

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

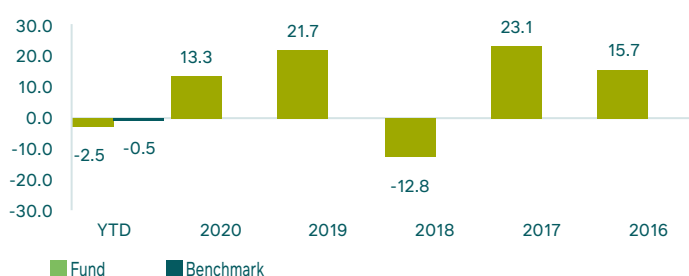
Monthly Fund Review as at 31 January 2021

For investment professionals only

Highlights

- The fund underperformed the MSCI ACWI Net Return Index in January, after strong performance in the final quarter of 2020.
- Methanex led the detractors as the shares gave back some of their recent gains. Stock selection added value in financials (Standard Life Aberdeen), while Keyera outperformed in energy.
- We bought three new holdings: Siemens and Lundin Mining to diversify the fund's exposure to the 'assets' category, as well as Blackrock in 'rapid growth'. Three stocks were sold: Tokyo Electron and Ørsted in 'assets' and 'rapid growth', respectively, as well as Danone in 'quality'.
- Anthem and Blackrock reported double-digit dividend increases. Arthur J Gallagher and Novartis also raised their dividends. There were no dividend cuts.

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%	20.4%	-2.5%	11.5%	4.3% p.a.	12.5% p.a.
Benchmark	-0.5%	17.0%	-0.5%	17.0%	8.0%	13.9%
Sector	-0.2%	17.2%	-0.2%	6.3%	2.7%	8.3%

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 20 September 2018 is that of the USD Class A Accumulation of the M&G Global Dividend Fund (a UK-authorized OEIC), which merged into this fund on 7 December 2018. Tax rates and charges may differ.

Benchmark prior to 31 December 2011 is the FTSE World Index. From 1 January 2012 to 19 September 2018, it is the MSCI ACWI Index. All stated as Gross Return. Thereafter the benchmark is the MSCI ACWI 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)	Stuart Rhodes
Fund manager tenure from	18 July 2008
Deputy fund manager(s)	John Weavers, Alex Araujo
ISIN	LU1670711040
Launch date of fund	18 September 2018
Launch of share class	20 September 2018
Fund size (millions)	\$ 2,217.37
Fund type	SICAV
Benchmark	MSCI ACWI Net Return Index
Sector	Morningstar Global Equity Income sector
Number of companies	40
Portfolio turnover over 12 months	43.25%
VaR	18.46%

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	4.00%
Ongoing charge	1.94%

Largest holdings (%)

	Fund	Index	Relative weight
Imperial Brands	7.6	0.0	7.5
Methanex	6.8	0.0	6.8
Trinseo	5.9	0.0	5.9
Gibson Energy	5.9	0.0	5.9
Keyera	4.9	0.0	4.9
Standard Life Aberdeen	4.7	0.0	4.7
Roche	4.4	0.4	4.0
Microsoft	4.1	2.8	1.3
Novartis	3.3	0.3	2.9
Amcor	3.1	0.0	3.1

Risk characteristics

As at 31/01/2021	Fund
Alpha (%)	-3.03
Information ratio	-0.41
Sharpe Ratio	0.30
Historic tracking error (%)	5.54
Beta	1.17
Standard deviation (%)	28.04
Forecast tracking error (active risk, %)	8.72
Active share (%)	90.39

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

Morningstar Analyst rating	Neutral
Overall Morningstar rating	★★★
Source of Morningstar ratings: Morningstar, as at 31 January 2021	
Ratings should not be taken as a recommendation.	

Country breakdown (%)

	Fund	Index	Relative weight
US	42.3	56.6	-14.3
Canada	18.2	2.5	15.7
UK	14.8	3.8	11.0
Switzerland	9.2	2.7	6.5
Denmark	3.4	0.7	2.8
Italy	2.5	0.5	2.0
Taiwan	2.0	1.8	0.2
Germany	1.7	2.5	-0.7
Other	5.5	29.0	-23.5
Cash	0.4	0.0	0.4

Industry breakdown (%)

	Fund	Index	Relative weight
Health care	17.7	11.9	5.8
Consumer staples	17.5	7.1	10.4
Materials	17.2	4.8	12.4
Information technology	13.2	21.8	-8.5
Financials	11.7	13.1	-1.4
Energy	10.8	3.1	7.7
Consumer discretionary	5.0	12.9	-7.8
Industrials	4.0	9.3	-5.4
Utilities	2.5	2.9	-0.4
Communication services	0.0	9.2	-9.2
Real Estate	0.0	2.5	-2.5
Other	0.0	1.4	-1.4
Cash and near cash	0.4	0.0	0.4

Capitalisation breakdown (%)

	Fund	Index	Relative weight
Mega cap (> \$50bn)	46.1	61.4	-15.3
Large cap (\$10 - \$50bn)	16.7	32.0	-15.3
Mid cap (\$2 - \$10bn)	35.2	6.5	28.7
Small cap (< \$2bn)	1.6	0.0	1.6
Cash	0.4	0.0	0.3

Largest overweights (%)

	Fund	Index	Relative weight
Imperial Brands	7.6	0.0	7.5
Methanex	6.8	0.0	6.8
Trinseo	5.9	0.0	5.9
Gibson Energy	5.9	0.0	5.9
Keyera	4.9	0.0	4.9
Standard Life Aberdeen	4.7	0.0	4.7
Roche	4.4	0.4	4.0
Amcor	3.1	0.0	3.1
Novartis	3.3	0.3	2.9
ST James Place	2.6	0.0	2.5

Largest underweights (%)

	Fund	Index	Relative weight
Apple	0.0	3.8	-3.8
Amazon	0.0	2.3	-2.3
Alphabet	0.0	1.9	-1.9
Facebook	0.0	1.1	-1.1
Tesla	0.0	1.0	-1.0
Tencent Holdings	0.0	0.9	-0.9
Alibaba Group Holding	0.0	0.8	-0.8
Johnson & Johnson	0.0	0.7	-0.7
Samsung Electronics	0.0	0.7	-0.7
JP Morgan	0.0	0.7	-0.7

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 and emerging markets, which continued their upward momentum.

The fund underperformed the MSCI ACWI Net Return Index in January, after strong performance in the final quarter of 2020.

Methanex provided the biggest drag on performance during the month after the shares almost doubled in the final quarter of 2020.

Pandora's share price followed a similar pattern despite better-than-expected results from the company. The Danish jewellery company made the biggest positive contribution to performance last year after the shares more than doubled, driven by a turnaround in operating performance.

Coca-Cola, Imperial Brands, Colgate-Palmolive and PepsiCo underperformed in a weak consumer staples sector. Amcor, which provides packaging for consumer goods and healthcare products, was also among the detractors.

Standard Life Aberdeen bucked the trend in an out-of-favour financials sector and added the most value. St. James's Place, our other holding in UK financials, also outperformed. The wealth manager reported new business inflows that exceeded expectations and boosted funds under management to record levels.

Keyera added value in a strong energy sector. The midstream company, which owns and operates infrastructure assets in North America, continues to pay dividends and the stock remains attractively valued, in our view, on a dividend yield of around 8%.

Technology stocks were also prominent among the top contributors. Our semiconductor holdings Taiwan Semiconductor Manufacturing Company (TSMC), KLA Corp and Tokyo Electron delivered solid gains, while Microsoft benefited from a favourable reporting season.

Dividend announcements

Despite the ongoing uncertainty in the global economy, the new calendar year started on a positive footing, with higher dividends from our holdings in healthcare and financials.

Anthem, the US managed care organization (MCO), was responsible for the biggest increase. The dividend was raised by 19%, the second year in which the dividend has grown at this impressive rate.

Novartis, the Swiss pharmaceutical company, extended its track record of consecutive dividend increases which stretches back to 1996. Our new holding in Blackrock accelerated its pace of dividend growth to 14% from 10% in the previous year. The investment manager has raised its dividend for 12 years in a row, during which time the dividend has grown at an average annual rate of 15%.

Arthur J Gallagher, the US insurance brokerage, also stepped up its rate of dividend growth with a 7% increase from 5% in the previous year.

There were no dividend cuts.

Key changes

We were more active than usual in January, with three new purchases and three complete sales.

We bought Siemens and Lundin Mining to diversify our exposure to the cyclical 'assets' category after our existing holdings in extreme value, such as Methanex and Trinseo, rallied strongly in the value rotation.

Siemens, the German industrial group, is a company undergoing transformation, which we believe has scope to create value for shareholders by applying greater capital discipline across its businesses. We have invested in Siemens before and we think the current valuation is undemanding. The new holding has already made a positive contribution after results beat expectations by a considerable margin.

Lundin Mining is a base metals company driven primarily by copper, with a competitive cost base and a strong balance sheet, which is essential for a cyclical business, in our view. The company is expecting to announce a 50% dividend increase in February, reflecting the free cashflow outlook of current operations. The company also has a strong commitment to responsible mining, with a record of reporting on sustainability performance since 2011 – a commitment which has been widely recognised by third-party providers of ESG analysis.

Blackrock, the global investment manager, was the final purchase during the month. Blackrock is another company which is familiar to us as a powerhouse in a growth industry.

Turning to sales, Tokyo Electron provided a source of cash after strong performance. Shares of the semiconductor equipment manufacturer more than doubled since we first bought the stock for the strategy in July 2018. The M&G (Lux) Global Dividend Fund was launched in September 2018, but the UK-domiciled OEIC version of the dividend growth strategy has been in place since July 2008.

Performance also accounted for the sale of Ørsted, the world leader in offshore wind. The holding period was much shorter than usual, but the shares doubled since our initial purchase in April. We also completed the sale of Danone in consumer staples.

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	LU1670711040	MGGDUAA LX	USD	20/09/2018	1.94%*	-	\$1,000	\$75
USD A Inc	LU1670711123	MGGDUAD LX	USD	20/09/2018	1.94%*	2.70%	\$1,000	\$75
USD C Acc	LU1670711396	MGGDUCA LX	USD	20/09/2018	0.94%*	-	\$500,000	\$50,000
USD C Inc	LU1670711636	MGGDUCD LX	USD	20/09/2018	0.94%*	2.69%	\$500,000	\$50,000
USD CI Acc	LU1797813950	MGDUCIA LX	USD	20/09/2018	0.90%*	-	\$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. Given the size of the fund, the Administration Charge which is included in the OCF has been discounted. 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 7 December 2018 the non-sterling assets of the M&G Global Dividend Fund, a UK-authorized OEIC which launched on 18 July 2008, merged into the M&G (Lux) Global Dividend Fund, a Luxembourg-authorized SICAV, which launched on 18 September 2018. The SICAV is run by the same fund manager, 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) Global Dividend Fund is a sub-fund of M&G (Lux) Investment Funds 1.

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