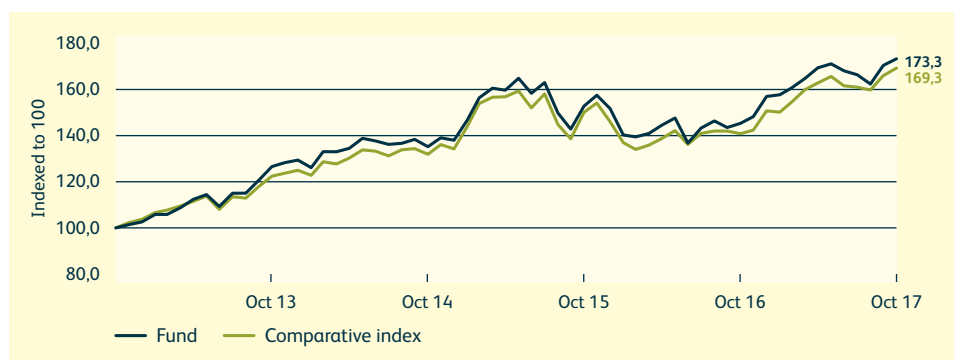


Summary

- European equities rose in October, amid optimism about the global economy and decent corporate results. Value as a style underperformed.
- The fund was in line with the MSCI Europe Index in sterling but lagged in euros. Stock selection in energy and information technology detracted.
- The fund manager started positions in McCarthy & Stone, a UK-based builder of retirement properties, Ontex, a Belgian producer of personal hygiene products, and Borr Drilling, a Norwegian drilling contractor.

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) | €2,408,01 |
| Fund type | OEIC, incorporated in the UK |
| Comparative index | MSCI Europe |
| Comparative sector | Morningstar Europe Large-Cap Value Equity sector |
| Number of companies | 89 |
| Historic yield (Acc) | 1,05 % |
| Portfolio turnover over 12 months | 24,9 % |
| Share type | Accumulation |
| Ongoing charge | 1,66 % |

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

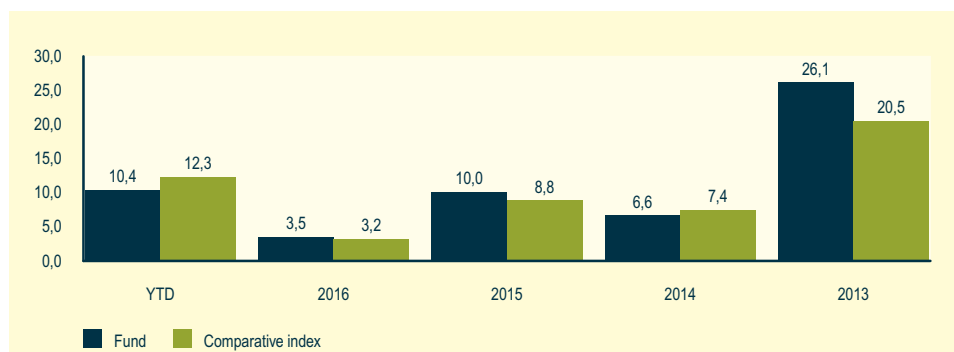
| | 1 month (%) | 3 months (%) | YTD (%) | 1 year (%) | 3 years (% p.a.) | 5 years (% p.a.) | Since tenure (% p.a.) | Since inception (% p.a.) |
|-------------------------|-------------|--------------|---------|------------|------------------|------------------|-----------------------|--------------------------|
| Fund | +1,7 | +4,2 | +10,4 | +19,3 | +8,6 | +11,6 | +5,7 | +5,7 |
| Index | +2,0 | +5,1 | +12,3 | +20,2 | +8,7 | +11,1 | +5,3 | +5,3 |
| MSCI Europe Value Index | +1,3 | +4,5 | +10,2 | +20,7 | +6,7 | +10,2 | +3,8 | +3,8 |
| Sector | +1,2 | +4,2 | +10,7 | +19,9 | +8,6 | +11,2 | +4,3 | +4,3 |
| Ranking | 10/28 | 14/28 | 15/28 | 19/28 | 12/26 | 12/25 | 4/19 | 4/19 |
| Quartile ranking | 2 | 2 | 3 | 3 | 2 | 2 | 1 | 1 |

Fund ratings

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

Source of Morningstar ratings: Morningstar, as at 30 September 2017
Ratings should not be taken as a recommendation.

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.

Risk characteristics

| As at 30/09/17 | |
|--|-------|
| Alpha (%) | 2,29 |
| Information ratio | 0,66 |
| Sharpe ratio | 1,41 |
| Historic tracking error (%) | 3,10 |
| Beta | 0,91 |
| Standard deviation (%) | 9,37 |
| Forecast tracking error (active risk, %) | 2,73 |
| Active share | 80,79 |

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.

Industry breakdown (%)

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

Largest holdings (%)

| | Fund | Index | Relative weight |
|----------------------|------|-------|-----------------|
| Novartis | 3,2 | 2,0 | 1,3 |
| BP | 3,1 | 1,4 | 1,7 |
| Volkswagen | 2,2 | 0,4 | 1,8 |
| Royal Dutch Shell | 2,1 | 2,8 | -0,7 |
| AstraZeneca | 1,9 | 0,9 | 1,0 |
| Bayer | 1,9 | 1,1 | 0,7 |
| BNP Paribas | 1,8 | 0,9 | 0,9 |
| Total | 1,8 | 1,4 | 0,4 |
| Lloyds Banking Group | 1,8 | 0,7 | 1,1 |
| J Sainsbury | 1,7 | 0,1 | 1,7 |

Largest overweights (%)

| | Fund | Index | Relative weight |
|-----------------------|------|-------|-----------------|
| Volkswagen | 2,2 | 0,4 | 1,8 |
| Buzzi Unicem | 1,7 | 0,0 | 1,7 |
| BP | 3,1 | 1,4 | 1,7 |
| J Sainsbury | 1,7 | 0,1 | 1,7 |
| Securitas | 1,7 | 0,1 | 1,6 |
| Hornbach | 1,6 | 0,0 | 1,6 |
| Outokumpu | 1,5 | 0,0 | 1,5 |
| Bank of Ireland Group | 1,6 | 0,1 | 1,5 |
| Alstom | 1,5 | 0,1 | 1,4 |
| Deutsche Lufthansa | 1,5 | 0,1 | 1,4 |

Largest underweights (%)

| | Fund | Index | Relative weight |
|-----------------|------|-------|-----------------|
| Nestle | 0,0 | 2,8 | -2,8 |
| HSBC | 0,0 | 2,1 | -2,1 |
| Unilever | 0,0 | 1,8 | -1,8 |
| Roche | 0,0 | 1,7 | -1,7 |
| BAT | 0,0 | 1,6 | -1,6 |
| SAP | 0,0 | 1,2 | -1,2 |
| Banco Santander | 0,0 | 1,2 | -1,2 |
| Siemens | 0,0 | 1,2 | -1,2 |
| Allianz | 0,0 | 1,1 | -1,1 |
| BASF | 0,0 | 1,1 | -1,1 |

Country breakdown (%)

| | Fund | Index | Relative weight |
|--------------------|------|-------|-----------------|
| UK | 26,1 | 27,5 | -1,5 |
| Germany | 14,4 | 15,2 | -0,8 |
| France | 12,4 | 16,2 | -3,9 |
| Netherlands | 8,2 | 5,7 | 2,5 |
| Finland | 7,6 | 1,5 | 6,1 |
| Switzerland | 5,9 | 12,4 | -6,5 |
| Italy | 3,8 | 3,8 | 0,1 |
| Ireland | 3,5 | 0,7 | 2,7 |
| Other | 14,0 | 16,8 | -2,9 |
| Cash and near cash | 4,2 | 0,0 | 4,2 |

Capitalisation breakdown (%)

| | Fund | Index | Relative weight |
|-------------------|------|-------|-----------------|
| > €50 billion | 25,5 | 49,7 | -24,2 |
| €25 - €50 billion | 6,9 | 17,7 | -10,8 |
| €5 - €25 billion | 19,7 | 28,8 | -9,1 |
| €2.5 - €5 billion | 22,0 | 3,5 | 18,5 |
| < €2.5 billion | 21,7 | 0,2 | 21,5 |
| Cash | 4,2 | 0,0 | 4,2 |

Performance review

European equities continued to rise in October, following healthy gains in September. Stockmarkets globally benefited from investors' optimism about the health of the global economy. In recognition of the eurozone's economic recovery, the European Central Bank announced plans to scale back its stimulus efforts in 2018 by reducing its monthly asset purchases by half. Decent corporate earnings results also supported share prices.

At the sector level, energy stocks were the best performers as oil prices continued to climb. OPEC's production cuts combined with robust global demand appear to be helping reduce the global glut. Cyclical were in demand as industrials and information technology outperformed. Materials were also among the best performers.

In contrast, healthcare and telecoms were notable laggards. Financials were also weak, particularly banks.

In terms of size, smaller stocks trailed their larger counterparts. Meanwhile, value as a style was out of favour again and underperformed growth and the broader market. This created a style headwind for the fund's investment approach.

The fund was in line with the MSCI Europe Index in sterling but lagged in euros with stock selection detracting, notably in energy where Petroleum Geo-Services, a provider of marine seismic services to oil & gas exploration firms, hurt relative performance. The Norwegian company's share price fell on results that were below expectations caused by difficulties with a project in Asia. Richard believes the stock is attractively valued and added to the position.

In information technology, Nokia, a Finnish network equipment maker, was the biggest detractor. The stock fell sharply on disappointing results and a warning that reduced spending on network equipment globally would continue to put pressure on the company's revenues.

Shares in Outokumpu, a Finnish stainless steel maker, fell as well after the company reported a significant drop in profits. Elsewhere, Alstom, a French train maker, and Next, a UK retailer, retreated after impressive share price gains in September.

On a positive note, the holdings in Deutsche Lufthansa, a German airline, and easyJet, a UK budget airline, added value. During the month Lufthansa agreed to a deal to buy parts of Air Berlin, an insolvent German airline, which should boost revenues. The stock has risen over 125% this year, supported by cost-cutting efforts, resolution of its wage dispute with pilots and the improved economic outlook in Europe.

In the energy sector, BP made a positive contribution after reporting higher profits and announcing plans to buy back shares.

Meanwhile, German car maker Volkswagen benefited from better than expected profits. Not holding any shares in healthcare stocks Roche and GlaxoSmithKline was also helpful as they underperformed.

Key changes

Richard added three new holdings and sold three stocks entirely. McCarthy & Stone, a UK-based builder of retirement properties, joined the portfolio. In his view, the company has a strong balance sheet and is attractively valued. He also started a position in Ontex, a Belgian producer of personal hygiene products for babies and women. He believes the company should benefit from the strategy of shifting its focus from mature Western European markets to areas where demographic trends are more favourable. The final newcomer was Borr Drilling, a Norwegian drilling contractor.

In contrast, he disposed of Valora, a Swiss operator of kiosks and food outlets at train stations, and Jyske Bank, a Danish bank, which have performed well since they were purchased for the fund. VolkerWessels, a Dutch construction company, also left the portfolio.

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 % | 1,66 % | €1.000 | €75 |
| Euro C Acc | GB00B28XT639 | MGEUSCA LN | 0,75 % | 0,91 % | €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 July 2017.

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.

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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