

M&G Global Listed Infrastructure Fund - Sterling Class I

Monthly Fund Review as at 30 June 2018

For investment professionals only



Highlights

- Listed infrastructure demonstrated its resilience once again against the background of continued volatility in global equity markets.
- We initiated a position in Enel, the Italian electricity infrastructure business, taking advantage of a valuation opportunity created by the politics-driven sell-off in Italian equities in May and early June.
- Naturgy, the Spanish natural gas company previously known as Gas Natural, announced a 30% increase in its dividend.

Risks associated with this fund

For any past performance shown, please note that past performance is not a guide to future performance.

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.

The fund holds a relatively small number of investments and, as a result, may experience larger price rises and falls than a fund which holds a larger number of investments.

The fund will invest in emerging markets which are generally more sensitive to economic and political factors, and where investments are less easily bought and sold. In exceptional circumstances, the fund may encounter difficulties when selling or collecting income from these investments, which could cause the fund to incur a loss. In extreme circumstances, it could lead to the temporary suspension of dealing in shares in the fund.

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

Things you should know

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.

Capitalisation breakdown (%)

	Fund	Index	Relative weight
Mega cap (> \$50bn)	19.2	52.1	-32.9
Large cap (\$10 - \$50bn)	46.2	38.1	8.1
Mid cap (\$2 - \$10bn)	25.4	9.6	15.8
Small cap (< \$2bn)	9.0	0.1	8.9
Cash	0.2	0.0	0.2

Currency breakdown (%)

	Fund
US dollar	42.7
Euro	15.6
Canadian dollar	13.8
British pound	12.3
Danish krone	4.4
Australian dollar	4.0
Hong Kong dollar	3.3
Singapore dollar	2.1
Swiss franc	1.4
Other	0.4

Commentary

Listed infrastructure demonstrated its resilience once again in June as political ruction drove continued volatility in global equity markets. Against this background, the most value was added by holdings in the 'economic' segment of the portfolio.

It is in this context that energy infrastructure company Enbridge led the contributors, boosted by receiving regulatory approval for one of the largest projects in company history. The stock had been sold exceedingly during the early months of the year because of concerns about the implications of a higher interest rate environment. It has subsequently rallied significantly, rewarding our decision to add to the position on weakness.

Many of the other top contributors to fund performance were also stocks that had been sold indiscriminately in the early months of the year. US data centre businesses Equinix and CoreSite in the 'evolving' class of infrastructure were two such holdings, as was US utility Edison International in the 'economic' segment.

Turning to the detractors, NetLink, the Singaporean fibreoptic company, lagged after reporting mixed results in May. Our attention was focused most closely on the announcement of the company's inaugural dividend, which at time of writing results in a healthy starting yield of over 4%.

Also in the 'evolving' category, PrairieSky Royalty, the Canadian energy royalty company, continued to drift lower after its results announcement in April. The royalty business model has a unique ability to create long-term value with very limited capital intensity, which is currently gravely under-appreciated by the market, in our view. As such, we have been adding to the holding on weakness.

Key changes

We initiated a position in Enel, an Italian electricity infrastructure business with assets mainly in Italy, Spain, and Latin America. We capitalised on the opportunity to buy this quality stock at an unusually attractive valuation brought on by the politics-driven sell-off in Italian equities in May and early June. Elsewhere, we also added to some of our high-conviction positions, such as those in utility businesses Ørsted and Edison International.

To fund these purchases, we continued to trim our holding in CK Infrastructure, with a view to reducing exposure to perceived UK regulatory risk. We also further reduced our position in Hydro One; a recent acquisition by the firm led us to question the company's ability to deliver strategically.

With one new purchase and no complete sales during the month, the number of holdings in the fund rose to 44. The weighting in the 'economic' infrastructure class stands at 66%, the weighting of the 'social' sphere 10%, and the weighting of the 'evolving' segment 24%.

Dividend announcements

Naturgy, the Spanish natural gas company previously known as Gas Natural, announced a 30% increase in its dividend alongside its long-term corporate strategy showcased at its June investor day.

Key information

Fund manager	Alex Araujo
Fund manager tenure from	5 October 2017
Deputy fund manager	John Weavers
Launch date	5 October 2017
Launch of share class	5 October 2017
Fund size (millions)	£12.36
Fund type	OEIC, incorporated in the UK
Comparative index	MSCI ACWI Index
Comparative sector	IA Global sector
Number of companies	44
Portfolio turnover over 12 months	33.5%
Share type	Acc & Inc
Payment dates	Feb, May, Aug, Nov
Ex-dividend dates	Jan, Apr, Jul, Oct
Ongoing charge	1.10%

Industry breakdown (%)

	Fund
Utilities	28.9
Transport	18.5
Energy	18.3
Communications	13.0
Royalty	7.0
Education	6.0
Transactional	4.0
Health	4.0
Cash and near cash	0.2

Largest holdings (%)

	Fund	Index	Relative weight
Edison International	4.7	0.0	4.6
Ørsted	4.4	0.0	4.4
Enbridge Inc	3.7	0.1	3.6
Vinci	3.6	0.1	3.5
PrairieSky Royalty	3.5	0.0	3.5
Franco-Nevada	3.5	0.0	3.5
Gibson Energy	3.4	0.0	3.4
Atmos Energy	3.4	0.0	3.4
Ferrovial	3.2	0.0	3.2
ONEOK	3.1	0.1	3.1

Country breakdown (%)

	Fund	Index	Relative weight
US	42.6	53.9	-11.3
Canada	13.8	3.1	10.7
UK	12.2	5.7	6.5
Spain	5.7	1.0	4.8
Denmark	4.4	0.5	3.9
Australia	4.0	2.2	1.8
France	3.6	3.4	0.2
Italy	3.4	0.8	2.6
Other	10.1	29.5	-19.4
Cash	0.2	0.0	0.2

Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
Sterling A Acc	GB00BF00RC53	MGLIGAA LN	0.95%	1.30% *	£ 500	£ 100
Sterling A Inc	GB00BF00RB47	MGLIGAI LN	0.95%	1.30% *	£ 500	£ 100
Sterling I Acc	GB00BF00R928	MGLIGIA LN	0.75%	1.10% *	£ 500,000	£ 10,000
Sterling I Inc	GB00BF00R811	MGLIGII LN	0.75%	1.10% *	£ 500,000	£ 10,000
Sterling L Acc	GB00BF00R696	MGLIGLA LN	0.50%	0.85% *	£ 20,000,000	£ 50,000
Sterling L Inc	GB00BF00R704	MGLIGLI LN	0.50%	0.85% *	£ 20,000,000	£ 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 10 April 2018.

* 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.

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.

All statistics from M&G internal sources, as at 30 June 2018 unless indicated otherwise.

For financial advisers only. Not for onward distribution. No other persons should rely on any information contained within. This financial promotion is issued by M&G Securities Limited which is authorised and regulated by the Financial Conduct Authority in the UK and provides ISAs and other investment products. The company's registered office is Laurence Pountney Hill, London EC4R 0HH. Registered in England No. 90776.

Contact M&G

Financial advisers
www.mandg.co.uk/advisers
0345 600 4125*

Discretionary
www.mandg.co.uk/discretionary

For your protection calls may be recorded or monitored. * Calls cost 5p per minute, plus your phone company's access charge.

Charities
www.mandg.co.uk/charities

Institutional
www.mandg.co.uk/institutions
020 3790 1331