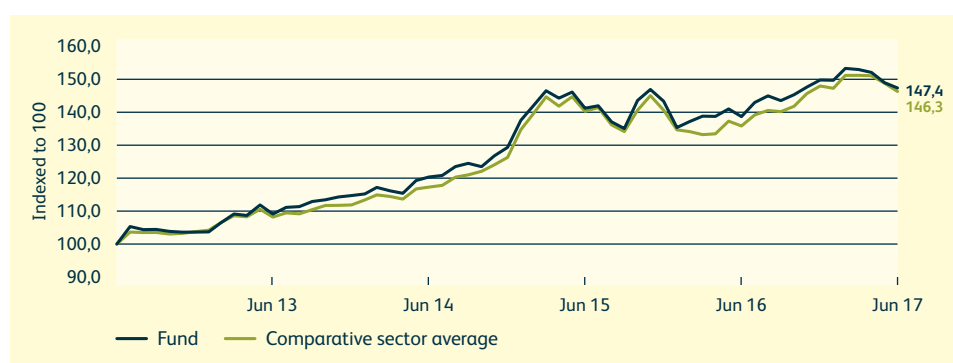


Euro Class A

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

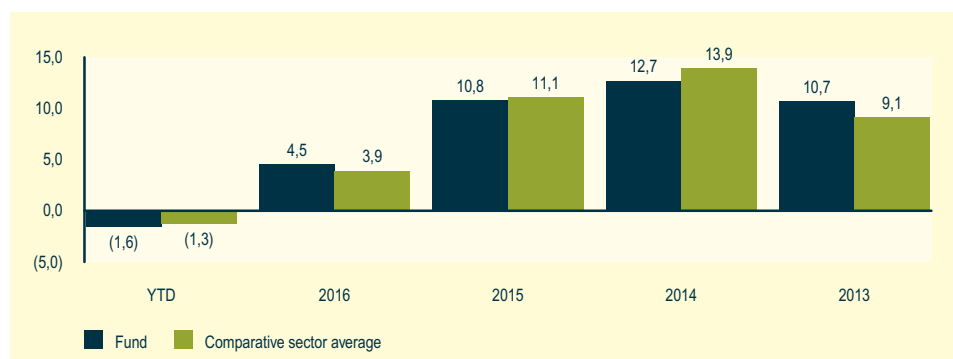
Fund manager	Léonard Vinville
Fund manager tenure from	13 July 2007
Deputy fund managers	David Romani, Yannis Karachalios
Launch date	13 July 2007
Launch of share class	13 July 2007
Fund size (millions)	€2.197,63
Fund type	OEIC, incorporated in the UK
Comparative index	Thomson Reuters Global Focus Convertible EUR Index
Comparative sector	Morningstar Convertible Bond - Global sector
Number of holdings	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	1,67 %

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	-1,1	-3,7	-1,6	+6,3	+7,0	+8,1	+5,2	+5,2
Index	-1,8	-3,5	-1,2	+5,0	+6,4	+7,2	+4,4	+4,4
Sector	-1,7	-3,2	-1,3	+7,0	+7,3	+7,7	+4,5	+4,5
Ranking	3/18	9/18	9/18	10/17	8/15	7/13	2/6	2/6
Quartile ranking	1	2	2	3	2	2	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 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	GB00BYQRB575	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	MGGCEC 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 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 shares. Copyright © 2017 Morningstar UK Limited. All Rights Reserved. Ratings should not be taken as recommendation.

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 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, or the Irish facilities agent: Société Générale SA, Dublin Branch, 3rd Floor IFSC House – The IFSC Dublin 1, Ireland. 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 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 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.

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