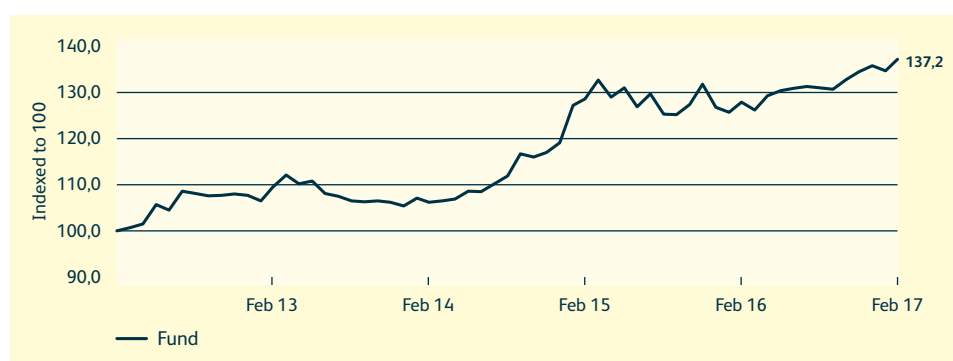


Euro Class A

Summary

- Core government bonds and credit markets generally delivered gains in February.
- Fund Manager Jim Leaviss continued to trim the fund's overall credit exposure as spreads tightened.
- In currencies, exposure was added back to the fund's US dollar allocation after its recent underperformance.

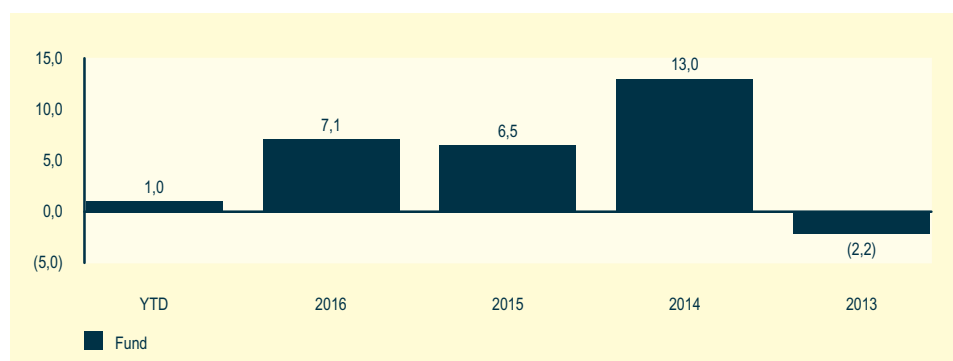
Performance over 5 years



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	+2,0	+1,0	+7,2	+8,9	+6,5	+5,0	+5,0
Sector	+2,0	+1,1	+0,8	+3,1	+6,8	+3,9	+4,2	+4,2

Annual performance (%)



Past performance is not a guide to future performance.

The value of investments and the income from them will fluctuate. This will cause the fund price to fall as well as rise. There is no guarantee the fund objective will be achieved and you may not get back the original amount you invested.

The fund may invest more than 35 % in securities issued by any one or more of the governments listed in the fund prospectus. Such exposure may be combined with the use of derivatives in pursuit of the fund objective. It is currently envisaged that the fund's exposure to such securities may exceed 35 % in the governments of Germany, Japan, UK, USA although these may vary subject only to those listed in the prospectus.

The fund allows for the extensive use of derivatives.

Key information

Fund manager	Jim Leaviss
Fund manager tenure from	15 October 1999
Deputy fund manager	Claudia Calich
Launch date	15 October 1999
Launch of share class	16 December 2011
Fund size (millions)	€1.950,10
Fund type	OEIC, incorporated in the UK
Comparative sector	Morningstar Global Bond sector
Number of issuers	117
Distribution yield (Acc)	1.08 %
Distribution yield (Inc)	2.47 %
Underlying yield (Acc)	1.08 %
Underlying yield (Inc)	1.08 %
Yield to expected maturity*	2.43 %
Modified duration (years)	3,0
Spread duration (years)	1,70
Average maturity (years)	7,62
Average coupon	2,50
Volatility†	7,33 %
Average credit rating	A+
Share type	Acc & Inc
Ongoing charge	1,42 %

*Source: Morningstar, three-year annualised volatility, as at 28 February 2017
The distribution yield reflects the amounts that may be expected to be distributed over the next 12 months as a percentage of the share price, as at the date shown. It is based on a snapshot of the portfolio on that day. It does not include any preliminary charge and investors may be subject to tax on distributions. It is the fund's 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. The underlying yield reflects the annualised income net of expenses of the fund (calculated in accordance with relevant accounting standards) as a percentage of the mid-market price of the fund as at the date shown. It is based on a snapshot of the portfolio on that day. It does not include any preliminary charge and investors may be subject to tax on distributions. For the fund's 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 yield to expected maturity is calculated in the valuation currency of the fund and is gross of fund expenses (including hedging differences). A fund may hold callable bonds whose yields are calculated on the basis of expected maturity.

Fund ratings

Overall Morningstar rating	★★★★★
Morningstar Analyst rating	Silver

Source of Morningstar ratings: Morningstar, as at 31 January 2017
Ratings should not be taken as a recommendation.

Asset breakdown (%)

	Physical	CDS short	CDS long	Net
Government bonds	61,8	-0,4	0,0	61,4
Investment grade corporate bonds	24,8	-7,7	0,1	17,2
Fixed rate	7,2	0,0	0,1	7,3
Floating rate	15,9	0,0	0,0	15,9
Index linked	1,8	0,0	0,0	1,8
Credit default swap indices	0,0	-7,7	0,0	-7,7
High yield corporate bonds	6,5	0,0	0,5	7,0
Fixed rate	5,8	0,0	0,5	6,3
Floating rate	0,6	0,0	0,0	0,6
Index linked	0,1	0,0	0,0	0,1
Credit default swap indices	0,0	0,0	0,0	0,0
Securitised	4,7	0,0	0,0	4,7
Cash	2,3	0,0	0,0	9,8

CDS short: bought protection (short credit exposure); CDS long: sold protection (long credit exposure)
The columns may not always add up when reading across as physical bond holdings and/or cash are sometimes used as collateral for CDS exposure.

Credit rating breakdown (%)

	Physical	CDS short	CDS long	Net
AAA	25,7	0,0	0,0	25,7
AA	30,3	-0,4	0,0	29,9
A	7,3	-3,5	0,0	3,8
BBB	22,9	-4,2	0,1	18,7
BB	7,4	0,0	0,5	7,9
B	4,2	0,0	0,0	4,2
CCC	0,0	0,0	0,0	0,0
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	0,0	0,0	0,0	0,0
Cash	2,3	0,0	0,0	9,8

CDS short: bought protection (short credit exposure); CDS long: sold protection (long credit exposure)
The columns may not always add up when reading across as physical bond holdings and/or cash are sometimes used as collateral for CDS exposure.
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.

Country breakdown (%)

	Physical	CDS short	CDS long	Net
US	53,5	-2,3	0,0	51,2
Germany	6,8	0,0	0,0	6,8
UK	9,6	-4,0	0,0	5,6
Brazil	3,7	0,0	0,0	3,7
Mexico	3,2	0,0	0,0	3,2
Sweden	2,9	0,0	0,0	2,9
France	1,9	0,0	0,0	1,9
Switzerland	1,9	0,0	0,0	1,9
Denmark	1,6	0,0	0,0	1,6
Indonesia	1,5	0,0	0,0	1,5
Other	11,2	-1,8	0,6	10,0
Cash	2,3	0,0	0,0	9,8

CDS short: bought protection (short credit exposure); CDS long: sold protection (long credit exposure)
The columns may not always add up when reading across as physical bond holdings and/or cash are sometimes used as collateral for CDS exposure.

Industry breakdown (%)

	Physical	CDS short	CDS long	Net
Sovereign	59,4	0,0	0,0	59,4
Banking	15,7	0,0	0,0	15,7
Mortgage Backed	3,6	0,0	0,0	3,6
Quasi & Foreign Government	3,7	-0,4	0,0	3,3
Automotive	2,3	0,0	0,0	2,3
Healthcare	1,9	0,0	0,0	1,9
Basic Industry	1,9	0,0	0,0	1,9
Energy	1,7	0,0	0,1	1,7
Telecommunications	1,1	0,0	0,5	1,6
Financial Services	1,3	0,0	0,0	1,3
Asset Backed	1,0	0,0	0,0	1,0
Utility	1,0	0,0	0,0	1,0
Services	1,0	0,0	0,0	1,0
Media	0,8	0,0	0,0	0,8
Capital Goods	0,6	0,0	0,0	0,6
Technology & Electronics	0,3	0,0	0,0	0,3
Consumer Non-Cyclical	0,2	0,0	0,0	0,2
Insurance	0,2	0,0	0,0	0,2
Consumer Cyclical	0,1	0,0	0,0	0,1
Investment grade indices	0,0	-7,7	0,0	-7,7
High Yield indices	0,0	0,0	0,0	0,0
Cash	2,3	0,0	0,0	9,8

CDS short: bought protection (short credit exposure); CDS long: sold protection (long credit exposure)
The columns may not always add up when reading across as physical bond holdings and/or cash are sometimes used as collateral for CDS exposure.

Currency breakdown of portfolio (%)

	Pre-hedge	Post-hedge
US dollar	62,7	60,1
Japanese yen	0,0	11,4
Euro	13,3	10,1
Danish krone	1,6	4,6
Swedish krona	2,9	2,9
Brazilian real	2,9	2,9
Mexican peso	2,8	2,8
Swiss franc	0,0	2,3
British pound	8,7	1,6
Other	13,9	4,9

Maturity breakdown (%)

	Physical
0 - 1 years	9,3
1 - 3 years	28,8
3 - 5 years	15,9
5 - 7 years	10,8
7 - 10 years	17,1
10 - 15 years	4,0
15+ years	11,8
Cash	2,3

Duration breakdown by currency and asset class

	Physical	Futures	Swaps	Net
US dollar	1,8	0,0	-0,7	1,1
Euro	0,7	0,0	0,0	0,7
British pound	0,1	0,0	0,0	0,1
Other	1,2	-0,1	0,0	1,1
Total	3,8	-0,1	-0,6	3,0

Largest issuers (%)

	Fund
US	37,6
Germany	6,5
Sweden	2,9
Brazil	2,9
Mexico	2,8
JP Morgan	1,9
Bank of America	1,6
Denmark	1,6
Indonesia	1,5
Citigroup	1,3

Performance review

While strengthening macroeconomic data was a key theme in global bond markets in February, much attention was also focused on rising political risk. The latter was particularly the case in Europe, where concerns included the uncertain outcomes of elections later this year in France and Germany. In the US, meanwhile, investors began to question the lack of clarity from the new administration regarding its tax cutting and fiscal spending plans.

Against this mixed backdrop, core government bond yields edged lower in the month. The 10-year US Treasury yield ticked down from to 2.5 % to 2.4 %, for example, while the 10-year bund yield declined from 0.4 % to 0.2 %. In the corporate credit markets, investment grade and high yield bonds generally delivered positive returns, while emerging market debt also recorded gains. In the currency markets, the US dollar rallied after its weakness during the previous month.

Through its globally diversified bond portfolio, the fund registered a positive return in February amid this environment. Having recently lowered the fund's allocation to the US dollar, Jim sought to add back exposure to the greenback after its underperformance in January. In turn, the portfolio's sizeable US dollar weighting helped the fund's performance as the currency rallied against key counterparts such as the euro and sterling. Among other main performance considerations, the fund's significantly short duration stance held back its returns to an extent as yields ticked down during the month.

Key changes

While maintaining significantly short duration relative to a neutral level for the portfolio, Jim added some interest rate risk to the fund in the month. This resulted mainly from an increase in the fund's duration sourced from US dollar-denominated assets, which lengthened from 0.8 years to 1.1 years, as well as the purchase of Swedish government bonds denominated in the krona. In total, the fund's duration increased from 2.3 years to 3.0 years during the period.

Elsewhere among government debt markets, Jim reduced the fund's weighting to index-linked bonds by selling down three-year German index-linked government securities. However, a sizeable allocation was retained to these assets within the fund's allocation to government bonds, in addition to US Treasury inflation-protected securities (TIPS).

Among corporate bonds, Jim continued to reduce the fund's overall credit allocation as spreads tightened further in the US corporate debt markets. However, he maintains a slight preference for US dollar credit in the portfolio, where his favoured areas still include floating rate notes (FRNs) from US bank issuers. The fund's transaction activity in the month included adding exposure to these assets.

Within the fund's currency positioning, Jim had recently lowered the fund's allocation to the US dollar, but sought to add back exposure to the greenback after its underperformance in January. In total, the portfolio's US dollar weighting was increased from 48 % back up to 60 % in February. Among other developed market currencies, the fund's sterling allocation was broadly unchanged and remained underweight at around 1 %. Larger allocations were retained to the Japanese yen and euro, which stood at 11 % and 10 %, respectively, at the end of the month. In emerging markets, Jim added exposure to the Brazilian real by purchasing local currency-denominated government bonds that mature in 2025.

Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
Euro A Acc	GB00B78PH718	MGGMAEA LN	1,25 %	1,42 %	€1.000	€75
Euro A Inc	GB00B9FPWZ14	MGGMEAI LN	1,25 %	1,42 %	€1.000	€75
Euro A-H Inc	GB00B94CZ541	MGGEAHI LN	1,25 %	1,43 %	€1.000	€75
Euro A-H Acc	GB00B78PJC09	MGGMAEHA LN	1,25 %	1,43 %	€1.000	€75
Euro B Acc	GB00B739JW74	MGGMBEA LN	1,75 %	1,92 %	€1.000	€75
Euro B Inc	GB00BYQRBX29	MGGMEBI LN	1,75 %	1,92 %	€1.000	€75
Euro B-H Inc	GB00BYQRBY36	MGGMEBH LN	1,75 %	1,93 %	€1.000	€75
Euro B-H Acc	GB00B73DQC82	MGGMBEHA LN	1,75 %	1,94 %	€1.000	€75
Euro C Acc	GB00B78PHS29	MGGMCEA LN	0,65 %	0,81 %	€500.000	€50.000
Euro C Inc	GB00BK6MCQ93	MGGMCEI LN	0,65 %	0,81 %	€500.000	€50.000
Euro C-H Acc	GB00B78PJD16	MGMCEHA LN	0,65 %	0,83 %	€500.000	€50.000
Euro C-H Inc	GB00BVYJ0V07	MGMBECH LN	0,65 %	0,83 %	€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 (including research costs). They are based on expenses for the period ending 31 October 2016.

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 28 February 2017, 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 28 February 2017 unless indicated otherwise.

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