

# M&G Optimal Income Fund USD Class C-H – Accumulation shares

Fund Factsheet as at 31 January 2019



## Fund description

The fund aims to deliver income and capital growth by investing in a broad range of fixed income securities, wherever the manager sees the greatest opportunities. The manager may also hold up to 20% of the portfolio in company shares when he believes they offer better value than bonds. Exposure to these assets is gained through physical holdings and the use of derivatives. An in-house team of independent credit analysts assists the fund manager in the selection of individual bond issues.

## 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 hedging process seeks to minimise, but cannot eliminate, the effect of movements in exchange rates on the performance of the hedged share class. Hedging also limits the ability to gain from favourable movements in exchange rates.

Further risk factors that apply to the fund can be found in the fund's Key Investor Information Document (KIID).

## Things you should know

The fund allows for the extensive use of derivatives.

### Asset breakdown (%)

	Physical	Net
Government bonds	21,6	21,6
Investment grade corporate bonds	54,3	56,4
High yield corporate bonds	12,2	13,5
Securitisised	4,3	4,4
Equities	3,9	3,9
Cash	3,7	3,7

### Largest issuers (%)

	Fund
Verizon Communications	3,8
AT&T	3,5
Microsoft	3,2
Bank of America	2,4
HSBC	2,1
JP Morgan	1,9
Lloyds Banking Group	1,6
Citigroup	1,6
Morgan Stanley	1,6
Anheuser-Busch	1,5

## Key information

<b>Fund manager</b>	Richard Woolnough
<b>Fund manager tenure from</b>	08 December 2006
<b>Deputy fund manager</b>	Stefan Isaacs
<b>ISIN</b>	GB00B50N1C28
<b>Launch date of fund</b>	08 December 2006
<b>Launch of share class</b>	01 October 2010
<b>Fund size (millions)</b>	\$ 25.410,51
<b>Fund type</b>	OEIC, incorporated in the UK
<b>Comparative sector</b>	Morningstar USD Cautious Allocation sector
<b>Number of issuers</b>	347
<b>Distribution yield</b>	2,45%
<b>Underlying yield</b>	2,45%
<b>Average credit rating</b>	BBB+
<b>Modified duration (years)</b>	1,90
<b>Payment dates</b>	May, Nov
<b>Ex-dividend dates</b>	Apr, Oct

Please see the glossary for an explanation of terms used.

## Charges

<b>Entry charge</b>	1,25%
<b>Ongoing charge</b>	0,93%

## Risk and reward profile



The above risk number is based on the rate at which the value of the fund has moved up and down in the past. It may not be a reliable indicator of the future risk profile of the fund. The risk number shown is not guaranteed and may change over time. The lowest risk number does not mean risk free.

## Fund ratings

Morningstar Analyst rating



Overall Morningstar rating

Source of Morningstar ratings: Morningstar, as at 31 January 2019



Ratings should not be taken as a recommendation.

## Contact

Spain  
www.mandg.es

## 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
USD A-H Acc	GB00B4WS3X34	MGOIAHA LN	USD	01/10/2010	1,43%	1,95%	1,95%	\$1.000	\$75
USD A-H Inc	GB00BK6MCN62	MGOPIAU LN	USD	08/08/2014	1,43%	3,38%	1,95%	\$1.000	\$75
USD A-H M Inc	GB00BSKRTM18	MGOIUHA LN	USD	16/01/2015	1,43%	3,38%	1,95%	\$1.000	\$75
USD C-H Acc	GB00B50N1C28	MGOICHA LN	USD	01/10/2010	0,93%	2,45%	2,45%	\$500.000	\$50.000
USD C-H Inc	GB00BK6MCP86	MGOICHI LN	USD	08/08/2014	0,93%	3,38%	2,45%	\$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 30 September 2018.

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.

## Credit rating breakdown (%)

	Physical	Net
AAA	16,4	16,4
AA	10,8	10,8
A	6,3	6,3
BBB	45,5	47,6
BB	10,7	10,6
B	2,6	2,6
CCC	0,2	0,2
CC	0,0	0,0
C	0,0	0,0
D	0,0	0,0
No rating	3,9	5,1
Cash	3,7	3,7

## Maturity breakdown (%)

	Physical
0 - 1 years	3,0
1 - 3 years	5,5
3 - 5 years	15,7
5 - 7 years	15,9
7 - 10 years	21,9
10 - 15 years	9,0
15+ years	25,2
Cash	3,7

## Single year performance (5 years)

From To	01/02/18 31/01/19	01/02/17 31/01/18	01/02/16 31/01/17	01/02/15 31/01/16	01/02/14 31/01/15
■ US Dollar C-H Accumulation	-0,4%	7,7%	10,5%	-3,3%	5,6%
■ Sector	-2,5%	7,7%	5,8%	-5,1%	3,2%
Annual performance 2018 : -1,6%					

## Performance over 5 years



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

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

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.

## Currency breakdown (%)

	Fund
British pound	99,4
US dollar	0,5
Euro	0,1
Swiss franc	0,0
Australian dollar	0,0
Singapore dollar	0,0
Japanese yen	0,0
South African rand	0,0

## Important information

Please note: The comparative sector is indicated as n/a due to a change in Morningstar's sector categorisation of the M&G Optimal Income Fund's hedged share classes. This was done effective from 28 April 2017 and as a result, the fund's currency hedged share classes now sit in the "Other Allocation" sector – a sector that does not allow for quartile rankings, due to the very broad variety of funds classified within. On this basis, M&G believes that it is not an appropriate sector for comparison. The reclassification of the fund's hedged share classes is in no way a reflection of the fund, but simply a change in Morningstar's methodology.

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

Currency breakdown - Hedged to relevant share class currency.

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 Optimal Income Fund is a stand alone OEIC.

Sector: Morningstar category averages represent the average return of funds within their category over time. The category averages are created by using the average daily total return index series, or TRI, as well as monthly, quarterly, and annual averages of return and non-return data. Morningstar applies a fractional weighting methodology whereby, on the last day of each month, the funds are equally weighted and the share classes within each fund are equally weighted. Fractional weighting ensures that funds with multiple share classes do not dominate and skew the returns of the average, thus presenting the peer group performance in a fair and consistent manner.

The Morningstar Analyst Rating™. © 2019 Morningstar. All Rights Reserved. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Ratings should not be taken as recommendation.

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

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.

M&G Investment Funds are registered for public distribution under Art. 15 of Act 35/2003 on Collective Investment Schemes as follows: M&G Investment Funds (1) reg. no 390, M&G Investment Funds (2) reg. no 601, M&G Investment Funds (3) reg. no 391, M&G Investment Funds (5) reg. no 972, M&G Investment Funds (7) reg. no 541, M&G Investment Funds (9) reg. no 930, M&G Investment Funds (12) reg. no 1415, M&G Investment Funds (14) reg. no 1243, M&G Global Dividend Fund reg. no 713, M&G Global Macro Bond Fund reg. no 1056, M&G Optimal Income Fund reg. no 522 and M&G (Lux) Investment Funds 1 reg. no 1551.

This information is not an offer or solicitation of an offer for the purchase of investment shares in one of the Funds referred to herein. Purchases of a Fund should be based on the current Prospectus. The Instrument of Incorporation, Prospectus, Key Investor Information Document, annual or interim Investment Report and Financial Statements, are available free of charge from the ACD: M&G Securities Limited, Laurence Pountney Hill, London, EC4R 0HH, GB; or Allfunds Bank, Calle Estafeta, No 6 Complejo Plaza de la Fuente, La Moraleja, 28109, Alcobendas, Madrid. Before subscribing you should read the Prospectus, which includes investment risks relating to these funds. The information contained herein is not a substitute for independent advice. This financial promotion is issued by M&G Securities Limited. Registered Office: Laurence Pountney Hill, London EC4R 0HH, authorised and regulated by the Financial Conduct Authority in the UK. Registered in England No. 90776.

# Glossary

This glossary provides an explanation of terms used in this factsheet and in our literature.

**Asset:** anything having commercial or exchange value that is owned by a business, institution or individual.

**Asset class:** category of assets, such as cash, company shares, fixed income securities and their sub-categories, as well as tangible assets such as real estate.

**Bond:** a loan in the form of a security, usually issued by a government or company, which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.

**Capital:** refers to the financial assets, or resources, that a company has to fund its business operations.

**Capitalisation:** the total market value of all of a company's outstanding shares.

**Comparative sector:** a group of funds with similar investment objectives and/or types of investment, as classified by bodies such as the investment association (IA) or Morningstar™. Sector definitions are mostly based on the main assets a fund should invest in and may also have a geographic focus. Sectors can be the basis for comparing the different characteristics of similar funds, such as their performance or charging structure.

**Convertible bonds:** fixed income securities that can be exchanged for predetermined amounts of company shares at certain times during their life.

**Corporate bonds:** fixed income securities issued by a company. They are also known as bonds and can offer higher interest payments than bonds issued by governments as they are often considered more risky.

**Credit:** the borrowing capacity of an individual, company or government. More narrowly, the term is often used as a synonym for fixed income securities issued by companies.

**Credit default swaps (CDS):** are a type of derivative, namely financial instruments whose value, and price, are dependent on one or more underlying assets. CDS are insurance-like contracts that allow investors to transfer the risk of a fixed income security defaulting to another investor.

**Credit rating:** an independent assessment of a borrower's ability to repay its debts. A high rating indicates that the credit rating agency considers the issuer to be at low risk of default; likewise, a low rating indicates high risk of default. Standard & poor's, fitch and Moody's are the three most prominent credit rating agencies. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

**Credit spread:** the difference between the yield of a corporate bond, a fixed income security issued by a company, and a government bond of the same life span. Yield refers to the income received from an investment and is expressed as a percentage of the investment's current market value.

**Default:** when a borrower does not maintain interest payments or repay the amount borrowed when due.

**Derivatives:** financial instruments whose value, and price, are dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded on a regulated exchange or traded over the counter.

**Developed economy/market:** well-established economies with a high degree of industrialisation, standard of living and security.

**Distribution Yield:** expresses the amount that is expected to be distributed by the fund over the next 12 months as a percentage of the share price as at a certain date. It is based on the expected gross income less the ongoing charges.

**Dividend:** dividends represent a share in the profits of a company and are paid out to the company's shareholders at set times of the year.

**Duration:** a measure of the sensitivity of a fixed income security, also called a bond, or bond fund to changes in interest rates. The longer a bond or bond fund's duration, the more sensitive it is to interest rate movements.

**Emerging economy or market:** economies in the process of rapid growth and increasing industrialisation. Investments in emerging markets are generally considered to be riskier than those in developed markets.

**Episode:** a phase during which investors allow their emotions to affect their decision making, which can cause financial markets to move irrationally.

**Equities:** shares of ownership in a company.

**Ex-Dividend, ex-distribution or XD date:** the date on which declared distributions officially belong to underlying investors.

**Exposure:** the proportion of a fund invested in a particular share/fixed income security, sector/region, usually expressed as a percentage of the overall portfolio.

**Fixed income security:** a loan in the form of a security, usually issued by a government or company, which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid. Also referred to as a bond.

**Floating rate notes (FRNs):** securities whose interest (income) payments are periodically adjusted depending on the change in a reference interest rate.

**Gilts:** fixed income securities issued by the UK government.

**Government bonds:** fixed income securities issued by governments, that normally pay a fixed rate of interest over a given time period, at the end of which the initial investment is repaid.

**Hard currency (bonds):** refers to bonds denominated in a highly traded, relatively stable international currency, rather than in the bond issuer's local currency. Bonds issued in a more stable hard currency, such as the us dollar, can be more attractive to investors where there are concerns that the local

currency could lose value over time, eroding the value of bonds and their income.

**Hedging:** a method of reducing unnecessary or unintended risk.

**High yield bonds:** fixed income securities issued by companies with a low credit rating from a recognised credit rating agency. They are considered to be at higher risk of default than better quality, ie higher-rated fixed income securities but have the potential for higher rewards. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

**Index:** an index represents a particular market or a portion of it, serving as a performance indicator for that market.

**Historic Yield:** the historic yield reflects distributions declared over the past 12 months as a percentage of the share price, as at the date shown.

**Index-linked bonds:** fixed income securities where both the value of the loan and the interest payments are adjusted in line with inflation over the life of the security. Also referred to as inflation-linked bonds.

**Inflation:** the rate of increase in the cost of living. Inflation is usually quoted as an annual percentage, comparing the average price this month with the same month a year earlier.

**Investment association (IA):** the UK trade body that represents fund managers. It works with investment managers, liaising with government on matters of taxation and regulation, and also aims to help investors understand the industry and the investment options available to them.

**Investment grade bonds:** fixed income securities issued by a company with a medium or high credit rating from a recognised credit rating agency. They are considered to be at lower risk from default than those issued by companies with lower credit ratings. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

**Issuer:** an entity that sells securities, such as fixed income securities and company shares.

**Leverage:** when referring to a company, leverage is the level of a company's debt in relation to its assets. A company with significantly more debt than capital is considered to be leveraged. It can also refer to a fund that borrows money or uses derivatives to magnify an investment position.

**Local currency (bonds):** refers to bonds denominated in the currency of the issuer's country, rather than in a highly traded international currency, such as the us dollar. The value of local currency bonds tends to fluctuate more than bonds issued in a hard currency, as these currencies tend to be less stable.

**Long position:** refers to ownership of a security held in the expectation that the security will rise in value.

**Macroeconomic:** refers to the performance and behaviour of an economy at the regional or national level. Macroeconomic factors such as economic output, unemployment, inflation and investment are key indicators of economic performance. Sometimes abbreviated to 'macro'.

**Maturity:** the length of time until the initial investment amount of a fixed income security is due to be repaid to the holder of the security.

**Modified duration:** a measure of the sensitivity of a fixed income security, called a bond, or bond fund to changes in interest rates. The longer a bond or bond fund's duration, the more sensitive it is to interest rate movements.

**Monetary policy:** a central bank's regulation of money in circulation and interest rates.

**Morningstar™:** a provider of independent investment research, including performance statistics and independent fund ratings.

**Near cash:** deposits or investments with similar characteristics to cash.

**Net:** the proportion of a fund invested in, for example, different sectors. Derivatives are included. The latter are financial instruments whose value, and price, are dependent on one or more underlying assets.

**Net asset value (NAV):** a fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.

**Open-ended investment company (OEIC):** a type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

**Options:** financial contracts that offer the right, but not the obligation, to buy or sell an asset at a given price on or before a given date in the future.

**Overweight:** if a fund is 'overweight' a stock, it holds a larger proportion of that stock than the comparable index or sector.

**Payment date:** the date on which distributions will be paid by the fund to investors, usually the last business day of the month.

**Physical:** the fund's exposure excluding derivatives, which are financial instruments whose value, and price, is dependent on one or more underlying securities.

**Property expense ratio:** property expenses are the operating expenses that relate to the management of the property assets in the portfolio. These include: insurance and rates, rent review and lease renewal costs and maintenance and repairs, but not improvements. They depend on the level of activity taking place within the fund. The property expense ratio is the ratio of property expenses to the fund's net asset value.

**Retail prices index (RPI):** a UK inflation index that measures the rate of change of prices for a basket of goods and services in the UK, including mortgage payments and council tax.

**Securitise/securitisation:** the creation and issuance of tradable securities, such as bonds, that are backed by the income generated by an illiquid asset or group of assets. By pooling a collection of illiquid assets, such as mortgages, securities backed by the mortgages' income payments can be packaged and sold to a wider range of investors.

**Share class:** each M&G fund has different share classes, such as a, r and i.

Each has a different level of charges and minimum investment. Details on charges and minimum investments can be found in the key investor information documents.

**Short position:** a way for a fund manager to express his or her view that the market might fall in value.

**Short-dated corporate bonds:** fixed income securities issued by companies and repaid over relatively short periods.

**Short-dated government bonds:** fixed income securities issued by governments and repaid over relatively short periods.

**Swap:** a swap is a derivative contract where two parties agree to exchange separate streams of cashflows. A common type of swap is an interest rate swap to hedge against interest rate risk.

**Synthetic inflation-linked bonds:** refers to securities created using a combination of assets to simulate the characteristics of inflation-linked bonds. By buying inflation-linked government bonds and selling protection against companies defaulting on their debts, using credit default swaps, the combined synthetic investment will behave similarly to a physical inflation-linked bond, had one had been issued. Synthetic inflation-linked bonds are usually created where a company does not have any inflation-linked bonds in issue.

**Total return:** the term for the gain or loss derived from an investment over a period. Total return includes income (in the form of interest or dividend payments) and capital gains.

**Unit trust:** a type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

**Valuation:** the worth of an asset or company based on its current price.

**Volatility:** the degree to which a given security, fund, or index rapidly changes. It is calculated as the degree of deviation from the norm for that type of investment over a given period. The higher the volatility, the riskier the security tends to be.

**Yield:** this refers to either the interest received from a fixed income security or to the dividends received from a share. It is usually expressed as a percentage based on the investment's costs, its current market value or its face value. Dividends represent a share in the profits of a company and are paid out to the company's shareholders at set times of the year.