

USD Class A

Summary

- The fund delivered positive returns in February, although behind the MSCI AC World Index.
- The fund manager bought shares in Novo Nordisk and Trinseo, and continued to take profits in Time Warner and BlackRock.
- Pandora, AIA and St. James's Place delivered strong dividend increases in the 'rapid growth' category, while British American Tobacco accelerated its dividend growth from last year.

Performance over 5 years



Key information

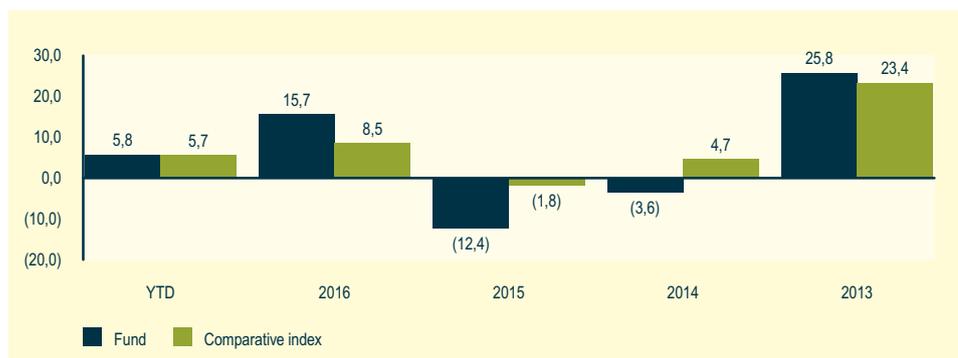
Fund manager	Stuart Rhodes
Fund manager tenure from	18 July 2008
Deputy fund managers	John Weavers, Alex Araujo
Launch date	18 July 2008
Launch of share class	18 July 2008
Fund size (millions)	\$8.692,64
Fund type	OEIC, incorporated in the UK
Comparative index	MSCI AC World
Comparative sector	Morningstar Global Equity-Income sector
Number of companies	45
Historic yield (Acc)	1.28 %
Historic yield (Inc)	2.98 %
Portfolio turnover over 12 months	30,9 %
Share type	Acc & Inc
Ongoing charge	1,91 %

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	+2,6	+9,5	+5,8	+26,4	+1,6	+6,2	+6,0	+6,0
Index	+2,8	+8,0	+5,7	+22,8	+5,4	+8,8	+5,8	+5,8
Sector	+2,4	+6,6	+4,1	+14,6	+2,4	+6,4	+3,8	+3,8

The historic yield reflects distributions declared over the past 12 months as a percentage of the share price, as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions. The fund's charging policy has recently changed and, rather than being decided at fund level, certain charges are now deducted from income for accumulation share classes and from capital for income share classes. These charges include the annual management charge, administration fee and share class hedging fee (for hedged share classes). To ensure that yields quoted are representative of the fund's charging policy, for some share classes an estimated historic yield is shown. This is based on the historic yield, but adjusted for the impact of the new charging policy. This adjustment will be applied until distributions have been declared for a full year after the changes, from which time the historic yield will again be on the same basis as the distributions. For the fund's USD Class A income shares, the policy of deducting certain charges from capital has the effect of increasing distribution(s) for the year by 1,91 % and constraining capital performance to an equivalent extent.

Annual performance (%)



Fund ratings

Overall Morningstar rating **★★★**
 Morningstar Analyst rating **Silver**

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

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 past performance has been calculated using a different currency to your home currency. The returns shown here may increase or decrease as due to currency fluctuations when compared to past performance returns calculated using your home currency.

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.

Risk characteristics

As at 31/01/17	
Alpha:	-1,44
Information ratio:	-0,25
Sharpe ratio:	1,33
Historic tracking error:	4,99
Beta:	0,94
Standard deviation:	12,86
Forecast tracking error (active risk):	4,90
Active share	91,69

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	18,1	18,6	-0,6
Materials	15,7	5,3	10,4
Healthcare	13,4	11,3	2,1
Consumer discretionary	13,4	12,1	1,3
Information technology	12,7	16,1	-3,5
Consumer staples	11,7	9,5	2,1
Energy	10,3	6,6	3,7
Industrials	4,1	10,6	-6,6
Real estate	0,0	3,1	-3,1
Telecommunications	0,0	3,5	-3,5
Utilities	0,0	3,2	-3,2
Cash and near cash	0,8	0,0	0,8

Largest holdings (%)

	Fund	Index	Relative weight
Methanex	8,4	0,0	8,4
BAT	7,0	0,3	6,7
Gibson Energy	4,4	0,0	4,4
Broadcom	4,3	0,2	4,1
Las Vegas Sands	4,2	0,1	4,1
Wells Fargo	4,2	0,7	3,5
Pembina Pipeline	3,9	0,0	3,9
Arthur J Gallagher	3,8	0,0	3,8
Microsoft	3,7	1,2	2,5
Imperial Brands	3,7	0,1	3,6

Capitalisation breakdown (%)

	Fund	Index	Relative weight
Mega cap (> \$50bn)	46,0	48,1	-2,1
Large cap (\$10 - \$50bn)	28,8	35,6	-6,8
Mid cap (\$2 - \$10bn)	17,4	14,5	2,9
Small cap (< \$2bn)	7,0	1,8	5,2
Cash	0,8	0,0	0,8

Largest overweights (%)

	Fund	Index	Relative weight
Methanex	8,4	0,0	8,4
BAT	7,0	0,3	6,7
Gibson Energy	4,4	0,0	4,4
Las Vegas Sands	4,2	0,1	4,1
Broadcom	4,3	0,2	4,1
Pembina Pipeline	3,9	0,0	3,9
Arthur J Gallagher	3,8	0,0	3,8
Imperial Brands	3,7	0,1	3,6
Wells Fargo	4,2	0,7	3,5
Unitedhealth Group	3,4	0,4	3,1

Largest underweights (%)

	Fund	Index	Relative weight
Apple	0,0	1,9	-1,9
Alphabet	0,0	1,3	-1,3
Amazon	0,0	0,9	-0,9
Exxon Mobil	0,0	0,9	-0,9
Facebook	0,0	0,8	-0,8
General Electric	0,0	0,7	-0,7
AT&T	0,0	0,6	-0,6
Bank of America	0,0	0,6	-0,6
Procter & Gamble	0,0	0,6	-0,6
Nestle	0,0	0,6	-0,6

Country breakdown (%)

	Fund	Index	Relative weight
US	54,0	54,2	-0,2
UK	15,2	5,8	9,4
Canada	9,8	3,1	6,6
Australia	4,6	2,4	2,2
Denmark	3,6	0,5	3,1
Switzerland	2,7	2,8	-0,1
Finland	2,3	0,3	2,0
South Africa	2,1	0,7	1,4
Other	4,8	30,0	-25,2
Cash and near cash	0,8	0,0	0,8

Performance review

Global equities extended their positive start to 2017, with the MSCI AC World Index reaching an all-time high towards the end of the February. The major US indices continued to set new highs as the US outperformed in a global context, while Asia Pacific ex Japan and emerging markets delivered the best returns as they continued to recover from a weak fourth quarter. Japan and Europe were the laggards during the month.

From a sector perspective, it was a better month for defensives as healthcare, consumer staples and utilities led the markets higher, although telecoms struggled to keep up in a rising market. Technology was another outperformer after Apple's results were well received, while the contribution from financials was broadly

neutral. Energy underperformed, despite the oil price ending the month higher at US\$54 per barrel, closely followed by materials which consolidated January's strong rally.

Against this background, the fund delivered positive returns in sterling, euros and US dollars. On a relative basis, product returns were behind the MSCI AC World Index.

Sector allocation had an impact on the fund's relative returns as the overweight positions in energy and materials held back performance.

Key changes

A new position was established in Novo Nordisk, the world's leading provider of diabetes care and insulin products. The fund manager has been looking for opportunities in healthcare following the sector's underperformance in 2016, and the downgrading of the company's growth expectations provided an attractive entry point. Novo Nordisk's valuation and dividend profile look excellent compared to the vast majority of other candidates in the pharmaceuticals industry with the Danish company's net cash position making a considerable difference. Novo Nordisk reported a 19% dividend increase during the month and announced a new share buyback programme which could amount to as much as 2.5% of the company's market cap over the next 12 months. The shares look attractively valued on a historic yield of more than 3% with potential for strong growth in the dividend stream.

Another new holding was Trinseo, a global materials company specialising in plastics, latex and synthetic rubber. The US-based company is highly cash-generative, has cash on the balance sheet and has scope to return significant amounts of cash to shareholders. It has already bought back 9% of outstanding stock in 2016 and the dividend has the potential to increase meaningfully from a low base.

The fund manager also built up a proper holding in Publicis, the French media group, which looks cheap given the potential for margin improvement, and topped up the positions in St. James's Place, the UK wealth manager, and Union Pacific, the US railroads company.

In terms of sales, the fund manager continued to reduce the holding in Time Warner, which is now a source of cash following the takeover approach from AT&T. He also took profits in BlackRock as part of an exit strategy. The shares have performed well for the fund, but he believes the valuation already reflects the momentum in passive strategies. By comparison, St. James's Place offers a more compelling compounding effect.

The number of holdings in the fund rose to 45, although this will quickly fall back to 44 when the sale of BlackRock is completed. The fund manager would like to close the gap with the historic level of 50 holdings over time. The fund's exposure to 'quality' increased to 47.2% during the month following the new purchase of Novo Nordisk, although the weighting remains below the historic range of 50-60%. The lower weighting reflects the fund manager's continued struggle with the expensive valuations attached to safety and security, and he continues to have no interest in highly rated companies that are unable to deliver on growth. The fund has no exposure to utilities, telecoms or real estate – the bond proxy sectors where long-term growth is difficult to find. The weighting in 'assets' and 'rapid growth' remained broadly unchanged at 26.6% and 19.7%, respectively, although the fund manager continued to take profits in some of the energy-related holdings to manage the exposure at about 20%.

Dividend announcements

With the reporting season in full swing, it was pleasing to see dividend increases across a broad range of sectors and countries. It was also pleasing to see a notable contribution from the fund's holdings in the 'rapid growth' category, which delivered dividend growth of more than 15%.

Despite the market's negative reaction to the results from Pandora, the Danish jewellery company surprised on the upside with respect to cash returns to shareholders. The company has committed to a tripling of the dividends due in 2017 and announced a new share buyback programme equivalent to almost 2% of the current market cap.

AIA, the life insurer based in Hong Kong, raised its final dividend by 25%, up from 17% at the first-half stage, to increase the payment for the full year by 23%. St. James's Place in UK financials reported a similar uptick in the rate of dividend growth with a 20% increase in the final dividend, resulting in 18% growth for the full year. Publicis, the media group based in France, also reported a meaningful dividend increase with the annual payment 16% higher compared to last year.

Elsewhere, British American Tobacco returned to a more reasonable rate of dividend growth. The fund's second-largest holding raised its dividend for 2016 by 10%, up from 4% in 2015, reflecting confidence in the business following the recommended offer for Reynolds American. Sabre in US technology and Legrand, the French industrials group, also reported dividend increases during the month.

Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
USD A Acc	GB00B39R2V77	MGGDAAU LN	1,75 %	1,91 %	\$1.000	\$75
USD A Inc	GB00BK6MCK32	MGGDAIU LN	1,75 %	1,91 %	\$1.000	\$75
USD C Inc	GB00BK6MCL49	MGGDCIU LN	0,75 %	0,91 %	\$500.000	\$50.000
USD C Acc	GB00B39R2W84	MGGDCAU LN	0,75 %	0,91 %	\$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 30 September 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, USD 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.

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