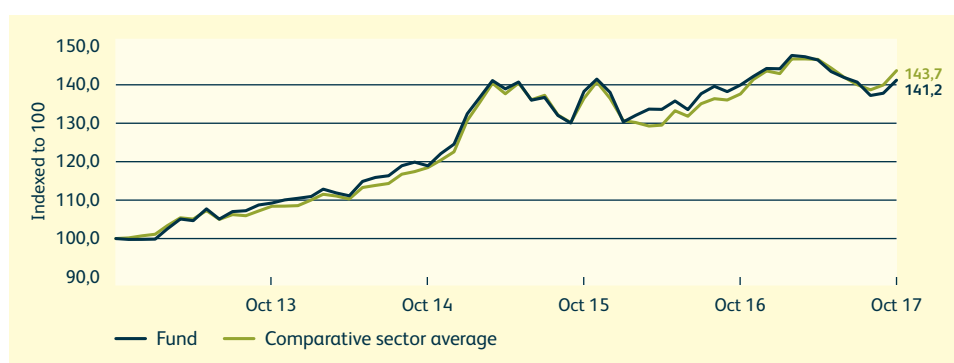


Summary

- Investor sentiment improved, driven by good news about corporate earnings and the global economy, and several stockmarkets reached record highs. US Treasury yields rose modestly but most other developed bond markets were stable. This resulted in another good month for convertibles.
- The fund had a strong month, with performance helped by a positive price swing.
- Several US technology convertibles ranked among the top contributors, while US healthcare holdings generally detracted.

Performance over 5 years



Key information

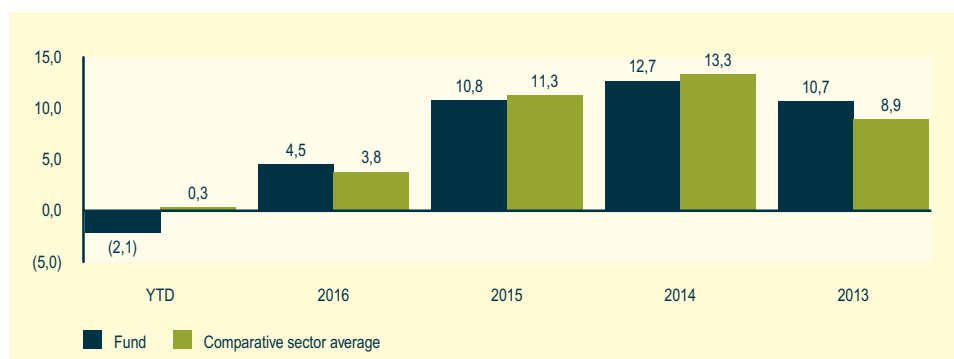
Fund manager	Léonard Vinville
Fund manager tenure from	13 July 2007
Deputy fund managers	David Romani, Yannis Karachalios
Launch date	13 July 2007
Launch of share class	13 July 2007
Fund size (millions)	€2.089,32
Fund type	OEIC, incorporated in the UK
Comparative index	Thomson Reuters Global Focus Convertible EUR Index
Comparative sector	Morningstar Convertible Bond - Global sector
Number of holdings	114
Delta	0,50
Convexity	4,84 %
Points over bond floor to maturity	13,8 %
Elasticity	43,6 %
Expected life (years)	2,1
Portfolio yield*	1,06 %
Duration (years)	1,4
Share type	Acc & Inc
Ongoing charge	1,66 %

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	+2,5	+0,4	-2,1	+0,9	+5,9	+7,1	+5,0	+5,0
Index	+2,2	+2,3	-0,4	+2,2	+5,5	+6,9	+4,4	+4,4
Sector	+2,7	+3,0	+0,3	+4,1	+6,2	+7,3	+4,5	+4,5
Ranking	11/19	18/19	15/19	14/18	8/16	8/14	2/6	2/6
Quartile ranking	3	4	4	4	2	3	1	1

* 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 30 September 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	10,8
BBB	25,2
BB	19,2
B	2,0
CCC	0,6
CC	0,0
C	0,0
D	0,0
No Rating	42,2

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	24,5
Financials	15,3
Industrials	14,3
Basic materials	11,0
Consumer services	8,5
Healthcare	8,1
Consumer goods	5,1
Oil & gas	3,3
Telecommunications	2,2
Utilities	1,1
Investment Grade indices	0,0
High Yield indices	0,0
Other	3,6
Cash	3,0

Largest holdings (%)

	Fund
Citrix Systems 0.5% 15-Apr-2019	4,3
Altaba 0% 01-Dec-2018	4,0
Priceline Group 0.9% 15-Sep-2021	2,9
RAG-Stiftung 0% 18/02/2021	2,6
Cemex 3.72% 15-Mar-2020	2,5
Siemens 1.65% 16-Aug-2019	2,4
NXP Semiconductors 1.0% 01-Dec-2019	2,2
DP World 1.75% 19-Jun-2024	2,2
Telenor East Holding II AS 0.25% 20/09/2019	2,2
RAG-Stiftung 0% 16/03/2023	2,2

Country breakdown (%)

	Fund
US	35,6
Netherlands	12,6
Germany	10,9
Mexico	4,4
China	3,9
Japan	3,5
Singapore	2,8
UK	2,6
Other	20,6
Cash	3,0

Currency breakdown (%)

	Fund
US dollar	62,6
Euro	25,8
British pound	4,7
Japanese yen	3,0
Singapore dollar	2,8
Hong Kong dollar	0,5
Chinese renminbi	0,3
Canadian dollar	0,2

Performance review

It appears that investors are beginning to believe the good news being released about corporate earnings and the global economy. Improving investor sentiment contributed to a supportive environment for equities that saw several stockmarkets reach record highs in October. Even Spain rallied, despite Catalonia's bid for independence. Although US government bond yields rose slightly, dovish central bank behaviour helped most developed bond markets to remain stable. Against this positive background, the convertibles market enjoyed a robust month. A stronger US dollar boosted the returns of US convertibles, the majority of the market, to investors in the UK and Europe.

The fund enjoyed a positive month, with several convertibles issued by technology companies adding substantial value. Performance was, however, flattered by a positive price swing of 0.6%.

Given that the US accounts for the largest proportion of the convertibles market and the fund, it is unsurprising that convertibles from the country had a large representation in both the largest positive and negative contributors.

Among the top performers were convertibles from Citrix Systems, ON Semiconductor and Red Hat. As well as reporting a well-received set of quarterly results, Citrix announced a restructuring programme to support its transformation to a cloud-based subscription business, all of which resulted in rallies in the price of the group's shares and convertible. Meanwhile, ON Semi and Red Hat were supported by further strength in the technology sector. Other holdings to

generate good returns included the convertible from Altaba, which rose in anticipation of good results from Alibaba, in which it has a major stake, and online travel services provider Priceline.

The largest detractor to performance was the position in the convertible from financial business Blackhawk Networks, whose quarterly results disappointed investors. The group, which provides pre-paid gift and debit cards, missed consensus revenue forecasts during the period, resulting in a steep fall in the share price. Fund Manager Léonard Vinville believes the price movement was an over-reaction, reflecting worries about US retail as a whole rather than being specific to Blackhawk. He would rather consider Blackhawk's expectations of a robust fourth quarter and used price weakness to increase the fund's weighting in the convertible.

US healthcare groups suffered another torrid month and convertibles from Allergan and Teva Pharmaceuticals weighed on returns. Allergan lost a patent suit over an ulcerative colitis drug while a rival to Teva's multiple sclerosis therapy was approved. For a discussion of the challenging conditions in the US generic drugs sector, please see the recent note published by the M&G Global Convertibles team, Convert-sations, October/November 2017.

Key changes

Portfolio activity mainly involved convertibles leaving the portfolio. The largest move concerned the convertible from Norwegian oil services provider Subsea 7, which was redeemed. Meanwhile, Léonard converted the fund's holding of a convertible from US REIT SL Green, receiving the cash value of the underlying shares. The disposal of a convertible from German residential property manager Leg Immobilien, which had performed well while in the portfolio, was completed during the month.

As well as exploiting price weakness to buy more of the Blackhawk Networks convertible, Léonard also added to positions in bonds convertible into Dubai-based port operator DP World and German polymer producer Covestro.

Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
Euro A Acc	GB00B1Z68494	MGGGLCOE LN	1,50 %	1,66 %	€1.000	€75
Euro A Inc	GB00B929RL77	MGCEUAI LN	1,50 %	1,66 %	€1.000	€75
Euro A-H Acc	GB00B4X3NX75	MGGCAHE LN	1,50 %	1,68 %	€1.000	€75
Euro A-H Inc	GB00B933KJ72	MGCEAHI LN	1,50 %	1,68 %	€1.000	€75
Euro B Inc	GB00BYQBR68	MGGCBIN LN	2,00 %	2,16 %	€ 1.000	€ 75
Euro B Acc	GB00B95HC793	MGCEBAC LN	2,00 %	2,16 %	€1.000	€75
Euro B-H Acc	GB00B92WYV59	MGCEBHA LN	2,00 %	2,18 %	€1.000	€75
Euro B-H Inc	GB00BYQRBS75	MGGCBHI LN	2,00 %	2,18 %	€ 1.000	€ 75
Euro C Acc	GB00B1Z68502	MGGLECE LN	0,75 %	0,91 %	€500.000	€50.000
Euro C Inc	GB00BK6MC479	MGCEECI LN	0,75 %	0,91 %	€ 500.000	€ 50.000
Euro C-H Acc	GB00B4WZ0J97	MGGCCHE LN	0,75 %	0,93 %	€500.000	€50.000
Euro C-H Inc	GB00BK6MC586	MGCECHI 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 July 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.

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

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