

**M&G
American (OEIC)**

**OBSR Fund Rating
A**



Key Information

Launch Date	29 December 1972	
Fund Size	£1604.2m	
Type of Shares Available	Income	
Distribution Date	Annual	
Yield	0.23%	
ISA	Yes	
ISA Transfer	Yes	
Standard Fund Management Charges	Initial	4.00%
	Annual	1.50%

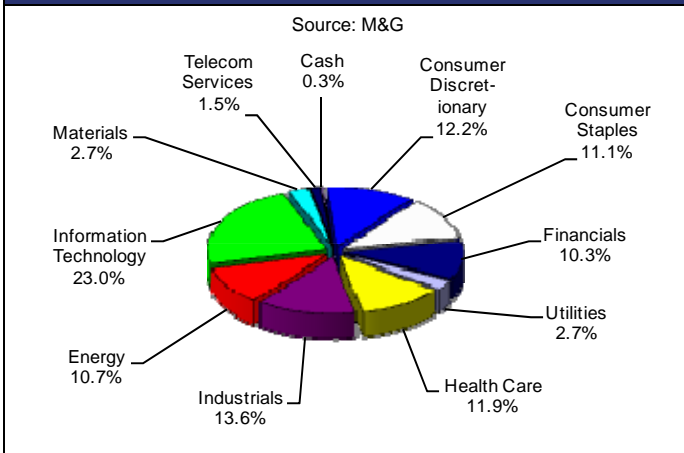
Classification

Sector	North America
Market Cap / Style	All Cap / Blend
Benchmark/Index	S&P 500

Management/Investment Style

Fund Manager	Aled Smith (December 2004)
This fund offers a portfolio of predominantly North American equities using a bottom-up, stock picking process that seeks companies experiencing step changes in return on capital and also companies whose returns are undervalued. The process encompasses disciplined screening, qualitative research and careful portfolio construction.	

Asset Distribution - Sector



Investment Objective & Methodology

The fund's aim is long-term capital growth through investment wholly or mainly in securities of North American (including Canadian) issuers. When not wholly invested as above, it may only invest in companies which are listed, registered, or trading within North America. The manager aims to achieve consistent top quartile performance within the North America sector.

Aled Smith, the manager, is a member of the multi-skilled Global Equities team, comprising four fund managers, five analysts and four support staff. Stuart Rhodes is the deputy fund manager for this fund and is dedicated to the day-to-day monitoring of the fund.

The fund manager believes that companies with the ability to produce a cash flow return on investment consistently exceeding its cost of capital together with management capable of implementing the strategy to achieve this, should outperform the broader market, provided the prospects are not fully reflected in the share price. Through their bottom-up stock selection process, the team seeks companies that have one or more of the following characteristics. The core focus of the fund is on companies in the process of capital allocation change and improving their asset base to generate sustainable future growth of earnings. The fund will also include stocks where the company's intellectual property will lead to increased future returns or where external change will lead to an improved return on capital. Finally, the fund will invest in undervalued business franchises, where they believe that the company's prospects for sustainable returns into the future is not fully reflected in the share price. An objective screening process is used to highlight stocks that demonstrate improving returns and additionally, the team monitors company management changes and other developments which might be implied by significant share price moves. Research projects are then undertaken for those companies of interest for the portfolio and specific questions are addressed with company management. Industry experts, suppliers and customers may also be consulted to generate a full view of the company. Portfolio construction is primarily bottom-up but the manager ensures active risk is distributed across different sectors and earnings stream to diversify risk. Macroeconomic factors are only incorporated where they represent thematic change in which the manager has sufficient confidence to support the selection of a specific stock.

The fund manager aims to hold between 65 and 75 stocks in the portfolio, with an initial weighting of between 1.25% and 1.75% and a likely maximum size of 3%, the size reflecting the strength of his conviction. The fund manager will not adhere to any particular style or market-cap bias, although the portfolio will tend to be underweight the mega-cap stocks. The manager is supported by a portfolio strategy and risk team who provide detailed analysis on portfolio risk. Together, they are very focused on ensuring that the fund benefits from diversified sources of return and that there are no significant risk factors that result from the portfolio's positioning.

Top Ten Holdings

	%
Johnson & Johnson	3.2
Pfizer	2.7
Wal-mart Stores	2.6
Procter & Gamble	2.5
Microsoft	2.5
Intuit	2.5
JPMorgan	2.3
Cisco Systems	2.3
Merck & Co	2.3
Citigroup	2.2
Concentration (Top 10)	25.1
Total Number of Holdings	64

Source: M&G

www.obsrfundratings.co.uk

Data as at 30 June 2010
Last Updated July 2010