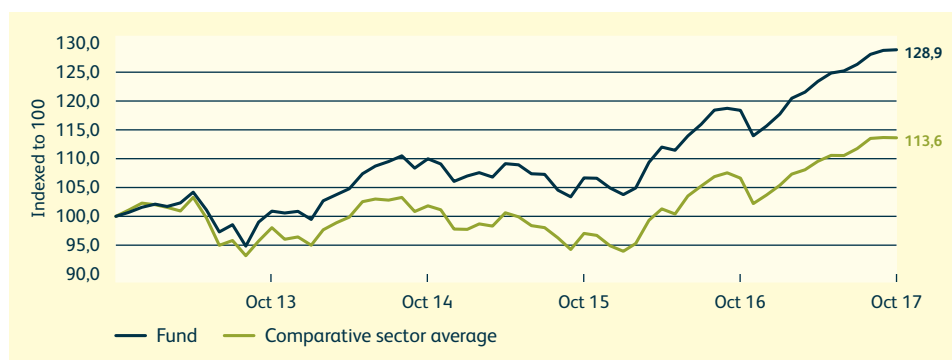


Summary

- Emerging markets bonds produced mixed returns in October.
- While hard currency debt delivered modest gains, local currency sovereigns declined.
- Among transaction activity, Fund Manager Claudia Calich participated in a new issue of US dollar-denominated bonds from the government of Brazil.

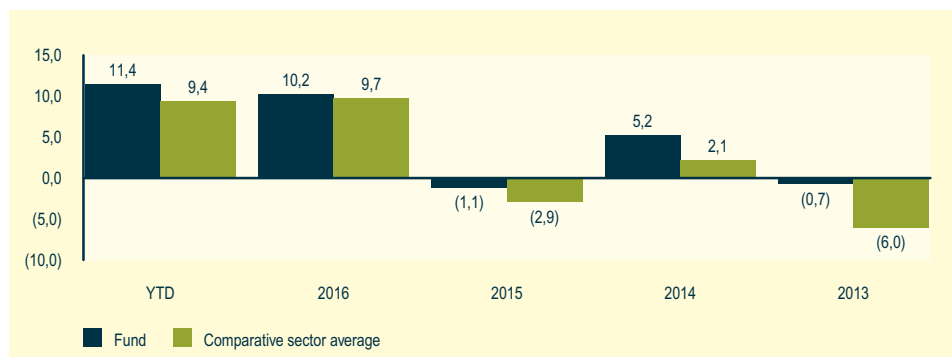
Performance over 5 years



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 | +0,1 | +2,0 | +11,4 | +8,9 | +5,4 | +5,2 | +6,5 | +8,4 |
| Index | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Sector | -0,0 | +1,7 | +9,4 | +6,3 | +3,8 | +2,6 | +4,6 | +8,7 |
| Ranking | 75/119 | 51/119 | 23/113 | 12/109 | 21/94 | 3/73 | 19/89 | 14/19 |
| Quartile ranking | 3 | 2 | 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 2017 |
| Deputy fund manager | Charles De Quinsonas |
| Launch date | 15 October 1999 |
| Launch of share class | 19 April 2012 |
| Fund size (millions) | \$820,20 |
| Comparative sector | Morningstar Global Emerging Markets Bond sector |
| Number of issuers | 94 |
| Distribution yield (Acc) | 4,87 % |
| Distribution yield (Inc) | 6,27 % |
| Underlying yield (Acc) | 4,87 % |
| Underlying yield (Inc) | 4,87 % |
| Yield to expected maturity* | 6,12 % |
| Modified duration (years) | 6,0 |
| Spread duration (years) | 4,70 |
| Average maturity (years) | 9,78 |
| Average coupon | 6,53 |
| Volatility† | 5,89 % |
| Average credit rating | BB |
| Share type | Acc & Inc |
| Ongoing charge | 1,44 % |

*Source: Morningstar, three-year annualised volatility, as at 31 October 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 gross of fund expenses and includes effects from derivative instruments and currency forwards. It is calculated at fund level in the valuation currency of the fund. 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 30 September 2017
Ratings should not be taken as a recommendation.

Asset breakdown (%)

| | Physical | CDS short | CDS long | Net |
|-----------------------------------|----------|-----------|----------|------|
| Government bonds - local currency | 31,5 | 0,0 | 0,0 | 31,5 |
| Government bonds - hard currency | 37,4 | 0,0 | 0,0 | 37,4 |
| Credit - local currency | 4,2 | 0,0 | 0,0 | 4,2 |
| Credit - hard currency | 26,2 | 0,0 | 0,0 | 26,2 |
| Cash | 0,7 | 0,0 | 0,0 | 0,7 |

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 | 1,7 | 0,0 | 0,0 | 1,7 |
| A | 6,8 | 0,0 | 0,0 | 6,8 |
| BBB | 19,7 | 0,0 | 0,0 | 19,7 |
| BB | 26,5 | 0,0 | 0,0 | 26,5 |
| B | 30,2 | 0,0 | 0,0 | 30,2 |
| CCC | 1,6 | 0,0 | 0,0 | 1,6 |
| 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 | 8,5 | 0,0 | 0,0 | 8,5 |
| Cash | 0,7 | 0,0 | 0,0 | 0,7 |

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 | 41,0 | 0,0 | 0,0 | 41,0 |
| Sovereign | 34,1 | 0,0 | 0,0 | 34,1 |
| Energy | 6,2 | 0,0 | 0,0 | 6,2 |
| Services | 4,3 | 0,0 | 0,0 | 4,3 |
| Banking | 3,4 | 0,0 | 0,0 | 3,4 |
| Telecommunications | 2,8 | 0,0 | 0,0 | 2,8 |
| Consumer Non-Cyclical | 1,5 | 0,0 | 0,0 | 1,5 |
| Real Estate | 1,3 | 0,0 | 0,0 | 1,3 |
| Basic Industry | 1,1 | 0,0 | 0,0 | 1,1 |
| Utility | 1,1 | 0,0 | 0,0 | 1,1 |
| Consumer Cyclical | 0,9 | 0,0 | 0,0 | 0,9 |
| Financial Services | 0,7 | 0,0 | 0,0 | 0,7 |
| Capital Goods | 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 |
| Cash | 0,7 | 0,0 | 0,0 | 0,7 |

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 |
|----------------------|----------|-----------|----------|------|
| Mexico | 6,3 | 0,0 | 0,0 | 6,3 |
| Brazil | 6,2 | 0,0 | 0,0 | 6,2 |
| Argentina | 5,5 | 0,0 | 0,0 | 5,5 |
| Russia | 4,0 | 0,0 | 0,0 | 4,0 |
| Peru | 3,9 | 0,0 | 0,0 | 3,9 |
| Singapore | 3,6 | 0,0 | 0,0 | 3,6 |
| India | 3,5 | 0,0 | 0,0 | 3,5 |
| Ukraine | 3,1 | 0,0 | 0,0 | 3,1 |
| Indonesia | 2,9 | 0,0 | 0,0 | 2,9 |
| United Arab Emirates | 2,7 | 0,0 | 0,0 | 2,7 |
| Other | 57,7 | 0,0 | 0,0 | 57,7 |
| Cash | 0,7 | 0,0 | 0,0 | 0,7 |

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 | 57,5 | 62,4 |
| Singapore dollar | 2,9 | 2,9 |
| Indian rupee | 2,8 | 2,8 |
| Russian ruble | 2,6 | 2,6 |
| Euro | 5,7 | 2,5 |
| Thai baht | 2,4 | 2,4 |
| Mexican peso | 2,4 | 2,4 |
| Indonesian rupiah | 2,3 | 2,3 |
| Peruvian nuevo sol | 2,1 | 2,1 |
| Other | 19,1 | 17,4 |

Maturity breakdown (%)

| | Physical |
|---------------|----------|
| 0 - 1 years | 9,2 |
| 1 - 3 years | 3,5 |
| 3 - 5 years | 14,4 |
| 5 - 7 years | 18,0 |
| 7 - 10 years | 29,6 |
| 10 - 15 years | 4,9 |
| 15+ years | 19,8 |
| Cash | 0,7 |

Duration breakdown by currency and asset class

| | Physical | Futures | Swaps | Net |
|---------------|----------|---------|-------|-----|
| US dollar | 3,7 | 0,0 | 0,0 | 3,7 |
| 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 | 6,0 | 0,0 | 0,0 | 6,0 |

Largest issuers (%)

| | Fund |
|--------------------------------------|------|
| Brazil | 3,3 |
| Mexico | 3,0 |
| Singapore | 2,9 |
| Peru | 2,9 |
| National Highways Authority of India | 2,8 |
| Russia | 2,6 |
| Thailand | 2,4 |
| Dominican Republic | 2,4 |
| Egypt | 2,4 |
| Indonesia | 2,3 |

Performance review

While the solid year-to-date performance of emerging bond markets remains intact, the asset class recorded mixed returns in October, with local currency-denominated debt declining and hard currency bonds delivering modest gains. Rising US Treasury yields, which can typically hamper returns in emerging debt markets, were among key factors weighing on sentiment as the month progressed. At the same time, however, the backdrop of a decent global economic growth outlook continued to support risk assets such as emerging market bonds.

Hard currency-denominated government and corporate bonds recorded broadly similar returns during the month. Hard currency emerging market sovereigns, as tracked by the JP Morgan Emerging Markets Bond (EMBI) Global Diversified Index, produced a gain of 0.4% in the period, while emerging market corporate credit as measured by the JP Morgan Corporate EMBI (CEMBI) Broad Diversified Index increased by 0.3%. In contrast, local currency-denominated emerging market sovereign debt, as represented by the JP Morgan GBI-EM Global Diversified Index, declined by 2.8%. All returns are stated in US dollar terms.

Claudia maintained a globally diversified portfolio across the emerging bond markets and the fund delivered a broadly flat return in the month. During the period, the fund's gains from hard currency bond holdings were countered by its exposure to weaker performing local currency debt. For the year-to-date, however, local currency bonds have outperformed their hard currency counterparts.

Key changes

The fund is globally diversified across the local and hard currency emerging bond markets, with the flexibility to invest in the sovereign and corporate credit sub-asset classes in an unconstrained way. Claudia's transaction activity in the month included purchases of newly issued hard currency

government bonds in Jordan and Abu Dhabi, which were funded by taking profits from a hard currency sovereign position in Israel that had performed well.

The fund also participated in a new issue of US dollar-denominated debt from the government of Brazil. Sentiment towards this important emerging market has improved recently, despite some ongoing political turmoil in the country, helped by the economy's climb out of recession, as well as lower interest rates and inflation.

In the corporate credit space, meanwhile, bonds were added from Colombia's Banco Davivienda, as well as Oil & Gas Holding, a services and equipment group in Bahrain. In contrast, a position was sold in Credit Bank of Moscow as Claudia felt more attractive value could be found elsewhere.

In terms of overall asset allocation, the fund's government bond weighting stood at around 69% at the end of the month, including an allocation to local currency sovereigns of around 31.5%. While the latter position was slightly lower compared to the end of September, it continues to represent a high weighting relative to the fund's history.

Within the fund's currency positioning, its allocation to the US dollar amounted to 62.4% at the end of October, while its largest local currency exposures were the Singapore dollar, Indian rupee, Russian ruble, Mexican peso, Thai baht and Indonesian rupiah.

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 % | 1,44 % | \$1.000 | \$75 |
| USD A Inc | GB00BK6MBV71 | MGEBUAI LN | 1,25 % | 1,44 % | \$1.000 | \$75 |
| USD C Acc | GB00B7KG2775 | MGEMUCA LN | 0,60 % | 0,79 % * | \$500.000 | \$50.000 |
| USD C Inc | GB00BK6MBW88 | MGEBUAI LN | 0,60 % | 0,79 % * | \$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.

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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