

# M&G Positive Impact Fund Sterling Class I – Accumulation shares



Monthly Fund Review as at 30 September 2020

For investment professionals only

## Highlights

- The fund rose for the month in sterling terms, outpacing its benchmark, the MSCI ACWI Index.
- Outperformance was driven by stock selection, particularly within the information technology, consumer discretionary and materials sectors, while the overweight in healthcare and lack of exposure to energy was also supportive.
- There were no new purchases or complete sales in September.

## 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.

The fund holds a small number of investments, and therefore a fall in the value of a single investment may have a greater impact than if it held a larger number of investments.

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

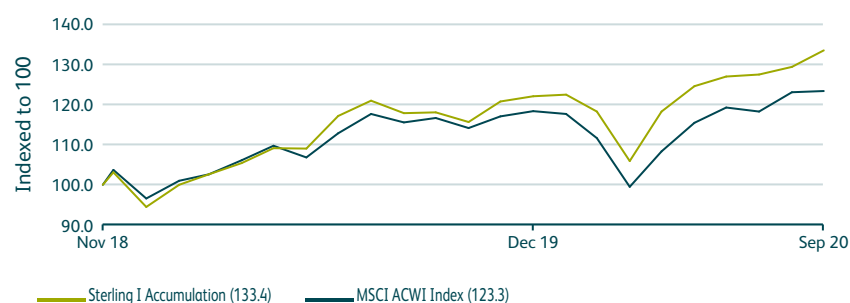
Investing in emerging markets involves a greater risk of loss as there may be difficulties in buying, selling, safekeeping or valuing investments in such countries.

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)

|                           | 2019  | 2018 | 2017 | 2016 | 2015 |
|---------------------------|-------|------|------|------|------|
| ■ Sterling I Accumulation | 29.0% | -    | -    | -    | -    |
| ■ MSCI ACWI Index         | 22.4% | -    | -    | -    | -    |
| ■ Sector                  | 22.0% | -    | -    | -    | -    |

## Performance since launch



## Fund performance

|                           | 1 month | 3 months | YTD  | 1 year | 3 years p.a. | 5 years p.a. |
|---------------------------|---------|----------|------|--------|--------------|--------------|
| ■ Sterling I Accumulation | 3.2%    | 5.1%     | 9.3% | 13.0%  | -            | -            |
| ■ MSCI ACWI Index         | 0.3%    | 3.5%     | 4.3% | 5.8%   | -            | -            |
| ■ Sector                  | 0.5%    | 4.1%     | 4.7% | 6.8%   | -            | -            |

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 2020. 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(s)                   | John William Olsen |
| Fund manager tenure from          | 20 November 2018   |
| Deputy fund manager(s)            | Thembeke Stemela   |
| ISIN                              | GB00BG886B02       |
| Launch date of fund               | 20 November 2018   |
| Launch of share class             | 20 November 2018   |
| Fund size (millions)              | £ 114.25           |
| Benchmark(s)                      | MSCI ACWI Index    |
| Benchmark type                    | Target             |
| Sector                            | IA Global sector   |
| Number of companies               | 33                 |
| Historic yield                    | 0.53%              |
| Portfolio turnover over 12 months | 1.54%              |
| VaR                               | 16.53%             |
| Payment dates                     | May                |
| Ex-dividend dates                 | Apr                |

## Charges

|                      |       |
|----------------------|-------|
| Maximum entry charge | 0.00% |
| Ongoing charge       | 0.85% |

## Impact area breakdown (%)

|                             | Fund |
|-----------------------------|------|
| Better health, saving lives | 33.8 |
| Environmental solutions     | 21.8 |
| Social inclusion            | 15.6 |
| Climate action              | 13.4 |
| Circular economy            | 8.2  |
| Better work conditions      | 2.1  |
| Cash                        | 5.0  |

## 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.

## Company type breakdown (%)

|         | Fund |
|---------|------|
| Leader  | 34.9 |
| Enabler | 32.2 |
| Pioneer | 27.8 |
| Cash    | 5.0  |

## Largest holdings (%)

|                                | Fund |
|--------------------------------|------|
| Solarege Technologies          | 5.6  |
| Orsted                         | 5.3  |
| Ansys                          | 4.5  |
| Rockwool International         | 4.3  |
| ALK Abello                     | 4.3  |
| Thermo Fisher Scientific       | 4.1  |
| Novo Nordisk                   | 4.0  |
| Schneider Electric             | 3.7  |
| Johnson Controls International | 3.6  |
| Agilent Technologies           | 3.5  |

## Company type breakdown (%)

|         | Fund |
|---------|------|
| Leader  | 34.9 |
| Enabler | 32.2 |
| Pioneer | 27.8 |
| Cash    | 5.0  |

## Industry breakdown (%)

|                        | Fund | Index | Relative weight |
|------------------------|------|-------|-----------------|
| Health care            | 33.8 | 12.4  | 21.4            |
| Industrials            | 19.1 | 9.4   | 9.7             |
| Information technology | 18.2 | 21.5  | -3.2            |
| Financials             | 10.7 | 12.4  | -1.7            |
| Utilities              | 5.3  | 3.1   | 2.3             |
| Consumer discretionary | 3.1  | 12.7  | -9.6            |
| Communication services | 2.5  | 9.3   | -6.8            |
| Materials              | 2.2  | 4.7   | -2.5            |
| Consumer staples       | 0.0  | 7.9   | -7.9            |
| Energy                 | 0.0  | 2.8   | -2.8            |
| Real Estate            | 0.0  | 2.6   | -2.6            |
| Other                  | 0.0  | 1.1   | -1.1            |
| Cash and near cash     | 5.0  | 0.0   | 5.0             |

## Geographical breakdown (%)

|                  | Fund | Index | Relative weight |
|------------------|------|-------|-----------------|
| US               | 47.6 | 57.4  | -9.8            |
| Europe           | 29.1 | 17.4  | 11.7            |
| Developed Asia   | 9.5  | 9.6   | -0.1            |
| Emerging markets | 8.8  | 12.5  | -3.7            |
| Cash             | 5.0  | 0.0   | 5.0             |
| Other            | 0.0  | 3.0   | -3.0            |

## Capitalisation breakdown (%)

|                           | Fund | Index | Relative weight |
|---------------------------|------|-------|-----------------|
| Mega cap (> \$50bn)       | 30.0 | 59.5  | -29.5           |
| Large cap (\$10 - \$50bn) | 36.4 | 32.1  | 4.4             |
| Mid cap (\$2 - \$10bn)    | 23.9 | 8.4   | 15.5            |
| Small cap (< \$2bn)       | 4.7  | 0.1   | 4.6             |
| Cash                      | 5.0  | 0.0   | 5.0             |

## Largest overweights (%)

|                                | Fund | Index | Relative weight |
|--------------------------------|------|-------|-----------------|
| Solarege Technologies          | 5.6  | 0.0   | 5.6             |
| Orsted                         | 5.3  | 0.1   | 5.3             |
| Ansys                          | 4.5  | 0.1   | 4.4             |
| Rockwool International         | 4.3  | 0.0   | 4.3             |
| ALK Abello                     | 4.3  | 0.0   | 4.3             |
| Novo Nordisk                   | 4.0  | 0.2   | 3.8             |
| Thermo Fisher Scientific       | 4.1  | 0.3   | 3.8             |
| Schneider Electric             | 3.7  | 0.1   | 3.6             |
| Johnson Controls International | 3.6  | 0.1   | 3.6             |
| HDFC Bank Ltd                  | 3.4  | 0.0   | 3.4             |

## Largest underweights (%)

|                       | Fund | Index | Relative weight |
|-----------------------|------|-------|-----------------|
| Apple                 | 0.0  | 3.9   | -3.9            |
| Microsoft             | 0.0  | 2.9   | -2.9            |
| Amazon                | 0.0  | 2.6   | -2.6            |
| Alphabet              | 0.0  | 1.7   | -1.7            |
| Facebook              | 0.0  | 1.2   | -1.2            |
| Alibaba Group Holding | 0.0  | 1.1   | -1.1            |
| Johnson & Johnson     | 0.0  | 0.8   | -0.8            |
| Tencent Holdings      | 0.0  | 0.7   | -0.7            |
| Taiwan Semiconductor  | 0.0  | 0.7   | -0.7            |
| Nestle                | 0.0  | 0.7   | -0.7            |

## Commentary

The strong performance that had been delivered by global equities following their March lows was reined in in September, with markets delivering negative returns in both euro and US dollar terms. Sterling returns were marginally positive, given relative weakness in the currency. European equities, which hit a three-month low in September, were particularly hard hit, with sentiment most deeply affected by a resurgence of COVID-19 infections across the region, sparking worries about the economic recovery, while uncertainty over the agreement of a Brexit trade deal also dampened the mood. Elsewhere, worries included growing uncertainty about the US Presidential election, a lack of agreement on further economic support in light of the pandemic and the high valuations of some technology companies.

In this environment, given ongoing weakness in the oil price and uncertainty over demand, energy was the worst-performing sector for the period, while financials were dragged down by concerns about low interest rates and the economic outlook. Other laggards included communication services and information technology, the latter sector experiencing a halt to the strong upward momentum it had previously enjoyed.

The fund rose for the month in sterling terms, outpacing its benchmark, the MSCI ACWI Index. Outperformance was driven by stock selection, particularly within the information technology, consumer discretionary and materials sectors, while the overweight in healthcare and lack of exposure to energy was also supportive.

At a stock level, the fund's largest contributor for the month was solar energy specialist SolarEdge. The company published good results in August, sustaining its solid run of profitability, despite a squeeze on revenue and earnings during a difficult period for solar energy in light of the pandemic. In September the company's shares were further boosted on news from the US that Congress and the White House were set to resume stimulus talks. While no details had been made public, House Democrats are friendly to renewable energy, and investors perceived that funds to boost investment in the renewables industry could be included as part of the deal.

Other supportive holdings included childcare and education specialist Bright Horizons, multinational pharma business Novo Nordisk and sustainable packaging specialist DS Smith. It is also worth noting that US tech giant Apple represents more than 3.5% of the MSCI ACWI – not holding this company aided relative returns, as the stock sold off during the month.

On the downside, stockpicking within utilities and industrials weighed on performance to a degree, as did the lack of exposure to consumer staples. The largest individual detractor for the month was genetic-sequencing specialist Illumina. The company's share price fell following news that it intended to purchase cancer-testing specialist Grail for US\$8 billion, a company Illumina had spun off four years previously. Illumina justifies the purchase on the basis that Grail has achieved significant progress in the cancer-screening market over the period since the spin-off, and that this advancement could be accelerated further if it was joined with Illumina's capabilities. While we believe this will strengthen the impact case for Illumina, overall, this deal suggests a significant change to the company's business model and we are currently assessing the long-term implications of this.

Other laggards for the month included US workers compensation insurance company Amerisafe, sustainable logistics business Brambles and clinical stage biotherapeutics company PureTech.

## Key changes

There were no new purchases or complete sales during the month.

## 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 | GB00BG884724 | MGPIGAA   | GBP      | 20/11/2018              | 1.35%*         | -              | £500                       | £100                      |
| Sterling A Inc | GB00BG886760 | MGPIGAI   | GBP      | 20/11/2018              | 1.35%*         | 1.38%          | £500                       | £100                      |
| Sterling I Acc | GB00BG886B02 | MGPIGIA   | GBP      | 20/11/2018              | 0.85%*         | 0.53%          | £500,000                   | £100,000                  |
| Sterling I Inc | GB00BG886C19 | MGPIGII   | GBP      | 20/11/2018              | 0.85%*         | 1.37%          | £500,000                   | £100,000                  |
| Sterling L Acc | GB00BG886D26 | MGPIGLA   | GBP      | 20/11/2018              | 0.60%*         | 0.76%          | -                          | -                         |
| Sterling L Inc | GB00BG886F40 | MGPIGLI   | GBP      | 20/11/2018              | 0.60%*         | 1.37%          | -                          | -                         |
| Sterling R Acc | GB00BG886877 | MGPIGRA   | GBP      | 20/11/2018              | 1.10%*         | 0.30%          | £500                       | £10                       |
| Sterling R Inc | GB00BG886984 | MGPIGRI   | GBP      | 20/11/2018              | 1.10%*         | 1.37%          | £500                       | £10                       |

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](http://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.

### Impact funds



Funds that aim to invest in companies that deliver material, measurable positive societal impacts by addressing the world's major social and environmental challenges, while generating competitive economic returns.

## Approach to responsible investment

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

Please see glossary for further explanation of these terms.

## \*Other exclusions or restrictions

### This fund excludes:

- Adult entertainment
- Alcohol
- Animal testing – nonmedical
- Controversial weapons
- Defense and Weapons
- Gambling
- GMO
- Oil & gas extraction – conventional
- Oil & gas extraction – unconventional
- Power generation – carbon intensive
- Power generation – nuclear
- Tobacco
- Thermal coal
- UN Global Compact – companies deemed to be in breach

\*Thresholds may apply

## ESG Range 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.

**Controversial weapons:** refers to chemical and biological weapons, white phosphorus, weapons and armour made from depleted uranium, nuclear weapons and nuclear weapons outside the Nuclear Non-Proliferation Treaty.

**Conventional oil and gas:** conventional oil and gas production – deepwater, shallow water and other onshore/offshore.

**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 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.

**GMO:** genetically modified crops.

**Impact:** Investment with the purpose of generating a measurable social or environmental return, alongside a financial return.

**Sustainability/Sustainable:** Our sustainable funds are those where the investment universe is driven by sustainability themed considerations, which might include climate change mitigation, pollution prevention, sustainability solutions and approaches that address one or more of the UN Sustainable Development Goals (SDGs).

**Tobacco:** understood as those companies whose business models are based on the production, trading and distribution of tobacco.

**Unconventional oil and gas:** oil sands (production), shale oil, shale gas and arctic drilling.

**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.

**Weapons:** refers to systems, components, and support systems and services.

## Important information

The M&G Positive Impact Fund is a sub-fund of M&G Investment Funds (10).

Company type breakdown (%)

- Pioneers: companies whose products or services have a transformational effect on society or the environment
- Enablers: companies which provide tools for others to deliver positive social or environmental impact
- Leaders: companies which spearhead and mainstream impact in their industry

The 17 United Nations Sustainable Development Goals (SDGs) are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. Holdings in the fund are assigned a primary SDG most closely aligned with a company's intended impact, although they may also touch on other SDGs in the course of their operations.

The fund embraces the United Nations Sustainable Development Goals (SDG) framework and invests in companies focused on six key areas, mapped against the SDGs. On the environmental side, these are: climate action; environmental solutions; and circular economy. On the social side, these are: improving health, saving lives; better working conditions; and social inclusion.

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