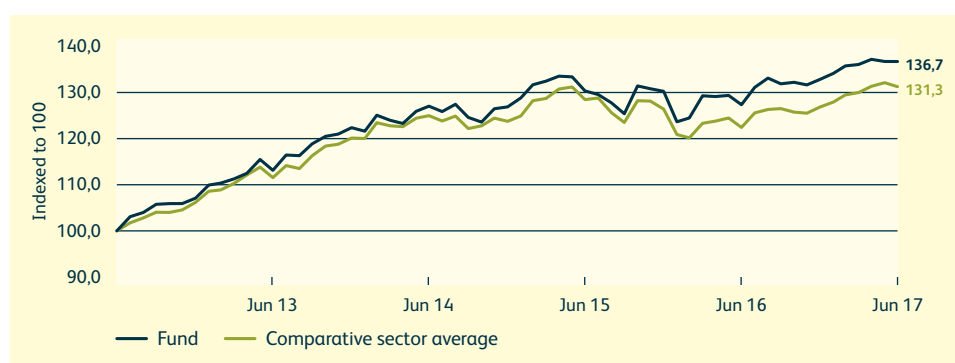


Euro Class A-H

Summary

- June was a more volatile month for financial markets with, for example, technology shares and government bonds experiencing major price swings. Currency movement was a major factor in performance.
- The fund outperformed its comparative index, with many US convertibles rallying during the month, in local terms at least.
- Convertibles from Stillwater Mining and CapitaCommercial Trust left the portfolio, while the holdings in others, such as Zhejiang Expressway, Teva and CRRC, were increased.

Performance over 5 years



Key information

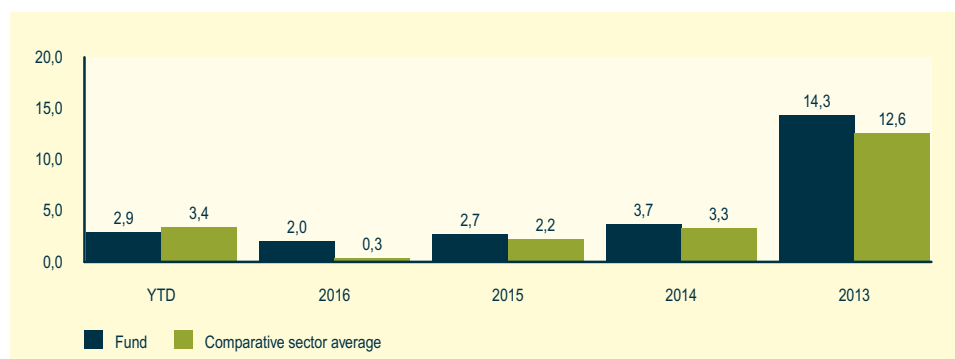
Fund manager	Léonard Vinville
Fund manager tenure from	13 July 2007
Deputy fund managers	David Romani, Yannis Karachalios
Launch date	13 July 2007
Launch of share class	21 May 2010
Fund size (millions)	€2.197,63
Fund type	OEIC, incorporated in the UK
Comparative index	Thomson Reuters Global Focus Convertible Hedged EUR Index
Comparative sector	Morningstar Convertible Bond - Global EUR Hedged sector
Number of holdings	116
Delta	0,50
Convexity	4,41 %
Points over bond floor to maturity	14,0 %
Elasticity	43,2 %
Expected life (years)	2,2
Portfolio yield*	1,12 %
Duration (years)	1,4
Share type	Acc & Inc
Ongoing charge	1,69 %

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	-0,0	+0,5	+2,9	+7,4	+2,5	+6,5	+5,2	+5,2
Index	-0,6	+1,2	+3,7	+8,1	+2,5	+6,3	+6,0	+6,0
Sector	-0,7	+1,0	+3,4	+7,2	+1,8	+5,5	+4,7	+4,7
Ranking	3/60	51/60	30/60	25/58	14/48	8/42	11/35	11/35
Quartile ranking	1	4	2	2	2	1	2	2

* Portfolio yield is the average yield to maturity, or yield to put if applicable, of the holdings in the fund. If, however, that redemption yield is negative, the running yield is used in the calculation.

Annual performance (%)



Fund ratings

Overall Morningstar rating **★★★★**
 Source of Morningstar ratings: Morningstar, as at 31 May 2017
 Ratings should not be taken as a recommendation.

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 allows for the extensive use of derivatives.

Credit rating breakdown (%)

	Fund
AAA	0,0
AA	0,0
A	8,9
BBB	19,9
BB	24,0
B	2,5
CCC	0,6
CC	0,0
C	0,0
D	0,0
No Rating	44,2

Pre-packaged bank-issued synthetics: 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 (%)

	Fund
Technology	19,8
Financials	16,1
Industrials	12,2
Healthcare	9,2
Basic materials	9,0
Consumer services	8,3
Consumer goods	5,4
Telecommunications	5,0
Oil & gas	4,5
Utilities	1,5
Investment Grade indices	0,0
High Yield indices	0,0
Other	4,3
Cash	4,7

Largest holdings (%)

	Fund
Citrix Systems 0.5 % 15-Apr-2019	4,1
Altaba 0 % 01-Dec-2018	3,7
Priceline Group 0.9 % 15-Sep-2021	2,6
Cemex 3.72 % 15-Mar-2020	2,5
Evonik Industries 0.0 % 18-Feb-2021	2,4
Siemens 1.65 % 16-Aug-2019	2,3
Veon 0.25 % 20-Sep-2019	2,2
NXP Semiconductors 1.0 % 01-Dec-2019	2,1
Teva Pharmaceutical 0.25 % 02/01/2026	2,0
Evonik Industries 0.0 % 16-Mar-2023	2,0

Country breakdown (%)

	Fund
US	35,1
Netherlands	12,2
Germany	8,9
Mexico	4,0
China	3,9
Japan	3,6
UK	3,2
Israel	2,9
Other	21,6
Cash	4,7

Currency breakdown (%)

	Fund
US dollar	62,9
Euro	25,6
British pound	4,9
Japanese yen	3,1
Singapore dollar	2,7
Hong Kong dollar	0,5
Chinese renminbi	0,3

Performance review

June turned out to be a more volatile month for financial markets than we have been used to recently. For instance, technology stocks, which have been remarkably strong this year, suffered some sharp falls – and rapid rebounds – as investors began to question high valuations. Although economic indicators in the US, such as the payroll number and inflation, were lower than expected, the Federal Reserve (Fed) still increased interest rates by another 25 basis points. This gave little support to the US dollar, however, which weakened against both the euro and the pound, to the detriment of holders of US assets in Europe and the UK. Late in the month, bond markets were unsettled by signs that central bankers in the UK, Europe and Canada might be preparing to call an end to ultra-low interest rates. The fund outperformed the Thomson Reuters Global Focus Convertibles Index in June.

In local terms, US convertibles were the best performers during the month, although currency movements wiped out much of the gains to European and UK investors. Notable among the stocks that added value to fund performance was the convertible from Yahoo. The long-drawn out deal whereby Verizon acquired Yahoo's internet businesses was finally completed in June, and Yahoo has been reborn as an investment company called Altaba that holds stakes in Alibaba and Yahoo Japan. When Alibaba raised its revenue guidance significantly, it was reflected in higher prices for Yahoo's shares and convertible. The fund also holds a call option on Yahoo shares, which added value as well.

Other good performers included convertibles from Teva Pharmaceuticals and Allergan, as it appeared that the Republican plans for US healthcare reform would not constrain drug price rises. Meanwhile, Red Hat Software rallied after announcing consensus-beating results.

On the other hand, convertibles from certain other US technology firms were caught up in the weakness of the sector. This included bonds from Citrix Systems, ON Semiconductor and Nuance Communications. Fund Manager Léonard Vinville is confident that all these holdings will be beneficial over the medium term.

One technology stock that performed well was Tesla, and not owning the electric car manufacturer's convertibles weighed on relative performance. Tesla does not satisfy Léonard's rigorous selection criteria. Other detractors included the convertibles from Siemens and Evonik in Germany.

Key changes

Portfolio activity was relatively limited in June. The convertible from Stillwater Mining left the fund after the issuer was acquired, while a bond from CapitaCommercial Trust in Singapore was converted into equity. Léonard sold half the resulting shares. He also closed the options positions he had established on Yahoo, which had generated good returns for the fund, while selling a call option on Priceline. Selling a call gives some protection against a potential fall in the share price of Priceline, which would be reflected in the group's convertibles, both of which have relatively high equity sensitivity. Meanwhile, Léonard increased the fund's exposure to convertibles from Zhejiang Expressway and CRRC in China, as well as Teva Pharmaceuticals.

Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
Euro A Inc	GB00B929RL77	MGCEUAI LN	1,50 %	1,68 %	€1.000	€75
Euro A Acc	GB00B1Z68494	MGGLOE LN	1,50 %	1,67 %	€1.000	€75
Euro A-H Acc	GB00B4X3NX75	MGGCAHE LN	1,50 %	1,69 %	€1.000	€75
Euro A-H Inc	GB00B933KJ72	MGCEAHI LN	1,50 %	1,70 %	€1.000	€75
Euro B Acc	GB00B95HC793	MGCEBAC LN	2,00 %	2,17 %	€1.000	€75
Euro B Inc	GB00BYQBR68	MGGCBIN LN	2,00 %	2,18 %	€1.000	€75
Euro B-H Acc	GB00B92WYV59	MGCEBHA LN	2,00 %	2,19 %	€1.000	€75
Euro B-H Inc	GB00BYQBS75	MGGCBHI LN	2,00 %	2,19 %	€1.000	€75
Euro C Inc	GB00BK6MC479	MGCEECI LN	0,75 %	0,91 %	€ 500.000	€ 50.000
Euro C Acc	GB00B1Z68502	MGGLECE LN	0,75 %	0,91 %	€500.000	€50.000
Euro C-H Inc	GB00BK6MC586	MGCECHI LN	0,75 %	0,93 %	€ 500.000	€ 50.000
Euro C-H Acc	GB00B4WZ0J97	MGGCCHE LN	0,75 %	0,93 %	€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 31 January 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 30 June 2017, Euro Class A-H 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 30 June 2017 unless indicated otherwise.

The Morningstar Overall Rating based on the fund's Euro Class A-H shares. Copyright © 2017 Morningstar UK Limited. All Rights Reserved. Ratings should not be taken as recommendation.

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