

M&G
Gilt & Fixed Interest Income (OEIC)

OBSR Fund Rating
A /  Bronze



Key Information

Launch Date	17 November 1980	
Fund Size	£942.0m	
Type of Shares Available	Income & Accumulation	
Distribution Dates	31 January, 30 April 31 July, 31 October	
Distribution Yield	n/a	
ISA	Yes	
ISA Transfer	Yes	
Standard Fund Management Charges	Initial	0.00%
	Annual	0.75%

Classification

Sector	UK Gilts
OBSR Category	Sovereign
Benchmark/Index	Sector Average

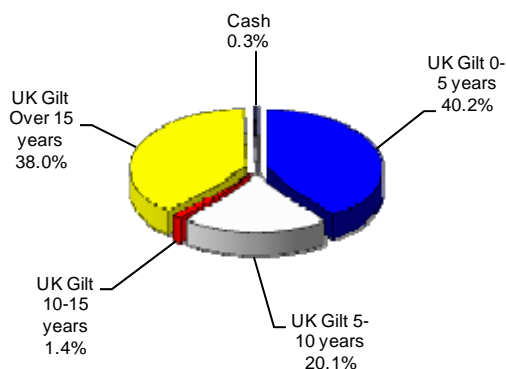
Management/Investment Style

Fund Manager	Jim Leaviss (April 1998)
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Managed by one of the largest fixed income teams in the UK, this fund offers a portfolio predominantly invested in gilts, with duration and yield curve positioning driven by top-down macroeconomic analysis.

Asset Distribution

Source: M&G



Investment Objective & Methodology

The fund aims to provide a high and secure income with stability of capital by investing in short, medium or long-dated government stocks, although a proportion of the fund may be invested in dated debenture or loan stocks. The fund is managed to maximise total return, with the objective of outperforming its peer group.

The fund has been managed by Jim Leaviss since 1998. He is Head of Retail Fixed Interest and works closely with his colleagues in this team as well as drawing 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. Mike Riddell is the deputy manager on the fund.

The fund's investment approach focuses on medium to long-term themes, avoiding reaction to short-term market movements. Up to 5% of the fund can be invested in corporate bonds and these will usually be rated A or above and purchased in consultation with the manager of the M&G Corporate Bond Fund. However, the majority of exposure in the fund is to gilts and, consequently, movements in interest rates (duration). The manager believes that, fundamentally, managing duration is about assessing inflation expectations and setting one's perception of the inflation outlook against the market's perception. Fundamental macroeconomic research is carried out in-house, with the team analysing inflation statistics, growth indicators, currencies, government monetary policy, demographics and national account deficits. Technical factors are also assessed, such as the level of new issuance of gilts and the ratio of new supply to market demand. From this analysis, the manager is able to formulate a view on where the fund should be positioned along the yield curve.

The number of holdings in the fund is low, due to the strong liquidity and high credit quality of the gilt market, and the turnover of the fund is also likely to be low.

The manager has a limited risk budget, managed by tracking error, which he can spend by taking positions against duration, the yield curve and by buying corporate bonds. Up to 20% of the portfolio may be invested in AAA rated government-backed securities and a maximum of 5% may be invested in corporate bonds.

www.obsrfundratings.co.uk

Data as at 31 December 2011
 Last Updated January 2012