

For investment professionals only



M&G Global Dividend Fund

Stuart Rhodes, Fund Manager

September 2018

M&G Global Dividend Fund

Risks associated with this fund

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.

The fund will invest in emerging markets which are generally smaller, more sensitive to economic and political factors, and where investments are less easily bought and sold. In exceptional circumstances, the fund may encounter difficulties when selling or collecting income from these investments, which could cause the fund to incur a loss. In extreme circumstances, it could lead to the temporary suspension of dealing in shares in the fund.

This fund holds a relatively small number of investments and, as a result, may experience larger price rises and falls than a fund which holds a larger number of investments.

Where market conditions make it hard to sell the fund's investments at a fair price to meet customers' sale requests, we may temporarily suspend dealing in the fund's shares.

Some transactions the fund makes, such as placing cash on deposit, require the use of other financial institutions (for example, banks). If one of these institutions defaults on their obligations or becomes insolvent, the fund may incur a loss.

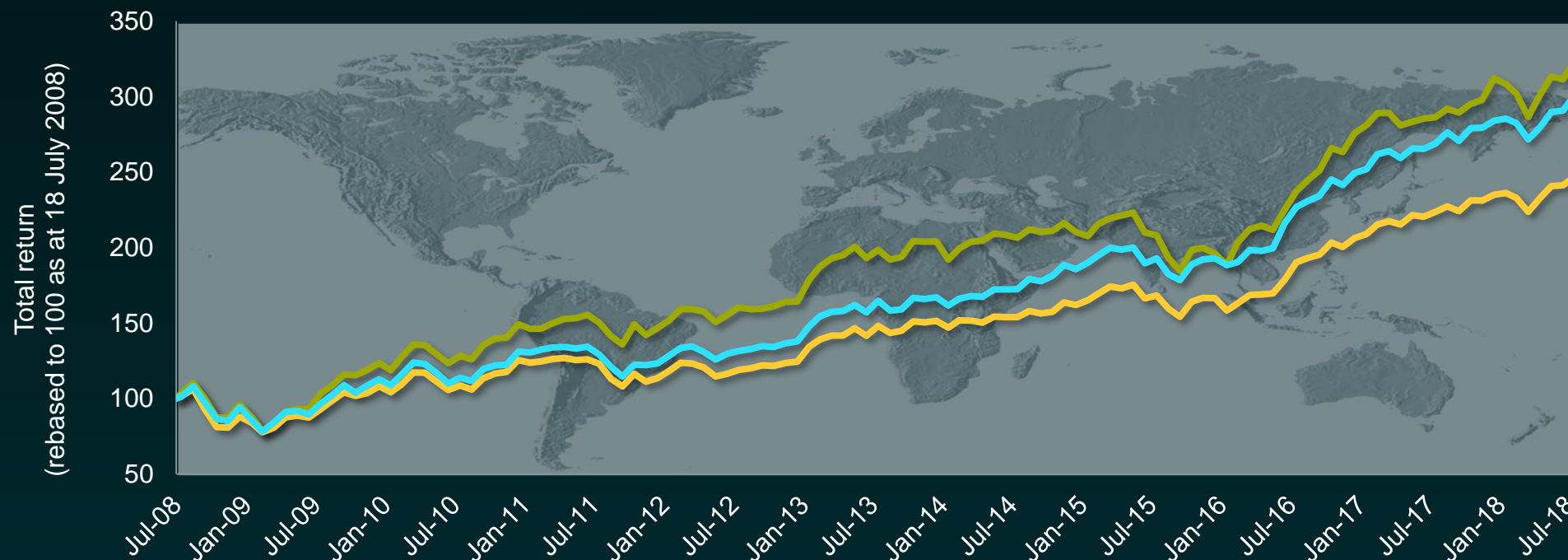
For any performance shown, please note that past performance is not a guide to future performance.

It is also important to note that:

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.

Performance in sterling

M&G Global Dividend Fund



M&G Global Dividend Fund 230.0%

Comparative Index 206.7%

IA Global Sector 151.3%

	YTD %	2017 %	2016 %	2015 %	2014 %	2013 %
M&G Global Dividend Fund	5.7	13.2	40.8	-6.8	3.1	24.3
MSCI All Country World Index	8.0	13.8	29.4	3.8	11.2	21.2

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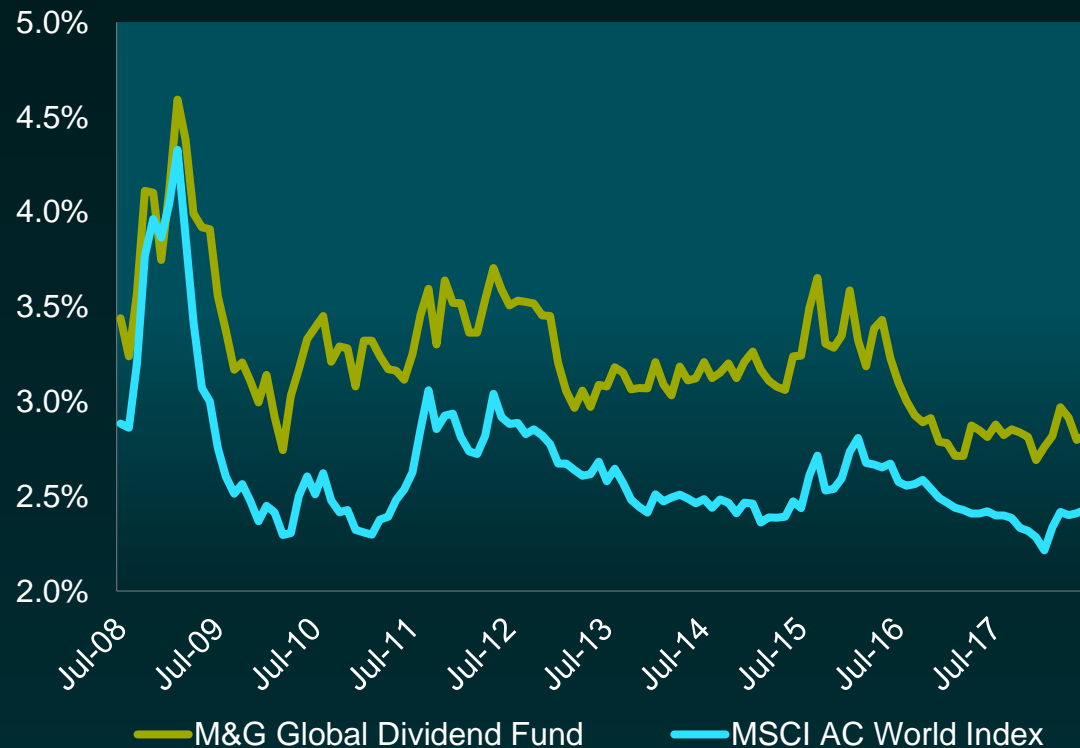
* On 01 January 2012, the fund's performance comparative index changed. Past performance shown from 18 July 2008 to 31 December 2011 is the FTSE World Index. Past performance shown from 01 January 2012 is the MSCI All Country World Index.

Top quartile and ahead of benchmark since launch

Yield premium and consistent growth in distribution

M&G Global Dividend Fund

Historic yield (sterling class I income shares)



Distribution (sterling class I income shares)



Past performance is not a guide to future performance

Delivering on the fund's objectives

Source: M&G 30 June 2018 for yield; M&G, 31 May 2018 for distribution data. Full-year distribution assuming holdings at launch held from 31 March 2008. The historic yield reflects distributions declared over the past twelve months as a percentage of the mid-market price, as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions. 0.91% is the percentage points increase in total distributions for the past twelve months and equivalent constraint on the fund's capital performance resulting from the fund's policy of offsetting direct costs to the fund against capital. Please note that the fund's sterling share classes are not registered for sale in all countries.

Philosophy & process

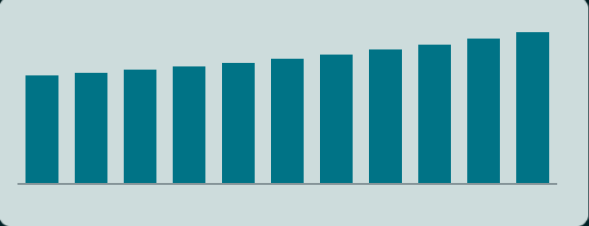
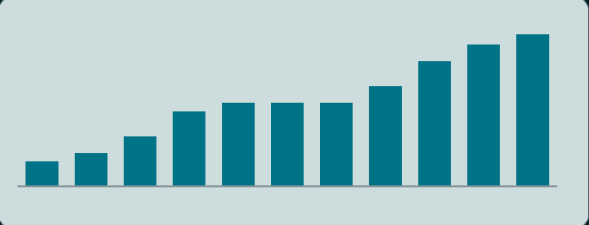
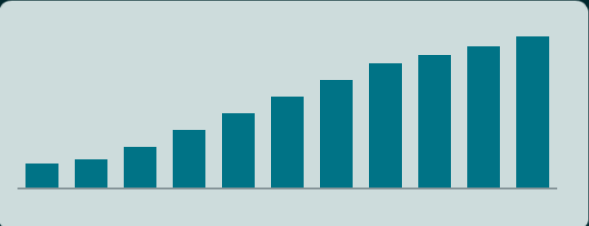
Focus on dividend growth



The power of long-term compounding

Philosophy & process

Our approach: picking stocks from three distinct categories

Sources of dividends (typical weighting)*	Company characteristics	Dividend profile
Quality (50-60%)	Disciplined companies with reliable growth	
Assets (20-30%)	Asset-backed cyclical companies	
Rapid growth (10-20%)	Structural growth driven by geography or product line	

Designed to cope with different market conditions

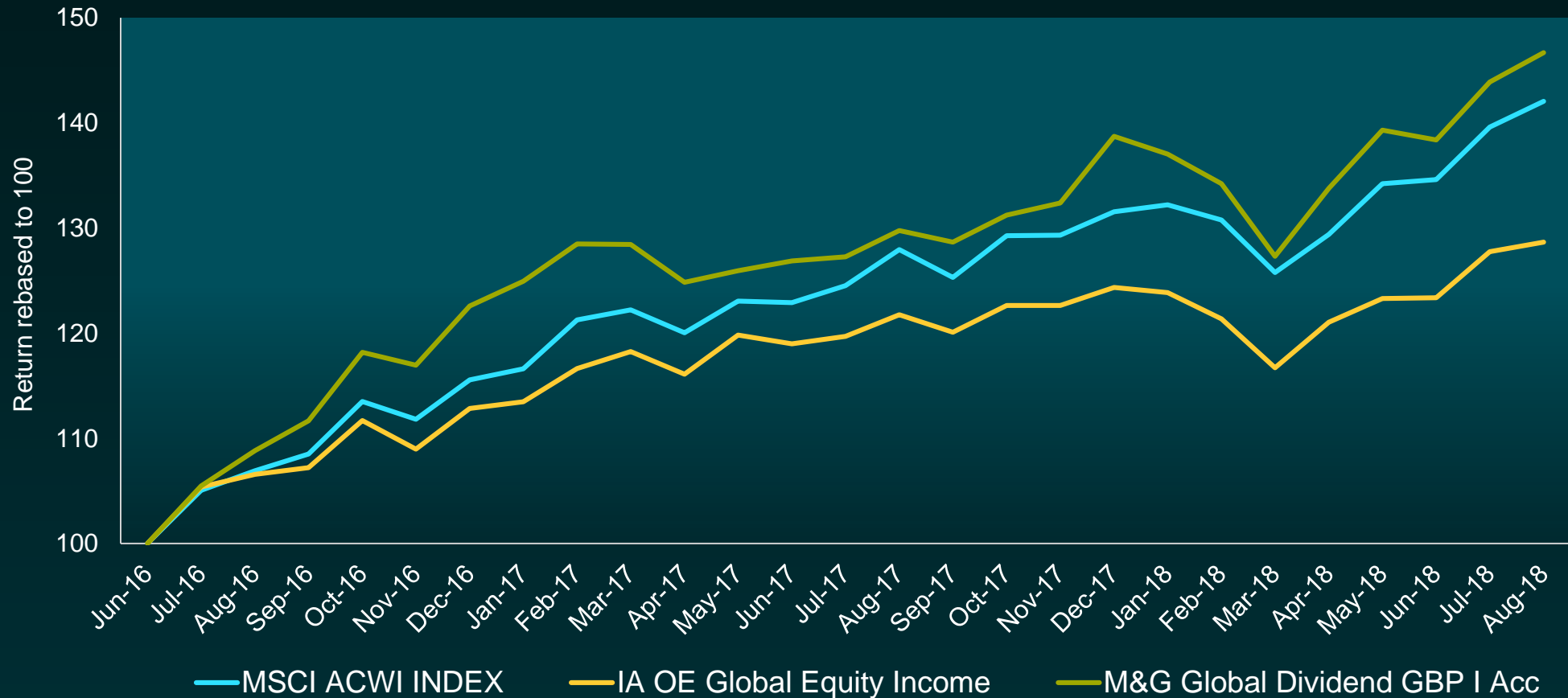
Agenda

1. Why are income strategies underperforming?
2. What are we doing about it?
3. Where does that leave us today?

1. Why are income strategies underperforming?

Not keeping up with the rising market

Performance comparison from 30th June 2016 to 31st August 2018



M&G Global Dividend
46.7%

MSCI ACWI
42.1%

IA Global
Equity Income
28.6%

Rising bond yields have changed the landscape

1. Why are income strategies underperforming?

Bond proxies unwinding

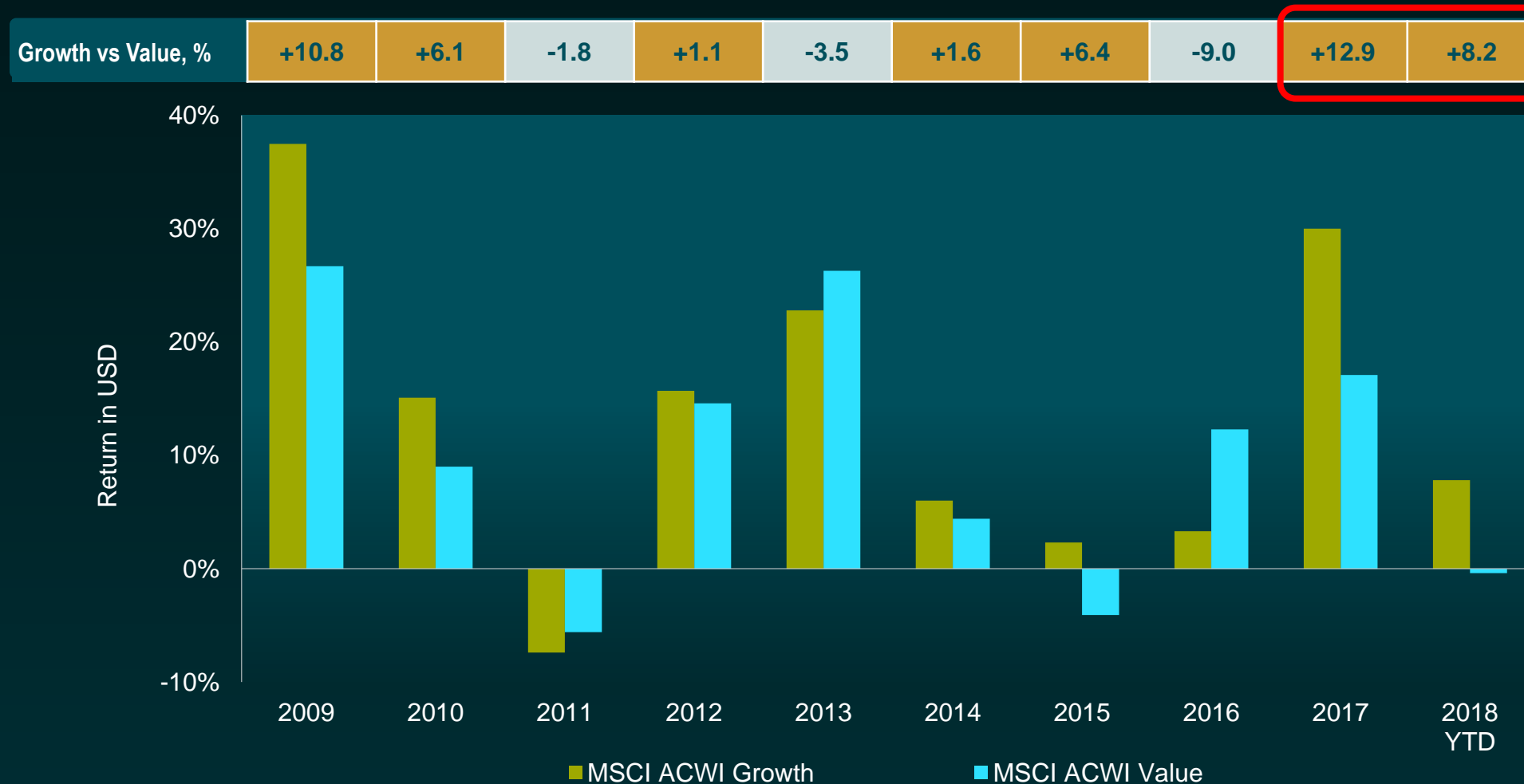
MSCI ACWI sector performance in USD, 2018 YTD



Defensive sectors no longer delivering defensive returns

1. Why are income strategies underperforming?

Growth has outperformed at the expense of value



Valuation has been largely ignored

1. Why are income strategies underperforming?

The pain of non-ownership

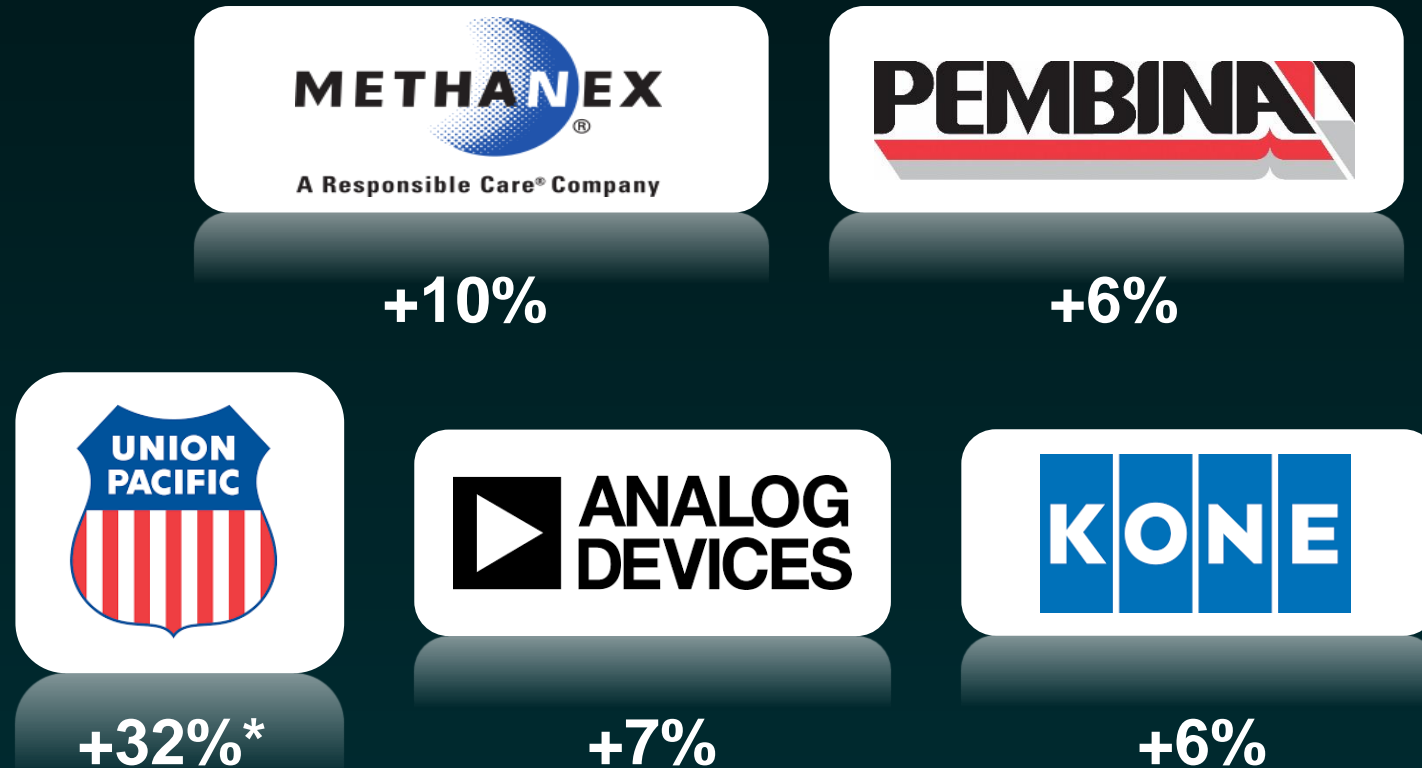
	YTD return (USD)	YTD return (GBP)
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Not owning FAANG stocks has provided a 174 basis point headwind

2. What are we doing about it?

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The importance of balance: Assets



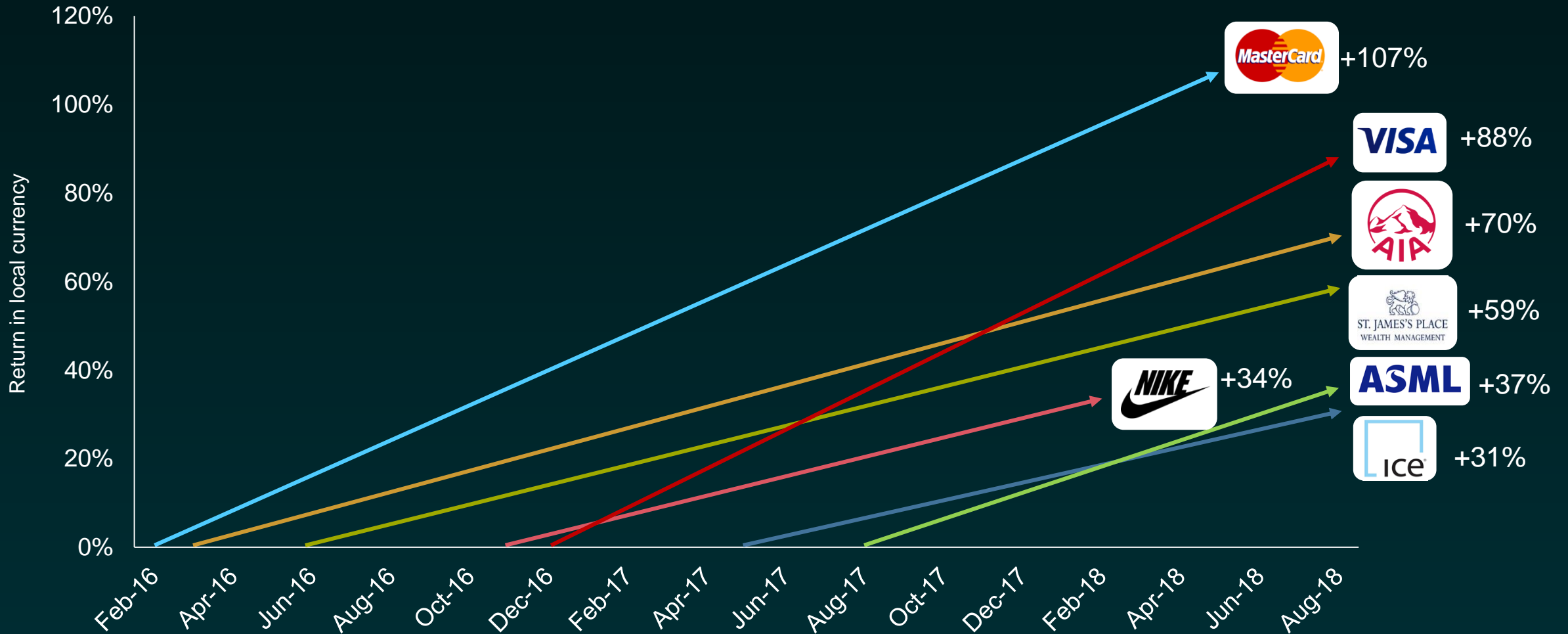
Past performance is not a guide to future performance

Dividend growth from cyclical businesses

Source: Bloomberg, 31 August 2018. *Year-on-year increase after three 10% hikes in November, February and July.






2. What are we doing about it?

The importance of balance: Rapid growth



2. What are we doing about it?

Quality: investors shouldn't take growth for granted

	Dividend growth 2009-2011 (annualised)	Dividend growth 2012-2014 (annualised)	Dividend growth 2015-2017 (annualised)
	9%	7%	3%
	10%	7%	2%
	8%	5%	3%
	10%	10%	3%
	13%	7%	2%

Past performance is not a guide to future performance

Dividend trends reflect weakening business performance

2. What are we doing about it?

Quality: our stocks still need to GROW

Johnson & Johnson

UNITEDHEALTH GROUP®



NOVARTIS



Medtronic



JPMORGAN CHASE & CO.



usbancorp



Earnings growth	FY1	FY2	FY3
Quality	11%	9%	10%

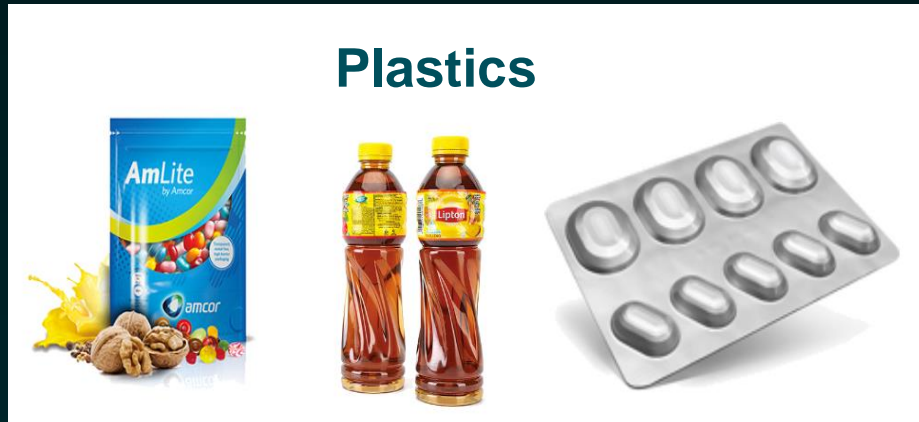
A variety of business models with growth in common

2. What are we doing about it?

Adopt the right attitude to **DISRUPTION**

The issue

The solution



Plastics



We are the first packaging company pledging to develop all packaging to be recyclable or reusable by 2025



Investing for growth

3. Where does that leave us today?

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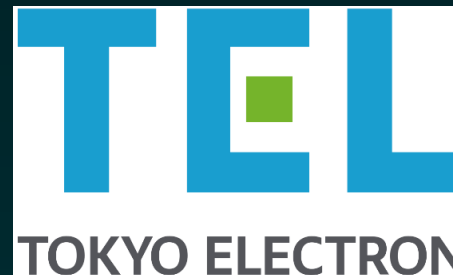
Keep delivering dividend growth (2018 YTD)

15%+		5-15%		<5%		Dividend cut
JPMorgan Chase	43%	Cisco	14%	Novo Nordisk	3%	
Union Pacific	32%*	Trinseo	11%	Novartis	2%	
St. James's Place	30%	Methanex	10%	Roche	1%	
Visa	27%*	Wells Fargo	10%	Helmerich & Payne	1%	
US Bancorp	23%	Medtronic	9%			
Intercontinental Exchange	20%	Imperial Holdings	9%			
UnitedHealth	20%	Unilever	8%			
Starbucks	20%	Analog Devices	7%			
AIA	17%	Standard Life Aberdeen	7%			
ASML	17%	Johnson & Johnson	7%			
BAT	15%	Keyera	7%			
		Kone	6%			
		Pembina Pipeline	6%			
		Arthur J Gallagher	5%			
		Amcor	5%			

Past performance is not a guide to future performance

3. Where does that leave us today?

Don't be too greedy for value



PEs of less than 10x are attractive, but taking a measured approach

3. Where does that leave us today?

Be fearful of the tide



Mastercard PE



Summary

M&G Global Dividend Fund



Past performance is not a guide to future performance

Applying our tried and tested approach to deliver on our objectives

Q&A

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