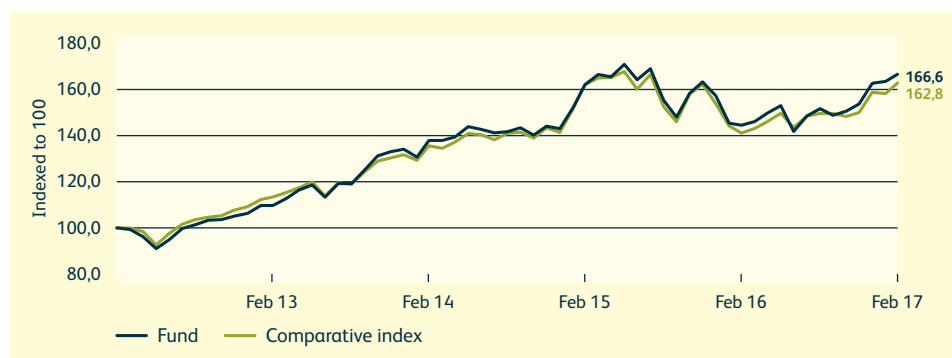


Euro Class A

Summary

- European equities rose in February, buoyed by optimism about the macroeconomic environment and decent corporate earnings. Value as a style underperformed.
- The fund delivered positive returns but trailed the MSCI Europe Index, with stock selection in the energy sector and the underweight in consumer staples detracting.
- Fund Manager Richard Halle started positions in Erste Bank, an Austrian financial services group, and Bovis Homes, a UK housebuilder.

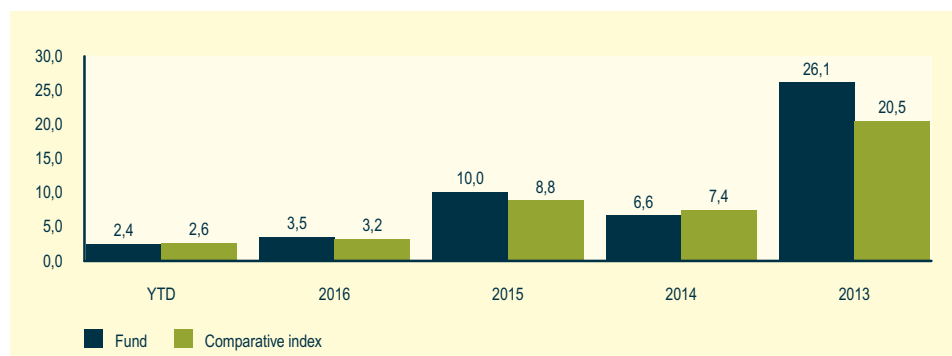
Performance over 5 years



Fund performance

	1 month (%)	3 months (%)	YTD (%)	1 year (%)	3 years (%) p.a.	5 years (%) p.a.	Since tenure (%) p.a.	Since inception (%) p.a.
Fund	+1,9	+8,4	+2,4	+15,3	+6,5	+10,7	+5,3	+5,3
Index	+2,9	+8,6	+2,6	+15,4	+6,3	+10,2	+4,7	+4,7
MSCI Europe Value Index	+1,6	+7,9	+0,7	+19,6	+4,2	+9,4	+3,0	+3,0
Sector	+2,0	+7,8	+1,6	+16,3	+4,6	+10,1	+3,7	+3,7
Ranking	14/30	8/30	8/30	16/30	6/28	11/27	5/21	5/21
Quartile ranking	2	1	1	3	1	2	1	1

Annual performance (%)



Past performance is not a guide to future performance.

The value of investments and the income from them will fluctuate. This will cause the fund price to fall as well as rise. There is no guarantee the fund objective will be achieved and you may not get back the original amount you invested.

The fund invests mainly in company shares and is therefore likely to experience larger price fluctuations than funds that invest in bonds and/or cash.

Key information

Fund manager	Richard Halle
Fund manager tenure from	1 February 2008
Deputy fund manager	Daniel White
Launch date	1 February 2008
Launch of share class	1 February 2008
Fund size (millions)	€1.937,17
Fund type	OEIC, incorporated in the UK
Comparative index	MSCI Europe
Comparative sector	Morningstar Europe Large-Cap Value Equity sector
Number of companies	90
Historic yield (Acc)	1.14 %
Portfolio turnover over 12 months	19,9 %
Share type	Accumulation
Ongoing charge	1,67 %

The historic yield reflects distributions declared over the past twelve months as a percentage of the mid-market price, as at the date shown above. It does not include any preliminary charge and investors may be subject to tax on their distributions.

Fund ratings

Overall Morningstar rating **★★★★**
Source of Morningstar ratings: Morningstar, as at 31 January 2017
Ratings should not be taken as a recommendation.

Risk characteristics

As at 31/01/17	
Alpha:	2,10
Information ratio:	0,65
Sharpe ratio:	1,00
Historic tracking error:	2,99
Beta:	0,97
Standard deviation:	12,16
Forecast tracking error (active risk):	3,13
Active share	84,89

Alpha: Portfolio return less comparative index return, annualised. **Information ratio:** Risk-adjusted relative return, measured as the ratio of active return (difference between portfolio return and index return), divided by tracking error (standard deviation of active returns). **Sharpe ratio:** Risk-adjusted absolute return, measured as the ratio of portfolio excess return (difference between mean portfolio return and the risk-free rate) divided by the standard deviation of portfolio returns. **Historic tracking error:** Measure of the actual deviation of portfolio returns from comparative index returns. These four risk measures are calculated using realised, rolling, three-year fund returns. **Beta:** Forecast sensitivity of portfolio returns to the comparative index. **Standard deviation:** Forecast absolute volatility of portfolio returns. **Forecast tracking error (active risk):** Forecast standard deviation of a portfolio's returns relative to its comparative index. **Active share:** Sum of overweight and underweight positions within the portfolio away from the comparative index, divided by two. These four risk measures are calculated with reference to the returns of underlying securities portfolios, not fund returns. Numbers are based on four years of daily data using a 3-6 month horizon.

Industry breakdown (%)

	Fund	Index	Relative weight
Financials	17,0	20,1	-3,1
Industrials	13,7	13,0	0,6
Healthcare	13,3	13,2	0,1
Consumer discretionary	10,8	10,7	0,1
Energy	8,0	7,1	0,9
Consumer staples	7,0	14,2	-7,2
Materials	6,5	8,4	-1,9
Information technology	6,4	4,4	2,0
Telecommunications	4,9	4,1	0,7
Utilities	3,0	3,5	-0,4
Real estate	2,2	1,4	0,9
Cash and near cash	7,2	0,0	7,2

Largest holdings (%)

	Fund	Index	Relative weight
Novartis	3,3	2,2	1,1
Bayer	3,0	1,1	1,9
BP	2,9	1,3	1,6
Sanofi	2,4	1,3	1,1
Nokia	1,9	0,4	1,5
Aviva	1,9	0,3	1,6
AstraZeneca	1,9	0,9	1,0
Securitas	1,9	0,1	1,8
Lloyds Banking Group	1,8	0,7	1,1
Deutsche Lufthansa	1,6	0,0	1,6

Largest overweights (%)

	Fund	Index	Relative weight
Bayer	3,0	1,1	1,9
Securitas	1,9	0,1	1,8
Deutsche Lufthansa	1,6	0,0	1,6
BP	2,9	1,3	1,6
Aviva	1,9	0,3	1,6
Hornbach	1,5	0,0	1,5
Nokia	1,9	0,4	1,5
Wolters Kluwer	1,6	0,2	1,4
Outokumpu	1,4	0,0	1,4
Vivendi	1,6	0,2	1,4

Largest underweights (%)

	Fund	Index	Relative weight
Nestle	0,0	2,9	-2,9
Roche	0,0	2,2	-2,2
HSBC	0,0	2,0	-2,0
Unilever	0,0	1,7	-1,7
Royal Dutch Shell	1,0	2,7	-1,7
BAT	0,0	1,5	-1,5
Total	0,0	1,4	-1,4
GlaxoSmithKline	0,0	1,3	-1,3
Siemens	0,0	1,3	-1,3
SAP	0,0	1,2	-1,2

Country breakdown (%)

	Fund	Index	Relative weight
UK	23,7	28,9	-5,2
Germany	15,2	14,8	0,4
France	11,3	15,1	-3,8
Finland	7,9	1,5	6,4
Switzerland	7,7	14,1	-6,4
Netherlands	7,3	5,4	1,9
Sweden	4,3	4,6	-0,3
Italy	4,2	3,2	0,9
Other	11,3	12,4	-1,2
Cash and near cash	7,2	0,0	7,2

Capitalisation breakdown (%)

	Fund	Index	Relative weight
> €50 billion	26,0	45,9	-19,9
€25 - €50 billion	6,4	20,4	-14,0
€5 - €25 billion	13,9	28,5	-14,6
€2.5 - €5 billion	23,9	4,5	19,4
< €2.5 billion	22,6	0,6	21,9
Cash	7,2	0,0	7,2

Performance review

After a pause in January, European equities resumed their upward trajectory in February (in euro terms) as growing confidence about the economic backdrop outweighed political uncertainty ahead of upcoming elections. Encouraging corporate earnings supported share prices too.

At the sector level, defensives were back in favour as government bond yields fell. Healthcare was the best-performing sector, closely followed by consumer staples. Utilities outperformed, along with information technology. In contrast, financials declined. Energy and materials were notable laggards too as they lost momentum after robust gains in the past few months.

Small-cap stocks were marginally ahead of their larger counterparts. In terms of style, value continued to underperform growth and the broader market. This presented a headwind for the fund which delivered positive returns but trailed the MSCI Europe Index.

Stock selection in the energy sector was the biggest detractor from relative performance. The holdings in **Tullow Oil** and **Kosmos Energy**, two Africa-focused oil & gas explorers, weighed on performance as their shares retreated after recent gains. Energy firm **BP** was another notable detractor despite announcing that profits had doubled. Investors were concerned that the company's plans to increase capital investment might put pressure on its finances.

The fund's below-index position in consumer staples cost some performance as the sector outperformed. In particular, not holding shares in **Unilever** detracted as the stock jumped following a takeover approach from US rival Kraft Heinz. The bid was subsequently withdrawn.

Stock selection in the industrials sector detracted as well, with **Securitas**, a Swedish security services firm, a notable detractor. The company's shares fell as profits were weaker than expected. Investors are concerned that Securitas faces slowing growth in European market as well as falling margins.

In contrast, the fund's above-index position and stock selection in information technology, one of the best-performing areas, added value. The holding in **AMS**, a manufacturer of sensors used in smartphones and cars, made a positive contribution. Investors were cheered when the Austrian company, which supplies Apple, said it expects strong revenue growth in the next couple of years, helped by a recent acquisition.

Finnish network equipment firm **Nokia** was another contributor. The company has had a tough time lately, but the share price climbed on better-than-expected results and growing optimism about the future.

Meanwhile, **Oriflame**, a Swedish cosmetics firm, was the biggest single contributor as the shares rose on fourth-quarter earnings that were above expectations. The company intends to pay an extra dividend for 2016 and announced that it had made a promising start to 2017.

Stock selection in the materials sector was also positive, with stainless steel makers **Outokumpu** and **Aperam** among the leading contributors. Finland's Outokumpu extended its recent share price gains following solid quarterly results and a positive outlook. The firm is benefiting from higher steel prices and recent internal efficiencies, which should lead to improving profitability.

Key changes

Richard started a position in **Erste Bank**, Austria's largest bank by market value, with businesses in Central and Eastern Europe. The financial group has strengthened its balance sheet recently and, in Richard's view, is now well placed to benefit from the improving economic situation in Europe.

Bovis Homes, a UK housebuilder, was another newcomer. The company's share price has underperformed since a profit warning due to a slowdown in sales. Bovis has also had to pay compensation for poorly built homes and the chief executive has recently resigned. Richard thinks the market has overreacted to these events as Bovis has robust finances and trades on an attractive valuation.

Richard also added to a number of existing holdings, including recent purchases, **Wereldhave**, a Dutch company that invests in shopping centres, and British airline **easyJet**. Holdings in pharmaceutical firms **Sanofi** and **Novartis** were topped up as well, while profits were taken from positions in **Aperam** and **Outokumpu**. There were no complete sales.

Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
Euro A Acc	GB00B28XT522	MGEUSAE LN	1,50 %	1,67 %	€1.000	€75
Euro C Acc	GB00B28XT639	MGEUSCA LN	0,75 %	0,92 %	€500.000	€50.000

The ongoing charge figures disclosed above include direct costs to the fund, such as the annual management charge (AMC), administration charge and custodian charge, but does not include portfolio transaction costs (including research costs). They are based on expenses for the period ending 31 July 2016.

Please note that not all of the share classes listed above might be available in your country.

Important information

Cash and near cash may be held on deposit and/or in the Northern Trust Cash Funds (a range of collective investment schemes) and/or in short-dated government bonds.

Source of performance data: Morningstar, Inc., as at 28 February 2017, Euro Class A shares, net income reinvested, price to price basis. Past performance is not a guide to future performance. All other statistics from M&G internal sources, as at 28 February 2017 unless indicated otherwise.

The Morningstar Overall Rating based on the fund's Euro Class A shares. Copyright © 2017 Morningstar UK Limited. All Rights Reserved. Ratings should not be taken as recommendation.

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