

M&G Strategic Corporate Bond Fund Sterling Class I – Accumulation shares



Monthly Fund Review as at 29 February 2024
For investment professionals only

Highlights

- Global corporate bonds were generally lower in February as government bonds have given up some of the recent gains amid waning hopes of interest rate cuts in the first half of 2024. Nevertheless, investment grade (IG) credit spreads tightened due to strong demand for the asset class. US corporate bonds lagged their European and UK counterparts. Against this backdrop, the fund recorded a negative return.
- During the month, we reduced exposure to selected names including Thames Water while exploring relative value trades such as bonds from French utility firm EDF and British American Tobacco.
- The fund maintains a below-benchmark positioning in spread duration (sensitivity to changes in creditworthiness). We remain comfortable with our overweight duration (sensitivity to changes in interest rates) strategy as we believe there is potential for bond yields to fall further in an environment of lower inflation and subdued economic growth.

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.

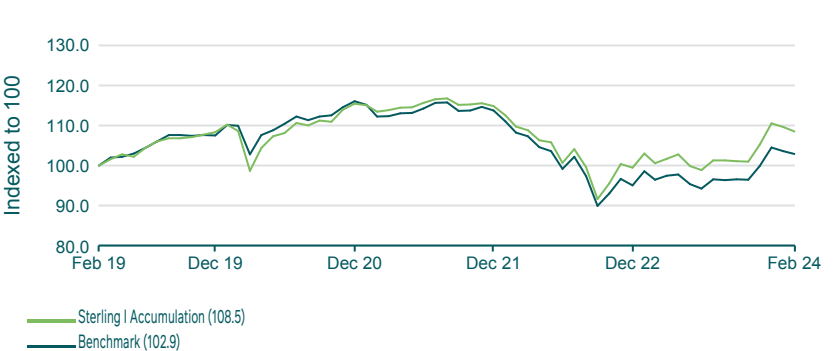
The fund can be exposed to different currencies. Movements in currency exchange rates may adversely affect the value of your investment.

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	-1.0%	3.1%	-1.8%	7.8%	-1.5%	1.6%
Benchmark	-0.6%	3.1%	-1.5%	6.7%	-2.8%	0.6%
Sector	-0.7%	2.5%	-1.7%	5.9%	-3.1%	0.4%

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 29 February 2024. Returns are calculated on a price to price basis with income reinvested.

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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)	£ 1,115.20
Benchmark(s)	iBoxx Sterling Corporates GBP Index
Benchmark type	Target
Sector	IA Sterling Corporate Bond sector
Number of issuers	152
Distribution yield	4.24%
Underlying yield	4.24%
Modified duration (years)	7.16
VaR	5.64%
Average coupon	3.97
Spread duration (years)	5.7
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 29 February 2024

Morningstar Medalist Rating™	Analyst-Driven %	★★★★★
	100	
	Data Coverage %	
	100	
Overall Morningstar rating		
Financial Express Crown Rating		
Fund Calibre Rating	Yes	
Rayner Spencer Mills (RSM) Rating	Yes	
Square Mile Rating	A	
The Adviser Centre Rating	Recommended	
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	11.1	0.0	0.0	11.1
Investment grade corporate bonds	70.0	0.0	0.0	70.0
Fixed rate	70.0	0.0	0.0	70.0
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	1.4	0.0	0.0	1.4
Fixed rate	1.4	0.0	0.0	1.4
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	13.4	0.0	0.0	13.4
Equities	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Cash	4.1	0.0	0.0	4.1

Industry breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
Banking	19.9	0.0	0.0	19.9
Utility	11.5	0.0	0.0	11.5
Sovereign	9.2	0.0	0.0	9.2
Insurance	6.1	0.0	0.0	6.1
Asset backed	6.1	0.0	0.0	6.1
Consumer goods	6.0	0.0	0.0	6.0
Telecommunications	4.9	0.0	0.0	4.9
Covered Bonds	4.7	0.0	0.0	4.7
Supranational	3.9	0.0	0.0	3.9
Real Estate	3.3	0.0	0.0	3.3
Financial services	2.7	0.0	0.0	2.7
Energy	2.4	0.0	0.0	2.4
Government Guaranteed	2.3	0.0	0.0	2.3
Foreign Sovereign	1.9	0.0	0.0	1.9
Media	1.8	0.0	0.0	1.8
Mortgage backed	1.5	0.0	0.0	1.5
Retail	1.2	0.0	0.0	1.2
Transportation	1.2	0.0	0.0	1.2
Commercial Mortgage Backed	1.1	0.0	0.0	1.1
Leisure	1.0	0.0	0.0	1.0
Technology & electronics	0.9	0.0	0.0	0.9
Automotive	0.8	0.0	0.0	0.8
Basic industry	0.7	0.0	0.0	0.7
Agency	0.5	0.0	0.0	0.5
Services	0.5	0.0	0.0	0.5
Capital goods	0.2	0.0	0.0	0.2
Equity	0.0	0.0	0.0	0.0
Futures	0.0	0.0	0.0	0.0
Cash	4.1	0.0	0.0	4.1

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	12.7	0.0	0.0	12.7
AA	12.9	0.0	0.0	12.9
A	13.1	0.0	0.0	13.1
BBB	55.7	0.0	0.0	55.7
BB	1.7	0.0	0.0	1.7
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
No rating	0.0	0.0	0.0	0.0
Cash	4.0	0.0	0.0	4.0

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

	Fund
European Investment Bank	2.3
Electricite de France	2.2
Imperial Brands Finance	2.0
Lloyds Banking Group	1.8
KfW	1.8
Aviva	1.6
Heathrow Funding	1.6
BNP Paribas	1.5
Philip Morris International	1.5
Inter-American Development Bank	1.5

Duration by currency and asset class (years)

	Fund	Futures	Swaps	Net
Euro	0.5	-0.4	0.0	0.1
British pound	6.4	0.5	0.0	6.9
US dollar	0.3	0.0	-0.1	0.1
Other	0.0	0.0	0.0	0.0
Total	7.2	0.1	-0.2	7.2

Country breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
UK	48.2	0.0	0.0	48.2
US	13.3	0.0	0.0	13.3
France	9.1	0.0	0.0	9.1
Germany	4.7	0.0	0.0	4.7
Supranational	3.9	0.0	0.0	3.9
Switzerland	2.6	0.0	0.0	2.6
Spain	2.6	0.0	0.0	2.6
Netherlands	2.2	0.0	0.0	2.2
Other	9.5	0.0	0.0	9.5
Cash	4.1	0.0	0.0	4.1

Maturity breakdown (%)

	Physical
0 - 1 years	0.1
1 - 3 years	4.0
3 - 5 years	20.2
5 - 7 years	24.2
7 - 10 years	18.7
10 - 15 years	11.4
15+ years	17.4
Cash	4.1
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%	3.84%	3.84%	£500	£100
Sterling A Inc	GB0033828020	MGSCBAI LN	GBP	20/02/2004	0.83%	4.67%	3.84%	£500	£100
Sterling I Acc	GB00B7J4YT87	MGSCBIA LN	GBP	03/08/2012	0.43%	4.24%	4.24%	£500,000	£10,000
Sterling I Inc	GB00B6VTPZ79	MGSCBII LN	GBP	03/08/2012	0.43%	4.67%	4.24%	£500,000	£10,000
Sterling R Acc	GB00B4MQK815	MGSCBRA LN	GBP	03/08/2012	0.68%	3.99%	3.99%	£500	£100
Sterling R Inc	GB00B558TQ29	MGSCBRI LN	GBP	03/08/2012	0.68%	4.67%	3.99%	£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.

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 Accumulation	78.87	92.63%
Benchmark	89.83	94.84%

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

The way we report our FRN's has changed to categorise the coupon more accurately, which may result in changes to the percentage allocation.

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

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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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Contact M&G

Private Investors
www.mandg.com/investments/private-investor/en-gb
0800 390 390

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