

# M&G (Lux) Asian Fund Euro Class A – Accumulation shares

Monthly Fund Review as at 30 April 2019

For investment professionals only



## Highlights

- Asian equities rose in April as investor risk appetite was lifted by encouraging economic data and solid corporate results.
- The fund delivered positive returns ahead of the MSCI Asia Pacific ex Japan Net Return Index, with financial holdings DBS and Standard Chartered performing well.
- We sold the stake in Casetek, a manufacturer of casings for tablets, and added to existing holdings including technology firms Silicon Motion and VTech.

## The main risks associated with this fund

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

The value and income from the fund's assets will go down as well as up. This will cause the value of your investment to fall as well as rise. There is no guarantee that the fund will achieve its objective and you may get back less than you originally invested.

Investing in emerging markets involves a greater risk of loss due to greater political, tax, economic, foreign exchange, liquidity and regulatory risks, among other factors. There may be difficulties in buying, selling, safekeeping or valuing investments in such countries.

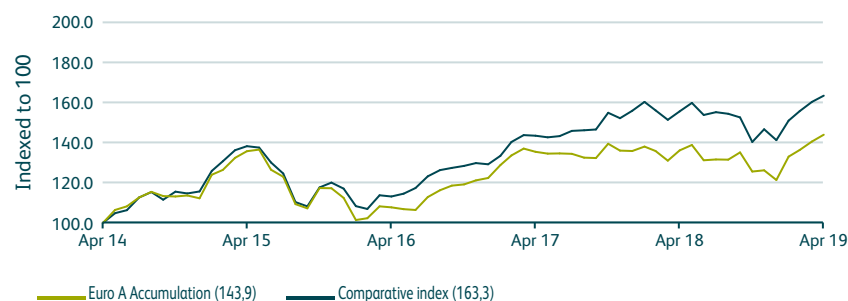
The fund can be exposed to different currencies. Movements in currency exchange rates may adversely affect the value of your investment.

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)

	2018	2017	2016	2015	2014
■ Euro A Accumulation	-10,6%	10,9%	8,8%	0,2%	13,6%
■ Comparative index	-9,4%	20,6%	10,3%	1,2%	17,4%
■ Sector	-9,6%	17,7%	9,0%	1,5%	16,5%

## Performance over 5 years



## Fund performance

	1 month (%)	3 months (%)	YTD (%)	1 year (%)	3 years (%) p.a.	5 years (%) p.a.	Since launch (%)
■ Euro A Accumulation	2,5%	8,2%	18,6%	5,8%	10,1%	7,6%	-
■ Comparative index	2,0%	8,3%	15,7%	5,0%	13,0%	10,3%	-
■ Sector	2,1%	8,6%	15,5%	4,4%	10,8%	8,9%	-

### Past performance is not a guide to future performance.

Past performance prior to 26 October 2018 is that of the Euro Class A Accumulation of the M&G Asia Fund (a UK-authorized OEIC) which merged into this fund on 26 October 2018. Tax rates and charges may differ.

Source: Morningstar, Inc and M&G, as at 30 April 2019. Returns are calculated on a price to price basis with income reinvested.

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## Key information

<b>Fund manager</b>	Alastair Bruce
<b>Fund manager tenure from</b>	03 September 2018
<b>Deputy fund manager</b>	Alice de Charmoy, Loong Lim
<b>ISIN</b>	LU1670618187
<b>Launch date of fund</b>	26 October 2018
<b>Launch of share class</b>	26 October 2018
<b>Fund size (millions)</b>	€ 95,56
<b>Fund type</b>	Luxembourg SICAV
<b>Comparative index</b>	MSCI AC Asia Pacific ex Japan Net Return Index
<b>Comparative sector</b>	Morningstar Asia-Pacific ex-Japan Equity sector
<b>Number of companies</b>	50
<b>Portfolio turnover over 12 months (%)</b>	70,14

\*Manager tenure\* includes the period when managing an equivalent UK-authorized OEIC. Please see 'Important information' at the end of this document for further details.

## Charges

<b>Entry charge</b>	5,00%
<b>Ongoing charge</b>	1,80%

## Industry breakdown (%)

	Fund	Index	Relative weight
Financials	32,2	26,1	6,2
Information technology	24,8	13,9	10,8
Industrials	13,4	6,5	7,0
Materials	7,7	6,8	0,9
Consumer discretionary	7,2	11,9	-4,8
Communication services	3,9	11,0	-7,1
Energy	3,5	4,9	-1,3
Consumer staples	1,0	5,0	-4,0
Healthcare	0,8	4,0	-3,1
Utilities	0,0	3,0	-3,0
Real Estate	0,0	6,5	-6,5
Other	3,0	0,0	3,0
Cash and near cash	2,5	0,0	2,5

## Risk characteristics

As at 31/03/2019	Fund
Alpha (%)	-1,20
Information ratio	-0,23
Sharpe Ratio	0,75
Historic tracking error (%)	4,77
Beta	0,96
Standard deviation (%)	14,35
Forecast tracking error (active risk, %)	4,87
Active share (%)	86,75

## 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.

## Fund ratings

Overall Morningstar rating **★★★**

Source of Morningstar ratings: Morningstar, as at 30 April 2019

Ratings should not be taken as a recommendation.

## Largest holdings (%)

	Fund	Index	Relative weight
Samsung Electronics	5,9	3,7	2,2
CK Hutchison	5,6	0,5	5,1
Ctrip.com International	4,2	0,3	3,9
DBS	4,0	0,6	3,4
China Lesso	3,7	0,0	3,7
ICICI Bank Ltd	3,0	0,2	2,8
Taiwan Semiconductor	3,0	3,6	-0,6
Shinhan Financial	2,8	0,3	2,5
QBE Insurance	2,8	0,2	2,6
Hollysys	2,8	0,0	2,8

## Largest overweights (%)

	Fund	Index	Relative weight
CK Hutchison	5,6	0,5	5,1
Ctrip.com International	4,2	0,3	3,9
China Lesso	3,7	0,0	3,7
DBS	4,0	0,6	3,4
ICICI Bank Ltd	3,0	0,2	2,8
Hollysys	2,8	0,0	2,8
GT Capital Holdings Inc	2,7	0,0	2,7
Fufeng	2,7	0,0	2,7
First Pacific	2,6	0,0	2,6
QBE Insurance	2,8	0,2	2,6

## Largest underweights (%)

	Fund	Index	Relative weight
Tencent	0,0	4,9	-4,9
Alibaba Group Holding	0,0	4,2	-4,2
Commonwealth Bank	0,0	1,6	-1,6
BHP Billiton Finance	0,0	1,3	-1,3
Westpac Banking	0,0	1,2	-1,2
Ping An Insurance Group Co of China	0,0	1,1	-1,1
CSL	0,0	1,1	-1,1
China Mobile	0,0	1,0	-1,0
Reliance Industries	0,0	1,0	-1,0
ANZ Banking	0,0	1,0	-1,0

## Country breakdown (%)

	Fund	Index	Relative weight
China	29,0	26,0	3,0
Hong Kong	18,9	14,0	5,0
South Korea	13,6	12,0	1,6
Taiwan	12,0	10,8	1,1
Singapore	6,6	3,4	3,2
Australia	5,7	16,1	-10,4
Philippines	4,7	1,0	3,7
India	3,0	8,6	-5,6
Other	4,1	7,7	-3,6
Cash	2,5		2,5

## Capitalisation breakdown (%)

	Fund	Index	Relative weight
Mega cap (> \$50bn)	20,9	32,5	-11,5
Large cap (\$10 - \$50bn)	23,0	38,0	-15,1
Mid cap (\$2 - \$10bn)	32,4	28,5	4,0
Small cap (< \$2bn)	21,2	0,7	20,5
Cash	2,5	0,0	2,5

## Commentary

Asian stockmarkets (ex Japan) rose in April, extending their gains since the beginning of the year.

Investor risk appetite was supported by encouraging economic data from China and the US, which helped ease fears about a global economic slowdown. China's GDP growth in the first quarter of 2019 was better than expected, suggesting that recent policy measures were having a positive impact.

The continued dovish stance by central bankers and encouraging quarterly earnings reports also contributed to the upbeat mood among investors.

Singapore was the best-performing market, lifted by banking stocks. Taiwan also outperformed as large-cap technology stocks performed well. Investors are becoming more optimistic about the outlook for the semiconductor market. China's stockmarket also advanced on robust economic data. However, the momentum faded amid fears the stabilising economy might lead policymakers to withdraw some stimulus measures.

In contrast, South Korea's stockmarket continued to underperform, weighed down by currency weakness and weak economic data. India and Malaysia were notable laggards too.

At the sector level, investors broadly favoured cyclicals over defensives. Consumer discretionary, financials and information technology were among the best-performing areas. Utilities and telecoms were laggards. Energy stocks also struggled despite higher oil prices.

Against this background, the fund delivered positive returns ahead of the MSCI Asia Pacific ex Japan Net Return Index, with stock selection in financials and industrials adding value. In financials, our holding in DBS, a Singaporean bank, made a positive contribution as the stock climbed on better-than-expected results. DBS, which is the largest lender in southeast Asia, reported a record quarterly profit helped by higher income from loans.

UK-based bank Standard Chartered was another contributor. The emerging markets-focused lender's share price rose after it reported a 10% rise in quarterly profits. Investors also welcomed the bank's plan to buy back up to US\$1 bn of its shares, as an indication of progress in its turnaround strategy.

In industrials, our holding in China Lesso, a Chinese plastic pipe company, added value. The stock has re-rated after the company raised its dividend pay-out. Investors are also optimistic about Lesso's exposure to the property and infrastructure sectors.

Chinese sportswear retailer Li Ning was another notable contributor as the shares climbed to the highest level in eight years. Li Ning reported strong quarterly sales growth, particularly in its e-commerce business.

In contrast, our holding in VTech, a Hong Kong-based manufacturer of educational toys and telephones, was a drag on performance. The stock fell after VTech forecast a decline in profits on weak sales of telecoms products.

Two conglomerates from the Philippines, GT Capital and Metro Pacific, were notable laggards. After a period of recent growth, Metro Pacific's debt levels have increased which has contributed in part to the stock trading at a discount to the value of its businesses. We took advantage of the share price declines to increase our holdings.

In addition, not holding any shares in Chinese internet firm Tencent hurt relative returns as the large-index stock outperformed.

## Key changes

In addition to the above-mentioned trades, we sold our stake in Casetek, a Taiwanese manufacturer of metal casings used in tablets and laptops. We used the proceeds to add to other existing holdings, which we think have more attractive prospects including VTech and technology firm Silicon Motion.

## Fund codes and charges

Share class	ISIN	Bloomberg	Currency	Launch date of fund	Ongoing charge	Minimum initial investment	Minimum top up investment
Euro A Acc	LU1670618187	MGASEAA LX	EUR	26/10/2018	1,80%*	€1.000	€75
Euro C Acc	LU1670618260	MGASECA LX	EUR	26/10/2018	1,05%*	€500.000	€50.000
Euro CI Acc	LU1797804967	MGLAECI LX	EUR	06/11/2018	1,01%*	€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 do not include portfolio transaction costs. They are based on expenses for the period ending 11 May 2018. Any ongoing charge figure with \* indicates an estimate. The fund's annual report for each financial year will include details of the exact charges.

Please note that not all of the share classes listed above might be available in your country.

Please see the Important Information for Investors document and the relevant Key Investor Information Document for more information on the risks associated with this fund and which share classes are available for which product and which investor type.

## Important information

On 26 October 2018 the non-sterling assets of the M&G Asian Fund, a UK-authorized OEIC which launched on 14 September 1973, merged into the M&G (Lux) Asian Fund, a Luxembourg-authorized SICAV, which launched on 26 October 2018. The SICAV is run by the same fund managers, applying the same investment strategy, as the UK-authorized OEIC.

The past performance for the fund and the index includes recoverable withholding tax which may not be applicable to the SICAV.

Comparative Index: The Comparative index to 30 June 2011 is the MSCI AC Far East Ex Japan Index. From 01 July 2011 to 25 October 2018, it is the MSCI AC Asia Pacific Ex Japan Index. All stated as Gross Return. From 26 October 2018, the comparative index is the MSCI All Country Asia Pacific ex Japan Net Return Index. Net Return indices include dividends after the deduction of withholding taxes.

Past performance prior to 26 October 2018 is that of the Euro Class A Accumulation of the M&G Asia Fund (a UK-authorized OEIC) which merged into this fund on 26 October 2018. Tax rates and charges may differ.

The M&G (Lux) Asian Fund is a sub-fund of M&G (Lux) Investment Funds 1.

The Morningstar Overall Rating based on the fund's Euro Class A shares. Copyright © 2019 Morningstar UK Limited. All Rights Reserved. Ratings should not be taken as recommendation.

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Before subscribing investors should read the Prospectus, which includes a description of the investment risks relating to these funds.

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