

A large, expressive green brushstroke graphic that starts from the bottom left, curves upwards and to the right, and then loops back down towards the bottom right, framing the text on the left side of the page.

M&G Investment Funds (5)

Interim Long Report and unaudited Financial Statements
for the six months ended 30 June 2018

Contents

M&G Investment Funds (5)

Authorised Corporate Director's Report	Page	1
Directors' statement	Page	3
Financial statements and notes	Page	4
Authorised Corporate Director's Reports, including the financial highlights and financial statements and notes for:		
M&G Episode Macro Fund	Page	5
M&G Global Corporate Bond Fund	Page	17
Other regulatory disclosures	Page	31
Glossary	Page	32

M&G Investment Funds (5)

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (5) presents its Interim Long Report and unaudited Financial Statements for the six months ended 30 June 2018.

The unaudited financial statements of M&G Investment Funds (5) and the investment report and unaudited financial statements and notes of each sub-fund are presented in their individual sections of this report as set out in the contents page.

Please note that we have included an explanation of key investment terminology in the 'Glossary' (at the back of this report).

Company information

M&G Investment Funds (5) is an umbrella Open-Ended Investment Company (OEIC) and contains two sub-funds, hereinafter referred to as 'funds' in the rest of this report. Each fund 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 Financial Conduct Authority (FCA). 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 FCA under the Financial Services and Markets Act 2000.

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 funds may be established by the ACD from time to time with the agreement of the Depositary and approval from the FCA. The funds are operated separately and the assets of each fund are managed in accordance with the investment objective and policy applicable to that fund.

As at 30 June 2018, none of the funds held shares of the other funds within this OEIC.

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.

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

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. M&G Securities Limited is a member of the Investment Association and of the Tax Incentivised Savings Association.)

Directors of the ACD

Margaret Ammon*, G N Cotton, N M Donnelly, P R Jelfs,
G W MacDowall, L J Mumford

* Appointed 26 July 2018.

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)

Registrar

DST Financial Services Europe Ltd,
DST 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,
Drummond House, 1 Redheughs Avenue, Edinburgh EH12 9RH, UK
(Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority)

Independent auditor

Ernst & Young LLP
Atria One, 144 Morrison Street, Edinburgh EH3 8EX, UK

M&G Investment Funds (5)

Authorised Corporate Director's Report

Investor information

The Prospectus, Instrument of Incorporation, Key Investor Information Documents, the latest Annual or Interim Investment Report and Financial Statements as well as a list of purchases and sales are available free of charge on request from the following addresses. The Instrument of Incorporation can also be inspected at our offices or at the office of the Depositary.

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.

Customer services and administration for non-UK clients:

M&G Securities Limited,
c/o RBC I&TS, 14, Porte de France, L-4360 Esch-sur-Alzette,
Grand Duchy of Luxembourg

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: +352 2605 9944

Email: csmandg@rbc.com

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:

Société Générale, Vienna Branch,
Prinz Eugen-Strasse 8-10/5/Top 11, 1040 Wien, Austria

Belgian financial agent:

Société Générale Private Banking NV,
Kortrijksesteenweg 302, 9000 Gent, Belgium

Danish representative agent:

Nordea Bank Danmark A/S,
Client Relations DK, Investor Services & Solutions,
Postbox 850, Reg.no.6428. HH. 6.1., 0900 København C, Denmark

French centralising agent:

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

German information agent:

M&G International Investments Limited,
mainBuilding, Taunusanlage 19, 60325 Frankfurt am Main, Germany

Greek paying agent and distributor:

Eurobank Ergasias S.A.,
8, Othonos Street, 10557 Athens, Greece

Irish facilities agent:

Société Générale S.A., Dublin Branch,
3rd Floor IFSC House – The IFSC, Dublin 1, Ireland

Italian paying agents:

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,
Piazza Lina Bo Bardi 3, 20124 Milano, Italy

CACEIS Bank Luxembourg,
Milan Branch, Piazza Cavour 2, 20121 Milano, Italy

RBC Investor Services Bank S.A., Milan Branch
Via Vittor Pisani 26, 20124 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:

Société Générale Bank & Trust S.A.,
Centre opérationnel, 28-32, place de la Gare, 1616 Luxembourg,
Grand Duchy of Luxembourg

Portuguese distributor:

Best - Banco Electrónico de Serviço Total, S.A.,
Praça Marquês de Pombal, no. 3 - 3º, 1250-161 Lisboa, Portugal

Spanish representative:

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

Swedish paying agent:

Nordea Bank AB (publ),
Smålandsgatan 17, 105 71 Stockholm, Sweden

Swiss paying agent and representative:

Société Générale, Paris, Zurich Branch,
Talacker 50, 8021 Zurich, Switzerland

M&G Investment Funds (5)

Authorised Corporate Director's Report

Authorised Corporate Director's Responsibilities

The Authorised Corporate Director (ACD) is required to prepare annual and interim long reports for the Company. The ACD must ensure that the financial statements, contained in this report, for each of the funds are prepared in accordance with the Investment Association Statement of Recommended Practice for Financial Statements of UK Authorised Funds (SORP) and UK Financial Reporting Standards, and give a true and fair view of the net revenue or expenses and net capital gains or losses for the accounting period, and the financial position at the end of that period.

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.

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

15 August 2018

M&G Investment Funds (5)

Financial statements and notes

The financial statements for M&G Investment Funds (5) comprise the individual financial statements for each fund and the notes below.

Notes to the financial statements

Accounting policies

The interim financial statements have been prepared on the same basis as the audited financial statements for the year ended 31 December 2017. They are prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014.

M&G Episode Macro Fund

Authorised Corporate Director's Report

Investment objective

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

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 managers believe the best approach for achieving the fund objective 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's investment strategy is likely to involve the use of financial instruments to take short positions, that is, positions that profit from a fall in the price of an asset, or to generate modest amounts of leverage (gain exposure to greater investment than the net asset value of the fund).

Risk profile

The fund invests globally in a broad range of assets, including company shares (equities), fixed income securities (bonds), currencies and other assets such as property shares and convertible bonds. The fund is, therefore, subject to the price volatility of global financial and currency markets. Exposure to the different asset classes is typically gained through the use of derivatives.

In association with the use of derivatives, including those instruments not traded through an exchange, collateral is deposited, in order to mitigate the risk that a counterparty may default on its obligations or become insolvent.

The fund is fully flexible and is managed aggressively, although the managers will seek to maximise portfolio diversity wherever possible. However, in cases where the managers believe that the opportunities are limited to a few areas, there may be a higher-than-usual concentration of asset or market exposure. Such strategies may result in higher volatility of the fund's short-term performance.

The blend of assets held in the fund is regularly adjusted depending on where the managers see the most value and to manage risks, including liquidity, credit, currency and market risks. The fund's risks are measured and managed as an integral part of the investment process.

The following table shows the risk number associated with the fund and is based on Sterling Class 'S-H' shares.



The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has not changed during this period.

Investment review

As at 2 July 2018, for the six months ended 30 June 2018

Performance against objective

Between 2 January 2018 (the start of the review period) and 2 July 2018, the M&G Episode Macro Fund delivered a negative total return (the combination of income and growth of capital) across all its share classes, with the exception of the US dollar Class 'N' shares.*

Over rolling periods of three to five years, the fund has not fully achieved its aim of delivering a higher total return, with lower volatility on average, than global equities. While volatility of the fund has been lower, total returns have lagged that of global equities, as measured by the MSCI ACWI Index.

* For the performance of each share class, please refer to the 'Long-term performance by share class' table in the 'Fund performance' section of this report.

M&G Episode Macro Fund

Authorised Corporate Director's Report

Investment review

Investment performance

After a strong start, 2018 has seen divergent performance across different types of assets and regions, primarily driven by uncertainty around the strength of the global economy and political tensions.

Investors' concerns began in February, when US wage growth data indicated that its economy may start to experience higher inflation. This, in turn, led some to fear the US central bank would raise interest rates faster than previously indicated. As a result, US government bonds sold off, which appeared to precipitate a stockmarket sell-off and increase risk aversion that has largely persisted. (Bonds are loans that are extended by an investor to an issuing entity – such as a company or government – in exchange for regular interest payments. Bonds issued by governments are called 'government bonds'.)

The potential for a trade war escalation between China and the US has been a recurring theme. This, combined with a strong US dollar, has severely affected company shares (equities), bonds and currencies of emerging markets. There has also been further weakness in individual emerging markets, such as Turkey, due to political concerns. In Europe, the new Italian government's suggestion that it could pull the country out of the eurozone caused Italian assets to sell off, with German government bonds perceived by markets as a source of protection.

Against this backdrop, the fund delivered a negative return over the review period across most of its share classes. The fund's investment strategy is centred on capitalising on market fluctuations when we believe they are driven by emotional investor sentiment, rather than changes in fundamental drivers of returns or known facts upon which to base investment decisions.

By our assessment, the rapid nature of price movements in certain areas of the market means that selected 'out-of-favour' assets now offer significant scope for recovery. In some cases, these recoveries partially materialised during the review period. Equities therefore contributed positively to performance overall, driven mainly by German, Italian and mining sector stocks.

Emerging market currencies such as the Turkish lira and South African rand remained weak and detracted from fund performance, as did exposure to US and UK banking sector shares. The fund's positioning which seeks to benefit from a fall in German government bond prices also delivered negative returns; however, we believe these assets are highly overvalued from a medium-term perspective.

Investment activities

Portfolio activity was primarily designed to adapt to changing market conditions in the first half of 2018. In terms of looking to capitalise on market fluctuations, we added European equities and later realised some of the profits as they partially recovered. We also added a material position in Turkish lira. While Turkey has experienced a deterioration in investment fundamentals over recent years, which has been reflected in prices, we believe more recent, dramatic movements are driven by investor sentiment.

Overall equity exposure was reduced with a view to protecting the fund at several points during the review period, including material reductions in January and May. We also positioned the fund to benefit from a potential fall in US government bonds, given rising US interest rates and for diversification purposes.

The fund remains biased towards equities overall and against developed market government bonds.

Outlook

While trade wars have grabbed the headlines, and offer the potential to significantly affect asset prices should this intensify, we believe the market is still grappling with a potentially new world of higher US interest rates and what this means for valuations. Although this issue has taken a back seat in recent market commentary, we believe it remains the key consideration for investors over the medium to long term.

Many investors have focused on mixed economic data relative to expectations. However, we are wary of attaching too much weight to these shorter term variations. Global growth and corporate profit data still look encouraging and certainly do not suggest we should disregard the value that assets such as global equities appear to provide. Similarly, inflation looks contained. There is always the possibility of some cyclical pressure, via wages or a rising oil price perhaps, but the system continues to avoid meaningful inflation.

In this respect, a genuine increase in protectionism would be hugely significant. The consensus today is that what has been announced so far would have limited impact on the global economy, even if it may be important to specific industries.

Instead, the concern is over a potential worldwide escalation. We would be sceptical of anyone's ability to forecast whether or not this will happen; however, factual developments should be watched closely. The more globalised economic system has underpinned the benign inflation environment of the past 30 years. If this were to reverse, it would profoundly influence the behaviour of all assets.

David Fishwick & Eric Lonergan

Co-fund managers

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

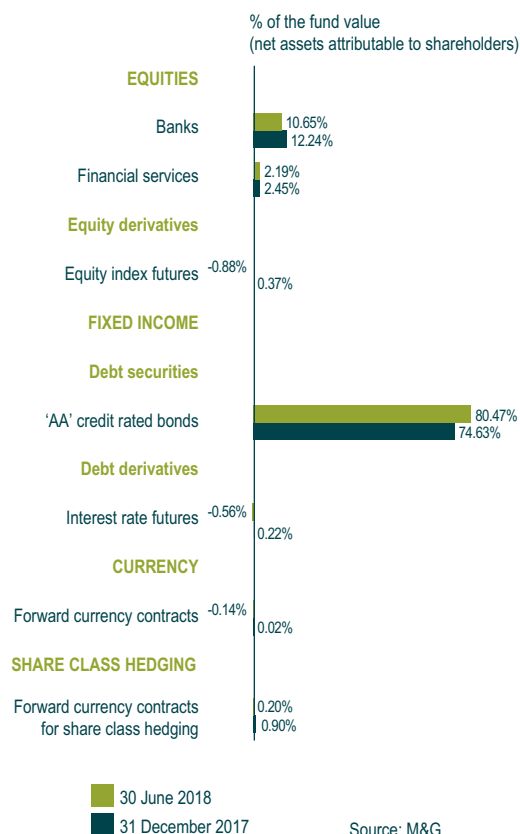
Please note that the views expressed in this Report should not be taken as a recommendation or advice on how the fund or any holding mentioned in the Report is likely to perform. If you wish to obtain financial advice as to whether an investment is suitable for your needs, you should consult a Financial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

M&G Episode Macro Fund

Authorised Corporate Director's Report

Investment review

Classification of investments



Investments

Portfolio statement

as at Holding	30.06.18 \$'000	30.06.18 %	31.12.17 %
EQUITIES	63,051	11.96	15.06
Banks	56,158	10.65	12.24
388,784 Bank of America	11,150	2.11	
165,996 Citigroup	11,104	2.11	
105,312 JPMorgan Chase	11,052	2.10	
13,218,399 Lloyds Banking Group	10,940	2.07	
222,162 Wells Fargo	11,912	2.26	
Financial services	11,529	2.19	2.45
118,840 American Express	11,529	2.19	
Equity derivatives	(4,636)	(0.88)	0.37
Equity index futures	(4,636)	(0.88)	0.37
36 DAX Index Sep 2018	(516)	(0.10)	
198 Euro Stoxx 50 Index Sep 2018	(147)	(0.03)	
97 FTSE MIB Index Sep 2018	(70)	(0.01)	
179 Hang Sei China Enterprise Index Jul 2018	(89)	(0.02)	
729 KOSPI 200 Index Sep 2018	(2,543)	(0.48)	
265 MSCI Taiwan Index Jul 2018	62	0.01	
473 STOXX 600 Basic Resources Sep 2018	(796)	(0.15)	
136 TOPIX Index Sep 2018	(537)	(0.10)	
FIXED INCOME	421,362	79.91	74.85
Debt securities	424,291	80.47	74.63
'AA' credit rated bonds	424,291	80.47	74.63
\$30,288,000 US Treasury 0% 2018 (12 Jul)	30,270	5.74	
\$58,326,000 US Treasury 0% 2018 (19 Jul)	58,271	11.05	
\$66,737,000 US Treasury 0% 2018 (26 Jul)	66,650	12.64	
\$52,543,000 US Treasury 0% 2018 (09 Aug)	52,435	9.95	
\$74,171,500 US Treasury 0% 2018 (23 Aug)	73,964	14.03	
\$104,565,600 US Treasury 0% 2018 (13 Sep)	104,153	19.75	
\$38,715,000 US Treasury 0% 2018 (20 Sep)	38,548	7.31	
Debt derivatives	(2,929)	(0.56)	0.22
Interest rate futures	(2,929)	(0.56)	0.22
(665) 10 Year US Treasury Note Sep 2018	(61)	(0.01)	
(846) Euro Bund Sep 2018	(461)	(0.09)	
(129) Euro Buxl Sep 2018	(372)	(0.07)	
(975) UK Long Gilt Bond Sep 2018	(2,035)	(0.39)	
CURRENCY	(762)	(0.14)	0.02
Forward currency contracts	(762)	(0.14)	0.02
AUD(10,708,077) Sold for \$8,327,500 (expires 20.07.18)	434	0.08	
BRL38,270,535 Bought for \$11,110,621 (expires 20.07.18)	(1,222)	(0.23)	
€10,530,045 Bought for \$12,287,095 (expires 20.07.18)	(15)	0.00	
€(25,235,330) Sold for \$30,946,975 (expires 20.07.18)	1,536	0.29	
HKD4,351,498 Bought for \$555,355 (expires 20.07.18)	(1)	0.00	
INR731,133,937 Bought for \$11,026,414 (expires 20.07.18)	(376)	(0.07)	
¥62,503,261 Bought for \$587,122 (expires 20.07.18)	(20)	0.00	
MXN202,043,511 Bought for \$11,053,676 (expires 20.07.18)	(839)	(0.16)	
RUB686,341,519 Bought for \$11,022,910 (expires 20.07.18)	(115)	(0.02)	
SGD(7,261,522) Sold for \$5,556,933 (expires 20.07.18)	233	0.04	
ZAR134,662,501 Bought for \$11,132,352 (expires 20.07.18)	(1,397)	(0.26)	
KRW7,986,619,285 Bought for \$7,405,568 (expires 20.07.18)	(237)	(0.04)	

M&G Episode Macro Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at Holding	30.06.18 \$'000	30.06.18 %	31.12.17 %
Forward currency contracts (continued)			
£4,530,011 Bought for \$6,013,501 (expires 20.07.18)	(57)	(0.01)	
£(12,103,791) Sold for \$17,195,646 (expires 20.07.18)	1,280	0.24	
CHF(10,633,999) Sold for \$11,096,988 (expires 20.07.18)	379	0.07	
TWD(483,272,564) Sold for \$16,575,975 (expires 20.07.18)	709	0.13	
TRY53,968,658 Bought for \$12,731,771 (expires 20.07.18)	(1,054)	(0.20)	
Portfolio of investments	483,651	91.73	89.93
SHARE CLASS HEDGING	1,064	0.20	0.90
Forward currency contracts for share class hedging	1,064	0.20	0.90
€300,867,490 Bought for \$349,076,275 (expires 25.07.18)	1,701	0.32	
€(5,298,517) Sold for \$6,148,898 (expires 25.07.18)	(29)	0.00	
£127,349,553 Bought for \$168,109,051 (expires 25.07.18)	(613)	(0.12)	
£(1,428,579) Sold for \$1,882,540 (expires 25.07.18)	4	0.00	
CHF582,081 Bought for \$586,004 (expires 25.07.18)	1	0.00	
CHF(4,773) Sold for \$4,798 (expires 25.07.18)	0	0.00	
Total portfolio	484,715	91.93	90.83
Net other assets / (liabilities)	42,527	8.07	9.17
Net assets attributable to shareholders	527,242	100.00	100.00

All securities are on an official stock exchange listing except where referenced.

Portfolio transactions		
for the six months to 30 June	2018	2017
Portfolio transactions	\$'000	\$'000
Total purchases	950,035	496,786
Total sales	812,515	420,230

M&G Episode Macro Fund

Financial highlights

Fund performance

Please note past performance is not a guide to future performance and the value of investments, and the income from them, will fluctuate. This will cause the fund price to fall as well as rise and you may not get back the original amount you invested.

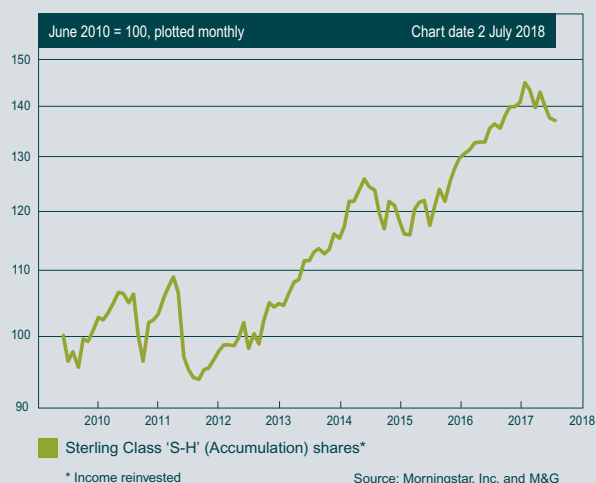
The following chart and table reflect the key financial information of a representative share class, Sterling Class 'S-H' (Accumulation) shares. As different share classes have different attributes, for example charging structures, please be aware that their performance may be different. Please refer to the Prospectus for M&G Investment Funds (5) which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	30.06.18 \$'000	31.12.17 \$'000	31.12.16 \$'000
Fund net asset value (NAV)	527,242	397,405	229,325

Performance since launch

To give an indication of how the fund has performed since launch, the chart below shows total return of Sterling Class 'S-H' (Accumulation) shares.



To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period. Calculated on a price to price basis with income reinvested.

Long-term performance by share class

	Six months 02.01.18 % [a]	Three years 02.07.15 % p.a.	Five years 02.07.13 % p.a.	Since launch % p.a.
Euro [b]				
Class 'B-H'	-3.6	+1.7	+5.5	+2.8 [c]
Class 'S-H'	-3.4	+2.1	+5.9	+3.4 [d]
Class 'T-H'	-2.9	+2.4	+5.6	+3.1 [d]
Sterling [e]				
Class 'S-H'	-2.8	+3.0	+6.7	+4.0 [d]
Class 'T-H'	-2.5	+3.2	+6.2	+3.8 [d]
Swiss franc [b]				
Class 'S-H'	-3.5	+1.6	+5.5	+5.4 [f]
Class 'T-H'	-3.1	+2.6	+6.3	+6.2 [f]
US dollar [b]				
Class 'N'	+5.6	+8.7	+9.3	+5.4 [d]
Class 'S'	-2.0	+3.7	+7.0	+4.1 [d]
Class 'T'	-1.6	+4.8	+7.9	+4.7 [d]

[a] Absolute basis.

[b] Price to price with net income reinvested.

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

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

[e] Price to price with income reinvested.

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

M&G Episode Macro Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

We explain below the payments made to meet the ongoing costs of investing and managing the fund, comprising operating charges and portfolio transaction costs.

Operating charges

Operating charges include payments made to M&G and to providers independent of M&G:

- **Investment management:** Charge paid to M&G for investment management of the fund (also known as Annual Management Charge).
- **Performance fee:** Fee based on fund performance.
- **Administration:** Charge paid to M&G for administration services in addition to investment management – any surplus from this charge will be retained by M&G.
- **Share class hedging:** Charge paid to M&G for currency hedging services to minimise exchange rate risk for the share class.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit.

The operating charges paid by each share class of the fund are shown in the following performance tables. Operating charges do not include portfolio transaction costs or any entry and exit charges (also known as initial and redemption charges). The charging structures of share classes may differ, and therefore the operating charges may differ.

Operating charges are the same as the ongoing charges shown in the Key Investor Information Document, other than where an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

For this fund there is no difference between operating charges and ongoing charges figures, unless disclosed under the specific share class performance table.

Portfolio transaction costs

Portfolio transaction costs are incurred by funds when buying and selling investments. These costs vary depending on the types of investment, their market capitalisation, country of exchange and method of execution. They are made up of direct and indirect portfolio transaction costs:

- **Direct portfolio transaction costs:** Broker execution commission and taxes.
- **Indirect portfolio transaction costs:** 'Dealing spread' – the difference between the buying and selling prices of the fund's investments; some types of investment, such as fixed interest securities, have no direct transaction costs and only the dealing spread is paid.

Investments are bought or sold by a fund when changes are made to the investment portfolio and in response to net flows of money into or out of the fund from investors buying and selling shares in the fund.

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. The table below shows direct portfolio transaction costs paid by the fund before and after that part of the dilution adjustment relating to direct portfolio transaction costs. To give an indication of the indirect portfolio dealing costs the table also shows the average portfolio dealing spread.

Further information on this process is in the Prospectus, which is available free of charge on request either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Portfolio transaction costs

	Six months to 30.06.18	Year to 31.12.17	Year to 31.12.16	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.03	0.03	0.06	0.04
Taxes	0.02	0.01	0.03	0.02
Costs before dilution adjustments	0.05	0.04	0.09	0.06
Dilution adjustments ^[c]	(0.02)	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.03	0.03	0.08	0.05
as at	30.06.18	31.12.17	31.12.16	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.00	0.00	0.00	0.00

^[a] Average of first three columns.

^[b] As a percentage of average net asset value.

^[c] In respect of direct portfolio transaction costs. Please see the section above this table for an explanation of dilution adjustments.

M&G Episode Macro Fund

Financial highlights

Specific share class performance

The following tables show the performance of each share class. All 'Performance and charges' percentages represent an annual rate except for the 'Return after operating charges' which is calculated as a percentage of the opening net asset value per share (NAV). 'Dilution adjustments' are only in respect of direct portfolio transaction costs.

Historical yields for the current year are calculated as at 6 July 2018.

Euro Class 'B-H' Accumulation share performance

The share class was launched on 19 April 2012.

	Six months to 30.06.18 Euro €	Year to 31.12.17 Euro €	Year to 31.12.16 Euro €
Change in NAV per share			
Opening NAV	1,228.64	1,146.19	1,057.73
Return before operating charges and after direct portfolio transaction costs	(22.95)	112.14	114.97
Operating charges	(14.55)	(29.69)	(26.51)
Return after operating charges	(37.50)	82.45	88.46
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	1,191.14	1,228.64	1,146.19
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.30	0.49	0.93
Dilution adjustments ^[a]	(0.11)	(0.10)	(0.14)
Total direct portfolio transaction costs	0.19	0.39	0.79
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.08
Operating charges	2.44	2.44	2.47
Return after operating charges	-3.05	+7.19	+8.36
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	11,219	2,284	167
Closing NAV percentage of total fund NAV (%)	2.13	0.58	0.07
Number of shares	809,120	155,073	13,765
Highest share price (Euro €)	1,268.99	1,232.44	1,152.63
Lowest share price (Euro €)	1,187.32	1,145.12	971.05

Euro Class 'S-H' Accumulation share performance

The share class was launched on 3 June 2010.

	Six months to 30.06.18 Euro €	Year to 31.12.17 Euro €	Year to 31.12.16 Euro €
Change in NAV per share			
Opening NAV	1,348.43	1,252.26	1,150.41
Return before operating charges and after direct portfolio transaction costs	(24.50)	121.73	124.82
Operating charges	(13.00)	(25.56)	(22.97)
Return after operating charges	(37.50)	96.17	101.85
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	1,310.93	1,348.43	1,252.26
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.33	0.53	1.02
Dilution adjustments ^[a]	(0.12)	(0.11)	(0.16)
Total direct portfolio transaction costs	0.21	0.42	0.86
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.08
Operating charges	1.93	1.94	1.97
Return after operating charges	-2.78	+7.68	+8.85
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	298,845	121,687	20,387
Closing NAV percentage of total fund NAV (%)	56.68	30.62	8.89
Number of shares	19,583,689	7,527,455	1,541,650
Highest share price (Euro €)	1,393.69	1,352.26	1,259.08
Lowest share price (Euro €)	1,306.72	1,251.47	1,056.58

Euro Class 'T-H' Accumulation share performance

The share class was launched on 3 June 2010.

	Six months to 30.06.18 Euro €	Year to 31.12.17 Euro €	Year to 31.12.16 Euro €
Change in NAV per share			
Opening NAV	1,316.02	1,229.94	1,139.00
Return before operating charges and after direct portfolio transaction costs	(21.56)	127.70	126.22
Operating charges	(6.21)	(12.46)	(11.03)
Performance fee	(2.81)	(29.16)	(24.25)
Return after operating charges	(30.58)	86.08	90.94
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	1,285.44	1,316.02	1,229.94
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.33	0.53	0.99
Dilution adjustments ^[a]	(0.12)	(0.11)	(0.16)
Total direct portfolio transaction costs	0.21	0.42	0.83
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.08
Operating charges	0.93	0.94	0.95
Performance fee	0.42	2.18	2.09
Return after operating charges	-2.32	+7.00	+7.98
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	30,096	51,457	4,084
Closing NAV percentage of total fund NAV (%)	5.71	12.95	1.78
Number of shares	2,011,323	3,261,511	314,484
Highest share price (Euro €)	1,352.26	1,318.99	1,235.09
Lowest share price (Euro €)	1,281.35	1,229.93	1,047.70

M&G Episode Macro Fund

Financial highlights

Specific share class performance

Sterling Class 'S-H' Accumulation share performance

The share class was launched on 3 June 2010.

	Six months to 30.06.18 UK p	Year to 31.12.17 UK p	Year to 31.12.16 UK p
Change in NAV per share			
Opening NAV	141.01	129.90	118.41
Return before operating charges and after direct portfolio transaction costs	(1.76)	13.73	13.74
Operating charges	(1.37)	(2.62)	(2.25)
Return after operating charges	(3.13)	11.11	11.49
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	137.88	141.01	129.90
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.05	0.10
Dilution adjustments ^[a]	(0.01)	(0.01)	(0.02)
Total direct portfolio transaction costs	0.03	0.04	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.08
Operating charges	1.93	1.94	1.96
Return after operating charges	-2.22	+8.55	+9.70
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	142,730	154,127	116,597
Closing NAV percentage of total fund NAV (%)	27.07	38.78	50.84
Number of shares	78,782,394	80,893,353	72,965,663
Highest share price (UK p)	145.85	141.34	130.57
Lowest share price (UK p)	137.43	129.91	108.47

Sterling Class 'T-H' Accumulation share performance

The share class was launched on 3 June 2010.

	Six months to 30.06.18 UK p	Year to 31.12.17 UK p	Year to 31.12.16 UK p
Change in NAV per share			
Opening NAV	138.08	128.05	117.59
Return before operating charges and after direct portfolio transaction costs	(1.98)	13.64	13.57
Operating charges	(0.64)	(1.25)	(1.17)
Performance fee	(0.01)	(2.36)	(1.94)
Return after operating charges	(2.63)	10.03	10.46
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	135.45	138.08	128.05
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.05	0.11
Dilution adjustments ^[a]	(0.01)	(0.01)	(0.02)
Total direct portfolio transaction costs	0.02	0.04	0.09
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.08
Operating charges	0.93	0.94	0.95
Performance fee	0.01	1.75	1.56
Return after operating charges	-1.90	+7.83	+8.90
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	20,729	12,430	5,241
Closing NAV percentage of total fund NAV (%)	3.93	3.13	2.28
Number of shares	11,646,326	6,662,807	3,326,872
Highest share price (UK p)	141.95	138.33	128.54
Lowest share price (UK p)	135.01	128.13	108.13

Swiss franc Class 'S-H' Accumulation share performance

The share class was launched on 28 September 2012.

	Six months to 30.06.18 Swiss ¢	Year to 31.12.17 Swiss ¢	Year to 31.12.16 Swiss ¢
Change in NAV per share			
Opening NAV	1,402.20	1,306.83	1,207.00
Return before operating charges and after direct portfolio transaction costs	(27.87)	121.73	123.78
Operating charges	(13.47)	(26.36)	(23.95)
Return after operating charges	(41.34)	95.37	99.83
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	1,360.86	1,402.20	1,306.83
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.34	0.55	1.05
Dilution adjustments ^[a]	(0.13)	(0.12)	(0.16)
Total direct portfolio transaction costs	0.21	0.43	0.89
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.08
Operating charges	1.93	1.94	1.95
Return after operating charges	-2.95	+7.30	+8.27
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	472	138	38
Closing NAV percentage of total fund NAV (%)	0.09	0.03	0.02
Number of shares	34,488	9,609	3,000
Highest share price (Swiss ¢)	1,449.15	1,406.62	1,314.62
Lowest share price (Swiss ¢)	1,356.54	1,305.80	1,108.12

M&G Episode Macro Fund

Financial highlights

Specific share class performance

Swiss franc Class 'T-H' Accumulation share performance

The share class was launched on 28 September 2012.

	Six months to 30.06.18 Swiss ¢	Year to 31.12.17 Swiss ¢	Year to 31.12.16 Swiss ¢
Change in NAV per share			
Opening NAV	1,454.09	1,341.75	1,227.00
Return before operating charges and after direct portfolio transaction costs	(29.63)	125.39	126.68
Operating charges	(6.62)	(13.05)	(11.93)
Return after operating charges	(36.25)	112.34	114.75
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	1,417.84	1,454.09	1,341.75
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.35	0.56	1.07
Dilution adjustments ^[a]	(0.13)	(0.12)	(0.17)
Total direct portfolio transaction costs	0.22	0.44	0.90
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.08
Operating charges	0.93	0.94	0.95
Return after operating charges	-2.49	+8.37	+9.35
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	102	45	40
Closing NAV percentage of total fund NAV (%)	0.02	0.01	0.02
Number of shares	7,178	3,000	3,000
Highest share price (Swiss ¢)	1,503.55	1,458.66	1,349.09
Lowest share price (Swiss ¢)	1,413.33	1,341.56	1,127.48

US dollar Class 'N' Accumulation share performance

US dollar Class 'N' shares are not generally available to all investors.

The share class was launched on 3 June 2010.

	Six months to 30.06.18 US ¢	Year to 31.12.17 US ¢	Year to 31.12.16 US ¢
Change in NAV per share			
Opening NAV	1,607.10	1,436.22	1,284.00
Return before operating charges and after direct portfolio transaction costs	(8.22)	173.44	154.65
Operating charges	(1.42)	(2.56)	(2.43)
Return after operating charges	(9.64)	170.88	152.22
Distributions	0.00	(2.90)	0.00
Retained distributions	0.00	2.90	0.00
Closing NAV	1,597.46	1,607.10	1,436.22
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.43	0.60	1.14
Dilution adjustments ^[a]	(0.16)	(0.13)	(0.18)
Total direct portfolio transaction costs	0.27	0.47	0.96
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.08
Operating charges	0.16	0.17	0.18
Return after operating charges	-0.60	+11.90	+11.86
Historic yield	0.18	0.18	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	36	40,017	71,563
Closing NAV percentage of total fund NAV (%)	0.01	10.07	31.21
Number of shares	2,277	2,489,977	4,982,754
Highest share price (US ¢)	1,668.62	1,607.83	1,441.90
Lowest share price (US ¢)	1,592.19	1,438.12	1,179.53

US dollar Class 'S' Accumulation share performance

The share class was launched on 3 June 2010.

	Six months to 30.06.18 US ¢	Year to 31.12.17 US ¢	Year to 31.12.16 US ¢
Change in NAV per share			
Opening NAV	1,411.20	1,283.34	1,168.00
Return before operating charges and after direct portfolio transaction costs	(6.81)	153.55	138.47
Operating charges	(13.66)	(25.69)	(23.13)
Return after operating charges	(20.47)	127.86	115.34
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	1,390.73	1,411.20	1,283.34
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.35	0.54	1.03
Dilution adjustments ^[a]	(0.13)	(0.11)	(0.16)
Total direct portfolio transaction costs	0.22	0.43	0.87
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.08
Operating charges	1.92	1.92	1.93
Return after operating charges	-1.45	+9.96	+9.88
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	11,088	10,728	9,923
Closing NAV percentage of total fund NAV (%)	2.10	2.70	4.33
Number of shares	797,272	760,179	773,230
Highest share price (US ¢)	1,462.26	1,412.30	1,289.27
Lowest share price (US ¢)	1,386.21	1,283.87	1,070.90

M&G Episode Macro Fund

Financial highlights

Specific share class performance

US dollar Class 'T' Accumulation share performance

The share class was launched on 3 June 2010.

	Six months to 30.06.18 US ¢	Year to 31.12.17 US ¢	Year to 31.12.16 US ¢
Change in NAV per share			
Opening NAV	1,471.68	1,325.07	1,194.00
Return before operating charges and after direct portfolio transaction costs	(7.30)	159.44	142.55
Operating charges	(6.79)	(12.83)	(11.48)
Return after operating charges	(14.09)	146.61	131.07
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	1,457.59	1,471.68	1,325.07
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.37	0.56	1.05
Dilution adjustments ^[a]	(0.13)	(0.12)	(0.16)
Total direct portfolio transaction costs	0.24	0.44	0.89
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.08
Operating charges	0.92	0.92	0.93
Return after operating charges	-0.96	+11.06	+10.98
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	11,925	4,492	1,285
Closing NAV percentage of total fund NAV (%)	2.26	1.13	0.56
Number of shares	818,139	305,226	96,970
Highest share price (US ¢)	1,526.35	1,472.55	1,330.68
Lowest share price (US ¢)	1,452.81	1,326.30	1,095.72

^[a] In respect of direct portfolio transaction costs.

^[b] As a percentage of average net asset value.

M&G Episode Macro Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 30 June	2018		2017	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		(30,640)		27,526
Revenue	2,815		117	
Expenses	(4,467)		(2,071)	
Net revenue / (expense) before taxation	(1,652)		(1,954)	
Taxation	(150)		(18)	
Net revenue / (expense) after taxation		(1,802)		(1,972)
Total return before equalisation		(32,442)		25,554
Equalisation		(429)		(247)
Change in net assets attributable to shareholders from investment activities		(32,871)		25,307

Statement of change in net assets attributable to shareholders

for the six months to 30 June	2018		2017	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		397,405		229,325
Amounts received on issue of shares	268,804		85,471	
Amounts paid on cancellation of shares	(106,140)		(16,031)	
		162,664		69,440
Dilution adjustments		44		7
Change in net assets attributable to shareholders from investment activities (see above)		(32,871)		25,307
Closing net assets attributable to shareholders		527,242		324,079

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	30 June 2018	31 December 2017
	\$'000	\$'000
Assets		
Fixed assets		
Investments	498,317	364,616
Current assets		
Debtors	1,631	509
Cash and bank balances	43,063	36,887
Total assets	543,011	402,012
Liabilities		
Investment liabilities	(13,602)	(3,662)
Creditors		
Other creditors	(2,167)	(945)
Total liabilities	(15,769)	(4,607)
Net assets attributable to shareholders	527,242	397,405

Notes to the financial statements

Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 4.

M&G Episode Macro Fund

Financial statements and notes

This page is intentionally blank

M&G Global Corporate Bond Fund

Authorised Corporate Director's Report

Investment objective

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

Investment policy

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 fund manager believes that bond 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 stock selection 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. The fund's currency exposure is typically hedged back to its base currency.

Risk profile

The fund invests mainly in investment grade corporate bonds denominated in any currency. It is therefore subject to the price volatility of the global bond market as well as the performance of individual issuers. It is also subject to fluctuations in currency exchange rates.

The fund's focus is on high-quality corporate bonds, securities that are normally traded with relative ease. Up to 20% of the fund may be invested in other fixed income investments, such as government bonds, which are typically highly liquid assets, or high yield corporate bonds, which are higher risk assets that could potentially experience a degree of illiquidity in times of market distress.

The fund's exposure to debt securities may be gained through the use of derivatives. In association with the use of derivatives, including those instruments not traded through an exchange, collateral is deposited, in order to mitigate the risk that a counterparty may default on its obligations or become insolvent.

Portfolio diversification is key in managing liquidity and default risks as well as reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

The following table shows the risk number associated with the fund and is based on Sterling Class 'A-H' shares.



The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has not changed during this period.

Investment review

As at 2 July 2018, for the six months ended 30 June 2018

Performance against objective

Between 2 January 2018 (the start of the review period) and 2 July 2018, the M&G Global Corporate Bond Fund delivered a negative total return (the combination of income and growth of capital) across all of its share classes.

The M&G Global Corporate Bond Fund invests predominantly in investment grade corporate bonds from around the world, with the aim of maximising total return. Although in this reporting period the fund has not met its objective, it has over three years and since launch.*

Bonds are loans that are extended by an investor to an issuing entity – such as a company or government – in exchange for regular interest payments. Bonds issued by companies are referred to as 'corporate bonds', while those issued by governments are called 'government bonds'. Investment grade corporate bonds refer to fixed income securities issued by a company with a medium or high credit rating from a recognised credit rating agency. They are considered to be at lower risk of non-repayment than those issued by companies with lower credit ratings (known as high yield bonds). The performance of investment grade corporate bond markets can be influenced by the performance of government bonds.

* For the performance of each share class, please refer to the 'Long-term performance by share class' table in the 'Fund performance' section of this report.

Investment performance

While 2017 offered a relatively benign environment for investors, the first half of 2018 has proven to be very different. Volatility has instead been the predominant theme, initially caused by the prospect of higher inflation and interest rates – in the US in particular – and more recently by deepening global trade tensions and political uncertainty.

M&G Global Corporate Bond Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

Financial markets began strongly in January, responding to the upbeat global economic outlook. However, volatility returned to markets in February, triggered by a pick-up in US wage inflation, which sparked fears that the US Federal Reserve (Fed) might need to increase interest rates more quickly than had previously been expected. Equity markets suffered in particular and, by March, these concerns had spilled over into global corporate bond markets as well. The Fed raised US interest rates by one quarter of a percent (and followed this up with a further rise in June), while investors also watched closely as prospects of a trade war between the US and China escalated. The US's decision to impose sanctions on Russia weighed further on sentiment.

While April proved somewhat calmer, Italian political turmoil, combined with ongoing trade tensions between the US and China, caused further volatility in May and June. While unstable governments in Italy are nothing new, markets reacted to the likelihood of fresh elections later in the year and the potential for a more explicitly populist, and anti-EU, government.

These more challenging conditions from the start of 2018 led to declines across most parts of the global bond markets over the first half of 2018. US dollar-denominated corporate bonds were generally the worst performers, while European and sterling-denominated corporate bonds also declined.

As a result of this tough environment for global corporate bonds, the fund delivered a negative return across all share classes over the review period.

Investment activities

We have been finding the best relative value opportunities for the fund in the financial sector, from issuers such as UBS and Barclays, and among long-dated bonds (those with a long time until they are repaid) issued by some of the leading telecommunication providers such as Spanish multinational Telefónica.

In our opinion, the asset-backed securities market offers interesting prospects, particularly those bonds that are backed by residential and commercial mortgages. Such securities tend to be floating rate in nature, meaning they adjust periodically depending on the change in a reference interest rate, and should therefore perform well even when interest rates rise.

In a similar vein, we have also been finding value in inflation-linked bonds (also known as index-linked bonds). These are bonds where both the value of the loans and the interest payments are adjusted in line with inflation over the life of the securities, thus providing protection from rising inflation. While most of our exposure throughout the review period was to index-linked US government bonds, we also added several Italian and Spanish inflation-linked bonds in January – the first time the fund has had an exposure to such instruments. We also have a small position in a sterling-denominated inflation-linked bond issued by Tesco. Our overall inflation-linked exposure ended the six months at close to 7% of the fund.

An important driver of a bond fund's performance is its ability to adjust its sensitivity to changes in interest rates, known as 'duration'. While we made certain small changes to the fund's duration over the course of the reporting period, we kept it short versus a comparable index for the entire period, meaning that the portfolio would be less sensitive to interest rate changes than the market average.

Outlook

From a macroeconomic perspective, we believe the global economic recovery remains on track. While recent economic data have been slightly weaker than expected in some cases, this is coming off a high base; so far, we see little evidence that this will be the start of a new downward trend. In the US, consumer confidence is at its highest level since the financial crisis, while a healthy labour market is expected to drive further wage growth over the coming months. Various key economic indicators look especially encouraging, with the recent surge in the number of people changing jobs strongly indicative of a future rise in wages.

Europe is also an improving economic story, in our view: its growth outlook has brightened and, while we saw significant market reaction to Italian political uncertainty in May, overall political risk has receded. As the European Central Bank slowly continues to reduce the amount of support it provides to bond markets, this may have an impact on bond prices.

While the current period of economic growth may appear long compared to historic standards, we believe we are witnessing an unusually elongated economic cycle, and so this slow and steady expansion is likely to persist. As a result, we want to retain material exposure to corporate bonds, while maintaining the fund's relative lack of sensitivity to changes in interest rates.

We continue to monitor closely the possible impact on markets should the US Federal Reserve be forced to raise interest rates higher or faster than investors currently expect due to the rapid onset of inflation. The second potential challenge relates to the next stage of the UK's Brexit negotiations with the European Union. The outcome of these negotiations will have a major impact on whether we find ourselves in a more stable, or more challenging, political environment in the next few years. At the same time, political news flow – from the US in particular – may cause further volatility, as we have seen during the escalating trade tensions between the US and China.

Ben Lord

Fund manager

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

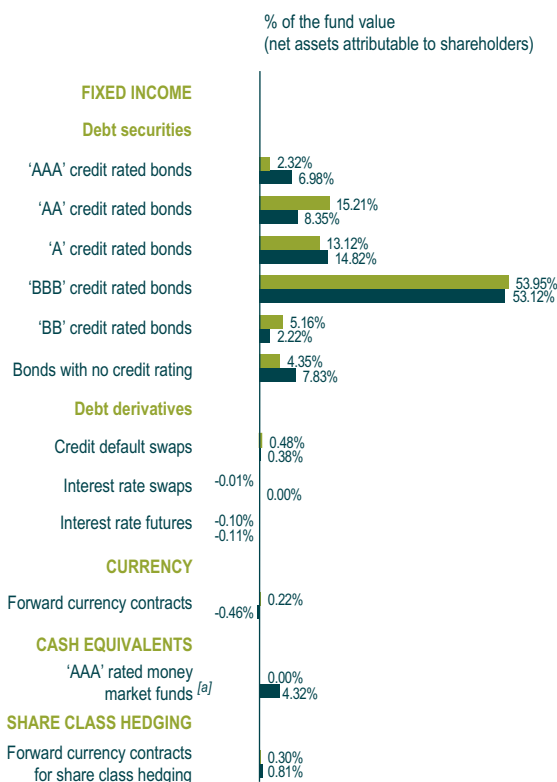
Please note that the views expressed in this Report should not be taken as a recommendation or advice on how the fund or any holding mentioned in the Report is likely to perform. If you wish to obtain financial advice as to whether an investment is suitable for your needs, you should consult a Financial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

M&G Global Corporate Bond Fund

Authorised Corporate Director's Report

Investment review

Classification of investments



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

30 June 2018
31 December 2017

Source: M&G

Investments

Portfolio statement

as at 30 June Holding	30.06.18 \$'000	30.06.18 %	31.12.17 %
FIXED INCOME	53,982	94.48	93.59
Debt securities	53,773	94.11	93.32
'AAA' credit rated bonds	1,324	2.32	6.98
\$117,500 Lanark Master Issuer FRN Perp.	117	0.20	
\$115,000 Microsoft 3.7% 2046	111	0.20	
£545,850 Paragon Mortgages No.15 FRN 2039	696	1.22	
\$400,000 Silverstone Master Issuer FRN 2070	400	0.70	
'AA' credit rated bonds	8,691	15.21	8.35
\$850,000 MassMutual Global Funding II 2.75% 2024	810	1.42	
\$1,000,000 New York Life Global Funding 1.7% 2021	953	1.67	
\$125,000 Oracle 3.85% 2036	119	0.21	
\$750,000 US Treasury 0.125% IL 2021	780	1.36	
\$1,450,000 US Treasury 0.125% IL 2022	1,552	2.71	
\$1,200,000 US Treasury 0.625% IL 2021	1,338	2.34	
\$200,000 US Treasury 1.5% 2026	181	0.32	
\$1,700,000 US Treasury 1.625% 2022	1,629	2.85	
\$775,000 US Treasury 2.375% 2023	763	1.34	
\$550,000 US Treasury 3.125% 2041	566	0.99	
'A' credit rated bonds	7,495	13.12	14.82
\$200,000 Banco Santander 3.8% 2028	181	0.32	
\$400,000 Banco Santander 3.848% 2023	391	0.68	
\$33,000 Bank of America 4% 2024	33	0.06	
\$400,000 Bank of America FRN 2023	403	0.71	
\$400,000 Bank of America FRN 2026	391	0.69	
\$300,000 Bank of America Var. Rate 2029 (3.97%)	294	0.52	
\$28,000 Bank of America Var. Rate Perp. (3.419%)	26	0.05	
€300,000 Belfius Bank Var. Rate 2028 (1.625%)	341	0.60	
\$600,000 BNP Paribas 3.5% 2027	555	0.97	
€284,000 CK Hutchison Europe Finance 18 1.25% 2025	329	0.58	
\$200,000 Cloverie for Zurich Insurance Var. Rate 2046 (5.625%)	201	0.35	
\$500,000 CNOOC Finance (2015) USA 3.75% 2023	499	0.87	
\$400,000 GE Capital International Funding 4.418% 2035	385	0.67	
£154,912 Greene King Finance FRN 2033	202	0.35	
£350,000 HSBC Holdings Var. Rate 2026 (2.256%)	442	0.77	
\$300,000 Lincoln National 3.8% 2028	286	0.50	
£145,000 London & Quadrant Housing Trust 2.625% 2028	190	0.33	
\$337,259 Mitchells & Butlers Finance FRN 2030	310	0.54	
\$236,111 S-JETS 2017-1 3.967% 2042	236	0.41	
\$600,000 Target 2.5% 2026	551	0.97	
\$500,000 UBS Group Funding (Switzerland) 4.125% 2026	494	0.86	
€405,000 UBS Group Funding (Switzerland) Var. Rate 2025 (1.25%)	469	0.82	
\$300,000 Wells Fargo & Company Var. Rate 2028 (3.584%)	286	0.50	

M&G Global Corporate Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at 30 June Holding	30.06.18 \$'000	30.06.18 %	31.12.17 %	
'BBB' credit rated bonds	30,824	53.95	53.12	
\$800,000 ABN AMRO Bank Var. Rate 2028 (4.4%)	785	1.37		
€100,000 Anglo American Capital 1.625% 2025	115	0.20		
\$457,000 Anglo American Capital 4.5% 2028	441	0.77		
£317,000 Annington Funding 2.646% 2025	415	0.73		
€350,000 Arion Bank 1% 2023	402	0.70		
£100,000 Aroundtown 3% 2029	126	0.22		
£100,000 AT&T 4.375% 2029	145	0.25		
\$625,000 AT&T 5.25% 2037	617	1.08		
£100,000 Aviva Var. Rate 2049 (4.375%)	128	0.22		
€357,000 AXA Var. Rate 2049 (3.25%)	397	0.69		
£100,000 AXA Var. Rate Perp. (6.6862%)	149	0.26		
€200,000 Banco Santander 2.125% 2028	214	0.37		
\$600,000 Bank of America 3.95% 2025	586	1.03		
\$180,000 Bank of America 4.25% 2026	177	0.31		
£275,000 Barclays 3.125% 2024	362	0.63		
£158,000 Barclays 3.25% 2033	189	0.33		
\$235,000 BAT Capital 4.54% 2047	218	0.38		
€200,000 Bayer Capital 1.5% 2026	233	0.41		
€100,000 Bayer Capital 2.125% 2029	118	0.21		
\$552,000 Bayer US Finance 4.625% 2038	546	0.96		
\$266,000 BNP Paribas 4.625% 2027	260	0.46		
€200,000 BPCE 1.375% 2026	227	0.40		
\$250,000 BPCE 3.5% 2027	228	0.40		
£136,000 Bunzl Finance 2.25% 2025	176	0.31		
€100,000 Channel Link Enterprises Finance 1.761% IL 2050	119	0.21		
£127,000 Channel Link Enterprises Finance Var. Rate 2050 (3.043%)	166	0.29		
\$300,000 Charter Communications Operating 3.75% 2028	271	0.47		
\$225,000 Citigroup 4.3% 2026	220	0.39		
\$158,000 Citigroup 4.4% 2025	157	0.27		
\$300,000 Crédit Agricole 3.75% 2033	294	0.51		
\$1,150,000 Crédit Agricole 4.125% 2027	1,112	1.95		
\$250,000 Crédit Agricole Var. Rate Perp. (4%)	227	0.40		
\$247,000 CVS Health 4.3% 2028	242	0.42		
\$371,000 CVS Health 4.78% 2038	367	0.64		
\$74,000 Dell International (formerly Diamond 1 and 2 Finance) 5.45% 2023	77	0.13		
\$212,000 Enel Finance International 3.625% 2027	193	0.34		
\$200,000 Energy Transfer Partners 5.15% 2045	177	0.31		
\$100,000 Energy Transfer Partners 5.3% 2047	90	0.16		
\$225,000 Energy Transfer Partners 5.8% 2038	222	0.39		
\$300,000 Energy Transfer Partners 6.125% 2045	296	0.52		
\$400,000 EQT Midstream Partners 4.75% 2023	399	0.70		
\$400,000 EQT Midstream Partners 5.5% 2028	399	0.70		
\$200,000 Exelon Generation 5.6% 2042	200	0.35		
\$450,000 Express Scripts 4.8% 2046	423	0.74		
€247,000 Fairfax Financial Holdings 2.75% 2028	286	0.50		
\$125,000 Ford Motor Company 5.291% 2046	116	0.20		
\$60,000 Goldman Sachs Group 3.85% 2024	59	0.10		
\$100,000 Goldman Sachs Group 4.25% 2025	98	0.17		
\$132,000 Goldman Sachs Group FRN 2023	136	0.24		

Portfolio statement (continued)

as at 30 June Holding	30.06.18 \$'000	30.06.18 %	31.12.17 %
'BBB' credit rated bonds (continued)			
£100,000 HSBC Holdings 6.75% 2028	167	0.29	
\$700,000 ING Groep Var. Rate 2023 (4.125%)	702	1.23	
€100,000 ING Groep Var. Rate 2029 (1.625%)	113	0.20	
\$700,000 International Paper 4.8% 2044	683	1.20	
€600,000 Intesa Sanpaolo 1.75% 2028	627	1.10	
\$1,100,000 JPMorgan Chase 4.25% 2027	1,087	1.90	
£106,000 LafargeHolcim Sterling Finance (Netherlands) 3% 2032	132	0.23	
£150,000 Legal & General Group 5.375% 2045	212	0.37	
\$264,000 Legal & General Group Var. Rate 2047 (5.25%)	247	0.43	
£110,000 Lloyds Bank 7.625% 2025	186	0.32	
£195,000 Lloyds Banking Group 2.25% 2024	249	0.44	
€300,000 Lloyds Banking Group Var. Rate 2028 (1.75%)	340	0.60	
\$109,000 Maple Escrow Subsidiary 4.057% 2023	109	0.19	
\$98,000 Maple Escrow Subsidiary 4.417% 2025	98	0.17	
£139,000 Morgan Stanley 2.625% 2027	180	0.31	
\$115,000 Morgan Stanley 3.95% 2027	110	0.19	
\$550,000 Morgan Stanley 5% 2025	569	1.00	
\$150,000 Morgan Stanley FRN 2023	153	0.27	
\$400,000 Morgan Stanley FRN 2024	404	0.71	
\$200,000 Mylan 3.95% 2026	191	0.33	
\$116,000 Mylan 4.55% 2028	113	0.20	
\$300,000 Mylan 5.4% 2043	297	0.52	
\$1,000,000 Nationwide Building Society 4% 2026	935	1.64	
€180,000 Nationwide Building Society Var. Rate 2026 (1.5%)	207	0.36	
€137,000 Nationwide Building Society Var. Rate 2029 (2%)	157	0.27	
\$223,000 Nationwide Building Society Var. Rate 2029 (4.302%)	215	0.38	
€237,000 Natwest Markets Var. Rate Mar 2026 (1.75%)	271	0.47	
£100,000 Orange Var. Rate Perp. (5.75%)	142	0.25	
\$400,000 Pacific Gas & Electric 3.3% 2027	357	0.62	
\$600,000 Rabobank 4% 2029	578	1.01	
\$1,150,000 Reynolds American 5.85% 2045	1,258	2.20	
\$275,000 Royal Bank of Scotland 3.875% 2023	267	0.47	
\$230,000 Royal Bank of Scotland FRN 2029	228	0.40	
£400,000 Royal Bank of Scotland Var. Rate 2026 (2.875%)	519	0.91	
£120,000 RSA Insurance Var. Rate 2045 (5.125%)	170	0.30	
\$100,000 Santander 7.95% 2029	124	0.22	
\$800,000 Société Générale 4.75% 2025	788	1.38	
\$200,000 Sunoco Logistics Partners Operations 5.4% 2047	183	0.32	
\$200,000 Syngenta Finance 4.441% 2023	199	0.35	
\$150,000 Telefónica Emisiones 7.045% 2036	181	0.32	
£158,000 Thames Water Utilities Cayman 2.375% 2023	203	0.36	
€300,000 Verizon Communications 2.875% 2038	343	0.60	
\$235,000 Verizon Communications 4.272% 2036	215	0.38	
\$445,000 Verizon Communications 5.25% 2037	454	0.79	
£200,000 Vodafone Group 3.375% 2049	244	0.43	
\$202,000 Vodafone Group 3.75% 2024	200	0.35	
\$95,000 Vodafone Group 5% 2038	94	0.16	
\$700,000 Wells Fargo & Company 4.3% 2027	687	1.20	
\$600,000 Western Gas Partners 4.65% 2026	587	1.03	
\$180,000 Weyerhaeuser 7.375% 2032	229	0.40	
€190,000 WPC Eurobond 2.125% 2027	220	0.39	

M&G Global Corporate Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 30 June Holding	30.06.18 \$'000	30.06.18 %	31.12.17 %
'BB' credit rated bonds	2,951	5.16	2.22
\$270,000 Barclays 4.836% 2028	256	0.45	
\$300,000 Freeport-McMoRan 3.875% 2023	282	0.49	
\$200,000 Intesa Sanpaolo 5.017% 2024	180	0.31	
£90,000 Old Mutual 8% 2021	130	0.23	
\$300,000 Natwest Markets 5.125% 2024 (formerly Royal Bank of Scotland 5.125% 05/2024)	302	0.53	
\$100,000 Royal Bank of Scotland 6% 2023	104	0.18	
\$400,000 Santander 4.75% 2025	390	0.68	
€111,000 Stora Enso 2.5% 2028	130	0.23	
€200,000 Telefónica Europe Var. Rate 2099 (3%)	218	0.38	
£100,000 Tesco 3.322% IL 2025	251	0.44	
\$300,000 Tesco 6.15% 2037	320	0.56	
€200,000 Teva Pharmaceutical Finance 1.125% 2024	197	0.34	
\$152,000 Teva Pharmaceutical Industries 2.8% 2023	131	0.23	
\$75,000 Teva Pharmaceutical Industries 3.15% 2026	60	0.11	
Bonds with no credit rating	2,488	4.35	7.83
€238,000 ATON Group Finance 3.875% 2018	277	0.48	
£104,000 Eversholt Funding 3.529% 2042	135	0.24	
£148,873 Finsbury Square 2017-2 FRN 2065	196	0.34	
£208,145 Finsbury Square 2018-1 FRN 2065	274	0.48	
\$214,137 Gosforth Funding 2017-1 FRN 2059	214	0.37	
€100,000 Groupe Bruxelles Lambert 1.875% 2025	117	0.21	
\$230,984 Home Partners of America Trust 2016-2 FRN 2033	231	0.40	
€400,000 Iliad 1.875% 2025	450	0.79	
£280,003 London Wall Mortgage Capital FRN 2049	369	0.65	
\$223,779 Progress Residential Trust FRN 2034	225	0.39	
Debt derivatives	209	0.37	0.27
Credit default swaps	272	0.48	0.38
\$(300,000) América Mvil Dec 2021	(3)	(0.01)	
€(250,000) Anglo American Capital Dec 2022	45	0.08	
\$100,000 Bristol-Myers Squibb Sep 2020	(2)	(0.01)	
€(120,000) Glencore Finance Europe Dec 2021	18	0.04	
€(400,000) Glencore Finance Europe Dec 2022	82	0.14	
€(500,000) Glencore Finance Europe Jun 2022	69	0.12	
€(60,000) Glencore International Jun 2021	0	0.00	
€(500,000) Leonardo Dec 2022	78	0.14	
€(1,600,000) Markit iTraxx Europe Series 27 10 Year Jun 2027	(3)	0.00	
€(500,000) Markit iTraxx Europe Series 28 10 Year Dec 2027	(5)	(0.01)	
€(200,000) Markit iTraxx Europe Snr Fin Series 28 5 Year Dec 2022	(2)	0.00	
€(175,000) Telecom Italia Jun 2022	(5)	(0.01)	
Interest rate swaps	(5)	(0.01)	0.00
£200,000 Pay 0.789% Receive VAR Feb 2022	3	(0.00)	
£900,000 Pay 1.38% Receive VAR Mar 2023	(8)	(0.01)	

Portfolio statement (continued)

as at 30 June Holding	30.06.18 \$'000	30.06.18 %	31.12.17 %
Interest rate futures	(58)	(0.10)	(0.11)
37 5 Years US Treasury Note Sep 2018	2	0.00	
(22) 10 Years US Treasury Note Sep 2018	(7)	(0.01)	
5 Euro Bund Sep 2018	4	0.01	
(12) UK Long Gilt September 2018	(31)	(0.06)	
6 US Long Treasury Bond Sep 2018	7	0.01	
(6) US Ultra Long Treasury Bond Sep 2018	(19)	(0.03)	
(27) US Ultra Treasury Note 10 Year Futures September 2018	(14)	(0.02)	
CURRENCY	129	0.22	(0.46)
Forward currency contracts	129	0.22	(0.46)
€314,109 Bought for \$366,276 (expires 25.07.18)	0	0.00	
€(6,662,398) Sold for \$7,806,032 (expires 25.07.18)	39	0.07	
£410,971 Bought for \$543,316 (expires 25.07.18)	(3)	(0.01)	
£(6,645,807) Sold for \$8,833,939 (expires 25.07.18)	93	0.16	
Portfolio of investments	54,111	94.70	93.13
CASH EQUIVALENTS	0	0.00	4.32
'AAA' rated money market funds [a]	0	0.00	4.32
SHARE CLASS HEDGING	169	0.30	0.81
Forward currency contracts for share class hedging	169	0.30	0.81
€31,671,666 Bought for \$36,745,467 (expires 25.07.18)	180	0.32	
€(435,117) Sold for \$504,253 (expires 25.07.18)	(3)	(0.01)	
£1,716,353 Bought for \$2,265,689 (expires 25.07.18)	(8)	(0.01)	
£(18,703) Sold for \$24,646 (expires 25.07.18)	0	0.00	
CHF50,666 Bought for \$51,007 (expires 25.07.18)	0	0.00	
CHF(402) Sold for \$404 (expires 25.07.18)	0	0.00	
Total portfolio	54,280	95.00	98.26
Net other assets / (liabilities)	2,858	5.00	1.74
Net assets attributable to shareholders	57,138	100.00	100.00

All securities are on an official stock exchange listing except where referenced.

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

Portfolio transactions

for the six months to 30 June	2018	2017
Portfolio transactions	\$'000	\$'000
Total purchases	41,463	37,723
Total sales	41,243	10,348

Purchases and sales exclude the cost and proceeds of 'AAA' rated money market funds.

M&G Global Corporate Bond Fund

Financial highlights

Fund performance

Please note past performance is not a guide to future performance and the value of investments, and the income from them, will fluctuate. This will cause the fund price to fall as well as rise and you may not get back the original amount you invested.

The following chart and tables show the performance for two of the fund's share classes – Sterling Class 'A-H' (Accumulation) shares and Sterling Class 'I-H' (Accumulation) shares.

We show performance for these two share classes because:

- The performance of the Sterling Class 'A-H' (Accumulation) share is what most individuals investing directly with M&G have received. It has the highest ongoing charge of all the sterling share classes. Performance is shown after deduction of this charge. All UK investors in the fund therefore received this performance or better.
- The performance of the Sterling Class 'I-H' (Accumulation) share is the most appropriate to compare with the average performance of the fund's comparative sector. It is the share class used by the Investment Association in the calculation of the comparative sector's average performance. This share class is available for direct investment with M&G subject to minimum investment criteria, or via third parties who may charge additional fees. The performance shown takes the deduction of the ongoing charge for this share class into account but it does not take account of charges applied by any other party through which you may have invested.

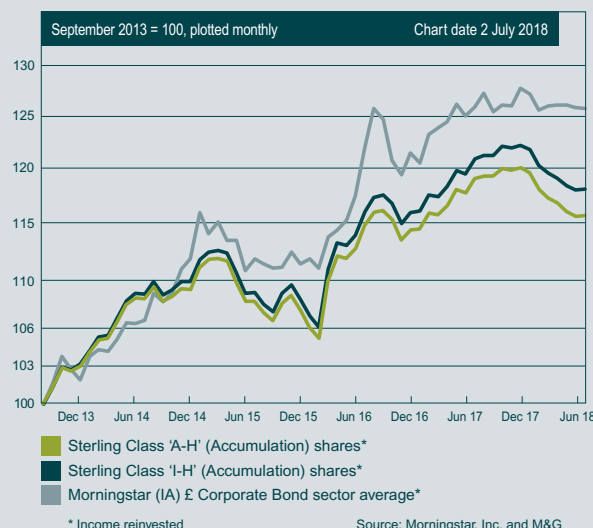
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (5), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	30.06.18 \$'000	31.12.17 \$'000	31.12.16 \$'000
Fund net asset value (NAV)	57,138	60,238	27,954

Performance since launch

To give an indication of how the fund has performed since launch, the chart below shows total return of Sterling Class 'A-H' (Accumulation) shares and Sterling Class 'I-H' (Accumulation) shares.



To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period. Calculated on a price to price basis with income reinvested.

Long-term performance by share class

	Six months 02.01.18 % [a]	Three years 02.07.15 % p.a.	Five years 02.07.13 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A-H'	-4.1	+1.4	n/a	+2.5 [c]
Class 'C-H'	-3.8	+1.9	n/a	+3.0 [c]
Sterling [d]				
Class 'A-H'	-3.6	+2.3	n/a	+3.1 [c]
Class 'I-H'	-3.3	+2.8	n/a	+3.5 [c]
Class 'R-H'	-3.4	+2.5	n/a	+3.3 [c]
Swiss franc [b]				
Class 'A-H'	-4.3	+0.8	n/a	+1.9 [c]
Class 'C-H'	-4.0	+1.3	n/a	+2.4 [c]
US dollar [b]				
Class 'A'	-2.8	+3.2	n/a	+3.6 [c]
Class 'C'	-2.5	+3.7	n/a	+4.2 [c]

[a] Absolute basis.

[b] Price to price with gross income reinvested.

[c] 5 September 2013, the launch date of the fund.

[d] Price to price with income reinvested.

M&G Global Corporate Bond Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

We explain below the payments made to meet the ongoing costs of investing and managing the fund, comprising operating charges and portfolio transaction costs.

Operating charges

Operating charges include payments made to M&G and to providers independent of M&G:

- **Investment management:** Charge paid to M&G for investment management of the fund (also known as Annual Management Charge).
- **Administration:** Charge paid to M&G for administration services in addition to investment management – any surplus from this charge will be retained by M&G.
- **Share class hedging:** Charge paid to M&G for currency hedging services to minimise exchange rate risk for the share class.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated.

The operating charges paid by each share class of the fund are shown in the following performance tables. Operating charges do not include portfolio transaction costs or any entry and exit charges (also known as initial and redemption charges). The charging structures of share classes may differ, and therefore the operating charges may differ.

Operating charges are the same as the ongoing charges shown in the Key Investor Information Document, other than where an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

For this fund there is no difference between operating charges and ongoing charges figures, unless disclosed under the specific share class performance table.

Portfolio transaction costs

Portfolio transaction costs are incurred by funds when buying and selling investments. These costs vary depending on the types of investment, their market capitalisation, country of exchange and method of execution. They are made up of direct and indirect portfolio transaction costs:

- **Direct portfolio transaction costs:** Broker execution commission and taxes.
- **Indirect portfolio transaction costs:** 'Dealing spread' – the difference between the buying and selling prices of the fund's investments; some types of investment, such as fixed interest securities, have no direct transaction costs and only the dealing spread is paid.

Investments are bought or sold by a fund when changes are made to the investment portfolio and in response to net flows of money into or out of the fund from investors buying and selling shares in the fund.

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. As the fund invests mainly in fixed interest securities, the direct transaction costs paid on other investments are too small to be reflected in the table below. To give an indication of the indirect portfolio dealing costs the table below shows the average portfolio dealing spread.

Further information on this process is in the Prospectus, which is available free of charge on request either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Portfolio transaction costs

as at	30.06.18	31.12.17	31.12.16	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.60	0.55	0.81	0.65

^[a] Average of first three columns.

M&G Global Corporate Bond Fund

Financial highlights

Specific share class performance

The following tables show the performance of each share class. All 'Performance and charges' percentages represent an annual rate except for the 'Return after operating charges' which is calculated as a percentage of the opening net asset value per share (NAV). 'Dilution adjustments' are only in respect of direct portfolio transaction costs.

Euro Class 'A-H' Income share performance

The share class was launched on 5 September 2013.

	Six months to 30.06.18 Euro €	Year to 31.12.17 Euro €	Year to 31.12.16 Euro €
Change in NAV per share			
Opening NAV	1,064.08	1,051.76	1,017.37
Return before operating charges and after direct portfolio transaction costs	(32.85)	56.76	71.90
Operating charges	(6.38)	(13.35)	(13.23)
Return after operating charges	(39.23)	43.41	58.67
Distributions	(16.28)	(31.09)	(24.28)
Closing NAV	1,008.57	1,064.08	1,051.76
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.02	0.03	0.04
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.03	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.22	1.23	1.26
Return after operating charges	-3.69	+4.13	+5.77
Distribution yield	3.42	2.83	2.98
Effect on yield of charges offset against capital	1.17	1.17	1.17

Other information

Closing NAV (\$'000)	760	868	427
Closing NAV percentage of total fund NAV (%)	1.33	1.44	1.53
Number of shares	64,773	68,073	38,445
Highest share price (Euro €)	1,069.80	1,088.28	1,090.95
Lowest share price (Euro €)	1,016.98	1,057.71	986.89

Euro Class 'A-H' Accumulation share performance

The share class was launched on 5 September 2013.

	Six months to 30.06.18 Euro €	Year to 31.12.17 Euro €	Year to 31.12.16 Euro €
Change in NAV per share			
Opening NAV	1,168.42	1,122.40	1,060.99
Return before operating charges and after direct portfolio transaction costs	(36.04)	60.43	75.48
Operating charges	(6.98)	(14.41)	(14.07)
Return after operating charges	(43.02)	46.02	61.41
Distributions	(11.35)	(20.15)	(24.53)
Retained distributions	11.35	20.15	24.53
Closing NAV	1,125.40	1,168.42	1,122.40
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.02	0.03	0.05
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.03	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.22	1.23	1.27
Return after operating charges	-3.68	+4.10	+5.79
Distribution yield	2.25	1.68	1.81
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	715	769	226
Closing NAV percentage of total fund NAV (%)	1.25	1.28	0.81
Number of shares	54,603	54,890	19,109
Highest share price (Euro €)	1,174.63	1,179.27	1,150.92
Lowest share price (Euro €)	1,125.42	1,128.64	1,028.90

Euro Class 'C-H' Income share performance

The share class was launched on 5 September 2013.

	Six months to 30.06.18 Euro €	Year to 31.12.17 Euro €	Year to 31.12.16 Euro €
Change in NAV per share			
Opening NAV	1,066.46	1,049.28	1,014.28
Return before operating charges and after direct portfolio transaction costs	(32.56)	56.23	72.26
Operating charges	(3.82)	(7.96)	(8.15)
Return after operating charges	(36.38)	48.27	64.11
Distributions	(16.36)	(31.09)	(29.11)
Closing NAV	1,013.72	1,066.46	1,049.28
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.02	0.03	0.05
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.03	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.73	0.74	0.77
Return after operating charges	-3.41	+4.60	+6.32
Distribution yield	3.42	2.83	2.98
Effect on yield of charges offset against capital	0.67	0.67	0.67
Other information			
Closing NAV (\$'000)	12	13	11
Closing NAV percentage of total fund NAV (%)	0.02	0.02	0.04
Number of shares	1,000	1,000	1,000
Highest share price (Euro €)	1,072.32	1,088.27	1,089.13
Lowest share price (Euro €)	1,022.19	1,055.58	984.49

M&G Global Corporate Bond Fund

Financial highlights

Specific share class performance

Euro Class 'C-H' Accumulation share performance

The share class was launched on 5 September 2013.

	Six months to 30.06.18 Euro ¢	Year to 31.12.17 Euro ¢	Year to 31.12.16 Euro ¢
Change in NAV per share			
Opening NAV	1,193.08	1,140.15	1,072.30
Return before operating charges and after direct portfolio transaction costs	(36.99)	61.75	76.18
Operating charges	(4.19)	(8.82)	(8.33)
Return after operating charges	(41.18)	52.93	67.85
Distributions	(14.48)	(26.33)	(30.33)
Retained distributions	14.48	26.33	30.33
Closing NAV	1,151.90	1,193.08	1,140.15
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.02	0.03	0.04
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.03	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.72	0.73	0.75
Return after operating charges	-3.45	+4.64	+6.33
Distribution yield	2.75	2.17	2.31
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	34,671	35,243	5,989
Closing NAV percentage of total fund NAV (%)	60.68	58.51	21.42
Number of shares	2,585,673	2,463,957	497,422
Highest share price (Euro ¢)	1,199.59	1,203.35	1,167.75
Lowest share price (Euro ¢)	1,151.93	1,146.91	1,040.48

Sterling Class 'A-H' Income share performance

The share class was launched on 5 September 2013.

	Six months to 30.06.18 UK p	Year to 31.12.17 UK p	Year to 31.12.16 UK p
Change in NAV per share			
Opening NAV	109.64	107.43	102.60
Return before operating charges and after direct portfolio transaction costs	(2.78)	6.78	8.79
Operating charges	(0.66)	(1.36)	(1.36)
Return after operating charges	(3.44)	5.42	7.43
Distributions	(1.68)	(3.21)	(2.60)
Closing NAV	104.52	109.64	107.43
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.22	1.23	1.27
Return after operating charges	-3.14	+5.05	+7.24
Distribution yield	3.47	2.84	3.03
Effect on yield of charges offset against capital	1.17	1.17	1.17
Other information			
Closing NAV (\$'000)	274	281	219
Closing NAV percentage of total fund NAV (%)	0.48	0.47	0.78
Number of shares	199,431	189,431	165,748
Highest share price (UK p)	110.25	111.60	110.93
Lowest share price (UK p)	105.39	108.12	99.45

Sterling Class 'A-H' Accumulation share performance

The share class was launched on 5 September 2013.

	Six months to 30.06.18 UK p	Year to 31.12.17 UK p	Year to 31.12.16 UK p
Change in NAV per share			
Opening NAV	119.46	113.67	106.46
Return before operating charges and after direct portfolio transaction costs	(3.08)	7.24	9.16
Operating charges	(0.72)	(1.45)	(1.43)
Return after operating charges	(3.80)	5.79	7.73
Distributions	(1.16)	(2.07)	(2.61)
Retained distributions	1.16	2.07	2.09
Closing NAV	115.66	119.46	113.67
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.22	1.24	1.27
Return after operating charges	-3.18	+5.09	+7.26
Distribution yield	2.27	1.68	1.85
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	118	156	101
Closing NAV percentage of total fund NAV (%)	0.21	0.26	0.36
Number of shares	77,843	96,652	72,115
Highest share price (UK p)	120.12	120.32	116.22
Lowest share price (UK p)	115.67	114.31	103.18

Sterling Class 'I-H' Income share performance

The share class was launched on 5 September 2013.

	Six months to 30.06.18 UK p	Year to 31.12.17 UK p	Year to 31.12.16 UK p
Change in NAV per share			
Opening NAV	110.26	107.51	102.66
Return before operating charges and after direct portfolio transaction costs	(2.83)	6.80	8.74
Operating charges	(0.39)	(0.82)	(0.81)
Return after operating charges	(3.22)	5.98	7.93
Distributions	(1.69)	(3.23)	(3.08)
Closing NAV	105.35	110.26	107.51
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.72	0.73	0.77
Return after operating charges	-2.92	+5.56	+7.72
Distribution yield	3.47	2.84	3.03
Effect on yield of charges offset against capital	0.67	0.67	0.67
Other information			
Closing NAV (\$'000)	165	172	87
Closing NAV percentage of total fund NAV (%)	0.29	0.28	0.31
Number of shares	118,935	115,761	65,794
Highest share price (UK p)	110.89	112.02	111.11
Lowest share price (UK p)	106.23	108.21	99.55

M&G Global Corporate Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 5 September 2013.

	Six months to 30.06.18 UK p	Year to 31.12.17 UK p	Year to 31.12.16 UK p
Change in NAV per share			
Opening NAV	121.57	115.18	107.35
Return before operating charges and after direct portfolio transaction costs	(3.12)	7.27	9.38
Operating charges	(0.43)	(0.88)	(0.90)
Return after operating charges	(3.55)	6.39	8.48
Distributions	(1.48)	(2.70)	(3.23)
Retained distributions	1.48	2.70	2.58
Closing NAV	118.02	121.57	115.18
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.01
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.71	0.73	0.78
Return after operating charges	-2.92	+5.55	+7.90
Distribution yield	2.79	2.18	2.35
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	1,483	3,033	636
Closing NAV percentage of total fund NAV (%)	2.59	5.03	2.28
Number of shares	956,154	1,846,264	448,737
Highest share price (UK p)	122.26	122.41	117.67
Lowest share price (UK p)	118.02	115.81	104.09

Sterling Class 'R-H' Income share performance

The share class was launched on 5 September 2013.

	Six months to 30.06.18 UK p	Year to 31.12.17 UK p	Year to 31.12.16 UK p
Change in NAV per share			
Opening NAV	109.91	107.45	102.62
Return before operating charges and after direct portfolio transaction costs	(2.81)	6.76	8.74
Operating charges	(0.52)	(1.08)	(1.07)
Return after operating charges	(3.33)	5.68	7.67
Distributions	(1.67)	(3.22)	(2.84)
Closing NAV	104.91	109.91	107.45
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.98	0.98	1.01
Return after operating charges	-3.03	+5.29	+7.47
Distribution yield	3.47	2.84	3.04
Effect on yield of charges offset against capital	0.92	0.92	0.92
Other information			
Closing NAV (\$'000)	67	25	26
Closing NAV percentage of total fund NAV (%)	0.12	0.04	0.09
Number of shares	48,945	16,757	20,000
Highest share price (UK p)	110.53	111.77	111.05
Lowest share price (UK p)	105.77	108.14	99.50

Sterling Class 'R-H' Accumulation share performance

The share class was launched on 5 September 2013.

	Six months to 30.06.18 UK p	Year to 31.12.17 UK p	Year to 31.12.16 UK p
Change in NAV per share			
Opening NAV	120.45	114.30	106.82
Return before operating charges and after direct portfolio transaction costs	(3.07)	7.35	9.21
Operating charges	(0.57)	(1.20)	(1.15)
Return after operating charges	(3.64)	6.15	8.06
Distributions	(1.32)	(2.38)	(2.89)
Retained distributions	1.32	2.38	2.31
Closing NAV	116.81	120.45	114.30
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.97	0.99	1.02
Return after operating charges	-3.02	+5.38	+7.55
Distribution yield	2.53	1.92	2.10
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	105	70	14
Closing NAV percentage of total fund NAV (%)	0.18	0.11	0.05
Number of shares	68,637	43,000	10,000
Highest share price (UK p)	121.13	121.30	116.85
Lowest share price (UK p)	116.82	114.94	103.56

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 5 September 2013.

	Six months to 30.06.18 Swiss ¢	Year to 31.12.17 Swiss ¢	Year to 31.12.16 Swiss ¢
Change in NAV per share			
Opening NAV	1,137.44	1,097.27	1,043.37
Return before operating charges and after direct portfolio transaction costs	(37.32)	54.06	67.51
Operating charges	(6.76)	(13.89)	(13.61)
Return after operating charges	(44.08)	40.17	53.90
Distributions	(11.04)	(19.83)	(23.96)
Retained distributions	11.04	19.83	23.96
Closing NAV	1,093.36	1,137.44	1,097.27
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.02	0.03	0.05
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.03	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.21	1.24	1.26
Return after operating charges	-3.88	+3.66	+5.17
Distribution yield	2.24	1.67	1.82
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	30	31	61
Closing NAV percentage of total fund NAV (%)	0.05	0.05	0.22
Number of shares	2,700	2,700	5,700
Highest share price (Swiss ¢)	1,143.51	1,149.09	1,127.17
Lowest share price (Swiss ¢)	1,093.38	1,103.22	1,011.10

M&G Global Corporate Bond Fund

Financial highlights

Specific share class performance

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 5 September 2013.

	Six months to 30.06.18 Swiss ¢	Year to 31.12.17 Swiss ¢	Year to 31.12.16 Swiss ¢
Change in NAV per share			
Opening NAV	1,164.47	1,116.97	1,058.17
Return before operating charges and after direct portfolio transaction costs	(38.11)	55.99	67.21
Operating charges	(4.09)	(8.49)	(8.41)
Return after operating charges	(42.20)	47.50	58.80
Distributions	(14.17)	(25.92)	(29.66)
Retained distributions	14.17	25.92	29.66
Closing NAV	1,122.27	1,164.47	1,116.97
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.02	0.03	0.05
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.03	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.72	0.74	0.77
Return after operating charges	-3.62	+4.25	+5.56
Distribution yield	2.74	2.16	2.32
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	21	22	20
Closing NAV percentage of total fund NAV (%)	0.04	0.04	0.07
Number of shares	1,815	1,815	1,815
Highest share price (Swiss ¢)	1,170.82	1,175.39	1,145.81
Lowest share price (Swiss ¢)	1,122.29	1,123.34	1,026.60

US dollar Class 'A' Income share performance

The share class was launched on 8 August 2014.

	Six months to 30.06.18 US ¢	Year to 31.12.17 US ¢	Year to 31.12.16 US ¢
Change in NAV per share			
Opening NAV	1,120.02	1,085.15	1,034.75
Return before operating charges and after direct portfolio transaction costs	(19.91)	81.27	88.94
Operating charges	(6.75)	(13.57)	(13.46)
Return after operating charges	(26.66)	67.70	75.48
Distributions	(17.25)	(32.83)	(25.08)
Closing NAV	1,076.11	1,120.02	1,085.15
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.02	0.03	0.04
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.03	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.21	1.22	1.25
Return after operating charges	-2.38	+6.24	+7.29
Distribution yield	3.42	2.86	3.00
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (\$'000)	33	185	103
Closing NAV percentage of total fund NAV (%)	0.06	0.31	0.37
Number of shares	3,061	16,561	9,461
Highest share price (US ¢)	1,126.60	1,135.08	1,120.07
Lowest share price (US ¢)	1,084.83	1,092.36	1,004.05

US dollar Class 'A' Accumulation share performance

The share class was launched on 5 September 2013.

	Six months to 30.06.18 US ¢	Year to 31.12.17 US ¢	Year to 31.12.16 US ¢
Change in NAV per share			
Opening NAV	1,216.36	1,144.41	1,066.39
Return before operating charges and after direct portfolio transaction costs	(21.90)	86.39	92.02
Operating charges	(7.24)	(14.44)	(14.00)
Return after operating charges	(29.14)	71.95	78.02
Distributions	(11.97)	(21.36)	(25.00)
Retained distributions	11.97	21.36	25.00
Closing NAV	1,187.22	1,216.36	1,144.41
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.03	0.03	0.05
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.03	0.03	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.21	1.22	1.25
Return after operating charges	-2.40	+6.29	+7.32
Distribution yield	2.27	1.71	1.85
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	18,378	18,896	17,810
Closing NAV percentage of total fund NAV (%)	32.16	31.37	63.71
Number of shares	1,547,994	1,553,442	1,556,216
Highest share price (US ¢)	1,223.44	1,223.15	1,168.89
Lowest share price (US ¢)	1,187.04	1,151.81	1,034.69

US dollar Class 'C' Income share performance

The share class was launched on 8 August 2014.

	Six months to 30.06.18 US ¢	Year to 31.12.17 US ¢	Year to 31.12.16 US ¢
Change in NAV per share			
Opening NAV	1,131.50	1,090.62	1,039.30
Return before operating charges and after direct portfolio transaction costs	(20.22)	81.77	89.36
Operating charges	(3.72)	(7.61)	(7.94)
Return after operating charges	(23.94)	74.16	81.42
Distributions	(17.60)	(33.28)	(30.10)
Closing NAV	1,089.96	1,131.50	1,090.62
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.02	0.03	0.05
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.03	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.67	0.68	0.73
Return after operating charges	-2.12	+6.80	+7.83
Distribution yield	3.45	2.88	3.02
Effect on yield of charges offset against capital	0.65	0.65	0.65
Other information			
Closing NAV (\$'000)	5	5	5
Closing NAV percentage of total fund NAV (%)	0.01	0.01	0.02
Number of shares	459	459	459
Highest share price (US ¢)	1,138.47	1,146.40	1,126.66
Lowest share price (US ¢)	1,098.58	1,097.94	1,009.04

M&G Global Corporate Bond Fund

Financial highlights

Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 5 September 2013.

	Six months to 30.06.18 US ¢	Year to 31.12.17 US ¢	Year to 31.12.16 US ¢
Change in NAV per share			
Opening NAV	1,243.07	1,163.77	1,079.03
Return before operating charges and after direct portfolio transaction costs	(22.39)	87.94	93.26
Operating charges	(4.36)	(8.64)	(8.52)
Return after operating charges	(26.75)	79.30	84.74
Distributions	(15.28)	(27.82)	(31.01)
Retained distributions	15.28	27.82	31.01
Closing NAV	1,216.32	1,243.07	1,163.77
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.03	0.03	0.05
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.03	0.03	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.71	0.72	0.75
Return after operating charges	-2.15	+6.81	+7.85
Distribution yield	2.77	2.21	2.35
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	301	469	2,219
Closing NAV percentage of total fund NAV (%)	0.53	0.78	7.94
Number of shares	24,742	37,742	190,659
Highest share price (US ¢)	1,250.61	1,249.77	1,187.59
Lowest share price (US ¢)	1,215.86	1,171.37	1,047.58

^[a] In respect of direct portfolio transaction costs.

^[b] As a percentage of average net asset value.

M&G Global Corporate Bond Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 30 June	2018 \$'000	2017 \$'000
Income		
Net capital gains / (losses)	(3,721)	3,242
Revenue	957	617
Expenses	(263)	(191)
Net revenue / (expense) before taxation	694	426
Taxation	0	1
Net revenue / (expense) after taxation	694	427
Total return before distributions	(3,027)	3,669
Distributions	(696)	(405)
Change in net assets attributable to shareholders from investment activities	(3,723)	3,264

Statement of change in net assets attributable to shareholders

for the six months to 30 June	2018 \$'000	2017 \$'000
Opening net assets attributable to shareholders	60,238	27,954
Amounts received on issue of shares	2,138	25,682
Amounts paid on cancellation of shares	(2,192)	(2,337)
	(54)	23,345
Dilution adjustments	7	81
Change in net assets attributable to shareholders from investment activities (see above)	(3,723)	3,264
Retained distributions on Accumulation shares	670	415
Closing net assets attributable to shareholders	57,138	55,059

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	30 June 2018 \$'000	31 December 2017 \$'000
Assets		
Fixed assets		
Investments	54,393	56,942
Current assets		
Debtors	452	461
Cash and bank balances	2,440	634
Cash equivalents	0	2,605
Total assets	57,285	60,642
Liabilities		
Investment liabilities	(113)	(359)
Creditors		
Distribution payable	(11)	(12)
Other creditors	(23)	(33)
Total liabilities	(147)	(404)
Net assets attributable to shareholders	57,138	60,238

Notes to the financial statements

Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 4.

Distribution policy

In determining the amount available for distribution to Income shares, the annual management charge, administration charge and share class hedging charge are offset against capital, increasing the amount available for distribution whilst restraining capital performance to an equivalent extent.

M&G Global Corporate Bond Fund

Financial statements and notes

This page is intentionally blank

M&G Investment Funds (5)

Other regulatory disclosures

Swiss investor information

For funds registered in Switzerland we are required by FINMA to disclose the Total Expense Ratio (TER).

For these funds the TERs are the same as the operating charges disclosed in each fund's financial highlights section under 'Performance and charges'.

Glossary

Accumulation shares: A type of share where distributions are automatically reinvested and reflected in the value of the shares.

Accumulation units: A type of unit where distributions are automatically reinvested and reflected in the value of the units.

Asset: Anything having commercial or exchange value that is owned by a business, institution or individual.

Asset allocation: Apportioning a portfolio's assets according to risk tolerance and investment goals.

Asset class: Category of assets, such as cash, company shares, fixed income securities and their sub-categories, as well as tangible assets such as real estate.

Bond: A loan in the form of a security, usually issued by a government or company, 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 issue: A set of fixed income securities offered for sale to the public by a company or government. If the bonds are sold for the first time, it is called a 'new issue'.

Bottom-up selection: Selecting stocks based on the attractiveness of a company.

Bunds: Fixed income securities issued by the German government.

Capital: Refers to the financial assets, or resources, that a company has to fund its business operations.

Capital growth: Occurs when the current value of an investment is greater than the initial amount invested.

Capital return: The term for the gain or loss derived from an investment over a particular period. Capital return includes capital gain or loss only and excludes income (in the form of interest or dividend payments).

Cash equivalents: Deposits or investments with similar characteristics to cash.

Comparative sector: A group of funds with similar investment objectives and/or types of investment, as classified by bodies such as the Investment Association (IA) or Morningstar™. Sector definitions are mostly based on the main assets a fund should invest in, and may also have a geographic focus. Sectors can be the basis for comparing the different characteristics of similar funds, such as their performance or charging structure.

Consumer Prices Index (CPI): An index used to measure inflation, which is the rate of change in prices for a basket of goods and services. The contents of the basket are meant to be representative of products and services we typically spend our money on.

Convertible bonds: Fixed income securities that can be exchanged for predetermined amounts of company shares at certain times during their life.

Corporate bonds: Fixed income securities issued by a company. They are also known as bonds and can offer higher interest payments than bonds issued by governments as they are often considered more risky.

Coupon: The interest paid by the government or company that has raised a loan by selling bonds.

Credit: The borrowing capacity of an individual, company or government. More narrowly, the term is often used as a synonym for fixed income securities issued by companies.

Credit default swaps (CDS): Are a type of derivative, namely financial instruments whose value, and price, are dependent on one or more underlying assets. CDS are insurance-like contracts that allow investors to transfer the risk of a fixed income security defaulting to another investor.

Credit rating: An independent assessment of a borrower's ability to repay its debts. A high rating indicates that the credit rating agency considers the issuer to be at low risk of default; likewise, a low rating indicates high risk of default. Standard & Poor's, Fitch and Moody's are the three most prominent credit rating agencies. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Credit rating agency: A company that analyses the financial strength of issuers of fixed income securities and attaches a rating to their debt. Examples include Standard & Poor's and Moody's.

Credit risk: Risk that a financial obligation will not be paid and a loss will result for the lender.

Credit selection: The process of evaluating a fixed income security, also called a bond, in order to ascertain the ability of the borrower to meet its debt obligations. This research seeks to identify the appropriate level of default risk associated with investing in that particular bond.

Credit spread: The difference between the yield of a corporate bond, a fixed income security issued by a company, and a government bond of the same life span. Yield refers to the income received from an investment and is expressed as a percentage of the investment's current market value.

Default: When a borrower does not maintain interest payments or repay the amount borrowed when due.

Default risk: Risk that a debtholder will not receive interest and full repayment of the loan when due.

Derivatives: Financial instruments whose value, and price, are dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded on a regulated exchange or traded over the counter.

Developed economy/market: Well-established economies with a high degree of industrialisation, standard of living and security.

Dilution adjustments: The dilution adjustment is used to protect ongoing investors against the transaction charges incurred in investing or divesting in respect of creations and cancellations. The dilution adjustment is made up of the direct and indirect transaction charges. In the financial statements the direct transaction charges as a percentage of average NAV will be disclosed. This percentage will take account of those direct transaction charges that have been recovered through the dilution adjustment leaving a percentage that just represents the costs incurred in portfolio management.

Distribution: Distributions represent a share in the income of the fund and are paid out to Income shareholders or reinvested for Accumulation shareholders at set times of the year (monthly, quarterly, half-yearly or annually). They may either be in the form of interest distributions or dividend distributions.

Distribution yield: Expresses the amount that is expected to be distributed by the fund over the next 12 months as a percentage of the share price as at a certain date. It is based on the expected gross income less the ongoing charges.

Glossary

Diversification: The practice of investing in a variety of assets. This is a risk management technique where, in a well-diversified portfolio, any loss from an individual holding should be offset by gains in other holdings, thereby lessening the impact on the overall portfolio.

Dividend: Dividends represent a share in the profits of a company and are paid out to the company's shareholders at set times of the year.

Duration: A measure of the sensitivity of a fixed income security, also called a bond, or bond fund to changes in interest rates. The longer a bond or bond fund's duration, the more sensitive it is to interest rate movements.

Duration risk: The longer a fixed income security, also called a bond, or bond fund's duration, the more sensitive and therefore at risk it is to changes in interest rates.

Emerging economy or market: Economies in the process of rapid growth and increasing industrialisation. Investments in emerging markets are generally considered to be riskier than those in developed markets.

Equities: Shares of ownership in a company.

Exchange traded: Usually refers to investments traded on an exchange, such as company shares on a stock exchange.

Ex-dividend, ex-distribution or XD date: The date on which declared distributions officially belong to underlying investors.

Exposure: The proportion of a fund invested in a particular share/fixed income security, sector/region, usually expressed as a percentage of the overall portfolio.

Fixed income security: A loan in the form of a security, usually issued by a government or company, which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid. Also referred to as a bond.

Floating rate notes (FRNs): Securities whose interest (income) payments are periodically adjusted depending on the change in a reference interest rate.

Foreign exchange: The exchange of one currency for another, or the conversion of one currency into another currency. Foreign exchange also refers to the global market where currencies are traded virtually around the clock. The term foreign exchange is usually abbreviated as 'forex' and occasionally as 'FX'.

Foreign exchange (FX) strategy: Currencies can be an asset class in its own right, along with company shares, fixed income securities, property and cash. Foreign exchange strategy can therefore be a source of investment returns.

Forward contract: A contract between two parties to buy or sell a particular commodity or financial instrument at a pre-determined price at a future date. Examples include forward currency contracts.

Fundamentals (company): A basic principle, rule, law, or the like, that serves as the groundwork of a system. A company's fundamentals pertain specifically to that company, and are factors such as its business model, earnings, balance sheet and debt.

Fundamentals (economic): A basic principle, rule, law, or the like, that serves as the groundwork of a system. Economic fundamentals are factors such as inflation, employment, economic growth.

Futures: A futures contract is a contract between two parties to buy or sell a particular commodity or financial instrument at a pre-determined price at a future date. Futures are traded on a regulated exchange.

Gilts: Fixed income securities issued by the UK government.

Government bonds: Fixed income securities issued by governments, that normally pay a fixed rate of interest over a given time period, at the end of which the initial investment is repaid.

Hedging: A method of reducing unnecessary or unintended risk.

High water mark (HWM): The highest level that a fund's NAV (net asset value) has reached at the end of any 12-month accounting period.

High yield bonds: Fixed income securities issued by companies with a low credit rating from a recognised credit rating agency. They are considered to be at higher risk of default than better quality, ie higher-rated fixed income securities but have the potential for higher rewards. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Historic yield: The historic yield reflects distributions declared over the past 12 months as a percentage of the share price, as at the date shown.

Income yield: Refers to the income received from an investment and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value.

Index: An index represents a particular market or a portion of it, serving as a performance indicator for that market.

Income shares: A type of share where distributions are paid out as cash on the payment date.

Income units: A type of unit where distributions are paid out as cash on the payment date.

Index tracking: A fund management strategy that aims to match the returns from a particular index.

Index-linked bonds: Fixed income securities where both the value of the loan and the interest payments are adjusted in line with inflation over the life of the security. Also referred to as inflation-linked bonds.

Inflation: The rate of increase in the cost of living. Inflation is usually quoted as an annual percentage, comparing the average price this month with the same month a year earlier.

Inflation risk: The risk that inflation will reduce the return of an investment in real terms.

Initial public offering (IPO): The first sale of shares by a private company to the public.

Interest rate risk: The risk that a fixed income investment will lose value if interest rates rise.

Interest rate swap: An agreement between two parties to swap a fixed interest payment with a variable interest payment over a specified period of time.

Investment Association (IA): The UK trade body that represents fund managers. It works with investment managers, liaising with government on matters of taxation and regulation, and also aims to help investors understand the industry and the investment options available to them.

Glossary

Issuer: An entity that sells securities, such as fixed income securities and company shares.

Investment grade bonds: Fixed income securities issued by a company with a medium or high credit rating from a recognised credit rating agency. They are considered to be at lower risk from default than those issued by companies with lower credit ratings. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Issuer: An entity that sells securities, such as fixed income securities and company shares.

Leverage: When referring to a company, leverage is the level of a company's debt in relation to its assets. A company with significantly more debt than capital is considered to be leveraged. It can also refer to a fund that borrows money or uses derivatives to magnify an investment position.

Liquidity: A company is considered highly liquid if it has plenty of cash at its disposal. A company's shares are considered highly liquid if they can be easily bought or sold since large amounts are regularly traded.

Long position: Refers to ownership of a security held in the expectation that the security will rise in value.

Macroeconomic: Refers to the performance and behaviour of an economy at the regional or national level. Macroeconomic factors such as economic output, unemployment, inflation and investment are key indicators of economic performance. Sometimes abbreviated to 'macro'.

Maturity: The length of time until the initial investment amount of a fixed income security is due to be repaid to the holder of the security.

Modified duration: A measure of the sensitivity of a fixed income security, called a bond, or bond fund to changes in interest rates. The longer a bond or bond fund's duration, the more sensitive it is to interest rate movements.

Monetary easing: When central banks lower interest rates or buy securities on the open market to increase the money in circulation.

Monetary policy: A central bank's regulation of money in circulation and interest rates.

Monetary tightening: When central banks raise interest rates or sell securities on the open market to decrease the money in circulation.

Morningstar™: A provider of independent investment research, including performance statistics and independent fund ratings.

Near cash: Deposits or investments with similar characteristics to cash.

Net asset value (NAV): A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.

Ongoing Charge Figure: The Ongoing Charge Figure includes charges for the following items: management of the fund (also known as Annual Management Charge), administration services, services provided by external parties which include depository, custody and audit, as well as incorporating the ongoing charge figure from funds held in the portfolio (taking into account any rebates).

Open-ended investment company (OEIC): A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Options: Financial contracts that offer the right, but not the obligation, to buy or sell an asset at a given price on or before a given date in the future.

Over-the-counter (OTC): Whereby financial assets are traded directly between two parties. This is in contrast to exchange trading, which is carried out through exchanges set up specifically for the purpose of trading. OTC is also known as off-exchange trading.

Overweight: If a fund is 'overweight' a stock, it holds a larger proportion of that stock than the comparable index or sector.

Payment date: The date on which distributions will be paid by the fund to investors, usually the last business day of the month.

Physical assets: An item of value that has tangible existence, for example, cash, equipment, inventory or real estate. Physical assets can also refer to securities, such as company shares or fixed income securities.

Portfolio transaction cost: The cost of trading, such as brokerage, clearing, exchange fees and bid-offer spread as well as taxes such as stamp duty.

Preference shares: Preference shares are a loan to a company that may be traded in the same way as ordinary shares, but generally have a higher yield and pay dividends on fixed dates. Preference shares have varying characteristics as to the treatment of the principal and the dividend payment, which includes ranking them above ordinary shares when it comes to dividend payments.

Principal: The face value of a fixed income security, which is the amount due back to the investor by the borrower when the security reaches the end of its life.

Private placement: An offer of sale of securities to a relatively small number of investors selected by the company, generally investment banks, mutual funds, insurance companies or pension funds.

Property Expense Ratio (PER): Property expenses are the operating expenses that relate to the management of the property assets in the portfolio. These include: insurance and rates, rent review and lease renewal costs and maintenance and repairs, but not improvements. They depend on the level of activity taking place within the fund. The Property Expense Ratio is the ratio of property expenses to the fund's net asset value.

Real yield: The return of an investment, adjusted for changes in prices in an economy.

Retail Prices Index (RPI): A UK inflation index that measures the rate of change in prices for a basket of goods and services in the UK, including mortgage payments and council tax.

Risk: The chance that an investment's return will be different to what is expected. Risk includes the possibility of losing some or all of the original investment.

Risk management: The term used to describe the activities the fund manager undertakes to limit the risk of a loss in a fund.

Risk premium: The difference between the return from a risk-free asset, such as a high-quality government bond or cash, and the return from an investment in any other asset. The risk premium can be considered the 'price' or 'pay-off' for taking on increased risk. A higher risk premium implies higher risk.

Risk-free asset: An asset that notionally carries no risk of non-payment by the borrower such as a high-quality fixed income security issued by a government or cash.

Glossary

Risk/reward ratio: A ratio comparing the expected returns of an investment with the amount of risk undertaken.

Safe-haven assets: Refers to assets that investors perceive to be relatively safe from suffering a loss in times of market turmoil.

Security: Financial term for a paper asset – usually a share in a company or a fixed income security also known as a bond.

Share class: Each M&G fund has different share classes, such as A, R and I. Each has a different level of charges and minimum investment. Details on charges and minimum investments can be found in the Key Investor Information Documents.

Share class hedging: Activities undertaken in respect of hedged shares to mitigate the impact on performance of exchange rate movements between the fund's currency exposure and the investor's chosen currency.

Short position: A way for a fund manager to express his or her view that the market might fall in value.

Short selling: This often refers to the practice whereby an investor sells an asset they do not own. The investor borrows the asset from someone who does own it and pays a fee. The investor must eventually return the borrowed asset by buying it in the open market. If the asset has fallen in price, the investor buys it for less than they sold it for, thus making a profit. The contrary may also occur.

Short-dated corporate bonds: Fixed income securities issued by companies and repaid over relatively short periods.

Short-dated government bonds: Fixed income securities issued by governments and repaid over relatively short periods.

Sovereign debt: Debt of a government. Also referred to as government bonds.

Sub-investment grade bonds: Fixed income securities issued by a company with a low rating from a recognised credit rating agency. They are considered to be at higher risk from default than those issued by companies with higher credit ratings. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Top-down investing: An investment approach that analyses economic factors, ie surveys the 'big picture', before selecting which companies to invest in. The top-down investor will look at which industries are likely to generate the best returns in certain economic conditions and limit the search to that area.

Total return: The term for the gain or loss derived from an investment over a particular period. Total return includes income (in the form of interest or dividend payments) and capital gains.

Treasuries: Fixed income securities issued by the US government.

Triple A or AAA rated: The highest possible rating a fixed income security, also called a bond, can be assigned by credit rating agencies. Bonds that are rated AAA are perceived to have the lowest risk of default. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

UCITS: Stands for Undertakings for Collective Investment in Transferable Securities. This is the European regulatory framework for an investment vehicle that can be marketed across the European Union and is designed to enhance the single market in financial assets while maintaining high levels of investor protection.

Unconstrained: The term used to describe the mandate of a fund whereby the manager has the freedom to invest according to his or her own strategy, not being obliged to allocate capital according to the weightings of any index, for example.

Underlying value: The fundamental value of a company, reflecting both tangible and intangible assets, rather than the current market value.

Underlying yield: Refers to the income received by a managed fund, and is usually expressed annually as a percentage based on the fund's current value.

Underweight: If a portfolio is 'underweight' a stock, it holds a smaller proportion of that stock than the comparable index or sector.

Unit trust: A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Unit/share type: Type of units/shares held by investors in a trust or fund (unit/share types differ by features such as whether income is to be paid out as cash or reinvested on the payment date).

Valuation: The worth of an asset or company based on its current price.

Volatile: When the value of a particular share, market or sector swings up and down fairly frequently and/or significantly, it is considered volatile.

Volatility: The degree to which a given security, fund, or index rapidly changes. It is calculated as the degree of deviation from the norm for that type of investment over a given time period. The higher the volatility, the riskier the security tends to be.

Warrant: A security issued by a company that gives the holder the right to buy shares in that company at a specified price and within a certain timeframe.

Yield: This refers to either the interest received from a fixed income security or to the dividends received from a share. It is usually expressed as a percentage based on the investment's costs, its current market value or its face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

Yield (equity): Refers to the dividends received by a holder of company shares and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

Yield (bonds): This refers to the interest received from a fixed income security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

Yield (income): Refers to the income received from an investment and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value.

M&G Securities Limited is authorised and regulated by the Financial Conduct Authority and provides investment products. The Company's registered office is Laurence Pountney Hill, London EC4R 0HH. Registered in England number 90776.

