

# M&G Episode Income Fund Sterling Class I – Income shares

Monthly Fund Review as at 31 March 2024

For investment professionals only

## Highlights

- Most stockmarkets and bond markets around the world ended the first quarter in high spirits, posting gains in March. Several stockmarkets hit all-time highs, while developed market sovereign bonds recorded their first monthly gain of 2024.
- The fund recorded a strong return in March. Performance was mainly driven by equity holdings, particularly in the US, which included technology stocks. Holdings in UK stocks and European banks were also beneficial. In fixed income, positive returns came mainly from developed market government bonds. Exposure to emerging market currencies also had a small negative impact.
- During the month we sold our positions in US, UK and German five-year sovereign bonds and recycled the proceeds into short duration high yield credit. The new high yield basket has a meaningful impact on the fund's distributable income and increases its forward yield.

## 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.

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.

Investing in emerging markets involves a greater risk of loss as there may be difficulties in buying, selling, safekeeping or valuing investments in such countries.

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 may lose as much as or more than the amount invested.

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	8.8%	-10.9%	10.3%	-1.4%	15.3%
Sector	6.9%	-9.6%	6.3%	3.5%	12.1%

## Performance over 5 years



## Fund performance

	1 month	3 months	YTD	1 year	3 years p.a.	5 years p.a.
Sterling I Income	2.7%	1.5%	1.5%	6.9%	2.3%	3.4%
Sector	2.4%	2.5%	2.5%	7.8%	1.4%	3.1%

Past performance is not a guide to future performance.

**Performance comparison:** The fund is actively managed and it has no benchmark. Investors can assess the performance of the fund by its objective to provide a growing level of income and capital growth of 2-4% per annum, both measured over any three-year period.

**Source:** Morningstar, Inc and M&G, as at 31 March 2024. Returns are calculated on a price to price basis.

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## Key information

<b>Fund manager(s)</b>	Steven Andrew, Stefano Amato
<b>Fund manager tenure from</b>	11 November 2010
<b>Deputy fund manager(s)</b>	Maria Mucicchi
<b>ISIN</b>	GB00B7FSJ224
<b>Launch date of fund</b>	11 November 2010
<b>Launch of share class</b>	03 August 2012
<b>Fund size (millions)</b>	£ 344.37
<b>Benchmark(s)</b>	None
<b>Benchmark type</b>	N/A
<b>Sector</b>	IA Mixed Investment 20-60% Shares sector
<b>Number of holdings</b>	172
<b>Historic yield</b>	3.95%
<b>Modified duration (years)</b>	3.69
<b>VaR</b>	4.47%
<b>Payment dates</b>	Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec
<b>Ex-dividend dates</b>	Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec

## Charges

<b>Maximum entry charge</b>	0.00%
<b>Ongoing charge</b>	0.66%

## Things you should know

The fund allows for the extensive use of derivatives.

## Fund ratings as at 31 March 2024

Morningstar Medalist Rating™



Analyst-Driven %  
10  
Data Coverage %  
96

Overall Morningstar rating  
Defaqto Risk Rating



Dynamic Planner Rating  
Financial Express Crown Rating

Fund Calibre Rating  
Square Mile Rating  
The Adviser Centre Rating  
Source of Morningstar ratings: Morningstar  
Source: Defaqto  
Source: Distribution Technology  
Source: Financial Express  
Source: FundCalibre  
Source: Square Mile  
Source: Embark Investments Limited

5 - Low Medium Risk  
F E  
Yes  
A  
Recommended

Ratings should not be taken as a recommendation.

Largest exposures (excl. cash, %)

	Fund
US Equity	28.3
UK Government 30Y	6.1
US Fixed	5.6
UK Government 10Y	5.1
US Government 10Y	5.0
US Government 30Y	4.4
Japan Equity	3.1
Germany Government 10Y	3.0
Canada Equity	1.9
UK Equity	1.9

Currency breakdown (%)

	Fund
British pound	76.2
US dollar	10.0
Mexican peso	1.7
Colombian peso	1.7
Brazilian real	1.6
South African rand	1.6
Philippine peso	1.2
Polish zloty	1.2
Indian rupee	1.2
Other	3.6

Portfolio construction (%)

	Net allocation range	Neutrality
Equity	20-50	30.0
Fixed income	40-80	60.0
Other	0-20	10.0
Currency	Min 70% sterling or sterling hedged	

Asset breakdown (%)

	Fund
Equity	43.4
UK	1.7
Europe	2.2
North America	30.2
Japan	3.1
Asia Pacific ex Japan	3.1
Other Developed Markets	0.0
Emerging markets	3.1
Equity options (nominal)	0.0
Government bonds	36.6
UK	11.2
Europe	3.0
North America	9.3
Japan	0.0
Asia Pacific ex Japan	0.0
Other Developed Markets	0.0
Emerging markets	13.2
Corporate bonds	16.3
Investment grade bonds	7.3
High yield bonds	9.0
Convertible bonds	0.0
Bond options (nominal)	0.0
Infrastructure	0.2
Property	0.0
Other	0.0
Cash	3.5

Credit rating breakdown (%)

	Net exposure
AAA	4.8
AA	20.5
A	2.4
BBB	10.1
BB	8.5
B	4.4
CCC	2.3
CC	0.0
C	0.0
D	0.0
No rating	0.0

Fund codes and charges

Share class	ISIN	Bloomberg	Currency	Share class launch date	Ongoing charge	Historic yield	Minimum initial investment	Minimum top up investment
Sterling A Acc	GB00B48VC629	MGIMAAA LN	GBP	11/11/2010	1.05%	2.98%	£500	£100
Sterling A Inc	GB00B4054K09	MGIMAAI LN	GBP	11/11/2010	1.05%	4.04%	£500	£100
Sterling I Acc	GB00B4QHHP64	MGIMAIA LN	GBP	03/08/2012	0.66%	3.27%	£500,000	£10,000
Sterling I Inc	GB00B7FSJ224	MGIMAIL LN	GBP	03/08/2012	0.66%	3.95%	£500,000	£10,000
Sterling R Acc	GB00B7P09066	MGIMARA LN	GBP	03/08/2012	0.90%	3.09%	£500	£100
Sterling R Inc	GB00B7JL3W55	MGIMARI LN	GBP	03/08/2012	0.90%	4.01%	£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](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.

Approach to responsible investment

	Yes	No	N/A
ESG integration	✓		
Additional ESG specifications		✓	
Exclusions	✓		
Cluster munitions & anti personnel landmines	✓		
Other exclusions or restrictions		✓	
Voting	✓		
Engagement	✓		

Please see glossary for further explanation of these terms.

Climate Metrics

	Weighted Average Carbon Intensity	Coverage by portfolio weight (%)
Sterling I Income	156.11	96.30%
Benchmark	0.00	0.00%

Source: MSCI

ESG Standard Glossary

**Additional ESG specifications:** In the context of M&G, these are funds managed with an explicit ESG objective, outcome or in accordance with specific ESG criteria, and will have a number of minimum exclusions in place.

**Engagement:** Interaction with company management on various financial and non-financial, including ESG, issues. Engagement allows investors to better understand how a company is undertaking its operations and how it is interacting with its stakeholders, as well as advising on and influencing company behaviour and disclosures where appropriate.

**ESG integration:** Describes the explicit and systematic inclusion of Environmental, Social and Governance factors in investment analysis and investment decisions. It underpins a responsible investment approach, and allows investors to better manage risk and generate sustainable, long-term returns.

**Exclusions:** The exclusion or restriction of investments based on the sector in which they operate, the products or services they provide or for other specific criteria, i.e. they are deemed to be in breach of the United Nations Global Compact principles on human rights, labour the environment and anti-corruption.

**Voting:** As the partial owners of a company, shareholders have the right to vote on resolutions put forward at a company's annual general meeting. These resolutions include the re-election of directors, executive remuneration and business strategy, among others, and may include resolutions put forward by shareholders.

Explanation of our climate metrics

The Weighted Average Carbon Intensity (WACI) is the metric used to report our funds' carbon emissions. It is a measure of how much CO2 is being emitted per US\$ million of sales by each company that the fund invests in. This can be used to determine the likely effect a company is having on the environment. It can also help to compare the impact different companies have on the environment, and to compare companies against the broad market or the financial benchmark for the fund. However, this metric does not take into account the difference in carbon characteristics among sectors.

The WACI metric is one of many greenhouse gas emissions data points, each offering a different aspect of analysis on climate impact. M&G have selected this metric as it is applicable to multi-asset, equity and fixed income funds and it is aligned to the recommendations from the Taskforce for Climate Related Financial Disclosures (TCFD). The WACI metric does not include carbon intensity data attributable to government bond securities. It has also been chosen to align with M&G's groupwide target of transparency when it comes to the disclosure of climate emissions. At M&G we currently use MSCI as our main third-party data provider for carbon intensity data as we consider its coverage to be the broadest of the current providers. As with any mass data collection, there are methodology limitations; this also applies to MSCI. We make every effort to check its data and are currently building our own tools which will use a variety of data sources to gather and map the carbon emissions of our funds.

For the avoidance of doubt, this fund is not managed to a carbon emission objective and, the benchmark WACI (should funds have a benchmark) have been included for information purposes only.

Important information

With effect from November 2023, we are reporting using our internal accounting book of record (ABOR) moving away from the investment book of record (IBOR) used for reporting up to October 2023.

The M&G Episode Income Fund is a sub-fund of M&G Investment Funds (11).

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Where a security has not been rated by Standard & Poor's, Fitch or Moody's, we may use M&G's internal credit rating. Based on a comparison of all available ratings for each security, the most conservative rating (S&P, Fitch, Moody's or M&G's internal rating) is taken into consideration. The ratings so identified are then expressed or converted into M&G's ratings format to obtain uniform information for all securities in the portfolio.

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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