

M&G GLOBAL FLOATING RATE HIGH YIELD FUND - GBP

INVESTMENT RESEARCH NOTE
FEBRUARY 2024

Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).

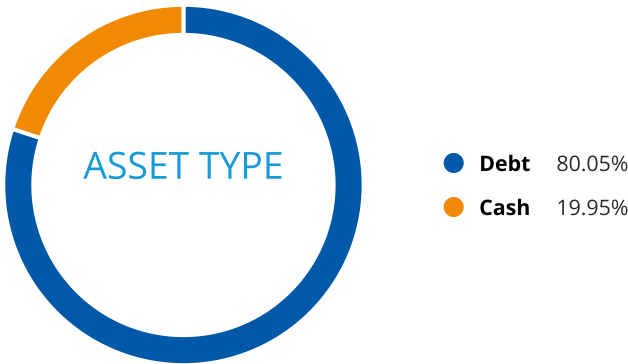
SUMMARY

M&G is a leading fixed income fund manager, with total assets under management of c.£44bn in the fixed income space. The company has a key competitive advantage in proprietary credit research, with one of Europe's largest teams of dedicated credit analysts. The Global Floating Rate High Yield Fund was launched in 2014.

The manager, since launch, has been James Tomlins, a specialist in high yield credit, who has more than ten years' experience of the sector, having previously been an analyst and fund manager at Cazenove Capital Management. James is supported by Deputy Manager, Stefan Isaacs, the Deputy Head of Retail Fixed Interest for M&G's mutual fund range.

The M&G Retail Fixed Income Team is based in London, and is supported by the in-house credit analysts as well as investment specialists and fund managers. The team has been investing in fixed income in London since 1994 and launched the first high yield corporate bond fund in 1998.

The Fund targets total return. Investment is predominantly in higher yielding FRNs, although the manager may hold other fixed income assets, such as investment grade corporate bonds or government bonds. The manager may also make use of derivatives for the purpose of Efficient Portfolio Management. Average credit rating is B+ (as at May 2023) and a current yield of c.8% (as at May 2023). Duration is typically very low, close to zero.



INVESTMENT PROCESS

FRNs are bonds which pay a variable rate of interest, comprising two distinct components: a variable component, reset typically every three months, in line with a money market reference rate, such as LIBOR, and a fixed spread over government bonds.

The manager, in conjunction with the wider team, forms a macroeconomic view for the Fund, taking into account economic growth, inflation and the yield curve. Great attention is paid to the individual credits, and so portfolio duration arises from the notes purchased, rather than being strategically targeted, but the manager may use derivatives to adjust this.

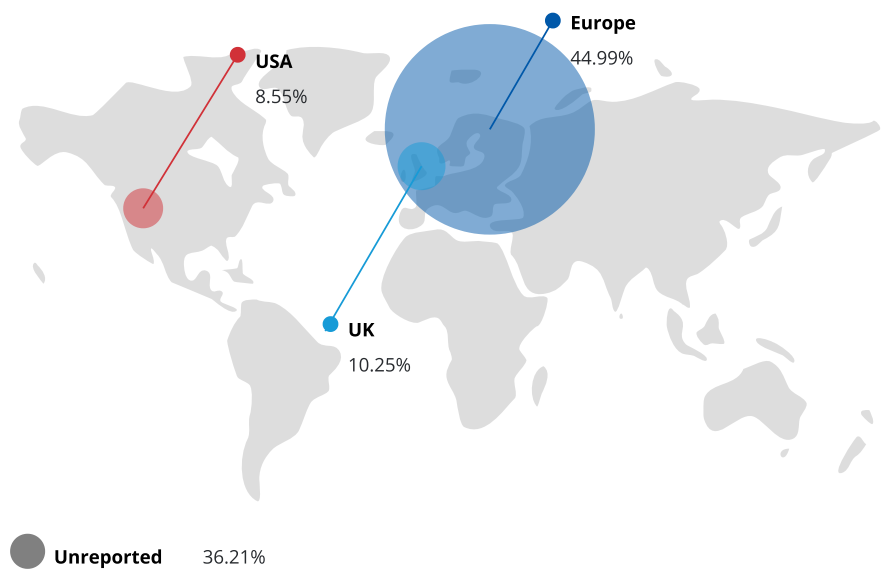
Credit analysis is held to be of paramount importance in managing the Fund; given the potentially large impact of a bond default, the portfolio is very diversified. Each of the analysts in the London team is a specialist in their own area, with many coming from industry, or from a credit rating agency. They focus on business risk, financial risk and bond structure/covenants. There is also a rigorous review process to ensure ongoing monitoring of bonds, and those that are felt to be in danger of a downgrade are placed on a 'watch list'. The credit analyst team also contains experts in distressed credit, who analyse bonds that are close to, or in default and determine the best course of action to take.

The fund manager is responsible for managing the portfolio's investment risk, and he is supported by a team of risk analysts who produce daily reports to ensure that the Fund remains within its desired risk parameters. The core method for estimating the Fund's risk position is using Value at Risk (VaR), a standard way of assessing the likely loss due to market factors. A separate team of risk analysts works independently to monitor the Fund's compliance with its investment policy and limits, to provide stress testing and analysis of the portfolio, highlighting key risk factors and correlations.

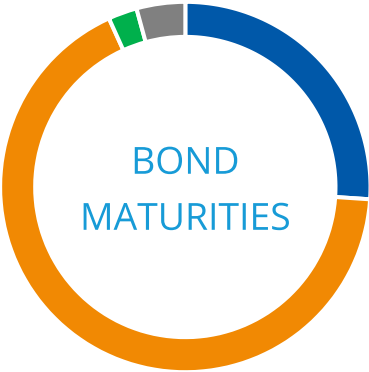
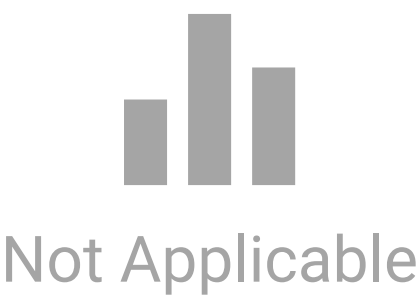
ESG factors are integrated into the credit research process and, whilst fixed income investors cannot vote, the approach taken is nevertheless one of constructive engagement with investee companies. Whilst the primary aim is to protect against downside risk, the credit analysts seek investment opportunities that offer solid ESG characteristics.

AGGREGATED NET EXPOSURE

REGIONAL EXPOSURE



EQUITY MARKET CAP (%)



Short Term (1-3 yr)	26.06%
Intermediate Term (3-10 yr)	67.17%
Long Term (>10 yr)	2.52%
Unreported	4.25%



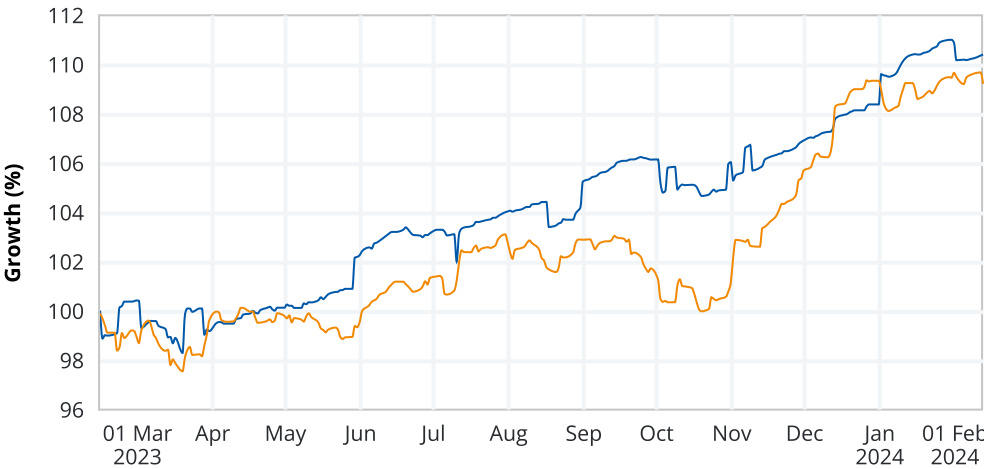
Speculative Grade/High Yield	93.56%
Investment Grade	5.91%
Unreported	0.53%

OVERALL PERFORMANCE

● M&G Global Floating Rate High Yield Fund IH Acc GBP ● Barclays Global Aggregate High Yield TR GBPH Benchmark

GROWTH (%) - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024



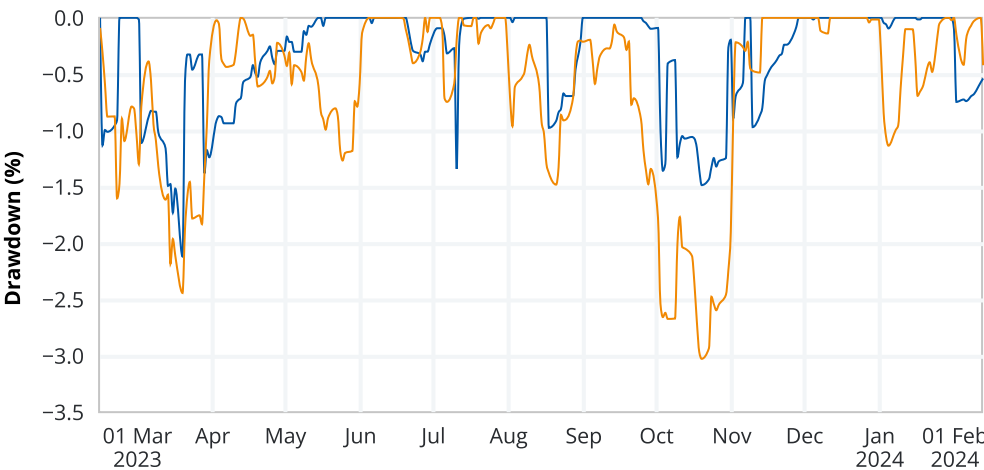
GROWTH (%) - FROM INCEPTION

12 Sep 2014 - 13 Feb 2024



DRAWDOWN (%) - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024



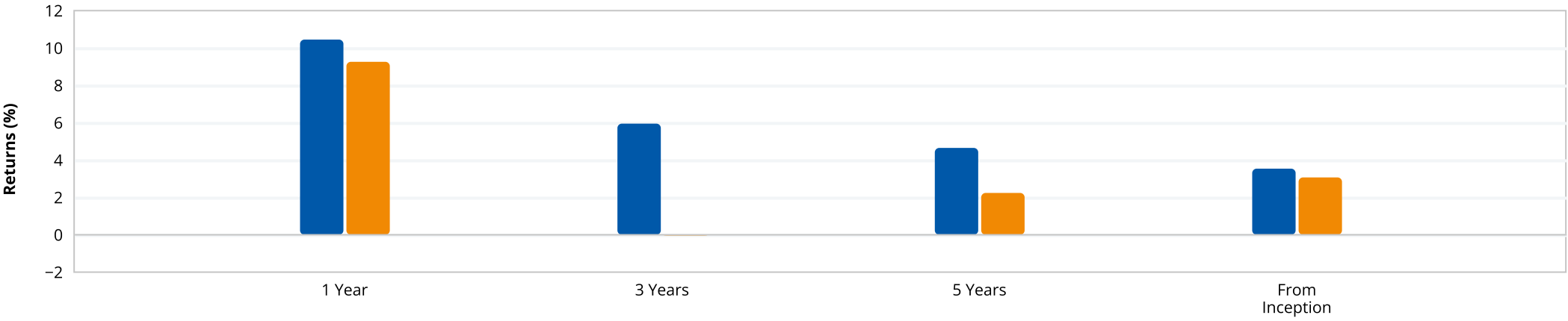
DRAWDOWN (%) - FROM INCEPTION

12 Sep 2014 - 13 Feb 2024



RETURNS

● M&G Global Floating Rate High Yield Fund IH Acc GBP ● Barclays Global Aggregate High Yield TR GBPH Benchmark



MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	2.42	-0.54											1.87
2023	1.21	2.79	-1.21	0.96	2.06	0.94	0.83	0.18	1.87	-0.17	0.84	1.42	12.31
2022	-0.24	-1.53	0.93	-0.76	-2.42	-4.15	1.36	2.54	-1.76	1.11	2.93	0.78	-1.44
2021	-0.56	1.02	0.61	0.98	0.56	0.55	0.25	0.50	0.39	0.35	0.29	0.76	5.83
2020	-0.41	-1.33	-16.51	5.73	1.10	2.88	1.50	1.62	-0.32	0.20	5.25	2.21	-0.02
2019	1.53	1.03	1.23	0.47	-0.82	0.69	0.56	0.13	0.10	-0.17	0.62	1.46	7.01

Capped to 6 years.

ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
M&G Global Floating Rate High Yield Fund IH Acc GBP	10.45	5.95	4.65	3.54
Barclays Global Aggregate High Yield TR GBPH Benchmark	9.26	-0.04	2.24	3.07

CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
M&G Global Floating Rate High Yield Fund IH Acc GBP	10.41	18.82	25.40	38.55
Barclays Global Aggregate High Yield TR GBPH Benchmark	9.22	-0.12	11.64	32.84

M&G Global Floating Rate High Yield Fund IH Acc GBP Barclays Global Aggregate High Yield TR GBPH Benchmark

PERFORMANCE - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024

RETURNS (%)	10.45	9.26
VOLATILITY (%)	4.79	4.18
ALPHA	0.34 *	
BETA	0.33 *	1.00
CORRELATION	0.60 *	1.00
SHARPE RATIO	1.12	1.13
SORTINO RATIO	1.64	1.78
MAX DRAWDOWN (%)	-2.12	-3.03

*Calculated over a 3 year period where history permits.

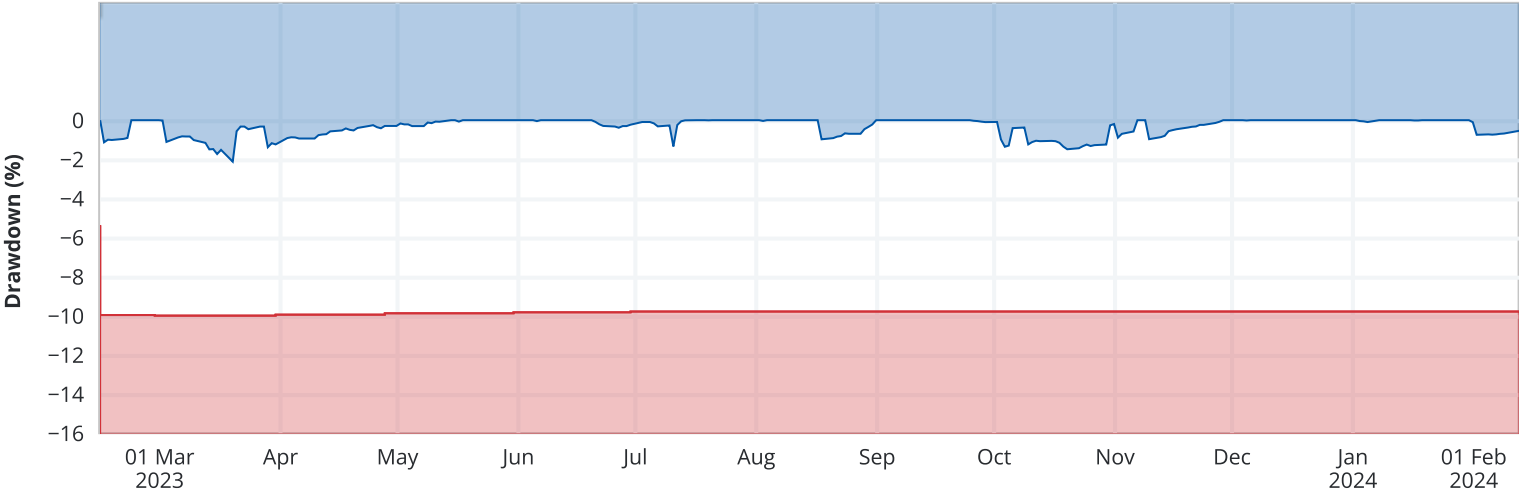
PERFORMANCE - FROM INCEPTION

12 Sep 2014 - 13 Feb 2024

RETURNS (%)	3.54	3.07
VOLATILITY (%)	4.72	5.32
ALPHA	0.09	
BETA	0.68	1.00
CORRELATION	0.79	1.00
SHARPE RATIO	0.51	0.38
SORTINO RATIO	0.69	0.49
MAX DRAWDOWN (%)	-20.49	-23.77

SIMPLE STRESS TEST DRAWDOWN (%)

14 Feb 2023 - 13 Feb 2024



Stress test notes

The chart shows the calculated drawdown over a trailing 12-month period. The Review Point is a potential intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown exceed the Review Point, then this indicates that market conditions may be abnormal. This is the point at which immediate action should be considered.

DISCLAIMER

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