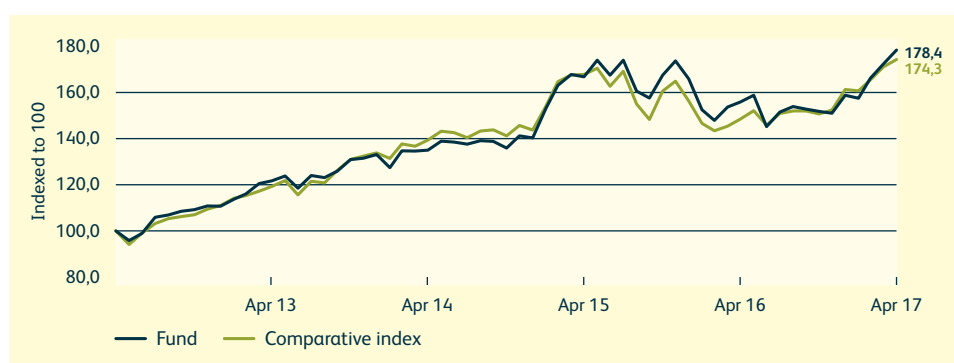


Euro Class A

Summary

- The fund delivered positive returns and outperformed the MSCI Europe Index in April.
- Micro Focus was the standout performer during a month when stock selection in financials and information technology were key drivers of performance.
- Fund manager Phil Cliff purchased shares in Pandora and Provident Financial and closed the position in Abertis Infraestructuras.

Performance over 5 years



Key information

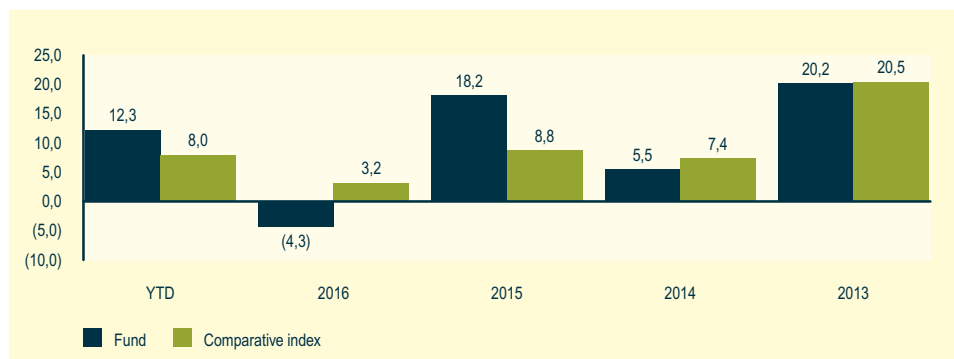
Fund manager	Phil Cliff
Fund manager tenure from	2 April 2012
Deputy fund managers	Sam Ford
Launch date	18 July 2008
Launch of share class	18 July 2008
Fund size (millions)	€160,48
Fund type	OEIC, incorporated in the UK
Comparative index	MSCI Europe
Comparative sector	Morningstar Europe Equity-Income sector
Number of companies	36
Historic yield (Acc)	2.23 %
Historic yield (Inc)	3.83 %
Share type	Acc & Inc
Ongoing charge	1.69 %

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	+3,4	+13,2	+12,3	+14,4	+9,7	+12,3	+11,7	+7,1
Index	+1,8	+8,4	+8,0	+17,4	+7,7	+11,8	+11,2	+7,0
Sector	+1,5	+7,1	+6,1	+11,4	+5,2	+9,7	+9,2	+5,6
Ranking	1/29	1/29	1/29	3/29	1/24	3/22	3/22	4/13
Quartile ranking	1	1	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 1,69% and constraining capital performance to an equivalent extent.

Annual performance (%)



Fund ratings

Overall Morningstar rating **★★★★**
 Source of Morningstar ratings: Morningstar, as at 31 March 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 invests mainly in company shares and is therefore likely to experience larger price fluctuations than funds that invest in bonds and/or cash.

Risk characteristics

As at 31/03/17	
Alpha (%)	2,89
Information ratio	0,66
Sharpe ratio	1,10
Historic tracking error (%)	4,04
Beta	0,90
Standard deviation (%)	9,98
Forecast tracking error (active risk, %)	4,00
Active share	90,36

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	23,1	20,7	2,5
Industrials	19,2	13,5	5,8
Consumer discretionary	17,3	11,0	6,3
Healthcare	9,2	12,9	-3,7
Consumer staples	8,9	13,9	-5,0
Materials	7,4	8,1	-0,8
Information technology	5,1	4,4	0,7
Energy	3,1	6,7	-3,6
Real estate	1,2	1,4	-0,2
Telecommunications	0,0	4,0	-4,0
Utilities	0,0	3,5	-3,5
Other	0,9	0,0	0,9
Cash and near cash	4,7	0,0	4,7

Largest holdings (%)

	Fund	Index	Relative weight
Alfa Laval	4,6	0,1	4,5
SES	4,1	0,1	4,0
Sampo	4,0	0,3	3,8
Relx	3,8	0,5	3,3
Novo Nordisk	3,6	0,9	2,7
BAT	3,5	1,5	2,0
Essentra	3,4	0,0	3,4
Novartis	3,2	2,0	1,2
Nokian Renkaat	3,2	0,1	3,1
Intesa Sanpaolo	3,0	0,5	2,6

Largest overweights (%)

	Fund	Index	Relative weight
Alfa Laval	4,6	0,1	4,5
SES	4,1	0,1	4,0
Sampo	4,0	0,3	3,8
Essentra	3,4	0,0	3,4
Relx	3,8	0,5	3,3
Nokian Renkaat	3,2	0,1	3,1
Scandinavian Tobacco Group	2,9	0,0	2,9
Micro Focus International	2,8	0,0	2,8
Banca Ifis	2,8	0,0	2,8
Jupiter Fund Management	2,8	0,0	2,8

Largest underweights (%)

	Fund	Index	Relative weight
Nestle	0,0	2,8	-2,8
Royal Dutch Shell	0,0	2,5	-2,5
Roche	0,0	2,2	-2,2
HSBC	0,0	1,9	-1,9
Unilever	0,0	1,8	-1,8
Total	0,0	1,4	-1,4
Sanofi	0,0	1,3	-1,3
BP	0,0	1,3	-1,3
Bayer	0,0	1,2	-1,2
SAP	0,0	1,2	-1,2

Country breakdown (%)

	Fund	Index	Relative weight
UK	30,2	27,8	2,4
Sweden	12,9	4,5	8,4
Finland	10,2	1,5	8,6
Denmark	8,2	2,7	5,5
Germany	7,8	14,9	-7,2
Italy	5,8	3,4	2,4
Luxembourg	4,1	0,1	4,0
Netherlands	3,8	5,5	-1,7
Other	12,4	39,5	-27,1
Cash and near cash	4,7	0,0	4,7

Capitalisation breakdown (%)

	Fund	Index	Relative weight
> €50 billion	18,3	46,2	-27,9
€25 - €50 billion	12,6	20,6	-8,0
€5 - €25 billion	27,3	29,0	-1,7
€2.5 - €5 billion	17,7	3,8	13,9
< €2.5 billion	19,4	0,4	19,1
Cash	4,7	0,0	4,7

Performance review

European equities continued to advance in April (in euro terms), with the MSCI Europe Index building on the year's positive momentum. Industrials, led by capital goods, was the standout sector in the period, closely followed by consumer discretionary and real estate. Following impressive gains in March, financials, in particular banks, also advanced.

In contrast, defensive sectors had a poor month as consumer staples, healthcare, telecoms and utilities all failed to keep up with the index. Energy also lagged in an environment of weaker commodity prices.

From a country perspective, the smaller markets of Austria, Denmark and Finland delivered the best returns, while France and Spain outperformed among the larger markets. The UK, Italy and Germany underperformed.

Against this background, the fund delivered positive returns and outperformed the MSCI Europe Index. Stock selection was the key driver of performance during the month as the fund sustained its strong start to the year.

Stock selection within financials added notable value as Banca IFIS, an Italian specialist lender, and Intesa Sanpaolo were among the top performers once again. Jupiter Fund Management delivered the best return in financials after the company reported a strong start to 2017. The UK-based investment manager announced encouraging net inflows and an increase in assets under management of over 7%. Micro Focus, however, made the biggest positive contribution to performance ahead of the technology company's merger with the software business of Hewlett Packard Enterprise. The software solutions company returned over 15% in the period and continues to be a high-conviction position on the fund.

Elsewhere, industrial firms Alfa Laval and Volvo continued their excellent performance since being added to the fund, returning 9% and 11% respectively in the period. Novo Nordisk rebounded strongly from recent underperformance. The Danish pharmaceuticals company saw positive momentum in the period, leading up to its first-quarter results to be announced at the beginning of May.

Turning to detractors, Golar, which owns and operates a fleet of liquefied natural gas (LNG) tankers, gave back some of its gains from the first three months of the year, as oil prices came under pressure in the period. Methanex was also affected by a difficult commodity environment. The world's largest methanol producer, listed in the US, announced encouraging results and strong cashflows in the period. Both stocks remain core holdings.

The share price of Ranger Direct, a UK-listed global specialist lender, fell after the company announced it was pursuing a creditor within its portfolio. The stock is under review.

Sector allocation also contributed positively to fund performance during the month. An underweight position in a weaker energy sector added value, as did zero exposure to telecoms and utilities during a month when defensives were out of favour.

Key changes

There were two new purchases in the period: Pandora, a global jewellery retailer based in Denmark, and Provident Financial, a UK-based specialist lender. The fund manager believes Pandora's brand power and growth prospects, along with its ability to generate meaningful cashflow, are underestimated by the market. Meanwhile, a short-term underperformance in Provident Financial provided a good entry point for a long-term compounder with high return on equity. The fund manager also added to Alfa Laval and topped up NOS SGPS on weakness.

Abertis Infraestructuras left the portfolio. The toll road operator based in Spain has had a stellar start to the year, returning 24 % as it is in the process of being bid for by Italy's Atlantia. The fund manager believes it has reached a full valuation and the proceeds were recycled into higher conviction ideas. The fund manager also took some profits in Volvo, the Swedish manufacturer of trucks and construction equipment. Since purchase in April 2016, the investment has returned over 50 % and it remains a key holding on the fund.

As a result of these transactions, the number of holdings increased to 36. The fund manager remains committed to the aim of providing a concentrated portfolio of best ideas.

Dividend announcements

With the European reporting season for calendar 2016 behind us, Methanex was the only holding to announce a dividend increase, raising its quarterly dividend by 9 %. While the higher dividend is welcomed, the fund manager believes the company's significant cash-build merits a more substantial buyback programme than the current proposal on the table. The company announced plans to buy back 5 % of outstanding stock in March. The fund manager is engaging with the company on this matter.

Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
Euro A Acc	GB00B39R4H73	MGPEAAE LN	1,50 %	1,69 %	€1.000	€75
Euro A Inc	GB00B955DL47	MGPEAIN LN	1,50 %	1,69 %	€1.000	€75
Euro B Acc	GB00BDCQN633	MGPEBAE LN	2,00 %	2,19 % *	€1.000	€75
Euro B Inc	GB00BDCQMN38	MGPEEBA LN	2,00 %	2,19 % *	€1.000	€75
Euro C Inc	GB00BK6MBZ10	MGPECIE LN	0,75 %	0,94 %	€ 500.000	€ 50.000
Euro C Acc	GB00B39R4J97	MGPECAE LN	0,75 %	0,94 %	€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 January 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 April 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 April 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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