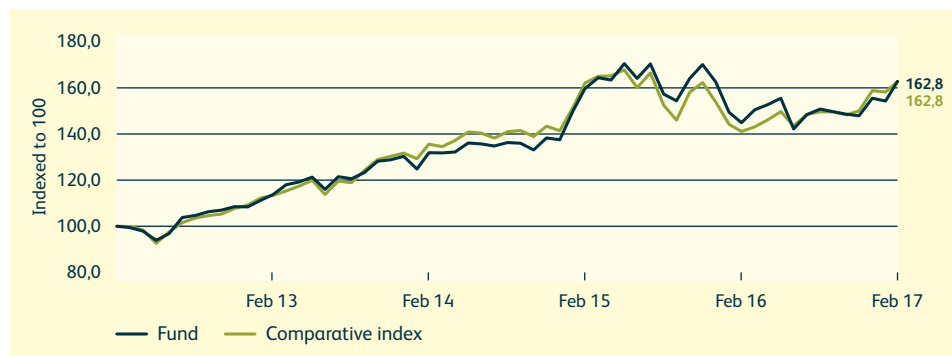


Euro Class A

Summary

- The fund delivered positive returns and outperformed the MSCI Europe Index, with Essentra and Banca IFIS the standout performers.
- The fund manager disposed of the holdings in Bayer and Saga, and added to existing positions in Kone and Novartis.
- There were 14 dividend increases in the period, led by Intesa Sanpaolo and SES.

Performance over 5 years



Key information

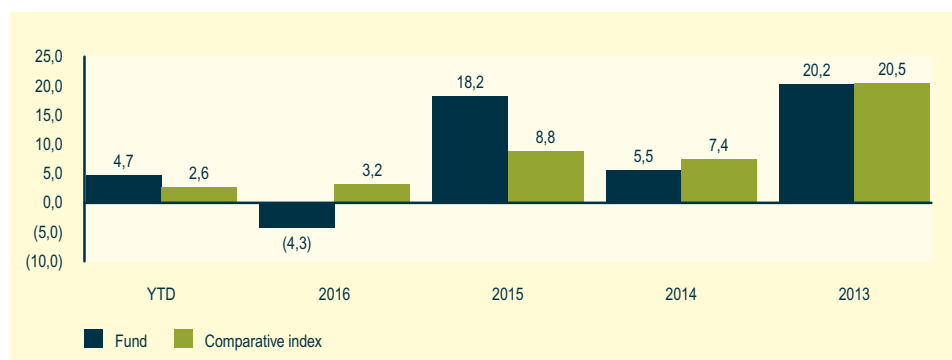
Fund manager	Phil Cliff
Fund manager tenure from	2 April 2012
Deputy fund managers	Sam Ford
Launch date	18 July 2008
Launch of share class	18 July 2008
Fund size (millions)	€130.63
Fund type	OEIC, incorporated in the UK
Comparative index	MSCI Europe
Comparative sector	Morningstar Europe Equity-Income sector
Number of companies	35
Historic yield (Acc)	2.38 %
Historic yield (Inc)	4.09 %
Share type	Acc & Inc
Ongoing charge	1.69 %

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 Euro Class A income shares, the policy of deducting certain charges from capital has the effect of increasing distribution(s) for the year by 1.69% and constraining capital performance to an equivalent extent.

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	+5.5	+10.1	+4.7	+12.4	+7.3	+10.2	+10.6	+6.4
Index	+2.9	+8.6	+2.6	+15.4	+6.3	+10.2	+10.4	+6.5
Sector	+2.5	+6.7	+1.6	+9.9	+4.1	+8.5	+8.6	+5.2
Ranking	1/29	1/29	1/29	8/29	1/24	3/22	3/22	4/13
Quartile ranking	1	1	1	1	1	1	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.

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:	1.95
Information ratio:	0.48
Sharpe ratio:	0.97
Historic tracking error:	3.76
Beta:	0.95
Standard deviation:	11.76
Forecast tracking error (active risk):	4.01
Active share	89.26

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
Industrials	24,3	13,0	11,3
Financials	19,9	20,1	-0,2
Consumer discretionary	14,5	10,7	3,8
Healthcare	11,4	13,2	-1,8
Materials	9,1	8,4	0,8
Consumer staples	8,5	14,2	-5,7
Information technology	5,1	4,4	0,7
Energy	4,0	7,1	-3,0
Real estate	0,9	1,4	-0,4
Telecommunications	0,0	4,1	-4,1
Utilities	0,0	3,5	-3,5
Other	1,2	0,0	1,2
Cash and near cash	1,0	0,0	1,0

Largest holdings (%)

	Fund	Index	Relative weight
Novartis	4,7	2,2	2,5
Volvo	4,4	0,3	4,1
Kone	3,9	0,2	3,7
Sampo	3,9	0,3	3,6
Relx	3,8	0,5	3,3
Novo Nordisk	3,8	0,9	3,0
Essentra	3,8	0,0	3,8
SES	3,7	0,1	3,6
BAT	3,7	1,5	2,2
Alfa Laval	3,7	0,1	3,6

Largest overweights (%)

	Fund	Index	Relative weight
Volvo	4,4	0,3	4,1
Essentra	3,8	0,0	3,8
Kone	3,9	0,2	3,7
Sampo	3,9	0,3	3,6
SES	3,7	0,1	3,6
Alfa Laval	3,7	0,1	3,6
Nokian Renkaat	3,5	0,1	3,5
Relx	3,8	0,5	3,3
DS Smith	3,3	0,0	3,3
Nordea Bank	3,7	0,4	3,2

Largest underweights (%)

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

Country breakdown (%)

	Fund	Index	Relative weight
UK	29,2	28,9	0,3
Sweden	14,7	4,6	10,1
Finland	11,3	1,5	9,8
Germany	7,5	14,8	-7,3
Denmark	5,7	2,7	3,1
Italy	5,0	3,2	1,7
US	4,8	0,5	4,3
Switzerland	4,7	14,1	-9,4
Other	16,1	29,8	-13,6
Cash and near cash	1,0	0,0	1,0

Capitalisation breakdown (%)

	Fund	Index	Relative weight
> €50 billion	18,3	45,9	-27,7
€25 - €50 billion	16,8	20,4	-3,6
€5 - €25 billion	26,9	28,5	-1,6
€2.5 - €5 billion	15,6	4,5	11,1
< €2.5 billion	21,5	0,6	20,9
Cash	1,0	0,0	1,0

Performance review

European equities rallied in February with the MSCI Europe Index advancing 2.9 % in euro terms. Consumer staples was among the best-performing sectors after Unilever received a takeover approach from Kraft Heinz. It was a strong month for defensives overall as healthcare, utilities and telecoms all outperformed. Information technology was another source of decent gains as Nokia rallied on better-than-expected results. Financials was the main underperformer after retreating from recent gains, closely followed by energy and materials. The UK and Switzerland were among the top performers from a country perspective, while France, Germany, Spain and Italy marginally lagged.

Against this background, the fund outperformed the MSCI Europe Index, driven by positive stock selection in financials, materials and consumer discretionary.

Essentra, in the materials sector, made the biggest contribution to performance at the stock level, returning more than 33 % in the period. The UK supplier of plastic, packaging and fibre products reported results without adding to its series of profit warnings, and maintained the final dividend as a reflection of confidence. The market took comfort from the new chief executive's guidance on plans to stabilise the business, and the fund manager continues to believe the stock is significantly undervalued.

Banca IFIS, a specialist lender to small and medium-sized enterprises in Italy, rose 18 % in February as it announced record profits and a solid dividend increase of 8 %. The fund manager is positive about the prospects of continued growth. Elsewhere in financials, not owning HSBC added value; the stock is a large index constituent and had delivered negative returns in a rising market on the back of disappointing results.

GVC made the biggest contribution in the consumer discretionary sector with a gain of 15 %. The internet gaming and sports betting company announced a cheaper refinancing deal and a positive trading update ahead of its full-year results due in March. The fund manager believes the UK-listed company can achieve double-digit top-line growth and deliver on synergies following the bwin.party takeover. SES, the satellite company listed in France and Luxembourg, also added value in the sector after recovering from a weak January.

AstraZeneca, added to the portfolio in November last year, advanced over 15 % in the period, as it outperformed the healthcare sector which recovered from recent softness. This was especially pleasing after the position was topped up on weakness in January. Important trial data is pending and the fund manager remains confident in the company's ability to generate significant cashflows.

Elsewhere, RELX and Nokian Renkaat were beneficiaries of a favourable reporting season. RELX, a Anglo-Dutch professional information and analytics group, reported solid progress in 2016 as a result of which the Amsterdam-listed shares the fund holds returned 7 % during the month. Finnish tyre manufacturer Nokian Renkaat also advanced 7 % as signs of the Russian tyre market stabilising were supported by a strong set of results.

Turning to the underperformers, Alfa Laval detracted after giving back some of January's strong gains. The equipment and services provider for the marine, food & water and energy industries has returned over 23 % since the stock was purchased in November 2016. The fund manager continues to believe that expectations for the Swedish industrial are too low given the potential upside from a cyclical rebound. Nordea, the Swedish bank, and Legrand, the French industrials group, were also marginally down in a rising market.

A stock not held, however, was responsible for the biggest negative impact on relative performance. Unilever's 20 % rally in both the Amsterdam-listed and London-listed shares provided a headwind given their meaningful representation in the MSCI Europe Index.

Key changes

The shares in Bayer and Saga were sold as sources of cash to be recycled into higher conviction holdings. The disposal of Bayer, the life sciences company listed in Germany, followed strategic decisions within the firm that did not align with the fund manager's original thesis. The sale of shares in Saga, the UK's leading over 50s brand, was triggered by concerns about the company's growth expectations.

There were no new purchases during the month. The fund manager added to the position in Kone on share price weakness. The Finnish manufacturer of elevators has shown capital discipline and resilience, despite the

cyclicality of its underlying business. The fund manager also built up Novartis to a meaningful position in the belief that the potential for a recovery is not reflected in the valuation. The Swiss pharmaceutical company performed well in February, returning over 8 % in local currency.

The fund manager also added to Intesa Sanpaolo on weakness, and as pleased to see the share price recover towards the end of the period, as the Italian bank abandoned the idea of a joint business model with the insurer Assicurazioni Generali.

As a result of these transactions, the number of holdings decreased to 35. The fund manager remains committed to his aim of providing a concentrated portfolio of best ideas.

Dividend announcements

With the reporting season in full swing, the fund's holdings delivered 14 dividend increases during the month from a variety of sectors.

Intesa Sanpaolo was responsible for the biggest increase after the Italian bank raised the dividend for the savings shares the fund holds by 25 %. SES, the satellite company, and Novo Nordisk, the Danish provider of diabetes care and insulin products, were close behind with dividend hikes of 21 % and 19 % respectively. SES reinforced its commitment to a progressive dividend policy with a doubling of the growth rate, while Novo Nordisk accompanied its dividend increase with 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. All three stocks are significant holdings on the fund.

The majority of dividend increases were in the 5 % to 15 % range, in line with previous years. Volvo, one of the fund's biggest holdings, raised its dividend by 8 % as the Swedish manufacturer of trucks and construction equipment reported better-than-expected results, while RELX, one of the fund's key defensive holdings, lifted the dividend for the Amsterdam-listed shares held by 5 %.

Financials were well represented in this core range of dividend growth with some of the fund's top holdings delivering solid increases. Finnish insurer Sampo and Italy's Banca IFIS raised their dividends by 7 % and 8 %, respectively, while Jupiter Fund Management in the UK declared a special dividend which was 15 % ahead of last year's payout, in addition to continued growth in the ordinary dividend. UK insurer Hiscox reported a 15 % increase in its 2016 dividend, although a special dividend has not been repeated this year.

Elsewhere, the fund continued to see respectable dividend progression from some of the defensive holdings, including British American Tobacco, which accelerated its dividend growth to 10 %, and Abertis, a Spanish toll road operator, which raised its dividend by 11 %.

Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
Euro A Acc	GB00B39R4H73	MGPEAAE LN	1,50 %	1,69 %	€1.000	€75
Euro A Inc	GB00B955DL47	MGPEAIN LN	1,50 %	1,69 %	€1.000	€75
Euro B Inc	GB00BDCQMN38	MGPEEBA LN	2,00 %	2,15 % *	€1.000	€75
Euro B Acc	GB00BDCQN633	MGPEBAE LN	2,00 %	2,15 % *	€1.000	€75
Euro C Inc	GB00BK6MBZ10	MGPECIE LN	0,75 %	0,91 %	€ 500.000	€ 50.000
Euro C Acc	GB00B39R4J97	MGPECAE LN	0,75 %	0,94 %	€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.

* The ongoing charge figure shown here is an estimate. The Fund's annual report for each financial year will include details of the exact charges made.

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.

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