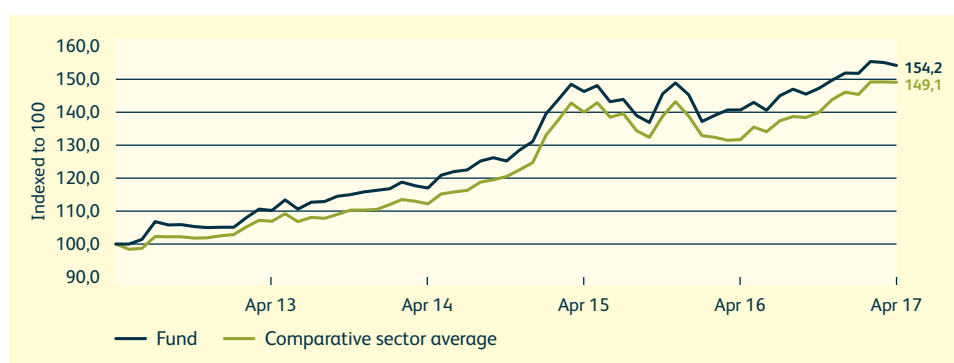


## Euro Class A

### Summary

- Many financial markets rose in April, in local terms, recovering from earlier falls. A weaker US dollar weighed on the convertibles market.
- The earnings season had a major effect on performance, with companies that beat analysts' forecasts being rewarded with higher prices for their shares and convertibles, while those that fell short slipped back.
- Convertibles from Elekta, Euronet Worldwide and Ubisoft left the portfolio, while others from Blackhawk, Steinhoff and Zhejiang Expressway joined.

### Performance over 5 years



### Key information

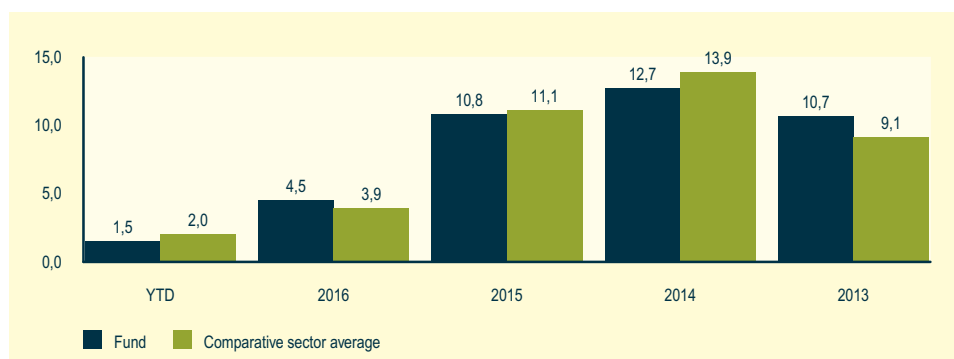
<b>Fund manager</b>	Léonard Vinville
<b>Fund manager tenure from</b>	13 July 2007
<b>Deputy fund managers</b>	David Romani, Yannis Karachalios
<b>Launch date</b>	13 July 2007
<b>Launch of share class</b>	13 July 2007
<b>Fund size (millions)</b>	€2.285,66
<b>Fund type</b>	OEIC, incorporated in the UK
<b>Comparative index</b>	Thomson Reuters Global Focus Convertible EUR Index
<b>Comparative sector</b>	Morningstar Convertible Bond - Global sector
<b>Number of holdings</b>	113
<b>Delta</b>	0,51
<b>Convexity</b>	4,34 %
<b>Points over bond floor to maturity</b>	13,9 %
<b>Elasticity</b>	42,6 %
<b>Expected life (years)</b>	2,2
<b>Portfolio yield*</b>	1,10 %
<b>Duration (years)</b>	1,5
<b>Share type</b>	Acc & Inc
<b>Ongoing charge</b>	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	-0,6	+1,6	+1,5	+9,6	+9,6	+9,0	+5,6	+5,6
Index	-0,3	+2,4	+2,1	+9,9	+8,5	+8,4	+4,8	+4,8
Sector	-0,1	+2,5	+2,0	+12,2	+9,6	+8,6	+4,8	+4,8
Ranking	15/18	15/18	12/18	12/18	8/15	6/13	2/6	2/6
Quartile ranking	4	4	3	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 March 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	10,0
BBB	17,6
BB	26,9
B	2,2
CCC	0,5
CC	0,0
C	0,0
D	0,0
No Rating	42,8

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	22,5
Financials	13,4
Industrials	11,6
Basic materials	9,5
Healthcare	8,4
Consumer services	8,1
Consumer goods	5,1
Telecommunications	4,9
Oil & gas	4,6
Utilities	1,7
Investment Grade indices	0,0
High Yield indices	0,0
Other	4,3
Cash	5,9

## Largest holdings (%)

	Fund
Citrix Systems 0.5 % 15-Apr-2019	4,2
Yahoo! 0.0 % 1-Dec-2018	3,4
Priceline Group 0.9 % 15-Sep-2021	2,7
Siemens 1.65 % 16-Aug-2019	2,5
Cemex 3.72 % 15-Mar-2020	2,5
Evonik Industries 0.0 % 18-Feb-2021	2,3
Veon 0.25 % 20-Sep-2019	2,3
Semiconductors 1.0 % 01-Dec-2019	2,1
Evonik Industries 0.0 % 16-Mar-2023	1,9
CapitaLand 1.95 % 17-Oct-2023	1,8

## Country breakdown (%)

	Fund
US	35,6
Netherlands	11,6
Germany	8,9
Mexico	3,9
Japan	3,8
UK	3,2
Singapore	3,0
Italy	2,7
Other	21,4
Cash	5,9

## Currency breakdown (%)

	Fund
US dollar	59,9
Euro	24,5
British pound	7,9
Japanese yen	3,3
Singapore dollar	3,0
Hong Kong dollar	0,7
Chinese renminbi	0,4
Canadian dollar	0,3

## Performance review

On the whole, financial markets rose in April, in local terms at least, with most equity markets rallying and bond markets also positive, although investors had plenty of news to contend with. Early in the month, increasing geopolitical tension weighed on sentiment as US President Donald Trump launched air strikes against Syria and ratcheted up aggressive rhetoric with North Korea. However, these fears appeared to fade following a win for Emmanuel Macron in the first round of the French elections and some robust US corporate earnings. The strength of sterling, following the surprise announcement of a UK election to be held in June, and of the euro, led to lower returns from overseas assets to investors based in those currencies. The relative weakness of the US dollar weighed on convertible returns, since the majority of the universe is denominated in the currency. The fund's performance was slightly behind that of its benchmark, with hedged share classes doing better than unhedged.

The earnings season had a major effect on the convertibles market, with companies that beat analysts' forecasts being rewarded with higher prices for their shares and convertibles, while those that fell short slipped back. Among the businesses whose results pleased investors, to the benefit of the fund, were glass packaging manufacturer Owens-Illinois and internet firm Yahoo in the US, as well as German pharmaceutical company Bayer. The fund contains a stake in the equity of Owens-Illinois, a call option and a convertible from Yahoo and a mandatory convertible into Bayer. On the other hand, the convertible from US cloud-computing group Citrix Systems, which has been a very strong performer recently, declined when guidance for the current quarter was seen as disappointing. The convertibles from two other US technology groups, Electronics for Imaging and ON Semiconductor, also detracted from performance.

Away from company earnings, the equity and convertible from Italian asset manager Azimut moved higher when the group announced that it would tender for the convertible at a price above the market

value. This process will enable Azimut to optimise its capital structure and save on interest payments while avoiding potential shareholder dilution.

In a reversal of last month's price activity, the fund's performance relative to the Thomson Reuters Global Focus Convertibles Index was boosted by having no exposure to two convertibles in the US oil & gas sector, Weatherford International and Cheasapeake Energy, both of which fell during the month. On the other hand, not owning convertibles from electric car manufacturer Tesla was detrimental. None of these bonds satisfied Fund Manager Léonard Vinville's rigorous selection criteria.

## Key changes

Léonard has been making a conscious effort to reduce exposure to higher equity sensitivity convertibles trading a long way above their bond floors, which he believes offer little further upside. This included convertibles from electronic payment facilitator Euronet Worldwide and online travel services group Priceline in the US, and video games publisher Ubisoft Entertainment from France. Euronet and Ubisoft were sold completely, with Ubisoft having become very expensive as it reflected the possibility of a takeover by French media giant Vivendi. Léonard also sold a small position in US data management group NICE Systems, which he had bought at issue. Although the company appears attractive in terms of credit, the equity seemed overvalued. A convertible from Swedish cancer therapy developer Elekta left the portfolio when it was redeemed.

At the same time, Léonard has been purchasing more balanced convertibles with greater potential upside. In April he added convertibles from Blackhawk Network, Steinhoff and Zhejiang Expressway. Blackhawk is a US financial company that provides a range of prepaid gift and debit cards, so operates in a similar area to Euronet Worldwide. However, in Léonard's opinion, the Blackhawk convertible is more technically attractive and offers greater potential upside. Léonard increased the fund's exposure to Steinhoff, an integrated South African retailer, by adding another convertible to complement the two bonds already held. Finally, the credit quality of Zhejiang, which manages toll roads in China, appears robust while its equity seems undervalued.

## 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 Inc	GB00B933KJ72	MGCEAHI LN	1,50 %	1,70 %	€1.000	€75
Euro A-H Acc	GB00B4X3NX75	MGGCAHE LN	1,50 %	1,69 %	€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 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 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 April 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 April 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.

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