

M&G (Lux) Global Strategic Value Fund

The case for Global Value now

Shane Kelly, Fund Manager

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Key takeaways

- In the past six years, the value investment style has returned to favour, outperforming on a global basis and supporting our belief that the 2020s could be the decade of the 'cheap asset'.
- The current investment regime is characterised by instability and volatility, which can present mispriced opportunities for disciplined, long-term value investors.
- Although value stocks have performed well recently, there is still a wide valuation gap between cheap and expensive stocks; value opportunities can be found across markets and sectors, providing potential portfolio diversification benefits.
- The **M&G (Lux) Global Strategic Value Fund** seeks to capture value opportunities around the world using a tried-and-tested approach. Stocks are selected using a simple three-stage process; the combined effect of stock selection and the value style are expected to be principal drivers of the fund's performance.

Investment styles often move in cycles. Throughout the 2010s, growth was in the ascendancy. But in 2020, we proposed that a regime change could be imminent. The 2020s, in our view, were set up to be **the decade of the 'cheap asset'**.

After a sustained period of underperformance, the value style had been written off by many. Yet we believed it could return to favour due to a combination of factors, including an end to the 40-year decline in government bond yields, a retreat from globalisation, and a re-pricing of 'safe' assets.

Low rates and narratives that favoured duration over valuation had stretched the market's valuation divide to its limits, and we suggested it was likely to snap back. Indeed, it did: in the past six years value stocks have delivered. Although US technology and AI-related mega-cap stocks have dominated the narrative, the value style has, almost unnoticed, outperformed meaningfully on a global basis. A US-centric investment lens distorts the real picture, in our view.

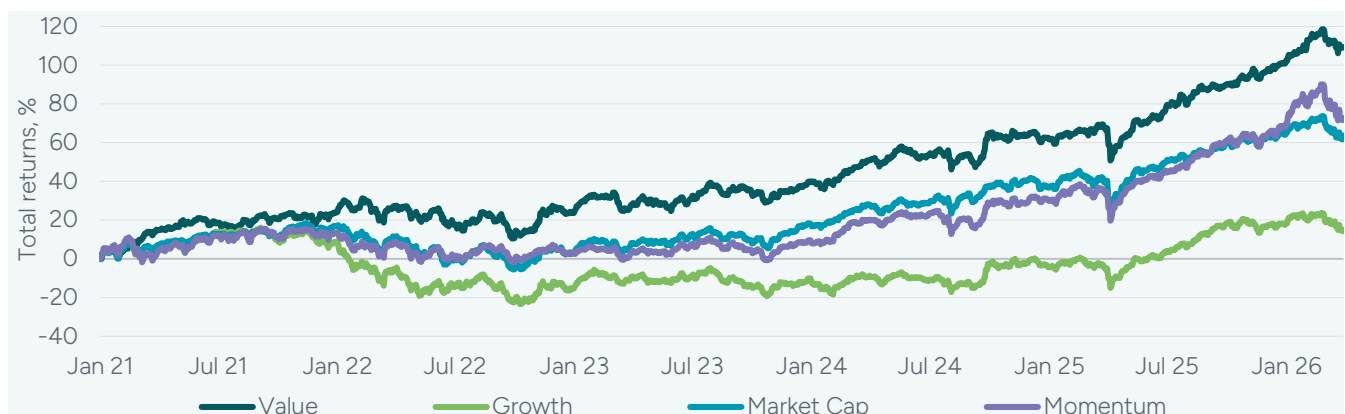
In markets like Europe and Japan, value has led the way as investors have identified attractive opportunities in previously overlooked areas, encouraged, in part, by the prospect of governance reforms and fiscal spending.

Value's recovery supports the notion that the growth/value definitions are not fixed; yesterday's unloved value stock could quickly become tomorrow's growth story.

Figure 1. Regime change: The value style has delivered in the 2020s

Past performance is not a guide to future performance.

MSCI ACWI, Factors to Watch



Source: Bloomberg, 31 March 2026.

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Value opportunities in a world of volatility and dislocations

The investment landscape has profoundly shifted since 2020. In this new regime, capital has a cost again, policy has a price, and supply chains have borders. We believe these conditions represent a favourable environment for value investing.

Trends such as de-globalisation and trade tariffs, persistent inflation, higher-for-longer interest rates, geopolitical tension, and technological disruption are indicative of a renewed era of instability. Instead of a stable world of zero interest rates and predictability, **the current regime is characterised by volatility, inflation and uncertainty.**

The low-rate, low-volatility regime of the 2010s was particularly uncomfortable for value investors. Typically, if a stock performed well, it continued to do so for many years. And if a stock was doing badly, it tended to keep struggling.

Although today's unpredictable, volatile market backdrop might be challenging, it represents, in our view, a much more fertile ground for disciplined, long-term value investors.

Global instability and repeated macroeconomic shocks are creating frequent market dislocations, which can present mispriced opportunities for contrarian, valuation-focused investors. The style headwind has arguably been replaced by a tailwind.

Wide valuation gap

The value revival since 2020 has not exhausted the value opportunity, in our opinion. Following a sustained period of underperformance in the 2010s, value stocks arguably had considerable ground to make up. The valuation distortions and large capital flows into expensive areas that resulted have not yet unwound.

The mindset shaped by the previous regime also continues to linger. European banks are a good indicator: re-rated, yes, but many still trade on single-digit multiples when they are forecast to deliver sustainable mid-to-high teens returns. This suggests that investors may not yet fully believe in a world where capital has a cost and can generate returns.

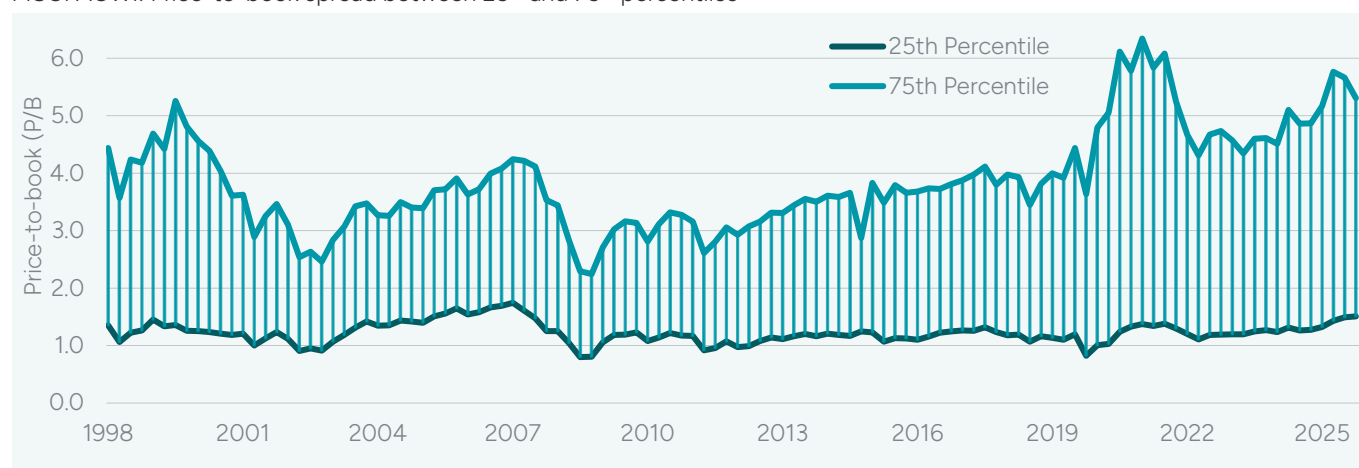
Although value stocks have performed well, **the valuation dispersion between cheap and expensive stocks in the broad global equity market remains extremely wide.**

In practice, we believe this means that the stocks at the cheaper end of the market remain attractively valued on both an absolute and relative basis. We think that current valuations suggest that there could well be further for the current value rotation to go; for investors who are yet to recognise the new regime, there may still be value in value.

Figure 2. Valuation gap remains wide

Past performance is not a guide to future performance.

MSCI ACWI: Price-to-book spread between 25th and 75th percentiles



Source: Bloomberg, 31 March 2026. Highlighted bars indicate periods where price-to-book spread is greater than the current price-to-book spread.

Diversification benefits

The value opportunity also remains broad-based, in our view, with attractive opportunities on offer across different markets, sectors and the market cap spectrum. Value investors are not limited to narrow segments of the market.

For example, it is often said that value doesn't work in technology but, even here, opportunities are available to patient contrarian investors. Legacy technology companies, sometimes dismissively labelled 'dead tech', have recently been reassessed by investors, who discovered that some unloved companies proved to be better than the prevailing market narrative.

As the global market has become increasingly concentrated, with the US a dominant feature of most indices, the case for global value investing has arguably strengthened. Broadening horizons can provide potential diversification benefits as well as return opportunities.

Many international stocks trade at a significant discount to their peers in the US, despite offering similar levels of growth. Value investing therefore does not necessarily involve compromising on quality or fundamentals. Global value can also act as a portfolio diversifier in a world of concentrated bets.

Value still matters

While much has changed over the past six years, we propose the world remains dominated by assets priced for perfection. In such an environment, a diversified collection of attractively valued, globally diverse assets functions as more than a style bet; it could control risk. It diversifies against narrative, against concentration, and against the assumption that yesterday's leaders must be tomorrow's.

It takes patience and discipline to invest in out-of-favour stocks but, in today's world of volatility and dislocation, global investors who go against the herd and challenge market narratives may find a good amount of mispriced opportunities.

Fund philosophy and process

A tried-and tested approach to value

The **M&G (Lux) Global Strategic Value Fund** seeks to capture value opportunities around the world using a tried-and-tested investment approach. At M&G, we have been dedicated value investors for over 20 years, and our process has been tested through a global financial crisis, a zero per cent interest rate regime, the covid pandemic, multiple conflicts, and what many perceive to be a prolonged period of style underperformance.

The fund will follow a disciplined, long-term approach that we believe is differentiated from other value strategies. Unlike other value investors, we are not looking for catalysts or trying to identify potential turning points for a stock's re-rating. We believe in mean reversion, following a patient contrarian approach to find out-of-favour stocks with a strong risk-reward profile over three to five years, and may be susceptible to good news.

Figure 3. Investment philosophy: A disciplined contrarian approach

Our approach to value is:		Our approach to value is not:	
 Opportunistic Identifying opportunities with attractive risk premia	 Disciplined Consistent portfolio valuation discount to the market	 Factor overlays Traditional value approach focused on true value opportunities	 Catalyst Not trying to identify specific turning points
 Patient Long-term investment horizon	 Diversified A diversified portfolio of 60-100 stocks	 Top Down Portfolio positioning an outcome of bottom-up stock selection	 Concentrated No high-conviction stock picks

Source: M&G. For illustrative purposes only. Internal limits are shown for illustrative purposes only and are subject to change.

Three-stage process

We select value opportunities using bottom-up stock selection. The process is simple, straightforward, and has three stages.

We begin by **screening** the market to find stocks in the cheapest quartile of each sector. This creates our investment universe and ensures the fund has a consistent bias.

In our view, the sector-based screening is also a distinguishing feature of our process. Typically, the cheapest stocks are found in particular areas of the market, such as financials. The benefit of screening on a sector basis is that it can help avoid large sector biases and concentration risk in portfolios, which can often be a cause of volatility for value investors.

Figure 4. Investment approach: A simple three-stage process



Source: M&G. For illustrative purposes only.

The next stage is **fundamental analysis** where we try to eliminate and avoid stocks that are cheap for a reason, so-called value traps. The aim of the fundamental analysis is to determine whether the potential investment represents an attractive risk/reward on a three-to-five year view.

We apply three tests: financial strength – does the company have a strong balance sheet?; business durability – is the business model sustainable?; and management behaviour – is the company well run with a focus on shareholder return?

Companies that pass this due diligence process and have an attractive risk premium will be considered for the portfolio. We aim to build a **balanced, diversified portfolio**, where the country and sector weightings are an outcome of our bottom-up stock selection rather than top-down views.

With a long-term investment horizon, we are comfortable owning unloved stocks that other investors might have overlooked. With a consistent value bias, the fund has the potential to capture the value tailwind, but it is also designed to keep up with the market in a benign style environment, or where there is a modest style headwind. Ultimately, combined stock selection and the value style are expected to be the key drivers of the fund's performance.

Outlook

In today's volatile world, we believe there are a lot of opportunities for disciplined, opportunistic value investors. The value style has delivered in many regions since 2020, but we remain optimistic that current regime is still favourable for patient investors who focus on mispriced opportunities among cheap stocks. The decade of the cheap asset is not over yet.

Investment policy

The Fund aims to provide a higher total return (capital growth plus income) than that of the global equity market over any five-year period, while applying ESG Criteria.

The Fund invests at least 80% of its Net Asset Value in the equity securities and equity related instruments of companies across any sector and market capitalisation that are domiciled in any country, including emerging markets. The Fund may invest in China A-Shares via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect. The Fund invests in securities that meet the ESG Criteria, applying an Exclusionary Approach and Positive ESG Tilt as described in the precontractual annex to the Fund's Prospectus.

The Fund's recommended holding period is 5 years.

The main risks associated with the fund:

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 can adversely affect the return of your investment.

Investing in emerging markets involves a greater risk of loss due to greater political, tax, economic, foreign exchange, liquidity and regulatory risks, among other factors. There may be difficulties in buying, selling, safekeeping or valuing investments in such countries.

The fund may invest in China A shares. Investments in assets from China are subject to changeable political, regulatory and economic conditions, which may cause difficulties when selling or collecting income from these investments. In addition, such investment is made via the Stock Connect system, which may be more susceptible to clearing, settlement and counterparty risk. These factors could cause the fund to incur a loss.

The investment policy may exclude potential investments where they do not meet certain criteria. This may cause the Fund to perform differently compared to similar funds that are permitted to invest in those investments.

ESG information from third-party data providers may be incomplete, inaccurate or unavailable. There is a risk that the investment manager may incorrectly assess a security or issuer, resulting in the incorrect inclusion or exclusion of a security in the portfolio of the fund.

Please note, investing in this fund means acquiring units or shares in a fund, and not in a given underlying asset such as building or shares of a company, as these are only the underlying assets owned by the fund.

Further details of the risks that apply to the fund can be found in the fund's Prospectus.

Sustainability information

The fund promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 20% of sustainable investments.

You can find the fund's sustainability-related disclosures on the M&G website.

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