

M&G Global Dividend Fund

Under the Bonnet

For Financial Advisor use only.

EUROPE'S
**TOP SELLING
EQUITY FUND**
IN 2012
AND 2013.

Source: Lipper, 2014.

M&G's long history began in 1931 when it launched the first unit trust in Britain. In 1999 Prudential acquired M&G. Today, M&G has grown to be one of Europe's largest retail and institutional fund managers by developing its enduring expertise in active investment, with £242 billion* in funds under management.

Investment Strategy

The M&G Global Dividend fund aims to deliver a dividend yield above the market average, by investing in a range of global equities.

The fund manager employs a bottom-up stock-picking approach, driven by the fundamental analysis of individual companies. The fund's investment strategy is to identify companies that understand capital discipline, have the potential to increase dividends consistently and are undervalued by the stockmarket. Dividend yield is not the primary consideration for stock selection. The fund manager aims to hold around 50 stocks, with a long-term investment view and a typical holding period of three years.

Stock Selection

There are three distinct stages to the investment process: company screening, fundamental research and portfolio construction.

The fund manager or other members of the investment team will usually meet or speak to company management – one-to-one meetings, conference calls, or company visits – to ensure that the top executives are making decisions that create value for shareholders, and to ensure that they are committed to a progressive dividend policy. Company meetings are essential to understand whether a company is being managed for its shareholders. As a result, the assessment of key personnel and their ability to implement an effective strategy is crucial to the stock selection process.

* Source: M&G, 30 September 2013.

INVESTMENT PROCESS



SCREENING

Eliminating stocks from global universe of 15,000 stocks



- Focus on dividend-paying companies
- Focus on stocks with sufficient liquidity (market cap > \$1 billion)



4,000 Stocks



INVESTABLE UNIVERSE

Identifying stocks M&G would like to own at some point



- Long-term dividend track record
- Long-term growth prospects



200 Stocks



PORTFOLIO CONSTRUCTION

Constructing a portfolio that can out perform in all market conditions



- Picking stocks from three sources of dividends
- Position size determined by conviction



50 Stocks

Portfolio Construction

The fund manager seeks to hold about 50 stocks in the portfolio, with the weighting of each holding determined by the conviction in the individual investment. A typical stock holding has a weighting of 1-3% in the portfolio, with the precise weighting determined by the fund manager's conviction.

Quality

A natural hunting ground for investors seeking dividends is high-quality companies, e.g. Microsoft. These quality companies, which tend to be large multinationals with good capital allocation skills, usually have strong market positions, stable cashflows and long-term growth opportunities that allow them to increase their dividends year-after-year. These companies typically account for approximately 50-60% of the portfolio.

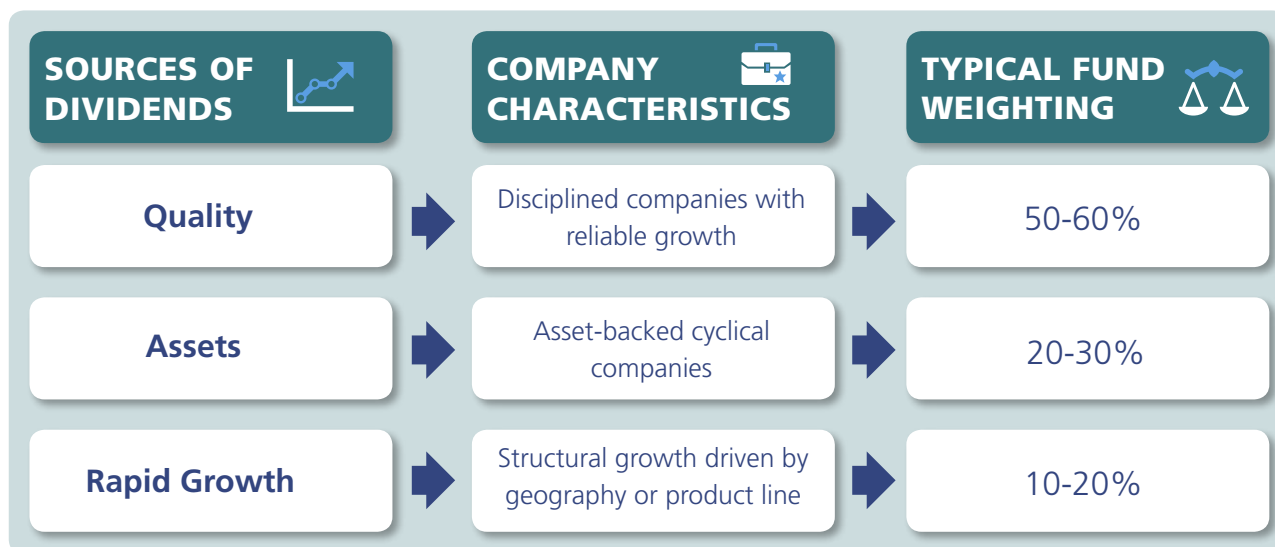
Cyclical Companies

Disciplined companies are by no means confined to stable industries; companies with good capital allocation skills are also found in cyclical industries, e.g. BHP Billiton. Such companies can generate a decent return on their investment, regardless of the economic environment. As

a result, the fund invests in cyclical companies that have the ability to increase their dividends over time – asset-rich companies that can exercise pricing power because of the strength of their asset base. These companies typically account for 20-30% of the fund.

Rapid Growth

The fund also invests in beneficiaries of structural growth – companies that are growing fast by virtue of their geography, industry or product line, e.g. Standard Chartered. These companies, because of their good capital discipline, are able to grow quickly and generate solid cashflow at the same time, allowing dividends to increase at a fast pace. Companies with the 'rapid growth' category usually make up 10-20% of the fund.



This '**Under the Bonnet**' document should be read in conjunction with the '**Investing in Dividend Paying Stocks**' brochure and the '**M&G Global Dividend Fund**' sales aid that is available on zurichlife.ie

Warning: Past performance is not a reliable guide to future performance.

Warning: If you invest in this fund, you may lose some or all of the money that you invest.

Warning: Benefits may be affected by changes in currency exchange rates.

Warning: The value of your investment may go down as well as up.

Zurich Life Assurance plc

Zurich House, Frascati Road, Blackrock, Co. Dublin, Ireland.

Telephone: 01 283 1301 Fax: 01 283 1578 Website: www.zurichlife.ie

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