

# M&G TALKS

## Conferencia Anual 2022



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Alicia García Santos, Country Head

Madrid, 22 de Febrero

Marketing Communication. For investment professional use only.

# Agenda

Bienvenida	<b>Alicia García Santos</b> , Country Head Spain
M&G (Lux) Global Floating Rate High Yield Fund	<b>James Tomlins</b> , Fund Manager
Fixed income in a rising rates environment	<b>Matt Russell</b> , Fund Manager
M&G (Lux) Global Listed Infrastructure Fund	<b>Alex Araujo</b> , Fund Manager



# M&G (Lux) Global Floating Rate High Yield Fund

February 2022

# M&G (Lux) Global Floating Rate High Yield Fund

## The main risks associated with this fund are:

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.

Investing in emerging markets involves a greater risk of loss due to greater political, tax, economic, foreign exchange, liquidity and regulatory risks, among other factors. There may be difficulties in buying, selling, safekeeping or valuing investments in such countries.

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.

In exceptional circumstances where assets cannot be fairly valued, or have to be sold at a large discount to raise cash, we may temporarily suspend the fund in the best interest of all investors.

The fund could lose money if a counterparty with which it does business becomes unwilling or unable to repay money owed to the fund.

Operational risks arising from errors in transactions, valuation, accounting, and financial reporting, among other things, may also affect the value of your investments. Further details of the risks that apply to the fund can be found in the fund's Prospectus

For any performance shown, please note that past performance is not a guide to future performance.

The views expressed in this document should not be taken as a recommendation, advice or forecast.

**It is also important to note that**

The fund allows for the extensive use of derivatives.

# James Tomlins

## Biography



- Joined M&G in 2011 and was appointed fund manager of the M&G European High Yield Bond Fund. He was also appointed co-manager on the M&G Global High Yield Bond Strategy in January 2014. James has also managed the M&G Global Floating Rate High Yield Strategy since its launch in September 2014 and is co-manager of the M&G (Lux) Global High Yield ESG Bond Fund and the M&G (Lux) Floating Rate High Yield Solution.
- Specialist in high yield credit with more than 10 years' experience in this sector. James was previously an analyst and then a fund manager at Cazenove Capital Management. Before Cazenove, he was at KBC Alternative Investment Management and in the three years prior to that worked at Merrill Lynch Investment Managers
- He holds an MA in history and PgDip in economics from the University of Cambridge and is a CFA charterholder

# Fund facts

## M&G (Lux) Global Floating Rate High Yield Fund

Fund name	M&G (Lux) Global Floating Rate High Yield Fund
Fund manager	James Tomlins
Launch date of the SICAV*	13 September 2018
Launch date of the OEIC*	11 September 2014
Manager tenure	Since inception
Fund size	€2,187 million
Investment objective	The fund aims to provide a combination of capital growth and income to deliver a return that is higher than that of the global floating rate high yield bond market over any five-year period.
YTM (gross of fees)	4.82%
YTM (net in the nominated share class) <sup>1</sup>	3.37%
Benchmark**	ICE Bank of America Global Floating Rate High Yield (3% constrained) EUR Hedged Index
Valuation currency	USD
Fund structure	Luxembourg SICAV
Pricing/dealing frequency	Daily



### Past performance is not a guide to future performance

\*\*The benchmark is a comparator against which the fund's performance can be measured. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. 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 investment manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

\*This strategy originally launched on 11 September 2014 as a UK-authorized OEIC, named M&G Global Floating Rate High Yield Fund, run by the same fund managers, applying the same investment strategy. Following share holder approval, the non-GBP share classes of the OEIC merged into the SICAV on 7 December 2018.

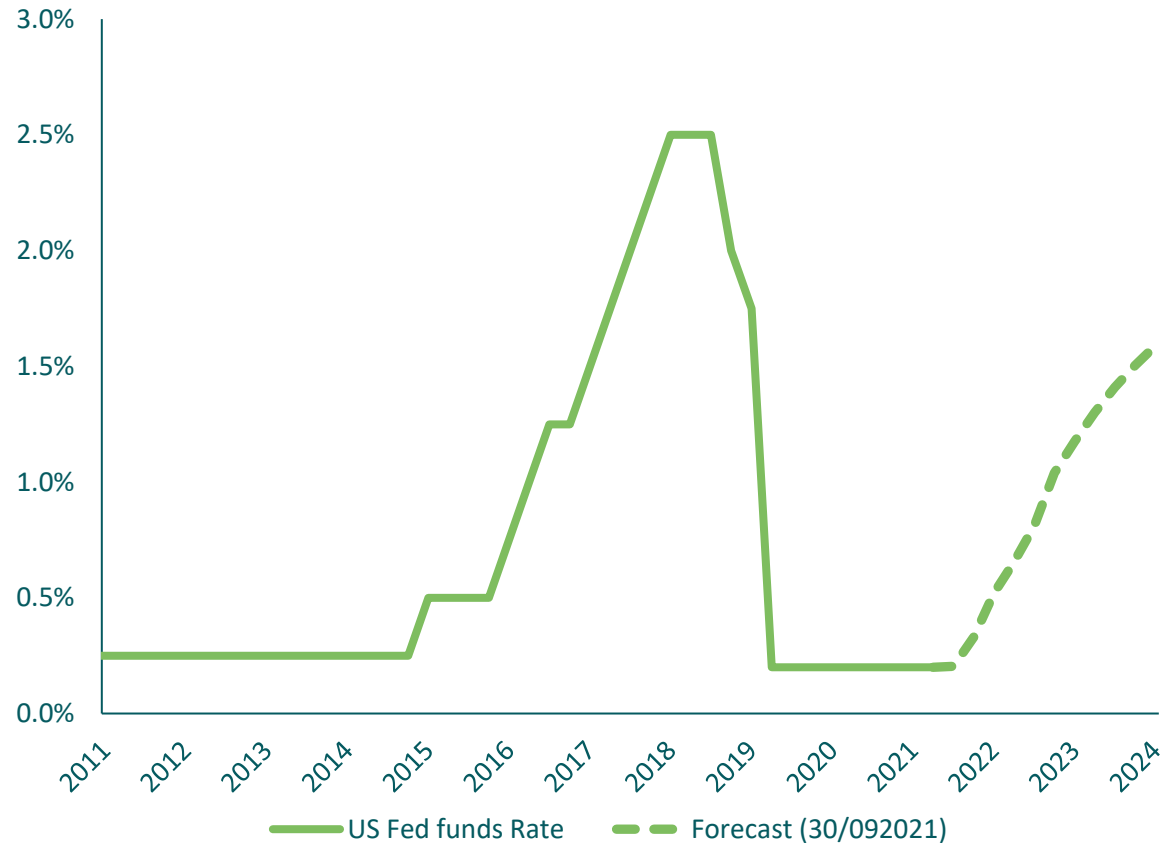
<sup>1</sup> USD A Accumulation share class.

# We are at the beginning of the global monetary tightening cycle

## Re-opening of US economy could lead to higher interest rates and bond yields

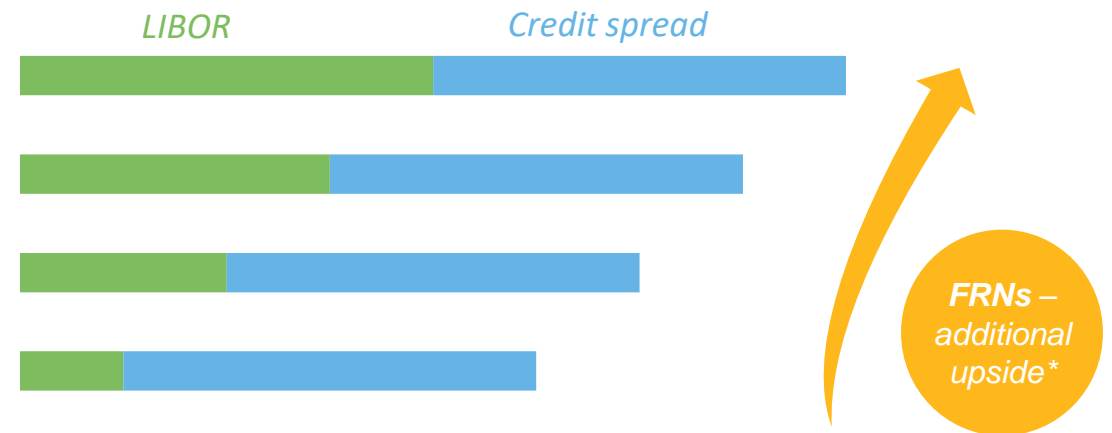
### The Problem

US Fed Funds Rate and market expectations



### Our solution: M&G (Lux) Global Floating Rate High Yield Bond fund

- A strategy investing in high yield FRNs, aiming to provide high yield income, with less volatility and greater seniority than conventional high yield markets
- A strategy focused on downside protection and careful stock selection
- A proposition providing HY floating rate exposure with daily liquidity

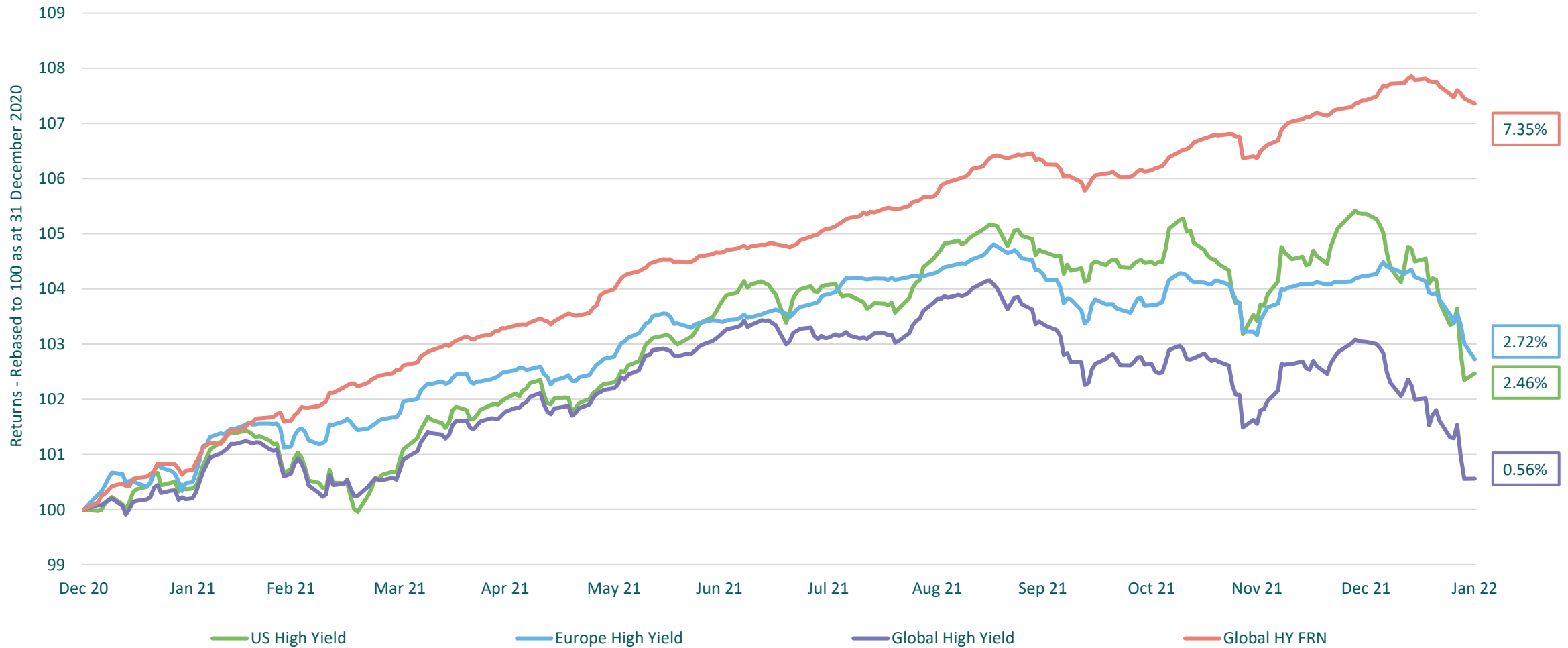


\*Floating rate coupon automatically adjusted in line with changes in interest rates.

Source: M&G, Bloomberg, 30 September 2021; Fed funds rate expectations provided by 90 day Eurodollar futures. Information is subject to change and is not a guarantee of future results.

# Global Floating Rate High Yield – a strong come back

2021 performance – Global HY FRN resilience vs rising yields



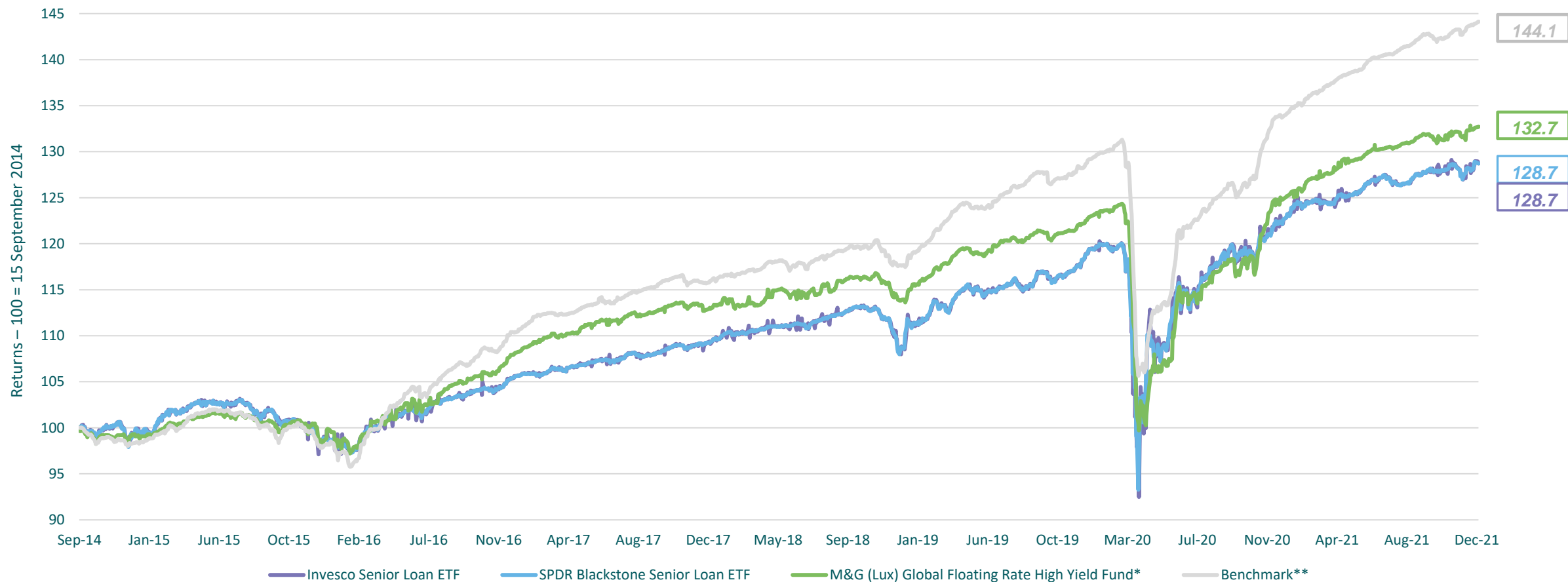
Past performance is not a guide to future performance.



# M&G (Lux) Global Floating Rate High Yield Fund

## Strong long-term performances vs ETFs

Performance since launch



Past performance is not a guarantee of future results.

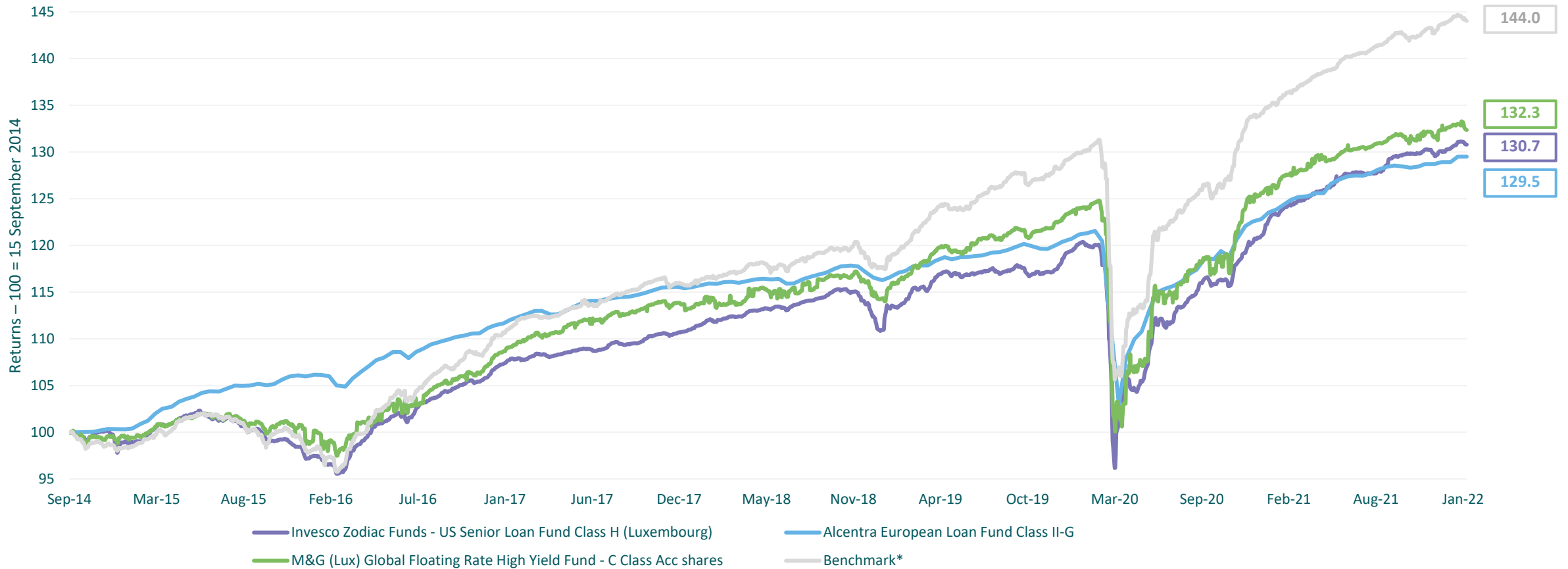
Source: Bloomberg, M&G, ICE Bank of America, 31 December 2021.

\* Performance shown for USD C Class Acc shares, gross income reinvested, price to price, net of all fees. Performance shown prior to 7 December 2018 is for the M&G Global Floating Rate High Yield Fund, a UK registered OEIC. Since then, performance is shown for the M&G (Lux) Global Floating Rate High Yield Fund, a Luxembourg registered SICAV. Details of ETFs shown are available on request.

\*\* Benchmark prior to 1 April 2016 is the ICE BofAML Global Floating Rate High Yield (USD Hedged) Index. Thereafter it is the ICE BofAML Global Floating Rate High Yield 3% Constrained (USD Hedged) Index.

# M&G (Lux) Global Floating Rate High Yield Fund

## Performance vs competitor leveraged loan funds (US and EU)



**Past performance is not a guarantee of future results.**

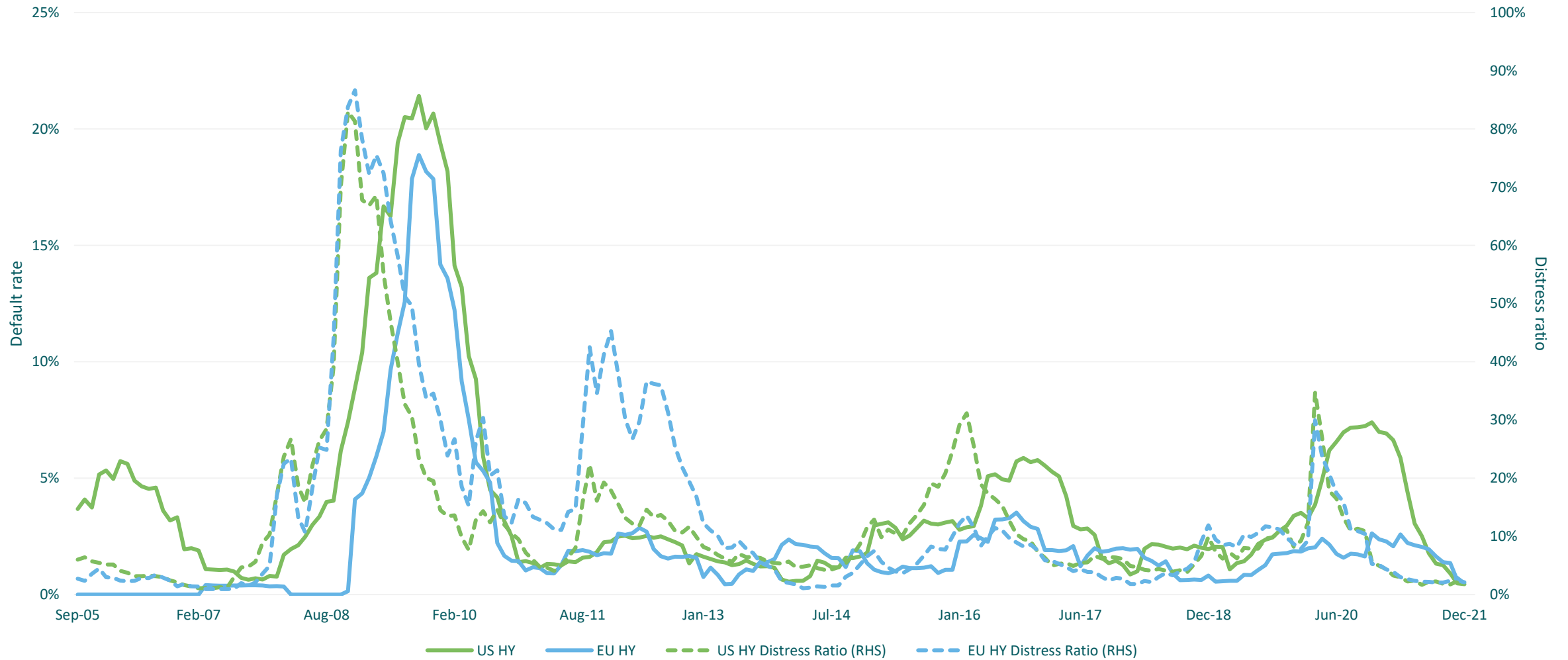
Funds are compared on a like-for-like basis

\*Benchmark prior to 1 April 2016 is the ICE BofA Global Floating Rate High Yield (USD Hedged) Index. Thereafter it is the ICE BofA Global Floating Rate High Yield 3% Constrained (USD Hedged) Index.

Source: Bloomberg, M&G, ICE Bank of America, 31 January 2022, USD C Class Acc shares, gross income reinvested, price to price, net of all fees. Performance shown prior to 7 December 2018 is for the M&G Global Floating Rate High Yield Fund, a UK registered OEIC. Since then, performance is shown for the M&G (Lux) Global Floating Rate High Yield Fund, a Luxembourg registered SICAV. Details of competitor funds are available on request.

# US and European high yield default cycles

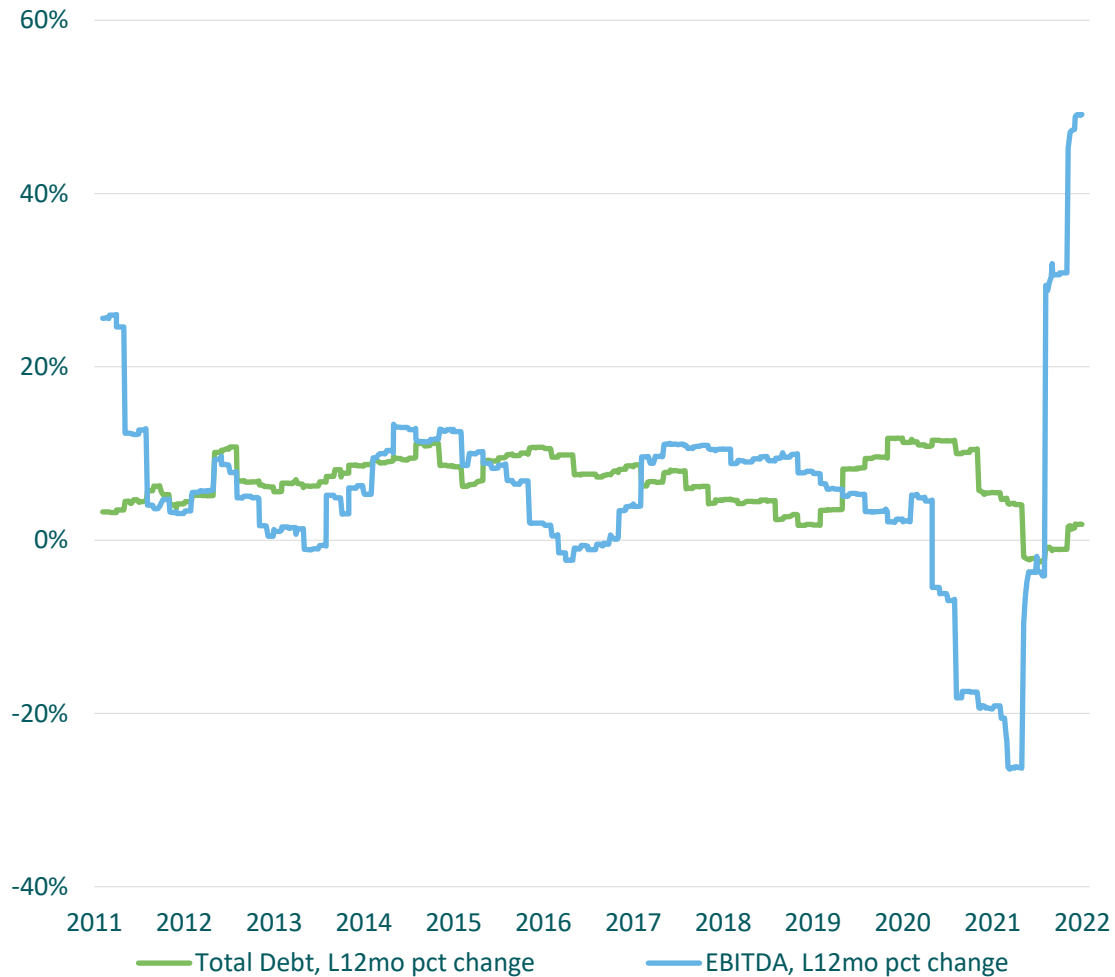
The ratio of distressed issuers tends to lead default cycles



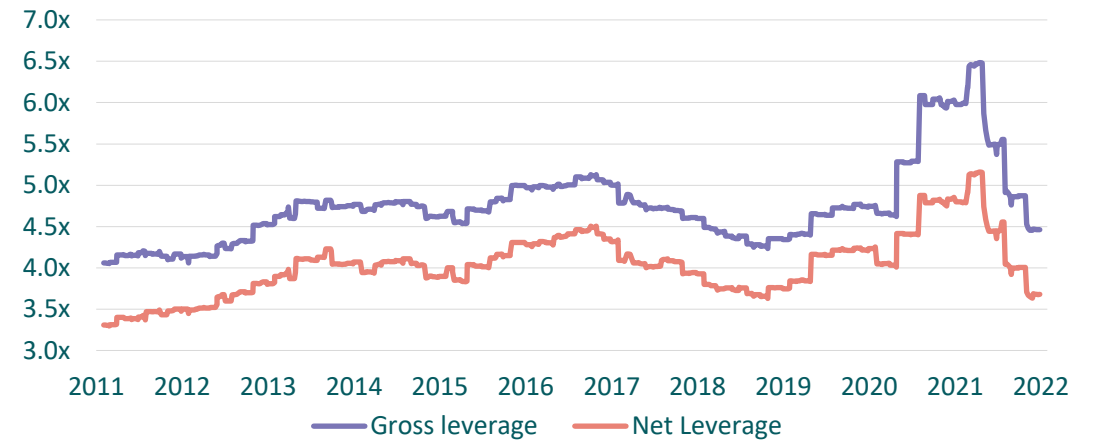
Source: ICE Bank of America, 31 December 2021. Default rate calculated as last twelve months par weighted default rate. Distress is defined as spreads > 1,000bp. Information is subject to change and not a guarantee of future results.  
US HY: ICE BoA US High Yield Index. Europe HY: ICE BoA European High Yield Index.

# HY fundamentals improving as earnings normalise back to pre-pandemic levels

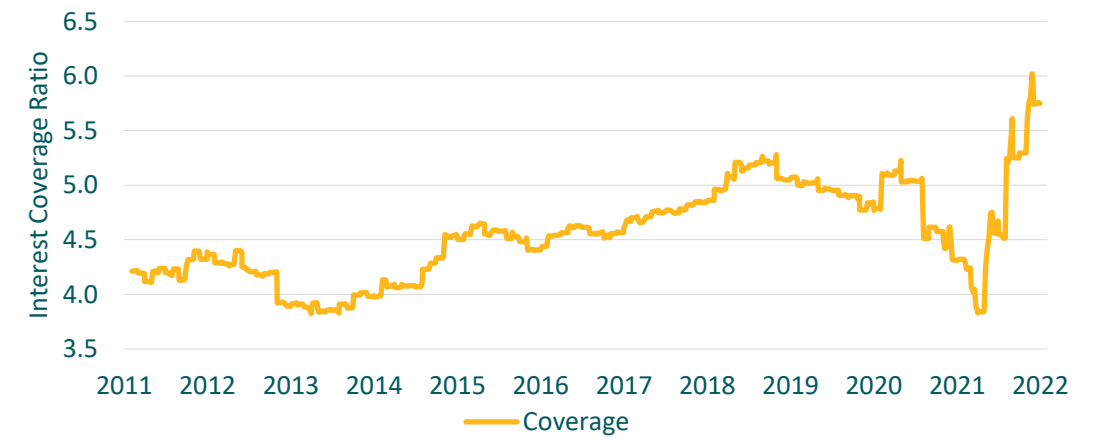
US HY Total Debt and EBITDA (L12mo % change)



US HY Gross and Net Leverage



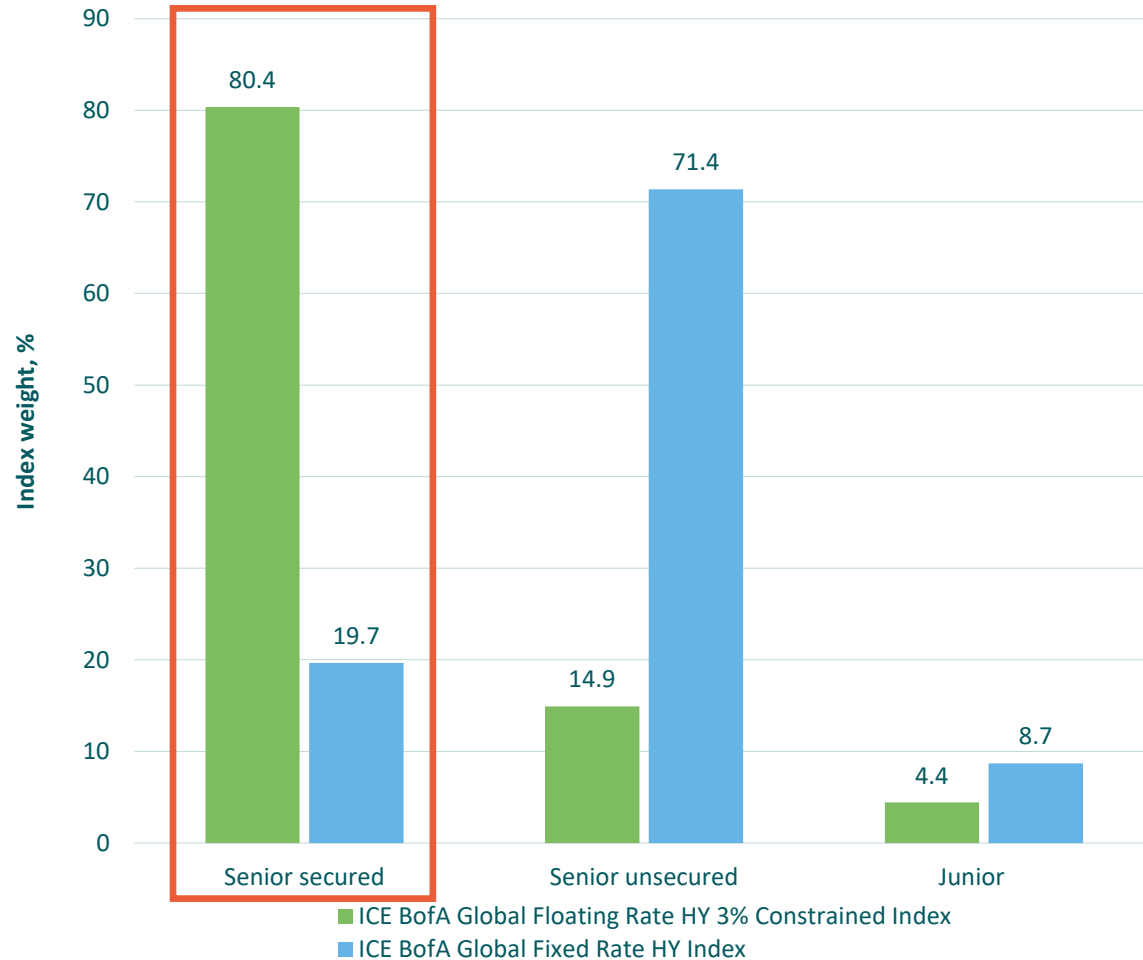
US HY Interest Coverage



# Intrinsic defensive characteristics

## HY FRNs have offered greater exposure to senior secured part of the capital structure

Capital structure breakdown: Fixed vs floating rate HY universe



Average North American non-financial corporate debt recovery rates measured by ultimate recovery

Average recovery rate	
Lien position	1987-2020
Loans*	72.6%
Sr. secured bonds	61.4%
Sr. unsecured bonds	46.9%
Subordinated bonds	28.0%

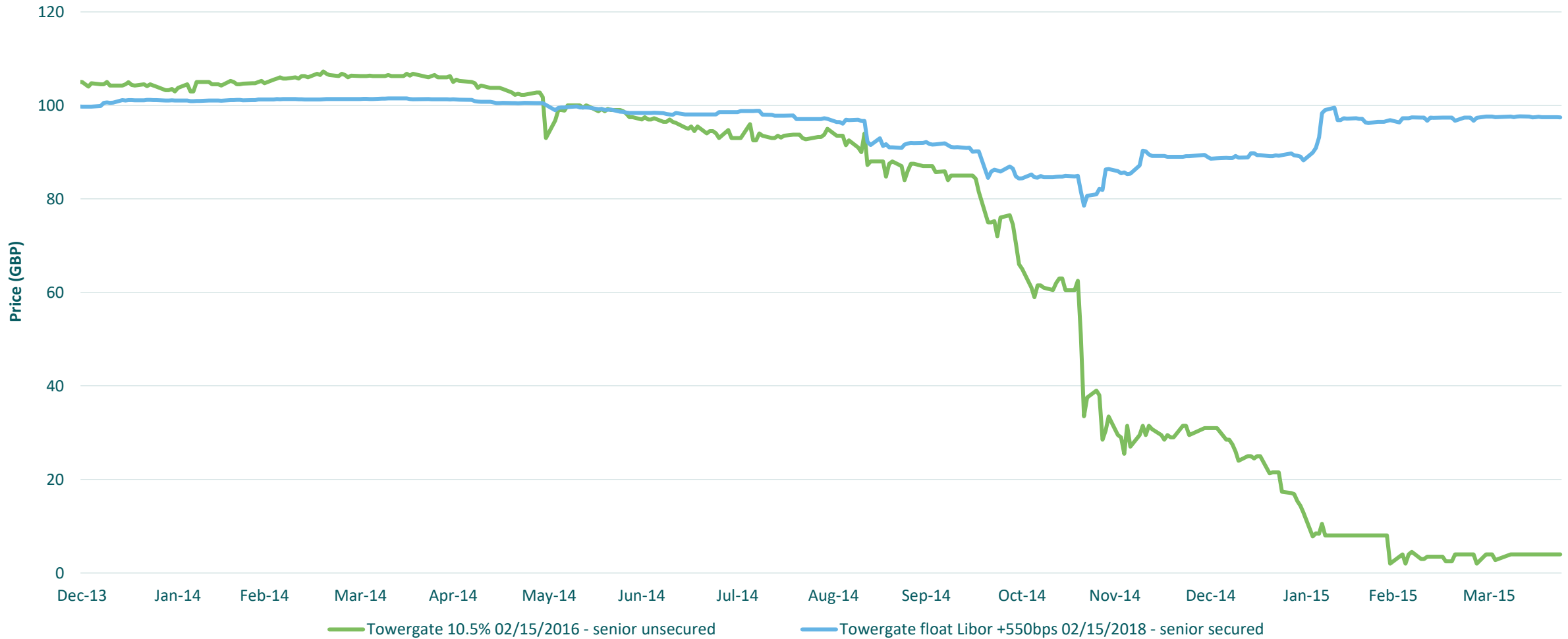
\* The average “firm-wide” recovery rate for the 22 default resolutions was 45% in 2020 compared with 42% for the 22 companies that emerged from default in 2019. Although somewhat better than 2019 reading, the overall firm-wide average recovery rate of 21 bankruptcies and one distressed exchange in 2020 was still below the historical average of 54%.

In 2020, 12 of the 21 resolved bankruptcies recorded in Moody’s URD realized extremely low firm-wide recovery rates, with a combined average of just 34%, thus skewing the overall average for this default resolution year. Three of the 12 bankruptcies with poor recoveries were Oil & Gas companies, the rest came from Services, Retail and Distributions, among others.

Source: Moodys, 28 January 2021. (Most recent data available).

# The importance of seniority

## Towergate restructuring

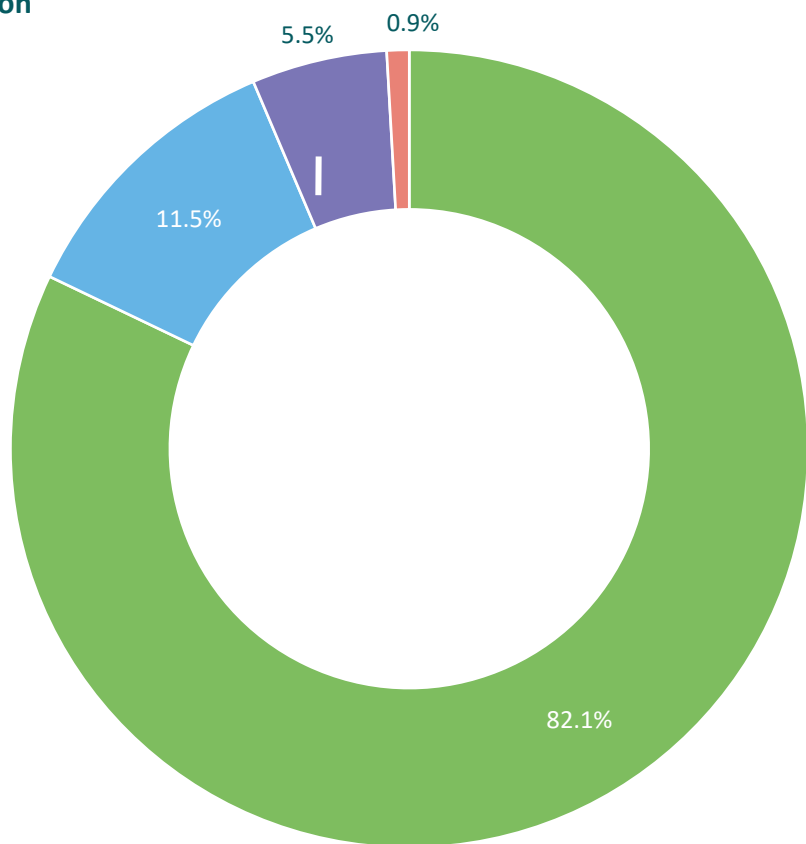


The senior secured bonds had a recovery value close to 100%, while unsecured debt was equitized

# Fund positioning

## M&G (Lux) Global Floating Rate High Yield Fund

### Asset allocation



- Physical FRN
- Credit Default Swaps
- Government Bonds and Cash
- Fixed rate bonds + interest rate swaps

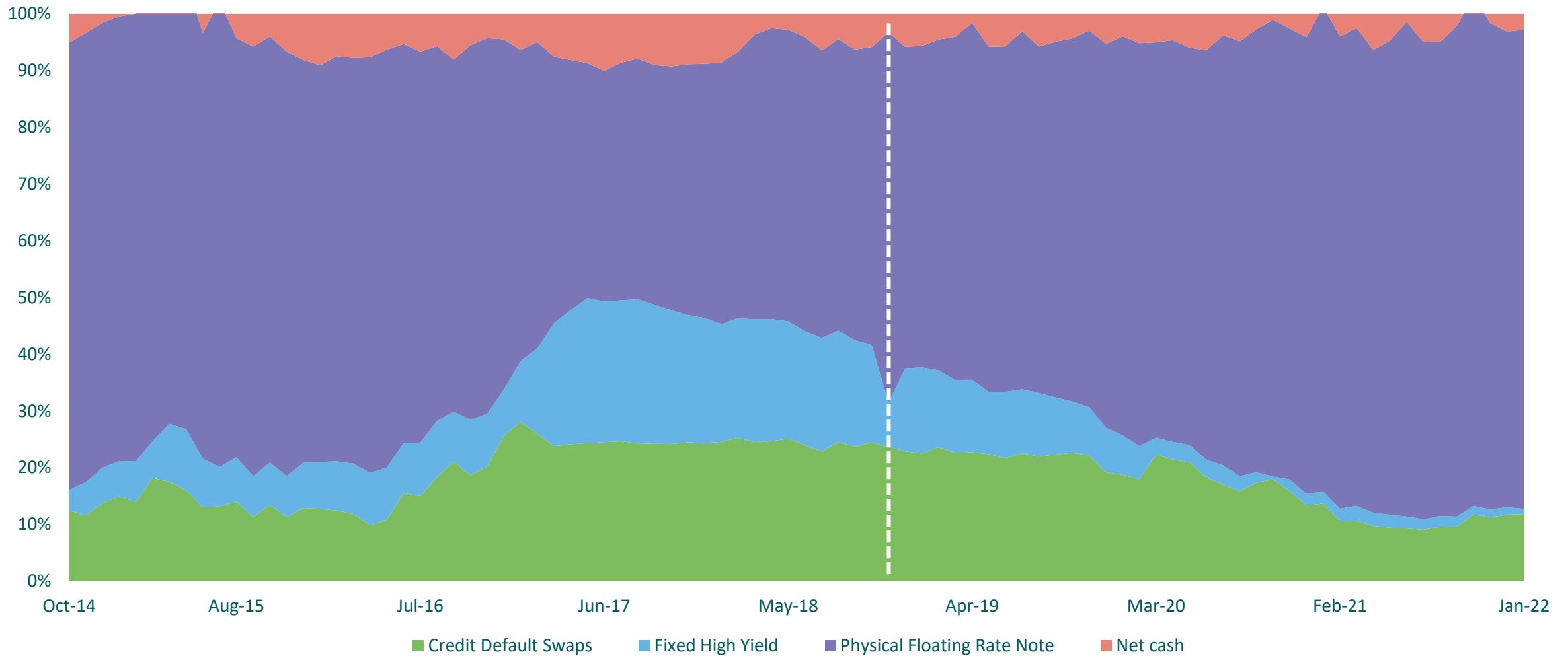
### Top 10 holdings – net of CDS collateral\*

1	CDX.NA.HY	10.93%
2	TITAN COMPANY	3.05%
3	UNITED GROUP BV	3.02%
4	PAGANINI BIDCO	2.86%
5	FIRE BC SPA	2.86%
6	LINCOLN FINANCE LTD	2.73%
7	EVOCA SPA	2.43%
8	PICARD GROUPE SAS	2.38%
9	GARFUNKELUX HOLD CO	2.37%
10	TRAVELPORT	2.30%
<b>Spread duration:</b>		<b>2.84 years</b>

\*Net using cash first as collateral. Information is subject to change and is not a guarantee of future results.

# Asset allocation since inception

## M&G (Lux) Global Floating Rate High Yield Fund



Dashed line represents launch of the SICAV

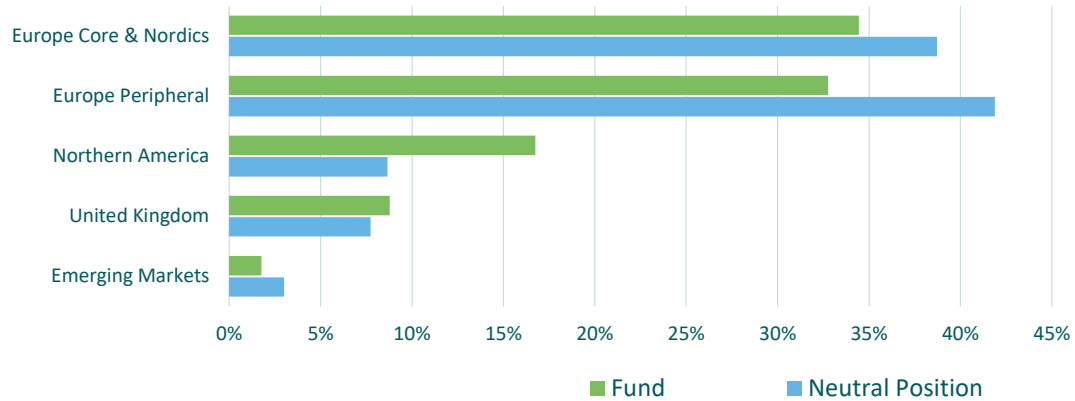
Source: M&G. 31 January 2022. Data shown prior to 7 December 2018 is for the M&G Global Floating Rate High Yield Fund, a UK registered OEIC. Since then, data is shown for the M&G (Lux) Global Floating Rate High Yield Fund, a Luxembourg registered SICAV. Information is subject to change and is not a guarantee of future results.



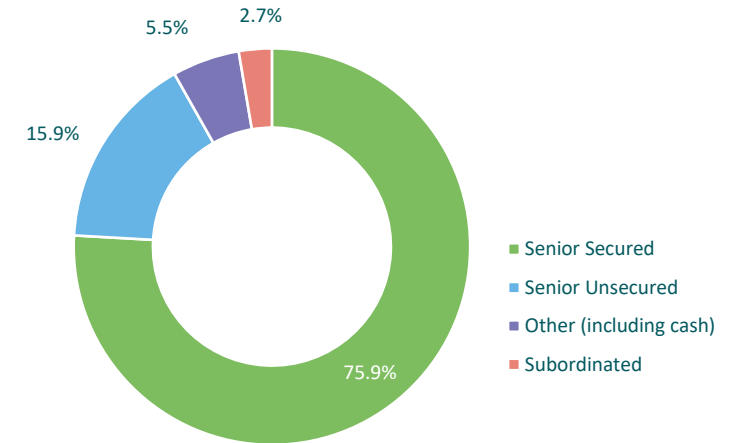
# Fund positioning

## M&G (Lux) Global Floating Rate High Yield Fund

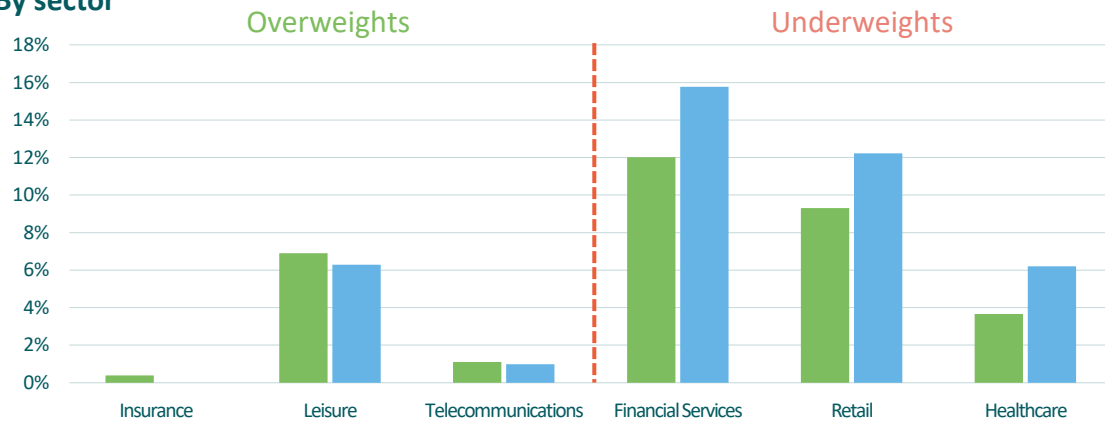
### By region



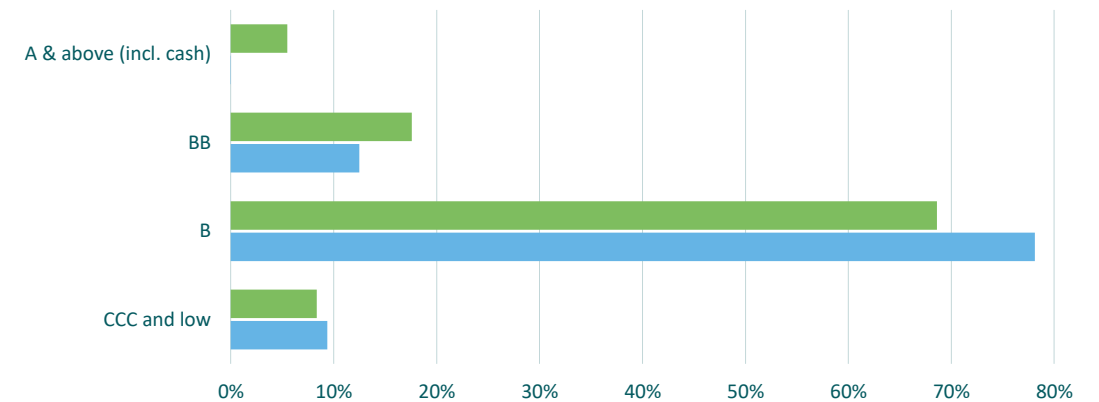
### By financial tier



### By sector



### By rating\*



\*Includes derivative positions.

Neutral Position: ICE Bank of America Global Floating Rate High Yield 3% Constrained (USD Hedged) Index. Information is subject to change and is not a guarantee of future results.

Source: M&G, 31 January 2022.

# Fund returns scenario analysis

## EUR Hedged

		Change in Credit Spreads (bps)								
		-200	-150	-100	-50	No Change	50	100	150	200
Change in 3 months Libor	-0.50%	8.2	6.8	5.4	4.0	2.5	1.1	-0.3	-1.7	-3.2
		13.2	11.2	9.1	7.1	5.1	3.0	1.0	-1.0	-3.1
	-0.25%	8.3	6.9	5.4	4.0	2.6	1.2	-0.2	-1.7	-3.1
		12.2	10.1	8.1	6.1	4.0	2.0	0.0	-2.0	-4.1
	No Change	8.4	6.9	5.5	4.1	2.7	1.3	-0.2	-1.6	-3.0
		11.1	9.1	7.1	5.1	3.0	1.0	-1.0	-3.1	-5.1
	0.25%	8.4	7.0	5.6	4.2	2.8	1.3	-0.1	-1.5	-2.9
		10.1	8.1	6.1	4.0	2.0	0.0	-2.1	-4.1	-6.1
	0.50%	8.5	7.1	5.7	4.3	2.8	1.4	0.0	-1.4	-2.8
		9.1	7.0	5.0	3.0	1.0	-1.0	-3.1	-5.1	-7.1

M&G (Lux) Global Floating Rate High Yield Fund

ICE Bank of America Global Fixed High Yield Market Index

 Indicates where fund outperforms Global HY market

Assumption of a 1% default rate with an average recovery of 60% for the floating high yield market and 30% for the global fixed high yield market. It is assumed 70% of the fund to be affected by a 0% Libor floor. A parallel shift in the yield curve is assumed. For illustrative purposes only.

Source: M&G, ICE BoA, 31 January 2022.

# High Yield Floating Rate Notes – what's the outlook?

## 2022 outlook for HY FRNs

- + FRNs seem well positioned to navigate the Big 3 themes of 2022 (Covid/Rates/Inflation)
- + FRNs benefit from no interest rate sensitivity (zero duration, variable coupons)
- + Strong fundamental picture and benign default outlook
- + Supportive technical given deeply negative real rates and CLO demand
- + HY FRN spreads rich but still seem to offer better value vs 2013 rate hiking cycle

## Key risks for the asset class

- Valuations - HY priced for perfection and vulnerable to correction
- Higher-than-expected inflation - more aggressive tightening stance or deteriorating fundamentals
- Geo-political tensions



# Q&A

 **M&G** Appendix  
Investments

# Performance in euros

## M&G (Lux) Global Floating Rate High Yield Fund

### Rolling periods performance

	YTD	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 years
	%	%	%	%	%	%	%	%
M&G (Lux) Global Floating Rate High Yield Fund	-0.4	-0.4	0.0	0.6	3.7	2.0	1.2	N/A
Benchmark*	-0.1	-0.1	0.9	1.7	5.7	4.6	3.1	N/A

### Annual performance

	YTD MRQ*	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
	%	%	%	%	%	%	%	%	%	%	%
M&G (Lux) Global Floating Rate High Yield Fund	4.5	4.5	-0.8	4.3	-2.6	1.6	6.5	-0.4	N/A	N/A	N/A
Benchmark*	6.6	6.6	2.0	6.8	-1.3	2.7	11.1	-0.7	2.1	N/A	N/A

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**Performance comparison:** The benchmark is a comparator against which the fund's performance can be measured. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. 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 investment manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

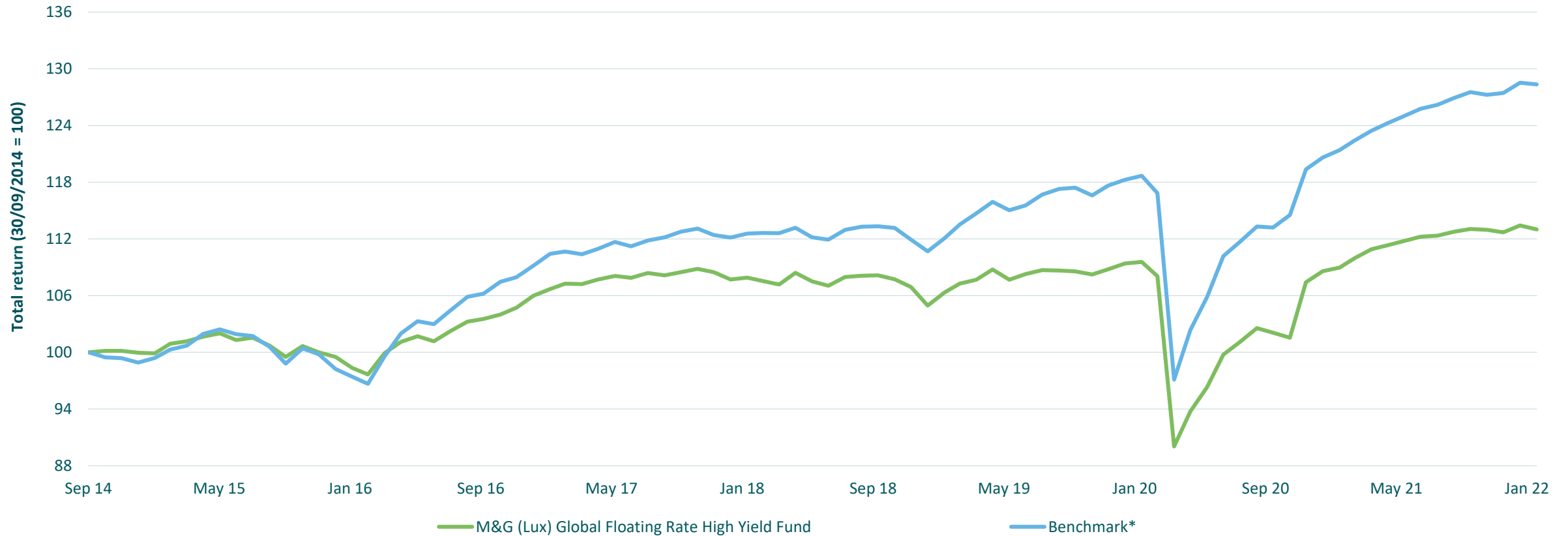
\* At end of most recent quarter – 31 December 2021.

\*\*Benchmark prior to 1 April 2016 is the ICE BofA Global Floating Rate High Yield (EUR Hedged) Index. Thereafter it is the ICE BofA Global Floating Rate High Yield 3% Constrained (EUR Hedged) Index.

Source: Morningstar Inc., 31 January 2022, Euro A-H share class, gross income reinvested, price to price, net of all fees. Performance shown prior to 7 December 2018 is for the M&G Global Floating Rate High Yield Fund, a UK registered OEIC. Since then, performance is shown for the M&G (Lux) Global Floating Rate High Yield Fund, a Luxembourg registered SICAV.

# Performance in euros

## M&G (Lux) Global Floating Rate High Yield Fund



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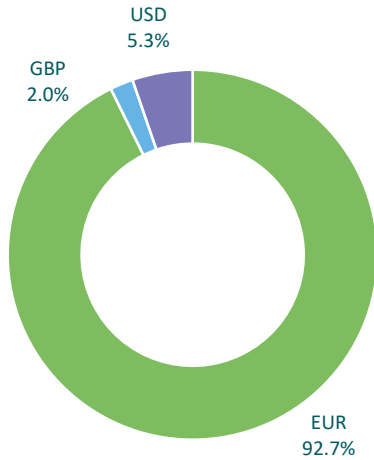
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Source: Morningstar Inc., Pan European database, 31 January 2022, Euro A-H share class, gross income reinvested, price to price, net of all fees. Performance shown prior to 7 December 2018 is for the M&G Global Floating Rate High Yield Fund, a UK registered OEIC. Since then, performance is shown for the M&G (Lux) Global Floating Rate High Yield Fund, a Luxembourg registered SICAV.

# The global high yield FRN index

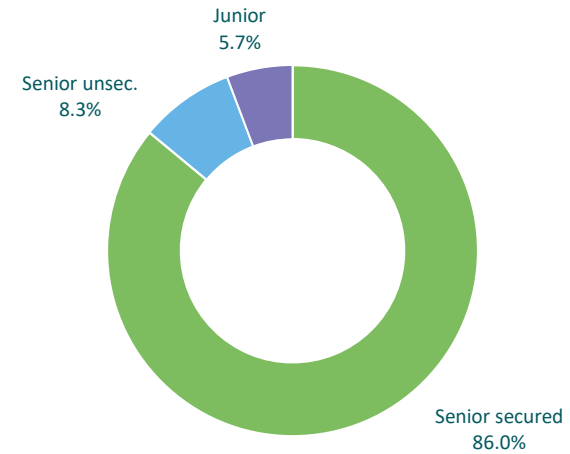
## A diversified opportunity set

### Currency distribution

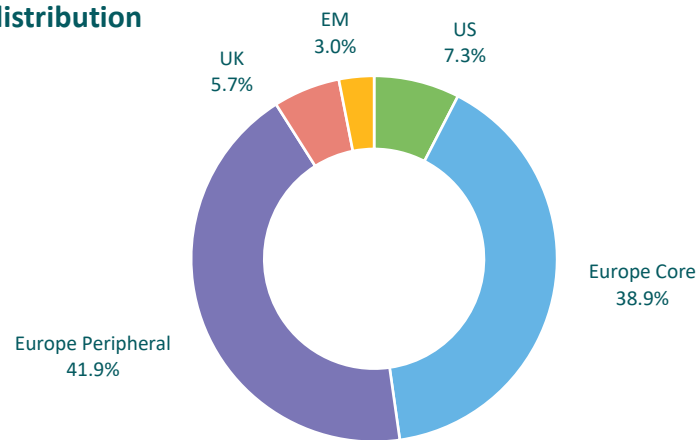


Mainly EUR  
as US firms  
can use loans

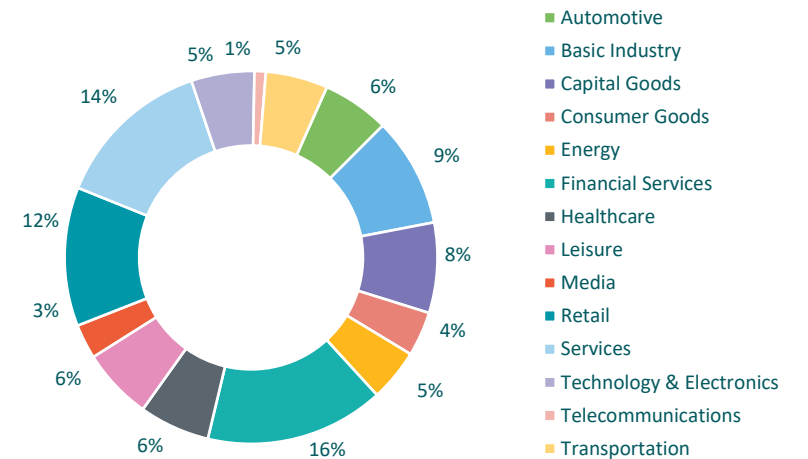
### Financial tier



### Geographical distribution



### Sector



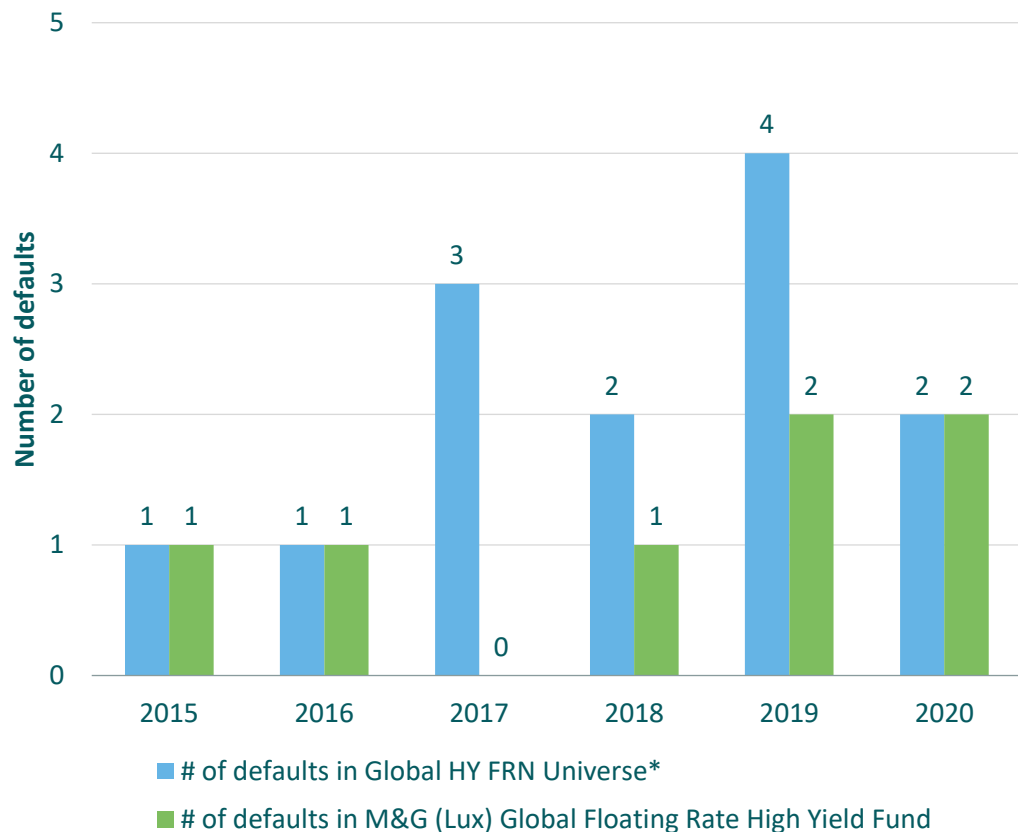
M&G credit analysis team covers 97% of the global HY FRN market



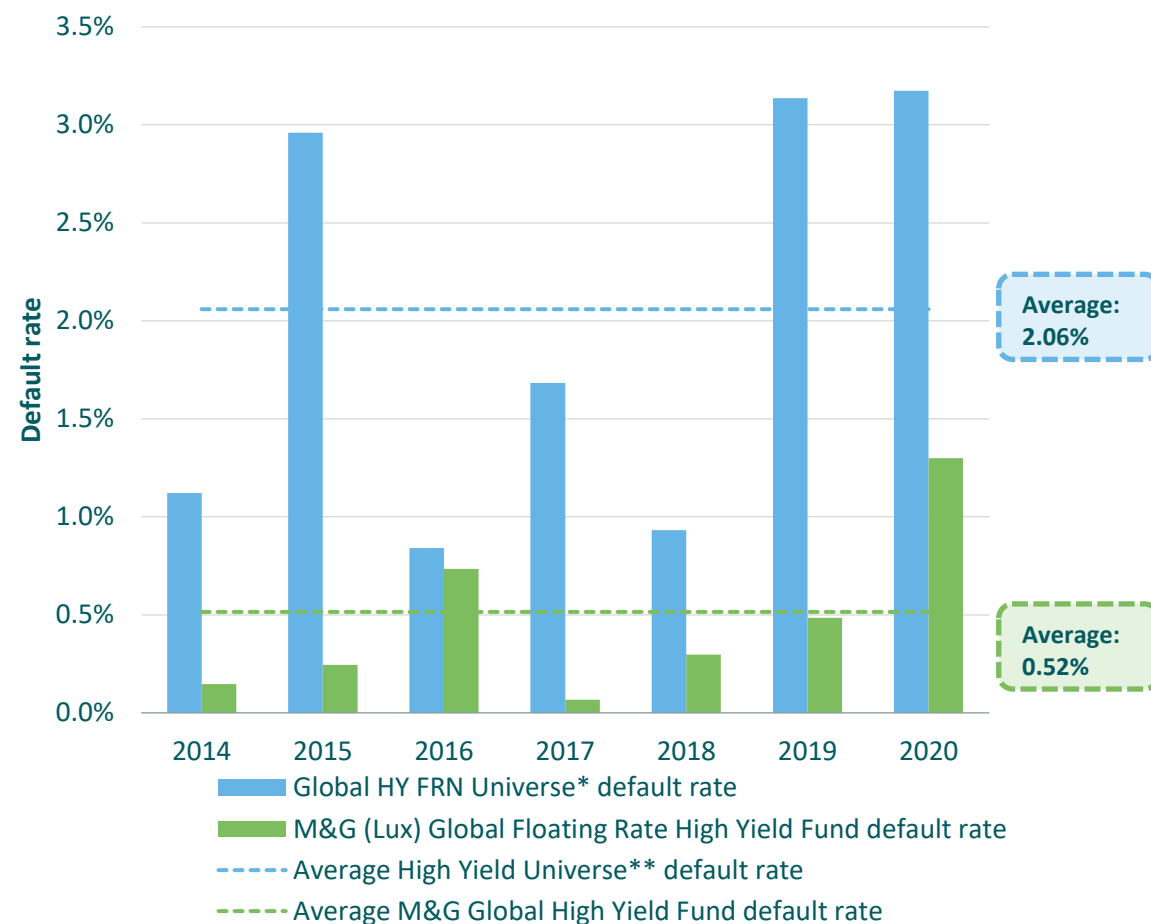
# Long-term default statistics

## M&G (Lux) Global Floating Rate High Yield Fund

Absolute number of global high yield bond defaults (by issuer)



Default rate by calendar year

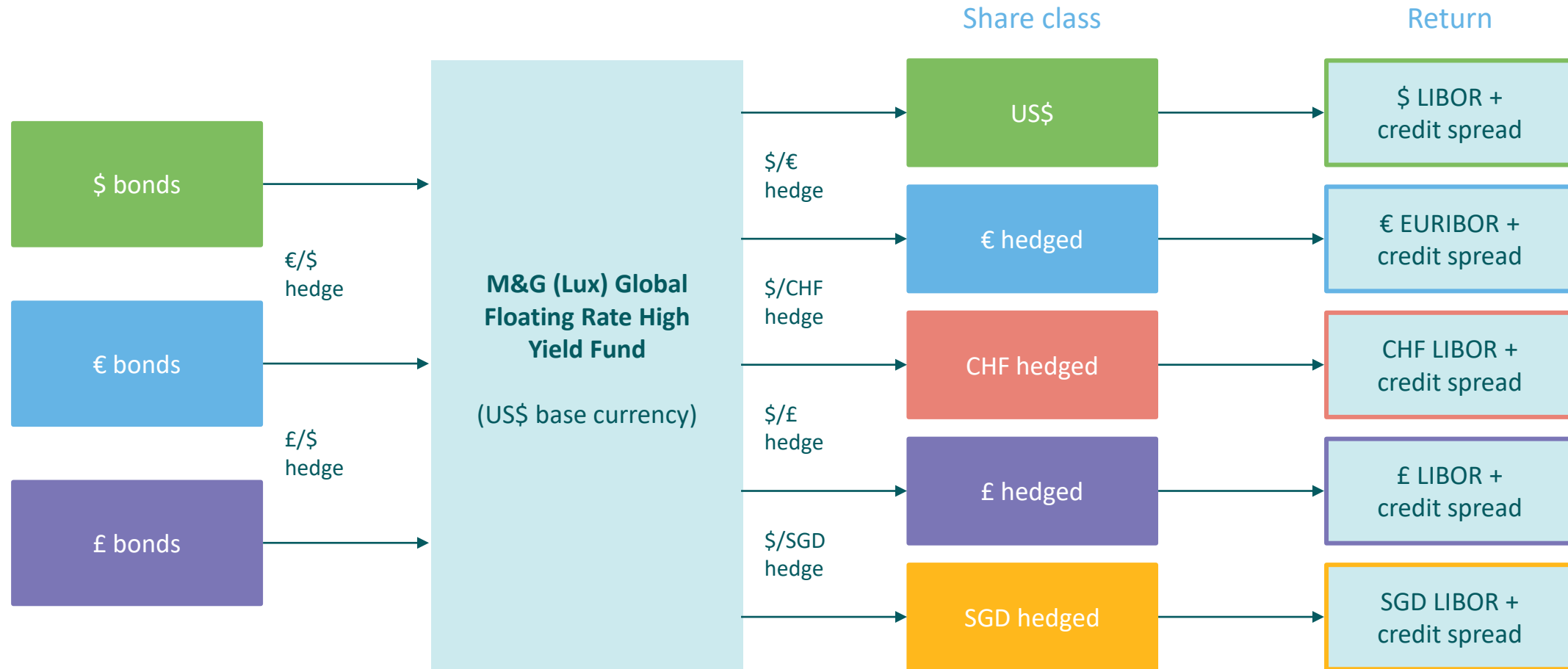


### Proprietary credit research can result in superior stock selection

Source: Bloomberg, M&G, 31 December 2020. \* ICE Bank of America Global Floating Rate High Yield (3% Constrained) Index. \*\* ICE Bank of America Global High Yield Index. Information is subject to change and is not a guarantee of future results. Data shown prior to 7 December 2018 is for the M&G Global Floating Rate High Yield Fund, a UK registered OEIC. Since then, data is shown for the M&G (Lux) Global Floating Rate High Yield Fund, a Luxembourg registered SICAV. The M&G Global High Yield Fund is a UK authorised OEIC, and may not be available in all jurisdictions. It is included for illustrative and comparison purposes against the Global High Yield universe.

# Returns linked to share class of choice

## M&G (Lux) Global Floating Rate High Yield Fund





# Fixed income in a rising rates environment

Matthew Russell, CFA – Fund Manager

# Matthew Russell

## Biography



- Matthew Russell joined M&G in 2007 as a fund managers' assistant covering fixed income funds.
- He became deputy manager of the Short Dated Corporate Bond strategy in 2011 and, two years later, was appointed manager. In 2015 he started managing the Gilt & Fixed Interest Income strategy and in June 2021 became manager of the European Inflation Linked Corporate Bond strategy and deputy manager of the UK Inflation Linked Corporate Bond strategy.
- Matthew has a BSc in economics from the University of Birmingham and is a CFA charterholder.

# M&G (Lux) Short Dated Corporate Bond Fund

## Risks associated with this fund

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Investing in emerging markets involves a greater risk of loss due to greater political, tax, economic, foreign exchange, liquidity and regulatory risks, among other factors. There may be difficulties in buying, selling, safekeeping or valuing investments in such countries.

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.

In exceptional circumstances where assets cannot be fairly valued, or have to be sold at a large discount to raise cash, we may temporarily suspend the fund in the best interest of all investors.

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Wherever a reference or indication of past performance is shown, please note, past performance is not a guide to future performance.

The views expressed in this document should not be taken as a recommendation, advice or forecast

Please note, investing in this fund means acquiring units or shares in a fund, and not in a given underlying asset such as a building or shares of a company, as these are only the underlying assets owned by the fund.

## It is also important to note that:

The fund aims to provide combined income and capital growth that is higher than that of the short-dated investment grade corporate bond market (as measured by the iBoxx EUR Corporates 1-3 year Index) over any five-year period. At least 80% of the fund is invested in investment grade bonds issued by companies from anywhere in the world and assetbacked securities. The bonds held in the fund are generally issues due to be repaid within a short period so as to minimise the effect of interest rate movements on the fund's value. Asset allocation and stock selection are at the heart of the fund's investment process.

The Fund allows for the extensive use of derivatives

# Agenda

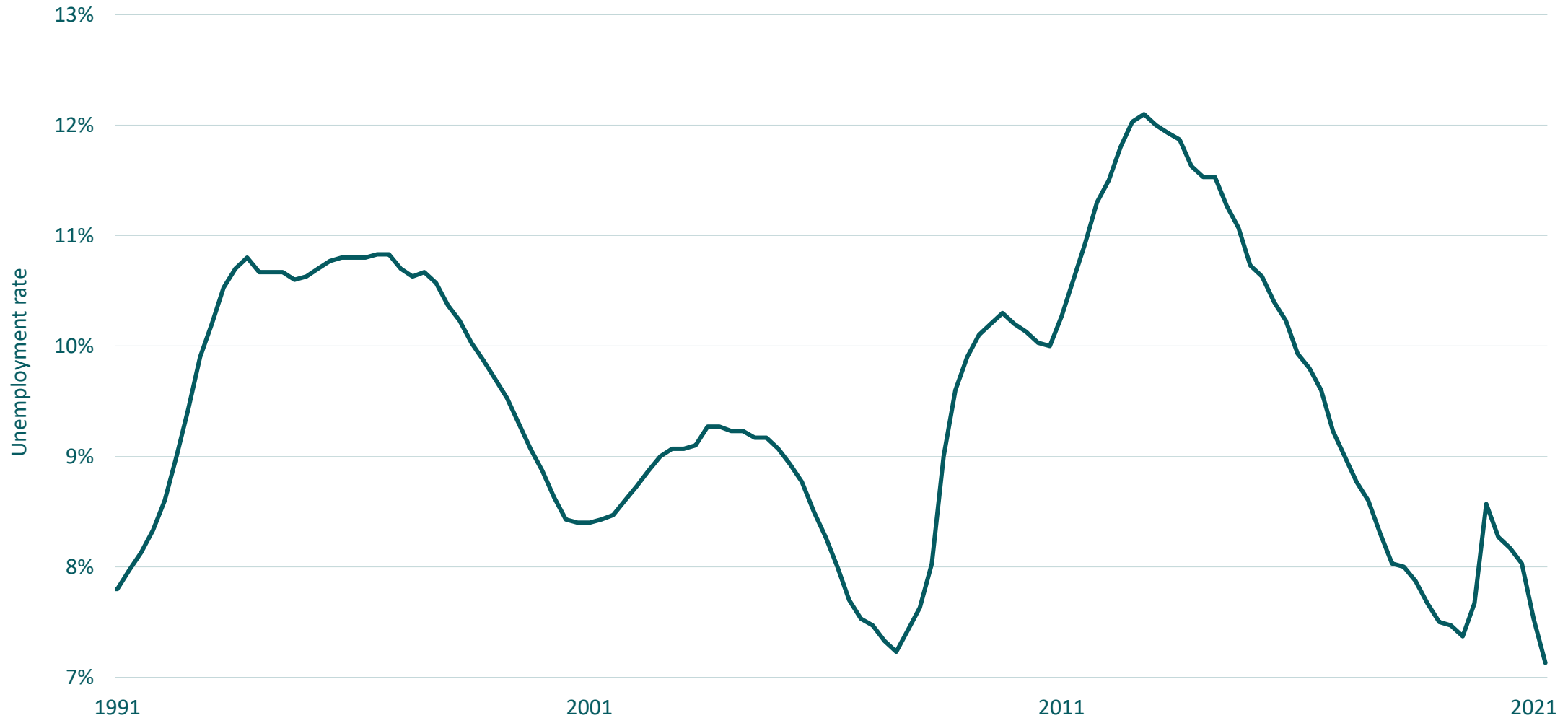
1. Why short dated credit

2. Our solution

3. Fund positioning and performance

# Eurozone unemployment is at a record low...

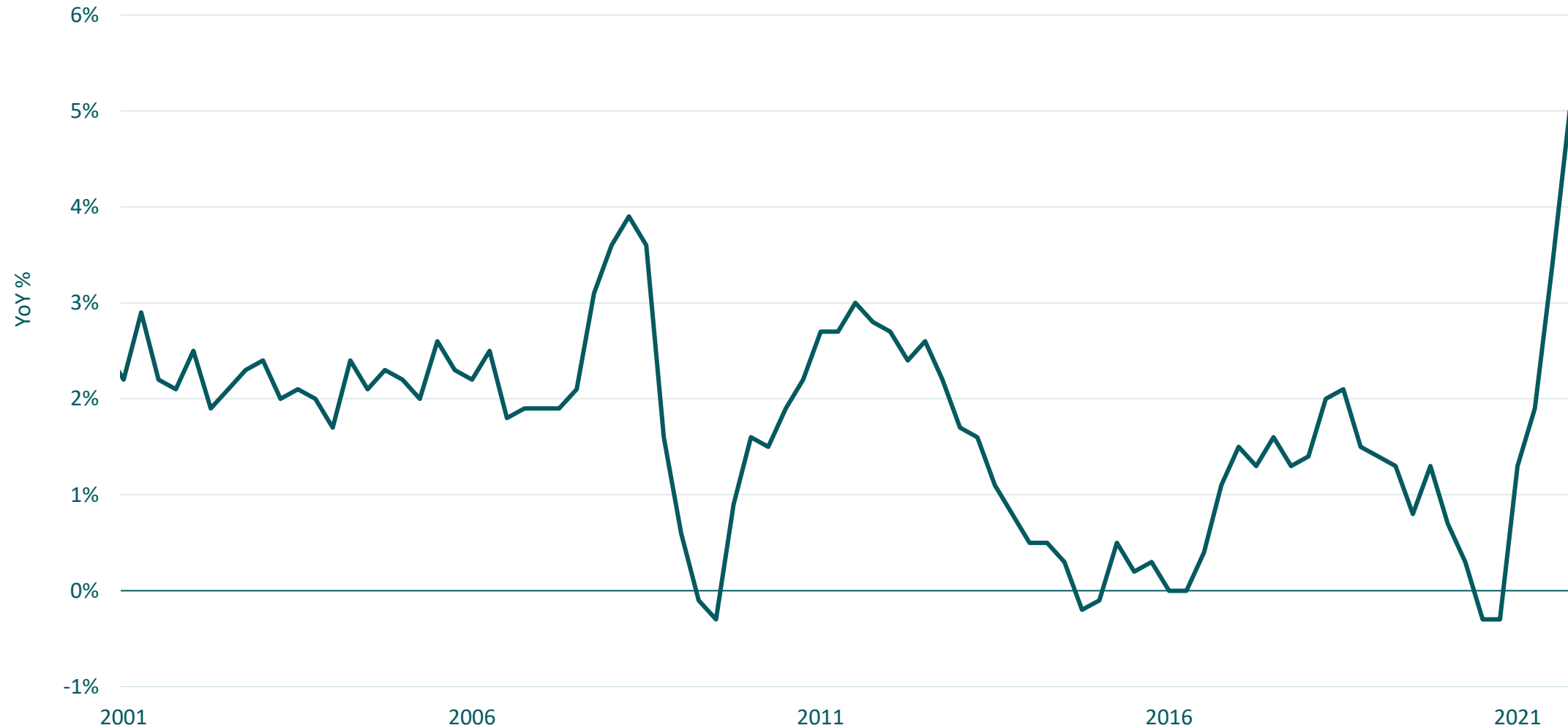
Eurozone unemployment rate



Source: Bloomberg, 31 December 2022 (latest data available).

# ...and Eurozone inflation is at a record high...

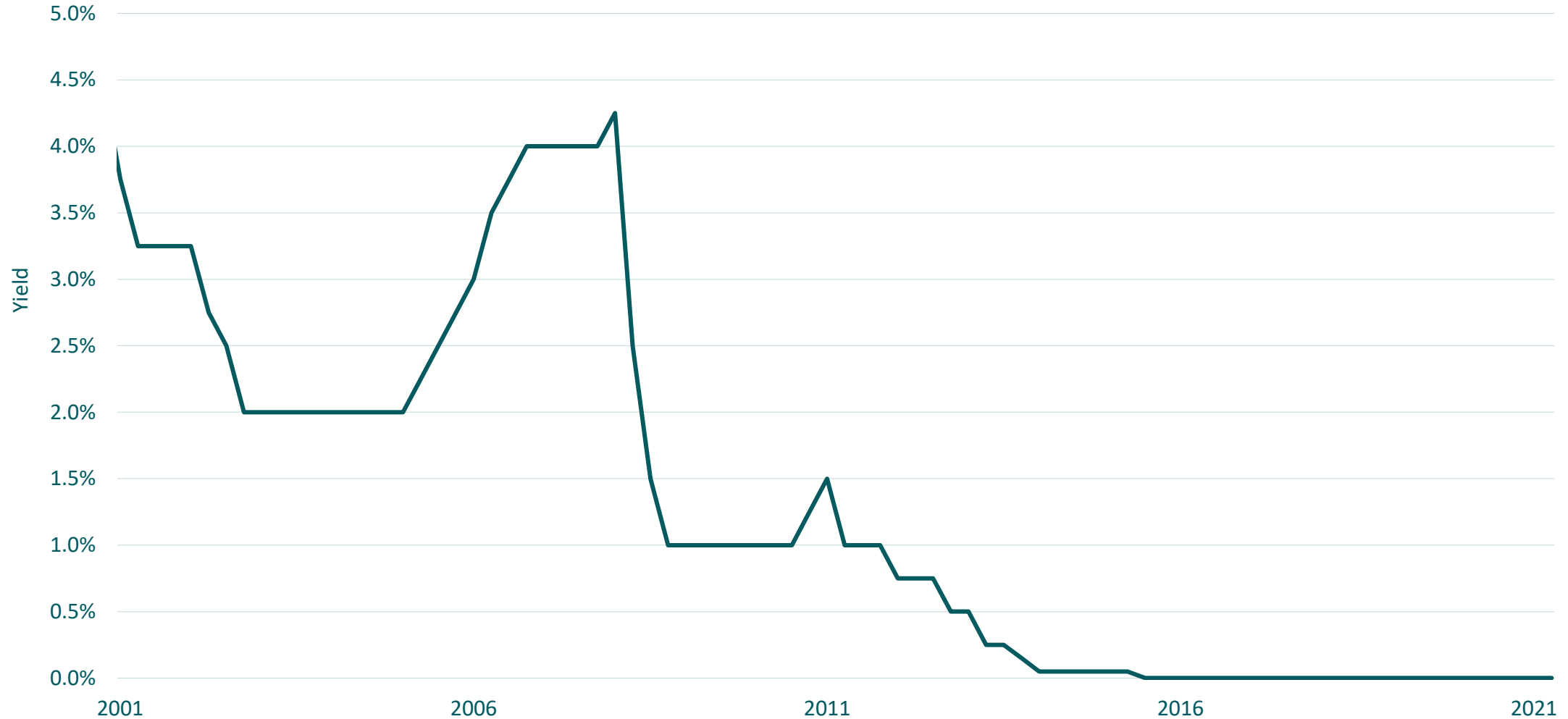
Euro area MUICP\* all items YoY





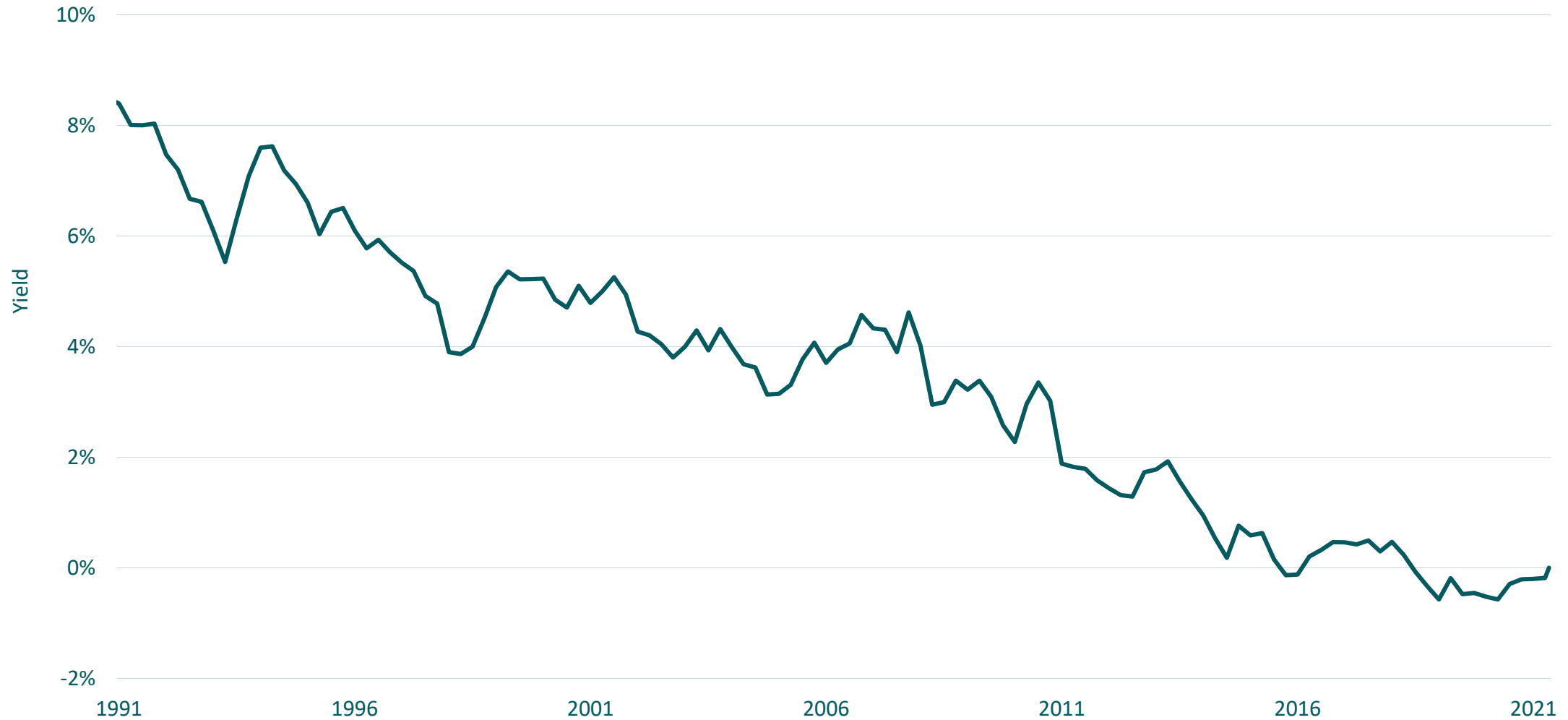
# Yet: financing conditions are extremely accommodative...

ECB Main Refinancing Operations Announcement Rate



# ...and bond yields are at a near record low

German 10 year Bund yield



# Something has to give!



Labour market



Inflation



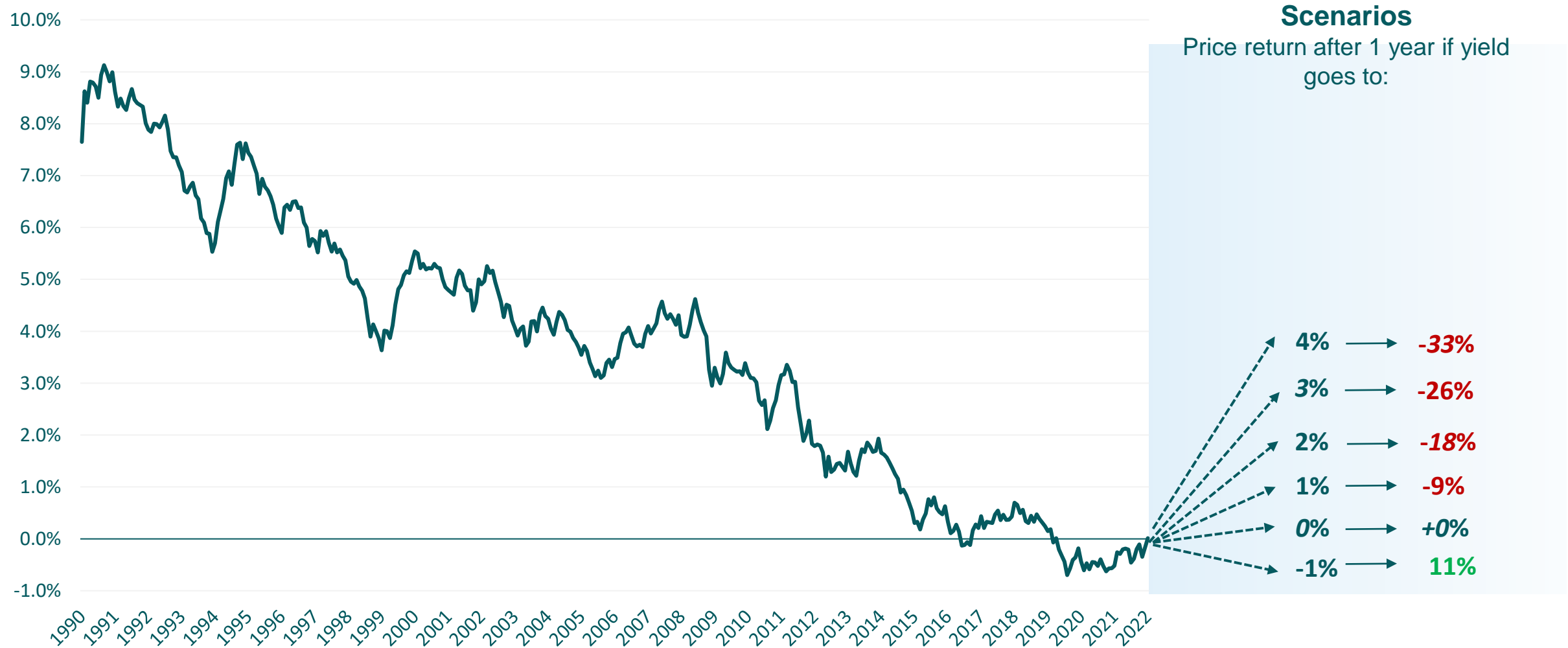
Rates



Bond yields

# Risk-reward in 10 year Bunds

## 10y Bund scenarios



# Agenda

1. Why short dated credit

**2. Our solution**

3. Fund positioning and performance

# Keep it simple! A clear, defensive proposition with upside potential

Simple ingredients – it's the execution that matters

## Simple investment proposition\*



**Duration:** 0 to 3 years



**Credit:**

Minimum 80% investment grade (EUR/EUR-hedged)

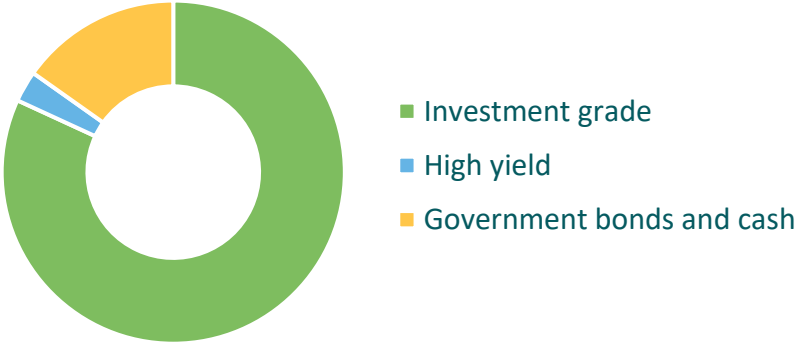


**SRRI rating:** 2

## A defensive mandate

### Current positioning

Duration: 1.4  
Spread duration: 3.4



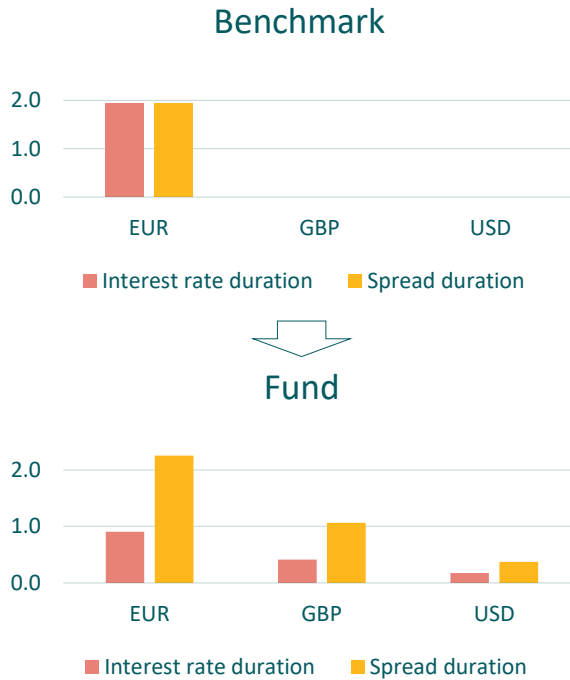
**The fund is a low risk portfolio designed to protect against higher interest rates. Provides exposure to high quality credit and draws on M&G's credit research expertise and resources.**

Source: M&G, 31 January 2022. \*Please note, these investment limits have been defined by the investment team and are subject to change. Positioning for illustration only – full positioning is available on request.

# Access to active management

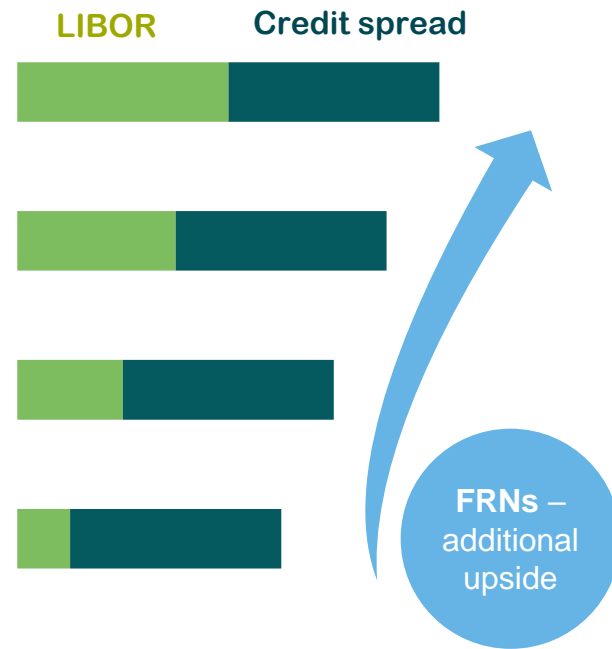
## Three key ways we add additional value

### 1 Active global credit



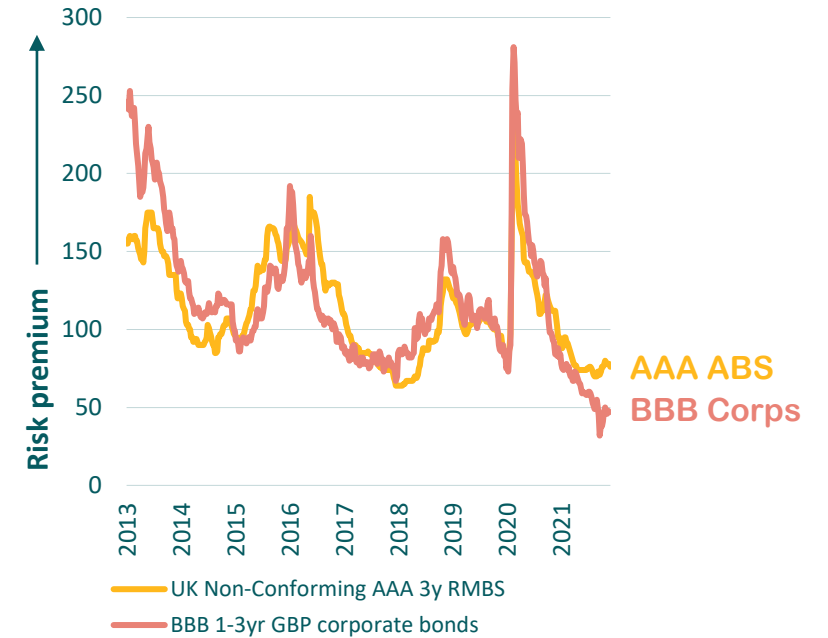
**+ Access to one of the largest and most experienced credit analyst teams in Europe**

### 2 Benefits from rising rates



**Floating-rate exposure offers additional upside potential**

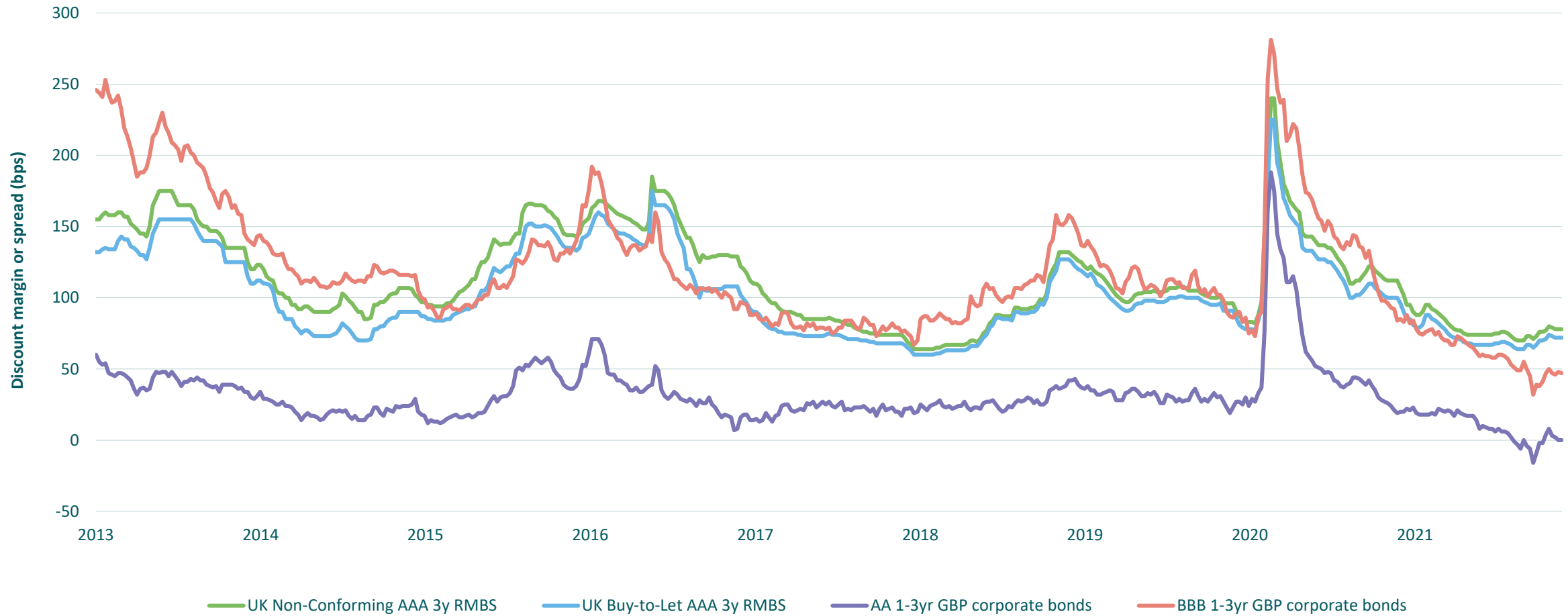
### 3 ABS research premium



**AAA-rated ABS offers a similar risk premium to BBB corporates – M&G has a large team of ABS specialists and manages >£10 billion in ABS**

# ABS & MBS

## Non-conforming and buy-to-let RMBS



*3 year AAA RMBS has higher spreads than AA sterling corporate bonds*

ABS = Asset-Backed Securities ; MBS = Mortgage Backed Securities; RMBS = Residential Mortgage-Backed Securities.

Source: JP Morgan, Bloomberg, 31 December 2021.



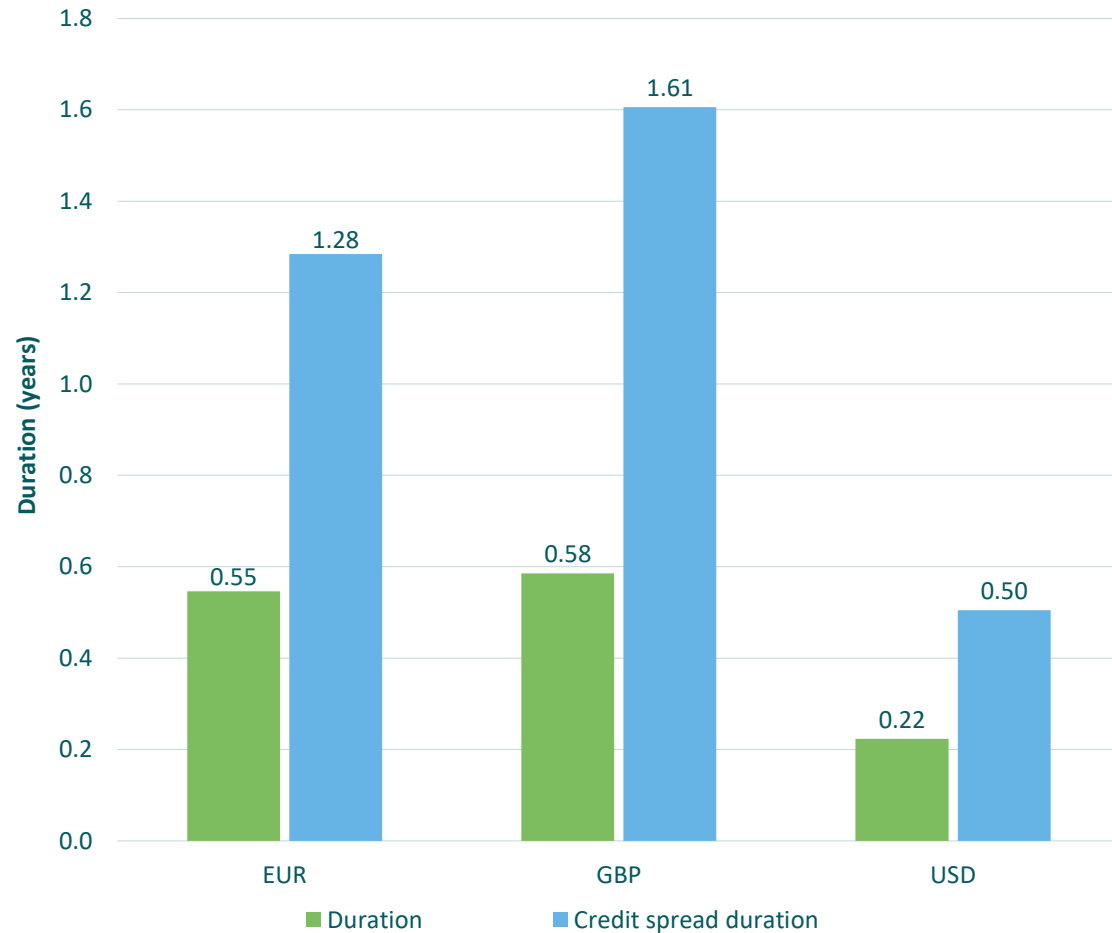
# Agenda

1. Why short dated credit
2. Our solution
- 3. Fund positioning and performance**

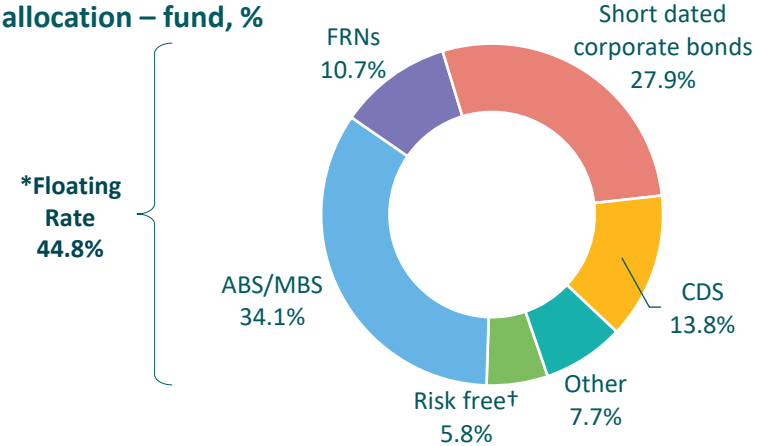
# Fund positioning

## M&G (Lux) Short Dated Corporate Bond Fund

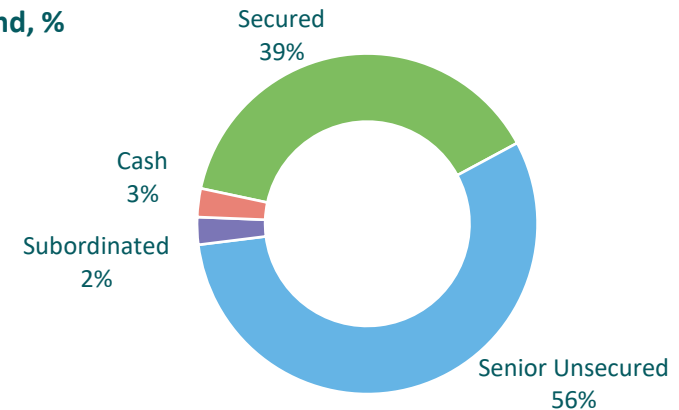
Duration contribution



Asset allocation – fund, %



Debt type – fund, %



Capital preservation achieved through structural seniority, low duration and strong diversification

\*not all ABS is floating rate in nature † includes cash, government bonds and CDS contra.

Please note, portfolio data is based on internal sources, is unaudited and may differ from information as shown in the Monthly Fund Review

Source: M&G, 31 January 2022.

# Performance in euros

## M&G (Lux) Short Dated Corporate Bond Fund

	Yr to MRQ**	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
	%	%	%	%	%	%	%	%	%	%	%
M&G (Lux) Short Dated Corporate Bond Fund	0.2	0.2	1.9	2.7	-2.4	1.0	2.3	-0.3	1.9	N/A	N/A
Benchmark*	0.0	0.0	0.7	1.4	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	YTD	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 years
	%	%	%	%	%	%	%	%
M&G (Lux) Short Dated Corporate Bond Fund	-0.3	-0.3	-0.3	-0.7	-0.2	1.2	0.7	N/A
Benchmark*	-0.2	-0.2	-0.3	-0.6	-0.2	0.5	N/A	N/A

\*The Markit iBoxx EUR Corporates 1-3 Year Index was introduced as the fund's benchmark on 13 March 2018.

The benchmark is a comparator against which the fund's performance can be measured. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

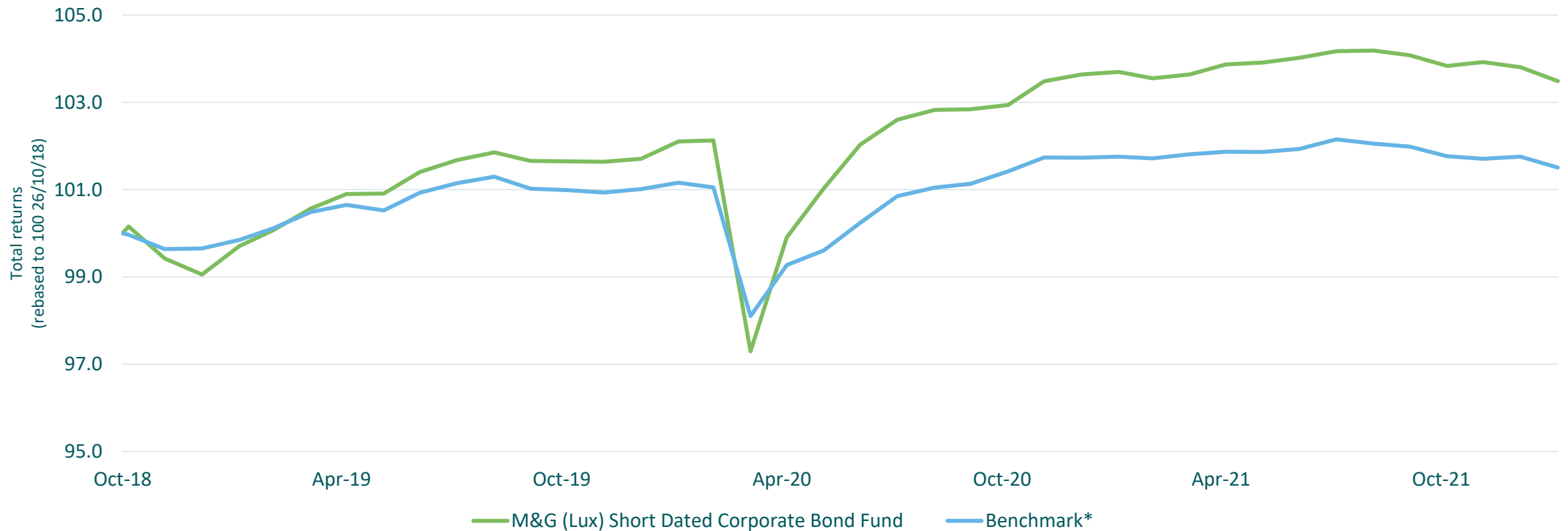
The fund is actively managed. The investment manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

### Past performance is not a guide to future performance

Source: Morningstar Inc., Wider universe database, 31 January 2022, EUR A share class, gross income reinvested, price to price. Fund performance prior to 26 October 2018 is that of the EUR A share class of the M&G Short Dated Corporate Bond Fund, a UK-authorized OEIC, which merged into this fund on 26 October 2018. Tax rates and charges may differ. \*\*Year to most recent quarter.

# Performance in euros

## M&G (Lux) Short Dated Corporate Bond Fund



\*The Markit iBoxx EUR Corporates 1-3 Year Index was introduced as the fund's benchmark on 13 March 2018.

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# Key conclusions

- 1. Low volatility fund with a simple, defensive approach**
- 2. Designed to protect investors against higher rates and inflation**
- 3. Aims to offer better prospects than a cash bank account**



# Q&A



# M&G (Lux) Global Listed Infrastructure Fund

Alex Araujo, Fund Manager

February 2022

# M&G (Lux) Global Listed Infrastructure Fund

## The main risks associated with this fund

- 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.
- The fund holds a small number of investments, and therefore a fall in the value of a single investment may have a greater impact than if it held a larger number of investments.
- The fund can be exposed to different currencies. Movements in currency exchange rates may adversely affect the value of your investment.
- Investing in emerging markets involves a greater risk of loss due to greater political, tax, economic, foreign exchange, liquidity and regulatory risks, among other factors. There may be difficulties in buying, selling, safekeeping or valuing investments in such countries.
- Convertibles are subject to the risks associated with both bonds and company shares, and to risks specific to the asset class. Their value may change significantly depending on economic and interest rate conditions, the creditworthiness of the issuer and the performance of the underlying company shares. In addition, issuers of convertibles may fail to meet payment obligations and their credit ratings may be downgraded. Convertibles may also be harder to sell than the underlying company shares.
- In exceptional circumstances where assets cannot be fairly valued, or have to be sold at a large discount to raise cash, we may temporarily suspend the fund in the best interest of all investors.
- The fund could lose money if a counterparty with which it does business becomes unwilling or unable to repay money owed to the fund.
- Operational risks arising from errors in transactions, valuation, accounting, and financial reporting, among other things, may also affect the value of your investments.
- ESG information from third-party data providers may be incomplete, inaccurate or unavailable. There is a risk that the investment manager may incorrectly assess a security or issuer, resulting in the incorrect inclusion or exclusion of a security in the portfolio of the fund.
- Further details of the risks that apply to the fund can be found in the fund's Prospectus.
- For any performance shown, please note that past performance is not a guide to future performance.

### **It is also important to note that**

The fund invests mainly in company shares and is therefore likely to experience larger price fluctuations than funds that invest in bonds and/or cash.



# Alex Araujo

## Biography



- Joined M&G's Income team in July 2015 and named co-deputy fund manager of the M&G Global Dividend Fund in April 2016
- Appointed manager of the M&G (Lux) Global Listed Infrastructure Fund at its launch in October 2017
- Appointed manager of the M&G Global Themes Fund in January 2019 and the M&G (Lux) Global Themes Fund at its launch in March 2019
- Has 25 years' experience in financial markets, having previously worked at UBS and BMO Financial Group
- Graduated from the University of Toronto with an MA in economics and is a CFA charterholder



# M&G (Lux) Global Listed Infrastructure Fund

## Fund overview

Past performance is not a guide to future performance

Fund name	M&G (Lux) Global Listed Infrastructure Fund
Fund manager	Alex Araujo
Launch date (manager tenure)	October 2017 (October 2017)
Fund size	€1,451 million
Investment objective	<ul style="list-style-type: none"> <li>To provide a combination of capital growth and income to deliver a return that is higher than that of the global equities market over any five-year period;</li> <li>To increase the income stream every year in US dollar terms.</li> </ul> <p>The fund seeks to achieve its financial objectives while applying ESG Criteria and Sustainability Criteria</p>
Investment style	Global equity, dividend growth, bottom-up stock selection, ESG integrated
Responsible investment approach	The fund is categorised as Planet+/ Sustainable, as defined in the fund's prospectus, and promotes ESG characteristics. Within this category, a Best-in-Class approach is applied.
SFDR category	Article 8
Typical number of holdings	40-50
Benchmark*	MSCI ACWI Net Return Index
Valuation currency:	US dollars
Fund structure	Luxembourg SICAV - UCITS
Distribution frequency	Quarterly



Ratings as at 26.02.21. The Morningstar Overall Rating based on the fund's Sterling Class I shares. Historical Sustainability Score as of 31 October 2020. Sustainability Rating as of 31 October 2020. Sustainalytics provides company-level analysis used in the calculation of Morningstar's Historical Sustainability Score. © 2020 Morningstar. All rights reserved. The information contained herein: (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. Out of 278 Sector Equity Infrastructure funds as of 25/11/2020. Based on 100% of AUM. Data is based on long positions only. **Ratings should not be taken as recommendation**

\*The benchmark is a comparator against which the fund's performance can be measured. It is a net return index which includes dividends after the deduction of withholding taxes. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. 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 investment manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents. The benchmark is not an ESG benchmark and is not consistent with the ESG Criteria and Sustainability Criteria. For further details of the fund's ESG Criteria and Sustainability Criteria, please refer to the ESG Criteria and Sustainability Criteria document on our website. For further details of our ESG Product Framework, please see the fund's Prospectus.

# Agenda – M&G (Lux) Global Listed Infrastructure Fund

1. Performance update
2. Opportunities
3. Portfolio activity and positioning
4. Outlook

# Calendar year performance in euros

## M&G (Lux) Global Listed Infrastructure Fund

Past performance is not a guide to future performance

	To end Q4 2021 %	2021 %	2020 %	2019 %	2018 %	2017 %	2016 %	2015 %	2014 %	2013 %	2012 %
M&G (Lux) Global Listed Infrastructure Fund	22.3	22.3	-6.3	36.7	-1.7	N/A	N/A	N/A	N/A	N/A	N/A
MSCI ACWI Net Return Index*	27.5	27.5	6.7	28.9	-4.5	9.5	11.7	9.3	19.2	18.1	15.0

	YTD 2022 %	1 year %	3 years % pa	Since launch on 5 Oct 17 %
M&G (Lux) Global Listed Infrastructure Fund	-2.4	18.9	12.2	9.9
MSCI ACWI Net Return Index*	-3.5	22.7	16.3	12.3
Morningstar Sector Equity Infrastructure Sector avg.	-2.7	17.7	8.4	6.4
Quartile ranking (Percentile ranking)	2 (46)	3 (52)	1 (15)	1 (16)

\*The benchmark is a comparator against which the fund's performance can be measured. It is a net return index which includes dividends after the deduction of withholding taxes. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. 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 investment manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents. The benchmark is not an ESG benchmark and is not consistent with the ESG Criteria and Sustainability Criteria.

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\*Past performance shown to 31 October 2018 is the MSCI ACWI Index . Past performance shown from 01 October 2018 is the MSCI ACWI Net Return Index.

Source: Morningstar Inc., Morningstar Wider Universe 31 January 2022, Euro A class shares, net income reinvested, price to price.

# Performance contribution (gross of fees) by infrastructure industry, 2021

## M&G (Lux) Global Listed Infrastructure Fund

Past performance is not a guide to future performance

Infrastructure industry		Contribution
	Communications	+6.01
	Utilities	+5.70
	Energy	+3.87
	Transport	+3.04
	Social	+2.44
	Royalty	+1.63
	Transactional	+0.99

Key:

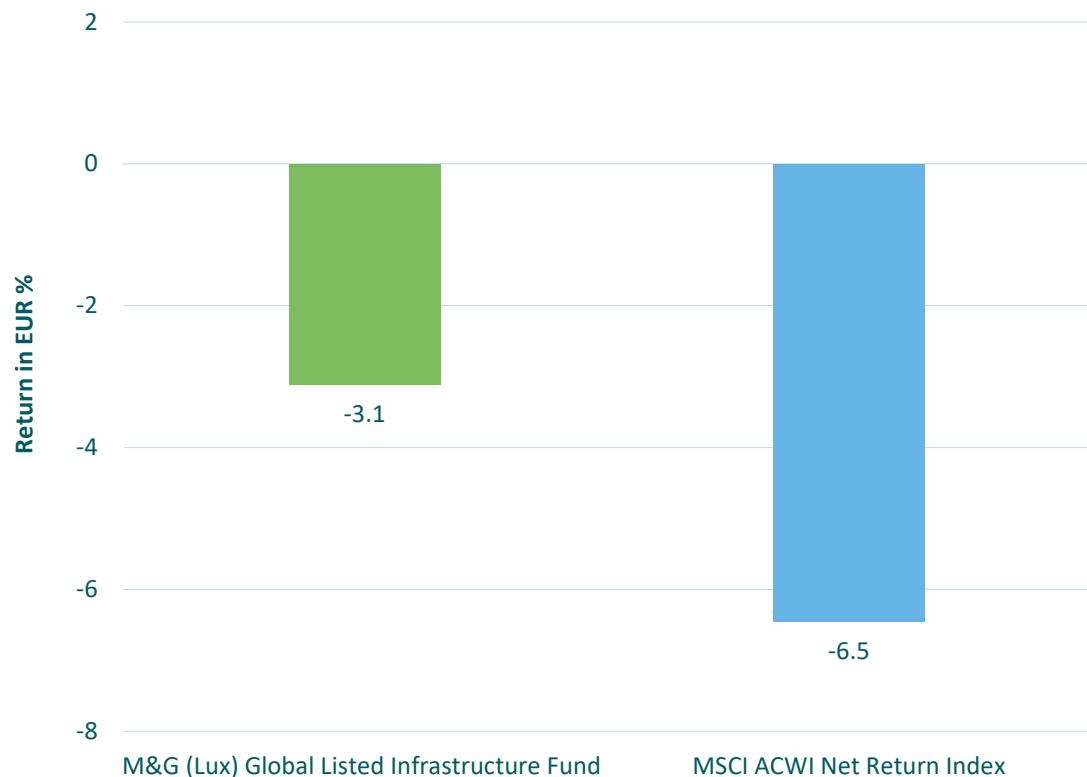
-  Economic
-  Social
-  Evolving








# Performance in 2022 YTD

## M&G (Lux) Global Listed Infrastructure Fund

Past performance is not a guide to future performance

### Return in euros



Infrastructure industry	Contribution (Jan 2022)
 Energy	+0.99
 Royalty	+0.59
 Transactional	+0.25
 Transport	-0.20
 Social	-0.46
 Communications	-1.35
 Utilities	-1.47

Key:

- Economic
- Social
- Evolving

## Downside protection in a falling market

\*The benchmark is a comparator against which the fund's performance can be measured. It is a net return index which includes dividends after the deduction of withholding taxes. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. 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 investment manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents. The benchmark is not an ESG benchmark and is not consistent with the ESG Criteria and Sustainability Criteria. For further details of the fund's ESG Criteria and Sustainability Criteria, please refer to the ESG Criteria and Sustainability Criteria document on our website. For further details of our ESG Product Framework, please see the fund's Prospectus.

\*Past performance shown to 31 October 2018 is the MSCI ACWI Index . Past performance shown from 01 October 2018 is the MSCI ACWI Net Return Index.  
Source: Bloomberg, 18 February 2022, Euro A class shares, net income reinvested, price to price.

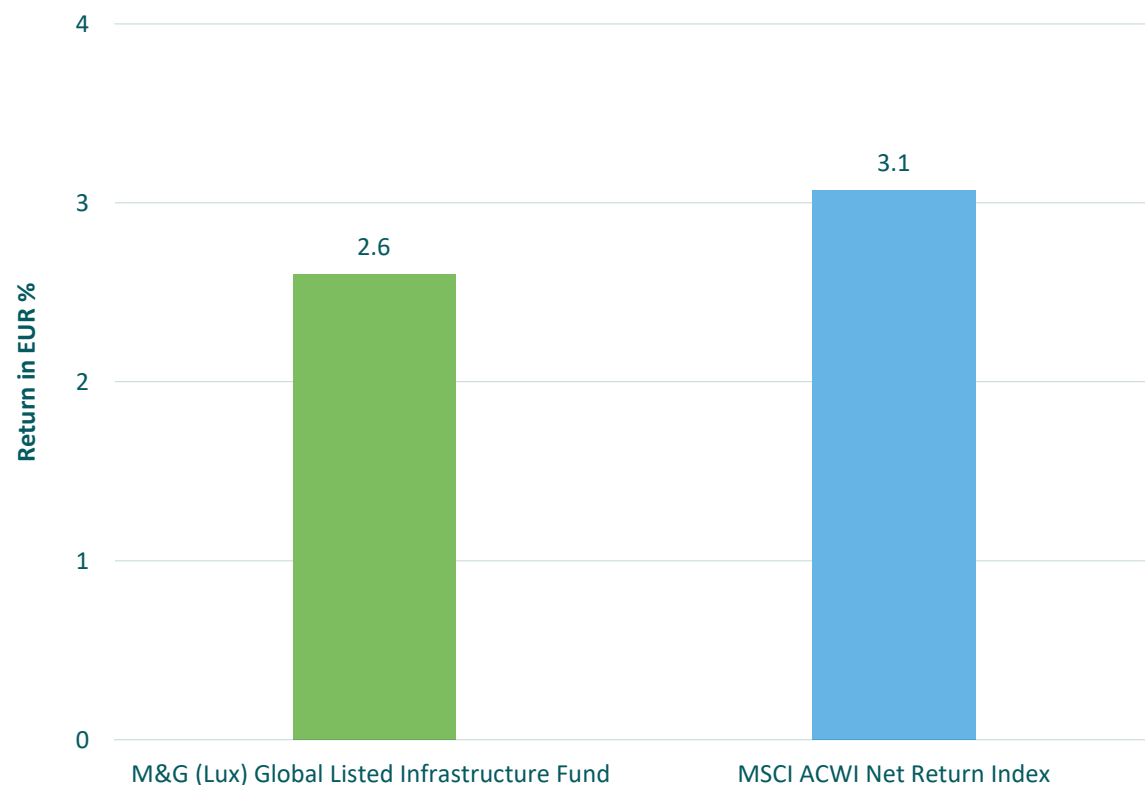
# Performance in rising and falling markets since launch

## M&G (Lux) Global Listed Infrastructure Fund

Past performance is not a guide to future performance

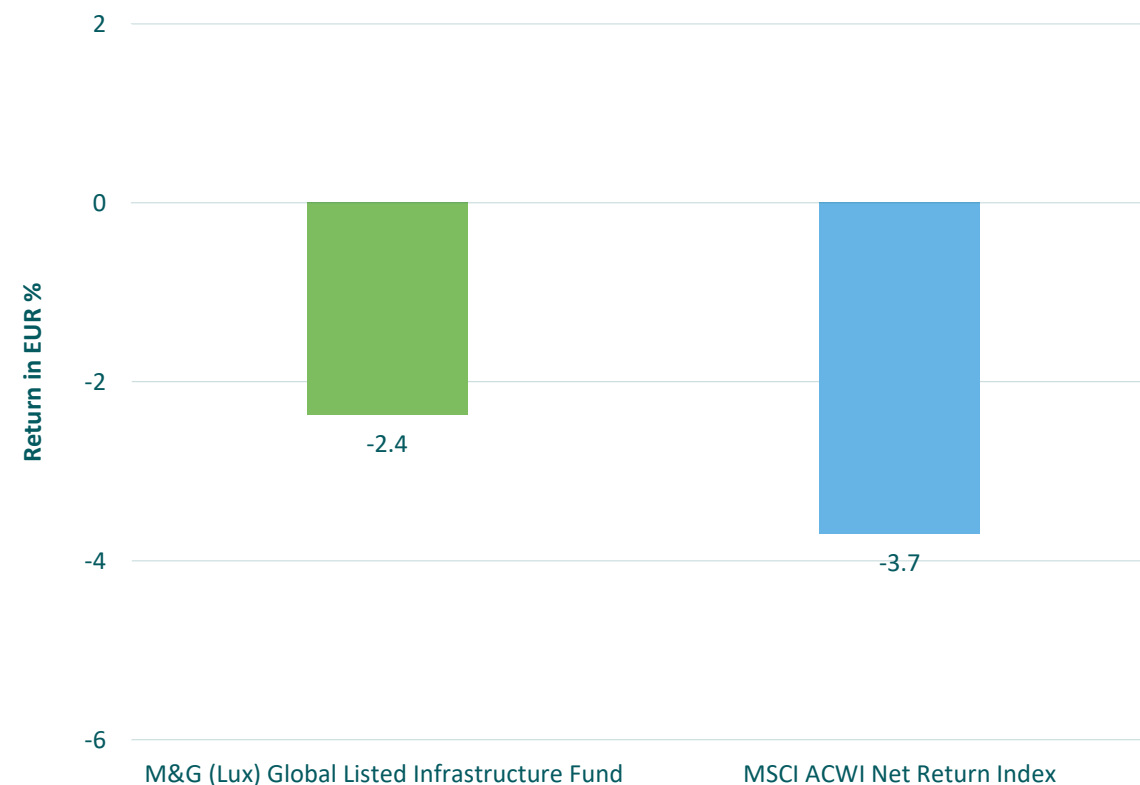
Average monthly return in rising markets

Return in euros



Average monthly return in falling markets

Return in euros



Upside capture when markets rally, downside protection in falling markets

Investment return (gross of fees) calculated in euros. Comparative index from October 2017 to 30 September 2018 is the MSCI ACWI Index, stated as Gross Return. From 1 October 2018 it is the MSCI ACWI Net Return Index. Net Return indices include dividends after the deduction of withholding taxes. Fund was launched on 5 October 2017. Source: M&G, Aladdin, 31 January 2022.

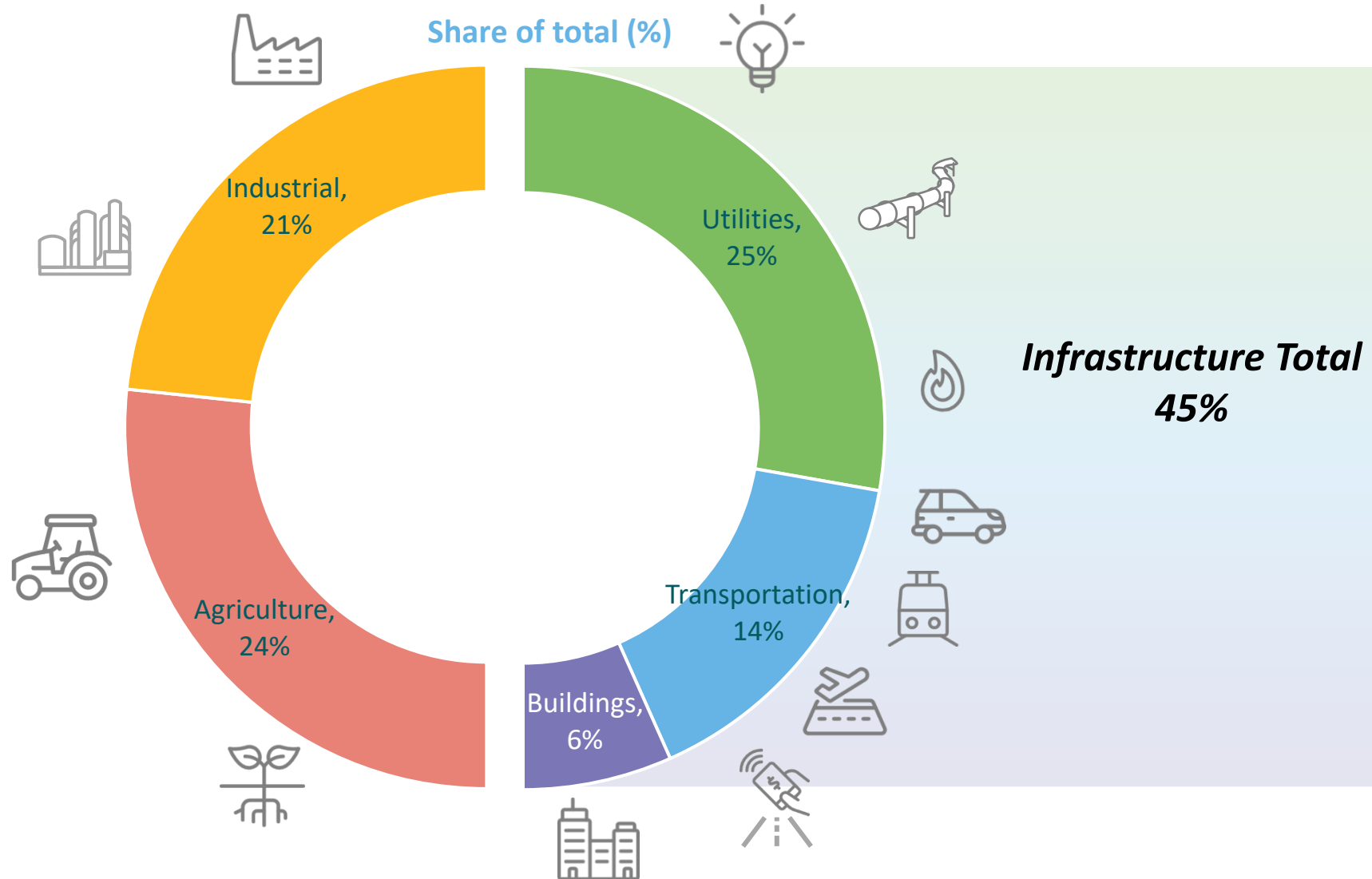


# Opportunities



# Global GHG Emissions by source

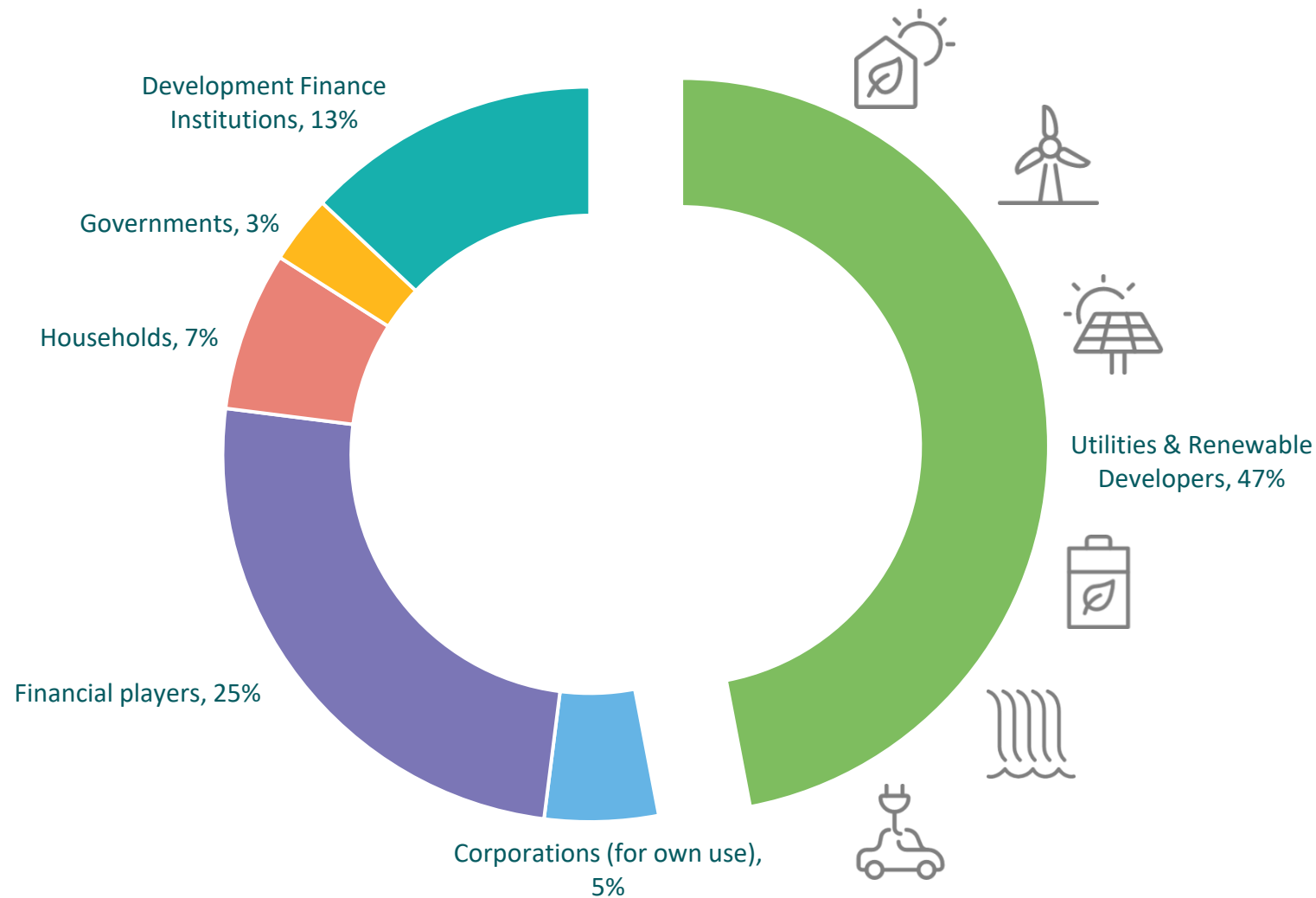
Infrastructure linked to nearly half of global GHG emissions



# Sources of clean energy investment

## Utility sector key to addressing climate change

Global Share of Renewables Investment (%)



# Renewables

## The unwinding of a bubble?

iShares Global Clean Energy ETF: YTD performance in US dollars



# Environment winners

Reducing carbon emissions to address climate change

Natural gas

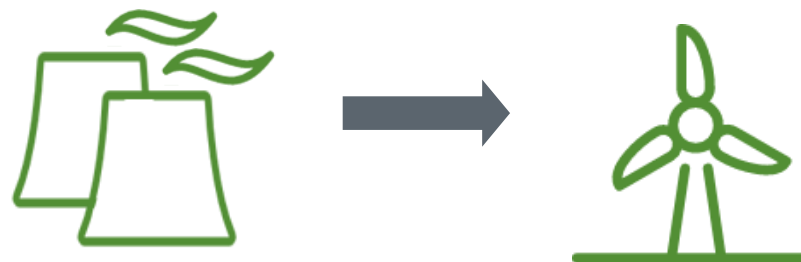


Naturgy

ATMOS  
energy

CHINAGAS  
中國燃氣

Energy transition



enel

AES  
we are the energy

CONTOURGLOBAL

Renewables



Ørsted

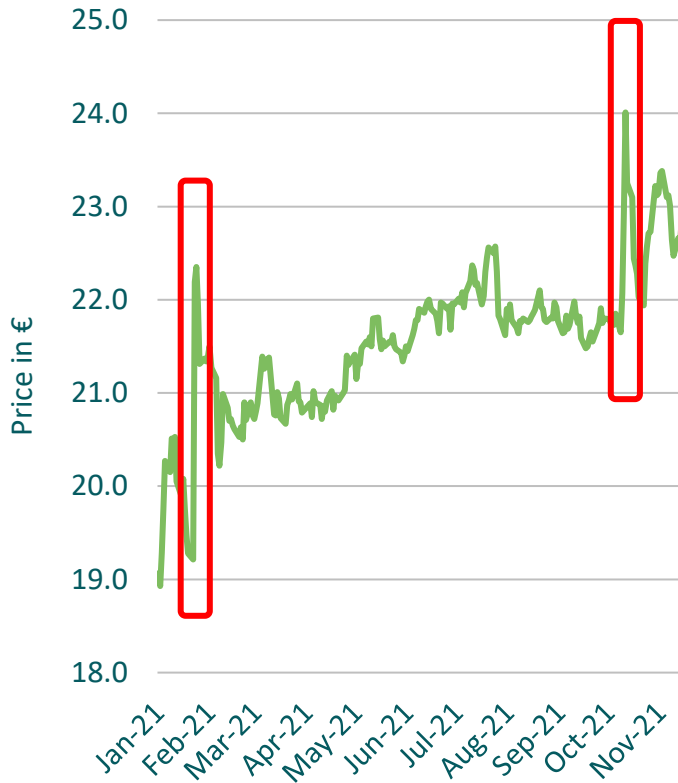
NEXtera energy  
PARTNERS

# Value being realised in the listed world

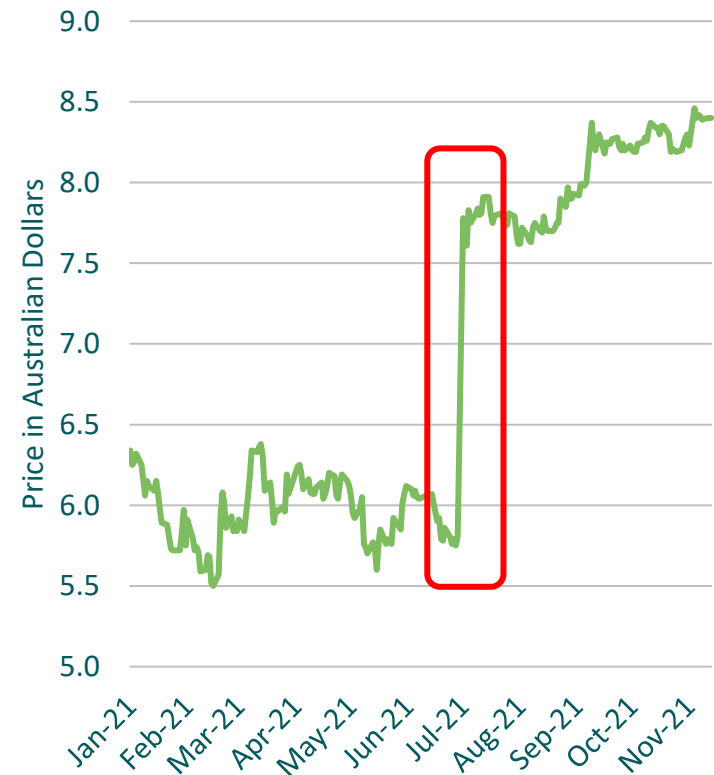
## Long-term investors buying reliable and growing cashflow streams

Past performance is not a guide to future performance

Naturgy Energy: YTD performance in euros



Sydney Airport: YTD performance in AUD



CoreSite : YTD performance in USD



## Value tilt

### M&G (Lux) Global Listed Infrastructure Fund

	No of holdings	Weighting	Average dividend yield	Average P/B
Value	29	69.4%	3.8%	3.1x
Growth	17	29.5%	2.1%	8.0x
Cash		1.1%	0.0%	
Portfolio	46	100.0%	3.1%	5.1x

Information is subject to change



# Portfolio activity and positioning

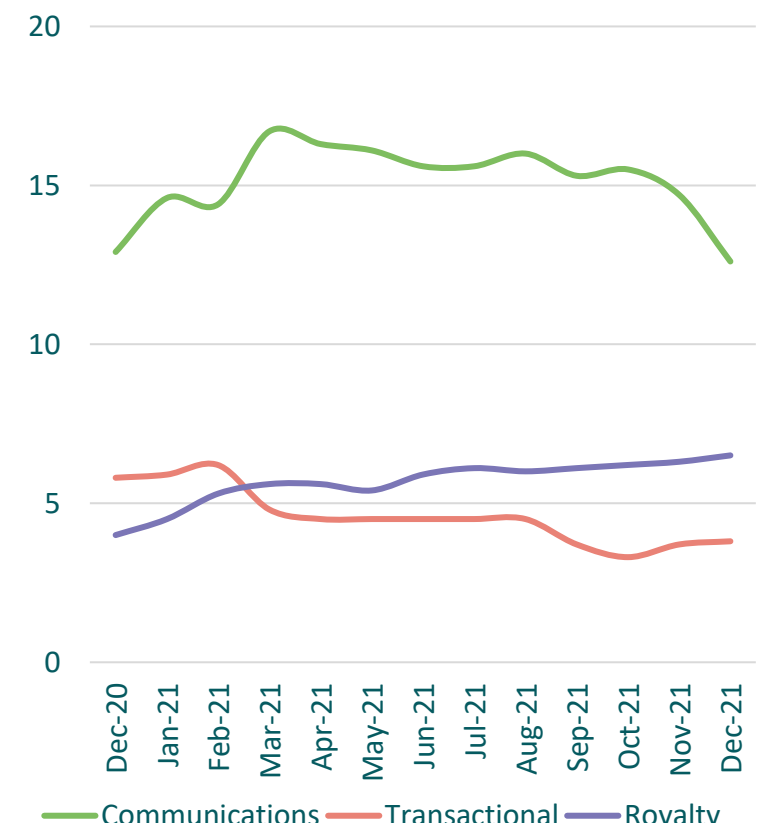
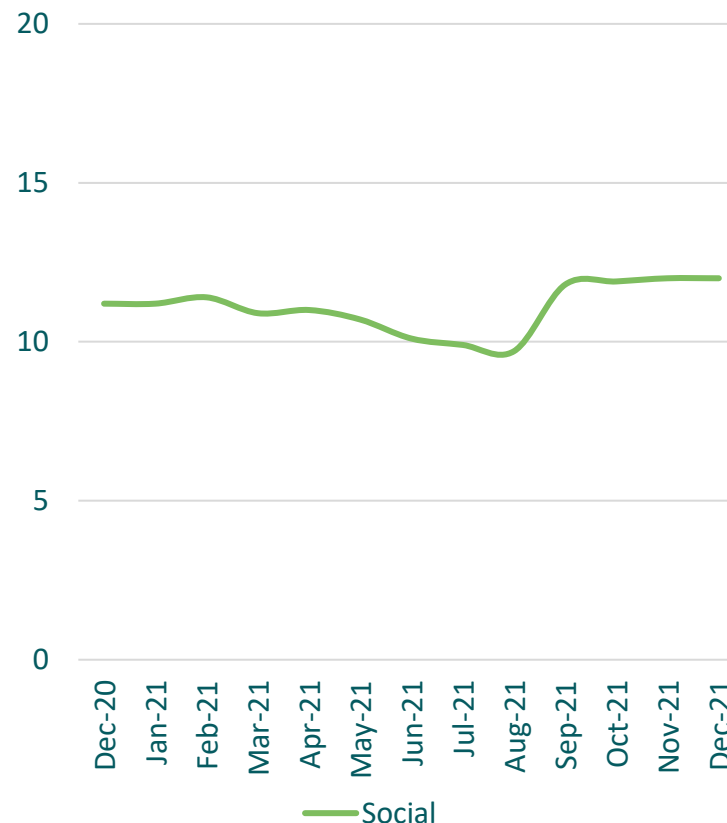
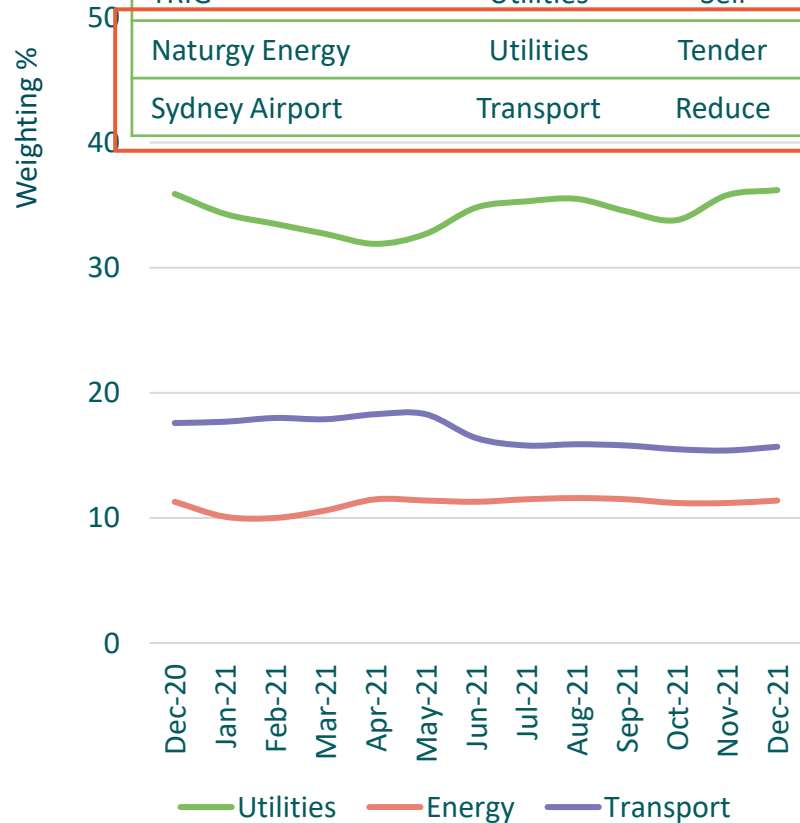
# Portfolio activity and positioning, 2021

## M&G (Lux) Global Listed Infrastructure Fund

Economic		
Eversource Energy	Utilities	Buy
Xinyi Energy	Utilities	Buy
Enbridge	Energy	Sell
TRIG	Utilities	Sell
Naturgy Energy	Utilities	Tender
Sydney Airport	Transport	Reduce

Social	
Home REIT	Add

Evolving		
Vantage Towers	Communications	Buy
PrairieSky	Royalty	Add
CoreSite	Communications	Tender

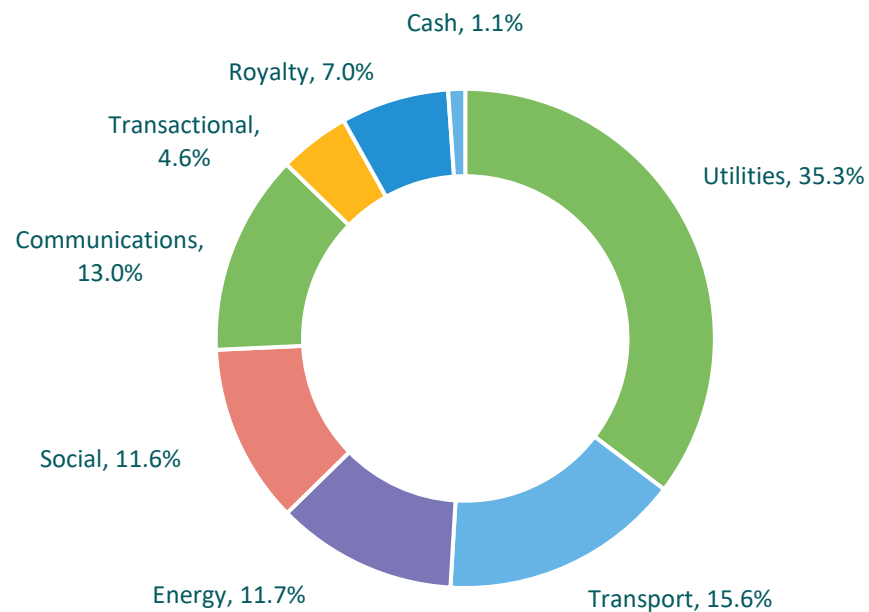




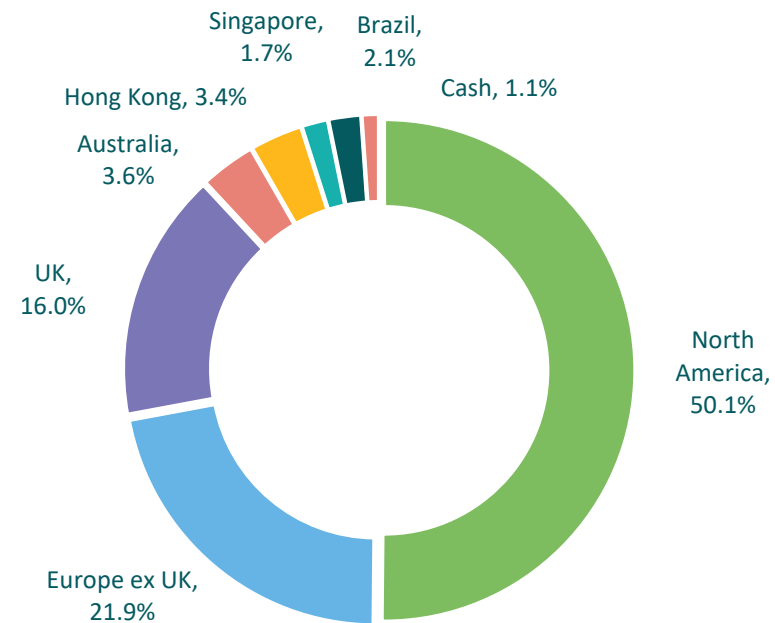
# Fund positioning

## M&G (Lux) Global Listed Infrastructure Fund

Fund weighting by industry



Fund weighting by country/region



Infrastructure class	Economic	Social	Evolving
Fund weighting	63%	12%	25%

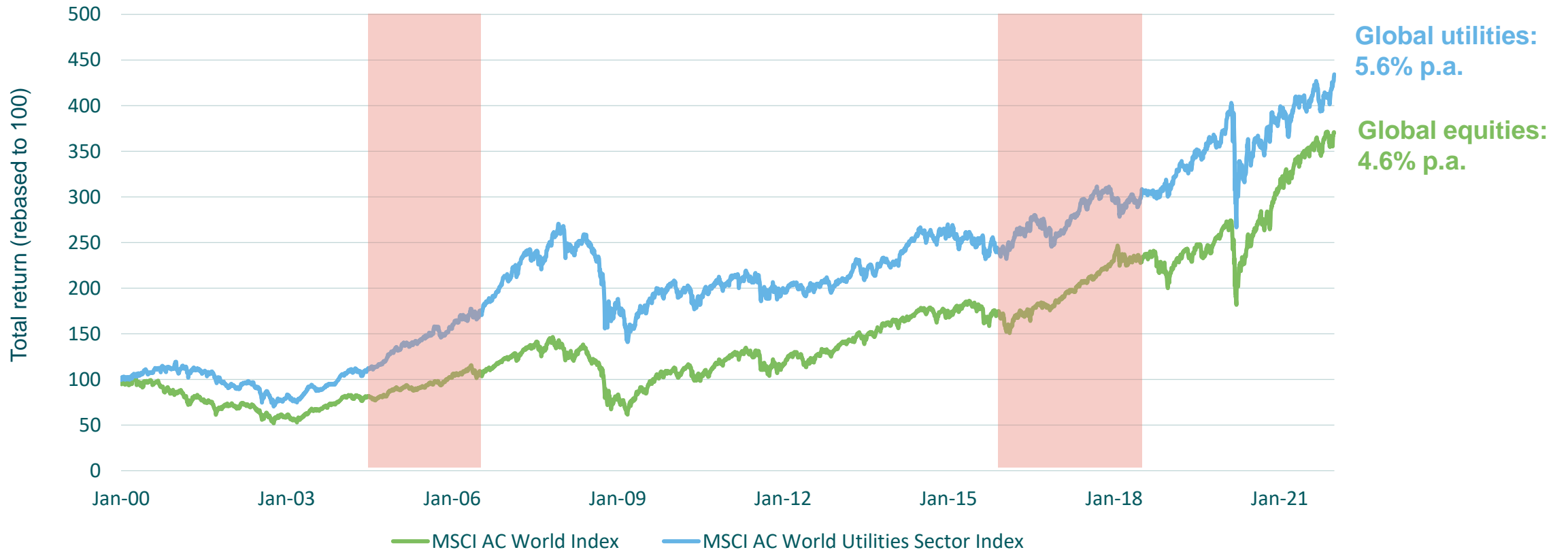


# Outlook

# Utilities

## Taking the long view

MSCI ACWI Utilities vs MSCI ACWI: total return in USD (rebased to 100)

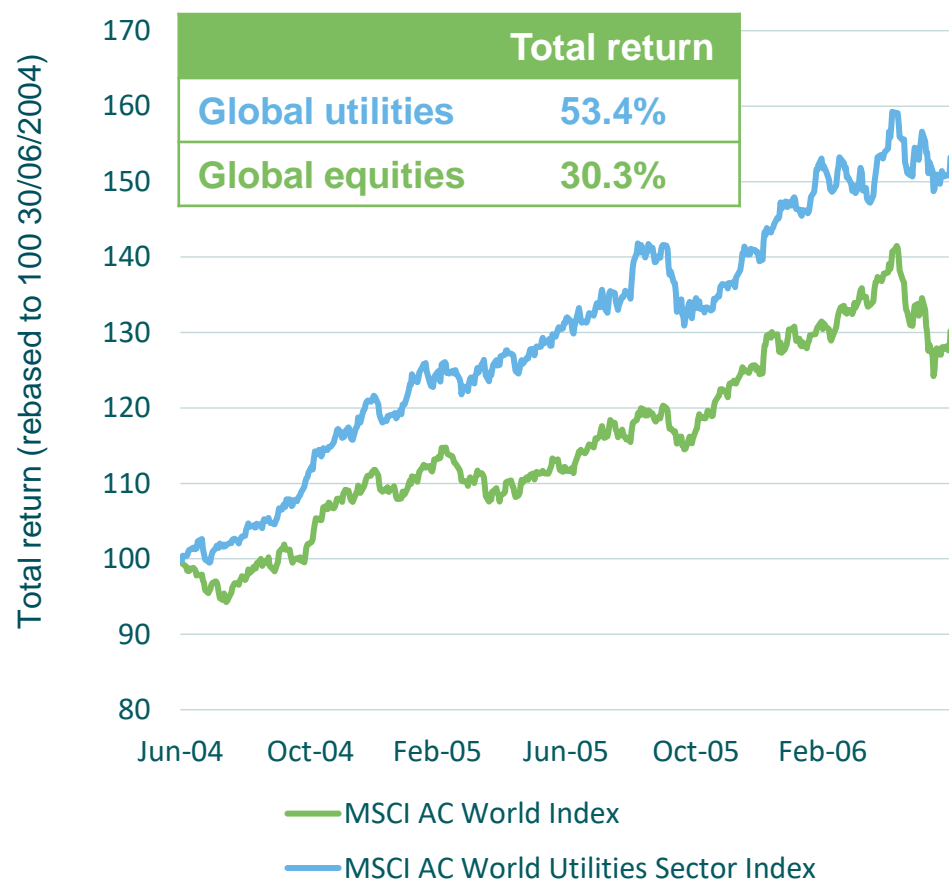


A sector with significant long-term appeal

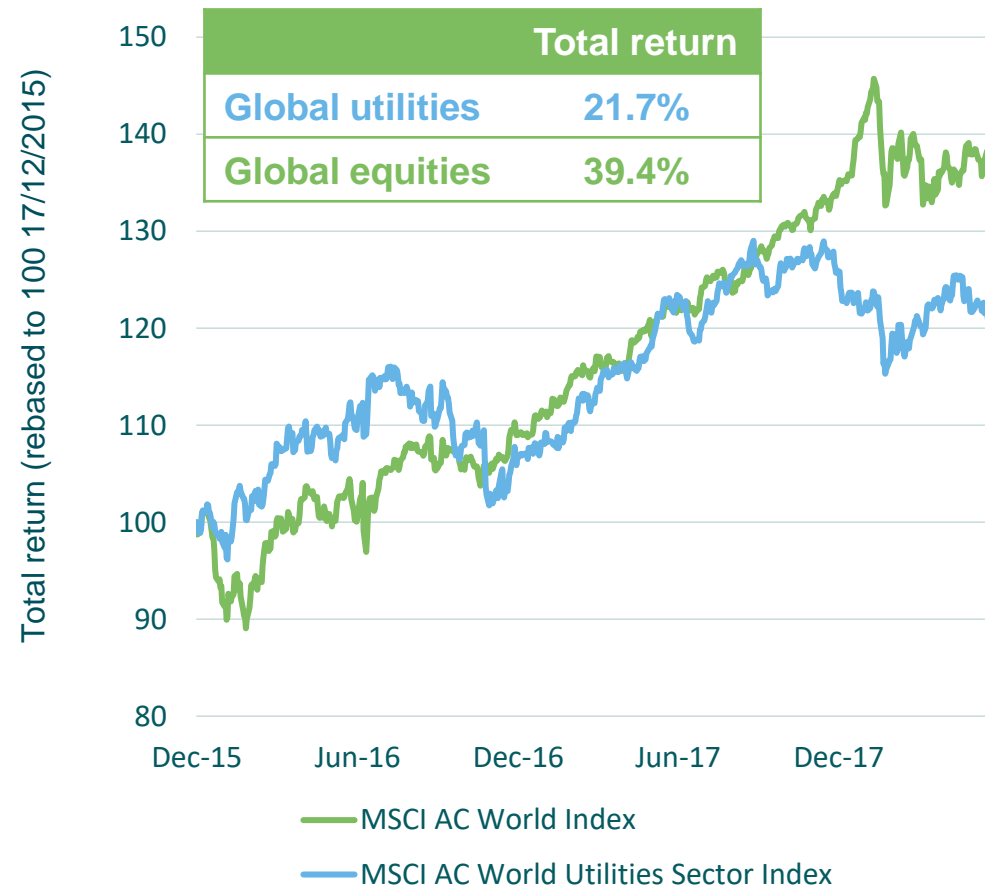
# Utilities

## Performance in rising rate environments

MSCI ACWI Utilities vs MSCI ACWI: total return in USD (rebased to 100), 30/06/2004 – 29/06/2006



MSCI ACWI Utilities vs MSCI ACWI: total return in USD (rebased to 100), 17/12/2015 – 14/06/2018



# Aiming for dividend growth in excess of G7 inflation

## M&G (Lux) Global Listed Infrastructure Fund: dividend announcements, 2021

Past performance is not a guide to future performance

10%+ dividend growth		5-10% dividend growth		<5% dividend growth		Dividend cut / suspension	
INWIT	127%	Ørsted	10%	CoreSite	4%	Transurban	
PrairieSky Royalty	✓✓ 50%	NextEra Energy	10%	A2A	3%		
Unite Group	✓ 24%	ContourGlobal	10%	Gibson Energy	3%		
Visa	17%	American Water Works	10%	INPP	2.5%		
NextEra Energy Partners	15%	Union Pacific	10%	SDCL Energy Efficiency	2%		
American Tower	15%	China Gas Holdings	10%	E.ON	2%		
Franco-Nevada	15%	Enel	9%	Elia	1%		
Crown Castle	11%	Atmos Energy	9%	NetLink	1%		
Mastercard	11%	CSX Corp	8%	National Grid	1%		
		Equinix	8%	Ferrovial	✓ 0.2%		
		Republic Services	8%	ONEOK	Flat		
		TC Energy	7%	Vinci	✓ Flat		
		CME Group*	6%	MTR	Flat		
		Edison International	6%	HICL Infrastructure	Flat		
		Naturgy Energy	5%				
		Sempra	5%				
		AES Corp	5%				



Dividend reinstated or growth resumed



Two dividend increases

# Aiming for dividend growth in excess of G7 inflation

## M&G (Lux) Global Listed Infrastructure Fund: dividend announcements, 2022 YTD

Past performance is not a guide to future performance

10%+ dividend growth		5-10% dividend growth		<5% dividend growth		Dividend cut / suspension	
Vinci	42%	NextEra Energy	10%	TC Energy	3%		
PrairieSky Royalty	33%	Ørsted	9%	Gibson Energy	3%		
NextEra Energy Partners	15%	Equinix	8%	ONEOK	Flat		
CME Group	11%	Franco-Nevada	7%				
		Eversource Energy	6%				

Source: Company websites, 18 February 2022.

# Powerful long-term themes

## An asset class driven by multi-decade trends

	<b>Renewable energy</b>					
	<b>Transportation of the future</b>					
	<b>Urbanisation</b>					
	<b>Universal connectivity</b>					
	<b>Water and waste management</b>					
	<b>Healthcare infrastructure</b>					
	<b>Social and demographic shifts</b>					

Powerful tailwinds to drive long-term performance



# Q&A



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