

# M&G Global Themes Fund - Euro Class A

Monthly Fund Review as at 31 December 2017

For investment professionals only



## Highlights

- Global equities ended the year on the front foot, with most stockmarkets posting solid gains in December. Against this background, the fund outperformed the MSCI AC World Index
- Holdings which aided performance included China-based biotechnology company Hutchison China Meditech and consumer goods holdings, Kirin, a Japanese brewer and Kerry, an Irish food ingredients manufacturer.
- Conversely, shares in US insurer MetLife fell after the company issued disappointing earnings guidance for 2018.

## Risks associated with this fund

For any past performance shown, please note that past performance is not a guide to current or future performance and the performance data does not take into account any entry and exit charges incurred on the purchase and sale of shares but does take into account the ongoing charge.

The value of investments and the income from them will rise and fall. This will cause the fund price, as well as any income paid by the fund, to fall as well as rise. There is no guarantee the fund will achieve its objective, and you may not get back the amount you originally invested.

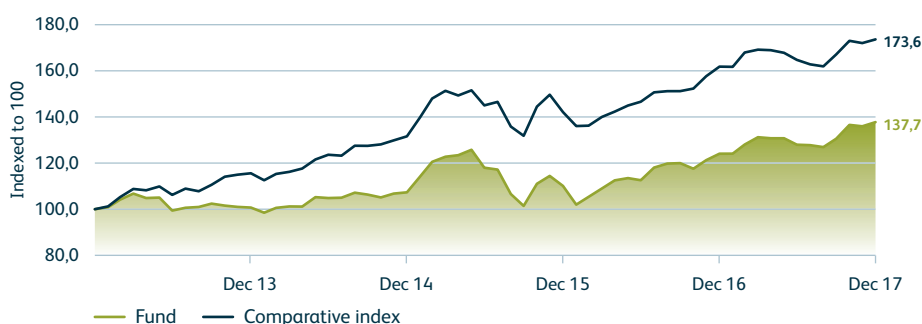
Changes in currency exchange rates will affect the value of your investment.

Further risk factors that apply to the fund can be found in the fund's Key Investor Information Document (KIID).

## Single year performance (5 years ending December)

From To	01.01.17 31.12.17	01.01.16 31.12.16	01.01.15 31.12.15	01.01.14 31.12.14	01.01.13 31.12.13
Euro A Acc	11,0%	12,7%	2,6%	6,6%	0,7%

## Performance over 5 years



## 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	+1,3	+5,5	+11,0	+11,0	+8,7	+6,6	+12,6	+7,0
Index	+0,9	+3,9	+7,3	+7,3	+9,7	+11,7	+11,3	+5,9
Sector	+0,7	+3,5	+8,4	+8,4	+8,4	+12,0	+8,4	+2,4
Ranking	103/514	53/514	117/502	117/502	184/429	343/349	38/474	4/93
Quartile ranking	1	1	1	1	2	4	1	1

Past performance is not a guide to future performance.

The fund originally launched on 28 February 1973 (end of the initial offer period of the Fund in the UK). However, on 17 November 2000, the fund re-launched and we are choosing to use this date as the launch date for this fund. On this date the fund's name, objective, comparative index and sector changed. On 17 November 2017, the fund's name, objective, policy, and performance comparator changed.

Past performance shown from 17 November 2000 to 16 November 2017 is the FTSE Global Basics Composite Index (comprising of all subsectors of the FTSE World Index except media, IT, telecommunications, financials and healthcare). Past performance shown from 17 November 2017 is the MSCI All Country World Index.

The Global Equity sector is the amalgamation of the Morningstar Global Large Cap Blend Equity sector, Morningstar Global Large Cap Value Equity sector, Morningstar Global Large Cap Growth Equity sector, Morningstar Global Small-Cap Equity sector, Morningstar Global Equity Income sector and the Morningstar Flex-Cap Equity sector.

## Things you should know

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.

## Key information

<b>Fund manager</b>	Jamie Horvat
<b>Fund manager tenure from</b>	18 December 2015
<b>Deputy fund manager</b>	Richard Halle
<b>Launch date</b>	17 November 2000
<b>Launch of share class</b>	28 November 2001
<b>Fund size (millions)</b>	€2.389,74
<b>Fund type</b>	OEIC, incorporated in the UK
<b>Comparative index</b>	MSCI All Country World Index
<b>Comparative sector</b>	Global Equity sector
<b>Number of companies</b>	65
<b>Historic yield (Acc)</b>	0,08%
<b>Historic yield (Inc)</b>	1,70%
<b>Portfolio turnover over 12 months</b>	18,5%
<b>Share type</b>	Acc & Inc
<b>Ongoing charge</b>	1,92%

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 1,90% and constraining capital performance to an equivalent extent.

## Fund ratings

Overall Morningstar rating **★★★**  
Source of Morningstar ratings: Morningstar, as at 30 November 2017  
Ratings should not be taken as a recommendation.

## Risk characteristics

As at 30/11/17	
Alpha (%)	0,76
Information ratio	0,20
Sharpe ratio	1,39
Historic tracking error (%)	3,40
Beta	0,90
Standard deviation (%)	8,75
Forecast tracking error (active risk, %)	3,42
Active share	95,31

**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
Healthcare	19,3	10,7	8,6
Consumer staples	17,3	8,7	8,6
Industrials	16,9	10,9	6,1
Materials	14,3	5,5	8,8
Information technology	10,2	18,1	-7,9
Consumer discretionary	8,4	12,0	-3,6
Energy	6,3	6,3	0,0
Financials	1,5	18,7	-17,2
Real estate	1,2	3,1	-1,9
Telecommunications	0,0	3,0	-3,0
Utilities	0,0	3,0	-3,0
Cash and near cash	4,5	0,0	4,5

## Largest holdings (%)

	Fund	Index	Relative weight
Microsoft	5,7	1,4	4,3
Kerry Group	4,0	0,0	3,9
Kirin	3,6	0,0	3,5
Ansell	3,4	0,0	3,4
Roche	3,4	0,4	3,0
Rockwell Automation	3,2	0,1	3,1
Siemens	3,1	0,2	2,8
Hutchison China Meditech	2,8	0,0	2,8
PZ Cussons	2,6	0,0	2,6
Porsche Automobil	2,6	0,0	2,5

## Capitalisation breakdown (%)

	Fund	Index	Relative weight
Mega cap (> \$50bn)	30,0	51,8	-21,7
Large cap (\$10 - \$50bn)	35,2	34,2	1,0
Mid cap (\$2 - \$10bn)	19,0	12,4	6,6
Small cap (< \$2bn)	11,2	1,7	9,6
Cash	4,5	0,0	4,5

## Largest overweights (%)

	Fund	Index	Relative weight
Microsoft	5,7	1,4	4,3
Kerry Group	4,0	0,0	3,9
Kirin	3,6	0,0	3,5
Ansell	3,4	0,0	3,4
Rockwell Automation	3,2	0,1	3,1
Roche	3,4	0,4	3,0
Hutchison China Meditech	2,8	0,0	2,8
Siemens	3,1	0,2	2,8
PZ Cussons	2,6	0,0	2,6
Porsche Automobil	2,6	0,0	2,5

## Largest underweights (%)

	Fund	Index	Relative weight
Apple	0,0	1,9	-1,9
Amazon	0,0	1,0	-1,0
Facebook	0,0	0,9	-0,9
JP Morgan	0,0	0,8	-0,8
Exxon Mobil	0,0	0,8	-0,8
Tencent	0,0	0,6	-0,6
Bank of America	0,0	0,6	-0,6
Wells Fargo	0,0	0,6	-0,6
Royal Dutch Shell	0,0	0,6	-0,6
Nestle	0,0	0,6	-0,6

## Country breakdown (%)

	Fund	Index	Relative weight
US	39,0	52,5	-13,5
UK	16,3	5,8	10,4
Germany	10,9	3,2	7,7
Japan	6,5	7,9	-1,4
Australia	5,5	2,3	3,3
Ireland	4,0	0,2	3,8
Switzerland	3,4	2,6	0,7
Canada	2,5	3,1	-0,6
Other	7,4	22,4	-15,0
Cash and near cash	4,5	0,0	4,5

## Currency breakdown (%)

	Fund
US dollar	41,8
British pound	20,5
Euro	17,9
Japanese yen	6,5
Australian dollar	5,5
Swiss franc	3,4
Canadian dollar	2,5
Mexican peso	1,0
Singapore dollar	0,5
Other	0,4

## Commentary

Global equities ended the year on the front foot, with most stockmarkets posting solid gains in December. Against this background, the fund outperformed the MSCI AC World Index.

Holdings which aided performance included China-based biotechnology company Hutchison China Meditech. Hutchison's share price has benefited in recent months from continuing positive news on its Fruquintinib cancer drug.

Consumer goods holdings, Kirin, a Japanese brewer and Kerry, Irish food ingredients maker, also added value. Kirin has benefited from positive sentiment for most of 2017, while Kerry rallied following a broker upgrade. Silver producer, Hochschild, added to performance as mining shares were also in favour during December.

Conversely, a holding in life assurance company MetLife detracted. Shares in MetLife fell after the company issued earnings guidance for 2018 which disappointed investors. The US company is behind on initiatives to cut costs and profits may be hit further by payments to group annuity contract holders who have not been receiving benefits.

US egg-producer Cal-Maine and medical technology company Becton Dickinson also detracted.

## Key changes

In 2017, global stockmarkets enjoyed one of their strongest years since the global financial crisis. Many recorded double-digit returns and only a handful fell. Stockmarkets benefited from central banks' quantitative easing and in many cases ultra-low interest rates, as well as healthy earnings growth, all of which supported an increase in earnings multiples.

If monetary conditions continue to tighten through 2018, and if the US Federal Reserve (the Fed) tightens more quickly than expected, stockmarkets may weaken. However, Fund Manager Jamie Horvat is optimistic that the Fed will be moderate in its actions and that stockmarkets will benefit from continued earnings growth.

There are, however, some concerns he has identified: the health of some European banks, the level of student debt and auto loans in the US, and shadow banking and financial leverage in China. On the geopolitical front, risks remain elevated on the Korean peninsula and in the Middle East, while in Europe and the US there are important elections.

Jamie continues to focus on identifying well-run companies which have sustainable growth prospects and are trading on reasonable valuations. In the near term, as he continues to rebalance the portfolio to reflect its new, broader remit, Jamie is comfortable holding a higher level of cash than normal, as valuations appear slightly stretched to him on an historic basis.

## Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
Euro A Inc	GB00B8HQLV43	MGGBBAI LN	1,75%	1,92%	€1.000	€75
Euro A Acc	GB0030932676	MGGBEAA LN	1,75%	1,92%	€1.000	€75
Euro C Inc	GB00BK6M9Z78	MGGBECI LN	0,75%	0,92%	€ 500.000	€ 50.000
Euro C Acc	GB0030932783	MGGBECA 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 August 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.

Source of performance data: Morningstar, Inc., as at 31 December 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 December 2017 unless indicated otherwise. The Morningstar Overall Rating based on the fund's Euro Class A shares. Copyright © 2018 Morningstar UK Limited. All Rights Reserved. Ratings should not be taken as recommendation.

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