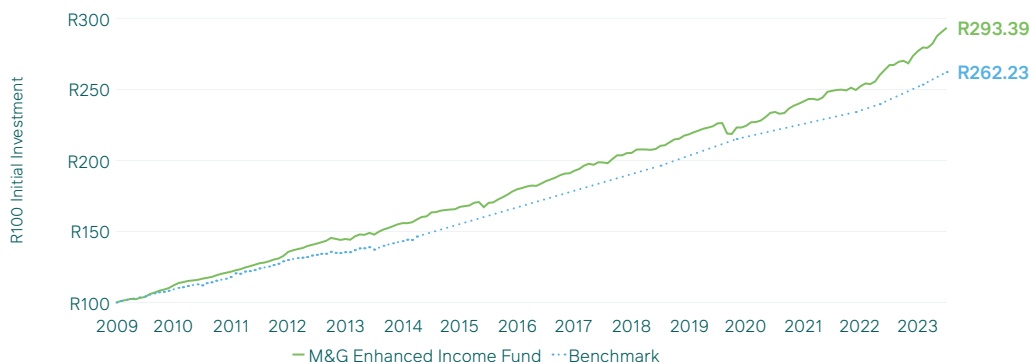


# M&G Enhanced Income Fund

Multi-asset

January 2024

## Since inception cumulative performance, distributions reinvested (A class)



Annualised performance	A class	Benchmark	T class	X class	D class
1 year	9.8%	8.2%	10.0%	9.8%	10.1%
3 years	7.8%	5.8%	8.0%	7.8%	8.1%
5 years	6.9%	6.0%	7.1%	6.9%	7.2%
7 years	6.8%	6.4%	7.1%	6.8%	7.2%
10 years	7.1%	6.7%	-	7.2%	7.6%
Since inception	7.7%	6.9%	-	-	-

1-year income return	A class	T class	X class	D class
Fund yield (net of fees)	8.4%	8.6%	8.3%	8.7%

Returns since inception <sup>1</sup>	A class	Date
Highest annualised return	12.9%	30 Nov 2010
Lowest annualised return	1.8%	30 Apr 2020

### Top 10 holdings as at 31 Dec 2023

1.	M&G Bond Fund	20.1%
2.	Republic of SA Bond 8.00% 310130 (R2030)	19.6%
3.	ABSA Bank NCD 9.75% 250428	5.5%
4.	ABSA Bank NCD 10.35% 190528	3.1%
5.	ABSA Bank NCD 9.44% 230228	2.9%
6.	ABSA Bank NCD 9.65% 200428	2.7%
7.	ABSA Bank NCD 9.20% 220425	2.7%
8.	Firststrand Bank FRN J3+1.90% 060228	2.0%
9.	Standard Bank Group FRN J3+1.88% 030328	2.0%
10.	Airports Company SA ILB 3.64% 300428	1.8%

### Asset allocation



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	0.9	n/a
Sortino ratio	1.4	n/a
Sharpe ratio	0.8	0.0

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 <sup>2</sup>	0.75%	0.60%	1.00%	0.80%	0.50%
Financial adviser service fee (if applicable) <sup>3</sup>	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)	0.96%	0.79%	1.25%	1.02%	0.68%
Transaction Costs (TC) <sup>4</sup>	0.02%	0.02%	0.02%	0.02%	0.02%
Total Investment Charges (TIC)	0.98%	0.81%	1.27%	1.04%	0.70%

<sup>1</sup> 12-month rolling performance figure

<sup>2</sup> Additional underlying foreign fund fees are dependent on the fund and are included in the TER

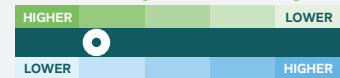
<sup>3</sup> The Financial Adviser Service Fee, if applicable, is included in M&G's annual management fee above. An Ongoing Adviser Fee, over and above the Financial Adviser Service Fee,

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.

<sup>4</sup> 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

◀ Risk of not earning meaningful inflation-beating returns over the long-term



Variability of returns over the short-term ▶

## 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 25%. 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

R800 681 366

# M&G Enhanced Income Fund

Multi-asset

January 2024

Income Distributions <sup>5</sup>	A Class		T Class		X Class		D Class	
	Total	12m yield	Total	12m yield	Total	12m yield	Total	12m yield
31 December 2023	2.75 cpu	7.15%	2.80 cpu	7.31%	2.73 cpu	7.09%	2.83 cpu	7.42%
30 September 2023	2.64 cpu	6.49%	2.69 cpu	6.65%	2.62 cpu	6.43%	2.72 cpu	6.77%
30 June 2023	2.58 cpu	6.85%	2.63 cpu	7.01%	2.56 cpu	6.79%	2.66 cpu	7.13%
31 March 2023	1.45 cpu	9.32%	1.50 cpu	9.48%	1.43 cpu	9.25%	1.53 cpu	9.59%

## Fund commentary

Following their stupendous rally in the final quarter of 2023, US Treasuries gave back some of their gains in January 2024. There was a muted sell-off in US Treasuries following the release of the December employment report, which showed another higher-than-expected monthly nonfarm payrolls figure, a further lower-than-forecasted unemployment rate as well as continued stronger-than-anticipated average hourly earnings figures. Also, prior average hourly earnings figures were revised higher but nonfarm payrolls were revised lower. The strength of the labour market coupled with the deceleration in inflation over the prior six months made the bond market nervous ahead of the first FOMC meeting of the year. Unlike the previous two meetings, the statement and subsequent press conference were not received as overwhelmingly dovish by global markets. While some dovish changes were made to the statement, these were already widely discounted. Some ambiguity remained in the statement as to the timing of the first rate cut. In response to a question in the press conference, the FOMC chairman made it clear that he thought a March interest rate cut was unlikely and the market subsequently moved its expectation away from March towards May. By late 2023 the market had begun to price an early and deep rate cutting cycle and has had to steadily walk this back. Unlike the prior months, the curve had a strong steepening bias in January driven by both ends of the yield curve. After falling over the prior three consecutive months, Brent crude oil prices regained their footing and increased in January. The rand exchange rate started the new year on the back foot alongside a stronger US dollar index, weakening to above R19.21/USD before recovering somewhat by month end. The SA sovereign risk premium widened over the month, giving back the gains made in the aftermath of the December FOMC meeting.

Monthly economic data released in January continued to show further weakness in the South African economy. There is a reasonable chance that the 4Q23 GDP release will show that the economy is in the throes of a recession. The headline CPI inflation rate for December moderated from the month before and came out lower-than-anticipated at 5.1%. Core CPI inflation was unchanged from the November and in line with expectations at 4.5%. While PPI inflation came out lower-than-expected and lower than the prior month at 4.0%. The first MPC meeting of the year was a non-event for the local fixed income market as the MPC was widely expected to show an unchanged rate stance and maintain a hawkish tone. The replacement of the outgoing Deputy Governor by a former Lead Economist at the SARB shifts the balance on the MPC in favour of the hawks. Yields on both fixed rate and inflation linked bonds increased over January, but the high level of carry ensured that they provided positive returns.

Over the past 12 months the Fund delivered a total return of 9.8%, which compares favourably to both the benchmark (STeFI Composite) return of 8.2% and the ASISA category average gain of 8.8%. More importantly, over the past 3 years the Fund provided an annualised return of 7.8%. This was ahead of the benchmark return of 5.8% as well as the category average return of 7.3%.

## Glossary

<b>1-year income return</b>	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.
<b>12-month yield</b>	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.
<b>Annualised performance</b>	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.
<b>Cumulative performance graph</b>	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.
<b>Income distribution</b>	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.
<b>Information ratio</b>	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.
<b>Intended maximum limits</b>	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.
<b>Maximum drawdown</b>	The largest drop in the Fund's cumulative total return from peak to trough over any period.
<b>Monthly volatility (annualised)</b>	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).
<b>Percentage of positive rolling 12 months</b>	The percentage of months, since inception, that the Fund has shown a positive return over a rolling 12-month period.
<b>Regulation 28</b>	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.
<b>Sharpe ratio</b>	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.
<b>Sortino ratio</b>	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.
<b>Total Expense Ratio (TER)</b>	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.
<b>Total Investment Charges (TIC)</b>	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 and TIC) should not be deducted from the fund returns.
<b>Transaction Costs (TC)</b>	The percentage of the value of the Fund incurred as costs relating to the buying and selling of the Funds 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.
<b>Unit class</b>	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.

<sup>5</sup> 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).

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