

M&G (Lux) Global Target Return Fund - Euro Class A

Monthly Fund Review as at 30 April 2018

For investment professionals only



Highlights

- The fund delivered a positive return in April against a backdrop of lower market volatility.
- Long exposure to European and Asian equities and overall short duration in fixed income were key drivers of performance.
- The fund manager increased equity exposure early in the month to capitalise on attractive valuations.

Risks associated with this fund

For any past performance shown, please note that 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. These fluctuations may be more extreme in periods of market disruption and other exceptional events. There is no guarantee the fund objective will be achieved and you may not get back the original amount you invested.

The fund may take short positions through the use of derivatives. Short positions reflect an investment view that the price of the underlying asset is expected to fall in value. Accordingly, if this view is incorrect and the asset rises in value, the short position will cause the fund to incur a loss.

Derivatives may be used to generate exposure to investments exceeding the net asset value of the fund, thereby exposing the fund to a higher degree of risk. As a result of increased market exposure, the size of any positive or negative movement in markets will have a relatively larger effect on the net asset value of the fund. The additional exposure will however be limited to such an extent as to not materially increase the price fluctuations of the fund, in comparison to equivalent funds that do not use derivatives in this way.

Further risk factors that apply to the fund can be found in the fund's Key Investor Information Document (KIID).

Single year performance (5 years ending April)

From To	01.05.17 30.04.18	01.05.16 30.04.17	01.05.15 30.04.16	01.05.14 30.04.15	01.05.13 30.04.14
Euro A Acc	2,6%	n/a	n/a	n/a	n/a

Performance since launch



Fund performance

	1 month (%)	3 months (%)	YTD (%)	1 year (%)	3 years (%) p.a.	5 years (%) p.a.	Manager tenure (%) p.a.	Since launch (%) p.a.
Fund	+0,7	-0,8	+1,1	+2,6	N/A	N/A	+2,6	+2,6
3-month EURIBOR + 4%	+0,3	+0,9	+1,2	+3,7	+3,7	+3,9	+3,7	+3,7

The fund targets a combined income and capital growth of at least three-month EURIBOR plus 4% a year over any three-year period, before any charges and in any market condition. There is no guarantee that the fund will achieve a positive return over any period. Investors may not get back the original amount they invested.

Past performance is not a guide to future performance.

Things you should know

The fund allows for the extensive use of derivatives.

Key information

Fund manager	Tristan Hanson was appointed fund manager of the M&G (Lux) Global Target Return Fund upon its launch
Fund manager tenure from	21 December 2016
Deputy fund manager	Eric Lonergan
Launch date	21 December 2016
Launch of share class	21 December 2016
Fund size (millions)	€107,51
Fund type	Luxembourg SICAV
Reference rate	3-month EURIBOR
Comparative sector	Morningstar Alternative-Multistrategy sector
Modified duration (years)	-3,2
Average credit rating of fixed interest holdings	A
Share type	Accumulation
Ongoing charge	1,50%

VaR analysis (%)

	Fund
1 month 99% VaR	1,74

Portfolio construction (%)

	Allocation range	Neutrality
Equity	+/-35	0
Fixed income	+/-6 years duration	0
Other	0-20	0
Currency		50-150 in euro

Other: Comprises mainly property, infrastructure, convertibles and private loans. Please note these guidelines are subject to change.

Asset breakdown (%)

	Long exposure	Short exposure	Net exposure
Equity	22,9	0,0	22,9
UK	2,4	0,0	2,4
Europe	8,2	0,0	8,2
US	3,7	0,0	3,7
Japan	3,0	0,0	3,0
Asia Pacific ex Japan	5,6	0,0	5,6
Other	0,0	0,0	0,0
Equity options (nominal)	0,0	0,0	0,0
Government bonds	7,5	-31,7	-24,2
UK	0,0	-6,9	-6,9
Europe	1,9	-16,8	-14,9
US	0,0	0,0	0,0
Japan	0,0	-8,0	-8,0
Asia Pacific ex Japan	0,9	0,0	0,9
Other	4,7	0,0	4,7
Corporate bonds	2,5	0,0	2,5
Investment grade	2,5	0,0	2,5
High yield	0,0	0,0	0,0
Bond options (nominal)	0,0	0,0	0,0
CDS	0,0	-35,3	-35,3
Other	1,7	0,0	1,7
Convertible bonds	0,0	0,0	0,0
Property funds/Infrastructure	0,7	0,0	0,7
Private loans	0,0	0,0	0,0
OTHER	1,0	0,0	1,0

Equity options (nominal): The total value of all the equity options held in the fund expressed as a percentage of net asset value (NAV). **Bond options (nominal):** The total value of all the bond options held in the fund expressed as a percentage of net asset value (NAV). **Private loans:** A loan provided by a non-bank lender, generally at a specific interest rate and for a pre-determined length of time.

Largest exposures (excluding cash, %)

	Net exposure
Itraxx Europe Crossover Index	-2,8
British government 10Y	-2,9
Japanese government 10Y	-3,2
British government 30Y	-4,1
Japanese government 30Y	-4,7
Philippines government 5Y CDS	-7,6
Chinese government 10Y CDS	-7,7
Chilean government 2Y CDS	-7,7
Korean government CDS	-7,7
German government 5Y	-9,5

Currency breakdown (%)

	Net exposure
Euro	97,5
US dollar	14,3
Turkish lira	2,1
Japanese yen	2,1
Russian ruble	2,0
Thai baht	-2,0
Singapore dollar	-2,0
Taiwan dollar	-3,9
Hong Kong dollar	-10,1
Other	0,0

The fund's neutral currency positioning is 100% in euros. Deviations from this figure, therefore, represent long/short exposure.

Options (%)

	Fund
Equity options valuation (delta adjusted)	0,0
Fixed income options valuation (delta adjusted)	0,0

Equity options valuation (delta-adjusted): The notional value of all the equity options held in the fund, taking into account the sensitivity of each option's price to changes in the underlying equity price. Notional value is the market value of an option's underlying assets at the market price. **Fixed income options valuation (delta-adjusted):** The notional value of all the fixed income options held in the fund, taking into account the sensitivity of each option's price to changes in the underlying bond price. Notional value is the market value of an option's underlying assets at the market price.

Leverage and volatility

	Fund
Net leverage	-0,3x
Gross leverage	1,0x
Volatility	2,99%

Net leverage is the sum of all net notional exposures, excluding cash, divided by NAV. Gross leverage is the sum of all gross notional exposure, excluding cash, divided by NAV. Volatility is one-year annualised volatility calculated monthly, as at 30 April 2018, sourced from Morningstar.

Commentary

The fund delivered a positive return in April against a backdrop of lower market volatility compared to recent months.

Long equity exposures were a key contributor to performance. This was driven primarily by stockmarket rallies in Europe, including Germany, Italy and Spain, as well as exposure to Asian stockmarkets in South Korea and Japan.

The portfolio's overall short duration proved beneficial, as fixed income markets sold off. This included short exposure to developed market government bonds from France, Germany, Japan and the UK.

Long exposure to emerging market currencies detracted from performance.

Key changes

Early in the month, the fund manager increased overall equity exposure with a view to capitalising on attractive valuations following recent market volatility. This included adding long exposure to European banks and stockmarket indices in Hong Kong (Chinese H shares), South Korea and the US. Later in the month, he swapped long equity exposure to Italy and the UK following their recovery for exposure to Indonesia and Turkey.

In fixed income, the fund manager closed a 2% position in peripheral European government bonds from Poland following their strong recent performance. The portfolio remains materially short of developed market government bonds from France, Germany, Japan and the UK.

In currencies, the fund is net long on the US dollar and selected high-carry emerging market currencies. It also has short exposure to the euro and low-carry currencies from Asia.

Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
Euro A Acc	LU1531594833	MGTRAEA LX	1,25%	1,50% *	€ 1.000	€ 75
Euro B Acc	LU1531594916	MGTRBEA LX	1,75%	2,00% *	€ 1.000	€ 75
Euro C Acc	LU1531595053	MGTRCEA LX	0,50%	0,75% *	€ 500.000	€ 50.000
Euro CI Acc	LU1531595137	MGTCIEA LX	0,50%	0,71% *	€ 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 11 October 2017.

* 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

The fund's physical holdings include a significant proportion of cash or cash equivalents, which are used as backing for the derivatives positions.

Source of performance data: Morningstar, Inc., as at 30 April 2018, Euro Class A shares, net 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 2018 unless indicated otherwise.

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