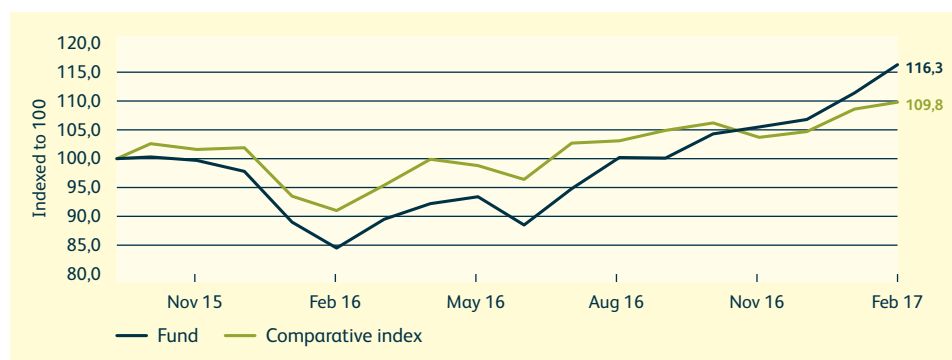


USD Class A

Summary

- The Japanese stockmarket rose modestly in February. Furthermore, returns to non-yen-based investors were boosted by the strength of the Japanese currency.
- The fund was ahead of the MSCI Japan Index, with strong selection overall, in a wide range of sectors, including technology, industrials and consumer discretionary, adding value.
- Fund Manager Johan Du Preez closed the position in Denki Kogyo and reinvested the proceeds into more attractive opportunities elsewhere in the portfolio.

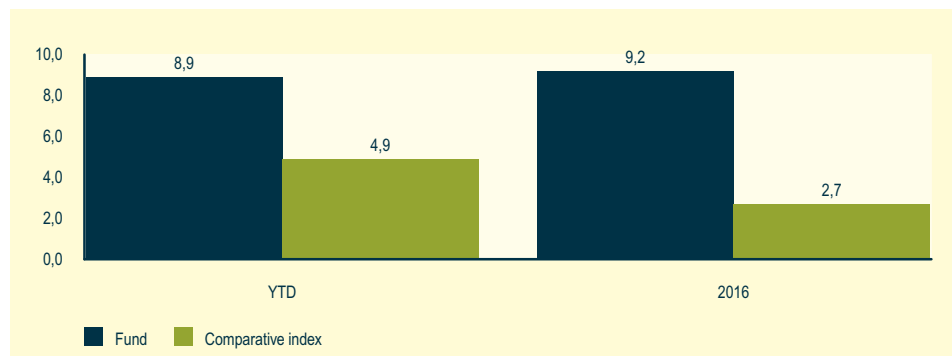
Performance since launch



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	+4.5	+10.2	+8.9	+37.6	N/A	N/A	+11.5	+11.5
Index	+1.1	+5.9	+4.9	+20.7	+6.0	+7.5	+7.0	+7.0
Sector	+1.4	+5.8	+5.4	+20.7	+5.4	+6.6	+7.5	+7.5

Annual performance (%)



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	Johan Du Preez
Fund manager tenure from	1 September 2015
Deputy fund manager	John Lothian
Launch date	6 April 1971
Launch of share class	9 October 2015
Fund size (millions)	\$529.70
Fund type	OEIC, incorporated in the UK
Comparative index	MSCI Japan Index
Comparative sector	Morningstar Japan Large-Cap Equity sector
Number of companies	34
Historic yield (Acc)	0.43 %
Portfolio turnover over 12 months	45.9 %
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.

Risk characteristics

As at 31/01/17	
Alpha:	6.23
Information ratio:	0.94
Sharpe ratio:	1.51
Historic tracking error:	5.77
Beta:	1.04
Standard deviation:	18.92
Forecast tracking error (active risk):	4.60
Active share	87.68

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
Consumer discretionary	26.6	20.3	6.3
Financials	19.5	14.1	5.4
Information technology	18.6	10.9	7.7
Industrials	18.3	20.4	-2.1
Materials	10.1	6.4	3.7
Healthcare	4.1	7.5	-3.4
Consumer staples	0.0	7.4	-7.4
Energy	0.0	0.9	-0.9
Real estate	0.0	4.3	-4.3
Telecommunications	0.0	5.9	-5.9
Utilities	0.0	1.9	-1.9
Cash	2.8	0.0	2.8

Largest holdings (%)

	Fund	Index	Relative weight
Honda Motor	5.8	1.6	4.2
Mitsubishi UFJ	5.6	2.7	2.9
Nomura	4.3	0.9	3.4
Asahi Glass	4.2	0.3	4.0
Sumitomo Mitsui	4.2	1.7	2.5
Hitachi	4.1	0.9	3.2
Sumitomo	4.1	0.5	3.6
Takeda Pharmaceutical	4.1	1.1	3.0
JSR	3.8	0.1	3.6
Nikon	3.7	0.2	3.6

Largest overweights (%)

	Fund	Index	Relative weight
Honda Motor	5.8	1.6	4.2
Asahi Glass	4.2	0.3	4.0
JSR	3.8	0.1	3.6
Sumitomo	4.1	0.5	3.6
Nikon	3.7	0.2	3.6
Nomura	4.3	0.9	3.4
Wacom	3.3	0.0	3.3
NEC	3.5	0.2	3.3
Hitachi	4.1	0.9	3.2
Sumitomo Electric Industries	3.4	0.4	3.0

Largest underweights (%)

	Fund	Index	Relative weight
Toyota Motor	0.0	4.9	-4.9
Softbank Group	0.0	2.3	-2.3
Kddi	0.0	1.6	-1.6
Mizuho Financial	0.0	1.5	-1.5
Sony	0.0	1.4	-1.4
Fanuc	0.0	1.2	-1.2
Keyence	0.0	1.2	-1.2
Japan Tobacco	0.0	1.2	-1.2
Mitsubishi	0.0	1.1	-1.1
Shin-Etsu Chemical	0.0	1.1	-1.1

Performance review

The Japanese stockmarket rose modestly in February. Furthermore, returns to non-yen-based investors were boosted by the strength of the Japanese currency.

Fund Manager Johan Du Preez believes the valuation of Japanese shares is compelling. In his view, the market does not reflect fundamentals and shares are attractively valued. In his opinion, the changes taking place in Japan today – increased shareholder engagement, improved profitability – are structural and should lead to attractive long-term returns.

The fund was ahead of the MSCI Japan Index with strong selection overall, in a wide range of sectors, including technology, industrials and consumer discretionary, adding value.

Wacom, a manufacturer of digital input devices, such as graphic tablets, which are used in creative and design industries, was the fund's top contributor. It has strong intellectual property and is the dominant player in the industrial sector, which is the main driver of profits. The company is investing to refresh its product line-up, which Johan believes will bear fruit in time and, at the current share price, Wacom's valuation is undemanding.

However, elsewhere in the sector, shares in diversified technology and industrial company **Hitachi** fell, following the news that supplier Mitsubishi Heavy was demanding a higher-than-expected payment which relates to several boiler construction projects in South Africa. Hitachi has said it will challenge the size of the payment.

In the industrial sector, the management of **Asahi Glass** raised guidance for full-year operating profits and announced plans for a substantial share buyback; its shares rallied on the news. Asahi is benefiting from stabilising liquid crystal display (LCD) glass substrate prices and strong volume growth, as the unit size of LCD glass is increasing.

On the other hand, industrial holding **Ebara's** share price weakened on the back of the fall in the oil price. Ebara manufactures heavy industrial equipment, including pumps and compressors. The chemical industry accounts for around 80 % of its end-market, with oil & gas making up the balance. The company generates strong cashflows and a significant proportion of revenues comes from service contracts, which are very profitable.

In the consumer discretionary sector, recent purchase **Seiko**, a manufacturer of watches and electronic devices, and **Sumitomo Electric** added value. Although Seiko faces a number of headwinds, including reduced demand for watches following the clampdown on corruption in China, as well as digital watches like iwatches squeezing

the share of traditional watch makers, Johan believes the shares are undervalued. In his view, investors are incorrectly interpreting Seiko's short-term challenges as structural rather than cyclical.

Meanwhile, Sumitomo Electric raised full-year guidance for operating profits. The company is benefiting from the increasing acceptance amongst automobile assemblers of its new aluminium wire harness product, which costs less to produce and weighs less than its predecessor.

Conversely, **Nikon** held back performance. Shares in the camera and optical equipment manufacturer fell after management cut full-year operating profit forecasts. Despite the news, Johan believes Nikon is taking action to streamline its business and improve margins on Digital Single Lens Reflex cameras. The company is also benefiting from huge demand for high-end LCDs, an area of the market it dominates.

Key changes

During the month, Johan closed the position in **Denki Kogyo**, a telecoms and radio frequency technologies specialist, and reinvested the proceeds in more attractive opportunities elsewhere in the portfolio.

Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
USD A Acc	GB00BZ0FTQ89	MGJAPUA LN	1.50 %	1.67 % *	\$1000	\$75
USD C Acc	GB00BZ0FTR96	MGJAPUC 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 August 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 may be held on deposit and/or in the Northern Trust Cash Funds, a range of collective investment schemes.

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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