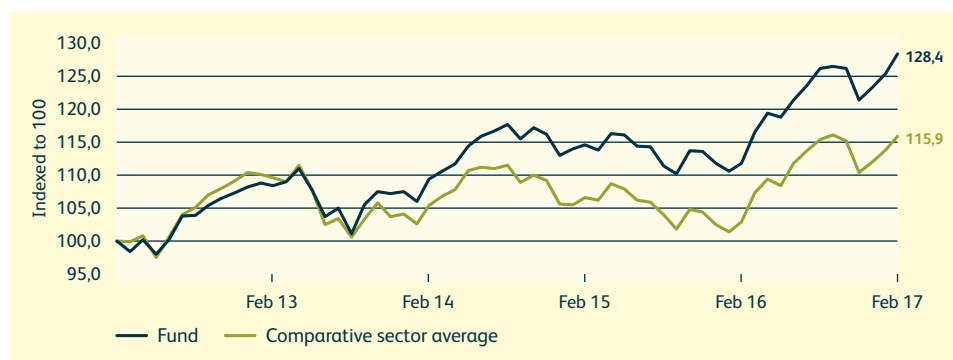


## USD Class A

### Summary

- Emerging bond markets generated positive returns in February.
- While maintaining an underweight exposure to local currency-denominated bonds, Fund Manager Claudia Calich increased this allocation during the month.
- The fund's transactions included the purchase of local currency sovereign bonds in Poland and Brazil.

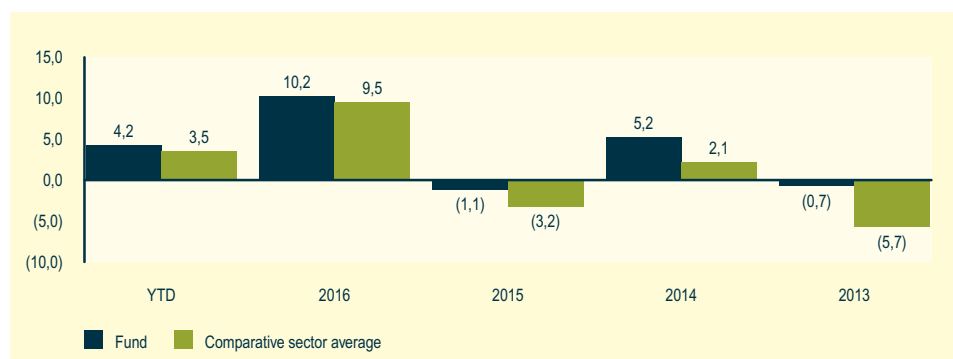
### Performance over 5 years



### 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	+2,3	+5,7	+4,2	+14,8	+5,5	+5,1	+5,7	+8,3
Index	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sector	+1,8	+5,0	+3,5	+12,6	+3,3	+3,1	+3,6	+8,7
Ranking	13/108	31/107	23/108	26/104	23/90	8/68	23/89	14/19
Quartile ranking	1	2	1	1	1	1	1	3

### 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 past performance has been calculated using a different currency to your home currency. The returns shown here may increase or decrease as due to currency fluctuations when compared to past performance returns calculated using your home currency.

The fund allows for the extensive use of derivatives.

### Key information

Fund manager	Claudia Calich
Fund manager tenure from	2 December 2013
Deputy fund manager	Charles De Quinsonas
Launch date	15 October 1999
Launch of share class	19 April 2012
Fund size (millions)	\$483,34
Comparative sector	Morningstar Global Emerging Markets Bond sector
Number of issuers	83
Distribution yield (Acc)	4.85 %
Distribution yield (Inc)	6.23 %
Underlying yield (Acc)	4.85 %
Underlying yield (Inc)	4.85 %
Yield to expected maturity*	6,43 %
Modified duration (years)	6,3
Spread duration (years)	4,71
Average maturity (years)	10,42
Average coupon	6,65
Volatility†	6,15 %
Average credit rating	BB
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 **★★★★**  
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 - local currency	24,3	0,0	0,0	24,3
Government bonds - hard currency	50,3	0,0	0,0	50,3
Credit - local currency	2,4	0,0	0,0	2,4
Credit - hard currency	23,2	0,0	0,0	23,2
Cash	-0,2	0,0	0,0	-0,2

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	0,0	0,0	0,0	0,0
AA	5,9	0,0	0,0	5,9
A	5,2	0,0	0,0	5,2
BBB	26,0	0,0	0,0	26,0
BB	22,0	0,0	0,0	22,0
B	33,0	0,0	0,0	33,0
CCC	3,1	0,0	0,0	3,1
CC	0,8	0,0	0,0	0,8
C	0,0	0,0	0,0	0,0
D	0,0	0,0	0,0	0,0
No rating	4,3	0,0	0,0	4,3
Cash	-0,2	0,0	0,0	-0,2

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.

Industry breakdown (%)

	Physical	CDS short	CDS long	Net
Quasi & Foreign Government	49,2	0,0	0,0	49,2
Sovereign	29,0	0,0	0,0	29,0
Energy	7,1	0,0	0,0	7,1
Services	2,2	0,0	0,0	2,2
Banking	2,0	0,0	0,0	2,0
Media	1,5	0,0	0,0	1,5
Telecommunications	1,5	0,0	0,0	1,5
Real Estate	1,5	0,0	0,0	1,5
Basic Industry	1,4	0,0	0,0	1,4
Utility	1,2	0,0	0,0	1,2
Consumer Cyclical	0,7	0,0	0,0	0,7
Capital Goods	0,6	0,0	0,0	0,6
Financial Services	0,6	0,0	0,0	0,6
Consumer Non-Cyclical	0,5	0,0	0,0	0,5
Automotive	0,5	0,0	0,0	0,5
Investment Grade indices	0,0	0,0	0,0	0,0
High Yield indices	0,0	0,0	0,0	0,0
Other	0,6	0,0	0,0	0,6
Cash	-0,2	0,0	0,0	-0,2

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.

Country breakdown (%)

	Physical	CDS short	CDS long	Net
Argentina	6,6	0,0	0,0	6,6
Brazil	6,2	0,0	0,0	6,2
Russia	4,7	0,0	0,0	4,7
US	4,5	0,0	0,0	4,5
Mexico	3,8	0,0	0,0	3,8
Peru	3,5	0,0	0,0	3,5
Indonesia	3,4	0,0	0,0	3,4
Israel	3,2	0,0	0,0	3,2
Turkey	3,1	0,0	0,0	3,1
India	2,7	0,0	0,0	2,7
Other	58,7	0,0	0,0	58,7
Cash	-0,2	0,0	0,0	-0,2

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 (%)

	Pre-hedge	Post-hedge
US dollar	65,1	72,7
Brazilian real	2,5	2,4
Russian ruble	2,4	2,4
Indian rupee	1,2	2,4
Indonesian rupiah	2,3	2,3
Mexican peso	2,3	2,3
Argentine peso	2,0	2,0
Uruguay peso	1,7	1,7
Peruvian nuevo sol	1,5	1,5
Other	19,2	10,3

Maturity breakdown (%)

	Physical
0 - 1 years	5,3
1 - 3 years	9,7
3 - 5 years	10,1
5 - 7 years	8,6
7 - 10 years	36,6
10 - 15 years	11,7
15+ years	18,3
Cash	-0,2

Duration breakdown by currency and asset class

	Physical	Futures	Swaps	Net
US dollar	4,3	0,0	0,0	4,3
Euro	0,4	0,0	0,0	0,4
British pound	0,1	0,0	0,0	0,1
Other	1,4	0,0	0,0	1,4
Total	6,3	0,0	0,0	6,3

Largest issuers (%)

	Fund
US	4,5
Brazil	4,0
Argentina	3,6
Indonesia	3,4
Peru	2,8
Uruguay	2,5
Russia	2,4
Israel	2,4
Mexico	2,4
Dominican Republic	2,3

Performance review

Emerging bond markets delivered positive returns in February, despite the continued prospect of monetary tightening in the US and rising political risk in other developed countries. The latter was a particular concern in Europe, with uncertainty surrounding the outcomes of elections in France and Germany later this year. In emerging markets, sentiment was helped by some encouraging economic data, such as better-than-expected manufacturing growth in China.

Each emerging market bond sub-asset class recorded gains during the month, with hard currency sovereigns producing the best returns, followed by local currency sovereigns. Emerging market corporate bonds also registered gains, but lagged their government bond counterparts. As measured by the JP Morgan Emerging Markets Bond (EMBI) Global Diversified Index, hard currency-denominated government bonds increased by 2.0%. The local currency sovereign sub-asset class, as represented by the JP Morgan GBI-EM Global Diversified Index, gained 1.8%. In the emerging market corporate bond area, the JP Morgan Corporate EMBI (CEMBI) Broad Diversified Index returned 1.4%. All returns are stated in US dollar terms.

The fund is a flexible and globally diversified emerging market bond fund. Against this market backdrop in February, the fund delivered a positive return that ranked in the first quartile of its sector, a result that was helped by its overweight allocation to hard currency government bonds.

Key changes

While maintaining an overweight allocation to hard currency sovereigns, Claudia increased the fund's local currency exposure on a selective basis during the month where she assessed some attractive returns could be found. For example, local currency bonds were bought from the governments of Poland and Brazil. Relevantly, although Brazil's economic challenges persist as the country remains in recession, significantly lower inflation readings were released in

February that gave optimism that further interest rate cuts may follow. A position was also added in local currency-denominated Egyptian Treasury bills.

Elsewhere, a Russian sovereign was sold that Claudia felt was no longer cheap after decent performance, although she retained an exposure to the ruble in the portfolio. The fund's allocation to emerging market corporate credit was also lowered. Claudia's selling activity in this area of the market included bonds from Cablecom and telecommunications group Vimpelcom on the view that they had started to look expensive. Money was partly switched into corporate bonds that she felt offered appealing value, including Turkish telecoms group Turk Telekom.

The fund's total exposure to local currency bonds rose to 26.7% at the end of the month, which consisted of a 24.3% allocation to local currency sovereigns (an increase of around 5%) and a stable allocation of 2.6% to local currency-denominated corporate credit. Despite this increase, the fund remained underweight to local currency debt relative to a neutral position for the portfolio at the end of the period.

In terms of the fund's overall currency positioning, its allocation to the US dollar amounted to 72.7% at the end of February, while its largest local currency positions were in the Brazilian real, Indian rupee and Russian ruble.

## Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
USD A Inc	GB00BK6MBV71	MGBEUA LN	1,25 %	1,42 %	\$1.000	\$75
USD A Acc	GB00B7JRFN80	MGEMUAA LN	1,25 %	1,42 %	\$1.000	\$75
USD C Inc	GB00BK6MBW88	MGEBUG LN	0,60 %	0,77 %	\$500.000	\$50.000
USD C Acc	GB00B7KG2775	MGEMUCA LN	0,60 %	0,77 %	\$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 December 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, USD 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.

The Morningstar Overall Rating based on the fund's USD Class A shares. Copyright © 2017 Morningstar UK Limited. All Rights Reserved. Ratings should not be taken as recommendation.

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