

# M&G (Lux) Global Convertibles Fund Euro Class A – Accumulation shares



Monthly Fund Review as at 31 July 2019

For investment professionals only

## Highlights

- Equity markets rallied as investors became increasingly convinced that interest rates would be cut. The prospect of lower interest rates also supported bond markets. Convertibles rose, in line with equities and ahead of government bonds.
- The fund performed strongly, with returns ahead of the Thomson Reuters Global Focus Convertibles Index. A weaker euro boosted unhedged returns.
- The largest positive contributions came from convertibles in the US, particularly in the technology sector.

## The main risks associated with this fund

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

The value and income from the fund's assets will go down as well as up. This will cause the value of your investment to fall as well as rise. There is no guarantee that the fund will achieve its objective and you may get back less than you originally invested.

Convertibles are subject to the risks associated with both bonds and company shares, and to risks specific to the asset class. Their value may change significantly depending on economic and interest rate conditions, the creditworthiness of the issuer and the performance of the underlying company shares. In addition, issuers of convertibles may fail to meet payment obligations and their credit ratings may be downgraded. Convertibles may also be harder to sell than the underlying company shares.

The fund may use derivatives to profit from an expected rise or fall in the value of an asset. Should the asset's value vary in an unexpected way, the fund may lose as much as or more than the amount invested.

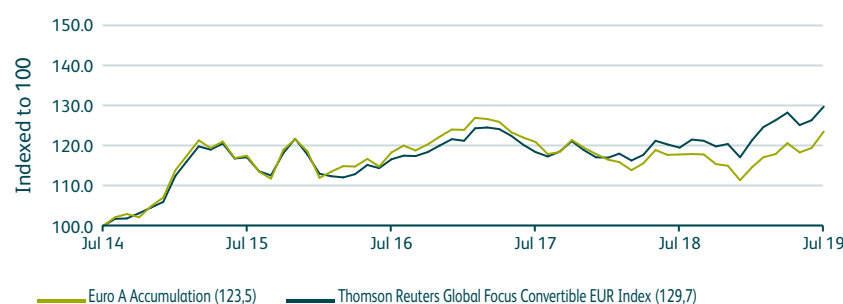
The fund can be exposed to different currencies. Movements in currency exchange rates may adversely affect the value of your investment.

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)

	2018	2017	2016	2015	2014
■ Euro A Accumulation	-5,6%	-4,9%	4,5%	10,8%	12,7%
■ Thomson Reuters Global Focus Convertible EUR Index	0,0%	-3,7%	3,2%	11,1%	12,7%
■ Sector	-4,2%	-0,3%	3,4%	9,0%	9,9%

## Performance over 5 years



## Fund performance

	1 month (%)	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)	Since launch (%)
					p.a.	p.a.	
■ Euro A Accumulation	3,5%	2,4%	10,9%	4,8%	1,4%	4,3%	-
■ Thomson Reuters Global Focus Convertible EUR Index	2,7%	1,2%	10,8%	8,5%	3,6%	5,3%	-
■ Sector	1,8%	1,2%	8,9%	3,3%	2,3%	3,9%	-

### Past performance is not a guide to future performance.

Performance prior to 9 November 2018 is that of the EUR Class A Accumulation of the M&G Global Convertibles Fund (a UK-authorized OEIC), which merged into this fund on 7 December 2018. Tax rates and charges may differ.

Source: Morningstar, Inc and M&G, as at 31 July 2019. Returns are calculated on a price to price basis with income reinvested.

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## Key information

Fund manager	Léonard Vinville
Fund manager tenure from	13 July 2007
Deputy fund manager	David Romani, Yannis Karachalios
ISIN	LU1670708335
Launch date of fund	09 November 2018
Launch of share class	09 November 2018
Fund size (millions)	€ 791,63
Fund type	Luxembourg SICAV
Comparative index	Thomson Reuters Global Focus Convertible EUR Index
Comparative sector	Morningstar Convertible Bond - Global sector
Number of holdings	81
Average credit rating	BBB
Duration of bond portion (years)	1,75
Delta	0,49
Convexity	5,8%
Points over bond floor to maturity	13,7%
Elasticity	39,8%
Expected life	2,8
Portfolio yield (%)	1,06%

\*Manager tenure\* includes the period when managing an equivalent UK-authorized OEIC. Please see 'Important information' at the end of this document for further details.

## Charges

Entry charge	4,00%
Ongoing charge	1,71%

## Things you should know

The fund allows for the extensive use of derivatives.

## Fund ratings

Overall Morningstar rating	★★★
Source of Morningstar ratings: Morningstar, as at 31 July 2019	
Ratings should not be taken as a recommendation.	

## Industry breakdown (%)

	Fund
Technology	25,2
Healthcare	18,6
Industrials	12,5
Financials	11,9
Consumer goods	8,6
Consumer services	8,2
Basic materials	6,3
Oil & gas	6,1
Telecommunications	0,7
Other	1,5
Cash	0,5

## Largest holdings (%)

	Fund
Vinci 0.375% 16-Feb-2022	3,3
Sony 0% 30-Sep-2022	3,3
Total 0.5% 02-Dec-2022	3,1
Priceline 0.9% 15-Sep-2021	3,0
Jazz Investments I Ltd 1.875% 15-Aug-2021	2,7
Extra Space Storage LP 3.125% 05-Oct-2020	2,5
Stmicroelectronics 0% 03-Jul-2022	2,4
Supernus Pharmaceuticals Inc 0.625% 01-Apr-2023	2,4
Twitter Inc 0.25% 15-Jun-2024	2,3
JPMorgan Chase & Co 0.25% 01-May-2023	2,3

## Country breakdown (%)

	Fund
US	39,2
Netherlands	10,8
France	7,8
Japan	7,1
Bermuda	5,4
Cayman Islands	5,2
China	2,9
Germany	2,7
Other	18,5
Cash	0,5

## Credit rating breakdown (%)

	Net exposure
AAA	0,0
AA	1,3
A	16,2
BBB	9,0
BB	11,5
B	5,7
CCC	0,0
CC	0,0
C	0,0
D	0,0
No rating	56,3

## Currency breakdown (%)

	Fund
US dollar	67,8
Euro	13,0
Japanese yen	13,8
Hong Kong dollar	3,2
Singapore dollar	1,7
Canadian dollar	0,8
South African rand	0,0
Swiss franc	0,0
British pound	-0,3

## Commentary

In July, growing expectations of lower interest rates, particularly in the US but also in Europe and the UK, boosted investors' risk appetite, leading to strong rallies in many stockmarkets. Eventually, the European Central Bank (ECB) left interest rates on hold, while, right at the end of the month, the Federal Reserve (Fed) cut by 0.25% but stated this was not the beginning of a long series of cuts, to the disappointment of many investors.

Most fixed income markets delivered positive returns as economic data remained weak, reinforcing the belief that interest rates were more likely to fall than rise. Convertible bonds performed well, reflecting the rallies in equity and bond prices.

The fund generated a solid return over the month, ahead of the Thomson Reuters Global Focus Convertibles Index. The euro weakened relative to the US dollar and Japanese yen, boosting the returns of convertibles denominated in those currencies; the unhedged share classes therefore did better than the hedged share classes.

The largest positive contributions were generated by convertibles from the US, particularly in the technology sector, where several issuers reported well-received financial results. Among the US technology holdings that added value were convertibles from Twitter, RingCentral, Akamai Technologies, Palo Alto Networks and ON Semiconductor. A convertible from Extra Space Storage also rose after the REIT reported good earnings. Elsewhere, Japanese consumer electronics conglomerate Sony and French construction group Vinci announced forecast-beating profits, which caused their convertibles to rise in price.

The detractors included our holdings of convertibles and shares in Cemex, as well as exposure to energy producers Total and ENI which were hit by lower oil prices. Mexican building products group Cemex reported weak quarterly results due to trade tension and adverse weather conditions. Meanwhile, the deteriorating environment for manufacturing weighed on our exposure to steel makers Severstal and Aperam. Relative to the Thomson Reuters Global Focus Index, not owning convertibles from US pay-TV company Dish Network and Swiss chemicals business Sika was beneficial, although avoiding the convertibles from semiconductor firm Microchip Technology and electric vehicle manufacturer Tesla in the US weighed on returns.

## Key changes

We did not initiate any new positions in July but added to recently purchased convertibles that have a favourable risk/reward profile or where we have positive views on the issuers, including those from Japanese medical equipment supplier Ship Healthcare, personal financial services provider Ping An and Link REIT, both from Hong Kong, and US online security provider Palo Alto.

We sold one of our convertibles from US voice recognition software provider Nuance Communications as our other holding was longer-dated and more convex, and completed the disposal of convertibles from port operator DP World and Siemens. However, we maintained exposure to the German engineer via an exchangeable bond. We reduced exposure to convertibles from Chinese train builder CRRC due to its low equity sensitivity and US chip maker NXP Semiconductor as it has only a short time to maturity. As the macroeconomic fundamentals for Cemex appear to have deteriorated, we sold our stake in the group's shares and reduced the size of our convertible holdings.

## Fund codes and charges

Share class	ISIN	Bloomberg	Currency	Launch date of fund	Ongoing charge	Minimum initial investment	Minimum top up investment
Euro A Acc	LU1670708335	MGGCEAA LX	EUR	09/11/2018		€1.000	€75
Euro A Inc	LU1670708418	MGGCEUA LX	EUR	09/11/2018	1,71%	€1.000	€75
Euro A-H Acc	LU1670708509	MGCEAHA LX	EUR	09/11/2018	1,73%	€1.000	€75
Euro A-H Inc	LU1670708681	MGCEAHD LX	EUR	09/11/2018	1,73%	€1.000	€75
Euro B Acc	LU1670708764	MGGCEBA LX	EUR	09/11/2018	2,21%	€1.000	€75
Euro B Inc	LU1670708848	MGGCEBD LX	EUR	09/11/2018	2,21%	€1.000	€75
Euro B-H Acc	LU1670708921	MGGEBHA LX	EUR	09/11/2018	2,23%	€1.000	€75
Euro B-H Inc	LU1670709069	MGGEBHD LX	EUR	09/11/2018	2,23%	€1.000	€75
Euro C Acc	LU1670709143	MGGCECA LX	EUR	09/11/2018	0,96%	€500.000	€50.000
Euro C Inc	LU1670709226	MGGCECD LX	EUR	09/11/2018	0,95%	€500.000	€50.000
Euro C-H Acc	LU1670709499	MGGCECH LX	EUR	09/11/2018	0,98%	€500.000	€50.000
Euro C-H Inc	LU1670709572	MGGCECHD LX	EUR	09/11/2018	0,98%	€500.000	€50.000
Euro CI Acc	LU1797811749	MGGECIA LX	EUR	19/11/2018	0,92%	€500.000	€50.000
Euro CI-H Acc	LU1797812044	MGGCIHA LX	EUR	19/11/2018	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 do not include portfolio transaction costs. They are based on expenses for the period ending 31 March 2019. Any ongoing charge figure with \* indicates an estimate. The fund's annual report for each financial year will include details of the exact charges.

Please note that not all of the share classes listed above might be available in your country.

Please see the Important Information for Investors document and the relevant Key Investor Information Document for more information on the risks associated with this fund and which share classes are available for which product and which investor type.

## Important information

On 9 November 2018, the non-sterling assets of the M&G Global Convertibles Fund, a UK-authorized OEIC, merged into the M&G (Lux) Global Convertibles Fund, a Luxembourg-authorized SICAV, which launched on 9 November 2018. The SICAV is run by the same fund manager, applying the same investment strategy, as the UK-authorized OEIC.

Performance prior to 9 November 2018 is that of the EUR Class A Accumulation of the M&G Global Convertibles Fund (a UK-authorized OEIC), which merged into this fund on 7 December 2018. Tax rates and charges may differ.

The M&G (Lux) Global Convertibles Fund is a sub-fund of M&G (Lux) Investment Funds 1.

The Morningstar Overall Rating based on the fund's Euro Class A shares. Copyright © 2019 Morningstar UK Limited. All Rights Reserved. Ratings should not be taken as recommendation.

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Before subscribing investors should read the Prospectus, which includes a description of the investment risks relating to these funds.

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