

Highlights

- Risk assets suffered in March, hit by threats of a trade war and a sell-off in the technology sector. Government bonds were supported by a flight to safety.
- The convertibles market reflected falls in stockmarkets, albeit to a lesser extent as they benefited from the protection offered by their bond element. The fund was behind a comparative index.
- Among much activity in the portfolio was the purchase of convertibles from Supernus Pharmaceuticals and RingCentral.

Risks associated with this fund

For any past performance shown, please note that past performance is not a guide to future performance.

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 fund may use derivatives to gain exposure to investments exceeding the value of the fund (leverage). This may cause greater changes in the fund's price and increase the risk of loss.

Changes in currency exchange rates will affect the value of your investment.

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).

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 March)

From To	01.04.17 31.03.18	01.04.16 31.03.17	01.04.15 31.03.16	01.04.14 31.03.15	01.04.13 31.03.14
Euro A Acc	-10,1%	10,2%	-5,3%	26,1%	6,4%

Performance over 5 years



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	-1,8	-3,4	-3,4	-10,1	-2,1	+4,7	+4,2	+4,2
Index	-1,5	-0,7	-0,7	-6,6	-1,0	+5,0	+3,8	+3,8
Sector	-1,5	-1,5	-1,5	-6,2	-1,0	+5,3	+3,9	+3,9
Ranking	14/17	16/17	16/17	16/17	12/17	8/14	2/6	2/6
Quartile ranking	4	4	4	4	3	3	1	1

Past performance is not a guide to future performance.

Things you should know

The fund allows for the extensive use of derivatives.

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)	€1.906,84
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	117
Delta	0,45
Convexity	4,99%
Points over bond floor to maturity	12,1%
Elasticity	38,5%
Expected life (years)	2,1
Portfolio yield*	1,11%
Duration (years)	1,4
Share type	Acc & Inc
Ongoing charge	1,67%

* 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.

Fund ratings

Overall Morningstar rating **★★★**
Source of Morningstar ratings: Morningstar, as at 28 February 2018
Ratings should not be taken as a recommendation.

Credit rating breakdown (%)

	Fund
AAA	0,0
AA	0,0
A	12,4
BBB	24,5
BB	19,8
B	1,4
CCC	0,7
CC	0,0
C	0,0
D	0,0
No rating	41,2

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	22,0
Industrials	16,9
Financials	15,3
Basic materials	13,0
Health care	9,8
Consumer services	6,9
Oil & gas	3,6
Consumer goods	3,5
Telecommunications	2,1
Utilities	1,0
Other	3,8
Cash	2,1

Largest holdings (%)

	Fund
Citrix Systems 0.5% 15-Apr-2019	3,0
DP World 1.75% 19-Jun-2024	2,9
RAG-Stiftung 0% 18-Feb-2021	2,8
Siemens Financieringsmaatschappij NV 1.65% 16-Aug-2019	2,8
NXP Semiconductors 1% 01-Dec-2019	2,7
Cemex 3.72% 15-Mar-2020	2,6
RAG-Stiftung 0% 16-Mar-2023	2,3
Capitaland 1.95% 17-Oct-2023	2,1
Telenor East 0.25% 20-Sep-2019	2,1
Bayer 0.05% 15-Jun-2020	2,0

Country breakdown (%)

	Fund
US	33,3
Netherlands	13,0
Germany	11,4
Japan	5,1
China	4,5
Mexico	4,3
France	3,9
Singapore	3,6
Other	18,8
Cash	2,1

Currency breakdown (%)

	Fund
US dollar	61,0
Euro	24,7
Japanese yen	4,6
British pound	3,9
Singapore dollar	3,6
Chinese renminbi	0,9
Hong Kong dollar	0,6
Canadian dollar	0,4
Mexican peso	0,3
Other	0,0

Commentary

Investors had to deal with a series of unsettling events in March, many of them inspired by President Trump. Stockmarkets fell around the world as a result. Trump's imposition of tariffs on a range of US imports from China, which prompted China to retaliate, led to fears of a global trade war. Further reshuffles in the White House added to nervousness, while a data misuse scandal at Facebook threatened to bring a new regulatory regime for giant technology groups that could limit the earnings growth of these companies. Bond markets benefited from a flight to safety, as risk assets were shunned. The convertibles market reflected the falls in stockmarkets, albeit to a lesser extent as they benefited from the protection offered by their bond element. The US dollar weakened relative to sterling and the euro, reducing the returns from US convertibles — the majority of the market — to investors in the UK and Europe. Hedged share classes performed better than the unhedged ones. The fund's returns were behind the Thomson Reuters Global Focus Convertibles Index, with relative performance adversely affected by stock selection in Germany and the Netherlands, as well as exposure to the basic materials sector.

With global trade under threat, some of the fund's largest detractors to performance included companies most exposed to international commerce. This included two convertibles into Russian steelmaker Severstal and German chemical group Covestro. Meanwhile, the sell-off in the technology sector weighed on convertibles from NXP Semiconductor and Altaba. On a more positive note, value was added by equity stakes in companies such as US healthcare firm Allergan, Hong Kong-based software developer Kingdee International and Japanese sportswear supplier ASICS. Kingdee reported better-than-expected results, while Allergan announced encouraging news regarding the development of an anti-cancer drug, as well as benefiting from being seen as defensive.

Key changes

March was an active month in terms of changes to the portfolio. Fund Manager Léonard Vinville purchased two recently issued convertibles, from Supernus Pharmaceuticals and RingCentral, both from the US. Supernus develops drugs for the treatment of diseases of the central nervous system. The group has a promising drug pipeline. RingCentral designs cloud-based software to support modern communications. Both convertibles were attractively priced.

Léonard also took further action to reduce the risk in the portfolio by scaling back positions in convertibles that have performed well and become more equity-sensitive than he desired, since they could be vulnerable to share price falls. For example, he continued the process of reducing the size of positions in convertibles from equity holding company Altaba, technology group Citrix Systems, online travel services firm Bookings and chip maker ON Semiconductor, all in the US. After a good rally, the stake in Kingdee International was sold.

Finally, a mandatory convertible from Allergan reached maturity and was converted into shares, increasing the fund's holding of shares in the drug developer.

Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
Euro A Acc	GB00B1Z68494	MGGLCOE LN	1,50%	1,67%	€1.000	€75
Euro A Inc	GB00B929RL77	MGCEUAI LN	1,50%	1,67%	€1.000	€75
Euro A-H Acc	GB00B4X3NX75	MGCEAHE LN	1,50%	1,69%	€1.000	€75
Euro A-H Inc	GB00B933KJ72	MGCEAHI LN	1,50%	1,69%	€1.000	€75
Euro B Inc	GB00BYQRBR68	MGGCBIN LN	2,00%	2,17%	€1.000	€75
Euro B Acc	GB00B95HC793	MGCEBAC LN	2,00%	2,17%	€1.000	€75
Euro B-H Acc	GB00B92WYV59	MGCEBHA LN	2,00%	2,19%	€1.000	€75
Euro B-H Inc	GB00BYQRBS75	MGGCBHI LN	2,00%	2,19%	€1.000	€75
Euro C Acc	GB00B1Z68502	MGGLCEC LN	0,75%	0,92%	€500.000	€50.000
Euro C Inc	GB00BK6MC479	MGCEECI LN	0,75%	0,92%	€500.000	€50.000
Euro C-H Inc	GB00BK6MC586	MGCECHI LN	0,75%	0,94%	€500.000	€50.000
Euro C-H Acc	GB00B4WZ0397	MGGCCHE LN	0,75%	0,94%	€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 2018.

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 31 March 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 31 March 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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