M&G Total Return Credit Investment Fund

Quarterly fund report as at 31 March 2024

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.

Fund objective and description

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. The fund aims to outperform the benchmark 1– Month EURIBOR.

Key Information

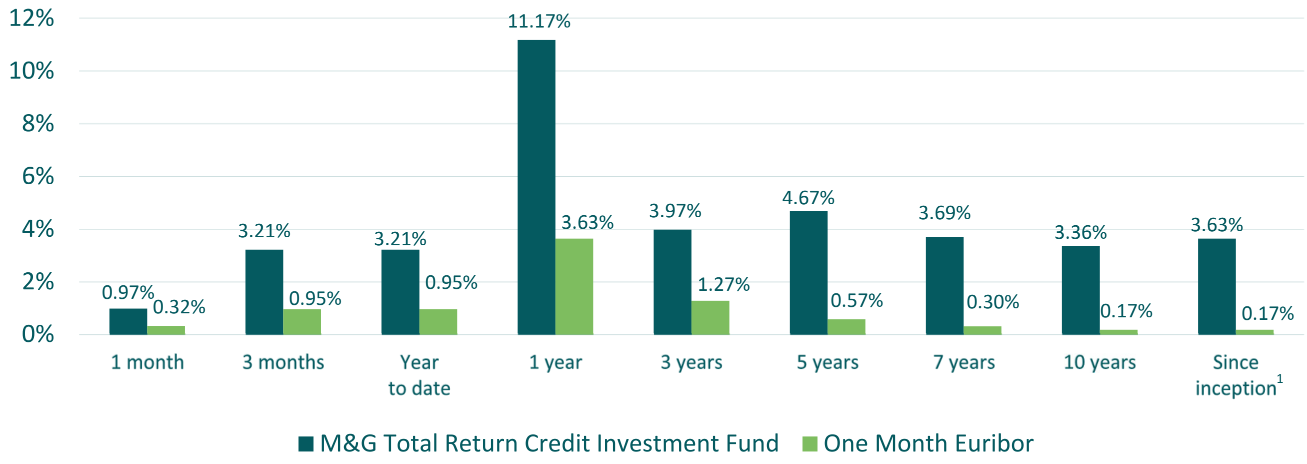
Fund manager	Richard Ryan
Fund launch date	4 March 2013
Fund type	Luxembourg SICAV (UCITS)
SFDR Classification	Article 6
Dealing and valuation dates[1]	Daily (settlement t+2)
Available share classes	EUR, GBP, CHF and USD (Accumulation and Income)
Fund size	€3,514,992,122.10

Source: M&G as at 31 March 2024.
[1] Business day as per the Luxembourg and UK calendar.

Investment objective

The fund seeks a total return (the combination of income and capital growth) of the Benchmark plus 3-5% (gross of fees per annum), over any five year period.

Fund performance



Source: M&G as at 31 March 2024.
Gross returns of A Euro (Accumulation) Share class.
[1] Inception date 15 March 2013.

Past performance is not a guide to future performance. There is no guarantee the objective will be achieved.

Fund performance (%)

Total returns	1 month	3 months	Year to date	1 year	3 years	5 years	7 years	10 years	Since inception[1]
Class A Euro (Accumulation) (Gross)	0.97	3.21	3.21	11.17	3.97	4.67	3.69	3.36	3.63
Class A Euro (Accumulation) (Net)	0.93	3.10	3.10	10.67	3.50	4.20	3.23	2.90	3.15
One month Euribor[2]	0.32	0.95	0.95	3.63	1.27	0.57	0.30	0.17	0.17
Class A Sterling (Accumulation) (Gross)	1.07	3.52	3.52	12.61	5.23	5.73	4.73	4.26	4.35
Class A Sterling (Accumulation) (Net)	1.04	3.41	3.41	12.11	4.76	5.26	4.26	3.79	3.88
SONIA[2]	0.43	1.27	1.27	4.97	2.43	1.60	1.29	1.04	1.02
Class A Sterling (Income) (Gross)	1.08	3.52	3.52	12.62	5.23	5.72	4.73	-	4.47
Class A Sterling (Income) (Net)	1.04	3.41	3.41	12.12	4.76	5.25	4.27	-	4.00
SONIA[2]	0.43	1.27	1.27	4.97	2.43	1.60	1.29	-	1.08
Class A US Dollar (Accumulation) (Gross)	1.09	3.57	3.57	13.03	-	-	-	-	6.17
Class A US Dollar (Accumulation) (Net)	1.05	3.46	3.46	12.52	-	-	-	-	5.70
SOFR[2]	0.44	1.30	1.30	5.21	-	-	-	-	3.16
Class B Sterling (Accumulation) (Gross)	1.07	3.52	3.52	12.59	5.23	-	-	-	5.95
Class B Sterling (Income) (Net)	1.04	3.42	3.42	12.14	4.81	-	-	-	5.53
SONIA[2]	0.43	1.27	1.27	4.96	2.43	-	-	-	2.02
Class Q Euro (Accumulation) (Gross)	0.97	3.21	3.21	11.14	3.97	-	-	-	4.78
Class Q Euro (Accumulation) (Net)	0.93	3.08	3.08	10.57	3.42	-	-	-	4.21
One month Euribor[2]	0.32	0.95	0.95	3.62	1.27	-	-	-	0.99
Class Q Euro (Income) (Gross)	0.97	3.22	3.22	11.14	3.97	-	-	-	4.78
Class Q Euro (Income) (Net)	0.93	3.09	3.09	10.57	3.42	-	-	-	4.21
One month Euribor[2]	0.32	0.95	0.95	3.62	1.27	-	-	-	0.99
Class QI Euro (Accumulation) (Gross)	0.97	3.21	3.21	11.14	3.97	-	-	-	4.77
Class QI Euro (Accumulation) (Net)	0.93	3.09	3.09	10.61	3.46	-	-	-	4.25
One month Euribor[2]	0.32	0.95	0.95	3.62	1.27	-	-	-	0.99
Class QI Euro (Income) (Gross)	0.97	3.22	3.22	11.13	3.96	-	-	-	4.77
Class QI Euro (Income) (Net)	0.93	3.10	3.10	10.60	3.46	-	-	-	4.25
One month Euribor[2]	0.32	0.95	0.95	3.62	1.27	-	-	-	0.99

Source: M&G as at 31 March 2024.

[1] Please refer to the since inception dates in the Pricing table. All returns greater than 1 year are annualised.

[2] Datastream, One month Euribor levels supplied by the European Banking Federation. One month Libor levels supplied by BBA Libor up to 30 June 2014 and ICE Benchmark Services thereafter until 31st October 2021. From 1st November 2021, SONIA levels are supplied by the Bank of England, SARON levels are supplied by SIX, SOFR levels are supplied by the Federal Reserve Bank of New York and TONAR levels are supplied by the Bank of Japan.

A difference in the benchmark returns across share classes may arise due to daily versus monthly calculation methodologies

Single year performance (%)

Yearly return (gross of fees)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Class A Euro (Accumulation)	8.83	-0.91	2.55	6.37	5.74	-1.92	3.44	5.92	0.41	1.45
Class A Sterling (Accumulation)	10.34	0.58	3.15	6.83	6.97	-0.88	4.23	6.70	1.03	1.78
Class A US Dollar (Accumulation)	10.94	1.10	–	–	–	–	–	–	–	–
One Month Euribor[1]	3.24	0.09	-0.56	-0.50	-0.40	-0.37	-0.37	-0.34	-0.07	0.13
SONIA[1]	4.58	1.37	0.06	0.21	0.72	0.60	0.30	0.41	0.51	0.49
SOFR[1]	5.00	1.62	–	–	–	–	–	–	–	–

Source: M&G as at 31 March 2024.

[1] Datastream, One month Euribor levels supplied by the European Banking Federation. One month Libor levels supplied by BBA Libor up to 30 June 2014 and ICE Benchmark Services thereafter until 31st October 2021. From 1st November 2021, SONIA levels are supplied by the Bank of England, SARON levels are supplied by SIX, SOFR levels are supplied by the Federal Reserve Bank of New York and TONAR levels are supplied by the Bank of Japan.

Performance attribution

Position	One month (bps)	Three month (bps)
Corporate bonds	**65**	**236**
Industrial	37	144
Financial	35	86
Utility	-9	-8
Securitised	1	13
Covered	1	1
Credit Default Swaps	0	0
Sovereign, Quasi & Government	**0**	**0**
Cash	**1**	**3**
Yield curve, duration and FX hedging	**-5**	**-12**
Residual*	**4**	**-1**
Total	**65**	**226**

Source: M&G, Blackrock Aladdin ™, as 31 March 2024.
Attribution based on the relative performance return of the A Euro share class gross of fees. Attribution is calculated arithmetically and may not map directly to geometrically calculated performance. *Residual differences may arise between custodian pricing and internal performance attribution system due to currency rates and securities pricing particularly during times of increased market volatility.

Fund Analytics

Key characteristics	Fund
Number of issues	505
Number of issuers	367
Average credit rating[1]	A-
Running yield	4.08
Yield to worst	7.08% (GBP) 5.67% (EUR) 7.15% (USD)
Yield to maturity	6.92% (GBP) 5.51% (EUR) 6.99% (USD)
Coupon	4.10%
Spread duration (years)	2.65
Modified duration to worst[2]	0.00
WAL to worst (years)	4.05
PV01	0.0000%
CR01	0.0270%
IE01	0.0000%
99% 20 day value at risk	1.02%

Source: M&G as at 31 March 2024.
[1] Linear average credit rating.
[2] For GBP share classes.

Ex-Post Risk statistics (%)

Ex-post risk statistics	3 years	5 years	7 years	10 years	Since Inception
Volatility (gross)[1]	3.96	3.89	4.10	3.89	3.76
Volatility (net)[1]	3.96	3.89	4.10	3.89	3.76
Sharpe ratio (gross)	0.68	0.82	0.83	0.82	0.92
Sharpe ratio (net)	0.56	0.70	0.71	0.70	0.79

Source: M&G as at 31 March 2024.
Based on gross and net return of A Euro (Accumulation) share class. [1] Ex-post volatility.

Positioning

Sector breakdown[1]	%
Quasi and foreign government	1.80
Sovereign	3.96
Securitised	7.00
Covered	1.89
Financials	25.63
Industrials	25.92
Utilities	2.97
Net cash and derivatives	30.83
Total	**100.00**

Source: M&G as at 31 March 2024.
[1] ICE BofAML Level 2 Industry sectors.

Credit rating breakdown[1]	%
AAA	9.91
AA	3.58
A	4.86
BBB	26.76
BB and below	24.06
Net cash and derivatives	30.83
Total	**100.00**

Source: M&G as at 31 March 2024.
[1] Average of S&P, Moodys and Fitch or M&G internal rating.

Top five corporate issues[1]	%
VTRS 1.908 23-Jun-2032	0.41
SABSM 6 16-Aug-2033	0.40
PBBGR 7.625 08-Dec-2025	0.37
HESLAN 4.5 15-Sep-2032	0.34
HELNSW 2.75 30-Sep-2041	0.33

Source: M&G as at 31 March 2023.
[1] Excludes sovereign and quasi government instruments.

Top five corporate issuers[1]	%
Unicredit	0.52
Santander	0.46
Banco Sabadell	0.43
Banco de Credito Cooperativo	0.43
RBI Bank	0.43

Source: M&G as at 31 March 2024.
[1] Excludes sovereign and quasi government instruments.

Currency of assets before hedging[1]	%
GBP	11.91
EUR	79.73
USD	8.48
Net derivatives	-0.12
Total	**100.00**

Source: M&G as at 31 March 2024.
[1] Unhedged currency of assets in portfolio, all non-EUR investments are fully currency hedged.

Pricing

Share class	Inception date	ISIN	Bloomberg code	Price per share	Fund Nav	Dividend rate[1]
EUR A (Acc)	15-Mar-13	LU0895902640	ESMRCAE LX	€140.86	€77,393,661.83	–
GBP A (Acc)	18-Oct-13	LU0895902996	ESMRCGH LX	£148.82	£921,042,155.58	–
GBP A (Inc)	21-Nov-14	LU0895903028	EMGTDGH LX	£116.40	£496,393,447.24	–
USD A (Acc)	27-Sep-21	LU1055595000	ESMGTGU LX	$114.91	$4,096,340.34	–
GBP B (Acc)	21-Aug-20	LU1942575207	ESMRBGH LX	£121.42	£734,034,908.96	–
EUR Q (Acc)	11-Sep-20	LU2063237445	ESMGQAE LX	€115.78	€265,415.20	–
EUR Q (Inc)	11 Sep-20	LU2063237528	ESMGQDE LX	€105.35	€10,535.30	–
EUR QI (Acc)	11-Sep-20	LU2063237791	ESMQIAE LX	€115.94	€179,071,142.58	–
EUR QI (Inc)	11-Sep-20	LU2063237874	ESMQIDE LX	€105.39	€5,430,201.71	–

Source: M&G as at 31 March 2024.
[1] The dividend rate is a preliminary rate and is subject to change.

Market commentary

During the first quarter, higher US inflation prints and more hawkish comments from the Fed combined with the positive growth data (US economy was shown to have grown at +3.4% in Q4 23), have provided a major boost to the S&P 500 (+10.6%), saw HY credit spreads tightening, and oil prices rising (Brent crude +13.6% on the quarter to $87.48/bbl). Eurozone and UK inflation continued their downward trajectory, albeit wider reinflationary concerns saw the market price out between 70-100bps of interest rate cuts in 2024. The market is now pricing June '24 as the most likely timing for a first cut in the US, Europe and UK.

US Treasuries (-1.0%), German Bunds (-1.4%), and UK Gilts (-1.7%) were all seen to struggle over the quarter as inflation remained persistent, and central banks pushed out the timing of rate cuts versus the start of the year. Despite the weaker period overall, March did see a more positive backdrop for sovereign bonds.

Separately, March also saw two significant milestones: (i) the Bank of Japan ending their negative interest rate policy, and (ii) the Swiss National Bank being the first G10 currency to cut rates this cycle, with a 25bp cut in their policy rate to 1.50%.

Q1 saw Investment Grade (IG) new issuance at record levels and strong positive market sentiment drove credit spreads tighter across markets. Spreads on EUR, GBP and US IG corporates ended the quarter 113bps (-23bps), 114 (-20bps) and 94bps (-10bps) respectively, with high beta names, cyclicals and financials being the outperformers. However, given the scaling back of rate cut expectations government bond yields moved higher, leading to more muted total returns during the quarter with EUR, GBP and US IG corporates delivering +0.4%, +0.2% and -0.1% respectively (local ccy). All in yields remain historically high, offering a positive real yield for investors (EUR 3.6%, GBP 5.2%, USD 5.4%).

High Yield (HY) credit fared similarly. Spread tightening (-38bps) helped the European HY credit market deliver gains of +1.7% over the quarter, with the shorter dated nature of the index negating the impact of higher rates. Most sectors delivered solid performance in March. Q1 was the busiest quarter for HY issuance in over 2 years, however, the pace moderated during March and is expected to continue along this trajectory going forward.

Quarterly positioning

During the first quarter, the Fund continued to de-risk into market strength as spreads further tightened across sectors. The Fund took profits on names that had performed well, particularly within the higher beta and higher leverage sectors (REITs, high yield industrials and subordinated financials) and recycled proceeds into more liquid defensive assets. Given the levels of spread dispersion throughout sectors, opportunities were added on an idiosyncratic basis primarily via new issues. Overall, financial bonds continue to remain a source of value compared to other sectors – predominantly national champion European Banks, which are trading wide to industrials.

The manager reduced exposure to various sub sectors during the quarter, specifically real estate hybrids (Akelius, Castellum, Unibail and Balder), subordinated debt (Allianz, ENBW, Engie and Eurofins Scientific) and industrial paper (General Motors, Lenovo, Macy's and Rogers Communications), all of which no longer offered appropriate compensation for risk.

Additionally, we remained active in the primary market, increasing our exposure to investment grade rated European banks such as Commerzbank, Iccrea Banca, Société Générale and Crelan, which offered attractive new issue premia.

Finally, several relative value transactions were executed throughout the months, favouring shorter dated issuance, which provided a healthy pickup in yield with reduced underlying risk.

Performance

The Fund delivered 2.20% above its cash benchmark (GBP A Acc share class, gross of fees) during Q1 2024. The primary contributors to performance were exposures to bonds in the industrial and financial sectors, whilst negative contributors to performance were exposure to bonds in the utility sector. The largest individual positive contributors were CPI Property Group, Aroundtown and Heimstaden Bostad. Notable detractors were Intrum, Grifols and Thames Water.

Outlook

Credit markets have performed strongly in recent months, with spreads approaching historically tight levels. There is always the spectre of an unforeseen event – financial or geopolitical – which could spark future bond market volatility or even a sharp turn in monetary policy. There are a significant number of elections coming up across the globe in 2024 and this may be the first time that many company executives have faced a period of high financing costs. We believe that a patient and highly selective approach to fixed income investment is the best strategy to take advantage of opportunities in today's market.

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.

Carbon emissions	WACI	% Coverage
M&G Total Return Credit Investment Fund	**64.68**	**70.14**
50% Barclays Global Agg IG and 50% Barclays Global Agg HY	**230.95**	**87.60**

ESG Engagement Examples

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

Tesco

M&G met with Tesco to encourage the British multinational food retailer to enhance disclosure around the key drivers for nature loss, to take positive actions towards regenerative agriculture practices and to publicly disclose the actions they are taking to reduce the risk of modern slavery in their supply chain. The company confirmed they are focusing on their agricultural footprint, in particular water health, pollinators and soil health.

Tesco provided an update on the work being done in the River Wye region, where they are working closely with local industry and suppliers to help increase the standard of farming in the region to prevent pollutants getting into the river and on pollutant removing technologies. In terms of regenerative agriculture practices, the company confirmed they are conducting a trial of low carbon fertilizers. The company is currently working with 5 five suppliers, covering 1,300 hectares, in an effort to reduce emissions by 50%. The initial trials suggest that the low-carbon fertilizer is just as effective as standard fertilizer and as such they are looking to expand coverage ten-fold to 13,000 hectares over 2024. We will continue to monitor developments.

Johnson Controls

M&G met with US efficiency specialist Johnson Controls to discuss our two primary social objectives. In light of a cyberattack carried out on Johnson Controls last year, we wanted to ensure that systems, controls and procedures were in place to limit damage in the case of future attacks. Whilst also ensuring that the company was no longer exposed to 'forever chemicals' PFAS, and that it published a publish statement explaining that this was the case. We also asked the company to provide greater clarity on the impactful advantages that its products and services provide over competitors.

In terms of cyber security, the company verified that the attack had not affected cloud services, but was very disruptive, resulting in some top line headwinds and delay in publishing its Q4 results. However, while the attack was identified, isolated and fixed, and demonstrated that its business continuity plans worked, it also provided a fresh look at risk mitigation, which the company subsequently found ways to strengthen. Johnson Controls also had many conversations with customers, which the company believes strengthened relationships, as it was seen to be on the front foot, looking after those customers. It has also hired a new chief information officer and chief technology officer, which will allow it to further strengthen its approach to cyber security.

In terms of PFAS, the company is currently the subject of a class action relating to PFAS contamination (which it could not specifically discuss for legal reasons), resulting from a single product, whose chemical composition had been mandated by the US government, which was a specialised foam for fighting extreme fires (i.e. in a ship's engine room). The company confirmed that it was now selling a compliant version of the foam, and that none of its remaining products contain PFAS. We asked the company to publish a statement saying as such, but it was hesitant to do so given it believed that existing disclosures already contain this information, albeit not as a standalone statement.

Finally, in relation to impact measurement, the company took away our request for consideration. We will follow up with the company in due course.

Oxford Biomedica

M&G had a call with the Chair of the remuneration committee for Oxford Biomedica, the UK CDMO, to discuss its newly proposed remuneration policy, which the company is consulting on. Historically the company has had a long menu of unquantifiable objectives. We suggested they focus on a small number of targets in the annual bonus, and for these to be 70%+ financial-based. We also suggested they remove a US listing from the list of exceptional circumstances where they can increase executive awards, and instead reconsult if this were to happen. We also asked them to consider a cap on NED fees paid in shares to the extent it ever were to impinge on independence, and requested further details on the need to increase dilution limits. We will continue to monitor the situation.

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.

Investment process

The M&G Total Return Credit Investment Fund (‘the fund’) seeks to add value through a fundamentally driven, “bottom up”, value-based approach to credit investing, which we believe results in lower volatility and higher returns. The fund removes all interest rate risk, and derives its returns principally from capturing credit risk premia, investing only where we have a strong conviction that the price at which we can transact more than compensates for the risk being taken.

This is based on the belief that securities can become mispriced and over or undervalued as a consequence of a variety of issuer/sector factors, or wider events including social or political unrest and episodes of market greed or panic. M&G has a team of over 100 fundamental credit analysts, covering public and private debt markets, who analyse, monitor and independently rate issuers in the investible universe. This analytical resource enables the fund manager to identify and select sufficient numbers of cheap bonds to generate consistent returns; these may include stocks where a change in market price does not reflect underlying credit fundamentals, or where a change in the fundamentals has yet to be reflected in the price. It may also include bonds that other investors are unsure about, or unable to analyse and value. The breadth of the universe that the fund is able to allocate to, and the depth of individual opportunities within each credit asset class, regularly provides the fund manager with significant numbers of investment opportunities to enable a high level of portfolio diversification. Critically, we do not invest based on forecasts of the level and direction of interest rates, inflation, growth and other variables, which we believe do not represent a reliable or repeatable source of outperformance. Therefore we remove all of the underlying interest rate risks of the bonds held in the fund, and fully hedge all currency exposure.

Benchmark: 1-Month EURIBOR

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.

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 predetermined 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.

Fund manager

Richard Ryan joined M&G in 2002 and has managed the multi-asset credit strategies since their inception in 2007. Richard has 24 years of experience managing institutional corporate bond funds. Richard is also able to draw on the strengths of M&G's specialist portfolio management and analyst teams within the Fixed Income business. Richard graduated from Southampton University with a degree in Economics.

Key risk guidelines

Key risk guidelines	Maximum
Interest rate risk (duration)	+ / - 3 years
Max sub-investment grade	50%
Single issuer: AAA to AA-	+ 5%
Single issuer: A+ to BBB-	+ 3%
Single issuer: below BBB-	+ 2%

Source: M&G as at 31 March 2024

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.

Below Investment Grade Debt Securities Risk: Such securities generally carry a greater risk of default and sensitivity to adverse economic events than higher rated debt securities.

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.

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