

Investment Focus: Active approach delivers in the fixed income market

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As we reflect on the past three years, we are proud of our continued success in delivering top-quartile performance in the fixed income market for both retail and institutional clients. Despite volatile market conditions over the last three years, the M&G Income Fund, M&G Enhanced Income Fund, and M&G Bond Fund have consistently outperformed their peers, showcasing the strength of our investment approach.

Steady outperformance amid market volatility

M&G Fund	Fund return annualised	Benchmark return annualised	M&G outperformance annualised
Income Fund			
1 year	9.8	8.5	1.3
2 years	9.2	7.6	1.6
3 years	7.8	6.5	1.3
Enhanced Income Fund			
1 year	11.4	8.5	2.9
2 years	10.5	7.6	2.9
3 years	8.3	6.5	1.8
Bond Fund			
1 year	14.1	13.7	0.4
2 years	12.1	10.9	1.2
3 years	8.4	7.6	0.8

Source: Morningstar to 30 June 2024. A class performance (net of fees)

Quartile Rank	1 year	2 years	3 years
M&G Income Fund A	2	1	1
M&G Enhanced Income Fund A	1	1	1
M&G Bond Fund A	1	1	1

Source: Morningstar to 30 June 2024.

The table illustrates the superior rankings of M&G’s fixed income funds over the past one-, two-, three-year periods, placing them in the first and second quartile of their respective ASISA categories. This steady outperformance, or alpha, has been a cornerstone of our investment success and this positive alpha combined with the healthy real returns provided by fixed income assets more generally have provided a compelling outcome for our clients.

Key drivers of performance

As market conditions evolved post-Covid with the market grappling with rising interest rates, fiscal concerns, and geopolitical tensions, we adapted our investment approach to remain agile and discerning in our investment choices. Embracing a more tactical stance has been a feature of our investment approach over the last three years - adjusting asset allocation and fund positioning more actively while still being focused on fundamental valuations. This shift towards a more tactical investment approach has proven successful in navigating the complexities of the ever-evolving investment landscape.

Strength in team expertise and strategy

The collective expertise and experience of our team has been instrumental in delivering consistent returns for our clients. The recent three-year period of top quartile fixed income performance is a testament to the combination of our proven investment process, strategic flexibility, and valuation-based investing.

Looking ahead, we are confident that we are positioned to continue to deliver consistent returns for clients with the alignment of the right people, philosophy, and processes to sustain our success. While we acknowledge the cyclical nature of financial markets, we remain committed creating value for our clients over the long term.

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