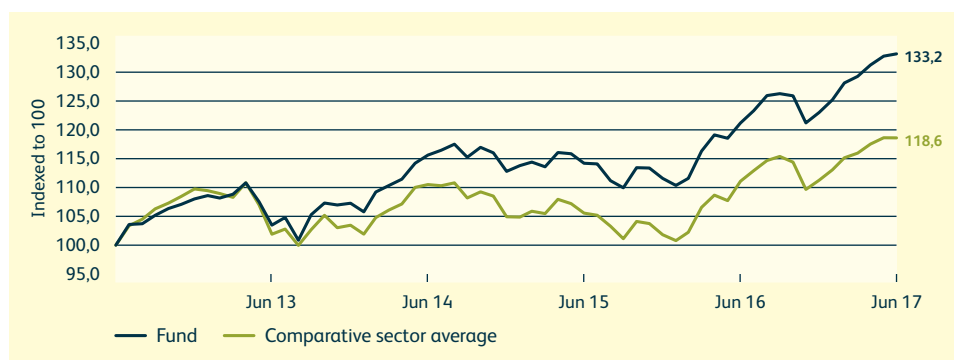


USD Class A

Summary

- While global bonds on the whole delivered mixed performance, emerging market debt held up relatively well.
- Local currency sovereigns and emerging market corporate credit produced modest gains.
- Fund Manager Claudia Calich's transaction activity included adding some exposure to emerging market corporate bonds.

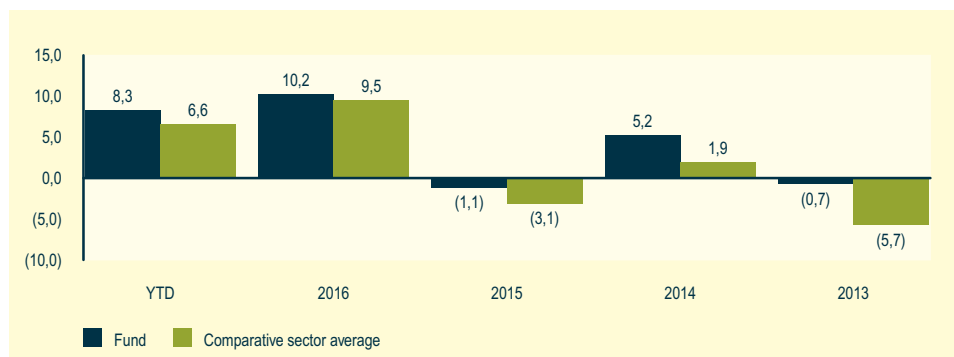
Performance over 5 years



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	+0,3	+3,0	+8,3	+9,9	+4,8	+5,9	+6,3	+8,4
Index	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sector	-0,0	+2,3	+6,6	+6,7	+2,3	+3,6	+4,1	+8,7
Ranking	26/115	22/114	23/114	13/109	12/93	3/69	16/90	14/19
Quartile ranking	1	1	1	1	1	1	1	3

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 past performance has been calculated using a different currency to your home currency. The returns shown here may increase or decrease due to currency fluctuations when compared to past performance returns calculated using your home currency.

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	19 April 2012
Fund size (millions)	\$527,32
Comparative sector	Morningstar Global Emerging Markets Bond sector
Number of issuers	76
Distribution yield (Acc)	5,27 %
Distribution yield (Inc)	6,66 %
Underlying yield (Acc)	5,27 %
Underlying yield (Inc)	5,27 %
Yield to expected maturity*	6,59 %
Modified duration (years)	6,3
Spread duration (years)	5,05
Average maturity (years)	10,75
Average coupon	7,02
Volatility [†]	6,05 %
Average credit rating	BB
Share type	Acc & Inc
Ongoing charge	1,42 %

*Source: Morningstar, three-year annualised volatility, as at 30 June 2017
 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.

Fund ratings

Overall Morningstar rating **★★★★**
 Source of Morningstar ratings: Morningstar, as at 31 May 2017
 Ratings should not be taken as a recommendation.

Asset breakdown (%)

	Physical	CDS short	CDS long	Net
Government bonds - local currency	29,1	0,0	0,0	29,1
Government bonds - hard currency	41,3	0,0	0,0	41,3
Credit - local currency	4,5	0,0	0,0	4,5
Credit - hard currency	25,3	0,0	0,0	25,3
Cash	-0,2	0,0	0,0	-0,2

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	2,2	0,0	0,0	2,2
AA	1,0	0,0	0,0	1,0
A	6,1	0,0	0,0	6,1
BBB	23,7	0,0	0,0	23,7
BB	24,5	0,0	0,0	24,5
B	32,1	0,0	0,0	32,1
CCC	3,0	0,0	0,0	3,0
CC	0,7	0,0	0,0	0,7
C	0,0	0,0	0,0	0,0
D	0,0	0,0	0,0	0,0
No rating	6,9	0,0	0,0	6,9
Cash	-0,2	0,0	0,0	-0,2

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	46,8	0,0	0,0	46,8
Sovereign	30,2	0,0	0,0	30,2
Energy	5,2	0,0	0,0	5,2
Banking	3,8	0,0	0,0	3,8
Services	2,9	0,0	0,0	2,9
Telecommunications	2,1	0,0	0,0	2,1
Real Estate	1,9	0,0	0,0	1,9
Consumer Cyclical	1,3	0,0	0,0	1,3
Utility	1,2	0,0	0,0	1,2
Consumer Non-Cyclical	1,0	0,0	0,0	1,0
Capital Goods	0,8	0,0	0,0	0,8
Financial Services	0,8	0,0	0,0	0,8
Basic Industry	0,7	0,0	0,0	0,7
Investment Grade indices	0,0	0,0	0,0	0,0
High Yield indices	0,0	0,0	0,0	0,0
Other	1,5	0,0	0,0	1,5
Cash	-0,2	0,0	0,0	-0,2

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	7,1	0,0	0,0	7,1
Brazil	6,1	0,0	0,0	6,1
Mexico	5,8	0,0	0,0	5,8
Peru	5,2	0,0	0,0	5,2
Turkey	4,6	0,0	0,0	4,6
Russia	3,9	0,0	0,0	3,9
India	3,8	0,0	0,0	3,8
Israel	3,5	0,0	0,0	3,5
Uruguay	3,3	0,0	0,0	3,3
Indonesia	3,3	0,0	0,0	3,3
Other	53,7	0,0	0,0	53,7
Cash	-0,2	0,0	0,0	-0,2

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	60,3	67,6
Indian rupee	3,0	3,1
Indonesian rupiah	2,6	2,7
Peruvian nuevo sol	2,6	2,6
Uruguay peso	2,5	2,5
Russian ruble	2,4	2,4
Mexican peso	2,3	2,4
Singapore dollar	2,2	2,2
Brazilian real	2,2	2,2
Other	19,9	12,4

Maturity breakdown (%)

	Physical
0 - 1 years	5,0
1 - 3 years	5,6
3 - 5 years	10,2
5 - 7 years	21,1
7 - 10 years	29,8
10 - 15 years	6,9
15+ years	21,7
Cash	-0,2

Duration breakdown by currency and asset class

	Physical	Futures	Swaps	Net
US dollar	4,1	0,0	0,0	4,1
Euro	0,3	0,0	0,0	0,3
British pound	0,2	0,0	0,0	0,2
Other	1,8	0,0	0,0	1,8
Total	6,3	0,0	0,0	6,3

Largest issuers (%)

	Fund
Peru	3,8
Brazil	3,7
Israel	3,5
Uruguay	3,3
Mexico	3,3
National Highways Authority of India	3,0
Indonesia	2,6
Dominican Republic	2,6
Turkey	2,5
Russia	2,4

Performance review

Developed and emerging bond markets recorded mixed performance in June, with core government bond yields rising sharply towards the end of the month. Among key themes for investors was the prospect of central banks in Europe and the UK tapering their stimulus measures, largely against strengthening inflation trends. In the US, meanwhile, the Federal Reserve confirmed another rise in interest rates, although the move was widely expected. Investors also assessed the implications of renewed weakness in oil prices, including for oil producers in emerging economies.

In the emerging bond markets, local currency-denominated sovereigns, as represented by the JP Morgan GBI-EM Global Diversified Index, delivered the best returns with a gain of 0.5%. In contrast, hard currency-denominated government debt, as tracked by the JP Morgan Emerging Markets Bond (EMBI) Global Diversified Index, declined by 0.1%. In the corporate bond space, the JP Morgan Corporate EMBI (CEMBI) Broad Diversified Index produced a small positive return of 0.2%. All returns are stated in US dollar terms.

In this environment, the portfolio's returns were helped by its globally diversified exposures across these three main sub-asset classes of the emerging bond markets. In turn, the fund delivered a marginally positive return in the month.

Key changes

Among transaction activity in the month, Claudia added some corporate exposure by buying bonds from telecommunications group Vimpelcom, Turkish bank Yapi Kredi, and diversified Mexican conglomerate Kuo. At the end of the month, the fund's overall allocation to corporate bonds stood at 29.8%, consisting of a 25.3% weighting in hard currency-denominated corporate credit and a 4.5% exposure to local currency corporate debt.

In the government bond markets, Claudia bought back some exposure to holdings that had been sold in early May, including local currency- and US-dollar denominated

sovereign bonds in Israel. However, a position was sold in Qatar government debt that had performed relatively well, but where there are now concerns about a serious diplomatic dispute between Qatar and its Gulf Cooperation Council (GCC) neighbours. Elsewhere, newly issued five-year local currency bonds were bought from the government of Uruguay, a purchase that was funded by switching out of an index-linked sovereign holding in the country.

In terms of asset allocation, Claudia's key investment themes in 2017 have included increasing the portfolio's overall exposure to local currency bonds. This total allocation stood at around 33% at the end of June, which remains high relative to the fund's history. Within the fund's currency positioning, its allocation to the US dollar amounted to 67.6% at the end of June, while its largest local currency exposures continued to include the Indian rupee, Indonesian rupiah, Peruvian nuevo sol, Uruguay peso, Russian ruble, and Mexican peso.

Claudia has broadly maintained the fund's duration recently, and its level again remained stable in June to end the month at 6.3 years.

Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
USD A Acc	GB00B7JRFN80	MGEMUAA LN	1,25 %	1,42 %	\$1.000	\$75
USD A Inc	GB00BK6MBV71	MGEBUGI LN	1,25 %	1,42 %	\$1.000	\$75
USD C Acc	GB00B7KG2775	MGEMUCA LN	0,60 %	0,77 % *	\$500.000	\$50.000
USD C Inc	GB00BK6MBW88	MGEBUGI LN	0,60 %	0,77 % *	\$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 31 December 2016.

* 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 30 June 2017, USD Class A 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 30 June 2017 unless indicated otherwise.

The Morningstar Overall Rating based on the fund's USD Class A shares. Copyright © 2017 Morningstar UK Limited. All Rights Reserved. Ratings should not be taken as recommendation.

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