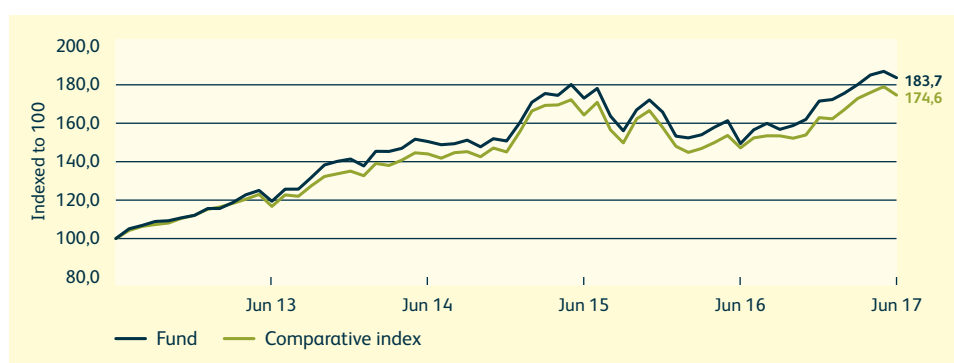


## Euro Class A

### Summary

- European equities fell in June amid concerns about potential changes in central bank policies. Value as a style returned to favour.
- The fund declined but was ahead of the MSCI Europe Index, with stock selection in the healthcare and industrials sectors adding value.
- Fund Manager Richard Halle added to a number of existing positions including J Sainsbury and Bank of Ireland. The stake in Svenska Cellulosa, a Swedish paper maker, was sold on valuation grounds.

### Performance over 5 years



### Key information

<b>Fund manager</b>	Richard Halle
<b>Fund manager tenure from</b>	1 February 2008
<b>Deputy fund manager</b>	Daniel White
<b>Launch date</b>	1 February 2008
<b>Launch of share class</b>	1 February 2008
<b>Fund size (millions)</b>	€2.257,36
<b>Fund type</b>	OEIC, incorporated in the UK
<b>Comparative index</b>	MSCI Europe
<b>Comparative sector</b>	Morningstar Europe Large-Cap Value Equity sector
<b>Number of companies</b>	87
<b>Historic yield (Acc)</b>	1,09 %
<b>Portfolio turnover over 12 months</b>	24,8 %
<b>Share type</b>	Accumulation
<b>Ongoing charge</b>	1,67 %

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 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	-1,8	+2,0	+7,1	+22,9	+6,9	+12,9	+5,6	+5,6
Index	-2,5	+1,0	+7,2	+18,6	+6,6	+11,8	+5,0	+5,0
MSCI Europe Value Index	-1,9	+0,4	+5,1	+23,6	+4,4	+11,2	+3,4	+3,4
Sector	-2,3	+0,8	+6,0	+22,7	+5,7	+12,3	+3,9	+3,9
Ranking	8/29	4/29	6/29	17/29	7/27	12/26	4/20	4/20
Quartile ranking	1	1	1	3	1	2	1	1

### Fund ratings

Overall Morningstar rating	★★★★
Morningstar Analyst rating	Bronze

Source of Morningstar ratings: Morningstar, as at 31 May 2017

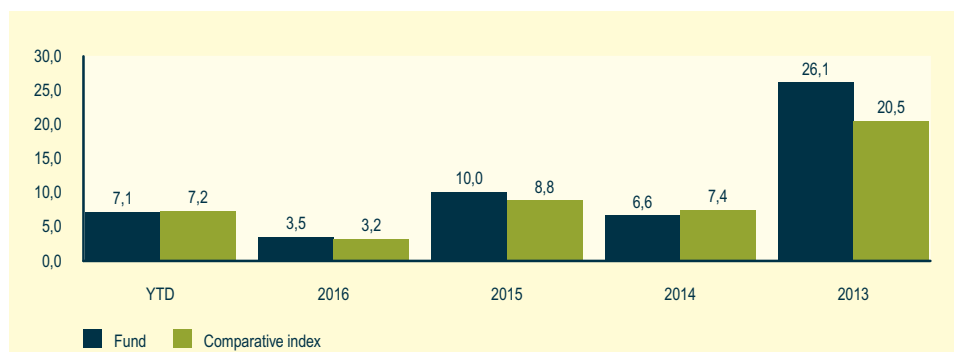
Ratings should not be taken as a recommendation.

### Risk characteristics

As at 31/05/17	
Alpha (%)	1,71
Information ratio	0,51
Sharpe ratio	1,10
Historic tracking error (%)	3,03
Beta	0,94
Standard deviation (%)	10,22
Forecast tracking error (active risk, %)	2,86
Active share	81,75

**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.

### 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.

## Industry breakdown (%)

	Fund	Index	Relative weight
Financials	17,3	21,1	-3,8
Industrials	14,6	13,5	1,1
Healthcare	13,3	13,0	0,3
Consumer discretionary	12,0	10,6	1,4
Energy	8,1	6,6	1,5
Consumer staples	7,0	14,2	-7,2
Materials	6,2	7,5	-1,3
Information technology	5,5	4,6	0,9
Telecommunications	4,5	4,0	0,5
Utilities	3,2	3,6	-0,4
Real estate	3,1	1,4	1,8
Cash and near cash	5,2	0,0	5,2

## Largest holdings (%)

	Fund	Index	Relative weight
Novartis	3,3	2,1	1,1
Bayer	2,8	1,2	1,6
BP	2,8	1,3	1,5
Sanofi	2,2	1,3	1,0
Securitas	2,0	0,1	1,9
Nokia	1,9	0,4	1,5
AstraZeneca	1,9	1,0	0,9
Aviva	1,8	0,3	1,5
Deutsche Lufthansa	1,7	0,1	1,6
Hornbach	1,7	0,0	1,7

## Largest overweights (%)

	Fund	Index	Relative weight
Securitas	2,0	0,1	1,9
Hornbach	1,7	0,0	1,7
Deutsche Lufthansa	1,7	0,1	1,6
Britvic	1,6	0,0	1,6
Bayer	2,8	1,2	1,6
Livanova	1,6	0,0	1,6
J Sainsbury	1,6	0,1	1,5
Nokia	1,9	0,4	1,5
BP	2,8	1,3	1,5
Alstom	1,5	0,1	1,5

## Largest underweights (%)

	Fund	Index	Relative weight
Nestle	0,0	3,1	-3,1
HSBC	0,0	2,1	-2,1
Roche	0,0	2,1	-2,1
Unilever	0,0	1,8	-1,8
BAT	0,0	1,5	-1,5
Total	0,0	1,3	-1,3
Siemens	0,0	1,2	-1,2
GlaxoSmithKline	0,0	1,2	-1,2
SAP	0,0	1,2	-1,2
Banco Santander	0,0	1,1	-1,1

## Country breakdown (%)

	Fund	Index	Relative weight
UK	24,7	27,7	-3,0
Germany	14,6	14,9	-0,3
France	11,2	15,9	-4,7
Netherlands	8,2	5,5	2,7
Finland	7,9	1,6	6,3
Switzerland	6,9	13,3	-6,4
Italy	3,7	3,6	0,1
Ireland	3,4	0,7	2,7
Other	14,1	16,8	-2,7
Cash and near cash	5,2	0,0	5,2

## Capitalisation breakdown (%)

	Fund	Index	Relative weight
> €50 billion	25,4	46,9	-21,5
€25 - €50 billion	5,4	19,0	-13,6
€5 - €25 billion	14,7	29,6	-14,9
€2.5 - €5 billion	24,3	4,2	20,1
< €2.5 billion	24,9	0,3	24,6
Cash	5,2	0,0	5,2

## Performance review

European equities fell in June, reversing some of their gains since the start of the year. Investor sentiment was dampened by worries that central banks' policies might shift towards interest rate rises. Over the year to date, the MSCI Europe Index has returned 7.2% (in euros), outperforming US and global stocks.

At the sector level, financials was one of the few areas to deliver positive returns. Materials also outperformed. In contrast, energy stocks suffered the biggest declines as oil prices fell below US\$50 a barrel on concerns about the effectiveness of OPEC's production cuts. Defensive areas such as telecommunications and utilities were notable laggards, while information technology stocks gave back some of their recent gains.

In terms of style, value returned to favour in June after struggling in recent months. Value's outperformance provided a tailwind for the fund which was ahead of the MSCI Europe Index.

Stock selection in the healthcare sector made a positive contribution to relative performance with LivaNova, a UK-based medical devices firm, adding value. The medical technology company's share price maintained its positive momentum from better-than-expected results in May. Not holding any shares in Roche, a Swiss healthcare company, was helpful too as the large-index constituent underperformed.

In the industrials sector, the holding in Deutsche Lufthansa, a German airline, was a notable contributor. Lufthansa's shares have performed well this year as investors have been encouraged by the resolution of a long-

running dispute with its pilots and cost-cutting efforts. Given these developments, the company is expected to benefit from the improving European economy.

In contrast, the holding in Tullow Oil, a UK-listed oil and gas explorer, was another notable detractor. Tullow's share price extended its recent slide amid concerns about the impact of persistent low oil prices. In an update, the company stated that it was focused on reducing its debt levels and remained positive about operational performance.

In the UK, a number of the fund's consumer-focused stocks detracted, including J Sainsbury, a supermarket chain, and Next, a retailer. Their share prices declined on concerns that rising inflation and weak wage growth in the UK were weighing on consumer confidence.

## Key changes

During the month, Richard added to the positions in Tullow and J Sainsbury after share price falls. He also increased the stakes in Bank of Ireland, an Irish lender, and Wereldhave, a Dutch real estate company that invests in shopping centres.

These purchases were funded by reducing the holdings in Lufthansa and AMS, an Austrian sensor maker that supplies Apple. Both stocks have outperformed in recent months. Richard also sold the stake in Svenska Cellulosa, a Swedish pulp and paper maker, on valuation grounds following a period of share price appreciation.

## Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
Euro A Acc	GB00B28XT522	MGEUSAE LN	1,50 %	1,67 % *	€1.000	€75
Euro C Acc	GB00B28XT639	MGEUSCA LN	0,75 %	0,92 %	€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.

\* The ongoing charge figure shown here is an estimate. The Fund's annual report for each financial year will include details of the exact charges made.

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 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.

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