Monthly Fund Review

31 July 2016

M&G Asian Fund

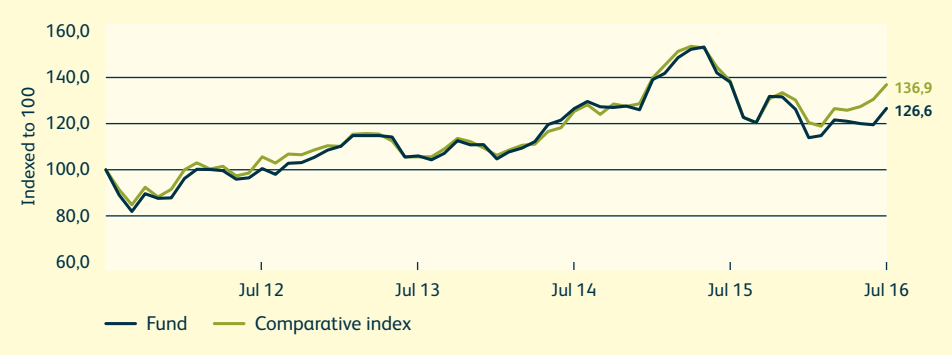
M&G INVESTMENTS

Euro Class A

Summary

- Asian equities benefited from the improvement in investor risk appetite in July, rising to their highest level this year.
- The fund was ahead of the MSCI Asia Pacific ex Japan Index in sterling and euro terms, and in line with the index in US dollars. Stock selection in the materials sector added value, but detracted in the energy sector.
- Fund Manager Matthew Vaight added to the position in Bank Mandiri, an Indonesian financial group, which joined the portfolio recently.

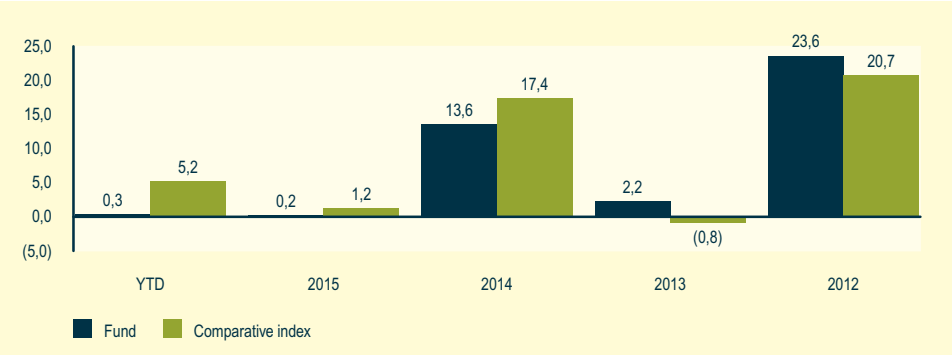
Performance over 5 years



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	+6,0	+4,7	+0,3	-8,2	+6,1	+4,8	+5,4	+6,6
Index	+4,9	+8,8	+5,2	-1,2	+9,0	+6,5	+5,8	+6,2
Sector	+5,3	+9,1	+5,9	-0,2	+8,7	+6,3	+6,0	+6,9
Ranking	25/71	70/71	67/70	64/66	45/57	41/51	26/41	4/9
Quartile ranking	2	4	4	4	4	4	3	2

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 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	Matthew Vaight
Fund manager tenure from	29 February 2008
Deputy fund manager	Alice de Charmoy
Launch date*	16 August 1996
Launch of share class	28 November 2001
Fund size (millions)	€645,33
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	59
Historic yield	0,75 %
Portfolio turnover over 12 months	5,0 %
Share type	Accumulation
Ongoing charge	1,73 %

* 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: Morningstar, as at 30 June 2016

Ratings should not be taken as a recommendation.

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Risk characteristics

As at 30/06/16	
Alpha:	-1,12
Information ratio:	-0,25
Sharpe ratio:	0,32
Historic tracking error:	4,24
Beta:	1,01
Standard deviation:	20,75
Forecast tracking error (active risk):	4,77
Active share	84,80

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	27,8	20,6	7,2
Financials	27,0	34,0	-6,9
Industrials	11,0	8,0	3,0
Materials	9,1	6,4	2,7
Consumer discretionary	6,8	8,0	-1,2
Utilities	6,3	3,8	2,4
Telecommunications	4,6	5,7	-1,1
Energy	2,9	4,1	-1,2
Consumer staples	1,9	5,8	-3,9
Healthcare	0,5	3,6	-3,1
Cash and near cash	2,1	0,0	2,1

Largest holdings (%)

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

Largest overweights (%)

	Fund	Index	Relative weight
Shinhan Financial	3,2	0,4	2,8
Pccw	2,5	0,1	2,4
CK Hutchison	3,1	0,7	2,4
QBE Insurance	2,6	0,3	2,4
DBS	2,8	0,5	2,3
Hollysys	2,3	0,0	2,3
Delta Electronics	2,4	0,2	2,2
Axis Bank	2,3	0,1	2,2
Cesc	2,1	0,0	2,1
SK Hynix	2,5	0,4	2,0

Largest underweights (%)

	Fund	Index	Relative weight
Tencent	0,0	3,2	-3,2
Commonwealth Bank	0,0	2,4	-2,4
Alibaba Group	0,0	1,9	-1,9
Westpac Banking	0,0	1,8	-1,8
China Mobile	0,0	1,8	-1,8
ANZ Banking	0,0	1,3	-1,3
China Construction Bank	0,0	1,3	-1,3
National Australia Bank	0,0	1,2	-1,2
BHP Billiton	0,0	1,1	-1,1
ICBC	0,0	1,0	-1,0

Country breakdown (%)

	Fund	Index	Relative weight
China	20,9	18,4	2,5
South Korea	18,2	13,6	4,6
Taiwan	16,8	11,2	5,6
Hong Kong	13,7	14,1	-0,4
Australia	10,1	21,0	-10,9
India	5,9	7,7	-1,8
Singapore	4,6	3,9	0,7
UK	3,3	0,4	2,9
Other	4,4	9,7	-5,3
Cash and near cash	2,1	0,0	2,1

Capitalisation breakdown (%)

	Fund	Index	Relative weight
Mega cap (> $50bn)	16,6	24,0	-7,4
Large cap ($10 - $50bn)	22,2	30,9	-8,7
Mid cap ($2 - $10bn)	25,0	33,3	-8,3
Small cap (< $2bn)	34,2	11,8	22,3
Cash	2,1	0,0	2,1

Performance review

Asian equities climbed to their highest level this year in July as investor risk appetite continued to recover after the UK's decision to leave the European Union. Further signs that China's economy was gaining momentum also contributed to the positive mood, with better-than-expected industrial production and retail sales figures.

Australia's stockmarket was among the best performers, lifted by the brighter picture in China and higher commodities prices. Thailand and Taiwan outperformed too. In contrast, Malaysia was the weakest market, while China, Singapore and the Philippines also lagged.

At the sector level, economically sensitive areas such as consumer discretionary, financials and information technology were in favour. Materials was the best-performing sector. On the other hand, the consumer staples sector was the biggest laggard, while energy stocks underperformed as the oil price retreated.

Against this backdrop, the fund rose and was ahead of the MSCI Asia Pacific ex Japan Index in euros and sterling; it was in line with the index in US dollars. The leading contributor to performance was **Fufeng**, a Chinese producer of monosodium glutamate (MSG). The company's share price rebounded after a period of weakness as investors became more positive on Fufeng's prospects. Through technical innovation, Fufeng has been able to lower its MSG production cost and expand capacity, which should translate into higher profits and help Fufeng increase its market share.

The holdings in **Dongfeng Motor**, a Chinese car maker, and **Hollysys Automation Technologies**, a Chinese supplier of control devices, were also notable contributors. Dongfeng's share price advanced on increased vehicle sales.

In Australia, the holdings in **Orica**, a provider of explosives to the mining industry, and **Downer EDI**, an engineering contractor that provides services to the resources sector, both benefited from the rise in commodity prices.

Elsewhere, the share price of**Hana Financial**, a South Korean bank, gained after reporting better-than-expected results.

In contrast, stock selection in the energy sector detracted. After rallying in recent months, oil prices retreated in July as concerns about the oversupply of oil resurfaced. This reversal hurt the fund's holdings in **Ezion**, a Singapore-based oil services firm, and **Ophir Energy**, a UK-listed oil explorer.

Chinese oil company **CNOOC** was another notable detractor, after warning that it expects to report a significant loss caused by weak oil prices. The company has lowered the value of its high-cost production oil sands assets, which were acquired when it took over Canadian firm Nexen Energy in 2013.

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The holding in **Baidu**, a Chinese online search firm, also detracted on concerns about the impact of stricter advertising regulations.

Key changes

Matthew continued to build the position in **Bank Mandiri**, an Indonesian bank that joined the portfolio recently. The purchase was funded by reducing the holdings in **CESC**, an Indian utility firm, and **Delta Electronics**, a Taiwanese technology firm, which have performed well recently.

Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
Euro A Acc	GB0030939770	MGSEEAA LN	1,50 %	1,73 %	€1.000	€75
Euro C Acc	GB0030939994	MGSEECA LN	0,75 %	0,98 %	€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 29 February 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 31 July 2016, Euro Class A shares, net income reinvested, bid to bid basis. Past performance is not a guide to future performance. All other statistics from M&G internal sources, as at 31 July 2016 unless indicated otherwise.

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