Fund Factsheet

30 April 2017

# M&G Global Macro Bond Fund

M&G INVESTMENTS

Euro Class A

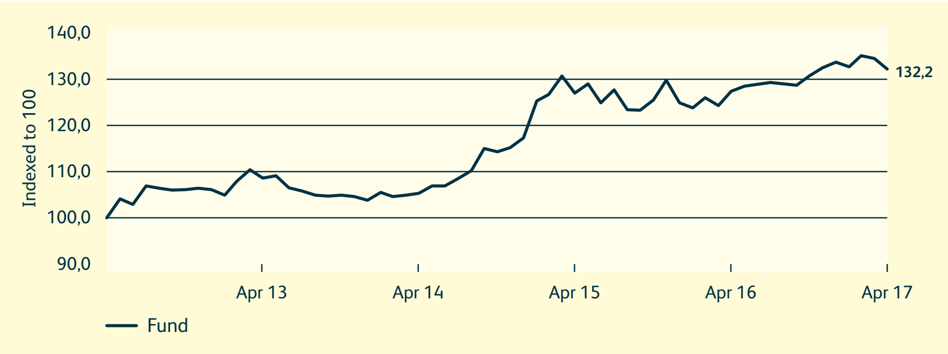
## Fund description

This 'go-anywhere' fund aims to deliver income and capital growth over the long term (that is, over five years or more) by investing across a broad range of fixed income assets, including bonds issued by governments and companies in developed nations and emerging markets. It can also invest in any currency. Exposure to these assets is gained through direct holdings and the use of derivatives. The ability to invest anywhere and in any currency gives the fund the freedom to select those assets that the fund manager believes are likely to benefit from the prevailing market trends and economic conditions.

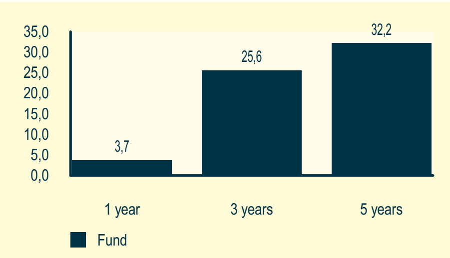
## Single year performance (5 years ending April)

| From<br>To | 01.05.16<br>30.04.17 | 01.05.15<br>30.04.16 | 01.05.14<br>30.04.15 | 01.05.13<br>30.04.14 | 01.05.12<br>30.04.13 |
|---|---|---|---|---|---|
| Fund | 3,7% | 0,3% | 20,7% | -3,0% | 8,6% |

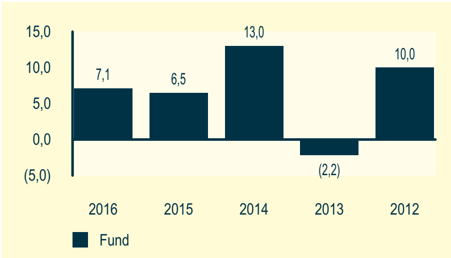
## Performance over 5 years




## Cumulative performance (%)




## Annual performance (%)




Past performance is not a guide to current or future performance and the performance data does not take into account the entry and exit charges incurred on the issue and redemption of shares but does take into account the ongoing charge.

Please note that the performance data shown for this fund, prior to the launch of the share class, is simulated using sterling returns converted to the currency of the share class. Like all past performance, simulated past performance is not a guide to future performance.

Currency exchange rate fluctuations will impact the value of your investment.

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.

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.

## 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)** | €2.000,70 |
| **Fund type** | OEIC, incorporated in the UK |
| **Comparative sector** | Morningstar Global Bond sector |
| **Number of issuers** | 112 |
| **Modified duration (years)** | 2,9 |
| **Distribution yield (Acc)** | 1.17 % |
| **Distribution yield (Inc)** | 2.57 % |
| **Underlying yield (Acc)** | 1.17 % |
| **Underlying yield (Inc)** | 1.17 % |
| **Volatility†** | 7,49 % |
| **Average credit rating** | A+ |
| **Share type** | Acc & Inc |

†Source: Morningstar, three-year annualised volatility, as at 30 April 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.

## Charges

| | |
|---|---|
| **Entry charge** | 4,00 % |
| **Ongoing charge** | 1,42 % |

## Fund ratings

| | |
|---|---|
| Overall Morningstar rating | ★★★★★ |
| Morningstar Analyst rating | Silver |

Source of Morningstar ratings: Morningstar, as at 31 March 2017

Ratings should not be taken as a recommendation.

## Asset breakdown (%)

| | Physical | Net |
|---|---|---|
| Government bonds | 61,6 | 61,2 |
| Investment grade corporate bonds | 24,2 | 16,7 |
| High yield corporate bonds | 5,7 | 6,2 |
| Securitised | 4,6 | 4,6 |
| Cash | 3,8 | 11,2 |

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## Credit rating breakdown (%)

| | Physical | Net |
|---|---|---|
| AAA | 29,3 | 29,3 |
| AA | 25,1 | 24,7 |
| A | 8,2 | 4,8 |
| BBB | 21,1 | 17,0 |
| BB | 8,7 | 9,2 |
| B | 3,6 | 3,6 |
| CCC | 0,0 | 0,0 |
| CC | 0,0 | 0,0 |
| C | 0,0 | 0,0 |
| D | 0,0 | 0,0 |
| No rating | 0,1 | 0,1 |
| Cash | 3,8 | 11,2 |

The portfolio holds 6,2 % of non investment grade corporate bonds (rated BB and below).

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.

## Largest issuers (%)

| | Fund |
|---|---|
| US | 36,6 |
| Germany | 6,3 |
| Mexico | 2,9 |
| Sweden | 2,8 |
| Brazil | 2,7 |
| JP Morgan | 1,9 |
| South Africa | 1,6 |
| Bank of America | 1,6 |
| Denmark | 1,6 |
| Indonesia | 1,5 |

## Currency breakdown of portfolio (%)

| | Fund |
|---|---|
| US dollar | 58,8 |
| Euro | 12,6 |
| Japanese yen | 11,0 |
| Danish krone | 4,5 |
| Swedish krona | 2,8 |
| Brazilian real | 2,7 |
| Swiss franc | 2,2 |
| South African rand | 1,6 |
| Indonesian rupiah | 1,5 |
| Other | 5,5 |

## Maturity breakdown (%)

| | Physical |
|---|---|
| 0 - 1 years | 16,1 |
| 1 - 3 years | 22,1 |
| 3 - 5 years | 16,9 |
| 5 - 7 years | 10,7 |
| 7 - 10 years | 16,6 |
| 10 - 15 years | 3,9 |
| 15+ years | 9,9 |
| Cash | 3,8 |

## Fund codes and charges

| Share class | ISIN | Bloomberg | Annual management charge | Ongoing charge | Minimum initial investment | Minimum top up investment |
|---|---|---|---|---|---|---|
| Euro A Inc | GB00B9FPWZ14 | MGGMEAI LN | 1,25 % | 1,42 % | €1.000 | €75 |
| Euro A Acc | GB00B78PH718 | MGGMAEA 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 | MGMAEHA LN | 1,25 % | 1,43 % | €1.000 | €75 |
| Euro B Inc | GB00BYQRBX29 | MGGMEBI LN | 1,75 % | 1,92 % | € 1.000 | € 75 |
| Euro B Acc | GB00B739JW74 | MGGMBEA 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 | MGMBEHA LN | 1,75 % | 1,94 % | €1.000 | €75 |
| Euro C Inc | GB00BK6MCQ93 | MGGMCEI LN | 0,65 % | 0,81 % | € 500.000 | € 50.000 |
| Euro C Acc | GB00B78PHS29 | MGGMCEA LN | 0,65 % | 0,81 % | €500.000 | €50.000 |
| Euro C-H Inc | GB00BVYJ0V07 | MGMBECH LN | 0,65 % | 0,83 % | €500.000 | €50.000 |
| Euro C-H Acc | GB00B78PJD16 | MGMCEHA 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. 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.

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.

## Important information

**For definitions of the investment terminology used within this document please see the accompanying glossary.**

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

The M&G Global Macro Bond Fund is a stand alone OEIC.

Please note that the fund does not have an official benchmark, therefore, the fund's returns are shown versus the comparative sector.

The risk profile associated with the performance of the M&G Global Macro Bond Fund is high.

Source of performance data: Morningstar, Inc., as at 30 April 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 30 April 2017 unless indicated otherwise.



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# 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.

**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 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, and a bond is a fixed income security.

**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.

**Dividend:** Dividends represent a share in the profits of the company and are paid out to a 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.

**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.

**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 security's life.

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

**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.

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**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.

**Liquidity:** A company is considered highly liquid if it has plenty of cash at its disposal. A company's shares are considered highly liquid if they can be easily bought or sold since large amounts are regularly traded.

**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.

**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.

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

**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.

**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 particular period. Total return includes income (in the form of interest or dividend payments) and capital gains.

**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 time 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.

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