

All statistics from M&G internal sources as at 30.09.20, unless indicated otherwise.

Fund description

The fund invests in the shares of smaller UK companies outside the FTSE 350 Index. The fund is actively managed against its benchmark, the FTSE Smaller Companies (ex-Investment Trusts) Index. The fund manager focuses on identifying and exploiting valuation anomalies caused by capital events, technical situations and behavioural biases. This is backed up with detailed fundamental research to form an exclusively bottom-up stockpicking investment process.

Performance objective

To outperform the benchmark by 2.0% per annum, gross of fees, on a rolling three-year basis.

Key facts

Style	Active
Fund manager	Garfield Kiff
Benchmark	FTSE Smaller Companies (ex-Investment Trusts) Index
Number of holdings	65
Fund size	£53.12m
Current bid/offer spread	2.29%
Offer price	£47.66
AMC/OCE†	0.75%/0.01%

† AMC - annual management charge; OCE - other charges and expenses.

Performance

Percentage change in bid price since 1 Jan 2020, offer price prior to 1 Jan 2020 (net of fees)

12 months to end of September	2020	2019	2018	2017	2016
Fund	-7.8	-3.2	9.2	38.5	1.9
Benchmark	-12.7	-7.8	0.6	17.8	10.5

	Qtr	1 yr	3 yrs*	5 yrs*
Fund	7.9	-7.8	-0.9	6.6
Benchmark	-1.7	-12.7	-6.8	1.1

* Annualised

Past performance is not a guide to future performance. 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.

The fund invests in shares of smaller companies which may be less liquid and more volatile in price than shares of larger companies.

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

Performance and attribution

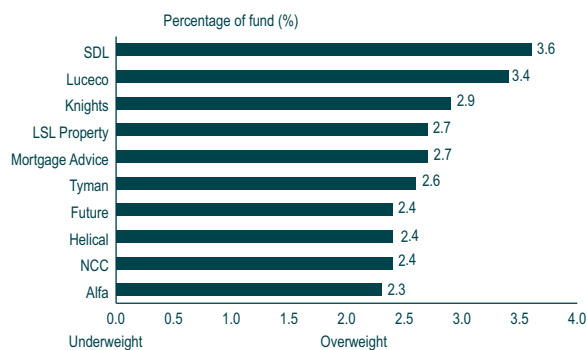
- UK equities rebounded towards the end of the third quarter, but the gains were insufficient to offset losses incurred earlier in the period. The fund, however, delivered a positive performance against a negative background and was ahead of the benchmark.
- The fund's performance was supported by a lack of presence in the oil & gas sector and above-index positions in technology and healthcare. Stock selection in consumer services, industrials and financials was beneficial but held back returns in healthcare.
- Contributors included a number of companies that benefited as people spent more time at home due to the pandemic. For example, Luceco, which supplies lighting products and other consumer electrical goods, gained as people took the opportunity to make home improvements. Similarly, sofa retailer SCS also added value. Language translation and content management firm SDL was a further contributor after receiving a bid approach from RWS Holdings.

- A holding in Mears Group, a social housing maintenance business, cost some performance due to the difficulties of accessing properties because of the coronavirus, leading to a profit shortfall. Clothing retailer Joules also detracted as shares in the firm drifted lower following a positive performance in the previous quarter due to the strength of its online business.

Strategy

- A new holding in Kooth, a digital mental health services provider for children and young adults, was established during the quarter. The company has floated on London's AIM stock exchange and aims to take its services to the wider corporate world. The fund manager also supported fund raisings by RPS and De La Rue, starting new holdings for the portfolio. RPS is an environmental consulting business that stands to benefit from necessary investment in infrastructure. De La Rue manufactures paper and security printed products. Despite concerns about the prospect for banknotes going forward, the fund manager believes there is potential for real growth in security features.
- In other transactions, the holding in IT support firm Computacenter was sold to realise profits. The company has benefited from an increased need for workers to access technology at home due to the pandemic. Profits were also realised in Luceco, mentioned above, motor insurer Sabre and Vectura, which makes medical devices for asthmatics. Both Sabre and Vectura have benefited from their defensive business models. Elsewhere, the position in food manufacturer Premier Foods was topped up; the firm has benefited as people have eaten more at home due to the pandemic.

Top 10 holdings



Industry weighting

	(% of fund)
Industrials	30.6
Financials	20.1
Consumer services	17.0
Technology	12.1
Consumer goods	9.0
Health care	5.8
Other	3.3
Basic materials	2.2

Please note that the data may not always add up to 100.0% due to rounding.

Risk rating

Minimal Lower Lower to Medium Medium Medium to Higher **Higher**

What type of funds are in this risk category? These are specialist equity funds that focus on set geographical regions or a particular type of share, eg shares of smaller companies or those that conform to certain criteria.

M&G Investments Pooled Pensions

M&G Investments Pooled Pensions manage a full range of funds on both an active and passive basis for defined benefit and defined contribution clients. We believe that the quality of client service is an important part of our overall pooled fund service.

Our team of Directors is responsible for all aspects of our relationships with individual clients, including regular attendance at trustee meetings to present performance and investment strategy.

Client Directors

Lian Golton	020 3977 1666	Equities.Client.Team@mandg.co.uk
Orla Haughey	020 3977 3638	Equities.Client.Team@mandg.co.uk
Alec Spooner	020 3977 2505	Equities.Client.Team@mandg.co.uk

For security purposes and to improve the quality of our service, we may record and monitor telephone calls.

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.

For scheme members

If you require further information about your pension please talk to your sponsoring employer.

For all general enquiries and administration please contact The Bank of New York Mellon Asset Servicing - Customer Services Desk on 0344 892 1812.

Regulatory and technical information

Usage

- This factsheet is intended for trustees, sponsors, advisers and “defined contribution” members of occupational pension schemes and personal pensions invested in M&G Pooled Pensions fund range.
- This factsheet reports upon the investment management of the fund during the quarter.
- There is no guarantee the fund objective will be achieved.

Advice

- This factsheet is provided for information purposes only. Any changes to your investment arrangements should be discussed with your advisers.
- The commentary in this factsheet reflects the general views of M&G and should not be taken as a recommendation or advice as to how a specific market or fund is likely to perform.

Performance

- Performance is measured on a bid price to bid price basis since 1 Jan 2020, offer price to offer price prior to 1 Jan 2020 (net of fees).
- The annual management charges are deducted before the unit prices are set and hence before the net performance figures shown here are calculated.
- To obtain unit price information for all funds in the M&G Pooled Pensions fund range, Pension Schemes can log on to www.mandg.co.uk/institutions/resource-centre/pooledfundprices/

Fund availability

- Not all of the funds available may be used by your scheme.
- If you are in any doubt as to which M&G funds are applicable to you, please contact your personnel or pensions department as appropriate.

How are fund prices calculated?

- M&G Pooled Pensions funds operate on a “single swinging” price basis. Although we create both bid and offer prices for each dealing day, the basis on which units in the fund are transacted is dependent upon the cash flow into/out of the fund on any day. If the fund has net positive cash flow on the day then it will be priced on an offer basis. If the fund has net negative cash flow on the day then it will be priced on a bid basis.
- The annual management charges are deducted from the fund before the unit prices are calculated.
- M&G Pooled Pensions funds are “forward” priced, which means that the unit price is set after money is invested. Money is invested on a “T+0” dealing cycle, which means that money received before 12.00 will be invested by close of business that day and the unit price applicable for that “valuation date” would be published by 12.00 on the following day.

What is the risk rating?

- Risk ratings have been developed by Prudential to help provide an indication of a fund’s potential level of risk and reward based on the type of assets which may be held by the fund. Other companies may use different descriptions and as such these risk ratings should not be considered as generic across the fund management industry.
- We regularly review our fund risk ratings, so they may change in the future. If, in our view, there is a material change in the fund’s level of risk, for example due to a significant change to the assets held by the fund or in the way the fund is managed, we will provide information on the new risk rating. We recommend that you make sure you understand the risk rating of any fund before you invest.
- You should also consider discussing your decision and the appropriateness of a fund’s risk rating with an adviser.

Glossary

For definitions of the investment terminology used within this document please see the glossary at: www.mandg.co.uk/investor/help-centre/glossary

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