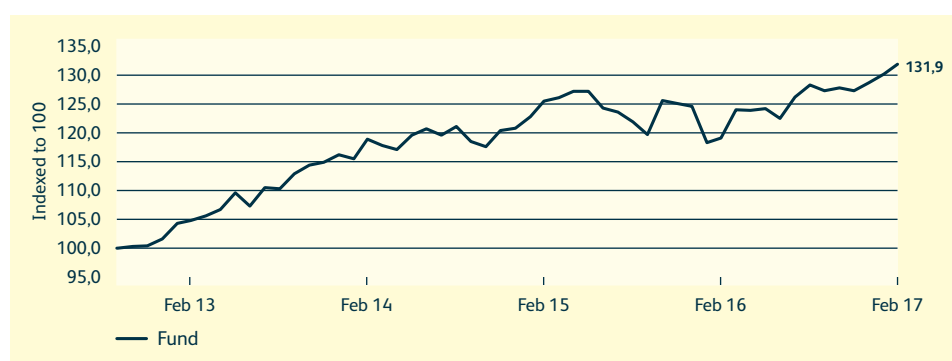


USD Class A-H

Summary

- February was a positive month for most financial assets, with the majority of equity, bond and convertibles markets rising.
- The fund generated positive returns, with significant value being added by holdings of convertibles from US software and healthcare groups.
- A new bond convertible into Russian steel maker Severstal was purchased while others left the portfolio after good performance.

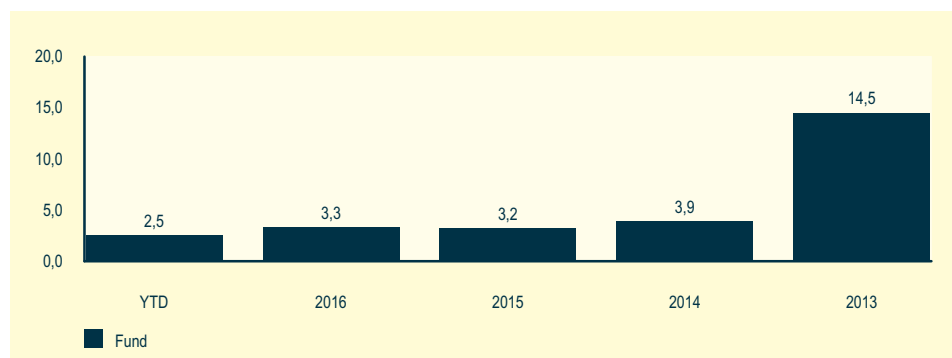
Performance since launch



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	+1,3	+3,6	+2,5	+10,7	+3,5	N/A	+6,5	+6,5
Index	+1,2	+3,5	+2,2	+9,3	+2,9	+5,9	+6,3	+6,3
Sector	+1,4	+3,6	+2,3	+9,5	+2,4	+4,8	+5,3	+5,3

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	Léonard Vinville
Fund manager tenure from	13 July 2007
Deputy fund managers	David Romani, Yannis Karachalios
Launch date	13 July 2007
Launch of share class	28 September 2012
Fund size (millions)	\$2.358,39
Fund type	OEIC, incorporated in the UK
Comparative index	Thomson Reuters Global Focus Convertible Hedged USD Index
Comparative sector	Morningstar Convertible Bond - Global USD Hedged sector
Number of holdings	110
Delta	0,50
Convexity	4,09 %
Points over bond floor to maturity	13,9 %
Elasticity	41,4 %
Expected life (years)	2,1
Portfolio yield*	1,18 %
Duration (years)	3,0
Volatility†	6,45 %
Share type	Acc & Inc
Ongoing charge	1,68 %

*Source: Morningstar, three-year annualised volatility, as at 28 February 2017
†Portfolio yield is the average yield to maturity, or yield to put if applicable, of the holdings in the fund. If, however, that redemption yield is negative, the running yield is used in the calculation.

Fund ratings

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

Credit rating breakdown (%)

	Fund
AAA	0,0
AA	0,0
A	11,8
BBB	19,4
BB	24,2
B	3,7
CCC	0,5
CC	0,0
C	0,0
D	0,1
No Rating	40,4

Pre-packaged bank-issued synthetics: 0,0 %

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 (%)

	Fund
Technology	21,4
Financials	12,9
Industrials	12,5
Healthcare	10,0
Consumer services	8,9
Basic materials	8,2
Telecommunications	5,1
Oil & gas	5,1
Consumer goods	4,6
Utilities	1,6
Investment Grade indices	0,0
High Yield indices	0,0
Other	4,6
Cash	5,2

Largest holdings (%)

	Fund
Citrix Systems NV 0.5 % 15-Apr-2019	4,4
Yahoo! 0.0 % 1-Dec-2018	3,6
Priceline Group 0.9 % 15-Sep-2021	2,8
Cemex 3.72 % 15-Mar-2020	2,6
Siemens 1.65 % 16-Aug-2019	2,5
Evonik Industries 0.0 % 18-Feb-2021	2,5
Vimpelcom Spon 0.25 % 20-Sep-2019	2,4
Semiconductors 1.0 % 01-Dec-2019	2,2
Priceline Group 0.35 % 15-Jun-2020	2,1
CapitaLand 1.95 % 17-Oct-2023	2,0

Country breakdown (%)

	Fund
US	35,8
Netherlands	12,8
Germany	7,3
Mexico	4,0
Japan	3,7
UK	3,3
Singapore	3,2
Israel	2,7
Other	22,0
Cash	5,2

Currency breakdown (%)

	Fund
US dollar	61,6
Euro	22,6
British pound	6,8
Singapore dollar	3,2
Japanese yen	3,2
Swedish krona	0,9
Hong Kong dollar	0,7
Chinese renminbi	0,7
Canadian dollar	0,4

Performance review

February was a positive month for most financial assets, with the majority of equity, bond and convertibles markets rising. Investors seemed to accept that President Trump would be able to introduce his pro-growth policies, such as cutting tax and boosting infrastructure spending, and the US stockmarket hit a series of record highs, taking other markets with it. Despite economic data generally beating forecasts and growing expectations that the Federal Reserve will soon raise US interest rates, bond markets also rose, possibly benefiting from growing political uncertainty in Europe fuelling demand for perceived safe-haven assets. Against this positive background, convertibles also rallied and the fund generated positive returns.

During February, the largest contributions to performance were all generated by holdings from the US, particularly of convertibles in the software and healthcare sectors. For example, the convertible from cloud-computing firm **Citrix Systems** added most value, participating when the group's shares recovered well from some technical weakness during the spin-off of Citrix's GoTo operations and merger with LogMeIn. Other good performers were boosted when they reported quarterly reports that exceeded analysts' expectations. This included pharmaceutical group **Allergan**, where company management also increased their guidance for future earnings, and online travel services provider **Priceline**, which benefited from accelerating growth in room bookings. The fund holds a position in a mandatory convertible from Allergan, as well as a stake in the group's shares, and two convertibles from Priceline. Outside the US, a convertible from **Capitaland**, a real estate developer in Singapore also rallied after announcing robust financial results.

Among the detractors was another US convertible, from internet service provider **Akamai Technologies**. Although the company reported earnings ahead of analysts' forecasts, the accompanying guidance for the first quarter of 2017 was seen as disappointing. Fund Manager Léonard Vinville remains confident that Akamai will deliver value for the fund over the medium term. The largest detractor,

however, was a convertible into the shares of Russian steel maker **Severstal**, which suffered when the issuer launched a new bond that offered more balanced exposure to the group plus an extra year of life. Léonard initiated a position in the new bond. The fund's holdings of two convertibles from Mexican building products group **Cemex** also slipped back in February, having rallied strongly in the previous month.

Key changes

The only new addition to the portfolio was the recently launched convertible into **Severstal**. As mentioned above, the bond gives balanced exposure to a company the Léonard knows very well, having previously invested in the steel producer's convertibles, shares and straight bonds.

Following periods of sustained good performance, Léonard completed the disposal of a convertible from US wireless technology developer **Interdigital** and reduced exposure to car maker **Suzuki** and personal products manufacturer **Unicharm** in Japan. All these bonds had become vulnerable to potential share price weakness. He also accepted the opportunity for the early redemption of a convertible from **Haitian International**, a Chinese manufacturer of plastic moulding machines. Elsewhere, a bond issued by Ruby Assets was converted into the shares of Singaporean property company **Ascendas**. The shares were subsequently sold.

Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
USD A-H Acc	GB00B7XWNM45	MGCVAHU LN	1,50 %	1,68 %	\$1.000	\$75
USD A-H Inc	GB00BK6MC693	MGCEUAH LN	1,50 %	1,67 %	\$1.000	\$75
USD C-H Acc	GB00B8J73C09	MGCVCCHU LN	0,75 %	0,95 %	\$500.000	\$50.000
USD C-H Inc	GB00BK6MC701	MGCEUCH LN	0,75 %	0,93 %	\$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 July 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-H 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-H shares. Copyright © 2017 Morningstar UK Limited. All Rights Reserved. Ratings should not be taken as recommendation.

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and investors may not get back the original amount invested. **For Investment Professionals and Institutional Investors only. Not for onward distribution. No other persons should rely on any information contained within.** **For Switzerland:** Distribution of this document in or from Switzerland is not permissible with the exception of the distribution to Qualified Investors according to the Swiss Collective Investment Schemes Act, the Swiss Collective Investment Schemes Ordinance and the respective Circular issued by the Swiss supervisory authority ("Qualified Investors"). **Supplied for the use by the initial recipient (provided it is a Qualified Investor) only.** In Spain the 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 Dynamic Allocation Fund reg. no 843, M&G Global Macro Bond Fund reg. no 1056 and M&G Optimal Income Fund reg. no 522, M&G (Lux) Investment Funds 1 reg. no 1551. The collective investment schemes referred to in this document (the "Schemes") are open-ended investment companies with variable capital, incorporated in England and Wales in respect of M&G Investment Funds and in Luxembourg in respect of M&G (Lux) Investment Funds. In the Netherlands, all funds referred to are registered with the Dutch regulator, the AFM. 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, in paper form, from the ACD: M&G Securities Limited, Laurence Pountney Hill, London, EC4R 0HH, GB; or one of the following - M&G International Investments Limited, German branch, mainBuilding, Taunusanlage 19, 60325 Frankfurt am Main; the Austrian paying agent: Société Générale Vienna Branch, Zweigniederlassung Wien Prinz Eugen-Strasse, 8-10/5/Top 11 A-1040 Wien, Austria; the Luxembourg paying agent: Société Générale Bank & Trust SA, Centre operational 28-32, place de la Gare L-1616 Luxembourg; the Danish paying agent: Nordea Bank Danmark A/S Issuer Services, Securities Services, Hermes Hus, Helgeshøj Allé 33, Postbox 850, DK-0900, Copenhagen C, Denmark; Allfunds Bank, Calle Estafeta, No 6 Complejo Plaza de la Fuente, La Moraleja, 28109, Alcobendas, Madrid, Spain; M&G International Investments Limited, the French branch; the French centralising agent of the Fund: RBC Investors Services Bank, France; or the Swedish paying agent: Nordea Bank AB (publ), Smländsgatan 17, 105 71 Stockholm, Sweden. For Switzerland, please refer to M&G International Investments Switzerland AG, Talstrasse 66, 8001 Zurich or Société Générale, Paris, Zurich Branch, Talacker 50, P.O. Box 5070, 8021 Zurich, which acts as the Swiss representative of the Schemes (the "Swiss Representative") and acts as their Swiss paying agent. For Italy, they can also be obtained on the website: www.mandgitalia.it. For Germany and Austria, copies of the Instrument of incorporation, annual or interim Investment Report, Financial Statements and Prospectus are available in English and the Prospectus and Key Investor Information Document/s are available in German. For Greece, they are available in English, except the Key Investor Information Document/s which is available in Greek, from the Greek Representative: Eurobank Ergasias S.A. 8, Othonos Street, 10557 Athens. **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. In Switzerland, this financial promotion is issued by M&G International Investments Switzerland AG, authorised and regulated by the Swiss Federal Financial Market Supervisory Authority. Elsewhere, it is issued by M&G International Investments Ltd. Registered Office: Laurence Pountney Hill, London EC4R 0HH, authorised and regulated by the Financial Conduct Authority in the UK. Registered in England No. 4134655 and has a branch located in France, 6 rue Lamennais 34, Paris 75008, registered on the Trade Register of Paris, No. 499 832 400 and a branch in Spain, with corporate domicile at Plaza de Colón 2, Torre II, Planta 14, 28046, Madrid, registered with the Commercial Registry of Madrid under Volume 32.573, sheet 30, page M-586297, inscription 1, CIF W8264591B and registered with the CNMV under the number 79. The Portuguese Securities Market Commission (Comissão do Mercado de Valores Mobiliários, the "CMVM") has received a passporting notification under Directive 2009/65/EC of the European Parliament and of the Council and the Commission Regulation (EU) 584/2010 enabling the fund to be distributed to the public in Portugal. M&G International Limited is duly passported into Portugal to provide certain investment services in such jurisdiction on a cross-border basis and is registered for such purposes with the CMVM and is therefore authorised to conduct the marketing (comercialização) of funds in Portugal.

Contact M&G

Austria

www.mandg.at

Belgium

www.mandg.be

Denmark

www.mandg.dk

Finland

www.mandg.fi

France

www.mandg.fr

Germany

www.mandg.de

Greece

www.mandg.gr

Ireland

www.mandg-investments.ie

Italy

www.mandgitalia.it

Luxembourg

www.mandg.lu

Netherlands

www.mandg.nl

Norway

www.mandg.no

Portugal

www.mandg.pt

Spain

www.mandg.es

Sweden

www.mandg.se

Switzerland

www.mandg.ch