

# The M&G Target Income Funds





**Being able to draw a regular income from your investment should be a simple and stress-free undertaking, without having to worry about how your investment and asset allocation are being managed.**

M&G Investments' range of Target Income Funds is designed with exactly that in mind. Each unit trust fund is specifically managed to return a certain level of income, all the while growing your capital over time.

**The fund range**



## How do the funds work?



The primary objective of the Target Income Funds is to target an annual income return of either 2.5%, 5% or 7% of your investment (depending on which fund you choose), with a secondary focus on capital growth.

Each fund invests in a well-diversified and flexible mix of local and offshore asset classes, similar to that of a multi-asset fund. One of the benefits of the Target Income Funds is that they do not have to comply with the investment limits of Regulation 28, for example the limits on exposure to offshore, listed property and equity assets. By following this approach our fund managers have greater flexibility to optimally structure each fund's underlying holdings, which are carefully selected based on their assessment of which assets are best suited to meet the funds' objectives.

## How are the funds managed?



We manage all of our funds on a strict valuation-based process. This essentially means that we aim to buy assets when their valuations are trading below their long-term fair value, and aim to sell them once they reach fair value or higher. In addition, the assets within our Target Income Funds are selected based on their ability to produce the targeted income return for each fund. Our decisions are centred on known facts and fundamental analysis – we don't try to forecast the future. We follow a team-based approach when making investment decisions. Our team of highly experienced and qualified investment professionals have been working together for many years, with all of our 'buy and sell' decisions made collectively.

The offshore assets within our funds are managed by a large and experienced global team at our parent company, London-listed M&G Investments. M&G Investments Southern Africa forms part of the broader M&G plc group, one of Europe's largest active asset managers. We have direct access to some of the latest technology and highly-experienced investment professionals from around the world, who we work very closely with through sharing ideas, information and research. This long-established coordinated approach provides our clients with exceptional international expertise.

We believe that the consistent application of our philosophy and process will lead to sustainable investment performance for our clients over time.

## How do the funds differ?

The typical asset allocation in each of the Target Income Funds will necessarily differ because of the different income targets to be achieved.

If you consider the 2.5% Target Income Fund, for example, this is a relatively low income target to achieve for clients. Because less income is required, our fund managers are able to invest a higher proportion of the portfolio into growth assets like equities and listed property, both domestic and offshore.

These assets, while being higher risk, are better positioned to deliver higher returns with moderate levels of income over the long term. Fixed-income assets (such as bonds and cash), meanwhile, would typically have less weighting in the 2.5% Target Income Fund than its counterparts.

The table below provides an overview of the main differences in asset allocation between each income option.

	Target Income Fund		
	2.5%	5.0%	7.0%
Exposure to growth assets	High	Medium	Low
Exposure to income assets	Low	Medium	High

## M&G Target Income Funds Snapshot

Return volatility		LOWER		HIGHER
Fund name				
Category/Sector		Unclassified	Unclassified	Unclassified
Risk profile		Low/Medium	Medium	Medium/High
Benchmark		7% Income return p.a.	5% Income return p.a.	2.5% Income return p.a.
Fund objective		The primary objective is to target an annual income return of 7%, with a secondary objective of growing capital invested.	The primary objective is to target an annual income return of 5%, with a secondary objective of growing capital invested.	The primary objective is to target an annual income return of 2.5%, with a secondary objective of growing capital invested.
Annual investment management fee	#Amount of total fee payable to Financial Adviser	0.00%	0.00%	0.00%
	Total	0.85%	1.00%	1.15%
Maximum Initial Financial Adviser fee (If applicable)		3.00%*	3.00%*	3.00%*
Distribution frequency		Quarterly	Quarterly	Quarterly
Minimum investment amount		R10 000 lump sum	R10 000 lump sum	R10 000 lump sum

M&G Target Income Funds

# Included in Annual Management Fee

\* Within the M&G Living Annuity the maximum initial adviser fee is 1.5% and the maximum ongoing adviser fee is 1.0%.

How much does it cost?



**M&G Investments does not charge any initial or exit fees. The only fee that we charge is an annual asset management fee which ranges from between 0.85% - 1.15% (excluding VAT) depending on the M&G Target Income Fund that you choose to invest in.**

If you have a financial adviser, you can negotiate the fee that you pay them of up to the following limits:

- M&G Living Annuity – a maximum of 1.5% initial adviser fee and a maximum of 1.0% ongoing adviser fee across all of the Target Income Funds (all amounts exclude VAT).
- M&G Discretionary Unit Trust Investment – a maximum of 3.0% initial adviser fee across all of the Target Income Funds. Ongoing adviser fees are not applicable (all amounts exclude VAT).

Adviser fees are paid via the regular repurchases of units from the investment.

What are the risks?



**Each of the income options are managed to meet their investment objectives while mitigating the potential for capital loss. The below table shows the potential risks applicable to each option.**

	Target Income Fund		
	2.5%	5.0%	7.0%
Risk of not achieving targeted income return	Low	Medium	High
Risk of real value of capital being eroded after income payments	Low	Medium	High
Likely volatility of total returns	High	Medium	Low





What is the minimum investment amount?



The minimum lump sum investment amount is R10 000. Unlike our other unit trust funds, debit orders are not offered within our suite of Target Income Funds.

What is the maximum amount I can drawdown?



While there are no drawdown limits when investing in the Target Income Funds via our discretionary unit trust investments, the maximum drawdown limit within the M&G Living Annuity is 17.5%. When selecting your income option, it's important to remember the way in which the funds are structured and the income level that each fund seeks to achieve. To get the most out of each fund, we strongly recommend that your drawdown be either the same or less than the targeted income amount indicated in the objective of each fund.



How do I invest?



The M&G Target Income Funds are available as a discretionary unit trust investment as well as within the M&G Living Annuity.

For more information, please visit our website or contact our client services.



## Contact us

Client Services  
0860 105 775

Email  
[info@mandg.co.za](mailto:info@mandg.co.za)

[mandg.co.za](http://mandg.co.za)  
[in](#) [🐦](#) [f](#) [📺](#) [📷](#)

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CISs are generally medium-to long-term investments. Past performance is not necessarily a guide to future investment performance. The prices in respect of participatory interests in a CIS portfolio are calculated on a net asset value basis. This means the price is the total net market value of all assets of the particular portfolio of the CIS divided by the total number of participatory interests in such portfolio of the CIS. Any market movements – for example in share prices, bond prices, money market prices or currency fluctuations – relevant to the underlying assets comprising the applicable CIS portfolio in which participatory interests are held may cause the value of such underlying assets to go up or down. As a result, the price of the participatory interests linked to your policy may go up or down. Participatory interests in CISs are traded at the ruling forward price of the day, meaning that transactions are processed during the day before you or the Manager of the CIS know what the price at the end of the day will be. The price and therefore the number of participatory interests involved in the transaction are only known on the following day. The CIS may borrow up to 10% of the scheme value, and it may also lend any scrip (proof of ownership of an investment instrument) that it holds to earn additional income. A M&G CIS may consist of portfolios comprising different asset classes and types that are subject to different fees and charges. The Manager of the CIS will pay your Financial Adviser a standard ongoing adviser fee, which is included in the overall costs of the CIS. A summary with all fees and maximum initial and ongoing adviser fees in respect of each CIS linked to your policy is available on our website. The Manager of the CIS may, at its discretion, close your chosen CIS to new investors and to additional investments by existing investors to make sure that it is managed in accordance with its mandate. It may also stop your existing debit order investment. The Manager makes no guarantees as to the capital invested in the CIS or the returns thereof. Excessive withdrawals from the CIS may place it under liquidity pressure and, in such circumstances, a process of ring fencing withdrawal instructions and managed pay outs over time may be followed. A Feeder fund may only invest in a single portfolio of a CIS which levy its own charges that could result in a higher fee structure for these funds. Foreign securities including foreign CISs may be included in underlying CIS portfolios. As a result, those CIS portfolios may face material risks. The volatility of the CIS may be higher and the liquidity of the underlying securities comprising the applicable portfolio of the CIS may be restricted due to relative market sizes and market conditions. The CIS's ability to settle securities and to repatriate investment income, capital or the proceeds of sales of securities may be adversely affected for multiple reasons including market conditions, macro-economic and political circumstances. Further, the return on the securities comprising a particular portfolio may be affected (positively or negatively) by the difference in tax regimes between the domestic and foreign tax jurisdictions. The availability of market information and information on any underlying sub-funds may be delayed. The investor acknowledges the inherent risk associated with the selected CISs and that there are no guarantees. M&G Investment Managers is a member of the Association of Savings and Investments of South Africa.