

M&G
High Yield Corporate Bond (OEIC)

OBSR Rating
A



Key Information

| | | |
|---|-----------------------|-------|
| Launch Date | 16 October 1998 | |
| Fund Size | £1029.1m | |
| Type of Shares Available | Income & Accumulation | |
| Distribution Dates | Monthly | |
| Yield | 7.11% | |
| ISA | Yes | |
| ISA Transfer | Yes | |
| Standard Fund Management Charges | Initial | 3.00% |
| | Annual | 1.25% |

Classification

| | |
|------------------------|-------------------------|
| Sector | Sterling High Yield |
| OBSR Category | High Yield Bias |
| Benchmark/Index | IMA Sterling High Yield |

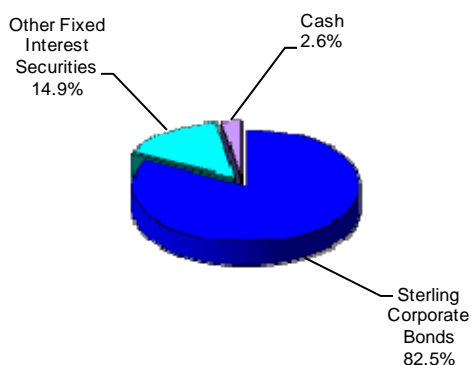
Management/Investment Style

| | |
|---------------------|--------------------------------|
| Fund Manager | Stefan Isaacs (September 2010) |
|---------------------|--------------------------------|

Offers a portfolio of higher yielding bonds, with a minimum of 50% in sub-investment grade issues. The manager is flexible in his approach and seeks to position the fund according to bottom-up and top-down considerations as well as his view of the important drivers of returns throughout the cycle.

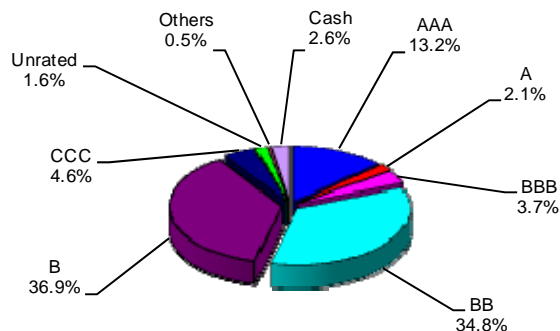
Asset Distribution

Source: M&G



Asset Distribution - Credit Rating

Source: M&G



Top Ten Holdings

| | % |
|--------------------------|------|
| Germany | 12.1 |
| Smurfit Kappa | 3.6 |
| UPC | 3.1 |
| Intergen | 2.6 |
| Musketeer | 2.1 |
| Ardagh Glass | 1.8 |
| Virgin Media | 1.7 |
| Ziggo Bond | 1.5 |
| Sprint Nextel | 1.5 |
| Polish Television | 1.4 |
| Concentration (Top 10) | 31.4 |
| Total Number of Holdings | 123 |

Source: M&G

Investment Objective & Methodology

The fund is designed to maximise total return (the combination of income and growth of capital) while generating a high income. The manager aims to outperform the sector average over the long term.

The fund is managed by Stefan Isaacs, an experienced investor who joined M&G in 2001 and was appointed to the fund management team in 2006. He was deputy manager on the fund from 2007 before becoming lead manager in September 2010. He benefits from the support of M&G's well-resourced fixed income team, including deputy manager Jim Leaviss who is Head of Retail Fixed Interest at the group. There is also a work-out specialist who is available to handle restructurings and recovery situations.

The manager believes that through a combination of thorough bottom-up research and a robust process for assessing the macro-economic environment, he is able to generate superior returns over a market cycle. The macro-economic view is determined by the manager in discussion with the team. They consider economic growth, inflation, interest rates and regulatory issues in order to determine their preferences with regard to duration and the yield curve. The manager uses his market and economic insights as a framework for deciding asset allocation and credit rating preferences. For stock and sector selection, the manager relies upon the detailed work provided by the credit analyst team. M&G has a strong belief in proprietary, fundamental research and therefore the team is extremely well resourced. Given the asymmetric nature of a bond's risk/return characteristics, they are very focused on avoiding deteriorating credits. Each credit is assessed for its business risk, financial risk, structure and covenants and the analysts consider a variety of factors such as the sustainability of a business, its cash flow, debt, balance sheet and liabilities and its capital structure. The result of this process is an internal credit rating for every bond and recommendations for companies that they believe will outperform or underperform their sector peers. A disciplined review process is designed to identify trends and issues at an early stage and a monthly 'at risk' meeting reviews credits that they believe could be downgraded or may default. A number of regular and ad hoc meetings facilitate communication between fund managers and analysts. Using a combination of these bottom-up and top-down inputs, the manager positions the fund as he sees appropriate for the economic and market conditions, increasing and decreasing the fund's credit risk accordingly but always mindful of the fund's higher yield and monthly income distribution requirements.

According to the sector guidelines, the fund must have a minimum of 50% in sub-investment grade debt and at least 80% of the fund must be in Sterling or Sterling hedged investments. The fund guidelines also require at least 80% of the fund to be invested in corporate/high yield bonds. The fund is permitted to have up to 10% in unregulated securities, such as loans, and the manager may also use derivatives. He prefers to maintain diversification, with exposure to around 100 bond issuers. At the issuer level, 5% may be held in AAA to A rated credits, 4% in BBB to B rated credits and 3% in CCC rated credits. Risk is at the overall portfolio level is monitored using value-at-risk analysis.

Data as at 30 September 2011
Last Updated October 2011

Data as of 30 Sep 2011

M&G High Yield Corporate Bond A Inc

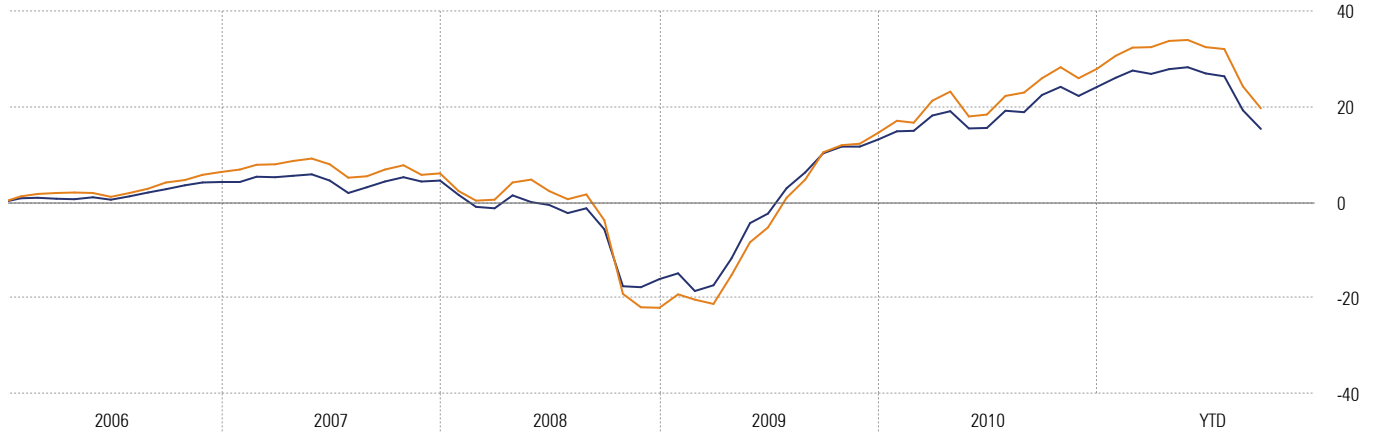
IMA Sector

E High Yield sector

Index

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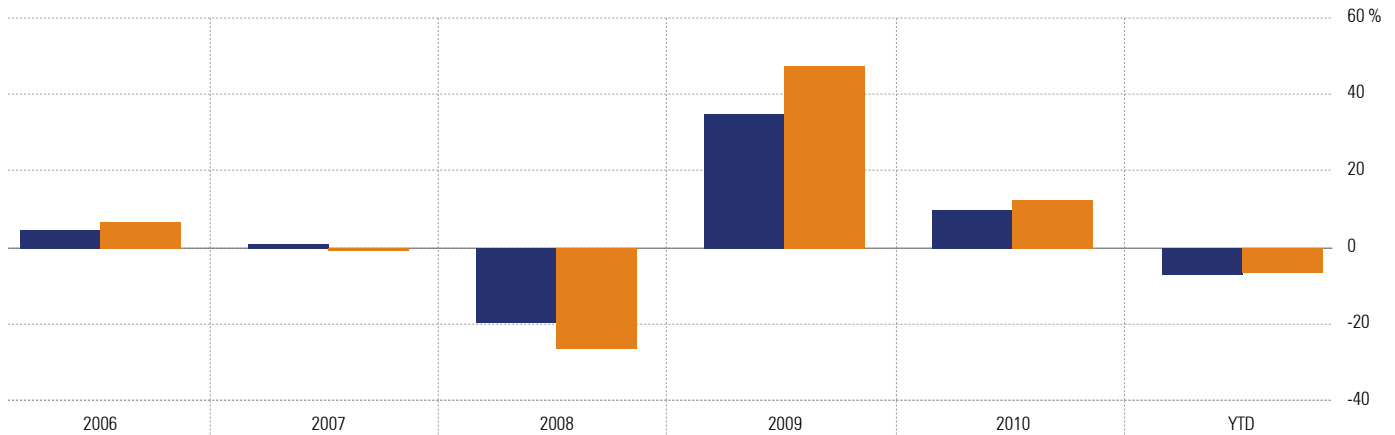
Cumulative Performance



| | 3 Month % | 6 Month % | 1 Year % | 3 Year % | 5 Year % | 10 Year % | Since Launch % |
|-----------------|-----------|-----------|----------|----------|----------|-----------|----------------|
| ■ Fund | -9.11 | -9.04 | -5.76 | 22.32 | 12.30 | 60.50 | 73.63 |
| ■ Index | - | - | - | - | - | - | - |
| ■ Sector | -9.70 | -9.71 | -4.95 | 26.99 | 18.07 | 73.24 | 81.67 |
| Percentile Rank | - | - | - | - | - | - | - |

Fund returns are based upon NAV to NAV or bid to bid income reinvested basis.

Discrete Performance



| | 2006 % | 2007 % | 2008 % | 2009 % | 2010 % | YTD % |
|-----------------|--------|--------|--------|--------|--------|-------|
| ■ Fund | 4.22 | 0.24 | -19.65 | 34.73 | 9.76 | -7.10 |
| ■ Sector | 6.32 | -0.34 | -26.58 | 47.05 | 12.09 | -6.51 |
| Percentile Rank | - | - | - | - | - | - |

Fund returns are based upon NAV to NAV or bid to bid income reinvested basis.