

M&G Strategic Corporate Bond Fund Sterling Class I – Accumulation 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 its next policy move could be a hike. US investment grade corporate bonds outperformed their UK and European counterparts. UK inflation continued to trend downwards, marking its lowest levels since summer 2021. Although this represented a significant fall and progress towards target, it missed market expectations. However, we believe there is still potential for yields to decrease further, reflecting a lower inflation environment with subdued growth.
- We purchased a number of financials names, including HSBC and Aviva and also bought bonds issued by British American Tobacco and Berkshire Hathaway. On the other hand, we reduced exposure to certain names, for example JPM, following what we considered to be a decrease in the value offered relative to credit fundamentals.
- The fund maintains an overweight duration positioning and a below-benchmark positioning in credit spread duration.

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.

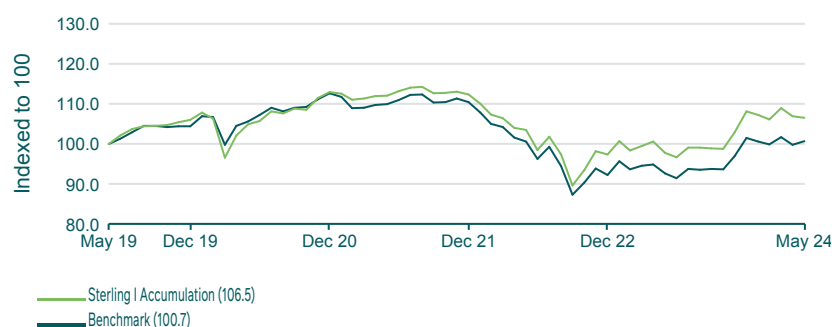
The fund can be exposed to different currencies. Movements in currency exchange rates may adversely affect the value of your investment.

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 Accumulation	11.0%	-13.3%	-0.5%	6.5%	11.2%
Benchmark	9.9%	-16.4%	-2.0%	7.9%	9.5%
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 Accumulation	-0.3%	0.4%	-1.5%	9.0%	-1.7%	1.3%
Benchmark	0.9%	0.8%	-0.8%	8.7%	-2.9%	0.1%
Sector	0.5%	1.0%	-0.7%	8.0%	-3.0%	0.0%

Past performance is not a guide to future performance.

Benchmark: Prior to 6th March 2023 the benchmark was IA Sterling Corporate Bond Sector Average. Thereafter it is iBoxx Sterling Corporates GBP Index.

The benchmark is a target which the fund seeks to outperform. The sector has been chosen as the fund's benchmark as the fund is a constituent of the sector. 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 complete freedom in choosing which investments to buy, hold and sell in the fund.

Source: Morningstar, Inc and M&G, as at 31 May 2024. Returns are calculated on a price to price basis with income reinvested.

Performance charts © 2024 Morningstar Inc., All Rights Reserved. The information contained within: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Key information

Fund manager(s)	Richard Woolnough, Ben Lord
Fund manager tenure from	20 February 2004
ISIN	GB00B7J4YT87
Launch date of fund	20 February 2004
Launch of share class	03 August 2012
Fund size (millions)	£ 1,189.85
Benchmark(s)	iBoxx Sterling Corporates GBP Index
Benchmark type	Target
Sector	IA Sterling Corporate Bond sector
Number of issuers	159
Distribution yield	4.28%
Underlying yield	4.28%
Average credit rating	A
Modified duration (years)	7.12
VaR	5.20%
Average coupon	4.04
Spread duration (years)	5.5
Payment dates	Jan, Apr, Jul, Oct
Ex-dividend dates	Mar, Jun, Sep, Dec

Charges

Maximum entry charge	0.00%
Ongoing charge	0.43%

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 %
	100
	Data Coverage %
	100

Overall Morningstar rating

Financial Express Crown Rating

Fund Calibre Rating

Rayner Spencer Mills (RSM) Rating

Square Mile Rating

The Adviser Centre Rating

Source of Morningstar ratings: Morningstar

Source: Financial Express

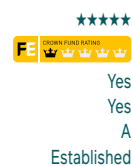
Source: FundCalibre

Source: RSMR Group

Source: Square Mile

Source: Embark Investments Limited

Ratings should not be taken as a recommendation.



Asset breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
Government bonds	17.2	0.0	0.0	17.2
Investment grade corporate bonds	63.8	0.0	0.0	63.8
Fixed rate	63.8	0.0	0.0	63.8
Floating rate	0.0	0.0	0.0	0.0
Index linked	0.0	0.0	0.0	0.0
Credit Default Swaps & Indices	0.0	0.0	0.0	0.0
High yield corporate bonds	0.6	0.0	0.0	0.6
Fixed rate	0.6	0.0	0.0	0.6
Floating rate	0.0	0.0	0.0	0.0
Index linked	0.0	0.0	0.0	0.0
Credit Default Swaps & Indices	0.0	0.0	0.0	0.0
Securitised	15.0	0.0	0.0	15.0
Equities	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Cash	3.4	0.0	0.0	3.4

Industry breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
Banking	18.6	0.0	0.0	18.6
Sovereign	10.4	0.0	0.0	10.4
Utility	10.0	0.0	0.0	10.0
Consumer goods	6.5	0.0	0.0	6.5
Asset backed	6.3	0.0	0.0	6.3
Insurance	5.8	0.0	0.0	5.8
Covered Bonds	5.8	0.0	0.0	5.8
Telecommunications	4.4	0.0	0.0	4.4
Supranational	3.6	0.0	0.0	3.6
Financial services	3.6	0.0	0.0	3.6
Real Estate	2.8	0.0	0.0	2.8
Energy	2.2	0.0	0.0	2.2
Commercial Mortgage Backed	2.1	0.0	0.0	2.1
Technology & electronics	2.0	0.0	0.0	2.0
Media	1.9	0.0	0.0	1.9
Foreign Sovereign	1.7	0.0	0.0	1.7
Transportation	1.4	0.0	0.0	1.4
Government Guaranteed	1.3	0.0	0.0	1.3
Automotive	1.2	0.0	0.0	1.2
Retail	1.1	0.0	0.0	1.1
Leisure	0.9	0.0	0.0	0.9
Mortgage backed	0.7	0.0	0.0	0.7
Capital goods	0.7	0.0	0.0	0.7
Services	0.6	0.0	0.0	0.6
Basic industry	0.6	0.0	0.0	0.6
Agency	0.1	0.0	0.0	0.1
Equity	0.0	0.0	0.0	0.0
Futures	0.0	0.0	0.0	0.0
Cash	3.4	0.0	0.0	3.4

Currency breakdown (%)

	Fund
British pound	99.9
US dollar	0.0
Euro	0.0

Credit rating breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
AAA	14.4	0.0	0.0	14.4
AA	15.0	0.0	0.0	15.0
A	23.2	0.0	0.0	23.2
BBB	43.1	0.0	0.0	43.1
BB	0.9	0.0	0.0	0.9
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
No rating	0.0	0.0	0.0	0.0
Cash	3.4	0.0	0.0	3.4

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

	Fund
Lloyds Banking Group	2.2
European Investment Bank	2.2
Imperial Brands Finance	2.0
Electricite de France	1.9
Heathrow Funding	1.8
Aviva	1.6
Apple	1.6
Gatwick Funding	1.5
Inter-American Development Bank	1.4
UBS Group	1.4

Duration by currency and asset class (years)

	Physical	Futures	Swaps	Net
Euro	0.4	-0.3	0.0	0.1
British pound	6.5	0.5	0.0	6.9
US dollar	0.3	-0.2	0.0	0.1
Other	0.0	0.0	0.0	0.0
Total	7.2	0.0	0.0	7.1

Country breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
UK	48.6	0.0	0.0	48.6
US	18.1	0.0	0.0	18.1
France	7.0	0.0	0.0	7.0
Germany	3.9	0.0	0.0	3.9
Supranational	3.6	0.0	0.0	3.6
Switzerland	2.6	0.0	0.0	2.6
Spain	2.2	0.0	0.0	2.2
Australia	1.9	0.0	0.0	1.9
Other	8.6	0.0	0.0	8.6
Cash	3.4	0.0	0.0	3.4

Maturity breakdown (%)

	Physical
0 - 1 years	0.2
1 - 3 years	4.5
3 - 5 years	20.2
5 - 7 years	22.5
7 - 10 years	20.7
10 - 15 years	10.3
15+ years	18.3
Cash	3.4
Other	0.0

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	GB0033828137	MGSCBAA LN	GBP	20/02/2004	0.83%	3.88%	3.88%	£500	£100
Sterling A Inc	GB0033828020	MGSCBAI LN	GBP	20/02/2004	0.83%	4.72%	3.88%	£500	£100
Sterling I Acc	GB00B7J4YT87	MGSCBIA LN	GBP	03/08/2012	0.43%	4.28%	4.28%	£500,000	£10,000
Sterling I Inc	GB00B6VTPZ79	MGSCBII LN	GBP	03/08/2012	0.43%	4.72%	4.28%	£500,000	£10,000
Sterling R Acc	GB00B4MQK815	MGSCBRA LN	GBP	03/08/2012	0.68%	4.03%	4.03%	£500	£100
Sterling R Inc	GB00B558TQ29	MGSCBRI LN	GBP	03/08/2012	0.68%	4.72%	4.03%	£500	£100

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 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

Cash may be held on deposit and/or in the Northern Trust Cash Funds, a range of collective investment schemes.

The M&G Strategic Corporate Bond Fund is a stand alone OEIC.

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