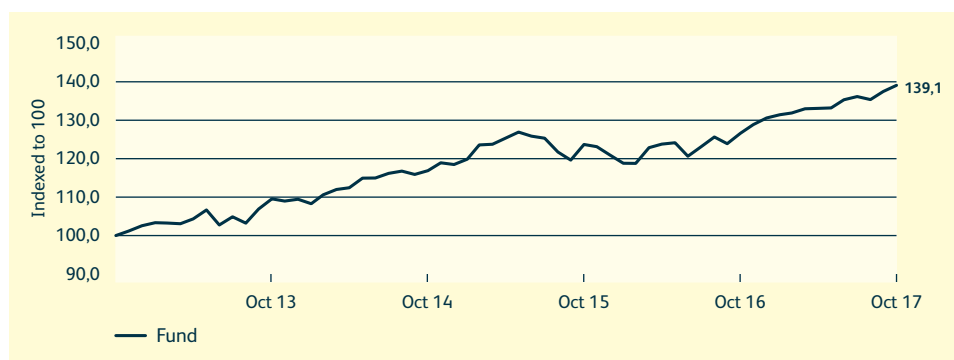


Summary

- Equity positions were the driver of positive returns during the month.
- Short government bonds and currency exposures detracted from returns, but there was differential behaviour within these baskets.
- There were no changes to the portfolio during the month.

Performance over 5 years



The fund may be very concentrated at times which could result in greater fluctuations in the fund's short-term performance and sudden and large falls in value. As a result, you could lose the total value of your initial investment.

The fund allows for the extensive use of derivatives.

Key information

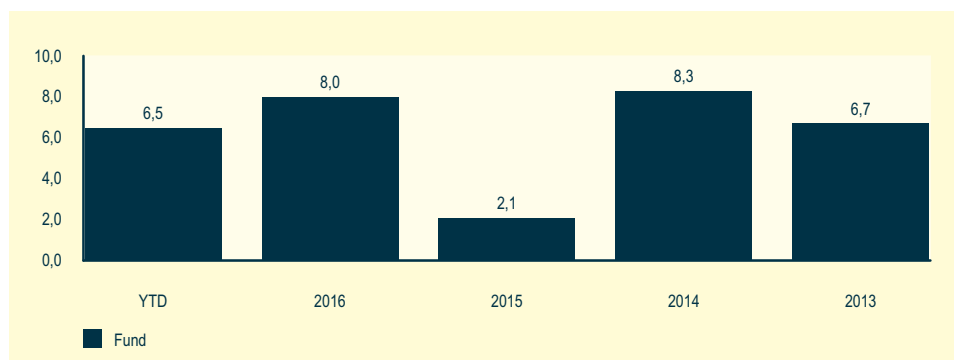
Fund managers	David Fishwick & Eric Lonergan
Fund manager tenure from	4 June 2010
Launch date	3 June 2010
Launch of share class	3 June 2010
Fund size (millions)	€306,03
Fund type	OEIC, incorporated in the UK
Average credit rating of fixed interest holdings	AA
Share type	Accumulation
Ongoing charge	0,94 %
Performance fee*	20,00 %

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	-	-	-	-	-	-3,7	1,5	-2,2	4,2	-0,4	1,8	1,9	3,3
2011	-0,5	1,2	0,6	1,3	0,0	-1,0	1,0	-5,2	-3,6	5,6	0,3	0,6	-0,1
2012	2,0	1,3	1,2	-1,8	-8,9	-1,9	-1,2	-0,2	1,3	0,2	1,2	1,4	-5,9
2013	0,8	-0,1	-0,2	1,2	2,2	-3,7	2,1	-1,6	3,6	2,5	-0,5	0,4	6,7
2014	-1,1	2,1	1,2	0,4	2,2	0,0	1,0	0,5	-0,7	0,8	1,7	-0,4	8,3
2015	1,2	3,1	0,1	1,3	1,3	-0,8	-0,4	-2,9	-1,7	3,4	-0,5	-1,8	2,1
2016	-1,8	0,0	3,4	0,8	0,3	-2,8	2,1	2,1	-1,4	2,2	1,8	1,3	8,0
2017	0,6	0,3	0,8	0,1	0,1	1,6	0,6	-0,6	1,6	1,2	-	-	6,5

* On all positive returns above the hurdle and above the high water mark (HWM). The HWM is the highest level that a fund's NAV (net asset value) has reached at the end of any 12-month accounting period. In this context, a hurdle is a value to surpass before the performance fee can be levied. Each day, the hurdle will increase (or decrease) by the hurdle rate (three-month LIBOR for the currency in which the relevant share class is denominated).

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.

UCITS HAVE NO GUARANTEED RETURN AND PAST PERFORMANCE IS NOT A GUIDE TO FUTURE PERFORMANCE

VaR analysis (%)

	Fund
1 month 99% VaR	3,5

VaR numbers are calculated using Algorithmics Software employing RiskMetrics methodology.

Asset breakdown (%)

	Long exposure	Short exposure	Net exposure
Equity	45,9	0,0	45,9
UK	2,3	0,0	2,3
Europe	13,8	0,0	13,8
US	11,1	0,0	11,1
Japan	5,2	0,0	5,2
Asia Pacific ex Japan	13,5	0,0	13,5
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	-53,4	-53,4
UK	0,0	-17,7	-17,7
Europe	0,0	-22,3	-22,3
US	0,0	-13,3	-13,3
Japan	0,0	0,0	0,0
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	104,0
Korean won	3,2
Brazilian real	2,9
Czech Republic koruna	-3,1
Swiss franc	-3,6
Taiwan dollar	-3,6
Australian dollar	-3,6
Singapore dollar	-3,7
Euro	-3,9
Other	11,3

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	-0,1x
Gross leverage	1,0x
Volatility	5,48%

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 31 October 2017, sourced from Morningstar.

Performance highlights

The fund generated a positive return in October, driven primarily by its selection of long equity exposures, which all performed positively. In addition, gains from the short exposure to US Treasuries were modestly offset by some weakness from short

exposures to German and UK government bonds, as well as long exposures to high yielding emerging market currencies. There were no changes to the portfolio during the month.

All of the fund's equity exposures delivered positive returns in October after weakening slightly in September. Asian markets such as Taiwan and Chinese 'H' shares, along with the fund's basket of global basic resources stocks were some of the strongest returners. By contrast, gains in Italian equities were more muted after a sharp rise in the prior month. The Japanese, Korean and Thai markets have performed strongly through both months.

The largest single positive contribution came from the fund's basket of US banking sector stocks, which delivered another month of robust performance against a background of rising yields in US Treasuries. These rising yields also resulted in a positive return from the fund's short ten-year Treasury position.

This sell-off in US Treasuries was not mirrored in the UK and Germany, where the decline in yields resulted in losses from the fund's short exposures. This divergence in behaviour between US and European developed market bonds has gained some attention in recent months, with some highlighting a recent flattening in the US curve while the German curve has steepened. However, this does not invalidate our assessment that the prevailing yields across these bonds are deeply unattractive and vulnerable to changing risk attitudes and further positive surprises in the global economy.

The rise in US yields over the last couple of weeks has had a somewhat negative impact on the fund's long exposure to high yielding emerging market currencies, with some notable weakness in the Turkish lira and Mexican peso, which continued in October.

Importantly, however, it is the US rate rise expectation that could potentially be a source of weakness for emerging market currencies. The fund manager's preference for high carry currencies is not expressed versus the US dollar itself. Instead, long positions are in place versus a basket of short exposures to the euro, Taiwanese dollar, Singapore dollar, Swiss franc and Australian dollar. The fund's shift to a net long exposure to the US dollar also serves to partially mute the impact of unilateral US dollar strength on the portfolio.

Outlook

The fund's approach is built on a combination of longer term, value-led opportunities and tactical capital being put to work to capture shorter term episodic volatility. Today, however, it is the case that the episodic element is not in evidence at an aggregate equity level; it no longer feels

emotionally challenging to own long equity positions. However, as the last few months have shown, the value-focused element of the approach can be a key source of returns in its own right. After strong gains of the type delivered by equity markets in recent months, there is always the temptation to scale back positions. Our belief, however, is that it should not simply be price moves which trigger action, but a consideration of how much these moves reflect trends in underlying fundamentals and how much is driven by shifts in risk preference.

Our sense is that the balance between these forces has varied across markets, but that an overall global perspective still suggests a great deal of scepticism with regards to the sustainability of the strong profits and macro news. This is illustrated by the fact that valuation signals for many of the fund's equity exposures have not moved significantly. Perhaps the strongest example is Korean equity, which has cheapened on some value measures this year, despite a 30% gain in price.

At the same time, longer maturity developed market government bond yields are little changed from the start of the year, suggesting an ongoing pessimism about the long term prospects for the global economy. Rather than becoming euphoric about taking risk, many areas of the market have simply been forced to confront fundamental news which has been hugely surprising relative to the deep pessimism that characterised the first half of 2016.

That said, it is often the case that, after such rapid price appreciation, there may be some extra scope for equity markets to 'relapse.' However, such short term shocks are always a part of the probability distribution and are difficult to predict. The question is whether these types of moves invalidate long term value observations or simply represent an opportunity. Absent a material inflation problem or deep negative shocks to long term profitability, such volatility often represents the latter.

Importantly, the fund's positioning is not predicated or reliant upon a forecast that growth will be strong. Rather, it is an assessment that prevailing value signals are attractive in their own right, and that these valuation signals are a result of ongoing long term growth pessimism and volatility aversion. The compensation for risk is such that positive returns can be earned if the environment doesn't change, and especially if sentiment improves further.

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 %	0,94 %	€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.

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.

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and investors may not get back the original amount 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. In Spain the M&G Investment Funds are registered for public distribution under Art. 15 of Act 35/2003 on Collective Investment Schemes as follows: M&G Investment Funds (1) reg. no 390, M&G Investment Funds (2) reg. no 601, M&G Investment Funds (3) reg. no 391, M&G Investment Funds (5) reg. no 972, M&G Investment Funds (7) reg. no 541, M&G Investment Funds (9) reg. no 930, M&G Investment Funds (12) reg. no 1415, M&G Investment Funds (14) reg. no 1243, M&G Global Dividend Fund reg. no 713, M&G Dynamic Allocation Fund reg. no 843, M&G Global Macro Bond Fund reg. no 1056 and M&G Optimal Income Fund reg. no 522, M&G (Lux) Investment Funds 1 reg. no 1551. The collective investment schemes referred to in this document (the "Schemes") are open-ended investment companies with variable capital, incorporated in England and Wales in respect of M&G Investment Funds and in Luxembourg in respect of M&G (Lux) Investment Funds. In the Netherlands, all funds referred to are UCITS and registered with the Dutch regulator, the AFM. This information is not an offer or solicitation of an offer for the purchase of investment shares in one of the Funds referred to herein. Purchases of a Fund should be based on the current Prospectus. The Instrument of Incorporation, Prospectus, Key Investor Information Document, annual or interim Investment Report and Financial Statements, are available free of charge, in paper form, from the ACD: M&G Securities Limited, Laurence Pountney Hill, London, EC4R 0HH, GB; or one of the following - M&G International Investments Limited, German branch, mainBuilding, Taunusanlage 19, 60325 Frankfurt am Main; the Austrian paying agent: Société Générale Vienna Branch, Zweigniederlassung Wien Prinz Eugen-Strasse, 8-10/5/Top 11 A-1040 Wien, Austria; the Luxembourg paying agent: Société Générale Bank & Trust SA, Centre operational 28-32, place de la Gare L-1616 Luxembourg; the Danish paying agent: Nordea Bank Danmark A/S Issuer Services, Securities Services, Hermes Hus, Helgeshøj Allé 33, Postbox 850, DK-0900, Copenhagen C, Denmark; Allfunds Bank, Calle Estafeta, No 6 Complejo Plaza de la Fuente, La Moraleja, 28109, Alcobendas, Madrid, Spain; M&G International Investments Limited, the French branch; the French centralising agent of the Fund: RBC Investors Services Bank, France; or the Swedish paying agent: Nordea Bank AB (publ), Smålandsgatan 17, 105 71 Stockholm, Sweden. For Switzerland, please refer to M&G International Investments Switzerland AG, Talstrasse 66, 8001 Zurich or Société Générale, Paris, Zurich Branch, Talacker 50, P.O. Box 5070, 8021 Zurich, which acts as the Swiss representative of the Schemes (the "Swiss Representative") and acts as their Swiss paying agent. For Italy, they can also be obtained on the website: www.mandgitalia.it. For Ireland, they are available in English language and can also be obtained from the Irish facilities agent, Société Générale SA, Dublin Branch, 3rd Floor IFSC House – The IFSC Dublin 1, Ireland. For Germany and Austria, copies of the Instrument of incorporation, annual or interim Investment Report, Financial Statements and Prospectus are available in English and the Prospectus and Key Investor Information Document/s are available in German. For Greece, they are available in English, except the Key Investor Information Document/s which is available in Greek, from the Greek Representative: Eurobank Ergasias S.A. 8, Othonos Street, 10557 Athens. **Before subscribing you should read the Prospectus**, which includes investment risks relating to these funds. The information contained herein is not a substitute for independent advice. In Switzerland, this financial promotion is issued by M&G International Investments Switzerland AG, authorised and regulated by the Swiss Federal Financial Market Supervisory Authority. Elsewhere, it is issued by M&G International Investments Ltd. Registered Office: Laurence Pountney Hill, London EC4R 0HH, authorised and regulated by the Financial Conduct Authority in the UK. Registered in England No. 4134655 and has a branch located in France, 6 rue Lamennais 34, Paris 75008, registered on the Trade Register of Paris, No. 499 832 400 and a branch in Spain, with corporate domicile at Calle Fortuny, 6 – 4º A, 28010, Madrid, registered with the Commercial Registry of Madrid under Volume 32.573, sheet 30, page M-586297, inscription 1, CIF W8264591B and registered with the CNMV under the number 79. The Portuguese Securities Market Commission (Comissão do Mercado de Valores Mobiliários, the "CMVM") has received a passporting notification under Directive 2009/65/EC of the European Parliament and of the Council and the Commission Regulation (EU) 584/2010 enabling the fund to be distributed to the public in Portugal. M&G International Limited is duly passported into Portugal to provide certain investment services in such jurisdiction on a cross-border basis and is registered for such purposes with the CMVM and is therefore authorised to conduct the marketing (comercialização) of funds in Portugal.

Contact M&G

Austria

www.mandg.at

Belgium

www.mandg.be

Denmark

www.mandg.dk

Finland

www.mandg.fi

France

www.mandg.fr

Germany

www.mandg.de

Greece

www.mandg.gr

Ireland

www.mandg-investments.ie

Italy

www.mandgitalia.it

Luxembourg

www.mandg.lu

Netherlands

www.mandg.nl

Norway

www.mandg.no

Portugal

www.mandg.pt

Spain

www.mandg.es

Sweden

www.mandg.se

Switzerland

www.mandg.ch