Macro Update

Laura Frost, Investment Director

November 2022

M&G Global Macro Bond Fund

The main risks that could affect performance are set out below:

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

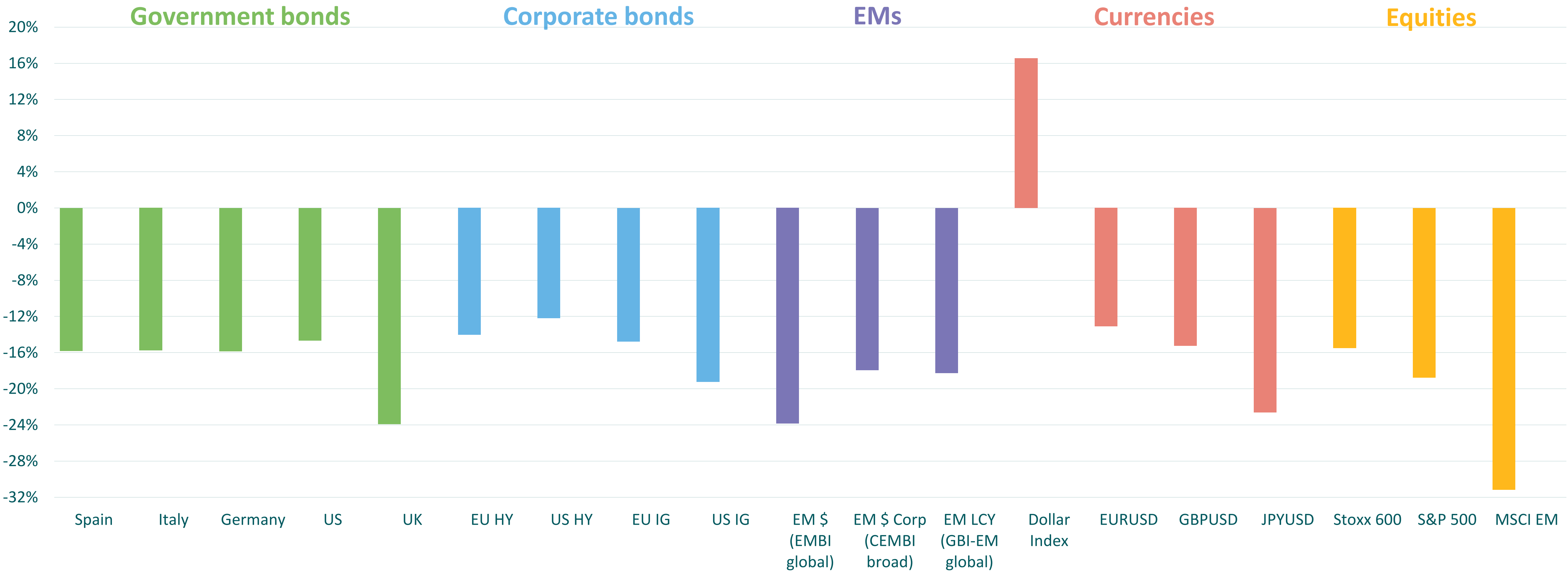
The fund aims to provide a combination of capital growth and income, net of the Ongoing Charge Figure, higher than the average return of the IA Global Mixed Bond Sector over any five-year period. At least 80% of the fund is invested in bonds issued by government and companies from anywhere in the world, including emerging markets. These bonds can be denominated in any currency. The fund is a flexible global bond fund. The selection of bonds as well as exposure to markets and currencies are based on in-depth analysis of individual bond issuers, combined with an assessment of global, regional, and country-specific macroeconomic factors

The Fund allows for the extensive use of derivatives.

The fund may invest more than 35% in securities issued by any one or more of the governments listed in the fund prospectus. Such exposure may be combined with the use of derivatives in pursuit of the fund objective. It is currently envisaged that the fund’s exposure to such securities may exceed 35% in the governments of Germany, Japan, UK, USA although these may vary subject only to those listed in the prospectus.

2022 asset price performance- Nowhere to hide

Past performance is no guarantee of future results



Source: Bloomberg, ICE Bank of America, JP Morgan, 31 October 2022
*ICE Spain, Italy, Germany government index. US ICE Treasury & agency index, ICE UK Gilt index. ICE European currency HY index. US ICE high yield index. ICE Euro corporate & pfandbrief index. ICE corporate index. JPM EM $ JPM EMBI global diversified index. EM $ corp JPM CEMBI broad diversified composite index. JPM GBI-EM LCY global composite unhedged USD. Spot rate. World currency ranker. Stoxx 600 price index Eur . S&P 500 index. MSCI EM index

5 year government bond yields

US, UK and Germany all offer more compelling opportunity

5y US Treasury yield

5y UK Gilt yield

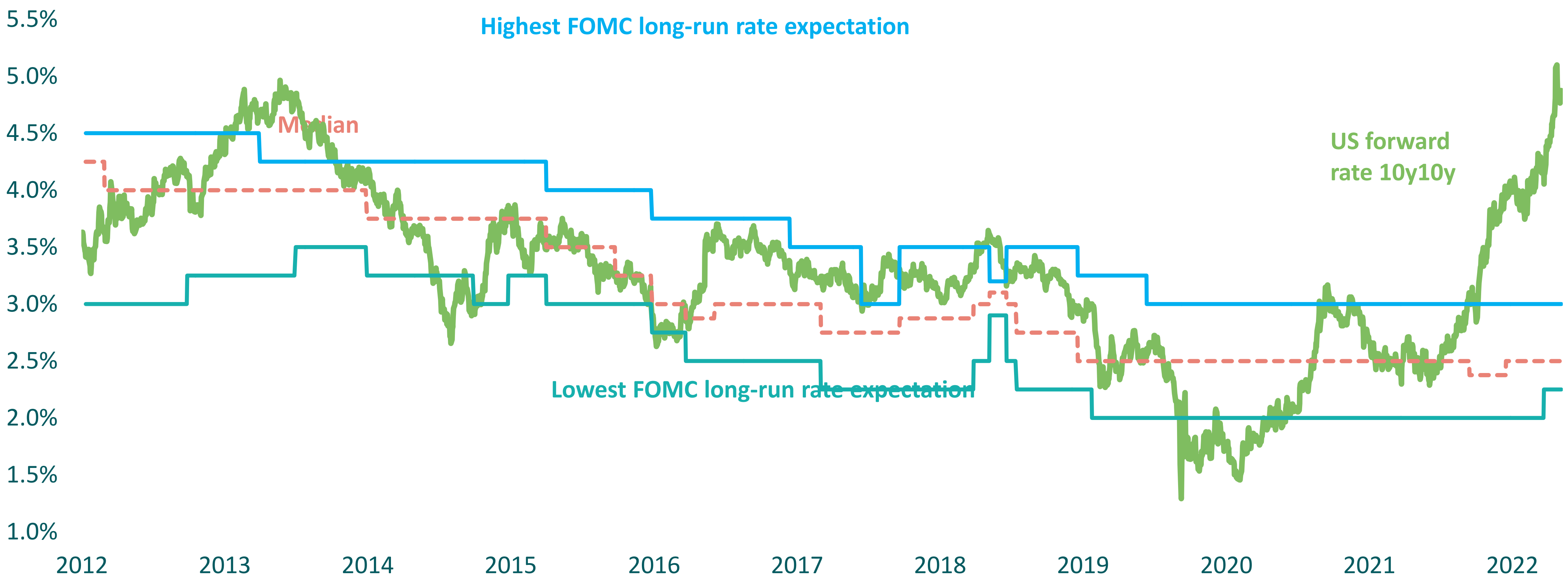
5y German Bund yield

Past performance is not a guide to future performance

Source: Bloomberg, 15 November 2022

10 year US Treasuries 10 years forward

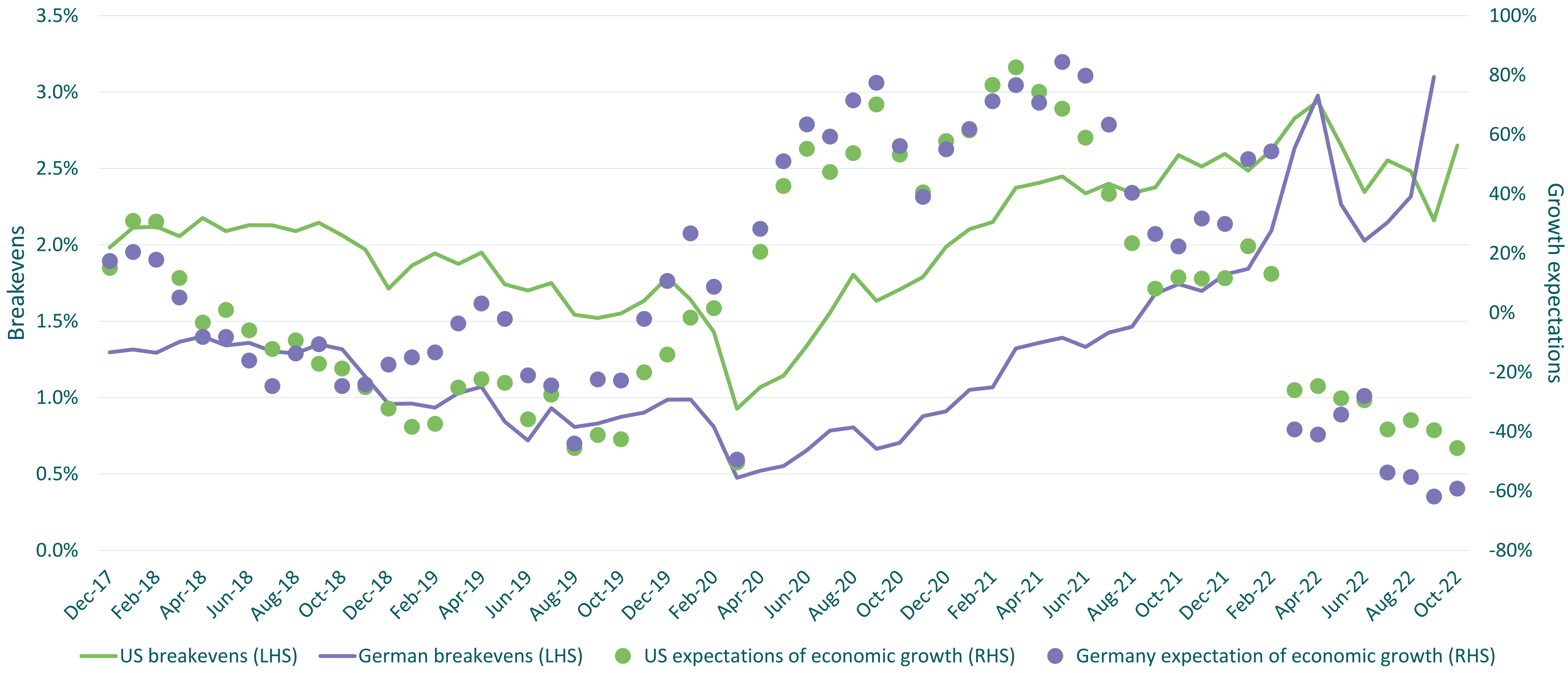
Forward-looking yields versus the Fed's long term expectations - a change of regime?



Source: Bloomberg, Federal Reserve, 4 November 2022. Information is subject to change and is not a guarantee of future results.

Inflation breakevens vs growth expectations

Central banks still grapple with growth vs inflation

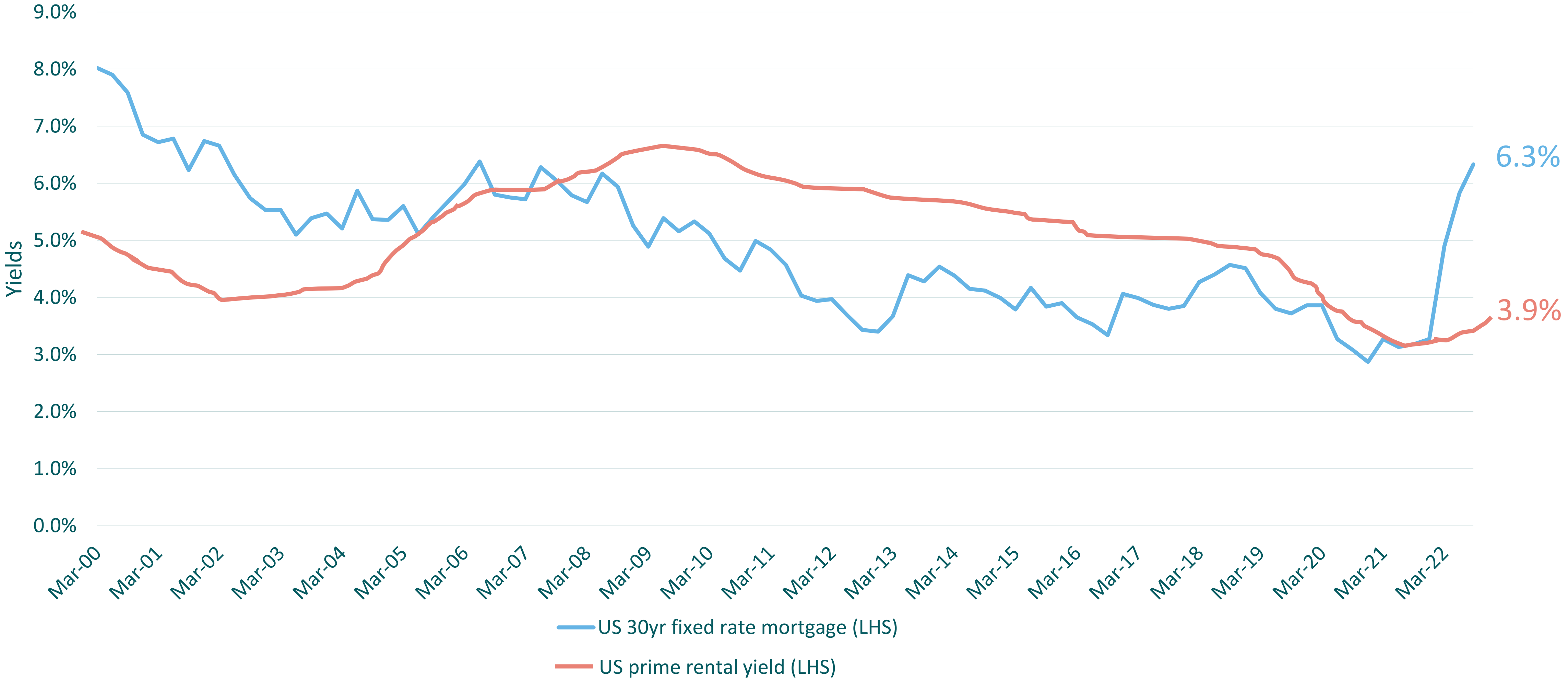


Source: Bloomberg, ZEW Europe and US growth expectations, 31 October 2022. Information is subject to change and is not a guarantee of future results.

US housing market may prevent Fed hiking as much as the market predicts

US 30yr fixed rate mortgages vs rental yields

Past performance is no guarantee of future results

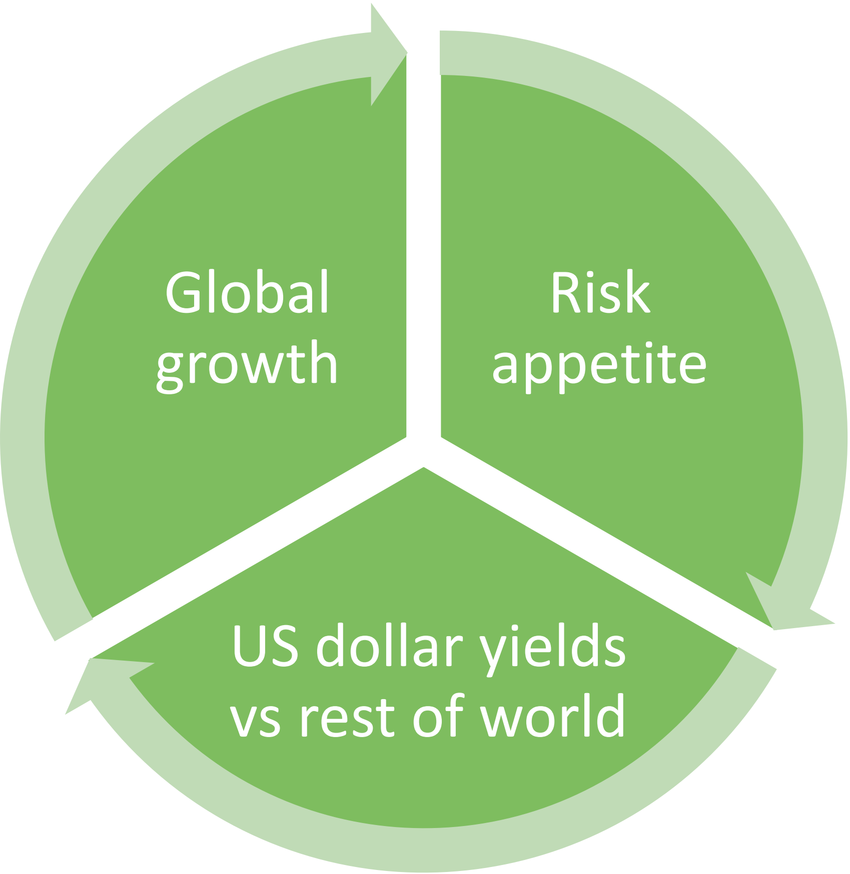


Source: BCA Research | Independent Investment Research Since 1949 for rental yield, September 2022, Bloomberg 14 September 2022. Information is subject to change and is not a guarantee of future results.

USD strength – a continuation?

Structural and cyclical headwinds for G10 currencies

Structural USD strength



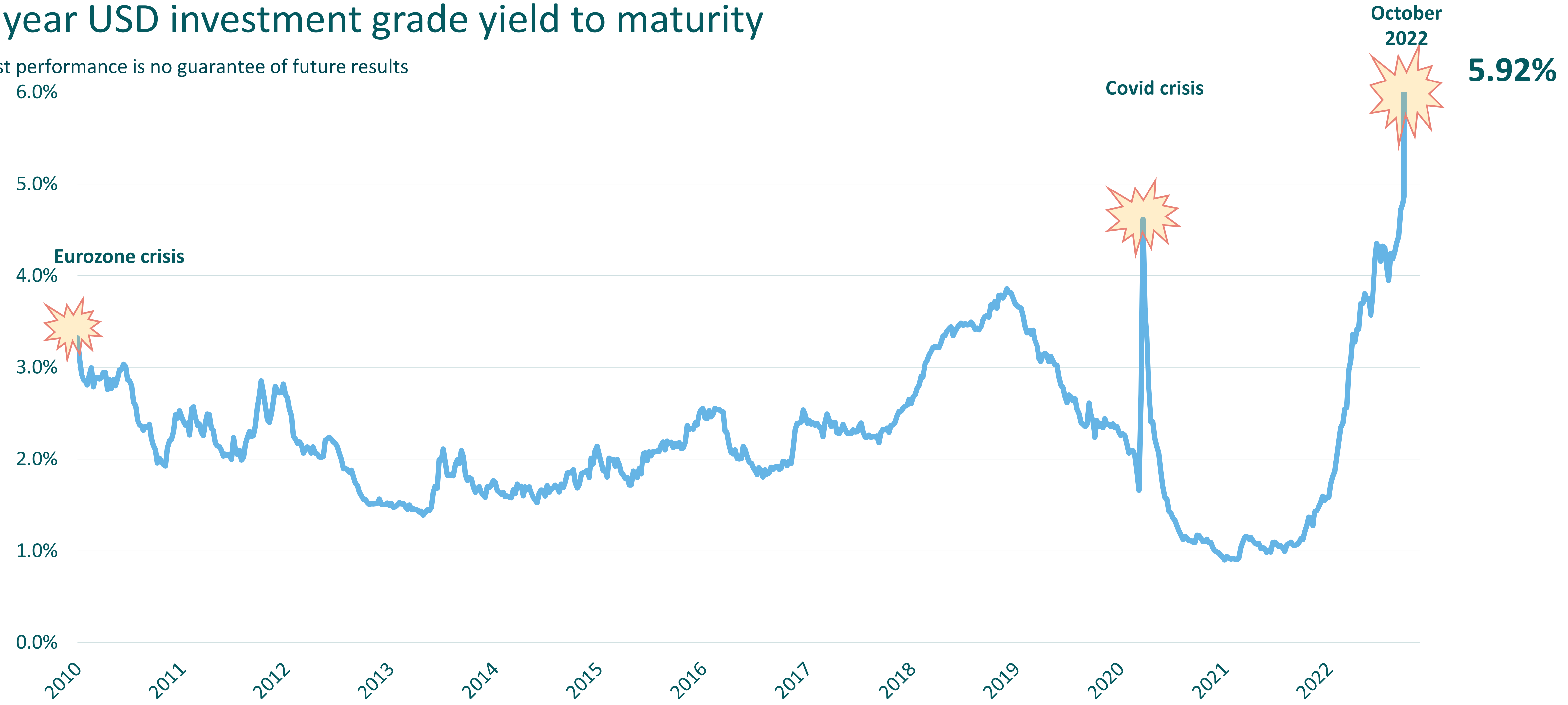
Continual weakening of G4 vs USD for almost 2 years

Source: Bloomberg, 16 November 2022. Information is subject to change and is not a guarantee of future results.

Going forward credit is more exciting – 2023 the year of yield ?

5 year USD investment grade yield to maturity

Past performance is no guarantee of future results

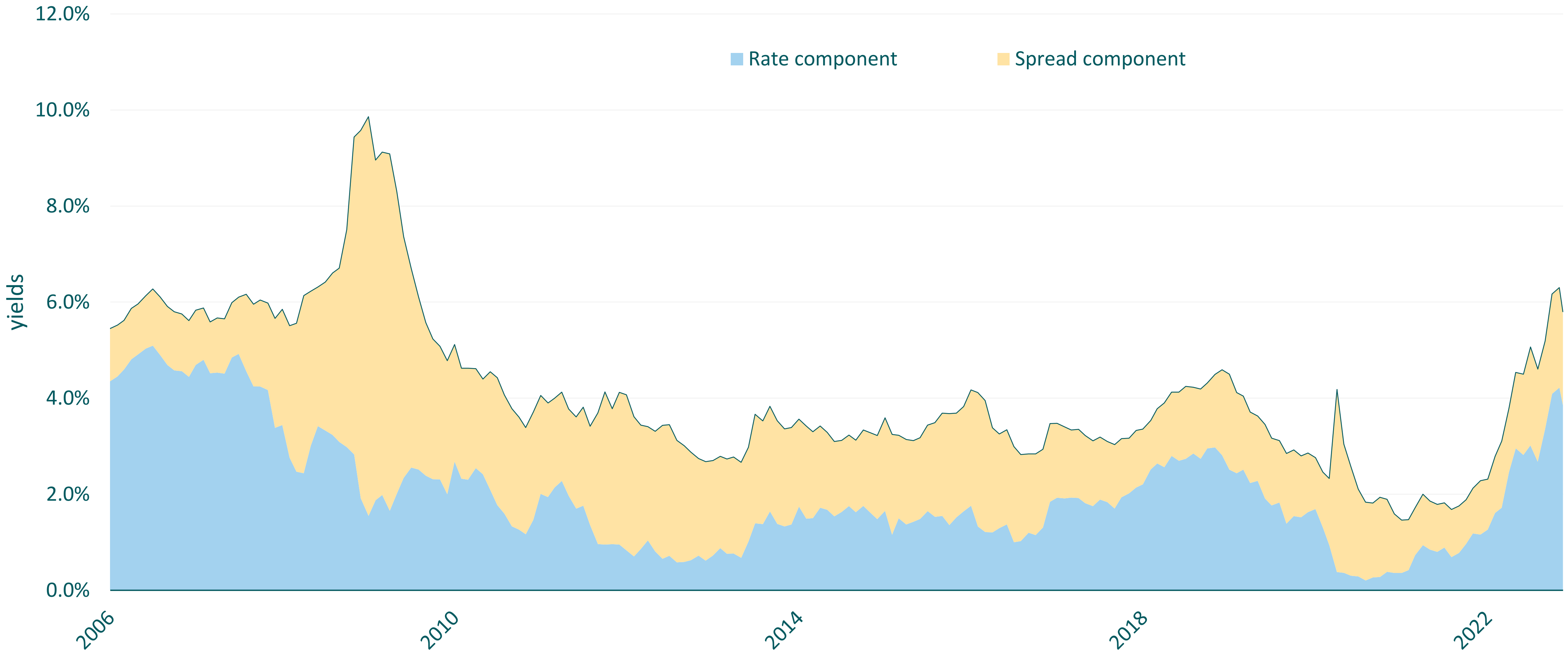


Source: Bloomberg ,15 November 2022. Information is subject to change and is not a guarantee of future results.

USD Investment Grade: yield over time

Credit component vs rates component designed to provide diversification

Past performance is not a guide to future performance



Source: Bloomberg, 15 November 2022

EM hard-currency Sovereigns credit spreads

EM and DM yields converge, whilst HY still carries idiosyncratic risk in weaker countries

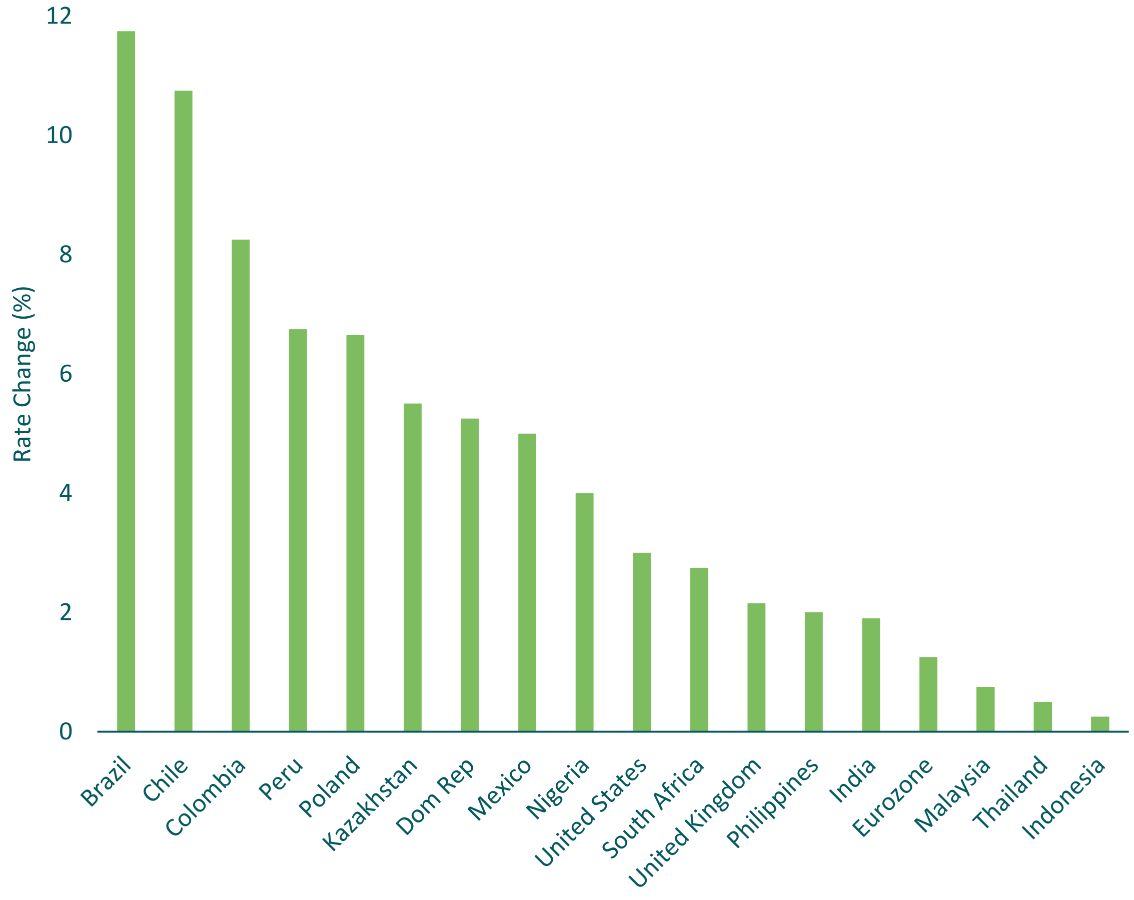
EM Investment Grade Spreads (bps)

EM High Yield Spreads (bps)

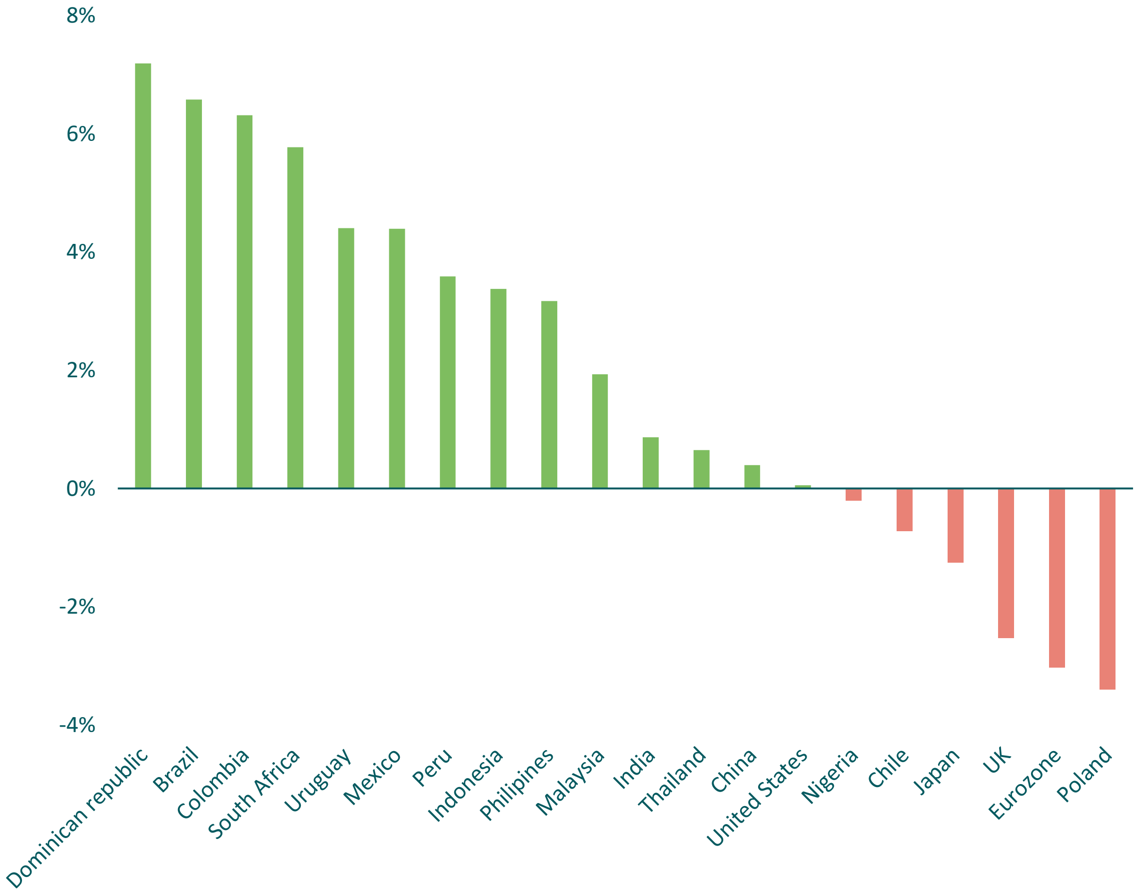
Source: JP Morgan Indices, 31 October 2022. Information is subject to change and is not a guarantee of future results.

Most EM Central Banks are hiking, most EM real yields remain elevated vs DM

Central Banks - Rate change over 2 years



Real yield: 10 year sovereign yield* minus forward looking inflation expectations.



Source: Bloomberg, 14 October 2022. *10 year bonds or closest available maturity.
Information is subject to change and is not a guarantee of future results.

In summary……

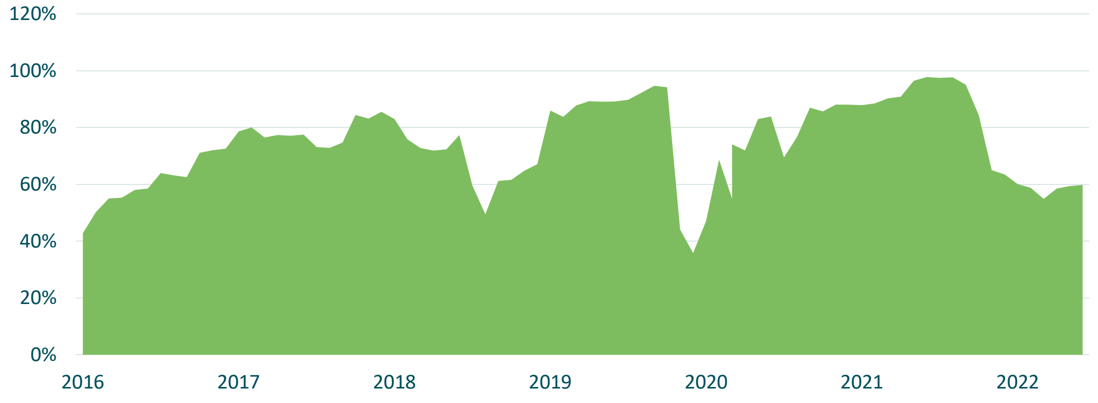
We are now at an interesting point for fixed income

- Fixed income is now looking very interesting with potentially attractive entry points
- US inflation looks to be peaking, if not peaked, incoming recession may well be moderate in severity compared to Europe and the UK
- The US dollar remains structurally strong in relative terms and although expensive, there are still reasons to be supportive
- Credit investors are now well compensated for potential recession and/or default risk
- Emerging market debt is cheap, driven by both global macro narrative and idiosyncratic stories. Regional divergence remains strong

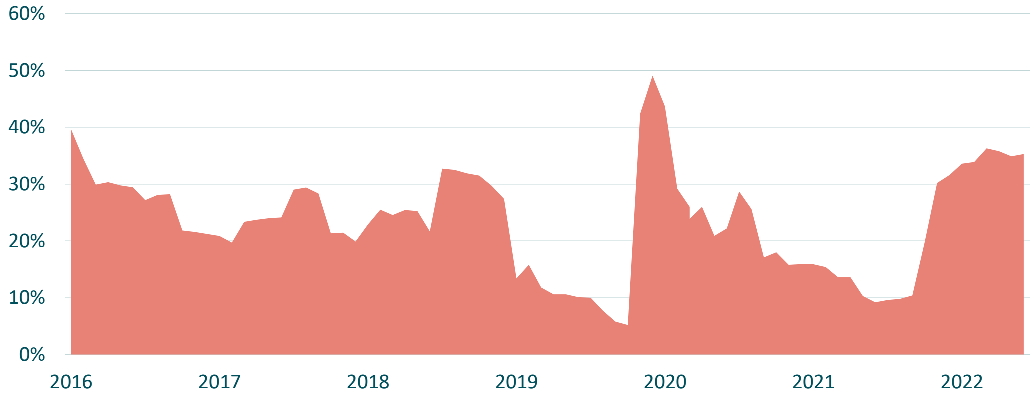
Asset allocation over time

M&G Global Macro Bond Fund

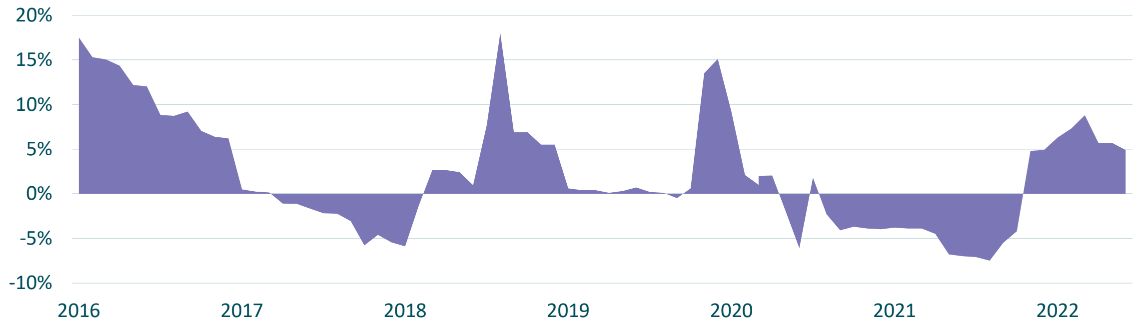
Net Government Bonds (and cash)



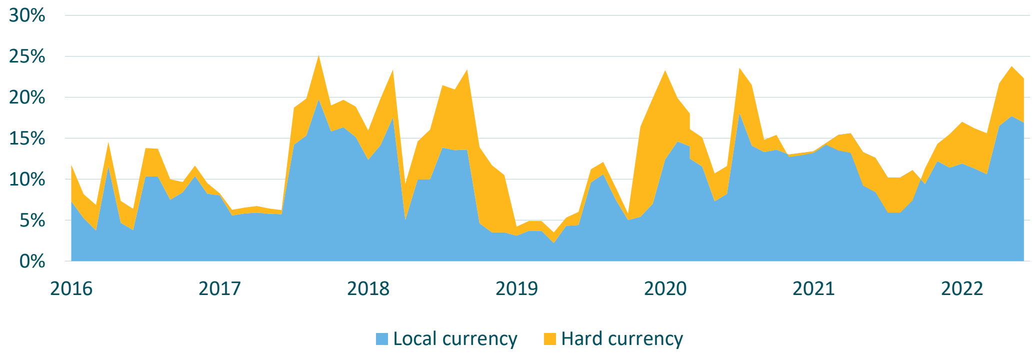
IG Corporate



High Yield



Emerging Markets (sub set)



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 October 2022

Calendar year performance in sterling

M&G Global Macro Bond Fund

Past performance is not a guide to future performance

Annual performance

	Yr to MRQ** %	2021 %	2020 %	2019 %	2018 %	2017 %	2016 %	2015 %	2014 %	2013 %	2012 %
M&G Global Macro Bond Fund	-1.8	-4.0	8.8	4.4	3.7	-3.8	25.3	0.9	6.0	0.2	7.3
Benchmark*	-9.8	-1.7	5.9	5.6	0.2	1.9	16.3	-1.4	4.4	-3.0	7.4

Rolling periods performance

	YTD %	1 Month %	3 Months %	6 Months %	1 Year %	3 Years %	5 Years %	10 years %
M&G Global Macro Bond Fund	-5.2	-3.5	-3.1	-2.2	-4.4	-0.7	1.2	3.4
Benchmark*	-10.9	-1.2	-4.5	-4.9	-10.7	-2.7	-0.4	1.7

*Benchmark prior to 19 April 2021 was the IA Global Bonds Sector. Thereafter it is the IA Global Mixed Bond Sector.

The benchmark is a target which the fund seeks to outperform. The sector has been chosen as the 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 UK database, 31 October 2022, sterling I share class, income reinvested, price to price. The fund's sterling I class shares launched on 16/12/2011. Performance data shown prior to this date is that of the fund's sterling X share class. Benchmark returns stated in GBP terms. **Year to most recent quarter (30.09.2022)