major inflationary shock was added to an already inflationary environment. This was terrible news for government bond markets, that are usually seen as 'safe haven' assets in times of market stress.

At the same time, doubts around continuing economic growth led to a broad-based sell off in most equity markets, except South Africa and India.

In the UK, the disastrous 'mini budget' in September caused a sharp sell-off in domestic assets, particularly government and corporate bonds, to the extent that the Bank of England had to intervene to restore stability to markets.

Activity

Several adjustments were made to the Fund following the annual review of the strategic asset allocation in September. Below is a summary of the main changes.

- UK equity reduced to allow increased allocations to US, Japan, Asia, China and India
- Developed market fixed income reduced, particularly European investment grade
- Asia and Emerging markets bonds increased to add more exposure to higher 'real' yields and countries with different monetary and fiscal regimes
- European and Asian property exposure increased to add further diversification
- Private equity and hedge funds reduced and infrastructure increased due to the inflation linked properties

LF PRUDENTIAL RISK MANAGED ACTIVE 3

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

Tactical Positioning

At the end of the period in review the portfolio manager had a small overweight to equities via a 50/50 US/China blend and alternatives. The overweight positions are funded through a fixed income underweight.

Outlook

The core theme for investors is central banks' attitudes towards the task of bringing down the rate of inflation, attempting to navigate a slowdown in economic growth whilst avoiding a harsh recession. Markets have started to price in a milder drawback in economic activity but continue to keenly watch incoming inflation data and the third quarter earnings season, which has so far been broadly positive. The ongoing economic side effects of the war in Ukraine, and the supply chains scars caused by COVID-19, provide additional complexity and uncertainty in the calibration of monetary policy.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

5 December 2022

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 lowest number on the scale does not mean that a fund is risk free.

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

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

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

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.

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	171.67	153.06	158.05
Return before operating charges*	(18.86)	22.62	(2.03)
Operating charges	(1.40)	(1.37)	(1.33)
Return after operating charges	(20.26)	21.25	(3.36)
Distributions	(2.47)	(2.64)	(1.63)
Closing net asset value per share	148.94	171.67	153.06
* after direct transaction costs of:	0.01	0.02	0.01

PERFORMANCE

Return after charges	(11.80)%	13.88%	(2.13)%
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OTHER INFORMATION

Closing net asset value (£'000)	1,320	1,578	1,337
Closing number of shares	886,328	919,435	873,634
Operating charges	0.84%	0.81%	0.86%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	176.03	177.24	164.21
Lowest share price	149.48	153.34	134.07

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	194.50	170.79	174.50
Return before operating charges*	(21.36)	25.24	(2.24)
Operating charges	(1.58)	(1.53)	(1.47)
Return after operating charges	(22.94)	23.71	(3.71)
Distributions	(2.80)	(2.95)	(1.80)
Retained distributions on accumulation shares	2.80	2.95	1.80
Closing net asset value per share	171.56	194.50	170.79
* after direct transaction costs of:	0.02	0.02	0.01

PERFORMANCE

Return after charges	(11.79)%	13.88%	(2.13)%
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OTHER INFORMATION

Closing net asset value (£'000)	9,934	11,635	10,299
Closing number of shares	5,790,210	5,982,077	6,030,148
Operating charges	0.84%	0.81%	0.86%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	199.34	197.69	181.23
Lowest share price	169.37	171.11	147.96

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	172.34	153.64	158.66
Return before operating charges*	(19.25)	22.47	(2.27)
Operating charges	(0.17)	(0.10)	(0.19)
Return after operating charges	(19.42)	22.37	(2.46)
Distributions	(3.48)	(3.67)	(2.56)
Closing net asset value per share	149.44	172.34	153.64
* after direct transaction costs of:	0.01	0.02	0.01

PERFORMANCE

Return after charges	(11.27)%	14.56%	(1.55)%
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OTHER INFORMATION

Closing net asset value (£'000)	85,767	99,078	87,171
Closing number of shares	57,392,828	57,491,424	56,736,598
Operating charges	0.10%	0.06%	0.12%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	176.82	178.81	165.05
Lowest share price	150.92	153.93	134.89

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	134.70	120.09	124.01
Return before operating charges*	(14.88)	17.70	(1.66)
Operating charges	(0.78)	(0.75)	(0.74)
Return after operating charges	(15.66)	16.95	(2.40)
Distributions	(2.20)	(2.34)	(1.52)
Closing net asset value per share	116.84	134.70	120.09
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(11.62)%	14.11%	(1.94)%
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OTHER INFORMATION

Closing net asset value (£'000)	9,524	10,767	9,396
Closing number of shares	8,151,379	7,992,800	7,824,056
Operating charges	0.60%	0.56%	0.61%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	138.32	139.47	129.06
Lowest share price	117.51	120.31	105.43

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	152.68	133.80	136.42
Return before operating charges*	(16.84)	19.71	(1.81)
Operating charges	(0.89)	(0.83)	(0.81)
Return after operating charges	(17.73)	18.88	(2.62)
Distributions	(2.50)	(2.61)	(1.68)
Retained distributions on accumulation shares	2.50	2.61	1.68
Closing net asset value per share	134.95	152.68	133.80
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(11.61)%	14.11%	(1.92)%
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OTHER INFORMATION

Closing net asset value (£'000)	273,902	279,782	201,851
Closing number of shares	202,970,691	183,243,739	150,862,344
Operating charges	0.60%	0.56%	0.61%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	156.70	155.32	141.93
Lowest share price	133.21	134.05	115.93

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	173.08	151.98	155.28
Return before operating charges*	(18.99)	22.46	(2.00)
Operating charges	(1.42)	(1.36)	(1.30)
Return after operating charges	(20.41)	21.10	(3.30)
Distributions	(2.49)	(2.62)	(1.61)
Retained distributions on accumulation shares	2.49	2.62	1.61
Closing net asset value per share	152.67	173.08	151.98
* after direct transaction costs of:	0.01	0.02	0.01

PERFORMANCE

Return after charges	(11.79)%	13.88%	(2.13)%
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OTHER INFORMATION

Closing net asset value (£'000)	34,497	33,308	23,967
Closing number of shares	22,595,543	19,243,836	15,768,869
Operating charges	0.85%	0.81%	0.86%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	177.46	175.99	161.34
Lowest share price	150.72	152.27	131.73

LF PRUDENTIAL RISK MANAGED ACTIVE 3

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 31 October 2022 (%)

	1 year	3 years	5 years
LF Prudential Risk Managed Active 3	(12.00)	(1.17)	3.52
IA Mixed Investment 20–60% shares sector ¹	(10.69)	(0.62)	4.03

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 124 and 125.

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 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
	EQUITY PORTFOLIOS – 36.99% (31.10.21 – 34.95%)		
	CONTINENTAL EUROPE – 5.37% (31.10.21 – 5.25%)		
5,378,796	M&G (LUX) Europe Ex UK Equity ¹	4,950	1.19
14,795,190	M&G (LUX) Europe Ex UK Equity NPV ¹	15,099	3.64
3,013,579	M&G (LUX) Pan European Sustain Paris Aligned ¹	2,246	0.54
	TOTAL CONTINENTAL EUROPE	22,295	5.37
	UNITED KINGDOM – 13.48% (31.10.21 – 13.94%)		
20,006,983	M&G (ACS) BlackRock UK All Share Equity ¹	18,990	4.58
22,841,754	M&G (ACS) UK 200 Index ¹	21,147	5.10
9,794,949	M&G (ACS) UK Listed Equity ¹	10,444	2.52
2,692,186	M&G (ACS) UK Listed Smaller Companies ¹	2,526	0.61
1,069,670	M&G Recovery ¹	2,774	0.67
	TOTAL UNITED KINGDOM	55,881	13.48
	ASIA EX JAPAN – 6.22% (31.10.21 – 6.06%)		
27,932,399	M&G Asia Pacific Ex Japan ¹	25,808	6.22
	TOTAL ASIA EX JAPAN	25,808	6.22
	JAPAN – 2.77% (31.10.21 – 2.55%)		
10,133,969	M&G (ACS) Japan Equity ¹	10,864	2.62
619,157	M&G (ACS) Japan Smaller Companies ¹	624	0.15
	TOTAL JAPAN	11,488	2.77
	NORTH AMERICA – 5.50% (31.10.21 – 4.81%)		
13,082,706	M&G (ACS) BlackRock US Equity ¹	13,813	3.33
971,734	M&G (ACS) Earnest Partners US ¹	1,125	0.27
993,829	M&G (ACS) Granahan US Small Capital Growth ¹	1,051	0.25
179,437	M&G North American Value ¹	6,853	1.65
	TOTAL NORTH AMERICA	22,842	5.50
	EMERGING MARKETS – 3.65% (31.10.21 – 2.34%)		
416,823	iShares MSCI India	2,628	0.63
5,041,228	M&G (ACS) China ¹	3,066	0.74
5,363,739	M&G (ACS) China Equity ¹	3,053	0.74
3,407,497	M&G GSAM Global Emerging Markets Equity ¹	2,312	0.56

LF PRUDENTIAL RISK MANAGED ACTIVE 3

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
1,057,551	M&G Invesco Global Emerging Markets ¹	783	0.19
630,496	M&G Lazard Global Emerging Markets Equity ¹	552	0.13
3,297,806	M&G MFS Global Emerging Markets Equity ¹	2,741	0.66
	TOTAL EMERGING MARKETS	15,135	3.65
	TOTAL EQUITY PORTFOLIOS	153,449	36.99
	EQUITY INVESTMENT INSTRUMENTS – 3.06% (31.10.21 – 3.45%)		
1,016,058	BBGI ²	1,612	0.39
20,838	BH Macro ²	973	0.24
770,499	BioPharma Credit ²	641	0.15
47,002	Boussard & Gavaudan ²	888	0.21
1,243,334	DP Aircraft I ²	43	0.01
981,604	Ecofin US Renewables Infrastructure Trust ²	725	0.18
85,581	HarbourVest Global Private Equity ²	1,844	0.44
232,627	HgCapital ²	807	0.19
450,602	NB Distressed Debt Investment ²	176	0.04
1,139,322	NextEnergy Solar ²	1,221	0.29
46,568	Pantheon Infrastructure ²	44	0.01
127,059	Petershill Partners ²	252	0.06
34,708	Princess Private Equity ²	284	0.07
841,160	Renewables Infrastructure ²	1,090	0.26
924,935	Round Hill Music Royalty ²	607	0.15
1,527,208	SDCL Energy Efficiency Income ²	1,533	0.37
	TOTAL EQUITY INVESTMENT INSTRUMENTS	12,740	3.06
	PROPERTY PORTFOLIOS – 6.53% (31.10.21 – 5.42%)		
373,831	iShares Asia Property Yield	6,686	1.61
140,793	iShares European Property Yield	3,077	0.74
12,760,951	Legal & General UK Property	13,361	3.22
317,324	M&G Property Portfolio ¹	3,958	0.96
	TOTAL PROPERTY PORTFOLIOS	27,082	6.53
	BOND PORTFOLIOS – 42.56% (31.10.21 – 44.68%)		
1,089,736	Eastspring Asian Bond	9,300	2.24
3,340,430	Eastspring Asian Local Bond	28,169	6.79
3,282,601	Eastspring US Corporate Bond	32,507	7.83

LF PRUDENTIAL RISK MANAGED ACTIVE 3

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
2,298,453	M&G Credit Income Investment Trust ^{1,2}	2,000	0.48
15,019,274	M&G Emerging Markets Bond ¹	15,357	3.70
78,029	M&G European Credit Investment ¹	7,824	1.89
1,647,636	M&G Global Convertibles ¹	4,083	0.98
13,562,490	M&G Global High Yield Bond ¹	16,930	4.08
73,135,220	M&G Sterling Investment Grade Corporate Bond ¹	60,449	14.57
	TOTAL BOND PORTFOLIOS	176,619	42.56
	FUTURES – (0.24)% (31.10.21 – 0.04%) ³		
36	EURO STOXX 50 Index Futures December 2022	(6)	–
43	FTSE 100 Index Futures December 2022	(133)	(0.03)
168	FTSE China A50 Index Futures November 2022	(96)	(0.02)
270	FTSE/JSE Top 40 Futures December 2022	(373)	(0.09)
16	S&P 500 E Mini Index Futures December 2022	(97)	(0.02)
5	TOPIX Index Futures December 2022	6	–
67	US Treasury Note 10 Year Futures December 2022	(311)	(0.08)
	TOTAL FUTURES	(1,010)	(0.24)
	Portfolio of investments ⁴	368,880	88.90
	Net other assets	46,064	11.10
	Net assets	414,944	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 Counterparty: JPMorgan.

⁴ Includes investment liabilities.

LF PRUDENTIAL RISK MANAGED ACTIVE 3

ACD'S REPORT *continued*

SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 October 2022

Total purchases for the year £'000 (note 16)	188,980	Total sales for the year £'000 (note 16)	153,315
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
M&G Sterling Investment Grade Corporate Bond	76,288	Royal London Corporate Bond	35,702
Eastspring Asian Local Bond	14,701	M&G Strategic Corporate Bond	32,906
M&G (LUX) Europe Ex UK Equity NPV	9,137	M&G European Credit Investment	14,792
M&G (ACS) UK 200 Index	8,987	FTSE/JSE Top 40 Futures March 2022	9,046
FTSE 100 Index Futures March 2022	8,851	FTSE 100 Index Futures March 2022	8,977
FTSE/JSE Top 40 Futures March 2022	8,773	FTSE/JSE Top 40 Futures December 2021	8,750
FTSE/JSE Top 40 Futures September 2022	8,725	FTSE/JSE Top 40 Futures September 2022	8,471
FTSE/JSE Top 40 Futures December 2022	8,538	FTSE/JSE Top 40 Futures June 2022	8,036
US Treasury Note 10 Year Futures March 2022	8,131	US Treasury Note 10 Year Futures March 2022	7,810
FTSE/JSE Top 40 Futures June 2022	8,016	FTSE 100 Index Futures June 2022	7,629

In addition to the above, purchases totalling £8,289,711,000 and sales totalling £8,290,993,000 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 2022

	Notes	£'000	31.10.22 £'000	£'000	31.10.21 £'000
Income:					
Net capital (losses)/gains	3		(62,427)		40,811
Revenue	4	10,868		9,812	
Expenses	5	(1,950)		(1,638)	
Interest payable and similar charges	6	(8)		(4)	
Net revenue before taxation		8,910		8,170	
Taxation	7	(1,143)		(918)	
Net revenue after taxation			7,767		7,252
Total return before distributions			(54,660)		48,063
Distributions	8		(7,930)		(7,283)
Change in net assets attributable to shareholders from investment activities			(62,590)		40,780

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2022

	£'000	31.10.22 £'000	£'000	31.10.21 £'000
Opening net assets attributable to shareholders		436,148		334,021
Amounts receivable on issue of shares	67,870		75,705	
Amounts payable on redemption of shares	(32,280)		(19,818)	
		35,590		55,887
Change in net assets attributable to shareholders from investment activities		(62,590)		40,780
Retained distributions on Accumulation shares		5,796		5,460
Closing net assets attributable to shareholders		414,944		436,148

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 October 2022

	Notes	31.10.22 £'000	31.10.21 £'000
ASSETS			
Fixed assets			
Investments		369,896	386,341
Current assets			
Debtors	9	7,429	16,437
Cash and cash equivalents	10	43,430	73,179
Total assets		<u>420,755</u>	<u>475,957</u>
LIABILITIES			
Investment liabilities		(1,016)	(167)
Creditors			
Distribution payable	11	(2,199)	(2,324)
Other creditors	11	(2,596)	(37,318)
Total liabilities		<u>(5,811)</u>	<u>(39,809)</u>
Net assets attributable to shareholders		<u>414,944</u>	<u>436,148</u>

LF PRUDENTIAL RISK MANAGED ACTIVE 3
FINANCIAL STATEMENTS *continued*
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2022

1. Accounting Policies

The accounting policies described on pages 24 to 27 have been applied to the financial statements of the Fund in the current and prior year.

2. Distribution Policies

The distribution policies described on page 27 have been applied to the financial statements of the Fund in the current and prior year.

3. Net Capital (Losses)/Gains

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

	31.10.22 £'000	31.10.21 £'000
Non-derivative securities	(59,998)	35,528
Derivative contracts	(2,671)	5,217
Transaction charges	2	(2)
AMC rebates from underlying investments	20	150
Currency gains/(losses)	233	(73)
Broker's commission on futures	(13)	(9)
Net capital (losses)/gains	(62,427)	40,811

The net capital (losses)/gains figure includes realised losses of £3,328,000 and unrealised losses of £39,800,000 (31.10.21: includes realised gains of £17,304,000 and unrealised gains of £19,308,000). The realised losses on investments in the current year include amounts previously recognised as unrealised losses 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 2022

4. Revenue

	31.10.22 £'000	31.10.21 £'000
Non-taxable dividends	1,121	2,109
Taxable dividends	2,171	1,604
UK property income distributions	501	397
Unfranked interest	2,664	2,863
Revenue from derivative contracts	1	–
AMC rebates from underlying investments	630	884
Bank interest	1	–
Revenue from tax transparent funds	3,748	1,950
Broker interest	31	5
Total revenue	10,868	9,812

5. Expenses

	31.10.22 £'000	31.10.21 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	1,855	1,569
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	32	28
Safe custody and other bank charges	10	9
	42	37
Other expenses:		
Audit fees	10	11
Expenses from tax transparent funds	43	21
	53	32
Total expenses	1,950	1,638

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 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

6. Interest Payable and Similar Charges

	31.10.22 £'000	31.10.21 £'000
Interest payable	8	4
Total interest payable and similar charges	8	4

7. Taxation

	31.10.22 £'000	31.10.21 £'000
a) Analysis of charge for the year		
Corporation tax	835	869
Adjustments in respect of prior periods	159	–
Tax incurred on tax transparent funds	149	56
Current tax charge	1,143	925
Deferred tax – origination and reversal of timing differences (note 7c)	–	(7)
Total taxation (note 7b)	1,143	918

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%) (31.10.21: 20%). The difference is explained below:

	31.10.22 £'000	31.10.21 £'000
Net revenue before taxation	8,910	8,170
Corporation tax at 20%	1,782	1,634
Effects of:		
Non-taxable dividends	(951)	(802)
Rebated capital expenses deductible for tax purposes	4	30
Corporation tax: adjustment in respect of prior years	159	–
Tax incurred on tax transparent funds	149	56
Total tax charge (note 7a)	1,143	918
c) Deferred tax		
Provision at the start of the year	–	7
Deferred tax charge in the year (note 7a)	–	(7)
Provision at the end of the year	–	–

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

8. Distributions

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

	31.10.22 £'000	31.10.21 £'000
Final	7,995	7,783
	7,995	7,783
Add: Revenue deducted on redemption of shares	342	144
Deduct: Revenue received on issue of shares	(407)	(644)
Net distribution for the year	7,930	7,283

Details of the distributions per share are set out in the table on pages 124 and 125.

	31.10.22 £'000	31.10.21 £'000
Distributions represented by:		
Net revenue after taxation	7,767	7,252
Allocations to capital:		
Tax relief from capital	163	31
Net distribution for the year	7,930	7,283

9. Debtors

	31.10.22 £'000	31.10.21 £'000
Amounts receivable for issue of shares	2,295	1,029
Sales awaiting settlement	1,061	11,807
Accrued revenue:		
Unfranked interest	42	9
AMC rebates from underlying investments	1,210	1,331
Revenue from tax transparent funds	2,741	2,193
	3,993	3,533

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

	31.10.22 £'000	31.10.21 £'000
Taxation recoverable:		
Income tax	80	68
Total debtors	7,429	16,437
10. Cash and Cash Equivalents		
	31.10.22 £'000	31.10.21 £'000
Bank balances	41,006	72,419
Margin account	2,424	760
Total cash and cash equivalents	43,430	73,179
11. Creditors		
	31.10.22 £'000	31.10.21 £'000
Distribution payable	2,199	2,324
Other Creditors		
Amounts payable for redemption of shares	465	209
Purchases awaiting settlement	1,153	36,366
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	147	139
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	3	2
Transaction charges	1	-
Safe custody and other bank charges	3	2
	7	4

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

	31.10.22 £'000	31.10.21 £'000
Taxation payable:		
Corporation tax	634	502
Tax incurred on tax transparent funds	149	64
	783	566
Other expenses	10	10
Expenses from tax transparent funds	31	24
Total other creditors	2,596	37,318

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 110 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 121,468 (31.10.21: 126,456) 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 45,802,942 (31.10.21: 45,376,081) 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	38.84% (31.10.21: 33.90%)
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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:

	31.10.22 £'000	31.10.21 £'000
Portfolio Manager in common	261,422	254,286

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.21: none).

14. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	0.74%	0.74%	0.00%
Opening shares in issue	919,435	5,982,077	57,491,424
Issues	2,766	2,280,992	6,094,268
Redemptions	(35,873)	(2,431,637)	(6,192,864)
Conversions	–	(41,222)	–
Closing shares in issue	<u>886,328</u>	<u>5,790,210</u>	<u>57,392,828</u>

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.49%	0.49%	0.74%
Opening shares in issue	7,992,800	183,243,739	19,243,836
Issues	1,247,645	29,170,532	4,978,066
Redemptions	(1,089,066)	(9,504,326)	(1,618,992)
Conversions	–	60,746	(7,367)
Closing shares in issue	<u>8,151,379</u>	<u>202,970,691</u>	<u>22,595,543</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

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

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:

31.10.22 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	(1,010)	–

31.10.21 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	155	–

(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 3**FINANCIAL STATEMENTS** *continued***NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 October 2022

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:

	31.10.22 £'000	31.10.21 £'000
Currency:		
Euro currency	1,646	2,493
Japanese yen	300	193
South African rand	1,076	320
US dollars	33,098	30,910
Total foreign currency exposure	36,120	33,916
Pounds sterling	378,824	402,232
Total net assets	414,944	436,148

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 £1,806,000 on the net assets of the Fund (31.10.21: £1,696,000).

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

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

(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 93.21% of the portfolio can be liquidated within 5 days and 94.26% within 21 working days (31.10.21: 62.59% within 5 days and 63.70% within 21 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 £18,444,000 (31.10.21: £19,309,000). 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 2022

16. Portfolio Transaction Costs

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
31.10.22				
Ordinary shares	1,596	–	8	1,604
Collective investment schemes	187,365	7	4	187,376
Purchases total	188,961	7	12	188,980
<i>Transaction cost % of purchases total</i>		–	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	1,335	–	–	1,335
Collective investment schemes	151,986	(6)	–	151,980
Sales total	153,321	(6)	–	153,315
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.22 is 0.45% (31.10.21: 0.45%).

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
31.10.21				
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>		–	–	

LF PRUDENTIAL RISK MANAGED ACTIVE 3
FINANCIAL STATEMENTS *continued*
NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31 October 2022

The collective investment schemes include closed end funds.

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).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.22				
Investment assets	27,137	342,759	–	369,896
Investment liabilities	(1,016)	–	–	(1,016)

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

18. Subsequent Events

Since the balance sheet date the price of each of the Fund's share classes has moved as follows:

Share class	Balance sheet date	22.02.23	Movement
'A' Income	151.55	160.30	5.77%
'A' Accumulation	171.63	184.59	7.55%
'C' Income	153.04	161.18	5.32%
'P' Income	119.31	125.93	5.55%
'P' Accumulation	135.17	145.40	7.57%
'R' Accumulation	152.80	164.30	7.53%

The increase in the prices is primarily due to favourable market conditions. These accounts were approved on 28 February 2023.

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE

for the year ended 31 October 2022 – 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	01.11.21
To	31.10.22

'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	2.4716	–	2.4716	2.6443
Group 2	1.9030	0.5686	2.4716	2.6443

'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	2.8002	–	2.8002	2.9482
Group 2	2.8002	0.0000	2.8002	2.9482

'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	3.4805	–	3.4805	3.6739
Group 2	2.4395	1.0410	3.4805	3.6739

'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	2.2041	–	2.2041	2.3438
Group 2	1.2508	0.9533	2.2041	2.3438

LF PRUDENTIAL RISK MANAGED ACTIVE 3

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE *continued*

‘P’ ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	2.4981	–	2.4981	2.6080
Group 2	1.5062	0.9919	2.4981	2.6080

‘R’ ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	2.4924	–	2.4924	2.6200
Group 2	1.5376	0.9548	2.4924	2.6200

LF PRUDENTIAL RISK MANAGED ACTIVE 4 ACD'S REPORT

for the year ended 31 October 2022

Important Information

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

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

28 February 2023

LF PRUDENTIAL RISK MANAGED ACTIVE 4

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2022

Between 01 November 2021 and 31 October 2022 (the period in review) share classes R (Acc) -11.59%, P (Acc) -11.48% and A (Acc) -11.56% produced returns behind the -10.62% sector average for IA Mixed Investment 40-85% shares sector.

Market Overview

It was an extremely challenging period in review as high inflation, aggressive monetary policy and slowing economic growth proved challenging for all asset classes.

In January, most Central Banks had either started raising interest rates or were about to, as higher inflation had been persistent since the pandemic, in part because of China's zero COVID policy. So, 2022 was always going to be a challenging year for government bonds, as they are particularly sensitive to interest rate changes.

Things took a rapid turn for the worse towards the end of February, with Russia's invasion of Ukraine. This had a profound effect on the supplies of several important goods like grain, for example. It also became clear that gas supplies to Europe were going to reduce significantly, in turn driving up the price of a vital source of energy for most of Europe.

So, a major inflationary shock was added to an already inflationary environment. This was terrible news for government bond markets, that are usually seen as 'safe haven' assets in times of market stress.

At the same time, doubts around continuing economic growth led to a broad-based sell off in most equity markets, except South Africa and India.

In the UK, the disastrous 'mini budget' in September caused a sharp sell-off in domestic assets, particularly government and corporate bonds, to the extent that the Bank of England had to intervene to restore stability to markets.

Activity

Several adjustments were made to the Fund following the annual review of the strategic asset allocation in September. Below is a summary of the main changes.

- UK equity reduced to allow increased allocations to US, Japan, Asia, China and India
- Developed market fixed income reduced, particularly European investment grade
- Asia and Emerging markets bonds increased to add more exposure to higher 'real' yields and countries with different monetary and fiscal regimes
- European and Asian property exposure increased to add further diversification
- Private equity and hedge funds reduced and infrastructure increased due to the inflation linked properties

LF PRUDENTIAL RISK MANAGED ACTIVE 4

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

Tactical Positioning

At the end of the period in review the portfolio manager had a small overweight to equities via a 50/50 US/China blend and alternatives. The overweight positions are funded through a fixed income underweight.

Outlook

The core theme for investors is central banks' attitudes towards the task of bringing down the rate of inflation, attempting to navigate a slowdown in economic growth whilst avoiding a harsh recession. Markets have started to price in a milder drawback in economic activity but continue to keenly watch incoming inflation data and the third quarter earnings season, which has so far been broadly positive. The ongoing economic side effects of the war in Ukraine, and the supply chains scars caused by COVID-19, provide additional complexity and uncertainty in the calibration of monetary policy.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

5 December 2022

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. The lowest number on the scale does not mean that a fund is risk free.

The Fund has been classed as 4 because its volatility has been measured as average. On 1 December 2022, the indicator for 'P' Income shares changed from 4 to 5 because their 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 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.

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 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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	187.25	161.71	170.37
Return before operating charges*	(18.44)	30.05	(5.26)
Operating charges	(1.57)	(1.45)	(1.41)
Return after operating charges	(20.01)	28.60	(6.67)
Distributions	(2.92)	(3.06)	(1.99)
Closing net asset value per share	164.32	187.25	161.71
* after direct transaction costs of:	0.02	0.02	0.01

PERFORMANCE

Return after charges	(10.69)%	17.69%	(3.92)%
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OTHER INFORMATION

Closing net asset value (£'000)	1,308	1,275	850
Closing number of shares	796,212	680,729	525,502
Operating charges	0.86%	0.79%	0.86%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	192.19	193.88	178.28
Lowest share price	165.83	162.09	140.36

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	207.50	176.36	183.56
Return before operating charges*	(20.43)	32.72	(5.66)
Operating charges	(1.74)	(1.58)	(1.54)
Return after operating charges	(22.17)	31.14	(7.20)
Distributions	(3.24)	(3.34)	(2.14)
Retained distributions on accumulation shares	3.24	3.34	2.14
Closing net asset value per share	185.33	207.50	176.36
* after direct transaction costs of:	0.02	0.02	0.01

PERFORMANCE

Return after charges	(10.68)%	17.66%	(3.92)%
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OTHER INFORMATION

Closing net asset value (£'000)	10,682	12,568	12,535
Closing number of shares	5,763,623	6,056,779	7,107,962
Operating charges	0.86%	0.79%	0.86%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	212.93	211.37	192.02
Lowest share price	183.72	176.78	151.23

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	187.92	162.28	170.98
Return before operating charges*	(18.86)	29.91	(5.52)
Operating charges	(0.22)	(0.09)	(0.20)
Return after operating charges	(19.08)	29.82	(5.72)
Distributions	(4.03)	(4.18)	(2.98)
Closing net asset value per share	164.81	187.92	162.28
* after direct transaction costs of:	0.02	0.02	0.01

PERFORMANCE

Return after charges	(10.15)%	18.38%	(3.35)%
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OTHER INFORMATION

Closing net asset value (£'000)	93,784	116,881	99,286
Closing number of shares	56,904,296	62,197,988	61,180,581
Operating charges	0.12%	0.05%	0.12%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	193.09	195.55	179.15
Lowest share price	167.39	162.68	141.18

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	142.08	122.70	129.34
Return before operating charges*	(14.08)	22.74	(4.84)
Operating charges	(0.85)	(0.75)	(0.04)
Return after operating charges	(14.93)	21.99	(4.88)
Distributions	(2.50)	(2.61)	(1.76)
Closing net asset value per share	124.65	142.08	122.70
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	(10.51)%	17.92%	(3.77)%
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OTHER INFORMATION

Closing net asset value (£'000)	6,905	7,559	6,374
Closing number of shares	5,539,498	5,320,026	5,194,665
Operating charges	0.61%	0.54%	0.61%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	146.08	147.58	135.59
Lowest share price	126.07	122.99	106.62

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	159.63	135.37	140.60
Return before operating charges*	(15.83)	25.09	11.39
Operating charges	(0.95)	(0.83)	(16.62)
Return after operating charges	(16.78)	24.26	(5.23)
Distributions	(2.81)	(2.88)	(1.92)
Retained distributions on accumulation shares	2.81	2.88	1.92
Closing net asset value per share	142.85	159.63	135.37
* after direct transaction costs of:	0.01	0.01	0.09

PERFORMANCE

Return after charges	(10.51)%	17.92%	(3.72)%
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OTHER INFORMATION

Closing net asset value (£'000)	184,996	190,509	147,404
Closing number of shares	129,505,647	119,346,041	108,890,354
Operating charges	0.61%	0.54%	0.61%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	164.02	162.74	147.35
Lowest share price	141.64	135.70	115.91

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	184.84	157.06	163.45
Return before operating charges*	(18.20)	29.19	(5.03)
Operating charges	(1.55)	(1.41)	(1.36)
Return after operating charges	(19.75)	27.78	(6.39)
Distributions	(2.89)	(2.97)	(1.91)
Retained distributions on accumulation shares	2.89	2.97	1.91
Closing net asset value per share	165.09	184.84	157.06
* after direct transaction costs of:	0.02	0.02	0.01

PERFORMANCE

Return after charges	(10.68)%	17.69%	(3.91)%
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OTHER INFORMATION

Closing net asset value (£'000)	23,895	22,470	15,098
Closing number of shares	14,474,330	12,156,710	9,612,724
Operating charges	0.86%	0.79%	0.86%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	189.73	188.34	171.08
Lowest share price	163.69	157.44	134.66

LF PRUDENTIAL RISK MANAGED ACTIVE 4

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 31 October 2022 (%)

	1 year	3 years	5 years
LF Prudential Risk Managed Active 4	(11.48)	1.20	5.28
IA Mixed Investment 40-85% shares sector ¹	(10.62)	6.45	13.30

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 156 and 157.

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 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
	EQUITY PORTFOLIOS – 48.22% (31.10.21 – 46.45%)		
	CONTINENTAL EUROPE – 6.96% (31.10.21 – 7.08%)		
5,398,028	M&G (LUX) Europe Ex UK Equity ¹	4,968	1.55
14,851,445	M&G (LUX) Europe Ex UK Equity NPV ¹	15,157	4.71
3,025,271	M&G (LUX) Pan European Sustain Paris Aligned ¹	2,254	0.70
	TOTAL CONTINENTAL EUROPE	22,379	6.96
	UNITED KINGDOM – 17.68% (31.10.21 – 18.63%)		
20,355,809	M&G (ACS) BlackRock UK All Share Equity ¹	19,321	6.01
23,270,405	M&G (ACS) UK 200 Index ¹	21,544	6.70
9,975,605	M&G (ACS) UK Listed Equity ¹	10,636	3.31
2,742,775	M&G (ACS) UK Listed Smaller Companies ¹	2,574	0.80
1,069,395	M&G Recovery ¹	2,773	0.86
	TOTAL UNITED KINGDOM	56,848	17.68
	ASIA EX JAPAN – 8.09% (31.10.21 – 7.93%)		
28,148,914	M&G Asia Pacific Ex Japan ¹	26,008	8.09
	TOTAL ASIA EX JAPAN	26,008	8.09
	JAPAN – 3.63% (31.10.21 – 3.38%)		
10,302,479	M&G (ACS) Japan Equity ¹	11,045	3.43
646,265	M&G (ACS) Japan Smaller Companies ¹	652	0.20
	TOTAL JAPAN	11,697	3.63
	NORTH AMERICA – 7.13% (31.10.21 – 6.37%)		
12,989,435	M&G (ACS) BlackRock US Equity ¹	13,715	4.27
1,041,623	M&G (ACS) Earnest Partners US ¹	1,206	0.38
1,031,032	M&G (ACS) Granahan US Small Capital Growth ¹	1,090	0.34
180,542	M&G North American Value ¹	6,895	2.14
	TOTAL NORTH AMERICA	22,906	7.13
	EMERGING MARKETS – 4.73% (31.10.21 – 3.06%)		
417,664	iShares MSCI India	2,634	0.82
5,046,031	M&G (ACS) China ¹	3,069	0.95
5,368,998	M&G (ACS) China Equity ¹	3,056	0.95
3,576,835	M&G GSAM Global Emerging Markets Equity ¹	2,427	0.76

LF PRUDENTIAL RISK MANAGED ACTIVE 4

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
928,762	M&G Invesco Global Emerging Markets ¹	688	0.21
877,966	M&G Lazard Global Emerging Markets Equity ¹	768	0.24
3,077,719	M&G MFS Global Emerging Markets Equity ¹	2,558	0.80
	TOTAL EMERGING MARKETS	15,200	4.73
	TOTAL EQUITY PORTFOLIOS	155,038	48.22
	EQUITY INVESTMENT INSTRUMENTS – 3.33% (31.10.21 – 3.81%)		
847,035	BBGI ²	1,343	0.42
17,364	BH Macro ²	811	0.25
642,073	BioPharma Credit ²	534	0.17
39,734	Boussard & Gavaudan ²	751	0.23
1,217,010	DP Aircraft I ²	42	0.01
816,730	Ecofin US Renewables Infrastructure Trust ²	603	0.19
70,199	HarbourVest Global Private Equity ²	1,513	0.47
187,975	HgCapital ²	652	0.20
537,548	NB Distressed Debt Investment ²	210	0.07
949,794	NextEnergy Solar ²	1,018	0.32
39,280	Pantheon Infrastructure ²	37	0.01
105,880	Petershill Partners ²	210	0.06
28,525	Princess Private Equity ²	233	0.07
701,232	Renewables Infrastructure ²	909	0.28
767,300	Round Hill Music Royalty ²	503	0.16
1,338,181	SDCL Energy Efficiency Income ²	1,344	0.42
	TOTAL EQUITY INVESTMENT INSTRUMENTS	10,713	3.33
	PROPERTY PORTFOLIOS – 7.51% (31.10.21 – 5.99%)		
333,489	iShares Asia Property Yield	5,964	1.85
127,424	iShares European Property Yield	2,785	0.87
77,566	iShares UK Property	347	0.11
11,091,313	Legal & General UK Property	11,613	3.61
275,495	M&G Property Portfolio ¹	3,436	1.07
	TOTAL PROPERTY PORTFOLIOS	24,145	7.51

LF PRUDENTIAL RISK MANAGED ACTIVE 4

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
	BOND PORTFOLIOS – 30.84% (31.10.21 – 32.60%)		
621,400	Eastspring Asian Bond	5,303	1.65
1,925,893	Eastspring Asian Local Bond	16,241	5.05
1,825,026	Eastspring US Corporate Bond	18,073	5.62
1,321,852	M&G Credit Income Investment Trust ^{1,2}	1,150	0.36
10,495,282	M&G Emerging Markets Bond ¹	10,731	3.34
27,085	M&G European Credit Investment ¹	2,716	0.84
945,732	M&G Global Convertibles ¹	2,343	0.73
9,265,711	M&G Global High Yield Bond ¹	11,566	3.59
37,573,420	M&G Sterling Investment Grade Corporate Bond ¹	31,056	9.66
	TOTAL BOND PORTFOLIOS	99,179	30.84
	FUTURES – (0.25)% (31.10.21 – 0.04%) ³		
37	EURO STOXX 50 Index Futures December 2022	(7)	–
44	FTSE 100 Index Futures December 2022	(136)	(0.04)
145	FTSE China A50 Index Futures November 2022	(83)	(0.02)
268	FTSE/JSE Top 40 Futures December 2022	(370)	(0.12)
14	S&P 500 E Mini Index Futures December 2022	(57)	(0.02)
5	TOPIX Index Futures December 2022	6	–
38	US Treasury Note 10 Year Futures December 2022	(155)	(0.05)
	TOTAL FUTURES	(802)	(0.25)
	Portfolio of investments ⁴	288,273	89.65
	Net other assets	33,297	10.35
	Net assets	321,570	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 Counterparty: JPMorgan.

⁴ Includes investment liabilities.

LF PRUDENTIAL RISK MANAGED ACTIVE 4

ACD'S REPORT *continued*

SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 October 2022

Total purchases for the year £'000 (note 16)	127,916	Total sales for the year £'000 (note 16)	113,395
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
M&G Sterling Investment Grade Corporate Bond	39,536	Royal London Corporate Bond	19,900
M&G (LUX) Europe Ex UK Equity NPV	9,735	M&G Strategic Corporate Bond	18,520
FTSE/JSE Top 40 Futures March 2022	9,180	M&G European Credit Investment	13,723
FTSE/JSE Top 40 Futures September 2022	8,664	FTSE/JSE Top 40 Futures March 2022	9,480
FTSE/JSE Top 40 Futures December 2022	8,474	FTSE/JSE Top 40 Futures December 2021	9,156
Eastspring Asian Local Bond	8,214	M&G European Select	8,416
FTSE/JSE Top 40 Futures June 2022	8,016	FTSE/JSE Top 40 Futures September 2022	8,408
FTSE 100 Index Futures March 2022	7,558	FTSE/JSE Top 40 Futures June 2022	8,036
M&G (ACS) UK 200 Index	7,486	FTSE 100 Index Futures March 2022	7,673
iShares Asia Property Yield	6,561	FTSE 100 Index Futures June 2022	6,468

In addition to the above, purchases totalling £6,617,010,000 and sales totalling £6,587,599,000 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 2022

	Notes	£'000	31.10.22 £'000	£'000	31.10.21 £'000
Income:					
Net capital (losses)/gains	3		(44,369)		44,417
Revenue	4	8,766		8,276	
Expenses	5	(1,364)		(1,215)	
Interest payable and similar charges	6	(3)		(4)	
Net revenue before taxation		7,399		7,057	
Taxation	7	(705)		(762)	
Net revenue after taxation			6,694		6,295
Total return before distributions			(37,675)		50,712
Distributions	8		(6,695)		(6,440)
Change in net assets attributable to shareholders from investment activities			(44,370)		44,272

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2022

	£'000	31.10.22 £'000	£'000	31.10.21 £'000
Opening net assets attributable to shareholders		351,262		281,547
Amounts receivable on issue of shares	39,497		49,592	
Amounts payable on redemption of shares	(29,060)		(28,144)	
		10,437		21,448
Change in net assets attributable to shareholders from investment activities		(44,370)		44,272
Retained distributions on Accumulation shares		4,241		3,995
Closing net assets attributable to shareholders		321,570		351,262

LF PRUDENTIAL RISK MANAGED ACTIVE 4

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 October 2022

	Notes	31.10.22 £'000	31.10.21 £'000
ASSETS			
Fixed assets			
Investments		289,081	312,335
Current assets			
Debtors	9	4,742	15,800
Cash and cash equivalents	10	32,783	27,417
Total assets		<u>326,606</u>	<u>355,552</u>
LIABILITIES			
Investment liabilities		(808)	(107)
Creditors			
Distribution payable	11	(2,457)	(2,760)
Other creditors	11	(1,771)	(1,423)
Total liabilities		<u>(5,036)</u>	<u>(4,290)</u>
Net assets attributable to shareholders		<u>321,570</u>	<u>351,262</u>

LF PRUDENTIAL RISK MANAGED ACTIVE 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2022

1. Accounting Policies

The accounting policies described on pages 24 to 27 have been applied to the financial statements of the Fund in the current and prior year.

2. Distribution Policies

The distribution policies described on page 27 have been applied to the financial statements of the Fund in the current and prior year.

3. Net Capital (Losses)/Gains

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

	31.10.22 £'000	31.10.21 £'000
Non-derivative securities	(42,648)	38,756
Derivative contracts	(1,941)	5,638
Transaction charges	(4)	(2)
AMC rebates from underlying investments	4	89
Currency gains/(losses)	231	(55)
Broker's commission on futures	(11)	(9)
Net capital (losses)/gains	(44,369)	44,417

The net capital (losses)/gains figure includes realised losses of £1,107,000 and unrealised losses of £25,877,000 (31.10.21: includes realised gains of £18,485,000 and unrealised gains of £17,374,000). The realised losses on investments in the current year include amounts previously recognised as unrealised losses 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 2022

4. Revenue

	31.10.22 £'000	31.10.21 £'000
Non-taxable dividends	941	2,189
Taxable dividends	1,240	986
UK property income distributions	446	394
Unfranked interest	1,813	1,861
AMC rebates from underlying investments	462	697
Bank interest	1	–
Revenue from tax transparent funds	3,833	2,143
Broker interest	30	6
Total revenue	8,766	8,276

5. Expenses

	31.10.22 £'000	31.10.21 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	1,274	1,148
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	26	24
Safe custody and other bank charges	9	9
	35	33
Other expenses:		
Audit fees	10	11
Expenses from tax transparent funds	45	23
	55	34
Total expenses	1,364	1,215

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 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

6. Interest Payable and Similar Charges

	31.10.22 £'000	31.10.21 £'000
Interest payable	3	4
Total interest payable and similar charges	3	4

7. Taxation

	31.10.22 £'000	31.10.21 £'000
a) Analysis of charge for the year		
Corporation tax	547	578
Corporation tax – adjustment in respect of prior years	–	128
Tax incurred on tax transparent funds	158	61
Current tax charge	705	767
Deferred tax – origination and reversal of timing differences (note 7c)	–	(5)
Total taxation (note 7b)	705	762

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%) (31.10.21: 20%). The difference is explained below:

	31.10.22 £'000	31.10.21 £'000
Net revenue before taxation	7,399	7,057
Corporation tax at 20%	1,480	1,411
Effects of:		
Non-taxable dividends	(934)	(856)
Rebated capital expenses deductible for tax purposes	1	18
Corporation tax: adjustment in respect of prior years	–	128
Tax incurred on tax transparent funds	158	61
Total tax charge (note 7a)	705	762
c) Deferred tax		
Provision at the start of the year	–	6
Deferred tax charge in the year (note 7a)	–	(6)
Provision at the end of the year	–	–

LF PRUDENTIAL RISK MANAGED ACTIVE 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

8. Distributions

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

	31.10.22 £'000	31.10.21 £'000
Final	6,698	6,755
	6,698	6,755
Add: Revenue deducted on redemption of shares	301	224
Deduct: Revenue received on issue of shares	(304)	(539)
Net distribution for the year	6,695	6,440

Details of the distributions per share are set out in the table on pages 156 and 157.

	31.10.22 £'000	31.10.21 £'000
Distributions represented by:		
Net revenue after taxation	6,694	6,295
Allocations to capital:		
Tax relief from capital	1	145
Net distribution for the year	6,695	6,440

9. Debtors

	31.10.22 £'000	31.10.21 £'000
Amounts receivable for issue of shares	22	526
Sales awaiting settlement	829	11,662
Accrued revenue:		
Unfranked interest	35	–
AMC rebates from underlying investments	1,012	1,119
Revenue from tax transparent funds	2,773	2,422
	3,820	3,541

LF PRUDENTIAL RISK MANAGED ACTIVE 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

	31.10.22 £'000	31.10.21 £'000
Taxation recoverable:		
Income tax	71	71
Total debtors	4,742	15,800

10. Cash and Cash Equivalents

	31.10.22 £'000	31.10.21 £'000
Bank balances	30,621	26,828
Margin account	2,162	589
Total cash and cash equivalents	32,783	27,417

11. Creditors

	31.10.22 £'000	31.10.21 £'000
Distribution payable	2,457	2,760
Other Creditors		
Amounts payable for redemption of shares	413	461
Purchases awaiting settlement	640	360
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	103	98
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	2	2
Transaction charges	1	–
Safe custody and other bank charges	3	2
	6	4

LF PRUDENTIAL RISK MANAGED ACTIVE 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

	31.10.22 £'000	31.10.21 £'000
Taxation payable:		
Corporation tax	417	395
Tax incurred on tax transparent funds	150	70
	567	465
Other expenses	10	9
Expenses from tax transparent funds	32	26
Total other creditors	1,771	1,423

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 142 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 64,395 (31.10.21: 42,161) 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 37,289,819 (31.10.21: 39,742,656) 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 22.59% (31.10.21: 18.25%)

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:

	31.10.22 £'000	31.10.21 £'000
Portfolio Manager in common	215,402	223,783

LF PRUDENTIAL RISK MANAGED ACTIVE 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.21: none).

14. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	0.74%	0.74%	0.00%
Opening shares in issue	680,729	6,056,779	62,197,988
Issues	201,977	432,727	2,668,370
Redemptions	(86,494)	(725,883)	(7,962,062)
Closing shares in issue	<u>796,212</u>	<u>5,763,623</u>	<u>56,904,296</u>

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.49%	0.49%	0.74%
Opening shares in issue	5,320,026	119,346,041	12,156,710
Issues	526,567	17,155,718	3,544,826
Redemptions	(307,095)	(6,996,112)	(1,227,206)
Closing shares in issue	<u>5,539,498</u>	<u>129,505,647</u>	<u>14,474,330</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

LF PRUDENTIAL RISK MANAGED ACTIVE 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

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:

31.10.22 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	(802)	–

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

(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 2022

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:

	31.10.22 £'000	31.10.21 £'000
Currency:		
Euro currency	1,428	2,117
Japanese yen	204	171
South African rand	1,059	667
US dollars	20,830	24,983
Total foreign currency exposure	23,521	27,938
Pounds sterling	298,049	323,324
Total net assets	321,570	351,262

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 £1,176,000 on the net assets of the Fund (31.10.21: £1,397,000).

(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 31.10.22, leverage under the gross method was 0.90:1 and leverage under the commitment method was 1:1 (31.10.21: 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 2022

(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 94.38% of the portfolio can be liquidated within 5 days and 95.49% within 21 working days (31.10.21: 55.03% within 5 days and 56.27% within 21 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 £14,414,000 (31.10.21: £15,611,000). 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 2022

16. Portfolio Transaction Costs

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
31.10.22				
Ordinary shares	1,301	–	7	1,308
Collective investment schemes	126,599	6	3	126,608
Purchases total	127,900	6	10	127,916
<i>Transaction cost % of purchases total</i>		–	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	666	–	–	666
Collective investment schemes	112,734	(5)	–	112,729
Sales total	113,400	(5)	–	113,395
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.22 is 0.47% (31.10.21: 0.57%).

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

LF PRUDENTIAL RISK MANAGED ACTIVE 4
FINANCIAL STATEMENTS *continued*
NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31 October 2022

The collective investment schemes include closed end funds.

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).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.22				
Investment assets	23,599	265,482	–	289,081
Investment liabilities	(808)	–	–	(808)

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

18. Subsequent Events

Since the balance sheet date the price of each of the Fund's share classes has moved as follows:

Share class	Balance sheet date	22.02.23	Movement
'A' Income	166.68	178.60	7.15%
'A' Accumulation	184.70	201.38	9.03%
'C' Income	168.27	179.55	6.70%
'P' Income	126.72	135.69	7.08%
'P' Accumulation	142.37	155.45	9.19%
'R' Accumulation	164.53	179.43	9.06%

The increase in the prices is primarily due to favourable market conditions. These accounts were approved on 28 February 2023.

LF PRUDENTIAL RISK MANAGED ACTIVE 4

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE

for the year ended 31 October 2022 – 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	01.11.21
To	31.10.22

'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	2.9236	–	2.9236	3.0594
Group 2	2.2007	0.7229	2.9236	3.0594

'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	3.2395	–	3.2395	3.3372
Group 2	1.9474	1.2921	3.2395	3.3372

'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	4.0327	–	4.0327	4.1808
Group 2	2.8089	1.2238	4.0327	4.1808

'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	2.5004	–	2.5004	2.6070
Group 2	1.4233	1.0771	2.5004	2.6070

LF PRUDENTIAL RISK MANAGED ACTIVE 4

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE *continued*

‘P’ ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	2.8082	–	2.8082	2.8756
Group 2	1.5374	1.2708	2.8082	2.8756

‘R’ ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	2.8862	–	2.8862	2.9729
Group 2	1.8457	1.0405	2.8862	2.9729

LF PRUDENTIAL RISK MANAGED ACTIVE 5 ACD'S REPORT

for the year ended 31 October 2022

Important Information

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

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

28 February 2023

LF PRUDENTIAL RISK MANAGED ACTIVE 5

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2022

Between 01 November 2021 to 31 October 2022 (the period in review) share classes R (Acc) -10.41%, P (Acc) -10.24% and A (Acc) -10.43% produced returns behind the -10.10% sector average for IA Flexible Investment shares sector.

Market Overview

It was an extremely challenging period in review as high inflation, aggressive monetary policy and slowing economic growth proved challenging for all asset classes.

In January, most Central Banks had either started raising interest rates or were about to, as higher inflation had been persistent since the pandemic, in part because of China's zero COVID policy. So, 2022 was always going to be a challenging year for government bonds, as they are particularly sensitive to interest rate changes.

Things took a rapid turn for the worse towards the end of February, with Russia's invasion of Ukraine. This had a profound effect on the supplies of several important goods like grain, for example. It also became clear that gas supplies to Europe were going to reduce significantly, in turn driving up the price of a vital source of energy for most of Europe.

So, a major inflationary shock was added to an already inflationary environment. This was terrible news for government bond markets, that are usually seen as 'safe haven' assets in times of market stress.

At the same time, doubts around continuing economic growth led to a broad-based sell off in most equity markets, except South Africa and India.

In the UK, the disastrous 'mini budget' in September caused a sharp sell-off in domestic assets, particularly government and corporate bonds, to the extent that the Bank of England had to intervene to restore stability to markets.

Activity

Several adjustments were made to the Fund following the annual review of the strategic asset allocation in September. Below is a summary of the main changes.

- UK equity reduced to allow increased allocations to US, Japan, Asia, China and India
- Developed market fixed income reduced, particularly European investment grade
- Asia and Emerging markets bonds increased to add more exposure to higher 'real' yields and countries with different monetary and fiscal regimes
- European and Asian property exposure increased to add further diversification
- Private equity and hedge funds reduced and infrastructure increased due to the inflation linked properties

LF PRUDENTIAL RISK MANAGED ACTIVE 5

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

Tactical Positioning

At the end of the period in review the portfolio manager had a small overweight to equities via a 50/50 US/China blend and alternatives. The overweight positions are funded through a fixed income underweight.

Outlook

The core theme for investors is central banks' attitudes towards the task of bringing down the rate of inflation, attempting to navigate a slowdown in economic growth whilst avoiding a harsh recession. Markets have started to price in a milder drawback in economic activity but continue to keenly watch incoming inflation data and the third quarter earnings season, which has so far been broadly positive. The ongoing economic side effects of the war in Ukraine, and the supply chains scars caused by COVID-19, provide additional complexity and uncertainty in the calibration of monetary policy.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

5 December 2022

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 lowest number on the scale does not mean that a fund is risk free.

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

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.

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	205.95	172.53	185.37
Return before operating charges*	(18.57)	38.60	(9.05)
Operating charges	(1.75)	(1.69)	(1.55)
Return after operating charges	(20.32)	36.91	(10.60)
Distributions	(3.39)	(3.49)	(2.24)
Closing net asset value per share	182.24	205.95	172.53
* after direct transaction costs of:	0.02	0.02	0.01

PERFORMANCE

Return after charges	(9.86)%	21.40%	(5.72)%
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OTHER INFORMATION

Closing net asset value (£'000)	257	225	178
Closing number of shares	141,244	109,098	103,508
Operating charges	0.87%	0.84%	0.87%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	213.15	213.62	195.26
Lowest share price	183.39	173.35	148.14

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	223.06	183.77	194.90
Return before operating charges*	(20.10)	41.09	(9.50)
Operating charges	(1.91)	(1.80)	(1.63)
Return after operating charges	(22.01)	39.29	(11.13)
Distributions	(3.68)	(3.72)	(2.37)
Retained distributions on accumulation shares	3.68	3.72	2.37
Closing net asset value per share	201.05	223.06	183.77
* after direct transaction costs of:	0.02	0.02	0.01

PERFORMANCE

Return after charges	(9.87)%	21.38%	(5.71)%
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OTHER INFORMATION

Closing net asset value (£'000)	5,504	6,301	5,749
Closing number of shares	2,737,615	2,824,786	3,128,586
Operating charges	0.87%	0.84%	0.87%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	230.87	227.54	205.32
Lowest share price	198.62	184.66	155.76

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	206.83	173.24	186.17
Return before operating charges*	(19.02)	38.51	(9.37)
Operating charges	(0.27)	(0.20)	(0.23)
Return after operating charges	(19.29)	38.31	(9.60)
Distributions	(4.63)	(4.72)	(3.33)
Closing net asset value per share	182.91	206.83	173.24
* after direct transaction costs of:	0.02	0.02	0.01

PERFORMANCE

Return after charges	(9.33)%	22.12%	(5.16)%
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OTHER INFORMATION

Closing net asset value (£'000)	36,496	42,437	36,459
Closing number of shares	19,953,080	20,518,190	21,044,828
Operating charges	0.13%	0.10%	0.13%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	214.32	215.61	196.37
Lowest share price	185.23	174.09	149.13

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	148.43	124.34	133.61
Return before operating charges*	(13.49)	27.76	(6.59)
Operating charges	(0.90)	(0.86)	(0.80)
Return after operating charges	(14.39)	26.90	(7.39)
Distributions	(2.74)	(2.81)	(1.88)
Closing net asset value per share	131.30	148.43	124.34
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(9.69)%	21.64%	(5.53)%
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OTHER INFORMATION

Closing net asset value (£'000)	1,368	1,575	1,664
Closing number of shares	1,041,845	1,061,102	1,338,103
Operating charges	0.62%	0.59%	0.62%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	153.96	154.50	141.06
Lowest share price	132.41	125.19	106.83

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	164.93	135.58	143.53
Return before operating charges*	(14.97)	30.28	(7.09)
Operating charges	(1.01)	(0.93)	(0.86)
Return after operating charges	(15.98)	29.35	(7.95)
Distributions	(3.05)	(3.07)	(2.02)
Retained distributions on accumulation shares	3.05	3.07	2.02
Closing net asset value per share	148.95	164.93	135.58
* after direct transaction costs of:	0.02	0.01	0.01

PERFORMANCE

Return after charges	(9.69)%	21.65%	(5.54)%
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OTHER INFORMATION

Closing net asset value (£'000)	73,150	79,309	65,565
Closing number of shares	49,110,242	48,085,264	48,357,761
Operating charges	0.62%	0.59%	0.62%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	170.95	168.38	151.46
Lowest share price	147.14	136.44	114.78

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	196.50	161.86	171.67
Return before operating charges*	(17.71)	36.23	(8.37)
Operating charges	(1.68)	(1.59)	(1.44)
Return after operating charges	(19.39)	34.64	(9.81)
Distributions	(3.24)	(3.28)	(2.07)
Retained distributions on accumulation shares	3.24	3.28	2.07
Closing net asset value per share	177.11	196.50	161.86
* after direct transaction costs of:	0.02	0.02	0.01

PERFORMANCE

Return after charges	(9.87)%	21.40%	(5.71)%
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OTHER INFORMATION

Closing net asset value (£'000)	10,759	11,191	7,915
Closing number of shares	6,074,497	5,695,426	4,890,339
Operating charges	0.87%	0.84%	0.87%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	203.40	200.47	180.90
Lowest share price	174.97	162.71	137.19

LF PRUDENTIAL RISK MANAGED ACTIVE 5

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 31 October 2022 (%)

	1 year	3 years	5 years
LF Prudential Risk Managed Active 5	(10.24)	2.81	7.28
IA Flexible Investment shares sector ¹	(10.10)	9.58	15.26

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 188 and 189.

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 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
	EQUITY PORTFOLIOS – 59.69% (31.10.21 – 57.87%)		
	CONTINENTAL EUROPE – 8.54% (31.10.21 – 8.67%)		
2,614,209	M&G (LUX) Europe Ex UK Equity ¹	2,406	1.89
7,218,940	M&G (LUX) Europe Ex UK Equity NPV ¹	7,367	5.78
1,488,209	M&G (LUX) Pan European Sustain Paris Aligned ¹	1,109	0.87
	TOTAL CONTINENTAL EUROPE	10,882	8.54
	UNITED KINGDOM – 21.96% (31.10.21 – 22.86%)		
10,038,602	M&G (ACS) BlackRock UK All Share Equity ¹	9,528	7.47
11,474,103	M&G (ACS) UK 200 Index ¹	10,623	8.33
4,927,339	M&G (ACS) UK Listed Equity ¹	5,254	4.12
1,337,209	M&G (ACS) UK Listed Smaller Companies ¹	1,255	0.98
522,414	M&G Recovery ¹	1,355	1.06
	TOTAL UNITED KINGDOM	28,015	21.96
	ASIA EX JAPAN – 10.00% (31.10.21 – 9.80%)		
13,805,345	M&G Asia Pacific Ex Japan ¹	12,755	10.00
	TOTAL ASIA EX JAPAN	12,755	10.00
	JAPAN – 4.72% (31.10.21 – 4.27%)		
5,315,928	M&G (ACS) Japan Equity ¹	5,699	4.47
315,197	M&G (ACS) Japan Smaller Companies ¹	318	0.25
	TOTAL JAPAN	6,017	4.72
	NORTH AMERICA – 8.65% (31.10.21 – 8.46%)		
8,506,043	M&G (ACS) BlackRock US Equity ¹	8,981	7.04
507,731	M&G (ACS) Earnest Partners US ¹	588	0.46
502,531	M&G (ACS) Granahan US Small Capital Growth ¹	531	0.42
24,380	M&G North American Value ¹	931	0.73
	TOTAL NORTH AMERICA	11,031	8.65
	EMERGING MARKETS – 5.82% (31.10.21 – 3.81%)		
206,868	iShares MSCI India	1,304	1.02
2,488,086	M&G (ACS) China ¹	1,513	1.19
2,647,327	M&G (ACS) China Equity ¹	1,507	1.18
1,623,651	M&G GSAM Global Emerging Markets Equity ¹	1,102	0.86

LF PRUDENTIAL RISK MANAGED ACTIVE 5

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
438,756	M&G Invesco Global Emerging Markets ¹	325	0.25
390,541	M&G Lazard Global Emerging Markets Equity ¹	342	0.27
1,610,495	M&G MFS Global Emerging Markets Equity ¹	1,339	1.05
	TOTAL EMERGING MARKETS	7,432	5.82
	TOTAL EQUITY PORTFOLIOS	76,132	59.69
	EQUITY INVESTMENT INSTRUMENTS – 3.62% (31.10.21 – 4.20%)		
364,773	BBGI ²	579	0.45
7,351	BH Macro ²	343	0.27
278,754	BioPharma Credit ²	232	0.18
17,001	Boussard & Gavaudan ²	321	0.25
617,264	DP Aircraft I ²	21	0.02
355,866	Ecofin US Renewables Infrastructure Trust ²	263	0.21
30,008	HarbourVest Global Private Equity ²	647	0.51
81,113	HgCapital ²	281	0.22
247,094	NB Distressed Debt Investment ²	97	0.08
409,027	NextEnergy Solar ²	438	0.34
16,850	Pantheon Infrastructure ²	16	0.01
45,969	Petershill Partners ²	91	0.07
12,130	Princess Private Equity ²	99	0.08
301,984	Renewables Infrastructure ²	391	0.31
337,189	Round Hill Music Royalty ²	221	0.17
579,681	SDCL Energy Efficiency Income ²	582	0.45
	TOTAL EQUITY INVESTMENT INSTRUMENTS	4,622	3.62
	PROPERTY PORTFOLIOS – 8.57% (31.10.21 – 6.52%)		
153,512	iShares Asia Property Yield	2,746	2.15
59,365	iShares European Property Yield	1,297	1.02
61,796	iShares UK Property	277	0.22
4,863,235	Legal & General UK Property	5,092	3.99
121,234	M&G Property Portfolio ¹	1,512	1.19
	TOTAL PROPERTY PORTFOLIOS	10,924	8.57

LF PRUDENTIAL RISK MANAGED ACTIVE 5

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
	BOND PORTFOLIOS – 18.09% (31.10.21 – 20.40%)		
151,537	Eastspring Asian Bond	1,293	1.01
452,820	Eastspring Asian Local Bond	3,819	3.00
386,458	Eastspring US Corporate Bond	3,827	3.00
328,082	M&G Credit Income Investment Trust ^{1,2}	285	0.22
3,126,806	M&G Emerging Markets Bond ¹	3,197	2.51
229,925	M&G Global Convertibles ¹	570	0.45
2,677,732	M&G Global High Yield Bond ¹	3,343	2.62
8,150,213	M&G Sterling Investment Grade Corporate Bond ¹	6,736	5.28
	TOTAL BOND PORTFOLIOS	23,070	18.09
	FUTURES – (0.23)% (31.10.21 – 0.07%) ³		
18	EURO STOXX 50 Index Futures December 2022	(3)	–
22	FTSE 100 Index Futures December 2022	(68)	(0.05)
57	FTSE China A50 Index Futures November 2022	(32)	(0.03)
129	FTSE/JSE Top 40 Futures December 2022	(178)	(0.14)
6	S&P 500 E Mini Index Futures December 2022	9	0.01
9	US Treasury Note 10 Year Futures December 2022	(25)	(0.02)
	TOTAL FUTURES	(297)	(0.23)
	Portfolio of investments ⁴	114,451	89.74
	Net other assets	13,083	10.26
	Net assets	127,534	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 Counterparty: JPMorgan.

⁴ Includes investment liabilities.

LF PRUDENTIAL RISK MANAGED ACTIVE 5

ACD'S REPORT *continued*

SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 October 2022

Total purchases for the year £'000 (note 16)	51,730	Total sales for the year £'000 (note 16)	47,815
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
M&G Sterling Investment Grade Corporate Bond	9,249	M&G European Credit Investment	5,456
M&G (LUX) Europe Ex UK Equity NPV	4,826	M&G North American Value	4,924
FTSE/JSE Top 40 Futures March 2022	4,574	Royal London Corporate Bond	4,847
FTSE/JSE Top 40 Futures September 2022	4,189	FTSE/JSE Top 40 Futures March 2022	4,708
FTSE/JSE Top 40 Futures June 2022	4,173	FTSE/JSE Top 40 Futures December 2021	4,562
FTSE/JSE Top 40 Futures December 2022	4,079	M&G Strategic Corporate Bond	4,515
M&G (ACS) UK 200 Index	3,639	FTSE/JSE Top 40 Futures June 2022	4,180
iShares Asia Property Yield	3,016	M&G European Select	4,165
M&G European Credit Investment	2,625	FTSE/JSE Top 40 Futures September 2022	4,047
M&G (ACS) BlackRock US Equity	2,609	FTSE 100 Index Futures December 2021	2,726

In addition to the above, purchases totalling £1,810,629,000 and sales totalling £1,808,225,000 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 2022

	Notes	£'000	31.10.22 £'000	£'000	31.10.21 £'000
Income:					
Net capital (losses)/gains	3		(16,607)		22,654
Revenue	4	3,575		3,458	
Expenses	5	(584)		(550)	
Interest payable and similar charges	6	(1)		(2)	
Net revenue before taxation		2,990		2,906	
Taxation	7	(222)		(258)	
Net revenue after taxation			2,768		2,648
Total return before distributions			(13,839)		25,302
Distributions	8		(2,769)		(2,727)
Change in net assets attributable to shareholders from investment activities			(16,608)		22,575

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2022

	£'000	31.10.22 £'000	£'000	31.10.21 £'000
Opening net assets attributable to shareholders		141,038		117,530
Amounts receivable on issue of shares	15,601		16,757	
Amounts payable on redemption of shares	(14,292)		(17,591)	
		1,309		(834)
Change in net assets attributable to shareholders from investment activities		(16,608)		22,575
Retained distributions on Accumulation shares		1,795		1,767
Closing net assets attributable to shareholders		127,534		141,038

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 October 2022

	Notes	31.10.22 £'000	31.10.21 £'000
ASSETS			
Fixed assets			
Investments		114,757	125,646
Current assets			
Debtors	9	1,934	7,700
Cash and cash equivalents	10	12,746	17,785
Total assets		<u>129,437</u>	<u>151,131</u>
LIABILITIES			
Investment liabilities		(306)	(34)
Creditors			
Distribution payable	11	(957)	(1,003)
Other creditors	11	(640)	(9,056)
Total liabilities		<u>(1,903)</u>	<u>(10,093)</u>
Net assets attributable to shareholders		<u>127,534</u>	<u>141,038</u>

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2022

1. Accounting Policies

The accounting policies described on pages 24 to 27 have been applied to the financial statements of the Fund in the current and prior year.

2. Distribution Policies

The distribution policies described on page 27 have been applied to the financial statements of the Fund in the current and prior year.

3. Net Capital (Losses)/Gains

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

	31.10.22 £'000	31.10.21 £'000
Non-derivative securities	(16,171)	20,377
Derivative contracts	(552)	2,308
Transaction charges	–	(2)
AMC rebates from underlying investments	2	24
Currency gains/(losses)	118	(49)
Broker's commission on futures	(4)	(4)
Net capital (losses)/gains	(16,607)	22,654

The net capital (losses)/gains figure includes realised losses of £762,000 and unrealised losses of £8,461,000 (31.10.21: includes realised gains of £9,585,000 and unrealised gains of £7,382,000). The realised losses on investments in the current year include amounts previously recognised as unrealised losses 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 2022

4. Revenue

	31.10.22 £'000	31.10.21 £'000
Non-taxable dividends	383	1,110
Taxable dividends	303	252
UK property income distributions	196	192
Unfranked interest	539	538
AMC rebates from underlying investments	161	272
Revenue from tax transparent funds	1,979	1,091
Broker interest	14	3
Total revenue	3,575	3,458

5. Expenses

	31.10.22 £'000	31.10.21 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	530	507
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	13	12
Safe custody and other bank charges	8	8
	21	20
Other expenses:		
Audit fee	10	11
Expenses from tax transparent funds	23	12
	33	23
Total expenses	584	550

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 2022

6. Interest Payable and Similar Charges

	31.10.22 £'000	31.10.21 £'000
Interest payable	1	2
Total interest payable and similar charges	1	2

7. Taxation

	31.10.22 £'000	31.10.21 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	137	154
Adjustments in respect of prior periods	–	75
Tax incurred on tax transparent funds	85	32
Current tax charge	222	261
Deferred tax – origination and reversal of timing differences (note 7c)	–	(3)
Total taxation (note 7b)	222	258

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%) (31.10.21: 20%). The difference is explained below:

	31.10.22 £'000	31.10.21 £'000
Net revenue before taxation	2,990	2,906
Corporation tax at 20%	598	581
Effects of:		
Non-taxable dividends	(462)	(435)
Rebated capital expenses deductible for tax purposes	1	5
Tax incurred on tax transparent funds	85	32
Corporation tax: adjustment in respect of prior years	–	75
Total tax charge (note 7a)	222	258
c) Deferred tax		
Provision at the start of the year	–	3
Deferred tax charge in the year (note 7a)	–	(3)
Provision at the end of the year	–	–

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

8. Distributions

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

	31.10.22 £'000	31.10.21 £'000
Final	2,751	2,770
	2,751	2,770
Add: Revenue deducted on redemption of shares	139	129
Deduct: Revenue received on issue of shares	(121)	(172)
Net distribution for the year	2,769	2,727

Details of the distributions per share are set out in the table on pages 188 and 189.

	31.10.22 £'000	31.10.21 £'000
Distributions represented by:		
Net revenue after taxation	2,768	2,648
Allocations to capital:		
Tax relief from capital	1	79
Net distribution for the year	2,769	2,727

9. Debtors

	31.10.22 £'000	31.10.21 £'000
Amounts receivable for issue of shares	54	265
Sales awaiting settlement	9	5,715
Accrued revenue:		
Unfranked interest	16	–
Revenue from derivative contracts	3	–
AMC rebates from underlying investments	426	472
Revenue from tax transparent funds	1,395	1,214
	1,840	1,686

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

	31.10.22 £'000	31.10.21 £'000
Taxation recoverable:		
Income tax	31	34
Total debtors	1,934	7,700

10. Cash and Cash Equivalents

	31.10.22 £'000	31.10.21 £'000
Bank balances	11,827	17,525
Margin account	919	260
Total cash and cash equivalents	12,746	17,785

11. Creditors

	31.10.22 £'000	31.10.21 £'000
Distribution payable	957	1,003
Other Creditors		
Amounts payable for redemption of shares	383	282
Purchases awaiting settlement	–	8,562
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	42	42
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	1	1
Transaction charges	1	–
Safe custody and other bank charges	2	1
	4	2

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

	31.10.22 £'000	31.10.21 £'000
Taxation payable:		
Corporation tax	107	110
Tax incurred on tax transparent funds	78	35
	185	145
Other expenses	10	10
Expenses from tax transparent funds	16	13
Total other creditors	640	9,056

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 174 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 384,997 (31.10.21: 360,195) 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 12,204,103 (31.10.21: 12,023,814) 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	23.36% (31.10.21: 24.17%)
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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:

	31.10.22 £'000	31.10.21 £'000
Portfolio Manager in common	90,471	97,128

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.21: none).

14. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	0.74%	0.74%	0.00%
Opening shares in issue	109,098	2,824,786	20,518,190
Issues	45,048	251,188	1,786,408
Redemptions	(12,902)	(338,359)	(2,351,518)
Closing shares in issue	<u>141,244</u>	<u>2,737,615</u>	<u>19,953,080</u>

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.49%	0.49%	0.74%
Opening shares in issue	1,061,102	48,085,264	5,695,426
Issues	353,004	5,435,820	1,107,287
Redemptions	(372,261)	(4,410,842)	(728,216)
Closing shares in issue	<u>1,041,845</u>	<u>49,110,242</u>	<u>6,074,497</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

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

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:

31.10.22 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	(297)	–

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

(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 5**FINANCIAL STATEMENTS** *continued***NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 October 2022

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:

	31.10.22 £'000	31.10.21 £'000
Currency:		
Euro currency	802	940
Japanese yen	82	85
South African rand	686	160
US dollar	6,227	10,146
	<u>7,797</u>	<u>11,331</u>
Pounds sterling	119,737	129,707
Net assets	<u>127,534</u>	<u>141,038</u>

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 £390,000 on the net assets of the Fund (31.10.21: £567,000).

(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 31.10.22, leverage under the gross method was 0.90:1 and leverage under the commitment method was 1:1 (31.10.21: 0.89:1 and 1:1 respectively).

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

(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 95.55% of the portfolio can be liquidated within 5 days and 96.69% within 21 working days (31.10.21: 48.97% within 5 days and 49.73% within 21 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 £5,723,000 (31.10.21: £6,281,000). 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 2022

16. Portfolio Transaction Costs

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
31.10.22				
Ordinary shares	588	–	3	591
Collective investment schemes	51,135	3	1	51,139
Purchases total	51,723	3	4	51,730
<i>Transaction cost % of purchases total</i>		0.01%	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	618	–	–	618
Collective investment schemes	47,199	(2)	–	47,197
Sales total	47,817	(2)	–	47,815
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.22 is 0.51% (31.10.21: 0.69%).

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
31.10.21				
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>		–	–	

LF PRUDENTIAL RISK MANAGED ACTIVE 5
FINANCIAL STATEMENTS *continued*
NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31 October 2022

The collective investment schemes include closed end funds.

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).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.22				
Investment assets	10,540	104,217	–	114,757
Investment liabilities	(306)	–	–	(306)

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

18. Subsequent Events

Since the balance sheet date the price of each of the Fund's share classes has moved as follows:

Share class	Balance sheet date	22.02.23	Movement
'A' Income	184.87	199.77	8.06%
'A' Accumulation	200.22	220.37	10.06%
'C' Income	182.91	200.98	9.88%
'P' Income	133.49	144.18	8.01%
'P' Accumulation	148.34	163.50	10.22%
'R' Accumulation	176.38	194.16	10.08%

The increase in the prices is primarily due to favourable market conditions. These accounts were approved on 28 February 2023.

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE

for the year ended 31 October 2022 – 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	01.11.21
To	31.10.22

'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	3.3944	–	3.3944	3.4936
Group 2	1.7319	1.6625	3.3944	3.4936

'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	3.6771	–	3.6771	3.7214
Group 2	1.9883	1.6888	3.6771	3.7214

'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	4.6276	–	4.6276	4.7231
Group 2	2.4825	2.1451	4.6276	4.7231

'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	2.7446	–	2.7446	2.8145
Group 2	1.4513	1.2933	2.7446	2.8145

LF PRUDENTIAL RISK MANAGED ACTIVE 5

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE *continued*

‘P’ ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	3.0481	–	3.0481	3.0683
Group 2	1.9160	1.1321	3.0481	3.0683

‘R’ ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	3.2394	–	3.2394	3.2782
Group 2	2.1516	1.0878	3.2394	3.2782

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1 ACD'S REPORT

for the year ended 31 October 2022

Important Information

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

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

28 February 2023

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2022

Between 01 November 2021 to 31 October 2022 (the period in review) share classes R (Acc) -14.14%, A (Acc) -14.10% and P (Acc) -13.94% produced returns behind the sector average return of -11.16 for IA Mixed Investment 0-35% shares sector.

Market Overview

It was an extremely challenging period in review as high inflation, aggressive monetary policy and slowing economic growth proved challenging for all asset classes.

In January, most Central Banks had either started raising interest rates or were about to, as higher inflation had been persistent since the pandemic, in part because of China's zero COVID policy. So, 2022 was always going to be a challenging year for government bonds, as they are particularly sensitive to interest rate changes.

Things took a rapid turn for the worse towards the end of February, with Russia's invasion of Ukraine. This had a profound effect on the supplies of several important goods like grain, for example. It also became clear that gas supplies to Europe were going to reduce significantly, in turn driving up the price of a vital source of energy for most of Europe.

So, a major inflationary shock was added to an already inflationary environment. This was terrible news for government bond markets, that are usually seen as 'safe haven' assets in times of market stress.

At the same time, doubts around continuing economic growth led to a broad-based sell off in most equity markets, except South Africa and India.

In the UK, the disastrous 'mini budget' in September caused a sharp sell-off in domestic assets, particularly government and corporate bonds, to the extent that the Bank of England had to intervene to restore stability to markets.

Activity

Several adjustments were made to the Fund following the annual review of the strategic asset allocation in September. Below is a summary of the main changes.

- UK, Europe, US, Japan, Asia and Emerging Market equity reduced to allow a reallocation to lower risk assets
- UK, Europe and US investment grade corporate bonds increased
- Small increase to Asia, Emerging Markets and High Yield bonds to add exposure higher 'real' yields
- UK and European property added to effectively replace alternatives
- Alternatives removed as the portfolio managers believe property has similar diversifying characteristics but with lower costs

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

Tactical Positioning

At the end of the period in review the portfolio manager had a small overweight to equities via a 50/50 US/China blend and alternatives. The overweight positions are funded through a fixed income underweight.

Outlook

The core theme for investors is central banks' attitudes towards the task of bringing down the rate of inflation, attempting to navigate a slowdown in economic growth whilst avoiding a harsh recession. Markets have started to price in a milder drawback in economic activity but continue to keenly watch incoming inflation data and the third quarter earnings season, which has so far been broadly positive. The ongoing economic side effects of the war in Ukraine, and the supply chains scars caused by COVID-19, provide additional complexity and uncertainty in the calibration of monetary policy.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

5 December 2022

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 lowest number on the scale does not mean that a fund is risk free.

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

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

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

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.

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	148.60	142.33	140.42
Return before operating charges*	(19.61)	8.67	4.37
Operating charges	(0.72)	(0.80)	(0.79)
Return after operating charges	(20.33)	7.87	3.58
Distributions	(1.90)	(1.60)	(1.67)
Closing net asset value per share	126.37	148.60	142.33
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	(13.68)%	5.53%	2.55%
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OTHER INFORMATION

Closing net asset value (£'000)	120	192	190
Closing number of shares	94,559	129,070	133,580
Operating charges	0.51%	0.54%	0.56%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	151.69	153.24	147.59
Lowest share price	124.97	142.89	125.95

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	193.57	183.43	178.90
Return before operating charges*	(25.59)	11.18	5.54
Operating charges	(0.94)	(1.04)	(1.01)
Return after operating charges	(26.53)	10.14	4.53
Distributions	(2.47)	(2.06)	(2.12)
Retained distributions on accumulation shares	2.47	2.06	2.12
Closing net asset value per share	167.04	193.57	183.43
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	(13.71)%	5.53%	2.53%
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OTHER INFORMATION

Closing net asset value (£'000)	6,139	8,917	8,072
Closing number of shares	3,675,233	4,606,630	4,400,650
Operating charges	0.51%	0.54%	0.56%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	197.47	197.38	187.96
Lowest share price	162.74	184.14	160.48

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	148.76	142.49	140.57
Return before operating charges*	(19.69)	8.69	4.39
Operating charges	(0.04)	(0.09)	(0.11)
Return after operating charges	(19.73)	8.60	4.28
Distributions	(2.58)	(2.33)	(2.36)
Closing net asset value per share	126.45	148.76	142.49
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	(13.26)%	6.04%	3.05%
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OTHER INFORMATION

Closing net asset value (£'000)	106,704	142,839	146,566
Closing number of shares	84,381,703	96,017,352	102,860,648
Operating charges	0.03%	0.06%	0.08%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	151.94	154.05	148.37
Lowest share price	125.69	143.06	126.35

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	120.65	115.56	113.99
Return before operating charges*	(15.89)	7.06	3.57
Operating charges	(0.30)	(0.36)	(0.36)
Return after operating charges	(16.19)	6.70	3.21
Distributions	(1.83)	(1.61)	(1.64)
Closing net asset value per share	102.63	120.65	115.56
* after direct transaction costs of:	0.01	–	–

PERFORMANCE

Return after charges	(13.42)%	5.80%	2.82%
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OTHER INFORMATION

Closing net asset value (£'000)	9,185	9,909	7,584
Closing number of shares	8,949,210	8,212,970	6,563,274
Operating charges	0.26%	0.30%	0.31%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	123.32	124.82	120.21
Lowest share price	101.76	116.15	102.36

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	142.23	134.44	130.77
Return before operating charges*	(18.77)	8.21	4.08
Operating charges	(0.35)	(0.42)	(0.41)
Return after operating charges	(19.12)	7.79	3.67
Distributions	(2.16)	(1.87)	(1.87)
Retained distributions on accumulation shares	2.16	1.87	1.87
Closing net asset value per share	123.11	142.23	134.44
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	(13.44)%	5.79%	2.81%
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OTHER INFORMATION

Closing net asset value (£'000)	128,189	169,829	127,914
Closing number of shares	104,126,009	119,408,070	95,148,111
Operating charges	0.26%	0.30%	0.31%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	145.29	145.13	137.85
Lowest share price	119.93	135.11	117.42

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	155.24	147.10	143.45
Return before operating charges*	(20.49)	8.97	4.46
Operating charges	(0.75)	(0.83)	(0.81)
Return after operating charges	(21.24)	8.14	3.65
Distributions	(1.98)	(1.66)	(1.71)
Retained distributions on accumulation shares	1.98	1.66	1.71
Closing net asset value per share	134.00	155.24	147.10
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	(13.68)%	5.53%	2.54%
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OTHER INFORMATION

Closing net asset value (£'000)	18,495	25,175	20,997
Closing number of shares	13,802,130	16,217,243	14,273,782
Operating charges	0.51%	0.54%	0.56%
Direct transaction costs	0.01%	–	–

PRICES

Highest share price	158.47	158.39	150.81
Lowest share price	130.55	147.77	128.69

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 31 October 2022 (%)

	1 year	3 years	5 years
LF Prudential Risk Managed Passive Fund 1	(13.94)	(6.22)	(0.95)
IA Mixed Investment 0-35% shares sector ¹	(11.16)	(4.76)	(0.46)

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 220 and 221.

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 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
	EQUITY PORTFOLIOS – 20.95% (31.10.21 – 21.62%)		
	CONTINENTAL EUROPE – 3.20% (31.10.21 – 3.10%)		
2,562,486	Legal & General European Index	7,744	2.88
1,147,026	M&G (LUX) Pan European Sustain Paris Aligned ¹	855	0.32
	TOTAL CONTINENTAL EUROPE	8,599	3.20
	UNITED KINGDOM – 7.78% (31.10.21 – 8.25%)		
10,788,253	iShares UK Equity Index	20,941	7.78
	TOTAL UNITED KINGDOM	20,941	7.78
	ASIA EX JAPAN – 3.61% (31.10.21 – 3.99%)		
4,677,158	iShares Pacific ex Japan Equity Index	9,701	3.61
	TOTAL ASIA EX JAPAN	9,701	3.61
	JAPAN – 1.59% (31.10.21 – 1.62%)		
1,801,485	iShares Japan Equity Index	4,065	1.51
220,683	M&G (ACS) Japan Smaller Companies ¹	223	0.08
	TOTAL JAPAN	4,288	1.59
	NORTH AMERICA – 2.67% (31.10.21 – 2.72%)		
1,368,463	iShares US Equity Index	6,106	2.27
1,019,735	M&G (ACS) BlackRock US Equity ¹	1,077	0.40
	TOTAL NORTH AMERICA	7,183	2.67
	EMERGING MARKETS – 2.10% (31.10.21 – 1.94%)		
2,230,198	iShares Emerging Markets Equity Index	3,499	1.30
146,315	iShares MSCI India	923	0.34
996,896	M&G (ACS) China ¹	606	0.23
1,075,594	M&G (ACS) China Equity ¹	612	0.23
	TOTAL EMERGING MARKETS	5,640	2.10
	TOTAL EQUITY PORTFOLIOS	56,352	20.95

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
	EQUITY INVESTMENT INSTRUMENTS – 0.25% (31.10.21 – 1.64%)		
7,012	Boussard & Gavaudan ²	126	0.05
579,486	DP Aircraft I ²	20	0.01
254,878	Ecofin US Renewables Infrastructure Trust ²	188	0.07
266,337	NB Distressed Debt Investment ²	104	0.04
336,693	Round Hill Music Royalty ²	221	0.08
	TOTAL EQUITY INVESTMENT INSTRUMENTS	659	0.25
	PROPERTY PORTFOLIOS – 0.48% (31.10.21 – 0.00%)		
14,603	iShares European Property Yield	319	0.12
215,109	iShares UK Property	964	0.36
	TOTAL PROPERTY PORTFOLIOS	1,283	0.48
	BOND PORTFOLIOS – 68.45% (31.10.21 – 67.03%)		
274,327	Eastspring Asian Bond	2,341	0.87
816,207	Eastspring Asian Local Bond	6,883	2.56
59,743,765	iShares Corporate Bond Index	77,763	28.93
2,753,610	iShares ESG Screened Euro Corporate Bond Index	25,766	9.58
5,013,630	iShares US Corporate Bond Index	46,782	17.40
8,845,097	M&G Emerging Markets Bond ¹	9,044	3.36
4,664,151	M&G Global High Yield Bond ¹	5,822	2.17
12,939,487	M&G Sterling Investment Grade Corporate Bond ¹	9,611	3.58
	TOTAL BOND PORTFOLIOS	184,012	68.45
	FUTURES – (0.17)% (31.10.21 – 0.06%) ³		
12	E Mini Russell 2000 Index Futures December 2022	(19)	(0.01)
13	EURO STOXX 50 Index Futures December 2022	(2)	-
13	FTSE 100 Index Futures December 2022	(40)	(0.01)
98	FTSE China A50 Index Futures November 2022	(56)	(0.02)
52	FTSE/JSE Top 40 Futures December 2022	(72)	(0.03)
9	S&P 500 E Mini Index Futures December 2022	(36)	(0.01)
2	TOPIX Index Futures December 2022	2	-
68	US Treasury Note 10 Year Futures December 2022	(235)	(0.09)
	TOTAL FUTURES	(458)	(0.17)

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
	Portfolio of investments ⁴	241,848	89.96
	Net other assets	26,984	10.04
	Net assets	268,832	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 Counterparty: JPMorgan.

⁴ 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 2022

Total purchases for the year £'000 (note 16)	61,414	Total sales for the year £'000 (note 16)	96,956
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
M&G Sterling Investment Grade Corporate Bond	17,255	M&G Strategic Corporate Bond	20,770
M&G Emerging Markets Bond	9,497	iShares USD Treasury Bond	8,583
US Treasury Note 10 Year Futures December 2022	6,737	M&G European Corporate Bond	7,644
M&G (ACS) BlackRock US Equity	5,211	Legal & General UK Index	7,634
S&P 500 E Mini Index Futures March 2022	4,478	M&G Sterling Investment Grade Corporate Bond	5,900
EURO STOXX 50 Index Futures March 2022	4,259	S&P 500 E Mini Index Futures March 2022	4,218
M&G Emerging Markets Bond	4,059	iShares Pacific ex Japan Equity Index	4,142
S&P 500 E Mini Index Futures June 2022	3,402	EURO STOXX 50 Index Futures March 2022	4,056
M&G (ACS) China Equity	3,286	M&G Global High Yield Bond	3,786
EURO STOXX 50 Index Futures June 2022	3,197	M&G (ACS) BlackRock US Equity	3,697

In addition to the above, purchases totalling £5,222,434,000 and sales totalling £5,195,560,000 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 2022

	Notes	£'000	31.10.22 £'000	£'000	31.10.21 £'000
Income:					
Net capital (losses)/gains	3		(50,485)		13,397
Revenue	4	5,862		5,427	
Expenses	5	(561)		(570)	
Interest payable and similar charges	6	(4)		(4)	
Net revenue before taxation		5,297		4,853	
Taxation	7	(5)		(2)	
Net revenue after taxation			5,292		4,851
Total return before distributions			(45,193)		18,248
Distributions	8		(5,292)		(4,851)
Change in net assets attributable to shareholders from investment activities			(50,485)		13,397

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2022

	£'000	31.10.22 £'000	£'000	31.10.21 £'000
Opening net assets attributable to shareholders		356,861		311,323
Amounts receivable on issue of shares	14,083		57,820	
Amounts payable on redemption of shares	(54,237)		(28,274)	
		(40,154)		29,546
Change in net assets attributable to shareholders from investment activities		(50,485)		13,397
Retained distributions on Accumulation shares		2,610		2,595
Closing net assets attributable to shareholders		268,832		356,861

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 October 2022

	Notes	31.10.22 £'000	31.10.21 £'000
ASSETS			
Fixed assets			
Investments		242,308	322,435
Current assets			
Debtors	9	1,176	7,163
Cash and cash equivalents	10	29,365	34,936
Total assets		<u>272,849</u>	<u>364,534</u>
LIABILITIES			
Investment liabilities		(460)	(17)
Creditors			
Distribution payable	11	(2,345)	(2,371)
Other creditors	11	(1,212)	(5,285)
Total liabilities		<u>(4,017)</u>	<u>(7,673)</u>
Net assets attributable to shareholders		<u>268,832</u>	<u>356,861</u>

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2022

1. Accounting Policies

The accounting policies described on pages 24 to 27 have been applied to the financial statements of the Fund in the current and prior year.

2. Distribution Policies

The distribution policies described on page 27 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, through the year. All distributions made are therefore made as gross interest distributions.

3. Net Capital (Losses)/Gains

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

	31.10.22 £'000	31.10.21 £'000
Non-derivative securities	(49,098)	9,853
Derivative contracts	(1,357)	3,599
Transaction charges	(3)	(2)
Currency losses	(21)	(46)
Broker's commission on futures	(6)	(7)
Net capital (losses)/gains	(50,485)	13,397

The net capital (losses)/gains figure includes realised losses of £78,781,000 and unrealised gains of £47,299,000 (31.10.21: includes realised gains of £7,286,000 and unrealised gains of £18,994,000). The realised losses on investments in the current year include amounts previously recognised as unrealised losses 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 2022

4. Revenue

	31.10.22 £'000	31.10.21 £'000
Non-taxable dividends	2,150	1,934
Taxable dividends	365	70
Unfranked interest	3,094	2,990
AMC rebates from underlying investments	190	406
Bank interest	2	4
Revenue from tax transparent funds	54	21
Broker interest	7	2
Total revenue	5,862	5,427

5. Expenses

	31.10.22 £'000	31.10.21 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	517	524
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	24	25
Safe custody and other bank charges	9	9
	33	34
Other expenses:		
Audit fees	10	11
Expenses from tax transparent funds	1	1
	11	12
Total expenses	561	570

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 2022

6. Interest Payable and Similar Charges

	31.10.22 £'000	31.10.21 £'000
Interest payable	4	4
Total interest payable and similar charges	4	4

7. Taxation

	31.10.22 £'000	31.10.21 £'000
a) Analysis of charge for the year		
Tax incurred on tax transparent funds	5	2
Current tax charge	5	2
Deferred tax – origination and reversal of timing differences (note 7c)	–	–
Total taxation (note 7b)	5	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%) (31.10.21: 20%). The difference is explained below:

	31.10.22 £'000	31.10.21 £'000
Net revenue before taxation	5,297	4,853
Corporation tax at 20%	1,059	971
Effects of:		
Non-taxable dividends	(440)	(391)
Tax incurred on tax transparent fund	5	2
Tax deductible interest distributions	(619)	(580)
Total tax charge (note 7a)	5	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 2022

8. Distributions

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

	31.10.22 £'000	31.10.21 £'000
Final	4,955	4,966
	4,955	4,966
Add: Revenue deducted on redemption of shares	386	159
Deduct: Revenue received on issue of shares	(49)	(274)
Net distribution for the year	5,292	4,851

Details of the distributions per share are set out in the table on pages 220 and 221.

9. Debtors

	31.10.22 £'000	31.10.21 £'000
Amounts receivable for issue of shares	18	828
Sales awaiting settlement	1,091	6,096
Accrued revenue:		
Non-taxable dividends	–	166
Revenue from tax transparent funds	66	23
	66	189
Taxation recoverable:		
Income tax	1	–
Corporation tax	–	50
	1	50
Total debtors	1,176	7,163

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1
FINANCIAL STATEMENTS *continued*
NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31 October 2022

10. Cash and Cash Equivalents

	31.10.22 £'000	31.10.21 £'000
Bank balances	28,360	34,567
Margin account	1,005	369
Total cash and cash equivalents	29,365	34,936

11. Creditors

	31.10.22 £'000	31.10.21 £'000
Distribution payable	2,345	2,371
Other Creditors		
Amounts payable for redemption of shares	1,019	812
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	37	46
AMC rebates from underlying investments	132	28
	169	74
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	2	2
Transaction charges	1	–
Safe custody and other bank charges	3	2
	6	4
Taxation payable:		
Tax incurred on tax transparent funds	6	–
Other expenses	10	9
Expenses from tax transparent funds	1	2
Total other creditors	1,212	5,285

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

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 206 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 94,776 (31.10.21: 107,360) 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 84,381,454 (31.10.21: 96,017,102) 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 39.24% (31.10.21: 39.26%)

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:

	31.10.22 £'000	31.10.21 £'000
Portfolio Manager in common	27,850	49,582

13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.21: none).

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1
FINANCIAL STATEMENTS *continued*
NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31 October 2022

14. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	0.48%	0.48%	0.00%
Opening shares in issue	129,070	4,606,630	96,017,352
Issues	67	169,977	2,405,922
Redemptions	(34,578)	(1,043,971)	(14,041,571)
Conversions	–	(57,403)	–
Closing shares in issue	94,559	3,675,233	84,381,703

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.23%	0.23%	0.48%
Opening shares in issue	8,212,970	119,408,070	16,217,243
Issues	2,146,117	4,942,802	672,578
Redemptions	(1,409,877)	(20,716,126)	(2,708,833)
Conversions	–	491,263	(378,858)
Closing shares in issue	8,949,210	104,126,009	13,802,130

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 2022

(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:

31.10.22 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	(458)	–

31.10.21 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	191	–

(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 PASSIVE FUND 1**FINANCIAL STATEMENTS** *continued***NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 October 2022

(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:

	31.10.22 £'000	31.10.21 £'000
Currency:		
Euro currency	552	92,468
Japanese yen	191	160
South African rand	467	371
US dollars	8,758	2,110
Total foreign currency exposure	9,968	95,109
Pounds sterling	258,864	261,752
Total net assets	268,832	356,861

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 £498,000 on the net assets of the Fund (31.10.21: £4,755,000).

(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 31.10.22, leverage under the gross method was 0.90:1 and leverage under the commitment method was 1:1 (31.10.21: 0.90:1 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 PASSIVE FUND 1

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

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 73.12% of the portfolio can be liquidated within 5 days and 73.17% within 21 working days (31.10.21: 82.36% within 5 days and 82.43% within 21 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 £12,092,000 (31.10.21: £16,121,000). 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 2022

16. Portfolio Transaction Costs

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
31.10.22				
Ordinary shares	310	–	1	311
Collective investment schemes	61,099	2	2	61,103
Purchases total	61,409	2	3	61,414
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	1,197	–	–	1,197
Collective investment schemes	95,765	(6)	–	95,759
Sales total	96,962	(6)	–	96,956
<i>Transaction cost % of sales total</i>		0.01%	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.22 is 0.05% (31.10.21: 0.24%).

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
31.10.21				
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>		–	–	

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1
FINANCIAL STATEMENTS *continued*
NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31 October 2022

The collective investment schemes include closed end funds.

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).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.22				
Investment assets	2,867	239,441	–	242,308
Investment liabilities	(460)	–	–	(460)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.21				
Investment assets	14,474	307,959	2	322,435
Investment liabilities	(17)	–	–	(17)

18. Subsequent Events

Since the balance sheet date the price of each of the Fund's share classes has moved as follows:

Share class	Balance sheet date	22.02.23	Movement
'A' Accumulation	166.68	176.19	5.71%
'P' Accumulation	122.93	129.95	5.71%
'R' Accumulation	133.81	141.34	5.63%

The increase in the prices is primarily due to favourable market conditions. These accounts were approved on 28 February 2023.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE

for the year ended 31 October 2022 – 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	01.11.21
To	31.10.22

'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	1.8992	–	1.8992	1.6037
Group 2	1.8313	0.0679	1.8992	1.6037

'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	2.4703	–	2.4703	2.0631
Group 2	1.3201	1.1502	2.4703	2.0631

'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	2.5828	–	2.5828	2.3295
Group 2	2.5828	0.0000	2.5828	2.3295

'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	1.8296	–	1.8296	1.6080
Group 2	1.3812	0.4484	1.8296	1.6080

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 1

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE *continued*

‘P’ ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	2.1564	–	2.1564	1.8692
Group 2	1.5258	0.6306	2.1564	1.8692

‘R’ ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	1.9816	–	1.9816	1.6562
Group 2	1.5414	0.4402	1.9816	1.6562

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

ACD'S REPORT

for the year ended 31 October 2022

Important Information

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

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

28 February 2023

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2022

Between 01 November 2021 and 31 October 2022 (the period in review) share classes R (Acc) -13.41%, P (Acc) -13.24% and A (Acc) -13.39% produced returns that were behind the -10.69% sector average for the IA Mixed Investment 20-60% shares sector.

Market Overview

It was an extremely challenging period in review as high inflation, aggressive monetary policy and slowing economic growth proved challenging for all asset classes.

In January, most Central Banks had either started raising interest rates or were about to, as higher inflation had been persistent since the pandemic, in part because of China's zero COVID policy. So, 2022 was always going to be a challenging year for government bonds, as they are particularly sensitive to interest rate changes.

Things took a rapid turn for the worse towards the end of February, with Russia's invasion of Ukraine. This had a profound effect on the supplies of several important goods like grain, for example. It also became clear that gas supplies to Europe were going to reduce significantly, in turn driving up the price of a vital source of energy for most of Europe.

So, a major inflationary shock was added to an already inflationary environment. This was terrible news for government bond markets, that are usually seen as 'safe haven' assets in times of market stress.

At the same time, doubts around continuing economic growth led to a broad-based sell off in most equity markets, except South Africa and India.

In the UK, the disastrous 'mini budget' in September caused a sharp sell-off in domestic assets, particularly government and corporate bonds, to the extent that the Bank of England had to intervene to restore stability to markets.

Activity

Several adjustments were made to the Fund following the annual review of the strategic asset allocation in September. Below is a summary of the main changes.

- UK, Europe, US, Japan, Asia and Emerging Market equity reduced to allow a reallocation to lower risk assets
- UK, Europe and US investment grade corporate bonds increased
- Small increase to Asia, Emerging Markets and High Yield bonds to add exposure higher 'real' yields
- UK and European property added to effectively replace alternatives
- Alternatives removed as the portfolio managers believe property has similar diversifying characteristics but with lower costs

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

Tactical Positioning

At the end of the period in review the portfolio manager had a small overweight to equities via a 50/50 US/China blend and alternatives. The overweight positions are funded through a fixed income underweight.

Outlook

The core theme for investors is central banks' attitudes towards the task of bringing down the rate of inflation, attempting to navigate a slowdown in economic growth whilst avoiding a harsh recession. Markets have started to price in a milder drawback in economic activity but continue to keenly watch incoming inflation data and the third quarter earnings season, which has so far been broadly positive. The ongoing economic side effects of the war in Ukraine, and the supply chains scars caused by COVID-19, provide additional complexity and uncertainty in the calibration of monetary policy.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

5 December 2022

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 lowest number on the scale does not mean that a fund is risk free.

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

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

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

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.

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	126.08	117.74	117.23
Return before operating charges*	(15.18)	10.63	2.70
Operating charges	(0.65)	(0.67)	(0.65)
Return after operating charges	(15.83)	9.96	2.05
Distributions	(1.98)	(1.62)	(1.54)
Closing net asset value per share	108.27	126.08	117.74
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(12.55)%	8.46%	1.75%
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OTHER INFORMATION

Closing net asset value (£'000)	–	–	–
Closing number of shares	250	250	250
Operating charges	0.54%	0.53%	0.55%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	129.59	130.71	123.06
Lowest share price	107.59	118.71	103.92

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	137.88	127.34	125.45
Return before operating charges*	(17.02)	11.25	2.57
Operating charges	(0.70)	(0.71)	(0.68)
Return after operating charges	(17.72)	10.54	1.89
Distributions	(1.80)	(1.35)	(1.29)
Retained distributions on accumulation shares	1.80	1.35	1.29
Closing net asset value per share	120.16	137.88	127.34
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(12.85)%	8.28%	1.51%
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OTHER INFORMATION

Closing net asset value (£'000)	726	342	128
Closing number of shares	604,516	247,622	100,053
Operating charges	0.54%	0.53%	0.55%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	141.06	140.63	131.06
Lowest share price	117.27	128.00	110.83

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	111.96	104.45	103.93
Return before operating charges*	(14.07)	9.11	2.07
Operating charges	(0.04)	(0.06)	(0.07)
Return after operating charges	(14.11)	9.05	2.00
Distributions	(1.87)	(1.54)	(1.48)
Closing net asset value per share	95.98	111.96	104.45
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(12.60)%	8.66%	1.92%
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OTHER INFORMATION

Closing net asset value (£'000)	6,301	9,760	3,801
Closing number of shares	6,564,683	8,717,157	3,639,546
Operating charges	0.04%	0.05%	0.07%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	114.46	115.57	108.81
Lowest share price	95.47	104.84	91.84

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	126.71	118.17	117.64
Return before operating charges*	(16.08)	10.40	2.34
Operating charges	(0.02)	(0.35)	(0.35)
Return after operating charges	(16.10)	10.05	1.99
Distributions	(1.89)	(1.51)	(1.46)
Closing net asset value per share	108.72	126.71	118.17
* after direct transaction costs of:	–	0.01	0.01

PERFORMANCE

Return after charges	(12.70)%	8.50%	1.69%
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OTHER INFORMATION

Closing net asset value (£'000)	10,602	12,661	6,644
Closing number of shares	9,752,046	9,992,283	5,622,387
Operating charges	0.27%	0.28%	0.30%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	144.44	130.71	123.10
Lowest share price	120.26	118.76	103.99

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	141.20	130.15	127.96
Return before operating charges*	(12.20)	11.44	2.57
Operating charges	(5.76)	(0.39)	(0.38)
Return after operating charges	(17.96)	11.05	2.19
Distributions	(2.11)	(1.66)	(1.59)
Retained distributions on accumulation shares	2.11	1.66	1.59
Closing net asset value per share	123.24	141.20	130.15
* after direct transaction costs of:	0.12	0.01	0.01

PERFORMANCE

Return after charges	(12.72)%	8.49%	1.71%
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OTHER INFORMATION

Closing net asset value (£'000)	192,336	225,236	107,773
Closing number of shares	156,066,453	159,513,783	82,807,685
Operating charges	0.27%	0.28%	0.30%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	129.64	143.93	133.89
Lowest share price	107.94	130.78	113.11

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	139.44	128.78	126.86
Return before operating charges*	(17.28)	11.39	2.62
Operating charges	(0.69)	(0.73)	(0.70)
Return after operating charges	(17.97)	10.66	1.92
Distributions	(1.82)	(1.37)	(1.33)
Retained distributions on accumulation shares	1.82	1.37	1.33
Closing net asset value per share	121.47	139.44	128.78
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(12.89)%	8.28%	1.51%
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OTHER INFORMATION

Closing net asset value (£'000)	28,748	33,792	23,477
Closing number of shares	23,666,630	24,233,686	18,229,520
Operating charges	0.52%	0.53%	0.55%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	142.62	142.19	132.52
Lowest share price	118.55	129.42	112.06

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 31 October 2022 (%)

	1 year	3 years	5 years
LF Prudential Risk Managed Passive Fund 2	(13.24)	(4.13)	1.87
IA Mixed Investment 20–60% shares sector ¹	(10.69)	(0.62)	4.03

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 252 and 253.

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 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
	EQUITY PORTFOLIOS - 31.16% (31.10.21 - 30.15%)		
	CONTINENTAL EUROPE - 4.72% (31.10.21 - 4.33%)		
3,346,462	Legal & General European Index	10,113	4.24
1,531,745	M&G (LUX) Pan European Sustain Paris Aligned ¹	1,141	0.48
	TOTAL CONTINENTAL EUROPE	11,254	4.72
	UNITED KINGDOM - 11.44% (31.10.21 - 11.66%)		
14,064,125	iShares UK Equity Index	27,300	11.44
	TOTAL UNITED KINGDOM	27,300	11.44
	ASIA EX JAPAN - 5.45% (31.10.21 - 5.51%)		
6,272,514	iShares Pacific ex Japan Equity Index	13,011	5.45
	TOTAL ASIA EX JAPAN	13,011	5.45
	JAPAN - 2.36% (31.10.21 - 2.14%)		
2,373,447	iShares Japan Equity Index	5,356	2.24
294,770	M&G (ACS) Japan Smaller Companies ¹	297	0.12
	TOTAL JAPAN	5,653	2.36
	NORTH AMERICA - 4.03% (31.10.21 - 4.17%)		
1,837,124	iShares US Equity Index	8,198	3.43
1,358,358	M&G (ACS) BlackRock US Equity ¹	1,434	0.60
	TOTAL NORTH AMERICA	9,632	4.03
	EMERGING MARKETS - 3.16% (31.10.21 - 2.60%)		
2,994,830	iShares Emerging Markets Equity Index	4,698	1.97
196,599	iShares MSCI India	1,240	0.52
1,318,063	M&G (ACS) China ¹	802	0.34
1,402,430	M&G (ACS) China Equity ¹	798	0.33
	TOTAL EMERGING MARKETS	7,538	3.16
	TOTAL EQUITY PORTFOLIOS	74,388	31.16

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
	EQUITY INVESTMENT INSTRUMENTS - 0.23% (31.10.21 - 1.88%)		
6,701	Boussard & Gavaudan ²	127	0.05
177,102	DP Aircraft I ²	6	-
253,462	Ecofin US Renewables Infrastructure Trust ²	187	0.08
47,034	NB Distressed Debt Investment ²	19	0.01
331,297	Round Hill Music Royalty ²	217	0.09
	TOTAL EQUITY INVESTMENT INSTRUMENTS	556	0.23
	PROPERTY PORTFOLIOS - 0.59% (31.10.21 - 0.00%)		
20,763	iShares European Property Yield	454	0.19
212,780	iShares UK Property	953	0.40
	TOTAL PROPERTY PORTFOLIOS	1,407	0.59
	BOND PORTFOLIOS - 57.91% (31.10.21 - 57.08%)		
208,380	Eastspring Asian Bond	1,778	0.75
616,005	Eastspring Asian Local Bond	5,195	2.18
42,039,776	iShares Corporate Bond Index	54,719	22.92
1,979,560	iShares ESG Screened Euro Corporate Bond Index	18,523	7.76
3,717,528	iShares US Corporate Bond Index	34,688	14.53
7,447,432	M&G Emerging Markets Bond ¹	7,615	3.19
5,127,554	M&G Global High Yield Bond ¹	6,401	2.68
11,273,801	M&G Sterling Investment Grade Corporate Bond ¹	9,318	3.90
	TOTAL BOND PORTFOLIOS	138,237	57.91
	FUTURES - (0.18)% (31.10.21 - 0.06%) ³		
15	E Mini Russell 2000 Index Futures December 2022	(24)	(0.01)
19	EURO STOXX 50 Index Futures December 2022	(3)	-
21	FTSE 100 Index Futures December 2022	(65)	(0.03)
91	FTSE China A50 Index Futures November 2022	(52)	(0.02)
70	FTSE/JSE Top 40 Futures December 2022	(91)	(0.04)
9	S&P 500 E Mini Index Futures December 2022	(27)	(0.01)
3	TOPIX Index Futures December 2022	3	-
52	US Treasury Note 10 Year Futures December 2022	(174)	(0.07)
	TOTAL FUTURES	(433)	(0.18)

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
	Portfolio of investments ⁴	214,155	89.71
	Net other assets	24,558	10.29
	Net assets	238,713	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 Counterparty: JPMorgan.

⁴ 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 2022

Total purchases for the year £'000 (note 16)	61,410	Total sales for the year £'000 (note 16)	63,507
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
M&G Sterling Investment Grade Corporate Bond	14,731	M&G Strategic Corporate Bond	14,961
iShares Corporate Bond Index	7,081	iShares USD Treasury Bond	6,289
Eastspring Asian Local Bond	6,714	iShares UK Equity Index	5,175
US Treasury Note 10 Year Futures December 2022	5,169	M&G European Corporate Bond	4,760
EURO STOXX 50 Index Futures March 2022	4,727	EURO STOXX 50 Index Futures March 2022	4,492
iShares UK Equity Index	4,046	M&G Sterling Investment Grade Corporate Bond	3,898
EURO STOXX 50 Index Futures June 2022	3,799	EURO STOXX 50 Index Futures June 2022	3,766
S&P 500 E Mini Index Futures March 2022	3,624	Legal & General UK Index	3,582
M&G Emerging Markets Bond	3,287	S&P 500 E Mini Index Futures March 2022	3,406
FTSE 100 Index Futures March 2022	2,861	iShares US Equity Index	3,244

In addition to the above, purchases totalling £4,377,376,000 and sales totalling £4,381,585,000 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 2022

	Notes	£'000	31.10.22 £'000	£'000	31.10.21 £'000
Income:					
Net capital (losses)/gains	3		(40,786)		10,763
Revenue	4	5,345		3,513	
Expenses	5	(729)		(584)	
Interest payable and similar charges	6	(2)		(1)	
Net revenue before taxation		4,614		2,928	
Taxation	7	(412)		(256)	
Net revenue after taxation			4,202		2,672
Total return before distributions			(36,584)		13,435
Distributions	8		(4,202)		(2,672)
Change in net assets attributable to shareholders from investment activities			(40,786)		10,763

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2022

	£'000	31.10.22 £'000	£'000	31.10.21 £'000
Opening net assets attributable to shareholders		281,791		141,823
Amounts receivable on issue of shares	25,089		130,608	
Amounts payable on redemption of shares	(31,115)		(4,387)	
		(6,026)		126,221
Change in net assets attributable to shareholders from investment activities		(40,786)		10,763
Retained distributions on Accumulation shares		3,734		2,984
Closing net assets attributable to shareholders		238,713		281,791

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 October 2022

	Notes	31.10.22 £'000	31.10.21 £'000
ASSETS			
Fixed assets			
Investments		214,591	252,038
Current assets			
Debtors	9	796	2,099
Cash and cash equivalents	10	24,887	28,546
Total assets		<u>240,274</u>	<u>282,683</u>
LIABILITIES			
Investment liabilities		(436)	(28)
Creditors			
Distribution payable	11	(307)	(285)
Other creditors	11	(818)	(579)
Total liabilities		<u>(1,561)</u>	<u>(892)</u>
Net assets attributable to shareholders		<u>238,713</u>	<u>281,791</u>

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2022

1. Accounting Policies

The accounting policies described on pages 24 to 27 have been applied to the financial statements of the Fund in the current and prior year.

2. Distribution Policies

The distribution policies described on page 27 have been applied to the financial statements of the Fund in the current and prior year.

3. Net Capital (Losses)/Gains

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

	31.10.22 £'000	31.10.21 £'000
Non-derivative securities	(39,494)	7,871
Derivative contracts	(1,279)	2,937
Transaction charges	(3)	(3)
Currency losses	(5)	(37)
Broker's commission on futures	(5)	(5)
Net capital (losses)/gains	(40,786)	10,763

The net capital (losses)/gains figure includes realised losses of £61,725,000 and unrealised gains of £30,439,000 (31.10.21: includes realised gains of £2,947,000 and unrealised gains of £9,492,000). The realised losses on investments in the current year include amounts previously recognised as unrealised losses 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 2022

4. Revenue

	31.10.22 £'000	31.10.21 £'000
Non-taxable dividends	2,513	1,637
Taxable dividends	257	40
Unfranked interest	2,331	1,593
AMC rebates from underlying investments	153	222
Bank interest	9	–
Revenue from tax transparent funds	82	21
Total revenue	5,345	3,513

5. Expenses

	31.10.22 £'000	31.10.21 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	688	557
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	21	17
Safe custody and other bank charges	9	9
	30	26
Other expenses:		
Audit fees ¹	10	–
Expenses from tax transparent funds	1	1
	11	1
Total expenses	729	584

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

¹ Prior to 1 January 2022, the audit fees were borne by the ACD. The audit fees for the year ended 31 October 2021 were £7,950 plus VAT.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2
FINANCIAL STATEMENTS *continued*
NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31 October 2022

6. Interest Payable and Similar Charges

	31.10.22 £'000	31.10.21 £'000
Interest payable	2	3
Futures interest payable	–	(2)
Total interest payable and similar charges	2	1

7. Taxation

	31.10.22 £'000	31.10.21 £'000
a) Analysis of charge for the year		
Corporation tax	404	254
Tax incurred on tax transparent funds	8	2
Current tax charge	412	256
Deferred tax – origination and reversal of timing differences (note 7c)	–	–
Total taxation (note 7b)	412	256

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%) (31.10.21: 20%). The difference is explained below:

	31.10.22 £'000	31.10.21 £'000
Net revenue before taxation	4,614	2,928
Corporation tax at 20%	923	586
Effects of:		
Non-taxable dividends	(519)	(332)
Tax incurred on tax transparent funds	8	2
Total tax charge (note 7a)	412	256

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 2022

8. Distributions

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

	31.10.22 £'000	31.10.21 £'000
Final	4,042	3,269
	4,042	3,269
Add: Revenue deducted on redemption of shares	240	23
Deduct: Revenue received on issue of shares	(80)	(620)
Net distribution for the year	4,202	2,672

Details of the distributions per share are set out in the table on pages 252 and 253.

9. Debtors

	31.10.22 £'000	31.10.21 £'000
Amounts receivable for issue of shares	105	1,117
Sales awaiting settlement	604	888
Accrued revenue:		
Non-taxable dividends	–	67
Revenue from tax transparent funds	86	27
	86	94
Taxation recoverable:		
Income tax	1	–
Total debtors	796	2,099

10. Cash and Cash Equivalents

	31.10.22 £'000	31.10.21 £'000
Bank balances	23,789	28,159
Margin account	1,098	387
Total cash and cash equivalents	24,887	28,546

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2
FINANCIAL STATEMENTS *continued*
NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31 October 2022

11. Creditors

	31.10.22 £'000	31.10.21 £'000
Distribution payable	307	285
Other Creditors		
Amounts payable for redemption of shares	416	244
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	52	55
AMC rebates from underlying investments	96	19
	148	74
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	2	2
Transaction charges	1	–
Safe custody and other bank charges	3	2
	6	4
Taxation payable:		
Corporation tax	228	254
Tax incurred on tax transparent funds	8	2
	236	256
Other expenses	10	–
Expenses from tax transparent funds	2	1
Total other creditors	818	579

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

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions or its associates) held 164,556 (31.10.21: 175,970) 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 6,564,433 (31.10.21: 8,716,907) 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 52.00% (31.10.21: 48.09%)

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:

	31.10.22 £'000	31.10.21 £'000
Portfolio Manager in common	27,806	37,029

13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.21: 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	247,622	8,717,157
Issues	–	536,979	931,161
Redemptions	–	(180,085)	(3,083,635)
Conversions	–	–	–
Closing shares in issue	250	604,516	6,564,683

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.23%	0.23%	0.48%
Opening shares in issue	9,992,283	159,513,783	24,233,686
Issues	1,263,251	12,540,961	3,422,988
Redemptions	(1,503,488)	(16,781,645)	(3,186,508)
Conversions	–	793,354	(803,536)
Closing shares in issue	<u>9,752,046</u>	<u>156,066,453</u>	<u>23,666,630</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 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

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:

31.10.22 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	(433)	–

31.10.21 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	178	–

(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 2022

The table below shows the direct foreign currency risk profile:

	31.10.22 £'000	31.10.21 £'000
Currency:		
Euro currency	846	61,565
Japanese yen	177	98
South African rand	525	438
US dollar	7,281	1,777
	<u>8,829</u>	<u>63,878</u>
Pounds sterling	229,884	217,913
Net assets	<u>238,713</u>	<u>281,791</u>

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 £441,000 on the net assets of the Fund (31.10.21: £3,194,000).

(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 31.10.22, leverage under the gross method was 0.90:1 and leverage under the commitment method was 1:1 (31.10.21: 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 PASSIVE FUND 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

Based on this analysis 77.51% of the portfolio can be liquidated within 5 days and 77.61% within 21 working days (31.10.21: 84.47% within 5 days and 84.56% within 21 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 £10,708,000 (31.10.21: £12,601,000). 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 2022

16. Portfolio Transaction Costs

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
31.10.22				
Ordinary shares	298	–	1	299
Collective investment schemes	61,107	2	2	61,111
Purchases total	61,405	2	3	61,410
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	938	–	–	938
Collective investment schemes	62,574	(5)	–	62,569
Sales total	63,512	(5)	–	63,507
<i>Transaction cost % of sales total</i>		0.01%	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.22 is 0.05% (31.10.21: 0.25%).

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
31.10.21				
Ordinary shares	503	–	1	504
Collective investment schemes	120,058	2	3	120,063
Purchases total	120,561	2	4	120,567
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	245	–	–	245
Collective investment schemes	7,475	2	–	7,477
Sales total	7,720	2	–	7,722
<i>Transaction cost % of sales total</i>		0.03%	–	
<i>Transaction cost % of average NAV</i>		–	–	

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

The collective investment schemes include closed end funds.

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).

31.10.22	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	3,206	211,385	–	214,591
Investment liabilities	(436)	–	–	(436)

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)

18. Subsequent Events

Since the balance sheet date the price of each of the Fund's share classes has moved as follows:

Share class	Balance sheet date	22.02.23	Movement
'A' Accumulation	119.94	127.82	6.57%
'P' Accumulation	123.01	131.17	6.63%
'R' Accumulation	121.25	129.21	6.56%

The increase in the prices is primarily due to favourable market conditions. These accounts were approved on 28 February 2023.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2**FINANCIAL STATEMENTS** *continued***DISTRIBUTION TABLE**

for the year ended 31 October 2022 – 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	01.11.21
To	31.10.22

‘A’ INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	1.9840	–	1.9840	1.6240
Group 2	1.9840	0.0000	1.9840	1.6240

‘A’ ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	1.7967	–	1.7967	1.3539
Group 2	0.6139	1.1828	1.7967	1.3539

‘C’ INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	1.8705	–	1.8705	1.5394
Group 2	1.4321	0.4384	1.8705	1.5394

‘P’ INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	1.8943	–	1.8943	1.5082
Group 2	1.4850	0.4093	1.8943	1.5082

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 2

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE *continued*

'P' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	2.1103	–	2.1103	1.6611
Group 2	1.5389	0.5714	2.1103	1.6611

'R' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	1.8156	–	1.8156	1.3673
Group 2	1.2401	0.5755	1.8156	1.3673

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3 ACD'S REPORT

for the year ended 31 October 2022

Important Information

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

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

28 February 2023

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2022

Between 01 November 2021 to 31 October 2022 (the period in review) share classes R (Acc) -12.46%, P (Acc) -12.31% and A (Acc) -12.44% produced returns behind the -10.69% sector average for IA Mixed Investment 20-60% shares sector.

Market Overview

It was an extremely challenging period in review as high inflation, aggressive monetary policy and slowing economic growth proved challenging for all asset classes.

In January, most Central Banks had either started raising interest rates or were about to, as higher inflation had been persistent since the pandemic, in part because of China's zero COVID policy. So, 2022 was always going to be a challenging year for government bonds, as they are particularly sensitive to interest rate changes.

Things took a rapid turn for the worse towards the end of February, with Russia's invasion of Ukraine. This had a profound effect on the supplies of several important goods like grain, for example. It also became clear that gas supplies to Europe were going to reduce significantly, in turn driving up the price of a vital source of energy for most of Europe.

So, a major inflationary shock was added to an already inflationary environment. This was terrible news for government bond markets, that are usually seen as 'safe haven' assets in times of market stress.

At the same time, doubts around continuing economic growth led to a broad-based sell off in most equity markets, except South Africa and India.

In the UK, the disastrous 'mini budget' in September caused a sharp sell-off in domestic assets, particularly government and corporate bonds, to the extent that the Bank of England had to intervene to restore stability to markets.

Activity

Several adjustments were made to the Fund following the annual review of the strategic asset allocation in September. Below is a summary of the main changes.

- UK equity reduced to fund increases to US, China, India and Africa
- UK and European property added to effectively replace alternatives
- Alternatives removed as the portfolio managers believe property has similar diversifying characteristics but with lower costs

Tactical Positioning

At the end of the period in review the portfolio manager had a small overweight to equities via a 50/50 US/China blend and alternatives. The overweight positions are funded through a fixed income underweight.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

Outlook

The core theme for investors is central banks' attitudes towards the task of bringing down the rate of inflation, attempting to navigate a slowdown in economic growth whilst avoiding a harsh recession. Markets have started to price in a milder drawback in economic activity but continue to keenly watch incoming inflation data and the third quarter earnings season, which has so far been broadly positive. The ongoing economic side effects of the war in Ukraine, and the supply chains scars caused by COVID-19, provide additional complexity and uncertainty in the calibration of monetary policy.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

5 December 2022

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 lowest number on the scale does not mean that a fund is risk free.

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

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

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

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.

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	157.24	142.28	143.53
Return before operating charges*	(17.91)	17.67	1.39
Operating charges	(0.80)	(0.85)	(0.83)
Return after operating charges	(18.71)	16.82	0.56
Distributions	(2.32)	(1.86)	(1.81)
Closing net asset value per share	136.21	157.24	142.28
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(11.90)%	11.82%	0.39%
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OTHER INFORMATION

Closing net asset value (£'000)	296	399	278
Closing number of shares	217,191	253,653	195,301
Operating charges	0.53%	0.55%	0.58%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	161.09	162.03	149.37
Lowest share price	135.40	142.94	123.87

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	201.37	180.09	179.39
Return before operating charges*	(23.02)	22.36	1.74
Operating charges	(1.02)	(1.08)	(1.04)
Return after operating charges	(24.04)	21.28	0.70
Distributions	(2.97)	(2.35)	(2.27)
Retained distributions on accumulation shares	2.97	2.35	2.27
Closing net asset value per share	177.33	201.37	180.09
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(11.94)%	11.82%	0.39%
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OTHER INFORMATION

Closing net asset value (£'000)	9,904	11,375	8,849
Closing number of shares	5,585,182	5,648,923	4,913,893
Operating charges	0.53%	0.55%	0.58%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	206.14	204.92	186.56
Lowest share price	173.32	180.79	154.69

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	156.86	141.92	143.16
Return before operating charges*	(18.04)	17.50	1.26
Operating charges	(0.08)	(0.11)	(0.14)
Return after operating charges	(18.12)	17.39	1.12
Distributions	(2.90)	(2.45)	(2.36)
Closing net asset value per share	135.84	156.86	141.92
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(11.55)%	12.26%	0.78%
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OTHER INFORMATION

Closing net asset value (£'000)	79,876	97,707	74,400
Closing number of shares	58,800,375	62,289,192	52,423,828
Operating charges	0.05%	0.07%	0.10%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	160.80	162.20	149.18
Lowest share price	135.58	142.62	123.78

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	132.67	120.04	121.08
Return before operating charges*	(15.14)	14.85	1.13
Operating charges	(0.36)	(0.39)	(0.40)
Return after operating charges	(15.50)	14.46	0.73
Distributions	(2.22)	(1.83)	(1.77)
Closing net asset value per share	114.95	132.67	120.04
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(11.68)%	12.05%	0.60%
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OTHER INFORMATION

Closing net asset value (£'000)	20,383	21,610	11,985
Closing number of shares	17,731,864	16,287,851	9,984,309
Operating charges	0.28%	0.30%	0.33%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	136.07	137.07	126.20
Lowest share price	114.51	120.72	104.70

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	156.28	139.48	138.66
Return before operating charges*	(17.89)	17.26	1.28
Operating charges	(0.42)	(0.46)	(0.46)
Return after operating charges	(18.31)	16.80	0.82
Distributions	(2.61)	(2.13)	(2.02)
Retained distributions on accumulation shares	2.61	2.13	2.02
Closing net asset value per share	137.97	156.28	139.48
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(11.72)%	12.04%	0.59%
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OTHER INFORMATION

Closing net asset value (£'000)	359,007	390,753	208,599
Closing number of shares	260,211,414	250,036,221	149,558,267
Operating charges	0.28%	0.30%	0.33%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	160.17	159.15	144.42
Lowest share price	134.83	140.18	119.81

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	179.38	160.42	159.80
Return before operating charges*	(20.48)	19.92	1.54
Operating charges	(0.91)	(0.96)	(0.92)
Return after operating charges	(21.39)	18.96	0.62
Distributions	(2.65)	(2.09)	(2.02)
Retained distributions on accumulation shares	2.65	2.09	2.02
Closing net asset value per share	157.99	179.38	160.42
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(11.92)%	11.82%	0.39%
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OTHER INFORMATION

Closing net asset value (£'000)	47,455	52,343	33,689
Closing number of shares	30,035,920	29,179,891	21,000,329
Operating charges	0.53%	0.55%	0.58%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	183.69	182.61	166.25
Lowest share price	154.42	161.12	137.86

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 31 October 2022 (%)

	1 year	3 years	5 years
LF Prudential Risk Managed Passive Fund 3	(12.31)	(1.23)	5.03
IA Mixed Investment 20–60% shares sector ¹	(10.69)	(0.62)	4.03

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 284 and 285.

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 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
	EQUITY PORTFOLIOS – 42.80% (31.10.21 – 40.88%)		
	CONTINENTAL EUROPE – 6.50% (31.10.21 – 5.91%)		
9,994,834	Legal & General European Index	30,204	5.84
4,547,504	M&G (LUX) Pan European Sustain Paris Aligned ¹	3,389	0.66
	TOTAL CONTINENTAL EUROPE	33,593	6.50
	UNITED KINGDOM – 15.63% (31.10.21 – 15.91%)		
38,547,790	iShares UK Equity Index	74,825	14.48
3,893,871	Legal & General UK Index	5,954	1.15
	TOTAL UNITED KINGDOM	80,779	15.63
	ASIA EX JAPAN – 7.48% (31.10.21 – 7.30%)		
18,648,268	iShares Pacific ex Japan Equity Index	38,681	7.48
	TOTAL ASIA EX JAPAN	38,681	7.48
	JAPAN – 3.25% (31.10.21 – 2.78%)		
7,011,943	iShares Japan Equity Index	15,824	3.06
954,921	M&G (ACS) Japan Smaller Companies ¹	963	0.19
	TOTAL JAPAN	16,787	3.25
	NORTH AMERICA – 5.54% (31.10.21 – 5.45%)		
5,459,787	iShares US Equity Index	24,363	4.71
4,058,037	M&G (ACS) BlackRock US Equity ¹	4,285	0.83
	TOTAL NORTH AMERICA	28,648	5.54
	EMERGING MARKETS – 4.40% (31.10.21 – 3.53%)		
9,100,598	iShares Emerging Markets Equity Index	14,277	2.76
588,728	iShares MSCI India	3,712	0.72
3,946,466	M&G (ACS) China ¹	2,400	0.46
4,198,760	M&G (ACS) China Equity ¹	2,390	0.46
	TOTAL EMERGING MARKETS	22,779	4.40
	TOTAL EQUITY PORTFOLIOS	221,267	42.80

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
	EQUITY INVESTMENT INSTRUMENTS – 0.27% (31.10.21 – 2.17%)		
16,376	Boussard & Gavaudan ²	309	0.06
746,531	DP Aircraft I ²	26	0.01
611,541	Ecofin US Renewables Infrastructure ²	452	0.08
261,440	NB Distressed Debt Investment ²	102	0.02
768,868	Round Hill Music Royalty ²	504	0.10
	TOTAL EQUITY INVESTMENT INSTRUMENTS	1,393	0.27
	PROPERTY PORTFOLIOS – 0.42% (31.10.21 – 0.00%)		
483,997	iShares UK Property	2,168	0.42
	TOTAL PROPERTY PORTFOLIOS	2,168	0.42
	BOND PORTFOLIOS – 46.60% (31.10.21 – 47.27%)		
364,501	Eastspring Asian Bond	3,111	0.60
1,076,838	Eastspring Asian Local Bond	9,081	1.76
71,740,898	iShares Corporate Bond Index	93,379	18.07
3,232,024	iShares ESG Screened Euro Corporate Bond Index	30,242	5.85
36,315	iShares European Property Yield	794	0.15
6,393,963	iShares US Corporate Bond Index	59,662	11.54
14,979,471	M&G Emerging Markets Bond ¹	15,316	2.96
11,001,569	M&G Global High Yield Bond ¹	13,733	2.66
18,833,992	M&G Sterling Investment Grade Corporate Bond ¹	15,567	3.01
	TOTAL BOND PORTFOLIOS	240,885	46.60
	FUTURES – (0.19)% (31.10.21 – 0.06%) ³		
41	E Mini Russell 2000 Index Futures December 2022	(65)	(0.01)
57	EURO STOXX 50 Index Futures December 2022	(10)	–
62	FTSE 100 Index Futures December 2022	(192)	(0.04)
201	FTSE China A50 Index Futures November 2022	(114)	(0.02)
207	FTSE/JSE Top 40 Futures December 2022	(262)	(0.05)
22	S&P 500 E Mini Index Futures December 2022	(60)	(0.01)
7	TOPIX Index Futures December 2022	8	–
91	US Treasury Note 10 Year Futures December 2022	(292)	(0.06)
	TOTAL FUTURES	(987)	(0.19)

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
	Portfolio of investments ⁴	464,726	89.90
	Net other assets	52,195	10.10
	Net assets	516,921	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 Counterparty: JPMorgan.

⁴ 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 2022

Total purchases for the year £'000 (note 16)	131,179	Total sales for the year £'000 (note 16)	115,505
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
M&G Sterling Investment Grade Corporate Bond	25,557	M&G Strategic Corporate Bond	24,814
iShares Corporate Bond Index	13,035	Legal & General UK Index	18,318
Eastspring Asian Local Bond	11,366	iShares USD Treasury Bond	11,495
iShares UK Equity Index	10,761	EURO STOXX 50 Index Futures March 2022	10,094
EURO STOXX 50 Index Futures March 2022	10,614	EURO STOXX 50 Index Futures June 2022	8,826
US Treasury Note 10 Year Futures December 2022	9,081	M&G European Corporate Bond	7,858
EURO STOXX 50 Index Futures June 2022	8,927	FTSE 100 Index Futures March 2022	7,312
S&P 500 E Mini Index Futures March 2022	7,778	S&P 500 E Mini Index Futures March 2022	7,299
FTSE 100 Index Futures March 2022	7,206	M&G Sterling Investment Grade Corporate Bond	7,201
FTSE 100 Index Futures June 2022	6,995	FTSE 100 Index Futures June 2022	7,066

In addition to the above, purchase totalling £9,529,846,000 and sales totalling £9,527,947,000 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 2022

	Notes	£'000	31.10.22 £'000	£'000	31.10.21 £'000
Income:					
Net capital (losses)/gains	3		(80,994)		37,197
Revenue	4	12,191		8,431	
Expenses	5	(1,330)		(1,051)	
Interest payable and similar charges	6	(6)		(8)	
Net revenue before taxation		10,855		7,372	
Taxation	7	(762)		(503)	
Net revenue after taxation			10,093		6,869
Total return before distributions			(70,901)		44,066
Distributions	8		(10,093)		(6,869)
Change in net assets attributable to shareholders from investment activities			(80,994)		37,197

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2022

	£'000	31.10.22 £'000	£'000	31.10.21 £'000
Opening net assets attributable to shareholders		574,187		337,800
Amounts receivable on issue of shares	65,959		205,352	
Amounts payable on redemption of shares	(49,989)		(12,225)	
		15,970		193,127
Change in net assets attributable to shareholders from investment activities		(80,994)		37,197
Retained distributions on Accumulation shares		7,758		6,063
Closing net assets attributable to shareholders		516,921		574,187

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 October 2022

	Notes	31.10.22 £'000	31.10.21 £'000
ASSETS			
Fixed assets			
Investments		465,721	519,033
Current assets			
Debtors	9	2,697	5,624
Cash and cash equivalents	10	54,112	52,677
Total assets		<u>522,530</u>	<u>577,334</u>
LIABILITIES			
Investment liabilities		(995)	(82)
Creditors			
Distribution payable	11	(2,105)	(1,832)
Other creditors	11	(2,509)	(1,233)
Total liabilities		<u>(5,609)</u>	<u>(3,147)</u>
Net assets attributable to shareholders		<u>516,921</u>	<u>574,187</u>

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2022

1. Accounting Policies

The accounting policies described on pages 24 to 27 have been applied to the financial statements of the Fund in the current and prior year.

2. Distribution Policies

The distribution policies described on page 27 have been applied to the financial statements of the Fund in the current and prior year.

3. Net Capital (Losses)/Gains

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

	31.10.22 £'000	31.10.21 £'000
Non-derivative securities	(77,890)	29,846
Derivative contracts	(2,969)	7,458
Transaction charges	(3)	(3)
Currency losses	(119)	(90)
Broker's commission on futures	(13)	(14)
Net capital (losses)/gains	(80,994)	37,197

The net capital (losses)/gains figure includes realised losses of £100,100,000 and unrealised gains of £54,198,000 (31.10.21: includes realised gains of £8,395,000 and unrealised gains of £35,076,000). The realised losses on investments in the current year include amounts previously recognised as unrealised losses 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 2022

4. Revenue

	31.10.22 £'000	31.10.21 £'000
Non-taxable dividends	6,926	4,823
Taxable dividends	448	68
Unfranked interest	4,265	3,046
AMC rebates from underlying investments	287	426
Bank interest	10	–
Revenue from tax transparent funds	234	59
Broker interest	21	9
Total revenue	12,191	8,431

5. Expenses

	31.10.22 £'000	31.10.21 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	1,266	998
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	39	32
Safe custody and other bank charges	10	9
	49	41
Other expenses:		
Audit fees	10	11
Expenses from tax transparent funds	5	1
	15	12
Total expenses	1,330	1,051

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 2022

6. Interest Payable and Similar Charges

	31.10.22 £'000	31.10.21 £'000
Interest payable	6	4
Futures interest payable	–	4
Total interest payable and similar charges	6	8

7. Taxation

	31.10.22 £'000	31.10.21 £'000
a) Analysis of charge for the year		
Corporation tax	740	498
Tax incurred on tax transparent funds	22	5
Current tax charge	762	503
Deferred tax – origination and reversal of timing differences (note 7c)	–	–
Total taxation (note 7b)	762	503

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%) (31.10.21: 20%). The difference is explained below:

	31.10.22 £'000	31.10.21 £'000
Net revenue before taxation	10,855	7,372
Corporation tax at 20%	2,171	1,474
Effects of:		
Non-taxable dividends	(1,431)	(976)
Tax incurred on tax transparent funds	22	5
Total tax charge (note 7a)	762	503

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 2022

8. Distributions

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

	31.10.22 £'000	31.10.21 £'000
Final	9,861	7,894
	9,861	7,894
Add: Revenue deducted on redemption of shares	446	72
Deduct: Revenue received on issue of shares	(214)	(1,097)
Net distribution for the year	10,093	6,869

Details of the distributions per share are set out in the table on pages 284 and 285.

9. Debtors

	31.10.22 £'000	31.10.21 £'000
Amounts receivable for issue of shares	172	2,872
Sales awaiting settlement	2,082	2,198
Accrued revenue:		
Non-taxable dividends	179	480
Taxable dividends	1	–
Revenue from tax transparent funds	259	74
	439	554
Taxation recoverable:		
Income tax	4	–
Total debtors	2,697	5,624

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3
FINANCIAL STATEMENTS *continued*
NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31 October 2022

10. Cash and Cash Equivalents

	31.10.22 £'000	31.10.21 £'000
Bank balances	51,323	51,723
Margin account	2,789	954
Total cash and cash equivalents	54,112	52,677

11. Creditors

	31.10.22 £'000	31.10.21 £'000
Distribution payable	2,105	1,832
Other Creditors		
Amounts payable for redemption of shares	771	237
Purchases awaiting settlement	1,009	562
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	97	98
AMC rebates from underlying investments	163	27
	260	125
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	3	3
Transaction charges	1	1
Safe custody and other bank charges	3	2
	7	6
Taxation payable:		
Corporation tax	421	286
Tax incurred on tax transparent funds	25	6
	446	292
Other expenses	10	9

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

for the year ended 31 October 2022

	31.10.22 £'000	31.10.21 £'000
Expenses from tax transparent funds	6	2
Total other creditors	2,509	1,233

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 270 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 315,644 (31.10.21: 319,130) 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 58,800,125 (31.10.21: 62,288,942) 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 40.71% (31.10.21: 36.75%)

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:

	31.10.22 £'000	31.10.21 £'000
Portfolio Manager in common	58,043	69,201

13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.21: none).

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

14. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	0.48%	0.48%	0.00%
Opening shares in issue	253,653	5,648,923	62,289,192
Issues	4,267	751,041	5,364,649
Redemptions	(40,729)	(631,480)	(8,853,466)
Conversions	–	(183,302)	–
Closing shares in issue	217,191	5,585,182	58,800,375

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.23%	0.23%	0.48%
Opening shares in issue	16,287,851	250,036,221	29,179,891
Issues	3,374,940	29,391,564	4,074,038
Redemptions	(1,930,927)	(19,452,192)	(3,218,009)
Conversions	–	235,821	–
Closing shares in issue	17,731,864	260,211,414	30,035,920

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 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

(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:

31.10.22 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	(987)	–
31.10.21 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	364	–

(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 PASSIVE FUND 3**FINANCIAL STATEMENTS** *continued***NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 October 2022

(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:

	31.10.22 £'000	31.10.21 £'000
Currency:		
Euro currency	886	101,522
Japanese yen	(431)	189
South African rand	431	1,136
US dollar	14,674	3,847
Total foreign currency exposure	15,560	106,694
Pounds sterling	501,361	467,493
Total net assets	516,921	574,187

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 £778,000 on the net assets of the Fund (31.10.21: £5,335,000).

(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 31.10.22, leverage under the gross method was 0.90:1 and leverage under the commitment method was 1:1 (31.10.21: 0.90:1 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 PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

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 81.85% of the portfolio can be liquidated within 5 days and 82.48% within 21 working days (31.10.21: 86.80% within 5 days and 87.00% within 21 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 £23,236,000 (31.10.21: £25,948,000). 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 2022

16. Portfolio Transaction Costs

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
31.10.22				
Ordinary shares	723	–	4	727
Collective investment schemes	130,443	5	4	130,452
Purchases total	131,166	5	8	131,179
<i>Transaction cost % of purchases total</i>		–	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	1,753	(1)	–	1,752
Collective investment schemes	113,762	(9)	–	113,753
Sales total	115,515	(10)	–	115,505
<i>Transaction cost % of sales total</i>		0.01%	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.22 is 0.05% (31.10.21: 0.25%).

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
31.10.21				
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>		–	–	

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

The collective investment schemes include closed end funds.

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).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.22				
Investment assets	8,075	457,646	–	465,721
Investment liabilities	(995)	–	–	(995)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.21				
Investment assets	22,482	496,548	3	519,033
Investment liabilities	(82)	–	–	(82)

18. Subsequent Events

Since the balance sheet date the price of each of the Fund's share classes has moved as follows:

Share class	Balance sheet date	22.02.23	Movement
'A' Income	138.16	146.32	5.91%
'A' Accumulation	176.86	190.50	7.71%
'C' Income	138.87	146.11	5.21%
'P' Income	116.86	123.57	5.74%
'P' Accumulation	137.60	148.30	7.78%
'R' Accumulation	157.57	169.73	7.72%

The increase in the prices is primarily due to favourable market conditions. These accounts were approved on 28 February 2023.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE

for the year ended 31 October 2022 – 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	01.11.21
To	31.10.22

'A' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	2.3220	–	2.3220	1.8570
Group 2	2.0019	0.3201	2.3220	1.8570

'A' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	2.9734	–	2.9734	2.3487
Group 2	2.0174	0.9560	2.9734	2.3487

'C' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	2.9018	–	2.9018	2.4539
Group 2	2.8427	0.0591	2.9018	2.4539

'P' INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	2.2179	–	2.2179	1.8320
Group 2	1.5603	0.6576	2.2179	1.8320

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 3

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE *continued*

‘P’ ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	2.6116	–	2.6116	2.1274
Group 2	1.8823	0.7293	2.6116	2.1274

‘R’ ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	2.6495	–	2.6495	2.0930
Group 2	2.1330	0.5165	2.6495	2.0930

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4 ACD'S REPORT

for the year ended 31 October 2022

Important Information

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

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

28 February 2023

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2022

Between 01 November 2021 to 31 October 2022 (the period in review) share classes R (Acc) -11.41%, P (Acc) -11.23% and A (Acc) -11.43% produced returns behind the -10.62% sector average for IA Mixed Investment 40-85% shares sector.

Market Overview

It was an extremely challenging period in review as high inflation, aggressive monetary policy and slowing economic growth proved challenging for all asset classes.

In January, most Central Banks had either started raising interest rates or were about to, as higher inflation had been persistent since the pandemic, in part because of China's zero COVID policy. So, 2022 was always going to be a challenging year for government bonds, as they are particularly sensitive to interest rate changes.

Things took a rapid turn for the worse towards the end of February, with Russia's invasion of Ukraine. This had a profound effect on the supplies of several important goods like grain, for example. It also became clear that gas supplies to Europe were going to reduce significantly, in turn driving up the price of a vital source of energy for most of Europe.

So, a major inflationary shock was added to an already inflationary environment. This was terrible news for government bond markets, that are usually seen as 'safe haven' assets in times of market stress.

At the same time, doubts around continuing economic growth led to a broad-based sell off in most equity markets, except South Africa and India.

In the UK, the disastrous 'mini budget' in September caused a sharp sell-off in domestic assets, particularly government and corporate bonds, to the extent that the Bank of England had to intervene to restore stability to markets.

Activity

Several adjustments were made to the Fund following the annual review of the strategic asset allocation in September. Below is a summary of the main changes.

- UK equity reduced to fund increases to US, China, India and Africa
- UK and European property added to effectively replace alternatives
- Alternatives removed as the portfolio managers believe property has similar diversifying characteristics but with lower costs

Tactical Positioning

At the end of the period in review the portfolio manager had a small overweight to equities via a 50/50 US/China blend and alternatives. The overweight positions are funded through a fixed income underweight.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

Outlook

The core theme for investors is central banks' attitudes towards the task of bringing down the rate of inflation, attempting to navigate a slowdown in economic growth whilst avoiding a harsh recession. Markets have started to price in a milder drawback in economic activity but continue to keenly watch incoming inflation data and the third quarter earnings season, which has so far been broadly positive. The ongoing economic side effects of the war in Ukraine, and the supply chains scars caused by COVID-19, provide additional complexity and uncertainty in the calibration of monetary policy.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

5 December 2022

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 lowest number on the scale does not mean that a fund is risk free.

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

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

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

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.

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	137.44	120.51	123.81
Return before operating charges*	(13.54)	19.80	(0.55)
Operating charges	(0.73)	(0.74)	(0.70)
Return after operating charges	(14.27)	19.06	(1.25)
Distributions	(2.63)	(2.13)	(2.05)
Closing net asset value per share	120.54	137.44	120.51
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(10.38)%	15.82%	(1.01)%
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OTHER INFORMATION

Closing net asset value (£'000)	–	–	–
Closing number of shares	250	250	250
Operating charges	0.55%	0.55%	0.57%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	141.51	142.28	129.78
Lowest share price	120.53	121.30	104.16

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	150.88	130.62	132.23
Return before operating charges*	(15.33)	21.07	(0.88)
Operating charges	(0.80)	(0.81)	(0.73)
Return after operating charges	(16.13)	20.26	(1.61)
Distributions	(2.47)	(1.86)	(1.75)
Retained distributions on accumulation shares	2.47	1.86	1.75
Closing net asset value per share	134.75	150.88	130.62
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(10.69)%	15.51%	(1.22)%
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OTHER INFORMATION

Closing net asset value (£'000)	178	134	175
Closing number of shares	132,221	88,702	133,758
Operating charges	0.55%	0.55%	0.57%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	155.04	153.61	138.59
Lowest share price	131.90	131.34	111.20

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	116.94	102.50	105.20
Return before operating charges*	(12.11)	16.42	(0.78)
Operating charges	(0.07)	(0.08)	(0.09)
Return after operating charges	(12.18)	16.34	(0.87)
Distributions	(2.35)	(1.90)	(1.83)
Closing net asset value per share	102.41	116.94	102.50
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(10.42)%	15.94%	(0.83)%
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OTHER INFORMATION

Closing net asset value (£'000)	10,744	10,119	2,354
Closing number of shares	10,491,530	8,653,710	2,296,850
Operating charges	0.06%	0.07%	0.09%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	120.01	120.72	110.14
Lowest share price	102.52	102.86	88.40

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	137.78	120.76	123.94
Return before operating charges*	(14.08)	19.42	(0.84)
Operating charges	(0.39)	(0.41)	(0.39)
Return after operating charges	(14.47)	19.01	(1.23)
Distributions	(2.52)	(1.99)	(1.95)
Closing net asset value per share	120.79	137.78	120.76
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(10.50)%	15.74%	(0.99)%
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OTHER INFORMATION

Closing net asset value (£'000)	6,330	6,976	2,281
Closing number of shares	5,240,248	5,063,072	1,888,575
Operating charges	0.29%	0.30%	0.32%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	141.63	142.27	129.96
Lowest share price	120.69	121.43	104.31

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	154.95	133.89	135.26
Return before operating charges*	(15.88)	21.51	(0.94)
Operating charges	(0.43)	(0.45)	(0.43)
Return after operating charges	(16.31)	21.06	(1.37)
Distributions	(2.84)	(2.21)	(2.11)
Retained distributions on accumulation shares	2.84	2.21	2.11
Closing net asset value per share	138.64	154.95	133.89
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(10.53)%	15.73%	(1.01)%
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OTHER INFORMATION

Closing net asset value (£'000)	156,680	156,318	71,962
Closing number of shares	113,010,022	100,880,214	53,746,630
Operating charges	0.29%	0.30%	0.32%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	159.21	157.67	141.79
Lowest share price	135.70	134.58	113.80

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	153.02	132.48	134.10
Return before operating charges*	(15.57)	21.35	(0.87)
Operating charges	(0.80)	(0.81)	(0.75)
Return after operating charges	(16.37)	20.54	(1.62)
Distributions	(2.50)	(1.88)	(1.83)
Retained distributions on accumulation shares	2.50	1.88	1.83
Closing net asset value per share	136.65	153.02	132.48
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(10.70)%	15.50%	(1.21)%
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OTHER INFORMATION

Closing net asset value (£'000)	17,387	17,510	11,736
Closing number of shares	12,723,859	11,442,950	8,858,767
Operating charges	0.54%	0.55%	0.57%
Direct transaction costs	0.01%	0.01%	0.01%

PRICES

Highest share price	157.21	155.77	140.53
Lowest share price	133.76	133.18	112.75

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 31 October 2022 (%)

	1 year	3 years	5 years
LF Prudential Risk Managed Passive Fund 4	(11.23)	1.63	9.08
IA Mixed Investment 40–85% shares sector ¹	(10.62)	6.45	13.30

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 316 and 317.

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 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
	EQUITY PORTFOLIOS – 53.74% (31.10.21 – 52.55%)		
	CONTINENTAL EUROPE – 8.22% (31.10.21 – 7.57%)		
4,687,651	Legal & General European Index	14,166	7.40
2,095,243	M&G (LUX) Pan European Sustain Paris Aligned ¹	1,561	0.82
	TOTAL CONTINENTAL EUROPE	15,727	8.22
	UNITED KINGDOM – 19.67% (31.10.21 – 20.25%)		
18,769,996	iShares UK Equity Index	36,434	19.04
792,317	Legal & General UK Index	1,211	0.63
	TOTAL UNITED KINGDOM	37,645	19.67
	ASIA EX JAPAN – 9.44% (31.10.21 – 9.35%)		
8,708,727	iShares Pacific ex Japan Equity Index	18,064	9.44
	TOTAL ASIA EX JAPAN	18,064	9.44
	JAPAN – 4.09% (31.10.21 – 3.86%)		
3,290,357	iShares Japan Equity Index	7,425	3.88
400,702	M&G (ACS) Japan Smaller Companies ¹	404	0.21
	TOTAL JAPAN	7,829	4.09
	NORTH AMERICA – 6.89% (31.10.21 – 7.12%)		
2,522,352	iShares US Equity Index	11,256	5.88
1,833,600	M&G (ACS) BlackRock US Equity ¹	1,936	1.01
	TOTAL NORTH AMERICA	13,192	6.89
	EMERGING MARKETS – 5.43% (31.10.21 – 4.40%)		
4,105,589	iShares Emerging Markets Equity Index	6,441	3.37
271,758	iShares MSCI India	1,714	0.90
1,815,510	M&G (ACS) China ¹	1,104	0.58
1,931,526	M&G (ACS) China Equity ¹	1,099	0.58
	TOTAL EMERGING MARKETS	10,358	5.43
	TOTAL EQUITY PORTFOLIOS	102,815	53.74

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
	EQUITY INVESTMENT INSTRUMENTS – 0.26% (31.10.21 – 2.27%)		
5,918	Boussard & Gavaudan ²	112	0.06
208,672	DP Aircraft I ²	8	–
227,393	Ecofin US Renewables Infrastructure Trust ²	168	0.09
65,944	NB Distressed Debt Investment ²	26	0.01
298,445	Round Hill Music Royalty ²	196	0.10
	TOTAL EQUITY INVESTMENT INSTRUMENTS	510	0.26
	PROPERTY PORTFOLIOS – 0.64% (31.10.21 – 0.00%)		
18,665	iShares European Property Yield	408	0.21
183,991	iShares UK Property	824	0.43
	TOTAL PROPERTY PORTFOLIOS	1,232	0.64
	BOND PORTFOLIOS – 35.16% (31.10.21 – 35.90%)		
103,833	Eastspring Asian Bond	886	0.46
306,485	Eastspring Asian Local Bond	2,585	1.35
19,198,398	iShares Corporate Bond Index	24,989	13.06
815,699	iShares ESG Screened Euro Corporate Bond Index	7,632	3.99
1,756,603	iShares US Corporate Bond Index	16,391	8.57
5,144,602	M&G Emerging Markets Bond Fund ¹	5,260	2.75
3,732,039	M&G Global High Yield Bond ¹	4,659	2.44
5,872,427	M&G Sterling Investment Grade Corporate Bond ¹	4,854	2.54
	TOTAL BOND PORTFOLIOS	67,256	35.16
	FUTURES – (0.20)% (31.10.21 – 0.08%) ³		
20	E Mini Russell 2000 Index Futures December 2022	(22)	(0.01)
25	EURO STOXX 50 Index Futures December 2022	(4)	–
28	FTSE 100 Index Futures December 2022	(87)	(0.05)
79	FTSE China A50 Index Futures November 2022	(45)	(0.02)
96	FTSE/JSE Top 40 Futures December 2022	(121)	(0.06)
9	S&P 500 E Mini Index Futures December 2022	(36)	(0.02)
3	TOPIX Index Futures December 2022	3	–
26	US Treasury Note 10 Year Futures December 2022	(77)	(0.04)
	TOTAL FUTURES	(389)	(0.20)

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
	Portfolio of investments ⁴	171,424	89.60
	Net other assets	19,896	10.40
	Net assets	191,320	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 Counterparty: JPMorgan.

⁴ 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 2022

Total purchases for the year £'000 (note 16)	56,175	Total sales for the year £'000 (note 16)	35,975
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
M&G Sterling Investment Grade Corporate Bond	6,941	M&G Strategic Corporate Bond	6,225
iShares Corporate Bond Index	5,537	Legal & General UK Index	5,288
iShares UK Equity Index	5,484	EURO STOXX 50 Index Futures March 2022	4,154
EURO STOXX 50 Index Futures March 2022	4,350	FTSE 100 Index Futures June 2022	3,921
iShares Pacific ex Japan Equity Index	4,155	FTSE 100 Index Futures March 2022	3,911
FTSE 100 Index Futures June 2022	3,882	EURO STOXX 50 Index Futures June 2022	3,627
FTSE 100 Index Futures March 2022	3,873	FTSE 100 Index Futures September 2022	3,332
EURO STOXX 50 Index Futures June 2022	3,672	iShares USD Treasury Bond	3,286
FTSE 100 Index Futures December 2022	3,338	iShares US Equity Index	2,912
FTSE 100 Index Futures September 2022	3,233	S&P 500 E Mini Index Futures March 2022	2,757

In addition to the above, purchases totalling £3,592,487,000 and sales totalling £3,631,052,000 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 2022

	Notes	£'000	31.10.22 £'000	£'000	31.10.21 £'000
Income:					
Net capital (losses)/gains	3		(26,492)		13,804
Revenue	4	4,598		2,660	
Expenses	5	(524)		(370)	
Interest payable and similar charges	6	(2)		(2)	
Net revenue before taxation		4,072		2,288	
Taxation	7	(198)		(98)	
Net revenue after taxation			3,874		2,190
Total return before distributions			(22,618)		15,994
Distributions	8		(3,874)		(2,190)
Change in net assets attributable to shareholders from investment activities			(26,492)		13,804

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2022

	£'000	31.10.22 £'000	£'000	31.10.21 £'000
Opening net assets attributable to shareholders		191,057		88,508
Amounts receivable on issue of shares	40,369		92,071	
Amounts payable on redemption of shares	(17,141)		(5,768)	
		23,228		86,303
Change in net assets attributable to shareholders from investment activities		(26,492)		13,804
Retained distributions on Accumulation shares		3,527		2,442
Closing net assets attributable to shareholders		191,320		191,057

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 October 2022

	Notes	31.10.22 £'000	31.10.21 £'000
ASSETS			
Fixed assets			
Investments		171,816	173,501
Current assets			
Debtors	9	1,022	1,867
Cash and cash equivalents	10	19,710	30,366
Total assets		192,548	205,734
LIABILITIES			
Investment liabilities		(392)	(25)
Creditors			
Bank overdrafts		–	(14,187)
Distribution payable	11	(379)	(265)
Other creditors	11	(457)	(200)
Total liabilities		(1,228)	(14,677)
Net assets attributable to shareholders		191,320	191,057

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2022

1. Accounting Policies

The accounting policies described on pages 24 to 27 have been applied to the financial statements of the Fund in the current and prior year.

2. Distribution Policies

The distribution policies described on page 27 have been applied to the financial statements of the Fund in the current and prior year.

3. Net Capital (Losses)/Gains

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

	31.10.22 £'000	31.10.21 £'000
Non-derivative securities	(25,336)	11,134
Derivative contracts	(1,126)	2,688
Transaction charges	(3)	(3)
Currency losses	(22)	(11)
Broker's commission on futures	(5)	(4)
Net capital (losses)/gains	(26,492)	13,804

The net capital (losses)/gains figure includes realised losses of £26,487,000 and unrealised gains of £10,911,000 (31.10.21: includes realised gains of £2,872,000 and unrealised gains of £10,908,000). The realised losses on investments in the current year include amounts previously recognised as unrealised losses 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 2022

4. Revenue

	31.10.22 £'000	31.10.21 £'000
Non-taxable dividends	3,028	1,782
Taxable dividends	120	17
Unfranked interest	1,243	732
AMC rebates from underlying investments	79	103
Bank interest	1	–
Revenue from tax transparent funds	117	24
Broker interest	10	2
Total revenue	4,598	2,660

5. Expenses

	31.10.22 £'000	31.10.21 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	486	348
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	17	12
Safe custody and other bank charges	9	9
	26	21
Other expenses:		
Audit fees ¹	10	–
Expenses from tax transparent funds	2	1
	12	1
Total expenses	524	370

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

¹ Prior to 1 January 2022, the audit fees were borne by the ACD. The audit fees for the year ended 31 October 2021 were £7,950 plus VAT.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4
FINANCIAL STATEMENTS *continued*
NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31 October 2022

6. Interest Payable and Similar Charges

	31.10.22 £'000	31.10.21 £'000
Interest payable	2	2
Total interest payable and similar charges	2	2

7. Taxation

	31.10.22 £'000	31.10.21 £'000
a) Analysis of charge for the year		
Corporation tax	186	96
Tax incurred on tax transparent funds	12	2
Current tax charge	198	98
Deferred tax – origination and reversal of timing differences (note 7c)	–	–
Total taxation (note 7b)	198	98

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%) (31.10.21: 20%). The difference is explained below:

	31.10.22 £'000	31.10.21 £'000
Net revenue before taxation	4,072	2,288
Corporation tax at 20%	814	458
Effects of:		
Non-taxable dividends	(628)	(362)
Tax incurred on tax transparent funds	12	2
Total tax charge (note 7a)	198	98

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 2022

8. Distributions

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

	31.10.22 £'000	31.10.21 £'000
Final	3,906	2,707
	3,906	2,707
Add: Revenue deducted on redemption of shares	146	38
Deduct: Revenue received on issue of shares	(178)	(555)
Net distribution for the year	3,874	2,190

Details of the distributions per share are set out in the table on pages 316 and 317.

9. Debtors

	31.10.22 £'000	31.10.21 £'000
Amounts receivable for issue of shares	361	990
Sales awaiting settlement	501	717
Accrued revenue:		
Non-taxable dividends	40	127
Revenue from tax transparent funds	118	33
	158	160
Taxation recoverable:		
Income tax	2	–
Total debtors	1,022	1,867

10. Cash and Cash Equivalents

	31.10.22 £'000	31.10.21 £'000
Bank balances	18,524	30,029
Margin account	1,186	337
Total cash and cash equivalents	19,710	30,366

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4
FINANCIAL STATEMENTS *continued*
NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31 October 2022

	31.10.22 £'000	31.10.21 £'000
Bank overdrafts	–	14,187
Total bank overdrafts	–	14,187

11. Creditors

	31.10.22 £'000	31.10.21 £'000
Distribution payable	379	265
Other Creditors		
Amounts payable for redemption of shares	237	55
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	39	36
AMC rebates from underlying investments	40	5
	79	41
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	1	1
Transaction charges	1	1
Safe custody and other bank charges	3	2
	5	4
Taxation payable:		
Corporation tax	113	96
Tax incurred on tax transparent funds	11	3
	124	99
Other expenses	10	–
Expenses from tax transparent funds	2	1
Total other creditors	457	200

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

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 302 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 389,767 (31.10.21: 371,157) 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 10,491,280 (31.10.21: 8,653,460) 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 39.00% (31.10.21: 37.14%)

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:

	31.10.22 £'000	31.10.21 £'000
Portfolio Manager in common	20,877	20,563

13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.21: none).

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4
FINANCIAL STATEMENTS *continued*
NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31 October 2022

14. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	0.48%	0.48%	0.00%
Opening shares in issue	250	88,702	8,653,710
Issues	–	68,478	2,346,303
Redemptions	–	(24,959)	(508,483)
Closing shares in issue	<u>250</u>	<u>132,221</u>	<u>10,491,530</u>

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.23%	0.23%	0.48%
Opening shares in issue	5,063,072	100,880,214	11,442,950
Issues	1,054,307	21,873,776	2,042,046
Redemptions	(877,131)	(9,743,968)	(761,137)
Closing shares in issue	<u>5,240,248</u>	<u>113,010,022</u>	<u>12,723,859</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 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

(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:

31.10.22 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	(389)	–
31.10.21 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	152	–

(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 PASSIVE FUND 4**FINANCIAL STATEMENTS** *continued***NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 October 2022

(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:

	31.10.22 £'000	31.10.21 £'000
Currency:		
Euro currency	741	24,926
Japanese yen	116	110
South African rand	462	365
US dollar	5,439	1,358
Total foreign currency exposure	6,758	26,759
Pounds sterling	184,562	164,298
Total net assets	191,320	191,057

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 £338,000 on the net assets of the Fund (31.10.21: £1,338,000).

(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 31.10.22, leverage under the gross method was 0.90:1 and leverage under the commitment method was 1:1 (31.10.21: 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.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

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 87.09% of the portfolio can be liquidated within 5 days and 87.38% within 21 working days (31.10.21: 89.36% within 5 days and 89.50% within 21 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 £8,571,000 (31.10.21: £8,674,000). 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 2022

16. Portfolio Transaction Costs

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
31.10.22				
Ordinary shares	266	–	2	268
Collective investment schemes	55,904	2	1	55,907
Purchases total	56,170	2	3	56,175
<i>Transaction cost % of purchases total</i>		–	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	768	–	–	768
Collective investment schemes	35,210	(3)	–	35,207
Sales total	35,978	(3)	–	35,975
<i>Transaction cost % of sales total</i>		0.01%	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.22 is 0.05% (31.10.21: 0.27%).

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
31.10.21				
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>		–	–	

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4
FINANCIAL STATEMENTS *continued*
NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31 October 2022

The collective investment schemes include closed end funds.

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).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.22				
Investment assets	3,459	168,357	–	171,816
Investment liabilities	(392)	–	–	(392)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.21				
Investment assets	6,882	166,619	–	173,501
Investment liabilities	(25)	–	–	(25)

18. Subsequent Events

Since the balance sheet date the price of each of the Fund's share classes has moved as follows:

Share class	Balance sheet date	22.02.23	Movement
'A' Income	122.71	130.86	6.64%
'A' Accumulation	134.24	146.22	8.92%
'C' Income	104.36	111.26	6.61%
'P' Income	122.85	131.16	6.76%
'P' Accumulation	138.12	150.54	8.99%
'R' Accumulation	136.14	148.28	8.92%

The increase in the prices is primarily due to favourable market conditions. These accounts were approved on 28 February 2023.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4**FINANCIAL STATEMENTS** *continued***DISTRIBUTION TABLE**

for the year ended 31 October 2022 – 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	01.11.21
To	31.10.22

‘A’ INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	2.6320	–	2.6320	2.1320
Group 2	2.6320	0.0000	2.6320	2.1320

‘A’ ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	2.4668	–	2.4668	1.8594
Group 2	1.3641	1.1027	2.4688	1.8594

‘C’ INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	2.3505	–	2.3505	1.8990
Group 2	1.4042	0.9463	2.3505	1.8990

‘P’ INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	2.5230	–	2.5230	1.9880
Group 2	2.1074	0.4156	2.5230	1.9880

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 4

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE *continued*

'P' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	2.8365	–	2.8365	2.2056
Group 2	2.1139	0.7226	2.8365	2.2056

'R' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	2.5026	–	2.5026	1.8844
Group 2	1.6622	0.8404	2.5026	1.8844

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5 ACD'S REPORT

for the year ended 31 October 2022

Important Information

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

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

28 February 2023

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT

for the year ended 31 October 2022

Between 01 November 2021 to 31 October 2022 (the period in review) share classes R (Acc) -10.37%, A (Acc) -10.38% and P (Acc) -10.19% produced returns marginally ahead of the -10.10% sector average for IA Flexible Investment shares sector.

Market Overview

It was an extremely challenging period in review as high inflation, aggressive monetary policy and slowing economic growth proved challenging for all asset classes.

In January, most Central Banks had either started raising interest rates or were about to, as higher inflation had been persistent since the pandemic, in part because of China's zero COVID policy. So, 2022 was always going to be a challenging year for government bonds, as they are particularly sensitive to interest rate changes.

Things took a rapid turn for the worse towards the end of February, with Russia's invasion of Ukraine. This had a profound effect on the supplies of several important goods like grain, for example. It also became clear that gas supplies to Europe were going to reduce significantly, in turn driving up the price of a vital source of energy for most of Europe.

So, a major inflationary shock was added to an already inflationary environment. This was terrible news for government bond markets, that are usually seen as 'safe haven' assets in times of market stress.

At the same time, doubts around continuing economic growth led to a broad-based sell off in most equity markets, except South Africa and India.

In the UK, the disastrous 'mini budget' in September caused a sharp sell-off in domestic assets, particularly government and corporate bonds, to the extent that the Bank of England had to intervene to restore stability to markets.

Activity

Several adjustments were made to the Fund following the annual review of the strategic asset allocation in September. Below is a summary of the main changes.

- UK equity reduced to fund increases to US, China, India and Africa
- UK and European property added to effectively replace alternatives
- Alternatives removed as the portfolio managers believe property has similar diversifying characteristics but with lower costs

Tactical Positioning

At the end of the period in review the portfolio manager had a small overweight to equities via a 50/50 US/China blend and alternatives. The overweight positions are funded through a fixed income underweight.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

ACD'S REPORT *continued*

PORTFOLIO MANAGER'S REPORT *continued*

Outlook

The core theme for investors is central banks' attitudes towards the task of bringing down the rate of inflation, attempting to navigate a slowdown in economic growth whilst avoiding a harsh recession. Markets have started to price in a milder drawback in economic activity but continue to keenly watch incoming inflation data and the third quarter earnings season, which has so far been broadly positive. The ongoing economic side effects of the war in Ukraine, and the supply chains scars caused by COVID-19, provide additional complexity and uncertainty in the calibration of monetary policy.

M&G INVESTMENT MANAGEMENT LIMITED

Portfolio Manager

5 December 2022

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 lowest number on the scale does not mean that a fund is risk free.

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.

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	145.54	123.43	128.34
Return before operating charges*	(13.12)	24.96	(2.29)
Operating charges	(0.79)	(0.78)	(0.72)
Return after operating charges	(13.91)	24.18	(3.01)
Distributions	(2.73)	(2.07)	(1.90)
Closing net asset value per share	128.90	145.54	123.43
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(9.56)%	19.59%	(2.35)%
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OTHER INFORMATION

Closing net asset value (£'000)	32	14	215
Closing number of shares	25,020	9,294	174,348
Operating charges	0.56%	0.55%	0.58%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	149.97	150.23	135.60
Lowest share price	128.92	124.11	105.06

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	160.26	134.00	137.21
Return before operating charges*	(14.36)	27.11	(2.44)
Operating charges	(0.87)	(0.85)	(0.77)
Return after operating charges	(15.23)	26.26	(3.21)
Distributions	(2.99)	(2.25)	(2.02)
Retained distributions on accumulation shares	2.99	2.25	2.02
Closing net asset value per share	145.03	160.26	134.00
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(9.50)%	19.60%	(2.34)%
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OTHER INFORMATION

Closing net asset value (£'000)	172	168	161
Closing number of shares	118,201	105,042	120,306
Operating charges	0.56%	0.55%	0.58%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	165.08	163.06	145.07
Lowest share price	142.03	134.81	112.34

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	119.88	101.67	105.73
Return before operating charges*	(11.03)	20.45	(1.99)
Operating charges	(0.09)	(0.08)	(0.10)
Return after operating charges	(11.12)	20.37	(2.09)
Distributions	(2.69)	(2.16)	(1.97)
Closing net asset value per share	106.07	119.88	101.67
* after direct transaction costs of:	0.01	0.01	–

PERFORMANCE

Return after charges	(9.27)%	20.04%	(1.98)%
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OTHER INFORMATION

Closing net asset value (£'000)	7,664	9,634	3,205
Closing number of shares	7,225,543	8,036,555	3,152,183
Operating charges	0.08%	0.07%	0.10%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	123.24	123.80	111.54
Lowest share price	106.50	101.99	86.70

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	146.00	123.80	128.69
Return before operating charges*	(13.18)	25.00	(2.31)
Operating charges	(0.44)	(0.43)	(0.42)
Return after operating charges	(13.62)	24.57	(2.73)
Distributions	(3.02)	(2.37)	(2.16)
Closing net asset value per share	129.36	146.00	123.80
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(9.33)%	19.85%	(2.12)%
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OTHER INFORMATION

Closing net asset value (£'000)	2,116	2,330	1,466
Closing number of shares	1,635,782	1,595,800	1,184,345
Operating charges	0.31%	0.30%	0.33%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	150.42	150.90	136.06
Lowest share price	129.63	124.53	105.42

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	164.69	137.43	140.47
Return before operating charges*	(14.93)	27.73	(2.59)
Operating charges	(0.50)	(0.47)	(0.45)
Return after operating charges	(15.43)	27.26	(3.04)
Distributions	(3.40)	(2.63)	(2.37)
Retained distributions on accumulation shares	3.40	2.63	2.37
Closing net asset value per share	149.26	164.69	137.43
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(9.37)%	19.84%	(2.16)%
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OTHER INFORMATION

Closing net asset value (£'000)	83,216	94,443	52,886
Closing number of shares	55,750,681	57,347,326	38,481,321
Operating charges	0.31%	0.30%	0.33%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	169.57	167.41	148.45
Lowest share price	146.17	138.17	115.10

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	31.10.22 pence per share	31.10.21 pence per share	31.10.20 pence per share
Opening net asset value per share	162.49	135.89	139.15
Return before operating charges*	(14.61)	27.46	(2.47)
Operating charges	(0.89)	(0.86)	(0.79)
Return after operating charges	(15.50)	26.60	(3.26)
Distributions	(3.04)	(2.28)	(2.07)
Retained distributions on accumulation shares	3.04	2.28	2.07
Closing net asset value per share	146.99	162.49	135.89
* after direct transaction costs of:	0.01	0.01	0.01

PERFORMANCE

Return after charges	(9.54)%	19.57%	(2.34)%
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OTHER INFORMATION

Closing net asset value (£'000)	8,909	10,896	6,590
Closing number of shares	6,061,115	6,705,488	4,849,805
Operating charges	0.56%	0.55%	0.58%
Direct transaction costs	0.01%	0.01%	–

PRICES

Highest share price	167.30	165.25	147.01
Lowest share price	143.95	136.61	113.93

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 31 October 2022 (%)

	1 year	3 years	5 years
LF Prudential Risk Managed Passive Fund 5	(10.19)	5.15	13.34
IA Flexible Investment shares sector ¹	(10.10)	9.58	15.26

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 348 and 349.

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 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
	EQUITY PORTFOLIOS – 65.49% (31.10.21 – 63.53%)		
	CONTINENTAL EUROPE – 9.90% (31.10.21 – 9.06%)		
3,008,802	Legal & General European Index	9,093	8.90
1,368,607	M&G (LUX) Pan European Sustain Paris Aligned ¹	1,020	1.00
	TOTAL CONTINENTAL EUROPE	10,113	9.90
	UNITED KINGDOM – 23.91% (31.10.21 – 24.53%)		
12,403,505	iShares UK Equity Index	24,076	23.58
220,315	Legal & General UK Index	337	0.33
	TOTAL UNITED KINGDOM	24,413	23.91
	ASIA EX JAPAN – 11.62% (31.10.21 – 11.26%)		
5,718,734	iShares Pacific ex Japan Equity Index	11,862	11.62
	TOTAL ASIA EX JAPAN	11,862	11.62
	JAPAN – 4.96% (31.10.21 – 4.80%)		
2,131,996	iShares Japan Equity Index	4,811	4.71
252,355	M&G (ACS) Japan Smaller Companies ¹	255	0.25
	TOTAL JAPAN	5,066	4.96
	NORTH AMERICA – 8.44% (31.10.21 – 8.48%)		
1,647,581	iShares US Equity Index	7,352	7.20
1,197,281	M&G (ACS) BlackRock US Equity ¹	1,264	1.24
	TOTAL NORTH AMERICA	8,616	8.44
	EMERGING MARKETS – 6.66% (31.10.21 – 5.40%)		
2,709,407	iShares Emerging Markets Equity Index	4,251	4.16
178,106	iShares MSCI India	1,123	1.10
1,175,122	M&G (ACS) China ¹	714	0.70
1,250,198	M&G (ACS) China Equity ¹	712	0.70
	TOTAL EMERGING MARKETS	6,800	6.66
	TOTAL EQUITY PORTFOLIOS	66,870	65.49

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
	EQUITY INVESTMENT INSTRUMENTS – 0.30% (31.10.21 – 2.48%)		
3,373	Boussard & Gavaudan ²	64	0.06
160,298	DP Aircraft I ²	6	0.01
141,089	Ecofin US Renewables Infrastructure Trust ²	104	0.10
57,081	NB Distressed Debt Investment ²	22	0.02
169,920	Round Hill Music Royalty ²	111	0.11
	TOTAL EQUITY INVESTMENT INSTRUMENTS	307	0.30
	PROPERTY PORTFOLIOS – 0.69% (31.10.21 – 0.00%)		
10,488	iShares European Property Yield	229	0.22
107,349	iShares UK Property	481	0.47
	TOTAL PROPERTY PORTFOLIOS	710	0.69
	BOND PORTFOLIOS – 23.79% (31.10.21 – 24.78%)		
38,378	Eastspring Asian Bond	328	0.32
113,011	Eastspring Asian Local Bond	953	0.93
7,093,705	iShares Corporate Bond Index	9,233	9.04
238,432	iShares ESG Screened Euro Corporate Bond Index	2,231	2.19
622,923	iShares US Corporate Bond Index	5,813	5.69
2,347,242	M&G Emerging Markets Bond ¹	2,400	2.35
1,759,325	M&G Global High Yield Bond ¹	2,196	2.15
1,377,226	M&G Sterling Investment Grade Corporate Bond ¹	1,138	1.12
	TOTAL BOND PORTFOLIOS	24,292	23.79
	FUTURES – (0.22)% (31.10.21 – 0.12%) ³		
13	E Mini Russell 2000 Index Futures December 2022	(20)	(0.02)
16	EURO STOXX 50 Index Futures December 2022	(3)	–
18	FTSE 100 Index Futures December 2022	(56)	(0.06)
42	FTSE China A50 Index Futures November 2022	(24)	(0.02)
63	FTSE/JSE Top 40 Futures December 2022	(79)	(0.08)
5	S&P 500 E Mini Index Futures December 2022	(21)	(0.02)
2	TOPIX Index Futures December 2022	2	–
10	US Treasury Note 10 Year Futures December 2022	(24)	(0.02)
	TOTAL FUTURES	(225)	(0.22)

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 31 October 2022

Holding	Portfolio of Investments	Value £'000	31.10.22 %
	Portfolio of investments ⁴	91,954	90.05
	Net other assets	10,155	9.95
	Net assets	102,109	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 Counterparty: JPMorgan.

⁴ 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 2022

Total purchases for the year £'000 (note 16)	29,752	Total sales for the year £'000 (note 16)	33,135
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
iShares UK Equity Index	3,153	Legal & General UK Index	6,655
EURO STOXX 50 Index Futures March 2022	2,914	iShares US Equity Index	3,203
iShares Pacific ex Japan Equity Index	2,808	EURO STOXX 50 Index Futures March 2022	2,760
M&G Sterling Investment Grade Corporate Bond	2,783	EURO STOXX 50 Index Futures June 2022	2,687
EURO STOXX 50 Index Futures June 2022	2,721	iShares Pacific ex Japan Equity Index	2,677
FTSE 100 Index Futures June 2022	2,537	FTSE 100 Index Futures June 2022	2,536
FTSE 100 Index Futures December 2022	2,448	M&G Strategic Corporate Bond	2,493
iShares Euro Investment Grade Corporate Bond	2,421	FTSE 100 IDX Futures September 2022	2,443
FTSE 100 IDX Futures September 2022	2,370	iShares Euro Investment Grade Corporate Bond	2,358
FTSE 100 IDX Futures March 2022	2,287	FTSE 100 IDX Futures March 2022	2,317

In addition to the above, purchases totalling £2,027,439,000 and sales totalling £2,042,154,000 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 2022

	Notes	£'000	31.10.22 £'000	£'000	31.10.21 £'000
Income:					
Net capital (losses)/gains	3		(14,001)		12,285
Revenue	4	2,799		1,895	
Expenses	5	(306)		(239)	
Interest payable and similar charges	6	(1)		(1)	
Net revenue before taxation		2,492		1,655	
Taxation	7	(80)		(39)	
Net revenue after taxation			2,412		1,616
Total return before distributions			(11,589)		13,901
Distributions	8		(2,412)		(1,616)
Change in net assets attributable to shareholders from investment activities			(14,001)		12,285

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 October 2022

	£'000	31.10.22 £'000	£'000	31.10.21 £'000
Opening net assets attributable to shareholders		117,485		64,523
Amounts receivable on issue of shares	21,501		45,491	
Amounts payable on redemption of shares	(24,962)		(6,476)	
		(3,461)		39,015
Change in net assets attributable to shareholders from investment activities		(14,001)		12,285
Retained distributions on Accumulation shares		2,086		1,662
Closing net assets attributable to shareholders		102,109		117,485

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

BALANCE SHEET

as at 31 October 2022

	Notes	31.10.22 £'000	31.10.21 £'000
ASSETS			
Fixed assets			
Investments		92,181	106,824
Current assets			
Debtors	9	353	2,075
Cash and cash equivalents	10	10,192	8,878
Total assets		102,726	117,777
LIABILITIES			
Investment liabilities		(227)	(14)
Creditors			
Distribution payable	11	(245)	(211)
Other creditors	11	(145)	(67)
Total liabilities		(617)	(292)
Net assets attributable to shareholders		102,109	117,485

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2022

1. Accounting Policies

The accounting policies described on pages 24 to 27 have been applied to the financial statements of the Fund in the current and prior year.

2. Distribution Policies

The distribution policies described on page 27 have been applied to the financial statements of the Fund in the current and prior year.

3. Net Capital (Losses)/Gains

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

	31.10.22 £'000	31.10.21 £'000
Non-derivative securities	(13,242)	10,235
Derivative contracts	(745)	2,079
Transaction charges	(2)	(3)
Currency losses	(8)	(23)
Broker's commission on futures	(4)	(3)
Net capital (losses)/gains	(14,001)	12,285

The net capital (losses)/gains figure includes realised losses of £8,171,000 and unrealised gains of £3,439,000 (31.10.21: includes realised gains of £2,311,000 and unrealised gains of £9,263,000). The realised losses on investments in the current year include amounts previously recognised as unrealised losses 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 2022

4. Revenue

	31.10.22 £'000	31.10.21 £'000
Non-taxable dividends	2,053	1,449
Taxable dividends	52	7
Unfranked interest	569	367
AMC rebates from underlying investments	37	51
Bank interest	1	–
Revenue from tax transparent funds	81	19
Broker interest	6	2
Total revenue	2,799	1,895

5. Expenses

	31.10.22 £'000	31.10.21 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	275	221
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	10	8
Safe custody and other bank charges	9	9
	19	17
Other expenses:		
Audit fees ¹	10	–
Expenses from tax transparent funds	2	1
	12	1
Total expenses	306	239

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

¹ Prior to 1 January 2022, the audit fees were borne by the ACD. The audit fees for the year ended 31 October 2021 were £7,950 plus VAT.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

6. Interest Payable and Similar Charges

	31.10.22 £'000	31.10.21 £'000
Interest payable	1	1
Total interest payable and similar charges	1	1

7. Taxation

	31.10.22 £'000	31.10.21 £'000
a) Analysis of charge for the year		
Corporation tax	72	37
Tax incurred on tax transparent funds	8	2
Current tax charge	80	39
Deferred tax – origination and reversal of timing differences (note 7c)	–	–
Total taxation (note 7b)	80	39

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%) (31.10.21: 20%). The difference is explained below:

	31.10.22 £'000	31.10.21 £'000
Net revenue before taxation	2,492	1,655
Corporation tax at 20%	498	331
Effects of:		
Non-taxable dividends	(426)	(294)
Tax incurred on tax transparent funds	8	2
Total tax charge (note 7a)	80	39

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 2022

8. Distributions

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

	31.10.22 £'000	31.10.21 £'000
Final	2,330	1,873
	2,330	1,873
Add: Revenue deducted on redemption of shares	220	45
Deduct: Revenue received on issue of shares	(138)	(302)
Net distribution for the year	2,412	1,616

Details of the distributions per share are set out in the table on pages 348 and 349.

9. Debtors

	31.10.22 £'000	31.10.21 £'000
Amounts receivable for issue of shares	54	1,371
Sales awaiting settlement	207	537
Accrued revenue:		
Non-taxable dividends	14	141
Revenue from tax transparent funds	77	26
	91	167
Taxation recoverable:		
Income tax	1	–
Total debtors	353	2,075

10. Cash and Cash Equivalents

	31.10.22 £'000	31.10.21 £'000
Bank balances	9,468	8,622
Margin account	724	256
Total cash and cash equivalents	10,192	8,878

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5
FINANCIAL STATEMENTS *continued*
NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31 October 2022

11. Creditors

	31.10.22 £'000	31.10.21 £'000
Distribution payable	245	211
Other Creditors		
Amounts payable for redemption of shares	40	1
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	20	22
AMC rebates from underlying investments	16	1
	36	23
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	1	1
Transaction charges	1	1
Safe custody and other bank charges	3	1
	5	3
Taxation payable:		
Corporation tax	45	37
Tax incurred on tax transparent funds	8	2
	53	39
Other expenses	10	-
Expenses from tax transparent funds	1	1
Total other creditors	145	67

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

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions or its associates) held 79,948 (31.10.21: 74,237) 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 7,225,293 (31.10.21: 8,036,305) 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 41.33% (31.10.21: 40.45%)

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:

	31.10.22 £'000	31.10.21 £'000
Portfolio Manager in common	9,699	10,612

13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.10.21: none).

14. Shares in Issue

	'A' Income	'A' Accumulation	'C' Income
Annual Management Charge	0.48%	0.48%	0.00%
Opening shares in issue	9,294	105,042	8,036,555
Issues	15,726	67,200	632,032
Redemptions	–	(54,041)	(1,443,044)
Closing shares in issue	25,020	118,201	7,225,543

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

	'P' Income	'P' Accumulation	'R' Accumulation
Annual Management Charge	0.23%	0.23%	0.48%
Opening shares in issue	1,595,800	57,347,326	6,705,488
Issues	451,842	11,663,235	797,381
Redemptions	(411,860)	(13,259,880)	(1,441,754)
Closing shares in issue	<u>1,635,782</u>	<u>55,750,681</u>	<u>6,061,115</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 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

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:

31.10.22 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	(225)	–

31.10.21 Counterparty	Futures £'000	Net cash collateral pledged £'000
JPMorgan	128	–

(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.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

The table below shows the direct foreign currency risk profile:

	31.10.22 £'000	31.10.21 £'000
Currency:		
Euro currency	465	10,439
Japanese yen	95	51
South African rand	328	186
US dollar	2,852	918
	<u>3,740</u>	<u>11,594</u>
Pounds sterling	98,369	105,891
Net assets	<u>102,109</u>	<u>117,485</u>

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 £187,000 on the net assets of the Fund (31.10.21: £580,000).

(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 31.10.22, leverage under the gross method was 0.90:1 and leverage under the commitment method was 1:1 (31.10.21: 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 PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

Based on this analysis 91.95% of the portfolio can be liquidated within 5 days and 92.03% within 21 working days (31.10.21: 91.82% within 5 days and 92.04% within 21 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 £4,598,000 (31.10.21: £5,341,000). 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 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

16. Portfolio Transaction Costs

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
31.10.22				
Ordinary shares	177	–	1	178
Collective investment schemes	29,572	1	1	29,574
Purchases total	29,749	1	2	29,752
<i>Transaction cost % of purchases total</i>		–	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	
Ordinary shares	550	–	–	550
Collective investment schemes	32,587	(2)	–	32,585
Sales total	33,137	(2)	–	33,135
<i>Transaction cost % of sales total</i>		0.01%	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 31.10.22 is 0.04% (31.10.21: 0.27%).

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
31.10.21				
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>		–	–	

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 October 2022

The collective investment schemes include closed end funds.

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).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.22				
Investment assets	2,142	90,039	–	92,181
Investment liabilities	(227)	–	–	(227)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.10.21				
Investment assets	4,035	102,789	–	106,824
Investment liabilities	(14)	–	–	(14)

18. Subsequent Events

Since the balance sheet date the price of each of the Fund's share classes has moved as follows:

Share class	Balance sheet date	22.02.23	Movement
'A' Income	130.99	141.22	7.81%
'A' Accumulation	144.32	158.88	10.09%
'C' Income	108.23	116.34	7.49%
'P' Income	131.73	141.80	7.64%
'P' Accumulation	148.53	163.62	10.16%
'R' Accumulation	146.27	161.03	10.09%

The increase in the prices is primarily due to favourable market conditions. These accounts were approved on 28 February 2023.

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5**FINANCIAL STATEMENTS** *continued***DISTRIBUTION TABLE**

for the year ended 31 October 2022 – 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	01.11.21
To	31.10.22

‘A’ INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	2.7335	–	2.7335	2.0673
Group 2	2.6018	0.1317	2.7335	2.0673

‘A’ ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	2.9913	–	2.9913	2.2549
Group 2	1.8676	1.1237	2.9913	2.2549

‘C’ INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	2.6940	–	2.6940	2.1594
Group 2	2.0882	0.6058	2.6940	2.1594

‘P’ INCOME SHARES

Final	Net Revenue	Equalisation	Payable 31.12.22	Paid 31.12.21
Group 1	3.0192	–	3.0192	2.3661
Group 2	2.1965	0.8227	3.0192	2.3661

LF PRUDENTIAL RISK MANAGED PASSIVE FUND 5

FINANCIAL STATEMENTS *continued*

DISTRIBUTION TABLE *continued*

'P' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	3.4043	–	3.4043	2.6266
Group 2	2.2907	1.1136	3.4043	2.6266

'R' ACCUMULATION SHARES

Final	Net Revenue	Equalisation	Allocation 31.12.22	Allocated 31.12.21
Group 1	3.0383	–	3.0383	2.2825
Group 2	2.0233	1.0150	3.0383	2.2825

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 relevant sub-fund on the relevant 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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