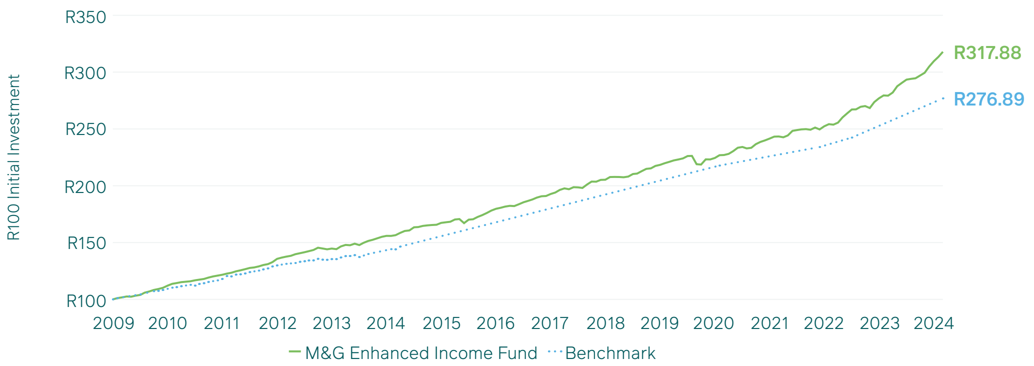
M&G Enhanced Income Fund

Multi-asset

September 2024

Since inception cumulative performance, distributions reinvested (A class)



Annualised performance	A class	Benchmark	T class	X class	D class
1 year	13.8%	8.5%	14.0%	13.8%	14.2%
3 years	9.3%	6.9%	9.5%	9.3%	9.6%
5 years	7.5%	6.1%	7.7%	7.5%	7.9%
7 years	7.1%	6.5%	7.4%	7.2%	7.5%
10 years	7.3%	6.8%	-	7.4%	7.8%
Since inception	7.9%	6.9%	-	-	-

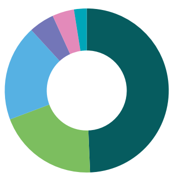
1-year income return	A class	T class	X class	D class
Fund yield (net of fees)	9.3%	9.5%	9.3%	9.7%

Returns since inception[1]	A class	Date
Highest annualised return	13.8%	30 Sep 2024
Lowest annualised return	1.8%	30 Apr 2020

Top issuers as at 30 Sep 2024	
1. M&G Bond Fund	20.0%
2. Republic of South Africa	19.6%
3. Absa Bank Ltd	14.9%
4. Firstrand Bank Ltd	7.1%
5. M&G High Interest Fund	6.6%

Risk measures	A class	Benchmark
Monthly volatility (annualised)	2.3%	1.1%
Maximum drawdown over any period	-3.4%	-1.2%
% of positive rolling 12 months	100.0%	100.0%
Information ratio	1.0	n/a
Sortino ratio	1.8	n/a
Sharpe ratio	1.0	-0.1

Asset allocation as at 30 Sep 2024



SA Cash	49.3%
M&G Bond Fund Hedged	19.9%
SA Bonds (ex. ILBs)	18.9%
Foreign Bonds	5.0%
SA ILBs	4.3%
SA Listed Property	2.5%

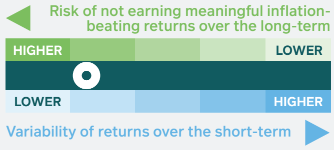
Investment options	A Class	T Class	I Class	X Class	D Class
Minimum lump sum investment	R10 000	R10 000	R10 000	R10 000	R20 million
Minimum monthly debit order	R500 pm	R500 pm	R500 pm	R500 pm	n/a

Annual Management Fees (excl. VAT)	A Class	T Class	I Class	X Class	D Class
M&G[2]	0.75%	0.60%	1.00%	0.80%	0.50%
Financial adviser service fee (if applicable)[3]	n/a	n/a	0.30%	0.30%	n/a

Expenses (incl. VAT)	A Class	T Class	I Class	X Class	D Class
Total Expense Ratio (TER)	0.90%	0.73%	1.19%	0.96%	0.61%
Transaction Costs (TC)[4]	0.02%	0.02%	0.02%	0.02%	0.02%
Total Investment Charges (TIC)	0.92%	0.75%	1.21%	0.98%	0.63%

[1] 12-month rolling performance figure
[2] Additional underlying foreign fund fees are dependent on the fund and are included in the TER
[3] The Financial Adviser Service Fee, if applicable, is included in M&G's annual management fee above. An Ongoing Adviser Fee, over and above the Financial Adviser Service Fee, may be negotiated between the Investor and Financial Adviser. Should you agree to an Ongoing Adviser Fee, it will be paid via the regular repurchase of units.
[4] Where a transaction cost is not readily available, a reasonable best estimate has been used. Estimated transaction costs may include Bond, Money Market, and FX costs (where applicable).

Risk profile



Fund facts

Fund objective

To maximise total returns in excess of the benchmark over a rolling 36-month period, while seeking to protect capital and reduce volatility through active asset management.

Investor profile

Individuals requiring an actively managed income solution that provides a high income return together with moderate capital growth. The recommended investment horizon is 1 to 3 years.

Investment mandate

The Fund invests in a flexible mix of high-yielding securities. The intended maximum limits are Equity 10%, Listed Property 25% and Foreign 45%. No duration constraints apply. The Fund is managed to comply with regulations governing retirement fund investments (Regulation 28).

Fund managers

Roshen Harry
Bulent Badsha

ASISA category

South African - Multi-Asset - Income

Benchmark

STeFI Composite Index measured over a rolling 36-month period

Inception date

1 July 2009

Fund size

R891 300 303

Sources: M&G and Morningstar

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September 2024

Income Distributions[5]

	A Class		T Class		X Class		D Class	
	Total	12m yield	Total	12m yield	Total	12m yield	Total	12m yield
30 September 2024	2.32 cpu	8.68%	2.37 cpu	8.84%	2.30 cpu	8.63%	2.40 cpu	8.95%
30 June 2024	2.73 cpu	8.72%	2.78 cpu	8.88%	2.71 cpu	8.66%	2.81 cpu	8.99%
31 March 2024	2.42 cpu	8.01%	2.47 cpu	8.17%	2.41 cpu	7.95%	2.50 cpu	8.29%
31 December 2023	2.75 cpu	7.15%	2.80 cpu	7.31%	2.73 cpu	7.09%	2.83 cpu	7.42%

Fund commentary

US Treasury bond yields once again made year-to-date lows in September. The August labour report showed lower than expected monthly nonfarm payrolls and an as forecasted unemployment rate, alongside higher than expected average hourly earnings figures. Prior nonfarm payrolls were revised lower. The weak payrolls figures ensured that from the view of the FOMC's dual mandate the concern has shifted from high inflation to weak employment. The labour market figures drove a strong bull steepening in yields, which persisted until the middle of the month. September saw stronger US real economic activity data surprises coupled with stronger consumer inflation data surprises and this combination placed some mild upward pressure for bond yields over the second half of the month. The US rates market was pushing for a 50bp cut by the FOMC at the 18 September meeting, however, the release of the August inflation reports drove the market to price out 50bp and instead price in only a 25bp cut. A week before the meeting, we suspect that the FOMC where unhappy with the market pricing in only a 25bp cut and they contacted the Wall Street Journal and Financial Times, asking them to publish dovish articles on the upcoming FOMC meeting. The market then raised the cut expectation to 40bp. Another interesting development that occurred between meetings was that the July FOMC minutes showed that the committee did discuss whether to cut rates then. The subsequent weakness in the labour market meant that that they probably regretted not cutting in July. The FOMC did lower rates by 50bp, although the tone supported a further increase in yields into month end. Brent crude oil prices declined again in September, making year-to-date lows in the process. The US dollar index also weakened in September, sitting weaker for the year. Dollar weakness helped the rand exchange rate strengthen, making the rand one of the best performing currencies in the world this year. The cost of protection via the CDS market tightened once again in September to the tightest level since pre-Covid.

SA bond yields declined further in September. Lower global bond yields, a stronger rand, lower crude oil prices, weaker than expected CPI inflation for August and a lower 3Q24 BER inflation expectations survey helped continue the post-election rally. The MPC of the SARB lowered the repo rate by 25bp. This was inline with the economist consensus expectation, however, the market did price in some chance for a 50bp reduction. Despite the dovish economic data, the committee chose to focus on its risk assessment which was to the upside. The MPC made their decision prior to the FOMC announcement. The market read the statement and subsequent press conference as hawkish. This helped to flatten the yield curve over the month. The currency also benefitted from the decision.

Over the past 12 months the Fund delivered a total return of 13.8%, which compares favourably to both the benchmark (STeFI Composite) return of 8.5% and the ASISA category average gain of 12.7%. More importantly, over the past 4 years the Fund provided an annualised return of 8.8% which was comfortably ahead of the benchmark return of 6.1% and the ASISA category average of 8.2%.

Glossary

12-month yield	A measure of the Fund's income distributions as a percentage of the Fund's net asset value (NAV). This is calculated by summing the income distributions over a rolling 12-month period, then dividing by the sum of the NAV at the end of the period and any capital gains distributed over the same period.
1-year income return	The portion of the return of the Fund that is attributed to income generated over the last 12 months, assuming the investor reinvests all distributions and incurs no transaction fees or taxes.
Annualised performance	The average amount of money (total return) earned by an investment each year over a given time period. For periods longer than one year, total returns are expressed as compounded average returns on a yearly basis.
Cumulative performance graph	This illustrates how an initial investment of R100 or N$100 (for example) placed into the Fund would change over time, taking ongoing fees into account, with all distributions reinvested.
Income distribution	The dividend income and/or interest income that is generated by the underlying Fund investments and that is periodically declared and distributed to investors in the Fund after all annual service fees.
Information ratio	Measures the Fund's active return (Fund return in excess of the benchmark) divided by the amount of risk that the manager takes relative to the benchmark. The higher the information ratio, the higher the active return of the Fund, given the amount of risk taken and the more consistent the manager. This is calculated over a 3-year period.
Intended maximum limits	This indicates the Fund's intended maximum exposure to an asset class. These limits may be reviewed subject to the Fund's Supplemental Deed and/or Regulation 28 for those Funds managed in accordance with Regulation 28 of the Pension Funds Act.
Maximum drawdown	The largest drop in the Fund's cumulative total return from peak to trough over any period.
Monthly volatility (annualised)	Also known as standard deviation. This measures the amount of variation or difference in the monthly returns on an investment. The larger the annualised monthly volatility, the more the monthly returns are likely to vary from the average monthly return (i.e. the more volatile the investment).
Percentage of positive rolling 12 months	The percentage of months, since inception, that the Fund has shown a positive return over a rolling 12-month period.
Regulation 28	The South African retirement fund industry is governed by the Pension Funds Act, No 24 of 1956. Regulation 28 of the Pension Funds Act prescribes the maximum limits in asset classes that an approved retirement fund may invest in.
Sharpe ratio	The Sharpe ratio is used to measure how well the return of an asset compensates the investor for the risk taken. The higher the Sharpe ratio the better the Fund's historical risk-adjusted performance has been. This is calculated by taking the difference between the Fund's annualised return and the risk-free (cash) rate, divided by the standard deviation of the Fund's returns. This is calculated over a 3-year period.
Sortino ratio	This is calculated by taking the difference between the Fund's annualised return and the risk-free (cash) rate, divided by the downside deviation of the Fund's returns i.e. the "bad" volatility. A high Sortino ratio indicates a low risk of large losses occurring in the Fund. This is calculated over a 3-year period.
Total Expense Ratio (TER)	This shows the charges, levies and fees relating to the management of the portfolio and is expressed as a percentage of the average net asset value of the portfolio, calculated for the year to the end of the most recent completed quarter. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs.
Transaction Costs (TC)	The percentage of the value of the Fund incurred as costs relating to the buying and selling of the Fund's underlying assets. Transaction costs are a necessary cost in administering the Fund and impacts Fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Fund, investment decisions of the investment manager and the TER.
Total Investment Charges (TIC)	The percentage of the value of the Fund incurred as costs, relating to the investment of the Fund. As fund returns are reported after deducting all fees and expenses, these costs (the TER, TC & TIC) should not be deducted from the fund returns.
Unit Classes	M&G's funds are offered in different unit classes to allow different types of investors (individuals and institutions) to invest in the same fund. Different investment minimums and fees apply to different unit classes. A Class: for individuals only. B & D Class: retirement funds and other large institutional investors only. X Class: the special fee class that was made available to investors that were invested in the Dividend Income Feeder Fund. T Class: for investors in tax-free unit trusts. F Class: for Discretionary Fund Managers.

[5] If the income earned in the form of dividends and interest exceeds the total expenses, the Fund will make a distribution (cpu = cents per unit).

Contact us

info@mandg.co.za

mandg.co.za

0860 105 775

Invest now

Application forms

An electronic copy of this document is available at www.mandg.co.za

Disclaimer

Sources: M&G and Morningstar