POOLED PENSIONS

M&G PP International Bond Fund

Fund factsheet 3rd Quarter 2020

All statistics from M&G internal sources as at 30.09.20, unless indicated otherwise.

Fund description

The fund invests in all the major government bond markets outside the UK with principal holdings in the US, Japan and Europe. The fund is actively managed against its benchmark, the Barclays Global Aggregate Treasury Custom Over $3bn Index. Both active stock selection and asset allocation are used to add value.

Performance objective

To outperform the benchmark by 0.75% per annum before fees on a rolling three year basis.

Key facts

Style	Active
Fund manager	David Lloyd
Benchmark	Barclays Global Aggregate Treasury Custom > $3bn (from 18.06.13)*
Number of holdings	13
Fund size	£5.44m
Current bid/offer spread	0.38%
Offer price	£84.04
AMC/OCE†	0.25%/0.03%

* Prior to 18/06/13 the benchmark was the Salomon World Government Bond (ex-UK) Index.

† AMC - annual management charge; OCE - other charges and expenses.

Performance

Percentage change in bid price since 1 Jan 2020, offer price prior to 1 Jan 2020 (net of fees)

12 months to end of September	2020	2019	2018	2017	2016
Fund	2.8	13.9	1.9	-7.2	31.7
Benchmark	0.8	14.6	1.3	-7.1	30.6

	Qtr	1 yr	3 yrs*	5 yrs*
Fund	-1.4	2.8	6.1	7.8
Benchmark	-1.8	0.8	5.4	7.3

* Annualised

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.

The fund can be exposed to different currencies. Movements in currency exchange rates may adversely affect the value of your investments.

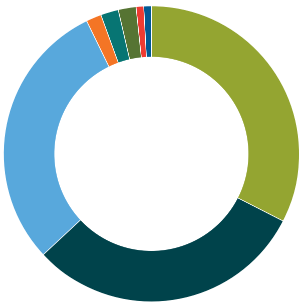
Performance and attribution

- The third quarter was a notably less volatile one for government bond markets, as 10-year yields in the UK, Germany and US ended the period close to those that prevailed at the end of the second quarter. Interest rate policy has not been changed by the main central banks and few commentators, if any, expect rate increases to occur in the coming months.
- As the global economy gradually began to emerge from previous COVID-19 lockdowns, governments and central banks continued to provide extensive stimulatory support. In the US, the Federal Reserve are continuing to purchase bonds as part of its quantitative easing (QE) programme, and at a long, and at times contentious, summit of European Union (EU) leaders, the EU finally agreed a €750 billion stimulus plan of loans and grants, to help European countries recover from the pandemic-induced setback. After initially being warmly received, the market cooled as the details of the EU plan became clearer. The European Central Bank (ECB) has been buying more corporate bonds under the Pandemic Emergency Purchase Programme (PEPP), which was launched in March 2020. These purchases continue to underpin the recovery in the European corporate bond markets. At the end of September, the PEPP had holdings of approximately €565 billion, an increase of €125 billion since the end of July.
- In the UK the market was relatively quiet, even as the Bank of England continued to steadily pursue its own QE programme. UK government debt has continued to grow as the government borrows to fund its support for the economy. As the pandemic has taken hold again with the advent of autumn, it appears that the UK could face further difficulties, particularly if the end of government support for jobs leads to a large wave of job losses. Credit has performed well in recent months, although there are expected to be increased concerns about the potential for increased debt defaults, restructurings and Brexit-related disruption in the months ahead.
- Overall, the government and central bank largesse since March has so far deflected or deferred much of the impact of the pandemic. However, market expectations of a rapid economic recovery are facing a new reality, as Europe and the US are experiencing new waves of infection. Setbacks such as these may undermine progress on their economic recoveries if restrictions are re-imposed widely.
- The fund outperformed the benchmark over the quarter. Global government bonds were marginally weaker over the quarter after the strong rally in the second quarter.

Strategy

- The manager increased the fund's exposure to long-dated Australian government bonds and Singaporean government bonds as these look attractive relative to other markets. Conversely, the manager reduced the fund's exposure to US and Italian government bonds after their strong performance.
- The fund remains overweight Italy and Spain as these markets should continue to benefit from central bank support.
- The manager retained the fund's overweight position in the Japanese yen as he thinks the currency should benefit from any increase in volatility.

Geographical weighting



Japan	33.2%
US	31.4%
Europe	30.1%
Australia	1.9%
Canada	1.6%
Mexico	1.6%
UK	0.1%
Poland	0.1%

Please note that the data may not always add up to 100.0% due to rounding.

Duration

Risk rating

Minimal	Lower	Lower to Medium	**Medium**	Medium to Higher	Higher

What type of funds are in this risk category? These funds may invest in multi-asset strategies with a higher weighting in equities, while funds investing mainly in property and, currently, government bonds (such as UK Gilts) are also in this category.

M&G Investments Pooled Pensions

M&G Investments Pooled Pensions manage a full range of funds on both an active and passive basis for defined benefit and defined contribution clients. We believe that the quality of client service is an important part of our overall pooled fund service.

Our team of Directors is responsible for all aspects of our relationships with individual clients, including regular attendance at trustee meetings to present performance and investment strategy.

Client Directors

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For security purposes and to improve the quality of our service, we may record and monitor telephone calls.

Please note that information contained within an email cannot be guaranteed as secure. We advise that you do not include any sensitive information when corresponding with M&G in this way.

For scheme members

If you require further information about your pension please talk to your sponsoring employer.

For all general enquiries and administration please contact The Bank of New York Mellon Asset Servicing - Customer Services Desk on 0344 892 1812.

Regulatory and technical information

Usage

- This factsheet is intended for trustees, sponsors, advisers and "defined contribution" members of occupational pension schemes and personal pensions invested in M&G Pooled Pensions fund range.
- This factsheet reports upon the investment management of the fund during the quarter.
- There is no guarantee the fund objective will be achieved.

Advice

- This factsheet is provided for information purposes only. Any changes to your investment arrangements should be discussed with your advisers.
- The commentary in this factsheet reflects the general views of M&G and should not be taken as a recommendation or advice as to how a specific market or fund is likely to perform.

Performance

- Performance is measured on a bid price to bid price basis since 1 Jan 2020, offer price to offer price prior to 1 Jan 2020 (net of fees).
- The annual management charges are deducted before the unit prices are set and hence before the net performance figures shown here are calculated.
- To obtain unit price information for all funds in the M&G Pooled Pensions fund range, Pension Schemes can log on to www.mandg.co.uk/institutions/resource-centre/pooledfundprices/

Fund availability

- Not all of the funds available may be used by your scheme.
- If you are in any doubt as to which M&G funds are applicable to you, please contact your personnel or pensions department as appropriate.

How are fund prices calculated?

- M&G Pooled Pensions funds operate on a "single swinging" price basis. Although we create both bid and offer prices for each dealing day, the basis on which units in the fund are transacted is dependent upon the cash flow into/out of the fund on any day. If the fund has net positive cash flow on the day then it will be priced on an offer basis. If the fund has net negative cash flow on the day then it will be priced on a bid basis.
- The annual management charges are deducted from the fund before the unit prices are calculated.
- M&G Pooled Pensions funds are "forward" priced, which means that the unit price is set after money is invested. Money is invested on a "T+0" dealing cycle, which means that money received before 12.00 will be invested by close of business that day and the unit price applicable for that "valuation date" would be published by 12.00 on the following day.

What is the risk rating?

- Risk ratings have been developed by Prudential to help provide an indication of a fund's potential level of risk and reward based on the type of assets which may be held by the fund. Other companies may use different descriptions and as such these risk ratings should not be considered as generic across the fund management industry.
- We regularly review our fund risk ratings, so they may change in the future. If, in our view, there is a material change in the fund's level of risk, for example due to a significant change to the assets held by the fund or in the way the fund is managed, we will provide information on the new risk rating. We recommend that you make sure you understand the risk rating of any fund before you invest.
- You should also consider discussing your decision and the appropriateness of a fund's risk rating with an adviser.

Glossary

For definitions of the investment terminology used within this document please see the glossary at: www.mandg.co.uk/investor/help-centre/glossary

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, please get in touch with your usual M&G contact.