

M&G
Strategic Corporate Bond (OEIC)

OBSR Fund Rating
AA / Silver



Key Information

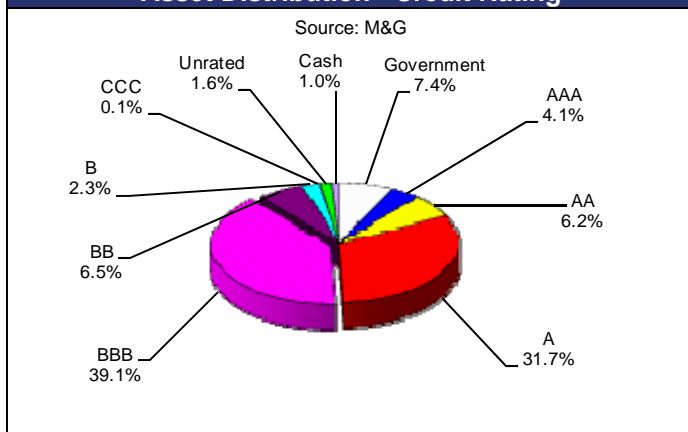
Launch Date	2 February 2004	
Fund Size	£4280.8m	
Type of Shares Available	Income & Accumulation	
Distribution Dates	31 January, 30 April 31 July, 31 October	
Distribution Yield	4.30%	
ISA	Yes	
ISA Transfer	Yes	
Standard Fund Management Charges	Initial	3.00%
	Annual	1.00%

Classification

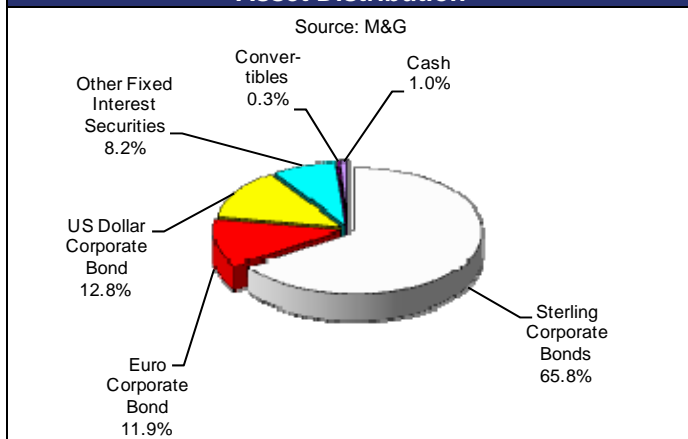
Sector	Sterling Corporate Bond
OBSR Category	Investment Grade
Benchmark/Index	IMA £ Corporate Bond Sector
Management/Investment Style	
Fund Manager	Richard Woolnough (February 2004)

Offers investors an actively managed portfolio of fixed interest securities, the mix of which will be predominantly investment grade corporate bonds, but which is also able to hold up to 20% in other asset classes including gilts and high yield bonds.

Asset Distribution - Credit Rating



Asset Distribution



Top Ten Holdings

Company Name	%
Wal-mart Stores	3.0
EDF Energy	2.2
BAA	2.0
Imperial Tobacco	2.0
HSBC Holdings	1.8
Deutsche Telekom	1.8
Tesco	1.5
BT Group	1.5
Land Securities	1.4
BG Energy	1.4
Concentration (Top 10)	18.4
Total Number of Holdings	304

Source: M&G

Investment Objective & Methodology

The fund aims to maximise total return through investment predominantly in investment grade corporate bonds, but may invest in other debt instruments, including higher yielding corporate bonds, government debt and convertible and preference stocks, as well as money market instruments and equities. In practice, the manager aims to be ranked in the top decile of the IMA £ Corporate Bond sector. For comparison of sector weightings and other portfolio construction matters, the iBoxx Sterling Corporate Bond Index is used.

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 its launch in February 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.

The fund will be actively managed seeking to generate performance from a variety of sources. The investment approach combines macroeconomic assessment, which determines the portfolio's duration and the asset allocation between gilts, investment grade corporate bonds and high yield 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).

The fund is relatively diversified 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, high yield bonds and preference shares and 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% and BB and below 2%. The fund's duration must be within 2 years either side of the benchmark 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.

www.obsrfundratings.co.uk
Data as at 31 December 2011
Last Updated January 2012