

For Investment Professionals only



# M&G Multi Asset Funds



# Why invest with M&G Multi Asset?



In M&G's Multi Asset team, we recognise that financial markets are unpredictable. Many investment approaches seek to gain an 'information edge' over the market, effectively looking to make better forecasts about what will happen to fundamentals. We believe that, not only is it very difficult to consistently beat the market using such an approach, but that it also ignores the role human behaviour and emotions play in asset pricing.

Since our team was founded, we have consistently applied our 'Episode' investment philosophy. This means we look to capitalise on the effects of human behaviour on asset prices by combining a value-led approach with elements of behavioural finance.

We believe this gives us an advantage over traditional 'value' approaches by enabling us to understand whether apparent mispricing represents genuine investment opportunities, rather than 'value traps'; it also allows us to respond to short-term volatility by capturing potential upside or protecting capital.

# Our team

- Our team was founded by Dave Fishwick in 1999 to implement an asset allocation strategy for the Prudential Life Fund
- Today we manage over £17 billion\* of assets for pension funds, retail clients and other stakeholders
- We have access to a breadth and depth of resources within our Multi Asset team and across M&G's equity and fixed income businesses



**Dave Fishwick** 17 29  
Head of Multi Asset  
Fund Manager



**Craig Moran** 12 11  
Fund Manager



**Tristan Hanson** 2 18  
Fund Manager



**Juan Nevado** 17 31  
Fund Manager



**Steven Andrew** 12 17  
Fund Manager



**Craig Simpson** 13 16  
Head of Portfolio  
Management



**Eric Lonergan** 10 20  
Head of Research  
Fund Manager



**Maria Municchi** 9 10  
Fund Manager



**Marc Beckenstrater**  
1 20  
Head of International  
Investments  
Fund Manager



**Jenny Rodgers** 17 23  
Fund Manager



**Tony Finding** 17 18  
Fund Manager

● Years at M&G  
● Years of investment experience

\*Source: M&G, as at 28.02.19.

# Our ‘Episode’ investment process

The M&G Multi Asset team’s ‘Episode’ investment process combines in-depth valuation analysis with elements of behavioural finance to exploit attractive investment opportunities globally.

The term ‘Episodes’ describes periods when asset prices are influenced by investors’ emotional behaviour, rather than fundamental drivers of long-term returns, which can cause valuation misalignment.

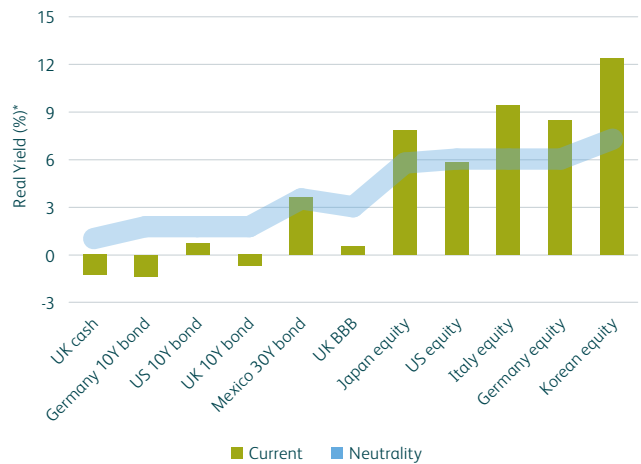
Our team believes Episodes can provide information on both the return and risk profiles of an individual asset and signal a change in prospective correlations between them.

## Strategic asset allocation

The starting point of our investment process is an assessment of prevailing asset valuations. We determine what we would consider fair value for a wide range of assets globally according to economic theory, historical information and market surveys. We call this ‘neutrality’.

We then compare neutrality with prevailing real yields on assets to create a robust valuation framework. Figure 1 illustrates how real yields above neutrality suggest a market may be cheap, while yields below this range may be regarded as expensive.

Figure 1. Our valuation framework – sample of global assets



Source: M&G, Thomson Reuters Datastream, 31 August 2018. \*For illustrative purposes only. Real yield for equity is defined as an inflation-adjusted inverted p/e ratio using forward consensus data.

Past performance is not a guide to future performance.

Our assessments play an important part in determining asset class preferences over the longer term; however, they are not sufficient to drive trade ideas.

We also need to assess the causes of asset price movements to determine whether valuation signals represent genuine opportunities or value traps.



## Dynamic asset allocation

Our approach is based on the understanding that human behaviour means markets are often irrational and unpredictable.

We therefore seek to enhance returns by responding to short-term volatility that we believe creates tactical opportunities.

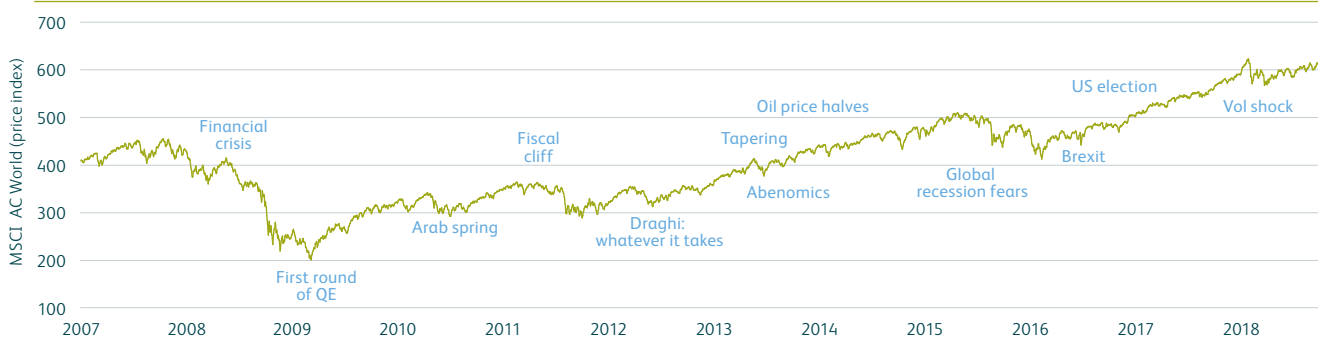
Dynamic asset allocation is implemented by identifying and exploiting opportunities that arise during 'Episodes'. Episodes are usually temporary and can therefore present opportunities to adjust strategic allocations or dynamically implement shorter-term ideas.

## What are Episodes?

Episodes are market events that lead to temporary mispricing of assets. Their characteristics are:

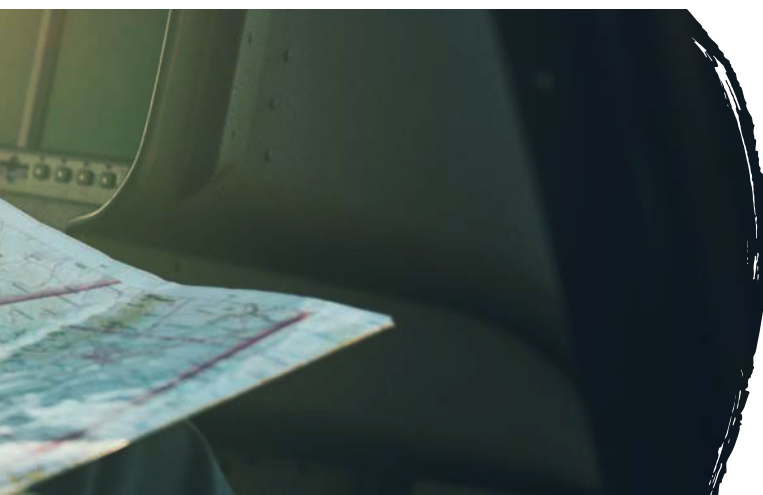
- Investors becoming overly focused on a single story
- Rapid price movements in affected markets, often not reflected in other, related markets
- Price responses that appear inconsistent with observable fundamentals

Figure 2. Identifying Episodic opportunities



Source: Bloomberg as at 31 August 2018.

Past performance is not a guide to future performance.



# Risks associated with investing

Further details of the risks that apply to each fund can be found in its Prospectus and Key Investor Information Document (KIID).

## The following risks apply to all funds featured in this document

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.

In exceptional circumstances where assets cannot be fairly valued, or have to be sold at a large discount to raise cash, we may temporarily suspend the fund in the best interest of all investors.

The fund could lose money if a counterparty with which it does business becomes unwilling or unable to repay money owed to the fund.

## The following risks apply to all funds except the M&G Global Target Return Fund

The fund may use derivatives to profit from an expected rise or fall in the value of an asset. Should the asset's value vary in an unexpected way, the fund may lose as much as or more than the amount invested.

Investments in bonds are affected by interest rates, inflation and credit ratings. It is possible that bond issuers will not pay interest or return the capital. All of these events can reduce the value of bonds held by the fund.

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 following risks apply to the M&G Episode Allocation Fund and M&G Episode Growth Fund

The fund invests in other funds, which are subject to the risks associated with the type of assets held in those funds.

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

The following risk applies to the M&G Episode Income Fund and M&G Sustainable Multi Asset Fund

The fund is exposed to different currencies. Derivatives are used to minimise, but may not always eliminate, the impact of movements in currency exchange rates.

## The following risks apply to the M&G Global Target Return Fund

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

An 'absolute return' fund may not move in line with market trends or fully benefit from a positive market environment.

The fund may use derivatives to profit from an expected rise or fall in the value of an asset. Should the asset's value vary in an unexpected way, the fund will incur a loss. The fund's use of derivatives may be extensive and exceed the value of its assets (leverage). This has the effect of magnifying the size of losses and gains, resulting in greater fluctuations in the value of the fund.

# Our funds

## M&G Global Target Return Fund

- Targets steady, positive gross returns of 4% p.a. above cash over any three-year period
- Strong focus on minimising volatility and monthly drawdowns
- Potential to perform in both rising and falling markets by taking net long or net short positions across asset classes globally

<b>Fund Manager</b>	<b>Tristan Hanson</b>
Expected volatility pa	3% to 7%
Monthly loss thresholds <sup>1</sup>	-3% Upper threshold in normal to stressed market conditions -6% Upper threshold in highly stressed market conditions <sup>1</sup>
Maximum VaR	6%
Stress testing	Historical scenarios and hypothetical situations (eg, asset class shocks)
Risk management process	Daily oversight of portfolio risk provided to investment team, both retrospective and forward-looking.  Regular reviews held with M&G's independent risk team.  Formal reviews triggered if the fund exceeds drawdown threshold.
Equity range	-35% to +35%
Fixed income range	-6yrs to +6yrs
Currency range	50% to 150% GBP
Other investments (including ABS, convertibles, infrastructure and REITs)	0% to 20%
Sector	IA Target Absolute Return

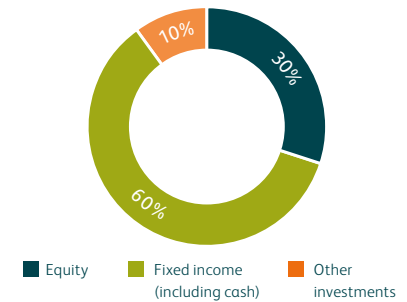
<sup>1</sup> We define highly stressed conditions as those similar to the 2008 banking crisis.

## M&G Episode Income Fund

- Aims to provide a regular and growing income stream
- Seeks to generate capital growth of 2-4% p.a. over any three-year period
- Invests across asset classes globally to access a diverse range of income sources

Fund Manager	<b>Steven Andrew</b>
Expected volatility p.a.	4% to 10%
Maximum VaR	11%
Risk management process	Daily oversight of portfolio risk provided to investment team, both retrospectively and forward-looking.
Equity range	20% to 50%
Fixed income range	40% to 80%
Currency range	Min. 70% GBP or hedged back to GBP
Other investments (including indirect exposure to property)	0% to 20%
Sector	IA Mixed Investment 20-60% Shares

### 'Neutral' asset allocation



The pie chart above shows the fund's 'neutral' positioning if all assets traded at what we considered 'fair value'. The actual positioning of the fund may not match its neutral positioning. Please note that these allocation ranges represent internal M&G investment guidelines. Please see the 'Our Episode investment process' section of this document for more detail on how we assess asset valuations and allocation decisions.

### Rated by:

Morningstar  
 Defaqto  
 Squaremile  
 Fundcalibre  
 Financial Express  
 The Adviser Centre  
 Rayner Spencer Mills  
 Fundhouse

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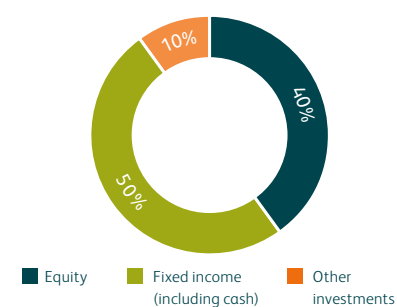


## M&G Episode Allocation Fund

- Targets gross returns of 5% p.a. above cash over any five-year period
- Aims to deliver diversified capital growth by capitalising on market volatility
- Flexible allocation ranges across asset classes

Fund Managers	<b>Tony Finding Juan Nevado</b>
Maximum VaR	13%
Risk management process	Daily oversight of portfolio risk provided to investment team, both retrospectively and forward-looking.
Equity range	20% to 60%
Fixed income range	30% to 75%
Currency range	Min. 30% GBP Min. 60% developed market currencies (GBP/EUR/USD)
Other investments (including convertibles and indirect exposure to property)	0% to 20%
Sector	IA Mixed Investment 20-60% Shares

### 'Neutral' asset allocation



The pie chart above shows the fund's 'neutral' positioning if all assets traded at what we considered 'fair value'. The actual positioning of the fund may not match its neutral positioning. Please note that these allocation ranges represent internal M&G investment guidelines. Please see the 'Our Episode investment process' section of this document for more detail on how we assess asset valuations and allocation decisions.

### Rated by:

Defaqto  
Financial Express

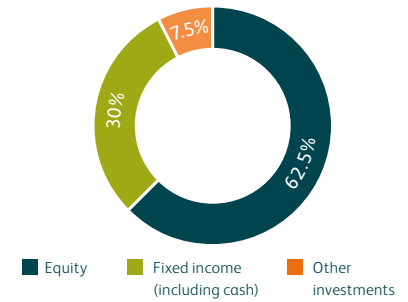
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### M&G Episode Growth Fund

- Targets a higher diversified return than that from a composite index of 2/3 equities and 1/3 bonds
- Highly flexible allocation limits across asset classes
- Aims to capitalise on market volatility in line with our ‘Episode’ investment process

<b>Fund Managers</b>	<b>Eric Lonergan Jenny Rogers</b>
<b>Maximum VaR</b>	20%
<b>Risk management process</b>	Daily oversight of portfolio risk provided to investment team, both retrospectively and forward-looking.
<b>Equity range</b>	40% to 85%
<b>Fixed income range</b>	15% to 50%
<b>Currency range</b>	Min. 25% GBP Min. 50% developed market currencies (GBP/EUR/USD)
<b>Other investments (including convertibles and indirect exposure to property)</b>	0% to 10%
<b>Sector</b>	IA Mixed Investment 40-85% Shares

### ‘Neutral’ asset allocation



The pie chart above shows the fund’s ‘neutral’ positioning if all assets traded at what we considered ‘fair value’. The actual positioning of the fund may not match its neutral positioning. Please note that these allocation ranges represent internal M&G investment guidelines. Please see the ‘Our Episode investment process’ section of this document for more detail on how we assess asset valuations and allocation decisions.

**Rated by:**  
Morningstar  
Defaqto  
Financial Express  
Rayner Spencer Mills

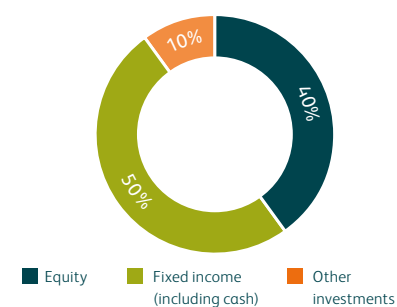
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## M&G Sustainable Multi Asset Fund

- Targets total returns of 4% to 8% p.a. over any five-year period
- Flexible asset allocation while incorporating sustainable investing and ESG considerations
- Average allocation of 20% to positive impact investments

Fund Manager	<b>Maria Municchi</b>
Maximum VaR	12%
Risk management process	Daily oversight of portfolio risk provided to investment team, both retrospectively and forward looking. Applies M&G's best-in-class framework for both ESG-screening and positive impact allocation.
Equity range	20% to 60%
Fixed income range	20% to 80%
Currency range	Min. 70% GBP
Other investments (including convertibles and indirect exposure to property)	0% to 20%
Positive impact (investments in assets considered to have a positive societal impact)	10% to 30%
Sector	IA Mixed Investment 20-60% Shares

### 'Neutral' asset allocation



The pie chart above shows the fund's 'neutral' positioning if all assets traded at what we considered 'fair value'. The actual positioning of the fund may not match its neutral positioning. Please note that these allocation ranges represent internal M&G investment guidelines. Please see the 'Our Episode investment process' section of this document for more detail on how we assess asset valuations and allocation decisions.

## Contact

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### Financial Adviser Helpline

**0800 328 31915**

Lines are open Monday to Friday 08:00 to 18:00.

### Investment Sales Team

**0345 600 4125<sup>1</sup>**

Lines are open Monday to Friday, 09:00 to 17:00.

Calls cost 5p per minute, plus your phone company's access charge.

 [mandg.co.uk/adviser](http://mandg.co.uk/adviser)

 [info@mandg.co.uk<sup>2</sup>](mailto:info@mandg.co.uk)

 [@mandgprof](https://twitter.com/mandgprof)

 [M&G Investments](#)

 Write to us  
**M&G Customer Relations**  
**PO Box 9039**  
**Chelmsford**  
**CM99 2XG**

<sup>1</sup> For your protection calls may be recorded or monitored. Before assisting you with your enquiry, we will ask you to:

- Identify yourself
- Provide your firm's FCA number
- Confirm certain information relating to our mutual customer

<sup>2</sup> Please note that information contained within an email cannot be guaranteed as secure. We advise that you do not include any sensitive information when corresponding with M&G in this way.

## About M&G

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At M&G, our purpose is clear: we want to help you and your clients to prosper by putting your investments to work.

Investing well for our customers demands a responsible, active and long-term approach. We look for the best opportunities to invest across a wide range of assets for people who care how their money is invested.

Currently M&G look after over 233,000\* investors and have more than £265 billion\*\* funds under management.

M&G believes that to lead the market, not to follow it, requires creative thinking, acting with conviction and working collaboratively. This combination of vision, expertise and insight is what makes us different.

The value of 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.

\* M&G as at 21.02.19.

\*\* M&G as at 31.12.18.

These funds allow for the extensive use of derivatives.

