

M&G Asian Fund Sterling Class I – Accumulation shares



Monthly Fund Review as at 30 September 2019

For investment professionals only

Highlights

- Asian equities rose in September as global stockmarkets recovered from the declines in August.
- The fund delivered positive returns ahead of the MSCI Asia Pacific ex Japan Index, driven by gains from healthcare and information technology stocks.
- There were no new holdings or complete sales in September. We reduced our positions in Chicony Electronics and Teco Electric & Machinery from Taiwan.

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.

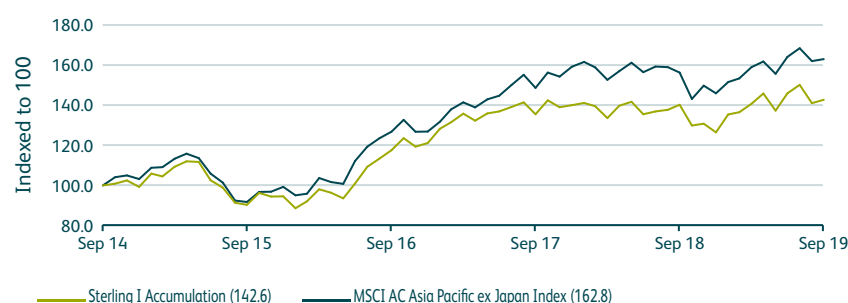
The fund can be exposed to different currencies. Movements in currency exchange rates may adversely affect the value of your investment.

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
■ Sterling I Accumulation	-9.7%	15.5%	28.1%	-4.7%	7.0%
■ MSCI AC Asia Pacific ex Japan Index	-8.3%	25.4%	27.7%	-3.9%	9.5%
■ IA Asia Pacific Excluding Japan	-9.8%	25.3%	25.9%	-2.9%	9.6%

Performance over 5 years



Fund performance

	1 month (%)	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)
					p.a.	p.a.
■ Sterling I Accumulation	1.2%	-2.2%	12.8%	1.8%	6.7%	7.4%
■ MSCI AC Asia Pacific ex Japan Index	0.6%	-0.7%	11.7%	4.2%	8.7%	10.2%
■ IA Asia Pacific Excluding Japan	0.7%	-0.1%	13.4%	5.8%	8.3%	10.0%

Past performance is not a guide to future performance.

Performance comparison: The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's target benchmark as it best reflects the scope of the fund's investment policy. The target benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

Source: Morningstar, Inc and M&G, as at 30 September 2019. Returns are calculated on a price to price basis with income reinvested. Benchmark returns stated in GBP terms.

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Key information

Fund manager	Alastair Bruce
Fund manager tenure from	03 September 2018
Deputy fund manager	Alice De Charmoy
ISIN	GB00B6SQYF47
Launch date of fund	16 August 1996
Launch of share class	03 August 2012
Fund size (millions)	£ 163.39
Benchmark	MSCI AC Asia Pacific ex Japan Index
Benchmark type	Target
Sector	IA Asia Pacific Excluding Japan sector
Number of companies	47
Historic yield	2.01%
Portfolio turnover over 12 months (%)	47.71
Average coupon	0.08
Payment dates	Oct
Ex-dividend dates	Sep

Charges

Entry charge	0.00%
Ongoing charge	0.95%

Capitalisation breakdown (%)

	Fund	Index	Relative weight
Mega cap (> \$50bn)	15.4	42.3	-26.9
Large cap (\$10 - \$50bn)	31.1	28.5	2.5
Mid cap (\$2 - \$10bn)	26.8	28.8	-2.0
Small cap (< \$2bn)	23.8	0.4	23.4
Cash	3.0	0.0	3.0

Risk characteristics

As at 30/09/2019	Fund
Alpha (%)	0.07
Information ratio	-0.16
Sharpe Ratio	0.63
Historic tracking error (%)	4.77
Beta	1.00
Standard deviation (%)	14.84
Forecast tracking error (active risk, %)	4.89
Active share (%)	88.08

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	★★★
Defaqto Rating	5 Diamonds
Financial Express Crown Rating	

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

Source: Defaqto, as at 30 September 2019

Source: Financial Express

Ratings should not be taken as a recommendation.

Largest holdings (%)

	Fund	Index	Relative weight
Samsung Electronics	6.6	4.0	2.6
China Lesso	5.4	0.0	5.4
CK Hutchison	5.4	0.4	5.0
DBS	3.7	0.6	3.2
Taiwan Semiconductor	3.3	3.9	-0.5
GT Capital	3.2	0.0	3.2
Shinhan Financial	3.1	0.3	2.8
Ctrip.com International	3.1	0.2	2.9
QBE Insurance Group	2.8	0.2	2.6
Hollysys Automation Technologies	2.6	0.0	2.6

Industry breakdown (%)

	Fund	Index	Relative weight
Financials	30.2	23.9	6.3
Information technology	25.1	12.8	12.2
Industrials	16.8	5.0	11.7
Materials	7.1	5.2	1.9
Energy	5.0	4.2	0.8
Consumer discretionary	4.8	8.9	-4.1
Communication services	3.7	8.5	-4.8
Utilities	1.9	2.2	-0.4
Health care	1.7	2.8	-1.1
Consumer staples	0.9	3.3	-2.4
Real Estate	0.0	5.8	-5.8
Other	0.0	17.3	-17.3
Cash and near cash	3.0	0.0	3.0

Country breakdown (%)

	Fund	Index	Relative weight
China	25.0	30.0	-5.0
Hong Kong	18.8	9.5	9.4
South Korea	14.9	11.7	3.2
Taiwan	11.8	11.1	0.7
Australia	7.4	17.0	-9.5
Philippines	5.6	1.1	4.5
Singapore	4.6	3.2	1.5
India	3.3	8.5	-5.2
Other	5.5	8.0	-2.6
Cash	3.0	0.0	3.0

Largest overweights (%)

	Fund	Index	Relative weight
China Lesso	5.4	0.0	5.4
CK Hutchison	5.4	0.4	5.0
GT Capital	3.2	0.0	3.2
DBS	3.7	0.6	3.2
Ctrip.com International	3.1	0.2	2.9
Shinhan Financial	3.1	0.3	2.8
Hollysys Automation Technologies	2.6	0.0	2.6
Samsung Electronics	6.6	4.0	2.6
First Pacific	2.6	0.0	2.6
QBE Insurance Group	2.8	0.2	2.6

Largest underweights (%)

	Fund	Index	Relative weight
Tencent Holdings	0.0	4.3	-4.3
Alibaba Group Holding	0.0	4.3	-4.3
Commonwealth Bank of Australia	0.0	1.7	-1.7
China Construction Bank	0.0	1.3	-1.3
BHP Group	0.0	1.3	-1.3
CSL	0.0	1.3	-1.3
Ping AN Insurance Group of China	0.0	1.3	-1.3
Westpac Banking	0.0	1.2	-1.2
National Australia Bank Limited	0.0	1.0	-1.0
Australia and New Zealand Banking Group	0.0	1.0	-1.0

Commentary

Asian equities rose in September, recouping some of their losses from the market sell-off in August.

Investor confidence was lifted by signs of easing tension between the US and China as the two nations agreed to hold high-level trade talks in October. President Trump also delayed by two weeks the introduction of tariffs scheduled for October 1 as a goodwill gesture.

Policymakers' efforts to counter slowing global economic growth also encouraged investor risk appetite. The Federal Reserve cut interest rates for the second time in three months and the European Central Bank unveiled a raft of stimulus measures. In China, the amount of cash that banks have to hold, the reserve requirement ratio, was cut to boost lending, while in India corporate tax rates were reduced.

South Korea and Taiwan were among the best-performing markets, supported by hopes of engagement between the US and China and gains in technology stocks. India's stockmarket advanced on the corporate tax cuts, while Pakistan also outperformed. In contrast, Indonesia, Thailand and the Philippines were laggards.

At the sector level, information technology stocks led the way, supported by expectations of a recovery in semiconductor prices and growing demand for 5G equipment. The energy sector rose as oil prices jumped following an attack on oil facilities in Saudi Arabia and materials outperformed. On the other hand, consumer discretionary and healthcare underperformed.

Against this background, the fund delivered positive returns ahead of the MSCI Asia Pacific ex Japan Index, driven by good performance from healthcare and technology stocks.

Our holding in Samsung Electronics, a tech giant from South Korea, was a leading contributor. The shares climbed to the highest level in more than a year amid expectations that demand for memory chips will pick up in the coming months leading to higher prices. Investors have also been encouraged by robust sales of Samsung's latest smartphones.

Wonik IPS, a Korean manufacturer of semiconductor machinery, Silicon Motion Technology, a developer of controllers for solid state storage devices, and Catcher Technology, a manufacturer of casings for mobile phones and tablets, also made positive contributions. As part of the Apple supply chain, shares in Catcher from Taiwan gained on optimism about strong demand for new Apple iPhones.

In healthcare, Australian biotech company Mesoblast was a leading contributor. The company's shares jumped on the news of a strategic partnership with Grunenthal, a German pharmaceutical firm and global leader in pain management, to develop and commercialise Mesoblast's Phase III stem cell therapy for chronic low back pain. Mesoblast's shares are up more than 60% this year as investors have started to recognise the potential of the company's stem-cell products.

In contrast, Chinese online travel business Ctrip.com was a notable detractor. The shares were hit by worries about the company's rate of revenue growth and the decision by Ctrip's largest shareholder, Chinese internet search firm Baidu, to sell part of its stake. Chinese drinks packaging firm Greatview Aseptic Packaging also underperformed.

Australian oil & gas exploration company FAR was a drag on performance, while GT Capital, a conglomerate from the Philippines, also detracted as the Philippines' stockmarket underperformed.

Key changes

There were no major changes to the portfolio in September. We took some profits by reducing our positions in Taiwanese holdings Chicony Electronics, a producer of electronic components, and Teco Electric & Machinery, a manufacturer of motors and wind turbines, which have rallied more than 40% this year.

Fund codes and charges

Share class	ISIN	Bloomberg	Currency	Share class launch date	Ongoing charge	Historic yield	Minimum initial investment	Minimum top up investment
Sterling A Acc	GB0030939556	MGSSEAA LN	GBP	14/09/1973	1.45%*	1.29%	£500	£100
Sterling A Inc	GB0030939440	MGSSEAI LN	GBP	14/09/1973	1.45%*	3.01%	£500	£100
Sterling I Acc	GB00B6SQYF47	MGASSIA LN	GBP	03/08/2012	0.95%*	2.01%	£500,000	£10,000
Sterling I Inc	GB00B3T2RX98	MGASSII LN	GBP	03/08/2012	0.95%*	3.00%	£500,000	£10,000
Sterling R Acc	GB00B7DBH187	MGASSRA LN	GBP	03/08/2012	1.20%*	1.77%	£500	£100
Sterling R Inc	GB00B756RM25	MGASSRI LN	GBP	03/08/2012	1.20%*	3.01%	£500	£100
Sterling X Acc	GB0031956807	MGSEAXA LN	GBP	01/10/2002	1.45%*	1.29%	£500	£100
Sterling X Inc	GB0031956799	MGSEAXI LN	GBP	01/10/2002	1.45%*	3.01%	£500	£100

Any ongoing charge figure with * indicates an estimate. The ongoing charge figure may vary from year to year and excludes portfolio transaction costs. The charges are mostly, if not exclusively, the Annual Charge which may be discounted depending on the size of the fund. For further details, please see the fund's Key Investor Information Document (KIID). The fund's annual report for each financial year will include details on the exact charges made. Please go to www.mandg.co.uk/literature to view the Costs and charges illustration which contains information on the costs and charges applicable to your chosen fund and share class. 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

The fund launched on 14 September 1973. The fund re-launched on 16 August 1996. On this date the fund's name, objective, performance benchmark and sector changed. 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.

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

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

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