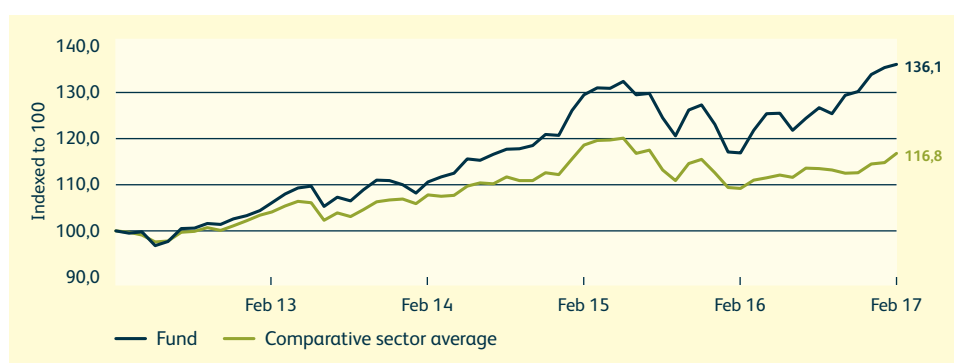


Euro Class A

Summary

- Government bonds, credit and equity markets were all generally positive in February
- The fund delivered a positive return that was driven by equity and currency allocations
- The fund managers added Asian equities and scaled back emerging market government bonds

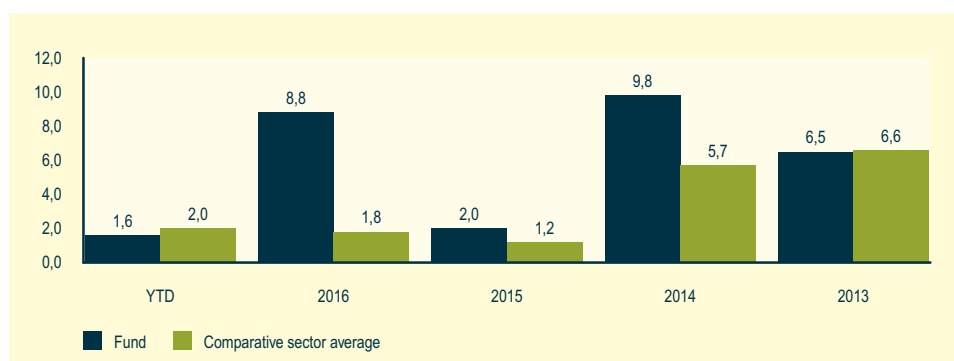
Performance over 5 years



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	+0,5	+4,5	+1,6	+16,4	+7,2	+6,4	+6,3	+6,3
Sector	+1,8	+3,8	+2,0	+7,1	+3,1	+3,8	+3,5	+4,2
Ranking	92/99	22/97	62/99	3/92	8/71	11/57	7/45	10/39
Quartile ranking	4	1	3	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 allows for the extensive use of derivatives.

Key information

Fund managers	Juan Nevado & Tony Finding
Fund manager tenure from	21 January 2011
Deputy fund manager	Craig Moran
Launch date	3 December 2009
Launch of share class	3 December 2009
Fund size (millions)	€3.902,97
Fund type	OEIC, incorporated in the UK
Comparative sector	Morningstar EUR Flexible Allocation - Global sector
Historic yield (Acc)	0.34 %
Historic yield (Inc)	2.09 %
Duration of Fixed Income portion (years)	-1,7
Average credit rating of fixed interest holdings	A
Share type	Acc & Inc
Ongoing charge	1,91 %

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 1,90% and constraining capital performance to an equivalent extent.

Fund ratings

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

VaR analysis (%)

	Fund
1 month 99% VaR	4,7

VaR numbers are calculated using Algorithmics Software employing RiskMetrics methodology.

Portfolio construction (%)

	Allocation range	Neutrality
Equity	20-60	40
Fixed income	0-80	50
Other	0-20	10
Currency	Min 30% euro or euro hedged	

Other: comprises real estate based securities and convertibles. Please note these guidelines are subject to change.

Asset breakdown (%)

	Long exposure	Short exposure	Net exposure
Equity	48,5	-13,0	35,5
UK	4,4	0,0	4,4
Europe	14,7	0,0	14,7
US	9,2	-13,0	-3,8
Japan	6,4	0,0	6,4
Asia Pacific			
ex Japan	10,6	0,0	10,6
Global equity funds	0,0	0,0	0,0
Other	3,2	0,0	3,2
Global bond funds	0,0	0,0	0,0
Government bonds	35,5	-50,7	-15,2
UK	0,0	-6,4	-6,4
Europe	9,5	-11,4	-1,9
US	11,5	-30,5	-19,0
Japan	0,0	-2,4	-2,4
Asia Pacific			
ex Japan	0,9	0,0	0,9
Other	13,7	0,0	13,7
Corporate bonds	8,8	0,0	8,8
Investment grade	7,8	0,0	7,8
High yield	1,0	0,0	1,0
Convertible bonds	2,6	0,0	2,6
Property funds	0,0	0,0	0,0
Residual cash			68,2

The residual cash (net exposure) figure includes cash-at-bank and cash equivalents, as well as cash required to back long and short exposures resulting from the use of derivatives. The residual cash should be considered in conjunction with the overall positioning of the portfolio (including gross exposure) for a true reflection of risk.

Largest exposures (excluding cash, %)

	Net exposure
Kospi Index future	7,5
Portuguese government 5Y	5,1
Dax Index future	4,2
Mexican government 30Y	4,0
UK government 10Y	-4,0
German government 30Y	-4,3
French government 10Y	-4,8
US government 10Y	-6,0
S&P 500 Index future	-13,0
US government 5Y	-14,9

Currency breakdown (%)

	Net exposure
Euro	93,0
Mexican peso	7,7
British pound	6,3
Turkish lira	2,5
Korean won	2,0
Brazilian real	2,0
Singapore dollar	-3,0
US dollar	-4,0
Chinese renminbi	-6,1
Other	-0,5

The fund's neutral currency positioning is 100% in euros. Deviations from this figure, therefore, represent long/short exposure.

Leverage and volatility

	Fund
Net leverage	0,3x
Gross leverage	1,6x
Volatility	7,97%

Net leverage is the sum of all net notional exposures, excluding cash, divided by NAV. Gross leverage is the sum of all gross notional exposure, excluding cash, divided by NAV. Volatility is three-year annualised volatility calculated monthly, as at 28 February 2017, sourced from Morningstar.

Performance review

Financial markets around the world generally moved in the same – upward – direction throughout February and there was much less divergence across and within asset classes than in previous months. Government bonds, credit and equity markets were all positive on the whole and emerging market currencies also performed well. Once again, however, markets were dominated by headlines about politicians, election polls and policy action, rather than underlying economic data.

The performance of the fund was attributable to equity and currency allocations, while the impact from fixed income was neutral.

In equities, the long positions added value, with notable contributions from European indices and the fund's basket of banks and US technology stocks. These gains outweighed losses on the short position in the S&P 500, as the index hit all-time highs over the course of the month.

Returns from the fixed income positions were mixed as long positions in emerging market government bonds (namely from Brazil and Mexico) and in investment grade credit worked reasonably well. However, the short government bond positions in France, Germany, UK, US and Japan cost the fund some performance as Western sovereigns rallied and yields fell.

Meanwhile, the fund's long positions in emerging market currencies were boosted by the fall in Western government bond yields. As such, currencies contributed the most to performance as recent portfolio moves in particular benefited the fund. In January, positions in the Mexican peso and

the Turkish lira were added to when markets were at their most pessimistic. This is now resulting in elevated levels of compensation, which is very pleasing to see and highlights the strength of the team's 'episodic' investment approach.

Key changes

In terms of changes, the tilt of the portfolio's equity allocation was adjusted. The balance of the fund was shifted more towards Asia, following some strong performance in the US, while the fund's US technology basket was reduced. Despite the recent rally in the S&P 500 Index, earnings yields are at 10-year lows, a level the fund managers were uncomfortable with. Instead, they backed their valuation approach and chose to go further short the S&P 500 to -13.0%.

At the same time, the target on the Kospi index was increased slightly. Ten-year earnings yields in Korea look attractive and companies have continued to report strong earnings. Finally, the position in Japan's Topix was sold down in favour of a 2% position in the M&G Japan Fund. A new position was added in methanol producer Methanex, which looks attractive in prospective terms and should introduce potential diversification benefits to the fund's existing energy baskets.

Within fixed income, emerging market government bonds were scaled back by 3% overall after the strong narrowing of spreads suggested to the fund managers that these assets no longer look 'episodic'. In addition, these positions have performed very well over recent months so the managers considered it prudent to reduce their exposure. Positions in South African bonds were closed while holdings in 10-year Colombian bonds and 30-year Mexican bonds were reduced to 1% and 4%, respectively.

In credit, the US BBB position was sold down. As a result of these changes, the risk balance of the portfolio has been tilted more towards the equity risk premium, which for the managers is still the most attractive and compelling valuation signal in markets today.

Finally, in currencies, a 2% position in the Korean won was added. Meanwhile, exposures to the Colombian peso and Russian ruble were reduced following some strong performance.

Although there was a lot of speculative newsflow fixated on upcoming events such as the French presidential election and the US Federal Reserve meeting in March, the fund managers prefer to focus on the fundamental picture, which from their perspective looks positive. In their view, the continued improvements evident across

trade data and global economic growth will have far more of an impact on asset pricing over the long term than the political issues highlighted above.

While it can sometimes be frustrating when markets are driven by non-fundamental factors, where irrational market moves provide the team with exploitable valuation anomalies it can also be positive for the investment strategy. From an overall portfolio construction perspective, the fund managers believe that the portfolio is appropriately positioned and adequately diversified to benefit from the pick-up in global growth, although there could be a 'noisy' period ahead.

Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
Euro A Acc	GB00B56H1S45	MGGDAAA LN	1,75 %	1,91 %	€1.000	€75
Euro A Inc	GB00B96BHM03	MGDABIE LN	1,75 %	1,91 %	€1.000	€75
Euro B Acc	GB00B8DC9129	MGDABAE LN	2,25 %	2,41 %	€1.000	€75
Euro C Acc	GB00B56D9Q63	MGGDACA LN	0,75 %	0,91 %	€500.000	€50.000
Euro C Inc	GB00BK6MCH03	MGDAECI 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

The fund's physical holdings include a significant proportion of cash or cash equivalents, which are used as backing for the derivatives positions.

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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