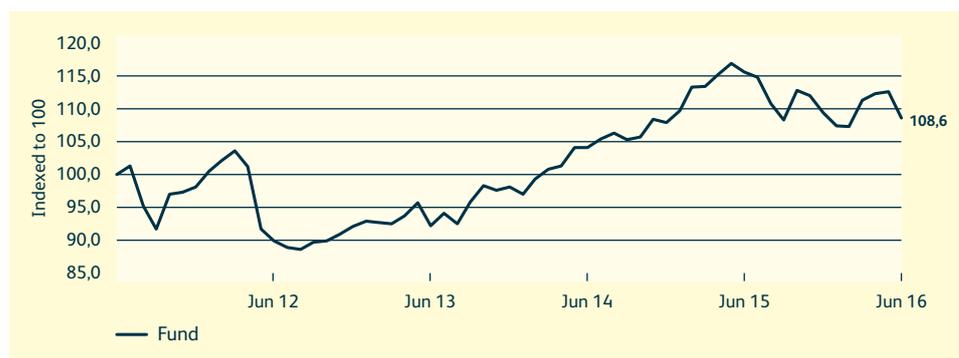


Euro Class S-H

Summary

- The fund declined by around 3 % in June, with losses split relatively evenly between equity and bond positions. There was a positive contribution from the fund's currency basket.
- The UK's referendum on membership of the European Union dominated the headlines, but market movements outside of the UK have been relatively muted.
- There were no changes to the portfolio during the month.

Performance over 5 years



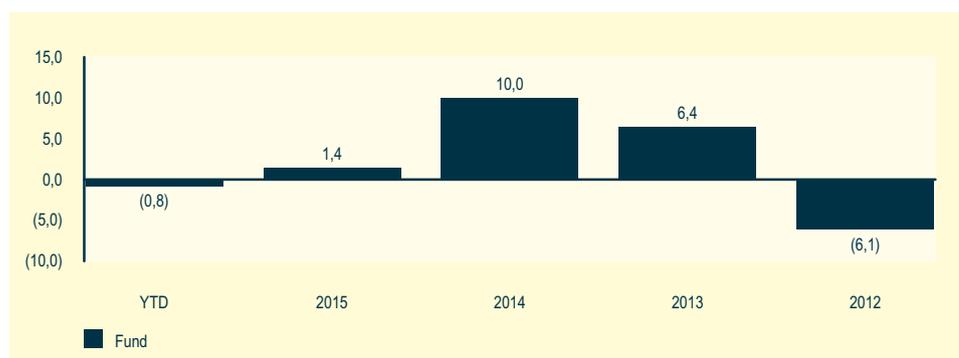
Key information

Fund managers	David Fishwick & Eric Lonergan
Fund manager tenure from Launch date	4 June 2010
Launch date	3 June 2010
Launch of share class	3 June 2010
Fund size (millions)	€77,37
Fund type	OEIC, incorporated in the UK
Average credit rating of fixed interest holdings	AA
Share type	Accumulation
Ongoing charge	1,95 %

M&G Episode Macro Fund monthly total returns in euro terms

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	-	-	-	-	-	-3,8	1,5	-2,2	4,2	-0,3	1,8	1,9	3,4
2011	-0,5	1,1	1,4	1,5	0,0	-1,4	1,3	-6,0	-3,6	5,8	0,3	0,8	0,2
2012	2,4	1,6	1,4	-2,3	-9,4	-2,0	-1,2	-0,3	1,3	0,2	1,2	1,3	-6,1
2013	0,8	-0,1	-0,2	1,2	2,2	-3,7	2,0	-1,6	3,5	2,6	-0,7	0,5	6,4
2014	-1,1	2,4	1,5	0,5	2,8	0,0	1,3	0,8	-0,9	0,4	2,6	-0,5	10,0
2015	1,7	3,3	0,0	1,6	1,5	-1,1	-0,6	-3,5	-2,3	4,2	-0,8	-2,3	1,4
2016	-1,9	-0,1	3,8	0,9	0,3	-3,5	-	-	-	-	-	-	-0,8

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 may invest more than 35 % in securities issued by any one or more of the governments listed in the fund prospectus. Such exposure may be combined with the use of derivatives in pursuit of the fund objective. It is currently envisaged that the fund's exposure to such securities may exceed 35 % in the governments of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Netherlands, New Zealand, Singapore, Sweden, Switzerland, UK, USA although these may vary subject only to those listed in the prospectus.

The fund may be very concentrated at times which could result in greater fluctuations in the fund's short-term performance.

VaR analysis (%)

	Fund
1 month 99% VaR	5,9

VaR numbers are calculated using Algorithmics Software employing RiskMetrics methodology.

Asset breakdown (%)

	Long exposure	Short exposure	Net exposure
Equity	43,5	0,0	43,5
UK	5,2	0,0	5,2
Europe	7,7	0,0	7,7
US	10,6	0,0	10,6
Japan	7,5	0,0	7,5
Asia Pacific ex Japan	12,4	0,0	12,4
Global equity funds	0,0	0,0	0,0
Other	0,0	0,0	0,0
Global bond funds	0,0	0,0	0,0
Government bonds	0,0	-117,8	-117,8
UK	0,0	0,0	0,0
Europe	0,0	0,0	0,0
US	0,0	-97,3	-97,3
Japan	0,0	-20,5	-20,5
Asia Pacific ex Japan	0,0	0,0	0,0
Other	0,0	0,0	0,0
Corporate bonds	0,0	0,0	0,0
Investment grade	0,0	0,0	0,0
High yield	0,0	0,0	0,0
Convertible bonds	0,0	0,0	0,0
Property funds	0,0	0,0	0,0

The fund will comprise a high proportion of cash and near cash, as the fund will typically achieve exposures through derivative strategies. As a result, cash and near cash have been excluded from the asset breakdown table to provide a more accurate indication of the fund's actual investment exposure.

Currency breakdown (%)

	Net exposure
US dollar	98,0
Turkish lira	6,1
Indonesian rupiah	6,0
Brazilian real	4,2
Swiss franc	-1,5
Czech Republic koruna	-2,5
Singapore dollar	-3,3
Taiwan dollar	-3,4
Euro	-4,6
Other	1,2

The fund's neutral currency positioning is 100% in US dollars. Deviations from this figure, therefore, represent long/short exposure.

Leverage and volatility

	Fund
Net leverage	-0,7x
Gross leverage	1,6x
Volatility	6,86%

Net leverage is the sum of all net notional exposures, excluding cash, divided by NAV. Gross leverage is the sum of all gross notional exposure, excluding cash, divided by NAV. Volatility is three-year annualised volatility calculated monthly, as at 30 June 2016, sourced from Morningstar.

Performance highlights

The 'Brexit' vote has dominated headlines in the UK and resulted in much political and economic confusion. However, the impact on asset prices has been relatively muted and localised. Outside of the UK, signs of panic and indiscriminate selling of assets have been limited. As a result, there were no changes to the portfolio during the month. Price changes in developed market government bonds have been material and the fund retains short exposure to 10-year US Treasuries and 10-year Japanese government bonds.

Equity markets were the largest source of negative return in June, in particular the US and Japanese banking sectors and European markets. Developed equity markets generally fell in the first half of the month after some weaker US employment data, but recovered slightly before the result of the UK referendum vote drove further weakness into the month-end. Associated declines in developed market interest rate expectations appeared to have had a particularly damaging impact on banking sector equity around the world.

Within the fund's equity basket, there was some diversification provided by a position in UK-listed mining stocks as well as exposure to the Chinese and Singaporean markets. A small position in the FTSE 100 also generated a modest gain, as a weaker sterling was seen as a boost to overseas earnings of UK multinationals.

The bulk of the negative return from fixed income came from the fund's short exposure to five-year US Treasuries. A combination of a relatively disappointing employment figure, a more dovish tone from Janet Yellen, and the initial reaction to the UK referendum results prompted yield declines in many developed markets. Ten-year Japanese government bond yields moved further into negative territory, resulting in further losses for the fund.

The fund's basket of high-yielding versus low-yielding currencies generated a positive return. The main positive contributors were long exposures to the Brazilian real, Turkish lira, and Indonesian rupiah. The changing risk properties of these assets over the past 12 months illustrates our belief that understanding 'episodes' can tell you something about the prospective risk properties of an asset. In recent weeks, US interest rate expectations seem to have been influencing the behaviour of these

currencies and have provided some diversification when equities have weakened, contrary to what one might normally expect from emerging market currency exposures.

Outlook

As yet the fallout from the vote to leave the EU has been less 'episodic' in nature than might have been expected given the coverage in much of the media. Looking at those assets that have not sold off is informative in this respect; many emerging market equities and currencies have been relatively stable, suggesting that investors have been relatively discriminating and considered in assessing the fundamental impact of the vote. The vote will have fundamental impact which are almost impossible to gauge, and although some price movements have been sharp, our sense is that investors are not feeling the type of pain and panic which characterises 'episodes'.

The fund's investment approach is not built upon being mechanistically contrarian. Rather, it is based upon identifying those specific instances when emotion and myopia appear to be driving prices as opposed to fundamentals. When these genuine episodes do take hold, it will feel very uncomfortable to act, and at the moment, investment markets simply do not seem traumatic enough to justify a meaningful change to the portfolio.

From a longer-term perspective, a concern will be that Brexit reflects or intensifies a shift in the political pendulum away from free trade and pro-capital policy. Such shifts in regime are a vital consideration when we seek to assess valuation signals, but must be assessed over time rather than guessed at based on a single event. At present the environment is such that we feel comfortable in backing valuation assessments over the longer term, while being prepared to supplement these returns by responding to shorter-term episodes as they emerge.

Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
Euro B-H Acc	GB00B4RGN439	MGMEBHE LN	2,25 %	2,45 %	€1000	€75
Euro S-H Acc	GB00B5LHB564	MGMESHE LN	1,75 %	1,95 %	€1.000	€75
Euro T-H Acc	GB00B5LHW198	MGMETHE LN	0,75 %	0,95 %	€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 (including research costs). They are based on expenses for the period ending 31 December 2015.

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

Important information

The fund's physical holdings include a significant proportion of cash or cash equivalents, which are used as backing for the derivatives positions.

Source of performance data: Morningstar, Inc., as at 30 June 2016, Euro Class S-H shares, net income reinvested, bid to bid basis. Past performance is not a guide to future performance. All other statistics from M&G internal sources, as at 30 June 2016 unless indicated otherwise.

The value of investments, and the income from them, will fluctuate. This will cause the Fund price to fall as well as rise and you may not get back the original amount you invested. For Investment Professionals and Institutional Investors only. Not for onward distribution. No other persons should rely on any information contained within. For Switzerland: Distribution of this document in or from Switzerland is not permissible with the exception of the distribution to Qualified Investors according to the Swiss Collective Investment Schemes Act, the Swiss Collective Investment Schemes Ordinance and the respective Circular issued by the Swiss supervisory authority ("Qualified Investors"). Supplied for the use by the initial recipient (provided it is a Qualified Investor) only. 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