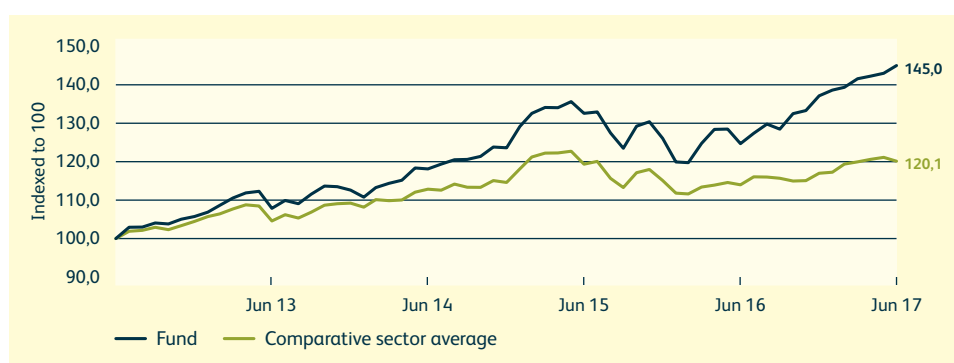


Euro Class A

Summary

- Financial markets saw significant return dispersion in June, with considerable variation within asset classes and across sectors.
- The fund delivered a positive return in June, with both equity and fixed income exposures contributing to overall performance, while currency positions detracted.
- Portfolio changes over the month focused on realising profits on positions that have worked well, while retaining the focus of the fund on exploiting the still-elevated equity risk premium.

Performance over 5 years



Key information

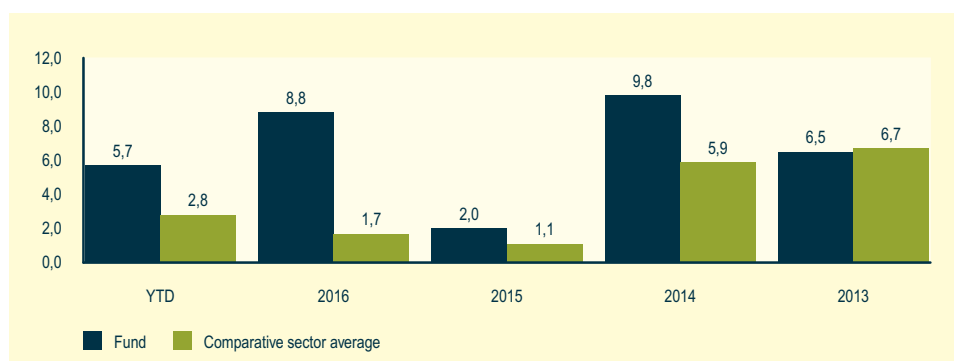
Fund managers	Juan Nevado & Tony Finding
Fund manager tenure from	21 January 2011
Deputy fund manager	Craig Moran
Launch date	3 December 2009
Launch of share class	3 December 2009
Fund size (millions)	€5.057,49
Fund type	OEIC, incorporated in the UK
Comparative sector	Morningstar EUR Flexible Allocation - Global sector
Historic yield (Acc)	0,18 %
Historic yield (Inc)	1,90 %
Duration of Fixed Income portion (years)	-2,3
Average credit rating of fixed interest holdings	A
Share type	Acc & Inc
Ongoing charge	1,84 %

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	+1,4	+2,4	+5,7	+16,3	+7,1	+7,7	+6,6	+6,6
Sector	-0,8	+0,2	+2,8	+5,6	+2,6	+4,5	+3,5	+4,3
Ranking	2/98	8/97	10/97	3/91	8/73	9/57	7/45	9/39
Quartile ranking	1	1	1	1	1	1	1	1

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.

Annual performance (%)



Fund ratings

Overall Morningstar rating **★★★★★**
 Source of Morningstar ratings: Morningstar, as at 31 May 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 allows for the extensive use of derivatives.

VaR analysis (%)

	Fund
1 month 99% VaR	3,1

VaR numbers are calculated using Algorithmics Software employing RiskMetrics methodology.

Portfolio construction (%)

	Allocation range	Neutrality
Equity	20-60	40
Fixed income	0-80	50
Other	0-20	10
Currency	Min 30% euro or euro hedged	

Other: Comprises mainly real estate-related securities and convertibles. Please note these guidelines are subject to change.

Asset breakdown (%)

	Long exposure	Short exposure	Net exposure
Equity	50,3	-10,5	39,7
UK	5,5	0,0	5,5
Europe	15,2	0,0	15,2
US	10,5	-10,5	0,0
Japan	7,2	0,0	7,2
Asia Pacific			
ex Japan	8,5	0,0	8,5
Global equity funds	0,0	0,0	0,0
Other	3,3	0,0	3,3
Global bond funds	0,4	0,0	0,4
Government bonds	28,1	-50,1	-22,0
UK	0,0	-7,0	-7,0
Europe	8,9	-12,4	-3,5
US	9,3	-28,8	-19,5
Japan	0,0	-2,0	-2,0
Asia Pacific			
ex Japan	1,0	0,0	1,0
Other	8,9	0,0	8,9
Corporate bonds	6,9	0,0	6,9
Investment grade	6,1	0,0	6,1
High yield	0,8	0,0	0,8
Convertible bonds	2,0	0,0	2,0
Property funds	0,0	0,0	0,0
Residual cash			73,0

The residual cash (net exposure) figure includes cash-at-bank and cash equivalents, as well as cash required to back long and short exposures resulting from the use of derivatives. The residual cash should be considered in conjunction with the overall positioning of the portfolio (including gross exposure) for a true reflection of risk.

Largest exposures (excluding cash, %)

	Net exposure
Portugal Government 2Y	7,0
Kospi Index future	5,5
Topix Index future	4,4
FTSE 100 Index future	4,1
Dax Index future	3,9
German government 30Y	-4,5
French government 10Y	-5,1
US government 10Y	-7,1
S&P 500 Index future	-10,6
US government 5Y	-15,0

Currency breakdown (%)

	Net exposure
Euro	98,2
British pound	5,5
Mexican peso	3,3
Japanese yen	2,2
Polish zloty	2,0
Australian dollar	-1,9
US dollar	-2,9
Singapore dollar	-2,9
Chinese renminbi	-6,0
Other	2,6

The fund's neutral currency positioning is 100% in euros. Deviations from this figure, therefore, represent long/short exposure.

Leverage and volatility

	Fund
Net leverage	0,3x
Gross leverage	1,5x
Volatility	7,89%

Net leverage is the sum of all net notional exposures, excluding cash, divided by NAV. Gross leverage is the sum of all gross notional exposure, excluding cash, divided by NAV. Volatility is three-year annualised volatility calculated monthly, as at 30 June 2017, sourced from Morningstar.

Performance review

Financial markets saw significant return dispersion in June. While both equities and bonds were down over the month, this masked significant variation within the asset classes and sectors. UK and European equity markets lost ground, while US shares were broadly flat. Meanwhile, emerging and Asian stockmarket performance was highly variable, with Russian and Brazilian equities down, and Taiwanese equities up. US banking stocks gained, while technology shares fell.

Within bond markets there was divergence too, albeit to a lesser extent. Spreads on emerging market bonds and corporate credit narrowed, resulting in modestly positive returns for the month. Conversely, mainstream government bonds sold off, particularly in the latter stages of the month. Returns in currency and commodity markets were varied too. This picture reflected the fact that, while overall volatility remained low, investors were concerned about a number of factors, including valuations of US tech stocks, the pace of US economic growth and the implications of a more hawkish stance by central banks.

The equity risk premium (ERP) was broadly unchanged by the price movements in June – as both equities and bonds sold off – and, for the fund managers, remains the biggest opportunity in global markets. They continue to see value in certain equity markets, which, alongside the pick-up in global growth, is very encouraging. By their assessment, Western government bonds continue to look very unattractively priced. Indeed, the reasonably aggressive response by bond markets to inflation data that were slightly higher than expected and

moderately hawkish central bank rhetoric, shows just how sceptical bond investors remain about the potential for higher real global interest rates.

The fund delivered a positive return in June, with both equity and fixed income exposures contributing to overall performance, while currency positions detracted. Within equities, exposures to US banks and Asian equities added the most value, while exposures to European equities and oil stocks detracted modestly.

Within fixed income, long positions in Mexican government bonds and investment grade credit added meaningfully to gains for the month, as did short positions in Western government bonds. Currencies were a modest detractor, due to the strength of the euro, and weakness in some of the fund's long commodity currency positions (in particular, the Russian ruble).

Key changes

Portfolio changes over the month focused on realising profits on positions that have worked well, while retaining the focus of the fund on exploiting the still-elevated equity risk premium.

In equities, a position in the Kospi Index was scaled back following strong outperformance against the S&P 500 Index, reducing the size of a relative value trade between these two markets.

Meanwhile, positions in Mexican and Argentinian government bonds were reduced following further yield compression, supported by firmer emerging market currencies. These changes further reduced the duration of the fund. The fund managers also reduced the corresponding currency positions, in exchange for boosting the euro and US dollar allocations. Elsewhere, they lowered the exposure to Brazilian bonds; this position had been increased after a yield spike following a political scandal in May. The mining credit positions were scaled back following spread compression.

In the current environment, the fund managers are focused on exercising the fund's flexibility and selectivity to take advantage of market mispricing, while being careful to maintain a disciplined approach to asset allocation. They believe that the fund is well positioned; scaling back risk capital as they have done over the past seven months has left them with plenty of scope to respond to future volatility as and when it occurs.

Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
Euro A Inc	GB00B96BHM03	MGDABIE LN	1,75 %	1,84 %	€1.000	€75
Euro A Acc	GB00B56H1S45	MGGDAAA LN	1,75 %	1,84 %	€1.000	€75
Euro B Acc	GB00B8DC9129	MGDABAE LN	2,25 %	2,34 %	€1.000	€75
Euro C Acc	GB00B56D9Q63	MGGDACA LN	0,75 %	0,85 %	€500.000	€50.000
Euro C Inc	GB00BK6MCH03	MGDAECI LN	0,75 %	0,85 %	€ 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. They are based on expenses for the period ending 31 March 2017.

Please note that not all of the share classes listed above might be available in your country.

Important information

The fund's physical holdings include a significant proportion of cash or cash equivalents, which are used as backing for the derivatives positions.

Source of performance data: Morningstar, Inc., as at 30 June 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 30 June 2017 unless indicated otherwise.

The Morningstar Overall Rating based on the fund's Euro Class A shares. Copyright © 2017 Morningstar UK Limited. All Rights Reserved. Ratings should not be taken as recommendation.

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The Portuguese Securities Market Commission (Comissão do Mercado de Valores Mobiliários, the "CMVM") has received a passporting notification under Directive 2009/65/EC of the European Parliament and of the Council and the Commission Regulation (EU) 584/2010 enabling the fund to be distributed to the public in Portugal. M&G International Limited is duly passported into Portugal to provide certain investment services in such jurisdiction on a cross-border basis and is registered for such purposes with the CMVM and is therefore authorised to conduct the marketing (comercialização) of funds in Portugal.

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