

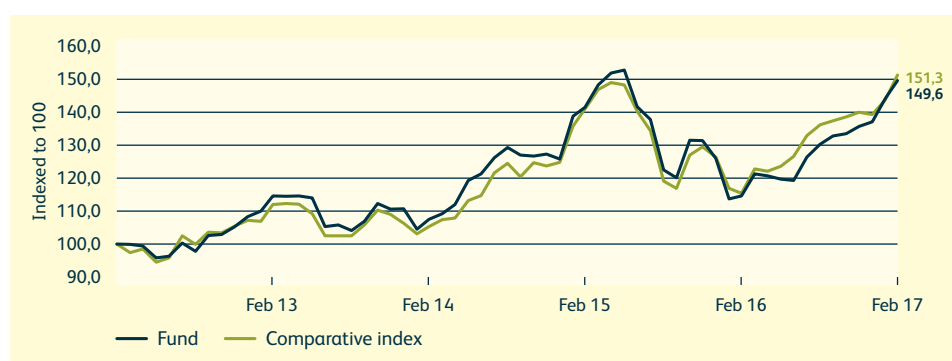
28 February 2017

Euro Class A

Summary

- Asian equities continued to rise in February amid optimism about the global economy.
- The fund rose but underperformed the MSCI Asia Pacific ex Japan Index, with stock selection in financials and information technology detracting.
- Fund Manager Matthew Vaight started positions in Sembcorp Industries, a Singapore-listed utilities firm, and First Pacific, a Hong Kong-based conglomerate.

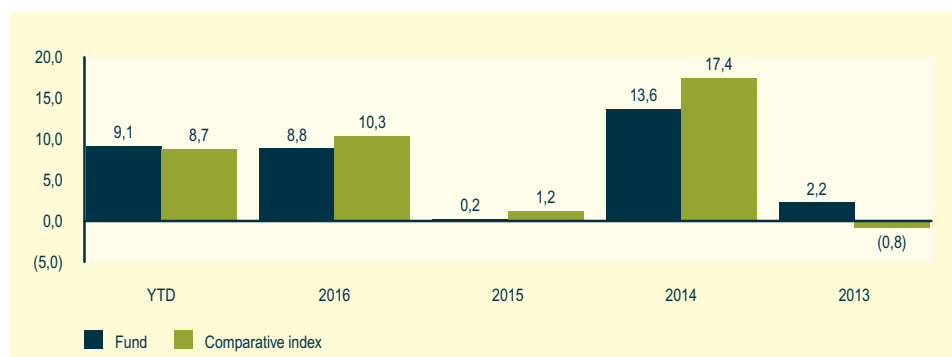
Performance over 5 years



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	+3,7	+10,3	+9,1	+30,6	+11,6	+8,4	+7,0	+7,3
Index	+5,2	+8,1	+8,6	+31,2	+12,9	+8,6	+6,9	+6,7
Sector	+4,1	+6,8	+7,6	+26,4	+12,3	+8,5	+6,9	+7,8
Ranking	52/72	1/72	6/72	23/71	37/62	28/53	16/40	4/7
Quartile ranking	3	1	1	2	3	3	2	2

Annual performance (%)



Key information

Fund manager	Matthew Vaight
Fund manager tenure from	29 February 2017
Deputy fund manager	Alice de Charmoy
Launch date*	16 August 1996
Launch of share class	28 November 2001
Fund size (millions)	€728,08
Fund type	OEIC, incorporated in the UK
Comparative index	MSCI AC Asia Pacific ex Japan Index
Comparative sector	Morningstar Asia-Pacific ex-Japan Equity sector
Number of companies	61
Historic yield (Acc)	0.66 %
Portfolio turnover over 12 months	5,2 %
Share type	Accumulation
Ongoing charge	1,74 %

* The fund originally launched on 14 September 1973 (end of the initial offer period of the Fund in the UK). However, on 16 August 1996, the fund re-launched and we are choosing to use this date as the launch date for this fund. On this date the fund's name, objective, comparative index and sector changed.

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	★★★
Morningstar Analyst rating	Bronze

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 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:	0,61
Information ratio:	0,13
Sharpe ratio:	0,95
Historic tracking error:	4,19
Beta:	0,97
Standard deviation:	14,47
Forecast tracking error (active risk):	3,64
Active share	83,44

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
Information technology	29,1	22,1	7,0
Financials	28,3	28,0	0,3
Industrials	12,1	7,3	4,8
Materials	8,6	7,0	1,6
Utilities	5,8	3,4	2,4
Consumer discretionary	5,0	8,1	-3,0
Telecommunications	3,8	4,6	-0,8
Energy	3,4	4,4	-1,0
Consumer staples	1,0	5,3	-4,3
Healthcare	0,7	3,3	-2,6
Real estate	0,0	6,5	-6,5
Cash and near cash	2,2	0,0	2,2

Largest holdings (%)

	Fund	Index	Relative weight
Samsung Electronics	5,2	4,1	1,1
Taiwan Semiconductor	4,5	3,3	1,2
AIA	3,3	1,6	1,7
CK Hutchison	3,3	0,7	2,6
DBS	3,2	0,5	2,7
Baidu	3,1	1,0	2,1
Shinhan Financial	2,9	0,4	2,5
QBE Insurance	2,9	0,3	2,6
SK Hynix	2,4	0,5	1,8
Delta Electronics	2,3	0,2	2,1

Largest overweights (%)

	Fund	Index	Relative weight
DBS	3,2	0,5	2,7
QBE Insurance	2,9	0,3	2,6
CK Hutchison	3,3	0,7	2,6
Shinhan Financial	2,9	0,4	2,5
Cesc	2,1	0,0	2,1
Baidu	3,1	1,0	2,1
Pccw	2,1	0,1	2,1
Delta Electronics	2,3	0,2	2,1
Downer EDI	2,0	0,0	2,0
Fufeng	1,9	0,0	1,9

Largest underweights (%)

	Fund	Index	Relative weight
Tencent	0,0	3,3	-3,3
Alibaba Group	0,0	2,5	-2,5
Commonwealth Bank	0,0	2,3	-2,3
Westpac Banking	0,0	1,9	-1,9
ANZ Banking	0,0	1,5	-1,5
China Construction Bank	0,0	1,5	-1,5
China Mobile	0,0	1,5	-1,5
National Australia Bank	0,0	1,4	-1,4
BHP Billiton	0,0	1,3	-1,3
ICBC	0,0	1,0	-1,0

Country breakdown (%)

	Fund	Index	Relative weight
China	20,0	20,1	-0,1
South Korea	16,9	13,6	3,3
Taiwan	16,5	11,4	5,1
Hong Kong	15,7	13,5	2,2
Australia	10,6	20,4	-9,8
Singapore	6,1	3,8	2,4
India	5,6	7,8	-2,2
UK	2,8	0,4	2,3
Other	3,6	8,9	-5,4
Cash and near cash	2,2	0,0	2,2

Capitalisation breakdown (%)

	Fund	Index	Relative weight
Mega cap (> \$50bn)	18,0	25,0	-7,0
Large cap (\$10 - \$50bn)	23,8	32,3	-8,6
Mid cap (\$2 - \$10bn)	26,0	31,1	-5,1
Small cap (< \$2bn)	30,1	11,6	18,5
Cash	2,2	0,0	2,2

Performance review

Asian equities extended their recent run of good performance with further gains in February. The region was one of the best-performing globally, supported by continued optimism about the global economy. As the earnings season continued, encouraging company results boosted share prices as well.

India's stockmarket rose as investors welcomed the country's budget, and concerns about the potential impact of the demonetisation policy receded. Chinese equities gained on robust economic data, while markets in Australia and Taiwan outperformed as well. In contrast, the Philippines and Thailand were notable laggards.

At the sector level, healthcare and consumer discretionary led the way. Consumer staples enjoyed a better month after being out of favour recently. Financials outperformed as well. In contrast, energy and materials were laggards as they paused for breath after recent gains. Telecommunication services underperformed too.

Against this backdrop, the fund rose but was behind the MSCI Asia Pacific ex Japan Index. Stock selection detracted from relative performance, most notably in the financials and information technology sectors.

In financials, the holdings in **Standard Chartered** and **HSBC**, two UK-based Asia-focused banks, cost some performance. Standard Chartered's share price had risen amid optimism about the lender's restructuring programme, but the shares fell in February on reports that it was not paying a dividend despite returning to profit.

Meanwhile, shares in HSBC declined when it revealed a sharp drop in annual profits, caused by writedowns and slowing economic growth in some of its main markets.

In the technology sector, **SK Hynix**, a South Korean memory chip manufacturer, was subject to profit-taking after a strong run of performance. The holding in Chinese firm **Lenovo** also weighed on performance as the PC and smartphone maker's share price declined after reporting a large fall in quarterly profits. The company is working hard to turn around the fortunes of its mobile phone division, while the PC business seems to be stabilising. Matthew added to the position over the month.

On a positive note, the holding in **CESC**, an Indian utility business, helped relative performance. The shares continued their recent gains on optimism about the potential restructuring of the group. In particular, investors are hopeful that CESC will sell its retail business which is starting to see improved profitability. The share price of **Axis Bank**, a non-state-owned Indian bank, also advanced on speculation of a potential merger.

In Australia, the holding in **Downer EDI**, an engineering contractor which designs and manages rail and infrastructure projects, added value. The company's shares rose after reporting an increase in profits and raising its earnings forecast. Downer has

been shifting its focus away from the mining sector towards transport and infrastructure activities, a strategy that has proved successful.

Key changes

Matthew started a new position in **Sembcorp Industries**, a Singapore-listed utilities firm. Sembcorp provides power and water services across Asia and the Middle East and has a stake in a shipbuilding company. Sembcorp's shares have fallen on low power prices in India and worries about weak demand for ships. In Matthew's view, the market's concerns are excessive and the stock is attractively valued.

First Pacific, a Hong Kong-based conglomerate with operations in Indonesia and the Philippines, also joined the portfolio. Matthew believes the holding company trades at a discount to the value of the underlying companies, which include consumer foods, infrastructure and telecommunication businesses.

Matthew also added to a number of existing holdings, including financials **Axis Bank** and **Bank Mandiri**, one of Indonesia's largest banks, as well as **VTech**, a Hong Kong-based supplier of electronic learning toys.

On the other hand, Matthew took profits from **CESC**, **SK Hynix** and South Korean retailer **E-Mart**, stocks which have performed well recently. 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	GB0030939770	MGSEAAA LN	1,50 %	1,74 %	€1.000	€75
Euro C Acc	GB0030939994	MGSEACA LN	0,75 %	0,99 %	€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.

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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