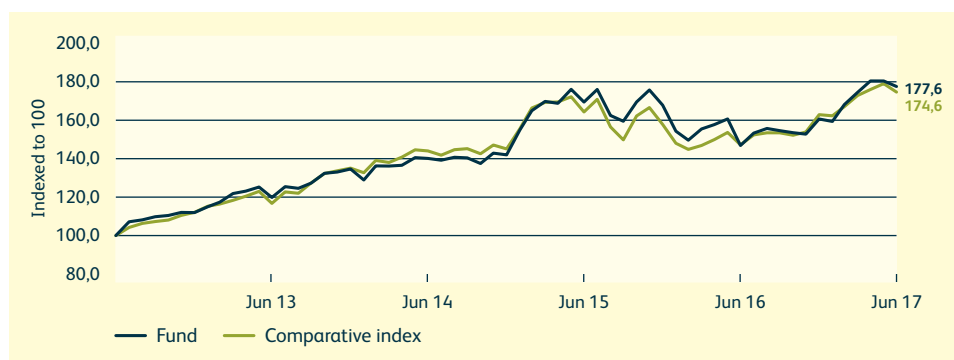


Euro Class A

Summary

- The fund outperformed the MSCI Europe Index in a falling market.
- Intesa Sanpaolo and DS Smith led the list of positive contributors, while sector allocation added value during a month when energy and defensives were out of favour.
- There were no new purchases or complete sales during the month, but the fund gained a new holding in Essity which was spun out of SCA.
- DS Smith raised its full-year dividend by 19%.

Performance over 5 years



Key information

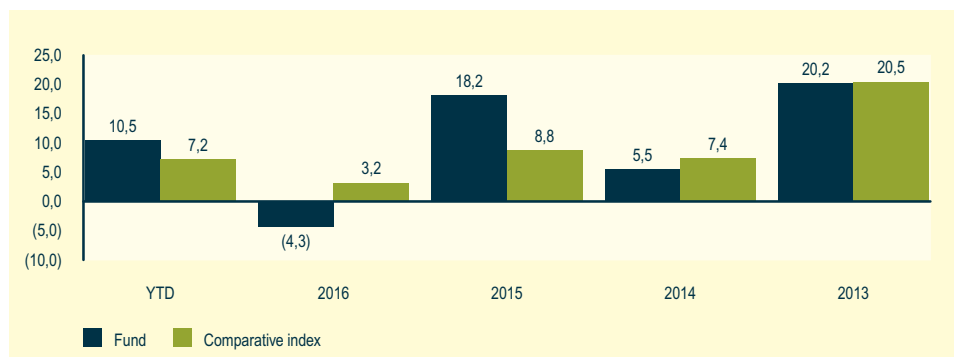
Fund manager	Phil Cliff
Fund manager tenure from	2 April 2012
Deputy fund managers	Sam Ford
Launch date	18 July 2008
Launch of share class	18 July 2008
Fund size (millions)	€163,63
Fund type	OEIC, incorporated in the UK
Comparative index	MSCI Europe
Comparative sector	Morningstar Europe Equity-Income sector
Number of companies	39
Historic yield (Acc)	2,27%
Historic yield (Inc)	3,89%
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	-1,6	+1,7	+10,5	+20,9	+8,2	+12,2	+11,0	+6,8
Index	-2,5	+1,0	+7,2	+18,6	+6,6	+11,8	+10,7	+6,8
Sector	-2,6	+0,9	+5,6	+14,4	+4,3	+9,7	+8,8	+5,5
Ranking	2/30	6/30	1/30	1/30	1/26	3/23	3/23	4/14
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 May 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 31/05/17	
Alpha (%)	3,05
Information ratio	0,66
Sharpe ratio	1,19
Historic tracking error (%)	4,23
Beta	0,93
Standard deviation (%)	10,19
Forecast tracking error (active risk, %)	3,79
Active share	89,98

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	21,4	21,1	0,3
Consumer discretionary	19,2	10,6	8,7
Industrials	18,5	13,5	5,0
Healthcare	14,1	13,0	1,1
Consumer staples	8,1	14,2	-6,1
Materials	7,5	7,5	0,0
Information technology	4,4	4,6	-0,1
Energy	2,9	6,6	-3,7
Real estate	1,1	1,4	-0,3
Telecommunications	0,0	4,0	-4,0
Utilities	0,0	3,6	-3,6
Other	0,6	0,0	0,6
Cash and near cash	2,2	0,0	2,2

Largest holdings (%)

	Fund	Index	Relative weight
SES	4,3	0,1	4,2
Alfa Laval	4,3	0,1	4,2
Novo Nordisk	4,1	0,9	3,2
Roche	4,0	2,1	2,0
Sampo	4,0	0,3	3,7
Relx	3,7	0,5	3,2
Novartis	3,5	2,1	1,4
Prudential	3,5	0,7	2,8
Essentra	3,5	0,0	3,5
BAT	3,2	1,5	1,8

Largest overweights (%)

	Fund	Index	Relative weight
SES	4,3	0,1	4,2
Alfa Laval	4,3	0,1	4,2
Sampo	4,0	0,3	3,7
Essentra	3,5	0,0	3,5
Relx	3,7	0,5	3,2
Novo Nordisk	4,1	0,9	3,2
Volkerwessels	2,8	0,0	2,8
Prudential	3,5	0,7	2,8
Kone	3,0	0,2	2,8
CTS Eventim	2,8	0,0	2,8

Largest underweights (%)

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

Country breakdown (%)

	Fund	Index	Relative weight
UK	30,7	27,7	3,0
Finland	9,8	1,6	8,2
Sweden	9,6	4,5	5,1
Denmark	8,2	2,8	5,3
Germany	7,6	14,9	-7,3
Switzerland	7,5	13,3	-5,8
Netherlands	6,6	5,5	1,1
Italy	4,6	3,6	1,0
Other	13,3	26,1	-12,8
Cash and near cash	2,2	0,0	2,2

Capitalisation breakdown (%)

	Fund	Index	Relative weight
> €50 billion	23,4	46,9	-23,5
€25 - €50 billion	9,1	19,0	-9,8
€5 - €25 billion	26,0	29,6	-3,7
€2.5 - €5 billion	17,6	4,2	13,4
< €2.5 billion	21,7	0,3	21,4
Cash	2,2	0,0	2,2

Performance review

The rally in European equities ran out of steam in June, with the MSCI Europe Index falling in euros after four successive months of gains. Energy led the markets lower in another month of oil price volatility, closely followed by the defensive sectors of telecoms, utilities, healthcare and consumer staples which all underperformed. Financials delivered the best returns during a month when all other sectors declined. From a country perspective, the UK was a major

laggard, not helped by the market's bias towards oil majors and defensives, while the core European markets of France and Germany fell in line with the index. Switzerland outperformed in relative terms, but failed to make progress in absolute terms.

Against this background, the fund outperformed the MSCI Europe Index, with Intesa Sanpaolo and DS Smith leading the list of positive contributors.

Intesa, the Italian bank whose savings shares are held by the fund, delivered a positive return in a falling market after agreeing to buy the good assets of two failed Veneto banks, Banca Popolare di Vicenza and Veneto Banca. Intesa will also receive state aid of €5.2 billion to maintain capital ratios. Banca IFIS, our other Italian financial, also ended the month higher after a weak May when the shares retreated from their peak. The two Italian holdings are among the best-performing stocks in the portfolio this year and the fund manager has been taking profits.

DS Smith, the UK-based packaging company, rose after reporting a solid set of results for the financial year ended 30 April 2017. The market also reacted positively to the announcement of an acquisition in the US which is earnings accretive immediately. The company continues to deliver on its strategy of organic growth, acquisitions and sustainable financial returns, and progress has continued into the new financial year. The stock remains a core holding.

Although stock selection is expected to be the key determinant of fund returns over the long term, sector allocation made a positive impact in June. The fund's zero exposure to telecoms and utilities and its large underweight in consumer staples added value during a month when defensives were out favour. The 'bond proxy' sectors continue to offer little in terms of long-term growth potential and the fund manager remains unconvinced by the high multiples attached to perceived safety. He is still comfortable with the limited exposure to these areas.

Provident Financial was the biggest detractor during the month after the UK consumer finance company warned that the transition to a new operating model was experiencing greater disruption than planned. The deterioration in operating performance will reduce profits in the consumer credit division in 2017, but the company remains confident that the strategic change will lead to improved performance over the long term, albeit from a weaker starting position.

Key changes

There were no new purchases or complete sales during the month, but the fund added to its recent purchase of shares in Roche. The fund manager invested in the Swiss pharmaceuticals and diagnostics group in May because the shares look reasonably valued given the prospects for stable growth. As a result of the top up, the fund has a more meaningful overweight in the healthcare sector.

The fund also gained a new holding in Essity, the hygiene and health business spun off by SCA. The Swedish provider of personal care, consumer tissue and professional hygiene products accounted for 2.2 % of the fund at the end of the month. SCA, which is now focused on forest products, accounted for 0.6 %.

As a result of the spin-off, the number of holdings increased to 39. The fund manager remains committed to his aim of providing a concentrated portfolio of best ideas.

Dividend announcements

DS Smith reinforced its commitment to a progressive dividend policy by raising the full-year dividend by 19 %, up from 12 % in the previous year.

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 Inc	GB00BDCQMN38	MGPEEBA LN	2,00 %	2,19 %	€1.000	€75
Euro B Acc	GB00BDCQN633	MGPEBAE LN	2,00 %	2,19 %	€1.000	€75
Euro C Acc	GB00B39R4J97	MGPECAE LN	0,75 %	0,94 %	€500.000	€50.000
Euro C Inc	GB00BK6MBZ10	MGPEECIE 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.

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.

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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The Portuguese Securities Market Commission (Comissão do Mercado de Valores Mobiliários, the "CMVM") has received a passporting notification under Directive 2009/65/EC of the European Parliament and of the Council and the Commission Regulation (EU) 584/2010 enabling the fund to be distributed to the public in Portugal. 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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