

M&G (Lux) Conservative Allocation Fund

A flexible multi-asset fund designed to cautiously grow capital



Juan Nevado
Co-Fund Manager



Craig Moran
Co-Fund Manager

“A multi-asset fund designed for investors who are looking for a cautious and flexible investment approach over the long term.”

Fund facts



Launch date:

16 January 2018

Comparative sector:

Morningstar EUR Cautious Allocation - Global sector

Euro A share class

ISIN (Acc): LU1582982283

ISIN (Dist): LU1582982366

Initial Charge:

Max 4,00%

AMC:

1,40%

Ongoing charge*:

1,62%

Minimum investment:

€1.000

Minimum top-up investment:

€75

* Estimates only as the share class launched less than a year ago.

Source of fund facts: M&G, as at 31.08.18.

On 16 March 2018, the M&G Prudent Allocation Fund, a UK authorised OEIC, which launched on 23 April 2015, merged into the M&G (Lux) Conservative Allocation Fund, a Luxembourg-authorized SICAV, which launched on 16 January 2018. The SICAV is run by the same fund managers, applying the same investment strategy, as the UK-authorized OEIC.

The 'Episode' investment philosophy

The M&G Multi Asset team believes that financial markets often move irrationally because investors allow their emotions to affect their decision-making. Using a robust valuation framework, they examine the economic environment to find occasions – 'episodes' – where investor behaviour has moved asset prices away from their long-term fair value.

The M&G (Lux) Conservative Allocation Fund allows the managers significant flexibility to move capital between asset classes. This includes the ability to take long and short positions, and to go negative duration. Asset allocation is expected to be the main driver of returns over time.

Fund proposition

The fund aims to deliver a positive total return (the combination of income and capital growth) of 3-6% on average per year over any three-year period by investing globally in a range of assets, including equities, fixed income and currencies. The fund managers expect the fund to have an annualised volatility of between 3% and 7%.

The fund will normally invest within the following net allocation ranges, which reflect the sum total of long and short positions.

	Net allocation range	Neutrality
Equity	0-35%	20%
Fixed income*	0-100%	70%
Other**	0-20%	10%
Currency	Min. 60% in EUR (or hedged back to EUR)	

*Excluding cash and cash equivalents.

**Mainly real estate-related securities, convertibles and infrastructure assets.

Neutrality is the positioning of the fund if all assets were trading at their 'fair value'. This can be thought of as a strategic asset allocation. In an ideal world, when all assets were trading at their 'fair value', then neutrality would be how a fund was positioned, given its strategy and risk profile. However, assets seldom trade at fair value, so the actual allocation of the fund may not match the neutral position.

The value of investments will fluctuate, which will cause fund prices to fall as well as rise, and you may not get back the amount you originally invested. There is no guarantee the fund will achieve its objective.

Changes in currency exchange rates will also affect the value of your investment.

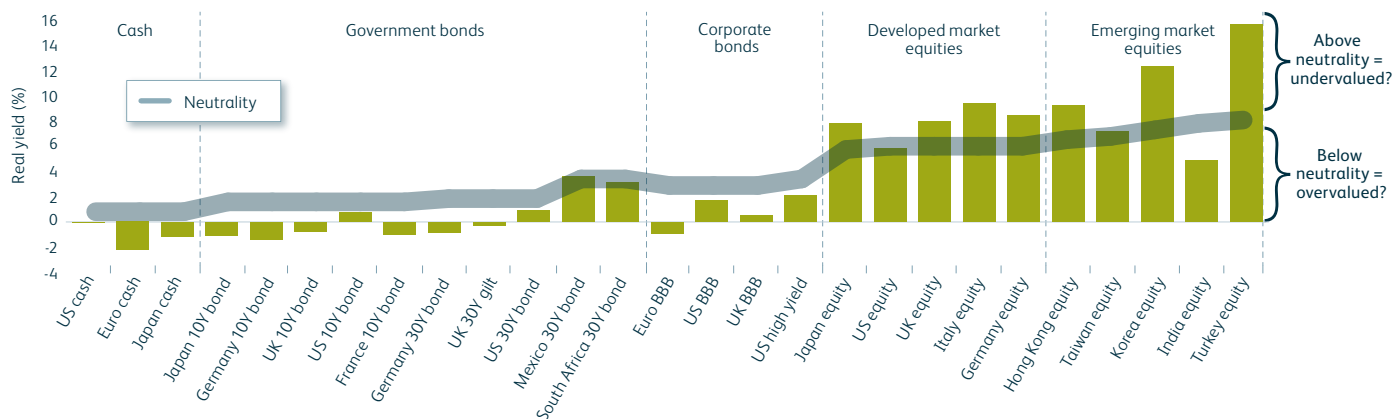
Reasons to invest

The fund is designed for investors seeking a prudent approach to capital growth and wishing to limit their equity exposure in order to manage volatility.

- The fund has the potential to deliver positive returns across a variety of market conditions as it has the flexibility not only to gain exposure to the most attractive assets but also to avoid assets that the fund managers consider to be unattractive. The fund managers believe that this strategy has a greater chance of delivering strong returns than a traditional long-only portfolio.
- The fund has an innovative investment approach that combines macroeconomic research and in-depth valuation analysis with elements of behavioural finance. This approach has been developed and operated by the M&G Multi Asset team for over 15 years.

Valuation framework: Sample of assets, showing real yield against neutrality

The fund managers evaluate the macroeconomic environment and look for instances where investor emotion has moved asset classes away from what the managers assess to be their long-term 'fair value' or 'neutrality'.



Source: M&G 2018, for illustrative purposes only. The green columns show the expected return or real yield from each type of asset. The grey neutrality band is the level where the fund managers perceive the real yield to be a 'fair' reflection of the assets' underlying value. Please note that this chart represents just the starting point for the team's investment process and that behavioural finance insights are crucial to its interpretation. M&G does not have house views.

The fund allows for the extensive use of derivatives.

UCITS HAVE NO GUARANTEED RETURN AND PAST PERFORMANCE IS NOT A GUIDE TO FUTURE PERFORMANCE

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 www.mandg.com
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