

Highlights

- Trade tensions and rising oil prices affected European stockmarkets in September. Value as a style outperformed.
- The fund's energy stocks performed well, supported by higher oil prices. In contrast, betting firm GVC and industrial holdings easyJet and Deutsche Lufthansa detracted from relative performance.
- There were no new holdings or complete sales in September. We added to some of our energy holdings, notably BP, Total and Tullow Oil.

Risks associated with this fund

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

The value of investments and the income from them will rise and fall. This will cause the fund price, as well as any income paid by the fund, to fall as well as rise. There is no guarantee the fund will achieve its objective, and you may not get back the amount you originally invested.

Changes in currency exchange rates will 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)

	2017	2016	2015	2014	2013
USD A Acc	25,7%	0,3%	-1,5%	n/a	n/a

Performance since launch



Fund performance

	1 month (%)	3 months (%)	YTD (%)	1 year (%)	3 years (%) p.a.	5 years (%) p.a.	10 years (%) p.a.	Manager tenure (%) p.a.	Since launch (%) p.a.
Fund	-0,2	-0,0	-3,1	+0,3	+8,0	N/A	N/A	+3,6	+3,6
Index	+0,4	+0,8	-1,9	+0,3	+8,4	+4,3	+5,4	+3,5	+3,5
MSCI Europe Value Index	+1,9	+0,4	-3,7	-1,9	+8,2	+3,1	+4,1	+1,5	+1,5
Sector	+0,5	-0,9	-5,4	-3,9	+6,6	+2,8	+4,2	+2,2	+2,2

Past performance is not a guide to future performance.

The past performance has been calculated using a different currency to your home currency. The returns shown here may increase or decrease due to currency fluctuations when compared to past performance returns calculated using your home currency.

On 1 January 2012, the fund's comparative index changed.

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.

Key information

Fund manager	Richard Halle
Fund manager tenure from	1 February 2008
Deputy fund manager	Daniel White
Launch date	1 February 2008
Launch of share class	8 August 2014
Fund size (millions)	\$2.952,02
Fund type	OEIC, incorporated in the UK
Comparative index	MSCI Europe
Comparative sector	Morningstar Europe Large-Cap Value Equity sector
Number of companies	91
Historic yield (Acc)	1,01%
Portfolio turnover over 12 months	55,5%
Share type	Accumulation
Ongoing charge	1,66%

The historic yield reflects distributions declared over the past 12 months as a percentage of the share price, as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions.

Fund ratings

Overall Morningstar rating ★★★★
Morningstar Analyst rating Bronze

Source of Morningstar ratings: Morningstar, as at 31 August 2018

Ratings should not be taken as a recommendation.

Risk characteristics

As at 31/08/18	
Alpha (%)	1,56
Information ratio	0,46
Sharpe ratio	1,61
Historic tracking error (%)	3,02
Beta	0,91
Standard deviation (%)	9,43
Forecast tracking error (active risk, %)	3,02
Active share	79,67

Alpha: Portfolio return less comparative index return, annualised.
Information ratio: Risk-adjusted relative return, measured as the ratio of active return (difference between portfolio return and index return), divided by tracking error (standard deviation of active returns).
Sharpe ratio: Risk-adjusted absolute return, measured as the ratio of portfolio excess return (difference between mean portfolio return and the risk-free rate) divided by the standard deviation of portfolio returns.
Historic tracking error: Measure of the actual deviation of portfolio returns from comparative index returns. These four risk measures are calculated using realised, rolling, three-year fund returns.
Beta: Forecast sensitivity of portfolio returns to the comparative index.
Standard deviation: Forecast absolute volatility of portfolio returns.
Forecast tracking error (active risk): Forecast standard deviation of a portfolio's returns relative to its comparative index.
Active share: Sum of overweight and underweight positions within the portfolio away from the comparative index, divided by two. These four risk measures are calculated with reference to the returns of underlying securities portfolios, not fund returns. Numbers are based on four years of daily data using a 3-6 month horizon.

Industry breakdown (%)

	Fund	Index	Relative weight
Financials	16,4	19,1	-2,7
Energy	14,4	8,6	5,9
Industrials	14,2	13,2	1,0
Healthcare	12,6	13,1	-0,5
Consumer discretionary	10,6	10,6	0,0
Materials	8,0	8,2	-0,1
Consumer staples	5,5	13,4	-7,8
Information technology	4,5	5,6	-1,2
Telecommunications	4,4	3,2	1,3
Utilities	2,2	3,6	-1,4
Real estate	1,7	1,4	0,4
Cash and near cash	5,4	0,0	5,4

Largest holdings (%)

	Fund	Index	Relative weight
BP	3,3	1,7	1,6
Total	3,3	1,7	1,6
Novartis	3,2	2,1	1,1
Roche	3,0	1,9	1,2
Royal Dutch Shell	2,5	3,2	-0,6
Volkswagen	2,3	0,4	1,9
Securitas	2,2	0,1	2,1
Bayer	2,0	0,9	1,1
AstraZeneca	1,9	1,1	0,9
Bank of Ireland Group	1,8	0,1	1,7

Largest overweights (%)

	Fund	Index	Relative weight
Securitas	2,2	0,1	2,1
Volkswagen	2,3	0,4	1,9
Bank of Ireland Group	1,8	0,1	1,7
Aperam	1,7	0,0	1,7
BP	3,3	1,7	1,6
Total	3,3	1,7	1,6
Buzzi Unicem	1,5	0,0	1,5
William Hill	1,5	0,0	1,5
UPM-Kymmene	1,7	0,2	1,5
Nokia	1,7	0,3	1,4

Largest underweights (%)

	Fund	Index	Relative weight
Nestle	0,0	2,9	-2,9
HSBC	0,0	1,9	-1,9
Unilever	0,0	1,7	-1,7
SAP	0,0	1,3	-1,3
BAT	0,0	1,2	-1,2
GlaxoSmithKline	0,0	1,1	-1,1
LVMH	0,0	1,1	-1,1
Allianz	0,0	1,1	-1,1
Siemens	0,0	1,1	-1,1
Diageo	0,0	1,0	-1,0

Country breakdown (%)

	Fund	Index	Relative weight
UK	24,8	27,7	-2,9
Germany	13,1	14,9	-1,8
France	12,4	17,1	-4,7
Switzerland	7,6	12,9	-5,2
Netherlands	7,1	5,3	1,8
Finland	6,9	1,7	5,2
Norway	3,8	1,2	2,6
Ireland	3,7	0,8	2,9
Other	15,0	18,1	-3,1
Cash	5,4	0,0	5,4

Capitalisation breakdown (%)

	Fund	Index	Relative weight
> €50 billion	25,6	43,5	-17,9
€25 - €50 billion	12,4	23,1	-10,7
€5 - €25 billion	24,3	32,2	-8,0
€2.5 - €5 billion	10,4	1,0	9,4
< €2.5 billion	21,9	0,0	21,9
Cash and near cash	5,4	0,0	5,4

Commentary

Fears over trade wars and concerns about Italy's budget plan weighed on European stockmarkets in September. However, despite initial declines, share prices recovered and the MSCI Europe Index ended the month in positive territory (in euro terms).

Trade tensions continued to escalate as President Donald Trump introduced import tariffs on US\$200 billion worth of Chinese goods. China was threatened with further tariffs if it retaliated.

After months of turmoil, Turkey's stockmarket and currency rebounded as investors welcomed the decision by the country's central bank to raise interest rates significantly.

Towards the end of the month, investors were unsettled by the Italian government's decision to widen its budget deficit target.

Energy stocks were the standout performers in September, supported by higher oil prices. Investors worried that forthcoming US sanctions on Iran might lead to reduced oil supplies. Financials and materials also outperformed.

In contrast, information technology stock were notable laggards. Consumer staples and utilities also underperformed.

In terms of style, value returned to favour and outperformed the broader market, reversing recent weakness. Against this background, the fund's returns were behind the MSCI Europe Index.

In industrials, our holdings in airlines Deutsche Lufthansa and easyJet detracted from relative performance. After significant gains in 2017, both stocks retreated recently on concerns about the impact of higher oil prices. Dutch recruitment company Randstad was another detractor. The company's shares fell after a disappointing trading update from a rival firm.

Our holding in Italian sunglasses maker Safilo also cost some performance. The company's shares have been under pressure lately following weak sales figures. Safilo also faces the challenge that luxury brands are looking to produce their own eyewear.

UK betting firm GVC was a leading detractor. Shares in the company, which acquired bookmaker Ladbrokes recently, have retreated from recent highs amid worries about the impact of regulatory changes. GVC's online business is performing well, however, and the company is increasingly focused on growth in the US.

On a positive note, our relatively large weighting in energy added value as oil prices rose to the highest level in four years. Our holdings in UK oil & gas explorer Tullow Oil, energy giant BP and Norwegian marine seismic services firm Petroleum Geo-Services were notable contributors.

French mailing solutions firm Neopost also made a positive contribution after reporting a modest rise in quarterly sales. The company's traditional mail business is in decline, but new growth areas such as digital mail solutions and shipping are performing well.

Meanwhile, our shares in German car maker Volkswagen rose, recouping some of their recent losses related to fears about US tariffs on imported vehicles.

Key changes

There were no new holdings or complete sales in September. We added to some of our energy holdings, notably BP, Total and Tullow Oil. We also bought some more shares in easyJet and Lufthansa, following their share price falls.

Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
USD A Acc	GB00BK6MCW53	MGESUAA LN	1,50%	1,66%	\$ 1.000	\$ 75

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 does not include portfolio transaction costs. They are based on expenses for the period ending 31 July 2018.

Important information

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.

Source of performance data: Morningstar, Inc., as at 30 September 2018, USD Class A shares, net income reinvested, price to price basis. Past performance is not a guide to future performance. All other statistics from M&G internal sources, as at 30 September 2018 unless indicated otherwise.

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