

# M&G (Lux) North American Value Fund Euro Class A – Accumulation shares

Monthly Fund Review as at 30 April 2019

For investment professionals only



## Highlights

- US stockmarkets continued to climb in April, supported by robust economic data and solid corporate earnings. Value as a style underperformed.
- The fund rose but was behind the S&P 500 Net Return Index, with weakness among our healthcare stocks a drag on performance. Not holding any shares in Microsoft and Facebook also hurt relative returns.
- We sold our holdings in insurance company American International Group, mailing solutions firm Pitney Bowes, and newspaper publisher Gannett.

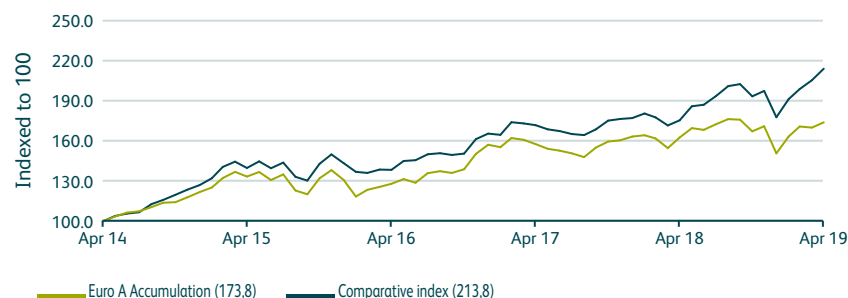
## The main risks associated with this fund

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 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
■ Euro A Accumulation	-7,6%	3,9%	20,0%	7,5%	28,5%
■ Comparative index	0,3%	7,0%	15,3%	12,9%	29,5%
■ Sector	-4,7%	1,6%	16,9%	5,1%	25,2%

## Performance over 5 years



## Fund performance

	1 month (%)	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)	Since launch (%)
■ Euro A Accumulation	2,3%	6,5%	15,3%	6,9%	10,7%	11,7%	-
■ Comparative index	4,2%	11,9%	20,4%	22,0%	15,6%	16,4%	-
■ Sector	3,5%	9,0%	17,4%	14,6%	10,7%	11,2%	-

### Past performance is not a guide to future performance.

Performance prior to 9 November 2018 is that of the EUR Class A Accumulation of the M&G North American Value Fund (a UK-authorized OEIC), which merged into this fund on 7 December 2018. Tax rates and charges may differ.

Source: Morningstar, Inc and M&G, as at 30 April 2019. Returns are calculated on a price to price basis with income reinvested.

Performance charts © 2019 Morningstar Inc., All Rights Reserved. The information contained within: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

## Key information

Fund manager	Daniel White
Fund manager tenure from	01 September 2013
Deputy fund manager	Richard Halle
ISIN	LU1670626792
Launch date of fund	09 November 2018
Launch of share class	09 November 2018
Fund size (millions)	€ 377,88
Fund type	Luxembourg SICAV
Comparative index	S&P 500 Net Return Index
Comparative sector	Morningstar US Large-Cap Value Equity sector
Number of companies	74
Portfolio turnover over 12 months (%)	81,95

\*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

Entry charge	5,00%
Ongoing charge	1,72%

## Largest holdings (%)

	Fund	Index	Relative weight
Johnson & Johnson	4,4	1,5	2,9
Comcast	3,6	0,8	2,8
Pfizer	3,3	0,9	2,4
JP Morgan	3,2	1,5	1,6
Anthem	2,9	0,3	2,6
Intel	2,7	0,9	1,8
Exelon	2,6	0,2	2,4
Citigroup	2,6	0,7	1,9
Cisco Systems	2,6	1,0	1,6
Bristol-Myers Squibb Co	2,5	0,3	2,2

## Risk characteristics

As at 31/03/2019	Fund
Alpha (%)	-0,69
Information ratio	-0,15
Sharpe Ratio	0,98
Historic tracking error (%)	3,94
Beta	0,94
Standard deviation (%)	14,00
Forecast tracking error (active risk, %)	4,91
Active share (%)	85,14

## 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	★★★
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Source of Morningstar ratings: Morningstar, as at 30 April 2019

Ratings should not be taken as a recommendation.

## Industry breakdown (%)

	Fund	Index	Relative weight
Financials	16,2	13,3	2,9
Healthcare	15,8	13,6	2,2
Information technology	13,4	21,7	-8,2
Consumer staples	9,7	7,2	2,5
Communication services	9,5	10,3	-0,8
Energy	9,3	5,2	4,0
Consumer discretionary	7,6	10,3	-2,7
Industrials	6,0	9,5	-3,5
Materials	4,4	2,7	1,8
Utilities	2,6	3,2	-0,6
Real Estate	0,0	3,0	-3,0
Cash and near cash	5,5	0,0	5,5

## Capitalisation breakdown (%)

	Fund	Index	Relative weight
Mega cap (> \$50bn)	43,5	68,6	-25,1
Large cap (\$10 - \$50bn)	28,5	29,2	-0,7
Mid cap (\$2 - \$10bn)	20,3	2,2	18,1
Small cap (< \$2bn)	2,3	0,0	2,3
Cash	5,5	0,0	5,5

## Largest overweights (%)

	Fund	Index	Relative weight
Johnson & Johnson	4,4	1,5	2,9
Comcast	3,6	0,8	2,8
Anthem	2,9	0,3	2,6
Pfizer	3,3	0,9	2,4
Exelon	2,6	0,2	2,4
Bristol-Myers Squibb Co	2,5	0,3	2,2
Molson Coors Brewing	2,2	0,0	2,1
Hewlett Packard Enterprise	2,2	0,1	2,1
Citigroup	2,6	0,7	1,9
Intel	2,7	0,9	1,8

## Largest underweights (%)

	Fund	Index	Relative weight
Microsoft	0,0	4,1	-4,1
Apple	0,0	3,7	-3,7
Amazon	0,0	3,2	-3,2
Facebook	0,0	1,9	-1,9
Berkshire Hathaway	0,0	1,7	-1,7
Exxon Mobil	0,0	1,4	-1,4
Visa	0,0	1,2	-1,2
Bank of America	0,0	1,1	-1,1
Procter & Gamble	0,0	1,1	-1,1
Alphabet	1,9	2,9	-1,0

## Commentary

US stockmarkets climbed to record highs in April as they continued to rebound from the declines at the end of last year. Investor risk appetite was supported by robust economic data from the US and China, which helped ease fears about a global economic slowdown.

In the first quarter, the US economy expanded at a 3.2% annual rate, which was better than expected. The continued dovish stance by central bankers and encouraging quarterly earnings reports also contributed to the upbeat mood among investors.

As confidence about the economic environment increased, investors favoured cyclical areas. Financials were the stand-out performers, while consumer discretionary also showed strength and information technology stocks continued their recent outperformance.

In contrast, defensive sectors were out of favour. Healthcare stocks were the weakest area – they were resilient in 2018 when the market declined but their performance has reversed this year. Energy underperformed, despite oil prices continuing to rise. Utilities and telecoms were laggards too.

In terms of market capitalisation, small-cap stocks continued to underperform their larger counterparts, as they have over the past 12 months. From a style perspective, value, as represented by the Russell 1000 Value Index, lagged the broader market once again.

Against this background, the fund delivered positive returns but trailed the S&P 500 Net Return Index, with stock selection detracting from relative performance, most notably in consumer discretionary and information technology.

Not holding any shares in e-commerce firm Amazon.com, social media company Facebook and technology company Microsoft contributed to the fund's underperformance as the large index holdings outperformed. Microsoft's shares have risen more than 20% this year, boosted by robust performance at its cloud computing business. Facebook's share price has also rallied helped by better than expected quarterly revenues.

Elsewhere, our relatively large allocation to healthcare was a drag on performance as the sector underperformed. Health insurer Anthem declined on worries about potential changes to healthcare policy, including proposals to lower prescription drug prices. These concerns overshadowed Anthem's better than expected quarterly earnings.

Our shares in Walgreens Boots Alliance also fell after the company cut its 2019 earnings forecast – Walgreens is facing pricing pressure in a competitive industry.

On a positive note, our holdings in financials Citigroup, JP Morgan and PNC Financial were among the leading contributors to performance as they all reported solid results. JP Morgan, the biggest US bank by assets, announced better than expected profits and Citigroup said investment banking revenue rose 20%. PNC, another large US lender, increased its loan portfolio and benefited from recent increases in interest rates.

Elsewhere, our holdings in Comcast, a media company, and recruitment firm ManpowerGroup added value as their shares also gained on robust quarterly results.

## Key changes

During the month, we sold our holdings in insurance company American International Group, mailing solutions firm Pitney Bowes, and newspaper publisher Gannett.

There were no new positions.

## Fund codes and charges

Share class	ISIN	Bloomberg	Currency	Launch date of fund	Ongoing charge	Minimum initial investment	Minimum top up investment
Euro A Acc	LU1670626792	MGNAVEA LX	EUR	09/11/2018	1,72%*	€1.000	€75
Euro A-H Acc	LU1878968608	MGNAAEH LX	EUR	19/11/2018	1,74%*	€1.000	€75
Euro C Acc	LU1670626875	MGNAVEC LX	EUR	09/11/2018	0,97%*	€500.000	€50.000
Euro C-H Acc	LU1941718386	MGNVCHE LX	EUR	26/02/2019	0,99%*	€500.000	€50.000
Euro CI Acc	LU1797808281	MGVECIA LX	EUR	19/11/2018	0,93%*	€500.000	€50.000

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 do not include portfolio transaction costs. They are based on expenses for the period ending 11 May 2018. 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.

## Important information

On 9 November 2018, the non-sterling assets of the M&G North American Value Fund, a UK-authorised OEIC, merged into the M&G (Lux) North American Value Fund, a Luxembourg-authorised SICAV, which launched on 9 November 2018. The SICAV is run by the same fund manager, applying the same investment strategy, as the UK-authorised OEIC.

Past performance of the fund and index includes recoverable withholding tax which may not be applicable to the SICAV.

Comparative Index: Comparative index to 8 November 2018 is the S&P 500 Index, stated as Gross Return. From 9 November 2018 it is the S&P 500 Net TR Index. Net TR indices show returns after the deduction of withholding taxes.

Performance prior to 9 November 2018 is that of the EUR Class A Accumulation of the M&G North American Value Fund (a UK-authorised OEIC), which merged into this fund on 7 December 2018. Tax rates and charges may differ.

The M&G (Lux) North American Value Fund is a sub-fund of M&G (Lux) Investment Funds 1.

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

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Before subscribing investors should read the Prospectus, which includes a description of the investment risks relating to these funds.

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The Portuguese Securities Market Commission (Comissão do Mercado de Valores Mobiliários, the "CMVM") has received a passporting notification under Directive 2009/65/EC of the European Parliament and of the Council and the Commission Regulation (EU) 584/2010 enabling the fund to be distributed to the public in Portugal.

## Contact

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