

**SHINING A LIGHT ON THE.....  
M&G Global Dividend Fund**

**AT A GLANCE**

<b>Investment Objective</b>	
The fund invests globally in the shares of companies with the potential to grow their dividends over the long term. Its aim is to deliver a yield above the market average and grow distributions (in sterling terms) over the long term, whilst also maximising total return (the combination of income and growth of capital). The level of income may vary over time. The fund manager selects stocks with different drivers of dividend growth to construct a portfolio that can cope in a variety of market conditions.	

<b>Inception Date</b>	18 July 2008
<b>Fund Factsheet Link</b>	<a href="http://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000002181">http://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000002181</a>

<b>Management</b>	
<b>Manager Name</b>	<b>Start Date</b>
Stuart Rhodes	18 July 2008

<b>Investment Style Details</b>	
<b>Equity Style</b>	
<b>Market Capitalisation</b>	<b>% of Equity</b>
Giant	39.80%
Large	36.65%
Medium	23.51%
Small	0.00%
Micro	0.04%

<b>Top 10 Holdings</b>		
<b>Total number of holdings</b>	45	
<b>Assets in Top 10 Holdings</b>	46.03%	
<b>Name</b>	<b>Sector</b>	<b>% of Assets</b>
BAT	Consumer Defensive	7.45%
Methanex Corp	Basic Materials	6.09%
Las Vegas Sands Corp	Consumer Cyclical	4.85%
Broadcom Ltd	Technology	4.46%
Gibson Energy Inc	Energy	4.39%
Wells Fargo & Co	Financial Services	4.12%
Pembina Pipeline Corp	Energy	4.08%
Arthur J Gallagher & Co	Financial Services	3.73%
Microsoft Corp	Technology	3.57%
UnitedHealthGroup Inc	Healthcare	3.29%

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Volatility Measurements	
3-Yr Std Dev (volatility)	12.56%
3-Yr Mean Return (average)	8.45%

## FUND PERFORMANCE

Performance from 2012 to 31 August 2016

	2012	2013	2014	2015	2016
M&G Global Dividend Fund	11.51%	23.79%	2.70%	-7.21%	24.61%
iShares MSCI World Dist	7.46%	21.87%	10.53%	1.85%	16.78%

Performance over 1 year, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
M&G Global Dividend Fund	26.27%	25.94%	69.92%	137.29%
iShares MSCI World Dist	22.02%	38.58%	76.87%	91.56%

*You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.*

## UPDATE....

We have reviewed the fund previously and in the past we have been concerned about the recent poor performance. However, in an update with the manager towards the end of 2015 it seemed that patience was key for investors who like the strategy and style of the manager.

The fund was established in July 2008 and Stuart's brainchild; over the next six years he delivered strong performance with a growing dividend stream. However, 2014 and 2015 were challenging for the fund and begged the question as to whether the fund had run out of steam. Successful funds tend to attract more money and there is a point where it becomes difficult to manage funds in the same way and deliver consistent performance.

This update was a chance to understand what Stuart is looking to achieve and whether there has been a turnaround in performance. The fund splits assets into three buckets:

1. Quality – these are companies with reliable growth and this makes up between 50 and 60% of the fund
2. Assets – these are asset-backed cyclical companies; making up around 20% - 30% of the fund. It was this area that dragged down performance in 2014/2015
3. Repaid Growth – these are structural growth companies driven by geography or product line and make up a smaller part of the fund

The aim is that each of these buckets contribute to the overall performance of the fund, however in 2014 and 2015 those in the assets bucket held back the performance. We asked Stuart to expand on what each bucket actually means.

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He explained that the quality bucket includes companies like BAT, Amcor, UnitedHealth, Abbvie and Johnson and Johnson. Because of the types of companies they are, many are trading at a premium and he has started reducing his weighting to this part of the portfolio. However, he added there are opportunities coming up. A good example is healthcare which has underperformed in the main due to the uncertainty with the US election. Stuart expects opportunities to open up and will look to exploit this for the fund.

The next part of the fund is the cyclical bucket (assets) and is spread across energy, materials, asset managers, emerging markets and industrials. The biggest weighting is towards energy and materials. He added that this is a diverse area and often misunderstood by the market. One area he likes is infrastructure. The opportunities he sees are in facilities which are required to deliver oil to the end customer. So pipeline and storage would be good examples of this. These are required irrespective of the price of oil. Examples of the companies that he holds are Interpipeline, Pembina and Gibsons.

Other areas in the asset bucket include petrochemical firms like Methanex and Lyondellbasell. The fund has also benefited from a 10% weighting to emerging markets although Stuart has started to reduce his weighting in this area.

The final part of the portfolio is rapid growth. These are companies that have strong earnings per share and dividend growth however they tend to be expensive. One of Stuart's comments is that volatility is a friend for the active manager. It is during these periods that opportunities to buy these companies come up as their share price falls. In January/February he was able to add Mastercard, AIA and Sabre and then in June he added St James Place.

The fund has over 50% weighted to the US and 15% in the UK. It is worth adding that UK companies are multinational so there has been less of an impact with BREXIT. Also sterling weakness has helped both in terms of performance and dividend. Interestingly he added that although performance of some of the holdings dragged down the returns in 2014 and 2015, this was compounded by the strength of sterling. A double whammy!

So coming into 2016 we have started to see a reverse in performance and year to date this has been strong. Stuart added that he believes this is just the start and he needs to deliver more to reverse the underperformance in 2014 and 2015.

In summary this is a well-managed fund which has suffered from two years of underperformance impacting its 3 and 5 year returns. However, the performance has started to come back and the manager remains optimistic that he can continue to outperform the market moving forward. For those seeking an income the main aim of the fund is to grow that dividend year-in, year-out by focusing on companies that can deliver a growing dividend through cash flow. It aims to avoid those companies that do not have the cash flow to sustain the dividend and in particular dividend growth. The current yield is 3.21%.

For potential investors as an income fund this is potentially one to consider, and/or it may act as a blend with a more growth orientated global fund. However, the performance may be something to watch. Potential investors may consider waiting to see if Stuart is actually reversing the underperformance before they invest.

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*The source of information in this note has been provided by M&G and is correct as at September 2016. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.*