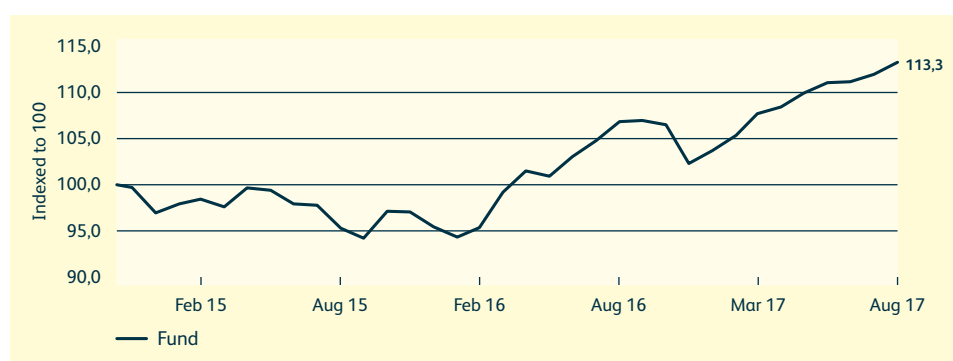


## Euro Class A-H

### Summary

- Emerging bond markets produced moderate gains in August.
- Local and hard currency sovereign bonds outperformed their counterparts among emerging market corporate bonds.
- Fund Manager Claudia Calich's small adjustments to the portfolio included selling local currency sovereigns in Turkey and adding local currency T-Bills in Egypt.

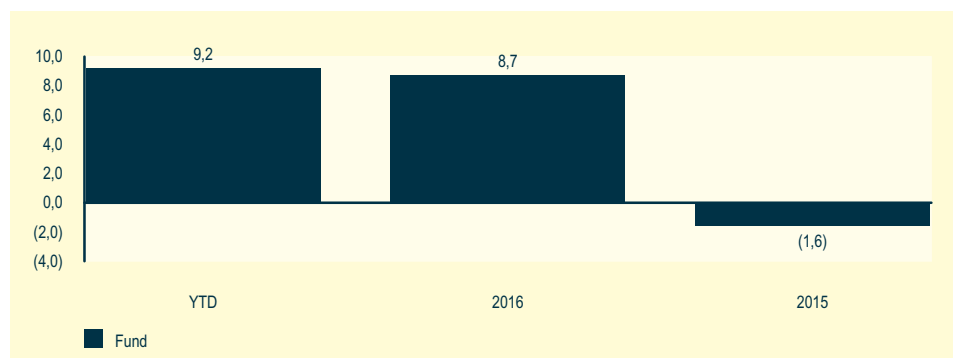
### Performance since launch



### Fund performance

	1 month (%)	3 months (%)	YTD (%)	1 year (%)	3 years (%) p.a.	5 years (%) p.a.	Since tenure (%) p.a.	Since inception (%) p.a.
Fund	+1,2	+2,0	+9,2	+6,0	N/A	N/A	+4,5	+4,5
Index	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sector	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

### Annual performance (%)



Past performance is not a guide to future performance.

The value of investments and the income from them will fluctuate. This will cause the fund price to fall as well as rise. There is no guarantee the fund objective will be achieved and you may not get back the original amount you invested.

The fund allows for the extensive use of derivatives.

### Key information

Fund manager	Claudia Calich
Fund manager tenure from	2 December 2013
Deputy fund manager	Charles De Quinsonas
Launch date	15 October 1999
Launch of share class	10 November 2014
Fund size (millions)	€537,70
Number of issuers	82
Distribution yield (Acc)	4,87 %
Distribution yield (Inc)	6,26 %
Underlying yield (Acc)	4,87 %
Underlying yield (Inc)	4,87 %
Yield to expected maturity*	5,99 %
Modified duration (years)	6,1
Spread duration (years)	4,83
Average maturity (years)	10,02
Average coupon	6,80
Average credit rating	BB
Share type	Acc & Inc
Ongoing charge	1,46 %

The distribution yield reflects the amounts that may be expected to be distributed over the next 12 months as a percentage of the share price, as at the date shown. It is based on a snapshot of the portfolio on that day. It does not include any preliminary charge and investors may be subject to tax on distributions. It is the fund's policy to offset certain charges against income for accumulation share classes and to offset certain charges against capital for income share classes. These charges include the annual management charge, administration fee and share class hedging fee (where applicable). As a result, yield figures for income and accumulation share classes may differ significantly. The underlying yield reflects the annualised income net of expenses of the fund (calculated in accordance with relevant accounting standards) as a percentage of the mid-market price of the fund as at the date shown. It is based on a snapshot of the portfolio on that day. It does not include any preliminary charge and investors may be subject to tax on distributions. For the fund's income share classes, the distribution yield is higher than the underlying yield only because a portion of the fund's expenses are charged to capital. This has the effect of increasing distribution(s) for the year and constraining the fund's capital performance to an equivalent extent.

\*The yield to expected maturity is calculated in the valuation currency of the fund and is gross of fund expenses (including hedging differences). A fund may hold callable bonds whose yields are calculated on the basis of expected maturity.

### Asset breakdown (%)

	Physical	CDS short	CDS long	Net
Government bonds - local currency	30,6	0,0	0,0	30,6
Government bonds - hard currency	40,2	0,0	0,0	40,2
Credit - local currency	3,7	0,0	0,0	3,7
Credit - hard currency	24,8	0,0	0,0	24,8
Cash	0,6	0,0	0,0	0,6

CDS short: bought protection (short credit exposure); CDS long: sold protection (long credit exposure)

The columns may not always add up when reading across as physical bond holdings and/or cash are sometimes used as collateral for CDS exposure.

## Credit rating breakdown (%)

	Physical	CDS short	CDS long	Net
AAA	2,9	0,0	0,0	2,9
AA	0,0	0,0	0,0	0,0
A	8,9	0,0	0,0	8,9
BBB	19,7	0,0	0,0	19,7
BB	24,2	0,0	0,0	24,2
B	31,8	0,0	0,0	31,8
CCC	2,8	0,0	0,0	2,8
CC	1,4	0,0	0,0	1,4
C	0,0	0,0	0,0	0,0
D	0,0	0,0	0,0	0,0
No rating	7,6	0,0	0,0	7,6
Cash	0,6	0,0	0,0	0,6

CDS short: bought protection (short credit exposure); CDS long: sold protection (long credit exposure)

The columns may not always add up when reading across as physical bond holdings and/or cash are sometimes used as collateral for CDS exposure.

Where a security has not been rated by Standard & Poor's, Fitch or Moody's, we may use M&G's internal credit rating. Based on a comparison of all available ratings for each security, the most conservative rating (S&P, Fitch, Moody's or M&G's internal rating) is taken into consideration. The ratings so identified are then expressed or converted into M&G's ratings format to obtain uniform information for all securities in the portfolio.

## Industry breakdown (%)

	Physical	CDS short	CDS long	Net
Quasi & Foreign Government	48,1	0,0	0,0	48,1
Sovereign	28,5	0,0	0,0	28,5
Energy	4,9	0,0	0,0	4,9
Banking	4,2	0,0	0,0	4,2
Services	3,6	0,0	0,0	3,6
Telecommunications	2,9	0,0	0,0	2,9
Real Estate	1,7	0,0	0,0	1,7
Consumer Cyclical	1,2	0,0	0,0	1,2
Utility	1,2	0,0	0,0	1,2
Capital Goods	0,9	0,0	0,0	0,9
Consumer Non-Cyclical	0,8	0,0	0,0	0,8
Basic Industry	0,7	0,0	0,0	0,7
Financial Services	0,6	0,0	0,0	0,6
Investment Grade indices	0,0	0,0	0,0	0,0
High Yield indices	0,0	0,0	0,0	0,0
Cash	0,6	0,0	0,0	0,6

CDS short: bought protection (short credit exposure); CDS long: sold protection (long credit exposure)

The columns may not always add up when reading across as physical bond holdings and/or cash are sometimes used as collateral for CDS exposure.

## Country breakdown (%)

	Physical	CDS short	CDS long	Net
Argentina	6,0	0,0	0,0	6,0
Brazil	5,4	0,0	0,0	5,4
Mexico	5,1	0,0	0,0	5,1
Peru	4,4	0,0	0,0	4,4
Russia	3,5	0,0	0,0	3,5
India	3,2	0,0	0,0	3,2
Egypt	3,0	0,0	0,0	3,0
Singapore	2,9	0,0	0,0	2,9
Ukraine	2,8	0,0	0,0	2,8
Israel	2,8	0,0	0,0	2,8
Other	60,2	0,0	0,0	60,2
Cash	0,6	0,0	0,0	0,6

CDS short: bought protection (short credit exposure); CDS long: sold protection (long credit exposure)

The columns may not always add up when reading across as physical bond holdings and/or cash are sometimes used as collateral for CDS exposure.

## Currency breakdown (%)

	Pre-hedge	Post-hedge
US dollar	58,7	63,6
Singapore dollar	2,9	2,9
Indian rupee	2,6	2,6
Indonesian rupiah	2,2	2,2
Euro	6,2	2,1
Egyptian pound	2,1	2,1
Peruvian nuevo sol	2,1	2,1
Polish zloty	2,1	2,1
Uruguay peso	2,0	2,0
Other	18,9	18,1

Hedged to relevant share class currency.

## Maturity breakdown (%)

	Physical
0 - 1 years	4,5
1 - 3 years	8,7
3 - 5 years	11,8
5 - 7 years	20,0
7 - 10 years	29,1
10 - 15 years	5,3
15+ years	20,0
Cash	0,6

## Duration breakdown by currency and asset class

	Physical	Futures	Swaps	Net
US dollar	3,8	0,0	0,0	3,8
Euro	0,4	0,0	0,0	0,4
British pound	0,1	0,0	0,0	0,1
Other	1,7	0,0	0,0	1,7
Total	6,1	0,0	0,0	6,1

## Largest issuers (%)

	Fund
Brazil	3,1
Peru	3,1
Egypt	3,0
Singapore	2,9
Israel	2,8
Uruguay	2,8
Mexico	2,7
Argentina	2,7
National Highways Authority of India	2,6
Dominican Republic	2,3

## Performance review

Emerging debt markets delivered positive returns in August, helped by the backdrop of decent global economic growth and some renewed strength in commodity prices, notably for copper. Among larger markets, sentiment was helped in Brazil as its economic recovery appeared to remain on track despite the recently renewed political turmoil in the country. In turn, the prospect remained that Banco Central do Brasil may loosen monetary policy amid a more benign inflation environment.

The encouraging global economic outlook generally helped fixed income markets show resilience against increased geopolitical tension caused by armaments testing activity by North Korea. As the month ended, however, the latter development remained an area of uncertainty for investors.

In the emerging markets, sovereign bonds outperformed their counterparts in the corporate credit sub-asset class. Local currency emerging market sovereign debt, as measured by the JP Morgan GBI-EM Global Diversified Index, gained 1.8% in the month, a return that was matched by hard currency-denominated sovereigns, as tracked by the JP Morgan Emerging Markets Bond (EMBI) Global Diversified Index. In the emerging market corporate bond space, the JP Morgan Corporate EMBI (CEMBI) Broad Diversified Index generated a return of 1.0%. All returns are stated in US dollar terms.

Through its globally diversified portfolio of emerging market government and corporate bonds, the fund registered a positive return in this environment.

## Key changes

Claudia made some modest adjustments to the portfolio in a relatively quiet month for transaction activity in the fund. Among corporate bonds, a holding was sold in Turk Telecom after a recent rally by the securities, while a position was added in Cable & Wireless. Claudia also sold local currency-denominated sovereign debt in Turkey, but added to local currency denominated T-Bills

in Egypt. Elsewhere, newly issued bonds were bought from the government of Gabon as she assessed they were attractively priced.

At the end of the period, the fund's total exposure to government bonds was broadly stable at around 71%, and the fund's duration stood at 6.1 years, which remained longer than a neutral level for the portfolio of around 5.3 years.

Claudia's main investment themes in 2017 have included adding to the fund's overall allocation to local currency-denominated government debt. The fund's allocation to this sub-asset class amounted to 30.6% at the end of August, which continues to represent a high weighting relative to the fund's history. In Claudia's view, the appeal of this area of the market has been enhanced from factors such as softer performance from the US dollar and the attractiveness of local yield curves.

In terms of currency positioning, the fund's allocation to the US dollar amounted to 63.6% at the end of the period, while its largest local currency exposures continued to include the Singapore dollar, Indian rupee, Indonesian rupiah, and Peruvian nuevo sol.

## Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
Euro A Inc	GB00B93RT031	MGEBEAI LN	1,25 %	1,44 %	€1.000	€75
Euro A Acc	GB00B3NMP560	MGEMEEA LN	1,25 %	1,44 %	€1.000	€75
Euro A-H Acc	GB00BPYP3J58	MGEAAHA LN	1,25 %	1,46 %	€1.000	€75
Euro A-H Inc	GB00BPYP3K63	MGEAAHI LN	1,25 %	1,46 %	€1.000	€75
Euro B Acc	GB00B8BXQV60	MGEBEBA LN	1,75 %	1,95 %	€1.000	€75
Euro B Inc	GB00BYQRBM14	MGEMEBI LN	1,75 %	1,95 %	€1.000	€75
Euro B-H Acc	GB00BYQRBN21	MGEMBHA LN	1,75 %	1,97 %	€1.000	€75
Euro B-H Inc	GB00BYQRBP45	MGEMBHI LN	1,75 %	2,00 %	€1.000	€75
Euro C Acc	GB00B7JRF614	MGEMECA LN	0,60 %	0,79 % *	€500.000	€50.000
Euro C Inc	GB00BK6MBT59	MGEBECI LN	0,60 %	0,79 % *	€500.000	€50.000
Euro C-H Inc	GB00BPYP3M87	MGEACHI LN	0,60 %	0,81 % *	€500.000	€50.000
Euro C-H Acc	GB00BPYP3L70	MGECHA LN	0,60 %	0,81 % *	€500.000	€50.000

The ongoing charge figures disclosed above include direct costs to the fund, such as the annual management charge (AMC), administration charge and custodian charge, but does not include portfolio transaction costs. They are based on expenses for the period ending 30 June 2017.

\* The ongoing charge figure shown here is an estimate. The Fund's annual report for each financial year will include details of the exact charges made.

Please note that not all of the share classes listed above might be available in your country.

## Important information

Cash may be held on deposit and/or in the Northern Trust Cash Funds, a range of collective investment schemes.

Source of performance data: Morningstar, Inc., as at 31 August 2017, Euro Class A-H shares, gross income reinvested, price to price basis. Past performance is not a guide to future performance. All other statistics from M&G internal sources, as at 31 August 2017 unless indicated otherwise.

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