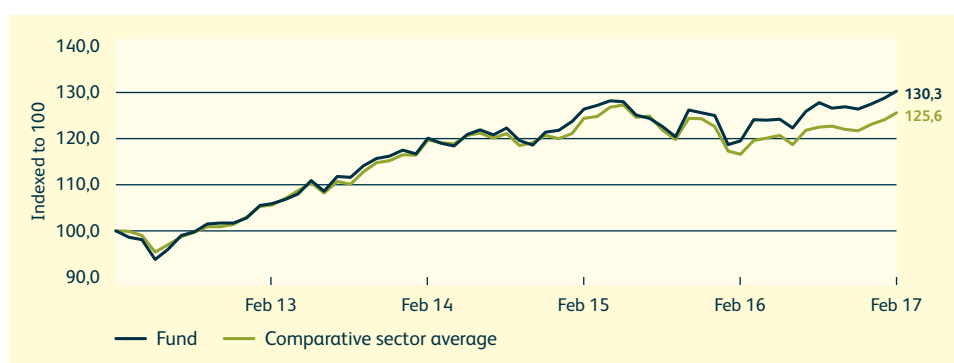


Euro Class A-H

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 over 5 years



Key information

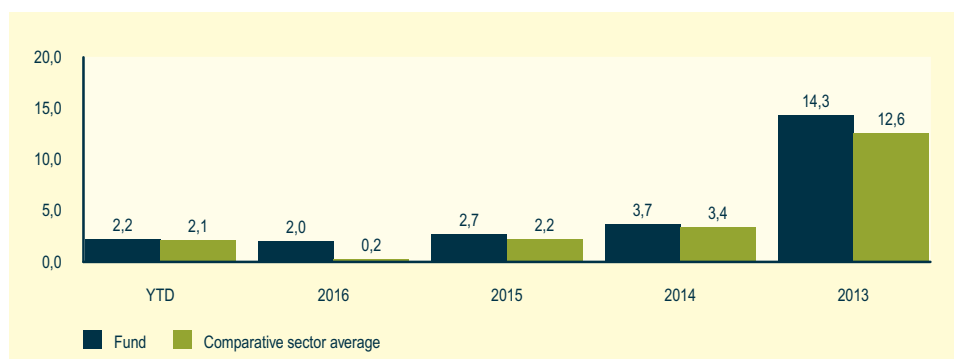
Fund manager	Léonard Vinville
Fund manager tenure from	13 July 2007
Deputy fund managers	David Romani, Yannis Karachalios
Launch date	13 July 2007
Launch of share class	21 May 2010
Fund size (millions)	€2.224,58
Fund type	OEIC, incorporated in the UK
Comparative index	Thomson Reuters Global Focus Convertible Hedged EUR Index
Comparative sector	Morningstar Convertible Bond - Global EUR 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
Share type	Acc & Inc
Ongoing charge	1,68 %

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	+1,2	+3,1	+2,2	+9,1	+2,8	+5,4	+5,4	+5,4
Index	+1,1	+3,2	+2,0	+8,1	+2,5	+5,5	+6,0	+6,0
Sector	+1,2	+3,2	+2,1	+7,5	+1,8	+4,5	+4,6	+4,6
Ranking	24/58	25/57	19/58	15/53	10/44	7/39	8/33	8/33
Quartile ranking	2	2	2	2	1	1	1	1

* 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.

Annual performance (%)



Fund ratings

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

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 allows for the extensive use of derivatives.

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
Euro A Acc	GB00B1Z68494	MGGGLCOE LN	1,50 %	1,66 %	€1.000	€75
Euro A Inc	GB00B929RL77	MGCEUAI LN	1,50 %	1,66 %	€1.000	€75
Euro A-H Inc	GB00B933KJ72	MGCEAHI LN	1,50 %	1,68 %	€1.000	€75
Euro A-H Acc	GB00B4X3NX75	MGGCAHE LN	1,50 %	1,68 %	€1.000	€75
Euro B Acc	GB00B95HC793	MGCEBAC LN	2,00 %	2,16 %	€1.000	€75
Euro B Inc	GB00BYQRBR68	MGGCBIN LN	2,00 %	2,15 % *	€ 1.000	€ 75
Euro B-H Acc	GB00B92WYV59	MGCEBHA LN	2,00 %	2,18 %	€1.000	€75
Euro B-H Inc	GB00BYQRBS75	MGGCBHI LN	2,00 %	2,17 % *	€ 1.000	€ 75
Euro C Acc	GB00B1Z68502	MGGGLCEC LN	0,75 %	0,91 %	€500.000	€50.000
Euro C Inc	GB00BK6MC479	MGCEECI LN	0,75 %	0,90 %	€ 500.000	€ 50.000
Euro C-H Inc	GB00BK6MC586	MGCECHI LN	0,75 %	0,93 %	€ 500.000	€ 50.000
Euro C-H Acc	GB00B4WZ0J97	MGGCCHE 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.

* The ongoing charge figure shown here is an estimate. The Fund's annual report for each financial year will include details of the exact charges made.

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-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 Euro Class A-H shares. Copyright © 2017 Morningstar UK Limited. All Rights Reserved. Ratings should not be taken as recommendation.

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