M&G Emerging Markets Bond

Fund Research Centre
Recommended

Why we recommend the fund

- This Recommended fund benefits from a process that was established by former manager, Claudia Calich, who has now retired. The team is well-resourced and draws upon the extensive resources of the wider M&G fixed income team.
- While the fund has a flexible approach, the managers exhibit pragmatism in implementing the strategies that are deemed most appropriate for the prevailing market conditions, reinforcing the desire to outperform in different market conditions.
- The fund benefits further from the managers' ability to understand the impact of both global and country-specific top-down influences on the different bond and currency markets of each country.

Key characteristics and expected outcome

- The managers seek to navigate the emerging market debt cycle effectively and which means that underlying exposures vary through time.
- The managers have a strong valuation discipline and will take meaningful risk when they deem it to be appropriate, holding concentrated positions at times. Conversely, positioning can be cautious when they are in defensive mode.
- Although they aim to steer a steady course, given the nature of the asset class and the potential for the fund to reflect a pro-risk stance at times, investors should be prepared for bouts of volatility and periods of drawdown.
- In view of the fund's diversified mandate, it may behave very differently from mainstream emerging market bond indices. It is suited to investors seeking an actively managed and flexible vehicle that takes opportunities across the emerging market debt spectrum.

Risk commentary

The fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 4. This is a regulatory measurement that is, where possible, calculated from the volatility of its weekly performance over a five-year period. A score of 4 means the fund's historic volatility is between 5% and 10%.

The fund's observed five-year standard deviation is in keeping with mainstream emerging market bond indices. This is testament to the team's strong valuation discipline combined with a focus on risk. Different share classes could have differing SRRI scores.



Key Fund Facts

Inception Date:	15 October 1999
Manager(s) Since:	Charles De Quinsonas (Sep 15) Nick Smallwood (Sep 25)
Fund Domicile:	United Kingdom
Base Currency:	US Dollar
Fund Benchmark:	33.3% JPM EMBI Global Diversified 33.3% JPM CEMBI Broad Diversified 33.3% JPM GBI- EM Global Diversified
IA Sector:	Global Emerging Markets Bond – Blended

The valuation currency is US Dollars. UK Sterling and Sterling hedged share classes are available.

Formal documentation, including the fund prospectus and the KIID, should be sought directly from the asset manager. A link to the asset manager's website can be found on the relevant fund page at fundresearchcentre.co.uk.

Fund Snapshot

An emerging markets bond fund that has the flexibility to invest across the emerging debt market universe, with the ability to hold sovereign and corporate debt, in both hard and local currencies. The approach combines macro views with detailed credit analysis to identify the best ideas from across the asset class. Within its sector, the fund features in our 'Emerging Market Debt, Flexible' sector.

Investment Team

The fund is managed by Charles de Quinsonas, Head of Emerging Market Debt, and Nick Smallwood. Mr de Quinsonas was the deputy to former manager, Claudia Calich, before her retirement in September 2025. Mr Smallwood had also been working on this fund for several years before being appointed a co-manager. Latin American specialist, Carlos Carranza, joined M&G in October 2025 works closely with the co-managers. The team works in a highly collegiate manner, and they also work closely with their colleagues in the wider M&G fixed income team.

Investment Philosophy

The managers believe they can maximise returns in emerging market debt by choosing the optimal mix between government and corporate issues in local and hard currency, as well as by careful country and security selection. They operate a flexible, total return approach that blends high conviction macro views with fundamental credit analysis, with the aim of identifying the best ideas from across the asset class.

Investment Process

The process is framed by the team's assessment of the global macro-economic environment. This influences both the overall level of risk in the fund and the asset allocation.

Having formed these broad views, the team undertakes analysis of individual countries. They assess each country's fiscal and monetary policies and trends, political stability and economic outlook. In particular, they seek to identify turning points, both positive and negative, that could trigger a change in the country's prospects. For each country, the team employs a disciplined scoring method to capture their appraisals, which includes bull and bear scenarios. If a country is attractive from a top-down perspective, they assess its relative valuation to help identify the most attractive investment opportunities. They only hold individual corporate bonds in countries where they have a positive view.

Portfolio Construction and Risk Controls

The fund is not constrained by an index. However, as a starting point, the managers consider a neutral position to be one third in emerging market hard currency sovereign bonds, one third in local currency sovereign bonds and one third in dollar-denominated corporate bonds. From a currency perspective, a US dollar exposure of two-thirds of the portfolio is considered neutral. The fund tends to be relatively concentrated, with around 70-80 holdings, and exposures to individual countries are limited to between 10% and 25%, depending on its credit rating. Duration can range from 0 to 10 years. The managers have the scope to manage currencies actively. They use a range of instruments in managing the fund, including direct bond holdings, credit default swaps (CDSs), futures and forwards. Independent risk teams and internal risk analysts monitor the fund against portfolio guidelines and limits.

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