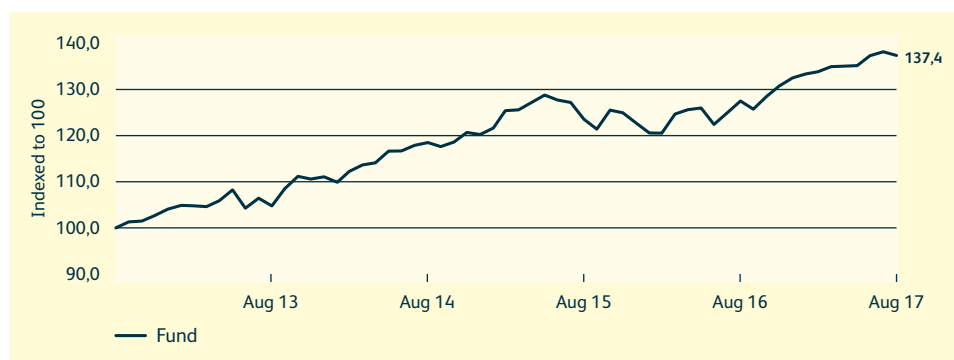


## Euro Class T-H

### Summary

- Short developed government bond exposures were the main driver of negative return in August.
- The fund's equity and currency themes generated a positive return.
- No changes were made 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

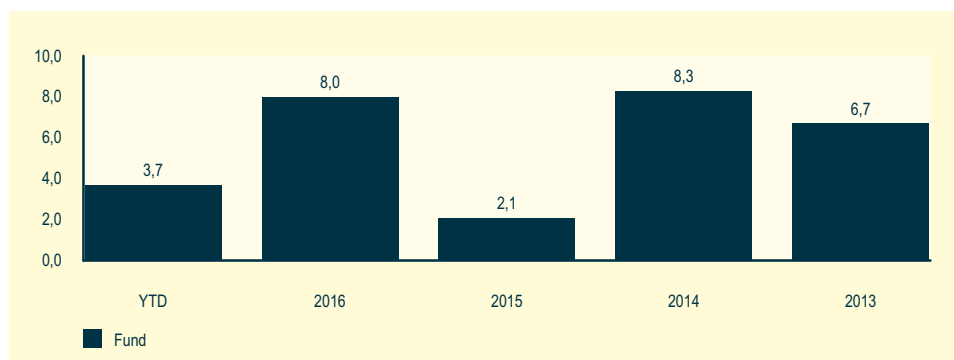
<b>Fund managers</b>	David Fishwick & Eric Lonergan
<b>Fund manager tenure from</b>	4 June 2010
<b>Launch date</b>	3 June 2010
<b>Launch of share class</b>	3 June 2010
<b>Fund size (millions)</b>	€280,94
<b>Fund type</b>	OEIC, incorporated in the UK
<b>Average credit rating of fixed interest holdings</b>	AA
<b>Share type</b>	Accumulation
<b>Ongoing charge</b>	0,94 %
<b>Performance fee*</b>	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	-	-	-	-	3,7

\* 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	3,9

VaR numbers are calculated using Algorithmics Software employing RiskMetrics methodology.

## Asset breakdown (%)

	Long exposure	Short exposure	Net exposure
<b>Equity</b>	<b>49,2</b>	<b>0,0</b>	<b>49,2</b>
UK	2,3	0,0	2,3
Europe	15,7	0,0	15,7
US	12,4	0,0	12,4
Japan	5,0	0,0	5,0
Asia Pacific ex Japan	13,8	0,0	13,8
Global equity funds	0,0	0,0	0,0
Other	0,0	0,0	0,0
<b>Global bond funds</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Government bonds</b>	<b>0,0</b>	<b>-60,2</b>	<b>-60,2</b>
UK	0,0	-19,8	-19,8
Europe	0,0	-26,1	-26,1
US	0,0	-14,3	-14,3
Japan	0,0	0,0	0,0
Asia Pacific ex Japan	0,0	0,0	0,0
Other	0,0	0,0	0,0
<b>Corporate bonds</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
Investment grade	0,0	0,0	0,0
High yield	0,0	0,0	0,0
<b>Convertible bonds</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Property funds</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>

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	97,2
Korean won	3,3
Turkish lira	3,0
Russian ruble	3,0
Brazilian real	3,0
Australian dollar	-2,9
Singapore dollar	-2,9
Taiwan dollar	-3,0
Euro	-3,5
Other	2,9

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	1,1x
Volatility	5,47%

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 August 2017, sourced from Morningstar.

## Performance highlights

The fund generated a slightly negative return in August, primarily due to the fund's short government bond theme as developed market bonds rallied. The fund's long equity theme was a positive contributor overall, with gains from a position in the basic resources

sector (opened last month) and Asian market exposures more than offsetting weakness from other positions. The fund's currency carry basket benefited from some strong appreciation in the Russian ruble, Turkish lira and South African rand.

Bond yields have been somewhat range-bound so far this year, with the possible exception of gilts, and generally drifted toward the bottom of that range in August. In the current environment this resulted in losses for the fund, most notably from German and UK exposures; the fund currently holds a total of 60.2% short government bond exposure. This is made up of positions in the 10-year government bonds of the US, Germany, and the UK, as well as a position in German 30-year bonds. In the fund manager's view, prevailing yields are deeply unattractive in their own right, while recent investor behaviour has run contrary to ongoing evidence of macroeconomic expansion around the world. As such, these bonds appear vulnerable to further weakness such as that seen at the end of 2016 and in late June this year.

The fall in bond yields weighed on the fund's long exposure to US and UK banking equity, which was the largest detractor from returns within the equity basket. However, this was more than offset by strong gains from exposure to the Stoxx 600 basic resources sector which had been opened in July, as well as from positions in Chinese 'H' shares and the Thai equity market. Elsewhere, there were modest gains from Italy and Taiwan, and losses from Korea, Germany and Singapore.

The fund's currency basket also generated a positive return overall. The fund's preference for high yielding emerging market currencies has displayed useful portfolio construction properties this year. Declining bond yields in developed markets, which have been damaging for the portfolio's short bond theme, have tended to be associated with strong performance from many emerging market currencies. In August, the Russian ruble, Turkish lira and South African rand generally appreciated against the fund's basket of short positions.

## Outlook

Generally, long equity, short government bond and preference for pro-currency carry themes represent a highly directional portfolio, but this has not been borne out by recent behaviour of the fund's assets. In August, falling bond yields were actually associated with positive returns from the fund's carry and equity baskets, while long exposure to emerging market bonds has benefited from falling bond yields in recent months. This is not to suggest that such thematic diversification is to be expected in all scenarios; a meaningful shock to growth

or some other 'risk event' would likely have a correlating impact in the short term. No changes were made to the portfolio during the month.

At present, macroeconomic data remain consistent with a synchronised global expansion, while there continues to be a lack of significant upward pressure on developed market policy rates from inflation. This environment is broadly supportive of the fund's preference for diversified long equity exposures, while the deep unattractiveness of prevailing government bond yields suggests that they could be vulnerable irrespective of policy action. The fund therefore continues to back these themes, alongside a preference for currency carry.

## 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.

Source of performance data: Morningstar, Inc., as at 31 August 2017, Euro Class T-H shares, net 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.

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. 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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. 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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 Plaza de Colón 2, Torre II, Planta 14, 28046, 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.

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