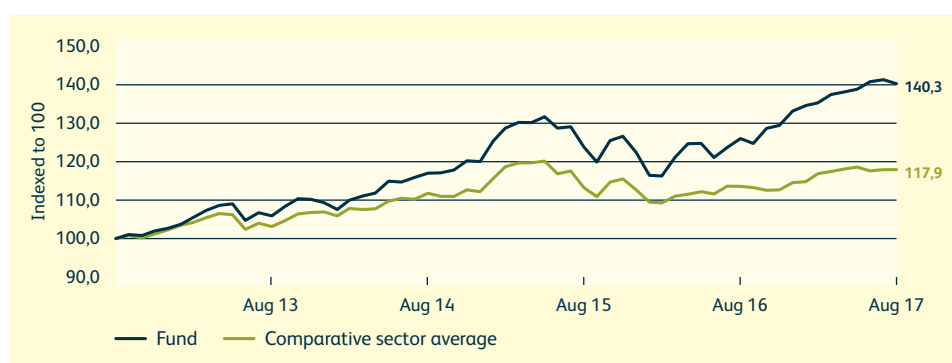


Euro Class A

Summary

- August was a relatively uneventful month - albeit with pockets of weakness - for most financial markets.
- The fund posted negative returns for the month, primarily driven by its meaningful short positions in Western government bonds, which rallied over the month.
- The US dollar short position was removed to reflect the fact that the fund managers do not have a strong view on likely moves for the euro/US dollar exchange rate.

Performance over 5 years



Key information

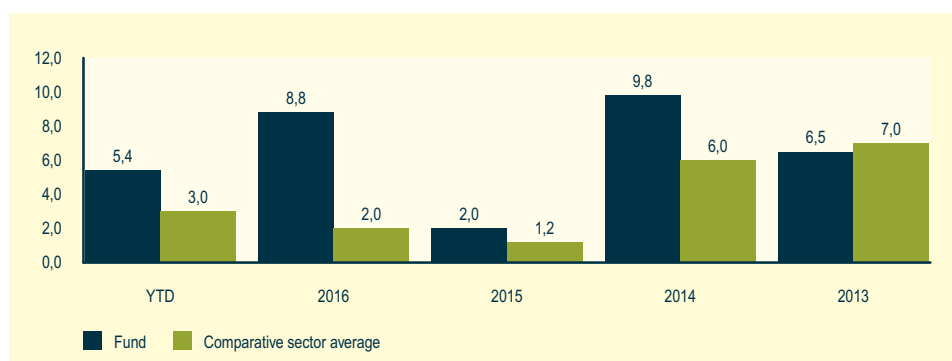
| | |
|---|---|
| Fund managers | Juan Nevado & Tony Finding |
| Fund manager tenure from | 21 January 2011 |
| Deputy fund manager | Craig Moran |
| Launch date | 3 December 2009 |
| Launch of share class | 3 December 2009 |
| Fund size (millions) | €5.580,30 |
| Fund type | OEIC, incorporated in the UK |
| Comparative sector | Morningstar EUR Flexible Allocation - Global sector |
| Historic yield (Acc) | 0,13 % |
| Historic yield (Inc) | 1,79 % |
| Duration of Fixed Income portion (years) | -2,5 |
| 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 | -0,7 | +1,0 | +5,4 | +11,3 | +6,2 | +7,0 | +6,4 | +6,4 |
| Sector | -0,1 | -0,7 | +3,0 | +3,9 | +2,3 | +4,1 | +3,6 | +4,4 |
| Ranking | 92/105 | 16/103 | 21/101 | 6/96 | 9/77 | 10/60 | 8/46 | 10/40 |
| Quartile ranking | 4 | 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 1,82% and constraining capital performance to an equivalent extent.

Annual performance (%)



Fund ratings

Overall Morningstar rating **★★★★**
 Source of Morningstar ratings: Morningstar, as at 31 July 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 | 52,0 | -10,4 | 41,6 |
| UK | 6,3 | 0,0 | 6,3 |
| Europe | 15,9 | 0,0 | 15,9 |
| US | 9,8 | -10,4 | -0,6 |
| Japan | 7,3 | 0,0 | 7,3 |
| Asia Pacific | | | |
| ex Japan | 9,1 | 0,0 | 9,1 |
| Global equity funds | 0,0 | 0,0 | 0,0 |
| Other | 3,6 | 0,0 | 3,6 |
| Global bond funds | 0,7 | 0,0 | 0,7 |
| Government bonds | 27,8 | -50,5 | -22,7 |
| UK | 0,0 | -7,7 | -7,7 |
| Europe | 8,3 | -12,5 | -4,1 |
| US | 9,4 | -28,3 | -19,0 |
| Japan | 0,0 | -2,0 | -2,0 |
| Asia Pacific | | | |
| ex Japan | 1,1 | 0,0 | 1,1 |
| Other | 9,0 | 0,0 | 9,0 |
| Corporate bonds | 5,8 | 0,0 | 5,8 |
| Investment grade | 5,4 | 0,0 | 5,4 |
| High yield | 0,4 | 0,0 | 0,4 |
| Convertible bonds | 2,1 | 0,0 | 2,1 |
| Property funds | 0,0 | 0,0 | 0,0 |
| Residual cash | | | 72,6 |

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 | 6,3 |
| Kospi Index future | 5,5 |
| Topix Index future | 4,5 |
| US government inflation linked 30Y | 4,2 |
| Dax Index future | 4,0 |
| German government 30Y | -4,7 |
| French government 10Y | -4,8 |
| US government 10Y | -6,6 |
| S&P 500 Index future | -10,4 |
| US government 5Y | -15,0 |

Currency breakdown (%)

| | Net exposure |
|------------------|--------------|
| Euro | 97,2 |
| British pound | 4,9 |
| Mexican peso | 3,5 |
| Japanese yen | 2,0 |
| Polish zloty | 2,0 |
| Philippine peso | -2,0 |
| Singapore dollar | -2,9 |
| Taiwan dollar | -4,0 |
| Chinese renminbi | -5,9 |
| Other | 5,2 |

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 | 7,92% |

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 31 August 2017, sourced from Morningstar.

Performance review

Remarkably, August was a relatively uneventful month - albeit with pockets of weakness - for most financial markets. This was despite geopolitical turbulence and potentially significant policy announcements dominating the headlines. Western government bonds rallied, driven by persistent low inflation, coupled with central bankers' reticence in increasing interest rates, as well as their perceived safe haven status. Equity markets were slightly down in aggregate over the month; however, there was meaningful divergence between countries and sectors. Within currency markets, the euro remained reasonably strong and sterling notably weaker.

The global macroeconomic picture continued to be one of synchronised improvement over the month. This reflected strong economic indicators and improved company profit forecasts across the majority of economies from the US to China. However, investors still appear sceptical about the recovery, and government bonds performed well, with demands sustained by ongoing low levels of inflation.

For the fund managers, the equity risk premium (ERP) remains the most compelling opportunity; indeed in some markets this widened modestly during the month. Their view remains that, even at current levels of inflation, Western government bonds are deeply unattractive, in most cases offering negative real returns. However, they continue to see good value in parts of the credit market and emerging markets, and believe that these assets should continue to do well should the current environment of good growth and low inflation persist. The fund managers

therefore continue to position for a generally pro-growth environment, with the fund being long of equities, long of emerging markets bonds and credit, short of Western government bonds and close to 100% invested in the euro.

The fund posted negative returns for the month, for the first time since September 2016, primarily driven by its meaningful short positions in Western government bonds, which rallied over the month. These losses were somewhat offset by gains in emerging market bond positions. The fund's currency positions also cost some performance as sterling continued to weaken against the euro.

Pleasingly, the fund's equity positions achieved positive contributions. Counterintuitively, the 'risk-on' positions - long positions in Russian and mining equities - were particularly strong despite a 'risk-off' environment. However, other equity positions detracted. For example, the banks exposures suffered the effects of the bond rally, Korean equities were affected by geopolitical concerns and European equities grappled with the impact of a stronger euro.

Key changes

Few material changes were made to the portfolio during the month. The only significant change was to remove the remaining US dollar short position to reflect the fact that the fund managers do not have a strong view on likely moves for the euro/US dollar exchange rate.

The fund managers believe the months ahead could be more interesting; there remain a number of unresolved geopolitical situations which could lead to further volatility such as in Korea, the Middle East and the US. In addition, a number of policy meetings during September could see further steps away from the emergency policy measures which have been in place for the past few years. As ever, they recognise that they cannot predict the outcomes of these events or of other potential surprises. Instead they continue to position the fund where they feel they are being adequately compensated for the risks that they are taking, and will be prepared to act should markets present compelling opportunities.

Fund codes and charges

| Share class | ISIN | Bloomberg | Annual management charge | Ongoing charge | Minimum initial investment | Minimum top up investment |
|-------------|--------------|------------|--------------------------|----------------|----------------------------|---------------------------|
| Euro A Acc | GB00B56H1S45 | MGGDAAA LN | 1,75 % | 1,84 % | €1.000 | €75 |
| Euro A Inc | GB00B96BHM03 | MGDABIE 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 31 August 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 31 August 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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