

M&G Total Return Credit Investment Fund

Monthly fund report



November 2018

The value of investments will fluctuate, which will cause prices to fall and rise and investors may not get back the original amount they invested. There is no guarantee the objective will be achieved.

The M&G Total Return Credit Investment Fund ('the fund') aims to maximise total return principally by exploiting long-term risk premia. The fund will aim to provide investors with attractive returns from capital and income from a diversified pool of debt and debt like assets. These will include, but are not limited to, debt instruments with a fixed, variable or floating rate coupon. The investment manager will identify opportunities at the market, sector, issuer or security level to enhance returns amongst fixed income asset classes, such as investment grade and high yield corporate bonds and on occasion, government bonds. Duration, yield curve and currency investment strategies may also be used. There is no geographic limitation to the investment universe.

Key information

Fund manager	Richard Ryan
Fund launch date	4 March 2013
Fund type	Luxembourg SICAV (UCITS)
Dealing and valuation dates	Daily (settlement t+2)
Total expense ratio	0.45% of NAV*
Available share classes	EUR, USD and GBP
Minimum investment	€1,000,000**
Fund size	€1,300,890,119.40
Number of issues	423
Number of issuers	360
Modified duration	0.01
Spread duration	3.67
PV01	0.0001%
CR01	0.0425%
IE01	0.0001%
Average credit rating***	A+
Running yield	2.62%
Yield****	2.78%
99% 20 day value at risk	0.52%

Performance objective

The fund seeks a total return of one month Libor / Euribor +3 to 5% gross of fees p.a. over a cycle.

Risks associated with this fund

Credit risk: the possibility that a debtor will not meet their repayment obligations.

Liquidity risk: this exists when particular investments are difficult to purchase or sell.

Interest rate risk: this is the extent to which an asset or investment's value could be influenced by movements in variable interest rates.

Derivative risk: the use of derivatives for non-hedging purposes may expose the Fund to a higher degree of risk and may cause your investment to experience larger than average price fluctuations.

Currency risk: currency movements could have both a negative and positive impact upon the overall value of the investments owned by this sub-fund.

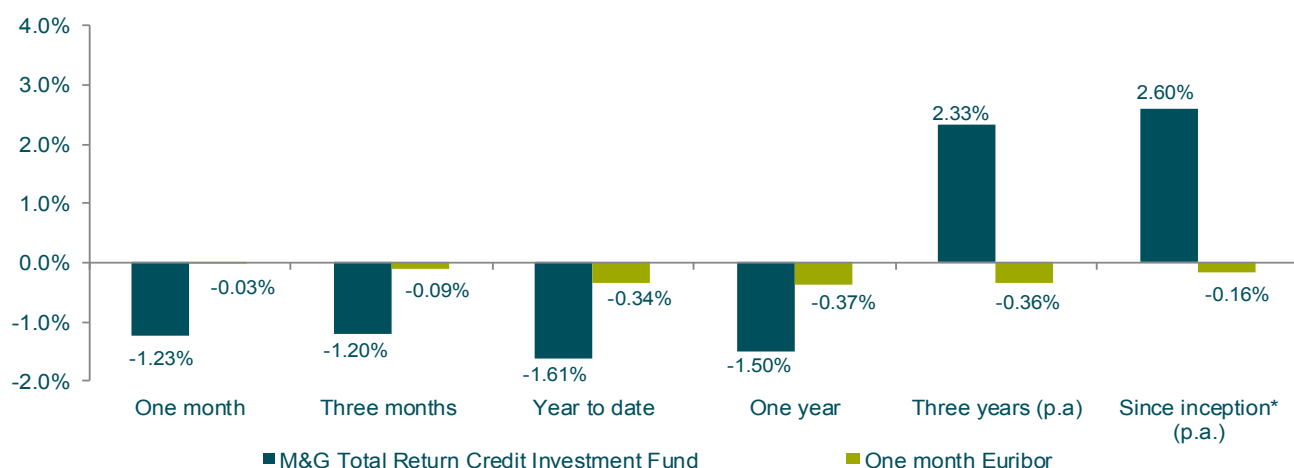
Hedged share classes use currency hedging strategies to minimise currency exchange rate risk. There will be imperfections with any hedging strategy, and it cannot be guaranteed that the hedging objective will be achieved. The hedging strategy may substantially limit holders of the hedged share class from benefiting if the hedged share class currency fails against the reference currency.

Please note this is not an exhaustive list, you should ensure you understand the risk profile of the products or services you plan to purchase.

Fund performance

Past performance is not a guide to future performance.

M&G Total Return Credit Investment Fund performance



Source: M&G as at 30 November 2018, gross returns of EUR A Share class. *Inception date 15 March 2013.

Total returns	One month	Three months	Year to date	One year	Three years (p.a.)	Since inception (p.a.)*
A share class € (gross)	-1.23%	-1.20%	-1.61%	-1.50%	2.33%	2.60%
A share class € (net)	-1.26%	-1.31%	-2.01%	-1.94%	1.87%	2.12%
One month Euribor**	-0.03%	-0.09%	-0.34%	-0.37%	-0.36%	-0.16%
B share class € (gross)	-1.23%	-1.19%	-1.61%	-1.50%	-	1.11%
B share class € (net)	-1.26%	-1.30%	-2.01%	-1.94%	-	0.66%
One month Euribor**	-0.03%	-0.09%	-0.34%	-0.37%	-	-0.37%
C share class £ (gross)	-1.14%	-0.92%	-0.68%	-0.46%	3.21%	2.84%
C share class £ (net)	-1.17%	-1.04%	-1.08%	-0.91%	2.75%	2.38%
One month Libor**	0.06%	0.18%	0.54%	0.58%	0.43%	0.45%
D share class £ (gross)	-1.14%	-0.86%	-0.62%	-0.41%	3.23%	2.72%
D share class £ (net)	-1.17%	-0.97%	-1.03%	-0.85%	2.77%	2.25%
One month Libor**	0.06%	0.18%	0.54%	0.58%	0.43%	0.44%

Yearly return (gross of fees)	2013	2014	2015	2016	2017
A share class €	-	1.45%	0.41%	5.91%	3.44%
B share class €	-	-	-	-	3.40%
C share class £	-	1.78%	1.02%	6.70%	4.23%
D share class £	-	-	1.06%	6.72%	4.23%
One Month Euribor**	-	0.13%	-0.07%	-0.34%	-0.37%
One Month Libor**	-	0.47%	0.50%	0.40%	0.29%

The Total Expense Ratio for this fund is 0.45% p.a. This will affect the return investors will receive. Past performance is not a guide to future performance.

Risk statistics***	Three years	Five years
Volatility****	3.23%	2.82%
Sharpe ratio	0.83	0.79

Source: M&G as at 30 November 2018. *A share class inception 15 March 2013, B share class 23 November 2016, C share class Inception 18 October 2013, D share class inception 21 November 2014. **Euribor levels supplied by European Banking Federation. Libor levels supplied by BBA Libor up to 30 June 2014 and ICE Benchmark Services thereafter. *** Based on gross return of A share class € ****Ex-post volatility.

Pricing

Share class	Inception date	ISIN	Bloomberg code	Price per share	Fund NAV
EUR A	15/03/2013	LU0895902640	ESMRCAE LX	€112.73	€167,981,891.68
EUR B	23/11/2016	LU0895902723	EMGTBED LX	€98.73	€98,152,374.52
GBP C	18/10/2013	LU0895902996	ESMRCGH LX	£112.78	£765,885,111.40
GBP D	21/11/2014	LU0895903028	EMGTDGH LX	£101.23	£10,110,442.74

Source: M&G as at 30 November 2018

Performance attribution

Position	One month (bps)
Asset allocation – corporate bonds	-93
Industrial	-49
Financial	-31
Securitised	-11
Utility	-1
Covered	-1
Quasi and Sovereign	1
Cash	-3
Yield Curve Hedging & FX Hedging	-7
Swing Pricing Effect	-18
Residual	1
Total	-119

Source: M&G, Blackrock Aladdin TM, as 30 November 2018. Attribution based on the relative performance return of the Euro denominated A share class gross of fees. Attribution is calculated arithmetically and may not map directly to geometrically calculated performance.

Positioning

Asset class*	%
Quasi and foreign government	1.11
Securitised	35.53
Covered	6.66
Financials	20.91
Industrials	21.49
Utilities	1.48
Net cash and derivatives	12.82
Total	100

*ICE BofAML Level 2 Industry sectors
Source: M&G as at 30 November 2018

Rating*	%
AAA	31.30
AA	4.92
A	9.78
BBB	24.40
BB and below	16.78
Net cash and derivatives	12.82
Total	100

*Average of S&P, Moodys and Fitch or M&G internal rating

Currency of assets*	%
GBP	48.72
EUR	43.13
USD	8.45
Net derivatives	-0.30
Total	100

*Unhedged currency of assets in portfolio, all non-EUR investments are fully currency hedged

Top five corporate issues / issuers

By issue	%
ALTAFP	0.75
RIPON	0.73
BMO	0.72
KENRI	0.65
MALTH	0.64

Source: M&G as at 30 November 2018

Investment Commentary

The credit market sell-off that began in October accelerated through November. A growing fear amongst market participants that the end of the credit cycle was near was fuelled by increasing concern surrounding the Italian budget negotiations with the EU, the increasingly acrimonious internal politics surrounding Brexit and an escalation in international trade tensions trade between the USA and China. The latter being a prime focus for the market as an increasing number of corporates reported disappointing earnings. Very few sectors were in a position to avoid the consequences of trade tensions as it impacts everything from global supply chains, consumer goods, retail, and banking. As such global credit indices posted negative absolute and excess returns, with rising volatility keeping investors on edge.

In what was another volatile month for credit markets, the manager took advantage by adding risk to the portfolio. The automotive sector has been under extreme pressure particularly surrounding the escalating US and China trade war rhetoric. In this weakness, a number of good credits cheapened up including Ford, Adient (an auto parts supplier) and a new issue from Volkswagen. In addition, the manager increased exposure to the AA and RAC which were purchased earlier in the year. Within the industrial sector, the manager added exposure to Vodafone, GE, the chemical firms Ineos and Solvay, in addition to bonds issued by Vallourec (a specialist in steel pipes). Financials also looked attractive with exposure to Unicredito and Sabadell being increased over the course of the month.

By issuer	%
Royal Bank Of Scotland Group Plc	1.12
Lloyds Bank Plc	0.98
Skipton Building Society	0.86
Intesa Sanpaolo Spa	0.78
Barclays Bank Plc	0.77

Note on swing pricing effect

The fund operates partial swing pricing whereby the Fund swings when net flows on any dealing day are above the pre-determined threshold. The NAV per Share may be adjusted upwards or downwards to reflect the costs attributable to the net inflows and outflows respectively. If net flows do not exceed the pre-determined threshold then the Fund is mid-priced. The swing factor is determined monthly using the bid-mid spread of assets in the Fund on a given day.

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