

# M&G (Lux) Global Floating Rate High Yield Fund USD Class C – Accumulation shares

Monthly Fund Review as at 31 January 2021

For investment professionals only

## Highlights

- High yield FRN markets generated positive returns once again in January. Returns for other risk assets were mixed as was the global newsflow, which saw announcements of more viable coronavirus vaccines met with increased infection rates and the emergence of new strains of the virus.
- The fund generated positive returns in January supported by positive stock selection, although it lagged its benchmark index, as the off-benchmark holdings in CDS indices underperformed the cash (physical bond) market.
- The fund added further to Assemblin Finance as well as rolling and increasing the Brunello (Teamsystems) holding. We remain overweight spread duration in the fund, relative to the benchmark index.

## 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.

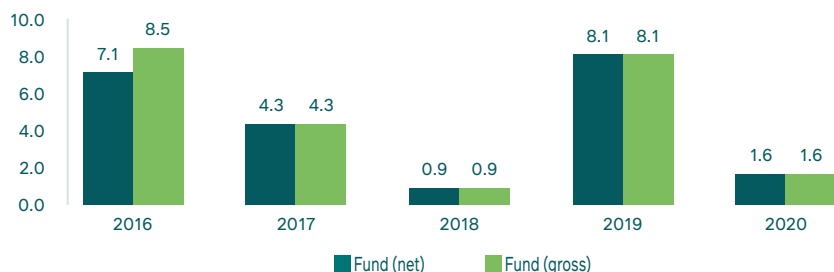
High yield bonds usually carry greater risk that the bond issuers may not be able to pay interest or return the capital.

The fund 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 will incur a loss. The fund's use of derivatives may be extensive and exceed the value of its assets (leverage). This has the effect of magnifying the size of losses and gains, resulting in greater fluctuations in the value of the fund.

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 (%)



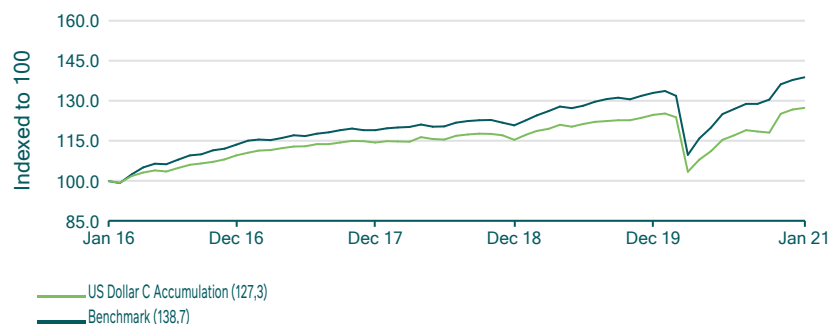
### Past performance is not a guide to future performance.

Gross = performance after fees but before any entry charge is taken into account.

Net = performance after fees but after any entry charge has been taken into account.

The maximum allowable entry charge of 1.25% (i.e. \$12.50 for an investment of \$1000) is deducted in the first investment year. This means the gross/net figures differ solely in that year. Other charges may reduce performance.

## Performance over 5 years



## Fund performance

	1 month (%)	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)
					p.a.	p.a.
US Dollar C Accumulation	0,5%	7,8%	0,5%	1,7%	3,5%	4,9%
Benchmark	0,7%	6,4%	0,7%	3,8%	5,0%	6,8%
Sector	0,1%	6,7%	0,1%	5,6%	4,2%	6,9%

Past performance is not a guide to future performance.

## Key information

Fund manager(s)	James Tomlins
Fund manager tenure from	11 September 2014
Deputy fund manager(s)	Stefan Isaacs
ISIN	LU1670723482
Launch date of fund	13 September 2018
Launch of share class	21 September 2018
Fund size (millions)	\$ 1.328,34
Fund type	SICAV
Benchmark	ICE BofAML Global Floating Rate High Yield Index (3% constrained) USD Hedged
Sector	Morningstar Global High Yield Bond sector
Number of issuers	70
Average credit rating	B+
Modified duration (years)	1,72
VaR	5,07%
Average coupon	4,14
Spread duration (years)	3,3

\*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

Maximum entry charge	1,25%
Ongoing charge	0,85%

## Things you should know

The fund allows for the extensive use of derivatives.

Performance is stated in the share class currency, which may differ from your domestic currency. As a result, the return may rise or fall due to currency movements.

## Fund ratings

Morningstar Analyst rating	Neutral
Overall Morningstar rating	★★

Source of Morningstar ratings: Morningstar, as at 31 January 2021

Ratings should not be taken as a recommendation.

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The benchmark is a comparator against which the fund's performance can be measured. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

The fund is actively managed. The investment manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

The performance shown in the chart and table above does not take entry charges into account.

Fund performance prior to 21 September 2018 is that of the USD Class C Accumulation of the M&G Global Floating Rate High Yield Fund (a UK-authorized OEIC), which merged into this fund on 7 December 2018. Tax rates and charges may differ.

Benchmark prior to 01 April 2016 is the ICE BofAML Global Floating Rate High Yield (USD Hedged) Index. Thereafter it is the ICE BofAML Global Floating Rate High Yield 3% Constrained (USD Hedged) Index.

**Source: Morningstar, Inc and M&G, as at 31 January 2021.** Returns are calculated on a price to price basis with income reinvested. Benchmark returns stated in USD terms.

**Performance charts © 2021 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.

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## Asset breakdown (%)

	Net
Corporate floating rate notes	85,0
Fixed rate bonds + Swaps	2,5
Credit default swaps	0,0
Credit default indices	13,7
Other	1,6
Cash	-2,8

## Largest issuers (excluding government bonds and CDS indices, %)

	Fund
Arrow Global Finance	4,0
Fire BC	3,7
Lincoln Finance	3,4
Brunello Bidco	2,8
Evoca	2,8
Ford Motor Credit Company	2,8
Garfunkelux	2,8
Q Park Holding I	2,8
Picard	2,7
ETP Legacy LP	2,4

## Industry breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
Financial services	16,1	0,0	0,0	16,1
Sovereign	15,2	0,0	0,0	1,5
Capital goods	9,0	0,0	0,0	9,0
Automotive	7,7	0,0	0,0	7,7
Retail	7,7	0,0	0,0	7,7
Services	6,9	0,0	0,0	6,9
Basic industry	6,4	0,0	0,0	6,4
Healthcare	6,3	0,0	0,0	6,3
Technology & electronics	5,0	0,0	0,0	5,0
Energy	4,8	0,0	0,0	4,8
Leisure	4,8	0,0	0,0	4,8
Transportation	3,6	0,0	0,0	3,6
Media	2,4	0,0	0,0	2,4
Consumer goods	1,8	0,0	0,0	1,8
Telecommunications	1,5	0,0	0,0	1,5
Banking	1,5	0,0	0,0	1,5
Insurance	1,4	0,0	0,0	1,4
Asset backed	0,5	0,0	0,0	0,5
Real Estate	0,1	0,0	0,0	0,1
Other	0,1	0,0	0,0	0,1
High Yield indices	0,0	0,0	13,7	13,7
Cash	-2,8	0,0	0,0	-2,8

## Duration by currency and asset class (years)

	Fund	Futures	Swaps	Net
Euro	1,7	0,0	0,0	1,7
British pound	0,0	0,0	0,0	0,0
US dollar	0,0	0,0	0,0	0,0
Other	0,0	0,0	0,0	0,0
Total	1,7	0,0	0,0	1,7

## Credit rating breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
AAA	0,0	0,0	0,0	0,0
AA	15,2	0,0	0,0	1,5
A	0,3	0,0	0,0	0,3
BBB	2,0	0,0	0,0	2,0
BB	16,8	0,0	0,0	16,8
B	57,2	0,0	13,7	70,9
CCC	11,2	0,0	0,0	11,2
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	0,2	0,0	0,0	0,2
Cash	-2,8	0,0	0,0	-2,8

## Maturity breakdown (%)

	Physical
0 - 1 years	22,0
1 - 3 years	30,3
3 - 5 years	29,4
5 - 7 years	16,9
7 - 10 years	0,0
10 - 15 years	0,0
15+ years	4,3
Cash	-2,8

## Commentary

The new year brought both promise and change to the global backdrop, coming in the form of such things as more new COVID-19 vaccines and the beginning of the President Biden's new administration. However, many of the difficulties and challenges people experienced in 2020 remain. Infection rates for the disease continued to rise as new variants were uncovered, and the extensive upheavals COVID-19 has brought to many people's lives and livelihoods continues.

The high yield floating rate note (FRN) market had another positive month as credit spreads tended to tighten further. Other risk assets fared less well, with investment grade markets being generally weaker than high yield, while equity market indices experienced mixed returns over the month. Fund performance was again supported by positive stock selection, with gains from Groupe Ecore once again, and also from Newday. However, the credit default swap (CDS) index position underperformed the cash market and that relative move helped prevent the fund returns from exceeding those of the benchmark.

We retain a relatively positive risk appetite within the fund, focusing on primary issuance and names which carry lower cash prices. These may benefit from some additional sensitivity to rate/spread changes compared to higher-priced bonds.

## Key changes

During the month, there was a notable increase in primary issuance and we rolled the holding in Brunello (Teamsystems) and added to the position. We also added to the Assemblin Finance holding. We extended the spread duration overweight slightly further during the month.

## Country breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
US	25,4	0,0	0,0	11,7
Italy	23,6	0,0	0,0	23,6
UK	11,2	0,0	0,0	11,2
Luxembourg	9,2	0,0	0,0	9,2
Netherlands	8,2	0,0	0,0	8,2
France	7,6	0,0	0,0	7,6
Germany	7,5	0,0	0,0	7,5
Spain	3,9	0,0	0,0	3,9
Other	6,3	0,0	0,0	6,3
High Yield indices	0,0	0,0	13,7	13,7
Cash	-2,8	0,0	0,0	-2,8

## Currency breakdown (%)

	Pre-hedge	Post-hedge
US dollar	21,6	99,6
Euro	74,6	0,4
British pound	3,7	0,0
Swiss franc	0,0	0,0
Singapore dollar	0,0	0,0

## Fund codes and charges

Share class	ISIN	Bloomberg	WKN code	Share class launch date	Ongoing charge	Distribution yield	Underlying yield	Minimum initial investment	Minimum top up investment
USD A Acc	LU1670723136	MGFHUAA LX	A2JRCY	21/09/2018	1,45%*	-	2,96%	\$1.000	\$75
USD A Inc	LU1670723219	MGFHUAD LX	A2JRCZ	21/09/2018	1,45%*	4,46%	2,96%	\$1.000	\$75
USD A M Inc	LU1670723300	MGRUAMD LX	A2JRC0	21/09/2018	1,45%*	4,43%	2,96%	\$1.000	\$75
USD C Acc	LU1670723482	MGFHUCA LX	A2JRC1	21/09/2018	0,85%*	-	3,56%	\$500.000	\$50.000
USD C Inc	LU1670723565	MGFHUCD LX	A2JRC2	21/09/2018	0,85%*	4,46%	3,56%	\$500.000	\$50.000
USD C M Inc	LU1670723649	MGRUCMD LX	A2JRC3	21/09/2018	0,85%*	4,43%	3,56%	\$500.000	\$50.000
USD CI Acc	LU1866903385	MGRUCIA LX	A2N346	21/09/2018	0,81%*	-	3,60%	\$500.000	\$50.000

The above ongoing charge figure is an estimate of the charges because of a change to the charging structure with effect from 1st October 2020.

The ongoing charge figure may vary from year to year and excludes portfolio transaction costs. Given the size of the fund, the Administration Charge which is included in the OCF has been discounted. The fund's annual report for each financial year will include details on the exact charges made. 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.

### ESG Integrated funds



Funds that integrate financially material ESG data into the risk management and decision-making process, as well as our company-wide exclusions (cluster munitions and anti-personnel mines). Some strategies may have some additional ESG exclusions.

## Approach to responsible investment

	Yes	No	N/A
ESG integration	✓		
Additional ESG specifications		✓	
Exclusions	✓		
Cluster munitions & anti personnel landmines	✓		
Other exclusions or restrictions		✓	
Voting			✓
Engagement	✓		

Please see glossary for further explanation of these terms.

## ESG Standard Glossary

**Additional ESG specifications:** In the context of M&G, these are funds managed with an explicit ESG objective, outcome or in accordance with specific ESG criteria, and will have a number of minimum exclusions in place.

**Engagement:** Interaction with company management on various financial and non-financial, including ESG, issues. Engagement allows investors to better understand how a company is undertaking its operations and how it is interacting with its stakeholders, as well as advising on and influencing company behaviour and disclosures where appropriate.

**ESG integration:** Describes the explicit and systematic inclusion of Environmental, Social and Governance factors in investment analysis and investment decisions. It underpins a responsible investment approach, and allows investors to

better manage risk and generate sustainable, long-term returns.

**Exclusions:** The exclusion or restriction of investments based on the sector in which they operate, the products or services they provide or for other specific criteria, i.e. they are deemed to be in breach of the United Nations Global Compact principles on human rights, labour the environment and anti-corruption.

**Voting:** As the partial owners of a company, shareholders have the right to vote on resolutions put forward at a company's annual general meeting. These resolutions include the re-election of directors, executive remuneration and business strategy, among others, and may include resolutions put forward by shareholders.

## Important information

On 7 December 2018, the non-sterling assets of the M&G Global Floating Rate High Yield Fund, a UK-authorized OEIC which launched on 11 September 2014, merged into the M&G (Lux) Global Floating Rate High Yield Fund, a Luxembourg-authorized SICAV, which launched on 13 September 2018. The SICAV is run by the same fund manager, applying the same investment strategy, as the UK-authorized OEIC.

The M&G (Lux) Global Floating Rate High Yield Fund is a sub-fund of M&G (Lux) Investment Funds 1.

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English copies of the Instrument of Incorporation, Prospectus, annual or interim Investment Report and Financial Statements, plus the Prospectus and Key Investor Information Document/s in German, are available free of charge in paper form from M&G International Investments S.A., German branch, mainBuilding, Taunusanlage 19, 60325 Frankfurt am Main and from www.mandg.de.

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

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