

M&G Global Emerging Markets Fund

Discovering gems in emerging markets



Michael Bourke
Fund Manager

“Our long-term, valuation-focused approach seeks to exploit the volatility and short-term nature of emerging markets to identify mispriced opportunities.”

Fund facts



Launch date:

5 February 2009

Benchmark:

MSCI Emerging Markets Index

Number of issuers: 66



Ratings should not be taken as a recommendation.

Past performance is not a guide to future performance.

1. Diverse investment opportunities in emerging markets

- Huge and diverse range of investment opportunities.
- Innovative, world-class companies that can compete on the global stage.
- Improving corporate governance standards as firms become better run and increasingly focused on delivering shareholder returns.

Investing in emerging markets involves a greater risk of loss due to greater political, tax, economic, foreign exchange, liquidity and regulatory risks, among other factors. There may be difficulties in buying, selling, safekeeping or valuing investments in such countries.

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

2. Our approach to investing in emerging markets

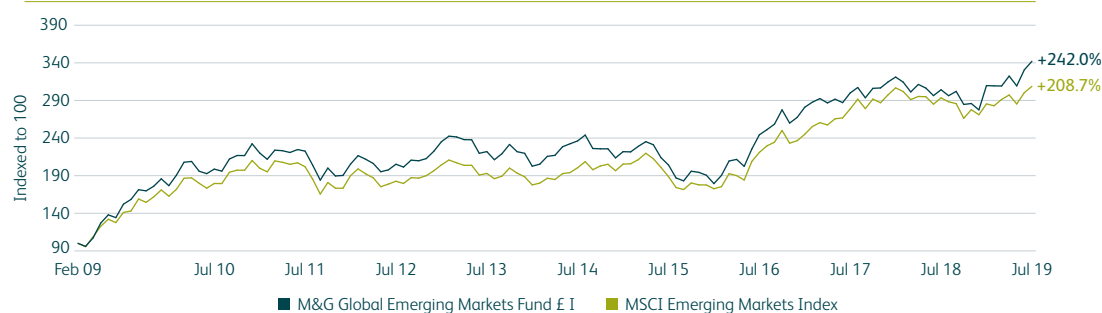
Our active, selective approach focuses on company fundamentals, rather than economic growth. Over the long run, we believe the following factors determine a company's share price performance:

- Return on capital – companies' ability to achieve and sustain high returns on capital.
- Valuations – companies whose prospects are undervalued by the market.
- Shareholder alignment – management teams that run the company in the interest of all shareholders.

3. Why M&G Global Emerging Markets Fund?

- A disciplined stockpicking process focused on company fundamentals.
- A long-term, value-oriented approach looking to identify companies whose future returns on capital are being under-appreciated.
- Investing in stocks with different return-on-capital profiles and characteristics, designed to help the fund perform in a variety of market conditions.

M&G Global Emerging Markets Fund vs Benchmark since launch



Source: Morningstar, Inc. UK database, as at 31.07.19, Sterling I Accumulation Class shares, income reinvested, price to price basis.

	YTD 2019	2018	2017	2016	2015	2014	Annualised since launch
M&G Global Emerging Markets Fund £I	+23.3%	-11.8%	+17.6%	+40.3%	-10.7%	-2.8%	+12.4%
MSCI Emerging Markets Index	+13.9%	-8.9%	+25.8%	+33.1%	-9.7%	+4.3%	+11.4%

Performance data source: Morningstar Inc. as at 31.07.19, price-to-price with income reinvested, based on Sterling Class I Acc shares.

The fund is actively managed. The benchmark is a comparator against which the fund's performance can be measured. The index has been chosen as the fund's comparator benchmark as it best reflects the scope of the fund's investment policy. The comparator benchmark does not constrain the fund's portfolio construction.

Past performance is not a guide to future performance.

The value 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 and you may get back less than you originally invested



A distinctive, consistent and repeatable process

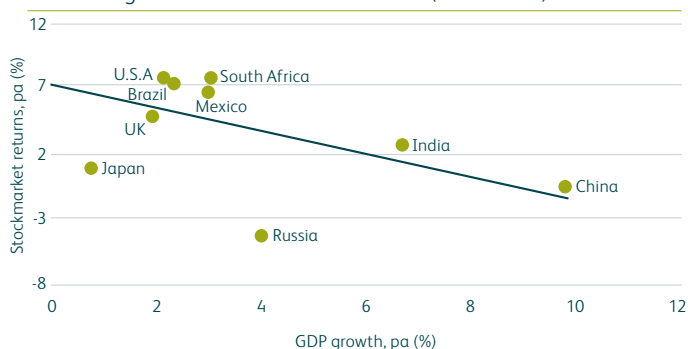
We believe the obsession with economic growth in emerging markets is a distraction. Data indicate there is little correlation between a country's gross domestic product growth and long-term stockmarket returns (see chart below).

Over the long run, in our view, a company's share price is driven by its fundamentals, in particular its profitability (which we measure in terms of return on capital), its valuation and its corporate governance practices.

Our bottom-up stockpicking process focuses on these factors and looks for companies whose future profitability is being under-appreciated by the market.

Rapid economic growth does not necessarily deliver high shareholder returns.

Real GDP growth and annualised returns (1994-2015)



Source: HSBC, MSCI, Thomson Reuters Datastream, World Bank 2015.

We invest in four types of companies, or 'baskets', with distinct drivers of return on capital. Each basket has different risk/reward characteristics and combining them in the portfolio provides diversification and is designed to help the fund cope with different market conditions.

Basket	Characteristics	Typical weighting
External change	Companies with assets benefiting from long-term industry trends driving improvements in returns	35-45%
Internal change	Companies that are restructuring to improve returns	10-20%
Quality	Well-managed businesses with high and sustainable returns	30-40%
Asset growth	High-returning firms with growth driven by investment in research and development and innovation	10-20%

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.

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