

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

Monthly Fund Review as at 30 September 2018

For investment professionals only



Highlights

- The fund delivered positive returns in September as negative investor sentiment subsided, allowing many global financial assets to recover from August's volatility.
- We added back some equity positions to the portfolio as markets stabilised.
- The fund remains positioned to reflect our core view that global equities have significant scope to outperform developed market bonds over the medium term.

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.

Currency exchange rate will impact the value of your investment.

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)

	2017	2016	2015	2014	2013
Euro A Acc (net of fees)	2,6%	N/A	N/A	N/A	N/A
3-month EURIBOR + 4%	3,7%	3,7%	4,0%	4,2%	4,2%
Euro A Acc (gross of fees)	4,2%	N/A	N/A	N/A	N/A

Performance since launch (Euro A Acc share class, net of fees)



Source: Morningstar, Inc and M&G, as at 30 September 2018. Euro Class A shares, income reinvested, price-to-price basis. The past performance shown here is both gross returns (before the Ongoing Charge Figure is taken) in line with the objective of the fund and net returns (after the Ongoing Charge Figure has been taken) to illustrate how charges affected the performance. Investors should note that the net return is what they would receive and is therefore the more relevant figure.

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.
Euro A Acc (net of fees)	+0,9	-1,4	-2,5	-2,5	N/A	N/A	-0,1	-0,1
3-month EURIBOR + 4%	+0,3	+0,9	+2,7	+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
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)	€113,18
Fund type	Luxembourg SICAV
Reference rate	3-month EURIBOR
Comparative sector	Morningstar Alternative-Multistrategy sector
Modified duration (years)	-2,7
Average credit rating of fixed interest holdings	A
Share type	Accumulation
Ongoing charge	1,49 %

VaR analysis (%)

	Fund
1 month 99% VaR	1,79

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	19,4	0,0	19,4
UK	2,5	0,0	2,5
Europe	5,6	0,0	5,6
US	2,8	0,0	2,8
Japan	2,3	0,0	2,3
Asia Pacific ex Japan	5,4	0,0	5,4
Other	0,8	0,0	0,8
Equity options (nominal)	0,1	0,0	0,1
Government bonds	10,6	-29,7	-19,1
UK	0,0	-7,2	-7,2
Europe	5,2	-16,8	-11,6
US	0,0	0,0	0,0
Japan	0,0	-5,7	-5,7
Asia Pacific ex Japan	2,0	0,0	2,0
Other	3,5	0,0	3,5
Corporate bonds	3,7	0,0	3,7
Investment grade	3,7	0,0	3,7
High yield	0,0	0,0	0,0
Bond options (nominal)	0,0	0,0	0,0
CDS	0,0	-36,4	-36,4
Other	0,5	0,0	0,5
Convertible bonds	0,0	0,0	0,0
Property funds/Infrastructure	0,0	0,0	0,0
Private loans	0,0	0,0	0,0
OTHER	0,5	0,0	0,5

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
Italian government 10Y	3,2
German government 30Y	-3,1
German government 10Y	-3,2
British government 10Y	-3,2
British government 30Y	-4,6
Chinese government 10Y CDS	-8,6
Korean government CDS	-8,6
Philippines government 5Y CDS	-8,6
Chilean government 2Y CDS	-8,6
German government 5Y	-10,5

Currency breakdown (%)

	Net exposure
Euro	94,5
US dollar	13,1
Japanese yen	2,3
Turkish lira	2,3
Indonesian rupiah	2,2
Russian ruble	2,1
Taiwan dollar	-1,6
Thai baht	-1,6
Hong Kong dollar	-10,0
Other	-3,2

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)	-0,5
Fixed interest 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	4,44%

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 September 2018, sourced from Morningstar.

Commentary

Negative investor sentiment subsided in September, which allowed many financial assets to recover from August's volatility. Global equities and emerging market assets generally performed strongly, while developed market government bonds sold off. Against this backdrop, the fund delivered a positive return.

In equities, the fund is largely positioned in favour of non-US equities, where we see better potential value. Positive contributions to performance included long positions in Asian stockmarkets, European banks and mining sector stocks.

In fixed income, the fund's short positions in German bunds and UK gilts proved beneficial, as these assets sold off. A small long position in Argentinian government bonds also provided a positive return.

In currencies, the fund has long positions in selected emerging markets, which are designed to diversify risk and capitalise on high carried interest. In September, these provided a modest positive contribution overall, including the fund's 2% position in Turkish lira, which partially recovered from August's volatility.

Key changes

Our portfolio activity this month included topping up equity positions as markets began to stabilise, as several holdings had been reduced in August to help manage portfolio drawdowns.

We increased overall equity exposure from around 14% to 16%, which included adding to our positions in mining sector stocks and the Korean 'KOSPI' stockmarket index.

As a hedge against potential global equity weakness, we added a put option on the US S&P 500 stockmarket index.

The portfolio remains positioned to reflect our core view that global equities and selected emerging market assets have significant scope to outperform developed market bonds over the medium term.

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%	1,49%	€ 1.000	€ 75
Euro B Acc	LU1531594916	MGTRBEA LX	1,75%	1,96%	€ 1.000	€ 75
Euro C Acc	LU1531595053	MGTRCEA LX	0,50%	0,74%	€ 500.000	€ 50.000
Euro CI Acc	LU1531595137	MGTCIEA LX	0,50%	0,69%	€ 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 March 2018.

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 September 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 September 2018 unless indicated otherwise.

For Investment Professionals and Institutional Investors only. Not for onward distribution. No other persons should rely on any information contained within. 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 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 UCITS and 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 one of the following - M&G International Investments S.A., 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 S.A. or its 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 by 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 Ireland, they are available in English language and can also be obtained from the Irish facilities agent, Société Générale SA, Dublin Branch, 3rd Floor IFSC House – The IFSC Dublin 1, Ireland. 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. This financial promotion is issued by M&G International Investments S.A. Registered Office: 16, Boulevard Royal, L-2449, Luxembourg. 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.

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