

M&G Global Target Return Fund

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M&G Global Target Return Fund

Risks associated with this fund

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 use derivatives to gain exposure to investments exceeding the value of the fund (leverage). This may cause greater changes in the fund's price and increase the risk of loss.

The fund may use derivatives with the aim of profiting from a rise or a fall in the value of an asset (for example, a company's bonds). However, if the asset's value varies in a different manner, the fund may incur a loss.

Some transactions the fund makes, such as placing cash on deposit, require the use of other financial institutions (for example, banks). If one of these institutions defaults on their obligations or becomes insolvent, the fund may incur a loss.

A more detailed description of the risk factors that apply to the fund can be found in the fund's Prospectus.

For any performance shown, please note that past performance is not a guide to future performance.

It is also important to note that:

The Fund allows for the extensive use of derivatives.

The main opportunity today

MSCI World Index and MSCI World ex-US Index earnings yield and real 10-year government bond yields (US and Germany)



MSCI ex-US EY
MSCI AC World EY
US 10-year real yield
German 10-year real yield

1960s-70s

1990s-2000s



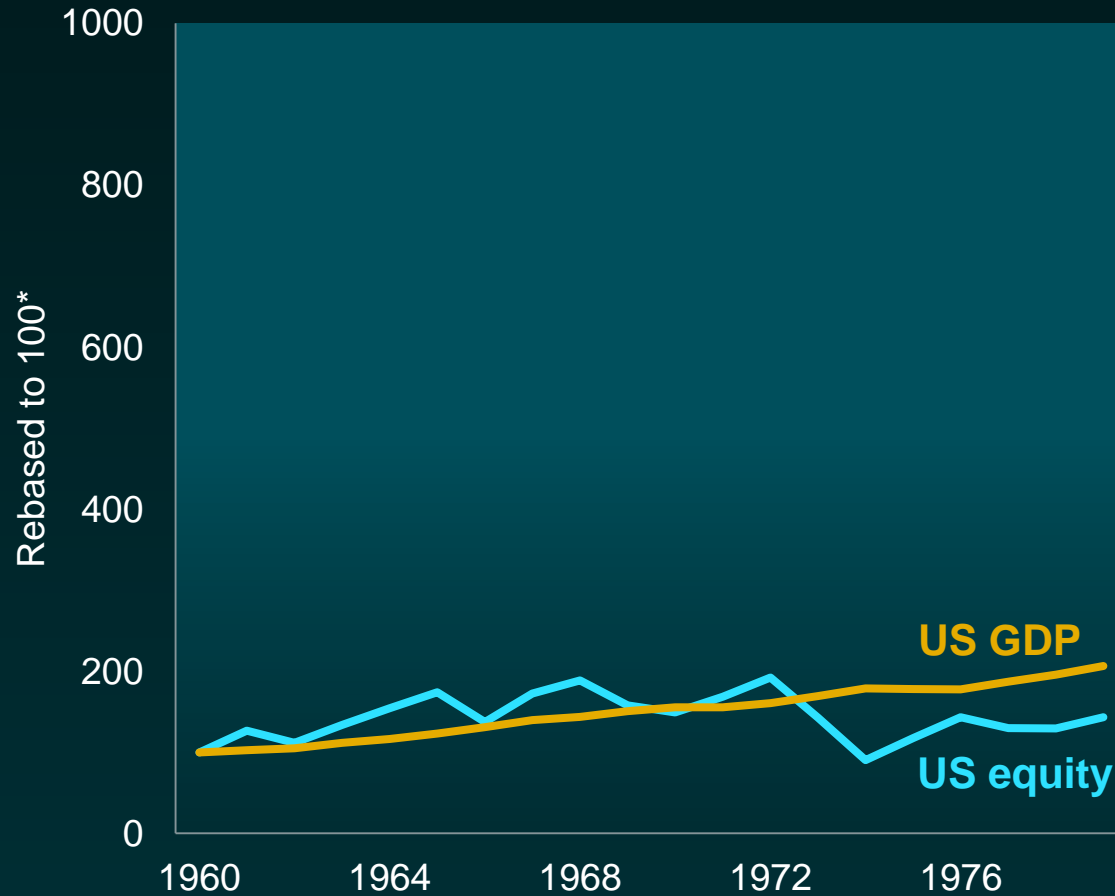
Labour

Capital

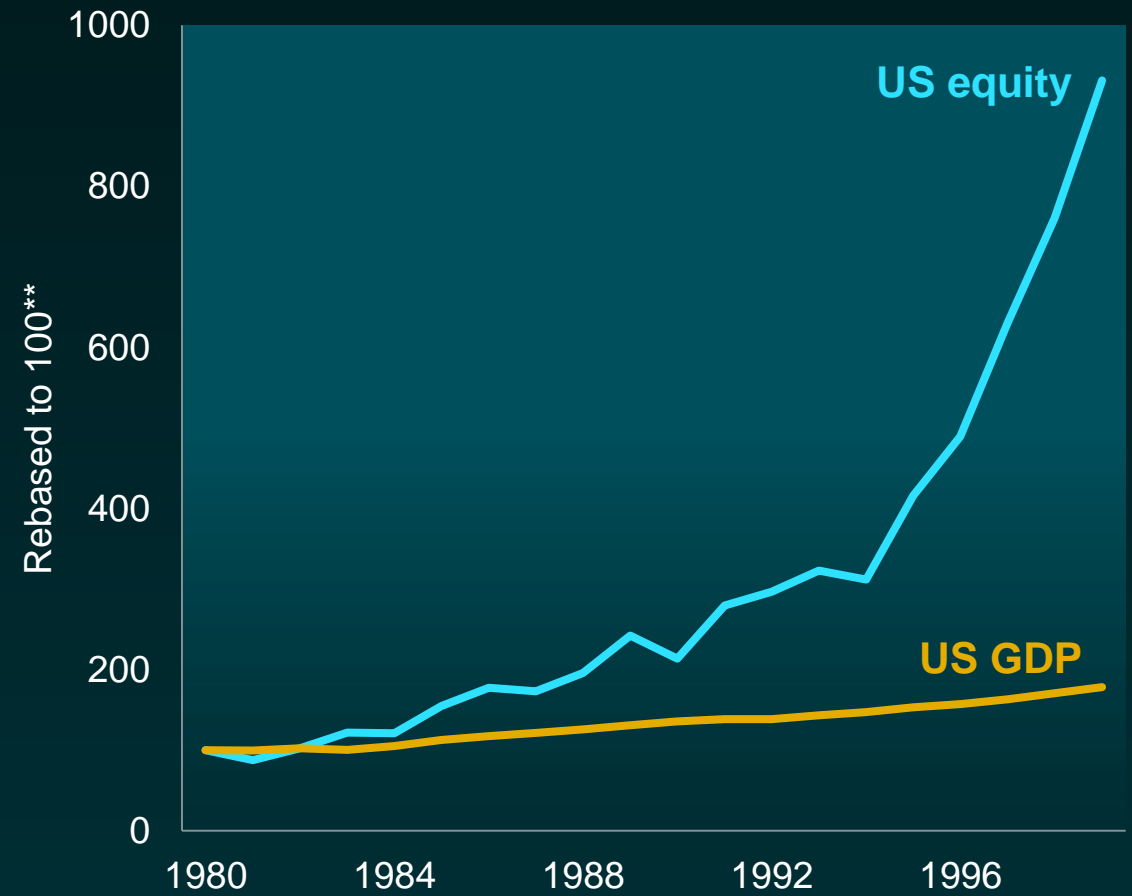
The importance of politics

US real equity returns and GDP (constant prices)

Real equity return and GDP



Real equity return and GDP



A divergence in price behaviour this year

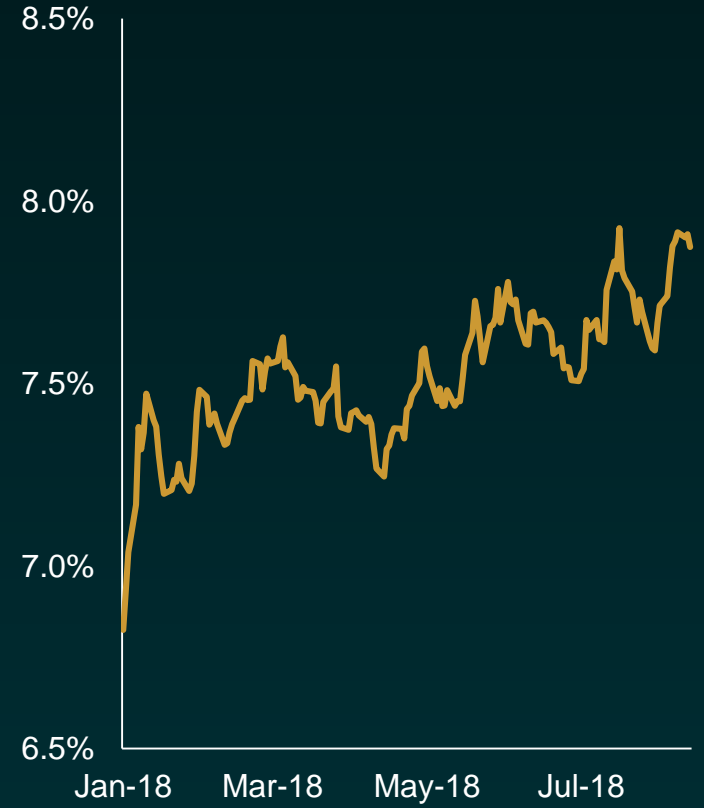
Relative total returns, stocks versus bonds, rebased*



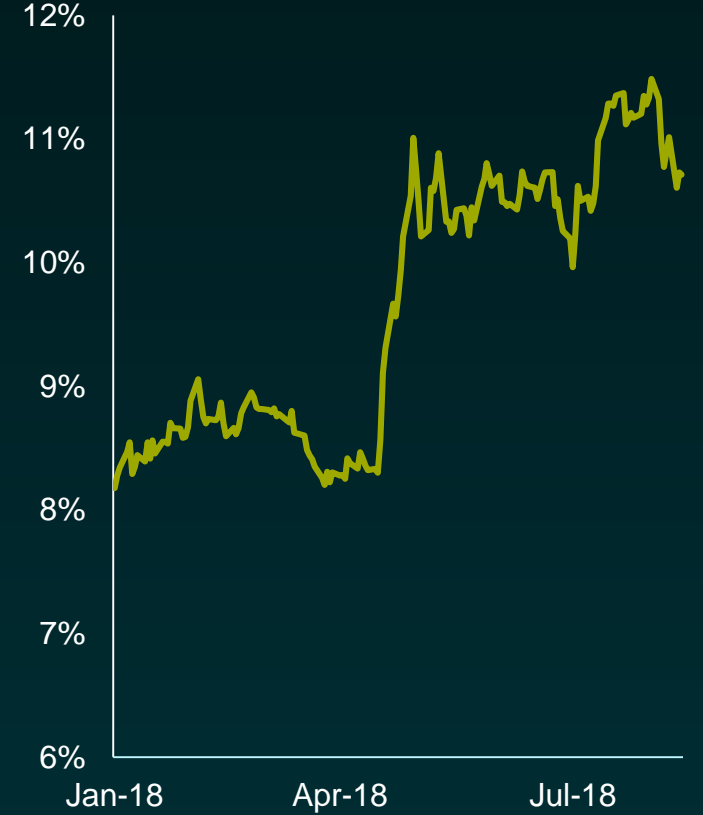
Opportunity set increasingly attractive

Earnings yield

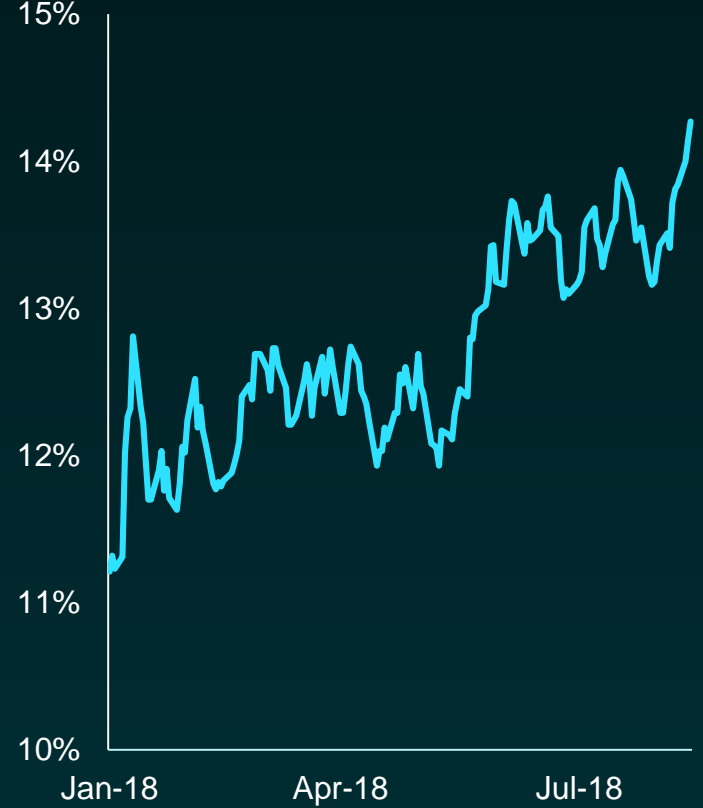
MSCI AC World ex-US Index



Italian Financials*

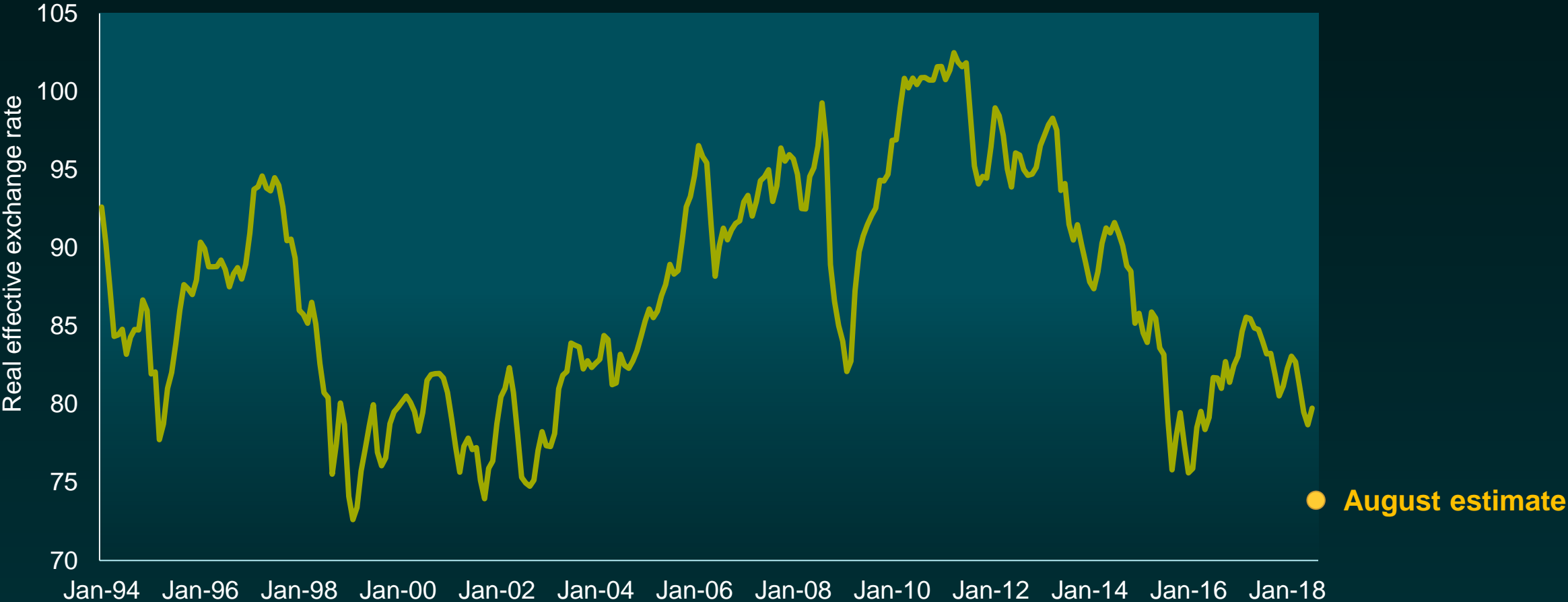


China (HSCEI)



Emerging market currencies: Depressed valuations and carry

EM currency basket*: Average real effective exchange rate

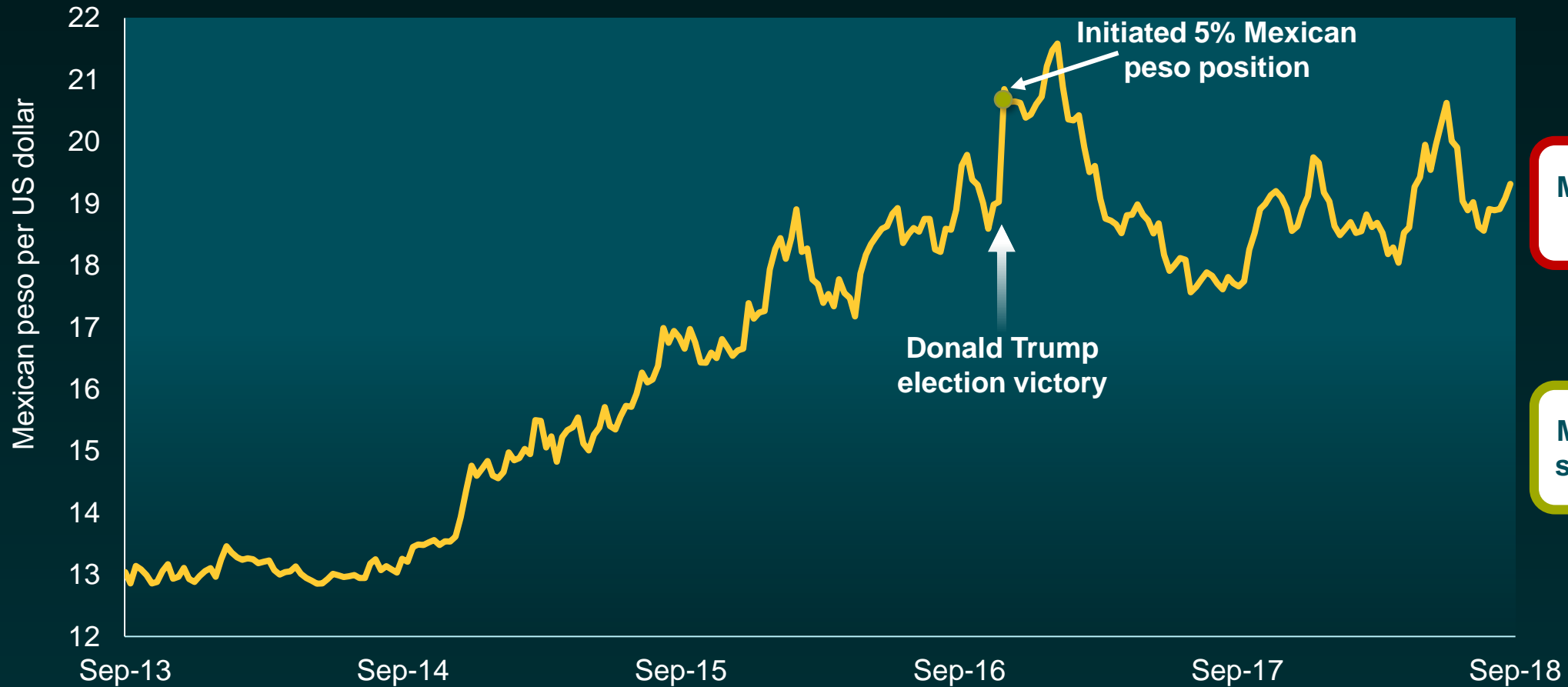


● August estimate

Source: Bank of International Settlements, July 2018. M&G estimate based on spot moves, August 2018. *Equal weighted: Brazil, Indonesia, Mexico, Russia, South Africa, Turkey.

Buying fear has been a winning strategy

Mexican peso per US dollar



M&G Global Target Return Fund

Performance



	YTD %	2017 %	2016 %	2015 %	2014 %	2013 %
M&G Global Target Return Fund	-1.9	4.3	-	-	-	-

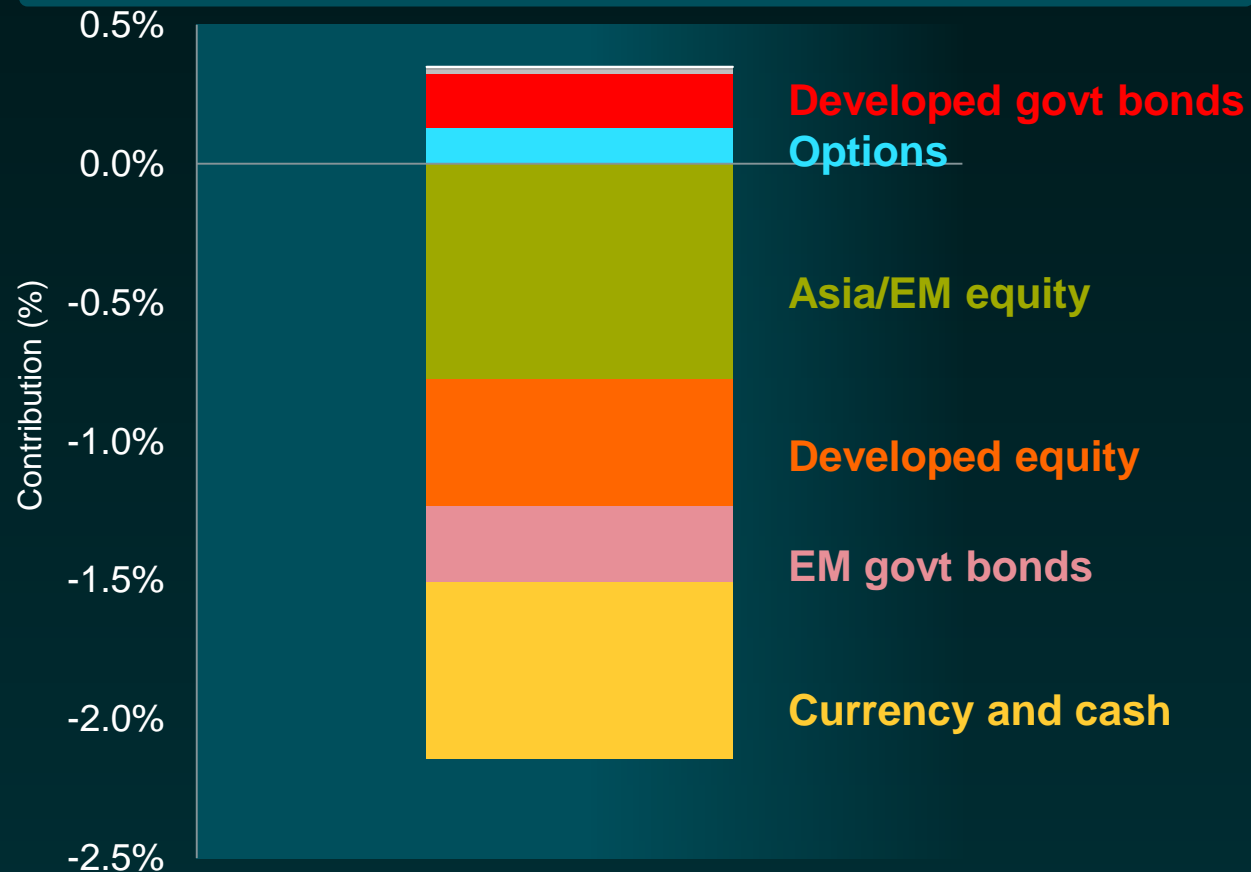
Monthly returns (%)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Since inception**
2016												-0.3*		
2017	0.2	0.3	0.9	0.1	0.8	1.0	0.2	-0.7	1.3	0.2	0.2	0.0	4.3	
2018	2.0	-0.4	-0.8	1.0	-1.2	-0.5	0.9	-2.9					-1.9	1.2

Past performance is not a guide to future performance

Source: Morningstar Inc., 31 August 2018, sterling I class shares, accumulation shares, price-to-price and income share class.
 *Partial month calculated from 13 December 2016 to 31 December 2016. **13 December 2016

M&G Global Target Return Fund, Gross performance attribution - YTD

Contribution* by position



Contribution*: YTD to 31 August 2018

Asia/EM equities	-78 bps
DM equity baskets	-46 bps
Options	13 bps
DM gov't bonds (long)	20 bps
DM gov't bonds (short)	1 bps
EM gov't bonds (long)	-27 bps
Credit	1 bps
Cash & FX	-63 bps

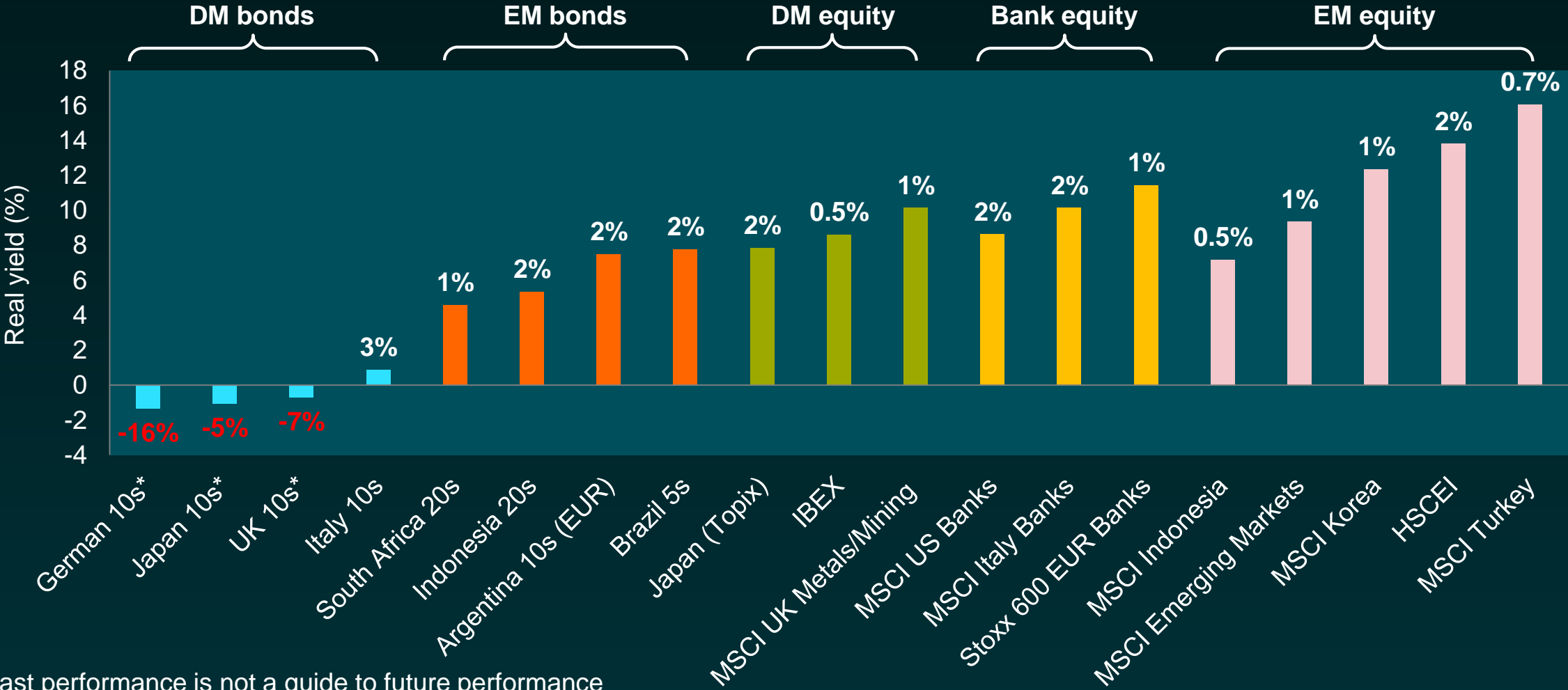
Main detractors

Turkish assets	-124 bps
European banks	-71 bps
German bonds	-53 bps
Argentinian bonds	-47 bps

Past performance is not a guide to future performance

Portfolio and real yields

Fund positions: Real yields



Past performance is not a guide to future performance

Risk management

- Challenge of diversification
- Prospective bond/equity correlation unclear
- No magic solution:

Accept volatility?

Smaller position sizes

Stop-losses

Insurance (options)

Trend awareness

Relative value

Time horizon: volatility versus permanent loss

Conclusion

Our thoughts...

- Exciting opportunity set across global markets
- High compensation for perceived risks to global growth/financial stability
- Diversification a considerable challenge – no magic solution
- Importance of time horizon

Q&A

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