

M&G
Corporate Bond (OEIC)



OBSR Fund Rating
AA / Silver

Key Information

Launch Date	15 April 1994	
Fund Size	£5543.3m	
Type of Shares Available	Income & Accumulation	
Distribution Dates	28 February, 31 May, 31 August, 29 November	
Distribution Yield	3.85%	
ISA	Yes	
ISA Transfer	Yes	
Standard Fund Management Charges	Initial	3.00%
	Annual	1.00%

Classification

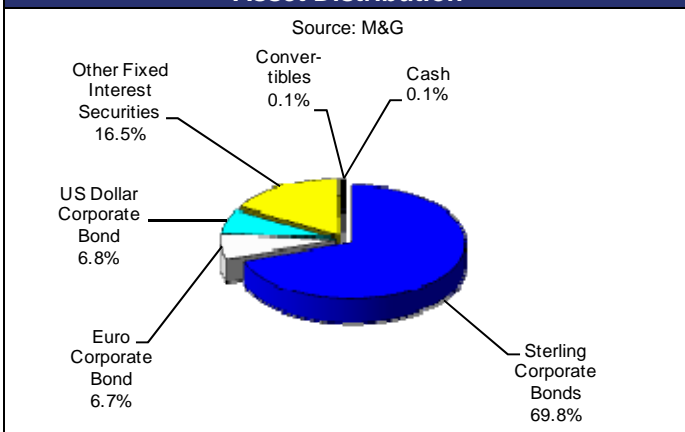
Sector	Sterling Corporate Bond
OBSR Category	Investment Grade
Benchmark/Index	n/a

Management/Investment Style

Fund Manager	Richard Woolnough (March 2004)
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Offered by one of the UK's largest fixed income teams, this diversified portfolio includes exposure mainly to investment-grade corporate bonds, but may also invest in UK gilts and/or high-yield debt securities. The managers place great emphasis on proprietary credit risk assessment.

Asset Distribution

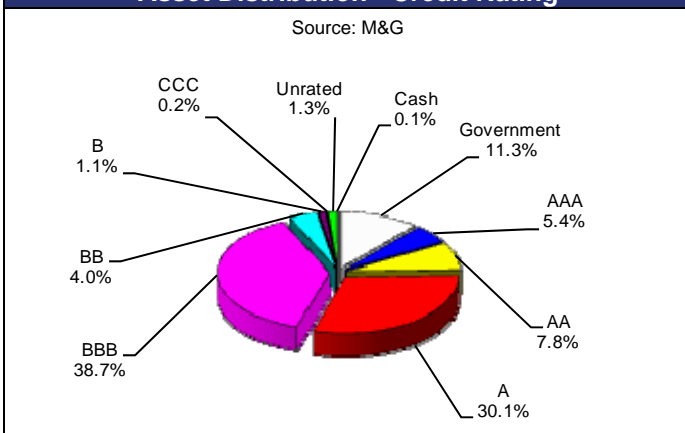


Investment Objective & Methodology

The fund aims to achieve a higher return from investment than would be obtainable in UK government fixed interest securities of similar mandates by investing in sterling denominated fixed and variable rate securities, including corporate bonds and debentures. The fund concentrates on investment grade debt, typically with an emphasis on A and BBB rated corporate bonds, although it may hold gilts where it is deemed appropriate. The fund is managed on a total return basis and, in practice, the manager aims for top quartile performance within the IMA £ Corporate Bond peer group.

The fund manager, Richard Woolnough, joined M&G in January 2004 and is a member of the retail fixed interest team, which is part of the wider fixed interest group. He has managed this fund since March 2004. He works closely with his colleagues in the retail team and benefits from the significant resources of the broader fixed interest team, including the credit analysts, a dealing team, a money market team and other specialised units. Ben Lord is the deputy manager for this fund.

Asset Distribution - Credit Rating



The fund aims to add value from a variety of sources. The investment approach combines macroeconomic assessment, which determines the portfolio's duration and the asset allocation between gilts and investment grade bonds, with a market judgement, which takes into account default risk, liquidity and supply. These also help determine the sector and rating band allocations. Furthermore, M&G believes strongly in the benefits of proprietary fundamental research and that the key to any credit analysis is avoiding the losers, not picking the winners. It has a large team of credit analysts that seeks to conduct the appropriate due diligence at the time of a new issue and will have always met a company's management before investing. Ongoing analysis is conducted according to a disciplined and structured process. The key factors in the analysis of each company are assessments of: its business and the industry in which it operates; cash flow and the ability to service debt after all liabilities have been met; susceptibility to event risk and the structure and covenant protection of each bond. The team also lists and closely monitors credits which it deems are at risk of default in the next 12 months and those on watch (those that are at risk of a two-notch or more downgrade over the next 12 months).

Top Ten Holdings

	%
EDF Energy	2.3
Wal-mart Stores	2.0
BAA	2.0
Imperial Tobacco	1.9
HSBC Holdings	1.6
Deutsche Telekom	1.4
Tesco	1.3
BT Group	1.3
Thames Water	1.3
Land Securities	1.2
Concentration (Top 10)	16.4
Total Number of Holdings	327

Source: M&G

The fund will be diversified across a large number of credits and will maintain exposure of at least 80% to investment grade corporate bonds. It is able to invest up to 20% of its assets in gilts and high yield. The fund will not hold preference shares or equity priced convertibles. Individual holdings are subject to limits within the portfolio at the time of purchase according to their credit rating, with AAA-rated credits capped at 5%, AA at 5%, A at 4%, BBB at 3%, BB and below at 2%. The fund's duration is limited to +/- 1 year relative to that of the iBoxx Corporate Bond Index.

The fund is a sophisticated UCITS III vehicle, meaning that it may use derivatives for both hedging purposes and expressing outright positive or negative views. In practice, they are predominantly used for efficient portfolio management, in line with the manager's views on appropriate derivative use within a relatively conservative corporate bond fund.

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Data as at 31 December 2011
Last Updated January 2012