

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

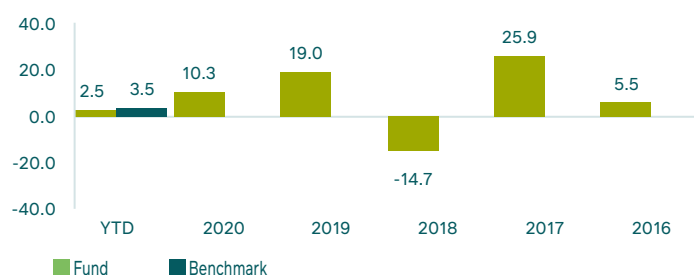
Monthly Fund Review as at 31 January 2021

For investment professionals only

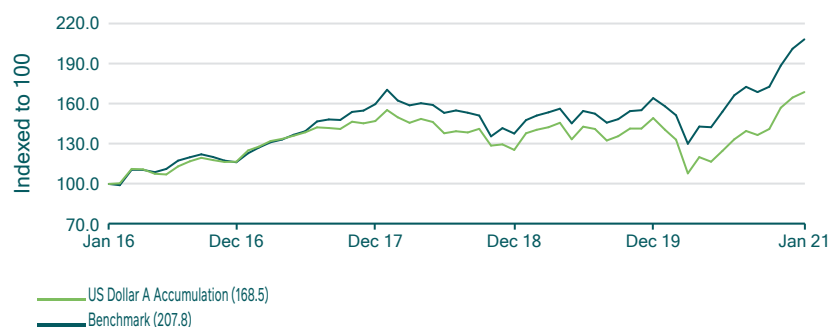
Highlights

- Stockmarkets in Asia Pacific ex Japan outperformed markets in developed economies in January, with China and Taiwan generating solid returns.
- The fund recorded a positive return, but modestly lagged the MSCI AC Asia Pacific ex Japan Net Return Index.
- We initiated a new holding in Sinopec Engineering, one of China's leading engineering companies. Sinopec Engineering has net cash that is greater than its market capitalisation and it offers a dividend yield of around 9%.

Annual performance (%)



Performance over 5 years



Fund performance

	1 month (%)	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)
US Dollar A Accumulation	2.5%	19.5%	2.5%	20.0%	2.8% p.a.	11.0% p.a.
Benchmark	3.5%	20.4%	3.5%	31.6%	6.9%	15.8%
Sector	3.6%	21.6%	3.6%	32.2%	6.8%	14.5%

Past performance is not a guide to future performance. The benchmark is a comparator against which the fund's performance can be measured. It is a net return index which includes dividends after the deduction of withholding taxes. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

The fund is actively managed. The investment manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

Fund performance prior to 26 October 2018 is that of the USD 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.

Benchmark 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 benchmark is the MSCI All Country Asia Pacific ex Japan Net Return Index.

Source: Morningstar, Inc and M&G, as at 31 January 2021. Returns are calculated on a price to price basis with income reinvested. Benchmark returns stated in USD terms.

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Key information

Fund manager(s)	David Perrett
Fund manager tenure from	02 December 2019
Deputy fund manager(s)	Carl Vine
ISIN	LU1670618344
Launch date of fund	26 October 2018
Launch of share class	26 October 2018
Fund size (millions)	\$ 59.61
Fund type	SICAV
Benchmark	MSCI AC Asia Pacific ex Japan Net Return Index
Sector	Morningstar Asia-Pacific ex-Japan Equity sector
Number of companies	55
Portfolio turnover over 12 months	0.00%
VaR	13.84%

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

Maximum entry charge	5.00%
Ongoing charge	1.80%

Risk characteristics

As at 31/01/2021	Fund
Alpha (%)	-2.26
Information ratio	-0.41
Sharpe Ratio	0.26
Historic tracking error (%)	5.35
Beta	0.99
Standard deviation (%)	21.71
Forecast tracking error (active risk, %)	4.46
Active share (%)	62.92

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 31 January 2021

Ratings should not be taken as a recommendation.

Largest holdings (%)

	Fund	Index	Relative weight
Taiwan Semiconductor	7.3	6.3	1.1
Samsung Electronics	7.2	4.9	2.3
Tencent Holdings	5.9	6.0	-0.1
Alibaba Group Holding	5.6	5.7	-0.1
AIA	2.6	1.7	0.9
SUN Hung KAI Properties	2.5	0.2	2.3
SK Hynix	2.4	0.7	1.6
DBS	2.3	0.4	1.9
Housing Development Finance Corporation	2.2	0.7	1.6
Jd.com	2.2	0.9	1.3

Capitalisation breakdown (%)

	Fund	Index	Relative weight
Mega cap (> \$50bn)	47.7	51.2	-3.5
Large cap (\$10 - \$50bn)	23.4	32.5	-9.1
Mid cap (\$2 - \$10bn)	19.4	16.2	3.2
Small cap (< \$2bn)	8.4	0.1	8.3
Cash	1.1	0.0	1.1

Largest overweights (%)

	Fund	Index	Relative weight
SUN Hung KAI Properties	2.5	0.2	2.3
Samsung Electronics	7.2	4.9	2.3
Cosco Shipping Ports	2.2	0.0	2.2
Netlink Trust	2.0	0.0	2.0
Pacific Basin Shipping	1.9	0.0	1.9
DBS	2.3	0.4	1.9
Sinopec Kantons Holdings	1.8	0.0	1.8
Japfa	1.8	0.0	1.8
SK Hynix	2.4	0.7	1.6
China Resources Power Holdings	1.6	0.0	1.6

Largest underweights (%)

	Fund	Index	Relative weight
Commonwealth Bank of Australia	0.0	1.4	-1.4
Meituan Dianping	0.8	2.0	-1.2
Hong Kong Exchanges and Clearing	0.0	0.9	-0.9
NIO	0.0	0.9	-0.9
Pinduoduo	0.0	0.8	-0.8
Westpac Banking	0.0	0.7	-0.7
Infosys	0.0	0.7	-0.7
Xiaomi	0.0	0.6	-0.6
Netease	0.0	0.6	-0.6
Mediatek	0.0	0.6	-0.6

Country breakdown (%)

	Fund	Index	Relative weight
China	35.6	37.7	-2.0
South Korea	12.8	13.0	-0.2
Hong Kong	11.7	7.1	4.7
Taiwan	9.8	12.7	-3.0
Australia	9.7	13.0	-3.3
Singapore	6.9	2.0	4.9
India	6.6	8.6	-2.0
Thailand	2.1	1.7	0.4
Other	3.7	4.3	-0.6
Cash	1.1	0.0	1.1

Industry breakdown (%)

	Fund	Index	Relative weight
Financials	25.4	18.9	6.5
Information technology	22.3	20.4	1.9
Consumer discretionary	11.0	17.2	-6.2
Communication services	10.7	10.5	0.2
Industrials	8.7	4.9	3.8
Energy	5.7	2.6	3.1
Materials	4.0	6.0	-2.0
Consumer staples	3.7	4.7	-1.0
Real Estate	3.3	3.9	-0.7
Utilities	3.0	2.0	1.0
Health care	1.2	5.4	-4.2
Other	0.0	3.5	-3.5
Cash and near cash	1.1	0.0	1.1

Commentary

Global equities started the new calendar year with mixed results, as the developed markets of the US, Japan and Europe fell from their recent peaks, in contrast to Asia Pacific ex Japan, which continued its upward momentum.

China was one of the best performing markets, supported by robust economic growth. Taiwan's technology-dominated market also outperformed the region amid strong demand for memory chips. Together, China and Taiwan represent around half the index. Conversely, stockmarkets in India, Indonesia, Malaysia and the Philippines lagged.

At the sector level, investors favoured internet-related 'stay-at-home' stocks in communication services, consumer discretionary and technology. Energy, financials and real estate, which tend to be more severely affected by lockdowns, were laggards.

Against this background, the fund recorded a positive return, but modestly lagged the MSCI AC Asia Pacific ex Japan Net Return Index. Despite strong performance from technology stocks in general, South Korea's Samsung Electronics detracted. The company reported slightly weaker-than-expected quarterly results, citing softness in its memory chip business and challenges with currency fluctuations. Samsung remains a key holding and was one of the top contributors to fund performance in 2020.

In the energy sector, the fund's holdings in Husky Energy and Cenovus Energy (which have just completed their merger) made opposite contributions to performance – Husky added value, whereas Cenovus detracted. We first invested in Husky soon after we took over management of the fund, and received shares in Cenovus following the completion of a merger between the two Canada-based companies at the start of January. We believe the merger will deliver valuable cost savings going forward.

Within Industrials, Weichai Power was the standout performer. Shares in the company rallied significantly, driven by optimism about its world-class technology in hydrogen fuel cells.

Elsewhere, India's Tata Motors stood out in a buoyant auto sector, and Taiwan-based Delta Electronics also added value. Delta is a well-managed quality business in our view, which generates stable returns. Management take the long view and the company is investing in new growth opportunities such as electric vehicles, which we believe could be rewarding.

Key changes

We were relatively active in January. After a strong start to the month, we took profits in some of the fund's Korean DRAM-related names, including exiting a residual position in Wonik as part of this process. The proceeds were invested into Weichai Power, a Chinese truck engine maker, which has been a market leader in environmentally friendly, next-generation technology.

We also closed the fund's position in MTR and Metro Pacific. The latter holding in particular had more than recovered its losses as a result of COVID-19, but still faces an uncertain regulatory environment.

The proceeds were invested into Chinese stocks, including a new holding in Sinopec Engineering – one of China's leading engineering companies. Sinopec Engineering has net cash that is greater than its market capitalisation and it offers a dividend yield of around 9%. Investors are worried that Sinopec's petrochemical engineering work will dry up. We agree this will eventually happen, but in the meantime there is a lot of older plant that needs to be made cleaner and more efficient. At the same time, as China sets out to achieve zero net emissions by 2060, it is very hard to argue that its leading engineering company will not participate in the transition. Indeed, Sinopec's new energy order backlog is already growing fast.

Fund codes and charges

Share class	ISIN	Bloomberg	Currency	Share class launch date	Ongoing charge	Historic yield	Minimum initial investment	Minimum top up investment
USD A Acc	LU1670618344	MGASUAA LX	USD	26/10/2018	1.80%*	-	\$1,000	\$75
USD C Acc	LU1670618427	MGASUCA LX	USD	26/10/2018	1.05%*	-	\$500,000	\$50,000

The above ongoing charge figure is an estimate of the charges because of a change to the charging structure with effect from 1st October 2020.

The ongoing charge figure may vary from year to year and excludes portfolio transaction costs. The audit fees and custody transaction charges are borne by M&G until the fund size increases to above 200 million euros. The fund's annual report for each financial year will include details on the exact charges made. 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.

ESG Integrated funds



Funds that integrate financially material ESG data into the risk management and decision-making process, as well as our company-wide exclusions (cluster munitions and anti-personnel mines). Some strategies may have some additional ESG exclusions.

Approach to responsible investment

	Yes	No	N/A
ESG integration	✓		
Additional ESG specifications		✓	
Exclusions	✓		
Cluster munitions & anti personnel landmines	✓		
Other exclusions or restrictions		✓	
Voting	✓		
Engagement	✓		

Please see glossary for further explanation of these terms.

ESG Standard Glossary

Additional ESG specifications: In the context of M&G, these are funds managed with an explicit ESG objective, outcome or in accordance with specific ESG criteria, and will have a number of minimum exclusions in place.

Engagement: Interaction with company management on various financial and non-financial, including ESG, issues. Engagement allows investors to better understand how a company is undertaking its operations and how it is interacting with its stakeholders, as well as advising on and influencing company behaviour and disclosures where appropriate.

ESG integration: Describes the explicit and systematic inclusion of Environmental, Social and Governance factors in investment analysis and investment decisions. It underpins a responsible investment approach, and allows investors to

better manage risk and generate sustainable, long-term returns.

Exclusions: The exclusion or restriction of investments based on the sector in which they operate, the products or services they provide or for other specific criteria, i.e. they are deemed to be in breach of the United Nations Global Compact principles on human rights, labour the environment and anti-corruption.

Voting: As the partial owners of a company, shareholders have the right to vote on resolutions put forward at a company's annual general meeting. These resolutions include the re-election of directors, executive remuneration and business strategy, among others, and may include resolutions put forward by shareholders.

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.

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 US Dollar Class A shares. Copyright © 2021 Morningstar UK Limited. All Rights Reserved. Ratings should not be taken as recommendation.

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