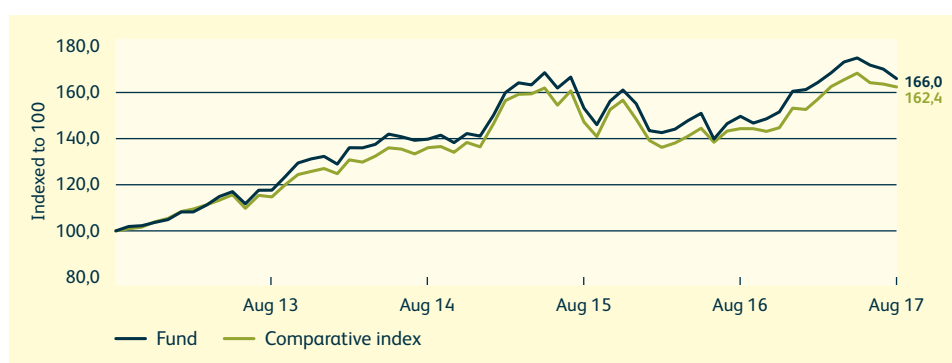


Euro Class A

Summary

- European equities fell in August (in euro terms) as the strength of the euro continued to weigh on the market. Value as a style underperformed.
- The fund underperformed the MSCI Europe Index, with stock selection in the consumer discretionary sector detracting. However, stock selection in materials added value.
- Fund Manager Richard Halle added to a number of existing holdings including AstraZeneca and Scandinavian Tobacco. There were no complete sales.

Performance over 5 years



Key information

| | |
|------------------------------------------|--------------------------------------------------|
| Fund manager | Richard Halle |
| Fund manager tenure from | 1 February 2008 |
| Deputy fund manager | Daniel White |
| Launch date | 1 February 2008 |
| Launch of share class | 1 February 2008 |
| Fund size (millions) | €2.301,63 |
| Fund type | OEIC, incorporated in the UK |
| Comparative index | MSCI Europe |
| Comparative sector | Morningstar Europe Large-Cap Value Equity sector |
| Number of companies | 88 |
| Historic yield (Acc) | 1,12 % |
| Portfolio turnover over 12 months | 23,1 % |
| Share type | Accumulation |
| Ongoing charge | 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 | -2,4 | -5,1 | +3,4 | +10,9 | +5,9 | +10,7 | +5,1 | +5,1 |
| Index | -0,8 | -3,6 | +6,0 | +12,5 | +6,1 | +10,2 | +4,8 | +4,8 |
| MSCI Europe Value Index | -1,3 | -2,9 | +4,1 | +16,3 | +3,8 | +9,6 | +3,2 | +3,2 |
| Sector | -1,5 | -3,5 | +4,6 | +14,4 | +5,6 | +10,5 | +3,8 | +3,8 |
| Ranking | 26/29 | 26/29 | 19/29 | 25/29 | 11/27 | 14/26 | 4/20 | 4/20 |
| Quartile ranking | 4 | 4 | 3 | 4 | 2 | 3 | 1 | 1 |

Fund ratings

| | |
|-----------------------------------|--------|
| Overall Morningstar rating | ★★★★ |
| Morningstar Analyst rating | Bronze |

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

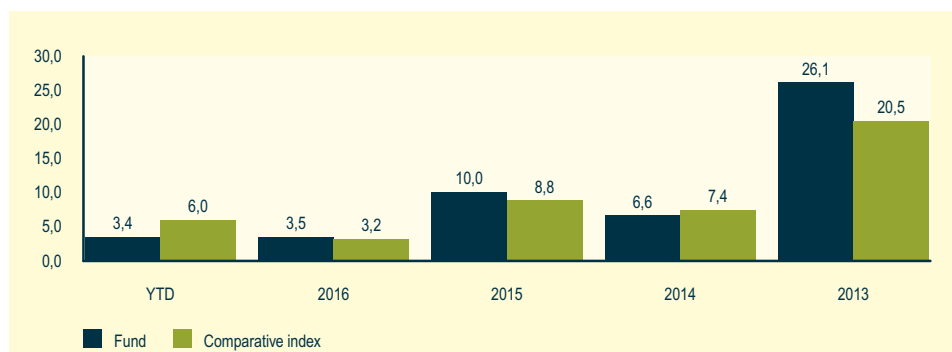
Ratings should not be taken as a recommendation.

Risk characteristics

| As at 31/07/17 | |
|------------------------------------------|-------|
| Alpha (%) | 2,03 |
| Information ratio | 0,60 |
| Sharpe ratio | 1,34 |
| Historic tracking error (%) | 3,04 |
| Beta | 0,92 |
| Standard deviation (%) | 9,68 |
| Forecast tracking error (active risk, %) | 2,74 |
| Active share | 81,67 |

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 more likely to be subject to sudden and large falls in value than funds that invest in bonds and/or cash. As a result, you could lose the total value of your initial investment.

Industry breakdown (%)

| | Fund | Index | Relative weight |
|------------------------|------|-------|-----------------|
| Financials | 17,3 | 21,3 | -4,0 |
| Industrials | 14,5 | 13,3 | 1,3 |
| Healthcare | 12,9 | 12,5 | 0,4 |
| Consumer discretionary | 11,7 | 10,4 | 1,3 |
| Energy | 8,2 | 6,6 | 1,6 |
| Consumer staples | 7,2 | 14,1 | -6,9 |
| Materials | 6,8 | 7,9 | -1,1 |
| Information technology | 5,4 | 4,6 | 0,7 |
| Telecommunications | 4,3 | 4,0 | 0,4 |
| Utilities | 3,4 | 3,8 | -0,4 |
| Real estate | 3,1 | 1,4 | 1,8 |
| Cash and near cash | 4,9 | 0,0 | 4,9 |

Largest holdings (%)

| | Fund | Index | Relative weight |
|--------------------|------|-------|-----------------|
| Novartis | 3,2 | 2,1 | 1,1 |
| Bayer | 2,6 | 1,2 | 1,4 |
| BP | 2,6 | 1,2 | 1,4 |
| Sanofi | 2,3 | 1,3 | 1,1 |
| Nokia | 1,9 | 0,4 | 1,5 |
| Outokumpu | 1,8 | 0,0 | 1,8 |
| Securitas | 1,8 | 0,1 | 1,7 |
| Royal Dutch Shell | 1,8 | 2,5 | -0,7 |
| Hornbach | 1,7 | 0,0 | 1,7 |
| Deutsche Lufthansa | 1,7 | 0,1 | 1,7 |

Largest overweights (%)

| | Fund | Index | Relative weight |
|-----------------------|------|-------|-----------------|
| Outokumpu | 1,8 | 0,0 | 1,8 |
| Securitas | 1,8 | 0,1 | 1,7 |
| Hornbach | 1,7 | 0,0 | 1,7 |
| Deutsche Lufthansa | 1,7 | 0,1 | 1,7 |
| Britvic | 1,6 | 0,0 | 1,6 |
| J Sainsbury | 1,7 | 0,1 | 1,6 |
| Nokia | 1,9 | 0,4 | 1,5 |
| Livanova | 1,5 | 0,0 | 1,5 |
| Alstom | 1,5 | 0,1 | 1,5 |
| Bank of Ireland Group | 1,5 | 0,1 | 1,5 |

Largest underweights (%)

| | Fund | Index | Relative weight |
|-----------------|------|-------|-----------------|
| Nestle | 0,0 | 2,9 | -2,9 |
| HSBC | 0,0 | 2,1 | -2,1 |
| Roche | 0,0 | 2,0 | -2,0 |
| Unilever | 0,0 | 1,9 | -1,9 |
| BAT | 0,0 | 1,6 | -1,6 |
| Total | 0,0 | 1,3 | -1,3 |
| Banco Santander | 0,0 | 1,2 | -1,2 |
| SAP | 0,0 | 1,1 | -1,1 |
| Siemens | 0,0 | 1,1 | -1,1 |
| Allianz | 0,0 | 1,1 | -1,1 |

Country breakdown (%)

| | Fund | Index | Relative weight |
|--------------------|------|-------|-----------------|
| UK | 24,3 | 27,4 | -3,2 |
| Germany | 14,8 | 14,7 | 0,1 |
| France | 11,3 | 15,9 | -4,6 |
| Netherlands | 8,5 | 5,7 | 2,8 |
| Finland | 8,4 | 1,6 | 6,8 |
| Switzerland | 6,7 | 12,9 | -6,2 |
| Italy | 3,7 | 3,8 | -0,1 |
| Ireland | 3,3 | 0,7 | 2,7 |
| Other | 14,0 | 17,2 | -3,2 |
| Cash and near cash | 4,9 | 0,0 | 4,9 |

Capitalisation breakdown (%)

| | Fund | Index | Relative weight |
|-------------------|------|-------|-----------------|
| > €50 billion | 23,0 | 46,2 | -23,2 |
| €25 - €50 billion | 7,5 | 19,2 | -11,7 |
| €5 - €25 billion | 16,5 | 30,2 | -13,6 |
| €2.5 - €5 billion | 21,5 | 4,0 | 17,5 |
| < €2.5 billion | 26,5 | 0,4 | 26,1 |
| Cash | 4,9 | 0,0 | 4,9 |

Performance review

European equities continued to retreat in August with the MSCI Europe Index declining (in euro terms) for the third consecutive month. The recent loss of momentum has been caused in part by the appreciation of the euro and increased geopolitical tensions triggered by North Korea's missile launches.

The materials sector was one of the best-performing areas as metal prices climbed. Investors also favoured defensive areas over the month with consumer staples and utilities outperforming. In contrast, financial stocks, including banks, were notable laggards, while telecommunications were also weak.

In terms of style, value underperformed growth and the broader market, reversing the trend of the past two months. This created a headwind for the fund, which trailed the MSCI Europe Index over the month.

The fund's allocation to the consumer discretionary sector hurt relative returns, with the above-index position and stock selection in the sector both detracting. Safilo, an Italian eyewear manufacturer, was a leading detractor as IT problems and the loss of the Gucci licence undermined the company's results. Safilo has addressed the delivery disruptions caused by difficulties with a new IT system and is cutting costs and making efforts to improve profitability.

The holding in Ladbrokes Coral, a UK bookmaker, also cost some performance as the shares gave back some of their recent gains. During the month, it was reported that GVC, an online gambling firm, had made a second takeover approach for Ladbrokes but no deal had been reached.

In financials, holdings in Aviva, a UK insurance firm and Permanent TSB, an Irish bank, were among the leading detractors. Shares in Permanent extended their decline from the previous month.

On a positive note, stock selection in materials added value, with holdings in Aperam and Outokumpu, two stainless steel firms, gaining on expectations of rising demand for steel, particularly in China.

In the utilities sector, E.ON, a German energy group, gained after announcing that it would pay a higher dividend. Meanwhile, German airline Deutsche Lufthansa was another notable contributor as the share price resumed its upward momentum after weakness in July.

Key changes

There were no new holdings or complete sales in August. Richard added to a number of existing positions including Scandinavian Tobacco, a Danish cigar firm, which joined the portfolio recently. He also bought more shares in AstraZeneca, a pharmaceutical firm, and Permanent TSB, which have underperformed lately. The stake in Buzzi Unicem, an Italian cement firm, was also increased.

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 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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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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