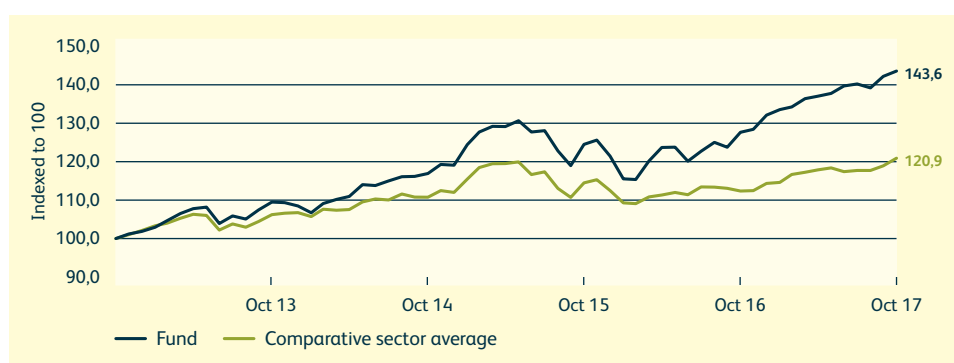


## Summary

- Positive trade data, corporate earnings and dovish central bank behaviour all contributed to a supportive environment for equities in October.
- The fund posted positive returns for the month, with equity positions adding value, while fixed income and currency positions detracted overall.
- Exposure to Mexico was increased following a meaningful sell-off, as the fund managers believe that markets have overreacted to President Trump's rhetoric around NAFTA.

## Performance over 5 years



## Key information

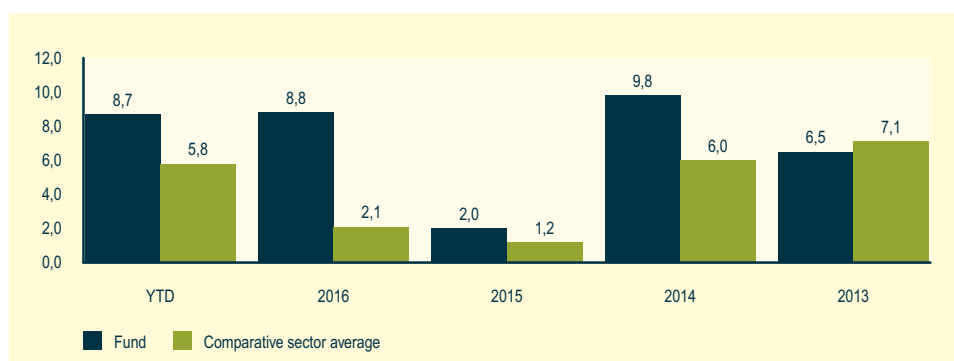
<b>Fund managers</b>	Juan Nevado & Tony Finding
<b>Fund manager tenure from</b>	21 January 2011
<b>Deputy fund manager</b>	Craig Moran
<b>Launch date</b>	3 December 2009
<b>Launch of share class</b>	3 December 2009
<b>Fund size (millions)</b>	€6.356,63
<b>Fund type</b>	OEIC, incorporated in the UK
<b>Comparative sector</b>	Morningstar EUR Flexible Allocation - Global sector
<b>Historic yield (Acc)</b>	0,03 %
<b>Historic yield (Inc)</b>	1,58 %
<b>Duration of Fixed Income portion (years)</b>	-3,3
<b>Average credit rating of fixed interest holdings</b>	A
<b>Share type</b>	Acc & Inc
<b>Ongoing charge</b>	1,93 %

## 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	+1,0	+2,4	+8,7	+12,5	+7,1	+7,5	+6,7	+6,7
Sector	+1,7	+2,7	+5,8	+7,8	+3,3	+4,7	+4,0	+4,7
Ranking	73/105	52/104	21/100	14/98	9/79	10/60	8/45	9/39
Quartile ranking	3	2	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 30 September 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	3,2

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
<b>Equity</b>	<b>57,0</b>	<b>-10,2</b>	<b>46,8</b>
UK	6,5	0,0	6,5
Europe	16,8	0,0	16,8
US	11,2	-10,2	1,0
Japan	10,1	0,0	10,1
Asia Pacific			
ex Japan	9,1	0,0	9,1
Global equity funds	0,0	0,0	0,0
Other	3,4	0,0	3,4
<b>Global bond funds</b>	<b>0,6</b>	<b>0,0</b>	<b>0,6</b>
<b>Government bonds</b>	<b>26,5</b>	<b>-48,7</b>	<b>-22,2</b>
UK	0,0	-7,5	-7,5
Europe	7,5	-12,5	-4,9
US	7,4	-26,8	-19,3
Japan	0,0	-2,0	-2,0
Asia Pacific			
ex Japan	0,9	0,0	0,9
Other	10,6	0,0	10,6
<b>Corporate bonds</b>	<b>5,2</b>	<b>0,0</b>	<b>5,2</b>
Investment grade	4,8	0,0	4,8
High yield	0,4	0,0	0,4
<b>Convertible bonds</b>	<b>1,9</b>	<b>0,0</b>	<b>1,9</b>
<b>Property funds</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Residual cash</b>			<b>67,7</b>

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
Kospi Index future	5,7
Portugese government 2Y	5,6
Topix Index future	5,6
Dax Index future	5,1
Mexican government 10Y	4,1
German government 30Y	-4,5
French government 10Y	-5,1
US government 5Y	-9,8
US government 10Y	-10,2
S&P 500 Index future	-10,2

## Currency breakdown (%)

	Net exposure
Euro	94,8
Mexican peso	5,6
Japanese yen	4,6
British pound	3,1
Polish zloty	2,0
Australian dollar	-2,0
Singapore dollar	-3,0
Taiwan dollar	-3,9
Chinese renminbi	-6,1
Other	5,0

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	7,97%

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 October 2017, sourced from Morningstar.

## Performance review

Financial markets in October were once more driven by strength in the global economy. Positive trade data, corporate earnings and dovish central bank behaviour all contributed to a supportive environment for equities that saw several stock markets globally reach record highs. Even Spain rallied, despite Catalonia's bid for independence. Although Chinese growth slowed modestly, the economy is still expanding at a pace Western countries would be very happy with. Meanwhile, US government bond yields rose slightly. Widening yield spreads put pressure on emerging market government bonds, which also suffered from the strength of the US dollar and President Trump's renewed threats to withdraw from the NAFTA trade treaty.

Towards the end of the month, the European Central Bank extended its quantitative easing policy but also took the first steps towards scaling back its asset purchase programme. The fund managers consider that the gradual nature of planned monetary tightening, along with continued low inflation and strong global growth, represents a 'sweet spot' for the global macroeconomic picture that should be supportive of further growth.

For them, the biggest valuation opportunity remains the equity risk premium, together with selected exposures in credit markets and currencies and emerging market bonds. This is despite some recent weakness in Mexican government bonds, as the fund managers do not consider this to be a reflection of their true long-term value. By

contrast, they believe that most Western government bonds, even at current levels of inflation, remain deeply unattractive, in many cases offering negative real returns.

The fund posted positive returns for October, with equity positions adding value, while fixed income and currency positions detracted overall. Within equities, the largest contribution came from Asia Pacific ex Japan, followed by Europe, led by Germany. Japanese exposures also added to gains, as did the basket of banking stocks. The short exposure to the broader S&P 500 detracted owing to the strength of US equities over the period.

For fixed income, the fund's government bond exposures generated a negative return overall. The short exposure to Germany, and long exposure to emerging market bonds, in particular Mexico, weighed on performance. However, gains from the short US government bond holding helped performance. Corporate bond and convertibles holdings also added modestly to performance. The fund's currency holdings detracted owing to the strength of the US dollar over the month.

## Key changes

In terms of changes to the fund, the entire holdings in two US biotech companies, Abbvie and Bioverativ, were sold after strong performance. Meanwhile, exposure to Mexico was increased following a meaningful sell-off, as the fund managers believe that markets have overreacted to President Trump's rhetoric around NAFTA. They added to the 10-year and 30-year government bond positions as well as the holding in the Mexican peso. The sterling position was decreased accordingly.

Pleasingly, the fund managers' belief that investors have been unduly negative in their outlook seems to have been justified by the movements in asset prices. They consider that the rallies in global equities are justified by the fundamentals, particularly the increase in corporate earnings and the synchronised pick-up in global growth. There has recently been a notable upward shift in investor confidence, which has been slow to rise over the course of 2017. This might signal that investors are finally starting to believe the good fundamental news being released – which continues to be stronger than forecasts have suggested – rather than worry about a potential nasty surprise around the corner. However, the fund managers are alert to the possibility of investor confidence rising to such an extent as to push asset prices above levels that are validated, in their view, by the facts.

## 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 %	1,93 %	€1.000	€75
Euro A Inc	GB00B96BHM03	MGDABIE LN	1,75 %	1,93 %	€1.000	€75
Euro B Acc	GB00B8DC9129	MGDABAE LN	2,25 %	2,43 %	€1.000	€75
Euro C Acc	GB00B56D9Q63	MGGDACA LN	0,75 %	0,93 %	€500.000	€50.000
Euro C Inc	GB00BK6MCH03	MGDAECI LN	0,75 %	0,93 %	€ 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.

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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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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