

Product Profile	
<i>Fund name</i>	M&G Global Leaders Fund
<i>ISIN</i>	GB0030934490 (EUR A), GB0030934508 (EUR C)
<i>Investment universe</i>	Global Equities
<i>Benchmark</i>	FTSE World Index
<i>Base currency</i>	EUR
<i>Earnings</i>	Accumulation
<i>Inception date</i>	12 January 2001
<i>Fund volume</i>	EUR 931 m as of 30 May 2006
<i>Management Fee</i>	A: 1.75% p.a., C: 0.75% p.a.
<i>TER</i>	A: 1.89% p.a., C: 0.94% p.a.
<i>Fund manager</i>	Aled Smith
<i>Company</i>	M&G International Investments Ltd.
<i>Internet</i>	www.mandg-investments.com
Investor's Profile	
<i>Investment horizon</i>	long-term (3–5 years)
<i>Risk classification</i>	no reference made to a benchmark index in portfolio construction
<i>Return expectation</i>	managed with the aim of consistent first quartile performance in the global equity sector
<i>Loss tolerance</i>	short-term losses are possible

TELOS Comment

The *M&G Global Leaders Fund* is a globally investing equity fund clearly dedicated to stock-picking based on internal changes of companies. The fund manager focuses on companies in a stage of positive change due to the application of value-based management.

The investment team follows a pure bottom-up approach without any top-down restriction imposed on sector, country or currency allocation. The analyses are centred around the comparison of the cash-flow return on investment (CFROI) with the company's cost of capital. The investment universe of around 18 000 stocks is analysed with the aid of an investment tool by CSFB HOLT. Basic research such as balance sheet analyses as well as very specific know-how are sourced from external service providers to make research impartial and to efficiently implement the investment process.

The portfolio construction is independent of a benchmark. Positions are slowly built-up and consistently reduced after capital gains have materialised. An independent team prepares very detailed risk analyses, which the fund manager takes into account when constructing the portfolio. Risk management is largely effected through diversification and the

size of individual positions relative to their risk contribution.

The investment team was successively enlarged by suitable staff until a separate organisational entity was established last year. All team members have very good qualifications and in particular are trained in using the CSFB HOLT investment tool. *Aled Smith* contributes his far-reaching expertise and long-standing experience in equity research, but can also take advantage of the insights of his colleague, *Graham French*. The remuneration and incentive programs of all staff have a long-term component, but are first of all targeted at the individual contribution of each employee and the objectives of the fund.

The fund manager has outperformed the reference index significantly, in particular in recent years, while volatility was in general relatively low. The Sharpe Ratio shows a few peaks which coincide with the development of the equity markets.

The *M&G Global Leaders Fund* receives, in particular because of the consistent application of the investment process and the far-reaching risk analyses, the evaluation **AAA**.

Investment Process

The *M&G Global Leaders Fund* is managed by *M&G Investment Management Ltd.* Two fund managers and seven analysts form the Global Equity Team which was successively built up since the inception of the fund. Last year it formally became an organisational entity. The fund manager, *Aled Smith*, is accountable for all investment decisions.

The fund invests globally in stocks. It follows a pure stock-picking approach without any top-down restrictions of any kind. The fund is not managed based on a benchmark. However, the objective is to outperform the reference index with similar or lower volatility and to be among the top funds of its peer group.

The investment philosophy of the fund is based on the belief that when companies or their management shift towards a value-based allocation of capital this creates added value for shareholders which will also be reflected in its share price. These internal changes are identified by means of cash-flow analyses and considerations of the cost of capital as well as face-to-face meetings with the management. Starting point for the stock selection is the analysis of the total investment universe of around 18 000 companies with the aid of the CSFB HOLT investment tool. The key question is how the cash-flow return on investment (CFROI) has developed in comparison with the cost of capital of a company and if

the calculated intrinsic value is below the market price. In addition, reports about strong price movements as well as change of management personnel are taken into account to identify potential investment objects.

Companies which show positive change not yet reflected in their share price are subjected to a more detailed analysis as part of an investment project. To support the investment project, external research providers are called in to contribute further special expertise or to conduct routine work. The focus of this analysis is whether the management of a company follows value-based procedures for allocating capital.

The individual securities are selected based on their risk/return ratio. In general, the fund invests in 40 to 80 stocks, where new holdings have a weighting of 1.5% and are built up to a "standard weighting" of 2%. When the size of the individual position has increased significantly, profits are taken and the shares sold. The risk management is effected primarily through diversification and the analyses of the independent Portfolio Strategy & Risk Team.

Orders are registered by the fund manager in the front-office system from where they are forwarded to a specialised equity dealing desk. There, five staff are responsible for the implementation according to best execution principles.

Quality Management

The performance of the fund is analysed on a regular basis and compared to the results of the benchmark and the peer group.

The profile of the fund is analysed on a monthly basis by an independent team with regard to risk, style as well as a range of ratios (such as total active risk, active money, beta) and characteristics. These analyses are taken into account by the fund manager while constructing the portfolio.

The investment restrictions are checked automatically before passing on the order to the dealing desk. In addition, there is a daily monitoring by the compliance team.

Brokers are subjected to a quarterly review by dealers and the entire investment team of M&G. The price quality is monitored by means of volume weighted average price.

Team

The investment team throughout consists of qualified staff which predominantly holds additional qualifications such as CFA. All of them are trained in using the HOLT-system. The team is relatively young, but some team members have very long-standing investment experience. *Aled Smith* himself has been working as an analyst or fund man-

ager for 14 years.

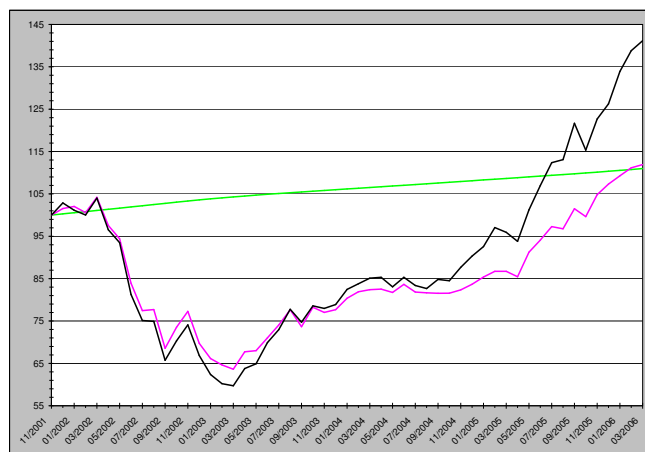
Apart from a competitive base salary, the fund managers receive a performance-depending bonus payment linked to top ranks in the peer group comparison. Furthermore, there is a long-term incentive program for all investment staff which is linked to operating profits of the firm.

Investment Characteristics

<i>Important external factors</i>	<i>Important control factors</i>
Economic environment	Stock selection
Long term interest rates (level)	—
Sector development	—
Currencies	—
Commodity prices	—

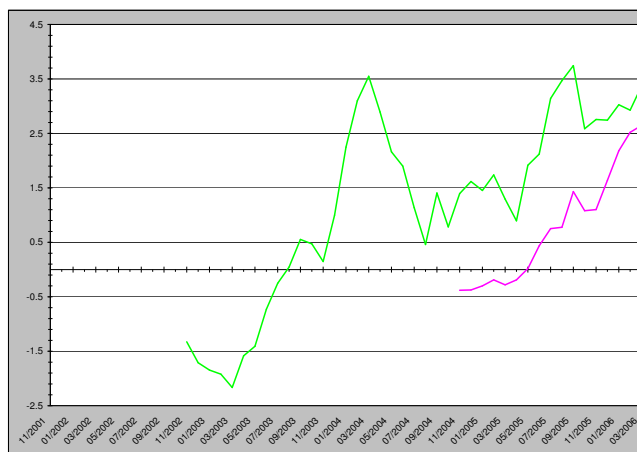
Product History

Performance



— Fund — Benchmark — Money Market

Sharpe Ratio



— 1 Year — 3 Years

Statistics as of 03/2006	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Performance (annualised)	47.13%	28.77%	33.22%	—	—	—
Volatility (annualised)	13.36%	11.81%	11.76%	—	—	—
Sharpe Ratio	3.37	2.26	2.65	—	—	—
Best monthly result	7.94%	7.94%	7.94%	—	—	—
Worst monthly result	-5.20%	-5.20%	-5.20%	—	—	—
Median of monthly results	4.36%	2.65%	2.65%	—	—	—
Best 12-month result		47.13%	47.13%	—	—	—
Worst 12-month result		9.93%	6.30%	—	—	—
Median of 12-month results		36.79%	25.36%	—	—	—
Maximum loss period	1 M	4 M	4 M	—	—	—
Maximum loss	-5.20%	-5.20%	-5.20%	—	—	—

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Explanations

TELOS Rating Scale

AAA	The fund complies with <i>highest</i> quality standards
AA	The fund complies with <i>very high</i> quality standards
A	The fund complies with <i>high</i> quality standards
N	The fund does currently <i>not</i> comply with the TELOS quality standards
+ / -	further differentiate within a rating level

The **Product Profile** contains general information on the fund, the investment firm, and the responsible fund manager.

The **Investor's Profile** enables the investor to quickly match his or her expectations with the "official" classification of the product by the investment firm.

The **TELOS Comment** section summarises the main insights of the rating and constitutes an important supplement to the rating grade. The subsequent sections contain descriptive information on the investment process, the quality management, and the responsible team.

The **Investment Characteristics** lists – from the point of view of the fund management – the most important external determinants influencing the performance of the fund, as well as the essential factors employed for its control.

The **Product History** presents – by means of graphs and tables – the development of the fund in comparison with the money market and a benchmark (where appropriate) in respect of performance and risk criteria. All calculations are based on month-end data. Fund data and benchmark data are provided by the investment firm.

The *performance* of the fund is calculated based on reinvested prices: profit distributions are being invested in new shares of the fund immediately. Thereby, the performance of distributing and non-distributing funds is mutually comparable. This approach corresponds to the "BVI method" of performance calculation, advocated by the association of the German investment fund industry.

If the fund management is guided by a *benchmark*, the performance of the latter is shown as well. Otherwise, a suitable comparative index is chosen for il-

lustration purposes – in agreement with the investment firm.

As a measure for the *money market*, the 1-month *LIBID* deposit rate in the fund's base currency is used, calculated via $LIBID = LIBOR - 0.125\%$. For periods before 1999, the respective DEM interest rates are used as a predecessor to EUR. Data source: British Bankers' Association; *LIBID(OR)* = London Interbank Bid (Offered) Rate.

The *Sharpe Ratio* provides information about the "excess return" of the fund with regard to a risk-free financial investment – here represented by the money market – as a proportion of the total risk taken:

$$Sharpe\ Ratio = \frac{fund\ return - money\ market\ return}{fund\ volatility}$$

The *volatility* employed here is the annualised standard deviation of the monthly returns.

The *median of monthly results* is characterised by the fact that half of all monthly returns occurring in the observed period are either at least or at most as large as this value. As a result, this measure is less sensitive to "outlier results" than, for instance, the mean (average) value of monthly returns.

In an analogous way, the *median of 12-month results* should be interpreted.

The *longest loss period* is the number of months needed by the fund in order to recover losses by reaching or exceeding a level that had been achieved previously in the period under consideration. If this level could not be reached again, the end of the period is decisive.

Accordingly, the *maximum loss amount* is the largest loss which the fund suffered in the period under consideration – starting from the highest value reached earlier during this period.

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