For Investment Professionals only

M&G INSTITUTIONAL

M&G European Credit Investment Fund

Quarterly fund report

September 2022

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 European Credit Investment Fund ('The fund') aims to take advantage of opportunities primarily in investment grade corporate bonds denominated in Euros. The fund may also invest in GBP, USD and CHF denominated debt, and use futures and swaps for efficient portfolio management. The fund utilises M&G's global research and fund management capabilities to identify fundamental value in corporate and asset backed bonds. The fund focuses on credit management; currency, interest rate, and other macro-economic risks are closely controlled. The fund aims to outperform the ICE BofA Euro Corporate Index.

Key information

Fund manager	Gaurav Chatley
Fund launch date	12 April 2011
Fund type	Luxembourg SICAV (UCITS)
SFDR Classification	Article 6
Dealing and valuation dates	Daily (settlement t+2)
Annual Charge	0.18% of NAV (A and F shares) 0.25% of NAV (Q shares) 0.21% of NAV (Qi shares) 0.16% of NAV (B shares)
Share class currencies	EUR, GBP (Hedged)
Minimum investment	€1 million* (A shares) €500,000* (Q and Qi shares)
Fund size	€2,998.12 million
Number of issues	515
Number of issuers	305
Modified duration** **Spread duration**	4.66 3.95
PV01 **CR01** **IE01**	0.0470% 0.0420% 0.0000%
Average credit rating***	A
Yield**	4.36%
99% 20 day value at risk	4.44%

Source: M&G as at 30 September 2022. *Or Sterling equivalent. . **Calculated to worst. ***Linear average credit rating

Performance target

The fund seeks to return 0.75% gross of fees p.a. above its benchmark index over a cycle.

Risks associated with this fund

Market risk: The value of investments and the income from them will rise and fall. This will cause the sub-fund price, as well as any income paid by the sub-fund, to fall as well as rise. There is no guarantee the sub-fund will achieve its objective, and you may not get back the amount you originally invested.

Credit Risk: The value of the sub-fund may fall if the issuer of a fixed income security held is unable to pay income payments or repay its debt (known as a default).

Interest Rate Risk: When interest rates rise, the value of the sub-fund is likely to fall.

Derivatives Risk: The sub-fund may use derivatives to gain exposure to investments and this may cause greater changes in the sub-fund's price and increase the risk of loss.

Counterparty Risk: Some transactions the sub-fund makes, such as placing cash on deposit, require the use of other financial institutions. If one of these institutions defaults on their obligations or becomes insolvent, the sub-fund may incur a loss.

Asset-Backed Securities Risk: The assets backing mortgage and asset-backed securities may be repaid earlier than required, resulting in a lower return.

Contingent Convertible Debt Securities Risk: investing in contingent convertible debt securities may adversely impact the fund should specific trigger events occur and the fund may be at increased risk of capital loss.

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.

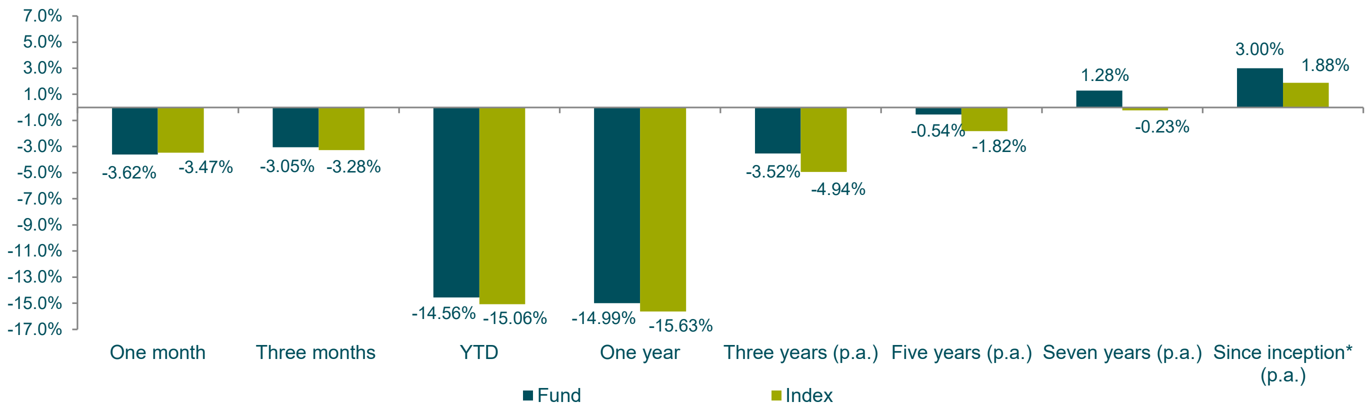
Total returns	One month	Three months	Year to date	One year	Three years (p.a.)	Five years (p.a.)	Seven years (p.a.)	Ten years (p.a.)	Since inception (p.a.)
E share class (Acc) € (gross)[1]	-3.62%	-3.05%	-14.56%	-14.99%	-3.52%	-0.54%	1.28%	2.17%	3.00%
E share class (Acc) € (net)[1]	-3.62%	-3.07%	-14.63%	-15.08%	-3.62%	-0.69%	1.04%	1.88%	2.68%
Index[8]	-3.47%	-3.28%	-15.06%	-15.63%	-4.94%	-1.82%	-0.23%	0.99%	1.88%
E share class (Inc) € (gross)[2]	-3.62%	-3.05%	-14.56%	-14.99%	-3.52%	-	-	-	-3.53%
E share class (Inc) € (net)[2]	-3.62%	-3.07%	-14.63%	-15.08%	-3.62%	-	-	-	-3.63%
Index[8]	-3.47%	-3.28%	-15.06%	-15.63%	-4.94%	-	-	-	-4.89%
E share class (Acc) £ (gross)[3]	-3.49%	-2.69%	-13.81%	-14.10%	-2.78%	-	-	-	0.17%
E share class (Acc) £ (net)[3]	-3.50%	-2.71%	-13.88%	-14.19%	-2.87%	-	-	-	0.07%
Index[8]	-3.38%	-3.15%	-14.44%	-14.86%	-4.25%	-	-	-	-1.36%
F share class (Acc) € (gross)[4]	-3.62%	-3.05%	-14.56%	-14.99%	-	-	-	-	-3.67%
F share class (Acc) € (net)[4]	-3.63%	-3.09%	-14.68%	-15.14%	-	-	-	-	-3.84%
Index[8]	-3.47%	-3.28%	-15.06%	-15.63%	-	-	-	-	-4.70%
Q share class (Acc) € (gross)[5]	-3.62%	-3.05%	-14.56%	-14.99%	-	-	-	-	-7.53%
Q share class (Acc) € (net)[5]	-3.64%	-3.11%	-14.72%	-15.20%	-	-	-	-	-7.76%
Index[8]	-3.47%	-3.28%	-15.06%	-15.63%	-	-	-	-	-8.20%
Q share class (Dist) € (gross)[5]	-3.62%	-3.05%	-14.56%	-14.99%	-	-	-	-	-7.53%
Q share class (Dist) € (net)[5]	-3.64%	-3.11%	-14.72%	-15.20%	-	-	-	-	-7.76%
Index[8]	-3.47%	-3.28%	-15.06%	-15.63%	-	-	-	-	-8.20%
QI share class (Acc) € (gross)[5]	-3.62%	-3.05%	-14.56%	-14.99%	-	-	-	-	-7.53%
QI share class (Acc) € (net)[5]	-3.63%	-3.10%	-14.70%	-15.17%	-	-	-	-	-7.72%
Index[8]	-3.47%	-3.28%	-15.06%	-15.63%	-	-	-	-	-8.20%
QI share class (Dist) € (gross)[5]	-3.62%	-3.05%	-14.56%	-14.99%	-	-	-	-	-7.52%
QI share class (Dist) € (net)[5]	-3.63%	-3.10%	-14.70%	-15.17%	-	-	-	-	-7.72%
Index[8]	-3.47%	-3.28%	-15.06%	-15.63%	-	-	-	-	-8.20%
A share class (Acc) € (gross)[6]	-3.62%	-3.05%	-14.56%	-14.99%	-	-	-	-	-9.38%
A share class (Acc) € (net)[6]	-3.63%	-3.09%	-14.68%	-15.14%	-	-	-	-	-9.54%
Index[8]	-3.47%	-3.28%	-15.06%	-15.63%	-	-	-	-	-9.80%
B share class (Dist) € (gross)[7]	-3.62%	-3.05%	-14.56%	-14.99%	-	-	-	-	-13.41%
B share class (Dist) € (net)[7]	-3.63%	-3.09%	-14.66%	-15.13%	-	-	-	-	-13.55%
Index[8]	-3.47%	-3.28%	-15.06%	-15.63%	-	-	-	-	-13.90%

Source: M&G as at 30 September 2022. [1]EUR E Accumulation share class inception 12 April 2011. [2]EUR E Income share class inception 16 August 2019. [3]GBP E Accumulation share class inception 28 November 2018. [4]EUR F Accumulation share class inception 07 May 2020. [5] EUR Q QI Distribution and Accumulation share class inception 03 November 2020. [6] EUR A Accumulation share class inception 25 February 2021. [7] EUR B Distribution share class inception 22 July 2021. [8]Index is the ICE BofA Euro Corporate Index (hedged GBP for GBP share class). Additional share classes and currencies are available, please contact M&G for details.

Fund performance

Past performance is not a guide to future performance.

M&G European Credit Investment Fund performance



Source: M&G as at 30 September 2022, gross returns of EUR E Share class. *Inception date 12 April 2011.

Yearly return (gross of fees)	2013	2014	2015	2016	2017	2018	2019	2020	2021
E share class (Acc) €	3.95%	8.11%	-0.85%	7.76%	3.75%	-0.53%	7.55%	6.26%	-0.61%
Index	2.39%	8.25%	-0.43%	4.75%	2.41%	-1.13%	6.25%	2.65%	-1.02%

Index is the ICE BofA Euro Corporate Index. The Total Expense Ratio for the E share classes for this fund is 0.10% p.a. This will affect the return investors will receive. Past performance is not a guide to future performance.

Ex-Post Risk statistics	Three year	Five year	Seven year
Volatility (gross)	7.22%	5.88%	5.36%
Volatility (net)	7.22%	5.88%	5.36%
Information ratio (gross)	1.39	1.45	1.07
Information ratio (net)	1.39	1.45	1.07

Based on gross and net returns of Euro E Acc share class.

Performance attribution

Position	Basis points
Sector selection	-3
Positive: • Overweight Real Estate **Negative:** • Underweight Banking • Underweight Automative • Underweight Utility	
Stock selection	20
Positive: • Overweight SBB Real Estate • Overweight Heimstaden • Overweight Castellum **Negative:** • Overweight Aroundtown	
Yield curve and duration	4
Other Factors	1
Pricing Difference	0
Residual *	1
Total	**23**

Source: M&G as at 30 September 2022. Attribution based on the absolute performance return of the Euro-denominated E Acc share class gross of fees. Attribution is calculated arithmetically and may not map directly to geometrically calculated performance.

*Includes pricing differences.

Pricing

Share class	Inception date	ISIN	Bloomberg code	Price per share	Fund NAV	TER (p.a.)
EUR E (Acc)	12 April 2011	LU0617482376	ESMECAE LX	€135.49	€798,955,163.83	*
EUR E (Inc)	16 August 2019	LU0617481303	ESMEEDE LX	€87.11	€114,688,788.42	*
GBP E (Acc)	28 November 2018	LU1877940137	ESMGEHG LX	£100.28	£84,187,133.01	*
EUR F (Acc)	07 May 2020	LU2101367030	EUECIAE LX	€91.03	€429,894,601.79	0.18%
EUR Q (Acc)	03 November 2020	LU2188668169	EECIQAE LX	€85.74	€127,566,782.55	0.25%
EUR Q (Dist)	03 November 2020	LU2188668243	EECIQDE LX	€85.09	€38,251,149.77	0.25%
EUR QI (Acc)	03 November 2020	LU2188668326	EUECIQA LX	€85.80	€1,024,734,486.99	0.21%
EUR QI (Dist)	03 November 2020	LU2188668599	EUECIQD LX	€85.10	€4,330,023.13	0.21%
EUR A (Acc)	25 February 2021	LU2255705829	ESMGEAA LX0	€85.23	€159,130,327.03	0.18%
EUR B (Dist)	22 July 2021	LU2355145918	ESECIBE LX	€83.66	€167,326,018.38	0.16%

Source: M&G as at 30 September 2022. *Early Bird E share classes are now closed to new investors.

Positioning

Key characteristics	Fund	Index
Number of issues	515	3,981
Number of issuers	305	791
Modified duration	4.66	4.66
Spread duration	3.95	4.85
Average credit rating	A	A-
WAL to worst	4.95	5.26
Yield to worst	4.36%	4.23%
Yield to Maturity	4.11%	4.14%
Coupon	1.53%	1.55%

Source: M&G as at 30 September 2022.

Asset class*	Fund (%)	Index (%)	Relative (%)
Financial	35.73%	37.17%	-1.44%
Industrial	33.28%	53.16%	-19.88%
Utility	7.13%	9.65%	-2.52%
Securitized	0.40%	0.00%	+0.40%
Quasi & Foreign Government	0.00%	0.02%	-0.02%
Sovereign	20.14%	0.00%	+20.14%
Net cash and derivatives	3.32%	0.00%	+3.32%
Total	100.00%	100.00%	0.00%

*ICE BofA level 2 industry sectors. Source: M&G as at 30 September 2022.

Rating*	Fund (%)	Index (%)	Relative (%)
AAA	20.43%	0.32%	+20.11%
AA	4.87%	5.30%	-0.43%
A	26.80%	40.96%	-14.16%
BBB	40.72%	53.12%	-12.40%
BB and below	3.86%	0.30%	+3.56%
Net cash and derivatives	3.32%	0.00%	+3.32%
Total	100.00%	100.00%	0.00%

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

Currency of assets*	Fund (%)	Index (%)	Relative (%)
EUR	100.26%	100.00%	+0.26%
GBP	-0.28%	0.00%	-0.28%
USD	0.00%	0.00%	0.00%
Net derivatives	0.02%	0.00%	+0.02%
Total	100.00%	100.00%	0.00%

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

Past performance is not a guide to future performance.

Top five corporates overweights and underweights by issuer

Overweights	Fund	Index	Relative
Arion Banki	0.50%	0.03%	0.47%
Esercizi Aeroportuali Sea Spa	0.42%	0.00%	0.42%
New York Life Global Funding	0.46%	0.05%	0.41%
Islandsbanki	0.41%	0.02%	0.39%
Metropolitan Life Global Funding I	0.47%	0.09%	0.38%

Underweights	Fund	Index	Relative
Mercedes-Benz International Finance Bv	0.00%	0.93%	-0.93%
Banco Santander	0.00%	0.69%	-0.69%
BMW Finance	0.00%	0.62%	-0.62%
AT&T Inc	0.00%	0.60%	-0.60%
Orange	0.26%	0.86%	-0.60%

Source: M&G as at 30 September 2022.

Quarterly market commentary

The third quarter of 2022 was once again characterised by significant volatility, and substantial asset price falls across both government and credit markets. As the quarter progressed, rising inflation concerns saw central banks make it clear that slowing growth would not deter them from raising interest rates. These heightened fears of muted growth and possible recession next year coupled with rising energy prices in Europe and UK market turmoil in late September, saw government bond yields move sharply higher. In the US and Germany, 10 year yields rose over 0.8% during the quarter, while UK yields rose 1.8%.

In the UK, a difficult economic situation, with spiralling energy prices and rising inflationary pressures, was compounded by a mini-budget in September that while delivering energy subsidies, also included large unfunded tax cuts and a substantial increase in borrowing. The market reacted negatively, and within 3 days gilt yields rose by more than 1, and this rise was exacerbated by pension funds' forced liquidations of gilts to meet collateral requirements of their derivative liability hedging strategies. The ensuing spiral of asset realisations pushing yields higher requiring further collateral calls saw gilt yields rise as the 'negative feedback loop' ran out of control. What started as a liquidity crisis, was quickly in danger of becoming a solvency crisis (for pension funds, LDI managers and swap counterparties), prompting the Bank of England to intervene as a 'circuit breaker' – putting a floor under long dated gilts through targeted purchases, and buying time for affected parties to make proper assessments of financing needs. Markets stabilised, but yields remain elevated, and the UK was the worst performer during Q3 in both government and credit markets, down 13% and 12% respectively.

US economic data remained relatively buoyant during the quarter, with housing and unemployment data near their highs, and significant evidence of unfilled job vacancies. Inflation took a small step down in July; despite the Fed raising official US rates by 0.75%, markets convinced themselves that a pause, or 'pivot' in the US interest rate cycle, was increasingly likely, which proved supportive of risk assets over the following few weeks. However, Federal Reserve Chair Powell made it clear in his August Jackson Hole address, that price stability would "likely require maintaining a restrictive policy stance for some time". The Fed followed through on their hawkish rhetoric, delivering its third consecutive 75bps hike at its September meeting, while indicating further hikes lay ahead. Both US Treasuries and credit markets fell sharply, with investment grade credit markets falling over 5% in Q3 mostly due to the weaker interest rate outlook.

In Europe, the ECB has remained wholly reactive as the inflation has continued to accelerate. Sovereign spreads between the core and periphery have widened sharply. The ECB raised rates by 1.25% during the quarter as inflation continued to surge, driven in part by energy prices. Inflation continues to rise, and is now approaching 10%, but differs by country with the gap between the highest and lowest HICP inflation rate now exceeding 18%. Gas prices rose over 30% in Q3, and fiscal measures such as Germany's €200bn package are likely to increase both deficits and borrowing by EU governments, which is creating a conflict between tighter monetary policies and looser fiscal policies. Credit market spreads have continued to widen, with investment grade spreads now above +220 basis points and high yield spreads now above +600 basis points.

Quarterly positioning

Utility and Real Estate sectors weakened significantly during the period; these were the areas where we made the majority of our purchases.

During July and August, the manager reduced exposure to bonds issued by DH Europe, Thermo Fisher, Eli Lilly and GSK, which had performed well, in order to pursue other credit opportunities in the Fund. In the primary market, the manager purchased bonds issued by Celanese, Banco Santander and KBC Groep. In the secondary market, the manager purchased Real Estate bonds issued by Akelius Residential Property and Aroundtown, as well as subordinated bonds issued by BNP Paribas and Allianz.

In September, the manager sold short dated corporates including WPP, American Honda, EDP and Akzo Nobel, which had rallied during July and August. In the primary markets, the manager purchased bonds issued by Western Power Distribution, Vier Gas and Citigroup. The manager also remained active in the secondary market and purchased bonds issued by Utility companies, such as Eon and ENBW, as well as hybrid bonds issued by Eni, OMV and Volkswagen.

The Fund remained slightly overweight relative to the benchmark in duration times spread terms over the quarter. We continue to have comfortable liquidity buffers (c.23% in cash and government bonds) that we can deploy should we see further volatility in the coming weeks and months.

Quarterly performance

The Fund outperformed the index by 23 basis points (E EUR ACC share class, gross of fees) in Q3 2022. The outperformance was driven by credit related decisions within security and sector selection. The fund benefitted from being overweight Real Estate issuers relative to the index, however being underweight Banking, Automotive and Utility was a detractor to performance. In terms of individual positions, overweight exposures to SBB, Heimstaden Bostad and Castellum were positive contributors to performance, whilst an overweight position in AroundTown was a drag on returns. As yield curve, duration and currency exposures are fully hedged to index levels, there was no material impact on performance from these factors.

Outlook

With global inflation and energy prices likely to continue rising, central bank policy responses will continue to be aggressive until such time as inflation abates, even at the expense of tipping the major economies into recession next year. Credit spreads are approaching Covid peaks, and whilst they may yet weaken further, we are now beginning to see opportunities to add selected credits into portfolios at levels where market pricing and fundamental risks have become out of alignment.

Environmental, Social and Governance

As a member of the Institutional Investors Group on Climate Change, and as founding signatories of Climate Action 100+, M&G recognises the importance of providing transparent reporting to investors on climate change related metrics such as carbon emissions. From a fixed income perspective, we believe that the Weighted Average Carbon Intensity measure is the most appropriate measure of carbon emissions for bond funds. We have provided more information on the metric and our data sources in the following paragraphs.

Currently at M&G we use MSCI as our main third party data provider for greenhouse gas emissions data. Given the size of our investment universe, we find MSCI's coverage to be the broadest of the current providers. MSCI collect data once per year from most recent corporate sources, including: Annual Reports, Corporate Social Responsibility Reports and websites. In addition, MSCI's ESG Research uses the carbon emissions data reported through CDP (formerly the Carbon Disclosure Project) or government databases (when reported data is not available through direct corporate disclosure). As with any mass data collection, there are methodology limitations; this also applies to MSCI. We do endeavour to check their data and are currently building proprietary tools which will ultimately use a variety of data sources to gather and map our carbon emissions.

The weighted average carbon intensity is the carbon footprint metric used in fixed income mandates to measure carbon emissions. To calculate the carbon emissions of the fund, we have used the MSCI weighted average carbon intensity (fund weight x (carbon emissions/$million sales), rather than just simply the carbon emissions. This is because when weighting regular carbon emissions, MSCI calculates it based on an ownership principle (ie it assumes your holding is equity, using equity market capitalisation as the denominator). Fixed income investors are lenders to companies, not owners of companies. We are therefore better able to obtain the carbon footprint of a fixed income mandate by looking at the fund's weighted average carbon intensity, measured by C02 emissions (in tons) per $ million sales, which doesn't apply the ownership principle used by MSCI.

We will report this metric on a quarterly basis so that investors may monitor the long term trend of carbon emissions within their bond funds. For benchmarked funds, we will provide the metric for both the fund and benchmark. For non-benchmarked funds, we will provide the metric for the fund and, where appropriate, a comparable market index.

Weighted average carbon intensity

European Credit Investment Fund: **121.57**
ICE BofA Euro Corporate Index: **139.84**

% Carbon coverage

European Credit Investment Fund: **70.6%**
ICE BofA Euro Corporate Index: **95.1%**

ESG Engagement Examples

M&G incorporates the evaluation of ESG factors into its investment process. Recent engagements include the following:

Tesco

Tesco is a food retailer which has a presence online and in brick & mortar supermarkets. At M&G, we identified an opportunity to engage with Tesco to encourage them to become Real Living Wage accredited.

As a result of this engagement, we have learnt that Tesco has a very healthy relationship with the USDAW union, who are involved throughout the process in establishing remuneration for employees. We have also been informed that Tesco aims to pay 90% of employees over and above the living wage and that they do not want to lose the autonomy to time pay, which would be the case should they become accredited. However, Tesco are also aware of the associated increase in reputational risk should they not comply. Additionally, Tesco informed us that they would have to move their pay review forward by a number of months, which would have a large impact on the company's available cash balance. This is something that Tesco was aware of and is working on, but the company remains alert to unintended consequences of increasing pay too quickly, such as being forced to make redundancies at a future date. M&G noted the concerns that the company had with regards to becoming accredited, and were happy with the overall work that the company was doing to ensure that employees are fairly compensated.

Infineon Technologies

Infineon is a German semiconductor business which designs, manufactures and markets power semiconductors, microcontrollers, security controllers, radio frequency products and sensors. Since Infineon has a large product offering, and a wide-spanning customer base, M&G's Sustainability and Stewardship team initiated an engagement with them via their Investor Relations team to discuss their existing decarbonisation plans. M&G also highlighted their own expectations with regards to decarbonisation, including adding scope 3 science based targets, publishing a breakdown of green revenues and outlining how capital expenditure is aligned with their plans.

As a result of this engagement, Infineon announced a public commitment to achieve carbon neutrality by 2030, alongside a 70% reduction in emissions by 2025 (on a 2019 baseline). Manufacturing service providers constitute the largest percentage of Infineon's scope 3 emissions, so the company will engage with them on this topic, however an explicit target is yet to be set.

M&G have continued to encourage Infineon to commit to a scope 3 target, and have their decarbonisation plans validated through SBTi. Infineon were receptive to these commitments, but highlighted that their Head of Sustainability will take a long-term view on these issues.

Green revenue will be published in Infineon's next sustainability report, in line with the EU taxonomy, whilst capital expenditure alignment with the decarbonisation plans will not be published until credibility of the underlying data can be ensured.

This engagement will continue between M&G and Infineon's Head of Sustainability to address the outstanding items.

Marks and Spencer

Marks & Spencer (M&S) is a UK retailer selling clothing, food and home products, and employs ~65,000 colleagues. M&G have engaged with the company to encourage them to become Real Living Wage accredited.

We have learned from this engagement that the company's aim is to maintain compensation for all colleagues which is competitive in the relevant market. For frontline colleagues in stores, Marks and Spencer's national and London rates are above the Real Living Wage, so they are not actively seeking accreditation as a Real Living Wage Employer. M&S highlighted that they prefer to set rates independently and do not wish to impose pay arrangements on third-party contractors. The main complexity here would be amending contracts with third-party suppliers. M&S are, however, committed to paying colleagues fairly and take a range of external factors into consideration when setting hourly rates, including the Real Living Wage rates. They also consider internal factors, such as business performance and the wider reward package, which includes a generous pension and a discount on M&S products. One way the company engages with its employees is through a Reward and Wellbeing Survey, which provides information about what really matters to them, and all contributes to M&S having the lowest staff turnover in the retail sector. M&G noted the concerns that M&S had with regards to becoming accredited, and were happy with the overall work that the company was doing to ensure that employees are fairly compensated.

Note on swing pricing effect

The fund operates partial swing pricing whereby the fund swings when net flows on any dealing day are above a 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.

Note on relationship discount

From 2019, M&G is pleased to announce the introduction of a relationship discount for those clients invested in multiple strategies who meet certain criteria. We will be contacting clients directly where they may benefit from this initiative and, if you are interested in discussing this further.

Investment process

At the core of our investment process is our proprietary analysis of the fundamental creditworthiness of issuers, driven by our very well resourced and highly experienced credit research team. Our career analysts are industry sector specialists, and cover both high yield and investment grade issuers. This breadth of coverage gives us unique insights into idiosyncratic company characteristics and global sector dynamics which, in turn, allow us to form an independent and timely view of credit quality and rating migration. The fund manager then compares our fundamental credit assessment with the relative market valuations to identify mispriced and under / over-valued securities. After the manager has established the investment thesis, the risk / reward of the opportunity and optimal bond issue / currency / maturity / instrument to implement the idea, our trading desk's dedicated credit and asset backed dealers are responsible for trade execution. The independent risk management team monitors and regularly reviews the fund's risk positions with the fund manager. Our investment process and highly diversified approach to fund construction aim to deliver consistent returns above the fund's benchmark.

Taxonomy summary

Pursuant to EU Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, and amending SFDR (the "Taxonomy Regulation"), the Manager is required to disclose alignment with the Taxonomy Regulation. As at the date of this report, this fund is not subject to Article 8 or to Article 9 of the SFDR. As such, the investments underlying this fund do not take into account the EU criteria for environmentally sustainable economic activities.

Benchmark: ICE BofA Euro Corporate Index

The benchmark is a target which the fund seeks to achieve. The rate has been chosen as the fund's benchmark as it is an achievable performance target and best reflects the scope of the fund's investment policy. The benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

The fund is actively managed. The investment manager has complete freedom in choosing which assets to buy, hold and sell in the fund, subject to the investment restrictions set out in the fund's prospectus, and there are no restrictions on the extent to which the fund's performance may deviate from the one of the benchmark.

For unhedged and currency hedged share classes, the benchmark is shown in the share class currency.

Fund manager

Gaurav Chatley joined M&G Investments in 2005 as an assistant fund manager in the fixed income team. He became a Credit Fund Manager, managing a range of institutional corporate bond funds, in 2006.

Prior to joining M&G, Gaurav worked for London and Capital Asset Management as an investment analyst, with responsibility for the analysis of quantitative investment strategies.

Gaurav graduated from the London School of Economics with a MSc. in Finance and Economics and holds a degree in Mathematics and Scientific Computing from the Indian Institute of Technology. He is a CFA charterholder.

Key risk guidelines

Key risk guidelines	Maximum
All individual AAA issuers (with the exception of sovereign / supranational / government guaranteed issuers)	Index + 5%
All individual AA and A issuers	Index + 3%
All individual BBB issuers	Index +2%
Aggregate exposure to issuers downgraded to below BBB-	15%
Aggregate purchases of issuers below BBB-	10%
Aggregate exposure to asset backed securities	20%
Duration limit	Benchmark +/- 1 year

Source: M&G, as at 30 September 2022

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