

For Investment Professionals only



M&G Global Target Return Fund

Multi-asset investing for
steady target returns

M&G
INVESTMENTS

M&G's Multi Asset team

Over 200 years of combined experience

M&G's Multi Asset team was formed in 1999 to implement the asset allocation strategy of the Prudential Life Fund. Since its inception, the team's robust, repeatable investment processes have helped it to perform in a variety of market conditions.

Today, the team operates mandates for pension funds, sovereign wealth funds, local authorities and retail clients with more than £16 billion of combined assets under management.



Dave Fishwick 17 29
Head of Multi Asset
Co-Fund Manager
M&G Episode Macro Fund



Craig Moran 12 11
Co-Fund Manager M&G (Lux)
Conservative Allocation Fund



Tristan Hanson 1 18
Fund Manager M&G (Lux)
Global Target Return Fund



Juan Nevado 17 31
Co-Fund Manager M&G (Lux)
Dynamic Allocation Fund,
M&G (Lux) Conservative
Allocation Fund, M&G Episode
Allocation Fund



Steven Andrew 12 17
Fund Manager M&G Episode
Income Fund, M&G (Lux)
Income Allocation Fund



Craig Simpson 13 16
Head of Portfolio
Management



Eric Lonergan 10 20
Head of Research
Co-Fund Manager
M&G Episode Macro Fund,
M&G Episode Growth Fund



Maria Municchi 9 10
Deputy Fund Manager
M&G Episode Income Fund,
M&G (Lux) Income
Allocation Fund



Marc Beckenstrater 1 20
Head of International
Investments
Fund Manager PIMSA Funds

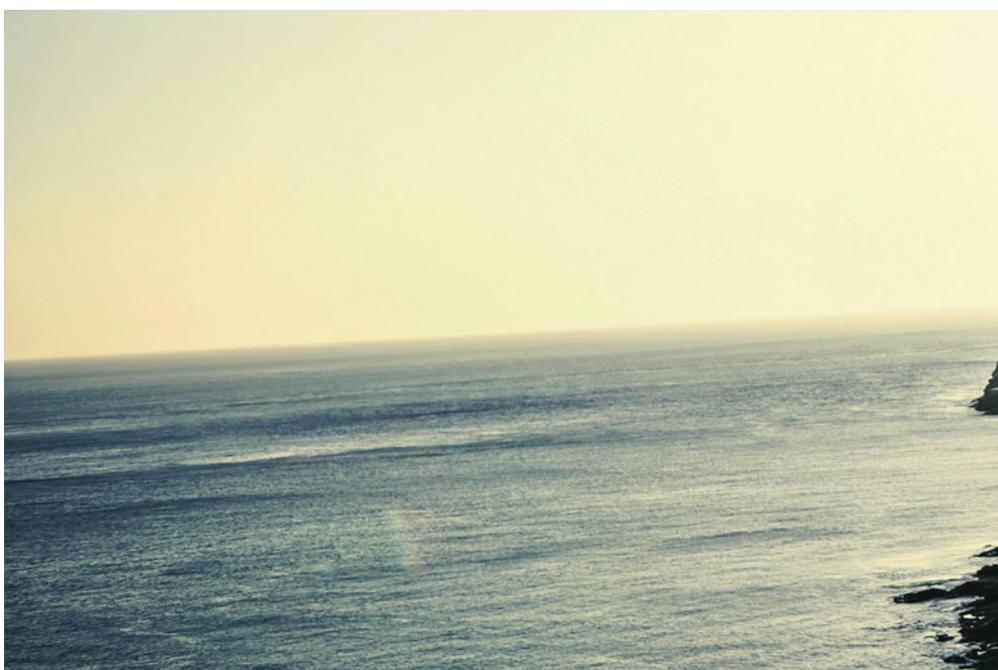


Jenny Rodgers 17 23
Co-Fund Manager
M&G Episode Growth Fund



Tony Finding 17 18
Co-Fund Manager
M&G Episode Allocation Fund,
M&G (Lux) Dynamic
Allocation Fund

● Years at M&G
● Years of investment experience



M&G Global Target Return Fund

Fund manager



Tristan Hanson has managed the M&G Global Target Return Fund since its launch in December 2016. He has over 15 years of asset management experience, and joined M&G in April 2016 from Ashburton Investments, where

he was Head of Asset Allocation with responsibility for global multi-asset funds. Prior to this, Tristan was a strategist at JP Morgan Cazenove covering equities, fixed income and currencies.

Tristan holds a Masters in Public Administration in International Development from Harvard University's Kennedy School of Government and a BA (Hons) in Economics from Durham University.

The M&G Global Target Return Fund

- A multi-asset, absolute return fund
- Strong focus on minimising volatility and drawdowns
- Navigates uncertain environments by seeking to construct an effectively diversified portfolio



Whatever the market environment, our aim is to smooth the journey

The M&G Global Target Return Fund launched in December 2016 in response to the challenges today's investors face in protecting their capital and constructing an effectively diversified portfolio.

With central banks looking to unwind a decade of loose monetary policy against a background of ongoing political uncertainties, we believe that traditional defensive assets – such as many developed market government bonds – may no longer provide a smooth journey to delivering positive returns.

For cautious investors, we believe a more holistic approach is needed.

Managing risk

The fund manager applies an investment approach which seeks to keep:

- **annualised volatility between 3% and 7%**
- **monthly losses below 3%** in normal to stressed market conditions and below 6% in highly stressed conditions¹

Managing the fund in this way reduces its ability to significantly outperform its targeted return objective.

Targeting a positive return

The fund aims to deliver combined income and capital growth of at least **4% p.a. above three-month GBP LIBOR** before any charges, over any three-year period and in any market condition.

The value of investments and the income from them will rise and fall. This will cause the fund price, as well as any income paid by the fund, to fall as well as rise. There is no guarantee the fund will achieve its objective and investors may not get back the amount they originally invested. Changes in currency exchange rates will affect the value of investments.



¹We define highly stressed market conditions as those similar to the 2008 banking crisis.

How do we define absolute returns?

Absolute return funds generally target specific, positive returns over a defined period.

They tend to exhibit low correlation with individual asset classes over three to five years.

The M&G Global Target Return Fund is designed to **benefit from both rising and falling markets** through its ability to go net long or net short of any asset class. It therefore has the potential to perform in a variety of market conditions and help to diversify an investor's portfolio.



Our investment approach: we look past the market 'noise'

In managing the fund, we apply a consistent philosophy that combines elements of behavioural finance with a value-led perspective.

- 1 We start by assessing asset valuations relative to what we consider their 'fair value' based on fundamental drivers of returns. This allows us to determine strategic asset allocation over the medium term.
- 2 We then apply a tactical approach designed to capitalise on irrational market behaviour. This can occur when asset prices are led by investors' emotions or excessive focus on a single story, as opposed to fundamental considerations. We call these events 'episodes', and they are central to our approach.
- 3 If we feel an asset has moved away from its fair value, we look to take advantage, sometimes capitalising on short-term episodes, while at other times observing that valuations are likely to change over the medium to longer term.

We believe that the flexibility of our approach allows us to respond quickly to opportunities that present themselves, and that the consistency of our strategy should continue to provide us with a competitive advantage, whatever the future market environment.

The fund may use derivatives with the aim of profiting from a rise or a fall in the value of an asset (for example, a company's bonds). However, if the asset's value varies in a different manner, the fund may incur a loss.

How have we been managing the fund?

Fund Manager Tristan Hanson uses a highly active approach to managing portfolio risk and seeking diverse sources of returns.

The return of market volatility in 2018 has required Tristan to scale asset exposures in response to rapidly changing conditions.

Equities

After a strong stockmarket rally at the start of 2018, Tristan felt that markets had been left vulnerable to a correction and reduced overall equity exposure.

Following subsequent market downturns, he reintroduced equity positions and scaled up exposure further with a view to capitalising on more attractive valuations.

Fixed income

In fixed income, Tristan has maintained overall negative duration since launch, based on his view that many developed market government bond valuations appear vulnerable over the medium term.

Short fixed income positions have provided effective diversification at times when these securities have demonstrated high correlation with equities.

Currencies and other investments

Tristan has looked to provide additional diversification through exposure to selected foreign currencies and other alternative assets, such as infrastructure.

The fund currently has close to neutral exposure to British pound sterling. Tristan has also gained modest exposure to selected emerging market currencies at times when he has felt they offered particularly attractive value, such as the Mexican peso and South African rand in 2017. (Source: M&G as at 30 April 2018.)

Scaling equity exposure



Source: M&G, 5 April 2018. *Delta-adjusted notional value.

Past performance is not a guide to future performance.

An extensive risk management framework



Managing risk is central to the fund's approach. The fund manager applies an extensive risk management framework that enables him to monitor portfolio risk on a daily basis, with a view to keeping the portfolio within the risk thresholds outlined in the table opposite.

If the fund breaches its intermediate or maximum risk thresholds, this will trigger formal reviews with senior M&G Multi Asset fund managers and M&G's independent risk team.

The range of risk measures reflects the team's view that true risk is represented by the risk of permanent loss of capital or failure to meet long-term return objectives, as opposed to any single risk measure.

The fund allows for the extensive use of derivatives.

Expected volatility pa	3-7% ²
Monthly loss thresholds ²	-3% upper threshold in normal to stressed market conditions -6% upper threshold in highly stressed market conditions ³
Maximum VaR	6% ⁴
Stress testing	Historical scenarios and hypothetical situations (eg asset class shocks)
Risk management process	Daily oversight of portfolio risk provided to investment team, both retrospective and forward-looking Regular reviews held with M&G's independent risk team Formal reviews triggered if the fund exceeds drawdown thresholds
Equity range	-35% to +35%
Fixed income range	-6yrs to +6yrs
Currency range (GBP)	50% to 150%
Other investments (including ABS, convertibles, infrastructure and REITs)	0% to 20%

²Calculated based on monthly returns.

³We define highly stressed conditions as those similar to the 2008 banking crisis.

⁴One-month, 99% confidence level.

Please note that these allocation ranges represent internal M&G investment guidelines.

Contact

Financial Adviser Helpline

0800 328 3191⁵

Lines are open Monday to Friday 8.00am to 6.00pm.

Investment Sales Team

0345 600 4125⁵

Lines are open Monday to Friday, 9.00am to 5.00pm. Calls cost 5p per minute, plus your phone company's access charge.

 mandg.co.uk/adviser

@ [info@mandg.co.uk⁶](mailto:info@mandg.co.uk)

 [@mandgprof](https://twitter.com/mandgprof)

 [M&G Investments](#)

Write to us

M&G Customer Relations

PO Box 9039

Chelmsford

CM99 2XG

About M&G

From launching the UK's first unit trust for private investors in 1931, M&G has grown to become one of the largest investment managers in Europe, with £298 billion of funds under management (as at 31 December 2017).

We retain our belief that an active approach to investing can deliver strong performance over the long term. Our experienced and talented investment experts can follow their own original thinking and convictions, rather than the crowd.

⁵ For your protection calls may be recorded or monitored. Before assisting you with your enquiry, we will ask you to:

- Identify yourself
- Provide your firm's FCA number
- Confirm certain information relating to our mutual customer

⁶ 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.