

# M&G Short Dated Corporate Bond Fund Sterling Class I – Income shares

Monthly Fund Review as at 31 May 2024

For investment professionals only

## Highlights

- Global corporate bonds rose in May as the Federal Reserve's meeting proved less hawkish than anticipated, with Chair Jerome Powell expressing doubt that the Fed's next policy move could be a hike. Investment grade (IG) spreads moved lower in May, driven by positive inflation reports and resilient economic growth. This helped the fund during the month.
- May was a quiet month in terms of credit with a focus on new issues. Credit spreads remain relatively tight, and so we prefer to increase credit quality when the opportunities present themselves. We closed out protection positions via credit default swaps in M&S and HSBC. The bonds that we had protection on were tendered for, and these trades were put on securing 100bps of return on each name.
- We believe short-dated credit may help protect against future interest rate volatility, with the asset class offering a potentially attractive risk-reward profile when yield curves are flat or inverted.

## The main risks associated with this fund

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

The value and income from the fund's assets will go down as well as up. This will cause the value of your investment to fall as well as rise. There is no guarantee that the fund will achieve its objective and you may get back less than you originally invested.

Investments in bonds are affected by interest rates, inflation and credit ratings. It is possible that bond issuers will not pay interest or return the capital. All of these events can reduce the value of bonds held by the fund.

High yield bonds usually carry greater risk that the bond issuers may not be able to pay interest or return the capital.

The fund may use derivatives to profit from an expected rise or fall in the value of an asset. Should the asset's value vary in an unexpected way, the fund will incur a loss. The fund's use of derivatives may be extensive and exceed the value of its assets (leverage). This has the effect of magnifying the size of losses and gains, resulting in greater fluctuations in the value of the fund.

The fund is exposed to different currencies. Derivatives are used to minimise, but may not always eliminate, the impact of movements in currency exchange rates.

Further risk factors that apply to the fund can be found in the fund's Prospectus.

## Single year performance (5 years)

	2023	2022	2021	2020	2019
■ Sterling I Income	6.9%	-2.1%	0.2%	3.2%	4.7%
■ Benchmark	6.6%	-3.9%	0.7%	1.4%	2.6%
■ Sector	9.3%	-16.4%	-1.9%	7.9%	9.5%

## Performance over 5 years



## Fund performance

	1 month	3 months	YTD	1 year	3 years p.a.	5 years p.a.
■ Sterling I Income	0.5%	1.4%	2.1%	6.8%	2.3%	2.5%
■ Benchmark	0.5%	1.2%	1.4%	5.9%	1.4%	1.4%
■ Sector	0.5%	1.0%	-0.7%	8.0%	-3.0%	0.0%

Past performance is not a guide to future performance.

The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's benchmark as it 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 fund manager has freedom in choosing which assets to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

Source: Morningstar, Inc and M&G, as at 31 May 2024. Returns are calculated on a price to price basis. Benchmark returns stated in GBP terms.

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## Key information

Fund manager(s)	Matthew Russell, Ben Lord
Fund manager tenure from	31 August 2013
ISIN	GB00B8JXBQ82
Launch date of fund	29 January 1993
Launch of share class	09 November 2012
Fund size (millions)	£ 415.92
Benchmark(s)	Markit iBoxx EUR Corporates 1-3 year Index (GBP Hedged)
Benchmark type	Target
Sector	IA Sterling Corporate Bond sector
Number of issuers	135
Distribution yield	5.10%
Underlying yield	4.85%
Average credit rating	A+
Modified duration (years)	1.64
VaR	1.02%
Average coupon	4.30
Spread duration (years)	2.8
Payment dates	Jan, Apr, Jul, Oct
Ex-dividend dates	Mar, Jun, Sep, Dec

## Charges

Maximum entry charge	0.00%
Ongoing charge	0.25%

## Things you should know

The fund allows for the extensive use of derivatives.

## Fund ratings as at 31 May 2024

Morningstar Medalist Rating™	Analyst-Driven %
Bronze	10
	Data Coverage %
	96

Overall Morningstar rating  
Financial Express Crown Rating



Source of Morningstar ratings: Morningstar  
Source: Financial Express

Ratings should not be taken as a recommendation.

## Asset breakdown (%)

	Fund
<b>Government bonds</b>	<b>11.3</b>
<b>Investment grade corporate bonds</b>	<b>52.7</b>
Fixed rate	43.8
Floating rate	8.1
Index linked	0.6
Credit Default Swaps & Indices	0.2
<b>High yield corporate bonds</b>	<b>1.2</b>
Fixed rate	1.2
Floating rate	0.0
Index linked	0.0
Credit Default Swaps & Indices	0.0
<b>Securitised</b>	<b>30.9</b>
<b>Equities</b>	<b>0.0</b>
<b>Other</b>	<b>0.0</b>
<b>Cash</b>	<b>4.0</b>

## Largest issuers (excl. government bonds and CDS indices, %)

	Fund
Toronto-Dominion Bank	2.2
Clydesdale Bank	2.2
Nationwide Building Society	1.8
BBVA	1.7
Yorkshire Building Society	1.5
Lloyds Banking Group	1.4
Wells Fargo & Company	1.4
AA Bond	1.2
Goldman Sachs	1.2
Skipton Building Society	1.2

## Industry breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
Banking	23.0	0.0	0.0	23.0
Covered Bonds	15.7	0.0	0.0	15.7
Sovereign	10.1	0.0	0.0	10.1
Mortgage backed	9.1	0.0	0.0	9.1
Financial services	5.6	0.0	0.0	5.6
Asset backed	5.2	0.0	0.0	5.2
Consumer goods	3.8	0.0	0.0	3.8
Automotive	3.2	0.0	0.0	3.2
Utility	2.9	0.0	0.0	2.9
Insurance	2.4	0.0	0.0	2.4
Capital goods	2.1	0.0	0.0	2.1
Media	1.8	0.0	0.0	1.8
Technology & electronics	1.7	0.0	0.0	1.7
Leisure	1.3	0.0	0.0	1.3
Healthcare	1.3	0.0	0.0	1.3
Retail	1.2	0.0	0.0	1.2
Telecommunications	0.9	0.0	0.0	0.9
Commercial Mortgage Backed	0.9	0.0	0.0	0.9
Real Estate	0.9	0.0	0.0	0.9
Basic industry	0.8	0.0	0.0	0.8
Supranational	0.8	0.0	0.0	0.8
Foreign Sovereign	0.4	0.0	0.0	0.4
Services	0.4	0.0	0.0	0.4
Transportation	0.4	0.0	0.0	0.4
Energy	0.3	0.0	0.0	0.3
Investment Grade indices	0.2	0.0	9.9	10.1
<b>Cash</b>	<b>4.0</b>	<b>0.0</b>	<b>0.0</b>	<b>4.0</b>

## Credit rating breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
AAA	28.6	0.0	0.0	28.6
AA	16.2	0.0	0.0	16.2
A	23.4	0.0	9.9	33.3
BBB	27.1	0.0	0.0	27.1
BB	0.7	0.0	0.0	0.7
B	0.0	0.0	0.0	0.0
CCC	0.0	0.0	0.0	0.0
CC	0.0	0.0	0.0	0.0
C	0.0	0.0	0.0	0.0
D	0.0	0.0	0.0	0.0
<b>Cash</b>	<b>4.0</b>	<b>0.0</b>	<b>0.0</b>	<b>4.0</b>

## Maturity breakdown (%)

	Physical
0 - 1 years	5.9
1 - 3 years	48.2
3 - 5 years	30.7
5 - 7 years	9.9
7 - 10 years	0.6
10 - 15 years	0.0
15+ years	0.0
<b>Cash</b>	<b>4.0</b>
<b>Other</b>	<b>0.8</b>

## Duration by currency and asset class (years)

	Physical	Futures	Swaps	Net
Euro	0.8	0.0	0.0	0.8
British pound	0.6	0.0	0.0	0.6
US dollar	0.3	0.0	0.0	0.3
Other	0.0	0.0	0.0	0.0
<b>Total</b>	<b>1.6</b>	<b>0.0</b>	<b>0.0</b>	<b>1.6</b>

## Country breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
UK	42.7	0.0	0.0	42.7
US	17.8	0.0	0.0	17.8
Germany	5.9	0.0	0.0	5.9
Canada	5.6	0.0	0.0	5.6
France	5.0	0.0	0.0	5.0
Spain	3.1	0.0	0.0	3.1
Italy	2.6	0.0	0.0	2.6
Sweden	1.9	0.0	0.0	1.9
Other	11.3	0.0	0.0	11.3
Investment Grade indices	0.2	0.0	9.9	10.1
<b>Cash</b>	<b>4.0</b>	<b>0.0</b>	<b>0.0</b>	<b>4.0</b>

## Currency breakdown (%)

	Fund
British pound	99.9
US dollar	0.1
<b>Euro</b>	<b>0.0</b>

## Fund codes and charges

Share class	ISIN	Bloomberg	Currency	Share class launch date	Ongoing charge	Distribution yield	Underlying yield	Minimum initial investment	Minimum top up investment
Sterling A Acc	GB00BN91MS68	N/A	GBP	27/04/2023	0.50%*	4.60%	4.60%	-	-
Sterling A Inc	GB0031110397	MGSTREI LN	GBP	29/01/1993	0.50%	5.10%	4.60%	£500	£100
Sterling I Acc	GB00BMWSRZ99	MGSCBGI LN	GBP	15/05/2020	0.25%	4.85%	4.85%	£500,000	£10,000
Sterling I Inc	GB00B8JXBQ82	MGHISII LN	GBP	09/11/2012	0.25%	5.10%	4.85%	£500,000	£10,000

Any ongoing charge figure with \* indicates an estimate. The ongoing charge figure may vary from year to year and excludes portfolio transaction costs. The charges are mostly, if not exclusively, the Annual Charge which may be discounted depending on the size of the fund. For further details, please see the fund's Key Investor Information Document (KIID). The fund's annual report for each financial year will include details on the exact charges made. Please go to [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) to view the Costs and charges illustration which contains information on the costs and charges applicable to your chosen fund and share class.

Please note that not all of the share classes listed above might be available in your country. Please see the Important Information for Investors document and the relevant fund's Prospectus for more information on the risks associated with this fund and which share classes are available for which product and which investor type.

## Important information

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The ongoing charge is taken from investments held in the fund's portfolio and not from the income these investments produce. The deduction of this charge may reduce the potential growth of your investment.

The M&G Short Dated Corporate Bond Fund is a sub-fund of M&G Investment Funds (2).

The Morningstar Overall Rating based on the fund's Sterling Class I shares. Copyright © 2024 Morningstar UK Limited. All Rights Reserved. Ratings should not be taken as recommendation.

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The value of investments will fluctuate, which will cause fund prices to fall as well as rise and investors may not get back the original amount invested. **For financial advisers only. Not for onward distribution. No other persons should rely on any information contained within.**

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