

## Euro Class A

### Summary

- The fund recorded a positive return in February as global equities extended their rally post Donald Trump's election as US president. However, the fund lagged its comparative index.
- Relative returns were held back by the fund's overweight position in basic materials, which trailed the broader market. Conversely, a number of the fund's top contributors came from defensive sectors.
- A position in NXP Semiconductor, which was acquired by Qualcomm in a cash deal, was closed during the month.

### 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	+3,2	+5,6	+3,2	+21,5	+8,4	+4,0	+15,1	+6,9
Index	+3,8	+6,5	+3,8	+23,3	+13,4	+11,8	+16,6	+6,0
Sector	+4,1	+6,9	+4,4	+20,1	+12,0	+12,2	+11,1	+2,3
Ranking	425/495	416/490	401/495	192/476	345/388	316/317	64/471	5/99
Quartile ranking	4	4	4	2	4	4	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 Global Equity sector is the amalgamation of the Morningstar Global Large Cap Blend Equity sector, Morningstar Global Large Cap Value Equity sector, Morningstar Global Large Cap Growth Equity sector, Morningstar Global Small-Cap Equity sector, Morningstar Global Equity Income sector and the Morningstar Flex-Cap Equity sector.

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

<b>Fund managers</b>	Jamie Horvat & Randeep Somel
<b>Fund manager tenure from</b>	18 December 2015
<b>Launch date*</b>	17 November 2000
<b>Launch of share class</b>	28 November 2001
<b>Fund size (millions)</b>	€2.444,52
<b>Fund type</b>	OEIC, incorporated in the UK
<b>Comparative index</b>	FTSE Global Basics Composite Index <sup>†</sup>
<b>Comparative sector</b>	Global Equity sector
<b>Number of companies</b>	63
<b>Historic yield (Acc)</b>	0.22 %
<b>Historic yield (Inc)</b>	1.87 %
<b>Portfolio turnover over 12 months</b>	31,4 %
<b>Share type</b>	Acc & Inc
<b>Ongoing charge</b>	1,92 %

\* The fund originally launched on 28 February 1973 (end of the initial offer period of the Fund in the UK). However, on 17 November 2000, 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 fund's comparative index comprises all subsectors of the FTSE World Index except media, IT, telecommunications, financials and healthcare.

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 ★★★  
Morningstar Analyst rating Neutral

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:	-3,09
Information ratio:	-0,79
Sharpe ratio:	1,11
Historic tracking error:	3,42
Beta:	0,92
Standard deviation:	11,94
Forecast tracking error (active risk):	4,13
Active share	95,71

**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 goods	21,0	27,6	-6,6
Industrials	20,6	26,3	-5,7
Basic materials	18,6	10,1	8,6
Healthcare	16,9	0,0	16,9
Technology	7,8	0,0	7,8
Consumer services	5,2	16,6	-11,4
Oil & gas	5,1	12,9	-7,8
Financials	3,3	0,0	3,3
Telecommunications	0,0	0,0	0,0
Utilities	0,0	6,6	-6,6
Cash and near cash	1,5	0,0	1,5

## Largest holdings (%)

	Fund	Index	Relative weight
Microsoft	5,0	0,0	5,0
Symrise	3,8	0,0	3,7
Roche	3,6	0,0	3,6
Kerry Group	3,5	0,1	3,4
Ansell	3,2	0,0	3,2
Kirin	3,2	0,1	3,1
PZ Cussons	3,2	0,0	3,2
Siemens	3,2	0,5	2,6
Johnson & Johnson	3,1	0,0	3,1
Rockwell Automation	2,9	0,1	2,8

## Capitalisation breakdown (%)

	Fund	Index	Relative weight
Mega cap (> \$50bn)	29,9	40,9	-11,0
Large cap (\$10 - \$50bn)	34,8	39,7	-4,9
Mid cap (\$2 - \$10bn)	21,4	17,1	4,4
Small cap (< \$2bn)	12,4	2,3	10,0
Cash	1,5	0,0	1,5

## Largest overweights (%)

	Fund	Index	Relative weight
Microsoft	5,0	0,0	5,0
Symrise	3,8	0,0	3,7
Roche	3,6	0,0	3,6
Kerry Group	3,5	0,1	3,4
Ansell	3,2	0,0	3,2
PZ Cussons	3,2	0,0	3,2
Kirin	3,2	0,1	3,1
Johnson & Johnson	3,1	0,0	3,1
Rockwell Automation	2,9	0,1	2,8
Siemens	3,2	0,5	2,6

## Largest underweights (%)

	Fund	Index	Relative weight
Exxon Mobil	0,0	1,8	-1,8
Amazon	0,0	1,8	-1,8
General Electric	0,0	1,4	-1,4
Procter & Gamble	0,0	1,3	-1,3
Nestle	0,0	1,2	-1,2
Royal Dutch Shell	0,0	1,2	-1,2
Chevron	0,0	1,1	-1,1
Samsung Electronics	0,0	1,0	-1,0
Home Depot	0,0	1,0	-1,0
Coca-Cola	0,0	1,0	-1,0

## Country breakdown (%)

	Fund	Index	Relative weight
US	43,4	50,0	-6,7
UK	16,3	7,6	8,7
Germany	10,7	4,0	6,6
Japan	5,3	11,8	-6,5
Australia	4,2	2,2	2,0
Switzerland	3,9	2,8	1,1
Ireland	3,5	0,1	3,4
France	2,6	4,0	-1,4
Other	8,6	17,3	-8,7
Cash and near cash	1,5	0,0	1,5

## Currency breakdown (%)

	Fund
US dollar	47,2
Euro	17,7
British pound	16,4
Japanese yen	5,3
Australian dollar	4,2
Swiss franc	3,9
Canadian dollar	2,0
Hong Kong dollar	1,3
Mexican peso	1,2
Other	0,9

## Performance review

Global equities continued to rally in February, driven by an improvement in economic growth and earnings expectations. This was despite President

Trump's first address to Congress failing to provide the policy details that markets wanted, and the likelihood of a US interest rate rise in March.

The cyclicals-led rally paused in February as defensives generally drove the market higher. Healthcare and technology (both excluded from the fund's composite comparative index) and consumer staples were among the best-performing sectors, while energy and materials lagged. Against this backdrop, the fund underperformed its comparative index.

Relative returns were held back by the fund's overweight position in basic materials, which trailed the broader market. The two largest detractors were **BHP Billiton** and **Dominion Diamond**. BHP was affected by the threat of strikes at its copper mine in Chile. Meanwhile, fourth-quarter diamond sales at Dominion fell by 27% compared to the same period a year ago. The company cited the disruption of trading following November's demonetisation of large denomination banknotes in India.

**Ansell**, an Australian manufacturer of protective products, was another notable detractor. The shares suffered on fears that rising rubber costs would squeeze margins.

A number of the fund's top contributors came from defensive sectors, particularly consumer goods. Shares in **Unilever** rose sharply following a takeover proposal from Kraft Heinz. Whilst Kraft quickly dropped its unsolicited approach, Unilever's share price remained well supported after its management team said it would explore ways to unlock value at the company.

Elsewhere, recent addition **Bunge** reported better-than-expected fourth-quarter earnings; the company was also upbeat about its South American agribusiness where it sees higher volumes and margins. Irish food ingredients maker **Kerry** announced strong fourth-quarter results as well, while in the healthcare sector, news that **Johnson & Johnson** planned to acquire Swiss biotechnology company Actelion was well received by investors.

## Key changes

A position in **NXP Semiconductor**, which was acquired by Qualcomm in a cash deal, was closed during the month. One of the key themes Fund Manager Jamie Horvat is currently focusing on is cyber security and he is looking to increase the fund's exposure to the sector. He is currently building a position in a company with military grade capabilities which is deploying its expertise in the commercial sphere, especially banking.

## Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
Euro A Acc	GB0030932676	MGGBEAA LN	1,75 %	1,92 %	€1.000	€75
Euro A Inc	GB00B8HQLV43	MGGBBAI LN	1,75 %	1,92 %	€1.000	€75
Euro C Acc	GB0030932783	MGGBECA LN	0,75 %	0,92 %	€500.000	€50.000
Euro C Inc	GB00BK6M9Z78	MGGBECI 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 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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