

M&G European High Yield Bond Fund Sterling Class I – Accumulation shares



Monthly Fund Review as at 30 September 2019

For investment professionals only

Fund description

The fund aims to provide income and capital growth by investing at least 70% of the portfolio in bonds issued by companies with a low credit rating, which typically pay higher levels of interest to compensate investors for the greater risk of default. The bonds may be denominated in any European currency. The fund also invests in bonds issued by governments (usually of developed countries) and investment grade corporate bonds. Asset exposure is gained through physical holdings and the use of derivatives.

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.

Investments in bonds are affected by interest rates, inflation and credit ratings. It is possible that bond issuers will not pay interest or return the capital. All of these events can reduce the value of bonds held by the fund.

High yield bonds usually carry greater risk that the bond issuers may not be able to pay interest or return the capital.

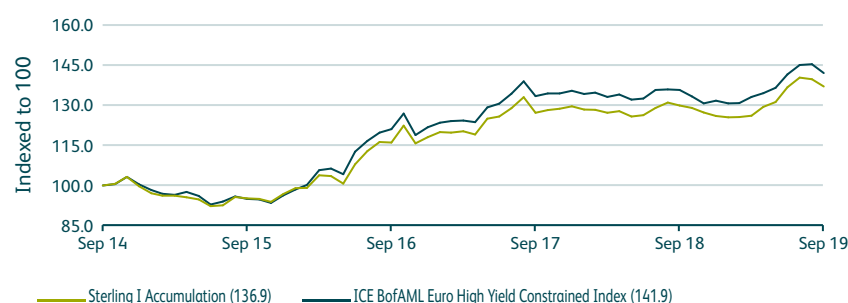
The fund is exposed to different currencies. Derivatives are used to minimise, but may not always eliminate, the impact of movements in currency exchange rates.

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
■ Sterling I Accumulation	-2.8%	9.8%	21.9%	-2.9%	-4.2%
■ ICE BofAML Euro High Yield Constrained Index	-2.7%	11.2%	26.4%	-4.1%	-1.3%
■ Sector	-3.2%	10.3%	24.7%	-3.6%	-3.2%

Performance over 5 years



Fund performance

	1 month (%)	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)
					p.a.	p.a.
■ Sterling I Accumulation	-2.0%	0.3%	8.8%	5.5%	5.7%	6.5%
■ ICE BofAML Euro High Yield Constrained Index	-2.3%	0.4%	7.8%	4.7%	5.5%	7.3%
■ Sector	-2.2%	-0.1%	5.7%	2.7%	4.2%	6.1%

Past performance is not a guide to future performance.

Performance comparison: The fund is actively managed. The benchmark is a comparator against which the fund's performance can be measured. The index has been chosen as the fund's comparator benchmark as it best reflects the fund's investment policy. The comparator benchmark does not constrain the fund's portfolio construction.

Source: Morningstar, Inc and M&G, as at 30 September 2019. Returns are calculated on a price to price basis with income reinvested. Benchmark returns stated in GBP terms.

Performance charts © 2019 Morningstar Inc., All Rights Reserved. The information contained within: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Key information

Fund manager	James Tomlins
Fund manager tenure from	01 December 2011
Deputy fund manager	Stefan Isaacs
ISIN	GB00B76MD544
Launch date of fund	15 October 1999
Launch of share class	03 August 2012
Fund size (millions)	£ 26.17
Benchmark	ICE BofAML Euro High Yield Constrained Index
Benchmark type	Comparator
Sector	Morningstar EUR High Yield Bond sector
Number of issuers	91
Distribution yield	3.89%
Underlying yield	3.89%
Average credit rating	B+
Modified duration (years)	2.60
Average coupon	4.72
Spread duration (years)	3.7
Payment dates	Feb, May, Aug, Nov
Ex-dividend dates	Jan, Apr, Jul, Oct

Charges

Entry charge	0.00%
Ongoing charge	0.70%

Things you should know

The fund allows for the extensive use of derivatives.

Fund ratings

Overall Morningstar rating
Financial Express Crown Rating



Source of Morningstar ratings: Morningstar, as at 30 September 2019
Source: Financial Express

Ratings should not be taken as a recommendation.

Asset breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
Government bonds	3.2	0.0	0.0	3.2
Investment grade corporate bonds	2.7	0.0	0.0	2.7
Fixed rate	0.8	0.0	0.0	0.8
Floating rate	1.9	0.0	0.0	1.9
Index linked	0.0	0.0	0.0	0.0
Credit default swap indices	0.0	0.0	0.0	0.0
High yield corporate bonds	79.4	0.0	13.5	92.9
Fixed rate	57.5	0.0	0.0	57.5
Floating rate	21.9	0.0	0.0	21.9
Index linked	0.0	0.0	0.0	0.0
Credit default swap indices	0.0	0.0	13.5	13.5
Securitised	0.0	0.0	0.0	0.0
Equities	0.8	0.0	0.0	0.8
Cash	13.9	0.0	0.0	3.6
Other	0.0	0.0	0.0	0.0

Largest issuers (excl. government bonds and CDS indices, %)

	Fund
Ardagh Group	3.2
Selecta Group	1.9
OI European Group	1.8
Netflix	1.8
Societe Generale	1.8
Intesa Sanpaolo	1.8
Credit Suisse Group	1.7
Telenet Finance IV Luxembourg SCA	1.7
Iceland Bondco	1.7
Hanesbrands Finance Luxembourg	1.6

Industry breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
Banking	14.8	0.0	0.0	14.8
Capital goods	9.9	0.0	0.0	9.9
Basic industry	9.6	0.0	0.0	9.6
Retail	8.3	0.0	0.0	8.3
Media	7.0	0.0	0.0	7.0
Financial services	6.2	0.0	0.0	6.2
Services	5.2	0.0	0.0	5.2
Automotive	4.1	0.0	0.0	4.1
Telecommunications	3.9	0.0	0.0	3.9
Sovereign	3.2	0.0	0.0	0.0
Healthcare	2.8	0.0	0.0	2.8
Leisure	2.1	0.0	0.0	2.1
Energy	1.8	0.0	0.0	1.8
Consumer goods	1.7	0.0	0.0	1.7
Real Estate	1.6	0.0	0.0	1.6
Technology & electronics	1.3	0.0	0.0	1.3
Insurance	0.7	0.0	0.0	0.7
Utility	0.6	0.0	0.0	0.6
Transportation	0.4	0.0	0.0	0.4
Other	0.8	0.0	0.0	0.8
High Yield indices	0.0	0.0	13.5	13.5
Cash	13.9	0.0	0.0	3.6

Duration by currency and asset class

	Fund	Futures	Swaps	Net
Euro	2.0	0.0	0.0	2.0
British pound	0.4	0.0	0.0	0.4
US dollar	0.2	0.0	0.0	0.2
Other	0.0	0.0	0.0	0.0
Total	2.6	0.0	0.0	2.6

Credit rating breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
AAA	3.2	0.0	0.0	3.2
AA	0.0	0.0	0.0	0.0
A	1.2	0.0	0.0	1.2
BBB	1.5	0.0	0.0	1.5
BB	38.1	0.0	0.0	38.1
B	32.5	0.0	13.5	46.0
CCC	8.9	0.0	0.0	8.9
CC	0.0	0.0	0.0	0.0
C	0.0	0.0	0.0	0.0
D	0.0	0.0	0.0	0.0
No rating	0.8	0.0	0.0	0.8
Cash	13.9	0.0	0.0	3.6

Maturity breakdown (%)

	Physical
0 - 1 years	13.9
1 - 3 years	25.9
3 - 5 years	18.3
5 - 7 years	13.6
7 - 10 years	5.7
10 - 15 years	0.8
15+ years	7.9
Cash	13.9

Country breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
US	17.1	0.0	0.0	17.1
UK	10.8	0.0	0.0	10.8
Spain	9.3	0.0	0.0	9.3
France	8.0	0.0	0.0	8.0
Italy	5.6	0.0	0.0	5.6
Germany	5.4	0.0	0.0	2.3
Switzerland	5.1	0.0	0.0	5.1
Luxembourg	4.7	0.0	0.0	4.7
Other	20.0	0.0	0.0	20.0
High Yield indices	0.0	0.0	13.5	13.5
Cash	13.9	0.0	0.0	3.6

Currency breakdown (%)

	Pre-hedge	Post-hedge
Euro	83.5	100.5
US dollar	6.8	0.0
British pound	9.7	-0.5

Fund codes and charges

Share class	ISIN	Bloomberg	Currency	Launch date of fund	Ongoing charge	Distribution yield	Underlying yield	Minimum initial investment	Minimum top up investment
Sterling I Acc	GB00B76MD544	MGEHYIA LN	GBP	03/08/2012	0.70%*	3.89%	3.89%	£500,000	£10,000
Sterling I Inc	GB00B7FS2455	MGEHYII LN	GBP	03/08/2012	0.70%*	4.59%	3.89%	£500,000	£10,000
Sterling X Acc	GB0031288029	MGSYBA LN	GBP	15/10/1999	1.20%*	3.39%	3.39%	£500	£100

Any ongoing charge figure with * indicates an estimate. The ongoing charge figure may vary from year to year and excludes portfolio transaction costs. The charges are mostly, if not exclusively, the Annual Charge which may be discounted depending on the size of the fund. For further details, please see the fund's Key Investor Information Document (KIID). The fund's annual report for each financial year will include details on the exact charges made.

Please go to www.mandg.co.uk/literature to view the Costs and charges illustration which contains information on the costs and charges applicable to your chosen fund and share class.

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

Cash may be held on deposit and/or in the Northern Trust Cash Funds, a range of collective investment schemes.

It is policy to offset certain charges against income for accumulation share classes and to offset certain charges against capital for income share classes. These charges include the annual management charge, administration fee and share class hedging fee (where applicable). As a result, yield figures for income and accumulation share classes may differ significantly.

For income share classes, the distribution yield is higher than the underlying yield only because a portion of the fund's expenses are charged to capital. This has the effect of increasing distribution(s) for the year and constraining the fund's capital performance to an equivalent extent.

The M&G European High Yield Bond Fund is a sub-fund of M&G Investment Funds (3).

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

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