

# M&G (Lux) Income Allocation Fund

A multi-asset portfolio designed with income as an outcome



Steven Andrew  
Fund Manager

“A multi-asset investment strategy for income seekers.”

## Fund facts



### Launch date:

16 January 2018

### Comparative sector:

Morningstar EUR Moderate Allocation - Global sector

### Euro A share class

ISIN (Acc): LU1582984818

ISIN (Dist): LU1582984909

### AMC:

1,50%

### Initial charge:

Max 4,00%

### Ongoing charge\*:

1,72%

### Minimum investment:

€1.000

### Minimum top-up investment:

€75

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

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

On 16 March 2018, the M&G Income Allocation Fund, a UK-authorized OEIC, which launched on 7 November 2013, merged into the M&G (Lux) Income Allocation Fund, a Luxembourg-authorized SICAV, which launched on 16 January 2018. The SICAV is run by the same fund manager, 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 bulk of the M&G (Lux) Income Allocation Fund is dedicated to generating a stable income but the fund manager may also take-high conviction asset allocation views in order to generate capital that may be reinvested for income.

## Fund proposition

The fund has two aims:

- to provide a growing level of income over any three-year period through investment in a range of global assets;
- to provide capital growth of 2-4% on average per year over any three-year period.

The fund manager expects the fund to have an annualised volatility of between 4% and 8%.

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

	Net allocation range	Neutrality
Equity	10-50%	30%
Fixed income*	40-80%	60%
Other**	0-20%	10%
Currency	Min. 70% in EUR (or hedged back to EUR)	

\* Excluding cash and cash equivalents.

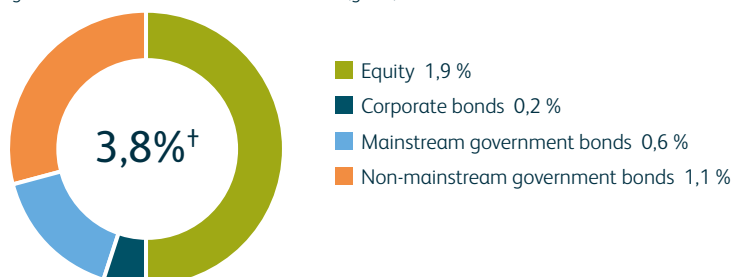
\*\* Mainly convertibles.

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 fund derives income from diversified sources, as illustrated below:

Diversification of income (% of fund)

Weighted contribution to the fund's income (gross)\*



Source: M&G, 1 September 2018 (latest data available). \* Expected income for the next 12 months. † The estimated annual yield is based on the gross income, before withholding tax, expected to be received from the underlying investments in the fund as a percentage of the current fund share price. **The estimated annual yield is not guaranteed and may vary.**

The value of investments and the income from them will rise and fall. This will cause the fund price, as well as any income paid by the fund, to fall as well as rise. There is no guarantee the fund will achieve its objective, and you may not get back the amount you originally invested.

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

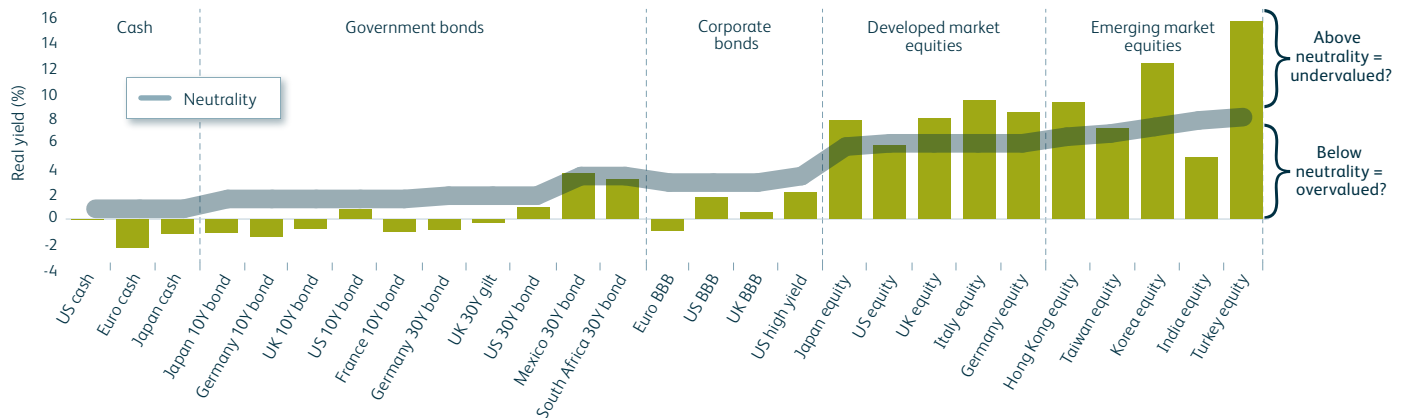
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## Reasons to invest

- The fund has the potential to deliver income, while managing volatility, via a diversified portfolio that can invest in a variety of assets across all major investable markets. This includes equities and bonds issued by both governments and companies.
- The fund therefore offers the opportunity to combine the advantages of different asset classes in a single portfolio, while reducing the risks associated with pursuing income from a single asset class.
- 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 manager evaluates the macroeconomic environment and looks for instances where investor emotion has moved asset classes away from what he assesses 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.

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