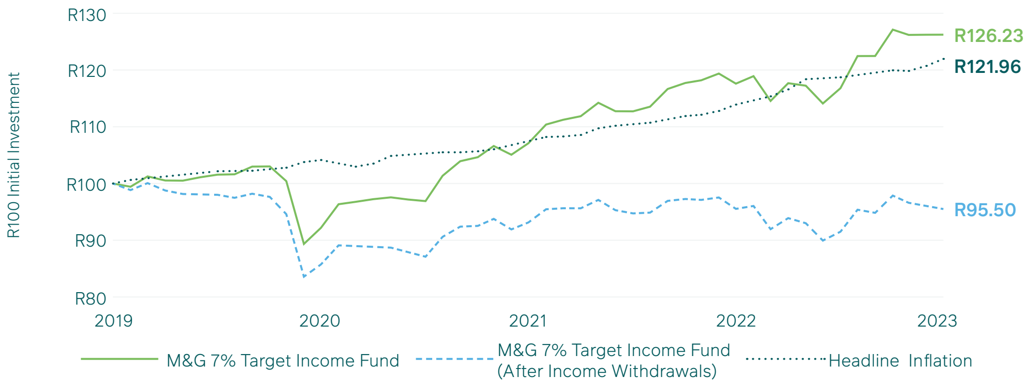
M&G 7% Target Income Fund

Target Income

April 2023

Since inception cumulative performance, distributions reinvested (A class)



Annualised performance

Annualised performance	A class	CPI	B class
1 year	7.3%	7.1%	7.7%
2 years	8.6%	6.5%	8.9%
3 years	11.0%	5.4%	11.4%
Since inception	6.0%	5.1%	-

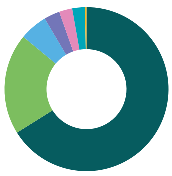
Returns since inception[1]

Returns since inception[1]	A class	Date
Highest annualised return	17.6%	31 Mar 2021
Lowest annualised return	-7.8%	30 Apr 2020

Top 10 holdings as at 31 Mar 2023

1.	Republic of SA Bond 8.50% 310137 (R2037)	13.7%
2.	Republic of SA Bond 8.00% 310130 (R2030)	8.4%
3.	Republic of SA Bond 9.00% 310140 (R2040)	7.6%
4.	Eskom Holdings Bond 7.50% 150933	7.5%
5.	Republic of SA Bond 8.875% 280235 (R2035)	7.2%
6.	Republic of SA Bond 8.25% 310332 (R2032)	5.2%
7.	Republic of SA Bond 8.75% 310144 (R2044)	4.5%
8.	Republic of SA Bond 10.50% 211226 (R186)	4.3%
9.	Naspers Ltd/Prosus NV	3.1%
10.	Standard Bank Group Ltd	1.4%

Asset allocation



SA Bonds (ex. ILBs)	66.1 %
SA Equity	19.9 %
SA Cash	5.5 %
SA Listed Property	3.1 %
Foreign Bonds	2.6 %
Foreign Equity	2.5 %
SA ILBs	0.3 %

Risk measures

Risk measures	A class
Monthly volatility (annualised)	8.6%
Maximum drawdown over any period	-13.3%
% of positive rolling 12 months	78.4%
Information Ratio	0.8
Sortino Ratio	1.7
Sharpe Ratio	0.9

Comparison of Target Income Funds

Comparison of Target Income Funds	2.5%	5%	7%
Exposure to growth assets	Higher	Medium	Lower
Exposure to income assets	Lower	Medium	Higher
Risk of not receiving targeted income return	Lower	Medium	Higher
Potential to grow invested capital	Higher	Medium	Lower
Likely volatility of total returns	Higher	Medium	Lower

Investment options

Investment options	A Class	B Class
Minimum lump sum investment	R10 000	R20 million
Minimum monthly debit order	n/a	n/a

Annual Management Fees (excl. VAT)

Annual Management Fees (excl. VAT)	A Class	B Class
M&G[2]	0.85%	0.55%

Expenses (incl. VAT)

Expenses (incl. VAT)	A Class	B Class
Total Expense Ratio (TER)	1.05%	0.70%
Transaction Costs (TC)[3]	0.04%	0.04%
Total Investment Charges (TIC)	1.09%	0.74%

[1] 12-month rolling performance figure
[2] The Fund can invest portions of its assets into underlying foreign investments (incl. investments into Africa). This would mainly be achieved by investing into the sub-funds of the M&G (South Africa) Global Funds ICAV and the M&G Africa Equity Fund. These funds will charge an additional asset management fee which is included in the Fund's NAV and the Fund's TER. The Manager receives a marketing and distribution fee in respect of the M&G (South Africa) Global Funds.
[3] 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).

Fund facts

Fund objective
To target an annual income return of 7%, with a secondary objective of growing capital invested. While a 7% annual income return is targeted, the actual income return may vary.

Investor profile
Income drawing investors who want to invest in a fund that aims to earn 7% income per year. Subject to this being achieved, investors also want capital growth over time. The very high level of targeted income return means it is most likely that the real value of capital after targeted income drawdowns will be eroded over the long term.

Investment mandate
The Fund invests in a flexible mix of local and foreign equity, bonds, property and cash. The Fund can also invest in derivatives and other collective investment schemes. The Fund is not managed to conform to the regulations governing retirement fund investments (Reg. 28). Besides a max. total equity exposure of 70%, the Fund is not limited in terms of allocation to asset classes, currencies or geographies.

Income distribution
The income earned from the Fund's underlying assets will be distributed quarterly. Typically, investors will reinvest these distributions. Regular drawdowns, which could be made monthly, quarterly, half-yearly or yearly, will be funded through the sale of units.

Fund managers
David Knee
Michael Moyle
Sandile Malinga
Leonard Krüger

ASISA category
Worldwide - Multi Asset - Unclassified

Primary objective
7% Income return p.a.

Inception date
2 April 2019

Fund size
R374 494 654

Sources: M&G and Morningstar

M&G Investments

M&G 7% Target Income Fund

Target Income

April 2023

Income Distributions[4]

	A Class		B Class	
	Total	12m yield	Total	12m yield
31 March 2023	1.60 cpu	7.30%	1.69 cpu	7.63%
31 December 2022	1.78 cpu	7.34%	1.87 cpu	7.68%
30 September 2022	1.84 cpu	7.55%	1.93 cpu	7.91%
30 June 2022	1.75 cpu	7.28%	1.84 cpu	7.63%

Fund commentary

Global equities and bonds posted broadly positive returns in April as positive investor sentiment outweighed growth concerns and lingering worries over US regional bank stability. Markets were bolstered by growing expectations that the US Federal Reserve would likely pause its aggressive rate hiking cycle after an expected 25bp increase in early May, as well as generally positive company earnings results. In the US, consumer prices increased by 5% y/y in March, slower than February's 6% y/y. US GDP growth slowed to an annual rate of 1.1% in Q1 2023, down from the annual rate of 2.6% recorded in Q4 2022. This data points to a slowing economy with increasing expectations that the US will enter a recession this year. In the UK, Q1 real GDP grew at a more-robust-than-expected 1.1% q/q, while CPI rose by 10.1% y/y in March 2023, down from 10.4% in February. Turning to the Eurozone, consumer prices are decreasing rapidly, but core prices remain stubbornly high. Market expectations are for at least a 25 basis point hike by the European Central Bank in May in continued efforts to drive down inflation. Official data released late-April indicated that the eurozone eked out just 0.1% GDP growth over Q1 2023, citing high inflation and interest rates as factors dampening economic output.

Against the backdrop of sticky inflation globally, the Chinese inflation dichotomy continues. China's consumer price index increased by only 0.7% y/y (an 18-month low) in March, below the 1% expectation. The People's Bank of China continues to cut interest rates and inject cash into the financial system to bolster economic growth. China's economic recovery continues in earnest, with GDP having grown by 4.5% in Q1 2023, exceeding expectations of 4%. China appears to be on track to achieve its 5% growth target for 2023. Japan's CPI rose 3.5% y/y in April, higher than the 3.2% reported in March. In Governor Kazuo Ueda's maiden monetary policy meeting, the committee left interest rates unchanged and continued with the central bank's ultra-loose monetary policy stance. On the local front, inflation remained sticky, with CPI increasing to 7.1% y/y in March, from 7.0% the previous month. The SARB downwardly adjusted its growth forecast for 2023 from 0.3% to 0.2%. Meanwhile, manufacturing activity declined for the third straight month in April, but less than previous months: the Absa PMI came in at 49.8 points, up from an eight-month low of 48.1 in March (below the 50 point level indicating a contraction). Lastly, at a recently held investment conference, President Ramaphosa managed to secure over R360 billion from local and international investors. In April, the FTSE/JSE All Share Index returned 3.4% and the FTSE/JSE All Property Index delivered 5.8%. The FTSE/JSE All Bond Index returned -1.1%, inflation-linked bonds (the Composite ILB Index) posted 0.4%, and cash as measured by the STeFI Composite Index delivered 0.6%. Looking at global market returns (in US$), the MSCI All Country World Index delivered 1.5%, the Bloomberg Global Aggregate Bond Index returned 0.4%, while the FTSE EPRA/NAREIT Global REIT Index posted 1.5%. The rand weakened 3.0% against the US dollar, and 4.7% against both the euro and pound sterling.

Contributing the most to absolute performance for the month was the fund's exposure to SA equities (excluding property), SA listed property and foreign bonds (excluding inflation-linked bonds).

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.
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 placed into the Fund would change over time, taking ongoing fees into account.
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.
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).
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.
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.
Unit class	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.

[4] 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