

M&G European Inflation Linked Corporate Bond Fund - Euro Class A



Monthly Fund Review as at 28 February 2018

For investment professionals only

Risks associated with this fund

For any past performance shown, please note that past performance is not a guide to current or future performance and the performance data does not take into account any entry and exit charges incurred on the purchase and sale of shares but does take into account the ongoing charge.

The value of investments and the income from them will rise and fall. This will cause the fund price, as well as any income paid by the fund, to fall as well as rise. There is no guarantee the fund will achieve its objective, and you may not get back the amount you originally invested.

The fund may use derivatives with the aim of profiting from a rise or a fall in the value of an asset (for example, a company's bonds). However, if the asset's value varies in a different manner, the fund may incur a loss.

The value of the fund may fall if the issuer of a fixed income security held is unable to pay income payments or repay its debt (known as a default).

For accumulation shares, if inflation is low or zero, there is a risk that the fund's expenses exceed the income it earns. If this happens, any shortfall will be taken from the fund's capital and the fund's capital growth will be reduced.

This fund is subject to effective yield accounting. As a result, part of its capital inflation protection will be distributed to holders of income shares. Income shareholders will therefore, in effect, be receiving part of the capital protection as income.

When interest rates rise, the value of the fund is likely to fall.

Further risk factors that apply to the fund can be found in the fund's Key Investor Information Document (KIID).

Single year performance (5 years ending February)

From To	01.03.17 28.02.18	01.03.16 28.02.17	01.03.15 29.02.16	01.03.14 28.02.15	01.03.13 28.02.14
Euro A Acc	0,1%	4,7%	-4,2%	-1,5%	0,7%

Performance over 5 years



Fund performance

	1 month (%)	3 months (%)	YTD (%)	1 year (%)	3 years (%) p.a.	5 years (%) p.a.	Since tenure (%)	Since inception (%) p.a.
Fund	-0,3	-0,3	-0,1	+0,1	+0,2	-0,1	-0,2	+1,5
Index	+0,2	-0,3	-0,7	+1,2	+1,0	+0,7	-0,7	+1,2
Sector	+0,2	-0,7	-0,2	+1,3	+0,2	+1,4	-0,0	+1,9
Ranking	16/16	2/16	5/16	13/16	9/16	14/16	13/16	13/14
Quartile ranking	4	1	2	4	3	4	4	4

Past performance is not a guide to future performance.

Things you should know

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 German government, although these may vary subject only to those listed in the prospectus.

The fund allows for the extensive use of derivatives.

Key information

Fund manager	Wolfgang Bauer
Fund manager tenure from	1 January 2018
Deputy fund manager	Ben Lord
Launch date	16 September 2010
Launch of share class	16 September 2010
Fund size (millions)	€99,67
Fund type	OEIC, incorporated in the UK
Comparative sector	Morningstar EUR Inflation-Linked Bond sector
Number of issuers	76
Distribution yield (Acc)	0,28%
Underlying yield (Acc)	0,28%
Yield to expected maturity*	1,15%
Modified duration (years)	0,6
Spread duration (years)	3,52
Average maturity (years)	1,96
Average coupon	1,44
Volatility*	2,24%
Average credit rating	BBB+
Share type	Accumulation
Ongoing charge	1,18%

*Source: Morningstar, three-year annualised volatility, as at 28 February 2018

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. 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.

* 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 31 January 2018
Ratings should not be taken as a recommendation.

Asset breakdown (%)

	Net
Synthetic inflation linked	35,9
Floating rate notes	22,2
Government inflation linked	22,1
Corporate inflation linked	11,7
Fixed rate bonds	8,1

Credit rating breakdown (%)

	Physical	CDS short	CDS long	Net
AAA	22,9	0,0	0,0	3,1
AA	19,1	0,0	0,5	7,4
A	14,7	0,0	2,5	17,2
BBB	36,3	0,0	31,2	67,5
BB	2,9	0,0	2,0	5,0
B	0,3	-1,4	0,0	-1,2
CCC	0,0	0,0	0,0	0,0
CC	0,0	0,0	0,0	0,0
C	0,0	0,0	0,0	0,0
D	0,0	0,0	0,0	0,0
No rating	0,0	0,0	1,0	1,0
Cash	3,7	0,0	0,0	0,0

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
Sovereign	54,3	0,0	0,0	22,1
Banking	18,9	0,0	2,1	21,0
Telecommunications	1,8	0,0	4,2	6,0
Mortgage Backed	4,9	0,0	0,0	4,9
Asset Backed	4,0	0,0	0,5	4,6
Energy	1,2	0,0	2,3	3,5
Utility	2,4	0,0	1,0	3,5
Transportation	2,9	0,0	0,0	2,9
Capital Goods	0,8	0,0	1,3	2,1
Healthcare	2,0	0,0	0,0	2,0
Consumer Goods	0,4	0,0	1,6	2,0
Basic Industry	0,0	0,0	1,7	1,7
Insurance	0,3	0,0	1,0	1,2
Automotive	0,5	0,0	0,5	1,0
Government Guaranteed	0,8	0,0	0,0	0,8
Media	0,4	0,0	0,0	0,4
Commercial Mortgage Backed	0,3	0,0	0,0	0,3
Financial Services	0,3	0,0	0,0	0,3
Real Estate	0,1	0,0	0,0	0,1
Investment grade indices	0,0	0,0	18,9	18,9
High yield indices	0,0	-1,4	0,0	-1,4
Other	0,0	0,0	2,2	2,2
Cash	3,7	0,0	0,0	0,0

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
UK	16,9	0,0	6,3	23,3
Spain	11,7	0,0	1,7	13,5
US	11,6	0,0	4,0	13,0
Italy	8,9	0,0	3,1	12,0
France	18,5	0,0	0,5	9,3
Germany	22,2	0,0	0,5	2,9
Switzerland	0,6	0,0	2,2	2,8
Netherlands	1,8	0,0	0,0	1,8
Ireland	1,4	0,0	0,0	1,4
Belgium	1,2	0,0	0,0	1,2
Other	1,3	0,0	0,0	1,3
Investment grade indices	0,0	0,0	18,9	18,9
High yield indices	0,0	-1,4	0,0	-1,4
Cash	3,7	0,0	0,0	0,0

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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
Euro	82,1	99,8
British pound	10,4	0,1
US dollar	7,5	0,1
Swiss franc	0,0	0,0
Swedish krona	0,0	0,0

Maturity breakdown (%)

	Physical
0 - 1 years	9,0
1 - 3 years	37,5
3 - 5 years	31,2
5 - 7 years	9,8
7 - 10 years	3,9
10 - 15 years	2,1
15+ years	2,6
Cash	3,7

Duration breakdown by currency and asset class

	Physical	Futures	Swaps	Net
Euro	1,6	-1,1	0,0	0,5
British pound	0,3	-0,3	0,0	0,0
US dollar	0,1	0,0	0,0	0,1
Total	2,0	-1,5	0,0	0,6

Largest issuers (excluding government bonds and CDS indices, %)

	Fund
Bank of America	3,1
Sncf Reseau	2,6
Lloyds Banking Group	2,5
Nationwide	2,5
National Grid	2,4
HSBC	2,2
BAT	1,6
Morgan Stanley	1,6
Leonardo	1,3
Goldman Sachs	1,3

Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
Euro A Acc	GB00B3VQKJ62	MGEUITAA LN	1,00%	1,18%	€1.000	€75
Euro C Acc	GB00B41DM324	MGEUITCA LN	0,50%	0,68%	€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 September 2017.

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 28 February 2018, Euro 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 28 February 2018 unless indicated otherwise. The Morningstar Overall Rating based on the fund's Euro Class A shares. Copyright © 2018 Morningstar UK Limited. All Rights Reserved. Ratings should not be taken as recommendation.

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