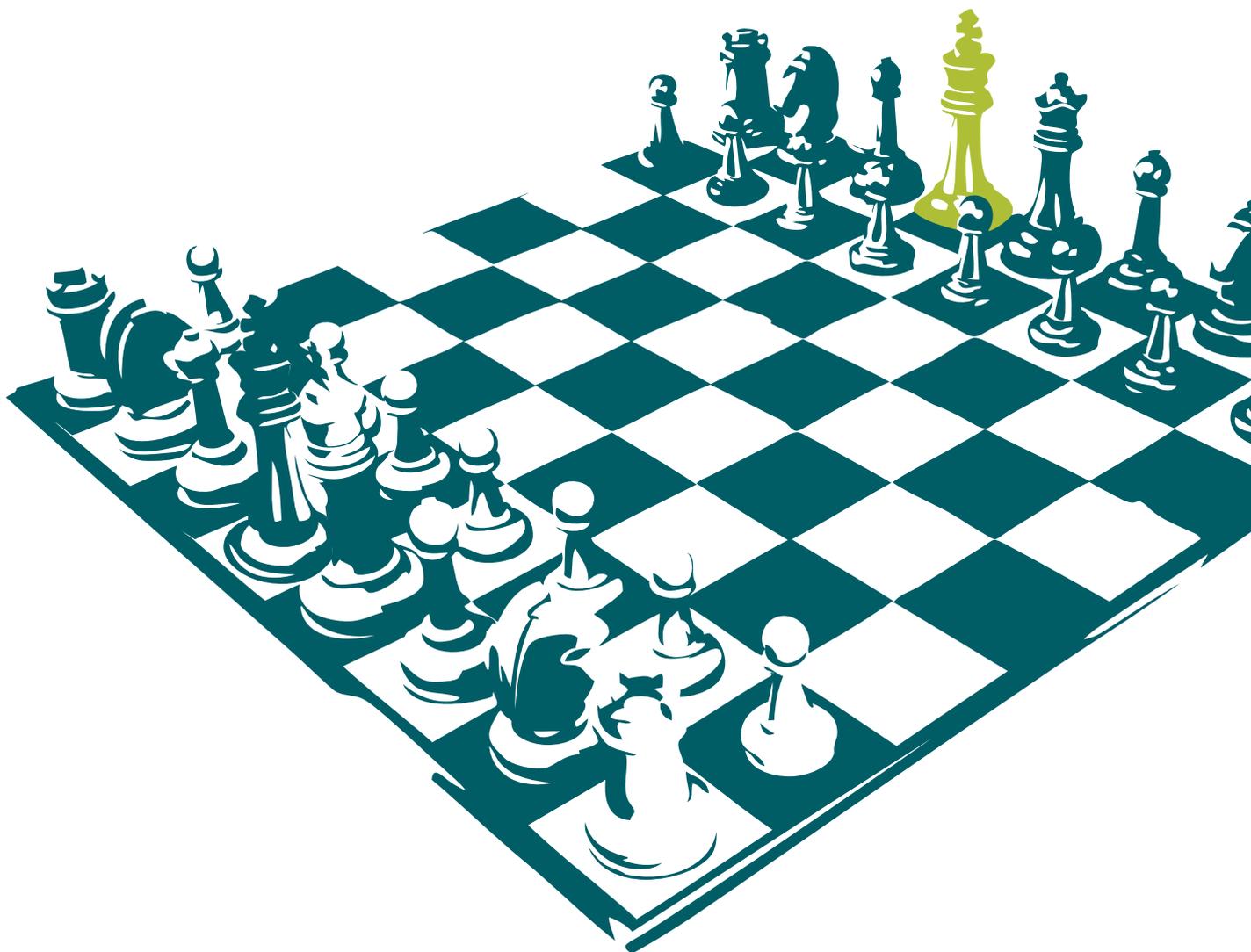


## M&G Investment Funds (5)



# Contents

<b>Introduction</b>	<b>Page 1</b>
Company Information <sup>[a]</sup>	Page 1
For European Investors	Page 1
Authorised Corporate Director's Report <sup>[a]</sup>	Page 2
<b>M&amp;G Investment Funds (5)</b>	<b>Page 3</b>
Authorised Corporate Director's Responsibilities	Page 3
Depositary's Responsibilities and Report	Page 3
Independent Auditors' Report	Page 4
<b>Aggregated Financial Statements (audited)</b>	<b>Page 6</b>
Directors' Statement	Page 8
<b>Investment Report <sup>[a]</sup> and Financial Statements for:</b>	
M&G Episode Macro Fund	Page 9
M&G Global Corporate Bond Fund	Page 21
<b>Further Information <sup>[a]</sup></b>	<b>Page 33</b>
Liquidity	Page 33
Dilution	Page 33
The EU Savings Directive	Page 33
Other	Page 33
Portfolio Turnover Rates	Page 33
Total Expense Ratios	Page 33

<sup>[a]</sup> Collectively, these comprise the Authorised Corporate Director's Report.

# Introduction

## COMPANY INFORMATION

### Company

M&G Investment Funds (5)

### Registered Office

Laurence Pountney Hill, London EC4R 0HH, UK

### Authorised Corporate Director (ACD)

M&G Securities Limited,  
Laurence Pountney Hill, London EC4R 0HH, UK  
Telephone: 0800 390 390 (UK only)

(Authorised and regulated by the Financial Conduct Authority)

### Directors of the ACD

W J Nott (Chief Executive),  
G N Cotton, P R Jelfs, M Lewis, G W MacDowall, L J Mumford

### Investment Manager

M&G Investment Management Limited,  
Laurence Pountney Hill, London EC4R 0HH, UK  
Telephone: +44 (0)20 7626 4588

(Authorised and regulated by the Financial Conduct Authority)

### Fund managers

The following fund managers are employed by M&G Limited which is an associate of M&G Securities Limited.

#### **M&G Episode Macro Fund**

David Fishwick & Eric Lonergan

#### **M&G Global Corporate Bond Fund**

Ben Lord

### Registrar

International Financial Data Services (UK) Limited,  
IFDS House, St. Nicholas Lane, Basildon, Essex SS15 5FS, UK  
(Authorised and regulated by the Financial Conduct Authority)

### Depositary

National Westminster Bank Plc, Trustee & Depositary Services,  
Younger Building, 3 Redheughs Avenue, Edinburgh EH12 9RH, UK  
(Authorised and regulated by the Financial Conduct Authority)

### Independent Auditors

PricewaterhouseCoopers LLP,  
7 More London Riverside, London SE1 2RT, UK

### Customer Services and Administration for UK Clients

M&G Securities Limited,  
PO Box 9039, Chelmsford CM99 2XG, UK

Please remember to quote your name and M&G client reference and sign any written communication to M&G. Failure to provide this will affect your ability to transact with us.

Telephone: 0800 390 390 (UK only)

For security purposes and to improve the quality of our service, we may record and monitor telephone calls. You will require your M&G client reference. Failure to provide this will affect your ability to transact with us.

### Note to shareholders

On 5 September 2013 the M&G Global Corporate Bond Fund (a sub-fund of M&G Investment Funds (5)) was launched.

### Regulatory changes affecting sub-funds

UK law has been changed in order to segregate each sub-fund's assets and liabilities. This means that each sub-fund is responsible for meeting its own debts and its assets may not be used to pay the debts of the other sub-funds. As a result of the change in regulation, sub-funds are also permitted to invest in other sub-funds in the same umbrella Open-Ended Investment Company (OEIC) under specific conditions. The Prospectus has been updated to reflect these changes.

M&G is a member of the Investment Management Association and of the Tax Incentivised Savings Association.

The Instrument of Incorporation can be inspected at our offices or at the office of the Depositary.

## FOR EUROPEAN INVESTORS

The Prospectus, Instrument of Incorporation, Key Investor Information Documents as well as the latest Annual or Interim Investment Report and Financial Statements are available free of charge on request from the following addresses:

### Customer Services and Administration for European Clients including the Netherlands, Norway and Finland:

M&G International Investments Limited,  
mainBuilding, Taunusanlage 19, 60325 Frankfurt am Main, Germany  
Please remember to quote your name and M&G client reference and sign any written communication to M&G. Failure to provide this will affect your ability to transact with us.

Telephone: +49 69 1338 6767

Email: [iocs@mandg.co.uk](mailto:iocs@mandg.co.uk)

For security purposes and to improve the quality of our service, we may record and monitor telephone calls. You will require your M&G client reference. Failure to provide this will affect your ability to transact with us.

### Austrian Paying and Information Agent:

Raiffeisen Bank International AG,  
Am Stadtpark 9, 1030 Wien, Austria

### Danish Representative Agent:

Nordea Bank Danmark A/S,  
Issuer Services, Postboks 850, 0900 Copenhagen C, Denmark

### French Centralising Agent:

RBC Dexia Investor Services, Bank France S.A.,  
105 rue Réaumur, 75002 Paris, France

### German Paying and Information Agent:

J.P. Morgan AG,  
Junghofstraße 14, 60311 Frankfurt am Main, Germany

# Introduction

## FOR EUROPEAN INVESTORS

### Irish Facilities Agent:

BNY Mellon Fund Services (Ireland) Limited,  
Guild House, Guild Street, IFSC, Dublin 1, Ireland

### Italian Correspondent Banks:

Allfunds Bank, S.A.,  
Via Santa Margherita 7, 20121 Milano, Italy

Banca Monte dei Paschi di Siena S.p.A.,  
Piazza Salimbeni 3, 53100 Siena, Italy

Banca Sella Holding S.p.A.,  
Piazza Gaudenzio Sella 1, 13900 Biella, Italy

BNP PARIBAS Securities Services,  
Via Ansperto 5, 20123 Milano, Italy

State Street Bank S.p.A.,  
Via Ferrante Aporti 10, 20125 Milano, Italy

Société Générale Securities Services S.A.,  
Via Benigno Crespi 19A - MAC 2, 20159 Milano, Italy

### Luxembourg Paying and Information Agent:

J.P. Morgan Bank Luxembourg S.A., European Bank & Business  
Center, 6 c route de Trèves, 2633 Senningerberg, Luxembourg

### Spanish Representative:

Allfunds Bank, S.A.,  
Calle Estafeta, No 6 Complejo Plaza de la Fuente,  
La Moraleja 28109, Alcobendas, Madrid, Spain

### Swedish Paying Agent:

Skandinaviska Enskilda Banken AB (publ),  
Sergels Torg 2, 106 40 Stockholm, Sweden

### Swiss Paying Agent:

JP Morgan Chase Bank,  
National Association, Columbus, Zurich Branch,  
Dreikönigstrasse 21, 8002 Zürich, Switzerland

### Swiss Representative:

Carnegie Fund Services S.A.,  
11, rue du Général-Dufour, 1204 Genève, Switzerland

## AUTHORISED CORPORATE DIRECTOR'S REPORT

The Authorised Corporate Director (ACD) presents its annual investment report and audited financial statements for the year ended 31 December 2013.

The sub-funds in this report are all part of an umbrella Open-Ended Investment Company (OEIC), M&G Investment Funds (5). This OEIC is an Investment Company with Variable Capital (ICVC) incorporated under the Open-Ended Investment Companies Regulations 2001. It is authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000. M&G Investment Funds (5), as an umbrella OEIC, contains two sub-funds, each of which is a UCITS (Undertakings for Collective Investment in Transferable Securities) scheme as defined in the Collective Investment Schemes sourcebook, as issued (and amended) by the FCA:

M&G Episode Macro Fund

M&G Global Corporate Bond Fund

The Company was authorised on 24 December 2002, the M&G Episode Macro Fund was launched on 3 June 2010 and the M&G Global Corporate Bond Fund was launched on 5 September 2013.

The Company's principal activity is to carry on business as an OEIC. The Company is structured as an umbrella company, and different sub-funds may be established by the ACD from time to time with the agreement of the Depositary and approval from the FCA. The sub-funds are operated separately and the assets of each sub-fund are managed in accordance with the investment objective and policy applicable to that sub-fund.

The annual investment report and audited financial statements for each sub-fund for the year ended 31 December 2013 are set out in detail in their section of this report (see contents page).

G W MacDowall  
Director of M&G Securities Limited

L J Mumford  
Director of M&G Securities Limited

12 February 2014

# M&G Investment Funds (5)

## AUTHORISED CORPORATE DIRECTOR'S RESPONSIBILITIES

### Statement of the Authorised Corporate Director's responsibilities in respect of the annual investment report and financial statements of the Company

The Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA), requires the Authorised Corporate Director (ACD) to prepare the investment report and financial statements for each financial year which give a true and fair view of the financial position of the Company as at the end of the financial year, and the net expense and the net capital gains for the year. In preparing the financial statements, the ACD is required to:

- comply with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010, the Instrument of Incorporation, generally accepted accounting principles and applicable accounting standards subject to any material departures which are required to be disclosed and explained in the financial statements;
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation.

The ACD is required to keep proper accounting records, and to manage the Company in accordance with the Collective Investment Schemes sourcebook, as issued (and amended) by the FCA, the Instrument of Incorporation and the Prospectus, and to take reasonable steps for the prevention and detection of fraud or other irregularities.

## DEPOSITARY'S RESPONSIBILITIES AND REPORT

### Statement of the Depositary's responsibilities in respect of the financial statements of the Company

The Depositary is under a duty to take into custody and to hold the property of the Company. Under the Regulations relating to Reports, it is the duty of the Depositary to enquire into the conduct of the Authorised Corporate Director in the management of the Company in each accounting period and report thereon to shareholders in a report which shall contain the matters prescribed by the Regulations. A copy of the Depositary's report is included in this report.

### Report of the Depositary to the shareholders of M&G Investment Funds (5) for the year ended 31 December 2013

The Depositary is responsible for the safekeeping of all of the property of the Company (other than tangible moveable property) which is entrusted to it and for the collection of income that arises from that property.

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes sourcebook (COLL), as amended, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended ('the OEIC Regulations'), the Company's Instrument of Incorporation and Prospectus, in relation to the pricing of, and dealings in, shares in the Company; the application of income of the Company; and the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the Authorised Corporate Director:

- has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with COLL and, where applicable, the OEIC Regulations, the Instrument of Incorporation and Prospectus of the Company, and
- has observed the investment and borrowing powers and restrictions applicable to the Company.

Edinburgh  
12 February 2014

National Westminster Bank Plc  
Trustee and Depositary Services

## INDEPENDENT AUDITORS' REPORT

### Report on the financial statements

#### Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the financial position of the Company and each of the sub-funds as at 31 December 2013 and of the net revenue / (expense) and the net capital gains of the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

This opinion is to be read in the context of what we say below

#### What we have audited

The financial statements, which are prepared by M&G Investment Funds (5) ICVC (the "Company"), comprise:

- the aggregated balance sheet of the Company as at 31 December 2013;
- the aggregated statement of total return of the Company for the year then ended;
- the aggregated statement of change in net assets attributable to shareholders of the Company for the year then ended;
- the balance sheets as at 31 December 2013 together with the statements of total return and statements of changes in net assets attributable to shareholders for each of the Company's sub-funds;
- the notes to the Company's financial statements and each of the Company's sub-funds, which include a summary of significant accounting policies and other explanatory information; and
- The distribution tables

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Authorised Corporate Director; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinions on matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Other matters on which we are required to report by exception

#### Adequacy of accounting records and information and explanations received

Under the Collective Investment Schemes sourcebook we are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

# M&G Investment Funds (5)

## INDEPENDENT AUDITORS' REPORT

### Responsibilities for the financial statements and the audit

#### Our responsibilities and those of the Authorised Corporate Director

As explained more fully in the Authorised Corporate Director's Responsibilities Statement the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose.

We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

London  
12 February 2014

PricewaterhouseCoopers LLP  
Chartered Accountants and  
Statutory Auditors

The financial statements are published at [www.mandg.co.uk/reports](http://www.mandg.co.uk/reports), which is a website maintained by M&G Securities Limited and M&G Financial Services Limited (M&G). The maintenance and integrity of the M&G website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Annual report contained in this document has been extracted and translated from the Accounts of the Company which were produced in English and on which PricewaterhouseCoopersLLP expressed the opinion reproduced/translated above.

PricewaterhouseCoopersLLP express no opinion as to whether the contents have been properly extracted from the accounts on which they expressed their opinion or the accuracy of the translations made.

# Aggregated Financial Statements (audited)

For the year ended 31 December 2013.

STATEMENT OF TOTAL RETURN					
	Note	2013		2012	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	3		11,694		(3,946)
Revenue	4	554		(1,085)	
Expenses	5	(1,508)		(1,347)	
Finance costs: Interest	12	(2)		(4)	
Net expense before taxation		(956)		(2,436)	
Taxation	6	(6)		(19)	
Net expense after taxation			(962)		(2,455)
<b>Total return before distributions</b>			<b>10,732</b>		<b>(6,401)</b>
Finance costs: Distributions	12		(92)		0
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>10,640</b>		<b>(6,401)</b>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS					
		2013		2012	
		\$'000	\$'000	\$'000	\$'000
<b>Opening net assets attributable to shareholders</b>			<b>119,975</b>		<b>157,411</b>
Amounts received on issue of shares		29,356		32,077	
Amounts paid on cancellation of shares		(23,733)		(63,109)	
			5,623		(31,032)
Stamp Duty Reserve Tax			0		(3)
Change in net assets attributable to shareholders from investment activities (see above)			10,640		(6,401)
Retained distributions on Accumulation shares			92		0
<b>Closing net assets attributable to shareholders</b>			<b>136,330</b>		<b>119,975</b>

## BALANCE SHEET

	as at		as at	
	31 December 2013	31 December 2013	31 December 2012	31 December 2012
	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>				
Investment assets		121,593		105,696
<b>Debtors</b>				
Debt security interest receivable	158		0	
Derivative revenue receivable	46		0	
Overseas tax recoverable	2		2	
Premium from credit default swaps receivable	1		0	
		207		2
Cash and bank balances				
Amounts held at futures clearing houses and brokers	9,679		7,289	
Cash held as bank balances	7,503		7,473	
		17,182		14,762
<b>Total other assets</b>		<b>17,389</b>		<b>14,764</b>
<b>Total assets</b>		<b>138,982</b>		<b>120,460</b>
<b>Liabilities</b>				
Investment liabilities		(2,211)		(382)
<b>Creditors</b>				
Derivative expense payable	(7)		0	
Expenses payable	(420)		(103)	
		(427)		(103)
Bank overdraft	(14)		0	
		(14)		0
<b>Total other liabilities</b>		<b>(441)</b>		<b>(103)</b>
<b>Total liabilities</b>		<b>(2,652)</b>		<b>(485)</b>
<b>Net assets attributable to shareholders</b>		<b>136,330</b>		<b>119,975</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting policies

The accounting policies applied are set out in the notes to the financial statements of each of the sub-funds.

The aggregated financial statements represent the summation of the financial statements for each of the sub-funds.

### 2 Risk management policies

The risk management policies are set out in the notes to the financial statements of each of the sub-funds.

### 3 Net capital gains / (losses)

	2013	2012
	\$'000	\$'000
Non-derivative securities	1,084	(4,897)
Derivative contracts	8,012	(159)
Forward currency contracts	2,276	1,038
Currency gains	330	88
Transaction charges	(8)	(16)
<b>Net capital gains / (losses)</b>	<b>11,694</b>	<b>(3,946)</b>

# Aggregated Financial Statements (audited)

## NOTES TO THE FINANCIAL STATEMENTS

### 4 Revenue

	2013 \$'000	2012 \$'000
Bank interest	31	18
Derivative revenue	247	(1,387)
Interest on debt securities	244	67
Overseas dividends	32	91
UK dividends	0	126
<b>Total revenue</b>	<b>554</b>	<b>(1,085)</b>

### 5 Expenses

	2013 \$'000	2012 \$'000
<b>Payable to the Authorised Corporate Director or associate</b>		
Authorised Corporate Director's periodic charge	931	887
Administration fee	186	352
Performance fee	217	0
Share class hedging fee	17	32
	1,351	1,271
<b>Payable to the Depository or associate</b>		
Depository's fee (including VAT)	11	12
<b>Other expenses</b>		
Audit fee (including VAT)	25	39
Regulatory fees	45	20
Safe custody charge	12	3
Tax consultancy fees (including VAT) <sup>[a]</sup>	64	2
	146	64
<b>Total expenses</b>	<b>1,508</b>	<b>1,347</b>

[a] Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP.

### 6 Taxation

	2013 \$'000	2012 \$'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Overseas tax	6	19
Current tax charge (note 6b)	6	19
Deferred tax (note 6c)	0	0
<b>Total taxation</b>	<b>6</b>	<b>19</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net expense before taxation	(956)	(2,436)
Corporation tax at 20%	(191)	(487)
Effects of:		
UK dividends not taxable	0	(25)
Overseas dividends not taxable	(7)	(20)
Interest distributions	(8)	0
Current year expenses not utilised	206	532
Overseas tax	6	19
<b>Current tax charge (note 6a)</b>	<b>6</b>	<b>19</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

### 7 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (31.12.12: same).

### 8 Related parties

The required disclosures are set out in the notes to the financial statements of each of the sub-funds.

### 9 Financial instruments

The required disclosures are set out in the notes to the financial statements of each of the sub-funds.

### 10 Portfolio transaction costs

	2013 \$'000	2012 \$'000
<b>a) Purchases</b>		
Purchases excluding transaction costs	1,835,070	1,428,463
Commissions	8	39
Taxes	0	25
Total transaction costs	8	64
<b>Total purchases including transaction costs</b>	<b>1,835,078</b>	<b>1,428,527</b>
<b>b) Sales</b>		
Sales excluding transaction costs	2,038,397	1,420,093
Commissions	0	(28)
<b>Total sales net of transaction costs</b>	<b>2,038,397</b>	<b>1,420,065</b>

### 11 Shareholder funds

The required disclosures are set out in the notes to the financial statements of each of the sub-funds.

# Aggregated Financial Statements (audited)

## NOTES TO THE FINANCIAL STATEMENTS

### 12 Finance costs

	2013 \$'000	2012 \$'000
<b>Income shares (Euro)</b>		
Class 'A-H' - Interest distributions	0	n/a
Class 'C-H' - Interest distributions	0	n/a
<b>Income shares (Sterling)</b>		
Class 'A-H' - Interest distributions	0	n/a
Class 'I-H' - Interest distributions	0	n/a
Class 'R-H' - Interest distributions	0	n/a
<b>Accumulation shares (US dollar)</b>		
Class 'A' - Interest distributions	36	n/a
Class 'C' - Interest distributions	0	n/a
Class 'N' - Dividend distributions	55	0
Class 'S' - Dividend distributions	0	0
Class 'T' - Dividend distributions	0	0
<b>Accumulation shares (Euro)</b>		
Class 'A-H' - Interest distributions	0	n/a
Class 'B-H' - Dividend distributions	0	0
Class 'C-H' - Interest distributions	0	n/a
Class 'S-H' - Dividend distributions	0	0
Class 'T-H' - Dividend distributions	0	0
<b>Accumulation shares (Sterling)</b>		
Class 'A-H' - Interest distributions	0	n/a
Class 'I-H' - Interest distributions	1	n/a
Class 'R-H' - Interest distributions	0	n/a
Class 'S-H' - Dividend distributions	0	0
Class 'T-H' - Dividend distributions	0	0
<b>Accumulation shares (Swiss franc)</b>		
Class 'A-H' - Interest distributions	0	n/a
Class 'C-H' - Interest distributions	0	n/a
Class 'S-H' - Dividend distributions	0	0
Class 'T-H' - Dividend distributions	0	0
<b>Finance costs: Distributions</b>	<b>92</b>	<b>0</b>
Finance costs: Interest	2	4
<b>Total finance costs</b>	<b>94</b>	<b>4</b>
Net expense per statement of total return	(962)	(2,455)
Income deficit transferred from capital	1,054	2,455
<b>Finance costs: Distributions</b>	<b>92</b>	<b>0</b>

## DIRECTORS' STATEMENT

This report has been prepared in accordance with the requirements of the Collective Investment Schemes sourcebook, as issued and amended by the Financial Conduct Authority.

G W MACDOWALL }  
L J MUMFORD } Directors

12 February 2014

# M&G Episode Macro Fund

## AUTHORISED CORPORATE DIRECTOR'S REPORT

### Note to shareholders

In December 2013, we took the opportunity to alter the Fund's Investment Objective. We decided to clarify what we meant when we said "medium to long term" by replacing those words with "a rolling three to five year period". Furthermore, we added wording to point out that there is no guarantee that the Fund will achieve a positive return and that investors may not get their money back. This new wording does not indicate a change in the way the Fund is managed but has been included as a result of changes to the FCA's rules.

### Investment objective of the M&G Episode Macro Fund

The Fund aims to deliver a higher total return, with lower volatility on average, than global equities over a rolling three to five year period. There is no guarantee that the Fund will achieve a positive return over this, or any other, period and investors may not recoup the original amount they invested.

### Investment policy of the M&G Episode Macro Fund

The fund manager adopts a flexible approach to the allocation of capital between asset classes in response to changes in economic conditions and the valuation of assets. Central to this approach is the identification of episodes, which are periods of time during which, in the fund manager's view, asset prices become over- or under-stated, relative to objective valuation measures, due to the emotional reaction of investors to events. These episodes can exist over both the short and medium term. The short term volatility of the fund may be high.

The fund will typically invest in a variety of equity index futures, currency forwards, interest rate swaps, and other highly-liquid derivatives. The portfolio may therefore comprise a high proportion of cash and near cash, the majority of which is likely to be held in cash deposits. In addition to derivatives, the fund may invest in a range of equities, fixed income and other assets, including collective investment schemes, other transferable securities, deposits, warrants and money market instruments.

Subject to rigorous risk management, the fund is likely to operate with a gross asset exposure in excess of net assets. This will be achieved through the use of derivative contracts, often with a view to increasing diversification.

### Investment approach

The fund aims to deliver a higher total return, with lower volatility on average, than global equities over the medium to long term.

The fund managers believe the best approach for achieving this lies in the flexible allocation of capital between asset classes, guided by a robust valuation framework. In particular, they seek to respond where asset prices move away from a reasonable sense of 'fair' value due to investors reacting emotionally to events. They believe such episodes create opportunities because emotions should be less important than underlying fundamentals over the medium and long term.

The fund is fully flexible and is not bound by any sense of neutrality or benchmark. The fund is likely to achieve exposures through derivative instruments and has the ability to short assets and leverage for the purposes of investment and efficient portfolio management.

### Risk and reward profile\*



- The above risk number is based on the rate at which the value of the Fund has moved up and down in the past.
- This risk number is based on simulated historical data and may not be a reliable indicator of the future risk profile of the Fund.
- The risk number shown is not guaranteed and may change over time.
- The lowest risk number does not mean risk free.

\* Please note that this 'Risk and reward profile' section is based on Sterling Class 'S-H' shares, the nominated share class.

## INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

### As at 2 January 2014, for the year ended 31 December 2013

The fund was positioned at the start of the 12-month review period with a preference for selected global stockmarkets and US high yield corporate bonds<sup>[a]</sup>, at the expense of government bonds on the whole. These themes were broadly unchanged in the early months of the review period, albeit with some scaling of the size of positions in response to shorter term price moves.

Following significant market turbulence during May/June, some notable changes were made to take advantage of opportunities presented by many assets becoming significantly cheaper. Positions in Japanese, German and US equities (company shares) were established in June. Meanwhile, we also bought long-dated government bonds (bonds with a long time to go until maturity) issued by Western governments after they sold off sharply to much more attractive price levels, relative to both their own recent history and short-dated bonds.

After recovering strongly over the summer months, we responded to what we saw as the reduced attractiveness of UK, Korean and US equities by scaling back positions in September. Similarly, after significantly benefiting from a position in US high yield corporate bonds earlier in the review period, this position was closed in October as this asset class no longer appeared to be undervalued by our assessment.

Within currencies, one of the most notable positions throughout the 12-month review period was one that was designed to profit from the depreciation of the Japanese yen. This position was maintained in

# M&G Episode Macro Fund

## INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

the fund for the duration of the year, and scaled several times in response to the changing magnitude of that opportunity, during which time the yen weakened significantly against other major currencies, including sterling.

**David Fishwick & Eric Lonergan**  
Co-fund managers

Employees of M&G Limited which is an associate of M&G Securities Limited.

*[a]* A bond is a loan in the form of a security, usually issued by a government (government bonds) or company (corporate bonds), which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid. High yield bonds are bonds issued by companies with a low credit rating. They therefore pay a higher rate of interest than their better quality counterparts to compensate investors for the greater possibility that the issuer might be unable to meet its obligations, or in other words, default.

Please note that the views expressed in this Report should not be taken as a recommendation or advice on how the fund or any holding mentioned in the Report is likely to perform. If you wish to obtain financial advice as to whether an investment is suitable for your needs, you should consult a Financial Adviser.

## FUND STATISTICS

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	02.01.15	28.02.15

	Final distribution		Ongoing Charges Figure <sup>[b]</sup>	
	Acc	%	31.12.13	31.12.12
	02.01.14 <sup>[a]</sup>			
<b>US dollar</b>	¢	%	%	%
Class 'N'	1,0298	0,22	0,31	
Class 'S'	nil	1,99	2,10	
Class 'T'	nil	1,71	1,83	
<b>Euro</b>	¢	%	%	%
Class 'B-H'	nil	2,49	2,61 <sup>[c]</sup>	
Class 'S-H'	nil	2,00	2,16	
Class 'T-H'	nil	1,73	1,89	
<b>Sterling</b>	p	%	%	%
Class 'S-H'	nil	2,01	2,13	
Class 'T-H'	nil	1,75	1,88	
<b>Swiss franc</b>	¢	%	%	%
Class 'S-H'	nil	2,00	2,06 <sup>[c]</sup>	
Class 'T-H'	nil	1,75	1,81 <sup>[c]</sup>	

*[a]* The date on which the final distribution will be credited to Accumulation shareholders.

*[b]* The Ongoing Charges Figure is the ratio of the relevant annualised total disclosable costs of each share class from the most recent reporting period to the average net asset value for that share class over the same period. Total disclosable costs do not include performance fees.

*[c]* The comparative Ongoing Charges Figure shown here is an estimate of the charges, as the share class had not been in existence for a full financial year.

Income accrued from interest-bearing securities is distributed on an effective yield basis.

## FUND PERFORMANCE

Performance of share classes	Net asset value per share as at 31.12.13 Acc	Net asset value per share as at 31.12.12 Acc	Net asset value % change Acc
<b>US dollar</b>	\$	\$	%
Class 'N'	11,0507	10,1966	+8,38
Class 'S'	10,4024	9,7681	+6,49
Class 'T'	10,4912	9,8261	+6,77
<b>Euro</b>	€	€	%
Class 'B-H'	9,5435	9,0137	+5,88
Class 'S-H'	10,3035	9,6844	+6,39
Class 'T-H'	10,3063	9,6612	+6,68
<b>Sterling</b>	p	p	%
Class 'S-H'	104,82	97,84	+7,13
Class 'T-H'	105,38	98,48	+7,01
<b>Swiss franc</b>	CHF	CHF	%
Class 'S-H'	10,9040	10,2612	+6,26
Class 'T-H'	10,9319	10,2686	+6,46

Please note that income shares are not available in this fund.

## PERFORMANCE SINCE LAUNCH

	six months 01.07.13 %	one year 02.01.13 %	five years 02.01.09 % p.a. <sup>[a]</sup>	since launch % p.a. <sup>[a]</sup>
<b>US dollar <sup>[b]</sup></b>				
Class 'N'	+6,3	+6,9	n/a	+2,6 <sup>[c]</sup>
Class 'S'	+5,4	+5,1	n/a	+0,9 <sup>[c]</sup>
Class 'T'	+5,5	+5,4	n/a	+1,1 <sup>[c]</sup>
<b>Euro <sup>[b]</sup></b>				
Class 'B-H'	+5,0	+4,5	n/a	-3,1 <sup>[d]</sup>
Class 'S-H'	+5,2	+5,0	n/a	+0,6 <sup>[c]</sup>
Class 'T-H'	+5,3	+5,3	n/a	+0,6 <sup>[c]</sup>
<b>Sterling <sup>[b]</sup></b>				
Class 'S-H'	+5,6	+5,8	n/a	+1,1 <sup>[c]</sup>
Class 'T-H'	+5,3	+5,6	n/a	+1,3 <sup>[c]</sup>
<b>Swiss franc <sup>[b]</sup></b>				
Class 'S-H'	+4,9	+4,9	n/a	+6,5 <sup>[e]</sup>
Class 'T-H'	+5,1	+5,1	n/a	+6,7 <sup>[e]</sup>

*[a]* Shows the compound rate of return, per annum, over the period.

*[b]* Bid to bid with net income reinvested.

*[c]* 3 June 2010, the launch date of the fund.

*[d]* 19 April 2012, the launch date of the share class.

*[e]* 28 September 2012, the launch date of the share class.

## SINGLE YEAR PERFORMANCE (5 YEARS ENDING DECEMBER)

From To	31.12.12 31.12.13 %	30.12.11 31.12.12 %	31.12.10 30.12.11 %	31.12.09 31.12.10 %	31.12.08 31.12.09 %
<b>US dollar</b>					
Class 'S'	+6,5	-5,4	+0,3	n/a	n/a

Source: Morningstar, Inc., bid to bid with net income reinvested.

# M&G Episode Macro Fund

## FUND STATISTICS

### PRICES

Calendar year		Accumulation shares Highest	Lowest
<b>US dollar (net)</b>			
		\$	\$
Class 'N'	2010 <sup>[a]</sup>	10,3797	9,5221
	2011	10,9338	9,6426
	2012	11,5329	9,7048
	2013	11,0801	9,9422
	2014 <sup>[b]</sup>	10,9676	10,9676
Class 'S'	2010 <sup>[a]</sup>	10,2988	9,5089
	2011	10,7645	9,4572
	2012	11,2017	9,3506
	2013	10,4602	9,4450
	2014 <sup>[b]</sup>	10,3261	10,3261
Class 'T'	2010 <sup>[a]</sup>	10,3054	9,5107
	2011	10,7833	9,4786
	2012	11,2466	9,3992
	2013	10,5442	9,5124
	2014 <sup>[b]</sup>	10,4152	10,4152
<b>Euro (net)</b>			
		€	€
Class 'B-H'	2012 <sup>[c]</sup>	10,0000	8,6710
	2013	9,6150	8,6948
	2014 <sup>[b]</sup>	9,4746	9,4746
Class 'S-H'	2010 <sup>[a]</sup>	10,3015	9,5014
	2011	10,7661	9,4415
	2012	11,1956	9,3061
	2013	10,3708	9,3644
	2014 <sup>[b]</sup>	10,2288	10,2288
Class 'T-H'	2010 <sup>[a]</sup>	10,2964	9,5033
	2011	10,6432	9,4394
	2012	10,9784	9,2750
	2013	10,3522	9,3547
	2014 <sup>[b]</sup>	10,2312	10,2312
<b>Sterling (net)</b>			
		£	£
Class 'S-H'	2010 <sup>[a]</sup>	102,89	95,17
	2011	107,54	94,36
	2012	112,08	93,69
	2013	105,40	94,87
	2014 <sup>[b]</sup>	104,07	104,07
Class 'T-H'	2010 <sup>[a]</sup>	103,06	95,19
	2011	107,05	94,87
	2012	110,79	94,23
	2013	105,80	95,64
	2014 <sup>[b]</sup>	104,63	104,63
<b>Swiss franc (net)</b>			
		CHF	CHF
Class 'S-H'	2012 <sup>[d]</sup>	10,3093	9,8632
	2013	10,9827	9,9382
	2014 <sup>[b]</sup>	10,8250	10,8250
Class 'T-H'	2012 <sup>[d]</sup>	10,3158	9,8665
	2013	11,0065	9,9509
	2014 <sup>[b]</sup>	10,8527	10,8527

<sup>[a]</sup> From 3 June 2010 (the launch date of the fund).

<sup>[b]</sup> To 2 January 2014.

<sup>[c]</sup> From 19 April 2012 (the launch date of the share class).

<sup>[d]</sup> From 28 September 2012 (the launch date of the share class).

Past performance is no indication of current or future performance and the performance data does not take account of the commissions and costs incurred on the issue and redemption of shares.

The price of shares and the income from them may go down as well as up, and you may get back less than you invested.

### INCOME

Dividend income per share		
	Calendar year	Reinvested
<b>US dollar (net)</b>		
		¢
Class 'N'	2011	3,9548
	2012	0,0624
	2013	nil
	2014 <sup>[a]</sup>	1,0298
Class 'S'	2011	nil
	2012	nil
	2013	nil
	2014 <sup>[a]</sup>	nil
Class 'T'	2011	nil
	2012	nil
	2013	nil
	2014 <sup>[a]</sup>	nil
<b>Euro (net)</b>		
		¢
Class 'B-H'	2013	nil
	2014 <sup>[a]</sup>	nil
Class 'S-H'	2011	nil
	2012	nil
	2013	nil
	2014 <sup>[a]</sup>	nil
Class 'T-H'	2011	nil
	2012	nil
	2013	nil
	2014 <sup>[a]</sup>	nil
<b>Sterling (net)</b>		
		£
Class 'S-H'	2011	nil
	2012	nil
	2013	nil
	2014 <sup>[a]</sup>	nil
Class 'T-H'	2011	nil
	2012	nil
	2013	nil
	2014 <sup>[a]</sup>	nil
<b>Swiss franc (net)</b>		
		¢
Class 'S-H'	2013	nil
	2014 <sup>[a]</sup>	nil
Class 'T-H'	2013	nil
	2014 <sup>[a]</sup>	nil

<sup>[a]</sup> Up to final: ex-distribution date 2 January 2014.

# M&G Episode Macro Fund

## FUND STATISTICS

NET ASSETS				
	Year ended	Value per share Acc	Number of shares Acc	
<b>US dollar</b>				
		\$		
Class 'N'	Dec 2011	10,5853	8,002.500	
	Dec 2012	10,1966	6,475.200	
	Dec 2013	11,0507	5,344.800	
Class 'S'	Dec 2011	10,3187	201.000	
	Dec 2012	9,7681	5.200	
	Dec 2013	10,4024	22.700	
Class 'T'	Dec 2011	10,3547	363.400	
	Dec 2012	9,8261	159.600	
	Dec 2013	10,4912	126.700	
<b>Euro</b>				
		€		
Class 'B-H'	Dec 2012	9,0137	2.500	
	Dec 2013	9,5435	2.500	
Class 'S-H'	Dec 2011	10,3085	586.300	
	Dec 2012	9,6844	14.400	
	Dec 2013	10,3035	11.900	
Class 'T-H'	Dec 2011	10,2652	1.202.100	
	Dec 2012	9,6612	260.800	
	Dec 2013	10,3063	524.100	
<b>Sterling</b>				
		£		
Class 'S-H'	Dec 2011	103,16	1.342.000	
	Dec 2012	97,84	824.000	
	Dec 2013	104,82	1.319.000	
Class 'T-H'	Dec 2011	103,60	25.565.000	
	Dec 2012	98,48	29.787.000	
	Dec 2013	105,38	28.646.000	
<b>Swiss franc</b>				
		CHF		
Class 'S-H'	Dec 2012	10,2612	3.000	
	Dec 2013	10,9040	3.000	
Class 'T-H'	Dec 2012	10,2686	3.000	
	Dec 2013	10,9319	3.000	
<b>Total net asset value of sub-fund</b>				
	Year ended	\$	€ [a]	£ [a]
	Dec 2011	157.411.000	121.675.000	101.825.000
	Dec 2012	119.975.000	90.994.000	74.212.000
	Dec 2013	120.511.000	87.536.000	72.924.000

[a] Based on the midday exchange rate on the last business day of each financial year.

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 December 2013

Holding	Value \$'000	31.12.13 %	31.12.12 %
<b>Equities</b>			
<b>Software &amp; computer services</b>			
800 Google	887	0,74	
3.900 International Business Machines	727	0,60	
22.600 Microsoft	842	0,70	
21.800 Oracle	828	0,69	
<b>Technology hardware &amp; equipment</b>			
1.500 Apple	832	0,69	
30.500 Cisco Systems	678	0,56	
31.300 Intel	809	0,67	
10.700 Qualcomm	787	0,65	
<b>Bonds</b>			
<b>'AA' credit rated bonds</b>			
\$10.146.900 US Treasury 0% 2014 (9 Jan)	10.147	8,42	
\$15.263.700 US Treasury 0% 2014 (6 Feb)	15.263	12,67	
\$19.425.400 US Treasury 0% 2014 (13 Feb)	19.425	16,12	
\$18.000.000 US Treasury 0% 2014 (20 Feb)	17.999	14,94	
\$10.604.100 US Treasury 0% 2014 (27 Feb)	10.604	8,80	
\$9.364.600 US Treasury 0% 2014 (6 Mar)	9.364	7,77	
\$10.642.900 US Treasury 0% 2014 (13 Mar)	10.642	8,83	
<b>Credit default swaps</b>			
<b>Forward currency contracts</b>			
BRL6.863.513 Bought for \$2.925.000 (expires 24.01.14)	(32)	(0,03)	
CZK(78.793.903) Sold for \$3.895.000 (expires 24.01.14)	(65)	(0,05)	
€(6.967.065) Sold for \$9.535.000 (expires 24.01.14)	(56)	(0,05)	
€5.536.132 Bought for \$7.613.997 (expires 24.01.14)	8	0,01	
INR187.273.125 Bought for \$2.925.000 (expires 24.01.14)	87	0,07	
IDR34.310.250.000 Bought for \$2.925.000 (expires 24.01.14)	(116)	(0,10)	
¥(888.638.400) Sold for \$9.090.000 (expires 24.01.14)	624	0,52	
TWD(114.785.650) Sold for \$3.895.000 (expires 24.01.14)	42	0,03	
PHP(170.192.025) Sold for \$3.895.000 (expires 24.01.14)	59	0,05	
ZAR58.704.900 Bought for \$5.925.000 (expires 24.01.14)	(368)	(0,31)	
KRW5.207.971.000 Bought for \$4.890.000 (expires 24.01.14)	38	0,03	
£31.155.730 Bought for \$50.648.011 (expires 24.01.14)	831	0,69	
£(822.160) Sold for \$1.330.000 (expires 24.01.14)	(28)	(0,02)	
CHF64.298 Bought for \$72.467 (expires 24.01.14)	0	0,00	
TRY5.990.108 Bought for \$2.925.000 (expires 24.01.14)	(138)	(0,11)	

# M&G Episode Macro Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value \$'000	31.12.13 %	31.12.12 %
<b>Futures contracts</b>		<b>2,41</b>	<b>0,15</b>
<b>Equity index futures</b>		<b>1,74</b>	<b>0,15</b>
19 DAX Index Mar 2014	375	0,31	
143 Euro Stoxx 50 Index Mar 2014	316	0,26	
84 FTSE 100 Index Mar 2014	355	0,29	
46 FTSE MIB Index Mar 2014	293	0,24	
102 Hang Seng H Share Index Jan 2014	49	0,04	
121 Kospi 200 Index Mar 2014	155	0,13	
70 S&P 500 E Mini Index Mar 2014	213	0,18	
48 Topix Index Mar 2014	347	0,29	
<b>Interest rate futures</b>		<b>0,67</b>	<b>0,00</b>
(1.200) 5 Year US Treasury Note Mar 2014	1.970	1,63	
(18) 10 Year Japan Government Bond Mar 2014	127	0,11	
103 Euro Buxl 30 Year Bond Mar 2014	(372)	(0,31)	
496 Ultra Long US Treasury Bond Mar 2014	(921)	(0,76)	
<b>Portfolio of investments (notes 1b &amp; 1d on page 14)</b>	<b>103.627</b>	<b>85,99</b>	<b>87,78</b>
<b>Net other assets</b>	<b>16.884</b>	<b>14,01</b>	<b>12,22</b>
<b>Net assets attributable to shareholders</b>	<b>120.511</b>	<b>100,00</b>	<b>100,00</b>

### COUNTERPARTY EXPOSURE

#### Financial derivative exposure

Counterparty	Financial derivative exposure		
	Forward currency contracts \$'000	Futures \$'000	Total as at 31.12.13 \$'000
Merrill Lynch	0	2.907	2.907
State Street Bank	886	0	886
<b>Total</b>	<b>886</b>	<b>2.907</b>	<b>3.793</b>

## PORTFOLIO TRANSACTIONS

for the year ended 31 December 2013

Largest purchases	\$'000
2 Year US Treasury Note Dec 2013 <sup>[a]</sup>	227.252
5 Year US Treasury Note Dec 2013 <sup>[a]</sup>	145.988
5 Year US Treasury Note Jun 2013 <sup>[a]</sup>	93.384
5 Year US Treasury Note Mar 2013 <sup>[a]</sup>	92.279
5 Year US Treasury Note Sep 2013 <sup>[a]</sup>	91.323
Ultra Long US Treasury Bond Dec 2013 <sup>[a]</sup>	69.335
Ultra Long US Treasury Bond Mar 2014 <sup>[a]</sup>	68.506
Ultra Long US Treasury Bond Sep 2013 <sup>[a]</sup>	48.072
Kospi 200 Index Sep 2013 <sup>[a]</sup>	26.530
10 Year Japan Government Bond Jun 2013 <sup>[a]</sup>	26.075
10 Year Japan Government Bond Sep 2013 <sup>[a]</sup>	26.041
10 Year Japan Government Bond Dec 2013 <sup>[a]</sup>	25.268
Kospi 200 Index Jun 2013 <sup>[a]</sup>	25.040
Kospi 200 Index Dec 2013 <sup>[a]</sup>	24.520
US Treasury 0% 2013 (5 Jul) (\$)	24.234
US Treasury 0% 2013 (26 Sep) (\$)	24.233
US Treasury 0% 2013 (29 Nov) (\$)	20.364
US Treasury 0% 2013 (29 Aug) (\$)	19.434
US Treasury 0% 2014 (13 Feb) (\$)	19.422
US Treasury 0% 2013 (6 Jun) (\$)	19.419
Other purchases	682.828
<b>Total purchases</b>	<b>1.799.547</b>
Largest sales	\$'000
2 Year US Treasury Note Dec 2013 <sup>[a]</sup>	225.896
10 Year Japan Government Bond Dec 2013 <sup>[a]</sup>	183.716
5 Year US Treasury Note Dec 2013 <sup>[a]</sup>	145.501
5 Year US Treasury Note Mar 2014 <sup>[a]</sup>	144.947
5 Year US Treasury Note Jun 2013 <sup>[a]</sup>	93.436
5 Year US Treasury Note Sep 2013 <sup>[a]</sup>	93.012
5 Year US Treasury Note Mar 2013 <sup>[a]</sup>	92.040
Ultra Long US Treasury Bond Dec 2013 <sup>[a]</sup>	69.207
Ultra Long US Treasury Bond Sep 2013 <sup>[a]</sup>	45.684
Kospi 200 Index Sep 2013 <sup>[a]</sup>	27.506
10 Year Japan Government Bond Sep 2013 <sup>[a]</sup>	26.023
10 Year Japan Government Bond Jun 2013 <sup>[a]</sup>	25.910
Kospi 200 Index Dec 2013 <sup>[a]</sup>	25.650
10 Year Japan Government Bond Mar 2014 <sup>[a]</sup>	25.147
US Treasury 0% 2013 (5 Jul) (\$)	24.235
US Treasury 0% 2013 (26 Sep) (\$)	24.233
Kospi 200 Index Jun 2013 <sup>[a]</sup>	23.865
US Treasury 0% 2013 (7 Mar) (\$)	20.449
US Treasury 0% 2013 (29 Nov) (\$)	20.365
US Treasury 0% 2013 (29 Aug) (\$)	19.435
Other sales	659.460
<b>Total sales</b>	<b>2.015.717</b>

<sup>[a]</sup> Purchases and sales of Futures have been included at the value of their exposure.

# M&G Episode Macro Fund

## FINANCIAL STATEMENTS

For the year ended 31 December 2013.

### STATEMENT OF TOTAL RETURN

	Note	2013		2012	
		\$'000	\$'000	\$'000	\$'000
<b>Income</b>					
Net capital gains / (losses)	3		11,383		(3,946)
Revenue	4	374		(1,085)	
Expenses	5	(1,366)		(1,347)	
Finance costs: Interest	12	(2)		(4)	
Net expense before taxation		(994)		(2,436)	
Taxation	6	(5)		(19)	
Net expense after taxation			(999)		(2,455)
<b>Total return before distributions</b>			<b>10,384</b>		<b>(6,401)</b>
Finance costs: Distributions	12		(55)		0
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>10,329</b>		<b>(6,401)</b>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2013		2012	
	\$'000	\$'000	\$'000	\$'000
<b>Opening net assets attributable to shareholders</b>		<b>119,975</b>		<b>157,411</b>
Amounts received on issue of shares	13,885		32,077	
Amounts paid on cancellation of shares	(23,733)		(63,109)	
		(9,848)		(31,032)
Stamp Duty Reserve Tax		0		(3)
Change in net assets attributable to shareholders from investment activities (see above)		10,329		(6,401)
Retained distributions on Accumulation shares		55		0
<b>Closing net assets attributable to shareholders</b>		<b>120,511</b>		<b>119,975</b>

## BALANCE SHEET

	as at		as at	
	31 December 2013	\$'000	31 December 2012	\$'000
<b>Assets</b>				
Investment assets		105,723		105,696
<b>Debtors</b>				
Derivative revenue receivable	46		0	
Overseas tax recoverable	2		2	
		48		2
<b>Cash and bank balances</b>				
Amounts held at futures clearing houses and brokers	9,663		7,289	
Cash held as bank balances	7,497		7,473	
		17,160		14,762
<b>Total other assets</b>		<b>17,208</b>		<b>14,764</b>
<b>Total assets</b>		<b>122,931</b>		<b>120,460</b>
<b>Liabilities</b>				
<b>Investment liabilities</b>				
<b>Creditors</b>				
Expenses payable	(324)		(103)	
<b>Total other liabilities</b>		<b>(324)</b>		<b>(103)</b>
<b>Total liabilities</b>		<b>(2,420)</b>		<b>(485)</b>
<b>Net assets attributable to shareholders</b>		<b>120,511</b>		<b>119,975</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting policies

#### a) Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010.

#### b) Basis of valuation of investments

All investments are valued at their fair value as at 12 noon on 31 December 2013, being the last business day of the financial year. The fair value of non-derivative securities is bid price, excluding any accrued interest; the fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles and the fair value of exchange traded futures is the cost of closing out the contract at the balance sheet date. Over the counter credit default swaps are valued by Markit Valuations Limited, an independent credit derivative price provider.

#### c) Investment gains and losses

Gains and losses, including exchange differences, on the realisation of investments and increases and decreases in the valuation of investments held at the balance sheet date, including unrealised exchange differences, are treated as capital.

#### d) Exchange rates

Transactions in foreign currencies are translated at the rate of exchange ruling on the date of the transaction. Where applicable, assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling as at 12 noon on 31 December 2013, being the last business day of the financial year.

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 Accounting policies (continued)

##### e) Derivative financial instruments

The treatment of the returns on forward currency contracts and derivative contracts depends upon the nature of the transaction. Both motive and circumstances are used to determine whether the returns should be treated as capital or revenue. Where positions are undertaken to protect or enhance capital, and the circumstances support this, the returns are recognised in net capital gains / (losses); similarly where the motives and circumstances are to generate or protect revenue, and the circumstances support this, the returns are included within net expense before taxation. Where positions generate total returns it will generally be appropriate to apportion such returns between capital and revenue to properly reflect the nature of the transaction.

##### f) Dividend and interest income

Dividends from quoted equity and non-equity shares are recognised net of attributable tax credits when the security is quoted ex-dividend.

Overseas dividends received after the deduction of withholding tax are shown gross of taxation, with the taxation consequences shown within the taxation charge.

Dividends are recognised as either revenue or capital depending upon the nature and circumstances of the dividend receivable.

Interest on debt securities is recognised on an accruals basis, taking into account the effective yield on the investment and is treated as revenue. The effective yield basis amortises any discount or premium on the purchase of an investment over its remaining life based on estimated future cashflows. Any adjustments resulting from changes in cashflow estimates are treated as capital.

Bank interest is recognised on an accruals basis and treated as revenue.

##### g) Expenses

All expenses (other than those relating to the purchase and sale of investments and Stamp Duty Reserve Tax) are charged against revenue for the year on an accruals basis.

##### h) Apportionment of income and expenses to multiple share classes

With the exception of the Authorised Corporate Director's (ACD's) periodic charge, performance fees and share class hedging fees which are directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

##### i) Taxation

The rate of corporation tax for the sub-fund is 20%, with relief for double taxation taken where appropriate. The tax accounting treatment follows the principal amounts involved.

##### j) Deferred taxation

Deferred tax is provided for in respect of timing differences that have originated but not reversed by the balance sheet date, with the exception of those regarded as permanent differences. Any liability to deferred tax is provided at the average rate of tax expected to apply. A deferred tax asset is recognised to the extent that it is expected to be utilised, based on the likelihood of taxable profits arising in the next twelve month period from which the future reversal of timing differences can be deducted. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

##### k) Distribution policy

The policy of the sub-fund is to distribute all available income, excluding any items treated as capital in accordance with the above policies and after deduction of expenses properly chargeable against revenue.

Income attributable to Accumulation shareholders is retained at the end of each distribution period and represents a reinvestment of income. All remaining income is distributed in accordance with the Collective Investment Schemes sourcebook.

#### 2 Risk management policies

In pursuing the sub-fund's investment objective, as set out in the Authorised Corporate Director's (ACD's) Report, the ACD accepts market price risk, interest rate risk and currency risk in relation to the investment portfolio. The Prospectus permits the sub-fund to use derivative instruments for both investment purposes and to hedge against medium and long-term risk.

The sub-fund may undertake transactions in derivatives both on exchange and over the counter (OTC). These may include but are not limited to, credit default swaps, interest rate swaps, options, contracts for differences and futures for the purposes of meeting the investment objective and protecting the risk to capital, duration and credit management, as well as for hedging. Although the fund manager will select the counterparties with which it enters into derivative transactions with due skill and care, there will be residual risk that the counterparty may default on its obligations or become insolvent. The use of these instruments may expose the sub-fund to volatile investment returns and increase the volatility of the net asset value of the sub-fund. All derivative positions are disclosed separately in the portfolio statement.

Credit default swaps are bought and sold in response to detailed credit research to take advantage of anticipated movements in credit spreads on individual stocks and baskets of securities. When the sub-fund buys a credit default swap the default risk associated with the underlying security transfers to the counterparty. Conversely when the sub-fund sells a credit default swap the sub-fund assumes the credit risk of the underlying security.

During the year, it has been the policy to hedge the majority of the non-US dollar denominated investment portfolio against currency movements through the use of forward currency contracts.

The ACD will also use forward currency contracts to reduce the exposure of shareholders of the euro, sterling and Swiss franc share classes to movements in the sub-fund's base currency. The total benefits and costs of these forward currency contracts are assigned solely to the respective euro, sterling and Swiss franc share classes.

# M&G Episode Macro Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 2 Risk management policies (continued)

The ACD considers the credit rating, yield and maturity of each interest-bearing security, in order to ensure that the yield fully reflects any perceived risk. The capital value of interest-bearing securities within the sub-fund will fall in the event of the default or perceived increased credit risk of an issuer.

The capital value of interest-bearing securities within the sub-fund may also be affected by interest rate fluctuations such that when interest rates rise, the capital value of the interest-bearing securities is likely to fall and visa versa.

The sub-fund holds investments denominated in currencies other than the base currency therefore exchange rate fluctuations can affect both income and capital values. Short-term foreign currency exposures are generally covered by short-dated currency contracts. Income arising in foreign currencies is generally converted into US dollars shortly after receipt and is not hedged in advance of receipt.

Liquidity risk relates to the capacity to meet liabilities. The primary source of this risk to the sub-fund is the liability to shareholders for any redemption of shares. The risk is minimised by holding cash and readily realisable securities and via access to overdraft facilities.

The Investment Manager is entitled to receive a performance fee in addition to the other fees and expenses paid to it by the ACD. Performance fees may be considered to create an incentive for the Investment Manager which may increase the risk profile of the sub-fund.

Where the fee accrual is reduced due to negative performance on any dealing day in an accounting period, it will be set against any prior positive performance per share, thereby reducing the performance fee accrual per share within that share class. This fee adjustment may not exactly match a previous positive accrual because the number of shares in issue at the time of the underperformance may be more or less than those in issue at the time of original accrual.

These policies have been consistently applied since the beginning of the financial year (31.12.12: same).

#### 3 Net capital gains / (losses)

	2013 \$'000	2012 \$'000
Non-derivative securities	518	(4,897)
Derivative contracts	7,965	(159)
Forward currency contracts	2,640	1,038
Currency gains	267	88
Transaction charges	(7)	(16)
<b>Net capital gains / (losses)</b>	<b>11,383</b>	<b>(3,946)</b>

#### 4 Revenue

	2013 \$'000	2012 \$'000
Bank interest	31	18
Derivative revenue	266	(1,387)
Interest on debt securities	45	67
Overseas dividends	32	91
UK dividends	0	126
<b>Total revenue</b>	<b>374</b>	<b>(1,085)</b>

#### 5 Expenses

	2013 \$'000	2012 \$'000
<b>Payable to the Authorised Corporate Director or associate</b>		
Authorised Corporate Director's periodic charge	881	887
Administration fee	178	352
Performance fee	217	0
Share class hedging fee	17	32
	1,293	1,271
<b>Payable to the Depositary or associate</b>		
Depositary's fee (including VAT)	11	12
<b>Other expenses</b>		
Audit fee (including VAT)	5	39
Regulatory fees	20	20
Safe custody charge	2	3
Tax consultancy fees (including VAT) <sup>[a]</sup>	35	2
	62	64
<b>Total expenses</b>	<b>1,366</b>	<b>1,347</b>

[a] Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP.

#### 6 Taxation

	2013 \$'000	2012 \$'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Overseas tax	5	19
Current tax charge (note 6b)	5	19
Deferred tax (note 6c)	0	0
<b>Total taxation</b>	<b>5</b>	<b>19</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net expense before taxation	(994)	(2,436)
Corporation tax at 20%	(199)	(487)
Effects of:		
UK dividends not taxable	0	(25)
Overseas dividends not taxable	(7)	(20)
Current year expenses not utilised	206	532
Overseas tax	5	19
<b>Current tax charge (note 6a)</b>	<b>5</b>	<b>19</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

The sub-fund has not recognised a deferred tax asset of \$980,000 (31.12.12: \$774,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

# M&G Episode Macro Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 7 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (31.12.12: same).

#### 8 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the sub-fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the statement of change in net assets attributable to shareholders and note 12. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in the balance sheet where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's periodic charge, administration fee, performance fee and share class hedging fee are disclosed in note 5. Amounts due at the year end to the ACD of \$283.000 (31.12.12: \$56.000) in respect of the ACD's periodic charge, administration fee, performance fee and share class hedging fee are disclosed in the balance sheet.

At the balance sheet date, material shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 14,84% (31.12.12: 17,24%) of the sub-fund's shares.

#### 9 Financial instruments

The policies applied in the management of financial instruments are set out in note 2.

Short-term debtors and creditors have been included in respect of the currency exposure only when this is applicable (31.12.12: same).

#### Currency exposure

The currency profile of the sub-fund's financial instruments at the balance sheet date was:

	Portfolio of investments		Net other assets		Total	
	as at 31.12.13 \$'000	as at 31.12.12 \$'000	as at 31.12.13 \$'000	as at 31.12.12 \$'000	as at 31.12.13 \$'000	as at 31.12.12 \$'000
Brazilian real	2.893	0	0	0	2.893	0
Czech koruna	(3.959)	0	0	0	(3.959)	0
Euro	(1.651)	3.469	2.486	2.144	835	5.613
Hong Kong dollar	0	57	958	1.037	958	1.094
Indian rupee	3.012	0	0	0	3.012	0
Indonesian rupiah	2.809	0	0	0	2.809	0
Japanese yen	(7.944)	(5.496)	537	0	(7.407)	(5.496)
New Taiwan dollar	(3.853)	0	0	0	(3.853)	0
Philippine peso	(3.836)	0	0	0	(3.836)	0
South African rand	5.557	0	0	0	5.557	0
South Korean won	5.082	4.931	3.731	1.476	8.813	6.407
Sterling	50.769	48.573	39	1.443	50.808	50.016
Swiss franc	72	67	0	0	72	67
Thailand baht	0	0	0	1.194	0	1.194
Turkish lira	2.788	0	0	0	2.788	0
	51.739	51.601	7.751	7.294	59.490	58.895
US dollar	51.888	53.713	9.133	7.367	61.021	61.080
<b>Total</b>	<b>103.627</b>	<b>105.314</b>	<b>16.884</b>	<b>14.661</b>	<b>120.511</b>	<b>119.975</b>

#### Interest rate profile

The majority of the sub-fund's assets comprise discounted short-dated zero coupon bonds which do not pay interest (31.12.12: same).

The interest-bearing financial assets of the sub-fund consist of bank balances, on which interest is calculated at a variable rate by reference to US dollar bank deposit rates or the international equivalent.

#### Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.12.12: same).

#### Risk analysis

Our core method of estimating each sub-fund's overall risk position is to use value at risk based (VaR) techniques that enable us to measure each sub-fund's sensitivity to core market risk factors such as credit and interest rates. VaR is a technique used to estimate the probability of portfolio losses based on the statistical analysis of historical price trends and volatilities.

The MAGIM risk model for VaR production was originally created in 2001 utilising the Algorithmics RiskWatch software, a market leading risk solution. From the variance / covariance matrices, a parametric Monte Carlo scenario set of 5.000 simulations is derived and applied to the M&G Episode Macro Fund.

The key assumption within the variance / covariance matrix is the exponential weighted moving average approach that utilises a decay factor of 0,94 thereby weighting more recent data history with a higher significance.

The VaR analysis for the M&G Episode Macro Fund is produced on a daily basis. Market risk factors that are analysed include LIBOR / swap rates, government yield curves, equity prices, foreign exchange rates, market volatility and credit spreads.

# M&G Episode Macro Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 9 Financial instruments (continued)

##### Risk analysis (continued)

With a statistical level of confidence of 99%, the VaR model suggests that the potential loss incurred could be \$7,263,654 over the next 30 days from the balance sheet date, 31 December 2013.

Please note, the market risk information is a relative estimate of risk rather than a precise and accurate number. The model is based on historical data and cannot take account of the fact that future market price movements, correlations between markets and levels of market liquidity in conditions of market stress may bear no relation to historical patterns.

#### 10 Portfolio transaction costs

	2013 \$'000	2012 \$'000
<b>a) Purchases <sup>[a]</sup></b>		
Purchases excluding transaction costs	1,799,539	1,428,463
Commissions	8	39
Taxes	0	25
Total transaction costs	8	64
<b>Total purchases including transaction costs</b>	<b>1,799,547</b>	<b>1,428,527</b>
<b>b) Sales <sup>[a]</sup></b>		
Sales excluding transaction costs	2,015,717	1,420,093
Commissions	0	(28)
<b>Total sales net of transaction costs</b>	<b>2,015,717</b>	<b>1,420,065</b>

<sup>[a]</sup> Purchases and sales of Futures have been included at the value of their exposure.

#### 11 Shareholder funds

This sub-fund contains US dollar Class 'S' (Net Accumulation) shares, US dollar Class 'N' (Net Accumulation) shares and US dollar Class 'T' (Net Accumulation) shares.

This sub-fund also contains Euro Class 'B-H' (Net Accumulation) shares, Euro Class 'S-H' (Net Accumulation) shares and Euro Class 'T-H' (Net Accumulation) shares.

This sub-fund also contains Sterling Class 'S-H' (Net Accumulation) shares and Sterling Class 'T-H' (Net Accumulation) shares.

This sub-fund also contains Swiss franc Class 'S-H' (Net Accumulation) shares and Swiss franc Class 'T-H' (Net Accumulation) shares.

The charging structure for each share class, as at 31 December 2013, is set out in the following table (31.12.12: same):

#### CHARGES AND EXPENSES

	Initial charge %	Withdrawal fee %	ACD's annual remuneration %	Share Class Hedging fee %
<b>US dollar</b>				
Class 'N'	nil	n/a	nil	n/a
Class 'S'	4,00	n/a	1,75	n/a
Class 'T'	4,00	n/a	1,50	n/a
<b>Euro</b>				
Class 'B-H'	1,25	n/a	2,25	0,025 <sup>[a]</sup>
Class 'S-H'	4,00	n/a	1,75	0,025 <sup>[a]</sup>
Class 'T-H'	4,00	n/a	1,50	0,025 <sup>[a]</sup>
<b>Sterling</b>				
Class 'S-H'	1,00	n/a	1,75	0,025 <sup>[a]</sup>
Class 'T-H'	1,00	n/a	1,50	0,025 <sup>[a]</sup>
<b>Swiss franc</b>				
Class 'S-H'	4,00	n/a	1,75	0,025 <sup>[a]</sup>
Class 'T-H'	4,00	n/a	1,50	0,025 <sup>[a]</sup>

<sup>[a]</sup> This charge may vary between 0,01% and 0,06%.

With the exception of the Authorised Corporate Director's periodic charge, performance fee and share class hedging fees which are directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

The net asset values for each share class are set out in the following table:

#### NET ASSET VALUES

	31.12.13 Acc \$'000	31.12.12 Acc \$'000
<b>US dollar</b>		
Class 'N'	59,064	66,024
Class 'S'	236	51
Class 'T'	1,329	1,568
<b>Euro</b>		
Class 'B-H'	33	30
Class 'S-H'	169	184
Class 'T-H'	7,436	3,322
<b>Sterling</b>		
Class 'S-H'	2,285	1,303
Class 'T-H'	49,885	47,425
<b>Swiss franc</b>		
Class 'S-H'	37	34
Class 'T-H'	37	34

The net asset value per share and the number of shares are given in the net assets table on page 12. The distribution per share is given in the distribution table on page 19. Each share class has the same rights on winding-up.

# M&G Episode Macro Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 12 Finance costs

	2013 \$'000	2012 \$'000
<b>Accumulation shares (US dollar)</b>		
Class 'N' - Final	55	0
Class 'S' - Final	0	0
Class 'T' - Final	0	0
<b>Accumulation shares (Euro)</b>		
Class 'B-H' - Final	0	0
Class 'S-H' - Final	0	0
Class 'T-H' - Final	0	0
<b>Accumulation shares (Sterling)</b>		
Class 'S-H' - Final	0	0
Class 'T-H' - Final	0	0
<b>Accumulation shares (Swiss franc)</b>		
Class 'S-H' - Final	0	0
Class 'T-H' - Final	0	0
<b>Finance costs: Distributions</b>	<b>55</b>	<b>0</b>
Finance costs: Interest	2	4
<b>Total finance costs</b>	<b>57</b>	<b>4</b>
Net revenue per statement of total return	(999)	(2,455)
Income deficit transferred to capital	1,054	2,455
<b>Finance costs: Distributions</b>	<b>55</b>	<b>0</b>

## DISTRIBUTION TABLE

Dividend distributions on Accumulation shares	Net income	Equalisation	Amount reinvested	
			2013	2012
<b>US dollar</b>	€	€	€	€
Class 'N' - Final				
Group 1:	1,0298	-	1,0298	nil
Group 2:	1,0298	-	1,0298	nil
Class 'S' - Final				
Group 1:	nil	-	nil	nil
Group 2:	nil	nil	nil	nil
Class 'T' - Final				
Group 1:	nil	-	nil	nil
Group 2:	nil	nil	nil	nil
<b>Euro</b>	€	€	€	€
Class 'B-H' - Final				
Group 1:	nil	-	nil	nil
Group 2:	nil	nil	nil	nil
Class 'S-H' - Final				
Group 1:	nil	-	nil	nil
Group 2:	nil	nil	nil	nil
Class 'T-H' - Final				
Group 1:	nil	-	nil	nil
Group 2:	nil	nil	nil	nil
<b>Sterling</b>	£	£	£	£
Class 'S-H' - Final				
Group 1:	nil	-	nil	nil
Group 2:	nil	nil	nil	nil
Class 'T-H' - Final				
Group 1:	nil	-	nil	nil
Group 2:	nil	nil	nil	nil
<b>Swiss franc</b>	€	€	€	€
Class 'S-H' - Final				
Group 1:	nil	-	nil	nil
Group 2:	nil	nil	nil	nil
Class 'T-H' - Final				
Group 1:	nil	-	nil	nil
Group 2:	nil	nil	nil	nil

Final period 01.01.13 - 31.12.13

Group 1: Shares purchased prior to a distribution period.

Group 2: Shares purchased during a distribution period.

Equalisation applies only to shares purchased during the distribution period (Group 2). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes.

# M&G Episode Macro Fund

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# M&G Global Corporate Bond Fund

## AUTHORISED CORPORATE DIRECTOR'S REPORT

### Investment objective of the M&G Global Corporate Bond Fund

The Fund aims to maximise total return (the combination of income and growth of capital).

### Investment policy of the M&G Global Corporate Bond Fund

The Fund invests on a global basis mainly in investment grade corporate bonds denominated in any currency. The Fund's exposure to investment grade corporate bonds may be gained through the use of derivatives.

The Fund may also invest in high yield corporate bonds, government and public securities, collective investment schemes, other transferable securities, cash and near cash, deposits, warrants and money market instruments which may be denominated in any currency.

Any currency exposures within the Fund may be managed by currency hedges.

Derivatives may be used in pursuit of the fund objective and for efficient portfolio management purposes.

### Investment approach

The M&G Global Corporate Bond Fund aims to maximise total returns through investing mainly in investment grade corporate bonds, denominated in any currency. Currency exposure is typically hedged back to the fund's base currency. The fund also has the flexibility to invest in high yield or government bonds. Returns are driven by a combination of macroeconomic, asset class, sector, geographic and individual credit-level factors. A dynamic investment approach combining top-down and bottom-up techniques is followed, allowing the fund manager to change the blend of duration and credit exposure based on his outlook for bond markets. An in-house team of independent credit analysts assists the fund manager in individual credit selection along with the monitoring of names held by the fund.

The fund is not managed closely to a benchmark, which allows for a flexible and high-conviction investment approach.

### Risk and reward profile\*



- The above risk number is based on the rate at which the value of the Fund has moved up and down in the past.
- This risk number is based on simulated historical data and may not be a reliable indicator of the future risk profile of the Fund.
- The risk number shown is not guaranteed and may change over time.
- The lowest risk number does not mean risk free.

\* Please note that this 'Risk and reward profile' section is based on Sterling Class 'A-H' shares, the nominated share class.

## INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

### As at 2 January 2014, for the period from 5 September 2013 to 31 December 2013

We adjust the positioning of the M&G Global Corporate Bond Fund to reflect changes in our outlook regarding interest rates and credit risk (companies' ability to repay their debts) across the major economies.

One of the key drivers of the fund's performance is the ability to reduce or increase the portfolio's sensitivity to changes in bond yields<sup>[a]</sup>, otherwise known as 'duration'. Since launch, we have run the portfolio with a slightly short duration position relative to a comparable index, reflecting our view that bond yields are likely to rise in the coming months.

We have a positive outlook on credit risk, as we believe companies are generally in good shape. At the end of the review period, high quality corporate bonds made up around 85% of the portfolio's holdings. We are finding opportunities in US dollar, euro and sterling-denominated bonds. However, our largest position is in dollar-denominated corporate bonds (although this is roughly neutral relative to a comparable index), which make up around 60% of the portfolio.

During the period under review, we established holdings in a number of long-dated US dollar-denominated investment grade corporate bonds, particularly from European telecommunication companies such as British Telecommunications and Deutsche Telekom. As a result, the fund's largest active sector position is in telecommunications.

We can invest up to 20% of the fund away from high quality corporate bonds in either government bonds or riskier, so-called 'high yield' corporate bonds. (These securities usually pay a higher rate of interest than their better quality counterparts to compensate investors for the greater possibility that the issuer might be unable to meet its obligations, or in other words, default.) At the end of the review period, around 12% of the portfolio was invested in the high yield sector. Of this, approximately half is in bonds issued by financials.

**Ben Lord**  
Fund manager

An employee of M&G Limited which is an associate of M&G Securities Limited.

<sup>[a]</sup> A bond is a loan in the form of a security, usually issued by a government (government bonds) or company (corporate bonds), which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid. Bond yields refer to the interest received from a fixed income security and is usually expressed annually as a percentage of its investment cost, current market value or face value.

Please note that the views expressed in this Report should not be taken as a recommendation or advice on how the fund or any holding mentioned in the Report is likely to perform. If you wish to obtain financial advice as to whether an investment is suitable for your needs, you should consult a Financial Adviser.

# M&G Global Corporate Bond Fund

## FUND STATISTICS

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
First interim	01.04.14	31.05.14
Second interim	01.07.14	31.08.14
Third interim	01.10.14	30.11.14
Final	02.01.15	28.02.15

	Final distribution		Ongoing Charges Figure <sup>[b]</sup> 31.12.13
	Inc 28.02.14 <sup>[a]</sup>	Acc 02.01.14 <sup>[a]</sup>	
<b>US dollar</b>	¢	¢	%
Class 'A'	n/a	2,3996	1,80 <sup>[c]</sup>
Class 'C'	n/a	4,0368	1,30 <sup>[c]</sup>
<b>Euro</b>	¢	¢	%
Class 'A-H'	2,2760	2,2760	1,82 <sup>[c]</sup>
Class 'C-H'	3,8810	3,8810	1,32 <sup>[c]</sup>
<b>Sterling</b>	p	p	%
Class 'A-H'	0,2324	0,2220	1,82 <sup>[c]</sup>
Class 'I-H'	0,3132	0,4552	1,32 <sup>[c]</sup>
Class 'R-H'	0,2500	0,2500	1,57 <sup>[c]</sup>
<b>Swiss franc</b>	¢	¢	%
Class 'A-H'	n/a	2,1760	1,82 <sup>[c]</sup>
Class 'C-H'	n/a	3,7820	1,32 <sup>[c]</sup>

<sup>[a]</sup> The date on which the final distribution will be paid to Income shareholders and credited to Accumulation shareholders.

<sup>[b]</sup> The Ongoing Charges Figure is the ratio of the relevant annualised total disclosable costs of each share class from the most recent reporting period to the average net asset value for that share class over the same period.

<sup>[c]</sup> The Ongoing Charges Figures shown here are an estimate of the charges, as the fund has not been in existence for a full financial year.

Income accrued from interest-bearing securities is distributed on an effective yield basis.

### FUND PERFORMANCE

Performance of share classes

	Net asset value per share as at 31.12.13	
	Inc	Acc
<b>US dollar</b>	\$	\$
Class 'A'	n/a	10,2190
Class 'C'	n/a	10,2353
<b>Euro</b>	€	€
Class 'A-H'	10,1863	10,2090
Class 'C-H'	10,1877	10,2265
<b>Sterling</b>	p	p
Class 'A-H'	101,98	102,23
Class 'I-H'	102,02	102,35
Class 'R-H'	102,02	102,27
<b>Swiss franc</b>	CHF	CHF
Class 'A-H'	n/a	10,1983
Class 'C-H'	n/a	10,2169

As the fund has not yet operated for a 12 month period, performance since launch figures and single year performance figures have not been calculated.

## PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
<b>US dollar (gross)</b>		\$	\$	\$	\$
Class 'A'	2013 <sup>[a]</sup>	n/a	n/a	10,3300	10,0000
	2014 <sup>[b]</sup>	n/a	n/a	10,2982	10,2982
Class 'C'	2013 <sup>[a]</sup>	n/a	n/a	10,3455	10,0000
	2014 <sup>[b]</sup>	n/a	n/a	10,3150	10,3150
<b>Euro (gross)</b>		€	€	€	€
Class 'A-H'	2013 <sup>[a]</sup>	10,3183	10,0000	10,3183	10,0000
	2014 <sup>[b]</sup>	10,2634	10,2634	10,2868	10,2868
Class 'C-H'	2013 <sup>[a]</sup>	10,3349	10,0000	10,3349	10,0000
	2014 <sup>[b]</sup>	10,2653	10,2653	10,3049	10,3049
<b>Sterling (net)</b>		p	p	p	p
Class 'A-H'	2013 <sup>[a]</sup>	103,29	100,00	103,30	100,00
	2014 <sup>[b]</sup>	102,75	102,75	103,00	103,00
Class 'I-H'	2013 <sup>[a]</sup>	103,41	100,00	103,41	100,00
	2014 <sup>[b]</sup>	102,79	102,79	103,12	103,12
Class 'R-H'	2013 <sup>[a]</sup>	103,35	100,00	103,35	100,00
	2014 <sup>[b]</sup>	102,79	102,79	103,04	103,04
<b>Swiss franc (gross)</b>		CHF	CHF	CHF	CHF
Class 'A-H'	2013 <sup>[a]</sup>	n/a	n/a	10,3087	10,0000
	2014 <sup>[b]</sup>	n/a	n/a	10,2758	10,2758
Class 'C-H'	2013 <sup>[a]</sup>	n/a	n/a	10,3265	10,0000
	2014 <sup>[b]</sup>	n/a	n/a	10,2950	10,2950

<sup>[a]</sup> From 5 September 2013 (the launch date of the fund).

<sup>[b]</sup> To 2 January 2014.

Past performance is no indication of current or future performance and the performance data does not take account of the commissions and costs incurred on the issue and redemption of shares.

The price of shares and the income from them may go down as well as up, and you may get back less than you invested.

## INCOME

Interest income per share

	Calendar year	Final	Distributed Interims	Reinvested	
				Total	
<b>US dollar (gross)</b>		¢	¢	¢	¢
Class 'A'	2013	n/a	n/a	n/a	nil
	2014 <sup>[a]</sup>	n/a	n/a	n/a	2,3996
Class 'C'	2013	n/a	n/a	n/a	nil
	2014 <sup>[a]</sup>	n/a	n/a	n/a	4,0368
<b>Euro (gross)</b>		¢	¢	¢	¢
Class 'A-H'	2013	n/a	nil	nil	nil
	2014 <sup>[a]</sup>	2,2760	-	2,2760	2,2760
Class 'C-H'	2013	n/a	nil	nil	nil
	2014 <sup>[a]</sup>	3,8810	-	3,8810	3,8810
<b>Sterling (net)</b>		p	p	p	p
Class 'A-H'	2013	n/a	nil	nil	nil
	2014 <sup>[a]</sup>	0,2324	-	0,2324	0,2220
Class 'I-H'	2013	n/a	nil	nil	nil
	2014 <sup>[a]</sup>	0,3132	-	0,3132	0,4552
Class 'R-H'	2013	n/a	nil	nil	nil
	2014 <sup>[a]</sup>	0,2500	-	0,2500	0,2500
<b>Swiss franc (gross)</b>		¢	¢	¢	¢
Class 'A-H'	2013	n/a	n/a	n/a	nil
	2014 <sup>[a]</sup>	n/a	n/a	n/a	2,1760
Class 'C-H'	2013	n/a	n/a	n/a	nil
	2014 <sup>[a]</sup>	n/a	n/a	n/a	3,7820

<sup>[a]</sup> Up to final: ex-distribution date 2 January 2014; payment date 28 February 2014.

# M&G Global Corporate Bond Fund

## FUND STATISTICS

### NET ASSETS

	Period ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
<b>US dollar</b>					
		\$	\$		
Class 'A'	Dec 2013	n/a	10,2190	n/a	1,504.500
Class 'C'	Dec 2013	n/a	10,2353	n/a	1.000
<b>Euro</b>					
		€	€		
Class 'A-H'	Dec 2013	10,1863	10,2090	1.000	1.000
Class 'C-H'	Dec 2013	10,1877	10,2265	1.000	1.000
<b>Sterling</b>					
		£	£		
Class 'A-H'	Dec 2013	101,98	102,23	35.000	30.000
Class 'I-H'	Dec 2013	102,02	102,35	10.000	115.000
Class 'R-H'	Dec 2013	102,02	102,27	10.000	10.000
<b>Swiss franc</b>					
		CHF	CHF		
Class 'A-H'	Dec 2013	n/a	10,1983	n/a	1.000
Class 'C-H'	Dec 2013	n/a	10,2169	n/a	1.000

Total net asset value of sub-fund			
Period ended	\$	€ [a]	£ [a]
Dec 2013	15.819.000	11.491.000	9.572.000

[a] Based on the midday exchange rate on the last business day of each accounting period.

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 December 2013

Holding	Value \$'000	31.12.13 %
<b>'AAA' credit rated bonds</b>		
		<b>10,25</b>
\$400.000 American Tower Trust I 3,07% 2048	374	2,36
£210.000 Treasury 2,5% IL 2020	1.248	7,89
<b>'AA' credit rated bonds</b>		
		<b>18,72</b>
\$100.000 America Movil 5% 2020	109	0,69
\$175.000 AmerisourceBergen 3,5% 2021	172	1,09
\$150.000 AT&T 6,55% 2039	172	1,09
€100.000 Cloverie Var. Rate 2039 (7,5%)	164	1,04
\$200.000 Coca-Cola FEMSA 3,875% 2023	197	1,25
\$75.000 Comcast Cable Communications 9,455% 2022	104	0,66
€100.000 Fastnet Securities FRN 2053	138	0,87
\$330.349 Mitchells & Butlers Finance FRN 2030	294	1,86
£75.000 Munich Re Finance Var. Rate 2028 (7,625%)	145	0,92
\$69.000 Philip Morris International 3,6% 2023	67	0,42
£168.162 RMAC 2005-Ns1 FRN 2037	256	1,62
\$341.929 RMAC 2005-Nsp2 FRN 2037	320	2,02
\$199.000 Statoil 3,7% 2024	196	1,24
\$625.000 US Treasury 2,5% 2023	601	3,80
\$30.000 US Treasury 2,875% 2043	24	0,15
<b>'BBB' credit rated bonds</b>		
		<b>54,12</b>
£121.000 AA Bond Company 4,2487% 2043	196	1,24
\$130.000 Altria Group 2,85% 2022	119	0,75
\$38.000 Altria Group 4% 2024	37	0,23
\$33.000 Altria Group 9,95% 2038	50	0,32
€225.000 America Movil Var. Rate 2073 (5,125%)	323	2,04

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value \$'000	31.12.13 %
<b>'BBB' credit rated bonds (continued)</b>		
£150.000 American International Group Var. Rate 2068 (8,625%)	289	1,83
\$300.000 British Telecommunications 9,625% 2030	438	2,76
\$72.000 CBS 7,875% 2030	89	0,56
\$150.000 Credit Suisse Guernsey Var. Rate 2041 (7,875%)	164	1,03
\$150.000 CRH Americas 5,75% 2021	160	1,01
\$325.000 Deutsche Telekom International Finance 8,75% 2030	455	2,87
\$120.000 Domtar Corporation 4,4% 2022	115	0,73
\$300.000 Dow Chemical 9,4% 2039	448	2,83
\$150.000 Energy Transfer Partners 3,6% 2023	139	0,88
\$300.000 Ericsson 4,125% 2022	293	1,85
\$100.000 Ford Motor Company 6,625% 2028	112	0,71
\$111.000 Ford Motor Company 9,125% 2021	142	0,90
\$80.000 Freeport McMoRan Copper & Gold 3,55% 2022	76	0,48
£100.000 Heathrow Funding (formerly BAA Funding) 7,125% 2024	194	1,23
\$125.000 Hospira 5,8% 2023	130	0,82
€155.000 Intesa Sanpaolo 3% 2019	215	1,36
\$200.000 Intesa Sanpaolo 3,875% 2019	199	1,26
\$125.000 JPMorgan Chase Var. Rate Perp. (7,9%)	138	0,87
\$125.000 Kinder Morgan Energy Partners 5,8% 2021	139	0,88
\$119.000 Liberty Mutual 4,25% 2023	114	0,72
£175.000 Lloyds Bank (formerly Lloyds TSB Bank) Var. Rate 2020 (6,9625%)	302	1,91
\$225.000 Lorillard Tobacco Company 3,75% 2023	205	1,30
€110.000 Mondelēz International 2,375% 2021	150	0,95
\$300.000 Morgan Stanley 5% 2025	300	1,90
\$57.000 Mylan 4,2% 2023	56	0,35
\$100.000 Omnicom Group 3,625% 2022	97	0,61
\$325.000 Orange 8,5% 2042	446	2,82
\$25.000 PCA 4,5% 2023	25	0,16
€112.000 Prologis 3% 2022	152	0,96
\$75.000 Qwest 6,75% 2021	82	0,52
\$200.000 Reynolds American 4,75% 2042	178	1,13
£100.000 Santander UK Var. Rate 2023 (9,625%)	195	1,23
\$200.000 SSE Var. Rate Perp. (5,625%)	211	1,33
\$50.000 Stanley Black & Decker 5,75% 2053	53	0,34
£143.743 Tesco Property Finance 1 7,6227% 2039	306	1,93
£50.000 Time Warner Cable 5,75% 2031	73	0,46
\$200.000 Twenty-First Century Fox 6,9% 2039	236	1,49
\$225.000 UBS 4,75% 2023	224	1,42
\$279.000 Verizon Global Funding 5,15% 2023	300	1,90
\$124.000 WPP Finance 5,625% 2020	122	0,77
\$80.000 Xstrata Canada 4,25% 2022	76	0,48
<b>'BB' credit rated bonds</b>		
		<b>8,27</b>
\$110.000 Bank of America Var. Rate Perp. (8%)	122	0,77
€100.000 Belden 5,5% 2023	134	0,85
\$200.000 Cemex Finance 9,375% 2022 '144A'	225	1,42
€100.000 Lafarge 4,75% 2020	145	0,92
£100.000 Old Mutual 8% 2021	176	1,11
\$99.000 Royal Bank of Scotland 6% 2023	99	0,63
£100.000 Telefónica (Europe) Var. Rate Perp. (6,75%)	168	1,06
\$75.000 T-Mobile USA 6,633% 2021	78	0,49
£100.000 Veolia Environnement Var. Rate Perp. (4,45%)	162	1,02
<b>Bonds with no credit rating</b>		
		<b>2,08</b>
€238.000 ATON 3,875% 2018	329	2,08

# M&G Global Corporate Bond Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value \$'000	31.12.13 %
<b>Forward currency contracts</b>		
€(1.320.503) Sold for \$1.787.030 (expires 08.01.14)	(31)	(0,20)
€24.658 Bought for \$33.577 (expires 08.01.14)	0	0,00
€40.864 Bought for \$56.206 (expires 24.01.14)	0	0,00
£27.470 Bought for \$44.883 (expires 08.01.14)	1	0,01
£(2.304.321) Sold for \$3.732.634 (expires 08.01.14)	(75)	(0,47)
€215.518 Bought for \$350.355 (expires 24.01.14)	6	0,04
CHF20.411 Bought for \$23.004 (expires 24.01.14)	0	0,00
<b>Interest rate futures contracts</b>		
(4) Long Gilt Future Mar 2014	16	0,10
(14) US 10 Year Treasury Bond Mar 2014	36	0,23
<b>Credit default swaps</b>		
<b>0,12</b>		
\$ (620.000) Markit CDX North American Investment Grade Index (IG) Series 21 10 Year Dec 2023	(4)	(0,03)
€(1.400.000) Markit iTraxx Europe Series 20 5 Year Dec 2018	28	0,18
€300.000 Orange SA Dec 2018	(5)	(0,03)
<b>'AAA' rated money market funds <sup>[a]</sup></b>		
<b>6,33</b>		
\$1.001.000 Northern Trust Global Fund - US dollar	1.001	6,33
<b>Portfolio of investments (notes 1b &amp; 1d on page 25)</b>	<b>15.755</b>	<b>99,60</b>
<b>Net other assets</b>	<b>64</b>	<b>0,40</b>
<b>Net assets attributable to shareholders</b>	<b>15.819</b>	<b>100,00</b>

<sup>[a]</sup> Uncommitted surplus cash is placed into 'AAA' rated money market funds with the aim of reducing counterparty risk.

### COUNTERPARTY EXPOSURE

Counterparty	Financial derivative exposure			Total as at 31.12.13 \$'000
	Credit default swaps \$'000	Forward currency contracts \$'000	Futures \$'000	
BNP Paribas	(4)	0	0	(4)
Credit Suisse	11	0	0	11
Deutsche Bank	14	0	0	14
J.P.Morgan	(2)	0	0	(2)
Royal Bank of Scotland	0	0	52	52
State Street Bank	0	(99)	0	(99)
<b>Total</b>	<b>19</b>	<b>(99)</b>	<b>52</b>	<b>(28)</b>

### PORTFOLIO TRANSACTIONS

for the period ended 31 December 2013

	\$'000
<b>Largest purchases</b>	
US 10 Year Treasury Bond Dec 2013 <sup>[a]</sup>	2.278
Treasury 2,5% IL 2020 (€)	1.559
Long Gilt Future Dec 2013 <sup>[a]</sup>	1.412
Germany (Federal Republic of) 1,75% IL 2020 (€)	789
US Treasury 2,5% 2023 (\$)	605
Long Gilt Future Mar 2014 <sup>[a]</sup>	528
US 10 Year Treasury Bond Mar 2014 <sup>[a]</sup>	496
Comcast Cable Communications 9,455% 2022 (\$)	448
Deutsche Telekom International Finance 8,75% 2030 (\$)	448
British Telecommunications 9,125% 2030 (\$)	447
Vivendi 4,75% 2022 (\$)	440
Dow Chemical 9,4% 2039 (\$)	437
Ericsson 4,125% 2022 (\$)	436
Wal Mart Stores 7,55% 2030 (\$)	435
Orange 8,5% 2042 (\$)	434
American Tower Trust I 3,07% 2048 (\$)	386
Wells Fargo 5,25% 2023 (€)	345
RMAC 2005-Nsp2 FRN 2037 (\$)	326
US Treasury 2,875% 2043 (\$)	323
ATON 3,875% 2018 (€)	321
Northern Trust Global Fund - US dollar <sup>[b]</sup>	6.154
Other purchases	16.483
<b>Total purchases</b>	<b>35.531</b>
<b>Largest sales</b>	
<b>\$'000</b>	
US 10 Year Treasury Bond Mar 2014 <sup>[a]</sup>	2.255
US 10 Year Treasury Bond Dec 2013 <sup>[a]</sup>	2.234
Long Gilt Future Dec 2013 <sup>[a]</sup>	1.374
Long Gilt Future Mar 2014 <sup>[a]</sup>	1.233
Germany (Federal Republic of) 1,75% IL 2020 (€)	798
Vivendi 4,75% 2022 (\$)	460
Wal Mart Stores 7,55% 2030 (\$)	438
Treasury 2,5% IL 2020 (€)	384
Wells Fargo 5,25% 2023 (€)	357
Comcast Cable Communications 9,455% 2022 (\$)	351
GDF Suez Var. Rate Perp. (4,625%) (€)	332
Électricité de France 5,875% 2031 (€)	315
Bank of America 5,3% 2017 (\$)	305
ABN AMRO Bank 2,5% 2018 (\$)	302
Suntrust Bank Atlanta 7,25% 2018 (\$)	298
AT&T 2,625% 2022 (\$)	293
US Treasury 2,875% 2043 (\$)	290
JPMorgan Chase 5,375% 2016 (€)	265
Wells Fargo 5,375% 2043 (\$)	254
Telefónica Emisiones 6,221% 2017 (\$)	249
Northern Trust Global Fund - US dollar <sup>[b]</sup>	5.153
Other sales	4.740
<b>Total sales</b>	<b>22.680</b>

<sup>[a]</sup> Purchases and sales of Futures have been included at the value of their exposure.

<sup>[b]</sup> Uncommitted surplus cash is placed into 'AAA' rated money market funds with the aim of reducing counterparty risk.

# M&G Global Corporate Bond Fund

## FINANCIAL STATEMENTS

For the period ended 31 December 2013.

### STATEMENT OF TOTAL RETURN

	Note	2013	
		\$'000	\$'000
Income			
Net capital gains	3		311
Revenue	4	180	
Expenses	5	(142)	
Net revenue before taxation		38	
Taxation	6	(1)	
Net revenue after taxation			37
<b>Total return before distributions</b>			<b>348</b>
Finance costs: Distributions	12		(37)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>311</b>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2013	
	\$'000	\$'000
Opening net assets attributable to shareholders		0
Amounts received on issue of shares	15,471	
		15,471
Change in net assets attributable to shareholders from investment activities (see above)		311
Retained distributions on Accumulation shares		37
<b>Closing net assets attributable to shareholders</b>		<b>15,819</b>

### BALANCE SHEET

	as at	
	31 December 2013	
	\$'000	\$'000
<b>Assets</b>		
Investment assets		15,870
<b>Debtors</b>		
Debt security interest receivable	158	
Premium from credit default swaps receivable	1	
		159
Cash and bank balances		
Amounts held at futures clearing houses and brokers	16	
Cash held as bank balances	6	
		22
<b>Total other assets</b>		<b>181</b>
<b>Total assets</b>		<b>16,051</b>
<b>Liabilities</b>		
Investment liabilities		(115)
<b>Creditors</b>		
Derivative expense payable	(7)	
Expenses payable	(96)	
		(103)
Bank overdrafts	(14)	
		(14)
<b>Total other liabilities</b>		<b>(117)</b>
<b>Total liabilities</b>		<b>(232)</b>
<b>Net assets attributable to shareholders</b>		<b>15,819</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting policies

#### a) Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010.

#### b) Basis of valuation of investments

All investments are valued at their fair value as at 12 noon on 31 December 2013, being the last business day of the accounting period. The fair value of non-derivative securities is bid price, excluding any accrued interest; the fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles; and the fair value of exchange traded futures is the cost of closing out the contract at the balance sheet date. Over the counter credit default swaps are valued by Markit Valuations Limited, an independent credit derivative price provider.

#### c) Investment gains and losses

Gains and losses, including exchange differences, on the realisation of investments and increases and decreases in the valuation of investments held at the balance sheet date, including unrealised exchange differences, are treated as capital.

#### d) Exchange rates

Transactions in foreign currencies are translated at the rate of exchange ruling on the date of the transaction. Where applicable, assets and liabilities denominated in foreign currencies are translated into US dollars at the rate of exchange ruling as at 12 noon on 31 December 2013, being the last business day of the accounting period.

#### e) Derivative financial instruments

The treatment of the returns on forward currency contracts and derivative contracts depends upon the nature of the transaction. Both motive and circumstances are used to determine whether the returns should be treated as capital or revenue. Where positions are undertaken to protect or enhance capital, and the circumstances support this, the returns are recognised in net capital gains; similarly where the motives and circumstances are to generate or protect revenue, and the circumstances support this, the returns are included within net revenue before taxation. Where positions generate total returns it will generally be appropriate to apportion such returns between capital and revenue to properly reflect the nature of the transaction.

# M&G Global Corporate Bond Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 Accounting policies (continued)

##### f) Interest income

Interest on debt securities is recognised on an accruals basis, taking into account the effective yield on the investment and is treated as revenue. The effective yield basis amortises any discount or premium on the purchase of an investment over its remaining life based on estimated future cashflows. Any adjustments resulting from changes in cashflow estimates are treated as capital.

Bank interest and deposit interest are recognised on an accruals basis and treated as revenue.

##### g) Expenses

All expenses (other than those relating to the purchase and sale of investments and Stamp Duty Reserve Tax) are charged against revenue for the period on an accruals basis.

##### h) Apportionment of income and expenses to multiple share classes

With the exception of the Authorised Corporate Director's (ACD's) periodic charge and share class hedging fees, which are directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

##### i) Taxation

The rate of corporation tax for the sub-fund is 20%, with relief for double taxation taken where appropriate. The tax accounting treatment follows the principal amounts involved.

##### j) Deferred taxation

Deferred tax is provided for in respect of timing differences that have originated but not reversed by the balance sheet date, with the exception of those regarded as permanent differences. Any liability to deferred tax is provided at the average rate of tax expected to apply. A deferred tax asset is recognised to the extent that it is expected to be utilised, based on the likelihood of taxable profits arising in the next twelve month period from which the future reversal of timing differences can be deducted. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

##### k) Distribution policy

The policy of the sub-fund is to distribute all available income, excluding any items treated as capital in accordance with the above policies and after deduction of expenses properly chargeable against revenue.

Income attributable to Accumulation shareholders is retained at the end of each distribution period and represents a reinvestment of income. All remaining income is distributed in accordance with the Collective Investment Schemes sourcebook.

Distributions which have remained unclaimed by shareholders for more than six years are credited to the capital property of the sub-fund.

#### 2 Risk management policies

In pursuing the sub-fund's investment objective, as set out in the Authorised Corporate Director's (ACD's) Report, the ACD accepts market price risk, interest rate risk and currency risk in relation to the investment portfolio. The Prospectus permits the sub-fund to use derivative instruments for both investment purposes and to hedge against medium and long-term risk.

The sub-fund may undertake transactions in derivatives both on exchange and over the counter (OTC). These may include but are not limited to, credit default swaps, interest rate swaps, options, contracts for differences and futures for the purposes of meeting the investment objective and protecting the risk to capital, duration and credit management, as well as for hedging. Although the fund manager will select the counterparties with which it enters into derivative transactions with due skill and care, there will be residual risk that the counterparty may default on its obligations or become insolvent. The use of these instruments may expose the sub-fund to volatile investment returns and increase the volatility of the net asset value of the sub-fund. All derivative positions are disclosed separately in the portfolio statement.

Credit default swaps are bought and sold in response to detailed credit research to take advantage of anticipated movements in credit spreads on individual stocks and baskets of securities. When the sub-fund buys a credit default swap the default risk associated with the underlying security transfers to the counterparty. Conversely when the sub-fund sells a credit default swap the sub-fund assumes the credit risk of the underlying security.

Interest rate swaps are bought and sold in response to detailed research to take advantage of anticipated movements in interest rates or the relationship between them. When the sub-fund enters into an interest rate swap there is an exchange of cashflows with another party which may result in a gain or loss. The sub-fund may also use the instrument to hedge exposure to interest rate fluctuations arising from holdings of debt and floating rate securities.

During the period, it has been the policy to hedge the majority of the non-US dollar denominated investment portfolio against currency movements through the use of forward currency contracts.

The ACD will also use forward currency contracts to reduce the exposure of shareholders of the euro, sterling and Swiss franc share classes to movements in the sub-fund's base currency. The total benefits and costs of these forward currency contracts are assigned solely to the respective euro, sterling and Swiss franc share classes.

The ACD considers the credit rating, yield and maturity of each interest-bearing security, in order to ensure that the yield fully reflects any perceived risk. The capital value of interest-bearing securities within the sub-fund will fall in the event of the default or perceived increased credit risk of an issuer.

The capital value of interest-bearing securities within the sub-fund may also be affected by interest rate fluctuations such that when interest rates rise, the capital value of the interest-bearing securities is likely to fall and visa versa.

# M&G Global Corporate Bond Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 2 Risk management policies (continued)

The sub-fund holds investments denominated in currencies other than the base currency therefore exchange rate fluctuations can affect both income and capital values. Short-term foreign currency exposures are generally covered by short-dated currency contracts. Income arising in foreign currencies is generally converted into US dollars shortly after receipt and is not hedged in advance of receipt.

Liquidity risk relates to the capacity to meet liabilities. The primary source of this risk to the sub-fund is the liability to shareholders for any redemption of shares. The risk is minimised by holding cash and readily realisable securities and via access to overdraft facilities.

The Investment Manager is entitled to receive a performance fee in addition to the other fees and expenses paid to it by the ACD. Performance fees may be considered to create an incentive for the Investment Manager which may increase the risk profile of the sub-fund.

Where the fee accrual is reduced due to negative performance on any dealing day in an accounting period, it will be set against any prior positive performance per share, thereby reducing the performance fee accrual per share within that share class. This fee adjustment may not exactly match a previous positive accrual because the number of shares in issue at the time of the under-performance may be more or less than those in issue at the time of original accrual.

These policies have been consistently applied since the beginning of the accounting period.

#### 3 Net capital gains

	2013 \$'000
Non-derivative securities	566
Derivative contracts	47
Forward currency contracts	(364)
Currency gains	63
Transaction charges	(1)
<b>Net capital gains</b>	<b>311</b>

#### 4 Revenue

	2013 \$'000
Derivative revenue	(19)
Interest on debt securities	199
<b>Total revenue</b>	<b>180</b>

#### 5 Expenses

	2013 \$'000
<b>Payable to the Authorised Corporate Director or associate</b>	
Authorised Corporate Director's periodic charge	50
Administration fee	8
	58
<b>Other expenses</b>	
Audit fee (including VAT)	20
Regulatory fees	25
Safe custody charge	10
Tax consultancy fees (including VAT) <sup>[a]</sup>	29
	84
<b>Total expenses</b>	<b>142</b>

[a] Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP.

#### 6 Taxation

	2013 \$'000
<b>a) Analysis of charge in the period</b>	
Corporation tax	0
Overseas tax	1
	1
Current tax charge (note 6b)	1
Deferred tax (note 6c)	0
<b>Total taxation</b>	<b>1</b>
<b>b) Factors affecting taxation charge for the period</b>	
Net revenue before taxation	38
Corporation tax at 20%	8
Effects of:	
Interest distributions	(8)
Overseas tax	1
<b>Current tax charge (note 6a)</b>	<b>1</b>
<b>c) Provision for deferred taxation</b>	
Provision at the start of the period	0
Deferred tax in profit and loss account (note 6a)	0
<b>Provision at the end of the period</b>	<b>0</b>

The sub-fund has not recognised a deferred tax asset at the period end.

Interest distributions have been made in respect of all distributions during the current period. Income tax at 20% will be accounted for on shareholders' behalf to HM Revenue & Customs where applicable.

#### 7 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date.

#### 8 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the sub-fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the statement of change in net assets attributable to shareholders and note 12. Amounts due to / from M&G Securities Limited in respect of share transactions at the period end are disclosed in the balance sheet where applicable.

# M&G Global Corporate Bond Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 8 Related parties (continued)

Amounts paid to M&G Securities Limited in respect of the ACD's periodic charge and administration fee are disclosed in note 5. Amounts due at the period end to the ACD of \$11,000 in respect of the ACD's periodic charge, administration fees and hedging fees are included within expenses payable as disclosed in the balance sheet.

At the balance sheet date, material shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 98,59% of the sub-fund's shares.

#### 9 Financial instruments

The policies applied in the management of financial instruments are set out in note 2.

Short-term debtors and creditors have been included in respect of the currency exposure only when this is applicable.

##### Currency exposure

The currency profile of the sub-fund's financial instruments at the balance sheet date was:

	Portfolio of investments as at 31.12.13 \$'000	Net other assets / (liabilities) as at 31.12.13 \$'000	Total as at 31.12.13 \$'000
Euro	(136)	16	(120)
Sterling	(475)	(31)	(506)
Swiss franc	(23)	0	(23)
	(634)	(15)	(649)
US dollar	16,389	79	16,468
<b>Total</b>	<b>15,755</b>	<b>64</b>	<b>15,819</b>

##### Interest rate profile

	Floating rate financial assets as at 31.12.13 \$'000	Fixed rate financial assets as at 31.12.13 \$'000	Total as at 31.12.13 \$'000
Euro	138	1,612	1,750
Sterling	1,526	2,206	3,732
US dollar	1,601	8,708	10,309
<b>Total</b>	<b>3,265</b>	<b>12,526</b>	<b>15,791</b>

	Weighted average gross interest rate of fixed interest-bearing assets as at 31.12.13 %	Weighted average period for which interest rates are fixed <sup>[a]</sup> as at 31.12.13 years
Euro	3,99	6,43
Sterling	5,05	9,26
US dollar	4,67	9,92

<sup>[a]</sup> Assuming the earliest maturity date for those assets with variable maturity dates.

Floating rate interest-bearing assets at the balance sheet date consist of bank balances, on which interest is calculated at a variable rate by reference to US dollar bank deposit rates or the international equivalent; floating rate notes, on which interest is calculated at a variable rate by reference to the London Interbank Offered Rate (LIBOR) or the Euro Interbank Offered Rate (EURIBOR); and variable rate bonds.

##### Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet.

##### Risk analysis

Our core method of estimating each sub-fund's overall risk position is to use value at risk based (VaR) techniques that enable us to measure each sub-fund's sensitivity to core market risk factors such as credit and interest rates. VaR is a technique used to estimate the probability of portfolio losses based on the statistical analysis of historical price trends and volatilities.

The MAGIM risk model for VaR production was originally created in 2001 utilising the Algorithmics RiskWatch software, a market leading risk solution. From the variance / covariance matrices, a parametric Monte Carlo scenario set of 5,000 simulations is derived and applied to the M&G Global Corporate Bond Fund.

The key assumption within the variance / covariance matrix is the exponential weighted moving average approach that utilises a decay factor of 0,94 thereby weighting more recent data history with a higher significance.

The VaR analysis for the M&G Global Corporate Bond Fund is produced on a daily basis. Market risk factors that are analysed include LIBOR / swap rates, government yield curves, equity prices, foreign exchange rates, market volatility and credit spreads.

With a statistical level of confidence of 99%, the VaR model suggests that the potential loss incurred could be \$513,719 over the next 30 days from the balance sheet date, 31 December 2013.

Please note, the market risk information is a relative estimate of risk rather than a precise and accurate number. The model is based on historical data and cannot take account of the fact that future market price movements, correlations between markets and levels of market liquidity in conditions of market stress may bear no relation to historical patterns.

#### 10 Portfolio transaction costs

	2013 \$'000
a) Purchases <sup>[a]</sup>	
Purchases excluding transaction costs	35,531
b) Sales <sup>[a]</sup>	
Sales excluding transaction costs	22,680

<sup>[a]</sup> Purchases and sales of Futures have been included at the value of their exposure.

There were no significant transaction costs during the period.

# M&G Global Corporate Bond Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 11 Shareholder funds

This sub-fund contains US dollar Class 'A' (Gross Accumulation) shares and US dollar Class 'C' (Gross Accumulation) shares.

This sub-fund also contains Euro Class 'A-H' (Gross Income and Gross Accumulation) shares and Euro Class 'C-H' (Gross Income and Gross Accumulation) shares.

This sub-fund also contains Sterling Class 'A-H' (Net Income and Net Accumulation) shares, Sterling Class 'I-H' (Net Income and Net Accumulation) shares and Sterling Class 'R-H' (Net Income and Net Accumulation) shares.

This sub-fund also contains Swiss franc Class 'A-H' (Gross Accumulation) shares and Swiss franc Class 'C-H' (Gross Accumulation) shares.

The charging structure for each share class, as at 31 December 2013, is set out in the following table:

#### CHARGES AND EXPENSES

	Initial charge %	Withdrawal fee %	ACD's annual remuneration %	Share Class Hedging fee %
<b>US dollar</b>				
Class 'A'	4,00	n/a	1,00	n/a
Class 'C'	1,25	n/a	0,50	n/a
<b>Euro</b>				
Class 'A-H'	4,00	n/a	1,00	0,025 <sup>[a]</sup>
Class 'C-H'	1,25	n/a	0,50	0,025 <sup>[a]</sup>
<b>Sterling</b>				
Class 'A-H'	3,00	n/a	1,00	0,025 <sup>[a]</sup>
Class 'I-H'	1,00	n/a	0,50	0,025 <sup>[a]</sup>
Class 'R-H'	1,00	n/a	0,75	0,025 <sup>[a]</sup>
<b>Swiss franc</b>				
Class 'A-H'	4,00	n/a	1,00	0,025 <sup>[a]</sup>
Class 'C-H'	1,25	n/a	0,50	0,025 <sup>[a]</sup>

<sup>[a]</sup> This charge may vary between 0,01% and 0,06%.

With the exception of the Authorised Corporate Director's periodic charge and share class hedging fees, which are directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

The net asset values for each share class are set out in the following table:

#### NET ASSET VALUES

	31.12.13	
	Inc \$'000	Acc \$'000
<b>US dollar</b>		
Class 'A'	n/a	15.375
Class 'C'	n/a	10
<b>Euro</b>		
Class 'A-H'	14	14
Class 'C-H'	14	14
<b>Sterling</b>		
Class 'A-H'	59	51
Class 'I-H'	17	195
Class 'R-H'	17	17
<b>Swiss franc</b>		
Class 'A-H'	n/a	11
Class 'C-H'	n/a	11

The net asset value per share and the number of shares are given in the net assets table on page 23. The distribution per share is given in the distribution table on pages 30 and 31. Each share class has the same rights on winding-up.

# M&G Global Corporate Bond Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 12 Finance costs

	2013 \$'000
<b>Income shares (Euro)</b>	
Class 'A-H' - First interim	nil
- Final <sup>[a]</sup>	0
Class 'C-H' - First interim	nil
- Final <sup>[b]</sup>	0
<b>Income shares (Sterling)</b>	
Class 'A-H' - First interim	nil
- Final <sup>[c]</sup>	0
Class 'I-H' - First interim	nil
- Final <sup>[d]</sup>	0
Class 'R-H' - First interim	nil
- Final <sup>[e]</sup>	0
<b>Accumulation shares (US dollar)</b>	
Class 'A' - First interim	nil
- Final	36
Class 'C' - First interim	nil
- Final <sup>[f]</sup>	0
<b>Accumulation shares (Euro)</b>	
Class 'A-H' - First interim	nil
- Final <sup>[g]</sup>	0
Class 'C-H' - First interim	nil
- Final <sup>[h]</sup>	0
<b>Accumulation shares (Sterling)</b>	
Class 'A-H' - First interim	nil
- Final <sup>[i]</sup>	0
Class 'I-H' - First interim	nil
- Final	1
Class 'R-H' - First interim	nil
- Final <sup>[j]</sup>	0
<b>Accumulation shares (Swiss franc)</b>	
Class 'A-H' - First interim	nil
- Final <sup>[k]</sup>	0
Class 'C-H' - First interim	nil
- Final <sup>[l]</sup>	0
<b>Finance costs: Distributions</b>	<b>37</b>

[a] The final distribution for Euro Class 'A-H' (Income) shares was €23.

[b] The final distribution for Euro Class 'C-H' (Income) shares was €39.

[c] The final distribution for Sterling Class 'A-H' (Income) shares was £81.

[d] The final distribution for Sterling Class 'I-H' (Income) shares was £31.

[e] The final distribution for Sterling Class 'R-H' (Income) shares was £25.

[f] The final distribution for US Dollar Class 'C' (Accumulation) shares was \$40.

[g] The final distribution for Euro Class 'A-H' (Accumulation) shares was €31.

[h] The final distribution for Euro Class 'C-H' (Accumulation) shares was €39.

[i] The final distribution for Sterling Class 'A-H' (Accumulation) shares was £67.

[j] The final distribution for Sterling Class 'R-H' (Accumulation) shares was £25.

[k] The final distribution for Swiss franc Class 'A-H' (Accumulation) shares was CHF22.

[l] The final distribution for Swiss franc Class 'C-H' (Accumulation) shares was CHF38.

### DISTRIBUTION TABLE

Interest distributions on Income shares	Gross income	Income tax deducted	Net income	Equalisation	Distribution paid/payable 2013/14
<b>Euro</b>	€	€	€	€	€
Class 'A-H' - First interim					
Group 1:	nil	nil	nil	-	nil
Group 2:	nil	nil	nil	nil	nil
- Final					
Group 1:	2,2760	-	2,2760	-	2,2760
Group 2:	2,2760	-	2,2760	-	2,2760
Class 'C-H' - First interim					
Group 1:	nil	nil	nil	-	nil
Group 2:	nil	nil	nil	nil	nil
- Final					
Group 1:	3,8810	-	3,8810	-	3,8810
Group 2:	3,8810	-	3,8810	-	3,8810
<b>Sterling</b>	p	p	p	p	p
Class 'A-H' - First interim					
Group 1:	nil	nil	nil	-	nil
Group 2:	nil	nil	nil	nil	nil
- Final					
Group 1:	0,2905	0,0581	0,2324	-	0,2324
Group 2:	0,0691	0,0138	0,0553	0,1771	0,2324
Class 'I-H' - First interim					
Group 1:	nil	nil	nil	-	nil
Group 2:	nil	nil	nil	nil	nil
- Final					
Group 1:	0,3915	0,0783	0,3132	-	0,3132
Group 2:	0,3915	0,0783	0,3132	-	0,3132
Class 'R-H' - First interim					
Group 1:	nil	nil	nil	-	nil
Group 2:	nil	nil	nil	nil	nil
- Final					
Group 1:	0,3125	0,0625	0,2500	-	0,2500
Group 2:	0,3125	0,0625	0,2500	-	0,2500

# M&G Global Corporate Bond Fund

## FINANCIAL STATEMENTS

DISTRIBUTION TABLE (continued)					
Interest distributions on Accumulation shares	Gross income	Income tax deducted	Net income	Equalisation	Amount reinvested 2013/14
<b>US dollar</b>					
Class 'A' - First interim					
Group 1:	nil	nil	nil	-	nil
Group 2:	nil	nil	nil	nil	nil
- Final					
Group 1:	2,3996	-	2,3996	-	2,3996
Group 2:	0,0261	-	0,0261	2,3735	2,3996
Class 'C' - First interim					
Group 1:	nil	nil	nil	-	nil
Group 2:	nil	nil	nil	nil	nil
- Final					
Group 1:	4,0368	-	4,0368	-	4,0368
Group 2:	4,0368	-	4,0368	-	4,0368
<b>Euro</b>					
Class 'A-H' - First interim					
Group 1:	nil	nil	nil	-	nil
Group 2:	nil	nil	nil	nil	nil
- Final					
Group 1:	2,2760	-	2,2760	-	2,2760
Group 2:	2,2760	-	2,2760	-	2,2760
Class 'C-H' - First interim					
Group 1:	nil	nil	nil	-	nil
Group 2:	nil	nil	nil	nil	nil
Group 1:	3,8810	-	3,8810	-	3,8810
Group 2:	3,8810	-	3,8810	-	3,8810
<b>Sterling</b>					
Class 'A-H' - First interim					
Group 1:	nil	nil	nil	-	nil
Group 2:	nil	nil	nil	nil	nil
- Final					
Group 1:	0,2775	0,0555	0,2220	-	0,2220
Group 2:	-	-	-	0,2220	0,2220
Class 'I-H' - First interim					
Group 1:	nil	nil	nil	-	nil
Group 2:	nil	nil	nil	nil	nil
- Final					
Group 1:	0,5690	0,1138	0,4552	-	0,4552
Group 2:	0,0825	0,0165	0,0660	0,3892	0,4552
Class 'R-H' - First interim					
Group 1:	nil	nil	nil	-	nil
Group 2:	nil	nil	nil	nil	nil
- Final					
Group 1:	0,3125	0,0625	0,2500	-	0,2500
Group 2:	0,3125	0,0625	0,2500	-	0,2500

## DISTRIBUTION TABLE (continued)

Interest distributions on Accumulation shares	Gross income	Income tax deducted	Net income	Equalisation	Amount reinvested 2013/14
<b>Swiss franc</b>					
Class 'A-H' - First interim					
Group 1:	nil	nil	nil	-	nil
Group 2:	nil	nil	nil	nil	nil
- Final					
Group 1:	2,1760	-	2,1760	-	2,1760
Group 2:	2,1760	-	2,1760	-	2,1760
Class 'C-H' - First interim					
Group 1:	nil	nil	nil	-	nil
Group 2:	nil	nil	nil	nil	nil
- Final					
Group 1:	3,7820	-	3,7820	-	3,7820
Group 2:	3,7820	-	3,7820	-	3,7820

First interim period 05.09.13 - 30.09.13

Final period 01.10.13 - 31.12.13

Group 1: Shares purchased prior to a distribution period.

Group 2: Shares purchased during a distribution period.

Equalisation applies only to shares purchased during the distribution period (Group 2). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes.

# M&G Global Corporate Bond Fund

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# Further Information

## LIQUIDITY

The ACD's policy is that the sub-funds should normally be close to fully invested but this is subject to the need to retain liquidity for the purpose of effecting the redemption of shares, and the efficient management of the sub-funds in accordance with their objectives. There may, therefore, be occasions when there will be higher levels of liquidity, for example following the issue of shares or the realisation of investments. Higher liquidity levels may also arise when a sub-fund's asset allocation policy is changed.

## DILUTION

The actual cost of purchasing or selling a sub-fund's investments may deviate from the mid-market price due to dealing costs and these costs can have an adverse effect on the value of the sub-fund, known as 'dilution'. The Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Conduct Authority, allows the cost of dilution to be recovered from investors on the purchase or redemption of shares by means of a dilution adjustment to the dealing price, and this is the policy which has been adopted by the ACD.

Further information on the ACD's dilution adjustment policy is in the Prospectus, which is available free of charge from the ACD, M&G Securities Limited.

## THE EU SAVINGS DIRECTIVE

The percentage of the following M&G sub-funds held in interest-bearing assets (as defined by the UK rules for the EU Savings Directive 2003/48/EC) is as follows:

M&G Episode Macro Fund	91,78%
M&G Global Corporate Bond Fund	100,00%

## OTHER

A shareholder is not liable for the debts of the Company and will never be liable to make any further payment to the Company after paying the purchase price of the shares.

## PORTFOLIO TURNOVER RATES

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within each sub-fund over the course of a 12 month period. The PTR is calculated by taking the sum of all transactions in securities less the sum of all transactions in the sub-fund's shares and is expressed as a percentage of the sub-fund's average net asset value.

The unaudited PTRs for the sub-funds currently registered in Switzerland are as follows:

	as at 31.12.13	as at 31.12.12
M&G Episode Macro Fund	732,65%	667,43%
M&G Global Corporate Bond Fund	n/a	n/a

## TOTAL EXPENSE RATIOS

The Total Expense Ratio (TER) is shown only for those share classes currently available in Switzerland. The TER shows the relevant annualised operating expenses of each share class from the most recent reporting period as a single percentage of the average net asset value for that share class over the same period.

The unaudited TERs for the sub-funds currently registered in Switzerland are as follows:

			Total Expense Ratio	
Share class			31.12.13	31.12.12
			%	%
M&G Episode Macro Fund	US dollar	Class 'S'	1,99	2,10
		Class 'T'	1,71	1,83
	Euro	Class 'B-H'	2,49	2,61
		Class 'S-H'	2,00	2,16
M&G Global Corporate Bond Fund	US dollar	Class 'T-H'	1,73	1,89
		Class 'S-H'	2,00	2,06
	Euro	Class 'S-H'	2,00	2,06
		Class 'T-H'	1,75	1,81
M&G Global Corporate Bond Fund	US dollar	Class 'A'	1,80	n/a
		Class 'C'	1,30	n/a
	Euro	Class 'A-H'	1,82	n/a
		Class 'C-H'	1,32	n/a
	Swiss franc	Class 'A-H'	1,82	n/a
		Class 'C-H'	1,32	n/a

